

News Release



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Government Finance

Tax Revenues 2007

Total tax revenues during 2007 amounted to €1,889.2 million, implying a tax burden of 34.9 per cent.

Total tax revenues during 2007 increased by €169.0 million, or 9.8 per cent over the previous year, and amounted to €1,889.2 million. Tax revenue may be broadly classified under three main headings: indirect taxes, direct taxes and social security contributions. Table 1 illustrates the revenue streams under these broad categories.

Indirect taxes, at €825.4 million, made up 43.7 per cent of total tax revenues. Indirect taxes are defined as taxes linked to production and imports. This tax category includes VAT, import duties, excise and other specific taxes on services, and on financial and capital transactions. Within this heading VAT is the most important component, followed by taxes on products (including excise duties). Total revenue from VAT amounted to €420.0 million, making up 22.2 per cent of total tax revenues.

Direct taxes are current taxes on income and wealth plus capital taxes and other current taxes. Income taxes are made up of both personal and corporate taxes. During 2007, direct taxes increased by €117.2 million, to €741.6 million, making up 39.3 per cent of total tax revenue. This increase was essentially brought about by an increase of €112.6 million in revenue from corporate tax.

Social contributions are compulsory actual social contributions paid by the employees, by employers, as well as by self- and non-employed persons. Revenue in this category increased by €7.2 million, totalling €322.1 million, and making up 17.1 per cent of the total tax revenue.

The overall tax burden is defined as the total amount of taxes and actual social contributions expressed as a percentage of GDP. The tax burden for Malta moved up to 34.9 per cent in 2007, from 33.8 per cent one year earlier.

The data in this release take into account a change in the method of recording taxes and social contributions in Malta. The revision was done in order to comply with Council Regulation 2516/2000, and is explained in detail in the attached methodological notes ■

European statistics comparable to data in this News Release are available at:

[EUROSTAT Website/Homepage/Economy and finance/Data](http://europa.europa.eu/eurostat/Website/Homepage/Economy_and_finance/Data)

- >Economy and finance
 - >Government statistics
 - >Annual government finance statistics
 - >Main national accounts tax aggregates

For further assistance send a request from:
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Table 1. Structure of Tax Revenues

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	ESA Code	2004	2005	2006	2007
Indirect Taxes		671,785	740,792	780,850	825,419
VAT	D211	332,612	397,417	409,802	419,958
Import Duties	D2121	18,350	15,734	16,253	15,344
Levies	D2122	3,949	0	0	0
Taxes on Products (incl. Excise duties)	D214	280,705	300,026	326,906	364,038
Other taxes on production	D29	36,170	27,615	27,890	26,078
Direct Taxes		511,730	576,957	624,408	741,620
Personal Income Tax	D51	287,645	302,509	326,774	321,708
Corporate Income Tax	D51	185,015	214,143	254,287	366,883
Other Income Tax	D51	3,813	3,150	2,878	3,058
Other Current Taxes	D59	25,895	39,651	25,816	34,306
Capital Taxes	D91	9,362	17,503	14,653	15,666
Social Contributions		293,467	306,842	314,953	322,148
Employers'	D61111	131,690	137,936	141,735	144,059
Employees'	D61121	131,596	137,586	141,345	143,817
Self- and non-employed	D61131	30,181	31,320	31,873	34,271
Total Tax Revenues		1,476,983	1,624,591	1,720,211	1,889,187

Table 2. Structure of Tax Burden

per cent

	ESA Code	2004	2005	2006	2007
Indirect Taxes		14.9	15.4	15.3	15.2
VAT	D211	7.4	8.3	8.0	7.8
Import Duties	D2121	0.4	0.3	0.3	0.3
Levies	D2122	0.1	0.0	0.0	0.0
Taxes on Products (incl. Excise duties)	D214	6.2	6.3	6.4	6.7
Other taxes on production	D29	0.8	0.6	0.5	0.5
Direct Taxes		11.3	12.0	12.3	13.7
Personal Income Tax	D51	6.4	6.3	6.4	5.9
Corporate Income Tax	D51	4.1	4.5	5.0	6.8
Other Income Tax	D51	0.1	0.1	0.1	0.1
Other Current Taxes	D59	0.6	0.8	0.5	0.6
Capital Taxes	D91	0.2	0.4	0.3	0.3
Social Contributions		6.5	6.4	6.2	5.9
Employers'	D61111	2.9	2.9	2.8	2.7
Employees'	D61121	2.9	2.9	2.8	2.7
Self- and non-employed	D61131	0.7	0.7	0.6	0.6
Total Tax Burden		32.8	33.8	33.8	34.9

Numbers may not add up due to rounding.

Table 3. Structure of Tax Revenues

		per cent			
	ESA Code	2004	2005	2006	2007
Indirect Taxes		45.5	45.6	45.4	43.7
VAT	D211	22.5	24.5	23.8	22.2
Import Duties	D2121	1.2	1.0	0.9	0.8
Levies	D2122	0.3	0.0	0.0	0.0
Taxes on Products (incl. Excise duties)	D214	19.0	18.5	19.0	19.3
Other taxes on production	D29	2.4	1.7	1.6	1.4
Direct Taxes		34.6	35.5	36.3	39.3
Personal Income Tax	D51	19.5	18.6	19.0	17.0
Corporate Income Tax	D51	12.5	13.2	14.8	19.4
Other Income Tax	D51	0.3	0.2	0.2	0.2
Other Current Taxes	D59	1.8	2.4	1.5	1.8
Capital Taxes	D91	0.6	1.1	0.9	0.8
Social Contributions		19.9	18.9	18.3	17.1
Employers'	D61111	8.9	8.5	8.2	7.6
Employees'	D61121	8.9	8.5	8.2	7.6
Self- and non-employed	D61131	2.0	1.9	1.9	1.8
Total Tax Revenues		100.0	100.0	100.0	100.0

Numbers may not add up due to rounding.

Methodological Notes

The assessment and monitoring of the structures of the taxation systems and the various tax reforms in the European Union call for a reliable, coherent and up-to-date system of tax indicators representing the structures of the various tax systems applicable in the European Union. The data contained in this news release has been drawn up in line with the ESA 95 methodologies, and for ease of reference this glossary provides the necessary definitions. Some definitions cover taxes which are not applicable locally.

Taxes on Production and Imports (includes VAT and excise duties) (D.2) - Consist of compulsory, unrequited payments, in cash or in kind which are levied by general government, or by the Institutions of the European Union, in respect of the production and importation of goods and services, the employment of labour, the ownership or use of the land, building or other assets used in production. These taxes are payable irrespective of whether profits are made.

Taxes on production and imports consist of:

- a) *taxes on products (D.21)* - are taxes that are payable per unit of some good or service produced or transacted. The tax may be a specific amount of money per unit of quantity of a good or service, or it may be calculated *ad valorem* as a specified percentage of the price per unit or value of the goods and services produced or transacted.
 - (1) *value-added-type taxes (VAT) (D.211)* - is a tax on goods or services collected in stages by enterprises and which is ultimately charged in full to the final purchasers.
 - (2) *taxes and duties on imports; except VAT (D.212)* - comprise compulsory payments levied by general government or the Institutions of the European Union on imported goods, excluding VAT, in order to admit them to free circulation on the economic territory, and on services provided to resident units by non-resident units.
 - (3) *taxes on products, except VAT and import taxes (D.214)* - consist of taxes on goods and services that become payable as a result of the production, export, sale, transfer, leasing or delivery of those goods or services, or as a result of their use for own consumption or own or own capital formation. Within the local context this refers to excise duties.
- b) *other taxes on production (D.29)* - consist of all taxes that enterprises incur as a result of engaging in production, independently of the quantity or value of the goods and services produced or sold (mainly operating licences).

Current Taxes on Income and Wealth (D.5) - covers all compulsory, unrequited payments, in cash or in kind, levied periodically by general government and by the rest of the world on the income and wealth of institutional units, and some periodic taxes which are assessed neither on the income nor the wealth.

Current taxes on income, wealth, etc, are divided into:

- a) *taxes on income (D.51)* - consist of taxes on incomes, profits and capital gains. They are assessed on the actual or presumed incomes of individuals, households, corporations or non-profit institutions. They include taxes assessed on holdings of property, land or real estate when these holdings are used as a basis for estimating the income of their owners.
- b) *other current taxes (D.59)* - include: Current taxes on capital that are payable periodically on the ownership or use of land or buildings by owners, and current taxes on net wealth and on other assets except taxes mentioned in D.29 and D.51; Poll taxes, levied per adult or per household, independently of income or wealth; Expenditure taxes, payable on the total expenditures of persons or households; Payments by households for licences to own or use vehicles, boats or aircraft, or for licences to hunt, shoot or fish, etc.; Taxes on international transactions (travel abroad, foreign remittances, foreign investments, etc), except those payable by producers and import duties paid by households.

Taxes on Capital (D.91) are mainly made up of inheritance taxes and taxes on gifts *inter vivos*.

Direct taxes consist of current taxes on income and wealth plus capital taxes and other current taxes. The income taxes are made up of both personal as well as corporate taxes.

Social Security Contributions (D.61) - include:

- a) *employers' actual social contributions (D.6111)* - Are paid by employers (both private and Government) to social security funds, insurances enterprises or autonomous as well as non autonomous pension funds administering social insurance schemes to secure social benefits for their employees.
- b) *employees' social contributions (D.6112)* - Are payable by employees to social security, private funded and unfunded schemes.
- c) *social contributions by self-employed and non-employed persons (D.6113)* - Are payable for their own benefit by persons who are not employees - namely self-employed persons (employers or own-account workers) or non-employed persons.

In Malta there are no Social Security Funds, the scheme is operated by central government. The figures presented in these tables are net of the State Contribution (in terms of the Social Security Act, 1987)

The method of recording taxes and social contributions in Malta has changed as described in the box below.

Change in method of recording of taxes and social contributions in Malta

Following the submission of a proposal for a change in the method of recording taxes and social contributions by the Maltese authorities in April 2008, Eurostat has welcomed the work undertaken by the National Statistics Office (NSO) towards full implementation of Council Regulation 2516/2000.

Malta had been using a method of recording cash amounts received, adjusted for accruals through the assessment of so-called realistic balances at the end of each accounting period. These estimates were always done by the relevant government departments, and not by NSO.

This method was not considered to be in line with Council Regulation 2516/2000, according to Eurostat. The main weakness of this method was the fact that the assessed claims were based on expert estimates rather than on a benchmark of past statistical performance.

The new method

The Maltese authorities have proposed to change from the current method to time-adjusted cash, based on Eurostat advice, and have undertaken a study to see what the results would be with different time-lags. The study has included time-adjusting the different taxes with one, two and three months respectively.

Eurostat's advice

Eurostat's opinion is that the study undertaken by the NSO has given realistic results and that the switch to time-adjusted cash is appropriate in the present situation.

In order to estimate the appropriate time-lag to be chosen, the comparison with the current assessment is relevant, as it implicitly does not only take the administrative time-lag (simple time-adjusted cash method) into account, but also other delays, such as arrears (weighted time-adjusted cash).

Eurostat is therefore of the opinion that the proposed method and time-adjustments (t+1 for VAT and t+2 for income taxes and social contributions) are sound.

NSO has been requested by Eurostat to fully implement the new method in the October 2008 notification of the EDP (Excessive Deficit Procedure), as well as in other government finance statistics. In the first instance, the data are being revised backwards to 2004.

The figures in this release are in line with Eurostat's advice.