Monthly Monitoring of the Stability Target

## C. Tax on cash before transfer   October 2017
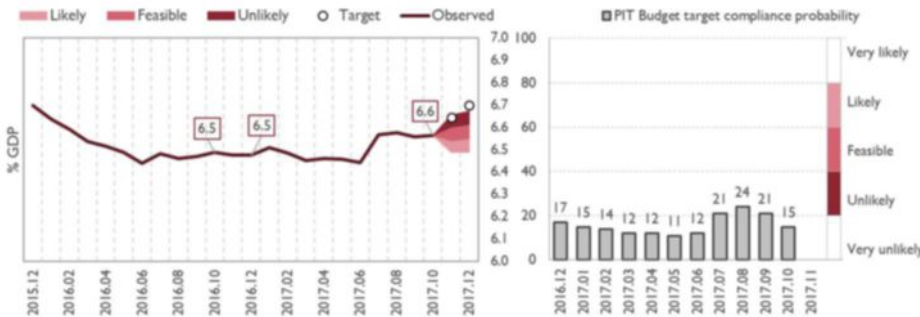
- Personal Income Tax grew 5.2% in accumulated 12-month terms through October, driven by improved withholdings, and annual statements better than the previous year with both increased revenue and fewer requested returns.
- The accumulated growth is slightly lower than the previous months, but its weight over nominal GDP remains constant at 6.6% of GDP.
- After the new collection data, the AIReF has reduced its closure forecast, which, together with the fact that there is less time left in the year, means a reduction in the qualification, from unlikely to highly unlikely.
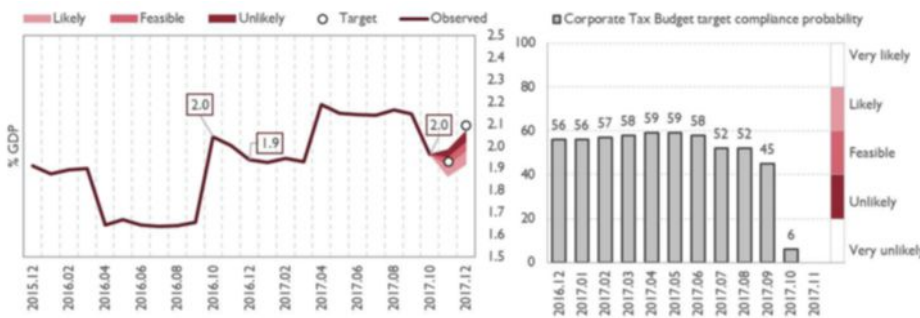
- The AIReF has updated its closing forecast after receiving the October data, revising it down 900M, which led to a reduction in the qualification, from feasible to highly unlikely.
- Revenue from the second Corporate Tax instalment payment was lower than expected.
- The impact of the measures approved by RDL 3/2016 will be less than the Government's expectations.
- In October, the accumulated tax stands at 2.0% of GDP, with the same weight that it represented in the same month of the previous year, despite the approved measures.

GRAPH 3 VALUE ADDED TAX (VAT) BEFORE TRANSFER

(*) Since August, revenues have been adjusted for the impact of the introduction of the VAT Immediate Information System that delays cash receipts by one month.

- Accumulated 12-month VAT collections until October grew with respect to the accumulations until September, increasing from 6.3% to the current 7.6%, standing slightly above the 7.3% forecasted in the GIP.

- Its weight over GDP stands at 5.8%, with no variation with respect to the accumulation figures seen in recent months.

- The expected growth of private consumption, construction and employment, together with the latest known collection data, indicate that AIReF's forecast for the rest of the year will improve compared to the previous month. The likelihood of compliance with the budget targets increases while still considered likely.

GRAPH 4 SPECIAL TAXES BEFORE TRANSFER
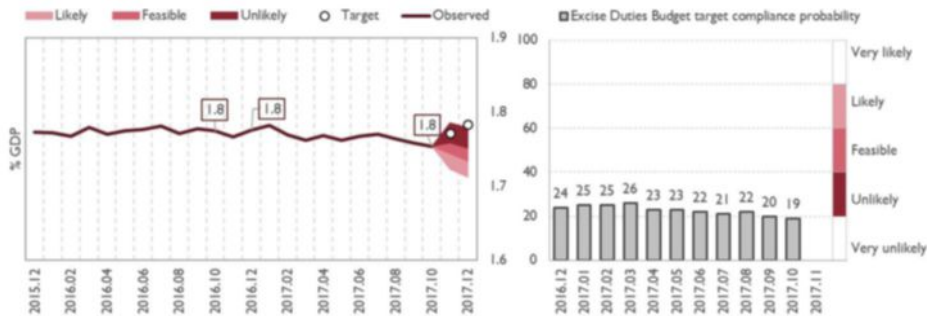
- Special taxes grew 2.8% in accumulated 12-month terms, a rate equal to that recorded until September. However, its weight over GDP remains practically unchanged.

- There has been no change to the AIReF forecast, but the fact that the end of the year is approaching means that the likelihood of compliance slightly decreases, enough to change the rating from unlikely to highly unlikely.

GRAPH 5 SOCIAL SECURITY CONTRIBUTIONS
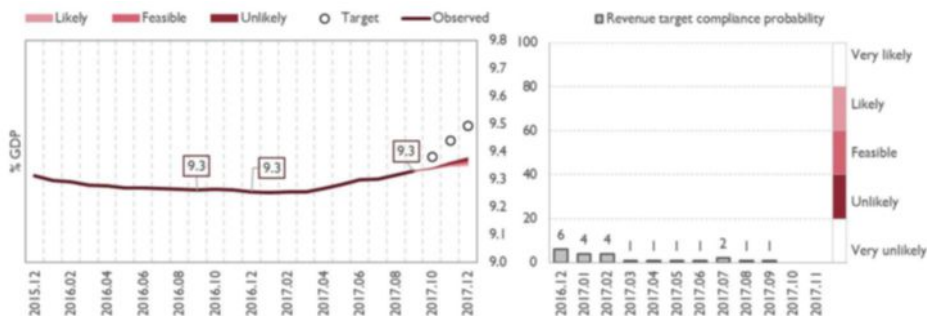
Sources: AEAT, General Social Security Agency and AIReF estimates

- Social Security contributions maintains their weight around 9.3% of GDP until October 2017. A gradual and very slight improvement is projected until the end of the year.

- In accumulated 12-month terms, contributions rose to 4.8% until September, above nominal GDP.

- The AIReF considers it highly unlikely that the GIP growth forecasts of 6.8% will be met.

Assumptions and notes on monthly monitoring

- The AIReF projections are based on its own models for taxes and contributions and tax data available up to August 2017.

- The graphs represent the Personal Income Tax, Corporate Income Tax, VAT, Special Taxes and Contributions from the last twelve months accumulated as a percentage of GDP.

- The National Institute of Statistics has revised the nominal GDP for the years 2014-2016, including the newly published data into their calculations.

- AIReF projections are compared with the 2017 GIP projection targets.

- The updated AIReF forecast and the Government forecast are adjusted monthly, applying the same weights as assigned by the ARIMA Tramo Seats projection to each month for each of these components, considering both seasonality and series trends

- Confidence intervals are obtained in two stages. First, a VAR model is estimated for the following variables: (i) subsector specific variables, such as expenditure, revenue and the ratio of public debt to GDP; and (ii) common variables referring to the national aggregate: real GDP, GDP deflator and ten-year government bond yields. Second, using projected trajectories for the different variables and the estimated joint distribution of VAR shocks, 1500 probabilistic scenarios are constructed. The intervals shown have been used to assess the achievement of targets according to the following probabilities:

Very likely	80-99%: compliance highly likely.
Likely	60-79%: compliance likely.
Feasible	40-59%: compliance feasible.
Unlikely	20-39%: compliance unlikely.
Very unlikely	0-19%: compliance highly unlikely.