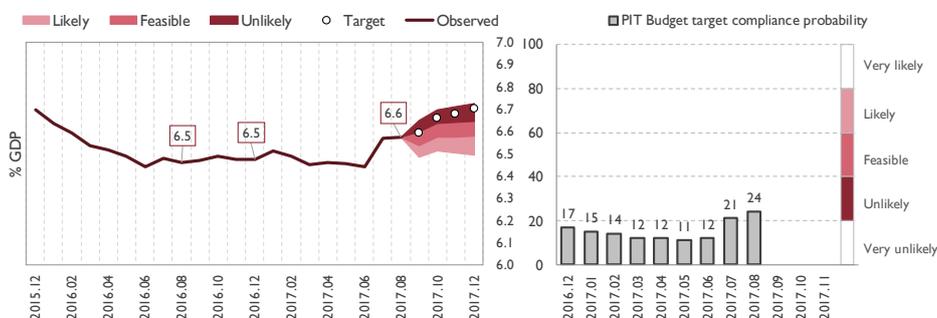


# Monthly Monitoring of Stability Target

## C. Tax on Cash Before Transfer

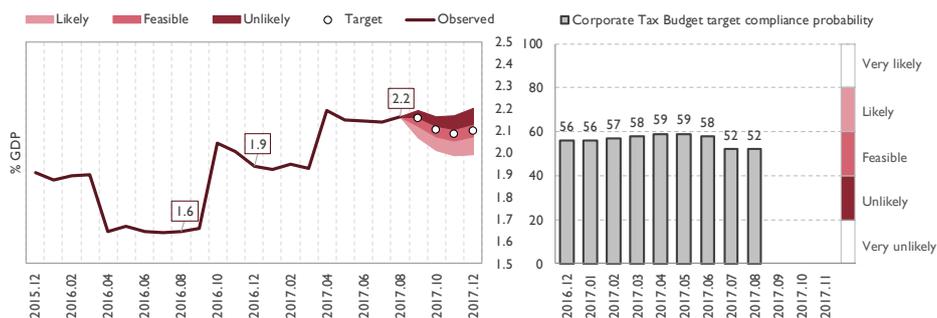
### August 2017

**GRAPH 1. PERSONAL INCOME TAX (IRPF) BEFORE TRANSFER**



- Personal Income Tax grew by 5.7% in accumulated 12-month terms through August, mainly due to the impact of the Personal Income Tax Campaign, with revenues higher than the previous year (16.1%) and lower returns.
- This accumulated growth surpassed nominal GDP growth, increasing its weight to 6.6% of GDP.
- The AIReF has updated its closing forecast in line with the new collection data, slightly improving the likelihood of meeting the target, although still considered unlikely.

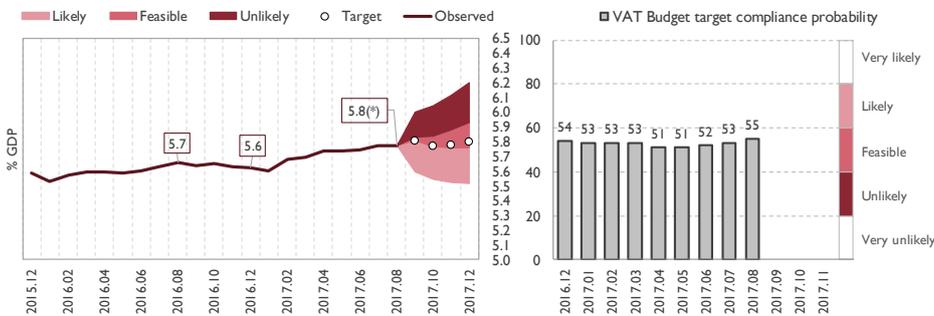
**GRAPH 2. CORPORATE TAX**



- Through August, Corporate Tax increased in accumulated 12-month terms, more than 30% with a period where two installments were much higher than usual due to regulatory changes.
- In August, the tax was 2.2% of GDP, improving one tenth over the July level, after a better quota than the previous year.
- As in the previous report, reaching the Budget target is still feasible. The final impact of the measures adopted in RDL 3/2016 on the July quota, which will be deposited in August, is similar to the AIReF forecasts, therefore the probability has not varied.



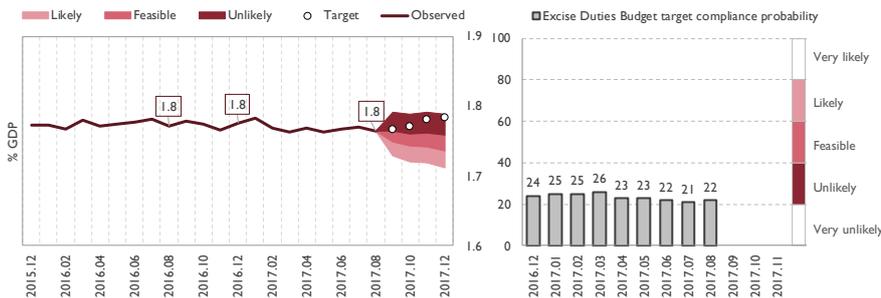
**GRAPH 3. VALUE ADDED TAX (VAT) BEFORE TRANSFER**



(\*) August income adjusted for the impact of the new VAT Immediate Information System which delays cash income one month (+3.839M€)

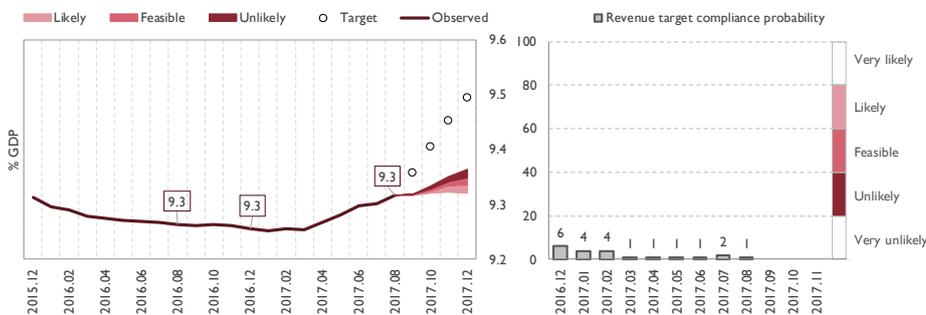
- VAT collection holds at the same level as the previous month. The accumulated 12-month growth of 5.8% is approaching the GIP growth rates.
- In August, the new VAT Immediate Information System (VAT IIS) came into force, which extends the monthly income period from the 20th to the 30th of the following month. The estimated impact of the cash has been corrected for this reason.
- For the rest of the year, this trend is expected to be consolidated, driven by the expected growth in private consumption, construction and employment, which is why the AIReF considers the budget target to be feasible.

**GRAPH 4. SPECIAL TAXES BEFORE TRANSFER**



- Special taxes grew 3.4% in accumulated 12-month terms, a rate similar to last month, but its weight over GDP remains unchanged.
- For the rest of the year, this growth is expected to continue, albeit at a slightly lower pace. Therefore, the AIReF believes it unlikely that the GIP growth rates of 4.6% will be met.

**GRAPH 5. SOCIAL SECURITY CONTRIBUTIONS**



Sources: AEAT, General Social Security Agency and AIReF estimates

- Social Security contributions maintain their weight at around 9.3% of GDP through August 2017. A slight improvement is expected by the end of the year.
- In cumulative 12-month terms, the contributions grew by 4.4% until August, slightly above nominal GDP growth.
- The AIReF believes it highly unlikely that the GIP forecasted growth 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 four months accumulated as a percentage of GDP.
- The National Statistics Institute has revised the nominal GDP for 2014-2016. The new data is included in these forecasts.
- 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:

