

Monthly monitoring of the stability target

C. Tax on cash before transfer

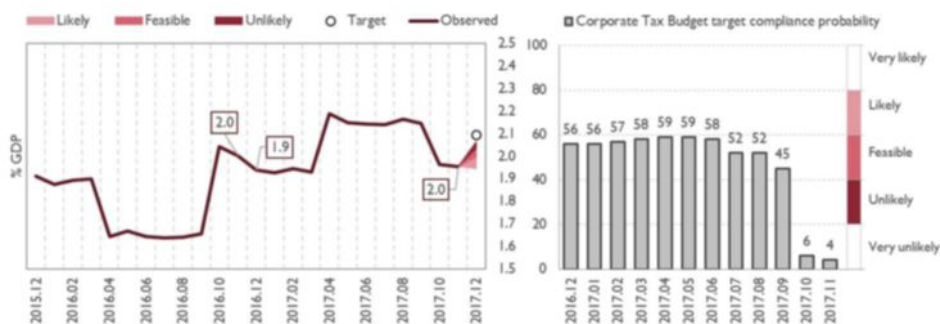
November 2017

GRAPH 1. PERSONAL INCOME TAX (IRPF) BEFORE TRANSFER



- Personal Income Tax grew by 6.3% in accumulated 12-month terms through November mainly due to increased withholdings and annual statements for 2016 better than the previous year, with both better revenue and fewer returns claimed.
- Accumulated growth is slightly greater than previous months, but its weight over nominal GDP remains at 6.6% of GDP.
- After the November collection data, which included better than expected data on the second instalment of the quota, the AIREF updated its closing forecast, but the likelihood of compliance remains highly unlikely.

GRAPH 2. CORPORATE TAX



- Through November, Corporate Tax increased in accumulated 12-month terms, by 1.5%, as in the previous month, maintaining its weight over GDP by 2.0%.
- According to the AIREF estimates, the impact of the RDL 3/2016 measures will not reach €1,500 million in 2017, much less the €4.655 million initially forecast by the Government.
- The AIREF continues to consider it highly unlikely to reach the target provided in the GIP.



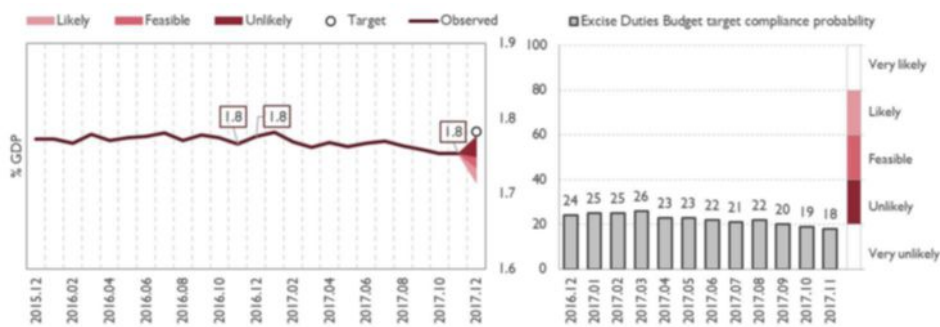
GRAPH 3. VALUE ADDED TAX (VAT) BEFORE TRANSFER



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

- VAT Collection until November, in accumulated 12-month terms, increases again with respect to the October figures, going from 7.6% to 8.0%, above the 7.3% projected in the GIP.
- Its weight over GDP remains at 5.8%.
- The sustained growth of domestic demand, together with monthly data in line with expectations, mean that the AIReF forecast for the rest of the year remains likely.

GRAPH 4. SPECIAL TAXES BEFORE TRANSFER



- Special taxes grew 3.4% until November, in accumulated 12-month terms, a rate slightly greater than recorded through October. However, its weight over GDP remains practically unchanged.
- The AIReF forecast for the 2017 close still considers compliance with the GIP forecasts to be highly unlikely.

GRAPH 5. SOCIAL SECURITY CONTRIBUTIONS



Sources: AEAT, General Social Security Agency and AIReF estimates

- Contributions grew until November, in accumulated 12-month terms, 5.1% above nominal GDP.
- Social Security contributions reached a weight over GDP of about 9.4% through November 2017. A gradual and very slight improvement is expected until the end of the year.
- The AIReF considers it highly unlikely that the growth forecasts of 6.8% projected in the GIP 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 November 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 reviewed the nominal GDP for 2014-2016, including this newly published data into their figures.
- 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:

