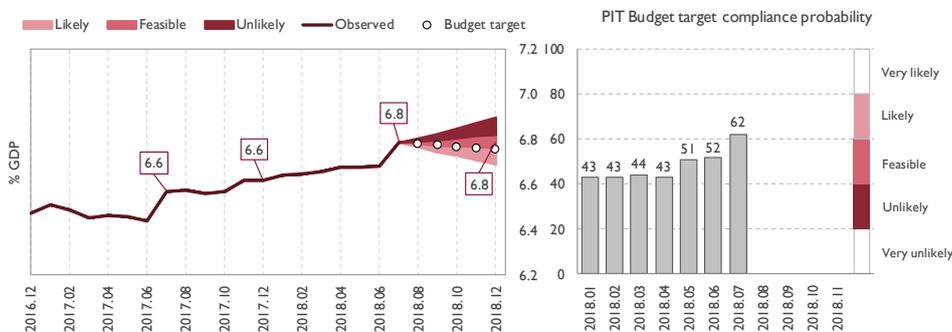# Monthly stability target monitoring

C. Taxes on hand before transfer
July 2018

FIGURE 1. PERSONAL INCOME TAX (PIT) BEFORE TRANSFER

- AIReF's evaluation for the end of 2018 has improved, changing to 'likely'.

- PIT increased by 0.2% GDP between January and July to 6.8% GDP, mainly due to the good performance of the withholding tax on earnings and the good result of the quota paid in July.

- Although this growth will moderate until the end of the year due to the measures approved in the GSB that are estimated at €899 million, the weight on GDP until the end of 2018 will stabilise at 6.8% GDP.

- AIReF has improved its closing forecast due to a 2017 quota that was higher than expected, which will also be reflected in the November collection when the second payment of the quota materialises.

FIGURE 2. CORPORATE INCOME TAX (CIT)
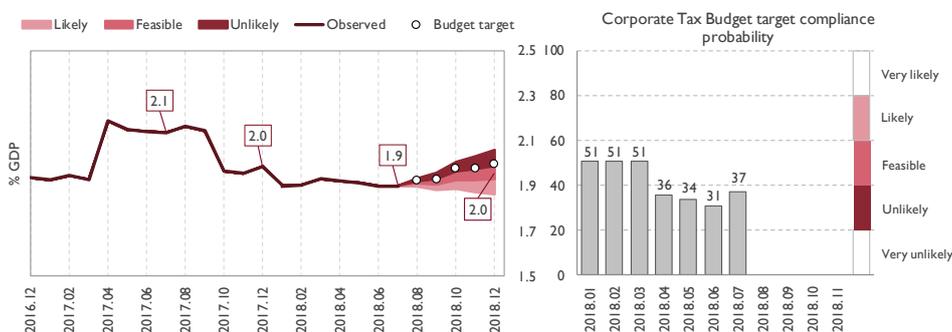
- With the data available until July, AIReF continues to consider it unlikely to achieve the target envisaged in the 2018 GSB, although the likelihood improves.

- In the first 7 months of the year, CIT decreased by 0.1% GDP, to 1.9% GDP.

- This evolution, -14.1%, is the result of a halted first instalment payment and an increase in the refunds made, far from the 6.8% growth recorded at the end of 2017.

- The results of the annual declaration of July were somewhat better than expected, which has meant an upward revision of AIReF's forecasts.

- For the whole of 2018, AIReF considers that its weight on GDP will remain stable.

FIGURE 3. VALUE ADDED TAX (VAT) BEFORE TRANSFER
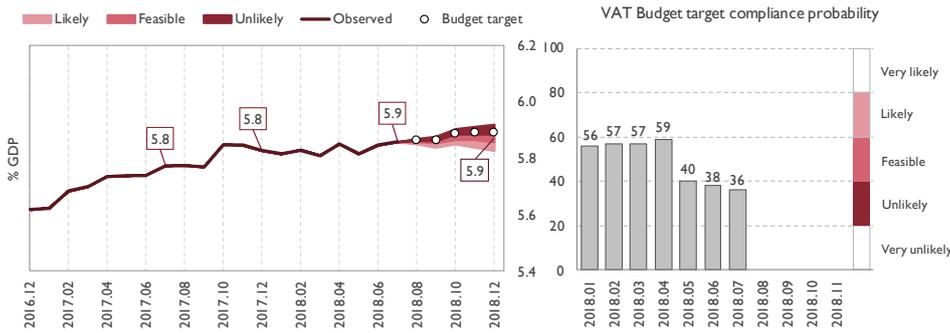
(*) Since August, revenues have been adjusted for the impact of the introduction of the VAT Immediate Information System that delays cash receipts by one month.

- For the whole of 2018 AIReF forecasts a growth slightly below the budgets and considers it unlikely that the figure estimated therein will be achieved.
- The VAT collection until July grew by 0.1% GDP, up to 5.9% GDP, a rate lower than that recorded at the end of 2017.
- For the end of 2018, AIReF estimates a growth of 5.2%, lower than the 5.6% expected in the budgets, keeping its weight on GDP stable.

FIGURE 4. SPECIAL TAXES BEFORE TRANSFER
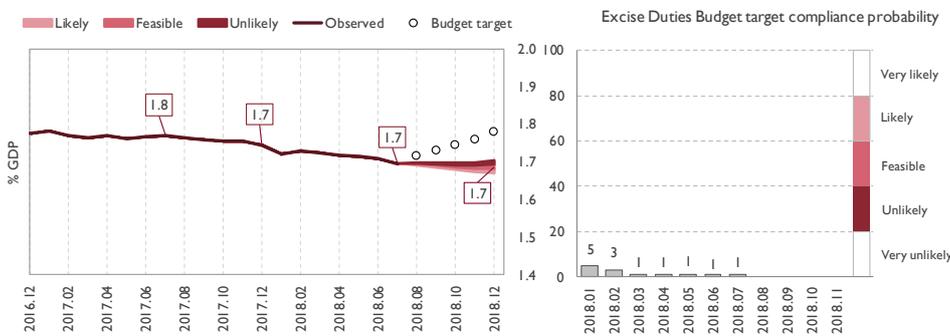
- AIReF's forecast for the end of 2018 deems compliance with the 6.4% envisaged in the budgets to be highly unlikely.
- Until July, the ST have slightly reduced their weight on GDP, which still represents 1.7% GDP.
- Collection has fallen at a rate of -0.6%, well below the 2.2% recorded at the end of 2017.
- Until the end of 2018, AIReF estimates that ST will grow at a rate of 1%, with their weight on GDP decreasing slightly.

FIGURE 5. SOCIAL SECURITY CONTRIBUTIONS
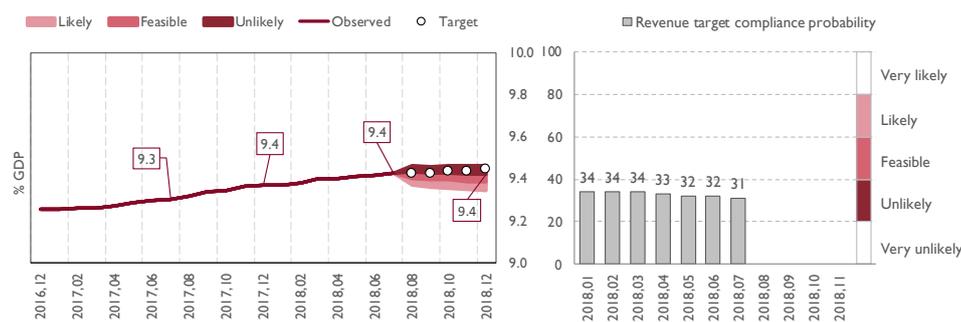
- The AIReF considers it unlikely that the growth forecasts of the GSB will be met.
- Social Security contributions maintained a stable weight of around 9.4% GDP until July 2018, a trend that will be maintained until year-end.
- Contributions grew until July, in 12-month accumulated terms, 5.8% above nominal GDP.

Sources: AEAT, General Social Security Agency and AIReF's estimates

Assumptions and Notes on Monthly Monitoring

- AIReF's forecasts are based on its own models for taxes and contributions and tax data available to date.

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

- AIReF's forecasts are compared with the target envisaged in the 2018 draft GSB.

- AIReF's updated 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) sub-sector specific variables, such as expenditure, revenue and government debt-to-GDP ratio; 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, 15,000 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