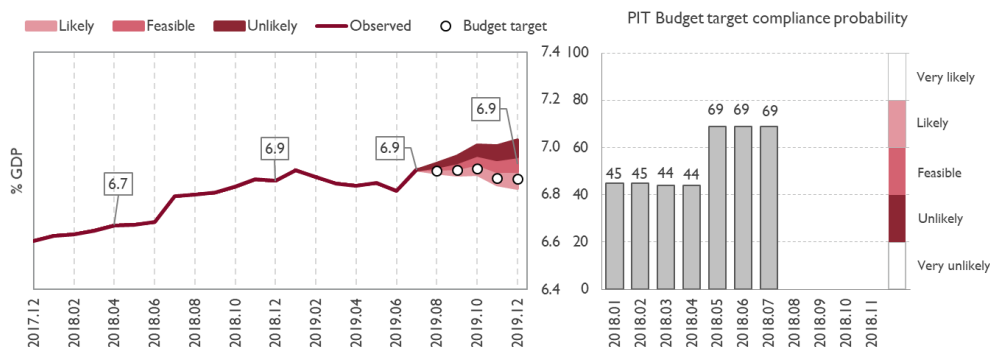


Monthly stability target monitoring

C. Taxes in cash before transfer

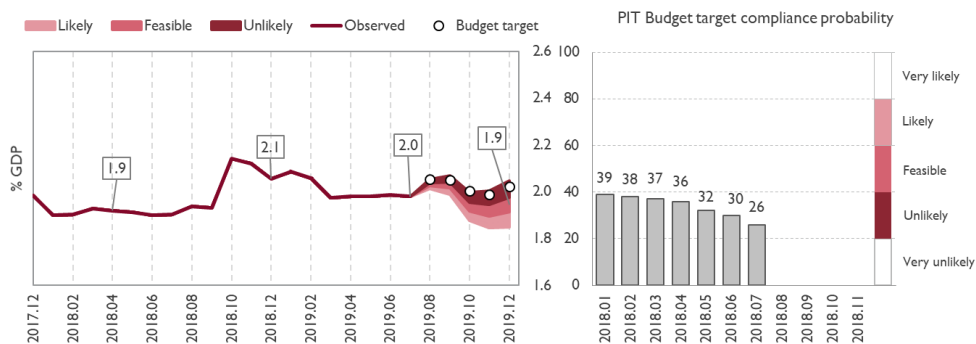
July 2019

GRAPH 1. PERSONAL INCOME TAX (PIT) BEFORE TRANSFER



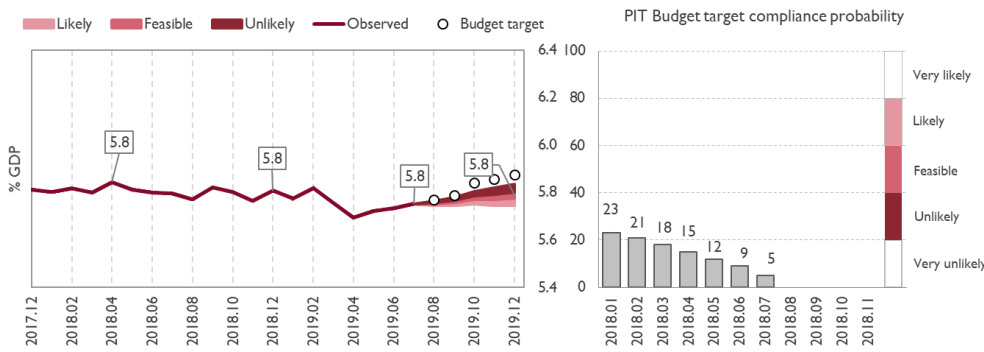
- In 12-months accumulated terms the weight of Personal Income Tax (IRPF) on GDP has remained the same compared to the close of 2018.
- Until July, net income from IRPF has grown by 4.6% (6.6% in homogeneous terms).
- Total gross revenues are growing at a rate of 6.6%, influenced by the first payment of annual declaration (second payment in November). In addition, the withholding of work and economic activities maintains their positive evolution (5.8% until July).
- Returns have increased by 19% so far this year, in line with what was foreseen, which results from the 2018 court ruling on the exemption of maternity allowances.

GRAPH 2. CORPORATE INCOME TAX (CIT)



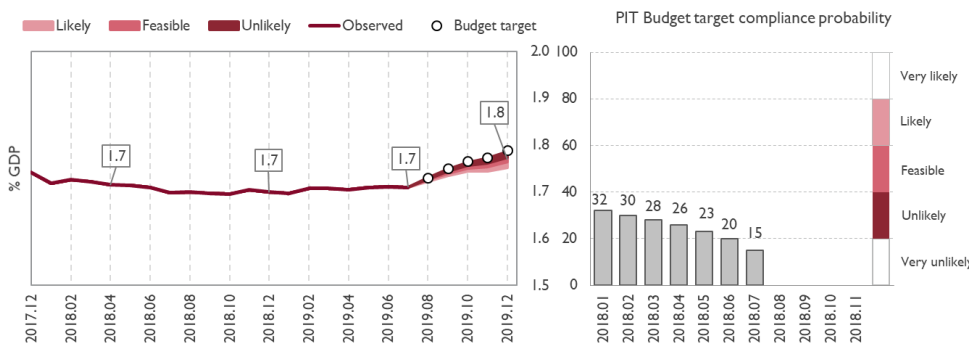
- In accumulated 12 months terms, the CIT weight on GDP is 1 tenth below that of the 2018 year-end.
- In the CIT, the gross income until July grew by 3.9%, although this is not such relevant information as it only incorporates the first stage payment.
- New extraordinary tax returns, amounting to approximately €200 million, are included, adding to those already recorded in previous months.

GRAPH 3. VALUE ADDED TAX (VAT) BEFORE TRANSFER



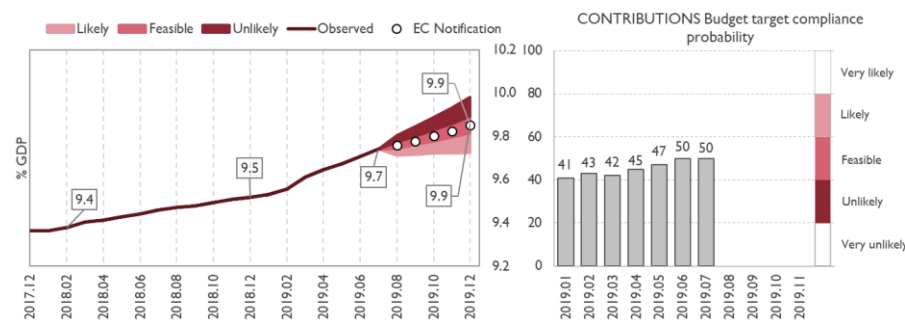
- In accumulated 12 months terms, the weight of VAT on GDP remains at the 2018 level, with it being expected to remain like this until the end of the year.
- This AIReF's estimate assumes no reversion of Immediate Supply of Information on VAT (IIS) in its central scenario.
- Registered net income until June from VAT grew by 1.9% compared to the same period of the previous year and grew by 3% in homogeneous terms.
- Even though gross revenues are growing to 3.8%, there has been an increase in the tax returns practised not considering the evolution of spending subject to tax.

GRAPH 4. SPECIAL TAXES BEFORE TRANSFER



- It is expected that the weight of excise duties on GDP will increase one tenth at the end of the period, to 1.8%.
- Excise duties increased in July to 5%, but this evolution is mainly due to the incorporation of the autonomic rate to the Hydrocarbons Tax.
- Eliminating the normative effect, this type of income only grew by 0.3% until July, due to sluggish consumption.


GRAPH 5. SOCIAL SECURITY CONTRIBUTIONS



- In 12-month accumulated terms contributions increased by 6.7% until June, increasing its weight to 9.7% on GDP.
- The AIReF believes that this level will increase by two additional tenths of a point at the close of 2019, mainly as a result of the adopted measures.

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 projections are compared with fundraising planned by the Government in the 2019 draft PGE submitted, discounting the impact of the measures contained in it that have not entered into force.
- 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:



Muy probable	80-99%: compliance highly likely.
Probable	60-79%: compliance likely.
Factible	40-59%: compliance feasible.
Improbable	20-39%: compliance unlikely.
Muy improbable	0-19%: compliance highly unlikely.