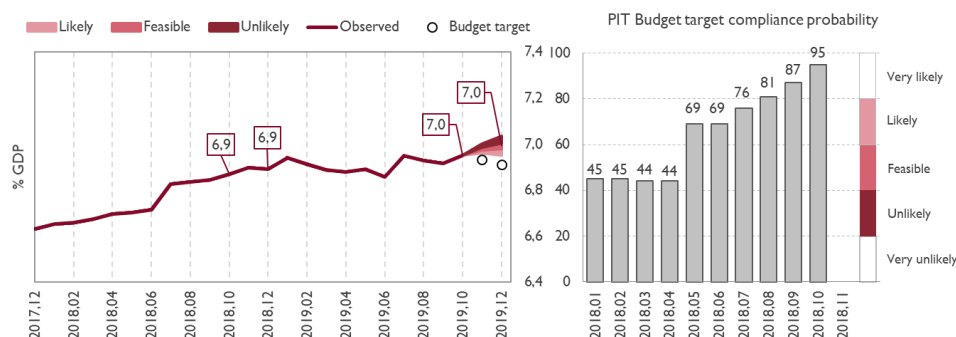# Monthly stability target monitoring

## C. Tax in cash before transfer   October 2019

FIGURE 1. PERSONAL INCOME TAX (PIT) BEFORE TRANSFER

- AIReF maintains the closing estimate for 2019 forecasted in the report on the 2020 Budgetary Plan, and the rating of very likely for compliance with the GSB.

- In 12-months accumulated terms the weight of PIT over GDP has increased 0.1% compared to the end of 2018.

- PIT grows until October to 4.6% (5.9% in homogeneous terms). Gross revenue maintains its trend of the first half of the year and evolves to 5.9%, while returns grow by 14.9% mainly due to the rebate for maternity benefits.

- Withholdings from work maintain their positive evolution (5.4% growth until October), driven by the increase in the withholding of the PAs that grow to 6.7%, compared to 5% in the private sector.

FIGURE 2. CORPORATE INCOME TAX (CIT)
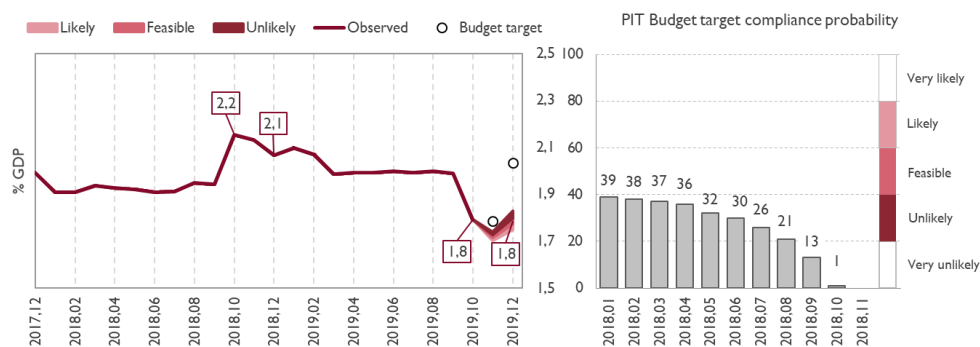
- AIReF substantially lowers its closing estimate for 2019, rating compliance with the budgetary forecast as highly unlikely.

- In 12-months accumulated terms the weight of CIT over GDP declines 0.3% compared with the end of 2018. The fall is due mainly to the comparison with the second instalment payment of 2018, where 5 large groups made exceptionally high revenue that has not been repeated in 2019.

- Incomes until October have recorded a fall of -11.6% driven by the bad behaviour of the second instalment payment. The refunds grow to 15.7%, including 700M€ for the refund of a sentence.

**FIGURE 3.** VALUE ADDED TAX (VAT) BEFORE TRANSFER
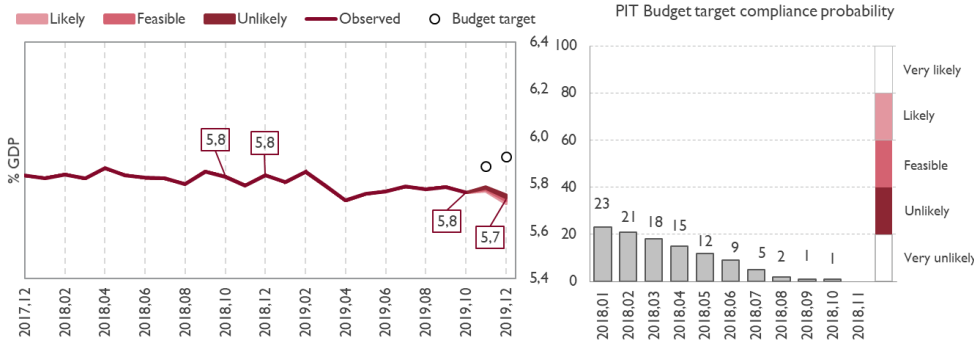
- AIReF slightly lowers its estimate with respect to that made in the report on the Budgetary Plan, with compliance with the target remaining highly unlikely.
- In 12-months accumulated terms, the weight of VAT over GDP remains at the closing level of 2018, estimating that it will drop 0.1% at the end of 2019.
- Revenue recorded until October in VAT grows by 1.9% compared to the same period of the previous year, continuing the slowdown observed since the beginning of the year.
- Gross revenue grows by 3.4%, in line with the evolution of consumption, while refunds are evolving at a higher rate, 7.6%.

FIGURE 4. SPECIAL TAXES BEFORE TRANSFER
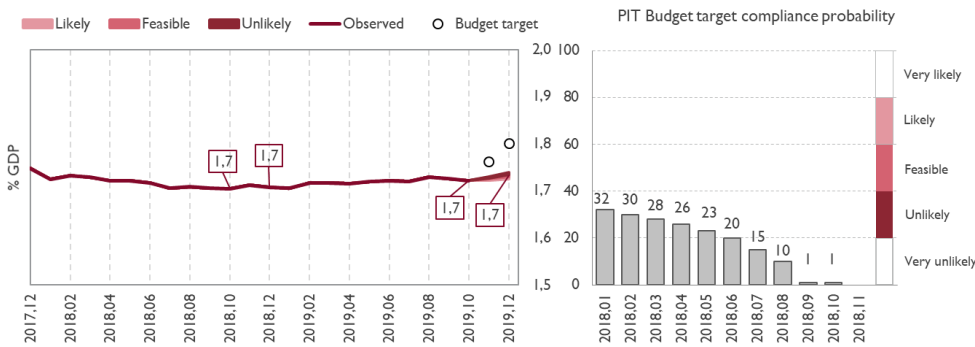
- AIReF slightly lowers its closing estimate and compliance with the budget remains unlikely.
- In 12-months accumulated terms special taxes maintain their weight over GDP at 1.7%, a level similar to year-end.
- ST grow until October to 4.7%, slightly lowering the rates recorded at the beginning of the year. The main factor is the effect of the incorporation of the regional tariff into the Tax on Hydrocarbons, which makes this tax grow to 9.5% in spite of the stagnation of consumption. Without this policy change ST would decline to -0.2%.

FIGURE 5. SOCIAL SECURITY CONTRIBUTIONS
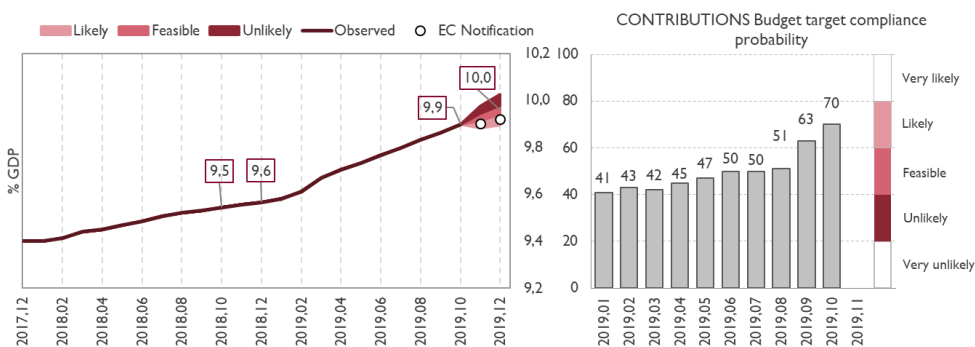
- AIReF considers it unlikely that the forecasts of the GSB will be met.
- In 12-months accumulated terms contributions increased by 7.5% until October, growing to 9.9% GDP.
- AIReF believes that this level will increase an additional 0.1% at the end of 2019, primarily as a result of the measures adopted, improving its previous forecast slightly.

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 projections are compared with the collection expected by the Government in the draft GSB for 2019 submitted, discounting the impact of the measures contained in the same 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.