



European Commission  
Taxation and Customs Union

# ***Review of EU Member States' tax measures in response to the crisis***

***SEE Working Group on Tax Policy  
Analysis - 17 June 2009***

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# ***The EU economic recovery plan: tax policy aspects***



## ***The European Economic Recovery Plan***

- Injection of purchasing power into the economy. The European Commission proposed on 26 November 2008 a budgetary impulse of €200 billion (1.5% of GDP)
- Comprehensive programme to direct action to smart investment. Need to help Europe to take advantage when growth returns so that the European Economy is in tune with the needs of the future
- Focus on solidarity and social justice



## ***The budgetary stimulus***

- It should be timely, temporary, targeted
- Co-ordination needed to multiply the positive impact and ensure long term budgetary sustainability
- It should mix revenue and expenditure instruments
- Need to ensure reversibility of measures increasing deficits in the short term
- Improving budgetary policy making needed in the medium-term
- Ensuring long term sustainability of public finances dealing with the rise in age-related expenditure



## ***Tax measures considered in the plan***

- Lower personal income taxes
- Reduction of employer's social security contributions on lower incomes to promote the employability of lower skilled workers
- Temporary reductions in the level of standard VAT rates
- Reduced VAT rates for labour-intensive services
- Reduced VAT rates for green products and services aimed at improving in particular energy efficiency of buildings
- Reduction of property taxes for energy-performing buildings
- Reduction of car registration and circulation taxes for lower emission cars



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# ***Review of main EU Member States' tax policy measures***

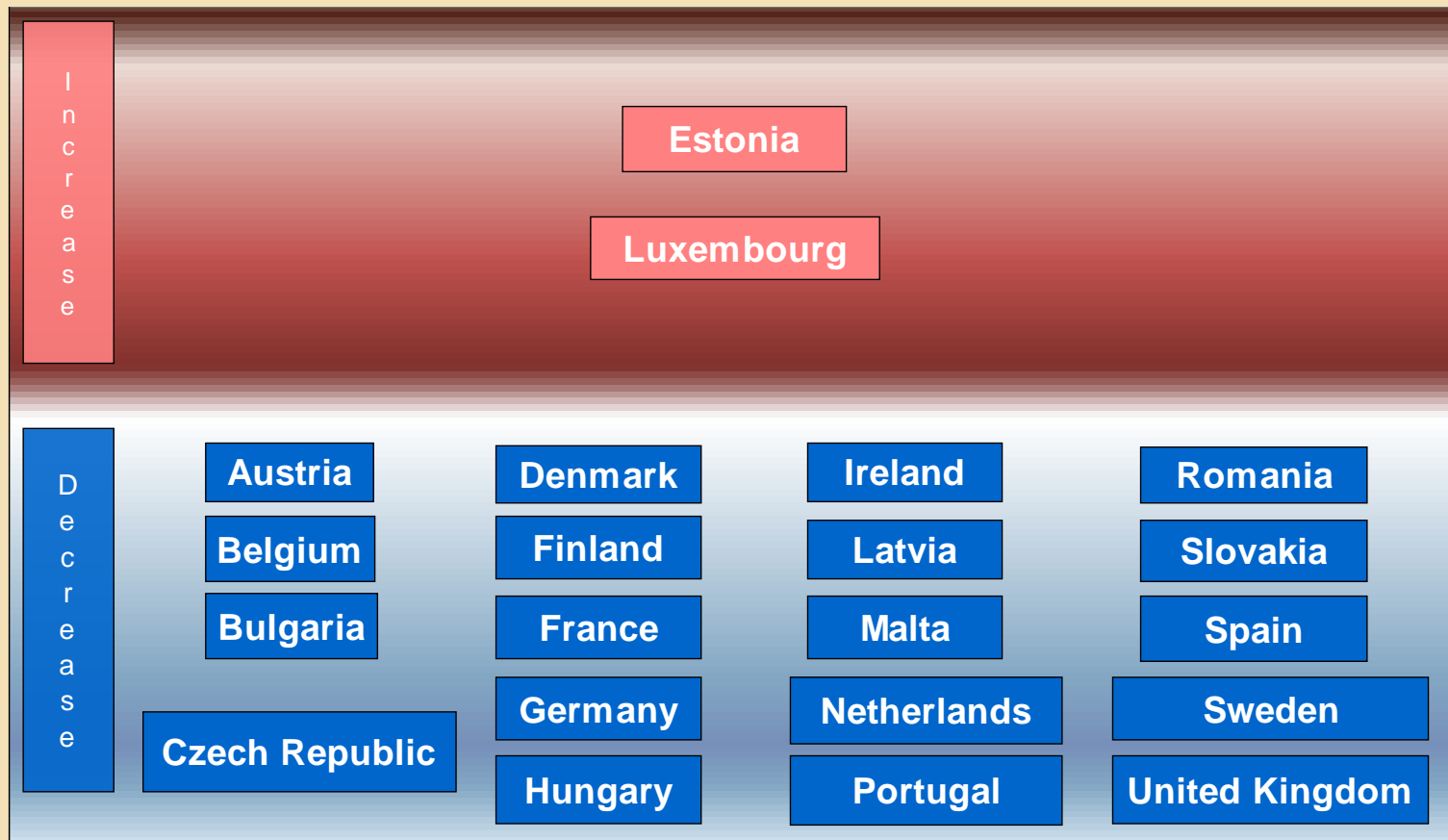


## ***PIT rate***





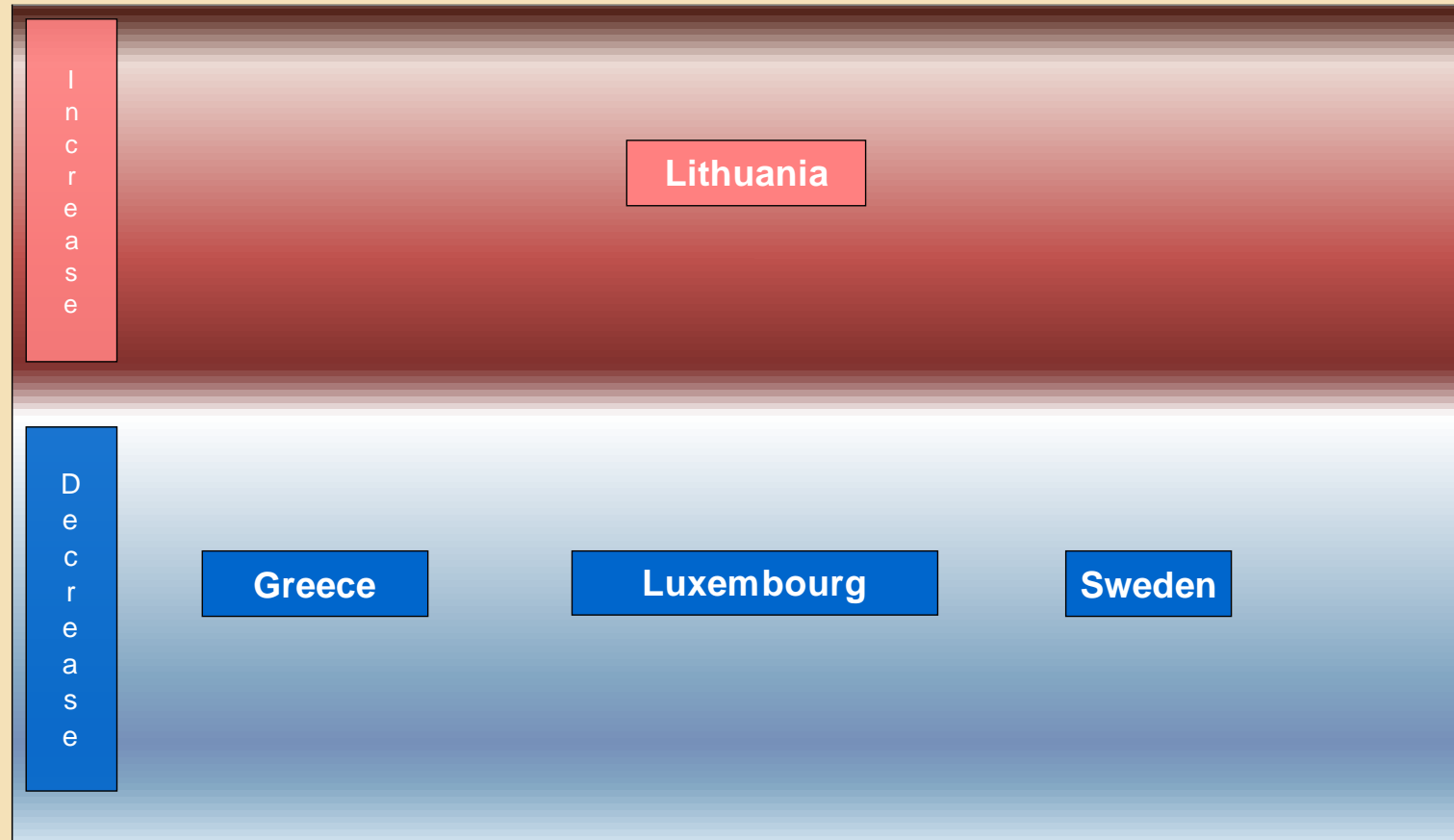
## ***PIT base (allowances, credits, etc. )***





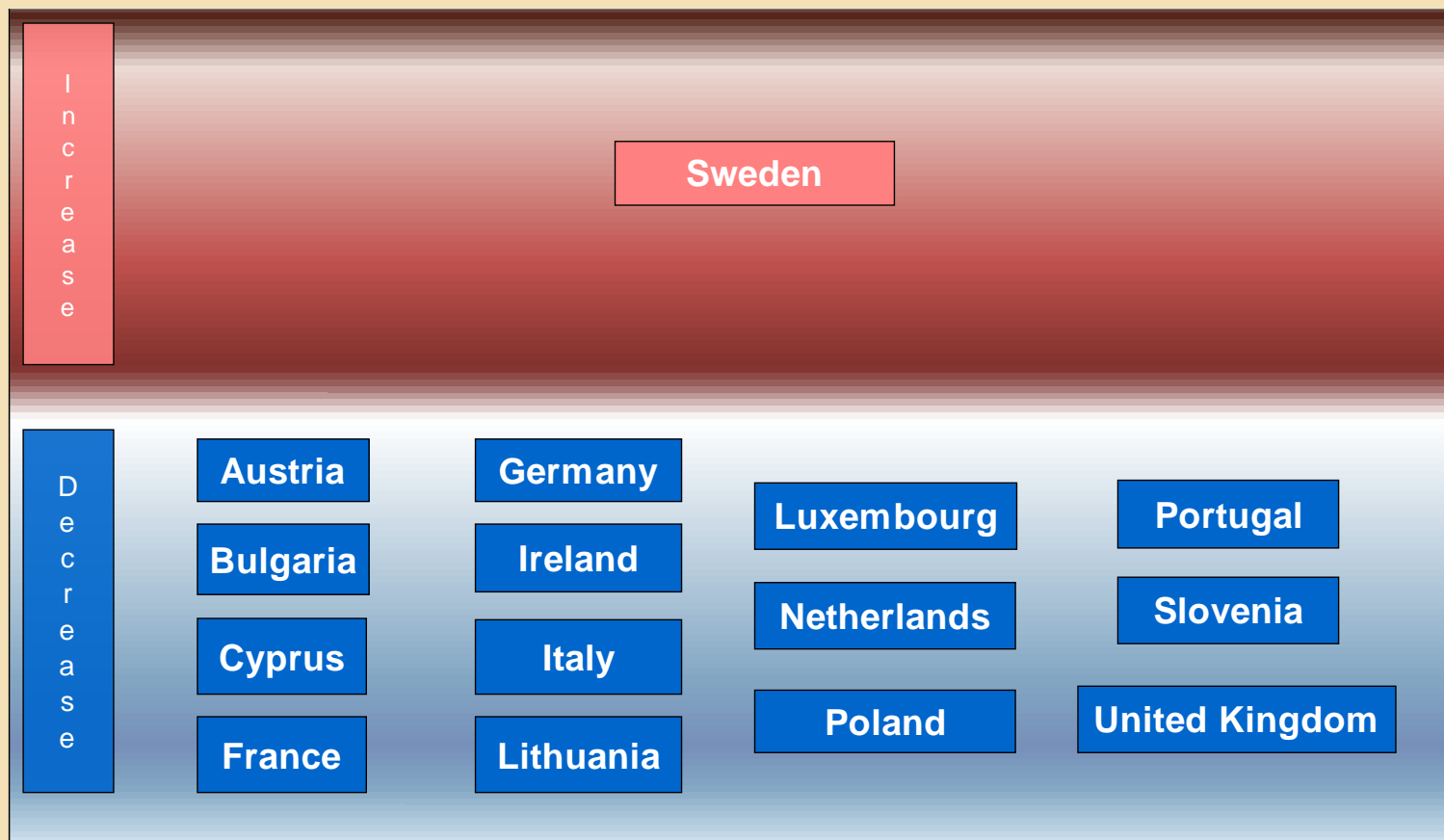


## ***CIT rate***



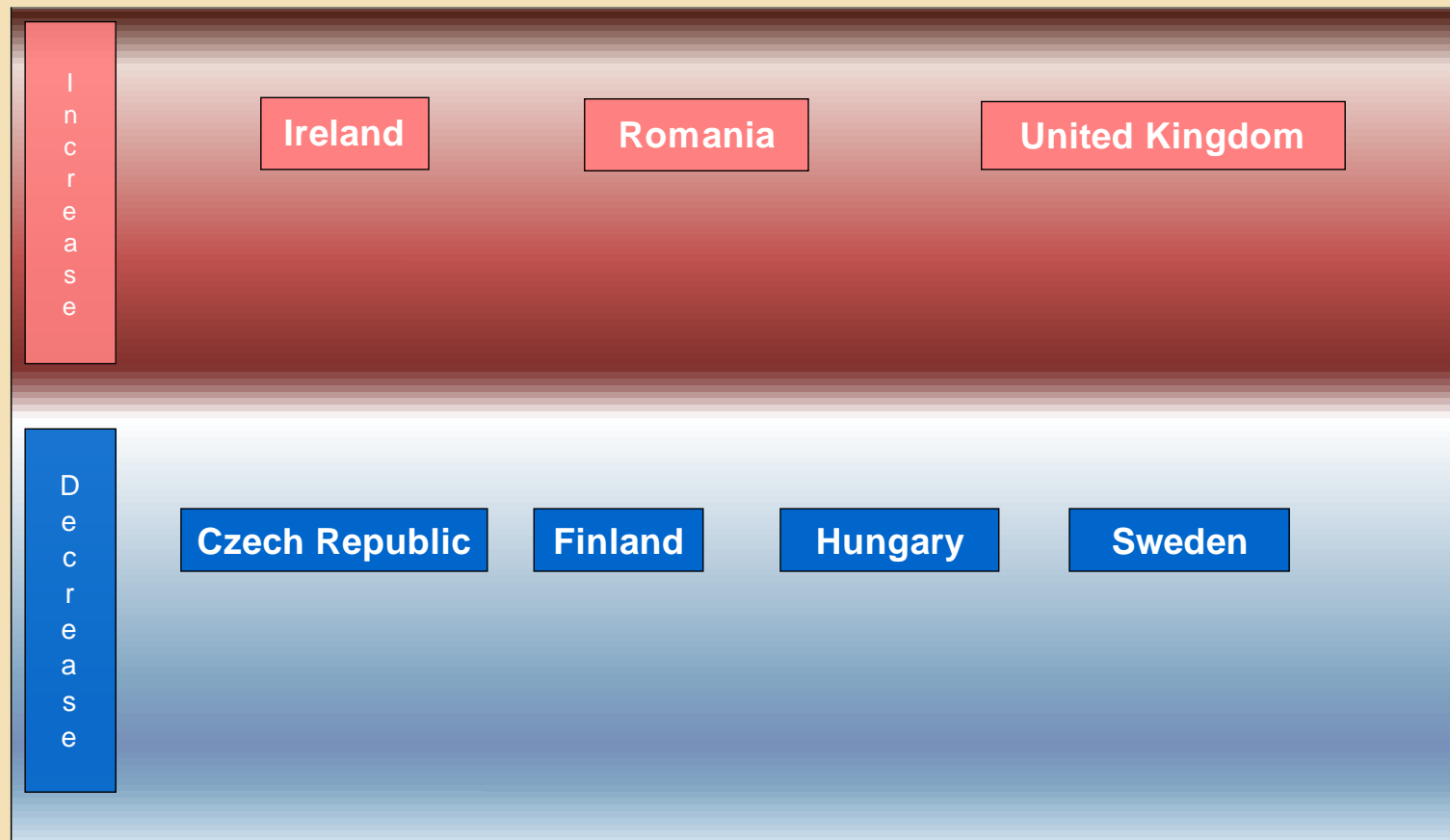


## ***CIT base (allowances, credits, etc. )***





## *SSC rate*





## ***SSC base***



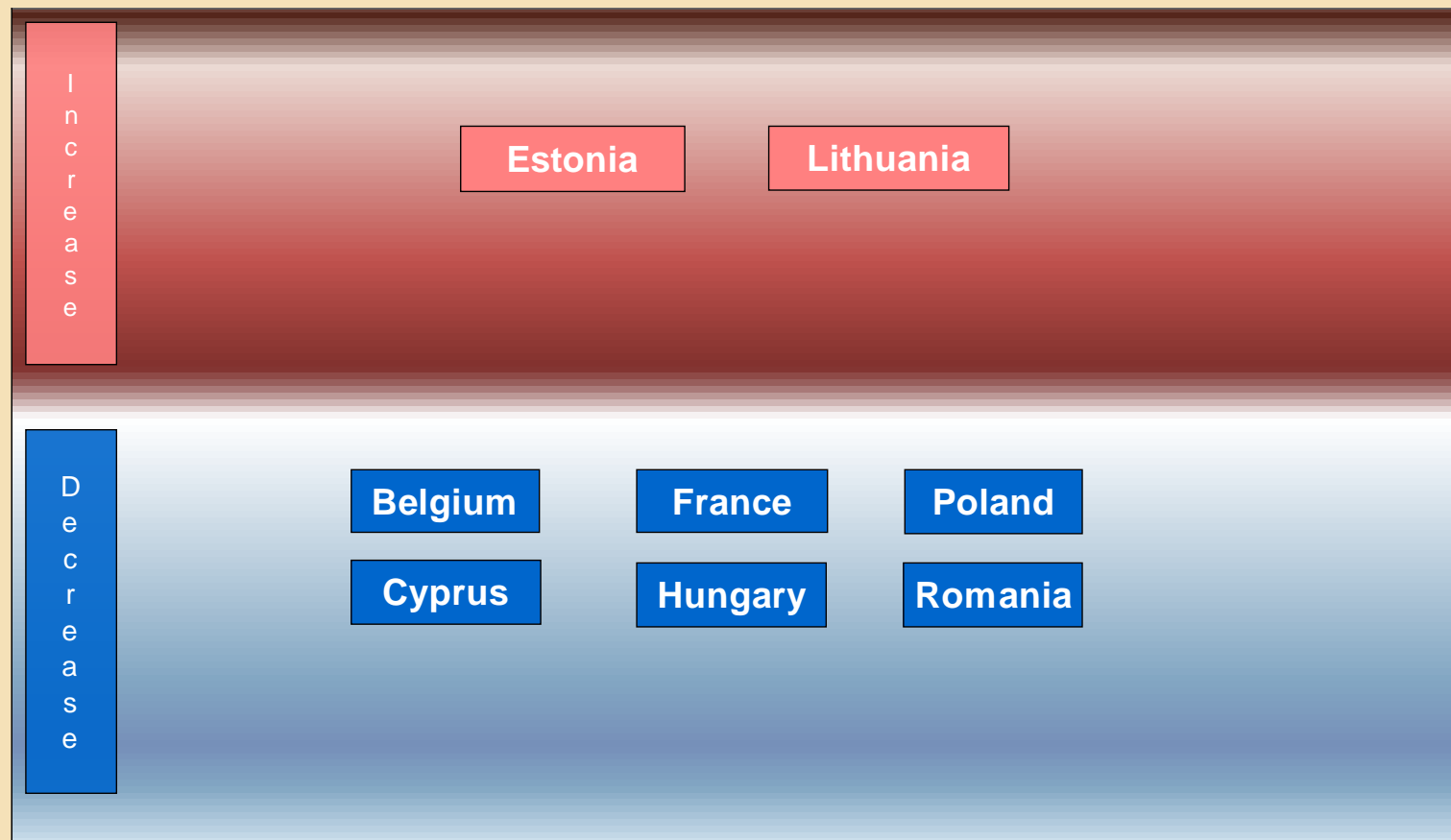


## ***VAT rate***





## ***VAT base***





## *Taxes on energy*





## *Taxes on tobacco and alcohol*







## Summary

Number of countries	increasing	decreasing
PIT rates	4	7
PIT base	2	19
CIT rates	1	3
CIT base	1	14
SSC rates	3	4
SSC base	1	2
VAT rates	4	2
VAT base	2	6
ENERGY rates	4	1
ALC&TOB rates	7	0



## *Conclusions*

- Heterogeneity of tax policy responses due in particular to varying budgetary constraints
- More measures affecting the PIT, CIT and VAT bases than rates
- Clear trends towards increasing the taxes on alcohol and tobacco
- Some measures, even if legally adopted for a limited period of time may prove difficult to withdraw