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Portugal: Fiscal Burden One Of The Heaviest In Europe

Bigger rises only in Greece and in Spain. Increase of the indirect taxes weight in Portugal is the biggest in Europe, *2010-03-24*

The fiscal and social contribution burden on the Portuguese is the one to increase most by 2012 and the weight of the indirect taxes collected in Portugal - which introduce more inequality in gains - will suffer the biggest aggravation in the European Union in the same period. The Minister of Finance Fernando Teixeira dos Santos contradicts this idea saying that the Program of Stability and Growth (PSG) is a "friendly to the growth ", "it promotes fiscal justice" and "it does not increase taxes ".

Calculations on the basis of the Programs of Stability and Growth (PSG) data in 22 countries of the European Union show that the Portuguese fiscal burden (the weight of all the taxes and contributions for the Social Security) will suffer an increase by 2,2 percentage points, the third biggest after Greece (4,6%) and Spain (3%). This development will raise Portugal's ranking regarding the tax weight up to the 13th position. Thus, the global fiscal burden will amount to 34,8 % of the gross Domestic Product (GDP) in 2012. In 2013, the year that only 11 Member States have provided their data, Portugal keeps climbing the ranking, exceeding Estonia in terms of total fiscal burden.

But the race for the tax collection is particularly aggressive in what concerns the indirect taxes (on the production and imports). The data provided by governments of several Member States testifies that Portugal is the toughest in this type of taxation, in spite of not including in the PEC any reference to the VAT rise. The Tax Office of Teixeira dos Santos plans an aggravation of 1,7 percentage points in the indirect tax burden, the heaviest among the 23 susceptible countries analysed. Belgium maintains the second place (increase by 1,6%) and Spain stays in the third (1,5%).

In the PEC, the Government of José Sócrates expects a positive development of the economical activity (production and the internal consumption as well as the international trade which enables more dynamic axes like VAT and the customs on imports). This scenery, in the Government's belief, will automatically induce indirect taxes. And this way, relying on the numbers, the tax collection will benefit more significantly in Portugal in comparison with the majority other states. "The economic recovery enables gradual reversion of the impact to the indirect tax collection related to the crisis component to previous levels of 2008", emphasises the Government in the program to be voted next Friday and to be sent to Brussels in the end of the month.

The European Commission has already praised the Portuguese PSG, considering it "credible" and "courageous" for the deficit reduction up to less than 3 % in 2013 and presenting a modest growth humbler than of many European counterparts. This comparison points out still bigger contrast of the Portuguese case. In spite of having a more moderate way of recuperation than many other countries, Portugal manages to shine out in taxes many years after the anticrisis support withdrawal, like the acceleration of the VAT refunds that marked the 2009, for example.

The tax specialists explain, with some irony, that the taxes in Portugal will increase by themselves even without Government's interference. This exact opinion is shared by the Coimbra University Professor Xavier de Basto, the State First Secretary for Fiscal Affairs Amaral Tomaz, Deloitte tax expert Luis Belo and others present at the Conference of the Institute for Economical, Finance and Fiscal Law at the Lisbon Law Faculty (IDEFF) together with *Business Newspaper* (Diário Económico) last Monday.

The Deloitte consultant considers that "in practice, the present PSG translates into a fiscal burden increase through freezing the IRS deductions''. The Professor Xavier de Basto underlined that "we are not going to have an economical growth that guarantees the full functioning of the automatic stabilizers [more economic activity, more receipts] ''and therefore, ''the Government will use its strongest weapon, the most efficient antibiotic, namely, raising the VAT''. "It is possible that not the common rate will be affected", defends, "because of the competitiveness, but the reduced rate may be touched''.

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