

PRUNING OR CUTTING DOWN

Spanish Government has set up goals to reduce its Public Deficits from 9,2% to 6% of the Gross Domestic Product (GDP) with the target year 2011, which means to cut it down over 30.000M/€ (each 1% reduction represents 10.000M/€), an amount that entails a huge effort increasing incomes and reducing expenses and investments. Last March, the Secretary of State for Finance and Budget stated that public deficit " is slightly better than a year ago, mainly due to the increase of VAT collection".

Regarding this affirmation, it must be taken into account that, in 2010, tax revenues increased due two concepts. First of all, tax consolidation measures like, abolishing 400€ deduction on the Tax Income and the VAT rise, that increased tax collection for a total amount of 6.140M/€. Secondly, "tax refund effects", produced by the decrease of tax refund on the Tax Income due to the reduction on withholdings and prepayments during the fiscal tax year before, and because of VAT refunds that were anticipated in 2009, following the new system. In total, tax collection increased in 11.359m/€, around 1,1% of the GDP.

Summarizing, if Public Deficit was in 2009 and 2010 respectively, 11,1% and 9,2%, once "tax refund effects" are adjusted, the Public Deficit, would be 10% and 10,3%, without any improvement for 2010, which would make target year 2011 more difficult. Furthermore, we can tell, tax collection has increased just 2,9%, 1.202M/€ for first quarter 2011.

Our politicians, must decide if adjustment for reducing Public Deficit would consist in increasing taxes to the exhausted taxpayers or in reducing the obstinate expenses and investments or alternatively, if it might be the time for structural changes that take the country out from its economic and social stagnation. The Secretary of State for Finance and Budget has pointed out that the desirable decision would be not to increase taxes but to reduce expenses in an intelligent way.

By checking our South European neighbours situation, may be some taboo topics must be discussed since they may help out increasing tax collection, as to ease up tax-wise capital repatriation, or to reduce the unbearable cost of Public Administrations: can we really afford territory administrations up to six levels and 8.000 municipalities in Spain? how is it possible to understand that no party brings up the Health system copayment formula? and, how to accept that civil servants hold on their positions as an ownership?

Assuming that a large majority of experts forecast on Spanish economy, predict crisis for a long while, would be convenient for all of us and, once local May elections will be over, to face reality fighting seriously against Public Deficit and dynamizing our economy.

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