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European Production Tax Barometer 2025

EXCLUSIVE INSIGHTS - APRIL 2025

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EXCLUSIVE INSIGHTS - April 2025

European Production Tax Barometer 2025

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To break down the key challenges facing societies

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Work Team

For this fourth edition of the European Production Tax Barometer, Institut Montaigne renewed its collaboration with Forvis Mazars. Their tax experts provided a unified legal approach to production taxes by leveraging their international network, based in each of the thirteen countries included in the study.

Thus, Institut Montaigne would like to thank the following individuals, who coordinated the technical project, for their valuable contributions:

- **Bruno Pouget,** Partner at Forvis Mazars.
- **Élena Aubrée,** Partner at Forvis Mazars.
- **Lauranne Quesne,** Lawyer at Forvis Mazars.

1 Analysis of the Barometer Results for the Year 2023

1.1. PERSPECTIVE: THE STAKES OF PRODUCTION TAXATION

In 2023, France's ratio of compulsory taxes to GDP stood at 45.6%, placing the country in the upper tier of European Member states, ahead of Belgium (44.8%). Production taxes—defined as taxes directly tied to companies' means of production—follow a similar trend. According to Institut Montaigne's European Production Tax Barometer, France remains among the countries with the highest levels of production taxation in Europe. Nevertheless, the burden of these taxes relative to France's GDP decreased slightly, by 0.1 percentage point, dropping from 3.9% in 2022 to 3.8% in 2023. This decrease marks a return to the downward trajectory observed in previous years, after a temporary uptick in 2022 due to collection methods that partially drew on revenues from fiscal year 2021.

In recent years, France has taken several steps to reduce production taxes. These include halving the Corporate Value-Added Contribution (CVAE) under the *France Relance* recovery plan following the pandemic, as well as the industrial rental values serving as the basis for property tax and the Business Property Contribution (CFE). Furthermore, the cap rate for the Territorial Economic Contribution (CET) has been reduced from 3% to 2%.

With public finances under strain—and a budget deficit exceeding 6% of GDP in 2024—there is growing concern that production taxation may once again be leveraged as a tool for fiscal adjustment, rather than as a lever for enhancing corporate competitiveness. Indeed, the French Parliament has decided to further postpone the full elimination of the CVAE. Initially planned for 2024,[1] and then deferred to 2027,[2] the repeal has now been rescheduled for 2030 in the most recent Finance Law.[3] This postponement represents a clear break in the virtuous dynamic initiated in 2020, the effects of which are now visible in our barometer: CVAE revenues declined from €9 billion in 2022 to €5.4 billion in 2023.

The impact of this postponement—compounded by the introduction of a new complementary CVAE contribution voted this year—will be fully assessed in future editions of our barometer.[4] It could jeopardize the progress made in improving France's business attractiveness and negatively influence corporate investment decisions. A study by France Stratégie thus highlights that if France were to align its production tax levels with those of its European peers,[5] its share of new industrial sites established by non-European multinationals could increase by 18%. Beyond the negative effects of maintaining structurally higher production taxes compared to other EU countries, the new 2030 timeline—which goes beyond the next presidential election—fails to provide the visibility that economic stakeholders require, and heightens their concerns that the repeal may ultimately be abandoned in the event of political changeover.

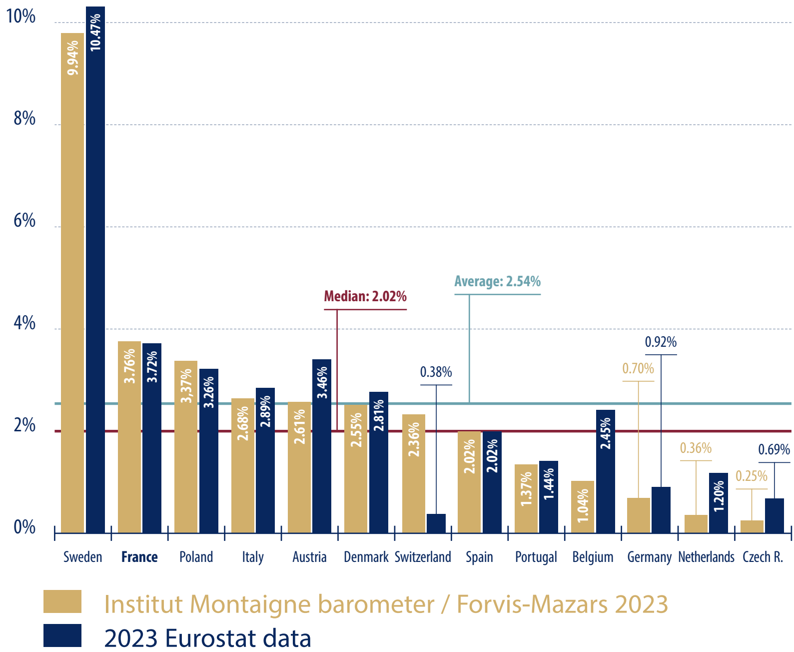
[1] *Article 55 of the 2023 Finance Act.*
[2] *Article 79 of the 2024 Finance Act.*
[3] *Article 15 of the Finance Bill for 2025.*
[4] *This complementary contribution, amounting to 47.4% of the CVAE owed, is intended to offset the rate reduction planned for 2025.*
[5] *Lachaux, A., & Lallement, R. (2020). Les facteurs de localisation des investissements directs étrangers en Europe: Le cas des sites de production, d'innovation et des sièges sociaux. France Stratégie.*

This imperative for greater clarity is all the more urgent given that French industrial indicators—which had shown signs of recovery over the past seven years—are again exhibiting concerning signs of renewed fragility. In 2024, the momentum behind reindustrialization stalled, with only 89 net new industrial sites opened—a decline of over 50% compared to the previous year—according to the Ministry of Economics' barometer.[6] This trend has coincided with an increase in business failures across all sectors (13% rise over a one-year period for companies with at least one employee), a 34.8% rise in employment protection plans, and a 7% drop in foreign direct investment.

[6] *Ministry of Economics, Finance and Industrial and Digital Sovereignty. (2025, March 13). Baromètre industriel de l'État, https://presse.economie.gouv.fr/barometre-industriel-de-letat/.*

1.2. DESPITE A SLIGHT DECREASE IN THE BURDEN OF PRODUCTION TAXES, FRANCE REMAINS IN SECOND POSITION IN OUR BAROMETER

Figure 1 - Share of Production Taxes Relative to GDP by Country (2023)

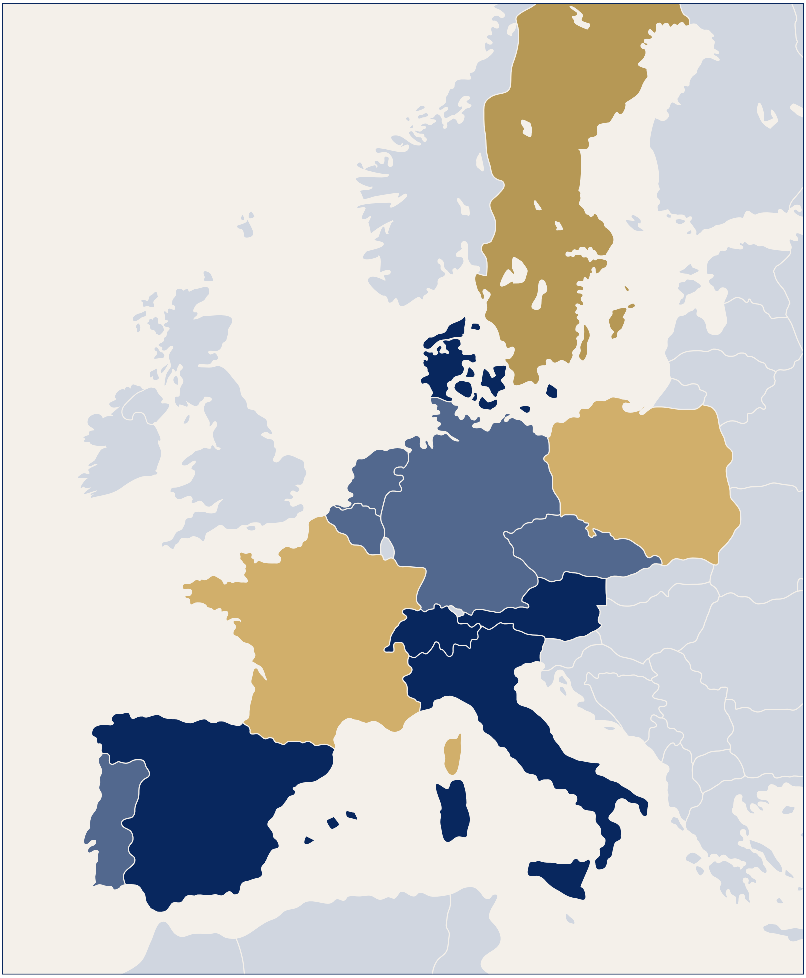


According to the findings of our barometer, France again ranked second place in 2023 for production taxes as a share of GDP, behind Sweden. As in previous years, this ranking is largely explained by the specific features of the Swedish tax system, in which production taxes fund a significant portion of the social protection system—resulting in relatively high taxation on payroll. In France, however, this role is primarily fulfilled by social security contributions.

The share of production taxes in France stands at 3.8% of GDP in 2023, a slight decrease compared to 2022. This figure remains very high, well above the average of the thirteen countries in the study, which is 2.54%. France ranks first in absolute terms, with total production tax revenues amounting to €106 billion. By comparison, Germany and Italy collected approximately €29 billion and €57 billion, respectively, despite having GDPs comparable in size to France's GDP. **Production tax revenues in France are therefore nearly 4 times higher than in Germany, despite Germany's GDP being only 1.5 times smaller**.

Figure 2 - Production Tax Burden by Country

(as a Percentage of GDP)



Between 0 and 2%
Between 2 and 3%
Between 3 and 4%
More than 4%

According to our analysis, the share of production taxes in France declined across several categories in 2023, most notably the Corporate Value-Added Contribution (CVAE). Tax revenues from this levy fell from €9 billion in 2022 to approximately €5.4 billion in 2023—a significant decrease reflecting the government's effort to halve the CVAE beginning in 2020.

However, this decline did not result in a reduction in the overall burden of production taxes. In fact, it was almost entirely offset by a concurrent increase in revenue from the property tax on developed land (TFPB), which rose by nearly €1.5 billion. This increase stemmed from two main drivers in 2023: a near 3% rise in the average municipal tax rate and a significant revaluation of rental values—the basis for calculating the TFPB—particularly for industrial premises (+7.1%).[7] To a lesser extent, the growth in the number of taxable properties also contributed to the increase in TFPB revenues.

While the revaluation of the tax base was driven by inflationary pressures, the rate hikes—accounting for roughly one-third of the total increase—were the result of decisions made by municipal authorities. These local governments voted to raise property tax rates to finance rapidly rising expenditures, partly due to an election cycle favoring local investment, but also reflecting a significant increase in operating costs (+4.9%).[8] **Without these rate increases, the level of production tax revenue would have been €500 million lower**.

[7] *Department of Public Finances. (2024). Statistiques de la fiscalité directe locale 2023 (DGFIP-STAT n° 24-05). Ministry of the Economy, Finance, and Industrial and Digital Sovereignty.*

[8] *Department of Local Authorities (2024). Bulletin d'information statistique (BIS) n° 185 : Les finances des collectivités locales en 2023. Ministry for Territorial Cohesion and Relations with Local Authorities.*

As a result, the government's efforts to reduce production taxation in 2023 were partially undermined by decisions taken at the local level by municipalities. This "interconnected vessels" effect between different levels of government highlights the challenges of implementing a coordinated national strategy to reduce the production tax burden.

1.3. RELATIVE STABILITY IN THE BURDEN OF PRODUCTION TAXES AT THE EUROPEAN LEVEL

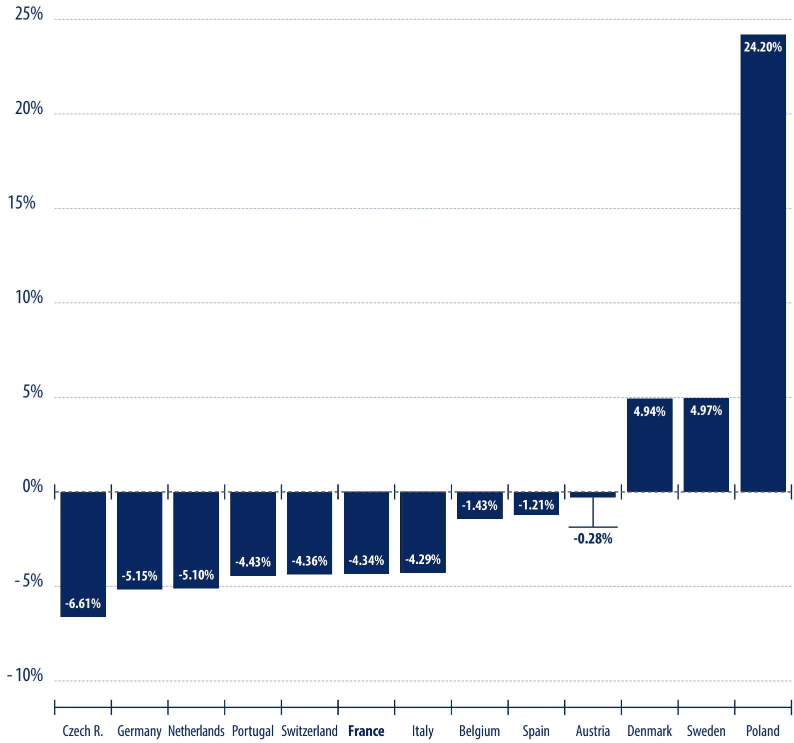
This latest edition of the barometer highlights relative stability in production tax burdens across Europe. In 2022, the average for the countries studied stood at 2.46% of GDP, compared to 2.54% in this edition. Among the thirteen countries analyzed, ten showed a relative decline in their production tax burden—meaning that their tax revenues increased less than their GDPs in 2023. When measured as a share of GDP, the most notable relative decreases were observed in the Czech Republic (-6.6%), Germany, and the Netherlands (-5.1% each). Only Poland, Denmark, and Sweden reported an increase in their production tax burden relative to GDP with rises of 24.2%, 5%, and 4.9%, respectively.

One possible explanation for this slight downward trend lies in changes to banks' contributions to the Single Resolution Fund (SRF), which declined in six of the countries studied.[9] The SRF, established as part of the Banking Union, was gradually built up between 2016 and the end of 2023, with the objective of reaching a target level of at least 1% of the covered deposits of all licensed credit institutions across participating Member States. It is funded through annual contributions from banks, calculated based on the size of their deposits and their risk profile. However, in 2023, the European Central Bank implemented a series

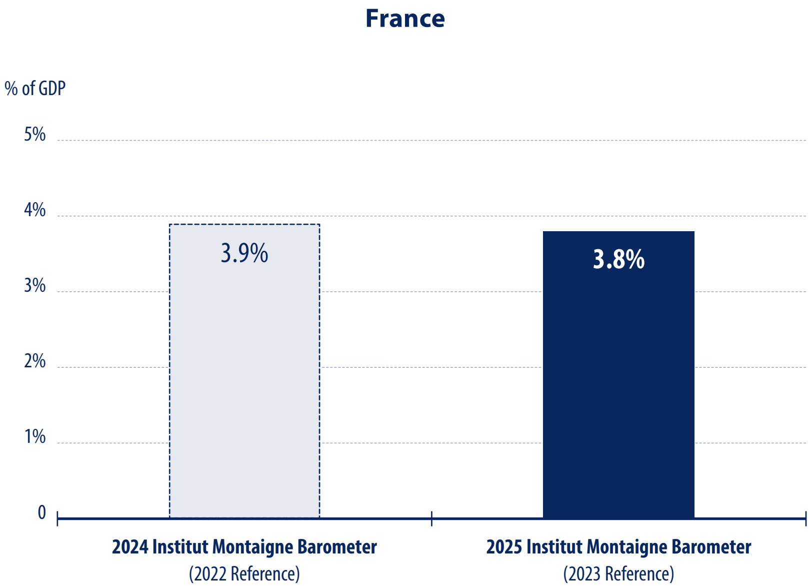
[9] *Par exemple, au Portugal, les contributions au fonds de résolution ont baissé de 33,3% en 2023, de 26,3% en Belgium, de 16,7% en France et de 15% en Italy.*

of interest rate hikes, which led to a decline in deposit volumes. This contraction of the taxable base by extension reduced bank contributions to the SRF, thereby contributing to the decline in production tax revenues in several European countries.

Figure 3 - Evolution of weight production taxes in percentage points of GDP 2022-2023



2 Production Tax Levels by Country



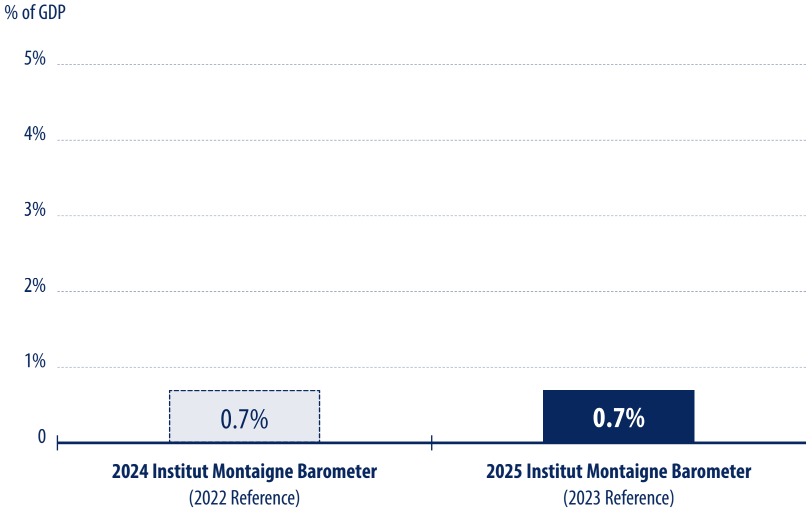
Based on Eurostat Data: 3.7%

In France, several tax categories saw a decline in 2023, starting with the Corporate Value-Added Contribution (CVAE), whose yield was nearly halved—falling from €9 billion in 2022 to €5.3 billion in 2023. This decrease reflects the efforts initiated since 2021, with the gradual reduction of the maximum CVAE rate from 1.5% to 0.375%, aimed at strengthening the competitiveness of France's productive sector. As explained above, this decrease was nonetheless partially offset by an increase in revenue from the property tax on developed land (TFPB), which rose by €1.5 billion.

At the same time, other tax categories also declined, such as bank contributions to the Single and National Resolution Funds, which decreased by €810 million in 2023 (-16.7%). Moreover, several other taxes fell, including the annual axle tax (-9.6%), the carbon emissions tax (formerly the company vehicle tax, or TVS), and the tax on older vehicles. The low yield of the latter is due to its reliance on outdated vehicle categories (mainly affecting vehicles registered before 2011). As of 2024, these two taxes have been replaced by a new tax on atmospheric pollutant emissions.

Other European Countries

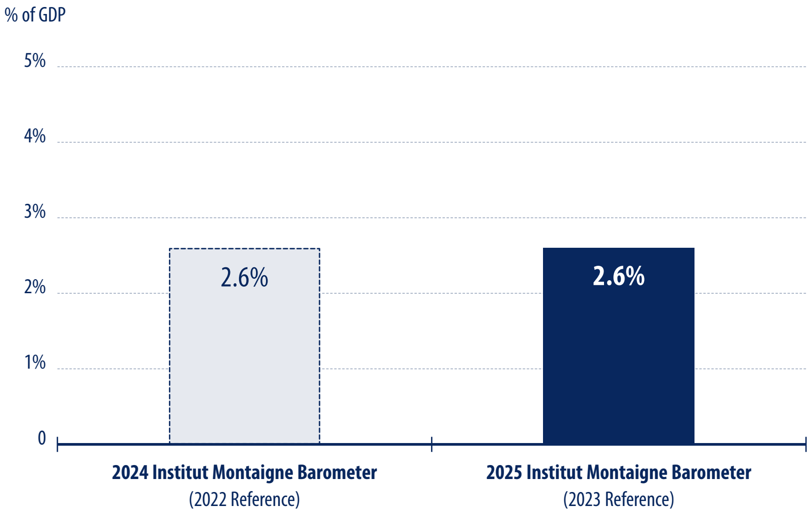
Germany



Based on Eurostat Data: 0.9%

Production taxation in Germany remains low (0.70% of GDP). When expressed as a share of GDP, it declined significantly in 2023 (–5.5%), following a sharp increase the previous year (+€4.1 billion) driven by a near-doubling of revenues from tradable emission permits.

Austria

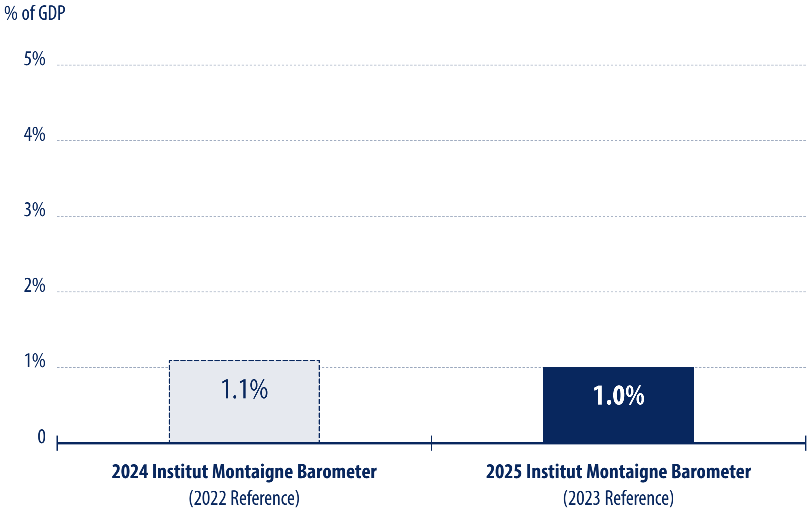


Based on Eurostat Data: 3.5%

Included in our barometer for the second consecutive year, Austria's level of production taxation is slightly above the average across the other countries (2.5%). However, the figure reported by Eurostat is notably higher, due to methodological differences. Specifically, our approach does not classify taxes on emissions outside the EU Emissions Trading Scheme (non-ETS carbon taxes) as production taxes—a distinction that lowers the total relative to Eurostat's calculation.

With a robust, agile industrial base specialized in high value-added sectors, Austria has maintained a stable fiscal environment for production taxation since 2021. This has provided its business ecosystem with valuable predictability. This edition sees this trend, with Austria maintaining virtually unchanged production tax levels year after year (2.61% of GDP in 2022 vs. 2.62% in 2023).

Belgium

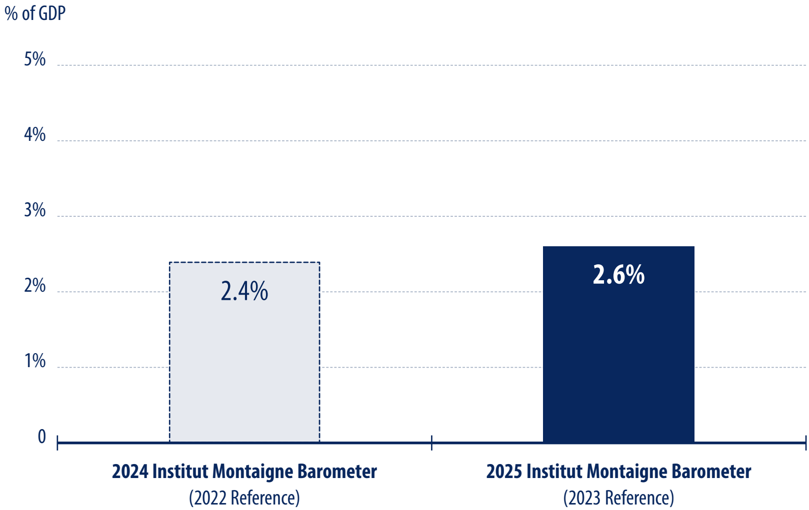


Based on Eurostat Data: 2.5%

Belgium has a particularly low level of production taxation—nearly two and a half times lower than the European average and Eurostat's estimation. This discrepancy is primarily due to the methodology used by the European statistical office, as it includes certain taxes in this category which are actually paid by households rather than by businesses.

This is notably the case for the Advance Tax Payment on Property (PP), which amounted to €4.8 billion in 2023 and is excluded from our barometer. Additionally, several other taxes—amounting to less than €100 million—do not meet the definition of production taxes as applied in our methodology. Within this framework, Belgium shows remarkable stability.

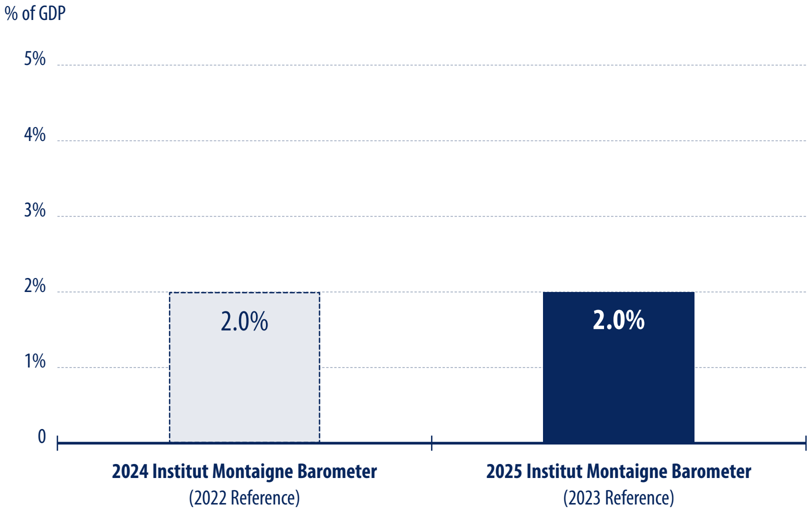
Denmark



Based on Eurostat Data: 2.8%

The taxes classified as "production taxes" by Eurostat broadly correspond to those included in our specifications. The burden of these taxes rose slightly, reaching 2.6% of GDP in 2023, compared to 2.4% in 2022. However, this level remains lower than the 2.8% recorded during the first edition of our barometer in 2020.

Spain

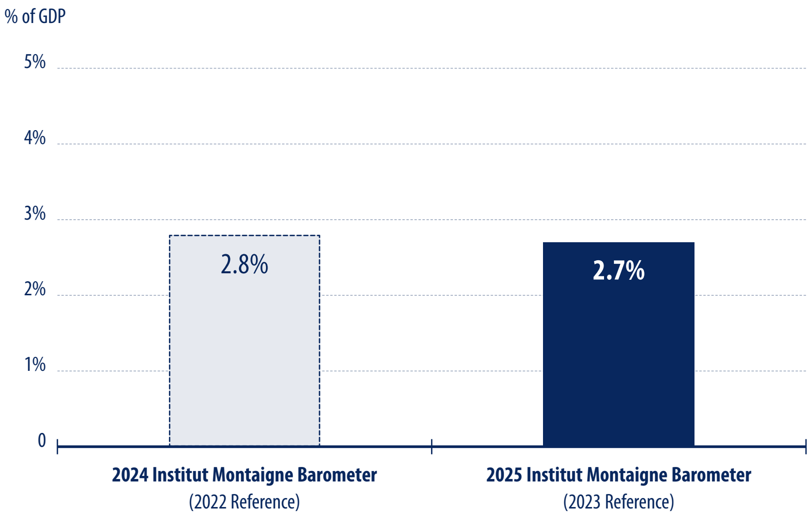


Based on Eurostat Data: 2.0%

Spain displays a high level of stability in production tax revenue. However, in a context of strong economic growth—with Spanish GDP rising by 2.5% in 2023, five times faster than the euro area average—this stability leads to a slight decrease in production taxes as a share of GDP (–0.02 percentage point).

As in the previous two editions, it was not possible to isolate the share of real estate tax *(Impuesto sobre bienes inmuebles)* specifically borne by businesses, due to a lack of disaggregated data. Yet this tax amounted to nearly €14 billion in 2023—almost half of Spain's total production tax revenue as reported here. By comparison, households account for 75% of the property tax base in France. If a similar adjustment were applied to Spain, the actual weight of production taxation could be even lower than reported, potentially nearing the level observed in neighboring Portugal (1.4% of GDP).

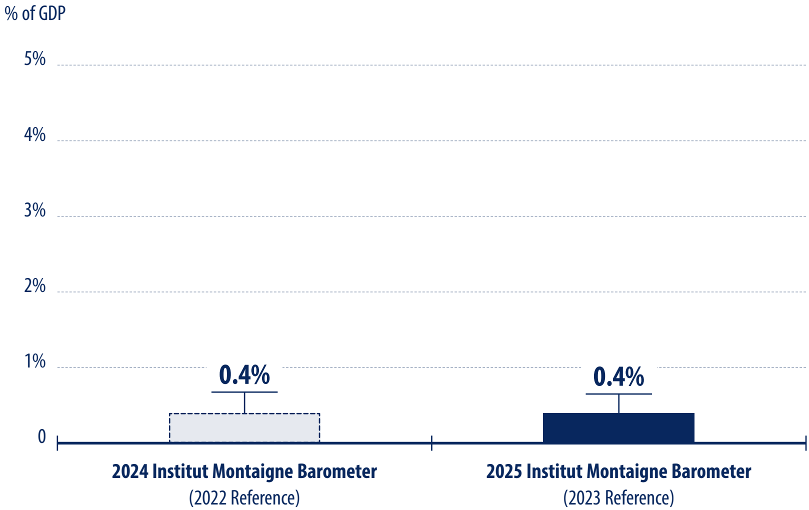
Italy



Based on Eurostat Data: 2.9%

Contrary to recent trends, our barometer shows a slight decline in the weight of production taxes in Italy. Like France, Italy applies a tax on the value added generated by businesses: the *Imposta Regionale sulle Attività Produttive* (IRAP, the Regional Tax on Productive Activities). Although this tax accounts for nearly half of Italy's total production taxes, its revenue remained relatively stable in 2023. The observed decline is therefore mainly due to a 15% decrease in the bank levy allocated to the European Single Resolution Fund.

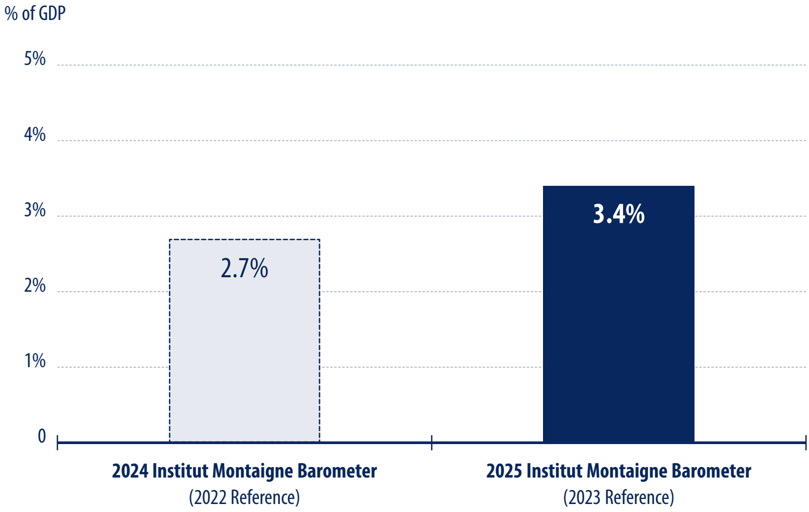
Netherlands



Based on Eurostat Data: 1.2%

The Netherlands continues to show a high degree of stability in production tax revenue. It remains one of the countries with the lowest production tax burden among those studied, just ahead of the Czech Republic, a new addition to this year's comparative analysis.

Poland

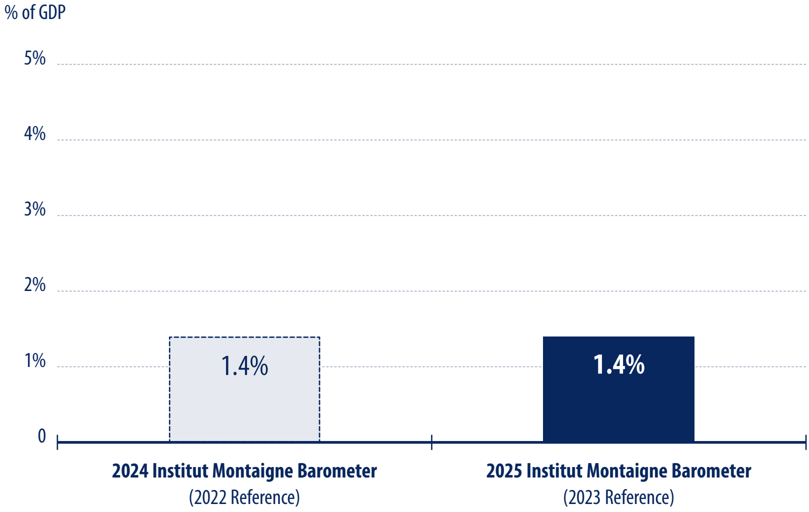


Based on Eurostat Data: 3.3%

In Poland, the upward trend in production taxation continues. In 2023, the country once again recorded the largest increase among the countries studied (+24.2%), driven primarily by a substantial rise in the financial contribution imposed on companies extracting natural gas, the amount of which was multiplied by 65. This exceptional increase stems from a series of government measures adopted in the context of the energy crisis, which was further exacerbated by the war in Ukraine. The conflict led to a surge in energy prices, prompting Polish authorities to implement measures aimed at protecting vulnerable consumers from rising costs, notably through the introduction of a gas price cap for households, SMEs, and certain public institutions in 2023. To finance this price-cap policy, Poland established the *Fundusz Wypłaty Różnicy Cen* (Price Difference Compensation Fund) in December 2022, funded by a mandatory tax on electricity producers, electricity traders, and natural gas operators.

Our methodology includes all production taxes identified by Eurostat, as well as an additional tax on the extraction of certain minerals, which explains why our estimate of the production tax burden as a share of GDP is slightly higher than the figure published by Eurostat.

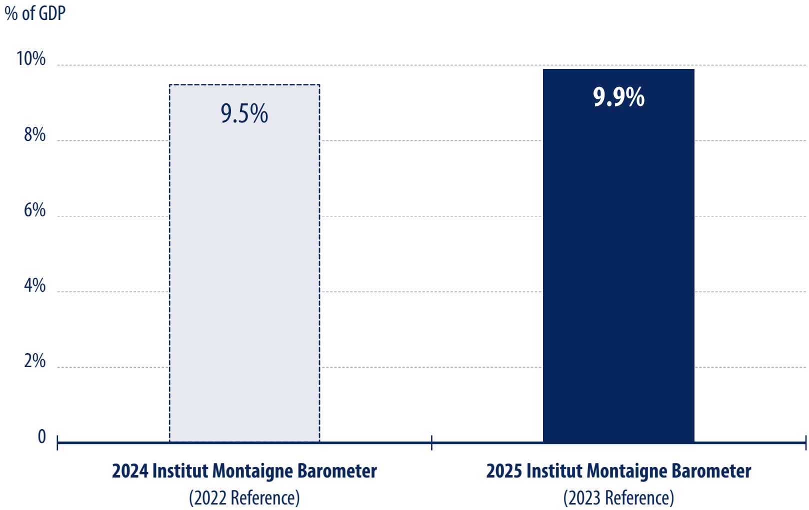
Portugal



Based on Eurostat Data: 1.4%

For the second consecutive year, Portugal has maintained stable production tax levels, at 1.4% of GDP. This figure closely matches Eurostat's estimate, despite the exclusion of 21 taxes that do not meet our framework's legal and methodological criteria. However, the financial impact of these excluded taxes is minimal, as most of them generate less than €20 million in revenue.

Sweden



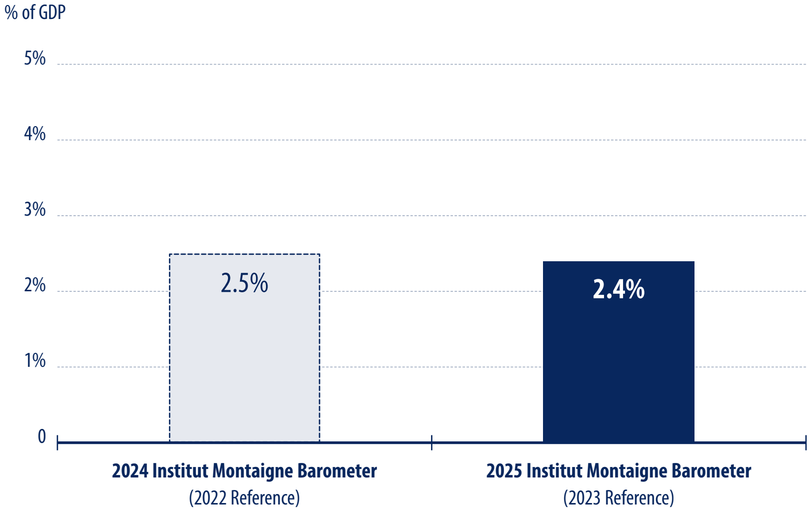
Based on Eurostat Data: 10.5%

Ranking ahead of France, Sweden has the highest level of production taxation as a percentage of GDP. This significant burden reflects a structural policy choice to fund the social protection system primarily through taxation rather than social security contributions, unlike the French model. As a result, the majority of production taxes in Sweden are levied on payroll instead of through social contributions.

As with other countries, certain taxes were excluded from our calculations while others were added, without creating a significant gap with

Eurostat's figures. In 2023, Sweden recorded a notable increase in production taxation (+0.4 percentage point of GDP), primarily driven by a €19 billion increase in social contributions (General Payroll Tax).

Switzerland



Based on Eurostat Data: 0.4%

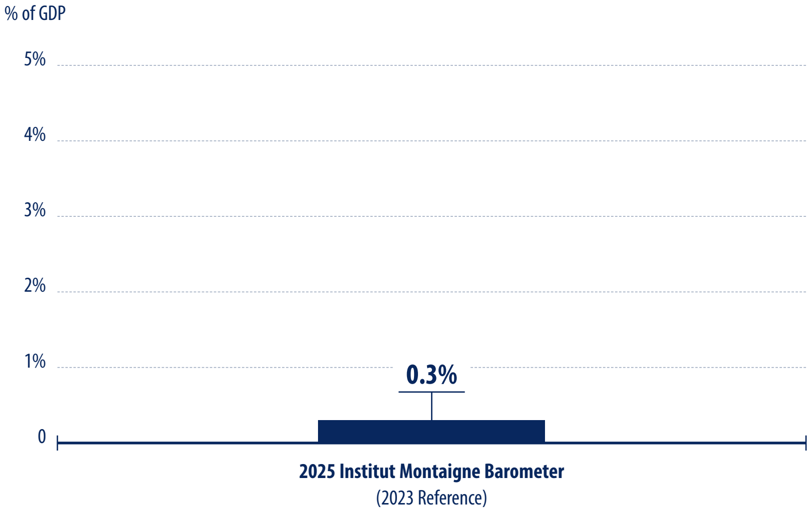
In Switzerland, the production tax burden declined slightly in 2023 (–0.1 percentage point), falling below the European average. This change is mainly the result of a 29% drop in revenue from the carbon tax, following an 8.8% decrease in CO_2 fuel emissions.

Our methodology applies a broader scope than Eurostat's, notably including fees on water use and various sector-specific taxes.

Two specific tax lines contribute significantly to this difference, namely: the Minimum Tax on Companies (around CHF 13 billion), and the taxes on Patents and Licenses (around CHF 2.5 billion), which apply to sectors such as hospitality, the sale of alcoholic beverages, professional driver activities, and transport company operations, among others.

Finally, the difference compared to our previous edition, where we estimated the weight of production taxes at 0.6%, can be attributed to the absence of data on these specific taxes in our 2022 calculations, which explains the much closer estimate to the figures provided at that time.

Czech Republic



Based on Eurostat Data: 0.7%

A new addition in this year's edition of the barometer, the Czech Republic ranks as the country with the lowest level of production taxation. This is even more striking when excluding the contribution to the Single Resolution Fund, which alone accounts for half of the total production tax burden and stems from a European-level obligation. The remainder consists primarily of a property tax, the weight of which remains marginal when measured as a share of GDP.

SCOPE

As in the two previous editions, the United Kingdom was not included in the scope of the study, as its exit from the single market has exempted it from EU legislative constraints and profoundly altered the economic environment in which it operates.

The Czech Republic joins the barometer for the first time in this fourth edition, following the addition of Austria last year. The inclusion of the Czech Republic is relevant because of the competitiveness and density of its industrial base, which accounts for nearly 38% of its GDP. The country relies on strategic sectors such as automotive, electronics, and metallurgy, supported by a highly skilled workforce and a business-friendly environment for investment. Moreover, its central geographic location in Europe bolsters its integration into industrial value chains, particularly with Germany, its main trading partner. The strength of the Czech Republic's economic model thus makes the study of its production taxation especially relevant.

BUILDING THE INDICATOR

The French-based experts at Forvis Mazars, who coordinated the project, developed a set of specifications detailing the information required to identify and analyze production taxes across the thirteen countries included in the study. They relied on European Regulation No. 549/2013 of 21 May 2013, which defines production taxes, as well as French legal standards, particularly case law from French courts.

The specifications included a list of all existing taxes, levies, and contributions, and identified which of these meet the definition of production taxes. These taxes must satisfy four criteria:

- They are mandatory.
- They are paid by businesses.
- They are levied by public administrations or European Union institutions.
- They are due in relation to production capacity.

The specifications also highlighted areas of ambiguity and provided detailed justifications for the classification of certain taxes. For instance, the vacant commercial property tax is excluded, as it is levied on the ownership of unused buildings and is not considered a cost associated with productive activity.

Based on these criteria, Forvis Mazars experts in the twelve other participating countries reviewed Eurostat data and reclassified it where necessary, applying the same analytical framework. The teams compiled a comprehensive list of all taxes in each country and determined, item by item, whether each one qualified as a production tax—providing justification and accounting for the complexity of national tax regulations.

This data was then transmitted to Institut Montaigne, which, with the support of HEC Junior Conseil, used it to construct a common indicator allowing for the comparison of total annual production tax revenues between France and the twelve other European countries. This shared indicator is expressed as a percentage of 2023 GDP.

While the findings of our barometer do not significantly diverge from Eurostat's rankings, they offer a higher degree of precision thanks to an enhanced legal basis for classification.

METHODOLOGICAL NOTE

While this report provides an unprecedented level of detail, there remains a margin of error in isolating the share of taxes paid by households versus businesses. In some countries, such as Spain and Poland, certain data are missing, making it impossible to definitively exclude household contributions to specific production taxes. In France, some local taxes identified in our specifications as production taxes suffer from a lack of transparency and are not systematically reported to Eurostat.

Acknowledgements

The authors would like to thank **Clara Yazi**, research assistant, for her valuable support throughout the drafting of this special report.

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SGS
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Each year since 2020, Institut Montaigne has partnered with Forvis Mazars to produce a unique comparison of production tax levels across European countries. Using a carefully defined classification framework, this study enables a detailed comparison of production tax systems and aims to enhance fiscal transparency for economic stakeholders.

This fourth edition of the European Production Tax Barometer highlights the enduringly high burden of production taxation in France, which accounted for 3.8% of GDP in 2023. This figure reflects a slight decrease compared to the previous edition, signaling the effects of political efforts initiated in 2021, particularly the significant reduction in CVAE revenues. However, this decline has been nearly fully offset by a parallel increase in certain local taxes. France thus maintains its position as the second-highest country in the ranking, behind Sweden (9.3%), whose unique social model is largely funded through production taxation. Overall, production taxation in Europe remains relatively stable across countries.

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