**OECD Centres**

**Germany**
Berlin (49-30) 288 8353
**Japan**
Tokyo (81-3) 5532-0021

**Mexico**
Mexico (52-55) 5281 3810
**United States**
Washington (1-202) 785 6323



PAC/COM/PUB(2004)7 Paris, 20 October 2004

# Tax Payments Rose in Some OECD Countries in 2003, but Fell in Others

After falling in most OECD countries between 2000 and 2002, tax revenues as a percentage of gross domestic product levelled out in 2003 and in some cases began to rise again, according to the latest edition of the OECD's annual **Revenue Statistics** publication.

Provisional data for 2003 show the ratio of tax to GDP rising in 13 of the 23 countries for which figures are available. The largest increases between 2002 and 2003 were in Iceland, where the 'tax share' of the national economy rose from 38.1% of GDP to 40.3%, Turkey (up from 31.1% to 32.9%) and Ireland (up from 28.4% to 30.0%).

On the other hand a number of countries experienced particularly large reductions in tax-to-GDP ratios between 2000 and 2003, reflecting lower personal income tax rates or increased tax credits (which reduce tax payable), leading to lower revenue from taxes in income and profits (Table B). The United States, for example, saw a reduction of 4.5 percentage points in its tax-to-GDP ratio, from 29.9% to 25.4%. Substantial reductions were also experienced in Finland (3.1 points), Sweden (3.0 points), the Netherlands (2.4 points), Ireland (2.2 points) and the United Kingdom (2.1 points).

Overall, as the data in **Revenue Statistics** show, the average tax-to-GDP ratio in OECD countries has trended lower in the past few years after rising sharply between 1975 and 2000: The ratio peaked at 37.2% in 2000 and then fell to 36.8% in 2001 and 36.3% in 2002 (See Table A). A number of countries still have to report for 2003, so no overall OECD ratio is yet available for last year. However, provisional figures suggest the downward trend is coming to an end, possibly in part reflecting stronger economic growth.

Tax-to-GDP ratios provide a useful indicator of the size of the government role in a given country's economy and of the role of the tax system in financing public services and redistributing income. Increases in a country's tax-to-GDP ratio often indicate a greater provision of tax-financed services and/or a greater redistributive role of the tax system.

However, differences in the nature of countries' tax systems can result in different tax-to-GDP ratios for countries with essentially similar social and tax policies. If family allowances, for example, are granted through the tax system in the form of tax rebates, less revenue is collected from taxes than would be the case if the allowances were financed out of tax revenue and paid as cash transfers to households.

The design of individual countries' tax systems is a reflection of policies on a range of issues, from income distribution to incentives in favour of employment and/or investment, as well as of the balance of funding between different levels of government. Countries are continually reviewing their tax policies in the light of policy objectives, and the OECD provides a forum where governments exchange experiences in such matters.

**JT00172116**

**OECD Media Relations**
**General Inquiries:** Tel. (33) 1 45 24 97 00 - Fax. (33)1 45 24 80 03/94 37 **· Research & Documentation:** Tel. (33) 1 45 24 80 88/80 89
**www.oecd.org/media · E-mail:** news.contact@oecd.org

**Organisation for Economic Co-operation and Development,** 2 rue André-Pascal, 75775 Paris Cedex 16, France· Tel. (33) 1 45 24 82 00 - Fax. (33) 1 45 24 85 00
**www.oecd.org**

A newly published OECD report entitled **Recent Tax Policy Trends and Reforms in OECD Countries** (OECD Tax Policy Studies, No. 9) covers recent change in this area.

In recent years, a combination of factors has affected tax-to-GDP ratios in OECD countries, including varying economic growth rates and changes in the structure of tax systems. Increased revenues from taxes on income and profits helped to push up the tax-to-GDP ratio for New Zealand between 2001 and 2002, and for Iceland, Ireland, Mexico and Korea between 2002 and 2003. In Iceland, Mexico and Turkey, increased revenues from consumption taxes also contributed to recent increases in the ratio of tax to GDP, while in the Netherlands a fall in social security contributions fuelled a reduction in the tax-to-GDP ratio.

Several of the largest recent reductions in tax-to-GDP ratios have been in countries with relatively high tax burdens, such as Sweden, Finland and France, while some of the largest recent increases in tax-to-GDP ratios have been in countries with relatively low tax burdens, such as Mexico, Korea and New Zealand. This is not a general pattern, however, as the example of the United States makes clear.

**Revenue Statistics** contains detailed information on revenue trends, including breakdowns by type of tax and level of government. Both this publication and **Recent Tax Policy Trends and Reforms in OECD Countries** are available to journalists on the OECD's password-protected website.or from the OECD's Media Relations Division (tel. [33] 1 45 24 97 00 or news.contact@oecd.org).

Table A. **Total tax revenue as percentage of GDP**

| | 1975 | 1985 | 1990 | 1995 | 2000 | 2001 | 2002 | 2003 Provisional |
|---|---|---|---|---|---|---|---|---|
| Canada | 31.9 | 32.5 | 35.9 | 35.6 | 35.6 | 35.0 | 33.9 | 33.9 |
| Mexico | | 17.0 | 17.3 | 16.7 | 18.5 | 18.8 | 18.1 | 19.5 |
| United States | 25.6 | 25.6 | 27.3 | 27.9 | 29.9 | 28.9 | 26.4 | 25.4 |
| | | | | | | | | |
| Australia | 26.5 | 29.1 | 29.3 | 29.6 | 31.8 | 30.4 | 31.5 | n.a. |
| Japan | 20.8 | 27.4 | 30.2 | 27.8 | 27.1 | 27.4 | 25.8 | n.a. |
| Korea | 14.5 | 16.0 | 18.1 | 19.4 | 23.6 | 24.1 | 24.4 | 25.5 |
| New Zealand | 28.5 | 31.3 | 37.7 | 37.0 | 33.4 | 33.3 | 34.9 | 34.8 |
| | | | | | | | | |
| Austria | 37.4 | 41.9 | 40.4 | 41.6 | 43.4 | 45.2 | 44.0 | 43.0 |
| Belgium | 40.6 | 45.6 | 43.2 | 44.8 | 45.7 | 45.9 | 46.4 | 45.8 |
| Czech Republic | | | | 39.8 | 39.0 | 38.5 | 39.3 | 39.9 |
| Denmark | 40.0 | 47.4 | 47.1 | 49.4 | 49.6 | 49.9 | 48.9 | 49.0 |
| Finland | 36.8 | 40.2 | 44.3 | 46.0 | 48.0 | 46.0 | 45.9 | 44.9 |
| France [a] | 35.9 | 43.8 | 43.0 | 43.9 | 45.2 | 44.9 | 44.0 | 44.2 |
| Germany [b] | 35.3 | 37.2 | 35.7 | 38.2 | 37.8 | 36.8 | 36.0 | 36.2 |
| Greece | 21.8 | 28.6 | 29.3 | 32.4 | 38.2 | 36.6 | 35.9 | n.a. |
| Hungary [c] | | | | 42.4 | 39.0 | 39.0 | 38.3 | n.a. |
| Iceland | 29.7 | 28.5 | 31.5 | 31.8 | 39.4 | 38.1 | 38.1 | 40.3 |
| Ireland | 29.1 | 35.0 | 33.5 | 32.8 | 32.2 | 30.1 | 28.4 | 30.0 |
| Italy | 26.1 | 34.4 | 38.9 | 41.2 | 43.2 | 43.0 | 42.6 | 43.4 |
| Luxembourg | 37.5 | 45.1 | 40.8 | 42.3 | 40.2 | 40.7 | 41.8 | 41.6 |
| Netherlands | 41.3 | 42.8 | 42.9 | 41.9 | 41.2 | 39.8 | 39.2 | 38.8 |
| Norway | 39.3 | 43.1 | 41.5 | 41.1 | 43.2 | 43.4 | 43.5 | 43.9 |
| Poland | | | | 37.0 | 32.5 | 31.9 | 32.6 | n.a. |
| Portugal [c] | 20.8 | 26.6 | 29.2 | 33.6 | 36.4 | 35.6 | 33.9 | n.a. |
| Slovak Republic [c] | | | | | 34.0 | 31.6 | 33.1 | n.a. |
| Spain | 18.8 | 27.8 | 33.2 | 32.8 | 35.2 | 35.0 | 35.6 | 35.8 |
| Sweden | 42.0 | 48.2 | 53.2 | 48.5 | 53.8 | 51.9 | 50.2 | 50.8 |
| Switzerland | 27.0 | 25.8 | 26.0 | 27.8 | 30.5 | 30.0 | 30.3 | 29.8 |
| Turkey | 16.0 | 15.4 | 20.0 | 22.6 | 32.3 | 35.1 | 31.1 | 32.9 |
| United Kingdom | 35.3 | 37.7 | 36.5 | 35.0 | 37.4 | 37.2 | 35.8 | 35.3 |
| | | | | | | | | |
| *Unweighted average:* | | | | | | | | |
| OECD Total | 30.3 | 33.6 | 34.8 | 35.9 | 37.2 | 36.8 | 36.3 | |
| OECD America | 28.8 | 25.0 | 26.8 | 26.7 | 28.0 | 27.6 | 26.1 | 26.2 |
| OECD Pacific | 22.6 | 26.0 | 28.8 | 28.5 | 29.0 | 28.8 | 29.1 | |
| OECD Europe | 32.1 | 36.6 | 37.4 | 38.5 | 39.9 | 39.4 | 38.9 | |
| EU19 | 32.0 | 37.3 | 38.3 | 39.5 | 40.4 | 39.9 | 39.3 | |
| EU 15 | 33.2 | 38.8 | 39.4 | 40.3 | 41.8 | 41.2 | 40.6 | |

n.a. Indicates not available.

*a)* From 1992 the total tax revenue has been reduced by the amount of the capital transfer that represents uncollected taxes.
*b)* Unified Germany beginning in 1991. Starting in 2001, Germany has revised its treatment of non-wastable tax credits in the reporting of revenues to bring it into line with the OECD guidelines. The impact of this change is shown in Table D in Part I of this report.
*c)* For the year 2002 provisional data published in the *Revenue Statistics*, 2003 Edition are used.

Source: *Revenue Statistics 1965-2003*, OECD 2004, p. 18.

Table B. **Taxes on income and profits as percentage of GDP**

| | 1975 | 1985 | 1990 | 1995 | 2000 | 2001 | 2002 | 2003 Provisional |
|---|---|---|---|---|---|---|---|---|
| Canada | 15.1 | 14.4 | 17.4 | 16.5 | 17.8 | 16.6 | 15.7 | 15.6 |
| Mexico | | 3.8 | 4.7 | 4.1 | 5.0 | 5.2 | 5.2 | 5.7 |
| United States | 11.8 | 11.6 | 12.6 | 12.8 | 15.1 | 14.2 | 11.8 | 10.9 |
| | | | | | | | | |
| Australia | 14.8 | 15.9 | 16.7 | 16.4 | 18.0 | 16.7 | 17.4 | n.a. |
| Japan | 9.3 | 12.5 | 14.6 | 10.2 | 9.2 | 9.0 | 7.9 | n.a. |
| Korea | 3.5 | 4.2 | 5.9 | 6.2 | 6.8 | 6.4 | 6.2 | 7.1 |
| New Zealand | 18.9 | 21.5 | 21.8 | 22.4 | 19.8 | 19.5 | 20.6 | 20.5 |
| | | | | | | | | |
| Austria | 9.8 | 11.1 | 10.3 | 11.1 | 12.4 | 14.2 | 13.0 | 12.6 |
| Belgium | 16.3 | 18.7 | 16.2 | 17.4 | 17.9 | 18.3 | 18.3 | 17.8 |
| Czech Republic | | | | 10.0 | 8.9 | 9.3 | 9.7 | 10.0 |
| Denmark | 23.6 | 27.1 | 27.6 | 30.0 | 29.3 | 29.6 | 28.9 | 29.2 |
| Finland | 16.0 | 16.4 | 17.4 | 16.6 | 20.7 | 18.8 | 18.6 | 17.4 |
| France [a] | 5.7 | 7.0 | 6.9 | 7.1 | 11.2 | 11.3 | 10.5 | 10.2 |
| Germany [b] | 12.1 | 12.9 | 11.6 | 11.6 | 11.4 | 10.6 | 10.1 | 9.9 |
| Greece | 2.9 | 5.0 | 5.8 | 7.2 | 10.4 | 9.0 | 8.9 | n.a. |
| Hungary [c] | | | | 8.9 | 9.5 | 10.0 | 10.1 | n.a. |
| Iceland | 6.8 | 6.5 | 9.2 | 10.8 | 15.9 | 16.9 | 16.7 | 17.7 |
| Ireland | 8.7 | 12.1 | 12.3 | 12.8 | 13.4 | 12.5 | 11.1 | 12.0 |
| Italy | 5.6 | 12.7 | 14.2 | 14.5 | 14.3 | 14.7 | 13.8 | 13.2 |
| Luxembourg | 16.2 | 19.5 | 16.0 | 16.7 | 14.6 | 14.7 | 15.3 | 14.9 |
| Netherlands | 14.4 | 11.3 | 13.8 | 11.1 | 10.4 | 10.6 | 10.6 | 9.9 |
| Norway | 13.5 | 17.1 | 14.6 | 14.4 | 19.4 | 19.5 | 19.0 | 19.6 |
| Poland | | | | 11.3 | 9.9 | 9.4 | 9.5 | n.a. |
| Portugal [c] | 3.6 | 6.8 | 7.5 | 8.5 | 10.1 | 9.6 | 9.4 | n.a. |
| Slovak Republic [c] | | | | | 7.2 | 6.5 | 7.0 | n.a. |
| Spain | 4.2 | 7.3 | 10.2 | 9.6 | 9.8 | 9.9 | 10.4 | 10.1 |
| Sweden | 21.2 | 20.3 | 22.1 | 19.1 | 21.7 | 19.4 | 17.7 | 18.5 |
| Switzerland | 11.9 | 11.8 | 12.1 | 12.0 | 13.4 | 12.7 | 13.1 | 12.8 |
| Turkey | 6.8 | 5.7 | 6.7 | 6.4 | 9.5 | 10.1 | 7.7 | 7.8 |
| United Kingdom | 15.8 | 14.6 | 14.3 | 12.8 | 14.6 | 14.7 | 13.5 | 12.9 |
| | | | | | | | | |
| *Unweighted average:* | | | | | | | | |
| OECD Total | 11.5 | 12.6 | 13.2 | 12.7 | 13.6 | 13.3 | 12.9 | |
| OECD America | 13.4 | 9.9 | 11.6 | 11.2 | 12.7 | 12.0 | 10.9 | 10.7 |
| OECD Pacific | 11.6 | 13.5 | 14.8 | 13.8 | 13.5 | 12.9 | 13.0 | |
| OECD Europe | 11.3 | 12.8 | 13.1 | 12.7 | 13.7 | 13.6 | 13.2 | |
| EU 19 | 11.1 | 12.9 | 13.3 | 12.8 | 13.3 | 13.1 | 12.7 | |
| EU 15 | 11.7 | 13.5 | 13.8 | 13.7 | 14.8 | 14.5 | 14.0 | |

n.a. Indicates not available.

*a)* The tax revenues have been reduced by the amount of the capital transfer. The capital transfer has been allocated between tax headings in proportion to the reported tax revenues.

*b)* Unified Germany beginning in 1991.

*c)* For the year 2002 provisional data published in the *Revenue Statistics*, 2003 Edition are used.

Source: *Revenue Statistics 1965-2003*, OECD 2004, p. 19.