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Tax revenues on the rise in many OECD countries, OECD report shows

Tax revenues, measured as the ratio of tax to Gross Domestic Product (GDP), are rising in many OECD countries despite deep cuts in tax rates, according to a new OECD report, reflecting both the effects of stronger economic growth, which has led to higher corporate profits, and moves in some countries to offset the effects of cuts in tax rates by broadening the tax base and improving tax compliance.

In 2005, according to the latest edition of the OECD's annual **Revenue Statistics** publication, tax burdens as a proportion of GDP rose in 17 out of the 24 countries for which provisional figures are available, and fell in only five countries (see Table A). The biggest increases were in Iceland, where the tax burden rose by 3.7 percentage points to 42.4% of GDP, followed by the United States (up 1.3 points to 26.8% of GDP) and the United Kingdom (up 1.2 points to 37.2%). The largest reduction in overall tax ratios was in Hungary (down one percentage point to 37.1%).

Based on these figures and figures for 2004, OECD analysts say, a trend towards lower tax burdens witnessed from 2000 to 2003 appears to be going into reverse. Between 2000 and 2003, the tax ratio in the OECD area as a whole fell from 36.6% of GDP to 35.8% of GDP, but in 2004 it moved back up slightly to 35.9%.

Higher revenues from taxes on incomes, including both company profits and personal income, were the main factor behind the higher 2005 tax-to-GDP ratios in Iceland, the United States and the United Kingdom (see Table B). In Iceland, an additional factor was increased revenue from taxes on goods and services. By contrast, the decline in Hungary was mainly due to lower revenue from taxes on goods and services.

Tax on personal income and corporate profits is one of the main sources of tax revenues in many OECD countries. But social security contributions and taxes on goods and services also play a major role, and the relative importance of these various taxes varies across countries (see Chart 1). In New Zealand, for example, taxes on income and profits are the largest single source of revenues, while in the Czech Republic social security contributions provide the main single source of revenues and Mexico taxes on goods and services are the main source of revenues.

Recent increases in income tax revenues – both personal and corporate – have come despite the fact that statutory rates of corporate and personal income taxes remain stable or are falling in many OECD countries. There were no increases in personal or corporate tax rates in the three countries with the largest tax ratio increase: Iceland, the United Kingdom and the United States.

That suggests that the higher tax ratios are a result of stronger economic growth in these countries, and more generally across the OECD. Stronger growth increases both the profitability of companies and the level of personal incomes, leading to an increase in the level of taxes that they pay.

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Revenue Statistics is available to journalists on the OECD's password-protected website (www.oecd.org/media/protectedsite) or on request from the Media Division (mailto:news.contact@oecd.org). For further information, journalists are invited to contact the OECD's Media Division (tel. [33] 1 45 24 97 00) or Christopher Heady in the OECD’s Centre for Tax Policy and Administration (Christopher.heady@oecd.org; tel [33] 1 45 24 93 22).

The publication can be purchased in paper or electronic form through the OECD’s Online Bookshop (www.oecd.org/bookshop). Subscribers and readers at subscribing institutions can access the online version via SourceOECD (www.sourceoecd.org).

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

	1975	1985	1990	1995	2000	2003	2004	2005 Provisional
Canada	32.0	32.5	35.9	35.6	35.6	33.6	33.5	33.5
Mexico		17.0	17.3	16.7	18.5	19.0	19.0	19.8 *
United States	25.6	25.6	27.3	27.9	29.9	25.7	25.5	26.8
Australia	25.8	28.2	28.5	28.8	31.1	30.7	31.2	n.a
Japan	20.9	27.4	29.1	26.9	27.1	25.7	26.4	n.a
Korea	15.1	16.4	18.9	19.4	23.6	25.3	24.6	25.6
New Zealand	28.5	31.1	37.4	36.6	33.6	34.4	35.6	36.6
Austria	36.7	40.9	39.6	41.1	42.6	42.9	42.6	41.9
Belgium	39.5	44.4	42.0	43.6	44.9	44.7	45.0	45.4
Czech Republic				37.5	36.0	37.6	38.4	38.5
Denmark [1]	39.3	46.5	46.5	48.8	49.4	47.7	48.8	49.7
Finland	36.7	39.9	43.9	45.6	47.7	44.6	44.2	44.5
France [1]	35.5	42.4	42.2	42.9	44.4	43.1	43.4	44.3
Germany [2]	35.3	37.2	35.7	37.2	37.2	35.5	34.7	34.7
Greece	21.3	28.0	28.7	31.7	37.3	36.3	35.0	n.a
Hungary				42.1	38.7	38.1	38.1	37.1
Iceland	30.0	28.2	31.0	31.2	38.3	37.8	38.7	42.4
Ireland	28.7	34.6	33.1	32.5	31.7	28.7	30.1	30.5
Italy	25.4	33.6	37.8	40.1	42.3	41.8	41.1	41.0
Luxembourg	32.8	39.5	35.7	37.0	39.1	38.2	37.8	37.6
Netherlands	39.6	41.0	41.1	40.2	39.5	37.0	37.5	n.a
Norway [1]	39.3	43.0	41.5	41.1	43.0	42.9	44.0	45.0
Poland				37.0	32.5	34.9	34.4	n.a
Portugal	19.7	25.2	27.7	31.7	34.1	35.0	34.5	n.a
Slovak Republic [1]					33.1	31.2	30.3	29.4
Spain [1]	18.4	27.2	32.5	32.1	34.2	34.3	34.8	35.8
Sweden	41.6	47.8	52.7	48.1	53.4	50.1	50.4	51.1
Switzerland	24.5	26.1	26.0	27.8	30.5	29.4	29.2	30.0
Turkey	16.0	15.4	20.0	22.6	32.3	32.8	31.3	32.3
United Kingdom	35.3	37.7	36.5	35.0	37.2	35.4	36.0	37.2
Unweighted average:								
OECD Total	29.7	32.9	34.2	35.1	36.6	35.8	35.9	n.a
OECD America	28.8	25.0	26.8	26.7	28.0	26.1	26.0	26.7
OECD Pacific	22.6	25.8	28.5	27.9	28.8	29.0	29.4	n.a
OECD Europe	31.3	35.7	36.5	37.6	39.1	38.3	38.3	n.a
EU 19	32.4	37.7	38.4	39.1	39.8	38.8	38.8	n.a
EU 15	32.4	37.7	38.4	39.2	41.0	39.7	39.7	n.a

n.a indicates not available.

Note : EU 15 area countries are : Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal , Spain, Sweden and United Kingdom.

EU 19 area countries are: EU 15 countries plus Czech Republic, Hungary, Poland and Slovak Republic.

1. The total tax revenue has been reduced by the amount of the capital transfer that represents uncollected taxes.
2. Unified Germany beginning in 1991. Starting 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.

*. Secretariat estimate, including expected revenues collected by state and local governments.

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

	1975	1985	1990	1995	2000	2003	2004	2005 Provisional
Canada	15.1	14.4	17.4	16.5	17.8	15.2	15.6	16.0
Mexico		3.8	4.7	4.1	5.0	5.0	4.7	4.8
United States	11.8	11.6	12.6	12.8	15.1	11.1	11.1	12.5
Australia	14.5	15.4	16.3	15.9	18.1	17.4	18.2	n.a
Japan	9.3	12.5	14.6	10.3	9.4	7.9	8.5	n.a
Korea	3.7	4.3	6.5	6.2	6.8	7.1	6.9	7.5
New Zealand	19.0	21.6	22.3	22.4	20.1	20.5	21.7	22.6
Austria	9.6	10.8	10.1	10.9	12.2	12.7	12.5	12.0
Belgium	15.8	18.2	15.8	16.9	17.6	17.4	17.4	17.8
Czech Republic				9.4	8.2	9.5	9.7	9.4
Denmark [1]	23.2	26.6	28.0	30.1	29.8	28.6	29.5	30.1
Finland	15.9	16.3	17.2	16.5	20.6	17.3	17.1	17.0
France [1]	5.6	6.8	6.8	7.0	11.1	10.0	10.1	10.4
Germany [2]	12.1	12.9	11.6	11.3	11.2	9.7	9.5	9.8
Greece	2.8	4.9	5.7	7.0	10.2	8.2	8.2	n.a
Hungary				8.8	9.4	9.4	9.0	8.9
Iceland	6.8	6.4	9.2	10.7	15.5	17.0	17.0	19.3
Ireland	8.6	12.0	12.2	12.7	13.2	11.3	11.8	11.7
Italy	5.4	12.4	13.8	14.2	14.0	12.9	12.9	12.9
Luxembourg	14.1	17.0	14.0	14.6	14.1	13.9	12.6	12.7
Netherlands	13.8	10.8	13.3	10.6	10.0	9.4	9.2	n.a
Norway [1]	13.5	17.1	14.6	14.4	19.2	18.6	20.3	22.2
Poland				11.3	9.9	6.2	6.1	n.a
Portugal	3.4	6.5	7.1	8.1	9.6	8.5	8.3 *	n.a
Slovak Republic [1]					7.1	6.8	5.7	5.3
Spain [1]	4.1	7.1	10.0	9.4	9.7	9.7	9.8	10.6
Sweden	21.0	20.2	22.0	18.9	21.5	18.2	19.0	19.5
Switzerland	11.7	12.0	12.1	12.0	13.4	12.6	12.7	13.4
Turkey	6.8	5.7	6.7	6.4	9.5	7.8	6.9	7.0
United Kingdom	15.8	14.6	14.3	12.8	14.6	13.0	13.2	14.3
Unweighted average:								
OECD Total	11.3	12.4	13.0	12.5	13.5	12.4	12.5	n.a
OECD America	13.4	9.9	11.6	11.2	12.7	10.4	10.4	11.1
OECD Pacific	11.6	13.5	14.9	13.7	13.6	13.2	13.8	n.a
OECD Europe	11.1	12.5	12.9	12.5	13.5	12.6	12.5	n.a
EU 19	11.4	13.1	13.4	12.8	13.4	12.3	12.2	n.a
EU 15	11.4	13.1	13.4	13.4	14.6	13.4	13.4	n.a

n.a indicates not available.

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*. Secretariat estimate.

Chart 1. **Tax revenue of main headings as percentage of total tax revenue 2004**