TAX POLICY ANALYSIS – OECD DATA

Martin Jareš
Contents

- Introduction
- Revenue Statistics
  - The Interpretative Guide
  - Definition of taxes
  - Classification of taxes
  - Data, tax-to-GDP ratio
- Taxing Wages
- Tax Database
- Tax policy studies
Introduction

- The core work of the OECD in the tax policy area lies in setting standards
- The standards are not binding, the OECD does not have any legislative power to enforce them
- The standards are based on analyses
Main tax policy areas:
- Double taxation
- Transfer pricing
- Harmful tax practices
- Tax administration
- Consumption taxes
- Base erosion and profit shifting

Tax policy analysis and tax statistics
Work on tax policy analysis and tax statistics is carried on by
- Working Party No. 2 on tax policy analysis and tax statistics
- Joint Meeting of Tax and Environment Experts

Regular statistical products
- Revenue Statistics
- Taxing Wages
- Tax Database
- Environmental Tax Database

Analysis of tax policy
- Tax policy studies and Working papers
Revenue Statistics

- The Interpretative Guide defines what is tax
- In the OECD classification the term “tax” is confined to payments which are
  - compulsory
  - unrequited
  - paid to general government
- Data on tax revenues of all member states from 1965
- Data on accrual basis
  - Tax revenue is recorded at the time that the tax liability was created
- Breakdown by type of tax and level of government
Revenue Statistics (2)

- **1000 Taxes on income, profits and capital gains**
  - 1100 Taxes on income, profits and capital gains of individuals
  - 1200 Corporate taxes on income, profits and capital gains
- **2000 Social security contributions**
- **3000 Taxes on payroll and workforce**
- **4000 Taxes on property**
- **5000 Taxes on goods and services**
  - 5100 Taxes on production, sale, transfer, leasing and delivery of goods and rendering of services
    - 5110 General taxes (5111 Value added taxes)
    - 5120 Taxes on specific goods and services (5121 Excises)
  - 5200 Taxes on use of goods, or on permission to use goods or perform activities
    - 5210 Recurrent taxes (5211, 5212 Paid in respect of motor vehicles)
Revenue Statistics (3)

- Attribution of tax revenues to levels of government
- In general, a tax is attributed to the government unit that
  - exercises the authority to impose the tax (either as a principal or through the delegated authority of the principal)
  - has final discretion to set and vary the rate of the tax, and
  - also final discretion over the use of the tax proceeds
- Links:
  - [https://data.oecd.org/tax/tax-revenue.htm#indicator-chart](https://data.oecd.org/tax/tax-revenue.htm#indicator-chart)
  - [https://stats.oecd.org/](https://stats.oecd.org/)
Total tax burden in the Czech Republic has been around the OECD average.
Czech Republic has higher share of social security contributions and lower share of personal income tax and property taxes.
Total tax burden in OECD countries, 2016

OECD average: 34.2 %
Taxing Wages

- Provides comparative information on tax burden on labour income of OECD countries.
- Shows information on
  - income tax paid by workers
  - social security contributions levied on employees and their employers
  - family benefits paid as cash transfers.
Taxing Wages (2)

- Not based on actual data but on a model
- Inputs:
  - information on tax and social-benefits legislation
  - average wage
Taxing Wages (3)

• Results are presented for different household types which differ by
  ○ income level (in percentage of average wage)
  ○ household composition (one- and two-earner families, different number of children)

• Link: http://www.oecd.org/ctp/tax-policy/taxing-wages.htm
• Average and marginal effective tax rates are calculated
  ◦ Average tax rate: Total tax divided by total income
  ◦ Marginal tax rate: Tax from the last currency unit earned divided by the currency unit

• Example:
  ◦ Tax rate 20%, all taxpayers entitled to a tax credit of 100
  ◦ A person earns 2000
  ◦ Total tax: 2000 times 20% minus 100 = 300
  ◦ Average tax rate: 300 divided by 2000 = 15%
  ◦ Marginal tax rate: 20%
    ▪ If income increases by 1, tax increases by 0.2
Tax Database

- Comparative information on a range of tax statistics on
  - personal income taxes
  - social security contributions
  - non-tax compulsory payments
  - corporate and capital income taxes
  - taxes on consumption
Personal taxes
  - personal income taxes
  - social security contributions paid by
    - employees
    - employers
    - self-employed
  - non-tax compulsory payments
    - compulsory payments made to organizations outside the government sector or because they are not unrequited
  - measures of tax burden
    - average rate
    - marginal rate
    - tax wedge (income tax, employer and employee social security contributions and pay roll tax as a percentage of labour costs)
Corporate and capital income taxes
- basic (non-targeted) rates,
- small business tax rates,
- corporate income taxes relating to sub-central governments.
Taxes on consumption

- value added tax
  - tax rates
  - registration thresholds
- excise duties on
  - beer,
  - wine,
  - alcoholic beverages,
  - mineral oils,
  - tobacco.

Since 1999, 24 studies published

Studies deal with specific tax policy topics, e.g.
- Corporate Tax Incentives for Foreign Direct Investment
- Taxation of SMEs
- Choosing a Broad Base-Low Rate Approach to Taxation
- Tax Policy Reform and Economic Growth
- Taxation and Employment
- The Distributional Effects of Consumption Taxes

Link: http://www.oecd.org/ctp/tax-policy/tax-policy-studies.htm
Since 2011, 35 papers published

Distributional effects of VAT

- A project using actual household microdata analysing distribution of VAT across income deciles
- Most countries have more than one VAT rate
- Distributional analysis is important when assessing impacts of reduced VAT rates
Distributional effects of VAT (2)

- VAT is regressive, i.e. richer households pay lower VAT as a percentage of their income than poorer households because the rich save more
- A reduced VAT rate on necessities which represent a larger share of consumption basket of the poorer households can mitigate the regressivity
However, the study found that the highest deciles benefit most from reduced VAT rates.
Distributional effects of VAT (4)

Average tax expenditure (in CZK) per household from all reduced rates: income deciles, Czech Republic
Distributional effects of VAT (5)

Average tax expenditure (in CZK) per household from reduced rates on museums and ZOOS: income deciles, Czech Republic
Thank you for your attention.