

TAX POLICY ANALYSIS – OECD DATA



Martin Jareš

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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

Introduction (2)



- **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**

Introduction (3)



- **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)

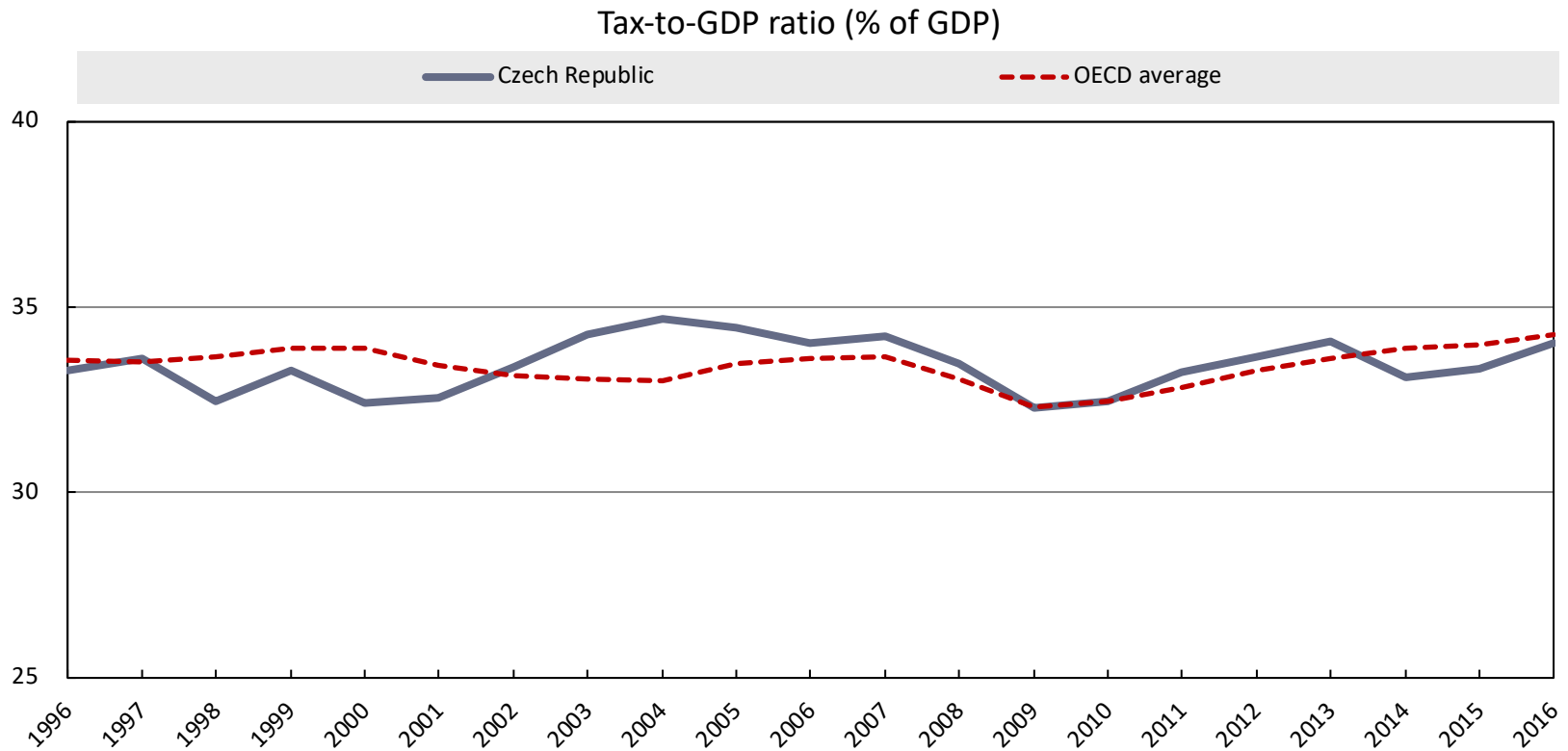


- Attribution of tax revenues to levels of government
- In general, a tax is attributed to the government unit that
 - exercises the authority to impose the tax (either as a principal or through the delegated authority of the principal)
 - has final discretion to set and vary the rate of the tax, and
 - also final discretion over the use of the tax proceeds
- **Links:**
 - <http://www.oecd.org/tax/tax-policy/revenue-statistics.htm>
 - <https://data.oecd.org/tax/tax-revenue.htm#indicator-chart>
 - <https://stats.oecd.org/>

Revenue Statistics (4)



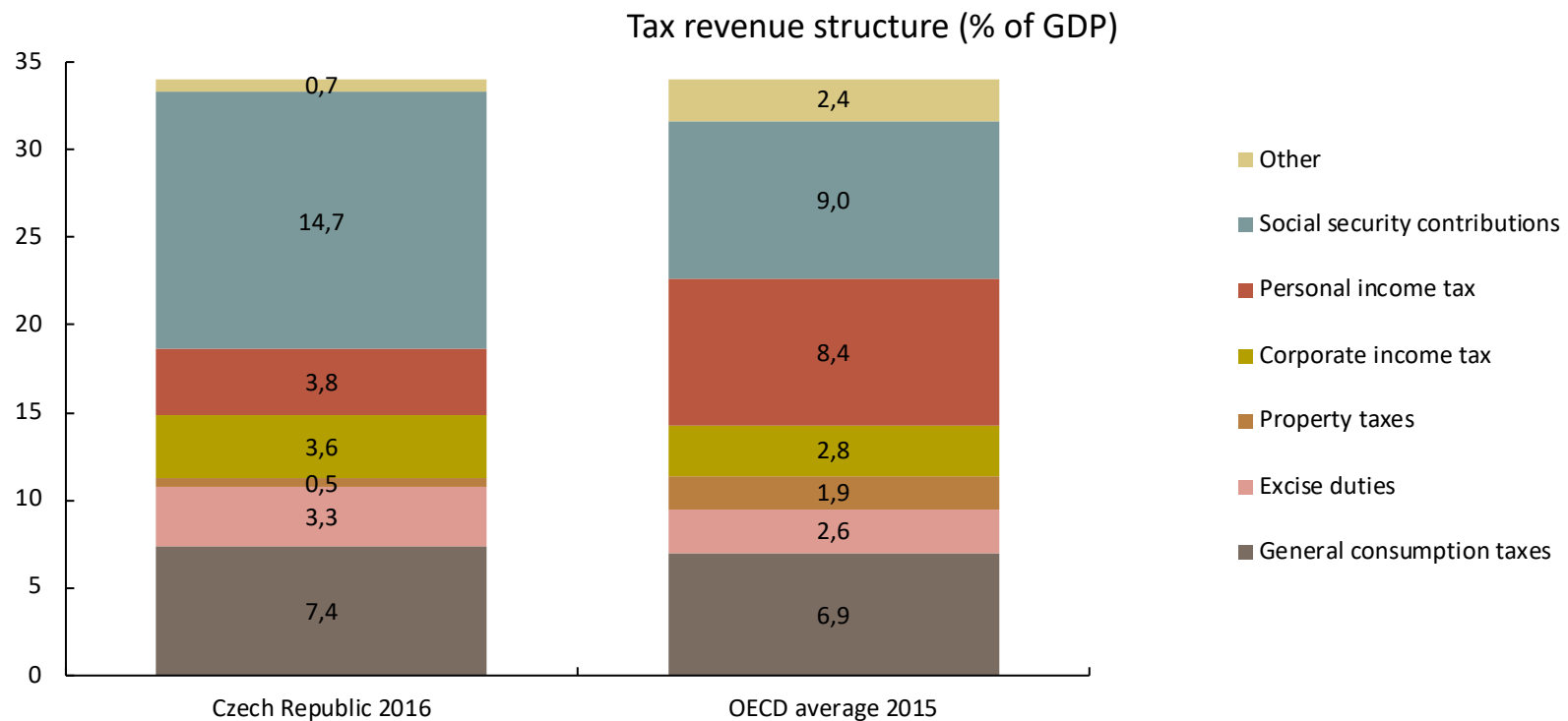
- Total tax burden in the Czech Republic has been around the OECD average



Revenue Statistics (5)



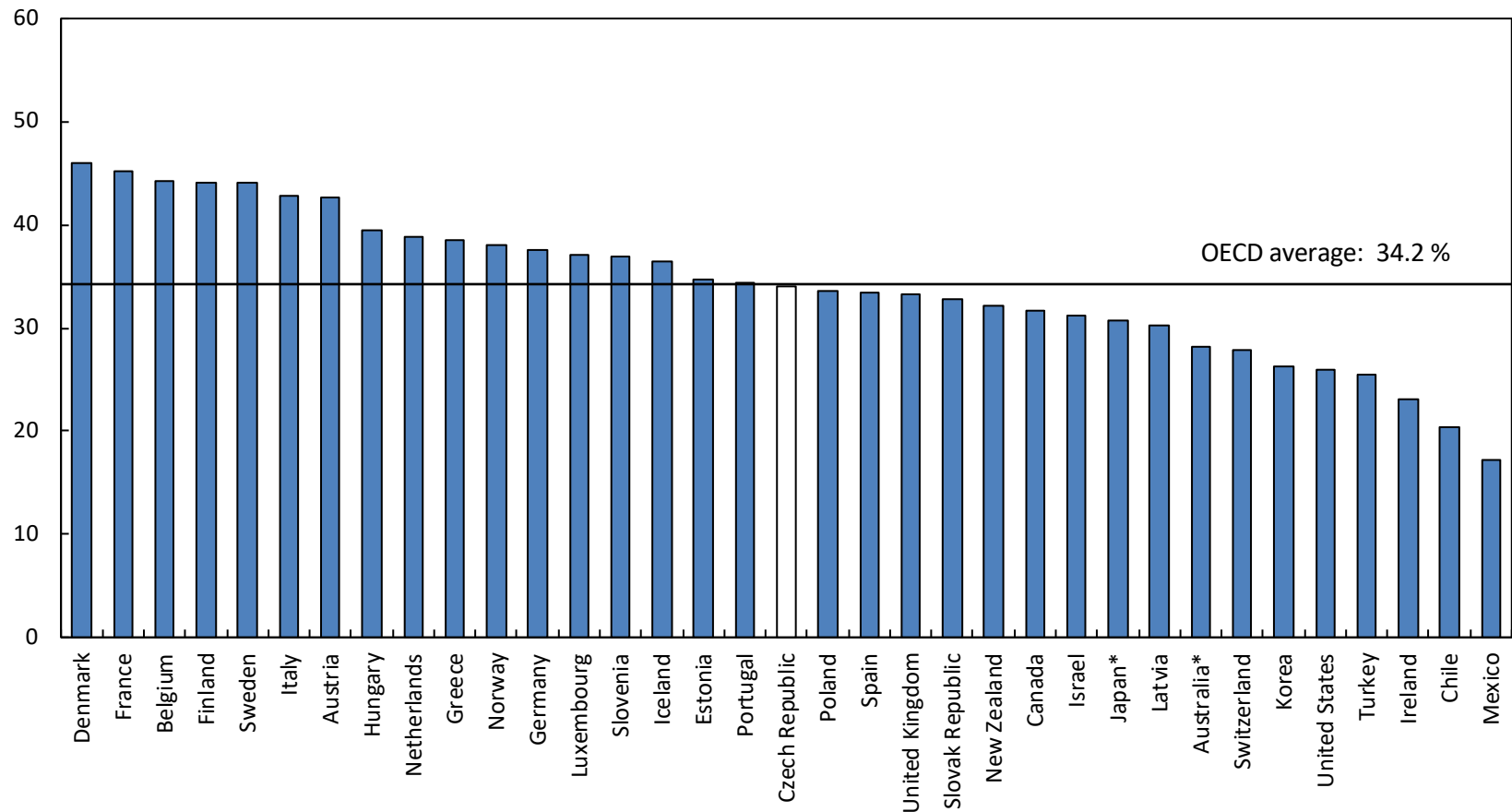
- Czech Republic has higher share of social security contributions and lower share of personal income tax and property taxes



Revenue Statistics (6)



- Total tax burden in OECD countries, 2016



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>

Taxing Wages (4)



- 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: $2000 \times 20\% - 100 = 300$
 - Average tax rate: $300 \div 2000 = 15\%$
 - 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

Tax Database (2)



- **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)

Tax Database (5)



- **Corporate and capital income taxes**
 - basic (non-targeted) rates,
 - small business tax rates,
 - corporate income taxes relating to sub-central governments.

Tax Database (6)



- Taxes on consumption
 - value added tax
 - ✦ tax rates
 - ✦ registration thresholds
 - excise duties on
 - ✦ beer,
 - ✦ wine,
 - ✦ alcoholic beverages,
 - ✦ mineral oils,
 - ✦ tobacco.
- Link: <http://www.oecd.org/ctp/tax-policy/tax-database.htm>

Tax policy studies



- 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>

Taxation working papers



- Since 2011, 35 papers published
- Link: http://www.oecd-ilibrary.org/taxation/oecd-taxation-working-papers_22235558

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

Distributional effects of VAT (3)

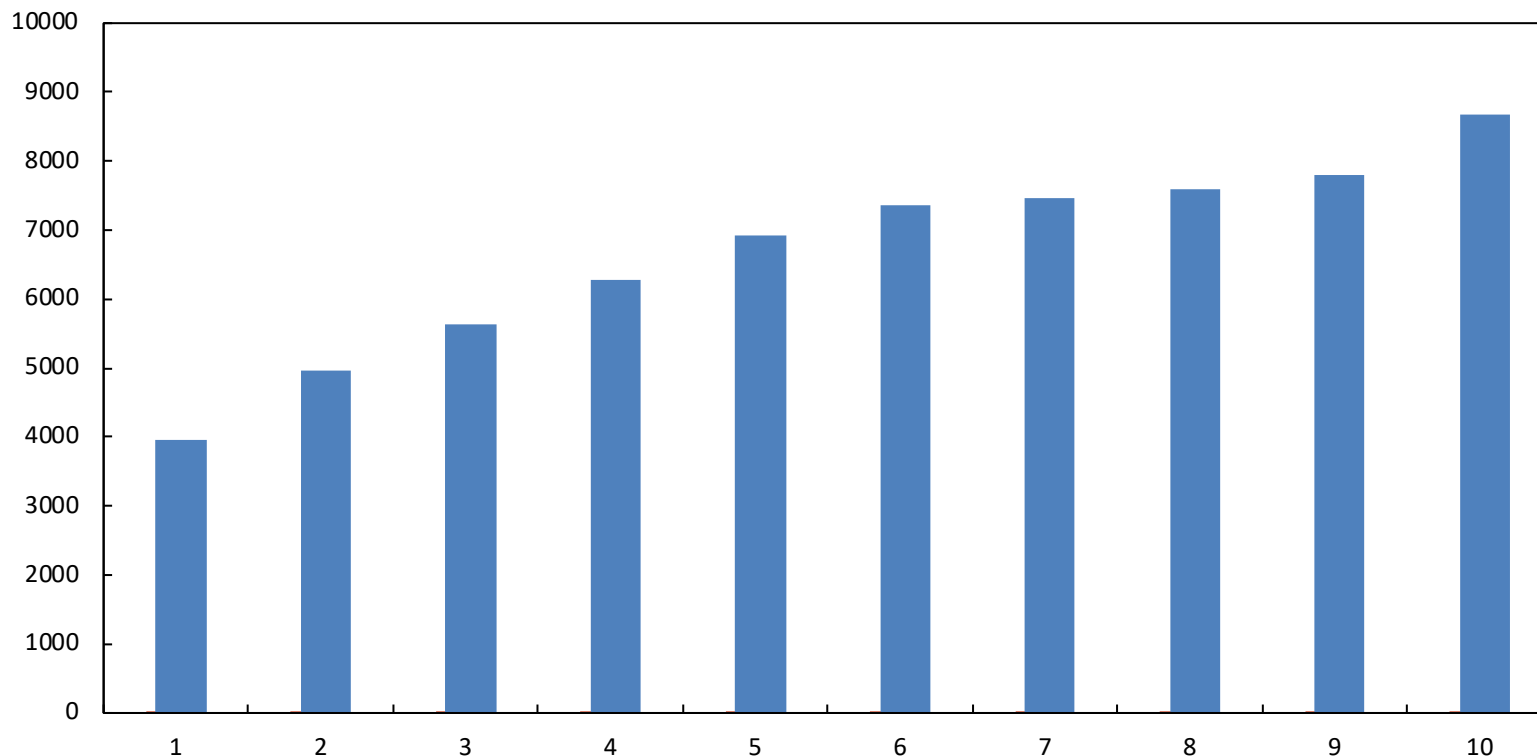


- However, the study found that the highest deciles benefit most from reduced VAT rates

Distributional effects of VAT (4)



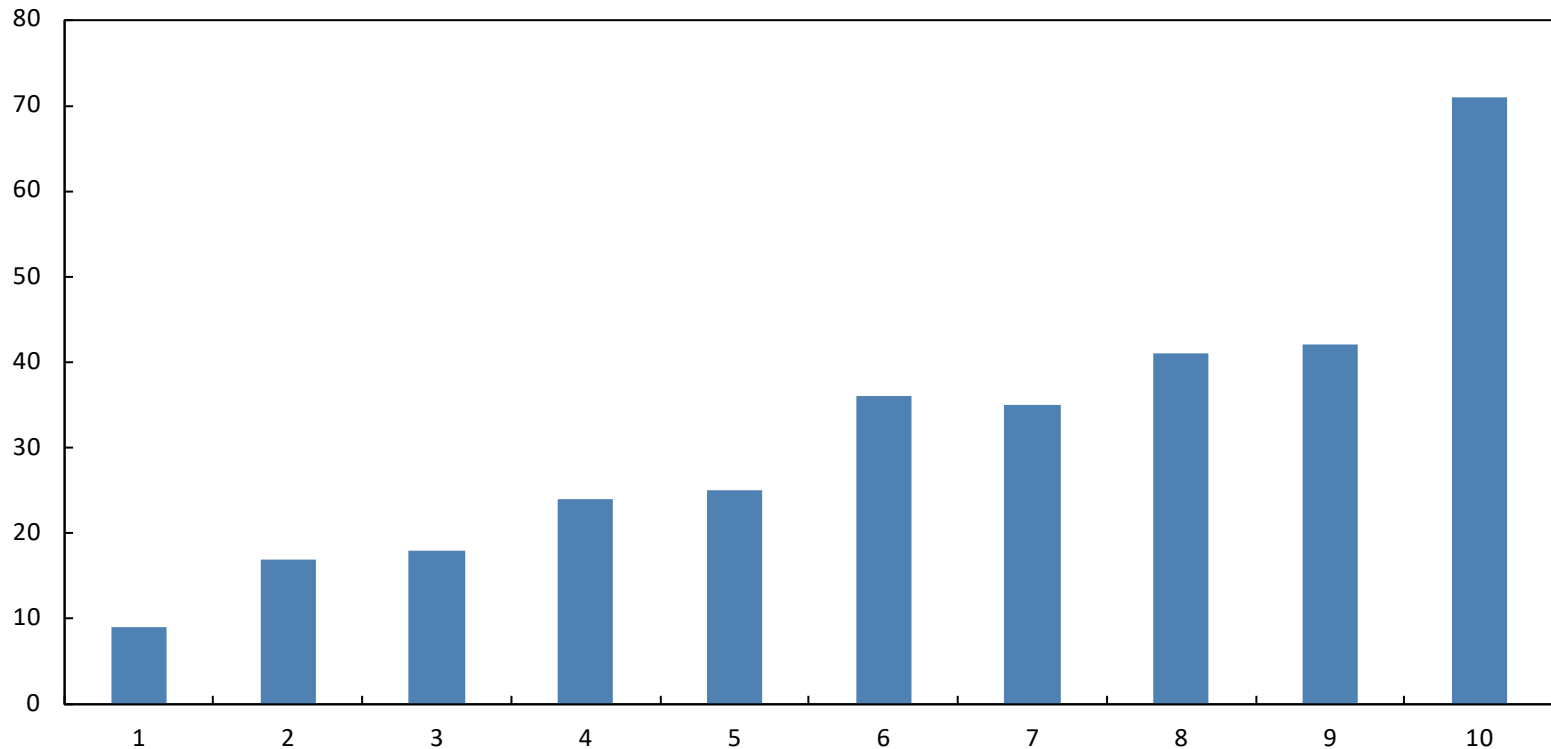
Average tax expenditure (in CZK) per household from all reduced rates:
income deciles, Czech Republic



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.