

2. Structure of general government revenues

A breakdown of government revenues into its different sources can shed light on the relative contributions from citizens and/or sectors of the economy to pay for public expenditures.

Taxes other than social contributions represent the largest share of general government revenues (on average around three-fifths) in all OECD member countries. Social contributions account for approximately a quarter of total revenues, while grants and other revenues comprise the remainder. OECD member countries finance their public expenditures in different ways. Denmark, New Zealand and Australia, for example, rely mostly on taxes other than social contributions (over 80% of total revenues) and finance welfare spending through general taxation. France, Germany, Spain, the Slovak Republic and the Czech Republic are more dependent on social contributions (almost 40% of total revenues). Norway is the only country whose contribution of grants and other revenues to total revenues exceeded 25% (mostly explained by the government pension fund which receives national petroleum profits).

Between 2007 and 2009, the share of revenues collected as taxes other than social contributions decreased on average by 2.5 percentage points, as economic activity declined and many governments cut taxes to alleviate the effects of the financial and economic crisis. Mexico, Spain and Ireland experienced the largest change in their structure of government revenues, as their share of taxes other than social contributions decreased by at least 7 percentage points.

On average, the structure of tax revenues was relatively stable in OECD member countries between 2000 and 2008. However, there is considerable variance among countries in the relative emphasis placed on different taxes. In general, taxes on income and profits constitute the largest share of tax revenues, followed by taxes on goods and services (of which value added tax (VAT) represents a significant component). Recent research (OECD, 2008) has suggested that taxes on goods and services may be less detrimental to economic growth than taxes on income and profits.

Methodology and definitions

Revenues data are derived from the OECD National Accounts Statistics, which are based on the System of National Accounts (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. Using SNA terminology, general government consists of central, state, local government and social security funds. Revenues encompass taxes other than social contributions (e.g. taxes on consumption, income, wealth, property and capital), social contributions (e.g. contributions for pensions, health and social security), and grants (from foreign governments or international organisations) and other revenues (e.g. sales, fees, property income and subsidies). These aggregates are not directly available in the OECD National Accounts, and were constructed using sub-account line items (see Annex A). The data presented in 2.3 are from OECD Revenue Statistics.

There are some differences between the definitions of tax revenues used in OECD Revenue Statistics and SNA. In the SNA, taxes are compulsory unrequited payments, in cash or in kind, made by institutional units to the general government. Social contributions are actual or imputed payments to social insurance schemes to make provision for social insurance benefits. These contributions may be compulsory or voluntary and the schemes may be funded or unfunded. OECD Revenue Statistics treat compulsory social security contributions as taxes whereas the SNA considers them social contributions because the receipt of social security benefits depends, in most countries, upon appropriate contributions having been made, even though the size of the benefits is not necessarily related to the amount of the contributions.

Further reading

OECD (2008), "Taxation and Economic Growth", *Economics Department Working Papers*, No. 620, OECD Publishing, Paris.

OECD (2010), *Revenue Statistics 1965-2009*, OECD Publishing, Paris.

Figure notes

2.1 and 2.2: Australia does not collect revenues via social contributions because it does not operate government social insurance schemes. Data for Australia, Japan, Korea and New Zealand are for 2008 rather than 2009. Data for the Russian Federation are for 2008 rather than 2009, and capital taxes are not available.

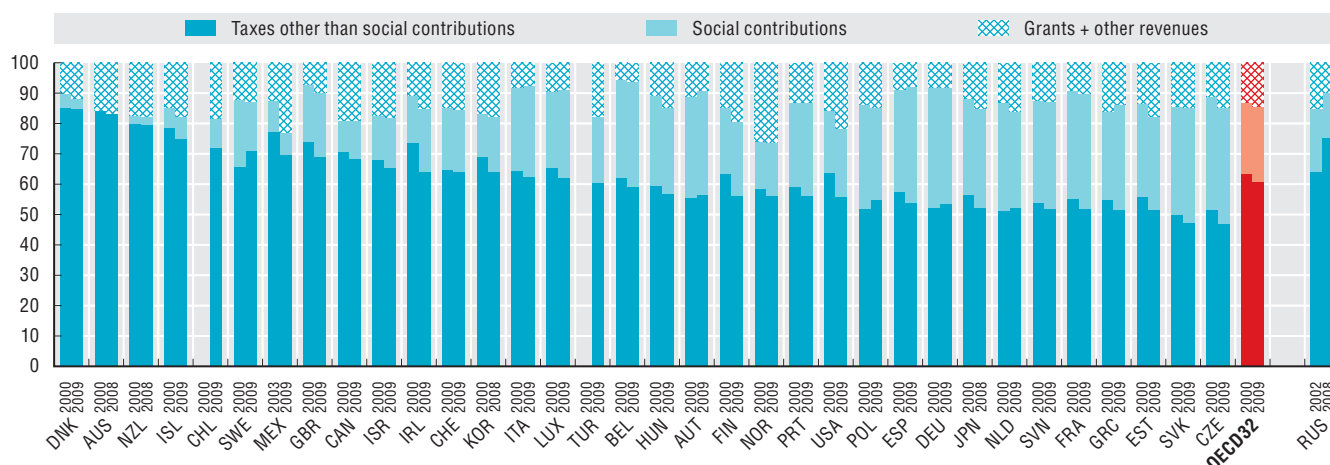
2.1: 2000 data for Turkey and Chile are not available and these countries are not included in the average (OECD32). Data for Mexico are for 2003 rather than 2000. Data for the Russian Federation are for 2002 rather than 2000, and capital taxes are not available.

2.2: Data for Chile are not available.

2.3: Data are not available for Estonia. For the OECD countries that are part of the European Union, total taxation includes custom duties collected on behalf of the European Union.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

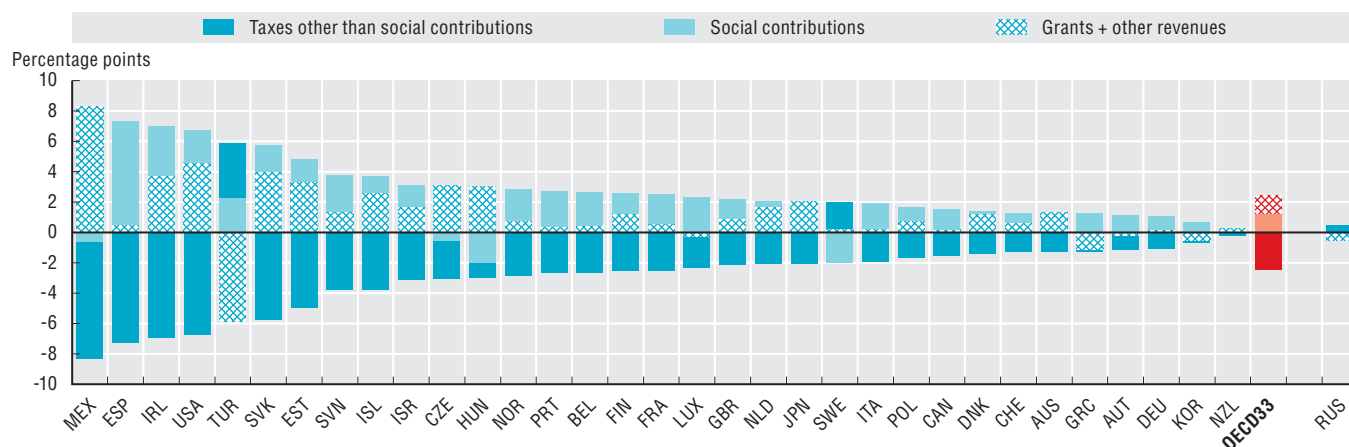
2.1 Structure of general government revenues (2000 and 2009)



Source: OECD National Accounts Statistics.

StatLink <http://dx.doi.org/10.1787/888932389721>

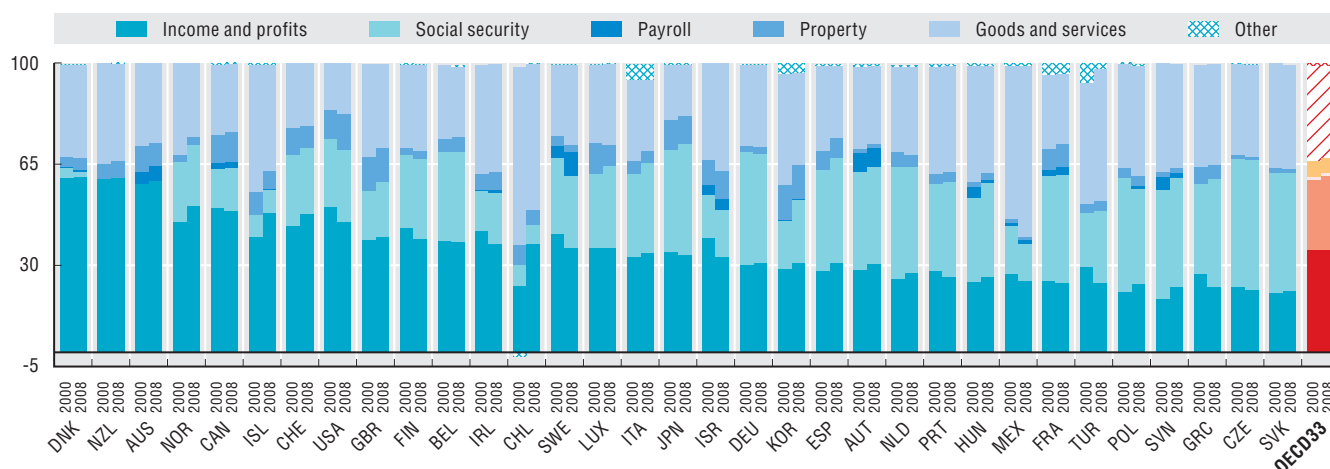
2.2 Change in the structure of general government revenues (2007 to 2009)



Source: OECD National Accounts Statistics.

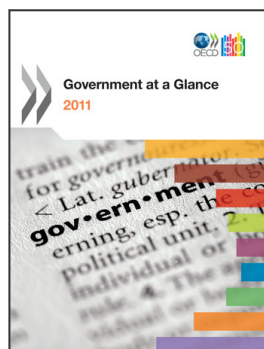
StatLink <http://dx.doi.org/10.1787/888932389740>

2.3 Breakdown of tax revenues as a percentage of total taxation (2000 and 2008)



Source: OECD (2010), Revenue Statistics, OECD Publishing, Paris.

StatLink <http://dx.doi.org/10.1787/888932389759>



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