

Revenue structure by level of government

Government revenues are collected differently across levels of government, as the central, state and local levels hold different abilities to levy taxes and collect social contributions. The extent to which revenues are transferred between levels provides an indication of the financial interdependence among levels of government. The amount of taxes collected by sub-central governments can be considered a proxy for their fiscal autonomy.

In 2011, and on average across OECD member countries, central governments collected a majority of general government revenues (60.3%). Sub-central governments (state and local) collected on average 21% of total revenues, and the remaining 18.7% were collected through social security funds. OECD member countries vary considerably in their revenue structure by level of government. Over 85% of general government revenues were collected by the central government in the United Kingdom (90.6%), New Zealand (89.6%) and Norway (86.2%). On the other hand, central governments from eight OECD member countries collect less than half of total revenues, three of which are not federal states: Finland (42.9%), France (34.1%) and Japan (24.1%). Local governments from Japan and the Nordic countries, with the exception of Norway, collect a relatively larger share of total revenues, accounting on average for 31.2% of total revenues compared to the OECD average of 13.3%. Among the nine federal countries, the state governments collecting the highest share of revenues are in the United States (46%), Canada (43.2%) and Australia (38.8%). Almost half of total government revenues in France are collected via social security funds.

Between 2001 and 2011, the share of revenues collected by central governments decreased by 1.7 percentage points on average across the OECD member countries. In contrast, the share of sub-central governments increased by 1.3 percentage points. Only seven countries experienced an increase in the share of central government revenues: Denmark (9.4 percentage points), Hungary (8.2 p.p.), Norway (4.0 p.p.), Greece (3.3 p.p.), Germany (2.4 p.p.), Switzerland (1.6 p.p.) and Portugal (0.1 p.p.).

Central governments are mostly financed through taxes other than social contributions, representing on average 77% of revenues in 2011. In contrast to the relative homogeneity of central government revenue sources, fiscal resources available at the sub-central level vary significantly. The majority of local government revenues are collected through intergovernmental transfers and other revenues (over 61% of local revenues on average in 2011). Of the remaining 39% of local revenues, taxes on property represent the largest share. The limits imposed on local governments to set their own tax bases, rates and reliefs may reduce their power to generate their own revenue sources and potentially their ability to provide more tailored public services.

Methodology and definitions

Revenue data are derived from the OECD National Accounts Statistics (database), 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 and local governments, and social security funds. State government is only applicable to the nine OECD member countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a quasi-federal country), Switzerland and the United States. Data in 3.17 and 3.18 (available on line) exclude transfers between levels of government, except for Australia and Japan. Figure 3.18, Change in the distribution of general government revenues across levels of government (2009-11), as well as Figures 3.19, 3.20 and 3.21 (structure of central, state and local government revenues), are available on line at <http://dx.doi.org/10.1787/888932941633>, <http://dx.doi.org/10.1787/888932941652>, <http://dx.doi.org/10.1787/888932941671>, <http://dx.doi.org/10.1787/888932941690> respectively.

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 and other revenues. Grants can be from foreign governments, international organisations or other general government units. Other revenues include 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).

Further reading

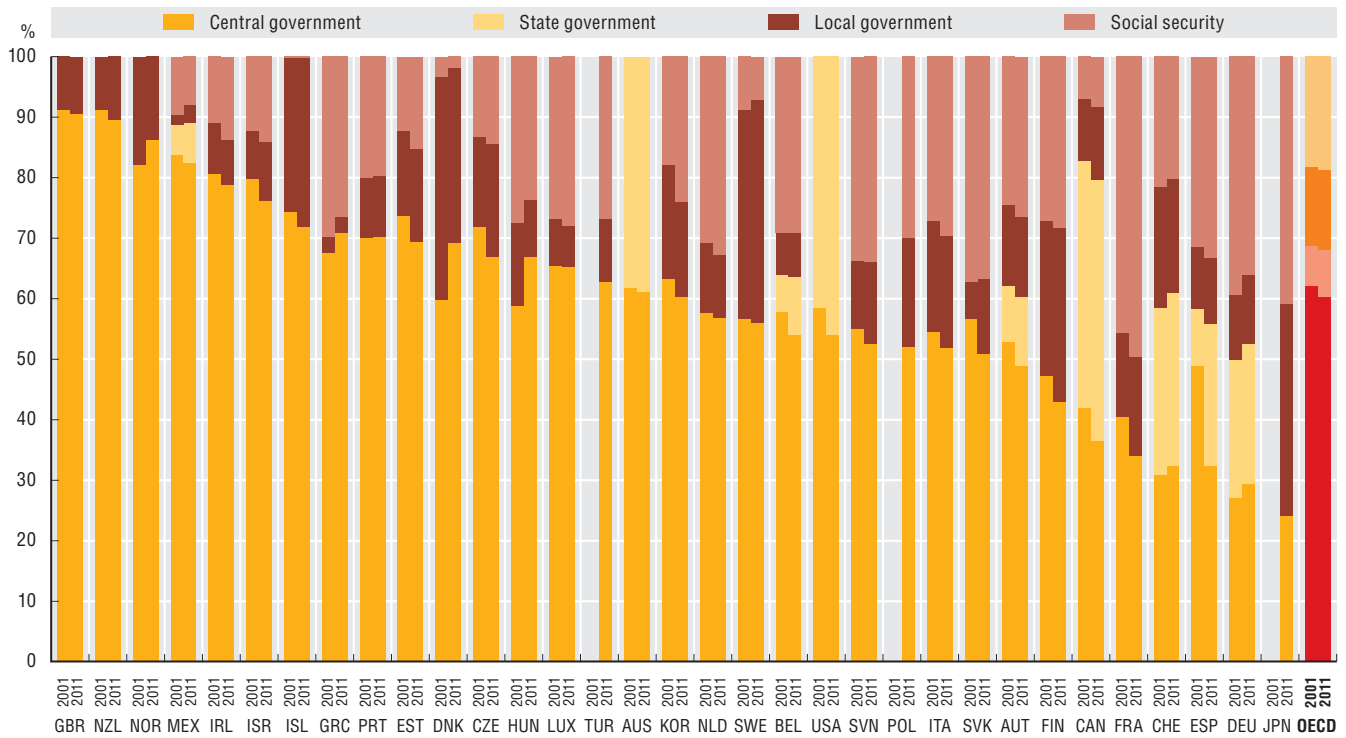
Blöchliger, H. et al. (2010), "Fiscal Policy Across Levels of Government in Times of Crisis", *OECD Working Papers on Fiscal Federalism*, No. 12, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5k97b10wq46-en>.

Figure notes

Data for Chile are not available. Data for Japan, Poland and Turkey for 2001 are not available and these countries are not included in the OECD average. Transfers between levels of government are excluded (apart from Australia, Japan and Turkey). Data for Canada and New Zealand are for 2010 rather than 2011. Data for Mexico are for 2003 rather than 2001. Local government is included in state government for Australia and the United States. Australia does not operate government social insurance schemes. Social security funds are included in central government in New Zealand, Norway, the United Kingdom and the United States.

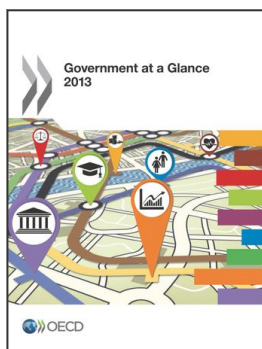
Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

3.17. Distribution of general government revenues across levels of government (2001 and 2011)



Source: OECD National Accounts Statistics (database).

StatLink <http://dx.doi.org/10.1787/888932941614>



From:
Government at a Glance 2013

Access the complete publication at:
https://doi.org/10.1787/gov_glance-2013-en

Please cite this chapter as:

OECD (2013), "Revenue structure by level of government", in *Government at a Glance 2013*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/gov_glance-2013-19-en

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