

3. Revenue structure by level of government

Central, state and local governments vary in terms of their ability to levy taxes and collect social contributions. Revenue transfers between levels of government illustrate the financial interdependence among different levels of government, while collected taxes can be considered a proxy of the fiscal autonomy of sub-central governments.

In most OECD member countries, central governments collect the majority of general government revenues (almost 60% on average), and this share remained fairly stable between 2000 and 2007. However, between 2007 and 2009, due to the financial and economic crisis, the percentage of total revenues collected by the central government decreased by 1.8 percentage points. Nordic countries – except Norway – as well as Japan, collect a relatively high share of revenues through their local governments (equal to or above 27% of total government revenues as compared to an OECD average of 15%).

Taxes other than social contributions are the main source of financing of central government budgets, representing on average 77% of revenues in 2009. In almost all countries, grants and other revenues constitute the second largest source of central government revenues, accounting for between 5% and 29%. Mostly due to the financial and economic crisis, the share of central government revenues derived from taxes other than social contributions decreased in all OECD member countries, except in Sweden and Turkey, by an average of 3 percentage points between 2007 and 2009.

In contrast to the relative homogeneity of central government revenue structures, fiscal resources available to state and local governments vary considerably. Of the OECD member countries with federal systems, German states raise the most revenues via taxes other than social contributions, representing over 70% of state finances. In contrast, Mexican states collect less than 6% of their revenues from taxes and social contributions. Inter-governmental grants and other revenues are the key feature of local governments' finances in most countries, representing over 61% of local revenues on average. Limits on sub-central governments' ability to set their own local tax bases, rates and reliefs reduce their power to generate their own revenue sources and potentially their ability to provide more tailored public services.

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 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 *de facto* federal state in the National Accounts data), Switzerland and the United States. Data in 3.1 and 3.2 (on line) exclude transfers between levels of government, except for Australia and Japan. Figure 3.2 “Distribution of general government revenues across levels of government (2007 and 2009)” as well as Figures 3.3, 3.4 and 3.5 (structure of central, state and local government revenues) are available on line at: <http://dx.doi.org/10.1787/888932389797>, <http://dx.doi.org/10.1787/888932389816>, <http://dx.doi.org/10.1787/888932389835>, <http://dx.doi.org/10.1787/888932389854> respectively.

Revenues encompass taxes (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

OECD (2010), “OECD Network on Fiscal Relations across Levels of Government – Fiscal Policy across Levels of Government in Times of Crisis”, *OECD Working Paper*, OECD Publishing, Paris.

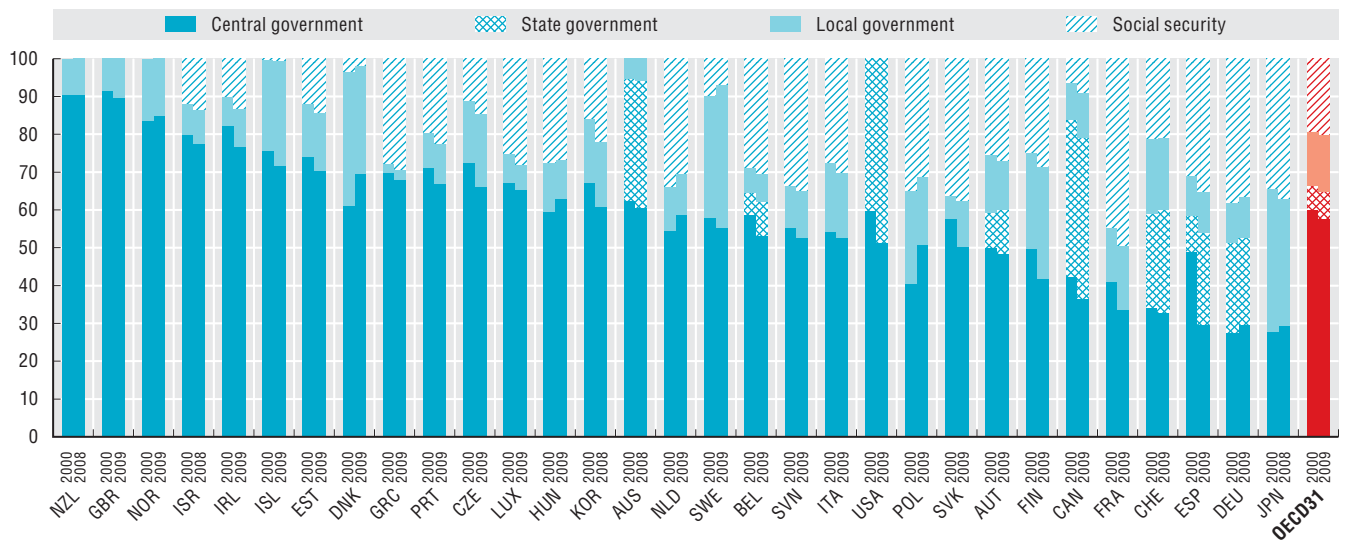
OECD (2010), “OECD Network on Fiscal Relations across Levels of Government – Tax Competition between Sub-Central Governments: Main Issues”, *OECD Working Paper*, OECD Publishing, Paris.

Figure notes

Australia does not operate government social insurance schemes; central government refers to commonwealth and multi-jurisdictional sector. Local government is included in state government for the United States. Social security funds are included in central government in New Zealand, Norway, the United Kingdom and the United States. Data for Chile, Mexico and Turkey are not available. Data for Australia, Japan, Israel, Korea and New Zealand are for 2008 rather than 2009.

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

3.1 Structure of general government revenues across levels of government (2000 and 2009)



Source: OECD National Accounts Statistics.

StatLink <http://dx.doi.org/10.1787/888932389778>



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