

II. GOVERNMENT REVENUES

2. Structure of general government revenues

A country's revenue structure determines who pays for public services and goods. By spreading revenues across different instruments, countries can distribute the burden across particular groups of citizens and/or sectors of the economy.

In all OECD member countries, taxes other than social contributions represent the largest *share* of government revenues and this share has increased over the past decade. The proportion of general revenues financed by taxes other than social contributions increased in all but four countries between 1995 and 2006. In some cases, such as Italy, this is due to fiscal reform and the introduction of new taxes which increased total tax collections. In all OECD member countries, grants and other revenues (such as fees and sales of natural resources) are the smallest sources of revenue, usually representing between 10% and 15% of total revenues. Norway raises over 25% of revenues from other sources, mostly from the sale of oil resources.

While economic research suggests that the cumulative effect of taxes on economic growth is moderate, recent research (OECD, 2008b) has suggested that there is a relationship between the types of taxes imposed and economic growth. In general, property taxes (particularly taxes on immovable property) seem to be the most growth-friendly followed by consumption taxes and then by personal income taxes. Corporate taxes seem to be the most harmful for growth.

Methodology and definitions

Revenue data are derived from the 2006 OECD National Accounts Statistics, the latest data available for the majority of OECD member countries at the time of writing. OECD National Account Statistics are based on the System of National of Accounts (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. Using SNA terminology, general government revenue consists of central, state and local government, and social security funds. Revenues encompass social contributions (e.g. contributions for pensions, health and social security), taxes other than social contributions (e.g. taxes on consumption, income, wealth, property and capital), and grants and other revenues.

Grants can be from foreign governments or international organisations. Other revenues include sales, fees, property income and subsidies. The aggregates presented (taxes other than social contributions, social contributions, and grants and other revenues) are not directly available in the OECD National Accounts, and were constructed using sub-account line items. Details about how they were constructed are available in 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 in the SNA. In general, SNA definitions have been adopted in this analysis to permit the use of a single dataset covering all types of government revenues. (The impact of these definitional differences on the presentation is relatively small.)

Further reading

Arnold, J. (2008), "Do Tax Structures Affect Aggregate Economic Growth? Empirical Evidence from a Panel of OECD Countries", OECD Economics Department Working Papers, No. 643, OECD, Paris.

OECD (2008a), *Revenue Statistics 1965-2007*, OECD, Paris.

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

Notes

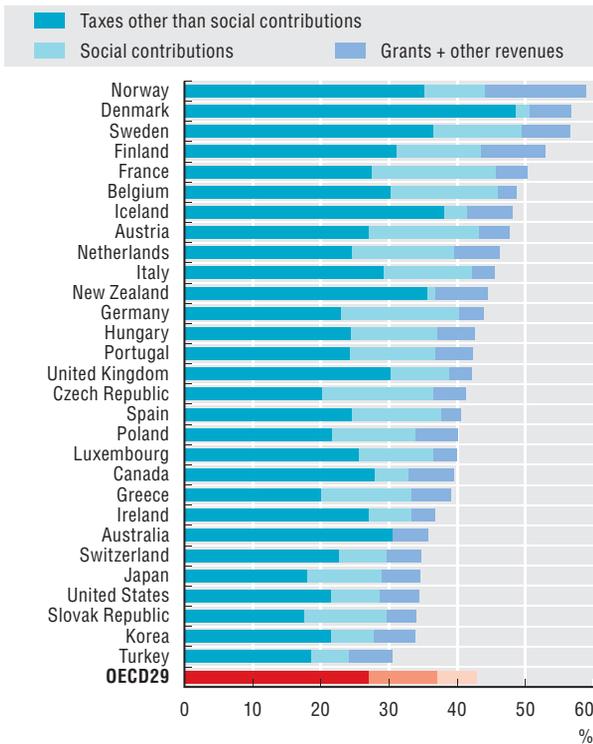
Australia does not collect revenues via social contributions because it does not operate government social insurance schemes.

2.1 and 2.2: Data for New Zealand are for 2005. Data are not available for Mexico. Slight differences between 1.1 and 2.1 in total revenues as a percentage of GDP are due to the use of different data tables within the OECD National Accounts.

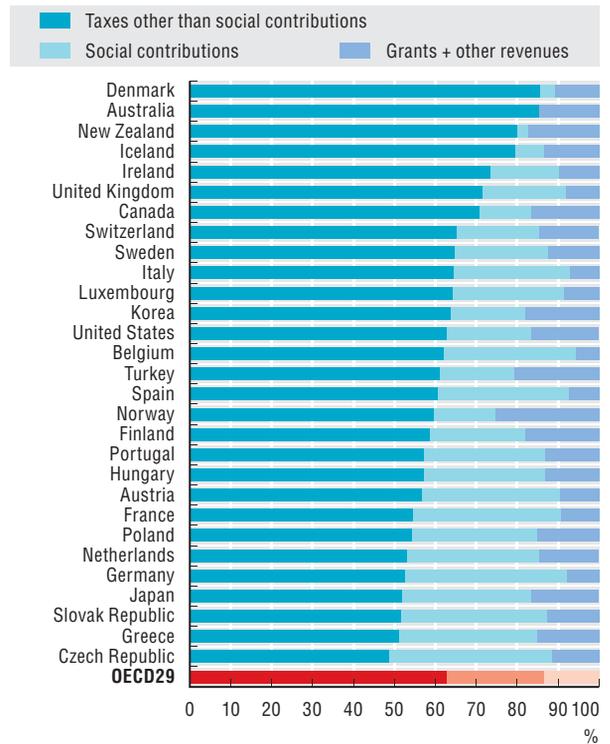
2.3: Data for New Zealand are for 1995 and 2005. Data are not available for Canada, Greece, Hungary, Iceland, Japan, Korea, Mexico and Turkey.

2. Structure of general government revenues

2.1 Structure of general government revenue as a percentage of GDP (2006)

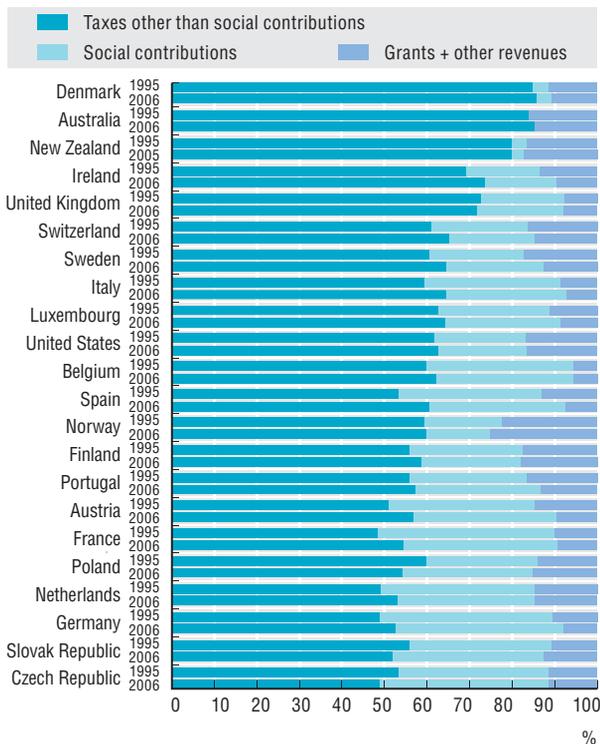


2.2 Structure of general government revenue (2006)



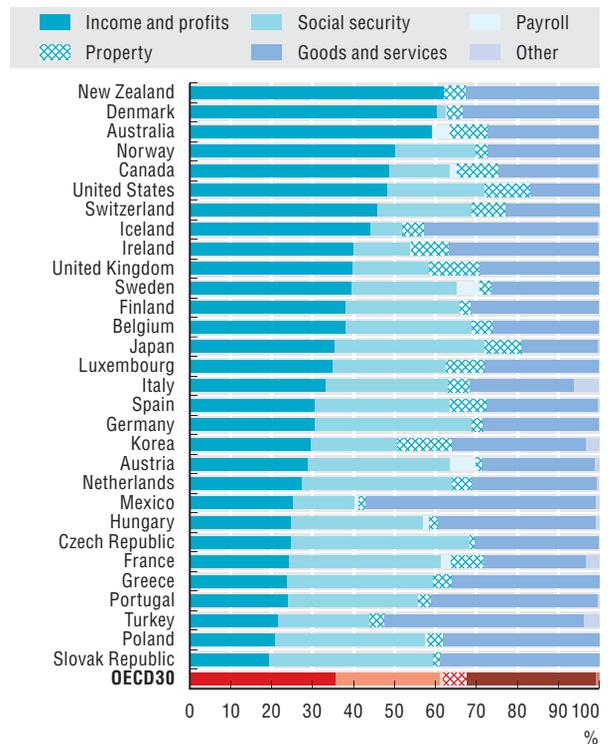
Source: OECD National Accounts Statistics. Data for Canada and Turkey were provided by government officials.

2.3 Structure of general government revenue (1995 and 2006)



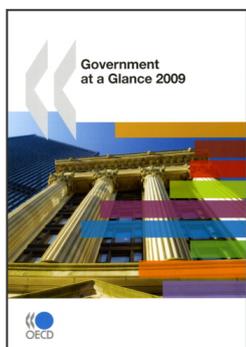
Source: OECD National Accounts Statistics. Data for Canada and Turkey were provided by government officials.

2.4 Tax structure of general government (2006)



Source: OECD Revenue Statistics.

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