1 Consumption tax figures: Main trends and figures

1.1. Introduction

Consumption taxes account for approximately one third of the total taxes collected in OECD countries. They have two common forms: taxes on general consumption (value added taxes and retail sales taxes) and taxes on specific goods and services (mainly excise duties).

1.1.1. VAT has become the main consumption tax for countries worldwide

Since the mid-1980s, VAT (also called Goods and Services Tax – GST) has become the main consumption tax both in terms of revenue and geographical coverage. VAT is designed to be a tax on final consumption that is broadly neutral towards the production process and international trade. It is widely seen as a relatively growth-friendly tax. Many developing countries have introduced a VAT during the last two decades to replace lost revenues from trade taxes following trade liberalisation. Some 170 countries operate a VAT today (see Annex A), including 36 of the 37 OECD member countries, the only exception being the United States although most states within the US employ some form of retail sales tax. This is more than twice as many as 25 years ago. VAT raises approximately a fifth of total tax revenues in the OECD and worldwide.

The evolution of VAT as an increasingly important source of tax revenues for countries around the world, and its application to an increasingly large share of the world's economic activity, have raised its importance in the global tax policy debate. The global spread of the VAT coincided with the rapid expansion of the international trade in goods and services in an increasingly globalised economy. Most international trade is now subject to VAT and the interaction of national VAT regimes can potentially have a major impact in either facilitating or distorting trade. Against this background, tax authorities worldwide noted that the absence of an internationally agreed framework for the application of VAT to cross-border trade created growing risks of under-taxation and loss of revenue for governments, and of trade distortion due to double taxation. The need for a consistent global response to the challenge of applying VAT to international trade became particularly urgent due to the strong growth of international trade in services, digital products and goods from online sales as a consequence of the expansion of the digital economy. In response to the strong international call for a global standard on VAT design and operation, the OECD's Committee on Fiscal Affairs (CFA) developed the International VAT/GST Guidelines, which were adopted as a Recommendation by the Council of the OECD in September 2016.

This Recommendation is the first OECD legal instrument in the area of VAT. It incorporates the International VAT/GST Guidelines, presenting a set of internationally agreed standards and recommended approaches for the consistent application of VAT to international trade, with a particular focus on trade in services and intangibles. Their main objective is to reduce the uncertainty and the risks of double taxation and unintended non-taxation that result from inconsistencies in the application of VAT in a cross-border context. The Guidelines were developed through an inclusive process, with the active involvement of international organisations and jurisdictions beyond the current OECD membership and with intense consultation of the business community. These Guidelines have been complemented with detailed implementation guidance focusing in particular on effective and consistent methods and strategies for the collection of VAT on online sales of goods, services and digital products (see Section 1.8 below).

These OECD standards for the effective collection of VAT on online sales of goods, services and digital products are influencing VAT reform in a growing number of countries worldwide, including outside the OECD membership. Over 60 countries have implemented these standards while several other countries are preparing to implement these standards or are considering doing so. The OECD's standards and expertise in VAT are also increasingly in demand from developing countries. In common with other areas of international tax standards, the OECD is progressively increasing the engagement of non-OECD member countries in the design of standards in the VAT area, while expanding the guidance and support available to developing countries seeking to implement the standards. The OECD is developing specific regional toolkits to support developing countries wishing to implement its standards and guidance on VAT. The continuously growing impact of these standards reflects their significant importance for countries' VAT revenues and for minimising competitive distortions between online traders and traditional businesses. This has become even more relevant in light of the outbreak of COVID-19 in 2020, as containment and mitigation measures taken in response to the pandemic have notably led to spikes in online shopping and increased demand for digital products and online services.

VAT policy design and administration has been an important component in most government's fiscal policy responses to mitigate the impact of the COVID-19 crisis in 2020. The outbreak of COVID-19 resulted in a health and economic crisis that was without precedent in recent history. Governments around the world introduced expansive containment and mitigation measures to slow down and reduce infection rates. Together with the overall health crisis, these necessary containment measures have had sudden and profound impacts. These measures reduced production and coupled with the overall health crisis they reduced business and household demand. With containment measures in place, governments' early policy reactions were aimed in particular at alleviating economic hardship and maintaining the productive capacity of the economy. Economic policy measures have focused primarily on providing liquidity support to businesses to help them stay afloat and providing income support to vulnerable households. As the duration of the pandemic lengthens and uncertainty about its development remains high, countries have been extending and expanding these emergency policy measures. VAT policy and administration measures have been a key component of these economic policy responses. These VAT measures are discussed in further detail in Chapter 2 of this publication.

1.1.2. Excise duties as an instrument to influence consumer behaviour

Whilst VAT was first introduced about 60 years ago, excise duties have existed since the dawn of civilisation. They are levied on a specific range of products and are assessed by reference to various characteristics such as weight, volume, strength or quantity of the product, combined in some cases with ad valorem taxes. Although they generally apply to alcoholic beverages, tobacco products and fuels in all OECD countries and beyond, their tax base, calculation method and rates vary widely between countries, reflecting local cultures and historical practice. Excise duties are increasingly being used to influence consumer behaviour to achieve health and, increasingly, environmental objectives.

1.1.3. Structure of this chapter

This chapter first provides an overview of the statistical classification of consumption taxes (Section 1.2). In then shows the evolution of consumption tax revenues between 1965 and 2018 (Section 1.3) and the geographical spread of VAT (Section 1.4). This is followed by an overview of the main features of VAT design (Section 1.5), of the main design features of retail sales taxes (Section 1.6) and of the main characteristics of consumption taxes on specific goods and services (Section 1.7). Section 1.8 of this chapter provides a further detailed discussion of the application of VAT to cross-border sales of goods, services and intangibles and the main recommendations included in the International VAT/GST Guidelines developed by the OECD as the internationally agreed standard for addressing the VAT challenges of international, particularly in the context of the continuously growing digital economy. It finally outlines the follow-up work carried out by the OECD to support the consistent and effective implementation of these standards.

1.2. Classification of consumption taxes

In the OECD classification, “taxes” are confined to compulsory, unrequited payments to general government. According to the OECD nomenclature, taxes are divided into five broad categories: taxes on income, profits and capital gains (1000); social security contributions (2000); taxes on payroll and workforce (3000); taxes on property (4000); and taxes on goods and services (5000) (OECD, 2020[1])

Consumption taxes (Category 5100 “Taxes on production, sale, transfer, leasing and delivery of goods and rendering of services”) fall mainly into two sub-categories:

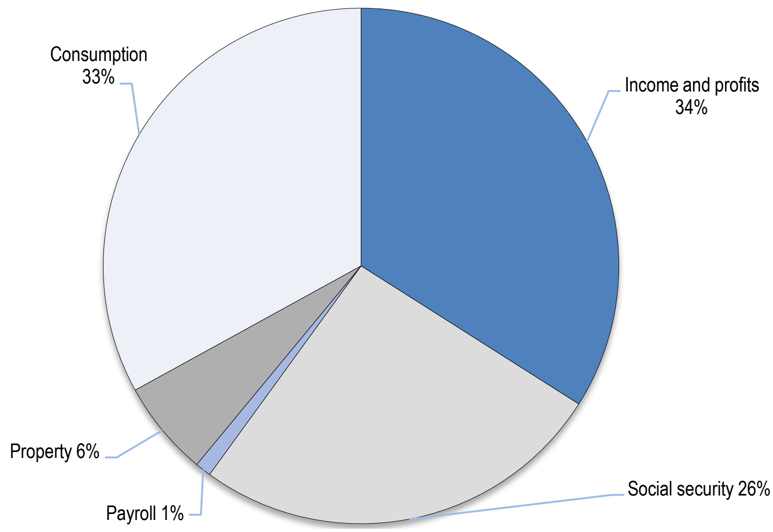
- *General taxes on goods and services* (5110 “taxes on general consumption”), which includes value added taxes (5111), sales taxes (5112) and other general taxes on goods and services (5113).
- *Taxes on specific goods and services* (5120) consisting primarily of excise taxes (5121), customs and import duties (5123) and taxes on specific services (5126, e.g. taxes on insurance premiums and financial services).

Consumption taxes such as VAT, sales taxes and excise duties are often categorised as *indirect taxes* as they are generally not levied directly on the person who is supposed to bear the burden of the tax. They are rather imposed on certain transactions, products or events (OECD Glossary of Tax Terms). They are not imposed on income or wealth but rather on the expenditure that the income and wealth finance. Governments generally collect the tax from producers and distributors at various points in the value chain, while the burden of the tax falls in principle on consumers assuming that it will be passed on to them in the prices charged by suppliers.

1.3. Evolution of consumption tax revenues

In 2018, consumption taxes accounted for 30.8% of the total tax revenue in OECD countries on average representing 10.3% of the GDP in these countries on average (unweighted average, (Annex Table 1.A.1). Approximately two thirds of revenue from consumption taxes is attributable to taxes on general consumption and one third to taxes on specific goods and services (see Annex Table 1.A.2 and Annex Table 1.A.3).

Figure 1.1. Average tax revenue as a percentage of aggregate taxation by category of tax, 2018



Source: OECD *Adapted from Revenue Statistics 2020, OECD publishing Paris.* (OECD, 2020[1])

StatLink https://doi.org/10.1787/888934219831

Three groups of countries can be distinguished depending on their level of consumption tax revenues as a share of GDP: low (consumption tax-to-GDP ratios below 9%), mid (between 9% and 13%) and high (above 13%). The high consumption tax-to-GDP group in 2018 was entirely composed of European Union (EU) countries, while all countries with low consumption tax-to-GDP ratios were non-EU countries, except for Ireland.

Between 2015 and 2018, the average consumption tax-to-GDP ratio increased slightly by 0.1 percentage point. Over this period, 19 countries reported an increase in their consumption tax-to-GDP ratios while 15 recorded a decrease and 3 saw no change. Greece and Poland recorded the largest increase (of 1.3 and 1.2 percentage points respectively) whereas Turkey recorded the largest decrease (of 1.2 percentage points).

The overall share of taxes on consumption in total tax revenue has remained relatively stable since 1995, except during the 2007-9 global economic crisis, where consumption tax revenues as a share of GDP declined by 0.33 percentage points on average. This decrease was largely driven by a fall in VAT revenues, with both consumption tax and VAT revenues only returning to their pre-crisis level in 2012. Recent OECD analysis shows that the overall level of consumption remained relatively stable during the 2007-9 global crisis. The fall in consumption tax and VAT revenues was primarily due to a shift in consumer spending towards necessity goods and services, often exempt or taxed at lower VAT rates, as well as an increase in the consumption of government and public sector services, which are exempt from VAT. Partly offsetting these impacts, the size of the consumption tax base actually increased as a share of GDP, largely due to strong decreases in investment. In general, however, revenues from taxes on consumption have generally been less affected by the global economic crisis and have been more stable over time than revenues from other bases such as corporate income (Simon and Harding, 2020[2]) (see special feature of Revenue Statistics 2020 (OECD, 2020[1])).

1.3.1. Taxes on general consumption now account for more than 21% of total taxation

Taxes on general consumption include VAT, sales taxes and other general taxes on goods and services. These taxes accounted for 21,2% of total tax revenues in OECD countries on average in 2018, up from

21,1% in 2015, representing 7.1% of GDP on average, up from 6.9 % in 2015. Their importance varies considerably between countries both as a share of GDP and of total taxation (see Annex Table 1.A.2). In Australia, Mexico, Switzerland, and the United States, taxes on general consumption account for less than 4% of GDP while they account for more than 9% in Denmark, Estonia, Finland, Hungary, Latvia, New Zealand and Sweden. Revenues from those taxes account for less than 15% of total taxation in Australia, Canada, Italy, Japan, Switzerland and the United States and for more than 29% in Chile, Colombia, Hungary, Israel, Latvia and New Zealand. Taxes on general consumption account for more than 20% of total taxation in 21 of the 37 OECD countries, with an OECD unweighted average of 21.2%.

Between 2015 and 2018, the vast majority OECD countries recorded an increase in revenues from taxes on general consumption, with 23 countries reporting an increase of revenues from these taxes as a share of GDP while 9 recorded a decrease and 5 saw no change.

Over the longer term, OECD member countries have relied increasingly on taxes on general consumption. Since 1975, the share of these taxes as a percentage of GDP in OECD countries has almost doubled, from 4.1% to 7.1% in 2018. They accounted for only 13.4% of total tax revenue in OECD countries in 1975 compared to 21.2% in 2018.

1.3.2. VAT remains the largest source of consumption tax revenues, by far

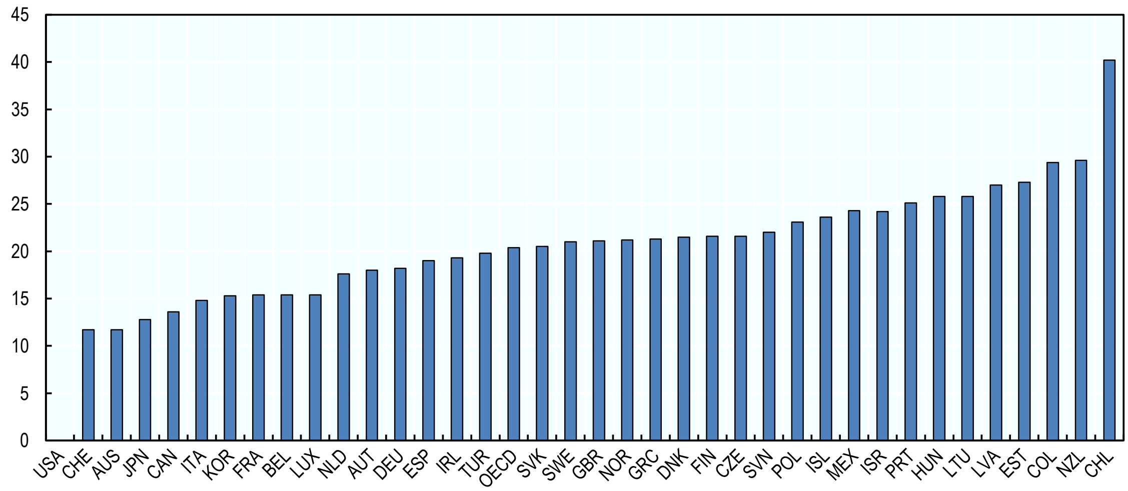
In 2018, VAT has remained stable as the largest source of revenue from taxes on general consumption in the OECD, on average, and as a key source of these countries' total tax revenues (see Annex Table 1.A.4). Revenues from VAT as a percentage of GDP slightly increased from 6.7% in 2015 to 6.8% in 2018 on average and as a share of total taxation from 20.3% to 20.4% over the same period.

25 of the 36 countries that operate a VAT reported an increase in their VAT revenues as a share of GDP between 2015 and 2018, while 8 countries reported a decrease and 3 countries reported no change. Poland and Greece recorded the largest increase (of 1.1 and 1.0 percentage points respectively) whereas decreases remained relatively small with Luxemburg reporting the largest decrease at 0.4 percentage points.

VAT is now operated in 36 of the 37 OECD countries, the United States being the only OECD country not to have adopted a VAT. In 1975, thirteen of the current OECD member countries had a VAT (see Annex Table 2.1 in Chapter 2). Colombia, Greece, Iceland, Japan, Mexico, New Zealand, Portugal, Spain and Turkey introduced VAT in the 1980s while Switzerland followed shortly afterwards. Central European economies introduced VAT in the late 1980s and early 1990s, often based on the European Union (EU) model in anticipation of their future EU membership. Australia implemented a VAT ("Goods and Services Tax – GST) in 2000.

The share of VAT in total tax revenues in the 36 OECD countries that operate a VAT shows a considerable spread, ranging from 12-13 % in Australia, Canada, Japan, Switzerland to 26-27% in Estonia, Latvia, Lithuania; and to 29.4% and 29.8 % in Colombia and New Zealand and 41.2 % in Chile (see Figure 1.2 and Annex Table 1.A.4). VAT produces 15% or more of total tax revenues in 31 of the 36 OECD countries that operate a VAT and it exceeds 20% of total taxation in 21 of these countries.

Figure 1.2. Value added taxes as a percentage of total tax revenues, 2018



Source: *Adapted from Revenue Statistics 2020, OECD publishing Paris.* (OECD, 2020[1]).

StatLink https://doi.org/10.1787/888934219850

Many factors influence VAT revenue and their importance in the countries' tax mix. Tax policy decisions regarding the balance between the various sources of government revenue obviously play a key role but the efficiency of the tax system to collect VAT revenue effectively is also crucial. The most powerful of the drivers of (changes in) VAT revenues is countries' capacity to collect the tax on its natural base, i.e. final consumption, as influenced by the application of reduced rates and exemptions and the capacity to combat fraud, evasion and tax planning. The capacity of collecting the VAT on inbound supplies in the context of the digitalisation of the economy also plays a growing role. These efficiency factors, the impact of which is estimated in countries' VAT Revenue Ratio (see Chapter 2), often play a greater role in countries' VAT revenues than the level of the standard VAT rate (Michael Keen, 2013[3]).

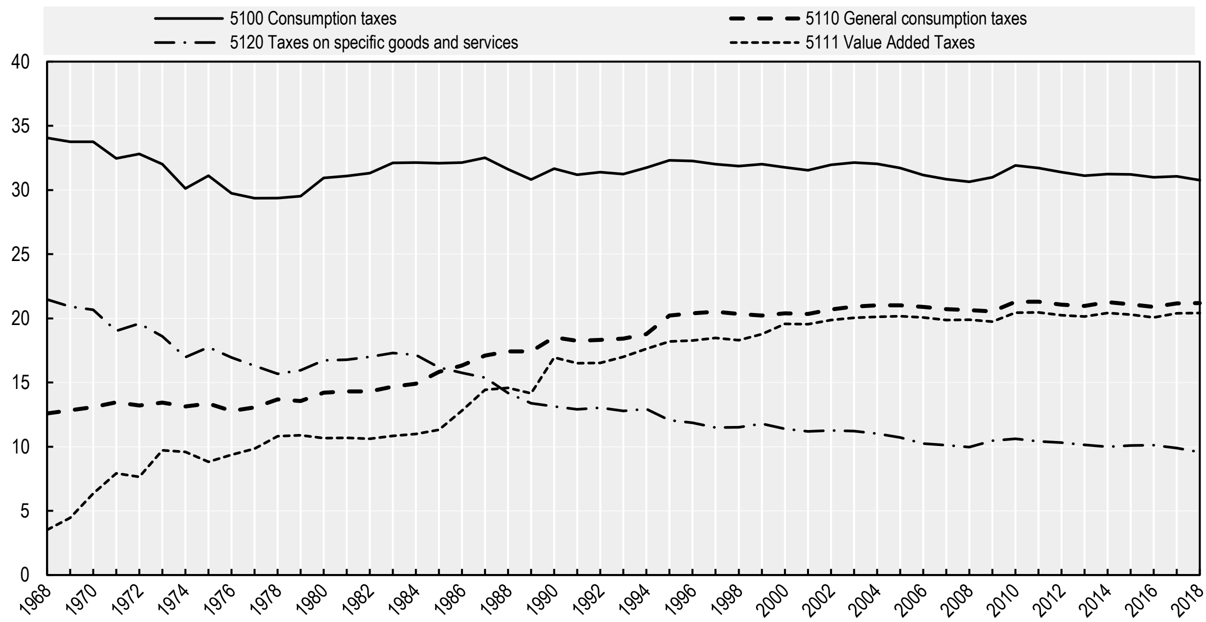
1.3.3. Taxes on specific goods and services now account for less than 10% of total taxation

Annex Table 1.A.3 shows that revenues from taxes on specific goods and services have decreased steadily as a percentage of GDP between 1975 (4.6%) and 2010 (3.3%) and have remained stable on average since then at 3.2% in 2018. The evolution of the share of taxes on specific goods and services in total taxation has followed the same pattern and decreased from 17.7% in 1975 to 10.1% in 2015 and falling further to 9.6% on average in 2018. The share of taxes on specific goods and services in total tax revenues fell in almost all OECD countries since 1975.

Excise taxes form the bulk of taxes on specific goods and services, accounting for 2.4% of GDP on average in 2018 down from 2.5% in 2015. Between 2015 and 2018, 19 OECD countries recorded a drop in revenues from excise duties as a share of GDP, with only 7 countries reporting an increase and 11 countries reporting no change. The taxes are discussed in greater detail in Chapters 3 and 4.

As a result of this long-term trend, the composition of consumption taxes has fundamentally changed over time. The substantially increased importance of VAT has effectively balanced the diminishing share of taxes on specific goods and services (see Figure 1.3). Only Turkey still collects more than 15% of its revenues by way of taxes on specific goods and services, i.e. 19.2% of its total tax revenue against an OECD average of 9.6%.

Figure 1.3. Share of consumption taxes as a percentage of total tax revenues, 1968-2018



Source: Adapted from *Revenue Statistics 2020*, OECD Publishing, Paris. (OECD, 2020[1]).

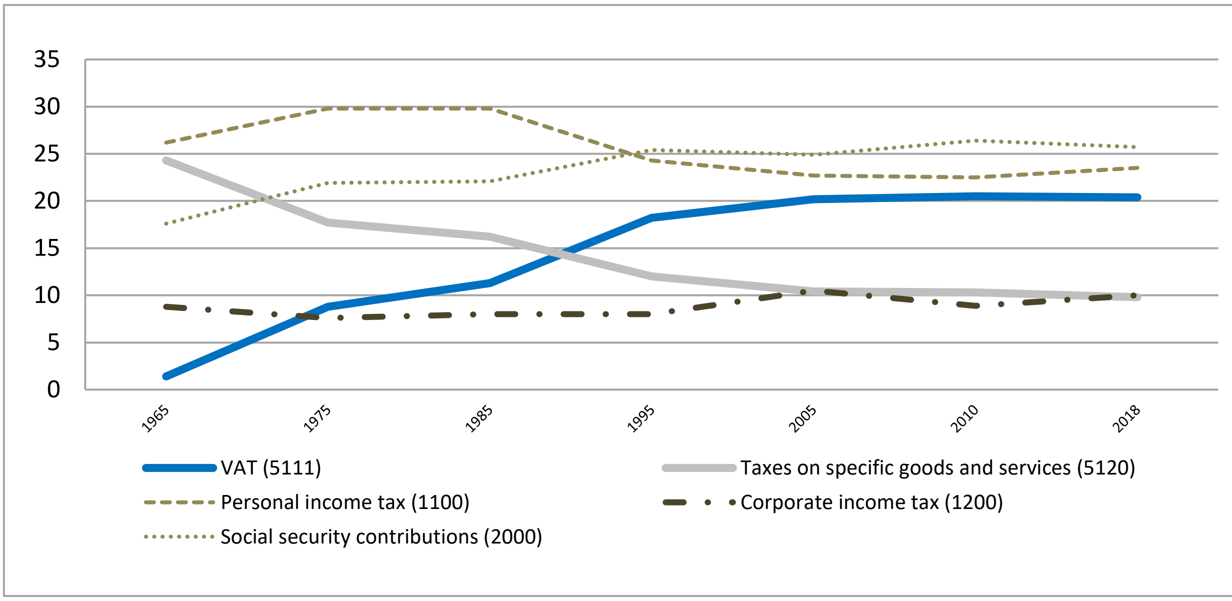
StatLink https://doi.org/10.1787/888934219869

Figure 1.3 and Figure 1.4 show the evolution of the tax structure or tax mix in OECD countries between 1965 and 2018. Tax structures are measured by the share of major taxes in total tax revenue. On average, taxes on personal income (personal income tax and social security contributions) increased slightly over this period, representing together about 50% of total tax revenue in 2018. With a share of 20%, VAT is the third largest source of tax revenue for OECD countries on average, ahead of corporate income taxes, payroll and property taxes. The share of corporate income taxes remained relatively stable over the long time, reaching 10% of total tax revenue in 2018.

1.4. Spread of VAT

The spread of VAT has been among the most important developments in taxation over the last half century. Limited to less than 10 countries in the late 1960s, it is today an important source of revenue in 170 countries worldwide (see Figure 1.5 and Annex 1.A).

Figure 1.4. Evolution of the tax mix as a percentage of total tax revenues, 1965-2018

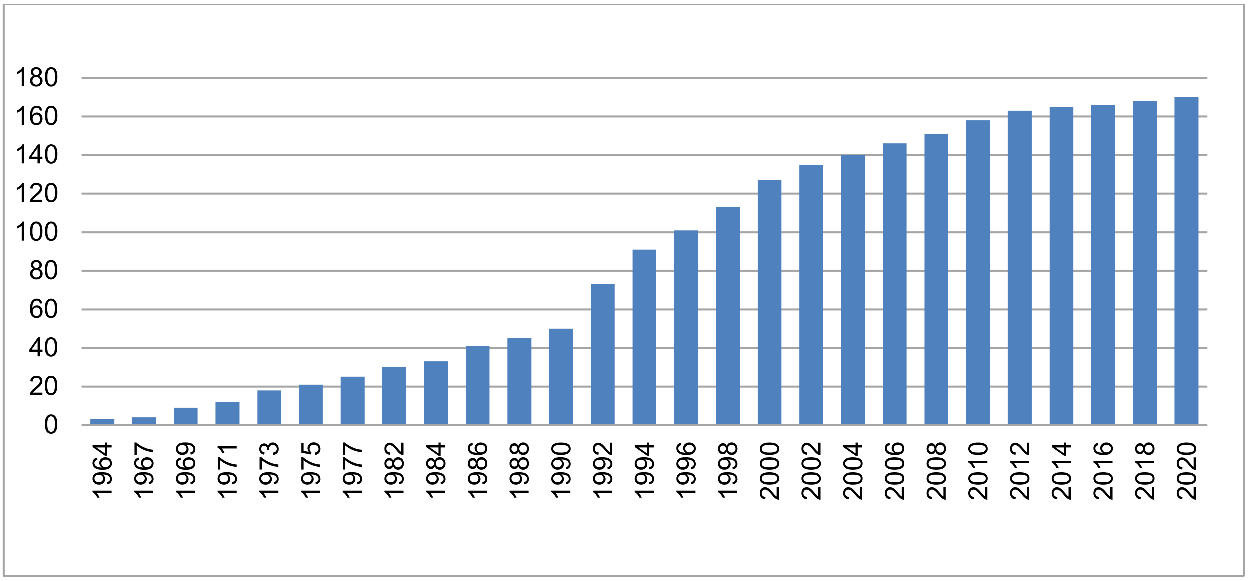


Source: Adapted from *Revenue Statistics 2020*, OECD Publishing, Paris (OECD, 2020[1]).

StatLink https://doi.org/10.1787/888934219888

The domestic and international neutrality properties of the VAT have encouraged its global spread. Many developing countries have introduced a VAT during the last decades to replace lost revenues from trade taxes following trade liberalisation. In the European Union, VAT is directly associated with the development of its internal market. The adoption of a common VAT framework in the European Union was intended to remove the trade distortions associated with cascading indirect taxes that it replaced and to facilitate the creation of a common market in which member states cannot use taxes on production and consumption to protect their domestic market or to gain a competitive advantage compared to other member states. A VAT is operated in 36 of the 37 OECD countries, the only exception being the United States.

Figure 1.5. Countries with VAT 1960-2020



Source: Author's work based on Fabiola Annacondia 2019.

StatLink https://doi.org/10.1787/888934219907

1.5. The main features of VAT design

Although there is a wide diversity in the way VAT systems are implemented, this tax can be defined by its purpose and its specific tax collection mechanism. The *OECD International VAT/GST Guidelines* (OECD, 2017[4]) provide an overview of the core features of VAT, which are summarised below.

1.5.1. VAT is a tax on final consumption

The overarching purpose of a VAT is to impose a broad-based tax on final consumption, which is understood to mean final consumption by households. In principle, only private individuals, as distinguished from businesses, engage in the consumption at which a VAT is targeted. "Businesses buy and use capital goods, office supplies and the like - but they do not consume them in this sense" (Hellerstein, 2010[5]) In practice, however, many VAT systems impose VAT burden not only on consumption by private individuals, but also on various entities that are involved in non-business activities.

From a legal and practical standpoint, VAT is essentially a transaction tax. In "real life", things can be consumed in many ways. Some can be consumed fully and immediately (like a taxi ride), some can be bought and fully consumed later (like a sandwich), some can be consumed over a longer period of time (like a desk or a subscription to an on-line database). However, VAT does not actually tax such material consumption. Rather, it aims at taxing the sale to the final consumer through a staged collection process along the supply chain.

The staged collection process means that VAT is in principle collected on sales to businesses (B2B) as well as on sales to private consumers (B2C). However, since its purpose is to impose a tax on final consumption by households, the burden of the VAT should in principle not rest on businesses, except where explicitly provided for in legislation (e.g. where purchases are made for the private consumption of the business owners or their employees). This is achieved by giving businesses the right to deduct the

VAT they incur on their inputs from the VAT they collect on their outputs and to remit only the balance to the tax authorities.

It can be argued, however, that the economic burden of the VAT may effectively lie in a variable proportion on business and consumers. Indeed, the effective incidence of VAT, like that of any other tax, is determined not only by its formal nature but also by market circumstances, including the elasticity of demand and the nature of competition between suppliers (LEbrill@imf.org/MKeen@imf.org/VSummers@imf.org, 2001[6]).

1.5.2. The tax is collected under a staged collection process

The central design feature of a VAT, and the feature from which it derives its name, is that the tax is collected through a staged process on the value added at each stage of production and distribution. Each business in the supply chain takes part in the process of controlling and collecting the tax, remitting the proportion of tax corresponding to its margin, i.e. on the difference between the VAT imposed on its taxed inputs and the VAT imposed on its taxed outputs. Businesses collect VAT on the value of their outputs from their customers and are entitled to deduct the tax they have paid on purchases and must account and remit the difference (or receive a refund from) to the tax authorities. In this respect, the VAT differs from a retail sales tax ("RST"), which taxes consumption through a single-stage levy imposed in theory only at the point of final sale.

This mechanism reflects the central design feature of the VAT as a tax collected by businesses through a staged payment process coupled with the fundamental principle that the burden of the tax does not rest on businesses but on final consumers. This requires a mechanism for relieving businesses of the burden of the VAT they pay when they acquire goods, services or intangibles.

There are two main approaches for operating the staged collection process:

- Under the invoice credit method (which is a "transaction based method"), each trader charges VAT at the rate specified for each supply and passes to the purchaser an invoice showing the amount of tax charged. The purchaser is in turn able to credit that input tax against the output tax it charges on its sales, remitting the balance to the tax authorities and receiving refunds when there are excess credits. This method is based on invoices that could, in principle, be crosschecked to pick up any overstatement of credit entitlement. By linking the tax credit on the purchaser's inputs to the tax paid by the purchaser, the invoice credit method is designed to discourage fraud.
- Under the subtraction method (which is an "entity based method"), the tax is levied directly on an accounts-based measure of value added, which is determined for each business by subtracting the VAT calculated on allowable purchases from the VAT calculated on taxable supplies.

Almost all jurisdictions that operate a VAT use the invoice-credit method. In the OECD, only Japan uses "credit subtraction VAT", where the VAT on taxable sales (output tax) is calculated by multiplying the total taxable sales by the VAT rate while the amount of deductible input VAT is calculated by extracting the VAT from the total VAT inclusive amount of purchases as recorded in the business's purchase records. This includes the purchases from exempt suppliers such as unregistered small businesses so that there is no incentive to purchase from taxable businesses, but excludes exempt supplies such as financial services. The VAT-liability is calculated on an annual basis, except for certain businesses which can elect for quarterly accounting periods (e.g. exporters that are eligible for VAT refunds). There is no requirement to issue VAT invoices; businesses are required to document their VAT liability and this documentation can include invoices.

1.5.3. VAT is a neutral tax

The staged collection process, whereby tax is in principle collected from businesses only on the value added at each stage of production and distribution, gives to the VAT its essential character in domestic trade as an economically neutral tax. The full right to deduct input tax through the supply chain, except by the final consumer, ensures the neutrality of the tax, whatever the nature of the product, the structure of the distribution chain, and the means used for its delivery (e.g. retail stores, physical delivery, Internet downloads). As a result of the staged payment system, VAT “flows through the businesses” to tax supplies made to final consumers.

Where the deductible input VAT for any period exceeds the output VAT collected, there is an excess of VAT credit, which should in principle be refunded. This is generally the case in particular for exporters, since their output is in principle free of VAT (i.e. exempt with right to deduct the related input tax) under the destination principle, and for businesses whose purchases are larger than their sales in the same period (such as new or developing businesses or seasonal businesses). These are especially important groups in terms of wider economic development, so it is important that VAT systems provide for an effective treatment of excess credits to avoid the risk that VAT introduces significant and costly distortions for these groups of business. At the same time, however, the payment of refunds evidently can create significant opportunities for fraud and corruption. It is important therefore that an effective refund system is administered properly, supported by a well-designed and operated risk based compliance strategy and by a comprehensive audit strategy (LEbrill@imf.org/MKeen@imf.org/VSummers@imf.org, 2001[7]).

When the right to deduct input VAT covers all business inputs, the final burden of the tax does not lie on businesses but on consumers. This is not always the case in practice, as the right to deduct input tax may be restricted in a number of ways. Some are deliberate and some result from imperfect administration (see Chapter 2).

Restrictions to the deduction of input VAT result in particular from the application of VAT exemptions. When a supply is VAT-exempt, the supplier does not charge any VAT on the supply while it is not entitled to deduct the VAT it has incurred on the related inputs. Many VAT systems apply exemptions for social (health, education and charities), practical (financial services, insurance) or historical (immovable property, land) reasons.

Another set of restrictions to the right of deduction of input VAT relates to purchases used, or deemed to be used, for the private consumption of the owners of a business, or of its employees or clients (e.g. cars and entertainment).

Chapter 2 of the OECD’s *International VAT/GST Guidelines* presents the key principles of VAT-neutrality and a set of internationally agreed standards to support neutrality of VAT in international trade.

1.6. Man design features of Retail Sales Taxes

A retail sales tax is a tax on general consumption charged only once on products at the last point of sale to the end user. In principle, only consumers are charged the tax; resellers are exempt if they are not final end users of the products. To implement this principle, business purchasers are normally required to provide the seller with a "resale certificate," which states that they are purchasing an item to resell it, or with equivalent evidence that the business will fulfil whatever tax obligations it may have (e.g. a so-called “direct pay” permit, which is analogous to the “reverse charge” concept). The tax is charged on each item sold to purchasers who do not provide such a certificate or equivalent evidence. The retail sales tax covers not only retailers, but all businesses dealing with purchasers who do not provide a resale or other evidence signifying that no tax is due (e.g. a public body or a charity, unless specific exemption applies).

The basis for taxation is the sales price. Like the VAT and unlike multi-stage cumulative taxes, this system allows the tax burden to be calculated precisely and it does not in principle discriminate between different forms of production or distribution channels. In practice, however, at least in the United States, the failure of the retail sales tax to reach many services and the limitation of the resale exemption to products that are resold in the same form that they are purchased, or are physically incorporated into products that are resold, leads to substantial taxation of business inputs.

In theory, the final outcomes of VAT and retail sales tax should be identical: they both ultimately aim to tax final consumption of a wide range of products where such consumption takes place. They also both tax the consumption expenditure i.e. the transaction between the seller and the buyer rather than the actual consumption. In practice, however, the end result may be somewhat different given the fundamental difference in the way the tax is collected. Unlike VAT where the tax is collected at each stage of the value chain under a staged payment system (see Section 1.5 above), sales taxes are collected only at the very last stage i.e. on the sale by the retailer to the final consumer. The latter method has significant disadvantages: the higher the rate the more pressure is placed on the weakest link in the chain i.e. on the retailer and in particular on numerous small retailers. All the revenue is at risk if the retailer fails to remit the tax to the authorities and the audit and invoice trail is poorer than under a VAT, especially for services. In addition, revenue is not secured at the time of importation and this can be crucial for many developing countries. As a result, a single point resale sales tax is efficient at relatively low rates, but is increasingly difficult to administer as rates rise (Smith and Tait, 1990[8]).

The United States is the only OECD country that employs a retail sales tax as the principal consumption tax. However, the retail sales tax in the United States is not a national tax. Rather, it is a subnational tax imposed at the state and local government levels. Currently, 45 of the 50 States as well as thousands of local tax jurisdictions impose broad-based retail sales taxes. In general, the local taxes are identical in coverage to the state-level tax, are administered at the state level and amount in substance simply to an increase in the state rate, with the additional revenues distributed to the localities. Retail sales taxes are complemented in every state by functionally identical “use” taxes imposed on goods purchased from out-of-state vendors, because the state has no power to tax out-of-state “sales” and therefore imposes a complementary tax on the in-state “use” (Jerome R. Hellerstein, 2020[9])

Combined state and local sales tax rates vary widely in the United States, from 1.76% (Alaska), 4.44% (Hawaii) and 5.46% (Wisconsin) to 9.53% (Tennessee), 9.52% (Louisiana), and 9.47% (Arkansas). Five states do not have a state-wide sales tax (Alaska, Delaware, Montana, New Hampshire, and Oregon and, of these, only Alaska generally allows localities to charge local sales taxes and Montana permits special taxes in local resort areas (Janelle Cammenga, 2020[10]). These rates are much lower than the applicable VAT rates in OECD countries (except Canada, Japan and Switzerland). This is due to two main factors: the compliance risks associated with the sales tax collection method (see above) and the competition between jurisdictions (see below).

Retail sales and use taxes in force in the United States are subject to significant competitive pressure, especially in the context of interstate and international trade. Prior to the US Supreme Court’s decision in *South Dakota v. Wayfair, Inc*. (June 2018), Supreme Court rulings interpreting constitutional restraints on state taxation prohibited states from requiring vendors to collect tax with respect to cross-border sales when they were not physically present in the purchaser’s state. States were therefore unable effectively to collect use taxes with respect to cross-border sales from remote sellers, a problem that became increasingly significant with the advent of the Internet and online sales. In *Wayfair*, the Court overruled the physical-presence requirement for enforcing tax collection obligations on remote vendors as “unsound and incorrect,” and it sustained a South Dakota statute imposing such obligations on remote vendors whose annual sales into the state exceeded USD 100,000 or who annual engaged in 200 or more separate transactions in the state. In place of the physical-presence nexus rule for requiring remote vendors to collect tax on sales to in-state customers, the Court adopted a nexus rule that looks to whether the taxpayer tax collector “avails itself of the substantial privilege of carrying on business” in the state based on its “economic and virtual contacts” with the state.

Although the general standards the Court articulated in *Wayfair* provide little concrete guidance to state tax administrators and state tax advisors as to the nature and level of “economic and virtual” contacts that will satisfy constitutional nexus norms for remote sellers, the Court did identify several features of the South Dakota statute that, in its view, were designed to prevent undue burdens upon interstate commerce and thus implicitly provided guidance to the states in designing their tax enforcement regimes. First, the nexus statute provided a safe harbour for those who transact only limited business in the state. Second, the statute did not apply retroactively. Third, South Dakota was one of more than 20 states that have adopted the Streamlined Sales and Use Tax Agreement (SSUTA - available at www.streamlinedsalestax.org), which "standardizes taxes to reduce administrative and compliance costs." As the Court elaborated: "It requires a single, state level tax administration, uniform definitions of products and services, simplified tax rate structures, and other uniform rules. It also provides sellers access to sales tax administration software paid for by the State. Sellers who choose to use such software are immune from audit liability." Indeed, as of November 2020, 42 of the 45 states with sales taxes have adopted legislation or administrative guidance imposing tax collection obligations on remote vendors, as well as on digital platforms, based on thresholds analogous to those sustained by the Court in *Wayfair*, and more than half of these states are members of SSUTA, a number that is likely to increase in the future. It is also worth noting that the US Congress possesses the ultimate power (regardless of pre-existing judicially created nexus rules) to prescribe the terms under which remote vendors must collect tax on cross-border sales and could approve proposed legislation authorising states to require such collection if they have adopted SSUTA or similar measures to ease compliance burdens for vendors.

1.7. Main characteristics of consumption taxes on specific goods and services

In the OECD nomenclature, taxes on specific goods and services (5120) include a range of taxes such as excises, customs and import duties, taxes on exports and taxes on specific services. Consumption Tax Trends focuses on excise duties only.

A number of general characteristics differentiate excise duties from value added taxes:

- They are levied on a limited range of products.
- They are not normally due until the goods enter free circulation, which may be at a late stage in the supply chain.
- Excise charges are generally assessed by reference to the weight, volume, strength or quantity of the product, combined in some cases, with *ad valorem* taxes.
- Consequently, and unlike VAT, the excise system is characterised by a small number of taxpayers at the manufacturing or wholesale stage (although, in some cases they can also be levied at the resale stage).

As with VAT, excise taxes aim to be neutral internationally. As the tax is normally collected when the goods are released into free circulation, neutrality is often ensured by exempting the targeted goods from excise duties under controlled regimes (such as bonded warehouses) and certification of final export (again under controlled conditions) by customs authorities. Similarly, imported excise goods are levied at importation although frequently the goods enter into controlled tax-free regimes until released into free circulation.

Excise taxes may cover a very wide range of products like salt, sugar, matches, fruit juice or chocolates. However, the range of products subject to excise has declined with the expansion of taxes on general consumption. On the other hand, excise taxes on alcohol, tobacco and hydrocarbon oils are increasingly used by governments to influence consumers' behaviour and continue to raise significant revenues for governments (see Chapter 3 and 4).

There has indeed been a discernible trend in recent decades to ascribe to these taxes characteristics other than simply revenue raising. A number of excise duties have been adjusted with a view to discouraging certain behaviours considered harmful, especially for health and environmental reasons. This is particularly the case for excise duties on tobacco and alcohol whose rates have increased over time with the aim of reducing consumption of these products. The structure of certain excise duties, for example on road fuels and vehicles, has also gradually changed to encourage more responsible behaviour towards the collective welfare, especially the environment (see Chapter 3).

1.8. VAT and international trade - The destination principle

1.8.1. The choice for the destination principle

The overarching purpose of the VAT as a levy on final consumption coupled with its central design feature of a staged collection process lays the foundation for the core VAT principles bearing on international trade. The fundamental issue of economic policy in relation to the international application of the VAT is whether the levy should be imposed by the jurisdiction of origin or destination. Under the destination principle, the tax is fully levied on the final consumption that occurs within the taxing jurisdiction. Under the origin principle, the tax is levied in the various jurisdictions where the value is added. The key economic difference between the two principles is that the destination principle places all firms competing in a given jurisdiction on an even footing whereas the origin principle places consumers in different jurisdictions on an even footing.

There is a strong economic and policy case for countries adopting the destination principle. First, a destination principle VAT guarantees the independence of countries in determining the rates at which they wish to tax domestic consumption. Second, in the absence of global uniform VAT rate and exemptions, the adoption of the origin principle would result in price differences within the country for the same goods since they may include different value-added tax burdens, which may also be different from those on domestic production. The origin principle therefore introduces production inefficiencies and implies some degree of positive or negative protection of domestic production for each country, depending upon its tax rate relative to its trading partners. (Victoria J Perry ; Katherine Baer ; Emil M Sunley, 1996[11])

In contrast, the application of the destination principle in VAT achieves neutrality in international trade. Under the destination principle, exports are exempt with refund of input taxes (that is, free of VAT) and imports are taxed on the same basis and at the same rates as domestic supplies. Accordingly, the total tax paid in relation to a supply is determined by the rules applicable in the jurisdiction of its consumption and therefore all revenue accrues to the jurisdiction where the supply to the final consumer occurs.

For these reasons, there is widespread consensus on the destination principle, which is actually the international norm. It is sanctioned by the World Trade Organisation rules and it is one of the key principles on which the OECD's *International VAT/GST Guidelines* are grounded.

Sales tax systems, although they work differently in practice, also set out to tax consumption of goods, and to some extent services, within the jurisdiction of consumption. Exported goods are usually relieved from sales tax to provide a degree of neutrality for cross-border trade. However, in most sales tax systems, businesses do incur some irrecoverable sales tax on their inputs and, if they subsequently export goods, there will be an element of sales tax embedded in the price.

The application of the destination principle is not without its own difficulties. First, as already noted, the usual way of implementing this principle for VAT involves exemption of exports, which means that goods and services circulate free of tax in cross-border trade. The possibilities of fraud are evident. Second, although most of the rules currently in force are generally intended to tax supplies of goods and services within the jurisdiction where consumption takes place in application of the destination principle, practical means of implementing this intention are diverse across countries. This can, in some instances, lead to double taxation or unintended non-taxation and create uncertainties for both business and tax administrations. The adoption of the OECD International VAT/GST Guidelines responds to these challenges (see below).

1.8.2. Implementing the destination principle

While the destination principle has been widely accepted as the basis for applying VAT to international trade, its implementation is nevertheless diverse across jurisdictions. This can lead to double taxation or unintended non-taxation and to complexity and uncertainty for businesses and tax administrations.

In order to apply the destination principle, VAT systems must have a mechanism for identifying the destination of supplies. Because VAT is generally applied on a transaction-by-transaction basis, VAT systems contain "place of taxation" rules that address all transactions, building on "proxies" that indicate where the good or service supplied is expected to be used by a business in the production and distribution process (if the supply is made to a business) or consumed (if the supply is made to a final consumer).

The following paragraphs provide a concise overview of the mechanisms for identifying the destination of a supply, focusing on supplies of goods first and then on supplies of services.

1.8.3. Application to the cross-border trade in goods

The term "goods" generally means "tangible property" for VAT purposes. The VAT treatment of supplies of goods normally depends on the location of the goods at the time of the transaction and/or their location as a result of the transaction. The supply of a good is in principle subject to VAT in the jurisdiction where the good is located at the time of the transaction. When a transaction involves goods being moved from one jurisdiction to another, the exported goods are generally "free of VAT" in the origin's jurisdiction (and are freed of any input VAT via successive businesses' deductions of input tax), whilst imports are subject to the same VAT as equivalent domestic goods in the importing jurisdiction. The VAT on imports is generally collected at the same time as customs duties, although in some countries collection is postponed until declared on the importer's next VAT return. Deduction of the VAT incurred at importation, in the same way as input tax deduction on a domestic supply, ensures neutrality and limits distortions in relation to international trade.

Within the European Union, which abolished internal customs barriers and tax frontiers in 1993, the system of intra-Community delivery (free of VAT in the Member State of origin) and intra-Community acquisition (taxed in the Member State of destination) for business-to-business supplies allows the application of the destination principle even in the absence of customs procedures.

Many VAT systems apply a "*de minimis*" exemption for the importation of relatively low value goods. These exemptions are generally motivated by the consideration that the administrative costs of bringing these low value items into the customs and tax system were likely to outweigh the revenue gained. Most OECD countries currently apply such a VAT relief arrangement, with thresholds varying widely across countries, from USD 11 in Denmark to USD 200 in Colombia. For European Union countries, legislation in place until 1 July 2021 provides that Member States must exempt from VAT the import of goods whose value does not exceed EUR 10, and are permitted to grant an exemption for imported goods with a value of more than EUR 10 but not exceeding EUR 22. All EU Member States that are members of the OECD had opted for the higher threshold of EUR 22, except Denmark that applied the lower threshold of EUR 10 and France and Poland where there was no threshold for goods imported on mail order. This exemption in the EU did not apply to tobacco or tobacco products and alcoholic products. Turkey does not apply any threshold and tax at the border all imports of goods regardless of their value.

These VAT exemptions for low value imports have become increasingly controversial in the context of the growing digital economy. This was one of key the findings of Action 1 of the OECD/G20 Base Erosion and Profit Shifting (BEPS) project, on *Addressing the Tax Challenges of the Digital Economy* (OECD, 2015[12]). At the time when most low value import relief provisions were introduced, internet shopping did not exist and the level of imports benefitting from the relief was relatively low. In recent years, however, many countries have seen a significant and rapid growth in the volume of low value imports of physical goods from online sales on which VAT is not collected. This results in potentially unfair competitive pressures on domestic retailers who are required to charge VAT on their sales to domestic consumers and in decreased VAT revenues for governments. It also creates an incentive for domestic suppliers to relocate to an offshore jurisdiction in order to sell their low value goods free of VAT. The 2015 BEPS Action 1 report recognised that the difficulty lies in finding the balance between the need for appropriate revenue protection and avoidance of distortions of competition and the need to keep the cost of collection proportionate to the amounts of VAT to be collected. The report observed that tax authorities could be in a position to remove or lower their VAT exemption threshold for imports of low value goods, if they were able to improve the efficiency of processing such low value imports and of collecting the VAT on such imports. The report outlines and assesses the main available approaches to address this challenge, noting that a vendor collection model offered the most promising solution. Under this model, the (online) vendor of the low value goods or the digital platform through which these goods are sold is required to register in the jurisdiction of importation and to remit the VAT on these sales in that jurisdiction via the same simplified registration and collection mechanism that is recommended for the taxation of remote supplies of services and intangibles to final consumers (see below). Such a model limits or removes the need for customs authorities to intervene in the collection of VAT collection on the importation of these low value goods, since this VAT is collected directly from the vendor or digital platform at the time of sale. This collection method can apply to goods that are only subject to VAT on importation, which are in practice goods that have a value below the customs "de minimis" threshold (generally significantly higher than the VAT de minimis thresholds). Goods subject to specific duties such as excise would in principle be excluded from the vendor collection approach.

The OECD subsequently complemented the conclusions and recommendation for addressing the VAT challenges of the digital economy included in the 2015 BEPS Action 1 report with further detailed guidance to support their consistent and effective implementation. A first report on "Mechanisms for the effective collection of VAT/GST" (OECD, 2017[13]) includes detailed guidance on the design and implementation of the vendor collection model and on the simplified registration and compliance mechanism. A second report on "The role of digital platforms in the collection of VAT/GST on online sales" (OECD, 2019[14]) provides guidance on the available models for enlisting online marketplaces and other digital platforms in the collection of VAT on e-commerce, focusing in particular on the implementation of the vendor collection mechanism for the effective collection of VAT on imports of low value goods.

Australia was the first country to implement a vendor collection model for the collection of GST on imports of low value goods as of 1 July 2018, in accordance with the OECD guidance. The GST relief for imports of goods with value of AUD 1 000 or less remains in place and no GST on these imports is collected through border processes. A requirement was implemented for foreign vendors and digital platforms that supply more than AUD 75 000 of taxable goods to consumers in Australia per year, to register for GST in Australia and charge the tax on their sales to final consumers in Australia. The GST on the importation of these goods is collected from these foreign vendors through a simplified "pay only" registration regime, in line with OECD guidance. The threshold of AUD 75 000 is the same as the local registration threshold, below which Australian businesses are relieved from the collection of the GST. It aims to relieve small foreign vendors for whom the compliance cost of registering and remitting the GST on their goods sales to Australian consumers, from the requirement to do so.

New Zealand implemented a similar regime from 1 December 2019 where imports of low-value goods from foreign supplies to final consumers in New Zealand are taxed if the foreign supplier sells goods for more than NZD 60 000 per annum in the country, the same registration threshold as for domestic businesses. The GST relief for imports of goods with value of NZD 1000 or less supplied by foreign vendors to New Zealand final consumers was also repealed from that date. As for remote services, a simplified "pay only" registration is available to foreign suppliers, with the option to do a full registration to claim input credits for business-related purchases sourced from New Zealand. This system is very similar to the Australian system. One important difference is that New Zealand implemented a simplification measure allowing suppliers whose shipments to consumers in New Zealand comprise at least 75 percent of goods below the

NZD 1000 threshold, are allowed to make an election to apply the simplified “pay only” regime to the entire shipment, including the goods with a value above NZD 1000.

Under both Australian and New Zealand regimes, goods purchased from abroad via an online marketplace are considered to have been supplied by this online marketplace, which are required to collect and remit the GST on supplies made through them. This requirement also includes so-called “re-deliverers”. This applies when a foreign vendor or a digital platform is requested to deliver the goods outside Australia or New Zealand without knowing that the goods are destined for one of these countries, and the consumer contracts to have those goods re-delivered to Australia or New Zealand. Then the re-deliverer is responsible for the collection of GST on the sale of these goods to the final consumers.

Norway was the next country to implement a vendor collection regime for the collection of VAT on the importation of low value goods in accordance with OECD guidance, as of 1 April 2020. Under that regime, foreign vendors and digital marketplaces that sell goods with value below NOK 3 000 to final consumers in Norway must register and account for VAT under a simplified “pay only” registration regime (VOEC) if they sell goods for more than NOK 50 000 per annum in the country, the same registration threshold as for domestic businesses. The VOEC is not available for goods with value at or above NOK 3 000, foodstuffs, restricted goods, and goods subject to excise duties, which are subject to border collection of VAT, excise duties and customs duties.

The EU is following the same trend. EU Member States adopted the so-called VAT e-commerce package in December 2017, with a view to enhancing and simplifying VAT compliance for online businesses. One of the key measures included in this package is the removal of the VAT exemption for imports of low-value goods (i.e. goods worth not more than EUR 22) from outside the EU as of 1 July 2021 (European Commission, 2017[15]). From that date, EU and non-EU vendors will have the option to charge and collect the VAT on distance sales of imported low value goods to EU consumers at the time of sale and to declare and pay this VAT through the EU’s online digital portal (One Stop Shop; OSS). These goods will then be exempt from VAT at importation, allowing a fast release at customs. If EU and non-EU vendors do not opt for this simplified registration and collection regime, import VAT will be collected from customers by the customs declarant (e.g. postal operator, courier firm, customs agents) which will remit it to the customs authorities via a monthly payment rather than on a transactional basis. These new rules will apply to distance sales of goods by EU and non-EU vendors with a value of EUR 150 or below. Imports of goods above the EUR 150 (customs) threshold will still require a full customs declaration. Where such distance sales are facilitated by electronic marketplaces, these will be considered as the suppliers of the goods for VAT purposes and be liable for collecting and declaring the VAT on these sales. This requirement will include sales of goods that are already being stored by non-EU vendors in warehouses (so-called “fulfilment centres”) within the EU, which have been increasingly used to sell goods fraudulently without VAT to consumers in the EU.

Switzerland implemented a regime since 1 January 2019 requiring foreign vendors and digital platforms to register for VAT in the country and to remit the tax on imports of low value goods to final consumers. Unlike the Australian and New Zealand rules, there is no simplified “pay only” registration available and the vendor or digital platform must register under the standard registration procedure. In Switzerland, low value goods are defined by the VAT amount due, i.e. when this amount exceeds CHF 5, which means that the value of the goods subject to that regime is of CHF 200 for those subject to the reduced rate of 2.5% and CHF 65 for those subject to the standard rate of 7.7%. Foreign vendors selling goods to consumers in Switzerland for a total amount of at least CHF 100 000 per annum (i.e. the same as the domestic registration threshold) are required to register and remit the VAT on these sales in Switzerland.

The common features of all these regimes is that the imports of low value goods destined to final consumers are not relieved from VAT any more, placing foreign and domestic vendors of such goods on an equal footing. The VAT is not collected upon importation by customs authorities but by the tax administration at the point of sale, i.e. when the good is sold by the foreign vendor or digital platform to the final consumer. Imports of goods that are not considered as “low value” goods i.e. whose value is above the value set by legislation or possibly subject to other taxes such as excise duties are taxed upon importation according to the standard customs procedures.

1.8.4. The destination principle also applies to the cross-border trade in services and intangibles

The VAT legislation in many countries tends to define a “service” negatively as “anything that is not otherwise defined”, or to define a “supply of services” as anything other than a “supply of goods”. While this generally also includes a reference to intangibles, some jurisdictions regard intangibles as a separate category. For the purposes of this section, references to “services” include “intangibles” unless otherwise stated.

While the application of the destination principle is relatively straightforward for the cross-border trade in goods, since their supply is in principle subject to VAT in the jurisdiction where they are physically located at the time of the supply or where they are imported, it is much less so for services. Given its intangible nature, it is more challenging for VAT systems to determine the destination of a service and thus to determine the jurisdiction that has the right to apply the VAT to the supply of this service. A variety of models for determining the place of taxation of internationally traded services can be observed in VAT systems around the world. Many systems for determining the place of taxation of services operate on the basis of a categorisation approach, in which supplies are divided into categories of services with a place of taxation specified for each category. Other models favour an iterative approach, in which the principle underlying the place of taxation rule is described in more general terms and where a series of rules are applied consecutively to determine the appropriate place of taxation. A combination of both approaches may also be applied. The key common feature among these various VAT models for determining the place of taxation of internationally traded services is that they generally aim to implement the destination principle, under which the place of taxation rules are intended to impose tax at the place of consumption. The OECD’s International VAT/GST Guidelines have been designed to enhance consistency in the design and application of country’s place of taxation rules by presenting an internationally accepted understanding of what is the place of taxation of internationally traded services and intangibles and by setting out consistent and effective approaches for determining this place of taxation with a view to minimising uncertainty, revenue risks, compliance costs and administrative burdens for tax authorities and businesses. These Guidelines are discussed in further detail in the closing section of this Chapter. The following paragraphs of this section provide an overview of some of the models for determining the place of taxation of internationally traded services that are operated around the world.

In the European Union, the determination of the "place of supply" (i.e. the place of taxation) depends on the status of the customer receiving the service and the nature of the service supplied. B2B supplies are in principle taxed at the customer's place of establishment (or at the fixed establishment of the customer to which it is provided), implementing the destination principle for both supplies within the EU and with customers in third countries. On the other hand, supplies of services to final consumers (B2C supplies) are still, in principle, taxed at the supplier’s place of establishment. This latter rule does not reflect a will to apply the “origin principle” to B2C supplies but rather the historical reality that most services were consumed where they were provided and it was technically difficult to provide services at a distance to final consumers. There are, however, many exceptions aiming at aligning the place of taxation with the place where consumption is likely to take place. These exceptions include notably the services connected with immovable property (taxed where the property is located); services relating to cultural, artistic, sporting, scientific, educational, entertainment etc. (taxed at the place where they are physically carried out) and the B2C electronically supplied services, that are taxed where the customer resides (since 2003 for services provided by non-EU suppliers and since 2015 also for EU suppliers).

To facilitate compliance by non-EU suppliers, the EU member states created an online digital portal ("Mini One Stop Shop" - MOSS), allowing these suppliers to register at a distance in only one Member State and account in this Member State for the VAT due in all the Member States of the EU where their customers are located.

Although this model for determining the place of supply applies in the Member States of the Union and in a number of other countries such as Norway, Switzerland, and Russia, it is not the international norm. A number of countries (e.g. Australia, Canada, New Zealand, Singapore, South Africa) have adopted different models. While the EU model is based on an approach by category of supplies, where a "place of supply" (which is also the place of taxation) is determined for each category according to its nature and the status (business or consumer) of the customer, other models systematically apply a series of proxies for place of consumption or use to all kinds of services. Such systems work in steps: first a connection with the country is established (e.g. the supplier or the customer are established there; the service is performed or can be acquired there). Then, a number of proxies are applied to determine the actual place of taxation, e.g. a connection with a tangible property; the customer location and/or residence; the location of the person to whom the services are delivered or who uses the service.

For example, in New Zealand (which adopted the GST in 1986) the place of taxation for supplies made by non-residents is generally presumed to be outside New Zealand, except when the service is performed in New Zealand or supplied to a customer who is resident in New Zealand and the recipient is either a final consumer or a registered business who has agreed to have the transaction treated as being made in New Zealand. In contrast, the place of taxation for supplies by residents is presumed to be New Zealand, unless the supply is a zero-rated export of services. These services include international transport and related services; services physically performed outside New Zealand; services supplied to a non-resident who is outside New Zealand at the time the services are performed; services directly in connection with land or goods located outside New Zealand and supplies in relation to intellectual property rights for use outside New Zealand. From 1 October 2016, New Zealand applies GST to supplies of services and intangibles made by non-resident suppliers to final consumers who are usually resident in New Zealand (see section below).

In Australia (which adopted GST in 2000), supplies are taxable (unless GST-free) in Australia and the GST collected through the supplier when the supplies are "connected with Australia". Supplies made through an Australian based business or performed in Australia for a final consumer are connected with Australia. To prevent GST applying to services not consumed or used in Australia, the Australian GST law includes broad, proxy-based zero-ratings ("GST-free") similar to those used in New Zealand. The Australian GST rules were amended as from 1 July 2017, to make supplies of services and intangibles made by non-residents to final consumers who are residents of Australia generally taxable unless the GST-free provisions apply.

The different ways in which the VAT systems have attempted to bring consumption within the scope of the tax during the second half of the 20th century and the new interactions between national VAT systems have become increasingly problematic as volumes of cross-border trade in services and intangibles were growing. VAT systems have experienced considerable difficulties in determining where services are deemed to be consumed, to monitor these transactions and to ensure collection of the tax, particularly where businesses sell services in jurisdictions where they do not have a physical presence. In the absence of adjustment, from a government's viewpoint there is a risk of under-taxation and loss of revenue, or distorting trade through double taxation; from a business viewpoint, there are large revenue risks and high compliance costs.

The OECD developed the *International VAT/GST Guidelines* as the international standard for applying VAT to cross-border trade in services and intangibles, to minimise the risks of double taxation and unintended double non-taxation resulting from mismatches between national VAT systems.

1.8.5. The OECD International VAT/GST Guidelines are setting global standards for determining the place of taxation for internationally-traded services and intangibles

The OECD released the International VAT/GST Guidelines in November 2015 at the third meeting of its Global Forum on VAT, where they were endorsed as the international standard for the application of VAT to the international trade in services and intangibles by over 100 countries, jurisdictions and international organisations. These Guidelines were subsequently adopted as a Recommendation by the Council of the OECD in September 2016 (OECD, 2017[4]). This is the first OECD legal instrument in the area of VAT.

The Guidelines present a set of global standards and recommended approaches for the consistent VAT treatment of international transactions, focusing in particular on trade in services and intangibles. They include chapters on the principle of VAT neutrality and its implementation in practice, and on the implementation of the destination principle for allocating the taxing rights on cross-border supplies of services and intangibles. For business-to-business supplies, the Guidelines establish that, the taxing rights on cross border supplies of services and intangibles are to be allocated to the jurisdiction where the business customer has located its permanent business presence. For business-to-consumer supplies, the Guidelines recommend that the taxing rights over “on-the-spot supplies” be allocated to the jurisdiction in which the supply is physically performed; and that the taxing rights over all other supplies and services be allocated to the jurisdiction in which the customer has its usual residence. These include remote supplies of services and digital products over the Internet (e.g. apps, streaming of music and movies, online gaming) by foreign suppliers. The Guidelines recommend that these foreign suppliers be required to register and remit VAT in the jurisdiction of taxation and that countries implement a simplified registration and compliance regime to facilitate compliance for non-resident suppliers. They finally recommend that the taxing rights be allocated to the jurisdiction where immovable property is located when they are closely connected with such property.

The Guidelines do not aim at providing detailed prescriptions for national legislation. Jurisdictions are sovereign with respect to the design and application of their laws. Rather, the Guidelines seek to provide guidance to jurisdictions in developing national legislation with a view to facilitating a coherent application of national VAT systems to international trade, taking into account their specific economic, legal, institutional, cultural and social circumstances and practices.

These Guidelines are further complemented with guidance and technical standards to support their coherent implementation and application (implementation packages). A first report on “Mechanisms for the effective collection of VAT/GST” was delivered in 2017. (OECD, 2017[13]). This report provides further detailed practical guidance to support the implementation of the rules and mechanisms for the efficient and the effective collection of VAT on inbound digital services from offshore suppliers, as recommended in the International VAT/GST Guidelines and in the 2015 Final Report on Action 1 "Addressing the Tax Challenges of the Digital Economy" of the BEPS project. A second report “The role of digital platforms in the collection of VAT/GST on online sales” (OECD, 2019[14]) focuses on possible approaches for enlisting online marketplaces and other digital platforms in the collection of VAT on e-commerce and to support and coordinate country reform in this context.

Annex Table 2.A.8 presents a broad overview of the approaches adopted by OECD countries for collecting VAT on cross-border supplies of services and intangibles from foreign suppliers (i.e. on remote “inbound supplies”). This overview shows that the EU rules determine the place of taxation for cross-border supplies of services and intangibles (i.e. transactions with non-EU Member States) in principle by reference to the customer’s location (for business-to-business supplies - B2B) and to the customer’s usual residence (for business-to-consumer supplies - B2C), in line with the OECD Guidelines. The VAT on inbound supplies is collected through a reverse charge (self-assessment) mechanism, for B2B supplies, and through a simplified vendor registration and compliance regime (“Mini One Stop Shop”) for B2C supplies of telecommunication, broadcasting and electronic services. This regime is operated by the 23 OECD member countries that belong to the EU (Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom until 31 January 2020).

Ten other OECD countries use (some variation of) the customer's location (usual residence, head office, etc.) as the main proxy for determining the place of taxation for cross-border supplies of services and intangibles (Australia, Canada, Iceland, Israel, Japan, Korea, New Zealand, Norway, Switzerland and Turkey). Most OECD countries make a distinction between B2B and B2C supplies for determining the place of taxation as well as for determining the mechanism to collect the VAT on inbound supplies. The tax status of customers in this context is generally determined on the basis of the presence of a VAT registration number or on the basis of the customer's business tax identification number. Two countries (Japan and Korea) distinguish between B2B and B2C supplies on the basis of the nature of the services provided. In these countries, services that are considered to be generally used by final consumers such as provision of e-books, digital newspapers, music, videos, games, etc. are deemed to be B2C services while others are considered B2B supplies. Some countries do not systematically distinguish between B2B and B2C supplies (Canada, Chile, and Mexico).

Most OECD countries apply a reverse charge mechanism to collect VAT on inbound B2B supplies of services and intangibles. In Australia, Canada and New Zealand this mechanism only applies when the customer has a limited right to deduct the input tax, and no tax is due when the customer has a full right to deduction. In Switzerland, the application of the reverse charge mechanism is limited to situations where the place of taxation is determined according to the customer's residence proxy. When the supply is taxed in Switzerland according to other proxies (e.g. the location of the immovable property to which the supply is connected), the reverse charge mechanism does not apply and the supplier must register in Switzerland according to the standard procedure and account for VAT. In addition, foreign suppliers that are registered in the Switzerland to account for VAT on their B2C supplies, must also account for their B2B supplies under that local registration and the reverse charge does not apply. In Korea, inbound B2B supplies are considered out of scope and no VAT is due on such supplies. In Iceland, inbound supplies of services are VAT exempt if the business customer has a full right to deduction. If not, the supplier must register for VAT in Iceland.

For B2C supplies, all OECD countries that operate a VAT now require the foreign supplier to register and account for VAT, except Canada and Israel where the customer is liable to account for the tax on inbound supplies of services and intangibles. A simplified registration and collection regime (without right to deduct input taxes in the taxing jurisdiction - "pay-only registration") applies in these countries (generally with an option for standard registration), except in Japan and Switzerland where only the standard registration is available (with the right to deduct the input tax incurred in the country) and where the foreign supplier must appoint a local tax agent.

Six of the countries requiring foreign suppliers to register to account for VAT on their B2C supplies into the country do not impose such a requirement when the annual turnover of these suppliers in the country remains below a threshold that is set at the same level as the registration threshold for domestic taxpayers. These countries are Australia, Iceland, Japan, New Zealand, Norway and Switzerland.

The OECD standards and guidance for the application of VAT to international trade are influencing VAT reform in a growing number of countries worldwide, including in countries outside the OECD membership. The standards for the effective collection of VAT on online sales of goods, services and digital products have been particularly influential. Over 60 countries have implemented these standards while several other countries are preparing to implement these standards or are considering doing so. Very positive results have been reported in terms of compliance and revenue collected from these measures.

The continuously growing impact of these standards reflects their significant importance for countries' VAT revenues and for minimising competitive distortions between online traders and traditional businesses. This has become even more relevant in light of the outbreak of COVID-19, as containment and mitigation measures taken in response to the pandemic have notably led to spikes in online shopping and increased demand for digital products and online services.

The OECD's standards and expertise in VAT are also increasingly in demand from developing countries. In common with other areas of international tax standards, the OECD is progressively increasing the engagement of non-OECD member countries in the design of standards in the VAT area, while expanding the guidance and support available to developing countries seeking to implement the standards.

To support developing countries wishing to implement the OECD standards and guidance in the area of VAT, the OECD has committed to developing specific regional toolkits. These toolkits will provide further detailed, practical guidance for the implementation of the internationally agreed VAT standards and best-practice solutions, targeted at developing countries.

For the tables in annex, references to the 'European Union and its Member States' includes the UK as a Member State for January 2020 and as an addition to the Member States ('Member States and the UK') for the period 1 February 2020 until the end of December 2020.

Annex 1.A. Consumption Tax Revenue

Annex Table 1.A.1. Consumption taxes (5100) as a percentage of GDP and total taxation

	Tax revenue as % of GDP					Tax revenue as % of total taxation				
	1975	2005	2010	2015	2018	1975	2005	2010	2015	2018
Australia	6.5	7.6	6.5	6.6	6.3	25.8	25.4	25.7	23.8	21.9
Austria	12.3	11.1	10.9	10.9	10.7	33.9	27.1	26.5	25.3	25.3
Belgium	10.1	10.5	10.5	10.3	10.5	26.0	24.2	24.6	23.2	23.9
Canada	8.1	7.7	7.0	7.1	7.3	26.0	23.7	22.5	21.5	21.9
Chile	..	10.1	9.4	10.4	10.4	..	48.7	48.2	50.8	49.5
Colombia	..	8.1	8.1	8.0	8.1	..	44.4	44.7	40.4	42.0
Czech Republic	..	10.1	10.2	10.7	10.8	..	29.5	31.8	32.3	30.8
Denmark	12.0	15.2	14.0	13.4	13.5	32.7	31.8	31.2	29.2	30.3
Estonia	..	12.1	13.0	13.6	13.3	..	40.7	39.6	41.2	40.3
Finland	11.4	13.0	12.6	13.6	13.7	31.6	30.8	31.0	31.3	32.4
France	11.3	10.7	10.8	11.4	11.9	32.4	25.0	25.5	25.1	25.8
Germany	8.7	9.7	10.2	9.9	9.8	25.4	28.1	28.7	26.7	25.3
Greece	7.9	10.1	11.3	12.1	13.4	42.2	31.7	35.2	33.2	34.3
Hungary	..	14.3	15.7	16.7	16.4	..	39.1	42.1	42.8	43.7
Iceland	18.3	14.9	10.7	10.9	11.7	62.2	37.8	33.1	30.8	31.3
Ireland	12.4	10.8	9.1	6.9	6.4	44.4	35.8	33.0	29.4	28.1
Israel	..	11.0	11.2	11.0	10.4	..	32.8	36.5	35.2	33.8
Italy	6.9	9.4	10.0	10.5	10.5	28.3	24.1	23.9	24.5	25.0
Japan	3.0	4.5	4.4	6.0	5.8	15.1	17.2	16.7	19.5	18.1
Korea	8.7	7.2	7.3	6.2	6.6	60.0	33.3	32.6	26.2	24.7
Latvia	..	11.4	11.3	12.5	13.3	..	40.6	39.3	41.6	42.7
Lithuania	..	10.9	11.5	11.2	11.4	..	37.2	40.4	39.0	37.7
Luxembourg	6.5	10.8	10.1	9.4	9.3	20.6	28.5	26.9	25.3	23.3
Mexico	..	4.2	4.7	6.0	5.8	..	37.1	36.7	37.9	35.9
Netherlands	8.5	10.2	10.1	10.0	10.5	22.5	29.3	28.2	27.1	27.1
New Zealand	6.8	10.8	11.2	11.5	11.6	22.8	30.0	37.1	36.3	35.3
Norway	14.2	11.1	11.0	11.0	11.1	36.6	26.1	26.3	28.6	28.1
Poland	..	12.2	12.2	11.5	12.7	..	37.2	38.8	35.3	36.0
Portugal	7.6	13.3	11.9	12.9	13.3	40.1	43.0	39.2	37.4	38.1
Slovak Republic	..	11.6	9.7	10.7	11.2	..	37.1	34.3	32.9	32.6
Slovenia	..	12.7	13.3	13.7	13.0	..	32.5	35.2	36.8	34.9
Spain	4.3	9.3	7.9	9.6	9.5	24.0	26.3	25.3	28.2	27.3
Sweden	8.7	11.9	12.3	11.7	12.0	22.7	25.5	28.6	27.3	27.2
Switzerland	4.6	5.4	5.3	5.1	5.0	20.6	20.3	19.9	18.7	17.8
Turkey	4.7	11.0	11.3	10.6	9.4	40.9	47.4	45.8	42.7	39.0
United Kingdom	8.1	9.6	9.7	10.5	10.4	23.7	29.4	30.2	32.2	31.5
United States	4.2	3.8	3.6	3.8	3.8	17.1	14.7	15.5	14.6	15.4
OECD unweighted average	8.6	10.2	10.0	10.2	10.3	31.1	31.7	31.9	31.2	30.8

Source: OECD Revenue Statistics 2020 (OECD, 2020[1]).

StatLink https://doi.org/10.1787/888934219926

Annex Table 1.A.2. General taxes on goods and services (5110) as a percentage of GDP and total taxation

	Tax revenue as % of GDP					Tax revenue as % of total taxation				
Year	1975	2005	2010	2015	2018	1975	2005	2010	2015	2018
Australia	1.7	4.0	3.5	3.7	3.4	6.7	13.4	13.8	13.3	12.0
Austria	7.2	7.6	7.7	7.6	7.6	19.8	18.6	18.7	17.7	18.0
Belgium	6.3	7.0	7.0	6.7	6.8	16.2	16.2	16.4	15.1	15.5
Canada	3.9	4.8	4.3	4.6	4.7	12.5	14.8	14.0	13.9	14.2
Chile	..	7.8	7.5	8.3	8.5	..	37.8	38.5	40.8	40.2
Colombia	..	5.9	6.1	6.1	6.5	..	32.3	33.9	30.4	33.8
Czech Republic	..	6.5	6.6	7.2	7.6	..	19.1	20.5	21.7	21.6
Denmark	6.4	9.7	9.4	9.1	9.5	17.5	20.2	21.0	19.9	21.5
Estonia	..	8.0	8.5	9.0	9.0	..	26.9	25.8	27.2	27.3
Finland	5.7	8.3	8.3	9.0	9.1	15.6	19.9	20.4	20.6	21.6
France	8.2	7.4	7.5	7.7	7.9	23.4	17.3	17.9	16.9	17.1
Germany	5.0	6.1	7.0	7.0	7.0	14.6	17.8	19.8	18.8	18.2
Greece	3.4	6.9	7.3	7.4	8.3	18.3	21.6	22.8	20.3	21.4
Hungary	..	10.2	11.0	11.8	11.8	..	28.0	29.7	30.3	31.6
Iceland	8.4	10.8	7.3	8.0	8.8	28.6	27.3	22.7	22.6	23.6
Ireland	4.1	7.3	6.0	4.5	4.4	14.7	24.2	21.7	19.3	19.3
Israel	..	9.3	9.1	9.2	8.8	..	27.5	29.8	29.6	28.5
Italy	3.5	5.7	6.1	6.1	6.2	14.3	14.6	14.5	14.2	14.8
Japan	0.0	2.5	2.5	4.2	4.1	0.0	9.5	9.6	13.7	12.8
Korea	1.8	3.8	3.9	3.6	4.1	12.7	17.4	17.5	15.3	15.3
Latvia	..	7.4	7.2	8.7	9.3	..	26.4	25.2	29.0	29.7
Lithuania	..	7.5	7.8	7.8	7.8	..	25.8	27.5	27.2	26.0
Luxembourg	3.8	6.0	6.4	6.5	6.1	12.1	16.0	17.0	17.5	15.4
Mexico	..	3.3	3.8	3.8	3.9	..	29.3	29.4	23.9	24.3
Netherlands	5.4	6.7	6.7	6.5	6.8	14.4	19.2	18.7	17.6	17.6
New Zealand	2.7	8.6	9.3	9.5	9.7	9.0	23.8	30.7	30.2	29.6
Norway	8.0	7.7	7.8	8.2	8.4	20.5	18.2	18.6	21.4	21.3
Poland	..	7.7	7.6	7.0	8.1	..	23.2	24.2	21.5	23.1
Portugal	2.1	8.2	7.5	8.6	8.7	11.2	26.6	24.7	24.9	25.1
Slovak Republic	..	7.7	6.1	6.8	7.1	..	24.6	21.8	20.8	20.5
Slovenia	..	8.5	8.1	8.3	8.2	..	21.6	21.3	22.2	22.0
Spain	2.7	6.2	5.2	6.4	6.6	15.3	17.7	16.6	19.1	19.1
Sweden	4.6	8.5	9.1	9.0	9.2	12.0	18.3	21.2	21.0	21.0
Switzerland	2.0	3.6	3.4	3.5	3.3	8.7	13.6	13.0	12.6	11.9
Turkey	0.0	5.1	5.4	5.1	4.8	0.0	21.8	21.7	20.6	19.8
United Kingdom	3.0	6.1	6.1	6.9	7.0	8.9	18.6	19.0	21.4	21.1
United States	1.7	2.1	2.0	2.1	2.0	7.0	8.0	8.4	7.9	8.2
OECD unweighted average	4.1	6.8	6.7	6.9	7.1	13.4	21.0	21.3	21.1	21.2

Source: OECD Revenue Statistics 2020 (OECD, 2020[1]).

StatLink https://doi.org/10.1787/888934219945

Annex Table 1.A.3. Taxes on specific goods and services (5120) as a percentage of GDP and total taxation

	Tax revenue as % of GDP					Tax revenue as % of total taxation				
Year	1975	2005	2010	2015	2018	1975	2005	2010	2015	2018
Australia	4.9	3.6	3.0	2.9	2.8	19.1	12.0	11.9	10.4	9.9
Austria	5.1	3.5	3.2	3.3	3.1	14.0	8.4	7.8	7.6	7.3
Belgium	3.8	3.5	3.5	3.6	3.7	9.8	8.1	8.2	8.1	8.4
Canada	4.2	2.9	2.6	2.5	2.5	13.6	8.9	8.5	7.7	7.7
Chile	..	2.3	1.9	2.0	2.0	..	10.9	9.8	10.0	9.3
Colombia	..	2.2	2.0	2.0	1.6	..	12.1	10.9	10.0	8.2
Czech Republic	..	3.5	3.6	3.5	3.2	..	10.3	11.3	10.6	9.2
Denmark	5.6	5.5	4.5	4.3	3.9	15.2	11.6	10.1	9.3	8.8
Estonia	..	4.1	4.5	4.6	4.3	..	13.8	13.8	13.9	13.0
Finland	5.8	4.6	4.3	4.7	4.6	16.0	11.0	10.6	10.7	10.8
France	3.2	3.3	3.2	3.7	4.0	9.0	7.7	7.6	8.2	8.7
Germany	3.7	3.5	3.1	2.9	2.7	10.8	10.2	8.8	7.9	7.1
Greece	4.5	3.2	3.9	4.6	4.9	23.9	9.9	12.3	12.7	12.7
Hungary	..	4.1	4.6	4.9	4.6	..	11.1	12.4	12.6	12.2
Iceland	9.9	4.2	3.4	2.9	2.9	33.6	10.6	10.5	8.2	7.7
Ireland	8.3	3.5	3.1	2.4	2.0	29.7	11.6	11.3	10.1	8.8
Israel	..	1.8	2.1	1.8	1.6	..	5.3	6.8	5.6	5.3
Italy	3.4	3.7	3.9	4.5	4.3	14.0	9.5	9.4	10.4	10.2
Japan	3.0	2.0	1.9	1.8	1.7	15.1	7.7	7.2	5.8	5.3
Korea	6.9	3.4	3.4	2.6	2.5	47.3	15.9	15.1	10.9	9.4
Latvia	..	4.0	4.1	3.8	4.1	..	14.2	14.1	12.6	13.0
Lithuania	..	3.3	3.6	3.4	3.5	..	11.4	12.8	11.8	11.7
Luxembourg	2.6	4.7	3.7	2.9	3.1	8.4	12.5	9.9	7.8	7.9
Mexico	..	0.9	0.9	2.2	1.9	..	7.8	7.3	14.0	11.6
Netherlands	3.1	3.5	3.4	3.5	3.7	8.1	10.1	9.5	9.6	9.6
New Zealand	4.1	2.2	1.9	1.9	1.9	13.8	6.2	6.4	6.1	5.8
Norway	6.3	3.4	3.2	2.8	2.7	16.1	7.9	7.6	7.2	6.8
Poland	..	4.6	4.6	4.5	4.5	..	13.9	14.6	13.8	12.9
Portugal	5.5	5.1	4.4	4.3	4.5	28.9	16.4	14.4	12.5	13.0
Slovak Republic	..	3.9	3.5	4.0	4.1	..	12.5	12.5	12.1	12.0
Slovenia	..	4.2	5.3	5.4	4.8	..	10.8	13.9	14.5	12.9
Spain	1.6	3.0	2.7	3.1	2.9	8.7	8.6	8.7	9.2	8.2
Sweden	4.1	3.4	3.2	2.7	2.7	10.7	7.2	7.4	6.4	6.2
Switzerland	2.7	1.8	1.8	1.7	1.6	11.9	6.7	6.9	6.0	5.9
Turkey	4.7	5.9	5.9	5.5	4.6	40.9	25.5	24.1	22.0	19.2
United Kingdom	5.1	3.5	3.6	3.5	3.4	14.8	10.8	11.2	10.8	10.3
United States	2.5	1.7	1.7	1.8	1.8	10.0	6.7	7.2	6.7	7.3
OECD unweighted average	4.6	3.4	3.3	3.3	3.2	17.7	10.7	10.6	10.1	9.6

Source: OECD Revenue Statistics 2020 (OECD, 2020[1]).

StatLink https://doi.org/10.1787/888934219964

Annex Table 1.A.4. Value added taxes (5111) as a percentage of GDP and total taxation

	Tax revenue as % of GDP					Tax revenue as % of total taxation				
Year	1975	2005	2010	2015	2018	1975	2005	2010	2015	2018
Australia	0.0	3.9	3.4	3.6	3.3	0.0	13.1	13.4	13.0	11.7
Austria	7.2	7.6	7.7	7.6	7.6	19.8	18.6	18.7	17.7	18.0
Belgium	6.3	6.9	7.0	6.6	6.8	16.2	15.9	16.2	15.0	15.4
Canada	0.0	3.2	4.2	4.4	4.5	0.0	9.9	13.7	13.3	13.6
Chile	..	7.8	7.5	8.3	8.5	..	37.8	38.5	40.8	40.2
Colombia	..	5.2	5.3	5.2	5.7	..	28.2	29.3	26.0	29.4
Czech Republic	..	6.5	6.6	7.2	7.6	..	19.1	20.5	21.7	21.6
Denmark	6.4	9.7	9.4	9.1	9.5	17.5	20.2	21.0	19.9	21.5
Estonia	..	8.0	8.5	9.0	9.0	..	26.9	25.7	27.2	27.3
Finland	5.7	8.3	8.3	9.0	9.1	15.6	19.9	20.4	20.6	21.6
France	8.1	7.2	6.8	6.9	7.1	23.1	16.7	16.1	15.2	15.4
Germany	5.0	6.1	7.0	7.0	7.0	14.6	17.8	19.8	18.8	18.2
Greece	0.0	6.7	7.1	7.3	8.3	0.0	21.1	22.0	20.0	21.3
Hungary	..	8.2	8.5	9.5	9.7	..	22.5	22.9	24.5	25.8
Iceland	0.0	10.8	7.3	8.0	8.8	0.0	27.3	22.7	22.6	23.6
Ireland	4.1	7.3	6.0	4.5	4.4	14.7	24.2	21.7	19.3	19.3
Israel	..	7.5	7.5	7.8	7.5	..	22.3	24.4	24.9	24.2
Italy	3.3	5.7	6.1	6.1	6.2	13.7	14.6	14.5	14.2	14.8
Japan	..	2.5	2.5	4.2	4.1	..	9.5	9.6	13.7	12.8
Korea	0.0	3.8	3.9	3.6	4.1	0.0	17.4	17.5	15.3	15.3
Latvia	..	7.4	6.7	7.7	8.4	..	26.4	23.3	25.6	27.0
Lithuania	..	7.1	7.8	7.7	7.8	..	24.3	27.5	27.0	25.8
Luxembourg	3.8	6.0	6.4	6.5	6.1	12.1	16.0	17.0	17.5	15.4
Mexico	..	3.3	3.8	3.8	3.9	..	29.3	29.4	23.9	24.3
Netherlands	5.4	6.7	6.7	6.5	6.8	14.4	19.2	18.7	17.6	17.6
New Zealand	0.0	8.6	9.3	9.5	9.7	0.0	23.8	30.7	30.2	29.6
Norway	8.0	7.7	7.8	8.2	8.4	20.5	18.1	18.6	21.3	21.2
Poland	..	7.7	7.6	7.0	8.1	..	23.2	24.2	21.5	23.1
Portugal	0.0	8.2	7.5	8.6	8.7	0.0	26.6	24.7	24.9	25.1
Slovak Republic	..	7.7	6.1	6.8	7.1	..	24.6	21.8	20.8	20.5
Slovenia	..	8.5	8.1	8.3	8.2	..	21.6	21.3	22.2	22.0
Spain	0.0	6.2	5.2	6.4	6.6	0.0	17.7	16.5	19.0	19.0
Sweden	4.6	8.5	9.0	8.9	9.2	12.0	18.1	21.0	20.8	21.0
Switzerland	0.0	3.6	3.4	3.4	3.3	0.0	13.4	12.7	12.4	11.7
Turkey	..	5.1	5.4	5.1	4.8	..	21.8	21.7	20.6	19.8
United Kingdom	3.0	6.1	6.1	6.9	7.0	8.9	18.6	19.0	21.4	21.1
United States	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OECD unweighted average	3.1	6.5	6.4	6.7	6.8	8.8	20.2	20.5	20.3	20.4

Source: OECD Revenue Statistics 2020 (OECD, 2020[1]).

StatLink https://doi.org/10.1787/888934219983

Annex Table 1.A.5. Excise (5121) as a percentage of GDP and total taxation

	Tax revenue as % of GDP					Tax revenue as % of total taxation				
Year	1975	2005	2010	2015	2018	1975	2005	2010	2015	2018
Australia	3.0	2.3	1.9	1.4	1.3	11.8	7.6	7.5	4.9	4.4
Austria	2.9	2.6	2.3	2.3	2.1	7.9	6.3	5.7	5.2	5.0
Belgium	2.6	2.3	2.1	2.1	2.2	6.6	5.3	5.0	4.7	5.0
Canada	2.0	1.6	1.4	1.3	1.3	6.3	4.9	4.5	3.9	3.8
Chile	..	1.6	1.4	1.5	1.5	0.0	7.8	7.1	7.4	6.9
Colombia	..	1.4	1.1	1.4	1.2	..	7.5	6.1	7.1	6.3
Czech Republic	..	3.4	3.5	3.3	3.1	0.0	9.8	10.8	10.0	8.7
Denmark	5.1	4.9	4.1	3.9	3.6	13.8	10.3	9.1	8.5	8.0
Estonia	..	3.6	4.2	4.2	3.9	0.0	12.2	12.6	12.6	11.9
Finland	4.2	3.6	3.3	3.6	3.6	11.5	8.6	8.2	8.3	8.5
France	2.3	2.4	2.3	2.6	2.7	6.5	5.7	5.4	5.7	6.0
Germany	3.0	2.8	2.5	2.2	2.0	8.8	8.3	7.0	5.8	5.1
Greece	2.5	2.6	3.3	3.9	3.9	13.6	8.1	10.4	10.7	9.9
Hungary	..	3.5	3.4	3.2	3.0	..	9.7	9.2	8.3	7.9
Iceland	0.9	3.6	2.8	2.5	2.5	3.0	9.2	8.6	7.0	6.7
Ireland	7.2	3.2	2.9	2.1	1.7	26.0	10.5	10.5	8.9	7.5
Israel	0.0	1.5	1.8	1.5	1.4	0.0	4.5	5.8	4.8	4.6
Italy	2.5	2.2	2.3	2.8	2.7	10.2	5.6	5.4	6.5	6.4
Japan	2.3	1.8	1.7	1.6	1.5	11.3	6.9	6.5	5.1	4.6
Korea	3.2	2.6	2.4	1.9	1.9	22.0	12.0	10.6	8.1	7.1
Latvia	..	3.5	3.6	3.3	3.6	0.0	12.6	12.5	11.0	11.5
Lithuania	..	2.9	3.2	3.1	3.2	0.0	10.0	11.4	10.9	10.6
Luxembourg	2.3	4.5	3.5	2.6	2.6	7.3	11.8	9.3	7.1	6.5
Mexico	0.0	0.6	0.6	1.9	1.5	0.0	5.1	5.0	12.2	9.4
Netherlands	2.4	3.1	2.9	2.6	2.7	6.3	8.7	8.1	7.1	7.0
New Zealand	2.8	1.4	0.9	0.9	0.9	9.4	3.9	2.9	2.8	2.6
Norway	4.0	3.2	2.9	2.5	2.4	10.3	7.4	7.0	6.6	6.0
Poland	..	4.3	4.3	3.9	3.9	0.0	13.0	13.7	12.1	11.0
Portugal	2.5	3.7	3.2	2.9	3.0	13.0	11.9	10.4	8.4	8.8
Slovak Republic	..	3.6	3.1	3.2	3.3	0.0	11.4	10.9	9.9	9.5
Slovenia	..	3.4	4.3	4.2	3.7	0.0	8.8	11.3	11.2	9.8
Spain	0.4	2.5	2.3	2.4	2.2	2.2	7.1	7.3	7.1	6.4
Sweden	3.4	2.8	2.6	2.1	2.1	8.8	6.0	5.9	5.0	4.8
Switzerland	1.7	1.4	1.4	1.2	1.2	7.7	5.4	5.1	4.5	4.4
Turkey	2.0	4.9	4.9	4.5	3.6	17.6	21.2	19.9	18.1	14.9
United Kingdom	4.3	2.8	2.8	2.5	2.3	12.7	8.6	8.8	7.6	7.0
United States	1.9	1.0	1.0	0.9	0.8	7.6	3.9	4.2	3.3	3.3
OECD unweighted average	2.9	2.8	2.6	2.5	2.4	10.5	8.6	8.4	7.8	7.2

Source: OECD Revenue Statistics 2020 (OECD, 2020[1]).

StatLink https://doi.org/10.1787/888934220002

Annex Table 1.A.6. Tax structures in the OECD area as a percentage of total taxation

Revenue from main categories of taxes as a percentage of total taxation							
	1965	1975	1985	1995	2005	2010	2018
Taxes on income, profits and capital gains (1000)	34.7	37.1	36.9	33.5	34.3	32.6	34.3
Personal income tax (1100)	26.2	29.8	29.8	24.3	22.7	22.5	23.5
Corporate income tax (1200)	8.8	7.6	8.0	8.1	10.5	8.9	10.0
Social security contributions (2000)	17.6	21.9	22.1	25.4	24.9	26.4	25.7
Payroll taxes (3000)	1.0	1.3	1.1	0.9	1.0	1.0	1.2
Property taxes (4000)	7.9	6.4	5.4	5.2	5.6	5.5	5.6
Taxes on goods and services (5000)	38.4	32.8	33.7	34.1	33.6	33.8	32.7
General consumption taxes (5110)	11.5	13.4	15.8	20.2	21.0	21.3	21.2
Value added taxes (VAT) (5111)	1.4	8.8	11.3	18.2	20.2	20.5	20.4
Specific consumption taxes (5120)	24.3	17.7	16.2	12.1	10.4	10.7	9.6

Source: OECD Revenue Statistics 2020 (OECD, 2020[1]).

StatLink https://doi.org/10.1787/888934220021

From:

Consumption Tax Trends 2020

VAT/GST and Excise Rates, Trends and Policy Issues

Access the complete publication at:
https://doi.org/10.1787/152def2d-en

Please cite this chapter as:

OECD (2020), “Consumption tax figures: Main trends and figures”, in *Consumption Tax Trends 2020: VAT/GST and Excise Rates, Trends and Policy Issues*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/b196917f-en