Executive summary

***Tax Policy Reforms: OECD and Selected Partner Economies* is an annual publication that provides comparative information on tax reforms across countries.** It tracks tax policy developments over time and describes the latest tax reform trends. This year's edition focuses on tax reforms introduced or announced during the 2022 calendar year in 75 member jurisdictions of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting, including all OECD countries.

The publication has three chapters. Chapters 1 and 2 discuss the macroeconomic and tax revenue background within which changes to tax policy have been made, while Chapter 3 provides an overview of developments in tax reform trends across tax categories.

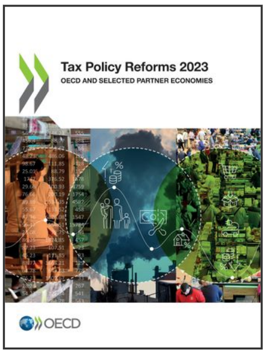
Tax policy decisions in 2022 reflected policy makers' challenging task of responding to the short-term needs of a macroeconomic environment dominated by elevated inflation levels, the long-run pressure of ongoing structural changes, and country-specific circumstances. Global growth slowed to almost half its rate from the previous year as Russia's large-scale war of aggression against Ukraine added to existing inflation pressures to push the global inflation rate to its highest level for over a decade; wages and household incomes eroded sharply in many countries as a result. Central banks responded by raising interest rates and governments introduced support measures, adding to already high debt levels.

Tax measures were a key component of support packages for households and businesses, which also included subsidies, transfers, and price caps. Temporary rate reductions to excise duties and value added taxes (VAT) on energy products were common, as were measures to index tax bracket thresholds, allowances, and credits for inflation within the personal income tax (PIT) and of social security contributions (SSC), particularly in the countries that experienced significant price increases. While the immediacy and visibility of temporary tax cuts were advantageous, their often-untargeted nature raised budgetary costs and dampened incentives to lower energy consumption.

Several countries affected by energy price rises introduced temporary windfall profit taxes, solidarity levies and other measures in response to elevated corporate profits. Large increases in profits were recorded in late 2021 and throughout 2022 particularly by those operating in the energy sector. These measures are rare in recent history but were exceptionally introduced to raise revenues for additional fiscal expenditures, limit inequalities, and strengthen social cohesion. Some countries also increased the generosity of PIT and SSC allowances, and increased the tax burden on the most well-off individuals through higher rates on the capital and salary income of top earners and by raising net wealth taxes and recurrent taxes on immovable property, continuing the trend of countries seeking ways to increase the progressivity of their tax systems to address rising levels of inequality.

Governments continued to expand income tax incentives aimed at encouraging investment, as well as adapting tax regimes to the challenges and opportunities posed by the digitalisation of the global economy. Countries continued to introduce and expand the eligibility criteria for income tax incentives within both corporate and personal income tax regimes to support investment levels, employment, and growth, particularly through research and development tax credits. Many jurisdictions also took steps towards implementing the global minimum tax rules of the OECD/G20 Two-Pillar Solution to reform the international tax system, as well as enacting reforms to achieve more effective taxation of international digital trade by strengthening e-commerce VAT regimes and obliging electronic transaction information reporting.

Some environmentally related taxes were reduced in 2022, and a growing number of countries introduced tax incentives and strengthened mechanisms to encourage the transition to a lower carbon economy. Some countries expanded the use of “green” tax allowances and credits within both the corporate income tax and PIT to support investment in more environmentally sustainable technologies and production methods – exemplified by provisions within the United States’ Inflation Reduction Act. Carbon taxes were increased in several countries to support price incentives to lower greenhouse gas emissions, and the European Union worked towards the introduction of a Carbon Border Adjustment Mechanism, as well as a second Emissions Trading Scheme and a Social Climate Fund, the latter to support a more just and equitable transition.



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