Executive Summary

In 2020, the average OECD tax-to-GDP ratio rose by 0.1 percentage points to 33.5%, against the background of the COVID-19 pandemic. Although nominal tax revenues fell in most OECD countries, the falls in countries' GDP were often greater, resulting in a small increase in the average tax-to-GDP ratio.

In this publication, taxes are defined as compulsory, unrequited payments to the general government or to a supranational authority. They are unrequited in that the benefits provided by governments to taxpayers are not normally allocated in proportion to their payments. Taxes are classified by their base: income, profits and capital gains; payroll; property; goods and services; and other taxes. Compulsory social security contributions (SSCs) paid to general government are also treated as taxes. Revenues are analysed by level of government: federal or central; state; local; and social security funds. Detailed information on the classifications applied is set out in the Interpretative Guide in Annex A.

Tax levels in 2020

Across OECD countries, tax-to-GDP ratios in 2020 ranged from 17.9% in Mexico to 46.5% in Denmark. Between 2019 and 2020, the OECD average tax-to-GDP ratio increased from 33.4% to 33.5%, with increases in country tax-to-GDP ratios seen in 20 OECD countries and decreases in 16:

- An increase in tax-to-GDP ratios from 2019 to 2020 is observed in 20 of the 36 countries for which preliminary 2020 data is available. The increase in the tax-to-GDP ratio was largest in Spain (1.9 percentage points (p.p.)), largely due to an increase in revenues from SSCs as a share of GDP due to nominal revenues from SSCs falling by less than nominal GDP. The second largest increase was in Mexico (1.6 p.p.). Iceland was the only other country with an increase of more than one percentage point.
- The largest fall was seen in Ireland (1.7 p.p.), due to a fall in VAT revenues following the temporary reduction in VAT rates in 2020 and the impact of the COVID-19 pandemic in decreasing economic activity. Smaller falls in personal income taxes, SSCs, property taxes and excises also contributed. Other large decreases were seen in Chile (1.6 p.p.) and Norway (1.3 p.p.). Thirteen other countries had decreases of less than one percentage point.

Across the last decade, 30 OECD countries reported higher tax-to-GDP ratios in 2020 than in 2010, with the greatest increases in the Slovak Republic and in Greece (6.7 and 6.5 percentage points, respectively). Among the remaining eight countries, tax levels in 2020 were more than five percentage points lower than in 2010 in Ireland and more than three percentage points lower in Norway.

Initial impact of COVID-19 on OECD tax revenues

A special feature in this publication looks at the initial impact of the COVID-19 crisis on tax revenues across the OECD, considering both the impact of the economic crisis and policy changes put in place to support businesses and households. It looks at changes in nominal taxes and nominal GDP, as well as changes for different tax types, to understand what drove the increase in the OECD average tax-to-GDP ratio and which tax types were the most affected.

It finds that the tax policy measures implemented to support households and businesses have often directly reduced revenues via deferrals or reductions in tax liabilities, enhanced tax credits and allowances and temporary or permanent reductions in tax rates. The sharp reduction in economic activity due to lockdowns and other restrictions has also reduced labour force participation, household consumption and business profits, further affecting tax revenues. However, government support measures may have indirectly bolstered affected revenues insofar as they were successful in reducing job losses and business closures. These support measures have therefore contributed to the weaker nominal falls in tax revenues than were seen during the global financial crisis of 2008-2009.

The special feature concludes that direct taxes on income were more strongly affected by the crisis than indirect or property taxes. In 2020, personal income taxes (PIT) and SSCs saw an increase in tax revenues, on average across the OECD; whereas corporate income taxes (CIT) saw the largest decrease, albeit smaller than that observed during the global financial crisis. No change was seen in property taxes or VAT as a share of GDP, on average, and a small but widespread decrease was seen for excise revenues, particularly from fuel use due to mobility restrictions.

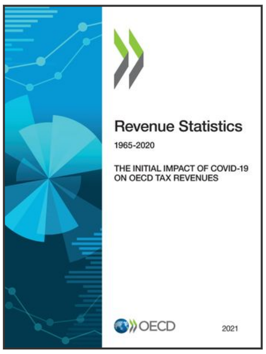
Tax structure in 2019

In 2019, the latest year in which final data is available for all countries, SSCs amounted to the largest share of tax revenues in the OECD, at just over one-quarter (25.9%), on average. Together with personal income taxes (23.5%), these two tax types amounted to nearly one-half of tax revenues in OECD countries. Value Added Tax (VAT) accounted for a further one-fifth of total revenues (20.3%). Other consumption taxes and taxes on corporate income accounted for smaller shares of tax revenues (12.3% and 9.6% respectively), with property taxes (5.5%) and residual taxes accounting for the remaining share.

Since 2018, the average share of income taxes in total tax revenues has remained steady at 34.0%. This was largely due to an increase in the share of personal income taxes of 0.4 p.p. being offset by a fall in corporate income taxes of the same magnitude. By contrast, the average share of tax revenues from taxes on goods and services decreased by 0.2 p.p. in 2019: although VAT revenues were unchanged at 20.3% of total revenues, taxes on specific goods and services fell.

Changes by level of government

On average, subnational governments received a slightly higher share of tax revenues in 2019 relative to 2018. The central government’s average share of revenues in 2019 fell from 53.3% to 53.0% of general government revenue in federal countries and from 63.3% to 63.2% in unitary countries. In federal countries, 25.4% of tax revenues were received at subnational level on average (ranging from 5.2% in Austria to 49.3% in Canada), with roughly two-thirds of revenues being received by state governments and one-third by local governments. In unitary countries, the share of local government revenues was 10.9% on average, ranging from less than 0.8% in Estonia to 35.5% in Sweden.


Revenue Statistics
1965-2020
THE INITIAL IMPACT OF COVID-19 ON OECD TAX REVENUES
OECD
2021