

Foreword

This is the thirteenth edition of *Consumption Tax Trends*, a biennial OECD publication. It presents cross-country comparative data on consumption taxes in OECD member countries, as at 1 January 2020. Tables using data from the *National Accounts* and data on tax revenue from *Revenue Statistics 2020* are updated up to and including 2018. Price levels for fuel oils are updated as at 4th Quarter 2019 from *Energy Prices and Taxes - Quarterly Statistics* issued by the International Energy Agency. The country data for the report have, for the most part, been provided by delegates to the Committee on Fiscal Affairs' Working Party N°9 on Consumption Taxes. The exchange rates used to convert national currencies into US dollars (USD) are average market rates for 2019 taken from the OECD *Monetary and Financial Statistics*, except for Annex Tables 3.A.5 where market rates for 2018 are used as taxes and prices refer to the year 2018; and Annex Tables 2.A.5 and 2.A.9 where the Purchase Power Parity (PPP) rates for GDP are used as they provide for a better comparison of the value of VAT relief thresholds (PPP rates for GDP 2019 are extracted from the OECD Statistics Database). These exchange rates are available in Annex B to this publication.

This publication illustrates the evolution of consumption taxes as instruments for raising tax revenue and, sometimes, to influence customer behaviour. It identifies and documents the large number of differences that exist in respect of the consumption tax bases, rates and implementation rules while highlighting the features underlying their development. It looks, in particular, at revenue and policy trends and developments in the Value Added Tax/Goods and Services Tax (VAT/GST) area (referred to as "VAT" in this publication). It notably presents an updated estimate of the VAT Revenue Ratio (VRR) for OECD countries, providing an indicator of the loss of VAT revenue as a consequence of exemptions and reduced rates, fraud and non-compliance. It provides an update on the implementation of the OECD International VAT/GST Guidelines as the international standard for the application of VAT to cross-border trade in services and intangibles and, in particular, on the implementation of the recommended rules and mechanisms for the efficient and effective collection of VAT on digital sales. This edition of *Consumption Tax Trends* also includes a special section outlining the VAT measures taken by OECD countries as part of their tax policy responses to the COVID-19 outbreak. These measures have been particularly important in supporting business cash flow, reducing tax compliance burdens and supporting the healthcare sector.

Chapter 1 summarises trends in consumption taxes and their main features. It shows the evolution of consumption tax revenues between 1965 and 2018 and looks in some more detail at the challenges of applying VAT to international trade and at policy responses particularly in the context of the digitalisation of the economy. Chapter 2 describes the key features of VAT regimes in OECD countries, i.e. tax rates, exemptions, specific restrictions to input tax credit, registration and collection thresholds, and special tax collection methods. It provides updated estimates of OECD countries' VAT Revenue Ratio (VRR) as an indicator of the effect of exemptions, reduced rates and non-compliance on government revenues. It considers evolutions in countries' strategies to counter VAT fraud and developments in international administrative co-operation. This chapter finally provides an overview of the VAT measures included in OECD countries' tax responses to the COVID-19 crisis. Chapter 3 describes the main features of excise duties and their impact on revenue, customer behaviour and markets. It shows the detailed excise tax rates on beer, wine, alcoholic beverages, tobacco, and fuel oil for households in OECD countries. It also provides an estimate of the total tax burden in a pack of cigarettes in OECD countries. Chapter 4 describes the main

features of vehicle taxes and their use for influencing customer behaviour. It provides detailed information on taxes on sale and registration and recurrent taxes on vehicles and on taxes of the main road fuels (i.e. unleaded gasoline and diesel). It finally provides information on the taxation of aviation fuels in OECD countries.

This publication was prepared under the auspices of the Working Party N°9 on Consumption Taxes of the Committee on Fiscal Affairs. It was written by Stéphane Buydens of the OECD Centre for Tax Policy and Administration (CTPA) under the supervision of Piet Battiau, Head of the Consumption Taxes Unit in the CTPA.



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