

General government revenues

Government revenues are government income. The main sources of revenue in OECD countries are typically taxes and social contributions, with some income from charges for services provided by the state. In some countries, revenues may include a significant portion from non-tax sources, such as income from state-owned enterprises or royalties on natural resources. Revenue policy is typically designed to serve multiple purposes. The most fundamental is to collect funds to pay for the provision of goods and services for the population, such as health care and defence. Policies will often also be designed not to worsen inequality, such as by levying higher income taxes on those with higher incomes. Policies can be used to encourage socially beneficial activities (such as tax breaks on research and development) and discourage harmful ones (such as taxes on carbon emissions or tobacco). In some cases, these different purposes may conflict with each other.

On average, general government revenues across the OECD were 37.7% of GDP in 2019. Most OECD countries (24 of 36) collected between 30% and 45% of GDP as government revenues. However, the range is wide, spanning 58.1% of GDP in Norway to 22.4% in Mexico. This variety reflects both policy choices and differences in the structure of the economy. For example, Mexico collects substantially lower social security contributions and taxes on personal income than most OECD countries, while a substantial portion of Norway's government revenue comes from non-tax sources, including oil revenue. General government revenues as a percentage of GDP changed very little in most countries during 2007-19. The largest changes were partly due to changes in GDP rather than changes in tax policy alone. The biggest rise was in Greece (+8.6 p.p. of GDP during 2007-19), due to a drop in real GDP in the same period. The biggest fall was in Ireland (-11.2 p.p. during 2007-19). A significant contributor to this was rises in GDP as large overseas firms located in Ireland (Figure 2.16).

General government revenues per capita vary widely across the OECD. This variation is partially driven by differences in income per capita among OECD members. The three OECD countries with the lowest government revenue per capita (Colombia, Mexico and Turkey) are also among the four countries with the lowest nominal income per capita. The two countries with the highest government revenue per capita (Luxembourg and Norway) are among the four OECD countries with the highest nominal income per capita. Between these extremes, variation is also driven by policy choices. For example, the United States ranks 5th in terms of nominal income per capita, but 16th in government revenue per capita. This partly reflects policy decisions to set relatively lower tax rates and/or narrower tax bases than in many OECD countries (Figure 2.17).

The annual growth rate of real government revenues per capita averaged 0.87% across OECD countries during 2007-19. Most countries (30 of 35) saw positive growth over this period but this was sharply reversed in 2020. Among

26 countries for which data are available, 24 had falling real revenues per capita in 2020. In 13, revenues per capita fell by more than 5% (Figure 2.18). This reflected two impacts of the COVID-19 crisis. First, some countries put in place tax relief policies to support citizens and businesses during the COVID-19 crisis. Second, income per capita fell during 2020, meaning less income against which tax was due.

Methodology and definitions

Revenues data are derived from the OECD *National Account Statistics* (database), which is based on the *System of National Accounts* (SNA). The SNA provides a set of internationally agreed concepts, classifications, definitions and rules for national accounting. The 2008 SNA framework has been implemented by all OECD countries (see Annex A for details on reporting systems and sources). In SNA terminology, general government is composed of central government, state government, local government and social security funds. Revenues include taxes, net social contributions and grants and other revenues. Gross domestic product (GDP) is the standard measure of the value of goods and services produced by a country during a period. Government revenues per capita were calculated by converting total revenues to USD using the OECD/Eurostat purchasing power parity (PPP) for GDP and dividing them by the population of the country. PPP is the number of units of country B's currency needed to purchase the same quantity of goods and services in country A.

Further reading

OECD (2021), *Tax Policy Reforms 2021: Special Edition on Tax Policy during the COVID-19 Pandemic*, OECD Publishing, Paris, <https://doi.org/10.1787/427d2616-en>.

Akgun, O., D. Bartolini and B. Cournède (2017), "The capacity of governments to raise taxes", *OECD Economics Department Working Papers*, No. 1407, OECD Publishing, Paris, <https://doi.org/10.1787/6bee2df9-en>.

OECD (2020), *OECD Economic Surveys: Ireland 2020*, OECD Publishing, Paris, <https://doi.org/10.1787/dec600f3-en>.

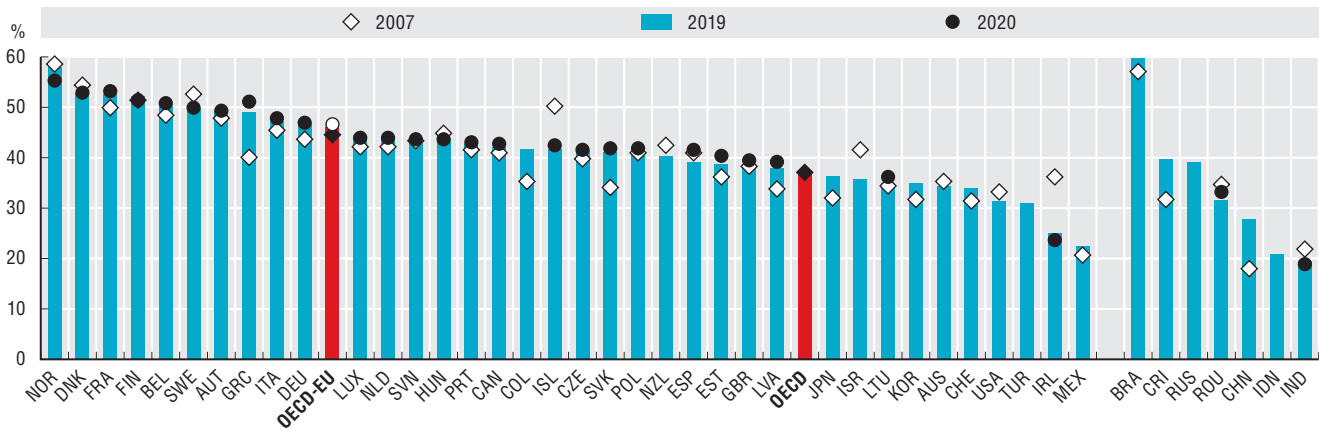
Figure notes

Data for Chile are not available. Data for Turkey are not included in the OECD average because of missing time series.

2.16 and 2.17. Data for Japan, Brazil and Russia are for 2018 rather than 2019.

2.18. Data for Japan and Brazil are for 2007-18 rather than 2007-19.

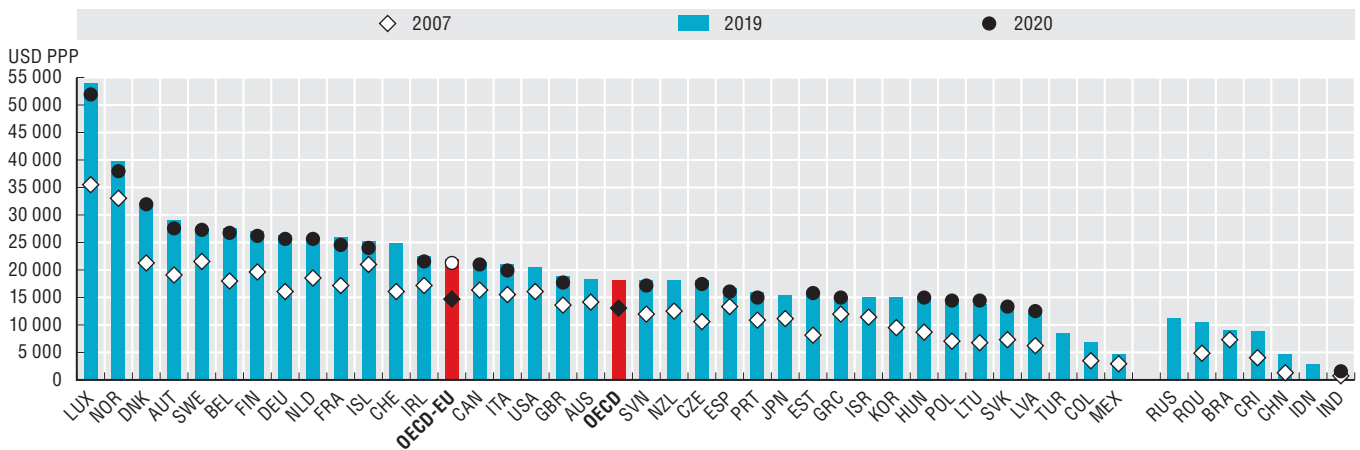
2.16. General government revenues as a percentage of GDP, 2007, 2019 and 2020



Source: OECD National Accounts Statistics (database). Data for China and India are from the IMF Economic Outlook (April 2021).

StatLink <https://doi.org/10.1787/888934256919>

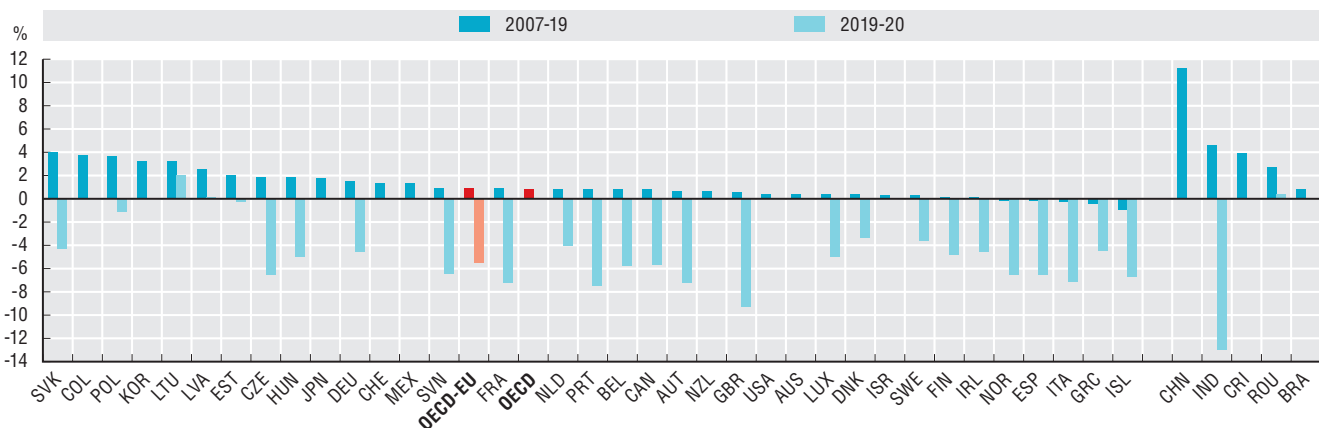
2.17. General government revenues per capita, 2007, 2019 and 2020



Source: OECD National Accounts Statistics (database). Data for China and India are from the IMF Economic Outlook (April 2021).

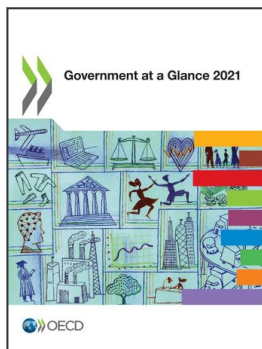
StatLink <https://doi.org/10.1787/888934256938>

2.18. Annual average growth rate of real government revenues per capita, 2007-19 and 2019-20



Source: OECD National Accounts Statistics (database). Data for India are from the IMF Economic Outlook (April 2021).

StatLink <https://doi.org/10.1787/888934256957>



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