

10. PUBLIC REVENUES AND PRODUCTION COSTS

Revenues by level of government

Government revenues are collected by each of the different levels of government which exist in a country: central, state and local. On average across the OECD in 2021, central government collected 52.6% of general government revenues, state governments collected 19.5%, local governments 10.2% and social security funds 17.6% (Figure 10.7). However, there is very wide variation around these averages, and different OECD countries have very different funding structures across the different levels of government. The most important difference is whether government is unitary or federal. In countries with unitary governments, central government often collects a high proportion of government revenue. This is the case in the United Kingdom, which had the highest proportion of tax revenue collected by central government in 2021 (91.2%), and also in countries such as New Zealand (89.2%) and Ireland (84.6%). In contrast, in countries with federal systems, state governments often collect a significant proportion of revenues. Canada (43.6%) and the United States (42.4%) had the highest proportion of revenues collected by state governments among OECD countries in 2021. Local governments typically collect a smaller proportion of revenues than central and state governments. However, local governments in some countries collect a substantial proportion of revenues, for example Korea (35.9%) and Sweden (35.0%). This may occur where local government is responsible for managing and delivering important public services. This is the case in Sweden, and also in Finland (29.1%), where until recently local government had substantial responsibility for delivering health care and emergency services.

Tax revenues have become somewhat more centralised in recent years (Figure 10.8). On average across the OECD, the proportion of revenues collected by central governments increased by 1 percentage point between 2019 and 2021. The share of revenues collected by central government increased in 25 out of 37 countries for which data are available. The largest increases were in Costa Rica (3.8 p.p.) and Poland (2.8 p.p.). Offsetting this, the share of revenues collected by social security funds fell by 0.6 p.p. and the share collected by local governments by 0.4 p.p.. The trend of collecting a smaller proportion of revenue via local government was widespread. In 29 out of 37 OECD countries, the share of revenues collected by local government fell, with the greatest falls occurring in Chile (2.5 p.p.) and Latvia (1.8 p.p.).

Methodology and definitions

Data are from the OECD National Accounts Statistics (database) based on the System of National Accounts (SNA), a set of internationally agreed concepts,

definitions, classifications and rules for national accounting. The 2008 SNA framework has been implemented by all OECD countries (see Annex C). In SNA terminology, general government consists of central, state and local governments, and social security funds. State government only applies to the nine OECD countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (deemed a quasi-federal country), Switzerland and the United States. Data exclude transfers between levels of government except in Australia, Chile, Costa Rica, Korea, Türkiye and Indonesia. This is in order to see each sub-sector's contribution to general government total revenues, which are consolidated at this level. Revenues include taxes (e.g. on consumption, income, wealth, property and capital), net social contributions (i.e. contributions for pensions, health and social security), sales of goods and services (e.g. market output of government establishments), and grants and other sources (e.g. current and capital grants, property income, and subsidies).

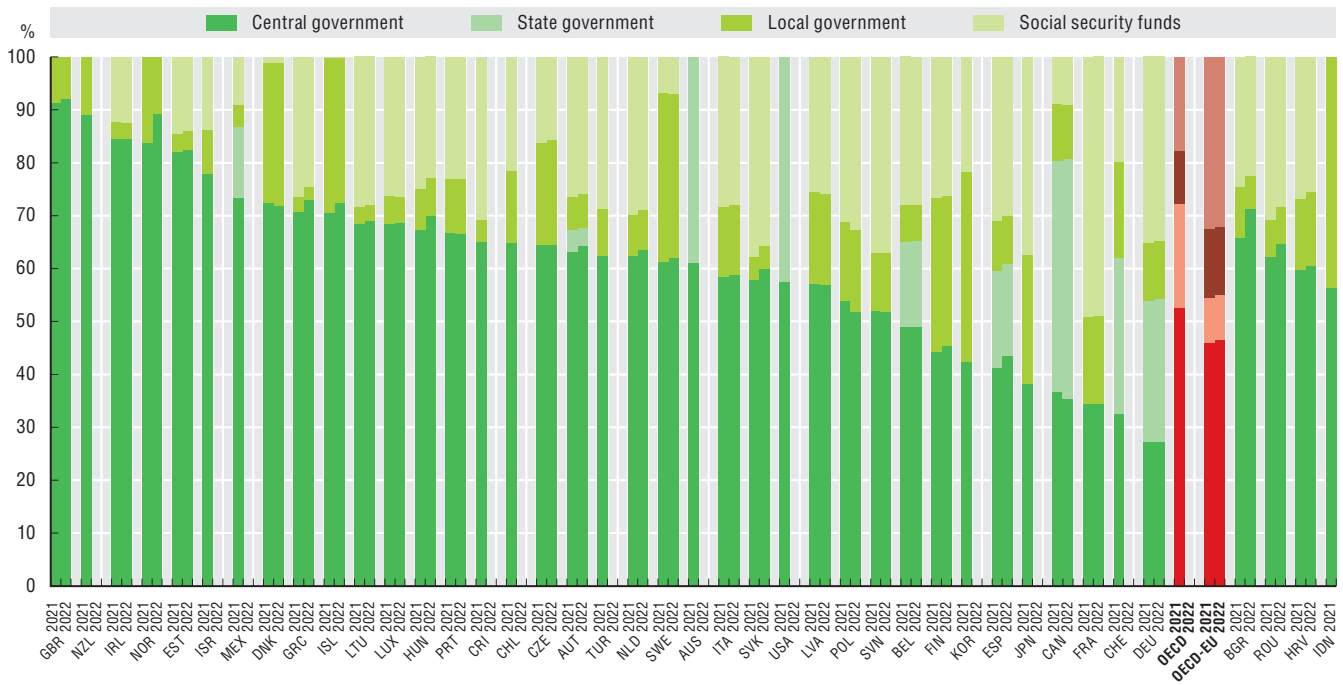
Further reading

- OECD (2022), *Tax Policy Reforms 2022: OECD and Selected Partner Economies*, OECD Publishing, Paris, <https://doi.org/10.1787/067c593d-en>.
- OECD (2022), *2022 Synthesis Report World Observatory on Subnational Government Finance and Investment*, OECD Publishing, Paris, doi.org/10.1787/b80a8cdb-en.

Figure notes

- Data for Colombia are not available. Data for Chile and Türkiye are not included in the OECD average. For Japan data for sub-sectors of general government refer to fiscal years. Local government is included in state government for Australia and the United States. Australia does not operate government social insurance schemes. Social security funds are included in central government for New Zealand, Norway, the United Kingdom and the United States.
- 10.7. Flows between levels of government are excluded (apart from Australia, Chile, Costa Rica, Korea, Türkiye and Indonesia). Data for Türkiye and Indonesia refer to 2020 rather than 2021.
- 10.8. Flows between levels of government are excluded (apart from Australia, Chile, Costa Rica, Korea and Türkiye). Data for Türkiye refer to 2020 rather than 2021.

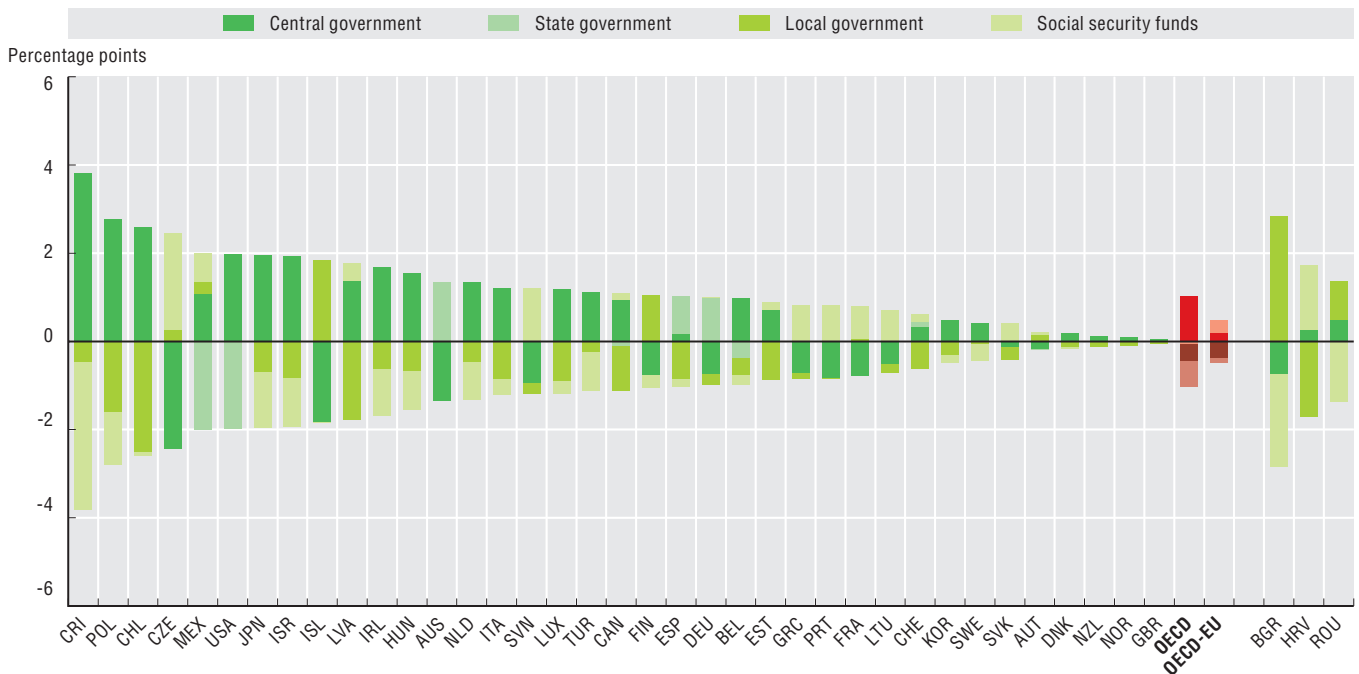
10.7. Distribution of general government revenues across levels of government, 2021 and 2022



Source: OECD National Accounts Statistics (database).

StatLink <https://stat.link/tbrhfk>

10.8. Change in the distribution of general government revenues across levels of government, 2019 to 2021



Source: OECD National Accounts Statistics (database).

StatLink <https://stat.link/y03qw2>



From:
Government at a Glance 2023

Access the complete publication at:

<https://doi.org/10.1787/3d5c5d31-en>

Please cite this chapter as:

OECD (2023), "Revenues by level of government", in *Government at a Glance 2023*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/7a3ac169-en>

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.