

## Subnational government revenue

In 2014, subnational government (SNG) revenue represented around USD 6 240 per capita, i.e. 16.0% of gross domestic product (GDP) and 42.3% of public revenue on average in the OECD.

There are two main sources of revenue: taxes (44% of SNG revenue in the OECD on average in 2014) and grants and subsidies (38%). It is interesting to note that, on unweighted average, the proportions are reversed, grants and transfers being the first SNG revenue source (50% vs 34% for taxes). Finally, revenue deriving from local public service charges (tariffs and fees) and property (sale and operation of physical and financial assets) represented respectively 15% and 2.2% of SNG revenue. The share of tax revenue in SNG revenue varies a lot from one country to another. They are a particularly significant share in some federal countries, where tax revenue arises both from tax sharing arrangements between the federal government and SNGs (more usually based on personal income tax but also on company income tax and value added tax) and own-source taxation (Germany, Switzerland, the United States, Canada). However, in Mexico, Austria and Belgium, tax revenue - regardless of whether from tax sharing or own-sources - provided less than 20% of revenue in 2014. In unitary countries such as Iceland, Sweden and New Zealand, tax revenue made up more than 50% of local revenue, while taxes amounted to less than 15% of local revenue in Estonia, the Netherlands, the Slovak Republic, Turkey and the United Kingdom. In these countries, as well as in Austria and Mexico, SNGs depend largely on central government transfers (Figure 3.13).

### Definition

General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government, i.e. regional and local governments, and related public entities; and social security funds. Data are consolidated within the four sub-sectors. Subnational government is defined as the sum of state governments and local/regional governments.

Revenue comprises tax revenues, transfers (current and capital grants and subsidies), tariffs and fees, property income and social contributions. Tax revenue includes both own-source tax and shared tax (see Annex B for a detailed definition).

The OECD averages are presented as the weighted average of the OECD countries for which data are available, unless otherwise specified (i.e. unweighted average, arithmetic mean, OECD UWA).

SNG tax revenue accounted for 7% of GDP in the OECD and 32% of public tax revenue in 2014. As above, there are great variations from one country to another (Figure 3.14). Tax-to-GDP ratio was less than 1% in Estonia, Turkey, the Slovak Republic, Ireland, Greece and Mexico in 2014, but exceeded 10% in Sweden, Finland, Denmark and three federal countries (Switzerland, Germany and Canada), deriving largely from the personal income tax (a shared tax in a number of countries but also a local own-source tax in Nordic countries for example). Property tax is *par excellence* a subnational tax, particularly for the municipal level. However, its importance in SNG tax revenue varies considerably across countries, representing between 90% and 100% of local tax revenue in Australia, the United Kingdom, Ireland, Israel and New Zealand, which are mostly Anglo-Saxon countries. At the other end of the spectrum, it is a minor local tax revenue source in Nordic countries, Luxembourg and Switzerland.

There are great imbalances in several countries between the level of SNG expenditure as a share of public expenditure and the level of SNG tax revenue in public revenue, reflecting - however imperfectly - the level of fiscal decentralisation in OECD countries.

### Source

OECD (2016), *National Accounts Statistics* (database), <http://dx.doi.org/10.1787/na-data-en>.

OECD (2016), "Subnational Government Structure and Finance", *OECD Regional Statistics* (database), <http://dx.doi.org/10.1787/05fb4b56-en>.

See Annex B for data sources and country-related metadata.

### Reference years and territorial level

National Economic Accounts 2014; levels of government; Chile, Mexico and New Zealand 2013; Australia 2012; Turkey 2011.

### Further information

OECD (2016), "Subnational Governments in OECD Countries: Key data" (brochure), [www.oecd.org/gov/regional-policy/Subnational-governments-in-OECD-Countries-Key-Data-2016.pdf](http://www.oecd.org/gov/regional-policy/Subnational-governments-in-OECD-Countries-Key-Data-2016.pdf).

### Figure notes

3.13: OECD averages do not include Chile. No breakdown available for Chile, except for tax and transfer revenues.

3.13-3.14: OECD9 and OECD24 refer to federal and unitary countries, respectively.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

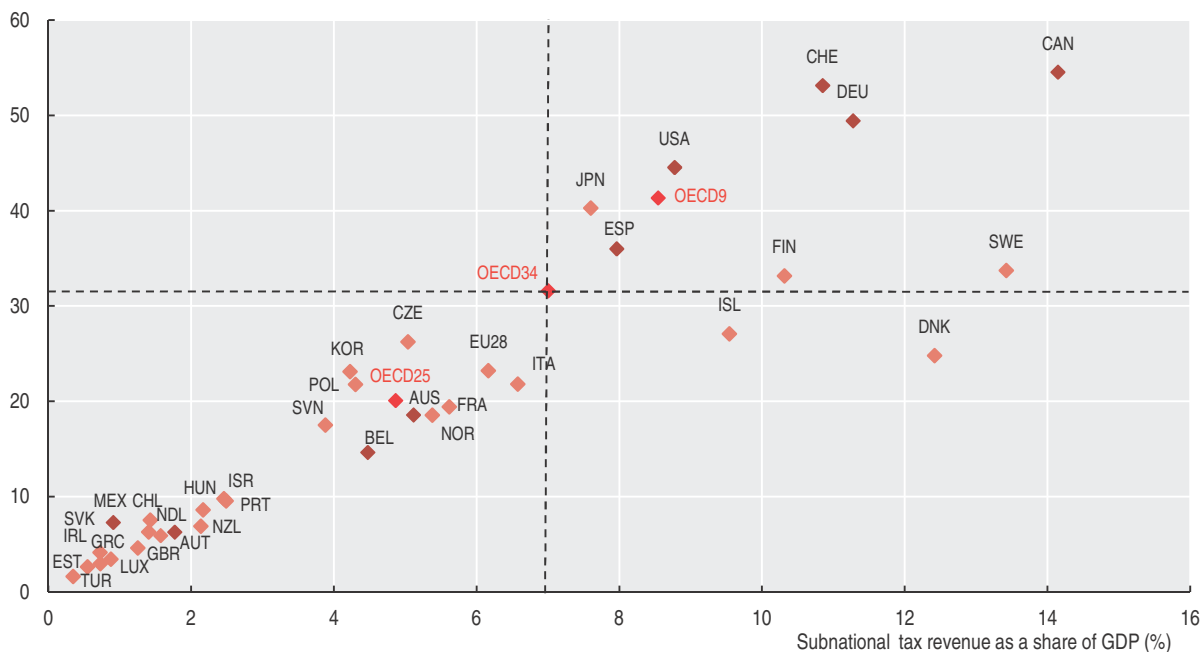
3.13. Structure of subnational government revenue, 2014 (%)



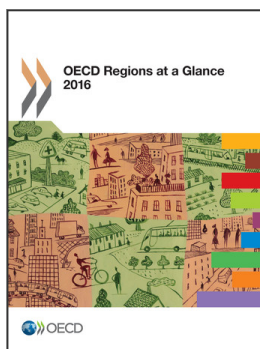
StatLink <http://dx.doi.org/10.1787/888933363700>

3.14. Subnational government tax revenue as a % of public tax revenue and as a % of GDP, 2014

Subnational tax revenue as a share of public tax revenue (%)



StatLink <http://dx.doi.org/10.1787/888933363717>



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