

## Chapter 1

# Taxing consumption

*This chapter describes the relative importance of consumption taxes as a source of tax revenues and the main features of these taxes. It shows the evolution of consumption tax revenues between 1965 and 2014. It describes the functioning of value added taxes (VAT) and of retail sales taxes (in the United States) and the main characteristics of consumption taxes on specific goods and services. It looks in some more detail at the application of VAT to international trade, more particularly at the challenges of applying VAT to cross-border trade and at the International VAT/GST Guidelines that the OECD has developed as the global standard to address these challenges. Finally, it considers the recent developments concerning VAT fraud and evasion and outlines some of the countermeasures that have been implemented in some countries or that may be implemented in the future.*

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

## 1.1. Introduction

Consumption taxes account for approximately one third of the total taxes collected in OECD countries. They have two common forms: taxes on general consumption (value added taxes and retail sales taxes) and taxes on specific goods and services (mainly excise duties).

Since the mid-1980s, VAT<sup>1</sup> (also called Goods and Services Tax – GST) has become the main consumption tax both in terms of revenue and geographical coverage. VAT is designed to be a tax on final consumption that is broadly neutral towards the production process and international trade. It is widely seen as a relatively growth-friendly tax. As a result many countries have sought to raise additional revenues from VAT (rather than other taxes) as part of their fiscal consolidation strategies in the aftermath of the global financial and economic crisis. Many developing countries have introduced a VAT during the last two decades to replace lost revenues from trade taxes following trade liberalisation. Some 166 countries operate a VAT today (see Annex A), including 34 of the 35 OECD member countries, the only exception being the United States although most states within the US employ some form of retail sales tax. VAT raises approximately a fifth of total tax revenues in the OECD and worldwide.

The combination of the global spread of VAT, the rapid globalisation of economic activity and the developments of the digital economy, which has resulted in an increased interaction between VAT systems, along with increasing VAT rates, have raised the profile of VAT as an increasingly significant issue in cross-border trade since the turn of the century. In contrast with the taxation of income (where there are the OECD Model Tax Convention and the Transfer Pricing Guidelines) there was no internationally agreed framework for the application of VAT to cross-border trade, which led to increasing uncertainty and complexity for tax authorities and businesses and to growing risks of double taxation and unintended double non-taxation. This was a matter of special concern with respect to international trade in services and intangibles, which has grown particularly strong over the last decades. In response, the OECD's Committee on Fiscal Affairs (CFA) developed the *International VAT/GST Guidelines*. These Guidelines present a set of internationally agreed standards and recommended approaches for the consistent application of VAT/GST to international trade, with a particular focus on trade in services and intangibles. Their main objective is to reduce the uncertainty and the risks of double taxation and unintended non-taxation that result from inconsistencies in the application of VAT in a cross-border context. The *International VAT/GST Guidelines* were endorsed as a global standard by over one hundred countries, jurisdictions and international organisations at the OECD Global Forum on VAT in November 2015. They were adopted as a Recommendation by the Council of the OECD in September 2016. This Recommendation is the first OECD legal instrument in the area of VAT (as the other OECD legal instruments in the area of taxation, such as the OECD Model Tax Convention and the Transfer Pricing Guidelines, relate essentially to the taxation of income).

Whilst VAT was first introduced about 60 years ago, excise duties have existed since the dawn of civilisation. They are levied on a specific range of products and are assessed by reference to various characteristics such as weight, volume, strength or quantity of the product, combined in some cases with *ad valorem* taxes. Although they generally apply to alcoholic beverages, tobacco products and fuels in all OECD countries and beyond, their tax base, calculation method and rates vary widely between countries, reflecting local cultures and historical practice. Excise duties are increasingly being used to influence consumer behaviour to achieve health and environmental objectives.

This chapter first provides an overview of the statistical classification of consumption taxes (Section 1.2) and shows the evolution of consumption tax revenues between 1965 and 2014 (Section 1.3). It then describes the geographical spread of VAT (Section 1.4) and outlines the main features of VAT design (Section 1.5). This is followed by a high-level description of the main design features of retail sales taxes (Section 1.6) and of the main characteristics of consumption taxes on specific goods and services (Section 1.7). This chapter then looks in some more detail at the challenges of applying VAT to cross-border trade in services and intangibles and at the International VAT/GST Guidelines developed by the OECD as the global standard to address these challenges. It also looks at the available options for collecting VAT on cross-border trade in low value goods (Section 1.8). It finally considers the recent developments concerning VAT fraud and evasion and outlines some of the countermeasures that have been implemented in some countries or that may be implemented in the future (Section 1.9). For ease of reference, the tables which are referred to below are included at the end of the chapter.

## 1.2. Classification of consumption taxes

In the OECD classification, “taxes” are confined to compulsory, unrequited payments to general government. According to the OECD nomenclature, taxes are divided into five broad categories: taxes on income, profits and capital gains (1000); social security contributions (2000); taxes on payroll and workforce (3000); taxes on property (4000); and taxes on goods and services (5000) (OECD, 2016a).

Consumption taxes (Category 5100 “Taxes on production, sale, transfer, leasing and delivery of goods and rendering of services”) fall mainly into two sub-categories:

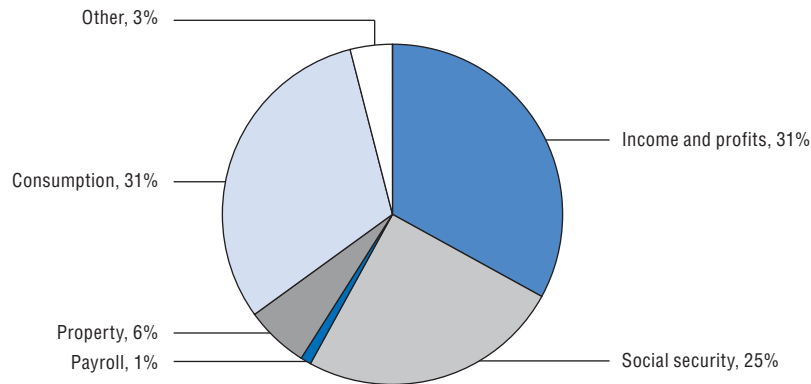
- *General taxes on goods and services* (“taxes on general consumption”), which includes value added taxes (5111), sales taxes (5112) and other general taxes on goods and services (5113).
- *Taxes on specific goods and services* consisting primarily of excise taxes (5121), customs and import duties (5123) and taxes on specific services (5126, e.g. taxes on insurance premiums and financial services).

Consumption taxes such as VAT, sales taxes and excise duties are often categorised as *indirect taxes* as they are generally not levied directly on the person who is supposed to bear the burden of the tax. They are rather imposed on certain transactions, products or events (OECD Glossary of Tax Terms). They are not imposed on income or wealth but rather on the expenditure that the income and wealth finance. Governments generally collect the tax from producers and distributors at various points in the value chain, while the burden of the tax falls in principle on consumers assuming that it will be passed on to them in the prices charged by suppliers.


### 1.3. Evolution of consumption tax revenues

On average, consumption taxes produce 31% of the total tax revenue and account for 10% of the GDP in the OECD member countries (unweighted average, see Tables 1.A1.1 and 1.A1.2). In 2014, approximately two thirds of revenue from consumption taxes was attributable to taxes on general consumption and one third to taxes on specific goods and services (see Tables 1.A1.4 and 1.A1.6).

Figure 1.1. **Average tax revenue as a percentage of total taxation, by category of tax 2014**



Source: Adapted from OECD (2016a), *Revenue Statistics 2016*, OECD Publishing, Paris. DOI: [http://dx.doi.org/10.1787/rev\\_stats-2016-en-fr](http://dx.doi.org/10.1787/rev_stats-2016-en-fr).

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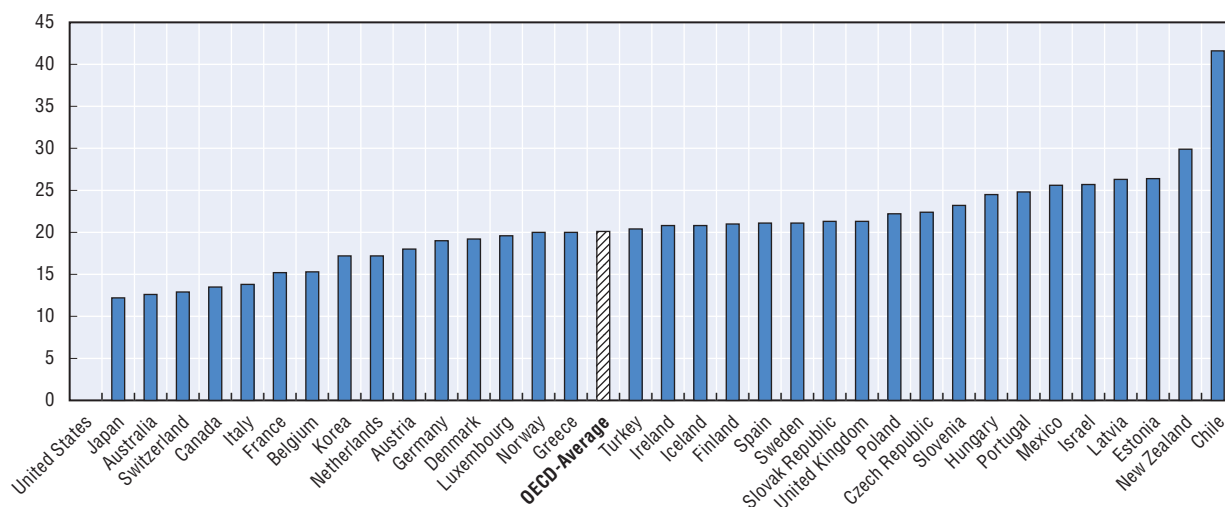
Tables 1.A1.3 and 1.A1.4 respectively present revenues from taxes on general consumption as a percentage of Gross Domestic Product (GDP) and as a percentage of total taxation in 2014. These taxes include VAT, sales taxes and other general taxes on goods and services. These ratios vary considerably between countries both in percentage of GDP and of total taxation. In Australia, Japan, Mexico, Switzerland, and the United States, taxes on general consumption account for less than 4% of GDP while they account for more than 9.5% in Hungary, Israel and New Zealand. Revenues from those taxes account for less than 15% of total taxation in Australia, Canada, Italy, Japan, Switzerland and the United States and for more than 30% in Chile, Hungary and Israel. Taxes on general consumption account for more than 20% of total taxation in 20 of the 35 OECD countries, with an OECD unweighted average of 20.7%.

Over the longer term, OECD member countries have relied increasingly on taxes on general consumption. Since 1965, the share of these taxes as a percentage of GDP in OECD countries has more than doubled, from 3.2% to 7.0% in 2014. They accounted for only 11.9% of total tax revenue in OECD countries in 1965 compared to 20.7% in 2014. While the global financial and economic crisis had an effect on consumption tax revenues, which fell between 2005 and 2009, they have generally returned to the pre-crisis levels, largely due to the rise in standard VAT rates in many countries during and in the aftermath of the crisis (21 of the OECD member countries raised their standard rate between 2009 and 2014 – see Chapter 2).

VAT is now the largest source of taxes on general consumption in OECD countries on average. Revenues from VAT as a percentage of GDP increased from 6.8% in 2012 to 7.0% in 2014 on average; and from 20.5% in 2012 to 20.7% in 2014 as a share of total taxation (see Tables 1.A1.7 and 1.A1.8). VAT is operated in 34 of the 35 OECD countries, the United States

being the only OECD country not to have adopted a VAT. In 1975, thirteen of the current OECD member countries had a VAT (see Table 2.A2.1 in Chapter 2). Greece, Iceland, Japan, Mexico, New Zealand, Portugal, Spain and Turkey introduced VAT in the 1980s while Switzerland followed shortly afterwards. The Central European economies introduced VAT in the late 1980s and early 1990s, often based on the European Union (EU) model in anticipation of their future EU membership. Revenues from VAT as a percentage of GDP compared to 2012 rose in 21 of the 34 OECD countries that operate a VAT and fell, only slightly, in 4 countries (see Table 1.A1.7). The largest increase was in Japan (1.2 percentage points explained by the increase of the VAT rate from 5% to 8% in April 2014). Other countries with substantial rises of VAT revenue as a percentage of GDP between 2012 and 2014 were Spain and Israel (0.7), the Slovak Republic (0.6) and Slovenia (0.5). These countries are also those where the standard VAT rate was increased the most during the same period. The share of VAT in total tax revenues in the 34 OECD countries that operate a VAT shows a considerable spread, from 12-13% (Japan, Australia, Switzerland, Canada, Italy) to 25-26% (Estonia, Latvia, Mexico) and to 29.9% in New Zealand and 41.6% in Chile (see Figure 1.2 and Table 1.A1.8). VAT produces 15% or more of total tax revenues in 30 of the 34 OECD countries that operate a VAT and it exceeds 20% of total taxation in 20 of these countries.

Figure 1.2. **Share of VAT as a percentage of total taxation 2014**



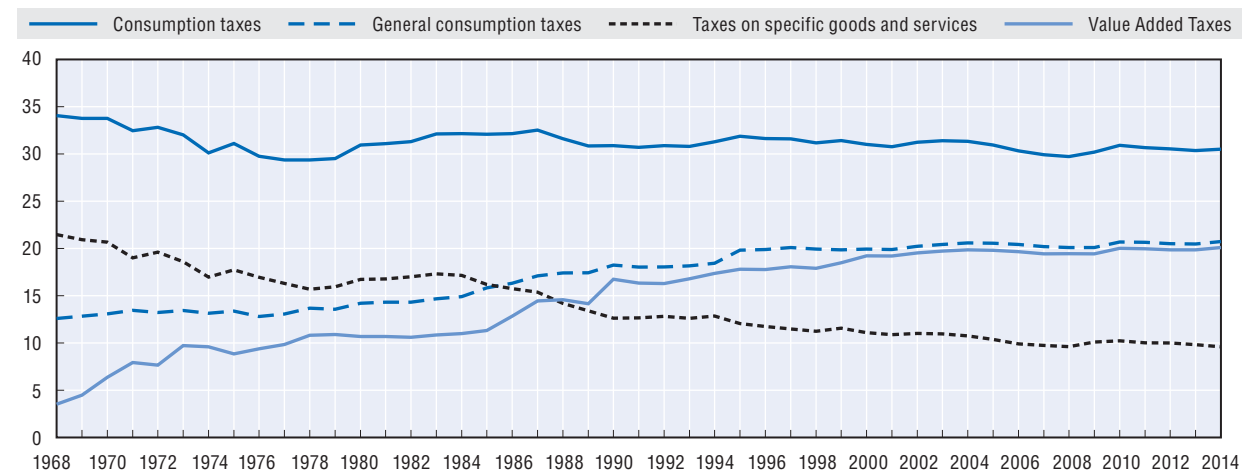
Source: Adapted from OECD (2016a), *Revenue Statistics 2016*, OECD Publishing, Paris. DOI: [http://dx.doi.org/10.1787/rev\\_stats-2016-en-fr](http://dx.doi.org/10.1787/rev_stats-2016-en-fr).  
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Tables 1.A1.5 and 1.A1.6 show that revenues from taxes on specific goods and services, the bulk of which are excise taxes, have decreased steadily as a percentage of GDP between 1965 and 2010 (from 5.6% in 1965 to 3.3% in 2010) and have remained stable at 3.3% of GDP on average since then. The share of taxes on specific goods and services total taxation has continued to fall between 2012 and 2014 (from 10.7% in 1965 to 9.6% in 2014 on average). The share of taxes on specific goods and services in total tax revenues fell in 23 OECD countries and increased in 7. Excise taxes are discussed in greater detail in Chapter 4.

As a result, the composition of consumption taxes has fundamentally changed over time. The substantially increased importance of VAT has effectively balanced the diminishing share of taxes on specific goods and services (see Figure 1.3). Only Turkey still

collects a significant part of its revenues by way of taxes on specific goods and services, i.e. 22% of its total tax revenue against an OECD average of 9.6%.

Figure 1.3. **Share of consumption taxes as percentage of total taxation 1966-2014**



Source: Adapted from OECD (2016a), Revenue Statistics 2016, OECD Publishing, Paris. DOI: [http://dx.doi.org/10.1787/rev\\_stats-2016-en-fr](http://dx.doi.org/10.1787/rev_stats-2016-en-fr).


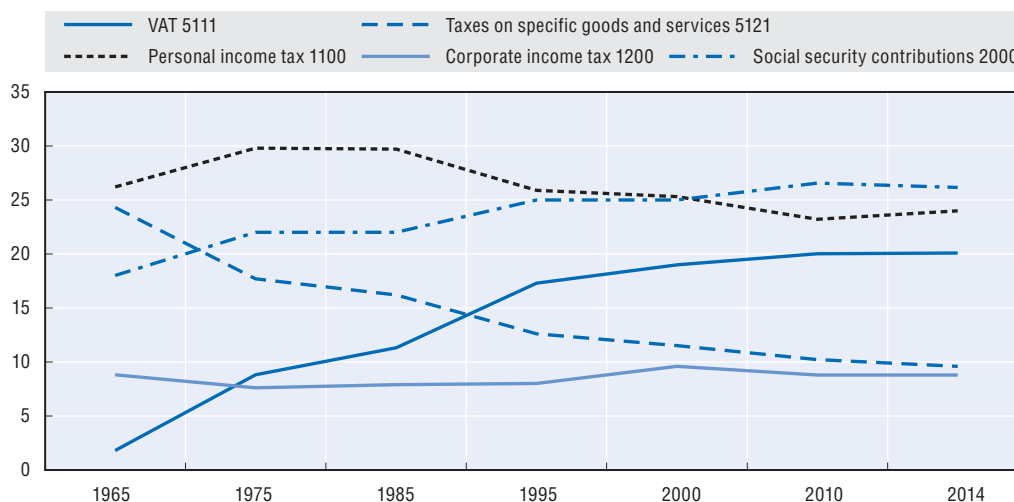
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Table 1.A1.7 and Figure 1.4 show the evolution of the tax structure or tax mix in OECD countries between 1965 and 2014. Tax structures are measured by the share of major taxes in total tax revenue. On average, taxes on personal income (personal income tax and social security contributions) increased slightly over this period, representing together 50% of total tax revenue in 2014, with the share of personal income tax rising into the nineteen seventies and then falling and the share of social security contributions still growing. In this tax mix, VAT has become the third largest source of tax revenue for OECD countries on average, ahead of corporate income taxes, payroll and property taxes.

Figure 1.4. **Evolution of the tax mix 1965-2014**



Source: Adapted from OECD (2016a), Revenue Statistics 2016, OECD Publishing, Paris. DOI: [http://dx.doi.org/10.1787/rev\\_stats-2016-en-fr](http://dx.doi.org/10.1787/rev_stats-2016-en-fr).

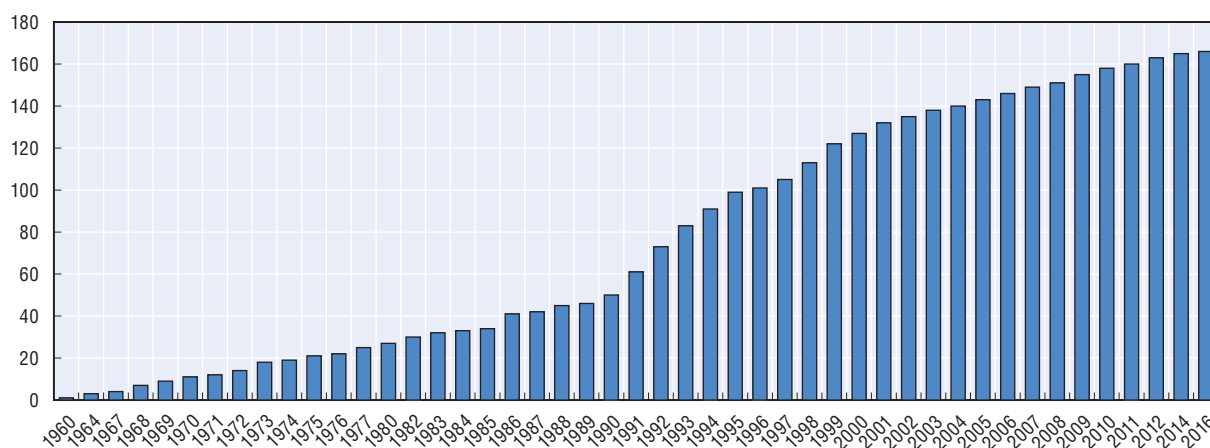
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## 1.4. Spread of VAT


The spread of VAT has been among the most important development in taxation over the last half century. Limited to less than 10 countries in the late 1960s, it is today an important source of revenue in more than 166 countries worldwide (see Figure 1.5 and Annex A).

The domestic and international neutrality properties of the VAT have encouraged its spread around the world. Many developing countries have introduced a VAT during the last two decades to replace lost revenues from trade taxes following trade liberalisation. In the EU, VAT is directly associated with the development of its internal market. The adoption of a common VAT framework in the EU was intended to remove the trade distortions associated with cascading indirect taxes that it replaced and to facilitate the creation of a common market in which Member States cannot use taxes on production and consumption to protect their domestic industries and investment (Ebrill et al., 2001). A VAT is operated in 34 of the 35 OECD countries, the only exception being the United States.

Figure 1.5. **Number of countries having implemented a VAT 1960-2016**



Source: F. Annacondia, International – Overview of General Turnover Taxes and Tax Rates, 27 International VAT Monitor 2 (2016), Journals IBFD.

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## 1.5. The main features of VAT design

Although there is a wide diversity in the way VAT systems are implemented, the VAT can be defined by its purpose and its specific tax collection mechanism. The *OECD International VAT/GST Guidelines* (OECD, 2016b) provide an overview of the core features of VAT, which are summarised below.

### A tax on final consumption

VAT is a broad-based tax on consumption by households as, in principle, only private individuals, as distinguished from businesses, engage in the consumption at which a VAT is targeted. In other words “businesses buy and use capital goods, office supplies and the like – but they do not consume them in this sense” (Keen and Hellerstein, 2010). In practice, however, many VAT systems impose VAT burden not only on consumption by private individuals, but also on various entities that are involved in non-business activities.



From a legal and practical standpoint, VAT is essentially a transaction tax. In “real life” things can be consumed in many ways. Some can be consumed fully and immediately (like a taxi ride); some can be bought and fully consumed later (like a sandwich); some can be consumed over a longer period of time (like a desk or a subscription to an on-line database). However, VAT does not actually tax such material consumption. Rather, it aims at taxing the sale to the final consumer through a staged payment process along the supply chain.

VAT is collected by businesses through a staged process but, since it is a tax on final consumption by households, the burden of the VAT should not rest on businesses, except when they acquire goods, services or intangibles for private consumption by their owners or their employees.

It can be argued, however, that the economic burden of the VAT can lie in variable proportion on business and consumers. Indeed, the effective incidence of VAT, like that of any other tax, is determined not only by its formal nature but also by market circumstances, including the elasticity of demand and the nature of competition between suppliers (Ebrill et al., 2001).

### **The staged collection process**

The central design feature of a VAT, and the feature from which it derives its name, is that the tax is collected through a staged process on the value added at each stage of production and distribution. Each business in the supply chain takes part in the process of controlling and collecting the tax, remitting the proportion of tax corresponding to its margin, i.e. on the difference between the VAT imposed on its taxed inputs and the VAT imposed on its taxed outputs. Businesses collect VAT on the value of their outputs from their customers and are entitled to deduct the tax they have paid on purchases and must account and remit the difference (or receive a refund from) to the tax authorities. In this respect, the VAT differs from a retail sales tax (“RST”), which taxes consumption through a single-stage levy imposed in theory only at the point of final sale.

This mechanism reflects the central design feature of the VAT as a tax collected by businesses through a staged payment process coupled with the fundamental principle that the burden of the tax does not rest on businesses but on final consumers. This requires a mechanism for relieving businesses of the burden of the VAT they pay when they acquire goods, services or intangibles.

There are two main approaches for operating the staged collection process:

- Under the **invoice credit method** (which is a “transaction based method”), each trader charges VAT at the rate specified for each supply and passes to the purchaser an invoice showing the amount of tax charged. The purchaser is in turn able to credit that input tax against the output tax it charges on its sales, remitting the balance to the tax authorities and receiving refunds when there are excess credits. This method is based on invoices that could, in principle, be cross-checked to pick up any overstatement of credit entitlement. By linking the tax credit on the purchaser’s inputs to the tax paid by the purchaser, the invoice credit method is designed to discourage fraud.
- Under the **subtraction method** (which is an “entity based method”), the tax is levied directly on an accounts-based measure of value added, which is determined for each business by subtracting the VAT calculated on allowable purchases from the VAT calculated on taxable supplies.



Almost all jurisdictions that operate a VAT use the invoice-credit method. In the OECD, only Japan uses the subtraction method.

### **Neutrality**

The staged collection process, whereby tax is in principle collected from businesses only on the value added at each stage of production and distribution, gives to the VAT its essential character in domestic trade as an economically neutral tax. The full right to deduct input tax through the supply chain, except by the final consumer, ensures the neutrality of the tax, whatever the nature of the product, the structure of the distribution chain, and the means used for its delivery (e.g. retail stores, physical delivery, Internet downloads). As a result of the staged payment system, VAT “flows through the businesses” to tax supplies made to final consumers.

Where the deductible input VAT for any period exceeds the output VAT collected, there is an excess of VAT credit, which should in principle be refunded. This is generally the case in particular for exporters, since their output is in principle free of VAT under the destination principle, and for businesses whose purchases are larger than their sales in the same period (such as new or developing businesses or seasonal businesses). These are especially important groups in terms of wider economic development, so it is important that VAT systems provide for an effective treatment of excess credits to avoid the risk that VAT introduces significant and costly distortions for these groups of business. At the same time, however, the payment of refunds evidently can create significant opportunities for fraud and corruption. It is important therefore that an effective refund system is also closely connected to the proper implementation of a comprehensive audit program (Ebrill et al., 2001).

When the right of deduction covers all business inputs, the final burden of the tax does not lie on businesses but on consumers. This is not always the case in practice, as restrictions on the right to deduct input tax may be restricted in a number of ways. Some are deliberate and some result from imperfect administration (see Chapter 2).

Deliberate restrictions to the deduction of input VAT result in particular from the application of VAT exemptions. When a supply is VAT-exempt, no VAT is charged on the supply and the supplier is not entitled to deduct the related input VAT. Many VAT systems apply exemptions for social (health, education and charities), practical (financial services, insurance) or historical (immovable property, land) reasons.

Another set of restrictions to the right of deduction of input VAT relates to purchases used, or deemed to be used, for the private consumption of the owners of a business, or of its employees or clients (e.g. cars and entertainment). Restrictions to the deduction of input VAT have also often been imposed in relation to investment goods or capital assets. This implies that an irrecoverable tax is embedded in the VAT base of final consumption and leads to a form of cumulative tax. However, most VAT systems accept the principle of full deduction and refunding of input VAT on investment goods.

Chapter 2 of the OECD's *International VAT/GST Guidelines* presents the key principles of VAT-neutrality and a set of internationally agreed standards to support neutrality of VAT in international trade.

## 1.6. Main design features of Retail Sales Taxes

A retail sales tax is a tax on general consumption charged only once on products at the last point of sale to the end user. In principle, only consumers are charged the tax; resellers are exempt if they are not final end users of the products. To implement this principle, business purchasers are normally required to provide the seller with a “resale certificate,” which states that they are purchasing an item to resell it. The tax is charged on each item sold to purchasers who do not provide such a certificate. The retail sales tax covers not only retailers, but all businesses dealing with purchasers who do not provide a resale or other exemption certificate signifying that no tax is due (e.g. a public body or a charity, unless specific exemption applies).

The basis for taxation is the sales price. Unlike multi-stage cumulative taxes and like the VAT, this system allows the tax burden to be calculated precisely and it does not in principle discriminate between different forms of production or distribution channels. In practice, however, at least in the United States, the failure of the retail sales tax to reach many services and the limitation of the resale exemption to products that are resold in the same form that they are purchased, or are physically incorporated into products that are resold, leads to substantial taxation of business inputs.

In theory, the final outcomes of VAT and retail sales tax should be identical: they both ultimately aim to tax final consumption of a wide range of products where such consumption takes place. They also both tax the consumption expenditure i.e. the transaction between the seller and the buyer rather than the actual consumption. In practice, however, the end result is somewhat different given the fundamental difference in the way the tax is collected. Unlike VAT where the tax is collected at each stage of the value chain under a staged payment system (see Section 1.5 above), sales taxes are collected only at the very last stage i.e. on the sale by the retailer to the final consumer. The latter method has significant disadvantages: the higher the rate the more pressure is placed on the weakest link in the chain – the retailer, especially numerous small retailers; all the revenue is at risk if the retailer fails to remit the tax and the audit and invoice trail is poorer than under a VAT, especially for services; there are inevitably troublesome “end-use exemptions”; and revenue is not secured at the easiest stage, that is at the time of importation and this can be crucial for many developing countries. As a result, a single point resale sales tax is efficient at relatively low rates, but is increasingly difficult to administer as rates rise (Tait, 1988).

The United States is the only OECD country that employs a retail sales tax as the principal consumption tax. However, the retail sales tax in the United States is not a federal tax. Rather, it is a tax imposed at the state and local government levels. Currently, 45 of the 50 States as well as thousands of local tax jurisdictions impose general retail sales taxes. In general, the local taxes are almost identical in coverage to the state-level tax, are administered at the state level and amount in substance simply to an increase in the state rate, with the additional revenues distributed to the localities. Retail sales taxes are complemented in every state by functionally identical “use” taxes imposed on goods purchased from out-of-state vendors, because the state has no power to tax out-of-state “sales” and therefore imposes a complementary tax on the in-state “use” (Hellerstein, Hellerstein and Swain, 2016).

Combined state and local sales tax rates vary widely in the United States, from 1.78% (Alaska), 4.35% (Hawaii) and 5.41% (Wisconsin) to 9.46% (Tennessee), 9.30% (Arkansas) and

9.00% (Louisiana). Five states do not have a state-wide sales tax (Alaska, Delaware, Montana, New Hampshire, and Oregon and of these, two allow localities to charge local sales taxes (Alaska and Montana) (Tax Foundation 2016). These rates are much lower than the applicable VAT rates in OECD countries (except Canada, Japan and Switzerland). This is due to two main factors: the compliance risks associated with the sales tax collection method (see above) and the competition between jurisdictions (see below).

Retail sales and use taxes in force in the United States are subject to significant competitive pressure, especially in the context of interstate and international trade. Supreme Court rulings prohibit states from requiring vendors to collect tax with respect to cross-border sales when they are not physically present in the purchaser's state. States have therefore been unable effectively to collect use taxes with respect to cross-border sales from remote sellers. This problem has become increasingly significant with the advent of the Internet and online sales. To address this problem, as well as others caused by the lack of harmonisation in state sales and use taxes, a number of states have entered into the Streamlined Sales and Use Tax Agreement (SSUTA available at [www.streamlinedsalestax.org](http://www.streamlinedsalestax.org)). This agreement aims at establishing a uniform set of definitions of potentially taxable items that states can choose to tax or not (e.g. digital products). The Streamlined member states have also developed a Streamlined Sales Tax Registration System (SSTRS) that enables taxpayers to register voluntarily in order to participate in SSUTA. Voluntary registration requires sellers to collect sales and use taxes in all states into which they make sales, regardless of their physical presence there, and it permits sellers to benefit from increased legal certainty as regards their tax liability. Vendor collection of use taxes due on cross-border sales could become mandatory if the US Congress approves proposed legislation authorising states to require such collection if they have adopted SSUTA or similar measures to ease compliance burdens for vendors.

### 1.7. Main characteristics of consumption taxes on specific goods and services

In the OECD nomenclature, taxes on specific goods and services (5120) include a range of taxes such as excises, customs and import duties, taxes on exports and taxes on specific services. Consumption Tax Trends focuses on excise duties only.

A number of general characteristics differentiate excise duties from value added taxes:

- They are levied on a limited range of products.
- They are not normally due until the goods enter free circulation, which may be at a late stage in the supply chain.
- Excise charges are generally assessed by reference to the weight, volume, strength or quantity of the product, combined in some cases, with *ad valorem* taxes.

Consequently, and unlike VAT, the excise system is characterised by a small number of taxpayers at the manufacturing or wholesale stage (although, in some cases they can also be levied at the resale stage).

As with VAT, excise taxes aim to be neutral internationally. As the tax is normally collected when the goods are released into free circulation, neutrality is often ensured by holding exports under controlled regimes (such as bonded warehouses) and certification of final export (again under controlled conditions) by Customs. Similarly, imported excise goods are levied at importation although frequently the goods enter into controlled tax-free regimes until released into free circulation.

Excise taxes may cover a very wide range of products like salt, sugar, matches, fruit juice or chocolates. However, the range of products subject to excise has declined with the expansion of taxes on general consumption. Excise taxes on alcohol, tobacco and hydrocarbon oils continue to raise significant revenues for governments (see Chapter 4).

There has been a discernible trend in recent decades to ascribe to these taxes characteristics other than simply revenue-raising. A number of excise duties have been adjusted with a view to discouraging certain behaviours considered harmful, especially for health reasons. This is particularly the case for excise duties on tobacco and alcohol whose rates have been increased with the aim of reducing consumption of these products. The structure of certain excise duties has also gradually changed to encourage more responsible behaviour towards the collective welfare, especially the environment. This is the case for taxes on fuels, cars and other products which produce environmentally harmful emissions.

Such a trend can be regarded as a change in tax policy of governments. Governments have long been conscious that the tax system has an influence on the decisions of firms and individuals. They know the impact of the tax system on employment, business formation and expansion, and consumption patterns but have generally considered behavioural responses by taxpayers undesirable. In other cases, changing behaviour e.g. to reduce pollution or discourage consumption of products considered harmful to health can be a policy objective, along with revenue raising. Environmentally related taxes, although they are often not levied for environmental reasons alone, are effective instruments for pursuing environmental objectives (OECD 2015a). Health related taxes are also considered as an efficient means to achieve health outcomes and reduce health inequalities (see Chapter 4).

### **1.8. VAT and international trade – The destination principle**

The overarching purpose of the VAT as a levy on final consumption coupled with its central design feature of a staged collection process lays the foundation for the core VAT principles bearing on international trade. The fundamental issue of economic policy in relation to the international application of the VAT is whether the levy should be imposed by the jurisdiction of origin or destination. Under the destination principle, the tax is fully levied on the final consumption that occurs within the taxing jurisdiction. Under the origin principle, the tax is levied in the various jurisdictions where the value is added. The key economic difference between the two principles is that the destination principle places all firms competing in a given jurisdiction on an even footing whereas the origin principle places consumers in different jurisdictions on an even footing.

The application of the destination principle in VAT achieves neutrality in international trade. Under the destination principle, exports are exempt with refund of input taxes (that is, free of VAT<sup>2</sup>) and imports are taxed on the same basis and at the same rates as domestic supplies. Accordingly, the total tax paid in relation to a supply is determined by the rules applicable in the jurisdiction of its consumption and therefore all revenue accrues to the jurisdiction where the supply to the final consumer occurs.

By contrast, under the origin principle each jurisdiction would levy the VAT on the value created within its own borders<sup>3</sup>. Under an origin-based regime, exporting jurisdictions would tax exports on the same basis and at the same rate as domestic supplies while importing jurisdictions would give a credit against their own VAT for the

hypothetical tax that would have been paid at the importing jurisdiction's own rate. Tax paid on a supply would then reflect the pattern of its origins and the aggregate revenue would be distributed in that pattern. This would run counter to the core features of a VAT: as a tax on consumption, the revenue should accrue to the jurisdiction where the final consumption takes place. Under the origin principle these revenues are shared amongst jurisdictions where value is added. Moreover, by imposing tax at the various rates applicable in the countries where value is added, the origin principle could influence the economic or geographical structure of the value chain and undermine neutrality in international trade.

For these reasons, there is widespread consensus that the destination principle with revenue accruing to the country of import where final consumption occurs is preferable to the origin principle from both a theoretical and practical standpoint. In fact, the destination principle is the international norm. It is sanctioned by the World Trade Organisation rules and it is one of the key principles on which the OECD's *International VAT/GST Guidelines* are grounded.

Sales tax systems, although they work differently in practice, also set out to tax consumption of goods, and to some extent services, within the jurisdiction of consumption. Exported goods are usually relieved from sales tax to provide a degree of neutrality for cross-border trade. However, in most sales tax systems, businesses do incur some irrecoverable sales tax and, if they subsequently export goods, there will be an element of sales tax embedded in the price.

The application of the destination principle is not without its own difficulties. First, as already noted, the usual way of implementing this principle for VAT involves exemption of exports, which means that goods and services circulate free of tax in cross-border trade. The possibilities of fraud are evident. Second, although most of the rules currently in force are generally intended to tax supplies of goods and services within the jurisdiction where consumption takes place in application of the destination principle, practical means of implementing this intention are diverse across countries. This can, in some instances, lead to double taxation or unintended non-taxation and create uncertainties for both business and tax administrations. The adoption of the OECD International VAT/GST Guidelines responds to these challenges (see below).

### **Implementing the destination principle**

While the destination principle has been widely accepted as the basis for applying VAT to international trade, its implementation is nevertheless diverse across jurisdictions. This can lead to double taxation or unintended non-taxation and to complexity and uncertainty for businesses and tax administrations.

In order to apply the destination principle, VAT systems must have a mechanism for identifying the destination of supplies. Because VAT is generally applied on a transaction-by-transaction basis, VAT systems contain "place of taxation" rules that address all transactions, building on "proxies" that indicate where the good or service supplied is expected to be used by a business in the production and distribution process (if the supply is made to a business) or consumed (if the supply is made to a final consumer).

The following paragraphs provide a concise overview of the mechanisms for identifying the destination of a supply, focusing on supplies of goods first and then on supplies of services.

### ***Application of the destination principle to the cross-border trade in goods***

The term “goods” generally means “tangible property” for VAT purposes. The VAT treatment of supplies of goods normally depends on the location of the goods at the time of the transaction and/or their location as a result of the transaction. The supply of a good is in principle subject to VAT in the jurisdiction where the good is located at the time of the transaction. When a transaction involves goods being moved from one jurisdiction to another, the exported goods are generally “free of VAT” in the origin’s jurisdiction (and are freed of any input VAT via successive businesses’ deductions of input tax), whilst imports are subject to the same VAT as equivalent domestic goods in the importing jurisdiction. The VAT on imports is generally collected at the same time as customs duties, although in some countries collection is postponed until declared on the importer’s next VAT return. Deduction of the VAT incurred at importation, in the same way as input tax deduction on a domestic supply, ensures neutrality and limits distortions in relation to international trade.

Within the European Union, which abolished internal customs barriers and tax frontiers in 1993, the system of intra-Community delivery (free of VAT in the Member State of origin) and intra-Community acquisition (taxed in the Member State of destination) for business-to-business supplies allows the application of the destination principle even in the absence of customs procedures.

Many VAT systems apply an exemption for the importation of relatively low value goods. These exemptions are generally motivated by the consideration that the administrative costs of bringing these low value items into the customs and tax system would likely to outweigh the revenue gained. Most OECD countries currently apply such a VAT relief arrangement, with thresholds varying widely across countries, from USD 11 in Denmark to USD 671 in Australia (see Table 1.A1.7). However, 20 out of these countries belong to the EU where legislation<sup>4</sup> provides that Member States must exempt from VAT the import of goods whose value does not exceed EUR 10, and are permitted to grant an exemption for imported goods with a value of more than EUR 10 but not exceeding EUR 22. All EU Member States that are members of the OECD have opted for the higher threshold of EUR 22, except Denmark that applies the lower threshold of EUR 10. This exemption in the EU does not apply to tobacco or tobacco products and alcoholic products. EU Member States may also exclude from the low value import exemption goods imported on mail order (France and Poland make use of this option). Outside the EU, two OECD countries (Chile and Turkey) do not apply any threshold and tax all imports of goods regardless of their value.

The exemptions for low value imports have become increasingly controversial in the context of the growing digital economy. This was one of the findings of Action 1 of the OECD/G20 Base Erosion and Profit Shifting (BEPS) project, on *Addressing the Tax Challenges of the Digital Economy* (OECD 2015b). At the time when most low value import relief provisions were introduced, internet shopping did not exist and the level of imports benefitting from the relief was relatively small. In recent years, however, many countries have seen a significant and rapid growth in the volume of low value imports of physical goods from online sales on which VAT is not collected. This results in potentially unfair competitive pressures on domestic retailers who are required to charge VAT on their sales to domestic consumers and in decreased VAT revenues. It also creates an incentive for domestic suppliers to relocate to an offshore jurisdiction in order to sell their low value goods free of

VAT. The report on *Addressing the Tax Challenges of the Digital Economy* recognised that the difficulty lies in finding the balance between the need for appropriate revenue protection and avoidance of distortions of competition, which tend to favour a lower threshold, and the need to keep the cost of collection proportionate to the relatively small level of VAT collected, which favours a higher threshold. The report observed that tax authorities could be in a position to remove or lower the exemption threshold for imports of low value goods, if they were able to improve the efficiency of processing such low value imports and of collecting the VAT on such imports. The report then outlines and assesses the main available approaches for a more efficient collection of VAT on the import of low value goods, which may allow governments to reduce or remove the VAT exemption thresholds, should they decide to do so. The report explores models for collecting import VAT that would limit or remove the need for customs authorities to intervene in the VAT collection for imports that are not subject to customs duties (noting that most countries apply a *de minimis* threshold for customs duties, which is often higher than the VAT exemption threshold). This is expected to lower the cost of collection of VAT on low imports considerably. The report identifies four broad models for collecting VAT on low value imports: (1) the traditional collection model; (2) the purchaser collection model; (3) the vendor collection model; and (4) the intermediary collection model. The distinction between these collection models is essentially based on the person liable to account for the VAT. The traditional collection model is the model that is generally applied currently for the collection of duties and taxes at importation, and that is often combined with a VAT exemption for imports of low value goods. The three other models present possible alternative approaches, which essentially rely on specific parties involved in the supply chain for online sales to intervene in the collection and remittance of the import VAT. The report concludes that jurisdictions could opt for a combination of models. For instance, an optional vendor collection regime could be combined with the collection through intermediaries such as e-commerce platforms and express carriers (which may notably allow small and medium size businesses to comply more easily), whereby vendors as well as intermediaries could benefit from a simplified registration and compliance regime to facilitate compliance. Both approaches could be combined with further simplification arrangements, such as fast-track processing and/or a bulk-shipper scheme. To increase compliance, these approaches could be combined with a fall-back rule whereby VAT would be collected under the traditional collection processes, possibly from the final consumer. The report notes that any reform in this area would need to be complemented with appropriate risk assessment and enhanced international administrative co-operation between tax authorities to enforce compliance.

A number of OECD jurisdictions are currently considering the possible removal or limitation their VAT exemption thresholds and possible implementation approaches for a more efficient collection of import VAT as outlined in the report *Addressing the Tax Challenges of the Digital Economy* (OECD 2015b). Notably the Australian government has announced that, subject to the unanimous agreement of its States and Territories, the GST (i.e. VAT) will be collected from 1 July 2017 on low value physical goods imported by consumers under a vendor/platform registration model, where non-resident businesses with an Australian turnover of AUD 75 000 or more would be required to register and charge the tax (Australian Treasury 2016). The European Commission has also announced in a recent Communication (European Commission 2016a) its intention to propose legislation for extending its One Stop Shop vendor registration mechanism, for the



collection of VAT on telecommunications, broadcasting and e-services, to the online sale of low value goods to final consumers.

VAT systems also generally exempt from VAT the imports of goods in the personal luggage of travellers. Although such an exemption applies in all OECD countries, differences exist on the applicable thresholds and conditions, except within the European Union where common rules apply. These differences are illustrated in Table 1.A1.13 showing the thresholds for tax-free import of goods in the luggage of individual travellers. Table 1.A1.13 also shows the thresholds for refunds of VAT on export to individual travellers.

### ***Application of the destination principle to the cross-border trade in services and intangibles***

The VAT legislation in many countries tends to define a “service” negatively as “anything that is not otherwise defined”, or to define a “supply of services” as anything other than a “supply of goods”. While this generally also includes a reference to intangibles, some jurisdictions regard intangibles as a separate category. For the purposes of this section references to “services” include “intangibles” unless otherwise stated.

A wide range of proxies can be used by VAT systems to identify the place of taxation of services, including the place of performance of the service, the place of establishment or actual location of the supplier, the residence or the actual location of the consumer, and the location of tangible property (for services connected with tangible property, such as repair services). Many systems use multiple proxies before the place of taxation is finally determined and may use different rules for inbound, outbound, wholly foreign, and wholly domestic supplies (Cockfield et al., 2013).

In the European Union, the determination of the “place of supply” (i.e. the place of taxation) depends on the status of the customer receiving the service and the nature of the service supplied. Supplies of services between businesses (B2B supplies) are in principle taxed at the customer’s place of establishment (or at the fixed establishment of the customer to which it is provided), implementing the destination principle for both supplies within the EU and with customers in third countries. On the other hand, supplies of services to final consumers (B2C supplies) are still, in principle, taxed at the supplier’s place of establishment. This latter rule does not reflect a will to apply the “origin principle” to B2C supplies but rather the historical reality that most services were consumed where they were provided and it was technically difficult to provide services at a distance to final consumers. There are, however, many exceptions aiming at aligning the place of taxation with the place where consumption is likely to take place. These exceptions include notably the services connected with immovable property (taxed where the property is located); services relating to cultural, artistic, sporting, scientific, educational, entertainment etc. (taxed at the place where they are physically carried out) and the B2C electronically supplied services, that are taxed where the customer resides (since 2003 for services provided by non-EU suppliers and since 2015 also for EU suppliers).

To facilitate compliance by non-EU suppliers, a web portal (“Mini One Stop Shop”) was created, allowing these suppliers to register at a distance in only one Member State and account in this Member State for the VAT due in all the Member States of the EU where their customers are located.

Although the EU model for determining the place of supply applies to the 28 Member States of the Union and to a number of other countries such as Norway, Switzerland, and Russia, it is far from being the international norm. A number of countries (e.g. Australia, Canada, New Zealand, Singapore, South Africa) have adopted different models. While the EU model is based on an approach by category, where a “place of supply” (which is also the place of taxation) is determined for each category of supplies, according to their nature and the status (business or consumer) of the customer, other models systematically apply a series of proxies for place of consumption or use to all kinds of services. Such systems work in steps: first a connection with the country is established (e.g. the supplier or the customer are established there; the service is performed or can be acquired there). Then, a number of proxies are applied to determine the actual place of taxation, e.g. a connection with a tangible property; the customer location and/or residence; the location of the person to whom the services are delivered or who uses the service.

For example, in New Zealand (which adopted the GST in 1986) the place of taxation for supplies made by non-residents is generally presumed to be outside New Zealand, except when the service is performed in New Zealand or supplied to a customer who is resident in New Zealand and the recipient is either a final consumer or a registered business who has agreed to have the transaction treated as being made in New Zealand. In contrast, the place of taxation for supplies by residents is presumed to be New Zealand, unless the supply is a zero-rated export of services. These services include international transport and related services; services physically performed outside New Zealand; services supplied to a non-resident who is outside New Zealand at the time the services are performed; services directly in connection with land or goods located outside New Zealand and supplies in relation to intellectual property rights for use outside New Zealand. From 1 October 2016, New Zealand applies GST to supplies of services and intangibles made by non-resident suppliers to final consumers who are usually resident in New Zealand (see section below).

In Australia (which adopted GST in 2000), supplies are taxable (unless GST-free) in Australia and the GST collected through the supplier when the supplies are “connected with Australia”. Supplies made through an Australian based business or performed in Australia for a final consumer are connected with Australia. To prevent GST applying to services not consumed or used in Australia, the Australian GST law includes broad, proxy-based zero-ratings (“GST-free”) similar to those used in New Zealand. The Australian GST rules have been amended and from 1 July 2017 supplies of services and intangibles made by non-residents to final consumers who are residents of Australia will be connected with Australia and generally taxable unless the GST-free provisions apply (see Section below).

The different ways in which the VAT systems have attempted to bring consumption within the scope of the tax during the second half of the 20th century and the new interactions between national VAT systems have become increasingly problematic as volumes of cross-border trade in services and intangibles were growing. VAT systems have experienced considerable difficulties in determining where services are deemed to be consumed, to monitor these transactions and to ensure collection of the tax, particularly where businesses sell services in jurisdictions where they do not have a physical presence. In the absence of adjustment, from a government’s viewpoint there is a risk of under-taxation and loss of revenue, or distorting trade through double taxation; from a business viewpoint, there are large revenue risks and high compliance costs.

The OECD developed the *International VAT/GST Guidelines* as the international standard for applying VAT to cross-border trade in services and intangibles, to minimise the risks of double taxation and unintended double non-taxation resulting from mismatches between national VAT systems.

### **The International VAT/GST Guidelines**

The OECD released its completed *International VAT/GST Guidelines* in November 2015 at the occasion of the third meeting of its Global Forum on VAT, where these Guidelines were endorsed as the international standard for the application of VAT to the international trade in services and intangibles by over 100 countries, jurisdictions and international organisations (see the Statement of Outcomes in Annex B). These Guidelines were subsequently adopted as a Recommendation by the Council of the OECD in September 2016 (OECD 2016b), making this the first OECD legal instrument in the area of VAT (since the other OECD legal instruments in the area of taxation, such as the OECD Model Tax Convention and the Transfer Pricing Guidelines, relate essentially to the taxation of income).

The *International VAT/GST Guidelines* present a set of global standards and recommended approaches for the consistent VAT treatment of international transactions, focusing in particular on trade in services and intangibles. They build on the internationally agreed principles of VAT neutrality and the destination principle for determining the place of taxation

The OECD first developed international standards on consumption taxation in the context of electronic commerce, on the basis of the Ottawa Taxation Framework Conditions that were approved by OECD Ministers in 1998 (OECD, 1998). This work resulted in the Guidelines on Consumption Taxation of Cross-Border Services and Intangible Property in the Context of E-commerce (OECD, 2001). These E-commerce Guidelines provided that for business-to-business transactions, the place of consumption should be “the jurisdiction in which the recipient has located its business presence”; and for business-to-consumer transactions, the place of consumption should be “the jurisdiction in which the recipient has its usual place of residence”. These Guidelines were complemented with three Consumption Tax Guidance Series (OECD, 2003), which looked at various aspects of the implementation of the E-commerce Guidelines in practice. This work has now been superseded by the *International VAT/GST Guidelines*.

The *International VAT/GST Guidelines* first present six guidelines on VAT neutrality (Chapter 2 of the Guidelines). The first three guidelines on neutrality (Guidelines 2.1 to 2.3) look at the basic neutrality principles, which are equally relevant in a domestic and an international context, while the next three guidelines set out additional principles for achieving neutrality in an international context (Guidelines 3.4 to 3.6). Guideline 2.1 sets out the basic principle that VAT should not be a burden on business. VAT should normally “flow through the business” to tax the final consumers. Two corollaries of Guideline 2.1 are that “businesses in similar situations carrying out similar transactions should be subject to similar levels of taxation” (Guideline 2.2) and that “VAT rules should be framed in such a way that they are not the primary influence on business decisions” (Guideline 2.3). Guideline 2.4 confirms that the neutrality principles set out in Guideline 2.1 to 2.3 apply equally to both domestic and foreign businesses. VAT systems should be designed and applied in such a way that there is no unfair competitive advantage for domestic businesses compared to foreign competitors. This means that domestic legislation should

not discriminate against a foreign business when it comes to the right to deduct or recover input VAT. Guideline 3.5 provides that “to ensure foreign businesses do not incur irrecoverable VAT, governments may choose from a number of approaches”. Guideline 2.6 finally recognises that dealing with foreign businesses with no legal presence in a jurisdiction inevitably brings an element of risk for tax administrations and that they may take specific measures to protect their tax base against evasion and avoidance. But where there is an element of additional compliance burden associated with doing business in a foreign jurisdiction, this should not be disproportionate or inappropriate when assessed against the additional risk involved in dealing with a foreign business.

The guidelines on neutrality are followed by a set of guidelines for determining the place of taxation of cross-border supplies of services and intangibles in accordance with the destination principle (Chapter 3). Guideline 3.1 provides that “for consumption tax purposes internationally traded services and intangibles should be taxed according to the rules of the jurisdiction of consumption”. To achieve this, exports are zero rated (i.e. no tax is levied but the associated input tax is deductible according to the normal rules) and imports are taxed. Guideline 3.2 provides that, for business-to-business (B2B) supplies, the taxing rights should accrue to the jurisdiction where the customer is located. This is the jurisdiction where the business customer has located its permanent business presence (for single location entities) or where the customer’s establishment(s) using the service or intangible is (are) located (for businesses that are established in more than one jurisdiction – multiple location entities). For business-to-consumer (B2C) supplies, the Guidelines recommend that the taxing rights over “on-the-spot supplies” (e.g. restaurant services) be allocated to the jurisdiction in which the supply is physically performed; and that the taxing rights over all other supplies and services (including digital supplies) be allocated to the jurisdiction in which the customer has its usual residence. The Guidelines also provide guidance on the circumstances in which the implementation of a proxy other than the place customer’s location or physical performance might be justified (Guideline 3.7). For supplies of services directly connected with a specific immovable property, they recommend to allocate the taxing rights to the jurisdiction where the immovable property is located (Guideline 3.8).

The Guidelines also provide recommended approaches for collecting the VAT on cross-border supplies. For B2B supplies, they recommend the application of the reverse charge mechanism, where this is compatible with the design of the local legislation. For B2C supplies the Guidelines recommend that non-resident suppliers be required to register and remit the VAT in the jurisdiction of taxation and suggest that countries implement a simplified registration and compliance regime to facilitate compliance for non-resident suppliers. They present the key features of such a simplified registration and compliance regime. The Guidelines do not recommend jurisdictions to make a distinction between B2B and B2C supplies, but provide guidance for their application where this distinction is made.

Table 1.A1.11 presents a broad overview of the approaches adopted by OECD countries for collecting VAT on cross-border supplies of services and intangibles from foreign suppliers (i.e. on “inbound supplies”). This overview shows that the EU framework determines the place of taxation for cross-border supplies of services and intangibles (i.e. transactions with non-EU Member States) in principle by reference to the customer’s location (B2B) and to the customer’s usual residence (B2C). The VAT on inbound supplies is collected through a reverse charge mechanism, for B2B supplies, and through a simplified vendor registration and compliance regime (“Mini One Stop Shop”) for B2C supplies of

telecommunication, broadcasting and electronic services. This regime is operated by the 22 OECD member countries that belong to the EU (Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Luxembourg, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom) Eight other OECD countries use the customer location (usual residence, head office, etc.) as the main proxy for determining the place of taxation for cross-border supplies of services and intangibles (Canada, Iceland, Israel, Japan, Korea, New Zealand, Norway and Switzerland) and three countries (Australia, Mexico and Turkey) apply other proxies, such as place of performance or place of effective use and enjoyment. Australia, has announced the implementation of new GST rules on 1 July 2017 according to which the place of taxation for inbound B2C supplies of services will be determined in accordance with the customer's usual residence and a simplified registration and compliance regime will be available for foreign suppliers to remit the GST on such supplies.

Most OECD countries apply a reverse charge mechanism to collect VAT on inbound B2B supplies of services and intangibles. In Australia, Canada and New Zealand this mechanism only applies when the customer has a limited right to deduct the input tax, and no tax is due when the customer has a full right to deduction. In Switzerland, the application of the reverse charge mechanism is limited to situations where the place of taxation is determined according to the customer's residence proxy. When the supply is taxed in Switzerland according to other proxies (e.g. the location of the immovable property to which the supply is connected), the reverse charge mechanism does not apply and the supplier must register and account for VAT. In addition, foreign suppliers that are registered in the Switzerland to account for VAT on their B2C supplies must also account for their B2B supplies under their local registration and the reverse charge does not apply. In Korea, inbound B2B supplies are considered out of scope and no VAT is due on such supplies. In Iceland, inbound supplies of services are VAT exempt if the customer has a full right to deduction; where this is not the case the supplier must register for VAT in the country

For B2C supplies, many OECD countries (28 of 35 countries i.e. the 22 EU Member States, Iceland, Japan, Korea, New Zealand, Norway and Switzerland) require the foreign supplier to register and account for VAT in the jurisdiction where the customer is located. A simplified registration and collection regime (without right to deduct input taxes in the taxing jurisdiction – “pay-only registration”) applies in the vast majority of these countries (the option of standard registration is also available in most of these countries). Only two countries (Switzerland and Iceland) require the supplier to register under the standard regime (with the right to deduct the input tax incurred in the country). Japan and Switzerland require the supplier to appoint a tax agent in the country to account for VAT. Five countries (Canada, Chile, Israel, Mexico and Turkey) operate a self-assessment regime that requires the private customer to remit the VAT on services and intangibles acquired from foreign suppliers and Australia currently does not tax inbound B2C supplies of services, but has announced its plan to introduce a simplified “pay-only” supplier registration to tax B2C supplies. Israel also intends to amend its VAT law to require non-resident suppliers of digital B2C services to register for VAT in Israel under a simplified registration procedure.

Five among the countries requiring foreign suppliers to register to account for VAT on their B2C supplies (Iceland, Japan, New Zealand, Norway and Switzerland) do not impose such requirement when the turnover of the suppliers in the country is below a certain

threshold. In these five countries the same threshold applies for both domestic and foreign suppliers. These thresholds vary between USD 5000 (Norway) and USD 100 000 (Switzerland).

### 1.9. Tackling the VAT compliance gap

Losses of VAT revenue from non-compliance can be caused by a number of factors. In addition to “traditional” VAT avoidance (i.e. arrangements intended to reduce the tax liability that could be strictly legal but in contradiction with the intent of the law) and evasion (illegal arrangements where liability to tax is ignored or hidden) there has been a significant and worrying trend in recent years of increasing criminal attacks on the VAT system. The most common type of organised VAT fraud is the “missing trader” or “carousel” fraud. It arises when a business makes a purchase without paying VAT (typically a transaction for which tax self-assessment applies), then collects VAT on an onward supply and disappears without remitting the VAT collected. Originally, the fraud developed with high-value goods sold across borders, such as computer chips and cell phones but it expanded to services that can be bought and sold like goods. For instance, the development of markets for trading CO<sub>2</sub> emission allowances has created opportunities for organised crime. Using the weaknesses in the market registration procedures and the zero-rating of cross-border supplies followed by taxed transactions in domestic markets, fraudulent traders have caused billions of Euros of tax losses in some countries. Europol estimated that in some countries, up to 90% of the whole CO<sub>2</sub> allowances market volume was fraudulent (Europol, 2009). The fraud also developed on the energy markets. In 2014, a joint statement from the European energy regulators, energy trading firms and gas and electricity operators warned tax authorities about the very serious danger of VAT fraud for the functioning of Europe’s gas and electricity markets, reporting signs of “a major penetration of the gas and electricity markets by VAT fraudsters”. There are also some indications that new types of acquisition fraud have developed in the telecommunication market (Voice over the Internet Protocol; VoIP) and recent research showed that a large number of accounting software products contained hidden tools (zappers) for manipulation of VAT receipts (OECD, 2013). In addition to the revenue losses, VAT criminal fraud is often connected with other criminal activities such as terrorism and money laundering.

Reducing the revenue losses from VAT non-compliance remains a key challenge and a priority for countries around the world. An increasing number of tax administrations carry out research to estimate the VAT compliance gap, i.e. the revenue loss due to fraud and evasion, tax avoidance, bankruptcies, financial insolvencies, miscalculations, etc. The EU’s updated VAT gap estimates for 2016 (CASE 2016) suggest that this gap amounted to EUR 159.5bn in the EU in 2014, i.e. a loss of VAT revenue of 14.06%. The smallest gaps were observed in Sweden (1.24%), Luxembourg (3.80%) and Finland (6.92%), and the largest gaps were registered in Romania (37.89%), Lithuania (35.94%) and Malta (35.32%). Although these figures should not be directly associated with fraud and evasion as they also include the effects of simple (statistical or reporting) errors as well as insolvencies and payment problems, they provide some illustration of the problem that VAT fraud still represents in the EU (European Commission 2014a). The United Kingdom estimated its VAT gap at GBP 13.1 billion in 2013-14, i.e. 11.1% of the estimated net VAT total theoretical liability (HM Revenue & Customs 2015). This estimate includes GBP 1 billion for the missing Trader Intra-Community fraud (i.e. carousel fraud) alone although there is a downward trend in

this fraud from GBP 3.5 billion in 2005-06. According to figures published by the Australian Taxation Office in 2015, the Australian GST gap for 2013-14 is at AUD 2.7 billion or 4.9% of revenue (ATO 2015).

In response, governments are increasingly developing strategies to counter the losses. The European Commission recently issued a VAT reform package (European Commission 2016a) and a set of 20 measures to tackle this gap, including extending the automated access to data; reinforcing administrative co-operation within the European Union; developing anti-fraud tools to combat VAT fraud in the e-commerce sector and building synergies with third countries and with the OECD to “establish an international system of administrative cooperation” (European Commission 2016b).

One countermeasure is the adoption of a reverse charge mechanism for collecting the VAT in relation to domestic B2B supplies of certain goods and services susceptible to fraud i.e. mobile phones, integrated circuit devices, gas and electricity, telecom services, game consoles, tablet PCs and laptops, cereals and industrial crops and raw and semi-finished metals. Since 2013 EU Member States, after the authorisation of the European Council, are allowed to apply the reverse charge to any kind of supply in case of sudden and massive VAT fraud. Member States can also apply, on an optional and temporary basis, a domestic reverse charge mechanism to a determined list of supplies.

This reverse charge mechanism shifts the liability to pay the VAT from the supplier to the customer. If he is a normal taxable business, the customer will deduct the VAT due on the supplies as input tax, and no net tax will be payable on the transactions covered. In this mechanism, no taxpayer can claim a credit for input VAT without being liable for its payment, thus removing the scope for fraudsters to disappear with the VAT without paying it and/or to claim an input tax credit for input VAT that was not remitted to the tax authorities earlier in the distribution chain. It is recognised, however, that the implementation of a domestic reverse-charge mechanism needs to be considered with care. One concern is that it would transform the VAT into a sales tax with the inherent weaknesses of such a system if applied too extensively.

Table 1.A1.12 shows that the use of domestic reverse charge as a means to combat fraud is widely used in the 22 OECD countries that are Member States of the EU. They all use it to some extent, in particular for the supply of CO<sub>2</sub> emission certificates (all except Latvia); scrap materials and waste (all except Belgium, Luxembourg and the United Kingdom); and construction work (all except Estonia, Luxembourg, Poland and the United Kingdom). The domestic reverse charge also applies to the supply of gold (14 countries on 22); electronic devices such as laptops, chips, cell phones etc. (11 countries on 22) and the supply of gas and electricity to taxable dealers (7 countries on 22). Certain other OECD countries do use that mechanism but to a much lesser extent i.e. Canada (supplies of real property by non-residents and some supplies between provinces); Chile (supplies of rice, construction works, waste and certain plants and animals); Israel (metal debris); Mexico (waste, some supplies made by individuals); New Zealand (supplies of land incorrectly zero rated); Norway (supply of CO<sub>2</sub> emission allowances and investment gold) and Turkey (some supplies made by non-taxable persons). By contrast this mechanism is not in use in Australia, Japan Korea and Switzerland.

Another means of combatting (domestic) VAT fraud is the use of a so-called *split payment mechanism* (or *withholding tax*) whereby the supplier remains liable to charge the VAT on its domestic supplies to the customer, but where the customer directly remits (part of)



the VAT directly to the tax authorities rather than to the supplier. In practice, such a system has the same effects as a domestic reverse charge mechanism (requiring the customer to pay the VAT rather than the supplier) when the customer is liable to pay the full VAT amount, but with some legal differences in terms of invoicing and liability. According to Table 1.A1.12, this system is used in Italy for the supplies of goods and services made to public authorities; in Korea for the supply of gold, copper and iron; and in the Czech Republic to allow the customer to avoid the joint and several liability with the supplier.

There is also a growing recognition that effective strategies to tackle VAT fraud and evasion require strongly enhanced international co-operation in tax administration and enforcement between tax authorities in the field of indirect taxes. The criminal attacks against the VAT system are not limited to the European Union and there is growing consensus among tax authorities worldwide that international co-operation is needed in this area (OECD 2015b; European Commission, 2014b and European Court of Auditors, 2016). A number of instruments already exist that provide the legal foundation for such an international administrative co-operation including the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, the bilateral treaties implementing the current Articles 26 and 27 of the OECD and UN Model Tax Conventions, the Tax Information Exchange Agreements (TIEAs) based on the OECD Model Agreement and regional agreements such as the European Union Directives, the Nordic Mutual Assistance Convention on Mutual Administrative Assistance in Tax Matters, the CIAT Model Agreement on the Exchange of Tax Information, and the African Tax Administration Forum Agreement on Mutual Assistance in Tax Matters.

Amongst these instruments, the *Multilateral Convention on Mutual Administrative Assistance in Tax Matters* (the Convention) is considered the most promising. The Convention was developed jointly by the Council of Europe and the OECD and opened for signature by the member states of both organisations in 1988. It was aligned to the internationally agreed standard on transparency and exchange of information and opened to all countries in 2011. It provides for all possible forms of administrative co-operation between the Parties in the assessment and collection of taxes, in particular with a view to combating tax avoidance and evasion. The Convention has a very wide scope and covers all forms of compulsory payments to general governments (i.e. the central government and its political subdivisions) including VAT (although the obligations set forth in the Convention are subject to any reservations by the Parties). As of 25 August 2016, 103 jurisdictions participate in the Convention. A multilateral instrument is likely to offer the most efficient solution for the development of the actual administrative co-operation on VAT given its key advantages: it provides for all forms of administrative co-operation in the VAT area, including on demand, spontaneous and automatic exchange of information, it has potentially a global reach and adjustments and updates are easier to implement in practice. The regional frameworks and bilateral agreements clearly also have a role to play since the legal instruments for administrative co-operation are not exclusive from each other and can be used in parallel.

## Notes

1. For ease of reading, all value added taxes will be referred to as VAT in this chapter.
2. “Free of VAT” may be termed zero-rated, exempt with credit, or some other local terminology depending on the jurisdiction. Whatever the description used, the effect should be the same – no VAT is added by the supplier but the supplier is entitled to input tax credits, to the extent that the jurisdiction allows, in respect of such supplies.
3. This should be distinguished from the term used in the EU for a proposed system (that was never implemented) in which the VAT would have been collected by the Member State of origin and the revenue later channelled to the Member State of destination for transactions within the EU.
4. Article 143 paragraph 1 b) of Directive 2006/112/EC of 28 November 2006 in connection with Article 23 of Directive 2009/132/EC of 19 October 2009 (formerly article 22 of Directive 83/181/EEC of 28 March 1983).

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ANNEX 1.A1

*Data on taxing consumption*

Table 1.A1.1. Consumption taxes (5100) as percentage of GDP

|                           | 1965       | 1975       | 1985       | 1995        | 2000        | 2005        | 2010       | 2011        | 2012        | 2013        | 2014        | Difference<br>2010-14 |
|---------------------------|------------|------------|------------|-------------|-------------|-------------|------------|-------------|-------------|-------------|-------------|-----------------------|
| Australia                 | 6.2        | 6.6        | 7.9        | 6.5         | 8.0         | 7.6         | 6.5        | 6.3         | 6.4         | 6.5         | 6.5         | -0.0                  |
| Austria                   | 12.3       | 12.3       | 12.6       | 11.2        | 11.4        | 11.1        | 10.8       | 10.9        | 11.1        | 11.0        | 10.9        | 0.1                   |
| Belgium                   | 10.4       | 10.1       | 10.3       | 10.0        | 10.1        | 10.1        | 10.1       | 10.0        | 10.4        | 10.3        | 10.1        | 0.0                   |
| Canada                    | 8.7        | 8.2        | 8.3        | 8.3         | 7.9         | 7.6         | 6.9        | 6.8         | 6.8         | 6.7         | 6.7         | -0.1                  |
| Chile                     |            |            |            | 11.0        | 11.4        | 10.1        | 9.5        | 9.9         | 10.1        | 10.1        | 10.3        | 0.8                   |
| Czech Republic            |            |            |            | 10.3        | 9.5         | 10.0        | 10.2       | 10.6        | 10.8        | 11.1        | 10.3        | 0.1                   |
| Denmark                   | 11.5       | 12.1       | 14.9       | 14.6        | 14.7        | 15.1        | 13.9       | 14.0        | 14.0        | 13.9        | 13.8        | -0.1                  |
| Estonia                   |            |            |            | 12.4        | 11.7        | 12.0        | 13.0       | 12.8        | 13.0        | 12.6        | 13.0        | 0.0                   |
| Finland                   | 12.6       | 11.4       | 13.1       | 13.3        | 13.0        | 12.9        | 12.6       | 13.4        | 13.7        | 14.0        | 13.9        | 1.3                   |
| France                    | 12.6       | 11.3       | 12.0       | 11.2        | 10.8        | 10.6        | 10.1       | 10.4        | 10.5        | 10.5        | 10.7        | 0.5                   |
| Germany                   | 9.8        | 8.7        | 8.9        | 9.8         | 9.8         | 9.5         | 10.0       | 10.0        | 9.9         | 9.8         | 9.8         | -0.2                  |
| Greece                    | 7.5        | 7.9        | 9.8        | 10.9        | 11.0        | 9.9         | 11.2       | 12.0        | 12.1        | 12.7        | 14.3        | 3.1                   |
| Hungary                   |            |            |            | 16.5        | 15.4        | 14.2        | 15.7       | 15.5        | 16.6        | 16.3        | 16.4        | 0.7                   |
| Iceland                   | 15.7       | 18.2       | 16.4       | 13.9        | 14.3        | 15.0        | 11.1       | 11.3        | 11.8        | 11.5        | 11.5        | 0.4                   |
| Ireland                   | 12.0       | 12.4       | 14.3       | 12.2        | 11.2        | 10.6        | 9.0        | 8.5         | 8.6         | 8.6         | 8.8         | -0.2                  |
| Israel                    |            |            |            | 12.3        | 10.7        | 11.0        | 11.2       | 11.1        | 10.7        | 11.0        | 11.5        | 0.3                   |
| Italy                     | 9.1        | 6.9        | 7.7        | 9.6         | 10.1        | 9.3         | 9.9        | 10.1        | 10.4        | 10.1        | 10.4        | 0.6                   |
| Japan                     | 4.4        | 3.1        | 3.2        | 3.6         | 4.5         | 4.7         | 4.6        | 4.7         | 4.8         | 4.8         | 5.8         | 1.2                   |
| Korea                     |            | 8.9        | 9.2        | 7.4         | 7.9         | 7.5         | 7.6        | 7.1         | 7.2         | 7.0         | 6.9         | -0.7                  |
| Latvia                    |            |            |            | 11.2        | 10.8        | 11.1        | 10.5       | 10.4        | 10.6        | 10.8        | 11.1        | 0.6                   |
| Luxembourg                | 6.2        | 6.5        | 9.1        | 8.8         | 9.7         | 10.8        | 10.2       | 10.4        | 10.8        | 10.6        | 10.9        | 0.7                   |
| Mexico                    |            |            | 9.8        | 4.3         | 5.1         | 4.3         | 4.8        | 4.5         | 4.6         | 4.3         | 5.0         | 0.2                   |
| Netherlands               | 8.4        | 8.6        | 9.3        | 9.7         | 9.7         | 10.1        | 9.9        | 9.6         | 9.5         | 9.7         | 9.8         | -0.1                  |
| New Zealand               | 6.1        | 6.3        | 6.5        | 11.1        | 10.5        | 10.8        | 11.2       | 11.3        | 11.5        | 11.2        | 11.7        | 0.5                   |
| Norway                    | 11.7       | 14.2       | 15.2       | 14.7        | 12.3        | 11.1        | 11.0       | 10.6        | 10.4        | 10.5        | 10.5        | -0.5                  |
| Poland                    |            |            |            | 13.4        | 11.4        | 12.2        | 11.9       | 12.1        | 11.3        | 11.2        | 11.2        | -0.7                  |
| Portugal                  | 6.9        | 7.6        | 10.2       | 12.3        | 12.2        | 13.2        | 11.8       | 12.4        | 12.4        | 12.0        | 12.4        | 0.6                   |
| Slovak Republic           |            |            |            | 13.2        | 11.5        | 11.5        | 9.3        | 9.7         | 9.1         | 9.6         | 9.7         | 0.5                   |
| Slovenia                  |            |            |            | 14.6        | 13.1        | 12.5        | 13.2       | 13.1        | 13.5        | 13.9        | 13.8        | 0.6                   |
| Spain                     | 5.8        | 4.3        | 7.4        | 8.2         | 9.1         | 9.2         | 7.8        | 7.6         | 8.1         | 8.8         | 9.1         | 1.3                   |
| Sweden                    | 9.3        | 8.8        | 11.4       | 12.6        | 11.8        | 11.8        | 12.2       | 11.9        | 11.9        | 11.8        | 11.7        | -0.5                  |
| Switzerland               | 5.3        | 4.6        | 4.8        | 5.0         | 5.5         | 5.4         | 5.3        | 5.3         | 5.3         | 5.3         | 5.3         | -0.0                  |
| Turkey                    | 5.6        | 4.9        | 4.1        | 6.2         | 9.8         | 11.5        | 12.0       | 12.1        | 11.9        | 13.0        | 12.2        | 0.2                   |
| United Kingdom            | 9.1        | 8.1        | 10.4       | 10.0        | 10.0        | 9.5         | 9.6        | 10.4        | 10.4        | 10.3        | 10.3        | 0.7                   |
| United States             | 4.7        | 4.2        | 4.0        | 4.2         | 3.9         | 3.8         | 3.6        | 3.7         | 3.7         | 3.8         | 3.8         | 0.2                   |
| <i>Unweighted average</i> |            |            |            |             |             |             |            |             |             |             |             |                       |
| <b>OECD-Average</b>       | <b>8.8</b> | <b>8.6</b> | <b>9.7</b> | <b>10.4</b> | <b>10.3</b> | <b>10.2</b> | <b>9.9</b> | <b>10.0</b> | <b>10.1</b> | <b>10.2</b> | <b>10.3</b> | <b>0.3</b>            |

**Israel:** The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

**Unweighted averages:** All member countries are taken into account for the calculation of the unweighted averages, including countries that had not implemented the relevant taxes for the year considered. They are counted with a value of zero in the numerator and 1 in the denominator. However, countries that did not exist at the time considered (Czech and Slovak Republics before 1993; Slovenia before 1991) are not included in the calculation of the averages. Are also excluded from the calculation of the averages the countries for which no data is available for the time considered (Chile before 1990, Estonia, Hungary and Israel before 1995, Korea before 1975; Mexico before 1980; Poland before 1995; and Slovak Republic before 2000).

Source: Revenue Statistics 2016, OECD Publishing, Paris DOI: [http://dx.doi.org/10.1787/rev\\_stats-2016-en-fr](http://dx.doi.org/10.1787/rev_stats-2016-en-fr)


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Table 1.A1.2. **Consumption taxes (5100) as percentage of total taxation**

|                           | 1965        | 1975        | 1985        | 1995        | 2000        | 2005        | 2010        | 2011        | 2012        | 2013        | 2014        | Difference<br>2010-14 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------------|
| Australia                 | 30.0        | 25.8        | 28.6        | 23.1        | 26.2        | 25.4        | 25.5        | 24.1        | 23.3        | 23.7        | 23.3        | -2.2                  |
| Austria                   | 36.6        | 33.9        | 31.0        | 27.3        | 27.1        | 27.0        | 26.5        | 26.7        | 26.5        | 25.8        | 25.4        | -1.0                  |
| Belgium                   | 34.1        | 26.0        | 23.7        | 23.5        | 23.1        | 23.3        | 23.8        | 23.2        | 23.6        | 22.8        | 22.5        | -1.2                  |
| Canada                    | 34.7        | 26.0        | 26.1        | 23.9        | 22.8        | 23.7        | 22.5        | 22.3        | 22.0        | 21.6        | 21.6        | -0.9                  |
| Chile                     |             |             |             | 59.8        | 60.6        | 48.7        | 48.2        | 46.4        | 47.1        | 50.7        | 51.9        | 3.7                   |
| Czech Republic            |             |             |             | 29.6        | 29.3        | 29.0        | 31.2        | 31.8        | 32.0        | 32.5        | 31.2        | -0.1                  |
| Denmark                   | 39.6        | 32.7        | 34.0        | 31.3        | 31.4        | 31.4        | 30.8        | 31.0        | 30.6        | 29.8        | 27.8        | -3.0                  |
| Estonia                   |             |             |             | 34.5        | 37.7        | 40.0        | 39.1        | 40.6        | 41.4        | 40.1        | 40.2        | 1.1                   |
| Finland                   | 41.9        | 31.6        | 33.4        | 29.9        | 28.3        | 30.6        | 30.8        | 31.9        | 32.1        | 32.1        | 31.7        | 0.9                   |
| France                    | 37.5        | 32.4        | 28.7        | 26.8        | 25.2        | 24.8        | 24.2        | 24.0        | 23.7        | 23.3        | 23.4        | -0.7                  |
| Germany                   | 31.1        | 25.4        | 24.6        | 26.9        | 27.1        | 27.9        | 28.4        | 28.1        | 27.4        | 27.0        | 26.7        | -1.8                  |
| Greece                    | 44.1        | 42.2        | 40.0        | 39.4        | 33.0        | 31.9        | 34.8        | 35.7        | 34.2        | 35.7        | 39.9        | 5.1                   |
| Hungary                   |             |             |             | 40.3        | 39.9        | 38.8        | 41.8        | 42.6        | 42.9        | 42.9        | 42.9        | 1.2                   |
| Iceland                   | 61.7        | 62.2        | 59.5        | 45.7        | 39.5        | 37.8        | 33.1        | 32.9        | 33.3        | 31.8        | 29.5        | -3.6                  |
| Ireland                   | 49.1        | 44.4        | 42.6        | 38.4        | 36.5        | 36.2        | 33.3        | 31.4        | 31.4        | 30.6        | 30.7        | -2.6                  |
| Israel                    |             |             |             | 34.7        | 30.8        | 32.9        | 36.7        | 36.2        | 36.1        | 35.9        | 36.7        | 0.1                   |
| Italy                     | 37.0        | 28.3        | 23.6        | 25.0        | 25.0        | 23.8        | 23.6        | 24.0        | 23.6        | 23.1        | 23.9        | 0.3                   |
| Japan                     | 25.0        | 15.1        | 12.1        | 13.8        | 17.0        | 17.2        | 16.7        | 16.5        | 16.2        | 15.9        | 18.2        | 1.5                   |
| Korea                     |             | 60.0        | 58.5        | 38.6        | 36.7        | 33.3        | 32.6        | 29.2        | 29.2        | 28.8        | 28.1        | -4.6                  |
| Latvia                    |             |             |             | 37.6        | 37.0        | 39.7        | 37.4        | 37.3        | 37.4        | 38.0        | 38.4        | 1.0                   |
| Luxembourg                | 23.5        | 20.6        | 24.1        | 25.2        | 26.0        | 28.4        | 26.8        | 27.5        | 27.9        | 27.7        | 28.3        | 1.5                   |
| Mexico                    |             |             | 64.5        | 38.1        | 37.2        | 33.8        | 33.7        | 32.3        | 33.2        | 29.6        | 32.8        | -0.9                  |
| Netherlands               | 27.1        | 22.5        | 23.4        | 25.6        | 26.1        | 28.6        | 27.4        | 26.7        | 26.5        | 26.5        | 26.2        | -1.2                  |
| New Zealand               | 26.2        | 22.8        | 22.0        | 31.3        | 32.4        | 30.0        | 37.1        | 37.3        | 35.9        | 35.9        | 36.0        | -1.1                  |
| Norway                    | 39.9        | 36.6        | 36.4        | 36.7        | 29.4        | 26.1        | 26.2        | 25.1        | 25.1        | 26.2        | 27.2        | 1.0                   |
| Poland                    |             |             |             | 35.5        | 34.5        | 36.8        | 38.3        | 38.2        | 35.4        | 35.3        | 35.0        | -3.3                  |
| Portugal                  | 44.0        | 40.1        | 42.3        | 42.1        | 39.2        | 42.7        | 38.8        | 38.3        | 39.1        | 35.3        | 36.3        | -2.5                  |
| Slovak Republic           |             |             |             | 33.4        | 34.1        | 36.6        | 33.1        | 33.9        | 32.2        | 31.5        | 31.2        | -1.9                  |
| Slovenia                  |             |             |             | 37.9        | 35.8        | 33.1        | 35.7        | 36.0        | 36.6        | 37.9        | 37.8        | 2.1                   |
| Spain                     | 40.6        | 24.0        | 27.6        | 26.1        | 27.2        | 26.0        | 24.8        | 24.2        | 24.9        | 26.4        | 26.8        | 2.0                   |
| Sweden                    | 29.5        | 22.7        | 25.5        | 27.7        | 24.1        | 25.3        | 28.3        | 28.1        | 27.9        | 27.5        | 27.4        | -0.9                  |
| Switzerland               | 31.9        | 20.6        | 20.2        | 19.6        | 20.1        | 20.5        | 20.0        | 19.6        | 19.9        | 19.8        | 19.4        | -0.6                  |
| Turkey                    | 53.5        | 40.9        | 35.7        | 37.1        | 40.6        | 47.4        | 45.8        | 43.5        | 43.2        | 44.3        | 42.4        | -3.4                  |
| United Kingdom            | 31.1        | 23.7        | 29.7        | 33.5        | 30.5        | 29.1        | 29.5        | 31.3        | 31.7        | 31.7        | 32.0        | 2.5                   |
| United States             | 19.9        | 17.1        | 16.3        | 15.7        | 13.9        | 14.8        | 15.4        | 15.5        | 15.4        | 14.8        | 14.7        | -0.7                  |
| <b>Unweighted average</b> |             |             |             |             |             |             |             |             |             |             |             |                       |
| <b>OECD-Average</b>       | <b>36.2</b> | <b>31.1</b> | <b>32.1</b> | <b>31.9</b> | <b>31.0</b> | <b>30.9</b> | <b>30.9</b> | <b>30.7</b> | <b>30.5</b> | <b>30.4</b> | <b>30.5</b> | <b>-0.4</b>           |

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**Unweighted averages:** All member countries are taken into account for the calculation of the unweighted averages, including countries that had not implemented the relevant taxes for the year considered. They are counted with a value of zero in the numerator and 1 in the denominator. However, countries that did not exist at the time considered (Czech and Slovak Republics before 1993; Slovenia before 1991) are not included in the calculation of the averages. Are also excluded from the calculation of the averages the countries for which no data is available for the time considered (Chile before 1990, Estonia, Hungary and Israel before 1995, Korea before 1975; Mexico before 1980; Poland before 1995; and Slovak Republic before 2000).

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Table 1.A1.3. **Taxes on general consumption (5110) as percentage of GDP**

|                           | 1965       | 1975       | 1985       | 1995       | 2000       | 2005       | 2010       | 2011       | 2012       | 2013       | 2014       | Difference<br>2010-14 |
|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------------------|
| Australia                 | 1.5        | 1.7        | 2.2        | 2.5        | 3.7        | 4.0        | 3.5        | 3.4        | 3.4        | 3.6        | 3.6        | 0.1                   |
| Austria                   | 6.3        | 7.2        | 8.5        | 7.6        | 7.9        | 7.7        | 7.7        | 7.6        | 7.8        | 7.7        | 7.7        | -0.0                  |
| Belgium                   | 6.5        | 6.3        | 6.8        | 6.5        | 7.1        | 7.0        | 7.0        | 6.9        | 7.0        | 7.0        | 6.9        | -0.1                  |
| Canada                    | 4.5        | 3.9        | 4.2        | 4.9        | 4.9        | 4.8        | 4.3        | 4.3        | 4.3        | 4.3        | 4.3        | 0.0                   |
| Chile                     |            |            |            | 7.5        | 7.9        | 7.8        | 7.6        | 7.9        | 8.1        | 8.1        | 8.2        | 0.7                   |
| Czech Republic            |            |            |            | 5.8        | 6.0        | 6.6        | 6.7        | 6.9        | 7.0        | 7.4        | 7.4        | 0.7                   |
| Denmark                   | 3.0        | 6.5        | 9.1        | 9.1        | 9.2        | 9.7        | 9.5        | 9.6        | 9.6        | 9.4        | 9.5        | 0.0                   |
| Estonia                   |            |            |            | 9.6        | 8.4        | 8.1        | 8.6        | 8.3        | 8.4        | 8.2        | 8.6        | -0.0                  |
| Finland                   | 5.5        | 5.6        | 7.2        | 7.7        | 8.0        | 8.4        | 8.3        | 8.8        | 9.0        | 9.3        | 9.2        | 0.9                   |
| France                    | 7.8        | 8.2        | 8.4        | 7.4        | 7.4        | 7.4        | 7.0        | 7.1        | 7.1        | 7.1        | 7.2        | 0.1                   |
| Germany                   | 5.2        | 5.0        | 5.7        | 6.3        | 6.7        | 6.1        | 7.0        | 7.0        | 7.0        | 7.0        | 7.0        | -0.0                  |
| Greece                    | 1.8        | 3.4        | 4.2        | 6.4        | 7.2        | 6.9        | 7.4        | 7.6        | 7.5        | 7.4        | 7.5        | 0.1                   |
| Hungary                   |            |            |            | 8.0        | 10.1       | 10.3       | 11.1       | 10.9       | 11.7       | 11.4       | 11.6       | 0.5                   |
| Iceland                   | 4.3        | 8.4        | 9.1        | 9.7        | 10.4       | 10.8       | 7.6        | 7.7        | 8.0        | 8.0        | 8.1        | 0.5                   |
| Ireland                   | 1.4        | 4.1        | 6.9        | 6.7        | 7.1        | 7.3        | 6.0        | 5.6        | 5.8        | 5.8        | 6.0        | -0.1                  |
| Israel                    |            |            |            | 10.8       | 9.2        | 9.3        | 9.1        | 9.1        | 8.8        | 9.2        | 9.7        | 0.5                   |
| Italy                     | 3.2        | 3.5        | 4.7        | 5.3        | 6.3        | 5.7        | 6.1        | 6.0        | 6.0        | 5.9        | 6.0        | -0.1                  |
| Japan                     | 0.0        | 0.0        | 0.0        | 1.4        | 2.4        | 2.6        | 2.6        | 2.7        | 2.7        | 2.8        | 3.9        | 1.3                   |
| Korea                     |            | 1.9        | 3.3        | 3.4        | 3.7        | 3.9        | 4.1        | 4.1        | 4.3        | 4.1        | 4.2        | 0.1                   |
| Latvia                    |            |            |            | 8.4        | 7.0        | 7.4        | 6.7        | 6.8        | 7.2        | 7.4        | 7.7        | 1.0                   |
| Luxembourg                | 3.3        | 3.8        | 4.8        | 4.3        | 5.0        | 6.1        | 6.5        | 6.7        | 7.2        | 7.2        | 7.5        | 1.1                   |
| Mexico                    |            |            | 2.4        | 2.5        | 3.1        | 3.4        | 3.8        | 3.7        | 3.7        | 3.5        | 3.9        | 0.1                   |
| Netherlands               | 3.8        | 5.5        | 6.4        | 6.1        | 6.4        | 6.8        | 6.8        | 6.5        | 6.5        | 6.5        | 6.4        | -0.3                  |
| New Zealand               | 1.8        | 2.5        | 3.1        | 8.1        | 8.1        | 8.6        | 9.3        | 9.4        | 9.6        | 9.4        | 9.7        | 0.4                   |
| Norway                    | 6.3        | 8.0        | 7.6        | 8.5        | 8.3        | 7.7        | 7.8        | 7.6        | 7.6        | 7.7        | 7.8        | -0.0                  |
| Poland                    |            |            |            | 6.1        | 6.9        | 7.7        | 7.6        | 7.8        | 7.1        | 7.0        | 7.1        | -0.5                  |
| Portugal                  | ..         | 2.1        | 3.0        | 6.8        | 7.6        | 8.2        | 7.5        | 8.1        | 8.3        | 8.1        | 8.5        | 0.9                   |
| Slovak Republic           |            |            |            | 8.2        | 6.9        | 7.7        | 6.2        | 6.7        | 6.0        | 6.4        | 6.6        | 0.4                   |
| Slovenia                  |            |            |            | 11.3       | 8.7        | 8.4        | 8.1        | 8.1        | 8.0        | 8.5        | 8.5        | 0.4                   |
| Spain                     | 3.2        | 2.7        | 4.0        | 5.0        | 5.9        | 6.2        | 5.3        | 5.2        | 5.4        | 5.9        | 6.1        | 0.9                   |
| Sweden                    | 3.3        | 4.7        | 6.3        | 8.8        | 8.4        | 8.6        | 9.3        | 9.2        | 9.0        | 9.1        | 9.1        | -0.2                  |
| Switzerland               | 1.8        | 2.0        | 2.6        | 3.1        | 3.7        | 3.6        | 3.4        | 3.5        | 3.6        | 3.6        | 3.5        | 0.1                   |
| Turkey                    | ..         | ..         | 2.7        | 5.2        | 5.8        | 5.3        | 5.7        | 6.1        | 5.8        | 6.4        | 5.9        | 0.2                   |
| United Kingdom            | 1.7        | 3.0        | 5.6        | 5.7        | 5.9        | 6.0        | 6.1        | 6.8        | 6.8        | 6.8        | 6.8        | 0.7                   |
| United States             | 1.1        | 1.7        | 1.9        | 2.1        | 2.2        | 2.1        | 2.0        | 2.0        | 2.0        | 2.0        | 2.0        | 0.1                   |
| <b>Unweighted average</b> |            |            |            |            |            |            |            |            |            |            |            |                       |
| <b>OECD-Average</b>       | <b>3.2</b> | <b>4.1</b> | <b>5.0</b> | <b>6.5</b> | <b>6.7</b> | <b>6.8</b> | <b>6.7</b> | <b>6.7</b> | <b>6.8</b> | <b>6.8</b> | <b>7.0</b> | <b>0.3</b>            |

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Table 1.A1.4. **Taxes on general consumption (5110) as percentage of total taxation**

|                           | 1965        | 1975        | 1985        | 1995        | 2000        | 2005        | 2010        | 2011        | 2012        | 2013        | 2014        | Difference<br>2010-14 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------------|
| Australia                 | 7.4         | 6.7         | 7.9         | 8.7         | 12.0        | 13.4        | 13.7        | 12.8        | 12.3        | 13.0        | 12.9        | -0.7                  |
| Austria                   | 18.7        | 19.8        | 21.0        | 18.6        | 18.8        | 18.8        | 18.9        | 18.6        | 18.6        | 18.2        | 18.0        | -0.9                  |
| Belgium                   | 21.1        | 16.2        | 15.7        | 15.3        | 16.2        | 16.2        | 16.4        | 16.1        | 15.8        | 15.5        | 15.4        | -1.0                  |
| Canada                    | 17.8        | 12.5        | 13.2        | 14.0        | 14.2        | 14.8        | 14.0        | 14.0        | 13.9        | 13.7        | 13.8        | -0.2                  |
| Chile                     |             |             |             | 40.6        | 41.8        | 37.8        | 38.5        | 37.0        | 37.7        | 40.8        | 41.6        | 3.2                   |
| Czech Republic            |             |             |             | 16.6        | 18.3        | 19.1        | 20.5        | 20.6        | 20.9        | 21.8        | 22.4        | 1.9                   |
| Denmark                   | 10.3        | 17.5        | 20.7        | 19.5        | 19.5        | 20.2        | 21.1        | 21.2        | 21.0        | 20.2        | 19.2        | -1.9                  |
| Estonia                   |             |             |             | 26.6        | 27.1        | 26.9        | 25.8        | 26.3        | 26.6        | 26.0        | 26.4        | 0.6                   |
| Finland                   | 18.5        | 15.6        | 18.3        | 17.4        | 17.4        | 19.9        | 20.4        | 20.9        | 21.1        | 21.3        | 21.0        | 0.7                   |
| France                    | 23.3        | 23.4        | 20.0        | 17.7        | 17.1        | 17.3        | 16.7        | 16.4        | 16.0        | 15.7        | 15.8        | -1.0                  |
| Germany                   | 16.5        | 14.6        | 15.8        | 17.4        | 18.4        | 18.0        | 20.0        | 19.7        | 19.4        | 19.2        | 19.0        | -1.0                  |
| Greece                    | 10.3        | 18.3        | 17.2        | 23.0        | 21.5        | 22.2        | 23.0        | 22.7        | 21.2        | 20.7        | 21.0        | -2.0                  |
| Hungary                   |             |             |             | 19.4        | 26.1        | 28.0        | 29.7        | 30.0        | 30.4        | 29.8        | 30.5        | 0.8                   |
| Iceland                   | 16.7        | 28.6        | 33.0        | 31.7        | 28.5        | 27.3        | 22.7        | 22.4        | 22.8        | 22.2        | 20.8        | -1.9                  |
| Ireland                   | 5.7         | 14.7        | 20.6        | 21.1        | 22.9        | 24.7        | 22.2        | 20.8        | 21.2        | 20.4        | 20.8        | -1.5                  |
| Israel                    |             |             |             | 30.3        | 26.5        | 27.6        | 29.9        | 29.7        | 29.7        | 30.1        | 30.9        | 1.0                   |
| Italy                     | 12.9        | 14.3        | 14.5        | 13.8        | 15.4        | 14.6        | 14.5        | 14.4        | 13.6        | 13.3        | 13.8        | -0.8                  |
| Japan                     | 0.0         | 0.0         | 0.0         | 5.4         | 9.1         | 9.5         | 9.6         | 9.4         | 9.2         | 9.2         | 12.2        | 2.6                   |
| Korea                     |             | 12.7        | 21.1        | 17.8        | 17.0        | 17.4        | 17.5        | 17.0        | 17.2        | 17.0        | 17.2        | -0.3                  |
| Latvia                    |             |             |             | 28.4        | 23.9        | 26.5        | 23.9        | 24.4        | 25.3        | 26.0        | 26.7        | 2.8                   |
| Luxembourg                | 12.4        | 12.1        | 12.8        | 12.4        | 13.4        | 16.1        | 17.0        | 17.7        | 18.4        | 19.0        | 19.6        | 2.6                   |
| Mexico                    |             |             | 15.9        | 22.2        | 22.8        | 26.7        | 26.9        | 26.4        | 26.7        | 23.7        | 25.6        | -1.4                  |
| Netherlands               | 12.4        | 14.4        | 16.2        | 16.2        | 17.3        | 19.2        | 18.7        | 18.1        | 18.0        | 17.8        | 17.2        | -1.5                  |
| New Zealand               | 7.7         | 9.0         | 10.4        | 22.8        | 24.9        | 23.8        | 30.7        | 31.0        | 30.0        | 30.0        | 29.9        | -0.8                  |
| Norway                    | 21.5        | 20.5        | 18.2        | 21.2        | 19.8        | 18.2        | 18.6        | 18.0        | 18.2        | 19.2        | 20.1        | 1.5                   |
| Poland                    |             |             |             | 16.2        | 21.0        | 23.2        | 24.4        | 24.8        | 22.4        | 22.1        | 22.2        | -2.1                  |
| Portugal                  | ..          | 11.2        | 12.6        | 23.3        | 24.4        | 26.6        | 24.7        | 25.0        | 26.2        | 23.6        | 24.8        | 0.0                   |
| Slovak Republic           |             |             |             | 20.8        | 20.4        | 24.7        | 22.1        | 23.4        | 21.1        | 21.0        | 21.3        | -0.8                  |
| Slovenia                  |             |             |             | 29.5        | 23.7        | 22.2        | 21.9        | 22.3        | 21.8        | 23.1        | 23.2        | 1.3                   |
| Spain                     | 22.2        | 15.3        | 14.7        | 15.9        | 17.6        | 17.7        | 16.7        | 16.4        | 16.6        | 17.8        | 18.1        | 1.4                   |
| Sweden                    | 10.4        | 12.0        | 14.0        | 19.4        | 17.1        | 18.5        | 21.5        | 21.5        | 21.3        | 21.1        | 21.3        | -0.2                  |
| Switzerland               | 10.6        | 8.7         | 10.7        | 12.1        | 13.4        | 13.7        | 13.0        | 13.1        | 13.3        | 13.3        | 13.1        | 0.1                   |
| Turkey                    | ..          | ..          | 23.3        | 31.1        | 24.2        | 21.8        | 21.7        | 21.8        | 20.8        | 22.0        | 20.4        | -1.3                  |
| United Kingdom            | 5.9         | 8.9         | 15.9        | 19.0        | 18.1        | 18.6        | 18.8        | 20.5        | 20.8        | 20.9        | 21.3        | 2.5                   |
| United States             | 4.8         | 7.0         | 7.9         | 8.1         | 7.6         | 8.1         | 8.4         | 8.3         | 8.2         | 7.9         | 7.9         | -0.5                  |
| <b>Unweighted average</b> |             |             |             |             |             |             |             |             |             |             |             |                       |
| <b>OECD-Average</b>       | <b>11.9</b> | <b>13.4</b> | <b>15.8</b> | <b>19.8</b> | <b>19.9</b> | <b>20.6</b> | <b>20.7</b> | <b>20.6</b> | <b>20.5</b> | <b>20.5</b> | <b>20.7</b> | <b>0.0</b>            |

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**Unweighted averages:** All member countries are taken into account for the calculation of the unweighted averages, including countries that had not implemented the relevant taxes for the year considered. They are counted with a value of zero in the numerator and 1 in the denominator. However, countries that did not exist at the time considered (Czech and Slovak Republics before 1993; Slovenia before 1991) are not included in the calculation of the averages. Are also excluded from the calculation of the averages the countries for which no data is available for the time considered (Chile before 1990, Estonia, Hungary and Israel before 1995, Korea before 1975; Mexico before 1980; Poland before 1995; and Slovak Republic before 2000).

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Table 1.A1.5. Taxes on specific goods and services (5120) as percentage of GDP

|                           | 1965       | 1975       | 1985       | 1995       | 2000       | 2005       | 2010       | 2011       | 2012       | 2013       | 2014       | Difference<br>2010-14 |
|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------------------|
| Australia                 | 4.7        | 4.9        | 5.7        | 4.1        | 4.3        | 3.6        | 3.0        | 3.0        | 3.0        | 3.0        | 2.9        | -0.1                  |
| Austria                   | 6.0        | 5.1        | 4.0        | 3.5        | 3.5        | 3.3        | 3.1        | 3.3        | 3.3        | 3.2        | 3.2        | 0.1                   |
| Belgium                   | 4.0        | 3.8        | 3.5        | 3.5        | 3.0        | 3.1        | 3.1        | 3.1        | 3.4        | 3.3        | 3.2        | 0.1                   |
| Canada                    | 4.2        | 4.3        | 4.1        | 3.4        | 3.0        | 2.9        | 2.6        | 2.5        | 2.5        | 2.4        | 2.4        | -0.2                  |
| Chile                     |            |            |            | 3.5        | 3.5        | 2.3        | 1.9        | 2.0        | 2.0        | 2.0        | 2.0        | 0.1                   |
| Czech Republic            |            |            |            | 4.5        | 3.6        | 3.4        | 3.5        | 3.7        | 3.7        | 3.7        | 2.9        | -0.6                  |
| Denmark                   | 8.5        | 5.6        | 5.8        | 5.5        | 5.5        | 5.4        | 4.4        | 4.4        | 4.4        | 4.5        | 4.3        | -0.1                  |
| Estonia                   |            |            |            | 2.8        | 3.3        | 3.9        | 4.4        | 4.5        | 4.6        | 4.4        | 4.5        | 0.0                   |
| Finland                   | 7.0        | 5.8        | 5.9        | 5.6        | 5.0        | 4.5        | 4.3        | 4.6        | 4.7        | 4.7        | 4.7        | 0.4                   |
| France                    | 4.8        | 3.1        | 3.7        | 3.8        | 3.5        | 3.2        | 3.1        | 3.3        | 3.4        | 3.5        | 3.5        | 0.4                   |
| Germany                   | 4.6        | 3.7        | 3.2        | 3.4        | 3.2        | 3.4        | 2.9        | 3.0        | 2.9        | 2.8        | 2.8        | -0.2                  |
| Greece                    | 5.8        | 4.5        | 5.1        | 4.6        | 3.8        | 3.0        | 3.7        | 4.2        | 4.1        | 4.4        | 4.5        | 0.7                   |
| Hungary                   |            |            |            | 8.5        | 5.3        | 3.9        | 4.5        | 4.6        | 4.8        | 5.0        | 4.8        | 0.2                   |
| Iceland                   | 11.5       | 9.8        | 7.3        | 4.3        | 4.0        | 4.2        | 3.5        | 3.6        | 3.7        | 3.5        | 3.4        | -0.1                  |
| Ireland                   | 10.6       | 8.3        | 7.4        | 5.5        | 4.2        | 3.4        | 3.0        | 2.9        | 2.8        | 2.9        | 2.9        | -0.2                  |
| Israel                    |            |            |            | 1.5        | 1.5        | 1.8        | 2.1        | 2.0        | 1.9        | 1.8        | 1.8        | -0.3                  |
| Italy                     | 5.9        | 3.4        | 3.0        | 4.3        | 3.9        | 3.6        | 3.8        | 4.0        | 4.4        | 4.3        | 4.4        | 0.6                   |
| Japan                     | 4.4        | 3.1        | 3.2        | 2.2        | 2.1        | 2.1        | 2.0        | 2.0        | 2.0        | 2.0        | 1.9        | -0.0                  |
| Korea                     |            | 7.0        | 5.9        | 4.0        | 4.2        | 3.6        | 3.5        | 2.9        | 3.0        | 2.9        | 2.7        | -0.9                  |
| Latvia                    |            |            |            | 2.7        | 3.8        | 3.7        | 3.8        | 3.6        | 3.4        | 3.4        | 3.4        | -0.4                  |
| Luxembourg                | 2.9        | 2.7        | 4.3        | 4.5        | 4.7        | 4.7        | 3.7        | 3.7        | 3.7        | 3.3        | 3.3        | -0.4                  |
| Mexico                    |            |            | 7.4        | 1.8        | 2.0        | 0.9        | 0.9        | 0.8        | 0.9        | 0.9        | 1.1        | 0.1                   |
| Netherlands               | 4.5        | 3.1        | 2.9        | 3.6        | 3.3        | 3.4        | 3.1        | 3.1        | 3.1        | 3.2        | 3.4        | 0.2                   |
| New Zealand               | 4.3        | 3.8        | 3.4        | 3.0        | 2.5        | 2.2        | 1.9        | 1.9        | 1.9        | 1.8        | 2.0        | 0.0                   |
| Norway                    | 5.4        | 6.3        | 7.6        | 6.2        | 4.0        | 3.4        | 3.2        | 3.0        | 2.8        | 2.8        | 2.8        | -0.5                  |
| Poland                    |            |            |            | 7.3        | 4.5        | 4.5        | 4.3        | 4.2        | 4.2        | 4.2        | 4.1        | -0.2                  |
| Portugal                  | 6.9        | 5.5        | 7.2        | 5.5        | 4.6        | 5.0        | 4.3        | 4.3        | 4.1        | 4.0        | 3.9        | -0.3                  |
| Slovak Republic           |            |            |            | 5.0        | 4.6        | 3.7        | 3.1        | 3.0        | 3.2        | 3.2        | 3.1        | 0.0                   |
| Slovenia                  |            |            |            | 3.2        | 4.4        | 4.1        | 5.1        | 5.0        | 5.5        | 5.4        | 5.3        | 0.2                   |
| Spain                     | 2.6        | 1.6        | 3.4        | 3.2        | 3.2        | 2.9        | 2.5        | 2.5        | 2.7        | 2.9        | 2.9        | 0.4                   |
| Sweden                    | 6.0        | 4.2        | 5.2        | 3.8        | 3.4        | 3.2        | 2.9        | 2.8        | 2.8        | 2.7        | 2.6        | -0.3                  |
| Switzerland               | 3.5        | 2.7        | 2.3        | 1.9        | 1.8        | 1.8        | 1.8        | 1.8        | 1.8        | 1.7        | 1.7        | -0.1                  |
| Turkey                    | 5.6        | 4.9        | 1.4        | 1.0        | 4.0        | 6.2        | 6.3        | 6.0        | 6.2        | 6.5        | 6.3        | 0.0                   |
| United Kingdom            | 7.4        | 5.1        | 4.9        | 4.3        | 4.1        | 3.4        | 3.5        | 3.6        | 3.6        | 3.5        | 3.4        | -0.1                  |
| United States             | 3.6        | 2.5        | 2.1        | 2.0        | 1.8        | 1.7        | 1.7        | 1.7        | 1.7        | 1.8        | 1.8        | 0.1                   |
| <b>Unweighted average</b> |            |            |            |            |            |            |            |            |            |            |            |                       |
| <b>OECD-Average</b>       | <b>5.6</b> | <b>4.6</b> | <b>4.6</b> | <b>3.9</b> | <b>3.6</b> | <b>3.4</b> | <b>3.3</b> | <b>3.3</b> | <b>3.3</b> | <b>3.3</b> | <b>3.3</b> | <b>-0.0</b>           |

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Table 1.A1.6. **Taxes on specific goods and services (5120) as percentage of total taxation**

|                           | 1965        | 1975        | 1985        | 1995        | 2000        | 2005        | 2010        | 2011        | 2012        | 2013       | 2014       | Difference<br>2010-14 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|-----------------------|
| Australia                 | 22.7        | 19.1        | 20.7        | 14.5        | 14.1        | 12.0        | 11.8        | 11.3        | 10.9        | 10.7       | 10.4       | -1.5                  |
| Austria                   | 18.0        | 14.0        | 9.9         | 8.6         | 8.2         | 8.2         | 7.5         | 8.1         | 7.9         | 7.6        | 7.4        | -0.1                  |
| Belgium                   | 13.0        | 9.8         | 8.0         | 8.3         | 6.9         | 7.2         | 7.4         | 7.2         | 7.8         | 7.2        | 7.1        | -0.2                  |
| Canada                    | 16.8        | 13.6        | 13.0        | 9.9         | 8.6         | 8.9         | 8.5         | 8.3         | 8.0         | 7.9        | 7.8        | -0.7                  |
| Chile                     |             |             |             | 19.2        | 18.8        | 10.9        | 9.8         | 9.4         | 9.4         | 9.9        | 10.3       | 0.5                   |
| Czech Republic            |             |             |             | 13.0        | 11.0        | 9.8         | 10.8        | 11.2        | 11.1        | 10.7       | 8.8        | -2.0                  |
| Denmark                   | 29.3        | 15.2        | 13.3        | 11.8        | 11.8        | 11.2        | 9.8         | 9.7         | 9.6         | 9.6        | 8.7        | -1.1                  |
| Estonia                   |             |             |             | 7.9         | 10.6        | 13.1        | 13.3        | 14.3        | 14.7        | 14.1       | 13.8       | 0.5                   |
| Finland                   | 23.4        | 16.0        | 15.2        | 12.5        | 10.9        | 10.7        | 10.4        | 11.0        | 11.0        | 10.8       | 10.6       | 0.2                   |
| France                    | 14.3        | 9.0         | 8.7         | 9.1         | 8.0         | 7.5         | 7.4         | 7.6         | 7.7         | 7.7        | 7.7        | 0.2                   |
| Germany                   | 14.6        | 10.8        | 8.7         | 9.5         | 8.8         | 9.9         | 8.4         | 8.4         | 7.9         | 7.8        | 7.6        | -0.8                  |
| Greece                    | 33.8        | 23.9        | 20.9        | 16.4        | 11.5        | 9.6         | 11.5        | 12.4        | 11.6        | 12.4       | 12.5       | 0.9                   |
| Hungary                   |             |             |             | 20.9        | 13.8        | 10.8        | 12.1        | 12.6        | 12.6        | 13.1       | 12.5       | 0.4                   |
| Iceland                   | 45.0        | 33.6        | 26.5        | 14.0        | 11.0        | 10.6        | 10.5        | 10.5        | 10.5        | 9.7        | 8.8        | -1.7                  |
| Ireland                   | 43.4        | 29.7        | 22.0        | 17.4        | 13.6        | 11.5        | 11.1        | 10.6        | 10.3        | 10.2       | 9.9        | -1.2                  |
| Israel                    |             |             |             | 4.3         | 4.3         | 5.3         | 6.8         | 6.5         | 6.4         | 5.9        | 5.8        | -1.0                  |
| Italy                     | 24.1        | 14.0        | 9.1         | 11.1        | 9.6         | 9.2         | 9.1         | 9.7         | 10.0        | 9.8        | 10.1       | 1.0                   |
| Japan                     | 25.0        | 15.1        | 12.1        | 8.3         | 8.0         | 7.7         | 7.2         | 7.1         | 6.9         | 6.7        | 6.0        | -1.1                  |
| Korea                     |             | 47.3        | 37.4        | 20.7        | 19.7        | 15.9        | 15.1        | 12.2        | 12.0        | 11.8       | 10.8       | -4.3                  |
| Latvia                    |             |             |             | 9.1         | 13.1        | 13.2        | 13.5        | 12.9        | 12.1        | 12.0       | 11.7       | -1.8                  |
| Luxembourg                | 11.1        | 8.4         | 11.3        | 12.9        | 12.6        | 12.3        | 9.8         | 9.8         | 9.5         | 8.8        | 8.7        | -1.1                  |
| Mexico                    |             |             | 48.6        | 15.9        | 14.5        | 7.1         | 6.7         | 6.0         | 6.5         | 5.9        | 7.2        | 0.5                   |
| Netherlands               | 14.7        | 8.1         | 7.2         | 9.4         | 8.8         | 9.5         | 8.7         | 8.7         | 8.5         | 8.7        | 9.0        | 0.3                   |
| New Zealand               | 18.5        | 13.8        | 11.7        | 8.6         | 7.5         | 6.2         | 6.4         | 6.3         | 6.0         | 5.8        | 6.0        | -0.3                  |
| Norway                    | 18.4        | 16.1        | 18.2        | 15.5        | 9.6         | 7.9         | 7.7         | 7.1         | 6.9         | 7.0        | 7.1        | -0.5                  |
| Poland                    |             |             |             | 19.3        | 13.5        | 13.6        | 13.9        | 13.4        | 13.1        | 13.2       | 12.7       | -1.2                  |
| Portugal                  | 44.0        | 28.9        | 29.7        | 18.8        | 14.8        | 16.1        | 14.1        | 13.3        | 12.9        | 11.7       | 11.6       | -2.6                  |
| Slovak Republic           |             |             |             | 12.6        | 13.7        | 11.9        | 11.0        | 10.5        | 11.1        | 10.5       | 9.9        | -1.0                  |
| Slovenia                  |             |             |             | 8.4         | 12.1        | 10.8        | 13.8        | 13.8        | 14.8        | 14.8       | 14.6       | 0.8                   |
| Spain                     | 18.4        | 8.7         | 12.8        | 10.3        | 9.6         | 8.3         | 8.0         | 7.8         | 8.3         | 8.7        | 8.7        | 0.6                   |
| Sweden                    | 19.2        | 10.7        | 11.6        | 8.3         | 7.0         | 6.8         | 6.8         | 6.6         | 6.7         | 6.4        | 6.1        | -0.7                  |
| Switzerland               | 21.3        | 11.9        | 9.5         | 7.4         | 6.6         | 6.8         | 7.0         | 6.5         | 6.6         | 6.4        | 6.3        | -0.7                  |
| Turkey                    | 53.5        | 40.9        | 12.4        | 6.0         | 16.4        | 25.5        | 24.1        | 21.7        | 22.4        | 22.4       | 22.0       | -2.1                  |
| United Kingdom            | 25.2        | 14.8        | 13.8        | 14.5        | 12.4        | 10.5        | 10.8        | 10.8        | 10.9        | 10.8       | 10.7       | -0.0                  |
| United States             | 15.1        | 10.0        | 8.4         | 7.6         | 6.3         | 6.7         | 7.0         | 7.2         | 7.1         | 6.9        | 6.8        | -0.2                  |
| <i>Unweighted average</i> |             |             |             |             |             |             |             |             |             |            |            |                       |
| <b>OECD-Average</b>       | <b>24.3</b> | <b>17.7</b> | <b>16.2</b> | <b>12.6</b> | <b>11.5</b> | <b>11.1</b> | <b>10.8</b> | <b>10.7</b> | <b>10.7</b> | <b>9.8</b> | <b>9.6</b> | <b>-1.2</b>           |

**Israel:** The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

**Unweighted averages:** All member countries are taken into account for the calculation of the unweighted averages, including countries that had not implemented the relevant taxes for the year considered. They are counted with a value of zero in the numerator and 1 in the denominator. However, countries that did not exist at the time considered (Czech and Slovak Republics before 1993; Slovenia before 1991) are not included in the calculation of the averages. Are also excluded from the calculation of the averages the countries for which no data is available for the time considered (Chile before 1990, Estonia, Hungary and Israel before 1995, Korea before 1975; Mexico before 1980; Poland before 1995; and Slovak Republic before 2000).

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Table 1.A1.7. Value added taxes (5111) as percentage of GDP

|                           | 1965       | 1975       | 1985       | 1995       | 2000       | 2005       | 2010       | 2011       | 2012       | 2013       | 2014       | Difference<br>2010-14 |
|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------------------|
| Australia                 | 0.0        | 0.0        | 0.0        | 0.0        | 3.4        | 3.9        | 3.4        | 3.3        | 3.3        | 3.5        | 3.5        | 0.1                   |
| Austria                   | 0.0        | 7.2        | 8.5        | 7.6        | 7.9        | 7.7        | 7.7        | 7.6        | 7.8        | 7.7        | 7.7        | 0.0                   |
| Belgium                   | 0.0        | 6.3        | 6.8        | 6.5        | 7.0        | 6.9        | 6.9        | 6.9        | 6.9        | 6.9        | 6.9        | 0.0                   |
| Canada                    | 0.0        | 0.0        | 0.0        | 2.9        | 3.2        | 3.2        | 4.2        | 4.2        | 4.2        | 4.1        | 4.2        | 0.0                   |
| Chile                     |            |            |            | 7.5        | 7.9        | 7.8        | 7.6        | 7.9        | 8.1        | 8.1        | 8.2        | 0.7                   |
| Czech Republic            |            |            |            | 5.8        | 6.0        | 6.6        | 6.7        | 6.9        | 7.0        | 7.4        | 7.4        | 0.7                   |
| Denmark                   | 3.0        | 6.5        | 9.1        | 9.1        | 9.2        | 9.7        | 9.5        | 9.6        | 9.6        | 9.4        | 9.5        | 0.0                   |
| Estonia                   |            |            |            | 9.6        | 8.4        | 8.1        | 8.5        | 8.2        | 8.4        | 8.2        | 8.6        | 0.0                   |
| Finland                   | 5.5        | 5.6        | 7.2        | 7.7        | 8.0        | 8.4        | 8.3        | 8.8        | 9.0        | 9.3        | 9.2        | 0.9                   |
| France                    | 6.8        | 8.1        | 8.2        | 7.3        | 7.2        | 7.2        | 6.8        | 6.8        | 6.8        | 6.8        | 6.9        | 0.1                   |
| Germany                   | 0.0        | 5.0        | 5.7        | 6.3        | 6.7        | 6.1        | 7.0        | 7.0        | 7.0        | 7.0        | 7.0        | 0.0                   |
| Greece                    | 0.0        | 0.0        | 0.0        | 6.1        | 6.9        | 6.7        | 7.1        | 7.3        | 7.2        | 7.0        | 7.1        | 0.1                   |
| Hungary                   |            |            |            | 7.3        | 8.7        | 8.3        | 8.6        | 8.5        | 9.2        | 9.0        | 9.4        | 0.8                   |
| Iceland                   | 0.0        | 0.0        | 0.0        | 9.1        | 10.4       | 10.8       | 7.6        | 7.7        | 8.0        | 8.0        | 8.1        | 0.5                   |
| Ireland                   | 0.0        | 4.1        | 6.9        | 6.7        | 7.1        | 7.3        | 6.0        | 5.6        | 5.8        | 5.8        | 6.0        | -0.1                  |
| Israel                    |            |            |            | 8.3        | 7.4        | 7.5        | 7.5        | 7.5        | 7.3        | 7.7        | 8.0        | 0.6                   |
| Italy                     | 0.0        | 3.4        | 4.7        | 5.3        | 6.3        | 5.7        | 6.1        | 6.0        | 6.0        | 5.9        | 6.0        | -0.1                  |
| Japan                     |            |            |            | 1.4        | 2.4        | 2.6        | 2.6        | 2.7        | 2.7        | 2.8        | 3.9        | 1.3                   |
| Korea                     |            | 0.0        | 3.3        | 3.4        | 3.7        | 3.9        | 4.1        | 4.1        | 4.3        | 4.1        | 4.2        | 0.1                   |
| Latvia                    |            |            |            | 8.4        | 7.0        | 7.4        | 6.7        | 6.8        | 7.2        | 7.4        | 7.6        | 0.9                   |
| Luxembourg                | 0.0        | 3.8        | 4.8        | 4.3        | 5.0        | 6.1        | 6.5        | 6.7        | 7.2        | 7.2        | 7.5        | 1.1                   |
| Mexico                    |            |            | 2.4        | 2.5        | 3.1        | 3.4        | 3.8        | 3.7        | 3.7        | 3.5        | 3.9        | 0.1                   |
| Netherlands               | 0.0        | 5.5        | 6.4        | 6.1        | 6.4        | 6.8        | 6.8        | 6.5        | 6.5        | 6.5        | 6.4        | -0.3                  |
| New Zealand               | 0.0        | 0.0        | 0.0        | 8.1        | 8.1        | 8.6        | 9.3        | 9.4        | 9.6        | 9.4        | 9.7        | 0.4                   |
| Norway                    | 0.0        | 8.0        | 7.6        | 8.5        | 8.2        | 7.7        | 7.8        | 7.6        | 7.5        | 7.7        | 7.7        | 0.0                   |
| Poland                    |            |            |            | 6.1        | 6.9        | 7.7        | 7.6        | 7.8        | 7.1        | 7.0        | 7.1        | -0.5                  |
| Portugal                  | 0.0        | 0.0        | 0.0        | 6.8        | 7.6        | 8.2        | 7.5        | 8.1        | 8.3        | 8.1        | 8.5        | 0.9                   |
| Slovak Republic           |            |            |            | 8.2        | 6.9        | 7.7        | 6.2        | 6.7        | 6.0        | 6.4        | 6.6        | 0.4                   |
| Slovenia                  |            |            |            | 0.0        | 8.5        | 8.4        | 8.1        | 8.1        | 8.0        | 8.5        | 8.5        | 0.4                   |
| Spain                     | 0.0        | 0.0        | 0.0        | 5.0        | 5.9        | 6.2        | 5.3        | 5.2        | 5.4        | 5.9        | 6.1        | 0.9                   |
| Sweden                    | 0.0        | 4.7        | 6.3        | 8.8        | 8.3        | 8.5        | 9.2        | 9.0        | 8.9        | 9.0        | 9.0        | -0.1                  |
| Switzerland               | 0.0        | 0.0        | 0.0        | 3.1        | 3.6        | 3.6        | 3.4        | 3.5        | 3.5        | 3.5        | 3.5        | 0.1                   |
| Turkey                    |            |            | 2.6        | 4.1        | 5.8        | 5.3        | 5.7        | 6.1        | 5.8        | 6.4        | 5.9        | 0.2                   |
| United Kingdom            | 0.0        | 3.0        | 5.6        | 5.7        | 5.9        | 6.0        | 6.1        | 6.8        | 6.8        | 6.8        | 6.8        | 0.7                   |
| United States             | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0                   |
| <b>Unweighted average</b> |            |            |            |            |            |            |            |            |            |            |            |                       |
| <b>OECD-Average</b>       | <b>0.6</b> | <b>3.1</b> | <b>3.9</b> | <b>5.8</b> | <b>6.4</b> | <b>6.6</b> | <b>6.5</b> | <b>6.5</b> | <b>6.6</b> | <b>6.6</b> | <b>6.8</b> | <b>0.3</b>            |

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**Unweighted averages:** All member countries are taken into account for the calculation of the unweighted averages, including countries that had not implemented the relevant taxes for the year considered. They are counted with a value of zero in the numerator and 1 in the denominator. However, countries that did not exist at the time considered (Czech and Slovak Republics before 1993; Slovenia before 1991) are not included in the calculation of the averages. Are also excluded from the calculation of the averages the countries for which no data is available for the time considered (Chile before 1990, Estonia, Hungary and Israel before 1995, Korea before 1975; Mexico before 1980; Poland before 1995; and Slovak Republic before 2000).

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Table 1.A1.8. Value added taxes (5111) as percentage of total taxation

|                           | 1965       | 1975       | 1985        | 1995        | 2000        | 2005        | 2010        | 2011        | 2012        | 2013        | 2014        | Difference<br>2010-14 |
|---------------------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------------|
| Australia                 | 0.0        | 0.0        | 0.0         | 0.0         | 11.1        | 13.1        | 13.3        | 12.5        | 12.1        | 12.7        | 12.6        | -0.7                  |
| Austria                   | 0.0        | 19.8       | 21.0        | 18.6        | 18.8        | 18.8        | 18.9        | 18.6        | 18.6        | 18.2        | 18.0        | -0.9                  |
| Belgium                   | 0.0        | 16.2       | 15.7        | 15.2        | 16.1        | 15.9        | 16.2        | 15.9        | 15.7        | 15.4        | 15.3        | -1.0                  |
| Canada                    | 0.0        | 0.0        | 0.0         | 8.4         | 9.2         | 9.9         | 13.7        | 13.7        | 13.7        | 13.4        | 13.5        | -0.2                  |
| Chile                     |            |            |             | 40.6        | 41.8        | 37.8        | 38.5        | 37.0        | 37.7        | 40.8        | 41.6        | 3.2                   |
| Czech Republic            |            |            |             | 16.6        | 18.3        | 19.1        | 20.5        | 20.6        | 20.9        | 21.8        | 22.4        | 1.9                   |
| Denmark                   | 10.3       | 17.5       | 20.7        | 19.5        | 19.5        | 20.2        | 21.1        | 21.2        | 21.0        | 20.2        | 19.2        | -1.9                  |
| Estonia                   |            |            |             | 26.6        | 27.1        | 26.9        | 25.7        | 26.0        | 26.6        | 26.0        | 26.4        | 0.7                   |
| Finland                   | 18.5       | 15.6       | 18.3        | 17.4        | 17.4        | 19.9        | 20.4        | 20.9        | 21.1        | 21.3        | 21.0        | 0.7                   |
| France                    | 20.1       | 23.1       | 19.7        | 17.4        | 16.7        | 16.7        | 16.1        | 15.8        | 15.4        | 15.1        | 15.2        | -0.9                  |
| Germany                   | 0.0        | 14.6       | 15.8        | 17.4        | 18.4        | 18.0        | 20.0        | 19.7        | 19.4        | 19.2        | 19.0        | -1.0                  |
| Greece                    | 0.0        | 0.0        | 0.0         | 22.0        | 20.8        | 21.5        | 21.9        | 21.5        | 20.2        | 19.6        | 20.0        | -1.9                  |
| Hungary                   |            |            |             | 17.8        | 22.4        | 22.5        | 22.9        | 23.2        | 23.8        | 23.5        | 24.5        | 1.6                   |
| Iceland                   | 0.0        | 0.0        | 0.0         | 29.9        | 28.5        | 27.3        | 22.7        | 22.4        | 22.8        | 22.2        | 20.8        | -1.9                  |
| Ireland                   | 0.0        | 14.7       | 20.6        | 21.1        | 22.9        | 24.7        | 22.2        | 20.8        | 21.2        | 20.4        | 20.8        | -1.5                  |
| Israel                    |            |            |             | 23.2        | 21.2        | 22.4        | 24.5        | 24.4        | 24.5        | 25.2        | 25.7        | 1.2                   |
| Italy                     | 0.0        | 13.7       | 14.5        | 13.8        | 15.4        | 14.6        | 14.5        | 14.4        | 13.6        | 13.3        | 13.8        | -0.8                  |
| Japan                     |            |            |             | 5.4         | 9.1         | 9.5         | 9.6         | 9.4         | 9.2         | 9.2         | 12.2        | 2.6                   |
| Korea                     |            | 0.0        | 21.1        | 17.8        | 17.0        | 17.4        | 17.5        | 17.0        | 17.2        | 17.0        | 17.2        | -0.3                  |
| Latvia                    |            |            |             | 28.4        | 23.9        | 26.5        | 23.9        | 24.4        | 25.3        | 26.0        | 26.3        | 2.4                   |
| Luxembourg                | 0.0        | 12.1       | 12.8        | 12.4        | 13.4        | 16.1        | 17.0        | 17.7        | 18.4        | 19.0        | 19.6        | 2.6                   |
| Mexico                    |            |            | 15.9        | 22.2        | 22.8        | 26.7        | 26.9        | 26.4        | 26.7        | 23.7        | 25.6        | -1.4                  |
| Netherlands               | 0.0        | 14.4       | 16.2        | 16.2        | 17.3        | 19.2        | 18.7        | 18.1        | 17.9        | 17.8        | 17.2        | -1.5                  |
| New Zealand               | 0.0        | 0.0        | 0.0         | 22.8        | 24.9        | 23.8        | 30.7        | 31.0        | 30.0        | 30.0        | 29.9        | -0.8                  |
| Norway                    | 0.0        | 20.5       | 18.2        | 21.2        | 19.7        | 18.1        | 18.5        | 18.0        | 18.2        | 19.2        | 20.0        | 1.5                   |
| Poland                    |            |            |             | 16.1        | 21.0        | 23.2        | 24.4        | 24.8        | 22.4        | 22.1        | 22.2        | -2.1                  |
| Portugal                  | 0.0        | 0.0        | 0.0         | 23.3        | 24.4        | 26.6        | 24.7        | 25.0        | 26.2        | 23.6        | 24.8        | 0.0                   |
| Slovak Republic           |            |            |             | 20.8        | 20.4        | 24.7        | 22.1        | 23.4        | 21.1        | 21.0        | 21.3        | -0.8                  |
| Slovenia                  |            |            |             | 0.0         | 23.3        | 22.2        | 21.9        | 22.3        | 21.8        | 23.1        | 23.2        | 1.3                   |
| Spain                     | 0.0        | 0.0        | 0.0         | 15.9        | 17.6        | 17.7        | 16.7        | 16.4        | 16.6        | 17.8        | 18.1        | 1.4                   |
| Sweden                    | 0.0        | 12.0       | 14.0        | 19.4        | 16.9        | 18.3        | 21.2        | 21.3        | 21.0        | 20.9        | 21.1        | -0.1                  |
| Switzerland               | 0.0        | 0.0        | 0.0         | 12.1        | 13.2        | 13.5        | 12.8        | 12.8        | 13.1        | 13.1        | 12.9        | 0.1                   |
| Turkey                    |            |            | 22.3        | 24.3        | 24.2        | 21.8        | 21.7        | 21.8        | 20.8        | 22.0        | 20.4        | -1.3                  |
| United Kingdom            | 0.0        | 8.9        | 15.9        | 19.0        | 18.1        | 18.6        | 18.8        | 20.5        | 20.8        | 20.9        | 21.3        | 2.5                   |
| United States             | 0.0        | 0.0        | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0                   |
| <i>Unweighted average</i> |            |            |             |             |             |             |             |             |             |             |             |                       |
| <b>OECD-Average</b>       | <b>2.2</b> | <b>8.8</b> | <b>11.3</b> | <b>17.8</b> | <b>19.2</b> | <b>19.8</b> | <b>20.0</b> | <b>20.0</b> | <b>19.8</b> | <b>19.8</b> | <b>20.1</b> | <b>0.1</b>            |

**Israel:** The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

**Unweighted averages:** All member countries are taken into account for the calculation of the unweighted averages, including countries that had not implemented the relevant taxes for the year considered. They are counted with a value of zero in the numerator and 1 in the denominator. However, countries that did not exist at the time considered (Czech and Slovak Republics before 1993; Slovenia before 1991) are not included in the calculation of the averages. Are also excluded from the calculation of the averages the countries for which no data is available for the time considered (Chile before 1990, Estonia, Hungary and Israel before 1995, Korea before 1975; Mexico before 1980; Poland before 1995; and Slovak Republic before 2000).

Source: Revenue Statistics 2016, OECD Publishing, Paris DOI: [http://dx.doi.org/10.1787/rev\\_stats-2016-en-fr](http://dx.doi.org/10.1787/rev_stats-2016-en-fr).


StatLink  <http://dx.doi.org/10.1787/888933420056>

Table 1.A1.9. **Tax structures in the OECD area**<sup>1</sup>

|  | 1965       | 1975       | 1985       | 1995       | 2005       | 2010       | 2014       |
|--|------------|------------|------------|------------|------------|------------|------------|
| Personal income tax                        | 26         | 30         | 30         | 26         | 23         | 23         | 24         |
| Corporate income tax                       | 9          | 8          | 8          | 8          | 10         | 9          | 9          |
| Social security contributions <sup>2</sup> | 18         | 22         | 22         | 25         | 25         | 27         | 25         |
| (employee)                                 | (6)        | (7)        | (7)        | (8)        | (9)        | (9)        | (10)       |
| (employer)                                 | (10)       | (14)       | (13)       | (15)       | (15)       | (15)       | (15)       |
| Payroll taxes                              | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| Property taxes                             | 8          | 6          | 5          | 5          | 6          | 5          | 6          |
| General consumption taxes                  | 12         | 13         | 16         | 20         | 21         | 21         | 21         |
| (of which VAT)                             | (2)        | (9)        | (11)       | (18)       | (20)       | (20)       | (20)       |
| Specific consumption taxes                 | 24         | 18         | 16         | 12         | 10         | 10         | 10         |
| All other taxes                            | 2          | 2          | 2          | 3          | 4          | 4          | 4          |
| <b>Total</b>                               | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> |

1. Percentage share of major tax categories in total tax revenue.

2. Including social security contributions paid by the self-employed and benefit recipients (heading 2300) that are not shown in the breakdown over employees and employers.

Source: Revenue Statistics 2016, OECD Publishing, Paris DOI: [http://dx.doi.org/10.1787/rev\\_stats-2016-en-fr](http://dx.doi.org/10.1787/rev_stats-2016-en-fr).


StatLink  <http://dx.doi.org/10.1787/888933420061>


Table 1.A1.10. VAT relief for low value imports<sup>1</sup>

| Country         | Currency | Threshold in Local currency <sup>2</sup> | Threshold in USD <sup>3</sup> |
|-----------------|----------|--|-------------------------------|
| Australia*      | AUD      | 1 000                                    | 671                           |
| Austria         | EUR      | 22                                       | 27                            |
| Belgium         | EUR      | 22                                       | 27                            |
| Canada          | CAD      | 20                                       | 16                            |
| Chile           | CLP      | 0  | 0                             |
| Czech Republic  | EUR      | 22                                       | 46                            |
| Denmark         | EUR      | 10                                       | 11                            |
| Estonia         | EUR      | 22                                       | 39                            |
| Finland         | EUR      | 22                                       | 24                            |
| France*         | EUR      | 22                                       | 27                            |
| Germany         | EUR      | 22                                       | 28                            |
| Greece          | EUR      | 22                                       | 36                            |
| Hungary         | EUR      | 22                                       | 51                            |
| Iceland*        | ISK      | 2 000                                    | 14                            |
| Ireland         | EUR      | 22                                       | 26                            |
| Israel*         | USD      | 75                                       | 75                            |
| Italy           | EUR      | 22                                       | 29                            |
| Japan           | JPY      | 10 000                                   | 95                            |
| Korea*          | USD      | 150                                      | 150                           |
| Latvia          | EUR      | 22                                       | 43                            |
| Luxembourg      | EUR      | 22                                       | 24                            |
| Mexico*         | USD      | 300/50                                   | 300/50                        |
| Netherlands     | EUR      | 22                                       | 27                            |
| New Zealand*    | NZD      | 400                                      | 282                           |
| Norway*         | NOK      | 350                                      | 36                            |
| Poland*         | EUR      | 22                                       | 51                            |
| Portugal        | EUR      | 22                                       | 37                            |
| Slovak Republic | EUR      | 22                                       | 44                            |
| Slovenia        | EUR      | 22                                       | 37                            |
| Spain           | EUR      | 22                                       | 33                            |
| Sweden          | EUR      | 22                                       | 23                            |
| Switzerland*    | CHF      | 62                                       | 48                            |
| Turkey          | TRY      |  | 0                             |
| United Kingdom* | GBP      | 15                                       | 22                            |

\* See country notes in Box 1.A1.10.

1. This table shows VAT collection thresholds for low value import items dispatched by a foreign supplier to a buyer in the given country. It does not cover other import scenarios such as imports of goods exchanged between private individuals or imports of goods in the personal luggage of travellers (see Table 1.A1.13). Imports of excisable goods are generally excluded from the tax reliefs.
2. Amounts in local currency: for Member States of the European Union, the threshold is mentioned in Euro (EUR) even for those that do not have the Euro as national currency (i.e. Czech Republic, Denmark, Hungary, Poland and Sweden), with the exception of the United Kingdom. Indeed the threshold applied in EU countries is determined in EUR by common EU legislation (Directive 2009/132/EC states that Member States shall exempt the import of goods whose value does not exceed EUR 10. They may grant an exemption for goods whose value does not exceed EUR 22). The amount in EUR is converted into USD as follows: it is first converted into local currency at market exchange rate (Eurostat average 2015) and then into USD at PPP exchange rate. For Mexico, the threshold is not provided in local currency in national legislation but in USD only. Except stated otherwise in the country notes, the amount reflects the intrinsic value of the goods (excluding freight, insurance and other costs and taxes).
3. Amounts are converted into USD at Purchase Parity Rates (PPPs). PPPs are the rates of currency conversion that equalise the purchasing power of different countries by eliminating differences in price levels between countries. They show the specified number of monetary units needed in each country to buy the same representative basket of consumer goods and services, which costs USD 1 in the United States. The currency conversion rates used in Consumption Tax Trends are the PPP rates for GDP (see Annex A).

Source: National delegations Position as at 1 January 2016.

StatLink  <http://dx.doi.org/10.1787/888933420074>

### Box 1.A1.10. Country notes

**Australia:** The application of the GST will be extended to low value goods imported by consumers from 1 July 2017. Foreign suppliers that have an Australian turnover of AUD 75 000 or more will be required to register for collecting and remitting the GST for low value goods supplied to consumers in Australia, using a vendor registration model.

**France:** The threshold does not apply to goods imported on mail order.

**Iceland:** The threshold applies only to the importation of goods via “express deliveries”. An exemption threshold of ISK 1 500 applies to imports of goods by importers registered for VAT purposes in Iceland.

**Israel:** The threshold is given in USD in national legislation. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

**Korea:** The threshold is given in USD in national legislation. Postal parcels and express consignments are exempt if their value does not exceed USD 150 and the quantity is such that the customs authorities recognise the goods as for personal use.

**Mexico:** The threshold is given in USD in national legislation. The threshold is of USD 300 if the importation is made by the postal service and USD 50 if the importation is made by courier services.

**New Zealand:** The threshold is not based on the value of the goods but on the amount of tax. Customs duty and VAT are not levied if the amount of tax due is NZD 60 or less. For ease of comparison, the equivalent threshold under the standard GST rate without applicable customs duties is shown in the table above i.e.  $\text{NZD } 400 \times 15\% \text{ GST} = \text{NZD } 60$ .

**Norway:** Freight and insurance costs are included in the value of the threshold.

**Poland:** The threshold does not apply to goods imported on mail order.

**Switzerland:** The threshold is not based on the value of the goods but on the amount of tax. VAT is not levied if the amount of tax due is CHF 5 or less per declaration. For ease of comparison, the equivalent threshold under the standard VAT rate is shown in the table above i.e.  $\text{CHF } 62 \times 8\% \text{ VAT} = \text{CHF } 5$ . For goods taxed under the reduced rate of 2.5% (e.g. books) the value of the threshold would be max. CHF 200 till the tax amount of 5 CHF is reached.

**United Kingdom:** There is no low value consignments relief on imports of goods into the UK from the Channel Islands purchased as part of a mail order/distance sale transaction.



Table 1.A1.11. **Mechanisms for collecting VAT on cross-border supplies of services and intangibles from non-resident suppliers (“inbound supplies”)**

| Country        | VAT collection mechanism   | Proxies for determining place of taxation   | Threshold  |
|----------------|--|---|--|
| Australia*     | <b>B2C:</b> inbound supplies of services and intangibles are not taxed (unless supplies are made through a non-resident establishment in Australia). The rules will change as of 1 July 2017 (see country note).<br><b>B2B:</b> inbound supplies of services and intangibles are taxed only if the customer has limited right to deduct input GST. The business customer is liable to collect and pay any GST due under the reverse charge mechanism.  | Place of supplier or place of performance in Australia, with exceptions for proxies that lead to a conclusion that the effective use or enjoyment is outside Australia. The rules will change as of 1 July 2017 (see country note). | Not applicable   |
| Austria        | European Union scheme (see below)  |   |  |
| Belgium        | European Union scheme (see below)  |   |  |
| Canada         | <b>B2C:</b> inbound supplies of services and intangibles are taxed. The consumer is liable to pay and remit the GST under the reverse charge mechanism.<br><b>B2B:</b> inbound supplies of services and intangibles are taxed only if the customer has limited right to deduct input GST. The business customer is liable to pay and remit any GST due under the reverse charge mechanism.   | <b>B2C and B2B:</b> recipient’s usual residence or location.  | Not applicable   |
| Chile          | No distinction between <b>B2B and B2C:</b> the customer is liable to pay the VAT.  | The service or intangible is used in Chile or is rendered in Chile.   | No threshold   |
| Czech Republic | European Union scheme (see below)  |   |  |
| Denmark        | European Union scheme (see below)  |   |  |
| Estonia        | European Union scheme (see below)  |   |  |
| Finland        | European Union scheme (see below)  |   |  |
| France         | European Union scheme (see below)  |   |  |
| Germany        | European Union scheme (see below)  |   |  |
| Greece         | European Union scheme (see below)  |   |  |
| Hungary        | European Union scheme (see below)  |   |  |
| Iceland        | <b>B2C:</b> inbound supplies of services and intangibles are subject to VAT. The supplier must register under standard procedure (no simplified registration and compliance scheme is available) for supplies of “electronic services” made to customers having their residency or fixed place of business (not registered for VAT purposes) in Iceland. No tax agent/fiscal representative is required.<br><b>B2B:</b> supplies of services and intangibles are VAT exempt if the customer has a full right of deduction. If not, the same procedure applies as for B2C supplies. | <b>B2C:</b> customer’s usual residence.<br><b>B2B:</b> customer’s permanent place of business.  | ISK 1 million<br>(USD 7 800)<br>Same as for domestic suppliers   |
| Ireland        | European Union scheme (see below)  |   |  |
| Israel*        | <b>B2C and B2B:</b> the customer is liable to report and pay the VAT on inbound supplies of services and intangibles.  | <b>B2C and B2B:</b> the residence of the customer is in Israel or the supply is connected to an asset in Israel.  |  |
| Italy          | European Union scheme (see below).   |   |  |
| Japan          | <b>B2C:</b> suppliers of inbound “electronic services” to Japanese residents shall account for Japan Consumption Tax (VAT). Electronic services are services provided via electronic communication networks, – e.g. the Internet, such as the provision of e-books, music and advertisements.<br><b>B2B:</b> the reverse charge mechanism applies to inbound B2B “electronic services”. A foreign business shall notify its Japanese customers that they (customers) shall account for VAT under the reverse charge mechanism.   | <b>B2C and B2B:</b> the place of customer is in Japan (i.e. address or domicile for private customers and head office or principal office for businesses).  | JPY 10 million<br>(USD 95.000)<br>Same as for domestic suppliers |
| Korea          | <b>B2C:</b> inbound supplies of “electronic services” as defined by law are taxed. The supplier is required to register and account for VAT under a simplified registration through a fiscal representative (“pay only” registration).<br><b>B2B:</b> out of the scope.  | <b>B2C:</b> customer location.<br><b>B2B:</b> not applicable.   | No threshold   |
| Latvia         | European Union scheme (see below)  |   |  |
| Luxembourg     | European Union scheme (see below)  |   |  |

Table 1.A1.11. **Mechanisms for collecting VAT on cross-border supplies of services and intangibles from non-resident suppliers (“inbound supplies”)** (cont.)

| Country         | VAT collection mechanism  | Proxies for determining place of taxation   | Threshold  |
|-----------------|---|---|--|
| Mexico          | <b>B2C and B2B:</b> inbound supplies of services and intangibles are taxable. The customer (B or C) should self-assess the VAT. However, final consumers are not likely to report since there is no economic effect or sanctions imposed for non-reporting.   | Services: consumption or physical presence of the customer in the country.<br>Intangibles: residence of the acquirer or place of use. | No threshold   |
| Netherlands     | European Union scheme (see below)   |   |  |
| New Zealand     | <b>B2C:</b> from 1 October 2016, non-resident suppliers that make cross-border supplies of services and intangibles to New Zealand consumers of more than NZD 60.000 in a 12-month period are required to register and account for GST.<br><br><b>B2B:</b> Non-resident suppliers are not required to return GST on cross-border supplies of services and intangibles to GST-registered businesses. The reverse charge may apply if GST-registered recipients use these cross-border services for non-taxable purposes.   | <b>B2C:</b> customer’s usual residence.<br><b>B2B:</b> Customer’s location.   | NZD 60 000<br>(USD 41 000)<br>Same as for domestic suppliers |
| Norway          | <b>B2C:</b> inbound supplies of electronic services are subject to VAT. The supplier must register for VAT. A simplified “pay only” registration (without tax representative) is available under a fully electronic procedure. Standard registration procedure (with right to deduct input tax) is also available.<br><br><b>B2B:</b> supplies of services and intangibles are taxed under the reverse charge mechanism.  | <b>B2C:</b> Customer’s usual residence.<br><b>B2B:</b> Customer’s location.   | NOK 50 000<br>(USD 5 000)<br>Same as for domestic suppliers  |
| Poland          | European Union scheme (see below)   |   |  |
| Portugal        | European Union scheme (see below)   |   |  |
| Slovak Republic | European Union scheme (see below)   |   |  |
| Slovenia        | European Union scheme (see below)   |   |  |
| Spain           | European Union scheme (see below)   |   |  |
| Sweden          | European Union scheme (see below)   |   |  |
| Switzerland*    | <b>B2C:</b> inbound supplies of services and intangibles are subject to VAT. The foreign supplier must register for VAT under the standard registration procedure (no simplified procedure is available; the appointment of a tax agent is required). The customer is liable to pay the VAT if the supplier has not registered and its on-line purchases exceed CHF 10 000 per year.<br><br><b>B2B:</b> most of the inbound supplies of services and intangibles are taxed under the reverse charge mechanism, unless the foreign supplier is registered for VAT to account for B2C supplies. | <b>B2C:</b> Customer’s usual residence.<br><b>B2B:</b> Customer’s location.   | CHF 100 000<br>(USD 100 000)                                 |
| Turkey          | <b>B2C:</b> inbound supplies of services and intangibles are taxed. The consumer is liable to collect and pay the GST under a self-assessment procedure.<br><br><b>B2B:</b> inbound supplies of services and intangibles are taxed under the reverse charge mechanism.  | Effective use and enjoyment.  | No threshold   |
| United Kingdom  | European Union scheme (see below)   |   |  |
| European Union  | <b>B2C:</b> inbound supplies of telecommunication, electronic and broadcasting services are subject to VAT. The non-EU supplier can opt to register for VAT under the “Mini One Stop Shop” mechanism. Through that mechanism, a simplified “pay only” registration (without tax representative) is available under a fully electronic procedure.<br><br><b>B2B:</b> supplies of services and intangibles are generally taxed under the reverse charge mechanism.  | <b>B2C:</b> Customer’s usual residence.<br><b>B2B:</b> Customer’s location.   | No threshold   |

\* See country notes in Box 1.A1.11.

Notes: In the context of this table:

- “services and intangibles” refer to any supply of service or intangible by a non-resident supplier (with no establishment whatsoever in the customer’s country).
- “pay only registration” refers to a VAT registration regime for non-resident suppliers that seeks only the collection of VAT on inbound supplies of services and intangibles from these suppliers, without granting the right for these suppliers to deduct any VAT incurred in the taxing jurisdiction (although a refund or other relief procedure may be available).

**Box 1.A1.11. Country notes**

**Australia:** From 1 July 2017, B2C suppliers of services and intangibles will be required to register for and charge GST on their sales to Australian consumers, if their Australian turnover exceeds AUD 75 000. Both a full and simplified (pay only) registration will be available. The proxy for determining the place of taxation for B2C supplies will be the customer's usual residence. The rules applicable to B2B supplies will not be changed.

**Israel:** A draft bill was published on 13 March 2016 to amend the VAT law to require, if passed, non-resident suppliers of digital B2C services to register for VAT in Israel (simplified registration procedure). The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

**Switzerland:** For B2B supplies, the reverse charge mechanism only applies for supplies taxed in Switzerland according to the place of the customer. The reverse charge mechanism does not apply and the supplier must register for VAT for services taxed in Switzerland according to other proxies (e.g. the location of the immovable property to which the supply is connected). The law is currently under revision to determine the threshold for mandatory registration of the non-resident supplier with regard to its global turnover rather than its turnover made in Switzerland.

Table 1.A1.12. **Application of domestic reverse charge and split payment mechanisms**

|                | Domestic reverse charge system <sup>1</sup>  | Domestic split payment mechanism <sup>2</sup>   |
|----------------|--|---|
| Australia      | -  | -   |
| Austria        | <p>Supply of laptops, tablets, PCs, game consoles, mobile phones and integrated circuit devices if the amount of the invoice is at least EUR 5 000.</p> <p>Supply of gas and electric energy to taxable dealers.</p> <p>Supply of gas and electric energy certificates.</p> <p>Supply of CO<sub>2</sub> emission allowances.</p> <p>Supply of certain metals and of taxable investment gold.</p> <p>Supply of scrap and industrial and non-industrial waste and recyclable waste.</p> <p>Construction services if the recipient is acting as general contractor or if he usually is rendering construction services.</p> <p>Supplies of staff engaged in the construction sector.</p> <p>Supply of goods provided as security by a VAT taxable person to another person in execution of that security.</p> <p>Supply of goods following the cession of the reservation of ownership to an assignee and the exercising of this right by the assignee.</p> <p>Supply of immovable property sold by the judgment debtor in a compulsory sale procedure to another person.</p> |   |
| Belgium        | <p>Some supplies of investment gold and of gold products of a purity of at least 325 thousands.</p> <p>Supply of work on immovable property under several conditions.</p> <p>Supplies of staff engaged in the construction sector.</p> <p>Supply of CO<sub>2</sub> emissions allowances.</p>   |   |
| Canada         | <p>Certain purchasers of real property are required to self-assess (e.g. when the supplier is a non-resident; or when the purchaser is registered for GST/HST and, if he is an individual, the property is not a residential complex).</p> <p>In certain circumstances, persons may be required to self-assess the provincial part of the HST when certain property or services are moved from one province to another.</p>  |   |
| Chile          | <p>Supplies of rice, construction works, waste, marine species, livestock, legumes, wood, wild products, wheat and berries. The customer (who must be a VAT taxpayer) acts as a withholding agent.</p>   |   |
| Czech Republic | <p>Supply of taxable investment gold and gold material of purity equal to or greater than 333 thousandths.</p> <p>Supply of designated categories of scrap and waste.</p> <p>Supply of CO<sub>2</sub> emission allowances.</p> <p>Supply of construction and assembly services provided between taxable persons registered for Czech VAT.</p> <p>Supply of mobile phones, integrated circuit devices, notebooks, tablets and videogame consoles.</p> <p>Supply of certain metals and basic products from metals.</p> <p>Supply of cereals and industrial crops, including oil seeds and sugar beet.</p> <p>Supply of immovable property under the option for taxation.</p> <p>Supply of gas and electric energy to taxable dealers (from 1 February 2016).</p> <p>Supply of gas and electric energy certificates (from 1 February 2016).</p>   | <p>There is a special method for securing the payment of VAT that can be used when a recipient of a taxable supply wants to avoid being declared joint and severally liable for the unpaid taxes by the supplier. Similarly to the split payment mechanism, for these cases the recipient can pay the VAT due directly to the account of the supplier's tax office.</p> |
| Denmark        | <p>Supply of CO<sub>2</sub> emission allowances.</p> <p>Supply of construction work, including repair, cleaning, maintenance and demolition services in relation to immovable property.</p> <p>Supply of scrap metals.</p> <p>Supply of investment gold.</p> <p>Supply of mobile phones, integrated circuit devices, games consoles, tablet PCs and laptops.</p>   |   |

Table 1.A1.12. **Application of domestic reverse charge and split payment mechanisms** (cont.)

|         | Domestic reverse charge system <sup>1</sup>  | Domestic split payment mechanism <sup>2</sup> |
|---------|--|---|
| Estonia | <p>Supply of immovable property and investment gold, where the supplier has opted for taxation.</p> <p>Supply of gold material, including semi-finished gold products (purity of at least 325 thousandths).</p> <p>Supply of scrap metal and precious metals.</p>  |   |
| Finland | <p>Supply of taxable investment gold as well as gold material and semi-manufactured gold products of purity equal to or greater than 325 thousandths.</p> <p>Supply of CO<sub>2</sub> emission allowances.</p> <p>Supply of scrap metal and waste.</p> <p>Construction services, including supply of staff engaged in the construction sector.</p>   |   |
| France  | <p>Supply of CO<sub>2</sub> emission allowances.</p> <p>Supply of used materials, scrap and waste.</p> <p>Supply of investment gold and gold products of a purity of at least 325 thousandths.</p> <p>Construction services (limited to certain services provided on a building when performed by a subcontractor on behalf of a taxable person).</p> <p>Supply of gas and electric energy to taxable dealers.</p> <p>Supply of certain telecommunication services.</p>  |   |
| Germany | <p>Supplies of pledged assets by the guarantor to the recipient of the security outside the framework of judicial liquidation.</p> <p>Supplies covered by the Real Property Transfer Tax Law (in particular transfers of real estate).</p> <p>If the customer is an entrepreneur: supplies of work or other services serving the construction, repair, maintenance, alteration or removal of structures (except for planning, engineering and supervision) and cleaning of buildings when the customer himself supplies such services.</p> <p>Supply of gold (unwrought or semi-finished of a purity of at least 325 thousandths).</p> <p>Supply of CO<sub>2</sub> emissions allowances.</p> <p>Supply of industrial scrap, ferrous and non-ferrous waste and other waste.</p> <p>Supply of mobile devices, integrated circuit devices, game consoles and tablet PC if the transaction value is or exceeds EUR 5 000.</p> <p>Supply of electricity (generally applicable only if supplier and recipient are both treated as resellers) and supply of gas (generally applicable only if the recipient is to be treated as reseller).</p> <p>Supply of precious metals as well as certain ignoble metals (e.g. copper, nickel, aluminium, lead, zinc), unwrought or semi-manufactured, if the transaction value is or exceeds EUR 5 000.</p>   |   |
| Greece  | <p>Construction work assigned to public works' contractors by public authorities, provided the public authorities are owners of the works and taxable persons with the right to input tax deduction. Major projects as defined by EU Regulations are exempt from the reverse charge system.</p> <p>Provided the supply is intended for recycling, the following supplies of recyclable waste:</p> <ol style="list-style-type: none"> <li>Supply of ferrous and non-ferrous waste metals, scrap (clippings) and other used materials.</li> <li>Supply of semi-finished products made of ferrous and non-ferrous metals.</li> <li>Supply of residues and other recyclable materials consisting of ferrous and non-ferrous metals, alloys, slag, ash or scale and industrial residues containing metals or metal alloys.</li> <li>Supply of parings and scrap (clippings), waste and used recyclable material consisting of cullet, glass, paper, cardboard, rags, bone, leather (natural or artificial), diphtheria, raw hides and skins, tendons and sinews, twine, rope and trawl, cables, rubber and plastic materials.</li> <li>Supply of scrap (clippings) and waste from the working of base materials.</li> <li>Supply of the aforementioned materials after cleaning, polishing, selection, cutting, fragmenting and pressing.</li> </ol> <p>Supply of greenhouse gas emissions allowances according to EU Directive 2003/87/EC.</p> |   |

Table 1.A1.12. **Application of domestic reverse charge and split payment mechanisms** (cont.)

|                     | Domestic reverse charge system <sup>1</sup>   | Domestic split payment mechanism <sup>2</sup>             |
|---------------------|---|---|
| Hungary             | <p>Supply of construction works regarded as a supply of goods.</p> <p>Construction or other alteration or repair activity qualifying as service, directed at the construction, expansion, rearrangement or other modification (including demolition) of immovable property and subject to acquiescence or authorisation by the building authority.</p> <p>Hiring-out of employees and the supply of staff.</p> <p>Supply of scrap and waste products.</p> <p>Supply of a building and the land on which it stands or of an inbuilt plot of land (with certain exceptions) if the supplier opted for taxation.</p> <p>In relation with debtors and creditors, the supply of goods that were pledged as collateral security to cover an overdue claim in execution of that security.</p> <p>Supply of goods with an open market value of more than HUF 100 000 (EUR 334) used by the taxable person for the purposes of his business if the supplier is adjudicated in liquidation proceedings or any similar insolvency proceedings.</p> <p>Supply of CO<sub>2</sub> emissions allowances.</p> <p>Supply of certain specific agricultural products such as wheat and meslin, rye, barley, oats, maize, triticale, soya beans whether or not broken; rape and colza seeds whether or not broken; sunflower seeds whether or not broken.</p> <p>Supply of certain iron and non-alloy steel products such as flat-rolled products of iron or non-alloy steel, bars and rods of iron or non-alloy steel, angles, shapes and sections of iron or non-alloy steel, wire of iron or non-alloy steel, tubes, pipes and hollow profiles of iron or non-alloy steel.</p> |   |
| Iceland             | -   |   |
| Ireland             | <p>Supply of construction services supplied by sub-contractors to principal contractors.</p> <p>Supply of immovable property under the option for taxation (including sale by receiver, liquidator or mortgagee in possession).</p> <p>Supply of used material and scrap metal.</p> <p>Supply of CO<sub>2</sub> emissions allowances.</p> <p>Supply of gas and electricity by a business in Ireland to a taxable dealer carrying on business in Ireland.</p> <p>Supply of gas certificates or electricity certificates by a business in Ireland to another business in Ireland.</p>   |   |
| Israel <sup>3</sup> | <p>A person not liable for payment of the tax may, with the Director's consent and on conditions prescribed by him, take the payment upon himself, and after the date of that consent he shall be treated as the person liable for its payment.</p> <p>The tax levied on a buyer, if the buyer is a dealer, a non-profit organisation or a financial institution and has committed a real estate sale which is an occasional transaction.</p> <p>Sale of metal debris.</p> <p>A dealer, a non-profit organisation or a financial institution receives services of the types specified below from a person, whose main income is from wage, benefit or pension, shall pay the tax in respect of that service, unless a tax invoice was received from the person rendering the service; these are the services:</p> <ol style="list-style-type: none"> <li>1. Artistic performance; construction or preparation of stage sets; preparation, checking, conducting and supervising exams; lectures etc.</li> <li>2. Services of the following professionals: agronomist, architect; practical engineer; private investigator; rabbinical pleader; technician; dental technician; organizational, management, scientific or tax consultant; economist; engineer etc.</li> </ol>  |   |
| Italy               | <p>Supplies carried out by subcontractors in the building sector.</p> <p>Supply of staff engaged in the construction sector.</p> <p>Supply of immovable property under the option for taxation.</p> <p>Supply of used materials, scrap, waste and specific services.</p> <p>Supply of investment gold, including supply of semi-finished products and of gold of a purity of at least 325 thousandths (so called industrial gold).</p> <p>Supply of scrap iron.</p> <p>Supply of mobile phones, tablets, personal computers and integrated circuit devices under certain conditions.</p> <p>Supply of CO<sub>2</sub> emission allowances.</p> <p>Supply of gas and electric energy to taxable dealers.</p> <p>Supply of gas and electric energy certificates.</p>   | Supplies of goods and services made to public authorities |

Table 1.A1.12. **Application of domestic reverse charge and split payment mechanisms** (cont.)

|             | Domestic reverse charge system <sup>1</sup>   | Domestic split payment mechanism <sup>2</sup>  |
|-------------|---|--|
| Japan       | -   |  |
| Korea       | -   | For supplies of gold bullion (99.5% or higher purity) and second hand gold products (with 58.5% or higher purity), copper, gold and iron scrap, the supplier must open a bank account designated for the gold or scrap transactions and the purchase price (without VAT) must be transferred to the supplier using the designated bank account. At the same time, the recipient must also deposit the relevant VAT amount into an account designated by the Director of the National Tax Services. |
| Latvia      | Supply of timber and services related to the supply of timber.<br>Supply of construction services.<br>Supply of scrap metals and services related to the supply of scrap metals.<br>Supply of mobile telephones, integrated circuit devices, tablet PC's and laptops (from 1 April 2016).   |  |
| Luxembourg  | Supply of CO <sub>2</sub> emission allowances.  |  |
| Mexico      | Domestic reverse charge applies to: <ul style="list-style-type: none"> <li>• corporations that receive independent personal services from individuals or rent goods from them. acquire waste to be used for commercial or industrial activities; receive services rendered by commissionaires who are individuals; and receive land motor transportation services of goods lent to both individuals and corporations;</li> <li>• credit institutions acquiring assets through payments in kind or through legal or trust adjudication; and</li> <li>• individuals or entities acquiring or having temporary use or enjoyment of tangible assets transferred or granted by foreign residents who do not have a permanent establishment in Mexico.</li> </ul>   |  |
| Netherlands | Supply of construction work (including shipbuilding), including repair, cleaning, maintenance, alteration and demolition services in relation to immovable property, including the handing over of construction works.<br>Supply of staff engaged in the construction sector.<br>Supply of immovable property under the option for taxation.<br>Supply of used materials, scrap, waste and specific services.<br>Supply of goods provided as security by one taxable person to another in execution of that security.<br>Supply of immovable property sold by a judgement debtor in a compulsory sale procedure.<br>Supply of CO <sub>2</sub> emission allowances.<br>Supply of mobile phones, integrated circuit devices, laptops, game consoles and tablet pc's provided that the value of the transactions exceeds EUR 10 000. |  |
| New Zealand | If the supply of land has been incorrectly zero rated and the incorrect treatment is discovered after settlement, the recipient of the supply is made responsible for paying GST.   |  |
| Norway      | Supply of CO <sub>2</sub> emission allowances.<br>Supply of investment gold (with purity equal to or greater than 325 thousandths).   |  |
| Poland      | Supply of metal scrap, metal waste and metal materials.<br>Supply of CO <sub>2</sub> emission allowances.<br>Supply of mobile phones (including smart phones), video game consoles, tablets, notebooks, and laptops.<br>Supply of unwrought non-ferrous metals (aluminium, lead, zinc, tin, nickel).<br>Supply of raw and semi-finished metals, including gold materials and intermediate products containing gold, investment gold and selected steel products.  |  |

Table 1.A1.12. **Application of domestic reverse charge and split payment mechanisms** (cont.)

|                 | Domestic reverse charge system <sup>1</sup>  | Domestic split payment mechanism <sup>2</sup> |
|-----------------|--|---|
| Portugal        | <p>Supply of used material, scrap metal, waste and specific services.</p> <p>Supply of immovable property under the option for taxation.</p> <p>Work on immovable property (such as repair, cleaning, maintenance, alteration and demolition services, including the handing over of construction works).</p> <p>Supply of taxable investment gold and gold material of purity equal to or greater than 325 thousandths.</p> <p>Supplies of CO<sub>2</sub> emission allowances.</p>  |   |
| Slovak Republic | <p>Supply of certain construction works including supply of building (construction) and the supply of certain goods requiring installation or assembly.</p> <p>Supply of immovable property under the option for taxation.</p> <p>Supply of goods which are pledged as a security of a receivable of a creditor within the enforcement of such pledge.</p> <p>Supply of a building or a part of a building in the Slovak Republic which the supplier as a debtor recognised by a court or another relevant state authority sold within the statutory enforcement proceedings.</p> <p>Supply of goods following the cession of a reservation of ownership to an assignee and the exercising of this right by the assignee.</p> <p>Supply of investment gold and of gold material or semi-manufactured products of gold of a purity of at least 325 thousandths between taxable persons.</p> <p>Supply of metal scrap and metal waste.</p> <p>Supply of CO<sub>2</sub> emission allowances.</p> <p>Supply of cereals and oil seeds, grains, straw and fodder crops, which are not typically intended in the unaltered state for final consumption, if the taxable amount in the invoice for the supply of such goods is EUR 5 000 and more.</p> <p>Supplies of iron and steel if the taxable amount in the invoice for the supply is EUR 5 000 and more.</p> <p>Supply of mobile phones, being devices made or adapted for use in connection with a licensed network and operated on specified frequencies, whether or not they have any other use, if the taxable amount in the invoice for the supply of mobile telephones is EUR 5 000 and more.</p> <p>Supply of integrated circuit devices such as microprocessors and central processing units in a state prior to integration into end user products, if the taxable amount in the invoice for the supply is EUR 5 000 and more.</p> <p>Supply of construction work, including repair, cleaning, maintenance, alteration and demolition services in relation to immovable property as well as the handing over of construction works regarded as a supply of goods.</p> |   |
| Slovenia        | <p>Supply of construction work (including repair, cleaning, maintenance, alteration and demolition services in relation to immovable property).</p> <p>Supply of staff engaged in the mentioned activities.</p> <p>Supply of certain immovable property, where the supplier has opted for taxation of the supply.</p> <p>Supply of certain waste, scrap, used material and services.</p> <p>Supply of allowances to emit greenhouse gases.</p>   |   |
| Spain           | <p>Construction works, including the supply of staff for its performance, in the framework of development, construction or renovation of immovable property.</p> <p>Supply of CO<sub>2</sub> emission allowances.</p> <p>Supply of metal scrap and metal waste.</p> <p>Supply of investment gold and supply of gold material or semi-finished products of a purity of at least 325 thousandths.</p> <p>Supply of buildings in certain situations.</p> <p>Supply of immovable property within bankruptcy proceedings.</p> <p>Supply of immovable property made under enforcement of a security or with the obligation for the acquirer to settle the securitized debt.</p> <p>Supply of mobile phones, videogame consoles, laptop and tablet PCs, only where the customer is a reseller of the goods (traders habitually engaging in the resale of these goods) or, otherwise, where the total amount of supplies to one trader exceeds EUR 10 000.</p> <p>Supply of silver, platinum and palladium.</p>  |   |



Table 1.A1.12. **Application of domestic reverse charge and split payment mechanisms** (cont.)

|                | Domestic reverse charge system <sup>1</sup>   | Domestic split payment mechanism <sup>2</sup>  |
|----------------|---|--|
| Sweden         | <p>Supply of construction work, including repair, cleaning, maintenance, alteration and demolition services in relation to immovable property, including the handing over of construction works.</p> <p>Supply of staff engaged in the construction sector.</p> <p>Supply of CO<sub>2</sub> emissions allowances.</p> <p>Supply of used materials, scrap, waste and specific services.</p> <p>Supply of investment gold and gold products of a purity of at least 325 thousandths.</p>  |  |
| Switzerland    | -   | -  |
| Turkey         | <p>Supply of lease of movable property by non-taxable persons to taxable persons.</p> <p>Supply of scientific, artistic and literary works provided to taxable persons.</p> <p>Supply of advertisement services provided by non-taxable persons to taxable persons.</p>   | <p>Certain recipients of a number of specified services are required to withhold a percentage of the VAT charged to them by the service provider and remit it directly to the tax authorities (<i>partial withholding</i>). Among others, these services are (a) supervisory services for building construction, (b) scrap metal, glass, plastic and paper (in cases where the supplier waives the VAT exemption), (c) advisory, supervisory and audit services maintenance and (d) repair services for machinery, equipment and other fixed assets.</p> |
| United Kingdom | <p>Supply of investment gold and of gold products of a purity of at least 325 thousandths.</p> <p>Supply of CO<sub>2</sub> emissions allowances.</p> <p>Supply of mobile telephones and integrated circuit devices if the value of the goods supplied exceeds GBP 5.000 (VAT inclusive). The value limit does not apply to services.</p> <p>Supply of gas through a natural gas system situated in the United Kingdom or any network connected to such a system and to electricity.</p> |  |

1. For the purpose of this table, are considered “domestic reverse charge” situations where the customer rather than the supplier of goods, services or intangibles is liable to remit the VAT to the tax authorities on a domestic supply (i.e. a supply where both the supplier and the customer are established in the same jurisdiction, where the supply takes place). The supplier does not charge the VAT to the customer.
2. For the purpose of this table, a “domestic split payment mechanism”, is a mechanism whereby, on a domestic supply of goods, services or intangibles, the supplier remains liable to charge the VAT to the customer, but where the customer directly remits (part of) the VAT directly to the tax authorities rather than to the supplier.
3. Israel: the statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: National delegates and IBFD – Situation as at 1 January 2016.

Table 1.A1.13. **Import/export of goods by individual travellers**

| Thresholds for tax-free import of goods by individual travellers |  |                                 |                  | Refund for individuals upon export  |           |                  |
|--|--|---------------------------------|------------------|---|-----------|------------------|
| Scheme   |  | Max threshold                   |                  | Scheme  | Min Value |                  |
|  |  | Nat.Curr.                       | USD <sup>3</sup> |   | Nat.Curr. | USD <sup>3</sup> |
| Australia  | AUD 900 worth of general goods (or AUD 450 for people under the age of 18 and air and sea crew members); 2.25 litres of alcohol and 50 cigarettes or 50g of cigars or tobacco products may be imported without individuals needing to be assessed for GST and customs duty. If the individuals have in excess of this amount, they need to declare goods and be assessed.  | AUD 900                         | 605              | Tourist Refund Scheme (TRS): individuals may claim a refund of GST on purchases made over AUD 300 from a single business within 60 days of departure which is worn or taken as hand luggage. GST refunds are available when goods are shown with the necessary documentation, on departure from Australia. The TRS applies to both residents and non-residents (except to crew, sea and air). | AUD 300   | 202              |
| Austria  | EU Scheme <sup>1</sup>   |                                 |                  | Refund to individuals exporting goods in their personal luggage to a destination outside the EU Minimum invoice amount EUR 75.  | EUR 75    | 92               |
|  | In air and sea traffic   | EUR 430                         | 525              |   |           |                  |
|  | In land traffic  | EUR 300                         | 366              |   |           |                  |
| Belgium  | EU Scheme <sup>1</sup>   |                                 |                  | Refund to individuals exporting goods in their personal luggage to a destination outside the EU Minimum invoice EUR 125.  | EUR 125   | 152              |
|  | In air and sea traffic   | EUR 430                         | 521              |   |           |                  |
|  | In land traffic  | EUR 300                         | 364              |   |           |                  |
|  | Restrictions of these thresholds apply depending on the age of the passenger, the nature of the products (excise products) staff of the means of transport.  |                                 |                  |   |           |                  |
| Canada   | I) Goods acquired abroad and for personal or household use imported by Canadian residents, temporary residents or former residents returning to live in Canada:  | CAD 800                         | 521              |   | CAD 200   | 160              |
|  | – Returning after an absence of not less than 24 hours, goods (except alcoholic beverages and tobacco products) valued at not more than CAD 200 and included in the baggage accompanying the person.   | No max. for Items II, III, V-XI | idem             |   |           |                  |
|  | – Returning after an absence of not less than 48 hours, goods (including either wine not exceeding 1.5 litres, beer not exceeding 8.5 litres or liquor not exceeding 1.14 litres and tobacco not exceeding fifty cigars, two hundred cigarettes, two hundred tobacco sticks and two hundred grams of manufactured tobacco) valued at not more than CAD 800 and included in the baggage accompanying the resident.  |                                 |                  |   |           |                  |
|  | – Returning after an absence of not less than seven days, goods (including either wine not exceeding 1.5 litres, beer not exceeding 8.5 litres or liquor not exceeding 1.14 litres and tobacco not exceeding fifty cigars, two hundred cigarettes, two hundred tobacco sticks and two hundred grams of manufactured tobacco) valued at not more than CAD 800 whether or not (except for alcoholic beverages and tobacco products) included in the baggage accompanying the person. |                                 |                  |   |           |                  |
|  | II) Goods that are zero-rated when supplied domestically (for example, basic groceries)  |                                 |                  |   |           |                  |
|  | III) Conveyances and baggage temporarily imported by non-residents for use in Canada   |                                 |                  |   |           |                  |
|  | IV) Casual donations valued at CAD 60 or under sent by persons abroad to friends in Canada or imported personally by non-residents as gifts to friends in Canada (except advertising matter, tobacco or alcoholic beverages)   |                                 |                  |   |           |                  |

Table 1.A1.13. **Import/export of goods by individual travellers (cont.)**

| Thresholds for tax-free import of goods by individual travellers   |  |                  | Refund for individuals upon export  |              |                  |
|--|--|------------------|---|--------------|------------------|
| Scheme   | Max threshold  |                  | Scheme  | Min Value    |                  |
|  | Nat.Curr.  | USD <sup>3</sup> |   | Nat.Curr.    | USD <sup>3</sup> |
| V) Personal effects of seasonal residents  |  |                  |   |              |                  |
| VI) Personal effects of returning former residents (resident in another country for at least one year) or residents who have been abroad for at least one year (goods must have been actually owned, possessed and used abroad by the individual for at least six months prior to the individual's return to Canada and accompany the individual upon return to Canada)  |  |                  |   |              |                  |
| VII) Personal effects of settlers  |  |                  |   |              |                  |
| VIII) Personal effects of settlers acquired with blocked currencies  |  |                  |   |              |                  |
| IX) Personal effects of deceased persons   |  |                  |   |              |                  |
| X) Foreign conveyances temporarily imported by a Canadian resident to be used in the international non-commercial transportation of the individual and accompanying the individual using the conveyance.   |  |                  |   |              |                  |
| XI) Medals, trophies and other non-resalable prizes that are: <ul style="list-style-type: none"> <li>– won outside Canada or donated by persons outside Canada for heroic deeds, valour or distinction;</li> <li>– to be presented by the importer at awards ceremonies; or</li> <li>– bestowed or awarded abroad as marks of honour or distinction, won abroad in competitions, or won abroad in competitions and donated by persons abroad for bestowal or award in Canada.</li> </ul> |  |                  |   |              |                  |
| Chile  | Goods acquired abroad and imported by: <ul style="list-style-type: none"> <li>– Passengers regarding “travel baggage” exempted of Customs Duties limited to new and used goods for personal use and for gift; used goods exclusively intended to perform a profession or job; the quantity, not exceeding four hundred cigarettes, five hundred grams of tobacco, fifty cigars and 2.5 litres of alcoholic beverages; and some technological goods. The exemption excludes goods imported with commercial purpose.</li> <li>– Officers or employees of the Chilean Government who serve abroad and immigrants provided that the goods are personal effects, home appliances, tools and work equipment, provided these items do not require an import register.</li> <li>– Crew personnel of a ship, aircraft or another vehicle concerning travel baggage exempted of Customs Duties.</li> <li>– Travellers and Chilean residents from the First Region (Chile) under some circumstances.</li> </ul> |                  | Nonresident individuals who leave the country through the Chacalluta border crossing (on the First Region) can obtain a refund of VAT paid on merchandise acquired in Arica and Parinacota up to USD 319 daily. | CLP<br>3 268 | 8                |

**Table 1.A1.13. Import/export of goods by individual travellers (cont.)**

| Thresholds for tax-free import of goods by individual travellers |  |                         | Refund for individuals upon export  |           |                  |
|--|--|-------------------------|---|-----------|------------------|
| Scheme   | Max threshold  |                         | Scheme  | Min Value |                  |
|  | Nat.Curr.  | USD <sup>3</sup>        |   | Nat.Curr. | USD <sup>3</sup> |
| Chile (cont.)  | <ul style="list-style-type: none"> <li>– Travellers regarding goods subject to the customs classifications (goods owned by travellers coming from the Chilean duty-free zone up to USD 1 218; goods acquired by passenger from abroad, in Chilean tax duty free shop only, up to a value of USD 500; goods imported by Chilean residents of border places up to USD 150; home appliances of Chileans returning after an absence between six months and one year (up to USD 500); home appliances and work equipment of Chileans returning after an absence between one year and five years (up to USD 3 000); home appliances and work equipment of Chileans returning after an absence of not less than five years (up to USD 5 000); goods of foreign national with a temporary residence in Chile or with a job agreement not less than a one year term: home appliances (up to USD 5 000) and work equipment (up to USD 1 500).</li> <li>– National artists regarding their pieces of arts performed abroad under customs classification (drafts, painting, sculptures).</li> </ul> <p>Travellers and temporal visitors regarding goods for personal use during their visiting to Chile, and vehicles for their private transportation.</p> <p>Goods considered as:</p> <ul style="list-style-type: none"> <li>– Cultural or sport prizes and trophies won abroad without commercial nature, and non-commercial gifts occasionally awarded to individuals under customs classification (gifts cannot exceed the value of USD 50).</li> <li>– Prizes and gifts awarded to Chilean individuals, listed under the customs classification, who obtain highest distinction and under specific requirements</li> </ul> |                         |   |           |                  |
| Czech Republic   | EU Scheme <sup>1</sup>   |                         | Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice CZK 2 000 for one seller on one day.   | CZK       | 152              |
|  | In air and sea traffic   | EUR 430<br>(CZK 11 622) | 890   | 2 000     |                  |
|  | In land traffic  | EUR 300<br>(CZK 8 108)  | 621   |           |                  |
| Denmark  | EU Scheme <sup>1</sup>   |                         | Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum value: DKK 300.  | DKK       | 160              |
|  | In air and sea traffic   | EUR 430<br>(DKK 3199)   | 428   | 1 200     |                  |
|  | In land traffic  | EUR 300<br>(DKK 2232)   | 298   |           |                  |
| Estonia  | EU Scheme <sup>1</sup>   |                         | Refund to individuals exporting goods in their personal luggage to a destination outside the EU. The traveller's habitual residence must be outside the European Union.   | EUR       | 38               |
|  | In air and sea traffic   | EUR 430                 | 775   | 68        |                  |
|  | In land traffic  | EUR 300                 | 540   |           |                  |
| Finland  | EU Scheme <sup>1</sup>   |                         | Refund to individuals exporting goods in their personal luggage to a destination outside the EU, minimum invoice EUR 40. Traveller from Norway and the Åland Islands can only get the refund if the value of the goods without VAT is at the minimum EUR 170. | EUR       | 40               |
|  | In air and sea traffic   | EUR 430                 | 462   | 43        |                  |
|  | In land traffic  | EUR 300                 | 322   |           |                  |

Table 1.A1.13. **Import/export of goods by individual travellers (cont.)**

|         |  | Thresholds for tax-free import of goods by individual travellers |                  | Refund for individuals upon export   |           |           |
|---------|--|--|------------------|--|-----------|-----------|
|         |  | Max threshold  |                  | Scheme   | Min Value |           |
|         | Scheme   | Nat.Curr.  | USD <sup>3</sup> |  |           | Nat.Curr. |
| France  | EU Scheme <sup>1</sup>   |  |                  | Refund to individuals exporting goods in their personal luggage to a destination outside the EU. The traveller's habitual residence must be outside the European Union. The total value of the purchases (including VAT) in a single shop on the same day must be over EUR 175.  | EUR 175   | 212       |
|         | In air and sea traffic   | EUR 430  | 522              |  |           |           |
|         | In land traffic  | EUR 300  | 364              |  |           |           |
| Germany | EU Scheme <sup>1</sup>   |  |                  | Refund to individuals exporting goods in their personal luggage to a destination outside the EU. The traveller's habitual residence must be outside the European Union. The goods have to be exported within three months following the month of purchase. There is no threshold as to the amount. The VAT exemption is only valid for non-commercial purposes (except for the equipment and supply of private means of transport e.g. car, motorboat, aeroplane etc.) | -         | -         |
|         | In air and sea traffic   | EUR 430  | 546              |  |           |           |
|         | In land traffic  | EUR 300  | 382              |  |           |           |
| Greece  | EU Scheme <sup>1</sup>   |  |                  | Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice EUR 120.<br><br>Limitations: foodstuffs; alcoholic beverages; tobacco products; goods for the provisioning and the equipping of means of transport for private use (motor vehicles, aircrafts or sea-going vessels); goods having commercial character.   | EUR 120   | 197       |
|         | In air and sea traffic   | EUR 430  | 705              |  |           |           |
|         | In land traffic  | EUR 300  | 492              |  |           |           |
| Hungary | EU Scheme <sup>1</sup>   |  |                  | Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice EUR 175.  | EUR 175   | 411       |
|         | In air and sea traffic   | EUR 430  | 996              |  |           |           |
|         | In land traffic  | EUR 300  | 695              |  |           |           |
|         | Limitation: tobacco, spirits/alcoholic beverages, fuel (free of VAT under a certain quantitative limit).   |  |                  |  |           |           |
| Iceland | Food: travelers may import duty-free up to 3kg of food, including candy, not exceeding the value of ISK 25 000.  | ISK 25 000   | 176              | Refund for individuals when leaving the country for goods worth more than ISK 6 000.   | ISK 6 000 | 42        |
|         | Alcoholic beverages and tobaccos: in addition to goods referred to above, travelers can import duty-free alcoholic beverages and tobacco products as follows:<br>– 1 liter spirits and 1 liter wine and 6 liters beer or<br>– 3 liters wine and 6 liters beer or<br>– 1 liter spirits and 9 liters beer or<br>– 1.5 liters wine and 9 liters beer or<br>– 12 liters beer<br>Spirits comprise alcoholic beverages containing more than 21% alcohol; wines comprise alcoholic beverages, other than beer, containing 21% alcohol or less.<br>200 cigarettes or 250g of other tobacco products. |  | -                |  |           |           |
|         | Icelandic residents may bring duty free the luggage they brought with them abroad furthermore they can bring one or more items of duty free goods worth in total up to 88 000 ISK.   | ISK 88 000   | 615              |  |           |           |
| Ireland | EU Scheme <sup>1</sup>   |  |                  | Refund to individuals exporting goods in their personal luggage to a destination outside the EU.<br><br>There is no threshold as to the amount.  | -         | -         |
|         | In air and sea traffic   | EUR 430  | 508              |  |           |           |
|         | In land traffic  | EUR 300  | 355              |  |           |           |

Table 1.A1.13. **Import/export of goods by individual travellers (cont.)**

| Thresholds for tax-free import of goods by individual travellers |  |                                |                  | Refund for individuals upon export   |            |                  |
|--|--|--------------------------------|------------------|--|------------|------------------|
| Scheme   |  | Max threshold                  |                  | Scheme   | Min Value  |                  |
|  |  | Nat.Curr.                      | USD <sup>3</sup> |  | Nat.Curr.  | USD <sup>3</sup> |
| Israel <sup>2</sup>  | Import duty exemption: personal products, beverages and wines: liquor up to 1 litre and up to 2 litres of wine-for each entrant age 18.<br>Alcoholic perfume- to 1/4 litres per entrant.<br>Tobacco- weight not exceeding 250gr.<br>Products other than those mentioned above up to USD 200.   |                                | 200              | A refund will be given to the visitor, a non-citizen holding a foreign passport. The arrangement does not apply to purchases of tobacco products, food and beverages, (except wineries). Minimum purchase amount for VAT refund is: 400 NIS including VAT, purchase at the same time in one business transaction.<br>Providing a refund is subject to the purchase in a registered business. | ILS 400    | 103              |
| Italy  | EU Scheme <sup>1</sup><br>In air and sea traffic<br>In land traffic  | EUR 430<br>EUR 300             | 574<br>400       | Refund to individuals exporting goods in their personal luggage to a destination outside the EU Minimum threshold is fixed at EUR 154.94.  | EUR 155    | 207              |
| Japan  | (1) Goods which total taxable value do not exceed JPY 10 000.<br>Goods other than those in (1), which total taxable value do not exceed JPY 200 000<br>Tax-free import of liquor, tobacco and perfume is limited to certain quantities   | JPY 10 000<br>JPY 200 000<br>- | 95<br>1900<br>-  | On the time of the purchase at registered shops, foreign visitors who have temporarily stayed in Japan for less than 6 month are exempt from VAT (with the exceptions of gold, platinum, and other non-“daily life” items). There is also the maximum value of JPY 500 000 per shop per day for “consumable items” (such as foods, beverages, cosmetics, etc.).                              | JPY 5 000  | 47               |
| Korea  | The following personal goods (or goods arriving by separate post) of travellers that are exempted from customs duties.<br>(1) Goods up to a total combined value of USD 600.<br>(2) 1 bottle of alcoholic beverage (not exceeding 1liter and USD 400).<br>(3) 200 cigarettes and 50 cigars.<br>(4) Perfume that does not exceed 60ml.  | KRW 710 000                    | 797              | Foreign travellers are exempted from VAT for exported goods when they are acquired in Tax-free shops only. Minimum invoice KRW 30 000.   | KRW 30 000 | 34               |
| Latvia   | EU Scheme <sup>1</sup><br>In air and sea traffic<br>In land traffic  | EUR 430<br>EUR 300             | 847<br>591       | Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice EUR 35.57.  | EUR 35.57  | 70               |
| Luxembourg   | EU Scheme <sup>1</sup><br>In air and sea traffic<br>In land traffic  | EUR 430<br>EUR 300             | 479<br>334       | Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice EUR 74.   | EUR 74     | 82               |
| Mexico   | (1) Administrative Rule No. 3.2.3. includes a list of items that may be introduced to Mexico as part of the baggage of international passengers residing abroad or in Mexico.<br>(2) When arriving to Mexico by ships or aircrafts it is possible to introduce tax free good which value does not exceed USD 500 or its equivalent in national or foreign currency.<br>(3) When arriving to Mexico in terrestrial means of transportation such amount shall not exceed USD 300 on regular season and USD 500 on high holiday season. |                                | 500              | Foreign tourists leaving the country by airplane or ship may claim a refund on the VAT paid on the acquisition of goods in Mexico when, among other requirements, the amount paid for the goods in one single store is at least 1 200 MXN.   | MXN 1 200  | 145              |
| Netherlands  | EU Scheme <sup>1</sup><br>In air and sea traffic<br>In land traffic  | EUR 430<br>EUR 300             | 520<br>363       | Refund to individuals exporting goods in their personal luggage to a destination outside the EU Minimum invoice EUR 50.  | EUR 50     | 60               |

Table 1.A1.13. **Import/export of goods by individual travellers (cont.)**

| Thresholds for tax-free import of goods by individual travellers |   |                               |                   | Refund for individuals upon export   |           |                  |
|--|---|-------------------------------|-------------------|--|-----------|------------------|
| Scheme   |   | Max threshold                 |                   | Scheme   | Min Value |                  |
|  |   | Nat.Curr.                     | USD <sup>3</sup>  |  | Nat.Curr. | USD <sup>3</sup> |
| New Zealand  | When entering New Zealand, people are entitled to a personal goods concession which allows them to bring goods up to a total combined value of NZD 700 into the country, free of duty and GST. The personal goods concession applies to goods which accompany that person through Customs, are for that person's personal use or are intended as gifts, are not intended for sale or exchange, are not for use in their businesses or profession and are not imported for other persons at their request. On entering New Zealand a person is entitled to bring, free of duty and GST, the following quantities:<br>Tobacco: 200 cigarettes, or 250 grams of tobacco, or 50 cigars, or a mixture of all three weighing not more than 250gr.<br>Alcoholic Beverages: 4.5 litres of wine or 4.5 litres of beer – 3 bottles containing not more than 1.125ml of spirits, liquor, or other spirituous beverages.<br>Other concessions: Personal effects: wearing apparel, footwear purchased while outside New Zealand for the intended use or wear of the traveller. Goods need to accompany the traveller when arriving in New Zealand.<br>Gifts: if value is less than NZD 110 – free entry, if more than NZD 110 – GST and duty applies on the value in excess of NZD 110. Multiple gift allowances are permitted provide that the separate identity of each recipient can be established.<br>Heirlooms: Items bequeathed to a person in New Zealand may be imported free of all Customs charges. | NZD 700                       | 477               | No refund scheme   | -         | -                |
| Norway   | The threshold is NOK 6 000 for travel abroad for more than 24 hours. For travel abroad of less than 24 hours, the threshold is NOK 3 000. For alcohol and tobacco, special quantitative limits apply.   | NOK 6 000                     | 612               | VAT refunds are available for tourists.<br>For Nordic countries a higher value applies.  | NOK 250   | 26               |
| Poland   | EU Scheme <sup>1</sup><br>In air and sea traffic  | EUR 430<br>(PLN 1894)         | 1053              | Refund to individuals exporting goods (excluding fuels) in their personal luggage to a destination outside the EU. Minimum invoice PLN 200 (from 1 June 2016 PLN 300).                               | PLN 200   | 489              |
|  | In land traffic   | EUR 300<br>(PLN 1322)         | 734               |  |           |                  |
| Portugal   | EU Scheme <sup>1</sup><br>In air and sea traffic<br>In land traffic<br>Travellers under 15 years old  | EUR 430<br>EUR 300<br>EUR 150 | 725<br>506<br>253 | Refund to individuals exporting goods (except equipment, fuelling and provisioning of private means of transport) in their personal luggage to a destination outside the EU. Minimum invoice EUR 50. | EUR 50    | 84               |
| Slovak Republic  | EU Scheme <sup>1</sup><br>In air and sea traffic<br>In land traffic<br>Travellers under 15 years old, regardless their means of transport   | EUR 430<br>EUR 300<br>EUR 150 | 863<br>602<br>301 |  |           |                  |
| Slovenia   | EU Scheme <sup>1</sup><br>In air and sea traffic<br>In land traffic<br>Travellers under 15 years old, regardless their means of transport   | EUR 430<br>EUR 300<br>EUR 150 | 717<br>500<br>250 | Refund to individuals exporting goods (except mineral oils, alcohol and alcoholic beverages and tobacco products) in their personal luggage to a destination outside the EU. Minimum invoice EUR 50. | EUR 50    | 83               |

Table 1.A1.13. **Import/export of goods by individual travellers (cont.)**

| Thresholds for tax-free import of goods by individual travellers |  |                        |                  | Refund for individuals upon export   |           |                  |
|--|--|------------------------|------------------|--|-----------|------------------|
| Scheme   |  | Max threshold          |                  | Scheme   | Min Value |                  |
|  |  | Nat.Curr.              | USD <sup>3</sup> |  | Nat.Curr. | USD <sup>3</sup> |
| Spain  | EU Scheme <sup>1</sup>   |                        |                  | Refund to individuals exporting goods in their personal luggage to a destination outside the EU Minimum invoice EUR 90.  | EUR 90    | 133              |
|  | In air and sea traffic   | EUR 430                | 637              |  |           |                  |
|  | In land traffic  | EUR 300                | 445              |  |           |                  |
| Sweden   | EU Scheme <sup>1</sup>   |                        |                  | Refund to individuals exporting goods in their personal luggage to a destination outside the EU Minimum invoice SEK 200. Higher value for Norway and the Åland island.   | SEK 200   | 22               |
|  | In air and sea traffic   | EUR 430<br>(SEK 3 841) | 440              |  |           |                  |
|  | In land traffic  | EUR 300<br>(SEK 2 680) | 307              |  |           |                  |
| Switzerland  | Personal belongings; food and non-alcoholic beverages for the day of travel; meat and meat products: 1kg; butter and cream: 1l. or 1kg; oil, grease, margarine for eating purposes 5 litres or 5kg; alcoholic beverages: 5 litres. up to 18°alc. plus 1 litre over 18° alc.; tobacco: 250 cigarettes or cigars or 250 grams of other tobacco product; fuel imported in a spare canister of max. 25 litres.<br>Personal belongings means what residents take with them when leaving the country and what non-residents will use during their stay and re-export when going home (clothing, personal-care products, sports equipment, personal computer, audio and video equipment, musical instruments, etc). | CHF 300                | 235              | There is no refund of VAT to any individuals by the Tax Administration. Goods for personal use or for gift purposes are tax free if they are exported by the non-resident purchaser within 30 days after delivery to the latter and if the export is confirmed. Minimum invoice: CHF 300.<br>Selling goods by authorised stores to members of escorted tourist groups directly without VAT within Switzerland. | CHF 300   | 235              |
| Turkey   | –  | –                      | –                | VAT refund to passengers who do not reside in Turkey for the purchasing goods taken to abroad.<br>Minimum invoice: TRY 100.  | TRY 100   | 79               |
| United Kingdom   | EU Scheme <sup>1</sup><br>For imports from outside the EU – up to GBP 390 unless passengers arrive by private plane or boat in which case it is up to GBP 270  | GBP 390                | 563              | Refund to individuals exporting goods in their personal luggage to a destination outside the EU.<br>Threshold on refunds set by retailer.  | –         | –                |
| United States  | The allowance is USD 800 per person for absences over 48 hours, every 30 days, including up to 1 litre of alcoholic beverages, 200 cigarettes and 100 cigars. The goods must be for personal or household use only, or bona fide gifts, and not for the account of any other person, nor may they be re-sold. The amount may be pooled with family members. A traveller who has already used the USD 800 monthly allowance still has available a USD 200 exemption per crossing. This amount may not be pooled with family members, and if the value of the goods exceeds USD 200 the exemption does not apply and duties are levied on the total value of the goods imported.                               | USD 800                | 800              | No refund scheme   | –         | –                |

- European Union:** EU rules allow tax-free import of goods from outside the EU by individuals for non-commercial purposes in their personal luggage to the extent that the global value of the imported goods does not exceed EUR 430 for air and sea travellers and to EUR 300 for land and inland waterways travellers. Nevertheless, special quantitative limits by traveller may apply for the following high-duty goods: tobacco, cigarettes, cigars and alcoholic beverages. The supply of goods exported outside the EU in the personal luggage of non-EU travellers is exempted from VAT if their total value is more than EUR 175 including VAT. Member States can exempt a supply with a total value of less than EUR 175.
- Israel:** the statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
- Amounts are converted into USD at Purchase Parity Rates (PPPs). PPPs are the rates of currency conversion that equalise the purchasing power of different countries by eliminating differences in price levels between countries. They show the specified number of monetary units needed in each country to buy the same representative basket of consumer goods and services, which costs USD 1 in the United States. The currency conversion rates used in Consumption Tax Trends are the PPP rates for GDP. The PPPs are given in national currency unit per US dollar (see Annex A). For Member States of the European Union, the threshold is mentioned in Euro (EUR) even for those that do not have the Euro as national currency (i.e. Czech Republic, Denmark, Hungary, Poland and Sweden), with the exception of the United Kingdom since the threshold is determined in EUR by common EU legislation (Directive 2007/74/EC). The amount in EUR is converted into USD as follows: it is first converted into local currency at market exchange rate (Eurostat average 2015) and then into USD at PPP exchange rate.





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