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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 2011. 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 in services and intangibles and at the International VAT/GST Guidelines that the OECD is developing as the future 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. 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[1] (also called Goods and Services Tax – GST) has become the main consumption tax both in terms of revenue and geographical coverage. VAT regimes are designed to be a tax on final consumption that is broadly neutral towards 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. Many developing countries have introduced a VAT during the last two decades to replace lost revenues from trade taxes following trade liberalisation. Some160 countries employ a VAT today (see Annex A), including 33 of the 34 OECD member countries, the only exception being the United States although most states within the US employ some form of retail sales tax. VAT now raises a fifth of total tax revenues in the OECD and worldwide. The combination of the global spread of VAT and the rapid globalisation of economic activity, which has resulted in an increased interaction between VAT systems, along with increasing VAT rates, have raised the profile of VAT as a significant issue in cross-border trade. In contrast with the taxation of income (where there are the OECD Model Tax Convention and the Transfer Pricing Guidelines) there is no internationally agreed framework for the application of VAT to cross-border trade. The absence of such a framework has led to increasing uncertainty and complexity for tax authorities and businesses and risks of double taxation and double non-taxation. This is a matter of special concern with respect to international trade in services and intangibles, which has grown dramatically over the last decade. In response, the CFA is developing *International VAT/GST Guidelines* as the future international standard for applying VAT to cross-border trade, with the aim of reducing the uncertainty and risks of double taxation and unintended non-taxation that result from inconsistencies in the application of VAT in a cross-border context. A first set of *International VAT/GST Guidelines*, dealing with VAT neutrality and with the VAT treatment of cross-border business-to-business trade in services and intangibles, was endorsed as a global standard at the OECD Global Forum on VAT in April 2014.

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 2) and shows the evolution of consumption tax revenues between 1965 and 2012 (Section 3). It then describes the geographical spread of VAT (Section 4) and outlines the main features of VAT design (Section 5). This is followed by a high-level description of the main design features of retail sales taxes (Section 6) and of the main characteristics of consumption taxes on specific goods and services (Section 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 that the OECD is developing as the future global standard to address these challenges (Section 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. For ease of reference, the tables which are referred to below are included at the end of the chapter (Section 9).

2. Classification of consumption taxes

In the OECD classification, "taxes" are confined to compulsory, unrequited payments to general government. According to 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, 2014c).

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).

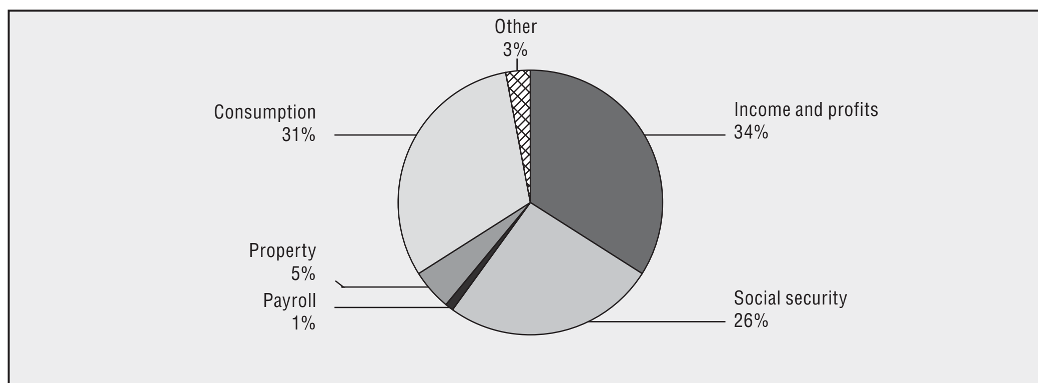
Consumption taxes such as VAT, sales taxes and excise duties are often categorised as *indirect taxes* as they are not levied directly on the person who is supposed to bear the burden of the tax. They are rather imposed on certain transactions, products or events (OECD Glossary of Tax Terms). They are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

3. Evolution of consumption tax revenues

On average, consumption taxes produce 31% of the total tax revenue in the OECD member countries (unweighted average, see Table 1.A1.1). In 2012, 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.A1.3 and 1.A1.5).

Tables 1.A1.2 and 1.A1.3 respectively present revenues from taxes on general consumption as a percentage of Gross Domestic Product (GDP) and as a percentage of total taxation. 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 total taxation. For example, in the United States and Japan, taxes on general consumption account for less than 3% of GDP while they account for more than 9.5% in Denmark, Hungary,

Figure 1.1. **Average tax revenue as a percentage of total taxation, by category of tax, 2012**



Source: Author's work based on OECD (2014c), *Revenue Statistics 1965-2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/rev_stats-2014-en-fr*.

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and New Zealand. Also those revenues account for less than 10% of total taxation in Japan and the United States and 30% or more in Chile, Hungary, Israel and New Zealand. Nevertheless, in the vast majority of countries (28 of 34) taxes on general consumption account for more than 15% of total taxation, with an OECD unweighted average of 20.2%.

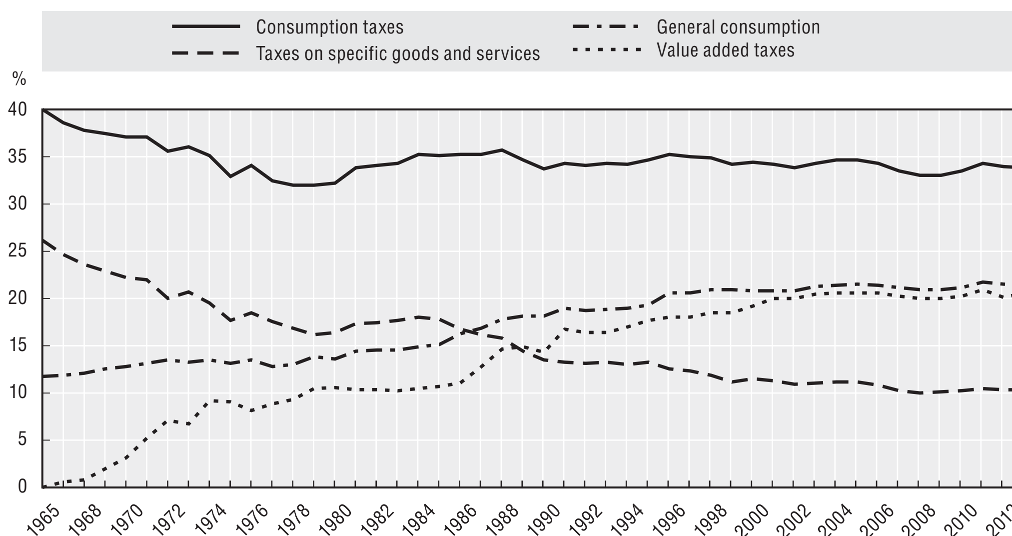
Over the longer term, OECD member countries have relied increasingly on taxes on general consumption. Since 1965, the share of these taxes as a percentage of GDP in OECD countries has more than doubled, from 3.2% to 6.9%. They presently raise 20.2% of total tax revenue compared with only 11.9% in 1965. However, the effects of the global economic crisis were felt on consumption tax revenues, which fell between 2005 and 2009. Since then, they have generally returned to the pre-crisis levels largely due to the rise in standard VAT rates in many countries (21 of the OECD member countries have raised their rate between 2009 and 2014 – see Chapter 2). Between 2000 and 2012, the Czech Republic, Finland, Hungary, Korea, Luxembourg, Mexico, New Zealand, Portugal, Sweden and the United Kingdom were the countries where taxes on general consumption have increased the most as a percentage to GDP (by more than 0.5%), while in Iceland, Israel, Norway, Slovak Republic, Slovenia and Spain this tax-to-GDP ratio fell by more than 0.5%.

VAT is now the largest source of taxes on general consumption, accounting on average for 6.6% of GDP and 19.5% of total tax revenues (see Tables 1.A1.6 and 1.A1.7). VAT is now employed in 33 of the 34 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). Greece, Iceland, Japan, Mexico, New Zealand, Portugal, Spain and Turkey introduced VAT in the 1980s, while Switzerland followed shortly afterwards. The Eastern European economies introduced VAT in the late 1980s and early 1990s, some of them adopting the EU model with their future EU membership in mind. The tendency for VAT rates to rise over the long term (see Table 2.A2.1 in Chapter 2) also contributed to the growing share of taxes on general consumption in the tax mix.

Tables 1.A1.4 and 1.A1.5 show that revenues from taxes on specific goods and services, the bulk of which are excise taxes, fell as a percentage of GDP between 1965 and 2012 (from 5.6% in 1965 to 3.4% in 2012) and as a percentage of total taxation (from 24.3% in 1965 to 10.7% in 2012). Excise taxes are discussed in greater detail in Chapter 4.

As a result, the composition of consumption taxes has fundamentally changed. In fact, the substantially increased importance of VAT has served to counteract the diminishing share of taxes on specific goods and services (see Figure 1.2). Only Mexico and Turkey still collect a relatively large part of their revenues by way of taxes on specific goods and services (respectively 34.9% and 22.4%).

Figure 1.2. **Share of consumption taxes as percentage of total taxation**



Source: Author's work based on OECD (2014c), *Revenue Statistics 1965-2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/rev_stats-2014-en-fr*.

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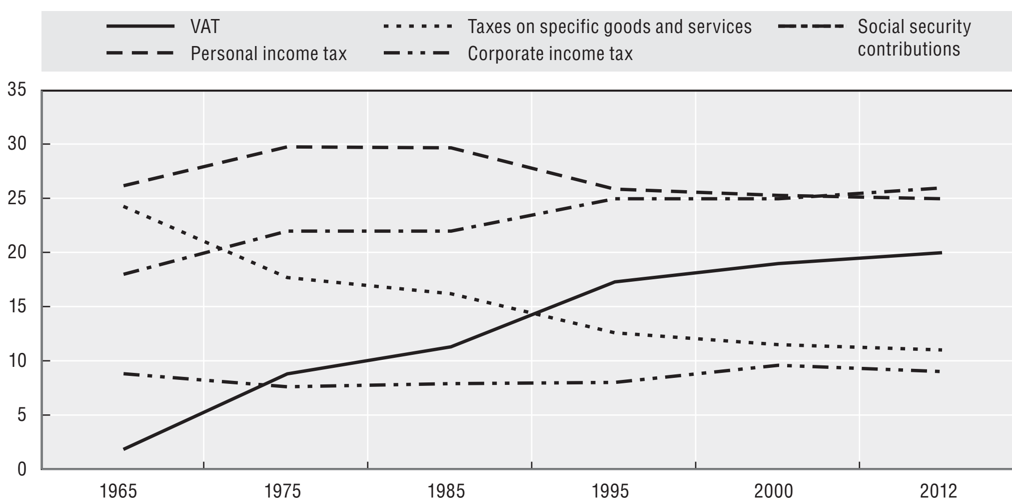
Figure 1.3. **Evolution of the tax mix**



Source: Author's work based on OECD (2014c), *Revenue Statistics 1965-2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/rev_stats-2014-en-fr*.

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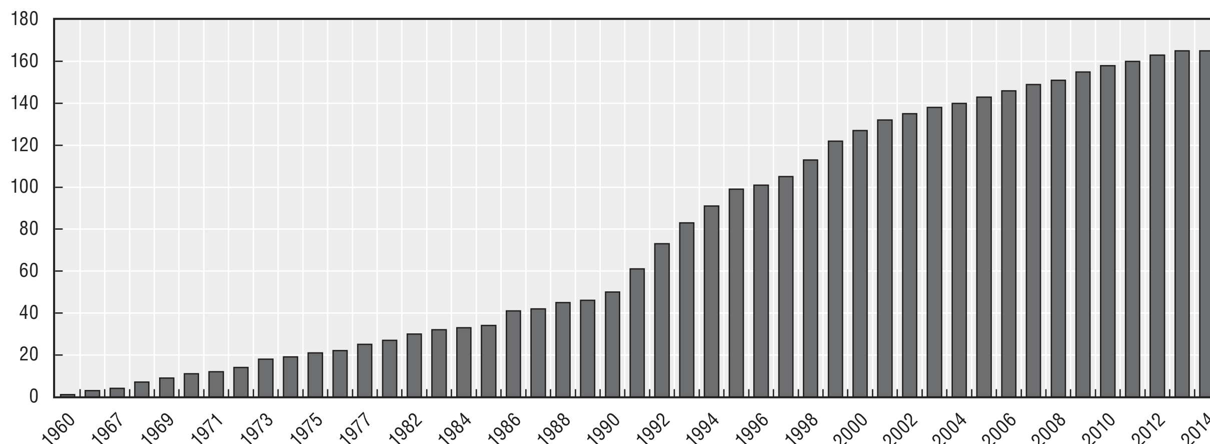
Table 1.A1.8 and Figure 1.3 show the evolution of the tax structure or tax mix in OECD countries up to 2011. Tax structures are measured by the share of major taxes in total tax revenue. On average, taxes on personal income (personal income tax and social security contributions) increased slightly over the period, now representing together about 50% of

total tax revenue, with the share of personal income tax rising into the seventies and then falling and the share of social security contributions growing. VAT has become the third largest source of tax revenue for OECD countries on average, ahead of corporate income taxes, payroll and property taxes.

4. Spread of VAT

The spread of VAT has been 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 160 countries worldwide (see Figure 1.4 and Annex B). VAT raises approximately 20% of the tax revenue in OECD countries and worldwide.

Figure 1.4. **Countries with VAT 1960 – 2014**



Source: Author's own work.

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VAT regimes are designed to be a tax on final household consumption, but instead of being collected entirely at the final point of sale (as with a retail sales tax) the amount of revenue ultimately due is collected through a staged collection process, with a portion of the tax remitted at each stage of production and distribution. Each producer and distributor pays VAT on its output but can in principle fully credit VAT paid on its inputs against this liability. This design is intended to ensure that the tax does not distort production decisions or choice of business form. Other valuable neutrality properties include the fact that it does not discourage saving or investment.

The domestic and international neutrality properties of the VAT have encouraged its spread around the world. A VAT is employed by 33 of the 34 OECD countries, the only exception being the United States. Many developing countries have introduced a VAT during the last two decades to replace lost revenues from trade taxes following trade liberalisation. In the European Union, VAT is directly associated with the development of its internal market. Indeed, VAT avoids the trade distortions associated with cascading indirect taxes that it has replaced and facilitates 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).

VAT has become a major source of revenue for the OECD member countries that have implemented it. Over the last twenty-five years, the share of VAT as a percentage of total taxation has almost doubled growing from 11.3% on average in 1985 to 19.5% in 2012 (Table 1.A1.7). In 28 of the 33 OECD countries with VAT, the tax accounts for more than 15% of total taxation and in 18 countries the rate exceeds 20%.

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, 2014a) provide a precise description of the main features of VAT systems, which are summarised below.

5.1. 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. "*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, many VAT systems also impose VAT burden on various entities that are involved in non-business activities without being able to shift the tax burden on private individuals.

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 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).

5.2. 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 employ a VAT use the invoice-credit method and in the OECD, only Japan uses the subtraction method.

5.3. *Neutrality*

The neutrality of VAT has a number of dimensions, including the absence of discrimination in a tax environment that is unbiased and impartial and the elimination of undue tax burdens and disproportionate or inappropriate compliance costs for businesses.

In general, OECD jurisdictions with a VAT impose the tax at every stage of the economic process and allow deduction of taxes on purchases by all but the final consumer. This design feature 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 thereby "flows through the businesses" to tax supplies made to final consumers.

As input VAT incurred by each business is offset against its output VAT, the amount of tax to be remitted to tax authorities is the net amount or balance of those two. In some cases, the result of the offset gives rise to a tax credit, which should be refunded by the tax authorities to the business. Examples include businesses that incur more tax on their inputs than is due on their outputs (such as exporters, as their output is in principle free of VAT under the destination principle) and businesses whose purchases are larger than their sales in the same period (such as new or developing businesses or seasonality). It is important therefore that at each stage, the supplier is entitled to a full right to deduction of input tax, meaning that the tax burden eventually rests with the final consumer rather than the intermediaries in the supply chain.

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, as there are a

number of ways in which restrictions are imposed in practice on the right to deduct input tax. Some are deliberate and some result from imperfect administration (see Chapter 2).

Deliberate limitations can result from the exemption of a number of activities. In most countries a number of services are exempt from VAT without right to deduct input tax, 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 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, such as cars and entertainment. It may also happen that restrictions to the right of deduction are imposed on VAT incurred on 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. Such a system, that restricts deduction of input VAT on investment goods or capital assets, is often called a "production-type VAT". However, most countries use a "consumption-type VAT" where VAT is normally deductible on all inputs, including fixed assets.

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 5.2), 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, 2014).

Combined state and local sales tax rates vary widely in the United States, from 1.69% (Alaska), 4.35% (Hawaii) and 5.43% (Wisconsin) to 9.45% (Tennessee), 9.19% (Arkansas) and 8.89% (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, 2014). 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 place 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*). 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.

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.

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.

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 and thus have generally tried to raise revenues without distorting consumption patterns or inhibiting investment decisions. Many of the same ideas can be used in the field of environmentally related taxation; however, a goal of environmentally related taxation is to influence consumption and production patterns and reduce the size of the tax base, which is quite different from the goals of most types of taxation (OECD, 2010). Further, a guide for policymakers on environmental taxation was issued in 2011 (OECD, 2011).

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)[2] 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.[3] 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 and is sanctioned by the *OECD International VAT/GST Guidelines* and by World Trade Organisation rules.

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, although it is more consistent with the main VAT principles and is accepted as the international norm, 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 development of the OECD International VAT/GST Guidelines responds to these challenges (see Section 8.1.2).

8.1. 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, first looking at supplies of goods and subsequently at supplies of services.

8.1.1. 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 seller'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 purchaser's 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 system are likely to outweigh the revenue gained. If these additional costs would be passed on to consumers, the charges could be disproportionally high compared to the value of the goods. Most OECD countries apply such a VAT relief arrangement, with thresholds varying widely across countries, from USD 9 in Denmark to USD 650 in Australia (see Table 2.A2.8 in Chapter 2).

The exemptions for low value imports have become increasingly controversial in the context of the growing digital economy. This is one of the findings of the *Report on the Tax Challenges of the Digital Economy*, which was released in September 2014 in the context of the OECD/G20 Base Erosion and Profit Shifting (BEPS) project.[4] At the time when most current 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, many VAT

countries have seen a significant and rapid growth in the volume of low value imports of physical goods on which VAT is not collected resulting in decreased VAT revenues and potentially unfair competitive pressures on domestic retailers who are required to charge VAT on their sales to domestic consumers. 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 on the Tax Challenges of the Digital Economy* concludes that the thresholds in many jurisdictions may require a review to ensure that they are still appropriate. It indicates that, if tax authorities were to make significant improvements to the efficiency of processing such low value imports and of collecting the VAT on such imports, governments would be in a position to lower these thresholds and address the issues associated with their operation. This could notably be achieved by requiring non-resident vendors of low value parcels to charge, collect and remit the tax on the imports of these goods in the importing jurisdiction. Compliance by non-resident suppliers with their tax obligations in the country of importation would need to be facilitated through simplified registration and compliance mechanisms, using the possibilities offered by new technologies (e.g. on-line registration and filing, electronic payment).

8.1.2. 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 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. Several exceptions exist for both B2B and B2C supplies according to their nature. For example, services connected with immovable property are taxed where the property is located; services relating to cultural, artistic, sporting, scientific, educational, entertainment and similar activities are taxed at the place where those services are physically carried out.

The rules are now being adjusted to apply the destination principle to B2C services in the new global environment: since 2003, electronically supplied services provided by non-EU suppliers to EU consumers are taxed at the place where the customer resides or has a permanent address and television broadcasting and telecommunications services supplied by non-EU suppliers are taxable at the place where the private customer effectively uses and enjoys the service. Such services supplied by EU providers to non-EU customers are not taxed in the EU. To facilitate compliance by non-EU suppliers, a web portal ("One Stop Shop") was created, allowing these suppliers to register at a distance in only one Member State and account for VAT due in all the Member States where their customers are located. The destination principle will also be implemented from 1 January 2015 onwards to B2C telecommunications, broadcasting and electronically supplied services provided to EU consumers by suppliers established within the EU. They will then be taxed at the place where the customer resides or has a permanent address (in practice, during a transition period ending in 2019 the supplier's Member State will progressively allocate the tax revenue to the customer's Member State i.e. 70% in 2015-16; 85% in 2017-18 and 100% on 1 January 2019). As a result, EU and non-EU suppliers will be placed on an equal footing as regards the place of taxation for such services and, hence, as regards the VAT rate applicable. This will provide for a more complete application of the destination principle, including for supplies made within the EU. The practical implementation of this new rule will be supported by a One Stop Shop allowing them to declare in the Member State in which they are identified the VAT due in the Member State of their customer.

A number of countries (New Zealand, Australia, South Africa, Singapore, etc.) have adopted a different model than the European one, which is often referred to as the "New World" model. The EU model is based on an approach by category where a "place of supply" is determined for each category of supplies, according to their nature and the status (business or consumer) of the customer. This place of supply is also the place of taxation. The New World 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 is 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 presumed to be outside New Zealand, except when the service is physically performed in New Zealand (by the provider or by someone else) 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. As a result, "the broad inclusion of supplies by resident suppliers necessitates fairly extensive zero-rating rules and the list of zero-rated services includes most situations where consumption is likely to take place offshore" (Millar, 2007). 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 (provided that it is not reasonably foreseeable that the services will be provided to a person in New Zealand); 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.

In Australia (which adopted GST in 2000), supplies are taxable in Australia when they are "*connected with Australia*". According to that proxy, supplies of services performed in Australia, provided through an Australian enterprise, or consisting of rights to receive supplies in Australia are considered to be potentially taxable in 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 application of these place of taxation principles and the interaction between national VAT systems have become increasingly difficult as volumes of cross-border trade in services and intangibles are growing. VAT systems have 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. 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.

In response, the OECD is developing International VAT/GST Guidelines as the future international standard for applying VAT to cross-border trade in services and intangibles, to minimise the risks of double taxation and double non-taxation resulting from mismatches between national VAT systems.

8.2. The International VAT/GST Guidelines

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. This work resulted in the Guidelines on Consumption Taxation of Cross-Border Services and Intangible Property in the Context of E-commerce (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 (2003), which looked at various aspects of the implementation of the E-commerce Guidelines in practice. This work has now been superseded by the more recent *OECD International VAT/GST Guidelines*.

Against the background of the strong growth of international trade in services, it became increasingly clear that tax issues needing attention were not confined only to electronic commerce but that VAT could distort cross-border trade in services more generally and that this situation was creating obstacles to business activity, hindering economic growth and distorting competition. Recognising that countries would benefit from common principles on the VAT treatment of trade in services more generally the OECD launched a project to develop the *OECD International VAT/GST Guidelines* (the Guidelines) in 2006.

Once finalised, these Guidelines will set forth a set of standards for the VAT-treatment of the most common types of international transactions, focusing on trade in services and intangibles, with the aim of reducing the uncertainty and risks of double taxation and unintended non-taxation that result from inconsistencies in the application of VAT in a cross-border context.

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At this stage, the OECD has completed Guidelines (OECD, 2014a) that provide standards on the following key aspects of international VAT design and operation:

- Standards on VAT neutrality: VAT is a tax on private consumption. It is not a tax on businesses, which are only the collectors of the tax. This ensures that the tax is broadly neutral towards the production process, and this makes VAT a relatively growth-friendly tax. These Guidelines will help ensure the coherent implementation of the neutrality principles by VAT regimes around the world. This includes standards that prevent businesses from incurring irrecoverable VAT abroad and that level the playing field for domestic and foreign businesses in cross-border trade.
- Standards for the allocation of taxing rights on international trade in services and intangibles between businesses (B2B). These Guidelines provide standards to ensure that cross-border B2B trade in services and intangibles is taxed only in the country of the recipient of the service. This principle of "destination-based taxation" has been accepted as the global standard and the Guidelines will now support its coherent implementation by domestic VAT systems.

These Guidelines were endorsed as a global standard at the second meeting of the OECD Global Forum on VAT in April 2014 by all participating jurisdictions and international organisations (see the Statement of Outcomes in Annex C). The OECD now continues work on Guidelines to ensure effective and coherent VAT treatment of cross-border sales of services and intangibles to private consumers (B2C). Recent years have witnessed a particularly strong growth of cross-border trade in B2C services and intangibles, both in volumes and complexity, as the internet has made it increasingly easy for private consumers to shop online around the world and to buy products abroad. This has created growing VAT revenue risks for governments, as it is often difficult for tax authorities to collect VAT on such sales from foreign suppliers under existing tax rules. The BEPS *Report on the Tax Challenges of the Digital Economy* (OECD, 2014b and footnote to Section 8.1.1) identifies the absence of an international framework for the proper collection of VAT on the purchases of digital products by final consumers from suppliers abroad as one of the main tax issues raised by the digital economy. The future Guidelines on B2C trade in services are expected to offer effective solutions for these challenges. These Guidelines will be complemented with provisions on enhanced administrative cooperation and on addressing avoidance and evasion. This work will be completed by 2015.

9. The VAT fraud issue

Reducing the revenue losses from VAT non-compliance is a key challenge and a priority for countries around the world. Evidence notably points to considerable VAT losses within the EU. A study carried out for the European Commission to measure the "VAT gap" (i.e. difference between the tax liability according to the law and the actual revenue collected) over a period from 2000 to 2006, (Reckon, 2009) estimated the overall average VAT gap for the EU at 12% of VAT liability (varying from 2% to 30% across individual countries in 2006), i.e. 106.7 billion euros for the year 2006. A more recent study for the European Commission was published in July 2013 (CASE, 2013), which put the estimated VAT losses for different EU countries in 2011 in a wide range of less than 5% of tax liability in Malta and Sweden to more than 40% in Latvia and Romania, with an overall average for the EU of about 20% or approximately 193 billion euros. This 2013 study notably shows that VAT compliance appears to fall when tax rates are increased, at least in countries with ostensibly weaker

institutions of tax enforcement and compliance, in particular during recessions. Although those 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 give, together with Commissions reports, an overview of the problem that VAT fraud still represents in the EU (European Commission 2014a).

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. It was traditionally common with high-value goods sold across borders, such as computer chips and cell phones. But the fraud has more recently moved into services that are bought and sold like goods. For instance, the development of markets for trading CO_2 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_2 allowances market volume was fraudulent (Europol, 2009). In 2011, 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". 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, 2014c). In addition to the revenue losses, VAT criminal fraud is often connected with other criminal activities such as money laundering.

In response, governments are increasingly developing strategies to counter the losses. 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. In July 2013, the Council of the European Union adopted two directives (2013/42/EU and 2013/43/EU) amending the 2006 VAT Directive, allowing Member States to take immediate measures (i.e. apply the reverse charge to any kind of supply) in case of sudden and massive VAT fraud. The other one allows Member States to apply, on an optional and temporary basis, a domestic reverse charge mechanism to a determined list of supplies.

The 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. 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.

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 wider international co-operation is needed in this area (European Commission, 2014b). A key instrument for mutual co-operation, information exchange and other forms of mutual assistance that may assist jurisdictions in strengthening international administrative co-operation between tax authorities in indirect taxes is The *Multilateral Convention on Mutual Administrative Assistance in Tax Matters* (the Convention). 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.

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. In July 2013, at the request of the G20, the OECD published an Action Plan on Base Erosion and Profit Shifting (BEPS Action Plan). This Plan was developed in response to the growing concerns expressed by political leaders, media outlets, and civil society around the world about tax planning by multinational enterprises that makes use of gaps in the interaction of different tax systems to artificially reduce taxable income or shift profits to low-tax jurisdictions in which little or no economic activity is performed. Action 1 of the BEPS Action Plan called for work to address the tax challenges of the digital economy. The objective of this action was to develop a report identifying issues raised by the digital economy and detailed options to address them by September 2014.

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ANNEX 1.A1

Data on taxing consumption

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

	1965	1975	1985	1995	2000	2005	2009	2010	2011	2012	Difference 2000-12
Australia	30.0	25.8	28.6	23.1	26.2	25.5	26.5	25.6	24.1	23.3	-2.9
Austria	36.6	33.9	31.0	27.2	26.9	27.0	26.5	26.3	26.1	26.0	-0.9
Belgium	34.1	26.0	23.7	23.5	23.1	23.2	23.4	23.7	23.2	23.5	0.4
Canada	34.7	26.0	26.1	23.9	22.8	23.7	22.1	22.7	22.8	22.8	0.0
Chile	..	..	..	59.8	60.6	48.7	52.6	48.5	46.4	47.1	-13.5
Czech Republic	..	..	..	29.6	29.3	29.0	31.2	31.2	31.5	32.0	2.7
Denmark	39.0	32.3	33.3	30.7	30.4	30.3	30.2	29.9	30.1	29.6	-0.8
Estonia	..	..	..	34.4	37.4	40.9	39.4	39.1	40.4	41.2	3.8
Finland	41.9	31.6	33.4	29.5	28.3	30.5	30.4	30.6	31.7	32.1	3.8
France	37.5	32.4	28.7	26.7	25.1	24.8	24.4	24.3	24.1	23.7	-1.4
Germany	31.1	25.4	24.6	26.9	27.1	27.8	28.7	28.4	28.1	27.3	0.2
Greece	44.1	42.2	40.0	39.4	33.0	31.9	32.6	36.3	37.0	34.9	1.9
Hungary	..	..	..	40.3	39.9	38.9	38.7	41.5	41.9	42.6	2.7
Iceland	61.7	62.2	59.5	45.7	39.5	37.8	33.3	33.1	33.1	33.5	-6.0
Ireland	49.1	44.4	42.6	38.4	36.5	36.2	33.8	34.7	32.5	32.3	-4.2
Israel	..	..	..	34.5	30.9	33.0	36.6	37.2	36.8	36.4	5.5
Italy	37.0	28.3	23.6	25.0	25.0	23.8	21.8	23.2	23.2	22.7	-2.3
Japan	25.0	15.1	12.1	13.8	17.0	17.2	16.9	16.7	16.5	16.2	-0.8
Korea	..	60.0	58.5	38.6	36.7	33.3	30.9	32.8	29.4	29.2	-7.5
Luxembourg	23.5	20.6	24.1	26.7	26.8	28.7	27.0	26.6	27.2	27.7	0.9
Mexico	..	..	64.5	52.7	52.1	55.7	49.1	51.7	53.3	53.9	1.8
Netherlands	27.1	22.5	23.4	24.6	26.3	28.8	27.3	27.3	26.6	26.0	-0.3
New Zealand	26.2	22.8	22.0	31.3	32.4	30.0	34.0	37.0	37.2	35.9	3.5
Norway	39.9	36.6	36.4	36.7	29.4	26.1	26.4	26.2	25.2	25.0	-4.4
Poland	..	..	..	34.6	34.6	36.2	35.5	37.9	37.8	35.0	0.4
Portugal	44.0	40.1	42.3	42.4	38.7	42.2	36.6	38.3	37.6	38.3	-0.4
Slovak Republic	..	..	..	33.4	34.1	37.3	33.6	33.7	34.5	32.7	-1.4
Slovenia	..	..	..	37.9	35.8	33.1	35.1	36.4	35.7	36.0	0.2
Spain	40.6	24.0	27.6	26.1	27.3	26.1	21.4	24.9	24.3	24.9	-2.4
Sweden	29.5	22.7	25.5	27.7	24.0	25.3	27.8	28.4	28.2	28.1	4.1
Switzerland	31.9	20.6	20.2	19.5	20.4	20.4	19.3	19.9	19.6	20.2	-0.2
Turkey	53.5	40.9	35.7	37.1	40.6	47.4	43.6	45.8	43.5	43.2	2.6
United Kingdom	31.1	23.7	29.7	33.5	30.5	29.1	27.6	29.5	31.0	31.6	1.1
United States	19.9	17.1	16.3	15.5	13.8	14.7	15.3	15.3	15.4	15.0	1.2
Unweighted average											
OECD-average	**36.2**	**31.1**	**32.1**	**32.1**	**31.3**	**31.3**	**30.6**	**31.3**	**31.1**	**30.9**	**-0.4**

Unweighted averages. All member counties 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).

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: OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris.

Table 1.A1.2. **Taxes on general consumption (5110) as percentage of GDP**

	1965	1975	1985	1995	2000	2005	2009	2010	2011	2012	Difference 2000-12
Australia	1.5	1.7	2.2	2.5	3.7	4.0	3.7	3.5	3.4	3.4	-0.3
Austria	6.3	7.2	8.5	7.6	7.9	7.7	7.8	7.7	7.6	7.8	-0.1
Belgium	6.5	6.3	6.9	6.5	7.1	7.0	6.8	7.0	6.9	7.0	-0.1
Canada	4.5	3.9	4.2	4.9	4.9	4.8	4.2	4.3	4.4	4.5	-0.4
Chile	..	..	..	7.5	7.9	7.8	7.3	7.6	7.9	8.1	0.2
Czech Republic	..	..	..	5.8	6.0	6.6	6.6	6.7	6.9	7.1	1.1
Denmark	3.0	6.5	9.2	9.2	9.3	9.8	9.8	9.6	9.7	9.7	0.4
Estonia	..	..	..	9.6	8.4	8.6	8.7	8.6	8.4	8.6	0.2
Finland	5.5	5.6	7.2	7.7	8.0	8.4	8.4	8.3	8.8	9.0	1.0
France	7.8	8.2	8.4	7.4	7.4	7.4	7.0	7.0	7.1	7.1	-0.3
Germany	5.2	5.0	5.7	6.3	6.7	6.1	7.2	7.0	7.0	7.1	0.4
Greece	1.7	3.4	4.2	6.3	7.1	7.0	6.6	7.6	7.6	7.5	0.4
Hungary	..	..	..	8.0	10.1	10.3	10.9	11.0	10.8	11.5	1.4
Iceland	4.3	8.3	9.1	9.6	10.3	10.8	7.6	7.6	7.7	8.1	-2.2
Ireland	1.4	4.1	6.9	6.7	7.1	7.3	6.1	6.1	5.7	5.9	-1.2
Israel	..	..	..	10.6	9.5	9.5	8.9	9.2	9.3	8.9	-0.6
Italy	3.2	3.5	4.7	5.3	6.2	5.7	5.5	6.1	6.0	5.9	-0.3
Japan	0.0	0.0	0.0	1.4	2.4	2.6	2.6	2.6	2.7	2.7	0.3
Korea	..	1.8	3.2	3.4	3.7	3.9	4.1	4.1	4.1	4.3	0.6
Luxembourg	3.3	3.8	4.8	5.0	5.3	6.3	6.5	6.4	6.5	7.0	1.7
Mexico	..	..	2.4	2.5	3.1	3.4	3.4	3.8	3.7	3.7	0.6
Netherlands	3.8	5.5	6.5	6.1	6.4	7.1	6.5	6.8	6.5	6.5	0.1
New Zealand	1.8	2.5	3.2	8.2	8.2	8.7	8.5	9.5	9.7	9.9	1.7
Norway	6.4	8.0	7.8	8.7	8.4	7.9	7.8	7.9	7.7	7.7	-0.7
Poland	..	..	..	6.2	6.9	7.5	7.2	7.5	7.8	7.1	0.2
Portugal	..	2.1	3.0	6.8	7.6	8.2	6.8	7.5	8.1	8.2	0.6
Slovak Republic	..	..	..	8.2	6.9	7.7	6.6	6.2	6.7	6.0	-0.9
Slovenia	..	..	..	11.3	8.7	8.4	7.9	8.1	8.1	8.0	-0.7
Spain	3.2	2.7	4.0	5.0	5.9	6.2	3.8	5.3	5.2	5.3	-0.6
Sweden	3.3	4.7	6.3	8.8	8.3	8.6	9.2	9.3	9.2	9.0	0.7
Switzerland	1.8	2.0	2.6	3.1	3.6	3.6	3.3	3.4	3.5	3.5	-0.1
Turkey	..	..	2.7	5.2	5.8	5.3	4.9	5.7	6.1	5.8	0.0
United Kingdom	1.7	3.0	5.6	6.1	6.3	6.3	5.4	6.2	6.9	6.9	0.6
United States	1.1	1.7	1.9	2.1	2.2	2.1	2.0	2.0	2.0	1.9	-0.3
Unweighted average											
OECD-average	3.2	4.1	5.0	6.6	6.7	6.8	6.5	6.7	6.7	6.8	0.1

Unweighted averages. All member counties 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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Source: OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris.

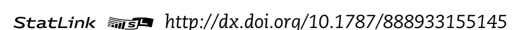

Table 1.A1.3. **Taxes on general consumption (5110) as percentage of total taxation**

	1965	1975	1985	1995	2000	2005	2009	2010	2011	2012	Difference 2000-12
Australia	7.4	6.7	7.9	8.7	12.0	13.4	14.3	13.7	12.8	12.4	0.4
Austria	18.7	19.8	21.0	18.6	18.8	18.8	19.0	18.9	18.6	18.6	-0.2
Belgium	21.1	16.2	15.7	15.2	16.2	16.1	16.2	16.4	16.1	15.9	-0.3
Canada	17.8	12.5	13.2	14.0	14.2	14.8	13.4	14.0	14.4	14.6	0.4
Chile	..	..	..	40.6	41.8	37.8	42.5	38.7	37.0	37.7	-4.1
Czech Republic	..	..	..	16.6	18.3	19.1	20.4	20.5	20.6	20.9	2.6
Denmark	10.1	17.3	20.2	19.3	19.3	19.7	21.2	20.6	20.7	20.6	1.3
Estonia	..	..	..	26.5	27.3	28.3	24.8	25.8	26.4	26.7	-0.6
Finland	18.5	15.6	18.3	17.4	17.4	19.9	20.5	20.4	20.9	21.1	3.7
France	23.3	23.4	20.0	17.7	17.1	17.3	16.9	16.9	16.5	16.1	-1.0
Germany	16.5	14.6	15.8	17.4	18.4	18.0	20.1	20.0	19.7	19.4	1.0
Greece	10.3	18.3	17.2	23.0	21.5	22.2	22.3	24.3	23.4	22.2	0.7
Hungary	..	..	..	19.4	26.1	28.1	28.0	29.4	29.4	30.0	3.9
Iceland	16.7	28.6	33.0	31.7	28.5	27.3	23.7	22.7	22.4	22.8	-5.7
Ireland	5.7	14.7	20.6	21.1	23.0	24.8	22.7	22.8	21.4	21.7	-1.3
Israel	..	..	..	30.1	26.6	27.7	29.9	30.2	30.0	30.0	3.4
Italy	12.9	14.3	14.5	13.8	15.4	14.6	13.1	14.6	14.5	13.8	-1.6
Japan	0.0	0.0	0.0	5.4	9.1	9.5	9.6	9.6	9.4	9.2	0.1
Korea	..	12.7	21.1	17.8	17.0	17.4	17.3	17.6	17.1	17.2	0.2
Luxembourg	12.4	12.1	12.8	14.0	14.3	16.4	16.8	16.8	17.4	18.2	3.9
Mexico	..	..	15.9	16.9	18.7	19.1	19.7	20.5	19.0	19.0	0.3
Netherlands	12.4	14.4	16.2	15.6	17.5	19.6	18.3	18.7	18.0	17.9	0.4
New Zealand	7.7	9.0	10.4	22.8	24.9	23.8	27.6	30.7	30.9	30.0	5.1
Norway	21.5	20.5	18.2	21.2	19.8	18.2	18.7	18.6	18.0	18.2	-1.6
Poland	..	..	..	17.1	21.2	22.9	22.9	24.0	24.5	22.1	0.9
Portugal	..	11.2	12.6	23.6	24.8	27.1	23.1	25.0	25.3	26.4	1.6
Slovak Republic	..	..	..	20.8	20.4	25.0	23.3	22.4	23.7	21.3	0.9
Slovenia	..	..	..	29.5	23.7	22.2	21.9	22.0	22.4	22.0	-1.7
Spain	22.2	15.3	14.7	15.9	17.6	17.8	12.6	16.8	16.5	16.6	-1.0
Sweden	10.4	12.0	14.0	19.4	17.0	18.5	21.0	21.6	21.6	21.4	4.4
Switzerland	10.6	8.7	10.7	12.1	13.1	13.5	12.3	12.8	12.8	13.0	-0.1
Turkey	..	..	23.3	31.1	24.2	21.8	20.0	21.7	21.8	20.8	-3.4
United Kingdom	5.9	8.9	15.9	19.0	18.1	18.6	16.6	18.8	20.5	20.8	2.7
United States	4.8	7.0	7.9	8.0	7.6	8.1	8.4	8.3	8.2	8.0	0.4
Unweighted average											
OECD-average	**11.9**	**13.4**	**15.8**	**19.5**	**19.7**	**20.2**	**20.0**	**20.5**	**20.3**	**20.2**	**0.5**

Unweighted averages. All member counties 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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Source: OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris.

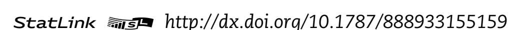
StatLink http://dx.doi.org/10.1787/888933155159

Table 1.A1.4. **Taxes on specific goods and services (5120) as percentage of GDP**

	1965	1975	1985	1995	2000	2005	2009	2010	2011	2012	Difference 2000-12
Australia	4.7	4.9	5.7	4.1	4.3	3.6	3.1	3.0	3.0	3.0	-1.3
Austria	6.0	5.1	4.0	3.5	3.4	3.3	3.1	3.0	3.1	3.1	-0.3
Belgium	4.0	3.8	3.5	3.5	3.0	3.1	3.0	3.1	3.0	3.3	0.3
Canada	4.2	4.3	4.1	3.4	3.0	2.9	2.7	2.7	2.6	2.5	-0.5
Chile	..	..	..	3.5	3.5	2.3	1.7	1.9	2.0	2.0	-1.5
Czech Republic	..	..	..	4.5	3.6	3.4	3.5	3.5	3.7	3.8	0.2
Denmark	8.5	5.7	5.9	5.5	5.3	5.2	4.2	4.3	4.3	4.2	-1.1
Estonia	..	..	..	2.8	3.1	3.8	5.1	4.4	4.5	4.6	1.5
Finland	7.0	5.8	5.9	5.6	5.0	4.5	4.2	4.3	4.6	4.7	-0.3
France	4.8	3.1	3.7	3.8	3.5	3.2	3.1	3.1	3.3	3.4	-0.1
Germany	4.6	3.7	3.2	3.4	3.2	3.3	3.1	2.9	3.0	2.9	-0.3
Greece	5.8	4.4	5.1	4.5	3.8	3.0	3.0	3.7	4.2	4.1	0.3
Hungary	..	..	..	8.6	5.4	4.0	4.2	4.6	4.6	4.9	-0.5
Iceland	11.5	9.8	7.3	4.2	4.0	4.2	3.1	3.5	3.7	3.8	-0.2
Ireland	10.6	8.3	7.4	5.5	4.2	3.4	3.0	3.1	3.0	2.9	-1.3
Israel	..	..	..	1.5	1.5	1.8	2.0	2.1	2.0	1.9	0.4
Italy	5.9	3.4	3.0	4.3	3.9	3.6	3.6	3.5	3.6	3.8	-0.1
Japan	4.4	3.1	3.2	2.2	2.1	2.1	2.0	2.0	2.0	2.1	..
Korea	..	6.7	5.7	3.9	4.2	3.6	3.2	3.5	2.9	3.0	-1.2
Luxembourg	2.9	2.6	4.2	4.5	4.7	4.7	4.0	3.7	3.7	3.7	-1.0
Mexico	..	..	7.4	5.3	5.5	6.5	5.1	5.8	6.7	6.8	1.3
Netherlands	4.5	3.1	2.9	3.5	3.3	3.4	3.2	3.1	3.1	2.9	-0.4
New Zealand	4.4	3.9	3.6	3.1	2.5	2.3	2.0	2.0	2.0	2.0	-0.5
Norway	5.5	6.3	7.7	6.3	4.1	3.4	3.3	3.3	3.0	2.9	-1.2
Poland	..	..	..	6.3	4.4	4.4	3.9	4.3	4.2	4.1	-0.3
Portugal	6.9	5.5	7.2	5.4	4.3	4.5	4.0	4.0	4.0	3.7	-0.6
Slovak Republic	..	..	..	5.0	4.6	3.8	3.0	3.1	3.1	3.2	-1.4
Slovenia	..	..	..	3.2	4.4	4.1	4.8	4.9	4.8	3.5	-0.9
Spain	2.6	1.6	3.4	3.2	3.2	2.9	2.5	2.5	2.4	3.6	0.4
Sweden	6.0	4.2	5.2	3.8	3.4	3.2	3.0	2.9	2.8	3.6	0.2
Switzerland	3.5	2.7	2.3	1.9	2.0	1.9	1.9	1.9	1.8	3.6	1.6
Turkey	5.6	4.9	1.4	1.0	4.0	6.2	5.8	6.3	6.0	3.6	-0.4
United Kingdom	7.4	5.0	4.9	4.6	4.3	3.5	3.5	3.5	3.6	3.6	-0.7
United States	3.6	2.5	2.1	2.0	1.8	1.7	1.6	1.7	1.7	3.6	1.8
Unweighted average											
OECD-average	**5.6**	**4.6**	**4.6**	**4.1**	**3.7**	**3.6**	**3.4**	**3.4**	**3.4**	**3.4**	**-0.3**

Unweighted averages. All member counties 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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Source: OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris.

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

	1965	1975	1985	1995	2000	2005	2009	2010	2011	2012	Difference 2000-12
Australia	22.7	19.1	20.7	14.5	14.1	12.0	12.2	11.9	11.3	11.0	-3.1
Austria	18.0	14.0	9.9	8.5	8.1	8.1	7.5	7.4	7.6	7.4	-0.7
Belgium	13.0	9.8	8.0	8.3	6.9	7.1	7.2	7.3	7.1	7.6	0.7
Canada	16.8	13.6	13.0	9.9	8.6	8.9	8.7	8.8	8.4	8.2	-0.4
Chile	..	..	..	19.2	18.8	10.9	10.1	9.8	9.4	9.4	-9.4
Czech Republic	..	..	..	13.0	11.0	9.8	10.8	10.8	11.2	11.1	0.1
Denmark	28.9	15.0	13.0	11.4	11.1	10.6	9.0	9.3	9.3	9.0	-2.1
Estonia	..	..	..	7.9	10.1	12.6	14.6	13.2	14.0	14.5	4.4
Finland	23.4	16.0	15.2	12.5	10.9	10.7	10.2	10.4	11.0	11.0	0.1
France	14.3	9.0	8.7	9.1	8.0	7.5	7.5	7.5	7.7	7.7	-0.3
Germany	14.6	10.8	8.7	9.5	8.8	9.8	8.6	8.4	8.3	7.9	-0.9
Greece	33.8	23.9	20.9	16.4	11.5	9.6	10.2	11.9	12.9	12.0	0.5
Hungary	..	..	..	20.9	13.8	10.8	10.7	12.1	12.5	12.6	-1.2
Iceland	45.0	33.6	26.5	14.0	11.0	10.6	9.6	10.5	10.7	10.7	-0.3
Ireland	43.4	29.7	22.0	17.4	13.6	11.4	11.1	11.5	11.1	10.6	-3.0
Israel	..	..	..	4.4	4.3	5.3	6.6	6.9	6.6	6.4	2.1
Italy	24.1	14.0	9.1	11.1	9.6	9.2	8.7	8.5	8.7	8.9	-0.7
Japan	25.0	15.1	12.1	8.3	8.0	7.7	7.3	7.2	7.1	6.9	-1.1
Korea	..	47.3	37.4	20.7	19.7	15.9	13.7	15.2	12.2	12.0	-7.7
Luxembourg	11.1	8.4	11.3	12.6	12.5	12.3	10.2	9.8	9.9	9.5	-3.0
Mexico	..	..	48.6	35.8	33.4	36.6	29.4	31.2	34.3	34.9	1.5
Netherlands	14.7	8.1	7.2	9.0	8.9	9.3	8.9	8.7	8.6	8.0	-0.9
New Zealand	18.5	13.8	11.7	8.6	7.5	6.2	6.4	6.4	6.3	6.0	-1.5
Norway	18.4	16.1	18.2	15.5	9.6	7.9	7.8	7.6	7.1	6.8	-2.8
Poland	..	..	..	17.5	13.5	13.3	12.6	13.9	13.3	12.9	-0.6
Portugal	44.0	28.9	29.7	18.7	13.9	15.0	13.4	13.3	12.3	11.8	-2.1
Slovak Republic	..	..	..	12.6	13.7	12.3	10.6	11.3	10.8	11.4	-2.3
Slovenia	..	..	..	8.4	12.1	10.8	13.2	13.4	13.3	14.1	2.0
Spain	18.4	8.7	12.8	10.3	9.6	8.3	8.4	8.0	7.8	8.2	-1.4
Sweden	19.2	10.7	11.6	8.3	7.0	6.8	6.8	6.8	6.6	6.7	-0.3
Switzerland	21.3	11.9	9.5	7.5	7.3	7.0	7.0	7.1	6.6	7.2	-0.1
Turkey	53.5	40.9	12.4	6.0	16.4	25.5	23.6	24.1	21.7	22.4	6.0
United Kingdom	25.2	14.8	13.8	14.5	12.4	10.5	11.0	10.7	10.7	10.8	-1.6
United States	15.1	10.0	8.4	7.5	6.3	6.6	6.9	7.0	7.1	7.1	0.8
Unweighted average											
OECD-average	**24.3**	**17.7**	**16.2**	**12.6**	**11.5**	**11.1**	**10.6**	**10.8**	**10.7**	**10.7**	**-0.8**

Unweighted averages. All member counties 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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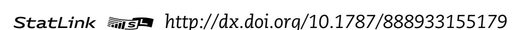
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Table 1.A1.6. Value added taxes (5111) as percentage of GDP

	1965	1975	1985	1995	2000	2005	2009	2010	2011	2012	Difference 2000-12
Australia	0.0	0.0	0.0	0.0	3.4	3.9	3.6	3.4	3.3	3.3	-0.1
Austria	0.0	7.2	8.5	7.6	7.9	7.7	7.8	7.7	7.6	7.8	-0.1
Belgium	0.0	6.3	6.9	6.5	7.0	6.9	6.7	6.9	6.8	6.9	-0.1
Canada	0.0	0.0	0.0	2.9	3.2	3.2	2.7	3.7	4.1	4.2	1.0
Chile	..	..	..	7.5	7.9	7.8	7.3	7.6	7.9	8.1	0.2
Czech Republic	..	..	..	5.8	6.0	6.6	6.6	6.7	6.9	7.1	1.1
Denmark	..	6.5	9.2	9.2	9.3	9.8	9.8	9.6	9.7	9.7	0.4
Estonia	..	..	..	9.6	8.4	8.6	8.7	8.5	8.3	8.6	0.2
Finland	5.5	5.6	7.2	7.7	8.0	8.4	8.4	8.3	8.8	9.0	1.0
France	6.8	8.1	8.2	7.3	7.2	7.2	6.7	6.8	6.8	6.8	-0.4
Germany	0.0	5.0	5.7	6.3	6.7	6.1	7.2	7.0	7.0	7.1	0.4
Greece	0.0	0.0	0.0	6.1	6.9	6.8	6.2	7.2	7.2	7.1	0.2
Hungary	..	..	..	7.3	8.7	8.3	8.4	8.6	8.5	9.1	0.4
Iceland	0.0	0.0	0.0	9.1	10.3	10.8	7.6	7.6	7.7	8.1	-2.2
Ireland	0.0	4.1	6.9	6.7	7.1	7.3	6.1	6.1	5.7	5.9	-1.2
Israel	..	..	..	8.3	7.6	7.7	7.3	7.6	7.6	7.3	-0.3
Italy	0.0	3.4	4.7	5.3	6.2	5.7	5.5	6.1	6.0	5.9	-0.3
Japan	..	..	..	1.4	2.4	2.6	2.6	2.6	2.7	2.7	0.3
Korea	..	0.0	3.2	3.4	3.7	3.9	4.1	4.1	4.1	4.3	0.6
Luxembourg	0.0	3.8	4.8	5.0	5.3	6.3	6.5	6.4	6.5	7.0	1.7
Mexico	..	..	2.4	2.5	3.1	3.4	3.4	3.8	3.7	3.7	0.6
Netherlands	0.0	5.5	6.5	6.1	6.4	7.1	6.5	6.8	6.5	6.5	0.1
New Zealand	0.0	0.0	0.0	8.2	8.2	8.7	8.5	9.5	9.7	9.9	1.7
Norway	0.0	8.0	7.8	8.7	8.4	7.8	7.8	7.9	7.7	7.7	-0.7
Poland	..	..	..	6.1	6.9	7.5	7.2	7.5	7.8	7.1	0.2
Portugal	0.0	0.0	0.0	6.8	7.6	8.2	6.8	7.5	8.1	8.2	0.6
Slovak Republic	..	..	..	8.2	6.9	7.7	6.6	6.2	6.7	6.0	-0.9
Slovenia	..	..	..	0.0	8.5	8.4	7.9	8.1	8.1	8.0	-0.5
Spain	0.0	0.0	0.0	5.0	5.9	6.2	3.8	5.3	5.2	5.3	-0.6
Sweden	0.0	4.7	6.3	8.8	8.3	8.5	9.1	9.2	9.0	8.9	0.6
Switzerland	0.0	0.0	0.0	2.2	3.6	3.6	3.3	3.4	3.5	3.5	-0.1
Turkey	..	..	2.6	4.1	5.8	5.3	4.9	5.7	6.1	5.8	0.0
United Kingdom	0.0	3.0	5.6	6.1	6.3	6.3	5.4	6.2	6.9	6.9	0.6
United States	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unweighted average											
OECD-average	**0.6**	**3.1**	**3.9**	**5.8**	**6.4**	**6.6**	**6.2**	**6.5**	**6.5**	**6.6**	**0.2**

Unweighted averages. All member counties 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).

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: OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris.

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Table 1.A1.7. **Value added taxes (5111) as percentage of total taxation**

	1965	1975	1985	1995	2000	2005	2009	2010	2011	2012	Difference 2000-12
Australia	0.0	0.0	0.0	0.0	11.1	13.1	13.9	13.4	12.5	12.1	1.0
Austria	0.0	19.8	21.0	18.6	18.8	18.8	19.0	18.9	18.6	18.6	-0.2
Belgium	0.0	16.2	15.7	15.2	16.1	15.8	16.0	16.2	15.9	15.7	-0.4
Canada	0.0	0.0	0.0	8.4	9.2	9.9	8.4	12.2	13.5	13.7	4.5
Chile	..	..	..	40.6	41.8	37.8	42.5	38.7	37.0	37.7	-4.1
Czech Republic	..	..	..	16.6	18.3	19.1	20.4	20.5	20.6	20.9	2.6
Denmark	..	17.3	20.2	19.3	19.3	19.7	21.2	20.6	20.7	20.6	1.3
Estonia	..	..	..	26.5	27.3	28.3	24.8	25.7	26.0	26.6	-0.7
Finland	18.5	15.6	18.3	17.4	17.4	19.9	20.5	20.4	20.9	21.1	3.7
France	20.1	23.1	19.7	17.4	16.7	16.7	16.2	16.3	15.9	15.5	-1.2
Germany	0.0	14.6	15.8	17.4	18.4	18.0	20.1	20.0	19.7	19.4	1.0
Greece	0.0	0.0	0.0	22.0	20.8	21.5	21.1	23.2	22.3	21.2	0.4
Hungary	..	..	..	17.8	22.4	22.6	21.5	23.0	23.0	23.7	1.3
Iceland	0.0	0.0	0.0	29.9	28.5	27.3	23.7	22.7	22.4	22.8	-5.7
Ireland	0.0	14.7	20.6	21.1	23.0	24.8	22.7	22.8	21.4	21.7	-1.3
Israel	..	..	..	23.5	21.3	22.5	24.6	24.7	24.6	24.7	3.4
Italy	0.0	13.7	14.5	13.8	15.4	14.6	13.1	14.6	14.5	13.8	-1.6
Japan	..	..	..	5.4	9.1	9.5	9.6	9.6	9.4	9.2	0.1
Korea	..	0.0	21.1	17.8	17.0	17.4	17.3	17.6	17.1	17.2	0.2
Luxembourg	0.0	12.1	12.8	14.0	14.3	16.4	16.8	16.8	17.4	18.2	3.9
Mexico	..	..	15.9	16.9	18.7	19.1	19.7	20.5	19.0	19.0	0.3
Netherlands	0.0	14.4	16.2	15.6	17.5	19.6	18.3	18.7	18.0	17.9	0.4
New Zealand	0.0	0.0	0.0	22.8	24.9	23.8	27.6	30.7	30.9	30.0	5.1
Norway	0.0	20.5	18.2	21.2	19.7	18.1	18.6	18.5	18.0	18.2	-1.5
Poland	..	..	..	17.0	21.2	22.9	22.9	24.0	24.5	22.1	0.9
Portugal	0.0	0.0	0.0	23.6	24.8	27.1	23.1	25.0	25.3	26.4	1.6
Slovak Republic	..	..	..	20.8	20.4	25.0	23.3	22.4	23.7	21.3	0.9
Slovenia	..	..	..	0.0	23.3	22.2	21.9	22.0	22.4	22.0	-1.3
Spain	0.0	0.0	0.0	15.9	17.6	17.8	12.6	16.8	16.5	16.6	-1.0
Sweden	0.0	12.0	14.0	19.4	16.9	18.3	20.7	21.3	21.4	21.1	4.2
Switzerland	0.0	0.0	0.0	8.6	13.1	13.5	12.3	12.8	12.8	13.0	-0.1
Turkey	..	..	22.3	24.3	24.2	21.8	20.0	21.7	21.8	20.8	-3.4
United Kingdom	0.0	8.9	15.9	19.0	18.1	18.6	16.6	18.8	20.5	20.8	2.7
United States	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unweighted average											
OECD-average	**1.8**	**8.8**	**11.3**	**17.3**	**19**	**19.5**	**19.2**	**19.7**	**19.7**	**19.5**	**0.5**

Unweighted averages. All member counties 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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Source: OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris.

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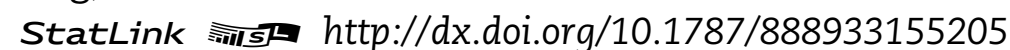
Table 1.A1.8. **Tax structures in the OECD area**[a]

	1965	1975	1985	1995	2005	2012
Personal income tax	26	30	30	27	24	25
Corporate income tax	9	8	8	8	10	9
Social security contributions[b]	18	22	22	25	25	26
(employee)	*(6)*	*(7)*	*(7)*	*(9)*	*(9)*	*(10)*
(employer)	*(10)*	*(14)*	*(13)*	*(14)*	*(14)*	*(15)*
Payroll taxes	1	1	1	1	1	1
Property taxes	8	6	5	6	6	5
General consumption taxes	12	13	16	20	20	20
(of which VAT)	*(2)*	*(9)*	*(11)*	*(17)*	*(19)*	*(20)*
Specific consumption taxes	24	18	16	13	11	11
Other consumption taxes[c]	2	2	2	3	3	3
Total	100	100	100	103	100	100

a) Percentage share of major tax categories in total tax revenue.
b) 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.
c) Including certain taxes on goods and services (heading 5200) and stamp taxes.
Source: OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris.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