



## Tax trends in OECD countries:

The Slowdown in Economic Growth, High Unemployment and Large Budget Deficits:  
How have Tax Policymakers Reacted?

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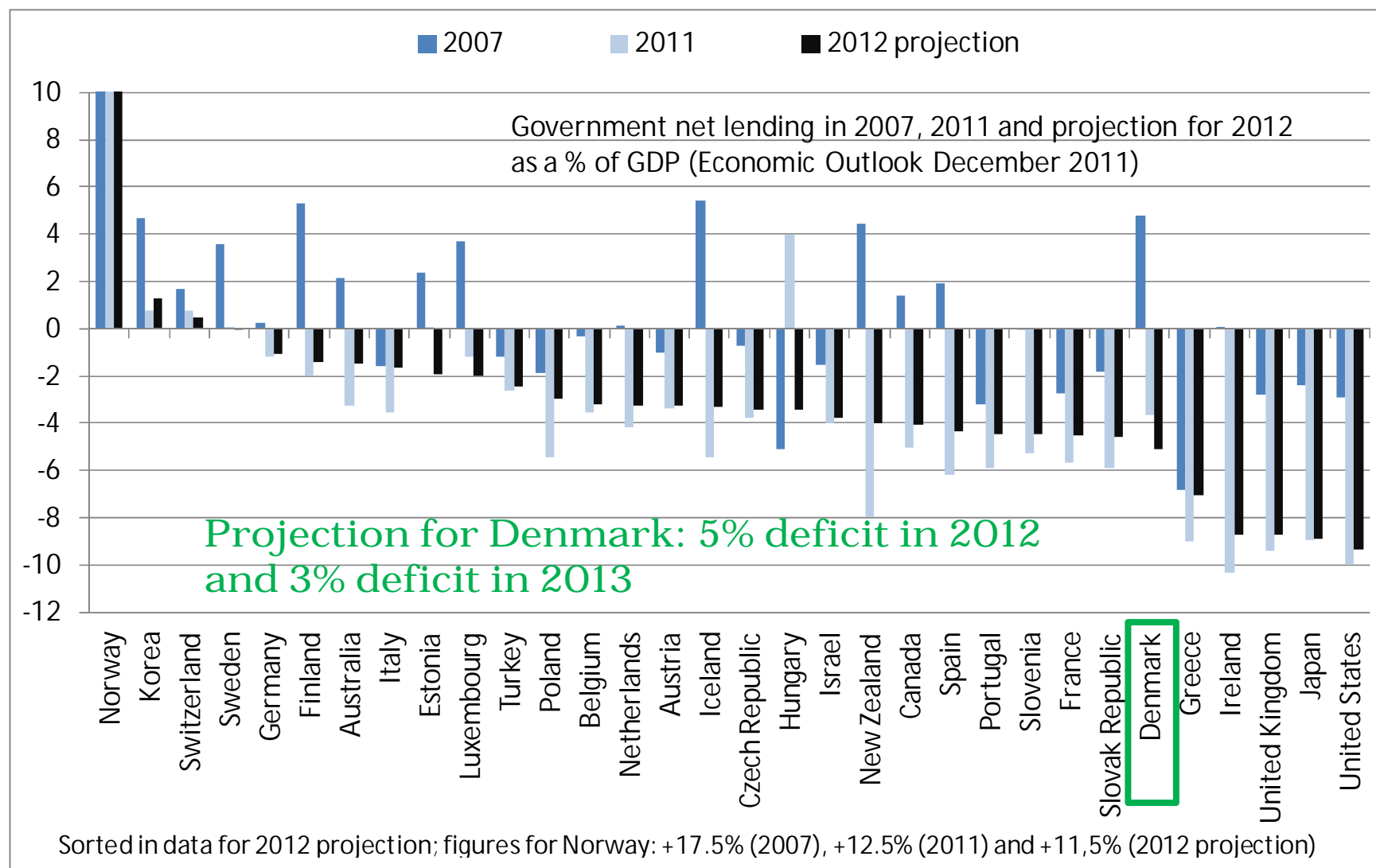
# Structure of presentation

- I. Challenges for tax policy and background economic information
- II.
  - How does the Danish tax system compare to the tax system in other OECD countries?
  - Trends in tax policies and tax revenues
- III. Recent (2011-2012) developments
- IV. Tax policy issues for discussion

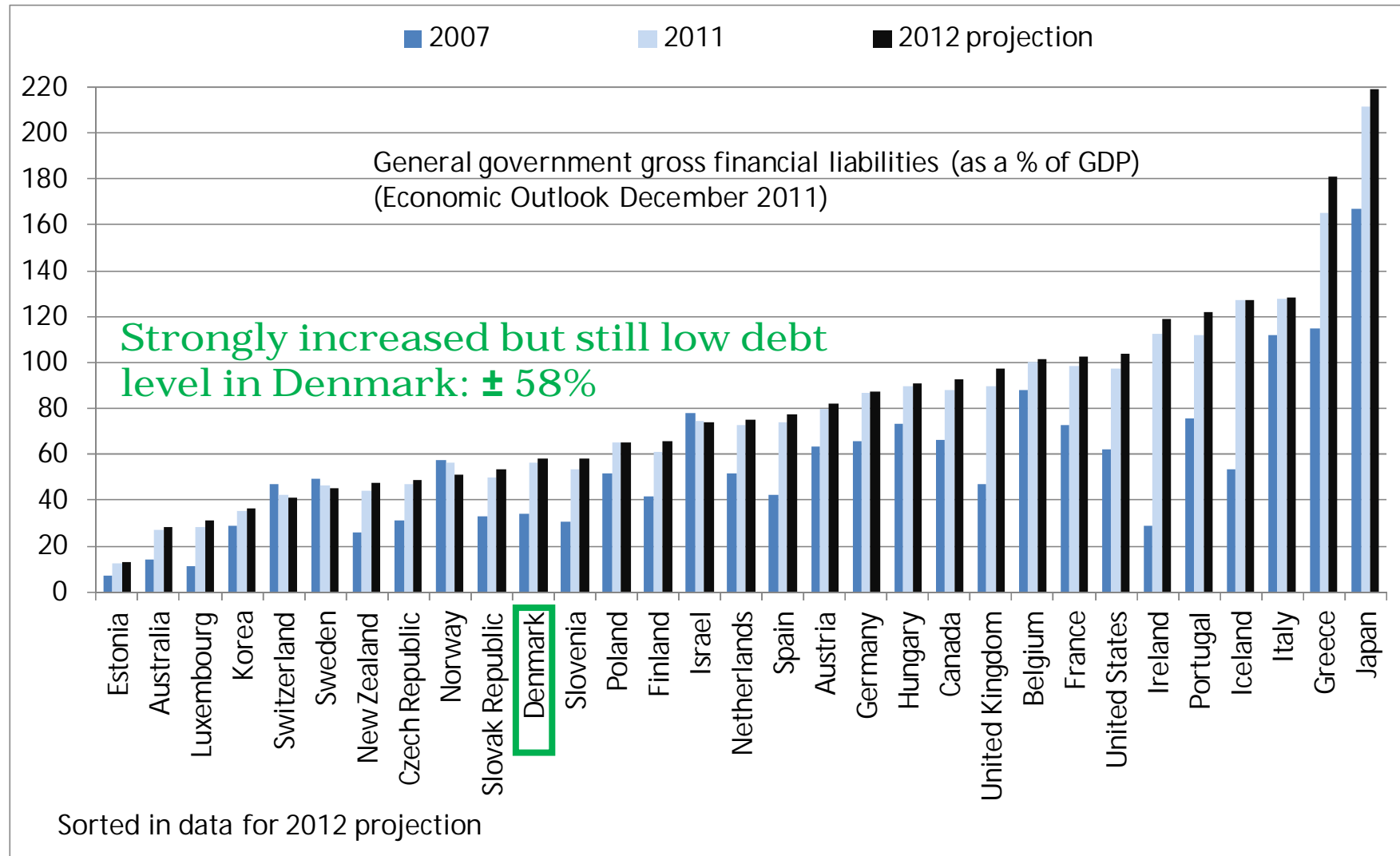
# I. Challenges for tax policy

- Slowdown in economic activity
- Large budget deficits and rising debt ratios
- High unemployment
- Globalisation and tax competition – capital mobility, emerging economies, etc.
- Growing income inequality in many countries
- Population ageing
- Climate change and the environment

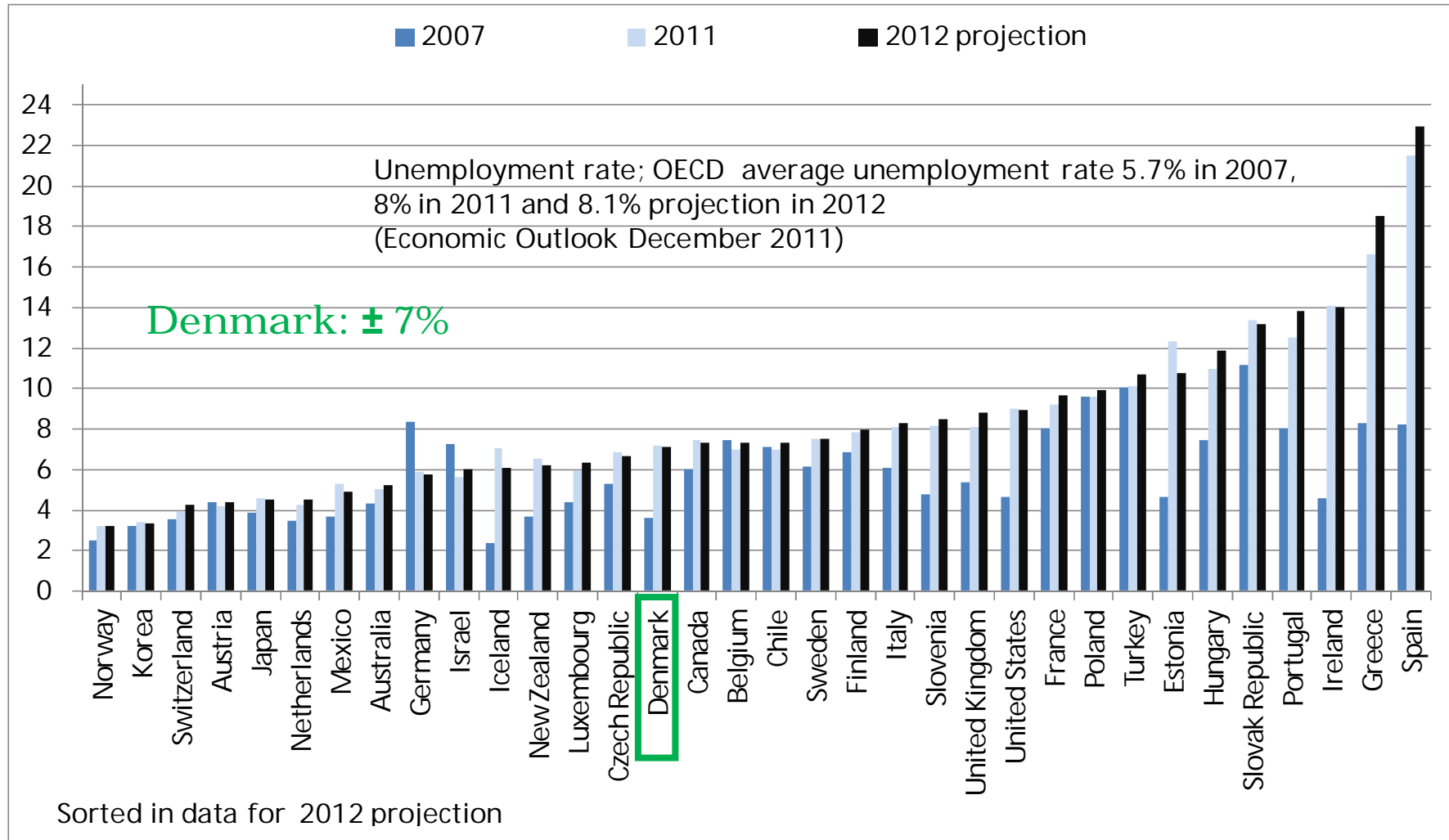
# I. Large budget deficits in some countries



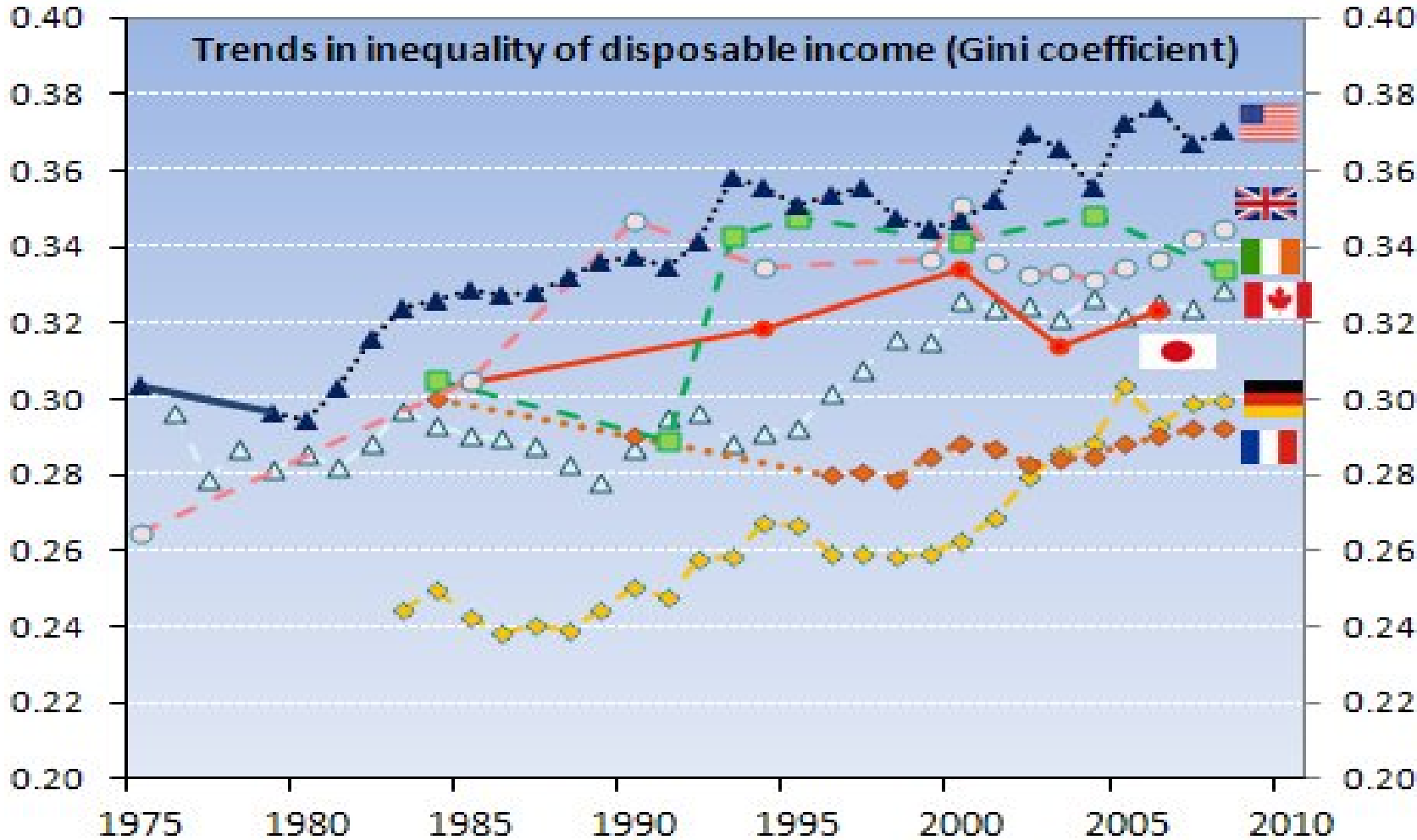
# I. Strong increase in public debt



# I. Increasing rates of unemployment

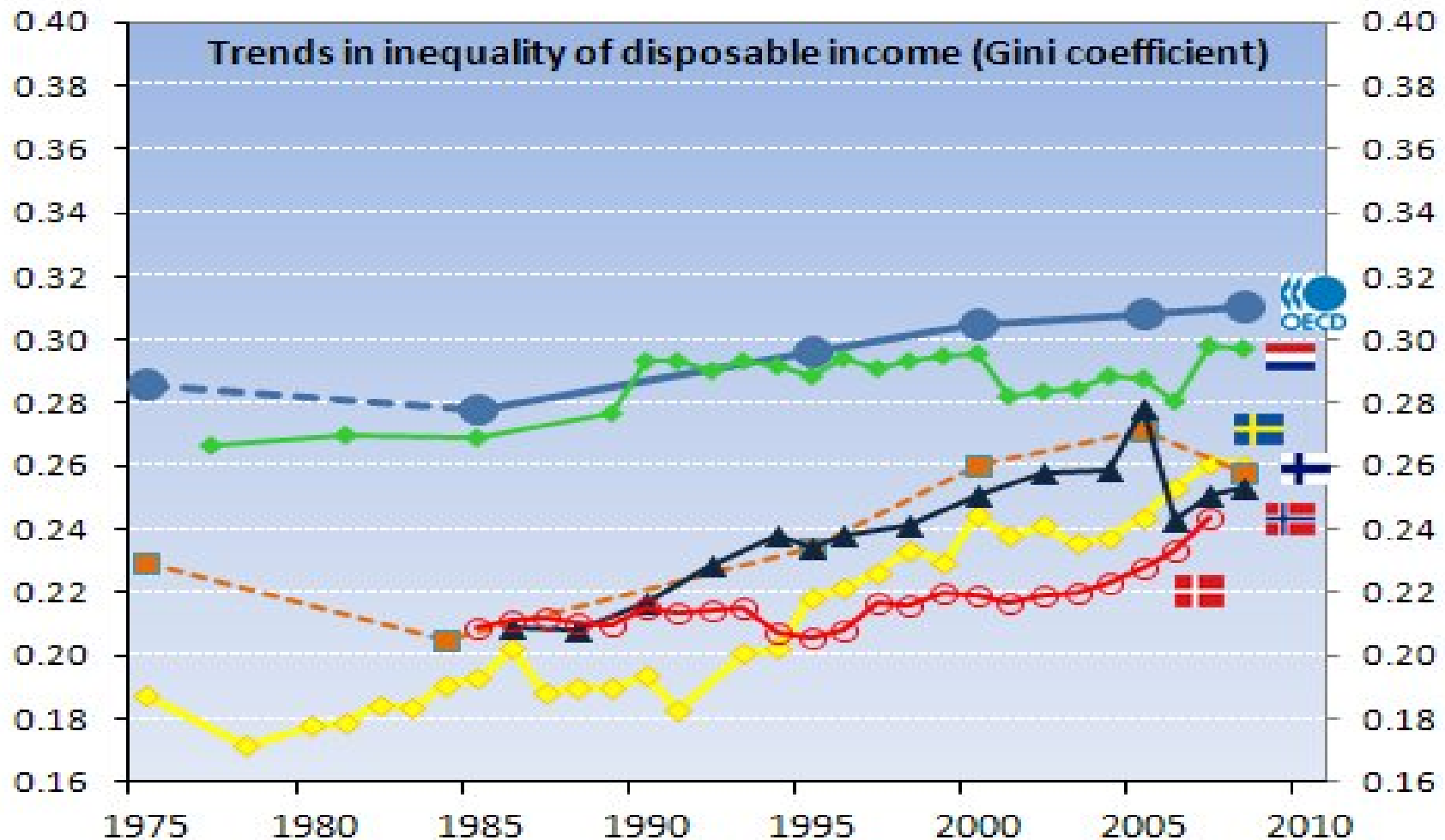


# I. Income inequality increased in most OECD countries ...



Source: OECD 2011, Divided we Stand.

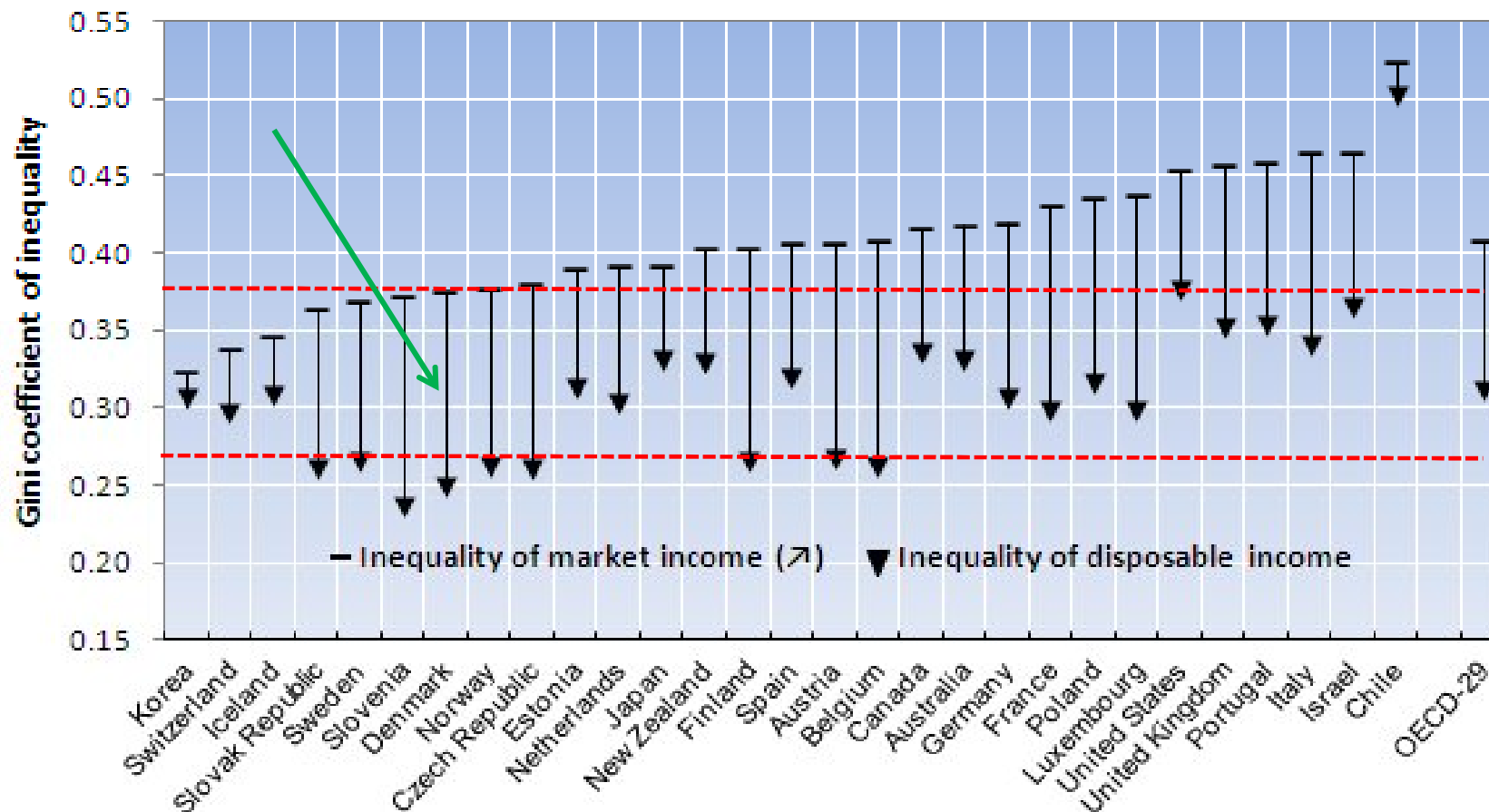
## ... and it increased in many low-inequality countries too





# Redistribution through taxes and benefits plays an important role

Market incomes are distributed more unequally than household net incomes: taxes and benefits reduce inequality by a quarter





## II.

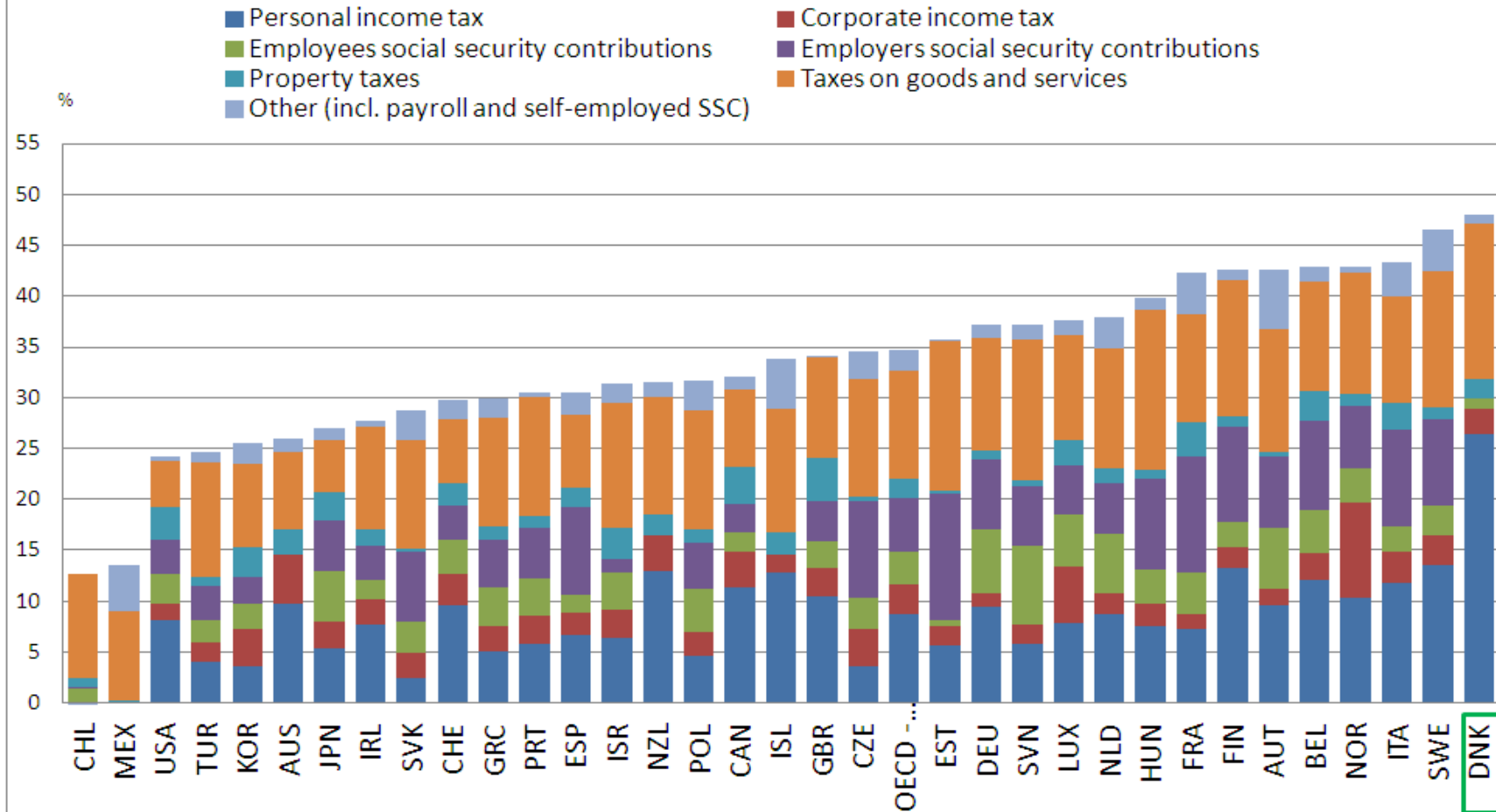
How does the tax system in  
Denmark compare to the tax  
system in other OECD  
countries?

+

Trends over time

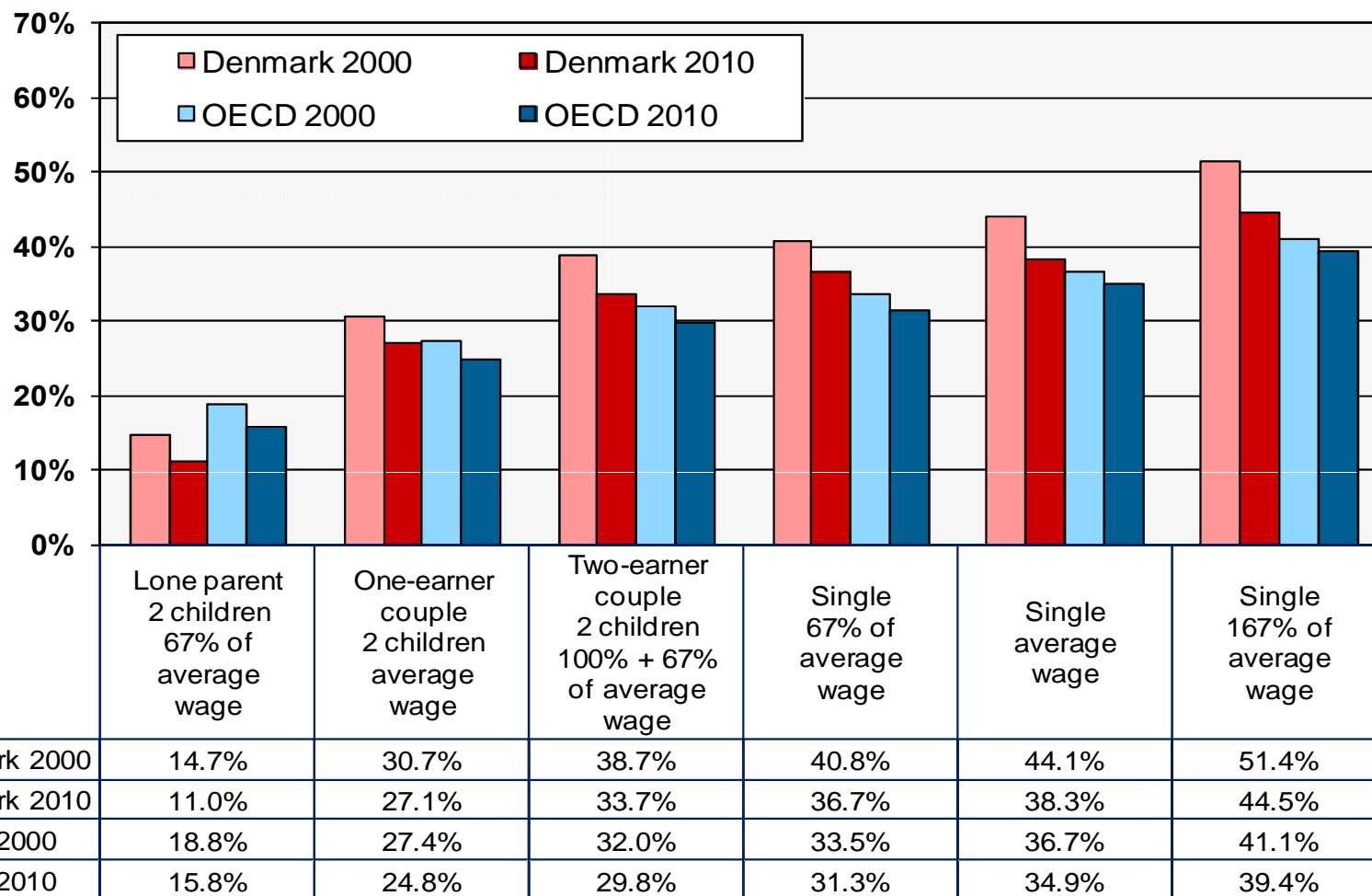
# Tax-to-GDP ratio

Composition of tax receipts as percentage of GDP, 2009

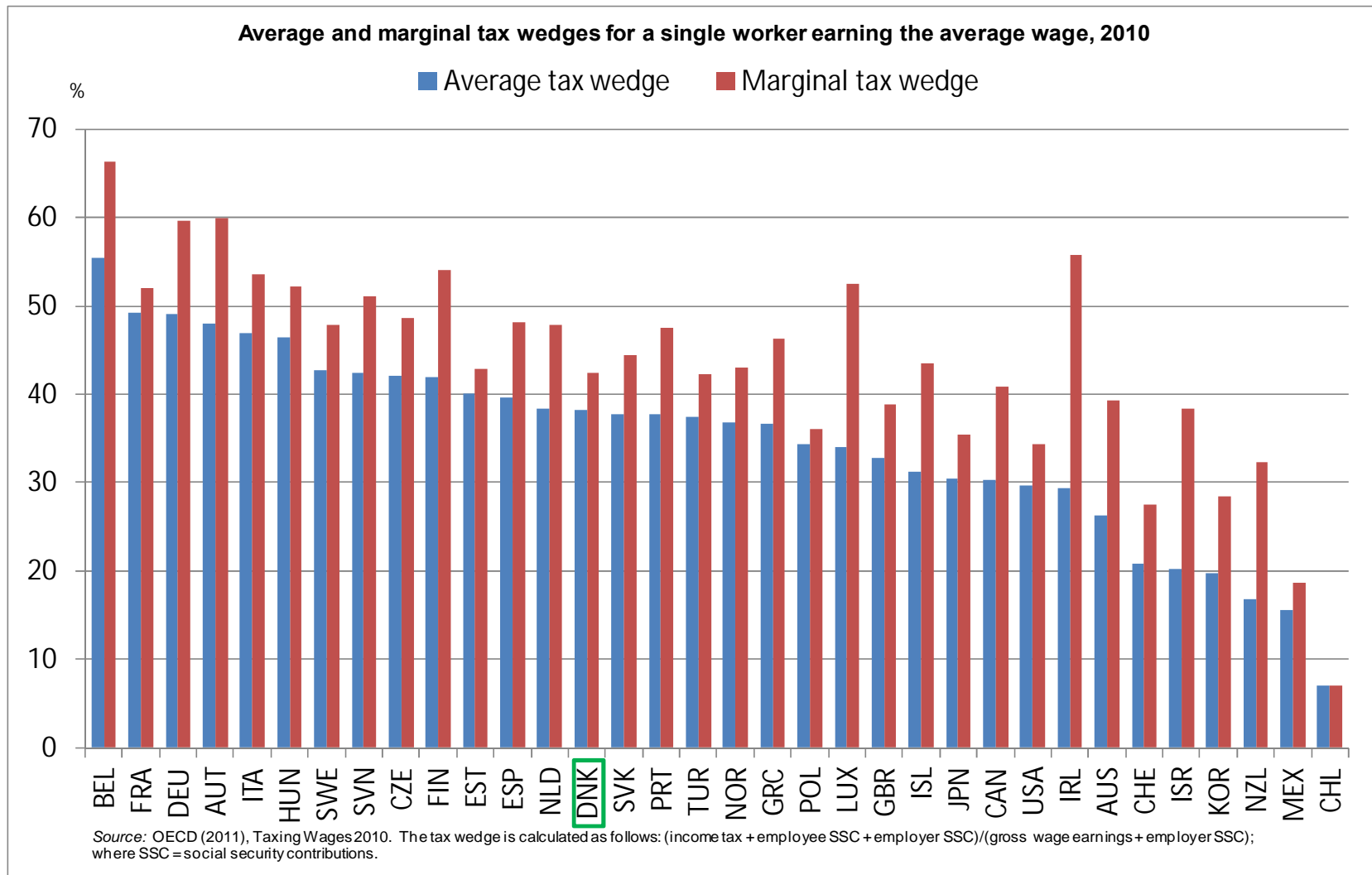


Source: Revenue Statistics (OECD)

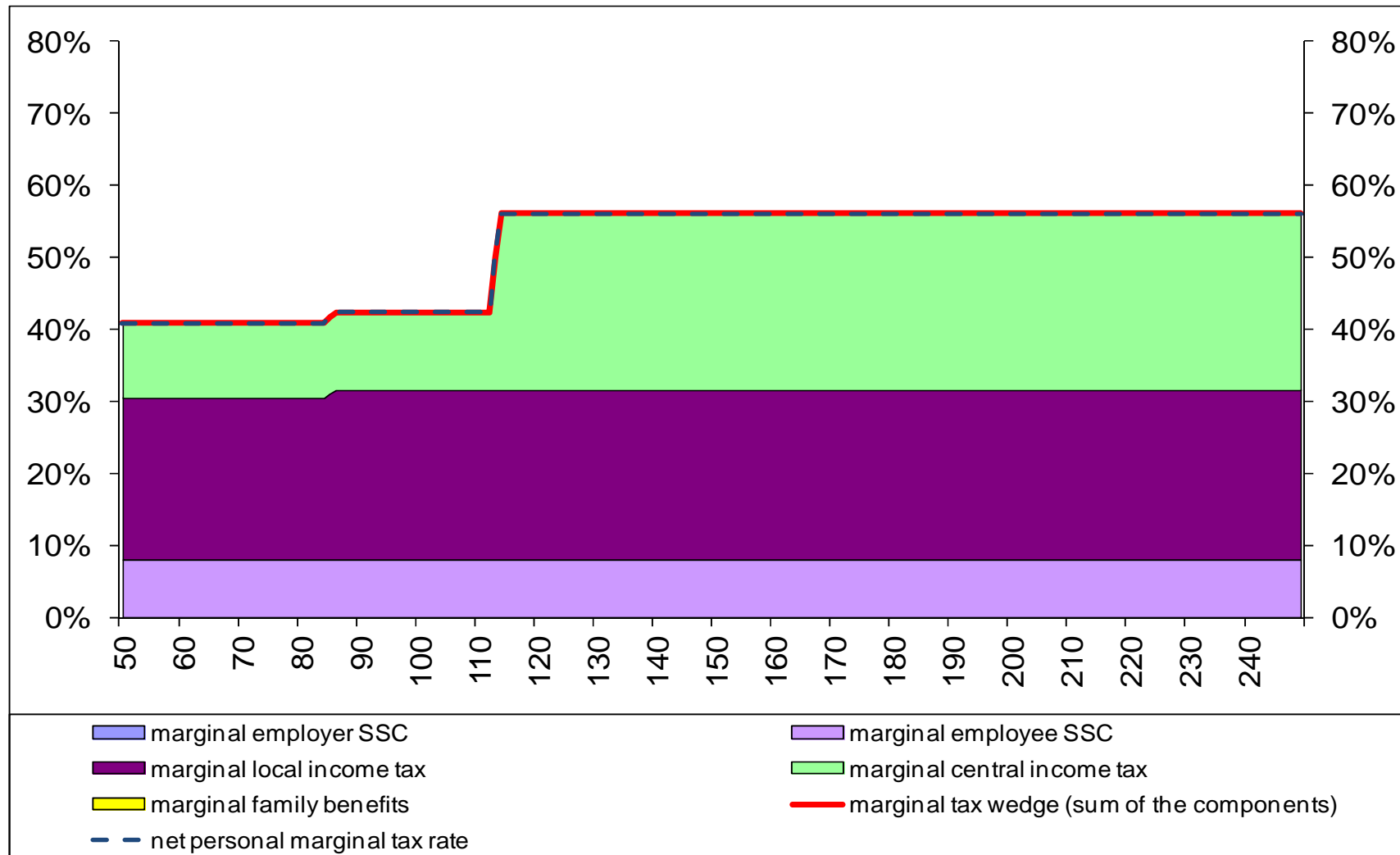
## Average tax burden on labour income in Denmark compared to the OECD on average (2000 and 2010)



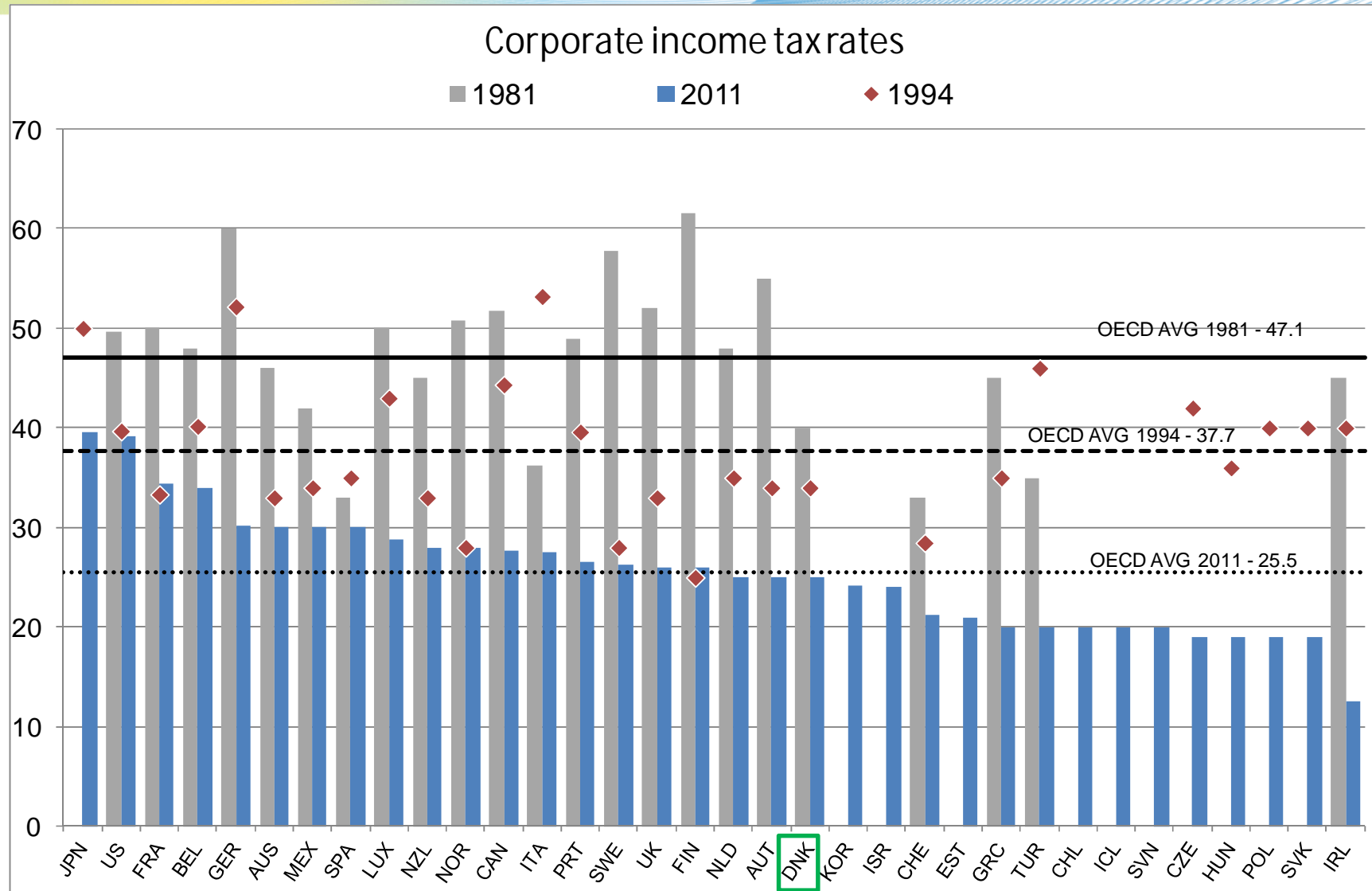
# Average and marginal tax wedges for single workers at average earnings (2010)



# Marginal tax wedges for single workers at different earnings levels (2010)



# Corporate income tax rates

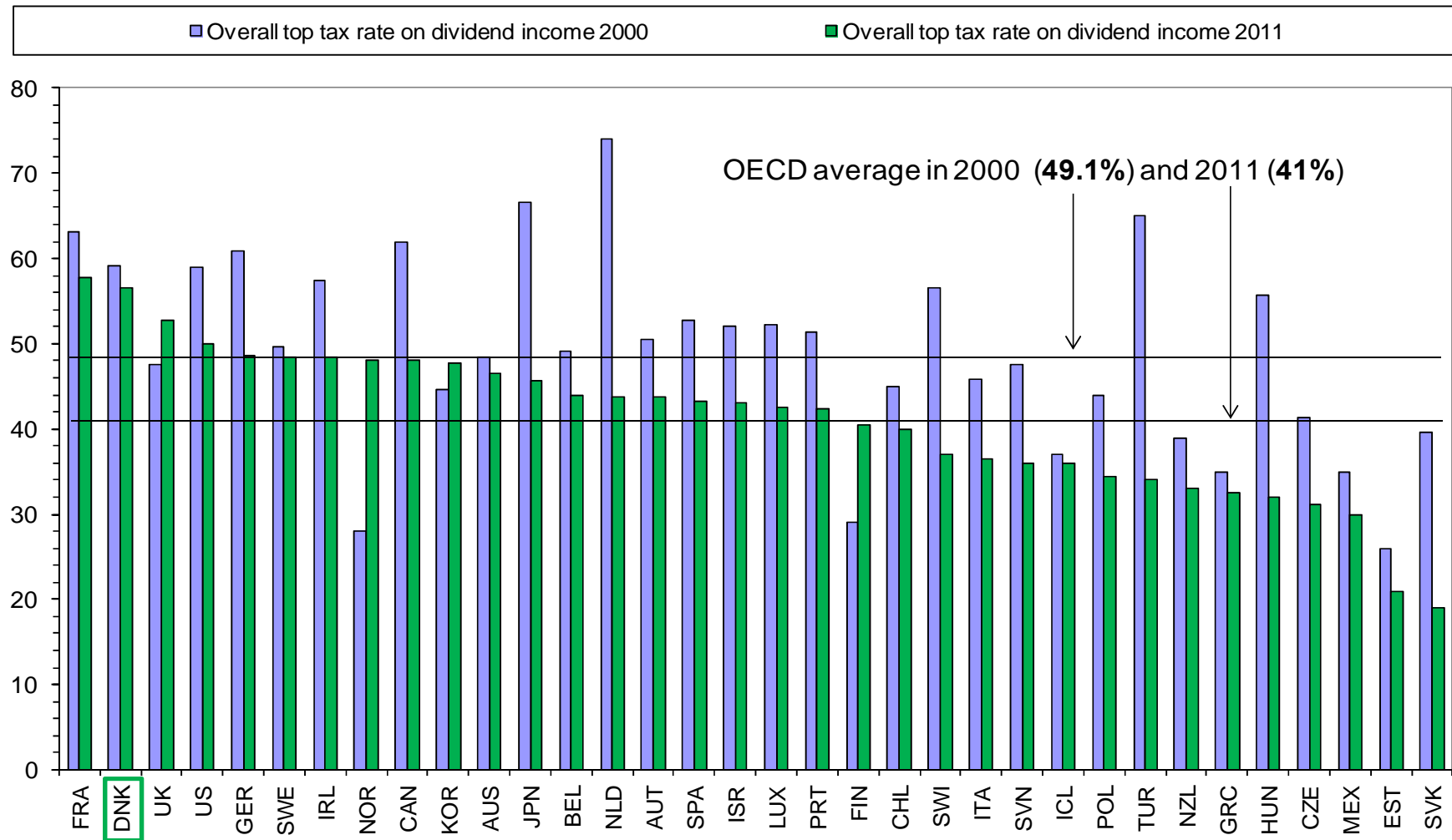


## CIT rates by size of country

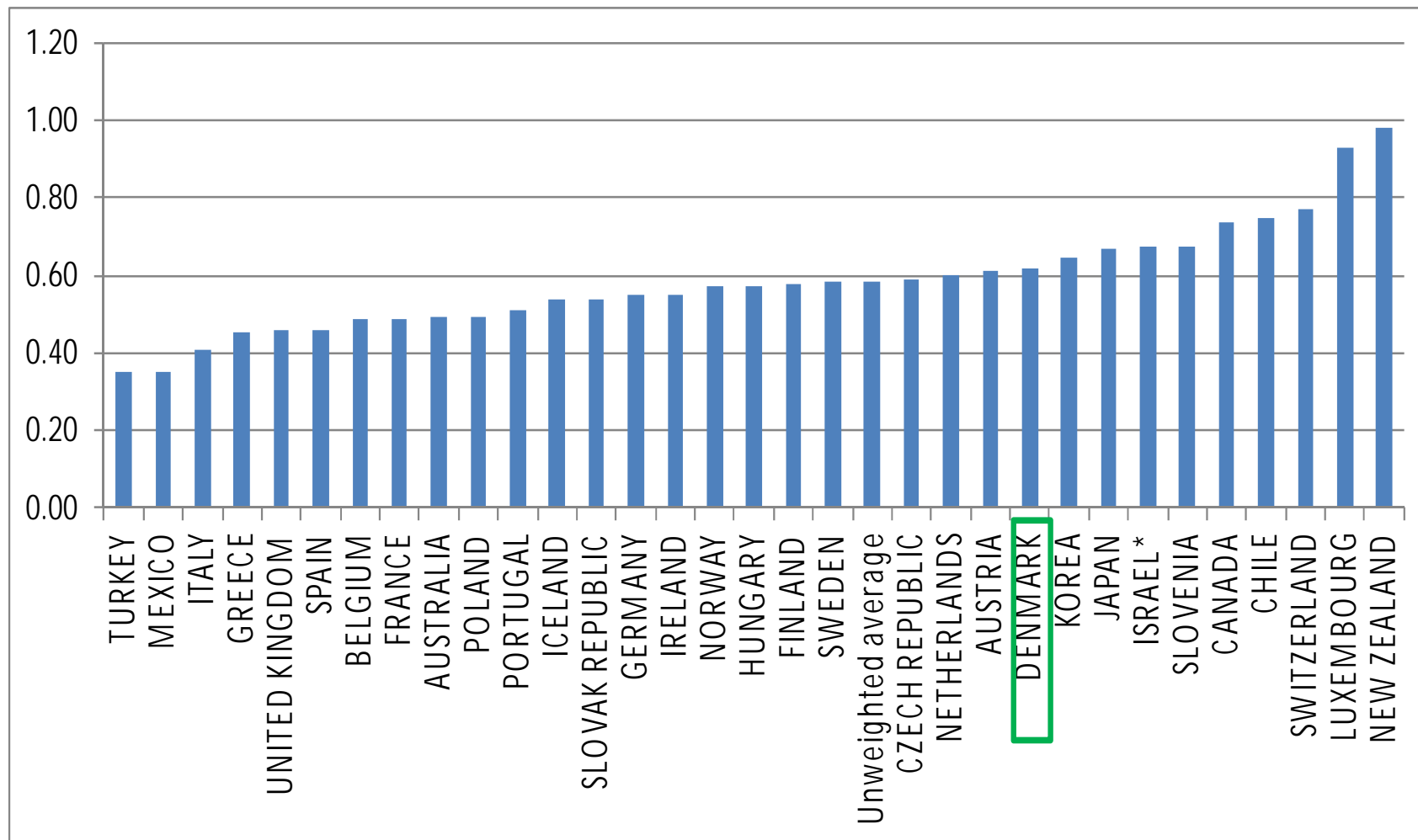
	Statutory corporate income tax rate			
	2000	2004	2007	2011
<b>Larger OECD economies</b>	39.5	36.0	35.9	32.8
US-JPN-GER-UK-FRA-ITA				
<b>Medium-sized OECD economies</b>	35.4	32.8	29.6	27.8
CAN-ESP-KOR-MEX-AUS-NLD				
<b>Smaller OECD economies</b>	29.9	26.4	23.9	22.8
AUT-BEL-CHE-CHL-CZE-DNK-EST-FIN-GRC-HUN-ISL-IRL- ISR-LUX-NOR-NZL-POL-PRT-SVK-SVN-SWE-TUR				
<b>OECD Average</b>	<b>32.6</b>	<b>29.2</b>	<b>27.0</b>	<b>25.5</b>



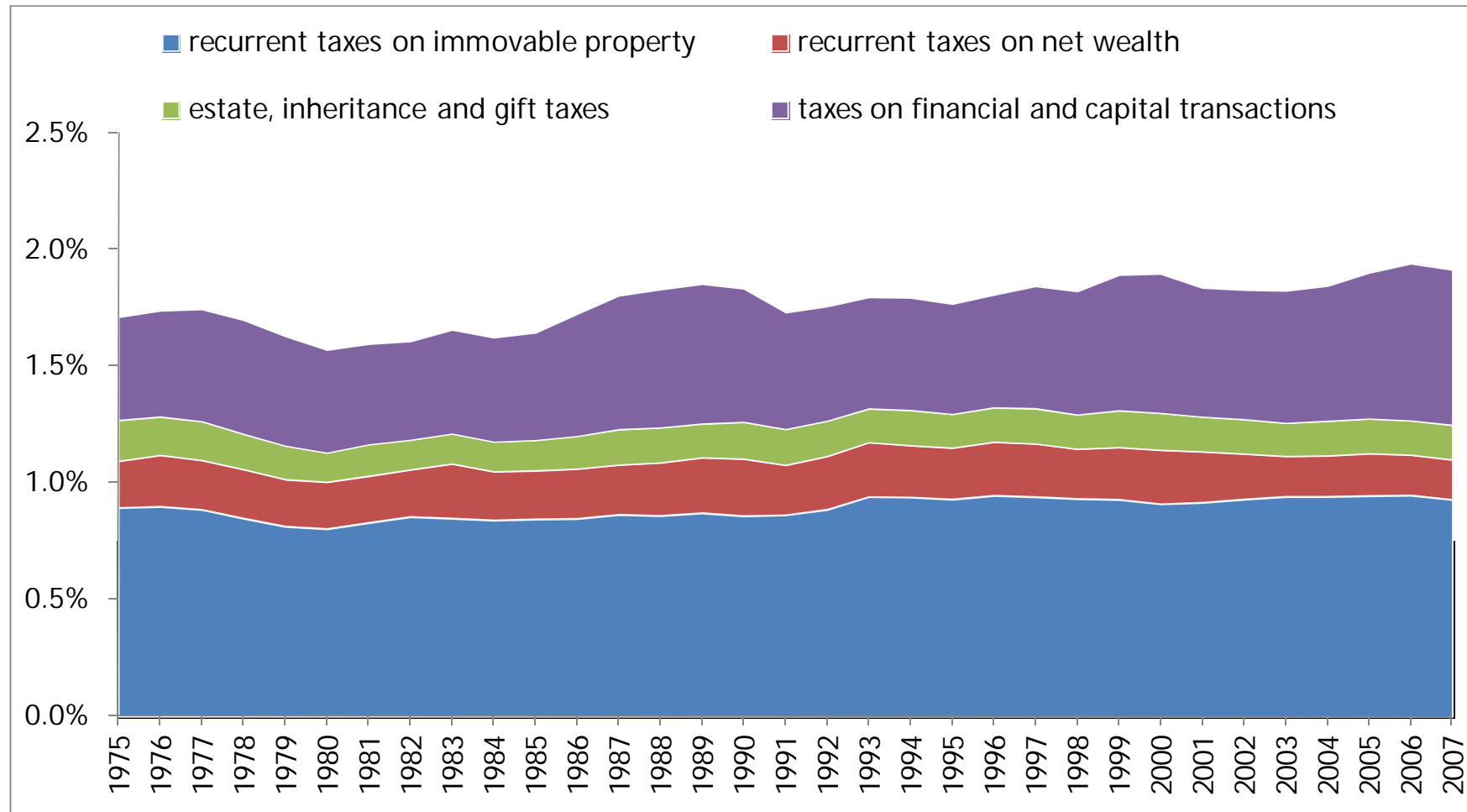
# Top tax burden on dividends (2000, 2011)



# VAT revenue ratio (2010)

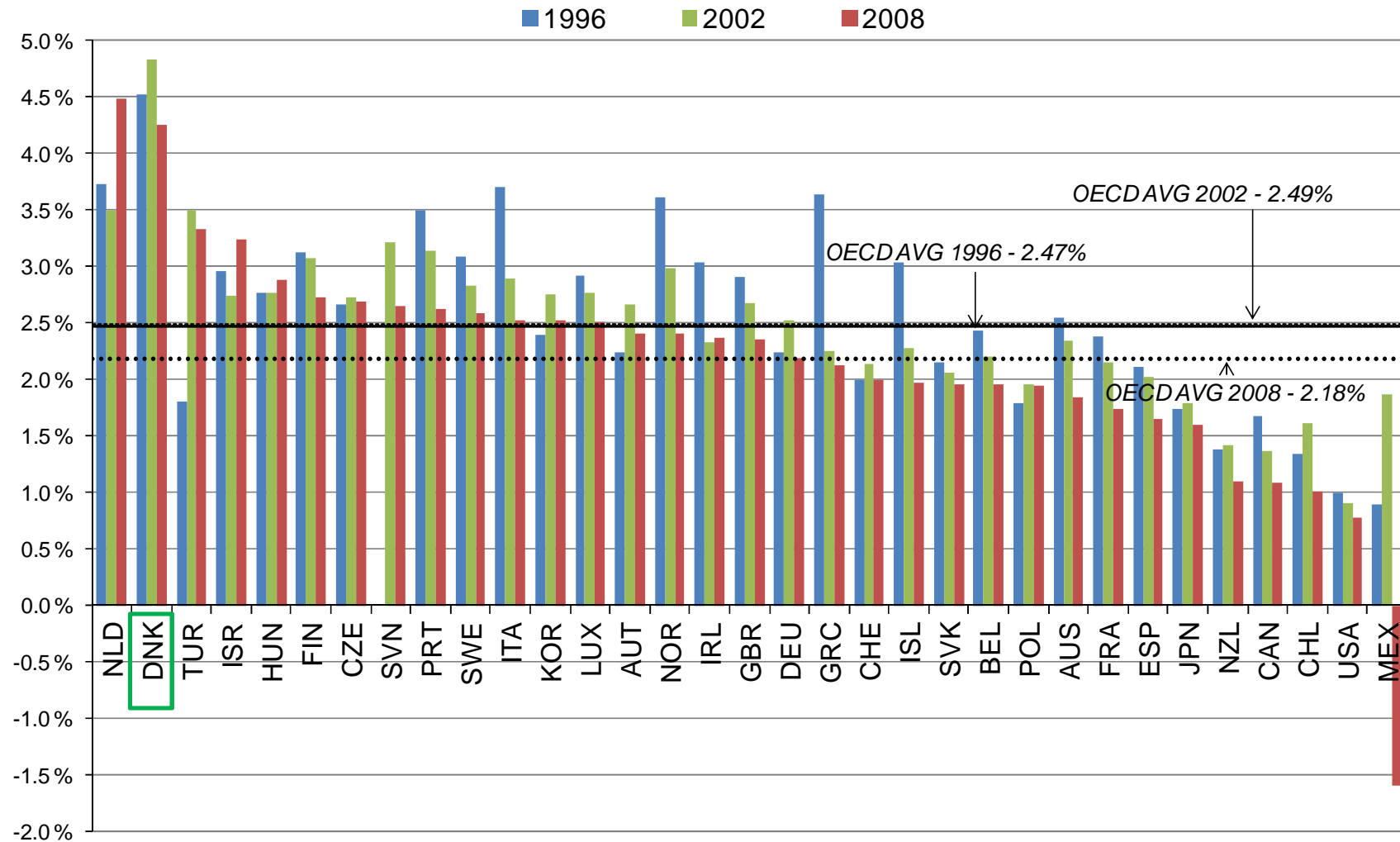


# Property taxes (as a percentage of GDP) over time in the OECD on average



# Environmentally related taxes

Revenues from Environmentally Related Taxation as Percentage of GDP



# Summary table

	TAX / GDP RATIO		% OF TOTAL TAX REVENUES				Top Statutory Personal Income Tax Rate(2)	Top Corporate Income Tax Rate on 1 January	Tax Wedge	Top rate on dividends on 1 January	Standard VAT Rate
			Personal Income Tax	Corporate Tax	Social Security Contrib.	Consumption Taxes					
	2010 (Provisional)	2009	2009	2009	2009	2009	2010	2011	2010	2011	2011
Belgium	43.8	43.2	28	6	33	25	53.7	34.0	55.4	43.9	21.0
Canada	31.0	32.0	36	11	16	24	46.4	27.6	30.3	48.0	5.0
Denmark	48.2	48.1	55	5	2	32	52.2	25.0	38.3	56.5	25.0
Finland	42.1	42.6	31	5	30	31	48.9	26.0	42.0	40.5	23.0
France	42.9	42.4	17	3	39	25	45.8	34.4	49.3	57.8	19.6
Germany	36.3	37.3	25	4	39	30	47.5	30.2	49.1	48.6	19.0
Italy	43.0	43.4	27	7	32	24	44.9	27.5	46.9	36.6	20.0
Japan	n.a.	26.9	20	10	41	19	50.0	39.5	30.5	45.6	5.0
Netherlands	n.a.	38.2	23	5	36	31	52.0	25.5	38.4	43.8	19.0
Norway	42.8	42.9	24	22	23	28	40.0	28.0	36.8	48.2	25.0
Sweden	45.8	46.7	29	6	24	29	56.0	26.3	42.7	48.4	25.0
United Kingdom	35.0	34.3	31	8	20	29	50.0	26.0	32.7	52.7	20.0
United States	24.8	24.1	34	7	27	19	41.9	39.2	29.7	52.1	-
OECD average	n.a.	33.8	25	8	27	33	41.7	25.4	34.9	41.1	18.5
G7 average	n.a.	34.4	27	7	30	24	46.6	32.1	38.3	48.8	14.8



## III.

# RECENT (2011-2012) tax policy developments

# Recent (2011/12) developments

- Budget deficits fell in 2011, helped by economic recovery and reversal of earlier tax cuts and discretionary fiscal consolidation in some countries
- Emphasis on fiscal consolidation increasing in 2012, notably in the Euro area
- Wide variation in how countries are raising additional revenues
- Fundamental reforms the exception rather than the rule, but many are seeking to make structural improvements
- Importance of fairness

# Recent (2011/12) developments

- Consumption taxes
  - 14 countries have increased their standard rate of VAT since 2010
  - Most of these countries also increased reduced rates
  - But rare to move goods and services from reduced to standard rate
- PIT and SSCs
  - Some rate rises but exception not rule
  - Some reductions in tax expenditures, but mortgage interest relief remains a 'no go' area
  - Personal tax rates on capital income have slightly increased (fairness concerns) but fundamental reform of savings taxation seems not on the agenda



# Recent (2011/12) developments

- CIT
  - Reductions in statutory rates in a few countries, despite budgetary pressures; ACE in Italy
  - Many measures to protect revenues, e.g. restrictions on the use of losses
  - Changes in tax depreciation allowances have tended to be more generous for SMEs
- Other taxes
  - Few changes to property taxes.
  - High crude oil prices have discouraged governments from increasing road fuel duties or other fossil fuel/ energy taxes
  - Some countries have introduced new bank levies or stability fee schemes

## IV Some issues for discussion

- Denmark knows how to make tax reform happen!
- Further reduce the tax burden on labour income (especially low earnings)?
- Focus on skills formation and upgrading
- Broadening the VAT base would be pro-growth and strengthen equity
- Tax immovable property as other saving vehicles
- “Fat tax” implementation issues