

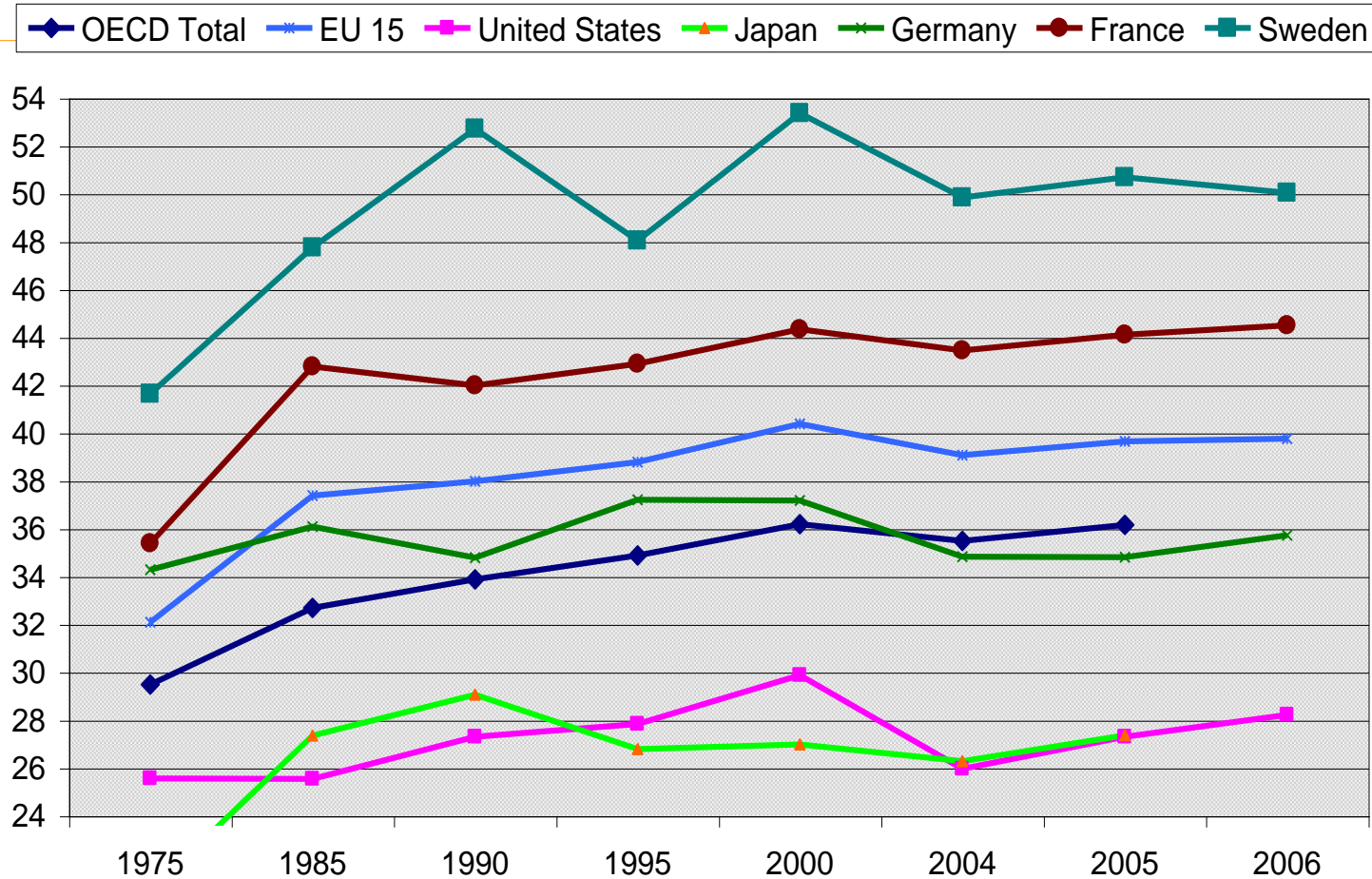
# *Growth-enhancing tax Reform in France:*

## *Applying tax indicators commonly employed in OECD Tax Surveillance work*

*Ana Cebreiro*

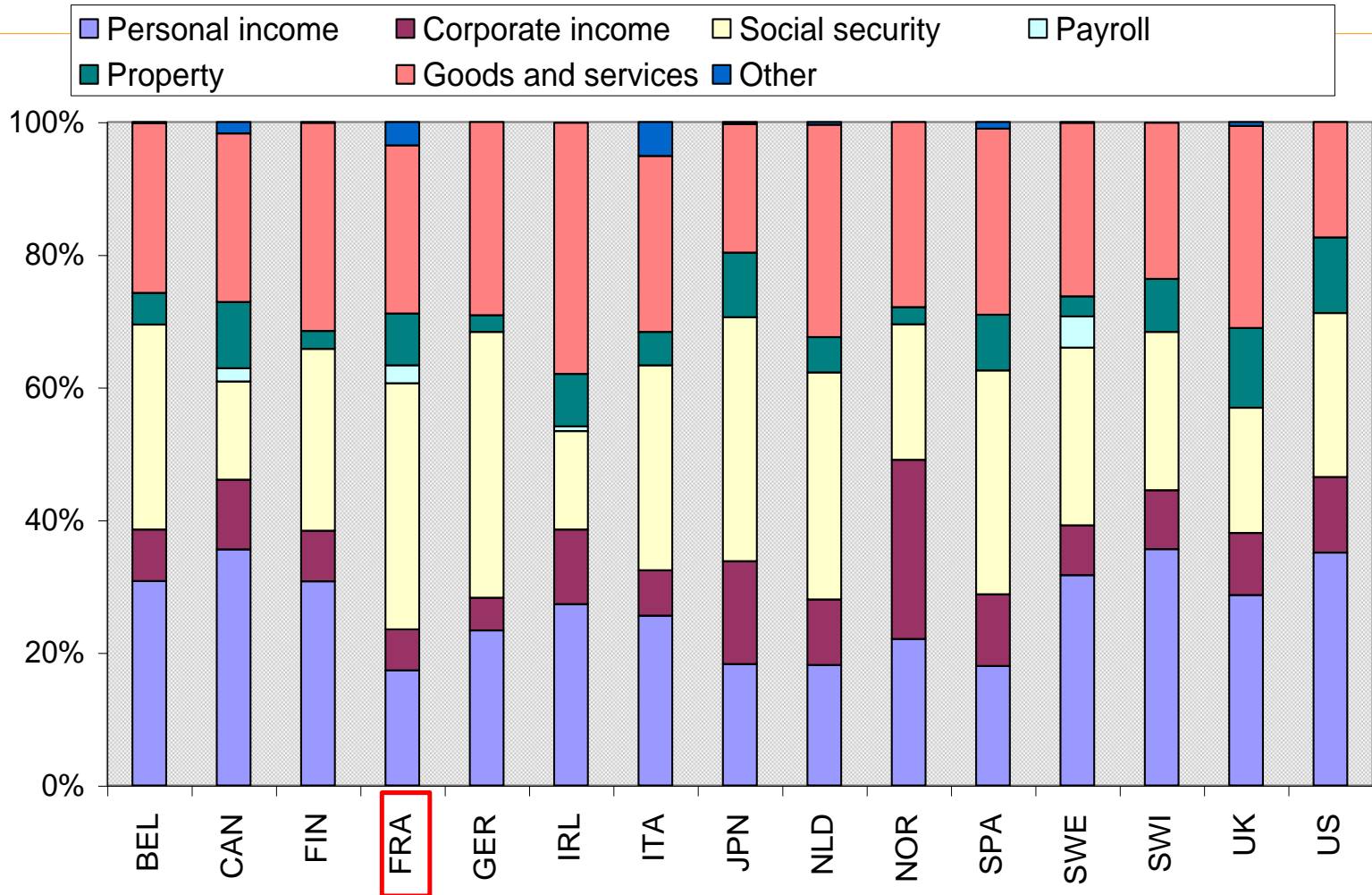
*Centre for Tax Policy and Administration  
OECD*

# Higher tax burden (tax-GDP ratio) than OECD average



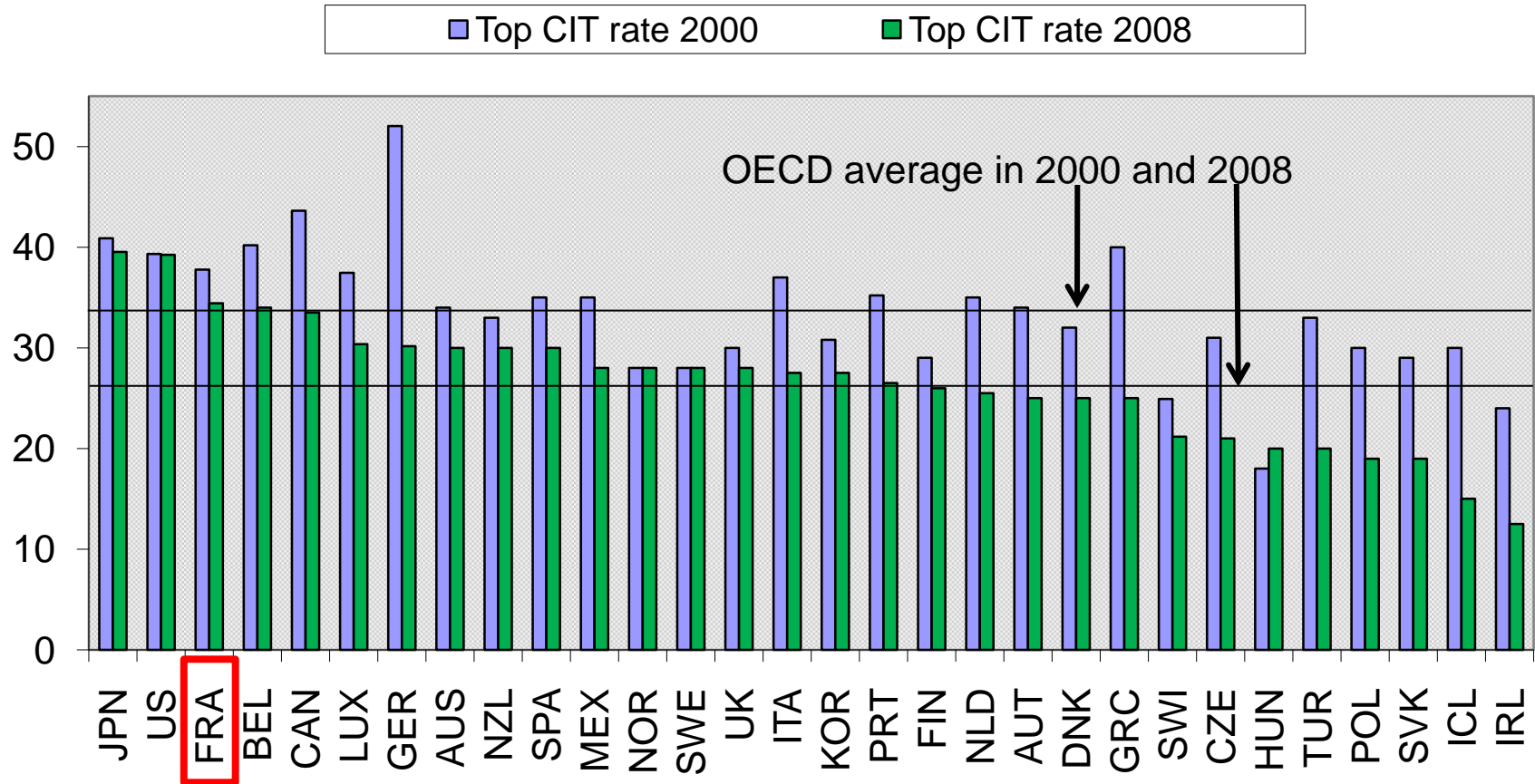
Source: Revenue Statistics 1965-2006 (OECD)

# Share of revenues: high proportion of SSC and low of PIT and CIT



Source: Revenue Statistics 1965-2006 (OECD)

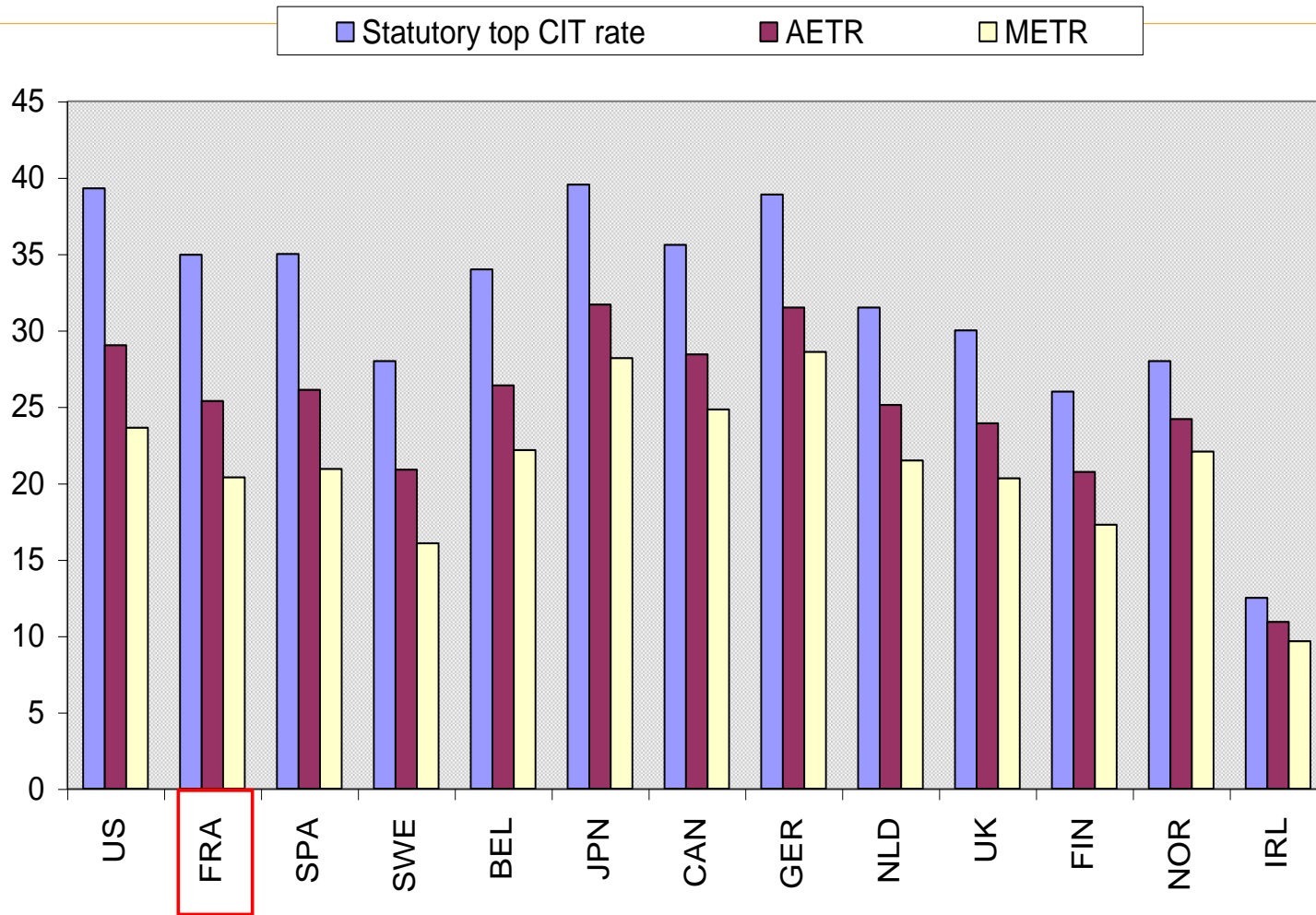
# Highest CIT rate of all European OECD countries



The basic combined central and sub-central (statutory) corporate income tax rate given by the adjusted central government rate plus the sub-central rate.

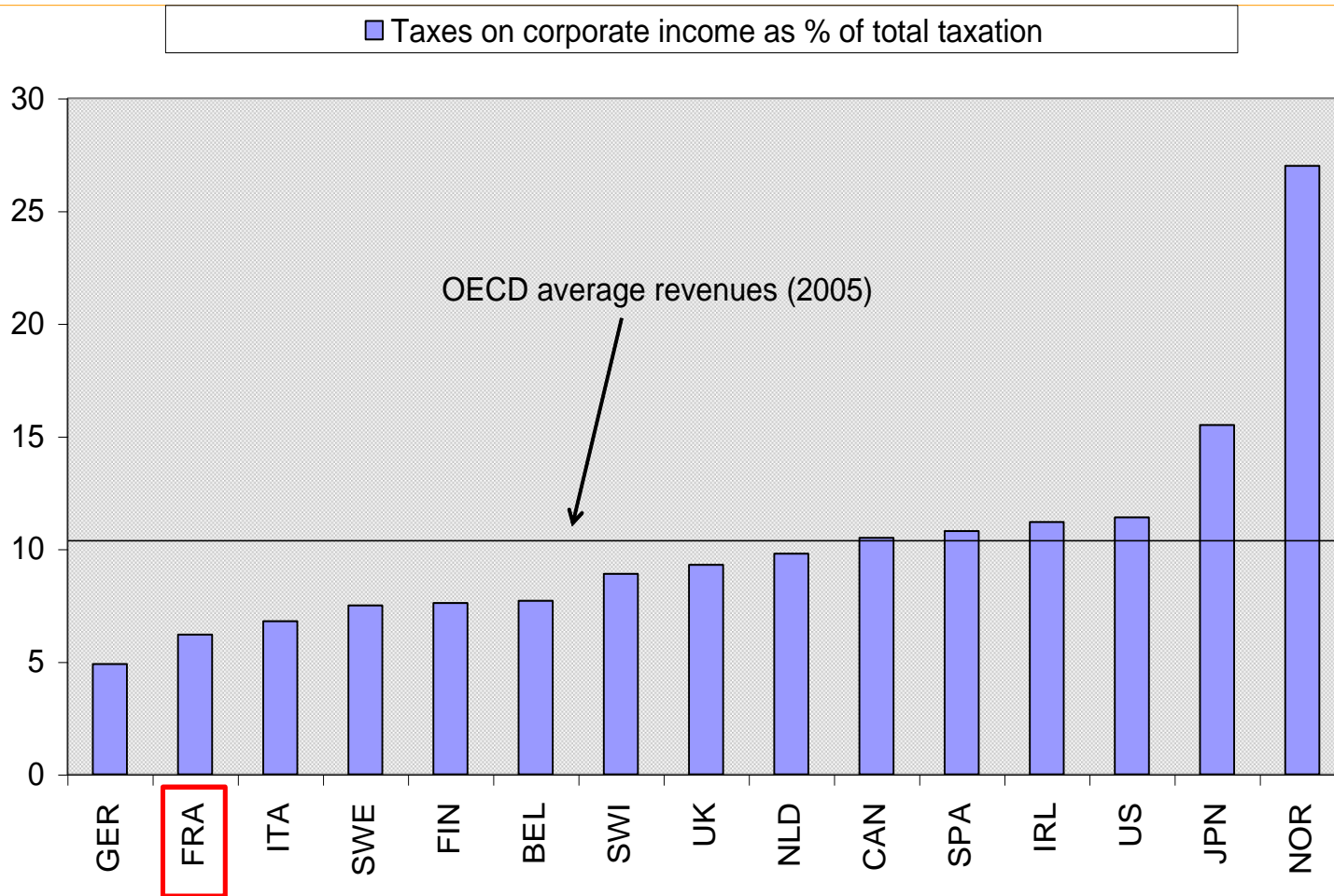
Source: [www.oecd.org/ctp/taxdatabase](http://www.oecd.org/ctp/taxdatabase)

# High CIT rate and Narrow CIT base (2005)



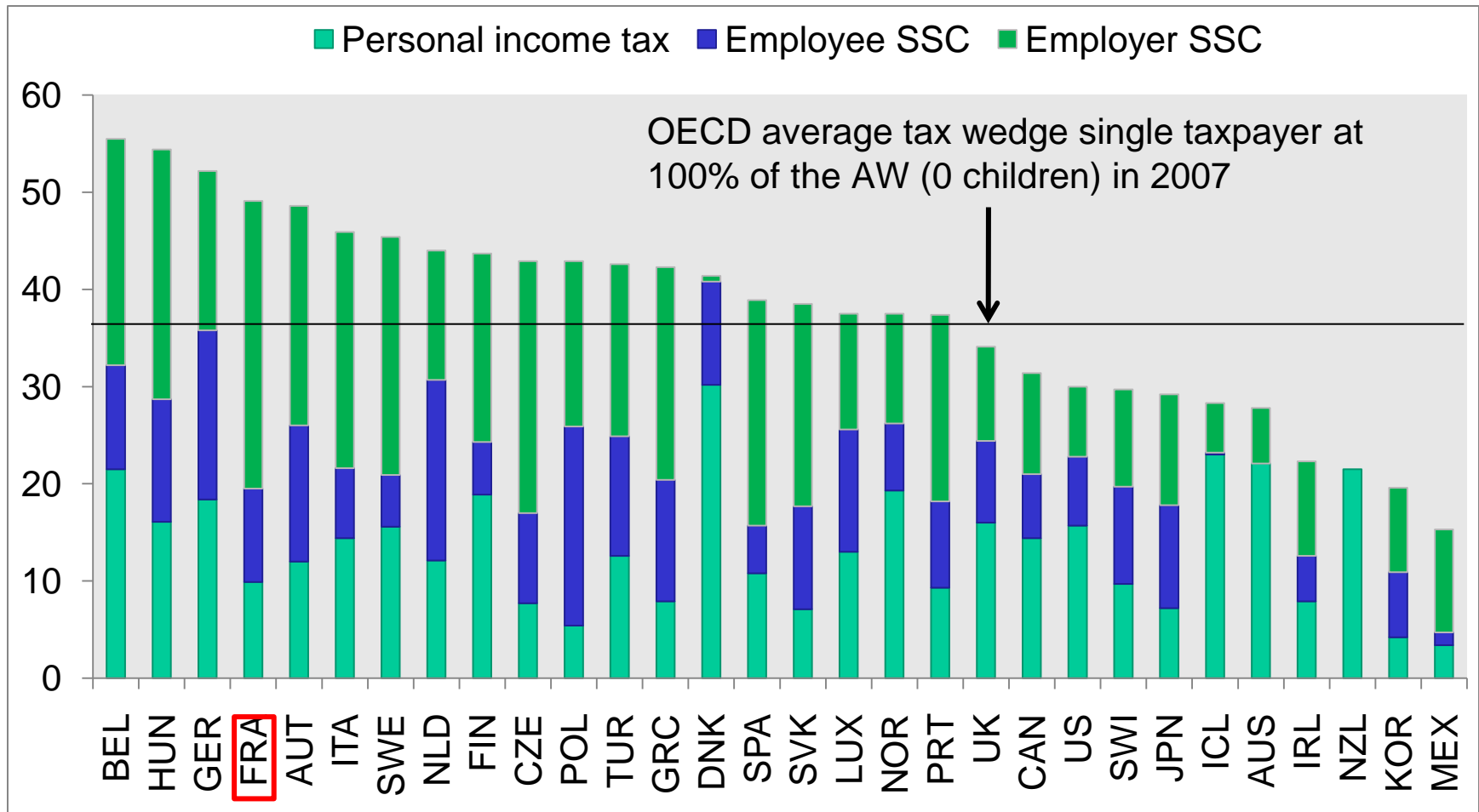
Source: Institute for Fiscal Studies

# Low CIT revenues (2005)



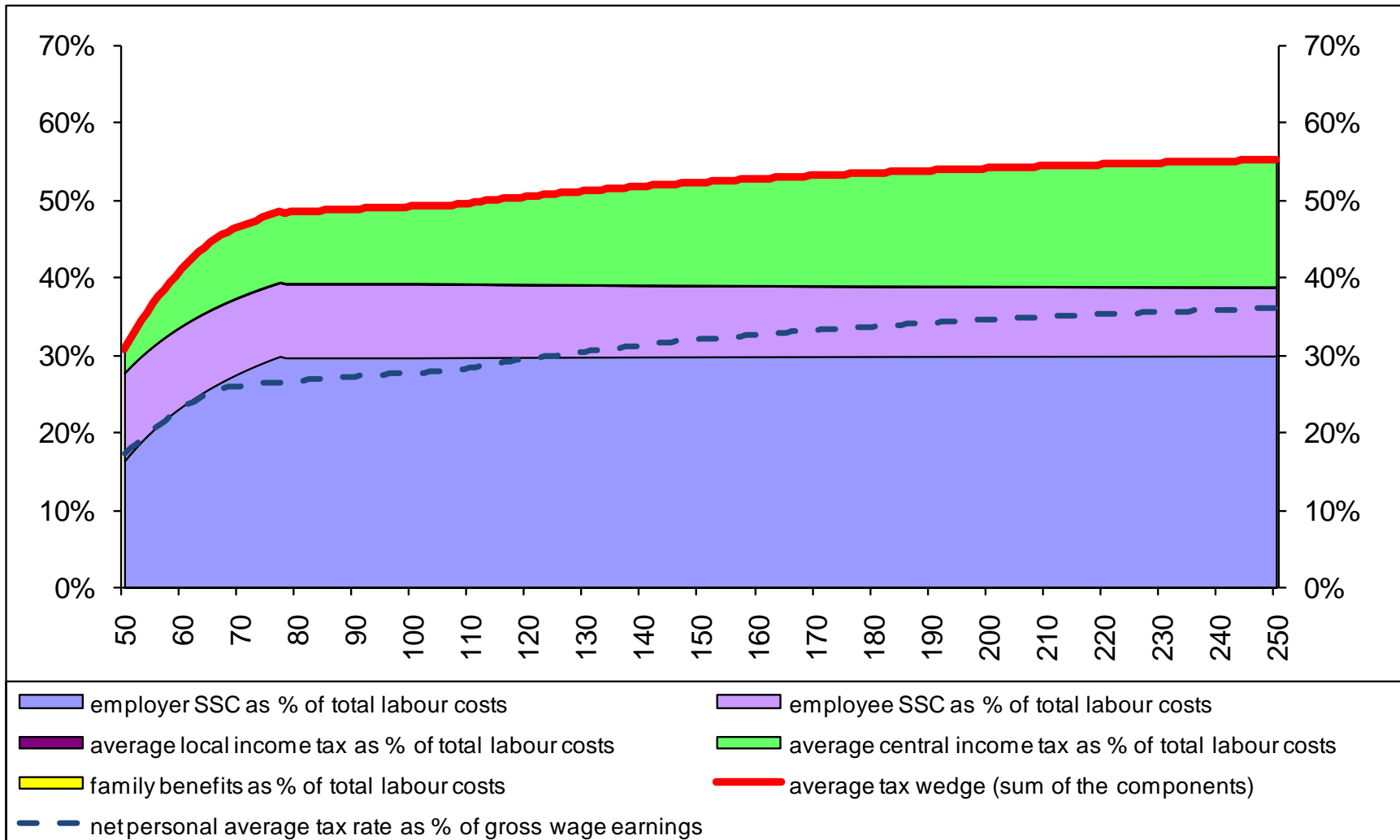
Source: Revenue Statistics 1965-2006

# Tax Wedge: High Employer SSC and relatively low PIT (2007)

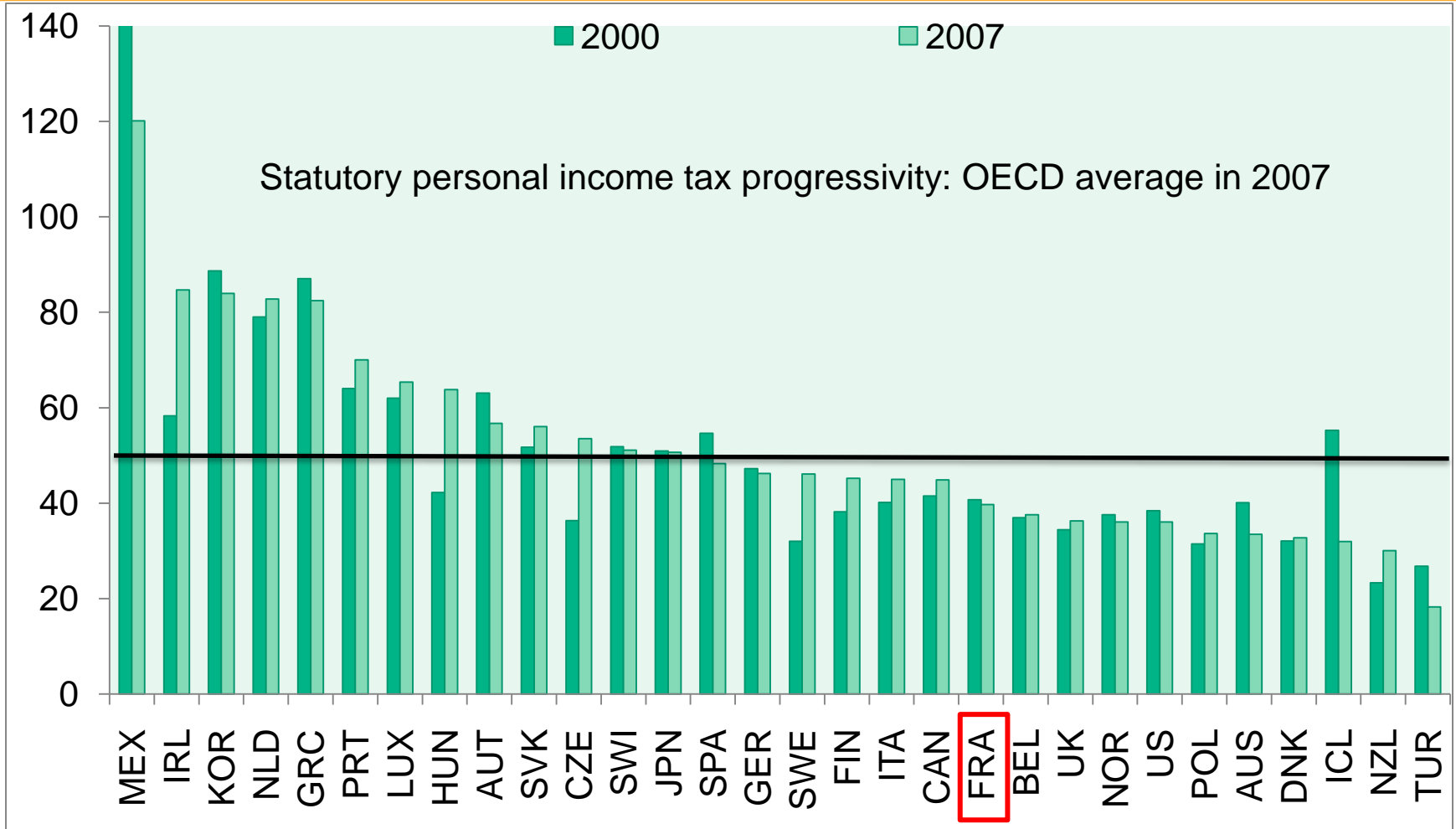


Source: Taxing Wages (2007)

# Tax Wedge: High Employer SSC and relatively low PIT (2007)

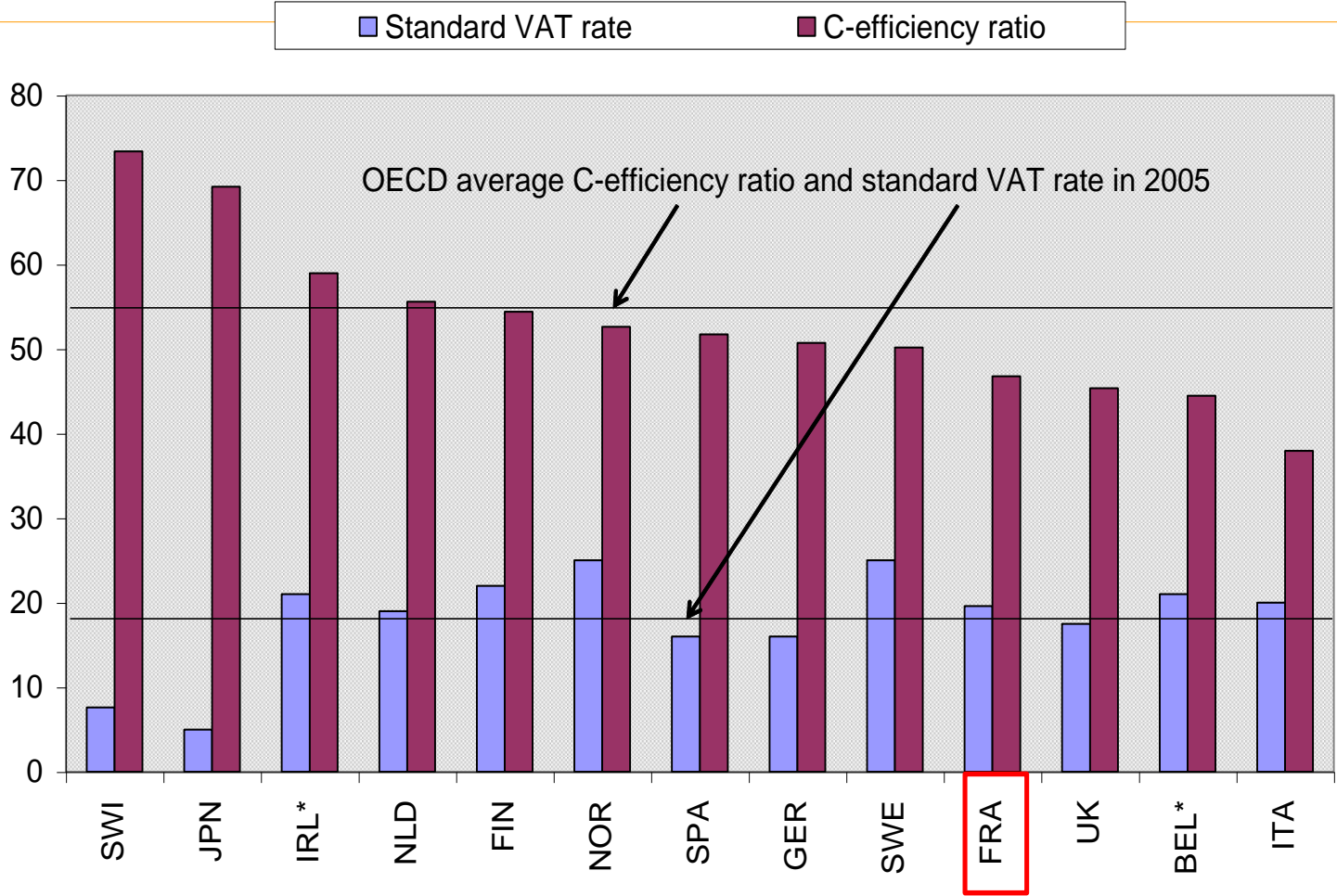


# Low income tax progressivity (single individuals in 2000 and 2007)



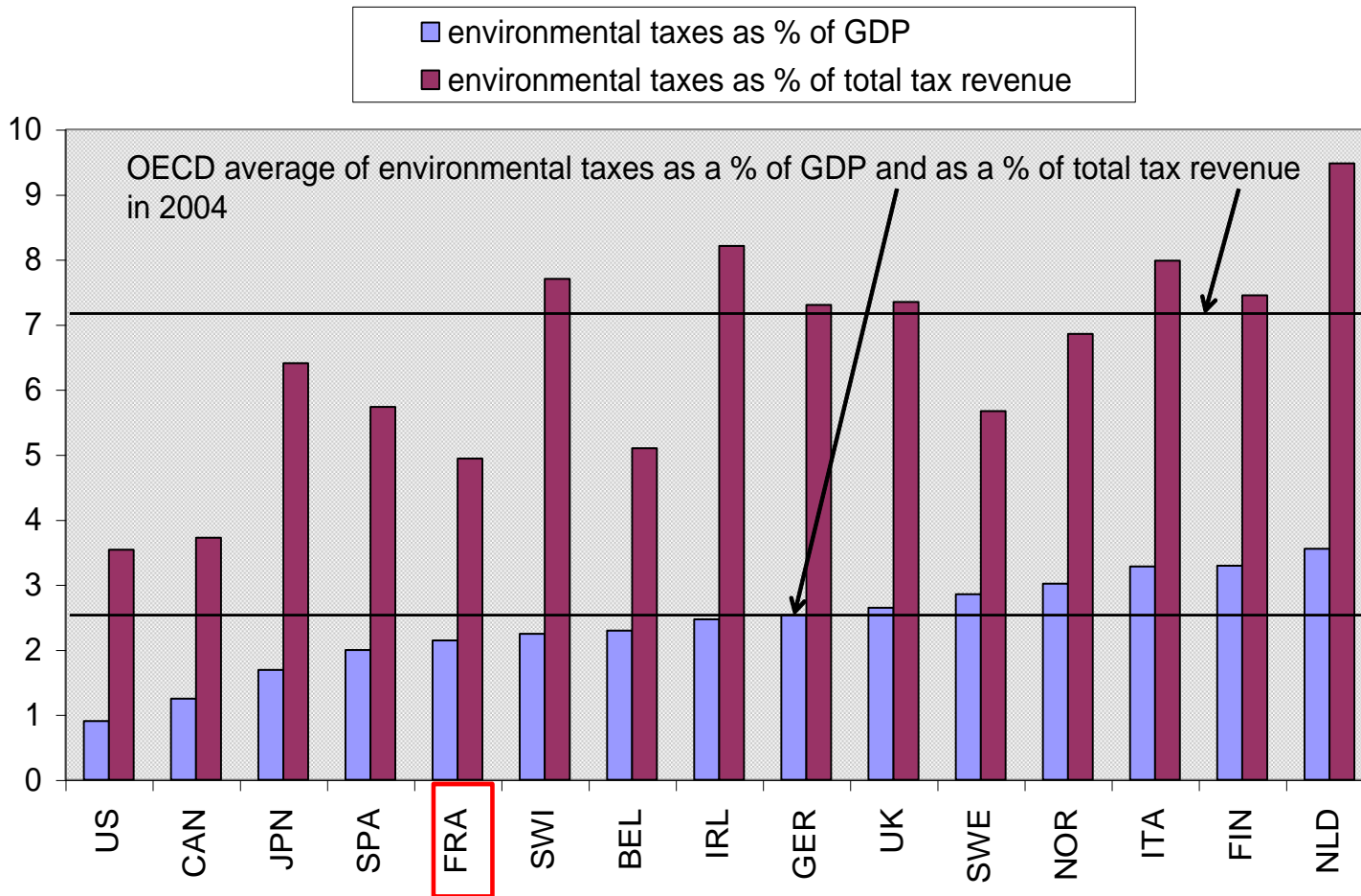
(T167-T67)/T167; average income taxes at 167% of the AW and at 67% of the AW; higher numbers indicate higher progressivity

# Relatively low C-efficiency ratio (2005)



C-efficiency ratio: ratio of the share of VAT revenues to consumption divided by the standard VAT rate, expressed as percentage.

# Low Use of Environmental related taxes (2004)



# Overall tax policy recommendations

- **Proposed tax cuts:** the promotion of economic growth requires:
  - Reduction of the corporate income tax rate
  - Reduction in social security contributions, particularly those paid by employers
  - Wealth tax reform
  
- **These tax cuts can be financed by:**
  - Corporate income tax base broadening
  - Reforming VAT
    - Moving to a more uniform VAT system (reduction in the exemptions, increase/abolish the reduced rates)
    - Possibly increasing the standard VAT rate
  - Increased use of environmentally related taxes
  
- **Preventing an increase in inequality by:**
  - Reduce the burden of CSG and CRDS on people with low incomes
  - Increase the progressivity of the personal income tax system at low and moderate income levels (CSG, CRDS as well as personal income tax)

# Other tax indicators that could have been included in the analysis

- Top tax rate on personal income
- Marginal tax wedges (labour income)
- Other compulsory payments indicators
- Marginal effective tax rates (METRs)
- (Top) tax burden on dividends and interest
- (Top) tax burden on capital gains
- Tax burden on investment in owner-occupied housing
- Indicators on R&D tax incentives
- Tax indicators that measure the incentives for self-employed to incorporate, etc.

**Thank you for your attention!**

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