Working Party No. 2 on Tax Policy Analysis and Tax Statistics

SEPARATE REPORTING OF SOCIAL SECURITY TAXES FOR THE SELF EMPLOYED, BENEFIT RECIPIENTS AND RECEIPIENTS OF OTHER CAPITAL INCOME.

(Note by the Secretariat)

This note is submitted to the Steering Group on Revenue Statistics to Working Party No.2 FOR DISCUSSION under Item V of the agenda for their meeting to be held on 14 November 2000.

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SEPARATE REPORTING OF SOCIAL SECURITY TAXES FOR THE SELF EMPLOYED, BENEFIT RECIPIENTS AND RECIPIENTS OF OTHER CAPITAL INCOME

I. Introduction

1. Currently, the OECD Revenue Statistics reports figures under code 2300 for social security contributions by people who are self-employed or non-employed. This category includes people in very different economic situations. It is therefore arguable that the information would be more useful if it were separated into two or more sub-categories. Delegates are invited to consider whether it is practicable and desirable to adopt such sub-categories for reporting in the Revenue Statistics.

II. Background

2. In the 1999 edition of Revenue Statistics, 27 countries report positive revenues from social security taxes. Of these, 22 report figures under code 2300. The remaining five, presumably, either do not apply social security taxes to the self-employed or non-employed or are unable to separate those revenues from other social security taxes.

3. The self-employed are clearly a quite separate category of person from the non-employed, and this difference is potentially relevant to users of the data provided in Revenue Statistics. For example, a study of the tax burden placed on jobs in OECD countries would wish to include the payments of the self-employed (at least in part) but not of the unemployed.

4. The non-employed themselves are a diverse group. They include people who are looking for work (the unemployed) and people who are not looking for work (the inactive). The latter group, in turn, could be divided into those above or below state retirement age. Again, these distinctions could be relevant for users of the Revenue Statistics, perhaps in studying the relative tax burdens of the employed and the unemployed.

5. For other analytical purposes, it may be useful to distinguish between social security taxes according to the type of income that forms its base: labour income, capital income and state benefits. Such a distinction would be useful to studies of, for example, the relative tax burdens of people in work and people in receipt of state benefit. This is mainly an issue for those social security taxes under code 2300, as those under 2100 and 2200 are predominately based on labour income.

6. Of course, considerations of usefulness must be balanced against the ability and practicality of countries supplying data at this greater level of detail. As noted in paragraph 2, there is already some suggestion that not all countries are able to separate out data for the 2300 code. It is therefore likely that several countries would be unable to provide data at a more detailed level. Thus, any decision must take account of data availability. For example, is it easier to distinguish between taxes by type of income (labour, capital, benefits) or by type of person (self-employed, unemployed, inactive, retired)?
III. Proposals

7. In view of the considerations raised above, Delegates are invited to consider the following proposals for subdividing social security taxes under the 2300 code:

   a) Within 2300, data are reported separately for the self-employed and the non-employed.

   b) Within the non-employed category, data are reported separately for the unemployed and the inactive.

   c) Within the inactive category, data are reported separately for the non-retired and the retired.

   d) Within 2300, data are reported separately for the contributions based on labour income, capital income and state benefits (or from people whose main income is in each of these categories).

   e) Within the non-employed, data are reported separately for contributions based on capital income and state benefits (or from people whose main income is in each of these categories).

8. A large number of proposals are made here because it is expected that several of them are impracticable in many countries. It is expected that no more than two or three of them, if any, would be agreed by Delegates. Clearly, proposals (b) and (c) should only be considered if the proposal above it is accepted, and proposal (e) should only be considered if proposal (d) is rejected.

9. Delegates may also wish to consider the possibility of different countries sub-dividing 2300 in different ways, consistent with what is practical in their own situation.