

QUESTIONNAIRE ON TAXING POWER

This questionnaire aims at collecting information on the *taxing power* (or *tax autonomy*) of sub-central governments (SCG). The term “taxing power” captures the freedom that sub-central governments have over their own taxes, *i.e.* the right to set the tax base or tax rates or to grant tax reliefs to individuals and businesses.

If you have any queries about the content of this questionnaire, please contact either Hansjörg Blöchliger [Hansjoerg.Bloechliger@oecd.org] or Jose Maria Pinero Campos [JoseMaria.Pinero@oecd.org].

Please send your responses by **31 May 2011**.

Question 1

Attached to this questionnaire is an excel file (titled ‘Tax_autonomy_XXX.xls’, where XXX is an abbreviation of your country name). It contains 3 worksheets showing the tax revenues reported for state and local governments in your country in the years 2002, 2005 and 2008 in your country’s submission for the 2010 edition of the OECD Revenue Statistics publication. In each worksheet, rows correspond to an individual tax or category of taxes and each column of figures corresponds to the tax revenues received by a particular level of government.

- In the 2008 worksheet, for each row that contains a positive revenue figure in the STATE or LOCAL revenue column, please enter the autonomy sub-central governments have over this tax by using one of the ‘tax autonomy’ codes listed in the table below. For example: if local governments have revenue from personal income tax (row 1100), and local governments can set the rate but not the reliefs of this tax without any limits set by higher level government, you should enter ‘**b1**’ in the ‘tax autonomy’ column of the personal income tax row. To help you fill in this table; the file shows the tables for the years 2002 and 2005 containing the tax autonomy information that your country provided in the last data collection round.
- Also in the 2008 worksheet, **for each SCG tax where the tax autonomy code is b2 in category (b)**, please complete the remaining columns to indicate the maximum and minimum permitted tax rates. No entries are required for taxes with other tax autonomy codes.
- Please look at the information in the 2002 and 2005 worksheets to check that the tax autonomy codes and maximum and minimum permitted tax rate figures are correct. Please make any necessary changes and record that you have done so when sending the response.

a1	The recipient SCG can set the tax rate and any tax reliefs without needing to consult a higher level government.
a2	The recipient SCG can set the rate and any reliefs after consulting a higher level government.
b1	The recipient SCG can set the tax rate, and a higher level government does not set upper or lower limits on the rate chosen.
b2	The recipient SCG can set the tax rate, and a higher level government does set upper and/or lower limits on the rate chosen.
c	The recipient SCG can set some tax reliefs (tax allowances and/or tax credits) but not tax rates
d1	There is a tax-sharing arrangement in which the SCGs determine the revenue split.
d2	There is a tax-sharing arrangement in which the revenue split can be changed only with the consent of SCGs.
d3	There is a tax-sharing arrangement in which the revenue split can be changed unilaterally by a higher level government, but less frequently than once a year.
d4	There is a tax-sharing arrangement in which the revenue split is determined annually by a higher level government.
e	Other cases in which the central government sets the rate and base of the SCG tax.
f	None of the above categories a, b, c, d or e applies.

Question 2

Have the categories of SCG tax autonomy changed for any of the SCG taxes between 2005 and 2008? If so, please describe the respective policy reform

Answer:

Question 3

This question refers to tax sharing arrangements and asks that the various arrangements in place be defined as either “strict tax sharing” or “redistributive tax sharing”.

The table below lists the characteristics that define these two types of tax sharing arrangement. The first three characteristics are common to both types and **the only difference between them is criterion 4, which is about “individual proportionality” and how the revenues are allocated to individual SCGs.**

Strict tax sharing	Redistributive tax sharing
<p>1. Risk sharing:</p> <p>The amount of revenue allocated to the sub-central level is strictly proportional to total tax revenue</p>	<p>1. Risk sharing:</p> <p>The amount of revenue allocated to the sub-central level is strictly proportional to total tax revenue</p>
<p>2. Un-conditionality:</p> <p>Sub-central government is free to use the revenue allocated, <i>i.e.</i> the revenues are unconditional (non-earmarked)</p>	<p>2. Un-conditionality:</p> <p>Sub-central government is free to use the revenue allocated, <i>i.e.</i> the revenues are unconditional (non-earmarked)</p>
<p>3. Formula stability:</p> <p>The revenue share between the central and the sub-central government is predetermined in advance</p>	<p>3. Formula stability:</p> <p>The revenue share between the central and the sub-central government is predetermined in advance</p>
<p>4. Individual proportionality:</p> <p>The revenue share of <i>each</i> sub-central government is strictly related to what it generates on its own territory, <i>i.e.</i> there is <u>no</u> horizontal redistribution or fiscal equalisation across sub-central governments?</p>	<p>4. <u>No</u> individual proportionality:</p> <p>The tax sharing arrangement contributes to equalisation or another redistributive purpose</p>

Please enter the title of each of your tax sharing arrangements in the first column below. In the second column, indicate whether the arrangement is either “*strict tax sharing*” or “*redistributive tax sharing*”? In the third column, enter the size of the tax arrangement.

[you may add additional lines to the table if necessary]

Name of the tax sharing arrangement	Strict tax sharing or redistributive tax sharing?	Size of the tax sharing arrangement (in millions of national currency)
1.		
2.		
3.		

Question 4. This question refers to any fiscal arrangements in your country that are classified in as “inter-governmental transfer” in the National Accounts.

Taking account of the description of the two types of tax sharing arrangements in the table in Question 3 above, do you think that any of these “inter-governmental transfers” should be reclassified as either “strict tax sharing” or “redistributive tax sharing” arrangements?

If you think that any should be re-classified, please enter the name of the grant that should be re-classified as tax sharing in the first column below. In the second column, indicate whether the arrangement should be re-classified as either “*strict tax sharing*” or “*redistributive tax sharing*”? In the third column, enter the size of the tax arrangement.

[you may add additional lines to the table if necessary]

Name of the grant that should be re-classified as tax sharing	Would the arrangement be re-classified as strict tax sharing or redistributive tax sharing?	Size of the sharing arrangement (in millions of national currency)
1.		
2.		
3.		

