TAX POLICY REFORMS 2018
OECD AND SELECTED PARTNER ECONOMIES

Summary of key findings
• **Country coverage**: 35 OECD countries + Argentina, Indonesia and South Africa

• **Objective**: Identify major tax reforms and tax policy trends across countries
Global economic growth has picked up

Real GDP growth
Year-on-year percentage changes

Source: OECD Economic Outlook 103 database
Tax revenues have reached a new record level

Long-term evolution of the OECD average tax-to-GDP ratio (1965 – 2016)

Source: OECD Global Revenue Statistics Database
Summary of key tax trends in 2018

- Small cuts in personal income taxes for low and middle income earners
- Continued corporate tax rate cuts, led by countries with high tax rates
  Progress on BEPS implementation
- Stabilisation of VAT rates
  But more VAT revenues expected from administrative and anti-fraud measures
- Increased/new excise taxes on harmful consumption (e.g. taxes on sugary drinks)
- Environmentally related tax reforms focused on energy and vehicles but insufficient
- A few significant property tax changes
The slow decline in the tax burden on labour income is likely to continue.

Evolution of the OECD average tax wedge on labour income for the average worker between 2000 and 2017.

Continued but small personal income tax cuts targeted at low and middle income earners.

Source: OECD Taxing Wages Database
But tax wedges will remain high in many countries

Average tax wedge as a percentage of labour costs for workers earning the average wage in 2017

Source: OECD Taxing Wages Database
Continuing corporate income tax rate reductions…

Evolution of the average combined CIT rates in the OECD, OECD G7 and non-G7 countries between 2000 and 2018

Source: OECD Tax Database and Annual Tax Policy Reform Questionnaire
…led by countries with traditionally high CIT rates

Top combined statutory CIT rates in 2000, 2017 and 2018

Source: OECD Tax Database and Annual Tax Policy Reform Questionnaire
Efforts to fight against international tax avoidance have continued

• **Tax base changes**
  - Expanded depreciation allowances
  - Very limited changes to R&D and innovation-related tax incentives

• **BEPS and anti-avoidance measures**
  - Numerous BEPS and anti-avoidance measures
  - But efforts have varied across countries

• **Digital economy**
  - No global consensus, but countries have agreed to work towards a long-term solution by 2020
Standard VAT rates appear to have plateaued


Source: OECD Tax Database and Annual Tax Policy Reform Questionnaire
More VAT revenues expected from administrative and anti-fraud measures

• **Increasing reporting obligations for taxpayers**
  – Data sharing obligations, incl. accounting data
  – Transmission of invoicing information (incl. real time)
  – Implementation of advanced risk-based compliance strategies

• **Testing alternative VAT collection mechanisms**
  – Domestic reverse-charge regime
  – Split-payment mechanisms

• **Enlisting digital platforms in the collection of VAT on online sales**
Green tax measures have continued to focus predominantly on energy…

**Taxes on energy use**
- Most frequent type of green tax reform
- Some efforts to align tax rates more closely with the carbon content of fuels, including outside of road transport
- But reforms remain insufficient

**Vehicle taxes**
- Increasingly used to encourage the purchase and use of cleaner vehicles
- But experience has shown that, even if they are effective, they can be a costly emissions reduction policy

**Other green taxes**
- Very few other environmentally related tax reforms (e.g. taxes on waste, plastic bags, chemicals)
…but remain insufficient to address environmental challenges

Proportion of carbon emissions subject to different levels of effective tax rates in 2012 and 2015

Note: All tax rates are expressed in 2012 prices. Carbon emissions from biomass emissions are included.
Source: OECD Taxing Energy Use 2018
Despite a few recent reforms, property taxes still play a relatively limited role.

Property tax revenues as a share of GDP in 2000 and 2016

- Taxes on financial and capital transactions
- Estate, inheritance and gift taxes
- Recurrent taxes on immovable property
- Other
- Total property tax revenues in 2000

Note: 2015 data used for Australia, Greece, Indonesia, Mexico and South Africa
Source: OECD Global Revenue Statistics Database
Going forward

- *Avoid excessively pro-cyclical tax policy* in a context of economic recovery
- Critical need to continue *cooperating* to avoid harmful tax competition
- Continued focus on *inclusiveness*
- Significant progress needed on *environmentally-related taxation*
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