Second edition of *Tax Policy Reforms*

- Tax reforms implemented, legislated or announced in 2016
- Coverage: OECD countries, Argentina and South Africa
- Next step: additional key partner countries in future editions
GENERAL TRENDS
2015: Record tax revenue levels

Evolution of the OECD average tax-to-GDP ratio between 2000 and 2015

Source: OECD Revenue Statistics
Shift in tax reform focus in 2016: Growth and fairness

- Low growth
- Weak investment
- Improved public budgets
- High income inequality

↓ Corporate taxes

↓ Personal income taxes, in particular on low and middle incomes
Most comprehensive tax reforms in 2016

COUNTRIES THAT UNDERTOOK MAJOR TAX REFORMS

- Austria
- Belgium
- Greece
- Hungary
- Luxembourg
- The Netherlands
- Norway

• Almost all EU countries
• Large countries missing
Increased international co-operation

- Implementation of BEPS measures within the Inclusive Framework
- Continued co-operation on the exchange of information for tax purposes
- Widespread implementation of the International VAT/GST Guidelines
OVERVIEW OF TAX-BY-TAX TRENDS
Labour taxes have been a major and increasing source of revenues

Breakdown of OECD tax revenues – average

Source: OECD Revenue Statistics
Personal income taxes have been reduced in many countries

- **Many tax reductions for low and middle income earners** (e.g. AUT, BEL, CAN, ISR, LUX, SVN)
- **Incentives to attract highly-skilled individuals** (ISR, ITA and PRT)
- **Continued tax increases on dividends and interests** (BEL, FIN, GRC, LUX, NOR, SVK, SWE)
- **No major cuts in social security contributions** except BEL, HUN, ITA
But overall effects on tax wedges are expected to be small

Evolution of the average tax wedge in the OECD between 2000 and 2016

Source: OECD Taxing Wages Database
CIT rates have been falling, but less so in recent years

Evolution of the average statutory CIT rates and CIT revenues in the OECD

Source: Tax Policy Reforms 2017
Competition on corporate tax rates is intensifying again

Changes to central statutory CIT rates implemented or legislated in 2016

Source: Tax Policy Reforms 2017
In parallel, efforts have been made to broaden corporate tax bases

The implementation of BEPS-counter measures continued

**Domestic base broadening**, in particular restrictions to loss carryover provisions (ESP, GBR, JPN, KOR, LUX, LVA)

**Base narrowing provisions**: new or enhanced tax incentives, in particular for IP-related income or R&D (e.g. HUN, ISL, ITA, MEX, POL)
The trend towards increasing standard VAT rates appears to have come to an end

Evolution of the average standard VAT rate in the OECD between 1975 and 2017

Source: Tax Policy Reforms 2017
Excise duties were raised

- Increased excise duties, especially on tobacco

- Increasing popularity of taxes on soft drinks, new taxes in BEL and PRT and announcements in ESP, EST, GBR, IRL and ZAF

- Taxes on transport fuels continued to be raised, while fuels in other sectors remain taxed at low rates
Modest changes in property taxes

- Increases in recurrent taxes on real estate and transaction taxes

- Tax increases on owners of multiple homes or buy-to-let properties to cool housing markets (ISR, GBR)

- Inheritance taxes, on the other hand, were generally lowered (DNK, IRL, FIN, GBR and NLD)
Questions?

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