OECD Social, Employment and Migration Working Papers
No. 92

How Expensive is the Welfare State? Gross and Net Indicators in the OECD Social Expenditure Database (SOCX)

Willem Adema,

Maxime Ladaique

https://dx.doi.org/10.1787/220615515052

OECD

Unclassified **DELSA/ELSA/WD/SEM(2009)20**

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development **13-Nov-2009**

English - Or. English

DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS
EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS COMMITTEE

DELSA/ELSA/WD/SEM(2009)20
Unclassified

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HOW EXPENSIVE IS THE WELFARE STATE?
GROSS AND NET INDICATORS IN THE OECD SOCIAL EXPENDITURE DATABASE (SOCX)

Willem Adema and Maxime Ladaique

JEL Classification: H2, H53

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SUMMARY

This paper first presents information on trends and composition of social expenditure across the OECD. Gross public social expenditure on average across OECD increased from 16% of GDP in 1980 to 21% in 2005, of which public pensions (7% of GDP) and public health expenditure (6% of GDP) are the largest items. This paper then accounts for the effects of the tax system and private social expenditure which leads to a greater similarity in social expenditure-to-GDP ratios across countries and to a reassessment of the magnitude of welfare states. After accounting for the impact of taxation and private benefits, social expenditure (1) amounts to over 30% of GDP at factor cost in Belgium, Germany, and France and (2) ranges within a few percentage points of each other in Austria, Canada, Denmark, Finland, Italy, the Netherlands, Portugal and the United States.

This working paper first discusses methodological, classification and data issues regarding the OECD Social Expenditure database (SOCX). The quality of SOCX has been improved towards greater coverage and consistent treatment of: i) spending on early care and education services for children up to 6 years of age; ii) spending on long-term care as reported by social policy and health authorities; iii) spending on pensions to former public servants in line with the System of National Accounts; and iv) severance payments paid on retirement.

The paper also discusses gross (before tax) spending trends by broad social policy area. However, the vast amount of detailed information on social support by social expenditure programme is too large to be discussed here in a comprehensive manner. Overview spending data are available via "OECD.Stat" (see Annex 4 and *www.oecd.org/els/social/expenditure*) for the 1980-2005 period.

This paper then discusses the effect of government intervention through the tax system on social spending, including: i) direct taxes and social security contributions on cash transfers, ii) indirect taxes on goods and services bought by benefit recipients; and iii) tax breaks with a social purpose. The latter concern both tax advantages similar to cash benefits and tax concessions aiming to stimulate the provision of private social benefits. This document refines the methodological framework previously developed in earlier editions for net social expenditure and presents indicators based on a common questionnaire for twenty-six OECD countries for which information on taxation of benefits is now available.

Accounting for the effect of the tax system and private social expenditure leads to greater similarity in social expenditure-to-GDP ratios across countries and to a reassessment of the magnitude of welfare states. After accounting for the impact of taxation and private benefits, social expenditure amounts to over 30% of GDP at factor cost in Belgium, Germany, and France; social expenditure also ranges within a few percentage points of each other in Austria, Canada, Denmark, Finland, Italy, the Netherlands, Portugal and the United States.

JEL Classification: H2, H53

Keywords: social policy, public welfare system, private social spending, taxation of benefit income, tax breaks with a social purpose.

RÉSUMÉ

Ce document présente les tendances et la composition des dépenses sociales des pays de l'OCDE. Les dépenses sociales publiques brutes on augmenté de 16% du PIB en 1980 à 21% du PIB en 2005, dont les retraites publiques (7% du PIB) et les dépenses de santé publique (6% du PIB) représentent les plus grandes catégories de dépenses en moyenne en 2005. Ce document examine ensuite les effets de l'intervention du gouvernement sur les dépenses sociales par le système fiscal et la prise en compte des prestations sociales privées, qui ont pour effet d'égaliser les ratios entre les niveaux des dépenses sociales et le PIB. Après la prise en compte des prestations sociales privées et de l'impact de la fiscalité, les dépenses sociales atteignent plus de 30% du PIB aux coûts des facteurs en Belgique, Allemagne et France ; enfin les écarts entre les dépenses sociales en Autriche, Canada, Danemark, Finlande, Italie, Pays-Bas, Portugal et aux États-Unis ne sont que de quelques points de pourcentage.

Ce document de travail examine tout d'abord les questions méthodologiques et de classification de la base de données des dépenses sociales de l'OCDE (SOCX). La qualité de SOCX a été améliorée avec une meilleure couverture et un traitement plus cohérent des dépenses consacrées : i) à la petite enfance et aux services d'éducation pour les enfants de moins de 6 ans; ii) aux soins de longue durée enregistrés à la fois par les autorités de politiques sociales et de santé; iii) aux pensions versées aux anciens fonctionnaires en accord avec le SCN de 1993; et, iv) aux indemnités de licenciement versées à la retraite.

Ce document examine aussi les principales tendances des dépenses brutes (avant impôts) par domaine de politique sociale. On ne peut ici décrire de manière complète la grande quantité d'informations détaillées de l'aide sociale par programmes sociaux. Les données sont disponibles via OECD.Stat (voir Annexe 4 et *www.oecd.org/els/social/depenses*) de 1980 à 2005.

On examine ensuite les effets de l'intervention du gouvernement sur les dépenses sociales à travers le système fiscal : i) imposition directe et cotisations de sécurité sociale des prestations monétaires, ii) imposition indirecte sur la consommation financée par les prestations sociales; et iii) avantages fiscaux à finalité sociale, à la fois ceux pouvant être considérées comme se substituant aux prestations numéraires mais aussi ceux stimulant la fourniture de prestations privées. Ce document revisite la méthodologie développée dans les éditions précédentes des dépenses sociales nettes, et il présente des indicateurs basés à partir d'un questionnaire commun pour 26 pays de l'OCDE pour lesquels la fiscalité des prestations est désormais disponible.

La prise en compte des prestations sociales privées et de l'impact de la fiscalité sur les dépenses sociales a pour effet d'égaliser les ratios entre les niveaux des dépenses sociales et le PIB. Après la prise en compte des prestations sociales privées et de l'impact de la fiscalité, les dépenses sociales atteignent plus de 30% du PIB aux coûts des facteurs en Belgique, Allemagne et France ; enfin les écarts entre les dépenses sociales en Autriche, Canada, Danemark, Finlande, Italie, Pays-Bas, Portugal et aux États-Unis ne sont que de quelques points de pourcentage.

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HOW EXPENSIVE IS THE WELFARE STATE?

GROSS AND NET INDICATORS IN THE OECD SOCIAL EXPENDITURE DATABASE (SOCX)

1. Introduction

1. The *OECD Social Expenditure database* was developed in the 1990s to facilitate social policy analysis (OECD, 1996).[1] In principle the System of National Accounts (SNA) provides a comprehensive accounting framework for social expenditure and its financing (SNA, 1993). In practice, however, the aggregate nature of data included in 'social transfers' (cash and in kind) in the SNA proved inadequate for analysis of public social policy programmes and trends[2]: in the context of its work-programme on public spending the Secretariat tried unsuccessfully to establish on a comprehensive basis what spending items were included in the (sub-)aggregate spending amounts recorded as government outlays by function in the National Accounts (Varley, 1986, and Oxley *et al.*, 1990). As a result, when the *OECD Social Expenditure database* (SOCX) was set up in the early 1990s, it was designed to be transparent through the recording of spending items at a detailed level: the 'social expenditure programme'. For example, SOCX includes information for 50 separate social programmes for Canada, 65 for both the Netherlands and the US, and 300 for France.

2. The detailed information on social expenditure items included in SOCX permits a variety of types of analysis of the effects of social policy to be undertaken. The detail in SOCX allows for in-depth study of national and cross-national social protection policy, as for example in the *OECD Economic Surveys* of individual member countries, and also allows for a grouping of expenditures to match the analytical needs of users, as for example: using different definitions of active social policy; an assessment of spending on all incapacity-related support programmes; an evaluation of expenditures targeted primarily at different age groups, etc. Both OECD analysts and external researchers make extensive use of information on trends and changes in the composition of social spending as in SOCX, for example, Caminada and Goudszwaard (2005), Castles (2004, 2008), Castles and Obringer (2007), Darby and Melitz (2007), Pearson and Martin (2005), Siegel (2005), Townsend (2007) and Whiteford and Adema (2007).

3. For the years 1980-2005, SOCX presents spending information by social expenditure programme for all 30 countries, as expressed in national currency. SOCX also presents the aggregated public and private social expenditure grouped along nine social policy areas, and to facilitate international

1. Prior to the 2008 release of SOCX the OECD has produced five updated volumes of the database since the initial release; OECD (1999; 2000a; and 2001) via CD-ROM, while OECD (2004 and 2007) were released through the OECD Internet.

2. For the regular data collection for the National Accounts, countries only report two items that are directly related to public social expenditure: 1) social transfers in cash (D62); and 2) social transfers in kind (D63). Data recorded for the Classification of Function of Government (COFOG) typically record four public social expenditure items (spending by general government, central government, local government and social security funds, see OECD 2008b), although national sources may provide more detail. For example, Statistics Canada reports about 20 items on public social transfers in Canada (*www.statcan.ca*).

comparisons this information is related to gross domestic product, gross national income, total government expenditure, and in purchasing power parities per head. SOCX does not contain information on the financing of social programmes on a comprehensive basis (see Box 1).

4. SOCX collates spending data at the detailed social expenditure programme level. The detailed nature of expenditure data in SOCX constitutes an important form of quality control as the high level of transparency associated with detailed recording limits the scope for inappropriate recording (including double counting) of spending items in SOCX. In this and the previous version of SOCX, efforts have been made to limited double counting of spending on long-term care as reported by health and social policy authorities. In particular, recent improvements in the System of Health Accounts have brought greater transparency and better recording in this area (OECD, 2008a, 2000b and *www.oecd.org/health/sha*).

5. Furthermore, the development of the OECD Family database has contributed to greater consistency in treatment of spending on early care and education services across countries. It is the aim to measure spending on all such services (be it in (family) day-care, pre-school or, in some countries, school settings) for children not yet 6 years of age, thereby improving cross-national comparability of indicators.

6. In order to remain consistent with the SNA93, SOCX now records pensions paid to former civil servants through autonomous funds as a private spending items. In addition the treatment of severance payments has been clarified (see below).

7. The OECD has developed different and more comprehensive measures of the resources devoted to social policies in OECD countries; indicators on net (after tax) total (public and private) social expenditure. This work started in the mid-1990s with initial estimates on net public social expenditure for six countries (Adema *et al.*, 1996), but over the years the methodological framework and available data have been extended to cover 26 OECD countries: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Sweden, Spain, the United Kingdom and the United States. This work is undertaken in close collaboration with the OECD Centre for Tax Policy and Administration, and these indicators are treated as an integral part of SOCX, and will be updated as the rest of the database, *i.e.* every two years.

8. This working paper first defines the social protection domain (section 2), then outlines categorisation and recording practices (section 3), before discussing the main gross (before tax) spending trends in section 4. Section 5 discusses the net social spending indicators. Annex 1 presents detailed information on sources used; Annex 2 and 3 provide additional information on net social expenditure; and Annex 4 shows how to access SOCX electronically.

2. Defining the social domain

9. To facilitate cross-country comparisons of social expenditure, the first step is to demarcate what spending is 'social' and what is not. The OECD defines social expenditures as:

> "The provision by public and private institutions of benefits to, and financial contributions targeted at, households and individuals in order to provide support during circumstances which adversely affect their welfare, provided that the provision of the benefits and financial contributions constitutes neither a direct payment for a particular good or service nor an individual contract or transfer."

10. Since only benefits provided by institutions are included in the social expenditure definition, transfers between households – albeit of a social nature, are not in the social domain.[3]

11. Social benefits include cash benefits (*e.g.* pensions, income support during maternity leave, and social assistance payments), social services (*e.g.* childcare, care for the elderly and disabled) and tax breaks with a social purpose (*e.g.* tax expenditures towards families with children, or favourable tax treatment of contributions to private health plans).

12. The *OECD Social Expenditure database* (SOCX) has been designed to be compatible with the System of National Accounts and *inter alia* the System of Health Accounts (OECD, 2000b and SNA, 1993). It is also broadly compatible with Eurostat's European System of Social Protection Statistics – ESSPROS, and the ILO Social Security Inquiry – SSI (Box 1; Eurostat, 2008, and ILO, 2005). Information on social expenditure and recipiency of social support that is collected by the Asian Development Bank as part of its Social Protection Index initiative is also broadly compatible with the other databases (ADB, 2006 and 2008).

Box 1. The relationship between OECD, Eurostat and ILO social accounting systems

Compared to SOCX, the scope of Eurostat's European System of Social Protection Statistics – ESSPROS (via *http://epp.eurostat.ec.europa.eu/portal/page/portal/living_conditions_and_social_protection/data/database*) and the ILO's Social Security Inquiry – SSI (via *www.ilo.org/dyn/ilossi/ssimain.home*), is wider as these systems also include information on financing of social expenditure. From a statistical perspective it may be desirable that the *OECD Social Expenditure database* is extended to include information on the financing of social programmes that is consistent with the *OECD Revenue Statistics* (OECD, 2008b), but the resources that would be required for such an exercise are likely to far exceed the gains that could be made in terms of strengthening policy analysis.

In terms of social domain, the OECD has arguably the largest scope as it has developed a methodology, which facilitates the comprehensive accounting of fiscal measures that affect social protection (see below). In terms of gross spending items, the SSI has a relatively large scope as it includes spending supporting on basic education, as for example spending on school-books (SOCX reports public spending on education as a memorandum item, see Annex 1.4). The scope of ESSPROS is narrower than that of SOCX and the SSI as it focuses on support that can be 'allocated' to individuals and, consequently, it does not include *all* spending on public health expenditures or labour market programmes. The ILO and the OECD both record spending on Active Labour Market Policies, with the OECD-definitions being the least restrictive as they include government subsidies towards the cost of employment of previously unemployed persons.

Functional categorisations in ESSPROS (Eurostat, 2008) and the Social Security Inquiry (ILO, 2005) are slightly different, also from each other. ESSPROS groups items in 7 functions; the SSI identifies 11 functions; and, SOCX has 9 social policy areas at present.

2.1. What is social and what is not?

13. There are two main criteria which have to be simultaneously satisfied for an expenditure item to be classified as social. First, the benefits have to be intended to address one or more social purposes. Second, programmes regulating the provision of benefits have to involve either a) inter-personal redistribution, or b) compulsory participation.

3. Social spending does not include remuneration for work, as it does not cover market transactions, *i.e.* payments in return for the simultaneous provision of services of equivalent value. Employer costs such as allowances towards transport, holiday pay, etc. are part of remuneration in this sense.

2.1.1. Towards a social purpose

14. The *OECD Social Expenditure Database* groups benefits with a social purpose in nine *policy areas*: (see also section 3.1 for more detail)

- *Old-age* – pensions, early retirement pensions, home-help and residential services for the elderly;
- *Survivors* – pensions and funeral payments;
- *Incapacity-related benefits* – care services, disability benefits, benefits accruing from occupational injury and accident legislation, employee sickness payments;
- *Health* – spending on in- and out-patient care, medical goods, prevention;
- *Family* – child allowances and credits, childcare support, income support during leave, sole parent payments;
- *Active labour market policies* – Employment services, training, employment incentives, integration of the disabled, direct job creation, and start-up incentives;
- *Unemployment* – unemployment compensation, early retirement for labour market reasons;
- *Housing* – housing allowances and rent subsidies; and,
- *Other social policy areas* – non-categorical cash benefits to low-income households, other social services; *i.e.* support programmes such as food subsidies, which are prevalent in some non-OECD countries.

15. The borderline of the social domain is not always immediately clear because policy objectives differ across countries. Tackling child poverty is an important policy objective in all OECD countries, and support for children (either through cash transfers, services or through the tax system) is considered as social. However, favourable fiscal treatment of marital status is not considered as social support in the *OECD Social Expenditure database*, as there is no OECD-wide agreement on whether such support reflects the pursuit of social policy objectives (across countries there are also different views on the basic economic unit, which is the appropriate basis for taxation).

16. In practice, data issues also play a role in determining whether certain items are considered social or not. For example, when saving programmes are earmarked towards income support in retirement (or towards contingencies covered by other social policy areas), they are considered to be 'social'.

17. Rent subsidies are considered social, as is residential support for the elderly, disabled and other population groups (as recorded under Old-age, Incapacity-related benefits, etc.). Mortgage relief for low-income households has some similarities with such programmes. However, it is unclear up to what level of income, or what level of property value, such support should be considered social. Relevant thresholds differ across countries, while, in any case, comprehensive cross-national data are not available. For these reasons, mortgage relief and capital subsidies towards construction of housing are not considered here.

18. For this issue of SOCX public expenditure on childcare and early educational services has been taken from national statistics, Eurostat and the annual (OECD/Eurostat) data collection on (pre-primary) education (OECD, 2008c). In order to get a better comparison of childcare support, indicators have been adjusted for cross-national differences in the compulsory age of entry into primary school. For example, in some (Nordic) countries children enter primary school at age 7, while attending pre-primary schooling the year beforehand. In order to improve the comparison, expenditure on these 6-year-olds was excluded (sometimes using estimates derived on basis of available data on spending on education and the number of 6-year-olds). Similarly, for countries where children enter school at age 5 (and which are not included in the childcare and pre-school data) pre-school expenditure data for Australia, New Zealand and the UK was adjusted by adding up the expenditure corresponding to 5-year-old children enrolled in primary school.

Box 2. Earnings and deferred wages; the treatment of pensions and severance payments in SOCX

The definition of social spending explicitly rules out remuneration for work, and therefore items as holiday pay, costs incurred for transport to work and bonuses are not covered in the database. The exclusion of remuneration for current work effort from the social spending remit is uncontested, but what about "remuneration for past work or deferred wages"? In fact, a substantial part (*i.e.* that part financed by employer contributions) of the pension payments by public and private pension funds can be argued to concern deferred wages. If social expenditure were not to include any such items then almost all pension payments would be excluded from SOCX, and other relevant databases as operated by, for example, Eurostat and the ILO. Instead, by convention, pensions (in general payments of people above retirement age), are considered to be part of social expenditure, also when co-financed by past employer contributions.

If pensions are considered to be social expenditure then the question arises which other similar payments should also be included in the database. General saving plans are often used for retirement, but it is unclear to what extent this is the case. Similarly, life insurance saving instruments across the OECD are also used for the same reason, but, again, there is insufficient detail in the available data to establish which particular programme or savings vehicle is geared towards retirement. Hence, such data are not included in SOCX.

Severance payments can also be used for retirement, and if pensions are included in SOCX, it would be consistent to also include severance payments if they are made towards retirement. However, severance payments are not exclusively made for retirement purposes. Severance payments are made when an employment relationship between employer and employee ceases to exist, and that can also be because an employee quits voluntarily or is dismissed.

In its balance of methodological choices, SOCX treats severance payments on retirement as retirement allowances similar to pensions, while severance payments to people below the normal retirement age are considered as separation payments and treated as remuneration. There is one exception: the OECD Labour Market Policy database and SOCX include "redundancy compensation", when such payments are made by public funds to workers "who have been dismissed through no fault of their own by an enterprise that is ceasing or cutting down its activities". This covers a small and specific group of all "severance payments", which are included under unemployment compensation.

In theory, SOCX should include that part of spending of the severance pay which is given to people who reach retirement, and exclude the rest. However, such a level of detail is generally not available, and choices on whether or not to include severance payments had to be made on a case to case basis.

By and large this issue is most relevant to the following three countries.

i) Spending on severance payments is worth about 1% of GDP in total in *Italy* and can be split in payments to (former) public and private employees. For public sector workers, available data confirm that the vast majority of payment is paid on retirement of the employee (INPDAP (2008). While there are no statistics on the age of the severance payments to private sector employees, "…a significant majority of the aggregate amount of benefit is paid out to people who are retiring…". Eurostat therefore continues to classify the Italian severance payments in its Old Age function.

ii) New evidence from Japan suggests that voluntary private severance payments amounted to 2.2% of GDP in 2005 (relevant statistics on severance payments/retirement income are published in the Tax Statistics published by the National Tax Office in Japan). The Japanese authorities assume that the majority of recipients of severance pay receive these payments on retirement, even though the statistics do not allow for an exact identification of that percentage.

iii) In Korea, total severance payments amount to 2.0% of GDP. The majority of severance payments are being made when workers are laid off or quit voluntarily before compulsory retirement age. Korean policy aims to convert severance payments into a corporate pension saving, leading to the so-called "Retirement Pension Benefits". However, while the government provides tax incentives to stimulate conversion, it is not mandatory, and the proportion of enterprises involved is around 15% (Ministry of Labour, 2009). Only a minority of all employer-paid severance payments (around 10 to 30% at maximum) concerned workers who retired, and therefore SOCX includes 20% (equivalent to 0.4% of GDP) of all spending on severance payments under mandatory private old-age expenditure. When in future more detailed information on severance payments made on retirement and the amount of Retirement Pension Benefits becomes available, such spending will be included in SOCX.

In sum, as most spending on severance payments in Italy and Japan seems to be made on retirement they are included in SOCX. For Korea, it is the other way round as only a minority of spending on severance pay goes to people reaching retirement. The error of including all severance payments under old age spending would be larger than when no such spending were recorded for Korea at all. To further reduce the margin of error SOCX includes 20% of all spending on severance payments until more comprehensive information on the issue becomes available.

19. Nevertheless, there remain weaknesses in spending data, not least because local governments often play a key role in financing childcare services. This does not lead to recording issues in Nordic countries, but in other (often federal) countries, it is much more difficult to get a good view of public support for childcare across a country. This is because local governments may use different funding streams to finance childcare services, *e.g.* non-earmarked general block-grants, as in Canada, or because information on spending by local governments on childcare is not reported to national authorities, *e.g.* Switzerland. These issues are not restricted to federal countries. In the Netherlands, municipalities can provide childcare support for (groups) of their inhabitants, and they may finance this out of the general block-grant to municipalities. They can also use the central government funding stream to municipalities to support labour market integration for income support recipients, to finance, for example, childcare support for social assistance clients.

2.1.2. Inter-personal redistribution or compulsion

20. Expenditure programmes are considered 'social' if participation is compulsory, and if entitlements involve inter-personal redistribution of resources among programme participants; in other words, if entitlements are not the result of direct market transactions by individuals given their individual risk profiles. The provision of social services (by public authorities and/or or non-government organisations) and social insurance and social assistance programmes practically always involves redistribution across households. Such programmes are either financed through general taxation or social security contributions, which lead to the redistribution of resources across the population or within population groups (*e.g.* all members of an unemployment insurance fund).

21. Inter-personal redistribution in private programmes is often introduced by government regulation or fiscal intervention. Governments may force individuals and/or employers to take up protection provisions regardless of their risk-profiles or the prevailing market prices. For example, through risk-sharing (*e.g.* through forcing insurance companies to have one price for both sick and healthy people) public policy can subsidise sick people, and thus ensure redistribution between households. Public fiscal intervention to stimulate private take-up on a collective or individual basis also means that the take-up decision is not fully determined by the individual risk-profile or prevalent market prices (the same holds for social benefits derived from collective agreements or taken out by employers on a collective basis). There is a high degree of similarity between legally-stipulated private arrangements and tax-advantaged plans.

22. Social benefits are also defined to include some (public and private) pension programmes that in theory do not necessarily involve redistribution of resources across households as, for example, the compulsory government managed individual savings scheme in Singapore (Ramesh, 2005). This is because just as with the provision of tax relief, compulsion reflects a policy judgement that coverage of these plans is desirable, and hence, these programmes are considered social.

2.1.3. Public, private social and exclusively private expenditure

23. The distinction between public and private social protection is made on the basis of whoever controls the relevant financial flows; public institutions or private bodies. Public social expenditure: social spending with financial flows controlled by General Government (different levels of government and social security funds), as social insurance and social assistance payments. For example, sickness benefits financed by compulsory employer and employee contributions (receipts) to social insurance funds are by

convention considered public. In line with SNA93[4], SOCX records pensions paid to former civil servants through autonomous funds as a private spending item (Australia (partially[5]), Canada, Denmark, the Netherlands, Sweden and the UK). All social benefits not provided by general government are considered 'private'.

24. Within the group of private social benefits, a further two broad categories can be distinguished:

- Mandatory private social expenditure: social support stipulated by legislation but operated through the private sector, *e.g.* direct sickness payments by employers to their absent employees as legislated by public authorities, or benefits accruing from mandatory contributions to private insurance funds.
- Voluntary private social expenditure: benefits accruing from privately operated programmes that involve the redistribution of resources across households and include benefits provided by NGOs, and benefit accruing from tax advantaged individual plans and collective (often employment-related) support arrangements, such as for example, pensions, childcare support, and, in the US, employment-related health plans.[6]

25. SOCX includes data on the magnitude of private social spending across the OECD, but this data is nevertheless deemed of lesser quality than information on budgetary allocations for social support.

26. Take-up of individual insurance, even with a social purpose, is a matter for the persons concerned, and premiums are based on the individual preferences and the individual risk profile. For example, if someone takes out private pension insurance which is actuarially fair, then there is no *ex ante* redistribution across households. The insurance company sets the price so that the individual can expect to receive back in compensation payments exactly what it costs him or her. Such spending is not considered social, but 'exclusively private'. Table 2.1 summarizes which expenditures are social and which are not, while Box 3 provides further detail on issues with the categorisation of benefits with a social purpose.

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4. SNA (1993), para 8.63 states: "… Social insurance schemes organized by government units for their own employees, as opposed to the working population at large, are classified as private funded schemes or unfunded schemes as appropriate and are not classified as social security schemes. …" In practical terms, for pension payments to former civil servants to be classified as private, these payments have to go through autonomous private funds (*e.g.* separate pension and/or insurance companies), for which the government does not make up the deficit on a regular basis (*e.g.* in practice benefit schemes which are defined contributions plans). Non-autonomous pension schemes (including pension benefits paid directly from the government budget) remain institutionally in the government sector.

5. The Australian pension arrangements for former civil servants constitute a hybrid of public and private components. The relevant pension payment is a defined benefit scheme which is guaranteed by the government and thus classified as public. In contrast, the lump-sum payment which many civil servants take on retirement is based on their compulsory contributions and interest rates; relevant spending has been grouped under mandatory private social expenditure for Australia.

6. It might be argued that only the value of the fiscal intervention towards the private pension benefit should be considered social. However, relevant fiscal measures redistribute resources up to the level where tax-advantages no longer apply, and thus all benefits accruing from such contributions should be included.

Table 2.1: Categorisation of benefits with a social purpose [1, 2]

	Public		**Private**	
	Mandatory	*Voluntary*	*Mandatory*	*Voluntary*
Redistribution	Means-tested benefits, social insurance benefits	Voluntary participation in public insurance programmes. Self-employed 'opting in' to obtain insurance coverage.	Employer-provided sickness benefits, benefits accruing from mandatory contributions, to, for example, pension or disability insurance.	Tax-advantaged benefits, *e.g.* individual retirement accounts, occupational pensions, employer-provided health plans
No redistribution	Benefits from government managed individual saving schemes		Non tax-advantaged actuarially fair pension benefits	*Exclusively private*: Benefits accruing from insurance plans bought at market prices given individual preferences.

(1) By definition transfers between individuals, even when of a social nature, are not considered to be within the social domain.

(2) The shaded cells reflect benefits that are NOT classified as social.

27. Life insurance savings plans are considered outside the social domain as comprehensive information on that part of life insurance payments which is earmarked for social purposes is not available; in fact, there is no comprehensive information on life insurance benefits. Although the practice of reinsurance makes it difficult to get a precise view on the importance of life-insurance arrangements, available information on life insurance premiums suggests that life insurance arrangements play an important role (OECD, 2006). To a considerable extent life insurance policies are taken up to cover mortgage arrangements, which is not considered to serve a social purpose, but private life-insurance benefits with a social element, such payments towards death, disability, medical interventions and retirement, can be important and are included where these are separately identifiable (see below).

28. There are significant differences across countries in the extent to which social policy goals are pursued through the tax system or in the role of private provision within national social protection systems (see below). These differences point to substantial variance in the re-distributional nature of social systems. Some private social programmes may generate a more limited re-distribution of resources than public ones, and tax advantages towards private pension and health plans are more likely than not to benefit the relatively well-to-do. Private employment-related social benefits mostly re-allocate income between the (formerly) employed population, and the same holds largely true for fiscally-advantaged individual or group retirement plans. Cross-national differences in redistribution are not just related to individual programme design, but also to the overall level of social spending. Income re-distribution in a high public spending country such as Denmark tends to be larger than in, for example, the US, where private social spending plays a much more substantial role (OECD, 2008d, and Whiteford and Adema, 2007).

Box 3. Identifying and categorising benefits with a social purpose

The *OECD Social Expenditure database* groups social benefits by the nature of provision into public, mandatory private and voluntary private social expenditure across nine different social policy areas (issues related to the classification of items across policy areas are discussed in section 3.1). All other (insurance) arrangements with a social purpose, which are based on individual risk-profiles and obtained at prevailing market prices, are outside the social domain. Examples of such arrangements that do not involve redistribution or compulsory participation are individual pension plans and individual health insurance packages.

In theory, information on the purpose of social expenditure programmes, their redistributive nature, their legal basis and control of financial flows, provides clear benchmarks for identifying public, mandatory private, voluntary private and exclusively private programmes. Sometimes classification is straightforward. For example, income support during parental leave paid by a public insurance fund is 'public'; legally required continued wage payments by employers to fathers on paternity leave are 'mandatory private', while parental leave payments made by employers on their own initiative (or because they signed up to a collective labour agreement) are voluntary private. More difficult is it, when payments involve a mixture of these forms, and in the absence of good data classification decisions have to be made.

In particular, regarding private pension funds it can be very difficult to make an unambiguous categorisation between mandatory private benefits, voluntary private benefits, and benefits that are not considered part of the social domain. Classification problems are exacerbated by the fact that contributions that underlie pension payments are made over various years and the nature of the contributions can shift over time.

Consider the case where benefit payment in year t, B(t), is related to contributions in previous years, C(t - n), and the rate of return on investment income, I(t-n):

$$B(t) = F [\Sigma (C(t-n), I(t-n))]$$

The total amount of contributions (C) paid to a particular arrangement over the years can be sum of different types of contributions: mandatory contributions (Cm); (Cv); and, exclusively private contributions (Ce). In any particular year:

$$C = Cm + Cv + Ce.$$

Thus, benefit payments in a given year can be related to four types of contributions made over previous years and the relative importance of the different types of contributions can shift from year to year.

Often, data on benefit payments only record aggregate payments (Bx) and do not separately identify payments due to different types of contributions (Cm, Cv, Ce). For example, data on pensions paid by Superannuation plans in Australia or private pension plans in Switzerland do not separately identify payments derived from mandatory private, voluntary private or exclusively private pension contributions. All superannuation pension payments (not the lump-sum payments) to former private sector workers are grouped under voluntary private social benefits, as the pension payments that derive from mandatory contributions are currently relatively small. However, with recently increased mandatory contributions rates, pension payments deriving from mandatory contributions in Australia are expected to increase with the maturing of Superannuation plans.

Individual pension plans, for example, individual retirement accounts in the US, are only in the (voluntary private) social domain in as much the underlying contributions were tax advantaged (in New Zealand, where favourable tax treatment concerns payments and not contributions, only the pension payments subject to tax-advantages would be included). Ideally, we would not include those private benefits that derive from non-fiscally advantaged contributions, but data, which allow for such a distinction is not always available. The decision on whether or not to include individual pension programmes is made on a case-by-case basis. For example, available tax data for the US facilitates the identification of pensions and individual retirement disbursements, which are part of social domain as defined above, and are therefore included in the private pension expenditure data in SOCX (see section 4.3).

3. Social expenditure programme data in SOCX

3.1. Categorisation of programmes across policy areas

29. The *OECD Social Expenditure Database* groups benefits with a social purpose in nine *policy areas* - Old-age, Survivors, Incapacity-related benefits, Health, Family, Active labour market policies, Unemployment, Housing, and Other social policy areas. Table 3.1a shows the structure of SOCX database for public and mandatory private programmes, Table 3.1b shows the simplified structure of SOCX database for voluntary private expenditure as the quality of information is not as high as on budgetary allocations, and spending detail by programme is not available on a comprehensive basis.

Table 3.1a Structure of SOCX database for public and mandatory private programmes
by branch (1-9), type of expenditure (cash / in kind) and type of programme

1. OLD AGE
    - Cash benefits
        - Pension
        - Early retirement pension
        - Other cash benefits
    - Benefits in kind
        - Residential care / Home-help services
        - Other benefits in kind

2. SURVIVORS
    - Cash benefits
        - Pension
        - Other cash benefits
    - Benefits in kind
        - Funeral expenses
        - Other benefits in kind

3. INCAPACITY-RELATED BENEFITS
    - Cash benefits
        - Disability pensions
        - Pensions (occupational injury and disease)
        - Paid sick leave (occupational injury and disease)
        - Paid sick leave (other sickness daily allowances)
        - Other cash benefits
    - Benefits in kind
        - Residential care / Home-help services
        - Rehabilitation services
        - Other benefits in kind

4. HEALTH
    - Benefits in kind

5. FAMILY
    - Cash benefits
        - Family allowances
        - Maternity and parental leave
        - Other cash benefits
    - Benefits in kind
        - Day care / Home-help services
        - Other benefits in kind

6. ACTIVE LABOUR MARKET PROGRAMMES
    - Employment service and administration
    - Labour market training
    - Youth measures
    - Subsided employment
    - Employment measures for disabled

7. UNEMPLOYMENT
    - Cash benefits
        - Unemployment compensation / severance pay
        - Early retirement for labour market reasons
    - Benefits in kind

8. HOUSING
    - Benefits in kind
        - Housing assistance
        - Other benefits in kind

9. OTHER SOCIAL POLICY AREAS
    - Cash benefits
        - Income maintenance
        - Other cash benefits
    - Benefits in kind
        - Social assistance
        - Other benefits in kind

Table 3.1b Structure of SOCX database for voluntary private expenditure

1. OLD AGE
    - Pensions to former private sector workers
    - Pensions to former civil servants
3. INCAPACITY-RELATED BENEFITS
4. HEALTH
9. OTHER SOCIAL POLICY AREAS

30. The nine policy areas are defined as follows; including examples of programmes (see Annex 4 for details on codes of programmes):

- 1. Old-age – comprises all cash expenditures (including lump-sum payments) on old-age pensions. Old-age cash benefits provide an income for persons retired from the labour market or guarantee incomes when a person has reached a 'standard' pensionable age or fulfilled the necessary contributory requirements. This category also includes early retirement pensions: pensions paid before the beneficiary has reached the 'standard' pensionable age relevant to the programme. Excluded are programmes concerning early retirement for labour market reasons which are classified under unemployment. Old-age includes supplements for dependants paid to old-age pensioners with dependants under old-age cash benefits. Old age also includes social expenditure on services for the elderly people, services such as day care and rehabilitation services, home-help services and other benefits in kind. It also includes expenditure on the provision of residential care in an institution (for example, the cost of operating homes for the elderly). Examples of programmes include:

– "250.10.1.1.1.1 Basic scheme: CNAV" is the French public basic pension scheme from "Régime général"

– "208.10.1.2.1.2 Assistance in carrying daily tasks for the elderly" is the Danish programme from municipalities that offers services to the elderly

– "392.20.1.1.1.1 Employees' pension funds" is the Japanese mandatory private occupational pension scheme

– "826.30.1.0.0.2 Pensions to former civil servants" is the UK programme recording pension benefits to former civil servants.

- 2. Survivors – many countries have social expenditure programmes in the public sphere which provide the spouse or dependent of a deceased person with a benefit (either in cash or in kind). Expenditure in this policy area has been grouped under survivors. Allowances and supplements for dependent children of the recipient of a survivors' benefit are also recorded here. Examples of programmes include:

– "124.10.2.1.1.2 CPP and QPP: surviving spouse's pension" is the Canadian Pension Plan and Quebec Pension Plan programmes paying benefits to surviving spouses

– "348.10.2.2.1.1 Funeral expenses (means-tested)" is the Hungarian means-tested programme giving public support for funerals.

- 3. Incapacity-related benefits – disability cash benefits comprise of cash payments on account of complete or partial inability to participate gainfully in the labour market due to disability. The disability may be congenital, or the result of an accident or illness during the victim's lifetime. Spending on Occupational injury and disease records all cash payments such as paid sick leave, special allowances and disability related payments such as pensions, if they are related to prescribed occupational injuries and diseases. Sickness cash benefits related to loss of earning because of the temporary inability to work due to illness are also recorded. This excludes paid leave related to sickness or injury of a dependent child which is recorded under family cash benefits. All expenditure regarding the public provision of health care is recorded under health. Social expenditure on services for the disabled people encompasses services such as day care and rehabilitation services, home-help services and other benefits in kind. Examples of programmes include:

- "756.10.3.1.1.1 Disability pension: invalidity insurance (non means-tested)" is the Swiss public non-means tested disability insurance pension
- "442.10.3.1.4.4 Paid sick leave" is the public programme in Luxembourg reimbursing 100% of wage (up to a ceiling) for sick blue collar employees from the first day of sickness up to three months and sick white collar employees from the third month up to the 12th month of sickness
- "578.20.3.1.4.1 Sickness and waiting period benefit" is an estimation of mandatory benefits paid by employers in Norway during the first two weeks of sickness
- "752.30.3.0.0.0 Incapacity-related benefits" include Swedish voluntary private contractual disability pensions.

- 4. Health – social expenditure data in the health policy area is taken from the OECD *Health Data* (OECD, 2008a). All public expenditure on health is included (not total health expenditure): current expenditure on health (personal and collective services and investment). Expenditure in this category encompasses, among other things, expenditure on in-patient care, ambulatory medical services and pharmaceutical goods. Individual health expenditure, insofar as it is not reimbursed by a public institution, is not included. As already noted, cash benefits related to sickness are recorded under sickness benefits. Voluntary private social health expenditure are estimates on the benefits to recipients that derive from private health plans which contain an element of redistribution (such private health insurance plans are often employment-based and/or tax-advantaged). For more information (including the long-term care double counting issue), see Annex 1.2.

- 5. Family – includes expenditure which supports families (*i.e.* excluding one-person households). This expenditure is often related to the costs associated with raising children or with the support of other dependants. Expenditure related to maternity and parental leave is grouped under the family cash benefits sub-category (OECD, 2009a – Indicators PF1 and PF10). Examples of programmes include:

- "56.10.5.1.1.1 Family allowance: National office for employees' family allowances" is the Belgian public programme giving child benefits to families
- "246.10.5.1.2.2 Maternity and parent's allowance" is the social security programme of income maintenance in the event of childbirth in Finland
- "203.10.5.2.1.6 Child care (pre-primary education)" is public spending in the Czech Republic towards formal day-care and pre-school services for children not yet 6 years of age. To get a good comparison of childcare support, account has been taken of cross-national differences in the compulsory age of entry into primary school. For example, in some (Nordic) countries children enter primary school at age 7, while 6-year-olds attend pre-primary school the year beforehand. In order to improve the comparison, expenditure on these 6-year-olds was excluded (sometimes using estimates derived on basis of available data on spending on education and the number of 6-year-olds). Similarly, for countries where children enter school at age 5 (and which were not already included in the childcare and pre-school data) pre-school expenditure data for Australia, New Zealand and the UK was adjusted by adding up the expenditure on 5-year-olds enrolled in primary school.

- 6. Active labour market programmes – contains all social expenditure (other than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. This category includes spending on public employment services and administration, labour market training, special

programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled. For more detailed information regarding the categorization of expenditure on ALMP, see Annex A.1.3. Examples of programmes include:

- "484.10.6.0.1.1 National employment service (STPS)" in Mexico
- "40.10.6.0.2.1 Institutional training" in Austria
- "620.10.6.0.3.4 Support of apprenticeship" in Portugal
- "300.10.6.0.4.3 Support of unemployed workers in enterprises in difficulty" in Greece
- "554.10.6.0.5.1 Vocational rehabilitation for disable people" in New Zealand

- 7. Unemployment – includes all cash expenditure to people compensating for unemployment. This includes redundancy payments to people who have been dismissed through no fault of their own by an enterprise that is ceasing or cutting down its activities out of public resources as well as pensions to beneficiaries before they reach the 'standard' pensionable age if these payments are made because they are out of work or otherwise for reasons of labour market policy. Examples of programmes include:

- "36.10.7.1.1.2 Newstart allowance" for Australian unemployed entitled of an out-of-work unemployment benefit
- "380.10.7.1.2.1 Early retirement for labour market reasons" from National Social Security Institute in Italy.

- 8. Housing – spending items recorded under this heading include rent subsidies and other benefits to the individual to help with housing costs. This includes direct public subsidies to tenants (in some countries, *e.g.* Norway, homeowners living in their house) 'earmarked' for support with the cost of housing. Because the benefits included here concern earmarked cash payments, by convention they are classified as in-kind benefits (SNA, 1993 – see D.6331). SOCX also reports direct in-kind housing provision to the elderly and disabled and shelter for those in immediate need in other sections (1.2.1, 3.2.1, 9.2.2 respectively).

  Other forms of housing support such as mortgage relief, capital subsidies towards construction and implicit subsidies towards accommodation costs housing can be of a social nature, particularly when such accommodation directly benefits low-income households. However, there is no cross-national agreement on a methodology on coverage and measurement of such support, so that at present, such housing support is not included in SOCX. Nevertheless, such support can be considerable.

  For example, in the Netherlands, the budgetary costs of favourable tax treatment of interest payments and other mortgage costs amounted to EUR 11.75 billion. Accounting for reduced taxation of private equity in housing (another EUR 7.5 billion), income and acquisition tax (EUR 5 billion) as well as municipal rates (EUR 2.25 billion), the net budgetary subsidy to private home ownership in the Netherlands was estimated to be around EUR 12 billion in 2006, or 2.3% of GDP in 2006 (Koning *et al.*, 2006). SOCX also does not include (capital-) subsidies towards the construction of housing support, for example in the United States, in 2003 credit for low-income investment is worth USD 6.2 billion or 0.06% of GDP (OMB, 2005). SOCX also does not include the value of implicit subsidies towards the cost of housing. For example, in France, almost 5 million households in public social housing pay a

lower rent than households in accommodation with similar characteristics in the private rental sector (Ministère de l'Écologie, du Développement et de l'Aménagement durables de la France, 2007). The value of implicit subsidies per household (*i.e.* the difference between the low rent effectively paid and the rent paid on the market for a dwelling with similar characteristics) is likely to be considerable. However, estimates on the total value of implicit housing subsidies are not available.

- 9. Other social policy areas – includes social expenditure (both in cash and in kind) for those people who for various reasons fall outside the scope of the relevant programme covering a particular contingency, or if this other benefit is insufficient to meet their needs. Social expenditure related to immigrants/refugees and indigenous people are separately recorded in this category. Finally, any social expenditure which is not attributable to other categories is included in the sub-category other.

– "276.10.9.1.1.1 Income support (Social assistance)" in Germany

– "840.10.9.1.1.1 Earned income tax credit: refundable part (EITC)" in the US (see also section 5.3.2).

3.2. Accounting conventions and practices

3.2.1. Reference, fiscal and tax years

31. The recording period with respect to the social expenditure data is not the same for each country. Most countries report data by calendar year (1 January to 31 December), except for Australia, Canada, Japan, New Zealand, the United Kingdom and the United States, where the data reported pertain to a financial year which differs from the calendar year. Adopting the same convention as for national accounts, year "n" is taken to mean the year in which a financial year begins, whether it starts on 1 January, 1 April, 1 July or 1 October. In cases where the financial year for social expenditure does not coincide with the calendar year, the relevant periods have been taken on a *prorata temporis* basis when using GDP (available for calendar years) and the GDP deflator, see below. For all other countries, GDP data refer to the calendar year.

- In Canada, Japan and the United Kingdom, the financial year (n) runs from 1 April (n) to 31 March (n+1) for social expenditure, requiring an adjustment for GDP ("n")=0.75* GDP(n) + 0.25*GDP(n+1).

- In the United States, the financial year (n) runs from 1 October (n-1) to 30 September (n) for social expenditure, requiring an adjustment for GDP ("n")=0.25*GDP(n-1) + 0.75GDP(n).

- In Australia and New Zealand, the reference years for social expenditure, although defined as July to June and not by calendar year, correspond to the calculation period for GDP. Consequently no special adjustments are required. All the data refer to fiscal years beginning on the 1st July of the year indicated.

3.2.2. SOCX does not include administrative costs

32. SOCX generally excludes administration costs, *i.e.* the costs incurred with the provision of benefits, as these expenditures do not go directly to the beneficiary. Administration costs cover expenditure on the general overheads of a social expenditure programme: registration of beneficiaries, administration of benefits, collection of contributions, controls, inspection, evaluation and reinsurance.

33. However, regarding the provision of services such as under Active Labour Market Programmes (ALMP) and public expenditure on health, the administration costs are included in the totals. It should be noted that these are data from the OECD ALMP database and OECD *Health Data*, which have their own concepts and definitions. The inclusion of these costs in the expenditures is justified as they are part of the service being provided to beneficiaries, such as job-seeker reception and counselling, or patient reception and hospital services.

3.2.3. SOCX includes capital transfers and records transactions on an accrual basis

34. In line with SNA93[7], capital investment (*i.e.* construction costs) are included on an accruals basis, that is if construction costs for a long term-care institution (or hospital) cost USD 1 million (interests included), built over four years, annual reimbursements of USD 250 000 would be included each year as investment spending.

3.2.4. SOCX generally excludes loans

35. "The conventional definition of social protection stipulates that the intervention does not involve a simultaneous reciprocal arrangement. This should be conceived as excluding from the scope of social protection any intervention where the recipient is obliged to provide simultaneously something of equivalent value in exchange. For instance, interest-bearing loans granted to households are not social protection because the borrower commits himself to paying interest and to refund the capital sum. Still, if the loan is interest-free or granted at an interest rate well below the current market rate for social protection reasons, the amount of interest waived qualifies as a social benefit" (Eurostat, 2008).

3.3. Data sources

36. The nature of SOCX data-processing is not straightforward as data do not derive from one all-encompassing questionnaire, but are taken from different sources in different formats:

- For *all OECD* countries data on public expenditure on health and public expenditure on active labour market policies (ALMPs) are taken from the *OECD Health Data* and the *OECD database on Labour Market Programmes*, respectively (OECD, 2008a, and 2008f, Statistical Annex). Data on unemployment compensation (cash transfers) are taken from the LMP database for OECD countries that do not belong to the EU and from ESSPROS for EU countries.

- For 8 non-European OECD countries, data delivered through the services of the delegates to the Working party on Social Policy of the Employment, Labour and Social Affairs committee responding to the SOCX Questionnaire.

- For 22 European countries (EU-19, Iceland, Norway and Switzerland), data on social expenditure is provided by EUROSTAT as based on the information in their ESSPROS database (EUROSTAT, 2008b).

37. This is not an ideal way to collect data, not least because it limits interaction with data producers in European OECD countries. However, there has been little choice in the matter. From the start, OECD member states that also belong to the EU have insisted on providing data to the OECD via EUROSTAT in

7. See the 1993 System of National Accounts methodology via *http://unstats.un.org/unsd/sna1993/tocLev8.asp?L1=10&L2=3*, with specific details for construction on point 10.69 and after.

order to avoid having to deal with multiple social spending questionnaires. This is understandable, but does mean that a) information is only received from EUROSTAT once it has 'validated' the data for individual countries and b) data received in ESSPROS format has to be made compatible with information for non-European OECD countries. Furthermore, as ESSPROS data do not include all public spending on health and/or spending on active labour market policies, all individual country files are inevitably built from different sources (see Box 1).[8]

38. To achieve comparability of spending data for all OECD countries involves going through the EUROSTAT data submission to identify and siphon-out voluntary private social expenditure items to ensure compatibility with the public (and mandatory private) spending data for all OECD countries, and more generally ensure consistency of the spending data that are taken from different sources. Annex 1 includes more detail on data sources.

39. Other reference series used in SOCX are from OECD (2008e):

- Gross Domestic Product (GDP)
- Deflator for GDP
- Gross Domestic Product at 2000 prices (GDPV)
- Gross National Income (GNI)
- Net National Income (NNI)
- Total General Government expenditure (GOV)
- Purchase Power Parities (PPP)
- Exchange rate (EXC)
- Population (POP)

4. Social spending on cash benefits and social services

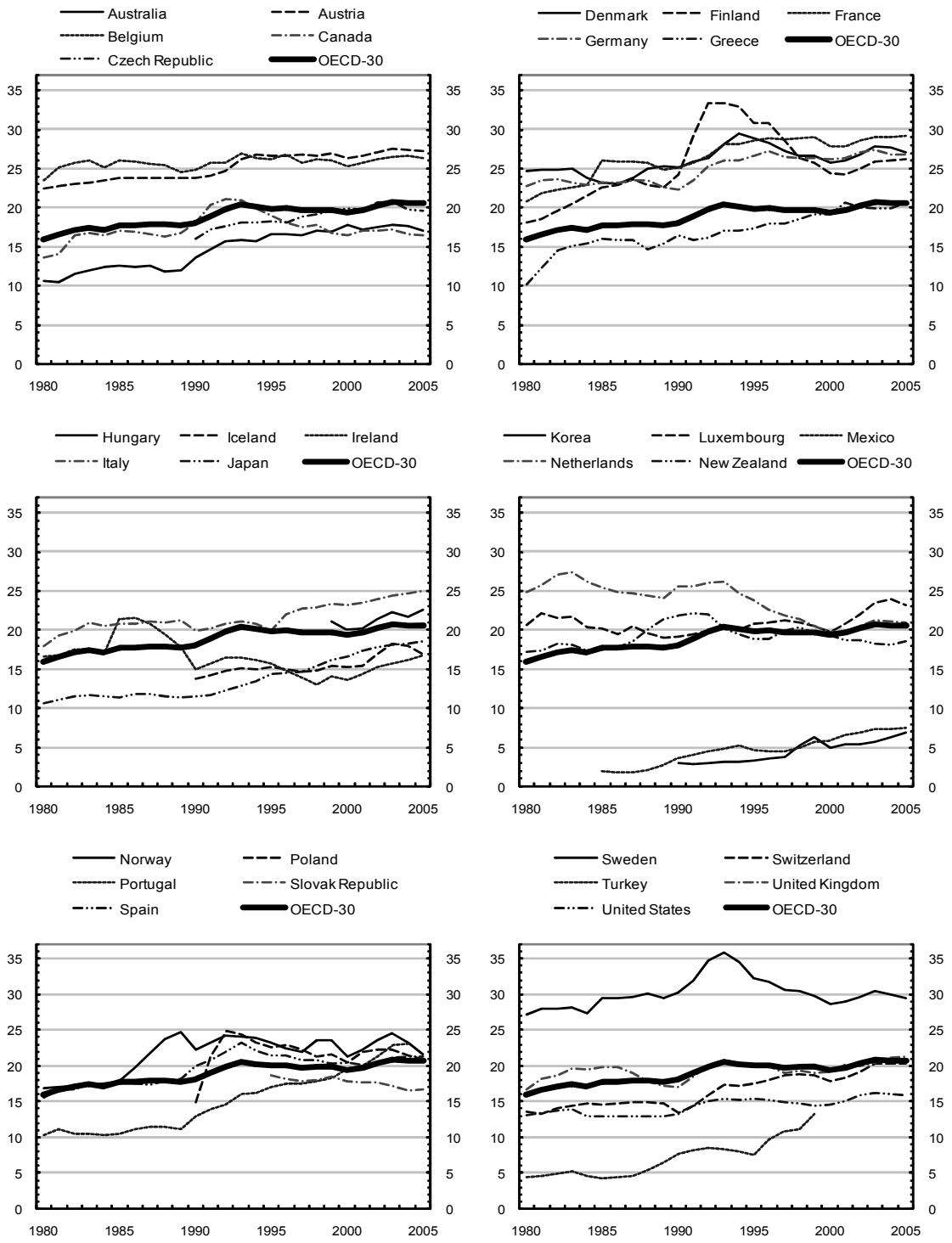
4.1. Public expenditure trends

40. Since 1980, gross public social expenditure has increased from about 16.0% to 20.6% of GDP in 2005 on average across the 30 OECD countries (Chart 4.1). Experiences differ across OECD countries, but on average, public social spending-to-GDP ratios increased most significantly in the early 1980s, early 1990s and, again in the beginning of this millennium, when the average public spending-to-GDP increased by almost 1% of GDP from 2000 to 2005. In between these decennial turning points spending-to-GDP ratios changed little; during the 1980s the average OECD public social spending to GDP ratio oscillated around 17% of GDP while during the 1990s it was generally just below 20% of GDP after the economic downturn in the early 1990s. In most OECD countries, spending-to-GDP ratios in 2005 were well above 1980s levels, except for Ireland and the Netherlands in particular, where during the 1990s persistent economic growth, tightening of generosity of, and inflow into, disability benefits, and the privatisation of sick-pay led to a decline in the public social spending-to-GDP ratio by 4% GDP (Chart 4.1).

8. The 'core system of ESSPROS' focuses on support that can be 'allocated' to individuals and, consequently, it does not include *all* spending on public health expenditures or active labour market programmes. For example, ESSPROS does not include spending on investment in medical facilities, preventive health initiatives as anti-smoking campaigns, and health education and training more generally.

Chart 4.1: The public social spending-to-GDP ratio has been rising again since 2000

Public social spending, in percentage of GDP, 1980-2005



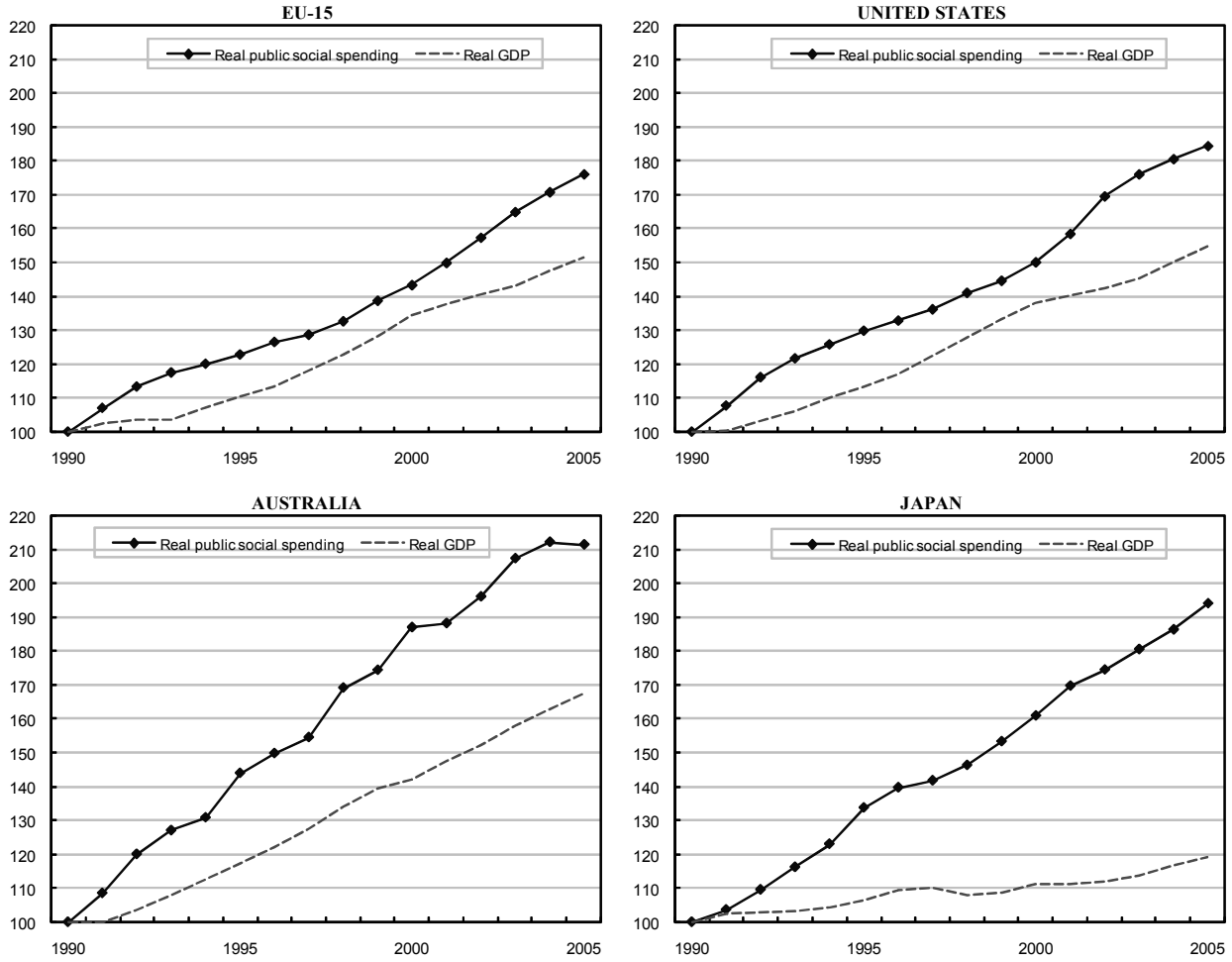
Note: Information for 1980 to 2005 is available for 23 countries, while information for the Czech Republic, Iceland, Korea, Mexico, and Poland is available for 1990 onwards. OECD-30 refers to an unweighted average of 30 OECD countries from 2000 onwards; it is trended backwards using the OECD-23 unweighted average from 1980 to 1999. 2005 data for Portugal refers to 2004. 2000-2004 data for Turkey are linearly estimated between 1999 and 2005 figures.

Source: OECD Social Expenditure database (SOCX, www.oecd.org/els/social/expenditure).

41. Chart 4.2 shows that in real terms, public social spending has grown faster than GDP across the OECD area, although real spending growth tailed off in Australia in the mid-2000s. In Japan, real spending growth has outpaced sluggish real GDP-growth since 1990, so that the public social expenditure-to-GDP ratio increased from 11.4% in 1990 to 16.6% in 2005 (Chart 4.1).

Chart 4.2: Since 1990, growth in real social spending has outpaced real GDP growth

Annua l growth in real public social spending and real GDP, Index 1990 = 100, 1990-2005



Notes:
Information on Superannuation benefits paid to former civil servants in Australia became available in 1995, which contributed to the rapid increase of real public social spending at the time. Rapid growth of Australian social spending in 2000 reflects policy changes: in particular the one-off payment of the "Aged Persons Savings Bonus" and increased spending on family support through the "Family Tax Benefit".
The Japanese health accounts record data on basis of the principles of the OECD System of Health Accounts from 1995 onwards; the break in the series contributes to seemingly accelerated spending growth in Japan for 1995.

Source: OECD Social Expenditure Database (SOCX, www.oecd.org/els/social/expenditure).

42. The two key drivers of increases in social spending over the last 25 years have been increased support for the (growing) retired population and health expenditure; and population projections suggest further spending increases in these two areas in future. On average across OECD countries, public spending on old age increased from 5.1% of GDP in 1980 to 7.0% in 2005. Similarly, public expenditure on health increased from 4.6% of GDP in 1980 to 6.2% in 2005. The other area where there seems to be some structural spending growth is family benefits. On average across the OECD (and the same holds for

EU-15), spending on family benefits has increased by half a percentage point of GDP since 1990 (there was no significant change in the 1980s).

43. Spending on unemployment compensation fluctuates with the economic cycle – it peaked at 1.7% of GDP in 1993, but at 1.0% of GDP spending was as high in 2005 as it was in the early 1980s. On average across the OECD, spending on incapacity-related support does not appear to be very sensitive to economic patterns: it has been at around 2.4% of GDP since 1980. The stability of the OECD average masks widely different country experiences. For example, in the Netherlands, public spending on disability has fallen from 6.5% of GDP in 1980 to 3.6% in 2005; over the same period such spending increased from 1.3% in New Zealand to 2.9%.

44. Clearly, the financial crisis that unfolded in 2008/09 will have a significant upward effect on social spending to GDP ratios. GDP will contract and public spending on passive and active labour market will increase considerably. However, it is not yet known how large the immediate effect on overall spending social transfers and services will be, and how long it will take before social spending to GDP ratios return to levels recorded in 2005.

4.2. The composition of public social spending in 2005

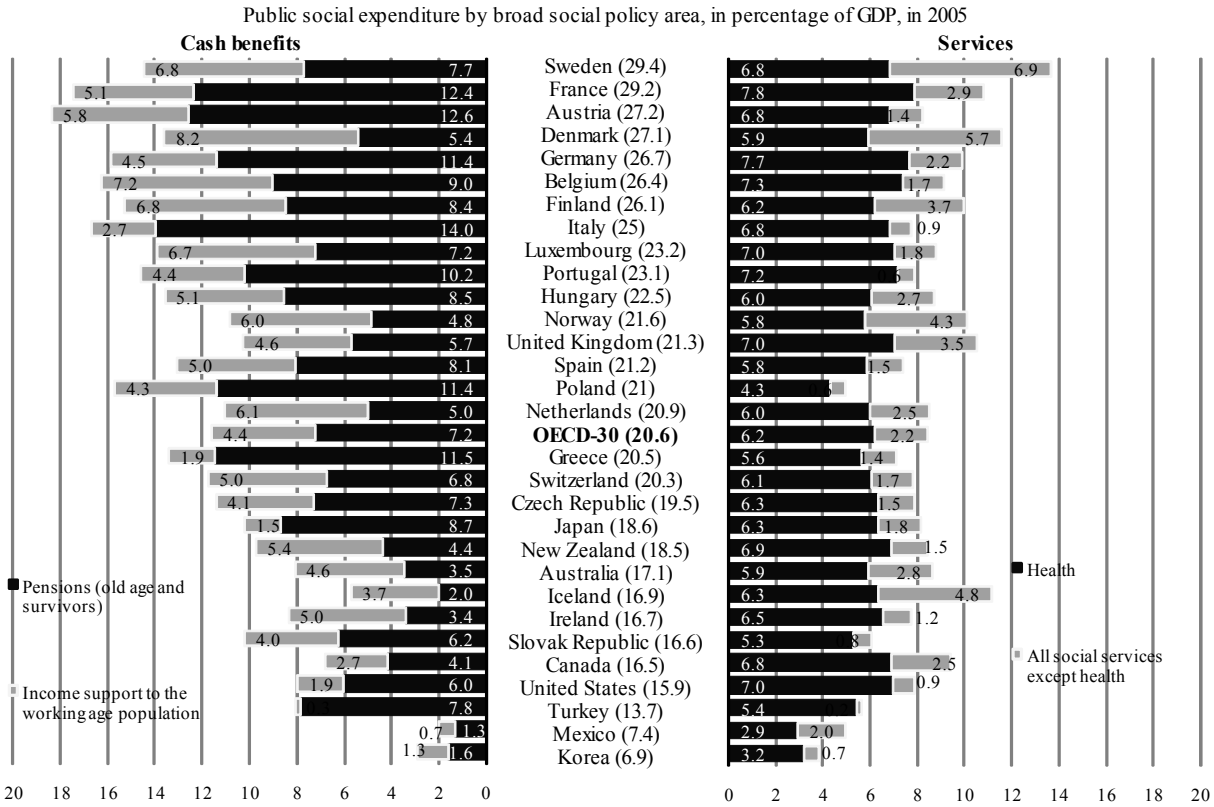
45. In 2005, gross public social expenditure was 20.6% of GDP on average across OECD countries, with spending on cash benefits as on services (Chart 4.3). Cross-country differences in public social spending are wide, ranging from 7% of GDP in Mexico and Korea to just over 29% in France and Sweden. In terms of magnitude, the largest category of public social spending concerns old-age and survivor pensions; on average across the OECD, amounting to just over 7% of GDP, and that does not include pension payments through autonomous programmes to former civil servants (as these are categorised as private spending in line with the SNA). However, public spending on old-age and survivor pensions account for more than 12% of GDP in Austria, France, and Italy, but less than 4% in Australia, Iceland, Ireland, Korea, and Mexico. On average across the OECD, income transfers to the working-age population amounted to just over 4% of GDP.

46. On average public expenditure on health services amounted to just over 6% of GDP in 2005 while spending on other social services was just over 2% of GDP. The latter exceeds 5% of GDP only in Denmark and Sweden, where the public role in providing services to the elderly, the disabled and families is extensive, whereas it fluctuates around 1% of GDP in southern European countries and the US, where there is a greater reliance on private and informal care.

47. Since the previous version of SOCX, considerable efforts have been made to improve reporting in SOCX of childcare and early education services. Spending figures are now more consistent across countries. All available data on public financial support for families with children participating in both formal day-care services (*i.e.* crèches, day-care centres and family day-care for children under 3) and pre-school institutions (including kindergartens and day-care centres for children aged from 3 to 5 inclusive). Improved information in SOCX on publicly supported childcare and early education services show that on average public spending in this regard is just below 0.6%of GDP, with considerable cross-country variation: from about 0.1% of GDP in Korea to almost 1.4% of GDP in Denmark (OECD, 2009a - Indicator PF10).[9]

9. A side-effect of making SOCX more consistent is that some spending is included both in SOCX and in OECD Statistics on education spending. If for some reasons it is desirable to sum the two data series, an adjustment is now required, see Annex 1.4.

Chart 4.3: On average OECD countries spend 7% of GDP on pensions and 6% on health services



Note: Countries are ranked by decreasing order of public social expenditure as a percentage of GDP. Spending on Active Labour Market Programs (ALMPs) cannot be split by cash/services breakdown; they are however included in the total public spending (shown in brackets). 2004 data for Portugal.

48. Most OECD countries pay income support to households which do not have sufficient other resources to support themselves, but the extent to which countries use income-tested programmes varies across the OECD area. By selecting appropriate programmes from country data files, SOCX allow identifying income-tested spending items. Table 4.1 shows such spending for 2005, by including spending on "other social policy areas", income-tested spending on the unemployed (*e.g.* unemployment assistance payments for Germany), income-tested support payments to elderly and disabled (*e.g.* Belgium and the UK), and other income tested payments (family cash transfers). Income-tested spending in Table 4.1 does not include specific housing subsidies, spending on Active Labour Market Policies, or income-tested medical support.

49. In 2005, spending on income-tested social programmes accounted on average for 1.5% of GDP, which corresponds to 8% of public social spending or 16% of public social spending in cash. In countries that have developed an insurance-based support system (for example, Nordic countries, Belgium, France and Germany, Japan and Luxembourg), the role for income-tested programmes is relatively limited to persons who have exhausted their unemployment insurance entitlements are eligible for unemployment assistance or social assistance; spending is less than 5% of all public social spending. But in countries as Australia and Canada, the role of income-tested programmes is considerably larger.

Table 4.1: Spending on income-tested programmes, 2005

	Millions, national currency	% GDP	% SOCX public	% SOCX public in cash
Australia	60 761	6.3	36.7	77.8
Austria	2 609.7	1.1	3.9	5.8
Belgium	2 796	0.9	3.5	5.7
Canada	46 293.5	3.3	20.2	48.8
Czech Republic	48 012.7	1.6	8.2	14.1
Denmark	15 455.3	1.0	3.7	7.3
Finland	4 125.0	2.6	10.1	17.2
France	31 903.8	1.9	6.4	10.6
Germany	34 591.5	1.5	5.8	9.7
Greece	2 610.1	1.3	6.4	9.8
Hungary	126 866.9	0.6	2.6	4.2
Iceland	10 621.7	1.0	6.1	18.2
Ireland	4 137.1	2.6	15.3	30.6
Italy	9 476.0	0.7	2.7	4.0
Japan	2 458 680.8	0.5	2.6	4.8
Korea	5 977 375.2	0.7	10.7	25.3
Luxembourg	136.8	0.5	2.0	3.3
Mexico	42 976.1	0.5	7.4	25.9
Netherlands	5 506.0	1.1	5.2	9.8
New Zealand	5 276	3.4	18.1	37.2
Norway	20 680.0	1.1	4.9	9.8
Poland	10 830.3	1.1	5.2	7.0
Portugal		1.7	7.6	12.0
Slovak Republic	8 229.6	0.6	3.4	5.5
Spain	14 578.7	1.6	7.6	12.3
Sweden	16 918.0	0.6	2.1	4.3
Switzerland	4 880.7	1.1	5.2	8.9
Turkey		0.5	3.5	5.1
United Kingdom	33 510.5	2.7	12.6	26.1
United States	151 243.8	1.2	7.8	15.6
OECD average	-	1.5	7.9	15.9

The following income-tested spending items are included: spending on "other contingencies - other social policy areas" as in the OECD Social Expenditure Database (SOCX), income-tested spending on the unemployed (e.g. unemployment assistance payments for Germany), income-tested support payments to elderly and disabled (e.g. Belgium, and the UK), other income tested payments (family cash transfers) but do not include specific housing subsidies, spending on Active Labour Market Policies, or income-tested medical support.

Source: OECD Secretariat calculations based from OECD Social Expenditure database (www.oecd.org/els/social/expenditure).

4.3. Private social expenditure: trends and composition

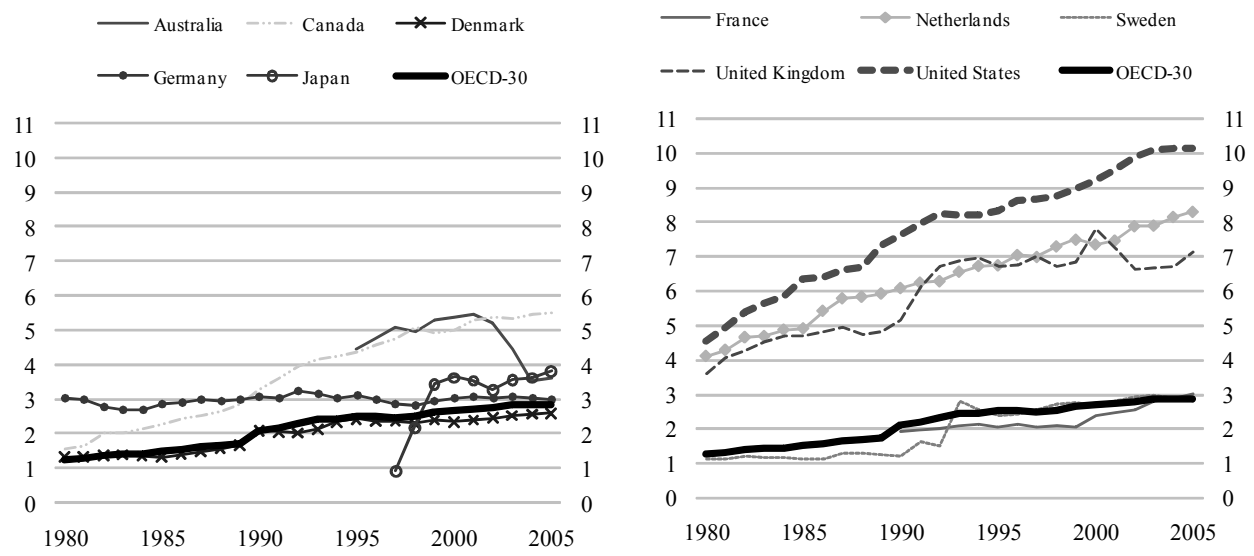
50. There are considerable differences across countries in the extent to which social protection systems rely on private provision. In 2005, gross private social spending was highest at just over 10% of GDP in the United States. By contrast, private social spending as recorded in SOCX amounted to less than 1% of GDP in the Czech Republic, Hungary, Luxembourg, Mexico, Poland, New Zealand, Spain and Turkey. In some OECD countries, the role of private social benefits has increased in recent years, especially in Canada, the Netherlands and the United States (Chart 4.4).

51. Different factors underlie this trend. Reductions in the generosity of public employment-related social benefits (sickness and incapacity related income support) since the 1980s have also encouraged the growth of private benefits to top-up public programmes. In Denmark, the Netherlands and Sweden, governments have legislated increased employer's responsibility for the provision of sickness benefits during the first part of the 1990s.

52. Private social health spending is a major spending item in the United States and increasing health care costs since the 1980s contribute to the trend increase in private social spending.

Chart 4.4: Gross private social spending has increased since 1990

Mandatory and voluntary private social spending, in percentage of GDP, 1980 to 2005



53. The spending to GDP measure is the clearest indicator of all cash benefits to those in retirement. However, because of the dynamic nature of pension saving (making contributions now leading to benefits in future), it is not a perfect indicator of current revenue of pension systems. At present, the working age population pays more into funded pension systems that it is paid out to those in retirement. However, the group of retirees is growing and it is this maturing of pension programmes that largely accounts for the upward trend in private social expenditure, as in Canada, the Netherlands and the United States. Again, the Social Expenditure database only records pension benefits paid to recipients and not contributions to the system, and hence does not allow for a comparison of total current revenue of public and private pension systems (earnings-related pension contributions and budgetary transfers) with total spending on pension benefits.

54. On average, around 75% of all private social expenditure takes the form of voluntary spending, with the remainder being mandated by law (Table 4.2). Private social benefits are common in the case of occupational accidents and diseases (*e.g.* Australia), sickness benefits (*e.g.* Germany) and old-age pensions, in the form of either mandatory participation in employer based programmes (*e.g.* the United Kingdom), or tax-supported individual pension plans (*e.g.* the United States), or pensions paid to former civil servants through autonomous funds (*e.g.* Australia (partially), Canada, Denmark, the Netherlands, Sweden and the UK).

Table 4.2: Composition of private social spending

Total, mandatory and voluntary private social spending, percentage of GDP, 2005

	Mandatory private					Voluntary private					Total private	Share of private in total (public+private) social spending
	Total	Old age	Incapacity	Health	Other	Total	Old age	Incapacity	Health	Other		%
Australia	1.1	0.4	0.7	-	0.0	2.6	1.9	-	0.6	0.0	3.7	17.6
Austria	0.9	-	0.9	-	-	1.0	0.5	-	0.5	0.0	1.9	6.5
Belgium	0.0	0.0	0.0	-	0.0	4.5	2.7	0.6	0.5	0.8	4.5	14.7
Canada	-	-	-	-	-	5.5	4.3	-	1.2	0.0	5.5	25.1
Czech Republic	0.2	0.2	0.0	-	0.0	0.1	0.0	0.0	0.0	0.0	0.4	1.9
Denmark	0.2	-	0.2	-	-	2.4	2.2	-	0.1	0.0	2.6	8.9
Finland	-	-	-	-	-	1.1	0.2	0.6	0.2	0.1	1.1	4.0
France	0.4	0.1	0.1	-	0.1	2.6	0.1	0.5	1.4	0.7	3.0	9.3
Germany	1.1	-	1.1	-	0.1	1.9	0.8	0.1	1.0	0.0	3.0	10.1
Greece	-	-	-	-	-	1.7	0.4	0.6	-	0.7	1.7	7.6
Hungary	-	-	-	-	-	0.1	-	-	0.1	-	0.1	0.4
Iceland	1.5	-	1.5	-	0.0	3.4	2.3	0.6	0.0	0.5	4.9	22.5
Ireland	-	-	-	-	-	1.3	0.8	-	0.6	-	1.3	7.4
Italy	1.5	1.1	0.3	-	0.1	0.6	0.2	0.0	0.1	0.3	2.1	7.6
Japan	0.5	0.3	0.2	-	0.0	3.3	3.1	-	0.2	0.0	3.8	17.1
Korea	0.6	0.4	0.1	-	0.0	1.8	0.0	0.0	0.2	1.6	2.5	27.5
Luxembourg	0.2	-	0.2	-	-	0.9	0.4	0.1	0.2	0.2	1.1	4.6
Mexico	-	-	-	-	-	0.2	-	-	0.2	-	0.2	3.0
Netherlands	0.7	0.0	0.7	-	0.0	7.6	4.1	0.5	1.8	1.1	8.3	28.5
New Zealand	-	-	-	-	-	0.4	-	-	0.4	-	0.4	2.2
Norway	1.3	-	1.3	-	-	0.8	0.6	0.2	-	-	2.1	8.7
Poland	-	-	-	-	-	0.0	-	-	0.0	-	0.0	0.2
Portugal	0.4	-	0.4	-	-	1.5	0.5	0.1	0.4	0.4	1.9	7.5
Slovak Republic	0.2	0.1	0.0	-	0.0	0.8	0.4	0.1	-	0.3	1.0	5.6
Spain	-	-	-	-	-	0.5	-	-	0.5	-	0.5	2.2
Sweden	0.4	-	0.4	-	-	2.4	2.0	0.3	-	0.1	2.8	8.7
Switzerland	7.3	5.3	1.2	-	0.8	1.1	0.0	0.0	1.0	0.0	8.4	29.3
Turkey	-	-	-	-	-	-	-	-	-	-	-	-
United Kingdom	0.8	0.5	0.0	-	0.2	6.3	4.2	0.4	1.0	0.7	7.1	25.1
United States	0.3	-	0.2	0.2	0.0	9.8	3.8	0.3	5.6	0.0	10.1	38.9
OECD	0.7	0.3	0.3	0.0	0.0	2.2	1.2	0.2	0.6	0.3	2.9	11.8

- Zero. 2004 for Portugal.

55. In the absence of a public health insurance system with universal coverage for workers, private health spending is most important in the US: employer-provided health benefits to their workers, dependents and retirees were estimated to be USD 685 billion in 2005 or 5.6% of GDP (these expenditures do not include payments by individuals for health services). In 2005, total health expenditure was highest in the US at 15.7% of GDP and Switzerland (11.2%) and France (11.1%), compared to 8.9% of GDP on average across the OECD (OECD, 2008a). Relatively high health expenditure in the US leads to total social spending in the US being close to the OECD average (Table 4.2).

56. Non-health private social cash transfers to the working age population include mandatory employer-provided incapacity-related cash transfers – sickness, disability and occupational injury benefits – as, recorded for Australia, Austria, Denmark, Finland, France, Germany, Iceland, Korea, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, the UK and the US (in some states). Other examples of private social benefits include: supplementary unemployment compensation in the US, employer-provided childcare support in the Netherlands and employer payments during parental leave periods in many countries.

5. Net (after tax) social expenditure

57. The detailed social expenditure programme data discussed above is indispensable for in-depth monitoring of welfare policy trends and changes therein, but they do not account for how tax systems affect public and private spending on social protection. And as the overall effect can be considerable and vary across countries, it affects cross-national comparisons of social expenditure.

58. General tax revenue is used to finance public social spending, and sometimes revenue streams (*i.e.* social security contributions) are earmarked for that purpose (OECD, 2008b). However, tax systems also affect levels of social expenditure, and broadly speaking they do so in three ways[10]:

1. **Direct taxation of benefit income** (section 5.1): Governments levy income tax and social security contributions on cash transfers to beneficiaries, in which case redistribution of resources is lower than suggested by gross spending indicators.

2. **Indirect taxation of consumption by benefit recipients** (section 5.2): Benefit income is provided to finance consumption of goods and services. Indirect taxes reduce the consumption which can be financed out of a given level of benefit income.

3. **Tax breaks for social purposes** (section 5.3): Governments also make use of the tax system to directly pursue social policy goals. Fiscal measures with social effects are those which can be seen as replacing cash benefits (*e.g.* child tax allowances) or stimulating the provision of private benefits (*e.g.* tax relief towards the provision of private health plans). Tax breaks for social purposes (TBSPs) can be directly awarded to households, but also includes tax relief for employers and private funds that ultimately benefit households (*e.g.* favourable tax treatment of employer-benefits provided to households, favourable tax treatment of private funds).

59. The adjustments for direct and indirect taxation of benefits do not affect service spending, even though such services, *e.g.* pharmaceutical products, can be subject to indirect taxation. Data on spending on social services that are subject to indirect taxation and at what rate is not available on a comprehensive basis.

60. The effect of indirect taxation on social expenditure totals is calculated using economic aggregates as in the *OECD National Accounts* and information in the *OECD Revenue Statistics* (see below). To measure the magnitude of direct taxes and TBSPs, delegates to the Committee on Fiscal Affair's Working Party No. 2 on Tax Policy Analysis and Tax Statistics, completed a questionnaire on the value of direct taxation (including social security contributions) paid by benefit recipients and tax breaks with a social purpose. Because of the differences in tax and information systems there will always remain cross-country differences in estimating the amount of direct taxation levied over cash benefits. Annex 2 contains the key features of the responses for the following 26 countries: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Sweden, Spain, the United Kingdom and the United States.

10. These fiscal adjustments measure 'first round effects' concerning the net value of benefits. Hence, direct taxation of the earnings of those who provide services (*e.g.* staff in hospitals or childcare centres) is not included in the calculations.

5.1. Direct taxation of cash benefits

61. In some OECD countries benefits are taxed in the same way as earnings, while in other countries most benefits are taxed at a reduced rate. Yet in other countries, almost all benefits are paid net of direct taxation. Treatment of unemployment insurance benefits varies considerably across countries (Table 5.1). For example, in Austria the recipient of an unemployment benefit who previously had earnings equivalent to average earnings and who lives in a couple-family with two young children received the equivalent of EUR 14 696 in 2005, on which he or she did not pay tax. By contrast, a similar person in Sweden received annual income support of EUR 20 423 but paid EUR 5 227 in income taxes and social-security contributions so that net benefit income was EUR 14 596 (OECD, 2007b)**.** Thus, net income for such a family in Sweden is slightly lower than in Austria, although gross income was much higher. In aggregate spending terms, this means that countries that tax transfer incomes rather heavily divert a significant part of transferred income to flow back into the coffers of the Treasury. As a result, net *(after tax)* public spending on unemployment benefits is about 70% of the level suggested by gross indicators in Sweden (Annex 2).

62. Moreover there are considerable differences between how different types of benefits are being taxed (Table 5.1). In general, unemployment assistance, social assistance and housing benefits and family benefits are generally not taxed. In contrast, public and private retirement and disability pension payments are generally taxed, but frequently at reduced rates (OECD, 2009b), while continued wage payments in case of absence due to sickness are taxed as earnings (OECD, 2008g).

Table 5.1: Tax treatment of benefits differs across countries

Tax and social security treatment of benefits in 2005

	Pension transfers (old-age, disability)	Child benefits	Unemployment	Housing	Social assistance
Australia	T(reduced)	N	T(n)S(n)	N	--
Austria	TS(reduced)	N	*	N	N
Belgium	T(n)	N	T(n)	--	N
Canada	T(reduced)	--	T	--	N
Czech Republic	T(reduced)	N	N	N	N
Denmark	T	N	TS(reduced)	N	TS(reduced)
Finland	TS(reduced)	N	TS(reduced)	N	N
France	TS(reduced)	N	TS(reduced)	N	N
Germany	TS(reduced)	tc	*	N	--
Greece	TS(reduced)	N	N	N	--
Hungary	T(reduced)	N	TS(reduced)	N	N
Iceland	T	N	TS	N	TS
Ireland	TS(reduced)	N	T(n)	N	N
Italy	T(reduced)	N	TS(reduced)	--	--
Japan	TS(reduced)	N	N	--	N
Korea	T(reduced)	--	N	--	N
Luxembourg	TS(reduced)	N	TS(reduced)	TS	TS
Mexico	T(n)	N	--	--	--
Netherlands	T(reduced)S(reduced)	N	TS	N	*
New Zealand	T	N	--	N	--
Norway	T(reduced)S(reduced)	N	TS	N	N
Poland	TS(reduced)	N	T	N	N
Portugal	T(reduced)	N	N	--	N
Slovak Republic	T(n)	N	N	--	N
Spain	T	N	TS(reduced)	--	T(n)
Sweden	T	N	TS	N	N
Switzerland	T	T	TS(reduced)	--	N
Turkey	N	--	N	--	--
United Kingdom	T(reduced)	N	T(n)S(n)	N	N
United States	T(reduced)	N	T	N	N

Notes:

T	Taxes are payable.	T(n) or S(n)	(Long-term) recipients will not pay the taxes or SSC as the credits, allowances or zero rate bands exceed the benefit level.
S	Social security contributions (SSC) are payable.		
N	Neither taxes nor SSC are levied.		
--	No specific scheme or no information available.	(reduced)	A reduced rate is payable for beneficiaries.
*	Benefit is a proportion of after tax income (and thus not taxable).	tc	Non-wastable tax credit

Sources: OECD (2007b), Benefits and Wages; OECD (2009), Pensions at a Glance.

5.1.1. Methods and sources; administrative records, microsimulation and microdata

63. Broadly speaking, there are two ways to adjust gross spending items (*e.g.* spending on unemployment compensation or old age cash benefits) for the impact of direct taxation. Sometimes, national sources provide concrete information on the value of tax paid on a particular (set of) benefit(s). Such information is the most reliable source, and is based on data from tax offices and/or social insurance funds for social security contributions. However, such information is rare, and is restricted to information on payments of social security contributions by benefit recipients in Germany and Spain. In some other countries (Austria, Czech Republic, France, Italy, Ireland and Portugal), the adjustment for direct taxation on cash benefits has been calculated on basis of estimates of tax paid by benefit recipients (over some items) based on administrative sources, including tax statistics (see Annex 2). For Belgium the amounts of tax and social security contributions paid on benefit income are based on the national tax statistics and national accounts, respectively.

64. For other countries the magnitude of direct tax paid by benefit recipients was determined while using estimates supplied by national sources on 'average itemised tax rates' (AITR): *e.g.* the average tax rate (including social security contributions) on a particular spending item, *e.g.* public pension benefit, unemployment compensation or parental leave payments. These AITRs were estimated on the basis of a variety of national sources including: administrative data on the basis of tax records (France, Iceland, Japan and the US). Otherwise 'microsimulation-models' and micro data sets were used to generate itemised tax rates. Such information underlies the estimates of direct taxation of benefits in Australia, Canada, Denmark, Finland, Korea, the Netherlands, New Zealand, Norway, Sweden and the UK. Subsequently, these AITRs were applied to gross social spending items as recorded in the database.

65. Countries where almost all benefit income is taxable and that use microsimulation models and microdata sets to estimate AITRs generally report such information at the greatest level of detail and have the greatest number of AITRs for different transfer items, *e.g.* Denmark reports AITRs for 21 different transfer items and Sweden for 10. Countries that have only a few taxable benefits, and (therefore) base their estimated AITR on administrative information (as related to the level of detail on the income tax form) report only a few different tax rates.

5.1.1.1. Estimating Average Itemised Tax Rates through 'Microsimulation'

66. The concept of AITRs has been developed to facilitate identification of different tax levies on different social benefits. The AITR can be defined as the total taxes paid by those receiving a given benefit, divided by the total income (from all sources) of those receiving that benefit. Formally, the relevant calculations are:

$$AITR_i = \Sigma_{tu=1,n} TI_i / \Sigma_{tu=1,n} I_i$$

where: I is the amount of taxable income-type "i", and TI is the amount of tax paid on that particular amount of income, "i" is the type or category of income, "tu" is a tax unit with income-type "i", and "n" is the number of tax units in the sample with income of type "i". The broad income categories "i" include old-age cash benefits, unemployment compensation, wage income, etc. (see table Q3).

67. Microsimulation-models and micro-data sets contain detailed information on both the incomes received by households and their taxation. Microsimulation techniques generate reliable estimates, but estimation procedures require assumptions on the way income is allocated. Here it is assumed that if a benefit is non-taxable, as are many child payments, then the relevant AITR is a priori considered to be equal to zero. If transfer income is the only income received, the average tax rate (including social security contributions) on this income can be used to calculate net transfer income. However, the calculation of direct taxation of benefit income is more complicated when different types of income are involved; people who receive either different benefits during a year, or whose annual income is a combination of earnings

with, say, unemployment benefit, or a combination of transfers from different pension plans. In this situation it is necessary to allocate taxes paid to the various income-components, and it is assumed that the tax due is divided over the different income components according to the weight of each type of income. Hence, if benefits provide 75% of annual income and earnings 25%, 75% of total income tax is assumed to be paid on benefit income.[11]

68. Furthermore, benefit income can be subject to a progressive tax schedule (possibly applied to the total of several income sources). In order to avoid an ordering of different parts of income and arbitrary decisions on what part of household income should be taxed at the higher or the lower rate, the average itemised tax rate should be calculated on basis of the tax rates that households face over a particular income (or group of incomes). Allocating income tax paid according to the relative weight of the different income components (see above) and grossing up for the households in the sample, AITRs can be calculated (Box 4).

Box 4. An example of calculating Average Itemised Tax rates

It is straightforward to calculate average itemised tax rates (AITRs) on benefit income if households have only one source of income. For example, if a retiree receives a public pension payment worth 100 units per annum at a 'standard' tax rate of 10%, net annual transfer income is 90 units. If, in addition, all households in receipt of public retirement income had no income from other sources, the AITR on public pension income would be 10%. If among the retirees some were to receive non-taxable child supplements, this income would be disregarded for the calculation of the tax rate on his/her household income, while the AITR on child supplements would be nil.

Often pensioners receive income from different sources. Consider the case of a retiree who receives a public pension worth 50 units and a private pension worth 100 units. In the absence of progressivity in the tax system, the household tax rate would remain 10%, and net transfer income would be 135 units. However, a substantial increase of income may well lead to parts of incomes being taxed at a higher rate (see household 4 in Table Box 4), so that the 'average' tax rate increases. In this case 100 units of transfer income are taxed at 10% and 50 units are taxed at a rate of 15%. Total income tax is worth 17.5 units, which is allocated over public and private pension income components according to their relative weight in total household income (see Table Box 4). Thus, the methodology does not imply an ordering of different parts of income, whereby different income sources are taxed differently according to an arbitrary decision on which of income should be taxed at higher or lower tax rates. Differences in AITRs are associated with income groupings wherein benefit recipients typically find themselves.

Table Box 4: Calculating AITRs on two types of income

Household	Public pension	Private pension	Total household income	Income tax rate	Tax paid	Allocation of tax over pension income components	
						Public	Private
1	50	25	75	10%	7.5	5.0	2.5
2	75	50	125	15%	13.8	8.3	5.5
3	100	0	100	10%	10.0	10.0	0.0
4	50	100	150	15%	17.5	5.8	11.7
5	50	250	300	15%	40.0	6.7	33.3
Total	**325**	**425**	**750**		**88.8**	**35.8**	**53**
AITR public pension income = tax paid over public pension/total public pension income						11.1%	
AITR private pension income = tax paid over private pension/total private pension income							12.5%

Assumed: standard tax rate is 10% when income is less than 100 Units, and 15% of income over and above the 100 unit threshold.

11. For some aspects of taxation (*e.g.* deductible expenses related to work), there is a direct link between the income component and taxation. In these cases it is preferable to allocate such deductions only to the relevant income component.

69. As already noted, if benefit income of a particular type is non-taxable, then the relevant AITR is a priori equal to zero. However, it is possible that income derived from non-taxable benefits affects direct taxation of taxable benefit income in an indirect manner, as it is considered in the income-test of other benefit programmes, so receipt of non-taxable benefits may reduce the amount of other income transfers households may receive. In Canada, three social programmes (guaranteed income supplement, (provincial) social assistance, and workers compensation) affect the calculation of taxation of benefits in this manner. These three benefit payments are non-taxable, but relevant income is considered in the income-test for other benefits, and thus reduces payments under other benefit programmes to these recipients. In order to take this indirect effect into account, the Canadian authorities removed these three programmes as sources of income from their simulations to calculate an average (marginal) tax rate. This rate was applied to each of these three social transfers to determine the implicit tax paid, which was then divided by the amount of transfer spending for the three items to find the AITRs (see Annex 2).

5.1.2. The value of direct taxation of transfer income

70. There are large differences in the level of direct taxes and social security contributions paid by recipients of social benefits across countries. Chart 5.1, Panel A shows that in 2005, direct tax and social security contributions paid by benefit-recipients amounted to 29% and 27% of gross public spending on cash transfers in Denmark and Sweden, respectively. On average, just over 9% of public transfer income is clawed back through the tax system in OECD countries. Direct taxation of benefit income is less than 0.3% of GDP in Canada (without fully accounting for direct taxes across Provinces), Japan, the United Kingdom, Australia, Ireland, Korea, the Czech Republic, Mexico and the Slovak Republic. Private benefit income is generally taxed at a higher rate than public transfer income (on average about at around 11%): private benefit income is taxed at about 25% in Austria, Finland, the Netherlands, Norway and Sweden, at almost 35% in Denmark.

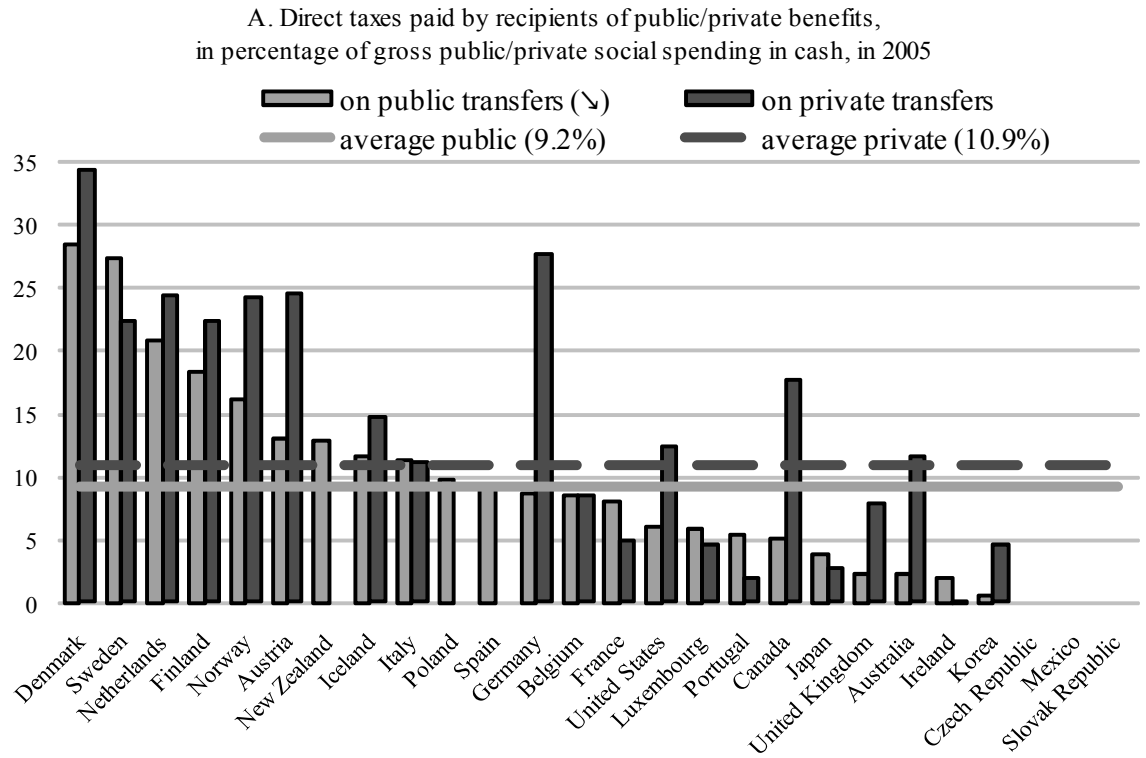
71. Chart 5.1, Panel B shows that direct tax paid by benefit recipients in Denmark and Sweden amounted to about 4.0% of GDP in 2005. Direct tax paid by public benefit recipients exceeds 2.0% of GDP in Austria, Finland, the Netherlands and Norway. It is around OECD average at 1.2% GDP in Belgium, France, New Zealand, Poland, Spain and Germany, while this is less than 0.5% of GDP in Australia, Canada, Ireland, Japan, the UK and the US. Tax paid by public benefit recipients is negligible in the Czech Republic, Korea, and benefits are tax-free in Mexico and in the Slovak Republic. As private transfer spending is considerably smaller than public transfers spending, the amount of tax paid over private benefit income is relatively small, being at its highest in the Netherlands at just over 1.5% of GDP.

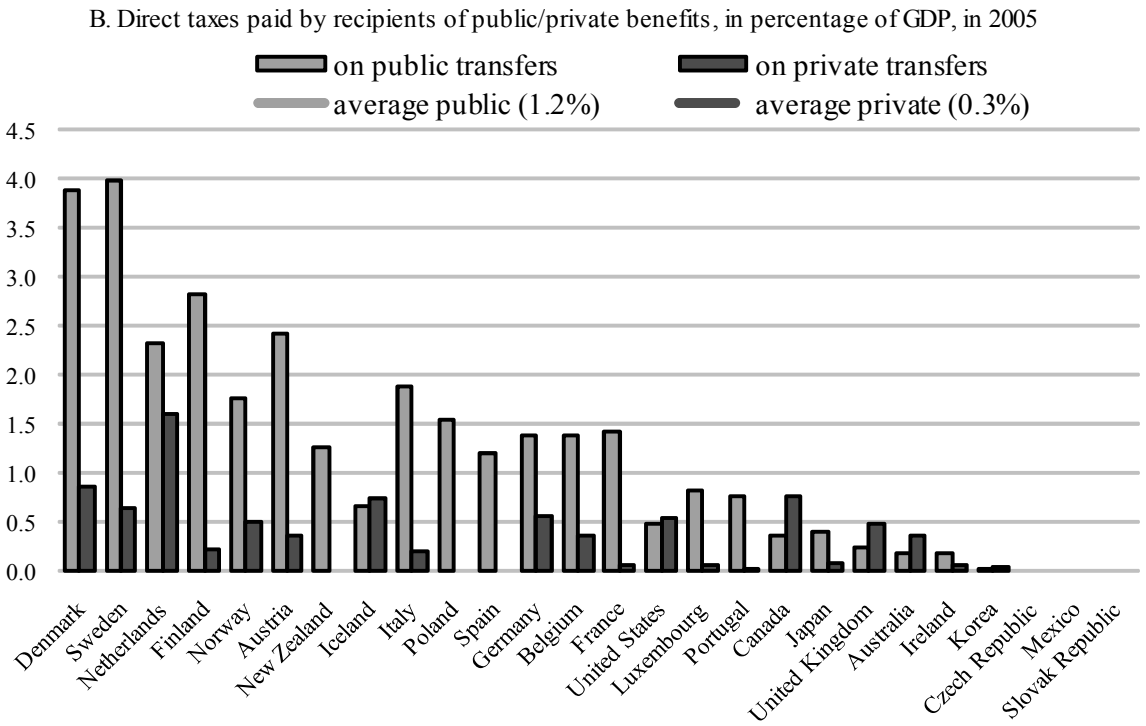
5.2. Indirect taxation of consumption out of benefit income

72. Social benefits are given in order to finance consumption of goods and services such as housing, food, clothing and so on. Governments tax the consumption of different goods and the amounts involved are substantial. For example, in Finland value-added tax receipts were worth EUR 13.7 billion in 2005; in the same year in France, duties on the consumption of electricity and heating (gas) amounted to about EUR 2.8 billion, while those on water consumption were EUR 1.8 billion (OECD, 2008b).

73. In some countries, policy explicitly recognises the impact of indirect taxation on the financial position of low-income households (many of whom receive transfer income). For example, when the Goods and Services Tax was introduced in Australia in July 2000 at a rate of 10% (with food being exempt), a compensation package for social protection benefit recipients was introduced at the same time. Similarly, Canada has a Goods and Services Tax rebate to support low-income households.

Chart 5.1: A large tax burden on benefit income in Denmark and Sweden





Source : See Annex 2.

74. Consumption taxes reduce the real value of consumption which can be financed out of a given level of benefits, and (as with direct taxation of benefit income) establish another flow back in tax receipts to the government.[12] Similarly to differences in direct taxation of benefit income, cross-country differences in indirect taxation affect comparisons of welfare state spending. In countries where indirect taxation is relatively limited (*i.e.* in non-European OECD countries), gross spending levels can also be relatively low to generate the same net income level for benefit recipients in countries with high indirect tax rates. For example, in order to provide benefit recipients with a net income of 100 units, a country like the US with an average indirect tax rate of close to 5% needs to pay a gross benefit of about 106 units. In Denmark, where the average indirect tax rate is about 25% a gross payment would have to be around 133 units to have an equivalent net value. To some extent the relatively low social spending to GDP ratios in the US and in other non-European OECD countries are related to the low indirect tax levels that prevail in these countries, and accounting for this feature improves the quality of cross-country comparisons of social spending.

5.2.1. Methods and sources: national accounts and revenue statistics

75. Detailed information on consumption by benefit recipients is not available. Alternatively, household expenditure surveys allow for the analysis of different spending patterns across different income groups, but such information is not readily available for all countries on a comprehensive basis. Moreover, the results of such survey suggest that indirect tax payments are underreported as estimates of aggregate tax receipts on the basis of such surveys is well below actual tax receipts, see for example, Gho *et al.,* (2005). Therefore, the approach followed here is to calculate an average implicit indirect tax rate based on aggregate data available for all countries as in the OECD *Revenue Statistics* and the OECD *National Accounts* (OECD, 2008b, and 2008e). This approach, while approximate, is clear and transparent.

76. Table 5.2 contains three possible measures of indirect taxes. The first, as presented in line 3, captures the amount of indirect tax receipts through general consumption taxes and excise duties charged on particular goods. Line 4 in Table 5.2 includes these taxes as well as profits from fiscal monopolies, customs duties, taxes on services, and some other minor taxes. Line 5 adds additional taxes on the use of goods, such as licenses for motor vehicles and for the sale of alcohol. A case could be made for using any of these measures of indirect taxation, but the indirect tax concepts reflected in lines 4 and 5 of Table 5.2 include more items of indirect taxation that are not paid by the household sector than reflected in line 3 (and even this relatively limited measure includes some taxes not paid by the household sector). The indirect tax measure in line 3 of Table 5.2 includes the smallest margin of error, and is thus the most appropriate to use for calculating indirect taxes paid on consumption out of benefit income.

77. Private consumption as in the National Accounts is given in line 1 of Table 5.2. However, the OECD *Revenue Statistics* includes tax revenue collected by government from itself. For example, if one part of government purchases some goods and services, it may be charged indirect tax (which constitutes a tax flow within the government sector). To reflect this, government consumption expenditure is added to private consumption expenditure while subtracting that part of government consumption which consists of compensation of employees (line 2, Table 5.2). In this manner, a consistent approximation of the tax base of indirect taxes is found.

12. The chosen methodology might be criticised for implicitly assuming that benefit recipients do not save but consume all their benefit income. Savings are, presumably, consumed at some point, and in any case the marginal propensity to consume out of benefit income is likely close to 1, limiting the scope for error.

Table 5.2: Average implicit indirect tax rates of consumption out of benefit income

Indirect taxes paid out of consumption of cash transfers, in millions of national currency, in 2005

	AUS	AUT	BEL	CAN	CZE	DNK	FIN	FRA	DEU	ISL	IRL	ITA	JPN	KOR	LUX	MEX	NLD	NZL	NOR	POL	PRT	SVK	ESP	SWE	GBR	USA	OECD-26
(1) Private final consumption expenditure	547 458	137 776	158 949	760 701	1 462 746	759 776	81 212	977 687	1 326 400	610 138	73 708	842 106	285 935 600	426 690 600	11 591	5 704 780	249 735	93 565	826 215	619 427	96 707	844 180	524 871	1 328 353	792 454	8 707 800	-
(2) Private consumption plus Government consumption minus Government wages	642 218	159 406	191 495	866 787	1 882 995	893 635	94 373	1 157 757	1 579 460	700 716	84 253	976 382	345 042 500	483 859 900	14 210	5 896 643	321 895	107 391	971 650	698 397	107 140	1 007 849	597 600	1 622 376	921 399	9 411 700	-
(3) General consumption taxes plus excise duties (5110+5121)[a]	62 896	25 878	28 973	92 865	325 652	231 127	19 623	173 066	205 306	151 589	17 696	117 712	22 705 400	61 006 000	3 172	373 718	55 371	16 438	218 595	116 962	17 964	171 240	77 414	333 159	122 642	402 164	-
5110 General taxes	40 086	19 466	21 854	69 902	215 118	155 088	13 658	129 844	140 121	117 031	12 364	85 317	13 134 600	36 118 000	1 830	318 432	38 566	14 133	153 820	75 731	12 077	116 880	56 558	250 569	83 401	271 584	-
5121 Excises	22 810	6 412	7 118	22 963	110 534	76 039	5 965	43 222	65 185	34 558	5 332	32 395	9 570 800	24 888 000	1 342	55 286	16 805	2 305	64 775	41 231	5 887	54 360	20 855	82 590	39 241	130 580	-
(4) Taxes on production sale transfer (5100)	75 996	27 538	31 851	111 536	325 861	238 250	21 098	187 255	217 622	160 767	17 840	138 938	23 722 200	69 069 000	3 229	928 978	56 892	17 822	222 916	119 031	19 518	174 507	84 686	342 554	130 283	495 226	-
(5) Taxes on Goods and Services (5000)	82 854	29 290	34 220	118 599	350 949	251 636	21 663	191 791	226 554	170 721	18 658	154 153	26 786 000	71 041 000	3 262	944 764	62 714	19 054	237 220	123 526	19 802	184 530	90 796	353 573	135 520	590 264	-
Implicit average indirect tax rate on consumption out of benefit income																											
(6) Using general consumption taxes plus excise duties (3)/(2)	**9.8%**	**16.2%**	**15.1%**	**10.7%**	**17.3%**	**25.9%**	**20.8%**	**14.9%**	**13.0%**	**21.6%**	**21.0%**	**12.1%**	**6.6%**	**12.6%**	**22.3%**	**6.3%**	**17.2%**	**15.3%**	**22.5%**	**16.7%**	**16.8%**	**17.0%**	**13.0%**	**20.5%**	**13.3%**	**4.3%**	**15.5%**
(7) using a broad concept of the indirect tax base (5)/(2)	12.9%	18.4%	17.9%	13.7%	18.6%	28.2%	23.0%	16.6%	14.3%	24.4%	22.1%	15.8%	7.8%	14.7%	23.0%	16.022%	19.5%	17.7%	24.4%	17.7%	18.5%	18.3%	15.2%	21.8%	14.7%	6.3%	**17.7%**
(8) using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	15.1%	21.3%	21.5%	15.6%	24.0%	33.1%	26.7%	19.6%	17.1%	28.0%	25.3%	18.3%	9.4%	16.6%	28.1%	16.561%	25.1%	20.4%	28.7%	19.9%	20.5%	21.9%	17.3%	26.6%	17.1%	6.8%	**20.8%**
Indirect taxes paid out of consumption of total cash transfers, in percentage of GDP	**1.1%**	**2.8%**	**2.9%**	**1.1%**	**2.0%**	**3.1%**	**2.8%**	**2.6%**	**2.1%**	**2.0%**	**1.9%**	**2.0%**	**0.8%**	**0.4%**	**3.2%**	**0.1%**	**2.5%**	**1.3%**	**2.5%**	**2.4%**	**2.3%**	**1.9%**	**1.6%**	**2.7%**	**2.1%**	**0.5%**	**2.0%**

a) The 4-digit codes in the second column refer to the categorisation used in the OECD Revenue Statistics.

Sources: OECD (2008e), National Accounts (www.oecd.org/statistics/national-accounts), and OECD (2008b), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

5.2.2. The value of indirect taxation of consumption out of benefit income

78. The average implicit indirect tax rate is then the ratio of revenue from general consumption taxes plus excise duties to a broad consumption tax base, *i.e.* private consumption and government consumption minus government wages – line 6, in Table 5.2. In 2005, the implicit average indirect tax rates were lowest in the US (4.3%), Mexico (6.3%) and Japan (6.6%) and were around 10% in Australia and Canada. Indirect tax rates ranged from 12-13% in Germany, Korea, Italy and Spain and ranged from 15% to 22.5% in most European countries, and were at 26% in Denmark. Indirect taxation levied on consumption of benefit income was about 2% of GDP on average across the OECD, and was highest in Denmark at about 3.1% of GDP, compared to 0.5% in the US, and only 0.1% of GDP in Mexico. This implies that net transfers from government to households, particularly in European countries are rather less than gross expenditure figures suggest. Since low indirect tax rates generally prevail in low social spending countries, this also leads to a reduction of variation in net spending levels across countries (see below).

5.3. Tax breaks for social purposes

79. Expenditures made through the tax system, or tax expenditures can take different forms: exemptions (income excluded from the tax base); allowances (amounts deducted from gross income); credits (amounts deducted from tax liability); rate reliefs (tax rate reduction for specific groups, *e.g.* senior citizens); and, tax deferrals. However, definitions of 'tax expenditures' vary across countries (OECD, 1996). In particular, there is no international agreement on what constitutes a 'benchmark' tax system – which can be used to identify tax expenditures. National benchmarks (the 'normal' structure of the tax system) against which tax expenditures are being measured vary considerably, which hampers the measurement of tax expenditures on a comparable basis across countries. However, that does not rule out a comparison of a sub-group of 'tax expenditures' – such as those related to social protection systems. This is because the approach followed here measures the amount clawed back in taxation over cash transfers and the value of direct support to benefit recipients provided through the tax system, for which reference to a 'benchmark' tax system is not required.

80. Many governments of OECD countries pursue social policy objectives through the tax system. Broadly speaking there are two groups of such measures. One is reduced taxation on particular sources of income or types of household. For example, some cash transfers could be taxed at a zero or reduced rate. This sort of tax relief is equivalent to a variation in direct taxation of benefit income and has already been accounted for in the section on direct taxation (see above). Thus, exemptions of benefits from taxation or reduced rates on benefit income are reflected in the calculations of direct taxation levied on benefit income (*e.g.* a zero tax rate is applied to spending on child benefits) and are not recorded here again as a Tax Break with a Social Purpose (TBSP) in order to avoid double counting. A tax allowance for dependent children (which is different from non-taxation of child benefits) is recorded as a TBSP (see below).

81. The second group of tax measures with social effects concern Tax Breaks for Social Purposes (TBSPs) and are defined as:

> "those reductions, exemptions, deductions or postponements of taxes, which: *a)* perform the same policy function as transfer payments which, if they existed, would be classified as social expenditures; or *b)* are aimed at stimulating private provision of benefits".

82. TBSPs which can be seen as replacing cash benefits often involve tax credits towards dependent children. TBSPs that aim to stimulate the provision of private expenditures include tax relief for non-commercial non-government organisations, tax advantages towards private health insurance contributions, and favourable tax treatment of private pensions.

5.3.1. Methods and sources; the valuation of tax revenue forgone

83. Information on the value of tax breaks with a social purpose can often be found in so-called 'tax expenditure reports' as published by national authorities, for example, Australian Government (2007), Department of Finance Canada (2006), Government of Ireland (2006), and the US OMB (2005). Such reports generally present estimates on the revenue forgone through tax measures: *i.e.* the amount by which tax revenue is reduced because of the presence of fiscal measures. Such reports generally cover favourable tax treatment by central/federal governments, but do not account (and neither does this report) for tax assistance by sub-national levels of government, as in for example, Canada, Japan and the United States. Comprehensive information across countries is not (yet) available, but the value of sub-national TBSPs in Canada could be close to 0.6% of GDP.[13]

84. Tax expenditure reports in many countries do aggregate different measures to give an overall picture of the importance of tax expenditures. Strictly speaking this causes methodological problems, since tax expenditures (and TBSPs) are interdependent. For example, consider the combined existence of a tax allowance for sole parents and another separate tax relief towards the cost of childcare. The value of these two fiscal measures would normally be calculated (and presented) separately. However, if one of the two TBSPs were to be eliminated, then some taxpayers may end up in a higher marginal tax rate category, thereby increasing the value of the other TBSP (unless the claimant already received the maximum amount of relief). The value of both schemes considered jointly would be greater than the sum of the separate measures, since each is calculated assuming the other remains in force. Whereas individual revenue forgone estimates overstate the cost of TBSPs (they take no account of behavioural effects which can be expected to reduce (future) tax payments) the aggregate of such estimates understate the overall costs.

85. There are different ways of calculating the value of TBSPs (OECD, 1996). The already mentioned 'revenue forgone' method is an ex post measure of the amount by which tax revenue is reduced because of a particular measure.[14] Another approach is the 'outlay equivalent' method which measures the cost of providing the same monetary benefit as the TBSP through direct spending. However, because of the relative ease of computation most countries use the revenue forgone method and the results in this study are based on that method.

86. Table 5.3 shows that depending on the measurement technique the estimated value of the tax break can vary significantly. The outlay equivalent method generally leads to larger estimates of the value of TBSPs that the revenue forgone method. As Table 5.3 shows, calculating the present value of favourable treatment of pension plans does not necessarily lead to estimates that are larger than the revenue forgone and outlay equivalent methods that do not account for deferred pension earnings on current contributions or tax paid over benefits in future. While the present value of favourable tax treatment of individual retirement accounts is well below results generated by the other two methods, the opposite holds for the exclusion of pension contributions and earnings-employer plans and for Keogh Plans. This suggests that participants of individual retirement plans do have very favourable tax treatment on their contributions relative to their future tax payments on relevant income transfers. In fact, participants in individual retirement accounts can choose as to whether they wish to pay tax on current contributions or future payments: it appears that many choose the latter option.

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13. In Canada a crude estimate of direct taxation of benefit income of both federal and provincial taxes assumes that provincial taxes are about 50% of federal taxes. Using the latter as a rule-of-thumb the real value of TBSPs may well be around 1.8% of GDP in 2003 rather than 1.2% of GDP – the value of Federal TBSPs. A small part of provincial tax reductions are recorded here, for social objectives (family size, presence of children, dependants etc).

14. Another measurement technique is the revenue gain method: an ex ante measure of the expected increase in revenues were particular tax concessions to be abolished. However, this method is rarely used as it requires making assumptions about the behavioural changes in face of tax reform.

Table 5.3: Value of selected tax breaks for pensions, the United States, 2005

	Calculation Method		
	Revenue Forgone	Outlay Equivalent	Present value
	Value (in million US dollars)		
Exclusion of Pension contributions and earnings-employer plans	61 740	75 290	81 160
Exclusion of contributions and earnings for Individual Retirement Accounts	20 090	26 910	4 460
Exclusion of contributions and earnings for Keogh Plans	9 260	11 660	3 190

Source: US OMB (2005), Analytical Perspectives, Budget of the United States Government, fiscal year 2005

87. Social expenditure and TBSPs can both be calculated on a cash or on an accruals basis. The former approach estimates the effect on government cash flows, the latter on the tax liabilities accruing to government in a particular period. Except for TBSPs for pensions, there is likely to be little difference between estimates calculated on these two bases.[15] Favourable tax treatment of funded pension payments also has to account for the effect that tax treatment of current pension contributions may have on future tax payments. For example, a pension contribution in 2005 would cause a deferral of tax-payments on wages in 2005 and on pension earnings on this contribution (*e.g.* interest, capital gains) in later years. However, in some future year the 2005 pension contribution and accrued earnings will be paid out and taxes will be due: these receipts are included in the present value estimate.

88. Tax breaks for pensions include tax exemptions for contributions to private pensions, and tax relief for investment income of capitalised pension funds. Because of the complexities of calculating the value of these tax reliefs that are given at various stages of what is a form of contractual savings, there is no comparable data set available on the value of tax breaks for pensions across countries (Annex 2). Therefore, a comprehensive analysis of Tax Breaks for Pensions is not yet possible, and estimates that are only available for a few countries are not included in the overview calculations in this report, but only presented as a *memorandum item* (see below).

5.3.2. The value of TBSPs in 2005

5.3.2.1. Tax breaks which mirror the effect of cash benefits

89. Tax breaks that are similar to cash benefits can be substantial and often concern support for families. For example, in the Slovak Republic the value of tax allowances for families with children and handicapped dependants approximated CZK 13 billion or about 0.5% of GDP. Sometimes, fiscal support and cash transfers (*i.e.* non-wasteable tax credits[16]) for families are an integral part of the same social

15. As most countries currently publish information on tax expenditures on a cash basis, that convention has been followed here. However, in line with recent changes to reporting to the *Revenue Statistics* it is expected that estimates on the value of TBSPs on an accrual basis will become available on a cross-national basis.

16. In case of a 'wasteable' (or 'non-refundable') tax credit, entitlements only accrue to the extent that they are off-set against tax liabilities, while 'non-wasteable' or 'refundable' tax credits involve cash transfers to people (*e.g.* low income workers) whose tax liabilities are not large enough to make (full) use from a particular entitlement (tax credit). Non-wasteable tax credits thus reinforce the re-distributive nature of a tax/benefit system.

programme, with cash payments recorded in the *OECD Social Expenditure Database*[17] and fiscal support in the *OECD Revenue Statistics*. For example, in Germany in 2005 tax relief for children amounted to EUR 36.5 billion (Annex 2), of which EUR 19.4 billion was off-set against tax liabilities (and thus recorded as a TBSP) and EUR 17.1 billion paid out in transfer income, and thus recorded as a cash transfer. Similarly, for the UK GBP 4.4 billion spent under the WTC/CTC programme was recorded as a TBSP in 2005, while GBP 12.9 billion is recorded as gross transfer spending. In 2005, the cost of the Earned Income Tax Credit in the US amounted to USD 37.1 billion, of which USD 4.9 billion in the form of tax credits that mirror a cash benefit, while USD 32.0 billion concerned tax credits exceeding tax liabilities of recipients.

90. In many OECD countries (*e.g.* Germany and France) support for families with children is embedded in the tax unit. Although these measures may not establish a deviation from the national standard tax system (and thus do not establish a tax expenditure in the strict sense), such support clearly establishes financial and social support and should thus be included in the reported TBSPs. However, support for married couples is not considered as social in all OECD countries, and fiscal measures in this regard are not considered as a TBSP. The appropriate analogy is that the presence of dependent children leads to eligibility to cash benefits in social protection systems, whereas a marriage contract does not. Hence, tax advantages for married people, as exist in for example, Belgium, France, Germany and Japan, are <u>not</u> considered to serve a 'social purpose', and are therefore not included in the calculations (regardless of whether or not such measures are part of the basic tax structure). For example, value of support to children in France through the 'quotient familial' was reported to be around EUR 11 billion in 2005 (Annex 2).[18]

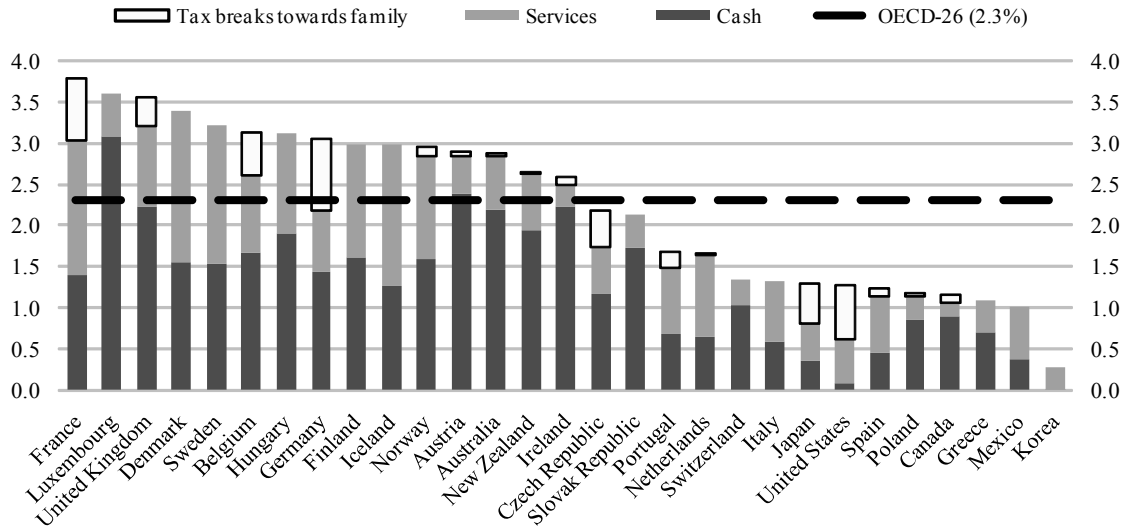
91. Governments thus make ample use of tax systems to support families with children, and accounting for relevant fiscal support thus allows to consider public support on family benefits in a comprehensive manner, *i.e.* accounting for cash transfers, spending on services (*e.g.* childcare) and fiscal support (OECD, 2009a – Indicator PF1). Chart 5.2 shows that accounting for fiscal support to families give a more comprehensive view of cross-country spending on family benefits. In particular exclusion of fiscal family support leads to a very incomplete picture of public family support in France, Germany and the US, while the effect is also significant for Belgium, the Czech Republic, Japan and the Netherlands. In all, public spending on family benefits was just below 2.5% of GDP on average in 2005, with spending in excess of 5% of GDP in Germany, Hungary, Belgium, Sweden, Denmark, the United Kingdom (data include cash payments to sole parents), Luxembourg and France.

17. Despite its name the Canada Child Tax Benefit is delivered and recorded as a cash payment in SOCX as child payments by the fiscal authorities in Austria are recorded as a cash transfer, not as fiscal support.

18. The French system of income taxation considers the household as the tax unit: favourable tax treatment of families is thus an integral part of the tax system. In this system a 'quotient familial' is applied to taxable household income, which allows incomes to be taxed at a lower rate on a progressive marginal rate schedule. The 'quotient familial' is obtained by dividing total taxable household income 'R' by a factor 'N' which is determined by household composition. This factor N is the sum of the different 'household parts': spouses count as one part each, while the first two children count as half a 'household part', from the third child onwards each child counts as one 'household part' (slightly different rules benefit sole parent families and families with handicapped dependants). For example, for a couple-family with two children it is 3, and for a couple-family with 3 children it is 4. Obviously, at a given income level the larger the family, the lower is the quotient familial (R/N).

Chart 5.2: Fiscal support for families is largest in Germany and France

Family spending in cash, services and tax measures, in percentage of GDP, in 2005 or latest year available



Notes:
- Public support accounted here only concerns public support that is exclusively for families (e.g. child payments and allowances, parental leave benefits and childcare support). Spending recorded in other social policy areas as health and housing support also assists families, but not exclusively, and is not included here;
- Data for Portugal refer to 2003; TBSPs for Netherlands are mostly not available;
- OECD-26 does not include Greece, Hungary, Switzerland and Turkey as relevant fiscal data are not available.

Source: OECD Social Expenditure database (www.oecd.org/els/social/expenditure).

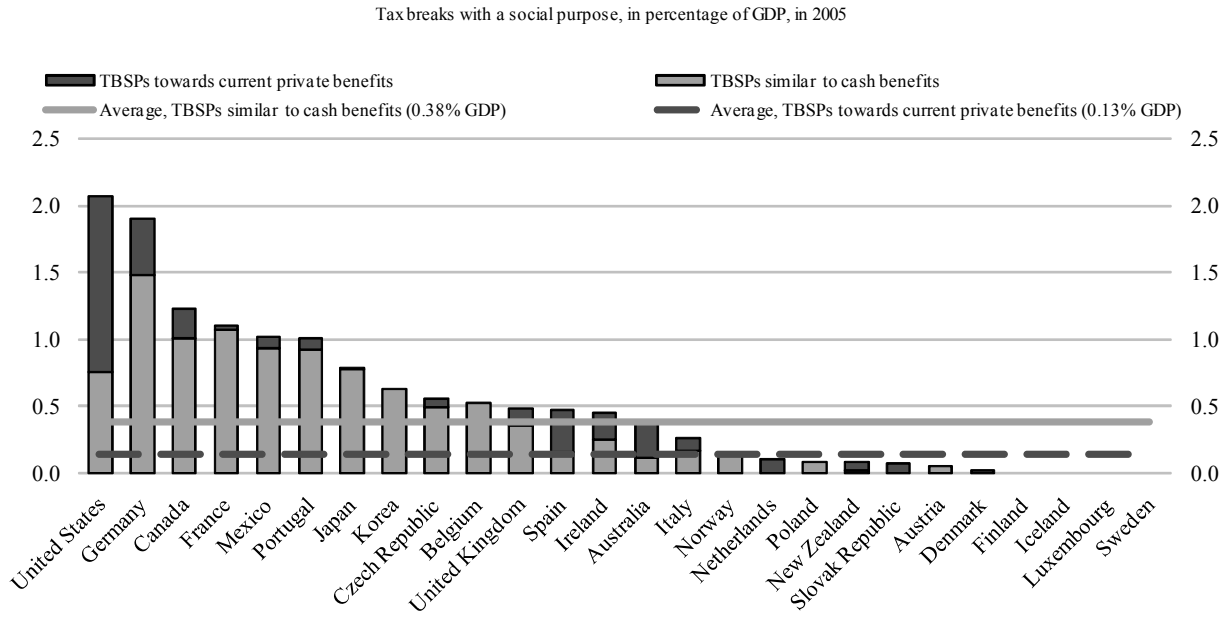
5.3.2.2. TBSPs aimed at stimulating take-up of private social benefits

92. Governments sometimes also use the tax system to stimulate the take-up of private social insurance coverage by individuals and/or employment-related plans. These tax breaks can be categorised in two broad groups. First, there are 'Tax breaks towards *current* private social benefits', *i.e.* favourable tax treatment aimed at stimulating the provision of private social benefits in the current year such as voluntary private unemployment coverage or private health insurance. This type of tax break is important in Germany (where about 18% of the population is covered by private health insurance) and, particularly in the US where the exclusion of employer contributions for medical insurance premiums and medical care amounted to USD 118.4 billion in 2005, equivalent to 1.0% of GDP (Chart 5.3). Tax breaks towards *current* private social benefits also include favourable treatment of contributions to and income of NGOs. Again this form of fiscal support is most prevalent in the US where deductibility of contributions to charities amounted to USD 29.7 billion in 2005, or 0.2% of GDP (Annex 2).

93. The second group of tax breaks towards private benefits is arguably the most important. However, as discussed above, there is no comparable data set available on the value of tax breaks for pensions, and available data is only presented as a *memorandum item*. Available information for 2001, 2003, 2005 (Annex 2) shows that the value of favourable tax treatment of private pension arrangements was in excess of 1% of GDP in Australia, Canada, Ireland, the UK and the US (estimates for previous

years suggests this type of support is also important in the Netherlands). These are also the countries where private pension benefits are most important.[19]

Chart 5.3: A high value of TBSPs in the United States, while they are virtually non-existent in Scandinavian countries



Source: See Annex 2.

5.4. Net social spending across countries

5.4.1. The framework: a concise overview

94. A cross-country comparison of social expenditure indicators requires that information on gross spending and the role of the tax system in the pursuit of social policy is integrated in a framework that derives net social expenditure indicators. Table 6.1 presents a schematic overview of this framework (below, the numbers/letters in between brackets refers to the appropriate line in this Table).

95. First of all, direct taxes clawed-back by the Exchequer and the imputed value of indirect taxation on goods consumed out of public benefits are subtracted from gross public social expenditure (1) to obtain Net direct public social expenditure (2). Subsequently, as the value of tax breaks for social purposes (excluding pensions) that are similar to cash benefits (T1) is used for consumption, the imputed value of the indirect taxation on these items is subtracted to obtain Net TBSPs similar to cash benefits (4). The value of TBSPs towards current private benefits (T2) is added to obtain net current public social

19. It is difficult to be precise on the extent to which tax advantages are instrumental in stimulating private coverage. Tax breaks certainly affect individual behaviour and provide governments with a tool to influence take-up of particular plans, but may not lead to much additional saving on a national basis. For example, in the late 1980s individual retirement accounts were introduced in the US. Favourable tax treatment certainly increased the coverage of this programme, but as in 1990 82% of all programme contributions were 'rollover contributions' from other employment-based pension plans, the effect on overall pension savings was limited (Adema and Einerhand, 1998).

expenditure (6). From the government perspective, net public social spending gives a better impression of budgetary efforts in the social field and the proportion of net social output reallocated to benefit recipients.

96. In order to measure the social support that is provided under government control, mandatory private benefits should also be included, and account taken of the fact that these benefits are also subject to direct and indirect taxation. Net government-controlled social expenditure is captured under the heading of net publicly mandated social expenditure (9). Finally, the gross voluntary private benefits are also adjusted for direct and indirect taxation: net direct voluntary private social expenditure (11).

97. Adding together these net public, mandatory private and voluntary benefits gives an indicator on net total social expenditure (13), which quantifies the proportion of an economy's domestic production at the disposal of recipients of social benefits. However, as noted above, the tax breaks towards current private social benefits (T3), are tantamount to financing private social benefits. Thus, while these TBSPs are clearly a public expenditure item, they finance private benefits and simply adding net public social expenditure to net private social expenditure would overestimate the amount of support received by households. Therefore, net total social expenditure (13) is the sum of net current public social expenditure (6) and net direct private social expenditure (12) minus TBSPs towards current private social benefits (T2).[20] Net total social expenditure identifies that proportion of an economy's domestic production to which recipients of social benefits lay claim.

98. Finally, the net social spending indicators are related to GDP at factor cost rather than GDP at market prices – the most frequently used indicator on the size of an economy. The reason for this is that, since adjustment has been made to benefits for the value of indirect taxation, the denominator (GDP) has to be adjusted similarly. As GDP at factor cost does not include the value of indirect taxation and government subsidies to private enterprises and public corporations, it seems the most appropriate indicator for international comparisons. Nevertheless, to facilitate comparisons with gross spending to GDP quota, Annex 3 includes the net spending indicators to GDP at market prices. This annex also relates net spending indicators to national (rather than domestic) income.

20. Ideally, the value of tax breaks aimed at stimulating private benefit provision would be netted out against the direct and indirect taxes levied on the private benefits it generated. However, as noted above, it is not possible to determine to what extent these TBSPs actually affect take-up of private benefits, and therefore this calculation was not attempted.

Table 5.4: From gross to net social expenditure: a concise overview

+/-	Line #	Item
	1.	**Gross direct public social expenditure**
-		Direct taxes and social contributions paid out of public cash benefits
	2.	Net cash direct public social expenditure
-		Indirect taxes on private consumption financed by net cash transfers
	3.	Net direct public social expenditure
+	T1	Tax breaks for social purposes that mirror cash benefits
-		Indirect taxes on private consumption financed by tax breaks similar to cash
	4	Net TBSPs similar to cash benefits
+	T2	Tax breaks for social purposes towards current private social benefits
	5	Net TBSPs (not including pensions)
	6.	**Net current public social expenditure [3+5]**
	7.	Gross mandatory private social expenditure
-		Direct taxes and social contributions paid out of mandatory private cash
-		Indirect taxes on consumption purchased out of net mandatory private cash
	8.	Net direct mandatory private social expenditure
	9.	**Net publicly mandated social expenditure [6+8]**
	10.	Gross voluntary private social expenditure
-		Direct taxes and social contributions paid out of voluntary private cash
-		Indirect taxes on consumption purchased out of net voluntary private cash
	11.	Net direct voluntary private social expenditure
	12.	Net direct private social expenditure [8+11]
	13. [1]	**Net total social expenditure [6+12-T2]**

Tax adjustments in the shaded areas.

1. In order to avoid double counting, net total social expenditure is obtained by adding up net public and net private social expenditure while subtracting tax breaks towards current private benefits.

5.4.2. The overall impact of the tax system on social spending

99. Table 5.5 pulls together information on the importance of different tax items in each country:

- **Direct taxes and social security contributions.** The size of direct taxation of public benefit income in the Czech Republic, Korea, Mexico and the Slovak Republic is negligible, and the value of direct taxation of public benefit income is also below 1% of GDP at factor cost in Australia, Canada, Iceland, Ireland, Japan, Luxembourg, Portugal, the United Kingdom and the United States. Taxes and social security contributions on public cash transfers also do not exceed 2% of GDP at factor cost in Belgium, France, Germany, New Zealand, Poland and Spain, and the value of direct taxation of public benefit income is around 2 to 3% of GDP in Austria, Finland, Italy, the Netherlands and Norway. Public benefit income is taxed most heavily in Sweden and Denmark, amounting to 4.7% of GDP at factor cost. The value of direct taxation of mandatory private incapacity-related benefits (often taxed as wages) is most significant in Austria, Germany, Iceland, the Netherlands and Norway at 0.3% of GDP or more. Compared to practice in the other countries, the value of direct tax levied over private social benefits is highest in Canada, Denmark, at almost 1% of GDP, and highest in the Netherlands at 1.5% of GDP.

- **Indirect taxes.** The value of benefit income clawed back through taxes on consumption is much larger in European countries and in Denmark in particular, than in Australia, Canada, and in particular, Japan, Korea, Mexico and the United States, where indirect tax rates on consumption out of benefit income is significantly lower.

- **Tax breaks for social purposes** (excluding pensions). These are generally least important in countries with relatively high direct tax levies: Denmark, Finland, Iceland and Sweden, and their value is also minimal in Austria (where support for families through the tax system is paid out in cash), New Zealand, Norway and Spain. Tax breaks similar to cash benefits is worth over 1.0% of GDP in Canada, France and Germany. Tax breaks to current private spending arrangements (health insurance) are largest the United States at around 1.5% of GDP at factor cost.

5.4.3. Public social spending

100. Gross public social expenditure indicators (Table 5.5, line 1) lead us to believe that public social expenditure in Nordic countries (30% of GDP at factor costs) and Europe in general (27%) is much higher than in non-European OECD countries (17%).

Table 5.5: From gross public to total net social spending, 2005

Social expenditure, in percentage of GDP at factor cost, 2005 [a]

		Australia	Austria	Belgium	Canada	Czech Republic	Denmark	Finland	France	Germany	Iceland	Ireland	Italy	Japan	Korea	Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovak Republic	Spain	Sweden	United Kingdom	United States	OECD-26	CV
	1 **Gross public social expenditure**	19.2	30.6	29.9	18.6	21.5	31.9	29.8	33.8	29.9	20.3	19.0	28.8	20.1	7.8	26.3	8.3	23.6	21.2	24.1	24.1	26.4	18.6	23.8	34.6	24.3	17.1	23.6	29%
-	Direct taxes and social contributions	0.2	2.7	1.6	0.4	0.0	4.6	3.2	1.6	1.5	0.8	0.2	2.2	0.4	0.0	0.9	0.0	2.6	1.4	2.0	1.8	0.9	0.0	1.3	4.7	0.3	0.5	1.4	
	2 Net cash direct public social expenditure	19.0	27.9	28.3	18.2	21.5	27.3	26.6	32.2	28.4	19.5	18.8	26.6	19.7	7.8	25.3	8.3	21.0	19.8	22.1	22.4	25.5	18.6	22.5	29.9	24.0	16.6		
-	Indirect taxes (on cash benefits)	0.9	3.0	2.6	0.8	2.2	3.2	3.1	2.9	2.2	1.3	2.0	2.1	0.7	0.4	3.4	0.2	1.8	1.5	2.4	2.8	2.6	2.0	1.8	2.7	1.6	0.3	1.9	
	3 Net direct public social expenditure	18.1	24.9	25.7	17.4	19.3	24.1	23.5	29.3	26.2	18.1	16.7	24.5	19.0	7.4	22.0	8.2	19.2	18.3	19.8	19.6	22.9	16.7	20.7	27.3	22.4	16.2		
+ T1	TBSPs similar to cash benefits	0.1	0.1	0.6	1.1	0.5	0.0	0.0	1.2	1.7	0.0	0.3	0.2	0.8	0.7	0.0	1.0	0.0	0.0	0.1	0.1	1.1	0.0	0.2	0.0	0.4	0.8		
-	Indirect taxes	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.2	0.2	0.0	0.1	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.1	0.0		
	4 Net TBSPs similar to cash benefits	0.1	0.0	0.5	1.0	0.4	0.0	0.0	1.1	1.4	0.0	0.2	0.2	0.8	0.6	0.0	1.0	0.0	0.0	0.1	0.1	0.9	0.0	0.2	0.0	0.3	0.8		
+ T2	TBSPs towards current private benefits	0.3	0.0	0.0	0.3	0.1	0.0	0.0	0.0	0.5	0.0	0.2	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.3	0.0	0.1	1.4		
	5 Net TBSPs (not including pensions)	0.4	0.0	0.5	1.3	0.5	0.0	0.0	1.1	1.9	0.0	0.5	0.3	0.8	0.6	0.0	1.1	0.1	0.1	0.1	0.1	1.0	0.1	0.5	0.0	0.5	2.2	0.5	
	6 Net current public social expenditure	18.5	24.9	26.2	18.7	19.8	24.1	23.5	30.4	28.1	18.1	17.2	24.8	19.8	8.0	22.0	9.2	19.3	18.4	19.9	19.7	23.9	16.7	21.2	27.3	22.9	18.4	20.8	24%
	7 Gross mandatory private soc. Exp.	1.2	1.0	0.0	0.0	0.3	0.3	0.0	0.4	1.3	1.8	0.0	1.7	0.6	0.7	0.3	0.0	0.8	0.0	1.4	0.0	0.5	0.2	0.0	0.5	0.9	0.4	0.5	
-	Direct taxes and social contributions	0.2	0.3	0.0	0.0	0.0	0.1	0.0	0.0	0.4	0.3	0.0	0.2	0.0	0.0	0.0	0.0	0.3	0.0	0.4	0.0	0.0	0.0	0.0	0.1	0.0	0.0		
-	Indirect taxes	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.0	0.2	0.0	0.1	0.1	0.0	0.1	0.0	0.2	0.0	0.1	0.0	0.0	0.1	0.1	0.0		
	8 Net current mand. private soc. exp.	0.9	0.6	0.0	0.0	0.2	0.1	0.0	0.3	0.7	1.2	0.0	1.4	0.5	0.6	0.2	0.0	0.4	0.0	0.8	0.0	0.4	0.2	0.0	0.3	0.8	0.3	0.4	
	9 **Net publicly mandated soc. exp. [6+8]** [b]	19.5	25.5	26.2	18.7	20.0	24.2	23.5	30.7	28.8	19.3	17.2	26.1	20.3	8.6	22.1	9.2	19.7	18.4	20.7	19.7	24.3	16.9	21.2	27.5	23.7	18.8	21.2	24%
	10 Gross voluntary private soc. exp.	2.9	1.1	5.1	6.2	0.1	2.8	1.3	3.1	2.1	4.1	1.5	0.6	2.7	2.1	1.0	0.2	8.6	0.5	0.9	0.0	1.6	0.9	0.5	2.8	7.2	10.5	2.7	
-	Direct taxes and social contributions	0.2	0.1	0.4	0.9	0.0	0.9	0.2	0.0	0.2	0.6	0.1	0.0	0.1	0.0	0.0	0.0	1.5	0.0	0.2	0.0	0.0	0.0	0.0	0.6	0.5	0.6		
-	Indirect taxes	0.2	0.1	0.6	0.4	0.0	0.5	0.2	0.1	0.1	0.8	0.2	0.0	0.2	0.0	0.2	0.0	0.9	0.0	0.2	0.0	0.0	0.1	0.0	0.5	0.7	0.2		
	11 Net current voluntary private soc. exp.	2.5	1.0	4.1	4.9	0.1	1.5	0.9	2.9	1.8	2.7	1.3	0.6	2.5	2.1	0.8	0.2	6.2	0.5	0.5	0.0	1.5	0.8	0.5	1.8	6.0	9.8	2.2	
	12 Net current private soc. exp. [8+11]	3.4	1.5	4.1	4.9	0.4	1.6	0.9	3.2	2.5	3.9	1.3	1.9	3.0	2.7	1.0	0.2	6.6	0.5	1.3	0.0	1.9	1.0	0.5	2.0	6.7	10.1		
	13 **Net total social expenditure [6+12-T2]** [c]	21.7	26.5	30.3	23.3	20.1	25.7	24.4	33.6	30.2	22.1	18.3	26.6	22.8	10.7	23.0	9.4	25.8	18.8	21.2	19.7	25.7	17.6	21.4	29.3	29.5	27.2	23.3	24%
	Memorandum item																												
	TBSPs towards pensions [d]	2.2	0.1	0.2	1.9	0.1	..	0.2	0.0	1.0	1.2	1.6	0.0	0.1	..	0.7	0.1	..	..	0.7	0.2	0.1	0.2	0.3	0.0	1.4	0.9	..	
	Average indirect tax rate	9.8	16.2	15.1	10.7	17.3	25.9	20.8	14.9	13.0	21.6	21.0	12.1	6.6	12.6	22.3	6.3	17.2	15.3	22.5	16.7	16.8	17.0	13.0	20.5	13.3	4.3	15.5	

a) 2001 tax rates and TBSPs partially not available in the Netherlands, and 2005 social expenditure estimates for Portugal.
b) Numbers in square brackets refer to line numbers in the second column; "..." cell with no information.
c) In order to avoid double counting, the value of TBSPs towards "current" private social benefits has been ignored for the calculation of net total social expenditure.
d) Because of conceptual issues and gaps in data availability, tax breaks towards old-age pensions are shown in the table as a memorandum item.

101. In general, however, governments claw back more money through direct and indirect taxation of public transfer income than the value of the tax advantages awarded for social purposes. Thus, *net public social expenditure* is usually less than gross spending indicators suggest: average gross public spending amounts to 23.6% of GDP at factor cost for the countries for which data is available, and net public social spending averages 20.8%. In Austria, Belgium, Finland, Italy and Norway, net spending is around 4% or more below gross spending levels, the adjustments for taxation imply that net public social spending as a proportion of GDP at factor costs in Denmark and Sweden is 7 to 8 percentage points of GDP below gross spending levels. In Canada and Japan, gross and public net spending levels are virtually the same while in Korea, Mexico and the United States gross public spending actually *underestimates* public social effort by more than 1 percentage point of GDP (Table 5.5, lines 1 and 6).

102. Table 5.5 also reveals that low gross public spending countries (around 20% of GDP or less) impose limited direct taxation on benefit income (Australia, Canada, Ireland, Japan, Korea, Mexico, Slovak Republic and the US), but that the opposite does not always hold true. Countries that claw back less than 2% of GDP in direct taxation include the UK (with gross spending around the OECD average) and, particularly, France and Germany (countries with gross spending levels well above the average). Indeed, because France and Germany are high gross public spending countries with a relatively limited tax burden on benefit income compared to most other European countries, they have the highest level of net government social effort.

103. Accounting for the impact of the tax system on social benefits also increases the importance of social services (including health care) vis-à-vis cash transfers. The 'service to cash spending ratio' increases from on average 85% (gross public social expenditure) to just over 105% when net public social expenditure is considered. When fiscal measures are accounted for, the value of social services (including health) exceeds the value of transfers in Australia, Canada, Denmark, Iceland, Korea, Mexico, Norway, Sweden and the UK.

104. In general, gross and net spending trends move in the same direction with changes in net spending levels generally being the smaller of the two (Annex 3, part II). However, gross and net spending trends diverge on one occasion, in Denmark from 1993 to 1995: while gross public spending increased from 32.3% of GDP in 1993 to 33.3% in 1995, net spending decreased from 28.4% of GDPfc to 24.5% over the same period. The divergence in trends reflects reform which made old-age pensions and social assistance benefits taxable, whilst raising the gross payment rates of these benefits in order to compensate recipients. As a result, gross spending increased, while in real terms changes were small.

5.4.4. Social spending from the perspective of households

105. To get a picture of the amount of resources devoted to meeting social needs in a country, both *net public* and *net private* social benefits should be considered, although it should be borne in mind that the quality of data on the impact of tax systems and private social spending is not as high as the quality of information on budgetary allocations. Considering all social benefits and differences in relevant average tax rates facilitates the identification of that proportion of an economy's domestic production to which recipients of social benefits lay claim: *net total social expenditure* (Table 5.5, line 13). The highest proportion (one third of GDP at factor cost) is recorded for France, followed closely by Germany, Belgium, Sweden and the United Kingdom. Net total expenditure is lowest in Mexico and Korea at around 10% of GDP at factor costs, and is below 21% in the Czech Republic, Ireland, New Zealand, Poland and the Slovak Republic. Recipients of social benefits in Austria, Canada, Denmark, Finland, Italy, Luxembourg, the Netherlands, Portugal and the United States all claim about one quarter of the economy's domestic production (with a margin of variation of 2.5 percentage points of GDP either way). The similarity of net spending levels is driven by two factors: *a)* the inclusion of private social spending, which is particularly important in the United States; and *b)* the impact of the tax system. Considering all 26

countries for which information is available, the coefficient of variation in 2005 was 29% for gross public social expenditure but 24% when considering net total social expenditure.

106. Overall, the results lead to the following general conclusions to be drawn:

- Accounting for private social benefits and the impact of the tax system on social expenditure has an equalising effect on levels of social expenditure to GDP ratios across the countries considered.

- Except for Canada, Japan, Korea, Mexico and the United States, public social effort is significantly below the levels suggested by gross expenditure data. This is because most countries have significant taxes on social benefits.

- Accounting for both the tax system and the role of private social benefits reveals that the proportion of an economy's domestic production to which recipients of social benefits lay claim is similar in countries often thought to have very different gross public expenditure levels. For example, total net social spending in Austria, Canada, Denmark, Finland, Italy, the Netherlands, Portugal and the United States are within a few percentage points of each other.

ANNEX 1. DETAILED INFORMATION ON SOURCES

A.1.1. From ESSPROS to SOCX

For 22 European countries (EU-19, Iceland, Norway and Switzerland), data on social expenditure is provided by EUROSTAT as based on the information in their ESSPROS database (EUROSTAT, 2008b). The definitions of social expenditure that are used by SOCX and ESSPROS are similar, but there are differences in coverage and categorization. Table A.1.1a presents an overview.

Table A.1.1a From ESSPROS to SOCX: a brief overview

ESSPROS		SOCX
1. Sickness/Health care cash services	->	3. Incapacity 4. Health (OECD Health data) (! LTC overlap for NOR DNK ISL JPN SIW GER no LTC overlap for AUS FIN FRA HUN NLD & ESP)
2. Disability Economic integration of the handicapped	->	
3. Old age	->	1. Old age
4. Survivors	->	2. Survivors
5. Family/children	->	5. Family Child care (pre-primary education from OECD Education database)
6. Unemployment cash Vocational training allowance services	->	7. Unemployment
7. Housing	->	8. Housing
8. Social exclusion	->	9. Other social policy areas 6. ALMPs (OECD LMP database)

Note: ESSPROS can also be downloaded from the EUROSTAT website via http://epp.eurostat.ec.europa.eu

Then click: > Data >>Living conditions and welfare >>>Social protection

All ESSPROS social protection benefits are included in SOCX, except those in:

- Sickness /Health care services, which are taken from OECD Health data
- Programmes for the economic integration of the handicapped, and vocational training allowance for the unemployed and unemployment services, which are taken from the OECD Labour Market Programmes database (Grubb and Puymoyen, 2008)

To regroup ESSPROS items into SOCX, the following adjustments have to be made:

(1) ESSPROS Social protection benefits
- (2) ESSPROS Economic integration of the disabled
- (3) ESSPROS Sickness benefits in kind
- (4) ESSPROS Vocational training allowance and unemployment benefits in kind
+ (5) Health services (OECD Health data)
+ (6) Child-care – pre-primary school (OECD Education database, for some countries)
+ (7) Active labour market programmes (OECD ALMP database)

=

(11) SOCX Public social expenditure
+ (8) SOCX Mandatory private social expenditure
including mandatory private ESSPROS schemes
+ (9) SOCX Voluntary private social expenditure
including:
voluntary private ESSPROS schemes, and
(10) Health private insurance (OECD Health data)

Example for Sweden for 2005:

Table A.1.1b Passage from Esspros to SOCX (public / mandatory-voluntary private)

SWEDEN, in millions of Swedish Kronas

		ESSPROSS / SOCX			Code	2005
	(1)	**ESSPROS**	**Social protection benefits**		**1100000**	**824 832**
-	(2)	- ESSPROS	Disability	Economic integration of the handicapped	1121114	2 001
-	(3)	- ESSPROS	Sickness	Benefits in kind	1111200	151 579
-	(4)	- ESSPROS	Unemployment	Cash - Vocational training allowance	1161114	10 671
				Benefits in kind	1161200	6 522
+	(5)	SOCX / Health	HEALTH Public benefits in kind		752.10.4.0.0.0	185 201
+	(6)	SOCX / EDU-EAG	FAMILY Services	Child day care (adjustment for 6yo) Child care (pre-primary education)	752.10.5.2.1.2 752.10.5.2.1.3	-4 018 10 888
+	(7)	SOCX/ ALMP	ACTIVE LABOUR MARKET PROGRAMMES		752.10.6.0.0.0	35 348
-	(8)	**= SOCX**	**MANDATORY PRIVATE SOCIAL EXPENDITURE**		**752.20.90.0.0.0**	**11 300**
		ESSPROS	SICKNESS	Paid sick leave: 13. Arbetsgivarens sjuklön (Employers' sick pay)	1111111.00	11 300
-	(9)	**= SOCX**	**VOLUNTARY PRIVATE SOCIAL EXPENDITURE**		**752.30.90.0.0.0**	**65 150**
		ESSPROS	(several functions)	14.Avtalspensioner (Contractual pensions)		65 150
+	(10)	SOCX / Health	HEALTH Voluntary private insurance, benefits in kind		752.30.4.2.0.0	a
=	(11)	**SOCX**	**PUBLIC SOCIAL EXPENDITURE**		**752.10.90.0.0.0**	**805 028**

Notes:

(1) "ESSPROS / Social protection benefits" are Total ESSPROS expenditures (1000000) less Administration costs (1200000) and other expenditure (1400000, property income and other).

(2) The ESSPROS data within "Disability / Economic integration of the handicapped" are not included in SOCX database to avoid double counting with SOCX "Active Labour Market Programmes / Measures for the disabled".

(3) The ESSPROS data within "Sickness / Benefits in kind" are not included in SOCX database to avoid double counting with SOCX "Health / Benefits in kind".

(4) The ESSPROS data within "Unemployment / Cash Vocational training allowance" "Unemployment / Benefits in kind" are not included in SOCX database to avoid any double counting with SOCX "Active Labour Market Programmes".

(5) SOCX Health benefits in kind are from "OECD Health Data (www.oecd.org/health/healthdata)".

(6) SOCX includes public spending on pre-primary education from OECD education database, unless such data are already included in "5.2.1. Day care services".

(7) SOCX Active Labour Market Programmes are from "OECD database on labour market programmes".

(8) Spending on some programmes recorded under the schemes below are categorised as Mandatory private in SOCX.

(9) Spending on some programmes recorded under the schemes below are categorised as Voluntary private in SOCX. (9) Includes (10).

(10) SOCX Private insurance Health benefits in kind are from "OECD Health Data (www.oecd.org/health/healthdata)".

(11) = (1) - (2) - (3) - (4) + (5) + (6) + (7) - (8) - (9) + (10)

See country notes (attached to data) for other countries and years.

A.1.2. OECD Health data

Data in SOCX on public expenditure on health are not taken from the SOCX-questionnaire (nor from ESSPROS for EU-countries), but for reasons of comprehensiveness are taken from OECD Health Data 2008. However, including these data in SOCX raises the possibility of introducing inconsistencies vis-à-vis health-related spending items recorded elsewhere in SOCX. For some countries there is an issue with items recorded as spending on services for elderly and/or the disabled provided by institutions other than hospitals also being included under public expenditure on health.

From countries for which information is currently available, estimates suggest that for 9 countries there exist overlap of spending data recorded as services for elderly and/or the disabled and public expenditure on health. For Denmark, Iceland and Norway relevant spending exceeds 1 percentage point of GDP in value.

Table A.1.2.a shows the overlap figures, and Table A.1.2.b shows total public spending on health (including long-term-care overlap).

Table A.1.2.a Estimation of overlap between OECD Health spending and SOCX

In national currency, millions

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Austria	a	a	a	a	a	a	a	a	a	a	1046	1080	1134
Denmark	9 079	10 345	11 928	12 728	13 128	14 283	14 907	15 710	16 576	17 197	18 731	19 126	19 433
France	a	a	a	a	a	a	a	a	a	a	a	a	a
Germany	a	a	a	a	a	a	a	a	a	a	a	a	a
Iceland	..	..	..	..	..	..	..	..	..	..	3 456	3 831	3 946
Japan	..	..	..	..	..	..	..	..	..	..	..	..	..
Norway	3 276	..	..	..	..	6 373	..	..	18 631	19 928	14 867	16 550	18 335
Sweden	..	..	..	..	..	..	..	..	..	..	..	..	..
Switzerland	..	..	..	..	..	..	..	..	..	..	1 247	1 383	1 670

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Austria	1415	1857	1918	1889	1923	2031	2155	2196	2223	2257	2320	2435	2544
Denmark	19 620	20 672	21 822	23 181	24 138	21 395	21 641	22 274	23 357	24 784	25 787	27 240	28 203
France	a	a	2 683	2 817	2 925	3 052	3 197	3 435	3 634	3 987	15 599	16 903	18 292
Germany	a	a	1 268	4 999	8 828	9 585	10 192	10 635	10 943	11 341	11 541	11 762	12 071
Iceland	4 189	4 227	4 661	5 155	5 521	6 351	7 263	8 238	9 130	12 116	11 636	12 811	14 202
Japan	..	..	22 599	25 044	27 708	30 383	32 854	1 669 923	1 746 995	1 989 048	2 065 600	2 140 810	2 065 927
Norway	19 030	20 464	21 659	22 610	23 644	25 785	27 680	29 649	32 203	30 787	32 389	34 045	35 304
Sweden	10 525	10 768	11 866	12 871	13 248	14 105	14 835	15 702	16 819	18 148	19 170	19 454	20 141
Switzerland	1 808	1 908	1 996	2 076	2 181	2 278	2 334	2 450	2 652	2 793	3 019	3 146	3 264

Table A.1.2.b Total public spending on Health

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Australia	5 869	6 545	7 076	8 498	10 555	11 863	13 235	14 523	15 896	17 491	18 734	19 799	20 926
Austria	3 921	4 067	4 268	4 456	4 698	5 061	5 558	5 836	6 117	6 557	**8 336**	**8 969**	**9 865**
Belgium	4 737	5 183	6 118	6 358	6 769	7 148	7 442	8 230	9 441	10 132	10 808	11 812	12 692
Canada	16 693	19 766	23 249	25 851	27 695	29 799	32 178	34 721	37 778	41 467	44 942	48 868	51 085
Czech Republic	15 180	m	m	m	m	19 960	m	m	m	26 310	30 452	38 242	43 597
Denmark	**30 861**	**34 543**	**39 377**	**41 651**	**43 438**	**47 112**	**48 220**	**52 459**	**55 617**	**57 257**	**58 030**	**60 031**	**62 461**
Finland	1 654	1 937	2 231	2 504	2 789	3 198	3 512	3 878	4 264	4 831	5 592	6 099	5 940
France	25 034	m	m	m	m	46 755	m	m	m	m	66 173	70 333	75 216
Germany	52 266	56 535	57 731	59 390	62 950	66 854	69 822	72 427	77 592	76 089	82 521	105 449	128 377
Greece	224	m	m	m	m	m	m	994	980	1 323	1 554	1 864	2 408
Hungary	m	m	m	m	m	m	m	m	m	m	m	160 600	200 500
Iceland	884	1 434	2 355	4 457	5 329	7 631	10 732	14 418	18 927	22 635	**25 105**	**27 970**	**27 783**
Ireland	881	1 026	1 157	1 255	1 319	1 409	1 460	1 455	1 458	1 533	1 599	1 801	2 018
Italy	m	m	m	m	m	m	m	m	33 082	35 884	42 975	48 252	49 634
Japan	11 162 700	12 082 600	12 996 950	14 075 300	14 531 300	15 295 300	16 273 550	17 237 860	18 067 320	19 043 900	20 261 900	21 839 400	23 304 900
Korea	303 698	386 451	514 840	669 355	814 998	954 290	1 009 775	1 181 262	1 605 668	2 126 979	2 958 914	3 268 836	3 843 651
Luxembourg	209	232	253	262	284	308	331	393	419	466	523	554	614
Mexico	m	m	m	m	m	m	m	m	m	m	14 424	21 645	27 077
Netherlands	8 394	9 037	9 742	9 994	10 127	10 393	10 466	10 807	11 058	12 224	13 094	14 501	16 313
New Zealand	1 216	1 580	1 695	1 852	1 953	2 072	2 519	3 169	3 681	3 997	4 183	4 436	4 475
Norway	**18 628**	21 204	23 798	26 871	28 711	**31 092**	34 988	40 543	**42 920**	**44 223**	**46 564**	**52 392**	**54 697**
Poland	m	m	m	m	m	m	m	m	m	m	2 710	4 019	5 821
Portugal	267	340	364	398	483	690	922	1 026	1 325	1 421	2 059	2 483	2 734
Slovak Republic	m	m	m	m	m	m	m	m	m	m	m	m	m
Spain	4 126	4 688	5 570	6 900	7 249	7 803	8 720	9 872	12 121	13 818	16 413	18 258	20 620
Sweden	46 068	50 762	56 094	62 136	68 140	70 458	74 629	80 901	86 848	96 821	107 189	110 492	111 169
Switzerland	m	m	m	m	m	9 538	10 203	10 869	11 719	13 102	**14 201**	**16 179**	**17 603**
Turkey	0	m	m	m	0	0	1	1	2	4	9	15	28
United Kingdom	11 633	13 374	14 081	15 928	16 781	17 889	19 164	21 190	23 202	25 424	28 039	31 511	35 730
United States	99 749	115 552	128 120	141 015	153 000	166 143	181 830	199 061	215 704	240 027	269 611	307 053	344 035

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Australia	21 968	23 324	25 264	27 033	29 533	31 563	35 154	38 203	40 873	44 849	48 028	52 962	56 781
Austria	**10 956**	**12 009**	**12 307**	**12 589**	**13 648**	**14 485**	**15 358**	**15 835**	**16 285**	**16 746**	**17 310**	**18 323**	**19 292**
Belgium	13 267	13 612	13 433	14 144	14 040	14 686	15 596	16 530	17 325	18 050	19 800	21 661	22 155
Canada	51 394	52 023	52 238	52 325	54 420	58 400	61 222	66 998	72 268	77 194	83 613	88 993	95 265
Czech Republic	69 289	81 126	93 310	102 399	108 934	119 651	123 453	129 430	141 157	157 899	172 159	180 276	188 647
Denmark	**65 193**	**67 757**	**68 364**	**72 378**	**75 489**	**79 410**	**84 508**	**88 147**	**94 546**	**99 744**	**107 336**	**113 698**	**118 945**
Finland	5 258	5 124	5 440	5 736	5 940	6 181	6 477	6 787	7 414	8 086	8 604	9 144	9 757
France	79 563	81 433	**92 506**	**94 664**	**96 473**	**99 978**	**103 466**	**108 329**	**113 993**	**121 860**	**138 847**	**145 848**	**152 974**
Germany	130 963	140 805	**152 161**	**160 128**	**158 335**	**161 149**	**165 404**	**169 271**	**175 095**	**180 743**	**184 005**	**179 807**	**184 207**
Greece	3 027	3 458	4 003	4 457	4 855	5 159	5 807	6 444	7 814	8 254	9 182	9 449	11 178
Hungary	241 000	317 400	352 300	405 000	482 500	551 704	606 479	664 488	754 414	912 575	1 141 433	1 205 237	1 323 477
Iceland	**28 513**	**29 687**	**31 269**	**33 138**	**34 972**	**42 130**	**50 011**	**52 645**	**58 380**	**67 879**	**71 344**	**74 637**	**78 807**
Ireland	2 209	2 339	2 560	2 734	3 222	3 610	4 133	4 833	6 019	7 057	7 826	8 694	10 494
Italy	49 363	49 073	48 659	52 273	56 879	59 332	62 110	69 639	76 550	80 455	83 017	91 472	97 377
Japan	24 836 300	25 957 100	**28 190 468**	**29 414 100**	**29 354 152**	**29 718 844**	**30 439 404**	**31 435 615**	**32 314 548**	**31 896 184**	**32 299 437**	**32 754 617**	**33 860 946**
Korea	4 313 298	4 888 504	5 946 918	7 564 994	8 770 562	9 678 741	11 432 284	12 856 652	17 720 981	18 568 267	20 314 671	22 426 643	25 729 397
Luxembourg	687	710	777	829	849	912	1 040	1 149	1 263	1 472	1 751	2 010	2 100
Mexico	31 431	37 065	43 697	53 634	74 742	94 912	122 868	142 155	155 610	169 392	192 961	231 001	243 813
Netherlands	17 223	17 611	18 059	17 376	18 450	18 744	19 589	20 981	23 333	25 773	27 881	28 625	30 325
New Zealand	4 488	4 870	5 160	5 342	5 750	6 183	6 490	6 984	7 455	8 319	8 741	9 794	10 825
Norway	**56 318**	**58 381**	**62 602**	**68 055**	**76 436**	**86 715**	**95 530**	**102 896**	**113 025**	**125 239**	**133 577**	**140 578**	**147 784**
Poland	7 308	9 787	13 460	18 218	20 787	23 204	27 153	28 781	32 840	36 460	36 797	39 336	42 341
Portugal	3 180	3 477	4 137	4 741	5 169	5 700	6 362	7 846	8 156	8 800	9 851	10 356	*10 880*
Slovak Republic	m	m	m	m	38 129	40 837	43 678	46 166	50 166	55 594	62 873	72 377	77 863
Spain	22 069	22 774	24 031	25 589	26 781	28 509	30 561	32 550	35 079	37 695	44 938	48 581	53 127
Sweden	**115 860**	**117 286**	**124 884**	**132 154**	**133 149**	**140 992**	**150 279**	**157 306**	**170 769**	**185 357**	**195 895**	**198 337**	**205 342**
Switzerland	**18 331**	**18 915**	**19 444**	**20 729**	**21 330**	**22 107**	**23 013**	**24 118**	**26 351**	**27 782**	**29 175**	**30 223**	**31 400**
Turkey	49	96	184	399	870	1 815	3 047	5 190	9 097	14 445	19 510	24 019	26 426
United Kingdom	37 955	40 054	42 003	44 377	44 568	47 552	52 192	55 996	62 090	67 201	73 696	81 806	87 566
United States	378 630	413 134	441 306	465 148	485 672	499 374	524 988	563 488	625 625	681 966	734 841	791 391	848 297

Source: OECD Health data (www.oecd.org/health/healthdata).

Finally, indicators on voluntary private social health expenditure are estimates on the benefits to recipients that derive from private health plans which contain an element of redistribution (such private health insurance plan are often employment-based and/or tax-advantaged). The estimates are based on OECD *Health Data* (see Private insurance, within Health expenditure by sources of funds). Available data on individual payments does not distinguish between individual co-payments and other out-of-pocket health expenditure. But the OECD Health Data are being refined to cover this distinction in future. By not including data on individual payments, it is thus implicitly assumed that none of the individual payments (including co-payments) are in any way subject to redistribution. This is a very strong assumption, which is unlikely to fully reflect reality, but it was judged more realistic than the alternative – to include all individual payments. The estimates on private social health benefits may thus somewhat underestimate the "true" social extent of health-care provisions.

A.1.3. OECD Labour Market Programmes database

Data on public spending on ALMPs (social policy area (or branch) "6" in SOCX) are taken from the OECD database on Labour Market Programmes. This database has recently been restructured to identify seven "active" categories:

1. PES and administration
2. Training
3. Job rotation and job training
4. Employment incentives
5. Supported employment and rehabilitation
6. Direct Job Creation
7. Start-Up Incentives.

To ensure consistency with the historical series as in SOCX, data prior to 1998 (for Eurostat countries) and prior to 2001 (for non-Eurostat countries) have been regrouped in the "new" classification system (see Grubb and Puymoyen, 2008, for more detail):

See also Statistical annex of OECD(2008f) Employment Outlook via *www.oecd.org/els/employment/outlook*.

A.1.4. OECD Education database

For reasons of comprehensiveness, SOCX collects for most countries spending figures from OECD Education database on Childcare and early education services (ISCED0) – see non-shaded background in Table A.1.4. All available data on public financial support for families with children participating in both formal day-care services (*i.e.* crèches, day-care centres and family day-care for children under 3) and pre-school institutions (including kindergartens and day-care centres for children aged from 3 to 6) are included, from 1998 only in general, from which ISCED97 started.

To get a good comparison of childcare support, account has been taken of cross-national differences in the compulsory age of entry into primary school. For example, in some (Nordic) countries children enter primary school at age 7, while 6 year olds attend pre-primary school the year beforehand. In order to improve the comparison, expenditure on these 6 year olds was excluded (sometimes using estimates derived on basis of available data on spending on education and the number of 6 year olds). Similarly, for countries where children enter school at age 5 (and which were not already included in the childcare and pre-school data) pre-school expenditure data for Australia, New Zealand and the United Kingdom was adjusted by adding up the expenditure on 5 year olds enrolled in primary school – see adjustments in Table A.1.4.

Table A.1.4. Public spending on pre-primary education

Millions national currency

	SOCX adjusted Child care (pre-primary education)								=	Child care (pre-primary education ISCED 0)								+	Adjustment							
	1998	1999	2000	2001	2002	2003	2004	2005		1998	1999	2000	2001	2002	2003	2004	2005		1998	1999	2000	2001	2002	2003	2004	2005
Australia	1 127.9	1 411.1	1 458.1	1 609.3	1 772.2	1 869.7	1 943.8	2 026.7		203.8	362.4	355.8	500.3	536.9	572.1	579.8	561.1	plus 4 & 5 y.o	924.1	1 048.7	1 102.3	1 109.0	1 235.3	1 297.6	1 364.0	1 465.6
Austria	..	..	..	..	..	..	..	..		..	..	..	..	..	..	..	..	less 6 y.o	-157.5	-146.9	-137.5	-132.3	-137.7	-140.0	-142.0	-153.7
Belgium	1 001.7	1 081.0	1 128.5	1 398.3	1 489.4	1 572.3	1 642.8	1 692.0		1 001.7	1 081.0	1 128.5	1 398.3	1 489.4	1 572.3	1 642.8	1 692.0									
Canada	1 985.9	2 102.2	2 130.4	2 141.3	2 152.3	2 163.3	2 174.4	2 185.6		1 985.9	2 102.2	2 130.4	2 141.3	*2 152.3*	*2 163.3*	*2 174.4*	*2 185.6*									
Czech Republic	6 554.1	7 118.4	7 276.9	7 463.8	8 396.2	8 695.5	9 273.6	10 295.7		8 235.1	8 997.4	9 224.0	9 307.3	10 354.0	10 605.1	11 296.4	12 472.4	less 6 y.o	-1 681.0	-1 879.0	-1 947.1	-1 843.5	-1 957.8	-1 909.6	-2 022.8	-2 176.7
Denmark	7 880.2	6 182.2	6 566.3	7 098.2	7 220.3	7 567.5	8 294.7	7 863.1		10 850.0	8 734.0	9 169.0	9 847.0	9 945.0	10 438.0	11 441.0	11 088.0	less 6 y.o	-2 969.8	-2 551.8	-2 602.7	-2 748.8	-2 724.7	-2 870.5	-3 146.3	-3 224.9
Finland	..	..	..	..	..	..	..	..		459.5	408.2	450.7	454.6	479.9	498.9	525.6	545.3		-173.3	-155.0	-168.1	-196.3	-212.1	-217.9	-225.6	-227.4
France	8 417.1	8 690.6	8 977.6	9 211.9	9 550.2	10 531.5	11 244.4	11 015.2		8 417.1	8 690.6	8 977.6	9 211.9	9 550.2	10 531.5	11 244.4	11 015.2									
Germany	5 724.6	5 111.3	5 359.6	5 556.3	7 104.8	6 410.1	6 634.3	6 856.0		6 960.6	6 966.0	7 143.2	7 284.0	8 368.6	7 623.0	7 886.7	8 127.3	less 6 y.o	-1 236.1	-1 854.7	-1 783.6	-1 727.7	-1 263.9	-1 212.8	-1 252.4	-1 271.3
Greece	..	..	..	..	..	..	..	..		..	..	..	..	..	..	..	..									
Hungary	53 605.2	61 928.5	65 687.7	75 445.3	91 330.7	112 801.7	120 870.7	130 575.7		53 605.2	61 928.5	65 687.7	75 445.3	91 330.7	112 801.7	120 870.7	130 575.7									
Iceland	1 763.1	2 385.9	3 008.7	3 631.5	4 254.2	4 877.0	4 387.8	5 201.6		1 763.1	*2 385.9*	*3 008.7*	*3 631.5*	*4 254.2*	4 877.0	4 387.8	5 201.6									
Ireland	1.9	2.2	2.4	2.8	3.4	3.8	4.3	4.7		1.9	2.2	2.4	2.8	3.4	3.8	4.3	4.7									
Italy	4 475.5	4 848.1	5 374.8	5 898.5	5 096.6	5 929.2	6 261.6	6 514.5		4 475.5	4 848.1	5 374.8	5 898.5	5 096.6	5 929.2	6 261.6	6 514.5									
Japan	438 262.5	444 138.8	479 898.6	471 021.7	470 531.7	473 610.2	466 948.2	467 065.7		438 262.5	444 138.8	479 898.6	471 021.7	470 531.7	473 610.2	466 948.2	467 065.7									
Korea	185 161.5	168 563.2	205 915.0	376 579.1	357 257.7	400 929.7	469 899.3	572 682.3		185 161.5	168 563.2	205 915.0	376 579.1	357 257.7	400 929.7	469 899.3	572 682.3									
Luxembourg	..	..	..	..	..	..	..	..		..	..	..	..	..	..	..	..									
Mexico	12 257.6	19 963.2	25 813.5	27 078.8	32 706.3	45 867.1	40 867.2	47 826.6		12 257.6	19 963.2	25 813.5	27 078.8	32 706.3	45 867.1	40 867.2	47 826.6									
Netherlands	1 289.5	1 298.1	1 367.2	1 490.2	1 635.7	1 704.1	1 763.8	1 824.3		1 289.5	1 298.1	1 367.2	1 490.2	1 635.7	1 704.1	1 763.8	1 824.3									
New Zealand	589.4	614.3	637.2	658.0	695.8	753.1	818.2	923.2		267.4	288.8	294.4	318.9	350.2	373.9	425.5	536.8	plus 5 y.o	322.0	325.5	342.8	339.0	345.6	379.2	392.7	386.4
Norway	6 434.2	9 562.1	10 601.8	*11 669.2*	12 736.7	4 561.0	5 108.8	5 575.6		6 466.0	9 597.0	10 652.0	*11 720.5*	12 789.0	4 580.1	5 128.6	5 595.0	less 6 y.o	-31.8	-34.9	-50.2	*-51.3*	-52.3	-19.1	-19.8	-19.4
Poland	1 308.1	1 408.4	1 721.3	1 609.7	1 691.9	2 015.7	2 578.1	2 816.8		1 308.1	1 408.4	1 721.3	1 609.7	1 691.9	2 015.7	2 578.1	2 816.8									
Portugal	230.9	310.2	344.3	397.2	444.2	545.8	561.0	588.5		235.0	315.5	349.9	406.3	446.0	552.7	566.7	594.7	less 6 y.o	-4.1	-5.3	-5.6	-9.1	-1.7	-7.0	-5.7	-6.2
Slovak Republic	m	3 568.6	3 290.4	3 739.5	5 074.5	4 950.6	4 498.3	4 862.4		m	4 210.4	3 901.8	4 434.8	5 092.2	5 844.4	5 326.9	5 764.3	less 6 y.o		-641.8	-611.4	-695.3	-17.7	-893.8	-828.6	-901.8
Spain	1 823.8	1 874.5	2 331.9	2 677.3	3 083.1	3 619.2	4 067.7	4 769.2		1 823.8	1 874.5	2 331.9	2 677.3	3 083.1	3 619.2	4 067.7	4 769.2									
Sweden	7 538.9	7 422.4	7 053.4	7 176.4	8 353.6	8 685.2	9 689.5	10 888.4		11 155.0	11 534.0	10 642.0	10 778.0	12 273.0	12 344.0	13 389.0	14 906.0	less 6 y.o	-3 616.1	-4 111.6	-3 588.6	-3 601.6	-3 919.4	-3 658.8	-3 699.5	-4 017.6
Switzerland	484.8	494.1	566.9	576.1	608.5	612.7	606.2	663.7		774.0	788.0	879.3	880.6	916.1	920.1	896.4	962.8	less 6 y.o	-289.3	-294.0	-312.4	-304.5	-307.6	-307.4	-290.2	-299.1
Turkey	..	..	..	..	..	..	..	..		..	..	..	..	..	..	..	..									
United Kingdom	4 935.6	5 054.8	5 455.5	6 048.5	6 524.0	6 098.5	6 274.7	6 441.7		3 347.2	3 479.8	3 778.3	4 250.0	4 538.4	3 711.2	3 947.9	3 817.1	plus 5 y.o	1 588.4	1 575.0	1 677.2	1 798.5	1 985.6	2 387.3	2 326.8	2 624.7
United States	28 442.8	29 650.8	31 844.4	34 088.4	36 424.8	32 161.4	32 462.5	33 342.3		30 384.6	31 884.0	33 980.4	36 675.3	39 011.1	34 123.9	35 285.1	36 349.4	less 6 y.o	-1 941.8	-2 233.2	-2 136.0	-2 586.9	-2 586.4	-1 962.5	-2 822.6	-3 007.1

Note: shaded figures were not added in SOCX, as they were already included in ESSPROS; ISCED = International Standard Classification of Education.

Source: OECD Education database, via www.oecd.org/education/database.

ANNEX 2. ADDITIONAL INFORMATION ON NET SOCIAL EXPENDITURE: COUNTRY RESPONSES: 2001, 2003 AND 2005

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure

AUSTRALIA

A. Average Itemised Tax Rates (AITR %)

		2001	2003	2005
1	Old-age cash benefits			
1a	- public pensions			
	Age Pension	0.38	0.03	0.84
	Wife's Pension	0.38	1.25	0.14
	Widow's B Pension	0.26	0.77	0.67
1b	- early retirement benefits			
1c	- private pensions			
	Superannuation pension	16.83	15.07	13.58
	Superannuation Lump Sums	2.66	10.45	9.50
2	Survivors' benefits			
2a	- public pensions			
	Veteran's Service Pensions	0.68	0.00	0.54
3	Incapacity-related benefits			
3c	- Sickness payments			
	Sickness Allowance	0.45	0.09	0.05
4	Family cash benefits			
4a	- Family benefits			
	Parenting Allowance	1.03	1.49	1.44
	Partner Allowance	0.17	1.02	0.61
	Carer's Payment	0.00	0.19	0.31
4c	- Sole parent benefits			
	Sole Parent	0.64	0.92	1.43
6	Unemployment			
6b	- unemployment assistance benefit			
	Unemployment Benefits	1.10	0.81	1.11
9	Wage income	23.59	24.63	23.78

The AITRs for wage income, superannuation pensions and superannuation lump sums were calculated using a sample file of Australian tax returns in 2001. All other AITRs were calculated using the STINMOD model, a static microsimulation model developed by the National Center for Social and Economic Modelling (NATSEM).
The AITRs were obtained by calculating the amount of tax paid in aggregate with and without the income streams. The difference between the taxes paid was then divided by the value of the income stream to reveal the value of the AITR.

Sources: STINMOD distributional model. Revenue Group of The Treasury, Australian Government.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of Australian dollars

		2001	2003	2005
(1)	Private final consumption expenditure	428 260	493 287	547 458
(2)	Private consumption plus Government consumption minus Government wages	488 771	571 010	642 218
(3)	General consumption taxes plus excise duties (5110+5121)	48 445	57 029	62 896
	5110 General taxes	28 180	35 122	40 086
	5121 Excises	20 265	21 907	22 810
(4)	Taxes on production sale transfer (5100)	60 237	69 921	75 996
(5)	Taxes on Goods and Services (5000)	65 552	76 330	82 854
	Implicit average indirect tax rate on consumption out of benefit income:			
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**9.9%**	**10.0%**	**9.8%**
(7)	using a broad concept of the indirect tax base (5)/(2)	13.4%	13.4%	12.9%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	15.3%	15.5%	15.1%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Australian dollars)

	2001	2003	2005
Tax breaks similar to cash benefits	**849**	**798**	**1 093**
Tax offsets for taxpayers with dependants	16	15	20
Tax offset for housekeeper who cares for a prescribed dependant	360	370	390
Tax offset for low income earners	460	400	670
Exemption of rent subsidy payments under the Commonwealth/State mortgage and rent relief schemes	13	13	13
Tax breaks to stimulate private social protection (not including pensions)	**1 620**	**2 025**	**2 464**
Partial rebate for certain non-profit, non-government bodies	40	20	19
Deduction for gifts to approved donees	300	540	730
Capped exemption for public benevolent institutions (excluding public hospitals)	240	210	250
Various health-related items, see see Tax Expenditures Statement, 2004			
medical expenses tax offset	150	220	320
exemption from the Medicare levy for residents with a taxable income below a threshold	340	380	420
exemption for Medicare levy for non-residents	55	65	75
Income tested tax offset for private health insurance	-	-	
30% tax offset for expenditure on private health insurance	590	740	900
Medicare levy surcharge (negative tax expenditure for those above income threshold, but without insufficient private coverage)	-95	-150	-250
Memorandum Items			
Tax breaks for pensions	**10 575**	**14 255**	**18 805**
Concessional taxation of funded superannuation	9 215	13 400	17 930
Concessional taxation of unfunded superannuation lump sums	-	140	150
Concessional treatment of non-superannuation termination benefits	990	320	310
Capped taxation rates for lump sum payments for unused recreation and long service leave	210	190	150
Taxation of five per cent of unused longservice leave accumulated by 15 August 1978	135	85	85
Capital gains tax exemption on the sale of a small business at retirement	25	120	180

Source: Australian Government (2005, 2003), Tax Expenditure Statement, The Treasury, Canberra.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

AUSTRIA

A. Average Itemised Tax Rates (AITR %)

	2001	2003	2005
Old-age cash benefits (1 +3)	17.7%		
- public pensions		17.0%	16.6%
- private pensions		13.0%	16.6%
Incapacity-related benefits			
- Disability pensions	17.7%	17.0%	16.6%
- Occupational Injury benefits	0.0%	0.0%	0.0%
- Sickness payments	30.0%	30.0%	29.3%

Source: Ministry of Finance (Bundesministerium fur Finanzen), Wage Tax Statistics (2001, 2003, 2005).

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of euros

		2001	2003	2003
(1)	Private final consumption expenditure	121 602	128 525	137 776
(2)	Private consumption plus Government consumption minus Government wages	140 693	147 931	159 406
(3)	General consumption taxes plus excise duties (5110+5121)	22 854	23 988	25 878
	5110 General taxes	17 301	17 944	19 466
	5121 Excises	5 552	6 044	6 412
(4)	Taxes on production sale transfer (5100)	24 449	25 698	27 538
(5)	Taxes on Goods and Services (5000)	26 073	27 468	29 290
	Implicit average indirect tax rate on consumption out of benefit income:			
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**16.2%**	**16.2%**	**16.2%**
(7)	using a broad concept of the indirect tax base (5)/(2)	18.5%	18.6%	18.4%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	21.4%	21.4%	21.3%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003	2005
Tax breaks similar to cash benefits	**42.0**	**40.0**	**110.0**
Appliances for the disabled (Befreiung für Versehrten- und Invalidenfahrzeuge) § 2 Abs.1 Z 5, 12	2.0	-	-
Special tax relief (Außergewöhnliche Belastungen) § 34, 35	40.0	-	-
Tax credits for one-parent families		40.0	110.0
Tax breaks to stimulate private social protection (not including pensions)	**20.0**	**0.0**	**0.0**
Contributions to health, accident and pension insurance (Versicherungsbeiträge) § 18 Abs. 1 Z 2	20.0		
Memorandum Items			
Tax breaks for pensions	**130.0**	**130.0**	**195.0**
- Deduction of contributions to private pension insurances or funds as "special expenses"	130.0	130.0	150.0
- Premium (payable tax credit) for contributions to pension funds			45.0

Source: Budget Accounts, Forderungsbericht (2001, 2003, 2005), Ministry of Finance, Austria.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

BELGIUM

A. Amount of direct tax paid on benefit income (in millions of euros)

	2001	2003	2005
A.Taxes paid on transfer income (A1 minus A2 , then adding local tax rate *)	4 093.5	4 370.1	4 094.7
Pensions: PIT	5 060.1	5 457.8	5 972.0
Sickness: PIT	449.0	495.7	485.0
Early retirement: PIT	2.1	0.8	
Unemployment benefits: PIT	525.2	581.1	536.0
Total PIT (A1)	6 036.4	6 535.4	6 993.0
- Pensions: tax credit	1 722.1	1 923.9	2 525.0
- Sickness: tax credit	177.2	213.3	304.0
- Early retirement: tax credit	1.2	0.3	
- Unemployment benefits: tax credit	214.5	301.5	323.0
- Others	98.4	26.4	32.0
Total tax credits (A2)	2 213.4	2 465.4	3 184.0
Local tax rate	7.1%	7.4%	7.5%
B. Social security contributions	885.1	999.3	1 109.4
Total (A + B)	4 978.6	5 369.4	5 204.1

* Local tax rate is applied to income tax, which overestimates local tax amount as local taxes are only paid when the amount of the credit does not exhaust income tax.

The AITRs for wage income, superannuation pensions and superannuation lump sums were calculated using a sample file of Australian tax returns in 2001. All other AITRs were calculated using the STINMOD model, a static microsimulation model developed by the National Center for Social and Economic Modelling (NATSEM).

The AITRs were obtained by calculating the amount of tax paid in aggregate with and without the income streams. The difference between the taxes paid was then divided by the value of the income stream to reveal the value of the AITR.
Sources: STINMOD distributional model. Revenue Group of The Treasury, Australian Government.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of euros

		2001	2003	2003
(1)	Private final consumption expenditure	138 564	146 924	158 949
(2)	Private consumption plus Government consumption minus Government wages	164 106	176 283	191 495
(3)	General consumption taxes plus excise duties (5110+5121)	23 693	25 243	28 973
	5110 General taxes	18 060	19 076	21 854
	5121 Excises	5 632	6 168	7 118
(4)	Taxes on production sale transfer (5100)	26 478	28 079	31 851
(5)	Taxes on Goods and Services (5000)	28 451	30 147	34 220
	Implicit average indirect tax rate on consumption out of benefit income:			
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**14.4%**	**14.3%**	**15.1%**
(7)	using a broad concept of the indirect tax base (5)/(2)	17.3%	17.1%	17.9%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	20.5%	20.5%	21.5%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in million of Euros)

	2001	2003	2005
Tax breaks similar to cash benefits	**1 355.8**	**1 521.0**	**1 572.7**
Tax credit for children	1 275.6	1 443.8	1 454.5
Compl. Sickness contr.	0.0	0.0	
Allowance "ALE"	16.9	17.3	13.8
Allowance Childcare expenses	63.3	59.9	104.4
Tax breaks to stimulate private social protection (not including pensions)	**0.0**	**0.0**	**0.0**
Memorandum Items			
Tax breaks for pensions	**363.3**	**382.1**	**518.5**
Pension savings (3rd pillar)	262.8	287.7	409.7
Pension savings (2d pillar)	100.5	94.4	108.8

Source: Ministry of Finance, Belgium, from IPP (Impôt des Personnes Physiques).

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

CANADA

A. Average Itemised Tax Rates (AITR %)

		2001	2003	2005
1	Old-age Cash Benefits	15.02%	14.28%	14.61%
1a	- Public Pensions (OAS)	6.06%	5.76%	5.89%
1b	- Private Pensions	18.49%	17.54%	17.70%
2	Canadian Pension Plan (Retirement)	9.46%	8.70%	8.78%
3	Canadian Pension Plan (Disability)	2.57%	1.86%	1.94%
4	Employment Insurance	9.05%	8.35%	6.54%
4a	- Regular Employment Insurance	..	8.63%	7.07%
4b	- Parental Leave Payments	..	..	..
4c	- Active Labour Market Programs	..	0.37%	1.41%
5	Worker's Compensation	2.41%	2.48%	1.41%
6	Guaranteed Income Supplement	0.52%	0.54%	1.01%
7	Social Assistance	0.02%	0.12%	0.14%
8	Wage Income	22.20%	22.13%	21.48%

The sample used for the microdataset simulation was a stratified sample of approximately 450 000 records, weighted to represent all taxfilers in Canada. The sample is provided by the Canada Revenue Agency.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of Canadian dollars

		2001	2003	2005
(1)	Private final consumption expenditure	608 549	670 618	760 701
(2)	Private consumption plus Government consumption minus Government wages	693 669	763 841	866 787
(3)	General consumption taxes plus excise duties (5110+5121)	77 609	85 489	92 865
	5110 General taxes	58 093	62 604	69 902
	5121 Excises	19 516	22 885	22 963
(4)	Taxes on production sale transfer (5100)	92 940	102 262	111 536
(5)	Taxes on Goods and Services (5000)	98 466	108 132	118 599
	Implicit average indirect tax rate on consumption out of benefit income:			
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**11.2%**	**11.2%**	**10.7%**
(7)	using a broad concept of the indirect tax base (5)/(2)	14.2%	14.2%	13.7%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	16.2%	16.1%	15.6%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Canadian dollars)

		2001	2003	2005
	Tax breaks similar to cash benefits (total without 5 and 8 below)	**11 189**	**12 741**	**13 914**
1	Disability Tax Credit	464	512	561
2	Provincial Tax Reduction	339	409	530
3	Infirm dependant credit			
	Caregiver credit	85	107	117
4	Attendant Care expense	0.3	0.8	1.7
5	Canadian Child Tax Benefit/National Child Benefit (amount not included in total TBSP, as already accounted in SOCX]	7 640	8 185	9 145
6	Medical expense supplement for earners	55	68	92
7	Deductibility of charitable donations from corporate income tax	260	290	345
8	Age amount (amount not included in total TBSP, as already taken into account when calculating AITRs)	1 916	2 036	2 010
9	Medical expense tax credit	920	1 116	1 476
10	Child care expense deduction	1 112	1 002	1 207
11	Adoption Expense Deduction	-	-	4
12	Amount for an eligible dependant	824	873	880
13	Non-taxation of employer paid premiums	4 444	5 474	5 989
14	Portion of refundable tax credits that offsets tax liability	2 686	2 890	2 712
	Tax breaks to stimulate private social protection (not including pensions)	**7 646**	**9 309**	**10 381**
	Non-Taxation of employer-paid CPP premiums	4 445	5 474	5 989
	Non-taxation of employer paid health and dental benefits	1 710	2 010	2 135
	Charitable donations credit	1 491	1 825	2 257
	Memorandum item			
	Tax breaks for pensions (1+2+3)	**5 610.5**	**14 628.1**	**23 465.0**
	Revenue foregone method:			
1	Pension Income Deduction	625.5	653.1	
2	Registered retirement savings plans (RRSPs)			
	Deduction for contributions	6 225.0	6 000.0	6 760.0
	Non-taxation of investment income	1 280.0	4 080.0	7 160.0
	Taxation of withdrawals	-3 465.0	-3 670.0	-4 155.0
	Net tax expenditure	4 040.0	6 410.0	9 765.0
3	Registered pension plans (RPPs)			
	Deduction for contributions	4 575.0	6 615.0	8 415.0
	Non-taxation of investment income	2 785.0	7 530.0	12 465.0
	Taxation of withdrawals	-6 415.0	-6 580.0	-7 180.0
	Net tax expenditure	945.0	7 565.0	13 700.0
	Supplementary information:			
	Present value of tax assistance for retirement savings plans *	5 670.0	6 820.0	8 340.0

* The present-value estimates reflect the lifetime cost of a given year's contributions. This definition is different from that used for the cash-flow estimates, and thus the two sets of estimates are not directly comparable.

Data supplied by Finance Canada, from Department of Finance Canada (2004, 2002), Tax Expenditures and Evaluations, Ottawa.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

CZECH REPUBLIC

A. Amount of direct tax paid on benefit income (in millions of Czech koruny)

	2001	2003	2005
Total tax paid on transfer income			
old-age pensions	1.0	3.0	14.6

Source: Ministry of Finance, Tax Policy Unit; Czech Social Security Administation.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of Czech koruny

		2001	2003	2003
(1)	Private final consumption expenditure	1 155 631	1 315 067	1 462 746
(2)	Private consumption plus Government consumption minus Government wages	1 417 253	1 705 266	1 882 995
(3)	General consumption taxes plus excise duties (5110+5121)	226 064	251 915	325 652
	5110 General taxes	149 271	164 376	215 118
	5121 Excises	76 793	87 539	110 534
(4)	Taxes on production sale transfer (5100)	236 231	262 443	325 861
(5)	Taxes on Goods and Services (5000)	254 395	285 546	350 949
	Implicit average indirect tax rate on consumption out of benefit income:			
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**16.0%**	**14.8%**	**17.3%**
(7)	using a broad concept of the indirect tax base (5)/(2)	17.9%	16.7%	18.6%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	22.0%	21.7%	24.0%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Czech koruny)

	2001	2003	2005
Tax breaks similar to cash benefits	**11 084**	**11 731**	**14 688**
1. Tax breaks similar to cash benefits			
1.1 Tax exemptions (Personal Income Tax):			
* non-monetary benefits covered from the fund for cultural and social needs or profit after tax provided by an employer to his employee in form of recreational, health care, educational facilities, etc.	528	648	*795.3*
1.2 Allowances from the tax base (Personal Income Tax; social insurance contributions are deductible from the tax base):			
* per each dependent child living with the taxpayer in one household	10 000	10 500	13 484
* per each handicapped dependent child requiring an escort	188	197	
* per handicapped spouse requiring an escort living with taxpayer in one household unless the spouse's own income exceeds low income limit	8	8	9
* per handicapped taxpayer requiring an escort	60	63	66
* gifts donated to municipalities or to legal entities for financing science, education, culture, schools, police, youth welfare, animal protection, environment, humanitarian projects etc.	300	315	334
Tax breaks to stimulate private social protection (not including pensions)	**4 073**	**1 485**	**1 701**
2.1 Corporate Income Tax			
* tax credits for disabled employees	3 973	1 352	1 564
2.2 Personal Income Tax			
* tax credits for disabled employee	100	133	137
Memorandum item			
Tax breaks for pensions	**1 105**	**1 679**	**3 390**
1. Deduction of contributions to private pensions - income tax exemptions and allowances from the tax base			
* exemption of contributions of employers on behalf of their employees on pension insurance with state contribution from personal income tax up to a ceiling of 5 per cent of employer's gross wage	380	540	779
* deduction of contributions of employers on behalf of their employees on pension insurance with state contribution from employer's tax base up to a ceiling of 3 per cent of gross wage of the employee	465	759	694
* contributions of employees on their pension insurance with state contribution	260	380	644
* deduction on behalf on pension insurance with state contribution from personal income tax up to a ceiling	-	-	1 273
2. Non-taxation of investment of private pension funds			
* there is income tax of 15 % from the returns of private pension funds - standard tax rate is 28 %	-	-	-
* reduced 15 % withholding tax on benefits/returns paid by the pension funds to the contributors	..	..	..
* reduced 15 % withholding tax on benefits/returns paid by the life insurance to the contributors	..	..	..

Sources: Tax Statistics, Czech Ministry of Finance; and the Association of Pension Funds of the Czech Republic.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

DENMARK

A. Average Itemised Tax Rates - AITR %

	2001		2003		2005
	Tax and Social security		Tax and Social security		Tax and Social secur
1 Social pension					
- state old age pension	27.68	(98%)	27.20	(98%)	27.25
- disability pension	26.92	(75%)	26.22	(75%)	26.38
- anticipated old age pension	23.78	(84%)	23.69	(84%)	26.57
2 Supplementary pensions (ATP)	30.68		29.79		29.83
3 Civil servants pension	34.77		34.00		33.66
4 Early retirement pensions (Delpension)	32.30		31.48		30.19
5 Sickness benefit	36.36		36.49		36.75
6 Parental leave	28.85		28.56		28.69
7 Unemployment benefits	32.78		32.66		32.58
8 Early retirement benefits	29.38		28.16		28.09
9 Occupational accidents	36.07		32.05		36.29
10 Survivors	10.00		10.00		10.00
11 Childbirth benefit (barsel)	39.71		37.21		37.59
12 Items under active labour market policy					
- Measures by regional labour market councils	26.89		26.42		26.02
- Employment measures for disabled	31.30		30.72		30.87
13 Other, war victims	35.30	(90%)	33.95	(90%)	33.50
14 Other, wage earn. Guar. Fond.	44.10		39.31		35.40

In parentheses: proportion of spending subject to taxation if not 100%.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions Danish kroner

		2001	2003	2003
(1)	Private final consumption expenditure	626 519	675 624	759 776
(2)	Private consumption plus Government consumption minus Government wages	741 024	794 308	893 635
(3)	General consumption taxes plus excise duties (5110+5121)	196 103	204 374	231 127
	5110 General taxes	128 550	135 092	155 088
	5121 Excises	67 553	69 282	76 039
(4)	Taxes on production sale transfer (5100)	200 718	209 847	238 250
(5)	Taxes on Goods and Services (5000)	212 236	222 024	251 636
	Implicit average indirect tax rate on consumption out of benefit income:			
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**26.5%**	**25.7%**	**25.9%**
(7)	using a broad concept of the indirect tax base (5)/(2)	28.6%	28.0%	28.2%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	33.9%	32.9%	33.1%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Danish kroner)

	2001	2003	2005
Tax breaks similar to cash benefits	182	189	201
Supplement for older people "Engangsbelob" (67+)	135	140	147
Capital tax reduction for older people (67+)	0	0	
Housing for older people "Plejehjem"	47	49	54
Tax breaks to stimulate private social protection (not including pensions)	0	0	0
Memorandum item			
Tax breaks for pensions	0	0	0

Source: Ministry of Finance, Denmark.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

FINLAND

A. Average Itemised Tax Rates (%)

		2001	2003	2005
1	Old-age cash benefits			
1a	- public pensions	19.7	19.4	19.9
1c	- private pensions	28.6	28.9	28.7
2	Survivors' benefits			
2a	- public pensions	19.1	19.8	19.9
3	Incapacity-related benefits			
3a	- Disability pensions	17.5	17.6	16.5
3b	- Occupational Injury benefits	26.2	23.5	24.3
3c	- Sickness payments	26.8	24.4	24.5
4	Family cash benefits			
4a	- Family benefits	16.7	17.0	17.2
4b	- Maternity and parental leave payments	21.7	21.5	21.6
5	Active labour market policies			
5a	- benefits while on training	19.4	19.9	20.0
6	Unemployment			
6a	- unemployment insurance benefit	20.5	20.5	20.5
6b	- unemployment assistance benefit	18.6	18.1	18.2

The micro-simulation model used in the Ministry of Finance is based on a representative sample of some 25 000 individual taxpayers. The model is used for the planning of national tax policies and for estimating the effect of tax policy alterations on tax revenues and on the income tax liabilities of taxpayers at different income levels. The information is in principle collected for the Income Distribution Survey from Statistics Finland. The sample covers about 0,5% of the total taxpayer population, but the model has been made representative for the total taxpayer population. The dataset is updated annually.

Source : Ministry of Finance.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of euros

		2001	2003	2005
(1)	Private final consumption expenditure	67 978	75 145	81 212
(2)	Private consumption plus Government consumption minus Government wages	78 424	87 259	94 373
(3)	General consumption taxes plus excise duties (5110+5121)	16 789	18 657	19 623
	5110 General taxes	11 118	12 455	13 658
	5121 Excises	5 671	6 202	5 965
(4)	Taxes on production sale transfer (5100)	18 004	20 011	21 098
(5)	Taxes on Goods and Services (5000)	18 462	20 509	21 663
	Implicit average indirect tax rate on consumption out of benefit income:			
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**21.4%**	**21.4%**	**20.8%**
(7)	using a broad concept of the indirect tax base (5)/(2)	23.5%	23.5%	23.0%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	27.2%	27.3%	26.7%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003	2005
Tax breaks similar to cash benefits	**0**	**0**	**0**
Tax breaks to stimulate private social protection (not including pensions)	**0**	**0**	**0**
Memorandum Items			
Tax breaks for pension	**170**	**205**	**220**
- Deduction of contributions to private pensions	170	205	220

Source: Ministry of Finance, Finland.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

FRANCE

A. Amount of direct tax paid on benefit income (in millions of euros)

		2001	2003	2005	Income tax	SSC
	Total (income tax + social security contributions)	21 192.2	22 247.8	25 172	10 150	15 022
1-2-3a	Old-age, survivors' benefits, disability pensions	15 160	16 292	19 026	8 020	11 006
3b	Occupational Injury benefits	130	154	156	0	156
3c	Sickness payments	1 352	1 365	1 462	800	662
4a-4c	Family and sole parent cash benefits	660	684	738	260	478
4b	Maternity and parental leave payments	220	283	282	110	172
5	Active labour market policies	1 570	1 417	973	70	903
6	Unemployment	2 040	1 987	2 469	890	1 579
7	Housing	60	66	66	0	66

Sources: See Table C below.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of euros

		2001	2003	2005
(1)	Private final consumption expenditure	807 494	890 017	977 687
(2)	Private consumption plus Government consumption minus Government wages	951 135	1 051 832	1 157 757
(3)	General consumption taxes plus excise duties (5110+5121)	150 963	158 765	173 066
	5110 General taxes	110 727	115 705	129 844
	5121 Excises	40 236	43 060	43 222
(4)	Taxes on production sale transfer (5100)	163 101	171 594	187 255
(5)	Taxes on Goods and Services (5000)	167 409	175 805	191 791
	Implicit average indirect tax rate on consumption out of benefit income:			
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**15.9%**	**15.1%**	**14.9%**
(7)	using a broad concept of the indirect tax base (5)/(2)	17.6%	16.7%	16.6%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	20.7%	19.8%	19.6%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003	2005
Tax breaks Similar to cash benefits	**14 750**	**16 280**	**18 404**
Vieillesse			
Foncier bâti : Dégrèvement partiel	50	138	55
Vieillesse - invalidité			
Foncier bâti : exonération totale	290	300	339
Vieillesse - invalidité-survie			
Taxe d'habitation : exonération totale	1 220	1 250	1 345
Famille-invalidité			
Impôt sur le revenu : quotient familial	9 700	9 866	10 987
Taxe d'habitation : abattement pour charge de famille	1 070	1 130	1 300
Taxe d'habitation : effet du quotient familial sur les dégrèvements partiels	100	100	120
Famille			
Impôt sur le revenu : déduction des pensions pour enfants majeurs étudiants	280	290	333
Impôt sur le revenu : réduction d'impôt pour enfants scolarisés	400	399	372
Impôt sur le revenu : réduction d'impôt pour frais de garde d'enfants de moins de 7 ans	190	200	131
Autres domaines de politique sociale			
Prime pour l'Emploi	1 250	2 322	3 127
Taxe d'habitation : dégrèvement total pour les titulaires du RMI	200	285	295
Tax breaks to stimulate private social protection (not including pensions)	**340**	**320**	**382**
Logement			
Impôt sur le revenu : déductions pour la location à des ménages modestes	-	-	-
Impôt sur les bénéfices : exonération des offices HLM et OPAC	260	270	300
Autres domaines de politique sociale			
Impôt sur le revenu : réduction pour dons aux personnes en difficulté	40	50	82

Sources: Amounts supplied by DREES/INSEE, based on estimates from ACOSS (Agence Centrale des Organismes de Sécurité Sociale) and Drees (comptes de la protection sociale).
Income tax and tax breaks for social purposes: Direction Générale des Impôts, INES model (Insee-Drees).

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

GERMANY

A. Amount of direct tax paid on benefit income (in millions of euros)

	2001	2003	2005
Direct taxes and social contributions paid on public cash benefits	**26 445.6**	**26 856.1**	**30 911.6**
Social contributions paid by recipients of benefits (unemployment , disability, etc.)	16 308.0	17 141.0	18 728.0
Income tax on pensions	5 134.0	4 748.8	6 900.0
Social security contributions	1 009.9	928.1	1 322.7
Soc. Sec. Cont. on pensions for farmers	255.7	227.2	266.4
Soc Sec Cont on "versorgungswerke"	146.7	155.9	263.1
Supplementary Pensions in Civil Service	607.4	545.0	793.2
Progressionsvorbehalt	1 600.0	1 670.0	1 895.0
Tax and social contributions on family wage supplements (public employers)	2 393.7	2 368.3	2 065.9
Direct taxes and social contributions paid on mandatory private cash benefits	**9 445.6**	**9 271.5**	**8 595.2**
Continued wage payments in case of sickness (Entgeltfortzahlung)	8 919.4	8 746.2	8 176.5
Continued Wage Payments: Maternity and parental leave	526.2	525.3	418.7
Direct taxes and social contributions paid on voluntary private cash benefits	**2 562.7**	**3 192.7**	**3 856.0**
Tax over BAV (company pension)	1 189.5	1 305.5	1 775.0
Soc. Sec. cont over BAV (company pension)	1 092.8	1 492.0	1 713.2
Tax and soc.sec. cont over other payments	280.4	395.2	367.8

Source: Bundesministerium für Arbeit und Sozialordnung; Calculated while using the nettolohnquote as in the national accounts.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of euros

		2001	2003	2005
(1)	Private final consumption expenditure	1 232 660	1 287 640	1 326 400
(2)	Private consumption plus Government consumption minus Government wages	1 461 230	1 534 140	1 579 460
(3)	General consumption taxes plus excise duties (5110+5121)	200 521	206 353	205 306
	5110 General taxes	138 935	137 568	140 121
	5121 Excises	61 586	68 785	65 185
(4)	Taxes on production sale transfer (5100)	210 991	218 371	217 622
(5)	Taxes on Goods and Services (5000)	219 602	225 951	226 554
	Implicit average indirect tax rate on consumption out of benefit income:			
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**13.7%**	**13.5%**	**13.0%**
(7)	using a broad concept of the indirect tax base (5)/(2)	15.0%	14.7%	14.3%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	17.8%	17.5%	17.1%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003	2005
Tax breaks similar to cash benefits	33 327.0	36 473.0	33 108.0
Special expenses for owner-occupied homes	1 733.0	430.0	30.0
Child component in conjunction with sec.10 e EStG (sec. 34 f EStG)	460.0	65.0	30.0
Owner-occupied Homes Premium Law, total	8 050.0	10 536.0	10 247.0
Employee savings premiums for productive investment (sec. 19 a EStG)	41.0	41.0	36.0
Deduction of occupational training expenses	79.0	85.0	315.0
Motor vehicle tax exemption for physically disabled persons	135.0	130.0	140.0
Household allowance	1 100.0	1 000.0	580.0
Deduction for extraordinary financial burdens	465.0	475.0	650.0
Deduction for extraordinary financial burdens in special instances	1 094.0	659.0	655.0
Lump sum allowances for the physically disabled and others	798.0	810.0	805.0
Lump sum care allowance	72.0	72.0	60.0
Childcare expenses (Kinderbetreuungskosten)	-	170.0	160.0
Family benefits (child tax credit)	19 300.0	22 000.0	19 400.0
For information: Family benefits (Familienlastenausgleich: tax credit + cash benefits)	*(32 020.7)*	*(36 080)*	*(36 500)*
Tax breaks to stimulate private social protection (not including pensions)	9 480.0	9 485.0	9 480.0
Exclusion of contributions to health and accident insurance	8 400.0	8 400.0	8 400.0
Donations to (approved) NGOs and political parties	1 080.0	1 085.0	1 080.0
Memorandum Item			
Tax breaks to pensions	17 520.0	18 280.0	19 585.0
- Deduction of contributions to public pensions	14 300.0	15 100.0	16 500.0
- Deduction of private life insurances	2 300.0	2 200.0	2 100.0
- Lump sump taxation of contributions to occupational pension plans	920.0	980.0	985.0

a) Donation to political parties are not in the social domain. However, the value of these donations cannot be separately identified, but is considered smaller that the donations to NGOs, and therefore this item is included in the list here.

Source : Bundesministerium fur Arbeit und Sozialordnung, Bundesministerium für Finanzen, Germany.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

ICELAND

A. Amount of direct tax paid on benefit income (in millions of Islandic krónur)

	2001	2003	2005
Total tax paid (including soc. sec. cont.) on public transfer income	**4 671**	**6 075**	**6 767**
of which:			
- Income tax	4 671	6 075	6 767
Total tax paid (including soc. sec. cont.) on private transfer income	**4 457**	**5 942**	**7 407**
of which:			
- Income tax	4 457	5 942	7 407

Source: Ministry of Finance, Economic Department.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of Islandic krónur

		2001	2003	2005
(1)	Private final consumption expenditure	408 413	460 363	610 138
(2)	Private consumption plus Government consumption minus Government wages	475 924	537 924	700 716
(3)	General consumption taxes plus excise duties (5110+5121)	98 737	112 423	151 589
	5110 General taxes	77 232	87 938	117 031
	5121 Excises	21 505	24 485	34 558
(4)	Taxes on production sale transfer (5100)	106 318	120 368	160 767
(5)	Taxes on Goods and Services (5000)	114 876	130 083	170 721
Implicit average indirect tax rate on consumption out of benefit income:				
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**20.7%**	**20.9%**	**21.6%**
(7)	using a broad concept of the indirect tax base (5)/(2)	24.1%	24.2%	24.4%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	28.1%	28.3%	28.0%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Islandic krónur)

	2001	2003	2005
Tax breaks similar to cash benefits	0	0	0
Tax breaks to stimulate private social protection (not including pensions)	0	0	0
Memorendum item			
Tax breaks for pension	6 888	8 619	10 596

Source: Ministry of Finance of Iceland, Economic Department.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

IRELAND

A. Amount of direct tax paid on benefit income (in millions of euros)

	2001	2003	2005
Total tax paid (including soc. sec. cont.) on transfer income	**299.4**	**331.6**	**371.3**
Social Security Pension	267.6	291.4	326.7
Social Security Disability Benefit	20.6	23.2	27.8
Social security Unemployment Benefit	11.2	17.0	16.8

Source : Ireland Revenue, Income Tax Returns for 2003, 2004 (SAS).

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of euros)

	2001	2003	2005
(1) Private final consumption expenditure	53 582	63 018	73 708
(2) Private consumption plus Government consumption minus Government wages	60 950	71 726	84 253
(3) General consumption taxes plus excise duties (5110+5121)	12 128	14 483	17 696
5110 General taxes	7 999	9 814	12 364
5121 Excises	4 129	4 669	5 332
(4) Taxes on production sale transfer (5100)	12 343	14 668	17 840
(5) Taxes on Goods and Services (5000)	12 902	15 362	18 658
Implicit average indirect tax rate on consumption out of benefit income:			
(6) using general consumption taxes plus excise duties (3)/(2)	**19.9%**	**20.2%**	**21.0%**
(7) using a broad concept of the indirect tax base (5)/(2)	21.2%	21.4%	22.1%
(8) using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	24.1%	24.4%	25.3%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003 *	2005 *
Tax breaks similar to cash benefits	**196.6**	**319.3**	**395.6**
Exemption of statutory redundancy payments	8.7	25.1	76.9
Widowed person's allowance (data do not cover non-tax payers)	82.6	122.3	125.7
Additional allowance to widowed person in year of bereavement	4.2	6.1	4.9
Additional bereavement allowance to widowed parent	3.9	5.6	4.0
Additional personal allowance for one parent family	91.5	137.8	150.8
Additional allowance for incapacitated child	2.7	4.4	5.0
Dependent relative allowance	0.8	1.1	1.1
Person taking care of incapacitated taxpayer	0.4	0.6	1.3
Donations to approved bodies	1.8	16.3	25.9
Tax breaks to stimulate private social protection (not including pensions)	**205.5**	**226.6**	**330.3**
Relief in respect of medical insurance premiums	168	161.7	218.2
Health expenses relief	36	63.2	109.6
Contributions under permanent health benefit schemes after deduction of tax on benefits received	1.5	1.7	2.5
Memorendum item			
Tax breaks to pensions	**2 009.5**	**2 708.9**	**2 240.0**
Employee's Contributions to Approved Superannuation Schemes:	388.7	563.3	540.0
Employer's Contributions to Approved Superannuation Schemes **	497.7	623.1	120.0
Exemption of Net Income of Approved Superannuation Funds	938.4	1 271.6	1 200.0
Retirement Annuity Premiums (Individual private pensions)	184.7	250.9	380.0

* TBSPs are for 2002 instead of 2003 and 2004 instead of 2005.
** Newly available 2006 aggregate data on contributions to pension schemes by employers and employees arising from a P35 initiative introduced on foot of provisions that were included in Finance Act 2004 with a view to improving data quality have allowed estimates of the cost of tax for private pension provision for 2006 to be made. Further work is ongoing to provide similar estimates for 2005. As similar data sources would not be available for previous years, it is not possible to provide costings on a similar basis for those years.

Source: Office of the Revenue Commissioners, Statistical Reports.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

ITALY

A. Amount of direct tax paid on benefit income (in millions of euros)

	2001	2003	2005
1 Old-age cash benefits			
1a - public pensions (mandatory)	16 711.5	18 697.0	21 835.1
1b - early retirement benefits			
1c - private pensions (non mandatory)	471.7	505.0	543.0
2 Survivors' benefits			
2a - public pensions (mandatory)	4 082.3	4 371.0	4 972.3
2b - private pensions (non mandatory)	133.6	142.7	155.3
3 Incapacity-related benefits			
3b-1 - Occupational Injury benefits (mandatory)	2 206.6	2 142.1	2 094.4
3b-2 - Occupational Injury benefits (non mandatory)	15.7	14.6	14.7
Total	23 621.4	25 872.4	29 614.8

Source: Official administrative information from National Institute for Social Security (INPS).

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of euros

	2001	2003	2005
(1) Private final consumption expenditure	732 679	789 026	842 106
(2) Private consumption plus Government consumption minus Government wages	831 372	907 219	976 382
(3) General consumption taxes plus excise duties (5110+5121)	109 049	112 185	117 712
5110 General taxes	77 796	79 486	85 317
5121 Excises	31 253	32 699	32 395
(4) Taxes on production sale transfer (5100)	125 532	129 538	138 938
(5) Taxes on Goods and Services (5000)	139 788	143 950	154 153
Implicit average indirect tax rate on consumption out of benefit income:			
(6) using general consumption taxes plus excise duties (3)/(2)	**13.1%**	**12.4%**	**12.1%**
(7) using a broad concept of the indirect tax base (5)/(2)	16.8%	15.9%	15.8%
(8) using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	19.1%	18.2%	18.3%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003	2005
Tax breaks similar to cash benefits	**1 729.9**	**2 048.8**	**2 400.3**
Tax credits:			
Healthcare expenses	1 493.3	1 803.3	2 092.8
Healthcare expenses for disabled (1)	7.1		
Other expenses for disabled (vehicles, dogs, …)	17.8		
Education expenses	188.5	206.1	249.6
Tax deductions:			
Medical expenses for disabled (2)	23.3	39.4	57.9
Tax breaks to stimulate private social protection (not including pensions)	**1 691.8**	**1 458.2**	**1 236.0**
Tax credits:			
Donations to ONLUS	24.9	36.4	38.7
Contributions to mutual assistance associations	4.8		
Contributions to health and accident insurance	1 662.2	1 421.8	1 197.3
Memorendum item			
Tax breaks to pensions	**106.6**	**190.6**	**260.5**
- Deduction of contributions to private pensions	102.9	178.4	244.9
- Non-taxation of investment of private pension funds (3)	3.7	12.2	15.6

1) For years 2003 and 2005 healthcare expenses include healthcare expenses for disabled

2) The estimate is based on the amount of the relevant deductions as recorded in all individual tax returns, distributed in 30 income class. The revenue foregone is calculated applying to the deductions in each income class the corresponding P.I.T. average implicit tax rate.

3) The tax break in years 2001, 2003 and 2005 are the reduction of tax rate by 1.5%. The estimate is based on administrative data for the tax revenue from income of pension funds. The tax revenue without the tax break is estimated by applying the ordinary tax rate of 12.5% to the 2001, 2003 and 2005 taxable income. The revenue foregone is then calculated as the difference between this estimated tax revenue and the actual tax revenue.

Source: Official administrative information from National Institute for Social Security (INPS).

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

JAPAN

A. Amount of direct tax paid on benefit income (in millions of yen)

	2001	2003	2005
Income tax rate of 0.01% + Health insurance contribution of 2.72% + Long term care insurance contribution of 1.82% in 2005			
- public old pensions	1 097 156.9	1 167 918	1 994 849
- mandatory private old age pensions	83 106.0	77 246	89 074
- voluntary private old age pensions	392 625.3	343 467	305 574

OECD Secretariat temporary estimate based on 2003 tax rates.

Source: Ministry of Finance of Japan and estimates from National Institute of Population and Social Security Research.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of yen

		2001	2003	2005
(1)	Private final consumption expenditure	286 240	282 702 000	285 935 600
(2)	Private consumption plus Government consumption minus Government wages	339 798	338 705 600	345 042 500
(3)	General consumption taxes plus excise duties (5110+5121)	21 985	21 793 000	22 705 400
	5110 General taxes	12 241	12 107 000	13 134 600
	5121 Excises	9 744	9 686 000	9 570 800
(4)	Taxes on production sale transfer (5100)	22 991	22 732 000	23 722 200
(5)	Taxes on Goods and Services (5000)	26 052	25 793 000	26 786 000
	Implicit average indirect tax rate on consumption out of benefit income:			
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**6.5%**	**6.4%**	**6.6%**
(7)	using a broad concept of the indirect tax base (5)/(2)	7.7%	7.6%	7.8%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	9.1%	9.1%	9.4%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of yen)

	2001	2003	2005
TBSPs similar to cash benefits *	**5 104 700**	**3 750 000**	**3 900 000**
Deduction for dependent family other than spouses (General taxation)	2 100 000	2 370 000	2 400 000
Deduction for handicapped, survivors and working students (General taxation)	700 000	140 000	100 000
Deduction for the elderly	..	210 000	100 000
Deduction for medical expenses	564 700	1 030 000	1 300 000
Deduction for retirement income	1 740 000	..	..
Tax breaks to stimulate private social protection (not including pensions)	**105 000**	**130 000**	**25 000**
Exclusion of income from social insurance medical services	105 000	130 000	25 000
Memorendum item			
Tax breaks to pensions	**3 620 000**	**460 000**	**300 000**
- Deduction of contributions to private pensions (e.g occupational pension plans, individual retirement accounts, RRSPs, Superannuation, etc)	-	460 000	300 000
- Non-taxation of investment of private pension funds	-	..	..

* The amount of the "Deduction for the elderly" is not available in 2001. In 2003 and 2005, the amounts of the "Deduction for retirement income" are not available.

Source: Information supplied by the Ministry of Finance of Japan.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

KOREA

A. Amount of direct tax paid on benefit income (in millions wons)

	2001	2003	2005
Public social expenditure			
Social contributions	**34 842**	**51 109**	**131 947**
Mandatory private social expenditure	**27 988**	**43 213**	**69 491**
Voluntary private social expenditure	**27 988**	**43 213**	**69 491**

Source: See table C below.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of wons

		2001	2003	2005
(1)	Private final consumption expenditure	326 209 873	389 177 200	426 690 600
(2)	Private consumption plus Government consumption minus Government wages	342 752 889	436 863 200	483 859 900
(3)	General consumption taxes plus excise duties (5110+5121)	44 123 000	51 929 000	61 006 000
	5110 General taxes	25 835 000	33 447 000	36 118 000
	5121 Excises	18 288 000	18 482 000	24 888 000
(4)	Taxes on production sale transfer (5100)	57 430 000	66 354 000	69 069 000
(5)	Taxes on Goods and Services (5000)	59 377 000	68 197 000	71 041 000
Implicit average indirect tax rate on consumption out of benefit income:				
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**12.9%**	**11.9%**	**12.6%**
(7)	using a broad concept of the indirect tax base (5)/(2)	17.3%	15.6%	14.7%
(8)	using a broad concept of the indirect tax base and ignoring government consumption (5)/(1)	18.2%	17.5%	16.6%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of wons)

	2001	2003	2005
Tax breaks similar to cash benefits	2 024 445	4 709 134	5 096 832
Tax abatement for non-profit corporation	20 793	30 480	44 377
for social welfare support institution	186 937	202 616	179 389
for imported goods for the disabled	7 744	26 292	8 190
for the cars used by the disabled	178 192	65 743	37 776
Income deduction (tax credit)	1 630 780	4 384 003	4 827 100
Tax breaks to stimulate private social protection (not including pensions)	0	0	0

Gho, K.H, Chang Y.S (2007), Estimation of Net Social Expenditure in Korea on the Basis of the OECD Guidelines: 1990-2005 (in Korean only), Korean Institute for Health and Social Affairs (KIHASA), Korea.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

Luxembourg

A. Average Itemised Tax Rates (AITR %)

		ESSPROS scheme(s)	ESSPROS category	2003	2005
1	Old-age cash benefits				
1a	- public pensions (2)	3: Pension scheme	1131111	8.3%	9.4%
1b	- early retirement benefits (public)	3: Pension scheme	1131112	8.0%	9.4%
1c1	- private pensions (3)	17+18+19+20: Special Pension scheme	1131111	17.3%	18.6%
1c2	- early retirement benefits (private)	17+18+19+20: Special Pension scheme	1131112	18.3%	19.6%
2	Old-age cash benefits (survivor)				
2a	- public pensions (2)	3: Pension scheme	1141111	5.7%	6.5%
2b	- private pensions (3)	17+18+19+20: Special Pension scheme	1141111	10.6%	12.1%
3	Incapacity-related benefits				
3a1	- Disability pensions (public)	3: Pension scheme	1121111	5.7%	6.5%
3a2	- Disability pensions (private)	17+18+19+20: Special Pension scheme	1121111	13.2%	13.7%
3b	- Occupational Injury benefits	4: Occupational injury	1121111	0.0%	0.0%
3c	- Sickness payments (4)	4: Occupational injury + 2: Health care and paid sick leave	1111111	16.7%	17.3%
4	Family cash benefits				
4a	- Family benefits	1: Family allowances	1151113 + 1151121 + 1151123	0.0%	0.0%
4b	- Maternity and parental leave payments	1: Family allowances + 2: Health care and paid sick leave	1151112 + 1151114 + 1151111	14.4%	14.8%
4c	- Sole parent benefits				
6	Unemployment				
6a	- unemployment insurance benefit	5: Employment measures	1161111 + 1161113 + 1161115	16.6%	16.8%
8	Other contingencies				
8a	- Low Income benefits	10: national solidarity	1151114 + 1182111	6.2%	6.3%
9	Wage income (5)			22.7%	23.7%
10	Wage income + transferts			19.8%	20.8%

.. 2005 rates are not available. To calculated the 2005 taxes, we apply the 2003 tax rates to the 2005 spending.
1) Correspondance of EUROSTAT ESSPROS scheme and category.
2) Public transfer income concerns all cash benefits paid by general government (different levels of government and social security institutions). Other social benefits, e.g. occupational pension payments, are considered private.
3) All pension income (old-age cash benefits) paid by the state or a social security fund.
4) If sickness benefits paid through social insurance funds (please indicate whether or not his covers maternity and parental benefits in your data-set).
5) This category is included for reference purposes, but can be used to estimate tax paid by recipients of continued wage payments in case of absence because of illness.

Source: Microsimulation de l'Inspection générale de la sécurité sociale (IGSS) du Luxembourg (www.mss.public.lu).

B. Taux indirect implicite moyen d'imposition sur la consommation
Impôts indirects payés sur la consommation des prestations en espèces, en millions de la monnaies nationale

		2003	2005
(1)	Dépense privée de consommation finale des ménages	10 048	11 591
(2)	Consommation des ménages et des administrations publiques moins les salaires des administrations publiques	12 338	14 210
(3)	Impôts sur la consommation plus droits d'accise (5110+5121)	2 692	3 172
	5110 Impôts généraux	1 528	1 830
	5121 Accises	1 164	1 342
(4)	Impôts sur production, vente, transfert (5100)	2 745	3 229
(5)	Impôts sur les biens et services (5000)	2 776	3 262
Taux indirect implicite moyen d'imposition sur la consommation :			
(6)	**par les impôts sur la consommation et les droits d'accise (3)/(2)**	**21.8%**	**22.3%**
(7)	par un concept plus large de base d'imposition (5)/(2)	22.5%	23.0%
(8)	par un concept plus large de base d'imposition et en ignorant la consommation des administrations publiques (5)/(1)	27.6%	28.1%

Sources: OCDE (2007), Comptes nationaux des pays l'OCDE : Principaux aggrégats, Volume I, 1994-2005 (2nd version), OCDE, Paris (Lignes 1 et 2) et OCDE (2007), Statistiques des recettes publiques, OCDE, Paris, (lignes 3, 4, et 5).

C. Avantages fiscaux à finalité sociale (en millions d'euros)

Aucun.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

MEXICO

A. Amount of direct tax paid on benefit income (in millions of pesos)

Almost all the income of individuals from social programs is exempt, as stated in article 109 of the Income Tax Law of 2003-2005 (article 177 in 2001), and there are no revenue statistics of the portion of such income that is considered taxable income.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of pesos)

		2001	2003	2005
(1)	Private final consumption expenditure	4 056 830	4 736 777	5 704 780
(2)	Private consumption plus Government consumption minus Government wages	4 202 260	5 592 524	5 896 643
(3)	General consumption taxes plus excise duties (5110+5121)	323 706	376 888	373 718
	5110 General taxes	208 408	254 433	318 432
	5121 Excises	115 298	122 455	55 286
(4)	Taxes on production sale transfer (5100)	550 184	675 640	928 978
(5)	Taxes on Goods and Services (5000)	561 704	689 054	944 764
	Implicit average indirect tax rate on consumption out of benefit income:			
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**7.7%**	**6.7%**	**6.3%**
(7)	using a broad concept of the indirect tax base (5)/(2)	13.4%	12.3%	16.0%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	13.8%	14.5%	16.6%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of pesos)

	2001 *	2003	2005
Tax breaks Similar to cash benefits	**66 590.0**	**50 320.0**	**77 533.2**
- Fiscal subsidy (Art. 80-A of ITL 2001, Art. 114,178 of 2005 ITL) (wastable tax credit eliminating the existing inequity in the employees´ income tax by reducing the tax burden of those workers that receive a minor proportion of exempt fringe benefits, consequently reducing the difference with those who earn the same level of income and obtain a significant percentage of exempt fringe benefits)	52 910.0	34 108.0	58 938.4
- Social prevision services (section VI Art.77 of ITL 2001, Art.109 of 2005 ITL) ** (includes income received as subsidies for disabilities, educational scholarships for workers or their children, day care, cultural and sports activities, and other, similar social benefits that are given across the board, in accordance with laws or labor contracts)	13 680.0	16 212.0	18 594.8
Tax breaks to stimulate private social protection (not including pensions)	**12 167.0**	**15 250.0**	**7 631.3**
- Income from saving funds (section VIII Art.77 of ITL 2001, Art.109 of 2005 ITL)	12 010.0	14 989.0	7 549.8
- Reimbursement of medical, dental and funeral expenses (section IV Art.77 of ITL 2001, Art.109 of 2005 ITL)	157.0	261.0	81.5
- Donations to (approved) institutions (Art.31 and 176 section III of ITL 2005)	-	-	3 062.9
Memorendum item			
Tax breaks to pensions	**5 151.2**	**6 926.7**	**9 164.2**
- Retirement and pensions (Art. 109 section III of 2005 ITL) **	464.0	2 082.0	2 420.0
- Deduction of employers contributions to retirement and pension funds (voluntary contributions) (Art.29 section VII of 2005 ITL)	4 687.2	4 844.7	6 744.2

* TBSPs are for 2002 as 2001 figures are not available.
** 2004 figure (17 995.5 for Social prevision services, and 2 342 for Retirement and pensions) asjusted with 2005 inflation.

Source: Fiscal Expenditure Budget 2002-2005 (Presupuesto de Gastos Fiscales 2002-2005)

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

NETHERLANDS

A. Average Itemised Tax Rates (AITR %)

	2001	2003	2005
1 Old-age cash benefits	14.6	-	-
1a - public pensions	7.1	13.8	13.8
1b - early retirement benefits	27.9	32.3	32.9
1c - private pensions	16.8	21.5	22.1
2 Survivors' benefits	25.3		
2a - public pensions	23.5	24.1	24.3
2b - private pensions	29.5	24.1	24.3
3 Incapacity-related benefits			
3a - Disability pensions	20.4	27.1	27.6
6 Unemployment			
6a - unemployment insurance benefit	21.6	25.5	25.8
6b - unemployment assistance benefit	14.6	16.5	16.5
8 Other contingencies			
8a - Low Income benefits	14.0	16.5	16.5
9 Wage income	25.5	32.5	33.4

The micro-simulation model used is based on annual tax data from a representative sample of taxpayers (220 000 individuals, of whom 150 000 have income, or 1.5% of the taxpaying population). These tax data mainly comprise information from income and wage tax returns and assessments. It normally takes three years before sufficient tax data are available and the simulation model is adjusted, and before reliable up-to-date estimates can be made for current and future years.

Source: Ministry of Finance, The Netherlands.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of euros

	2001	2003	2005
(1) Private final consumption expenditure	213 121	236 548	249 735
(2) Private consumption plus Government consumption minus Government wages	269 984	304 540	321 895
(3) General consumption taxes plus excise duties (5110+5121)	46 952	49 440	55 371
5110 General taxes	32 509	34 754	38 566
5121 Excises	14 443	14 686	16 805
(4) Taxes on production sale transfer (5100)	48 060	50 844	56 892
(5) Taxes on Goods and Services (5000)	52 754	55 918	62 714
Implicit average indirect tax rate on consumption out of benefit income:			
(6) using general consumption taxes plus excise duties (3)/(2)	**17.4%**	**16.2%**	**17.2%**
(7) using a broad concept of the indirect tax base (5)/(2)	19.5%	18.4%	19.5%
(8) using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	24.8%	23.6%	25.1%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003 *	2005 *
Tax breaks similar to cash benefits	**1 482.5**	**1 139.0**	
Child credits	163.9	..	..
Combination credit (combination of work and care for children)	225.5	..	..
Single parent credits	472.8	..	..
Deduction for medical, disability, chronically ill or handicapped expenses, child adoption	461.9	880.0	..
Deduction for support expenses for children	95.0	162.0	..
Deduction for child care contributions	45.4	97.0	..
Exemption for certain sign-on premiums	18.0	0.0	..
Tax breaks to stimulate private social protection (not including pensions)	**1 920.0**	**1 648.0**	**530.0**
Reduced wage tax for low wage employees	890.0	620.0	..
Reduced wage tax for long-term unemployed	207.0	130.0	39
Reduced wage tax for child care	92.0	162.0	-
Reduced wage tax for paid parental leave	18.0	42.0	68
Deduction of charitable and other donations	214.0	231.0	244
Reduced succession duty for donations to institutions with a public interest	117.0	150.0	179
Temporary additional tax credit for home help	52.0	41.0	-
Tax deduction towards employment/training of workforce	330.0	272.0	..
Reduced wage tax for schooling (non profit)	59.0	72.0	..
Deduction for schooling (employer)	271.0	200.0	..

* TBSPs are partially not available for 2003 and 2005.

Source: Ministry of Finance, and Ministry of Social Affairs and Employment, The Netherlands.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

NEW ZEALAND

A. Average Itemised Tax Rates (AITR %)

	2001	2003	2005
Transitional Retirement Benefit	15.9	16.0	-
War Veterans' allowances	16.8	17.0	17.1
Widows Benefit	16.3	16.0	16.1
Invalids Benefit	16.3	16.3	16.4
Sickness benefit	16.3	15.3	15.4
Earners account (ACC)	7.4	7.0	6.4
Motor vehicle account (ACC)	7.4	7.0	6.4
Non earners account (ACC)	7.4	7.0	6.4
Medical misadventure account (ACC)	7.4	7.0	6.4
Occupational injury: residual claims account (ACC) (formerly Employers account)	7.4	7.0	6.4
Occupational injury: self-employed account (ACC)	7.4	7.0	6.4
Occupational injury: employers account (ACC)	7.4	7.0	6.4
Domestic Purposes Benefit for lone parents	17.3	17.0	17.1
Training Benefit	15.8	-	-
Unemployment Benefit and Emergency Unemployment Benefit	16.5	15.3	15.4
Independent Youth Benefit	15.5	15.0	15.0

Source: New Zealand Treasury.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of New Zealand dollars

		2001	2003	2003
(1)	Private final consumption expenditure	71 744	81 728	93 565
(2)	Private consumption plus Government consumption minus Government wages	83 246	106 035	107 391
(3)	General consumption taxes plus excise duties (5110+5121)	12 979	15 122	16 438
	5110 General taxes	10 742	12 775	14 133
	5121 Excises	2 237	2 347	2 305
(4)	Taxes on production sale transfer (5100)	13 876	16 137	17 822
(5)	Taxes on Goods and Services (5000)	14 838	17 247	19 054
	Implicit average indirect tax rate on consumption out of benefit income:			
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**15.6%**	**14.3%**	**15.3%**
(7)	using a broad concept of the indirect tax base (5)/(2)	17.8%	16.3%	17.7%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	20.7%	21.1%	20.4%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of New Zealand dollars)

	2001	2003	2005
Tax breaks similar to cash benefits	**23.5**	**19.7**	**20.3**
Child rebate	6.6	6.0	6.0
Child Care	16.9	13.7	14.3
Tax breaks to stimulate private social protection (not including pensions)	**77.4**	**89.9**	**98.6**
Charitable Donations	77.4	89.9	98.6

Source: New Zealand Treasury.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

NORWAY

A. Average Itemised Tax Rates (AITR %)

		2001	2003	2005
1	Old-age cash benefits	18.3	17.8	17.6
1a	- public pensions	16.5	16.0	15.7
1b	- early retirement benefits	22.4	22.5	21.1
1c	- private pensions	22.1	21.3	21.3
2	Survivors' benefits	19.4	18.9	18.1
2a	- public pensions	19.4	18.9	18.1
3	Incapacity-related benefits	16.3	15.7	15.6
3a	- Disability pensions	15.8	15.3	15.3
3c	- Sickness payments	25.4	25.0	26.0
4	Family cash benefits	0.2	0.2	0.3
4c	- Sole parent benefits	1.6	0.9	1.2
5	Active labour market policies	17.2	19.8	19.9
5a	- benefits while on training	17.2	19.8	19.9
6	Unemployment	20.4	20.8	20.1
6a	- unemployment insurance benefit	20.4	20.8	20.1

Source: Ministry of Finance.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions Norwegian kroner

		2001	2003	2005
(1)	Private final consumption expenditure	656 990	720 025	826 215
(2)	Private consumption plus Government consumption minus Government wages	766 423	853 148	971 650
(3)	General consumption taxes plus excise duties (5110+5121)	176 435	188 123	218 595
	5110 General taxes	127 221	135 667	153 820
	5121 Excises	49 214	52 456	64 775
(4)	Taxes on production sale transfer (5100)	200 929	198 048	222 916
(5)	Taxes on Goods and Services (5000)	209 706	211 595	237 220
Implicit average indirect tax rate on consumption out of benefit income:				
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**23.0%**	**22.1%**	**22.5%**
(7)	using a broad concept of the indirect tax base (5)/(2)	27.4%	24.8%	24.4%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	31.9%	29.4%	28.7%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Norwegian kroner)

	2001	2003	2005
Tax breaks similar to cash benefits	**0**	**2 290**	**2 575**
Childcare expense deduction	-	1 410	1 525
Healthcare expense deduction	-	330	275
Additional personal allowance for one-parent families	-	550	775
Tax breaks to stimulate private social protection (not including pensions)	**0**	**0**	**0**
Memorandum item			
Tax breaks for pensions	**11 500**	**11 795**	**11 795**
Occupational pension schemes	11 500	11 500	11 500
Individual pension schemes	-	295	295

Source: Ministry of Finance, Norway.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

POLAND

A. Average Itemised Tax Rates (AITR %)

	2005
Total tax paid on transfer income (effective tax rate + effective rate of contribution)	
old-age and disability pensions	13.53% * = 5.90% (tax) + 7.63% (SSC)
unemployment benefits	13.53% * = 5.90% (tax) + 7.63% (SSC)
sickness benefits	16.83% ** (= 9.40% (tax) + 7.43% (SSC))
wage income	16.83% = 9.40% (tax) + 7.43% (SSC)

* Rate can be lower.
** On 40% of benefits only.

Source: Ministry of Finance, Poland.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of Polish Zloty

		2005
(1)	Private final consumption expenditure	619 427
(2)	Private consumption plus Government consumption minus Government wages	698 397
(3)	General consumption taxes plus excise duties (5110+5121)	116 962
	5110 General taxes	75 731
	5121 Excises	41 231
(4)	Taxes on production sale transfer (5100)	119 031
(5)	Taxes on Goods and Services (5000)	123 526
	Implicit average indirect tax rate on consumption out of benefit income:	
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**16.7%**
(7)	using a broad concept of the indirect tax base (5)/(2)	17.7%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	19.9%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Polish Zloty)

	2005
Tax breaks similar to cash benefits	**806**
- Value of revenue foregone because of including children in the tax unit (in case of lonly parent)	398
- Donations to (approved) NGOs	71
- Expences for rehabilitation purposes	337
Tax breaks to stimulate private social protection (not including pensions)	**0**
Memorandum item	
Tax breaks for pensions	**1 963**
- Non-taxation of investment of private pension funds	1 963

Source: Ministry of Finance, Poland.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

PORTUGAL

A. Amount of direct tax paid on benefit income (in millions of euros)

	2003	2005
Total income tax paid on public and private transfer income	866.1	1 138.2

Source: estimate by the Ministry of Finance based on Personal Income Tax Returns data.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of euros

		2003	2005
(1)	Private final consumption expenditure	80 936	96 707
(2)	Private consumption plus Government consumption minus Government wages	89 052	107 140
(3)	General consumption taxes plus excise duties (5110+5121)	16 623	*17 964*
	5110 General taxes	11 072	*12 077*
	5121 Excises	5 551	*5 887*
(4)	Taxes on production sale transfer (5100)	17 629	*19 518*
(5)	Taxes on Goods and Services (5000)	17 770	*19 802*
	Implicit average indirect tax rate on consumption out of benefit income:		
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**18.7%**	**16.8%**
(7)	using a broad concept of the indirect tax base (5)/(2)	20.0%	18.5%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	22.0%	20.5%

2005 taxes estimated using the 2003/2004 growth rate of 2004 taxes.

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2003	2005
Tax breaks similar to cash benefits	**1 438.2**	**1 377.7**
- Health care tax credits	434.9	517.0
- Housing tax credits	395.6	445.0
- Tax credits for education expenses and for payments to homes for the elderly on behalf of taxpayers, their relatives in the ascending line and other close relatives whose incomes do not exceed the minimum wage;	224.6	6.0
- Child tax credits	253.2	265.0
- Tax credit for supporting relatives in the ascending line whose income does not exceed the minimum pension	2.6	4.0
- Tax benefits for disabled people	127.3	140.7
Tax breaks to stimulate private social protection (not including pensions)	**88.0**	**111.0**
- Tax credits for contributions to personal accident and life insurance	55.1	67.0
- Tax credits for contributions to health insurance	18.5	28.0
- Donations to (approved) NGOs, churches, museums, libraries, schools, research institutes and associations, and other bodies (including government bodies)	14.4	16.0
Memorandum item		
Tax breaks for pensions	**158.0**	**94.1**
- Tax credits for individual retirement accounts (PPR)	158.0	94.1
- Non-taxation of investment of private pension funds	..	..

.. 2001 figures are not available.

Source: Portuguese Ministry of Finance, 2006 and 2008 State Budget Report ; and Portuguese Ministry of Finance, Personal Income Tax Returns data.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

SPAIN

A. Amount of direct tax paid on benefit income (in millions of euros)

	2001	2003 *	2005
Total tax paid (including social security contribution) on public transfer income	**7 127**	**7 805**	**9 088**
of which:			
- Income tax *	6 424	7 433	8 808
- Social security contributions **	703	372	280
Total tax paid (including social security contribution) on private transfer income	**1 321**	**1 646**	**1 739**
of which:			
- Income tax *	1 321	1 646	1 739
Total tax paid (including social security contribution) on transfer income	**8 448**	**9 451**	**10 827**

* 2003 estimates based on 2002 PIT statistics. Data are based on income class data based on data-set of individual taxpayers. The estimation method is based on calculations made on personal income tax payments multiplied by fractions of net taxable income sources (as percentage of the total tax base) at the level of income classes/tax brackets.

** SSC paid by unemployed workers perceiving unemployment benefits.

Sources: Tax Expenditures Budget, Ministry of Finance, Spain.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of euros

	2001	2003	2005
(1) Private final consumption expenditure	381 583	447 841	524 871
(2) Private consumption plus Government consumption minus Government wages	428 594	505 069	597 600
(3) General consumption taxes plus excise duties (5110+5121)	55 830	66 247	77 414
5110 General taxes	38 969	46 767	56 558
5121 Excises	16 861	19 480	20 855
(4) Taxes on production sale transfer (5100)	60 377	71 373	84 686
(5) Taxes on Goods and Services (5000)	65 824	76 666	90 796
Implicit average indirect tax rate on consumption out of benefit income:			
(6) using general consumption taxes plus excise duties (3)/(2)	**13.0%**	**13.1%**	**13.0%**
(7) using a broad concept of the indirect tax base (5)/(2)	15.4%	15.2%	15.2%
(8) using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	17.3%	17.1%	17.3%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of euros)

	2001	2003	2005
Tax breaks similar to cash benefits	**238**	**1 064**	**1 416**
PIT exemption of Invalidity, Terrorism and HIV Pensions	238	289	329
Child Care Benefit exemption		61	154
Child Tax Credit		583	739
Unemployment Lump-Sum Payment & Cease Job Compensation		132	161
Labour extension & Labour mobility			33
Tax breaks to stimulate private social protection (not including pensions)	**0**	**2 185**	**2 806**
Reduction of SSC for employers hiring disadvantaged groups (long-term unemployed, disabled (**)	-	2 185	2 806
Memorandum item			
Tax breaks for pensions	**1 208**	**1 862**	**2 408**

Sources: Tax Expenditures Budget, Ministry of Finance, Spain.

(*) 2004 Tax Expenditures Budget - The above figure covers the PIT cost of deductions made by taxpayers of tax deductions in terms of revenue foregone.
(**) Data provided by Ministry of Labor and Social Affairs

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

SLOVAK REPUBLIC

A. Average Itemised Tax Rates / Amount of direct tax paid on benefit income (in millions of Slovak koruny)

Cash benefits paid by general government in the Slovak Repulic are not subject to income tax.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of Slovak koruny

	2001	2003	2005
(1) Private final consumption expenditure	560 237	687 560	844 180
(2) Private consumption plus Government consumption minus Government wages	667 892	829 000	1 007 849
(3) General consumption taxes plus excise duties (5110+5121)	101 989	119 707	171 240
5110 General taxes	73 587	81 876	116 880
5121 Excises	28 402	37 831	54 360
(4) Taxes on production sale transfer (5100)	105 918	128 153	174 507
(5) Taxes on Goods and Services (5000)	105 918	134 928	184 530
Implicit average indirect tax rate on consumption out of benefit income:			
(6) using general consumption taxes plus excise duties (3)/(2)	**15.3%**	**14.4%**	**17.0%**
(7) using a broad concept of the indirect tax base (5)/(2)	15.9%	16.3%	18.3%
(8) using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	18.9%	19.6%	21.9%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Slovak koruny)

	2001	2003	2005
Tax breaks similar to cash benefits	**3 304.3**	**6 349.3**	**0.0**
Child tax allowance*	3 038.6	6 039.8	-
Tax allowance for partially disabled people*	72.3	124.0	-
Tax allowance for disabled people*	193.4	185.5	-
* Child tax allowance and tax allowances for disabled people were deductible from tax base. Cancelled in 2004.			
Child tax credit (non wastable)	-	-	x
Tax breaks to stimulate private social protection (not including pensions)	**681.6**	**1 640.0**	**930.0**
Assignments to non-profit sector for selected purposes*:			
- assignments given by individuals	-	97.0	312.0
- assignments given by legal entities - social and health purposes	-	-	618.0
* Each taxpayer can assign 2% from his tax liability (1% in 2003), limits for assignments: taxpayer - individual - minimum 20 SKK, taxpayer - legal entity - minimum 250 SKK			
Donations to municipatlities and legal entities for selected purposes**:			
- donations given by individuals	302.7	329.0	-
- donations given by legal entities - social and health purposes	258.2	1 132.0	-
** Tax deductibility limits for donations: taxpayer - individual - minimum 500 SKK and the value of donation can not exceed 10% of tax base, taxpayer - legal entity - minimum 2000 SKK and the value of donation can not exceed 2 % of tax base. Cancelled in 2004.			
Reduction of tax for employers hiring disabled people***:			
- taxpayers who filed tax return for personal income tax purposes	13.1	..	-
- taxpayers who filed tax return for corporate income tax purposes	107.6	82.0	-
*** Reduction of tax (tax relief) for employers hiring disabled people: 10 000 SKK/employee or 24 000 SKK/employee per year according to the level of disability. Cancelled in 2004.			
Memorendum item			
Tax breaks for pensions			
- Deduction of contributions to private pensions (e.g occupational pension plans, individual retirement accounts, RRSPs, Superannuation, etc) ****	939.1	404.7	2 295.0
**** In 2005 a mandatory fully funded pillar (privately managed) of the pension system has been introduced. Part of social security contributions (9 percentage points) is accumulated in private pension funds and these amounts are non-taxable. As all mandatory social security contributions are non taxable there are not considered as tax breaks.			

Source: Data provided by Ministry of Labour, Social Affairs and Family of the Slovak Republic - aggregate data from filed tax returns (personal income tax and corporate income tax) in 2001, 2003 and by Ministry of Finance of the Slovak Republic in 2005.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

SWEDEN

A. Average Itemised Tax Rates (AITR %)

	2001	2003	2005
1. Old-age cash benefits			
a - public pensions	25.0	28.6	28.8
b - early retirement pensions	29.0	28.6	28.8
c - private pensions	32.1	28.6	28.8
2. Survivors benefits			
a - public pensions	22.3	28.3	28.5
b - private pensions			
3. Incapacity-related benefits			
a - disability pensions	24.8	27.7	28.1
b - occupational injury benefits	32.4	30.8	30.6
c - sickness payments	34.1	30.8	30.6
4. Family cash benefits			
a - family benefits			
b - maternity and parental leave payments	33.8	30.8	30.6
c - sole parent benifits			
5. Active labor market policies			
a - benefits while in training	29.6	0.0	0.0
6. Unemployment			
a - unemployment insurance benefit	29.8	28.7	28.0

Source : Statistics Sweden.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of Swedish kronor

		2001	2003	2005
(1)	Private final consumption expenditure	1 102 627	1 202 672	1 328 353
(2)	Private consumption plus Government consumption minus Government wages	1 357 282	1 488 928	1 622 376
(3)	General consumption taxes plus excise duties (5110+5121)	280 447	306 858	333 159
	5110 General taxes	206 916	226 370	250 569
	5121 Excises	73 531	80 488	82 590
(4)	Taxes on production sale transfer (5100)	289 098	315 641	342 554
(5)	Taxes on Goods and Services (5000)	296 762	323 968	353 573
	Implicit average indirect tax rate on consumption out of benefit income:			
(6)	**using general consumption taxes plus excise duties (3)/(2)**	**20.7%**	**20.6%**	**20.5%**
(7)	using a broad concept of the indirect tax base (5)/(2)	21.9%	21.8%	21.8%
(8)	using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	26.9%	26.9%	26.6%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of Swedish kronor)

Information on TBSPs that were not accounted in the direct tax calculations is not available.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

UNITED KINGDOM

A. Average Itemised Tax Rates (AITR %)

	2001	2003	2005
1 Old-age cash benefits			
1a - public pensions	3.00	3.26	3.55
1c - private pensions	7.00	6.97	7.62
2 Survivors' benefits			
2a - public pensions	8.00	9.69	11.52
- Widows Pension	9.00	9.69	11.52
- War Widows Pension	0.00	0.00	0.00
3 Incapacity-related benefits			
3a - Disability pensions	0.00	0.00	0.00
3b - Occupational Injury benefits	0.00	0.00	0.00
3c - Sickness payments	10.00	10.00	3.92
- Statutory sick pay	14.00	15.25	14.88
- Inacapacity Benefit: Short-term	0.00	0.00	0.00
- Inacapacity Benefit: Long-term	2.00	2.82	2.78
3d - Disability Allowances	0.00	0.00	0.00
4 Family cash benefits			
4a - Family benefits	0.00	0.00	0.00
4b - Maternity and parental leave payments	11.00	14.54	15.21
- Maternity Allowance	0.00	0.00	0.00
- Statutory Maternity Allowance	12.00	14.54	15.21
4c - Sole parent benefits	0.00	0.00	0.00
4d - Child Benefit	0.00	0.00	0.00
5 Active labour market policies			
5a - benefits while on training	0.00	0.00	0.00
6 Unemployment			
6b - unemployment assistance benefit	1.00	0.82	0.11
7 Housing			
7a - rent subsidies	0.00	0.00	0.00
9 Wage income	18.0	18.99	19.12

Source: IGOTM Tax Benefit Model (2001-02 and 2003-04) based on the Family Resource Surveys.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions of pounds sterling

	2001	2003	2005
(1) Private final consumption expenditure	658 125	725 012	792 454
(2) Private consumption plus Government consumption minus Government wages	776 508	842 158	921 399
(3) General consumption taxes plus excise duties (5110+5121)	104 679	115 711	122 642
5110 General taxes	68 082	77 630	83 401
5121 Excises	36 597	38 081	39 241
(4) Taxes on production sale transfer (5100)	111 848	123 117	130 283
(5) Taxes on Goods and Services (5000)	116 503	128 088	135 520
Implicit average indirect tax rate on consumption out of benefit income:			
(6) using general consumption taxes plus excise duties (3)/(2)	**13.5%**	**13.7%**	**13.3%**
(7) using a broad concept of the indirect tax base (5)/(2)	15.0%	15.2%	14.7%
(8) using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	17.7%	17.7%	17.1%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of pounds sterling)

	2001	2003	2005
Tax breaks similar to cash benefits	**793.0**	**4 010.0**	**4 400.0**
Family			
Working families'Tax Credit (negative tax)	758.0	-	-
tax	758.0		
cash	4 742.0		
total	5 500.0		
Working Tax Credit (negative tax)		1 200.0	1 000.0
tax		1 200.0	1 000.0
cash		*3 500.0*	*3 700.0*
total		*4 700.0*	*4 800.0*
Child Tax Credit (negative tax)		2 800.0	3 400.0
tax		2 800.0	3 400.0
cash		*6 000.0*	*9 200.0*
total		*8 800.0*	*12 600.0*
Other Income Maintenance			
Charitable donations under the payroll giving scheme	25.0	..	..
Outplacement counselling for redundant employees	10.0	10.0	..
Tax breaks to stimulate private social protection (not including pensions)	**1 200.0**	**1 260.0**	**1 560.0**
Health			
Insurance premiums and medical care (abolished in 1999)	0.0	0.0	0.0
Other			
Income of charities	860.0	920.0	1 100.0
Exemption to charities on death	340.0	340.0	460.0
Memorandum item			
Tax breaks for pensions (post-September 2004 figures)	**9 400.0**	**11 700.0**	**15 400.0**
Total reliefs	17 000.0	20 100.0	25 000.0
Deduction of contributions to private pensions by employees and self-employed	5 550.0	5 800.0	6 600.0
Deduction of contributions to private pensions by employers	7 400.0	10 200.0	13 600.0
Non-taxation of investment of private pension funds	3 700.0	3 800.0	4 500.0
Relief on lump sum payments from unfunded schemes	350.0	300.0	300.0
- taxation of current pensions in payment	7 600.0	8 400.0	9 600.0

Sources: Estimates based on administrative data and information compiled from a variety of sources by the Office for National Statistics, for HM Revenue and Customs.

Table Annex 2.
Detailed information on the impact of the tax system on social expenditure *(cont.)*

UNITED STATES

A. Average Itemised Tax Rates (AITR %)

	2001	2003	2005
Social Security Benefits	4.0	3.6	3.8
Unemployment compensation	7.7	5.7	5.6
Pension and IRA distributions	14.5	11.7	12.4

Source: US Department of Treasury.

B. Average implicit indirect tax rates of consumption out of benefit income
Indirect taxes paid out of consumption of cash transfers, in millions US dollars

	2001	2003	2005
(1) Private final consumption expenditure	6 987 000	7 709 900	8 707 800
(2) Private consumption plus Government consumption minus Government wages	7 553 125	8 307 000	9 411 700
(3) General consumption taxes plus excise duties (5110+5121)	335 805	355 001	402 164
5110 General taxes	223 748	234 292	271 584
5121 Excises	112 057	120 709	130 580
(4) Taxes on production sale transfer (5100)	408 635	433 266	495 226
(5) Taxes on Goods and Services (5000)	474 771	509 054	590 264
Implicit average indirect tax rate on consumption out of benefit income:			
(6) using general consumption taxes plus excise duties (3)/(2)	**4.4%**	**4.3%**	**4.3%**
(7) using a broad concept of the indirect tax base (5)/(2)	6.3%	6.1%	6.3%
(8) using a broad concept of the indirect tax base and ignoring government consumpion (5)/(1)	6.8%	6.6%	6.8%

Sources : Source: OECD (2007), National Accounts of OECD Countries: Main Aggregates, Volume I, 1994-2005 OECD, Paris (Lines 1 and 2) and OECD (2007), Revenue Statistics, OECD, Paris, (lines 3, 4, and 5).

C. Tax breaks for social purposes (in millions of US dollars)

	2001	2003	2005
Tax breaks similar to cash benefits	**78 658**	**84 304**	**91 916**
Deductibility of medical expenses	4 990	6 240	6 110
Medical savings accounts	20	-30	1 050
Additional deduction for the blind	41	40	40
Earned income credit	4 940	5 089	4 925
Credit for child and dependent care expenses & exclusion for employer provided child care	3 182	3 310	3 680
Exclusion. of certain foster care payments	500	430	440
Adoption assistance (adoption credit and exclusion)	130	220	360
Assistance for adopted foster children	190	250	310
Child credit (from 1998 onwards)	29 312	37 970	41 790
Personal allowance for dependants (largely for children)	35 353	30 785	33 211
Tax breaks to stimulate private social protection (not including pensions)	**116 470**	**141 320**	**159 610**
Exclusion. of employer contributions for medical insurance premiums and medical care	82 800	101 920	118 420
Self-employed medical insurance premiums	1 520	2 550	3 790
Exclusion. of interest on State and local debt for private non-profit health facilities (excl. interest hospital construction bonds)	-	-	-
Deductibility of charitable contributions (health)	270	3 390	3 350
Special Blue Cross/Blue Shield deduction	140	350	710
Tax credit for orphan drug research	50	160	210
Credit for disabled access expenditures	50	50	30
Deductibility of charitable contributions, other than education or health	30 150	30 020	29 670
Empowerment zones, enterprise communities, renewal communities	380	1 070	1 120
New markets tax credit	10	190	430
Exclusion of hospital construction bonds	1 100	1 620	1 880
Memorandum item			
Tax breaks for pension *	**110 990**	**137 120**	**100 570**
Net exclusion of pension contributions:			
Employer plans	42 070	59 480	50 630
401(K) plans	44 080	51 560	37 440
Individual retirement accounts	18 680	20 060	3 100
Keogh plans	6 160	6 020	9 400

* Estimates for later years reflect a change in the baseline. Lower tax rates on dividends and capital gains on corporate equity are not considered tax preferences.

Sources: Office of Management and Budget, Analytical Perspectives, Budget of the United States Government and US Department of Treasury.

ANNEX 3. ADDITIONAL INFORMATION: FROM GROSS PUBLIC TO TOTAL NET SOCIAL EXEPENDITURE

PART I. NET SOCIAL EXPENDITURE INDICATORS RELATED TO GDP AT MARKET PRICES AND NATIONAL INCOME, IN 2005

As the construction of net social spending indicators involves adjusting for indirect taxation of consumption out of benefit income, net social expenditure is related to GDP at factor cost, as GDP at factor costs does not include the value of indirect taxation and government subsidies to private enterprises and public corporations. However, in order to facilitate comparison with gross social spending indicators which are usually related to GDP at market prices for international comparisons, Table A.3.1.a presents these indicators. As domestic product includes income that accrues to foreigners, it may be argued that national income is another appropriate measure. As net transfers to foreigners should be measured (foreign aid is often net of tax) and capital stock depreciation arguably should not be used to finance tax payments, Table A.3.1.b relates the net spending indicators to Net Disposable National Income at factor prices.

Table A.3.1.a. From gross public to total net social spending, 2005

Social expenditure, in percentage of GDP at market prices, 2005 [a]

		Australia	Austria	Belgium	Canada	Czech Republic	Denmark	Finland	France	Germany	Iceland	Ireland	Italy	Japan	Korea	Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovak Republic	Spain	Sweden	United Kingdom	United States	OECD-26
	1 **Gross public social expenditure**	17.1	27.2	26.4	16.5	19.5	27.1	26.1	29.2	26.7	16.9	16.7	25.0	18.6	6.9	23.2	7.4	20.9	18.5	21.6	21.0	22.9	16.6	21.2	29.4	21.3	15.9	20.8
-	Direct taxes and social contributions	0.2	2.4	1.4	0.3	0.0	3.9	2.8	1.4	1.4	0.7	0.2	1.9	0.4	0.0	0.8	0.0	2.3	1.3	1.8	1.5	0.8	0.0	1.2	4.0	0.2	0.5	1.2
	2 Net cash direct public social expenditure	16.9	24.8	25.0	16.1	19.5	23.2	23.3	27.8	25.4	16.2	16.6	23.1	18.2	6.8	22.4	7.4	18.6	17.3	19.9	19.5	22.2	16.6	20.0	25.5	21.0	15.4	
-	Indirect taxes (on cash benefits)	0.8	2.6	2.3	0.7	2.0	2.7	2.7	2.5	1.9	1.1	1.8	1.8	0.7	0.4	3.0	0.2	1.6	1.3	2.1	2.4	2.3	1.8	1.6	2.3	1.4	0.3	1.7
	3 Net direct public social expenditure	16.1	22.1	22.7	15.4	17.5	20.5	20.6	25.3	23.4	15.1	14.8	21.3	17.5	6.5	19.4	7.3	16.9	16.0	17.8	17.1	19.9	14.8	18.5	23.2	19.7	15.1	
+ T1	TBSPs similar to cash benefits	0.1	0.0	0.5	1.0	0.5	0.0	0.0	1.1	1.5	0.0	0.2	0.2	0.8	0.6	0.0	0.9	0.0	0.0	0.1	0.1	0.9	0.0	0.2	0.0	0.4	0.8	
-	Indirect taxes	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.2	0.2	0.0	0.1	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	
	4 Net TBSPs similar to cash benefits	0.1	0.0	0.4	0.9	0.4	0.0	0.0	0.9	1.3	0.0	0.2	0.1	0.7	0.5	0.0	0.9	0.0	0.0	0.1	0.1	0.8	0.0	0.1	0.0	0.3	0.7	
+ T2	TBSPs towards current private benefits	0.3	0.0	0.0	0.2	0.1	0.0	0.0	0.0	0.4	0.0	0.2	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.3	0.0	0.1	1.3	
	5 Net TBSPs (not including pensions)	0.4	0.0	0.4	1.1	0.5	0.0	0.0	0.9	1.7	0.0	0.4	0.2	0.7	0.5	0.0	1.0	0.1	0.1	0.1	0.1	0.8	0.1	0.4	0.0	0.4	2.0	0.5
	6 Net current public social expenditure	16.5	22.2	23.1	16.6	18.0	20.5	20.6	26.2	25.1	15.1	15.2	21.5	18.3	7.0	19.4	8.2	17.1	16.0	17.9	17.2	20.8	14.9	18.9	23.2	20.1	17.1	18.3
	7 Gross mandatory private soc. Exp.	1.1	0.9	0.0	0.0	0.2	0.2	0.0	0.4	1.1	1.5	0.0	1.5	0.5	0.6	0.2	0.0	0.7	0.0	1.3	0.0	0.4	0.2	0.0	0.4	0.8	0.3	0.5
-	Direct taxes and social contributions	0.1	0.3	0.0	0.0	0.0	0.1	0.0	0.0	0.4	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.2	0.0	0.3	0.0	0.0	0.0	0.0	0.1	0.0	0.0	
-	Indirect taxes	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.0	0.2	0.0	0.1	0.0	0.0	0.1	0.0	0.2	0.0	0.1	0.0	0.0	0.1	0.1	0.0	
	8 Net current mand. private soc. exp.	0.8	0.5	0.0	0.0	0.2	0.1	0.0	0.3	0.6	1.0	0.0	1.2	0.5	0.5	0.2	0.0	0.4	0.0	0.7	0.0	0.3	0.2	0.0	0.2	0.7	0.3	0.3
	9 **Net publicly mandated soc. exp. [6+8]** [b]	17.3	22.7	23.1	16.6	18.2	20.6	20.6	26.5	25.8	16.1	15.2	22.7	18.7	7.5	19.6	8.2	17.4	16.0	18.6	17.2	21.1	15.1	18.9	23.4	20.8	17.5	18.7
	10 Gross voluntary private soc. exp.	2.6	1.0	4.5	5.5	0.1	2.4	1.1	2.6	1.9	3.4	1.3	0.6	2.5	1.8	0.9	0.2	7.6	0.4	0.8	0.0	1.4	0.8	0.5	2.4	6.3	9.8	2.4
-	Direct taxes and social contributions	0.2	0.1	0.3	0.8	0.0	0.8	0.2	0.0	0.2	0.5	0.1	0.0	0.1	0.0	0.0	0.0	1.4	0.0	0.2	0.0	0.0	0.0	0.0	0.5	0.4	0.5	
-	Indirect taxes	0.2	0.1	0.6	0.4	0.0	0.4	0.1	0.1	0.1	0.6	0.2	0.0	0.1	0.0	0.1	0.0	0.8	0.0	0.1	0.0	0.0	0.1	0.0	0.4	0.6	0.2	
	11 Net current voluntary private soc. exp.	2.2	0.8	3.6	4.4	0.1	1.2	0.7	2.5	1.6	2.3	1.1	0.5	2.3	1.8	0.7	0.2	5.5	0.4	0.5	0.0	1.3	0.7	0.5	1.5	5.2	9.1	2.0
	12 Net current private soc. exp. [8+11]	3.1	1.4	3.6	4.4	0.3	1.3	0.7	2.8	2.2	3.3	1.1	1.7	2.8	2.4	0.9	0.2	5.9	0.4	1.2	0.0	1.7	0.9	0.5	1.7	5.9	9.4	
	13 **Net total social expenditure [6+12-T2]** [c]	19.3	23.5	26.8	20.7	18.2	21.8	21.4	29.0	27.0	18.4	16.1	23.1	21.0	9.4	20.3	8.4	22.8	16.4	19.1	17.2	22.3	15.7	19.1	24.9	25.9	25.3	20.5
	Memorandum item																											
	TBSPs towards pensions [d]	1.9	0.1	0.2	1.7	0.1	..	0.1	0.0	0.9	1.0	1.4	0.0	0.1	..	0.6	0.1	..	..	0.6	0.2	0.1	0.2	0.3	0.0	1.2	0.8	..
	Average indirect tax rate	9.8	16.2	15.1	10.7	17.3	25.9	20.8	14.9	13.0	21.6	21.0	12.1	6.6	12.6	22.3	6.3	17.2	15.3	22.5	16.7	16.8	17.0	13.0	20.5	13.3	4.3	15.5

a) 2001 tax rates and TBSPs partially not available in the Netherlands, and 2005 social expenditure estimates for Portugal.
b) Numbers in square brackets refer to line numbers in the second column; "..." cell with no information.
c) In order to avoid double counting, the value of TBSPs towards "current" private social benefits has been ignored for the calculation of net total social expenditure.
d) Because of conceptual issues and gaps in data availability, tax breaks towards old-age pensions are shown in the table as a memorandum item.

Table A.3.1.b. From gross public to total net social spending, 2005

Social expenditure, in percentage of NNI at factor cost, 2005 [a]

		Australia	Austria	Belgium	Canada	Czech Republic	Denmark	Finland	France	Germany	Iceland	Ireland	Italy	Japan	Korea	Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovak Republic	Spain	Sweden	United Kingdom	United States	OECD-26
	1 **Gross public social expenditure**	24.5	36.9	35.9	22.2	29.0	38.6	35.6	39.3	35.5	24.6	26.7	35.2	25.3	9.2	38.4	9.6	28.1	28.0	27.8	29.6	33.5	24.7	29.3	40.6	26.9	19.6	29.0
-	Direct taxes and social contributions	0.3	3.3	1.9	0.5	0.0	5.5	3.8	1.9	1.8	1.0	0.3	2.7	0.5	0.0	1.4	0.0	3.1	1.9	2.3	2.2	1.1	0.0	1.6	5.5	0.3	0.6	1.7
	2 Net cash direct public social expenditure	24.3	33.7	34.0	21.7	29.0	33.0	31.8	37.4	33.7	23.7	26.5	32.5	24.8	9.2	37.0	9.6	25.0	26.1	25.6	27.5	32.4	24.7	27.7	35.1	26.6	19.0	
-	Indirect taxes (on cash benefits)	1.1	3.6	3.2	1.0	3.0	3.9	3.7	3.3	2.6	1.6	2.9	2.6	0.9	0.5	4.9	0.2	2.2	2.0	2.7	3.4	3.3	2.6	2.2	3.2	1.7	0.4	2.4
	3 Net direct public social expenditure	23.1	30.1	30.9	20.8	26.0	29.1	28.1	34.1	31.1	22.1	23.6	30.0	23.9	8.7	32.1	9.4	22.8	24.1	22.8	24.1	29.1	22.1	25.5	31.9	24.9	18.6	
+ T1	TBSPs similar to cash benefits	0.2	0.1	0.7	1.3	0.7	0.0	0.0	1.4	2.0	0.0	0.4	0.2	1.1	0.8	0.0	1.2	0.0	0.0	0.2	0.1	1.4	0.0	0.2	0.0	0.4	0.9	
-	Indirect taxes	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.2	0.3	0.0	0.1	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.1	0.0	
	4 Net TBSPs similar to cash benefits	0.1	0.1	0.6	1.2	0.6	0.0	0.0	1.2	1.7	0.0	0.3	0.2	1.0	0.7	0.0	1.1	0.0	0.0	0.1	0.1	1.1	0.0	0.2	0.0	0.4	0.9	
+ T2	TBSPs towards current private benefits	0.4	0.0	0.0	0.3	0.1	0.0	0.0	0.0	0.6	0.0	0.3	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.4	0.0	0.2	1.6	
	5 Net TBSPs (not including pensions)	0.5	0.1	0.6	1.5	0.7	0.0	0.0	1.3	2.3	0.0	0.6	0.3	1.0	0.7	0.0	1.2	0.1	0.1	0.1	0.1	1.2	0.1	0.6	0.0	0.5	2.5	0.6
	6 Net current public social expenditure	23.6	30.1	31.5	22.3	26.7	29.1	28.1	35.3	33.4	22.1	24.2	30.3	24.9	9.5	32.1	10.6	23.0	24.2	23.0	24.2	30.4	22.2	26.1	31.9	25.5	21.1	25.6
	7 Gross mandatory private soc. Exp.	1.5	1.2	0.0	0.0	0.4	0.3	0.0	0.5	1.5	2.2	0.0	2.1	0.7	0.8	0.4	0.0	1.0	0.0	1.6	0.0	0.6	0.3	0.0	0.6	1.1	0.4	0.7
-	Direct taxes and social contributions	0.2	0.3	0.0	0.0	0.0	0.1	0.0	0.0	0.5	0.3	0.0	0.2	0.0	0.0	0.1	0.0	0.3	0.0	0.4	0.0	0.0	0.0	0.0	0.2	0.1	0.0	
-	Indirect taxes	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.4	0.0	0.2	0.0	0.1	0.1	0.0	0.1	0.0	0.3	0.0	0.1	0.0	0.0	0.1	0.1	0.0	
	8 Net current mand. private soc. exp.	1.2	0.7	0.0	0.0	0.3	0.1	0.0	0.4	0.9	1.4	0.0	1.7	0.7	0.7	0.3	0.0	0.5	0.0	0.9	0.0	0.5	0.3	0.0	0.3	0.9	0.4	0.5
	9 **Net publicly mandated soc. exp. [6+8]** [b]	24.8	30.8	31.5	22.3	27.0	29.3	28.1	35.7	34.2	23.5	24.2	31.9	25.6	10.2	32.3	10.6	23.5	24.2	23.9	24.2	30.9	22.5	26.1	32.2	26.3	21.5	26.1
	10 Gross voluntary private soc. exp.	3.7	1.4	6.2	7.4	0.2	3.4	1.5	3.6	2.5	5.0	2.1	0.8	3.4	2.5	1.4	0.3	10.2	0.6	1.0	0.0	2.0	1.2	0.7	3.3	8.0	12.0	3.2
-	Direct taxes and social contributions	0.3	0.1	0.5	1.0	0.0	1.1	0.3	0.0	0.2	0.7	0.1	0.1	0.1	0.0	0.0	0.0	1.8	0.0	0.2	0.0	0.0	0.0	0.0	0.7	0.6	0.6	
-	Indirect taxes	0.2	0.1	0.8	0.5	0.0	0.5	0.2	0.2	0.1	0.9	0.2	0.0	0.2	0.0	0.2	0.0	1.0	0.0	0.2	0.0	0.0	0.2	0.0	0.5	0.8	0.2	
	11 Net current voluntary private soc. exp.	3.2	1.2	5.0	5.9	0.2	1.8	1.0	3.4	2.1	3.3	1.8	0.7	3.1	2.5	1.2	0.3	7.4	0.6	0.6	0.0	1.9	1.0	0.7	2.1	6.6	11.2	2.6
	12 Net current private soc. exp. [8+11]	4.4	1.9	5.0	5.9	0.5	1.9	1.0	3.7	3.0	4.8	1.8	2.4	3.8	3.2	1.5	0.3	7.9	0.6	1.6	0.0	2.4	1.3	0.7	2.4	7.5	11.6	
	13 **Net total social expenditure [6+12-T2]** [c]	27.6	32.0	36.4	27.8	27.1	31.1	29.1	39.0	35.8	26.9	25.7	32.5	28.7	12.7	33.5	10.8	30.7	24.7	24.5	24.2	32.7	23.4	26.3	34.3	32.8	31.1	28.5
	Memorandum item																											
	TBSPs towards pensions [d]	2.8	0.1	0.2	2.3	0.2	..	0.2	0.0	1.2	1.5	2.2	0.0	0.1	..	1.1	0.1	..	..	0.8	0.3	0.1	0.2	0.4	0.0	1.6	1.0	..
	Average indirect tax rate	9.8	16.2	15.1	10.7	17.3	25.9	20.8	14.9	13.0	21.6	21.0	12.1	6.6	12.6	22.3	6.3	17.2	15.3	22.5	16.7	16.8	17.0	13.0	20.5	13.3	4.3	15.5

a) 2001 tax rates and TBSPs partially not available in the Netherlands, and 2005 social expenditure estimates for Portugal.
b) Numbers in square brackets refer to line numbers in the second column; "..." cell with no information.
c) In order to avoid double counting, the value of TBSPs towards "current" private social benefits has been ignored for the calculation of net total social expenditure.
d) Because of conceptual issues and gaps in data availability, tax breaks towards old-age pensions are shown in the table as a memorandum item.

PART II. TRENDS IN GROSS AND NET SOCIAL EXPENDITURE

Chart A.3.1. Gross and net social expenditure trends

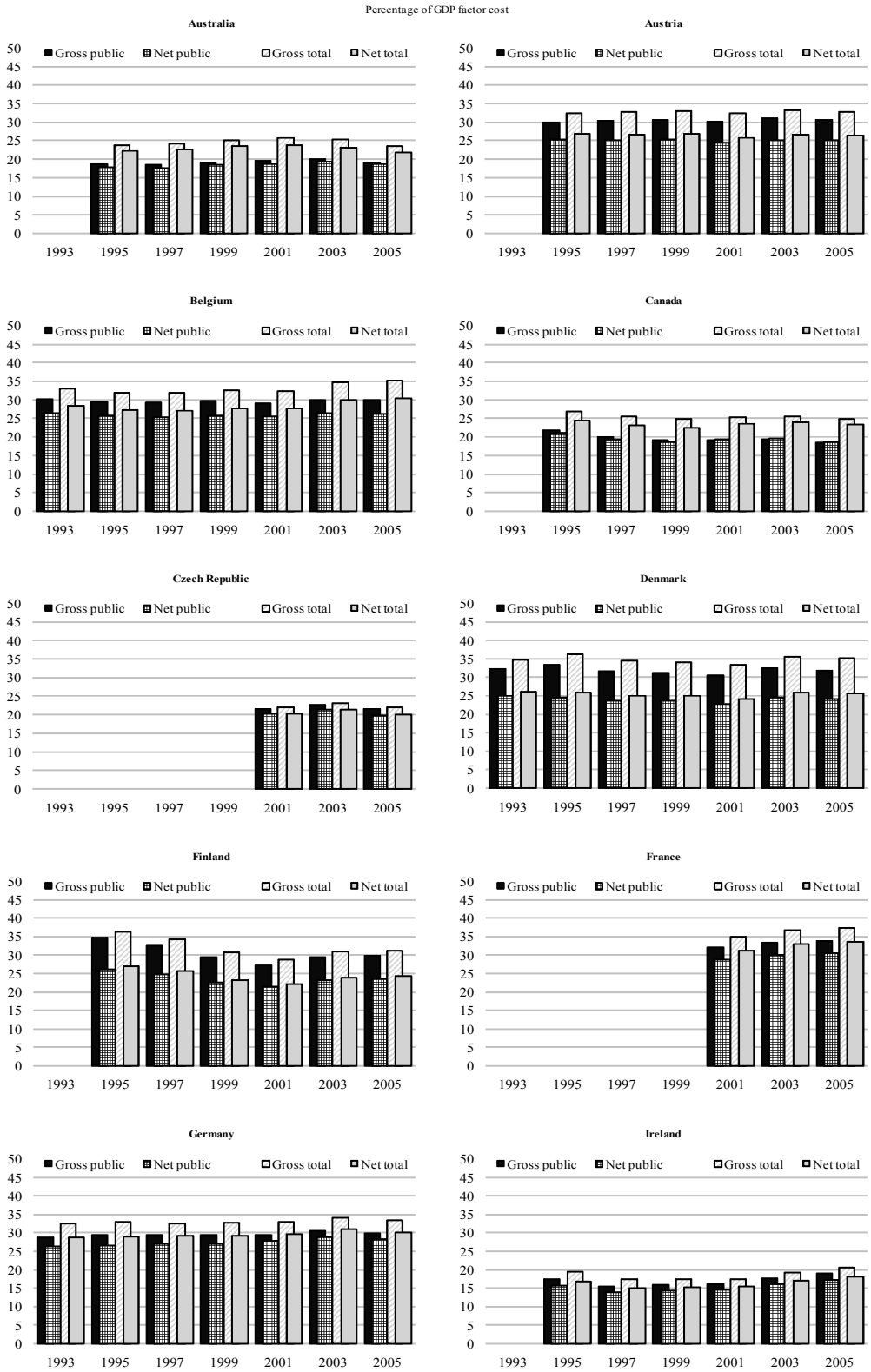


Chart A.3.1. Gross and net social expenditure trends *(continued)*

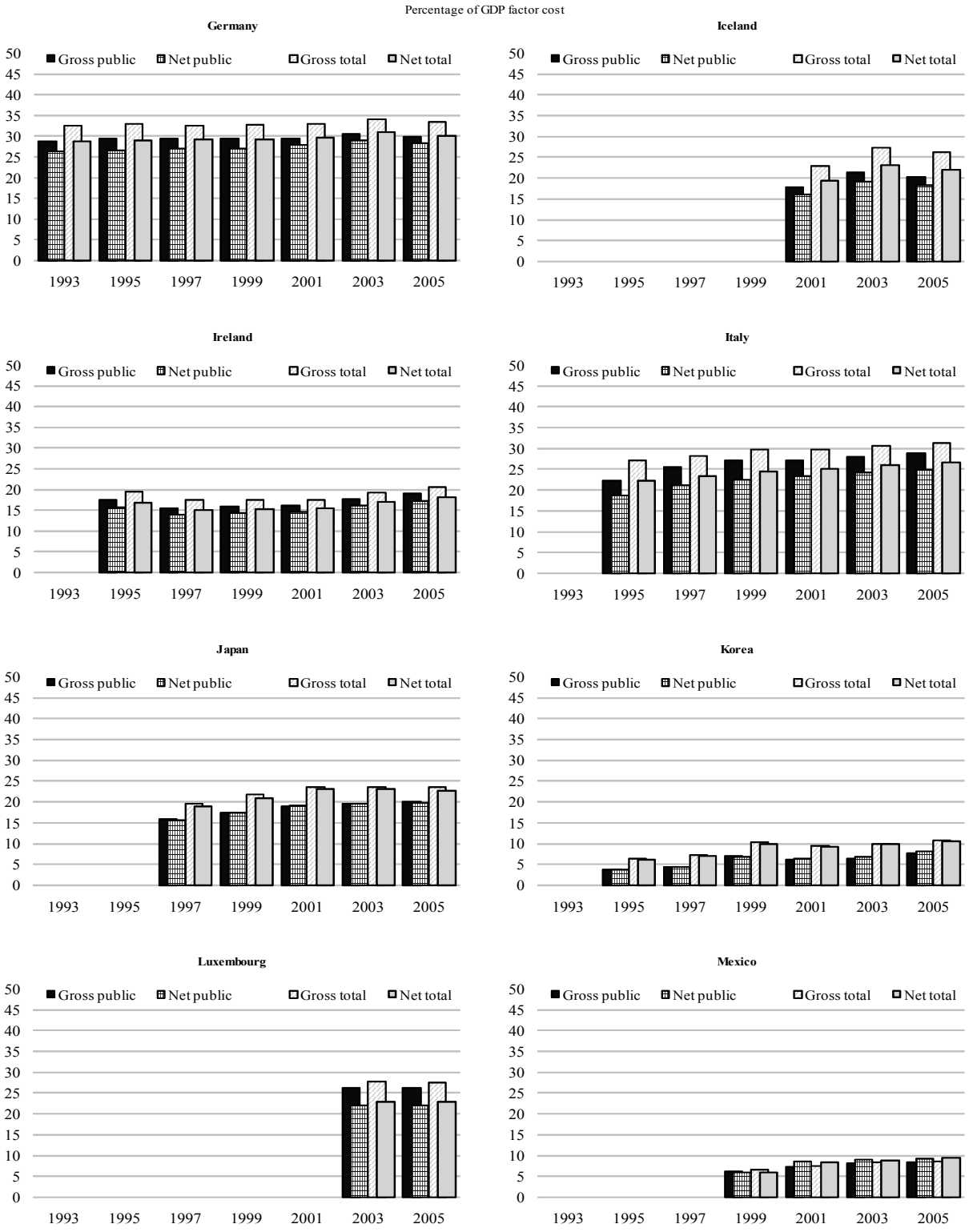
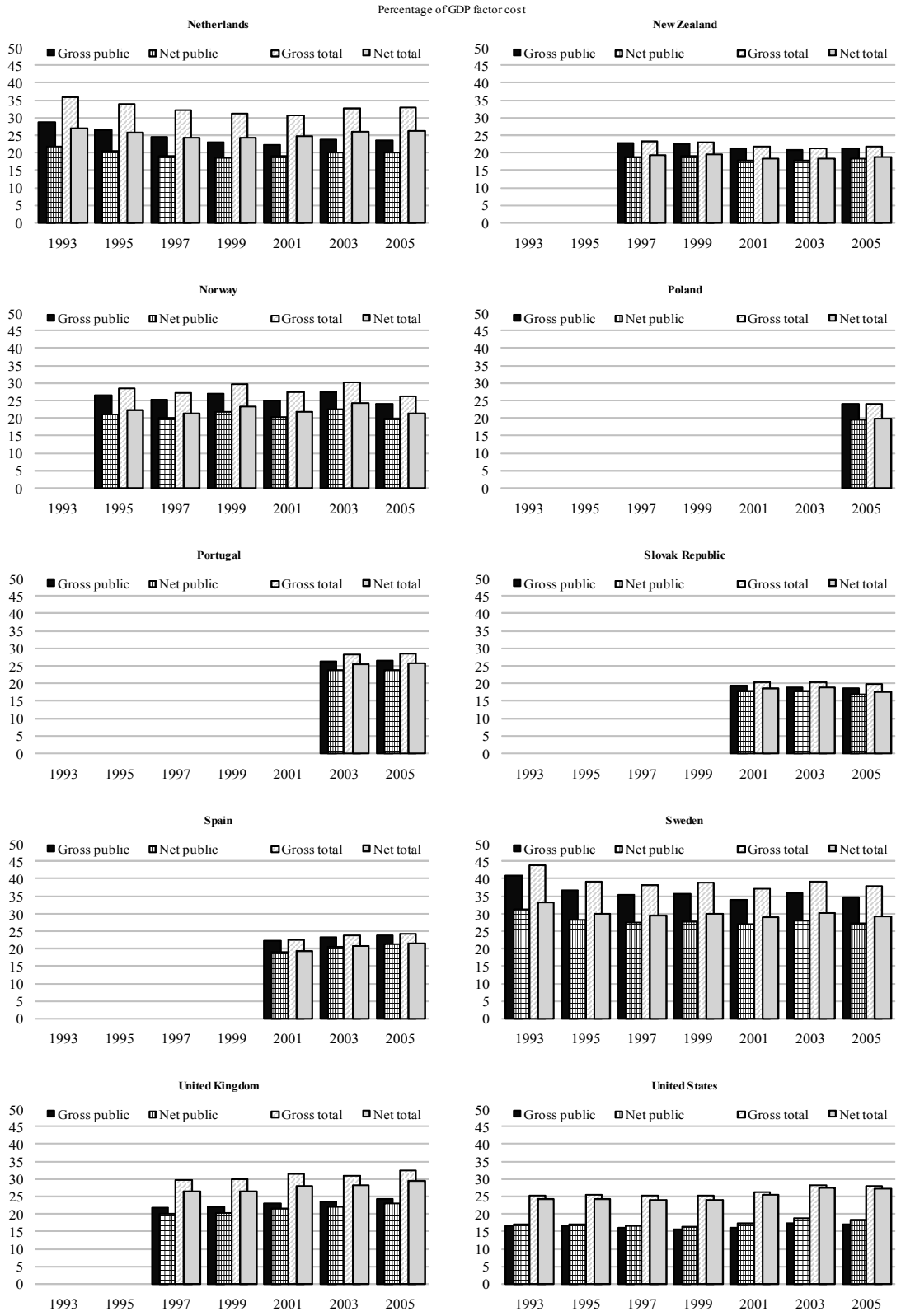


Chart A.3.1. Gross and net social expenditure trends *(continued)*



Source: See Table 5.5 and Annex 2.

ANNEX 4. HOW TO ACCESS SOCX ELECTRONICALLY?

SOCX data is now available using OECD.Stat available via *http://stats.oecd.org*
then click on Theme >Social and Welfare Statistics >>Social Protection
select appropriate SOCX dataset, then click on OPEN

A OECD.Stat "user guide" can be found at top-right of OECD.Stat home page.

SOCX2007 contains three datasets:
- SOCX-AGG for main aggregates
- SOCX-REF for reference series used for calculating aggregates
- SOCX-DET for detailed expenditure at the programme level
  via OECD.Stat and for OECD/OLIS users
  via *www.SourceOECD.org/database/socialexpenditure* for other public.

See next pages for more information on each dataset.

Default views are as follows:
- years 1980, 1985, 1990, 1995, 2000, 2001, 2002, 2003, 2004 and 2005 - data for intervening years are also available by changing the Year selection at top-right of the page.
- all countries are selected for aggregated and reference series datasets.

Default selections can be modified by double-clicking on appropriate variable and selecting appropriate item(s) in the left menu.

Missing values are presented as follows:
- m data not available;
- a data do not exist;
- x data included in another category.

! Tips:
- all variables can be moved using "drag & drop" in headers/columns/lines as in a pivot-table;
- meta-data information are available by clicking on "**i**" next to specific variable/item;
- any table can be exported into Excel / Text file by clicking on appropriate icon at top-right of table
- French version of datasets is available by clicking on "*version française*" at top-right of screen.

A.4.1 SOCX aggregated data are available in OECD.Stat via
http://stats.oecd.org/wbos/default.aspx?datasetcode=SOCX_AGG

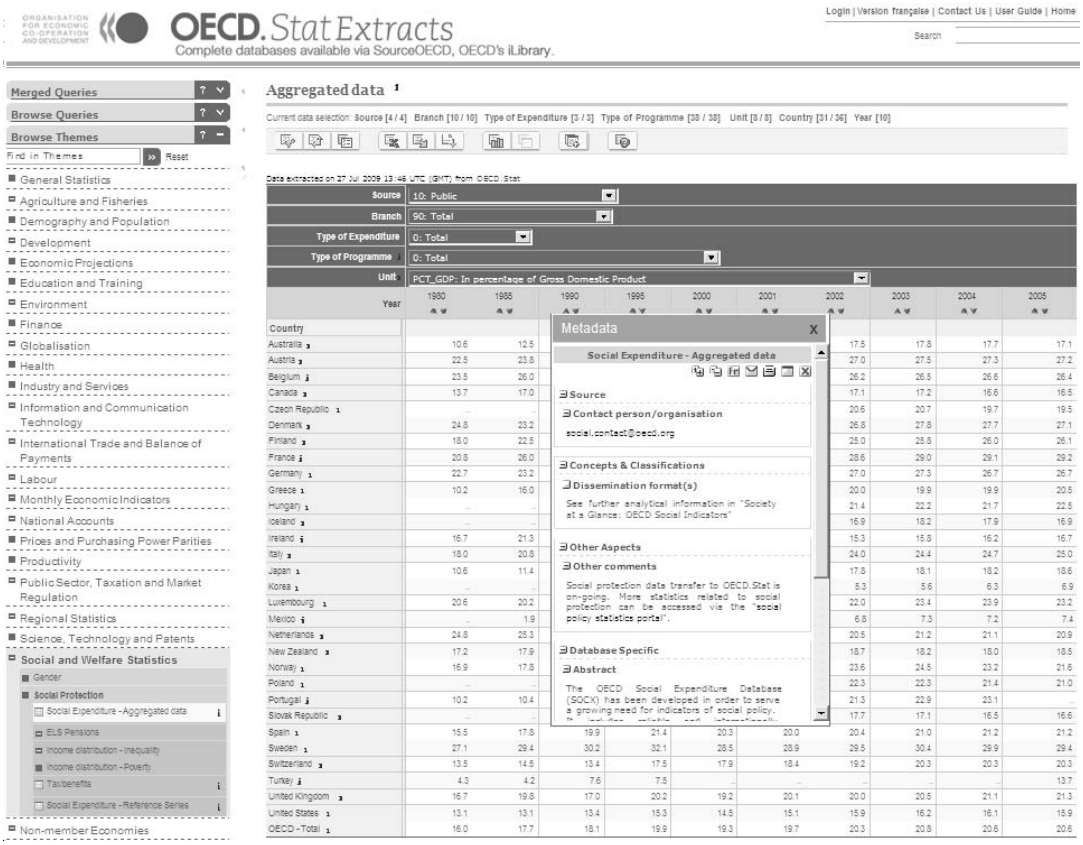
Aggregated data are available by: (codes in brackets)

- source: Public (10), Mandatory private (20), both public and mandatory private (10_20) Or Voluntary private (30)
- branch: each 9 social policy area 1 to 9, or Total (90)
- type of expenditure: Cash benefits (1), Benefits in kind, or Total (0)
- type of programme: each of the 36 sub-areas (Table 3.1), or Total (0)
  to view data by type of program "xyz", select: branch "x" and type of expenditure "y"
- unit, as follows:

		Source	Branch	Type of expenditure	Type of programme
at current prices in national currency, in millions	NCUR	x	x	x	x
at constant prices (2000) in national currency, in millions	NCST	x	x	x	x
per head, at current prices and current PPPs, in US dollars	PPPH	x	x	x	x
per head, at constant prices (2000) and constant PPPs (2000), in US dollars	PPPVH	x	x	x	x
in percentage of GDP	PCT_GDP	x	x	x	x
in percentage of GNI	PCT_GNI	x	x	x	x
in percentage of NNI	PCT_NNI	x	x	x	x
in percentage of GOV	PCT_GOV	x	x	x	x

x: available.
See reference series for notes and sources.

- country: each of 30 OECD countries, or Total
- year: any year from 1980 to 2005



A.4.2. SOCX Reference series are available in OECD.Stat via
http://stats.oecd.org/wbos/default.aspx?datasetcode=SOCX_REF

Reference series are available as follows:

- GDP: Gross Domestic Product at current prices in national currency, in millions
- GDPV: Gross Domestic Product at 2000 prices in national currency, in millions
- DEFL: Deflator for GDP, I(2000) = 100
- GNI: Gross national income at market prices, at current prices in national currency, in millions
  = GDP at market prices
  + Taxes less subsidies on production and imports (net, receivable from abroad)
  + Compensation of employees (net, receivable from abroad)
  + Property income (net, receivable from abroad)
- GOV: Total general government expenditure, at current prices in national currency, in millions
- PPP: Purchasing Power Parities (PPP) for GDP, National currency per US dollar
- EXC: Exchange rates, National currency per US dollar
- POP: Population, Mid-year estimates, in thousands

Source: OECD, National Accounts database.

A.4.3. SOCX Detailed expenditure at the programme level are available in OECD.Stat:

- for OECD-OLIS users via *www.SourceOECD.org/database/socialexpenditure*
- for other public: via *www.oecdbookshop.org* : OECD Social Expenditure Statistics.
  online database via www.oecd.org/bookshop?5KSGJZZ8Q4S4
  online database and archive CD-ROM via www.oecd.org/bookshop?5KSKLFNVJGVJ

Detailed expenditures at programme level are available in OECD.stat and .IVT at:
- at current prices in national currency, in millions (NatCur)

Detailed expenditures at programme level are also available in .XLS at:
- at constant (2000) prices in national currency, in millions (NatCst)
- per head, at current prices and current PPPs, in US dollars (PPPH)
- per head, at constant prices and PPPs (2000), in US dollars (PPPVH)
- in percentage of Gross Domestic Product (PCT_GDP)
- in percentage of Gross National Income (PCT_GNI)
- in percentage of Net National Income (PCT_NNI)
- in percentage of Total general government expenditure (PCT_GOV)

Each social programme has a "unique" code, made of 6 components:
Name of programme =
"Country code" . "Source" . "branch" . "type of expenditure" . " type of programme" . "number of programme"
with: (codes in brackets)
- country: ISO country code

Australia (36),	Austria (40),	Belgium (56),	Canada (124),	Czech Rep. (203)
Denmark (208),	Finland (246),	France (250),	Germany (276),	Greece (300),
Hungary (348),	Iceland (352),	Ireland (372),	Italy (380),	Japan (392)
Korea (410),	Luxembourg (442),	Mexico (484),	Netherlands (528),	New Zealand (554)
Norway (578),	Poland (616),	Portugal (620),	Slovak Rep. (703),	Spain (724)
Sweden (752),	Switzerland (756),	Turkey (792),	Un. Kingdom (826),	Un. States (840)

- source: Public (10), Mandatory private (20), or Voluntary private (30)
- branch: each 9 social policy area 1 to 9, or Total (90)
- type of expenditure: Cash benefits (1), Benefits in kind, or Total (0)
- type of programme: each of the 36 sub-areas (Table 3.1), or Total (0)
- then a "number of programme" starting from "1" in each "type of programme".

Last but not least, "country-notes" - presenting country-specific sources and definitions of social programmes - are available in both English and French as related files in OECD.Stat and in the documentation package in *www.SourceOECD.org/database/socialexpenditure*.

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