

OECD COUNTRY TAX POLICY REVIEWS



OECD Tax Policy Reviews provide tailored tax policy recommendations to improve the design of a country's tax system. The Reviews use reliable, comparative data, OECD tax modelling tools and country benchmarking to deliver an in-depth analysis of the existing tax system and how it could be brought up to leading international tax standards.

THE CHALLENGE: DESIGNING EFFICIENT, FAIR AND SUSTAINABLE TAX SYSTEMS



Achieving the right balance between potentially conflicting policy objectives, including revenue mobilisation, efficiency, equity and sustainability is challenging. Tax policy must strike a balance between securing the rising revenue needs of governments to finance social and economic programmes during and beyond the COVID-19 pandemic, while seeking to attract investment, promote innovation, and generate inclusive and sustainable economic growth. Governments must also think beyond their current challenges and needs to develop tax systems that are able to account for structural trends such as ageing, automation and digitalisation, climate change, the presence of a large informal sector and rising inequalities.

THE OBJECTIVE: IMPROVING THE DESIGN OF COUNTRIES' TAX SYSTEMS



OECD Tax Policy Reviews provide an independent, in-depth and comparative assessment of the effectiveness of a country's tax system in meeting its policy objectives. This assessment is based on OECD tax modelling tools and country benchmarking, which use reliable and comparative data. By comparing the performance of the tax system against its current objectives, leading international standards, and the future demands created by structural changes, the OECD can provide concrete, coherent and tailored tax policy recommendations for its improvement. Furthermore, the Reviews promote policy dialogue among key national stakeholders to ensure an inclusive process and to support the implementation of tax reforms.

THE DELIVERABLES: A REPORT, TWO WORKSHOPS, AND TRAINING SESSIONS



A standard *OECD Tax Policy Review* includes the following deliverables (this can be adapted to the country's needs):

- A **report** analysing the effectiveness of the country's tax system and recommendations for its improvement, with a specific focus on individual tax topics tailored to the country's needs
- **Tax policy workshops** to discuss the analysis and reform options with key project partners and stakeholders
- **Training sessions** to provide government officials with the skills and knowledge to undertake ongoing analysis

TIMELINE AND ORGANISATION OF THE WORK



The Review is conducted in close coordination with country counterparts. The key counterpart – typically the Ministry of Finance – supports the organisation of missions and meetings, and provides the necessary data and documents to perform the assessments. The OECD Centre for Tax Policy and Administration leads the analysis and integrates contributions from other OECD Directorates where relevant. Reviews follow a multi-stage process.



SPECIFIC TOOLS AND EXPERTISE



The Reviews draw on a combination of economic theory, empirical evidence, and reliable tax revenue data to assess the strengths and weaknesses of a country's tax system and analyse the effects of alternative tax policy choices. The Reviews benchmark a country's tax system against leading policy practices in OECD and other comparable countries. The OECD also uses its well-established tax indicators and modelling tools to deepen its assessment of the tax system, including:

- *Taxing Wages* indicators to assess the tax burdens on labour income and the overall tax and benefit positions of different household types;
- Corporate effective tax rates on different types of investments;
- Marginal effective tax rates for a range of household savings instruments;
- Effective tax rates on energy use to assess the magnitude and coverage of taxes on energy use;
- Microsimulation analysis of personal income taxes and consumption taxes to assess the distribution of tax burdens and the distributional impacts of tax changes across different taxpayer groups
- Tax expenditure analysis and tax revenue foregone estimation;
- Tax gap analysis;
- Analysis of the tax-to-GDP ratio; level, composition and evolution of the tax burden; as well as tax revenue and tax structure convergence

CAPACITY BUILDING



In order to support countries to continually review and identify areas in which they can improve their tax system, the OECD can provide training sessions on the use of specific tools (such as those described above) and advanced forms of analysis (such as microsimulation).

RECENT EXAMPLES OF TAILORED TAX POLICY ADVICE

Africa

Seychelles: Tax policy review

Morocco: Tax policy review

Cote d'Ivoire & Senegal: Tax policy challenges for emergence strategies



Asia

Kazakhstan: Tax policy review

China: Tax policy and tax reform

India: Taxation and investment



Europe

Slovenia: Tax policy review

Lithuania: Strengthening tax policy and benefits design

South East Europe: Tax policy and competitiveness



Latin America

Costa Rica: Tax policy review

Chile: Tax expenditures assessment

Colombia: Tax expenditures assessment

FOR MORE INFORMATION



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