Tax Policy Reforms 2023

OECD AND SELECTED PARTNER ECONOMIES

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Foreword

This report was produced by the Tax Policy and Statistics Division of the OECD's Centre for Tax Policy and Administration. It was led by Richard Clarke and written jointly by Richard Clarke, Clara Gascon, Patrice Ollivaud (Economics Department), Antonia Ramm, Konstantinos Theodoropoulos, and Astrid Tricaud. The authors would like to thank the delegates of Working Party No.2 on Tax Policy Analysis and Tax Statistics and the Committee on Fiscal Affairs for their inputs, as well as colleagues Piet Battiau, Bert Brys, Stéphane Buydens, Pierce O'Reilly, Sarah Perret, and Kurt Van Dender for their contributions and comments. The authors would also like thank Karena Garnier for her assistance with editing and Michael Sharratt for his support with data processing.

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Executive summary

***Tax Policy Reforms: OECD and Selected Partner Economies* is an annual publication that provides comparative information on tax reforms across countries.** It tracks tax policy developments over time and describes the latest tax reform trends. This year's edition focuses on tax reforms introduced or announced during the 2022 calendar year in 75 member jurisdictions of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting, including all OECD countries.

The publication has three chapters. Chapters 1 and 2 discuss the macroeconomic and tax revenue background within which changes to tax policy have been made, while Chapter 3 provides an overview of developments in tax reform trends across tax categories.

Tax policy decisions in 2022 reflected policy makers' challenging task of responding to the short-term needs of a macroeconomic environment dominated by elevated inflation levels, the long-run pressure of ongoing structural changes, and country-specific circumstances. Global growth slowed to almost half its rate from the previous year as Russia's large-scale war of aggression against Ukraine added to existing inflation pressures to push the global inflation rate to its highest level for over a decade; wages and household incomes eroded sharply in many countries as a result. Central banks responded by raising interest rates and governments introduced support measures, adding to already high debt levels.

Tax measures were a key component of support packages for households and businesses, which also included subsidies, transfers, and price caps. Temporary rate reductions to excise duties and value added taxes (VAT) on energy products were common, as were measures to index tax bracket thresholds, allowances, and credits for inflation within the personal income tax (PIT) and of social security contributions (SSC), particularly in the countries that experienced significant price increases. While the immediacy and visibility of temporary tax cuts were advantageous, their often-untargeted nature raised budgetary costs and dampened incentives to lower energy consumption.

Several countries affected by energy price rises introduced temporary windfall profit taxes, solidarity levies and other measures in response to elevated corporate profits. Large increases in profits were recorded in late 2021 and throughout 2022 particularly by those operating in the energy sector. These measures are rare in recent history but were exceptionally introduced to raise revenues for additional fiscal expenditures, limit inequalities, and strengthen social cohesion. Some countries also increased the generosity of PIT and SSC allowances, and increased the tax burden on the most well-off individuals through higher rates on the capital and salary income of top earners and by raising net wealth taxes and recurrent taxes on immovable property, continuing the trend of countries seeking ways to increase the progressivity of their tax systems to address rising levels of inequality.

Governments continued to expand income tax incentives aimed at encouraging investment, as well as adapting tax regimes to the challenges and opportunities posed by the digitalisation of the global economy. Countries continued to introduce and expand the eligibility criteria for income tax incentives within both corporate and personal income tax regimes to support investment levels, employment, and growth, particularly through research and development tax credits. Many jurisdictions also took steps towards implementing the global minimum tax rules of the OECD/G20 Two-Pillar Solution

to reform the international tax system, as well as enacting reforms to achieve more effective taxation of international digital trade by strengthening e-commerce VAT regimes and obliging electronic transaction information reporting.

Some environmentally related taxes were reduced in 2022, and a growing number of countries introduced tax incentives and strengthened mechanisms to encourage the transition to a lower carbon economy. Some countries expanded the use of “green” tax allowances and credits within both the corporate income tax and PIT to support investment in more environmentally sustainable technologies and production methods – exemplified by provisions within the United States’ Inflation Reduction Act. Carbon taxes were increased in several countries to support price incentives to lower greenhouse gas emissions, and the European Union worked towards the introduction of a Carbon Border Adjustment Mechanism, as well as a second Emissions Trading Scheme and a Social Climate Fund, the latter to support a more just and equitable transition.

1 Macroeconomic background

This Chapter provides background information on macroeconomic conditions up until the end of 2022. Tax policy developments are closely connected with economic trends: tax revenues are affected by changes in macroeconomic conditions and economic developments are important factors behind tax reforms. This Chapter covers recent trends in growth, inflation, productivity, investment, the labour market, and public finances.

Global GDP growth reached 3.2% in 2022, a year marked by the Russia's large-scale aggression against Ukraine (Figure 1.1). This was marginally below the average growth rate in the decade after the global financial crisis, but a sharp slowdown from 2021. Global growth for 2022 was also 1.3 percentage points (p.p.) weaker than projected at the end of 2021, reflecting the effects of the war in Ukraine, the drag on household incomes from high inflation, rising interest rates and slower growth in China (OECD, 2023[1]).

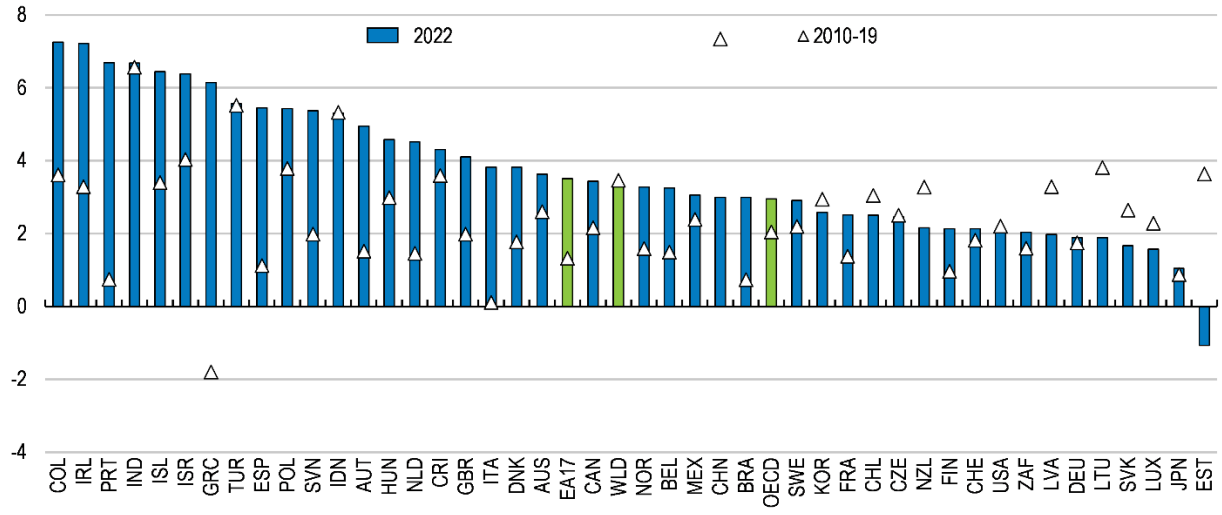
The war in Ukraine directly impacted commodities markets (especially energy and food) and added to the supply chain disruptions that had emerged when economies reopened after COVID-19 lockdowns. Weak real income growth resulting from the surge of inflation, together with a collapse of confidence indicators and concerns about potential energy and food shortages, held back consumers' expenditures and increasingly weighed on activity during 2022. Energy expenditure in OECD economies is estimated to have increased by nearly 8 p.p. of GDP in 2022, similar to the evolution in 1974, a year of energy-related recession (OECD, 2022[2]).

Some economies performed relatively well in 2022, experiencing a rebound as they recovered from the effects of the pandemic, notably in services (Figure 1.1). These economies included Colombia, Greece, Hungary, Iceland, Ireland, Italy, the Netherlands, Portugal, Slovenia, and Spain, as well as the euro area as a whole. However, many countries in Central and Eastern Europe, including the Baltic States, were clearly more affected by the war.

Global growth slowed through the course of 2022, from 4.3% in the first quarter of 2022 (year-on-year) to 2.3% in the fourth quarter. This slowing was evident in macroeconomic outcomes in the fourth quarter of 2022 – output stagnated in Japan, activity in China moderated, and in Europe, there were strong adverse effects from extremely high energy prices. The United States was an exception, with continued labour market resilience outweighing the impact of higher interest rates on investment (OECD, 2023[1]).

Figure 1.1. Real GDP growth

Percentage change



Note: Aggregates are using weights in purchasing power parities except the euro area (EA17) using weights in local currency. Growth in Ireland was computed using gross value added at constant prices excluding foreign-owned multinational enterprise dominated sectors.
Source: OECD Economic Outlook 113 database; and OECD calculations.

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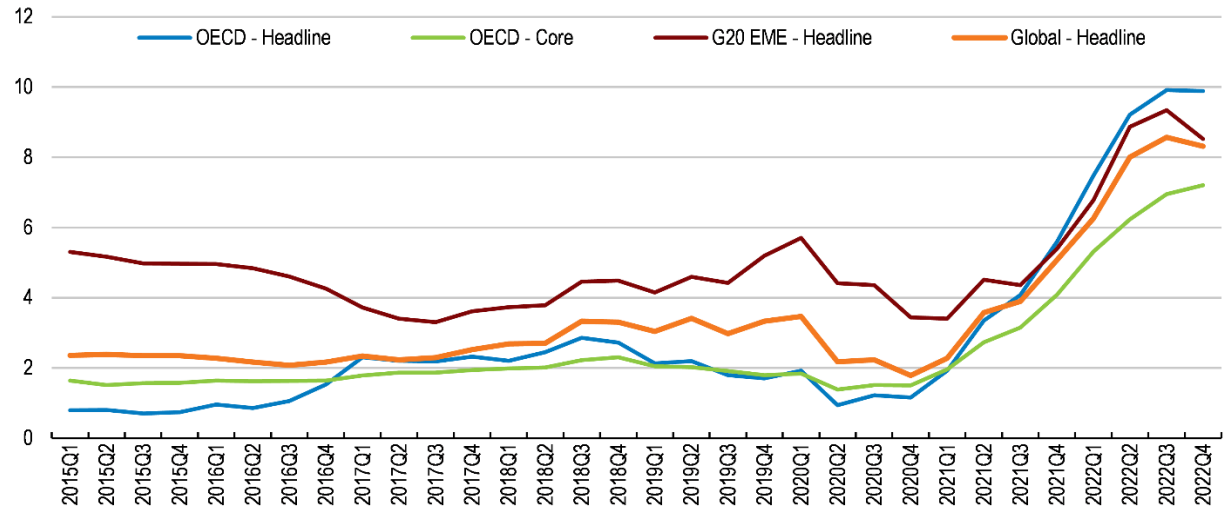
Headline and core inflation continued to increase sharply in 2022, reaching 9.9% and 7.2% respectively for the OECD as a whole in the fourth quarter of 2022 (Figure 1.2). Inflation for the emerging-market economies in the G20 also strengthened to 8.5% in Q4 of 2022.

Inflation pressures had already begun to rise before Russia's large-scale aggression against Ukraine, with contributions from both demand- and supply-side factors resulting mostly from the reopening of economies after pandemic-related lockdowns (OECD, 2022[2])**.** Some of the factors pushing up inflation subsequently subsided during 2022, including shipping costs and a surge in durable goods demand, but the economic consequences of the war in Ukraine, notably the rise of key commodity prices, especially energy, had a significant impact on inflation levels. This affected most countries, but particularly those in Central and Eastern Europe. Natural gas prices in European wholesale markets were about seven times higher in 2022 compared to the 2015-19 average.

While energy and food products drove the initial increase in headline inflation, core inflation, which excludes those products, also rose to a level not seen for several decades (Figure 1.2). Inflation became much more broad-based in 2022 – services inflation trended up while goods inflation started to recede from very high levels (OECD, 2023[1]). By the end of 2022, 60% per cent or more of the items in consumer price baskets had annual inflation rates above 4% in the United States, the euro area and the United Kingdom.

Figure 1.2. Inflation rates

Percentage change, year-on-year



Source: OECD Economic Outlook 113 database; and OECD calculations.

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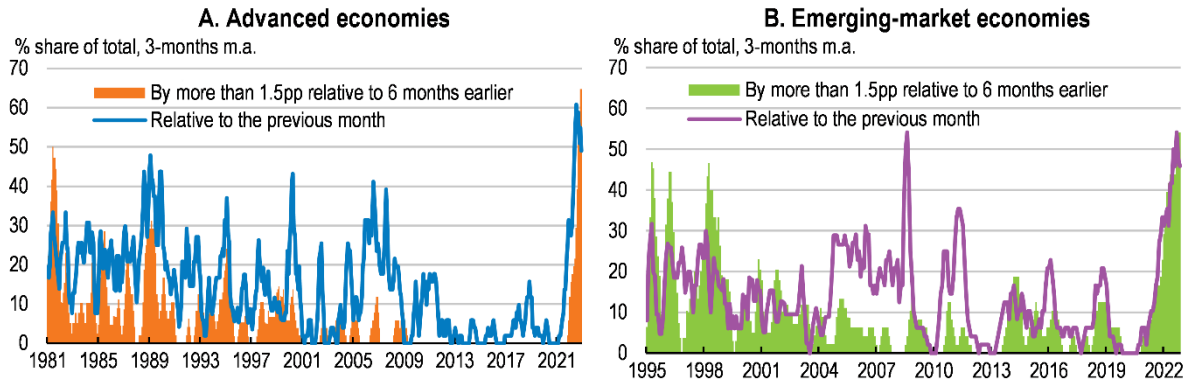
The surge in inflation provoked quick and synchronised monetary policy tightening from early 2022 (Figure 1.3). This monetary policy tightening was aimed at ensuring inflation expectations remained well anchored and headline inflation returns to target. By the end of 2022 there were early signs that tighter policy was beginning to take effect, with housing investment and prices declining in some countries, bank lending rates rising, and bank credit standards being tightened in the largest economies.

Figure 1.3. Monetary policy tightening was fast and highly synchronised

Number of countries raising policy rates



Note: The sample consists of 35 advanced economies and 16 emerging-market economies. All members of the OECD except Costa Rica are included in the sample. The sample composition changes over time according to data availability.
Source: Bank for International Settlements; and OECD calculations.

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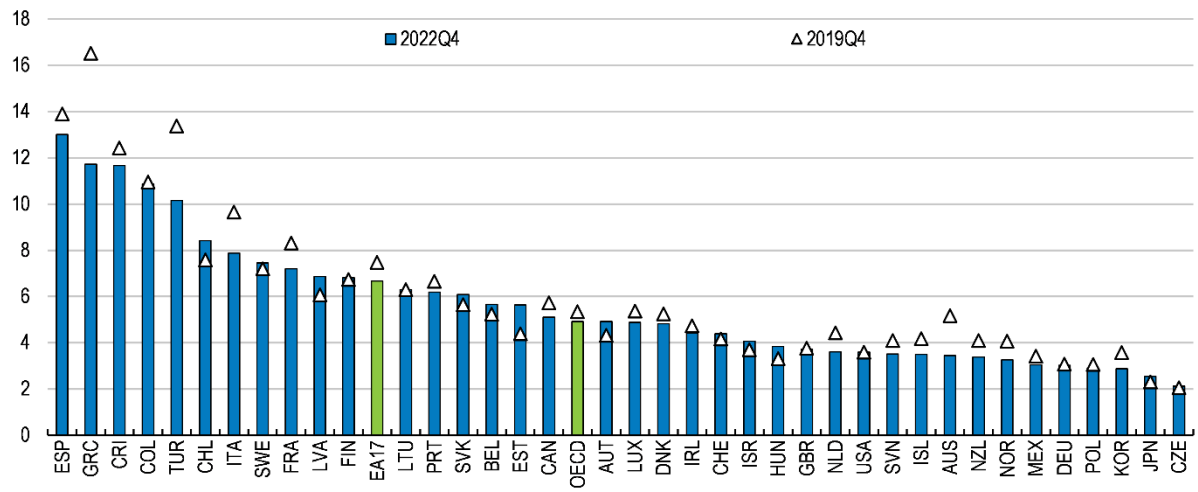
Despite an uptick in the final quarter of 2022, the OECD unemployment rate remained low at the end of the year. At slightly below 4.9% of the labour force, this is the lowest rate (except for Q3 of 2022) since the 1980s (Figure 1.4). The fall in the unemployment rate compared to before the pandemic was especially strong in Australia, Greece, Italy, and Türkiye. Exceptions to this decline were notable in many Central and Eastern European countries more directly affected by the war, as well as Austria, Belgium, Chile, and Israel.

Low unemployment, high vacancy rates and high inflation put upward pressure on nominal wage growth. However, nominal wage growth did not keep pace with inflation, resulting in a sharp erosion of wages and household incomes in real terms in many OECD economies in 2022 (OECD, 2023[3]). For the OECD as a whole, real gross household disposable income per capita fell by 2.3% in 2022. Despite this, household consumption held up through 2022, rising by 4.3% in the OECD as a whole, with households lowering saving rates to offset the weakness in income growth (OECD, 2023[1]).

Government expenditures soared during the pandemic, reflecting a strong and swift fiscal response. With revenues declining, borrowing and public debt rose sharply. Deficits shrunk during 2022, helped in part by the impact of higher inflation on revenue growth, and by the end of the year were close to the pre-crisis average for the OECD as a whole, down from 10.2% of GDP in 2020, 7.5% of GDP in 2021, and 3.6% of GDP in 2022 (Figure 1.5). The deficit remained relatively large in Japan and several European economies, however. During 2022, many countries introduced new policy measures, or extended the duration and generosity of existing policies, such as subsidies, to cushion the impact of higher food and energy prices on households and businesses. Support to energy consumers was about 0.8% of GDP in the median OECD economy in 2022 but above 2% of GDP in several countries, especially in Europe (OECD, 2023[1]). Policy support has been predominantly untargeted, raising its cost and limiting incentives to lower energy consumption.

Figure 1.4. Unemployment rates in OECD countries

As a percentage of the labour force



Source: OECD Economic Outlook 113 database; and OECD calculations.

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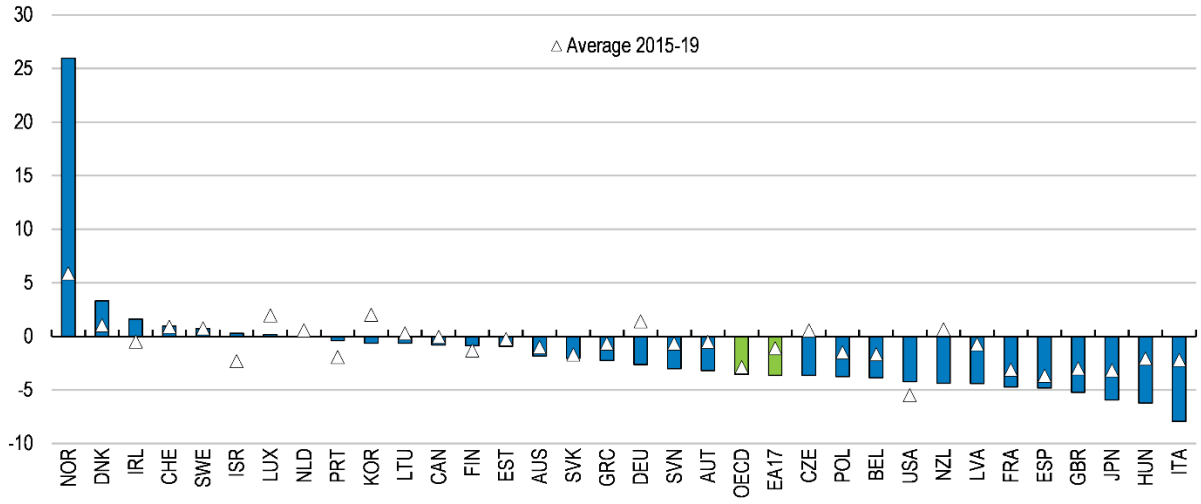
Government debt increased in many countries relative to pre-pandemic levels, reaching 113.8% of GDP on average across the OECD in 2022 (Figure 1.6). Ensuring the sustainability of the public finances has become more challenging due to the multiple impacts of the pandemic, the war and energy shocks. Interest rate increases implemented in 2022 may have caused government debt service burdens in some countries to rise as existing low-cost debt matures, adding to fiscal pressures.

Figure 1.5. Budget balance

As a percentage of GDP, 2022



Note: 2022 data for Israel, Japan, Korea, New Zealand, and Switzerland are estimates.
Source: OECD Economic Outlook 113 database.

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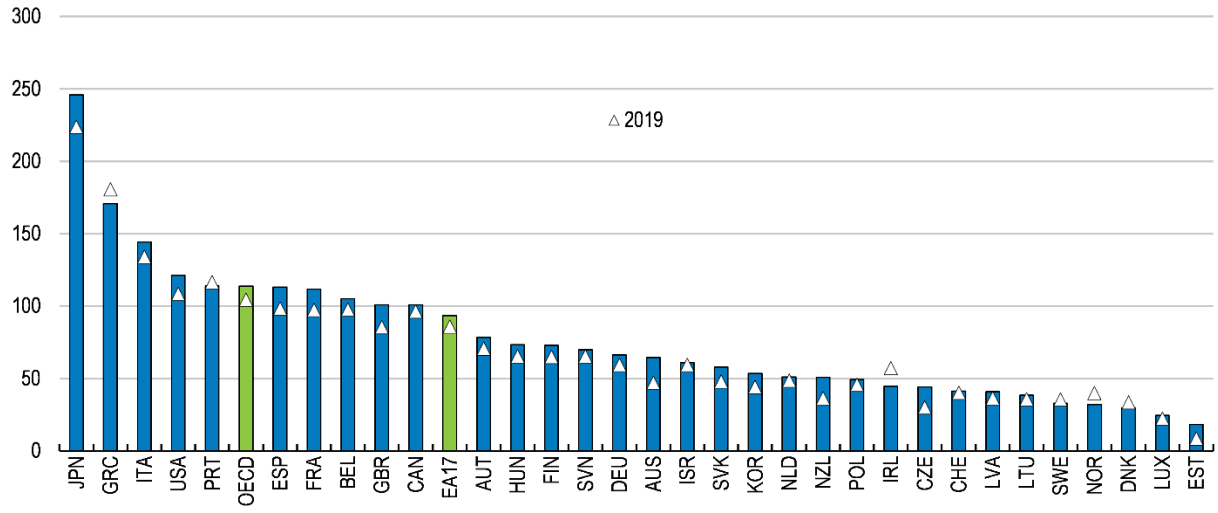
Figure 1.6. General government gross debt

As a percentage of GDP, 2022



Note: Maastricht definition for EU member countries. 2022 data for Israel, Japan, and Korea are estimates.
Source: OECD Economic Outlook 113 database.

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OECD (2022), *OECD Economic Outlook, Volume 2022 Issue 2*, OECD Publishing, Paris, https://doi.org/10.1787/f6da2159-en. [2]

2 Tax revenue context

This chapter is based on the OECD Global Revenue Statistics Database and its accompanying publications. It describes the latest tax revenue trends, analysing both total tax-to-GDP ratios and tax structures over time, across low-, middle-, and high-income countries, focusing on OECD countries in particular.

This chapter describes tax revenue trends up to 2021. It focuses on changes in tax-to-GDP ratios and the tax structure principally in OECD countries, as well as for different income groups, focusing on changes over the last two to three decades. This framing permits the reader to identify if year-on-year changes in tax revenues are representative of a continuing trend or signify a change and whether they reflect the impact of past reforms described in previous editions of the publication. It also provides the tax revenue background to subsequent discussions on the tax policy reforms introduced by jurisdictions in 2022 (Chapter 3). Readers are encouraged to review the OECD Revenue Statistics publication, which provides a more detailed description of changes in tax revenue levels and composition (OECD, 2022[1]).

Nominal tax revenues increased by a proportionally larger extent than nominal GDP in 2021 on average across the OECD as economic activity rebounded. The rise in the average tax-to-GDP ratio in OECD countries was notable, increasing +0.6 percentage points (p.p.) from 2020 – the largest recorded between 1990 and 2021. 2021 was also the second consecutive year the OECD average tax-to-GDP ratio rose, though in 2020 this was due to proportionally smaller decreases in nominal tax revenues than GDP. The increase is also a continuation of the general trend of small rises in the tax-to-GDP ratio that has been observed since 1990. Data suggest that tax policy measures supported growth in tax revenues as economic activity rebounded in 2021, having prevented significant declines in tax-to-GDP ratios in 2020.

Tax structures remained broadly stable in OECD countries in 2021. As shown by the OECD (2022[1])**, the average composition of taxes across OECD countries has retained a similar composition as that reported over the last decade.** Increases in tax-to-GDP ratios were largely driven by greater corporate income tax (CIT) and value added tax (VAT) revenues across jurisdictions. Most jurisdictions also recorded a marginal decrease in revenues from social security contributions (SSCs) and excise taxes.

2.1. Trends in tax revenue levels

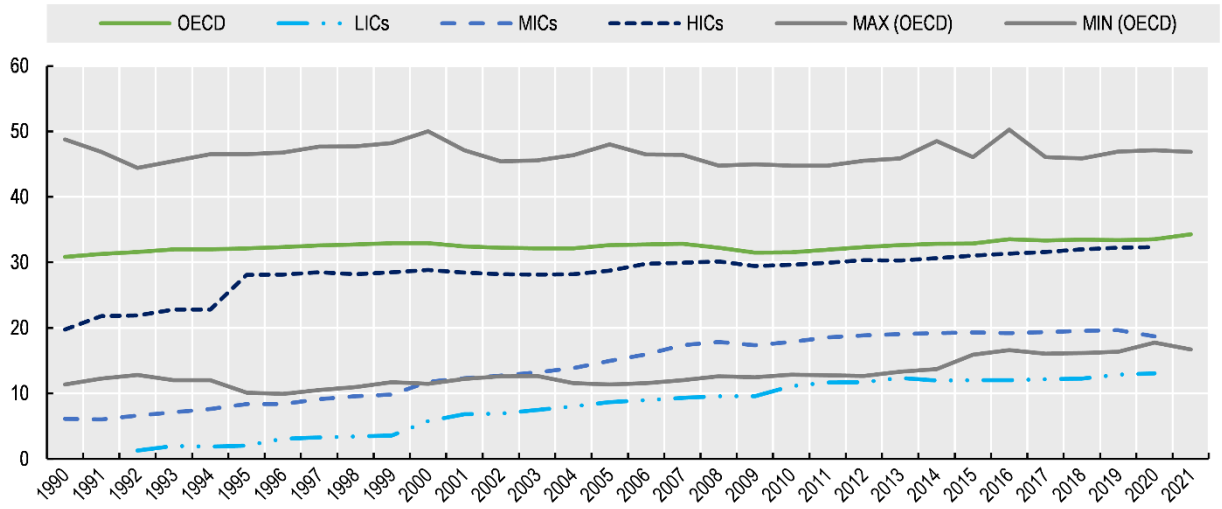
Tax revenues continue to vary significantly across jurisdictions (Figure 2.1). However, differences between OECD countries' tax-to-GDP ratios also continued to narrow slowly as the countries with ratios closer to the minimum converge towards the OECD average, following the trend recorded over the last three decades. Tax-to-GDP ratios in low- and middle-income countries (LICs and MICs, respectively) have also been trending slowly upwards over the same period, albeit from lower levels. However, with the data available to-date there is no clear pattern of convergence or divergence across these country groups.[1]

2021 marked the second successive year that the OECD average tax-to-GDP ratio rose, continuing the general trend of small rises in the tax-to-GDP ratio. The rise in the average tax-to-GDP ratio in OECD countries was notable, increasing by +0.6 percentage points (p.p.) from 2020 to 34.1% – the largest recorded between 1990 and 2021 and above the average yearly rise of 0.14 p.p. In comparison, the average yearly increase in the tax-to-GDP ratio of LICs, MICs, and HICs was 0.21 p.p., 0.14 p.p., and 0.11 p.p., respectively, between 1990 and 2020.

Nominal tax revenues increased by a proportionally larger extent than nominal GDP in 2021 on average across the OECD as economic activity rebounded. In contrast to 2019-2020, when the tax-to-GDP ratio rose (+0.2%) due to many countries experiencing smaller decrease in nominal tax revenues relative to the contraction in GDP, the increase in the ratio between 2020 and 2021 was due to relatively larger increases in nominal tax revenues (+12.8%) than GDP (+10.5%) on average and this proportional rise was experienced in a majority of countries. The average tax-to-GDP rose by 0.2 p.p. in LICs in 2020, but MICs recorded a -0.95 p.p. decrease on average during the first year of the pandemic.

Figure 2.1. Trends in tax-to-GDP ratios, 1990-2021

Tax revenues as a percentage of GDP



Note: The maximum and minimum OECD values signal the range. The number of jurisdictions included in each group varies over time – see the Global Revenues Statistics database for more information.
Source: Global Revenues Statistics Database.

StatLink https://stat.link/goduk0

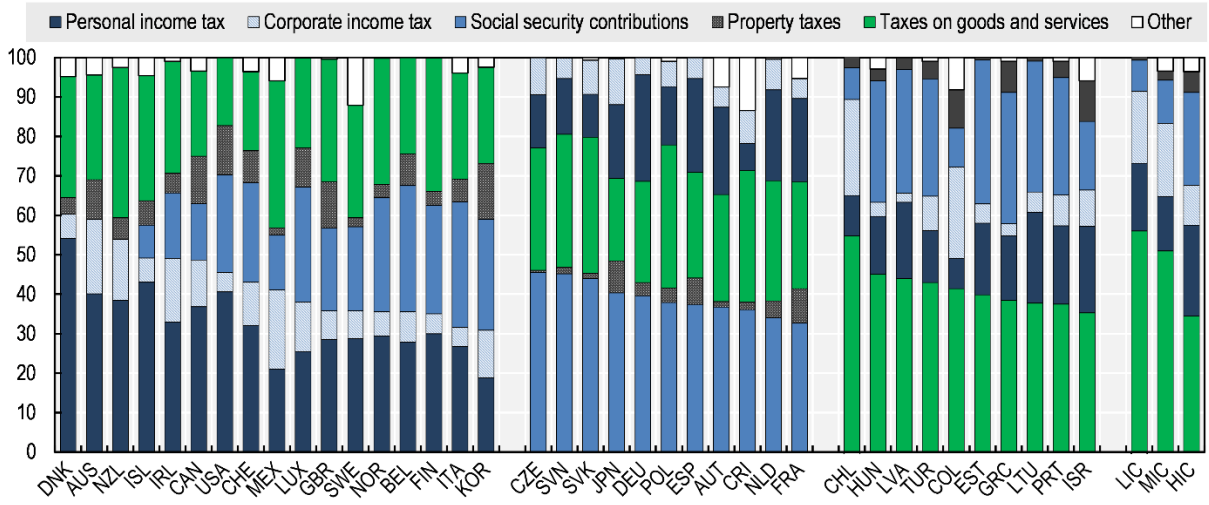
Tax-to-GDP ratios in OECD countries increased between 2020 and 2021 in 24 of the 36 countries for which preliminary 2021 data is available, declined in 11 countries and remained unchanged in one. The largest increase in 2021 was observed in Norway, whose tax-to-GDP ratio rose by 3.4 p.p. due to an increase in corporate income tax (CIT) revenue caused by higher revenues from fossil-fuel extraction following exceptional declines the previous year. The second-largest increase was in Chile (2.8 p.p.), while increases in excess of 2 p.p. were also observed in Israel and Korea. The largest fall in the tax-to-GDP ratio was recorded in Hungary (2.1 p.p.). Canada, Iceland, Mexico and Türkiye also recorded a decline in their tax-to-GDP ratio of 1 p.p. or more.

2.2. Trends in tax structures

The tax structures of jurisdictions continue to vary markedly. As illustrated by Figure 2.2, across the OECD, 17 countries raised the largest part of their revenues from income taxes (both corporate and personal), 11 countries raised the largest part of their revenues from social security contributions and ten countries raised the largest part of their revenues from taxes on goods and services (including VAT), while taxes on property and payroll taxes tend to play a smaller role in revenue systems. LICs and MICs largely fall into the latter category, whereby taxes on goods and services contribute the greatest share of total taxes (56% and 51%, respectively). Excise taxes also form a larger share of revenues within taxes on goods and services in LICs and MICs than in HICs.

Figure 2.2. Tax structures, 2020

Share of tax category in total tax revenues (%)



Note: Personal income taxes refer to tax category 1100 under the OECD classification of taxes, corporate income taxes to tax category 1200 and social security contributions to tax category 2000. Property taxes refer to tax category 4000 and taxes on goods and services to tax category 5000. Other taxes refer to taxes other than the aforementioned five categories which contribute to the remaining revenues to total tax revenues. Tax revenues are the sum of taxes collected by all levels of government. See Revenue Statistics Interpretative Guide for more detail. The low- (LIC), middle- (MIC), and high-income country (HIC) averages are representative of the 116 jurisdictions that provide tax revenue data to the OECD.
Source: OECD Global Revenue Statistics Database.

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While tax levels have generally been rising on average, the tax structure of the OECD has been remarkably stable over time.[2] PIT revenues generated 24.1% of total taxes on average in 2020 compared with around 27.5% in the 1990s, while CIT revenues have varied between 7.5% and 11.2% since 1990 and contributed 9% of total tax revenues in 2020. SSCs accounted for 26.6% of total tax revenues on average across the OECD in 2020, having risen from 23% in the early 1990s. The contribution of taxes on goods and services to total revenues has fallen from 34.5% in the late 1990s to 32.1% in 2020 – the growth of VAT has counteracted the diminishing share of specific taxes on goods and services, such as excises and custom duties. The share of property taxes has remained relatively stable at around 5.5% of total tax revenues from 1990-2020.

Tax structures in OECD countries were not notably altered by changes to tax revenues between 2020 and 2021.[3] As shown by Figure 2.3, in 18 of the 25 countries that experienced an increase in their tax-to-GDP ratio, an increase in either CIT or VAT revenues was the main driver of the rise. PIT increased as a share of GDP in 17 of these 25 countries – two fewer than was the case for CIT. PIT revenues declined as a share of GDP in all but two of the 11 countries whose tax-to-GDP decreased in 2021, underlining the importance of variations in this tax type to overall revenue levels. Sixteen of the 25 countries whose tax-to-GDP ratio increased overall in 2021 experienced a decline in SSCs, while all but three of the countries whose tax-to-GDP ratio decreased overall experienced a decline in SSCs.

CIT revenues increased as a share of GDP in two-thirds of countries for which preliminary data are available in 2021, declined in nine and were unchanged in four. The largest increase was observed in Norway, where CIT revenues rebounded from a 3.6 p.p. decline in 2020 to rise by 7.3 p.p. in 2021 due to

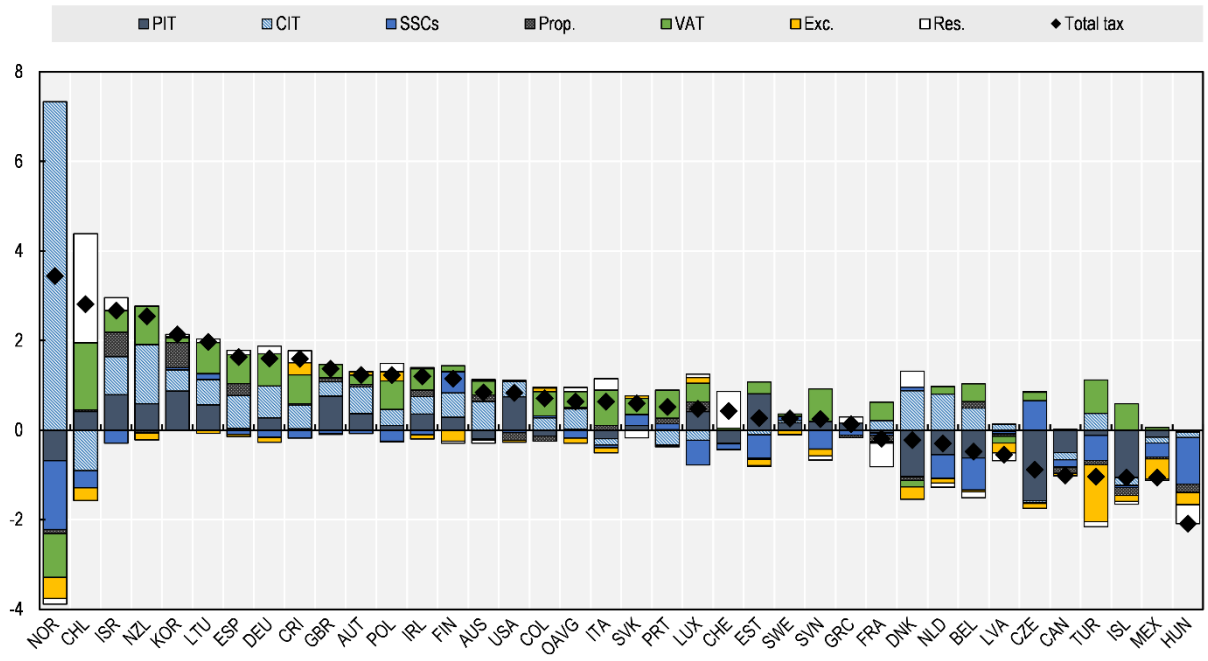
an increase in revenues from petroleum extraction following an exceptional decline the previous year. Eleven other countries observed increases in CIT revenues larger than 0.5 p.p.

Revenues from VAT increased as a share of GDP in 30 countries in 2021 as consumption rebounded in the second year of the pandemic, remained unchanged in three and declined as a share of GDP in three. The increase in VAT revenues exceeded 0.5 p.p. in 13 countries. Excise revenues declined as a share of GDP in 21 countries – with all but two of these decreases being smaller than 0.3 p.p. – while they increased in six and were unchanged in ten countries.

PIT revenues increased as a share of GDP in 17 countries in 2021, declined in 14 and remained unchanged in seven. Increases exceeded 0.5 p.p. in seven countries and the decreases in PIT exceeded 0.5 p.p. in six countries. SSCs increased as a share of GDP in eight countries, declined in 22 and were unchanged in six. The decreases were larger than 0.5 p.p. in five countries. Property taxes increased as a share of GDP in 11 countries, declined in 13 and were unchanged in 13. Bar two countries, none of the changes exceeded 0.3 p.p.

Figure 2.3. Decomposition of change in OECD tax-to-GDP ratios by tax category, 2020-21

Year-on-year change, p.p.



Note: Data for 2021 are preliminary and should be interpreted with caution. This graph includes the change between years 2019 and 2020 for Australia and New Zealand, the average excludes Japan and Greece due to the unavailability of disaggregated data for these countries.
Source: OECD (2022[1]).

StatLink https://stat.link/a7kp9b

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World Bank (2022), *New World Bank country classifications by income level: 2022-2023*, https://blogs.worldbank.org/opendata/new-world-bank-country-classifications-income-level-2022-2023. [2]

Notes

[1] The OECD Global Revenue Statistics Database covers 116 countries. Using World Bank income group classifications from 2022 (World Bank, 2022[2]), 11 countries are classified as low income, 58 as middle income and 47 as high income.

[2] There is insufficient data available from 1990 for LICs and MICs to draw comparative conclusions about the evolution of their tax structures.

[3] Preliminary data for 2021 are only available for OECD countries (with the exceptions of Australia and New Zealand) and thus there is no analysis of changes to overall tax structures in LICs and MICs.

3 Tax policy reforms

This chapter provides an overview of the tax reforms adopted by the OECD/G20 Inclusive Framework jurisdictions during 2022, who responded to the OECD's annual tax policy reform questionnaire. It describes the reforms that were announced and implemented in 2022, examining trends in each category of tax, including personal income taxes and social security contributions, corporate income taxes and other corporate taxes, taxes on goods and services (including value added taxes, sales taxes, and excise duties), environmentally related taxes and property taxes.

3.1. Personal income tax and social security contributions

Reforms to personal income tax (PIT) and Social Security Contributions (SSC) were driven by equity and affordability concerns in 2022. Jurisdictions commented that tax reforms affecting PIT and SSC payments were predominantly focused on supporting households and businesses in coping with elevated inflation levels. In some cases, jurisdictions targeted support measures at lower-income households with the aim of maintaining tax progressivity, lowering their fiscal costs, and limiting additional inflationary pressures. Support measures for the self-employed and unincorporated businesses were more common in 2022 than in previous years, and – in a change to PIT and SSC policy trends – a number of jurisdictions targeted measures towards specific industries. Given elevated inflation levels throughout the year, the indexation of PIT and SSC systems was particularly important.[1] Increases in the generosity of support measures also raised governments' revenue needs.

Jurisdictions mainly implemented PIT base narrowing measures and increased top PIT rates on labour income and taxes on capital income. Many jurisdictions implemented PIT base narrowing measures to lower the tax burden on labour income and support households in dealing with the increase in living costs, through more generous PIT allowances and increases in earned income and child tax credits while a number of jurisdictions also implemented PIT base narrowing measures to lower the tax burden on the self-employment and unincorporated businesses to encourage greater investment and employment. A small group of jurisdictions also narrowed the PIT base for employees operating in certain sectors with the aim of increasing investment and employment in industries deemed to be of strategic importance. Top PIT rates and capital income taxes were increased in several jurisdictions to raise revenue and support the progressivity of taxes on personal income. Reforms to SSCs were comparatively more mixed, as some jurisdictions emphasised the need to promote the sustainable financing of social security systems while others implemented support measures through the SSC system.

Jurisdictions made more PIT and SSC reforms in 2022 than in previous years. Compared to 2021, the number of reported reforms to these tax bases nearly doubled. In line with trends noted over the past eight years (when the Tax Policy Reforms report was first published), jurisdictions continued to narrow their PIT bases. More jurisdictions also reported raising top PIT rates and taxes on capital income compared to previous years.

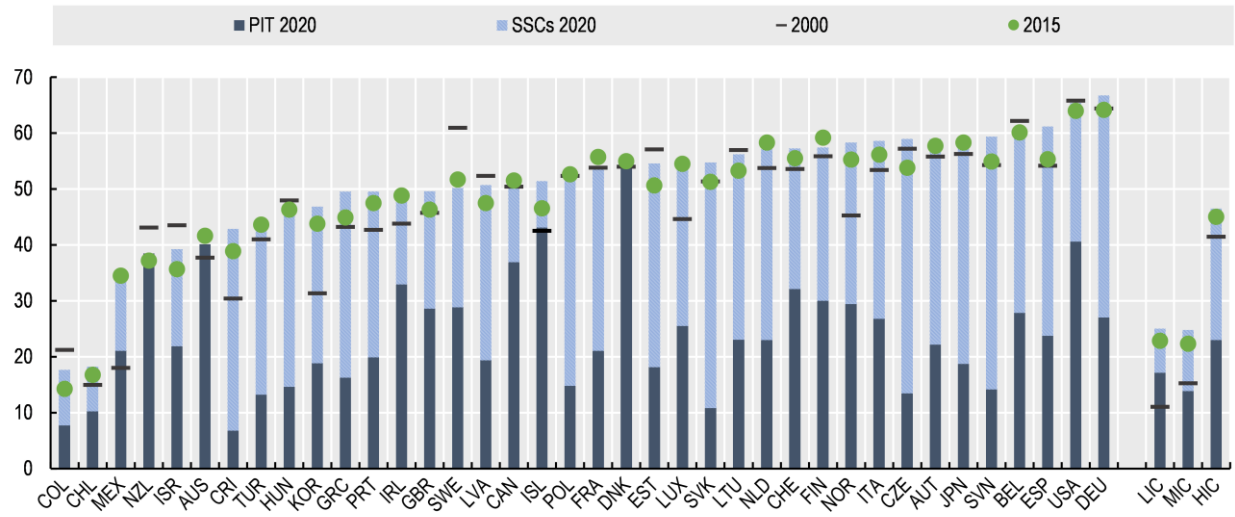
3.1.1. PIT and SSCs continue to be a major source of tax revenue

PIT and SSCs form significant sources of tax revenues in most OECD and high-income countries, while their share of overall tax revenue is smaller in low- and middle-income countries. In 2020, PIT and SSCs accounted for around half of total tax revenues, with PIT making up 24% and SSCs accounting for 28% of total tax revenue on average across OECD countries. In contrast, PIT accounted for, on average, 17% and 14% in low-income and middle-income countries (LICs and MICs), respectively, while SSCs make up 8% and 11% of total tax revenue.

The share of PIT within total tax revenue declined in the majority of OECD countries and across LICs, MICs and HICs in recent years. Cross-country differences in the contribution of PIT to total tax revenues remain large (Figure 3.1). The share of PIT in total tax revenue declined in 28 OECD countries between 2015 and 2020, as well as across LICs, MICs and HICs, on average. This fall was preceded by a 15-year period of increasing PIT shares in overall tax revenues in the majority of OECD countries. Differences in PIT's share of total tax revenue remained large over the observed period. For instance, among OECD countries, the PIT share in total tax revenue was larger than 40% in Denmark Iceland, the United States and Australia while it accounted for less than 10% in Costa Rica and Colombia in 2020. As Figure 3.1 shows, these outliers are largely the result of certain countries relying more heavily on either PIT or SSCs, rather than having more equal contributions of the two taxes.

Figure 3.1. Revenues from personal income tax and social security contributions

PIT & SSC revenues as a percentage of total tax revenues



Note: Personal income tax revenues refer to tax category 1100 under the OECD classification of taxes, and social security contributions to tax category 2000. Tax revenues are the sum of taxes collected by all levels of government. See Revenue Statistics Interpretative Guide for more detail. The low- (LIC), middle- (MIC), and high-income country (HIC) averages are representative of the 116 jurisdictions that provide tax revenue data to the OECD.
Source: OECD Global Revenue Statistics Database.

StatLink https://stat.link/mi91os

The share of SSCs in total tax revenues in HICs is more than twice as large as in LICs and MICs, and this share has increased across the majority of countries. The SSC share in total tax revenue increased in the majority of OECD countries as well as in LICs, MICs and HICs during the past two decades, and in contrast to PIT, also grew steadily in recent years. The growth in the SSC share between 2000 and 2020 was slightly higher in LICs, though the differences between SSC shares in LICs (8%) and MICs (11%) compared to HICs (24%) remained large. Within OECD countries, the SSC share in total tax revenue is larger than 20% in 28 out of 38 countries and as high as 40% in the Czech Republic, Japan, Slovenia, and the Slovak Republic. Eastern European countries rely more heavily on SSCs compared to other OECD countries, while SSCs play a less significant role in Latin American countries.

3.1.2. Elevated inflation levels in 2022 had a significant impact on the tax burden on income from labour

Inflation had important consequences for the labour tax burden in 2022 due to the effects of fiscal drag. Nominal wage growth did not keep pace with price increases in OECD countries on average in 2022, meaning workers' incomes fell in real terms. Despite the majority of OECD countries indexing their tax and transfer systems, whether through automatic or discretionary mechanisms, the increase in nominal incomes pushed labour taxpayers into higher PIT brackets in a number of countries, increasing average tax rates and compounding citizens' loss of purchasing power. The OECD (2023[1]) shows, for example, that the average tax wedge increased in 23 OECD countries pushing the OECD average for single workers without children earning the average wage up slightly (+0.04 p.p.). In some countries, the rise in the average tax wedge was due to nominal increases in wages which were not matched by the upward adjustments of income tax thresholds due to inflation. In other countries the value of allowances and credits fell relatively more than earnings, while SSCs drove labour tax increases in a third group of countries. The

average tax wedge declined in 11 countries, either driven by increases in tax exemptions, deductions, and tax credits or by lower SSCs, and remained constant in four countries. The largest increase in the average tax wedge was reported in the United States (2.2.p.p.), due to the withdrawal of COVID-19 related support measures while the largest decline was reported in Türkiye (-2.66 p.p.), due to the introduction of a minimum wage tax exemption.

3.1.3. A number of jurisdictions sought to raise tax revenues and promote progressivity by reducing the tax burden on lower-income earners and increasing top PIT rates

Four HICs and one MIC implemented or announced top PIT rate increases. Jurisdictions increased top PIT rates in an attempt to raise additional government revenue and to enhance the progressivity of their tax systems**,** which marks a continuation of top PIT rate increases implemented in the past year. With effect in 2023, Slovenia raised its top PIT tax rate by 5 p.p. to 50%, which reversed the top PIT rate decrease implemented in January 2021. In Norway, the top PIT rate was raised by 0.1 p.p. to 17.5%[2] with effect from January 2023. To increase progressivity, Indonesia introduced an additional tax bracket to its four-bracket income tax schedule, raising the top rate from 30% to 35% in 2022. Singapore announced the addition of two tax brackets to its PIT schedule, raising the top PIT rates from 22% to 24% for income above SGD 1 million (USD 0.7 million) (for income above SGD 500 000, (USD 363 582) a rate of 23% will apply). Japan proposed the introduction of an effective minimum tax of 22.5% on individuals earning more than YEN 330 million (USD 2.6 million) to take effect in 2025.[3] **Five high-income countries implemented non-top PIT rate cuts to lower the tax burden on low- and middle-income households and to encourage consumption.** Norway and Portugal lowered tax rates applied to low-and middle-income households, with Norway reducing the rates levied on the first and second tax band by 0.1 p.p. and Portugal lowering its rate applied to the second income tax bracket by 2 p.p. to 21% in January 2023. To boost economic growth, Poland reduced the tax rate applied to the first income tax bracket from 17% to 12%, and as a result abolished the middle-class relief,[4] while the Netherlands lowered the tax rate applied to the first tax bracket of box 1 income (employment, homeownership) by 0.11 p.p. to 36.93% with effect from 2023.[5] Ireland extended the application of reduced universal social charge rates for individuals earning less than EUR 60 000 (USD 63 180) and who have a full medical card. Mauritius added a second income tax bracket to a three-bracket income tax schedule, lowering the tax burden for middle-income households.

The Czech Republic, the Netherlands and Norway increased non-top PIT rates to raise tax revenue. In Norway, tax rates applied to the third- and fourth-income tax bracket were raised by 0.1 p.p. The Netherlands abolished the option to average income over the last three years to calculate PIT liability from the 2023 tax year to simplify the tax system and announced that income from business ownership (box 2 tax), which is currently taxed at a flat rate of 26.9%, will be subject to a two-bracket progressive tax schedule with a top rate of 31% applying to income above EUR 67 000 (USD 70 550) from 2024 onwards. The Czech Republic increased the value of flat rate payments, which qualifying self-employed individuals may choose instead of paying PIT, SSCs and health insurance contributions in 2023.

Table 3.1. Changes to personal income tax rates

	Rate increase		Rate decrease	
	2021	2022 or later	2021	2022 or later
Top PIT rate	CAN[3], NZL	IDN, JPN[1,2], NOR, SGP[2], SVN,		CAN[3]
Non-top PIT rate		CZE, NOR, NLD	CAN[3]	CAN[3], MUS, NLD, NOR, POL, PRT

Note: 1 denotes a new tax, 2 denotes reform announcement, 3 denotes that tax reform was implemented at the sub-central level (rate increases in the Province of Newfoundland and Labrador and rate decreases in the Province of New Brunswick).
Source: OECD Annual Tax Policy Reform Questionnaire.

3.1.4. Reforms narrowing PIT bases continued in 2022

The trend of jurisdictions narrowing PIT bases continued in 2022. Of the reforms undertaken by jurisdictions who altered their PIT bases in 2022, 63 were base narrowing and 11 were base broadening. The majority of PIT base narrowing reforms aimed at supporting low- and middle-income earners, particularly families with children, and self-employed individuals and unincorporated businesses in coping with significant increases in their costs of living. Some PIT narrowing measures provided investment and employment incentives to boost sluggish economic growth; these were often targeted at sectors deemed to be innovative or of strategic importance, sectors especially affected by inflation, or to the self-employed and unincorporated businesses. PIT relief measures were also used in response to housing affordability issues.

Table 3.2. Changes to personal income tax bases

	Base broadening		Base narrowing	
	2021	2022 or later	2021	2022 or later
Personal allowances, credits, tax brackets	ITA, NOR, GBR2, URY1,2	COL, KOR, NLD, NOR	BRA, CZE, FIN, IRL, ITA, LTU, NOR, SWE, ZAF	ALB4, CAN4,5, DEU, ESP, EST, FIN, IRL, KOR, LTU, LVA,4 NLD, NAM, NOR, POL4, SVN, TTO
Self-employed and unincorporated business		CZE, NLD, SVN	AUT, DEU, POL, MEX, TUR	ARG, ITA, KOR, ROU
Employment	BEL, SWE		AUS, AUT, BEL, DEU, NLD, NOR	CAN, ESP, HUN4, ITA, JPN, MUS, POL, PRT, ROU, SVN, SWE4, TUN, ZAF, USA
Provisions targeted at low-income earners, EITCs and other in-work benefits			CAN, FIN, ITA, SWE1, USA	DNK, IRL, LUX
Children and other dependents			BEL, BGR1, FIN1, ITA,	AUT4, ARG, AUT, BGR, CAN4, CHE4, CZE4, DEU, ESP, FRA, HRV, IRL, KOR, LUX, MUS, POL4, PRT
Elderly & disabled			EST, LVA, POL, SWE	AUT, CAN, DEU, FIN, KOR, MLT4, SWE, USA
Miscellaneous expenses, deductions, and credits		BEL, CAN, CHL ESP4, NOR4		BRB, CAN, DEU, IRL1, NZL, SWE, CZE, USA

Note: 1 denotes a temporary tax measure, 2 denotes a new tax, 3 denotes reform announcement, 4 denotes reforms introduced in 2022, but covered is last year's TPR edition, 5 denotes that tax reform was implemented at the sub-central level
Source: OECD Annual Tax Policy Reform Questionnaire.

Most jurisdictions increased the generosity of general PIT allowances and credits and adjusted tax thresholds for inflation

Several jurisdictions increased the generosity of their PIT relief measures. To support citizens with the impact of rising price levels and to increase the progressivity of their tax systems, jurisdictions increased the generosity of their tax allowances and credits. Inflation also risked raising the tax burden in progressive tax systems through its impact on nominal wages. OECD countries regularly adjust their PIT system for inflation, either through automatic indexation mechanisms or on a discretionary basis, which was of particular importance in the context of rising inflation and falling real wages in 2022 (OECD, 2023[1]).

Several jurisdictions raised basic allowances in response to elevated inflation levels. Basic allowance increases in some jurisdictions were notably larger than inflation, lowering the tax burden for low- and middle-income earners. Norway, Lithuania, and Slovenia increased their basic

allowances by 25%, 36%, and 11% respectively between 2022 and 2023.[6] Germany raised its basic allowance by 4% retroactively with effect from January 2022 and legislated further increases of 5% in 2023 and 6% in 2024.[7] Germany also increased its standard tax allowance by 20% to EUR 1 200 (USD 1 265), retroactively, for 2022 and legislated a further EUR 30 (USD 32) increase for 2023. In Estonia, the basic allowance was raised by approximately 31% to EUR 7 848 (USD 8 265) and is phased out to zero for income between EUR 14 400 (USD 15 165) and EUR 25 200 (USD 26 535). Spain also modified the phase-out in its basic allowance and increased the maximum income threshold at which the basic allowance becomes zero by around 17% to EUR 19 747 (USD 20 800). Trinidad and Tobago increased its personal allowance by 7% to TDD 90 000 (USD 13 300).

Ireland, the Netherlands, and Namibia increased their basic tax credits. The Netherlands increased the maximum employment tax credits by 18% and extended the basic tax credit from box 1 (broadly, earned income) to box 2 and 3 income (broadly capital income). Ireland increased its personal tax credit by 4% while Namibia implemented a nearly fourfold increase in its tax credit to NAD 150 000 (USD 8 470)) in 2023.

Given the high levels of inflation, jurisdictions adjusted their tax thresholds to avoid bracket creep, either through one-off adjustments or through automatic indexation mechanisms. Half of all OECD countries index their PIT schedule automatically for inflation while OECD 20 countries adjust for inflation on a discretionary basis, which commonly allows governments to determine the timing of the adjustment (for detail, see the Special Feature in the Taxing Wages 2023 publication). Some countries responded to elevated inflation levels by implementing in-year adjustments or introducing an automatic inflation mechanism. With effect from January 2023, Austria introduced an automatic inflation adjustment mechanism which increases income bands automatically in line with inflation, with the exception of the top income bracket. Germany increased all income tax band thresholds, except for the highest income tax bracket, by 7.2%, and also increased the exemption limit for the solidarity surcharge by 3% for the 2023 tax year. Ireland increased the standard rate band for single earners by 9% and for joint filers with one income by 7% while also increasing the rate band ceiling for the second tax bracket of the Universal Basic Charge to adjust for increases in the hourly minimum wage rate.[8] Korea adjusted the first and second of its seven income tax brackets upwards by KRW 2 million (USD 1 550) to KRW 14 million (USD 10 900) and to KRW 50 million (USD 39 000), respectively.

Several jurisdictions introduced temporary PIT measures to help households cope with elevated inflation levels, and significant increases in energy prices in particular

Some high-income countries used temporary PIT measures as part of policy packages to support households with increases in living costs. Australia introduced a one-off cost of living offset of AUD 420 (USD 442) for taxable incomes less than AUS 126 000 (USD 132 680), in addition to the temporary low- and middle-income tax offset. Austria introduced a one-time inflation tax credit of EUR 500 (USD 526) for employees, which was uniformly reduced to zero for current income between EUR 18 200 (USD 19 160) and EUR 24 500 (USD 25 790) and a temporary PIT-relief measure that allows employers to pay their employees an inflation bonus of up to EUR 3 000 (USD 3 160), which is exempt from PIT and SSCs. Germany provided one-off allowance of EUR 300 (USD 316) for all workers, self-employed individuals, owners of unincorporated businesses and pensioners for the 2022 tax year.

Several jurisdictions introduced measures to lower energy and fuel costs, mostly by providing more generous tax treatment of commuting costs. Luxembourg introduced a temporary “Energy Tax Credit” for employees, the self-employed and pensioners between July 2022 and March 2023.[9] Germany increased the commuter allowance by 9% to EUR 0.38 (USD 0.40) per kilometre travelled in excess of 20 kilometres for the 2022 tax year, while Sweden raised the standard amount that may be deducted for commuting expenses by 35% to SEK 25 (USD 2.47) per 10 kilometres. Austria temporarily increased the distance-dependent tax credit for commuters from EUR 2 to EUR 8 (USD 2.11 to USD 8.42) and also

raised the lump-sum deduction for commuters by 50%, between May 2022 to June 2023.[10] France permanently increased the expenses per kilometre travelled that employees could deduct on business trips for PIT purposes by 10% from February 2022. Finland provided a temporary tax credit for people facing electricity expenses of more than EUR 2 000 (USD 2 105) over a four-month period in 2022 and introduced a temporary increase in the deduction of commuting expenses for the tax years 2022 and 2023.

Jurisdictions continued to introduce PIT measures to support lower income households with caring costs in 2022

Several jurisdictions increased the generosity of PIT measures aimed at supporting families with children. Increases were introduced in nine high-income countries. Germany increased the basic allowance per child by 2% retrospectively from January 2022 and announced 5% rises for 2023 and 4% in 2024. Germany also increased child benefits for up to three children in 2023, Luxembourg raised its allowance for extraordinary expenses for children not living in the household by 10%, and Slovenia increased its tax allowance for dependent family members by 7.5% with effect in 2023. Portugal increased the deduction for families with more than one child under the age of six by EUR 300 (USD 315) per child while Israel granted an additional tax credit of ILS 2 676 (USD 800) per child aged between 6 and 12 to help families cope with increased living costs. Croatia increased the personal allowance for dependent family members by 60% with effect in December 2022 while Bulgaria temporarily increased the deduction for minor children by 33% for the tax years 2022 and 2023. France increased the maximum threshold of the 50% tax credit applied to the childcare expenses of children aged six or below by 52% to EUR 3 500 (USD 3 685).

Jurisdictions also introduced PIT measures targeted at education and training expenses of dependent children. Germany increased the deductible training expenses per child by 30% to EUR 1 200 (USD 1 260) in 2023. Mauritius more than doubled the deductions for non-sponsored full-time undergraduate or postgraduate education to MUR 500 000 (USD 10 995) in June 2022 while Argentina introduced an educational allowance for dependent children under the age of 24 which is capped at 40% of the annual basic allowance, with effect in December 2022.

Several jurisdictions introduced support measures with a particular focus on single parents and mothers. Luxembourg increased the maximum tax credit by 67% to EUR 2 505 (USD 2 640) for single parents earning below EUR 60 000 (USD 63 180),[11] while Germany increased the single parent allowance by 6% to EUR 4 260 (USD 4 490) for 2023 onwards. Spain increased the eligibility for the maternity tax credit to all women with children under the age of three, who receive unemployment benefits at the time of birth or who are registered with other social security authorities.

A few OECD countries provided support for the elderly through their PIT regime

Six OECD countries implemented PIT measures to support the elderly, some of which promoted labour market participation among older workers. The United States introduced several reforms to incentivise retirement saving. Reforms included changes to several tax favoured retirement savings plans (e.g., Individual Retirement Accounts (IRA), employer retirement plans (such as 401(k) plans), ABLE accounts, SIMPLE), including raising the age for mandatory distributions, increasing and indexing the limits individuals can make in catch-up contributions after reaching the age threshold, and allowing the withdrawal of funds for emergency expenses under certain conditions. The United States also converted the non-refundable tax credit for contributions to certain retirement plans into a federal matching contribution scheme that must be deposited in the taxpayer's IRA account. To incentivise increased participation in the workforce, Finland and Sweden increased the tax deductions on earned income for people over 60 and 65, respectively. To support households with the costs of caring for elderly relatives, Ireland increased the Home Carer Tax Credit[12] by 6% while Canada introduced tax credits to promote multigenerational living as well as renovations to make homes more functional for seniors.

Tax reforms for the self-employed were mostly aimed at promoting investment and boosting economic activity in specific sectors

Argentina, Italy, and Romania lowered the tax burden of self-employed individuals and unincorporated businesses to boost economic activity. Italy increased the maximum revenue threshold for the 15% substitute flat tax regime available to entrepreneurs and the self-employed by 31% to EUR 85 000 (USD 89 510) while also introducing an incremental flat tax for the tax year 2023, which effectively increases the application of the flat tax regime and lowers the tax burden on the self-employed.[13] Argentina more than doubled its annual deduction for the self-employed, new professionals and entrepreneurs,[14] while Romania lowered the tax rate on micro enterprises from 3% to 1% in 2022.

Several jurisdictions introduced PIT reforms to encourage investment, attract skilled professionals and encourage greater employment, particularly among young workers

Some jurisdictions introduced PIT relief measures to foster investment and innovation, often in sectors of strategic importance. Spain increased the tax credit on investments in new companies from 30% to 50% and almost doubled the investment value cap to EUR 100 000 (USD 105 310) from EUR 60 000 (USD 63 180) in 2022. Slovenia introduced a tax deduction of 40% of the costs of investments in sectors associated with the digital and green transition. Tunisia doubled the ceiling for deductions on R&D expenses in the area of the green, blue, and circular economy to TDN 400 000 (USD 131 210) and introduced an additional 50% deduction on R&D expenses of the same value for unincorporated businesses. Mauritius introduced an angel investor allowance of 50% of invested capital provided a minimum investment of MUR 100 000 (USD 2 200).

Canada, Italy, and Spain implemented PIT measures to attract skilled workers and promote innovation and productivity. Spain extended the scope of workers eligible to be taxed under the tax-favourable inpatriate regime in 2023[15] and more than tripled the exemption threshold for stock options of employees in start-up companies to EUR 50 000 (USD 52 650). Italy lowered its substitute tax from 10% to 5% levied on premiums related to productivity and quality (such as bonuses or profit-sharing programmes) of up to EUR 80 000 (USD 84 240) per year, with the aim of promoting productivity and tax compliance. Canada introduced a deduction of up to CAD 4 000 (USD 3 070) for certain travel and relocation expenses of workers employed in the construction industry.

Jurisdictions also introduced favourable tax provisions to support young workers in their labour market participation. To address challenges of persistently high youth employment, South Africa increased the value of employment tax incentives by 50% with effect from March 2022.[16] Portugal increased the partial income exemptions available to employees under the age of 26 during the first five years of employment. Similarly, Slovenia introduced an allowance of EUR 1 300 (USD 1 370) for employment income received by individuals under the age of 29 and Romania introduced an additional personal deduction of 15% of the minimum gross salary for individuals under the age of 26 earning below set income thresholds.[17]

A limited number of high-income countries increased the generosity of Earned Income Tax Credits to support employment. Both Denmark and Ireland increased their maximum earned income tax credit by 4%, while Luxembourg adjusted the phase-in and phase-out bands of the tax credit applied to the social minimum wage upwards by 20%.[18] Korea increased their maximum earned income tax credit by 10% and expanded the eligibility of workers by raising the property possession threshold by 20% to KRW 240 million (USD 187 000).

PIT provisions were also used to promote housing affordability and environmental sustainability in some jurisdictions

Canada and Ireland introduced PIT measures to increase the affordability of housing. Ireland implemented PIT relief measures which aim at increasing people's buying power, including the introduction of a EUR 500 (USD 525) tax credit for renters of specific properties,[19] available between 2022 and 2025, and prolonged the enhanced Help to Buy scheme until the end of 2024, which grants first-time buyers a refund of their PIT payments and deposit interest retention tax up to EUR 30 000 (31 590). Similarly, Canada doubled its First-Time Home Buyers' Tax Credit to CAD 10 000 (USD 7 680). Canada also introduced a tax-free "first home savings account" that provides prospective first-time buyers the opportunity to make contributions up to CAD 40 000 (USD 30 730) which are tax deductible from the PIT; withdrawals from this account, including investment income, will not be taxed if the withdrawal is made for the purpose of buying a first home.

Some jurisdictions introduced PIT measures to promote environmental sustainability. The United States introduced the Inflation Reduction Act in August 2022, which presented a major climate and tax reform package, aimed at promoting the green transition while also fostering economic development and social cohesion (box 1). With effect from January 2023, Sweden will increase its "green deduction" for the installation of certain green technologies (solar cell systems) to promote the green transition and reduce reliance on fossil fuels. Temporary exemptions for the taxation of in-kind benefits arising from charging an electric vehicle at the workplace have also been proposed, while the Czech Republic increased the taxable benefits for the private use of low-emission company cars.[20] To promote the production of renewable energy, Germany introduced a tax exemption on earnings derived from photovoltaic systems subject to certain conditions. Similarly, Portugal exempted income of up to EUR 1 000 (USD 1 055) generated from the production of renewable energy from PIT.

Box 3.1. The Inflation Reduction Act

In August 2022 the United States Congress passed the Inflation and Reduction Act (IRA), a major climate and tax bill. The principal tax changes introduced are listed below:

Lowering consumer energy costs

- The existing credit for energy efficiency home improvements (e.g., for heat pumps, rooftop solar and water heaters) increased from 10% to 30% and extended until 2032.
- A consumer tax credit of up to USD 4 000 for lower/middle income individuals to buy second hand clean vehicles.
- An extension of the existing USD 7 500 tax credit to buy qualified new clean vehicles. Eligibility is partly based on local-content requirements that consider the country of production and assembly of the vehicle and battery components.

Improving energy security and domestic manufacturing

- Production tax credits to accelerate U.S. manufacturing of solar panels, wind turbines, batteries, and critical minerals processing, estimated to cost USD 30 billion.
- A USD 10 billion allocated investment tax credit to build clean technology manufacturing facilities (e.g., those producing electric vehicles, wind turbines and solar panels).

Decarbonising the economy

- Expanded clean energy tax credits for wind, solar, nuclear, clean hydrogen, clean fuels, and carbon capture (includes production tax credits and the extension of the investment tax credit).
- Tax credits for clean fuels, such as a new low-carbon transportation fuel production credit, and clean commercial vehicles.
- Tax credits to reduce emissions from industrial manufacturing processes.

Agriculture and rural communities

- Tax credits to support the domestic production of biofuels and to encourage the building of the infrastructure needed for sustainable aviation fuel and other biofuels.

Taxation

- The introduction of a 15% minimum corporate tax that applies to corporations that, for three taxable years, have average annual adjusted financial statement income greater than USD 1 billion. The Joint Committee on Taxation estimates that about 150 taxpayers annually will be subject to the proposed book minimum tax (Congress of the United States, 2022[2]). This provision is estimated to raise USD 222 billion in revenue over the next 10 years.
- Investing USD 80 billion in the Internal Revenue Service to improve tax enforcement and compliance.
- 1% tax on share buybacks by corporations.

Source: OECD (2022[3]).

3.1.5. A few jurisdictions introduced measures that broadened PIT bases

Some jurisdictions restricted the generosity of general PIT relief measures to raise tax revenues and strengthen progressivity. Colombia reduced the general income tax exemption almost fourfold from approximately COP 122 million (USD 23 040) to COP 33 million (USD 6 320), while Norway lowered the tax bracket thresholds for the third-, fourth- and fifth-income tax brackets. Norway also implemented base narrowing reforms, reducing the maximum pension deduction by 2% to NOK 32 825 (USD 3 410), aimed at directing tax relief measures towards those on lower incomes. Belgium abolished the federal tax credit for second and subsequent homes. Slovenia reduced the income threshold for the lower flat rate income tax for the self-employed, effective from 2023.

The Netherlands made a number of reforms to existing PIT measures to broaden the tax base. The government announced that it will phase-out the combined tax credit in January 2025 to encourage greater labour force participation of second earners.[21] Furthermore, plans were put in place to accelerate the lowering of the self-employed tax deduction from EUR 6 310 (USD 6 645) in 2023 to EUR 900 (USD 950) in 2027 (Government of the Netherlands, 2022[4]). From 2023 onwards, Managing Directors of start-ups in the Netherlands will no longer be able to set their taxable wage at the minimum wage, and there will also be a phasing out of the PIT exemption for the profits earned by unincorporated businesses that are used to contribute towards saving accounts.[22] In addition, tougher criteria were introduced for expatriates with sought after skills to qualify for a 30% tax free allowance up to EUR 216 000 (USD 240 000).

3.1.6. Changes to the taxation of capital income increased in 2022 compared to 2021, but remained relatively limited

Of the jurisdictions that introduced changes to personal capital income taxation in 2022, most increased rates or narrowed the capital income tax base. To raise tax revenues and align the treatment of capital and labour income, several jurisdictions raised the tax burden on capital income, both through rate increases and base broadening measures, continuing a trend observed in previous years. Some of the capital base broadening measures aimed to promote housing affordability by limiting the preferential tax treatment of mostly non-main residential properties. Other jurisdictions introduced base narrowing measures, granting tax relief measures directly to prospective property owners. In contrast, some jurisdictions lowered the tax burden on capital income to encourage household savings and promote the progressivity of the capital income tax system.

Four jurisdictions increased rates on capital income to raise revenues and better align the tax treatment of labour and capital income. From 2023, dividends received by resident taxpayers in Colombia will be subject to the progressive PIT schedule, while the tax rate on dividends received by non-residents will increase from 10% to 20%. Colombia also increased its capital gains tax rate from 10% to 15% and lowered the exemption threshold. To promote the progressivity of the tax system, the Netherlands legislated a 1 p.p. increase in the tax rate of savings and investment income (box 3) per year between 2023 and 2025, which will raise the tax to 32% in 2023. Norway implemented a further increase of the adjustment factor applied to dividend income,[23] further reducing the difference in marginal tax rates between shareholder income and wages and lowering income shifting incentives. Spain increased the tax rate by 1 p.p. to 27% that will apply to savings income between EUR 200 000 (USD 211 000) and EUR 300 000 (USD 316 000) and will introduce a new 28% rate on savings income above EUR 300 000 (USD 316 000), in order to raise additional tax revenue. Romania increased the tax rate on dividends paid between domestic entities and non-residents from 5% to 8%.

Slovenia decreased tax rates on capital income to encourage savings. Slovenia decreased the tax rate applied to interest income, dividends, and capital gains from 27.5% to 25%, with effect from 2023. Additionally, the minimum holding period beyond which capital gains are tax exempt was lowered from 20 to 15 years.

Table 3.3. Changes to tax rates on personal capital income

	Rate increase		Rate decrease	
	2021	2022 or later	2021	2022 or later
Dividend or interest income/equity or bond investment	BRA, NOR	ESP, COL, NLD, NOR, ROU		SVN
Capital gains		ESP, COL, NLD		SVN

Source: OECD Annual Tax Policy Reform Questionnaire.

Several jurisdictions implemented capital income tax base broadening measures to promote equity, raise revenue, and limit the preferential tax treatment of housing to dampen housing demand in face of housing supply shortages. Norway legislated a reduction in the tax deduction applied to savings within the Young People's Housing Savings scheme from 20% to 10% of the deposited housing amount for 2023 onwards, to raise tax revenue and decrease the preferential tax treatment of housing as a savings vehicle. Canada passed a law that ensures that profits arising from the sale of "flipped" properties are taxed as business income from 2023 onwards.[24] Chile limited several tax benefits, including, among others, tax exemptions for rental income, restricting them to individuals' first and second homes.[25] Chile also introduced a capital gains tax of 10% on shares of publicly traded companies, mutual funds, and investment funds (previously tax exempt under certain conditions). Tunisia removed or limited the application of several capital gains tax exemptions, abolishing the general capital gains tax exemption of up to TND 10 000 (USD 3 580), amending the capital gains tax schedule to account for the share holding period, and limiting exemptions on the transfer of certain types of real estate.

Some jurisdictions introduced capital income base narrowing measures in an attempt to encourage savings of private households and investment, and to promote progressivity of their tax systems. Germany increased its saving allowance by 25% (to EUR 1 000 (USD 1 055) for individual filers and EUR 2 000 (USD 2 110) for joint filers), while Japan proposed an increase in the contribution limit to the Nippon Individual Savings Account (NISA), and a rise in the exemption limits on capital gains and dividends derived from the NISA with effect from 2024. To encourage greater investment in start-ups and young businesses, Japan introduced an exemption for gains on stock transfers when gains are reinvested in financing the establishment of a business. The Netherlands increased the tax exemption threshold applied to saving and investment income by approximately 13% in 2023 (part of which was in excess of the standard annual indexation of the threshold) to increase the progressivity of the tax schedule. In 2023, Peru will extend a law enacted in 2015 which exempts capital gains from shares traded on the Lima Stock Exchange (LSE) from taxation until December 2023, under certain conditions.

Table 3.4. Changes to personal capital income tax bases

	Base broadening		Base narrowing	
	2021	2022 or later	2021	2022 or later
Dividend or interest income/equity or bond investment			BRG, BEL	JPN, SVN
Capital gains	NZL, HUN, NGA	AUT[1,2], CHL, TUN	MLT	CAN, JPN, NZL PER, SVN
Rental income		CHL, CAN		
Tax treatment of pensions and savings account	GBR	NOR		DEU, JPN, NLD

Source: OECD Annual Tax Policy Reform Questionnaire.

3.1.7. There was a marked increase in the number of SSC reforms introduced by jurisdictions in comparison to previous years

Jurisdictions introduced a mix of reforms raising and reducing SSC contributions. Increases in SSC contribution rates and base broadening measures were mostly introduced to improve the financial sustainability of SSC systems. Permanent and temporary rate decreases and base narrowing measures sought to support households with cost-of-living increases and promote employment in certain sectors, including agriculture, food processing and health care.

Jurisdictions raised SSC rates to improve the financial sustainability of social security systems, while rate decreases

Several jurisdictions increased their SSC rates, largely to promote the sustainable financing of their social security systems. Germany continued to increase contributions to the statutory unemployment insurance (by 0.2 p.p. to 1.3%) and the supplementary contribution to statutory health insurance (by 0.15 p.p. to 0.8%) for 2023, which are split equally between employers and employees. Similarly, Japan raised employer and employee SSCs towards unemployment insurance from 0.3% to 0.4%. Mexico raised employer SSCs, as part of gradual increases set out between 2023 and 2030. From 2023 onwards, Mexico will also levy a progressive compulsory social quota to promote more equitable financing of its pension scheme. In line with increases in the minimum wage, Latvia increased its minimum SSC payments for employees in 2023 and 2024. To discourage the excessive use of short-term employment contracts, Belgium introduced a special SSC for workers on temporary agency work contracts, with contributions increasing with the number of consecutive days worked.

Six jurisdictions reduced their SSC rates, either on a permanent or temporary basis, to support employment and encourage consumption. Austria reduced employer contributions to the "Family Burden Equalisation Fund" by 0.2 p.p. to 3.7% in 2023 in order to encourage employment.[26] As part of its "Purchasing Power Act" measures, France extended the reduction in employer SSCs paid on overtime in companies who employ between 20 and 250 employees and reduced the health insurance contributions for self-employed individuals earning close to minimum wage, while Italy also supported households with rising cost of living expenses by introducing a temporary reduction in employee SSC rates in 2022. Switzerland removed the solidarity contributions of 1%, which had been introduced in 2011 to support the unemployment insurance scheme. Romania reduced SSC contributions and introduced exemptions for health care contributions for workers in the agricultural and food industry. Argentina extended the reduction of employer SSCs for health care service providers until December 2023 and introduced a "Bridge to Employment" programme, which provides a 100% reduction of employer SSCs for new hires in certain social, educational and employment programmes. Tunisia reduced the employee SSC rate from 1% to 0.5% for the tax years 2023 to 2025.

Table 3.5. Changes to social security contribution rates

	Rate increase		Rate decrease	
	2021	2022 or later	2021	2022 or later
Employers SSCs		DEU, JPN, LVA[t], MEX		AUT, FRA, TUN
Employees SSCs		BEL, DEU, JPN, MEX		ARG, ITA[t], ROU
Self-employed				FRA
Payroll taxes				

Note: "t" denotes a temporary reform.
Source: OECD Annual Tax Policy Reform Questionnaire.

Jurisdictions introduced fewer reforms affecting SSC bases compared to previous years

The Slovak Republic and Spain introduced base broadening measure to promote the sustainable financing of their social security systems in an equitable manner. The Slovak Republic legislated several base broadening measures starting from 2023, including the introduction of a minimum social healthcare contribution for all workers and the automatic enrolment into the second pillar of the pension system. Spain introduced a progressive social security contribution system for self-employed individuals, which aims to increase contributions from high earners while reducing contributions from lower earners and align the self-employed SSC system more closely to that of employees.

Several jurisdictions introduced base narrowing measures to support employment in specific sectors such as agriculture and food processing, or to promote social security coverage. The United States introduced several SSC base narrowing measures applying to different social security schemes, which aim at incentivising employers to offer social security plans to employees and thereby increasing social security coverage. To address labour supply shortages, the Slovak Republic introduced an employer and employee SSC allowance for seasonal workers employed in the agricultural, food processing and tourism sectors. Similarly, Sweden increased the reduction of SSCs for professionals working in R&D, with the aim of improving recruiting and retaining employees in growing companies. Sweden also extended the tax-exempt status of certain benefits-in-kind offered by employers for their employees, such as free parking. Israel abolished the foreign worker levy of 20% (15% for certain sectors) that was payable by employers.

Table 3.6. Changes to social security contribution and payroll tax bases

	Base broadening		Base narrowing	
	2021	2022 or later	2021	2022 or later
Employers SSCs	BGR	BGR, ROU	ARG, AUS	SVK, SWE, USA
Employees SSCs	BGR	BGR, LVA, SVK	URY[t]	ISR, NOR, SVK, SWE
Self-employed		BGR, ESP		
Payroll taxes				

Note: "t" denotes a temporary tax reform.
Source: OECD Annual Tax Policy Reform Questionnaire.

3.2. Corporate income taxes and other corporate taxes

The downward trend in statutory corporate income tax (CIT) rates is moderating. After two decades of continued decline and convergence of CIT rates across jurisdictions, rates are historically low. Hence, jurisdictions are favouring measures that narrow the tax base rather than rate decreases. Tax base changes continued to be more common than rate changes in 2022, in line with trends noted over the past eight years (when the Tax Policy Reforms report was first published), and these rate changes were minimal.

Raising revenues and incentivising investment were among the most cited rationale for adopting CIT reforms among jurisdictions that responded to the Tax Policy Reforms questionnaire. These motivations echoed governments' efforts to stimulate the economy, curb fiscal deficits, and restore fiscal buffers after expenditure surges during the COVID-19 pandemic.

Many jurisdictions have continued to increase the generosity of their corporate tax incentives to support investment and innovation. Tax incentives to encourage greater investment in innovative technologies and research and developments were common in 2022, as they have been over the last decade. In high-income countries, tax incentives were also frequently used to cushion the effect of elevated

energy prices on businesses, especially SMEs. Many European countries reported having adopted energy-related tax rate cuts and tax incentives. Schemes inherited from COVID-19 related programs were often extended to provide relief to companies facing rising energy costs and high inflation more generally.

An increasing number of jurisdictions used tax incentives to support investment in more environmentally friendly technologies and reductions in carbon emissions. The United States' Inflation Reduction Act was the most significant example.

Corporate tax reforms were also used by several jurisdictions to address high profits in certain sectors. Many jurisdictions introduced windfall taxes, levies or other measures on companies that generated extraordinary profits due to the economic consequences of Russia's large-scale aggression against Ukraine, particularly in the energy sector.

Efforts to protect CIT bases against corporate tax avoidance have continued with the adoption of measures in line with the OECD/G20 Base Erosion and Profit Shifting (BEPS) project. After the agreement to a Two-Pillar Solution in 2021, many jurisdictions took steps to commence implementation of the global minimum tax under Pillar Two, while negotiations on Pillar One are ongoing. Progress also continued on the implementation of BEPS minimum standards (actions 5, 6, 13 and 14).

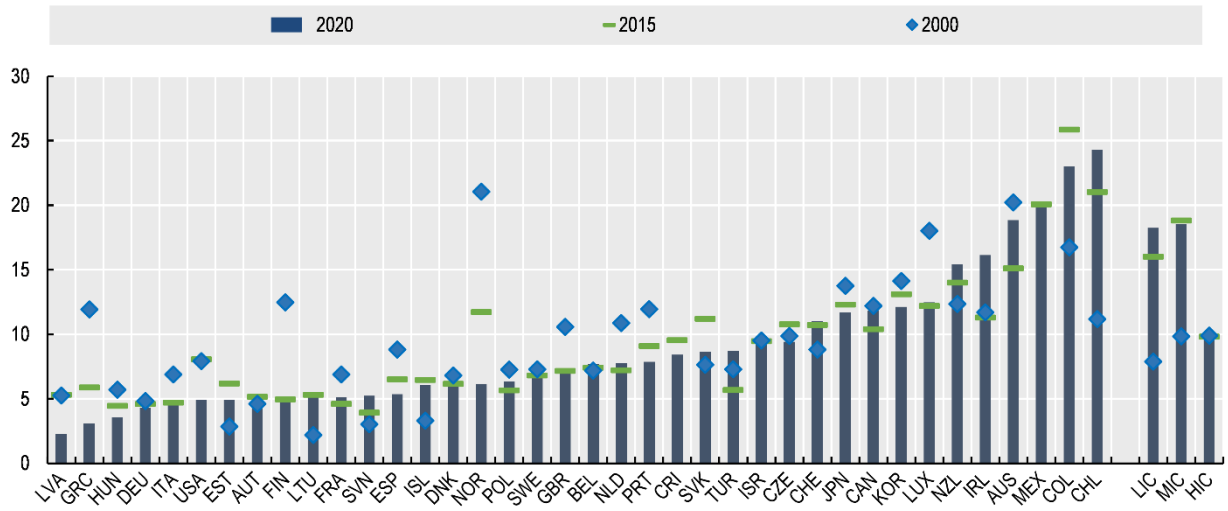
3.2.1. CIT revenue trends vary across jurisdictions

Data from the OECD's Corporate Tax Statistics database show that there was a slight increase in both the average of CIT revenues as a share of total tax revenues and as a share of GDP between 2000 and 2020 across the 114 jurisdictions for which data are available. Average corporate tax revenues as a share of total tax revenues increased from 12.6% in 2000 to 15.1% in 2020, and average CIT revenues as a percentage of GDP increased from 2.6% in 2000 to 3.0% in 2020. The averages mask considerable differences across jurisdictions, which differ considerably in the portion of total tax revenues raised by the CIT.

The ratios of CIT to GDP and CIT revenues as a share of total tax revenues continue to vary substantially across Inclusive Framework jurisdictions. Among OECD countries, CIT ranged from 2.3% of total taxation in Latvia, to 24.3% of total tax revenues in Chile (Figure 3.2). Multiple factors can explain differences in revenues from CIT including statutory CIT rates, the breadth of the CIT base, the degree to which firms are incorporated, the phase in the economic cycle and the degree of cyclicality of the corporate tax system, as well as countries' reliance on other taxes. These factors may have also contributed to the large differences in revenues between 2000 and 2020 observed in several countries including Finland, Mexico, and Norway. Figure 3.2 also shows that CIT tends to represent a larger share of revenue in countries with significant natural resources and in low- and middle-income countries (LICs and MICs). In the case of LICs and MICs, total tax revenues are generally lower as a percentage of GDP and personal income tax revenues tend to play a smaller role than the CIT.

Figure 3.2. Corporate income tax revenues

CIT revenues as a percentage of total tax revenues



Note: Corporate income tax revenues refer to tax category 1200 under the OECD classification of taxes. Tax revenues are the sum of taxes collected by all levels of government. See Revenue Statistics Interpretative Guide for more detail. The low- (LIC), middle- (MIC), and high-income country (HIC) averages are representative of the 116 jurisdictions that provide tax revenue data to the OECD.
Source: OECD Global Revenue Statistics Database.

StatLink https://stat.link/hx06bz

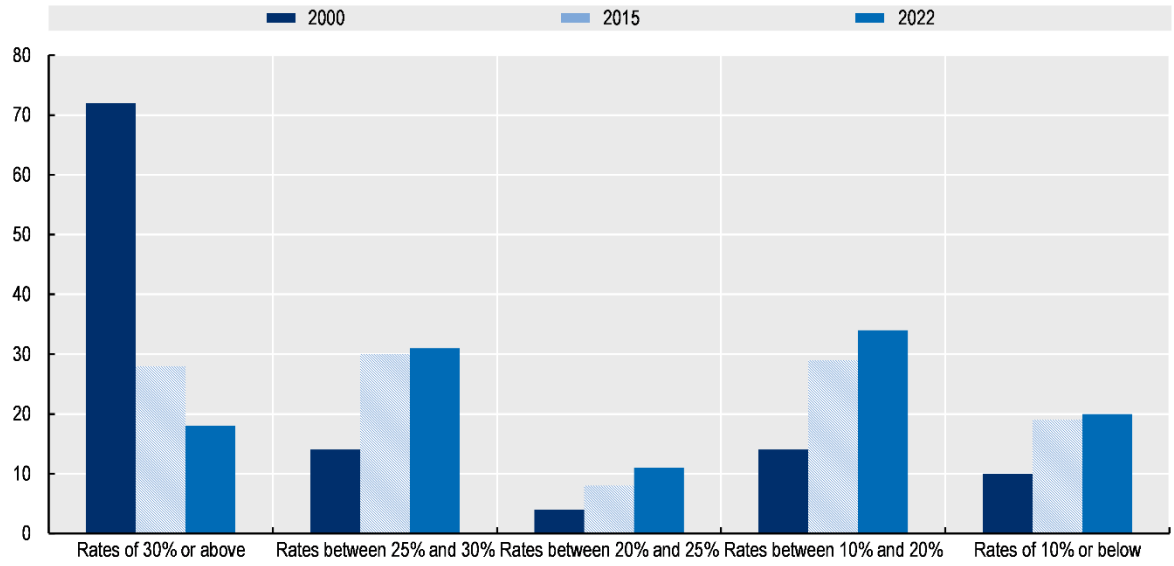
3.2.2. CIT rates have stabilised after decades of decline

Standard corporate income tax rates

The decline in CIT rates appeared to stabilise in 2022, following a steady decline over the past decades (Figure 3.3). For the first time since 2015 (the first year of the Tax Policy Reforms report), more CIT rate increases than decreases were announced or legislated by jurisdictions. A number of jurisdictions also implemented new corporate taxes or levies in 2022, notably on windfall profits (see Box 3.2). Despite this, tax rates are now at historic lows in many jurisdictions (OECD, 2022[5]). Across all 114 jurisdictions in the OECD Corporate Tax Statistics Database, the combined CIT rate (central and sub-central government) declined from 28.0% in 2000 to 20.0% in 2022.

Figure 3.3. Distribution of combined statutory CIT rates

Number of countries



Note: Data were available for 114 OECD/G20 Inclusive Framework jurisdictions in 2022.
Source: OECD Corporate Tax Statistics Database.

StatLink https://stat.link/atduhr

Three jurisdictions announced or introduced rate cuts in 2022. South Africa announced that it will decrease the statutory CIT rate from 28% to 27% from April 2023, Korea lowered the tax rate it applies to each of its corporate income tax brackets by 1 percentage point, and France began a two-year process to remove a sub-national production tax (*Contribution sur la Valeur Ajoutée des Entreprises*).

Four jurisdictions increased their CIT rates in 2022 or announced rises for 2023. The Netherlands increased its lowest CIT rate from 15% to 19% from the beginning of 2023, while broadening the tax base for its top tax rate by almost halving its threshold to EUR 200 000 (USD 210 550). Many jurisdictions announced to introduce domestic minimum taxes in preparation for the implementation of the GloBE Rules under Pillar Two of the Two-Pillar Solution in many jurisdictions from 2024 (see Box 3.3).[27] In Belgium, a temporary reinforced minimum tax is to apply from 2023, anticipating the global minimum tax until its adoption. Colombia enacted a number of changes to reform its corporate tax base, including the removal of several exemptions, the imposition of surcharges for certain taxpayers, an increase in the tax rate on dividend income (from 7.5% to 10% for domestic firms and from 10% to 20% for foreign companies), and the establishment of a 15% minimum tax for resident firms. This minimum tax applies when the effective tax rate paid by a firm is lower than 15%, including when a below 15% rate is a result of tax incentives. The United Arab Emirates announced an historic change to their tax system, with the introduction of a generalised Corporate Income Tax from mid-2023 at a rate of 9%.[28]

Table 3.7. Changes in corporate income tax rates

	Rate increase		Rate decrease	
	2021	2022 or later	2021	2022 or later
Standard CIT rate	IDN[2], TUR	BEL, (CHE), COL, NLD	CAN[3], CHE, COL, FRA, SWE	FRA[1], KOR, ZAF
SME CIT rate			BRN, CAN[3], CPV, HUN	CAN[3], ESP, COL
Patent box/IP regime rate			ITA	

Note: Jurisdictions in brackets are those that have announced reforms but are yet to implement them.
Excise taxes on stock repurchases introduced by the United States and announced by Canada are taxes levied upon the market value of stocks and are therefore categorised as taxes on financial and capital transactions under the OECD revenue statistics interpretative guide. Taxes on financial and capital transactions (category 4400) are a sub-category of property taxes (category 4000) and are therefore discussed in Section 3.5. They refer to taxes on the issue, transfer, purchase, and sale of nonfinancial and financial assets (including foreign exchange or securities), taxes on cheques and other forms of payment, and taxes levied on specific legal transactions such as the validation of contracts and the sale of immovable property.
1. This also includes the removal of the sub-national tax "*contribution sur la valeur ajoutée des entreprises*" over two years, applied to companies with profits above EUR 500 000.
2. Temporary rate decrease during the COVID-19 pandemic.
3. The CIT rate decrease in Canada, announced in 2021, applies to zero-emission technology manufacturing profits. The CIT rate decrease will reduce the general corporate income tax rate and small business income tax rate on eligible profits to 7.5% (from 15%) and to 4.5% (from 9%), respectively, for taxation years beginning after 2021 and before 2029.
Source: OECD Annual Tax Policy Reform Questionnaire.

CIT rates for Small and Medium-Sized Enterprises

Colombia and Spain both lowered CIT rates for SMEs.[29] As part of efforts to encourage investment, Spain reduced the CIT rate applicable to SMEs (i.e., firms with net turnover of less than EUR 1 million) from 25% to 23%. The rate for start-up companies was also lowered from 25% to 15%.[30] To encourage formalisation, Colombia reduced most rates in its presumptive tax regime, applicable to businesses with revenue below UVT 100 000 (USD 893 000). The lowest rate in the regime was reduced from 2.0% to 1.6% and the top rate was cut from 14.5% to 8.3%, while the base of the regime was expanded to additional sectors, including education, human health and social assistance services, and recycling.

Other business taxes

A significant number of jurisdictions introduced windfall taxes, levies or other measures on companies generating extraordinary profits during the period. In many cases, these profits were linked to Russia's large-scale aggression against Ukraine. Windfall taxes, levies or other measures were generally imposed on companies operating in the electricity and fossil fuel sectors, as well as the financial and pharmaceutical sectors in some jurisdictions (see Box 3.2).

A few jurisdictions introduced or increased taxes on the financial sector in 2022. Taxes on the financial sector are generally collected on top of ordinary corporate taxes and can be applied to different tax bases. They gained attention in the aftermath of the global financial crisis and were the subject of increased policy interest during the COVID-19 pandemic and as energy prices remained elevated in 2022, as policy makers sought ways to raise revenue. Canada introduced a permanent 1.5 p.p. increase on banking and life insurance groups with income above CAD 100 million (USD 77.8 million). As a result, the federal CIT rate for these institutions will increase from 15% to 16.5% from April 2022. Colombia increased the existing surtax on financial institutions by 2 p.p. until 2027, raising their effective CIT rate to 40%, and broadened the base of the surtax to include insurers and stockbrokers. Kenya introduced a 15% tax rate on gains from financial derivatives earned by non-resident persons.

Box 3.2. Windfall taxes and solidarity levies

Some businesses experienced large increases in profits in late 2021 and throughout 2022, particularly those operating in the energy sector (Forbes, 2022[6]). A number of European countries, alongside a few Latin American countries, that responded to the OECD's annual Tax Policy Reform questionnaire introduced temporary windfall profit taxes, solidarity levies or other measures in response, highlighting the need to raise revenues for additional fiscal expenditures and limit inequalities (to maintain social cohesion), particularly as many jurisdictions concurrently introduced costly fiscal support measures to cushion the impact of elevated prices on households and businesses (OECD, 2023[7]).

Under Council Regulation 2022/1854, the EU, for example, agreed upon common emergency measures to reduce electricity demand and to collect and redistribute the energy sector's surplus revenues to final customers. A mandatory temporary solidarity contribution was applied to the extraordinary and unexpected profits of businesses active in the extraction of crude petroleum, natural gas, coal, and refinery sectors. The solidarity contribution was calculated on the taxable profits, as determined under national tax rules in the fiscal year starting in 2022 and/or in 2023, which were more than 20% above the average yearly taxable profits for the period 2018-2021. This solidarity contribution applied in addition to regular taxes and levies, and EU countries agreed to use the proceeds from the solidarity contribution to provide financial support to households and companies to mitigate the effects of high retail electricity prices. Member States can keep national measures that are equivalent to the solidarity levy provided they are compatible with the objectives of the Regulation and generate at least comparable proceeds. Moreover, market revenues for electricity generators using inframarginal technologies were capped at EUR180/MWh, with surplus revenues at the disposal of EU countries to support and protect electricity consumers.

Windfall (or excess) profit taxes seek to tax the portion of profits received in excess of a *risk-adjusted normal return*, i.e., economic rents with returns above the opportunity cost of the investment (Vernon and Baunsgaard, 2022[8]). Temporary windfall profit taxes seek to tax unanticipated increases in corporate earnings, though differ in their duration being temporary rather than permanent. Thus, where long standing excess profit taxes are in place, temporary excess profit taxes are not required.

Theoretically, taxing a pure economic rent, whether under an excess or windfall profits tax, should have no detrimental effect on investment, or other production choices, if it is well designed. However, there are number of conceptual, administrative, and practical challenges in designing and introducing an effective windfall profit tax. Such taxes, especially if poorly designed, can fail to target economic rents and may negatively impact investment and certainty.

Base considerations:

- How should the base be calculated? What is deemed a reasonable change?
- What should the reference period be? This applies for both the normal return and the length of time that the temporary tax or levy applies.
- Should specific sectors be targeted? For example, should the measures be restricted only to the energy sector? Sector-specific demarcation can be challenging for tax administrations and for businesses.
- How should allowances for investment be designed? Policymakers need to consider the impact of windfall profit taxes or solidarity levies on tax certainty and investment incentives.
- How will these taxes and levies interact with the existing CIT?
- Can neutrality of company form be ensured? Otherwise, businesses may have an incentive to change legal structure, from being incorporated to unincorporated, or vice-versa.

- Which geographic locations fall under the tax or levy? Companies may have base erosion and profit shifting incentives to determine the valuation of assets and location of profits earned differently.

Rate considerations:

- Should the rate be sector-specific or neutral across sectors?
- How much higher should the rate be than the CIT rate? The higher the rate the greater the incentive for profit shifting.

Table 3.8. Design of windfall profit taxes, solidarity levies and other measures

Country	Tax base	Rate	Sectors	Duration
Surplus market revenues above price cap				
Austria*	Above price cap of EUR 180 (USD 200) per megawatt hour (MWh)	90%	Electricity	1 Dec '22 – 31 Dec '23
Czech Republic		90%	Electricity producers	1 Dec '22 – 31 Dec '23
Germany		90%	Energy producers	1 Dec '22 – 31 Dec '23
Slovenia		100%	Energy producers	1 Dec '22 – 31 Dec '23
Sweden	Above price cap of EUR 194 per MWh (SEK 1 957; USD 194)	90%	Electricity producers	1 Mar '23 – 30 Jun '23
France	Above price cap (varies depending on technology employed)	90%	Energy producers	1 Jul '22 – 31 Dec '23
Netherlands	Revenues from prices exceeding EUR 0.50 per m3 (USD 0.56)	65%	Natural gas	2023 – 2024
Slovak Republic	Revenues from prices exceeding EUR 50 to EUR 250 range per MWh (USD 56 to USD 278)	90%	Energy producers	1 Dec '22 – 31 Dec '24
Solidarity levies on surplus profits				
Austria	Taxable profits that exceed 120% of the average profits made between 2018 and 2021	40%	Fossil fuels	1 Jul '22 – 31 Dec '23
Bulgaria		33%	Fossil fuels	2022 – 2023
Croatia		33%	All sectors	2022
Czech Republic		60%	Energy companies; Financial institutions	2023 – 2025
France		33%	Fossil fuels	2022
Germany		33%	Fossil fuels	2022 – 2023
Italy		50%	Fossil fuels; Energy producers	2022
Lithuania		33%	Fossil fuels	2023
Netherlands		33%	Fossil fuels	2022
Romania		60%	Fossil fuels	2022 – 2023
Slovenia		80%	Fossil fuels	2022 – 2023
Greece	Surcharge on profits generated between Oct '21 and Jun '22	90%	Electricity producers	1 Oct '21 – 30 Jun '22
United Kingdom	Surcharge on profits (in addition to ring fence corporation tax and the supplementary corporation tax charge)	25% (35% from 1 Jan '23)	Fossil fuels	26 May '22 – 31 Mar '28
Taxable income				
Argentina	All taxable income	25% or 15%	All sectors	2022 – 2023
Colombia	Taxable income exceeding COP 1.14 billion (USD 267 900)	3%	Financial institutions	2023 – 2027
	Taxable income exceeding	Progressive (max 15%)	Hydroelectrical companies	2023 – 2026

	COP 1.9 billion (USD 446 500)			
	Taxable income exceeding COP 4.6 billion (USD 1.1 million)	5%	Fossil fuel extraction	Permanent, from 2023
Other				
Belgium	Set price per tonne of crude oil or cubic metre of product released for consumption	EUR 6.90 per tonne of crude oil/EUR 7.80 per cubic metre of product released for consumption	Fossil fuels	2022 – 2023
Brazil	Exports	9.20%	Oil exports	1 Mar '23 – 30 Jun '23
Colombia	Gross payments	1% or 5.4%	Fossil fuels; exports	Not specified
Hungary	Varies by sector	0-95% (rate varies by sector)	Energy companies; Fossil fuels; Financial institutions; Pharmaceuticals, Retail; Telecommunications	2022 – 2023
Italy	Positive spread between balance of output transactions and input transactions calculated for VAT purposes in various time periods	35%	Energy companies	One-off contribution
Romania	Monthly selling price of electricity/ Difference between the average transaction cost on the day before the transaction and the acquisition cost in case of exported energy	98%/100%	Energy companies	1 Sep '22 – 31 Mar '23
Spain	Net amount of turnover/net interest income	1.2% or 4.8%	Energy companies; Financial institutions	2023-2024

Note: The table is based upon country responses to the OECD's annual tax policy reform questionnaire, supplemented with information from the IBFD and is up to date as of end-March 2023. Some countries covered in this report may therefore have introduced solidarity levies or windfall taxes that are not covered in this table. ARS 130.6; COL 4 256.2; HUF 372.596 = EUR 1. In Austria, a revenue cap of 140 EUR/MWh applies for electricity in general. Only if investments in the energy change can be proven, this value rises to up to EUR 180. Companies that can prove investments in the transition to renewable energy resources between 31 December 2021 and 1 January 2024, may deduct 50% of the respective investment costs (with a maximum of 17.5%) from the amount of the crisis contribution. The cap for the tax credit of 17.5% from the amount of the crisis contribution applies only for fossil fuel companies. For electricity, the maximum tax credit is EUR 36 per MWh. The price cap of EUR 180 per MWh cannot be exceeded. In Italy, the energy profits levy has 80% investment allowance for decarbonisation expenditure. In the United Kingdom, investment allowances under the energy profits levy, capital allowance eligibility, and decarbonization expenditure will allow for total tax relief of GBP 109.25 to be obtained for every GBP 100 spent on such costs.
Source: OECD annual Tax Policy Reform questionnaire; IBFD (2023[9]); European Parliament (2023[10]); OECD (2022[11]); (2023[7]); Hebous, Prihardini and Vernon (2022[12]); Vernon and Baunsgaard (2022[8]).

Intellectual property regimes

None of the jurisdictions that responded to the tax policy reforms questionnaire reported altering the tax rates that they apply to intellectual property (IP) regimes in 2022. As has been the trend for a number of years, jurisdictions favoured modifying IP regime bases as described below (González Cabral, Appelt and Hanappi, forthcoming[13]). Nine IP regimes were reviewed in 2022 (OECD, 2023[14]) as part of the BEPS Action 5 peer review process, four of which were found to be non-harmful or non-harmful in their amended version (Cabo Verde, Hong Kong, Jamaica, North Macedonia), one was deemed potentially harmful (Albania), two were in the process of being amended (Armenia), and two were abolished (Honduras, Pakistan).

3.2.3. Many jurisdictions have continued to increase the generosity of corporate tax incentives

CIT base narrowing measures outnumbered base broadening measures in 2022, continuing a trend observed since the first edition of the Tax Policy Reforms publication (in 2015). Jurisdictions commonly cited stimulating investment, innovation, and environmental sustainability as the reasons for increasing the generosity of CIT incentives (Table 3.9). These measures contribute to reducing effective corporate tax rates further.[31]

Table 3.9. Changes to corporate tax bases

	Base broadening		Base narrowing	
	2021	2022 or later	2021	2022 or later
Capital allowances and general incentives	NGA	BEL, BEN, COL, MKD, NLD	CAN[1], GBR, MUS, POL	AGO, CAN[1,2], CZE, DEU, DNK, FIN, GBR, ITA, KEN, MUS, TTO, USA
Environmentally related tax incentives			CAN[1,2], IRL, MYS	AGO, CAN[1,2], CZE, PRT, USA
R&D tax incentives and patent box regimes			AUS, ESP, FIN, ISL, ITA, JPN, MUS, NLD, NZL, POL, SWE	CAN[1], FIN, GBR, JPN, KOR, PRT, TUN
SME-related tax base changes		GBR	CAN[1], DEU[2], JPN	AGO, BEN, CAN[1,2], DEU[3], MUS, POL, PRT, URY, TTO
Other business tax incentives	NZL	CHL, KEN, NOR, USA		AGO, CAN[1], IRL, ITA, KEN, LVA, (NZL), POL, TTO, UKR
Loss carryforward and carryback provisions		PRT, ZAF	FRA, HUN	KOR
Notional interest deductions		BEL	ITA	

Notes: Jurisdictions in brackets have only announced reforms. For countries with federal and provincial levels of government, 1 denotes where this measure was enacted at the provincial level and 2 at the federal level. 3. Applies to unincorporated businesses and the self-employed. New Zealand has announced an exemption of Fringe Benefit Tax (FBT) for employers subsidising public transport for their employees.
Source: OECD Annual Tax Policy Reform Questionnaire.

Capital allowances and general incentives

Many jurisdictions sought to encourage investment through increased generosity of capital allowances in 2022, often via the introduction of temporary measures or extension of previous pandemic-related relief. Germany, for example, extended its accelerated depreciation allowance for movable assets up to the end of 2022, while Denmark announced that it would maintain the increased cap on investment deductions that it adopted during the pandemic. Czech Republic also extended its COVID-19-related accelerated depreciation for selected assets,[32] and the UK increased the maximum capital allowance that can be claimed in a year, making a temporary pandemic-related measure permanent.[33] Finland extended the temporary accelerated depreciation of fixed assets to cover 2024 and 2025. Italy implemented a number of temporary tax credits to support companies facing increased energy prices.[34]

Middle-income countries also used tax incentives with the aim of encouraging investment and boosting economic growth. Trinidad and Tobago announced a tax credit for companies investing in new machinery, production lines and equipment, with a cap of USD 50 000, as well as a tax credit for electronic payment providers. Mauritius granted an eight-year tax holiday to companies registered as Freeport operators or developers starting operations after 1 July 2022, while Kenya increased deductions available to tax-exempt, charitable organisations and to telecommunication operators. Angola introduced several

incentives for companies, including a wide array of enhancing tax allowances, temporary reductions of the CIT rate for private investments ranging from 20% to 80% for two to eight years (depending on where the project is located), and accelerated depreciation schemes.[35] A reduced 15% CIT rate was also introduced for companies operating in free zones, with a possibility to decrease the rate further if certain conditions are fulfilled.

Several jurisdictions reduced or abolished preferential regimes and general incentives. To prepare for the introduction of the global minimum tax, Belgium introduced a "temporary reinforced minimum tax" in 2023, which temporarily broadened the CIT base. For the year 2023, the income "basket"[36] for CIT deductions has been reduced from EUR 1 million (USD 1.1 million) plus 70% of taxable income in excess of EUR 1 million, to EUR 1 million plus 40% of taxable income in excess of EUR 1 million. When the EU Minimum Tax Directive (see Box 3.3) comes into effect in 2024, the former 70% basket will be restored. Benin removed a tax exemption for new companies that have a turnover of over XOF 1 billion (USD 1.6 million) as well as for subsidiaries of non-resident companies. Chile repealed its tax credit for investment in fixed assets for larger companies.[37] As part of its 2022 tax reform, Colombia increased the stringency of or removed a number of CIT incentives to broaden its tax base. Notably, reduced CIT rates available to companies operating in the country's free trade zones will be limited to income from exports of goods and services from 2024, while exemptions, deductions, and credits were restricted.

Research and development and innovation tax incentives

A number of jurisdictions increased support for research and development (R&D) and innovation through new tax measures, increased generosity of incentives, and the extension of their validity. Finland, Portugal, and Tunisia expanded deductions available for R&D expenditure or intellectual property rights. Finland introduced a new R&D expenditure deduction, while Tunisia doubled the ceiling applicable for such deductions to TND 400 000 (USD 143 370). Portugal introduced a waiver of withholding tax on income derived from intellectual property related to contents protected by copyrights. The UK announced it will increase its R&D tax credit expenditure rate from 13% to 20% from April 2023 to encourage greater investment. In Canada, several provinces also extended the generosity or the duration of their tax credits for R&D (British Columbia, Quebec, and Saskatchewan). Japan announced substantial extensions of tax benefits for innovation and R&D, modifying the R&D tax credit rate to between 20% and 30% depending on the level of expenditure (compared to a single 25% rate before) and expanding the scope of incentives to promote innovation, start-ups, joint research and mergers and acquisitions.

These changes to R&D and innovation tax incentives are a continuation of an ongoing trend of governments using tax policy to incentivise business investment in these activities. The number of OECD countries offering tax relief for R&D expenditures increased from 20 OECD countries in 2000 to 33 of 38 OECD countries in 2022 (OECD, 2022[5]). The average implied marginal R&D tax subsidy has markedly increased across OECD countries since 2000, reflecting the introduction of new R&D tax incentives and the increasing generosity of existing R&D tax relief provisions over time. Implied subsidies are typically larger on average for SMEs due to targeted preferential tax treatment towards these smaller businesses, but there are notable differences in the implied subsidy rates on R&D expenditures for large, profitable firms across countries and years. In 2022, R&D tax incentives for marginal investments were particularly generous for large, profitable firms in France and Portugal, while profitable SMEs received the most favourable support in Colombia, Iceland and Portugal (OECD (2022[5]; n.d.[15])).

SME-related tax base changes

Many jurisdictions have taken steps to expand support to SMEs and young firms, and to foster collaboration amongst different-sized firms. To support small businesses with the economic consequences of the COVID-19 pandemic and Russia's large-scale aggression against Ukraine, Germany made changes to provisions available to unincorporated companies and the self-employed. COVID

bonuses of up to EUR 4 500 (paid in 2021 and 2022, USD 4 740) and inflation premiums of up to EUR 3 000 (in 2023, USD 3 260) were tax exempt, while tax loss deductions were increased to EUR 10 million (EUR 20 million for joint assessments, USD 10.5 million and USD 21.1 million) for 2022 and 2023. Poland announced that it would remove minimum CIT payments for SMEs permanently, after suspending them temporarily in 2022 and 2023, to increase tax certainty. In Canada, British Columbia increased its tax credits schemes, and Saskatchewan temporarily extended its CIT rate reduction, for SMEs and start-ups in order to promote investment by and in small firms, while Portugal extended the scope of the reduced 17% CIT rate for SMEs to small-medium capitalisation companies with the aim of supporting small firms and boosting economic growth. The UK reduced the generosity of its R&D SME scheme, however, by lowering deduction and credit rates from April 2023, due to efficiency concerns.

Low- and middle-income countries have also been seeking to support SMEs by introducing more generous tax incentives. In Uruguay, small companies were exempt from the CIT and capital gains tax. Trinidad and Tobago extended the duration of the CIT exemption for approved small companies from five to six years. Mauritius introduced an enhanced tax allowance for manufacturers that purchased locally manufactured products from SMEs.

Loss carryforward and carryback provisions, notional interest deductions, and double taxation

As in previous years, only a small number of jurisdictions made reforms to loss carryforward and carryback provisions. Provisions were made more stringent in three countries in 2022, broadening the tax base. Portugal announced modifications to provisions applying to the deduction of tax losses from 2023, reducing the cap on deductions from 70% to 65% of taxable profits, though tax losses could continue to be offset indefinitely against profit. South Africa introduced a cap on carried forward loss deduction at 80% of taxable profit from 2022 onwards. Korea, however, increased the maximum loss carryforward amount from 60% to 80% of annual business income.

Belgium substantially curtailed its Allowance for Corporate Equity provision, abolishing the regime from the end of 2023. For tax years 2022 and 2023, the deduction will be applicable to SMEs only and the amount that can be deducted from the taxable income is equal to the fictitious interest cost on the adjusted equity capital.

Korea introduced measures seeking to improve the double taxation relief on dividend income from foreign subsidiaries. Instead of applying its foreign tax credit, 95% of dividend income from foreign subsidiaries will no longer be included in taxable income starting from 2023. Furthermore, from 2023, interest and capital gains derived by foreign companies from Korea government bonds will no longer be taxed.

Environmentally related tax incentives

Canada and the United States made large changes to environmentally related tax incentives in 2022 to encourage greater investment in low-emitting technologies and production methods. The United States' *Inflation Reduction Act* provides an estimated USD 391 billion in funding for energy and climate priorities over the period 2022-2031 (CRFB, 2022[16]), of which nearly two-thirds is in the form of tax credits and incentives (55% are corporate credits and incentives) (McKinsey, 2022[17]). The Clean Electricity Investment Credit (cost of USD 50.9 billion over 2022-2031) grants a base credit amount of 6% of qualifying investment for zero-carbon electricity generation and qualified energy storage technologies (CBO, 2022[18]). The Advanced Manufacturing Production Credit (cost of USD 30.6 billion over 2022-2031) is a production tax credit, with the rate varying by technology, for domestic manufacturing of components for solar and wind energy, battery components, critical minerals, and inverters. It is available for domestic manufacturers, with a phase out planned over 2030-2032, except for critical minerals for which the credit

will be permanent (The White House, 2022[19]). Many of the tax incentives contained in the IRA include requirements or additional incentives for domestic production or procurement.

Canada adopted a wide array of measures, mainly at the federal level, to promote adoption of low-emission technologies. The federal government expanded the 50% reduced tax rates for zero-emission technology manufacturers to include the manufacturing of air-source heat pumps used for space or water heating. This incentive applies to the general corporate and the small business CIT rates from 2022 to 2031. In addition, the federal government announced that it will establish a refundable investment tax credit to support investments in clean hydrogen production from 2023 to 2034. The government also proposed a refundable investment tax credit for carbon capture, utilisation, and storage starting in 2022, a refundable tax credit for certain capital expenditure on clean technologies, including certain electricity generation systems, stationary electricity storage systems that do not use fossil fuels in their operation, specific low-carbon heat equipment and non-road zero-emission vehicles and related charging or refuelling equipment.

As indicated in Table 3.9 and from previous editions of the Tax Policy Reforms publication, the introduction of environmentally related incentives has been increasingly common in the past years as governments look for ways to foster investment in green technology. In 2022, to promote the use of electric cars, the Czech Republic modified the depreciation rule for charging stations to allow for faster tax depreciation. Portugal introduced reduced autonomous tax rates[38] for electric and hybrid cars expenses, and Angola granted a 35% reduction of the CIT rate (resulting in a 16.25% rate) for companies producing or selling energy from renewable sources. These companies also benefit from a 60% reduction in the rate of the capital gains tax. Korea announced that it would apply accelerated depreciation to investments in energy saving facilities in 2023.

3.2.4. International tax issues remain a key driver of business tax reforms

Progress on the Two-Pillar Solution

In October 2021 members of the Inclusive Framework agreed a Two-Pillar Solution to reform the international tax framework in response to the challenges of digitalisation of the economy. Under the Pillar One of the agreement, more than USD 200 billion of profit from around 100 of the world's largest and most profitable MNEs would be reallocated to market jurisdictions, along with a streamlining of the transfer pricing rules for routine marketing and distribution activities. Under Pillar Two of the agreement, a global minimum tax, set at an effective rate of 15%, with an exclusion for a routine return on assets and payroll, will be introduced. In addition, a Subject to Tax Rule will levy a top-up tax on payments from LICs and MICs taxed at low nominal rates. Pillar One is now estimated to raise an additional USD 12-25 billion revenues annually (averaging across the 2017-2021 period), while Pillar Two would result in annual gains of between USD 141-260 billion, depending on the year considered.

Further progress has been made towards implementing the Two-Pillar Solution. In 2022, public consultations took place on the Pillar One building blocks and technical work has been ongoing, with the aim of finalising a new Multilateral Convention during 2023. Following the publication of the Agreed Administrative Guidance for the Pillar Two GloBE Rules[39], the Implementation Framework has been finalised, which also includes the Safe Harbours and Penalty Relief[40] document and public consultations on the GloBE Information Return[41] and Tax Certainty.[42]

Box 3.3. Towards a widespread implementation of Pillar Two

A significant number of jurisdictions have taken steps toward implementing Pillar Two and the GloBE Rules in particular. Due to the interlocking nature of the GloBE Rules and the backstop mechanisms incorporated in such rules, there is a strong incentive for jurisdictions to implement them as well as a domestic minimum top-up tax.

The European Union Directive

In December 2022, the Council of the European Union unanimously adopted Council Directive 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the EU. Member States must now transpose the EU Directive into their national laws by the end of 2023.

The EU Directive acknowledges the need for a coordinated implementation of the GloBE Rules at the EU level and proposes to enforce both the primary rule (the Income Inclusion Rule, or IIR) and the backstop rule where low-taxed income is not subject to the IIR (known as the UTPR), following the GloBE Model Rules. The EU Directive also clarifies the timeline: the IIR should be effective for fiscal years starting on or after 31 December 2023, while the UTPR should generally apply from 31 December 2024. While there is no obligation for EU Member States to implement a Qualified Domestic Minimum Top-up Tax (QDMTT), several jurisdictions have already announced their intention to do so (Germany, Ireland, and the Netherlands by 2024, and Belgium with no effective date confirmed).

Other jurisdictions

Korea was the first jurisdiction to enact the GloBE Rules, introducing both the IIR and the UTPR in its 2022 tax reform bill, with implementation set to start in 2024. Japan has also enacted an IIR that will apply from 2024. The United Kingdom will legislate the IIR and a QDMTT in 2023 for implementation from accounting periods beginning 31 December 2023. In Switzerland, the constitutional amendment to implement Pillar Two was approved by Parliament in December 2022 and by referendum on 18 June 2023. Therefore, Switzerland will be able to implement the IIR, UTPR and a QDMTT as from 2024.

Many other non-EU jurisdictions have also put forward implementation proposals for the GloBE Rules, including Australia, the Bahamas, Barbados, Bermuda, Canada, the Cayman Islands, Colombia, Hong Kong (China), Indonesia, Jersey, Liechtenstein, Malaysia, Mauritius, New Zealand, Norway, Qatar, Singapore, South Africa, Thailand, the United Arab Emirates, and Viet Nam. These announcements range from high-level announcements to the enactment of Pillar Two in national legislation.

Table 1. Pillar Two implementing jurisdictions

	IIR	UTPR	QDMTT	Legislation	Public consultation
Korea	2024	2024	TBD	Yes, enacted	Yes
Japan	2024	TBD	2025	Yes, enacted	-
EU Member States	2024	2025	Optional[1]	Council Directive 2022/2523 enacted	-
Belgium	2024	2025	TBD	-	-
Germany	2024	2025	2024	Yes, draft law published	Yes
Ireland	2024	2025	2024	Proposed legislative approaches published	Yes
Netherlands	2024	2025	2024	Yes, draft law published	Yes
Liechtenstein	2024	2025	2024	Yes, draft law published	Yes
Switzerland	TBD	TBD	TBD	Approved by Parliament and by referendum	Yes

United Kingdom	2024	TBD[2]	2024	Yes, draft law published	Yes
Canada[3]	2024	2025	2024	No, included in 2023 Budget	Yes
Colombia	TBD	TBD	2023[4]	No, included in 2023 Budget	-
Malaysia	2024	TBD	2024	-	Yes
Norway	TBD	TBD	-	-	-
Thailand	TBD	TBD	-	-	Yes
Hong Kong (China)	-	-	2025	-	-
Mauritius	-	-	TBD	-	-
Qatar	-	-	TBD	-	-
Bahamas, Indonesia, South Africa				Announced implementation of Pillar Two, but no information on which rule, and timing has been given yet	
Australia, New Zealand				Put forward implementation proposals for Pillar Two and launched a public consultation process	
Singapore				Announced the intent to implement GloBE rules and a QDMTT from 2025. Has not announced details on the timing of each component	
Barbados, Bermuda, Cayman Islands, United Arab Emirates, Viet Nam				Announced considering the implementation of Pillar Two	

Notes: Dates in the IIR, UTPR and QDMTT columns refer to the first fiscal year the rules will start to apply. TBD (to be defined) indicates that the government has announced it will apply the rule but without a precise date, or that no specific announcement has been made. A dash (-) denotes when a country has not announced its intention to apply the rule. Jurisdiction are ordered as follows: first, those that enacted (in chronological order), second, EU; third, jurisdictions with a draft law (in alphabetical order); fourth, jurisdictions that have included the GloBE Rules in a budget (in alphabetical order); and fifth jurisdictions implementing only QDMTTs.
1. Belgium, Germany, Ireland, and the Netherlands have announced they would implement a QDMTT. Not all of them have confirmed an effective date of 2024.
2. The United Kingdom has announced that they are planning to implement the UTPR, but not before fiscal year 2025.
3. For Canada, the effective implementation dates are 31 December 2023 for the IIR and QDMTT, and 31 December 2024 for the UTPR.
4. Colombia introduced a minimum tax of 15% in line with the OECD Pillar Two rules. It is unclear whether it may qualify as a QDMTT.
Source: This table is based on public announcements by governments and on the OECD's annual Tax Policy Reforms questionnaires. It reflects the state of play as of 19 April 2023.

The wider OECD/G20 BEPS programme

Further progress on the implementation of the OECD/G20 BEPS package was made in 2022. The OECD/G20 BEPS package, which includes 15 Actions aimed at addressing tax planning strategies that artificially shift profits to low or no-tax jurisdictions, was delivered in October 2015.

Provisions of the Multilateral Instrument to Implement Tax Treaty Related Measures to Prevent BEPS (MLI) have taken effect for approximately 890 tax agreements (OECD, 2022[20]). The MLI includes measures against hybrid mismatch arrangements (Action 2), treaty abuse (Action 6), a strengthened definition of permanent establishment (Action 7) and measures to make mutual agreement procedures (MAP) more effective (Action 14). As of March 2023, the 100 jurisdictions have signed the MLI, of which 80 had deposited their instrument of ratification, acceptance, or approval. Overall, it covers around 1 850 bilateral tax agreements, which will be modified by the MLI once its provisions take effect for each of these agreements. More jurisdictions are expected to deposit their instrument of ratification, acceptance, or approval during 2023.

Peer reviews indicate that a growing number of Inclusive Framework jurisdictions implementing the minimum standard on treaty shopping. As one of the four minimum standards, BEPS Action 6 identified treaty abuse, and in particular treaty shopping as one of the principal sources of BEPS concerns. The fifth Peer Review Report confirms the importance of the MLI as the principal tool used by jurisdictions to implement the BEPS Action 6 minimum standard and demonstrates an almost 40% increase in agreements concluded to the minimum standard in 2022 relative to 2021 (OECD, 2023[21]).

In line with Action 13, automatic exchanges of country-by-country (CbC) reports have continued to increase. Action 13 requires the ultimate parent entity of an MNE group to file a CbC report in its jurisdiction, providing information such as turnover, profits, employees, and taxes paid for each of the jurisdictions in which it operates. The tax administration of the country where the ultimate parent entity is a resident exchanges this data with the tax authorities of other jurisdictions. As of October 2022, over 3 300 bilateral exchange relationships had been activated (an increase from 2 700 in 2021), and an increasing number of jurisdictions made CbC reporting an obligation.

Action 14, which deals with mutual agreement procedures (MAP), has also seen significant progress. Action 14 aims to improve mechanisms for the resolution of tax-treaty related disputes. A new Peer Review Assessment Methodology was agreed by the Inclusive Framework to increase the efficiency of resolutions for double taxation disputes, as well as the reporting of additional data points for MAP statistics (OECD, 2023[22]). Advance Pricing Arrangement programmes will be reported in annual statistics and published online from 2024.

3.3. Taxes on goods and services

Taxes on goods and services continue to be the largest revenue source for jurisdictions, particularly low- (LICs) and middle-income countries (MICs). On average across the OECD, taxes on goods and services[43] accounted for 32.1% of total tax revenues in 2020 but represented 56% and 51% of total tax revenues in LICs and MICs, respectively. Value added taxes[44] produced 20.2% of total taxes in OECD countries on average in 2020, making it by far the main category of taxes on goods and services, generating almost three times as much tax revenue as excise duties, which themselves form the bulk of taxes on specific goods and services.

Temporary reductions in VAT rates have been used, mostly in European countries, as a price support measure to cushion the impact of sharp rise in energy prices. A number of jurisdictions introduced or extended temporary reductions in the VAT rate applied to energy products as governments sought to implement visible policy measures that could have an immediate impact on the budgets of households who had to cope with elevated energy prices. As reported in the Special Feature of the *Tax Policy Reforms 2022* (OECD, 2022[23]), temporary reduced VAT rates were one component of larger support packages that included excise rate cuts, PIT and CIT provisions, as well as non-tax measures such as subsidies, transfers, and price caps.[45]

A number of jurisdictions also lowered VAT rates on food and other basic items to support households with cost-of-living increases. Again, many of these policy changes were made by high-income European countries, but a number of LICs and MICs also lowered VAT rates on these items and also broadened the number of foodstuffs included in these baskets of items as food prices reached historical highs in 2022 (FAO, 2023[24]).

There is also a notable trend in jurisdictions to use of the VAT system to encourage the transition to lower carbon economies. VAT exemptions and reduced rates are applied to a range of goods and services identified as promoting environmental sustainability, including electric and hydrogen vehicles (and their associated charging equipment) and products associated with low-carbon domestic energy production. However, in jurisdictions with mature low-emissions car markets, the conditions for the application of reduced VAT rates have been made more stringent to address foregone revenue and equity concerns.

The effectiveness of jurisdictions using reduced VAT rates to address equity, environmental, and other policy goals is often questioned, however. A large body of empirical evidence suggests that these objectives can be more efficiently achieved through alternative policy measures.[46] Thomas (2020[25]), for example, shows that richer households benefit more from reduced VAT rates for necessities in absolute

terms than poorer households and finds the overall distributional effect of reduced VAT rates on non-essential items to be regressive in relative and absolute terms. Reduced VAT rates also often entail a significant budgetary cost (Copenhagen Economics, 2007[26]), may be captured by producers rather than passed through to consumers particularly in less competitive markets (Benedek et al., 2015[27]; Baudisch and Neuenkirch, 2023[28]; Benzarti and Carloni, 2019[29]) and can cause administrative complexities given the different treatment of comparable goods and services (European Parliament, 2021[30]). Furthermore, reduced rates weaken the price signals that can encourage behavioural change, as the recent energy crisis illustrated (OECD, 2022[31]).

Administrative measures that seek to harness the increasing digitalisation of the economy continue to be amongst the most important and impactful VAT reforms made across jurisdictions.[47] As shown in the 2022 edition of the Consumption Tax Trends publication (OECD, 2022[32]), over 80 jurisdictions have enacted reforms to achieve more effective taxation of international digital trade, many of whom reported positive compliance and revenue results. Many jurisdictions focused on strengthening e-commerce VAT regimes, often to include online sales of small parcels imported from abroad by foreign e-commerce marketplaces and other digital vendors. Implementing some form of electronic transaction information reporting obligation has also been common.

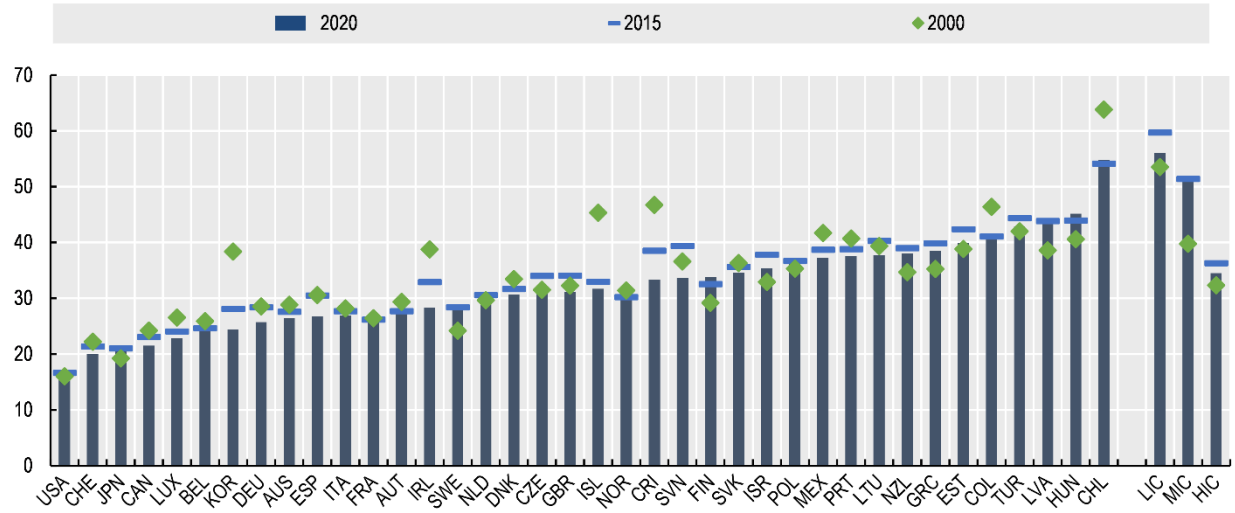
Trends in non-environmentally related excise duties remained similar to previous years, with jurisdictions steadily increasing duties on the consumption of goods deemed harmful. Whilst these changes generally increase revenues, influencing consumer behaviour is often the key motivation that countries provide for these reforms. Increasing the tax burden on alcohol, cigarettes, and food and drinks with high fat, salt, or sugar content continued to be a focus for governments, most of whom adjusted duties to inflation in 2022.

3.3.1. Revenues from taxes on goods and services account for more than 30% of total tax revenue on average

Taxes on goods and services continue to be the largest revenue source for governments. On average across the OECD, taxes on goods and services accounted for 32.1% of total tax revenues in 2020, but in five countries they produced more than 40% of total taxes: Chile, Colombia, Hungary, Latvia and Türkiye. In Japan, Switzerland, and the United States, they account for less than 20% of total taxes. Taxes on goods and services are notably more important in the tax mix of LICs and MICs, accounting for 56% and 51% of total tax revenues in 2020, respectively.

Figure 3.4. Tax revenues from taxes on goods and services

Tax revenues from taxes on goods and services as a percentage of total tax revenues



Note: Tax revenues from taxes on goods and services refer to tax category 5000 under the OECD classification of taxes. Tax revenues are the sum of taxes collected by all levels of government. See Revenue Statistics Interpretative Guide for more detail. The low- (LIC), middle- (MIC), and high-income country (HIC) averages are representative of the 116 jurisdictions that provide tax revenue data to the OECD.
Source: OECD Global Revenue Statistics Database.

StatLink https://stat.link/psc4dn

2020 marked the sixth consecutive year that the contribution of taxes on goods and services to total tax revenues declined marginally across the OECD on average. This decline is mainly attributable to the continuously decreasing importance of taxes on specific goods and services (mostly on tobacco, alcoholic drinks, and fuels, as well as some environment-related taxes) as a share of total taxation in OECD countries, on average. The contribution of taxes on goods and services to total tax revenues on average in LICs has also been on the decline for a number of years, while in MICs their share of total revenues has been relatively steady.

VAT is the main tax on goods and services. Value added taxes produced 20.2% of total taxes in OECD countries on average in 2020, making it by far the main category of taxes on goods and services, generating almost three times as much tax revenue as excise duties, which themselves form the bulk of taxes on specific goods and services at 6.9% of total tax revenues in 2020 on average. Given its efficiency as a revenue raiser, VAT was already implemented in 174 jurisdictions worldwide. Suriname and Palau legislated for the introduction of a VAT system from January 2023, and Liberia announced plans to replace its current GST with a VAT, as they sought to raise additional tax revenues following the COVID-19 pandemic and to meet growing expenditure needs.

3.3.2. Reduced VAT rates were used by many jurisdictions as a means to limit prices increases in certain sectors

Targeted VAT rates reductions were used by many countries to support households with elevated energy and food prices. As the countries most affected by global energy price increases (IEA, 2023) a number of European countries introduced or extended temporary reductions in the VAT rate applied to energy products as governments sought to implement visible policy measures that could have an immediate impact on the budgets of households who had to cope with elevated energy prices.

Policymakers most commonly reduced the VAT rates applied to electricity and natural gas as their prices reached historic highs, though decisions also depended on countries' relative fuel mix. The duration of these temporary measures was initially set to around three months in most countries, but as prices continued to rise and remained elevated VAT rates were cut further by some countries and their duration extended, often by a further three to six months or for the duration of the winter months when consumption was at its highest. As reported in other sections of this chapter and in the previous edition of the Tax Policy Reforms (TPR) publication (OECD, 2022[23]), VAT cuts were part of wider policy packages that included excise rate cuts, PIT and CIT provisions as well as non-tax measures such as subsidies, transfers, and price caps.[48]

Several European countries reported introducing additional temporary targeted VAT rate reductions in 2022, which were not reported in the previous edition of the TPR publication. These changes are summarised in Table 3.10. Bulgaria and Germany both reduced the VAT rate on natural gas and district heating from their standard VAT rates to their reduced rates for, respectively, a year from July 2022, and a year-and-a-half from October 2022. Italy cut the VAT rate applied to the supply of gas for civil and industrial uses to its 5% reduced VAT rate for the first quarter of 2023. Ireland lowered its VAT rate on the supply of gas and electricity to their lower reduced VAT rate for a year-and-a-half from May 2022. Belgium also lowered the VAT rate on the supply of gas and electricity to its lower reduced VAT rate. The measure initially applied to the first quarter of 2023, but the reduction was subsequently extended and finally made permanent. The Netherlands and Slovenia cut the VAT rate applied to consumer energy from their standard rates to the reduced rate for the second half of 2022 for the former, and to the upper reduced rate for nine months (between September 2022 and May 2023) for the latter. Finland and North Macedonia reduced the VAT rate on electricity from their standard rates to their lower reduced rates for five months from December 2022, and from mid- to end-2022, respectively. Croatia also lowered the VAT rate it applied to natural gas and heating, firewood, pellets, briquettes, and wood chips from its standard rate to its lower reduced rate for six months from October 2022, while Slovenia and Spain and also lowered the VAT rate they applied to these other fuel sources. Poland extended the zero VAT rate applied to natural gas to the end of 2022, as well its lower reduced VAT rate for electricity and district heating and the upper reduced rate for a range of motor spirits and gas oils.

Middle-income and high-income countries (HICs) alike temporarily lowered the VAT burden on certain foods as global food prices reached historical highs in March 2022. Spain lowered the VAT rate applied to basic foodstuffs from its 4% reduced VAT to 0% for the first six months of 2023, while some other food products were subject to a 5% reduced VAT rate (having previously been 10%) from October 2022 until the end of 2023. Bulgaria also reduced the VAT rate on bread and flour supplies to zero between July 2022 and the end of 2023. Poland applied the zero VAT rate to basic foodstuffs from 1 February 2022. Türkiye lowered the VAT rate applied to food products from 8% to 1% (excluding those subject to excise duties), while Croatia reduced the VAT rate applied to a wide range of foodstuffs from the standard 25% VAT rate and the upper 13% reduced rate to the lower reduced rate of 5% from April 2022. North Macedonia exempted basic food products from VAT from mid-March 2022 to the end of May 2022. Basic foodstuffs were taxed at the lower 5% reduced VAT rate thereafter, while more luxury food items were subject to the higher 10% reduced VAT rate. Peru also temporarily exempted a selected basket of food goods from its consumption tax from May 2022. Croatia and Poland also provided support to the agricultural sector through a temporarily lowering of the VAT rate for agricultural supplies such as fertilizers to 0% (in Poland between 1 February 2022 and the end of 2022).

Table 3.10. Temporary VAT policy changes for energy and food products, June-December 2022

	Natural gas	Electricity	District heating	Other fuel sources	Food and agriculture
Upper (or single) reduced rate	BGR (9%), DEU (7%), NLD (9%), SVN (9.5%)	NLD (9%), MKD* (10%), SVN (9.5%)	BGR (9%), DEU (7%), SVN (9.5%)	POL (8%)*, SVN (9.5)	
Lower reduced rate	BEL (6%), ESP (5%), HRV (5%), IRL (9%), ITA (5%), UKR (7%)	BEL (6%), ESP (5%), FIN (10%), IRL (9%), POL (5%), MKD (5%)	HRV (5%), POL (5%)	ESP (5%), HRV (5%), UKR (7%)	ESP (5%), HRV (5%), TUR (1%)
Zero rate	POL			FIN*	BGR, ESP, POL*
Exemption					MKD, PER

Note: Finland also announced that the VAT rate on passenger transportation would be reduced from its lower reduced rate of 10% to 0% for four months from January 2023to aid households with their loss of purchasing power. For Poland, other fuel sources refers to some motor spirits and gas oils; food and agriculture refers to basic foodstuff, fertilizers and plant protection products North Macedonia announced that household electricity would be taxed at the higher reduced rate of 10% from 2023.
Source: OECD Annual Tax Policy Reform Questionnaire.

3.3.3. Changes in standard VAT rates remained rare

Whilst permanent changes to standard VAT rates remained rare in 2022, it was the first year since 2019 that any country covered in the Tax Policy Reforms publication had made such reforms. Three jurisdictions (Indonesia, the Maldives, and Singapore) raised their standard VAT rate. On the other hand, one country (Luxembourg) temporarily lowered its standard and reduced VAT rates by 1 p.p. to 16% and 7%, respectively, from mid-September 2022 to the end of 2023 in order to encourage consumption. Indonesia raised its standard VAT rate by 1 p.p. to 11% from April 2022 and announced that the standard rate would be increased to 12% by no later than the start of 2025. Singapore also announced a stepped increase in its standard GST rate, by 1 p.p. to 8% from the start of 2023 and again to 9% from January 2024. The Maldives increased its standard GST rate from 6% to 8%, noting the additional needs to fund debt servicing and inflation costs.

Table 3.11. Changes to general and reduced VAT rates introduced or announced in 2022

	General	Food and basic items	Hotels, restaurants, and tourism	Newspapers and e-books	Culture and sport	Environmental sustainability	Other
Rate increase or scope narrowing	IDN, LIB, MLD, SGP	ROU	MLD, ROU			CAN (BC), NOR	ROU, SWE, TUN, TUR
Rate decrease or scope broadening	LUX^{t}	BRB^{0}, ESP, IRL^{0}, ITA, MKD, NAM^{0}, PER^{t}, POL^{t}, TUR	ANG, DEU^{t}, LTU^{t}, PER^{t}, SVK, URY^{t}	CAN, EST, IRL, LTU	LTU$^{(t)}$, PRT, SVK	BEL, BEN, BRB^{e}, CAN, (BC)$^{(e)}$, DEU, ISL, JAM^{e}, NLD, PRT, TUN	BEL, IRL, ITA, MLD, NAM, NZL^{e}, POL^{t}, TUR$^{(e)}$, UKR^{e}

Note: The letters *e* and *t* indicate a tax exemption and a temporary change, respectively, while 0 represents the application of a zero-rate VAT. Where brackets are used, the country has introduced more than one change which is either not temporary, an exemption or a zero-rate. Table 1 highlights changes to VAT rates on energy supplies and such measures have thus not been included in Table 2.
Source: OECD Annual Tax Policy Reform Questionnaire.

3.3.4. There is an emerging trend of jurisdictions using their VAT systems to promote environmental sustainability

Another visible VAT policy trend in 2022 was of an increasing number of jurisdictions lowering the VAT rate they apply to specific sectors or goods and services to support the transition to a lower carbon economy. The use of reduced VAT rates to promote environmental sustainability appears to be an emerging trend for some years, with a larger proportion of jurisdictions referencing these motivations for VAT policy reforms. In 2022, many jurisdictions applied reduced VAT rates to goods and services that would reduce greenhouse gas emissions, including electric and hydrogen vehicles (and their associated charging equipment) and products associated with low-carbon domestic energy generation. The majority of these jurisdictions are classified as high-income, though green VAT measures were also introduced by some LICs and MICs.

A number of jurisdictions applied reduced VAT rates to residential energy generation. Germany and the Netherlands both applied zero rates to the purchase and installation of solar panel systems. Belgium and Portugal temporarily reduced the VAT rate they applied to solar panels, solar water heaters and heat pumps to their 6% reduced VAT rates for just over a year and a half (until the end of 2023) and for two-and-a-half years (until mid-2025), respectively. Portugal also applied its lower 6% reduced VAT rate to biomass fuels (temporarily) and bicycles (permanently). The province of British Columbia in Canada permanently exempted heat pumps from the provincial sales tax from the beginning of April 2022, while increasing the provincial sales tax on fossil fuel combustion systems by 5 p.p. to 12%. Barbados and Jamaica introduced VAT exemptions, the former for two years on residential generators from April 2022, and the latter, permanently, on the importation of batteries used in solar panels.

VAT exemptions and reduced rates were applied to the sale of electric, hybrid, and hydrogen vehicles in 2022 by LICs, MICs, and HICs alike. Iceland expanded its temporary tax exemption for zero-emissions electric and hydrogen cars, removing the cap on the number of cars that the exemption could be granted for, until the end of 2023. Benin permanently exempted the import and sales of new electric and hybrid vehicles from VAT and removed the VAT exemption on the sale of fossil-fuel powered motorbikes (maintaining it only for electric and hybrid motorcycles), while Barbados introduced a two-year VAT exemption for all electric vehicles from April 2022. The Canadian province of British Columbia also introduced a five-year provincial sales tax exemption on the sales of used zero-emission vehicles from February 2022. Having lowered the VAT rate applied to electric vehicles in 2022, Tunisia announced that it would also lower the VAT rate applied to charging equipment for electric vehicles to 7% from the beginning of 2023 and would also lower the associated customs duty rates to 10%. To reduce revenue forgone and not unduly favour higher-income households, Norway decided to impose VAT on electric vehicles whose purchase price exceeds NOK 500 000 (USD 52 080).

3.3.5. Temporary VAT rate changes for specific sectors were rare compared to previous years as most jurisdictions phased out COVID-19 related support measures

Those jurisdictions that renewed existing temporary VAT measures did so to encourage consumption in service sectors most affected by the pandemic and by inflation-inflicted losses in purchasing power. These sectors, such as hotels, restaurants, and tourism, generally have relatively higher demand elasticities (Gwartney et al., 2022[33]). Germany and Lithuania prolonged the duration of the reduced VAT rates applied to meals in restaurants (7%) and catering services (9%), respectively, until the end of 2023. Peru temporarily reduced the VAT applied to small- and medium-sized hotels and restaurants from the standard 18% rate to 10% to encourage renewed investment and growth in the tourism sector. Uruguay lowered the VAT rate to 9% and 0% for certain tourism operations until 2025 provided services were paid through the use of electronic payment methods, encouraging greater digitalisation of the VAT system. Lithuania also extended the application of its 9% reduced rate to sporting activities for the first half of 2023.

3.3.6. Reduced VAT rates continue to be applied to a diverse set of goods and services in 2022, continuing a long-term trend.

Most jurisdictions apply reduced VAT rates to a wide range of goods and services, mainly to address equity concerns (OECD, 2022[32])**.** While many jurisdictions cited equity arguments as the reason for the application of reduced VAT rates, empirical evidence suggests that these objectives can be more efficiently achieved through alternative policy measures (de la Feria, 2021[34]; OECD/KIPF, 2014[35]).

In 2022, high- and upper middle-income countries continued to lower the VAT rate they applied to feminine hygiene products, which are considered to be basic consumption items. A considerably larger group of jurisdictions now apply lower VAT rates to these items than a decade ago. Italy and Spain lowered the VAT rate applied to feminine hygiene products from their upper 10% reduced rate to the lower 5% and 4% reduced rates, respectively, while North Macedonia lowered its VAT rate on these products from 18% to 5%. Italy also applied the lower reduced VAT rate to children's hygiene products and Spain to non-medicated contraceptives. Barbados, Ireland, and Namibia all reduced the VAT rate applied to female sanitary products to zero. Barbados and Ireland also applied zero VAT rates to a number of other health products.

A number of European countries equalised the VAT treatment of print and electronic media in 2022, and lowered rates to support the industry, **continuing a trend seen since 2016.** Ireland applied a zero VAT rate to electronic and print newspapers, Estonia reduced the rate applied to electronic and print publications to the 5% reduced VAT rate, and Italy and North Macedonia lowered the VAT rate on electronic media to the same as print media – at their 9% and 5% reduced VAT rates, respectively.

Reduced rates were also applied to accommodation, restaurants, and culture and sports activities, on a permanent basis, in a small number of jurisdictions in 2022 to encourage consumption and employment in these sectors. Portugal lowered the VAT rate applied to artistic and cultural institutions and events to its 6% reduced rate, while Lithuania made permanent the initially temporary application of its reduced 9% VAT rate to these activities. Similarly, the Slovak Republic applied its 10% reduced VAT rate to a range of sporting activities. Angola halved the VAT rate applicable to hotel and catering services, while Lithuania made permanent its temporary application of the 9% reduced VAT rate for accommodation services, and the Slovak Republic lowered the VAT rate applied to restaurants to 10%. Türkiye lowered the VAT rate applied to electricity for residential properties and agricultural irrigation, as well as for hygiene and cleaning products, from its 18% standard VAT rate to 8%.

3.3.7. In contrast, some jurisdictions increased their VAT rate in certain sectors

In contrast with the reforms highlighted above, a small group of jurisdictions raised the VAT rate applied to certain sectors or goods and services in 2022, largely to help raise revenues and simplify their VAT systems. Romania announced an increase in the VAT rate applied to restaurant and catering services, and hotel accommodation from the lower 5% reduced rate to its upper 9% reduced rate. The Maldives increased the GST rate for the tourism sector from 12% to 16%, twice that of the standard VAT rate. Sweden increased the VAT rate applied to certain repair services from the lower 6% reduced rate to its upper 12% reduced rate, Türkiye increased the VAT rate applied to the sale of yachts, boats, and cruise ships from 1% to the standard 18% VAT rate, and Romania announced an increase in the VAT rate applied to sugar or sweetened non-alcoholic beverages from the 9% reduced VAT rate to the standard 19% rate. Tunisia announced that it would return the VAT rate applied to certain self-employed professions (and those operating as non-incorporated businesses) from the start of 2023 to the standard 19% VAT rate (from its reduced 13% VAT rate) to reduce the number of exceptions in its VAT system.

3.3.8. Jurisdictions continue to adapt their VAT systems to try to harness the growing digitalisation of the economy

The adaptation of VAT systems to the pressures and opportunities of an increasingly digitalised economy continued to be amongst the most impactful changes made by jurisdictions to VAT policy and its administration in 2022. As explained in detail in the 2022 Consumption Tax Trends publication (OECD, 2022[32]),[49] the growth of international trade in online services and digital products has had significant implications for VAT design and administration. Through its International VAT Guidelines and accompanying regional Digital VAT Toolkits,[50] the OECD has provided comprehensive guidance to jurisdictions for the policy design, implementation, operation, and enforcement of a comprehensive VAT strategy targeted at digital trade. Over 80 jurisdictions have enacted reforms to achieve more effective taxation of international digital trade, many of whom have reported positive compliance and revenue results. An additional number of jurisdictions are enacting or considering reforms.

Jurisdictions continue to make strides in obliging online platforms to report VAT from sales, and in collecting VAT on the imports of low-value goods. Until recently, most VAT systems applied a "de minimis" exemption for the importation of relatively low value goods to reduce administrative collection burdens, but as foregone revenues and unfair competitive pressures on domestic retailers rose with increased with greater digitalisation of the economy these exemptions became untenable. With support from the OECD (2017[36]; 2019[37]), and the World Bank and regional institutions (2021[38]; 2022[39]; 2023[40]), tax administrations in many jurisdictions are collecting VAT at the point of sale. In 2022, 37 OECD countries[51] had implemented mechanisms for the online registration of foreign suppliers (or digital platforms facilitating the supply) that are liable to account for the VAT on those supplies; Benin also reported that it had legislated for online platforms to report and collect VAT from sales.

3.3.9. A small group of jurisdictions introduced VAT base broadening measures

A small number of jurisdictions reported VAT base broadening measures in 2022 to support revenue raising efforts. Benin, Chile, and Kenya applied VAT to a number of goods and services that were previously exempt to broaden their respective VAT bases. Benin imposed a 4% VAT rate on imported rice and removed VAT exemptions for domestic water and electricity consumption (first tariff bracket), while Kenya applied VAT at the 8% rate to the supply of liquefied petroleum gas and fertilisers and at a rate of 16% to goods used in the construction of certain hospitals, which were previously exempted from VAT. Kenya also imposed a 16% VAT rate on the exportation of services, which departs from the destination principle. Meanwhile, Chile ended the VAT exemption that had been applied to a range of services so that almost all services would be subject to VAT, with exceptions remaining for education, public transportation, and certain healthcare services, among others. Romania lowered the threshold that applies to the reduced 5% VAT rate for housing supplies by just under 20% to RON 600 000 (USD 127 660) from the beginning of 2023, and Colombia ended the four VAT-free days per year it had introduced in 2021 and 2022, to improve fairness and increase revenues.

Policy measures to narrow the VAT base were introduced by only a small number of jurisdictions in 2022 who exempted certain goods and services from VAT. New Zealand introduced GST exemptions for crypto currencies to align their tax treatment with that of savings and share products, while Türkiye exempted certain construction supplies (until the end of 2025) and specified supplies for R&D and innovation activities (until the end of 2024) from VAT. Ukraine exempted educational services from VAT that are related to the IT industry and provided online to residents of Diia City and imports of new equipment and components imported by participants of industrial parks for recycling activities. These exemptions aimed at stimulating the development of the digital economy and encouraging growth of industrial parks.

Four jurisdictions increased their VAT registration thresholds to lower the compliance costs of small suppliers and the collection burden for tax administrations. Bulgaria and the Czech Republic

doubled their VAT registration thresholds to BGN 100 000 (USD 52 630) and CZK 2 million (USD 85 470), respectively, while Trinidad and Tobago temporarily raised theirs by 20% to TTD 600 000 (USD 88 760). Portugal announced more modest increases to its exemption threshold for VAT registration, by EUR 1 000 (USD 1 110) to EUR 13 500 (USD 15 000) for 2023, a further EUR 1 000 for 2024, and by an additional EUR 500 from 2025.

3.3.10. Excise taxes continue to be used by governments to raise revenues and discourage some forms of unhealthy consumption

Many jurisdictions adjusted non-energy excise duties[52] to inflation in 2022, so while a larger number of jurisdictions made changes to these excise duties than in previous years, reforms remained relatively limited. Over a quarter of jurisdictions that responded to the annual tax policy reforms questionnaire reported increasing excise duties on tobacco (and alternatives) and alcohol, while some jurisdictions introduced (or removed) taxes on sugar-sweetened beverages (SSBs). Excise duties have contributed an increasingly smaller proportion of total tax revenues for the last two decades in HICs but remain a relatively more important revenue source in LICs and MICs.

Adjustments to excise duties on tobacco and tobacco substitutes were made in a fifth of jurisdictions, maintaining the high tax burden on these products to discourage consumption. While the majority of measures reported were inflation adjustments to tobacco taxation, a number of jurisdictions also introduced reforms to harmonise the taxation of cigarette and tobacco alternatives such as vaping products. The largest increase in excise duties was report by Bulgaria who announced that they would raise by tobacco tax rates by 50% on average between 2023 and 2026 in annual steps.

Excise duties on alcohol and SSBs were modified in approximately one tenth of jurisdictions in 2022. SSBs remain a category of interest for jurisdictions; Colombia imposed excise duties on SSBs for the first time, while Barbados and the Netherlands doubled and tripled their respective rates. Colombia also announced the introduction of a 10% tax on foods with high salt or saturated fat content from November 2023, rising to 20% by 2025. Following elections, the new Israeli government announced that it would abolish the SSB that had been introduced in 2022.The most significant increases in excise duties were implemented by Mauritius (+10%) and the Slovak Republic (+30% on spirits). Canada repealed its excise duty exemption for 100% domestically produced wine and eliminated excise duties on low-alcohol beer (to bring it into line with the treatment of wine and spirits containing 0.5% alcohol or less, by volume), while Portugal lowered the effective rate applied to low-strength alcohol drinks and Greece reduced the excise rate on household production of fruit-based spirits, the latter based on the 2020 EU Directive (1151).

A few MICs increased excise duties on other goods as they sought to raise revenues. Argentina introduced a 30% tax on the importation of luxury goods and some services obtained from abroad. Kenya increased excise duties on a range of products including certain plastics, chocolate, cosmetic and beauty products, fruit juices, and imported sugar and potatoes.

3.4. Environmentally related taxes

Environmentally related taxes have become a more central feature of tax policy over the last decade, incentivising the transition towards environmental sustainability and as a revenue source. Environmentally related taxes are defined as any compulsory, unrequited payment to general government levied on tax bases deemed to be of particular environmental relevance. They encompass taxes that are likely to have a strong environmental impact, including taxes on agrochemicals, energy, road use, vehicles, waste, water abstraction and water pollution.

Global increases in energy prices were the major driver of changes in environmentally related tax policy in 2022. Many governments, especially in Europe, cut environmentally related taxes, specifically

excise taxes on road transportation fuel, to support households and businesses with energy affordability concerns, as they sought to implement visible policy responses whose benefits could be experienced immediately (OECD, 2022[41]; OECD, 2022[23]). These environmentally-related tax cuts, often introduced alongside non-tax measures such as price caps, energy price and income support, provided fast and broad relief from energy price inflation in some instances (OECD, 2023[7]). As the year progressed, policy makers grappled with the difficulties of transitioning from initial broad support measures towards more targeted policy responses as their fiscal cost rose and the risk of altering price signals that might discourage the transition to more environmentally sustainable energy use grew. Improving energy independence and security also became heightened concerns.

Despite elevated energy prices, a number of largely high-income countries increased explicit prices on carbon in 2022 to support the transition to a low-carbon economy.[53] New emissions trading system (ETS) and carbon taxes were implemented and raised, while permit prices increased as a result of market forces pushing energy prices higher. These policy changes reinforced existing divergent trends in explicit carbon price levels leading to greater geographical concentration of higher prices.

The future effectiveness of carbon prices in EU countries was strengthened by the announcement that a Carbon Border Adjustment Mechanism (CBAM) would be implemented across the EU, entering into force in its transitional phase as of 1 October 2023. The CBAM will initially apply to imports of certain goods and selected inputs, whose production is carbon intensive and at high risk of carbon leakage, such as cement, iron and steel, aluminium, fertilisers, electricity, and hydrogen. The gradual phasing-in of the CBAM over the period 2026-2034 will take place in parallel with the phase-out of the allocation of free allowances under the EU ETS. In addition, the EU announced that it will launch a new ETS (ETS 2) by 2028, which will cover emissions from fuels in road transport, buildings, and certain industrial sectors not covered by the existing system. Alongside these mechanisms, a new Social Climate Fund will be introduced to redirect a portion of the revenues they raise to vulnerable households via income support and through measures to lower the cost of transportation and housing.

Tax incentives continued to be a popular policy tool to support the transition towards lower carbon consumption and production options in 2022. Some jurisdictions began to adapt these green incentives to target other economic and social considerations, including reducing foregone revenues, supporting domestic production, and addressing equity concerns. Beyond the green incentives commonplace in the PIT and CIT regimes (see Section 3.1 and 3.2), tax incentives favouring low-emitting vehicles remain commonplace in HICs and are becoming increasingly widespread in LICs and lower middle-income countries (LMICs). Nevertheless, some HICs announced plans to remove or limit long-running tax incentives that encourage the ownership of electrical and hybrid vehicles.

The scope of taxes on plastic was broadened in 2022. However, few changes were made to other environmental tax bases, which also have the potential to raise revenue and reduce environmental damage. New taxes on single-use plastic and plastic packaging were introduced in several jurisdictions. Other environmentally related tax bases, such as pollution and waste, were not subject to many tax policy measures in 2022 as observed in previous editions of the Tax Policy Reforms publication.

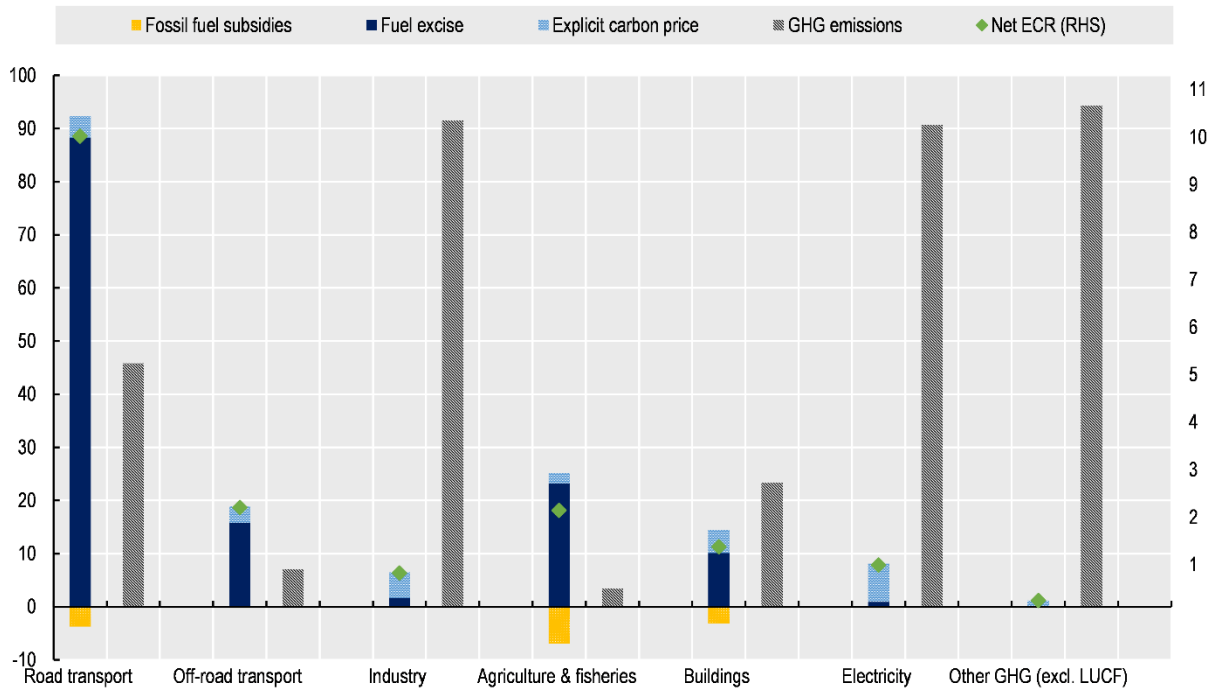
3.4.1. Environmentally related taxes and climate action

OECD research indicated an expansion in the base of carbon mitigation taxes in 2021, the latest year for which data are available. The percentage of greenhouse gas emissions that were priced rose from 32% in 2018 to over 40% in 2021 as new carbon pricing mechanisms were introduced in Canada, China, Germany, and South Africa. The OECD calculated net effective carbon rates (net ECRs) for 71 countries that produced almost 80% of global emissions, measuring positive carbon prices from fuel excise duties, carbon taxes and prices of tradable emission permits, and negative carbon prices from fossil fuel subsidies (OECD, 2022[42]). The share of emissions with a positive price in 2022 is expected to be roughly

similar to 2021 given the absence of new major carbon pricing mechanisms and broadening of fuel excise tax bases in large emitters in 2022. ECR data for 2023 is foreseen for late 2024.

Average net ECRs continued to differ considerably between sectors in 2021. Net ECRs were highest in the road transport sector due to the predominance of fuel excise taxes. Lower net ECRs for CO_2 and other GHG emissions from industry and electricity were due to the comparably lower prices of emissions trading systems or carbon taxes; in many countries these emissions remain entirely unpriced. Figure 3.5 shows both the price (left axis) but also the emissions (or weight) associated with each sector (right axis). Despite the introduction of new emissions trading schemes (ETS), notable increases in permit prices in Canada (for example, the Federal OBPS and the cap-and-trade system in Quebec), China, the European Union, Switzerland, and the United States,[54] and higher carbon tax rates in eight countries, the widespread cuts to fuel excise taxes, fossil fuel subsidies from price caps and higher inflation are likely to reduce average net ECRs in real terms in 2022. The fall in real terms net ECRs in the road transport sector is expected to be stronger than for electricity and industry.

Figure 3.5. Average effective carbon prices and GHG emissions by sector, 2018-2021



Note: Net ECRs and its components (LHS) are averaged across all GHG emissions of the 71 countries covered in the report, including those emissions that are not covered by any carbon pricing instrument. Effective price information is for 2021, with the exception of fossil fuel subsidy estimates that are based on data for 2020. GHG emissions (RHS) are the sum of fossil-fuel related CO2 calculated based on energy use data for 2018 from IEA (2020[43]) and "other GHG" from Climate Watch (2020[44]).
Source: (OECD, 2022[42]).

StatLink https://stat.link/c1qh3f

3.4.2. Taxes on energy use

Policy makers across the world reduced energy taxes in 2022 as part of support packages to lessen the impact of increases in global energy prices on households and businesses. This was a marked change following several years of steady increases in taxes on energy use. While these measures were

largely temporary, it was common that their duration was extended on multiple occasions as prices remained high. A small group of largely high-income countries (HICs), most with existing carbon pricing mechanisms, continued to make reforms to explicit carbon prices as part of ongoing climate transition efforts. However, these jurisdictions remain highly geographically concentrated (OECD, 2022[42]).

The use of explicit carbon pricing mechanisms is growing as jurisdictions seek ways of quickening the transition to lower carbon economies

Three HICs introduced new carbon pricing mechanisms in 2022. Austria introduced a national ETS through a carbon levy covering the non-EU Emissions Trading System (EU ETS) sectors, which will start from a rate of EUR 30 per tonne of CO_2 in 2022 and increase at staggered intervals to reach EUR 55 by 2025. Denmark announced a new carbon tax with higher and more uniform rates on GHG emissions for all industries. Businesses not already covered by the EU ETS will be subject to an EUR 100 price per tonne of CO_2 by 2030. Andorra introduced a Green Tax on hydrocarbons at a nominal rate of EUR 30. Indonesia postponed the introduction of its carbon tax (see OECD (2022[23])), citing rising global energy commodity prices as the reason for the implementation delay.

The Council of the European Union approved the implementation of a Carbon Border Adjustment Mechanism, which will enter into force in its transitional phase as of 1 October 2023. The CBAM will initially apply to imports of certain goods and selected inputs, whose production is carbon intensive and at high risk of carbon leakage, such as cement, iron and steel, aluminium, fertilisers, electricity, and hydrogen. The gradual phasing-in of the CBAM between 2026 and 2034 will take place in parallel with the phase-out of the allocation of free allowances under the current EU ETS (European Commission, 2023[45]). The CBAM may prompt non-EU countries to introduce domestic carbon pricing instruments, which could reduce geographic disparity in carbon rates. As part of the EU's "Fit for 55" policy package, the EU approved the launch of a new ETS (ETS 2) from either 2027 or 2028, which will cover emissions from fuels in road transport, buildings and certain industrial sectors not already covered by the existing system. A new Social Climate Fund will also be introduced to redirect part of the revenues raised from these mechanisms to finance temporary direct income support for vulnerable households, and for support measures and investments that can reduce emissions in road transport and buildings sectors, and hence lower costs for vulnerable households, micro-enterprises and transport users (European Commission, 2023[46]).

Nine jurisdictions increased carbon tax rates in 2022 and announced scheduled rate rises for the future, as well as greater stringency of measures, to support national green transition and carbon neutrality plans. Most were HICs – Austria, Canada, Denmark, Ireland, Norway, Portugal, and Singapore – though South Africa and Ukraine (MICs) increased their carbon rates too. Canada raised its carbon price by 25% to CAD 50 (EUR 37) in 2022 and by 30% to CAD 65 (EUR 48) per tonne of CO_2 in 2023, Ireland by 22% to EUR 41, Norway by 21% to NOK 761 (EUR 88), South Africa by 7% to ZAR 144 in 2022 (EUR 10) and the Ukraine threefold to EAH 30 (EUR 0.75). Denmark's carbon priced was increased with the net price index, while Singapore announced a fourfold rise in its carbon tax to SGD 25 (EUR 17) from 2024.[55] Colombia also broadened its carbon tax base to include coal and announced it will gradually increase the tax rate applied to coal from 25% of the carbon tax rate in 2025 to the full rate by 2028.

Sweden and the UK cited affordability concerns as the reason for lowering the tax burden of their carbon pricing mechanisms. Sweden aligned the tax treatment of fuel inputs for heat and power plants covered by the EU ETS with fuels for electricity generation by removing the carbon tax it had applied. The United Kingdom froze its carbon price support rates for an eighth year to limit electricity price increases.

Energy taxes were lowered in 2022 as jurisdictions supported households and businesses with rising costs driven by elevated global energy prices

In sharp contrast with previous years, a large number of jurisdictions reduced energy taxes against the backdrop of elevated global energy prices. The extent to which governments reduced energy taxes

was determined by a number of factors including national exposure to global energy markets and their transmission to consumer prices, post-pandemic fiscal space, legal limits, and accompanying policy levers (such as transfers, subsidies, and price caps) along with political economy considerations. Most of these measures were reported in the previous edition of the Tax Policy Reforms publication and therefore not repeated below (see (OECD, 2022[23]). The vast majority were introduced on a temporary basis for an initial period of 3-6 months but were extended as high energy prices transmitted into higher inflation (OECD, forthcoming[47]).[56]

Temporary reductions in energy taxes were most common in high-income European countries that were particularly exposed to changes in global energy prices, though similar measures were introduced in Israel, Korea, New Zealand, South Africa, and Ukraine. Germany and Italy temporarily reduced tax rates on several fuels, lowering excise taxes by approximately 30% in most instances. Austria and Estonia temporarily reduced duties on natural gas (and diesel in Estonia) by approximately 80% and 20%, respectively. Israel temporarily removed their tax on coal and reduced diesel and gasoline tax rates by roughly 15%. Having lowered taxes on gasoline, diesel, and LPG by 20% for six months in late 2021, Korea extended the duration of these measures and lowered the rates further, to 30% until June 2022, and to 37% until August 2023 (a 25% cut in the tax on gasoline will apply in 2023). The Netherlands and South Africa suspended the indexation of fuel duties. New Zealand cut gasoline and road user charges by around 20%. Norway lowered the road usage tax on fuels and abolished its tax on mineral oil. Portugal also narrowed its energy tax base by extending the partial reimbursement applied to diesel used for professional purposes to gasoline. Sweden reduced gasoline and diesel taxes by about 15% and 20% respectively, while Bulgaria exempted LPG, natural gas, and electricity consumption from excise duties until mid-2025. In Ukraine, fuel excises were zero-rated for a large period of 2022 before restoring them at reduced rates in September.

A small number of jurisdictions also lowered taxes on electricity consumption to ease the impact of rising energy prices. Austria, Denmark, Estonia, and France temporarily reduced the excise tax rate applied to electricity consumption, Germany extended tax reimbursements for energy-intensive manufacturing industries until the end of 2023 and Denmark lowered electricity duty rates permanently. Denmark and the Netherland also announced plans for future reforms to reduce the taxation of electricity: The proposed gradual reductions in the electricity tax rate in Denmark aims to promote more investment in green technologies in the energy sector and more sustainable energy use, while one of the Netherlands objectives is to make the current rate structure less degressive.[57] Sweden abolished a tax reduction for data centres.

However, a small number of jurisdictions raised taxes on fossil fuels, primarily to promote environmental sustainability. Denmark increased carbon and fossil fuel energy tax rates (indexed to changes in the net price index – see footnote 55), while Portugal raised energy excise tax rates, which remain below their levels in the beginning of 2022. The United Kingdom announced that it would equalise the Climate Change Levy (CCL) applied to electricity and gas – incrementally raising the CCL rate on gas until 2025 and freezing the electricity CCL. Jersey increased the excise duty on fuels by about 8%.

Some of the jurisdictions that have undertaken reforms to increase carbon taxes, and energy tax rates for fuels, though to a lesser extent, have also provided relief through energy tax reductions. This indicates common concerns of balancing short-run energy affordability demands and longer-term environmental sustainability priorities. However, maintaining stability of carbon prices has been shown to limit the extent to which clean investment is foregone by risk-averse investors (Flues and van Dender, 2020[48]).

Table 3.12. Changes to taxes on energy use

	Rate increase/Base broadening		Rate decrease/Base narrowing	
	2021	2022 or later	2021	2022 or later
Fuels, sector specific:				
Agriculture	SWE	FRA[4], NLD		SWE[1]
Heating	DNK, FIN, SWE	DNK, FIN[2], NLD	FIN[1]	DEU, NLD, NOR
Transport	FIN[2], GBR		CZE, SVN[2]	NOR, NZL, PRT
Fuels, all sectors:	ALB, LVA[2], NLD	DNK[3], GBR, JER, PRT		AUT[1], BGR, DEU[1], EST[1], IRL[1], ISR[1], ITA[1], NLD[1], SWE, UKR[1], ZAF[1]
Carbon tax	AND, AUT, CAN, DNK, FIN, IDN, IRL, LUX, LVA, NLD, NOR, UKR, ZAF[3]	AND, AUT, CAN, COL, DNK, IRL, NOR, PRT, SGP, ZAF[3]		GBR, SWE
Electricity consumption	SWE	NLD, SWE	DNK, FIN, NLD	AUT, BGR, DEU, DNK, EST, FRA[1], NLD
VAT/GST				ITA, POL

Note: 1 denotes a temporary measure; 2 tax related to biofuels; 3 taxes indexed to inflation, 4 a postponed measure. Tax expenditures for non-road diesel fuel in France (*gazole non routier*) are accessible to companies operating in the agricultural and forestry sector, as well as to the industrial and construction sectors.
Source: OECD Annual Tax Policy Reform Questionnaire.

3.4.3. The adoption of new electric vehicle tax incentives has slowed in high-income countries but is becoming increasingly common in middle-income countries

Tax incentives encouraging low-emissions vehicle purchase or ownership remain common across HICs, though few jurisdictions introduced or increased the tax benefits of existing schemes in contrast with previous years. According to research by the OECD (2022[32]), in 2022, almost all OECD countries considered environmental impact (GHG emissions, air pollution, fuel efficiency) in the design of vehicle taxes, whether for vehicle purchase, ownership, or use. Approximately two-thirds of OECD countries applied tax rebates or exemptions for electric or hybrid vehicles (EVs and HEVs, respectively).

Continuing an emerging trend observed over the past three years, several HICs limited EV tax incentives or improved their targeting to address equity and efficiency concerns. Sweden abolished the climate bonus for purchased vehicles, whereby buyers of low-emissions vehicles received a transfer of up to SEK 70 000 (EUR 6 140) and high emitting vehicles were burdened with additional vehicle tax during the first three years of ownership. To raise revenues, Iceland set a 5% minimum excise tax rates on new vehicles, including electric ones, as well as doubled the ownership vehicle tax. The United Kingdom announced that electric cars will be subject to vehicle excise duty from 2025. The United States' Inflation Reduction Act (see Box 3.1) included several tax incentives encouraging the purchase of electric vehicles, including an extension of the USD 7 500 personal income tax (PIT) credit for qualifying new vehicles (with an upper income eligibility limit), a new PIT credit for previously owned clean vehicles, and a new credit for qualified commercial clean vehicles. Eligibility requirements include, amongst others, the country of production. The consideration of additional policy dimensions when revising EV tax incentives, such as trade, tax revenue erosion, and equity considerations, appears to be a nascent trend in a growing number of jurisdictions, given the bias tax incentive design can exhibit.[58]

A number of MICs and newly HICs implemented or strengthened tax incentives for electric vehicles, largely through import tariffs and excise duties. China extended its electric vehicle purchase tax exemption until the end of 2023, while South Africa announced an increase in the tax rate it applies to vehicle emissions. Mauritius removed and Thailand reduced import and excise duties on HEVs and EVs, Rwanda exempted EVs from these taxes as well as from VAT. Mauritius and Thailand also introduced

negative excise duty schemes as a subsidy for the purchase of EVs. Having exempted EVs from import tariffs in 2021, Tunisia reduced custom duties and VAT on EV charging equipment in 2022.

A small number of jurisdictions announced further increases to taxes on road use. Denmark announced that it would introduce CO_2-differentiated kilometre-based road pricing for trucks from 2025. The Netherlands also announced plans to introduce a new motor vehicle tax for both electric and fossil-fuel vehicles by 2030 based on distance travelled, regardless of time or place, and would replace all existing tolls.

Some high-income countries temporary lowered the tax rates on vehicles as a response to affordability concerns generated by elevated global energy prices. Alongside transport fuel excise duties reduction, the Czech Republic abolished the road tax on passenger cars, buses, and trucks weighing up to 12 tonnes, while it reduced rates to the minimum level permitted by the EU for vehicles weighing more than 12 tonnes. Japan did not carry out the planned increase in its environmental performance levy on vehicles for 2023.

Aviation taxation underwent relatively little change in 2022. The United Kingdom changed its air passenger duty schedule, introducing new reduced rates for domestic travel and increasing them for ultra-long haul distance flights. The Netherlands almost quadrupled its flight tax charge per passenger from 2022 to 2023, from EUR 7.95 to EUR 28.58.

Table 3.13. Changes to taxes on motor vehicles and other transport taxes

	Rate decrease/Base narrowing		Rate increase/Base broadening	
	2021	2022 or later	2021	2022 or later
Road transport				
Excise, import tariff and VAT / GST	JPN[t], TUR	MUS[EV], THA[EV], UKR[t], RWA[EV]	CAN, ICE, SYC[t], TUR	ISL
Registration tax		JPN[t]	DEU, IRL[EV] NOR[EV]	JER, ZAF
Vehicle tax	PRT, SVN	CZE[t]	NLD, SWE	ISL, GBR[EV]
Road use tax		NLD	NLD, SWE	DNK
PIT and CIT incentives and subsidies for EV		SWE	BEL, NLD, SWE	USA[EV]
Air transport				
Air ticket taxes	DEU[a]	DEU[a], GBR	NLD, PRT	BEL, NLD

Note: [a] denotes a pre-planned annual change, [t] a temporary measure, [EV] a measure in favour of electric vehicles. For PIT and CIT incentives and subsidies for EV, a rate increase or base broadening means that the incentives or subsidies in favour of EV is increasing.
Source: OECD Annual Tax Policy Reform Questionnaire.

3.4.4. Other environmentally related tax bases

Taxes on plastic packaging and plastics bags were adopted in a number of jurisdictions in 2022, adding to their gradual adoption worldwide. According to the OECD Plastics Policy Inventory, 45 of the 50 countries covered have a ban or tax on single-use shopping bags in place and 31 have bans or taxes on other single use items (OECD, 2022[49]).[59] Colombia and Spain introduced taxes on non-reusable plastic packaging, at rates of COP 2 121 (EUR 0.42) and EUR 0.45 per kilogram, respectively. Independent of the EU's plastic levy, Belgium began discussions over plans to broaden its packaging levy base and to adopt a more restrictive definition of what is deemed recyclable. New plastic taxes were also introduced by the Maldives at approximately MVR 2 (EUR 0.12) per plastic bag and in the Philippines of PHP 100 (EUR 1.70) per kilogram of single-use plastic produced or imported, while South Africa indexed the tax rate it applies to plastic bags to inflation. Nevertheless, Italy suspended the implementation of its planned

sugar and plastic tax for a further year and Israel announced that it would abolish its tax on disposable plastic utensils tax from the beginning of 2023 (this tax was introduced at the end of 2021).

As observed in previous editions of the Tax Policy Reforms publication, few jurisdictions made changes to other environmentally related tax bases. Spain introduced a waste tax from 2023 with a rate varying between EUR 0 and 40 per metric tons according to the type of treatment facility, South Africa and Tunisia increased tax rates on high consumption lightbulbs, and Denmark announced plans to restructure its pesticide tax. Taxes on other environmentally related taxes have been shown to have notable revenue potential and incentivise behavioural changes (OECD, 2022[50]). For instance, the pay-as-you-throw system in Belgium, combined with other measures such as awareness campaigns, has led to a one of the highest sorting rates in Europe (OECD, 2021[51]).

Table 3.14. Changes to other environmentally related taxes

	Rate decrease/Base narrowing		Rate increase/Base broadening	
	2021	2022 or later	2021	2022 or later
Pollution			LTU	DNK
Plastic	ITA[p]	ISR, ITA	GBR, GRC, ISR	COL, ESP, MDV, ZAF
Waste			SWE[i]	ESP
Other (lightbulb)				TUN, ZAF

Note: [i] denotes taxes indexed to GDP, [p] measures postponed.

Box 3.4. The Inclusive Framework on Carbon Mitigation Approaches will seek to help improve knowledge on carbon mitigation policy instruments

Governments need to strengthen their efforts to reach the climate goals of the Paris agreement. While the momentum of recent years to mitigate climate change has been encouraging, current policies remain insufficient to reach the climate goals of the Paris Agreement.

High quality data and analysis on the diversity of existing instruments is currently missing. Inclusive and constructive multilateral dialogue, informed by high quality data and analysis, could facilitate more ambitious and effective climate change mitigation action globally. However, to date, there is no global, comprehensive, and systematic international analysis of mitigation policies in terms of their effect on emissions, costs, and equity concerns.

The OECD launched the *Inclusive Forum on Carbon Mitigation Approaches (IFCMA)* to help address this concern. Through the IFCMA's peer exchange and mutual learning mechanisms, policy makers can identify and adopt mitigation policies that best suit their jurisdictions' objectives and circumstances. The IFCMA can also be a tool to support greater multilateral dialogue, informed and facilitated by technical and objective analysis, to help maximise the effect of combined carbon mitigation efforts.

The IFCMA will undertake a stocktake, will map policies to emissions and analyse of the effect of a broad range of policy instruments on emissions

The IFCMA will consider a broad range of policies instruments, reflecting the diversity of jurisdictions' approaches to mitigate carbon. The forum will consider market-based instruments, such as taxes, subsidies, and tradable schemes, as well as non-market-based instruments will be considered such as regulation and standards.

The first task for the IFCMA will include a stock taking exercise of the policies that jurisdictions are currently using to reduce greenhouse gas emissions. A database will be developed that describes the policy instruments and identifies the share of emissions they cover. The first edition of the database should be released in 2025 with a focus on the industry, power, and transport sectors. This exercise will improve comparability of policies and complement the work undertaken by the UNFCCC.

The second task will be to estimate the effect of policies on emissions reduction. This task encompasses reviewing methods for estimating emissions reduction effects and applying a common approach across jurisdictions. With an established common approach, the effect of individual policies (and policy packages) in reducing emissions can be assessed. Methodologies for measuring carbon intensity of goods and sectors will also be explored.

3.5. Taxes on property

An increasing number of jurisdictions have turned to property tax reforms in response to rising pressures on governments to raise revenue, address housing affordability issues and combat inequality. There have been more changes reported in the area of property taxation relative to previous years, with more reforms involving tax increases to raise additional revenues. Many governments that aimed to increase property tax revenue tried to do so in a progressive manner, by, for instance, raising top property tax rates and surtaxes or by targeting tax increases at individuals or entities who use properties predominantly as an investment vehicle. Some governments introduced property tax reductions, often on a temporary basis, with the aim of raising economic activity and supporting households and businesses with elevated inflation levels.

There has been a notable increase in reforms raising net wealth taxes (both permanent and temporary) and taxes on recurrent immovable property. Changes in recurrent taxes on immovable property were predominantly targeted at promoting the efficient functioning of the housing market and raising more tax revenue from a less mobile tax base, which also promotes the efficiency of the overall tax system (OECD, 2022[52]). Three jurisdictions announced the introduction of taxes on net wealth for the 2023 tax year, which aimed at financing rising tax revenue needs by increasing the tax burden on higher net-wealth taxpayers. Increases in taxes on property transactions were mainly driven by the introduction of new taxes on crypto assets as well as share repurchases, which sought to raise revenues, equal tax treatment of assets and address inequalities. Property tax relief measures were mostly introduced through transaction tax exemptions, often applied on a temporary basis, which aimed at supporting housing affordability while reductions in recurrent immovable property taxes were mainly targeted at boosting economic activity, particularly by supporting businesses.

The number of property tax reforms in 2022 was more than twice that recorded in 2021. The increase in the introduction of new property taxes, including taxes on net wealth (Chile, Colombia, and Spain[60]), vacant property (Ireland), crypto transactions and gains (Indonesia, Portugal) and share buybacks (United States, announced for 2024 in Canada). Reforms raising taxes on net wealth have become more common in the previous five years. An increasing number of jurisdictions have also raised recurrent taxes on immovable property over the same period, leveraging the revenue raising potential of a comparably efficient tax base. Reforms to estate duties, inheritance, and gift taxes have been less common in recent years, having previously been more regularly enacted to lower the property tax burden.

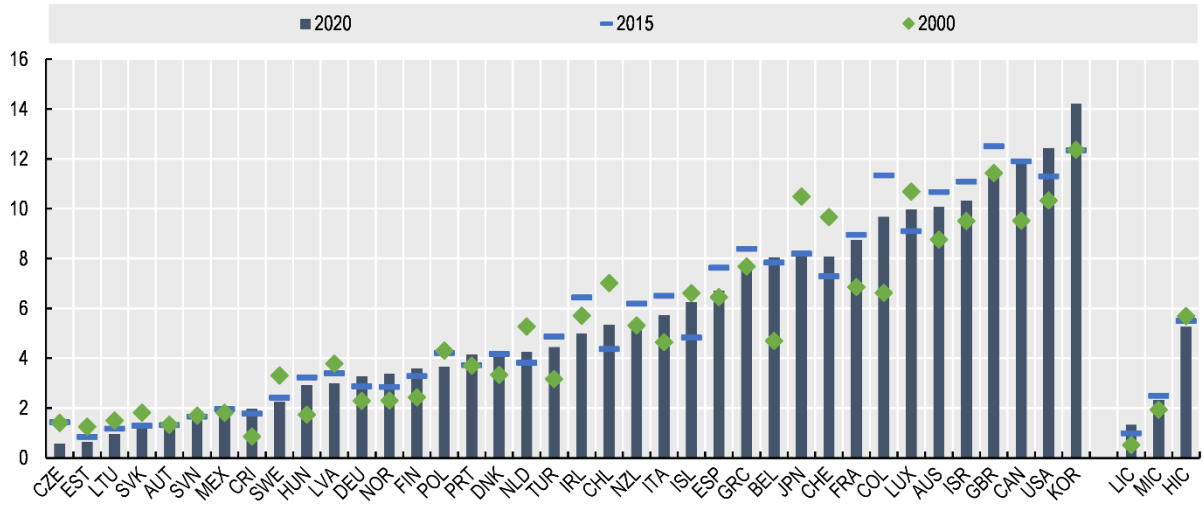
3.5.1. Property taxes account for a limited proportion of total tax revenues

Property tax revenues are limited in most jurisdictions. In 2020, property taxes accounted for less than 10% of total tax revenue in 31 out of 38 OECD countries. However, revenues collected from property taxes

varied widely across countries, ranging from 14.2% of total tax revenue in Korea to 0.6% of total tax revenue in the Czech Republic and Estonia. In low-, middle- and high-income countries (LICs, MICs, and HICs), they accounted on average for 1.3%, 2.3% and 5.3% of total tax revenues, respectively. In 23 out of 38 OECD countries, property tax revenues as a share of total taxation increased over the past two decades while they also grew in LICs and MICs, though by a smaller proportion, 0.8 p.p. and 0.3 p.p., respectively. Generally, the share of property taxes in total tax revenue is smaller in Eastern European countries and comparably larger in Anglo-Saxon countries.

Figure 3.6. Property tax revenues as a share of total tax revenue

Property tax revenues as a percentage of total tax revenues



Note: Property tax revenues refer to tax category 4000 under the OECD classification of taxes. Tax revenues are the sum of taxes collected by all levels of government. See Revenue Statistics Interpretative Guide for more detail. The low- (LIC), middle- (MIC), and high-income country (HIC) averages are representative of the 116 jurisdictions that provide tax revenue data to the OECD.
Source: Global Revenue Statistics Database.

StatLink https://stat.link/xj4e7y

3.5.2. An increasing number of jurisdictions have turned to property tax reforms to boost tax revenues

Several jurisdictions increased their recurrent taxes on immovable property, particularly on high-value properties, both to raise tax revenues and to promote the functioning of the housing market. Greece introduced a comprehensive recurrent property tax reform in 2022 to reinforce fairness in property taxation, including changes to the rate structure and updates to the tax base using market-based property values. Ireland introduced a Vacant Home Tax (payable at three times the local property tax rate) for dwellings that are occupied for less than 30 days in a 12-month period (with certain exemptions). Similarly, Portugal increased the scope of properties subject to a higher municipal property tax, including vacant degraded buildings, land for construction intended for residential purposes in high-demand areas, and properties which have been vacated for at least a year (reduced from 2 years in 2022).[61] Singapore increased rates within its progressive property tax schedule for owner-occupied residential properties with annual values (based on estimated gross annual rents) above SGD 30 000 (USD 21 760), from between 4% and 16% to between 6% and 32% (rates will be increased in two steps and fully effected in 2024) of annual value. For non-owner-occupied residential properties, progressive tax rates were increased from

between 10% and 20% to between 12% to 36% (rates will be increased in two steps and fully effected in 2024). In Chile, the top property surtax rate was raised from 0.275% to 0.425%, which applies to properties with market values above approximately USD 1.5 million. Several reforms increased property taxes in Canada, including a 5% tax applied to non-residents in Nova Scotia at the time of purchase/transfer of residential property and education property tax[62] rate increases in Saskatchewan and Alberta for the tax year 2022-2023. Denmark reduced the depreciation rate for buildings and structures from 4% to 3%, which prolongs the period over which costs are written off in line with the longer estimated lifetime of buildings.

The United Kingdom, Barbados, and a Canadian province introduced recurrent property tax relief measures, both on a permanent and temporary basis, to support businesses and households with property affordability issues. The United Kingdom introduced several temporary reforms in 2023, which lowered the business rate on commercial properties, including a 75% relief for the retail, hospitality, and leisure sector (capped at GBP 110 000 (USD 135 590)), a freeze of the business rate multipliers[63] and a three-year transitional relief limiting the tax liability increases when commercial properties are revalued. The Canadian province of New Brunswick announced that it would accelerate the implementation of provincial property tax rate reductions to promote housing affordability, while Barbados announced a 70% increase in its land tax exemption threshold on residential properties to BBD 300 000 (USD 150 000) with effect in April 2023.

The Netherlands, Jersey, and the Canadian province of Ontario increased taxes on property transactions to raise tax revenues and limit speculative activity in property markets. The Netherlands increased the property transfer tax on investors in residential and commercial property from 8% to 10.4% with effect in 2023, whilst keeping non-commercial property transfer taxes at its previous rate. These measures aim to raise additional tax revenue and discourage speculative property transactions. In Canada, the province of Ontario increased the non-resident speculation tax by raising rates from 15% to 20%, expanding the application of the tax to the entire province and eliminating rebates for foreign nationals working in Ontario and international students. Jersey increased the stamp tax duty on properties other than the main residence by 3 p.p., which applies on top of the progressive stamp duty tax schedule.

Jurisdictions continued to introduce reforms to crypto asset taxation, to limit discrepancies in the tax treatment of property assets and broaden the tax base.[64] For example, Portugal announced that it will include crypto assets in the immovable property transfer tax base from 2023, while also levying a 4% transfer tax on commissions charged by intermediation platforms involved in crypto transactions.

A small number of jurisdictions implemented measures to lower the tax burden on real estate and business transfers to promote transactions and economic activity. The United Kingdom temporarily increased the nil-rate threshold of the Stamp Duty Land Tax and the First Time Buyers' Relief, as well as the maximum purchase value of the First Time Buyers' Relief by GBR 125 000 (USD 154 070) between September 2022 and March 2025, as policy makers sought ways of supporting property transactions and homeownership. Greece introduced, among other tax incentives, an exemption from real estate transfer tax on mergers of real estate companies subject to certain conditions, in order to incentivise business merger activities among small and medium sized companies. Saudi Arabia introduced several exemptions to its real estate transaction tax, mainly affecting transfers to real estate developers or transfers between companies with the same majority shareholder, while Korea lowered its comprehensive real estate holding tax as well as its securities transaction tax.

Table 3.15. Changes to property taxes

	Rate increase/ Base broadening		Rate decrease/ Base narrowing	
	2021	2022 or later	2021	2022 or later
Recurrent taxes on immovable property	IRL, CAN	CAN, CHL, DNK, GRC, IRL[2], PRT, SGP		BRB, CAN, GBR[1]
Transaction taxes on movable and immovable property	ARG, DEU, GBR[1,2], IRL, ISR[1,2]	IDN, CAN[3], CHL, JEY, NLD, PRT, TUN, USA	MLT	GBR, GRC, PRT, SAU
Recurrent taxes on (net) wealth	NOR	ARG[4], COL[2], CHL[1], ESP[1,2], NOR		ARG[4]
Estate duties, inheritance, and gift taxes	GBR	NLD, CHL	AGO	GRC

Note: 1. Denotes a temporary tax measure, 2. Denotes a new tax, 3. Denotes reform announcement, 4. Denotes reforms introduced in 2022, but covered is last year's TPR edition.
Source: OECD Annual Tax Policy Reform Questionnaire.

There was an increased interest in taxes on stock repurchases in 2022. In some countries, stock repurchases present a tax favoured option for corporations to distribute earnings to their shareholders. To align the tax treatment of different channels of profit distribution at the shareholder level, the United States have imposed an excise tax on stock repurchases with a number of jurisdictions publicly announcing their intentions to implement similar measures. Taking effect in 2022, the United States introduced a 1% excise tax on stock buybacks of publicly traded companies. Similarly, the Canadian federal government proposed the introduction of a 2% tax on share repurchases by publicly traded companies to take effect in January 2024.

Jurisdictions introduced both base broadening and base narrowing measures to their inheritance and gift tax bases. Chile and the Netherlands introduced base broadening measures aimed at raising tax revenue and promoting fairness. Chile included amounts received from life insurance contracts closed after February 2022 in its inheritance tax base, while the Netherlands reduced the cap on the gift tax exemption almost fourfold to EUR 28 947 (USD 30 480), which applies if transfers are used to buy a home. The latter reform will come into effect in 2023 before the exemption is fully abolished in 2024. Greece extended gift tax exemptions for various types of beneficiaries, including, for instance, the transfers of movable property that is located abroad at the time of the gift and is made by Greek nationals that have been living abroad for at least ten consecutive years.[65] Greece also extended an inheritance tax exemption for monetary bank deposits and joint accounts of other financial products in Greece or abroad for the surviving co-account holder, subject to certain conditions. Angola decreased inheritance and gift tax rates from 10% to 0.5% among family members and from 15% to 1% among non-family members in 2022, while Poland adjusted the tax-free amounts and tax scale bands in the inheritance and gift tax schedule in line with the increase in the non-food durable goods price index.

To raise tax revenues Colombia and Chile (permanent), and Spain (temporary), introduced taxes on net wealth, while Norway raised its top rate on net wealth and broadened its wealth tax base. Colombia will re-introduce a net wealth tax in 2023 on a permanent basis with marginal rates of 0.5% and 1%, applicable to net worth above approximately USD 642 000, having had a temporary net wealth tax in place during 2020 and 2021. The value of the primary residence (capped at approximately USD 107 000)[66] is deducted when calculating the net wealth tax base. The reform aimed at increasing the progressivity of the tax system, particularly by levying a higher tax burden on the capital returns of high-net-worth individuals. Chile introduced an annual 2% net wealth tax on a permanent basis from 2022 on certain luxury goods, such as yachts, automobiles, and helicopters, located in national territory, aimed at raising tax revenue and progressivity. Norway continued to increase the progressivity of its wealth tax schedule in 2023 by raising its higher rate for net wealth between NOK 1.7 million (USD 176 822) and NOK 20 million (USD 2.1 million) from 0.95% to 1% (0.85% in 2021). Norway also broadened the net wealth tax base, by

decreasing the discount factor on shares and commercial property, high-value primary residences and secondary residences, while also decreasing the valuation of operating assets. To finance government support measures related to the energy crisis and persistently high inflation, Spain introduced a national temporary solidarity on high net-worth individuals for the tax years 2022 and 2023, following a three-band progressive tax schedule with rates between 1.7% and 3.5% applying to net worth above EUR 3 million (USD 3.2 million). Policymakers have attempted to design the temporary solidarity tax so that it complements the net wealth tax levied on a regional level – taxpayers can credit their regional wealth tax contributions against the national solidarity tax liability.

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Notes

[1] See (OECD, 2023[1]) for a detailed explanation of indexation policies in OECD countries.

[2] The top PIT rate is paid in addition to the 22% general income tax rate.

[3] A minimum income tax will be levied if the base income tax amount is less than the minimum income tax, calculated as income less than JPY 330 million (USD 2.6 million) multiplied by an income tax rate of 22.5%.

[4] The middle-income tax relief was introduced in 2022 to compensate certain taxpayers for losses due to increases in health insurance contributions. Under specific circumstances, the middle-class tax relief is less beneficial than the application of the reduced 12% rate and was therefore abolished.

[5] Prior to 2023, the general tax credit in the Netherlands was previously determined on the basis of income from box 1 (broadly earned income). From 2023 onwards, the general tax credit will be based on box 1 income and box 2 and 3 (broadly capital income).

[6] Slovenia increased their basic PIT allowance from EUR 4 500 in 2022 to EUR 5 000 for 2023, having been EUR 3 500 in 2021.

[7] Changes in the basic allowance also apply to income from self-employment and unincorporated businesses.

[8] The Universal Social Charge is a progressive five-bracket surtax paid on gross income and employee pension contributions.

[9] The tax credit is fixed at EUR 84 per month for taxpayers earning between EUR 78 and EUR 3 667 per month. For those with monthly incomes between EUR 3 667 and EUR 5 667, the amount declines progressively from EUR 84 per month to EUR 76 per month. Between EUR 5 667 and EUR 8 334, the amount declines progressively to EUR 0.

[10] The tax credit is EUR 726 for commuting employees with current income up to EUR 12 835. The tax credit is faded out to EUR 421 uniformly for current income between EUR 12 835 and EUR 13 676. Tax payers with an income below EUR 16 832 are eligible for a supplement to the traffic tax credit of EUR 684.

[11] For single parents with earnings above EUR 60 000 the tax credit declines progressively to EUR 750.

[12] The Home Carer Tax Credit is granted to a married individual or individual in a civil partnership, who cares for one or more dependent persons (defined as persons aged over 65, a person with permanent mental or physical disabilities and children receiving child benefit payments).

[13] The substitute tax is 5% for the first five years for new entrepreneurs and self-employed individuals. The incremental flat tax regime applies a 15% flat tax on any additional earnings relative to the highest income declared in the tax years 2020, 2021 and 2022.

[14] The annual deduction for self-employed individuals, new professionals and entrepreneurs is defined as a multiple of the basic allowance and was increased from 1 to 2.5 times for entrepreneurs and self-employed individuals and from 1.5 to 3 times for new professionals. New professionals are defined as individuals with less than 3 years of work experience authorised under the applicable regulation.

[15] Eligibility was extended from individuals moving to Spain with a Spanish employment contract to individuals working for start-up companies or other research-related economic activities as well as to their core family members. The reform also alleviated the eligibility criteria in that it requires the inpatriate to not have been resident in Spain during the preceding 5 years instead of 10 years (before 2023).

[16] The ETI is a subsidy paid to employers for hiring young workers in the form of a reduction in the employee's withholding tax, which is received by the employer (https://www.sars.gov.za/types-of-tax/pay-as-you-earn/employment-tax-incentive-eti/).

[17] Above the income threshold, taxpayers receive the base personal deduction.

[18] Employees with a gross wage between EUR 1 800 and EUR 3 000 per month (EUR 1500 and EUR 2500 in 2022) receive a maximum tax credit of EUR 70 per month while the tax credit is phased out to zero for gross incomes between EUR 3 000 and EUR 3 600 per month (EUR 2 500 and 3000 in 2022).

[19] The tax credit applies if the taxpayer is renting the principal private residence, for a property used to facilitate their attendance at work or on an approved course, or on behalf of their child who is a student in an approved course.

[20] The private use of company cars is an in-kind benefit included in the employment income tax base. For low emission vehicles, acquisition costs have been reduced from 1% to 0.5% or a minimum of CZK 1 000 (USD 43) per calendar month in which the car is used.

[21] The income-related combination tax credit is aimed at incentivising labour force participation of the lower income earning parent caring for children under the age of 12 (Government of the Netherlands, 2023[58]). The reform does not affect parents with children born before 2005.

[22] The fiscal retirement reserve allowed owners of unincorporated businesses to defer taxes on parts of their company profit in a designated bank account.

[23] In Norway, the ordinary dividend yield is taxed at the company level, while gains above the ordinary yield are taxed at the shareholder level at a flat rate of 22% multiplied by the adjustment factor. The reform raised the adjustment factor from 1.6 to 1.72, increasing the effective dividend tax rate from 49.5.% to 51.5% (corporate tax included).

[24] Properties are deemed to be "flipped" if they are sold within 365 days of their initial ownership for a reason other than a life event such as divorce or death.

[25] The tax benefits previously applied to all immovable property acquired before 2010. The more limited tax exemptions will be applied to all properties, independent of the acquisition date.

[26] The Family Burden Equalisation Fund compensates families for the maintenance costs incurred by providing for and looking after children.

[27] The two-pillar solution to address the tax challenges arising from digitalisation and globalisation of the economy was agreed in October 2021 by 137 countries and jurisdictions under the OECD/G20 Inclusive Framework on BEPS.

[28] See the *Tax Policy Reforms 2022* for a more detailed description of this reform (OECD, 2022[23]).

[29] Reduced CIT rates for small and medium-sized enterprises (SMEs) are common across jurisdictions. Several countries provide reduced CIT rates for SMEs, although their design can vary significantly: some apply lower rates on the first tranches of profits, regardless of total income levels; some have reduced CIT rates for corporations with income below a certain level; and others determine eligibility based on non-income-income criteria (e.g., turnover or assets) instead of, or in addition to, income criteria. See OECD (2022), OECD Tax Database, Table I.2. "Sub-central personal income tax rates-non-progressive systems".

[30] Companies may avail of this reduced rate for up to four years.

[31] See OECD (2022[5]) and (OECD, n.d.[15]) for a more detailed discussion on effective tax rates.

[32] Extraordinary depreciation for first group (office machines and computers, tools) and second group assets (engines, motor vehicles, machines, audio-visual equipment, electric vehicle chargers), whereby assets in the first group can be depreciated over 12 months (instead of three years) and over 24 months (instead of five years).

[33] The allowance provides a 100% deduction on assets qualifying as plant and machinery, subject to an annual maximum of GBP 1 million (USD 1.2 million).

[34] These measures included a 20% credit for agricultural and fishing businesses purchasing fuel, a 30% credit for non-energy-intensive companies' electricity purchases, and a 45% credit for the purchase of gas.

[35] See Angola's "Tax Benefits Code", Law 8/22 of 14 April 2022 for more details on the incentives introduced.

[36] Since 2018, some CIT deductions were limited to a "basket" of EUR 1 million (USD 1.1 million), increased by 70% of the taxable income above EUR 1 million, meaning that 30% of the income above the EUR 1 million threshold constituted a minimum taxable base since no deductions could be offset against that amount.

[37] The credit remains available for taxpayers with annual average sales below USD 4.5 million in the previous three years.

[38] Autonomous taxation applies on certain expenses in addition to CIT. The normal rates for company car expenses vary from 10% to 35% depending on the acquisition cost. With the reform, hybrid car will be subject to rates from 2.5% to 15%, and only electric cars above EUR 65 000 (USD 68 450) will be subject to autonomous tax at a 10% rate.

[39] https://www.oecd.org/tax/beps/agreed-administrative-guidance-for-the-pillar-two-globe-rules.pdf.

[40] https://www.oecd.org/tax/beps/safe-harbours-and-penalty-relief-global-anti-base-erosion-rules-pillar-two.pdf.

[41] https://www.oecd.org/tax/beps/public-consultation-document-pillar-two-globe-information-return.pdf.

[42] https://www.oecd.org/tax/beps/public-consultation-document-pillar-two-tax-certainty-for-the-globe-rules.pdf.

[43] Taxes on goods and services are defined as all taxes levied on the production, extraction, sale, transfer, leasing or delivery of goods, and the rendering of services, or on the use of goods or permission to use goods or to perform activities. They consist mainly of value added and sales taxes.

[44] In this publication, VAT is used to refer to any national tax that embodies the basic features of a value added tax by whatever name or acronym it is known, e.g., Goods and Services Tax or GST.

[45] See relevant sections of this publication, as well as OECD (2022[23]).

[46] See Benzarti and Carloni (2019[29]), Cour des comptes (Cour des comptes, 2023[59]), Dialogic (2023[60]), De la Feria and Walpole (2020[55]) and Nguyen, Onnis and Rossi (2021[56]).

[47] Consumption Tax Trends (OECD, 2022[32]) provides a detailed overview of the main design features of value added taxes, retail sales taxes and excise duties (including for alcoholic beverages, tobacco, household fuel and vehicles), as well as the evolution of the key features of VAT regimes in OECD countries, and developments in countries' strategies to counter VAT fraud and to enhance VAT compliance, including through digital reporting requirements, and administrative co-operation on VAT. Given that this publication provides detailed descriptions of trends in consumption tax *administration* in the OECD and the administrative measures that countries have implemented to improve its functioning, this section of the report will focus exclusively on tax *policy* reforms to taxes on goods and services.

[48] See OECD (2022[23]).

[49] Readers are encouraged to access the 2022 Consumption Tax Trends publication for more detailed information on how the growth of the digital economy has impacted VAT design and administration, how the OECD is supporting jurisdictions to meet these challenges and the measures that countries are putting in place to adapt their VAT systems to the pressures and opportunities of the digital economy.

[50] See http://dx.doi.org/10.1787/9789264271401-en and https://www.oecd.org/tax/consumption/vat-digital-toolkit-for-africa.htm.

[51] Israel is yet to implement an equivalent mechanism.

[52] This sub-Section covers non-energy excise duties. For environmentally related excise duties, see Section 3.4).

[53] Explicit carbon prices are measures designed specifically to target GHG emissions or the carbon content of fuel. See OECD (2022[42]).

[54] Permit prices vary significantly across countries and by type of emission trading scheme (OECD, 2022[42]).

[55] Singapore announced that its carbon rax rate would rise to SGD 45 in 2026, with a view to reaching SGD 50-80 by 2030. South Africa announced that it intends to increase the carbon tax rate in line with inflation from 2023. Denmark's Net Price Index is used as a measurement of price trends, excluding indirect taxes duties and price subsidies, of goods and services bought by private households in Denmark. The index is used by private- and public-sector organisations for the indexation of contracts, pensions, wages and salaries, rents.

[56] Thirty-seven out of forty-one measures.

[57] Electricity consumption taxes typically do not distinguish between the sources used to generate electricity. As a result, in many countries they tend to make electricity more expensive even when it is produced from clean energy sources (OECD, 2022[42]). In other words, they incentivise energy savings and reducing electricity use in general, but typically do not directly encourage the shift of the power sector to low-carbon energy sources. The environmental case for electricity taxes may therefore be less clear (OECD, 2019[57]).

[58] A growing body of research indicates that EV tax incentives can be economically inefficient and inequitable. See Lindsey, Tikoudis and Hassett (2023[53]) and Pyddoke et al. (2021[54]).

[59] This publication indicates that taxes on single-use plastic bags are a highly visible policy measure but are restricted to a relatively small base. To limit plastic use further, the publication recommends that plastic bag taxes are complemented by wider policies such as landfill taxes, incineration taxes, pay-as-you-throw and Extended Producer Responsibility (EPR) for packaging.

[60] Spain introduced a temporary solidarity on high net-worth individuals for the 2022 and 2023 tax years.

[61] The higher rate for vacant buildings does not apply in cases of natural disasters or calamities.

[62] Education property taxes are recurrent taxes on immovable property levied at the provincial level, which provide funding for the educational system.

[63] The business rate multiplier is a factor applied to the estimated commercial property value to determining the final tax liability.

[64] In 2022, Indonesia introduced a capital gains tax and applied VAT to crypto asset transactions. Crypto transactions are taxed under a presumptive tax regime and are subject to an effective VAT rate of 0.11% (or 0.22%). An income tax rate of 0.1% (or 0.2%) is applied to the value of crypto transactions. The higher rates indicated in brackets are levied on unregistered sellers or online marketplaces.

[65] The law provides a gift tax exemption on the transfer of movable property, which is located abroad at the time of the gift and is donated by Greek nationals who, at the time of the gift, have resided abroad for at least ten consecutive years and, in the event of their relocation to Greece, no more than five years have elapsed therefrom, unless the tax authority proves that the movable property was acquired in Greece during the last 12 years. Exempt from the gift tax is also the transfer of movable property, which is abroad at the time of the gift, is from Greek nationals who at the time of the gift have been tax residents abroad for more than 20 consecutive years and have not relocated to Greece at the time of the gift. This exemption does not apply to the movable property of civil servants, military personnel and employees of companies established in Greece, provided that they live abroad due to their professional capacity.

[66] A third tax band with a marginal tax rate for 1.5% will be added in 2027.

Tax Policy Reforms 2023

OECD AND SELECTED PARTNER ECONOMIES

This is the eighth edition of *Tax Policy Reforms: OECD and Selected Partner Economies*, an annual publication that provides comparative information on tax reforms across countries and tracks tax policy developments over time. The report covers the tax policy reforms introduced or announced in 2022 in 75 member jurisdictions of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting, including all OECD countries. The publication provides an overview of the macroeconomic environment and tax revenue context in which these tax reforms were made, highlighting how governments used tax policy to respond to elevated inflation levels, as well as to address long-run structural challenges.

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