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Directions in Overseas Tax Policy

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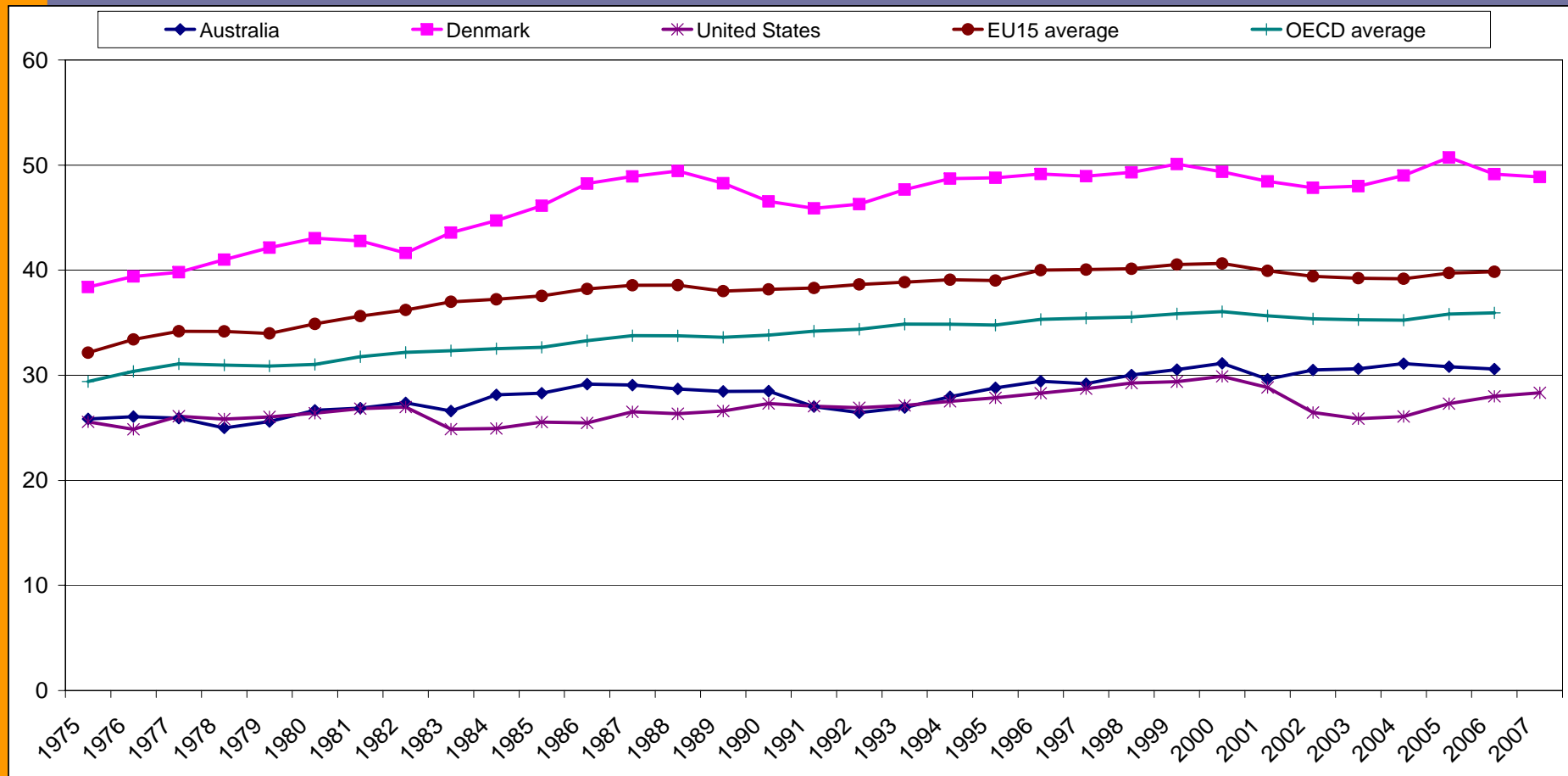
Australia's Future Tax and Transfer Policy Conference
The Melbourne Institute
Melbourne, 18th-19th June 2009

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Today's presentation

- Trends in Tax Revenues and Tax Mix
- Trends in Corporate Tax
- Taxation of Dividends
- Personal Income Tax Developments
- Consumption Taxes
- Property Taxes
- Summary

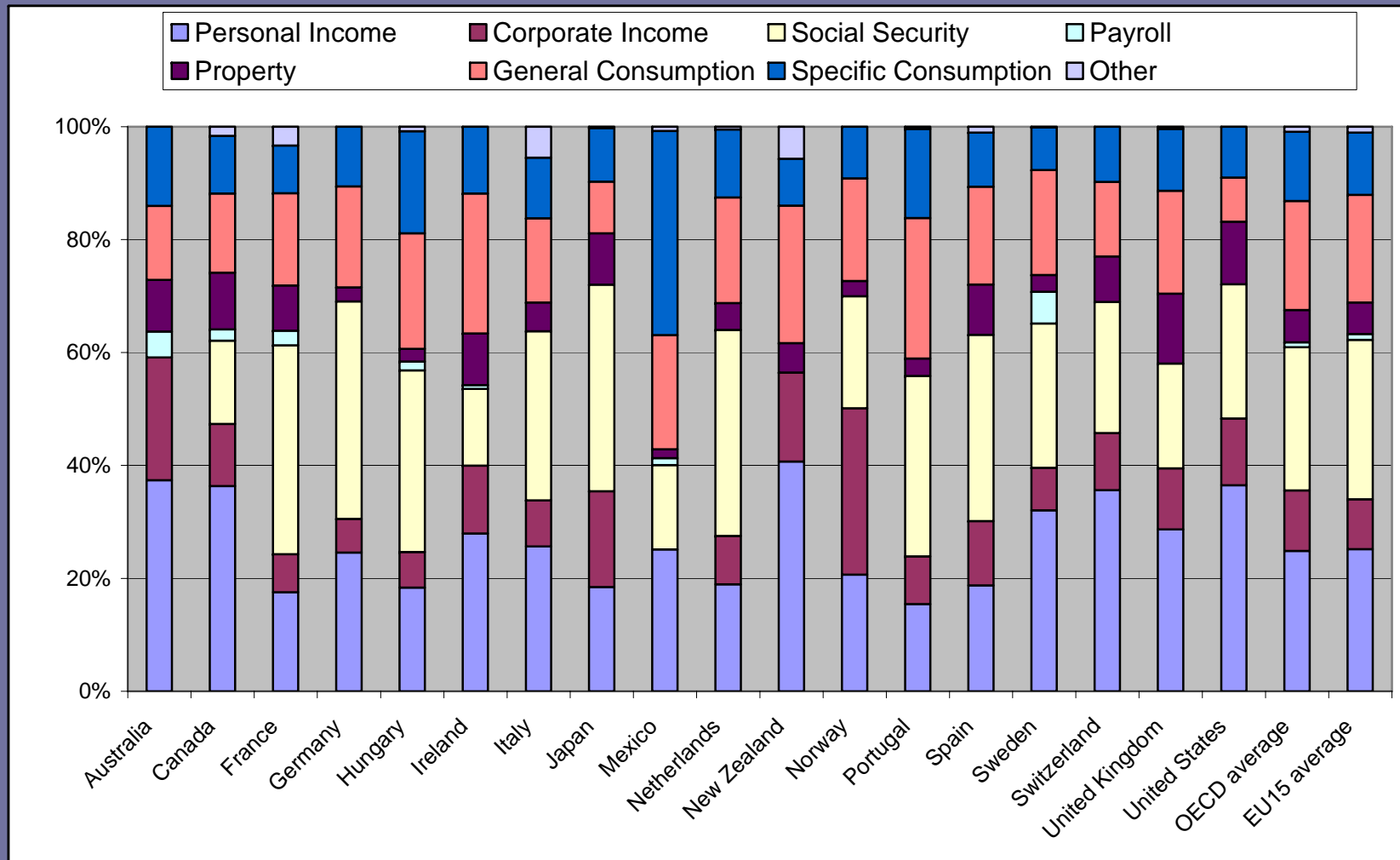
Tax-to-GDP Ratios



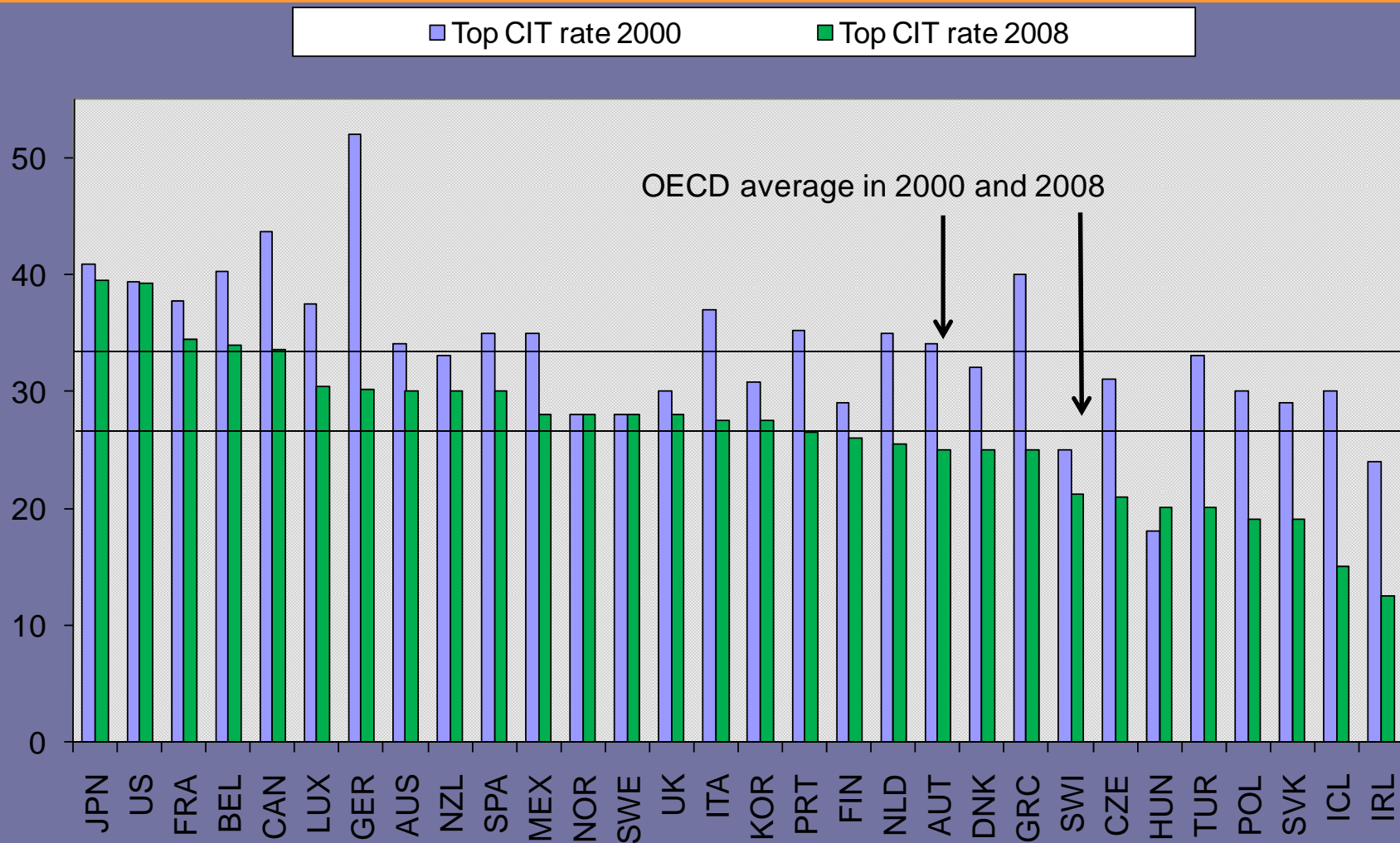
Trends in Revenue Shares – OECD Unweighted Average

	1965	1975	1985	1995	2006
Personal income tax	26	30	30	27	25
Corporate income tax	9	8	8	8	11
Social security contributions	18	23	22	25	25
<i>(employee)</i>	<i>(6)</i>	<i>(7)</i>	<i>(7)</i>	<i>(8)</i>	<i>(9)</i>
<i>(employer)</i>	<i>(10)</i>	<i>(14)</i>	<i>(13)</i>	<i>(14)</i>	<i>(15)</i>
Payroll taxes	1	1	1	1	1
Property taxes	8	6	5	5	6
General consumption taxes	14	15	16	18	19
Specific consumption taxes	24	18	16	13	11
Other taxes	1	0	1	3	3
Total	100	100	100	100	100

Revenue Shares in Selected Countries, 2006



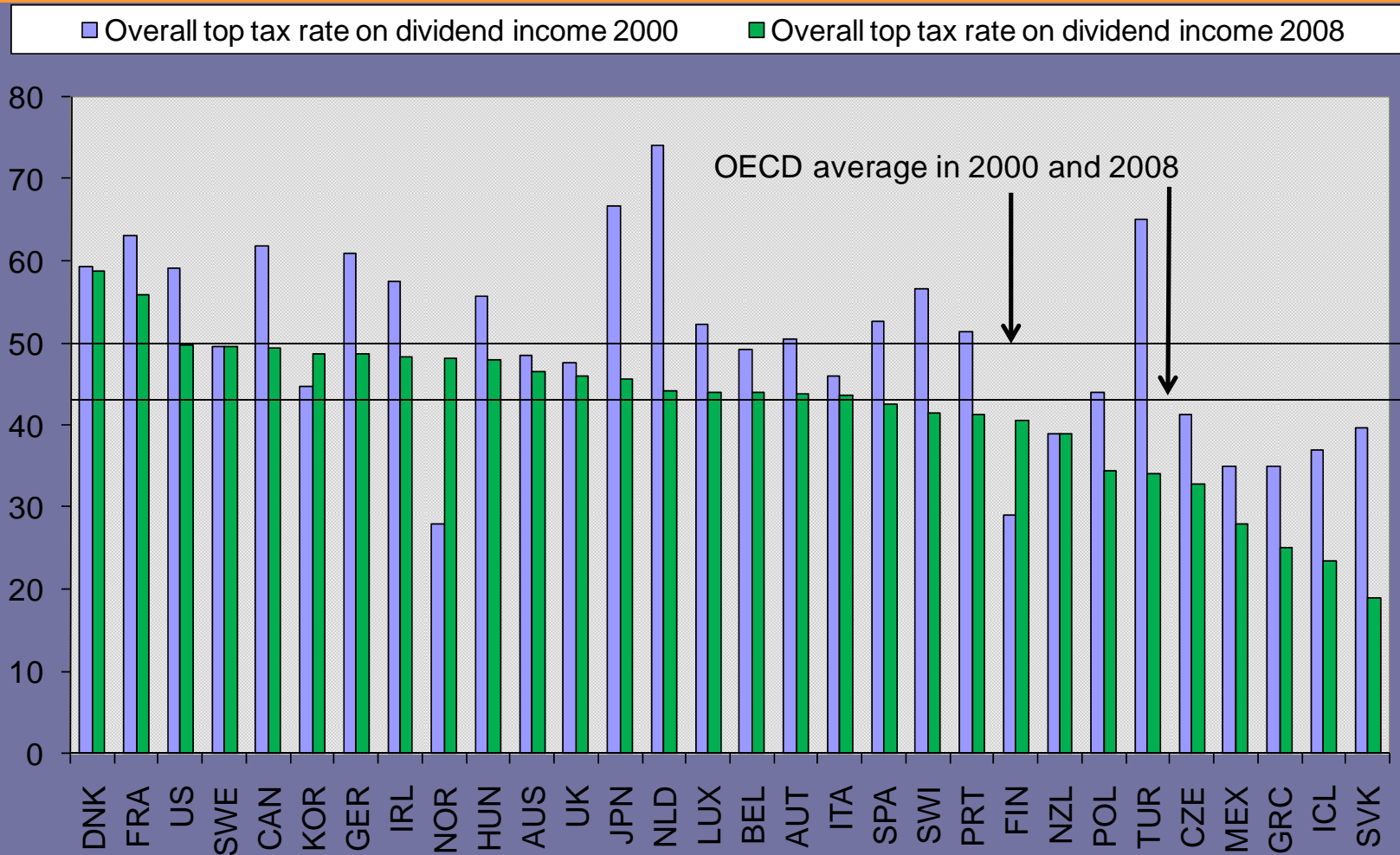
Statutory Corporate Tax Rates



Corporate Rates by Country Size

	Average statutory corporate income tax rate		
	2000	2004	2008
Large-sized OECD countries US-JPN-GER-UK-FRA-ITA	39.5	36.0	33.1
Medium-sized OECD countries CAN-SPA-KOR-MEX-AUS-NLD	35.7	33.1	29.1
Small-sized OECD countries BEL-SWI-TUR-SWE-AUT-POL NOR-GRC-DNK-IRL-FIN-PRT CZE-HUN-NZL-SVK-LUX-ICL	30.9	26.6	23.6
OECD Total	33.6	29.8	26.6

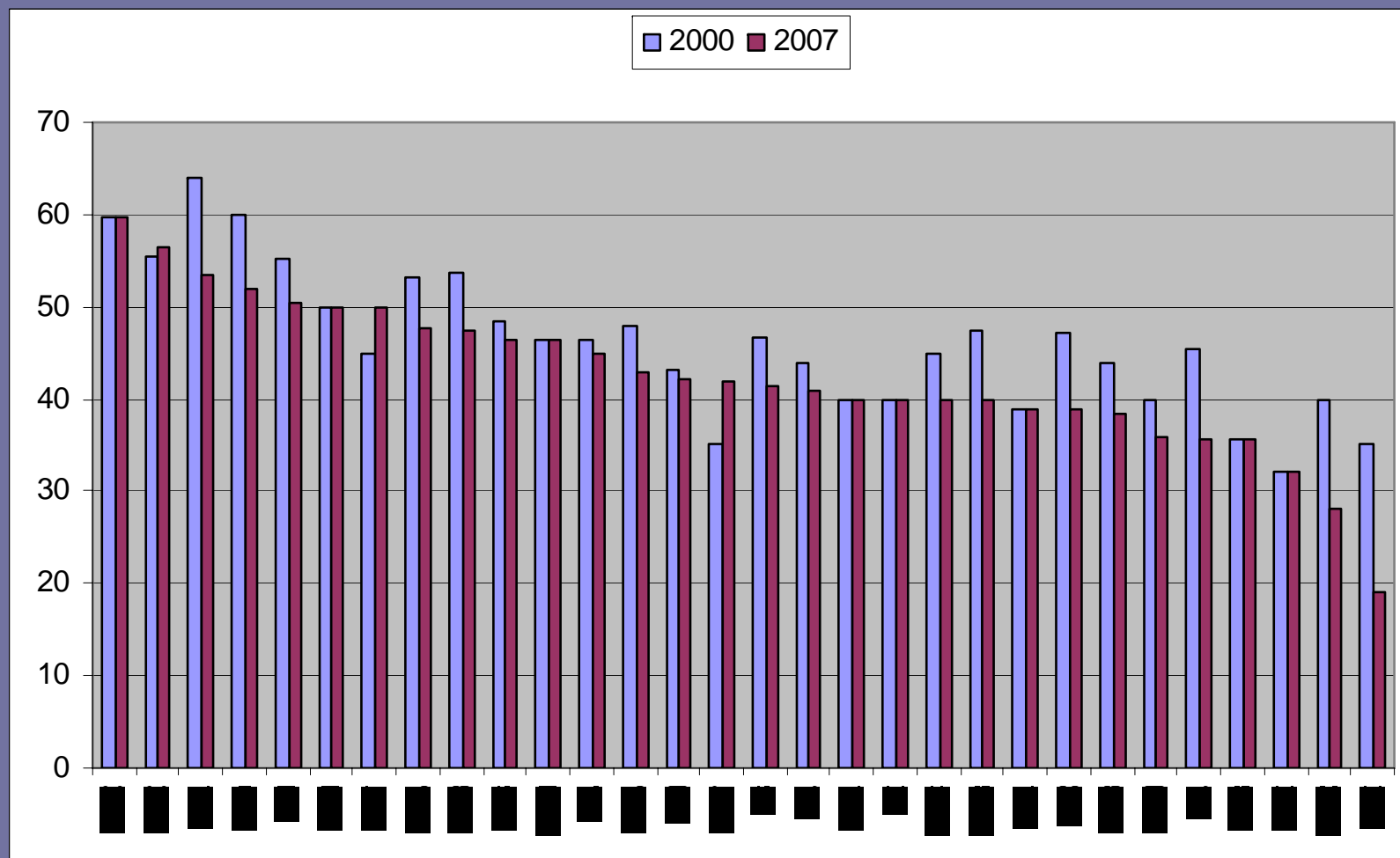
Overall Statutory Rates on Dividends



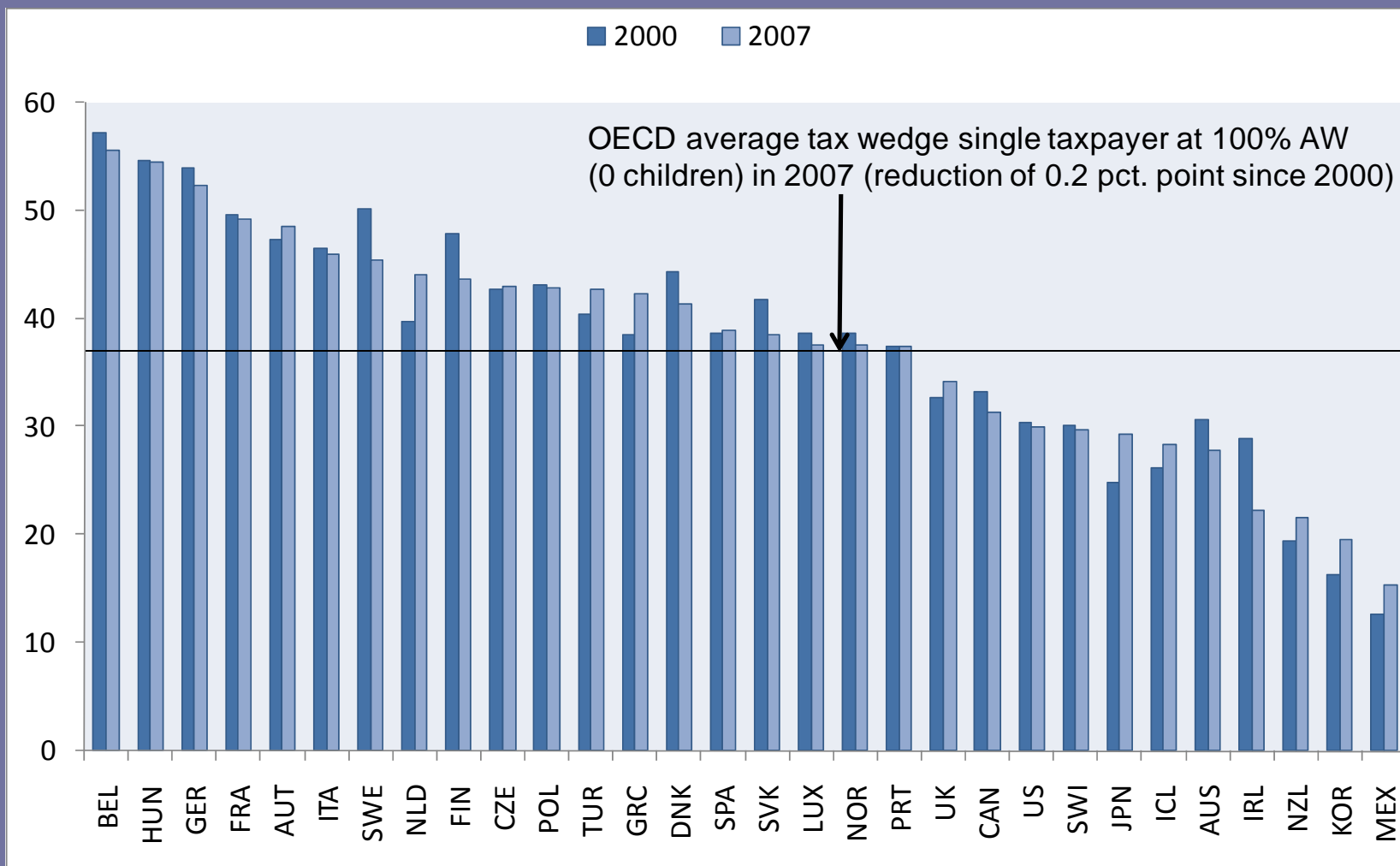
Decline in Imputation

- European countries have reduced shareholder relief, which is not based on corporate taxes paid.
- Belgium has introduced an ACE system.
- However, US has introduced shareholder relief for both dividends and capital gains.
- Small country model implies that imputation does not reduce cost of capital – simply a subsidy for domestic shareholders – but might do for SMEs.
- US is a large country, so perhaps shareholder relief is rational for them.

Top statutory personal income tax rates on wage income



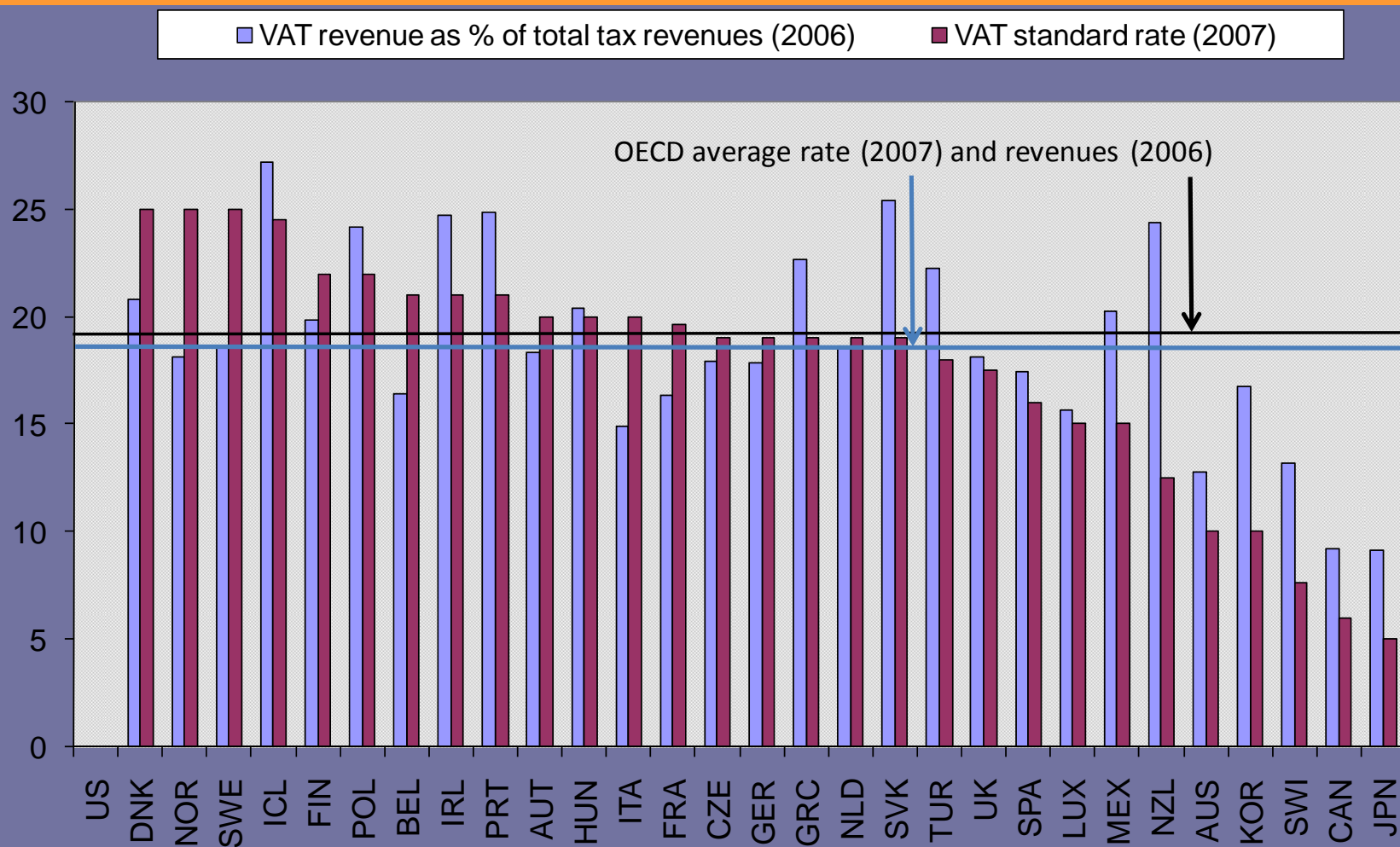
Tax wedge for single individual at average earnings



Design Trends in Personal Income Tax

- Dual or 'semi-dual' income tax systems that tax some or all capital income at lower rates than labour income.
- 'Flat taxes' – these have typically taxed both capital and labour income at the same rate and have an exemption limit, after which the single rate applies.
- 'Making work pay' policies that involve in-work tax credits and/or reductions in employer social security contributions for low-paid workers.

Standard rates of Value Added Tax and share of total tax revenues



The evolution of standard value-added tax rates (percent)

	1975	1980	1985	1990	1995	2000	2005	2007
Australia	-	-	-	-	-	10	10	10
Austria	16	18	20	20	20	20	20	20
Belgium	18	16	19	19	20.5	21	21	21
Canada	-	-	-	-	7	7	7	6
Czech Republic	-	-	-	-	22	22	19	19
Denmark	15	22	22	22	25	25	25	25
Finland	-	-	-	-	22	22	22	22
France	20	17.6	18.6	18.6	20.6	20.6	19.6	19.6
Germany	11	13	14	14	15	16	16	19
Greece	-	-	-	18	18	18	19	19
Hungary	-	-	-	25	25	25	20	20
Iceland	-	-	-	22	24.5	24.5	24.5	24.5
Ireland	19.5	25	23	23	21	21	21	21
Italy	12	15	18	19	19	20	20	20
Japan	-	-	-	3	3	5	5	5
Korea	-	10	10	10	10	10	10	10
Luxembourg	10	10	12	12	15	15	15	15
Mexico	-	10	15	15		15	15	15
Netherlands	16	18	19	18.5	17.5	17.5	19	19
New Zealand	-	-	-	12.5	12.5	12.5	12.5	12.5
Norway		20	20	20		23	25	25
Poland	-	-	-	-	22	22	22	22
Portugal	-	-	-	17	17	17	21	21
Slovak Republic	-	-	-	-	23	23	19	19
Spain	-	-	-	12	16	16	16	16
Sweden	17.65	20.63	23.46	23.46	25	25	25	25
Switzerland	-	-	-	-	6.5	7.5	7.6	7.6
Turkey	-	-	-	10	15	17	18	18
United Kingdom	8	15	15	15	17.5	17.5	17.5	17.5
United States	-	-	-	-	-	-	-	-

VAT Revenue Ratios (VRRs)

	Standard VAT										Difference 1996-2005
	rate (2005)	1976	1980	1984	1988	1992	1996	2000	2003	2005	
AUSTRALIA (b)	10.0							0.47	0.56	0.57	0.10
AUSTRIA	20.0	0.65	0.65	0.63	0.61	0.59	0.58	0.60	0.59	0.60	0.02
BELGIUM	21.0	0.57	0.61	0.50	0.53	0.49	0.47	0.51	0.47	0.50	0.03
CANADA (c)	7.0					0.44	0.48	0.52	0.51	0.52	0.04
CZECH REPUBLIC	19.0						0.44	0.44	0.42	0.59	0.15
DENMARK	25.0	0.64	0.61	0.60	0.60	0.55	0.58	0.60	0.60	0.62	0.04
FINLAND	22.0						0.54	0.61	0.60	0.61	0.06
FRANCE	19.6	0.64	0.69	0.62	0.61	0.53	0.51	0.50	0.49	0.51	0.00
GERMANY	16.0	0.56	0.57	0.52	0.50	0.62	0.60	0.60	0.55	0.54	-0.06
GREECE	18.0				0.44	0.45	0.42	0.48	0.48	0.46	0.04
HUNGARY	25.0					0.30	0.43	0.53	0.46	0.49	0.05
ICELAND	24.5					0.63	0.54	0.58	0.53	0.62	0.08
IRELAND	21.0	0.30	0.21	0.45	0.43	0.46	0.53	0.64	0.62	0.68	0.15
ITALY	20.0	0.46	0.43	0.40	0.42	0.39	0.40	0.45	0.41	0.41	0.00
JAPAN	5.0					0.70	0.72	0.70	0.68	0.72	0.00
KOREA	10.0		0.53	0.56	0.54	0.66	0.62	0.65	0.74	0.71	0.10
LUXEMBOURG	15.0	0.60	0.56	0.56	0.57	0.47	0.57	0.68	0.72	0.81	0.24
MEXICO	15.0		0.36	0.30	0.28	0.34	0.26	0.31	0.32	0.33	0.07
NETHERLANDS	19.0	0.49	0.54	0.51	0.56	0.59	0.57	0.60	0.57	0.61	0.04
NEW ZEALAND	12.5					0.91	0.98	1.00	1.00	1.09	1.05
NORWAY	25.0	0.66	0.66	0.63	0.69	0.52	0.60	0.67	0.56	0.58	-0.03
POLAND	22.0						0.41	0.42	0.43	0.48	0.07
PORTUGAL	19.0				0.44	0.51	0.57	0.62	0.56	0.48	-0.10
SLOVAK REPUBLIC (d)	19.0							0.46	0.54	0.53	0.07
SPAIN	16.0				0.59	0.57	0.45	0.53	0.53	0.56	0.11
SWEDEN	25.0	0.45	0.41	0.38	0.42	0.40	0.50	0.52	0.53	0.55	0.05
SWITZERLAND	7.6						0.70	0.78	0.75	0.76	0.05
TURKEY	18.0				0.59	0.56	0.55	0.59	0.63	0.53	-0.02
UNITED KINGDOM	17.5	0.47	0.46	0.50	0.54	0.49	0.50	0.50	0.50	0.49	-0.02
Unweighted average	17.7	0.54	0.52	0.51	0.54	0.53	0.54	0.57	0.57	0.58	0.04

Source: OECD (2008c)

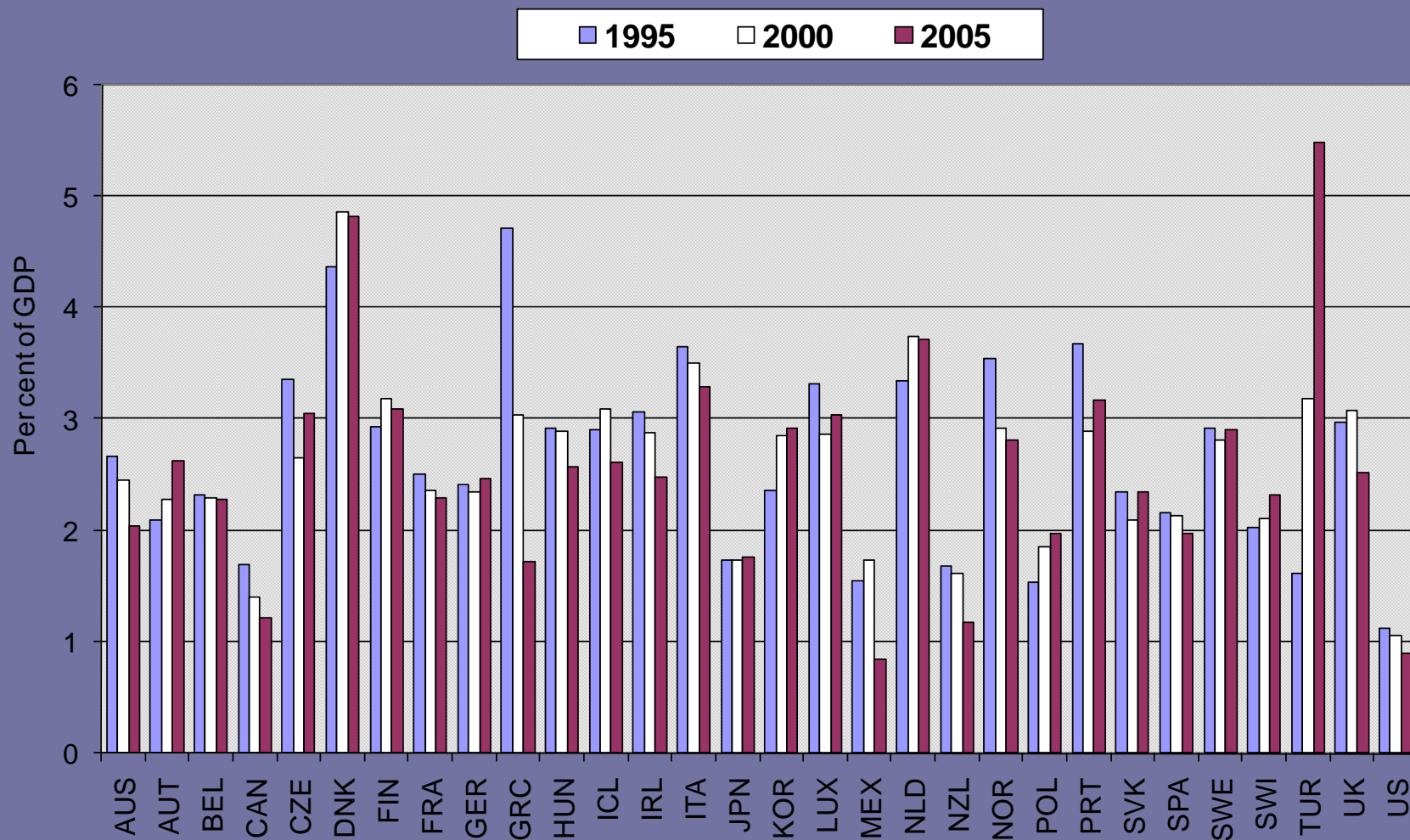
(a) VAT Revenue Ratio = (VAT revenue)/([consumption - VAT revenue] x Standard VAT rate)

(b) For Australia the differential VRR is calculated on the period 2000-2005 since GST was introduced in 2000

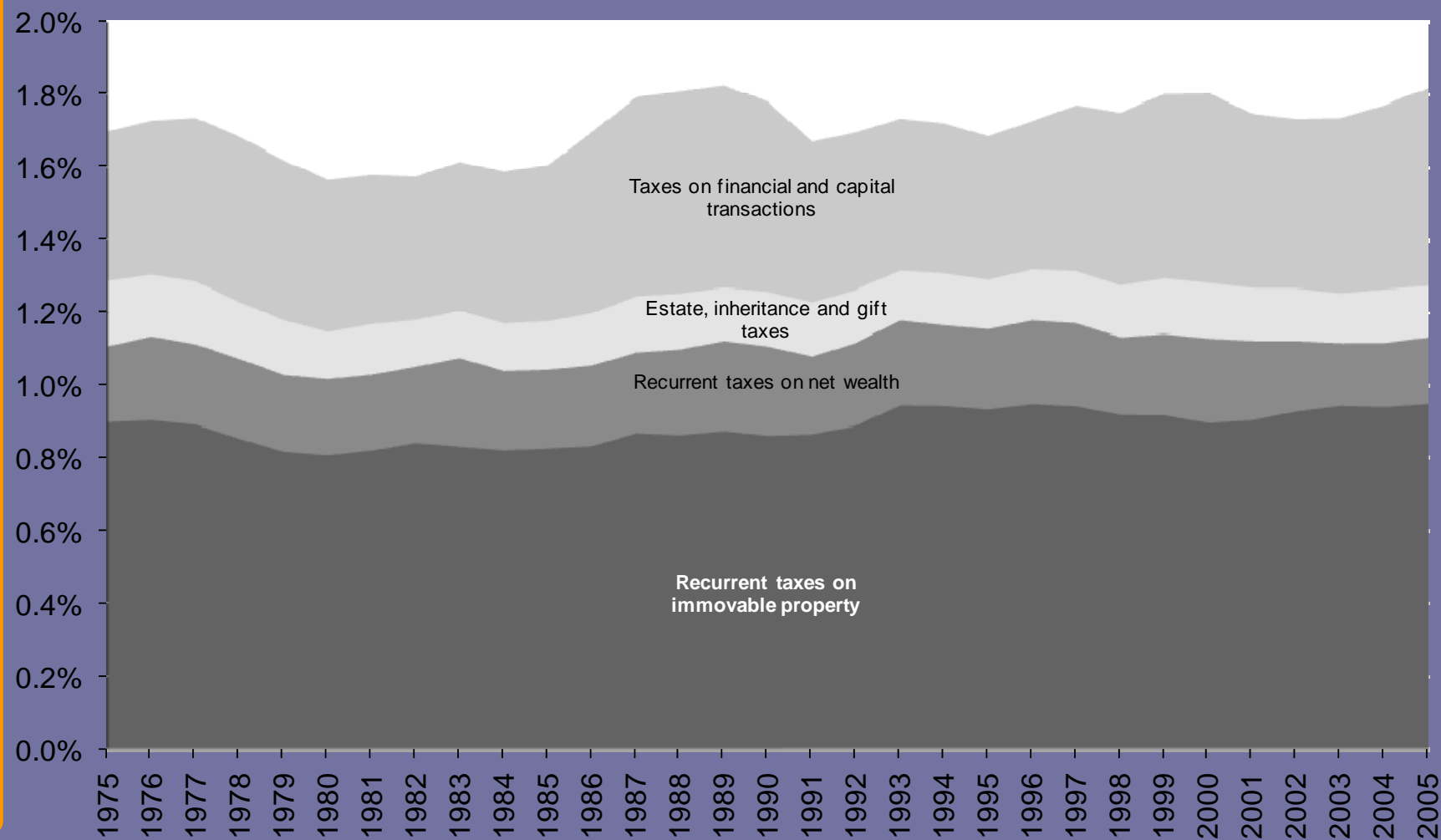
(c) Calculation for Canada is for federal VAT only

(d) For Slovak Republic, the differential VRR is calculated on the period 2000 - 2005 since data is not available for 1996

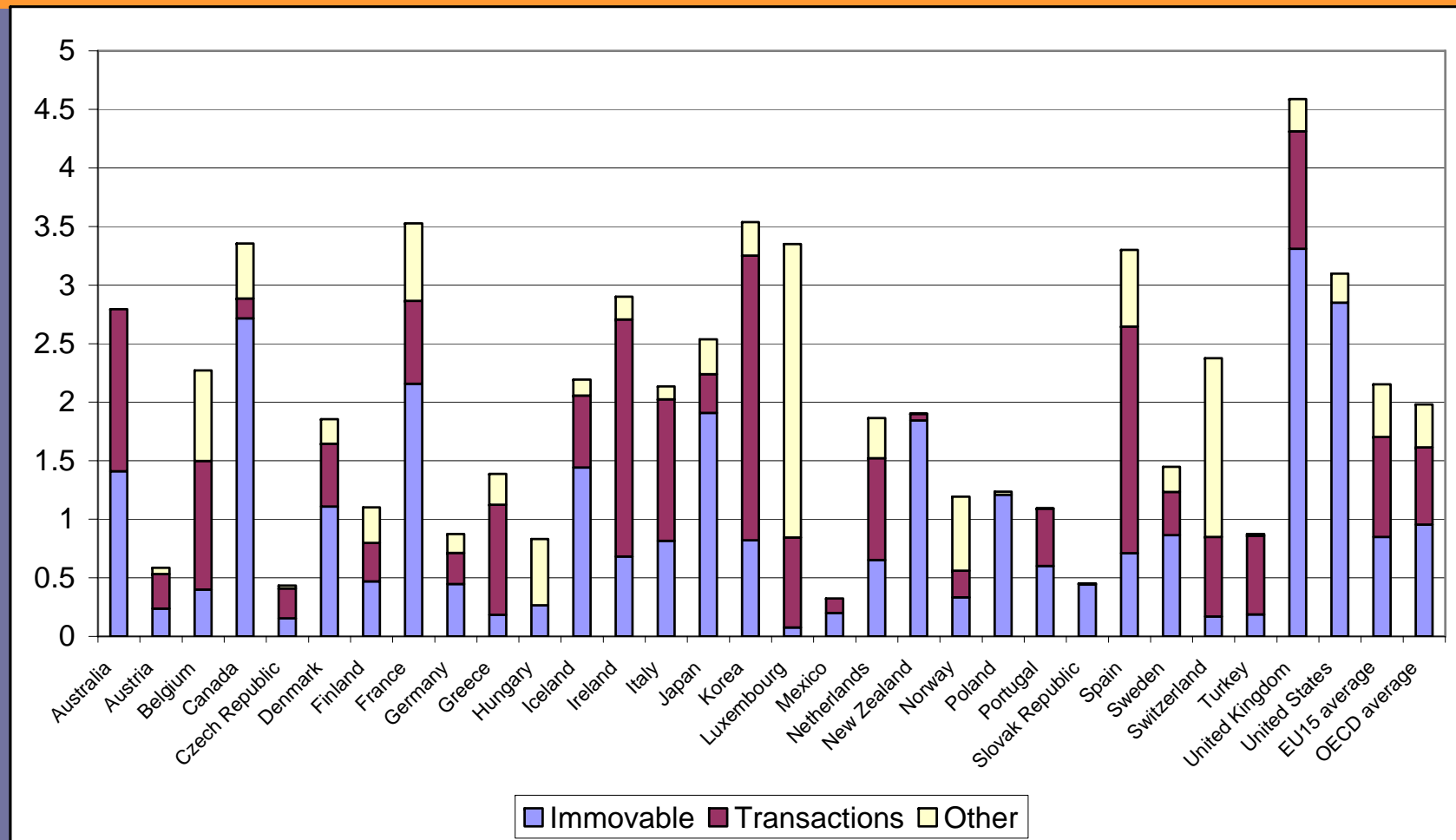
Revenues from environmentally-related taxes



The evolution of property taxes (as a percentage of GDP)



The pattern of property taxes as a share of GDP, 2006



Summary

- Great diversity across OECD countries
- Growth of tax burdens seems to have stopped
- Trend away from personal income tax towards social security contributions
- Trend towards VAT away from excises
- Corporate and top personal income taxes have fallen
- But the tax paid by an average worker has hardly changed
- There has been a move away from imputation in Europe
- VAT rates have risen but bases have not broadened much
- Revenue from environmental taxes is fairly stable
- Property taxes show no overall trend