

Taxes on personal income and corporate income, 1997

(% of GDP)

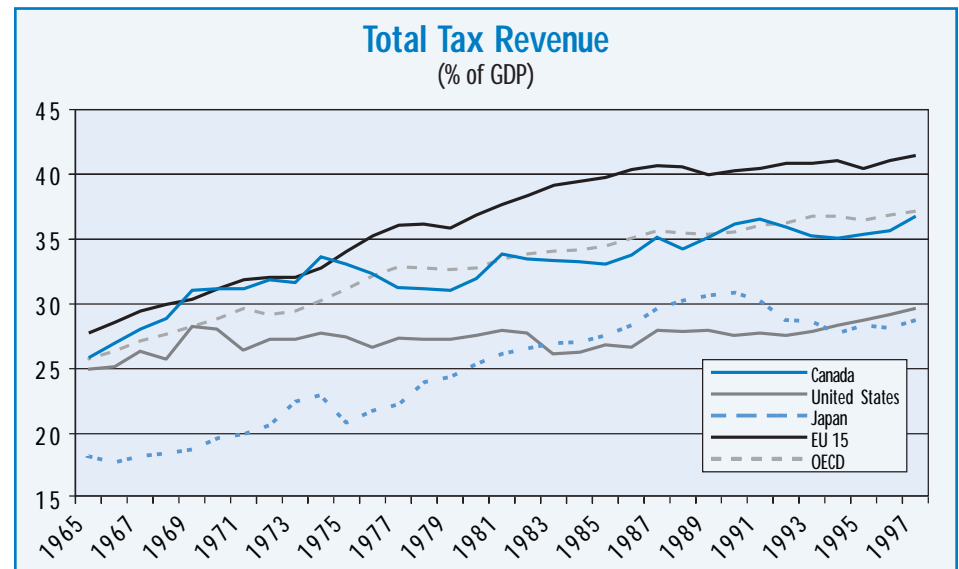
	Personal	Corporate
Canada	14	3.8
Mexico		4.5
United States	11.6	2.8
Australia	12.5	4.4
Japan	5.9	4.3
Korea	3.6	2.2
New Zealand	15.7	3.9
Austria	9.8	2.1
Belgium	14.3	3.4
Czech Republic	5.2	3.3
Denmark	25.9	2.6
Finland	15.5	3.8
France	6.3	2.6
Germany	8.9	1.5
Greece	4.5	2.1
Hungary	6.6	1.9
Iceland	10.6	0.9
Ireland	10.3	3.3
Italy	11.2	4.2
Luxembourg	9.5	8.6
Netherlands	6.5	4.4
Norway	11	5.2
Poland	8.8	3.2
Portugal	6.1	3.7
Spain	7.4	2.6
Sweden	18.2	3.2
Switzerland	10.6	2
Turkey	6	1.6
United Kingdom	8.8	4.3
OECD Total	10.2	3.3
OECD America	12.8	3.3
OECD Pacific	9.4	3.7
OECD Europe	10.1	3.2
EU 15	10.9	3.5

Source: OECD Revenue Statistics.

Less Taxing Times Ahead?

Tax burdens in the industrialized world may finally be trending downwards from the highest figures recorded since revenue data began being collected by the OECD in 1965. *OECD Revenue Statistics* published annually — provides up-to-date figures on the amount of tax revenue the 29 OECD governments raise, and how they go about it.

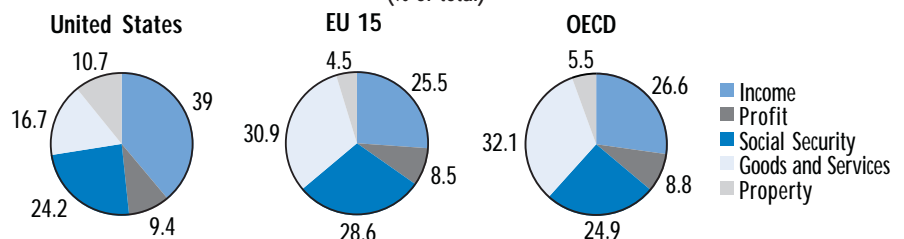
Preliminary data for 1998 for 26 industrialized countries show a stabilization in overall taxation levels with more countries showing lower taxation than those where taxes have increased. Based on these estimates, the average tax level across OECD countries has stabilized in 1998 at 36.6 per cent of GDP. However, in 1997, the latest year for which full comparative data is available, most OECD countries experienced an increase in taxes. In the United States, the tax level has grown slightly from 29.2% in 1996 to 29.7% in 1997. In Canada, the tax hike represented more than one percentage point of GDP. Mexico was an exception and saw its tax burden decrease.



The tax mix also varies across countries. For OECD countries as a whole, taxes on income and profits are the largest source of revenue at 35% of total taxes while taxes on goods and services (e.g. sales tax) represent over 32 per cent of all taxes. Social security contributions account for 25%. In Canada and the United States, taxes on personal and corporate income are higher than the OECD average, accounting for more than 45% of total tax revenue. However, taxes on goods and services in North America are a much less important source of revenue than in other countries, such as those in Western Europe.

Main Sources of Tax Revenue, 1997

(% of total)



Source: OECD Revenue Statistics: 1965-1998. \$76.00 OECD Book Code: 23 1999 04 3 P ISBN 9264058664.

Income tax plus employee contributions less cash benefits by family-type, 1998

(% of gross wages)

	Single no child	Married one-earner couple 2 children
Denmark	43.4	29.7
Germany	42.1	22.4
Belgium	41.8	20.5
Finland	35.4	25.2
Sweden	34.4	26.1
Netherlands	34.4	22.4
Turkey	32.8	32.8
Norway	29.6	16.2
Italy	29.1	15.7
Hungary	28.9	12.3
Austria	28.6	11.3
Canada	27.3	18.2
France	27.3	14.6
United States	25.8	17.9
Australia	25.4	15.5
United Kingdom	25.2	17.4
Ireland	24.9	13.2
Luxembourg	24.6	-0.2
Czech Republic	22.8	-3.4
Switzerland	21.9	8.3
Iceland	21.6	-3.9
Spain	20.2	12.8
New Zealand	20.0	14.8
Greece	18.3	18.7
Portugal	18.1	9.0
Poland	15.8	7.2
Japan	13.8	7.7
Korea	6.4	5.6
Mexico	2.6	2.6
Spain	20.2	12.8
Sweden	34.4	26.1
Switzerland	21.9	8.3
Turkey	32.8	32.8
United Kingdom	25.2	17.4
United States	25.8	17.9

Source: OECD Taxing Wages.

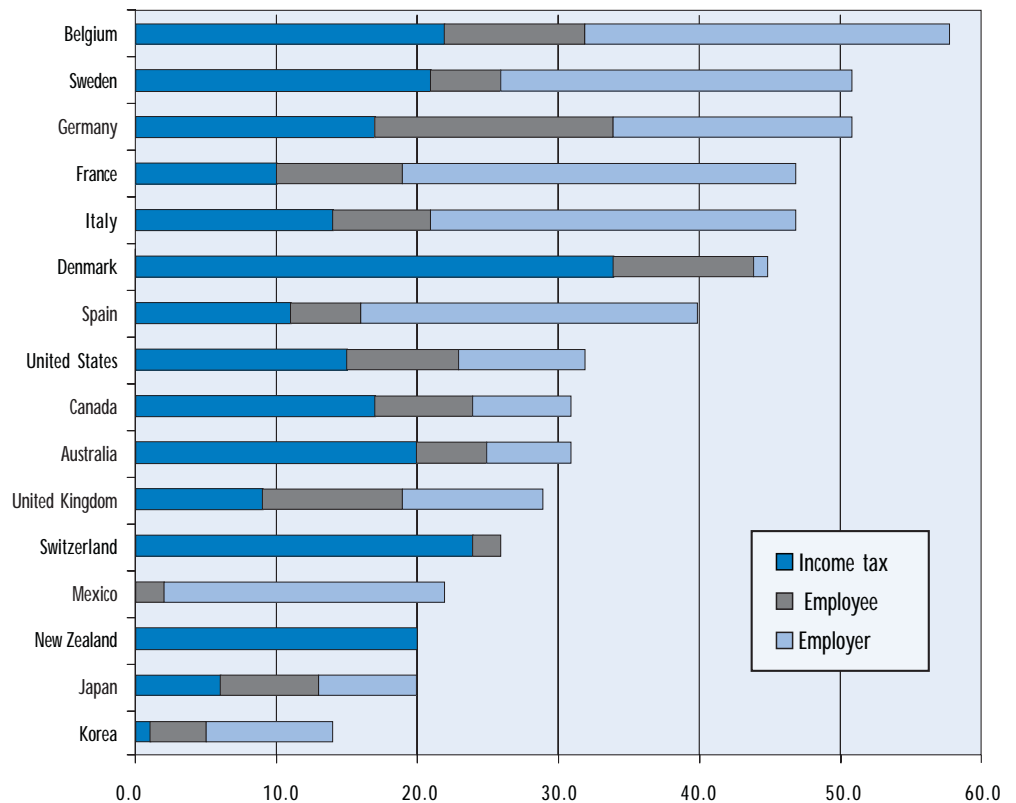
Taxes and Take-Home Pay

Income taxes and social-security contributions - the tax "wedge" - is the difference between the amount of money workers' take-home and what it costs a business to employ them. These taxes push up the cost to business of employing workers and, at the same time, discourage part of the workforce from taking a job because their take-home pay is significantly less than their gross wages. The tax wedge varies widely across OECD countries, according to a new OECD report *Taxing Wages*. The biggest tax wedges are in continental Europe. In France, employer contributions accounted for 28% of the total cost of an average production worker. In the United States, employer contribution levels are 7%. In Australia and New Zealand, by contrast, no social security contributions were levied on employers. On the employee side, the Netherlands shows the highest figure with employees paying the equivalent of 27% of an average production worker's gross wage. (See table below).

Significant variation is also observed in the mix of income tax and social security contributions levied, on the one hand, and the benefits paid through welfare programs, on the other. Comparative figures on taxes and cash benefits are given across OECD countries for different household groups varying by family type and level of income. (See column this page for an example).

Taxes on Wages, 1998

(% of Labor cost)



Source: OECD Taxing Wages 1998/1999: Taxes on Wages and Salaries, Social Security Contributions for Employees and their Employers, Child Benefits (1999 Edition). \$72.00 OECD Book Code 23 2000 01 3 P ISBN 9264058788.

E-Commerce Taxes

The OECD argues that neutrality should be a guiding principle for the taxation of Internet electronic commerce. The OECD has developed "Taxation Framework Conditions" and their key conclusion is that the taxation principles that guide governments in relation to conventional commerce should also guide them in relation to electronic commerce.

The framework for taxation of electronic commerce addresses four areas: tax treaties, consumption taxes, tax administration, and taxpayer service. In the tax treaty area, the framework provides that the present international norms are capable of being applied to electronic commerce, but that some clarifications should be given as to how these norms apply. In the consumption tax area, the framework provides that taxation should occur in the jurisdiction where consumption taxes place, and that the supply of digitized products should not be treated as a supply of goods. In the tax administration area, the information reporting requirements and tax collection procedures being developed must be neutral and fair, so that the level and standard is comparable to what is required for traditional commerce (although different means may be necessary to achieve those requirements). A number of options have been identified for using new technologies to improve taxpayer service. Research is being carried out at the OECD on the following issues, among others:

- whether a web site or a server can constitute a permanent establishment giving rise to tax jurisdiction in a country;
- how payments for digitized products should be characterized under tax treaties;
- for consumption tax, obtaining a consensus on defining place of consumption and on internationally compatible definitions of services and intangible property;
- adopting conventional identification and internationally compatible information requirements.

For more information on OECD work in this area, visit: www.oecd.org/daf/fa and click on Electronic Commerce. Also, for information on the OECD's work on the non-tax aspects of E-Commerce, you can visit: www.oecd.org/dsti/sti/it and click on Electronic Commerce. To comment on the OECD's work in progress, visit: www.oecd.org/daf/fa/treaties/tccommpay.htm

Fighting Corruption: The Tax Treatment of Bribes

Until recently, in quite a few countries, companies might claim tax deductions for bribe payments to public officials notwithstanding the fact that such payment was illegal in the country where it occurred. In 1996, the OECD Council adopted a Recommendation on the tax deductibility of bribes requesting countries that do not disallow the tax deductibility of bribes to foreign public officials to re-examine this treatment with the intention to deny this deductibility. The OECD Fiscal Committee surveys compliance with this instrument and recently reported that there will soon be no OECD country left that allows such tax deductibility. In some countries, adoption of the OECD Anti-Bribery Convention (see column this page) has allowed them to introduce the necessary legislative amendments to ensure non-deductibility.

OECD Member countries which have repealed the tax deductibility of bribes to foreign public officials since the 1996 OECD Recommendation are: Austria, Belgium, Denmark, France, Germany, Iceland, Netherlands, Norway and Portugal. OECD Member countries where legislation to deny deductibility of bribes to foreign public officials has not yet passed: Australia, Luxembourg, New Zealand, Sweden, Switzerland. The remaining OECD countries did not allow the tax deductibility of bribes to foreign public officials before the 1996 OECD Recommendation and continue to deny such deductibility.

How many countries have ratified the OECD Anti-Bribery Convention? Which ones?

To date, 20 of the 34 signatories have deposited instruments of ratification/acceptance of the Convention which obliges signatories to adopt national legislation that makes it a crime to bribe foreign public officials. At the same time, these countries have adopted legislation necessary to implement the Convention in national law.

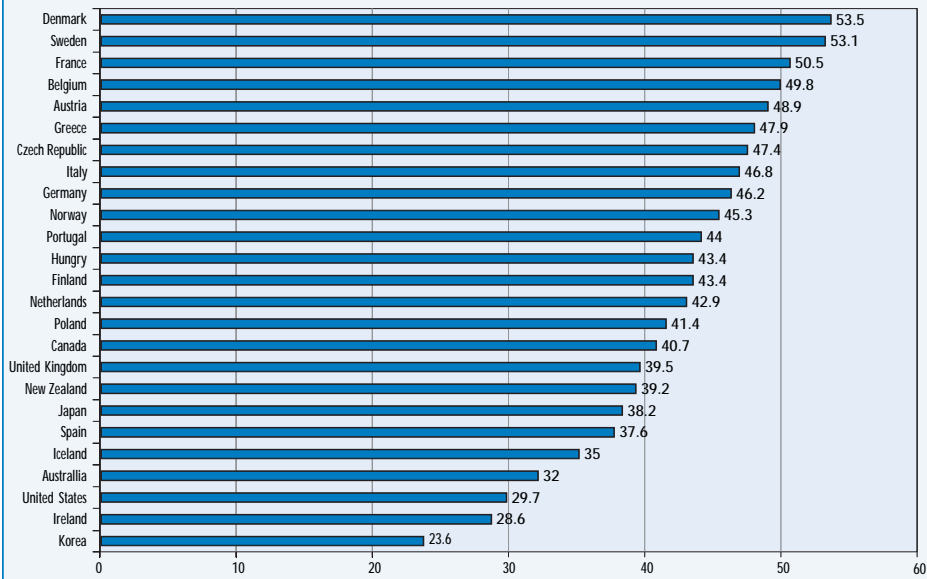
Iceland (17 August 1998)
 Japan (13 October 1998)
 Germany (10 November 1998)
 Hungary (4 December 1998)
 United States (8 December 1998)
 Finland (10 December 1998)
 United Kingdom (14 December 1998)
 Canada (17 December 1998)
 Norway (18 December 1998)
 Bulgaria (22 December 1998)
 Korea (4 January 1999)
 Greece (5 February 1999)
 Austria (20 May 1999)
 Mexico (27 May 1999)
 Sweden (8 June 1999)
 Belgium (27 July 1999)
 Slovak Republic (24 September 1999)
 Australia (18 October 1999)
 Spain (14 January 2000)
 Czech Republic (21 January 2000)

Please visit <http://www.oecd.org/daf/nocorruption/annex2.htm> to find an update of where every signatory country stands in the implementation process. The OECD will produce a report for the June Ministerial regarding implementation efforts of all signatories and intends to begin on-the-ground audits in the second half of this year.

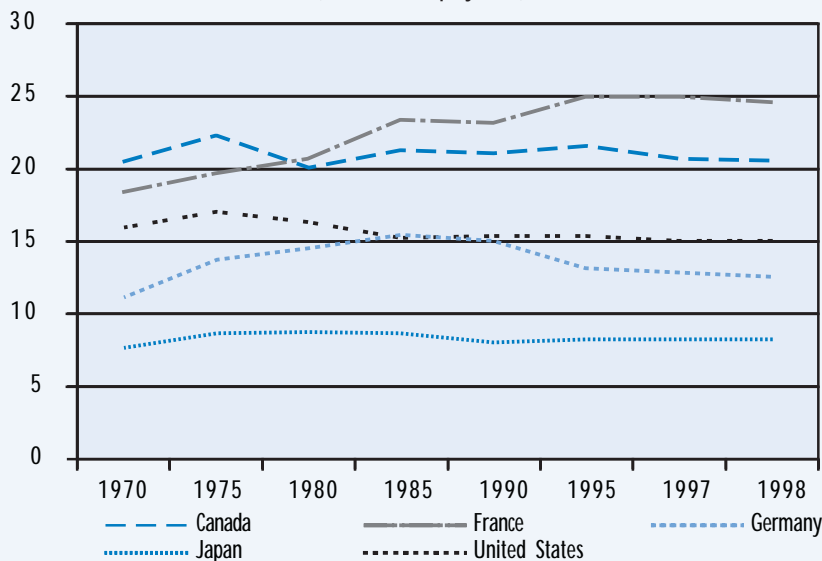
A Statistical Window on the Government Sector of OECD Countries

The data provided in the following pages is a set of statistical tables indicating the size and presence of the government sector in OECD Member countries' economies, their budgetary situations and types of expenditures. It brings together available comparable data. To see more data of this type, visit the OECD's Public Management website www.oecd.org/puma and click on Statistics.

General Government Expenditure, 2000
(% of nominal GDP)



General Government Employment
(% of total employment)



Source: OECD Economic Outlook Database.

Compensation of General Government Employees, 1998

(% of nominal GDP)

Australia	10.4
Austria	11.5
Belgium	11.9 *
Canada	12.1
Czech Republic	3.4
Denmark	17.4
Finland	14.0
France	13.7
Germany	8.4
Greece	11.3
Iceland	13.7 *
Italy	11.6 *
Japan	7.3 *
Luxembourg	8.8 *
Netherlands	10.2
New Zealand	10.1 *
Norway	14.3
Poland	11.2 *
Spain	10.7
Sweden	16.8
Turkey	6.8
United Kingdom	7.6
United States	9.2

* 1997

Source: OECD Economic Outlook Database.

Citizen Confidence in Government

Citizen confidence in the institutions of government has exhibited a troubling decline in recent years. The traditional mechanisms of representative democracy, while still essential, no longer appear to be sufficient to guarantee citizen consent for the decisions of those who govern. The OECD activity "Strengthening Government-Citizen Connections" studies how Member countries overcome these difficulties through development not only of information, but also consultation that encourages the active participation of citizens in considering and establishing public policies. It explores the methods and tools, including in particular the use of information technologies to achieve these aims, as well as approaches to evaluating their effectiveness.

Several case studies are under way involving extensive interviews with those within and outside government. For example, the case study of the United States examined the participation of citizens in the activities of the US Environmental Protection Agency, while the Canadian case study examined citizen participation in a recent policy development exercise over the public health care system. Both these case studies can be found at www.oecd.org/puma/new.htm. This OECD activity has also produced several other documents which look closely at different aspects of government-citizen relations. These documents are available on-line: www.oecd.org/puma and click on "Strengthening Government-Citizen Connections".

How to Cope with a Budget Surplus

The United States has had a budget surplus for two years. Many other OECD countries are also expected to accumulate a surplus this year. One exception is Japan which is running a deficit of 8% of GDP. (See side column) The success in reducing debt-to-GDP ratios poses new challenges for government. In countries with a budget surplus, the issue is the extent to which financial market liquidity would be affected since government bonds play an important hedging and pricing role. Government securities are also used by central banks to implement monetary policy operations.

If faced with continuing budget surpluses, countries could reduce the gross level of debt, in the belief that private sector securities would substitute for government debt. Alternatively, governments could aim to maintain a minimum level of gross debt, so as to support the well-functioning of financial market, and then to invest the remainder of the surplus in private-sector assets. The decision to purchase assets, however, raises issues about their regulation and administration.

Source: OECD Economic Outlook (December 1999), Chapter VI. \$42.00. OECD Book Code: 12 1999 66 1 ISBN Code: 92-64-16167-8.

Tax Havens

In pursuit of their effort to combat harmful tax practices, OECD governments are in the process of identifying jurisdictions which function as tax havens and are taking steps to eliminate the adverse consequences which those jurisdiction have on the world economy.

The OECD has, over the last year, engaged in extensive review and dialogue with the jurisdictions initially identified for review (with the exception of a small number that chose not to participate).

A tax haven is a jurisdiction that (i) imposes no or only nominal taxes (generally or in special circumstances) and (ii) offers itself, or is perceived to offer itself, as a place to be used by non-residents to escape taxation in their country of residence and (iii) possess confirming criteria. Those confirming criteria are: 1) lack of effective exchange of information; 2) lack of transparency; and (3) attracting business with no substantial activities. These criteria are consistent with the nature of the tax poaching schemes that are the object of the OECD's work: schemes that impede the ability of home countries to enforce their own tax laws.

Publication of the OECD's findings is expected for the annual Ministerial meeting in June 2000.

General government financial balances, 2000.

Surplus (+) or deficit (-) as a percentage of nominal GDP

Norway	6.5
Finland	4.4
Ireland	3.8
Denmark	2.2
Sweden	2.1
Canada	1.6
Iceland	1.6
United States	0.9
United Kingdom	0.8
New Zealand	0.6
Australia	0.5
Korea	0.4
Netherlands	-0.2
Belgium	-0.9
Spain	-1.1
Germany	-1.2
Italy	-1.6
Greece	-1.6
Portugal	-1.6
France	-1.7
Poland	-2.4
Austria	-2.5
Hungary	-4
Czech Republic	-5.4
Japan	-7.9
Total of smaller countries	-0.3
Total of above OECD countries	-1.1
Total of above EU countries	-0.8
Euro area	-1.2

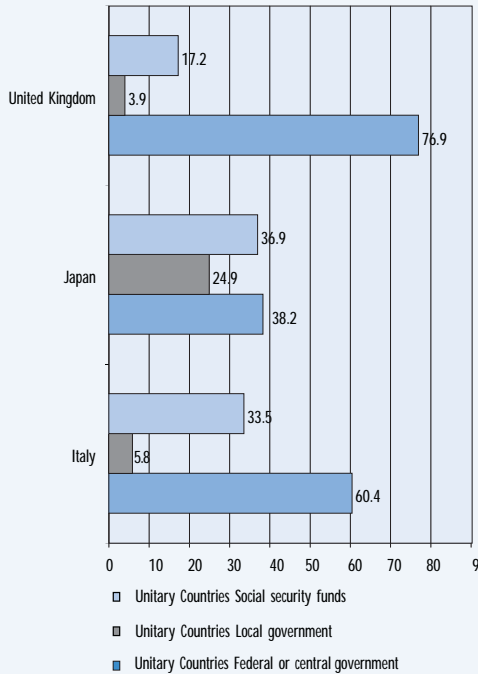
General gov. financial balances
excluding social security

United States	-0.6
Japan	-10.1

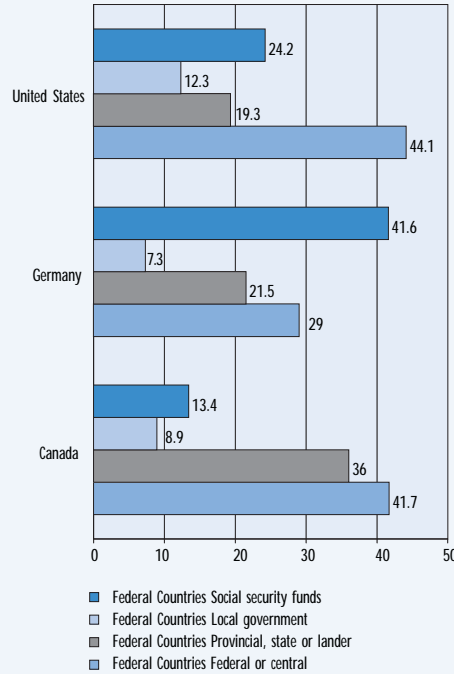
Source: OECD Economic Outlook Database.

Taxes Collected by the Different Levels of Government

Unitary Countries



Federal Countries



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OECD Member Countries

Australia	Korea
Austria	Luxembourg
Belgium	Mexico
Canada	Netherlands
Czech Republic	New Zealand
Denmark	Norway
Finland	Poland
France	Portugal
Germany	Spain
Greece	Sweden
Hungary	Switzerland
Iceland	Turkey
Ireland	United Kingdom
Italy	United States
Japan	

ESI Forum 2000

World political, economic, business and academic figures will gather in Washington DC May 15-17 for the Economic Strategy Institute's Global Forum 2000. Readers of the OECD in Washington Newsletter will be given special discounted registration rates. Please visit the ESI website at www.econstrat.org for more information.

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