

## Taxing Take-Home Pay (% of gross wage)

In many OECD countries the proportion of wage income that is paid in income tax, by a "typical" blue-collar worker with a non-working spouse and two children, is either low or falling. A negative number occurs if workers receive tax credits that exceed their tax liability.

	1979	2000*
Australia	16.8	22.6
Austria	6.5	2.8
Belgium	8.0	17.0
Canada	9.7	9.9
Denmark	30.3	25.8
Finland	20.9	26.5
France	0.4	7.6
Germany	9.9	-1.1
Greece	0.0	1.9
Ireland	11.5	5.0
Italy	9.4	14.5
Japan	1.8	1.8
Luxembourg	3.4	0.0
Mexico	6.5**	0.8
Netherlands	12.5	4.9
New Zealand	17.0	15.2
Norway	17.5	17.4
Portugal	4.0	2.7
Spain	6.1	3.0
Sweden	33.7	25.9
Switzerland	6.3	5.2
Turkey	42.0	14.6
United Kingdom	19.3	14.4
United States	11.6	8.0

\* Estimates

\*\*Data for Mexico is for 1993.

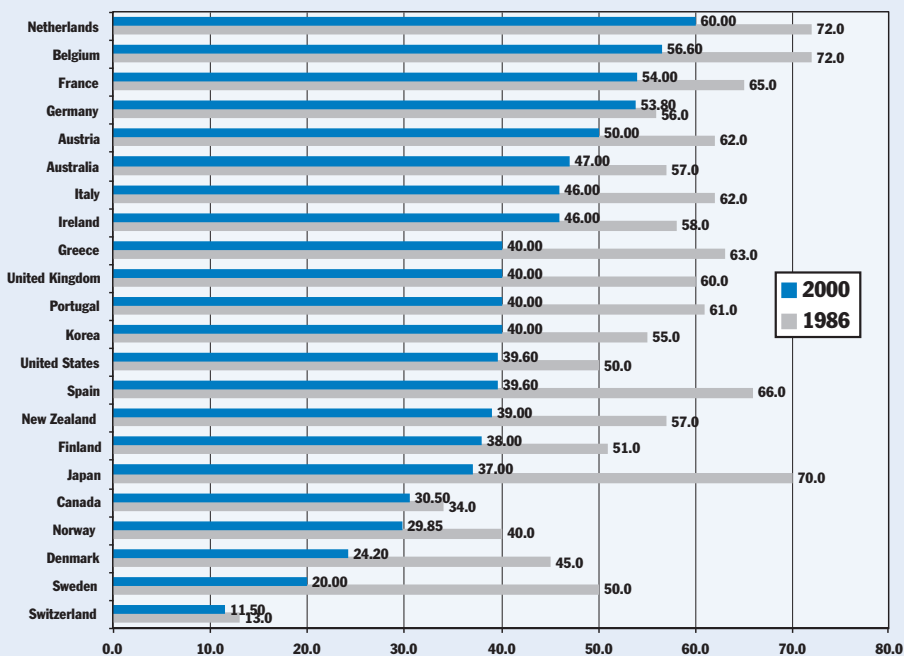
Source: OECD *Taxing Wages 1999-2000*  
ISBN 92-64-02627-2 \$71.00

## Tax Rates Are Falling

High taxes distort economic activity leading to a less competitive and dynamic economy. When surveyed, individuals and enterprises across OECD countries cite the tax burden and the complexity of the tax system among the most severe problems they face when dealing with the government.

The problem of high taxes and their complexity has been alleviated by tax reforms during the last decade that have reduced the two taxes, which most affect individuals and enterprises: personal income and corporate income taxes. Chart 1 shows that almost 20 countries cut their top marginal income tax rates in recent years, by an average of over ten percentage points. In many cases, these tax cuts were financed by broadening the tax base. For example, reforms in the United Kingdom and the United States removed a range of deductions, which had the additional benefit of simplifying the tax system. Chart 2 (on p. 2) shows a less uniform pattern for corporate income tax rates, but it does show substantial reductions for those countries, which started the period with high rates. Cuts in central government corporate income tax rates since the mid-eighties have averaged around 10 percentage points. As with the personal income tax reductions, the tax base has broadened with various deductions (targeted at particular regions or sectors, investment credits and property-related tax-shelters) being limited or abolished in Australia, Austria, Finland, Germany, Iceland, Ireland, Portugal, Spain and the United States. The sidebar table also shows a mixed picture, but one in which many European countries have either low or falling tax takes.

### Top Marginal Rates of Central Government Personal Income Tax (%)



Note: 2000 data for France and Greece is not available. Data for France is for 1999, and data for Greece is for 1997.

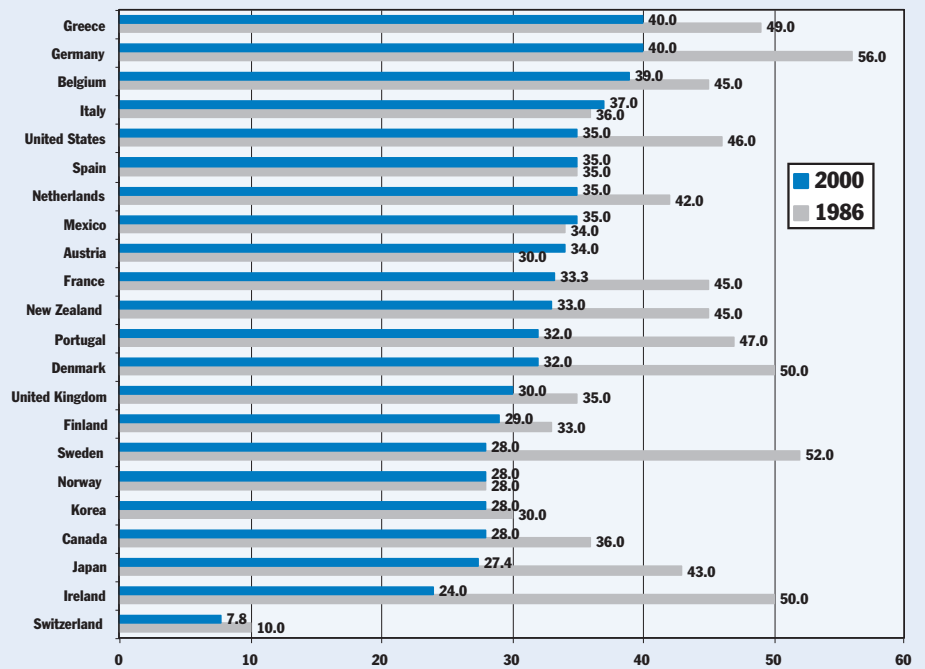
Source: OECD Tax Database

**Budget Surplus**  
(% of GDP)

	1990	2001
<b>Japan</b>	2.9	-6.0
<b>Germany</b>	-2.0	-1.7
<b>Italy</b>	-11.0	-1.0
<b>Austria</b>	-2.4	-0.7
<b>Greece</b>	-16.1	-0.4
<b>France</b>	-2.1	-0.1
<b>Belgium</b>	-6.7	0.3
<b>Australia</b>	-1.2	0.7
<b>Spain</b>	-4.1	0.2
<b>Netherlands</b>	-5.7	1.0
<b>New Zealand</b>	-4.7	1.0
<b>Canada</b>	-5.8	2.1
<b>United Kingdom</b>	-1.5	2.2
<b>Iceland</b>	-3.3	2.4
<b>United States</b>	-4.3	2.6
<b>Denmark</b>	-1.0	2.9
<b>Sweden</b>	4.0	3.3
<b>Korea</b>	3.5	4.7
<b>Finland</b>	5.3	4.8
<b>Ireland</b>	-2.8	6.5
<b>Norway</b>	2.6	14.8

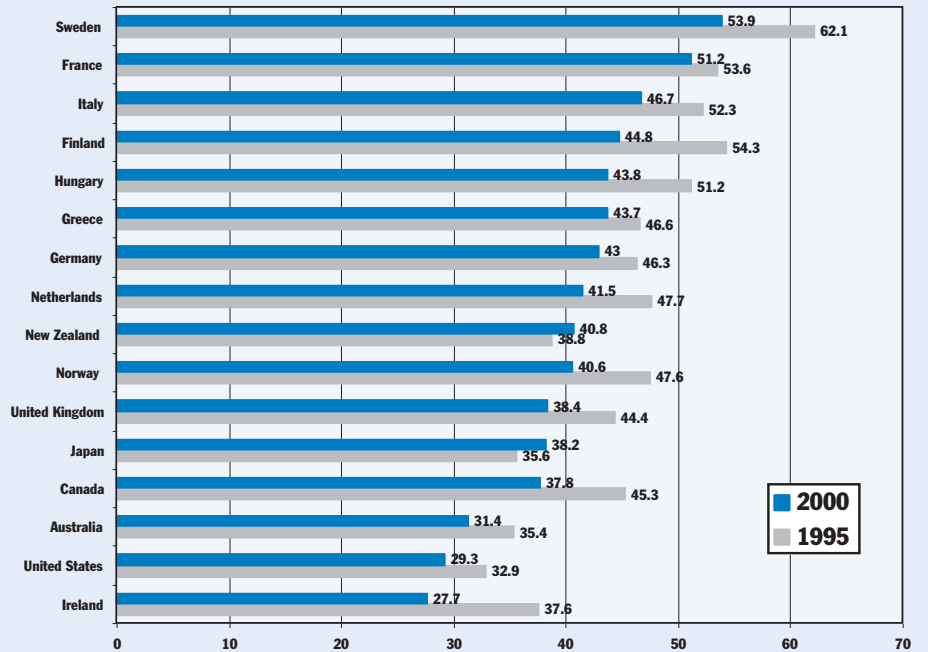
Source: OECD Economic Outlook No. 68  
ISBN 92-64-17554-7 \$55.00

**Basic Rates of Corporate Income Tax of General Government**  
(%)



Note: 2000 Data for France and Greece is not available. Data for France is from 1999, and data from Greece is for 1997. 1986 Data for Mexico is from 1995.  
Source: OECD Tax Database

**Government Spending**  
(% of nominal GDP)

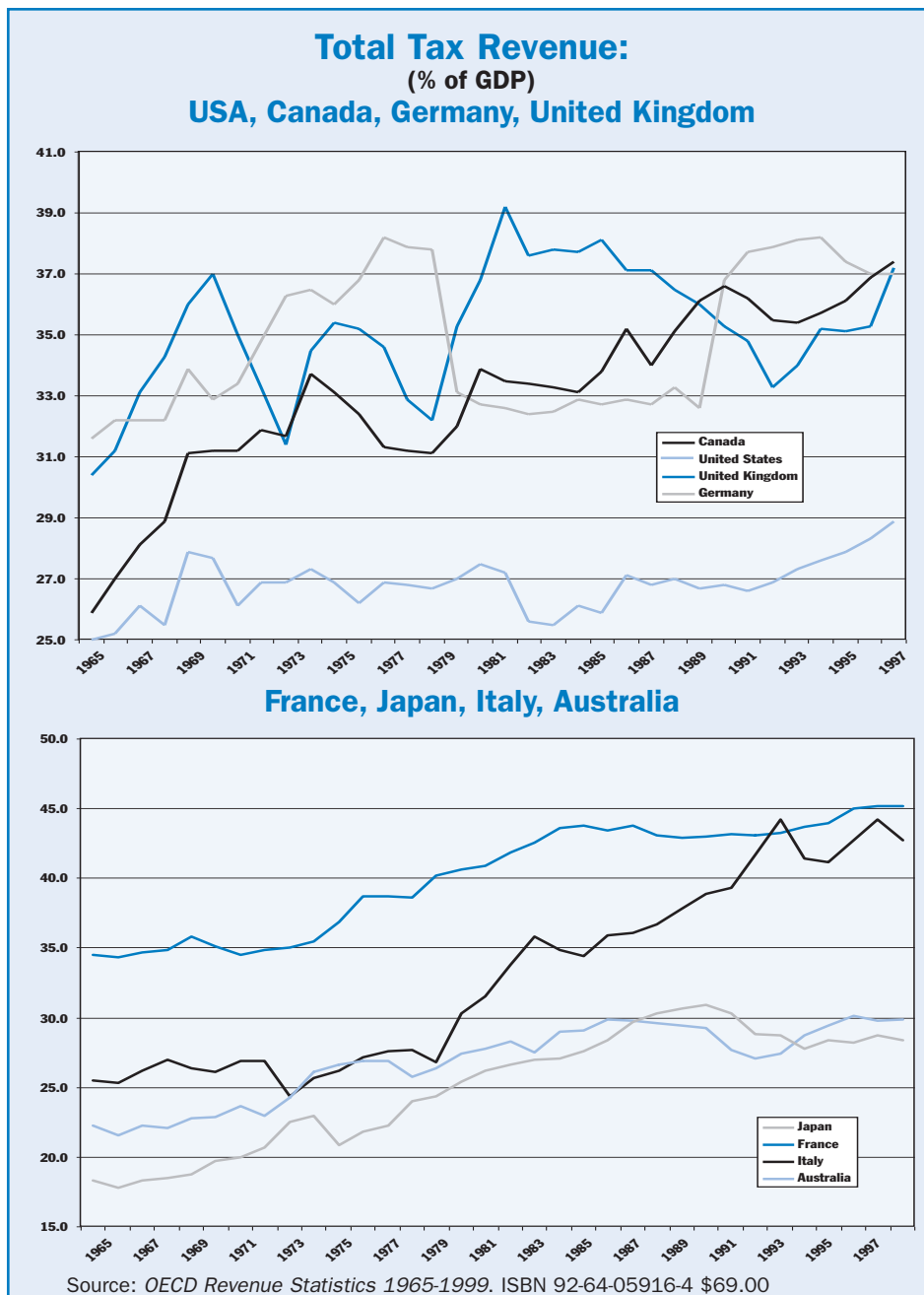


Note: Data refer to the general government sector, which is a consolidation of accounts for the central, state and local governments plus social security.  
Source: OECD Economic Outlook Database.

## More Tax Cuts on the Horizon in 2001

The revenues collected by governments from personal and corporate taxes rose strongly in most OECD countries in the late 1990s. This rise in revenues was a reflection of strong economic growth during the period. Such growth increases the revenues from most taxes, but has a particularly strong influence on income tax revenues. In the case of personal income taxes, this is because of their progressive structure, in which a higher proportion of income is taken as income rises. In the case of corporate income tax, this is because corporate profits tend to increase more than in proportion to output. Partly as a result of the higher tax take, many governments have also found themselves with a budget surplus.

The growth of tax revenues is one of several factors allowing the tax cuts, which have been announced recently in several countries (e.g. Canada, France, Germany and the USA).



### Central Government Debt (% of GDP)

Governments are amongst the major issuers of debt instruments in the global financial market. Throughout the 1990s, on average, the European Union countries, Japan and the United States accounted for more than 90 per cent of total central government debt among the OECD countries. In 1999, Japan was one of the largest borrowers in the OECD relative to the size of its economy with central government debts of 99% of GDP. Japan has also experienced a sharp rise in its debt since 1990 when debts stood at 49%.

	1990	1999
<b>United States</b>	<b>42.3</b>	<b>40</b>
<b>Japan</b>	<b>49.4</b>	<b>99</b>
<b>Germany</b>	<b>20.0</b>	<b>34.6</b>
<b>France</b>	<b>28.6*</b>	<b>48.6</b>
<b>Italy</b>	<b>95.4</b>	<b>108.6</b>
<b>United Kingdom</b>	<b>24.7</b>	<b>47.6</b>
<b>Canada</b>	<b>43.5</b>	<b>47.4</b>
<b>Finland</b>	<b>10.3</b>	<b>55.9</b>
<b>Ireland</b>	<b>88.1</b>	<b>45.4</b>
<b>Mexico</b>	<b>46.4</b>	<b>25.2</b>
<b>Netherlands</b>	<b>58.3</b>	<b>51.3</b>
<b>Norway</b>	<b>22.8</b>	<b>21.9</b>
<b>Portugal</b>	<b>56.6</b>	<b>59.5</b>
<b>Spain</b>	<b>35.5</b>	<b>48</b>
<b>Switzerland</b>	<b>12.8</b>	<b>26.3</b>
<b>Australia</b>	<b>6.5</b>	<b>13.7</b>
<b>Hungary</b>	<b>60.7</b>	<b>57.8</b>
<b>Republic of Korea</b>	<b>7.7</b>	<b>14.8</b>

\* 1992.

Source: OECD Central Government Debt: Statistical Yearbook 1980-1999. ISBN 92-64-08594-7. \$52.00

# OECD Assistance to Developing Countries

Although much of the world has enjoyed an economic boom for almost a decade, one person in five across the globe still lives on less than \$1 a day. Alongside efforts to foster economic development in the world's poorer countries through lower trade barriers, OECD countries have increased their aid to developing countries in a commitment to halve world poverty by 2015.

## Foreign Aid (\$ Million)

	1998	1999
<b>USA</b>	<b>8786</b>	<b>9145</b>
<b>Canada</b>	<b>1707</b>	<b>1699</b>
<b>Japan</b>	<b>10640</b>	<b>15323</b>
<b>France</b>	<b>5742</b>	<b>5637</b>
<b>Germany</b>	<b>5581</b>	<b>5515</b>
<b>UK</b>	<b>3864</b>	<b>3401</b>
<b>Italy</b>	<b>2278</b>	<b>1806</b>
<b>EU</b>	<b>5140</b>	<b>4937</b>

Note: Foreign aid does not include grants, loans, and credits for military purposes.

## Top Ten Recipients

USA Aid	EU Aid
<b>Israel</b>	<b>Poland</b>
<b>Russia</b>	<b>Czech Republic</b>
<b>Egypt</b>	<b>Morocco</b>
<b>Ukraine</b>	<b>Romania</b>
<b>Bosnia and Hertzogovina</b>	<b>Slovak Republic</b>
<b>Jordan</b>	<b>Egypt</b>
<b>Peru</b>	<b>Bosnia and Hertzogovina</b>
<b>India</b>	<b>Hungary</b>
<b>Indonesia</b>	<b>States Ex-Yugoslavia Unsp.</b>
<b>Colombia</b>	<b>Russia</b>

Source: DAC Journal Development Cooperation 2000 Report ISBN 92-64-19000-7 \$49.00



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