



Burden of Taxation: International Comparisons

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This note presents data comparing the national tax burdens of OECD and EU countries.

This note will be included as Chapter 3 of the forthcoming Research Paper *The Burden of Taxation 2008*. The table and chart references in this note correspond to those that will appear in the Research Paper.

The latest OECD figures were published on 15 October 2008. These showed that the UK had the 11th highest tax burden of the 30 OECD member states.

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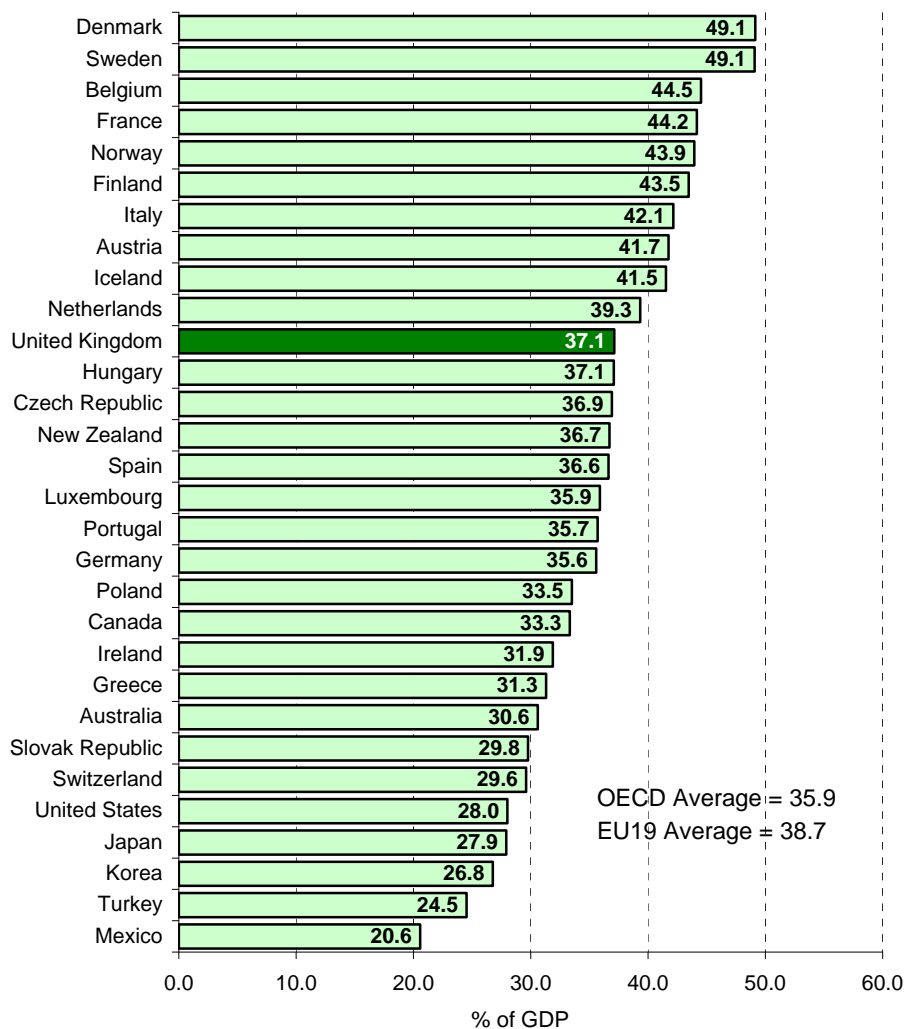
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3.1 National tax burdens

3.1.1 OECD figures

The chart below shows the national tax burden¹ for OECD countries for 2006. The tax burden in the UK was 37.1%, 11th highest of the 30 OECD countries. This was above the average for OECD countries of 35.9% and 1.6 percentage points below the average for the 19 EU member states in the OECD (EU19). More details are given in table A2.1.

Chart 3.1: Tax revenue as % of GDP: OECD countries: 2006



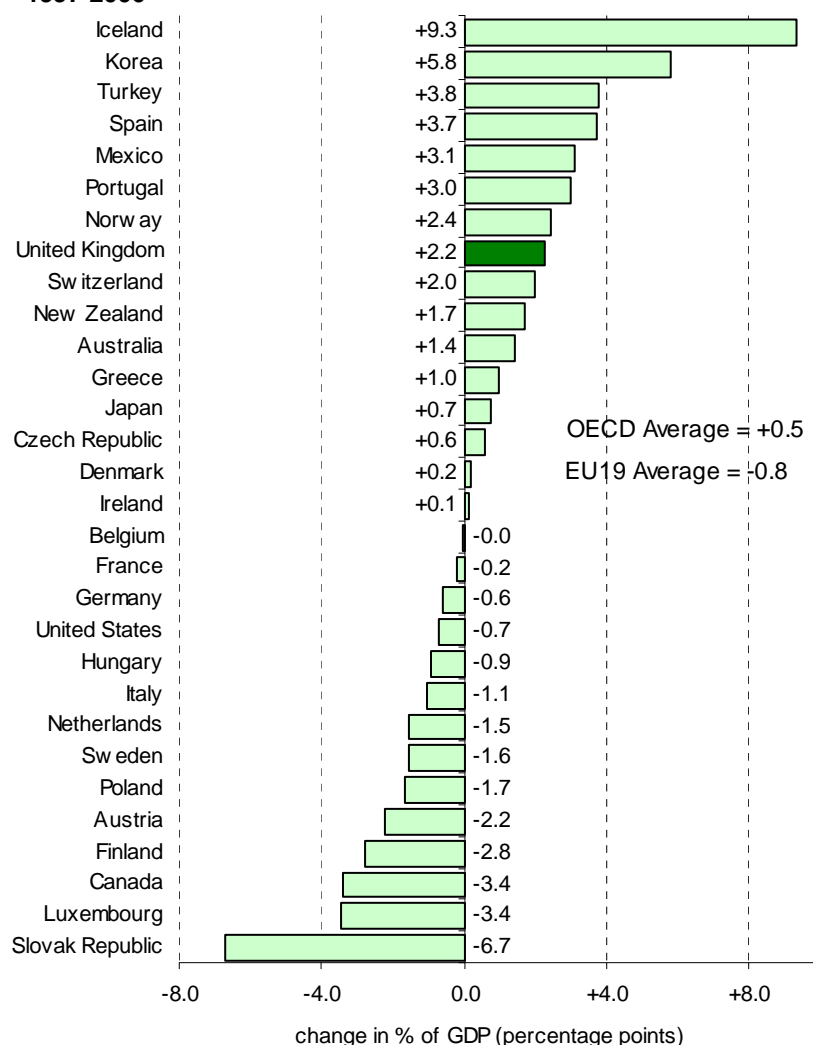
¹ Defined as total tax revenue (including compulsory social contributions) as a percentage of GDP at market prices.

Positions in the table broadly reflect generally higher levels of public spending associated with the European 'social democratic' model, compared with countries such as the US, Japan, Korea and Mexico. These four are the five lowest ranked countries, with the Slovak Republic the lowest ranked EU country on 29.8%.

Eight of the top ten countries ranking highest are EU member states, with Norway ranking 5th and Iceland 9th. The average for the EU19 in 2005, at 38.7%, is significantly higher than the average of 32.7% for the other 11 OECD countries, and 26.9% for the US, Canada and Mexico.

Chart 3.2 shows the change in the tax burden for each country between 1997 and 2006. It rose in 16 of the 30 countries shown. In the UK, the tax burden increased by 2.2 percentage points, the 8th highest increase.

Chart 3.2: Change in tax revenue as % of GDP: OECD countries: 1997-2006

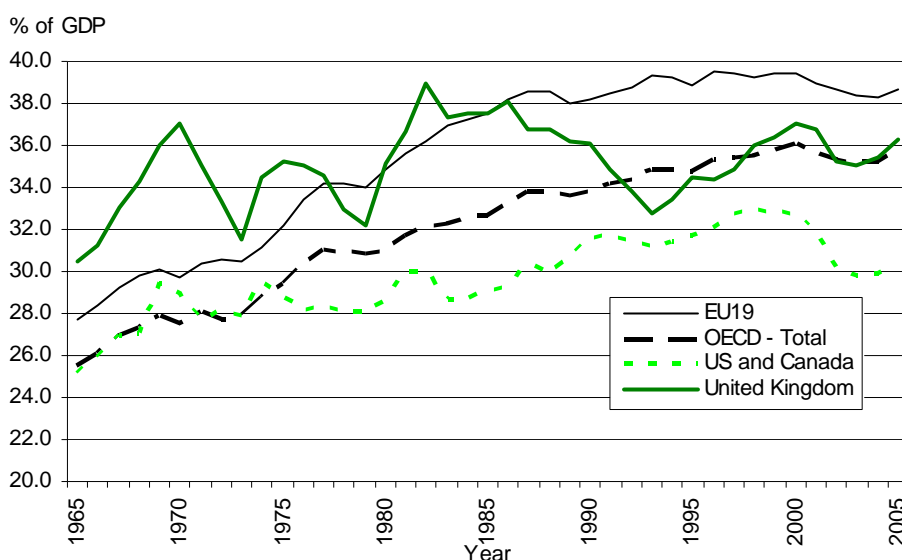


Provisional figures for 2007 suggest that the tax burden will fall in 15 of the 28 countries for which figures are available. However, these provisional data are likely to be revised on the basis of outturn tax receipts and GDP.

The burden in the UK was generally above the European average until the mid-1980s. Between 1986 and 1993, the burden in the UK fell by over five percentage points and in 1991 the UK fell below the OECD average for the first time in this series. The UK figure rose to the OECD average by 1998 and has remained close to it since then.

Ranked against other OECD countries, the tax burden in the UK was the 3rd highest in 1969 and 1970; by 1979 it was the 11th highest and it remained around this position throughout the 1980s. Since 1997 the UK's position has increased from 16th highest to 11th highest in 2006. Chart 3 shows the trend in the UK tax burden compared with groups of OECD countries.

Chart 3.3: Tax revenues as % of GDP: 1965-2006: selected OECD countries



As with all international comparisons, complete comparability of tax burden statistics is very difficult to achieve due to the widely variable nature of tax systems in different countries. In arriving at these figures, the OECD has defined taxes as “...compulsory, unrequited payments to general government”, and it is sometimes unclear whether certain levies and licence fees fall within this definition, although the effect from such revenue streams is likely to be relatively small.

Tax burden comparisons are also affected by the relative mix of tax reliefs and cash benefits (the former reducing the tax burden and the latter not) and variations in taxation of government-provided social benefits. Also, countries are at different stages in the economic cycle, which influences revenue from some taxes and GDP growth.

3.1.2 Eurostat figures

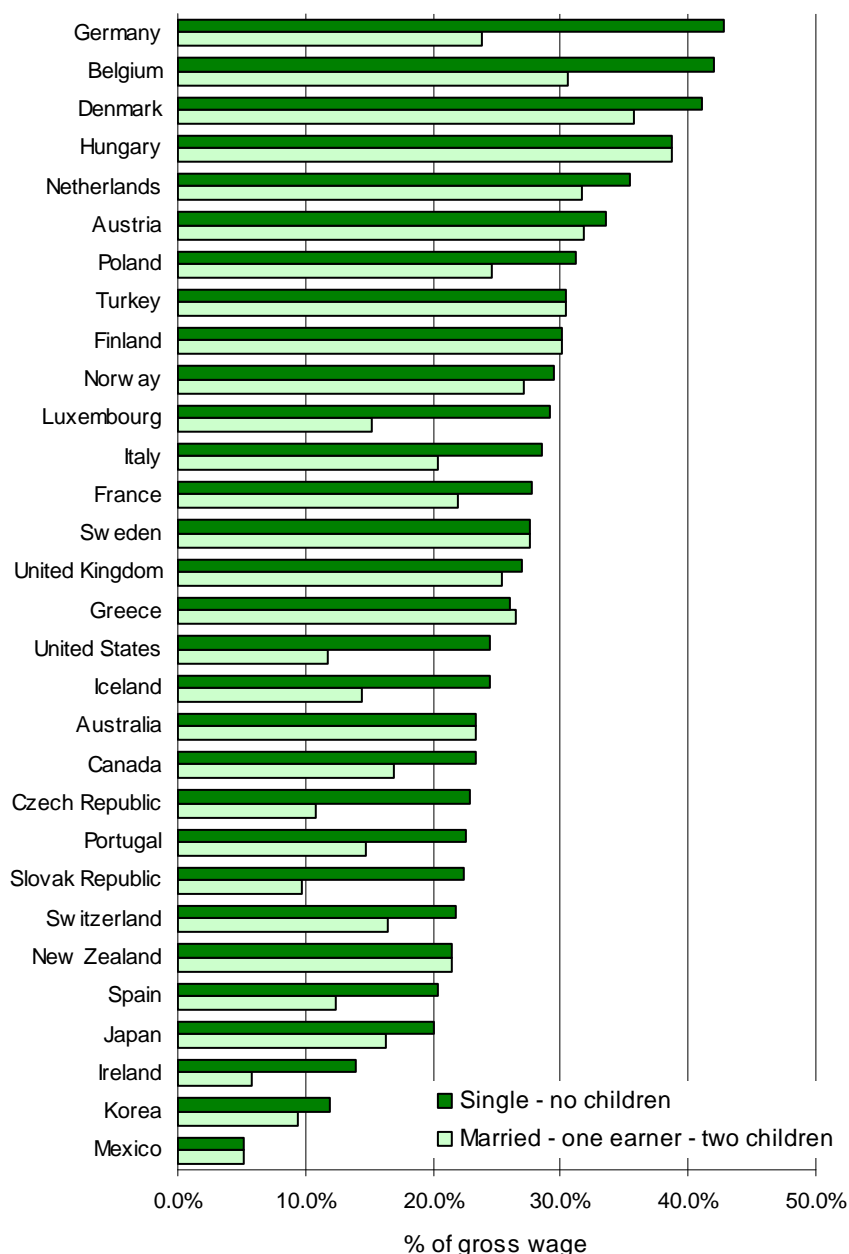
Eurostat, the statistical office of the European Communities, also publish figures comparing national tax burdens. The latest are for 2006. These are given in Table A3.2. These show a broadly similar picture to the OECD figures. The UK has the 6th lowest tax burden of EU15 countries: Greece has the lowest. Five of the new Member States also have lower tax burdens than the UK making the UK the 11th highest of the 25 EU countries.

The Eurostat figures also allow a breakdown between direct and indirect taxation and social security contributions. Across the EU as a whole, these each account for about a third of total taxation. In the UK, social security contributions account for around 18% of taxes in 2006, with only Ireland and Denmark having a lower proportion. The percentage taken from indirect taxes in the UK is 47%, almost thirteen percentage points above the EU average.

3.2 Hypothetical households: international comparisons

The OECD publishes international comparisons of the tax burden on certain hypothetical households earning wages equivalent to the average adult full-time manual worker in the manufacturing industry in each of the 30 OECD countries. Chart 3.3 shows the proportion of gross wages paid in tax, less cash benefits in 2007 for (a) a single person without children and (b) a single-earner married couple with two children, and ranked by the former:

Chart 3.4: Taxes less cash benefits as % of gross wages: 2007: for workers on average wage



The calculation of 'taxes' here reflects standard allowances and reliefs only. As a result, the exercise is subject to similar limitations, although the calculations do account for certain cash benefits such as child benefit in the case of the UK.²

A single person with no children earning the average wage in the UK made net payments of 27.0% of their gross earnings in 2007. This figure is above the average for the OECD 30 but below that for the EU15, with the UK ranked 15th highest in the OECD, and 13th highest of the 19 EU countries shown. Mexico has the lowest proportion of net tax payments as a proportion of gross wages, at 5.2%.

For a couple with two children with only one earner on the average wage, the figure for the UK is 25.4%, which is above the averages for both the OECD and the EU. It is ranked 11th highest in the OECD and 9th highest in the EU on this basis.³

Table A3.3 includes similar data for these two family structures for a range of multiples of the earnings of an average production worker.

3.3 Further reading and links

Members and their staff on the Parliamentary Intranet can access the full OECD reports on tax revenues and taxes on wages at:

<http://new.sourceoecd.org/taxation>

The OECD tax database is another useful source:

http://www.oecd.org/document/60/0,2340,en_2649_37427_1942460_1_1_1_37427,00.html

3.4 Additional tables

Table A3.1 Tax burden in OECD countries: 1975-2007

Table A3.2 Tax burden and structure of taxes: EU: 2006

Table A3.3 Tax less cash benefits as % of gross earnings: 2007: OECD

These tables are also available as Excel files for readers with access to the Parliamentary Intranet⁴

² Eurostat, the Statistical Office of the European Communities, also publishes similar data for the EU and accession countries; see Eurostat, *Structural Indicators*, Indicator I4: 'Tax rate on low-wage earners'

³ Note that the full publication of these data in OECD, *Taxing Wages 2006-07*, 2007 includes similar data for these two family structures for on a range of multiples of average wages.

⁴ at: <http://hcl1.hclibrary.parliament.uk/notes/epas/snep-03235.xls>

Table A3.1: Tax burden in OECD countries (a): 1975-2007

Total tax revenue as % of GDP at market prices

	1975	1980	1985	1990	1997	2000	2005	2006	2007 (b)	Rank 2006
Australia	25.8	26.7	28.3	28.5	29.2	31.1	30.8	30.6	..	23
Austria	36.7	39.0	40.9	39.6	43.9	42.6	42.1	41.7	41.9	8
Belgium	39.5	41.3	44.4	42.0	44.5	44.9	44.8	44.5	44.4	3
Canada	32.0	31.0	32.5	35.9	36.7	35.6	33.4	33.3	33.3	20
Czech Republic (c)	..	..	..	..	36.3	35.3	37.5	36.9	36.4	13
Denmark	38.4	43.0	46.1	46.5	48.9	49.4	50.7	49.1	48.9	1
Finland	36.5	35.7	39.7	43.5	46.3	47.2	43.9	43.5	43.0	6
France	35.4	40.1	42.8	42.0	44.4	44.4	43.9	44.2	43.6	4
Germany (d)	34.3	36.4	36.1	34.8	36.2	37.2	34.8	35.6	36.2	18
Greece	19.4	21.6	25.5	26.2	30.3	34.1	31.3	31.3	..	22
Hungary (c)	..	..	..	..	38.0	38.0	37.2	37.1	39.3	12
Iceland	30.0	29.6	28.2	30.9	32.2	37.2	40.7	41.5	41.4	9
Ireland	28.7	31.0	34.6	33.1	31.7	31.7	30.6	31.9	32.2	21
Italy	25.4	29.7	33.6	37.8	43.2	42.3	40.9	42.1	43.3	7
Japan	20.9	25.4	27.4	29.1	27.2	27.0	27.4	27.9	..	27
Korea	15.1	17.2	16.4	18.9	21.0	23.6	25.5	26.8	28.7	28
Luxembourg	32.8	35.7	39.5	35.7	39.3	39.1	37.8	35.9	36.9	16
Mexico	..	16.2	17.0	17.3	17.5	18.5	19.9	20.6	19.8	30
Netherlands	40.7	42.9	42.4	42.9	40.9	39.7	38.8	39.3	38.0	10
New Zealand	28.5	30.6	31.1	37.4	35.0	33.6	37.5	36.7	36.0	14
Norway	39.2	42.4	42.6	41.0	41.5	42.6	43.5	43.9	43.4	5
Poland (c)	..	..	..	..	35.2	31.6	32.9	33.5	..	19
Portugal	19.7	22.9	25.2	27.7	32.7	34.1	34.7	35.7	36.6	17
Slovak Republic (e)	..	..	..	..	..	33.8	31.8	29.8	29.8	24
Spain	18.4	22.6	27.6	32.5	32.9	34.2	35.8	36.6	37.2	15
Sweden	41.2	46.4	47.3	52.2	50.6	51.8	49.5	49.1	48.2	2
Switzerland	23.9	24.7	25.5	25.8	27.6	30.0	29.2	29.6	29.7	25
Turkey	11.9	13.3	11.5	14.9	20.7	24.2	24.3	24.5	23.7	29
United Kingdom	35.2	35.1	37.6	36.1	34.9	37.1	36.3	37.1	36.6	11
United States	25.6	26.4	25.6	27.3	28.7	29.9	27.3	28.0	28.3	26
OECD Total	29.4	31.0	32.7	33.8	35.4	36.1	35.8	35.9	..	
OECD America	28.8	24.5	25.0	26.8	27.6	28.0	26.9	27.3	27.2	
OECD Pacific	22.6	25.0	25.8	28.5	28.1	28.8	30.3	30.5	..	
OECD Europe	30.9	33.3	35.3	36.1	37.8	38.4	38.0	38.0	..	
EU19	32.2	34.9	37.6	38.2	39.5	39.4	38.7	38.7	..	

Notes: (a) Ranked by 2005 figures. 2006 data provisional & incomplete, as denoted by -

(b) Provisional

(c) Czech Republic, Hungary and Poland joined OECD in 1995/1996; data not available for some years

(d) Unified Germany from 1991 onwards

(e) Slovak Republic joined OECD in 2000; data prior to 1998 not available

Source: OECD, *Revenue Statistics 1965-2007*, 2008, table A

Table A3.2: **Tax burden and structure of taxes: EU: 2006**

	Total tax burden as % of GDP	Rank	% of total taxes (2006)		
			Indirect	Direct	Social Security Contributions
Austria	41.8%	7	34.3%	31.5%	34.4%
Belgium	44.6%	3	31.0%	38.6%	30.4%
Bulgaria	34.4%	18	56.5%	20.1%	25.5%
Cyprus	36.6%	13	49.0%	29.6%	21.4%
Czech Republic	36.2%	15	30.9%	24.4%	44.7%
Denmark	49.1%	1	36.6%	61.5%	2.1%
Estonia	31.0%	23	44.0%	23.0%	32.9%
Finland	43.5%	5	31.9%	40.3%	27.8%
France	44.2%	4	35.4%	27.8%	37.2%
Germany	39.3%	9	31.6%	27.8%	40.6%
Greece	31.4%	22	39.0%	25.7%	35.3%
Hungary	37.2%	12	41.0%	25.3%	33.6%
Ireland	32.6%	21	44.0%	41.1%	14.9%
Italy	42.3%	6	35.6%	34.3%	30.1%
Latvia	30.1%	24	43.3%	27.9%	28.8%
Lithuania	29.7%	25	38.9%	32.6%	28.6%
Luxembourg	35.6%	17	35.1%	37.0%	27.9%
Malta	33.8%	20	45.6%	35.9%	18.5%
Netherlands	39.5%	8	33.6%	30.5%	36.0%
Poland	33.8%	19	42.8%	22.2%	36.1%
Portugal	35.9%	16	43.8%	24.5%	31.7%
Romania	28.6%	27	44.5%	21.4%	34.2%
Slovakia	39.1%	10	39.7%	23.9%	36.6%
Slovenia	29.3%	26	39.6%	20.4%	40.0%
Spain	36.5%	14	34.8%	33.3%	33.3%
Sweden	48.9%	2	34.8%	40.4%	24.8%
United Kingdom	37.4%	11	35.2%	46.7%	18.1%
EU27	39.9%		34.9%	33.8%	31.5%
Eurozone	40.5%		34.3%	30.7%	35.2%

Source: Eurostat, *Taxation Trends in the EU: 2008 edition*, 2008

Table A3.3: Tax (a) less cash benefits as % of gross earnings: 2007: OECD

Family type Number of children Wage level (b)	Single				Married			
	None 67%	None 100%	None 167%	Two 67%	Two 100%,0%	Two 100%,33%	Two 100%,67%	None 100%,33%
Australia	19.1%	23.4%	28.8%	18.9%	23.4%	19.6%	21.7%	19.6%
Austria	27.8%	33.5%	37.9%	25.1%	31.8%	29.5%	31.2%	29.5%
Belgium	35.3%	42.0%	48.8%	29.8%	30.6%	32.8%	38.0%	34.7%
Canada	19.4%	23.3%	26.9%	8.3%	16.9%	18.8%	20.9%	19.9%
Czech Republic	19.7%	22.9%	28.0%	12.5%	10.8%	16.1%	18.7%	20.7%
Denmark	38.8%	41.0%	49.5%	38.8%	35.8%	38.9%	39.7%	38.9%
Finland	23.4%	30.1%	37.4%	23.4%	30.1%	26.2%	27.5%	26.2%
France	25.8%	27.8%	33.2%	21.1%	21.9%	21.1%	24.7%	23.8%
Germany	37.0%	42.8%	45.9%	21.7%	23.9%	30.0%	34.5%	37.0%
Greece	18.9%	26.1%	32.8%	17.7%	26.5%	23.9%	24.9%	24.5%
Hungary	26.9%	38.7%	44.4%	26.9%	38.7%	33.2%	34.0%	33.2%
Iceland	19.5%	24.4%	28.4%	19.5%	14.4%	19.5%	22.5%	19.5%
Ireland	5.9%	13.9%	25.9%	2.7%	5.9%	7.0%	10.7%	7.0%
Italy	23.4%	28.5%	34.8%	14.7%	20.4%	19.8%	23.2%	23.8%
Japan	18.4%	20.1%	24.1%	15.1%	16.3%	17.1%	17.8%	19.1%
Korea	8.8%	11.9%	15.7%	8.1%	9.5%	9.2%	9.4%	10.8%
Luxembourg	22.0%	29.1%	36.8%	14.2%	15.3%	17.2%	21.2%	20.2%
Mexico	-1.2%	5.2%	13.8%	-1.2%	5.2%	0.9%	2.7%	0.9%
Netherlands	30.7%	35.4%	40.3%	13.9%	31.7%	30.1%	32.0%	32.0%
New Zealand	19.1%	21.5%	27.3%	19.1%	21.5%	20.4%	20.6%	20.4%
Norway	25.7%	29.5%	35.9%	22.0%	27.1%	26.7%	28.0%	26.7%
Poland	29.7%	31.1%	32.3%	24.7%	24.7%	24.7%	26.1%	29.7%
Portugal	16.6%	22.5%	29.6%	12.5%	14.8%	15.0%	18.9%	16.6%
Slovak Republic	18.7%	22.4%	25.2%	10.7%	9.7%	14.7%	17.7%	18.7%
Spain	16.1%	20.4%	25.3%	6.4%	12.4%	15.3%	16.2%	16.9%
Sweden	24.9%	27.6%	37.9%	24.9%	27.6%	25.3%	26.5%	25.3%
Switzerland	18.7%	21.8%	26.6%	14.0%	16.5%	17.4%	19.7%	19.4%
Turkey	29.2%	30.3%	32.4%	29.2%	30.3%	29.8%	29.9%	29.8%
United Kingdom	24.0%	27.0%	30.7%	14.4%	25.4%	22.8%	25.5%	24.0%
United States	22.1%	24.5%	30.3%	0.3%	11.8%	16.0%	18.6%	22.2%
OECD average	22.2%	26.6%	32.2%	17.0%	21.0%	21.3%	23.4%	23.0%
UK ranking (out of 30)	12	15	16	18	11	13	12	13

Notes: (a) Income tax and compulsory employee contributions (i.e National Insurance in UK)
(b) As % of average production worker, for each person in a two-person household

Source: OECD, *Taxing Wages 2007-2008*, 2008, Table I.2