General government revenues

Revenues raised by governments are used to finance the provision of goods and services and carry out a redistributive role. The main two sources of government revenues are taxes and social contributions. The amount of revenues raised by governments is related to the economic fluctuations associated to the business cycle as well as historical and current policy choices. For example, governments could choose to provide pensions directly, or allow the provision of retirement benefits by private providers. Their decision will affect how much government revenue they need to raise and by which instrument (e.g. taxes or social contributions). While for a certain period of time additional revenue requirements could be financed by acquiring debt, in the long run, revenues and expenditures should be balanced to guarantee the sustainability of public finances.

In 2013, general government revenues represented on average 37.7% of GDP across OECD countries, a similar figure to pre-crisis levels (37.5% in 2007). However, between 2007 and 2009 average revenues decreased by 1.4 percentages points reaching 36.0% of GDP. This decline could be primarily attributed to sluggish or diminishing economic growth during the global financial and economic crisis. In 2013 the amount of revenues collected across countries varied significantly. On the one hand, the general government revenues in Denmark, Norway, Finland, France, Sweden and Belgium were above 50% of GDP. On the other end of the distribution Australia, Japan, Switzerland, the United States and Korea collected around one third of GDP, while Mexico was below one quarter. According to the latest data, only available for a subset of OECD countries, government revenues remained fairly stable between 2013 and 2014. Denmark (2.5 p.p.) experienced the highest increase in revenues that can be partially attributed to the return of economic growth and enhanced internal demand (OECD 2014a).

An alternative way of comparing the size of government revenues is by looking at the revenues collected per capita. In 2013, OECD countries collected on average USD 16 851 PPP per capita, and the two countries with the highest collections were Luxembourg and Norway (USD 40 295 PPP and USD 36 431 PPP respectively). In the case of Luxembourg this could be explained by the relative importance of cross-border workers who although working in Luxembourg, are not counted as residents. In the case of Norway, collection ratios can be attributed to oil revenues. In contrast, revenues per capita are relatively lower in eastern European countries that have, in general, weaker tax systems.

Between 2007 and 2013, the real government revenues per capita increased on average at an annual pace of 0.13% across OECD member countries. Nonetheless, the pace sped up between 2009 and 2013 of the real government revenues per capita increased by 2.4% each year and for OECD countries with available information continued to be fairly stable when adding an additional year (i.e. for the 2009-14 period). In contrast, accession countries and strategic partners reported a vigorous growth rate in revenues per capita between 2009 and 2013, although with a slowdown when an additional year is added (2009-14) in the cases where data are available. All in all, these figures show that the effects of the global financial and economic crisis deeply challenged the ability of governments to collect revenues in OECD countries compared to countries in other regions of the world. However, for this last group the trend seems to be changing as economic growth is slowing down.

Methodology and definitions

Revenues data are derived from the *OECD National Accounts Statistics* (database), which are based on the *System of National Accounts* (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. There have been revisions in the SNA framework and most of the OECD countries have partly or entirely implemented the updated 2008 SNA methodology (see Annex A for details). Using SNA terminology, general government consists of central government, state government, local government and social security funds. Revenues encompass taxes, net social contributions, and grants and other revenues. Gross domestic product (GDP) is the standard measure of the value of goods and services produced by a country during a period.

Government revenues per capita were calculated by converting total revenues to USD 2011 using the OECD/Eurostat purchasing power parities (PPP) for GDP and dividing them by population. For the countries whose data source is the IMF *Economic Outlook* an implied PPP conversion rate was used. PPP is the number of units of country B's currency needed to purchase the same quantity of goods and services in country A.

Further reading

OECD (2014), *National Accounts at a Glance 2014*, OECD, Paris, *http://dx.doi.org/10.1787/na_glance-2014-en*.

Figure notes

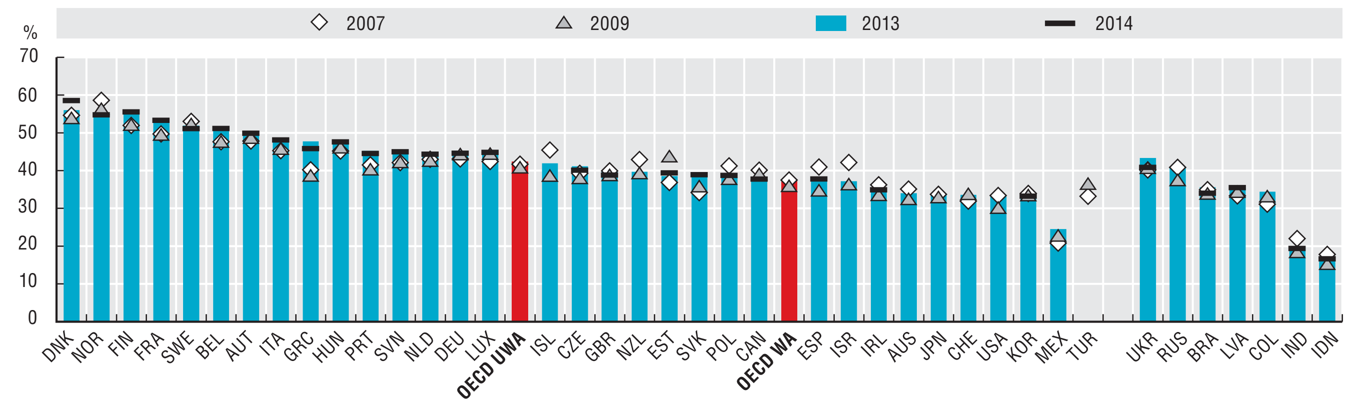
Data for Chile are not available. Data for Colombia and Russia are 2012 rather than 2013.

2.17 and 2.18: Data for Turkey and are not included in the OECD average due to missing time-series.

2.19: Data for Turkey are not available.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

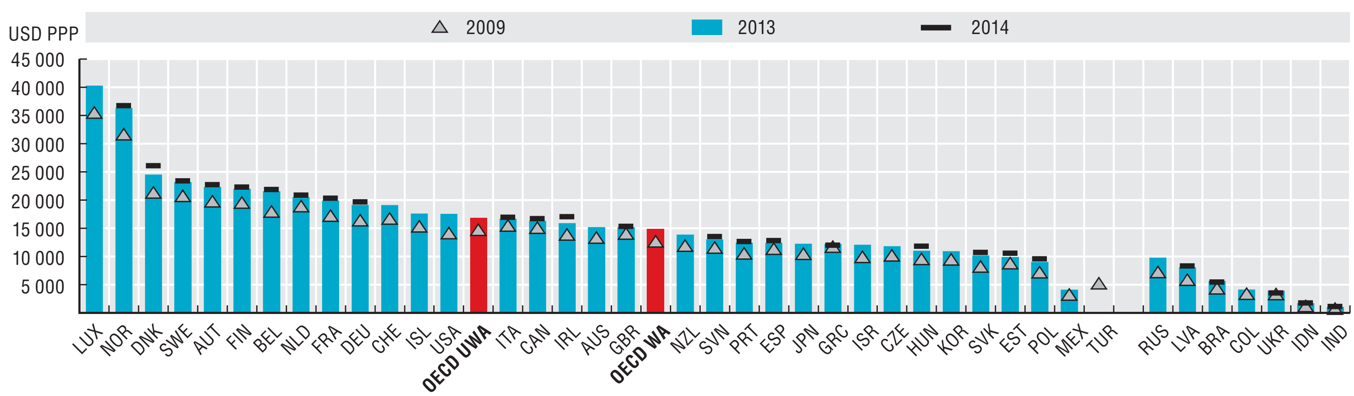
2.17. General government revenues as a percentage of GDP, 2007, 2009, 2013 and 2014



Sources: OECD National Accounts Statistics (database). Data for the other major economies of Brazil, India, Indonesia and Ukraine are from the *IMF Economic Outlook* (April 2015).

StatLink http://dx.doi.org/10.1787/888933248215

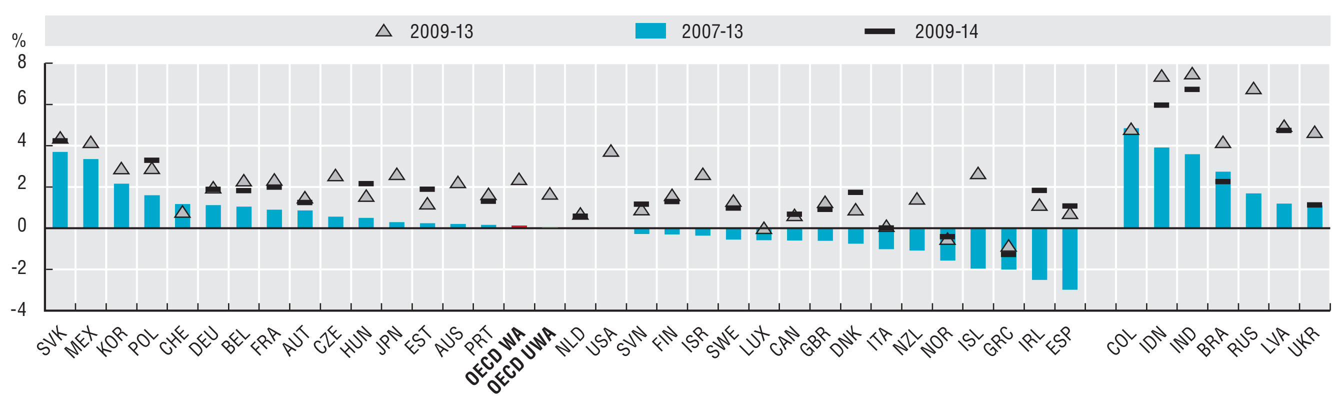
2.18. General government revenues per capita, 2009, 2013 and 2014



Sources: OECD National Accounts Statistics (database). Data for the other major economies of Brazil, India, Indonesia and Ukraine are from the *IMF Economic Outlook* (April 2015).

StatLink http://dx.doi.org/10.1787/888933248221

2.19. Annual average growth rate of real government revenues per capita, 2007-13, 2009-13 and 2009-14



Sources: OECD National Accounts Statistics (database). Data for the other major economies of Brazil, India, Indonesia and Ukraine are from the *IMF Economic Outlook* (April 2015).

StatLink http://dx.doi.org/10.1787/888933248237

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