

## 2. PUBLIC FINANCE AND ECONOMICS

### Revenue structure by level of government

Revenues are collected differently across central, state and local governments as they differ in terms of their ability to levy taxes and collect social contributions. The amount of taxes collected by sub-central governments provides a proxy of their autonomous fiscal capacity, while the volume of the revenue transfers between levels of government can be considered a proxy of the fiscal interdependence. However, revenues include both own-source taxes and shared taxes and for these latter, there is no autonomous fiscal capacity. Limits on sub-central governments' ability to set their own local tax bases, rates and reliefs reduce their power to generate their own revenue sources and potentially their ability to provide more tailored public goods and services.

On average, central governments collected the majority of general government revenues in 2013 (50.6%), followed by state governments (18.6%) and local governments (12.2%), while the remainder was collected through social security funds (18.6%). However, the revenue structure by levels of government can be quite different across OECD member countries. Central governments in Ireland, the United Kingdom, New Zealand and Norway collected over 85% of general government revenues. In contrast, central governments in Poland, Korea, Finland, Spain, France, Canada, Switzerland, Germany and Japan collected less than 50.6% (the average of OECD member countries). Central governments in Denmark and Slovenia were the countries with the largest increase in terms of share of general government revenues from 2013 and 2014, while Korea was the one with the largest reduction.

The OECD member countries with the highest collection of revenues at sub-central level in 2013 were, on the one hand, three federal countries in which state governments collected the highest share of revenues: Canada (43.6%), the United States (42.5%) and Australia (38.0%). On the other hand local governments in Sweden, Korea and Japan collected a larger share of total revenues (34.6%, 33.9% and 33.8% respectively).

In 2013, central government budgets across OECD member countries were mainly financed by taxes, ranging from 91.3% in Switzerland to 53.9% in Norway. By contrast, sub-central fiscal resources were mainly collected through intergovernmental grants and other revenues. Only in federal countries such as Germany, Canada, Switzerland and the United States did state governments raise the majority of revenues via tax receipts.

#### 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 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, state and local governments, and social security funds. State government is only applicable to the nine OECD countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a quasi-federal country), Switzerland and the United States. Data in Figures 2.23 and 2.25 (available on line) exclude transfers between levels of government in order to see the contribution of each sub-sector in general government total revenues, which are at this level consolidated. However, data on the structure of revenues at the central, state and local levels include transfers between levels of government. Table 2.25, Change in the distribution of government revenues across levels of government, 2009 to 2013 (and 2014), as well as Figures 2.26 and 2.27 (structure of state and local government revenues), are available online at <http://dx.doi.org/10.1787/888933248298>, <http://dx.doi.org/10.1787/888933248307>, <http://dx.doi.org/10.1787/888933248315> respectively.

Revenues encompass taxes (e.g. taxes on consumption, income, wealth, property and capital), net social contributions (e.g. contributions for pensions, health and social security; net means after deduction of social insurance scheme service charges, where applicable), and grants and other revenues. Grants can be from foreign governments, international organisations or other general government units. Other revenues include sales, fees, property income and subsidies. These aggregates are not directly available in the OECD National Accounts, and were constructed using sub-account line items (see Annex B).

#### Further reading

OECD (2013), *OECD Regions at a Glance 2013*, OECD, Paris, [http://dx.doi.org/10.1787/reg\\_glance-2013-en](http://dx.doi.org/10.1787/reg_glance-2013-en).

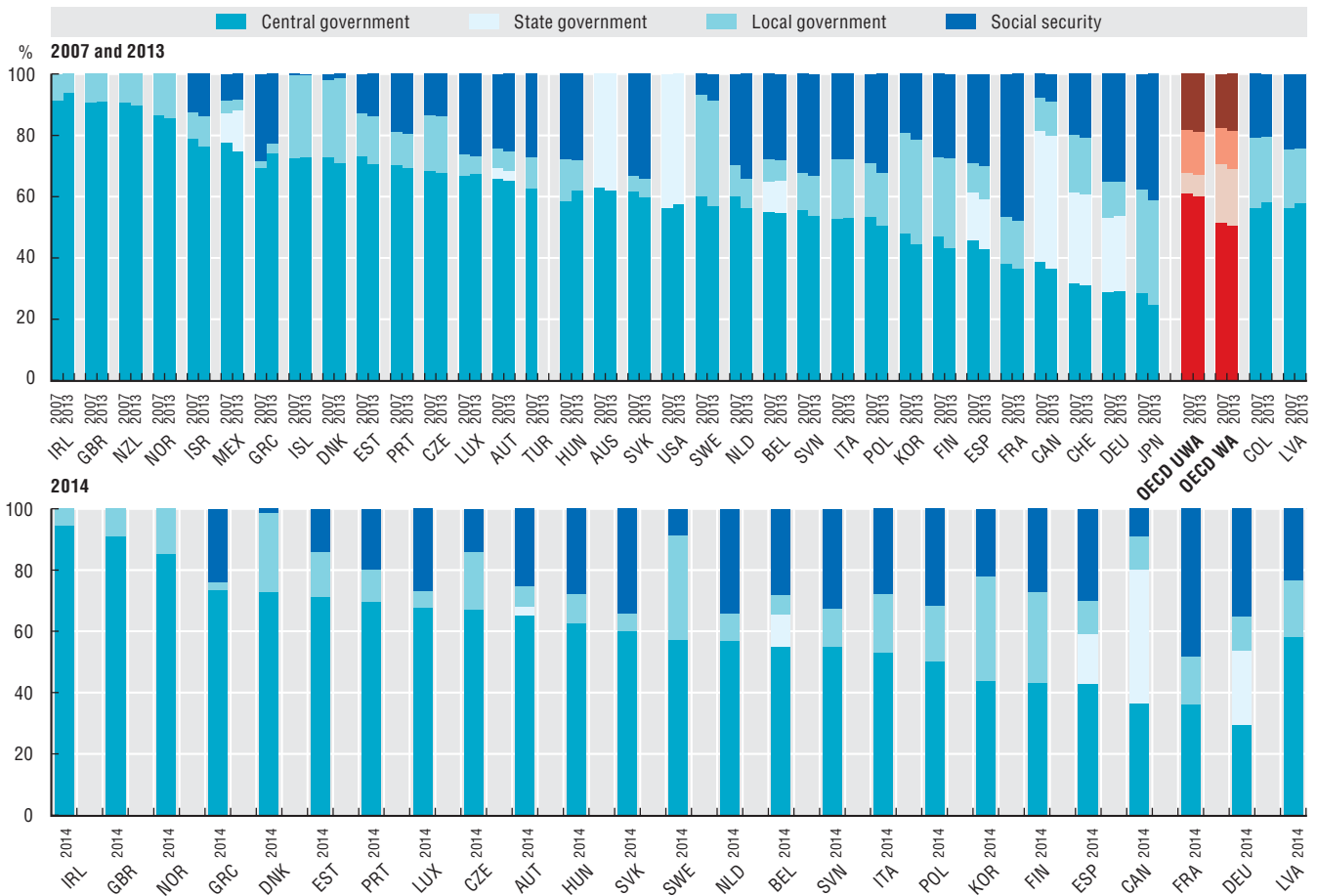
#### Figure notes

Data for Chile are not available. Australia does not operate government social insurance schemes. Data for Australia and Colombia refer to the year 2012 rather than 2013.

2.23: In 2014, data for the OECD non-European countries (apart from Canada and Korea) and for Iceland, Turkey and Switzerland are not available. Data for Turkey are not included in the OECD average due to missing time series. Transfers between levels of government are excluded (apart from Australia, Korea, Japan and Turkey). Local government is included in state government for Australia and the United States. Social security funds are included in central government in Ireland, New Zealand, Norway, the United Kingdom and the United States.

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

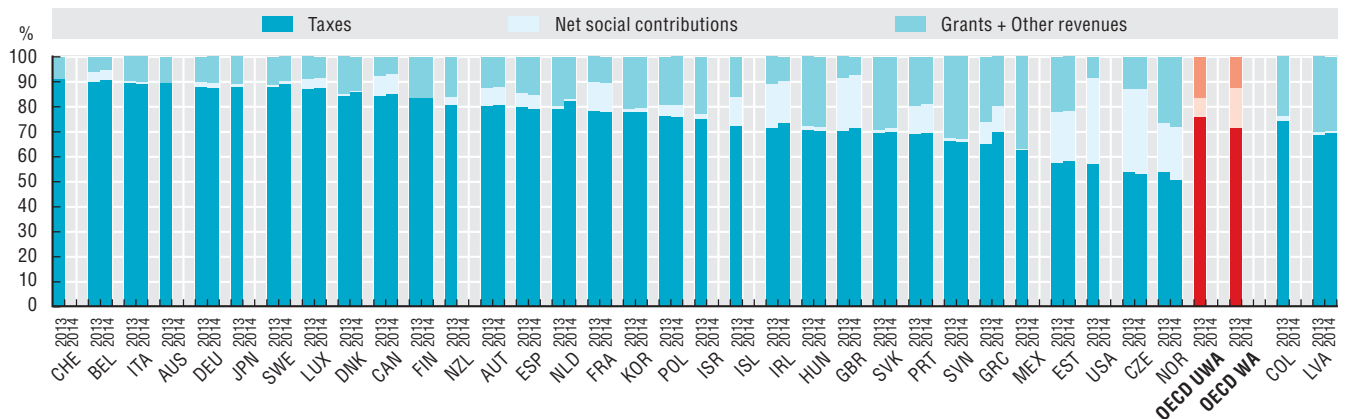
2.23. Distribution of general government revenues across levels of government, 2007, 2013 and 2014



Source: OECD National Accounts Statistics (database).

StatLink <http://dx.doi.org/10.1787/888933248279>

2.24. Structure of central government revenues, 2013 and 2014



Source: OECD National Accounts Statistics (database).

StatLink <http://dx.doi.org/10.1787/888933248282>



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