Consumption Tax Trends 2014

VAT/GST AND EXCISE RATES, TRENDS AND POLICY ISSUES

OECD

Consumption Tax Trends 2014

VAT/GST AND EXCISE RATES,
TRENDS AND POLICY ISSUES

OECD
BETTER POLICIES FOR BETTER LIVES

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Please cite this publication as:
OECD (2014), *Consumption Tax Trends 2014*, OECD Publishing.
http://dx.doi.org/10.1787/ctt-2014-en

ISBN 978-92-64-22393-6 (print)
ISBN 978-92-64-22394-3 (PDF)

Annual: Consumption Tax Trends 2014
ISSN: 1562-8752 (print)
ISSN: 1999-0979 (online)

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Corrigenda to OECD publications may be found on line at: *www.oecd.org/about/publishing/corrigenda.htm.*

Foreword

This is the tenth edition of Consumption Tax Trends, *a biennial OECD publication. It presents cross-country comparative data relative to consumption taxes in OECD member countries, as at 1 January 2014. Tables using data from the* National Accounts *and data on tax revenue from* Revenue Statistics 1965-2013 *are updated up to and including 2012. Data on fuel oils taxation tables taken from* Energy Prices and Taxes – Quarterly Statistics *issued by the International Energy Agency are updated as at 4th Quarter 2013. The country data for the report have, for the most part, been provided by delegates to Working Party No. 9.*

This publication illustrates the evolution of consumption taxes as instruments for raising tax revenue. It identifies and documents the large number of differences that exist in respect of the consumption tax base, rates and implementation rules while highlighting the features underlying their development. It looks, in particular, at developments in the Value Added Tax/Goods and Services Tax (VAT/GST) area. It notably presents an updated estimate of the VAT Revenue Ratio (VRR) for OECD countries, providing an indicator of the loss of VAT revenue as a consequence of exemptions and reduced rates, fraud, evasion and tax planning. It also notes the emergence of the OECD International VAT/GST Guidelines as the international standard for the application of VAT to cross-border trade in services and intangibles.

Chapter 1 summarises trends in consumption taxes and their main features. It shows the evolution of consumption tax revenues between 1965 and 2012 and looks in some more detail at the application of VAT to international trade, more particularly at the challenges of applying VAT to cross-border trade in services and intangibles and at the OECD International VAT/GST Guidelines. It also considers the recent evolutions concerning VAT fraud. Chapter 2 describes the key features of VAT regimes in OECD countries, i.e. tax rates, exemptions, specific restrictions to input tax credit, registration and collection thresholds, VAT relief arrangements for goods imported by final consumers and special tax collection methods. It is complemented with a technical note on the rationale and impact of reduced VAT rates, based on recent OECD research. Chapter 3 describes how the VAT Revenue Ratio (VRR) provides an indicator of the effect of exemptions, reduced rates and non-compliance on government revenues and explains how it is calculated and should be interpreted. It is complemented with technical notes on measurement issues. Chapter 4 describes the main features of the excise duties and their impact on revenue, customer behaviour and markets. It also shows the detailed excise tax rates on beer, wine, alcoholic beverages, tobacco, and mineral oil products in OECD countries. Chapter 5 describes the main features of vehicle taxes and their use for influencing customer behaviour. It provides detailed information on taxes on sale and registration of vehicles and recurrent taxes.

This publication was prepared under the auspices of the Working Party No. 9 on Consumption Taxes, of the Committee on Fiscal Affairs. It was written by Stéphane Buydens of the OECD Centre for Tax Policy and Administration (CTPA).

Table of contents

Acknowledgements 8

Executive summary 9

Chapter 1. **Taxing consumption** 13
1. Introduction 14
2. Classification of consumption taxes 15
3. Evolution of consumption tax revenues 15
4. Spread of VAT 18
5. The main features of VAT design 19
6. Main design features of Retail Sales Taxes 21
7. Main characteristics of consumption taxes on specific goods and services 22
8. VAT and international trade – The destination principle 23
9. The VAT fraud issue 29

Notes 31
Bibliography 31

Annex 1.A1. Data on taxing consumption 33

Chapter 2. **Value added taxes: Rates and structure** 43
1. Introduction 44
2. The evolution of standard rates and reduced rates 44
3. Exemptions 46
4. Restrictions to the right to deduct VAT on specific inputs 48
5. Registration and collection thresholds 49
6. VAT relief for goods imported by final consumers 50
7. Special VAT collection methods 50
8. Technical note – Rationale and impact of reduced VAT rates 51

Notes 57
Bibliography 58

Annex 2.A2. Data on VAT-GST rates and structures 59

Chapter 3. **Measuring performance of VAT** 91
1. Introduction 92
2. What does the VRR measure and how is it calculated? 93
3. The VRR estimates for OECD countries 94
4. How to interpret the VRR estimates? 97
5. Technical notes 99

Notes 106
Bibliography 107

Annex 3.A3. VAT Revenue Ratio 109

Chapter 4. **Selected excise duties in OECD countries** . . . 111
1. Introduction . . . 112
2. Alcoholic beverages . . . 114
3. Tobacco products . . . 115
4. Mineral oil products . . . 115
5. Impact on cross-border trade . . . 117
6. Distributional impact of excise . . . 117

Notes . . . 118
Bibliography . . . 118

Annex 4.A4. Data on excise rates . . . 119

Chapter 5. **Taxing vehicles** . . . 143
1. Introduction . . . 144
2. Car taxation and polluting emissions . . . 145
3. Taxes on purchase and registration of motor vehicles . . . 146
4. Periodic taxes in connection with ownership or use of motor vehicles . . . 147

Bibliography . . . 147

Annex 5.A5. Data on car taxation . . . 149

Annex A. **Exchange rates** . . . 169

Annex B. **Countries with VAT** . . . 171

Annex C. **Statement of outcomes on the OECD international VAT/GST guidelines** . . . 175

Tables

1.A1.1. Consumption taxes (5100) as percentage of total taxation . . . 34
1.A1.2. Taxes on general consumption (5110) as percentage of GDP . . . 35
1.A1.3. Taxes on general consumption (5110) as percentage of total taxation . . . 36
1.A1.4. Taxes on specific goods and services (5120) as percentage of GDP . . . 37
1.A1.5. Taxes on specific goods and services (5120) as percentage of total taxation . . . 38
1.A1.6. Value added taxes (5111) as percentage of GDP . . . 39
1.A1.7. Value added taxes (5111) as percentage of total taxation . . . 40
1.A1.8. Tax structures in the OECD area . . . 41
2.A2.1. VAT/GST rates . . . 60
2.A2.2. Application of lower VAT/GST rates . . . 62
2.A2.3. Annual turnover concessions for VAT/GST registration and collection (domestic businesses) . . . 66
2.A2.4. VAT/GST Exemptions . . . 69
2.A2.5. Restrictions to the right to deduct VAT/GST on specific inputs . . . 73
2.A2.6. Special VAT/GST taxation methods . . . 76
2.A2.7. Import/export of goods by individuals . . . 81
2.A2.8. VAT/GST relief for low value imports . . . 89
3.A3.1. VAT Revenue Ratio (VRR) . . . 110
4.A4.1. Taxation of beer . . . 120
4.A4.2. Taxation of wine . . . 125
4.A4.3. Taxation of alcoholic beverages . . . 128
4.A4.4. Taxation of tobacco . . . 131
4.A4.5. Taxation of premium unleaded (94-96 RON) gasoline (per litre), 2013 . . . 134

4.A4.6. Taxation of automotive diesel (per litre), 2013 136
4.A4.7. Taxation of liquid petroleum gas (LPG) Propellant use (per litre), 2013 138
4.A4.8. Taxation of light fuel oil for households (per litre), 2013 140
4.A4.9. Excises (5121) as percentage of total taxation 142
5.A5.1. Taxes on sale and registration of motor vehicles 150
5.A5.2. Taxes on ownership or use of motor vehicles 159

Figures

1.1. Average tax revenue as a percentage of total taxation, by category of tax, 2012 16
1.2. Share of consumption taxes as percentage of total taxation 17
1.3. Evolution of the tax mix 17
1.4. Countries with VAT 1960 – 2014 18
2.1. Standard rates of VAT, 2014 45
2.2. All-country average of the average tax expenditure per household from all reduced rates (20 countries) 53
2.3. All-country average of the average tax expenditure per household from reduced rates on food (15 countries) 53
2.4. All-country average of the average tax expenditure per household from reduced rates on pharmaceuticals (15 countries) 54
2.5. All-country average of the average tax expenditure per household from reduced rates on cinema, theatre and concerts (10 countries) 55
2.6. All-country average of the average tax expenditure per household from reduced rates on restaurant food (11 countries) 56
3.A3.1. VAT Revenue Ratio 2012 95

Acknowledgements

Acknowledgements are due to: David Bradbury (Head, Tax Policy and Statistics Division); Piet Battiau (Head, Consumption Taxes Unit), Maurice Nettley (Head, Tax Data, Statistics and Indicators Unit), Kurt Van Dender (Head, Tax and Environment Unit); Alastair Thomas (Tax Economist), Sarah Perret (Junior Tax Economist); Michel Lahittete (Statistician), Michael Sharrat (Statistician) and Richard Highfield (Policy Analyst, Tax Administration Unit), CTPA; Catherine La Rosa-Elkaim (Head of Annual National Accounts Unit); Statistics Directorate; Helen Beilby-Orrin, International Energy Agency; Professor Michael Walpole (Professor at Atax, Australian School of Business, University of New South Wales); Professor Walter Hellerstein (Distinguished Research Professor and Francis Shackelford Distinguished Professor in Taxation Law, University of Georgia) and Professor Rebecca Millar (Professor of Law, University of Sydney Law School).

Executive summary

Consumption taxes generally consist of *general taxes on goods and services* ("taxes on general consumption"), consisting of value-added tax (VAT) and its equivalent in several jurisdictions (goods and services tax, or GST), sales taxes, and other general taxes on goods and services; and *taxes on specific goods and services*, consisting primarily of excise taxes, customs and import duties, and taxes on specific services (such as insurance premiums and financial services).

Consumption taxes accounted for 31% of total tax revenues in OECD countries in 2012, on average. While the share of all taxes on consumption (taxes on general consumption plus taxes on specific goods and services) as a percentage of total tax revenue has remained relatively stable since 1975, the composition of consumption taxes has fundamentally changed. Over time, OECD countries have relied increasingly on taxes on general consumption. Since 1965, the share of these taxes as a percentage of GDP in OECD countries has more than doubled, from 3.2% to 6.8%. They presently raise 20.2% of total tax revenue on average, compared with 11.9% in 1965. VAT has become the largest source of taxes on general consumption, accounting on average for 6.6% of GDP and 19.5% of total tax revenue in OECD countries in 2012. While revenues from taxes on general consumption fell between 2005 and 2009, as a consequence of the global economic crisis, they have now returned to the pre-crisis levels largely due to the rise in standard VAT rates in many countries. In contrast to this increase, revenues from taxes on specific goods and services, the bulk of which are excise taxes, have fallen over time as a percentage of GDP (from 5.6% in 1965 to 3.4% in 2012) and as a percentage of total tax revenue (from 24.3% in 1965 to 10.7% in 2012). Between 2000 and 2012, revenues from these taxes fell by 0.3% as a percentage of GDP and by 0.8% as a share of total taxation.

Key trends

Strong increase in standard VAT rates

- Between 2009 and 2014, 21 countries raised their standard VAT rate at least once, while two lowered their standard VAT rate temporarily and raised it again. The OECD average standard VAT rate reached 19.1% in January 2014, from 17.6% in January 2009. Ten OECD countries now have a standard rate above 22% versus four in 2009. The average standard rate of the 21 OECD countries that are members of the European Union (21.7%) is significantly above the OECD average (19.1%).

Limited base-broadening measures

- Many OECD countries continue to apply reduced rates to a broad range of products such as basic essentials, culture, sport, or pharmaceuticals. While standard rates of VAT have risen, the base to which these rates are applied has often remained unchanged. In the majority of the OECD countries that increased their standard rate at least once since 2009, the reduced VAT rates were not increased or they were increased to a lesser extent than the standard rates. Reduced VAT rates have been changed in five OECD countries, but no OECD countries have abolished their reduced VAT rate(s). Most OECD countries make extensive use of exemptions for activities that are hard to tax (for example, financial services) and/or to pursue distributional objectives (such as exemptions for basic health, charities and education). One adverse consequence of VAT exemptions is that they create "cascading" when applied in a B2B context. This creates distortions and hinders the neutrality of the tax.

OECD International VAT/GST Guidelines: A global standard

- The OECD is developing International VAT/GST Guidelines for applying VAT to cross-border trade, focusing on trade in services and intangibles, which aim to reduce uncertainty and risks of double taxation and unintended non-taxation resulting from inconsistencies in the application of VAT in a cross-border context. A first set of Guidelines was endorsed as a global standard for the application of VAT to international trade at the second meeting of the OECD Global Forum on VAT in April 2014. These Guidelines set standards in two key areas: ensuring VAT neutrality and implementing the destination principles for B2B trade in services and intangibles. The OECD is working to extend its Guidelines notably to cross-border sales of services to private consumers (B2C). This will be completed in 2015.

Key findings

The VAT Revenue Ratio (VRR) suggests there is potential for additional revenue

- The VRR provides a comparative measure of how exemptions and reduced rates affect tax revenues and countries' ability to secure effectively the potential tax base for VAT. It measures the difference between the VAT revenue collected and what would theoretically be raised if VAT was applied at the standard rate to the entire potential tax base in a "pure" VAT regime. Across the OECD, the unweighted average VRR is at 0.55, meaning that 45% of the potential VAT revenue is not collected. Only six OECD countries have a VRR above 0.65. Although the VRR has to be interpreted with care and tax base erosion may be caused by a variety of factors, this VRR estimate suggests that there is significant potential for raising additional revenues by improving VAT systems' performance. One way of increasing the VRR would be to broaden the tax base, with goods and services now subject to reduced rates gradually being taxed at the standard rate. However, a more effective way to achieve distributional objectives may be to compensate low-income households directly through the social or benefit systems rather than through the VAT system.

Revenues from excise duties remain relatively stable

- The revenue from excise in OECD countries has been relatively stable over the past twenty years, accounting for about 8% of total tax revenue in 2011, after a long decline between 1965 (14.2% of total tax revenue on average) and 1990 (average share of 8.1%). There are large differences between countries, with excise accounting for 2.8% of total tax revenue in New Zealand and 17.8% in Turkey. In two-thirds of OECD countries, the weight of excise is between 5% and 10% of total tax revenue although it is less than 5% in Belgium, Canada, Mexico, New Zealand and the United States and for more than 10% the Czech Republic, Estonia, Greece, Ireland, Poland, Slovak Republic, Slovenia and Turkey.

Taxation of vehicles used to influence customer behaviour

- In 2014, 27 out of 34 OECD member countries have been applying lower taxes or exemptions on purchase or annual registration charges for vehicles according to environmental or fuel efficiency criteria. Among these, 21 have base purchase or annual registration taxes directly on polluting emissions and 19 have tax rebates or exemptions for electric or hybrid vehicles.

Chapter 1

Taxing consumption

This chapter describes the relative importance of consumption taxes as a source of tax revenues and the main features of these taxes. It shows the evolution of consumption tax revenues between 1965 and 2011. It describes the functioning of value added taxes (VAT) and of retail sales taxes (in the United States) and the main characteristics of consumption taxes on specific goods and services. It looks in some more detail at the application of VAT to international trade, more particularly at the challenges of applying VAT to cross-border trade in services and intangibles and at the International VAT/GST Guidelines that the OECD is developing as the future global standard to address these challenges. Finally, it considers the recent developments concerning VAT fraud and evasion and outlines some of the countermeasures that have been implemented in some countries or that may be implemented in the future.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

1. Introduction

Consumption taxes account for approximately one third of the total taxes collected in OECD countries. They have two common forms: taxes on general consumption (value added taxes and retail sales taxes) and taxes on specific goods and services (mainly excise duties).

Since the mid-1980s, VAT[1] (also called Goods and Services Tax – GST) has become the main consumption tax both in terms of revenue and geographical coverage. VAT regimes are designed to be a tax on final consumption that is broadly neutral towards production process and international trade. It is widely seen as a relatively growth-friendly tax. As a result, many countries have sought to raise additional revenues from VAT (rather than other taxes) as part of their fiscal consolidation strategies. Many developing countries have introduced a VAT during the last two decades to replace lost revenues from trade taxes following trade liberalisation. Some160 countries employ a VAT today (see Annex A), including 33 of the 34 OECD member countries, the only exception being the United States although most states within the US employ some form of retail sales tax. VAT now raises a fifth of total tax revenues in the OECD and worldwide. The combination of the global spread of VAT and the rapid globalisation of economic activity, which has resulted in an increased interaction between VAT systems, along with increasing VAT rates, have raised the profile of VAT as a significant issue in cross-border trade. In contrast with the taxation of income (where there are the OECD Model Tax Convention and the Transfer Pricing Guidelines) there is no internationally agreed framework for the application of VAT to cross-border trade. The absence of such a framework has led to increasing uncertainty and complexity for tax authorities and businesses and risks of double taxation and double non-taxation. This is a matter of special concern with respect to international trade in services and intangibles, which has grown dramatically over the last decade. In response, the CFA is developing *International VAT/GST Guidelines* as the future international standard for applying VAT to cross-border trade, with the aim of reducing the uncertainty and risks of double taxation and unintended non-taxation that result from inconsistencies in the application of VAT in a cross-border context. A first set of *International VAT/GST Guidelines*, dealing with VAT neutrality and with the VAT treatment of cross-border business-to-business trade in services and intangibles, was endorsed as a global standard at the OECD Global Forum on VAT in April 2014.

Whilst VAT was first introduced about 60 years ago, excise duties have existed since the dawn of civilisation. They are levied on a specific range of products and are assessed by reference to various characteristics such as weight, volume, strength or quantity of the product, combined in some cases with *ad valorem* taxes. Although they generally apply to alcoholic beverages, tobacco products and fuels in all OECD countries and beyond, their tax base, calculation method and rates vary widely between countries, reflecting local cultures and historical practice. Excise duties are increasingly being used to influence consumer behaviour to achieve health and environmental objectives.

This chapter first provides an overview of the statistical classification of consumption taxes (Section 2) and shows the evolution of consumption tax revenues between 1965 and 2012 (Section 3). It then describes the geographical spread of VAT (Section 4) and outlines the main features of VAT design (Section 5). This is followed by a high-level description of the main design features of retail sales taxes (Section 6) and of the main characteristics of consumption taxes on specific goods and services (Section 7). This chapter then looks in some more detail at the challenges of applying VAT to cross-border trade in services and intangibles and at the International VAT/GST Guidelines that the OECD is developing as the future global standard to address these challenges (Section 8). It finally considers the recent developments concerning VAT fraud and evasion and outlines some of the countermeasures that have been implemented in some countries or that may be implemented in the future. For ease of reference, the tables which are referred to below are included at the end of the chapter (Section 9).

2. Classification of consumption taxes

In the OECD classification, "taxes" are confined to compulsory, unrequited payments to general government. According to OECD nomenclature, taxes are divided into five broad categories: taxes on income, profits and capital gains (1000); social security contributions (2000); taxes on payroll and workforce (3000); taxes on property (4000); and taxes on goods and services (5000) (OECD, 2014c).

Consumption taxes (Category 5100 "Taxes on production, sale, transfer, leasing and delivery of goods and rendering of services") fall mainly into two sub-categories:

- *General taxes on goods and services* ("taxes on general consumption"), which includes value added taxes (5111), sales taxes (5112) and other general taxes on goods and services (5113).
- *Taxes on specific goods and services* consisting primarily of excise taxes (5121), customs and import duties (5123) and taxes on specific services (5126, e.g. taxes on insurance premiums and financial services).

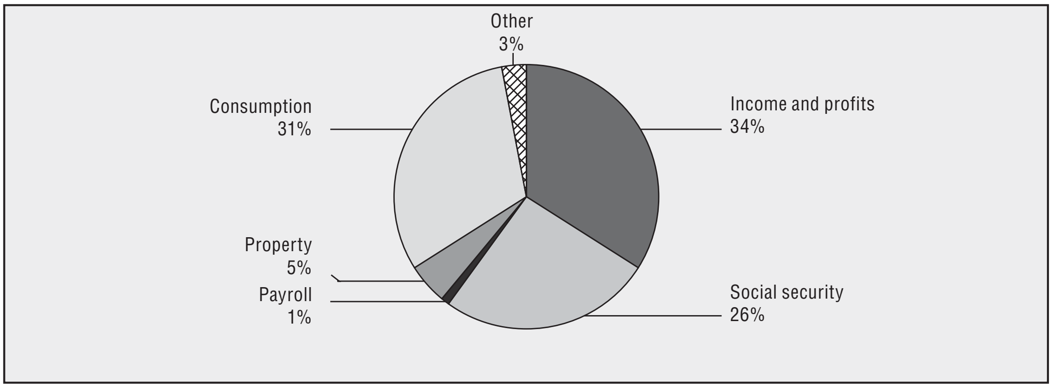
Consumption taxes such as VAT, sales taxes and excise duties are often categorised as *indirect taxes* as they are not levied directly on the person who is supposed to bear the burden of the tax. They are rather imposed on certain transactions, products or events (OECD Glossary of Tax Terms). They are not imposed on income or wealth but rather on expenditure that the income and wealth finance. Governments generally collect the tax from the producers and distributors in the value chain, while the burden of the tax falls in principle on consumers as it will be passed on to them in the prices charged by suppliers.

3. Evolution of consumption tax revenues

On average, consumption taxes produce 31% of the total tax revenue in the OECD member countries (unweighted average, see Table 1.A1.1). In 2012, approximately two thirds of revenue from consumption taxes was attributable to taxes on general consumption and one third to taxes on specific goods and services (see Tables 1.A1.3 and 1.A1.5).

Tables 1.A1.2 and 1.A1.3 respectively present revenues from taxes on general consumption as a percentage of Gross Domestic Product (GDP) and as a percentage of total taxation. These taxes include VAT, sales taxes and other general taxes on goods and services. These ratios vary considerably between countries both in percentage of GDP and total taxation. For example, in the United States and Japan, taxes on general consumption account for less than 3% of GDP while they account for more than 9.5% in Denmark, Hungary,

Figure 1.1. **Average tax revenue as a percentage of total taxation, by category of tax, 2012**



Source: Author's work based on OECD (2014c), *Revenue Statistics 1965-2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/rev_stats-2014-en-fr*.

StatLink *http://dx.doi.org/10.1787/888933155029*

and New Zealand. Also those revenues account for less than 10% of total taxation in Japan and the United States and 30% or more in Chile, Hungary, Israel and New Zealand. Nevertheless, in the vast majority of countries (28 of 34) taxes on general consumption account for more than 15% of total taxation, with an OECD unweighted average of 20.2%.

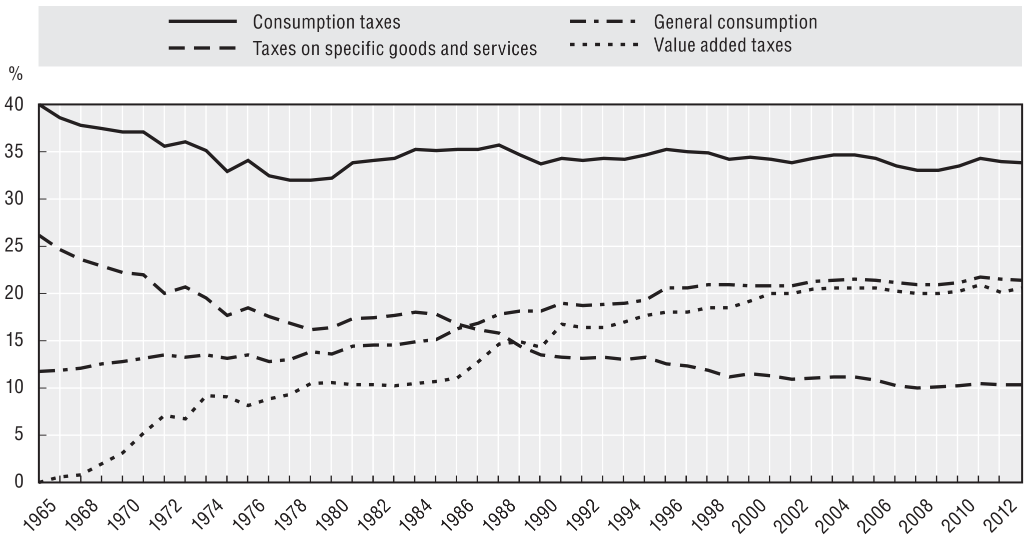
Over the longer term, OECD member countries have relied increasingly on taxes on general consumption. Since 1965, the share of these taxes as a percentage of GDP in OECD countries has more than doubled, from 3.2% to 6.9%. They presently raise 20.2% of total tax revenue compared with only 11.9% in 1965. However, the effects of the global economic crisis were felt on consumption tax revenues, which fell between 2005 and 2009. Since then, they have generally returned to the pre-crisis levels largely due to the rise in standard VAT rates in many countries (21 of the OECD member countries have raised their rate between 2009 and 2014 – see Chapter 2). Between 2000 and 2012, the Czech Republic, Finland, Hungary, Korea, Luxembourg, Mexico, New Zealand, Portugal, Sweden and the United Kingdom were the countries where taxes on general consumption have increased the most as a percentage to GDP (by more than 0.5%), while in Iceland, Israel, Norway, Slovak Republic, Slovenia and Spain this tax-to-GDP ratio fell by more than 0.5%.

VAT is now the largest source of taxes on general consumption, accounting on average for 6.6% of GDP and 19.5% of total tax revenues (see Tables 1.A1.6 and 1.A1.7). VAT is now employed in 33 of the 34 OECD countries, the United States being the only OECD country not to have adopted a VAT. In 1975, thirteen of the current OECD member countries had a VAT (see Table 2.A2.1). Greece, Iceland, Japan, Mexico, New Zealand, Portugal, Spain and Turkey introduced VAT in the 1980s, while Switzerland followed shortly afterwards. The Eastern European economies introduced VAT in the late 1980s and early 1990s, some of them adopting the EU model with their future EU membership in mind. The tendency for VAT rates to rise over the long term (see Table 2.A2.1 in Chapter 2) also contributed to the growing share of taxes on general consumption in the tax mix.

Tables 1.A1.4 and 1.A1.5 show that revenues from taxes on specific goods and services, the bulk of which are excise taxes, fell as a percentage of GDP between 1965 and 2012 (from 5.6% in 1965 to 3.4% in 2012) and as a percentage of total taxation (from 24.3% in 1965 to 10.7% in 2012). Excise taxes are discussed in greater detail in Chapter 4.

As a result, the composition of consumption taxes has fundamentally changed. In fact, the substantially increased importance of VAT has served to counteract the diminishing share of taxes on specific goods and services (see Figure 1.2). Only Mexico and Turkey still collect a relatively large part of their revenues by way of taxes on specific goods and services (respectively 34.9% and 22.4%).

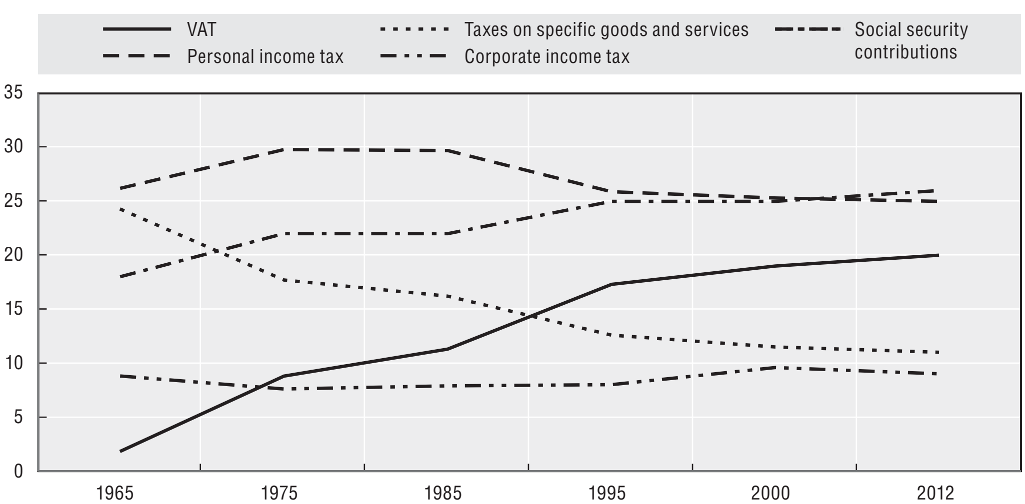
Figure 1.2. **Share of consumption taxes as percentage of total taxation**



Source: Author's work based on OECD (2014c), *Revenue Statistics 1965-2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/rev_stats-2014-en-fr*.

StatLink *http://dx.doi.org/10.1787/888933155034*

Figure 1.3. **Evolution of the tax mix**



Source: Author's work based on OECD (2014c), *Revenue Statistics 1965-2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/rev_stats-2014-en-fr*.

StatLink *http://dx.doi.org/10.1787/888933155042*

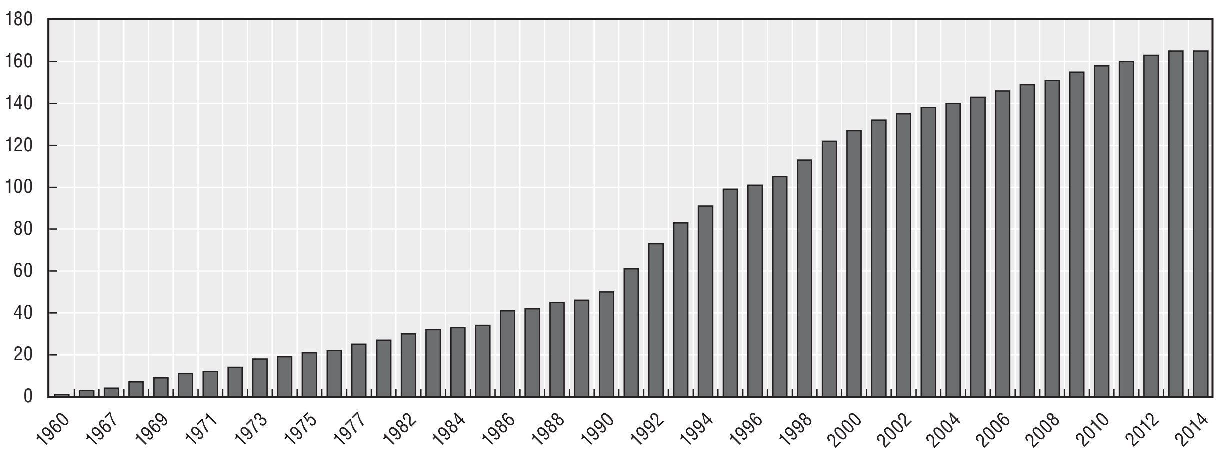
Table 1.A1.8 and Figure 1.3 show the evolution of the tax structure or tax mix in OECD countries up to 2011. Tax structures are measured by the share of major taxes in total tax revenue. On average, taxes on personal income (personal income tax and social security contributions) increased slightly over the period, now representing together about 50% of

total tax revenue, with the share of personal income tax rising into the seventies and then falling and the share of social security contributions growing. VAT has become the third largest source of tax revenue for OECD countries on average, ahead of corporate income taxes, payroll and property taxes.

4. Spread of VAT

The spread of VAT has been the most important development in taxation over the last half century. Limited to less than 10 countries in the late 1960s, it is today an important source of revenue in more than 160 countries worldwide (see Figure 1.4 and Annex B). VAT raises approximately 20% of the tax revenue in OECD countries and worldwide.

Figure 1.4. **Countries with VAT 1960 – 2014**



Source: Author's own work.

StatLink http://dx.doi.org/10.1787/888933155052

VAT regimes are designed to be a tax on final household consumption, but instead of being collected entirely at the final point of sale (as with a retail sales tax) the amount of revenue ultimately due is collected through a staged collection process, with a portion of the tax remitted at each stage of production and distribution. Each producer and distributor pays VAT on its output but can in principle fully credit VAT paid on its inputs against this liability. This design is intended to ensure that the tax does not distort production decisions or choice of business form. Other valuable neutrality properties include the fact that it does not discourage saving or investment.

The domestic and international neutrality properties of the VAT have encouraged its spread around the world. A VAT is employed by 33 of the 34 OECD countries, the only exception being the United States. Many developing countries have introduced a VAT during the last two decades to replace lost revenues from trade taxes following trade liberalisation. In the European Union, VAT is directly associated with the development of its internal market. Indeed, VAT avoids the trade distortions associated with cascading indirect taxes that it has replaced and facilitates the creation of a common market in which Member States cannot use taxes on production and consumption to protect their domestic industries and investment (Ebrill et al., 2001).

VAT has become a major source of revenue for the OECD member countries that have implemented it. Over the last twenty-five years, the share of VAT as a percentage of total taxation has almost doubled growing from 11.3% on average in 1985 to 19.5% in 2012 (Table 1.A1.7). In 28 of the 33 OECD countries with VAT, the tax accounts for more than 15% of total taxation and in 18 countries the rate exceeds 20%.

5. The main features of VAT design

Although there is a wide diversity in the way VAT systems are implemented, the VAT can be defined by its purpose and its specific tax collection mechanism. The OECD International VAT/GST Guidelines (OECD, 2014a) provide a precise description of the main features of VAT systems, which are summarised below.

5.1. A tax on final consumption

VAT is a broad-based tax on consumption by households as, in principle, only private individuals, as distinguished from businesses, engage in the consumption at which a VAT is targeted. "*Businesses buy and use capital goods, office supplies and the like – but they do not consume them in this sense*" (Keen and Hellerstein, 2010). In practice, many VAT systems also impose VAT burden on various entities that are involved in non-business activities without being able to shift the tax burden on private individuals.

From a legal and practical standpoint, VAT is essentially a transaction tax. In "real life", things can be consumed in many ways. Some can be consumed fully and immediately (like a taxi ride); some can be bought and fully consumed later (like a sandwich); some can be consumed over a longer period of time (like a desk or a subscription to an on-line database). However, VAT does not actually tax such material consumption. Rather, it aims at taxing the sale to the final consumer through a staged payment process along the supply chain.

VAT is collected by businesses through a staged process but, since it is a tax on final consumption by households, the burden of the VAT should not rest on businesses, except when they acquire goods, services or intangibles for private consumption by their owners or their employees.

It can be argued that the economic burden of the VAT can lie in variable proportion on business and consumers. Indeed, the effective incidence of VAT, like that of any other tax, is determined not only by its formal nature but also by market circumstances, including the elasticity of demand and the nature of competition between suppliers (Ebrill et al., 2001).

5.2. The staged collection process

The central design feature of a VAT, and the feature from which it derives its name, is that the tax is collected through a staged process on the value added at each stage of production and distribution. Each business in the supply chain takes part in the process of controlling and collecting the tax, remitting the proportion of tax corresponding to its margin, i.e. on the difference between the VAT imposed on its taxed inputs and the VAT imposed on its taxed outputs. Businesses collect VAT on the value of their outputs from their customers and are entitled to deduct the tax they have paid on purchases and must account and remit the difference (or receive a refund from) to the tax authorities. In this respect, the VAT differs from a retail sales tax ("RST"), which taxes consumption through a single-stage levy imposed in theory only at the point of final sale.

This mechanism reflects the central design feature of the VAT as a tax collected by businesses through a staged payment process coupled with the fundamental principle that the burden of the tax does not rest on businesses but on final consumers. This requires a mechanism for relieving businesses of the burden of the VAT they pay when they acquire goods, services or intangibles.

There are two main approaches for operating the staged collection process:

- Under the ***invoice credit method*** (which is a "transaction based method"), each trader charges VAT at the rate specified for each supply and passes to the purchaser an invoice showing the amount of tax charged. The purchaser is in turn able to credit that input tax against the output tax it charges on its sales, remitting the balance to the tax authorities and receiving refunds when there are excess credits. This method is based on invoices that could, in principle, be cross-checked to pick up any overstatement of credit entitlement. By linking the tax credit on the purchaser's inputs to the tax paid by the purchaser, the invoice credit method is designed to discourage fraud.
- Under the ***subtraction method*** (which is an "entity based method"), the tax is levied directly on an accounts-based measure of value added, which is determined for each business by subtracting the VAT calculated on allowable purchases from the VAT calculated on taxable supplies.

Almost all jurisdictions that employ a VAT use the invoice-credit method and in the OECD, only Japan uses the subtraction method.

5.3. *Neutrality*

The neutrality of VAT has a number of dimensions, including the absence of discrimination in a tax environment that is unbiased and impartial and the elimination of undue tax burdens and disproportionate or inappropriate compliance costs for businesses.

In general, OECD jurisdictions with a VAT impose the tax at every stage of the economic process and allow deduction of taxes on purchases by all but the final consumer. This design feature gives to the VAT its essential character in domestic trade as an economically neutral tax. The full right to deduct input tax through the supply chain, except by the final consumer, ensures the neutrality of the tax, whatever the nature of the product, the structure of the distribution chain, and the means used for its delivery (e.g. retail stores, physical delivery, Internet downloads). As a result of the staged payment system, VAT thereby "flows through the businesses" to tax supplies made to final consumers.

As input VAT incurred by each business is offset against its output VAT, the amount of tax to be remitted to tax authorities is the net amount or balance of those two. In some cases, the result of the offset gives rise to a tax credit, which should be refunded by the tax authorities to the business. Examples include businesses that incur more tax on their inputs than is due on their outputs (such as exporters, as their output is in principle free of VAT under the destination principle) and businesses whose purchases are larger than their sales in the same period (such as new or developing businesses or seasonality). It is important therefore that at each stage, the supplier is entitled to a full right to deduction of input tax, meaning that the tax burden eventually rests with the final consumer rather than the intermediaries in the supply chain.

When the right of deduction covers all business inputs, the final burden of the tax does not lie on businesses but on consumers. This is not always the case, as there are a number of ways in which restrictions are imposed in practice on the right to deduct input tax. Some are deliberate and some result from imperfect administration (see Chapter 2).

Deliberate limitations can result from the exemption of a number of activities. In most countries a number of services are exempt from VAT without right to deduct input tax, for social (health, education and charities), practical (financial services, insurance) or historical (immovable property, land) reasons.

Another set of restrictions to the right of deduction relates to purchases used, or deemed to be used, for the private consumption of the owners of a business, or of its employees or clients, such as cars and entertainment. It may also happen that restrictions to the right of deduction are imposed on VAT incurred on investment goods or capital assets. This implies that an irrecoverable tax is embedded in the VAT base of final consumption and leads to a form of cumulative tax. Such a system, that restricts deduction of input VAT on investment goods or capital assets, is often called a "production-type VAT". However, most countries use a "consumption-type VAT" where VAT is normally deductible on all inputs, including fixed assets.

6. Main design features of Retail Sales Taxes

A retail sales tax is a tax on general consumption charged only once on products at the last point of sale to the end user. In principle, only consumers are charged the tax; resellers are exempt if they are not final end users of the products. To implement this principle, business purchasers are normally required to provide the seller with a "resale certificate", which states that they are purchasing an item to resell it. The tax is charged on each item sold to purchasers who do not provide such a certificate. The retail sales tax covers not only retailers, but all businesses dealing with purchasers who do not provide a resale or other exemption certificate signifying that no tax is due (e.g. a public body or a charity, unless specific exemption applies).

The basis for taxation is the sales price. Unlike multi-stage cumulative taxes and like the VAT, this system allows the tax burden to be calculated precisely and it does not in principle discriminate between different forms of production or distribution channels. In practice, however, at least in the United States, the failure of the retail sales tax to reach many services and the limitation of the resale exemption to products that are resold in the same form that they are purchased, or are physically incorporated into products that are resold, leads to substantial taxation of business inputs.

In theory, the final outcomes of VAT and retail sales tax should be identical: they both ultimately aim to tax final consumption of a wide range of products where such consumption takes place. They also both tax the consumption expenditure, i.e. the transaction between the seller and the buyer rather than the actual consumption. In practice, however, the end result is somewhat different given the fundamental difference in the way the tax is collected. Unlike VAT, where the tax is collected at each stage of the value chain under a staged payment system (see Section 5.2), sales taxes are collected only at the very last stage, i.e. on the sale by the retailer to the final consumer. The latter method has significant disadvantages: the higher the rate the more pressure is placed on the weakest link in the chain – the retailer, especially numerous small retailers; all the revenue is at risk if the retailer fails to remit the tax and the audit and invoice trail is poorer than under a VAT, especially for services; there are inevitably troublesome "end-use exemptions"; and revenue is not secured at the easiest stage, that is at the time of importation and this can be crucial for many developing countries. As a result, a single point resale sales tax is efficient at relatively low rates, but is increasingly difficult to administer as rates rise (Tait, 1988).

The United States is the only OECD country that employs a retail sales tax as the principal consumption tax. However, the retail sales tax in the United States is not a federal tax. Rather, it is a tax imposed at the state and local government levels. Currently, 45 of the 50 States as well as thousands of local tax jurisdictions impose general retail sales taxes. In general, the local taxes are almost identical in coverage to the state-level tax, are administered at the state level and amount in substance simply to an increase in the state rate, with the additional revenues distributed to the localities. Retail sales taxes are complemented in every state by functionally identical "use" taxes imposed on goods purchased from out-of-state vendors, because the state has no power to tax out-of-state "sales" and therefore imposes a complementary tax on the in-state "use" (Hellerstein, Hellerstein and Swain, 2014).

Combined state and local sales tax rates vary widely in the United States, from 1.69% (Alaska), 4.35% (Hawaii) and 5.43% (Wisconsin) to 9.45% (Tennessee), 9.19% (Arkansas) and 8.89% (Louisiana). Five states do not have a state-wide sales tax (Alaska, Delaware, Montana, New Hampshire, and Oregon and of these, two allow localities to charge local sales taxes (Alaska and Montana) (Tax Foundation, 2014). These rates are much lower than the applicable VAT rates in OECD countries (except Canada, Japan and Switzerland). This is due to two main factors: the compliance risks associated with the sales tax collection method (see above) and the competition between jurisdictions (see below).

Retail sales and use taxes in place in the United States are subject to significant competitive pressure, especially in the context of interstate and international trade. Supreme Court rulings prohibit states from requiring vendors to collect tax with respect to cross-border sales when they are not physically present in the purchaser's state. States have therefore been unable effectively to collect use taxes with respect to cross-border sales from remote sellers. This problem has become increasingly significant with the advent of the Internet and online sales. To address this problem, as well as others caused by the lack of harmonisation in state sales and use taxes, a number of states have entered into the Streamlined Sales and Use Tax Agreement (SSUTA available at *www.streamlinedsalestax.org*). This agreement aims at establishing a uniform set of definitions of potentially taxable items that states can choose to tax or not (e.g. digital products). The Streamlined Member States have also developed a Streamlined Sales Tax Registration System (SSTRS) that enables taxpayers to register voluntarily in order to participate in SSUTA. Voluntary registration requires sellers to collect sales and use taxes in all states into which they make sales, regardless of their physical presence there, and it permits sellers to benefit from increased legal certainty as regards their tax liability. Vendor collection of use taxes due on cross-border sales could become mandatory if the US Congress approves proposed legislation authorising states to require such collection if they have adopted SSUTA or similar measures to ease compliance burdens for vendors.

7. Main characteristics of consumption taxes on specific goods and services

In the OECD nomenclature, taxes on specific goods and services (5120) include a range of taxes such as excises, customs and import duties, taxes on exports and taxes on specific services. Consumption Tax Trends focuses on excise duties only.

A number of general characteristics differentiate excise duties from value added taxes:

- They are levied on a limited range of products.
- They are not normally due until the goods enter free circulation, which may be at a late stage in the supply chain.
- Excise charges are generally assessed by reference to the weight, volume, strength or quantity of the product, combined in some cases, with *ad valorem* taxes.

Consequently, and unlike VAT, the excise system is characterised by a small number of taxpayers at the manufacturing or wholesale stage.

As with VAT, excise taxes aim to be neutral internationally. As the tax is normally collected when the goods are released into free circulation, neutrality is often ensured by holding exports under controlled regimes (such as bonded warehouses) and certification of final export (again under controlled conditions) by Customs. Similarly, imported excise goods are levied at importation although frequently the goods enter into controlled tax-free regimes until released into free circulation.

Excise taxes may cover a very wide range of products like salt, sugar, matches, fruit juice or chocolates. However, the range of products subject to excise has declined with the expansion of taxes on general consumption. Excise taxes on alcohol, tobacco and hydrocarbon oils continue to raise significant revenues for governments.

There has been a discernible trend in recent decades to ascribe to these taxes characteristics other than simply revenue-raising. A number of excise duties have been adjusted with a view to discouraging certain behaviours considered harmful, especially for health reasons. This is particularly the case for excise duties on tobacco and alcohol whose rates have been increased with the aim of reducing consumption of these products. The structure of certain excise duties has also gradually changed to encourage more responsible behaviour towards the collective welfare, especially the environment. This is the case for taxes on fuels, cars and other products which produce environmentally harmful emissions.

Such a trend can be regarded as a change in tax policy of governments. Governments have long been conscious that the tax system has an influence on the decisions of firms and individuals. They know the impact of the tax system on employment, business formation and expansion, and consumption patterns and thus have generally tried to raise revenues without distorting consumption patterns or inhibiting investment decisions. Many of the same ideas can be used in the field of environmentally related taxation; however, a goal of environmentally related taxation is to influence consumption and production patterns and reduce the size of the tax base, which is quite different from the goals of most types of taxation (OECD, 2010). Further, a guide for policymakers on environmental taxation was issued in 2011 (OECD, 2011).

8. VAT and international trade – The destination principle

The overarching purpose of the VAT as a levy on final consumption coupled with its central design feature of a staged collection process lays the foundation for the core VAT principles bearing on international trade. The fundamental issue of economic policy in relation to the international application of the VAT is whether the levy should be imposed by the jurisdiction of origin or destination. Under the destination principle, the tax is fully levied on the final consumption that occurs within the taxing jurisdiction. Under the origin principle, the tax is levied in the various jurisdictions where the value is added. The key economic difference between the two principles is that the destination principle places all firms competing in a given jurisdiction on an even footing whereas the origin principle places consumers in different jurisdictions on an even footing.

The application of the destination principle in VAT achieves neutrality in international trade. Under the destination principle, exports are exempt with refund of input taxes (that is, free of VAT)[2] and imports are taxed on the same basis and at the same rates as domestic supplies. Accordingly, the total tax paid in relation to a supply is determined by the rules applicable in the jurisdiction of its consumption and therefore all revenue accrues to the jurisdiction where the supply to the final consumer occurs.

By contrast, under the origin principle each jurisdiction would levy the VAT on the value created within its own borders.[3] Under an origin-based regime, exporting jurisdictions would tax exports on the same basis and at the same rate as domestic supplies while importing jurisdictions would give a credit against their own VAT for the hypothetical tax that would have been paid at the importing jurisdiction's own rate. Tax paid on a supply would then reflect the pattern of its origins and the aggregate revenue would be distributed in that pattern. This would run counter to the core features of a VAT: as a tax on consumption, the revenue should accrue to the jurisdiction where the final consumption takes place. Under the origin principle these revenues are shared amongst jurisdictions where value is added. Moreover, by imposing tax at the various rates applicable in the countries where value is added, the origin principle could influence the economic or geographical structure of the value chain and undermine neutrality in international trade.

For these reasons, there is widespread consensus that the destination principle with revenue accruing to the country of import where final consumption occurs is preferable to the origin principle from both a theoretical and practical standpoint. In fact, the destination principle is the international norm and is sanctioned by the *OECD International VAT/GST Guidelines* and by World Trade Organisation rules.

Sales tax systems, although they work differently in practice, also set out to tax consumption of goods, and to some extent services, within the jurisdiction of consumption. Exported goods are usually relieved from sales tax to provide a degree of neutrality for cross-border trade. However, in most sales tax systems, businesses do incur some irrecoverable sales tax and, if they subsequently export goods, there will be an element of sales tax embedded in the price.

The application of the destination principle, although it is more consistent with the main VAT principles and is accepted as the international norm, is not without its own difficulties. First, as already noted, the usual way of implementing this principle for VAT involves exemption of exports, which means that goods and services circulate free of tax in cross-border trade. The possibilities of fraud are evident. Second, although most of the rules currently in force are generally intended to tax supplies of goods and services within the jurisdiction where consumption takes place in application of the destination principle, practical means of implementing this intention are diverse across countries. This can, in some instances, lead to double taxation or unintended non-taxation and create uncertainties for both business and tax administrations. The development of the OECD International VAT/GST Guidelines responds to these challenges (see Section 8.1.2).

8.1. Implementing the destination principle

While the destination principle has been widely accepted as the basis for applying VAT to international trade, its implementation is nevertheless diverse across jurisdictions. This can lead to double taxation or unintended non-taxation and to complexity and uncertainty for businesses and tax administrations.

In order to apply the destination principle, VAT systems must have a mechanism for identifying the destination of supplies. Because VAT is generally applied on a transaction-by-transaction basis, VAT systems contain "place of taxation" rules that address all transactions, building on "proxies" that indicate where the good or service supplied is expected to be used by a business in the production and distribution process (if the supply is made to a business) or consumed (if the supply is made to a final consumer).

The following paragraphs provide a concise overview of the mechanisms for identifying the destination of a supply, first looking at supplies of goods and subsequently at supplies of services.

8.1.1. Application of the destination principle to the cross-border trade in goods

The term "goods" generally means "tangible property" for VAT purposes. The VAT treatment of supplies of goods normally depends on the location of the goods at the time of the transaction and/or their location as a result of the transaction. The supply of a good is in principle subject to VAT in the jurisdiction where the good is located at the time of the transaction. When a transaction involves goods being moved from one jurisdiction to another, the exported goods are generally "free of VAT" in the seller's jurisdiction (and are freed of any input VAT via successive businesses' deductions of input tax), whilst imports are subject to the same VAT as equivalent domestic goods in the purchaser's jurisdiction. The VAT on imports is generally collected at the same time as customs duties, although in some countries collection is postponed until declared on the importer's next VAT return. Deduction of the VAT incurred at importation, in the same way as input tax deduction on a domestic supply, ensures neutrality and limits distortions in relation to international trade.

Within the European Union, which abolished internal customs barriers and tax frontiers in 1993, the system of intra-Community delivery (free of VAT in the Member State of origin) and intra-Community acquisition (taxed in the Member State of destination) for business-to-business supplies allows the application of the destination principle even in the absence of customs procedures.

Many VAT systems apply an exemption for the importation of relatively low value goods. These exemptions are generally motivated by the consideration that the administrative costs of bringing these low value items into the customs system are likely to outweigh the revenue gained. If these additional costs would be passed on to consumers, the charges could be disproportionally high compared to the value of the goods. Most OECD countries apply such a VAT relief arrangement, with thresholds varying widely across countries, from USD 9 in Denmark to USD 650 in Australia (see Table 2.A2.8 in Chapter 2).

The exemptions for low value imports have become increasingly controversial in the context of the growing digital economy. This is one of the findings of the *Report on the Tax Challenges of the Digital Economy*, which was released in September 2014 in the context of the OECD/G20 Base Erosion and Profit Shifting (BEPS) project.[4] At the time when most current low value import relief provisions were introduced, internet shopping did not exist and the level of imports benefitting from the relief was relatively small. In recent years, many VAT countries have seen a significant and rapid growth in the volume of low value imports of physical goods on which VAT is not collected resulting in decreased VAT revenues and potentially unfair competitive pressures on domestic retailers who are required to charge VAT on their sales to domestic consumers. The difficulty lies in finding the balance between the need for appropriate revenue protection and avoidance of distortions of competition, which tend to favour a lower threshold and the need to keep the cost of collection proportionate to the relatively small level of VAT collected, which favours a higher threshold. The *Report on the Tax Challenges of the Digital Economy* concludes that the thresholds in many jurisdictions may require a review to ensure that they are still appropriate. It indicates that, if tax authorities were to make significant improvements to the efficiency of processing such low value imports and of collecting the VAT on such imports, governments would be in a position to lower these thresholds and address the issues associated with their operation. This could notably be achieved by requiring non-resident vendors of low value parcels to charge, collect and remit the tax on the imports of these goods in the importing jurisdiction. Compliance by non-resident suppliers with their tax obligations in the country of importation would need to be facilitated through simplified registration and compliance mechanisms, using the possibilities offered by new technologies (e.g. on-line registration and filing, electronic payment).

8.1.2. Application of the destination principle to the cross-border trade in services and intangibles

The VAT legislation in many countries tends to define a "service" negatively as "anything that is not otherwise defined", or to define a "supply of services" as anything other than a "supply of goods". While this generally also includes a reference to intangibles, some jurisdictions regard intangibles as a separate category. For the purposes of this section references to "services" include "intangibles" unless otherwise stated.

A wide range of proxies can be used by VAT systems to identify the place of taxation of services, including the place of performance of the service, the place of establishment or actual location of the supplier, the residence or the actual location of the consumer, and the location of tangible property (for services connected with tangible property, such as repair services). Many systems use multiple proxies before the place of taxation is finally determined and may use different rules for inbound, outbound, wholly foreign, and wholly domestic supplies (Cockfield et al, 2013).

In the European Union, the determination of the place of taxation depends on the status of the customer receiving the service and the nature of the service supplied. Supplies of services between businesses (B2B supplies) are in principle taxed at the customer's place of establishment (or at the fixed establishment of the customer to which it is provided), implementing the destination principle for both supplies within the EU and with customers in third countries. On the other hand, supplies of services to final consumers (B2C supplies) are still, in principle, taxed at the supplier's place of establishment. This latter rule does not reflect a will to apply the "origin principle" to B2C supplies but rather the historical reality that most services were consumed where they were provided and it was technically difficult to provide services at a distance to final consumers. Several exceptions exist for both B2B and B2C supplies according to their nature. For example, services connected with immovable property are taxed where the property is located; services relating to cultural, artistic, sporting, scientific, educational, entertainment and similar activities are taxed at the place where those services are physically carried out.

The rules are now being adjusted to apply the destination principle to B2C services in the new global environment: since 2003, electronically supplied services provided by non-EU suppliers to EU consumers are taxed at the place where the customer resides or has a permanent address and television broadcasting and telecommunications services supplied by non-EU suppliers are taxable at the place where the private customer effectively uses and enjoys the service. Such services supplied by EU providers to non-EU customers are not taxed in the EU. To facilitate compliance by non-EU suppliers, a web portal ("One Stop Shop") was created, allowing these suppliers to register at a distance in only one Member State and account for VAT due in all the Member States where their customers are located. The destination principle will also be implemented from 1 January 2015 onwards to B2C telecommunications, broadcasting and electronically supplied services provided to EU consumers by suppliers established within the EU. They will then be taxed at the place where the customer resides or has a permanent address (in practice, during a transition period ending in 2019 the supplier's Member State will progressively allocate the tax revenue to the customer's Member State i.e. 70% in 2015-16; 85% in 2017-18 and 100% on 1 January 2019). As a result, EU and non-EU suppliers will be placed on an equal footing as regards the place of taxation for such services and, hence, as regards the VAT rate applicable. This will provide for a more complete application of the destination principle, including for supplies made within the EU. The practical implementation of this new rule will be supported by a One Stop Shop allowing them to declare in the Member State in which they are identified the VAT due in the Member State of their customer.

A number of countries (New Zealand, Australia, South Africa, Singapore, etc.) have adopted a different model than the European one, which is often referred to as the "New World" model. The EU model is based on an approach by category where a "place of supply" is determined for each category of supplies, according to their nature and the status (business or consumer) of the customer. This place of supply is also the place of taxation. The New World models systematically apply a series of proxies for place of consumption or use to all kinds of services. Such systems work in steps: first a connection with the country is established (e.g. the supplier is established there; the service is performed or can be acquired there). Then, a number of proxies are applied to determine the actual place of taxation, e.g. a connection with a tangible property; the customer location and/or residence; the location of the person to whom the services are delivered or who uses the service.

For example, in New Zealand (which adopted the GST in 1986) the place of taxation for supplies made by non-residents is presumed to be outside New Zealand, except when the service is physically performed in New Zealand (by the provider or by someone else) and the recipient is either a final consumer or a registered business who has agreed to have the transaction treated as being made in New Zealand. In contrast, the place of taxation for supplies by residents is presumed to be New Zealand, unless the supply is a zero-rated export of services. As a result, "the broad inclusion of supplies by resident suppliers necessitates fairly extensive zero-rating rules and the list of zero-rated services includes most situations where consumption is likely to take place offshore" (Millar, 2007). These services include international transport and related services; services physically performed outside New Zealand; services supplied to a non-resident who is outside New Zealand at the time the services are performed (provided that it is not reasonably foreseeable that the services will be provided to a person in New Zealand); services directly in connection with land or goods located outside New Zealand and supplies in relation to intellectual property rights for use outside New Zealand.

In Australia (which adopted GST in 2000), supplies are taxable in Australia when they are "*connected with Australia*". According to that proxy, supplies of services performed in Australia, provided through an Australian enterprise, or consisting of rights to receive supplies in Australia are considered to be potentially taxable in Australia. To prevent GST applying to services not consumed or used in Australia, the Australian GST law includes broad, proxy-based zero-ratings ("GST-free") similar to those used in New Zealand.

The application of these place of taxation principles and the interaction between national VAT systems have become increasingly difficult as volumes of cross-border trade in services and intangibles are growing. VAT systems have considerable difficulties in determining where services are deemed to be consumed, to monitor these transactions and to ensure collection of the tax, particularly where businesses sell services in jurisdictions where they do not have a physical presence. From a government's viewpoint there is a risk of under-taxation and loss of revenue, or distorting trade through double taxation. From a business viewpoint, there are large revenue risks and high compliance costs.

In response, the OECD is developing International VAT/GST Guidelines as the future international standard for applying VAT to cross-border trade in services and intangibles, to minimise the risks of double taxation and double non-taxation resulting from mismatches between national VAT systems.

8.2. The International VAT/GST Guidelines

The OECD first developed international standards on consumption taxation in the context of electronic commerce, on the basis of the Ottawa Taxation Framework Conditions that were approved by OECD Ministers in 1998. This work resulted in the Guidelines on Consumption Taxation of Cross-Border Services and Intangible Property in the Context of E-commerce (2001). These E-commerce Guidelines provided that for business-to-business transactions, the place of consumption should be "the jurisdiction in which the recipient has located its business presence"; and for business-to-consumer transactions, the place of consumption should be "the jurisdiction in which the recipient has its usual place of residence". These Guidelines were complemented with three Consumption Tax Guidance Series (2003), which looked at various aspects of the implementation of the E-commerce Guidelines in practice. This work has now been superseded by the more recent *OECD International VAT/GST Guidelines*.

Against the background of the strong growth of international trade in services, it became increasingly clear that tax issues needing attention were not confined only to electronic commerce but that VAT could distort cross-border trade in services more generally and that this situation was creating obstacles to business activity, hindering economic growth and distorting competition. Recognising that countries would benefit from common principles on the VAT treatment of trade in services more generally the OECD launched a project to develop the *OECD International VAT/GST Guidelines* (the Guidelines) in 2006.

Once finalised, these Guidelines will set forth a set of standards for the VAT-treatment of the most common types of international transactions, focusing on trade in services and intangibles, with the aim of reducing the uncertainty and risks of double taxation and unintended non-taxation that result from inconsistencies in the application of VAT in a cross-border context.

At this stage, the OECD has completed Guidelines (OECD, 2014a) that provide standards on the following key aspects of international VAT design and operation:

- Standards on VAT neutrality: VAT is a tax on private consumption. It is not a tax on businesses, which are only the collectors of the tax. This ensures that the tax is broadly neutral towards the production process, and this makes VAT a relatively growth-friendly tax. These Guidelines will help ensure the coherent implementation of the neutrality principles by VAT regimes around the world. This includes standards that prevent businesses from incurring irrecoverable VAT abroad and that level the playing field for domestic and foreign businesses in cross-border trade.
- Standards for the allocation of taxing rights on international trade in services and intangibles between businesses (B2B). These Guidelines provide standards to ensure that cross-border B2B trade in services and intangibles is taxed only in the country of the recipient of the service. This principle of "destination-based taxation" has been accepted as the global standard and the Guidelines will now support its coherent implementation by domestic VAT systems.

These Guidelines were endorsed as a global standard at the second meeting of the OECD Global Forum on VAT in April 2014 by all participating jurisdictions and international organisations (see the Statement of Outcomes in Annex C). The OECD now continues work on Guidelines to ensure effective and coherent VAT treatment of cross-border sales of services and intangibles to private consumers (B2C). Recent years have witnessed a particularly strong growth of cross-border trade in B2C services and intangibles, both in volumes and complexity, as the internet has made it increasingly easy for private consumers to shop online around the world and to buy products abroad. This has created growing VAT revenue risks for governments, as it is often difficult for tax authorities to collect VAT on such sales from foreign suppliers under existing tax rules. The BEPS *Report on the Tax Challenges of the Digital Economy* (OECD, 2014b and footnote to Section 8.1.1) identifies the absence of an international framework for the proper collection of VAT on the purchases of digital products by final consumers from suppliers abroad as one of the main tax issues raised by the digital economy. The future Guidelines on B2C trade in services are expected to offer effective solutions for these challenges. These Guidelines will be complemented with provisions on enhanced administrative cooperation and on addressing avoidance and evasion. This work will be completed by 2015.

9. The VAT fraud issue

Reducing the revenue losses from VAT non-compliance is a key challenge and a priority for countries around the world. Evidence notably points to considerable VAT losses within the EU. A study carried out for the European Commission to measure the "VAT gap" (i.e. difference between the tax liability according to the law and the actual revenue collected) over a period from 2000 to 2006, (Reckon, 2009) estimated the overall average VAT gap for the EU at 12% of VAT liability (varying from 2% to 30% across individual countries in 2006), i.e. 106.7 billion euros for the year 2006. A more recent study for the European Commission was published in July 2013 (CASE, 2013), which put the estimated VAT losses for different EU countries in 2011 in a wide range of less than 5% of tax liability in Malta and Sweden to more than 40% in Latvia and Romania, with an overall average for the EU of about 20% or approximately 193 billion euros. This 2013 study notably shows that VAT compliance appears to fall when tax rates are increased, at least in countries with ostensibly weaker institutions of tax enforcement and compliance, in particular during recessions. Although those figures should not be directly associated with fraud and evasion as they also include the effects of simple (statistical or reporting) errors as well as insolvencies and payment problems, they give, together with Commissions reports, an overview of the problem that VAT fraud still represents in the EU (European Commission 2014a).

Losses of VAT revenue from non-compliance can be caused by a number of factors. In addition to "traditional" VAT avoidance (i.e. arrangements intended to reduce the tax liability that could be strictly legal but in contradiction with the intent of the law) and evasion (illegal arrangements where liability to tax is ignored or hidden) there has been a significant and worrying trend in recent years of increasing criminal attacks on the VAT system. The most common type of organised VAT fraud is the "missing trader" or "carousel" fraud. It arises when a business makes a purchase without paying VAT (typically a transaction for which tax self-assessment applies), then collects VAT on an onward supply and disappears without remitting the VAT collected. It was traditionally common with high-value goods sold across borders, such as computer chips and cell phones. But the fraud has more recently moved into services that are bought and sold like goods. For instance, the development of markets for trading CO_2 emission allowances has created opportunities for organised crime. Using the weaknesses in the market registration procedures and the zero-rating of cross-border supplies followed by taxed transactions in domestic markets, fraudulent traders have caused billions of euros of tax losses in some countries. Europol estimated that in some countries, up to 90% of the whole CO_2 allowances market volume was fraudulent (Europol, 2009). In 2011, a joint statement from the European energy regulators, energy trading firms and gas and electricity operators warned tax authorities about the very serious "danger of VAT fraud for the functioning of Europe's gas and electricity markets". There are also some indications that new types of acquisition fraud have developed in the telecommunication market (Voice over the Internet Protocol; VoIP) and recent research showed that a large number of accounting software products contained hidden tools (zappers) for manipulation of VAT receipts (OECD, 2014c). In addition to the revenue losses, VAT criminal fraud is often connected with other criminal activities such as money laundering.

In response, governments are increasingly developing strategies to counter the losses. One countermeasure is the adoption of a reverse charge mechanism for collecting the VAT in relation to domestic B2B supplies of certain goods and services susceptible to fraud i.e. mobile phones, integrated circuit devices, gas and electricity, telecom services, game consoles, tablet PCs and laptops, cereals and industrial crops and raw and semi-finished metals. In July 2013, the Council of the European Union adopted two directives (2013/42/EU and 2013/43/EU) amending the 2006 VAT Directive, allowing Member States to take immediate measures (i.e. apply the reverse charge to any kind of supply) in case of sudden and massive VAT fraud. The other one allows Member States to apply, on an optional and temporary basis, a domestic reverse charge mechanism to a determined list of supplies.

The reverse charge mechanism shifts the liability to pay the VAT from the supplier to the customer. If he is a normal taxable business, the customer will deduct the VAT due on the supplies as input tax, and no net tax will be payable. In this mechanism, no taxpayer can claim a credit for input VAT without being liable for its payment, thus removing the scope for fraudsters to disappear with the VAT without paying it and/or to claim an input tax credit for input VAT that was not remitted to the tax authorities earlier in the distribution chain. It is recognised, however, that the implementation of a domestic reverse-charge mechanism needs to be considered with care. One concern is that it would transform the VAT into a sales tax with the inherent weaknesses of such a system if applied too extensively.

There is also a growing recognition that effective strategies to tackle VAT fraud and evasion require strongly enhanced international co-operation in tax administration and enforcement between tax authorities in the field of indirect taxes. The criminal attacks against the VAT system are not limited to the European Union and wider international co-operation is needed in this area (European Commission, 2014b). A key instrument for mutual co-operation, information exchange and other forms of mutual assistance that may assist jurisdictions in strengthening international administrative co-operation between tax authorities in indirect taxes is The *Multilateral Convention on Mutual Administrative Assistance in Tax Matters* (the Convention). The Convention was developed jointly by the Council of Europe and the OECD and opened for signature by the Member States of both organisations in 1988. It was aligned to the internationally agreed standard on transparency and exchange of information and opened to all countries in 2011. It provides for all possible forms of administrative co-operation between the Parties in the assessment and collection of taxes, in particular with a view to combating tax avoidance and evasion. The Convention has a very wide scope and covers all forms of compulsory payments to general governments (i.e. the central government and its political subdivisions) including VAT.

Notes

1. For ease of reading, all value added taxes will be referred to as VAT in this chapter.
2. "Free of VAT" may be termed zero-rated, exempt with credit, or some other local terminology depending on the jurisdiction. Whatever the description used, the effect should be the same – no VAT is added by the supplier but the supplier is entitled to input tax credits, to the extent that the jurisdiction allows, in respect of such supplies.
3. This should be distinguished from the term used in the EU for a proposed system (that was never implemented) in which the VAT would have been collected by the Member State of origin and the revenue later channelled to the Member State of destination for transactions within the EU.
4. In July 2013, at the request of the G20, the OECD published an Action Plan on Base Erosion and Profit Shifting (BEPS Action Plan). This Plan was developed in response to the growing concerns expressed by political leaders, media outlets, and civil society around the world about tax planning by multinational enterprises that makes use of gaps in the interaction of different tax systems to artificially reduce taxable income or shift profits to low-tax jurisdictions in which little or no economic activity is performed. Action 1 of the BEPS Action Plan called for work to address the tax challenges of the digital economy. The objective of this action was to develop a report identifying issues raised by the digital economy and detailed options to address them by September 2014.

Bibliography

CASE (2013), *Study to Quantify and Analyse the VAT Gap in the EU-27 Member States,* Center for Social and Economic Research, for the European Commission, Warsaw.

Cockfield, C. et al. (2013), *Taxing Global Digital Commerce: A Study in Tax Law and Technology Change,* Kluwer, Netherlands.

Ebrill, L. et al. (2001), *The Modern VAT,* International Monetary Fund, Washington, DC.

European Commission (2014a), *Report from the Commission to the Council and the European Parliament,* COM(2014)71 final, Brussels.

European Commission (2014b), *Tackling Tax Fraud: Commission Proposes Stronger Co-operation with Non-EU Countries on VAT,* Press Communiqué IP/14/121, Brussels.

EUROPOL (2009), Press Communiqué of 9 December 2009, The Hague, *www.europol.europa.eu/content/press/carbon-credit-fraud-causes-more-5-billion-euros-damage-european-taxpayer-1265*.

Hellerstein, J., W. Hellerstein and J. Swain (2014), *State Taxation,* 3d ed., Thompson Reuters, Valhalla, NY.

Keen, M. and W. Hellerstein, (2010) "Interjurisdictional Issues in the Design of a VAT", *Tax Law Review*, Vol. 63, No. 2, New York University, New York.

Millar, R. (2007), "Cross-Border Services – A Survey of the Issues", in *GST in Retrospect and Prospect*, Thompson, Wellington.

OECD (2014a), *International VAT/GST Guidelines 2014*, *www.oecd.org/ctp/consumption/international-vat-gst-guidelines.htm*.

OECD (2014b), *Addressing the Tax Challenges of the Digital Economy,* OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264218789-en*.

OECD (2014c), *Revenue Statistics 1965-2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/rev_stats-2014-en-fr*.

OECD (2013), *Electronic Sales Suppression: A Threat to Tax Revenues*, OECD, Paris, *www.oecd.org/ctp/crime/ElectronicSalesSuppression.pdf*.

OECD (2011), *Environmental Taxation – A Guide for Policy Makers*, OECD, Paris, *www.oecd.org/env/tools-evaluation/48164926.pdf*.

OECD (2010), *Taxation, Innovation and the Environment*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264087637-en*.

OECD Glossary of Tax Terms, *www.oecd.org/ctp/glossaryoftaxterms.htm*.

Reckon (2009), *Study to Quantify and Analyse the VAT Gap in the EU-25 Member States,* London.

Tait, A. (1988), *Value Added Tax, International Practice and Problems,* International Monetary Fund, Washington.

Tax Foundation (2014), *States and Local Tax Rates in 2014,* Washington.

ANNEX 1.A1

Data on taxing consumption

Table 1.A1.1. **Consumption taxes (5100) as percentage of total taxation**

	1965	1975	1985	1995	2000	2005	2009	2010	2011	2012	Difference 2000-12
Australia	30.0	25.8	28.6	23.1	26.2	25.5	26.5	25.6	24.1	23.3	-2.9
Austria	36.6	33.9	31.0	27.2	26.9	27.0	26.5	26.3	26.1	26.0	-0.9
Belgium	34.1	26.0	23.7	23.5	23.1	23.2	23.4	23.7	23.2	23.5	0.4
Canada	34.7	26.0	26.1	23.9	22.8	23.7	22.1	22.7	22.8	22.8	0.0
Chile	..	..	..	59.8	60.6	48.7	52.6	48.5	46.4	47.1	-13.5
Czech Republic	..	..	..	29.6	29.3	29.0	31.2	31.2	31.5	32.0	2.7
Denmark	39.0	32.3	33.3	30.7	30.4	30.3	30.2	29.9	30.1	29.6	-0.8
Estonia	..	..	..	34.4	37.4	40.9	39.4	39.1	40.4	41.2	3.8
Finland	41.9	31.6	33.4	29.5	28.3	30.5	30.4	30.6	31.7	32.1	3.8
France	37.5	32.4	28.7	26.7	25.1	24.8	24.4	24.3	24.1	23.7	-1.4
Germany	31.1	25.4	24.6	26.9	27.1	27.8	28.7	28.4	28.1	27.3	0.2
Greece	44.1	42.2	40.0	39.4	33.0	31.9	32.6	36.3	37.0	34.9	1.9
Hungary	..	..	..	40.3	39.9	38.9	38.7	41.5	41.9	42.6	2.7
Iceland	61.7	62.2	59.5	45.7	39.5	37.8	33.3	33.1	33.1	33.5	-6.0
Ireland	49.1	44.4	42.6	38.4	36.5	36.2	33.8	34.7	32.5	32.3	-4.2
Israel	..	..	..	34.5	30.9	33.0	36.6	37.2	36.8	36.4	5.5
Italy	37.0	28.3	23.6	25.0	25.0	23.8	21.8	23.2	23.2	22.7	-2.3
Japan	25.0	15.1	12.1	13.8	17.0	17.2	16.9	16.7	16.5	16.2	-0.8
Korea	..	60.0	58.5	38.6	36.7	33.3	30.9	32.8	29.4	29.2	-7.5
Luxembourg	23.5	20.6	24.1	26.7	26.8	28.7	27.0	26.6	27.2	27.7	0.9
Mexico	..	..	64.5	52.7	52.1	55.7	49.1	51.7	53.3	53.9	1.8
Netherlands	27.1	22.5	23.4	24.6	26.3	28.8	27.3	27.3	26.6	26.0	-0.3
New Zealand	26.2	22.8	22.0	31.3	32.4	30.0	34.0	37.0	37.2	35.9	3.5
Norway	39.9	36.6	36.4	36.7	29.4	26.1	26.4	26.2	25.2	25.0	-4.4
Poland	..	..	..	34.6	34.6	36.2	35.5	37.9	37.8	35.0	0.4
Portugal	44.0	40.1	42.3	42.4	38.7	42.2	36.6	38.3	37.6	38.3	-0.4
Slovak Republic	..	..	..	33.4	34.1	37.3	33.6	33.7	34.5	32.7	-1.4
Slovenia	..	..	..	37.9	35.8	33.1	35.1	36.4	35.7	36.0	0.2
Spain	40.6	24.0	27.6	26.1	27.3	26.1	21.4	24.9	24.3	24.9	-2.4
Sweden	29.5	22.7	25.5	27.7	24.0	25.3	27.8	28.4	28.2	28.1	4.1
Switzerland	31.9	20.6	20.2	19.5	20.4	20.4	19.3	19.9	19.6	20.2	-0.2
Turkey	53.5	40.9	35.7	37.1	40.6	47.4	43.6	45.8	43.5	43.2	2.6
United Kingdom	31.1	23.7	29.7	33.5	30.5	29.1	27.6	29.5	31.0	31.6	1.1
United States	19.9	17.1	16.3	15.5	13.8	14.7	15.3	15.3	15.4	15.0	1.2
Unweighted average											
OECD-average	**36.2**	**31.1**	**32.1**	**32.1**	**31.3**	**31.3**	**30.6**	**31.3**	**31.1**	**30.9**	**-0.4**

Unweighted averages. All member counties are taken into account for the calculation of the unweighted averages, including countries that had not implemented the relevant taxes for the year considered. They are counted with a value of zero in the numerator and 1 in the denominator. However, countries that did not exist at the time considered (Czech and Slovak Republics before 1993; Slovenia before 1991) are not included in the calculation of the averages. Are also excluded from the calculation of the averages the countries for which no data is available for the time considered (Chile before 1990, Estonia, Hungary and Israel before 1995, Korea before 1975; Mexico before 1980; Poland before 1995; and Slovak Republic before 2000).

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris.

StatLink http://dx.doi.org/10.1787/888933155132

Table 1.A1.2. **Taxes on general consumption (5110) as percentage of GDP**

	1965	1975	1985	1995	2000	2005	2009	2010	2011	2012	Difference 2000-12
Australia	1.5	1.7	2.2	2.5	3.7	4.0	3.7	3.5	3.4	3.4	-0.3
Austria	6.3	7.2	8.5	7.6	7.9	7.7	7.8	7.7	7.6	7.8	-0.1
Belgium	6.5	6.3	6.9	6.5	7.1	7.0	6.8	7.0	6.9	7.0	-0.1
Canada	4.5	3.9	4.2	4.9	4.9	4.8	4.2	4.3	4.4	4.5	-0.4
Chile	..	..	..	7.5	7.9	7.8	7.3	7.6	7.9	8.1	0.2
Czech Republic	..	..	..	5.8	6.0	6.6	6.6	6.7	6.9	7.1	1.1
Denmark	3.0	6.5	9.2	9.2	9.3	9.8	9.8	9.6	9.7	9.7	0.4
Estonia	..	..	..	9.6	8.4	8.6	8.7	8.6	8.4	8.6	0.2
Finland	5.5	5.6	7.2	7.7	8.0	8.4	8.4	8.3	8.8	9.0	1.0
France	7.8	8.2	8.4	7.4	7.4	7.4	7.0	7.0	7.1	7.1	-0.3
Germany	5.2	5.0	5.7	6.3	6.7	6.1	7.2	7.0	7.0	7.1	0.4
Greece	1.7	3.4	4.2	6.3	7.1	7.0	6.6	7.6	7.6	7.5	0.4
Hungary	..	..	..	8.0	10.1	10.3	10.9	11.0	10.8	11.5	1.4
Iceland	4.3	8.3	9.1	9.6	10.3	10.8	7.6	7.6	7.7	8.1	-2.2
Ireland	1.4	4.1	6.9	6.7	7.1	7.3	6.1	6.1	5.7	5.9	-1.2
Israel	..	..	..	10.6	9.5	9.5	8.9	9.2	9.3	8.9	-0.6
Italy	3.2	3.5	4.7	5.3	6.2	5.7	5.5	6.1	6.0	5.9	-0.3
Japan	0.0	0.0	0.0	1.4	2.4	2.6	2.6	2.6	2.7	2.7	0.3
Korea	..	1.8	3.2	3.4	3.7	3.9	4.1	4.1	4.1	4.3	0.6
Luxembourg	3.3	3.8	4.8	5.0	5.3	6.3	6.5	6.4	6.5	7.0	1.7
Mexico	..	..	2.4	2.5	3.1	3.4	3.4	3.8	3.7	3.7	0.6
Netherlands	3.8	5.5	6.5	6.1	6.4	7.1	6.5	6.8	6.5	6.5	0.1
New Zealand	1.8	2.5	3.2	8.2	8.2	8.7	8.5	9.5	9.7	9.9	1.7
Norway	6.4	8.0	7.8	8.7	8.4	7.9	7.8	7.9	7.7	7.7	-0.7
Poland	..	..	..	6.2	6.9	7.5	7.2	7.5	7.8	7.1	0.2
Portugal	..	2.1	3.0	6.8	7.6	8.2	6.8	7.5	8.1	8.2	0.6
Slovak Republic	..	..	..	8.2	6.9	7.7	6.6	6.2	6.7	6.0	-0.9
Slovenia	..	..	..	11.3	8.7	8.4	7.9	8.1	8.1	8.0	-0.7
Spain	3.2	2.7	4.0	5.0	5.9	6.2	3.8	5.3	5.2	5.3	-0.6
Sweden	3.3	4.7	6.3	8.8	8.3	8.6	9.2	9.3	9.2	9.0	0.7
Switzerland	1.8	2.0	2.6	3.1	3.6	3.6	3.3	3.4	3.5	3.5	-0.1
Turkey	..	..	2.7	5.2	5.8	5.3	4.9	5.7	6.1	5.8	0.0
United Kingdom	1.7	3.0	5.6	6.1	6.3	6.3	5.4	6.2	6.9	6.9	0.6
United States	1.1	1.7	1.9	2.1	2.2	2.1	2.0	2.0	2.0	1.9	-0.3
Unweighted average											
OECD-average	3.2	4.1	5.0	6.6	6.7	6.8	6.5	6.7	6.7	6.8	0.1

Unweighted averages. All member counties are taken into account for the calculation of the unweighted averages, including countries that had not implemented the relevant taxes for the year considered. They are counted with a value of zero in the numerator and 1 in the denominator. However, countries that did not exist at the time considered (Czech and Slovak Republics before 1993; Slovenia before 1991) are not included in the calculation of the averages. Are also excluded from the calculation of the averages the countries for which no data is available for the time considered (Chile before 1990; Estonia, Hungary and Israel before 1995; Korea before 1975; Mexico before 1980; Poland before 1995; and Slovak Republic before 2000).

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris.

StatLink http://dx.doi.org/10.1787/888933155145

Table 1.A1.3. **Taxes on general consumption (5110) as percentage of total taxation**

	1965	1975	1985	1995	2000	2005	2009	2010	2011	2012	Difference 2000-12
Australia	7.4	6.7	7.9	8.7	12.0	13.4	14.3	13.7	12.8	12.4	0.4
Austria	18.7	19.8	21.0	18.6	18.8	18.8	19.0	18.9	18.6	18.6	-0.2
Belgium	21.1	16.2	15.7	15.2	16.2	16.1	16.2	16.4	16.1	15.9	-0.3
Canada	17.8	12.5	13.2	14.0	14.2	14.8	13.4	14.0	14.4	14.6	0.4
Chile	..	..	..	40.6	41.8	37.8	42.5	38.7	37.0	37.7	-4.1
Czech Republic	..	..	..	16.6	18.3	19.1	20.4	20.5	20.6	20.9	2.6
Denmark	10.1	17.3	20.2	19.3	19.3	19.7	21.2	20.6	20.7	20.6	1.3
Estonia	..	..	..	26.5	27.3	28.3	24.8	25.8	26.4	26.7	-0.6
Finland	18.5	15.6	18.3	17.4	17.4	19.9	20.5	20.4	20.9	21.1	3.7
France	23.3	23.4	20.0	17.7	17.1	17.3	16.9	16.9	16.5	16.1	-1.0
Germany	16.5	14.6	15.8	17.4	18.4	18.0	20.1	20.0	19.7	19.4	1.0
Greece	10.3	18.3	17.2	23.0	21.5	22.2	22.3	24.3	23.4	22.2	0.7
Hungary	..	..	..	19.4	26.1	28.1	28.0	29.4	29.4	30.0	3.9
Iceland	16.7	28.6	33.0	31.7	28.5	27.3	23.7	22.7	22.4	22.8	-5.7
Ireland	5.7	14.7	20.6	21.1	23.0	24.8	22.7	22.8	21.4	21.7	-1.3
Israel	..	..	..	30.1	26.6	27.7	29.9	30.2	30.0	30.0	3.4
Italy	12.9	14.3	14.5	13.8	15.4	14.6	13.1	14.6	14.5	13.8	-1.6
Japan	0.0	0.0	0.0	5.4	9.1	9.5	9.6	9.6	9.4	9.2	0.1
Korea	..	12.7	21.1	17.8	17.0	17.4	17.3	17.6	17.1	17.2	0.2
Luxembourg	12.4	12.1	12.8	14.0	14.3	16.4	16.8	16.8	17.4	18.2	3.9
Mexico	..	..	15.9	16.9	18.7	19.1	19.7	20.5	19.0	19.0	0.3
Netherlands	12.4	14.4	16.2	15.6	17.5	19.6	18.3	18.7	18.0	17.9	0.4
New Zealand	7.7	9.0	10.4	22.8	24.9	23.8	27.6	30.7	30.9	30.0	5.1
Norway	21.5	20.5	18.2	21.2	19.8	18.2	18.7	18.6	18.0	18.2	-1.6
Poland	..	..	..	17.1	21.2	22.9	22.9	24.0	24.5	22.1	0.9
Portugal	..	11.2	12.6	23.6	24.8	27.1	23.1	25.0	25.3	26.4	1.6
Slovak Republic	..	..	..	20.8	20.4	25.0	23.3	22.4	23.7	21.3	0.9
Slovenia	..	..	..	29.5	23.7	22.2	21.9	22.0	22.4	22.0	-1.7
Spain	22.2	15.3	14.7	15.9	17.6	17.8	12.6	16.8	16.5	16.6	-1.0
Sweden	10.4	12.0	14.0	19.4	17.0	18.5	21.0	21.6	21.6	21.4	4.4
Switzerland	10.6	8.7	10.7	12.1	13.1	13.5	12.3	12.8	12.8	13.0	-0.1
Turkey	..	..	23.3	31.1	24.2	21.8	20.0	21.7	21.8	20.8	-3.4
United Kingdom	5.9	8.9	15.9	19.0	18.1	18.6	16.6	18.8	20.5	20.8	2.7
United States	4.8	7.0	7.9	8.0	7.6	8.1	8.4	8.3	8.2	8.0	0.4
Unweighted average											
OECD-average	**11.9**	**13.4**	**15.8**	**19.5**	**19.7**	**20.2**	**20.0**	**20.5**	**20.3**	**20.2**	**0.5**

Unweighted averages. All member counties are taken into account for the calculation of the unweighted averages, including countries that had not implemented the relevant taxes for the year considered. They are counted with a value of zero in the numerator and 1 in the denominator. However, countries that did not exist at the time considered (Czech and Slovak Republics before 1993; Slovenia before 1991) are not included in the calculation of the averages. Are also excluded from the calculation of the averages the countries for which no data is available for the time considered (Chile before 1990; Estonia, Hungary and Israel before 1995; Korea before 1975; Mexico before 1980; Poland before 1995; and Slovak Republic before 2000).

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris.

StatLink http://dx.doi.org/10.1787/888933155159

Table 1.A1.4. **Taxes on specific goods and services (5120) as percentage of GDP**

	1965	1975	1985	1995	2000	2005	2009	2010	2011	2012	Difference 2000-12
Australia	4.7	4.9	5.7	4.1	4.3	3.6	3.1	3.0	3.0	3.0	-1.3
Austria	6.0	5.1	4.0	3.5	3.4	3.3	3.1	3.0	3.1	3.1	-0.3
Belgium	4.0	3.8	3.5	3.5	3.0	3.1	3.0	3.1	3.0	3.3	0.3
Canada	4.2	4.3	4.1	3.4	3.0	2.9	2.7	2.7	2.6	2.5	-0.5
Chile	..	..	..	3.5	3.5	2.3	1.7	1.9	2.0	2.0	-1.5
Czech Republic	..	..	..	4.5	3.6	3.4	3.5	3.5	3.7	3.8	0.2
Denmark	8.5	5.7	5.9	5.5	5.3	5.2	4.2	4.3	4.3	4.2	-1.1
Estonia	..	..	..	2.8	3.1	3.8	5.1	4.4	4.5	4.6	1.5
Finland	7.0	5.8	5.9	5.6	5.0	4.5	4.2	4.3	4.6	4.7	-0.3
France	4.8	3.1	3.7	3.8	3.5	3.2	3.1	3.1	3.3	3.4	-0.1
Germany	4.6	3.7	3.2	3.4	3.2	3.3	3.1	2.9	3.0	2.9	-0.3
Greece	5.8	4.4	5.1	4.5	3.8	3.0	3.0	3.7	4.2	4.1	0.3
Hungary	..	..	..	8.6	5.4	4.0	4.2	4.6	4.6	4.9	-0.5
Iceland	11.5	9.8	7.3	4.2	4.0	4.2	3.1	3.5	3.7	3.8	-0.2
Ireland	10.6	8.3	7.4	5.5	4.2	3.4	3.0	3.1	3.0	2.9	-1.3
Israel	..	..	..	1.5	1.5	1.8	2.0	2.1	2.0	1.9	0.4
Italy	5.9	3.4	3.0	4.3	3.9	3.6	3.6	3.5	3.6	3.8	-0.1
Japan	4.4	3.1	3.2	2.2	2.1	2.1	2.0	2.0	2.0	2.1	..
Korea	..	6.7	5.7	3.9	4.2	3.6	3.2	3.5	2.9	3.0	-1.2
Luxembourg	2.9	2.6	4.2	4.5	4.7	4.7	4.0	3.7	3.7	3.7	-1.0
Mexico	..	..	7.4	5.3	5.5	6.5	5.1	5.8	6.7	6.8	1.3
Netherlands	4.5	3.1	2.9	3.5	3.3	3.4	3.2	3.1	3.1	2.9	-0.4
New Zealand	4.4	3.9	3.6	3.1	2.5	2.3	2.0	2.0	2.0	2.0	-0.5
Norway	5.5	6.3	7.7	6.3	4.1	3.4	3.3	3.3	3.0	2.9	-1.2
Poland	..	..	..	6.3	4.4	4.4	3.9	4.3	4.2	4.1	-0.3
Portugal	6.9	5.5	7.2	5.4	4.3	4.5	4.0	4.0	4.0	3.7	-0.6
Slovak Republic	..	..	..	5.0	4.6	3.8	3.0	3.1	3.1	3.2	-1.4
Slovenia	..	..	..	3.2	4.4	4.1	4.8	4.9	4.8	3.5	-0.9
Spain	2.6	1.6	3.4	3.2	3.2	2.9	2.5	2.5	2.4	3.6	0.4
Sweden	6.0	4.2	5.2	3.8	3.4	3.2	3.0	2.9	2.8	3.6	0.2
Switzerland	3.5	2.7	2.3	1.9	2.0	1.9	1.9	1.9	1.8	3.6	1.6
Turkey	5.6	4.9	1.4	1.0	4.0	6.2	5.8	6.3	6.0	3.6	-0.4
United Kingdom	7.4	5.0	4.9	4.6	4.3	3.5	3.5	3.5	3.6	3.6	-0.7
United States	3.6	2.5	2.1	2.0	1.8	1.7	1.6	1.7	1.7	3.6	1.8
Unweighted average											
OECD-average	**5.6**	**4.6**	**4.6**	**4.1**	**3.7**	**3.6**	**3.4**	**3.4**	**3.4**	**3.4**	**-0.3**

Unweighted averages. All member counties are taken into account for the calculation of the unweighted averages, including countries that had not implemented the relevant taxes for the year considered. They are counted with a value of zero in the numerator and 1 in the denominator. However, countries that did not exist at the time considered (Czech and Slovak Republics before 1993; Slovenia before 1991) are not included in the calculation of the averages. Are also excluded from the calculation of the averages the countries for which no data is available for the time considered (Chile before 1990; Estonia, Hungary and Israel before 1995; Korea before 1975; Mexico before 1980; Poland before 1995; and Slovak Republic before 2000).

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris.

StatLink http://dx.doi.org/10.1787/888933155169

Table 1.A1.5. **Taxes on specific goods and services (5120) as percentage of total taxation**

	1965	1975	1985	1995	2000	2005	2009	2010	2011	2012	Difference 2000-12
Australia	22.7	19.1	20.7	14.5	14.1	12.0	12.2	11.9	11.3	11.0	-3.1
Austria	18.0	14.0	9.9	8.5	8.1	8.1	7.5	7.4	7.6	7.4	-0.7
Belgium	13.0	9.8	8.0	8.3	6.9	7.1	7.2	7.3	7.1	7.6	0.7
Canada	16.8	13.6	13.0	9.9	8.6	8.9	8.7	8.8	8.4	8.2	-0.4
Chile	..	..	..	19.2	18.8	10.9	10.1	9.8	9.4	9.4	-9.4
Czech Republic	..	..	..	13.0	11.0	9.8	10.8	10.8	11.2	11.1	0.1
Denmark	28.9	15.0	13.0	11.4	11.1	10.6	9.0	9.3	9.3	9.0	-2.1
Estonia	..	..	..	7.9	10.1	12.6	14.6	13.2	14.0	14.5	4.4
Finland	23.4	16.0	15.2	12.5	10.9	10.7	10.2	10.4	11.0	11.0	0.1
France	14.3	9.0	8.7	9.1	8.0	7.5	7.5	7.5	7.7	7.7	-0.3
Germany	14.6	10.8	8.7	9.5	8.8	9.8	8.6	8.4	8.3	7.9	-0.9
Greece	33.8	23.9	20.9	16.4	11.5	9.6	10.2	11.9	12.9	12.0	0.5
Hungary	..	..	..	20.9	13.8	10.8	10.7	12.1	12.5	12.6	-1.2
Iceland	45.0	33.6	26.5	14.0	11.0	10.6	9.6	10.5	10.7	10.7	-0.3
Ireland	43.4	29.7	22.0	17.4	13.6	11.4	11.1	11.5	11.1	10.6	-3.0
Israel	..	..	..	4.4	4.3	5.3	6.6	6.9	6.6	6.4	2.1
Italy	24.1	14.0	9.1	11.1	9.6	9.2	8.7	8.5	8.7	8.9	-0.7
Japan	25.0	15.1	12.1	8.3	8.0	7.7	7.3	7.2	7.1	6.9	-1.1
Korea	..	47.3	37.4	20.7	19.7	15.9	13.7	15.2	12.2	12.0	-7.7
Luxembourg	11.1	8.4	11.3	12.6	12.5	12.3	10.2	9.8	9.9	9.5	-3.0
Mexico	..	..	48.6	35.8	33.4	36.6	29.4	31.2	34.3	34.9	1.5
Netherlands	14.7	8.1	7.2	9.0	8.9	9.3	8.9	8.7	8.6	8.0	-0.9
New Zealand	18.5	13.8	11.7	8.6	7.5	6.2	6.4	6.4	6.3	6.0	-1.5
Norway	18.4	16.1	18.2	15.5	9.6	7.9	7.8	7.6	7.1	6.8	-2.8
Poland	..	..	..	17.5	13.5	13.3	12.6	13.9	13.3	12.9	-0.6
Portugal	44.0	28.9	29.7	18.7	13.9	15.0	13.4	13.3	12.3	11.8	-2.1
Slovak Republic	..	..	..	12.6	13.7	12.3	10.6	11.3	10.8	11.4	-2.3
Slovenia	..	..	..	8.4	12.1	10.8	13.2	13.4	13.3	14.1	2.0
Spain	18.4	8.7	12.8	10.3	9.6	8.3	8.4	8.0	7.8	8.2	-1.4
Sweden	19.2	10.7	11.6	8.3	7.0	6.8	6.8	6.8	6.6	6.7	-0.3
Switzerland	21.3	11.9	9.5	7.5	7.3	7.0	7.0	7.1	6.6	7.2	-0.1
Turkey	53.5	40.9	12.4	6.0	16.4	25.5	23.6	24.1	21.7	22.4	6.0
United Kingdom	25.2	14.8	13.8	14.5	12.4	10.5	11.0	10.7	10.7	10.8	-1.6
United States	15.1	10.0	8.4	7.5	6.3	6.6	6.9	7.0	7.1	7.1	0.8
Unweighted average											
OECD-average	**24.3**	**17.7**	**16.2**	**12.6**	**11.5**	**11.1**	**10.6**	**10.8**	**10.7**	**10.7**	**-0.8**

Unweighted averages. All member counties are taken into account for the calculation of the unweighted averages, including countries that had not implemented the relevant taxes for the year considered. They are counted with a value of zero in the numerator and 1 in the denominator. However, countries that did not exist at the time considered (Czech and Slovak Republics before 1993; Slovenia before 1991) are not included in the calculation of the averages. Are also excluded from the calculation of the averages the countries for which no data is available for the time considered (Chile before 1990; Estonia, Hungary and Israel before 1995; Korea before 1975; Mexico before 1980; Poland before 1995; and Slovak Republic before 2000).

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris.

StatLink http://dx.doi.org/10.1787/888933155179

Table 1.A1.6. **Value added taxes (5111) as percentage of GDP**

	1965	1975	1985	1995	2000	2005	2009	2010	2011	2012	Difference 2000-12
Australia	0.0	0.0	0.0	0.0	3.4	3.9	3.6	3.4	3.3	3.3	-0.1
Austria	0.0	7.2	8.5	7.6	7.9	7.7	7.8	7.7	7.6	7.8	-0.1
Belgium	0.0	6.3	6.9	6.5	7.0	6.9	6.7	6.9	6.8	6.9	-0.1
Canada	0.0	0.0	0.0	2.9	3.2	3.2	2.7	3.7	4.1	4.2	1.0
Chile	..	..	..	7.5	7.9	7.8	7.3	7.6	7.9	8.1	0.2
Czech Republic	..	..	..	5.8	6.0	6.6	6.6	6.7	6.9	7.1	1.1
Denmark	..	6.5	9.2	9.2	9.3	9.8	9.8	9.6	9.7	9.7	0.4
Estonia	..	..	..	9.6	8.4	8.6	8.7	8.5	8.3	8.6	0.2
Finland	5.5	5.6	7.2	7.7	8.0	8.4	8.4	8.3	8.8	9.0	1.0
France	6.8	8.1	8.2	7.3	7.2	7.2	6.7	6.8	6.8	6.8	-0.4
Germany	0.0	5.0	5.7	6.3	6.7	6.1	7.2	7.0	7.0	7.1	0.4
Greece	0.0	0.0	0.0	6.1	6.9	6.8	6.2	7.2	7.2	7.1	0.2
Hungary	..	..	..	7.3	8.7	8.3	8.4	8.6	8.5	9.1	0.4
Iceland	0.0	0.0	0.0	9.1	10.3	10.8	7.6	7.6	7.7	8.1	-2.2
Ireland	0.0	4.1	6.9	6.7	7.1	7.3	6.1	6.1	5.7	5.9	-1.2
Israel	..	..	..	8.3	7.6	7.7	7.3	7.6	7.6	7.3	-0.3
Italy	0.0	3.4	4.7	5.3	6.2	5.7	5.5	6.1	6.0	5.9	-0.3
Japan	..	..	..	1.4	2.4	2.6	2.6	2.6	2.7	2.7	0.3
Korea	..	0.0	3.2	3.4	3.7	3.9	4.1	4.1	4.1	4.3	0.6
Luxembourg	0.0	3.8	4.8	5.0	5.3	6.3	6.5	6.4	6.5	7.0	1.7
Mexico	..	..	2.4	2.5	3.1	3.4	3.4	3.8	3.7	3.7	0.6
Netherlands	0.0	5.5	6.5	6.1	6.4	7.1	6.5	6.8	6.5	6.5	0.1
New Zealand	0.0	0.0	0.0	8.2	8.2	8.7	8.5	9.5	9.7	9.9	1.7
Norway	0.0	8.0	7.8	8.7	8.4	7.8	7.8	7.9	7.7	7.7	-0.7
Poland	..	..	..	6.1	6.9	7.5	7.2	7.5	7.8	7.1	0.2
Portugal	0.0	0.0	0.0	6.8	7.6	8.2	6.8	7.5	8.1	8.2	0.6
Slovak Republic	..	..	..	8.2	6.9	7.7	6.6	6.2	6.7	6.0	-0.9
Slovenia	..	..	..	0.0	8.5	8.4	7.9	8.1	8.1	8.0	-0.5
Spain	0.0	0.0	0.0	5.0	5.9	6.2	3.8	5.3	5.2	5.3	-0.6
Sweden	0.0	4.7	6.3	8.8	8.3	8.5	9.1	9.2	9.0	8.9	0.6
Switzerland	0.0	0.0	0.0	2.2	3.6	3.6	3.3	3.4	3.5	3.5	-0.1
Turkey	..	..	2.6	4.1	5.8	5.3	4.9	5.7	6.1	5.8	0.0
United Kingdom	0.0	3.0	5.6	6.1	6.3	6.3	5.4	6.2	6.9	6.9	0.6
United States	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unweighted average											
OECD-average	**0.6**	**3.1**	**3.9**	**5.8**	**6.4**	**6.6**	**6.2**	**6.5**	**6.5**	**6.6**	**0.2**

Unweighted averages. All member counties are taken into account for the calculation of the unweighted averages, including countries that had not implemented the relevant taxes for the year considered. They are counted with a value of zero in the numerator and 1 in the denominator. However, countries that did not exist at the time considered (Czech and Slovak Republics before 1993; Slovenia before 1991) are not included in the calculation of the averages. Are also excluded from the calculation of the averages the countries for which no data is available for the time considered (Chile before 1990; Estonia, Hungary and Israel before 1995; Korea before 1975; Mexico before 1980; Poland before 1995; and Slovak Republic before 2000).
The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
Source: OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris.

StatLink http://dx.doi.org/10.1787/888933155184

Table 1.A1.7. **Value added taxes (5111) as percentage of total taxation**

	1965	1975	1985	1995	2000	2005	2009	2010	2011	2012	Difference 2000-12
Australia	0.0	0.0	0.0	0.0	11.1	13.1	13.9	13.4	12.5	12.1	1.0
Austria	0.0	19.8	21.0	18.6	18.8	18.8	19.0	18.9	18.6	18.6	-0.2
Belgium	0.0	16.2	15.7	15.2	16.1	15.8	16.0	16.2	15.9	15.7	-0.4
Canada	0.0	0.0	0.0	8.4	9.2	9.9	8.4	12.2	13.5	13.7	4.5
Chile	..	..	..	40.6	41.8	37.8	42.5	38.7	37.0	37.7	-4.1
Czech Republic	..	..	..	16.6	18.3	19.1	20.4	20.5	20.6	20.9	2.6
Denmark	..	17.3	20.2	19.3	19.3	19.7	21.2	20.6	20.7	20.6	1.3
Estonia	..	..	..	26.5	27.3	28.3	24.8	25.7	26.0	26.6	-0.7
Finland	18.5	15.6	18.3	17.4	17.4	19.9	20.5	20.4	20.9	21.1	3.7
France	20.1	23.1	19.7	17.4	16.7	16.7	16.2	16.3	15.9	15.5	-1.2
Germany	0.0	14.6	15.8	17.4	18.4	18.0	20.1	20.0	19.7	19.4	1.0
Greece	0.0	0.0	0.0	22.0	20.8	21.5	21.1	23.2	22.3	21.2	0.4
Hungary	..	..	..	17.8	22.4	22.6	21.5	23.0	23.0	23.7	1.3
Iceland	0.0	0.0	0.0	29.9	28.5	27.3	23.7	22.7	22.4	22.8	-5.7
Ireland	0.0	14.7	20.6	21.1	23.0	24.8	22.7	22.8	21.4	21.7	-1.3
Israel	..	..	..	23.5	21.3	22.5	24.6	24.7	24.6	24.7	3.4
Italy	0.0	13.7	14.5	13.8	15.4	14.6	13.1	14.6	14.5	13.8	-1.6
Japan	..	..	..	5.4	9.1	9.5	9.6	9.6	9.4	9.2	0.1
Korea	..	0.0	21.1	17.8	17.0	17.4	17.3	17.6	17.1	17.2	0.2
Luxembourg	0.0	12.1	12.8	14.0	14.3	16.4	16.8	16.8	17.4	18.2	3.9
Mexico	..	..	15.9	16.9	18.7	19.1	19.7	20.5	19.0	19.0	0.3
Netherlands	0.0	14.4	16.2	15.6	17.5	19.6	18.3	18.7	18.0	17.9	0.4
New Zealand	0.0	0.0	0.0	22.8	24.9	23.8	27.6	30.7	30.9	30.0	5.1
Norway	0.0	20.5	18.2	21.2	19.7	18.1	18.6	18.5	18.0	18.2	-1.5
Poland	..	..	..	17.0	21.2	22.9	22.9	24.0	24.5	22.1	0.9
Portugal	0.0	0.0	0.0	23.6	24.8	27.1	23.1	25.0	25.3	26.4	1.6
Slovak Republic	..	..	..	20.8	20.4	25.0	23.3	22.4	23.7	21.3	0.9
Slovenia	..	..	..	0.0	23.3	22.2	21.9	22.0	22.4	22.0	-1.3
Spain	0.0	0.0	0.0	15.9	17.6	17.8	12.6	16.8	16.5	16.6	-1.0
Sweden	0.0	12.0	14.0	19.4	16.9	18.3	20.7	21.3	21.4	21.1	4.2
Switzerland	0.0	0.0	0.0	8.6	13.1	13.5	12.3	12.8	12.8	13.0	-0.1
Turkey	..	..	22.3	24.3	24.2	21.8	20.0	21.7	21.8	20.8	-3.4
United Kingdom	0.0	8.9	15.9	19.0	18.1	18.6	16.6	18.8	20.5	20.8	2.7
United States	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unweighted average											
OECD-average	**1.8**	**8.8**	**11.3**	**17.3**	**19**	**19.5**	**19.2**	**19.7**	**19.7**	**19.5**	**0.5**

Unweighted averages. All member counties are taken into account for the calculation of the unweighted averages, including countries that had not implemented the relevant taxes for the year considered. They are counted with a value of zero in the numerator and 1 in the denominator. However, countries that did not exist at the time considered (Czech and Slovak Republics before 1993; Slovenia before 1991) are not included in the calculation of the averages. Are also excluded from the calculation of the averages the countries for which no data is available for the time considered (Chile before 1990; Estonia, Hungary and Israel before 1995; Korea before 1975; Mexico before 1980; Poland before 1995; and Slovak Republic before 2000).

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris.

StatLink http://dx.doi.org/10.1787/888933155192

Table 1.A1.8. **Tax structures in the OECD area**[a]

	1965	1975	1985	1995	2005	2012
Personal income tax	26	30	30	27	24	25
Corporate income tax	9	8	8	8	10	9
Social security contributions[b]	18	22	22	25	25	26
(employee)	*(6)*	*(7)*	*(7)*	*(9)*	*(9)*	*(10)*
(employer)	*(10)*	*(14)*	*(13)*	*(14)*	*(14)*	*(15)*
Payroll taxes	1	1	1	1	1	1
Property taxes	8	6	5	6	6	5
General consumption taxes	12	13	16	20	20	20
(of which VAT)	*(2)*	*(9)*	*(11)*	*(17)*	*(19)*	*(20)*
Specific consumption taxes	24	18	16	13	11	11
Other consumption taxes[c]	2	2	2	3	3	3
Total	100	100	100	103	100	100

a) Percentage share of major tax categories in total tax revenue.
b) Including social security contributions paid by the self-employed and benefit recipients (heading 2300) that are not shown in the breakdown over employees and employers.
c) Including certain taxes on goods and services (heading 5200) and stamp taxes.
Source: OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris.

StatLink *http://dx.doi.org/10.1787/888933155205*

Chapter 2

Value added taxes: Rates and structure

This chapter describes the key features of VAT regimes in OECD countries, i.e. tax rates, exemptions, specific restrictions to input tax credit, registration and collection thresholds, VAT relief arrangements for goods imported by final consumers and special tax collection methods. It is complemented with a technical discussion of the rationale and impact of reduced VAT rates, based on recent OECD research.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

1. Introduction

Although most VAT systems are built on the same core VAT principles (see Chapter 1), there is considerable diversity in the structure of VAT systems in OECD countries. This is notably illustrated by the variety of reduced rates, exemptions and other preferential treatments and special regimes that are widely used in OECD countries, often for equity or social objectives or for practical or historical reasons.

This chapter presents an overview of the VAT rate structures in OECD countries and their evolution between 1975 and 2014 (Section 2) and looks in some detail at the VAT exemptions that exist in these countries (Section 3). This is followed by an overview and analysis of the wide variety of special regimes used in OECD countries in the following areas: specific restrictions on the right to deduct VAT on specific inputs (Section 4), registration and collection thresholds (Section 5), VAT relief arrangements for goods imported by final consumers (Section 6) and special VAT collection methods (Section 7). The last section (Section 8) presents a further detailed technical discussion of the rationale and impact of reduced VAT rates, based on recent OECD research.

2. The evolution of standard rates and reduced rates

The evolution of VAT rates can be divided into three periods. During the first period between 1975 and 2000, when many countries first implemented their VAT system, many countries progressively raised their standard rates. Out of the 31 countries that had a VAT in 1995, 20 had raised their standard rate at least once since implementation. Between 1975 and 2000, the OECD average standard rate rose from 15.6% to 18%.

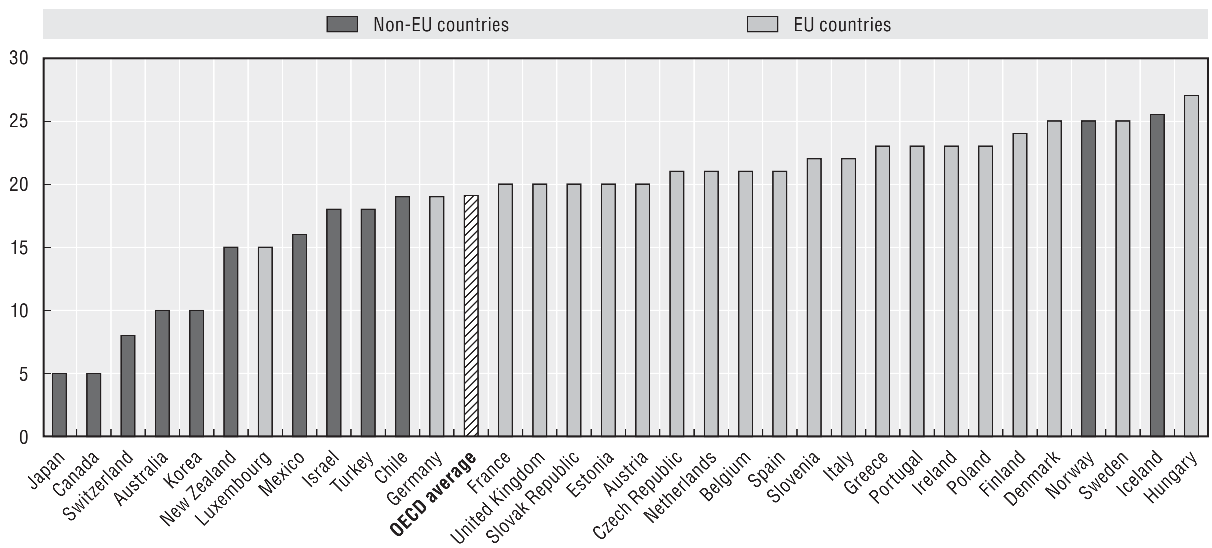
During a second period, between 2000 and 2009, the standard rate of VAT remained stable in most countries, with 22 out of 33 countries maintaining a rate between 15% and 22%. As of 1 January 2009, only 5 countries had a standard rate above 22% (Denmark, Finland, Iceland, Norway and Sweden). Between 2000 and 2009, the OECD average standard rate declined slightly from 18% to 17.6% (see Table 2.A2.1).

The third period, between 2009 and 2014, is marked by a strong increase in the standard VAT rate in many countries in response to financial consolidation pressures caused by the economic and financial crisis. During this short period, 21 countries raised their standard VAT rate at least once. These changes occurred principally in European Union countries (Czech Republic, Estonia, Finland, France, Greece, Hungary, Ireland, Italy, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain and United Kingdom) but also in a few non-EU countries (Iceland, Israel, Japan, Mexico, New Zealand and Switzerland). Only two countries lowered their standard VAT rate temporarily and have raised it again (Ireland and the United Kingdom). This resulted in a hike of the unweighted OECD average standard VAT rate from 17.6% in January 2009 to 19.1% on 1 January 2014. Ten OECD countries now have a standard rate above 22% against only four in 2009. Since January 2014, Japan has raised its standard rate from 5% to 8% (on

1 April 2014) and a further increase to 10% is planned for October 2015. Luxembourg has also decided to raise its standard rate from 15% to 17% as of 1 January 2015.

While most OECD countries have increased their standard VAT rate at least once between 2009 and 2014, there are still major differences in standard rates among the OECD countries, with rates ranging from 5% in Canada (although most Canadian provinces levy sales taxes or Harmonised Sales Taxes alongside the Federal 5%) and 8% in Japan and Switzerland to 25% in Denmark, Norway and Sweden; 25.5% in Iceland and even 27% in Hungary (see Figure 2.1).

Figure 2.1. **Standard rates of VAT, 2014**



Source: Author's work based on country information.

StatLink http://dx.doi.org/10.1787/888933155068

The average standard rate of the 21 OECD countries that are members of the European Union (21.7%) is significantly above the OECD average (19.1%). Member States of the European Union are bound by common rules regarding VAT rates (VAT Directive 2006/112/EC). These rules provide that supplies of goods and services are normally subject to a standard rate of at least 15%. Two reduced rates of not less than 5% may be applied to a restricted list of goods and services as well as to certain labour intensive services, but no rate can be higher than the standard rate. However, a multitude of derogations have been granted to many EU countries and, as a result, more than 40 different standard and reduced VAT rates apply in EU. Many reduced rates are also applied in other OECD countries but no one applies higher rates than the standard rate.

One of the important reasons why countries are increasingly looking towards the VAT as a source of additional revenue to consolidate public budgets is because VAT is widely seen as a relatively growth-friendly tax. Indeed, evidence suggests that VAT distorts saving, investment and work incentives to a lesser degree than income taxes. Many countries have therefore chosen to seek additional revenues from VAT rather than other taxes.

While standard rates of VAT have risen, the base to which these rates are applied has often remained unchanged and many OECD countries continue to apply a wide variety of VAT exemptions and reduced rates (see Tables 2.A2.2 and 2.A2.4). In the majority of the

OECD countries that increased their standard rate at least once since 2009 (15 out of 20), the reduced VAT rates were not increased (Iceland, Israel, Italy, Netherlands, New Zealand and the United Kingdom) or they were increased to a lesser extent (Finland, Hungary, Ireland, Portugal, Slovenia, Spain, Switzerland and the United Kingdom) than the standard rates. In a number of countries (France, Hungary, Ireland, Poland and Slovak Republic), new or additional reduced VAT rates were implemented to reduce the difference between reduced and standard VAT rates or to compensate for the rate increase on a number of products. In four countries (Czech Republic, Estonia, Norway and Poland) the difference was reduced as lower VAT rate(s) were increased more than the standard rate. None of the OECD countries abolished its reduced VAT rate(s).

The choice of raising additional revenues by increasing the standard VAT rate instead of limiting the use of reduced rates and exemptions may, however, have adverse effects. In particular, when the standard VAT rate is increased (other things remaining equal) the amount of revenue forgone due to the application of reduced rates and exemptions also increases. The OECD uses the "VAT Revenue Ratio" as an indicator of VAT performance. This ratio expresses the VAT that is actually collected in a country as a proportion of the revenue that would be raised if the standard rate were applied to all consumption. Across the OECD, the unweighted average VRR appears to be just 0.55, meaning that 45% of the potential VAT revenue is not collected (see Table 3.A3.1). Although the VRR should be interpreted with caution and erosion of the tax base may be caused by a variety of factors, it suggests that there is significant potential for raising additional revenues by improving the performance of VAT systems without having to increase the standard rate. An alternative and potentially less distorting way of raising VAT revenue would be to broaden the tax base so that goods and services that are now subject to zero and reduced rates would gradually be taxed at the standard rate.

In addition, while VAT preferential treatments are often used for equity and social objectives (basic essentials, health, education, etc.), evidence suggests that they are not an effective way of achieving such distributional objectives (OECD, 2014). Better-off households tend to benefit more in absolute terms from VAT reduced rates as their consumption of the tax-favoured goods and services is generally greater than that of poorer households. A more effective policy to achieve distributional objectives may be to remove reduced VAT rates and use measures that are directly targeted at increasing the real incomes of poorer households. However, the obstacles to implementing such a reform (in particular regarding its perceived distributional impact) may be considerable and many countries appear to have found it politically easier to increase their standard VAT rate than to broaden the tax base (see technical note on rationale and impact of reduced VAT rates under Section 8).

3. Exemptions

In addition to reduced rates, countries extensively use exemptions (see Table 2.A2.4). When a supply is VAT-exempt, this means that the supplier may not charge VAT and is unable to recover the related input tax. In some jurisdictions, exemption is referred to as "input taxation" to make it clear that the supply is not free of VAT but that there is a "hidden VAT" in the price of the exempt supply. Exemptions should therefore not be confused with the absence of taxation.

Although it is a significant departure from the basic concept of VAT, all OECD countries (with the exception of New Zealand and Turkey) apply a number of exemptions. Exemptions are often justified on practical ground – where the output is hard to define and therefore to tax (such as financial and insurance services) – and/or to pursue distributional objectives (such as agricultural and fuel exemptions and exemptions for basic health and education). A number of exemptions have their roots in tradition (letting of immovable property, supply of land and buildings) or relate to activities considered as public service (education, postal services). Certain sectors that are exempt from VAT may also be subject to other specific taxes (e.g. property, insurance, financial services).

Exemptions beyond these core items are numerous and cover a wide diversity of sectors such as culture, legal aid, passenger transport, public cemeteries, waste and recyclable material, water supply, precious metals and agriculture (see Table 2.A2.4).

The standard advice in VAT design is to have a short list of exemptions, limited to basic health, education and perhaps financial services (OECD, 2013). By not allowing the deduction of input tax, VAT exemptions create an important exception to the neutrality of VAT (see Chapter 1). The following paragraphs provide an overview of the main consequences of exemptions, which are complex and often adverse.

VAT exemptions introduce a cascading effect when applied in a B2B context. The business making an exempt supply can be expected to pass on the uncreditable input tax in the price of this supply, while this "hidden tax" cannot subsequently be credited by the recipient business. If the outputs of this recipient business are not also exempt, this hidden VAT will presumably be part of the price for the supplies on which it will charge output VAT. The result is a hidden tax at a variable rate depending on the number of production stages that are subject to the tax. This distorts businesses' production decisions and choices of organisational form. The size of this cascading effect depends on where the exemption is applied in the supply chain. If the exemption is applied immediately prior to the final sale, there is no cascading effect and the consequence is simply a loss of tax revenue since the value added at the final stage escapes tax. If the exemption occurs at some intermediate stage, the consequence of the cascading effect may be an increase of net revenues in a non-transparent manner.

Exemptions create incentives for reducing tax liability by vertical integration ("self-supply") and disincentives for outsourcing as firms have an incentive to produce their inputs internally rather than to purchase externally and incur irrecoverable VAT. This may lead to economic inefficiencies as from the resulting distortion of the structure of the supply chain. It can also initiate a dynamic whereby exemptions feed on each other resulting in "exemption creep": once a sector receives an exemption, it has an incentive to lobby for exemptions for those from whom it buys its inputs in order to avoid paying hidden VAT on its inputs.

Exemptions generally lead to the under-taxation of supplies to consumers, who face a tax burden equal to the tax on inputs used by the businesses without its value-added, and an over-taxation of businesses who are unable to deduct the "hidden" tax embedded in their inputs. It also leads to the taxation of investments rather than consumption, which is in contradiction with the main purpose of the tax.

In the international context, exemptions compromise the destination principle for taxation of internationally traded goods and services. When an exporter uses exempt inputs, it is not possible to remove the irrecoverable VAT resulting from the exemption applied at an earlier stage in the production chain. On the other hand, businesses that use exempt inputs have an incentive to import from countries where they are zero rated for export instead of purchasing them from exempt domestic providers. It has been suggested that managing exemptions also imposes increased administrative and compliance costs. As is the case for differentiated rate structures, it may often be difficult for businesses and tax administrations to distinguish between exempt and taxable supplies, in particular in complex areas such as financial services. Businesses that make both taxable and exempt supplies are often faced with complex allocation rules to determine the share which is attributable to taxed outputs and for which it is thus entitled to an input tax credit. However, there is little evidence on the quantitative extent to which exemptions increase administration and compliance costs (Bird and Gendron, 2007).

Some consideration was given recently to the theoretical and practical justification of exemptions (de la Feria, 2013) and to the widening of the tax base by reducing the scope of exemptions as a valid alternative to increasing VAT rates (European Commission, 2010).

4. Restrictions to the right to deduct VAT on specific inputs

Although the burden of VAT should not fall on businesses, the right to deduct input taxes is limited to the extent that those inputs are used for businesses' taxable purposes. The right of deduction is legitimately denied in cases where inputs are used to make onward supplies that are not taxable, i.e. exempt without refund (e.g. health care, financial services) or outside the scope of VAT (e.g. supplies for no consideration). Input tax credit is also denied when purchases are not (wholly) used for the furtherance of taxable business activity, for example, when they are used for the private needs of the business owner or its employees (i.e. final consumption). All these limitations to the right of deduction are justified by the use businesses make of the related inputs and are perfectly consistent with the VAT principle.

In addition to the rules described above, most OECD countries have legislation in place that provides for restrictions to input tax deduction on a number of goods and services because of their nature rather than because of their use by businesses, generally with a view to ensure (input) taxation of their *deemed* final consumption (see Table 2.A2.5). Examples include entertainment, restaurant meals and gifts offered to clients as part of the business activity. Only five countries (Israel, Japan, New Zealand, Sweden and Switzerland) have not implemented any such limitations to the right of deduction.

Amongst the other 28 countries, input tax restrictions on entertainment is the most widespread although the items included in that category may vary widely. Depending on countries, this concept may include restaurant meals; (alcoholic) beverages; reception costs; hotel accommodation; attendance at sporting or cultural events; and gifts and transport services. In addition, the VAT connected with the use of cars is also often non-deductible.

In a number of countries, the input VAT restriction is limited to a portion of the VAT incurred. For example, the right of deduction for the VAT incurred on the use of cars by the employees of a business is limited to a fixed percentage. In some countries for example, only 50% of the VAT incurred is deductible, even if the car is fully used for business purposes.

The key rationale behind those limitations is threefold: *first*, it avoids the administrative burden associated with the need to control the actual use of such goods and services, which may be easily used for dual business/private purposes due to their very nature; *second*, it is a way of reducing the risks of fraud; *third*, such commodities often contain an element of "consumption". This is the case of restaurant meals, for example. However, the third justification may be considered inconsistent with the main features of the VAT system. Indeed, businesses (or their employees) never "consume" goods and services within the meaning of the VAT when they are used in the furtherance of a taxable activity.

5. Registration and collection thresholds

Another kind of VAT exemption is applied to particular businesses based on their size. In many countries, small firms below a threshold are not required to charge and collect the tax (Table 2.A2.3). Most OECD countries that utilise a VAT (28 out of 33) allow small businesses to exempt their supplies on the condition that they do not deduct input tax. The consequences of such "individual" exemptions are equivalent to treating small businesses as non-taxable businesses. There are two kinds of thresholds: registration thresholds that relieve suppliers from both the requirement to register for VAT and to collect the tax; and collection thresholds for which taxpayers, even those below the threshold, are required to register for VAT, but are relieved from collecting the tax until they exceed the threshold. Relief from registration and/or collection may also be available to specific industries or certain types of firms (e.g. non-resident suppliers).

The levels of these thresholds vary significantly across OECD countries and may be split into three broad groups:

- Fourteen member countries have a relatively high threshold (more than USD 30 000): Australia, Austria, Czech Republic, France, Hungary, Ireland, Italy, Japan, New Zealand, Poland, Slovak Republic, Slovenia, Switzerland and the United Kingdom. Of these, France and the United Kingdom have a particularly high threshold (above USD 90 000).
- Fourteen member countries have a relatively low threshold (between USD 1 500 and 30 000): Belgium, Canada, Denmark, Estonia, Finland, Germany, Greece, Iceland, Israel, Korea, Luxembourg, Netherlands, Norway and Portugal.
- Five member countries have no general exemption threshold: Chile, Mexico, Spain, Sweden and Turkey.

There is no consensus amongst OECD countries on the need for, or the level of, thresholds. The main reasons for excluding "small" businesses (and this notion may vary considerably across countries) are that the costs for the tax administration are disproportionate to the VAT revenues from their activity and, similarly, the VAT compliance costs would be disproportionate for many small businesses. It is also assumed that smaller businesses may be less compliant. On the other hand, a high threshold may give an advantage to small businesses, distorting competition with larger companies. In addition, some businesses may see the threshold as a disincentive to grow or as an incentive to avoid VAT by splitting activities artificially. The level of the threshold is often the result of a trade-off between minimising compliance and administration costs and the need to avoid jeopardising revenue or distorting competition.

There have been varying trends regarding the implementation of registration/collection thresholds in OECD countries. Since 2006, thresholds have remained stable with no change or limited adjustment (increased by less than 20%) in half of the OECD countries: Canada, Chile (no threshold), Czech Republic, Denmark, Estonia, Finland, France, Germany, Israel, Japan, Mexico (no threshold), Netherlands, Norway, Slovak Republic, Spain (no threshold) and Turkey. A number of countries have increased their threshold by more than 20%: Australia (from AUD 50 000 to AUD 75 000), Austria (from EUR 22 000 to EUR 30 000), Hungary (from HUF 4 000 000 to HUF 6 000 000), Iceland (from ISK 220 000 to ISK 1 000 000), Ireland (from EUR 51 000 to EUR 75 000), Luxembourg (from EUR 10 000 to EUR 25 000), New Zealand (from NZD 40 000 to NZD 60 000), Poland (from PLN 43 800 to PLN 150 000), Slovenia (from EUR 25 000 to EUR 50 000), Switzerland (from CHF 75 000 to CHF 100 000) and the United Kingdom (from GBP 58 000 to GBP 79 000). Four countries have introduced a threshold since 2006: Belgium, Italy, Korea and Portugal. Since 1 January 2014, two countries have further raised their threshold: Belgium (up to EUR 15 000) and the United Kingdom (up to GBP 81 000). Greece is the only country to have decreased its threshold (from EUR 10 000 to EUR 5 000) while Sweden has removed the threshold of SEK 30 000 (USD 3 400) introduced a few years ago.

6. VAT relief for goods imported by final consumers

6.1. Low Value Consignment Relief

Most OECD countries apply a VAT relief arrangement for low-value imports, sometimes known as “low value consignment relief”, to facilitate the transit of low value goods and reduce the cost of tax collection. On the other hand, high tax thresholds reduce revenues and may create competitive disadvantages for domestic retailers (see Chapter 1, Section 8.1.1).

Table 2.A2.8 shows that the thresholds vary widely across countries, from USD 9 in Denmark to USD 650 in Australia. In two thirds of OECD countries (21 out of 33), the threshold is between USD 20 and USD 50. However, 19 out of these 33 countries belong to the European Union where legislation[1] provides that Member States must exempt from VAT the import of goods whose value does not exceed EUR 10. Member States may grant an exemption for imported goods with a value of more than EUR 10 but not exceeding EUR 22. EU Member States may exclude from the low value import arrangements goods imported on mail order (France is the only EU country that makes use of this option). The exemption does not apply to alcoholic products, perfumes and toilet waters, tobacco or tobacco products. All EU Member States that are members of the OECD have opted for the higher threshold of EUR 22, except Denmark that applies the lower threshold of EUR 10. Two countries (Chile and Turkey) have no threshold at all and tax all imports of goods, regardless of their value (see Section 8.1.1 in Chapter 1 for more detail).

6.2. VAT Relief for Import/Export of Goods by Individuals

Table 2.A2.7 shows the thresholds for tax-free import of goods in the luggage of individual travellers. Again, differences exist between OECD countries, except within the European Union where common rules apply (although differences may appear when value is converted in USD due to the use of the Purchase Parity Power PPP exchange rates – see Annex A). Table 2.A2.7 also shows the thresholds for refunds of VAT on export to individual travellers.

7. Special VAT collection methods

Most countries allow or utilise specific VAT collection methods in special circumstances. The purpose of these methods is usually to simplify the collection process in order to reduce the administrative and compliance burden.

One of the most common methods is the reverse charge mechanism, which shifts the liability to pay the VAT from the supplier to the customer. Table 2.A2.6 shows the widespread use of this mechanism for cross-border supplies of services and intangible products between businesses (Japan is the only country that does not use it). It is also used in the international trade in goods (including transactions within the framework of VAT warehouses) or when, for example, a foreign supplier installs or assembles goods in the country of the taxable customer. The main benefit of the mechanism is that the foreign supplier does not have to register and account for VAT in the customer's country. Concerns about the development of VAT fraud schemes have also prompted governments to extend the application of the reverse charge mechanism for domestic supplies in certain markets or circumstances (see Chapter 1).

Table 2.A2.6 also shows that more than 80% of OECD member countries that employ a VAT (27 of 33) have systems of taxing the margin between purchase and selling prices rather than the selling price. These systems apply mainly to gambling, travel agencies, second-hand goods (including antiques) and works of art. Many countries have also implemented simplified schemes to help minimise compliance costs for small businesses (e.g. hairdressers and farmers).

8. Technical note – Rationale and impact of reduced VAT rates

With the exceptions of Chile and Japan, all OECD countries have one or more reduced rates (including domestic zero rates, also called "GST-free supplies" or "exempt with right to deduct input tax" that should not be confused with the zero-rating of exports). Derogations from the application of the standard rate broadly fall within the following categories (see Table 2.A2.2):

- Basic essentials such as medical and hospital care, food, energy products and water supplies.
- Certain activities considered traditionally to be utilities (public transport, postal services, public television).
- Activities that are considered socially desirable (charitable services, culture and sport) or supporting employment (e.g. locally supplied labour intensive services).
- Geographic areas that are considered as deserving preferential treatment (islands, territories far away from metropolitan areas, border areas).

The reasons for the existence of reduced rates may be rooted in a country's socio-economic history and address issues that are considered as priority matters for a given society at a point in time.

One of the reasons for the introduction of a differentiated rate structure is the promotion of equity (ensuring a fairer distribution of aggregate income). Countries have generally considered it desirable to alleviate the tax burden on goods and services that form a larger share of expenditure of the poorest households (e.g. basic food, water). Countries have also tended not to want to tax medicine, health services and housing at high rates.

Reduced VAT rates are also used for stimulating consumption of "merit goods" (e.g. cultural products and education) and goods with positive externalities (e.g. energy-saving appliances). However, other reduced rates seem less targeted. Amongst these are admissions to cultural events, including circuses and cinemas, hotel accommodation and cut flowers.

To decide whether to implement or maintain a reduced VAT rate, the cost of the cost of the given reduced rate both in terms of revenue foregone (the tax expenditure) and compliance should be compared with its ability to produce the desired outcome at the lowest cost. In this regard, alternative measures, such as direct subsidies to certain activities or population sub-groups should be considered where possible. The rationale for a number of reduced rates is discussed in more detail below.

8.1. Equity objectives

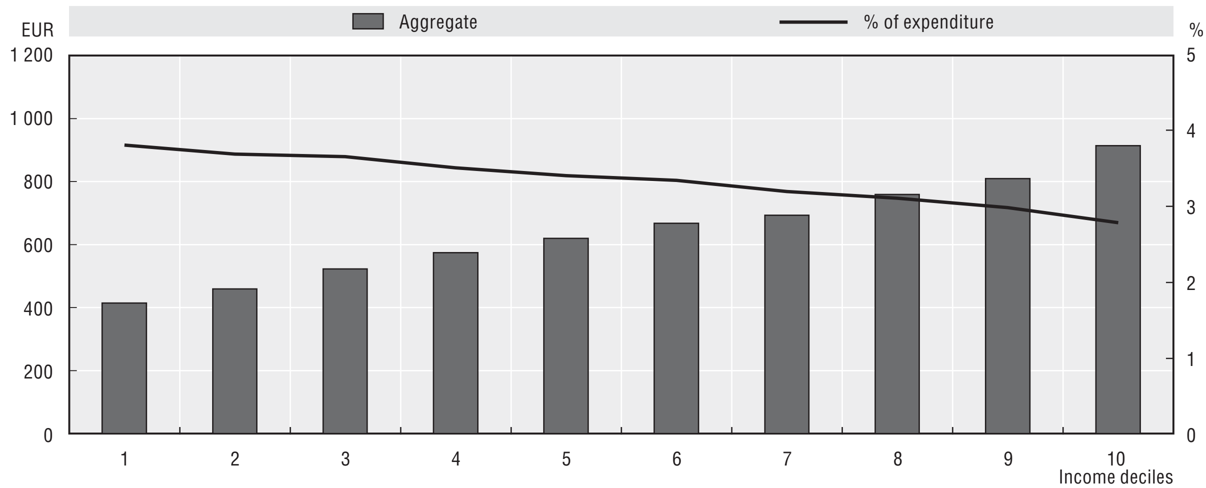
Most countries implement reduced VAT rates on necessities such as food and water in order to alleviate the tax burden on low-income households. The question is whether such reduced rates are an effective way of achieving distributional objectives. A recent OECD study (OECD, 2014 – hereafter "the study") discusses the issue in detail. The study shows that most of the reduced rates that are introduced for the distinct purpose of supporting the poor, such as reduced rates on food, water, and on energy products, do have a progressive effect (when measured as a percentage of income or expenditure). However, it also shows that reduced rates are a poor tool for targeting support to those poor households. At best, rich households receive roughly as much benefit – in absolute value – from a reduced rate as do poor households. At worst, rich households benefit vastly more than poor households. This result is unsurprising as better off households can be expected to consume more, and often more expensive, products than poorer households. Thus, while poorer households may benefit from reduced VAT rates on "necessities" the wealthier gain even more. As a result, a disproportionate part of the tax expenditure (i.e. the difference between the tax actually collected and the tax that would have been collected if the tax base was subject to the standard rate) benefits those who are not targeted by the measure.

Overall, the distributional impact of all reduced rates (see Figure 2.2) indicates that the tax relief provided to the top income decile households is significantly higher in absolute terms than the relief provided to the bottom decile households. Out of a total annual tax expenditure of about EUR 6 400 per household on average in the 20 countries surveyed, the two higher income deciles get together about EUR 1 700 subsidy a year, i.e. 27% of the total tax expenditure, while the two lower income deciles barely get EUR 873 together, i.e. 13.6% of the total tax expenditure. More globally, 60% of the revenue foregone is spent on the richest half of the population. Nevertheless, measured as a proportion of their expenditure, poor households benefit more from reduced rates than rich households (see dotted line).

The situation will of course depend on the type of good or service considered. For example, in the 15 countries surveyed that have a reduced rate on food (see Figure 2.3), the reduced rate tends to provide a far more similar level of support to poor and rich households than was the case for all reduced rates. This is because poorer households spend a significantly greater proportion of their total expenditure on food than rich households do. Comparing Figures 2.1 and 2.3 shows that the vast majority of the total level of support provided to the poor through reduced VAT rates comes from the reduced rate on food – emphasising the importance of the reduced rate on food as a means of support for the poor in many current VAT systems. Despite this, as rich households still tend to spend more on food in absolute terms, the reduced rate on food can still be seen as a badly targeted means of supporting the poor.

In terms of targeting the poor, the performance of reduced VAT rates on pharmaceuticals is much worse. In the 15 countries surveyed that have a reduced rate on pharmaceuticals, higher income deciles tend to gain substantially more than lower deciles in absolute terms, even if, as a proportion of expenditure, the reduced rates on pharmaceuticals still tend to benefit lower more than higher income households. In absolute value, the 20% highest income households get 1.6 times as much tax relief as the 20% lowest income households

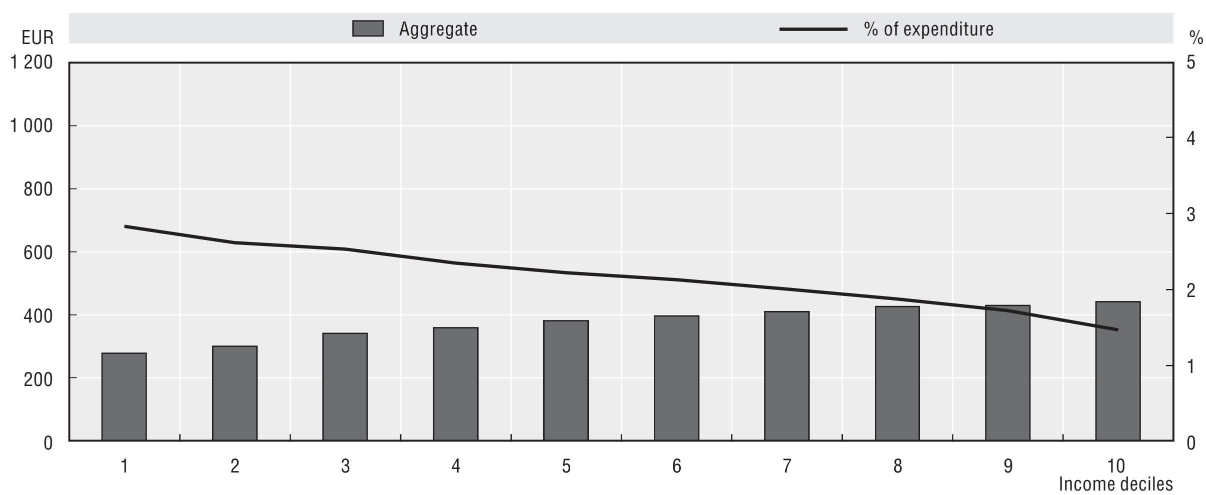
Figure 2.2. **All-country average of the average tax expenditure per household from all reduced rates (20 countries)**



Source: OECD (2014), "The Distributional Effects of Consumption Taxes in OECD Countries", *OECD Tax Policy Studies*, No. 22 (forthcoming), OECD Publishing, Paris.

StatLink *http://dx.doi.org/10.1787/888933155078*

Figure 2.3. **All-country average of the average tax expenditure per household from reduced rates on food (15 countries)**



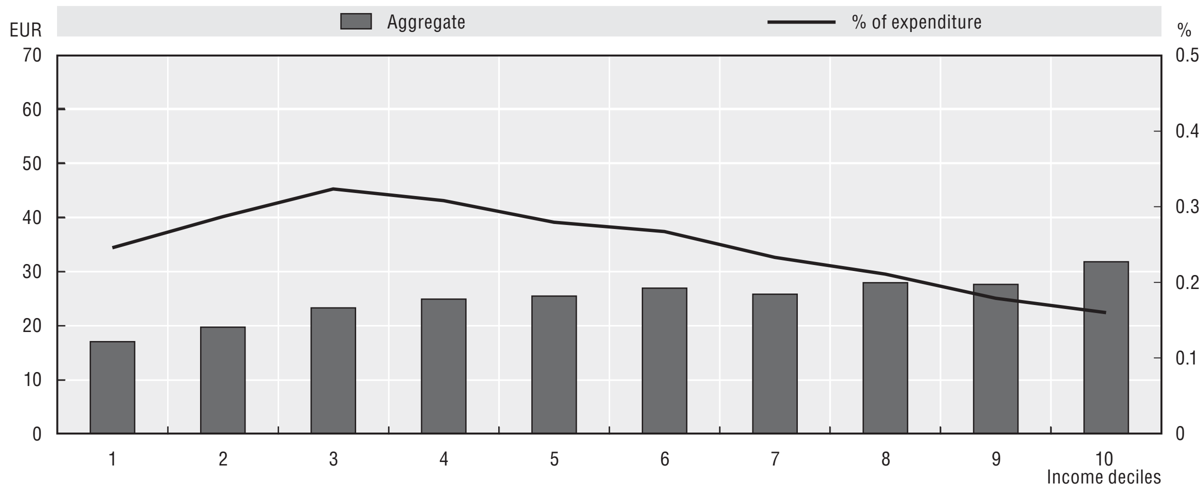
Source: OECD (2014), "The Distributional Effects of Consumption Taxes in OECD Countries", *OECD Tax Policy Studies*, No. 22 (forthcoming), OECD Publishing, Paris.

StatLink *http://dx.doi.org/10.1787/888933155086*

(Figure 2.4). In several countries surveyed, middle income households tend to benefit the most proportionally.

This raises the question of whether removing reduced VAT rates and using direct transfers to poorer households to achieve distributional objectives would be a more effective policy. Economic literature generally considers that direct lump-sum payments to households related only to their socio-economic characteristics are better in terms of both equity and efficiency. Transfers directly targeted to low-income households (including increased personal income tax allowances and state benefits) may also be more effective in enhancing equity than "scatter-gun" VAT provisions (OECD, 2010).

Figure 2.4. **All-country average of the average tax expenditure per household from reduced rates on pharmaceuticals (15 countries)**



Source: OECD (2014), "The Distributional Effects of Consumption Taxes in OECD Countries", *OECD Tax Policy Studies*, No. 22 (forthcoming), OECD Publishing, Paris.

StatLink http://dx.doi.org/10.1787/888933155092

In addition, it may well be difficult to define "necessities" in practice. For instance, a reduced rate may apply to all food including "luxury" items. Drawing distinctions tends to raise administrative costs (defining and monitoring) and compliance costs (identifying and understanding); and it encourages litigation to secure a reduced rate category for a wide selection of products. For example, how would the line be drawn between different types of potato products and between biscuits and cakes?

Finally, low income observed at a single point in time may often be temporary and need not reflect low living standards across a lifetime. While it is true that some people are persistently poor, many have variable earnings – and expenses – over their lifetime. Looking at the effect of taxes on lifetime income inequality may consequently produce a different picture to an analysis based on current income.[2]

Distributional arguments in favour of VAT rate differentiation may be more persuasive where countries do not have the administrative capacity to provide more direct transfers to poorer households (Heady and Smith, 1995). In low-income countries, significant and stable differences in consumption patterns between high- and low-income groups allow for an easier and more efficient alleviation of poverty through exemptions from consumption taxes or low rates. In these countries, low-income families purchase most of their goods from local small-scale producers whose output either may be exempted or escape taxation, while high-income families are likely to buy more factory-made or imported goods that can be taxed more effectively (Copenhagen Economics, 2007).

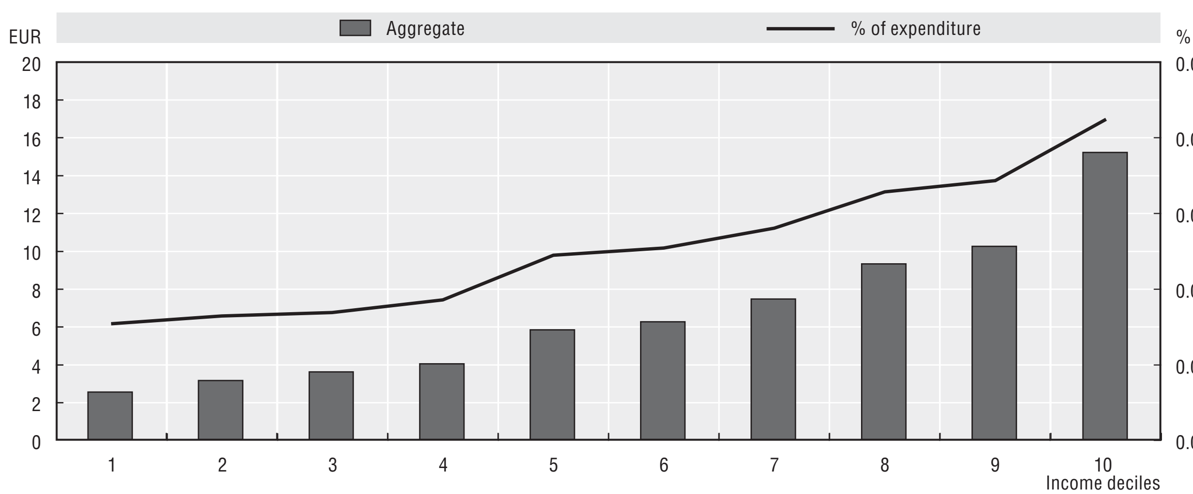
8.2. Other policy objectives

8.2.1. Supporting cultural objectives

A number of reduced VAT rates are not introduced specifically to support poor households. For example, reduced rates may be aimed at supporting cultural activities and social goods. However, these concessions may still have a significant impact on the income distribution if they favour some groups over others. In order to develop coherent economic policy, it is important to be able to quantify the distributional effects of such concessions so that the impact on distributional goals can be weighed against the merits of supporting such cultural objectives or encouraging consumption of social goods.

The above-mentioned study presents results for the four most common categories of expenditure that are supported for broader social and cultural reasons (books; newspapers and periodicals; cinema, theatre and concerts; and museums and zoos). Reduced rates might have the unintended effect of subsidising the consumption of these goods and services by high-income households, who tend to consume more merit goods, rather than leading to an effective increase in consumption by lower-income households. For example, the study shows that reduced VAT rates on cinema, theatre and concerts provide substantially more benefit to high-income deciles than low-income deciles. In absolute value, from a total annual tax expenditure of EUR 67 per household on average, only EUR 6 a year go to the 20% lowest income and EUR 25 to the 20% higher income households and the highest income decile receives six times more than the lowest one. The reduced VAT rate also provides larger benefits to higher-income households as a proportion of expenditure, which means that it actually has a regressive impact. As mentioned above, such reduced rates may not have a distributional objective, but one should be conscious of the distributional impact of the choice of the VAT instrument to support the production of such merit services.

Figure 2.5. **All-country average of the average tax expenditure per household from reduced rates on cinema, theatre and concerts (10 countries)**



Source: OECD (2014), "The Distributional Effects of Consumption Taxes in OECD Countries", *OECD Tax Policy Studies*, No. 22 (forthcoming), OECD Publishing, Paris.

StatLink http://dx.doi.org/10.1787/888933155109

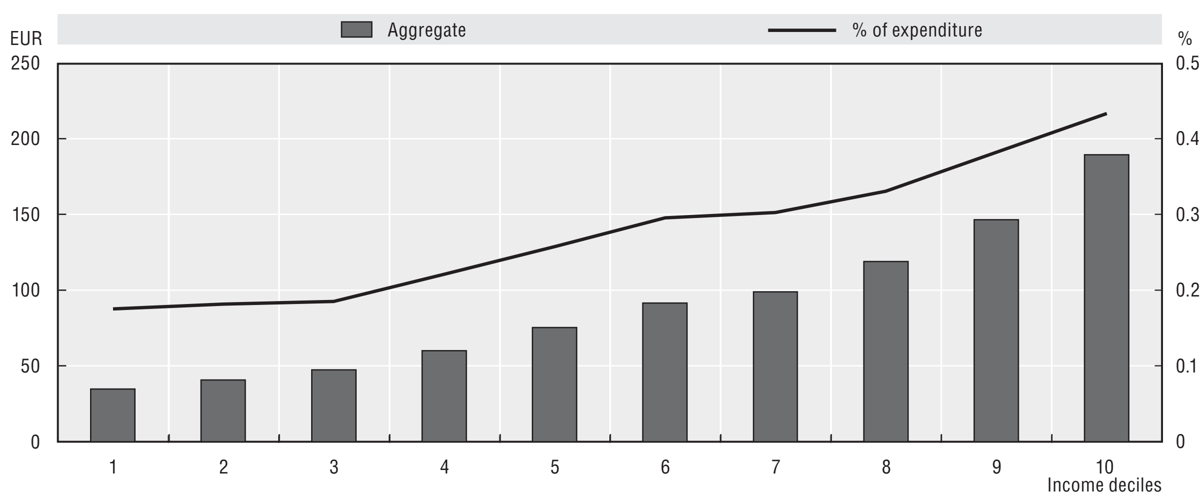
8.2.2. Promoting locally supplied labour-intensive activities

Efficiency considerations may also justify reduced VAT rates for specific labour-intensive activities. The low taxation of commodities that are close substitutes with self-supply or underground economy work (e.g. home improvement and repair services, gardening and hairdressing) may mitigate the disincentive to work in and purchase from the formal economy created by the tax system. The argument is that high tax wedges (high income tax, social security contributions and VAT rates) make it expensive to buy these services on the market and more attractive to self-supply or to buy these services in the informal sector (black economy). This may lead to inefficiencies for instance if high-skilled professionals end up spending time on low-skilled work at home. Numerical simulations in Sorensen (1997) showed that the efficiency gains from reduced rates on these types of services could be significant.

On the other hand, this result may change (and administration costs will be reduced) when a broad-based single rate VAT (set at a reasonable rate) is combined with an appropriate VAT threshold and a well-targeted audit programme (OECD, 2010d). In addition, if the theoretical motivation for these reduced rates is to raise demand for low-skilled labour by boosting the demand for such services or increasing the profit margin in the sector to encourage social reform, other policy instruments such as labour market reforms (flexibility, administrative simplifications, etc.) could be more efficient in achieving this objective (Copenhagen Economics, 2007).

For example, reduced rates are often applied to expenditure in restaurants. Again, it is important to be able to quantify the distributional effects of such concessions in order to accurately weigh the benefits and costs of the concessions. Figure 2.6 presents the results of the abovementioned OECD study for reduced rates on expenditure in restaurants (food only). Once again, reduced rates provide substantially greater tax relief for high-income households than for low-income households. For restaurants, the difference is particularly significant as rich households spend far more money on restaurants than poor households. On average, 71% of the total tax expenditure from the reduced rate on restaurant food goes to the top five income deciles and, while households in the lower income deciles receive an annual tax subsidy of EUR 25, those in the highest deciles receive on average EUR 140 a year. As a share of expenditure, the reduced rate also provided more significant relief to richer households, highlighting the regressive nature of the reduced rate.

Figure 2.6. **All-country average of the average tax expenditure per household from reduced rates on restaurant food (11 countries)**



Source: OECD (2014), "The Distributional Effects of Consumption Taxes in OECD Countries", *OECD Tax Policy Studies*, No. 22 (forthcoming), OECD Publishing, Paris.

StatLink *http://dx.doi.org/10.1787/888933155117*

8.2.3. Correcting externalities

Finally, it is sometimes argued that correcting externalities might justify VAT rate differentiation; for example, higher rates on goods that generate pollution or reduced rates on energy-saving appliances. In these cases, rate differentiation may improve efficiency if it means that the private marginal costs of an activity are brought closer to the marginal costs for society. However, VAT is a blunt instrument for correcting environmental externalities, as it may be hard to target the actual source of pollution. For example, reduced rates on energy-saving appliances, by reducing the private marginal cost of these goods, may boost demand for them and, therefore, stimulate consumption of these goods. The reduced VAT rate may give incentives to shift from more to less energy-consuming items (consumers might replace their old refrigerator with a new one, for instance). However, this may also lead to an increase in the purchase of energy-intensive products (i.e. consumers may replace their old refrigerator with a new refrigerator and a freezer) (Copenhagen Economics, 2007).

8.3. The application of reduced rates as part of wider tax policy

The OECD study confirms and provides evidence that most, if not all, of the reduced rates that are introduced for the purpose of supporting the poor, such as reduced rates on food and on energy products, do have the desired progressive effect. Nevertheless, it clearly shows that, despite this progressive effect, reduced VAT rates are a poor tool for targeting support to poor households. At best, rich households receive as much benefit from a reduced rate as do poor households. At worst, rich households benefit vastly more than poor households. In some cases, the benefit to rich households may be so large that the reduced VAT rate actually has a regressive effect – benefiting the rich more both in absolute terms, and as a proportion of expenditure. This is generally the case for most reduced rates introduced to address social, cultural and other non-distributional goals (OECD, 2014).

However, there are arguments for reduced rates. *First*, alternative ways for addressing equity issues may not be readily available, in particular in countries where the social or fiscal system is not developed enough for providing appropriate support to lower-income households. *Second*, it may not be socially and politically feasible to remove reduced VAT rates, especially when they have existed for a long time. *Third*, a sudden increase of VAT from a low, or zero, rate to the standard rate (especially if it is quite high) would involve higher prices that would hit poorer households harder and immediately, while appropriate compensating measures may have a delayed effect and may not be able to cover all these households. It is also true that in sectors where the elasticity of demand is high, the producers would not be able to reflect a significant and sudden increase in the VAT rate in their price, and this would therefore threaten the viability of the businesses. Nevertheless, the study does suggest the need for a careful, case-by-case reassessment of the relative merits of various reduced VAT rates in many countries.

Effective redistribution policy is not implemented through a tax in isolation, but by considering the entire tax and benefit systems. Addressing equity issues should be done by an appropriate mix of measures. The issue should be investigated further before concrete recommendations could be made on the ability of targeted cash transfers to compensate poor households for the removal of reduced VAT rates.

Notes

1. Article 143 paragraph 1 b) of Directive 2006/112/EC of 28 November 2006 in connection with Article 23 of Directive 2009/132/EC of 19 October 2009 (formerly article 22 of Directive 83/181/EEC of 28 March 1983).
2. See OECD (2014) for further discussion of analysis on the basis of current versus lifetime income in the VAT context.

Bibliography

Bird, R.M. and P.P. Gendron (2007), *The VAT in Developing and Transitional Countries*, Cambridge University Press, New York.

Bodin, J.P., L. Ebrill, M. Keen and V. Summers (2001), *The Modern VAT,* International Monetary Fund, Washington, DC.

Charlet, A. and J. Owens (2010), "An International Perspective on VAT", *Tax Notes International*, Vol. 59, No. 12, September 2010, p. 943.

Copenhagen Economics (2007), *Study on Reduced VAT Applied to Goods and Services in Member States in the European Union*, Copenhagen.

de la Feria, R. (2013), *VAT Exemptions, Consequences and Design Alternatives*, Wolter Kluwers, Alphen in the Rijn.

European Commission (2010), *Green Paper on the Future of VAT, Towards a Simpler, More Robust and Efficient VAT System,* COM(2010)695/4, Brussels.

Gendron, P.P. (2013), "VAT Treatment of Public Sector Bodies: The Canadian Model", in *VAT Exemptions, Consequences and Design Alternatives,* Wolter Kluwers, Alphen in the Rijn.

Heady, C. and S. Smith (1995), "Tax and Benefit Reform in the Czech and Slovak Republics", in D. Newbery (ed.), *Tax and Benefit Reform in Central and Eastern Europe*, London, Centre for Economic Policy Research.

OECD (2014), *The Distributional Effects of Consumption Taxes in OECD Countries*, OECD Tax Policy Studies, No. 22 (forthcoming), OECD Publishing, Paris.

OECD (2013), *Key Issues and Debates in VAT, SME Taxation and the Tax Treatment of the Financial Sector,* International Tax Dialogue, OECD, Paris, *www.itdweb.org/documents/ITD_VAT_SME_Financial_Sector_Taxation2013.pdf*.

OECD (2010), "Choosing a Broad Base – Low Rate Approach to Taxation", *OECD Tax Policy Studies*, No. 19, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264091320-en*.

VAT Directive 2006/112/EC of 28 November 2006, *Official Journal of the European Union*, L 347, 11 December 2006, p. 1, Brussels.

ANNEX 2.A2

Data on VAT-GST rates and structures

Table 2.A2.1. **VAT/GST rates**[a]

	Implemented	Standard rate																Reduced rates[b]	Specific regional rates
		1975	1980	1985	1990	1995	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
Australia	2000	-	-	-	-	-	-	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	0.0	-
Austria*	1973	16.0	18.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	10.0/12.0	19.00
Belgium	1971	18.0	16.0	19.0	19.0	20.5	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	0.0/6.0/12.0	-
Canada*	1991	-	-	-	-	7.0	7.0	7.0	7.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	0.0	13.0/14.0/15.0
Chile	1975	20.0	20.0	20.0	16.0	18.0	18.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	-	-
Czech Republic	1993	-	-	-	-	22.0	22.0	19.0	19.0	19.0	19.0	19.0	20.0	20.0	20.0	21.0	21.0	15.0	-
Denmark	1967	15.0	22.0	22.0	22.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	0.0	-
Estonia	1991	-	-	-	-	18.0	18.0	18.0	18.0	18.0	18.0	18.0	20.0	20.0	20.0	20.0	20.0	9.0	-
Finland	1994	-	-	-	-	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	23.0	23.0	24.0	24.0	0.0/10.0/14.0	-
France*	1968	20.0	17.6	18.6	18.6	20.6	20.6	19.6	19.6	19.6	19.6	19.6	19.6	19.6	19.6	19.6	20.0	2.1/5.5/10.0	0.9/2.1/10.0/13.0 & 1.05/1.75/2.1/8.5
Germany	1968	11.0	13.0	14.0	14.0	15.0	16.0	16.0	16.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	7.0	-
Greece*	1987	-	-	-	18.0	18.0	18.0	19.0	19.0	19.0	19.0	19.0	19.0	23.0	23.0	23.0	23.0	6.5/13.0	5.0/ 9.0/16.0
Hungary	1988	-	-	-	25.0	25.0	25.0	25.0	20.0	20.0	20.0	20.0	25.0	25.0	27.0	27.0	27.0	5.0/18.0	-
Iceland	1990	-	-	-	22.0	24.5	24.5	24.5	24.5	24.5	24.5	24.5	25.5	25.5	25.5	25.5	25.5	7.0	-
Ireland	1972	19.5	25.0	23.0	23.0	21.0	21.0	21.0	21.0	21.0	21.0	21.5	21.0	21.0	23.0	23.0	23.0	0.0/4.8/9.0/13.5	-
Israel*	1976	-	12.0	15.0	15.0	17.0	17.0	17.0	16.5	15.5	15.5	15.5	16.0	16.0	16.0	16.0	18.0	0.0	-
Italy	1973	12.0	15.0	18.0	19.0	19.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	21.0	22.0	22.0	4.0/10.0	-
Japan*	1989	-	-	-	3.0	3.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	-	-
Korea	1977	-	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	0	-
Luxembourg	1970	10.0	10.0	12.0	12.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	3.0/6.0/12.0	-
Mexico	1980	-	10.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	16.0	16.0	16.0	16.0	16.0	0.0	-
Netherlands	1969	16.0	18.0	19.0	18.5	17.5	17.5	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	21.0	21.0	6.0	-
New Zealand	1986	-	-	-	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	15.0	15.0	15.0	15.0	0	-
Norway	1970	20.0	20.0	20.0	20.0	23.0	23.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	0.0/8.0/15.0	-
Poland	1993	-	-	-	-	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	23.0	23.0	23.0	23.0	5.0/8.0	-
Portugal*	1986	-	-	-	17.0	17.0	17.0	19.0	21.0	21.0	21.0	20.0	20.0	23.0	23.0	23.0	23.0	6.0/13.0	5.0/10.0/18.0 & 5,0/12,0/22,0
Slovak Republic	1993	-	-	-	-	25.0	23.0	19.0	19.0	19.0	19.0	19.0	19.0	20.0	20.0	20.0	20.0	10	-
Slovenia	1999	-	-	-	-	-	19.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	22.0	9.5	-
Spain*	1986	-	-	-	12.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	18.0	18.0	21.0	21.0	4.0/10.0	2.0/5.0/9.0/13.0 & 4.0/5.0
Sweden	1969	17.65	23.46	23.46	23.46	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	0.0/6.0/12.0	-
Switzerland	1995	-	-	-	-	6.5	7.5	7.6	7.6	7.6	7.6	7.6	7.6	8.0	8.0	8.0	8.0	0.0/2.5/3.8	-
Turkey	1985	-	-	10.0	10.0	15.0	17.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	1.0/8.0	-
United Kingdom	1973	8.0	15.0	15.0	15.0	17.5	17.5	17.5	17.5	17.5	17.5	15.0	17.5	20.0	20.0	20.0	20.0	0.0/5.0	-
Unweighted average		15.6	16.6	17.3	16.7	17.8	18.0	17.8	17.7	17.8	17.7	17.6	18.0	18.5	18.7	18.9	19.1		

* See Country Notes.

a) Yearly data: the rates shown in the table are rates applicable on 1 January of each year. Reduced rates and specific rates applicable in specific regions are those applicable as at 1 January 2014.
b) Reduced rates: reduced rates include zero-rates applicable to domestic supplies (i.e. an exemption with right to deduct input tax). This does not include zero-rated exports.
Source: National Delegates – Position as at 1 January 2014.

StatLink http://dx.doi.org/10.1787/888933155212

Country notes to Table 2.A2.1.

Austria. A standard rate of 19% applies in Jungholz and Mittelberg.

Canada. The following provinces have harmonised their provincial sales taxes with the federal Goods and Services Tax, and therefore levy a rate of GST/HST of: New Brunswick, Newfoundland and Labrador, Ontario: 13%; Prince Edward Island: 14%; Nova Scotia 15%. Québec applies GST at a rate of 5% and Québec Sales Tax at a rate of 9.975% (applied on the same tax base as the GST). Other Canadian provinces, with the exception of Alberta, apply a provincial sales tax to certain goods and services.

France. Rates of 0.9%; 2.1%; 10.0%; 13.0%; 20.0% apply in Corsica; rates of 1.05%; 1.75%; 2.1%; 8.5% apply to overseas departments (DOM), excluding French Guyana and Mayotte.

Greece. Rates of 5.0%; 9.0% and 16.0% apply in the regions Lesbos, Chios, Samos, Dodecanese, Cyclades, Thassos, Northern Sporades, Samothrace and Skiros.

Israel. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Japan. From 1 April 2014, the VAT rate is 8%.

Portugal. The standard VAT rate in the Islands of Azores is 18%. In the Islands of Madeira, the standard rate is 22%; reduced VAT rates in Azores are 5% and 10%. In Madeira, reduced rates are 5% and 12%.

Spain. Rates of 2.0%; 5.0%; 9.0%; 13.0% apply in the Canary Islands. Rates of 5% and 4% apply in Ceuta and Melila.

Table 2.A2.2. **Application of lower VAT/GST rates**

	Lower VAT/GST rates, including domestic zero rate – 0%[a]
Australia	0%: Most food and beverages for human consumption (excl. prepared food); most health and medical; some education courses and students accommodation; some child care services; some religious services; some activities of charitable institutions; water (except supplied in, or transferred to, a container less than 100L); sewerage and drainage; sales of businesses as going concerns; precious metals (first supply after refinement); grants of freehold and similar interests by governments; farm land; cars for use by disabled people subject to a (general) threshold of AUD 57 466; supplies of accommodation and meals to residents of retirement villages by certain operators; certain government services; some telecommunication supplies made under arrangements for global roaming in Australia; international mail.
Austria	10%: food; water supply; pharmaceuticals; passenger transport; books; newspapers and periodicals; culture; art; agriculture; forestry; hotel accommodation; restaurants (except beverages); collection of domestic waste and street cleaning; sewage; dwelling; firewood; hospitals. 12%: supply of wine by farmers (12%); refuse (waste) collection; sewage; dwelling.
Belgium	0%: Cars for disabled persons; certain newspapers and periodicals, certain recovered materials and by-products. 6%: food; some beverages; water supply; pharmaceuticals; equipment for the disabled; passenger transport; books; newspapers and periodicals; culture; sport; works of art, collectors' items and antiques; works of art delivered by their authors/creators; agriculture; hotel accommodation and camping sites; renovation of dwellings over 5 years old; private homes and establishments for disabled; subsidised social housing; some labour intensive services (small repair services); reconstruction – subsequent to demolition works leading to the construction of new private housing (under strict conditions and specific limitations as to the amount); funeral services; cut flowers and plants; firewood. 12%: restaurants (except beverages); certain energy products (coal, coke; lignite).
Canada	0%: medicine, basic groceries; certain financial services provided by financial institutions (usually to non-residents); certain agricultural and fishing products; medical devices; international bridge or tunnel authorities (on certain purchases only); precious metals; sales of 25 cents or less made through mechanical coin-operated devices.
Chile	–
Czech Republic	15%: food; some beverages; water supply; pharmaceuticals; medical services (if not exempt); equipment and repair for the disabled; passenger transport; art; cultural services; books; newspapers and periodicals; construction of private dwellings and social housing; renovation and repair of private dwellings; collection and treatment of waste and waste water; hotel accommodation; health care and domestic care services; cleaning in households; funeral services; sport activities; agricultural products; cut flowers and plants; heating; firewood.
Denmark	0%: newspapers and periodicals; passenger transport. 5%: first time sale of products of artistic work valued over DKK 300 000 (the standard rate of 25% applies to 20% of the tax base resulting in an effective rate of 5%).
Estonia	0%: Passengers transport. 9%: pharmaceuticals; medical equipment or devices for disabled; books; newspapers and periodicals; hotel accommodation.
Finland	0%: printing services for certain membership publications; certain vessels. 10%: pharmaceuticals; passenger transport; books, subscribed newspapers and periodicals; hotel accommodation; admission to cultural, entertainment and sporting events and cinema performances; use of sports facilities; works of art supplied by their creators or imported; copyrights to literary and artistic works; TV licence fees. 14%: food; non-alcoholic drinks; animal food; restaurants (except alcoholic beverages); agricultural inputs.
France	2.1%: newspapers and periodicals; pharmaceuticals. 5.5%: most food products and beverages (except alcoholic beverages); water supply; equipment for the disabled; books; admission to cultural services; author's rights; work on dwellings over 2 years old under certain conditions; social housing; domestic care services; subscription fees to natural gas and electricity networks; district heating; supplies of works of art by their creators. 10%: passenger transport; admission to amusement parks; pay TV; domestic care services; restaurant services and catering (except alcoholic beverages); hotel accommodation; farm products; gardens, plants and flowers; treatment of waste; sewage; firewood.
Germany	7%: food; water supply; equipment for the disabled; medical services (if not exempt); books and newspapers; plants; flowers; certain cultural events; museums; zoos; circuses; charitable work if not exempt; author's rights; passenger transport by ship (only for passenger transport within a municipality or if the distance covered is not more than 50 km) and local public passenger transport; hotel accommodation; cut flowers and plants; works of art and collector's items; firewood.
Greece	6.5%: books; newspapers, journals and periodicals; hotel and similar accommodation; restaurant and similar services; medicaments and vaccines for human medicine. 13%: food (excluding beverages, alcoholic products, fruit and vegetable juices, aerated waters for human and animal consumption); live animals; seeds; plants and ingredients used in the preparation of food (excluding compound alcoholic preparations other than those based on odoriferous substances of a kind used for the manufacture of beverages); goods intended for use in agricultural production; water supply; medical equipment and other appliances for the disabled persons; medical services (if not exempt); passenger transport and their luggage; admission to shows, cultural and sporting events; admission to amusement parks; authors and artists and the rights related to them; social housing; funeral services and supplies of goods related thereto; collection and treatment of waste; some labour-intensive services (domestic care services, clothing, shoes and leather goods repair; bicycle's repair; domestic care services; electricity; natural gas; district heating; fertilisers; plants and flowers; renovation and repair of private dwellings; products used for contraception and sanitary protection; goods and services intended for use in agricultural production; charitable work (if not exempted); pharmaceuticals; firewood.

Table 2.A2.2. **Application of lower VAT/GST rates** *(cont.)*

	Lower VAT/GST rates, including domestic zero rate – 0%[a]
Hungary	5%: pharmaceuticals for humans; certain equipment for the blind; books, newspapers and sheet music; live pigs and carcasses of pig; district heating; services supplied by performing artists. 18%: milk and dairy products; products containing cereals, flour, starch or milk; provision of accommodation.
Iceland	0%: ship-building and maintenance of ships and aircraft; services to foreign fishing vessels related to landing and sale of fish in Iceland; direct payments to farmers. 7%: food and beverages (excluding alcohol); books including music books; audio recordings of books. CD's and similar media with text as well as electronic version of such books; magazines, newspapers and countryside- and district newspapers; periodicals; subscriptions to radio and TV; hotels; hot water, electricity and fuel oil used for the heating of houses and swimming pools; admission tolls to land transportation projects; CD disks, records, magnetic tapes and other similar means of music recordings, other than visual records. Electronic version of music other than visual; condoms; diapers for children.
Ireland	0%: books; children's clothing and footwear; oral medicine; certain medical equipment; food products; seeds; fertilisers; certain aircraft and sea-going vessels. 4.8%: livestock. 9%: newspapers and certain periodicals; admission to cinemas/certain musical performances and sporting facilities; recreational and sport services; certain nursery and garden centre; holiday accommodation; restaurant/hotel meals; agricultural services. 13.5%: waste disposal; energy for heating and light; fuel for certain purposes; gas; electricity; building services; immovable goods; repair services; tour guide services; photographic prints; works of art; short-term car and boat hire; driving instruction; veterinary services; plants and flowers; medical services (if not exempt); firewood.
Israel[b]	0%: hotel accommodation for foreign tourists; rental of a private motor vehicle to a tourist to drive himself; transportation of tourists in a private motor vehicle or a bus; sale of fruits and vegetables.
Italy	4%: certain food; medications and health products/services for the disabled; supply of construction for residential housing; books; newspapers; weekly magazines. 10%: water supply; pharmaceutical products; medical services (if not exempt); passenger transport; combustible gas for cooking; electricity; gas; urban waste; purification stations; livestock meat and fish; renewable-source energy; works of art; admission to shows and cultural events; letting of immovable property by building enterprises; renovation and maintenance work for residential housing; restaurants.
Japan	–
Korea	0%: supply of certain machinery and materials for agriculture; fishery; livestock and forestry; supply of mineral oil used for certain purposes in agriculture, fishery and forestry; certain equipment for the disabled.
Luxembourg	3%: food for human and animal consumption; water supply; pharmaceutical products; certain medical equipment; medical services (if not exempt); aids and other appliances normally intended to alleviate or treat disability; passenger transport; accommodation; books, newspapers and periodicals; admission to cultural and sporting events; use of sporting facilities; restaurant services; author's rights; agriculture; services supplied in connection with waste collection and treatment; children's clothing; construction of dwellings; renovation of dwellings over 20 years old; funeral services; firewood. 6%: certain labour intensive services; works of art delivered by their authors/creators of their heirs or imported; gas; electricity; flowers and plants. 12%: certain wines; certain fuels; washing and cleaning products; printed advertising; heat and air conditioning; certain financial services; electricity.
Mexico	0%: sale of non-industrialised animals (except dogs, cats and small species used as home pets) and vegetables (except rubber); patent medicines; milk; bottled water; juices, nectar and concentrated fruits and vegetables; ice; food (except sale of processed food in restaurants and food establishments, chewing gum, caviar, smoked salmon, foie gras, pet food and soft drinks); agricultural equipment; machinery and fishing boats; wholesale of gold; gold bullion (with a content of at least 80% of gold) and jewellery; some agricultural and fishing services; magazines, books and newspapers printed by the taxpayer himself; domestic water supply; hotel services provided to foreign tourists participating in congresses, conventions and trade shows; use of convention centres by event organisers who are residents abroad; call centre services for telephone calls originated abroad, as long as the services are contracted and paid a foreign resident without a permanent establishment in Mexico.
Netherlands	6%: food; catering; goods and services for the disabled; medicine; accommodation; agricultural inputs; books; lending of books; newspapers; magazines; passenger transport (except passenger transport by air); water supply; entrance fees for sports events; amusement; parks; museums; cinemas; zoos and circuses; cut flowers and plants; restaurant and hotel meals; aids for the visually disabled; use of sports accommodation; art and antiques; hotel and holiday accommodation; certain labour intensive services like some specific services for the maintenance, repair and isolation of dwellings; cleaning of dwellings and hairdressing.
New Zealand	0%: supply of taxable activity (business) as a going concern; supply of fine metal (gold, silver or platinum) from a refiner in fine metal to a dealer in fine metal; supply by local authorities of the local authorities petroleum tax; supply of financial services to registered GST businesses. Supply of land by and to a GST registered person when the recipient intends to use it to make taxable supplies and it is not intended to be used as a principal place of residence (this zero-rating between GST-registered persons is equivalent to the domestic reverse charge). Long-term stay in a commercial dwelling; certain services provided as part of the right to occupancy (taxed at the standard rate on 60% of the value of the supply).
Norway	0%: books; newspapers; certain periodicals and publications; electric power and energy supplied from alternative energy sources for household use in the counties of Finnmark, Troms and Nordland; electric motor vehicles; second-hand vehicles covered by re-registration tax; supply of certain ships, aircrafts and drilling platforms and hiring out such vessels; services that are directly related to the construction of embassy buildings (to final consumer); goods and services to specific international military forces and command units; supply of taxable activity (business) as a going concern; supply of human organs, blood; supply by funeral directors of services relating to the transportation of deceased persons. 8%: accommodation, passenger transport and transport of vehicles by ferries or other vessels in connection with the domestic road network; public broadcasting; admission to sporting events, museums, cinemas and amusement parks. 15%: food and non-alcoholic beverages.

Table 2.A2.2. **Application of lower VAT/GST rates** *(cont.)*

	Lower VAT/GST rates, including domestic zero rate – 0%[a]
Poland	5%: Certain food; certain beverages; certain books and periodicals. 8%: water supply; pharmaceutical products; certain goods for disabled; medical services (if not exempt); passenger transport; newspapers; reception of broadcasting services; admission to cultural and sporting events; author's rights; certain construction services; supply of housing; hotel accommodation; restaurant services; cemetery services; collection and treatment of waste; some labour intensive services; children footwear; animals; fodder and; basic agricultural means of production; certain agriculture services; firewood.
Portugal	6%: essential food; water supply; pharmaceutical products; devices for the disabled; medical services (if not exempt); books, newspapers and periodicals; passenger transport; hotels and similar services; social housing; some goods used in agriculture; certain agriculture products and certain agriculture services. 13%: some other food; still wine; diesel fuel for agriculture; machinery mainly used in agricultural production; admission to cultural events.
Slovak Republic	10%: certain food; radioactive elements and isotopes and compounds for health service; pharmaceutical products; diagnostic or laboratory reagents; certain medical and sanitarian means; printed books, brochures, leaflets and similar printed matter; music; orthopaedic appliances; contact and spectacle lenses; certain means for blind and partly blind persons, hard-of-hearing persons and hard health-disabled persons.
Slovenia	9.5%: food (for human and animal consumption); preparation of food; water; medicine, devices for the disabled; passenger transport; books on all physical means of support, newspapers and periodicals; admission to cultural and sporting events; author's rights; import and supply of certain works of art, collectors' items or antiques; social housing; renovation and maintenance work of residential housing not provided as part of a social policy; livestock and certain supplies in connection with agricultural production; hotel accommodation; restaurant (except beverages); use of sporting facilities, supplies by undertakers and cremation services; public hygiene services; window-cleaning and cleaning in private households; minor repairing of bicycles, shoes and leather goods; domestic care services, hairdressing; cut flowers and plants.
Spain	4%: food (for human and animal consumption); social accommodation; medicines and other medical devices (e.g. lenses); books, newspapers and periodicals; supply of new buildings for private and social housing. 10%: water supply; supplies to the disabled; passengers transport; minor work on private housing; cleaning; restaurants and catering; certain cultural and entertainment services; hotels; public amenities; agriculture and forestry products used as food; goods used in agricultural and forestry undertakings, including flowers and plants; waste treatment; cleaning of public sewage; burial services; cleaning and maintenance services.
Sweden	0%: commercial aircraft and ships and certain services related to these; aircraft fuel; prescribed medicine; printing of certain membership publications. 6%: passenger transport; books, newspapers and magazines; culture (theatre, cinema, etc.); author's rights; zoos; commercial sports events; commercial museums. 12%: food and restaurants services; accommodation; works of art owned by the originator; import of antiques, collector's items and works of art.
Switzerland	0%: Supply of services by travel agents and organisers of events, if they make use of supplies of goods and services by third parties that are provided abroad; certain supplies of goods and services to international airlines; state minted gold coins, fine gold for investment purposes and gold destined for refining or recovery. 2.5%: water supply, food, cattle, poultry, fish, grains, seeds, planting roots and bulbs, living plants, cuttings, scions and cut flowers and branches, animal feed, silage acids, scatterings for animals, fertilisers, pesticides, mulch, medication, books, newspapers, magazines, non-commercial services of radio and television companies, certain supplies in connection with agricultural production. Optional taxation of the following supplies exempt from the tax without credit: certain cultural services supplied directly to the public, considerations demanded for sporting events, cultural services and the supply of works by their creators. 3.8%, accommodation services.
Turkey	0%: supply of ships, aircraft, and rail transportation vehicles; supply of services related to the manufacture, repair, maintenance of such vehicles; supply of services to ships and aircraft at harbours or airports; supply of goods and services for the exploration, management and refining of gold, silver, platinum, and oil; supply of machinery and equipment to persons who have an investment incentive document; goods and construction works for the construction, restoration and enlargement of seaports and airports; some goods and services related to national security; international roaming services supplied in Turkey according to the reciprocity principle; supply of goods that are listed in the second list of excise duty tax law to the prime ministry central organisation; the first supply of product certificate that are drawn up according to agricultural product license warehousing law via commodity exchange market; exemption for delivery of equipment produced for the disabled. 1%: some agricultural products; second-hand cars; newspapers and periodicals; blood and blood component; funeral services; supply of residential housing under 150 m^2 in cities other than metropolitan ones and in metropolitan cities if land value per m^2 lower than TRY 500; lease of specified machinery and equipment; seeds. 8%: basic food; books; e-books and e-newspapers; cinema; theatre; opera and ballet tickets; private educational service; vaccines; some medical products and services; ambulance services; medicine; medical equipment; textile and confection products and custom manufacturing of them; accommodation services; meal services at non-luxury restaurants (excluding alcoholic beverages); services provided by orphanage and nursing homes; some constructional and agricultural machines; clothing; stationery goods; waste water services; supply of residential housing under 150 m^2 in metropolitan cities and with land value per m^2 is between TRY 500 and TRY 999.
United Kingdom	0%: food; certain services and goods supplied to charities; children's clothing; passenger transport; books; newspapers; domestic sewage and water; prescribed drugs; medicine; certain aids and services for disabled people; new housing, including the construction of new houses; residential and some charitable buildings. 5%: fuel and power for domestic and charity use; certain energy saving materials supplied together with fitting services to recipient of benefits; certain grant-funded installations of heating equipment; children car seats; certain pharmaceutical products.

Table 2.A2.2. **Application of lower VAT/GST rates** *(cont.)*

Lower VAT/GST rates, including domestic zero rate – 0%[a]

a) In this context, zero rate supplies means that VAT/GST is not levied on the amount charged by the taxpayer but deduction of input tax is allowed. In some countries these supplies are called "exempt with right of deduction" and in others "GST Free Supplies". Exports of goods, intangibles and services are generally zero rated in all OECD countries, however, the provision of goods and services for export, consumed outside the country or considered as taking place abroad are not listed in this table. Neither are some operations closely linked to exports such as international transport, customs regimes, duty-free shops or supplies to diplomatic missions and international organisations.

b) **Israel:** The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: National Delegates – Position as at 1 January 2014.

Table 2.A2.3. **Annual turnover concessions for VAT/GST registration and collection (domestic businesses)**

	National currency	Registration/collection thresholds[a]						Registration/ collection allowed prior to exceeding threshold[b]	Minimum registration period[c]
		General threshold		Reduced threshold for suppliers of services only		Special threshold for non-profit and charitable sector			
		Nat. curr.	USD[d]	Nat. curr.	USD	Nat. curr.	USD		
Australia	AUD	75 000	48 731	See note		150 000	97 461	Yes	1 year
Austria	EUR	30 000	34 988					Yes	5 years
Belgium*	EUR	5 580	6 319					Yes	None
Canada	CAD	30 000	23 454			50 000	39 090	Yes	1 year
Chile*	CLP	None							
Czech Republic	CZR	1 000 000	67 708					Yes	1 year
Denmark	DKK	50 000	5 879					Yes	2 years
Estonia	EUR	16 000	25 582					Yes	None
Finland	EUR	8 500	8 589					Yes	None
France	EUR	82 200	93 551	32 900	37 443			Yes	2 years
Germany	EUR	17 500	21 298					Yes	5 years
Greece	EUR	5 000	6 678	5 000	6 678			Yes	5 years
Hungary*	HUF	6 000 000	42 328					Yes	1 year
Iceland	ISK	1 000 000	7 006					Yes	None
Ireland	EUR	75 000	78 844	37 500	39 422			Yes	None
Israel	IS	79 482	18 612						
Italy	EUR	30 000	35 991					Yes	None
Japan	JPY	10 000 000	88 240					Yes	2 years
Korea	KRW	24 000 000	26 239					Yes	None
Luxembourg	EUR	25 000	25 183					Yes	5 years
Mexico	MXN	None							
Netherlands*	EUR	1 345	1 537					No	None
New Zealand	NZD	60 000	38 134					Yes	None
Norway	NOK	50 000	5 182			140 000	14 509	Yes	2 years
Poland	PLN	150 000	77 747					Yes	None
Portugal*	EUR	10 000	14 318					Yes	None
Slovak Republic	EUR	49 790	86 991					Yes	1 year
Slovenia	EUR	50 000	74 142					Yes	5 years
Spain	EUR	None							
Sweden	SEK	None							
Switzerland	CHF	100 000	63 827			150 000	95 740	Yes	1 year
Turkey	TRY	None							
United Kingdom	GBP	79 000	102 851					Yes	None

* See Country Notes.

a) Registration/collection thresholds identified in this table are general concessions that relieve domestic suppliers from the requirement to register and/or to collect for VAT/GST until such time as they exceed the turnover threshold. Except where specifically identified, registration thresholds also relieve suppliers from the requirement to charge and collect VAT/GST on supplies made within a particular jurisdiction. Relief from registration and collection may be available to specific industries or types of traders (for example, non-resident suppliers) under more detailed rules, or a specific industry or type of trader may be subject to more stringent registration and collection requirements. In countries marked by *, a collection threshold applies: all taxpayers are required to register for VAT/GST, but will not be required to charge and collect VAT/GST until they exceed the collection threshold. Thresholds shown in this table apply to businesses established in the country. In most countries, the registration threshold do not apply to foreign businesses, i.e. businesses having no seat, place of business, fixed establishment, domicile or habitual residence within the country.

b) "Yes" means a supplier is allowed to voluntarily register and collect VAT/GST, where their total annual turnover is less than the registration threshold.

c) Minimum registration/collection periods apply to general concessions. This period is the minimum term during which the concession is applied to taxpayers which have opted for it.

d) Exchange rates for conversion into USD are Purchase Parity Rates (PPPs) for private consumption. Data is taken from OECD Dotstat: *http://stats.oecd.org/index.aspx?queryid=27286*, accessed on 11 March 2014. For further detail, see *www.oecd.org/std/ppp*.

Source: National Delegates – Position as at 1 January 2014.

StatLink http://dx.doi.org/10.1787/888933155222

Country notes to Table 2.A2.3.

Australia. For taxi drivers, including chauffeur driven limousines and hire cars, there is no registration threshold.

Belgium. A higher threshold of EUR 10 000 is applicable as at 1 April 2014.

Canada. The registration threshold does not apply to certain selected listed financial institutions, non-residents who enter Canada to make taxable supplies of admissions to a place of amusement, a seminar, an activity or an event, and persons who carry on a taxi or limousine business. These persons are required to register and collect GST/HST. An alternative threshold applies to charities and public institutions. A charity or public institution is not required to register if either its revenue from worldwide taxable supplies was CAD 50 000 or less in a calendar quarter and over the last four consecutive calendar quarters, or its gross revenue in either of its two preceding fiscal years is CAD 250 000 or less.

Chile. Despite that all taxpayers are required to register and obtain a taxpayers' identification number that not only serves for VAT purposes but for all types of taxes, small businesses, craftsman and small service providers can be subject to a special regime in accordance to which they charge VAT for a fixed amount based on the average level of income for the last 12 months, provided they do not exceed the annual collection threshold of 20 Monthly Tax Unit (CLP$ 818 700 or USD$ 2 178 approx.). The collection threshold does not apply to legal entities but only to individuals. This system must be adopted for at least for 12 months after which the taxpayer can return back to the ordinary regime.

Czech Republic. The registration threshold does not apply to fixed establishments in the Czech Republic of non-resident businesses.

Denmark. A higher threshold of DKK 170 000 (EUR 22 840) applies to the blind, and a threshold of DKK 300 000 (EUR 40 300) applies to the first sale of works of art by their creator or his successors in title. For the purposes of the latter exemption, the threshold of DKK 300 000 must not have been exceeded in the current or preceding year.

France. Specific thresholds apply for certain activities. EUR 42 600 for lawyers, writers and artists.

Greece. The registration/collection thresholds do not apply to certain categories of taxable persons, such as freelancers, taxpayers whose annual turnover from B2B transactions is at least 60%, exporters, technicians who render services in relation to maintenance or repair of buildings and construction sites, such as painters, electricians and plumbers.

Israel. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Italy. The micro-sized taxpayers scheme ("Regime dei contribuenti minimi") applies to self-employed that have an income lower than EUR 30 000. It involves exemption from both IRAP (Regional tax on productive activities) and VAT and a 5% tax rate for the personal income tax. As from 1 January 2012, such scheme is intended only for individuals who have started up new business activities as self-employed or enterprises since 31 December 2007. The normal duration of the scheme is 5 years. As for activities started up by young entrepreneurs or self-employed, they can continue to apply this tax regime until the age of 35. In any case, taxpayers benefitting from this regime are allowed to opt out of it.

Country notes to Table 2.A2.3. *(cont.)*

Japan. Businesses (companies and individuals) are not required to register and account for Consumption Tax (VAT) during the first two years of establishment, except for companies whose capital is of JPY 10 000 000 or more. From 1 April 2014, new companies whose capital is of less than JPY 10 000 000 but that were established by and invested more than 50% of their capital in a group of businesses whose taxable sales are more than JPY 500 000 000 are also excluded. In this case, they should be registered for Consumption Tax from the beginning. After this two years period, whether businesses should be registered as a taxable person is determined every year based on their annual taxable turnover for the accounting period/tax year two years before the current accounting period/tax year. If that turnover has exceeded JPY 10 000 000, the business should be registered. The businesses whose taxable sales (the amount of salary paid) are more than JPY 10 000 000 in the first half of the previous year or of the previous business year should be also registered. Businesses can opt for a voluntary registration for Consumption Tax, even if their turnover is below the threshold. In that case, the businesses have to remain registered for two years.

Netherlands. The amount of EUR 1 345 is based on the special scheme for small businesses. It is not a threshold based on turnover, but on net annual VAT due. If the net annual VAT due (VAT on outputs minus VAT on inputs) is EUR 1 345 or less, the taxpayer gets a full VAT rebate and no VAT is due to the Tax Authorities. In this case, and on request, the taxpayer has no obligation to file VAT returns (no charge of VAT and no deduction of input VAT). However, businesses under the small business scheme must still register as VAT taxpayers. In that sense, there is no threshold for registration for VAT purposes. If the net annual VAT due is more than EUR 1 345 but less than EUR 1 883, the taxpayer gets a partial VAT rebate. In this case, the taxpayer must file a VAT return.

Norway. A higher threshold of NOK 3 000 000 applies for admission to sporting events.

Portugal. The collection threshold does not apply to commercial legal entities. For small retailers that fulfil some specific conditions the collection threshold is EUR 12 500.

Slovenia. A higher threshold of EUR 50 000 is effective from 1 April 2013.

United Kingdom. A higher threshold of GBP 81 000 is effective from 1 April 2014.

Table 2.A2.4. **VAT/GST Exemptions**[a]

	Exemptions	Taxation of "common exemptions" in the country[b]
Australia	Financial services; residential rent and residential premises (other than new residential premises); certain supplies of precious metals; school canteens operated by non-profit bodies (optional); certain fund raising events conducted by charitable institutions.	Domestic postal services; sporting services; cultural services excluding religious services (zero rate); insurance and reinsurance excluding health insurance (zero rate); gambling (including lottery tickets and betting); supplies of land and buildings (except certain supplies of farm land and supplies of going concerns – zero rate and existing residential premises – exempt).
Austria	Common exemptions.[b]	Letting (private housing)
Belgium	Common exemptions.[b]	–
Canada	Common exemptions;[b] legal aid; public transit; ferry, road and bridge tolls; child and personal care services; certain regulatory/administrative supplies by a government or a municipality.	Most betting, lotteries and gambling; supply and leasing of commercial land and buildings; sales of newly constructed or substantially renovated housing; domestic postal services; certain cultural and sporting services (e.g. adult programmes; and services provided by other than public sector bodies; most admissions to a place of amusement (e.g. admission to museums, films, professional performances and sporting events, etc.); human blood and certain biologicals (zero rate).
Chile	Used motor vehicles; goods provided by the employer to dependant employees; domestic raw materials used in the production, processing or manufacture of goods for export; some imports made by the Ministry of Defence, the Army and other related organisms; capital goods imported under a D.L 600 contract or similar; income received from tickets to shows and meetings; international freight, passenger transport; premiums and disbursements of reinsurance contracts; commissions earned by the Regional and Metropolitan Housing and Urbanisation Services and Social Security Institutions on mortgages; non-taxable income; income subject to additional income tax; income such as wages, salaries, pensions, income obtained by independent workers and directors fees if taxed with income tax; insertions and notices to be published and disseminated under the right of reply; certain insurance premiums; financial interests; commissions coming from guarantees issued by financial institutions; letting of immovable property; remunerations linked to exports; income obtained from services rendered to persons domiciled or resident abroad and qualified as exportable services by Customs; income obtained by hotels relating to services rendered to foreign tourists; fees paid for managing retirement savings earned by specific authorised institutions; income obtained by independent professionals, where the physical effort is more relevant than the capital or materials used; broadcasting and television enterprises excluding income from advertisement; news agencies; educational services; health services; health contributions paid to Private Health Insurance Companies; manufacturing of currency by "Casa de Moneda de Chile"; postal services rendered by "Servicio de Correos y Telégrafos de Chile"; interests, premiums, commissions or other forms of remunerations paid by "Polla Chilena de Beneficencia" and "Lotería de Concepción", to individual or legal entities for business services; other minor exemptions.	Income from artistic shows or plays not sponsored by the Ministry of Education; income from certain circus and sports events if certain requirements are not met.
Czech Republic	Common exemptions[b]; public television and radio.	Certain cultural services (e.g. admission to theatres, cinemas, concerts, etc subject to reduced rates); sporting services provided by others than by non-profit making organisations; supply of construction land and of new buildings; option to tax letting of buildings.
Denmark	Hospital and medical care; dental care; social service; education; non-commercial activities of some non-profit making organisations; non-profit sport activities etc.; cultural services (some exceptions); literary and composing activities; creative artist; letting of immovable property; supply of immovable property; insurance and reinsurance; financial services; lotteries and gambling; postal service; stamps; transport of persons; funeral service; certain fund-raising events; charitable work.	Cultural services as radio, television broadcasting, cinema, theatre, concerts etc.; short term letting of immovable property; option to tax commercial letting; supply of new building and building land; some commercial postal service.
Estonia	Common exemptions.[b]	Immovable property, except dwellings (optional); financial services (optional); cultural services.
Finland	Common exemptions;[b] services of performers; copyright to literary and artistic works; certain transactions by blind people; public cemetery services; self-picked natural berries.	Cultural services; letting of commercial buildings in certain cases (optional).

Table 2.A2.4. **VAT/GST Exemptions**[a] *(cont.)*

	Exemptions	Taxation of "common exemptions" in the country[b]
France	Common exemptions;[b] construction, improvement, repair and maintenance work on monuments; cemeteries and graves commemorating war victims undertaken for public authorities and non-profit bodies; Commodity futures transactions carried out on a regulated market; Services rendered by resource consortia to their members composed of natural or legal persons that are VAT exempt or not subject to VAT.	Letting of immovable property (full taxation for letting of developed immovable property and land for professional use; option to tax for letting of undeveloped immovable property for professional use in certain circumstances and letting of land and buildings for agricultural use); transport services for sick/injured persons in vehicles not specially equipped for this purpose and/or carried out by persons who do not have administrative certification; recreational and sporting services; cinemas, concerts and theatres.
Germany	Common exemptions.[b]	
Greece	Common exemptions;[b] Greek Post Office (EL.TA.) services and the supply of goods incidental thereto; national radio and TV activities other than those of commercial nature; hospital and medical care supplied by public or non-profit making organisations; medical and paramedical professions; welfare and social security works; supply of immovable property excluding that of new buildings; postage and other similar stamps not disposed to collectors; supply of goods used exclusively in an exempted activity excluded from VAT, which was not allowed to deduction.	Postal services not rendered by the Greek Post Office (EL.TA); Cultural services (under conditions – admission to theatres, cinemas, concerts, etc.: lower rate); hospital and medical care supplied by profit organisations charitable work when provided by profit organisations; sporting services supplied by profit organisations; supply of new buildings; letting of immovable property for professional use (optional taxation).
Hungary	Common exemptions;[b] public radio and TV broadcasting (except for commercial activities).	Building land, supply of new buildings (taxation of further supplies and letting of immovable property is optional); certain cultural services (e.g. admission to theatres, cinemas, concerts), certain sporting services (e.g. swimming pool services, entrance tickets to sporting events).
Iceland	Common exemptions;[b] sports, passenger transport, authors, composers, burials and church-related services; medical and social services; cultural services; postal services; insurance activities; financial services; lotteries and betting pools.	
Ireland	Common exemptions;[b] passenger transport; broadcasting; supply of water by public authorities; admissions to sporting events; funeral undertaking.	Letting of commercial immovable property (subject to the option for taxation by the landlord); supply of undeveloped land and buildings that are not new; recreational and sporting services.
Israel[c]	Rentals for residential purposes for a period of not more than 25 years, the sale of that part of a building which was approved as a rental building, transactions of an exempt dealer, other than transactions that are sales of real estate, the sale of an asset, on which input tax in respect of its acquisition or importation could not be deducted lawfully at the time of its acquisition or importation, deposits of money by a dealer with a financial institution or extension of a loan by a dealer to a financial institution, goods whose import is tax exempt in certain cases.	
Italy	Common exemptions;[b] taxi; funeral services.	Supply and letting of land; supplies of buildings are taxed in the first five years when sold by building enterprises within five years from their construction or after five years if the latter has opted for non-exemption. This scheme applies in the case of commercial buildings, while for residential housing taxation only applies when let by building enterprises which have opted for non-exemption. Rates are 4% for non-luxury owner-occupied dwelling, 10% for other non-luxury houses and 22% for luxury housing. Medical care is exempt only if earmarked to elderly or poor people, or to people with AIDS.
Japan	Common exemptions;[b] social welfare services; sale of certain kinds of equipment for the disabled people; administrative services; alienation of securities, textbooks, tuition fees.	Postal services; supply of buildings; cultural and sporting services provided by others than non-profit organisations; letting of immovable property by business.
Korea	Common exemptions;[b] certain public transport; supply of water and certain coal; mineral oil used for certain purposes in agriculture and fishery; funeral undertaking; certain personal services similar to labour; books, newspapers and magazines; broadcasting services; supply of farm, marine and forest products.	Rental and supply of commercial buildings; commercial cultural services; gambling in licensed clubs.
Luxembourg	Common exemptions.[b]	–
Mexico	Common exemptions;[b] gold and silver coins; shares; foreign currency; retailing of gold bullion with a content of at least 99% gold; authors' rights; urban, suburban and metropolitan public transport of passengers by land (including by train); sale of used movable property (with exception of those sold by companies); professional medical services.	Postal services; insurance services (except life and agricultural insurance); transport of sick/injured persons; private hospital and medical care, sports services; financial services for consumer and personal credits; certain kinds of public spectacles like movie tickets; supplies of land and buildings (except housing) and certain fund raising events.

Table 2.A2.4. **VAT/GST Exemptions**[a] *(cont.)*

	Exemptions	Taxation of "common exemptions" in the country[b]
Netherlands	Common exemptions;[b] burials; cremations; public broadcasting; sports clubs; the services of composers, writers and journalists.	Cultural services (mostly lower rate); letting of immovable property other than houses (only at combined request by letter and hirer); supply of immovable property (only at the combined request of supplier and purchaser); the use of sports accommodation; recreational and sporting services; admission to cinemas, concerts and theatres; sporting events; museums and zoological gardens.
New Zealand	Financial services; supply of residential accommodation in a dwelling; fine metal; supply by a non-profit body of donated goods and services.	Postal services; human blood, tissues and organs; hospital and medical care; transport of sick/injured persons; dental care; charitable work; certain fund raising events; education; non-commercial activities of non-profit making organisations (other than unconditional gifts); cultural services; sporting services; insurance and reinsurance (other than life insurance and reinsurance); letting of immovable property (other than residential accommodation); betting, lotteries and gambling; supply of land and buildings (other than land and buildings which have been used for the provision of residential accommodation for five years or more).
Norway	Common exemptions;[b] certain alternative treatments/fringe medicine; burials; stamps and coins for collection purposes; management services by a housing association to an affiliated housing co-operative; services in the form of membership of a board, supervisory board, committee, council or similar if the consideration is included in the employer's National Insurance contributions; services in the form of offsetting emission allowances.	Postal services; infrastructural services within the passenger transport sector; admission to sporting events, museums, cinemas and amusement parks; letting of commercial buildings (optional).
Poland	Common exemptions;[b] public radio and television.	Rental or tenancy of the dwelling buildings used for commercial purposes; supply of building land or land for development and buildings.
Portugal	Common exemptions.[b]	–
Slovak Republic	Common exemptions[b]; public television and radio; services supplied to members; sale of postal and fiscal stamps.	Supply of a construction, including the supply of building land, on which the structure is constructed, provided that the supply is made within five years after the first approval of the building or a part thereof based on which the building or a part thereof was approved for use or within five years from the day when the building or a part thereof was put in use for the first time; option to tax supply and letting of immovable property; training, educational, sporting and cultural services provided by others than by non-profit making organisations.
Slovenia	Common exemptions;[b] public television and radio.	Supply of new buildings; admission to cultural and sporting events; educational, sporting and cultural services provided by profit making organisations; option to tax letting of immovable property.
Spain	Common exemptions;[b] copyright to literature and works of art.	Cultural and sporting services provided for taxable persons different from public bodies and non-profit making organisations; letting of commercial buildings; building land; supply of new buildings.
Sweden	Common exemptions;[b] public television and radio; public cemetery services; social services; creative artists.	Postal services; most cultural services; letting of commercial buildings in certain cases (optional).
Switzerland	Common exemptions;[b] cultural services and the supply of cultural works by their creators, such as authors, composers, film makers, painters, sculptors and services supplied by publishers and collecting societies in order to circulate these works; the supply of used movable goods, which were used exclusively for the provision of supplies exempt from the tax without credit; the sale of agricultural, forestry and market garden products cultivated in their own business by farmers, foresters or gardeners, the sale of cattle by cattle dealers, and the sale of milk by milk collection points to milk processing plants; publicity services, which charitable organisations provide for the benefit of third parties or third parties for the benefit of charitable organisations; the exercise of arbitration functions.	The dispensing of artificial limbs and orthopaedic equipment; renting of exhibition stands and individual rooms in exhibition and congress buildings.

Table 2.A2.4. **VAT/GST Exemptions**[a] *(cont.)*

	Exemptions	Taxation of "common exemptions" in the country[b]
Turkey	Importation of goods for cultural and educational purposes or for social purposes; restoration project related to cultural object; delivery of goods and provision of services to military factories, shipyards and factory plants; exempted taxpayers according to Income Tax Law; mergers and transfer according to Corporate Tax Law; transactions on leasing of real properties not included in economic enterprises; banking and insurance transaction; transactions of the Mint House and the Stamp Printing House; supply of precious mine and waste; supply of water used in agriculture; services supplied in free trade area; transportation of foreign oil and gas by pipelines; supply of land and workplace for organised industrial zone; supply of goods within the scope of financial restructuring; the transactions of Savings Deposit Insurance Fund; news service provided to General Directorate of Press and Information; renting work place in customs area; delivery and leasing of immovable property by the Treasury; transfers and deliveries resulting from the sales of shares and real properties that have been included for at least two years in the assets of institutions; transfer of movable and immovable assets and intangible assets to the asset leasing company and the leasing of assets by asset leasing company; services provided by "Insurance Arbitration Commission" about settling disputes.	Private education; private cultural services and sporting services; private hospital and medical care and dental care; human blood; transport of sick/injured persons(lower rate); postal services; sale of commercial buildings; letting; radio and television broadcasting; betting, lotteries and gambling; financial services that made by financial corporation; supply of land and buildings included in economic enterprises (standard rate); public hospital and medical care and dental care; public education; public cultural services and sporting services; tissues and organs; certain charitable work that is made by public organization or certificated institution; insurance and reinsurance; letting of immovable property not included in economic enterprises (exemption); non-commercial activities of non-profit making organisations; certain fund-raising events(non-taxable).
United Kingdom	Common exemptions;[b] burials and cremations; sports competitions; certain luxury hospital care; works of art.	Standard rated: freehold sales of new commercial buildings (standard rated for three years from completion date) and "option to tax" for other ordinarily exempted supplies of commercial buildings; gaming machines and certain gambling in licensed clubs. Zero rated: New housing, including construction of new houses; residential and some charity buildings.

a) Exemptions For the purposes of this table, "exemption" means supplies for which VAT/GST is not levied on the amount charged by the provider while the latter is not allowed to deduct related input tax. In some countries, such supplies are called "input taxed supplies".

b) Common exemptions In this table, "Common exemptions" hereafter refer to exemptions generally applied in most OECD countries: postal services; transport of sick/injured persons; hospital and medical care; human blood, tissues and organs; dental care; charitable work; education; non-commercial activities of non-profit making organisations; sporting services; cultural services (except radio and television broadcasting); insurance and reinsurance; letting of immovable property; financial services; betting, lotteries and gambling; supply of land and buildings; certain fund-raising events.

c) Israel: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: National Delegates – Position as at 1 January 2014.

Table 2.A2.5. **Restrictions to the right to deduct VAT/GST on specific inputs**[a]

	Inputs on which the right to deduct VAT/GST is denied or limited
Australia	**Entertainment:** recreational club leisure facility, entertainment, meal entertainment, family maintenance, relative's travel. **Vehicles:** the amount of GST recoverable on the acquisition of a car is limited to that applicable to the car depreciation limit for the income year, currently AUD 57 466. **Others:** penalties, non-compulsory uniforms. GST is not recoverable on the expenses above to the extent they are not eligible for a deduction under the income tax law.
Austria	**Entertainment:** restaurants and entertainment. **Vehicles:** vehicles, except used for commercial passenger transport, for leasing purposes or used at least 80% for driving schools.
Belgium	**Entertainment:** full input tax block for restaurant and hotel (with a number of strict exceptions), certain alcoholic beverages (with a number of strict exceptions) and reception and hospitality costs. **Vehicles:** Expenses relating to vehicles for transport of persons and/or goods by road. The right to deduct input tax may in principle not exceed 50% (with a number of strict exceptions). **Others:** supplies relating to special VAT scheme (e.g. margin scheme, special VAT scheme for tobacco).
Canada	**Entertainment:** deduction restrictions apply to memberships in dining, recreational or sporting facilities clubs; deduction for food, beverages, and entertainment expenses generally limited to 50% of the GST/HST payable. Food and beverage expenses for long-haul truck drivers are limited to 80%. **Vehicles:** deduction is limited on passenger vehicles acquired as capital property to the GST/HST payable on the capital cost value (CAD 30 000); deduction is limited on passenger vehicles leases to the GST/HST payable on CAD 800 monthly lease payments. **Others:** home office expenses; restriction to the extent that the consumption or use of a property or service of such quality, nature, or cost is unreasonable given the person's commercial activity. **Local limitations:** large businesses (generally those with annual taxable supplies in excess of CAD 10 million) that acquire certain property or services in the provinces of Ontario and Prince Edward Island that are subject to the 13% or 14% HST, respectively, are generally restricted to claiming only the 5% federal part of the HST on these acquisitions. These restrictions are to be phased out beginning in 2015 for Ontario and 2018 for Prince Edward Island.
Chile	**Vehicles:** automobiles, station wagons and similar vehicles as well its lubricants, spare parts, repairs or maintenance unless the regular business activity of the taxpayer is the sale, rental or lease of automobiles, station wagons and similar vehicles. **Fuels:** products or components that have any form of subsidy for end consumers.
Czech Republic	**Entertainment:** representation expenditures as defined in the income tax law for which there is no tax allowance according to the income tax law (except small gifts).
Denmark	**Entertainment:** expenses of entertainment, restaurant, hotel accommodation and presents. **Vehicles:** supply of vans with a weight of 3 000 kg or less used for both taxable and non-taxable purpose; cars with room for less than 10 persons; leased cars. **Others:** Employee telephones paid by employer; board of employees and owner of the company; other objects in favour of the employees.
Estonia	**Entertainment:** goods or services relating to the reception of guests or the provision of meals or accommodation for employees. This restriction is not applied to the deduction of input value added tax paid for accommodation services received during a business trip.
Finland	**Entertainment:** representation and entertainment expenses. **Vehicles, boats and aircraft:** used for sporting and leisure purposes, cars, motorcycles and caravans. However, any means of transport which are to be resold, rented out or used in professional passenger transport or in driving lessons as well as passenger cars used only for taxable transactions are deductible. **Others:** travelling costs of personnel between home and workplace; goods and services related to dwellings or buildings provided for the recreation of personnel.
France	**Vehicles:** vehicles or equipment, whatever their nature, designed to carry persons or mixed-use, except those for resale as new; leased, having in addition to the driver's seat more than eight seats used by companies to bring their staff on the workplace, assigned exclusively to the driving instruction, all type of road vehicles exclusively for the operation of ski lifts and ski areas, once they have been certified by the testing of lifts and guided transport under conditions set by decree, vehicles acquired by companies of public passenger transport and assigned exclusively to the realisation of such transport. Components, parts and accessories of vehicles and machines previously referred. **Others:** goods and services used by taxable persons for more than 90% for a non-business purpose; gifts above a certain value; goods or services linked to the free supply of housing to officers or employees of a company, except when it's for the security staff on construction sites or in company premises; goods or services used for advertising alcoholic beverages; supply of passenger transport and services ancillary to such transport, except those produced either on behalf of an enterprise of public passenger transport, or under a permanent contract of transport by companies to bring their staff on the workplace; most fuels not subsequently delivered or sold as is or as other petroleum products. **Partial restrictions:** The right to deduction is limited to 50% for gas oil and other hydrocarbons in gaseous state and kerosene used as fuel, when such products are used for vehicles and equipment mentioned above. The right to deduction is limited to 80% for gas oils and bio ethanol E 85 used as fuel for vehicles and equipment mentioned above, except those used for testing for the purposes of making engines or motorised equipment and insofar as they are not subsequently delivered or sold as is or as other petroleum products.
Germany	**Entertainment:** representation expenditures as defined in the income tax law for which there is no tax allowance according to the income tax law (e.g. gifts except small gifts, restaurant, catering, entertainment expenditure except appropriate ones, expenditures on hunting and fishing, sailing yacht or motor yachts and expenditures of similar nature).

Table 2.A2.5. **Restrictions to the right to deduct VAT/GST on specific inputs**[a] *(cont.)*

	Inputs on which the right to deduct VAT/GST is denied or limited
Greece	**Entertainment:** receptions, recreation and hospitality in general; accommodation, food, drinks, transport and recreation for the personnel or members of a company. **Means of transport:** motor cars for the transport of up to 9 persons intended for private use; motorcycles, mopeds, vessels and aircrafts for private use, for pleasure or sports and the cost of fuel, repair, hiring and maintenance for such conveyances. The restriction does not apply to the acquisition of the above means of transport when they are purchased for sale, rental or transport of persons for consideration. **Others:** manufactured tobacco and spirituous or alcoholic beverages not to be used in taxable activities.
Hungary	**Entertainment:** services of restaurants and other public catering services; entertainment services; food and beverages. **Vehicles:** passenger cars (except hearses), motorcycles above 125 cubic centimetres; yachts and vessels. **Others:** supplies of motor fuels, other fuels, other goods used in connection with the operation or maintenance of passenger cars; residential properties, goods and services used for the construction or remodelling of residential properties; taxi services, parking services, highway toll services; 30% of input tax regarding fixed phone, mobile phone and VOIP service; 50% of input tax regarding the services used for the operation or maintenance of passenger cars.
Iceland	**Entertainment:** all expenses related to catering and food for the taxable person. **Vehicles:** supply and running of cars whith a weight of 5 000 kg or less, unless used for specially regulated taxable purpose. **Others:** all expenses related to residential property for the owner and the employees of the taxable person. All expenses which come instead of salaries to the owner and the employees of the taxable person. All expenses related to summer houses and similar entertainment for the owner and the employees of the taxable person; presents.
Ireland	**Entertainment:** food, drink, accommodation (except for qualifying conferences), personal services, entertainment. **Vehicles:** purchase or hire of passenger vehicles (20% of the cost is allowed where the car meets certain conditions regarding business use and emission levels). **Others:** petrol.
Israel[b]	None.
Italy	**Entertainment:** entertainment expenses, food and beverages. **Vehicles:** means of transport and connected services (motor vehicles, aircraft and yachts); passenger transport. Other: luxury goods and connected services, buildings.
Japan	None.
Korea	**Entertainment:** entertainment expenses and similar expenditures. **Vehicles:** purchase and maintenance of non-business small automobiles.
Luxembourg	**Entertainment:** luxuries, entertainment, amusements, tobacco.
Mexico	No restrictions list, the law establishes that deductions must come from goods and services “strictly indispensable” for the principal activity. The expenses deductible for VAT purposes must be deductible in terms of the Income Tax Law. The Income Tax Law has list of “Authorised deductions” for each type of regime.
Netherlands	**Entertainment:** restaurant services. Also certain representation and gift expenditures.
New Zealand	None.
Norway	**Entertainment:** Catering and hiring of locations related to catering; entertainment expenses; the construction, maintenance, renting or operation of real property for accommodation or welfare needs. **Vehicles:** procurement, operation or maintenance of passenger vehicles. **Others:** works of art or antiques; accommodation of- and remuneration in kind to the owner, management, employees or pensioners of an enterprise; business gifts, goods and services for distribution for advertising purposes; cash payments above NOK 10 000 (USD 1 040).
Poland	**Entertainment:** restaurant services and accommodation. **Vehicles:** limitation to 60% of the right to deduct VAT on the purchase, intra-community acquisition, import, hire or lease of passenger cars and motor vehicles up to 3.5 t; up to a maximum of PLN 6 000 (from 1.04.2014, limitation to 50% of the right to deduct VAT on the purchase, intra-community acquisition, import, hire or lease of motor vehicles as well as VAT charged on expenditure related to those vehicles, where the vehicle is not entirely used for business purposes). **Others:** fuels for passenger cars.
Portugal	**Entertainment:** transport, accommodation or meals (except connected with conferences, seminars, fairs or exhibitions, which, under certain conditions, are deductible in 25% or 50%); luxury and entertainment expenses. **Vehicles:** acquisition or hiring of light vehicles deemed to be used for non-business purposes, as well as pleasure boats, helicopters, aircrafts and motorcycles (except if intended for sale or constitute the core of the business activity). **Others:** fuel used in motor vehicles (other than gas oil, liquefied petroleum gas and bio fuels, which are deductible at 50%; or fully deductible if used in certain heavy vehicles or tractors).
Slovak Republic	**Entertainment:** goods and services for the purposes of treat and entertainment. **Others:** suspense items (Suspense items means expenses paid on behalf and for the account of the purchaser or the customer, which the supplier charges to the purchaser or the customer.

Table 2.A2.5. **Restrictions to the right to deduct VAT/GST on specific inputs**[a] *(cont.)*

	Inputs on which the right to deduct VAT/GST is denied or limited
Slovenia	**Entertainment:** entertainment expenses (where entertainment expenses shall include only the costs of entertainment and amusement during business or social contacts); meals (including drinks) and accommodation expenses, except expenses incurred by taxable person in connection with these supplies in the ordinary course of his business. **Vehicles:** yachts and boats intended for sport and recreation; aircrafts other than those used for transport of passengers and goods, leasing, renting and resale; passenger cars and motorcycles other than: vehicles used for transport of passengers and goods, leasing, renting and resale, vehicles used in driving schools for the provision of the driver's training program in accordance with the regulations in force and combined vehicles for carrying out an activity of a public line and special line transport, and special vehicles adapted exclusively for the transport of deceased people. **Others:** fuels, lubricants, spare parts and services which are closely linked to vehicles above.
Spain	**Entertainment:** access to shows and services of a recreational character; travel, accommodation and catering services, unless they are deductible as a cost in income taxes. **Others:** jewellery, gold and platinum objects, pearls, precious stones; food, drinks and tobacco; goods or services used as gifts to clients, employees or third parties.
Sweden	None.
Switzerland	None.
Turkey	**Cars:** purchases of cars except when used by car renting companies. **Others:** missing and stolen stocks (excluding those lost due to fire in places of compelling reason declared by Ministry of Finance).
United Kingdom	**Entertainment:** business entertainment; in general terms the free provision of any hospitality to business contacts is not recoverable. The exception is where the entertainment is provided to non UK customers; however, it is likely that if recovery is granted it would be off-set by a private use charge that would effectively cancel out any credit obtained. **Vehicles:** motor cars in general, except motor cars that are stock in trade (car dealers, etc.), tools of the trade (driving schools, etc.) or exclusively used for business purposes with no availability for private use (leasing companies, etc.); lease of a motor car (right to deduction is limited to 50%).

a) The table includes limitations of the right to deduct input VAT/GST on specific goods, services and intangibles because of their nature, generally with a view to ensure (input) taxation of their deemed final consumption. The table does not include input tax blockings related to the exemption of outputs (e.g. limited right of deduction for inputs used to provide financial and insurance services, medical care, education, etc. listed in Table 3.A3.1 on VAT/GST exemptions) or to inputs not connected with the taxable activity of the business.

b) Israel: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: National Delegates – Position as at 1 January 2014.

Table 2.A2.6. **Special VAT/GST taxation methods**

	Usage of reverse charge system	Usage of margin schemes[a]
Australia	Imports of intangible supplies are reverse charged to the recipient (registered) business if they would not have been entitled to a full input tax credit for GST paid on that supply. In some circumstances, businesses can choose to reverse charge GST for supplies connected with Australia that are made by non-residents.	Margin scheme can be used on certain sales of new residential or commercial property. It is generally based on the difference between the tax inclusive sale price and the original purchase price. Special rules apply in certain cases, such as sales between associates or members of the same GST group. Gambling: GST applies to the gambling margin calculated based on the total amount wagered less total monetary prizes awarded. Second hand goods when second-hand dealers adopt a special "global' accounting method. It applies when: 1) second-hand goods are acquired from an unregistered supplier and are divided up for re-supply; and 2) the dealer exercises the option to apply the global method over a specified category of second-hand good.
Austria[b]	Several services delivered internationally and intra-community delivery of goods by an entrepreneur resident abroad. If customer is an entrepreneur or a legal person governed by public or private law, supplies of work and other services provided by an entrepreneur resident abroad. Supply of laptops, tablets and PCs; game consoles; mobile phones; and integrated circuit devices if the amount of the invoice is at least EUR 5 000. Supply of gas and energy to taxable dealers. Transfer of CO_2 emissions certificates. Supply of certain metals. Supply of scrap and waste; supply of taxable investment gold. Construction services if the recipient is acting as general contractor or if he usually is rendering construction services; supply of goods provided as security by a VAT taxable person to another person in execution of that security; supply of goods following the cession of the reservation of ownership to an assignee and the exercising of this right by the assignee; the supply of immovable property sold by the judgment debtor in a compulsory sale procedure to another person.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Belgium[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive); supplies of goods and services by traders not established in Belgium under several conditions; some supplies of investment gold; work on immovable property under several conditions; several transactions within the framework of a VAT warehouse.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Canada	A resident recipient of an imported taxable supply of intangible personal property or a service is required to self-assess tax in respect of the supply unless it is acquired for use, consumption or supply exclusively in the course of the commercial activities of the recipient. Certain purchasers of real property are required to self-assess (e.g. supplier is a non-resident; purchaser is registered for GST/HST, newly constructed residential complex for personal use of a builder). In certain circumstances, persons may be required to self-assess the provincial part of the HST when certain property or services are moved from one province to another.	–
Chile	Resident recipients of an imported taxable good (whether they import frequently or not, and whether they are individuals or businesses). Resident beneficiary of a cross border service provided the service provider is a non-resident (such services are subject to VAT when they are rendered in Chile and the payment is not subject to additional income tax). The tax authority may establish a reverse charge system through general rules under some circumstances dealing with intermediaries, difficult auditing situations (e.g. certain dealings in produce such as the sale of rice, berries, livestock, beans, wood, wild products, paper and cardboard and wheat).	–
Czech Republic[b]	Several services delivered internationally and intra-community delivery of goods, supplies of goods with assembly or installation; supplies of gas, electricity and certain other services by non-established traders to established taxable persons (EU Directive); delivery of taxable investment gold and gold material of purity equal to or greater than 333 thousandths, supply of designated categories of scrap and waste, transfers of CO_2 emission allowances and supply of construction and assembly services) provided between taxable persons registered for Czech VAT.	Travel agencies; second-hand goods; works of art; collector's items and antiques (EU Directive)

Table 2.A2.6. **Special VAT/GST taxation methods** *(cont.)*

	Usage of reverse charge system	Usage of margin schemes[a]
Denmark[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive); goods imported B2B into Denmark from a country outside the EU; leasing of means of transport from outside the EU to a taxable person in Denmark.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Estonia[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive); immovable property and investment gold, where the supplier has opted for taxation; scrap metal; precious metals.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Finland[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive). If a foreign enterprise does not have a fixed establishment in Finland, the purchaser is usually liable for tax. A reverse charge procedure is applied to taxable investment gold as well as gold material and semi-manufactured gold products of purity equal to or greater than 325 thousandths. A reverse charge procedure is applied to emission permits and construction services supplied in Finland.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
France[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive).	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive); Real estate agents.
Germany[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive); if customer is an entrepreneur or a legal person governed by public or private law: supplies of work and other services provided by an entrepreneur resident abroad (with the exception of certain services involving passenger transport) and supplies of pledged assets by the guarantor to the recipient of the security outside the framework of judicial liquidation; turnover covered by the Real Property Transfer Tax Law (in particular, transfers of real estate). If the customer is an entrepreneur: supplies of work or other services serving the construction, repair, maintenance, alteration or removal of structures (except for planning and supervision) and cleaning of buildings when the customer himself supplies such services; supplies of gas and electricity provided by an entrepreneur resident abroad and supplies of gas and electricity when the customer is a taxable dealer of gas and electricity; supply of gold (unwrought or semi-finished), of mobile devices or integrated circuits, of emissions allowances and of industrial scrap, ferrous and non-ferrous waste and other waste.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Greece[b]	Several services and goods delivered internationally (EU Directive); supply of recyclable waste materials; tradable greenhouse gas emission permits.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive); sales by public auction.

Table 2.A2.6. **Special VAT/GST taxation methods** *(cont.)*

	Usage of reverse charge system	Usage of margin schemes[a]
Hungary[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive). Domestic reverse charge applies to: – the handing over of construction works regarded as a supply of goods; – construction or other alteration or repair activity qualifying as service, directed at the construction, expansion, rearrangement or other modification (including demolition) of immovable property and subject to acquiescence or authorisation by the building authority; – the hiring-out of employees and the supply of staff for the supply of goods or services mentioned before; – the supply of waste products; – the supply of a building and the land on which it stands or of an inbuilt plot of land (with certain exceptions) if the supplier opted for taxation; – in relation with debtors and creditors, the supply of goods that were pledged as collateral security to cover an overdue claim in execution of that security; – the specific supply of goods or services, if the supplier taxable person is adjudicated in liquidation proceedings or any similar insolvency proceedings; – the alienation of transferable rights to emit greenhouse gases (emission unit); – supply of certain specific agricultural products such as wheat and meslin, rye, barley, oats, maize, triticale, soya beans whether or not broken; rape and colza seeds whether or not broken; sunflower seeds whether or not broken.	Travel agencies; second-hand goods; works of art, antiques, collectors' items (EU Directive).
Iceland	Several services delivered internationally for use in part or in full in the country.	–
Ireland[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive); construction services supplied to principal contractors; supply of scrap metal, greenhouse gas emission allowances.	Optional margin scheme for antiques, works of art and second hand goods (EU Directive). Mandatory margin scheme for auctioneers and travel agents.
Israel[c]	A person not liable for payment of the tax may, with the Director's consent and on conditions prescribed by him, take the payment upon himself, and after the date of that consent he shall be treated as the person liable for its payment. The tax levied on a buyer, if the buyer is a licensed dealer (i.e. a VAT registered enterprise) and has committed a real estate sale which is an occasional transaction. If a transaction is performed in Israel, and the seller or performer of the service is a foreign resident, then the obligation to pay the tax rests on the purchaser. Sale of metal debris. Import, including import of intangible goods – the owner of the goods is liable to pay the tax. If a dealer, non-profit organisation or financial institution received services of the types specified below from a person, whose main income is from wage, benefit or pension, then he must pay the tax in respect of that service, unless he received a tax invoice from the person who rendered the service; these are the services: 1. Artistic performance, construction or preparation of stage sets; preparation, checking, conducting and supervising examinations; lectures, etc. 2. Services of the following professionals: agronomist, architect, practical engineer, private investigator, rabbinical pleader, technician, dental technician, organizational, management, scientific or tax consultant, economist, engineer, etc.	Sale art objects and used assets – other than dwellings – when they are sold by a person whose business is the sale of such assets. Sale of used vehicle, motorcycle or cross-country vehicle by a dealer whose business is a purchase and sale of used vehicles. Sale of dwellings by a real estate dealer, who acquired it from a person who is not a non-profit organisation, a financial institution or a dealer. Sale of coins, medals purchased from a non licensed dealer (i.e. not VAT registered business). Sale of postage stamps and revenue stamps by a person whose business is the sale of such stamps (deemed to be a service). Sale of securities or other negotiable instruments, including the acquisition of aforesaid securities and instruments in order to collect their redemption or retirement price, by persons whose business is the sale of such assets or the sale of foreign currency, then that sale or collection of redemption or retirement shall be deemed a brokerage service rendered by the dealer, between the person who sold them to him and the person who bought them from him or redeemed them or retired them.
Italy[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive); Investment gold: supply of semi-finished products, gold purity >0.325, so-called industrial gold, scrap iron; supplies carried out by subcontractors in the building sector; mobile telephones and integrated circuit devices under certain conditions.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Japan	–	–

Table 2.A2.6. **Special VAT/GST taxation methods** *(cont.)*

	Usage of reverse charge system	Usage of margin schemes[a]
Korea	Services which are provided by foreigners or foreign corporations that are not located in Korea, except in cases where the services received are used in taxable operations. Supply of gold and copper scrap between taxable persons.	–
Luxembourg[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive).	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Mexico	The obligation to withhold applies among others to corporations that: receive independent personal services from individuals or rent goods from them; acquire waste to be used by industry; and receive land motor transportation services of goods.	–
Netherlands[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive). As an anti-fraud measure, the reverse charge also applies to some specific domestic supplies such as the supply of greenhouse gas emission rights and certain consumer electronics, e.g. mobile phones; laptops; CPU's and tablet pc's.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
New Zealand	Residents are required to self-assess tax on the value of imported services, including imported intra-group cost allocations. A requirement to register for GST arises, absent of a taxable activity, if the value of any imported services exceeds NZD 60 000 in a twelve-month period.	–
Norway	Reverse charge applies to business-to-business transactions of international services (services capable of delivery from a remote location) and to domestic business-to-business transactions of tradable permits of CO_2 emissions and gold.	Voluntary margin scheme for second hand goods, works of art, collectors' items and antiques.
Poland[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive), supply of metal scrap, metal waste and metal materials, and transfer of allowances to emit greenhouse gases.	Travel agencies; second-hand goods; works of art; collector's items and antiques (EU Directive).
Portugal[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive). On domestic supplies (where customer is a taxable person): scrap metal, work on immovable property, greenhouse gas emission allowances.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive) and fuel retailers.
Slovak Republic[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive). Supply of gold between taxable persons. Domestic supply of metal scrap and metal waste; supplies of goods with assembly or installation; domestic supply of CO_2 emission tradable permit; gas, electricity and certain other services by non-established traders to established taxable persons. Domestic supplies of cereals and oil seeds, grains, straw and fodder crops (respectively under Chapter 10 and 12 of the Common Customs Tariff), which are not typically intended in the unaltered state for final consumption, if the taxable amount in the invoice for the supply of such goods is EUR 5 000 and more. Domestic supplies of iron and steel (under Chapter 7 of the Common Customs Tariff). Domestic supplies of mobile telephones, being devices made or adapted for use in connection with a licensed network and operated on specified frequencies, whether or not they have any other use, if the taxable amount in the invoice for the supply of mobile telephones is EUR 5 000 and more; domestic supplies of integrated circuit devices such as microprocessors and central processing units in a state prior to integration into end user products, if the taxable amount in the invoice for the supply of mobile telephones is EUR 5 000 and more.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Slovenia[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive). Reverse charge for certain transactions, supplied to taxable persons, identified for VAT in Slovenia, i.e. the supply of construction work (including repair, cleaning, maintenance, alteration and demolition services in relation to immovable property); the supply of staff engaged in the mentioned activities; the supply of certain immovable property, where the supplier has opted for taxation of the supply; the supply of certain waste, scrap, used material and services; the transfer of allowances to emit greenhouse gases.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).

Table 2.A2.6. **Special VAT/GST taxation methods** *(cont.)*

	Usage of reverse charge system	Usage of margin schemes[a]
Spain[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive); domestic supply of CO_2 emission tradable permit; domestic supply of metal scrap and metal waste; investment gold: supply of semi-finished products, gold purity >0.325; supplies carried out by subcontractors in the building sector; supply of buildings in certain situations.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Sweden[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive).	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).
Switzerland	The reverse charge system is applicable for: Supplies of services by businesses with their place of business abroad that are not entered in the Register of Taxable Persons, if the place of supply is situated on Swiss territory. The import of data storage media without market value with the services and rights included therein. Supplies of goods on Swiss territory by businesses with their place of business abroad that are not entered in the Register of Taxable Persons, if these supplies of goods are not subject to the import tax.	None, but deemed input tax deduction for used, individual, movable goods for supplies within the jurisdiction.
Turkey	If the taxpayer does not have a place of business, residence, legal or business centre in Turkey or if considered necessary by the Ministry of Finance; any of the people involved in a transaction subject to taxation may be held responsible for the payment of tax to cover the tax income.	Travel agencies (commission taken from tour sold abroad is exempt; commission taken from tour sold in Turkey is subject to tax).
United Kingdom[b]	Several services delivered internationally and intra-community delivery of goods (EU Directive); investment gold.	Travel agencies; second-hand goods, works of art, collector's items and antiques (EU Directive).

a) **Margin scheme:** In this context, a margin scheme means a scheme where the tax base is calculated on the difference between the price paid by the taxpayer for an item and the price of resale rather than on the full selling price. The reseller is not allowed to deduct the input VAT embedded in the buying price of the items resold under the margin scheme.

b) **EU Directive – Reverse charge**: within the European Union, the person liable to pay the tax is in principle the taxable person carrying out the supply of goods or services. Nevertheless, several operations give rise to payment of VAT by the person to whom the goods or services are supplied (Directive 2006/112/EC). This is mainly the case for the intra-community supply of goods between taxable persons and supply of services between taxable persons if the services are supplied by taxable person not established within the territory of a given Member State.

c) **Israel:** The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: National Delegates – Position as at 1 January 2014.

Table 2.A2.7. **Import/export of goods by individuals**

	Thresholds for tax-free import of goods by individual travellers			Refund for individuals upon export		
	Scheme	Max. threshold		Scheme	Min. value	
		Nat. curr.	USD		Nat. curr.	USD
Australia	AUD 900 worth of general goods (or AUD 450 for people under the age of 18 and air and sea crew members); 2.25 litres of alcohol and 50 cigarettes or 50 g of cigars or tobacco products may be imported without individuals needing to be assessed for GST and customs duty. If the individuals have in excess of this amount, they need to declare goods and be assessed.	AUD 900	584	Tourist Refund Scheme (TRS): individuals may claim a refund of GST on purchases made over AUD 300 from a single business within 60 days of departure which is worn or taken as hand luggage. GST refunds are available when goods are shown with the necessary documentation, on departure from Australia. The TRS applies to both residents and non-residents (except to crew, sea and air).	AUD 300	195
Austria	EU Scheme.[a] In air and sea traffic. In land traffic.	 EUR 430 EUR 300	 500 350	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice amount EUR 75.	EUR 75	87
Belgium	EU Scheme.[a] In air and sea traffic. In land traffic. Restrictions of these thresholds apply depending on the age of the passenger, the nature of the products (excise products) staff of the means of transport.	 EUR 430 EUR 300	 489 341	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice EUR 125.	EUR 125	142

Table 2.A2.7. **Import/export of goods by individuals** *(cont.)*

	Thresholds for tax-free import of goods by individual travellers			Refund for individuals upon export		
	Scheme	Max. threshold		Scheme	Min. value	
		Nat. curr.	USD		Nat. curr.	USD
Canada	I. Goods acquired abroad and for personal or household use imported by Canadian residents, temporary residents or former residents returning to live in Canada: – returning after an absence of not less than 24 hours, goods (except alcoholic beverages and tobacco products) valued at not more than CAD 200 and included in the baggage accompanying the person; – returning after an absence of not less than 48 hours, goods (including either wine not exceeding 1.5 litres, beer not exceeding 8.5 litres or liquor not exceeding 1.14 litres and tobacco not exceeding fifty cigars, two hundred cigarettes, two hundred tobacco sticks and two hundred grams of manufactured tobacco) valued at not more than CAD 800 and included in the baggage accompanying the resident; – returning after an absence of not less than seven days, goods (including either wine not exceeding 1.5 litres, beer not exceeding 8.5 litres or liquor not exceeding 1.14 litres and tobacco not exceeding fifty cigars, two hundred cigarettes, two hundred tobacco sticks and two hundred grams of manufactured tobacco) valued at not more than CAD 800 whether or not (except for alcoholic beverages and tobacco products) included in the baggage accompanying the person. II. Goods that are zero-rated when supplied domestically (for example, basic groceries). III. Conveyances and baggage temporarily imported by non-residents for use in Canada. IV. Casual donations valued at CAD 60 or under sent by persons abroad to friends in Canada or imported personally by non-residents as gifts to friends in Canada (except advertising matter, tobacco or alcoholic beverages). V. Personal effects of seasonal residents. VI. Personal effects of returning former residents (resident in another country for at least one year) or residents who have been abroad for at least one year (goods must have been actually owned, possessed and used abroad by the individual for at least six months prior to the individual's return to Canada and accompany the individual upon return to Canada). VII. Personal effects of settlers. VIII. Personal effects of settlers acquired with blocked currencies. IX. Personal effects of deceased persons. X. Foreign conveyances temporarily imported by a Canadian resident to be used in the international non-commercial transportation of the individual and accompanying the individual using the conveyance. XI. Medals, trophies and other non-resalable prizes that are: – won outside Canada or donated by persons outside Canada for heroic deeds, valour or distinction; – to be presented by the importer at awards ceremonies; or – bestowed or awarded abroad as marks of honour or distinction, won abroad in competitions, or won abroad in competitions and donated by persons abroad for bestowal or award in Canada.	CAD 800 No max. for Items II, III, V-XI	625 idem	A rebate of up to 50% of the GST/HST paid is available to a non-resident individual who purchases an eligible tour package that includes short-term and/or camping accommodation. The total purchase amount before taxes must be at least CAD 200.	CAD 200	156

Table 2.A2.7. **Import/export of goods by individuals** *(cont.)*

	Thresholds for tax-free import of goods by individual travellers			Refund for individuals upon export		
	Scheme	Max. threshold		Scheme	Min. value	
		Nat. curr.	USD		Nat. curr.	USD
Chile	Goods acquired abroad and imported by: – Passengers regarding “travel baggage” exempted under of Customs Duties limited to new and used goods for personal care and for gift; used goods exclusively intended to perform a profession or job; the quantity, not exceeding four hundred cigarettes, five hundred grams of tobacco, fifty cigars and 2.5 litres of alcoholic beverages; and some technological goods. The exemption excludes goods imported with commercial purpose. – Officers or employees of the Chilean Government who serve abroad and immigrants provided that the goods are personal effects, home appliances, tools and work equipment, provided these items do not require an import register. – Crew personnel of a ship, aircraft or another vehicle concerning travel baggage exempted of Customs Duties. – Travellers and Chilean residents from the First Region (Chile) under some circumstances. – Travellers regarding goods subject to the customs classifications (goods owned by travellers coming from the Chilean duty-free zone up to USD 1 218; goods acquired by passenger from abroad, in Chilean tax duty-free shop only, up to a value of USD 500; goods imported by Chilean residents of border places up to USD 150; home appliances of Chileans returning after an absence between six months and one year (up to USD 500); home appliances and work equipment of Chileans returning after an absence between one year and five years (up to USD 3 000); home appliances and work equipment of Chileans returning after an absence of not less than five years (up to USD 5 000); goods of foreign national with a temporary residence in Chile or with a job agreement not less than a one year term: home appliances (up to USD 5 000) and work equipment (up to USD 1 500). – National artists regarding their pieces of arts performed abroad under customs classification (drafts, painting, sculptures). – Travellers and temporal visitors regarding goods for personal use during their visiting to Chile, and vehicles for their private transportation. Goods considered as: – Cultural or sport prizes and trophies won abroad without commercial nature, and not commercial gifts occasionally awarded to individuals under customs classification (gifts cannot exceed the value of USD 50). – Prizes and gifts awarded to Chilean individuals, listed under the customs classification, who obtain highest distinction and under specific requirements.			Non-resident individuals who leave the country through the Chacalluta border crossing (on the First Region) can obtain a refund of VAT paid on merchandise acquired in Arica and Parinacota (subject to daily caps), up to USD 319.	CLP 3 268	6

Table 2.A2.7. **Import/export of goods by individuals** *(cont.)*

	Thresholds for tax-free import of goods by individual travellers			Refund for individuals upon export		
	Scheme	Max. threshold		Scheme	Min. value	
		Nat. curr.	USD		Nat. curr.	USD
Czech Republic	EU Scheme.[a] In air and sea traffic. In land traffic.	 EUR 430 (CZK 10 642) EUR 300 (CZK 7 425)	 721 503	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice CZK 2 000 for one seller on one day.	CZK 2 000	135
Denmark	EU Scheme.[a] In air and sea traffic. In land traffic.	 EUR 430 (DKK 3 250) EUR 300 (DKK 2 250)	 382 265	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum value: DKK 300. Refund to travellers from Norway and the Aland Islands exporting goods in their personal luggage. Minimum value DKK 1 200.	DKK 1 200	141
Estonia	EU Scheme.[a] In air and sea traffic. In land traffic.	 EUR 430 EUR 300	 682 476	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. The traveller's habitual residence must be outside the European Union.	EUR 38	60
Finland	EU Scheme.[a] In air and sea traffic. In land traffic.	 EUR 430 EUR 300	 430 300	Refund to individuals exporting goods in their personal luggage to a destination outside the EU, minimum invoice EUR 40. Traveller from Norway and the Åland Islands can only get the refund if the value of the goods without VAT is at the minimum EUR 170.	EUR 40	40
France	EU Scheme.[a] In air and sea traffic. In land traffic.	 EUR 430 EUR 300	 489 341	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. The traveller's habitual residence must be outside the European Union. The total value of the purchases (including VAT) in a single shop on the same day must be over EUR 175.	EUR 175	213
Germany	EU Scheme.[a] In air and sea traffic. In land traffic.	 EUR 430 EUR 300	 524 366	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. The traveller's habitual residence must be outside the European Union. The goods have to be exported within three months following the month of purchase. There is no threshold as to the amount. The VAT exemption is only valid for non-commercial purposes (except for the equipment and supply of private means of transport e.g. car, motorboat, aeroplane, etc.).	–	–
Greece	EU Scheme.[a] In air and sea traffic. In land traffic.	 EUR 430 EUR 300	 573 400	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice EUR 120. Limitations: foodstuffs; alcoholic beverages; tobacco products; goods for the provisioning and the equipping of means of transport for private use (motor vehicles, aircrafts or sea-going vessels); goods having commercial character.	EUR 120	160
Hungary	EU Scheme.[a] In air and sea traffic. In land traffic.	 EUR 430 (HUF 127 000) EUR 300 (HUF 88 000)	 900 620	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice HUF 42 000 Limitation: certain works of art, antiques and tobacco products.	EUR 175 (HUF 52 000)	366

Table 2.A2.7. **Import/export of goods by individuals** *(cont.)*

	Thresholds for tax-free import of goods by individual travellers			Refund for individuals upon export		
	Scheme	Max. threshold		Scheme	Min. value	
		Nat. curr.	USD		Nat. curr.	USD
Iceland	**Food:** travelers may import duty-free up to 3 kg of food, including candy, not exceeding the value of ISK 25 000.	ISK 25 000	175	Refund for individuals when leaving the country for goods worth more than ISK 4 000.	ISK 4 000	28
	Alcoholic beverages and tobaccos: in addition to goods referred to above, travelers can import duty-free alcoholic beverages and tobacco products as follows: – 1 liter spirits and 1 liter wine and 6 liters beer; or – 3 liters wine and 6 liters beer; or – 1 liter spirits and 9 liters beer; or – 1.5 liters wine and 9 liters beer; or – 12 liters beer. Spirits comprise alcoholic beverages containing more than 21% alcohol; wines comprise alcoholic beverages, other than beer, containing 21% alcohol or less. 200 cigarettes or 250 g of other tobacco products.		–			
	Icelandic residents may bring duty free the luggage they brought with them abroad furthermore they can bring one or more items of duty free goods worth in total up to ISK 88 000.	ISK 88 000	615			
Ireland	EU Scheme.[a]			Refund to individuals exporting goods in their personal luggage to a destination outside the EU. There is no threshold as to the amount.	–	–
	In air and sea traffic.	EUR 430	453			
	In land traffic.	EUR 300	316			
Israel[b]	Import duty exemption: personal products, beverages and wines: liquor up to 1 litre and up to 2 litres of wine – for each entrant age 18. Alcoholic perfume – to ¼ litre per entrant. Tobacco- weight not exceeding 250 g. Products that do not exceed USD 200.		200	A refund will be given to the visitor, a non-citizen holding a foreign passport. The arrangement does not apply to purchases of tobacco products, food and beverages,(except wineries). Minimum purchase amount for VAT refund is: NIS 400 including VAT, purchase at the same time in one business transaction. Providing a refund is subject to the purchase in a registered business.	ILS 400	94
Italy	EU Scheme.[a]			Refund to individuals exporting goods in their personal luggage to a destination outside the EU.	EUR 155	187
	In air and sea traffic.	EUR 430	518			
	In land traffic.	EUR 300	361			
Japan	1) Goods which total taxable value do not exceed JPY 10 000.	JPY 10 000	88	Foreign travellers are exempted from VAT for exported goods for daily use (except Non-Durable, such as food, etc.) only when they are acquired in Tax-free shops. The minimum threshold per transaction is JPY 10 000 (from October 2014, Non-Durable will be exempted from VAT on the condition that some preventive measures against misconducts are taken. The minimum threshold per transaction is JPY 5 000).	JPY 10 000	88
	Goods other than those in 1), which total taxable value do not exceed JPY 200 000.	JPY 200 000	1 765			
	Tax-free import of liquor, tobacco and perfume is limited to certain quantities.	–	–			

Table 2.A2.7. **Import/export of goods by individuals** *(cont.)*

	Thresholds for tax-free import of goods by individual travellers			Refund for individuals upon export		
	Scheme	Max. threshold		Scheme	Min. value	
		Nat. curr.	USD		Nat. curr.	USD
Korea	Importation of the following duty-exempt goods under the Customs Law is exempted from value-added tax. Books, newspapers, and magazines. Duty-exempt goods of a small amount (USD 400) imported by a resident. 1 bottle of alcoholic beverage (not exceeding 1 litre and USD 400). 200 cigarettes and 50 cigars. Goods imported from moving, immigration, or inheritance. Personal effects of travellers, or goods arriving by separate post and mailed goods that are exempted from customs duties or chargeable by the simplified tariff rates.	KRW 304 800	333	Foreign travellers are exempted from VAT for exported goods when they are acquired in Tax-free shops only. Minimum invoice KRW 30 000.	KRW 30 000	33
Luxembourg	EU Scheme.[a]			Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice EUR 74.	EUR 74	75
	In air and sea traffic.	EUR 430	430			
	In land traffic.	EUR 300	300			
Mexico	1. Administrative Rule No. 3.2.3 includes a list of items that may be introduced to Mexico as part of the baggage of international passengers residing abroad or in Mexico. 2. When arriving to Mexico by ships or aircrafts, it is possible to introduce tax-free good which value does not exceed USD 300 or its equivalent in national or foreign currency. 3. When arriving to Mexico in terrestrial means of transportation, such amount shall not exceed USD 75.		300	Foreign tourists leaving the country by airplane or ship may claim a refund on the VAT paid on the acquisition of goods in Mexico when, among other requirements, the amount paid for the goods in one single store is at least MXN 1 200.	MXN 1 200	131
Netherlands	EU Scheme.[a]			Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice EUR 136.	EUR 50	57
	In air and sea traffic.	EUR 430	494			
	In land traffic.	EUR 300	345			

Table 2.A2.7. **Import/export of goods by individuals** *(cont.)*

	Thresholds for tax-free import of goods by individual travellers			Refund for individuals upon export		
	Scheme	Max. threshold		Scheme	Min. value	
		Nat. curr.	USD		Nat. curr.	USD
New Zealand	When entering New Zealand, people are entitled to a personal goods concession which allows them to bring goods up to a total combined value of NZD 700 into the country, free of duty and GST. The personal goods concession applies to goods which accompany that person through Customs, are for that person's personal use or are intended as gifts, are not intended for sale of exchange, are not for use in their businesses or profession and are not imported for other persons at their request. On entering New Zealand, a person is entitled to bring, free of duty and GST, the following quantities: **Tobacco:** 200 cigarettes, or 250 g of tobacco, or 50 cigars, or a mixture of all three weighing not more than 250 g. **Alcoholic Beverages:** 4.5 litres of wine or 4.5 litres of beer – 3 bottles containing not more than 1 125 ml of spirits, liquor, or other spirituous beverages. **Other concessions:** personal effects: wearing apparel, footwear purchased while outside New Zealand for the intended use or wear of the traveller. Goods need to accompany the traveller when arriving in New Zealand. **Gifts:** if value is less than NZD 110 – free entry, if more than NZD 110 – GST and duty applies on the value in excess of NZD 110. Multiple gift allowances are permitted provide that the separate identity of each recipient can be established. **Heirlooms:** Items bequeathed to a person in New Zealand may be imported free of all Customs charges.	NZD 700	446	No refund scheme.	–	–
Norway	The threshold is NOK 6 000 for travel abroad for more than 24 hours. For travel abroad of less than 24 hours, the threshold is NOK 3 000. For alcohol and tobacco, special quantitative limits apply.	NOK 6 000	622	VAT refunds are available for tourists. For Nordic countries a higher value applies.	NOK 250	26
Poland	EU Scheme.[a] In air and sea traffic. In land traffic.	 EUR 430 (PLN 1 894) EUR 300 (PLN 1 322)	 976 685	Refund to individuals exporting goods (excluding fuels) in their personal luggage to a destination outside the EU. Minimum invoice PLN 200.	PLN 200	104
Portugal	EU Scheme.[a] In air and sea traffic. In land traffic. Travellers under 15 years old.	 EUR 430 EUR 300 EUR 150	 614 429 214	Refund to individuals exporting goods (except equipment, fuelling and provisioning of private means of transport) in their personal luggage to a destination outside the EU. Minimum invoice EUR 50.	EUR 50	72
Slovak Republic	EU Scheme.[a] In air and sea traffic. In land traffic. Travellers under 15 years old, regardless their means of transport.	 EUR 430 EUR 300 EUR 150	 754 526 263	For travellers without permanent or temporary address within the EU. The total amount including VAT of exported goods to one taxpayer in one day should exceed EUR 175 and goods should be exported within 3 months after the last day of the month where goods were purchased.	EUR 175	307
Slovenia	EU Scheme.[a] In air and sea traffic. In land traffic.	 EUR 430 EUR 300	 641 448	Refund to individuals exporting goods (except equipment, fuelling and provisioning of private means of transport) in their personal luggage to a destination outside the EU. Minimum invoice EUR 50.	EUR 50	75

Table 2.A2.7. **Import/export of goods by individuals** *(cont.)*

	Thresholds for tax-free import of goods by individual travellers: Scheme	Max. threshold: Nat. curr.	Max. threshold: USD	Refund for individuals upon export: Scheme	Min. value: Nat. curr.	Min. value: USD
Spain	EU Scheme.[a] In air and sea traffic. In land traffic.	 EUR 430 EUR 300	 558 390	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice EUR 90.	EUR 90	117
Sweden	EU Scheme.[a] In air and sea traffic. In land traffic.	 EUR 430 (SEK 3 841) EUR 300 (SEK 2 680)	 422 295	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Minimum invoice SEK 200. Higher value for Norway and the Åland island.	SEK 200	22
Switzerland	Personal belongings; food and non-alcoholic beverages for the day of travel; meat and meat products: 1 kg; butter and cream: 1 litre or 1 kg; oil, grease, margarine for eating purposes 5 litres or 5 kg; alcoholic beverages: 5 litres up to 18°alc. plus 1 litre over 18° alc.; tobacco: 250 cigarettes or cigars or 250 g of other tobacco product; fuel imported in a spare canister. Personal belongings means what residents take with them when leaving the country and what non-residents will use during their stay and re-export when going home (clothing, personal-care products, sports equipment, personal computer, audio and video equipment, musical instruments, etc.).	CHF 300	191	There is no refund of VAT to any individuals by the Tax Administration. Goods for personal use or for gift purposes are tax free if they are exported by the non-resident purchaser within 30 days after delivery to the latter and if the export is confirmed. Minimum invoice: CHF 300. Selling goods by authorised stores to members of escorted tourist groups directly without VAT within Switzerland.	CHF 300	191
Turkey	–	–	–	VAT refund to passengers who do not reside in Turkey for the purchasing goods taken to abroad. Minimum invoice: TRY 100.	TRY 100	81
United Kingdom	EU Scheme.[a] In air and sea traffic. In land traffic.	 EUR 430 (GBP 390) EUR 300 (GBP 270)	 507 351	Refund to individuals exporting goods in their personal luggage to a destination outside the EU. Threshold on refunds set by retailer.	–	–
United States	The allowance is USD 800 per person for absences over 48 hours, every 30 days, including up to 1 litre of alcoholic beverages, 200 cigarettes and 100 cigars. The goods must be for personal or household use only, or *bona fide* gifts, and not for the account of any other person, nor may they be re-sold. The amount may be pooled with family members. A traveller who has already used the USD 800 monthly allowance still has available a USD 200 exemption per crossing. This amount may not be pooled with family members, and if the value of the goods exceeds USD 200, the exemption does not apply and duties are levied on the total value of the goods imported.	USD 800	800	No refund scheme.	–	–

a) **European Union:** EU rules allow tax-free import of goods from outside the EU by individuals for non-commercial purposes in their personal luggage to the extent that the global value of the imported goods does not exceed EUR 430 for air and sea travellers and to EUR 300 for land and inland waterways travellers. Nevertheless, special quantitative limits by traveller may apply for the following high-duty goods: tobacco, cigarettes, cigars and alcoholic beverages. The supply of goods exported outside the EU in the personal luggage of non-EU travellers is exempted from VAT if their total value is more than EUR 175 including VAT. Member States can exempt a supply with a total value of less than EUR 175.

b) **Israel:** the statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: National Delegates – Position as at 1 January 2014.

Table 2.A2.8. **VAT/GST relief for low value imports**[a]

	Currency	Threshold in local currency[b]	Threshold in USD[c]
Australia	AUD	1 000	650
Austria	EUR	22	26
Belgium	EUR	22	25
Canada	CAD	20	16
Chile	CLP	0	0
Czech Republic	EUR	22	37
Denmark	EUR	11	9
Estonia	EUR	22	35
Finland	EUR	22	22
France*	EUR	22	25
Germany	EUR	22	27
Greece	EUR	22	29
Hungary	EUR	22	45
Iceland	ISK	2 000	14
Ireland	EUR	22	23
Israel*	USD	75	75
Italy	EUR	22	26
Japan	JPY	10 000	88
Korea*	KRW	150 000	164
Luxembourg	EUR	22	22
Mexico*	USD	300	300
Netherlands	EUR	22	25
New Zealand*	NZD	400	254
Norway	NOK	200	21
Poland*	EUR	22	47
Portugal	EUR	22	31
Slovak Republic	EUR	22	38
Slovenia	EUR	22	33
Spain	EUR	22	28
Sweden	EUR	22	21
Switzerland*	CHF	62	40
Turkey	TRY	0	0
United Kingdom*	GBP	15	20

* See Country Notes.

a) This table shows VAT collection thresholds for low value import items dispatched by a foreign supplier to a buyer in the given country. It does not cover other import scenarios such as imports of goods exchanged between private individuals or imports of goods in the personal luggage of travellers (see Table 3.A3.1).

b) Amounts in local currency: for Member States of the European Union, the threshold is mentioned in Euro (EUR) even for those that do not have the Euro as national currency (i.e. Czech Republic, Denmark, Hungary, Poland and Sweden), with the exception of the United Kingdom. Indeed, the threshold applied in EU countries is determined in EUR by common EU legislation (Directive 2009/132/EC states that Member States shall exempt the import of goods whose value does not exceed EUR 10. They may grant an exemption for goods whose value does not exceed EUR 22). The amount in EUR is converted into USD as follows: it is first converted into local currency at current market exchange rate and then into USD at PPP exchange rate. For Mexico, the threshold is not provided in local currency in national legislation but in USD only.

c) Amounts are converted into USD at Purchase Parity Rates (PPPs). PPPs are the rates of currency conversion that equalise the purchasing power of different countries by eliminating differences in price levels between countries. They show the specified number of monetary units needed in each country to buy the same representative basket of consumer goods and services, which costs USD 1 in the United States. The currency conversion rates used in Consumption Tax Trends are the PPP rates for GDP. The PPPs are given in national currency unit per US dollar. Data is taken from OECD Dotstat (*http://stats.oecd.org/index.aspx?queryid=27286*) accessed on 11 March 2014. For further detail, see *www.oecd.org/std/ppp*.

Source: National Delegates – Position as at 1 January 2014.

StatLink http://dx.doi.org/10.1787/888933155230

Country notes to Table 2.A2.8.

France. The threshold does not apply to goods imported on mail order.

Israel. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law. The threshold is given in USD only.

Korea. Postal parcels and express consignments are exempt if their value does not exceed KRW 150 000 and the quantity is such that the customs authorities recognise the goods as for personal use.

Mexico. The threshold is not provided in local currency but in USD by Mexican legislation.

New Zealand. The threshold is not based on the value of the goods but on the amount of tax. Customs duty and VAT are not levied if the amount of tax due is NZD 60 or less. For ease of comparison, the equivalent threshold under the standard GST rate without applicable customs duties is shown in the table above, i.e. NZD 400 x 15% GST = NZD 60.

Poland. The threshold does not apply to goods imported on mail order.

Switzerland. The threshold is not based on the value of the goods but on the amount of tax. VAT is not levied if the amount of tax due is CHF 5 or less per declaration. For ease of comparison, the equivalent threshold under the standard VAT rate is shown in the table above, i.e. CHF 62 x 8% VAT = CHF 5. For goods taxed under the reduced rate of 2,5 % (e.g. books) the value of the threshold would be max. CHF 200 till the tax amount of CHF 5 is reached.

United Kingdom. With effect from 1 April 2012, there is no LVCR on imports into the UK from the Channel Islands purchased as part of a mail order/distance sale transaction.

Chapter 3

Measuring performance of VAT

This chapter describes how the VAT Revenue Ratio (VRR) provides an indicator of the effect of exemptions, reduced rates and non-compliance on government revenues. It explains how the VRR is calculated and how it should be interpreted. It presents the VRR estimates for OECD countries and provides an analysis of these results. It is complemented with technical notes on the measurement of final consumption expenditure, on the VAT treatment of public sector activities and on the VAT exemption for financial services.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

1. Introduction

The measurement of VAT performance is challenging. It has traditionally been measured by the "efficiency ratio", defined as the ratio of VAT revenues to GDP divided by the standard rate (expressed as a percentage). Although the efficiency ratio is widely used as a diagnostic tool in evaluating VATs, its limitations are significant. In particular, the measure suffers from a fundamental weakness: a "perfect" efficiency ratio of 100% could be achieved by a product-type VAT levied at a uniform rate. However, this is misleading since the norm is a consumption-type VAT. This difficulty is addressed by taking final consumption as a reference for the potential tax base rather than production (Ebrill et al., 2001). If measured by the ratio of revenue from the tax to the product of the standard VAT rate and aggregate consumption, a benchmark VAT levied at a uniform rate on all consumption would have "C-Efficiency" of 100% provided that all the tax due is collected by the tax administration.

Building on the concept for measuring the "C-efficiency ratio" of VAT regimes as used by the IMF, this chapter presents the estimates for OECD countries of the VAT Revenue Ratio (VRR). It provides an indicator that combines the effect of loss of revenues as a consequence of exemptions and reduced rates, fraud, evasion and tax planning. Although the VRR has to be interpreted with care and erosion of the tax base may be caused by a variety of factors, it may support policymakers in assessing the revenue raising performance of their VAT system and in identifying opportunities to raise additional revenues by improving the performance of VAT systems.

This chapter first explains what the VRR is intended to measure and how it is calculated (Section 2). It then presents the estimates for OECD countries of the VRR in 2011 and a general analysis of these estimates (Section 3). This is followed by some guidance for the interpretation of the VRR and explains that the use of this measure is subject to a range of caveats (Section 4). This is complemented by three technical notes that provide further detailed insight into two specific aspects of VAT policy design that may often have a significant impact on a country's VRR and that may therefore assist readers in interpreting the VRR estimates (Section 5). The first technical note deals with the differences between the measurement of final consumption expenditure that is used to calculate the VRR and potential tax base of a "pure" VAT regime; the second technical note discusses the VAT exemption for financial services and the third note looks at the VAT treatment of public bodies.

2. What does the VRR measure and how is it calculated?

2.1. What does the VRR measure?

The aim of the VRR is to provide a comparative measure of a country's ability to secure effectively the potential tax base for VAT. The VRR measures the difference between the VAT revenue actually collected and what would theoretically be raised if VAT was applied at the standard rate to the entire potential tax base in a "pure" VAT regime and all revenue was collected:

$$VRR = \frac{VR}{B\ .\ r}$$

where: VR = actual VAT revenues; B = potential tax base and r = standard VAT rate.

The "standard" rate refers to the default rate applicable to the tax base, unless otherwise advised by legislation. Legislation can (and many countries do) provide that lower (or higher) rates are applicable to a defined list of products. Reduced VAT rates are still widely used in OECD countries, mainly for equity or social objectives (basic essentials, health, education, etc.). No OECD countries apply higher VAT rates (see Chapter 2).

2.2. Assessing the tax base

The main methodological difficulty in the calculation of the VRR lies in the assessment of the potential tax base, since no standard assessment of the potential VAT base for all OECD countries is available. The potential VAT base includes all supplies of goods, services and intangibles made for consideration (or deemed to be made for consideration) by businesses or any other entity acting as a business (e.g. individuals, government entities providing supplies for direct consideration, etc.) to final consumers. In principle, the tax base ultimately corresponds to the expenditure made by final consumers to obtain goods, services and intangibles. In practice, however, many VAT systems impose VAT burden not only on final household consumption, but also on various entities that are involved in non-business activities or in VAT exempt activities (see Chapters 1 and 2). In such situations, VAT can be viewed alternatively as treating such entities as if they were end consumers, or as "input taxing" the supplies made by such entities on the presumption that the burden of the VAT imposed will be passed on in the prices of the outputs of those non-business activities. The tax ultimately collected by the government in these situations is the tax on these inputs.

In the absence of a standard assessment of the potential VAT base for all OECD countries, the closest statistic for that base is final consumption expenditure as measured in the national accounts, since VAT is, ultimately, a tax on final consumption. Final consumption expenditure is calculated according to a standard international norm, the System of National Accounts (SNA 2008) under Item P3.[1]

The final consumption expenditure (domestic demand) consists of the following components:

- P31-S14: Private final consumption expenditure of households.
- P31-S15: Final consumption expenditure of non-profit organisations serving households (NPSH).
- P3-S13: Final consumption expenditure of general government, including:
  - P31-S13: Individual consumption expenditure of general government.

– P32-S13: Collective consumption expenditure of general government.

The differences between the final consumption expenditure as measured in the national accounts and the potential VAT base for OECD countries, and how these differences may influence the VRR estimate for a given country, are discussed in more detail in Section 5. This explanation may be helpful in interpreting the VRR estimates and in acquiring a deeper understanding of the various factors that may influence the result for a given country.

2.3. The formula used to estimate the VRR of OECD countries

In the VRR calculation formula as presented above, the potential tax base (B) is measured by the final consumption expenditure under Item P3 in the national accounts. However, since the SNA measures consumption expenditures at market prices i.e. including VAT, revenues from VAT should be deducted from the amount under P3. Indeed, the theoretical basis for taxation should not include the tax itself.

As a result, the VRR estimates presented in Table 3.A3.1 have been calculated as follows:

$$\mathrm{VRR} = \frac{\mathrm{VR}}{(\mathrm{FCE} - \mathrm{VR}).\,\mathrm{r}}$$

where: VR = actual VAT revenues; FCE = final consumption expenditure (Item P3 in National Accounts); and r = standard VAT rate.

3. The VRR estimates for OECD countries

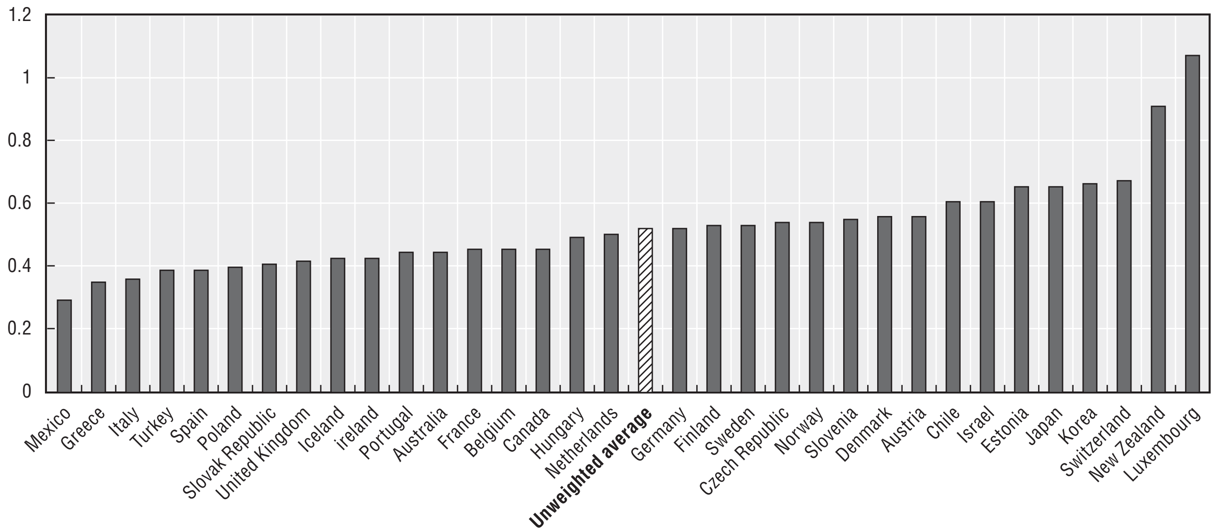
Table 3.A3.1 shows the considerable variation in the VRR across OECD countries.[2] In 2012, the estimates varied from 0.31 (Mexico) to 1.13 (Luxembourg). Two countries have a VRR far above the others: Luxembourg (1.13) and New Zealand (0.96) while two countries have a very low VRR, Mexico (0.31) and Greece (0.37). The majority of countries (27 of 33) have a VRR below 0.65 and almost half (15 of 33) have a ratio below 0.50, while the OECD unweighted average is at 0.55. This suggests that in many countries a considerable part of the potential VAT revenue is not collected.

This VRR notably reflects the fact that preferential treatments, such as reduced rates and exemptions, are still widely used in OECD countries (see Tables 2.A2.2 and 2.A2.4). This is confirmed by available data on tax expenditures, reflecting the cost of tax concessions, in particular in Italy, Mexico, Spain and the United Kingdom (OECD, 2010).

It also appears that there is no direct correlation between the level of the standard VAT rate and the VRR. Countries with very different VAT rates may have comparable VRRs. Australia and Portugal, for example, both have a VRR of 0.47, while their standard VAT rates are respectively 10% and 23%. Although about two thirds of countries (20 of 33) have a VRR between 0.45 and 0.65, they have standard VAT rates which vary widely, from 5% (Canada) to 25% (Denmark, Norway, Sweden). Denmark, Norway and Sweden combine a high standard VAT rate (25%) with a VRR above the OECD average (respectively 0.59, 0.57 and 0.56), while Mexico and Turkey combine lower standard VAT rates (respectively 16% and 18%) with lower VRR (respectively 0.31 and 0.43). Japan combines a very low VAT rate and an absence of a domestic zero rate with a high VRR (0.67).

The respective weight of the different factors that affect the VRR may vary widely across countries depending on the circumstances. The two countries with the highest VRR,

Figure 3.1. **VAT Revenue Ratio 2012**



Source: Author's own work.

StatLink http://dx.doi.org/10.1787/888933155123

Luxembourg and New Zealand, are both far above the OECD average (with respectively 1.13 and 0.96 compared to an average of 0.55) and even significantly above the country that follows immediately (Switzerland with a VRR of 0.71). However, the reasons behind such high ratios are very different.

The VRR for Luxembourg has constantly increased since the late 1990s, from 0.66 in 1996 to 1.13 in 2012. This increase is correlated with deep changes in the EU marketplace, in particular the liberalisation of financial services and the boom of e-commerce. It is reasonable to assume that these market factors and their specific VAT treatment have had a strong upward effect on Luxembourg's VRR. It may be assumed that Luxembourg's position as an international financial centre has resulted in additional VAT revenue for the country. According to EU VAT rules, the supply of financial services is generally exempt from VAT in Luxembourg without right to deduct the input tax, including when supplied to customers in other EU Member States. This means that the VAT incurred by the providers of the financial service providers in Luxembourg increase Luxembourg's VAT revenues while a large share of the corresponding final consumption occurs in other EU Member States as a result of the increasing cross-border trade in financial services. Luxembourg has over time also become an international centre for e-commerce, notably as a consequence of the VAT treatment of this activity under EU VAT legislation. According to this legislation, e-commerce supplies to final consumers in other EU Member States are taxed in the Member State where the supplier is established. The low standard VAT rate in Luxembourg, which is the lowest the EU (15 %), has acted as an incentive to e-suppliers to establish in Luxembourg, and this has generated additional revenue for the country. This rule will change on 1 January 2015. From then on, suppliers will have to charge VAT to EU consumers on the basis of the rate applicable in the consumer's Member State and the revenue collected will accrue to that Member State. It is likely that the VRR of Luxembourg will fall after this date.

New Zealand has a constant very high VRR since the implementation of the VAT (GST) in the country and this is due to different factors. *First*, unlike Luxembourg, New Zealand has a very broad base with limited exemptions (see Table 2.A2.4) and a limited use of a zero rate (see Table 2.A2.2). *Second*, New Zealand taxes public services under VAT (see

Chapter 2). Although this doesn't generate actual additional revenue (the VAT charged by public bodies to the government is covered by budgetary transfers and the VAT collected on local government activities is included in local taxes), this increases the share of revenues from VAT in total tax revenues, which has an upward effect on the VRR. On the other hand, the potential VAT base as measured by the national accounts (see section above) does not include the value added by the government. The combination of these factors may explain why the VRR for New Zealand is so high and even sometimes above 1.

At the opposite end, Mexico has the lowest VRR (0.31) amongst OECD countries. This is likely to be due to a combination of factors such as the scope of VAT exemptions, the extensive application of a domestic zero rate, a reduced VAT rate in border areas and a low compliance rate – the VAT gap estimate for 2010 is 21.7% (CIAT, 2012). In light of that, a VAT reform was adopted in December 2013 that eliminates the reduced VAT rate of 11% in border areas so that the standard VAT rate of 16% now applies throughout the country. The reform also removed the zero rate on hotel and related services to foreigners, now taxed at the standard rate, and adjusted the regime of inward processing arrangements (*maquiladores*) to reduce the risk of fraud. The impact of the reform on the VRR should be reflected in the VRR estimates for Mexico for 2014.

Although the unweighted average of the VRR has remained relatively stable over time, some remarkable changes are shown in the VRR of a number of countries, particularly among those that have been hardest hit by the impact of the global financial and economic crisis (Greece, Iceland, Ireland and Spain in particular). In Greece, which has the second lowest VRR with 0.37, the evolution of the ratio shows sharp decrease between 2007 and 2009 (from 0.48 to 0.39), which may be explained by changes in consumption patterns resulting from the economic crisis. Indeed, if the share of total households' expenditure for basic items (subject to reduced rates or exemptions – food, health, housing, etc.) increases compared to the share of expenditure for other items (new houses, cars, leisure), the VRR decreases. The VRR then bounced back to its 2008 level in 2010 (0.45) but dropped again in 2011 (0.38) after the marked increase in the standard VAT rate (from 19% to 23% in July 2010) and in the lower VAT rates (from 4.5% and 9% to 5.5% and 11% in 2010 and again to 6.5% and 13% in 2011). The figures underlying the VRR for 2010 and 2011 show a stronger decrease of the VAT revenue (–7.9%) than that of the consumption expenditure (–5.9%), which suggests that Greece's VRR has been adversely affected by both an increase in the compliance gap and changing consumption patterns as a consequence of the financial and economic crisis. This is consistent with the increase of the VAT gap for Greece, from 31% to 39%, in the same period as measured by the VAT gap measurement carried out for the EU Commission in 2013 (CASE, 2013). A similar scenario is shown for Spain where the VRR dropped from 0.53 in 2007 to 0.32 in 2009 as a result of the financial crisis, then increased to 0.46 in 2010 and dropped again in 2011 (0.39), while the standard VAT rate was increased from 16% to 18% in July 2010. The impact of both changes in consumption patterns and increased non-compliance is again visible on the VAT gap measurement carried out for the EU Commission in 2013, which shows an increase of the non-compliance gap from 10% to 34% between 2007 and 2009, followed by a reduction to 16% in 2010 and an increase to 21% in 2011.

4. How to interpret the VRR estimates?

4.1. Factors that may influence the VRR

In theory, the closer the VAT system of a country is to a "pure" VAT regime, the closer its VRR is to 1. A lower value reflects such factors as the effects of reduced rates, exemptions or a failure to collect all tax due. A VRR above 1 is possible in theory where almost all the tax base is covered by the standard rate and a number of exemptions without right to deduction apply so that the cascading effect of the exemption provides additional revenue for the government that exceeds the cost of the exemption. A VRR close to 1 is taken as an indicator of a VAT bearing uniformly on a broad base with effective tax collection. In practice, the VRR rarely equals 1 and a number of complex factors, alone or in combination, may influence the results positively or negatively. These include:

- The application of lower VAT rates to a number of goods and services and the level of such lower rates that reduce the tax revenue and have a negative impact on the VRR.
- The level of the registration and/or collection threshold under which small businesses do not account for VAT. These thresholds reduce the amount of VAT collected, although it could be argued that the adverse revenue consequences of such thresholds are likely to be limited since the businesses under the thresholds will generally not be able to deduct any input VAT and their value added can be expected to be modest.
- The scope of the exemptions. Exemptions may reduce the tax revenue (when exemption applies to goods and services directly supplied to final consumer, e.g. healthcare) or may increase that revenue when exemption occurs early in the supply chain (e.g. financial services made to businesses) and the revenue arising from the cascading effect exceeds the potential tax arising from taxation at standard rates with deduction of input tax. Depending on the features of the exemptions and market structures, exemptions may influence the VRR upwards or downwards. The application of a VAT exemption for financial services may often have a considerable impact on the VRR, given the importance of the financial services output in many countries (for more detail, see the technical note on financial services in Section 5.3).
- The VAT treatment of public sector activities. Final consumption by government is the second largest final use in national accounts after household consumption. From a VAT perspective, governments' activities are exempt or outside the scope of VAT in most countries, New Zealand being the notable exception treating all governments activities as taxable. As a consequence, public bodies cannot deduct the input VAT paid on their taxable expenditure, again with the exception of New Zealand that provides a full right to deduct input tax for government activities. A number of countries have created mechanisms for balancing the adverse effects of the exemption, such as targeted VAT refunds, full or partial right to deduct input VAT, budgetary compensations or extended taxation of government activities. The different options chosen by governments may have varied impacts on the VRR. Compensations outside of the VAT system (e.g. a simple budgetary compensation) have no direct effect on the VRR since the government activities are still fully input taxed, generating the corresponding VAT revenue. On the other hand, extended right to deduction may reduce the VAT collection by the government and hence influence the VRR downwards. From the opposite perspective, extended taxation of government activities like is the case in New Zealand will increase the amount of VAT collected since its outputs will be taxed rather than its inputs (for more detail, see the technical note on public sector in Section 5.2).

- Place of taxation rules for international trade may diverge from the destination principle and may not always allow the full taxation of the potential tax base in the destination country (e.g. services taxed in the country where the supplier is established while customers are located abroad). Depending on the position of the country – net exporter or net importer – the VRR can be influenced upwards or downwards. Inconsistent place of taxation rules may also lead to double taxation of cross-border trade.
- The capacity of the tax administration to manage the VAT system efficiently and the degree of compliance by taxpayers influences the VRR as low compliance has a negative impact on actual VAT revenue. Taxpayers' insolvencies and bankruptcies can also influence the VRR downwards.
- The failure of the tax administration to pay VAT refunds to businesses when they are in a tax credit situation (e.g. exporters can claim a tax credit on their inputs while exports are made tax-free), which is contrary to the fundamental principle of VAT-neutrality, may influence the VRR upwards.
- The evolution of the consumption patterns may also affect the tax revenue. The VRR can for instance be reduced, all other things equal, when the share of consumption of necessities that are taxed at the lower rate increases, e.g. as a result of an economic crisis.
- Finally, also the possible impact of the differences between the measurement of final consumption expenditure in the national accounts and countries' potential VAT base should be taken into account when interpreting the VRR (see Section 5).

4.2. Assessing the relative impact of the various factors that may impact the VRR

The level of the VRR rarely depends on one factor in isolation but rather on the interaction between them. For example, a high standard rate may create an incentive for evasion while multiple lower rates may lead to revenue loss due to misclassifications. Exemption of certain sectors of activity may create distortions and incentives for avoidance, which require additional administrative capacities that cannot be used for the efficient collection of VAT. Inefficient tax administration, burdensome administrative requirements and complex VAT mechanisms may reduce the degree of compliance of taxpayers.

These potentially influencing factors can be divided in two main categories:

- those resulting from policy decisions, mainly affecting the tax base or the coverage of the standard rate; and
- those related to the efficiency of the tax collection and compliance levels.

Measuring only the impact of policy decisions on a country's VAT revenue, sometimes called the "Policy Efficiency Ratio", can be achieved by comparing the theoretical VAT revenue under the actual tax base and rates (assuming perfect compliance) with that under a uniform tax on all consumption:

Policy Efficiency Ratio = (VAT theoretical revenue from actual tax law) / (final consumption × Standard VAT rate).

On the other hand, a measure of compliance, sometimes called the "Compliance Efficiency Ratio" would compare actual revenue with the theoretical VAT revenue under the legislated tax base and rates:

Compliance Efficiency Ratio = (VAT revenue) / (theoretical VAT revenue from actual tax law).

The VRR is a combination of the "Policy Efficiency Ratio" and the "Compliance Efficiency Ratio". Methods may be developed to produce breakdowns of the composition of the VRR.

One method may consist in using the tax expenditure (i.e. the revenue cost of departure from the application of the standard rate to the "entire" tax base) for calculating the policy efficiency ratio. The remaining difference between 1 and the actual VRR would provide the compliance efficiency ratio by deduction. However, given the number of other factors that may influence the VRR (see Section 4.1) the figures should be used with caution.

Another method would be to calculate the "tax gap" (the difference between tax collected and the tax that should be collected if all consumers and businesses fully complied with the law). The UK tax administration has developed a methodology to estimate the VAT gap (HMRC, 2013). It uses national accounts data to calculate the theoretical total VAT liability in the UK, which is defined as the amount which would be collected in the absence of any fraud, avoidance, debt or other losses. The difference between actual cash receipts and this theoretical amount of VAT is the VAT gap. The gross VAT theoretical tax liability is built up from five expenditure components: household consumption; capital expenditure on housing; government expenditure; charities' expenditure; and expenditure of partially exempt businesses. The measure takes into account the applicable VAT rates on that expenditure based on commodity breakdowns; the legitimate refunds (deductions) and exemptions occurring through schemes and reliefs. A similar method has been used to calculate the VAT gap in European Union countries (Reckon, 2009; and CASE, 2013). The VAT gap measure is close, in terms of methodology, to the way the VRR is calculated although the theoretical VAT liability reflects actual tax rates, exemptions and thresholds applied to a narrower base than total final consumption in the national accounts.

A recent publication by the IMF (Keen, 2013) presented an estimate for the decomposition of the VRR based on a combination of the VAT gap estimates that were carried out for the EU Commission in 2006 (Reckon, 2009) and the VRR estimates from the OECD (2012). This paper notably demonstrates that in 2006 (the only year for which the calculation is made), the estimated policy gap was greater than the estimated compliance gap in the 16 countries surveyed and, for most countries, much larger.

5. Technical notes

5.1. Differences between final consumption expenditure and the VAT base that may influence the VRR

The main measure of consumption in national accounts is final consumption expenditure. This includes the consumption by households, non-profit organisations and general government. It includes a number of items that are not considered part of the tax base in any OECD country, such as the imputed rents on owner-occupied housing (part of consumption of households) and the services provided free of charge by the public administration (part of government consumption). On the other hand, it does not include items that are subject to VAT in some OECD countries, most notably housing construction.

Given the differences between final consumption expenditure and the VAT base, one can take the view that VAT is a general tax on consumption and that this implies that its revenues should be compared with those that would be raised if it were applied to the national accounts definition of consumption – its natural base. Alternatively, an adjustment of the national accounts measure of consumption to bring it closer to a typical VAT base would allow for a better interpretation of a country's VRR as it would better reflect the revenue impact of deviations from a generally accepted VAT base.

Whichever approach is taken, a number of more detailed issues will need to be addressed. This is most obvious for the second approach, where detailed decisions would have to be made as to what constitutes a "standard VAT base". This problem is similar to the problem of defining a benchmark tax system against which tax expenditures are judged, and it might well be as difficult to solve. The sections below look at the main differences between final consumption expenditure in national accounts and the typical VAT base and some additional factors that may influence the VRR.

5.1.1. Private final consumption expenditure of households

Households' final consumption expenditure includes purchases of the goods and services used by households to meet their everyday needs (clothing, household durables, rent, transport, personal services and so on), which represent by far the largest part of their consumption expenditure. The way final consumption expenditure is accounted for in SNA matches the potential VAT base. Also, by convention, all goods and services are considered to have been entirely consumed once they have been acquired by household and are therefore regarded as "final consumption", which is consistent with the way VAT works (see Chapter 1).

The treatment of private dwellings is the main area where final consumption expenditure in SNA deviates from the potential VAT base. Indeed, purchases of dwellings are not recorded as final consumption expenditure under Item P3, but rather in gross fixed capital formation (under item P5). This doesn't exactly match the potential VAT base as it should normally include the sale of new dwellings by businesses to final consumers. National accountants also regard the owners of dwellings as producing housing services either for themselves or for tenants. The purchase of repair materials or services of plumbers and electricians needed to keep the dwelling in good condition are not considered as final consumption but as intermediate consumption. From a VAT perspective, when dwellings are made available for rent by their owners, rentals should be recorded as final consumption expenditure by tenants since they normally belong to the potential VAT base. On the other hand, final consumption in the national accounts includes the imputed value of the housing services for owner-occupiers (imputed rents) but, since they don't result from any transaction, they can't be subject to VAT and do not belong to the potential tax base.

Adjusting the denominator of the VRR for taking these differences into account may be challenging for a number of reasons: the value of imputed rents is not available in national accounts of a number of member countries. Second, adjustments may be complex. For example, expenditures incurred by the owner for maintenance and repair of its own occupied dwelling should be considered to be final consumption while the same expenditures aimed at maintaining rented dwellings should not; sale of private dwellings should be included, but only the sale of dwellings by businesses (e.g. builders) and not the ownership transfer between households. In addition, if expenditures on fixed assets in the form of dwellings were completely included in the potential tax base, there would be some double counting in respect of rentals of dwellings. As a result, in respect of private dwellings, no adjustment is made of the potential VAT base as measured by final consumption expenditure.

5.1.2. *Final consumption expenditure by the non-profit organisations servicing households (NPSH)*

NPSH are units formed by groups of households in order to supply services to themselves or to other households on a non-commercial basis. NPSH include political parties, trade unions, religious organisations, sports clubs, cultural associations, charities and associations with philanthropic aims (Red Cross, etc.) and certain charitable foundations. In some countries, a number of universities are also classified in this sector. On the other hand, non-profit institutions which are not directly financed by households but, for example, by enterprises (Chambers of Commerce, professional associations, etc.) are classified in the enterprise sector. Those controlled or financed by general government are classified in the general government sector. NPSH constitute only a small sector in the national accounts.

Like general government, the NPSH provide "non-market" services. For this reason, their treatment in the national accounts is similar to that of general government (see below). The output of services by NPSHs is valued at cost, and by convention the NPSH "consume" the services they produce. Final consumption expenditure of the NPSH is therefore equal to their operating costs. There is no need to divide between individual expenditure and collective expenditure here since these organisations are at the service of households and all their expenditure is therefore considered as individual. Such treatment under SNA corresponds to the VAT treatment, where in most countries NPSH are VAT exempt without the right to deduction of input tax and VAT is ultimately collected on their inputs.

5.1.3. *Final consumption expenditure of general government*

Final consumption by government is the second largest final use in national accounts after household consumption. Expenditures by general government are considered by convention as forming part of final consumption by government itself. For example, current expenditure on police and education is regarded as consumption by general government. This convention reflects the fact that, although these expenditures benefit households and enterprises, it is not possible to attribute them precisely to the beneficiaries, since they do not buy them, even though they pay the taxes that finance them. It has therefore been convention not to attempt to allocate these expenditures to their beneficiaries but to attribute all these expenditures to general government itself. Among other advantages, this makes it possible to remain closer to the actual monetary flows.

General government consumption expenditure includes collective consumption expenditure (expenditure related to the activities of general government that are not attributable uniquely to households but that also benefit enterprises such as National Assemblies, Parliaments, ministries of foreign affairs, safety and order, defence, home affairs, economic affairs, etc.) and individual consumption expenditure where individual beneficiaries could in principle be identified (expenditure that is clearly carried out for the benefit of households such as public education and public healthcare; spending on aid for social housing; operating expenses of museums and other government services to households). In accounting terms, final consumption expenditure by government is equal to its cost, defined by the following sum: compensation of employees of the government; *plus* purchases by government of materials and other intermediate consumption items; *plus* consumption of government fixed capital; *plus* the purchases of goods and services by the government for the benefit of households (for example, reimbursement of healthcare services, housing allowances, etc.);

minus partial payments by households or firms for services provided by government (entry to museums, purchases of government publications, etc.).

From a VAT perspective, governments' activities are exempt or outside the scope of VAT in most countries, New Zealand being the notable exception treating all governments activities as taxable. As a consequence, public bodies cannot deduct the input VAT paid on their taxable expenditure and this non-deductible VAT is therefore part of the cost of government consumption, again with the exception of New Zealand that provides a full right to deduct input tax for government activities. Final consumption expenditures by NPSH and general government is regarded as final consumption for VAT purposes since these organisations are at the last step in the VAT supply chain. They pay VAT on their inputs but cannot, in principle, deduct this input VAT since their output is generally exempt or outside the scope of VAT. This approach broadly fits with the definition of the tax base provided above, which covers expenditure to attain consumption (rather than actual consumption itself). The cost (or size) of the government may have an impact on the VRR. For example, if the salary cost of producing the same service to the population (e.g. justice) is 100 units in Country A and 120 units in Country B, the potential VAT base as measured by Item P3 (P32-S13) will be higher in Country B, which will mathematically show a lower VRR than Country A, all other things equal.

A number of countries have created mechanisms for balancing the adverse effects of exemption, such as targeted VAT refunds, full or partial right to deduct input VAT, budgetary compensations or extended taxation of government activities. As indicted above, New Zealand, treats all government activities as taxable and provides for the corresponding full right to deduct input tax. The different options chosen by governments may have varied impacts on the VRR. Compensations outside of the VAT system (e.g. a simple budgetary compensation) have no direct effect on the VRR since the government activities are still fully input taxed, generating the corresponding VAT revenue. On the other hand, extended right to deduction may reduce the VAT collection by the government and hence influence the VRR downwards. From the opposite perspective, extended taxation of government activities will increase the amount of VAT collected since its outputs will be taxed rather than its inputs. The extreme example is the New Zealand system, which generates significant additional VAT revenue due to the full taxation of government outputs, even though it ultimately does not generate actual revenue since the VAT is paid by the government itself (central government) or is included in other taxes (i.e. in local government taxes). In the latter case, the VRR is clearly influenced upwards.

5.1.4. *Other differences that may influence the VRR*

Other elements may potentially influence the VRR. These include the distortion that may arise from the inclusion in the calculation of the potential VAT base of imputed transactions (other than imputed rents) that are considered as part of final consumption expenditure by national accounts. Some of those transactions (e.g. goods that households produce for themselves such as agricultural products and do-it-yourself services) are not part of the potential tax base while others (e.g. exchange of goods and services undeclared to the authorities) could arguably be considered within the scope of VAT. However, the global impact on the potential tax base is very difficult to measure from the national accounts. Another element is the inclusion of business-to-consumer supplies of second-hand goods, such as motor vehicles, in final consumption expenditure. The consumption figures of households include the full price paid by the household for the good. Since VAT applies only to the margin of the reseller in most cases, this may distort. Finally, cross-border shopping may also marginally influence the VRR since final consumption expenditure arises in one country while the tax accrues to another.

5.2. The VAT treatment of public sector activities

In most countries, government entities and public sector bodies are VAT-exempt, i.e. they don't account for VAT on their outputs and cannot deduct the input tax. This means that, from a tax revenue perspective, they are treated as final consumers and VAT collected on their taxable purchases only (i.e. the supplies provided to them by taxable persons) and the value-added by the public sector itself is not taxed.

The reasons for such an exclusion from the VAT are both substantial and practical. Indeed, in most modern VAT systems, the intended tax base is final private consumption expenditure, which excludes collective consumption expenditure (i.e. services that are provided simultaneously to all citizens and that are automatically consumed without any specific action of their part). Collective consumption expenditure notably includes security (police, army); collective health (prevention policies); education and culture (state's schools, free libraries and monuments); and town planning (maintenance and development of public space). From a legal point of view, most VAT systems provide that supplies are only taxable where there is a direct connection between an identifiable supply and a specific consideration, which is generally not the case for collective consumption items. Finally public entities, when acting as such, are not engaged in an economic activity and therefore do not qualify as taxpayers.

On the other hand, public sector activities are generally taxable in situations where the exemption would create substantial distortions of competition with the taxable private sector providing similar services or when public entities are engaged in a commercial activity. Services provided by public entities against a specific fee considered as a consideration directly connected with the service can also be treated as taxable supplies. In those cases, public entities are considered to be taxable persons as a result of this activity, whatever their legal status.

Despite the conceptual and practical rationale for exemptions of public sector activities, difficulties may arise in situations where it is not easy to draw the line between taxable and exempt activities as exemptions are determined by a combination of elements such as the nature of the activity, the legal status of the supplier or the market circumstances. The exemption can also create distortions with the private sector, prevent the emergence of competitive businesses and create a bias against outsourcing of support or back-office functions. Indeed, since they are tax exempt, i.e. "input taxed", public entities will bear the burden of the VAT on supplies of outsourced functions by taxable businesses while this will not be the case for internally produced services. Exemption can also create tax cascading effects and distortions in the cross-border trade in services and intangibles, as exemptions in the financial sector do (see section above).

There are two main options for addressing the adverse effects of the exemption: refunding (part of) the input tax incurred by public bodies and extending the concept of taxable activity to public services. A refund system would allow bodies who perform exempt activities to reduce or eliminate the VAT burden on their inputs to minimise the bias towards self-supply. Within the EU, eight Member States (Austria, Denmark, Finland, France, Netherlands, Portugal, Sweden and the United Kingdom) have introduced systems designed to compensate public bodies for the inability to deduct input VAT. These compensation systems appear in different forms, for the most part being outside the national VAT regime (for detailed description, see *Copenhagen Economics*, 2013). Depending on the countries, the input VAT refund may be allocated to public bodies, irrespective of their activities (e.g. Denmark, Finland) or to a wider span of bodies, but covering certain sectors only such as health and social security (Austria) or army, political parties, churches, social solidarity bodies and fire departments (Portugal). The allocation of refunds can also be limited to municipalities, provincial authorities and regional governments (Netherlands). In addition to refunds for input VAT, the system can also compensate public bodies for the VAT embedded in the price of services provided to them by private exempt suppliers, e.g. in the health area (Finland, Sweden). The refund can also take the form of a fixed percentage of expenses (e.g. in France, where legal entities governed by public authorities receive such compensation for the VAT that they pay on their investment expenses). Some countries also place a *de minimis* limit where certain bodies can be refunded input VAT if the proportion of this input VAT incurred is insignificant in relation to input VAT attributable to taxable non-exempt transactions (United Kingdom). In Canada, public service bodies such as non-profit organisations, municipal authorities, public education bodies or hospital authorities may be eligible to claim a full or partial GST/HST rebate for the tax paid on their inputs (Gendron, 2013). In addition, systems can be put in place to address specificities of the federal VAT system. In Canada for instance, the Constitution prevents federal and provincial governments from taxing each other, so sales from taxable businesses to Provinces are zero-rated (for provinces that do not participate to the Harmonised Sales Tax – HST), while the governments of the five participating HST provinces have agreed to pay the GST/HST on their taxable inputs.

However, while partially remedying the bias against outsourcing, the VAT refunds to public bodies may increase the distortion of competition with the private sector by adding a compensation for non-deductible input VAT to an exemption of the output. It also adds a compliance burden on public bodies in order to track the amount of non-deductible input VAT for compensation purposes.

As an alternative to a rebate system, New Zealand applies a “full taxation system” where all supplies by public bodies are considered taxable with deduction of input tax (that system is described in detail in Millar, 2013). Under that approach, many (but not all) flows of government money are treated as consideration for taxable supplies. In that system, the concepts of “taxable person”, “supply” and “taxable activity” are adjusted to include the central government; local authorities and the grants and subsidies they provide. In that system, the public authorities of the central government are considered taxable persons carrying out taxable activities. Public bodies are deemed to be supplying taxable services (security, justice, education, health, etc.) to the government, which gives them a budget (considered as a consideration for VAT purposes) for delivering such services. As a concrete example, a public body receives a budget of NZD 1 million for reforming the government procurement performance. The public body in charge of the reform will invoice NZD 1 million plus NZD 150 000 GST. If the body in charge of the project needs inputs from other public bodies or from private businesses to deliver the supply, the GST charged on those inputs will give rise to an input tax credit claimed by the public body. The central government outputs for collective or individual consumption by citizens are not invoiced to them directly (there is no GST on income taxes) but to the government, unless the public body charges a specific fee to individual citizens as consideration for a specific individual supply. As a result of this system, supplies between public authorities are taxable but are ultimately paid from the government's budget itself and no net revenue is generated.

The full taxation system applied to local government works more like regular businesses. Local governments charge local taxes (essentially a property tax) to owners of land to fund both collective and individual consumption. Those property owners may be resident/non-resident, GST registered businesses, unregistered businesses and end consumers. The amount of tax charged to a particular taxpayer may not reflect the value of his individual consumption of local government services. According to the GST law, these local taxes are treated as consideration for taxable supply of services to owners of land. Unlike for central government bodies, the GST is charged directly to those owners, who pay GST on the local tax. GST registered businesses are entitled to an input credit for the GST on those taxes (unless they are input taxed) while end consumers are not and the system generates, in this instance, net revenue for the government. Most other supplies made by the local government (e.g. fees and charges for the supplies of permits and licences, specific grants and subsidies, etc.) to individual consumers are also taxable. Of course, the local government is entitled to a full input tax credit for the GST incurred on its inputs.

5.3. The VAT exemption of financial services

Financial (banking and insurance) services are generally exempt from VAT mainly because of the difficulty to assess the tax base on a transaction-by-transaction basis for the complex intermediation services that constitute the bulk of financial activity. Ideally, the VAT would be levied only on the intermediation charge, which reflects the actual value added by the financial institution and not on the interest rate, premium or return that has to be paid by the financial institution's customers. However, in practice, this distinction is not easily made. Although taxing financial services under VAT would improve the efficiency of the system, it is often argued that, in the absence of a simple and robust approach to assessing the tax base, such taxation might lead to high tax compliance, administration and enforcement costs.

The exemption of financial services from VAT creates a number of distortions with respect to both consumer and business decisions. Exemptions cause a break in the VAT chain, meaning that financial institutions incur significant amounts of irrecoverable VAT paid on their inputs as they cannot charge VAT on their onward supplies. This creates cascading tax effects since the irrecoverable VAT embedded in the charges that banks make to their business customers cannot be recovered and will be carried through to final prices for domestic consumption. The incidence of the non-recoverable VAT can also affect profits in the financial sector and/or lead to higher prices for consumers depending on the degree of competition in the market. The exemption also provides financial institutions with a tax-induced incentive to self-supply to avoid incurring irrecoverable VAT, which would be the case if they obtained these supplies from other businesses. Thus, the tax system provides an incentive for vertical integration.

This break in the VAT chain also creates distortions of competition between domestic services (exempt with no right of deduction/input taxed) and services imported from a VAT country (where export of such services are free of VAT) or from a non-VAT country (e.g. USA). Exemption also creates incentives for "channelling" some supplies through foreign jurisdictions or for artificially changing the nature of a supply with a view to increasing the deductible proportion. Such difficulties are reinforced by the absence of coherence for the VAT treatment of financial services between countries, e.g. on their definition, the scope of the exemption, the calculation of deductible proportion, etc.

Since financial institutions provide many kinds of services, some being taxed while others are exempted without right of deduction, they need to assess which of their inputs (or which share of certain inputs) are used for providing onwards taxable supplies and thus give right to deduction and which do not. In a highly complex environment, such allocation of inputs to taxable outputs or the computation of a deductible proportion involve high administrative and compliance costs as well as uncertainty for businesses and tax administrations. In addition, it is increasingly difficult to draw a bright line between taxable and exempt services as new products and services emerge.

One way of correcting the cascading effect of the exemption would be to apply a zero rate to B2B financial transactions either directly as in New Zealand or indirectly as in Australia and Singapore. On the other hand, taxing all explicit fees to final consumers would allow for taxation of at least part of the final consumption of financial services. However, such a solution would still involve an under-taxation of non-fee based B2C financial services and would harm the self-policing feature of VAT.

Although it appears that the best technical solution would be to fully tax financial services under VAT with full deduction of input tax the fundamental question remains designing a practical mechanism for effecting such an outcome. Actually, the main difficulty for achieving a proper taxation of financial services under VAT does not lie in the VAT per se but in the application of the invoice-credit system to services priced on the basis of margin spreads rather than explicit fees (Zee, 2013). This difficulty, combined with political and historical factors has led most countries to exempt such services from the VAT.

Considerable work has been done over the years on the development of an appropriate method, mainly the subtraction method; the truncated cash flow method (TCA); and the modified reverse charge mechanism (MRC). However, none has found universal favour. The case for the actual feasibility of the reform has still not been fully made, i.e. in terms of administrative burdens or compliance. In addition, comprehensive evaluation of the merits of the reform, i.e. the removal of the distortions and its potential costs, in particular in terms of revenue for governments seems still missing. Further, political sensitivities around taxation of banks also need to be considered. However, given new technologies and accounting standards it should be possible to devise a methodology which taxes margin-based financial services in a fair, reliable and cost effective manner. This could be done in a manner which strikes a balance between simplicity and excessive attention to detail (Kerrigan, 2010).

Notes

1. Chile, Japan and Turkey use the SNA 1993.
2. For a number of countries, VRR figures presented in this edition may be slightly different from those presented in previous editions (including for figures before 2009) due to the update for the SNA methodology (*www.oecd.org/std/na/sna-2008-main-changes.htm*).

Bibliography

Ebrill, L. et al. (2001), *The Modern VAT,* International Monetary Fund, Washington, DC.

CASE (2013), *Study to Quantify and Analyse the VAT Gap in the EU-27 Member States,* Center for Social and Economic Research, for the European Commission, Warsaw, 2013.

CIAT (2012), "Estimating Non-Compliance in Latin America 2000-2010", *Working Paper*, No. 3/2012.

Copenhagen Economics (2013), *VAT in the Public Sector and Exemptions in the Public interest*, Report for the European Commission, Copenhagen, January.

HMRC (2013), *Measuring Tax Gaps 2013,* HM Revenue and Customs, London**.**

Keen, M. (2013), "The Anatomy of the VAT", *IMF Working Paper*, WP/13/111, May, Washington.

Kerrigan, A (2010), *The Elusiveness of Neutrality – Why Is it so Difficult to Apply VAT to Financial Services?,* International VAT Monitor, Vol. 21, No. 2, 18 March.

Millar, R. (2013), "Smoke and Mirrors: Applying the Full Taxation Model to Government under the Australian and New Zealand GST Laws", *VAT Exemptions, Consequences and Design Alternatives*, Rita de la Feria, Wolters Kluwer 2013, New York.

OECD (2010), "Choosing a Broad Base – Low Rate Approach to Taxation", *OECD Tax Policy Studies*, No. 19, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264091320-en*.

OECD (2006), *Understanding National Accounts*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264027657-en*.

Reckon (2009), *Study to Quantify and Analyse the VAT Gap in the EU-25 Member States,* London.

United Nations (2009), *System of National Accounts,* New York.

Warren, N (2008), "A Review of Studies on the Distributional Impact of Consumption Taxes in OECD Countries", *OECD Social, Employment and Migration Working Papers,* No. 64, June, OECD, Paris.

Zee, H. (2013), "Further Thoughts on Reforming the VAT: Treatment of Financial Intermediation Services", *VAT Exemptions, Consequences and Design Alternatives*, Rita de la Feria, Wolters Kluwer 2013, New York.

ANNEX 3.A3

VAT Revenue Ratio

Table 3.A3.1. **VAT Revenue Ratio (VRR)**

	Standard VAT rate 2012	1976	1980	1984	1988	1992	1996	2000	2005	2006	2007	2008	2009	2010	2011	2012	Difference 2006-12
Australia	10.0								0.56	0.54	0.54	0.49	0.51	0.50	0.48	0.47	-0.07
Austria	20.0	0.66	0.65	0.64	0.62	0.61	0.60	0.61	0.59	0.57	0.58	0.59	0.58	0.58	0.58	0.59	0.02
Belgium	21.0	0.56	0.60	0.49	0.52	0.49	0.46	0.50	0.50	0.52	0.51	0.48	0.47	0.48	0.48	0.48	-0.04
Canada	5.0					0.44	0.47	0.50	0.50	0.47	0.51	0.51	0.49	0.49	0.48	0.48	0.01
Chile	19.0					0.63	0.68	0.64	0.67	0.64	0.67	0.70	0.59	0.62	0.63	0.64	0.00
Czech Republic	20.0						0.43	0.42	0.56	0.53	0.54	0.57	0.55	0.53	0.55	0.57	0.05
Denmark	25.0	0.64	0.61	0.61	0.60	0.56	0.58	0.60	0.63	0.65	0.65	0.62	0.59	0.58	0.59	0.59	-0.06
Estonia	20.0						0.74	0.72	0.76	0.81	0.80	0.67	0.73	0.67	0.68	0.70	-0.11
Finland	23.0						0.54	0.61	0.60	0.61	0.60	0.58	0.56	0.55	0.56	0.56	-0.05
France	19.6	0.65	0.69	0.62	0.62	0.53	0.52	0.50	0.52	0.51	0.51	0.50	0.47	0.47	0.48	0.48	-0.03
Germany	19.0	0.55	0.56	0.51	0.49	0.61	0.60	0.60	0.54	0.56	0.54	0.55	0.55	0.54	0.55	0.55	-0.01
Greece	23.0				0.46	0.47	0.43	0.49	0.46	0.46	0.48	0.46	0.39	0.45	0.38	0.37	-0.08
Hungary	27.0					0.30	0.43	0.52	0.48	0.55	0.59	0.57	0.62	0.53	0.52	0.52	-0.03
Iceland	25.5					0.56	0.53	0.59	0.61	0.64	0.59	0.52	0.45	0.44	0.44	0.45	-0.19
Ireland	23.0	0.30	0.21	0.44	0.42	0.45	0.52	0.62	0.66	0.67	0.63	0.55	0.47	0.49	0.47	0.45	-0.22
Israel	16.0						0.66	0.62	0.62	0.62	0.66	0.65	0.65	0.65	0.65	0.64	0.01
Italy	21.0	0.44	0.42	0.38	0.38	0.37	0.39	0.43	0.39	0.41	0.41	0.39	0.36	0.40	0.40	0.38	-0.03
Japan	5.0					0.68	0.71	0.68	0.71	0.70	0.69	0.67	0.67	0.69	0.69	0.69	-0.01
Korea	10.0					0.63	0.58	0.59	0.64	0.63	0.63	0.63	0.65	0.67	0.67	0.69	0.06
Luxembourg	15.0	0.62	0.64	0.67	0.70	0.59	0.66	0.76	0.90	0.89	0.94	0.97	0.97	0.99	1.05	1.13	0.23
Mexico	16.0		0.33	0.27	0.25	0.31	0.24	0.28	0.30	0.33	0.33	0.34	0.30	0.32	0.31	0.31	-0.02
Netherlands	19.0	0.47	0.51	0.49	0.54	0.56	0.55	0.57	0.59	0.58	0.59	0.57	0.52	0.55	0.53	0.53	-0.05
New Zealand	15.0				0.89	0.96	0.99	0.99	1.03	1.04	0.96	0.98	0.99	1.12	0.95	0.96	-0.08
Norway	25.0	0.66	0.66	0.63	0.69	0.58	0.60	0.67	0.57	0.61	0.63	0.57	0.54	0.56	0.56	0.57	-0.04
Poland	23.0						0.43	0.42	0.46	0.50	0.52	0.49	0.45	0.47	0.47	0.42	-0.07
Portugal	23.0				0.45	0.49	0.55	0.60	0.56	0.51	0.51	0.49	0.43	0.48	0.45	0.47	-0.04
Slovak Republic	20.0						0.48	0.44	0.60	0.57	0.53	0.53	0.47	0.46	0.49	0.43	-0.13
Slovenia	20.0							0.67	0.66	0.68	0.69	0.68	0.59	0.59	0.60	0.58	-0.10
Spain	18.0				0.57	0.60	0.43	0.52	0.57	0.57	0.53	0.43	0.32	0.46	0.39	0.41	-0.16
Sweden	25.0	0.44	0.36	0.38	0.42	0.41	0.50	0.52	0.55	0.56	0.57	0.58	0.57	0.59	0.58	0.56	0.00
Switzerland	8.0						0.67	0.74	0.72	0.74	0.73	0.74	0.70	0.72	0.71	0.71	-0.03
Turkey	18.0				0.45	0.44	0.43	0.45	0.38	0.39	0.36	0.35	0.34	0.39	0.43	0.40	0.01
United Kingdom	20.0	0.46	0.45	0.48	0.52	0.47	0.48	0.47	0.46	0.46	0.46	0.44	0.44	0.44	0.44	0.44	-0.02
Unweighted average	**18.7**	**0.54**	**0.51**	**0.51**	**0.53**	**0.53**	**0.56**	**0.57**	**0.59**	**0.59**	**0.59**	**0.57**	**0.54**	**0.56**	**0.55**	**0.55**	**-0.04**

Calculation formula: *VRR = VAT Revenue / [(Consumption × Standard VAT rate) – VAT revenue]*. Consumption = Final Consumption Expenditure (Heading P3) in national accounts. VAT rates used are standard rates applicable as at 1 January of each year.

Time series: Since data beyond 2012 is not available for all countries at the time of publication, VRR is not calculated after this date.

Canada: VRR Calculation includes federal VAT only.

Israel: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law. Although VAT was implemented in Israel in 1976, the VRR is only calculated from 1996 onwards since tax revenue figures are not available before that year.

Source: Author's own calculations based on *OECD National Accounts* and OECD (2014), *Revenue Statistics 1965-2013*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/rev_stats-2014-en-fr*.

StatLink http://dx.doi.org/10.1787/888933155246

Chapter 4

Selected excise duties in OECD countries

This chapter describes the main features of the excise duties and their impact on revenue, customer behaviour and markets. It explains the respective impact of specific excise and ad valorem taxes and how they interact. It shows the detailed excise tax rates on beer, wine, alcoholic beverages, tobacco, and mineral oil products in OECD countries.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

1. Introduction

Excise, unlike value added taxes (VAT)[1] and other general consumption taxes, is levied only on specific goods. Although many products can be subject to excise, such as chocolate, coffee and orange juice, only a few are considered in this chapter, since they are taxed in all OECD countries. The three principal product groups that are liable to excise in all OECD countries are alcoholic beverages, mineral oils and tobacco products.

Before looking at these three groups in terms of their characteristics and their comparative treatment by different countries, a number of general characteristics on excise may be noted:

- Excise duty is generally calculated by reference to the weight, volume, strength, or quantity of the product, combined in some cases with the value, but sometimes on a value basis only.
- Excise duty does not normally become payable until the goods enter free circulation. Transfers of ownership can take place while goods remain in a controlled warehousing environment or between registered operators without creating an excise charge.
- The excise system is characterised by a small number of taxpayers, who are active in the manufacturing, wholesale stage or importation of the three main product groups.

Excise is normally part of the VAT tax base, meaning that VAT is usually levied on the duty-paid value of the excise products. Therefore, an increase of excise duty rates implies an increase of both excise and VAT burden.

The revenue from excise in OECD countries has been relatively stable over the last twenty years, accounting for about 8% of total tax revenue in 2011, after a long decline from 1965 (where they accounted for 14.2% of total tax revenue on average) to 1990 (average share of 8.1%) (see Table 4.A4.9). Behind the OECD unweighted average (8.1%), there are large differences between countries, with excise accounting for 2.8% of total tax revenue in New Zealand and 17.8% in Turkey. In two thirds of OECD countries (20 out of 34), the weight of excise is between 5% and 10% of total tax revenue while it accounts for less than 5% in 5 countries (Belgium, Canada, Mexico, New Zealand and the United States) and for more than 10% in 8 countries (Czech Republic, Estonia, Greece, Ireland, Poland, Slovak Republic, Slovenia and Turkey).

In addition to the rates and tax base, the weight and impact of excise is substantially affected by its structure. There are two main ways in which excisable products can be taxed: by a *specific tax*, charged as a fixed amount per unit of the product (e.g. USD 1 per litre), which is a tax on the volume of sales; and an *ad valorem tax,* specified as a proportion of the product price (e.g. 20% of the selling price), which is a tax on the value of sales. In a number of instances (e.g. tobacco taxes as presented in Table 4.A4.4) the total excise tax results from a mix of *ad valorem* and specific taxes. The specific tax requires a precise definition of the nature and characteristics of the tax base (e.g. a litre of unleaded gasoline with 94 RON) while the *ad valorem* tax is simply based on the price.

Most products naturally present a bundle of different characteristics (volume, weight, strength, octane or alcoholic content, etc.). A specific tax will remain unaffected by any changes in the product characteristics that have not been defined as being relevant for the tax base whereas ad valorem taxes bear on all the characteristics of the product that are reflected in the price. Depending on the type of tax, the impact on production and consumption will be different. For example, a specific tax on beer (per % absolute alcohol in volume) may encourage brewers to develop varieties of beer, including more luxurious products that could be offered at higher prices while remaining subject to the same level of excise as the cheaper product. On the other hand, *ad valorem* taxes may discourage costly improvements in product quality. Specific taxes may be easier to administer, because it is necessary only to determine the physical quantity of the product taxed while *ad valorem* taxes may keep pace with inflation better than specific taxes. On the other hand, *ad valorem* taxes are possibly more volatile, being subject to price variations.

Setting the "optimal" balance between specific and *ad valorem* components of excise will depend of the government's objective. (Keen, 1998) shows that there is no optimal balance between the two taxes in absolute terms, since this balance will depend on the objectives pursued and on the particular characteristics of the market at stake. The aim can be the maximisation of tax revenue; to ensure the predictability and stability of the revenue; and/or to influence consumer behaviour.

While the original reason for introducing excise duties was to raise revenue, they are now also used to discourage consumption of certain products because they are considered harmful to health or the environment. Regardless of the reason for which they are implemented, excise taxes affect consumer behaviour. The case put forward in relation to alcoholic beverages and tobacco products is that drinking and smoking are health hazards and have negative externalities and increased excise duties help to reduce consumption (OECD, 2013a). For mineral oils, reasons for levying excise taxes relate to energy security concerns and social externalities from energy use, particularly environmental costs. Over the last decade, environmental concerns have played an increasing role in determining the nature and application of taxes, e.g. to road fuel, motor vehicles (see Chapter 5) and CO_2 emissions. OECD analysis (OECD, 2010) confirms the advantages of environmental taxes over many other environmental policy instruments in terms of environmental effectiveness, economic efficiency, the ability to raise public revenue, and transparency. Also, environmental taxes have been successfully used to address a wide range of issues including waste disposal, water pollution and air emissions. It also shows how the way they are designed and implemented is crucial to their success (OECD, 2011).

While the main characteristics and objectives ascribed to excise duties are approximately the same across OECD countries, their implementation, especially in respect to tax rates and structure, gives rise to significant differences between countries.

Giving an order of magnitude for the tax burden differences between countries is not straightforward. Although taxes (other than VAT) on alcoholic beverages and tobacco are almost exclusively made of excise duties (specific or *ad valorem*) their structure may vary widely across countries. For example, standard excise rates on beer may be tempered by the application of reduced rates on small breweries. Different duty rates applicable to substitutes (cigarettes and rolling tobacco) may also blur the picture. Cross-country comparisons are even more difficult for duties on road fuels as they show only one side of car taxation policy that also includes road tolls, taxes on registration and use of vehicles, taxes on insurance, etc.

2. Alcoholic beverages

There are a wide variety of alcoholic beverages across the world and they can be made from different products (grapes, apples, malt, rice, etc.) that are fermented or distilled. Customs Combined Nomenclature Code (CN) provides a classification of alcoholic beverages with which excise categories are intrinsically linked. CN includes six main categories of alcoholic beverages: beer made from malt (code 22.03); wine of fresh grapes, including fortified wines (code 22.04); vermouth and other wine of fresh grapes flavoured with plants or aromatic substances (code 22.05); other fermented beverages (for example, cider, perry, mead), mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages (code 22.06); undenatured ethyl alcohol of an alcoholic strength of 80% pure alcohol by volume (abv) or higher (code 22.07) and undenatured ethyl alcohol of an alcoholic strength of less than 80% abv (code 22.08). There are inevitably sub-divisions within each of these broad categories, but the use of the internationally accepted nomenclature provides for consistency and helps to avoid contradictory definitions in applying rates. Member States of the European Union also apply a harmonised structure for excise duties on alcohol and alcoholic beverages (Council Directive 92/83/EEC). Except otherwise mentioned in country notes (Boxes to), Tables 4.A4.1 and 4.A4.2 cover products under CN codes 22.03 and 22.04. Table 4.A4.3 covers products not included in Tables 4.A4.1 and 4.A4.2.

Given the long history of alcohol taxation, several methods and measures were developed over time for assessing the alcoholic content of a product. Nowadays, the alcohol by volume (abv) is a standard measure of how much alcohol (ethanol) is contained in an alcoholic beverage. It is defined as the number of litres of pure ethanol present in 100 litres of solution at 20 °C, expressed as a percentage of total volume. As a result, the alcoholic content in Tables 4.A4.1 and 4.A4.2 is expressed in % abv. In some countries, the alcoholic content of beer is still calculated in degree Plato (measuring the density of beer wort in terms of percentage of extract by weight). In order to provide comparable excise data, the amounts of tax per degree Plato were converted amount per % abv. There is no precise conversion between degrees Plato and degrees of absolute alcohol, but for tax purposes it is assumed that 1% abv is equivalent to 2.5 degrees Plato. As a result, tax rates expressed in degree Plato have been multiplied by 2.5 to obtain the rates in degree abv.

Excise is applied to alcoholic beverages in two main ways. The duty can be either specific in relation to the alcoholic content of the product (specific tax) or calculated according to the value of the product (*ad valorem* tax). The two methods are combined to include both the volume (based on alcohol content) and value. One exception is Mexico, where the rate of tax is calculated exclusively on the value of the product for alcoholic beverages, with a graduated rate for beer based on the alcoholic content of the product. Maybe the high inflation rate in Mexico has played a role in this choice.

Tables 4.A4.1, 4.A4.2 and 4.A4.3 and associated Boxes , and in respect of excise duties on beer, wine and other alcoholic beverages show the complicated computations for excise duties in many instances. Due to the existence of differing sub-categories and specific rates (e.g. for low-alcohol products and for small breweries) and calculations according to both the value and the nature of the product, it is difficult to be precise about the price differentials from a consumer point of view. However, Tables 4.A4.1, 4.A4.2 and 4.A4.3 show the large differences that exist between countries: excise on wine (Table 4.A4.2) may vary from zero (Austria, Greece, Italy, Luxembourg, Portugal, Slovenia, Spain and Switzerland) up to more than USD 9 a litre of still wine (Finland) and more than USD 11 a litre of sparkling wine (Ireland). Excise on beer (Table 4.A4.1) also varies from about USD 2 per hectolitre per % abv (Czech Republic and Luxembourg) up to USD 32 (Finland) and even USD 101 (Israel).

3. Tobacco products

Historically, as for alcohol taxation, the primary motivation for tobacco taxation was the efficient generation of government revenue, with nearly all countries having taxed tobacco products for many decades or, in some cases, centuries. The relatively low elasticity of demand for tobacco products (i.e. the less than proportionate response of tobacco product consumption to increase in prices), the small number of producers and significant consumption make tobacco products particularly attractive targets for excise and other taxation. In recent decades, as evidence on the health consequences of tobacco has accumulated, the use of tobacco taxation as a tool for improving public health has emerged. This motive has gained prominence as economic evidence was provided on the effectiveness of increased tobacco product taxes and prices in reducing tobacco use (WHO, 2008).

As with alcohol and mineral oils, there is a sub-division of tobacco products into a number of categories – cigarettes, cigars, cigarette rolling tobacco and pipe tobacco. For alcoholic beverages, the objective criterion for excise is the alcoholic content; for mineral oil products it is the energy content. But what about tobacco – is there a smoking value difference between a cigar and a cigarette? Or should the nicotine/tar content be measured as part of the health issue?

Unlike for excise on alcoholic beverages and mineral oils, which are almost exclusively specific, the majority of countries use a combination of specific and *ad valorem* elements to calculate excise on tobacco products. This not only helps to provide compensation in respect of cheap and expensive products (in much the same way as alcoholic beverages) but also acts as a means of achieving neutrality between countries with low production costs and those with high production costs. Those countries with low production costs might tend to choose a low specific element combined with a high element according to value whereas high production costs can be compensated by choosing a high specific element and a low value element. Again, Table 4.A4.4 shows large differences between countries. Differences may also exist within a federal structure such as the USA where e.g. local excise rates on cigarettes (on the top of the federal tax) ranges from USD 0.17 in Missouri to USD 4.35 in New York per pack of 20 cigarettes (FTA, 2014).

In most countries, excise on value for tobacco products is calculated in percentage of retail selling price (RSP). Unlike many other taxes, a tax in percentage RSP is calculated from the price at which the final consumer pays the pack to the retailer, all taxes included (specific excise duty + *ad valorem* excise + VAT).

4. Mineral oil products

Mineral oils are usually sub-divided into product categories in relation to technical specifications such as unleaded gasoline, diesel oil, and heavy fuel oil. Some OECD countries also tax other energy products under an excise tax regime (or under specific taxes on energy products, for example carbon taxes) such as natural gas, electricity and coal. The European Union energy tax Directive (2003/96/EC) sets the EU framework for the taxation of energy products and electricity. The Directive sets minimum tax rates for energy products for all energy products including coal, natural gas and electricity.

A significant feature of excise on mineral oils is the fact that duty rates have been used to influence consumer behaviour to a greater degree than in many other areas. Excise on transport fuels has been around for many years although it was originally motivated by non-environmental needs (such as general revenue generation or sometimes earmarked for infrastructure spending). When the more environmentally-friendly unleaded gasoline appeared on the market it was more expensive to produce and as a consequence not commercially competitive with leaded gasoline as a retail product. This handicap was soon overcome through tax differentials making unleaded gasoline cheaper at the pump. Today, leaded gasoline is not allowed any more on the market. Also for the Liquefied Petroleum Gas (LPG) used as propellant, the tax is lower than on unleaded gasoline and diesel in almost all OECD countries, despite large differences in tax rates (Table 4.A4.7). However, in this case, the effect on consumer choices is much less significant since the characteristics of this fuel (not liquid at standard temperature and atmospheric pressure, more difficult to stock, need for specifically equipped stations) have hindered its development. The use of LPG is globally very low compared to diesel and gasoline.

Excise taxes on transport fuels usually are much higher than on mineral oils and, more generally, fossil fuels used in other sectors (OECD, 2013b). This can be for various reasons, including a lower elasticity of the tax base in transport, the use of excises to cover (more or less directly) some external costs that are relevant only in transport (most notably congestion), and equity concerns that may lead to lower tax rates on diesel used for household heating. Indeed, the vast majority of OECD countries (except Greece, Hungary, Israel and Netherlands) tax heating oil for households at a lower rate than diesel for transport use even though these two products are more or less identical.

Member States of the European Union have implemented the Energy Taxation Directive (2003/96/EC), which sets out common rules for the taxation of energy products. The Directive is intended to reduce distortions of competition, both between Member States created by divergent rates of tax on energy products, and between mineral oils and the other energy products. It is also intended to increase incentives to use energy more efficiently. The Directive sets common taxation rules for a range of fuels, including many oil products, coal and natural gas, and for electricity consumption. For each, it sets a minimum level of tax expressed in terms of the volume, weight, or energy content of the fuel. For example, minimum rates on road fuels are as follows: EUR 0.359/l for unleaded gasoline; EUR 0.330/l for gas oil and EUR 0.125/kg for LPG. On the other hand, the Directive does not specify which taxes should be employed to attain the minimum level and they may include a diversity of specific taxes such as excise, carbon tax, energy tax, etc. The European Commission has proposed a new Energy Taxation Directive to promote energy efficiency and consumption of more environmentally friendly products. Under the revised Directive, taxes on energy would have two components: 1) a single minimum rate for CO_2 emissions (EUR 20 per tonne of CO_2) for all sectors that are not part of the Emissions Trading System; and 2) minimum rates based on the energy content of the fuel, which will be more uniform across types of fuel. These components would be combined to produce the overall minimum tax rate at which fuel products would be taxed (full implementation would take place in 2023).

The revenues raised from these taxes are significant, as a result of the considerable level of consumption in the OECD countries and high tax rates in many of them. Although there are large differences between countries, the level of taxation for fuel relative to the base is very high compared to other tax rates within the overall economy. For premium unleaded gasoline (Table 4.A4.5), the total tax burden (mainly excise plus VAT) exceeds 100% of pre-tax prices in almost two thirds of countries (in 21 out of 34 countries, the total tax as percentage of final price exceeds 50% and in 7 more ones it exceeds 40%).

Excise levels for diesel fuel are significantly lower than those for gasoline in most countries. Only two countries – Iceland and Switzerland – levy a higher excise duty on diesel than on gasoline and only three countries apply the excise rate to both fuels (Australia, United Kingdom and Mexico). From an environmental point of view, this is peculiar, as diesel consumption in vehicles has a much greater environmental impact than unleaded gasoline, largely due to the significant differences in NO_X[2] and particulate emissions. With more stringent motor vehicle regulations, the difference is becoming less pronounced for new vehicles, although there are concerns about differences between test cycle and on-road performance and the stock of vehicles is still weighted toward older, more polluting diesel vehicles (OECD, 2010; OECD, 2014b).

Excise rates on automotive fuels should not be considered in isolation in assessing the overall tax burden on automotive transport. Vehicles are also subject to registration taxes and recurrent circulation taxes and many countries differentiate those taxes according to the type of fuel used or according to CO_2 emissions per unit distance (see Chapter 5). Furthermore, the tax treatment of company car use is often more favourable – sometimes considerably so – than that of other car use (OECD, 2014c).

The rates shown in Tables 4.A4.5 to 4.A4.8 are taken from the International Energy Agency (IEA, 2014) and do not reflect excise duties exclusively but also include a number of taxes such as contributions to emergency stock funds.

5. Impact on cross-border trade

Differences in excise rates between countries often result from national traditions; social and health policy; local production and government's financing needs. Such differences are not without impact on the cross-border movement of goods. The development of integrated markets (e.g. the European Union) and elimination of border controls at frontiers have shed light on the disparate excise rates between neighbouring countries to the extent that market forces are affected. In such circumstances, the effects of cross-border shopping can have a significant economic impact on businesses and put pressure on the relevant tax authorities to seek closer approximation of excise duty rates with their neighbours. Differences between certain neighbouring countries may also encourage cross-border "bootlegging" activities (McKee et al., 2004). Although some would argue that market forces should encourage moves towards convergence of rates, this is contradictory with other policy factors when issues such as health are taken into account in setting the rates.

6. Distributional impact of excise

A recent OECD study (OECD, 2014a) showed that average excise tax burdens on alcohol, tobacco and transport fuels tend to be regressive whether measured as a percentage of income or expenditure, at least in the sense that the excise tax burdens on the highest income deciles are less than those on the lowest deciles. This general regressive result implies that as a household earns more they spend a smaller proportion of their income on alcohol, tobacco and transport fuels. Irrespective of any distorting effect due to savings behaviour, this result is perhaps unsurprising given the addictive nature of alcohol and tobacco (suggesting a similar quantity will be consumed irrespective of income); and possibly suggests a large fixed cost element to transport fuels (e.g. commuting to work costs).

Notes

1. VAT may also be referred to as Goods and Services Tax (GST). For ease of reading, all value added taxes will be referred to as VAT in this chapter.
2. NO_X is a generic term for the various nitrogen oxides produced during combustion. These are considered to be important air pollutants.

Bibliography

FTA (2014), *State Excise Taxes,* Federation of Tax Administrators, Washington, *www.taxadmin.org*.

IEA (2010), *Energy Prices and Taxes, 2010*, International Energy Agency, Paris.

Keen (1998), "The Balance Between Specific and *Ad Valorem* Taxation", *Fiscal Studies*, Vol. 19, No. 1, pp. 1-37, London.

McKee, M., L. MacLehose and E. Nolte (2004), "Health Policy and EU Enlargement", *European Observatory on Health Systems and Policy Series*, Open University Press, Buckingham.

OECD (2014a), "The Distributional Effects of Consumption Taxes in OECD Countries", *OECD Tax Policy Studies*, No. 22 (forthcoming), OECD Publishing, Paris.

OECD (2014b), "The Diesel Differential – Differences in the Tax Treatment of Gasoline and Diesel for Road Use", *Tax Policy Working Papers*, No. 21, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5jz14cd7hk6b-en*.

OECD (2014c), "Personal Tax Treatment of Company Cars and Commuting Expenses: Estimating the Fiscal and Environmental Costs", *Tax Policy Working Papers*, No. 20, OECD Publishing, Paris, *http://dx.doi.org/10.1787/5jz14cg1s7vl-en*.

OECD (2013a), "The Role of Fiscal Policies in Health Promotion", *OECD Health Working Papers*, No. 66, OECD Publishing, *http://dx.doi.org/10.1787/5k3twr94kvzx-en*.

OECD (2013b), *Taxing Energy Use: A Graphical Analysis*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264183933-en*.

OECD (2011), *Environmental Taxation, a Guide for Policy Makers,* OECD, Paris, *www.oecd.org/env/tools-evaluation/48164926.pdf*.

OECD (2010), *Taxation, Innovation and the Environment,* OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264087637-en*.

WHO (2008), *Methods for Evaluating Tobacco Control Policies,* International Agency for Research on Cancer, Geneva.

ANNEX 4.A4

Data on excise rates

Table 4.A4.1. **Taxation of beer**

	Specific excise per hectolitre per % abv[a]		Lower excise for small independent breweries			Excise duty on low alcohol beer (not exceeding 2.8% abv) Excise per hectolitre of product		VAT	Excise rates which are progressive by strength
	National currency	USD	Annual production (hl)	National currency	USD	National currency	USD	%	
Australia*	Country note		Country note			Country note		10.0	Yes
Austria	5.00	6.67	< 12 500	3	4.00	–	–	20.0	No
			< 25 000	3.5	4.67			20.0	
			< 37 500	4	5.33			20.0	
			≤ 50 000	4.5	6.00			20.0	
Belgium	4.62	6.16	≤ 12 500	4.02	5.36	–	–	21.0	No
			≤ 25 000	4.15	5.53			21.0	
			≤ 50 000	4.28	5.71			21.0	
			≤ 75 000	4.42	5.89			21.0	
			≤ 200 000	4.55	6.07			21.0	
Canada*	Country note		Country note			Country note		5.0/13.0/14.0/15.0	Yes
Chile*	Country note		Country note			Country note		19.0	No
Czech Republic	32.00	1.64	≤ 10 000	16.00	0.82	–	–	21.0	No
			≤ 50 000	19.2	0.98			20.0	
			≤ 100 000	22.40	1.15			20.0	
			≤ 150 000	25.60	1.31			20.0	
			≤ 200 000	28.80	1.47			20.0	
Denmark*	65.91	11.73	≤ 3 700	Country note		Country note	0.00	25.0	No
			≤ 20 000	Country note				25.0	
			< 200 000	Country note				25.0	
Estonia	6.28	8.37	≤ 3 000	3.14	4.19	–	–	20.0	No
Finland*	32.05	42.73	≤ 2 000	16.03	21.37	8.00	10.67	24.0	No
			≤ 30 000	22.44	29.91			24.0	
			≤ 55 000	25.64	34.19			24.0	
			≤ 100 000	28.85	38.46			24.0	
France	3.66	4.88	≤ 200 000	3.66	4.88	3.66	4.88	20.0	No
Germany	1.97	2.63	≤ 5 000	1.10	1.47	–	–	19.0	No
			≤ 10 000	1.32	1.76			19.0	
			≤ 20 000	1.54	2.05			19.0	
			≤ 40 000	1.65	2.20			19.0	
Greece	6.50	8.67	≤ 200 000	3.25	4.33	–	–	23.0	No
Hungary	1 620.00	7.25	< 8 000	810.00	3.62			27.0	No
Iceland*	Country note		–	–	–	Country note	–	25.5	Yes
Ireland*	22.55	30.07	≤ 20 000	Country note		Country note		23.0	No
Israel*	433.00	119.94	–	–	–	Country note		18.0	No
Italy*	6.75	9.00	–	–	–	Country note	–	22.0	No
Japan*	Country note					–	–	5.0	No
Korea*	Country note					Country note		10.0	No
Luxembourg*	1.98	2.64	≤ 50 000	0.99	1.32	–	–	15.0	No
			≤ 200 000	1.12	1.49	–	–	15.0	
Mexico*	26.5%					–	–	16.0	Yes
Netherlands*	Country note		–	–	–	–	–	21.0	Yes
New Zealand*	27.20	22.30				Country note		15.0	No
Norway*	Country note					Country note		25.0	Yes
Poland*	19.48	6.16	Country note			–	–	23.0	No
Portugal*	Country note		Country note			Country note		23.0	Yes
Slovak Republic	3.59	4.78	≤ 200 000	2.652	3.54	–	–	20.0	No
Slovenia*	11.00	14.67				–	–	22.0	No
Spain*	Country note		–	–	–	Country note		21.0	Yes
Sweden	178.00	27.34	–	–	–	–	–	25.0	No

Table 4.A4.1. **Taxation of beer** *(cont.)*

	Specific excise per hectolitre per % abv[a]		Lower excise for small independent breweries			Excise duty on low alcohol beer (not exceeding 2.8% abv) Excise per hectolitre of product		VAT	Excise rates which are progressive by strength
	National currency	USD	Annual production (hl)	National currency	USD	National currency	USD	%	
Switzerland*	Country note					Country note		8.0	Yes
Turkey*	63.00%	_	–	–	–	–	–	18.0	No
United Kingdom*	19.12	29.88	Country note			9.17	14.33	20.0	No
United States*	Country note					–	–		No

* See Country notes.

Conversion of national currency in USD: Conversion rates are average market rates (2013) published in *OECD Monthly Monetary Statistics* (*stats.oecd.org*).

a) % abv = percentage of pure alcohol by volume at 20 °C. In some countries, the excise rate on beer is calculated per hectolitre per degree Plato. For ease of reading, all amounts have been converted in % abv. There is no precise conversion between degrees Plato and % abv, but for tax purposes it is often assumed that 1% abv is equivalent to 2.5 degrees Plato. As a result, tax rates expressed in degree Plato have been multiplied by 2.5 to obtain the % abv.

Source: National Delegates – Position as at 1 January 2014.

StatLink http://dx.doi.org/10.1787/888933155254

Country notes to Table 4.A4.1

Australia. The excise rates for beer in individual containers not exceeding 48 litres are: AUD 39.75 per litre of alcohol where volume of alcohol does not exceed 3%; AUD 46.30 where volume of alcohol exceeds 3% but does not exceed 3.5%; and AUD 46.30 where volume exceeds 3.5%. The rates for beer in individual containers exceeding 48 litres are: AUD 7.94 per litre of alcohol where volume of alcohol does not exceed 3%; AUD 24.90 where volume of alcohol exceeds 3% by volume of alcohol but not more than 3.5%; and AUD 32.60 where volume exceeds 3.5%. These rates apply as of 1 August 2013. Each rate is calculated on the amount by which the alcohol content exceeds 1.15% by volume of alcohol. Beer that does not contain more than 1.15% by volume of alcohol is free of excise. These rates are indexed to inflation in February and August each year. Independent brewers receive an excise refund of 60% of the excise paid up to a maximum of AUD 30 000 per financial year for beer sold directly from the brewery.

Canada. Excise duty rates for beer are imposed per hectolitre of product (*not* per hectolitre per degree alcohol). Provincial and territorial governments also charge various mark-ups and levies on beer, generally at rates that exceed the federal level. Federal excise duty rates: 1) On all beer or malt liquor containing more than 2.5% absolute ethyl alcohol by volume, CAD 31.22 per hectolitre. 2) On all beer or malt liquor containing more than 1.2% absolute ethyl alcohol by volume but not more than 2.5% absolute ethyl alcohol by volume, CAD 15.61 per hectolitre. 3) On all beer or malt liquor containing not more than 1.2% absolute ethyl alcohol by volume, CAD 2.591 per hectolitre. Reduced rates of excise duty apply on the first 75 000 hectolitres of beer produced per year by Canadian brewers at the following rates: 1) On the first 2 000 hectolitres of beer and malt liquor brewed in Canada: a) if it contains more than 2.5% absolute ethyl alcohol by volume, CAD 3.122 per hectolitre; b) if it contains more than 1.2% absolute ethyl alcohol by volume but not more than 2.5% absolute ethyl alcohol by volume, CAD 1.561 per hectolitre; and c) if it contains not more than 1.2% absolute ethyl alcohol by volume, CAD 0.2591 per hectolitre. 2) On the next 3 000 hectolitres of beer and malt liquor brewed in Canada: a) if it contains more than 2.5% absolute ethyl alcohol by volume, CAD 6.244 per hectolitre; b) if it contains more than 1.2% absolute ethyl alcohol by volume but not more than 2.5% absolute ethyl alcohol by volume, CAD 3.122 per hectolitre; and c) if it contains not more than 1.2% absolute ethyl alcohol by volume, CAD 0.5182 per hectolitre. 3) On the next 10 000 hectolitres of beer and malt liquor brewed in Canada: a) if it contains more than 2.5% absolute ethyl alcohol by volume, CAD 12.488 per hectolitre; b) if it contains more than 1.2% absolute ethyl alcohol by

Country notes to Table 4.A4.1 *(cont.)*

volume but not more than 2.5% absolute ethyl alcohol by volume, CAD 6.244 per hectolitre; and c) if it contains not more than 1.2% absolute ethyl alcohol by volume, CAD 1.0364 per hectolitre. 4) On the next 35 000 hectolitres of beer and malt liquor brewed in Canada: a) if it contains more than 2.5% absolute ethyl alcohol by volume, CAD 21.854 per hectolitre; b) if it contains more than 1.2% absolute ethyl alcohol by volume but not more than 2.5% absolute ethyl alcohol by volume, CAD 10.927 per hectolitre; and c) if it contains not more than 1.2% absolute ethyl alcohol by volume, CAD 1.8137 per hectolitre. 5) On the next 25 000 hectolitres of beer and malt liquor brewed in Canada: a) if it contains more than 2.5% absolute ethyl alcohol by volume, CAD 26.537 per hectolitre; b) if it contains more than 1.2% absolute ethyl alcohol by volume but not more than 2.5% absolute ethyl alcohol by volume, CAD 13.269 per hectolitre; and c) if it contains not more than 1.2% absolute ethyl alcohol by volume, CAD 2.2024 per hectolitre.

Chile. The sale of alcoholic beverages (including wine, beer, distilled alcoholic beverages and other alcoholic beverages) is subject to 19% VAT and also to a surtax on the sale or import of alcoholic beverages. The rate applied to beer is of 15% and does not depend upon the degree of alcohol that the beer contains. The tax is applied to the VAT base, that is the sale`s price (excluding VAT itself) and levies sales made between wholesale dealers. For sales between wholesalers, the tax paid to the vendor is creditable against the tax applied on sales at each stage of the value chain (including imports) until the last sale to the final retailer. The sale from the retailer to the final consumer is not subject to the surtax and the retailer cannot deduct the input tax.

Denmark. Lower rates on small independent breweries: production ≤ 3 700 hl receives a tax reduction of DKK 90.68 per hl; production ≤ 20 000 (X) receives a tax reduction of DKK 305.81 / X + 6.83 per hl; production < 200 000 hl receives a tax reduction of DKK 25.91 – X / 9083 per hl. An additional duty is placed on products which contain a mixture of beer and non-alcoholic drinks. Rates: DKK 8.19/l of mixture with alcohol content ≤ 10% vol. in the final product and DKK 14.01/l of mixture with alcohol content > 10% vol. in the final product. Beer with alcohol content less than 2.8% vol. is free of excise tax.

Finland. Beer with an alcoholic content less than 0.5 % vol. is free of excise.

Iceland. The duty in Iceland is ISK 94.05 per centilitre of alcohol per litre minus 2.25 centilitres. For example, one litre of beer that has 6% abv has 6 centilitres alcohol per litre. So the duty for one litre of beer that contains 6% abv would be as follows: (6 – 2.25) x 94.05 = ISK 352.69 per litre. As a result of this formula, beer with less than 2.25% abv is not taxed.

Ireland. There is repayment of 50% alcohol products tax (excise duty) on beer brewed in independent small breweries producing up to 20 000 hl a year. For low alcohol beer, the rate is 0.00 (beer ≤ 1.2% abv) and EUR 11.27 (beer > 1.2% abv up to 2.8% abv).

Israel. The duty was set as ILS 433 on 1 January 2014. The amount is updated each year according to the change in the Consumer Price Index (CPI). There is no duty on beer under 2% alcohol (or under 8% alcohol if marketed in reusable bottles). The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Italy. Beer with volume of alcohol does not exceed 0.5% is not taxed.

Japan. Excise rates are JPY 22 000 per hectolitre of product. Small brewers who produce no more than 13 hectolitre of beer per year pay JPY 18 700 per hectolitre on the first two hectolitres for the first five years of the license (temporary measure).

Korea. The rate of Liquor Tax on beer is 72% of the manufacturer's price. In addition, Education Tax (30% on the amount of Liquor Tax levied) is also levied.

Luxembourg. Rates for small breweries (annual production up to 200 000 hl) range from EUR 0.40 to EUR 0.45.

Country notes to Table 4.A4.1 *(cont.)*

Mexico. All rates are according to the value. The rates for beer and other alcoholic beverages apply as follows: 26.5% up to 14° Gay-Lussac (GL); 30% above 14° G.L. and up to 20° G.L.; 53% above 20° G.L. As a mechanism to discourage the use of disposable containers, taxpayers should pay the greater amount between the result of applying the corresponding rate to the value or a MXN 3 per litre fee (taxpayers that use re-usable containers can reduce an amount of MXN 1.26 per litre).

Netherlands. Most beers in the Netherlands are in the range 11°-15° Plato, usually 12° Plato, with an excise duty of EUR 37.96 : 12 = EUR 3.16 per degree Plato. Excise duty rates are as follows per hectolitre of product: a) Up to 7° Plato EUR 7.59; b) 7°-11° Plato EUR 28.49; c) 11°-15° Plato EUR 37.96; d) 15 or more degrees Plato EUR 47.48. Rates for small breweries (annual production up to 200 000 hl) are as follows: a) up to 7° Plato the above mentioned rate; b) 7°-11° Plato EUR 26.35; c) 11°-15° Plato EUR 35.11; d) 15 or more degrees Plato EUR 43.92. For beer with a maximum alcohol content of 0.5% a consumer tax of EUR 7.59 per hectolitre is applicable and a VAT rate of 6%.

New Zealand. The excise rate for beer containing more than 2.5% abv is NZD 27.870 per litre of alcohol in finished product. The rate for beer containing more than 1.15% abv but not more than 2.5% abv is NZD 41.797 per litre of product. There is no excise duty on beer containing less than 1.15% abv.

Norway. Excise rates are as follows per hectolitre of product: a) 0.0-0.7% abv: NOK 0; b) 0.7-2.7% abv: NOK 312; c) 2.7-3.7% abv: NOK 1 174; d) 3.7-4.7% abv: NOK 2 034. The excise rate for beer with an alcoholic content of more than 4.7% abv is NOK 454 per degree of alcohol and hectolitre.

Poland. Allowances for small breweries: sale ≤ 20 000 hl a year tax is reduced by PLN 30/hl; sale ≤ 70 000 hl a year tax is reduced by PLN 15/hl; sale ≤ 150 000 hl a year tax is reduced by PLN 12.00/hl and by PLN 9.00/hl if the producer sells no more than 200 000 hl a year. However, the amount of exemption cannot exceed 50% of the amount of excise duty calculated with the standard rate of excise duty on beer.

Portugal. Excise rates for beer are as follows per hectolitre of product: a) More than 0.5% abv and up to 1.2%: EUR 7.53; b) more than 1.2% abv and a degree Plato up to 7: EUR 9.43; c) more than 1.2% abv and a degree Plato in excess of 7 but up to 11: EUR 15.06; d) more than 1.2% abv and a degree of Plato in excess of 11 but up to 13: EUR 18.86; e) more than 1.2% abv and a degree of Plato in excess of 13 but up to 15: EUR 22.61; f) more than 1.2% abv and a degree of Plato in excess of 15: EUR 26.45. Rates for small breweries (annual production up to 200 000 HL) are 50% of the normal rates.

Slovenia. Specific excise per hectolitre per degree abv: EUR 11.00.

Spain. Excise rate according to strength is: beer < 1.2% abv is free of excise; beer between 1.2% and 2.8% abv is EUR 2.75/hl; beer between 2.8% abv and 11° Plato is EUR 7.48/hl; beer with a degree Plato > 11 and not > 15 = EUR 9.96/hl; beer with a degree Plato > 15 and not > 19 = EUR 13.56/hl; beer with a degree Plato > 19 = EUR 0.91/hl and per degree Plato. There is no tax on Beer in Ceuta and Melilla (Spanish cities situated in the North of Africa).

Switzerland. Rates per hectolitre: light beer (up to 10.0° Plato): CHF 16.88, regular and special beer (10.1 to 14.0° Plato): CHF 25.32, strong beer (from 14.1° Plato): CHF 33.76. Reductions for small breweries from 40% (annual production max. 15 000 hl) to 0% (annual production min. 55 000 hl). Beer with more than 15% vol. is taxed as an alcoholic beverage (CHF 2 900 per hectolitre of absolute alcohol).

Turkey. The minimum tax amount is TL 77 per hectolitre/degree. If the amount computed according to the tax rate (63%) is lower than the minimum tax amount, the minimum tax amount is paid.

United Kingdom. Beer with an alcoholic content not exceeding 1.2% abv is free of excise. Lower strength beer duty applies to beer 1.3 to 2.8% abv and is equivalent to 50% of the general beer duty rate. High strength beer duty was introduced from 1 October 2011 and is a duty applied to all beer exceeding 7.5% abv in addition to general beer duty. Reduced duty rates apply for independent breweries producing between 5 000 hectolitres and 30 000 hectolitres = annual production – 2500 / annual production x standard rate of

Country notes to Table 4.A4.1 *(cont.)*

duty; between 30 000 hectolitres and 60 000 hectolitres = annual production (2 500-8 033% of annual production in excess of 30 000) / annual production x standard rate of duty. No further reduction of the Lower Strength Beer Duty rate can be claimed by a small brewer.

United States. The weighted average Federal and State excise tax rate is USD 22 per hectolitre of product. The Federal tax is USD 18.00 per barrel (31 gallons). 1 barrel = 1.1735 hectolitres. Small domestic brewers who produce less than 2 million barrels of beer per calendar year pay USD 7.00 in federal tax per barrel on the first 60 000 barrels. There is no progressive rate structure based on alcohol content and no Federal VAT.

Table 4.A4.2. **Taxation of wine**

	Still wine			Sparkling wine			Low-alcohol (still) wine (< 8.5% abv)		
	Excise per hectolitre of product		VAT rate	Excise per hectolitre of product		VAT rate	Excise per hectolitre of product		VAT rate
	National currency	USD	%	National currency	USD	%	National currency	USD	%
Australia*	Country note	–	10.00	Country note	–	10.00	Country note	–	10.00
Austria	0.00	0.00	20.00	0.00	0.00	20.00	0.00	0.00	20.00
Belgium	56.97	75.66	21.00	194.94	258.88	21.00	18.04	23.96	21.00
Canada*	62.00	60.19	5.0/13.0/14.0/15.0	62.00	60.19	5.0/13.0/14.0/15.0	Country note	–	5.0/13.0/14.0/15.0
Chile*	Country note	–	19.00	Country note	–	19.00	Country note	–	19.00
Czech Republic	0.00	0.00	21.00	2 340.00	119.63	21.00	0.00	0.00	21.00
Denmark*	1 101.00	195.98	25.00	1 417.00	252.22	25.00	506.00	90.07	25.00
Estonia*	84.67	112.44	20.00	84.67	112.44	20.00	36.71	48.75	20.00
Finland*	339.00	450.20	24.00	339.00	450.20	24.00	Country note	–	24.00
France*	3.72	4.94	20.00	9.23	12.26	20.00	3.60	4.78	20.00
Germany*	0.00	0.00	19.00	136.00	180.61	19.00	0.00	0.00	19.00
Greece	0.00	0.00	23.00	0.00	0.00	23.00	0.00	0.00	23.00
Hungary	0.00	0.00	27.00	16 460.00	73.62	27.00	0.00	0.00	27.00
Iceland*	Country note	–	25.50	Country note	–	25.50	Country note	–	25.50
Ireland*	424.84	564.20	23.00	849.68	1 128.39	23.00	141.57	188.01	23.00
Israel*	0.00	0.00	18.00	Country note	–	18.00	0.00	0.00	18.00
Italy	0.00	0.00	22.00	0.00	0.00	22.00	0.00	0.00	22.00
Japan	8 000.00	81.97	5.00	8 000.00	81.97	5.00	8 000.00	81.97	5.00
Korea*	Country note	–	10.00	Country note	–	10.00	Country note	–	10.00
Luxembourg*	0.00	0.00	12 or 15	0.00	0.00	15.00	0.00	0.00	12.00
Mexico*	26.5%/30%	–	16.00	26.5%/30%	–	16.00	0.27	–	16.00
Netherlands*	88.36	117.34	21.00	254.41	337.86	21.00	44.18	58.67	21.00
New Zealand*	Country note	–	15.00	Country note	–	15.00	Country note	–	15.00
Norway*	5 448.00	927.00	25.00	5 448.00	927.00	25.00	Country note	–	25.00
Poland	158.00	50.00	23.00	158.00	50.00	23.00	158.00	50.00	23.00
Portugal	0.00	0.00	13.00	0.00	0.00	23.00	0.00	0.00	23.00
Slovak Republic*	0.00	0.00	20.00	79.65	105.78	20.00	0.00	0.00	20.00
Slovenia	0.00	0.00	22.00	0.00	0.00	22.00	0.00	0.00	22.00
Spain*	0.00	0.00	21.00	0.00	0.00	21.00	0.00	0.00	21.00
Sweden*	2 309.00	354.52	25.00	2 309.00	354.52	25.00	0.00	0.00	25.00
Switzerland*	0.00	0.00	8.00	0.00	0.00	8.00	0.00	0.00	8.00
Turkey*	417.00	218.90	18.00	2 820.00	1 480.31	18.00	417.00	218.90	18.00
United Kingdom*	266.72	416.75	20.00	341.63	533.80	20.00	82.18	128.41	20.00
United States*	47.00	47.00	–	116.00	116.00	–	Country note	–	–

* See Country notes.
Conversion of national currency in USD: Conversion rates are average market rates (2013) published in *OECD Monthly Monetary Statistics* (*stats.oecd.org*).
Source: National Delegates – Position as at 1 January 2014.

StatLink http://dx.doi.org/10.1787/888933155266

Country notes to Table 4.A4.2

Australia. All wine (including still, sparkling and low alcohol wine) is liable for the wine equalisation tax (WET). WET applies at 29% of the value of the wine at the last wholesale sale (before adding GST). A rebate of WET applies to eligible producers, up to a maximum of AUD 500 000 each financial year.

Canada. 1) A rate of CAD 0.62 per litre applies to wine with more than 7% abv. The rate is CAD 0.295 per litre on wine of more than 1.2% abv, but not more than 7% abv; and for all wine with 1.2% abv or less the rate is CAD 0.0205 per litre. 2) Fortified wine in excess of 22.9% abv would not be included in the definition of "wine" (and, therefore, fall within the definition of "spirits"). Provincial and territorial governments also charge various mark-ups and levies on wine, generally at rates that exceed the federal level.

Chile. The sale of alcoholic beverages is subject to a surtax of 15% on the sale or import of wine, sparkling wine, champagne, cider and other alcoholic beverages (among others). The tax is applied to the VAT base, that is the sale's price (excluding VAT itself), and levies sales made between wholesale dealers. For sales between wholesalers, the tax paid to the vendor is creditable against the tax applied on sales at each stage of the value chain (including imports) until the last sale to the final retailer. The sale from the retailer to the final consumer is not subject to this surtax and the retailer cannot deduct the input tax nor is levied with this tax the sale of wine in bulk made by producers to a taxpayer seller subject to this surtax.

Denmark. The rate for high-alcohol wine > 15% abv – maximum 22% abv is DKK 1 474 per hectolitre. Medium-alcohol wine is < 6% abv – maximum 15% abv is DKK 1 101 per hectolitre. Low-alcohol wine is < 1.2% abv – maximum 6% abv is DKK 506 per hectolitre. The rates for sparkling wind correspond to the rates for still wine plus DKK 317 per hectolitre. An additional duty is placed on products which contain a mixture of wine and non-alcoholic drinks. Rates: DKK 6.76 per litre of mixture with alcohol content ≤ 10% abv in the final product and DKK 10.90 per litre of mixture with alcohol content > 10% abv in the final product.

Estonia. Excise rate for low alcohol up to 6% vol. still and sparkling wine is EUR 36.71

Finland. Excise rates for low alcohol wine are as follows: a) over 1.2% abv and up to 2.8% abv EUR 22.00; b) over 2.8% abv and up to 5.5% abv EUR 169.00; c) over 5.5% abv and up to 8.0% abv EUR 241.00.

France. A reduced rate applies to the following categories of low-alcohol wine: cider, perry, mead, grapes juice lightly sparking**.**

Germany. Excise rate for low alcohol sparkling wine < 6% abv is EUR 51.00. Intermediate products with a volume of alcoholic degree between 1.2% and 22% abv are taxed according to the following rates: > 15% abv-22% abv = EUR 153/hl; ≤ 15% abv = EUR 102/hl; ≤ 15% abv and sparkling = EUR 136/hl.

Iceland. The duty rate is ISK 84.60 per centilitre of alcohol per litre minus 2.25 centilitres for wine up to 15% abv. For example, one litre of wine that has 15% abv has 15 centilitres alcohol per litre. So the duty for one litre of wine that contains 6% abv would be as follows: (15 – 2.25) x 84.60 = ISK 1 078.60 per litre.

Ireland. The rate for low alcohol wine applies to wine with an alcoholic content of less than 5.5% abv. The rate for still wine with alcoholic content > 15% abv is EUR 616.45.

Israel. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Korea. The rate of liquor tax on wine is 30% on the manufacturer's price (or imported price). In addition, Education Tax (10% of the amount of Liquor tax levied) is also levied. These rates are applicable to both still and sparkling wine regardless of alcohol content.

Luxembourg. The reduced VAT rate (12%) applies to still wine with alcoholic content ≤ 13% abv.

Mexico. All rates are according to the value. The rates for beer and other alcoholic beverages apply as follows: 26.5% up to 14° Gay-Lussac (GL); 30% above 14° G.L. and up to 20° G.L.; 53% above 20° G.L.

Country notes to Table 4.A4.2 *(cont.)*

Netherlands. Excise duty rate for still wine > 15% abv is EUR 129.81/hl. Excise duty rate for low alcohol (max. 8.5% abv) sparkling wine is EUR 48.25/hl. For low alcohol wine < 1.2% abv, the VAT rate is 6%.

New Zealand. The excise rate for unfortified wine is NZD 2.7870 per litre of product.

Norway. The rate shown in Table 4.A4.2 is the rate for wine with an alcoholic content of 12% abv. Excise rates for wine with an alcoholic content of 4.7%-22% abv = NOK 454 per vol. pct. alcohol and per hectolitre.

Slovak Republic. The rate of EUR 54.16/hl applies to sparkling fermented beverages with an alcoholic strength by volume not exceeding 8.5 % abv. The rate for intermediate products is EUR 84.24/hl.

Spain. Intermediate products – products to which distilled alcohol has been added – and with a volume of alcoholic degree between 1.2% abv and less than 22% abv are taxed according to the following rates: alcoholic degree > 1.2% abv and less than 15% abv = EUR 36.65/hl. Others = EUR 61.08/hl.

Sweden. Excise rates for low alcohol wine are as follows: a) < 2.25% abv: SEK 0; b) 7%-8.5% abv: SEK 1 541/EUR 167.17; c) 4.5%-7% abv SEK 1 120/EUR 121.50; d) 2.25%-4.5% abv SEK 758/EUR 82.23. No special rates for sparkling wine.

Switzerland. In general, wine with more than 15% abv is taxed as an alcoholic beverage (CHF 2 900 per hectolitre of absolute alcohol). Natural wines made from fresh grapes with more than 18% abv are taxed as an alcoholic beverage (CHF 1 450 per hectolitre of absolute alcohol up to 22% abv then CHF 2 900 per hectolitre of absolute alcohol).

Turkey. The excise rate is 0%.

United Kingdom. Reduced rates for lower strength drinks (wine categories) are as follows: a) exceeding 1.2% – not exceeding 4% abv = GBP 82.18; b) exceeding 4% – not exceeding 5.5% abv = GBP 113.21; and c) low strength sparkling wine exceeding 5.5% – less than 8.5% abv = GBP 258.23; d) sparkling wine and made wine exceeding 8.5% abv but not exceeding 15% abv = GBP 341.63. Rate in the band exceeding 15% abv but not exceeding 22% abv = GBP 355.59 (wine and made wine).

United States. The weighted average Federal and State excise tax rate is USD 47 per hectolitre of product for still wine up to 14% abv and USD 116 for sparkling wine. The Federal excise rates are as follows: a) up to 14% abv: USD 1.07 per gallon; b) 14%-21% abv: USD 1.57 per gallon; c) 21%-24% abv: USD 3.15 per gallon; d) artificially carbonated wine USD 3.30 per gallon; and e) sparkling wine USD 3.40 per gallon. 26.42 US gallons = 1 hectolitre. There is no Federal VAT.

Table 4.A4.3. **Taxation of alcoholic beverages**[a]

	Tax per hectolitre of absolute alcohol			
	Excise		VAT %	Small distillery rate
	National currency	USD		
Australia	7 844.00	7 571.43	10.00	No
Austria	1 000.00	1 328.02	20.00	Yes
Belgium	2 118.96	2 814.02	21.00	No
Canada	1 169.60	1 135.53	5.0, 13.0, 14.0 or 15.0	No
Chile	Country note	–	19.00	No
Czech Republic	28 500.00	1 457.06	21.00	No
Denmark	15 000.00	2 669.99	25.00	No
Estonia	1 643.00	2 181.94	20.00	No
Finland	4 555.00	6 049.14	24.00	No
France	1 718.61	2 282.35	20.00	No
Germany	1 303.00	1 730.41	19.00	Yes
Greece	2 450.00	3 253.65	23.00	No
Hungary	333 385.00	1 491.11	27.00	Yes
Iceland	1 152 000.00	9 429.72	25.50	No
Ireland	4 257.00	5 653.39	23.00	No
Israel	Country note	–	18.00	No
Italy	920.31	1 222.19	22.00	No
Japan	Country note	–	5.00	No
Korea	Country note	–	10.00	No
Luxembourg	1 041.15	1 382.67	15.00	No
Mexico	0.53	–	16.00	No
Netherlands	1 686.00	2 239.04	6.0 or 21.0	No
New Zealand	Country note	–	15.00	No
Norway	69 800.00	11 876.81	25.00	No
Poland	5 704.00	1 805.06	23.00	No
Portugal	1 251.72	1 662.31	23.00	Yes
Slovak Republic	1 080.00	1 434.26	20.00	No
Slovenia	1 200.00	1 593.63	22.00	No
Spain	830.25	1 102.59	21.00	Yes
Sweden	50 642.50	7 775.60	25.00	No
Switzerland	2 900.00	3 128.37	8.00	Yes
Turkey	12 423.00	6 521.26	18.00	No
United Kingdom	2 822.00	4 409.38	20.00	No
United States	981.00	974.00	–	No

Conversion of national currency in USD: Conversion rates are average market rates (2013) published in *OECD Monthly Monetary Statistics* (*stats.oecd.org*).

a) Alcoholic beverages other than those included in Table 4.A4.1 and 4.A4.2.

Source: National Delegates – Position as at 1 January 2014.

StatLink http://dx.doi.org/10.1787/888933155274

Country notes to Table 4.A4.3

Australia. The excise duty of AUD 78.44 per litre of alcohol applies to all excisable beverages (but not beer) not exceeding 10% by volume of alcohol. A lower rate of AUD 73.25 per litre of alcohol applies to brandy (distilled from grape wine). These rates are indexed to inflation in February and August each year.

Austria. For small distilleries producing not more than 4 hl pure alcohol per year the rate EUR 540.

Canada. 1) Spirits are subject to excise duty at the rate of CAD 11.696 per litre abv. Spirits containing not more than 7% abv are subject to excise duty at the rate of CAD 0.295 per litre. 2) Beer with an alcoholic strength in excess of 11.9% abv is deemed to be Spirits. Provincial and territorial governments also charge various mark-ups and levies on spirits, generally at rates that exceed the federal level.

Chile. Alcoholic beverages are subject to a surtax on the sale or import. The rates are applied the following: 27% on liquors, brandy, vermouth, pisco, whiskey and other distilled alcoholic beverages; 15% on beer, wine, sparkling wine, champagne, cider and other alcoholic beverages. The tax is applied to the VAT base, that is the sale`s price (excluding VAT itself) and levies sales made between wholesale dealers. For sales between wholesalers, the tax paid to the vendor is creditable against the tax applied on sales at each stage of the value chain (including imports) until the last sale to the final retailer. The sale from this retailer to the final consumer is not subject to the surtax and the retailer cannot deduct the input tax nor is levied with this tax the sale of wine in bulk made by producers to a taxpayer seller subject to this surtax.

Denmark. An additional duty is placed on products which contain a mixture of spirits and non-alcoholic drinks, Rates: DKK 3.15 per litre of mixture.

Finland. Excise rates are as follows: a) CN-code 2208. alcoholic content between 1.2% abv and 2.8% abv. EUR 800; b) Other products EUR 4 555.

Germany. The rates for small distilleries are EUR 730 or EUR 1 022. Additional rate for alcopops: EUR 5 500 per hectolitre of absolute alcohol.

Greece. The rate for ouzo and ethyl alcohol (derogation possible for several regions but only applied in the department of Dodecanese) is EUR 1 225 per hectolitre of pure alcohol.

Hungary. Reduced rate applies to ethyl-alcohol produced by fruit growers' distilleries from fruit supplied to them by private fruit growers. The application of reduced rate is limited to 50 litres of pure alcohol for private consumption per fruit grower per year. Higher excise duty rate (HUF 476 270 per hectolitre of pure alcohol) for ethyl-alcohol products not listed in Annex II of 110/2008/EC Regulation.

Iceland. Excise rate shown in the table is the rate for other alcohol than beer or wine up to 15% abv. The rate is ISK 115.2 per each centilitre of alcohol by volume exceeding 2.25% abv.

Israel. The excise rates for all kinds of alcoholic beverages composed from specific excise of ILS 20.98 per litre of absolute alcohol and from *ad valorem* excise of 75% of the wholesale price. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Italy. Taxation applies for beverages of alcoholic strength exceeding 1.2% abv. The rate of EUR 78.81 applies to intermediate products.

Japan. Excise rates are as follows: a) Whiskey and brandy (40% abv) JPY 40 000; b) Spirits (37% abv) JPY 37 000; c) Shochu Group A and B (25% abv) JPY 25 000.

Korea. As Excise Tax for liquor is based on the value of the product, the rate does not vary with alcohol content. For whiskey, brandy, general distilled spirits, liquor, diluted soju and distilled soju, the Liquor tax is 72% and the Education tax is 30%.

Country notes to Table 4.A4.3 *(cont.)*

Mexico. The rates for alcoholic beverages apply as follows: 26.5% up to 14° Gay-Lussac (G.L.); 30% above 14° G.L. and up to 20° G.L.; 53% above 20° G.L.

Netherlands. For low alcohol spirits with an alcoholic content < 1.2% the VAT rate is 6%.

New Zealand. For alcoholic beverages with 9-14% abv, the excise rate is NZD 2.7870 per litre. For alcoholic beverages above 14% abv, the excise rate is NZD 50.759 per litre of absolute alcohol (with the exception of unfortified wine and vermouth which has the rate of NZD 2.7870 per litre of product).

Portugal. A reduced rate of 50% for small distilleries applies.

Slovak Republic. A reduced rate of 50% of the national rate of excise duty on ethyl alcohol, applies to ethyl alcohol produced by fruit growers' distilleries. The application of the reduced rate is limited to 43 litres of ethyl alcohol for personal consumption of the fruit growers' household per year.

Slovenia. Tax per hectolitre of absolute alcohol is EUR 1 200.

Spain. The excise rate in the Canary Islands is EUR 714.63 per hl of pure alcohol. There is a special regime for small distilleries for which the rate is EUR 799.19 per hl (or EUR 622.23 in the Canary Islands).

Switzerland. Under certain conditions, farmers do not pay tax on the first 5 litres of pure alcohol produced per year for their personal consumption. A reduced rate of 30% is applied to the first 30 litres of pure alcohol produced per year by small producers. Normal rate: CHF 2 900 per hectolitre. Special rate for certain types of wines: CHF 1 450 per hectolitre. Special rate for alcopops: CHF 11 600 per hectolitre (Alcopop – also called ready to drink (RTD) or designer drink) is a mix of alcohol and soda.

Turkey. The excise rate is 0%. If the tax amount computed according to the tax rate is lower than the minimum tax mount specified in the table, then the minimum tax amount is paid.

United Kingdom. All drinks over 22% abv are taxed as spirits. Most other mixtures of spirits with other types of alcohol are also taxed as spirits.

United States. The weighted average Federal and State excise tax rate is USD 981 per hectolitre. The Federal excise rate is USD 13.50 per proof gallon. A proof gallon is a US gallon (3.785 litres) containing 50% alcohol. There is no Federal VAT.

Table 4.A4.4. **Taxation of tobacco**

	Cigarettes			Cigars[b]			Tax on rolling tobacco for cigarettes			VAT
	Specific excise per 1 000		Excise on value	Specific excise per 1 000		Excise on value	Specific excise per 1 000 g		Excise on value	
	National currency	USD	% of RSP[a]	National currency	USD	% of RSP[a]	National currency	USD	% of RSP	%
Australia*	401.97	388.00	0.00	Country note	–	0.00	502.48	485.02	0.00	10.00
Austria*	35.00	46.48	42.00	0.00	0.00	13.00	0.00	0.00	54.00	20.00
Belgium	23.59	31.33	50.41	0.00	0.00	10.00	14.50	31.50	31.50	21.00
Canada*	85.00	82.52	Country note	18.50	17.96	Country note	106.25	103.16	Country note	5.0/13.0/14.0/15.0
Chile*	Country note	–	60.50	Country note	–	52.60	Country note	–	59.70	19.00
Czech Republic	1 190.00	60.84	27.00	1 340.00	68.51	–	1 800.00	92.02	–	21.00
Denmark*	1 182.50	210.48	1.00	198.00	35.24	10.00	788.50	140.35	0.00	25.00
Estonia	46.50	61.75	34.00	211.00	280.21	0.00	61.00	81.01	0.00	20.00
Finland*	28.00	37.18	52.00	0.00	0.00	29.00	20.00	26.56	52.00	24.00
France	48.75	64.74	64.70	18.00	23.90	28.00	67.50	89.64	62.00	20.00
Germany	92.60	122.97	21.87	14.00	18.59	1.47	43.31	57.52	14.41	19.00
Greece	80.00	106.24	20.00	0.00	0.00	34.00	153.00	203.19	0.00	23.00
Hungary*	12 500.00	55.91	31.00	0.00	0.00	28.50	0.00	0.00	52.00	27.00
Iceland*	22 650.00	185.40	36.50	Country note	–	36.50	16 200.00	132.61	37.60	25.50
Ireland*	241.83	321.16	8.72	Country note	–	0.00	252.22	334.95	0.00	23.00
Israel*	398.98	110.55	Country note	0.00	0.00	Country note	458.59	127.07	0.00	18.00
Italy	9.08	12.06	58.50	0.00	0.00	23.00	0.00	0.00	58.50	22.00
Japan*	12 244.00	125.45	0.00	12 244.00	125.45	0.00	12 244.00	125.45	0.00	5.00
Korea*	32 050.00	29.27	0.00	Country note	–	0.00	23 000.00	21.01	0.00	10.00
Luxembourg	17.56	23.32	48.11	0.00	0.00	10.00	7.30	9.69	32.80	15.00
Mexico*	350.00	27.41	39.60	Country note	–	Country note	Country note	–	Country note	16.00
Netherlands	169.86	225.58	2.36	0.00	0.00	5.00	72.64	96.47	7.19	21.00
New Zealand*	Country note	–	0.00	Country note	–	0.00	386.14	316.51	0.00	15.00
Norway	2 390.00	406.67	0.00	2 390.00	406.67	0.00	2 390.00	406.67	0.00	25.00
Poland*	206.76	65.43	31.41	280.25	88.69	–	141.29	44.71	31.41	23.00
Portugal*	87.33	115.98	17.00	0.00	0.00	25.00	75.00	99.60	20.00	23.00
Slovak Republic*	59.50	79.02	23.00	77.37	102.75	–	71.11	94.44	0.00	20.00
Slovenia*	65.24	86.64	21.87	0.00	0.00	5.00	67.50	89.64	0.00	22.00
Spain	24.10	32.01	51.00	0.00	0.00	15.80	22.00	29.22	41.50	21.00
Sweden	1 270.00	194.99	1.00	1 120.00	171.96	0.00	1 560.00	239.52	0.00	25.00
Switzerland*	118.32	127.64	25.00	5.60	6.04	1.00	38.00	40.99	25.00	8.00
Turkey*	197.00	103.41	65.25	197.10	103.46	40.00	197.10	103.46	65.25	18.00
United Kingdom*	176.22	275.34	16.50	219.82	343.47	0.00	172.74	269.91	0.00	20.00
United States*	133.00	133.00	Country note	Country note	–	–	Country note	–	–	–

* See Country notes.

Conversion of national currency in USD: conversion rates are average market rates (2013) published in *OECD Monthly Monetary Statistics* (stats.oecd.org).

a) RSP. Retail selling price.

b) Cigars. Denmark and Japan tax cigars at a rate per 1 000 pieces and not according to weight. In Denmark, it is assumed that a cigar weighs 3 grams and in Japan 1 gram.

Source: National Delegates – Position as at 1 January 2014.

StatLink http://dx.doi.org/10.1787/888933155289

Country notes to Table 4.A4.4

Australia. The excise rate of AUD 0.40197 per stick applies to cigarettes or cigars (in stick form) not exceeding in weight 0.8 grams per stick actual tobacco content. Other tobacco products are subject to an excise rate of AUD 502.48 per kilogram of tobacco content.

Austria. The excise duty on cigars is 13% of RSP, at least EUR 100 for 1 000 pieces. Minimum excise duty on rolling tobacco for cigarettes is EUR 60 per kg.

Canada. As of 1 January 2014, the excise duty on cigars was CAD 18.50 per 1 000 cigars plus an additional excise duty based on the greater of CAN 0.67 per cigar and 67% of the sale price. Each Province and Territory also levies a tobacco tax at varying rates on all tobacco products. Retail sales prices are then subject to GST/HST and, in some cases, when the HST is not applicable, to a provincial sales tax. Note that, effective 12 February 2014, the federal rates of excise duty on tobacco products were increased and are not reflected in this table. As of 12 February 2014, the new rates are: CAD 105.15 per 1 000 cigarettes; CAD 22.88559 per 1 000 cigars, plus an additional duty based on the greater of CAD 0.08226 per cigar or 82% of the sale price; and, CAD 131.44 per 1 000 grams of other manufactured tobacco, including “rolling tobacco for cigarettes”.

Chile. The sale of tobacco products is subject to 19% VAT and to a tax on the sale or import of processed tobacco, cigarettes and cigars. The tax applied to processed tobacco is of 59.7% on the sales price. Cigarettes are taxed at a rate of 60.5% over the pack sales price and with an additional rate of 0.000128803 of a Monthly Tax Unit per cigarette contained in the pack (a Monthly Tax Unit equals approximately CLP 40 935 or USD 76.22). Cigars are taxed at a rate of 52.6%. The tax base of the excise tax is the sale` price to the final consumer, including VAT and the tax levied on tobacco, cigarettes and cigars.

Denmark. The excise tax for other smoking tobaccos is DKK 722.5/1 000 g for coarse-cut tobacco.

Finland. Cigarette paper: excise 60% of RSP. Other smoking tobacco: EUR 19.00/kg and 48% of RSP. Minimum excise tax is 161.50 per 1 000 pieces for cigarettes and EUR 97.50/kg for fine cut rolling tobacco for cigarettes.

Hungary. The excise tax for other smoking tobacco is 32.5%. Minimum excise tax is HUF 24 920 per 1 000 pieces for cigarettes, HUF 12 460 per kg on rolling and other tobacco. VAT as % of tax included retail selling price is 21.26%

Iceland. There is no specific excise rate for a piece of cigars. The rate is ISK 16 200 per 1 000 grams of cigars (i.e. the same rate as for rolling tobacco).

Ireland. The rate of excise duty on cigarettes in Ireland is EUR 241.83 per 1 000 cigarettes together with an amount equal to 8.72% of the price at which the cigarettes are sold by retail or EUR 275.62 per 1 000 cigarettes, whichever is the greater. The rate of excise duty on cigars is EUR 279.345 per kilogram. The rate of excise duty on fine-cut tobacco for the rolling of cigarettes is EUR 252.222 per kilogram. Other smoking tobacco is subject to excise duty at a rate of EUR 193.799 per kilogram.

Israel. Excises on value for cigarettes and for cigars are 270% and 90% of the wholesale price, respectively. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Japan. The tax consists of a national element, a prefectural element and a municipal element.

Korea. The excise tax on cigars is KRW 65 400/1 000 g and taxation of tobacco is local government excise tax.

Mexico. An *ad valorem* rate of 160% on the producer or importer price applies for all categories. A reduced rate of 30.4% applies for cigars or rolling tobacco as long as these products are fully handmade. In addition, a charge of MXN 0.35 should be paid for each sold or imported cigarette. This charge also applies for cigars and other tobacco (MXN 0.35 per each 0.75 grams), with the exemption of those that are fully handmade.

Country notes to Table 4.A4.4 *(cont.)*

New Zealand. The excise rate for 1 000 cigarettes with actual tobacco content not exceeding in weight of 0.8 kg is NZD 545.39. The excise rate for cigarettes exceeding 0.8 kg in actual tobacco content per 1 000 cigarettes is NZD 777.18 The excise rate per kilo of tobacco content for other tobacco products, such as snuff, cigars, cheroots and cigarillos is NZD 681.72.

Portugal. Excise tax on cigarettes is reduced to: 1) EUR 16.30 and 38% for cigarettes sold in Azores Islands and made by small producers from the Azores and Madeira Islands; 2) EUR 78.37 and 20% for cigarettes sold in Madeira Island and made by small producers from the Azores and Madeira Islands.

Slovak Republic. Tax on rolling tobacco for cigarettes includes other smoking tobacco.

Slovenia. Minimum excise duty is EUR 101 per 1 000 cigarettes.

Switzerland. If the Retail Selling Price for 1 000 cigarettes is CHF 375.00 or less, minimum excise duty (specific + on value) yields CHF 212.10 for 1 000 pieces. Specific excise per 1 000 grams of rolling tobacco for cigarettes: the minimum excise duty (specific + on value) yields CHF 80.00 per 1 000 grams.

Turkey. Minimum tax amount per 1 000 cigarettes is TL 197.10. Specific tax amount is 0.1366 for 1 pack of cigarettes. Tax on cigarettes and other tobacco products computed according to the tax rate cannot be less than the minimum tax amount. After calculating the tax according to minimum tax amount system, specific tax amount is added to the tax for 1 pack of cigarettes.

United Kingdom. Specific excise rate for cigars is given per kilogram and not for 1 000 units. Specific rates exist for “other smoking tobacco” and “other chewing tobacco” which are currently both set at GBP 84.98 per kilo.

United States. State taxes vary widely. The weighted average of Federal and State taxes per thousand cigarettes is USD 133.00. Federal specific excise tax rates on tobacco are: USD 50.33 per thousand for small cigarettes (no more than 3 pounds per thousand); USD 105.69 per thousand for large cigarettes; USD 50.33 per thousand for small cigars weighing no more than 3 pounds per thousand; 52.75% of the manufacturers price but not more than USD 402.60 per thousand for large cigars; and USD 24.78 per pound (USD 54.63 per kg) for roll-your-own tobacco. Some states also tax on an *ad valorem* basis.

Table 4.A4.5. **Taxation of premium unleaded (94-96 RON) gasoline (per litre), 2013**[a]

	Ex-tax price[b]	Ex-tax price[b]	Excise[c]		VAT rate[d]	VAT amount	Total tax	Total price	Total tax as % of total price
	National currency	USD	National currency	USD	%	USD	USD	USD	
Australia	1.06	1.02	0.38	0.37	10.00	0.14	0.51	1.53	33.11
Austria	0.63	0.84	0.49	0.65	20.00	0.30	0.95	1.79	53.19
Belgium	0.77	1.02	0.61	0.82	21.00	0.39	1.20	2.22	54.10
Canada	0.98	0.95	0.34	0.33	5.00	0.06	0.39	1.34	29.28
Chile	445.70	0.90	250.30	0.51	19.00	0.17	0.68	1.58	42.87
Czech Republic	16.82	0.86	12.84	0.66	21.00	0.32	0.97	1.83	53.13
Denmark	6.04	1.07	4.41	0.78	25.00	0.46	1.25	2.32	53.76
Estonia	0.64	0.85	0.42	0.56	20.00	0.28	0.84	1.70	49.80
Finland	0.64	0.85	0.65	0.86	24.00	0.41	1.28	2.13	59.96
France	0.63	0.84	0.61	0.81	20.00	0.33	1.14	1.98	57.76
Germany	0.65	0.87	0.66	0.87	19.00	0.33	1.20	2.07	58.08
Greece	0.66	0.87	0.67	0.89	23.00	0.41	1.29	2.17	59.78
Hungary	204.28	0.91	123.30	0.55	27.00	0.40	0.95	1.86	50.90
Iceland	130.53	1.07	63.97	0.52	25.50	0.41	0.93	2.00	46.53
Ireland	0.70	0.93	0.59	0.78	23.00	0.39	1.17	2.10	55.81
Israel	2.42	0.67	4.00	1.11	18.00	0.32	1.43	2.10	68.07
Italy	0.68	0.91	0.73	0.97	22.00	0.41	1.38	2.28	60.35
Japan	95.40	0.98	56.10	0.57	5.00	0.08	0.65	1.63	40.03
Korea	1 216.34	1.11	781.89	0.71	10.00	0.18	0.90	2.01	44.66
Luxembourg	0.66	0.88	0.46	0.61	15.00	0.22	0.84	1.72	48.75
Mexico	10.75	0.84	0.00	0.00	16.00	0.13	0.13	0.98	13.79
Netherlands	0.64	0.85	0.75	1.00	21.00	0.39	1.39	2.24	61.93
New Zealand	1.28	1.05	0.64	0.53	15.00	0.24	0.76	1.81	42.07
Norway	6.07	1.03	5.69	0.97	25.00	0.50	1.47	2.50	58.71
Poland	2.71	0.86	1.67	0.53	23.00	0.32	0.85	1.71	49.65
Portugal	0.66	0.88	0.59	0.78	23.00	0.38	1.16	2.04	56.84
Slovak Republic	0.71	0.94	0.52	0.68	20.00	0.32	1.01	1.95	51.79
Slovenia	0.63	0.83	0.55	0.73	22.00	0.34	1.08	1.91	56.45
Spain	0.69	0.92	0.46	0.62	21.00	0.32	0.94	1.86	50.56
Sweden	5.92	0.91	5.37	0.82	25.00	0.43	1.26	2.17	58.04
Switzerland	0.87	0.94	0.73	0.79	8.00	0.14	0.93	1.86	49.65
Turkey	2.04	1.07	2.18	1.14	18.00	0.40	1.54	2.61	59.00
United Kingdom	0.51	0.80	0.58	0.91	20.00	0.34	1.25	2.04	61.05
United States	0.78	0.78	0.14	0.14	–	–	0.14	0.92	14.75

Conversion of national currency in USD: Conversion rates are average market rates (2013) published in *OECD Monthly Monetary Statistics* (*stats.oecd.org*). See also Annex A.

a) Prices and taxes as at 4th Quarter 2013.

b) Pre-tax price is the price excluding VAT and excise.

c) Excise taxes include all non-VAT taxes levied on the product. When different rates apply to the same product depending e.g. on its biofuel or sulphur content, the rate shown is the one applicable to the most commonly used fuel in the country.

d) GST for Australia, Canada and New Zealand, sales taxes for the United States and Consumption Tax for Japan. VAT for all other countries.

Source: International Energy Agency, *Energy Prices and Taxes 4th Quarter 2013* and European Commission, Doc. Ref. 1035, *Excise Duty Tables*, Part II, January 2014.

StatLink http://dx.doi.org/10.1787/888933155298

Country notes to Table 4.A4.5

Canada. Excise rates include federal and provincial/urban taxes (the federal rate is CAD 10.0 per litre).

Chile. The Consumer Protection System of IEC Taxpayers (*Sistema de Protección al Contribuyente del Impuesto Especifico a los Combustibles* – SIPCO) introduced in 2011 is the variable component of the excise and acts weekly either as a tax or a tax credit to stabilise consumer price compared to international market price variations. The variable component is added to the fixed component of the excise.

Iceland. Since this country is not member of the IEA or the EU, data is taken from the OECD Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels 2013.

Israel. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law. Figures as of 2nd Quarter 2013.

Japan. Excise rate is given for regular unleaded (91 RON) instead of premium unleaded.

Mexico. There are no excise duties on volume. A tax (Impuesto Especial de Productos y Servicios) is charged as a percentage of the value of the product at wholesale level. It is included in the ex-tax price.

United States. Average federal and state taxes – there is no VAT.

European Union. Directive 93/2006/EC sets minimal excise rates for energy products and electricity.

Table 4.A4.6. **Taxation of automotive diesel (per litre), 2013**[a]

	Ex-tax price[b]	Ex-tax price[b]	Excise[c]		VAT rate[d]	VAT	Total tax	Total price	Total tax as % of total price
	National currency	USD	National currency	USD	%	USD	USD	USD	
Australia	1.06	1.02	0.38	0.37	10.00	0.14	0.51	1.53	33.13
Austria	0.71	0.94	0.41	0.54	20.00	0.30	0.84	1.78	47.10
Belgium	0.78	1.03	0.43	0.57	21.00	0.34	0.90	1.94	46.69
Canada	1.00	0.97	0.26	0.25	5.00	0.06	0.31	1.28	24.14
Chile	468.20	0.95	60.90	0.12	19.00	0.20	0.33	1.27	25.64
Czech Republic	18.99	0.97	10.95	0.56	21.00	0.32	0.88	1.85	47.58
Denmark	5.93	1.06	3.02	0.54	25.00	0.40	0.93	1.99	46.97
Estonia	0.71	0.94	0.39	0.52	20.00	0.29	0.81	1.75	46.41
Finland	0.74	0.98	0.47	0.62	24.00	0.38	1.01	1.99	50.78
France	0.67	0.89	0.44	0.58	20.00	0.29	0.88	1.76	49.71
Germany	0.72	0.95	0.47	0.62	19.00	0.30	0.92	1.88	49.21
Greece	0.78	1.03	0.33	0.44	23.00	0.34	0.78	1.81	42.94
Hungary	218.55	0.98	113.56	0.51	27.00	0.40	0.91	1.89	48.18
Iceland	143.24	1.17	79.34	0.65	25.50	0.46	1.11	2.29	48.72
Ireland	0.74	0.99	0.48	0.64	23.00	0.37	1.01	2.00	50.57
Israel	3.48	0.96	2.88	0.80	18.00	0.32	1.12	2.08	53.63
Italy	0.74	0.98	0.62	0.82	22.00	0.40	1.21	2.19	55.41
Japan	97.20	1.00	34.40	0.35	5.00	0.07	0.42	1.42	29.66
Korea	1 016.98	0.93	528.75	0.48	10.00	0.14	0.62	1.55	40.19
Luxembourg	0.71	0.94	0.34	0.44	15.00	0.21	0.65	1.60	40.89
Mexico	10.54	0.83	0.00	0.00	16.00	0.13	0.13	0.96	13.79
Netherlands	0.71	0.94	0.44	0.58	21.00	0.32	0.91	1.85	48.98
New Zealand	1.29	1.06	0.00	0.00	15.00	0.16	0.16	1.22	13.31
Norway	6.33	1.08	4.36	0.74	25.00	0.45	1.20	2.27	52.63
Poland	2.97	0.94	1.46	0.46	23.00	0.32	0.78	1.72	45.47
Portugal	0.75	0.99	0.37	0.49	23.00	0.34	0.83	1.82	45.53
Slovak Republic	0.79	1.04	0.37	0.49	20.00	0.31	0.79	1.84	43.26
Slovenia	0.68	0.91	0.44	0.59	22.00	0.33	0.92	1.82	50.27
Spain	0.75	0.99	0.37	0.49	21.00	0.31	0.80	1.79	44.76
Sweden	7.09	1.09	4.63	0.71	25.00	0.45	1.16	2.25	51.59
Switzerland	0.96	1.04	0.76	0.82	8.00	0.15	0.97	2.00	48.32
Turkey	2.16	1.13	1.60	0.84	18.00	0.35	1.19	2.33	51.24
United Kingdom	0.57	0.90	0.58	0.91	20.00	0.36	1.27	2.16	58.59
United States	0.88	0.88	0.14	0.14	–	–	0.14	1.02	13.89

Conversion of national currency in USD: Conversion rates are average market rates (2013) published in *OECD Monthly Monetary Statistics* (*stats.oecd.org*). See also Annex A.

a) Prices and taxes as at 4th Quarter 2013.

b) Pre-tax price is the price excluding VAT and excise.

c) Excise taxes include all non-VAT taxes levied on the product. When different rates apply to the same product depending e.g. on its biofuel or sulphur content, the rate shown is the one applicable to the most commonly used fuel in the country.

d) GST for Australia, Canada and New Zealand, sales taxes for the United States and Consumption Tax for Japan. VAT for all other countries.

Source: International Energy Agency, *Energy Prices and Taxes 4th Quarter 2013* and European Commission, Doc. Ref. 1035, *Excise Duty Tables*, Part II, January 2014.

StatLink http://dx.doi.org/10.1787/888933155306

Country notes to Table 4.A4.6

Canada. Excise rates include federal and provincial/urban taxes (the federal rate is CAD 0.04 per litre).

Chile. The Consumer Protection System of IEC Taxpayers (*Sistema de Protección al Contribuyente del Impuesto Especifico a los Combustibles* – SIPCO) introduced in 2011 is the variable component of the excise and acts weekly either as a tax or a tax credit to stabilise consumer price compared to international market price variations.

Iceland. Since this country is not member of the IEA or the EU, data is taken from the OECD Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels 2013.

Israel. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law. Figures as of 2nd Quarter 2013.

Mexico. There are no excise duties on volume. A tax (Impuesto Especial de Productos y Servicios) is charged as a percentage of the value of the product at wholesale level. It is included in the ex-tax price.

Portugal. Automotive diesel used for agriculture is taxed at a lower VAT rate of 13%.

United States. Average federal and state taxes – there is no VAT.

European Union. Directive 93/2006/EC sets minimal excise rates for energy products and electricity.

Table 4.A4.7. **Taxation of liquid petroleum gas (LPG) Propellant use (per litre), 2013**[a]

	Ex-tax price[b]	Ex-tax price[b]	Excise[c]		VAT rate[d]	VAT	Total tax	Total price	Total tax as % of total price
	National currency	USD	National currency	USD	%	USD	USD	USD	
Australia	0.66	0.63	0.08	0.07	10.00	0.07	0.14	0.78	18.43
Austria	0.53	0.71	0.13	0.18	20.00	0.18	0.35	1.06	33.31
Belgium	0.57	0.76	0.00	0.00	21.00	0.16	0.16	0.92	17.36
Canada	Country note								
Chile	Country note								
Czech Republic	12.06	0.62	2.16	0.11	21.00	0.15	0.26	0.88	29.91
Denmark	6.87	1.22	1.93	0.34	25.00	0.39	0.73	1.96	37.52
Estonia	0.54	0.71	0.07	0.09	20.00	0.16	0.25	0.97	26.29
Finland	Country note			0.00					
France	0.66	0.88	0.06	0.08	20.00	0.19	0.27	1.15	23.62
Germany	0.51	0.67	0.09	0.12	19.00	0.15	0.27	0.95	28.85
Greece	0.47	0.62	0.17	0.22	23.00	0.19	0.42	1.04	40.24
Hungary	185.16	0.83	48.88	0.22	27.00	0.28	0.50	1.33	37.70
Iceland	Country note								
Ireland	0.54	0.72	0.10	0.13	23.00	0.20	0.33	1.05	31.34
Israel	Country note			0.00					
Italy	0.51	0.68	0.15	0.20	22.00	0.19	0.39	1.07	36.29
Japan	91.06	0.93	9.80	0.10	5.00	0.05	0.15	1.09	14.02
Korea	747.22	0.68	221.06	0.20	10.00	0.09	0.29	0.97	29.85
Luxembourg	0.54	0.72	0.05	0.07	15.00	0.12	0.19	0.91	20.90
Mexico	Country note								
Netherlands	0.51	0.67	0.10	0.13	21.00	0.17	0.30	0.97	30.99
New Zealand	1.03	0.85	0.10	0.09	15.00	0.14	0.23	1.07	20.99
Norway	5.07	0.86	0.34	0.06	25.00	0.23	0.29	1.15	25.06
Poland	1.66	0.52	0.42	0.13	23.00	0.15	0.28	0.81	35.16
Portugal	0.52	0.69	0.07	0.09	23.00	0.18	0.27	0.96	27.70
Slovak Republic	0.38	0.51	0.09	0.12	20.00	0.13	0.25	0.76	32.84
Slovenia	0.56	0.74	0.08	0.11	22.00	0.19	0.30	1.04	28.68
Spain	0.60	0.80	0.03	0.04	21.00	0.18	0.22	1.02	21.53
Sweden	5.84	0.90	1.33	0.20	25.00	0.28	0.48	1.38	34.80
Switzerland	Country note								
Turkey	1.59	0.83	0.89	0.46	18.00	0.23	0.70	1.53	45.56
United Kingdom	0.59	0.92	0.16	0.25	20.00	0.23	0.49	1.40	34.69
United States	Country note		n.a.		-				

Conversion of national currency in USD: Conversion rates are average market rates (2013) published in *OECD Monthly Monetary Statistics* (*stats.oecd.org*). See also Annex A.

a) Prices and taxes as at 4th Quarter 2013.

b) Pre-tax price is the price excluding VAT and excise.

c) Excise include all non-VAT taxes levied on the product. According to EU Directive 2003/96/EC, excise rates for LPG are set per 1 000 kg. The rates are converted into tax per litre in the table; the conversion rate for the purpose of this table is 1 kg = 1.985 litre.

d) GST for Australia, Canada and New Zealand, sales taxes for the United States and Consumption Tax for Japan.

Source: International Energy Agency, *Energy Prices and Taxes 4th Quarter 2013* and European Commission, Doc. Ref. 1035, *Excise Duty Tables*, Part II, January 2014.

StatLink http://dx.doi.org/10.1787/888933155318

Country notes to Table 4.A4.7.

Austria. Ex-tax price calculated from industry data; Excise rate is taken from Excise Duty Tables, European Commission, January 2014, Rev. 2, REF 1039.

Belgium. Vehicles equipped for LPG are subject to a compensating annual tax from EUR 89.16 up to EUR 208.20, according to engine power with progressive scale.

Canada. LPG sales as road fuel in Canada are not significant.

Chile. Data on LPG for propellant use is currently not available.

Denmark. Ex-tax price calculated from industry data; Excise rate is taken from Excise Duty Tables, European Commission, January 2014, Rev. 2, REF 1039.

Finland. LPG is not available as road fuel in the country.

Greece. Ex-tax price calculated from industry data; Excise rate is taken from Excise Duty Tables, European Commission, January 2014, Rev. 2, REF 1039.

Iceland. LPG is not available as road fuel in the country.

Ireland. Ex-tax price calculated from industry data; Excise rate is taken from Excise Duty Tables, European Commission, January 2014, Rev. 2, REF 1039.

Israel. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law. Data on LPG is not available.

Mexico. Data on LPG is not available.

New Zealand. Ex-tax price calculated from industry data; Excise duties of NZD 0.104/l are taken from Ministry of Business, Innovation and employment.

Norway. Ex-tax price calculated from industry data; excise of NOK 0.342/l is taken from the Customs Department.

Sweden. Ex-tax price calculated from industry data; Excise rate is taken from Excise Duty Tables, European Commission, January 2014, Rev. 2, REF 1039.

Switzerland. Data on LPG is not available.

United Kingdom. Ex-tax price calculated from industry data; Excise rate is taken from Excise Duty Tables, European Commission, January 2014, Rev. 2, REF 1039.

United States. Data on LPG is not available.

European Union. Directive 93/2006/EC sets minimal excise rates for energy products and electricity.

Table 4.A4.8. **Taxation of light fuel oil for households (per litre), 2013**[a]

	Ex-tax price[b]	Ex-tax price[b]	Excise[c]		VAT[d]	VAT	Total tax	Total price	Total tax as % of total price
	National currency	USD	National currency	USD	%	USD	USD	USD	
Australia	Country note								
Austria	0.67	0.89	0.11	0.14	20.00	0.21	0.35	1.24	28.30
Belgium	0.69	0.91	0.02	0.03	21.00	0.20	0.22	1.13	19.58
Canada	1.09	1.06	0.06	0.06	5.00	0.06	0.11	1.18	9.72
Chile	532.21	1.07	0.00	0.00	19.00	0.20	0.20	1.28	15.97
Czech Republic	17.41	0.89	0.66	0.03	21.00	0.19	0.23	1.12	20.37
Denmark	6.36	1.13	3.01	0.54	25.00	0.42	0.95	2.08	45.72
Estonia	0.71	0.94	0.11	0.15	20.00	0.22	0.37	1.31	27.95
Finland	0.71	0.95	0.16	0.22	24.00	0.28	0.50	1.44	34.34
France	0.70	0.93	0.06	0.08	20.00	0.20	0.28	1.20	22.96
Germany	0.63	0.83	0.06	0.08	19.00	0.17	0.25	1.09	23.41
Greece	0.69	0.92	0.33	0.44	23.00	0.31	0.75	1.67	44.90
Hungary	194.83	0.87	113.56	0.51	27.00	0.37	0.88	1.75	50.25
Iceland	Country note								
Ireland	0.84	1.11	0.10	0.13	13.50	0.17	0.30	1.41	21.29
Israel	3.48	0.96	2.88	0.80	18.00	0.32	1.11	2.08	53.60
Italy	0.75	1.00	0.40	0.54	22.00	0.34	0.87	1.87	46.61
Japan	94.62	0.97	2.29	0.02	5.00	0.05	0.07	1.04	7.01
Korea	1 125.38	1.03	103.50	0.09	10.00	0.11	0.21	1.23	16.75
Luxembourg	0.67	0.89	0.01	0.01	12.00	0.11	0.12	1.01	12.03
Mexico	Country note								
Netherlands	0.37	0.48	0.44	0.58	21.00	0.22	0.81	1.29	62.53
New Zealand	Country note								
Norway	6.55	1.11	1.63	0.28	25.00	0.35	0.63	1.74	35.95
Poland	2.93	0.93	0.23	0.07	23.00	0.23	0.30	1.23	24.67
Portugal	0.72	0.95	0.33	0.44	23.00	0.32	0.76	1.71	44.35
Slovak Republic	Country note								
Slovenia	0.65	0.86	0.17	0.23	22.00	0.24	0.47	1.33	35.25
Spain	0.66	0.87	0.09	0.12	21.00	0.21	0.32	1.19	27.05
Sweden	6.71	1.03	3.91	0.60	25.00	0.41	1.01	2.04	49.45
Switzerland	0.84	0.90	0.16	0.17	8.00	0.09	0.26	1.16	22.28
Turkey	2.00	1.05	0.24	0.13	18.00	0.21	0.34	1.39	24.33
United Kingdom	0.53	0.83	0.11	0.17	20.00	0.20	0.37	1.21	31.03
United States	0.99	0.99	0.00	0.00	0.00	0.00	0.00	0.99	0.00

Conversion of national currency in USD: Conversion rates are average market rates (2013) published in *OECD Monthly Monetary Statistics* (*stats.oecd.org*). See also Annex A.

a) Prices and taxes as at 4th quarter 2013.

b) Pre-tax price is the price excluding VAT and excise.

c) Excise taxes include all non-VAT taxes levied on the product.

d) GST for Australia, Canada and New Zealand, sales taxes for the United States and Consumption Tax for Japan. VAT for all other countries.

Source: International Energy Agency, *Energy Prices and Taxes 4th Quarter 2013* and European Commission, Doc. Ref. 1035, *Excise Duty Tables*, Part II, January 2014. Prices as at 4th Quarter 2013.

StatLink http://dx.doi.org/10.1787/888933155327

Country notes to Table 4.A4.8

Australia. No data is available.

Canada. Excise rates include provincial/urban taxes. There is no federal excise tax on diesel fuel used as home heating oil or for the generation of electricity.

Hungary. Ex-tax price provided in European Commission, *Energy Policy Figures*; Excise rate is taken from *Excise Duty Tables*, European Commission, January 2014, Rev. 2, REF 1039.

Iceland. No data is available.

Israel. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law. Figures as of 2nd Quarter 2013.

Japan. Kerosene for households.

Korea. Kerosene for households.

Luxembourg. A reduced VAT rate of 12% applies to heating gas oil.

Mexico. There are no excise duties on volume. A tax (Impuesto Especial de Productos y Servicios) is charged as a percentage of the value of the product at wholesale level. It is included in the ex-tax price.

Netherlands. Data given in European Commission, *Energy Policy and Excise Duty Tables*; Excise rate is taken from *Excise Duty Tables*, European Commission, January 2014, Rev. 2, REF 1039.

New Zealand. No data is provided because the product is not consumed in significant quantities.

Slovak Republic. Data is not available because the product is not consumed in significant quantities.

Unites States. Average federal and states taxes – there is no VAT.

European Union. Directive 93/2006/EC sets minimal excise rates for energy products and electricity.

Table 4.A4.9. **Excises (5121) as percentage of total taxation**

	1965	1975	1985	1990	1995	2000	2005	2009	2010	2011
Australia	15.5	11.8	13.9	10.3	9.4	9.2	7.6	7.6	7.4	6.7
Austria	9.8	7.9	7.0	6.1	6.0	6.0	6.3	5.6	5.7	5.8
Belgium	8.3	6.6	4.7	4.9	5.2	5.0	5.3	4.9	4.9	4.7
Canada	9.8	6.3	7.9	5.9	5.6	4.7	4.9	4.7	4.7	4.5
Chile	..	..	..	9.3	7.9	10.3	7.8	7.5	7.2	6.8
Czech Republic	..	..	..	..	9.8	9.3	9.8	10.8	10.8	11.2
Denmark	26.0	13.7	11.8	9.9	10.5	10.4	9.7	8.3	8.6	8.7
Estonia	..	..	..	..	7.5	9.6	12.0	14.1	12.7	13.6
Finland	13.4	11.5	12.0	9.8	9.9	9.0	8.6	8.0	8.3	8.9
France	10.8	6.5	6.2	6.2	6.7	6.2	5.7	5.6	5.5	5.5
Germany	11.1	8.8	6.8	6.9	7.1	7.5	8.4	7.2	7.0	6.9
Greece	17.3	13.6	14.4	12.0	14.4	9.0	8.2	8.5	10.6	11.8
Hungary	..	..	..	..	10.0	10.4	9.7	9.5	9.2	9.3
Iceland	1.1	3.0	6.0	2.0	8.9	9.3	9.2	7.9	8.6	8.6
Ireland	39.2	26.0	19.0	17.1	15.1	13.5	10.9	10.7	10.3	10.1
Israel[a]	..	..	..	..	3.5	3.5	4.5	5.6	5.9	5.6
Italy	14.8	10.2	5.8	7.7	7.9	6.3	5.6	4.9	4.9	5.0
Japan	17.2	11.3	10.5	6.6	7.4	7.2	6.9	6.7	6.5	6.4
Korea	..	22.0	13.7	13.2	13.5	13.3	12.0	9.3	10.7	7.9
Luxembourg	9.8	7.3	10.3	9.7	11.7	12.0	11.8	9.7	9.4	9.5
Mexico	..	..	11.4	7.9	8.3	8.5	3.3	3.4	3.5	3.3
Netherlands	8.1	6.3	5.4	5.7	7.4	8.3	8.5	8.1	8.0	7.9
New Zealand	12.4	9.4	7.4	7.0	5.8	5.4	3.9	2.8	2.9	2.8
Norway	13.9	10.3	14.5	12.4	12.5	8.7	7.4	7.2	7.0	6.6
Poland	..	..	..	..	10.0	11.1	12.7	11.9	13.3	12.8
Portugal	15.2	13.0	16.1	13.8	14.9	11.5	12.1	10.3	10.5	9.5
Slovak Republic	..	..	..	..	8.7	9.1	11.6	9.6	10.4	10.1
Slovenia	..	..	..	..	..	8.4	9.0	11.5	11.5	11.6
Spain	5.6	2.2	5.4	5.8	7.7	7.5	6.4	6.8	6.6	6.4
Sweden	14.9	8.8	9.4	7.3	7.2	6.0	6.1	6.2	6.0	5.8
Switzerland	9.0	7.7	6.8	5.2	5.6	5.5	5.4	4.9	5.1	4.8
Turkey	23.2	17.6	3.8	0.9	1.0	11.7	21.2	18.6	19.9	17.8
United Kingdom	21.8	12.7	11.2	9.7	11.3	10.5	8.8	9.2	8.9	8.5
United States	12.7	7.6	6.2	4.1	4.6	3.7	3.9	4.2	4.1	3.9
Unweighted average[b]										
OECD-average	**14.2**	**10.5**	**9.5**	**8.1**	**8.3**	**8.5**	**8.4**	**8.0**	**8.1**	**7.9**

a) Israel. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

b) Unweighted averages. All member counties are taken into account for the calculation of the unweighted averages, including countries that had not implemented the relevant taxes for the year considered. They are counted with a value of zero in the numerator and 1 in the denominator. However, countries that did not exist at the time considered (Czech and Slovak Republics before 1993; Slovenia before 1991) are not included in the calculation of the averages. Are also excluded from the calculation of the averages the countries for which no data is available for the time considered (Chile before 1990, Estonia, Hungary and Israel before 1995, Korea before 1975; Mexico before 1980; Poland before 1995; and Slovak Republic before 2000).

Source: OECD (2013), *Revenue Statistics 2013*, OECD Publishing, Paris.

StatLink http://dx.doi.org/10.1787/888933155337

Chapter 5

Taxing vehicles

This chapter describes the main features of vehicle taxes and their use for influencing customer behaviour over the last decades, in particular within the context of environmental policies. It looks in more detail at the taxes on sale and registration of vehicles and recurrent taxes on use of motor vehicles and their components and provides comparative statistics on the level of these taxes.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

1. Introduction

Taxes on vehicles were introduced in most OECD countries in the first half of the 20th Century and have become an important source of tax revenue for most governments. All member countries rely heavily on a range of tax instruments to ensure significant budgetary receipts from both private and commercial road users. Vehicle taxation in its widest definition represents a prime example of the use of the whole spectrum of consumption taxes including VAT, specific and *ad valorem* taxes. For more than fifteen years, these taxes have been adapted to influence consumer behaviour, mainly to achieve environmental objectives.

Taxes and charges on vehicles include:

- Taxes on purchase (including VAT and retail sales taxes) and registration of motor vehicles, payable once at the time of acquisition, or first putting into service, of a vehicle (see Table 5.A5.1).
- Periodic taxes payable in connection with the ownership or use of the vehicles (see Table 5.A5.2).
- Taxes on fuels (see Tables 4.A4.5 to 4.A4.7 in Chapter 4).
- Any other taxes and charges, such as insurance taxes, road tolls, congestion charges, etc.

The sale and use of motor vehicles generates considerable VAT or sales tax revenue. These taxes are levied on the import and sale of vehicles (in the latter case by application to the full selling price or, for used cars, only in respect of the margin between the buying and the selling price). VAT or sales tax will also apply to general maintenance and running costs. In addition, they are levied in most cases on the final duty-paid value (e.g. VAT on fuel is levied on the excise-inclusive price, see Tables 4.A4.5 to 4.A4.7).

Taxes on vehicles reflect a variety of influences beyond the obvious need to raise revenue. Geographic, industrial, social, energy, transport and environmental policy considerations have all had an influence on the level and structure of taxation. Most of them (except more recent pollution-related taxes) were instituted in a time when cars were considered luxury items. Wider ownership of cars in recent decades has reduced the progressivity of those taxes (many low income households have at least one car today). In most cases, current taxation schemes are used to influence consumer or business behaviour. More recently, energy and environmental considerations have led to an adjustment of taxation according to the fuel efficiency of vehicles, CO_2 and other polluting emissions, town planning and transport policies, including the introduction of road or urban tolls.

In most countries, total taxes on vehicles result from a combination of one-off (on purchase or import) and recurrent (on ownership or use) taxes as well as from a mix between *ad valorem* (on the price) and specific taxes (taking into account polluting emissions, weight, engine power, number of axles, age, fuel efficiency, equipment, suspension, cylinder capacity, number of seats, type of fuel, electric propulsion and distance covered). A number of other elements should also be taken into consideration such as insurance premium taxes;

specific road tolls (bridge of motorway tolls) and fuel or energy taxes. Therefore, taxes on sale/registration and use of motor vehicles shown in Tables 5.A5.1 and 5.A5.2 should not be regarded in isolation from the other tax bases and rates.

This Chapter focuses on taxes on purchase/registration and ownership/use of vehicles as they are (along with fuel taxes) by far the most important motor vehicles related taxes in terms of revenues.

2. Car taxation and polluting emissions

Governments have developed policies for reducing motor vehicle pollution for about forty years by imposing technical norms to the car industry. For example, in the European Union polluting emissions have been regulated since 1970 and a series of amendments have been issued since then to gradually tighten the limit values. The current norms set maximum emissions of carbon monoxide (CO), Volatile Organic Compounds (VOC), nitrogen oxides (NO_X) and particles. It resulted in the Euro V (applicable since September 2009) and Euro VI (setting lower emission limits for the registration and sale of new types of cars and vans as of 1 September 2015) norms for light-duty vehicles (Directive 98/70/EC) and in the Euro V and VI standards for heavy duty vehicles (Directive 1999/96/EC). Emissions of carbon dioxide (CO_2) have also been targeted by the European Commission since 2007 and the EU has put in place a comprehensive legal framework to reduce CO_2 emissions from new light duty vehicles as part of efforts to ensure it meets its greenhouse gas emission reduction targets under the Kyoto Protocol and beyond. As a result of EU regulation (510/2011), the EU car manufacturers' fleet average has to be aligned with 130g CO_2/km – partially as of 2012 and completely by 2015. In addition, the integrated approach measures (e.g. eco-innovations) should bring the average emission per vehicle to 120g CO_2/km. Norms for heavy-duty vehicles (busses, trucks, etc.) will in principle also be developed as part of a comprehensive strategy to reduce CO_2 emissions.

Taxation is increasingly used to influence customer behaviour and encourage the purchase of low polluting vehicles. In 2014, more than three quarters (27 out of 34) of OECD member countries apply lower taxes or exemptions on purchase or annual registration charges for vehicles according to environmental or fuel efficiency criteria (see Tables 5.A5.1 and 5.A5.2). Amongst them, 21 base purchase or annual registration taxes directly on polluting emissions (for example, the level of CO, CO_2, NO_X or particulate matter per kilometre) and 18 have tax rebates or exemptions for electric or hybrid vehicles. A number of EU Member States use the polluting emission norms set by the European Directives (see paragraph above) as a benchmark for their vehicle taxes although there is currently no European rule regarding car taxation.

Differentiating motor vehicle purchase taxes according to the fuel-efficiency or the polluting emissions can give potential vehicle purchasers an immediate incentive to buy a vehicle that causes relatively few emissions. Differentiation in purchase or annual registration charges on motor vehicles may also provide such an incentive, but somewhat less directly. Very high registration taxes are also likely to reduce the number of new motor vehicles purchase. However, while this would at first appear to favour environmental policy, higher purchase taxes on vehicles can cause some purchasers to defer their purchase or to purchase a used vehicle, increasing the population of older, more polluting, cars. Another factor is the interaction between purchase and annual taxes that are set on the basis of emissions or car age; because where an older or more polluting vehicle will pay higher annual taxes, this may also counter the impact of purchase taxes (particularly if these are lower for lower polluting vehicles). To combat this, some countries have introduced bonus schemes to scrap old cars and encourage the purchase of new cars. By making assumptions regarding how far a vehicle is driven over its lifetime, one can also calculate tax rates expressed per tonne CO_2 each vehicle will emit over its lifetime. Comparisons make it clear that the tax rates applied per tonne CO_2 emitted over a vehicle's lifetime vary significantly between countries (for an in-depth study on this topic, see OECD, 2009).

3. Taxes on purchase and registration of motor vehicles

Taxes on the acquisition and registration of motor vehicles may include VAT, sales taxes, excise duties and other fees and charges associated with the registration of a vehicle. These taxes may vary considerably from one country to another (see Table 5.A5.1). They are based on a large diversity of criteria or a combination of these criteria. There are five main criteria against which the tax can be assessed:

- The price or value of the vehicle.
- The engine power or cylinder capacity.
- Environmental impact (fuel consumption, polluting emissions, the type of fuel used).
- Social considerations: exemptions for emergency vehicles, ambulances, vehicles for disabled people, vehicles for public transport, etc.
- The use of the vehicle (specific criteria apply to commercial vehicles such as number of axles, cargo room, number of seats, etc.).

A number of specific elements can also be taken in consideration for assessing the tax burden such as weight, presence of safety equipment or of air conditioning. Taxation is also adjusted according to the age of the vehicle in several countries and a specific tax applies on tyres in the United States.

The burden of these taxes may vary considerably from one country to another and sometimes between states, provinces, cities or regions in several countries. For example, a VAT rate of 5% and a 3% acquisition tax apply in Japan while a 25% VAT and a 180% registration tax applies in Denmark.

Unlike many other products, the international differences in taxation of sale and registration of motor vehicles do not give rise to cross-border shopping as motor vehicles need to be registered with a unique identification number in the principal country of use. Even in the integrated market of the European Union there has been no harmonisation or even approximation of taxes or tax rates on motor vehicles.

Nevertheless, high registration taxes may affect the functioning of the motor vehicle market. Generally, registration tax paid in the country of first registration is not paid back when a car is transferred from one country to another (e.g. when the owner moves from one country to another). When registration tax has to be paid (again) in the country of destination where the car is to remain permanently on its territory, double taxation occurs. In addition, the large differences in tax systems reinforce the car market fragmentation. As tax requirements differ, cars marketed in one country with specifications designed to meet the national tax structure (e.g. brackets of fiscal horsepower, tax policy regarding diesel) are imperfect substitutes and may not effectively compete with cars sold in a different country. Also pre-tax prices appear to be influenced by tax considerations. Significant tax differentials may encourage consumers in some cases to buy cars in countries where registration taxes are very high (and, where car manufacturers tend to offer lower prices net of taxes by compensation) and import and register them in their own country. This may undermine the benefits that should derive from a competitive market for both consumers and industry. To remove those obstacles to competition within the Internal Market, the European Commission has made a proposal to restructure car taxation systems in the European Union (European Commission, 2005). This proposal includes the abolition or reduction of car registration taxes over a transitional period of 5 to 10 years, compensated by an increase of annual taxes on ownership or use of vehicles (see Section 4). However, it has yet to be approved by the Member States (such approval requires unanimity amongst the 28 Member States).

4. Periodic taxes in connection with ownership or use of motor vehicles

Taxes on the use of vehicles include recurring charges levied on the right to drive on public roads, usually in the form of an annual motor tax (see Table 5.A5.2). Taxes on the operation of motor vehicles also include excise duties on fuel (see Chapter 4) and motorway charges or other road user tolls and motor fuel taxation. Recurring taxes on the ownership of motor vehicles can take many forms. The main elements used to assess these kinds of taxes are very similar to those used for assessing taxes on sale and registration such as use (commercial or not), vehicle type, type of fuel, engine size, age, emissions of pollutants and fuel efficiency.

Bibliography

European Commission (2005), Proposal for a Council Directive on passenger car related taxes, COM(2005)261final, Brussels.

Barde, J.P. and N.A. Braathen, (2005), "Environmentally Related Taxes" in Sijbren Cnossen (ed), *Theory and Practice of Excise Taxation*, 120 – 54, Oxford, United Kingdom.

OECD (2009), *Incentives for CO_2 Emissions Reductions in Current Motor Vehicle Taxes*, OECD Publishing, Paris, *www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=env/epoc/wpnep/t(2009)2/final&doclanguage=en*.

Motor Vehicle Taxes Database (*www.oecd.org/env/policies/database*).

ANNEX 5.A5

Data on car taxation

Table 5.A5.1. **Taxes on sale and registration of motor vehicles**[a]

	Taxes	Criteria	Rebates/Exemptions
Australia	**GST:** 10%. **Luxury Car Tax:** 33% per cent calculated on the value of the car that exceeds the luxury car tax threshold. The luxury car tax threshold is currently AUD 60 316, tax inclusive (including GST). **Registration fee** calculated on the tare weight of the vehicle **Stamp duty** calculated on the value of the vehicle.	Value Weight	Emergency vehicles such as ambulances and fire engines. Vehicles modified to suit the transportation of eligible people with disabilities. **Luxury Car Tax:** Eligible fuel efficient cars are subject to a higher threshold known as the "fuel efficient car limit", AUD 75 375, tax inclusive for the 2013-14 financial year. Exemptions apply for emergency vehicles, vehicles modified to transport a person in a wheelchair (provided it is not GST-free), commercial vehicles primarily used for carrying goods in business or trade. Eligible tourism operators and primary producers are eligible to claim a refund of LCT paid up to AUD 3 000 for certain cars. **GST:** exemption is provided to veterans and persons with a disability that fulfil legal requirements.
Austria	**VAT:** 20%. **New Car Registration Tax:** while the tax base is the selling price, the tax rate depends on the standard fuel consumption of the car, i.e.: - Petrol cars: 2% of the purchase price x (fuel consumption in litres – 3 litres); - Diesel cars: 2% of the purchase price x (fuel consumption in litres – 2 litres).	Value Fuel efficiency CO_2 emissions Polluting emissions Bonus-malus	Cars emitting less than 120 g CO_2/km receive a maximum bonus of EUR 300. Cars emitting more than 150 g CO_2/km pay a penalty of EUR 25 for each gram of CO_2 emitted in excess of 150 g CO_2/km. Cars emitting more than 170 g CO_2/km pay a further penalty of additional EUR 25 for each gram of CO_2 emitted in excess of 170 g CO_2/km. Cars emitting more than 210 g CO_2/km pay a further penalty of additional EUR 25 for each gram of CO_2 emitted in excess of 210 g CO_2/km. Alternative fuel vehicles attract a bonus of maximum EUR 500. Diesel cars emitting more than 5 mg of particulate matter per km pay a penalty of EUR 300. Conversely, diesel cars emitting less than 5 mg of particulate matter per km and less than 80 g NO_X/km attract a bonus of maximum EUR 200. The same applies to petrol cars emitting less than 60 g NO_X/km.
Belgium	**VAT:** 21%. **Entry into Service Tax:** depends on engine power and vehicle age (the tax is set according to a progressive scale from EUR 61.50 to EUR 4 957.00). The company car tax is based on CO_2 emissions. The deductibility of expenses, except for fuel costs, related to the use of the car (50 to 120%) is linked to CO_2 emissions.	Value Age Engine power CO_2 emissions Type of fuel/gas Bonus-malus	Exemption for disabled people and war invalids; rescue vehicles. Rebate (EUR 298.00) for cars running with Liquefied Gas Petroleum or other Gas. A bonus/penalty system is operated in the Walloon Region. The bonus is from EUR 500 for vehicles emitting less than 90 g CO_2/km up to a maximum of EUR 3 500 for cars emitting 0 g CO_2/km. A complement is assigned when the beneficiary has at least 3 dependent children or if the beneficiary has at least one disabled child or when the beneficiary is a disabled person. Cars emitting 146 g CO_2/km and more pay a penalty with a maximum of EUR 2 500 for cars emitting more than 255 g CO_2/km. The penalty is reduced when the beneficiary has at least 3 dependent children, for cars with gas-powered engines and for old-timers.

Table 5.A5.1. **Taxes on sale and registration of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
Canada	**GST:** 5%. **HST:** 13%, 14% or 15% for sales in the participating provinces. The following provinces have harmonised their provincial sales taxes with the federal Goods and Services Tax and therefore levy a rate of GST/HST of: New Brunswick, Newfoundland and Labrador, Ontario: 13%; Prince Edward Island: 14%; Nova Scotia 15%; Québec applies GST at a rate of 5% and Québec Sales Tax at a rate of 9.975%. **Provincial tax rates** are applicable for sales made in provinces not applying HST. **Automotive Air Conditioning Tax:** CAD 100 per unit. **Tax on Fuel Inefficient Vehicles:** vehicles with a weighted fuel consumption rating of 13 or more litres per 100 kilometres (55% city and 45% highway) are subject to an excise tax at the following rates: at least 13 but less than 14 litres per 100 kilometres, CAD 1 000; at least 14 but less than 15 litres per 100 kilometres, CAD 2 000; at least 15 but less than 16 litres per 100 kilometres, CAD 3 000; and 16 or more litres per 100 kilometres, CAD 4 000.	Value Fuel efficiency Air conditioning	**Rebate of GST/HST – Specially Equipped Motor Vehicle:** to end-users of specially equipped motor vehicles for persons with disailities. The rebate is only available on the GST/HST paid on the portion of the purchase price that is attributable to the special features. **Rebate of Excise Tax on Fuel Inefficient Vehicles – Specially Equipped Van:** to end-users of vans equipped with a device designed exclusively to assist in placing a wheelchair in the van without having to collapse the wheelchair.
Chile	**VAT:** 19% (used cars are exempt with some exceptions). **Registration fees payables to Civil Registry:** first registration fee, new plate fee, fee for registration and transfer of vehicles. **Tax on transfer of used motor vehicles (levied by municipalities):** 1.5% of the value of the vehicle.	Value Fixed fee	–
Czech Republic	**VAT:** 21%. **Registration fee:** motorcycles CZK 300 or 500 (depending on cylinder capacity). Other motor vehicles: CZK 800. The fee includes the registration plate. Permit fee on non-standard motor vehicles.	Value Cylinder capacity	
Denmark	**VAT:** 25%. Vehicle registration tax: payable on first registration of the vehicle. Graduated tax rates according to the value of the vehicle (with lower rates for commercial vehicles) from 105% to 180% (on the remainder above DKK 80 500) for private vehicles and from 0% to 50% (on the remainder above DKK 17 300) for commercial vehicles.	Value Utilisation Safety equipment Anti-pollution equipment	**Rebate for low fuel consumption vehicles:** Registration tax is reduced by DKK 4 000 for every kilometre the vehicle can run in excess of 16 km with 1 litre of petrol or in excess of 16.5 km with 1 litre of diesel. A supplement of DKK 1 000 is payable for cars for every kilometre less than 16 km (petrol) or 18 km (diesel) they can run on one litre of fuel. **Traffic Safety Equipment:** Motor vehicles with major traffic safety equipment receive a deduction in the value liable to registration duty up to DKK 13 370. Motor vehicles with minor traffic safety equipment receive a deduction between DKK 200 and DKK 600.
Estonia	**VAT:** 20%. **Vehicle registration fee (State fee):** vehicle: EUR 128; temporarily imported vehicle: EUR 335.	Value Type of vehicle	
Finland	**VAT:** 24%. **Vehicle Registration Tax** is based on CO_2 emissions. Rates vary from 5% of the general consumer price of the vehicle for cars emitting 0 g/km or less to 50% for cars emitting 360 g/km or more. **For delivery vans**, there is a deduction based on maximum laden weight of the vehicle for vans over 2 500 kg. **For motor cycles**, varies according to the cylinder capacity, between 9.8% and 24.4%, and the base is general retail value.	Value CO_2 emissions Utilisation Cylinder capacity Type	**Exemption** for disabled people, taxis, motor homes, cars used for veterinary purposes, rescue vehicles and funeral cars.

Table 5.A5.1. **Taxes on sale and registration of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
France	**VAT:** 20%. **Tax on Registration Certificates** or regional tax on certificates is based on engine power and CO_2 emissions. Rates vary between EUR 27 and EUR 46 per horsepower, according to the region. CO_2 emission component of the tax varies from EUR 0 for vehicles emitting less than 160 g CO_2/km to EUR 2 600 for vehicles emitting more than 250 g CO_2/km. The rate is reduced by half for some vehicles depending on their nature (trucks weighing more than 3.5 tons, motorcycles) or age (more than 10 years old). **Additional Lorries Tax** is levied on the regional certificate tax for lorries according to their weight (from EUR 38 for less than 3.5 tons to EUR 305 for more than 11 tons or trailers and buses for public transport of passengers). **Company car tax** is based on CO_2 emissions. Tax rates vary from EUR 2 for each gram emitted for cars emitting 100 g CO_2/km or less to EUR 19 for each gram emitted for cars emitting more than 250 g CO_2/km.	Value Engine power Weight Utilisation Age CO_2 emissions Type of fuel Electric propulsion Bonus-malus	**Exemption** for new demonstration models weighing less than 3.5 tons, state vehicles, certain motorcycles. **Rebate for electricity or gas propelled cars:** from 50% to 100% of the Tax on Registration Certificates. **Rebate for Ethanol propelled cars:** the Tax on Registration Certificates is reduced by 50% for cars that run with E85 fuel (super ethanol). **Bonus-malus system:** a premium is granted for the purchase of a new car when its CO_2 emissions are 125 g/km or less. The maximum premium is EUR 5 000 (below 60 g/km). A malus is payable for the purchase of a car emitting more than 155 g CO_2/km. The maximum tax amounts to EUR 2 600 (above 245 g/km).
Germany	**VAT:** 19%.	Value	
Greece	**VAT:** 23%. **Registration tax:** rate varies From 5% to 346% of the taxable value (wholesale price) for passenger cars according to cylinder capacity and anti-polluting technology (polluting emissions). From 5% to 26% of the taxable value for lorries – trucks, etc., according to cylinder capacity and mass (less or more than 3.5 tons). Rates are increased by 30% for vehicles that do not meet EU Directives'/Regulations' emissions requirements. From 0% to 25% of the taxable value for motorcycles according to cylinder capacity. **Registration tax for buses** depends on the number of seats. **Luxury tax:** rate varies from 10% to 40%, according to taxable value.	Value Weight Cylinder capacity Polluting emissions Number of seats Electric propulsion	**Exemptions from registration tax:** Cars used by public authorities. Cars with hybrid motor technology or those with electric motors. Cars used by disabled persons. Cars used by parents having at least three (3) children. Ambulances used by public hospitals. Cars used by people who have moved their normal residence to Greece. Cars donated to the Greek police, Fire brigade or Greek coast guards. **Exemptions from luxury tax:** Taxis, caravans, ambulances, hearses, cars with electric motors. Cars used by disabled persons having complete paralysis of the lower limbs with disability percentage of 80% or 100% and disabled persons having ambilateral amputation of their lower limbs. Cars donated to the Greek police, Fire brigade or Greek coast guards.
Hungary	**VAT:** 27%. **Registration Tax:** from HUF 45 000 to HUF 400 000 on new passenger cars, according to engine type (diesel or petrol) and engine cylinder capacity, and from HUF 20 000 to HUF 230 000 on motorcycles, according to engine cylinder capacity. For cars with lower environmental category of engine, higher rates are levied (400, 600, 800 or 1 200% higher), but rate is reduced according to a scale based on age (until 90%). Reduced rate is levied to hybrid cars and HUF 0 is levied to electric cars. **Transfer of motor vehicles:** the rate of duty shall be determined based on the capacity of motor vehicle's engine (in kW). The tax rate is from HUF 300/kW to HUF 850/kW, depending on the age of the vehicle (the older the vehicle, the less is due).	Engine type Cylinder capacity Engine power Polluting emissions Type of fuel Age Electric propulsion	**Reduced registration tax** for cars with hybrid engines or with gas-powered engines (HUF 76 000) and for cars with electric engines (HUF 0).

Table 5.A5.1. **Taxes on sale and registration of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
Iceland	**VAT:** 25.5%. **Vehicle Registration Fee** of ISK 15 000 on initial registration and ISK 2 630 for subsequent changes. **Motor vehicle excise duty:** based on CO_2 emissions ranging from 0-65% **Excise duties on motor vehicles** other than private automobiles. Large goods vehicles, large special purpose vehicles, tractors, agriculture trailers, large snow-mobiles, amphibious vehicles, competition cars and motorbikes, vehicles for transport of disabled persons, rescue vehicles and large coaches is none. Small goods vehicles, small special purpose vehicles, vehicles over 40 years old, motor vehicle bodies 13%. Small coaches, motorbikes, other vehicles 30%.	Value CO_2 emissions Electric propulsion	**Temporary VAT exemption** at import and domestic sales of electric, hydrogen or plug-in hybrid vehicles.
Ireland	**VAT:** 23%. **Registration Tax:** the registration tax is based on CO_2 emissions. Rates vary from 14% of the value of the car for cars with CO_2 emissions of up to 80 g/km to 36% for cars with CO_2 emissions above 225 g/km. Specific rate applies to vehicles designed and constructed for the carriage of goods and having a maximum mass not exceeding 3.5 tons with more than 3 seats and motor caravans (13.30% of the value with a minimum of EUR 125); new motor cycles (EUR 2 per cc up to and EUR 1 per cc above 350 cc); commercial vehicles and "vintage" vehicles (EUR 200) and used motorcycles.	Value CO_2 emissions Type Age Type of fuel Electric propulsion	**Relief for hybrid electric vehicles:** with a maximum tax relief of EUR 1 500. **Relief for plug-in hybrid electric vehicles:** with a maximum tax relief of EUR 2 500. **Relief for series production electric vehicles:** subject to a maximum of EUR 5 000. **Rebate for disabled people:** 100% relief under disabled driver scheme subject to a maximum of EUR 9 525 for driver and EUR 15 875 for passenger.
Israel[b]	**VAT:** 18%. **Purchase Tax:** private and commercial vehicle weight not exceeding 3 500 kg are taxed at 83% of the value. **Commercial Vehicles Tax:** commercial vehicles over 3 500 kg are taxed at 72% of their value but not eligible for a grant.	Weight Polluting emissions Power Electric propulsion	**Rebates according to the polluting emissions:** vehicles weighing up to 3 500 kg benefit of a rebate on the Purchase Tax according to their degree of pollution. There are 15 levels of polluting emissions that are set by a "Green Score" (weighting the emission of five major pollutants). Rebate is up to the amount of NIS 15 000. **Hybrid vehicles** – Pollution level 2 – are taxed at a rate of 30%. **Electricity powered vehicles** are taxed a rate of 10% of their value, depending on the customs and purchase tax rate.
Italy	**VAT:** 22%. Registration Tax (IPT): EUR 151 for cars < 53 kw , EUR 3.5 per kw for cars > 53 kW. For other vehicles, such as, for instance, buses, tractors and lorries with trailer, the tax is determined on the basis of their engine power, weight, number of seats or other criteria. Provinces may increase the rate up to a maximum of 30%.	Vehicle type Engine power Polluting emissions Weight Number of seats	**Rebate for disabled people, voluntary associations, motorcycles, sale of used cars by private individual to car dealers:** 100% relief of the Registration Tax. Reduced registration tax: historic and special vehicles. Registration tax reduced by provinces: eco-friendly vehicles, inherited vehicles, non-profit organisations.
Japan	**VAT:** 5%. **Automobile Acquisition Tax (Prefecture):** 5% of purchase price (3% for commercial and light vehicles). From 1 April 2014, 3% of purchase price (2% for commercial and light vehicles).	Value	Special measures of reduced automobile acquisition tax. Vehicles with small burden of environment, barrier-free buses and taxis, trucks with collision damage alleviation brake control device, etc., buses for ordinary passengers used on the bus routes provided for in prefectural ordinance.

Table 5.A5.1. **Taxes on sale and registration of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
Korea	**VAT:** 10%. **Special Excise Tax:** from zero to 5% of the manufacturer's price, according to cylinder capacity. **Education Tax:** 30% on the amount of Excise Tax. **Acquisition Tax:** 2-7% of the retail price excluding VAT.	Value Cylinder capacity Electric propulsion	**Exemptions from special excise tax and education tax:** – Cars used by disabled persons. – Ambulances used by hospitals. – Cars used for transportation business(public passenger transportation only). – Cars used for car-rental business. **Exemptions from acquisition tax:** – Cars used by disabled persons. – Cars used by parents having at least 3 children. – Small cars for non-commercial activities. **Rebate for hybrid and electricity powered vehicles:** relief of the Special excise tax [not exceed KRW 1 000 000 (hybrid), KRW 2 000 000 (electricity powered)].
Luxembourg	**VAT:** 15%. **Registration Tax:** the tax is calculated per 100 cm^3, according to the following formula: $Tax = a * b * c$, where a = CO_2 emissions component; b = multiplier (= 0.9 for cars using gasoil and 0.6 for cars not using gasoil); c = additional multiplier when CO_2 emissions > 90 g/km (= 0.5 plus 0.1 per additional 10 g/km).	Value CO_2 emissions Type of fuel Electric propulsion	**Bonus system:** purchasers of new hybrid cars emitting less than 60 g CO_2/km and electricity powered vehicles are entitled to a bonus of EUR 5 000.
Mexico	**VAT:** 16%. **New vehicles tax:** from 2% to 17%, plus a no movable fee according to vehicle value.	Value Electric propulsion	Exemption of 100% in New Vehicles Tax to vehicles with value up to MXN 208 555.47. Exemption of 50% in New Vehicles Tax to vehicles with value from MXN 208 555.48 to MXN 264 170.27. Exemption of 100% in New Vehicles Tax for hybrid electricity powered vehicles.
Netherlands	**VAT:** 21%. **Registration Tax:** for passenger cars, it is fully based on CO_2 emissions and the type of motor fuel used. Vehicles with a CO_2 emission of 0 g/km are in any case exempt from the registration tax. Passenger cars using petrol are exempt is case their emission is ≤ 88 g/km and passenger cars using diesel are exempt in case their emission is ≤ 85 g/km. For passenger cars with higher emissions, the registration tax is progressive and varies between EUR 105 and EUR 474 per g/km exceeding the level of 88 g/km or 85 g/km. Passenger cars using diesel are charged with an additional EUR 72.93 per g/km exceeding the level of 70 g/km. Registration tax for motorcycles and delivery vans is based on the value of the vehicle.	CO_2 emissions Motor fuel Value Electric propulsion	**Zero-emission (e.g. electricity powered vehicles)** are exempt from Registration Tax. **Other examples of exemption are:** delivery vans owned by entrepreneurs and used for business purposes for at least 10%. **Tax refunds are provided for vehicles such as:** vehicles used by fire brigades, vehicles used by the police, funerary vehicles, vehicles used for the transport of prisoners, vans used by disabled persons, (animal) ambulances, taxis and vehicles that are used for secure transport.
New Zealand	**GST:** 15%. **Registration Fee** on initial registration: rates vary depending on the cylinder capacity and type of vehicle and whether registration is for 6 months or a year. For private passenger, petrol driven cars this ranges from NZD 291.08 to NZD 462.30.	Value Cylinder capacity	
Norway	**VAT:** 25%. **Registration Tax:** rates vary according to weight, engine performance (kW), CO_2-emissions and NO_X-emissions. When CO_2-emissions information is not stated, the tax is calculated based on cylinder capacity instead of CO_2-emissions.	Weight Engine performance CO_2 emissions NO_X emissions Type of fuel Electric propulsion	**Electricity powered vehicles** are exempt from Registration Tax. **Hybrid vehicles** (both electric and combustion engine) have a rebate. The engine performance of the electric engine and 10 pct. of the total weight are not included in the tax base. For plug-in hybrid cars the weight deduction is 15%. **Flexifuel vehicles** (can use fuel with at least 85 pct. ethanol) have a rebate of NOK 10 000 per vehicle.

Table 5.A5.1. **Taxes on sale and registration of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
Poland	**VAT:** 23%. **Excise-Duty** is levied on passenger cars prior to their first registration due to their sale, intra-community acquisition and import. The excise tax rates for personal cars depend on engine capacity and amount to: – for passenger cars with engine cubic capacity over 2 000 cm^2:18.6%; – for others – 3.1%.	Value Cylinder capacity	
Portugal	**VAT:** 23%. **Vehicle excise duty** varies according to the following formula and rates: Cylinder capacity x rate – fixed rebate. Vehicles up to 1 250 cc = number of cc x EUR 0.97-EUR 718.98. Vehicles above 1 250 cc = number of cc x EUR 4.56-EUR 5 212.59. There are other rate brackets for light commercial vehicles and some segments of combined (passenger and freight) vehicles.	Value Cylinder capacity CO_2 emissions	**Rebates according to CO_2 emissions:** Rebate is calculated according to the formula *(grams CO_2/km) x rate – fixed rebate*.

Portugal – rebates according to CO_2 emissions (cont.):

Petrol vehicles	EUR	EUR
Up to 115	4.03	378.98
From 116 to 145	36.81	4 156.95
From 146 to 175	42.72	5 010.87
From 176 to 195	108.59	16 550.52
More than 195	143.39	23 321.94
Diesel vehicles*		
Up to 95	19.39	1 540.30
From 96 to 120	55.49	5 023.11
From 121 to 140	123.06	13 245.34
From 141 to 160	136.85	15 227.57
More than 160	187.97	23 434.67

* Light passengers diesel vehicles with particle emissions equal or above 0.002 grams/km have a penalisation of EUR 500 on the amount of tax.

Table 5.A5.1. **Taxes on sale and registration of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
Slovak Republic	**VAT:** 20%. **Administrative fees:** First record of vehicle in to Slovak cars register shall be registration fee payable by the first owner of a motor vehicle; if the engine capacity is up to 80 kW (apply for new, imported and used cars): EUR 33; First record of vehicle in to Slovak cars register shall be registration fee payable by the first owner; if the engine capacity is in excess of 80 kW and up to 86 kW (apply for new or imported cars): EUR 167; in excess of 86 kW up to 92 kW: EUR 217; in excess of 92 kW up to 98 kW: EUR 267; in excess of 98 kW up to 104 kW: EUR 327; in excess of 104 kW up to 110 kW: EUR 397; in excess of 110 kW up to 121 kW: EUR 477; in excess of 121 kW up to 132 kW: EUR 657; in excess of 132 kW up to 143 kW: EUR 787; in excess of 143 kW up to 154 kW: EUR 957; in excess of 154 kW up to 165 kW: EUR 1 157; in excess of 165 kW up to 176 kW: EUR 1 397; in excess of 176 kW up to 202 kW: EUR 1 697; in excess of 202 kW up to 228 kW: EUR 2 047; in excess of 228 kW up to 254 kW: EUR 2 467; in excess of 254 kW: EUR 2 997. First record of electric car in to Slovak cars register shall be registration fee payable by the first owner of a motor vehicle: EUR 33. Any other record (second, third and so on…) of vehicle in to Slovak cars register shall be registration fee payable by the current owner: EUR 33. Registration fee for assigning and releasing of a licence plate number: EUR 16.50 per one plate number (i.e. EUR 33 for 1 vehicle).	Value Engine capacity	**Disabled persons:** rebates in administration fees are applied for disabled persons. **Other exemptions:** state authorities, higher territorial units, budget organisation, diplomats, court of justice, prosecution, police, Slovak red cross and legal person owned by state authority (100% of shares).

Table 5.A5.1. **Taxes on sale and registration of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
Slovenia	**VAT:** 22%. **Motor vehicle tax** is paid for passenger motor vehicles, motorcycles and camper vans, which are put into circulation in Slovenia for the first time; imports and acquisitions from other EU Member States are also taxed. The tax base is the selling price of an individual motor vehicle, excluding VAT and this tax. The tax rate is determined according to environmental criteria (CO_2, Euro emission standards) and the rates are determined from 0.5% to 28% for petrol cars and from 1% to 31% for diesel cars. Passenger cars with cylinder capacity over 2 500 cm^3 are subject to the additional tax. Rates vary from 8% (2 500 cm^3 and more) to 16% (4 000 cm^3 and more). For diesel cars particulate matter (PM) emissions are also considered. Tax rates for motorcycles and camper vans are set upon engine power in the range from 1.5% to 5% for motorcycles and 6% to 18% for camper vans. Motorcycles with cylinder capacity over 1 000 cm^3 are subject to the additional tax of 5%. Motor vehicle tax is levied only at the time of first registration of a vehicle and not on an annual basis. **Environmental tax** for pollution of the environment with used motor vehicles is paid for passenger motor vehicles, motorcycles, camper vans and vehicles for the carriage of goods, which are put into circulation in Slovenia for the first time; imports and acquisitions from other EU Member States and imports from third countries are also taxed. The basis for calculating the environmental tax is the mass of a motor vehicle. The amount of tax is determined by the government each year according to the costs of handling used motor vehicles deregistered from traffic on the territory of Slovenia in the previous year. The environmental tax is paid in certain amount per kilo of vehicle and is a precondition for registration. For the year 2014, the amount of tax hasn`t been determined and it amounts to 0 EUR/kg. Environmental tax is levied only at the time of first registration of a vehicle and not on an annual basis.	Value Selling price CO_2 emissions Particulate matter emissions EURO emissions standards Engine power Cylinder capacity Weight	**Tax exemptions (motor vehicle tax):** – Vehicles acquired for transport of families with three or more children. – Vehicles purchased for carrying disabled people. – Vehicles intended for: 1. official use by diplomatic and consular representations accredited to Slovenia; 2. official use by international organisations, if so stipulated by international treaties binding on Slovenia; 3. personal use by foreign staff of diplomatic and consular missions, accredited to Slovenia, including their family members; 4. personal use by foreign staff of international organisations, including their family members, if so stipulated by international treaties binding on Slovenia. – Used vehicles (old-timers). – Vehicles imported on a temporary basis (the temporary change of residence of the vehicle's proprietor who does not maintain his permanent residence in Slovenia). – Sports vehicles that have not been adapted for road use and are intended only for driving on circuits. – Transfer of vehicles in the case of reorganisations of vehicle's proprietor. – Emergency rescue motor vehicles used for transport of victims and patients. – Leasing of the vehicles. **Environmental tax:** no exemptions.
Spain	**VAT:** 21%. **Vehicle Registration Tax (VRT)** is based on CO_2 emissions. Rates vary from 0% (up to 120 g CO_2/km) to 14.75% (200 g CO_2/km and more).	Value CO_2 emissions	**VRT exemptions:** taxis, driving school vehicles, rental service vehicles; vehicles acquired and used by disabled people; vehicles with special diplomatic registration; transfer of vehicles in the case of change of residence of vehicle's proprietor.
Sweden	**VAT:** 25%.	Value	
Switzerland	**VAT:** 8%. **Acquisition Tax** on new vehicles (up to 1 600 kg and all passenger cars up to 3 500 kg): 4% of purchase price. No registration tax (but small fees for number plates and registration papers).	Value Electric propulsion	**Electrically powered** vehicles are exempt from acquisition tax.

Table 5.A5.1. **Taxes on sale and registration of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
Turkey	**VAT:** 18%. **Special Consumption Tax (SCT)** is payable on first acquisition of vehicles (importation, acquisition by public auction, acquisition from those who carry out motor vehicle trade, inception of use, capitalisation or registration in the name of those who carry out motor vehicle trading). **Motor vehicles:** proportional duty is applied. For motor vehicles under CN Code 87.02 and designed for transport of passengers, tax rate is 9% for minibuses, 4% for minibuses and 1% for buses. Passenger cars and other motor vehicles: designed for transport of passengers excluding those under CN Code 87.02 and placed under CN Code 87.03 and having a max. weight of 3.5 tons and passenger carrying capacity less than 50% of max. load capacity. Vehicles with a max. loading capacity not over 850 kg and having an engine capacity below 2 000 cm^3 are subject to the SCT at a rate of 15% and the ones with a max. loading capacity over 850 kg and having an engine capacity below 2 800 cm^3 are subject to the SCT at a rate of 15% and SCT rates for others vary from 45% to 145% according to their engine capacity. Tax rates applied to electric cars vary from 3% to 15% according to electric engine capacity. **For motor vehicles designed for transport of goods** and placed under CN Code 87.04 and have a max. loaded weight not over 4 700 kg and have a seat other than the driver's seat or have side windows other than those besides the driver's seat, SCT rate is 10% for the ones with an engine capacity not over 3 000 cm^3, 52% for those with an engine capacity over 3 000 cm^3 but not over 4 000 cm^3 and 75% for those with an engine capacity over 4 000 cm^3. Tax rate for those provided with a covered body and have a max. loading capacity under 620 kg is 10%. For others 4%. **The tax on motor cycles** varies from 22% to 37% according to the cylinder capacity. Tax rates applied to electric motor cycles vary from 3% to 37% according to electric engine capacity.	Value Cylinder capacity Weight Customs category Electric propulsion	**Rebate for disabled people:** disabled people are exempt from the Special Consumption Tax.
United Kingdom	**VAT:** 20%. **Vehicle First Registration Fee:** a flat rate fee of GBP 55.0 is payable on the first registration or licensing of a motor vehicle in the United Kingdom.	Value	**Rebate for disabled people:** disabled people are exempt from the Vehicle First Registration Fee. **Other exemptions:** Vehicles previously registered in Northern Ireland. Vehicles registered for off road use. Crown Exempt Vehicles.
United States	**A Gas guzzler tax** is imposed on the manufacturer or importer of a vehicle whose combined city and highway fuel efficiency is less than 22.5 miles per gallon. The tax varies from USD 1 000 to USD 7 700 depending on the fuel efficiency. **A tax** of 12% of sales price is imposed on the first retail sale of a truck that is suitable for use on a highway and weights more than 33 000 pounds. **A tax is imposed on the sale of tyres for highway vehicles.** A tax is imposed on taxable tyres sold by the manufacturer, producer, or importer at the rate of 9.45 cents (4.725 cents in the case of a biasply tyre or super single tyre) for each 10 pounds of the maximum rated load capacity over 3 500 pounds. State and local governments impose a one-time sales tax and/or title fee.	Fuel efficiency Value Weight Tyres	The gas guzzler tax is widely applied and must be paid by vehicles sold to the federal government, state and local governments, and non-profit educational organisations. Vehicles used for police, other law enforcement purposes, or firefighting purposes or as ambulances are exempt. Limousines weighing more than 6 000 pounds or designed to carry more than 10 people are exempt. Tyres for use on local and school buses or for the exclusive use of the Department of Defence or the Coast Guard are exempt.

a) This table does not include customs duties; specific regimes for second-hand cars (e.g. margin scheme, old timers); diplomatic sales; export/import and transit schemes and insurance premium tax.
b) Israel: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
Source: National Delegates – Position as at 1 January 2014.

Table 5.A5.2. **Taxes on ownership or use of motor vehicles**[a]

	Taxes	Criteria	Rebates/Exemptions
Australia	The States and Territories levy fees for annual registration, third party compulsory insurance and drivers' licenses. Fees for commercial vehicles are generally higher than the fees for private vehicles. In most States, fees for trucks vary depending on the type of vehicle and the gross vehicle mass. Licence renewal fees vary to reflect validity periods from one to five years.	Commercial/private use Gross vehicle mass	
Austria	Motor vehicles above a permissible gross weight of 3.5 tonnes: Motor Vehicle Tax based on the weight of the vehicle (from EUR 1.55 to EUR 1.90 per month and ton, depending on the weight). Motor vehicles up to and including a maximum permissible gross weight of 3.5 tons: motor vehicle insurance tax based on engine power in kiloWatt (cars, EUR 0.55 per month and kW).	Weight Engine power Cubic capacity	Vehicles used by diplomatic missions and consular offices; armed forces; police; fire brigade; ambulances; mountain rescue; electrically propelled vehicles; self-propelled working machines; trial moving vehicles; taxi services; mopeds and motorcycles with a cylinder capacity of maximum 100 cc; vehicle used solely in agricultural production and forestry; vehicles used for disabled persons.
Belgium	**Annual Road Tax:** progressive rates apply from EUR 67.08 up to EUR 1 714.20, depending fiscal horsepower (CV). For vehicles above 20 CV (more than 4 l cylinder capacity) an additional amount of EUR 93.48 by CV is levied. **Compensation Tax** for vehicles fuelled with LPG or by other liquefied gaseous hydrocarbons is levied from EUR 89.16 up to EUR 208.20 according to CV with progressive scales. **The "Eurovignette"** is levied on vehicles or vehicle combinations used for the carriage of goods by road and having a maximum permissible load weight of not less than 12 tons. Rates depend on the number of axles and euro emission standards. It can be paid on a daily, weekly, monthly or annual basis. It ranges from EUR 8 per day to EUR 1 550 per year.	Engine power Cylinder capacity Fuel used Number of axles for lorries Polluting emissions (trucks)	**Exemption for:** cars used by public authorities, vehicles for disabled people and war invalids, agricultural vehicles, rescue vehicles, trial moving vehicles, ships and little boats, taxi services, mopeds and motorcycles with a cylinder capacity of maximum 250 cc. Rebates for the salaried transport of persons; vehicles used for road haulage in the ports. Concerning the Eurovignette, the exemptions are regulated by the European directive 1999/62/EC.
Canada	All provinces impose annual fees for the use of motor vehicles. In general, the fees depend on the type of vehicles and in most cases on the weight of the vehicle.	Type Weight	
Chile	Annual Motor Vehicle Tax (levied by municipalities) for the use of motor vehicles on public roads depending on the commercial value of the vehicle. Lightweight vehicles: depending on the commercial value of the vehicle. Passenger vehicles: fixed fee. Cargo vehicles: according to loading capacitiy.	Commercial value Fixed fee Loading capacity (trucks)	

Table 5.A5.2. **Taxes on ownership or use of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
Czech Republic	The road tax is imposed on all road motor vehicles and their trailers registered and operated in the Czech Republic if they are used for a business activity. Irrespective whether such vehicles are or are not used for business activities, the subject to the tax are also all vehicles with the maximum permitted weight above 3.5 tons, determined exclusively for transport of cargo and registered in the Czech Republic. The annual tax rate of passenger cars varies from CZK 1 200 to CZK 4 200, and in the case of other vehicles vary from CZK 1 800 to CZK 44 100.	Cylinder capacity Electric propulsion Type of fuel Total permitted weight on axles and number of axles Total weight	**Tax Exemptions:** motorcycles; vehicles used by diplomatic missions and consular offices; armed forces; civil defence; mobilisation reserve or emergency supply; police; fire protection; ambulances; mining and mountain rescue; gas emergency service and power engineering emergency service. Special road sweeping vehicles; special single-purpose vehicles (e.g. vehicles used in road marking) and vehicles belonging to road authorities or to persons authorised by road authorities exclusively used to maintain land communications, except for passenger cars, electrically propelled vehicles, hybrid driven vehicles, vehicles using as fuel either LPG or CNG or vehicles equipped with an engine determined by his producer for combustion of E85. **Tax reduction** (25% to 100%) for vehicle used in multimodal transport. The tax rate is reduced for the period of 108 months from the date of the first registration of vehicle (for the first 36 months by 48%, for the next 36 months by 40% and for the next 36 months by 25%.
Denmark	**Passenger cars semi-annual tax:** the tax is based on fuel consumption, with different rates for petrol/diesel. Rates range from DKK 290 (> 20 km/l) up to DKK 10 080 (< 4.5 km/l) for petrol cars, and from DKK 120 (> 32.1 km/l) up to DKK 15 180 (< 5.1 km/l) for diesel cars. **Lorries' annual tax:** cars registered for the first time until 24 April 2007: the charge for private use is DKK 900 annually for cars with total permissible weight (tpw) up to 2 000 kg and DKK 5 510 annually for cars with tpw between 2 000 and 4 000 kg. Cars registered on 25 April 2007 or after: the charge for private use is DKK 5 510 annually for cars with total permissible weight (tpw) up to 3 000 kg and DKK 15 000 annually for cars with tpw between 3 000 and 4 000 kg. For cars used for both private and commercial purposes, the rates are 50%. Cars used exclusively for commercial purposes are free of charge.	Fuel efficiency Weight (for lorries)	
Estonia	Heavy goods vehicle tax. Varies from EUR 0 to EUR 232.60 (per quarter) depending on the combination of following factors: weight range (12 tons to 40 and more tons), axel combination (2, 3, 4, 2 + 1, 2 + 2, 2 + 3, 3 + 2, 3 + 3), type of suspension (air, other).	Weight range Axle combination Type of suspension	Exemptions apply for Defence Force, Defence League, Enforcement Force and Rescue Service Heavy goods vehicles and Local Authority, NGO, Foundation and Business vehicles intended for rescue operations.

Table 5.A5.2. **Taxes on ownership or use of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
Finland	The annual tax for passenger cars and delivery vans is based on CO_2 emissions. If the car does not have emission data in the Vehicular and Driver Data Register, the tax is based on the total mass of the vehicle. Tax rates vary from EUR 19.35 for vehicles emitting less than 67 g CO_2/km up to EUR 606.265 for vehicles emitting 400 g CO_2/km or more. For diesel passenger cars and vans, there is a tax on driving power based on total mass of the vehicle. This is applied on other cars and vans using less taxed fuels than petrol as well. For lorries, there is an annual tax based on maximum gross weight, number of axles and use of trailer.	CO_2 emissions Weight Number of axles (lorries)	
France	Tax on business passenger cars: up to 7 HP: EUR 1 130; more than 7 HP: EUR 2 440.	Engine power Electric propulsion Type of fuel	**Exemptions:** Cars more than 10 years old. Cars used for public passenger transport, cars used for leasing or sale. Electrically or gas propelled cars (for mixed oil and gas propelled vehicles exemption is reduced by half). Vehicles that can use both petrol and GPL are exempt at rate of 50%.
Germany	For passenger cars being firstly registered since 1 July 2009, the Motor Vehicle Tax is based mainly on CO_2 emissions. It consists of a base tax (according to cylinder capacity) and a CO_2 tax. The rates of the base tax are EUR 2 per 100 cc (petrol) and EUR 9.50 per 100 cc (diesel) respectively. The CO_2 tax is linear at EUR 2 per g CO_2/km. Cars being firstly registered before 1 July 2009 are taxed according to their polluting emissions (EURO-Norm) and cylinder capacity.	Polluting emissions Cylinder capacity CO_2 emissions	Cars with CO_2 emissions below 110 g/km are exempt from the CO_2-element. Only the base tax is due. Exemption for pure electric cars for ten years after the first registration, if the car is registered between 18 May 2011 and 31 December 2015.
Greece	Annual road tax on private passenger cars registered for the first time in Greece before 31.10.2010 (as well as those with international initial registration before 2002), and also motorcycles regardless of their date of registration: based on cylinder capacity from EUR 22 to EUR 1 320. Private passenger cars and taxis registered for the first time in Greece, after 1.11.2010: based on CO_2 emissions from EUR 0 to EUR 3.40 per gram of CO_2. Annual road tax on trucks based on gross weight and on buses on the number of seats.	Cylinder capacity CO_2 emissions Electric propulsion Gross weight (trucks) Number of seats (buses)	**The main exemptions are:** Cars used by public authorities, municipalities, ambulances, etc. Cars used by disabled persons and members of foreign diplomatic services. Electric cars. Hybrid cars, registered until 31.10.2010, with engine displacement under 1 929 cc. Private passenger cars, registered after 1.11.2011 with CO_2 emissions under 100 g/km. Motorcycles up to 300 cc cylinder capacity used in order to replace old technology ones (replacement should take place up to 31.12.2009). For motorcycles with cylinder capacity over 300 cc used in order to replace old technology motorcycles exemption applies for 5 years only following the date of first registration of the new motorcycle. Cars and motorcycles, registered with a valid permission of circulation, may be imported for a limited period up to six months per year, by the customs procedure of temporary importation.

Table 5.A5.2. **Taxes on ownership or use of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
Hungary	Motor vehicle tax levied according to capacity of engine (in kW) of passenger cars and motorcycles. The tax base for busses, semi-trailers and caravans is the unladen weight of the vehicle. For lorries, the tax is based on net weight plus 50% of cargo weight. The tax rate for passenger cars and motorcycles is from HUF 140/kW to HUF 345/kW, depending on the age of the vehicle (the older the vehicle, the less is due). For lorries, busses, semi-trailers: the tax rate is HUF 850/100 kg of the tax base, if the vehicle is equipped with road-saving axles. The tax rate for other lorries, trailers is HUF 1 380/100 kg.	Engine capacity Weight (for lorries) Type of axles (for high-duty vehicles) Electric propulsion	**Exemption for vehicles:** – Owned by budgetary agencies, religious organisations. – Owned by social organisations, foundations if this organisations do not have to pay tax on profit. – Used for public transport or fire service. – Owned by a person who is seriously handicapped, or used for transporting seriously handicapped person under age 18, or used for transporting seriously handicapped person who is under guardianship because of his/her legal incapacity. – Passenger cars equipped with electric engine.
Iceland	A disposal charge of ISK 350 is levied on each vehicle for each six-month period. This charge is payable for fifteen years from the date of the first registration of the vehicle in Iceland, except when the vehicle is already 25 years old at the beginning of the payment year. The charge is an environmental tax that is intended to finance the disposal of the vehicle at the end of its useful life. Once the vehicle is delivered for scrap, a ISK 20 000 refund will be paid to the owner. Motor vehicles fuelled with diesel in excess of 10 tons are subject to a special weight/distance tax, calculated on the basis of the weight of the vehicle and the number of kilometers driven. Owners of diesel vehicles that weigh less than 10 tons do not pay a weight/distance tax. A semi-annual road tax on passenger cars is levied based on the vehicle's carbon dioxide emissions declared by the car manufacturer for combination of city and road driving. Where emission data are not available, the tax rate is based on the weight of the vehicle. The semi-annual road tax is ISK 130 for each gram of carbon dioxide emission for emission above 121 grams, in addition to the minimum fee which is ISK 5 415.	Weight Distance CO_2 emissions	
Ireland	Road Tax on private cars based on CO_2 emissions. Rates vary from EUR 120 (for 0 g CO_2/km) to EUR 2 350 (above 225 g CO_2/km). Tax on commercial vehicles based on net weight: from EUR 333 (< 3 000 kg) up to EUR 5 195 (> 20 000 kg).	CO_2 emissions Weight (commercial vehicles) Electric propulsion	Electrically propelled vehicles: EUR 120 flat rate – private; and EUR 92 flat rate – commercial not over 1 500 kg.
Israel[b]	Annual licensing fees: private and commercial vehicles weighing up to 3 500 kg total: the vehicles are sorted into seven groups (generally the price). The annual licensing fees are reliant upon the year of vehicle production, and the group the vehicle belongs to. The annual licensing fees range between NIS 687 to NIS 4 341. Commercial vehicles above 3 500 kg, motorised by diesel, have a different tariff.	Price Age Category	Vehicles for disabled person, diplomats, United Nations Organisations, specific charity institutions.

Table 5.A5.2. **Taxes on ownership or use of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
Italy	Annual Ownership Tax: from EUR 2.58 per kW to EUR 4.95 per kW, according to engine cylinder capacity and polluting emissions. Regions are entitled to vary the national rate. A surtax on use of cars and vehicles intended for the transport of persons or goods applies at a rate of EUR 20.00 for each kW exceeding 185 kW in engine power. Such surtax is reduced after five, ten or fifteen years from the construction of the vehicle by 40%, 70% and 85%, respectively.	Engine power Polluting emissions Electric propulsion	Exemption for historical vehicles over 30 years old; vehicles over 20 years old are exempt only if recognised as being of special historical or collectors' interest; flat rate road tax on vehicles over 30 or 20 years old if still running on public roads. An exemption of 100% from ownership tax is allowed for electric, LPG and CNG vehicles in the first 5 years (from the first registration) and an exemption of 75% afterwards in many regions. 100% exemption also applies to vehicles for disabled persons.
Japan	Motor Vehicle Tonnage Tax (National) (N.B. *Commercial vehicles): levied according to weight, the tax rate are for passenger vehicles from JPY 4 100 per 0.5 ton up to JPY 6 300 per 0.5 ton (from JPY 2 600 up to JPY 2 800); for lorries from JPY 3 300 per 0.5 ton up to JPY 6 300 per 0.5 ton (from JPY 2 600 up to JPY 2 800). Automobile Tax (Prefecture): levied according to cylinder capacity for passenger vehicle from JPY 29 500 up to JPY 111 000 (from JPY 7 500 up to JPY 40 700). Lorries: (e.g. 4-5 tons maximum load) JPY 25 500 (JPY 18 500). Buses: (e.g. 41-50 passengers capacity) JPY 49 000(JPY 17 500). Light Vehicle Tax (Local): levied on light vehicles and motorcycles according to cylinder capacity and standards.	Cylinder capacity Weight (commercial vehicles) Fuel efficiency	Special measures of reduced Motor Vehicle Tonnage Tax: Vehicles with low impact on the environment, barrier-free buses and taxis, trucks with collision damage alleviation brake control device, etc. Special measures of refunded Motor Vehicle Tonnage Tax: Used vehicles properly scrapped before the expiry date of valid period of inspection certificate.
Korea	Automobile Tax: rates are applicable according to cylinder capacity from KRW 80 per cc up to KRW 200 per cc for non-commercial vehicles; and from KRW 18 per cc to KRW 24 per cc for commercial vehicles.	Cylinder capacity	Full exemption for disabled persons.
Luxembourg	Automobile Tax: the annual circulation tax is based on CO_2 emissions. Tax rates are calculated by multiplying the CO_2 emissions in g/km with 0.9 for diesel cars and 0.6 for cars using other fuels respectively and with an exponential factor (0.5 below 90 g/km and increased by 0.1 for each additional 10 g of CO_2/km).	CO_2 emissions Electric propulsion	Exemptions: vehicles for disabled people; historical vehicles; cars used by public authorities; electrically propelled cars.
Mexico	Starting 2012, the tax on ownership was eliminated as a Federal Tax. State governments may impose a tax on ownership and/or periodic registration. Registration fee is near to MXN 400 in most states and Tax on ownership usually goes from 3% to 19% based on value, type of vehicle and number of passengers.	Value Type of vehicle Number of passengers Electric propulsion	Some states exempt hybrid and electric vehicles used for public passenger transport. Some states provide a subsidy of 100% for vehicles any value.

Table 5.A5.2. **Taxes on ownership or use of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
Netherlands	Motor vehicle tax is based on the dead-weight, the type fuel used, the region (province). Tax on heavy vehicles (also known as "Eurovignette") is levied on vehicles (lorries) with a gross weight of 12 tons or more for the use of motor ways in the Netherlands. Tax also varies according to Euro norms (diesel category).	**For motor vehicle tax:** Fuel used Weight Region (province) CO_2 emissions **For tax on heavy vehicles:** Number of axles Polluting emissions	For low-emission vehicles (CO_2 is not exceeding a level of 50 g/km) temporary exemption (until 2016). **Other examples of exemptions are:** (Animal) ambulances; vehicles used by fire brigades; vehicles used by the police/defence; funerary vehicles; vehicles used to clean, maintain or construct roads; taxis and vehicles older than 40 years. Other special regimes apply, such as reduced tax rate for delivery vans owned by entrepreneurs and used for business purposes for at least 10% and for vans equipped for and used by disabled persons.
New Zealand	Annual licensing fees: vary depending on the type of vehicle. The licensing fee for private passenger, petrol driven cars is NZD 280.55.	Vehicle type	
Norway	Annual tax: NOK 3 490 for diesel cars without factory-fitted particle filter and NOK 2 995 for other cars; NOK 1 835 for motorbikes; NOK 1 120 for caravans and NOK 425 for moped, tractors, electric vehicles, etc.	Vehicle type Electric propulsion Particle filter	
Poland	Annual Motor Vehicles Tax levied at municipal level on heavy goods vehicles of maximum permissible gross laden weight over 3.5 tons, road and ballast tractors, trailers and semi-trailers and buses.	Weight Type of vehicle Number of passengers for busses	Vehicles under possession of diplomatic representations, consular offices and other foreign missions. Transport vehicles constituting mobilisation supply. Special vehicles and vehicles used for special purposes. Historic vehicles.
Portugal	Annual State and municipal tax due by the ownership of the vehicle, it was reformed on 1 July 2007 for passengers vehicles and mixed use cars with gross weight not exceeding 2 500 kg, if registered after the reform, tax rate is based on motor capacity and CO_2 emissions and for vehicles registered since 1981 up to the reform rates vary depending on motor capacity or voltage, date of registration and fuel type. Vehicle excise duty on lorries above 2.5 tons used in public and private transport of merchandise.	Motor capacity CO_2 emissions Electric propulsion Weight Number of axels Vehicle type and fuel	Vehicles owned by the State (central, regional or local administration), fire brigades, foreign States, diplomatic and consular missions, international organisations, specialised European agencies and disabled persons. Are also exempt ambulances, passengers vehicles destined to rental or taxi services, tractors, funerary vehicles, non-motorised vehicles that are purely electric or moved by renewable energies.
Slovak Republic	**Motor Vehicle Tax** – a kind of local tax (levied by higher territorial units) is imposed only on vehicles used for business purposes. Rates vary depending on type, weight, cylinder capacity and number of axles (for utility vehicles and buses) of the vehicle. Rates differ between higher territorial units.	Usage Vehicle type (passenger cars) Weight cylinder capacity (utility vehicles and buses) Number of axles Polluting emissions	1. The vehicles exempt from the motor vehicle tax are the following: a) vehicles the documents of which name as the vehicle holder the higher territorial unit to the budget of which the motor vehicle tax is transferred; b) vehicles of diplomatic missions and consular corps, provided that reciprocity is guaranteed. 2. By a generally binding regulation based on the local conditions, a higher territorial unit may reduce tax on a vehicle used: a) as a vehicle of ambulance, mining rescue service, mountain rescue service, air rescue service and fire brigade service; b) as a vehicle of a regular bus service to the extent the service is provided in public interest; c) as a vehicle used solely in agricultural production and forestry; d) for business purposes, if the vehicle meets the polluting emissions limits of EURO 3, EURO 4, EURO 5, EURO 6 and EEV.

Table 5.A5.2. **Taxes on ownership or use of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
Slovenia	**Circulation tax** (levied on an annual basis) – an annual fee for the use of road transport vehicles is paid once a year for the use of motor vehicles and trailers in Slovenia by vehicle owners. The fee is paid at the time of renewal of registration certificate. By paying an annual duty, a person acquires the right to use a registered vehicle in road traffic for the next 12 months. The amount of tax depends on the category of the vehicle and is proportionate to the duration of the registration period in a certain year.	Cylinder capacity Engine power Weight Polluting emissions Electric propulsion Type of suspension Number of seats	**Tax exemptions:** Vehicles exclusively using electricity for power, tractors and tractor trailers, motorcycles, three-wheeled cycles with engine capacity up to 50 cc and light four-wheeled cycles, light trailers with maximum permissible weight up to 750 kg, motor vehicles registered to the Slovenian Army, Civil Protection, Mountain Rescue Service, Ecological Laboratory with mobile unit, police and fire-fighting vehicles, ambulances, motor vehicles and trailers registered for diplomatic and consular missions, vehicles owned by certain international organisations, and vehicles used for the transport of disabled persons. **Tax reduction for low polluting trucks:** Trucks of category N1: tax reduction for EURO 5 (-25%) and EURO 6 and higher (-35%) and tax increase for EURO 3 (+10%), EURO 2 (+20%), EURO 1 (+30%) and EURO 0 or lower (+40%). Trucks of category N2, N3 and buses (M2, M3): tax reduction for EURO 5 (-25%) and EURO 6 and higher (-35%) and tax increase for EURO 3 (+10%) EURO 2 (+20%), EURO 1 (+30%) and EURO 0 or lower (+40%). Tax reduction for buses and trucks with air suspension (-15%). Tax reduction for old-timers (-80%) and vehicles acquired for transport of families with four or more children (-50%).
Spain	Motor Vehicle Tax (levied by municipalities) based on engine power for passenger cars, passenger capacity for buses, loading capacity for trucks and cylinder volume for motorcycles.	Vehicle type Engine power Cylinder capacity	**Tax exemptions:** Official vehicles belonging to public bodies of diplomatic offices, ambulances, vehicles adapted to disabled people, public transport vehicles over nine seats, tractors and other vehicles of agricultural use; historic vehicles.
Sweden	The annual circulation tax for cars from 2006 and later or, older cars that meet at least EUR 4 exhaust emission standards, is based on CO_2 emissions. Also campers, light goods vehicles and light buses that are taken in to use in 2011 or later are taxed based on the CO_2 emissions. The tax consists of a basic rate of SEK 360 plus SEK 20 for each gram CO_2 the vehicle emits above 117 g/km. If the vehicle can be driven with diesel fuel, this sum is multiplied by 2.33. For vehicles that can be driven with alternative fuels, the tax is SEK 360 plus SEK 10 for each gram CO_2 the vehicle emits above 117 g/km.	Weight CO_2 emissions Type of fuel Electric propulsion	An exemption from annual circulation tax applies to green cars during the first five years. The exemption applies to cars, campers, light goods vehicles and light buses with low emissions of CO_2 in proportion to the vehicles weight. The vehicles emissions of CO_2 shall not exceed a calculated value*: [95 + 0,0457 x (the vehicles weight in kg – 1 372)]*. For alternative fuel vehicles, the value is calculated: *[150 + 0.0457 x (the vehicles weight in kg – 1 372)]*. Electric cars shall not consume more electricity than 37 kWh/100 km.

Table 5.A5.2. **Taxes on ownership or use of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
Switzerland	**Cantonal (provincial) level:** the annual motor vehicle tax depends on the weight or engine volume of the vehicle. **Federal level:** Use of Swiss motorways (first and second-class motorways) has been generally subject to tax. The tax is levied in the form of the motorway tax sticker, which costs CHF 40. The obligation to display a motorway tax sticker generally applies to motor vehicles and trailers with a total weight of up to 3.5 tons each. This group comprises primarily passenger vehicles, motorbikes, vans, trailers, etc. Motor vehicles and trailers with a total weight exceeding 3.5 tons (so-called heavy vehicles) require a motorway tax sticker if they are not subject to the heavy vehicle charge. These include, for example, heavy utility vehicles (e.g. crane lorries). The performance-related heavy vehicle charge (LSVA) depends on the total weight, polluting emissions and kilometres driven in Switzerland. It is levied on all motor vehicles and trailers that have a total permissible laden weight of more than 3.5 tons, are used to transport goods, are registered in Switzerland or abroad and are driven on the Swiss public road network. The lump-sum heavy vehicle charge (PSVA) is levied in the form of a lump sum on heavy motor vehicles for the following vehicle types that are driven on the Swiss public road network: heavy passenger vehicles, heavy campervans, motor-homes and caravans, vehicles used for transporting passengers (coaches, buses), tractors and motor carriages, motor vehicles for fun fairs and circuses. Other motor vehicles for the carriage of goods and with a maximum speed of 45 km/h.	Weight Engine volume Kilometres driven Polluting emissions Electric propulsion	A reduced rate of the motor vehicle tax usually applies to electric and agricultural vehicles.
Turkey	Motor Vehicle Tax levied on all motor vehicles – based on weight, type and cylinder capacity. Paid twice annually by registered owner.	Weight Vehicle type Cylinder capacity	
United Kingdom	VED on lorries is set according to the number of axles, weight and type of vehicle. Cars that are presented for registration in the UK on or after 1 March 2001, on the basis of a type approval certificate specifying a carbon dioxide (CO_2) emission figure, attract a rate of Vehicle Excise Duty (VED) according to the amount of CO_2 emitted and the type of fuel used. These cars fall within a 13-banded graduated VED system. The bands are labelled A-M, with band A containing the least polluting vehicles and band M comprising of vehicles that have high CO_2 emissions. Full details can be found at *www.direct.gov.uk/Motoring*. For private cars which do not fall into the above graduated VED system there is a two-tier threshold: vehicles not over 1 549 cc pay an annual rate of duty of GBP 230, and those over 1 549 cc pay a rate of duty of GBP 15.	Vehicle type CO_2 emissions Type of fuel Electric propulsion	Tax exemption applies to vehicles for disabled people, historic vehicles constructed before 1.1.1973, limited use vehicles, agricultural machines, mowing machines, steam powered vehicles, electrically propelled vehicles, and electrically assisted pedal cycles. Vehicles belonging to public bodies such as ambulances, fire engine, police cars, etc.

Table 5.A5.2. **Taxes on ownership or use of motor vehicles**[a] *(cont.)*

	Taxes	Criteria	Rebates/Exemptions
United States	A tax is imposed on the use of trucks weighing 55 000 pounds or above. For those trucks (except logging trucks) weighing no more than 75 000 pounds, the tax is USD 100 per year plus USD 22 for each 1 000 pounds in excess of 55 000 pounds. For those trucks weighing more than 75 000 pounds, the tax is USD 550. For logging trucks, the tax is USD 75 per year for trucks weighing at least 55 000 pounds plus USD 16.50 per 1 000 pounds in excess of 55 000 pounds. For logging trucks weighing more than 75 000 pounds, the tax is USD 412.50. A credit may be claimed for the tax in the following year if the vehicle was driven 5 000 miles or less (7 500 miles or less for agricultural vehicles.) A tax of 12% of the sales price is imposed on the first retail sale of a truck that is suitable for use on a highway and weighs more than 33 000 pounds. State and local governments may impose a periodic registration, operators' license, parking and inspection fees as well as property taxes.	Weight (for trucks)	

a) Excluding insurance premium tax.
b) Israel: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
Source: National Delegates – Position as at 1 January 2014.

ANNEX A

Exchange rates

Exchange rates

	Currency	PPP rate[a]	Market rate[b]
Australia	AUD	1.54	1.04
Austria	EUR	0.86	0.75
Belgium	EUR	0.88	0.75
Canada	CAD	1.28	1.03
Chile	CLP	375.95	495.28
Czech Republic	CZK	14.77	19.56
Denmark	DKK	8.50	5.62
Estonia	EUR	0.63	0.75
Finland	EUR	0.99	0.75
France	EUR	0.88	0.75
Germany	EUR	0.82	0.75
Greece	EUR	0.75	0.75
Hungary	HUF	141.75	223.58
Iceland	ISK	142.72	122.17
Ireland	EUR	0.95	0.75
Israel*	ILS	4.27	3.61
Italy	EUR	0.83	0.75
Japan	JPY	113.33	97.60
Korea	KRW	914.68	1 094.93
Luxembourg	EUR	0.99	0.75
Mexico	MXN	9.19	12.77
Netherlands	EUR	0.87	0.75
New Zealand	NZD	1.57	1.22
Norway	NOK	9.65	5.88
Poland	PLN	1.93	3.16
Portugal	EUR	0.70	0.75
Slovak Republic	EUR	0.57	0.75
Slovenia	EUR	0.67	0.75
Spain	EUR	0.77	0.75
Sweden	SEK	9.10	6.51
Switzerland	CHF	1.57	0.93
Turkey	TRY	1.24	1.91
United Kingdom	GBP	0.77	0.64
United States	USD	1.00	1.00

Note on Israel: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Note on exchange rates: Cross-country comparisons of thresholds or tax amounts expressed in national currency require their conversion into one single currency. By convention, the currency used in this publication is the United States Dollar (USD). Two rates can generally be used for converting national currencies into USD: 1) the purchasing power parity rates (PPP) for GDP, which equalise the purchasing power of different countries by eliminating differences in price levels between them; they show the specified number of monetary units needed in each country to buy the same representative basket of consumer goods and services that costs USD 1 in the United States and 2) market rates, which are currency exchange rates observed on the markets (the rate used in this publication is the yearly average rate for 2013 as published by the OECD).

PPP exchange rates are used for Tables 2.A2.3, 2.A2.7 and 2.A2.8 (Chapter 2) as they provide for a better comparison of the value of thresholds (for registration or tax-free import) in countries. Market exchange rates are used for Tables 4.A4.1 to 4.A4.8 on excise duties (Chapter 4). For fuel taxes in particular, using market rates allows a better comparison of pre-tax prices for the same commodity and the level of taxes in countries, possibly highlighting local market failures when consumer price differences come from differences in pre-tax prices rather than from the tax burden. Using market rates will also better illustrate how strong is the incentive for cross-border shopping and how price differentials with neighbouring countries limits ability of governments to increase tax rates.

a) Purchase Parity Rates (PPP) for GDP 2013.

b) Average market rates 2013.

Source: OECD.

ANNEX B

Countries with VAT*

Almost all countries levy general consumption taxes, i.e. taxes on the sale of most goods and services to consumers. In the vast majority of those countries, this tax is a VAT, i.e. a tax collected at all stages of the processes of production and distribution of goods and services, accumulation of the tax being prevented by allowing businesses to deduct the tax they incur on their inputs from the tax they collect on their outputs. A minority of countries apply retail sales taxes, i.e. single-stage taxes on goods and services supplied to final consumers. All OECD countries levy VAT, except the United States, where resale sales taxes are levied at sub-national level (see Chapter 1).

As of 1 January 2014, 164 countries in the world have implemented a VAT, i.e. 46 in Africa, 1 in North America, 18 in Central America and Caribbean, 12 in South America, 28 in Asia, 51 in Europe and 8 in Oceania. The table below provides the list of countries operating a VAT allocated by regions of the world.

No.		Year of implementation	Standard rate 2014 (%)
Africa			
1	Algeria	1992	17.0
2	Benin	1991	18.0
3	Botswana	2002	12.0
4	Burkina Faso	1993	18.0
5	Burundi	2009	18.0
6	Cameroon	1999	19.25
7	Cape Verde	2004	15.0
8	Central African Republic	2001	19.0
9	Chad	2000	18.0
10	Congo (Democratic Republic)	2012	16.0
11	Congo (Republic)	1997	18.0
12	Djibouti	2009	7.0
13	Ethiopia	2003	15.0
14	Egypt	1991	10.0
15	Equatorial Guinea	2005	15.0
16	Gabon	1995	18.0
17	Gambia	2013	15.0
18	Ghana	1998	12.5
19	Guinea	1996	18.0

* The acronym "VAT" refers to any national tax that embodies the basic features of a value added tax as described in Chapter 1, by whatever name or acronym it is known, e.g. "Goods and Services Tax" ("GST").

No.		Year of implementation	Standard rate 2014 (%)
20	Guinea-Bissau	2001	15.0
21	Ivory Coast	1960	18.0
22	Kenya	1990	16.0
23	Lesotho	2003	14.0
24	Madagascar	1994	20.0
25	Malawi	2002	16.5
26	Mali	1991	18.0
27	Mauritania	1995	14.0
28	Mauritius	1998	15.0
29	Morocco	1986	20.0
30	Mozambique	1999	17.0
31	Namibia	2000	15.0
32	Niger	1986	19.0
33	Nigeria	1994	5.0
34	Republic of Congo	2012	16.0
35	Rwanda	2001	18.0
36	Senegal	1980	18.0
37	Seychelles	2012	15.0
38	Sierra Leone	2009	15.0
39	South Africa	1991	14.0
40	Sudan	2000	10.0
41	Tanzania	1998	18.0
42	Togo	1995	18.0
43	Tunisia	1988	18.0
44	Uganda	1996	18.0
45	Zambia	1995	16.0
46	Zimbabwe	2004	15.0
America – North			
1	Canada	1991	GST: 5.0 – HST: 13/14/15
America – Central and Caribbean			
1	Antigua and Barbuda	2007	15.0
2	Barbados	1997	17.5
3	Belize	2006	12.5
4	Commonwealth of Dominica	2006	15.0
5	Costa Rica	1982	13.0
6	Dominican Republic	1983	18.0
7	El Salvador	1992	13.0
8	Grenada	2010	15.0
9	Guatemala	1992	12.0
10	Haiti	1982	10.0
11	Honduras	1964	15.0
12	Jamaica	1991	16.5
13	Mexico	1980	16.0
14	Nicaragua	1975	15.0
15	Panama	1977	7.0
16	Saint Kitts and Nevis	2010	17.0
17	Saint Vincent and the Grenadines	2007	15.0
18	Trinidad and Tobago	1990	15.0
America – South			
1	Argentina	1974	21.0
2	Bolivia	1986	13.0
3	Brazil	1964	10
4	Colombia	1983	16.0

No.		Year of implementation	Standard rate 2014 (%)
5	Chile	1975	19.0
6	Ecuador	1982	12.0
7	Guyana	2007	16.0
8	Paraguay	1993	10.0
9	Peru	1991	18.0
10	Suriname	1999	10.0
11	Uruguay	1972	22.0
12	Venezuela	1993	12.0
Asia			
1	Bangladesh	1991	15.0
2	Cambodia	1999	10.0
3	China (People's Republic)	1994	17.0
4	Indonesia	1985	10.0
5	Iran	2008	6.0
6	Israel[a]	1976	18.0
7	Japan	1989	5.0
8	Jordan	2001	16.0
9	Kazakhstan	1992	12.0
10	Korea (South)	1977	10.0
11	Kyrgyzstan	1999	20.0
12	Lao (People's Democratic Republic)	2010	10.0
13	Lebanon	2002	10.0
14	Malaysia	2011	4.0
15	Maldives	2011	8.0
16	Mongolia	1998	10.0
17	Nepal	1997	13.0
18	Pakistan	1990	16.0
19	Papua New Guinea	1999	10.0
20	Philippines	1988	12.0
21	Singapore	1994	7.0
22	Sri Lanka	1998	12.0
23	Taiwan	1986	5.0
24	Tajikistan	1992	20.0
25	Thailand	1992	7.0
26	Turkmenistan	1992	15.0
27	Uzbekistan	1992	20.0
28	Vietnam	1999	10.0
Europe			
1	Albania	1995	20.0
2	Andorra	2013	4.5
3	Austria	1973	20.0
4	Armenia	1993	20.0
5	Azerbaijan	1992	18.0
6	Belarus	1991	20.0
7	Belgium	1971	21.0
8	Bosnia Herzegovina	2006	17.0
9	Bulgaria	1994	20.0
10	Croatia	1998	25.0
11	Cyprus[b]	1992	18.0
12	Czech Republic	1993	21.0
13	Denmark	1967	25.0
14	Estonia	1991	20.0
15	Faroe Islands	1993	25.0
16	Finland	1994	24.0

No.		Year of implementation	Standard rate 2014 (%)
17	Former Yugoslav Republic of Macedonia	2000	18.0
18	France	1968	20.0
19	Georgia	1993	18.0
20	Germany	1968	19.0
21	Greece	1987	23.0
22	Hungary	1988	27.0
23	Iceland	1990	25.5
24	Ireland	1972	23.0
25	Isle of Man	1973	20.0
26	Italy	1973	22.0
27	Jersey	2008	5.0
28	Kosovo	2001	16.0
29	Latvia	1995	21.0
30	Liechtenstein	1995	8.0
31	Lithuania	1994	21.0
32	Luxembourg	1970	15.0
33	Malta	1999	18.0
34	Moldova	1998	20.0
35	Montenegro	2003	17.0
36	Monaco	1968	20.0
37	Netherlands	1969	21.0
38	Norway	1970	25.0
39	Poland	1993	23.0
40	Portugal	1986	23.0
41	Romania	1993	24.0
42	Russia	1991	18.0
43	Turkey	1984	18.0
44	Serbia	2005	20.0
45	Slovak Republic	1993	20.0
46	Slovenia	1999	22.0
47	Spain	1986	21.0
48	Sweden	1969	25.0
49	Switzerland	1995	8.0
50	Ukraine	1992	20.0
51	United Kingdom	1973	20.0
Oceania			
1	Australia	2000	10.0
2	Cook Islands	1997	12.5
3	Fiji	1992	15.0
4	New Zealand	1986	15.0
5	Niue	2009	5.0
6	Samoa	1994	15.0
7	Tonga	2005	15.0
8	Vanuatu	1998	12.5

a) **Israel:** The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

b) **Footnote by Turkey:** the information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

Footnote by all the European Union Member States of the OECD and the European Union: the Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

ANNEX C

Statement of outcomes on the OECD international VAT/GST guidelines*

TOKYO, 17-18 APRIL 2014.
OECD GLOBAL FORUM ON VAT TOKYO, 17-18 APRIL 2014

Statement of Outcomes on the OECD International VAT/GST Guidelines

We, the high-level officials of 100 jurisdictions and international organisations worldwide, came together at the second meeting of the *OECD Global Forum on VAT* (the Global Forum) on 17-18 April 2014 in Tokyo to discuss progress made in the development of the *OECD International VAT/GST Guidelines* (the Guidelines) as a global standard to address issues of double taxation and unintended non-taxation resulting from inconsistencies in the application of VAT to international trade.

We recall that, at its first meeting on 7-8 November 2012 in Paris, the Global Forum concluded that the Guidelines are the firm basis for a global standard on the application of VAT to cross-border trade in services and intangibles. We also recall that the Global Forum had pledged to build the widest possible international consensus on the Guidelines with a view to achieve their endorsement as a global standard.

Against this background and in light of our discussions at the second meeting of the Global Forum, we:

- Support the development of the Guidelines to address risks of double taxation and unintended non-taxation that result from inconsistencies in the application of VAT to international trade.
- Welcome the approval by the OECD Committee on Fiscal Affairs (CFA), at its 29 January 2014 meeting, of the first three chapters of the Guidelines, including on the neutrality principle and the place of taxation for cross-border business-to-business (B2B) supplies of services and intangibles.
- Endorse these first chapters of the Guidelines as standards on neutrality and on place of taxation for cross-border business-to-business supplies of services and intangibles, to serve as a reference point for designing and implementing legislation.

* Value Added Taxes (VAT) are also referred to as “goods and services tax” (GST) in many jurisdictions. For ease of reading, this statement hereafter refers to VAT to cover all value added taxes, by whatever name, in whatever language, they are known.

- Urge the OECD to finalise its work on the remaining chapters of the Guidelines, including to ensure effective and coherent VAT treatment of cross-border sales of services to private consumers (B2C), and to present the completed Guidelines for endorsement at the next meeting of the Global Forum in November 2015.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

OECD PUBLISHING, 2, rue André-Pascal, 75775 PARIS CEDEX 16
(23 2014 49 1 P) ISBN 978-92-64-22393-6 – 2014

Consumption Tax Trends 2014

VAT/GST AND EXCISE RATES, TRENDS AND POLICY ISSUES

Contents

Executive summary

Chapter 1. Taxing consumption

Chapter 2. Value-added taxes: Rates and structure

Chapter 3. Measuring performance of VAT

Chapter 4. Selected excise duties in OECD countries

Chapter 5. Taxing vehicles

Annex A. Exchange rates 2013

Annex B. List of countries with VAT (2014)

Annex C. Statement of Outcomes on the OECD International VAT/GST Guidelines

www.oecd.org/tax/consumption

Consult this publication on line at ***http://dx.doi.org/10.1787/ctt-2014-en.***

This work is published on the OECD iLibrary, which gathers all OECD books, periodicals and statistical databases.
Visit ***www.oecd-ilibrary.org*** for more information.

OECD*publishing*
www.oecd.org/publishing

ISBN 978-92-64-22393-6
23 2014 49 1 P