OECD CENTRE FOR TAX POLICY AND ADMINISTRATION

OECD TAXATION WORKING PAPERS SERIES

This series is designed to make available to a wider readership selected studies drawing on the work of the OECD Centre for Tax Policy and Administration. Authorship is usually collective, but principal writers are named. The papers are generally available only in their original language (English or French) with a short summary available in the other.

OECD Working Papers should not be reported as representing the official views of the OECD or of its member countries. The opinions expressed and arguments employed are those of the author(s).

Working Papers describe preliminary results or research in progress by the author(s) and are published to stimulate discussion on a broad range of issues on which the OECD works. Comments on Working Papers are welcomed, and may be sent to the Centre for Tax Policy and Administration, OECD, 2 rue André-Pascal, 75775 Paris Cedex 16, France. This working paper has been authorised for release by the Director of the Centre for Tax Policy and Administration, Pascal Saint-Amans.

Comments on the series are welcome, and should be sent to either ctp.contact@oecd.org or the Centre for Tax Policy and Administration, 2, rue André Pascal, 75775 PARIS CEDEX 16, France.

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.

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.

Comment on the series is welcome, and should be sent to ctp.contact@oecd.org.

ABSTRACT

This paper presents statutory tax rates on several forms of capital income, including dividends, interest on bonds and bank accounts, and capital gains on shares and real property, including integration between the corporate and personal levels. It updates the rates from an earlier tax working paper (Harding, 2013) and extends the analysis to consider the debt-equity bias of the tax system when the personal level of taxation is considered.

RÉSUMÉ

Ce document présente les différents taux d'imposition des revenus du capital. Il résume notamment le traitement fiscal légal des dividendes, des intérêts perçus et des plus-values réalisées sur les actions et sur les biens immobiliers, en tenant compte le cas échéant de l'interaction entre le régime de l'impôt sur les sociétés et celui de l'impôt sur le revenu des personnes physiques. De plus, le document met à jour les données d'un document antérieur (Harding, 2013) et élargit l'analyse pour examiner le biais fiscal en faveur de l'endettement lorsque le niveau d'imposition sur le revenu des personnes physiques est pris en compte.

TABLE OF CONTENTS

KEY TO ABBREVIATIONS

ACE	Allowance for corporate equity
CL	Classical
CL*	Full inclusion after holding period
CL^	Modified classical
DD	Tax on distributed dividends
FI	Full inclusion
FW	Final withholding
FW^	Final withholding (inflation adjustment)
IM	Full imputation
IM*	Imputation (gross-up factor)
IM^	Partial imputation
NT	No taxation
NT	No tax at individual level
NT*	No taxation after holding period
PI	Partial inclusion
PI^	Partial inclusion (inflation adjustment)
PR	Presumptive return
RRA	Rate of return allowance
ST	Separate taxation
ST*	Separate taxation after holding period

STATUTORY TAX RATES ON DIVIDENDS, INTEREST AND CAPITAL GAINS: THE DEBT EQUITY BIAS AT THE PERSONA LEVEL

1. Introduction

Purpose

1. In addition to labour and business income, many individuals also receive capital income, for example, from holding funds in deposit accounts or bonds, or from the ownership of shares or real property. The tax rules applied to these forms of income differ within and across countries according to the nature, timing and source of the revenue, and the income level and characteristics of the income-earner.

2. *Taxation of Dividends, Interest and Capital Gain Income* (Harding, 2013) provides an analytical framework and the statutory tax treatment of three simple types of capital income earned by resident individuals in a domestic setting: dividend income from ordinary shares; interest income from cash deposits; and capital gains realised on long-term real property and shares. The paper traced the impact of different tax treatments from pre-tax corporate income, through the relevant corporate and personal tax systems, to the post-tax income received by an illustrative top-rate taxpayer. The descriptions were supplemented with diagrammatic and algebraic presentations and illustrative examples for each OECD country as at 1 July 2012.

3. This paper draws on responses to a questionnaire distributed in February 2016 (*Questionnaire for Tax and Debt Bias in Corporate Financing Analysis*).[1] It updates the information presented in Harding (2013) to 1 July 2016 and extends the analysis to two new types of capital income: interest income from corporate bonds, and capital gains on short-held shares. As in the previous paper, the tax rates represent the maximum possible burden on capital income under the relevant tax systems and are statutory, rather than effective, tax rates.[2] Finally, the paper compares the tax treatment of the returns to debt and equity at both the corporate and individual levels to determine whether there is a tax-created bias toward debt when personal taxation is taken into account.

Assumptions

4. The paper discusses five types of capital income from personal savings. For each, the most basic form of the income type has been considered, as the tax treatment of these sets the foundation from which the tax treatment of more complex forms of the same type of income may vary. The pre-tax nominal rate of return on corporate equity is assumed to be 4%[3], which affects the tax rates shown for Belgium, Italy and Turkey (for new equity only), the Netherlands, and Norway[4]. The report considers taxes on the income

---

1 The questionnaire was completed by Australia, Austria, Belgium, Canada, Chile, Costa Rica, the Czech Republic, Estonia, Finland, France, Greece, Hungary, Iceland, Ireland, Israel, Italy, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Singapore, the Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

2 At the individual level, the paper assumes the taxpayer to pay the highest marginal rate of tax and does not consider personal circumstances, such as family tax credits, that may reduce effective income tax rates. At the corporate level, the impact of deductions or tax planning in reducing effective tax rates is also not considered.

3 The assumed rate of return on corporate equity (4%) is a representative rate of return widely used in similar quantitative literature. It is not meant to represent the rate of return of a risk-free investment, which can vary across countries, nor the notional rate of interest applied under the ACE in Belgium, Italy and Turkey (for new equity), and Norway.

4 The tax systems in these countries include an estimated rate of return in the calculation of the tax base. Under the ACE systems used in Belgium, Italy and Turkey, the combined tax rates on dividends and on capital gains

from these assets but not taxes on the value of the investment (wealth taxes), which would increase the tax burden on these assets.

5. The paper makes a number of assumptions about the investor. First, it assumes that the investor is resident in the particular country; secondly, that they are not a substantive shareholder; and finally that the income is not related-party income. The investor considered is assumed to pay the top rate of any progressive rate scale applicable.[5] Financial assets are assumed to be held outside tax-preferred accounts (such as pensions, retirement accounts or investment funds). As the importance of these accounts varies across countries, cross-country comparisons should be made with this in mind. The impact of inflation on the real amount of the post-tax return is described but not taken into account in the calculation of the combined rates. The impact of the holding period test on the combined rates is not considered. Capital gains on shares are assumed to derive entirely from retained profits, whereas capital gains on property are assumed to derive from property that is directly held by the investor. For federal countries, personal and corporate tax rates encompass both federal and state rates (the latter on a weighted or representative basis), as provided in the questionnaire responses.

6. The paper draws on responses to the questionnaire distributed in February 2016, supplemented by the IBFD Tax Database; consultations with member countries; reference to the previous working paper; and where necessary, country-specific data.

2. Dividend income

7. Dividends are typically taxed first as corporate income and then distributed to the shareholder where they may be taxed again as personal income. The integration between the amount of corporate tax paid and the tax paid at the individual level is thus a critical factor in determining the combined statutory tax rate on dividend income. Countries that replied to the questionnaire use a range of approaches to integrate corporate and personal tax systems.

Overview of dividend taxation

Corporate level treatment

8. Returns on equity in the form of dividends are first subject to taxation at the corporate level as company profits, reducing the amount of the income distributed to the shareholder. There are three approaches to taxation at the corporate level: a standard corporate income tax (CIT), allowing a deduction for corporate equity to be made against the CIT, and no corporate taxation. Each has different implications for taxable income at the individual level.

9. Most countries tax net corporate income at the corporate level under a standard corporate income tax regime. The amount available for distribution is post-tax corporate income, which forms the basis for the taxable income at the shareholder level. Exceptions to this include Singapore, where no tax is payable

---

increase as the rate of return exceeds the nominal rate for the ACE deduction. In the Netherlands, a higher rate of return reduces the combined tax rate on dividend and on capital gain income under the presumptive return system. In Norway, the rate of return allowance (RRA) means that the combined tax rate on dividends and capital gains increases as the rate of return exceeds the nominal rate for the RRA deduction.

5 Across countries, the top rate will apply to different numbers of taxpayers depending on the position of the relevant threshold in the income distribution of each country. The proportion of taxpayers paying the top rate can therefore vary markedly between countries.

at the individual level; and the Netherlands, where taxable income is a deemed return on the shareholder's equity.[6]

10. The second approach is to provide an allowance for corporate equity (ACE) that can be deducted against tax at the corporate level, as in Belgium and for new equity in Italy (from 2012) and Turkey (from 2015). The rate of the allowance in Belgium and Italy is intended to approximate the risk-free return on equity and thus to exempt the risk-free return from corporate taxation – equivalent to a cash-flow tax at the corporate level. For example, if pre-tax corporate profit is three times the risk-free return on corporate equity, this system would reduce corporate tax by one-third and double taxation is eliminated on the risk-free part of the return. Under such a system, post-tax corporate profit available for distribution is pre-tax corporate profits less tax paid on the risky part of the returns. Any unutilised portion of the deduction is carried forward to the subsequent fiscal year rather than being refundable.

11. In Turkey, an ACE system was introduced in 2015 for new equity. The rate of ACE approximates the annual weighted average interest rate applied to bank loans, and is announced annually by the Central Bank of Turkey.[7] Half of the announced allowance amount is applied on cash injections as capital and is deductible from the corporate tax base. As for Belgium and new equity in Italy, any unutilised portion of the deduction is carried forward to the subsequent fiscal year.

12. Finally, Estonia does not tax retained corporate profits under a CIT regime, but instead applies a tax on distributions. At the shareholder level, the full amount of the distribution is treated as taxable income. The distribution tax is paid at the point of distribution and is therefore similar to a final withholding tax. No further tax is payable at the shareholder level on distributed income.

Individual level treatment

13. Post-tax corporate profits can either be distributed to the shareholder as dividends or reinvested. If distributed, the combined tax rate at the individual level depends on both the amount of distributed income that is treated as taxable and the rate applied. The tax rates used are the highest marginal rate payable by an individual on their dividend income. The statutory tax rates can therefore be considered as the maximum rates applicable to dividend income.[8]

Amount of distributed income treated as taxable individual income

14. With the exception of Singapore and the Netherlands, all countries that replied to the questionnaire base the amount of taxable income at the shareholder level on the amount of post-tax corporate income distributed to the shareholder. Most commonly, the full amount of the distribution is treated as taxable income at the shareholder level, although in many countries a small fixed amount may be exempt from taxation.

15. A second approach is to exempt part of the distribution from taxation at the individual level, reducing the combined tax rate on dividend income relative to full inclusion. Partial inclusion of post-tax corporate profits is equivalent to lowering the rate of tax applying to dividends at the shareholder level by

6 In the Slovak Republic, dividend income is subject to a health insurance contribution at the shareholder level (14% as at 1 July 2016).

7 The notional rate of deduction used in this paper for Turkey is half of 13.57%, which is the rate announced by the Central Bank of Turkey in 2016 for the 2015 fiscal year (source: Turkish Ministry of Finance. See also PWC (2016).

8 De minimus amounts that may be exempt from taxation are not considered, as calculations of marginal statutory tax rates are on the highest income earners.

the same proportion. It therefore reduces the double-tax element inherent under a classical system. A partial inclusion system exists in Finland, France, Luxembourg and Turkey.

16. A variant of partial inclusion is used in Norway. Under the rate of return allowance (RRA) system in Norway, shareholders are allowed a shielding deduction which reduces their taxable dividend income. This shielding deduction is calculated based on the cost price of the shareholding and a set rate of interest. Similar to the ACE system, this deduction is equivalent to an individual level cash-flow tax. The allowance for shareholder equity system is intended to exempt the risk-free return on equity from taxation at the shareholder level and reduces double taxation.

17. Corporate and individual level taxation may also be integrated using an imputation system. Under imputation systems, taxable income at the shareholder level is the amount of distributed dividend income grossed-up to approximate pre-tax corporate income.[9] The tax payable on the grossed-up dividend is reduced by a tax credit which offsets all or part of the corporate tax paid on the distributed profits.[10] Under these systems, corporate tax is effectively a pre-payment against the tax on dividend income applied at the individual level. An imputation system is applied in Australia, Canada, Chile, Mexico and New Zealand.

18. Finally, the Netherlands does not base the amount of taxable income at the shareholder level on the amount of post-tax corporate profits. Dividend income on minority shareholdings in the Netherlands (and other savings and investment income) is calculated on the basis of a presumed return on shareholder equity, designed to approximate the risk-free rate of return. The shareholder's tax liability in relation to listed shares is calculated by applying a flat 30% tax rate to a deemed 4% return on investment, which generates a tax rate of 1.2% on the value of the investment.[11] Under a presumptive capital tax, the income received by the shareholder will be post-tax corporate profits, less the amount of the tax on the deemed return. As the amount of tax paid is linked to the value of equity rather than to the return on equity, the effective tax rate on dividend income decreases as the rate of return increases.

Tax payable by the shareholder

19. Countries tax dividend income at the individual level in three primary ways: classical taxation, where the income of the shareholder is taxed at the applicable personal tax rates; final withholding taxes; and imputation systems (discussed above).

20. A classical tax system includes all distributed dividend income to the shareholder and taxes this at the personal income tax (PIT) rates. Under a classical system, there is no integration between corporate and personal taxes. The amount of tax paid under a classical system is the amount of distributed income multiplied by the shareholder's tax rate. When the tax paid at the corporate level is considered, the combined tax rate on dividend income is double-taxed. The classical approach may be modified to apply lower tax rates to dividend income, in order to partially alleviate this double taxation.

21. Several countries tax shareholder income via a final withholding system. These countries include Austria, Belgium, Costa Rica, the Czech Republic, Greece, Hungary, Israel, Italy, Poland, Portugal, Slovenia and South Africa. Under these systems, tax is withheld either by the distributing company or by

9 Gross-up may either use the corporate tax rate (as in Australia, Chile, Mexico and New Zealand) or a set gross-up factor (as in Canada, where the gross-up factor is set at a rate that reflects the weighted average corporate tax rate at federal and sub-national levels)

10 The tax credit may either be based on the amount of tax paid at the corporate level on the distributed dividends (Australia, Chile, Mexico and New Zealand), or may be set at a fixed rate (or rates) (Canada).

11 The value of the investment is calculated by reference to the market value of the shares (stock exchange value for listed shares) as at 1 January of the fiscal year.

the withholding agent on behalf of the shareholder and no further tax is payable at the shareholder level. Under this approach the same element of double taxation applies as under a classical system. However, as withholding taxes require the income to be assessed separately from other income, they can allow the rate of tax paid on dividends to be lower relative to other income, which reduces the impact of double taxation.

Tax rates on dividend income in 2016

22. The combined personal and corporate statutory tax rates on dividends are shown in Table 1. The table also provides an overview of the type of tax system, the applicable tax and imputation rates, and the proportion of post-tax corporate income treated as taxable at the individual level. A scheme of the calculation is shown in Annex A. Figure 1 summarises the combined statutory rates for the 33 countries.

Table 1. Tax payable on dividends at the corporate and top individual level as at 1 July 2016

	System	Corporate tax rate	Proportion included	Final withholding tax	Imputation rate	Individual tax[12]	Combined statutory rate
		(%)	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*
AUS	IM	30.0	142.9		30.0	49.0	49.0
AUT	FW	25.0	100.0	27.5			45.6
BEL	ACE (FW)	34.0	100.0	27.0			44.8
CAN	IM*	26.8	138.0		25.0	53.5	55.6
CHL	IM	24.0	131.6		24.0	40.0	40.0
CRI	FW	30.0	100.0	5.0			33.5
CZE	FW	19.0	100.0	15.0			31.2
EST	DD	20.0	100.0				20.0
FIN	PI	20.0	85.0			34.0	43.1
FRA	PI	34.4	63.6			45.0	53.2
GRC	FW	29.0	100.0	10.0			36.1
HUN	FW	19.0	100.0	15.0			31.2
ISL	CL	20.0	100.0			20.0	36.0
IRL	CL	12.5	100.0			51.0	57.1
ISR	CL	25.0	100.0	27.0			45.3
ITA	FW	31.3	100.0	26.0			49.2
ITAnew	ACE (FW)	31.3	100.0	26.0			26.0
LUX	PI	29.2	50.0			40.0	43.4
MEX	FW	30.0	100.0	10.0			37.0
NLD	PR	25.0	100.0			30.0	55.0
NZL	IM	28.0	138.9		28.0	33.0	33.0
NOR	RRA	25.0	100.0			28.8	42.3
POL	FW	19.0	100.0	19.0			34.4
PRT	FW	29.5	100.0	28.0			49.2
SGP	NT	17.0	100.0				17.0
SVK[13]	CL^	22.0	100.0			14.0	32.9
SVN	FW	17.0	100.0	25.0			37.8
ZAF	FW	28.0	100.0	15.0			38.8

12 In countries with imputation systems, these rates are gross PIT rates; i.e. PIT rates before imputation credits are taken into account. The combined statutory rate in the final column includes the impact of imputation credits in reducing tax liability.

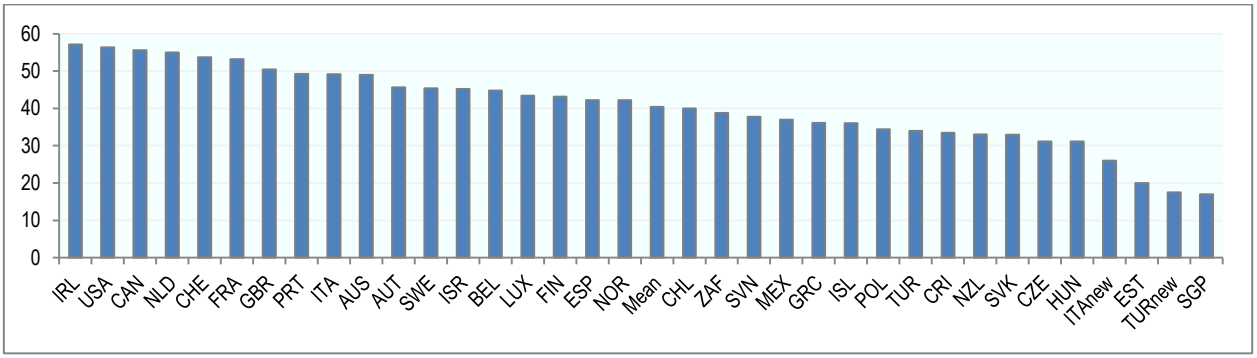
13 The individual tax rate for the Slovak Republic refers to a health contribution which is applied at the shareholder level.

	System	Corporate tax rate (%)	Proportion included (%)	Final withholding tax (%)	Imputation rate (%)	Individual tax[12] (%)	Combined statutory rate (%)
ESP	CL	25.0	100.0			23.0	42.3
SWE	CL	22.0	100.0			30.0	45.4
CHE	CL	21.1	100.0			41.3	53.7
TUR	PI	20.0	50.0			35.0	34.0
TURnew	ACE(PI)	20.0	50.0			35.0	17.5
GBR	CL	20.0	100.0			38.1	50.5
USA	CL^	38.9	100.0			28.5	56.3
Mean	-	24.8	-	-	-	26.0	40.4

Source: OECD calculations based on questionnaire responses. The unweighted mean for the individual tax column includes the final withholding tax rates applicable. The unweighted mean includes the tax rate on new equity in Italy and in Turkey and not the tax rates on existing equity.

23. Combined statutory tax rates on dividend income range from 17% in Singapore, where no tax is payable at the personal level, to 57.1% in Ireland. The unweighted mean statutory tax rate across the 33 countries is 40.4%, as shown in Figure 1.

Figure 1. Combined top statutory rates on dividends, 1 July 2016 (%)



Source: OECD calculations based on questionnaire responses. The unweighted mean includes the tax rate on new equity in Italy and the tax rate on new equity in Turkey and does not include the tax rates on existing equity. If the combined tax rate on existing equity in Italy and in Turkey were used instead of new equity, the unweighted average combined rate would be 41.6%.

24. The lowest combined statutory tax rates are found in Singapore, Turkey (new equity) and in Estonia. In Singapore and Estonia only the corporate tax rate applies and the shareholder is exempt from taxation on dividend income. In Turkey, the application of the ACE results in no corporate tax liability at the 4% rate of return assumed in this paper. There is no clear pattern with respect to tax rates levied under other systems, as under each type of system, different levels of corporate or personal taxes can cause wide variations in the level of the combined statutory rates. Combined statutory tax rates under imputation systems range from 55.6% in Canada to 33.0% in New Zealand, due to differences in the top personal tax rates in these countries. Similarly, rates under classical systems range from 57% in Ireland to 36% in Iceland; while Iceland has higher corporate tax rates, higher personal tax rates in Ireland account for the difference.

25. The tax rates shown for Belgium, Italy (new equity), the Netherlands, Norway and Turkey (new equity) are affected by the rate of return assumed in this paper, whereas the rates for other countries are not affected by rate of return changes. In these countries, the impact of changes to the assumed rate of return differs:

- Under the ACE systems used in Belgium, Italy and Turkey, the combined tax rates on dividends increase as the rate of return exceeds the nominal rate for the ACE deduction. For example, if the rate of return increased to 10%, the combined tax rates on dividends would rise in Belgium from 44.8% to 49%; in Italy from 26% to 38.2%; and in Turkey from 17.5% to 22.8%.

- In the Netherlands, a higher rate of return reduces the combined tax rate on dividend income under the presumptive return system. At a 10% return the combined tax rate in the Netherlands decreases from 55.0% to 37.0%.

- In Norway, the rate of return allowance (RRA) reduces shareholders' taxable dividend income at the personal level. Under the RRA system, the combined tax rate on dividends increases as the rate of return exceeds the nominal rate for the RRA deduction. If the rate of return increased to 10%, the tax rate on dividends would rise in Norway from 42.3% to 44.8%.

Changes to combined statutory rates between 2012 and 2016

26.Between 2012 and 2016, combined statutory tax rates on dividend income increased on an unweighted average basis from 39.7% to 40.4%. The increase was driven by increases in combined statutory tax rates in 15 countries (including existing equity in Italy). In 11 countries combined statutory tax rates remained unchanged (including existing equity in Turkey); and in 9 countries tax rates on dividends decreased (including new equity in Italy and in Turkey).

27. Increases in combined statutory tax rates were almost uniformly driven by higher tax rates at the individual level. The cause of decreased combined statutory tax rates was less clear, in some cases resulting from lower corporate tax rates, lower individual-level tax rates, or both.

28. Table 2 shows the combined statutory rate on dividends as at 1 July 2012 and 1 July 2016. Table 2 also distinguishes between changes at the corporate and individual levels. Tax paid at the individual level includes all forms of taxes paid by the owner of the shares, whether they are levied under the personal income tax (PIT) system, through withholding taxes, or via imputation systems. The information in the last three columns of Table 2 is also summarised in Figure 2.

Table 2. Changes in combined top statutory tax rates on dividends, 2012 and 2016

	Combined statutory rate on dividends		Change in CIT payable[14]	Change in individual tax payable[15]	Change in combined statutory tax rate
	2012 (%)	*2016 (%)*	*(pp)*	*(pp)*	*(pp)*
AUS	46.5	49.0		2.5	2.5
AUT	43.8	45.6		1.9	1.9
BEL	27.7	44.8	15.9	1.2	17.1
CAN	49.5	55.6	0.7	5.4	6.1
CHL	40.0	40.0	4.0	-4.0	
CRI	33.5	33.5			
CZE	31.2	31.2			

14 CIT payable includes the impact of the ACE in Belgium, Italy (new equity) and Turkey (new equity) in reducing the amount of CIT payable.

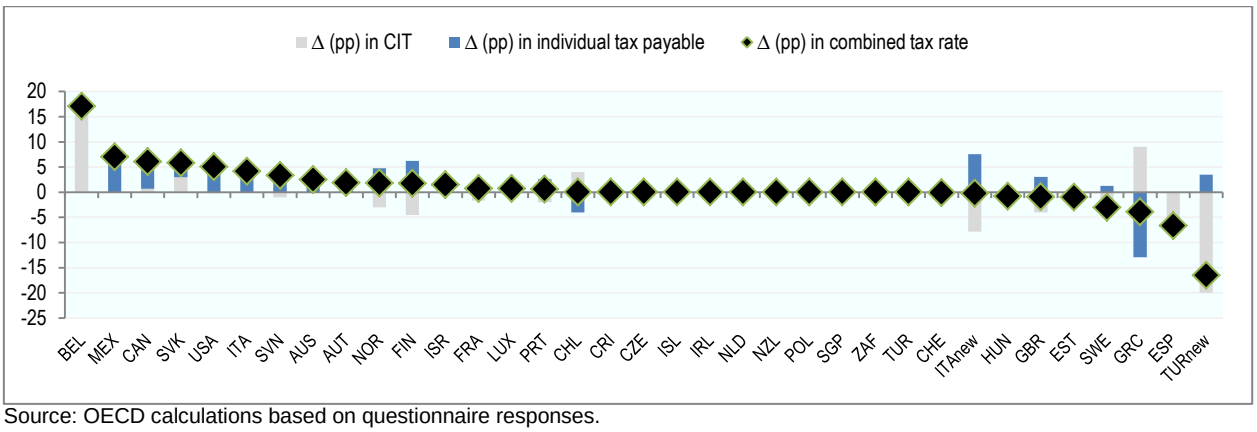
15 The "Change in individual tax payable" column shows the change in the amount of tax payable at the personal level on post-tax corporate income, taking account of any integration between the corporate and personal levels (as a percentage of pre-tax corporate income).

	Combined statutory rate on dividends		Change in CIT payable[14]	Change in individual tax payable[15]	Change in combined statutory tax rate
	2012 (%)	*2016 (%)*	*(pp)*	*(pp)*	*(pp)*
EST	21.0	20.0	-1.0		-1.0
FIN	41.4	43.1	-4.5	6.2	1.7
FRA	52.5	53.2	-1.7	2.4	0.7
GRC	40.0	36.1	9.0	-12.9	-3.9
HUN	32.0	31.2		-0.8	-0.8
ISL	36.0	36.0			
IRL	57.1	57.1			
ISR	43.8	45.3	0.0	1.5	1.5
ITA	45.0	49.2		4.1	4.1
ITAnew	26.3	26.0	-7.8	7.6	-0.3
LUX	42.7	43.4	0.4	0.3	0.7
MEX	30.0	37.0		7.0	7.0
NLD	55.0	55.0			
NZL	33.0	33.0			
NOR	40.5	42.3	-3.0	4.8	1.8
POL	34.4	34.4			
PRT	48.6	49.2	-2.0	2.6	0.6
SGP	17.0	17.0			
SVK	27.1	32.9	3.0	2.8	5.8
SVN	34.4	37.8	-1.0	4.3	3.3
ZAF	38.8	38.8			
ESP	48.9	42.3	-5.0	-1.7	-6.7
SWE	48.4	45.4	-4.3	1.3	-3.0
CHE	53.8	53.7		-0.1	-0.1
TUR	34.0	34.0		0.0	0.0
TURnew	34.0	17.5	-20.0	3.5	-16.5
GBR	51.4	50.5	-4.0	3.0	-1.0
USA	51.3	56.3	-0.2	5.3	5.1
Mean	39.7	40.4	-0.7	1.3	0.7

Source: OECD calculations based on questionnaire responses. The unweighted mean includes the tax rate on new equity in Italy and in Turkey and does not include the tax rates on existing equity.

29. Table 2 and Figure 2 demonstrate that where the combined statutory tax rate on dividends has increased, this is primarily due to increases in tax rates at the individual level (Mexico, Canada, Israel, Italy (existing equity), the United States, Slovenia, Portugal, Australia and Austria). In Finland, France, Norway, Slovenia, Portugal and the United States, increases in tax rates at the individual level were partly offset by decreases in tax rates at the corporate level; whereas in Sweden, Turkey (new equity) and in the United Kingdom, a decrease in the tax rate at the corporate level was partly offset by an increase at the individual level. In three countries there were significant decreases in individual tax payable: Chile, Spain, Greece. In addition, there were smaller decreases in Italy (new equity), Switzerland and Hungary (<1 pp). In Italy, a larger decrease in corporate income tax payable was due to the increase of the ACE rate from 3% in 2012 to 4.8% in 2016. This was largely offset by an increase in individual tax payable due to the increase in the final withholding rate from 20 to 26%, coupled with the increased rate of the ACE, which increased the proportion of the return subject to the withholding tax.

Figure 2. Decomposition of changes in combined top statutory tax rate on dividends, 2012-2016[16]



Source: OECD calculations based on questionnaire responses.

30. Between 2012 and 2016, corporate tax rates decreased in eleven countries (Estonia, Finland, France, Slovenia, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States (<1 pp). In addition, the amount of corporate tax payable decreased for new equity in Italy and Turkey, due to the increase of the ACE deduction in Italy and the introduction of the ACE in Turkey. Corporate tax rates increased in six countries, most significantly in Greece and to a lesser extent in Chile, Italy for existing equity (<0.01 pp), Luxembourg, the Slovak Republic and Canada (in Canada, the change was due to changes in provincial corporate tax rates). In addition, the amount of corporate tax payable increased in Belgium, due to the reduction of the ACE rate.[17] In Chile, the increase in the corporate tax rate was offset by a decrease in tax payable at the individual level, leading to no overall change in the combined statutory tax rate on dividends. Similarly, in France, Luxembourg, Portugal and Switzerland, there was little change in the combined statutory tax rate due to the opposite direction of changes at the top individual and the corporate levels.

31. In Belgium, the increase in the tax rate at the individual level during this period is primarily due to a decrease in the applicable notional rate of interest deduction. In Greece, the final withholding rate decreased by 15 percentage points (from 25% in 2012 to 10% in 2016) and the corporate income tax rate increased considerably (by 9 pp).

3. Interest income

32. This section summarises the tax treatment and rates applied to interest income on deposits in retail banking institutions and on corporate bonds.

16 The "individual tax payable" shows the change in the amount of tax payable at the personal level on post-tax corporate income, taking account of any integration between the corporate and personal levels, as a percentage of pre-tax corporate income.

17 In Belgium, the change in the combined statutory rate results from a change in the withholding rate (from 21% in 2012 to 27% in 2016) as well as changes to the rate used to calculate the ACE. The ACE rate decreased from 3% in 2012 to 1.13% in 2016. Under an ACE tax system, the amount of corporate tax liability increases as the actual rate of return increases beyond the level of the ACE deduction. As the assumed rate of return on corporate equity is 4%, the decrease in the ACE rates during this period has resulted in resident firms paying a greater amount of corporate tax.

Overview of interest taxation

33. The taxation of interest income, whether from retail bank accounts or from corporate bonds, happens only at the individual level. This section gives an overview of the tax base and rates applied in the countries that replied to the questionnaire.

Taxable individual income

34. Most countries assess the amount of taxable interest income based on the amount of interest income received. In the Netherlands, tax on interest income from retail bank deposits is paid on the presumed capital return, as described above. Estonia does not tax interest income from these sources, although interest income from other sources may be taxable.

35. Most countries tax the full amount of nominal interest income received. Several countries provide an exemption for a fixed amount of interest income and the Dutch presumptive tax on capital income also contains a basic allowance. These systems are seen as full inclusion systems because the exemption does not affect the tax rate applied to marginal interest income after the de minimus threshold is exceeded.

36. Currently, no country provides an exemption for a percentage of interest income. However, a few countries index interest income for inflation. Indexation exempts the inflationary component of interest income from taxation, lowering the final effective tax rate on nominal income in the presence of inflation. Indexation can be accomplished by either adjusting the amount of the initial deposit or calculating the interest that would be payable on the adjusted deposit or by adjusting the taxable rate of return.

37. In the Netherlands, the amount of taxable interest income is based on a presumptive return on the deposit, calculated in the same way as for dividend income. Tax paid on interest income is based on the amount of the initial investment, and is akin to a tax on wealth.

38. In Singapore, interest income from retail bank accounts and corporate bonds under the assumptions used in this paper are exempt from taxation at the individual level. Similarly, in Costa Rica and Estonia, interest income from retail financial institutions is exempt from taxation, although interest on corporate bonds is taxable under a final withholding tax.

Tax payable by the individual

39. At the individual level, interest income may be taxed under PIT rates through assessment at the individual level or through the use of final withholding rates. The tax rates used are the highest marginal rate payable by an individual on their interest income.

40. Under the first approach, interest income is assessed for taxation at the individual level and tax paid on that income according to the individual's marginal rate or a specific rate on capital income. Under this approach, taxable income will be the full amount of interest received and the statutory tax rate will be equivalent to the individual's personal tax rate. Preliminary withholding taxes may be used prior to assessment at the individual level. These are effectively a prepayment of tax, being set against the tax

payable at the individual level under their applicable PIT rate.[18] They therefore do not affect the overall level of tax paid by the individual, provided the individual's tax rate is higher than the withholding rate.[19]

41. Finally, many countries tax interest income via a final withholding system. Under a final withholding tax, individual level taxes are withheld by the institution and no further tax is payable or assessment required at the individual level. In this case, the total amount of tax does not differ with the individual's specific circumstances or their personal tax rate in respect of other income.

Tax rates on interest income in 2016

42. The top statutory tax rates on interest income are shown in Table 3 (interest income from retail bank accounts) and Table 4 (interest income from corporate bonds). Tables 3 and 4 also provide an overview of the type of tax treatment used to tax each type of interest income, and the applicable withholding and personal tax rates.

Table 3. Tax payable on retail bank interest income at the top individual level as at 1 July 2016

	System	Final withholding tax	Preliminary withholding tax	Individual tax	Statutory tax
		(%)	*(%)*	*(%)*	*(%)*
AUS	FI			49.0	49.0
AUT	FW	25.0			25.0
BEL	FW	27.0			27.0
CAN	FI			53.5	53.5
CHL	PI^			40.0	40.0
CRI	NT				
CZE	FW	15.0			15.0
EST	NT				
FIN	FW	30.0			30.0
FRA	CL		39.5	45.0	45.0
GRC	FW	15.0			15.0
HUN	FW	15.0			15.0
ISL	FI		20.0	20.0	20.0
IRL	FW	41.0			41.0
ISR	CL			27.0	27.0
ITA	FW	26.0			26.0
LUX	FW	10.0			10.0
MEX	PI^		0.5	35.0	35.0
NLD	PR			30.0	30.0
NZL	FI		33.0	33.0	33.0
NOR	FI			25.0	25.0
POL	FW	19.0			19.0
PRT	FW	28.0			28.0
SGP	NT				

18 Systems where the individual can choose to have their income assessed (e.g. Portugal) but where this is not required, are included as final withholding countries.

19 For lower-rate marginal taxpayers in some countries, the final tax rate will depend on the particular tax system. If the tax system allows the excess withholding tax to be refunded, or applied against other income, the final tax rate will also be the individual's tax rate. If the difference is not refunded, the tax rate will be the withholding rate for these taxpayers.

	System	Final withholding tax	Preliminary withholding tax	Individual tax	Statutory tax
		(%)	*(%)*	*(%)*	*(%)*
SVK	FW	19.0			19.0
SVN	CL			25.0	25.0
ZAF	FI			41.0	41.0
ESP	FI		19.0	23.0	23.0
SWE	CL			30.0	30.0
CHE	FI		35.0	41.3	41.3
TUR	FW	15.0			15.0
GBR	FI		20.0	45.0	45.0
USA	FI			47.3	47.3
Mean	-	-	-	-	27.1

Source: OECD calculations based on questionnaire responses. The unweighted mean for the individual tax includes the final withholding tax rates applicable.

Table 4. Tax payable on corporate bond interest income at the top individual level as at 1 July 2016

2016	System	Final withholding tax	Preliminary withholding tax	Individual tax	Statutory tax
		(%)	*(%)*	*(%)*	*(%)*
AUS	FI			49.0	49.0
AUT	FW	27.5			27.5
BEL	FW	27.0			27.0
CAN	FI			53.5	53.5
CHL	PI^			40.0	40.0
CRI	FW	8.0			8.0
CZE	FW	15.0			15.0
EST	FI			20.0	20.0
FIN	FW	30.0			30.0
FRA	CL		39.5	45.0	45.0
GRC	FW	15.0			15.0
HUN	FW	15.0			15.0
ISL	FI		20.0	20.0	20.0
IRL	FI			51.0	51.0
ISR	CL			27.0	27.0
ITA	FW	26.0			26.0
LUX	FW	10.0			10.0
MEX	PI^		0.5	35.0	35.0
NLD	PR			30.0	30.0
NZL	FI		33.0	33.0	33.0
NOR	FI			25.0	25.0
POL	FW	19.0			19.0
PRT	FW	28.0			28.0
SGP	NT				
SVK	FW	19.0			19.0
SVN	CL			25.0	25.0
ZAF	FI			41.0	41.0
ESP	FI		19.0	23.0	23.0
SWE	CL			30.0	30.0
CHE	FI		35.0	41.3	41.3
TUR	FW	10.0			10.0

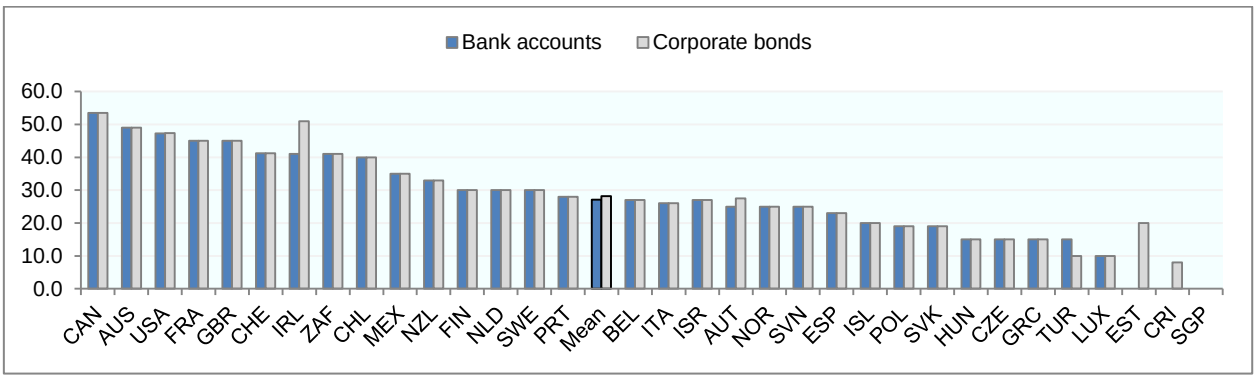
2016	System	Final withholding tax	Preliminary withholding tax	Individual tax	Statutory tax
		(%)	*(%)*	*(%)*	*(%)*
GBR	FI		20.0	45.0	45.0
USA	FI			47.4	47.4
Mean	-	-	-	'-	28.2

Source: OECD calculations based on questionnaire responses. The unweighted mean for the individual tax includes the final withholding tax rates applicable.

43. Figure 3 summarises the statutory tax rates on both types of interest income, ranked from the highest tax rate on bank interest to the lowest rate. Canada has the highest statutory tax rates on both forms of interest, at 53.5% (the top marginal personal rate). Three countries (Costa Rica, Estonia and Singapore) do not tax interest income from bank accounts, and Singapore also does not tax interest on corporate bonds.

44. In most countries, tax rates at the individual level are the same for interest from both types of asset.[20] In Ireland, Austria, Israel, Costa Rica and Estonia, tax rates are higher for interest on corporate bonds than for interest on bank accounts. In Turkey, tax rates are lower for bonds than for retail bank interest payments. Consequently, the unweighted average tax rate across all countries that replied is lower for interest on bank accounts (27.1%) than for interest on corporate bonds (28.2%).

Figure 3. Top statutory tax rates on interest from bank accounts and corporate bonds, 2016 (%)



Source: OECD calculations based on questionnaire responses.

Changes to statutory rates between 2012 and 2016

45. Table 5 shows the statutory rate on both types of interest income for both 1 July 2012 and 1 July 2016. Between 2012 and 2016, statutory rates on interest income from bank accounts were unchanged in 16 countries, and on corporate bonds were unchanged in 15 countries. Five countries decreased interest rates on both types of interest income (Hungary, Norway, Spain, Switzerland and the United Kingdom); and Estonia decreased tax rates on bond interest. Eleven countries increased tax rates on both forms of interest; Austria on bond interest alone, and Ireland on bank interest alone. These changes are summarised in Table 5.

[20] In the United States, the tax rates on interest on bonds are 0.07% higher than on interest on bank accounts, due to slight differences in the weighting used to calculate the sub-national tax rate.

Table 5. Changes in combined top statutory tax rates on interest income, 2012 and 2016

	Statutory rate on bank interest			Statutory rate on bond interest		
	2012	2016	Change	2012	2016	Change
	(%)	*(%)*	*(pp)*	*(%)*	*(%)*	*(pp)*
AUS	46.5	49.0	2.5	46.5	49.0	2.5
AUT	25.0	25.0	0.0	25.0	27.5	2.5
BEL	21.0	27.0	6.0	21.0	27.0	6.0
CAN	48.0	53.5	5.6	48.0	53.5	5.6
CHL	40.0	40.0		40.0	40.0	
CRI				8.0	8.0	
CZE	15.0	15.0		15.0	15.0	
EST				21.0	20.0	-1.0
FIN	30.0	30.0		30.0	30.0	
FRA	43.3	45.0	1.7	43.3	45.0	1.7
GRC	10.0	15.0	5.0	10.0	15.0	5.0
HUN	16.0	15.0	-1.0	16.0	15.0	-1.0
ISL	20.0	20.0		20.0	20.0	
IRL	30.0	41.0	11.0	51.0	51.0	
ISR	25.0	27.0	2.0	25.0	27.0	2.0
ITA	20.0	26.0	6.0	20.0	26.0	6.0
LUX	10.0	10.0		10.0	10.0	
MEX	30.0	35.0	5.0	30.0	35.0	5.0
NLD	30.0	30.0		30.0	30.0	
NZL	33.0	33.0		33.0	33.0	
NOR	28.0	25.0	-3.0	28.0	25.0	-3.0
POL	19.0	19.0		19.0	19.0	
PRT	25.0	28.0	3.0	25.0	28.0	3.0
SGP						
SVK	19.0	19.0		19.0	19.0	
SVN	20.0	25.0	5.0	20.0	25.0	5.0
ZAF	40.0	41.0	1.0	40.0	41.0	1.0
ESP	27.0	23.0	-4.0	27.0	23.0	-4.0
SWE	30.0	30.0		30.0	30.0	
CHE	41.4	41.3	-0.1	41.4	41.3	-0.1
TUR	15.0	15.0		10.0	10.0	
GBR	50.0	45.0	-5.0	50.0	45.0	-5.0
USA	39.1	47.3	8.2	39.1	47.4	8.2
Mean	25.6	27.1	1.5	27.0	28.2	1.2

Source: OECD calculations based on questionnaire responses.

4. Capital gains on shares

46. This section considers the tax treatment of nominal capital gains realised on long-held shares after the expiry of any applicable holding period test. It also considers the tax treatment of nominal capital gains realised on shares that were sold less than six months after purchase for countries in which this tax treatment differs from the tax treatment of long-held shares. The impact of the holding period and inflation on the tax rate are described but not included in the calculations.

47. Capital gains on shares are assumed to have resulted entirely from the reinvestment of post-tax corporate profits. The tax rates on capital gains on shares are therefore a function of the corporate and

personal tax systems that apply, as well as of the interaction between these tax systems. The tax rates used at the personal level are the highest marginal rate payable on capital gains. The combined tax rates can therefore be considered as the maximum combined statutory rates applicable to nominal gains on long-held and short-held shares.

Overview of capital gains taxation

48. As with dividend income, capital gain income on shares that is derived from reinvested corporate profits is taxed first as corporate income and then again at the shareholder level when realised.

49. In most countries, a capital gain is measured as the difference between the sale price of the asset and its acquisition cost. The acquisition cost may be adjusted for inflation in some countries. In Finland, the cost of acquisition is restricted to a maximum of 20% (or 40% for assets held for more than 10 years) of the sale price.[21]

Corporate level treatment

50. Returns on equity in the form of capital gains from reinvested profits have been first subject to taxation at the corporate level. The tax paid at the corporate level reduces the amount of the gain to the shareholder relative to the pre-tax gain. In most countries, the corporate tax rate on capital gains is linear in the amount of the income received (for positive incomes).

51. However, under the ACE tax system used in Belgium and for new equity in Italy and Turkey, the difference between the actual rate of return and the notional rates of return used to compute the ACE relief on total corporate income affects the amount of corporate tax payable. If the actual rate of return is lower than the ACE deduction, the resident firm pays no corporate tax and any residual is carried forward and deducted from corporate tax liability in the subsequent year(s). As the actual rate of return increases beyond the level of the ACE deduction, the CIT liability increases.

Shareholder level treatment – long-term capital gains

No taxation of capital gains and holding period tests

52. At the shareholder level, Belgium, Costa Rica, New Zealand, Singapore, and Switzerland do not tax capital gains on long-held shares.

53. Gains on long-held shares are tax-exempt at the shareholder level after the end of a holding period test in Chile, the Czech Republic, Hungary, Luxembourg, Slovenia and Turkey. A more favourable tax treatment is applied to gains after the end of a holding period test in Australia, Finland, France and the United States. The length of these tests differs between countries, ranging from half a year in Luxembourg; 1 year in Australia, Chile, Turkey and the United States; 3 years in the Czech Republic; 5 years in Hungary, 8 years in France, 10 years in Finland and 20 years in Slovenia.

Taxable capital gains

54. All countries tax capital gains on realisation. Almost all countries tax the nominal amount of the gain. Israel, Mexico and Turkey tax the real rather than the nominal amount of gains on shares by adjusting the acquisition price for inflation. In the Netherlands, the presumptive return (described in the section on

[21] The presumed cost of acquisition of the sale price of shares also applies to the sale price of real property in Finland (see section on the taxation of capital gains on real property).

dividend taxation) is deemed to include capital gains on the asset and gains are not taxed further on realisation. In Finland, the nominal amount of the taxable capital gain may be higher if the deductible amount of the acquisition cost is restricted.

55. Three countries include only part of the capital gain as taxable to the individual. Australia and Canada treat 50% of the realised capital gain on long-held shares as taxable. South Africa treats 40% of the realised capital gain on long-held shares as taxable income. In Norway, the RRA applies to capital gains on shares, allowing shareholders a shielding deduction based on equity which reduces their taxable capital gain on shares (see section on dividend taxation at the shareholder level).

Tax payable by the shareholder

56. At the shareholder level, most countries tax gains on shares through assessment at the shareholder level under PIT rates, separate capital gains taxes or final withholding taxes through resident firms:

- Australia, Canada, Estonia, Finland, France, Norway, South Africa and Sweden tax capital gains on long-held shares at the applicable marginal or flat tax rate for the tax base and taxpayer.

- Capital gains on long-held shares are taxed separately from other income received by the shareholder in Greece, Iceland, Ireland, Israel, Italy, Mexico, Poland, Spain, the United Kingdom and the United States.

- Austria, Portugal and the Slovak Republic apply a final withholding tax to capital gains on long-held shares through resident firms.

Shareholder level treatment – short-term capital gains

57. The tax treatment of capital gains on short-held shares differ from the tax treatment of long-held shares in Australia, Belgium, Chile, the Czech Republic, France, Hungary, Luxembourg, Slovenia and the United States. In all of these countries, the full amount of the capital gain is taxable.[22]

58. In countries where the gain on short-held shares is assessed at the shareholder level, Australia, Chile, the Czech Republic, France, Luxembourg and the United States tax the gain at the applicable marginal or flat tax rate for that tax base and taxpayer. Capital gains on short-held shares are taxed separately from other income received by the shareholder in Belgium, Hungary and Slovenia. For example, in Luxembourg the highest ordinary rate on capital gain income is 44.1% for shares realised before half a year of ownership, whereas Belgium applies a separate "speculation tax" of 33% on shares realised before six months of ownership.

[22] In Finland, the amount of the acquisition cost is restricted by differing percentages for long-held and short-held shares, but the tax rate applied to the gain does not differ, hence Finland is not included in the section on short-term capital gains. Similarly, the tax treatment of gains on short-held shares in Turkey changes from no taxation after a holding period on gains on long-held shares to a final withholding tax of 0% on gains on short-held shares. As this does not impact the combined rates on capital gains on shares, Turkey is not included in the section on short-term capital gains.

Tax rates on capital gains in 2016

Long-held shares

59. The combined personal and corporate statutory tax rates on capital gains on long-held shares are shown in Table 6. The table also summarises the calculation of these figures, showing the different types of treatment applied in each country.

60. Including both corporate and personal tax rates, combined rates on gains on long-held shares in 2016 range from 3.0% in Turkey (new equity)[23] and 17% in Slovenia[24] and in Singapore[25] to 55.9% in France and 56.2% in the United States, as shown in Figure 4. The combined unweighted mean rate is 35.7%.

Table 6. Tax payable on capital gains on long-held shares at the corporate and the personal levels as at 1 July 2016

	Treatment	Corporate tax rate	Longest holding period	Proportion included in income	Final withholding tax rate	Shareholder tax rate	Combined tax rate[26]
		(%)	*(yrs)*	*(%)*	*(%)*	*(%)*	*(%)*
AUS	PI*	30.0	1	50.0		49.0	47.2
AUT	FW	25.0		100.0	27.5		45.6
BEL	ACE (NT)	34.0					24.4
CAN	PI	26.8		50.0		53.5	46.4
CHL	NT*	24.0	1				24.0
CRI	NT	30.0					30.0
CZE	NT*	19.0	3				19.0
EST	CL	20.0	0	100.0		20.0	36.0
FIN	FI*	20.0	10	100.0		34.0	47.2
FRA	FI*	34.4	8	100.0		32.8	55.9
GRC	ST	29.0		100.0		15.2	39.8
HUN	NT*	19.0	5				19.0
ISL	ST	20.0		100.0		20.0	36.0
IRL	ST	12.5		100.0		33.0	41.4
ISR	ST (PI^)	25.0		100.0		27.0	45.3
ITA	ST	31.3		100.0		26.0	49.2
ITAnew	ACE (ST)	31.3		100.0		26.0	26.0
LUX	NT*	29.2	0.5				29.2
MEX	ST (PI^)	30.0		100.0		10.0	37.0

23 In Turkey, capital gains on long-held shares are not taxed at the personal level, and the ACE applies at the corporate level.

24 In Slovenia, capital gains on long-held shares are not taxed at the personal level after the end of the longest holding period test (20 years).

25 In Singapore, capital gains on long-held shares are not taxed at the personal level.

26 The combined tax rate on the capital gain for shares is the corporate tax rate applied at the corporate level less the tax paid at the shareholder level. The calculation of tax rates on capital gains on shares assumes that the gain is entirely the result of reinvested corporate profits that had been subject to tax at the corporate level. The tax rate is calculated relative to pre-tax corporate profits, which are taxed first at the corporate level. Post-corporate tax profits are assumed to be distributed as a capital gain to the shareholder where they are taxed again under the relevant personal tax rules (including separate capital gains rates and exclusions, where appropriate.)

	Treatment	Corporate tax rate	Longest holding period	Proportion included in income	Final withholding tax rate	Shareholder tax rate	Combined tax rate[26]
		(%)	*(yrs)*	*(%)*	*(%)*	*(%)*	*(%)*
NLD	PR	25.0		100.0		30.0	55.0
NZL	NT	28.0					28.0
NOR	RRA	25.0		100.0		28.8	42.3
POL	ST	19.0		100.0		19.0	34.4
PRT	FW	29.5		100.0	28.0		49.2
SGP	NT	17.0					17.0
SVK	CL	22.0		100.0	19.0		36.8
SVN	NT*	17.0	20				17.0
ZAF	PI	28.0		40.0		41.0	39.8
ESP	ST	25.0		100.0		23.0	42.3
SWE	CL	22.0		100.0		30.0	45.4
CHE	NT	21.1					21.1
TUR	NT*	20.0	1				20.0
TURnew	ACE (NT*)	20.0	1	100.0			0.0
GBR	ST	20.0	1	100.0		20.0	36.0
USA	ST*	38.9	1	100.0		28.3	56.2
Mean	-	24.8	-	-	-	18.6	35.4

Source: OECD calculations based on questionnaire responses. The unweighted mean includes the tax rate on new equity in Italy and in Turkey and does not include the tax rates on existing equity. If the combined tax rates on existing equity were used, the unweighted average combined rate would be 36.8%. The unweighted average shareholder tax rate includes the final withholding tax in Austria, Portugal and the Slovak Republic.

61. The tax rates shown for Belgium, Italy (new equity), the Netherlands, Norway and Turkey (new equity) are affected by the rate of return assumed in this paper, whereas the rates for other countries do not alter as the rate of return changes. Under these systems, the tax rate varies with the rate of return as follows:

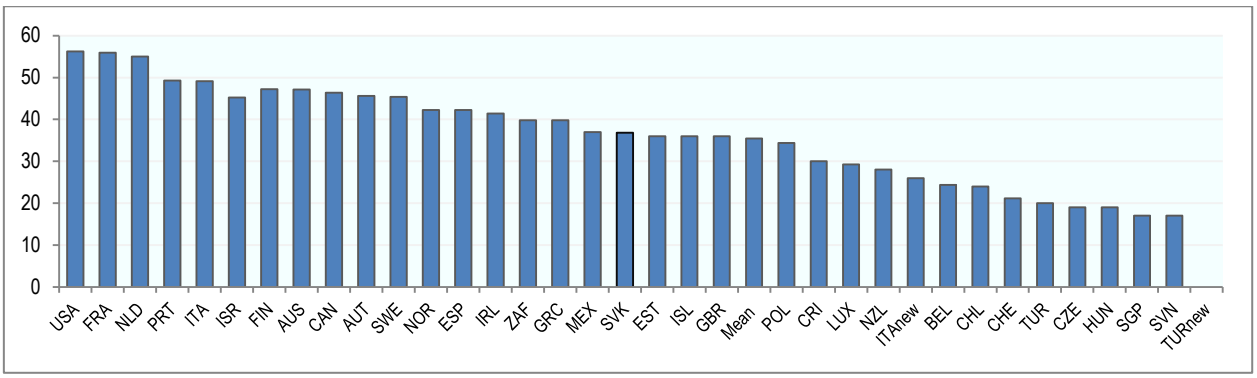
- ACE systems used in Belgium, Italy and Turkey, the combined tax rates on capital gains from long-held shares increase as the rate of return exceeds the nominal rate for the ACE deduction. For example, if the rate of return increased to 10%, the tax rates on capital gains would rise in Belgium from 24.4% to 30.1%; in Italy from 26% to 38.2%; and in Turkey from 0.0% to 6.4%.

- In the Netherlands, a higher rate of return reduces the combined tax rate on capital gains under the presumptive return system. At a 10% return the combined tax rate in the Netherlands decreases from 55.0% to 37.0%.

62. Under the RRA system in Norway, the combined tax rate on capital gains increases as the rate of return exceeds the nominal rate for the RRA deduction. If the rate of return increased to 10%, the tax rate on capital gain income would rise in Norway from 42.3% to 44.8%.

63. The lowest tax rates on capital gains on long-held shares are found in countries that do not tax capital gains on long-held shares at the personal level. In Figure 4, all countries to the right of Costa Rica do not tax capital gains on shares at the personal level, with the exception of Italy. For Italy (new equity) the relatively lower tax rates on capital gains on shares results from the interaction between the rate of return used in this paper (4%) and the ACE deduction, which was at 4.75% in 2016, meaning that under these assumptions no CIT was payable. A similar effect is seen for Belgium and for Turkey (new equity), neither of which taxes capital gains on long-held shares at the personal level.

Figure 4. Combined tax rates on capital gains on long-held shares as at 1 July 2016 (%)



Source: OECD calculations based on questionnaire responses. The unweighted mean includes the tax rate on new equity in Italy and in Turkey and does not include the tax rates on existing equity. If the tax rate on existing equity were used instead, the unweighted mean would be 36.8%.

Short-held shares

64. Table 7 shows the combined tax rates on short-held shares in countries where the tax treatment of short-held shares differs from the tax treatment of long-held shares. The table summarises the calculation of these figures, noting the different types of treatment applied to short-held shares in each country.

Table 7. Tax payable on capital gains on short-held shares at the corporate and the personal levels as at 1 July 2016[27]

	Treatment	Corporate tax rate	Proportion included in income	Final withholding rate	Shareholder tax rate	Combined tax rate
		(%)	*(%)*	*(%)*	*(%)*	*(%)*
AUS	CL	30.0	100.0		49.0	64.3
BEL	ACE (FW)	34.0	100.0	33.0		49.3
CHL	IM	24.0	131.6		16.0	40.0
CZE	CL	19.0	100.0		15.0	31.2
FRA	CL	34.4	100.0		62.0	75.1
HUN	ST	19.0	100.0		15.0	31.2
LUX	CL	29.2	100.0		44.1	60.4
SVN	ST	17.0	100.0		25.0	37.8
USA	ST*	38.9	100.0		47.1	67.7
Mean (above countries)	-	27.3	-	-	34.0	50.8
Mean (all countries)[28]	-	24.8	-	-	24.7	40.4

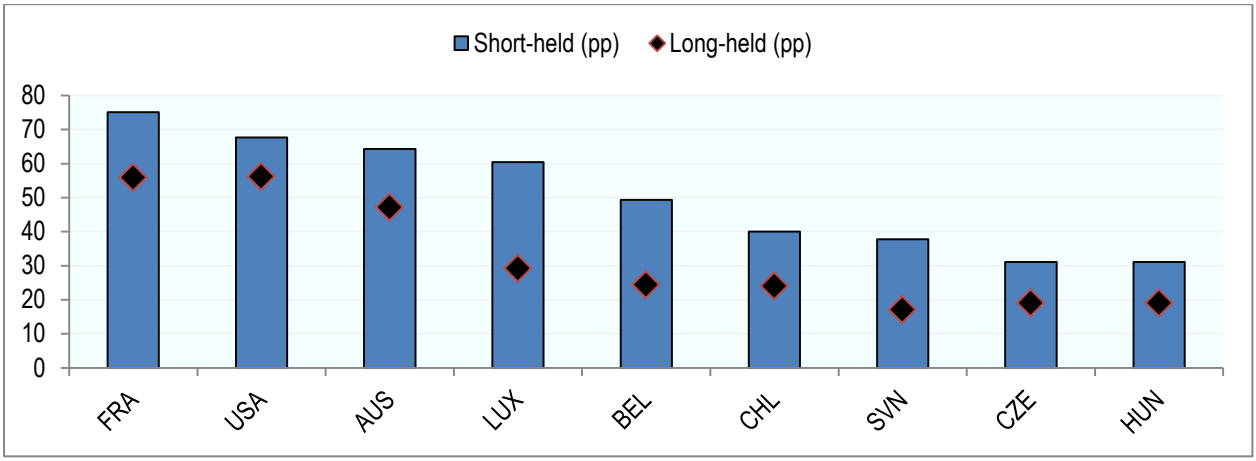
27 The combined tax rate on the capital gain for shares is the corporate tax rate applied at the corporate level less the tax paid at the shareholder level. The calculation of tax rates on capital gains on shares assumes that the gain is entirely the result of reinvested corporate profits that had been subject to tax at the corporate level. The tax rate is calculated relative to pre-tax corporate profits, which are taxed first at the corporate level. Post-corporate tax profits are assumed to be distributed as a capital gain to the shareholder where they are taxed again under the relevant personal tax rules (including separate capital gains rates and exclusions, where appropriate).

28 There is a maximum presumed cost of acquisition of 20% of the sale price in the computation of capital gains on long-held shares in Finland (if held for less than 10 years).

Source: OECD calculations based on questionnaire responses. The unweighted mean for all surveyed countries includes the tax rate on new equity in Italy and in Turkey and does not include the tax rates on existing equity. If the combined tax rate on existing equity were used instead, the unweighted average combined rate would be 41.8%. The unweighted average shareholder rate for all surveyed countries includes final withholding rates in Austria, Portugal, and the Slovak Republic.

65. Including both corporate and personal tax rates, combined tax rates on gains on short-held shares range from 31.2% in the Czech Republic and in Hungary to 75.1% in the France, as shown in Figure 5. The combined unweighted average rate is 50.8% and the combined unweighted average rate on gains on short-held shares for all surveyed countries is 40.4%. Figure 5 also shows their combined tax rates on long-held shares, as shown above in Figure 4, for comparison.

Figure 5. Combined tax rates on capital gains on short-held and long-held shares as at 1 July 2016



Source: OECD calculations based on questionnaire responses.

66. In all countries where the treatment of short-held shares differs from that of long-held shares, short-held shares face higher tax rates. This is due to the higher tax rates applied at the personal level in these countries, relative to long-held shares.

Changes to combined rates between 2012 and 2016

67. This section considers changes in the combined rates on capital gains between 2012 and 2016, for both long-held and short-held shares. It disaggregates the change into the corporate and personal components.

Long-held shares

68. Between 2012 and 2016, combined tax rates on gains on long-held shares increased on an unweighted average basis from 34.9% to 35.4%. This increase is driven by increases in combined tax rates in 15 countries (including existing equity in Italy). In 9 countries combined tax rates remained unchanged (including existing equity in Turkey); and in 11 countries rates decreased over the same period (including new equity in Italy and in Turkey).

69. The PIT was either the greatest or the only contributor to changes in combined rates on capital gains on long-held shares in 13 countries (including existing equity in Italy). The CIT was either the greatest or the only contributor to changes in combined rates in 13 countries (including new equity in Italy

and in Turkey).[29] Combined rates on long-held shares remain unchanged between 2012 and 2016 in 9 countries (including existing equity in Turkey).

70. Table 8 shows the combined rates on capital gains from long-held shares as at 1 July 2012 and as at 1 July 2016. Table 8 also distinguishes between changes at the corporate and the shareholder level in each country. Tax paid at the shareholder level includes all forms of taxes paid by the owner of the long-held shares, whether they are levied under the PIT system, withholding taxes or a separate capital gains tax system.

Table 8. Changes in combined tax rates on capital gains on long-held shares, 2012 and 2016[30,31]

	Combined tax rates on long-held shares		Corporate income tax (CIT) payable		Change in CIT payable	Change in individual tax payable	Change in combined tax rates
	2012 (%)	*2016 (%)*	*2012 (%)*	*2016 (%)*	*(pp)*	*(pp)*	*(pp)*
AUS	46.3	47.2	30.0	30.0		0.9	0.9
AUT	43.8	45.6	25.0	25.0		1.9	1.9
BEL	8.5	24.4	8.5	24.4	15.9		15.9
CAN	43.8	46.4	26.1	26.8	0.7	1.9	2.6
CHL	20.0	24.0	20.0	24.0	4.0		4.0
CRI	30.0	30.0	30.0	30.0			
CZE	19.0	19.0	19.0	19.0			
EST	37.6	36.0	21.0	20.0	-1.0	-0.6	-1.6
FIN	48.7	47.2	24.5	20.0	-4.5	3.0	-1.5
FRA	63.0	55.9	36.1	34.4	-1.7	-5.4	-7.1
GRC	20.0	39.8	20.0	29.0	9.0	10.8	19.8
HUN	19.0	19.0	19.0	19.0			
ISL	36.0	36.0	20.0	20.0			
IRL	38.8	41.4	12.5	12.5		2.6	2.6
ISR	43.8	45.3	25.0	25.0		1.5	1.5
ITA	45.0	49.2	31.3	31.3		4.1	4.1
ITAnew	26.3	26.0	7.8	0.0	-7.8	7.6	-0.3
LUX	28.8	29.2	28.8	29.2	0.4		0.4
MEX	30.0	37.0	30.0	30.0		7.0	7.0
NLD	55.0	55.0	25.0	25.0			
NZL	28.0	28.0	28.0	28.0			
NOR	40.5	42.3	28.0	25.0	-3.0	4.8	1.8
POL	34.4	34.4	19.0	19.0			
PRT	49.7	49.2	31.5	29.5	-2.0	1.6	-0.4
SGP	17.0	17.0	17.0	17.0			
SVK	34.4	36.8	19.0	22.0	3.0	-0.6	2.4
SVN	18.0	17.0	18.0	17.0	-1.0		-1.0
ZAF	37.8	39.8	28.0	28.0		2.0	2.0
ESP	48.9	42.3	30.0	25.0	-5.0	-1.7	-6.7

29 In Switzerland, the change in the CIT payable is around 0.02 pp.

30 The combined tax rate on capital gains from shares is the corporate tax rate applied at the corporate level less the tax paid at the shareholder level.

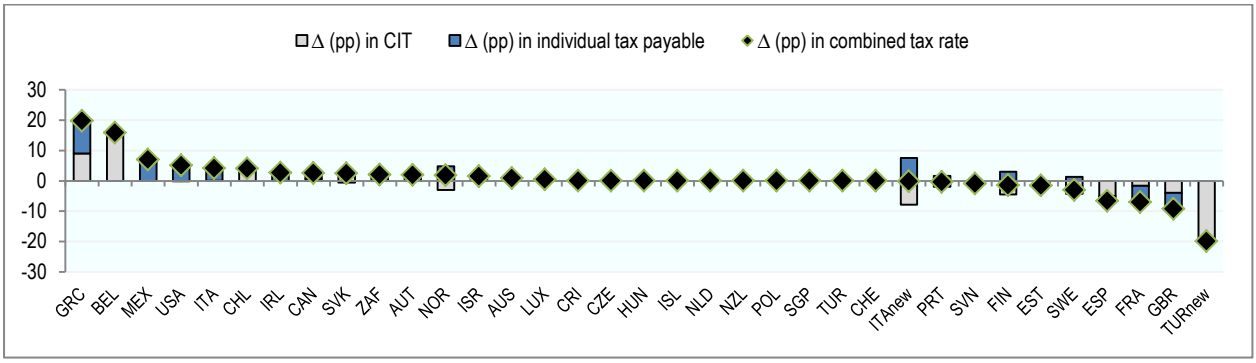
31 The "Change in individual tax payable" column shows the change in the amount of tax payable at the personal level on post-tax corporate income, taking account of any integration between the corporate and personal levels (as a percentage of pre-tax corporate income).

	Combined tax rates on long-held shares		Corporate income tax (CIT) payable		Change in CIT payable	Change in individual tax payable	Change in combined tax rates
	2012 (%)	*2016 (%)*	*2012 (%)*	*2016 (%)*	*(pp)*	*(pp)*	*(pp)*
SWE	48.4	45.4	26.3	22.0	-4.3	1.3	-3.0
CHE	21.2	21.1	21.2	21.1		0.0	0.0
TUR	20.0	20.0	20.0	20.0			
TURnew	20.0	0.0	20.0	0.0	-20.0		-20.0
GBR	45.3	36.0	24.0	20.0	-4.0	-5.3	-9.3
USA	51.1	56.2	39.1	38.9	-0.2	5.3	5.1
Mean	34.9	35.4	23.6	22.9	-0.7	1.2	0.5

Source: OECD calculations based on questionnaire responses. The unweighted mean includes the tax rate on new equity in Italy and in Turkey and does not include the tax rates on existing equity.

71. As previously observed, the drivers of change in combined tax rates on gains on long-held shares vary between 2012 and 2016. Nevertheless, the PIT was more often the sole contributor to changes in the combined rates (in 6 countries) than the CIT (in 5 countries, including new equity in Turkey and Switzerland[28]). Figure 6 shows the decomposition of changes in combined tax rates on gains of long-held shares between 2012 and 2016.

Figure 6. Decomposition of changes in combined tax rates on gains of long-held shares, 2012 and 2016[32]



Source: OECD calculations based on questionnaire responses.

72. Table 8 and Figure 6 show that increases in combined tax rates are solely driven by higher tax rates at the shareholder level in Australia, Austria, Ireland, Israel, Italy (existing equity)[33] Mexico and South Africa. In Belgium[34], Chile, Luxembourg[35] and Slovenia, the increase in the combined rate is driven by an increase in the corporate tax rate. Increases in combined tax rates are driven by higher tax rates at

32 The "Change in individual tax payable" series in Figure 6 shows the change in the amount of tax payable at the personal level on post-tax corporate income, taking account of any integration between the corporate and personal levels, as a percentage of pre-tax corporate income.

33 In Italy (existing equity), the change in the CIT payable is around 0.003 pp.

34 In Belgium, the change in the combined statutory rate results from changes to the rate used to calculate the ACE. The ACE rate decreased from 3% in 2012 to 1.13% in 2016. Under an ACE tax system, the amount of corporate tax liability increases as the actual rate of return increases beyond the level of the ACE deduction. As the assumed rate of return on corporate equity is 4%, the decrease in the ACE rates during this period has resulted in resident firms paying a greater amount of corporate tax.

both the personal and at the corporate level in Canada and in Greece. In Norway, Finland, Italy (new equity), Portugal, Sweden and the United States, increases in the shareholder tax rates are partially or fully offset by decreases at the corporate level.

73. Lower combined tax rates in 2016 are due only to decreases in corporate tax rates in Slovenia, in Turkey (new equity) and Switzerland (0.02 pp). Decreases in combined tax rates are driven by decreases in corporate and in shareholder tax rates in Estonia, France, Spain and the United Kingdom. In the Slovak Republic, an increase in the corporate tax rate is partially offset by a decrease in the shareholder rate.

74. Between 2012 and 2016 the most significant increases in the combined tax rates are seen in Greece (approx. 20 pp), Belgium (>15 pp) and Mexico (7 pp). The most significant decreases in the combined tax rates are seen in Turkey (new equity) (20 pp), the United Kingdom (>9 pp), France (>7 pp) and Spain (>6 pp). The considerable change in combined tax rates in Greece is explained by a change in their tax treatment of gains on long-held shares between 2012 and 2016. The tax treatment in Greece changed from no taxation at the shareholder level in 2012 to a 15.2% capital gains tax in 2016, along with a large increase in the corporate tax rate.

Changes to combined rates on gains on short-held shares between 2012 and 2016

75. Table 9 shows the combined rates on capital gain income from short-held shares in countries where the tax treatment of short-held shares differs from the tax treatment of long-held shares as at 1 July 2012 and as at 1 July 2016. Hence Table 9 only examines the tax treatment of gains on short-held shares in Australia, Belgium, Chile, the Czech Republic, France, Hungary, Luxembourg, Slovenia and the United States.

76. Between 2012 and 2016, combined tax rates on capital gains on short-held shares increased on an unweighted average basis from 49.1% to 50.8% for those countries which have different rates for short-held shares. This average is driven by increases in combined tax rates in Australia, France, Luxembourg, Slovenia and the United States. In Chile and the Czech Republic, the combined tax rate remained unchanged; and in Belgium and Hungary rates decreased over the same period. When all surveyed countries are taken into account, combined tax rates on gains on short-held shares increased on an unweighted average basis from 40.2% to 40.6%, reflecting the increase in tax rates on capital gains on shares that do not differ from the long-held rates.

77. As shown in Table 9, the personal tax rate plays a larger role than the corporate tax rate in changes in combined tax rates on gains on short-held shares between 2012 and 2016 across countries where the tax treatment of short-held shares differs from the tax treatment of long-held shares. In 2012, Belgium taxed short-held gains at ordinary income rates, whereas in 2016 a fixed "speculation tax" is levied on such sales. In France, the highest marginal PIT rate increased to 75.1% in 2016 (from 63.0% in 2012).

Table 9. Changes in combined tax rates on capital gains on short-held shares, 2012 and 2016

	Combined tax rates on short-held shares		Change in CIT rate	Change in individual tax payable	Change in combined tax rates
	2012 (%)	*2016 (%)*	*(pp)*	*(pp)*	*(pp)*
AUS	62.6	64.3		1.7	1.7
BEL	57.5	49.3		-8.1	-8.1
CHL	40.0	40.0	4.0	-4.0	0.0
CZE	31.2	31.2			
FRA	63.0	75.1	-1.7	13.8	12.1
HUN	32.0	31.2		-0.8	-0.8

	Combined tax rates on short-held shares		Change in CIT rate	Change in individual tax payable	Change in combined tax rates
	2012 (%)	*2016 (%)*	*(pp)*	*(pp)*	*(pp)*
LUX	58.2	60.4	0.4	1.8	2.2
SVN	34.4	37.8	-1.0	4.3	3.3
USA	62.8	67.7	-0.2	5.1	4.9
Mean	49.1	50.8	0.2	1.5	1.7
Mean (all countries)	40.1	40.4	-0.3	0.7	0.4

Source: OECD calculations based on questionnaire responses. The unweighted mean for all countries includes the tax rate on new equity in Italy and in Turkey and does not include the tax rates on existing equity.

5. Capital gains on real property

78. This section considers the tax treatment of nominal capital gains realised on sales of residential rental property after the expiry of any applicable holding period test. The impact of the holding period on the tax rate is not considered. The impact of inflation adjustments to capital gain income on the tax rate is not considered, although it is described.

Overview of capital gains taxation

79. Capital gains on property are only taxed at the individual level.

No taxation of capital gains and holding period tests

80. At the individual level, Costa Rica, Singapore and Switzerland do not tax capital gains on (non-corporate) real property except in particular circumstances, such as where the asset was bought for the purpose of resale.

81. Gains on real property are tax-exempt after the end of a holding period test in Belgium, Czech Republic, France, Hungary, Italy, New Zealand, Poland, the Slovak Republic, Slovenia and Turkey. A more favourable tax treatment is applied to gains after the end of a holding period test in Australia, Finland[36], Greece, Luxembourg, Sweden and the United States. The length of these tests differs between countries, ranging from 1 year in Australia, Chile and the United States; 2 years in Luxembourg and New Zealand[37]; 5 years in Belgium, Czech Republic, Italy, Poland, the Slovak Republic and Turkey; 10 years in Finland and Hungary; 20 years in Slovenia, 26 years in Greece and 30 years in France.

Taxable capital gains

82. Where capital gains are taxed, all countries tax capital gains on realisation. With the exception of the United States[38], the amount of the capital gain is the difference between the purchase price at the date of acquisition and the price at the date of sale.

83. With seven exceptions, countries tax the nominal amount of the capital gain. In the Netherlands, the presumptive return is deemed to include capital gains on the asset, and gains are not taxed further on

36 There is a maximum presumed cost of acquisition of 40% of the sale price in the computation of capital gains on real property shares in Finland (if held more than 10 years or the longest holding period).

37 In 2015, New Zealand introduced a "bright-line" test for the sale of residential property that is bought and sold within two years, with the exception of the primary residence.

38 The taxation of residential real property in the United States is set out in Box 1.

realisation. Chile, Israel, Mexico, Portugal, Greece and Turkey tax the real rather than the nominal amount of capital gains by adjusting the amount of the acquisition price for inflation.

84. Several countries include only part of the capital gain as taxable to the individual. Half of the capital gain is included as taxable to the individual in Australia, Canada and Portugal. South Africa includes 40% of the gain on real property as taxable income. Partial inclusion may be intended to partly offset the impact of inflation.

Taxation payable by the individual

85. At the individual level, most countries tax capital gains on property through assessment at the individual level under PIT rates or a separate capital gains tax.

86. In countries where the gain is taxable at the individual level (i.e. Australia, Austria, Canada, Chile, Estonia, Finland, Luxembourg, Mexico, the Netherlands, Norway, Portugal and South Africa and Sweden) the gain is taxed at the applicable marginal or flat tax rate for that tax base and taxpayer. With the exception of the United States, the remaining countries (Greece, Iceland, Ireland, Israel, Spain and the United Kingdom[39]) tax capital gains separately from other income received by the individual at particular capital gain rates. For example, in Spain the capital gain income tax is set at 19%, 21% or 23% depending on the level of gain income, whereas Greece levies a separate flat tax of 15% on the transfer of property.

Box 1. Taxation of capital gains on section 1250 property in the United States

Gains made from the sale of real property must be apportioned between gains on depreciable improvements and gains on unimproved land. In the example discussed here, the depreciable improvements are assumed to be limited to residential rental property (essentially, a building comprised primarily of dwelling units) owned by an individual in a non-business capacity. The taxable gain on these improvements is the amount calculated by subtracting the original cost allocated to the improvements (reduced by the depreciation deductions allowed with respect to the improvements) from the portion of the property's sales price attributed to the improvements. Since unimproved land is not depreciable, the gain on the land is the difference between the portion of the sales price allocated to the land and the portion of the property's original cost attributable to the land.

Gains from the sale of depreciable real property improvements are generally subject to section 1250 of the U.S. Internal Revenue Code, which identifies the portion of the realized gain which is to be "recaptured" as ordinary income. Under that Code section, the recaptured amount generally equals the amount of gain, but not more than the amount by which the property's accumulated depreciation deductions exceed the sum of depreciation allowances calculated using the straight-line depreciation method. In the case of residential rental property, depreciation is computed using the straight-line method, so the amount of recaptured gain treated as ordinary income is zero for this type of property, and the full gain is considered to be a "long-term capital gain", provided the holding period of the asset exceeds one year. This zero-recapture result will not be true in the case of certain other depreciable real assets that might be a part of a sale of real estate (such as "land improvements") which may be depreciated using an accelerated method.

A portion of the capital gain on depreciable real property is characterized as "unrecaptured section 1250 gain." This amount of gain equals the difference between the sum of the property's total depreciation deductions and the amount of income recaptured under section 1250, but it cannot exceed the total capital gain. In general, this unrecaptured gain may be reduced if the taxpayer has a long-term capital loss carryover from the previous taxable year. This unrecaptured portion of the capital gain is taxed separately from the rest of the taxpayer's "net capital gain" (the excess of long-term capital gains over short-term capital losses). The unrecaptured portion of the gain is taxed at

[39] In the United Kingdom, different tax rates are applied to capital gain income and ordinary income, but most individuals who pay zero or the basic rate income tax pay a lower capital gains tax rate (10%) until their capital gain and ordinary income exceeds the upper threshold for the basic rate income tax.

the individual's ordinary income tax rates, determined by adding the unrecaptured gain to the taxpayer's ordinary income, but it is subject to a maximum tax rate of 25%.

The gain on unimproved land is treated as a long-term capital gain if the property was held for more than one year. This gain is added to the net capital gain earned from the sale of improvements. After subtracting the unrecaptured section 1250 gain, this "adjusted net capital gain," if any, is taxed using capital gains tax rates, comprised of 0%, 15% and 20%, where the appropriate tax bracket is determined by adding the adjusted net capital gain to the taxpayer's ordinary income and unrecaptured section 1250 gains that were taxed at ordinary rates (but not at the 25% rate). For the top marginal income tax rate to apply in 2016, taxable income must have exceeded $415,050 for single filers and $466,950 for joint filers. For simplicity, the effect of the phase out of itemized deductions and personal exemptions is ignored. In addition, capital gains income may be subject to an additional 3.8% tax on net investment income (see below). State tax is also payable on the net capital gain on land and depreciated improvements, and can be deducted against federal income tax.

Under this system, the total combined tax payable on capital gains on property will depend on a number of factors including the size of the gain, the apportionment of the original purchase price and the sales price between land and improvements, the length of time for which the property has been held, the existence of other gain and losses, and the tax rates applicable at state and federal levels.

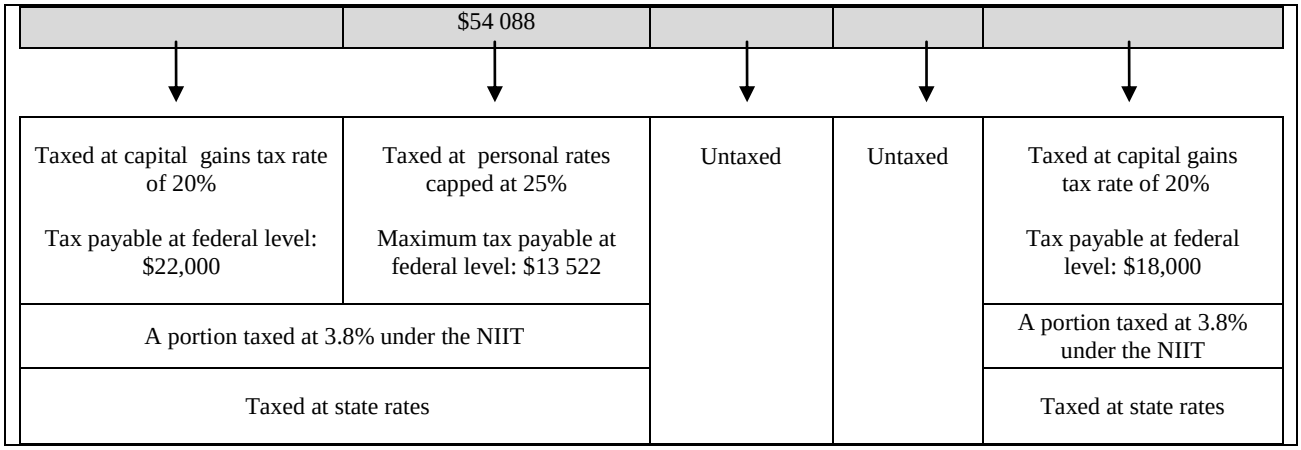
The total gain from a sale of non-business property, or from business property where the individual is a passive participant in the business activity, is included in a taxpayer's "net investment income" under a separate provision of law often termed the net investment income tax, or NIIT. Under the NIIT, net investment income is subject to a 3.8% tax rate, but only to the extent that a taxpayer's "modified adjusted gross income" (modified AGI – generally income (including net investment income) computed before any itemized or standard deductions and before personal exemptions) exceeds a threshold amount. For married individuals filing a joint tax return, the threshold amount is $250,000. Thus, a portion (which may range anywhere from 0% to 100%) of the gain from a sale of rental property may be taxed at an additional 3.8%, where the portion depends on a taxpayer's modified AGI in excess of the threshold and on the amount of other net investment income the taxpayer has earned. For these reasons, no tax rate has been shown for the United States in Tables 10 and 11. A worked example of this tax treatment is shown in Figure 7, under certain stylized assumptions.

Under the example shown in Figure 7, the effective federal income tax rate on the gain earned from the sale of this property by a top bracket taxpayer is 21.1%. Assuming this net capital gain is the only net investment income and the individual files a joint return, the total net capital gain of $254,088 would also be taxed by the federal government at an additional 3.8% if the taxpayer's modified AGI exceeds $504,088. In this case, the total effective federal tax rate on the gain made from this property would be 24.9%. Lower levels of modified AGI, for example, would mean that only a portion of the net investment income would be taxed at the 3.8% rate, and the total effective tax rate would be correspondingly lower. Using a weighted state average capital gains rate of 4.4%, the total effective tax rate on the gain made from this property is 29.3%.

Figure 7. Illustrative example of capital gains treatment of real property in the United States[40]

<table>
<tr><td colspan="2">IMPROVEMENTS</td><td colspan="2">LAND</td></tr>
<tr><td colspan="2">Original cost
$150 000</td><td colspan="2">Original cost
$50 000</td></tr>
<tr><td>Depreciation claimed
$54 088</td><td>Cost basis
$95 912</td><td>Cost basis
$50 000</td><td></td></tr>
<tr><td colspan="2">Sale price
$260 000</td><td colspan="2">Sale price
$140 000</td></tr>
<tr><td colspan="2">Gain
$164 088</td><td>Cost basis
$95 912</td><td>Cost basis
$50 000</td><td>Gain
$90 000</td></tr>
<tr><td>Adjusted Net Capital Gain
$110 000</td><td>Unrecaptured section 1250 gain</td><td>Cost basis
$95 912</td><td>Cost basis
$50 000</td><td>Adjusted Net Capital Gain
$90 000</td></tr>
</table>

[40] This example was prepared by the United States Department of Treasury.



Tax rates on capital gains on real property in 2016

87. Table 10 shows the top statutory tax rates on capital gains and provides an overview of the type of tax treatment applicable to capital gains on long-held property, the proportion included as taxable income, and the personal tax rates applicable. Due to the number of countries that do not tax capital gains on long-held property, the unweighted mean is shown both inclusive and exclusive of countries with no taxation.

Table 10. Tax payable on capital gains on real property at the individual level as at 1 July 2016

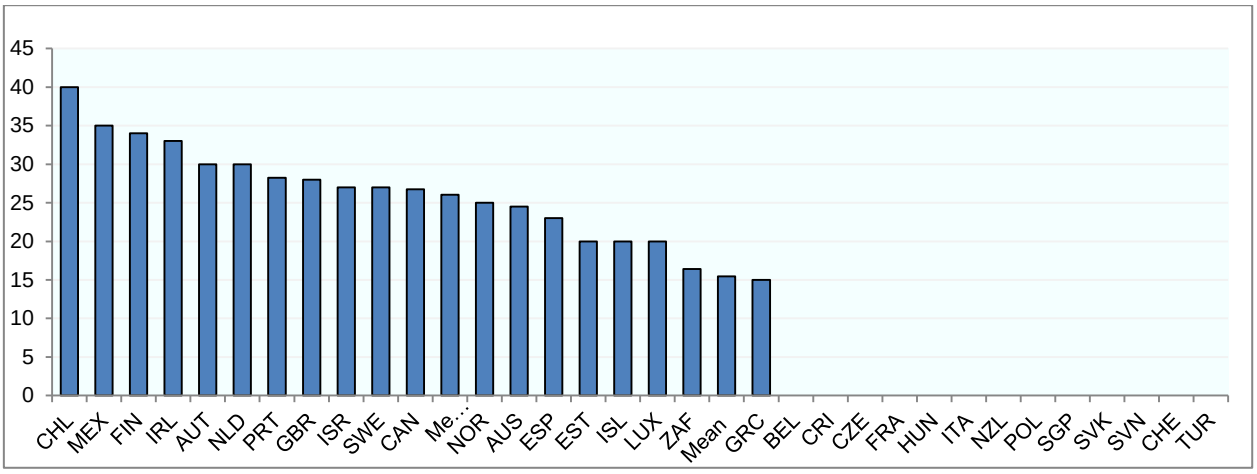
	Type of interest treatment	Longest holding period *(yrs)*	Proportion included as taxable *(%)*	Personal tax rate *(%)*	Overall tax rate *(%)*
AUS	PI*	1	50.0	49.0	24.5
AUT	FW		100.0	30.0	30.0
BEL	NT*	5			
CAN	PI		50.0	53.5	26.8
CHL	PI^	1	100.0	40.0	40.0
CRI	NT				
CZE	NT*	5			
EST	FI		100.0	20.0	20.0
FIN	FI*	10	100.0	34.0	34.0
FRA	NT*	30	100.0		
GRC	ST (PI^)	26	100.0	15.0	15.0
HUN	NT*	15			
ISL	ST		100.0	20.0	20.0
IRL	ST		100.0	33.0	33.0
ISR	ST (PI^)		100.0	27.0	27.0
ITA	NT*	5	100.0		
LUX	FI*	2	100.0	20.0	20.0
MEX	PI^		100.0	35.0	35.0
NLD	PR		100.0	30.0	30.0
NZL	NT*	2			
NOR	FI		100.0	25.0	25.0
POL	NT*	5			
PRT	PI^		50.0	56.5	28.3
SGP	NT				

	Type of interest treatment	Longest holding period (yrs)	Proportion included as taxable (%)	Personal tax rate (%)	Overall tax rate (%)
SVK	NT*	5	100.0		
SVN	NT*	20			
ZAF	PI		40.0	41.0	16.4
ESP	ST		100.0	23.0	23.0
SWE	PI		90.0	30.0	27.0
CHE	NT				
TUR	NT*	5	100.0		
GBR	ST	5	100	28.0	28.0
USA[41]	ST*	*	*	*	*
Mean	-	-	-	19.1	15.7
Mean (ex.0)	-	-	-	32.1	26.5

Source: OECD calculations based on questionnaire responses. The unweighted means do not include the capital gains tax rate for the United States, which varies under a certain number of assumptions. See Box 1 for a description of the tax system and an estimated rate for a particular set of assumptions.

88. Overall tax rates on capital gains from long-held property arise only from personal taxation and gains are untaxed in many countries. Figure 7 shows that tax rates range from zero in 13 countries to 35% in Mexico, with an unweighted average rate of 15.7%. Excluding countries with no taxation, the unweighted average rate on capital gains on real property is 26.5%.

Figure 7. Overall tax rates on real property as at 1 July 2016 (%)



Source: OECD calculations based on questionnaire responses. The unweighted means do not include the capital gains tax rate for the United States. The tax rate on capital gains on real property in the United States varies under a certain number of assumptions. See Box 1 for a description of the tax system and an estimated rate for a particular set of assumptions

Changes to overall rates between 2012 and 2016

89. Between 2012 and 2016, overall tax rates increased on an unweighted average basis from 13.0 % to 15.7%. The unweighted average rate in the change in overall tax rates is 2.7 % and the change in the top personal tax rate is 2.5%, with the difference being explained by countries that include only part of the gain

41 The tax rate on capital gains on real property in the United States varies under a certain number of assumptions, a star "*" replaces figures for the tax rates and treatment. See Box 1 for a description of the tax system and an estimated rate for a particular set of assumptions.

as taxable at the individual level. Excluding countries with no change in overall tax rates, overall tax rates increased on an unweighted average basis from 24.4% to 26.5%.

90. The overall rate changed in 15 countries. Twelve countries increased their overall tax rates on capital gains on property and 4 decreased it. Overall rates on gain income from real property remained unchanged in 17 countries[42].

91. Table 11 shows the overall tax rates on gains of real property in each country as at 1 July 2012 and 1 July 2016. Table 11 also shows the change in the overall tax rate in percentage points between 2012 and 2016 in each country, as well as the change in the top personal tax rate in percentage points.

Table 11. Changes in overall tax rates on real property, 2012 and 2016

	Overall tax rates		Change in overall tax rates	Change in top personal tax rate
	2012 (%)	*2016 (%)*	*(pp)*	*(pp)*
AUS	23.3	24.5	1.3	2.5
AUT	12.5	30.0	17.5	5.0
BEL				
CAN	24.0	26.8	2.8	5.6
CHL	0.0	40.0	40.0	40.0
CRI				
CZE				
EST	21.0	20.0	-1.0	-1.0
FIN	32.0	34.0	2.0	2.0
FRA				
GRC		15.0	15.0	15.0
HUN				
ISL	20.0	20.0		
IRL	30.0	33.0	3.0	3.0
ISR	25.0	27.0	2.0	2.0
ITA				
LUX	19.5	20.0	0.5	0.5
MEX	30.0	35.0	5.0	5.0
NLD	30.0	30.0		
NZL				
NOR	28.0	25.0	-3.0	-3.0
POL				
PRT	24.5	28.3	3.8	7.5
SGP				
SVK				
SVN				
ZAF	13.7	16.4	2.7	
ESP	27.0	23.0	-4.0	-4.0
SWE	27.0	27.0		
CHE				
TUR				

42 These figures exclude the United States. The tax rate on capital gains on real property in the United States varies under a certain number of assumptions. See Box 1 for a description of the tax system and an estimated rate for a particular set of assumptions.

	Overall tax rates		Change in overall tax rates	Change in top personal tax rate
	2012 (%)	*2016 (%)*	*(pp)*	*(pp)*
GBR	28	28.0		
USA[43]	*	*	*	*
Mean (ex. USA)	13.0	15.7	2.7	2.5

Source: OECD calculations based on questionnaire responses. The unweighted average of overall tax rates for 2012 and 2016 are calculated based on a different set of countries; hence the average change in overall tax rates does not equal their difference. The unweighted mean does not include the capital gains tax rate for the United States. The tax rate on capital gains on real property in the United States varies under a certain number of assumptions. See Box 1 for a description of the tax system and an estimated rate for a particular set of assumptions.

92. Most changes to overall rates between 2012 and 2016 were driven by changes in the personal tax rates applicable, rather than by changes in the proportion included or the system, with a few exceptions. In Austria, the positive change in the overall tax rate is driven by the change in the proportion of the nominal gain included as taxable, from half in 2012 to 100% in 2016. In South Africa, the proportion of the nominal taxable gain increased from a third in 2012 to 40% in 2016. In Greece, the significant increase in the overall tax rate on residential and non-owner occupied property is due to a change in its tax treatment; from no taxation at the personal level in 2012 to a 15% separate capital gains tax in 2016.

93. The top personal tax rate on capital gain income from real property increased in 11 countries: Australia, Austria, Canada, Chile, Finland, Greece, Ireland, Israel, Luxembourg, Mexico and Portugal. The positive changes in the top personal tax rates range from Luxembourg (0.5 pp) and in Finland (2 pp) to Portugal (7.5 pp), Greece (15 pp) and Chile (40 pp)[44]. Top personal tax rates decreased in Estonia, Spain and Norway, ranging from Spain (4 pp) to Estonia (1 pp). In all other countries (Belgium, Costa Rica, the Czech Republic, France, Hungary, Iceland, Italy, the Netherlands, New Zealand, Poland, Singapore, the Slovak Republic, Slovenia, South Africa, Sweden, Switzerland, Turkey and the United Kingdom) the top personal tax rates remained unchanged.

6. Combined top statutory tax rates on debt and equity

94. At the corporate level, the tax system can distort the choice of corporate finance favouring debt over equity financing. This is due to the deductibility of the costs of debt finance against corporate income, compared to the treatment of equity finance, which is non-deductible (except under the ACE regimes in Belgium, Italy and Turkey). However, in considering the debt-equity bias, taxation of both forms of financing should also be considered at the personal level. Personal level taxation includes consideration of personal tax rates on the income from both sources of finance, the integration between personal and corporate tax rates applicable to dividend income and the tax treatment applied (as in Norway where a shielding deduction is applied on post-corporate-tax income).

95. When personal level taxation is considered, the return from corporate debt in the form of interest is first deductible as an interest expense against corporate income[45] (effectively, being paid from pre-tax corporate income), and taxable as interest income at the personal level. The return from equity finance is

43 The tax rate on capital gains on real property in the United States varies under a certain number of assumptions, a star "*" replaces figures for the tax rates and treatment. See Box 1 for a description of the tax system and an estimated rate for a particular set of assumptions.

44 In Chile, the capital gain on rental property was untaxed at the personal level in 2012, and taxed at the highest ordinary income rate in 2016.

45 This paper does not consider the impact of interest limitation rules on the debt-equity bias and effectively assumes that interest on corporate bonds is fully deductible.

typically first taxed at the corporate level and is then subject to taxation at the personal level when distributed as dividends or in the form of capital gains. The extent to which tax rates are higher at the personal level for each type of return will depend on the personal tax rates applicable to each form of income, the integration of personal and corporate taxation applicable to the return on equity investment and the tax regime applied to personal income.

96. To compare the treatment of the return from corporate debt (in the form of interest payments) and equity (in the form of dividends and capital gains) at the personal level, Table 12 shows the combined tax rates on the return on equity against the top statutory tax rate on interest from corporate bonds. As the return on equity can take the form of either dividends or capital gains, the table presents weighted average tax rates under three different assumptions about the form of the return: firstly, that the return on equity is distributed first as 25% dividends and 75% capital gains; secondly, that it is distributed equally between the two; and thirdly, that it is 75% dividends and 25% capital gains. Consequently, the three assumptions represent a linear scaling between the lower and higher of the dividend and capital gains rates. To approximate the impact of the advantage obtained by deferring tax until realisation of capital gains, the top personal tax rates on capital gains have been reduced by 25%.

97. The average combined top statutory tax rates on equity are separated into the corporate tax paid on company profits, and the additional tax paid at the top individual level (whether through final withholding taxes, PIT rates, or imputation systems) under each of the three assumptions about the composition of the return. The difference between the combined top statutory tax rates on equity (assuming that the return is distributed equally between dividends and capital gains) and the top statutory rates on bonds at the personal level is also shown for each country and summarised in Figure 8.

Table 12. Composition of combined top statutory tax rates on the return to equity and debt, 2016

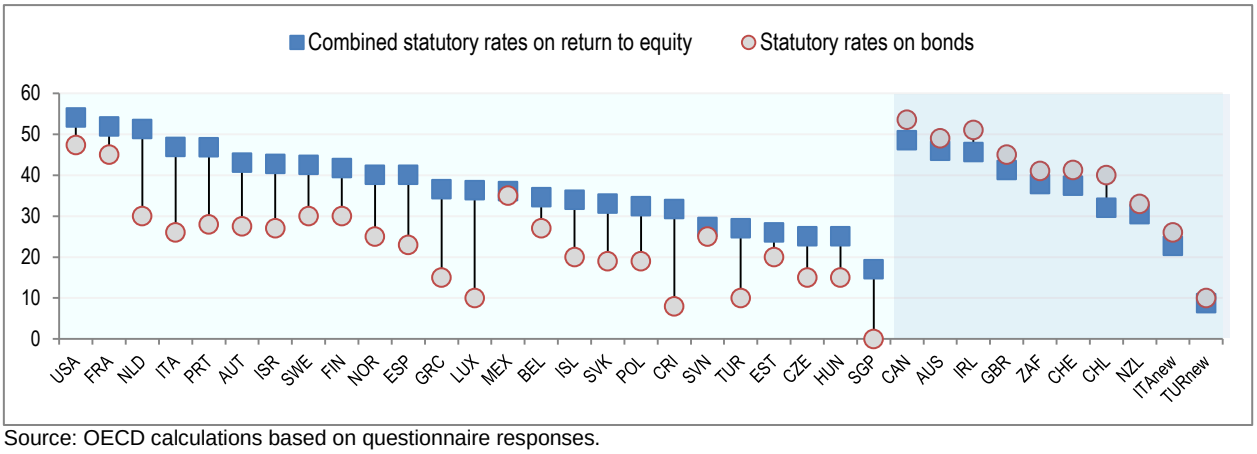
	Top statutory tax rates on return to equity							Top statutory tax rate on corporate bond interest	Difference between combined top tax rate on equity (50/50) & tax rate on interest on corporate bonds
	Corporate tax rate	Individual tax payable			Combined tax				
		25% div., 75% cgs	50% div., 50% cgs.	75% div., 25% cgs	25% div., 75% cgs	50% div., 50% cgs.	75% div., 25% cgs		
	(%)	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(pp)*
AUS	30.0	14.4	15.9	17.5	44.4	45.9	47.5	49.0	-3.1
AUT	25.0	16.8	18.0	19.3	41.8	43.0	44.3	27.5	15.5
BEL	24.4	5.1	10.2	15.3	29.5	34.6	39.7	27.0	7.6
CAN	26.8	18.2	21.7	25.3	45.0	48.5	52.1	53.5	-5.0
CHL	24.0	4.0	8.0	12.0	28.0	32.0	36.0	40.0	-8.0
CRI	30.0	0.9	1.8	2.6	30.9	31.8	32.6	8.0	23.8
CZE	19.0	3.0	6.1	9.1	22.0	25.1	28.1	15.0	10.1
EST	20.0	9.0	6.0	3.0	29.0	26.0	23.0	20.0	6.0
FIN	20.0	21.1	21.8	22.4	41.1	41.8	42.4	30.0	11.8
FRA	34.4	16.8	17.4	18.1	51.2	51.9	52.5	45.0	6.9
GRC	29.0	7.8	7.6	7.3	36.8	36.6	36.3	15.0	21.6
HUN	19.0	3.0	6.1	9.1	22.0	25.1	28.1	15.0	10.1
ISL	20.0	13.0	14.0	15.0	33.0	34.0	35.0	20.0	14.0
IRL	12.5	27.4	33.1	38.9	39.9	45.6	51.4	51.0	-5.4
ISR	25.0	16.5	17.7	18.9	41.5	42.7	43.9	27.0	15.7
ITA	31.3	14.5	15.6	16.7	45.8	46.9	48.0	26.0	20.9
ITAnew	0.0	21.1	22.8	24.4	21.1	22.8	24.4	26.0	-3.3
LUX	29.2	3.5	7.1	10.6	32.8	36.3	39.8	10.0	26.3
MEX	30.0	5.7	6.1	6.6	35.7	36.1	36.6	35.0	1.1
NLD	25.0	24.4	26.3	28.1	49.4	51.3	53.1	30.0	21.3
NZL	28.0	1.3	2.5	3.8	29.3	30.5	31.8	33.0	-2.5
NOR	25	14.0	15.1	16.2	39.0	40.1	41.2	25.0	15.1
POL	19.0	12.5	13.5	14.4	31.5	32.5	33.4	19.0	13.5
PRT	29.5	16.0	17.3	18.5	45.5	46.8	48.0	28.0	18.8
SGP	17.0	0.0	0.0	0.0	17.0	17.0	17.0	0.0	17.0
SVK	22.0	11.1	11.0	11.0	33.1	33.0	33.0	19.0	14.0
SVN	17.0	5.2	10.4	15.6	22.2	27.4	32.6	25.0	2.4
ZAF	28.0	9.3	9.8	10.3	37.3	37.8	38.3	41.0	-3.2
ESP	25.0	14.0	15.1	16.2	39.0	40.1	41.2	23.0	17.1
SWE	22.0	19.0	20.5	21.9	41.0	42.5	43.9	30.0	12.5
CHE	21.1	8.1	16.3	24.4	29.3	37.4	45.6	41.3	-3.9
TUR	20.0	3.5	7.0	10.5	23.5	27.0	30.5	10.0	17.0
TURnew	0.0	4.4	8.8	13.1	4.4	8.8	13.1	10.0	-1.3
GBR	20.0	16.6	21.2	25.9	36.6	41.2	45.9	45.0	-3.8
USA	38.9	14.1	15.2	16.3	53.0	54.1	55.2	47.4	6.8
Mean	22.9	11.4	13.5	15.5	34.3	36.4	38.4	28.2	8.2

Source: OECD calculations based on questionnaire responses. The unweighted mean includes the tax rate on new equity in Italy and in Turkey and does not include the tax rates on existing equity.

98. Table 12 and Figure 8 show that for 26 countries (including existing equity in Italy and existing equity in Turkey), when PIT rates on the return to equity (when dividends and capital gains are equally weighted) and corporate bond interest are taken into account, there remains a favourable tax bias toward

debt. However, in all of these countries the relative differential in tax rates is lower than the statutory corporate tax rate, meaning that when taxation at the personal level is taken into account the debt bias is lower than at the corporate level.

Figure 8. Comparison of combined top statutory tax rates on return to equity (50% dividends; 50% capital gains) and statutory tax rates on bond interest, 2016 (%)



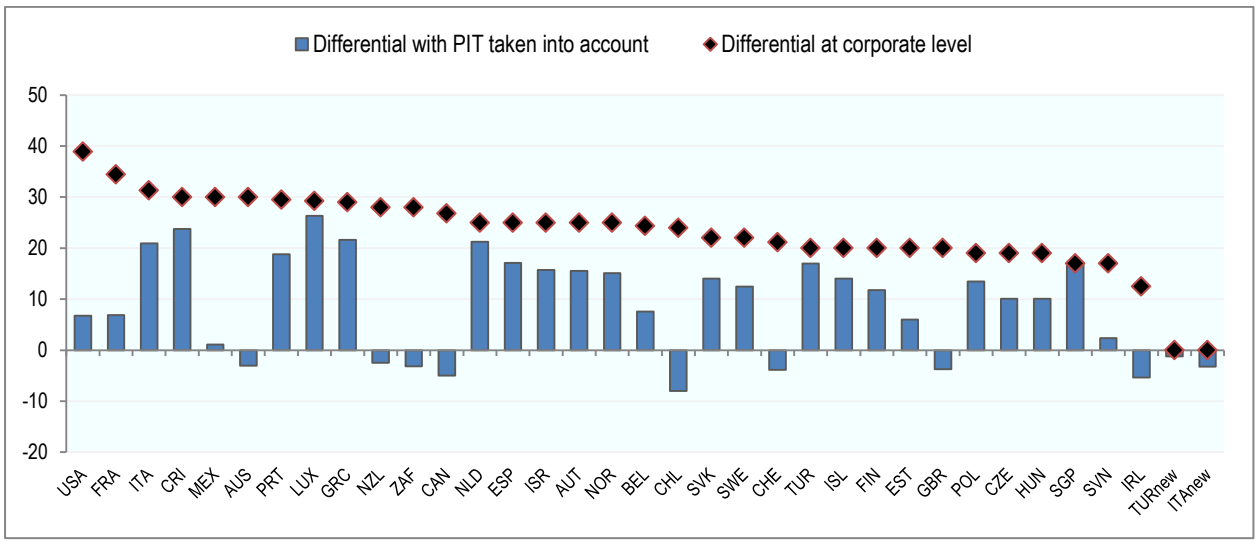
Source: OECD calculations based on questionnaire responses.

99. In the remaining ten countries the tax rates on bonds are higher than the tax rates on the return to equity. Of these ten countries, four use imputation systems in taxing dividends: Australia, Canada, Chile and New Zealand. The ACE system applied to new equity in Italy and in Turkey has a higher rate on bonds than on the return to equity, but this is a function of the rate of return chosen in this paper. The rate of return used (4%) is not significantly different from the nominal rate used in the ACE system in Italy. In the other countries for which the tax rate on bonds is higher than on equity, Ireland has a comparatively low corporate tax rate; the United Kingdom applies a comparatively high rate on the taxation of bond interest; South Africa includes 40% of the capital gain on shares as taxable at the personal level; and Switzerland does not tax capital gains at the personal level, while taxing bond interest at a rate above the CIT.

100. In all but three countries (Estonia, Greece and the Slovak Republic) the tax rate on capital gains is lower than the tax rate on dividends. Consequently, the more the return on equity is weighted towards capital gains, the lower the tax rate on the return to equity in most countries. Table 12 also presents combined tax rates for the return to equity where capital gains are assumed to make up 75% of the return. However, even in this case, the tax rates on the return to equity are higher than those on debt in all but eleven countries (the additional being Slovenia). Additionally under this scenario, in 2016 Mexico has only a very small debt bias (<1 pp).

101. As noted, the tax rates on equity presented in table 12 and figures 8 and 9 are for a scenario where 50% of the return on equity is received in the form of dividends and 50% in capital gains; and to roughly approximate the impact of deferring capital gains tax until realisation, the top personal tax rates on capital gains used in the calculations include a reduction of 25%. If the calculations are redone based on no reduction due to deferral in the personal rates on capital gains, similar results are obtained. With no reduction to the capital gains tax rate at the individual level, nine countries (including new equity in Turkey) retain an equity bias when the return on equity is equally weighted between dividends and capital gains and a tenth country (Slovenia) has an equity bias when the return on equity is distributed as 25% dividends and 75% capital gains. Italy (new equity) shows no bias under all three assumptions (i.e. the combined rate on returns to equity equals the tax rate on corporate bonds).

Figure 9. Comparison of relative differential in tax rates at the corporate level and at the personal level as at 2016



Source: OECD calculations based on questionnaire responses.

102. Table 13 compares the debt-equity bias at the personal level in 2012 and 2016. It shows the change in the difference in tax rates at the personal level on equity (for a scenario where 50% of the return on equity is received in the form of dividends and 50% in capital gains) and debt between 2012 and 2016. On an unweighted average basis, the debt bias declined from 8.9 percentage points in 2012 to 8.2 percentage points in 2016, partly due to a decrease in the unweighted mean corporate tax rate over this period.

103. Most countries did not move from a debt to an equity bias, or vice versa, between 2012 and 2016, with the exception of Belgium (which moved from a bias toward equity in 2012 to a bias toward debt in 2016, primarily due to changes in the ACE rate used) and Italy (which moved from a debt bias in 2012 to an equity bias in 2016, due to the ACE for new equity) and Mexico, which moved from no bias in 2012 to a bias toward debt in 2016. Among the remaining countries, the tax bias towards debt increased in 11 countries (Belgium, Chile, Greece, Hungary, Ireland, Luxembourg, Mexico, Norway, the Slovak Republic, Switzerland and the United Kingdom) and decreased in 16 (Australia, Austria, Canada, Estonia, Finland, France, Israel, Italy (existing and new equity), Portugal, Slovenia, South Africa, Spain, Sweden, Turkey (new equity) and the United States). Finally, there was no change in the tax bias toward debt between 2012 and 2016 in eight countries (Costa Rica, the Czech Republic, Iceland, the Netherlands, New Zealand, Poland, Singapore and Turkey (existing equity).

Table 13. Change in the debt-equity bias, 2012 & 2016

	Top statutory tax rates return on equity				Top statutory tax rates on corporate bond interest		Difference between combined top tax rate on equity (50/50) and tax rate on interest on corporate bonds		
	CIT payable[46]		Combined rates						
	2012 (%)	*2016 (%)*	*2012 (%)*	*2016 (%)*	*2012 (%)*	*2016 (%)*	*2012 (pp)*	*2016 (pp)*	*Change (pp)*
AUS	30.0	30.0	44.4	45.9	46.5	49.0	-2.1	-3.1	-0.9
AUT	25.0	25.0	41.4	43.0	25.0	27.5	16.4	15.5	-0.9
BEL	8.5	24.4	18.1	34.6	25.0	27.0	-6.9	7.6	14.5
CAN	26.1	26.8	44.5	48.5	48.0	53.5	-3.5	-5.0	-1.5
CHL	20.0	24.0	30.0	32.0	40.0	40.0	-10.0	-8.0	2.0
CRI	30.0	30.0	31.8	31.8	8.0	8.0	23.8	23.8	0.0
CZE	19.0	19.0	25.1	25.1	15.0	15.0	10.1	10.1	0.0
EST	21.0	20.0	27.2	26.0	21.0	20.0	6.2	6.0	-0.2
FIN	24.5	20.0	42.0	41.8	30.0	30.0	12.0	11.8	-0.3
FRA	36.1	34.4	54.4	51.9	43.3	45.0	11.1	6.9	-4.2
GRC	20.0	29.0	30.0	36.6	10.0	15.0	20.0	21.6	1.6
HUN	19.0	19.0	25.5	25.1	16.0	15.0	9.5	10.1	0.6
ISL	20.0	20.0	34.0	34.0	20.0	20.0	14.0	14.0	0.0
IRL	12.5	12.5	44.7	45.6	51.0	51.0	-6.3	-5.4	1.0
ISR	25.0	25.0	41.4	42.7	25.0	27.0	16.4	15.7	-0.69
ITA	31.3	31.3	43.3	46.9	20.0	26.0	23.3	20.9	-2.4
ITAnew	7.8		24.0	22.8	20.0	26.0	4.0	-3.3	-7.2
LUX	28.8	29.2	35.7	36.3	10.0	10.0	25.7	26.3	0.6
MEX	30.0	30.0	30.0	36.1	30.0	35.0		1.1	1.1
NLD	25.0	25.0	51.3	51.3	30.0	30.0	21.3	21.3	0.0
NZL	28.0	28.0	30.5	30.5	33.0	33.0	-2.5	-2.5	0.0
NOR	28.0	25.0	38.9	40.1	28.0	25.0	10.9	15.1	4.19
POL	19.0	19.0	32.5	32.5	19.0	19.0	13.5	13.5	0.0
PRT	31.5	29.5	46.9	46.8	21.5	28.0	25.4	18.8	-6.6
SGP	17.0	17.0	17.0	17.0			17.0	17.0	0.0
SVK	19.0	22.0	28.8	33.0	19.0	19.0	9.8	14.0	4.2
SVN	18.0	17.0	26.2	27.4	20.0	25.0	6.2	2.4	-3.8
ZAF	28.0	28.0	37.1	37.8	40.0	41.0	-2.9	-3.2	-0.3
ESP	30.0	25.0	46.5	40.1	27.0	23.0	19.5	17.1	-2.4
SWE	26.3	22.0	45.6	42.5	30.0	30.0	15.6	12.5	-3.2
CHE	21.2	21.1	37.5	37.4	41.4	41.3	-3.9	-3.9	0.1
TUR	20.0	20.0	27.0	27.0	10.0	10.0	17.0	17.0	0.0
TURnew	20.0	0.0	27.0	8.8	10.0	10.0	17.0	-1.3	-18.25
GBR	24.0	20.0	45.7	41.2	50.0	45.0	-4.3	-3.8	0.5
USA	39.1	38.9	49.7	54.1	39.1	47.4	10.6	6.8	-3.8
Mean	23.6	22.9	35.9	36.4	27.0	28.2	8.9	8.2	-0.7

Source: OECD calculations based on questionnaire responses. The unweighted mean include tax rates on new equity in Italy and Turkey and does not include tax rates on existing equity.

[46] The CIT rate shown here includes the impact of the ACE in Belgium, Italy (new equity) and Turkey (new equity) in reducing the amount of CIT payable.

7. Conclusions

104. Countries apply a range of different tax treatments to different types of capital income, resulting in varying rates being applied to the five asset types considered in this publication. For interest income and capital gains on property, taxation is only at the personal level; whereas for dividends and capital gains on shares, returns are taxed first at the corporate level and again at the personal level, making the integration of these two levels of taxation important in the determination of the overall rate. Typically, tax rates are highest on dividends and lowest on capital gains on real property, with the exception of five countries in each case, and this is also seen in the unweighted average.

105. Table 14 summarises the overall rates of taxation applied to each type of asset.

Table 14. Overall tax rates on dividends, interest and capital gains, 2016

	Dividends	Capital gains on shares	Interest on bonds	Interest on retail deposits	Capital gains on property
	(%)	*(%)*	*(%)*	*(%)*	*(%)*
AUS	49.0	47.2	49.0	49.0	24.5
AUT	45.6	45.6	27.5	25.0	30.0
BEL	44.8	24.4	27.0	27.0	
CAN	55.6	46.4	53.5	53.5	26.8
CHL	40.0	24.0	40.0	40.0	40.0
CRI	33.5	30.0	8.0		
CZE	31.2	19.0	15.0	15.0	
EST	20.0	36.0	20.0		20.0
FIN	43.1	47.2	30.0	30.0	34.0
FRA	53.2	55.9	45.0	45.0	
GRC	36.1	39.8	15.0	15.0	15.0
HUN	31.2	19.0	15.0	15.0	
ISL	36.0	36.0	20.0	20.0	20.0
IRL	57.1	41.4	51.0	41.0	33.0
ISR	45.3	45.3	27.0	27.0	27.0
ITA	49.2	49.2	26.0	26.0	
ITAnew	26.0	26.0	26.0	26.0	
LUX	43.4	29.2	10.0	10.0	20.0
MEX	37.0	37.0	35.0	35.0	35.0
NLD	55.0	55.0	30.0	30.0	30.0
NZL	33.0	28.0	33.0	33.0	
NOR	42.3	42.3	25.0	25.0	25.0
POL	34.4	34.4	19.0	19.0	
PRT	49.2	49.2	28.0	28.0	28.3
SGP	17.0	17.0			
SVK	32.9	36.8	19.0	19.0	
SVN	37.8	17.0	25.0	25.0	
ZAF	38.8	39.8	41.0	41.0	16.4
ESP	42.3	42.3	23.0	23.0	23.0
SWE	45.4	45.4	30.0	30.0	27.0
CHE	53.7	21.1	41.3	41.3	
TUR	34.0	20.0	10.0	15.0	
TURnew	17.5	0.0	10.0	15.0	
GBR	50.5	36.0	45.0	45.0	28.0
USA	56.3	56.2	47.4	47.3	*
Mean	40.4	35.4	28.2	27.1	15.7

Source: OECD calculations based on questionnaire responses. The unweighted mean includes the tax rate on new equity in Italy and in Turkey and does not include the tax rates on existing equity.

REFERENCES

Country responses to questionnaire (*Questionnaire for Tax and Debt Bias in Corporate Financing Analysis*), March 2016.

Harding, M. (2013) "Taxation of Dividends, Interest and Capital Gain Income", *OECD Tax Working Paper Series*, No. 19, OECD, Paris.

IBFD database, at http://www.ibfd.org/.

OECD (1994) *Taxation and household saving*, OECD Publishing, Paris.

OECD (2016), *Taxing Wages*, OECD Publishing, Paris.

OECD (2016) *Tax Database*, http://www.OECD.org/tax/taxpolicyanalysis/OECDtaxdatabase.htm.

PWC (2016) *Turkey Corporate-Deductions*, http://taxsummaries.pwc.com/uk/taxsummaries/wwts.nsf/ID/Turkey-Corporate-Deductions (accessed June 2016)

ANNEX A: DIAGRAMMATIC REPRESENTATION OF THE TAXATION OF DIVIDEND INCOME