



DESIGNING TAX POLICIES TO PROMOTE MORE INCLUSIVE GROWTH

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Expert Group Meeting on “Addressing inequalities and challenges to social inclusion through fiscal, wage and social protection policies”, UN Headquarters, 25 June 2018

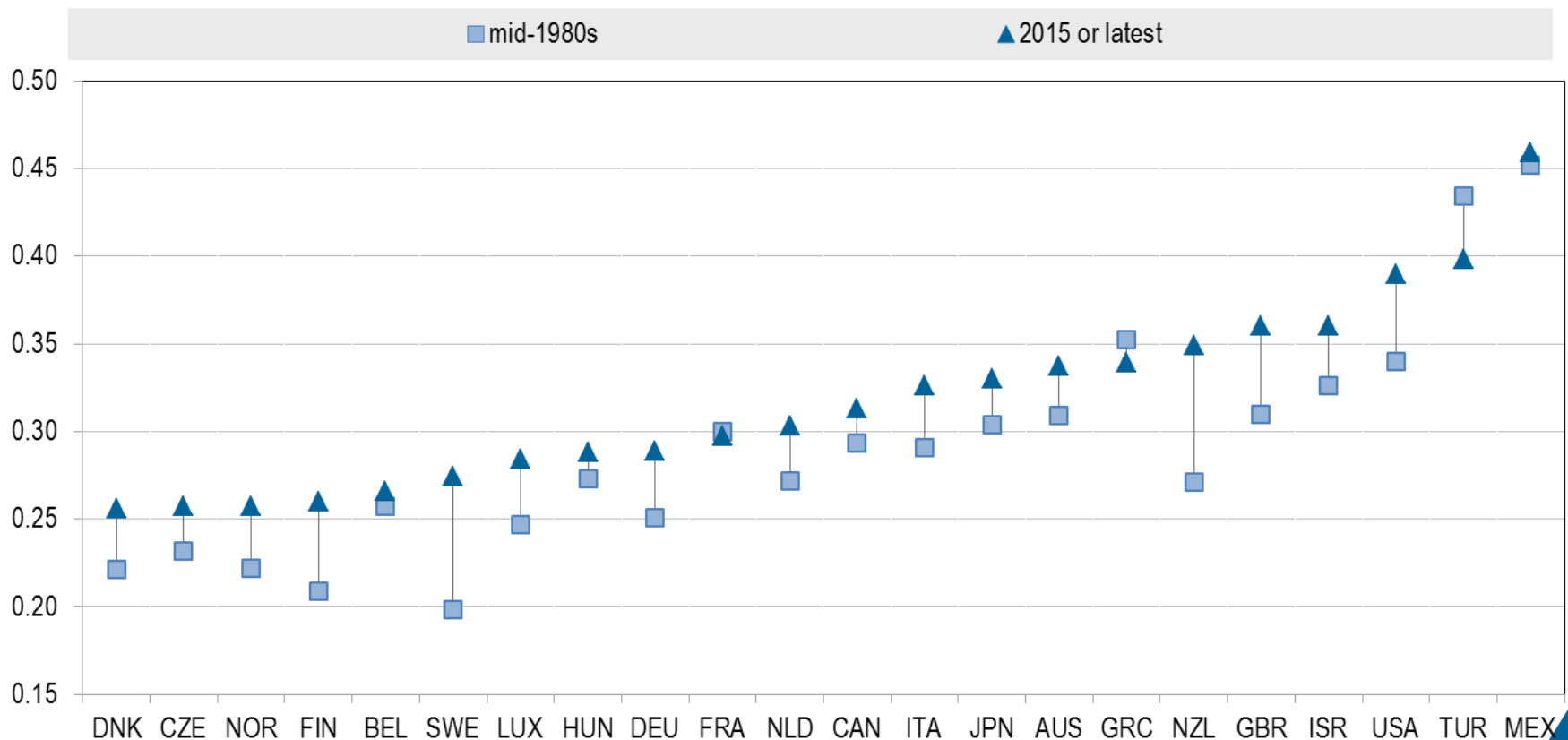


TRENDS IN INEQUALITY AND REDISTRIBUTION



Within-country income inequality has increased over the last 30 years

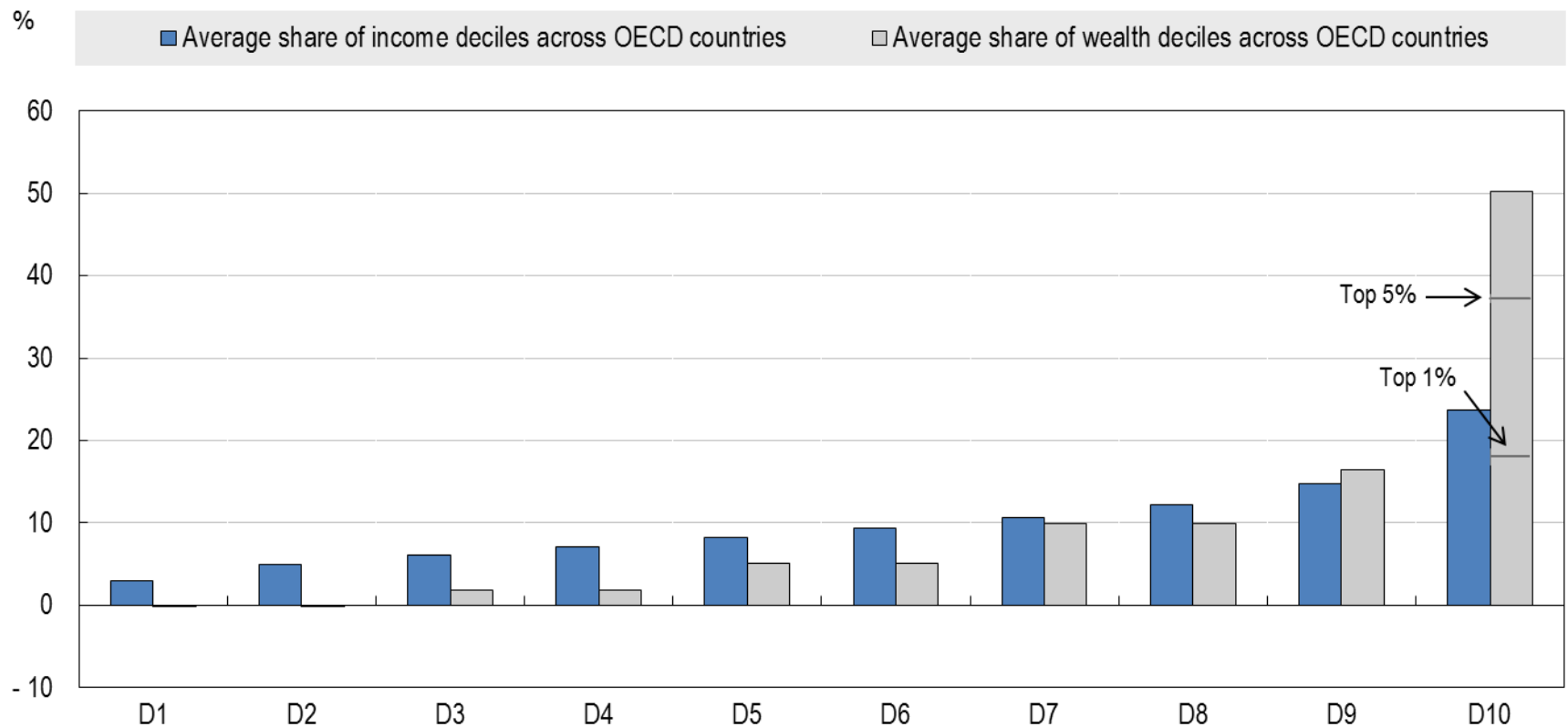
Disposable income Gini coefficients, mid-1980s and 2015 (or latest available year) in 22 OECD countries





Household wealth is much more concentrated than income

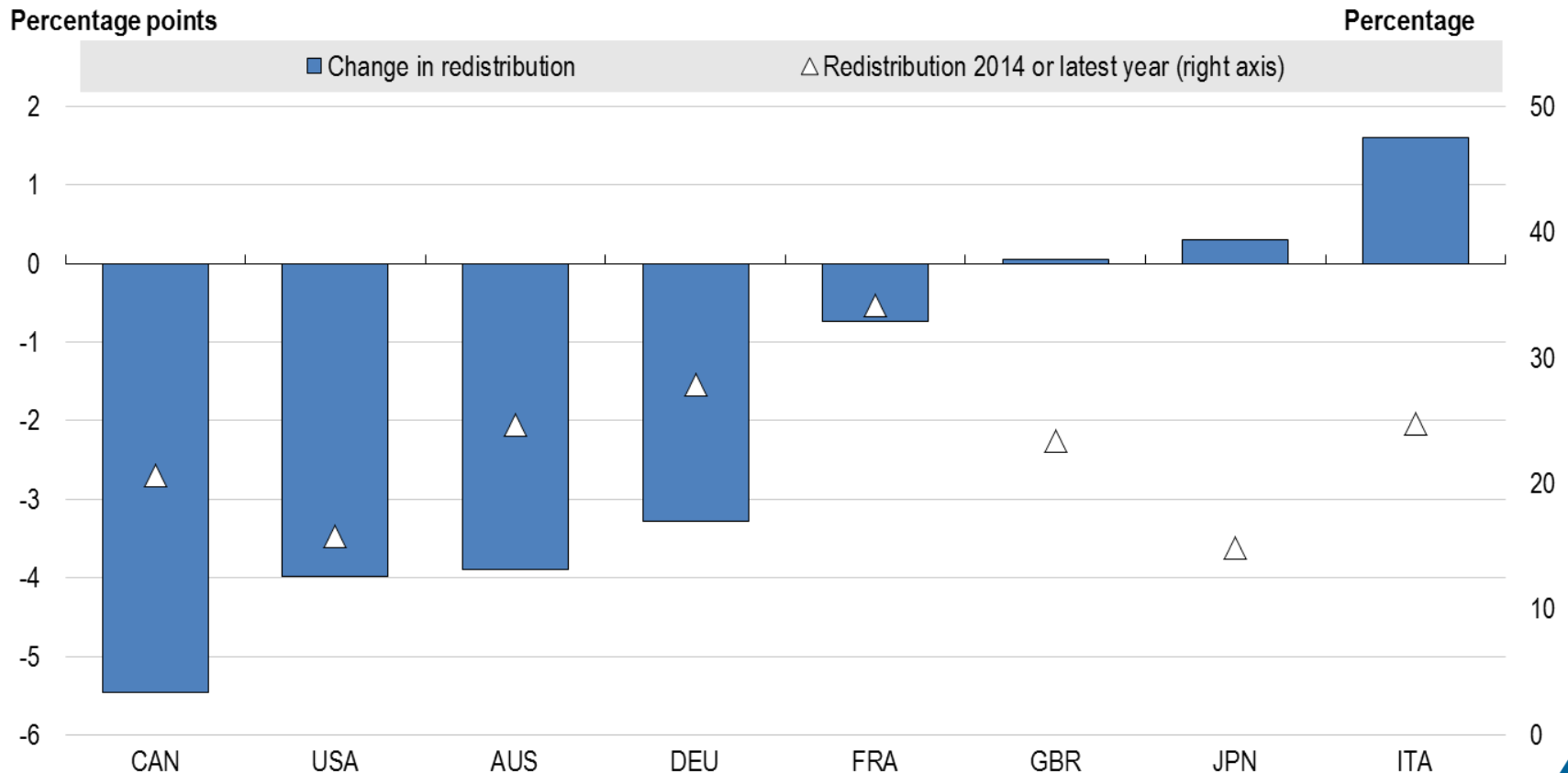
Distribution of household disposable income and wealth across income and wealth deciles – average for 18 OECD countries





Redistribution has declined in most AEs since the mid-1990s

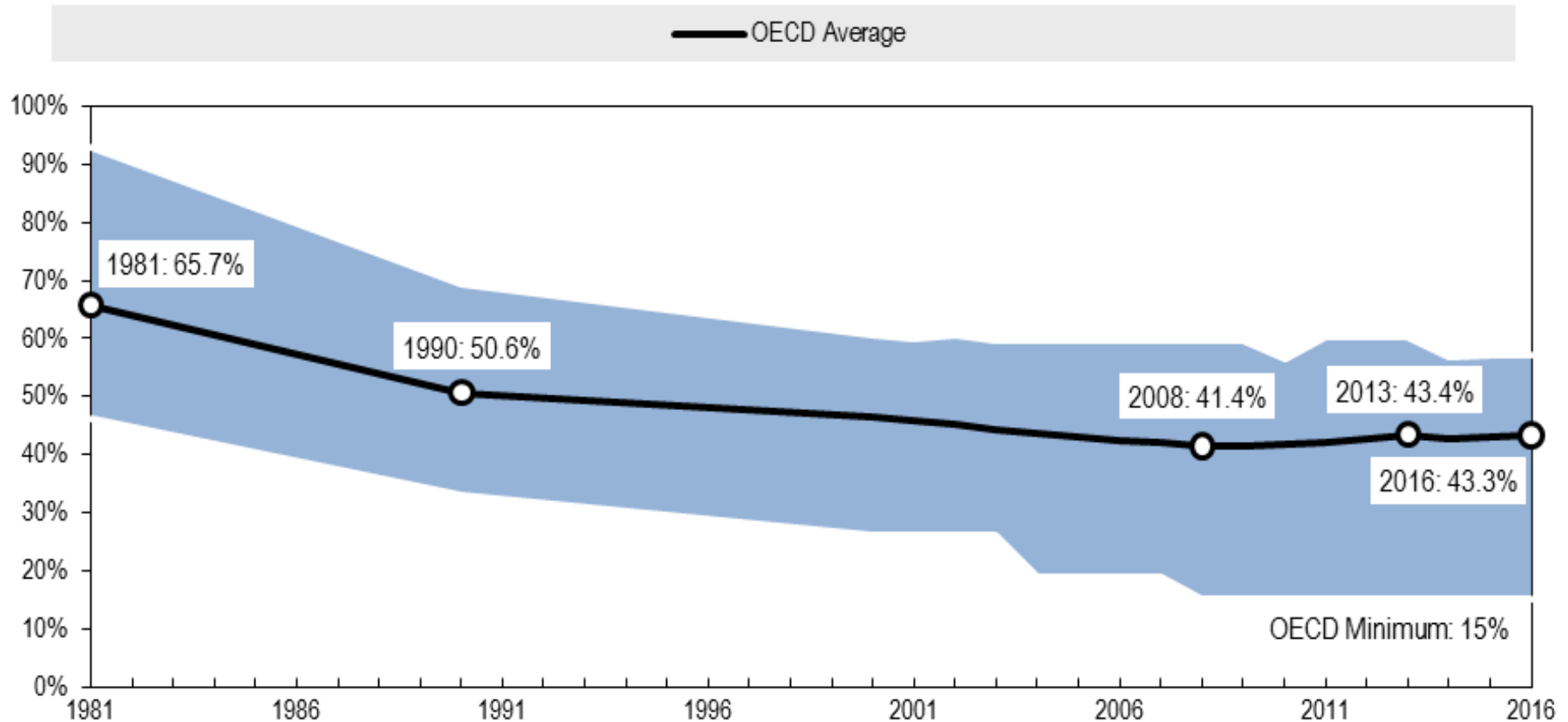
Changes in redistribution for the working-age population Mid-1990s to 2014 or latest available year





Personal income tax rates on top income earners have gone down

Combined top statutory personal income tax rates in the OECD area
maximum, minimum and average, 1981 to 2016



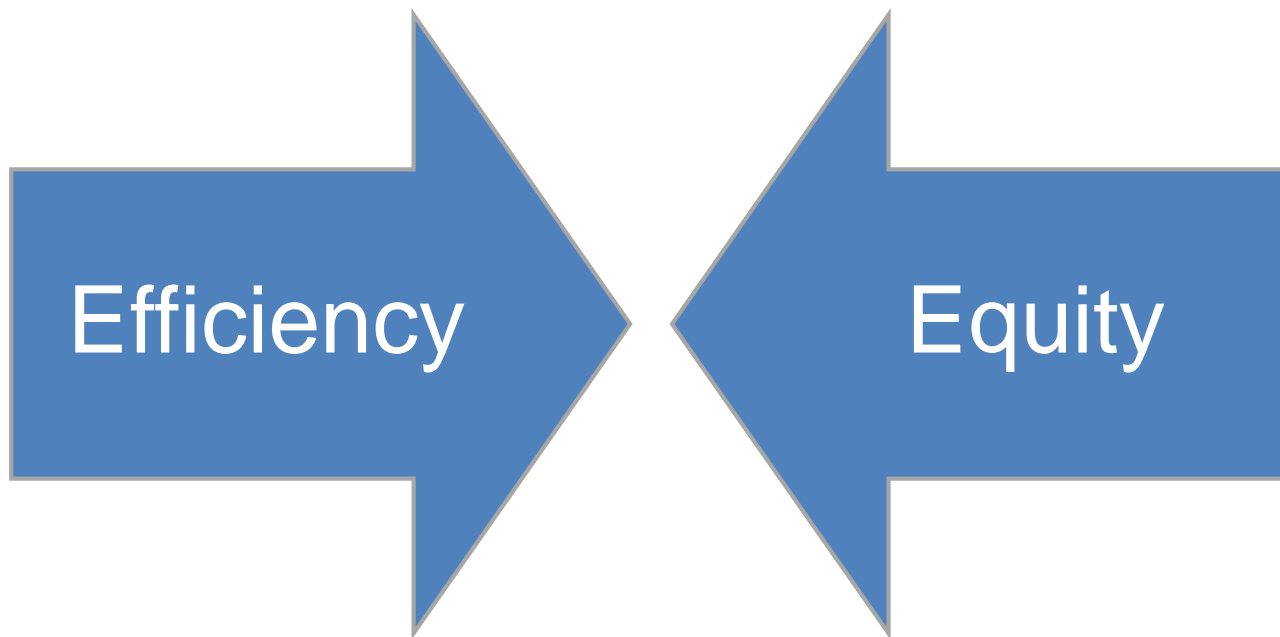


TAX POLICY OPTIONS FOR MORE INCLUSIVE GROWTH



Designing tax policies for more inclusive growth

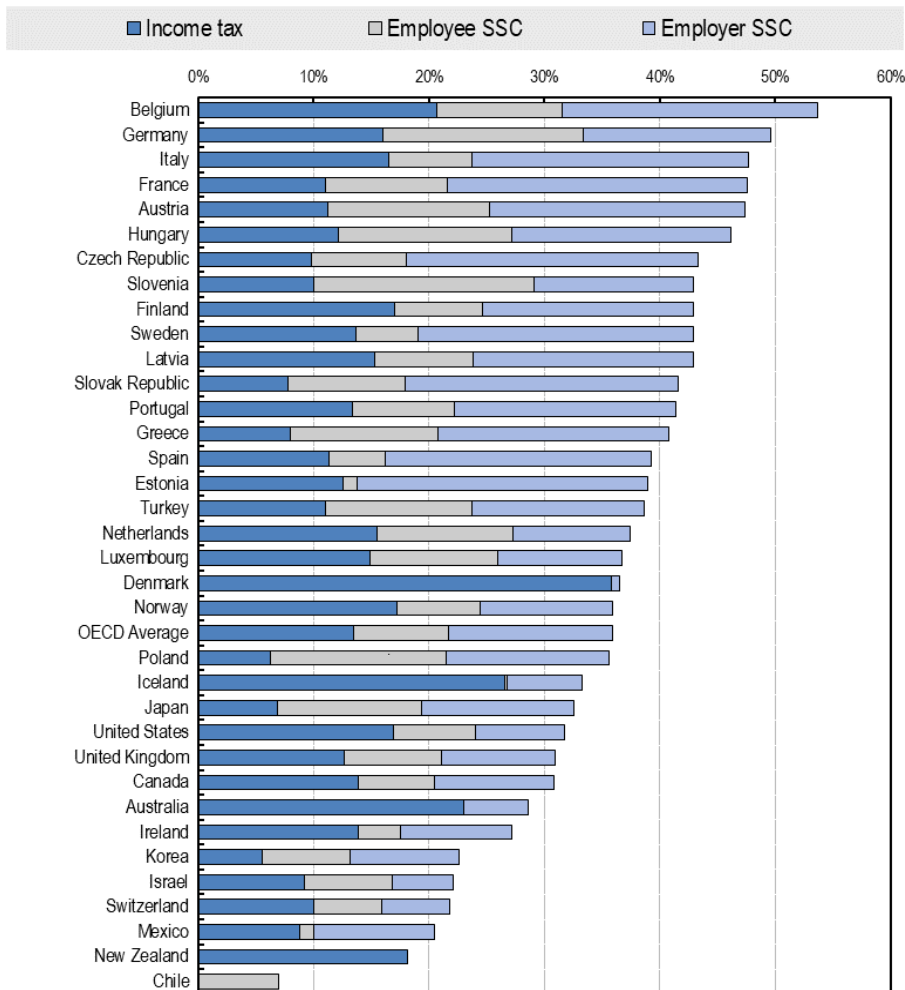
Challenge: avoid the **efficiency-equity trade-offs** and identify tax reform options which simultaneously enhance efficiency and equity





Encourage formal labour market participation by lowering taxes on labour income

Tax wedge for employees earning the average wage in 2017, % of labour costs



Objective: reduce disincentives to job creation and workforce participation

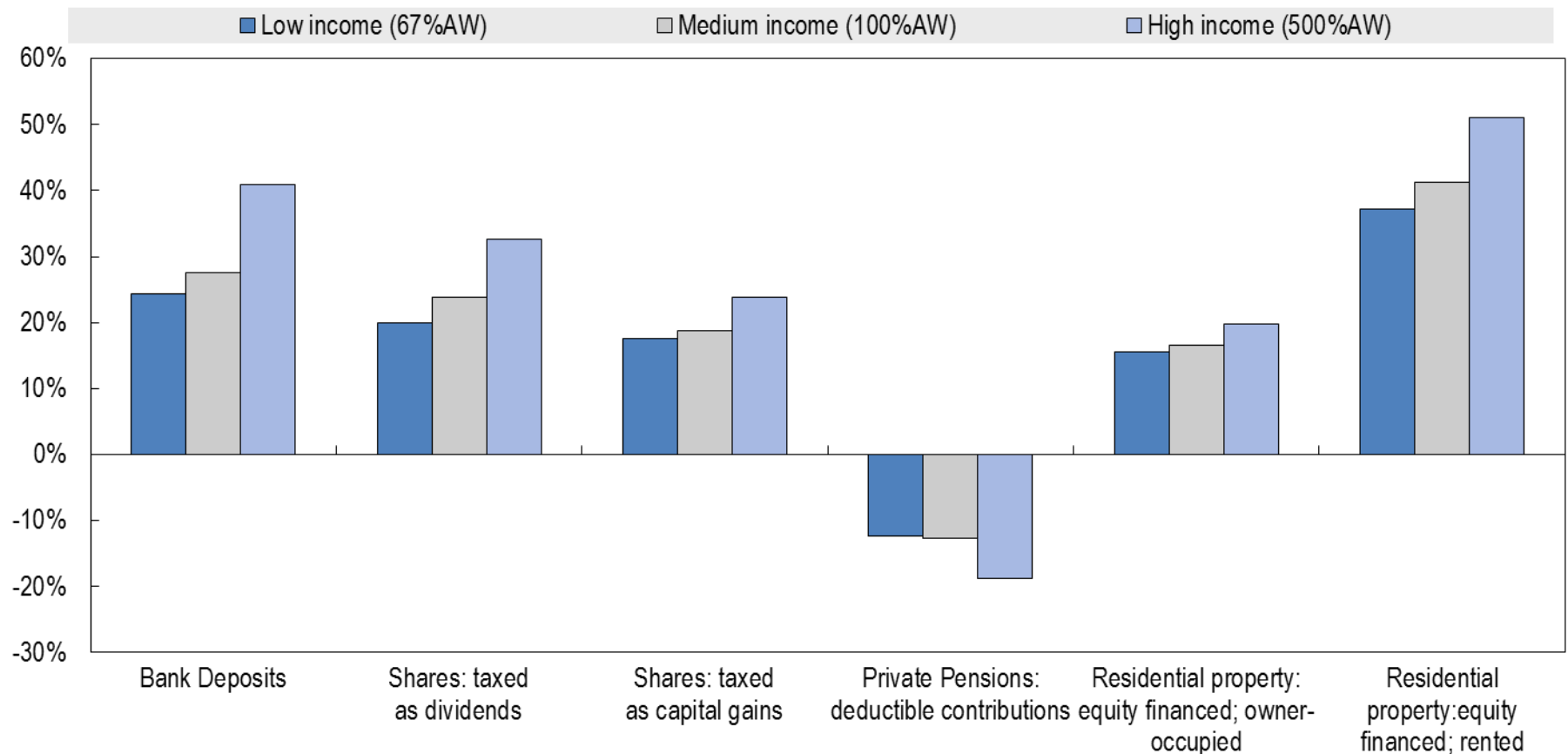
- Lower labour taxes for low-wage earners, through in-work tax credits or targeted cuts in social security contributions
- Reduce the tax wedge on second earners (usually women)
- For emerging economies, a high labour tax burden on low-income earners is an important incentive for **informality**



Ensuring a more effective and fairer taxation of capital income and wealth

Marginal effective tax rates by asset type

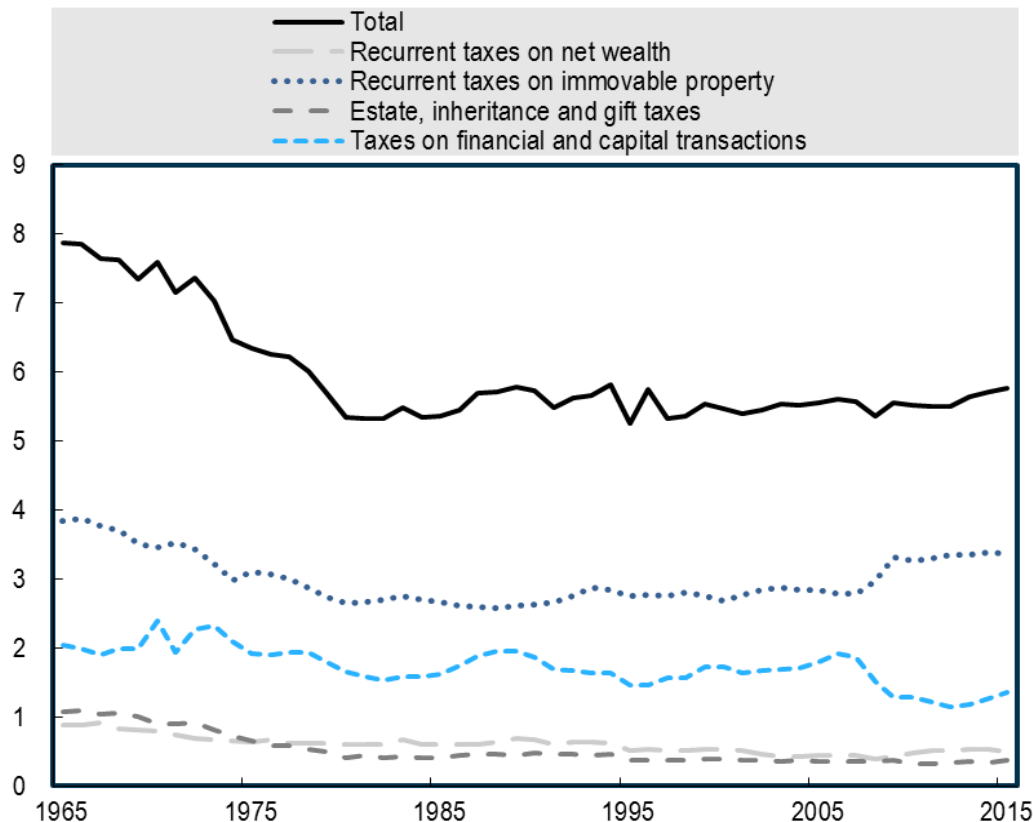
Averages across 40 countries, 2016





Better exploiting the potential of property taxes

Evolution of property tax revenues as a share of total taxation in the OECD



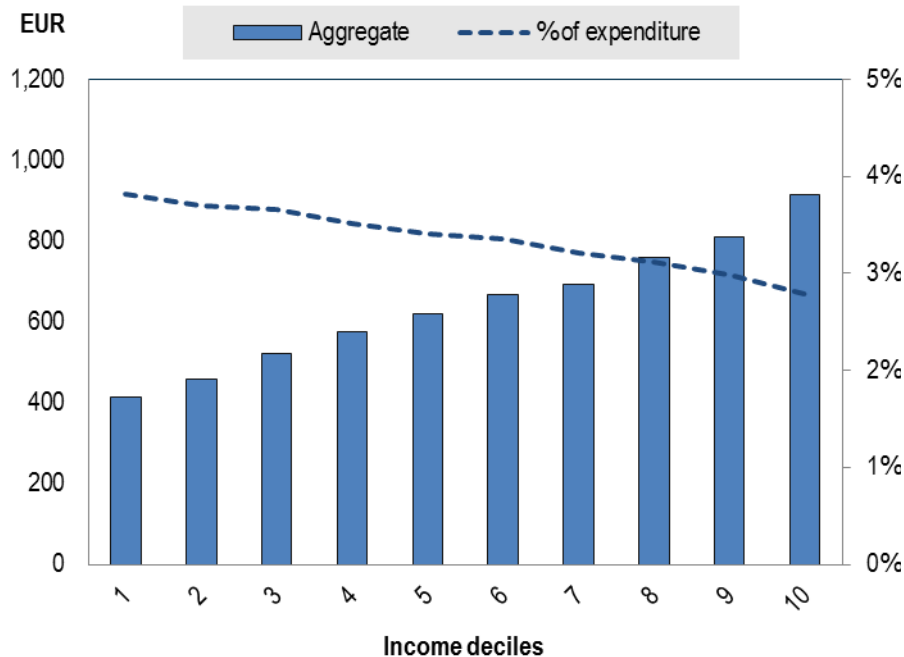
- Immobility of the tax base means less vulnerable to tax avoidance/evasion
- In emerging markets where PIT plays a limited role, property taxes could enhance progressivity
- Also a case for inheritance taxes to enhance equality of opportunity



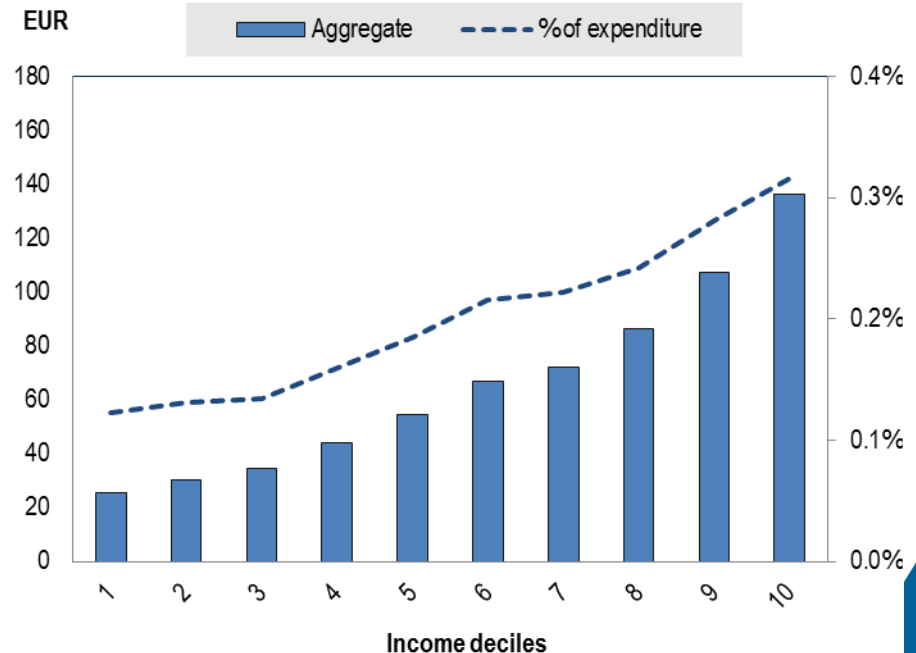
Broadening tax bases by scaling back regressive tax expenditures

The value of VAT tax expenditures across the income distribution

Average tax expenditure per household from all reduced rates
(all-country average)



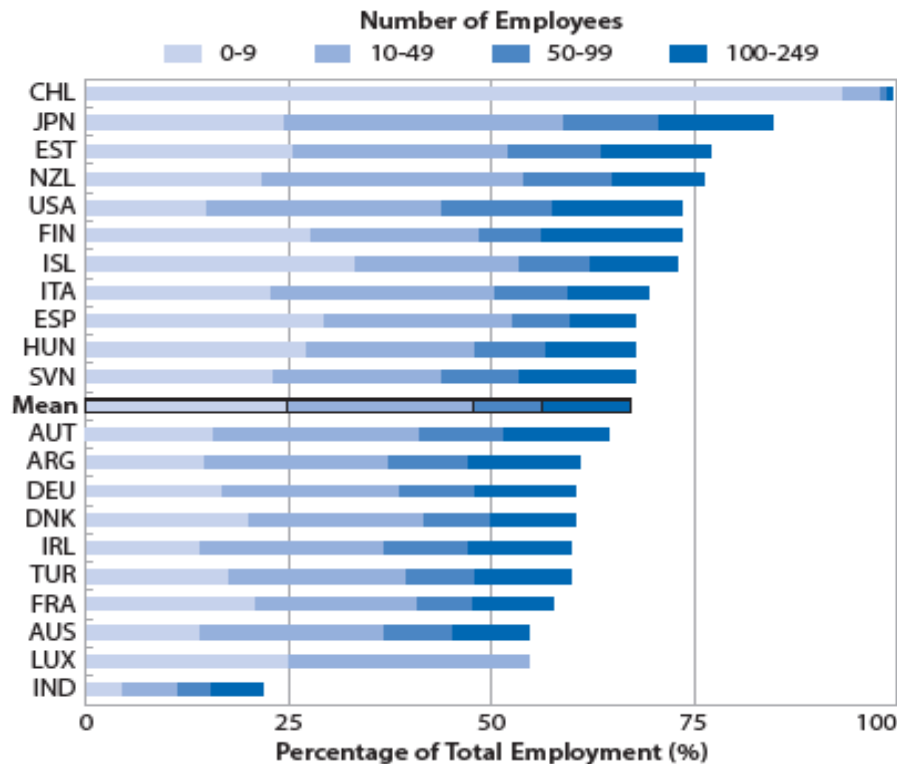
Average tax expenditure per household from reduced rates on restaurant food
(all-country average)





Supporting small businesses and entrepreneurship

Relative contribution of SMEs to total number of persons employed, 2014



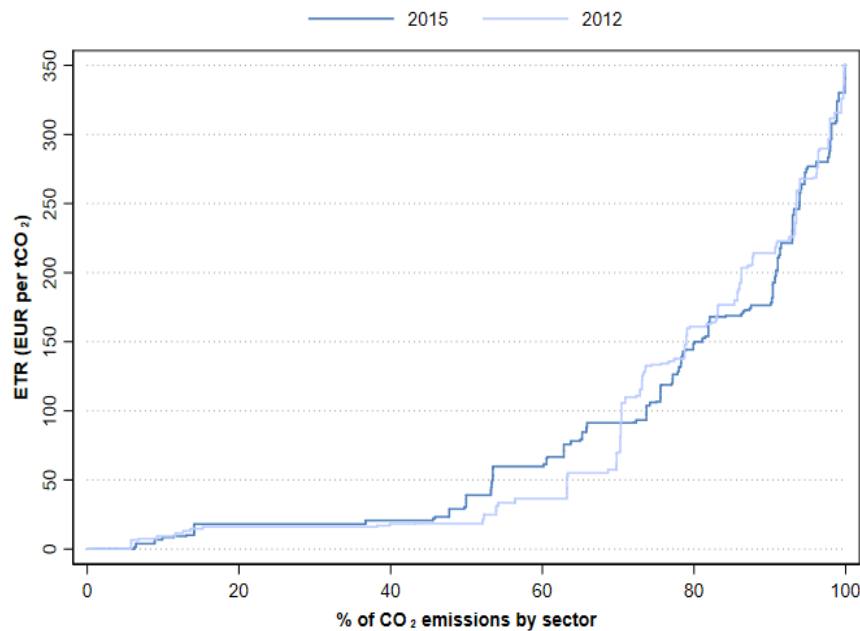
- Presumptive tax regime and reduced tax compliance costs
- Carefully assess negative “threshold” effects
- Tax measures to support small businesses can play a key role in addressing informality in emerging countries



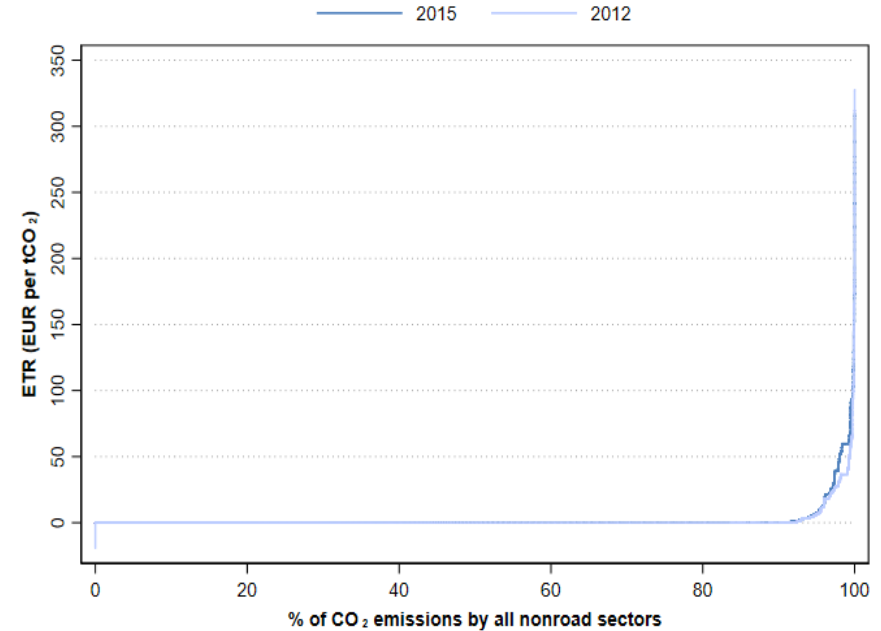
Making better use of environmentally related taxes

Proportion of carbon emissions subject to different levels of effective tax rates in 2012 and 2015

Panel A. Road



Panel B. Non-road



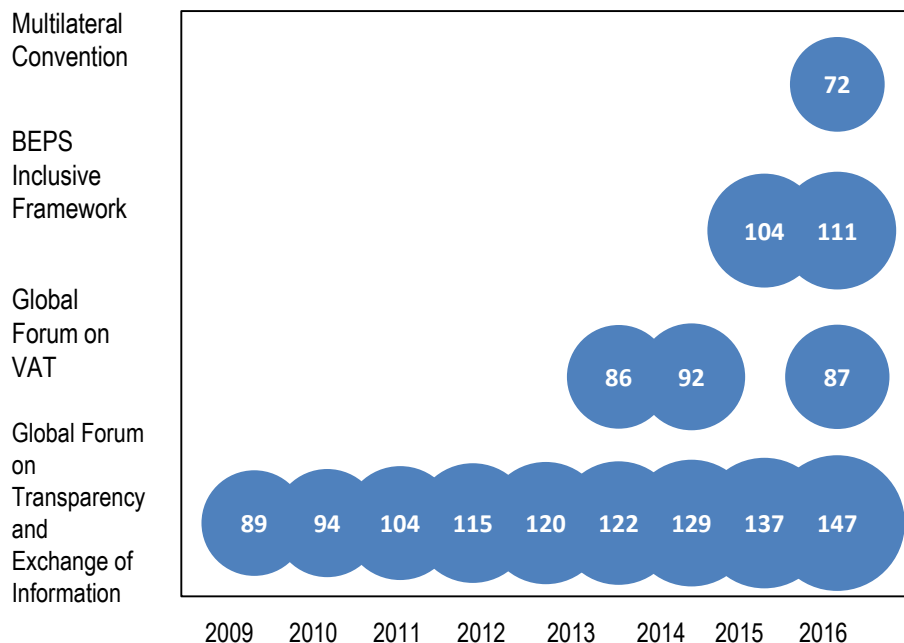
Note: All tax rates are expressed in 2012 prices. Carbon emissions from biomass emissions are included.

Source: OECD Taxing Energy Use 2018

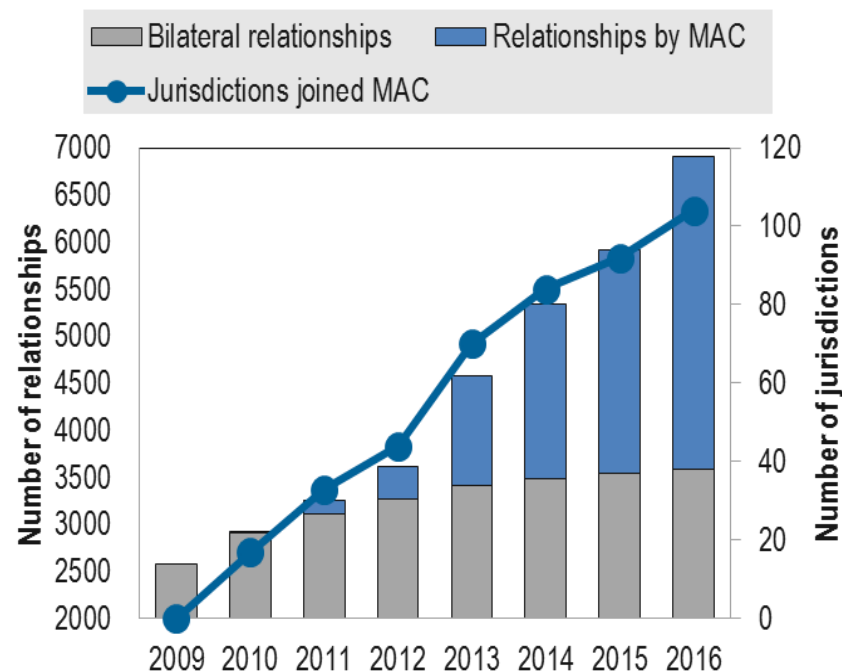


Continuing progress in international tax cooperation and administration

Membership of countries in platforms for international tax cooperation



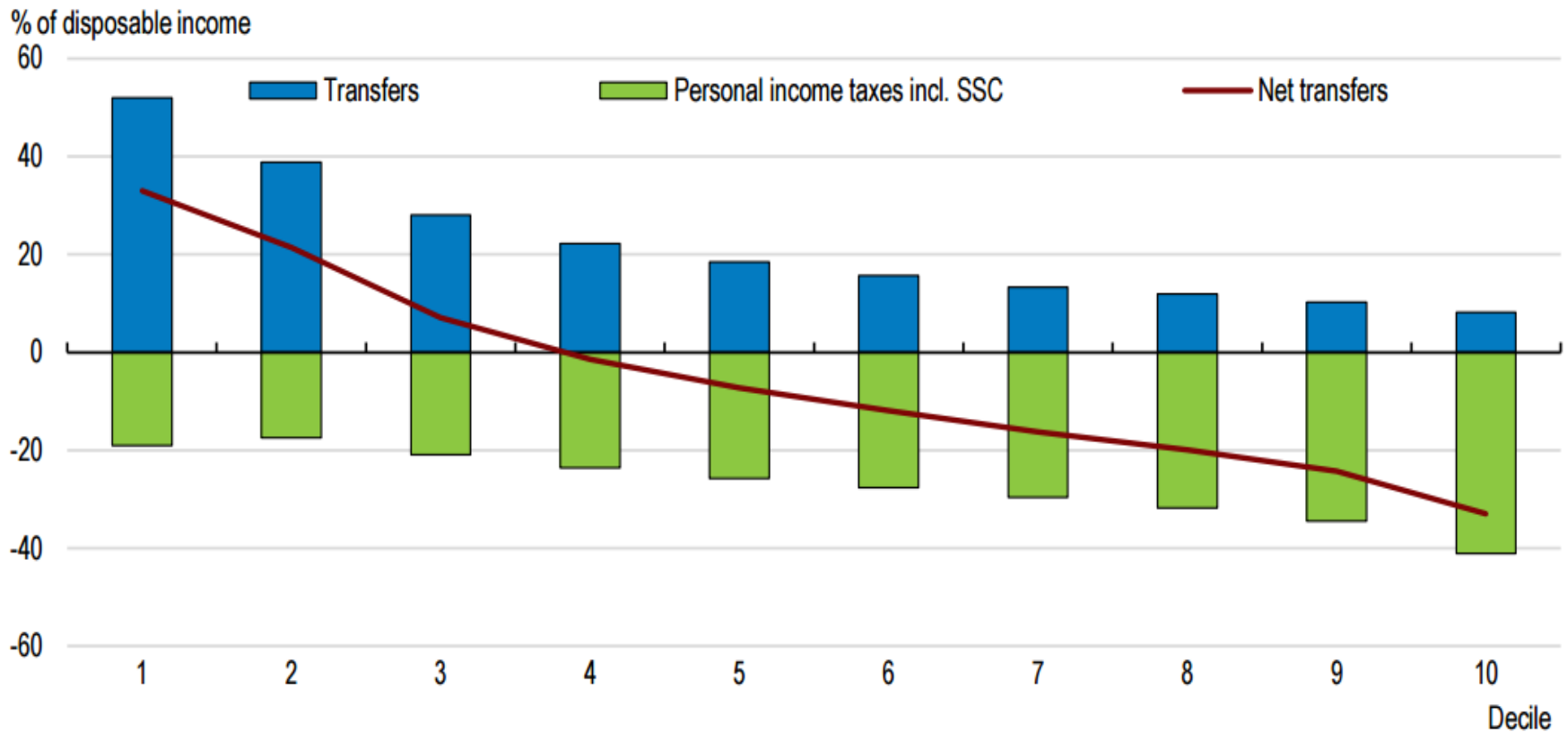
Bilateral Relationships and the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC)





Important lesson: it's the overall tax and transfer system that matters!

Transfers received and personal income taxes paid across deciles,
Working-age population, 2014 or latest available year





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