

OECD's Current Tax Agenda

APRIL 2011



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CTPA Management Team

Want to Know More?

Network on Fiscal Relations across Levels of Governments

CORE ISSUES

The OECD Network on Fiscal Relations across Levels of Government was created in 2004 to provide countries with cross-country analytical and statistical analysis to inform decisions on how the financial relations among central, regional and local governments are organised. With decentralisation issues becoming higher on the political agenda in most OECD countries, the Network has established itself as a high level, multidisciplinary platform for policy dialogue, between policy makers for taxation and expenditure. The Network is serviced jointly by three OECD Directorates: the Centre for Tax Policy and Administration (CTP), the Economics Department (ECO) and the Directorate for Public Governance and Territorial Development (GOV) and gathers delegates from different national ministries (Department of Budget, Department of Tax, Ministry of Economy and Finance, Ministry of Interior, etc). This horizontal approach has been found valuable by all participants.

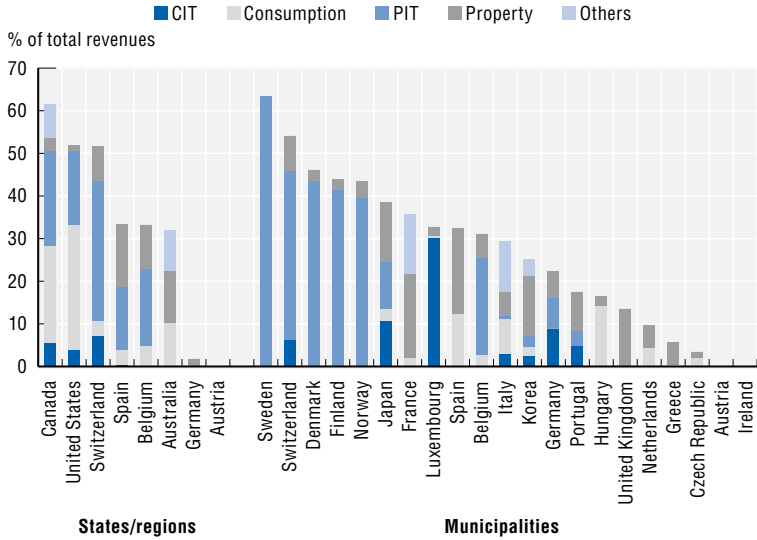
The following sections provide an overview of the most salient activities of the Network and how it contributes to a better understanding of tax and spending policy in a multi-level environment.

Sub-central tax competition

Tax competition arises from sub-central governments seeking to attract and retain investment and mobile tax bases. The views on the merits of tax competition differ widely: while some consider that tax competition brings sub-central fiscal policy closer to citizen's preferences, increases the efficiency of the public sector and avoids tax excesses, others argue that tax competition leads to a distorted tax structure, to growing tax disparities and to an under-provision of publicly provided services.

Analysing this topic in depth should help countries to get a wider understanding of the effects of tax competition and to decide what degree of competition is most appropriate to different institutional arrangements for sub-central tax autonomy and tax mix.

Autonomous taxes by tax type, in per cent of total SCG revenue

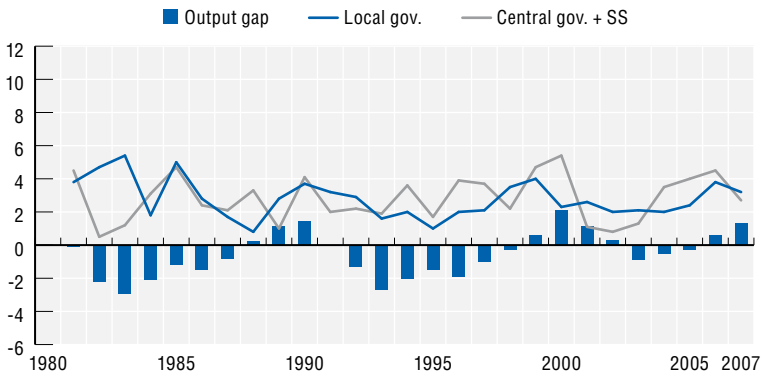


A comprehensive working paper on that issue was made available on the Fiscal Network's website in April 2011 (www.oecd.org/ctp/federalism).

Fiscal policy across levels of government in times of crisis

The world is recovering from the worst economic and financial crisis since the Great Depression. The recovery will probably be gradual and government deficits could remain very large over the next few years in a number of countries. The crisis has a negative impact not only on central governments, but also on sub-national governments. While the situation varies from country

Central and Local government revenue fluctuations. Annual growth rates (%)



to country, depending on the institutional environment, types of revenue sources and spending responsibilities, an increasing number of sub-national governments are facing budget imbalances.

The sub-national dimension of the crisis has been rather neglected, in spite of having major implications.

The Fiscal Network has reacted quickly to growing demands for policy analysis and in 2009-10 organised a workshop and carried out a comprehensive study on this topic. To sum up, good co-ordination between central and sub-central governments' reactions was crucial to make sure that the financial stimulus efforts were as effective as possible in terms of stimulating growth and employment. However, with stimulus being gradually phased out, fiscal consolidation now comes to the fore, with sub-central governments likely to share the burden in terms of spending cuts and likely tax increases.

The results of the study are summarised in Economics Department Working Paper No. 752 (<http://www.oecd.org/dataoecd/49/29/45736985.pdf>)

Reforming Fiscal Relations across Levels of Government

This project can be described as the way in which political and institutional factors influence the design, decision-making process, adoption and long-term implementation of fiscal federal reforms. It describes and analyses the factors that shape reforms such as territorial organisation, equalisation systems, or revenue mix of sub-central governments.

The Fiscal Network is preparing a book describing fiscal federalism and local government reform episodes in ten countries, using a comprehensive and uniform political economy framework. The book will be published in the second quarter of 2011.

Key Publications

- WP 12: Fiscal policy across levels of government in times of crisis. Mar-2010
- WP 11: Explaining the Sub-National Tax-Grants Balance in OECD Countries. Jan-2010
- WP 10: Finding the Dividing Line between Tax Sharing and Grants: A Statistical Investigation. Jun-2009
- WP 9: The Fiscal Autonomy of Sub-Central Governments: An Update. Jun-2009
- WP 8: The Spending Power of Sub-Central Governments: A Pilot Study. May-2009

- WP 7: Taxes and Grants: On the Revenue Mix of Sub-Central Governments. May-2009
- WP 6: Market Mechanisms in Sub-Central Public Service Provision. May-2008
- WP 5: Promoting Performance: Using Indicators to Enhance the Effectiveness of Sub Central Spending. Jun-2008
- WP 4: Fiscal Equalisation in OECD Countries. Sep-2007
- WP 3: Intergovernmental transfers and decentralised public spending. Sep-2006

Fiscal Network Statistics on the Web

- www.oecd.org/ctp/federalism

- **Did you know...** that on 14 February 2011 India became the first non-OECD country to join the Fiscal Network, bringing the membership up to 18 countries?

Want to Know More?

Key Links

Consumption tax	www.oecd.org/ctp/ct
Dispute resolution	www.oecd.org/ctp/dr
Exchange of information	www.oecd.org/ctp/eoi
Harmful tax practices	www.oecd.org/ctp/htp
Global Forum on transparency and exchange of information for tax purposes	www.oecd.org/tax/transparency
OECD tax database	www.oecd.org/ctp/taxdatabase
Partnerships with non-OECD economies	www.oecd.org/tax/globalrelations
Tax administration	www.oecd.org/ctp/ta
Tax crimes and money laundering	www.oecd.org/ctp/taxcrimes
Tax evasion	www.oecd.org/tax/evasion
Tax policy analysis	www.oecd.org/ctp/tpa
Treaty Relief and Compliance Enhancement	www.oecd.org/tax/trace
Transfer pricing	www.oecd.org/ctp/tp
Tax treaties	www.oecd.org/ctp/tt
Tax treatment of bribes	www.oecd.org/ctp/ttb

Key Publications

- Revenue Statistics 1995-2009 (2010 edition)
- Taxation, Innovation and the Environment (2010)
- OECD Tax Policy Studies No.19: Choosing a Broad Base – Low Rate Approach to Taxation (2010)
- OECD Tax Policy Studies No. 20: Tax Policy Reform and Economic Growth (2010)
- Model Tax Convention on Income and Capital (2010)
- Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (2010 update)

- Taxing Wages (2010)
- Consumption Tax Trends 2010: VAT/GST and Excise Rates, Trends and Administration Issues
- Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series 2010
- Global Forum on Transparency and Exchange of Information for Tax Purposes, 18 Peer Review Reports



Key Events in 2011

- Tax and Crime: A Whole-of-Government Approach in Fighting Financial Crime, Oslo, 21-23 March 2011
- Second Plenary Meeting of the informal Task Force on Tax and Development, Paris, 11-12 April 2011
- 11th Annual U.S. & Europe Tax Planning Strategies Conference, Paris, 14-15 April 2011
- Global Forum on Transparency and Exchange of Information for Tax Purposes, Bermuda, 31 May – 1 June 2011
- OECD-USCIB Tax Conference, Washington, 6-7 June 2011
- High Level Seminar: Current Issues in Transfer Pricing – Delhi, India, 13-14 June 2011
- OECD 50th Anniversary: High Level Tax Reform Conference, Paris, 30 June 2011
- 16th Annual Tax Treaty Meeting, Paris, 15-16 September 2011
- First Annual Transfer Pricing Meeting, Paris, 3-4 November 2011
- Fifth ITD Global Conference on Inequality, 5-7 December 2011
- Seventh Forum on Tax Administration, Argentina, 18-19 January 2012

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