

Subnational government revenue

Almost half of subnational government revenues come from taxes, but this proportion varies largely across countries.

In 2016, subnational government (SNG) revenue represented around USD 6 680 per capita, 15.9% of GDP and 42.4% of public revenue on average in the OECD. There are two main sources of revenue: taxes (45% of SNG revenue in the OECD on average in 2016) and grants and subsidies (37%) (Figure 5.20). It is interesting to note that, on unweighted average, the proportions are reversed, grants and transfers being the first SNG revenue source (48% vs 36% for taxes). Revenue deriving from local public service charges (tariffs and fees), property income (sale and operation of physical and financial assets) and social contributions represented respectively 15%, 2% and 1% of SNG revenue.

Tax revenue includes both shared and own-source taxes. Therefore, it is not an indicator of tax autonomy. In fact, shared taxes are national taxes (usually based on personal or corporate income taxes, VAT or excise taxes) which are redistributed to subnational governments according to allocation criteria which are defined nationally with more or less possibility for subnational governments to intervene or negotiate.

The share of tax revenue in subnational revenue varies largely across countries. Taxes account for an important proportion in some federal countries, where tax revenue frequently comes from both own-source taxation and tax sharing arrangements between the federal government

and state governments, including in some cases local governments (Germany, Switzerland, Spain and Canada).

In unitary countries, such as Iceland, Latvia, Sweden, New Zealand and France, tax revenue made up more than 52% of local revenue in 2016. At the opposite end, taxes amounted to less than 15% of local revenue in Turkey, the Netherlands, the Slovak Republic and Estonia.

A high share of tax revenue in subnational revenue does not imply a high level of tax revenue. While subnational tax revenue accounted for 7.1% of GDP in the OECD and 31.9% of public tax revenue in 2016, there are stark differences between countries (Figure 5.21). In 15 OECD countries, subnational tax revenue accounted for less than 10% of total public tax revenue and less than 1.5% of GDP, the lowest ratios being found in Estonia, Turkey, the Slovak Republic, Ireland and Greece. By contrast, subnational tax revenue ratios were particularly high as both a share of public tax revenue and GDP in Sweden, Finland, Switzerland, Germany and Canada. These high shares derive largely from personal income taxes (PIT), which are shared taxes in the three federal countries but also a local own-source tax in Finland and Sweden.

Source

OECD (2018), *National Accounts Statistics* (database), <http://dx.doi.org/10.1787/na-data-en>. Australia and Chile: estimate from IMF Government Finance statistics.

OECD (2018), "Subnational Government Finance", OECD Regional Statistics (database), <http://dx.doi.org/10.1787/region-data-en>.

See Annex B for data sources and country-related metadata.

Reference years and territorial level

2016: National Economic Accounts; levels of government;
2015: Mexico, New Zealand, and Turkey.

Further information

OECD (2018), *Subnational Governments in OECD Countries: Key data* (brochure).

OECD (2018b) *Maintaining the momentum of decentralisation in Ukraine*.

Figure notes

OECD9 and OECD26 refer to average for OECD federal countries for OECD unitary countries.

Definition

General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities; and social security funds. Data are consolidated within these four sub-sectors. Subnational government is defined as the sum of state governments and local/regional governments.

Revenue comprises tax revenues, transfers (current and capital grants and subsidies), tariffs and fees, property income and social contributions. Tax revenue includes both own-source tax and shared tax (see Annex D for a detailed definition).

The OECD averages are presented as the weighted average of the OECD countries for which data are available, unless otherwise specified (i.e. unweighted average, arithmetic mean, OECD UWA).

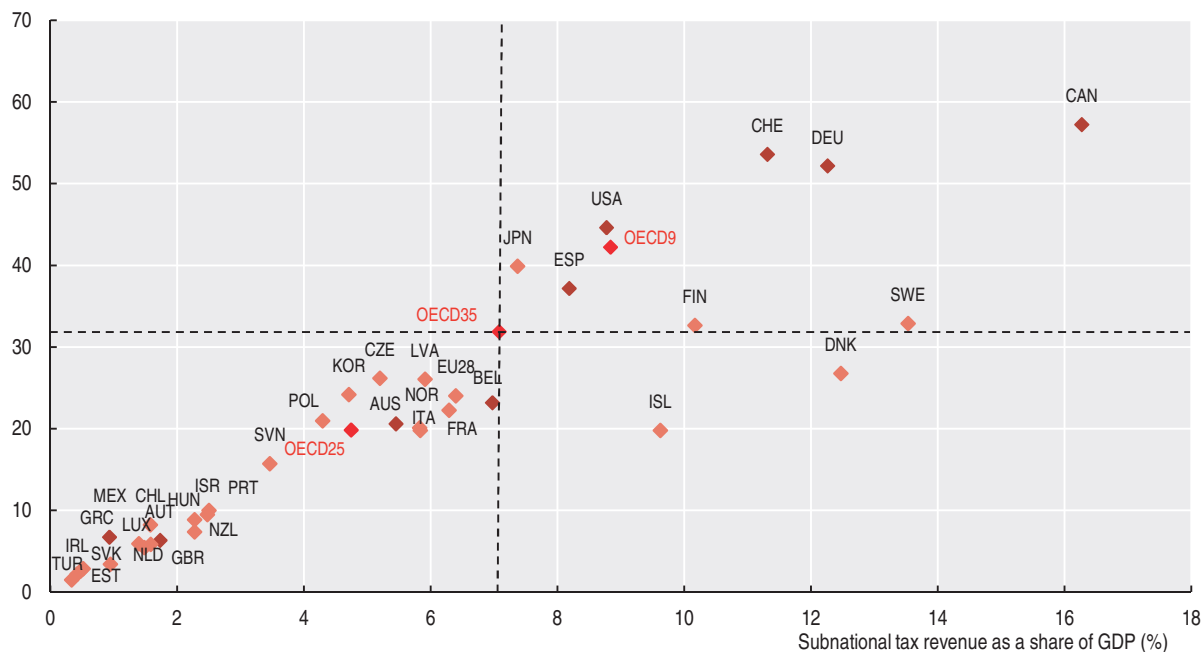
5.20. Structure of subnational government revenue, 2016 (%)



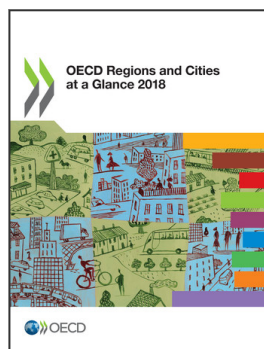
StatLink <http://dx.doi.org/10.1787/888933818663>

5.21. Subnational government tax revenue as a % of public tax revenue and as a % of GDP, 2016

Subnational tax revenue as a share of public tax revenue (%)



StatLink <http://dx.doi.org/10.1787/888933818682>



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