Tax Policy Reforms 2026

OECD and Selected Partner Economies

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Foreword

This report was produced by the Tax Policy and Statistics Division of the OECD's Centre for Tax Policy and Administration. It was led by Daniel Fichmann under the supervision of Bert Brys, and written jointly by Daniel Fichmann, Felix Estgen, Yunis Griebenow, Melanie Marten, Patrice Ollivaud (Economics Department), Melina Rocha, and Ruairi Sugrue. The authors would like to thank the delegates of Working Party No.2 on Tax Policy Analysis and Tax Statistics in its Inclusive Framework format and the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) for their inputs, as well as colleagues Piet Battiau, Assia Elgouacem, Pierce O'Reilly, Sarah Perret, Anasuya Raj, and Kurt Van Dender (Head of the Tax Policy and Statistics Division) for their contributions and comments. The authors would also like to thank Karena Garnier for her assistance with editing and Michael Sharratt for his support with data processing.

The report was approved by the OECD/G20 Inclusive Framework on BEPS on 29 July 2026 and prepared for publication by the OECD Secretariat.

Table of contents

FIGURES

TABLES

Executive summary

***Tax Policy Reforms 2026: OECD and Selected Partner Economies*, summarises and compares tax reforms across countries.** The report documents tax policy changes and highlights trends in country tax policy. This year's edition covers tax reforms introduced or announced during the 2025 calendar year in 92 jurisdictions, including all OECD countries.

As previous editions of this report have shown, the economic shocks of COVID-19 and the 2022–23 energy crisis triggered a set of common policy responses across countries. By 2025, however, policy objectives had become more diverse, reflecting significant differences in domestic conditions, fiscal space and policy priorities. In a number of cases, countries made small adjustments to their tax systems, especially if they had already introduced more substantial changes in 2023 and 2024. Others prioritised growth through targeted incentives and introduced few, if any, broad-based tax increases. At the same time, many countries took opportunities to raise revenue through tax increases on targeted or relatively narrow bases including through sectoral corporate taxes (such as surtaxes) or excise taxes on tobacco products. It is important to note that while the recent sharp rise in energy prices in 2026, linked to the Middle East conflict, has already triggered significant tax policy responses across countries, these measures are not analysed in this edition of the report, which is focused on reforms that took place in 2025.

Inflationary pressures eased in 2025, and cost-of-living concerns receded relative to prior years, even if price pressures had not fully gone away in all economies. At the same time, the fiscal legacy of the pandemic and the energy price shock continued to weigh on public finances. Public debt remained above pre-pandemic levels in most countries, and higher interest rates increased debt-servicing costs in many OECD economies. Against this backdrop, tax policy in 2025 was shaped by two broad objectives: supporting growth and investment while responding to mounting budgetary pressures. Overall, however, revenue-raising measures remained relatively limited in scope.

Revenue-raising personal income tax (PIT) measures in 2025 were often progressive, including higher top rates and reforms to the taxation of capital income. Additionally, many countries continued to introduce base-narrowing reforms in response to higher price levels and aimed at supporting low- and middle-income households, albeit less so than in previous years. Additionally, a significant number of base narrowing measures in 2025 focused on attracting high-skilled labour, wealthy individuals and nationals living abroad. There was also a noticeable increase in the prevalence of reforms lowering taxes on self-employment income. Meanwhile, social security contribution (SSC) reforms showed a sustained trend toward base broadening and rate increases, likely in response to longer-term demographic pressures and the financing needs of social protection systems. The revenue data suggest that past measures may already be becoming visible, with SSC revenues increasing in most countries with available data for 2024, although it remains too early to fully assess the impact of these reforms.

Revenue mobilisation and efforts to stimulate growth and investment remained the main stated objectives of CIT reform. For the third consecutive year, the average combined corporate income tax (CIT) rate remained stable. While a similar number of jurisdictions raised and reduced their CIT rates in 2025, the increases tended to be larger than the decreases. At the same time, countries continued to narrow the CIT base through targeted measures designed to support investment, especially in research & development, emerging technologies and strategically important sectors.

Another notable development, continuing a recent trend, was the introduction or expansion of targeted and sector-specific taxes on corporate income, often to raise revenue for the general budget in response to higher public expenditure, including defence spending. A growing number of countries in recent years, including in 2025, have increased taxes on banks and financial institutions, often focusing on excess profits. Additionally, some countries also levied similar taxes on other sectors deemed highly profitable. These measures were often temporary and took the form of additional taxes levied on specific types of corporate income, or surtaxes, levied on the tax liability of certain companies or sectors.

Reforms linked to the digitalisation of the economy were among the most significant VAT changes in 2025. In a trend continuing from prior years, more jurisdictions extended value added tax (VAT) collection obligations for non-resident suppliers and online platforms. Other changes to VAT systems in 2025 consisted of jurisdictions moving certain goods and services in and out of reduced rate bands or changing the reduced rates themselves. In some cases, countries consolidated their reduced VAT rates to simplify the system, better target relief and, in some cases, raise additional revenue. In contrast to a trend seen in recent years, some countries also scaled back VAT measures previously introduced to support the low-carbon transition, while increasing VAT on goods considered harmful to health or the environment.

Health-related tax increases were one of the most common tax-increasing reform measures introduced in 2025. A notable trend is that tobacco tax reforms have increasingly focused on broadening the tax base to new tobacco and nicotine products. A number of countries also increased their alcohol taxes. Additionally, SSB tax reforms, which are generally not as frequent, were more common in 2025 than in previous years.

Reforms to environmentally related taxes in 2025 reflected a continued balancing of environmental objectives, competitiveness and affordability pressures, and revenue needs. Several countries increased carbon tax rates or broadened existing carbon pricing measures. At the same time, countries also cut taxes on fuel and electricity. In the transport sector, reforms generally maintained a relative tax advantage for low-emission and EVs, although this advantage continued to narrow in some jurisdictions as governments adapted tax systems to technological changes and revenue pressures.

Property tax reforms remained less frequent than reforms in other tax areas, but in 2025 they were more clearly oriented towards revenue mobilisation than in previous years, especially through recurrent taxes on immovable property. At the same time, governments continued to introduce targeted relief measures to support households and housing affordability in the context of high property prices and rental costs in many economies. As in previous years, reforms were concentrated in recurrent taxes on immovable property, property transaction taxes, and inheritance, estate and gift taxes, while changes to net wealth taxes remained relatively limited.

1 Macroeconomic background

This chapter provides background information on macroeconomic conditions until the end of 2025. Tax revenues and reforms are closely linked to macroeconomic conditions, including variations in economic growth, inflation, productivity, investment, the labour market, and public debt. This chapter gives a brief overview of recent trends in these areas to put the tax policy reforms discussed in chapter 3 in context.

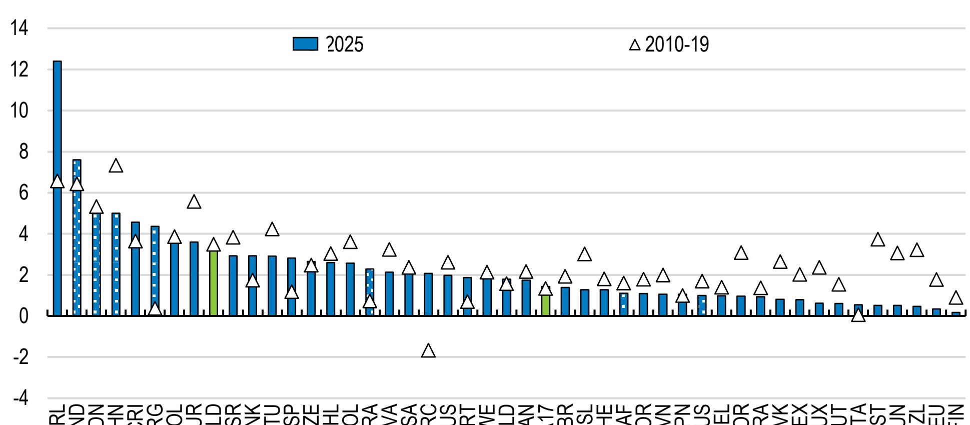
In the past, macroeconomic conditions have been an important driver of tax policy reforms. Although the causal links between macroeconomic developments and specific tax measures are not straightforward to identify, several clear patterns can be observed. For example, past crises such as the Great Recession or COVID-19, were in many cases quickly followed by a variety of tax support measures aimed at household and business liquidity. Similarly, when inflation is elevated, countries have been more likely to lower taxes on certain products while at the same time introducing new taxes on sectors that profit from higher price levels. Meanwhile, for revenue-raising reforms, countries frequently cite high public debt levels as well as increased spending needs as motivating factors. Understanding the main macroeconomic developments in 2025, therefore provides important global and country-level context to tax reforms during that period.

The global economy remained resilient in 2025 despite the gradual introduction of new trade barriers and persistently high policy uncertainty. Global gross domestic product (GDP) growth is estimated to have been 3.4%, unchanged from 2024 and around 0.1 percentage points (p.p.) below the average for the 2010s (Figure 1.1). Growth strengthened to an annualised 3.6% in the second half of 2025. In early 2025, front-loading of goods production and trade ahead of the introduction of higher tariffs supported the global economy. Throughout the year, supportive financial and fiscal conditions lifted private consumption while strong demand for artificial intelligence technologies boosted investment across many economies.

Among the advanced economies, economic growth increased in 2025 in several European countries, including Austria, the Czech Republic (Czechia), Germany, Latvia, the Netherlands, Sweden and the euro area. Japan experienced a marked rebound, with growth in 2025 about 1.2 p.p. higher than in 2024. In the United States, growth eased from the rapid pace in 2024, but was stronger than initially expected, as the negative impact of higher tariffs and policy uncertainty was largely offset by robust technology-related business investment. The US federal government shutdown weighed on growth in the fourth quarter.

Figure 1.1. Average annual real GDP growth

In percent



Note: Aggregates are calculated using weights in purchasing power parities except the euro area (EA17), for which countries are weighted by GDP in euros. Growth in India is based on fiscal years starting in April. Dotted bars are for OECD non-member countries and green bars for aggregates.
Source: OECD Economic Outlook 119 database; and OECD calculations.

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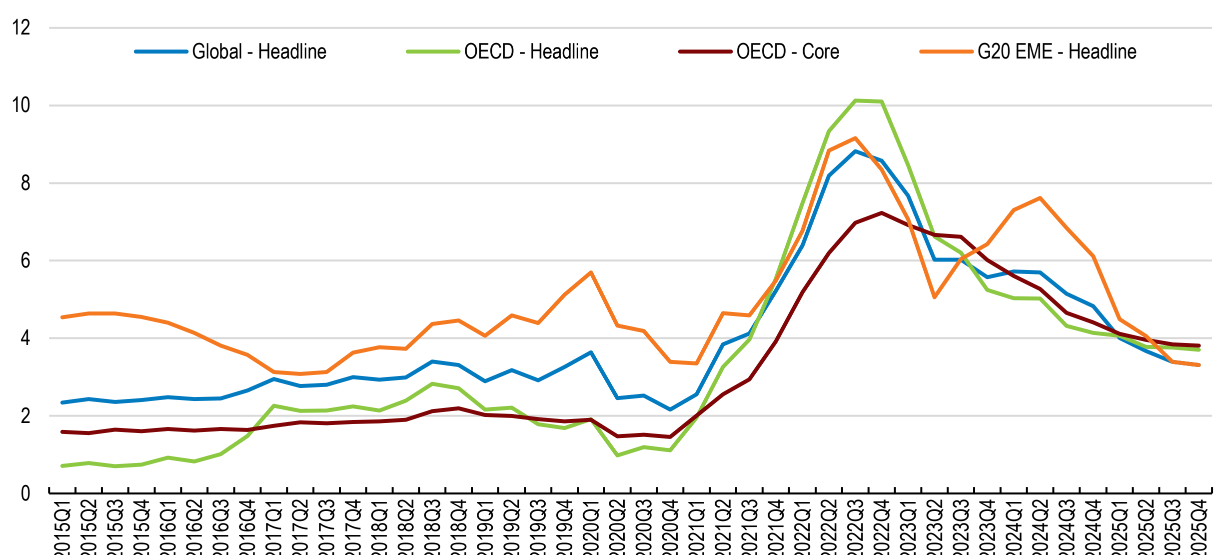
The picture across emerging-market economies was more mixed, though resilience was also evident. In China, gross domestic product grew by 5% in 2025, a growth primarily driven by resilient domestic demand, expanding new growth drivers, and strong exports. Growth in India and Argentina, the latter emerging from recession, was particularly strong in 2025. In contrast, growth in Mexico and South Africa was relatively weak amid high external and domestic policy uncertainty.

Global trade volumes rose by 5% in 2025, despite the sharp increase in US import tariffs, which raised the estimated US effective tariff rate from 2.3% in January 2025 to 14% in December with a peak of 17.7% in April. In part this reflected a front-loading of exports to the United States ahead of tariff increases, which pushed annualised quarterly global trade growth to 9.2% in the first quarter. But trade growth remained relatively resilient during the second half of 2025, buoyed by strong technology-related exports from the Asian economies, reflecting the global acceleration in technology investment.

While inflation continued to decrease in 2025, it did so at a slower pace than in previous years (Figure 1.2). Inflation generally eased but remained above central bank targets in a few major economies, including Brazil, Türkiye, the United Kingdom and the United States. Inflation stabilised around target for Canada, the euro area and Korea. A common pattern across countries was moderating goods inflation paired with persistently high services inflation. In 2025, consumer prices in China remained generally stable and positive. The year-on-year growth of the Consumer Price Index (CPI) turned positive and kept rising starting in October, with its growth widening to 0.8% in December.

Figure 1.2. Inflation rate since 2015

Year-on-year, in percent



Note: Core is a measure of inflation excluding food and energy products.
Source: OECD Economic Outlook 119 database; and OECD calculations.

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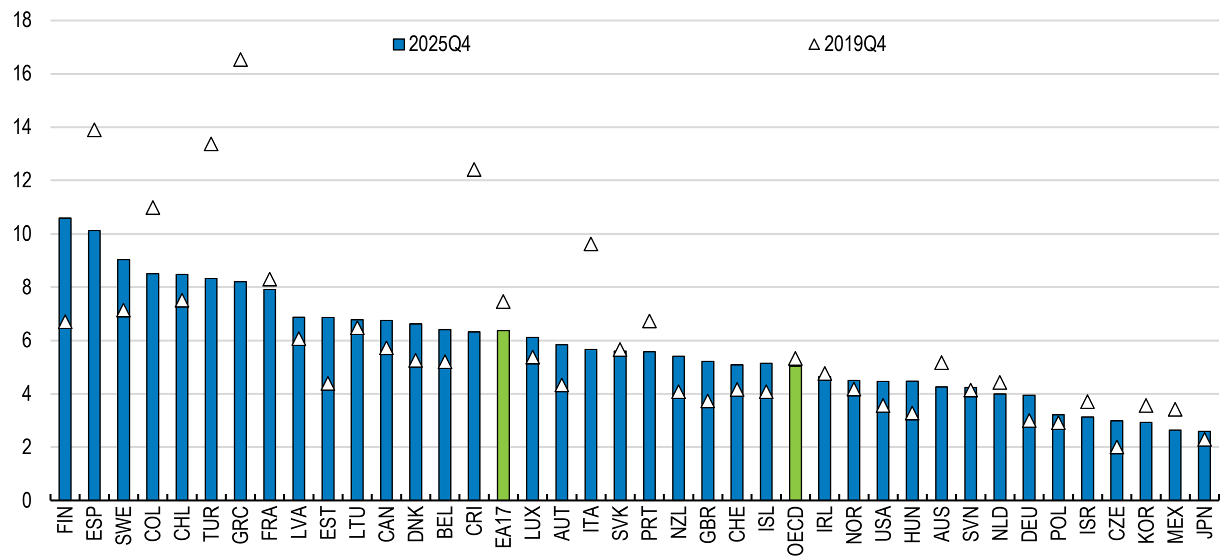
Labour market conditions eased moderately during 2025. Job vacancy rates continued to decline in several advanced economies, including Canada, the United Kingdom and the United States, indicating softer labour demand. The median OECD unemployment rate increased by 0.3 p.p. year-on-year in the fourth quarter of 2025. The increase was relatively pronounced in Finland, Iceland and the United Kingdom, while unemployment declined in some other OECD countries, including Colombia, Estonia, Greece, Italy and Spain. Despite recent increases, unemployment rates in most OECD countries remained low compared to 2019 (Figure 1.3), except notably in Finland, Estonia, Sweden and the United Kingdom. Nominal wage growth remained relatively solid, though unit labour cost growth eased across many OECD economies, due to improving labour productivity growth.

Figure 1.3. Unemployment rates in OECD countries

As a percentage of the labour force



Source: OECD Economic Outlook 117 database; and OECD calculations.

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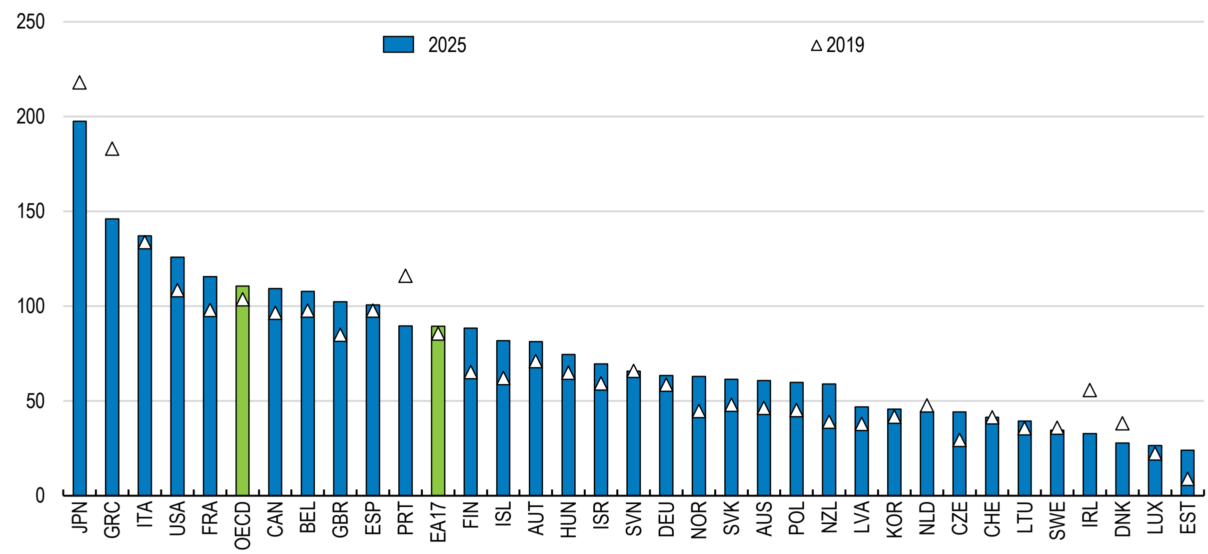
In 2025, policy interest rates continued to fall in the euro area (only early in the year) and the United States (in the second part of the year), while rising in Japan. By year-end, rates remained elevated at or near restrictive levels in the United States, the United Kingdom, Brazil, Mexico, South Africa and Türkiye, and close to neutral levels in Canada, the euro area and Korea. They were at moderate levels in many other emerging-market economies, including India and Indonesia. Financial conditions were accommodative throughout 2025 in both advanced and emerging-market economies, supported by strong equity price growth and low bond spreads.

Public debt as a percentage of GDP in 2025 remained higher than pre-pandemic levels in most countries (Figure 1.4). For the OECD as a whole, government debt was around 7 p.p. higher than in 2019, reaching around 111% of GDP in 2025. The level and the increase of the debt were particularly notable in France, the United Kingdom and the United States. However, significant declines occurred in Greece, Ireland and Portugal over the same period. Japan's public debt ratio fell in 2025 relative to 2024, with a substantial reduction of nearly 8 p.p. in 2025 helped by stronger nominal GDP growth as well as a much smaller budget deficit. Several other countries – including Denmark, Greece, Ireland, Korea, and Portugal saw significant reductions in the public debt ratio relative to 2024.

Rising debt combined with higher interest rates has increased debt service costs in many OECD countries since 2021. Public debt servicing costs rose by more than 1 p.p. of GDP between 2021 and 2025 in Australia, Finland, Hungary, Mexico, Norway, Poland and the United States. The median OECD headline fiscal deficit as a share of GDP widened by 0.4 p.p. in 2025, partly due to smaller fiscal surpluses in Denmark, Greece, Ireland and Norway. After adjusting for the economic cycle, and removing net debt interest payments, there was some modest fiscal consolidation for the OECD as a whole in 2025 (by 0.2 p.p. of GDP compared to 2024) with tightening in all G7 economies, particularly France.

Figure 1.4. General government gross debt

As a percentage of GDP



Note: Maastricht definition for EU countries. 2025 is a projection for all countries except Canada, Estonia, Italy, Norway, the Netherlands and the United States.
Source: OECD Economic Outlook 119 database.

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2 Tax revenue context

This chapter is based on the OECD Global Revenue Statistics Database and its accompanying publications. It describes the latest tax revenue trends, analysing both total tax-to-GDP ratios and tax structures over time, across low-, middle-, and high-income countries.

This chapter presents the latest trends in tax revenues, analysing both overall tax-to-GDP ratios and the composition of tax revenues across all 38 OECD countries, as well as low-, middle-, and high-income jurisdictions covered by the OECD Global Revenue Statistics database. It highlights developments in tax-to-GDP ratios and tax structures, with a particular focus on patterns observed over the past two to three years, based on the latest publicly available Revenue Statistics data. Specifically, the figures show preliminary data for 2024 for those countries for which they are available, and data for 2023 otherwise. Of the 92 jurisdictions covered in this report, 71 are included in the Global Revenue Statistics Database, with available data for 2023 or 2024.

In 2024, the average tax-to-GDP ratio across OECD countries increased by 0.4 p.p. from 33.7 to 34.1%. Among the 36 OECD countries with available preliminary data for 2024, the ratio rose in 22, fell in 13, and remained unchanged in one (OECD, 2025[1]). Revenues from taxes on goods and services, as a percentage of GDP, declined in 22 countries, with an average drop of 0.5 p.p. Property tax revenues also fell in 27 OECD countries. By contrast, revenues from Social Security Contributions (SSCs) increased in 24 countries.

Recent developments differed across regions and income groups. Regional averages for 2023 show that tax-to-GDP ratios increased in Africa and the Asia-Pacific region, while declining in Latin America and the Caribbean (LAC). In Africa, the average tax-to-GDP ratio across 38 countries rose by 0.5 p.p., reaching 16.1% of GDP in 2023, driven in large part by higher revenues from corporate income taxes (CIT). In the LAC region, comprising 27 countries, the ratio decreased by 0.2 p.p. to 21.3%, while the Asia-Pacific region, covering 37 economies, recorded an increase of 0.1 p.p. to 19.6%. From an income group perspective, high-income countries (HICs) experienced a decrease in their average tax-to-GDP ratio, down 0.5 p.p. to 31% in 2023. In contrast, the ratio rose by 0.1 p.p. to 19% in middle-income countries (MICs), and by 0.3 p.p. to 13% in low-income countries (LICs).

The composition of tax revenues in 2024 differs markedly between low- and middle-income countries and high-income countries. On average, HICs rely more heavily on PIT compared to MICs and LICs. In contrast, MICs and LICs continue to derive a significantly larger share – over half on average – of their tax revenues from taxes on goods and services.

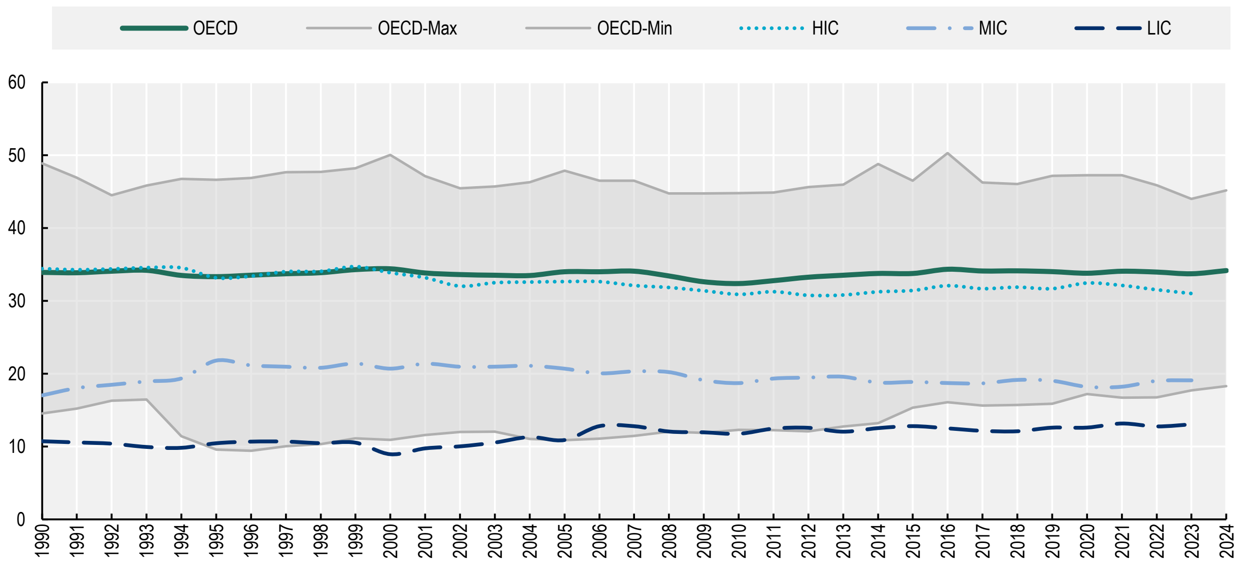
2.1. Trends in tax revenue levels

Tax-to-GDP ratios have remained broadly stable on average across OECD countries since 1990, fluctuating around 33% to 34%. Despite the stable average, the level of tax revenues varies significantly across OECD member countries. That said, the dispersion across countries has narrowed moderately over time. The gap between the maximum and minimum OECD tax-to-GDP ratios has declined, particularly since the mid-2000s (Figure 2.1). Across income groups, HICs consistently record the highest tax-to-GDP ratios, averaging just above 30% in recent years, while MICs have remained around 20% and LICs at significantly lower levels, albeit with gradual increases over time.

Over the longer term, middle- and low-income countries have shown gradual increases in revenue mobilisation, contributing to a gradual convergence towards higher-income country levels. Low-income countries increased their tax-to-GDP ratios from around 10% in the early 1990s to approximately 13% by 2023. Since 2019, tax-to-GDP ratios across all income groups have been relatively stable, including through the COVID-19 pandemic. This in part reflects the fact that both GDP and tax revenues declined during the crisis, since tax-to-GDP is measured relative to GDP, a fall in both can leave the ratio broadly unchanged.

Figure 2.1. Tax-to-GDP ratios since 1990

Tax revenues as a percentage of GDP



Note: The maximum and minimum OECD values signal the range. See the Global Revenues Statistics database for more information.
Source: Global Revenue Statistics Database.

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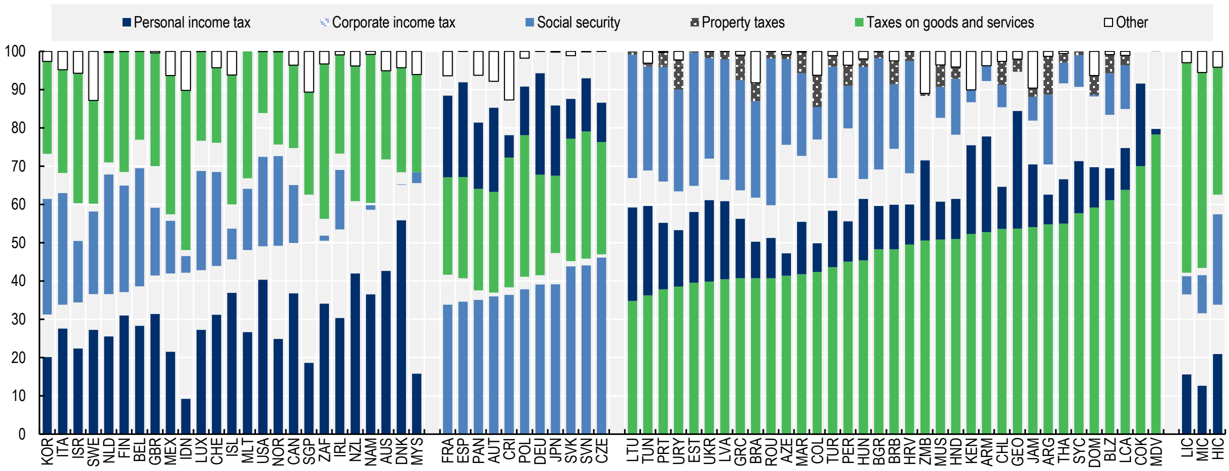
2.2. Trends in tax structures

As with the level of tax revenue, the composition of tax structures varies considerably across jurisdictions (Figure 2.2). Of the 71 jurisdictions that are covered in both this report and the Global Revenue Statistics Database, 25 derived the largest share of their tax revenues from income taxes, encompassing both PIT and CIT, while 11 jurisdictions relied primarily on SSCs. In a further 35 jurisdictions, taxes on goods and services, including VAT, were the dominant source of revenue. In terms of income group averages, in HICs income taxes (PIT and CIT) and SSCs together accounted for a majority of revenues, while taxes on goods and services represented around one-third. By contrast, in middle- and low-income countries, taxes on goods and services accounted for the majority of total revenues on average.

While broad patterns differ across income groups, there remains substantial heterogeneity in tax structures across individual jurisdiction within each group (Figure 2.2). Among high-income economies, for example, some tax systems rely heavily on PIT, such as Denmark, where PIT revenues account for over half of total revenues, and the United States, where they represent around 40%. In others, SSCs have a more prominent role in the tax mix including in Germany, France and the Netherlands. In contrast, countries such as Chile and Croatia derive a larger proportion of revenues from taxes on goods and services (around half or more). While taxes on goods and services are the most prominent source of revenues in most middle- and low-income countries, there is nevertheless significant heterogeneity. Some jurisdictions like the Maldives or the Cook Islands raise over two-thirds of their tax revenue from taxes on goods and services while others, like Malaysia, raise significantly more revenues from CIT.

Figure 2.2. Tax structures in latest available year (as a % of total tax revenues)



Note: The jurisdictions included in this graph are those that responded to the Tax Policy Reforms Questionnaire in 2026 and for which recent OECD Revenue Statistics Data are publicly available. Data for Argentina, Armenia, Australia, Azerbaijan, Barbados, Belize, Brazil, Cook Islands, Dominican Republic, Georgia, Greece, Honduras, Indonesia, Jamaica, Japan, Malaysia, Maldives, Panama, Peru, Poland, Romania, Saint Lucia, Singapore, South Africa, Thailand, Tunisia, Uruguay, and group averages for LICs, MICs, HICs, and OECD are for 2023, due to the unavailability of disaggregated data for 2024 for these countries. The data for all other countries are for 2024. Countries are grouped and ranked by those where income tax revenues (personal and corporate) form the highest share of total tax revenues, followed by those where social security contributions, or taxes on goods and services, form the highest share.
Source: Global Revenue Statistics Database.

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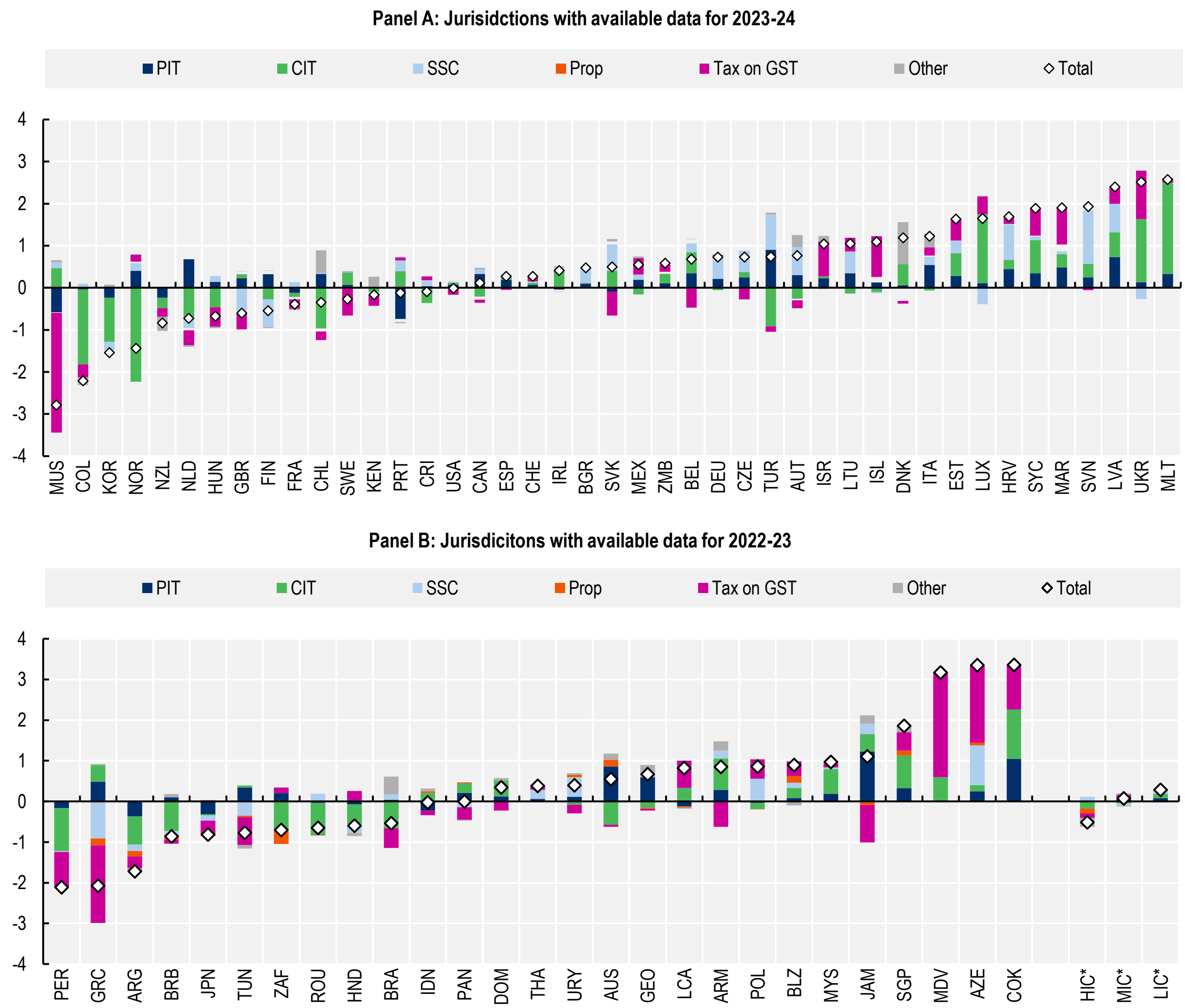
Changes in tax-to-GDP ratios in the latest available year show substantial variation across jurisdictions, with significantly more jurisdictions increasing revenues than decreasing (Figure 2.3). On average in 2023, HICs recorded a slight decline in tax-to-GDP ratios, while MICs and LICs experienced modest increases. Across the 43 jurisdictions in Panel A with available preliminary data for 2024, total tax-to-GDP ratios increased in 27 jurisdictions, declined in 15, and remained broadly unchanged in 1. These changes were typically driven by a combination of tax types rather than a single source. In several jurisdictions, declines were associated with reductions in CIT revenues and taxes on goods and services. For example, Norway recorded a decline of 1.4 p.p., largely reflecting a fall in CIT revenues (-2.2 p.p.), similarly Colombia saw a larger decline of 2.2 p.p., also driven mainly by lower CIT revenues (-1.8 p.p.) alongside smaller decreases in revenues from taxes on goods and services. Mauritius experienced the largest decline in 2024 of 2.8 p.p., reflecting a significant drop in revenues from taxes on goods and services.

The largest increases were observed in Malta, Ukraine and Latvia, each recording rises of over 2 p.p. between 2023 and 2024. In Malta and Luxembourg, higher CIT revenues were the main drivers, while Slovenia and Croatia saw increases primarily due to strong growth in SSC revenues. Latvia stands out as an example where the increase in revenues is relatively balanced from PIT, CIT, SSCs, and taxes on goods and services. Estonia shows a similar pattern, with gains across all major tax categories.

Across tax types, PIT revenues increased in 33 jurisdictions, compared with decreases in 6 (and no change in 4), while SSCs rose in 26 jurisdictions and declined in 7 (with 10 unchanged). By contrast, CIT revenues decreased in more countries than they increased (22 declines compared to 17 increases and 4 unchanged), and taxes on goods and services also fell more frequently than they rose (20 decreases versus 18 increases, with 5 unchanged). Property tax revenues remained unchanged in more than half of the jurisdictions with available data. The relatively widespread increases in SSCs may reflect the significant number of SSC-raising reforms introduced in recent years and discussed in the previous edition of this report.

Figure 2.3. Decomposition of change in OECD tax-to-GDP ratios by tax type in latest available year

Year-on-year change, p.p.



Note: The jurisdictions included in this graph are those that responded to the Tax Policy Reforms Questionnaire in 2026 and for which recent OECD Revenue Statistics Data are publicly available. Data for 2024 are preliminary and should be interpreted with caution.
Source: Global Revenue Statistics Database.

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3 Tax policy reforms

This chapter provides an overview of the tax reforms adopted by 92 member jurisdictions of the OECD/G20 Inclusive Framework on BEPS that responded to the OECD's annual tax policy reform questionnaire, including all OECD countries. It reviews the reforms that were announced and implemented between 1 January 2025 and 31 December 2025, examining trends in each category of tax, including personal income taxes and social security contributions, corporate income taxes and other corporate taxes, consumption taxes, environmentally related taxes, and taxes on property.

3.1. Introduction

The analysis in this chapter is primarily based on countries' responses to the 2026 annual Tax Policy Reform Questionnaire, which was completed by 92[1] member jurisdictions of the OECD/G20 Inclusive Framework on BEPS at the start of 2026. The annual questionnaire described in Box 3.1 asks responding jurisdictions to describe their tax reforms as well as to provide details on their expected revenue effects and other relevant information, including the rationale for the tax measures. The following sub-section empirically summarises tax reforms in high-income countries from 2015 to 2025. The sections that follow focus on tax reforms introduced or announced between 1 January 2025 and 31 December 2025 and examine trends in each category of tax including personal income taxes and social security contributions (Section 3.2), corporate income taxes and other corporate taxes (Section 3.3), taxes on goods and services, including VAT/GST, sales taxes and excise duties (Section 3.4), environmentally related taxes (Section 3.5) and property taxes (Section 3.6).

Box 3.1. The joint OECD – European Commission Annual Tax Policy Reform Questionnaire

At the Working Party No.2 on Tax Policy Analysis and Tax Statistics (WP2) meeting in November 2009, delegates from OECD countries agreed to start systematically collecting information on the main tax measures adopted in each country. The motivation for this proposal was to provide consistent and comparative information on tax reforms to inform policy discussions in OECD and non-OECD countries. For EU member countries, the questionnaire is sent out jointly with the European Commission. At the November 2010 WP2 meeting, the following criteria were agreed for deciding whether a tax policy measure was sufficiently substantial to be reported in the questionnaire:

- A significant change in a total tax rate;
- A change in the tax base that is expected to change revenue from that base by more than 5% of total tax revenue or 0.1% of GDP; and
- A politically important systemic reform.

Central or sub-central tax policy measures that were implemented, legislated, or announced in the previous calendar year that meet at least one of the criteria listed above should also be reported in the questionnaire in most cases.

For each reform, the questionnaire requests information on the type of tax; the dates of entry into force, legislation, or announcement; the direction of the rate and/or base change; and a detailed description of the reform. The questionnaire also asks for the rationale behind the reform and estimates of the revenue effects of the tax measures.

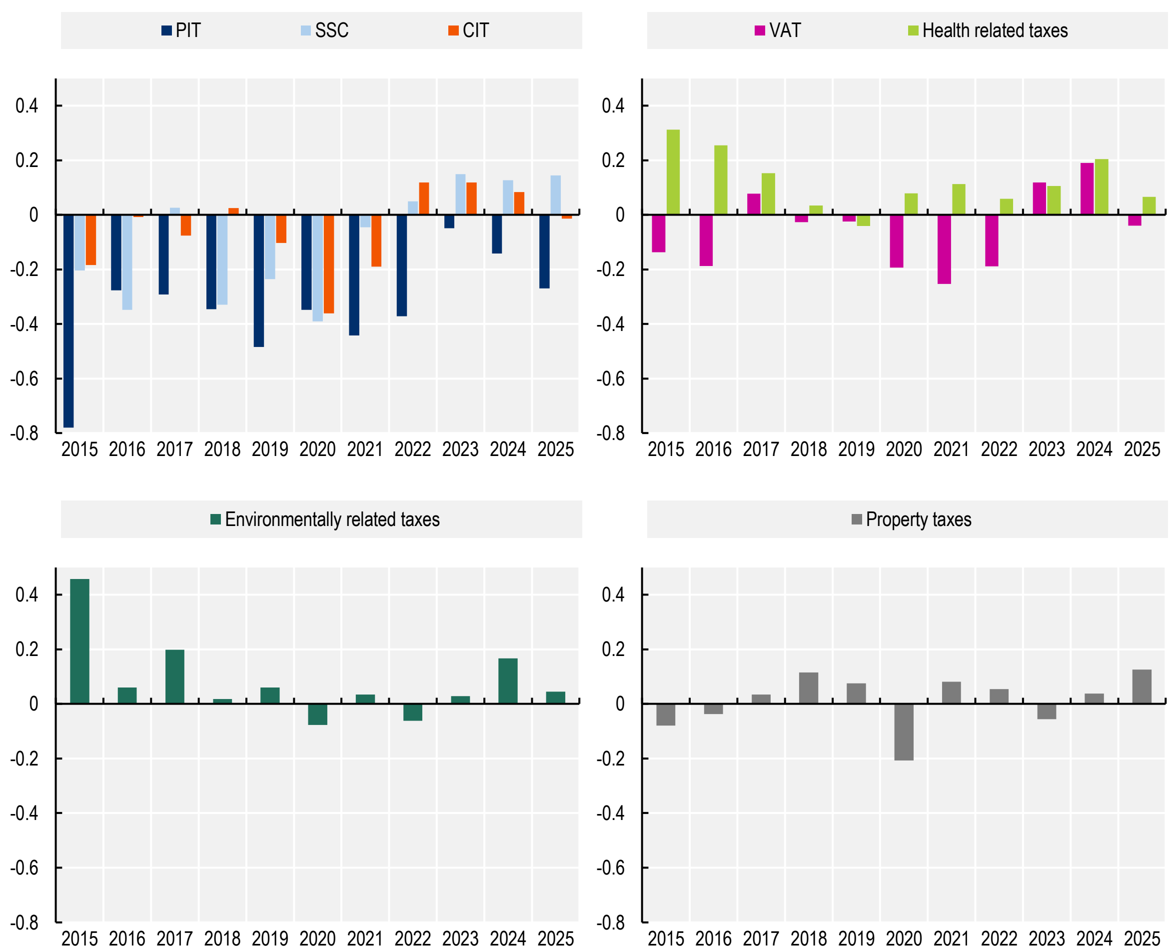
3.1.1. Empirical trends in tax reforms over the last 11 years (2015 – 2025)

During the COVID-19 pandemic and the subsequent energy price crisis, many governments were hesitant to raise taxes and instead introduced a range of tax relief measures, including temporary rate reductions and targeted tax expenditures aimed at supporting households and businesses. Since 2023, this pattern has begun to change, with several countries introducing larger revenue-raising reforms, including increases in standard tax rates and the gradual withdrawal of crisis-related tax support measures up to and including in 2025. Figure 3.1 below shows the weighted direction of tax reforms in high-income countries between 2015 and 2025. Each reform included in the figure is assigned a weight between 0 and 1, based on the absolute size of its projected annual revenue impact, following the methodology described in Box 3.2. This weighting is applied at the level of individual tax reforms, allowing the figure to reflect the relative significance of each reform across countries, years, and tax types. The larger the projected revenue impact of a reform, the higher its weight (up to a maximum of 1). The indicator shown in Figure 3.1 represents the net direction of reforms, calculated as the average difference between the sum of weighted tax-increasing and tax-decreasing reforms. Importantly, it should not be interpreted as the average projected revenue impact itself, but rather as a measure capturing the direction and intensity of reforms over time.

PIT and SSCs reforms continue to show divergent patterns. Over the past decade, PIT reforms have been predominantly oriented towards tax reductions, although the gap between increases and decreases narrowed in 2023 before widening again in 2024 and 2025. In contrast, SSC reforms have shifted towards increases in the past four years. After a prolonged period of reductions between 2015 and 2021, the direction of SSC reforms turned positive in 2022 and has remained so, likely reflecting mounting fiscal pressures linked to ageing populations and rising demand for social protection.

Figure 3.1. Average reform direction of tax reforms implemented in high-income countries over the 2015 – 2025 period

Average reform direction indicator (described in Box 3.2 below)



Note: The values in this figure are calculated using only the reforms for which revenue impact data was made available
Source: OECD annual tax policy reform questionnaire and author's calculations

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The trend of CIT rate reductions before and during the pandemic has halted, as the average direction of CIT reforms appeared to have shifted away from tax reductions since 2022. While the period up to and including the pandemic were dominated by CIT reducing reforms, Figure 3.1 indicates that HICs have implemented significant revenue-increasing CIT reforms from 2022 to 2024, while the average reform direction indicator appears neutral for 2025 (OECD, 2025[1]).

Consumption tax policy has also undergone a clear shift. Following widespread VAT reductions during the pandemic and the energy price crisis, 2023 marked a turning point, followed by further VAT-increasing reforms in 2024. This shows that the rollback of pandemic-era relief measures and temporary consumption tax cuts introduced during the cost-of-living crisis has continued in 2024. In 2025, however, the reform direction indicator ticked downwards slightly, potentially reflecting that fewer high-income countries raised their standard VAT rate in 2025 compared to the previous two years. The indicator for health-related taxes shows that HICs are continuing to increase their health-related excise taxes.

The direction of environmentally related tax reforms has varied significantly in recent years. In 2022 and 2023, many countries temporarily reduced fuel excise taxes in response to surging energy prices and broader inflationary pressures. The 2023 cuts are not visible in Figure 3.1, since a handful of countries increased their carbon taxes, leaving the average reform direction close to neutral. In 2024, however, the rollback of temporary fuel and energy tax reductions, along with the introduction of fuel and carbon tax increases, marked a clear change in direction. The indicator continued to show a trend towards increasing environmentally related taxes, albeit at a more moderate pace. Finally, after several years of mixed property tax reform trends, the direction appears to have ticked upwards in 2025.

Box 3.2. Calculating the reform direction using tax revenue impact information

Let $R_{j,i,t+p}$ denote the nominal revenue impact for reform j in country i in period $t+p$ (using the revenue information provided in the questionnaire for up to 4 years).

1. The average reported revenue impact over P_j years is calculated as:

$$\overline{R_{j,i,t}} = \frac{1}{P_j}\left(\sum_{p=1}^{P_j} R_{j,i,t+p}\right)$$

2. The average revenue is divided by $GDP_{i,t}$ to standardise:

$$r_{j,i,t} = \frac{\overline{R_{j,i,t}}}{GDP_{i,t}}$$

3. The standardised values are winsorised at the 2.5 and 97.5 percentile. A common practice with noisy data that involves replacing the extreme high and low values of $r_{j,i,t}$ with the nearest values within those thresholds to ensure that outliers do not skew the results.

4. The absolute value of the standardised revenue impact is normalised using the min-max approach in order to obtain a weight that ranges from 0 to 1:

$$weight_{j,i,t} = \frac{|r_{j,i,t}| - min(|r_{j,i,t}|)}{max(|r_{j,i,t}|) - min(|r_{j,i,t}|)}$$

Where $|r_{j,i,t}|$ is the absolute value of the standardised revenue impact for a reform j, in country i, and year t; and $min(|r_{j,i,t}|)$ and $max(|r_{j,i,t}|)$ are the global minimum and maximum values of $|r_{j,i,t}|$ computed over the entire dataset of available reforms (including all countries and years). This approach ensures that the normalisation is performed relative to the extreme values found in the entire dataset, providing a consistent scale for all data points.

We normalise the data in order to re-scale the value for the weight between 0 and 1, allowing us to count the reforms as in previous years while also taking their significance into account. Thus, the revenue data is only used as a proxy for the significance of a reform, as we do not want the indicator to be falsely interpreted as a revenue forecast.

5. Once the weight is calculated, reforms are categorised into tax increasing, tax decreasing and neutral reforms and grouped into CIT, PIT, SSC, VAT, environmentally related tax (ENV), and health related tax (HEALTH) reforms. We then sum the weights of all tax increasing measures and the weights of all tax decreasing measures in each country i, for each tax type x, and year t and calculate the difference. Meaning that at the end we are left with a $Direction_{i,x,t}$ measure for country i, tax type x, and year t:

$$Direction_{i,x,t} = \sum_{j}^{J_{i,x,t}} \left(weight_{j,i,x,t} * I(increase_{j,i,x,t})\right) - \sum_{j}^{J_{i,x,t}} \left(weight_{j,i,x,t} * I(decrease_{j,i,x,t})\right)$$

Where $J_{i,x,t}$ is the total number of reforms in country i for tax type x and year t; $weight_{j,i,x,t}$ is the normalised weight associated with reform j for country i tax type x and year t; and lastly $I(increase_{j,i,x,t})$ is an indicator function assigning the value 1 if the reform j is a tax increase and 0 otherwise.

6. To obtain the values in Figure 3.1 we calculate the annual average of the difference across countries for CIT, PIT, SSC, VAT, environmentally related taxes (ENV), and health related taxes (HEALTH):

$$AverageReformDirection_{x,t} = \frac{1}{N_{x,t}} \left[\sum_{n}^{N_{x,t}} Direction_{i,x,t} \right]$$

Where $N_{x,t}$ is the number of high-income countries in the dataset for tax type x and year t. $Direction_{i,x,t}$ is the country specific difference of the sum of weighted tax increases and the sum of weighted tax decreases for each country i tax type x and year t.

The resulting indicator, $AverageReformDirection_{x,t}$, is presented in Figure 3.1. and shows the average direction of tax reforms across high-income countries for each tax type and year from 2015 to 2025.

3.2. Personal income tax and social security contributions

Personal income tax (PIT) reforms in 2025 were driven by a varied set of motivations. Many countries continued to introduce reforms in response to higher general price levels and to support low- and middle-income households. However, the number of individual base narrowing measures, in particular, decreased compared to previous years. Key considerations for many of the PIT and SSC reforms introduced in 2025, were increasing system fairness and simplicity, encouraging employment among specific taxpayer groups or in specific industries, or raising revenues. While still a recurring objective, measures seeking to promote environmental goals were somewhat less prominent than in previous years. Similarly to 2024, countries mostly refrained from removing or scaling back existing allowances and credits.

Changes to PIT rates tended to increase progressivity, primarily focusing on increases to top rates and decreases to lower rates. The stated aim of such measures was primarily to increase equity and raise additional revenues. At the same time, a considerable share of these reforms consisted of relatively minor or temporary deviations from existing rates. Several jurisdictions introduced significant reforms to the taxation of capital income, including some measures targeted towards individuals above certain aggregate income thresholds.

Addressing demographic challenges and incentivising labour market participation remained among the most important stated objectives of PIT and SSC reforms. A number of countries introduced measures encouraging individuals to work up to or past the official retirement age, while some introduced comprehensive reforms expanding tax relief for families with children. Additionally, several countries raised SSC rates or broadened SSC bases with the aim of ensuring the continued financial sustainability of social security systems going forward.

Similarly, jurisdictions continued to introduce provisions to support employment in specific sectors or favour certain types of taxpayers. As such, several countries introduced reforms to existing favourable tax regimes for expats or returning nationals and a large share of PIT base narrowing measures were targeted towards workers in specific occupations. There was also a noticeable increase in the prevalence of reforms lowering taxes on self-employment income.

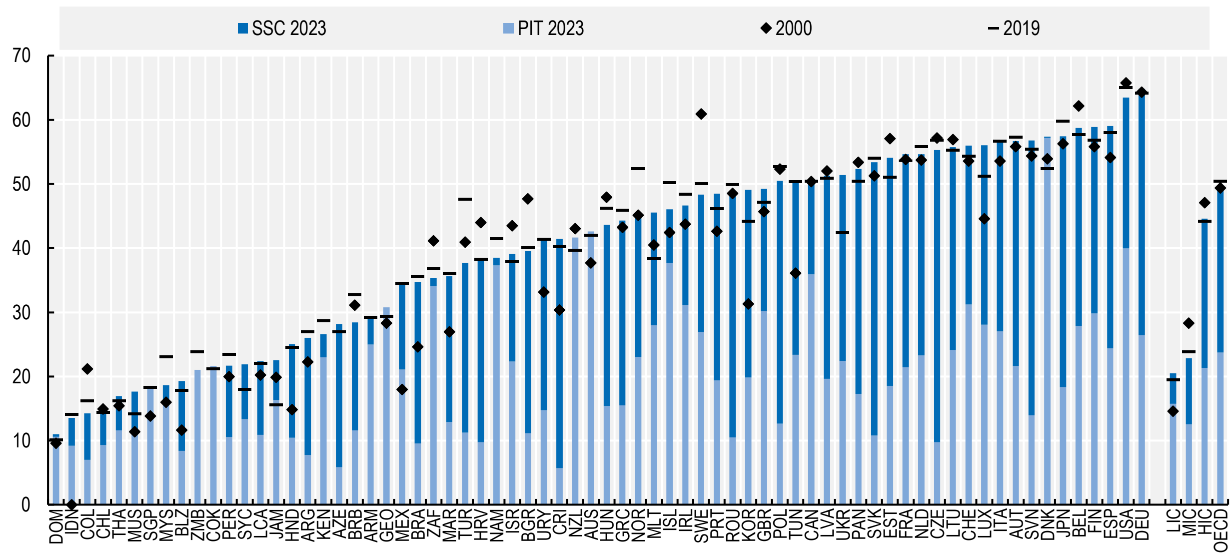
3.2.1. PIT and SSCs are key sources of revenues in high-income jurisdictions but play a smaller role in middle- and low-income economies

Revenues from PIT and SSCs remain a central component of tax systems in most countries, although the share of revenues collected from them varies significantly across income groups and over time (Figure 3.2). In 2023, PIT and SSCs together accounted for around 45% of total tax revenues in HICs, compared to 23% in MICs and 20% in LICs. Since 2000, LICs have increased their reliance on PIT and SSCs by around 6 p.p., while revenues from those taxes on average declined in MICs over the same period. In HICs, the combined share has remained broadly stable over the long term, with only modest fluctuations since 2000.

The share of revenues from PIT and SSCs varied significantly across the jurisdictions covered in this report and for which data for 2023 was available. In 2023, the combined share of PIT and SSCs ranged from below 15% of total revenues in jurisdictions such as the Dominican Republic, Indonesia and Colombia to over 60% in Germany and the United States. Some countries relied heavily on PIT, such as Denmark, where PIT accounts for the majority of revenues and which does not collect a significant amount of SSCs. By contrast, SSCs account for a large share of revenues in countries such as the Slovak Republic, Slovenia and Czechia, where they exceed 40% of total tax revenues. Over time, several countries have seen declines in the relative importance of PIT and SSCs, including Sweden and Bulgaria, while others have experienced sustained increases, such as Korea, Mexico and Tunisia. The figure also indicates partial convergence in the reliance on PIT and SSCs: countries with relatively low shares in 2000 generally experienced increases over time, whereas some countries with initially high reliance saw reductions.

Figure 3.2. Revenues from personal income tax and social security contributions, 2000, 2019, 2023

PIT & SSC revenues as a percentage of total tax revenues



Note: Personal income tax revenues refer to tax category 1100 under the OECD classification of taxes, and social security contributions to tax category 2000. Tax revenues are the sum of taxes collected by all levels of government. See Revenue Statistics Interpretative Guide for more detail. The low- (LIC), middle- (MIC), and high-income country (HIC) averages are representative of the 120 countries that provide tax revenue data to the OECD.
Source: OECD Global Revenue Statistics Database.

StatLink https://stat.link/kwyfdo

3.2.2. Changes to PIT rates tended to increase progressivity

Some countries increased top PIT rates. The Slovak Republic introduced two new PIT rates above the existing brackets of 19% and 25%. A rate of 30% applies to the portion of income between EUR 60 000 and EUR 75 000, while income above that threshold is taxed at a new top rate of 35%. Norway raised the rate in the fifth PIT bracket by 0.1 p.p. to 17.8%. Aiming to ensure an equitable distribution of the financial burden of fiscal consolidation, Mauritius introduced a temporary ‘Fair-Share contribution’ on individuals with a net annual income exceeding MUR 12 million. The contribution consists of an additional 15% levy on total taxable income and remains in force until the fiscal year 2027-2028. Austria prolonged the top rate of 55% on income above EUR 1 million by four years to 2029.

Three European countries raised PIT rates on middle brackets. Lithuania introduced a new middle PIT bracket of 25% applying to annual incomes between 36 and 60 times the average monthly wage. The Netherlands raised the rate of the second bracket by 0.08 p.p. to 37.56%, while lowering the rate of the first PIT bracket by 0.07 p.p. to 35.75%. Norway raised the rate in the second-highest fourth bracket by 0.1 p.p. to 16.8%.

Table 3.1. Changes to personal income tax rates

	Rate increase		Rate decrease	
	2024	2025 or later	2024	2025 or later
Top PIT rate	CAN[3], EST, IMN[4], LVA[1], NOR[5]	AUT[4], MUS[1,5], NOR, SVK	HRV, MAR[6]	FIN, IMN, USA
Non-top PIT rate	LVA[1], NOR[5]	FIN, LTU, NLD, NOR	AUS, CAN[3], GGY[2], HRV, IRL, NLD	AUS, CAN, GRC, ITA, PRT, NLD, USA

Notes:
1. Denotes a new tax.
2. Denotes reform announcement.
3. Denotes that tax reform was implemented at the sub-central level.
4. Denotes a temporary reform.
5. In Norway, the SSC rates were reduced with the equivalent rate meaning that the marginal tax rate remained the same for taxpayers in bracket three to five, while it decreased in bracket one and two.
6. The reform is part of the 2025 Finance Law in Morocco and went into effect 1 January 2025.
Source: OECD Annual tax policy reform questionnaire.

Two jurisdictions introduced reforms leading to lower top PIT rates. The Isle of Man decreased its higher PIT rate by 1 p.p. to 21%. Finland implemented significant changes to its state-level PIT schedule. The previous 30.25% bracket was split into two ranges, with a 33.25% rate applying on income between EUR 40 100 and EUR 52 100 from 2026. The three top brackets at 34%, 41.75%, 44.25% were replaced by a top rate of 37.5% applying to earned income above EUR 52 100. When including municipal and church taxes, the highest marginal rate decreases from around 59% to around 52%.

Several jurisdictions decreased non-top PIT rates. Greece comprehensively revised its PIT schedule. The rates in the second, third, and fourth brackets each decreased by 2 p.p., while a new rate of 39% applies to income between EUR 40 000 and EUR 60 000. As a result, the threshold for the unchanged 44% top rate increased to EUR 60 000. Italy reduced the rate of its second bracket by two p.p. to 33%. For taxpayers with an overall income exceeding EUR 200 000, the resulting tax benefit is neutralised through a EUR 440 reduction in PIT deductions for certain expenses. Portugal enacted rate decreases to all but the top bracket of its PIT schedule. The rates for the first eight of nine brackets were reduced for the fiscal year 2025, with a further 0.3 p.p. decrease in the second to fifth brackets taking effect from 2026. Australia announced a further step-wise reduction of the rate levied on the first bracket, from 16% currently to 15% for the fiscal year 2026-27 and 14% from 2027-28. Similarly, Canada implemented two subsequent reductions of the rate of its first PIT bracket from 15% to 14.5% for 2025 and to 14% from 2026 onwards. In Canada, the province of Alberta also introduced a new 8% PIT bracket for income up to CAD 60 000, to which a 10% rate applied previously.

3.2.3. In line with previous years, PIT bases were narrowed in response to higher price levels

While the long-run trend of jurisdictions implementing PIT base narrowing measures continued in 2025, the number of individual reforms was lower than in previous years. Jurisdictions continued to pursue various objectives through these reforms, including increasing the fairness of tax systems and supporting employment or specific sectors of the economy. Compared to previous years, there was an increase in changes to the taxation of self-employment income and reforms creating incentives to continue working until or past retirement age.

Table 3.2. Changes to personal income tax bases

	Base broadening		Base narrowing	
	2024	2025 or later	2024	2025 or later
Personal allowances, credits, tax brackets	CAN[5], NLD, NOR	BEL[3], GBR, MUS, NLD, SZA	AUS, BLZ, CAN[5], DEU, FIN, HND, HRV, IRL, JPN, LUX, LVA, MAC, MAR[4,6], MLT, MSR, NAM, NOR	AUS, AUT, BEL[3], BRA, BRB, FIN, DEU, GRC, IRL, JPN[3], MUS, NOR, USA
Self-employed and unincorporated business	IRL, SVN	COL, LTU, SMR[1], USA	GRC, MAC, SVK	AZE[1], BEL[3], GRC, HUN, LTU, SVN, USA
Employment and specific industries	NLD, ROU	BEL[3], SVK	ARM, CAN[5], DNK[3], GRC, IRL, LUX, NLD, PRT, SVN, SWE[3], TUR	AUT, BEL[2,3], DNK[3], GRC, FIN, IDN[1], ITA[1], LTU, LUX, SYC, SVK, SWE[3]
Provisions targeted at low-income earners, EITCs	FIN		CAN[5], FIN, IRL, ITA, KOR, MEX, GRL, SWE[3]	BRA, IRL[1], MEX, ESP
Employer-provided benefits		BEL[2,3], FIN, LTU	DEU, FIN, HUN, IRL, ITA, KEN, KOR, LVA, MAR[4,6], SVK, SVN	BRB, DEU, KEN, SWE[3]
Children and other dependents			CAN[5], DEU, HRV, HUN, IRL, JPN, KOR, LUX, MAR[4,6], MUS, SVK	FIN, GRC, HUN, KOR, LCA, MLT, USA
Elderly & disabled			CAN[5], HRV, IRL, MUS	USA
Miscellaneous expenses, deductions, and credits	SWE, FIN	BEL[3], FIN, SWE[3], USA	AUT, CAN[5], DNK[3], IRL, KEN, LUX, LVA	DNK[3], DEU, IRL[1], KEN, LUX, LCA, ESP[1], SWE[1], USA[1]

Notes:
1. Includes a temporary tax measure.
2. Denotes a new tax.
3. Denotes reform announcement.
4. Denotes reforms introduced in 2024, but covered in 2026 edition.
5. Denotes that tax reform was implemented at the sub-central level.
6. The reform is part of the 2025 Finance Law in Morocco and went into effect 1 January 2025.
Source: OECD Annual tax policy reform questionnaire.

Bracket adjustments as well as enhanced allowances, deductions, and credits remained key tools to address cost-of-living increases

The number of jurisdictions that raised tax thresholds was lower than in previous years. Israel widened the income ranges of the 20% and 31% tax brackets such that the lower bound of the 35% rate bracket increased from NIS 269 281 in annual income to NIS 301 201. Austria upward-adjusted the thresholds for all but the top bracket, while also fully inflation-adjusting its tax credits (except the child tax credit). In addition to the changes to higher brackets and the relevant rates, Finland upward-adjusted the thresholds for its lower state-level PIT brackets. Ireland raised the upper bound of the 2% rate bracket of the Universal Social Charge from EUR 27 382 to EUR 28 700.

Mauritius introduced comprehensive changes to its PIT rate schedule. The reform increases the tax-exempt threshold from MUR 390 000 to 500 000, while lowering the onset of the unchanged 20% top rate from MUR 2.39 million to MUR 1 million. The reform subjects income between MUR 500 000 and MUR 1 million to a 10% marginal rate, reducing the number of tax brackets from 11 to 3.

As was the case the previous year, a small number of countries increased the generosity of their basic tax allowance. Norway increased the personal tax allowance from NOK 108 550 to NOK 114 210 annually. Belgium announced a gradual increase of its basic tax allowance from EUR 10 910 per year currently to EUR 15 300 by 2029. Germany introduced a tax-free allowance of EUR 2 000 per month for people who have already reached the statutory retirement but voluntarily continue working in retirement. The allowance only applies to income subject to SSCs (excluding self-employment income).

In a similar vein, some countries raised their tax exemptions. Brazil raised the PIT exemption threshold to a monthly income of BRL 5 000, with relief gradually phasing out up to BRL 7 350 per month. Japan announced an increase of its basic tax exemption from JPY 580 000 to JPY 620 000 along with an increase of the income-dependent supplementary amount available for eligible taxpayers. Additionally, Japan also increased the minimum employment income deduction from JPY 650 000 to JPY 740 000. Barbados raised its income tax threshold for working individuals from BBD 25 000 to BBD 40 000. Australia further raised the tax exemption thresholds on its Medicare levy for singles, families, and seniors and pensioners.

Beyond general threshold increases, some countries introduced targeted relief measures aimed at lower-income households. Mexico expanded the scope of its employment subsidy, which is deducted from the income tax, such that salaried employees with monthly income below MXN 11 492.66 are eligible. The maximum subsidy amount increased from 13.8% to 15.02% of the value of Mexico's indexed unit of account[2] (the monthly measurement and updating unit). Spain introduced a new deduction for taxpayers with gross annual employment income below EUR 18 276. The maximum amount of EUR 340 applies to incomes below EUR 16 576, with the deduction gradually phasing out for incomes above that threshold. Ireland extended the reduced Universal Social Charge rate for medical card holders for a further two years to 2026 and 2027. To offset the carbon tax burden for lower-income taxpayers, Luxembourg increased the maximum amount of its CO_2 tax credit from EUR 192 to EUR 216.

Countries also introduced various other base narrowing measures, including increases to tax deductions and targeted credits. Luxembourg raised the maximum amount of its tax deduction for contributions to complementary pension schemes from EUR 3 200 to EUR 4 500. Luxembourg also introduced a tax credit for individuals investing in innovative start-up companies. The credit amounts to 20% of qualifying investments of at least EUR 10 000 in fully paid-up shares held for a minimum of three years, subject to a 30% ownership cap and a ceiling of EUR 1.5 million per entity. Saint Lucia increased the cumulative cap on specified allowances and deductions from XCD 30 000 to XCD 40 000. Additionally, Saint Lucia increased the deduction for contributions to shares in a credit union from XCD 5 000 to XCD 10 000 and introduced a new deduction up to XCD 10 000 for all local and regional investments. Sweden temporarily increased the tax credit for building repairs, maintenance and improvement from 30% to 50% of eligible labour costs. Sweden also announced expanded eligibility for the tax deduction on fuel expenses related to business travel. Germany raised the commuter allowance from EUR 0.30/km to EUR 0.38/km below 20km, such that there is now a single standardised rate regardless of distance. To compensate for the introduction of a VAT on such services, Denmark announced the introduction of a tax deduction for expenses on local fitness and music lessons for individuals over the age of 30.

Several countries implemented base broadening measures intended to raise revenues

Some countries introduced base broadening measures to simplify their tax systems or improve the targeting of relief measures. Finland removed deductions on work done from home, bicycle benefits for employees, and membership fees for labour market organisations. Lithuania limited non-taxable employer-paid voluntary health insurance contributions to EUR 350 per year and abolished the application of the non-taxable amount on monthly employment income exceeding EUR 2 677.49. To raise revenue and improve targeting towards lower income households, San Marino changed its tax relief measures on domestic expenses from a system of tax deductions (reducing taxable income) to tax credits (reducing the tax liability). Sweden announced an increase in the lower eligibility threshold for work-related travel expenses from SEK 11 000 to SEK 15 000.

Belgium announced a series of base broadening measures primarily aimed at increasing revenue. These include the phasing out of the tax credits on unemployment benefits and on the highest pensions, a freeze of the maximum amount of the refundable tax credit for dependent children and of the indexation of certain tax expenditures, as well as the removal of the ordinary interest deduction. Belgium additionally reduced the deductibility of alimony payments from 80% to 70%, with further decreases to 60% and 50% announced for 2026 and 2027. Going forward, deductibility is restricted to alimony payments for which the beneficiary resides in the European Economic Area or Switzerland. Lastly, Belgium announced the introduction of a new 7.5% flat tax on in-kind benefits in kind exceeding 20% of a given employee's annual gross salary.

Some countries made explicit use of no indexing or only partially indexing PIT schedules to inflation, thus raising additional revenues through fiscal drag. In progressive tax systems, not adjusting nominal income brackets in line with inflation can increase the number of taxpayers facing higher marginal tax rates, thereby increasing their tax burden and government revenues. The United Kingdom froze personal income tax and equivalent national insurance thresholds at the current levels for a further three years until April 2031. South Africa similarly forewent adjustments to its PIT bracket thresholds for inflation for 2026. The Netherlands implemented a partial adjustment by increasing thresholds by 1.5312% compared to the relevant inflation rate of 2.9%.

Jurisdictions continued to introduce PIT reforms to encourage employment and support specific industries

Several countries introduced favourable tax provisions on specific types of income or bonuses. Italy temporarily reduced the rate of its substitute tax on performance bonuses from 5% to 1% while raising the maximum eligible amount from EUR 3 000 to 5 000. Italy also introduced a temporary 5% substitute tax on wage increases resulting from collective bargaining agreements signed in the period between 2024-2026. The substitute tax applies to employees with income up to EUR 33 000. Furthermore, Italy implemented a 15% substitute tax on income allowances from night work, shift work, and holiday work in 2026. Eligibility is restricted to employees with income up to EUR 40 000 and the total value of eligible allowances is capped at EUR 1 500. Austria introduced a tax exemption on employee bonuses of up to EUR 1 000. Sweden announced that the temporary job bonus, an announced subsidy paid to individuals who enter employment after previously receiving social assistance, is set to be tax-exempt.

An increased number of countries relied on PIT incentives to encourage individuals to continue working for longer. Luxembourg introduced a new tax allowance of EUR 9 000 per year for individuals that are eligible for early retirement but continue their professional activity until the statutory retirement age of 65. Belgium announced the introduction of a 33% tax on additional professional income for workers that have reached the legal pension age or have worked for 45 years. The new flat rate applies in place of the standard progressive PIT schedule. Denmark announced an increase in the period over which individuals who continue after passing the state pension age can benefit from an earned income tax credit from 2 to 5 years. The applicable rates and maximum amounts are also set to gradually increase over the period from 2026 to 2030.

A number of countries used targeted PIT incentives to support specific sectors. Belgium announced the reinstatement of the tax regime on income from the transfer of copyrights in the IT sector from 2026. At the same time, the lump-sum cost deduction on copyright income is set to be abolished, except for holders of an attestation of work in the arts. Belgium additionally announced an increase in the maximum amount of the tax exemption on flexi-jobs, applying to those working part-time in specific sectors while working at least 80% full-time for another employer, from EUR 12 000 to EUR 18 000 annually. Lithuania exempted scholarships paid to researchers under corporate research and development projects from taxation. Seychelles introduced a flat income tax regime for dockworkers, with a rate of 10% applying on their total emoluments. Indonesia extended its temporary government-borne income tax programme, under which eligible employees in specific sectors are reimbursed for the tax withheld on their income, to the fiscal year 2026 and expanded the scope to include the tourism sector. Denmark announced an increase of the tax deduction on private daycare work by 5 p.p. to 65%. The Slovak Republic introduced an exemption of up to EUR 300 on the income of sports trainers or instructors. The Slovak Republic also raised the special tax rate for selected constitutional officials by 5 p.p. to 10%.

Belgium and Iceland scaled down provisions in their individual-based PIT systems that allowed for partial income-splitting between taxpayers that are married or in civil unions. Iceland abolished the bracket sharing mechanism which previously allowed jointly taxed couples to transfer unused middle bracket capacity in cases where the primary earner had top bracket income. Belgium announced a gradual reduction of its marital quotient which allows for a partial income transfer between married or legally cohabiting taxpayers. The quotient, whose maximum value was EUR 13 460 in 2025, is set to be halved for non-retired couples by 2029 and entirely phased out for retired couples over a period of 20 years.

Several countries increased PIT relief for families, in part intended to address demographic challenges

Three countries (Greece, Hungary, and Malta) introduced comprehensive family taxation reforms. Taking effect in October 2025, Hungary introduced a full PIT exemption for mothers of three children or more, irrespective of the mother's or the children's ages. The exemption is set to extend to mothers of two children under the age of 40 from 2026, to mothers of two children under the age of 50 from 2027, to mothers of two children under the age of 60 from 2028, and ultimately to all mothers with two or more children from 2029. The scope of the existing tax exemption on mothers under the age of 30 expanded to no longer depend on the number of children and to apply from the 91st day of pregnancy. Additionally, Hungary introduced a tax exemption on infant care and childcare benefits. Malta significantly increased the generosity of its parental income tax system. Where previously the same tax schedule applied to all parents regardless of family size, the revised system applies different tax bands depending on the number of children under the age of 18 (or 23 if still in formal education). The tax exemption threshold increased to EUR 14 500 for parents with one child and to EUR 18 500 to parents with two or more children, up from EUR 13 000 under the old parental schedule. The tax exemption and lower bracket thresholds for parents are set to further increase in 2027 and 2028. In addition to the revision of the standard PIT Schedule (see above), Greece introduced reduced rates in the first three brackets (i.e. on income up to EUR 30 000) that depend on the number of dependent children. For instance, a full exemption on income up to EUR 20 000 applies to taxpayers with four or more dependent children.

Some countries introduced narrower relief measures to reduce the tax burden on families with children. Lithuania introduced an additional annual non-taxable amount of EUR 1 044 per child for employment income and an additional annual income tax credit of EUR 208.80 per child for income from individual activities. Finland raised the child increase to the maximum amount of the earned income tax credit to EUR 105 per child under custody. Saint Lucia increased the child allowance and the dependent relative allowance to XCD 5 000 from XCD 1 000 and XCD 350, respectively. Saint Lucia additionally increased the higher education deduction from XCD 5 000 to XCD 10 000.

Countries increasingly reduced taxes on the self-employed

More countries reduced taxes on self-employed individuals compared to previous years. Hungary raised the cost ratio deducted from net revenue to determine the tax base for unemployed individuals from 45% to 50%, and announced a further 5 p.p. increase to 55% set to take effect in 2027. Belgium announced the introduction of a 10% deduction with a maximum amount of EUR 650 on self-employment income. Additionally, Belgium announced the abolishment of the tax increase in case of no advance payments for self-employed people. Slovenia introduced further adjustments to its flat-rate system on standardised expenses for the self-employed. The eligibility threshold on revenue increased from EUR 60 000 to EUR 120 000 for full-time self-employed taxpayers, and from EUR 30 000 to EUR 50 000 for part-time self-employed taxpayers. A new tax rate of 35% applies to taxpayers with revenue exceeding these revenue thresholds. The thresholds on the two-year average revenue requirement that trigger a mandatory exit from the system also increased to EUR 120 000 for full-time self-employed, EUR 50 000 for part-time self-employed, and EUR 85 000 for all others. Lithuania raised the threshold of its fixed-rate regime for self-employment income under business certificates from EUR 45 000 to EUR 50 000. Greece exempted self-employed new mothers from taxation based on minimum imputed income from business activity for three years after giving birth, and reduced the minimum imputed income threshold for self-employed persons in regions with a population below 1 500 inhabitants. Greece also reduced the annual imputed expenses for residences, motor vehicles, and boats, as well as abolishing the imputed expense for dependent children. Azerbaijan extended the temporary exemption from personal income tax of revenues obtained by individual entrepreneurs engaged in qualifying non-audiovisual media activities until 2028.

Three countries expanded taxation of self-employment income. San Marino temporarily raised the flat tax rate on self-employment income by 1 p.p. from 2026 to 2030. Lithuania extended the base of the revised progressive PIT schedule (see above) to include income from non-agricultural individual activities exceeding EUR 42 500. Colombia reduced the minimum threshold for applying withholding tax at source on income for the provision of services from 4 to 2 tax value units.

PIT provisions to promote housing affordability and promote environmental sustainability were less common than in some of the preceding years

Three countries (Ireland, Kenya, Saint Lucia) introduced housing affordability measures. Kenya expanded interest relief, which previously applied only to mortgages used to purchase or improve a residential property, to loans taken out for construction of residential housing. Saint Lucia increased the mortgage interest deduction cap from XCD 18 000 to XCD 40 000. Ireland extended its mortgage interest relief by a further two years to 2026 and 2027.

Spain and Germany expanded existing environmentally related measures. Spain extended its temporary tax deduction for energy efficiency home improvements to 2026. Germany increased the maximum eligible gross list price for the tax relief on the private use of a CO2-free company car from EUR 70 000 to EUR 100 000. Meanwhile, the Netherlands announced the introduction of a new 12% employer payroll tax on the value of positive-emission passenger vehicles provided to employees for private purposes.

Compared to previous years, fewer countries expanded tax-relief for employee benefits

Some countries lowered taxes on employer-provided benefits. Kenya increased the tax-free limit for subsistence, travel, entertainment, or other allowances for employees on duties outside their usual workplace from KES 2 000 to KES 10 000 per day. Barbados introduced non-taxable meal allowances for hotel workers up to a weekly maximum of BBD 150. Sweden announced that the temporary tax exemption on workplace charging benefits will be made permanent.

Incentives to attract skilled foreign workers continued to feature prominently

Several European countries expanded their preferential tax schemes for incoming or non-resident workers. Finland lowered the flat rate of its key employees regime, applying to individuals that relocate to Finland from abroad and receive a monthly salary of at least EUR 5 800, from 32% to 25%. Additionally, Finnish nationals are now eligible for the regime if they have not been tax resident (i.e. subject to full tax liability) in Finland for five years prior to their employment start date. Belgium extended the scope of its expat tax regime along multiple dimensions. The tax-exempt share of gross remuneration increased by 5 p.p. to 35%, the cap on the exempted amount of EUR 90 000 was removed, and the minimum gross salary threshold to qualify for the regime decreased from EUR 75 000 to EUR 70 000. Sweden announced a phased reduction of the special income tax rate for non-residents from 25% to 22.5% in 2026 and 20% in 2027.

Greece introduced reduced PIT rates for young workers. In the first two PIT brackets, a 0% rate applies to taxpayers up to 25 years old and a 9% rate to those between the ages of 26 and 30. This is compared to the standard rates of 9% on income up to EUR 10 000 and 20% on income up to EUR 20 000.

3.2.4. A number of countries introduced significant capital income tax reforms

A number of countries implemented reforms increasing the taxation of capital gains. Most notably, Belgium introduced a capital gains tax. Under the general regime, realised net capital gains from the sale of financial assets are taxed at a flat rate of 10%, with an annual exemption of EUR 10 000. A progressive schedule ranging from 1.25% to 10% applies to substantial shareholdings, defined as a family owning at least 20% of the capital or equity rights of a company. Gains below EUR 1 million are exempted, while the top rate applies above EUR 10 million. San Marino increased the withholding tax rate on capital gains by 2 p.p. to 10%. Brazil introduced a temporary regime that allowed individuals to step up the basis of real estate assets and certain other assets to market value. Under the regime, the difference between the updated market value and the historical value is subject to a reduced rate of 4%, compared to the standard capital gains rates ranging from 15% to 22.5% upon realisation. Iceland abolished the possibility of applying the unused personal tax credit toward the payment of the capital income tax. France raised the rate of the general social contribution on capital incomes from 9.2% to 10.6%. Meanwhile, Bulgaria introduced a permanent exemption from withholding tax on income from the disposition of financial instruments and from interest payments on bonds or other debt instruments issued by state authorities or qualifying legal persons resident in the European Union or European Economic Area.

Three countries (Brazil, France, and Japan) introduced reforms intended to ensure minimum effective income tax rates for high-income taxpayers. Brazil introduced a minimum individual income taxation mechanism for individuals with an aggregate annual income exceeding BRL 600 000. The reform aims to disincentivise income shifting and applies rates ranging from 2.5% to 10%, with the top rate applying for annual incomes exceeding BRL 1.2 million. Distributions of profits or dividends received from the same legal entity exceeding BRL 50 000 per month are also subject to a 10% withholding tax. Japan announced a reinforcement of the minimum taxation of extremely high income, consisting of a decrease in the deduction amount from JPY 330 million to JPY 165 million and an increase in the minimum effective national tax rate from 22.5% to 30%. For the fiscal year 2025, France introduced a top-up tax on incomes exceeding EUR 250 000 for a single taxpayer or EUR 500 000 for a jointly taxed couple. The measure applies if the combined liability of the PIT and the exceptional contribution on high incomes remains below an effective rate of 20%.

The Netherlands and the United Kingdom announced significant reforms to the taxation of several types of capital income. To comply with supreme court rulings, the Netherlands made further adjustments to their Box 3 regime on income from savings and investment. A significantly revised Box 3 regime based on the actual returns from assets is set to be introduced in 2028. For most asset types, the regime will function as an accrual-based capital growth tax. However, a realisation-based capital gains tax will apply to certain asset categories such as real estate and shares in start-up companies. The Netherlands announced a transitional system that will apply until the entry into force of the new regime in 2028. Box 3 taxation continues to be levied on deemed returns on assets, but taxpayers have the possibility of requesting taxation based on their actual return in case they can substantiate that it is lower than the deemed return. The United Kingdom raised the ordinary and upper rates on dividend income by 2 p.p. to 10.75% and 35.75%, respectively. Similarly, the basic, higher, and additional rates on savings income are set to increase by two p.p. to 22%, 42%, and 47% from April 2027. Taking effect in April 2027, the United Kingdom also announced the introduction of separate progressive tax rates on rental income of

22%, 42%, and 47%. Lastly, the United Kingdom, reduced the capital gains tax relief on qualifying disposals to employee ownership trusts from 100% to 50%.

Meanwhile, Korea introduced a temporary regime allowing separate and lower taxation of dividend income from high-dividend-paying listed companies, effective from 2026 to 2028. Under this measure, eligible dividend income exceeding KRW 20 million, which was previously taxed under the standard progressive PIT rates, will instead be taxed separately at lower rates ranging from 14% to 30%, thereby finalising tax liability. The regime applies only to dividends from qualifying listed companies meeting specific payout ratio criteria and excludes income from other savings instruments, which continue to be treated as global income subject to standard PIT rates.

Several countries introduced changes to the taxation of other forms of personal capital income. Luxembourg introduced an updated framework for the tax treatment of carried interest receive by individuals involved in managing an Alternative Investment Fund (AIF). The framework distinguishes between contractual carried interest (performance remuneration without equity stake) and participation-linked carried interest. The former is subject to 25% of the individual’s normal PIT rate, while the latter is tax-exempt provided the individual's stake does not exceed 10% and is held for at least six months. Azerbaijan reduced the tax rate on dividend income received from non-resident entities from 14% to 5%. Azerbaijan also introduced a temporary tax exemption on dividend income of shareholders of legal entities that operate and are registered for tax purposes within the Nakhchivan Autonomous Republic.

Türkiye ended the reduced rate applied to various capital incomes between 2020-2025 and increased withholding tax rates. Accordingly, the withholding tax rate applied to income from private sector bonds is 15% for those with a maturity of up to 1 year, and 10% for those with a maturity of 1 year and over; the withholding tax rate applied to income from investment fund participation shares is 17.5%; the withholding tax rates applied to deposit interest are 17.5% for accounts with a maturity of up to and including 6 months, 15% for accounts with a maturity of up to and including 1 year, and 10% for accounts with a maturity of over 1 year; the withholding tax rate applied to income from assets and mortgage-backed securities is 10%. At the same time, Türkiye also extended the application of a temporary 0% withholding tax on income and gains from government and treasury bonds and lease certificates.

Some countries reduced the taxation of income from residential property. Azerbaijan reduced the tax rate on rental income received by individuals by 4 p.p. to 10%. Greece introduced an intermediate rate of 25% on rental income between EUR 12 000 and EUR 24 000 annually, while the threshold for the 45% top rate increased by EUR 1 000 to EUR 36 000. Additionally, Greece introduced a three-year tax exemption on rental income from properties that are moved from vacancy or short-term letting into long-term rental. Switzerland abolished the taxation of imputed rental value of owner-occupied housing as well as the associated deductions of mortgage interest and maintenance costs. The reform allows for the introduction of special cantonal or local taxes on second homes as compensatory measures. Peru changed the taxation of rental income of individuals from an accrual to a cash basis, meaning the tax liability only arises when rental income is actually received.

Meanwhile, two countries (Iceland and Türkiye) scaled back existing relief measures on rental income. Iceland lowered the discount rate applied to rental income by half from 50% to 25%. Türkiye abolished the tax deduction for interest paid for housing credits and mortgages from rental incomes.

Countries also introduced reforms to the tax treatment of pensions and savings. Saint Lucia fully exempted pension income from taxation, including income from approved pension funds, employer pensions, government pensions, and national insurance contributions. Finland decreased the additional tax rate that applies to pension income from 5.85% to 4% and raised the threshold above which it applies from EUR 47 000 to EUR 57 000. Barbados raised its income tax threshold for pensioners to BBD 50 000. Slovenia introduced preferential tax treatment of individual investment accounts. Capital income derived from these accounts is subject to a tax rate of 15%, with a full exemption applying after 15 years. Australia announced plans to implement changes to its Better Targeted Superannuation Concessions measure.

Specifically, applying a headline concessional tax rate of 30% to earnings on superannuation balances between AUD 3 million and AUD 10 million, and a 40% rate on those above AUD 10 million. Other key changes include the indexation of both the AUD 3 million and AUD 10 million balance thresholds, and the move to a realised earnings approach to calculate tax liabilities, which aligns closely with existing tax concepts

Table 3.3. Changes to tax rates on personal capital income

	Rate increase		Rate decrease	
	2024	2025 or later	2024	2025 or later
Dividend or interest income/equity or bond investment	ESP, ISR, LVA, TUR	BRA, FRA, GBR, TUR	NLD, SVK, ROU	AZE, KOR, LUX
Capital gains	CAN, ESP, GBR, ISR, LVA	BEL, BRA[3], FRA, SMR	GBR, LUX[2]	BRA[2]
Rental income	HRV	GBR	MAR[4]	AZE, GRC
Tax treatment of pensions and savings account		AUS, GBR	MAR[4], URY	FIN, SVN

Notes:
1 Denotes announcement.
2 Denotes a temporary reform.
3 Denotes a new tax.
4 Denotes that the reform is part of the 2025 Finance Law in Morocco and went into effect 1 January 2025.
Source: OECD annual tax policy reform questionnaire

Table 3.4. Changes to personal capital income tax bases

	Base broadening		Base narrowing	
	2024	2025 or later	2024	2025 or later
Dividend or interest income/equity or bond investment	LVA	ISL	CAN, MAC	AZE[2], BGR, LUX, NLD, TUR[2]
Capital gains		BRA[3], FRA[3], GBR ISL	CAN, CZE, LUX	ARM, BGR, GBR, NLD[1,2]
Rental income		ISL, TUR	CAN, GRC, LUX	GRC, PER, CHE
Tax treatment of pensions and savings account	FIN, URY		BEL, CAN, DEU, DNK, LTU, LVA	AUS, BRB, FIN, LCA, NLD, SVN, USA
Other	MNE			CAN[1,2], FIN, SWE[1]

Notes:
1 Denotes announcement.
2 Denotes a temporary reform.
3 Denotes a new tax.
Source: OECD annual tax policy reform questionnaire.

Several countries introduced base narrowing measures targeted at specific asset categories. Armenia implemented a tax exemption on income derived from the disposal of most crypto assets. An exception applies to crypto assets that are unique and non-fungible as well as those generated as a reward for activities related to ledger maintenance or transaction validation, income from which is taxable at a rate of 1%. Canada announced an extension of the 15% Mineral Exploration Tax Credit for investors in flow-through shares for an additional two years to March 2027 and expanded eligibility for the Critical Mineral Exploration Tax Credit to cover twelve additional minerals. The United Kingdom raised the limits of the Enterprise Management Incentives, Enterprise Investment Scheme and Venture Capital Trust scheme for start ups and scale up access to talent and finance. Meanwhile the Venture Capital Trust income tax relief decreased from 30% to 20%. Luxembourg introduced an exemption from withholding tax on interest for investments in eligible government defence bonds, restricted to subscriptions made between 15 January and 15 February 2026. Finland increased the maximum amount of the tax deduction for operators of forestry from 60% to 75% of the value of the capital income gained through the operation. Sweden similarly announced improved rules for the taxation of forests, including the removal of taxation on interest from forest accounts and extending deduction rules to forestry properties located within the European Economic Area.

3.2.5. Reforms to social security contribution bases and rates were more balanced compared to previous years

Changes to SSC rates and tax bases consisted of a fairly even number of increases and decreases. Rate increases and base broadening measures primarily sought to raise overall contributions and address equity concerns, while rate decreases and base narrowing measures aimed to create increased employment incentives.

SSC rate increases tended to be modest

Three European countries raised their SSC rates with the objective to improve the financial sustainability of their social security systems. The Slovak Republic raised the employee healthcare contribution rate by one p.p. to 5%. Germany increased the average additional contribution to statutory health insurance by 0.2 p.p. to 1.45% for employees and employers. Spain increased the rates for its Intergenerational Equity Mechanism surcharge from 0.67% to 0.75% for employers and from 0.13% to 0.15% for employees.

Some countries decreased their SSC rate with the stated aim of encouraging employment. Azerbaijan lowered the employer social insurance contribution rate on the portion of wages exceeding AZN 8 000 by 4 p.p. to 11%. Azerbaijan also reduced the compulsory medical insurance contribution rates on the portion of wages exceeding AZN 2 500 from 2% to 0.5% for both employees and employers. Bosnia and Herzegovina reduced the overall employer SSC rate from 10.5% to 5%. Norway reduced the employee and self-employed SSC rates by 0.1 p.p. to 7.6% and 10.8%, respectively.

Table 3.5. Changes to social security contribution rates

	Rate increase		Rate decrease	
	2024	2025 or later	2024	2025 or later
Employer SSCs	DEU, GBR, GGY, ISR, NLD, NZL	DEU, ESP	GRC, MNE	AZN, BIH, JPN
Employee SSCs	DEU, GGY, ISR, NZL	DEU, ESP, SVK	GBR, GRC, MNE, NOR[4]	AZN, JPN, NOR
Self-employed	GGY, GRC, ISR	ESP, GRC	GBR, NOR[4]	NOR
Payroll taxes	CAN[2]			

Notes:
1. Denotes a temporary reform.
2. Includes policies that have been announced but not yet enforced.
3. Denotes that tax reform was implemented at the sub-central level.
4. As noted before for Norway the combined marginal tax rate for SSC and PIT remained unchanged for brackets three to five.

Source: OECD annual tax policy reform questionnaire.

SSC base reforms focused on increasing contribution levels and employment incentives

Several countries implemented base broadening measures to increase overall contributions. The Slovak Republic increased the minimum assessment base on social insurance contributions for self-employed individuals from 50% to 60% of the average wage, additionally leading to a rise in the minimum social insurance contribution. The Slovak Republic also eliminated the insurance contribution holidays for self-employed workers and introduced a minimum monthly health insurance contribution. For employers and employees, the Slovak Republic removed the SSC exemption for income received during an employee's incapacity to work. Greece announced an increase of the upper earnings limit on social insurance contributions by 2.5% to EUR 7 761.94 for both employees and employers. Correspondingly, the fixed contribution amounts of the different social insurance programs for the self-employed are also set to increase by 2.5%. With the system set to return to the standard 20% employer payroll contributions by 2028, Brazil implemented the first phase of the gradual phase-out of its sectoral payroll tax relief. This consisted of applying a reduced gross revenue tax rate and a 5% employer payroll tax rate. Lithuania unified the social insurance contribution base for the self-employed at 90% of taxable income by eliminating the 50% base that previously applied to some self-employed individuals. Japan expanded the scope of pension insurance to cover more part-time employees and announced a gradual increase to the upper limit of standardised monthly remuneration. France increased the employer SSC rate for territorial civil servants by 3 p.p. Belgium announced the exclusion of professional athletes from the scope of the cap on employer social security contributions. Spain upward-adjusted the maximum social security contribution base to account for wage growth.

Some countries narrowed their SSC bases to increase employment incentives for specific groups. Sweden announced the introduction of a reduced employer SSC rate of 20.81% on wages up to SEK 25 000 for employees between the ages of 19 and 23. Belgium announced increases to the amounts and maximum salary thresholds of the social work bonus and the associated fiscal work bonus, reducing social security contributions for employees with low wages. Hungary abolished the 112.5% multiplier on the minimum social contribution tax base for full-time self-employed workers and entrepreneurs. South Africa implemented several amendments to the employment tax incentive on employer's pay-as-you-earn (PAYE) liability. The qualifying employee remuneration ceiling increased from ZAR 6 500 to ZAR 7 500, and the wage-test floor increased from ZAR 2 000 to ZAR 2 500. Additionally, the revised incentive formula allows for 60% claim for the first 12 months and a 30% claim for the second twelve months for wages below ZAR 2 500. Lithuania introduced a ceiling on employer social insurance contributions such that they are levied up to a maximum of 60 times the average wage. Slovenia exempted the mandatory winter holiday bonus from social security contributions for payments up to half of the minimum wage.

In Canada, two provinces announced changes to their payroll taxes. Manitoba announced an increase in the exemption threshold of its Health and Post Secondary Education Tax Levy from CAD 2.25 million to CAD 2.5 million, while the threshold below which a reduced rate applies is set to increase from CAD 4.5 million to CAD 5 million. Meanwhile, Quebec announced an exemption for employers in the agriculture, forestry, and fishing sectors from contributions to the Health Services Fund for the years 2026 and 2027. Quebec also announced the removal of the automatic annual indexation of the total payroll threshold for contributions to the Health Services Fund.

Table 3.6. Changes to social security contribution and payroll tax bases

	Base broadening		Base narrowing	
	2024	2025 or later	2024	2025 or later
Employer SSCs	BGR, ESP, GBR, GRC, HUN, SVK	BEL[1], BGR, ESP, FRA, GRC, SVK, JPN	GBR, SWE	LTU, SVN, SWE[1]
Employee SSCs	BGR, ESP, GRC, SVK	BGR, ESP, GRC, SVK, JPN	BEL, NOR, SVK	BEL[1], SVN
Self-employed	BGR, ESP, GRC, SVK	BGR, ESP, GRC, LTU, SVK	POL	HUN
Payroll taxes		BRA	CAN[1,2]	CAN[1,2,3], ZAF

Notes:
1. Denotes a reform announcement.
2. Denotes a tax reform at the sub-central level.
3. Includes a temporary reform.
Source: OECD annual tax policy reform questionnaire.

3.3. Corporate income taxes and other corporate taxes

Revenue mobilisation and efforts to stimulate growth and investment remained the main objectives of CIT reform. Questionnaire responses indicated that raising revenue was a common objective behind recent corporate tax reforms. However, many jurisdictions also aimed to promote economic recovery, boost private sector investment, and support innovation and employment.

For the third consecutive year, the average combined CIT rate remained stable, further suggesting that the downward trend in CIT rates has halted. While the past two decades were marked by declining statutory CIT rates globally, a reversal of this trend has been observable since 2023. Although a similar number of countries raised and reduced their CIT rates, the increases tended to be of greater magnitude than the decreases. Another significant trend in 2025 and the past few years is that jurisdictions have also introduced or increased surtaxes on corporate income to raise revenue for the general budget, notably in response to rising government expenditure and defence spending.

Despite the rise in CIT rates in some countries, CIT base narrowing measures remained more prevalent. Countries continued to adopt base narrowing measures to provide preferential tax treatment for certain types of investment, particularly in research and development (R&D), emerging technologies, and sectors considered strategically important. With statutory rates still low by historical standards, questionnaire responses suggest that where jurisdictions seek to offer more favourable CIT treatment, they increasingly do so through targeted base measures rather than rate reductions.

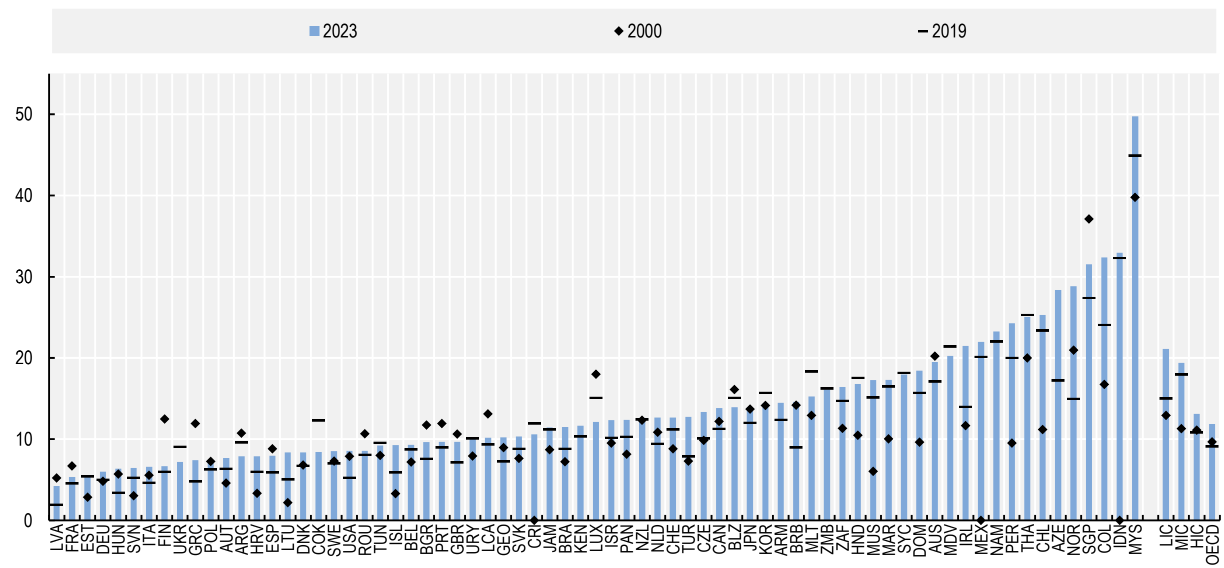
Tax incentives to encourage environmentally friendly investment and support the transition to less carbon-intensive technologies remained widely implemented across countries. Jurisdictions continued to introduce or expand such incentives, often through enhanced deductions, accelerated depreciation, or refundable credits. However, this trend was not universal, and some jurisdictions scaled back or terminated clean energy tax credits, reflecting shifting policy priorities.

3.3.1. Wide differences in CIT revenue shares persist across countries

CIT revenues exhibit significant variation across countries and have increased in importance in many jurisdictions over time (Figure 3.3). In 2023, CIT revenues accounted for around 13% of total tax revenues in HICs, compared to approximately 19% in MICs and over 21% in LICs. Since 2000, the share of CIT revenues has risen markedly in MICs and LICs, increasing by around 8 p.p. in both groups, while the increase in HICs has been more modest, at around 2 p.p. This suggests a growing reliance on corporate taxation in lower-income economies, in contrast to relatively stable patterns in higher-income countries. The increase in CIT revenues as a share of total tax revenues in some countries can be attributed to several factors, including differences in statutory CIT rates, the size of the CIT base, the prevalence of corporate entities within a jurisdiction, and the degree to which countries raise revenues from other taxes (OECD, 2025[1]). Additionally, improved collection ability in lower-income countries may also have further bolstered the importance of CIT revenues in the tax mix.

Figure 3.3. Revenues from corporate income tax in OECD countries, 2000, 2019, 2023

CIT revenues as a percentage of total tax revenues



Note: Corporate income tax revenues refer to tax category 1200 under the OECD classification of taxes. Tax revenues are the sum of taxes collected by all levels of government. See Revenue Statistics Interpretative Guide for more detail. The low- (LIC), middle- (MIC), and high-income country (HIC) averages are representative of the 120 countries that provide tax revenue data to the OECD. For Norway, the CIT revenues include both ordinary CIT and special taxes on hydroelectric and petroleum revenue.
Source: OECD Global Revenue Statistics Database.

StatLink https://stat.link/8pztvg

The share of CIT revenues varies widely across countries. In 2023, the share of CIT revenues ranged from below 6% in countries such as Latvia, France, and Estonia to over 30% in countries including Indonesia and Colombia, and nearly 50% in Malaysia. Several countries have experienced substantial increases since 2000, including Colombia, Peru, and Armenia, reflecting a growing role for corporate taxation in their revenue systems. By contrast, declines were observed in a number of countries, including Luxembourg, Finland, and Singapore.

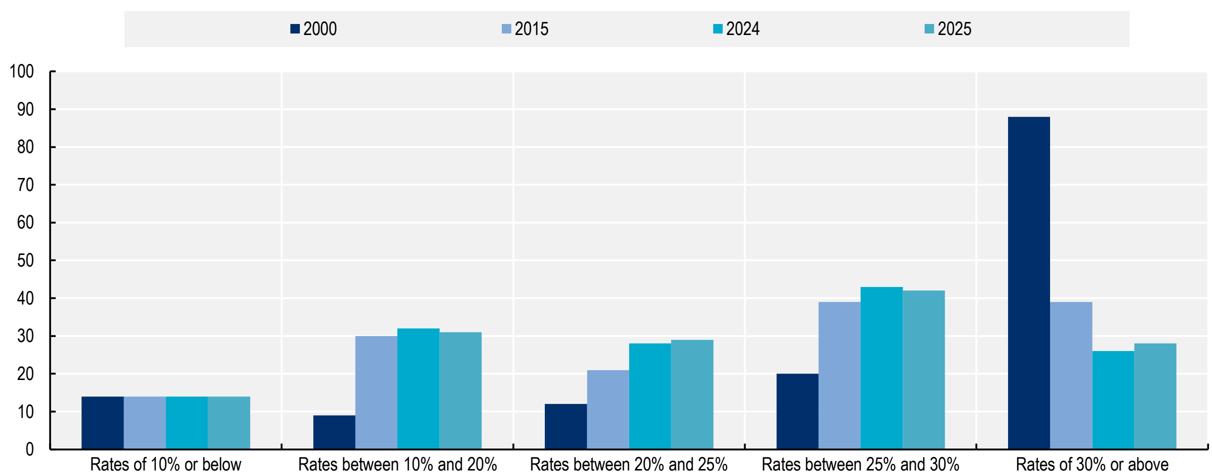
3.3.2. More countries increased standard and special CIT rates to raise revenues

Standard corporate income tax rates

Statutory CIT rates appear to have stabilised, although overall rates remain historically low (OECD, 2025[1]). The average combined CIT rate across 145 jurisdictions covered in the OECD Corporate Tax Statistics Database was 21.2% in 2025, down from 28.0% in 2000, but no longer on a steady downward trend (see Figure 3.4). Compared to 2024, the average combined CIT rate experienced a small increase, possibly marking a reversal of the trend observed over the past two decades.

Five jurisdictions introduced CIT rate increases in 2025 to raise additional revenues. Estonia increased its standard rate by 2 p.p., from 20% to 22%. Tunisia raised its general CIT rate from 15% to 20%. Lithuania increased its standard rate from 16% to 17% and its reduced rate for small companies from 6% to 7%. Korea, which has a progressive CIT, increased its rate by 1 p.p. across all tax brackets. France introduced a temporary exceptional surcharge on CIT for large companies. The surcharge applies at a rate of 20.6% of CIT liability for companies with turnover of at least EUR 1 billion, and 41.2% for those with turnover of EUR 3 billion or more, resulting in effective CIT rates of approximately 31% and 36% respectively, compared with the standard rate of 25%.

Figure 3.4. Distribution of jurisdictions by combined statutory CIT rates



Note: Data were available for 144 OECD/G20 Inclusive Framework jurisdictions in 2025.
Source: OECD Corporate Tax Statistics Database.

StatLink https://stat.link/rl8f1z

Nevertheless, three jurisdictions have introduced or implemented a standard CIT rate cut. After temporarily increasing its rate in 2024, Iceland reduced the standard CIT rate back from 21% to 20%. Portugal is further lowering its CIT rate by one p.p. each year between 2026 and 2028, from 20% to 17%. Similarly, Germany has legislated a gradual reduction of its standard CIT rate from 15% to 10% between 2028 and 2032, which would reduce the overall tax burden on businesses – accounting for average regional taxes – from around 30% currently to around 25% once fully implemented. Additionally, Singapore offered a 50% CIT rebate for all companies, capped at SGD 40 000 per company, in 2025.

Table 3.7. Changes in corporate income tax rates

	Rate increase		Rate decrease	
	2024	2025 or later	2024	2025 or later
Standard CIT rate	CZE, ISL, LTU, SVN, SVK	EST, FRA, KOR, LTU, TUN	PRT, AUT, LUX	ISL, PRT, DEU
SME CIT rate	BRB, JPN[1]		ARM, ESP, PRT, SVK	
Mining	IMN			

Note:
1. The SME CIT rate increase from 15% to 17% in Japan applies only to SMEs with annual taxable income of over JPY 1 billion.
Source: OECD annual tax policy reform questionnaire, OECD Corporate Tax Statistics Database.

Other business taxes

Continuing a trend that has strengthened over recent years, several jurisdictions increased taxes targeting banks and other financial institutions in 2025. In Israel, the government announced in December 2025, that it would temporarily increase taxes on large banks, which, as a result of rising interest rates, have made exceptional profits. In the end an agreement was reached to introduce a one-time levy in 2026-2027 under which banks would pay NIS 3 billion in 2026 and NIS 250 million in 2027, as a substitute to the proposed taxation mechanism. Belgium further increased existing bank tax rates and raised the premium tax on insurance from 9.25% to 9.6%. Colombia increased the surcharge on income tax applicable to financial institutions, insurance and reinsurance companies, stock brokerage firms and capital market infrastructure providers from 5 to 15 p.p. Italy increased the IRAP standard rate by 2 p.p. for banks and other financial intermediaries, from 4.65% to 6.65%, and for insurance companies, from 5.90% to 7.90%. The Slovak Republic increased its special levy on enterprises in regulated sectors for collective investment companies, raising the rate from 0.363% to 1.25%. Poland increased its CIT rate for commercial banks from 19% to 30% from 2026, with planned gradual reductions to 26% in 2027 and 23% from 2028, while simultaneously reducing the banking tax on assets.

Other jurisdictions introduced or adjusted sector-specific tax regimes and broader levies. Mauritius introduced a Fair Share Contribution on corporates ranging from 2% to 5% for a period of three years. Peru modified and extended the reduced income tax rate scheme for the agricultural sector, with rates set to return to the level of the general regime by 2036. Zambia increased its CIT rate applicable to profits from copper cathode value addition and from exports of non-traditional products, in both cases from 15% to 20%. The Slovak Republic increased gambling levies for online casinos, betting games, and land-based casinos.

Some countries adjusted their tax treatment of digital activities and platform-based transactions. Mexico introduced a new withholding scheme for legal entities carrying out transactions through intermediation platforms, at a rate of 2.5% where taxpayers provide their Federal Taxpayers Registry number, or 20% where they do not, with the aim of reducing tax evasion and strengthening tax collection. In contrast, Canada announced the rescission of its Digital Services Tax, with all collected revenues to be refunded, while Kenya repealed its 3% digital assets tax on the transfer or exchange of digital assets. Azerbaijan extended its CIT exemption for revenues earned by media entities, excluding audiovisual media, but including advertising revenues. Türkiye has revised its digital service tax rate, from 7.5% to 5% for 2026, and to 2.5% for 2027.

A number of jurisdictions made changes to their withholding tax regimes, with reforms going in different directions. Colombia made several adjustments to broaden its withholding tax base, including lowering the thresholds for applying withholding tax on agricultural and coffee purchases, increasing the rate on gold purchases by international trading companies, and reducing exemption thresholds for residential housing transactions and ecclesiastical emoluments. In contrast, Bulgaria introduced a permanent exemption from withholding tax on income from the disposition of financial instruments and interest payments on bonds or other debt instruments traded on a growth market, aligning the tax treatment with that of instruments traded on regulated markets and aiming to support alternative sources of financing for companies with limited access to bank lending. Kenya repealed its withholding tax on the sale of scrap and exempted from withholding tax payments made by the national carrier to non-resident providers of specialised services not available domestically or where the provider holds international accreditation.

Intellectual property regimes

None of the jurisdictions that responded to the tax policy reforms questionnaire reported altering the national tax rates applied to intellectual property (IP) regimes in 2025. As has been the trend for a number of years, jurisdictions have continued to modify IP regime bases (Appelt, González Cabral and Hanappi, 2023[2]). Four IP regimes were reviewed in 2025 (OECD, 2026[3]) as part of the BEPS Action 5 peer review process, two of which were found to be non-harmful (Ireland and Peru), and two were abolished (both in Fiji).

3.3.3. CIT base narrowing reforms remained prevalent and targeted on investment and innovation

As has been the case since the first edition of the Tax Policy Reforms report, the number of base narrowing measures adopted in 2025 exceeded the number of base broadening measures. Jurisdictions commonly cited boosting growth, stimulating investment, and encouraging innovation as reasons for reforms. Meanwhile, the number of jurisdictions that have implemented reforms has decreased compared to 2024.

Table 3.8. Changes to corporate tax bases

	Base broadening		Base narrowing	
	2024	2025 or later	2024	2025 or later
Capital allowances and general incentives	AUS, BEL, LTU, NLD, NZL, MYS, NGA	FIN, JPN, KEN, CAN, GBR	AUS, BEL, BRB, CAN, DNK, ESP, GBR, GRC, JPN, KEN, MAC, MUS, MEX, MNE, PER, PRT, SVN, TUR,	BMU, JPN, KEN, MEX, NZL, PER, USA, UKR, CAN, LTU, GRC
Environmentally related tax incentives		USA	AUS, BEL, BRB, CAN, CZE, ESP, FRA, GBR, HUN, IRL, MYS, PER, ZAF	BGR, FIN, IRL, JAM, MEX, USA, CAN, GBR
R&D tax incentives and patent box regimes			ARM, BRB, DNK, GRC, JPN, MAC	BGR, CZE, DEU, IRL, ISR, JPN, KOR, LCA, MEX, PER, USA, CAN, LTU,
SME-related tax base changes	PER, ROU		ALB, AUS, DEU, FRA, GBR, GRC, JPN, KOR, NGA	MUS, LTU, SYC
Other business tax incentives	ALB, MUS, KEN	MEX, TUR	AUS, BRB, ESP, IRL, MEX, HRV, KEN, MUS, MYS, PER, TTO	BEL, IRL, KEN, MEX, PER, SWE, SVK, USA
Loss carryforward and carryback provisions	NAM		DNK, GRC	
Notional interest deductions	ITA, NAM		NLD	LVA, USA

Note: Countries in brackets have only announced reforms.
Source: OECD Annual Tax Policy Reform Questionnaire.

Capital allowances and general tax incentives

Jurisdictions continued to stimulate investment and boost growth via new or more generous tax credits and capital allowances. Bermuda implemented substance-based tax credits, designed to incentivise local economic participation, support infrastructure development, and encourage charitable giving. Japan introduced a new tax incentive for large-scale, high value-added capital investment across all industries, including immediate depreciation and a tax credit of 7% (or 4% for buildings), with a carry-forward of up to 3 years. Canada introduced temporary immediate expensing for eligible manufacturing or processing buildings acquired before 2030, and reinstated accelerated capital cost allowances for low carbon liquefied natural gas facilities. Mexico similarly introduced immediate 100% accelerated deductions for investments in new fixed assets. New Zealand took a comparable approach with its Investment Boost scheme, introducing accelerated depreciation for new depreciable assets. Lithuania introduced instant depreciation for certain fixed assets including plant, machinery and communications equipment, while Greece introduced expense super-deductions for investments in strategic sectors including defence, vehicle manufacturing and aircraft construction. Kenya broadened the scope of its investment allowance for telecommunication operators to include the purchase or acquisition of spectrum licences.

The United Kingdom introduced both base broadening and base narrowing changes to its capital allowances regime for plant and machinery. The main rate of writing-down allowances was reduced from 18% to 14%, a base broadening measure primarily affecting businesses with historic expenditure predating the introduction of full expensing, as well as expenditure that does not qualify for existing first-year allowances. Alongside this, a new 40% first-year allowance was introduced with fewer restrictions than existing reliefs, designed to incentivise new investment by extending upfront support to unincorporated businesses and assets acquired for leasing where other first-year allowances are unavailable.

Several jurisdictions scaled back tax benefits linked to employment and labour. Finland abolished the tax deductibility of labour market organisation membership fees. Japan phased out its wage increase tax credit for large enterprises while maintaining a modified version for medium-sized enterprises under stricter conditions and preserving it for SMEs. Kenya repealed the one-third income deduction previously available to certain non-citizen employees working for approved regional offices,

Some countries introduced location-based tax regimes designed to channel investment into specific regions or sectors. Mexico granted tax incentives under the Economic Development Hubs for Welfare programme, providing an immediate 100% deduction of the original amount of investment in new fixed assets within designated development zones. Peru established special tourism development zones with reduced CIT rates ranging from 0% to 15%, accelerated depreciation at an annual rate of 20%, and an additional deduction for employment income, subject to employment and infrastructure requirements. Peru also introduced a separate regime for private special economic zones, with similar CIT rates and accelerated depreciation as the aforementioned zone, conditional on meeting investment and employment requirements. Ukraine introduced a CIT exemption for defence industry enterprises registered as residents of Defense City, available until 1 January 2036 or Ukraine's accession to the European Union, whichever is earlier, with exempted income required to be used for developing the activities of the resident.

At the sub-national level, several Canadian provinces introduced tax incentives and rate adjustments. Two provinces lowered CIT rates and raised small business thresholds. Nova Scotia reduced its small business rate to 1.5% from 2.5% and increased its threshold to CAD 700 000, while Prince Edward Island reduced its CIT rate from 16% to 15% and increases its threshold to CAD 600 000. Quebec replaced eight existing research-related tax measures with a single refundable tax credit for research, innovation and commercialisation, with rates of 30% on the first CAD 1 million of eligible expenditures and 20% thereafter and also refocused its e-business tax credit on higher value-added IT activities integrating artificial intelligence. Ontario temporarily increased the rate of its manufacturing investment tax credit from 10% to 15% and amended eligibility rules, while Saskatchewan introduced a

45% non-refundable tax credit for equity investments in eligible small and medium-sized enterprises. British Columbia raised the rates of several film and production services tax credits and increased its interactive digital media tax credit from 17.5% to 25%, making the latter permanent. Alberta announced plans to introduce a 2% levy on computer hardware for large-scale grid-connected data centres, which is creditable against the CIT once the data centre becomes profitable.

Box 3.3. The One, Big, Beautiful Bill Act

On 4 July 2025, Public Law 119-21, commonly referred to as the One, Big, Beautiful Bill Act (OBBBA), was signed into law. The legislation included many significant measures related to personal and corporate income taxes.

PIT related measures

The principal changes introduced to personal income taxation are as follows:

Changes to rates, deductions, and individual tax base

- The federal rate schedule introduced through the Tax Cuts and Jobs Act (TCJA) becomes permanent and the income thresholds for the two lowest tax brackets are increased.
- The increased standard deduction introduced in the TCJA is expanded further and becomes permanent.
- Revised limitation on the tax benefit of itemised deductions.
- Increased the deduction cap for state and local taxes to USD 40 000 through 2029, with the cap indexed to increase by 1% annually over that period.
- Introduction of several temporary below-the-line deductions through 2028, including deductions for up to USD 25 000 of tip income, up to USD 12 500 of qualified overtime premium pay, and up to USD 10 000 of interest on loans used to purchase new American-made cars.
- Introduction of a deduction of up to USD 6 000 for taxpayers aged 65 or above, through 2028.

Measures related to family, dependent care, and education

- Expanded tax relief for dependent care through a higher exclusion for employer-provided dependent care assistance as well as a more generous child and dependent care tax credit, with the maximum applicable percentage of expenses rising from 35% to 50%.
- Increase of the child tax credit to USD 2 200 and indexation after 2025.
- Expansion of the adoption credit, making up to USD 5 000 refundable.
- Creation of a new type of tax-advantaged long-term savings account for children through 2028.
- Increased generosity of tax-advantaged Achieving a Better Life Experience (ABLE) savings account provisions, including higher contribution limits.
- The exclusion for employer payments towards student loans becomes permanent and is indexed beginning in 2027.
- Expansion of the scope of tax-preferred Section 529 education savings plans.

Health-related provisions

- Expanded eligibility and coverage of tax-preferred Health Savings Accounts (HSAs).
- Stricter eligibility criteria for the premium tax credit and the removal of caps on repayment of excess advance premium tax credits.

Measures related to unincorporated business income

- Extension of the 20% deduction for qualified pass-through business income.
- The limitation on excess business losses of non-corporate taxpayers becomes permanent.
- Expansion of qualified small business stock gain exclusion, including higher eligibility thresholds and tiered exclusion based on holding period.

Termination of certain emission-related tax relief measures

- Elimination of several clean-energy incentives for individuals, including the credits for new and previously owned clean vehicles, the energy efficient home improvement credit, and the residential clean energy credit.

Business tax related measures

The principal changes introduced to business taxation are as follows:

Measures that restore or enhance capital cost recovery and investment incentives

- Permanent restoration of 100% bonus depreciation for qualified property placed in service after 19 January 2025.
- Increase in the dollar limitations for expensing of certain depreciable business assets under Section 179, from USD 1 million to USD 2.5 million, with the phase-out threshold raised from USD 2.5 million to USD 4 million.
- A 100% special depreciation allowance for qualified production property placed in service before 2031, the construction of which begins after 19 January 2025 and before 1 January 2029.
- Full expensing of domestic research and experimental expenditures, reversing the amortisation requirement that had applied since 2022.

Provisions that provide more targeted investment incentives

- The advanced manufacturing investment credit for facilities manufacturing semiconductors or semiconductor manufacturing equipment increased from 25% to 35% for qualified investment starting in 2026.
- A permanent renewal of the Opportunity Zone programme under stricter eligibility rules, with changes to exclusions for investments held for at least five years.
- The low-income housing tax credit is permanently enhanced by increasing the state credit ceiling by 12%.

Changes to clean energy tax incentives

- The clean electricity investment and production credits for wind and solar facilities, and the wind components part of the advanced manufacturing production credit, are terminated after 2027.
- Credits for qualified commercial clean vehicles are terminated after 30 September 2025, and the alternative fuel vehicle refuelling property credit is terminated after 30 June 2026.
- The clean hydrogen production credit deadline is changed from 2033 to 2028.
- Other restrictions include the termination of cost recovery for clean energy property and new prohibited foreign entity rules on the carbon oxide sequestration credit.
- The clean fuel production credit is extended, though with modifications including restrictions on foreign feedstocks and the elimination of the special rate for sustainable aviation fuel.
- The credit rate for carbon oxide sequestration used in enhanced oil recovery is increased.

Other changes to the corporate tax base

- The deemed intangible income return (10% return on qualified business asset investments) is eliminated from the net CFC tested income (NCTI) calculation.
- The deduction rates for foreign-derived deduction eligible income (FDDEI) and NCTI are permanently set at 33.34% and 40% respectively.
- The Base Erosion and Anti-Abuse Tax (BEAT) rate is permanently set at 10.5% beginning in 2026; a 12.5% rate would have applied under prior law.
- Easing of the business interest limitation by reverting to an EBITDA-based calculation of adjusted taxable income, replacing the EBIT-based approach in effect since 2022.

Source: Annual tax policy reforms questionnaire

R&D and innovation tax incentives

A number of jurisdictions increased their support for R&D and innovation by introducing new tax incentives, increasing the generosity of existing ones, and restoring previously available provisions. Several jurisdictions enhanced the generosity of existing R&D incentives to strengthen support for business investment in innovation. Canada increased the annual expenditure limit on which the enhanced 35% Scientific Research and Experimental Development (SR&ED) tax credit can be earned from CAD 4.5 million to CAD 6 million. Czechia raised its R&D super deduction to 150% for expenditures up to CZK 50 million, with 100% applying above that threshold, alongside related parametric adjustments. Germany increased the assessment basis for its R&D tax incentive from EUR 10 million to EUR 12 million per year and broadened the range of eligible expenses. Ireland raised the rate of its R&D corporation tax credit from 30% to 35%, increased the threshold for single-instalment payment of claims from EUR 75 000 to EUR 87 500, and introduced a simplification measure for qualifying personnel expenditure.

Several jurisdictions introduced or reformed incentives with a focus on strategic and emerging technologies. Japan created a new "strategic technology" category in its existing 40% tax credit, covering areas such as AI and quantum computing, while tightening restrictions on outsourcing research overseas. Korea also expanded its list of strategic technologies to include, among other things, AI. Saint Lucia introduced a tax deduction of up to USD 50 000 for cyber security expenditure. Bulgaria introduced a 25% super deduction for R&D expenses, with an alternative option to increase the tax depreciable value of resulting intangible assets by 25%.

Other reforms were tied to broader industrial or economic strategies. Mexico granted additional deductions of 25% on increases in innovation expenditure under both its ‘Plan Mexico’ strategy and the Economic Development Hubs for Welfare programme. Israel introduced a Qualified Refundable Tax Credit framework for R&D, designed to align its incentive structure with internationally recognised approaches within the OECD framework. Peru extended reforms allowing companies to increase deductible expenses for approved investment, development or technological innovation projects.

Environmentally related tax incentives

Continuing the trend of recent years, a number of jurisdictions introduced or extended environmentally related tax incentives to support clean investment and the transition to a lower-carbon economy. Bulgaria adopted a more favourable depreciation regime for electric vehicles (EVs), doubling the annual tax depreciation rate from 25% to 50% for vehicles acquired from 2026 onwards, a measure linked to its commitments under the National Recovery and Resilience Plan and the EU's broader Green Transition goals. The United Kingdom extended its 100% first-year allowance for zero-emission cars and EVs charging points to 31 March 2027. Finland introduced a tax credit allowing companies undertaking large climate-neutral projects to credit 20% of eligible investment costs against their CIT liability. The credit applies to qualifying investments of at least EUR 50 million and is capped at EUR 150 million per project. Jamaica reduced the CIT rate from 33.3% to 25% for independent power producers using prescribed renewable energy sources, with the aim of promoting the use of renewable energy. Canada proposed to extend the availability of the credit rates for its Carbon Capture, Utilization, and Storage investment tax credit by five years, to 2035. Ireland extended two accelerated capital allowance schemes to 2030, one for energy efficient equipment, and one for gas vehicles and refuelling equipment, both of which allow businesses to deduct the full cost of qualifying expenditure in the year of purchase. Mexico introduced a Circular Economy Development Hubs for Wellbeing programme through a Presidential Decree of 4 July 2025, combining several tax incentives aimed at promoting sustainable development and the circular economy. The programme provides an immediate 100% deduction on the original amount of new fixed asset investments used within the hubs, alongside an additional 25% deduction for innovation expenditure, and a further 25% deduction for increases in per-worker training expenditure, with the broader objective of boosting job creation and return on investment in these zones.

SME-related tax base changes

A small number of jurisdictions introduced SME-specific CIT measures in 2025. Lithuania waived the requirement of a minimum of 10 employees for the application of a reduced CIT rate and extended from one to two years the period during which a 0% rate applies to newly established businesses. Seychelles introduced a tax exemption for new companies in specific sectors. Mauritius introduced a 5% tax credit over three years for qualified small businesses with annual turnover not exceeding MUR 10 million, applicable to capital expenditure of up to MUR 500 000 on new equipment, excluding motor vehicles.

Other tax incentives

Several jurisdictions introduced or reformed tax incentives targeting the creative and audiovisual sectors. In the creative industries, Ireland enhanced its film relief by introducing an 8% uplift for visual effects work and extended its digital games tax credit to 2031 while broadening its scope to cover post-release content, both subject to European State aid approval. Peru introduced fiscal incentives for film and audiovisual activities, granting a deduction for donations to film or audiovisual projects and a tax credit for investment in audiovisual production.

Two jurisdictions implemented reforms targeted at housing and infrastructure. Ireland introduced an enhanced 125% corporation tax deduction for qualifying apartment construction costs, capped at an additional EUR 50 000 per apartment unit, alongside a new exemption from corporation tax for rental profits arising from designated cost rental properties aimed at moderate-income households. The Slovak Republic adjusted the depreciation rate for buildings used for sports and accommodation services.

A few jurisdictions introduced or adjusted measures related to investment, technological development, and workforce skills. Mauritius introduced a corporate tax exemption for companies implementing projects financed to the extent of at least 50% from grants or concessionary financing from a foreign state or donor institution, as approved by the Ministry of Finance. Mauritius also introduced a deduction of up to MUR 150 000 for capital expenditure on artificial intelligence technologies for companies with annual turnover not exceeding MUR 100 million. Slovak Republic extended its tax incentives for investment in Industry 4.0 until 2030. Mexico granted additional deductions of 25% on increases in per-worker training expenditure under both the 'Plan Mexico' strategy and the Economic Development Hubs for Welfare programme. Conversely, Türkiye tightened its discounted corporate tax regime for investment incentive certificates, introducing a ten-year cap on the application of discounted rates, setting the corporate tax discount rate at 60% for newly obtained certificates, and eliminating the carry-forward of unused investment contribution amounts.

Some additional measures were adopted across other areas of corporate taxation. Belgium introduced a cap on flat-rate benefits in kind at 20% of annual gross salary for company directors, with a higher CIT rate applying where the threshold is exceeded. Lithuania limited the transfer of tax losses between group companies to 70% of taxable income. Zambia removed the five-year carry-forward limitation on disallowed interest expenses. Mexico established a capital repatriation programme allowing residents to repatriate lawful funds held abroad at a reduced income tax rate of 15%, provided that the funds are returned no later than 31 December 2026 and invested domestically for at least three years. Sweden introduced a tax reduction for donations from legal persons to non-profit organisations.

3.3.4. Countries continued to introduce legislation implementing the global minimum tax

Throughout 2025, countries have continued to adopt legislative measures to implement the GMT. A more detailed discussion of the GMT can be found in the previous edition of this report (OECD, 2024[4]). Additionally, details on country implementation are kept in a central record of the legislation with transitional qualified status, which is published on the OECD's website (OECD, 2025[5]). The central record sets out those jurisdictions whose minimum tax legislation has completed the process for the transitional qualification mechanism and secured transitional qualified status. The central record will be updated on a regular basis and in a timely manner, after a self-certification that has been submitted to the Inclusive Framework has completed the transitional qualification mechanism process. The fact that a jurisdiction's legislation is not included in this central record does not mean that the legislation is not qualified; rather it means that, as at the date of publication, the process provided for under the transitional qualification mechanism has not yet been initiated or completed for that legislation.

Box 3.4. Towards a widespread implementation of the global minimum tax

An increasing number of jurisdictions are taking steps towards implementing the GloBE Rules into domestic law, with the GMT (Income Inclusion and/or Domestic Minimum Top-up Tax (DMTT)) starting to apply from the beginning of 2024. Due to the interlocking nature of the GloBE Rules and the backstop mechanisms incorporated in the rules, there is a strong incentive for jurisdictions to implement them as well as a domestic minimum top-up tax.

Table 3.9. Status of Pillar Two implementation

Status	Jurisdiction
Legislation effective as of 2024 (incl. EU directive with no deferral)	AUT, AUS, BRB, BEL, BGR, BHS, CAN, CHE, CZE, DEU, DNK, ESP, FIN, FRA, GBR, GIB, GRC, HRV, HUN, IRL, ITA, JPN, KOR, LIE, LUX, MKD, NLD, NOR, POL, PRT, ROU, SVK, SVN, SWE, TUR, VNM, ZAF
Legislation effective as of 2025	ARE, BHR, BRA, GGY, HKG, IMN, IDN, JEY, KEN, KWT, MUS, MYS, NZL, OMN, QAT, SGP, THA
EU directive (deferring implementation in whole)	EST, LTU, LVA, MLT

Note: The information is current as of March 2026. The fact that a jurisdiction's legislation is not included in this central record does not mean that the legislation is not qualified; rather it means that, as at the date of publication, the process provided for under the transitional qualification mechanism has not yet been initiated or completed for that legislation.
Source: Central Record for purpose of the global minimum tax.

3.4. Taxes on goods and services

Reduced VAT rates and exemptions continue to be applied to a wide range of goods and services, primarily with the stated aim of improving affordability and to support specific economic sectors. In most countries, governments continued to apply reduced rates or exemptions in an attempt to lower the tax burden on essential goods and services, including certain foods, healthcare, personal care products and utilities. Reduced rates were also reduced or expanded to support particular sectors, such as hospitality, including tourism and catering, cultural activities, publishing and agriculture.

Some VAT rate structures have been reviewed primarily to reduce system complexity and better target reduced rates to essential goods and services but also to raise additional revenue. These reforms have included the simplification of the VAT rate structures by consolidating reduced rates and reallocating goods and services across different rates. In some cases, these reforms have been accompanied by increases in standard VAT rates or adjustments to previously applicable reduced rates. As part of these reforms, some countries have also expanded the application of zero or reduced rates to essential goods and services, with other goods and services being reallocated to higher rates. These developments show a broader policy trend towards simplifying VAT rate structures while maintaining targeted relief for essential goods and services and supporting revenue mobilisation.

Contrary to a trend observed in recent years, some countries have scaled back existing VAT measures to support the transition to a low-carbon economy while introducing VAT rate increases to support environmental, health and cultural purposes. For example, a number of countries eliminated reduced VAT rates or exemptions previously applied to goods and services that had been identified as promoting environmental sustainability. At the same time, countries also increased VAT rates on goods that were considered harmful to health or the environment.

Reforms in response to the digitalisation of the economy remain among the most significant changes to VAT systems. In response to the growth of cross-border digital trade and to align domestic rules with internationally agreed upon standards and guidance, countries have continued to implement rules for inbound supplies of digital services and intangibles requiring non-resident suppliers to register and collect VAT on their supplies to consumers in these countries. A growing number of countries have also extended these rules to collect VAT on online supplies of low-value imported goods, requiring VAT collection at the point of sale rather than at the point of importation through customs, leveraging digital platforms and marketplaces to facilitate compliance and strengthen VAT collection.

Since the pandemic, each year between one-fifth and a-quarter of countries covered in this report, introduce a health tax measure, making it one of the most common tax reform measures in recent years. By subcategory, tobacco taxes remain the most common form of health tax increases. In 2025, 24 countries introduced or announced a health tax reform, 18 of which increased their excise taxes on tobacco, and 7 increased their taxes on alcoholic beverages. A notable shift is that tobacco tax reforms have increasingly focused on broadening the tax base to new tobacco and nicotine products. Additionally, SSB tax reforms, which are generally not as frequent, were more common in 2025 than in previous years.

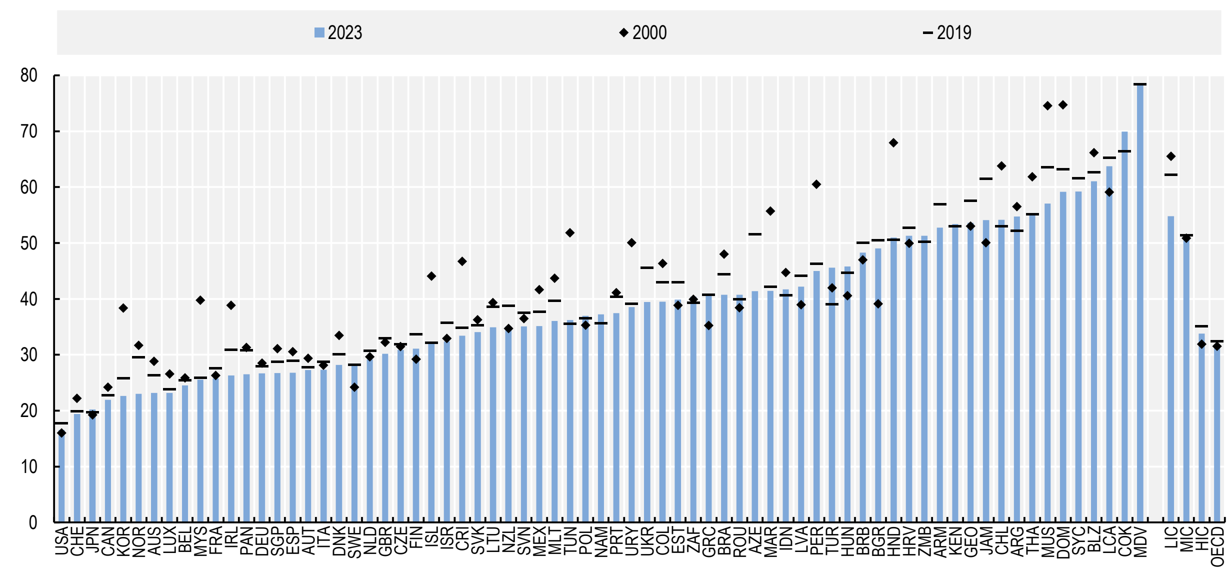
3.4.1. Taxes on goods and services remain the backbone of revenues in low- and middle-income countries

Taxes on goods and services remain a major source of revenue in many economies, particularly in low- and middle-income jurisdictions (Figure 3.5). In 2023, these taxes accounted for around 34% of total revenues in HICs, compared to approximately 51% in MICs and 55% in LICs. Since 2000, the share of tax revenues from taxes on goods and services has fallen significantly in LICs, declining by over 10 percentage points, while remaining broadly stable in MICs and increasing slightly in HICs. These trends point to a gradual, though uneven, shift away from heavy reliance on consumption taxes in LICs and towards a more balanced tax-mix.

Notwithstanding these broad patterns, considerable cross-country variation persists. In 2023, the share of revenues from taxes on goods and services ranged from below 20% of total revenues in the United States and Switzerland to over 60% in the Maldives, the Cook Islands, Saint Lucia, and Belize. Many countries have experienced notable declines in their share of revenues from taxes on goods and services since 2000, including Mauritius (-17.5 p.p.), Honduras (-17.0 p.p.), Korea (-15.7 p.p.), and Tunisia (-15.6 p.p.). At the same time, some countries recorded increases, such as Bulgaria, Greece, and Hungary. Overall, while taxes on goods and services continue to play a dominant role in many economies – particularly in LICs – their relative importance has declined in a large number of jurisdictions covered in this report over the past two decades.

Figure 3.5. Revenues from taxes on goods and services, 2000, 2019, 2023

GST revenues as a percentage of total tax revenues



Note: Taxes on goods and services refer to tax category 5000 under the OECD classification of taxes, and social security contributions to tax category 2000. Tax revenues are the sum of taxes collected by all levels of government. See Revenue Statistics Interpretative Guide[3] for more detail. The low- (LIC), middle- (MIC), and high-income country (HIC) averages are representative of the 120 countries that provide tax revenue data to the OECD.
Source: OECD Global Revenue Statistics Database.

StatLink https://stat.link/7j2tpy

3.4.2. Reduced VAT rates continue to be used as social and economic policy tools, although temporary cuts have been phased out

Most countries have continued to apply reduced VAT rates or exemptions in an attempt to reduce the tax burden on essential goods and services, promote equity and support economic activity. Twenty-seven of the countries surveyed in this report have reported VAT rate changes in 2025, including nine reporting VAT rate increases and twenty-three reporting decreases (see Table 3.10 below). Reduced rates on food, health, energy, culture and hospitality were among the most frequently expanded in 2025.

Turning to more specific trends, several countries revised their VAT rate structures in 2025, primarily to reduce system complexity and better target reduced rates to essential goods and services but also to raise additional revenue. Following the increase in the standard VAT rate to 25.5% in September 2024, Finland reduced its 14% reduced rate to 13.5% as of 1 January 2026. This rate applies to a broad range of goods and services, including food, restaurant and catering services, passenger transportation, accommodation, medicines, and cultural and sports activities, including printed and electronic books, building on earlier expansions in scope. Lithuania also reformed its reduced rate structure from January 2026 by replacing the 9% rate with a 12% rate applied to many previously covered goods and services, including accommodation, passenger transportation, and admission to cultural events. Supplies of heating, hot water, and firewood, which were previously subject to the 9% rate, where moved to the 21% standard rate, while a new 5% rate applies to selected items such as printed and electronic books and non-periodical publications. Overall, these changes consolidate most reduced-rate supplies under the 12% rate while applying a lower 5% rate to selected essential goods. Saint Lucia also reallocated goods and services across VAT rates by applying a 0% rate to certain goods previously subject to the 12.5% rate and by reclassifying certain exempt goods as zero-rated supplies for the period from August 2025 to May 2026. The list of items subject to the zero rate includes basic food products and construction materials.

Table 3.10. VAT rate changes in 2024 – 2025

Reduced VAT rates				
	Increases		Decreases	
	2024	2025 or later	2024	2025 or later
Energy, Heating, Fuels	CZE, DEU, ESP,	LTU	BRB[1], HRV[1], PRT, IRL	HRV, IRL, JAM, NOR
Food, Water, Basic essentials, Health, Housing	AUT, ESP, FIN, TUR	BGR[1], SVK	AIA, AUT, AZE, BEL, CAN[1], FIN, GBR, GRC, HUN, LTV[1], MUS, NOR, PRT, SAU, SVK	BEL, CAN, GRC, HUN, IRL, KEN, LCA, LVA, MEX, PRT, SVK, SWE, ZMB
Hotels, Restaurants, Tourism, Passenger transport	BGR[1], EST, FIN, MNE, SVK,	BGR[1], BEL, MDV, NLD	CAN[1], GRC, PER[1], SVK, URU[1]	BEL, DEU
Culture, Sport, and Printed & e-publications	BGR[1], MNE, FIN	BEL, LVA, NLD	DEU, HUN, IRL, LTV, PER[1], PRT, SVK.	DNK, GRC, LTU, PRT, SVK, SWE
Agriculture		BEL	ALB, IRL, MNE, MUS, POL PRT, URU	IRL, PRT
Environmental sustainability	ITA	AUT, PRT	AUT[1], BEL[1], BRB[1], GBR[1], ISL[1], IRL, KOR[1], NGA[1], PRT	
Mitigating effects of natural disasters/ pandemics	CAN		GRC, MEX[1], POL[1]	
Other	FIN, SVN, SVK,		MUS, MEX, TUR	MEX
General increase/decrease	CZE, CHE	ROM	ALB, CAN[1], CZE, MEX, PRT	FIN, IND, LCA, LTU
Standard VAT rates				
	Increases		Decreases	
	2024	2025 or later	2024	2025 or later
	CHE, EST, FIN, IDN, ISR, LUX, SGP, SVK	ROM, EST		

Note: For the purposes of this table, reduced VAT rates include all rates lower than the standard rate, including zero rates applied to domestic sales. They do not include exemptions. This table includes VAT rate changes adopted in 2025 either as an extension of temporary changes implemented in preceding years, new rates implemented in 2025, or adoption of changes to be implemented in 2026. Reduced VAT rate increase may mean moving from one reduced rate to another higher reduced rate or to the standard rate. “1.” denotes temporary measure.
Source: OECD annual tax policy reform questionnaire

As part of a broader package of fiscal measures adopted in July 2025, Romania increased its standard VAT rate from 19% to 21% and consolidated its 5% and 9% reduced rates into a single reduced rate of 11%. The new 11% rate applies to most goods and services that were previously subject to the 5% and 9% rates, including food, medicines, water supply and sewage services, printed materials, social housing, accommodation services, admission to museums and restaurant services. At the same time, some items previously subject to reduced rates were moved to the 21% standard rate, including sweetened beverages and food products with a high sugar content, certain renewable energy systems, admission to certain recreational and cultural activities (such as sports events, fairs, exhibitions, amusement and theme parks), veterinary medicines and supplies of certain real estate.

In 2025, countries continued to expand the use of reduced VAT rates on essential goods and services

Reduced VAT rates continued to be expanded on a wide range of essential goods and services in 2025, especially on basic food products. As part of a broader economic package and to support households, Sweden temporarily reduced the VAT rate on food products from 12% to 6%, from April 2026 to December 2027. Hungary reduced the VAT rate on certain meats from the standard rate of 27% to a reduced rate of 5%. Latvia applied a reduced VAT rate of 12% to bread, milk, poultry meat and eggs for a one-year period from 1 July 2026 to 30 June 2027. The Slovak Republic reduced VAT on selected gluten-free food products from 19% to 5% as of 1 July 2025. Ireland also reduced the VAT rate on food from 13.5% to 9%.

Goods and services related to health and personal care also continue to benefit from reduced VAT rates or exemptions in many countries, with some countries further expanding their scope. Finland and Lithuania applied reduced rates of 13.5% and 9%, respectively, to medicines and pharmaceuticals as part of the restructuring of their reduced VAT rate regimes. Mexico introduced a 0% VAT rate on a range of menstrual products. Meanwhile, Austria, applied a VAT exemption, rather than a reduced rate, to menstrual products as well as contraceptives, effective 1 January 2026.

In addition to health and personal care goods, governments also continued to expand the use of reduced rates for utilities, such as electricity, heating, water and sewage services to tackle inflationary pressures. In Ireland, the temporary 9% VAT rate on gas and electricity supplies, introduced in 2022, was extended from 1 November 2025 until 31 December 2030. In Croatia, the temporary reduction of the VAT rate from 13% to 5% on natural gas and heating, fuel wood, pellets, briquettes, and wood chips, introduced in 2023, was extended until the end of March 2027. In May 2025, Jamaica reduced its General Consumption Tax rate on residential electricity from 15% to 7%. Norway reduced the VAT rate on water and sewage services from 25% to 15%, from May 2025. Zambia introduced a zero rate for water supplied through pipes.

Reduced VAT rates were introduced or further expanded to housing-related transactions. Ireland reduced the VAT rate from 13.5% to 9% on the supply of certain new residential apartments. The measure applies to qualifying apartments (studios, basement, penthouse or duplex apartments and student accommodations) located in buildings that comprise a minimum of three apartments with grouped or common access. The Slovak Republic reduced VAT on state-supported rental housing from 23% to 5%. In Canada, the federal government introduced a new GST rebate that eliminates the GST for first-time home buyers on new homes priced up to CAD 1 million and reduces the GST for first-time home buyers on new homes priced between CAD 1 million and CAD 1.5 million. Greece has extended the temporary suspension of VAT on certain new residential properties until 31 December 2026.

Reduced VAT rates continue to be used to support specific sectors and regions

Reduced VAT rates were further expanded with the stated aim of supporting hospitality and restaurant services sectors. As of 1 January 2026, Germany decreased the VAT rate on restaurant and catering services (excluding beverages) from 19% to 7%. Ireland also reduced the VAT rate on restaurant and catering services from 13.5% to 9%.

Several countries expanded reduced rates with the stated aim of supporting the culture, press and publishing sectors. The Slovak Republic reduced the VAT rate on admission to selected cultural institutions (including theatres, ballet performances and museums) and on newspapers and weekly and monthly periodicals from 23% to 5% as of 1 July 2025. Sweden introduced a reduced VAT rate for dance events. Portugal introduced a reduced 6% VAT rate that applies to supplies of works of art by the creator, successors in title, or taxable dealers. Denmark introduced a zero VAT rate on books that were previously subject to 25% VAT rate. In Lithuania, the VAT rate applicable to printed and electronic books was reduced from 9% to 5%. Greece reduced the VAT rate to 6% on importation and domestic supply of objects of artistic value as of July 2025.

The scope of reduced rates for the agricultural sector continued to expand. Portugal extended the temporary application of the 0% VAT rate on fertilisers, soil improvers, and animal feed for animals intended for human consumption, until 31 December 2026. In Ireland, the flat-rate compensation for farmers (a special scheme for non-registered VAT farmers that entitles them to add to their price a presumed VAT incurred on their inputs when making supplies to registered businesses) was reduced from 5.1% to 4.5%. In Finland, animal feed including related substances were included in the reduction of the VAT rate from 14% to 13.5%.

Beyond sector-specific support, VAT incentives were also introduced to promote economic activity and investment in specific regions. Mexico extended, until December 2026, the application of a 50% VAT credit - that reduces the effective rate to 8% - on supplies made by individuals or corporations located in its Northern and Southern border regions to stimulate investment and growth. Azerbaijan introduced an exemption on the import of raw materials and supplies for the purposes of production and provision of services by businesses and individual entrepreneurs that are residents of the Nakhchivan Autonomous Republic. Peru reinstated the VAT fiscal credit in the San Martín region, under which businesses operating in the region are entitled to claim a VAT credit against their VAT liability. Greece extended and broadened a geographically targeted reduction in VAT rates for certain islands, with the purpose of alleviating the cost of living in these areas. Under this measure, VAT rates on goods and services supplied on designated islands are reduced by 30%, meaning the standard rate is reduced from 24% to 17% and the reduced rates from 13% to 9% and from 6% to 4%.

Some countries rolled back reduced rates or exemptions for goods related to environmental sustainability

Contrary to a trend observed in recent years (OECD, 2024[6])**, no further countries have introduced VAT rate reductions to promote environmental sustainability and some countries have scaled back earlier VAT measures designed to support the transition to a low-carbon economy.** Austria brought forward the abolition of the zero VAT rate for photovoltaic systems to apply to supplies made before 1 April 2025, instead of the previously scheduled end date of 1 January 2026. Portugal eliminated the reduced 6% VAT rate previously applicable to the supply, installation and repair of appliances, machinery and other equipment designed exclusively or mainly for the collection and use of solar, wind, geothermal and other alternative energy sources. Azerbaijan abolished the VAT exemption for the import and sale of fully EVs, while maintaining targeted exemptions for electric buses imported for assembly in industrial parks. Norway reduced the VAT exemption threshold for EVs from NOK 500 000 to NOK 300 000.

Some countries increased previously reduced VAT rates with the stated aim of promoting environmentally-, health-, or culture-related objectives. In Belgium, for example, the VAT rate on pesticides was raised from 12% to 21%. As of 1 January 2026, the Slovak Republic increased the VAT rate from 19% to 23% on selected food products with high salt and sugar content. Latvia increased the VAT rate applicable to press publications and books not published in the national language or in the official languages of EU and OECD member states from 5% to 21%.

Box 3.5. VAT refund schemes for low-income families

To address tax regressivity, countries have increasingly implemented or further developed regimes aimed at refunding VAT incurred by low-income families, partially or entirely, through fixed cash transfers or consumption-based schemes. Empirical evidence suggests that reduced rates are poorly targeted, complex, often benefit higher-income households more than the poor and may be not entirely passed-through into the prices, while exemptions also create additional distortions through embedded VAT Against this backdrop, several countries have implemented VAT refund schemes to reduce the burden of VAT for low-income households, which can either be designed as fixed transfers or as mechanisms based on the actual consumption of the families tracked through electronic invoices.

- In January 2026, Canada introduced the Canada Groceries and Essentials Benefit, a significant enhancement of the existing Goods and Services Tax (GST) Credit aimed at helping low- and modest-income households cope with affordability pressures. Since 1991, when GST was implemented in Canada, a fixed GST credit is paid to low- and modest-income individuals and families as a way to refund a portion of the GST/HST they pay. The amount of the credit is based on the family net income, marital status and the number of eligible children under 19 and is limited for the 2025-2026 benefit year to CAD 533 for single individual, CAD 698 for married persons or with a common-law partner and CAD 184 for each child under the age of 19. As part of the 2026 changes, current recipients of the GST Credit are receiving a one-time top-up in June 2026 equal to 50 % of their annual 2025-26 credit and, from July 2026, the regular benefit amount will be increased by 25 % for five years, with maximum additional annual amounts of CAD 402 for single individuals, CAD 527 for couples, and CAD 805 for couples with two children (total increase from the top-up and 25% increase for the 2026-27 benefit year).
- Under Uruguay's "Personalized VAT" system, a full VAT refund is provided to pregnant women, children and persons with disabilities. The refund is applied at the time of purchase, when payments are made using "social program wallets".
- Since 2020, Colombia offers a compensation programme that provides a fixed and presumptive amount of COP 106 000 (approximately USD 28) every two months to low-income households and older adults who are beneficiaries of social programmes. The programme was implemented as an unconditional cash transfer mechanism and delivers payments directly to recipients through existing social transfer programmes.
- In Brazil, the recent VAT reform introduced a VAT "cashback" mechanism to benefit low-income households. The VAT cashback is available to families with a monthly per capita income of up to half a minimum wage and corresponds to 100% of the CBS (the federal VAT) and 20% of the IBS (the subnational VAT) paid on utilities (gas, electricity, water supply, sewage and telecommunications), as well as 20% of the VAT paid on other goods and services. This type of scheme is not entirely new in Brazil. Since 2021, the state of Rio Grande do Sul has implemented a VAT refund programme based on a hybrid approach, combining a fixed amount with a variable amount calculated from invoices issued with a taxpayer ID. Eligible purchases include goods, telecommunications, transportation, and electricity services. The benefit is the greater of USD 18.9 (fixed) or 50% of the VAT paid (variable) paid every 3 months, with rules in place to ensure compatibility with household income. Payments are deposited directly into a designated bank account.

Some countries raised the VAT rate

VAT rates on certain sectors or goods and services have been increased in some countries, primarily to raise additional revenue or simplify their VAT systems. In the Netherlands, the VAT rate applicable to accommodation services (except camping) and cultural goods and services (except cinemas and day recreation) has increased from 9% to the 21% standard rate as from 1 January 2026. The Maldives increased their Goods and Services Tax rate applicable to the tourism sector from 16% to 17%. From March 2026, Belgium increased the VAT rate on hotels and camping services from 6% to 12%. In Zambia, the VAT rate for supplies of information and communication technology equipment was increased from 0% to the standard 16% rate.

To mobilise revenues, two countries increased their standard VAT rate in 2025 (Romania and Estonia). From January 2026, Estonia’s standard VAT rate is set to increase from 22% to 24%, following a previous increase from 20% to 22% in 2024. Although the increase was originally introduced as a temporary measure, it has since been made permanent. As already discussed, Romania also increased its standard VAT rate as part of a broader reform package.

3.4.3. VAT base adjustments consisted predominantly of broadening measures addressing the digital economy and some narrowing measures related to reducing the administrative burden

Countries continued to adapt their VAT systems to the growing importance of cross-border digital commerce.

Several countries introduced or further refined rules related to collection of VAT on the cross-border supply of services and intangibles, aligning their VAT systems with international standards and guidance. From January 2026, Mauritius introduced new requirements for foreign suppliers of digital and electronic services to register and collect VAT at a rate of 15% on supplies made to consumers in Mauritius. The definition of digital or electronic services includes the supply of texts and images, music, videos, online games, applications and software, website and web hosting services, online advertising and distance maintenance services. In October 2025, Chile implemented a full liability regime for digital platform operators, requiring those operators to collect the VAT on the supplies made by non-registered suppliers to consumers in Chile through their digital platforms. Effective January 2026, Saudi Arabia extended the scope of its full liability rules for electronic marketplaces to cover supplies of goods or services made by resident suppliers that are not registered for VAT. From January 2026, Mexico extended VAT withholding obligations to transactions carried out through digital intermediation platforms. Withholding percentages vary (50% or 100%) depending on the tax status and residence of the supplier and apply in full to certain foreign or non-registered suppliers. In contrast, Ecuador and Azerbaijan are both moving from a VAT withholding model to a mandatory VAT registration system for non-resident digital service providers. In March 2026, Azerbaijan amended the VAT framework for digital commerce to introduce mandatory registration for non-resident providers of digital services supplying to customers in Azerbaijan. Under the previous framework in place since 2023, registration for non-resident service providers had been voluntary, with a withholding mechanism applied where suppliers were not registered.

The EU reached agreement on rules introducing new VAT requirements for sharing and gig economy platforms in March 2025 as part of the European Commission’s “*VAT in the Digital Age*” (ViDA) package. According to that package, platforms in the short-term accommodation rental and passenger transport sectors will be required to collect VAT on the supplies that they facilitate from 1 July 2028. The new regime extends the ‘deemed supplier’ (i.e. full liability) rules already applicable to certain e-commerce supplies under the VAT Directive to the supply of short-term accommodation rentals and passenger transportation services.

Box 3.6. Overview of the core OECD VAT recommendations for digital economy supplies

Reforms designed to address the challenges arising from the increasing digitalisation of the economy continue to be among the most significant changes introduced by countries. In response to the transformation of economies driven by globalisation and digitalisation, the OECD has developed a set of internationally agreed standards and recommended approaches for the VAT treatment of cross-border trade, with particular emphasis on digital trade. These include the International VAT/GST Guidelines (OECD, 2017[7]), which are marking their 10th anniversary as an OECD Council Recommendation, as well as a series of implementation guidance documents that followed their publication. To date, more than 116 countries worldwide, including many low- and middle-income economies, have implemented reforms based on these VAT standards and subsequent guidance, with a further 22 countries in the process of implementing or considering their adoption. A summary of the main recommendations is outlined below:

1. **Create an effective legal basis for right to tax inbound international supplies**
   - In particular, consider implementing a "place of taxation" rule for supplies of services and intangibles by reference to the location of the customer (usual residence of the customer for B2C supplies).
   - For imported goods, explore transferring the responsibility to collect VAT from customs authorities to non-resident suppliers.
2. **Implement an efficient and effective collection mechanism**
   - Consider introducing a requirement for non-resident suppliers to register and account for the VAT on remote international sales, including low-value imported goods, through a simplified registration and collection mechanism.
3. **Leverage the power of digital platforms to enhance VAT collection**
   - Further facilitate and enhance compliance by enlisting online marketplaces and other digital platforms in VAT collection on inbound international supplies.
4. **Facilitate compliance and strengthen enforcement through modern, data-driven risk management and administrative co-operation**
   - Complement a simplified compliance regime with the implementation of a modern risk-based compliance strategy and robust administrative co-operation.

While most reforms related to the digital economy have focused on strengthening VAT collection on supplies of digital services and intangibles, particularly international supplies, countries are increasingly introducing measures to ensure the effective collection of VAT on online supplies of low-value imported goods. To date, 43 countries have implemented such reforms. Effective October 2025, Chile extended its VAT regime for suppliers of digital services to the supplies of low-value imported goods and implemented a full liability regime for digital platforms. Under this new regime non-resident sellers of imported goods with a value at or below USD 500 are required to register in Chile through an online portal, to collect the Chilean VAT on their supplies of these goods to Chilean consumers at the point of sale, and to remit it to the Chilean tax authorities through that same online portal. The full liability ("deemed supplier") regime for digital platforms applies to B2C supplies made by a supplier not registered for VAT and requires the platform to register and collect VAT under the simplified regime. From April 2028, Japan will introduce similar new rules requiring non-resident sellers to collect VAT on low-value goods supplied to consumers in Japan (i.e. goods with a value of JPY 10 000 or less) at the point of sale. VAT on imported goods exceeding JPY 10 000 will continue to be paid upon importation, together with applicable customs duties. Japan will also extend its "Platform Taxation" regime, initially introduced in April 2025 for digital services and intangibles, to cover supplies of goods. Under this regime, platform operators will be liable for VAT on domestic sales of goods made by foreign businesses (e.g. through marketplace fulfilment services), as well as on cross-border supplies of low-value goods, where the platform's revenue from such transactions exceeds JPY 5 billion. North Macedonia removed the VAT exemption for low-value consignments (below EUR 22) from December 2025.

Several countries implemented policy measures to selectively narrow the VAT base by exempting specific goods and services from VAT

A limited number of countries introduced measures that narrow the VAT base by exempting specific goods and services, often on a temporary basis. Armenia introduced a VAT exemption for the importation and domestic supply of EVs during 2026, while Barbados removed VAT on commercial kitchen equipment from 2025 to 2027. Kenya expanded exemptions to locally consumed teas, mosquito repellent products, and related production inputs, machinery, services, and raw materials. Saint Lucia granted additional food item exemptions in response to price increases from June 2025. Austria introduced exemptions for menstrual products and contraceptives, and Peru further extended existing exemptions - originally due to expire in December 2022 - until December 2028. These apply to a broad range of essential goods, including basic food items, live animals, seeds, and fertilisers, as well as selected services such as certain financial services, international freight transport, most domestic public transport (excluding rail and air), and live cultural shows.

Other reforms aimed at reaching sectoral or strategic objectives. Azerbaijan introduced and extended a wide range of exemptions to support domestic manufacturing and key sectors, including a new seven-year exemption for domestically manufactured passenger vehicles from January 2027 and exemptions for certain agricultural fertilisers. Existing exemptions were extended for goods related to oil refinery reconstruction, shipbuilding and repair, and media activities (excluding audiovisual media), as well as for transfers of non-performing assets and bank resolution and bankruptcy proceedings. In Türkiye, new exemptions apply to vehicles supplied to public institutions engaged in defence and internal security and to certain foundation-owned real estate transactions. Temporary exemptions were also introduced for goods and services linked to major international sporting events, including the 2026 UEFA Europa League Final, the 2027 UEFA Conference League Final, and the 2032 UEFA European Football Championship. In addition, the exemption for supplies under the Istanbul Seismic Risk Reduction and Emergency Preparedness Project was extended until 31 December 2035.

A few changes have been made to the VAT treatment of financial services, including for activities involving crypto-assets. Georgia introduced an exemption with right to input-VAT deduction (i.e. a zero-rated treatment) for the supply and importation of investment gold. This measure was at supporting the development of a domestic investment gold market and attracting investment in that market. Czechia narrowed the scope of transactions qualifying as VAT-exempt financial services, to align its legislation with the EU VAT Directive. Armenia clarified the VAT treatment of crypto-assets. The transfer of crypto-assets is now defined as subject to VAT but treated as VAT-exempt, while services related to crypto-assets remain subject to a positive VAT rate. Similarly, Indonesia introduced specific VAT provisions treating crypto-assets as financial instruments exempt from VAT. Previously, Indonesia had treated crypto-assets as intangible taxable goods subject to VAT. VAT continues to apply to services provided by crypto-asset exchanges and miners.

Box 3.7. Brazil's consumption tax reform

In January 2026, Brazil began implementing its landmark and comprehensive consumption tax reform, replacing a complex indirect tax system composed of multiple taxes levied at different levels of government with a dual VAT system broadly aligned with international VAT/GST principles and best practices. The reform represents a major restructuring of Brazil's consumption taxation, aiming to simplify the system, reduce economic distortions, compliance costs and litigation. The reform introduces a federal VAT, the Contribution on Goods and Services (CBS), and a subnational VAT, the Tax on Goods and Services (IBS), jointly levied by states and municipalities. These new taxes will replace five taxes currently applied to the supply of goods and services: the state-level ICMS on the supply of goods and certain services; the municipal ISS on services; the federal turnover taxes PIS and COFINS; and, partially, the federal IPI on industrialised products. The subnational VAT (IBS) will be centrally collected and administered through a Steering Committee composed of representatives of states and municipalities, which will also be responsible for revenue distribution, the coordination of tax administrations and the harmonisation of the legislation's interpretation.

In contrast to the previous system, characterised by a fragmented tax base and partial origin-based taxation, the two new taxes will share a common design, including a single legislative framework, a broad tax base, destination-based taxation and full deductibility of input tax credits. The new system will rely extensively on Brazil's advanced electronic invoicing infrastructure and will introduce a split-payment mechanism, under which the VAT component of a transaction is automatically transferred to the tax administration through the payment system.

The reform includes a gradual transition period. Current federal taxes will be replaced by the new CBS in 2027, while the IBS will initially apply at a nominal rate of 0.1%. The replacement of state and municipal taxes by the IBS will occur progressively between 2029 and 2033. The distribution of revenues among subnational governments will follow a longer transition period of 50 years, gradually shifting from the current revenue allocation rules to the new destination-based revenue distribution system.

To mitigate regressivity, the reform introduces a cashback mechanism for low-income households with a monthly per capita income of up to half the minimum wage. VAT refunds will correspond to 100% of the CBS and 20% of the IBS on essential utilities, such as electricity, water, and gas, and 20% of both the CBS and IBS on other goods and services. Subnational governments may increase the applicable IBS refund percentages through specific legislation.

The reform also introduces specific regimes for selected sectors. Financial services, including margin-based services, will be subject to VAT at a reduced rate, and financial service providers will be entitled to claim presumed input tax credits. Real property transactions will also be subject to specific rules, including reduced rates and adjustments to reduce the tax base, as well as the creation of a national registry of market values for real estate. Additional regimes apply to sectors such as fuels, which will be subject to single-phase taxation with uniform specific rates, and restaurants and hotels, which will benefit from reduced rates but without input tax credits for the purchaser. Certain existing preferential regimes, including the Simples Nacional regime for small businesses and the Manaus Free Trade Zone, will be preserved.

In addition, the standard rates of the CBS and IBS are reduced by 30%, 60%, or 100% for certain categories of supplies. The zero rate (corresponding to a 100% reduction of the standard rate) will apply to basic groceries, including vegetables, fruits, and eggs, certain medicines, medical devices and passenger vehicles designed for persons with disabilities or for use as taxis. The reduced rate of 40% of the standard rate (corresponding to a 60% reduction) will apply to health and education services, food products and medicines not subject to the zero rate, certain medical and accessibility devices, personal hygiene and cleaning products predominantly consumed by low-income households, agricultural products and inputs, certain activities in the cultural sector, institutional communication services, sports-related activities and goods and services associated with national sovereignty and security. The reduced rate of 70% of the standard rate (corresponding to a 30% reduction) will apply to regulated intellectual and professional services, including those provided by lawyers, accountants, economists, engineers and architects. The reform also preserves existing constitutional immunities and introduces exemptions for political parties, trade unions, non-profit educational and social assistance institutions, religious entities and their charitable organisations, cooperative societies, media sector, as well as for books, newspapers, periodicals, and certain passenger transportation services.

A number of countries increased their VAT registration threshold in 2025

Continuing a trend observed in recent years, several countries increased their VAT registration threshold to ease compliance costs for small suppliers and to facilitate tax administration. Austria increased the small business VAT threshold from EUR 35 000 to EUR 55 000. Hungary raised VAT exemption threshold in stages, from HUF 12 million to HUF 18 million and subsequently to HUF 20–24 million between 2026 and 2028. Portugal increased its cash accounting threshold to EUR 2 million and amended its small enterprise exemption regime. Effective January 2025, Czechia reformed its VAT registration requirements by replacing the rolling 12-month test for its CZK 2 million threshold by a calendar-year-based test and by introducing a second, higher threshold of CZK 2 536 500 requiring immediate registration (corresponding to approx. EUR 100 000 and aligned with the EU small business regime). Azerbaijan increased the VAT registration threshold from AZN 200 000 to AZN 400 000 from January 2026 for cashless payments in retail trade and services provided to persons not registered for VAT, to stimulate cashless transactions. Poland increased its registration threshold from PLN 200 000 to PLN 240 000, starting from January 2026. Romania increased the VAT registration threshold from RON 300 000 to RON 395 000 (approximately EUR 80 000 to EUR 105 000) from 1 September 2025 and implemented rules related to the EU special VAT scheme for small enterprises. By contrast, Mauritius reduced its VAT registration threshold from MUR 6 million to MUR 3 million.

Countries continue to take measures to prevent and combat VAT Fraud and non-compliance

Countries are increasingly adopting electronic invoicing and digital continuous transactional reporting (DCTR) regimes, often with the primary objective of strengthening VAT compliance and risk management (see Box 3.8 below). In Europe, the adoption of the European Commission's "VAT in the Digital Age" (ViDA) package in March 2025 introduced new rules on real-time digital reporting requirements (DRR) based on electronic invoicing for cross-border trade with the purpose of reducing fraud, especially carousel fraud. DRRs will be implemented on cross-border B2B transactions and e-invoicing will become mandatory as the default method for invoicing from 1 July 2030. In the meantime, since 14 April 2025, EU Member States can introduce mandatory e-invoicing without prior authorisation ("derogation") from the European Commission, under specific conditions.

Box 3.8. OECD Report on digital continuous transactional reporting for VAT

Jurisdictions worldwide are increasingly adopting DCTR mandates as part of a broader shift toward more automated and data-driven tax administration. DCTR regimes typically require (near) real-time reporting of invoices or transactional data to the tax authorities. Growing DCTR introduction is closely intertwined with the ongoing digital transformation of business processes, where electronic invoicing and the need to integrating tax compliance into digital workflows plays a significant role.

However, this global expansion has not occurred in an organised manner. National regimes present a high degree of heterogeneity having often been focused primarily, if not exclusively, on a wholly domestic context. This diversity poses increasingly significant compliance challenges, in particular for businesses that face DCTR obligations across a growing number of jurisdictions. The multiplicity of non-interoperable designs is likely to result in excessive complexity, legal uncertainty and additional operating costs for economic operators, particularly those engaged in international activities.

In response, the OECD has developed guidance to assist jurisdictions in evaluating and identifying options for efficient and effective DCTR design, implementation and operation, notably to enhance consistency across regimes and mitigate the adverse effects of the proliferation of wholly distinct regimes. The OECD report on *Digital Continuous Transactional Reporting for Value Added Tax*, released in January 2026, presents policy and design considerations for the introduction and operation of such regimes. It was developed in recognition of the need for guidance that could enhance the consistency of DCTR regimes, and of the strong link between DCTR mandates and VAT compliance, risk management and administration. It builds on intense consultation and dialogue among OECD members, partner countries and other stakeholders, including private sector experts. It is presented for the consideration of interested jurisdictions and should not be interpreted as a recommendation to implement a DCTR mandate, which remains a sovereign decision of each jurisdiction.

The guidance for DCTR design and operation presented in the report is structured around six key areas of consideration, as follows:

- Developing a solid strategic basis for DCTR introduction and operation. Highlights the critical importance of a strategic approach to the design, implementation and operation of a DCTR requirement.
- Embracing the digitalisation of invoicing as the foundation for DCTR. Analyses the considerable opportunities of the growing digitalisation of invoicing as a commercial process for DCTR.
- Facilitating compliance to maximise DCTR impact. Sets out options for DCTR design and operation to facilitate and enhance business compliance to maximise DCTR performance.
- Ensuring information security. Discusses the importance of robust information security measures as a core component of DCTR design and operation
- Fostering interoperable data exchange. Highlights the growing importance of the interoperability across electronic invoicing systems and DCTR data exchange systems

Considering the long-term sustainability of the DCTR strategy, in particular through the continuous monitoring and evaluation of DCTR performance and impacts and ensuring that DCTR requirements do not stifle innovation or create obstacles to international trade.

Source: OECD (2026), *Digital Continuous Transactional Reporting for Value Added Tax: Policy and Design Considerations for Introduction and Operation*, OECD Publishing, Paris, https://doi.org/10.1787/34c88c39-en.

Several EU countries have already taken concrete steps towards requiring e-invoicing. In Belgium, all VAT-registered businesses have been required to use structured electronic invoices for domestic transactions between businesses (B2B) as of 1 January 2026. In France, the requirement to issue electronic invoices on domestic B2B transactions will enter into force in September 2026 for large companies and medium-sized enterprises (ETIs) and in September 2027 for small and medium-sized enterprises (SMEs) and micro-enterprises. The obligation to receive electronic invoices will apply to all businesses from September 2026. The same timeline will also apply to the implementation of e-reporting for all transactions not covered by the e-invoicing requirement, requiring businesses to transmit their transaction data to the tax administration. Poland implemented mandatory e-invoicing in a structured form in the National e-Invoicing System from 1 February 2026 for large enterprises and from 1 April 2026 for other entrepreneurs and entities that issue invoices (with the exceptions specified in the regulations). For the smallest taxable persons (with sales up to PLN 10 000 per month) there is an option to postpone the obligation until the end of 2026. Spain has recently approved implementing regulations to prior legislation imposing mandatory B2B e-invoicing, with expected entry into force in 2027, pending certain technical and procedural details. Ireland has announced plans for the phased rollout of mandatory B2B e-invoicing beginning in 2028. In 2025, Croatia adopted a new Fiscalisation Act covering the fiscalisation of all invoices in final consumption, e-invoices between taxpayers, and transactions with public bodies. From 1 January 2026, e-invoicing is mandatory for VAT-registered taxpayers in domestic transactions, and non-VAT registered entities and public bodies must receive e-invoices. From 1 January 2027, e-invoicing is expected to fully replace paper invoices, extending mandatory issuance and receipt obligations to entities not in the VAT system and public sector bodies. Outside the EU, Norway plans to introduce mandatory B2B e-invoicing in 2027 and the UK in 2029.

In Asia, Singapore is gradually introducing e-invoicing based on turnover thresholds, aimed at supporting broader digital transformation. From April 2028, all newly compulsory GST-registered businesses and existing GST-registered businesses with total annual supplies of up to SGD 200 000 will be required to submit digital invoices to the tax administration. From April 2029, this requirement will extend to GST-registered businesses with total annual supplies of up to SGD 1 million, followed in April 2030 by businesses with total annual supplies of up to SGD 4 million. From April 2031 onwards, the obligation will apply to GST-registered businesses with total annual supplies exceeding SGD 4 million. Similarly, the United Arab Emirates will also introduce e-invoicing from 2026 with a phased rollout based on business turnover.

3.4.4. Countries further raised health taxes to raise revenues and discourage behaviours that adversely affect both individual and public health

Health-related taxes continued to be widely used in 2025 to raise revenues and discourage the consumption of products that negatively affect individual and public health. As in previous years, these taxes were primarily implemented through excise duties on tobacco, alcohol, and sugar-sweetened beverages (SSBs), although several countries also relied on VAT adjustments, which are discussed above. A notable trend in 2025 is the continued expansion of tobacco tax bases, particularly to new tobacco and nicotine products.

Tobacco tax measures remained the most frequent among health tax reforms in 2025

Eighteen jurisdictions reported increasing their taxes on tobacco products, reaffirming the central role of these taxes in both tax and public health policy. The list of countries introducing tobacco tax increases in 2025 includes Austria, Azerbaijan, Bulgaria, Canada, Colombia, Finland, Ireland, Italy, Latvia, Luxembourg, Mauritius, Mexico, Poland, Romania, Slovenia, South Africa, Sweden, and Ukraine. While most increases consisted of raising rates or specific amounts, countries also broadened their tax base to new tobacco and nicotine products.

As the consumption of new tobacco and nicotine products has increased globally, tax measures targeting these products have become more frequent. Colombia, for instance, significantly restructured its tobacco excise system by introducing a mixed tax combining a specific component and an ad valorem component, while also broadening the base to include new tobacco and nicotine products. Austria extended tobacco taxation to new tobacco and nicotine products, while Finland increased taxes on nicotine pouches and e-cigarettes. In Canada, subnational governments implemented increases in tobacco taxes and expanded taxation to vaping products, including through the extension of sales tax bases and new compliance measures targeting contraband tobacco. Countries such as Ireland, Latvia, Mexico, Peru, and South Africa introduced reforms that raised taxes on new products as well as on conventional products. Mexico, for example, introduced a significant reform increasing excise rates on cigarettes and other nicotine-containing products, with a gradual path to higher taxation levels by 2030. Additionally, Ukraine introduced a multi-year reform aligning tobacco excise rates with EU minimum standards.

Only two countries reported introducing targeted cuts or base narrowing measures. Saudi Arabia exempted certain smoking cessation products from excise taxation and Georgia reduced its excise tax rates for locally produced cigarettes.

Alcohol measures consisted of a mix of increases and targeted tax reductions

Seven jurisdictions (Azerbaijan, Colombia, Finland, Latvia, Romania, Slovenia, and South Africa) increased excise duties on alcohol, often to adjust their existing specific excise amounts to price levels, but in a number of cases also to increase the tax in real terms. Finland, for example, implemented automatic indexation to inflation for alcohol taxes and further increased its excise duty on wine. Azerbaijan increased its excise taxes on vodka, cognac, and energy drinks. Colombia implemented a significant increase in alcohol taxation through both higher excise rates and a substantial rise in VAT applied to alcoholic beverages as discussed in the previous sections. Slovenia increased its excise duties on alcoholic beverages by 7%.

At the same time, some jurisdictions introduced targeted tax reductions. Australia paused indexation of draught beer excise duties and increased support through excise remission schemes, while the province of Ontario in Canada reduced tax rates on some spirits and beer with the stated objective of benefiting small producers. Sweden also reduced alcohol excise duties for beer from small independent producers.

Countries expanded and strengthened taxes on sugar-sweetened beverages and other unhealthy products

Reforms to SSB taxes were more frequent in 2025. Countries strengthened existing regimes and, in some cases, introduced new ones. Lithuania introduced a new excise duty on sweetened drinks, while Finland, France, and Latvia increased taxes on SSBs. Mauritius significantly increased its sugar-based excise duty and extended it to additional products such as chocolates and ice cream, further broadening the scope of health-related taxation. Similarly, Barbados increased excise taxes on salty snacks to promote healthier diets.

Several countries also implemented structural reforms to improve the effectiveness of SSB taxes. The United Kingdom announced a broadening of its Soft Drinks Industry Levy, lowering the sugar threshold and extending coverage to milk-based drinks and milk substitute drinks with added sugar. Similarly, the Netherlands broadened its consumption tax on non-alcoholic beverages by tightening its dairy exemptions to limit avoidance opportunities. The United Arab Emirates introduced a tiered volume based model and Saudi Arabia shifted to a sugar-content-based tax calculation, aligning the tax more closely with health objectives. However, not all reforms resulted in higher taxation. Canada, for example, eliminated its SSB tax in Newfoundland and Labrador and Italy suspended its sugar tax until 2027.

3.4.5. Other changes to taxes on goods and services included increases to taxes on tourism

A significant share of reforms related to tourism taxation, with several countries increasing tax rates to raise revenues and address pressures associated with high tourist inflows. New Zealand, Japan, Malta, Greece and the Maldives all increased tourism-related taxes, often with the dual objective of funding public services and mitigating the environmental and infrastructure impacts of tourism. New Zealand increased its International Visitor Conservation and Tourism Levy to NZD 100. Similarly, Japan raised its International Tourist Tax from JPY 1 000 to JPY 3 000 since July 2026. Malta increased its eco-contribution paid by tourists from EUR 0.50 to EUR 1.50 per night. Greece also increased its Climate Crisis Resilience Fee on hotels and rented rooms from 1 January 2025, with fees differing by rental characteristics and time of year. The Maldives increased its Green Tax rates on tourists at USD 12 or at a halved rate per day of stay depending on the characteristics of the hotel or tourist guesthouse starting from 1 January 2025. In contrast, some countries introduced targeted relief measures. Seychelles exempted small accommodation providers from the tourism tax due to administrative burden concerns, while Iceland reduced its infrastructure tax on cruise passengers.

3.5. Environmentally related taxes

In 2025, reforms to environmentally related taxes reflected a continued balancing of environmental objectives, cost pressures and revenue needs. Environmentally related taxes are taxes whose tax base is a physical unit (or a proxy of it) of something that has a proven, specific, negative impact on the environment (OECD, 2023[8]). These generally include energy, emissions, vehicles, aviation, and waste. Reforms to taxes on energy use showed a mixed pattern. Several countries increased carbon tax rates or broadened carbon pricing, while some also raised fuel excise duties. At the same time, many reforms to fuel and electricity taxation reduced effective tax burdens on households, road transport and selected sectors, often in response to cost-of-living and competitiveness concerns. Also consistent with prior trends, one country took steps to reduce the excise duty differential between diesel and gasoline used for road transport.

Countries continued to increase carbon tax rates and coverage to support the transition to a low-carbon economy. Norway and the Netherlands introduced reforms to their national carbon taxation regime that included changes affecting industries already subject to the European Union Emission Trading System (EU ETS). Some reforms adjusted carbon pricing mechanisms to ease compliance for businesses, and Canada repealed its federal fuel charge and removed the requirement for provinces and territories to have a consumer-facing carbon price to help curb the cost of fuels and to lower headline inflation.

Changes to taxes on electricity use became more frequent relative to 2024, and, in a shift from prior years, nearly all changes resulted in lower rates or narrower bases. Finland increased tax rates on electricity consumed in specific economic activities to raise revenues and to improve tax policy alignment with neighbouring countries.

In the transport sector, reforms generally maintained a relative tax advantage for low-emission and EVs, although this advantage continued to narrow in some jurisdictions as governments adapted tax systems to technological change and revenue pressures. Some countries extended tax relief for EVs, while others broadened vehicle taxation or introduced distance-based charging. A small number of countries also increased aviation taxes to better reflect environmental costs.

3.5.1. Recent trends in carbon pricing

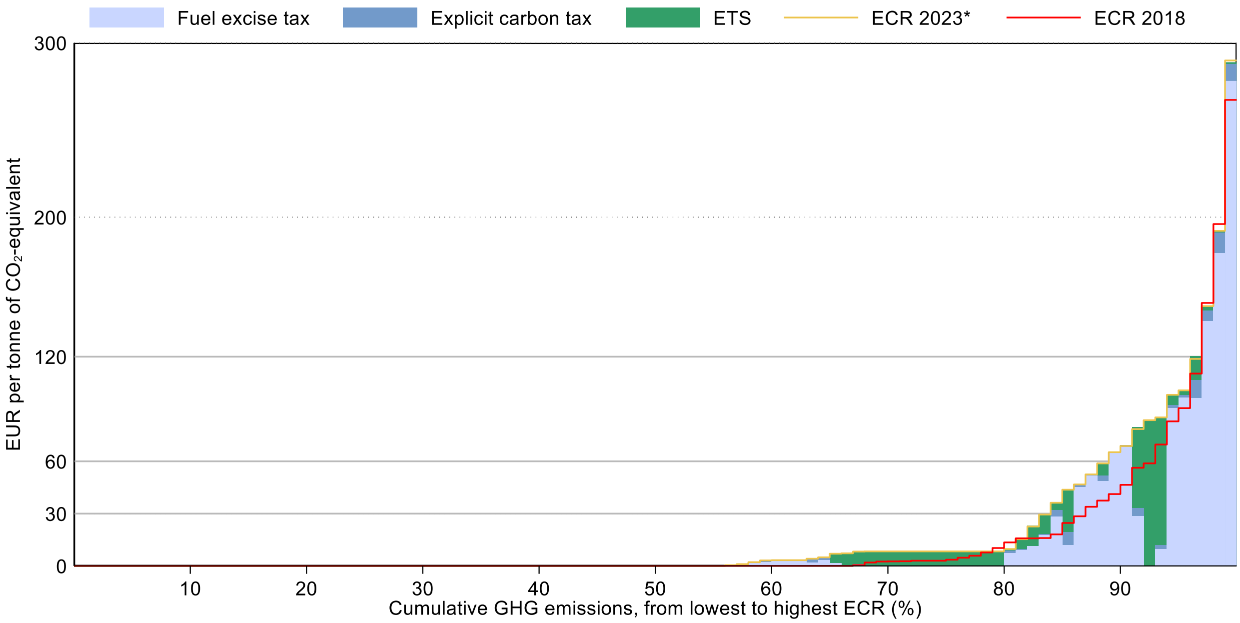
The OECD *Effective Carbon Rates 2025* report discusses recent developments in the carbon pricing space in 2024 and 2025 and provides descriptive evidence on carbon pricing and energy taxation in 2023 (OECD, 2025[9]). As of early 2025, 52 countries use carbon pricing instruments (carbon taxes and emissions trading systems - ETS). The adoption of carbon pricing instruments, and especially intensity-based ETS, is gaining traction across countries. Their expanding sectoral scope could reflect responses to climate and revenue objectives and the emergence of border carbon adjustment (BCA) policies. In 2023, almost 27% of greenhouse gas (GHG) emissions of the 79 countries covered in the report (accounting for 82% of global emissions) were subject to a carbon tax or an ETS (carbon pricing). The inclusion of fuel excise taxes expands the share of priced emissions to 44 percent. The 2023 findings represent a substantial increase from 2018, when coverage stood at 15% for carbon pricing and 33% when including fuel excise taxes (see Figure 3.6).

The ECR metric summarises the strength of the marginal incentive to reduce emissions from ETS, carbon taxes and fuel excise taxes. It is expressed in euros per ton of carbon dioxide equivalents (CO_2e)**.** Even though fuel excise taxes are introduced for a variety of policy objectives, objectives may or may not include carbon emissions mitigation. They are included in the ECR since they are levied on energy use, and fuel use proportionally translates into emissions (for example, combusting one litre of automotive diesel emits about 2.5 kg of CO_2). The distribution of ECRs is heterogeneous across sectors. Road transport bears the highest ECRs of any sector (about EUR 96 per tonne of CO_2e) driven primarily by fuel excise taxes on diesel and gasoline. Emissions from fugitive sources, waste, agriculture, industrial processes, and energy use resulting in methane and nitrous oxide emissions represent between 9% and 93% of national GHG emissions. Yet these emissions face the lowest ECR levels and coverage, and where pricing exists, it is concentrated on emissions from industrial processes.

OECD research also finds that carbon intensity metrics (the ratio of CO_2 emissions over output volume or value) are increasingly recognised as a key instrument in decarbonisation strategies and carbon pricing instruments. These metrics can help governments, firms and households make informed decisions with regard to consumption choices, emission reduction performance and policy design aligned with national priorities and policy preferences (OECD, 2024[10]). Average carbon intensity metrics can be used in policy design as default values for estimating embedded emissions under BCAs where firm-specific data is unavailable or too costly to obtain. They can be integrated into carbon tax policy design as benchmarks to incentivise cleaner production while providing tax relief. Average carbon intensity metrics are also often used as benchmarks to determine the free allocation of allowances in ETS, and their design is important to help balance leakage protection with continued decarbonisation incentives.

Figure 3.6. Distribution of effective carbon rates, 2018 and 2023

PIT & SSC revenues as a percentage of total tax revenues



Note: The effective carbon rate (ECR) metric summarises the strength of the marginal incentive to reduce emissions from ETS, carbon taxes and fuel excise taxes. For each percentile bracket, average rates are presented. ECR 2023 is adjusted to the same country coverage as 2018 (from 79 countries to 71). The distribution of ECRs is uneven: in 2023, around 16% of GHG emissions faced an ECR over EUR 30/tCO_2e, and around 11% of GHG emissions faced an ECR over EUR 60/tCO_2e. These shares have increased since 2018, when the corresponding shares were at 13% and 7%, respectively.
Source: Effective Carbon Rates 2025: Recent Trends in Taxes on Energy Use and Carbon Pricing (OECD, 2025).

StatLink https://stat.link/4ke5wo

3.5.2. Reforms to taxes on energy use continued to reflect a balance between revenue raising and environmental objectives

Reforms to taxes on energy use included changes to carbon taxes, fuel excise taxes, and taxes on electricity. Across these tax types, governments introduced selective tax increases (often aimed at strengthening price signals or raising revenues) as well as targeted measures to reduce the tax burden on households and businesses. While carbon pricing continued to be strengthened in several jurisdictions, many reforms to fuel and electricity taxation focused on mitigating cost-of-living pressures and reducing the tax burden.

A number of countries continued to increase carbon tax rates and bases to support the transition to a low-carbon economy

Several jurisdictions increased carbon tax rates in line with existing policy ambitions. Ireland raised its carbon tax from EUR 63.50 to EUR 71 per tonne of CO_2 emissions as part of its medium-term climate strategy. Carbon tax rates in South Africa first increased on diesel and petrol use in 2025, followed by all other applicable fuels in 2026. Luxembourg also raised its CO_2 tax on energy products in 2026. As part of a broader motor vehicle tax reform, Iceland increased its carbon tax by 15% to partly offset its repeal of fuel excise duties on petrol and diesel consumption.

In addition to rate increases, a number of countries expanded or adjusted the scope of carbon pricing, including changes affecting industries already subject to the EU ETS and to its associated carbon pricing mechanism.[4] Norway increased its carbon taxes on greenhouse gas (GHG) emissions outside the EU ETS and on emissions from the petroleum industry, which is subject to the EU ETS. Additionally, their tax base broadened to include carbon emissions from the consumption of natural gas and LPG in chemical reduction processes, among other activities. Norway also introduced exemptions for certain ETS-regulated activities and discontinued a planned reduced rate for international shipping. Meanwhile, the Netherlands reduced its CO_2 levy for installations covered by the EU ETS and increased the share of exempted emissions, while tightening the treatment of waste incineration.

Some reforms also adjusted carbon pricing mechanisms to ease compliance for businesses. South Africa increased the carbon offset allowance, providing firms with greater flexibility to meet their tax obligations through mitigation projects (Republic of South Africa National Treasury, 2024[11]). Denmark postponed the introduction of a carbon tax on fisheries until 2029 and reduced the originally agreed rate by half. The temporary suspension was intended to give the sector more time to adjust to lower-carbon alternatives.

Canada repealed the federal fuel charge effective 1 April 2025 and is winding down mechanisms used to return fuel charge proceeds in the provinces where it applied (e.g. the Canada Carbon Rebate), along with requirements for provinces and territories to have a consumer-facing carbon price as of that date as well. In response, British Columbia cancelled its carbon tax and its associated climate action tax credit, the Northwest Territories cancelled their carbon tax on energy use, except for large emitters, and also ended its associated offset payments. Nunavut and Yukon also cancelled their respective carbon credit or carbon rebate, which drew upon the proceeds of carbon pricing, to provide rebates to their residents, and in the case of Yukon, to businesses, First Nations governments and municipalities.

Table 3.11. Changes to taxes on energy use implemented, legislated or announced in 2025

Type of tax on energy use	Base	Rate decrease / Base narrowing	Rate increase / Base broadening	Rate neutral / Base neutral
Carbon taxes	*All sectors*	CAN	IRL, LUX, NOR, ISL	
	Sector-specific	NOR[ETS], DNK, NLD[ETS]	NOR[Petroleum ETS], ZAF[Carbon offset]	
Taxes on fuels	*All sectors*	LTU, ISL	BEL, LVA, ZAF	SWE[Modernisation], AZE
	Transport	JPN, FIN, NLD, NOR	ITA[Diesel differential]	
	Agriculture	DEU, ZAF, SWE, AZE		
	Heating		BEL	
	Industry	SWE		
	Energy	ZAF		
Taxes on electricity use	*All sectors*	DNK, SWE, AUT		
	Sector-specific	SWE, DEU, NLD	FIN	

Note: "Modernisation" denotes Sweden's reforms to modernise the taxation of gaseous fuels (see Box 3.9 for a detailed description of the reform). "Diesel differential" refers to Italy's intent to phase out the differential in tax rates applied to gasoline and diesel. "ETS" denotes tax measures that affect companies subject to an Emission Trading System (ETS). "Petroleum ETS" denotes tax measures that affect companies subject to an ETS in the petroleum industry. "Carbon offset" refers to the increase in the carbon offset allowance in South Africa.
Source: OECD Annual Tax Policy Reform questionnaire

While some countries raised tax rates on fuel use, most reforms resulted in a lower tax burden on energy use

Several countries increased fuel excise duties, in part to raise revenues and, in some cases, to strengthen environmental price signals. Belgium announced increases in excise duties on natural gas, motor fuels and heating oil. South Africa raised its general fuel levy to account for inflation and its carbon fuel levy to align the excise rate with its carbon pricing measures. Furthermore, Latvia increased its excise tax rates on oil products.

At the same time, many reforms reduced effective tax burdens on fuel use, particularly in response to cost-of-living concerns. Reductions were often targeted at specific sectors such as road transport and agriculture in particular. Finland and Norway lowered taxes on road transport fuels, while the Netherlands extended the freeze on fuel excise duties to limit increases in transport costs. Japan abolished its provisional gasoline tax, significantly lowering fuel tax rates. In the agriculture and related sectors, several countries provided additional relief, including reduced diesel taxation in Sweden, reinstated tax reimbursements in Germany, and expanded refund schemes in South Africa. Finally, Lithuania reduced excise duty rates on gas oils and LPG to mitigate hikes in fuel prices.

Some reforms also aimed to improve the environmental consistency and design of energy taxation. The combustion of diesel emits more carbon emissions and harmful air pollutants per litre than gasoline, despite the historically and relatively lower tax rates on diesel (Harding, 2014[12]). Italy, for example, planned to harmonise the tax rates applied to diesel and gasoline by 2026 via a two-stage phase-out of the differential. In 2025 the rate on diesel (gasoline) increased (decreased) by EUR 0.015 per litre and increased (decreased) again by EUR 0.0405 per litre in 2026, resulting in the same rate of 67.29-euro cents per litre for both fuel types.

Finally, a small number of reforms focused on simplifying tax systems and improving compliance. Sweden modernised the taxation of gaseous fuels by harmonising tax rules and shifting from volume-based to energy-based taxation, better aligning the tax base with actual energy content (see Box 3.9) for a more detailed description of the reform).

Box 3.9. Tax policy reforms in Sweden

In an effort to modernise and simplify the tax regime for gaseous fuels and electricity, Sweden introduced a set of reforms that harmonise tax rules for bio-based gases, shift the tax base for gaseous fuels from volume to energy content and align tax rules for energy used in metallurgical processes. These measures aim to simplify administration, ensure more consistent taxation across fuels and electricity and better reflect developments in technologies, products and industrial processes.

Tax rule harmonisation for bio-based gases

The reform broadened the definition of biogas to include all gases produced from biomass, accommodating emerging products such as bio-DME or bio-based synthetic gas (syngas). The broader definition reduced the need for repeated legislative amendments and was more aligned with other climate- and energy-related legislation in Sweden and in the EU. The reform further allowed tax exemptions to apply to the biogas component when blended with other fuels when used for heating, resulting in equal tax treatment between pure and blended biogas.

Taxation of gases based on energy content

The reform shifted the taxation of gaseous fuels from volume-based (e.g. per cubic meter) to energy-based rates (i.e. per kilowatt-hour), aligning with industry practice and other regulatory reporting systems and lowering the administrative burden for companies. In this shift, tax rates were also calibrated to keep the overall burden for natural gas unchanged. For purposes of harmonisation, the tax rate applied to natural gas was extended to LPG and other taxable gases.

Natural gas and biogas do not have a similar energy content per unit of volume, although they are distributed through the same pipeline system in Sweden. As a result, the gas volume required to deliver a given amount of energy can vary across consumers. Under a volume-based tax system, this variation can result in unequal taxation across consumers with identical energy use.

Tax rule harmonisation for electricity used in metallurgical processes

Sweden also extended the tax exemption applied to electricity consumed in metallurgical processes to electricity used for heating ladles and similar vessels, aligning with the tax treatment of fuels used for the same purpose. The extension helps ensure technology-neutral taxation between electric and fuel-based ladle heating and can ultimately support the electrification of metallurgical processes in industry.

Source: Sweden Ministry of Finance (2025[13]; [14]), OECD 2026 tax policy reform questionnaire

Several countries introduced measures to lower tax rates on electricity use to mitigate costs

Tax rates on electricity consumption were lowered in three countries and increased in one. Denmark temporarily reduced its electricity duty to the EU's minimal rate to lower electricity costs and encourage consumption. Similarly, Sweden reduced its rate to lower energy costs for households and businesses. Austria also implemented a year-long temporary reduction in 2026 of its tax on electricity to EUR 0.001 per kilowatt-hour (kWh) for private households and EUR 0.0082 per kWh for all other users. Finland, by contrast, abolished two electricity tax reductions applied to data centres and mining activities to raise tax revenues, noting that its electricity tax on data centres was lower than in neighbouring countries.

Electricity tax reforms were base narrowing in several countries. In the Netherlands, businesses with a residential function receive a fixed deduction from their energy tax liability, regardless of the amount of electricity and natural gas consumed. Starting in 2026, this lump-sum deduction amounted to EUR 524.95. In Germany, the manufacturing, agriculture and forestry sector was subject to the EU minimum tax rate as a form of tax relief on a permanent basis since 1 January 2026 to boost economic growth. To align the tax treatment of energy used in metallurgical processes, Sweden extended the electricity tax exemption to metallurgical processes to also cover electricity used for heating ladles and similar vessels (see Box 3.9 for a detailed description of the reform).

3.5.3. Revenue raising and environmental objectives drove transport-related tax reforms

Tax policy reforms in the transport sector continued to balance revenue objectives, environmental considerations and evolving vehicle technologies. In many cases, reforms maintained a relative tax advantage for low-emission and EVs, although this advantage continues to be reduced in some jurisdictions as EV adoption increases, eroding revenues from taxes on vehicles that do not receive preferential tax treatment.

Several countries introduced measures affecting the tax treatment of motor vehicles. In Estonia, an annual Motor Vehicle Tax applies to owners of registered motor vehicles. The tax varies by vehicle category: for instance, taxes on vans are based on a base amount and CO_2 emissions, while those on passenger cars also take into account vehicle mass (Estonian Tax and Customs Board, 2025[15]). To reduce the tax burden on families, Estonia introduced a measure so that parents receive a reduction of up to EUR 100 per additional child, capped at their total tax liability. To support its domestic automobile market, Japan abolished its environmental performance tax. The tax represented between 0% to 3% of the vehicle purchase price depending on environmental performance. Conversely, Azerbaijan increased its road tax and Barbados introduced a car rental levy of BBD 5 per day for up to 7 days and capped at BBD 35 per rental. Moreover, Bulgaria tightened fiscal controls on high-risk products, including automobiles, to improve oversight of tax base determination, ensure more effective tax liability assessment, and deter tax evasion.

Table 3.12. Changes to taxes related to transport implemented, legislated or announced in 2025

Type of tax	Base	Rate decrease | Base narrowing	Rate increase | Base broadening	Rate neutral | Base neutral
One-off	*Vehicle tax*	JPN, ISL[EV]	MUS[incl. EV], ISL[incl.EV]	JPN[incl. EV]
	Registration tax	IRL[EV]		DNK[EV]
	Flight tax		BEL, NLD	
	Other		MUS	
Recurrent	*Vehicle tax*	EST, DEU[EV], IRL[incl. EV]	ISL, AUT[EV], CAN[Province], BRB, AZE	
	Other			BGR

Note: “EV” denotes tax measures that affect the use of electric vehicles (EV).”incl. EV” denotes tax measures that affect the use of vehicles, including EV. “Province” refers to a tax measure implemented at a provincial level.
Source: OECD annual tax policy reform questionnaire

Several countries extended or maintained preferential tax treatment of EVs to support their uptake. To promote the use of automobiles with better fuel efficiency performance, Japan extended the application deadline of its *Special Green Policy* by two years. Similarly, to encourage investment in environmentally sustainable cars, Germany extended its vehicle tax exemption for EVs**.** Denmark postponed the higher registration duty on EVs by a year, while Ireland extended the Vehicle Registration Tax (VRT) relief for EVs to 31 December 2026.

At the same time, some countries moved towards a more neutral tax treatment across vehicle types. introduced a motor vehicle tax and an engine-related insurance tax on EVs. The province of Saskatchewan in Canada increased its annual Road Use Charge for passenger of EVs registered in the province from CAD 150 to CAD 300. Mauritius reintroduced and increased excise duties on both motor vehicles and EVs.

Some reforms also point to a gradual shift in transport taxation design towards distance-based taxation. Iceland, for example, introduced a new kilometer-based fee for all vehicles, including EVs and plug-in hybrids, as part of a broader tax reform where excise duties on petrol and diesel use were repealed and the associated loss in tax revenues was partly offset by an increase in the carbon tax. In parallel, Iceland also abolished excise duties on EVs but increased them significantly for thermal and hybrid vehicles and tightened carbon emissions thresholds that help determine total import charges on eligible vehicles (Iceland Revenue and Customs, 2026[16]).

In addition to vehicle taxation, a small number of countries increased aviation taxes. The Netherlands introduced differentiation based on flight distance to better reflect environmental costs. Since 2021, the Dutch Environmental Taxes Act (*Wet belastingen op milieugrondslag, Wbm*) included a flat tax set at EUR 29.40 per passenger in 2025 regardless of flight duration. From 1 January 2027, the aviation tax is set to vary by final destination. Belgium harmonised aviation taxes applicable to short-haul flights to EUR 10 in 2027, EUR 10.5 in 2028 and EUR 11 in 2029.

3.5.4. Some countries also introduced reforms to other environmentally related taxes

Reforms to natural resource taxation were also relatively frequent and were primarily motivated by revenue considerations. Latvia increased tax rates on several natural resources and introduced a new tax on unprocessed wood, while Finland raised taxes on mined minerals. In addition, several countries revised valuation or calculation methods to improve transparency and efficiency, including Azerbaijan in the oil and gas sector and Iceland in fisheries. Poland, by contrast, adjusted its mining tax framework to support investment by reducing the effective tax burden on certain extraction activities. The Netherlands reformed its tap water tax by removing the levy ceiling, narrowing the tax base, and abolishing exemptions for smaller suppliers.

Few countries introduced tax policy reforms affecting waste and plastic. The Netherlands introduced changes to its taxation of waste: from 2027 a tax exemption for sewage sludge is removed and a new tax rate for landfill-with-exemption is introduced from 2029 onwards, resulting in a significant increase in the waste tax rate from EUR 39.70 to EUR 90.21 per tonne of waste in 2028 and to EUR 113.81 per tonne of waste from 2035 onwards (at 2025 price levels). Denmark introduced a new tax on untreated sewage from overflow to mitigate any negative effects to the aquatic environment. Meanwhile, Italy suspended its plastic tax until 1 January 2027.

Table 3.13. Changes to other environmentally related taxes implemented, legislated or announced in 2025

Taxes related to:	Rate decrease / Base narrowing	Rate increase / Base broadening	Rate neutral / Base neutral
Natural Resources	POL	LVA, NLD, FIN, ISL	AZE
Waste		DNK, NLD	
Tourism	SYC, ISL	NZL, MLT, GRC, JPN, MDV	
Other	ZAF, UKR		ITA

Source: OECD annual tax policy reform questionnaire

3.6. Taxes on property

While still less frequently introduced than other reforms, property tax reforms in 2025 were more focused on revenue mobilisation than in previous years, particularly through recurrent taxes on immovable property. At the same time, governments continued to implement targeted relief measures to support households and housing affordability, against a backdrop of high property prices and rental costs in many economies. As in previous years, reforms were concentrated in three main areas: recurrent taxes on immovable property, property transaction taxes, and inheritance, estate, and gift taxes, while changes to net wealth taxes remained relatively limited.

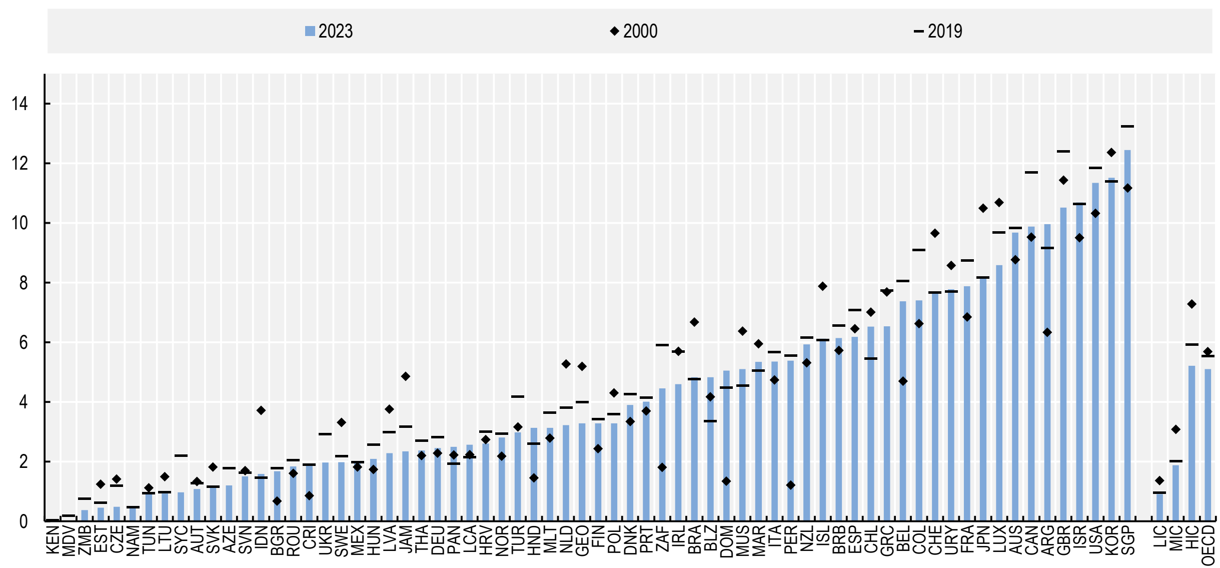
3.6.1. Property taxes remained a small share of total tax revenues in most jurisdictions

Property taxes continue to account for a relatively small share of total tax revenues across all income groups, although they remain more significant in HICs than in MICs and LICs (Figure 3.7). In 2023, revenues from property taxes represented around 5.2% of total revenues in HICs, compared to 1.9% in MICs and below 1% in LICs. The higher importance of property tax revenues in HICs may in part reflect broader administrative capacity, well-developed property markets, and the use of recurrent property taxes as a key local government revenue source. By contrast, limited tax administration infrastructure and valuation systems in many lower-income countries continue to constrain property taxes. Since 2000, the average share has declined across all income groups, falling by around 2.1 p.p. in HICs, 1.2 p.p. in MICs and 0.5 p.p. in LICs. This suggests a gradual reduction in the relative importance of property taxation over time, despite its continued role as a stable source of revenue in many advanced economies.

At the country level, there is considerable variation both in levels and trends. In 2023, property tax revenues accounted for less than 0.5% of the tax mix in Kenya, the Maldives, Zimbabwe, Estonia, and Czechia, while exceeding 10% in countries including Singapore, Korea, the United States, Israel, and the United Kingdom. Several countries recorded notable increases since 2000, including Peru (by 4.2 p.p.), the Dominican Republic (by 3.7 p.p.), and Argentina (by 3.6 p.p.). In contrast, smaller declines were observed in a number of countries, including Jamaica (by 2.5 p.p.), Japan (by 2.4 p.p.), and Indonesia (by 2.1 p.p.). For many jurisdictions, however, changes have been relatively modest, pointing to the stability of property tax revenues over time. Most property tax revenue comes from recurrent taxes on immovable property – typically levied at the subnational level – while transaction taxes, inheritance and gift taxes, and net wealth taxes also contribute.

Figure 3.7. Property tax revenues, 2000, 2019, and 2023

Property tax revenues as a percentage of total tax revenues



Note: Property tax revenues refer to tax category 4000 under the OECD classification of taxes. Tax revenues are the sum of taxes collected by all levels of government. See Revenue Statistics Interpretative Guide for more detail. The low-(LIC), middle-(MIC), and high-income country (HIC) averages are representative of the 120 jurisdictions that provide tax revenue data to the OECD.
Source: Global Revenue Statistics Database.

StatLink https://stat.link/ygbtx1

3.6.2. A number of countries increased property taxes in 2025 to raise revenues and address housing shortages

Several jurisdictions increased recurrent taxes on immovable property, often in combination with base broadening measures. Ireland reformed its Local Property Tax by widening valuation bands and increasing rates, leading to higher liabilities across most property values while ensuring revenue gains for local authorities. Israel proposed to reinstate a tax on vacant land at a rate of 1.5% of market value, aimed at raising revenues and incentivising land use. In Canada, Alberta increased education property tax rates for both residential and non-residential properties and British Columbia increased its rates on vacant or underused properties. Austria introduced stricter rules for real estate transfers that eliminated loopholes and broadened the tax base. In addition, a new rezoning surcharge raised the tax burden on capital gains from land that was re-zoned and then increased in value.

Lithuania introduced a comprehensive property tax reform, implementing a progressive tax schedule based on property value and whether the property is a second home or vacant. For main dwellings, the reform establishes a non-taxable threshold of EUR 450 000, while allowing municipal councils to set a higher threshold and apply rates between 0.1% and 1% based on the property's taxable value and the owner's socio-economic situation. By contrast, other non-commercial immovable property is brought under a progressive tax schedule, with rates rising from 0.2% to 1% above a EUR 50 000 zero-rate band. Revenues from the taxation of main dwellings are allocated to municipal budgets, whereas revenues from the taxation of other non-commercial are set to be allocated towards the state budget. Additionally, Lithuania introduced additional taxation on commercial immovable property, including a surcharge where revenues are intended to be allocated towards defence funding.

Colombia introduced a significant temporary change of its wealth tax for the 2026 tax year within the framework of the economic emergency declared in 2025. The reform broadened the tax base by substantially lowering the taxable threshold from 70 000 to 40 000 indexed units of account (or Tax Value Units, as they are referred to in Colombia), thereby bringing a larger share of taxpayers into scope. At the same time, it increased the progressivity of the tax by introducing a revised rate structure with marginal rates ranging from 0% to 5%, depending on the level of net wealth. Together, these measures both expand the number of liable taxpayers and raise effective tax burdens on higher wealth brackets. The reform is explicitly temporary and designed to generate additional government revenue to address fiscal pressures arising from the economic emergency.

Some governments also sought to increase revenues through transaction tax measures. Several Canadian provinces, for example, raised real estate transfer taxes, including higher rates on high-value properties (Prince Edward Island), and non-resident buyers (Nova Scotia). Italy also increased financial transaction tax rates.

3.6.3. Property tax relief aimed at supporting households continued in 2025

Jurisdictions implemented targeted property tax cuts, particularly within recurrent taxes on immovable property. Greece, for example, announced the gradual abolition of property tax (ENFIA) for primary residences in smaller or depopulating areas, reflecting demographic and regional development objectives. Denmark reduced taxes on certain land types, including nature properties, to support environmental goals. In Canada, several provinces introduced relief measures, including the planned elimination of the federal Underused Housing Tax and mechanisms to mitigate rising property valuations in New Brunswick. Ukraine introduced a broad exemption from property taxation for defence industry enterprises to support economic and strategic objectives.

Transaction tax relief was used to support housing affordability and investment. Malta extended and expanded reduced stamp duty schemes for first-time buyers. Seychelles introduced stamp duty exemptions for lower-value properties. South Africa increased transfer duty thresholds to account for inflation and ease the burden on lower- and middle-income households. Luxembourg expanded tax credits for property acquisition, both for owner-occupiers and investors.

Countries also introduced measures reducing inheritance and gift taxes. Finland, for example, increased its inheritance and gift tax thresholds and Denmark removed additional inheritance taxation for certain family members. The United States permanently increased federal estate and gift tax exemption amounts. Barbados eliminated property transfer taxes on intergenerational transfers of small landholdings.

Table 3.14. Changes to property taxes

	Base broadening/Rate increase		Base narrowing/Rate decrease	
	2024	2025 or later	2024	2025 or later
Estate duties, inheritance, and gift taxes	GBR[3]		DEU, DNK[3]	BRB, DNK, FIN, USA
Transaction taxes on movable and immovable property	AND, CAN[4], HUN, IRL	BEL, CAN, ITA	ARG, CAN[1,4], IDN, LUX, NLD, PRT, SAU, SWE	CAN, LUX, MLT, SYC, ZAF
Recurrent taxes on immovable property	CAN[4], GBR, IRL	AUT, CAN, IRL, ISR, LTU	BRB, CAN[4], GBR, GRC, LCA, MAC, POL, SGP	CAN, DNK, GRC, UKR
Recurrent taxes on (net) wealth		COL	ARG	

Notes:
1. Denotes a temporary tax measure.
2. Denotes a new tax.
3. Denotes reform announcement.
4. Denotes a reform made at sub-central level.
Source: OECD Annual Tax Policy Reform Questionnaire.

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Notes

[1] The report covers 92 jurisdictions. Of these, the following were also included in the 2025 edition: Albania, Angola, Anguilla, Argentina, Armenia, Australia, Austria, Azerbaijan, Barbados, Belgium, Belize, Bosnia and Herzegovina, Brazil, British Virgin Islands, Bailiwick of Guernsey, Brunei Darussalam, Bulgaria, Canada, Chile, Colombia, Cook Islands, Costa Rica, Croatia, Curaçao, Czechia, Denmark, Dominican Republic, Estonia, Finland, France, Georgia, Germany, Greece, Honduras, Hungary, Iceland, Indonesia, Ireland, Isle of Man, Israel, Italy, Japan, Kenya, Korea, Latvia, Lithuania, Luxembourg, Macau (China), Malta, Mauritius, Mexico, Namibia, Netherlands, New Zealand, North Macedonia, Norway, Peru, Poland, Portugal, Romania, Saint Lucia, Saudi Arabia, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Türkiye, Turks and Caicos Islands, Ukraine, United Arab Emirates, the United Kingdom, United States, and Uruguay. Additional jurisdictions covered in the 2026 edition but not in the 2025 edition are: Bahrain, Bermuda, Dominica, Gibraltar, Jamaica, Kuwait, Malaysia, Maldives, Monaco, Morocco, Panama, San Marino, Seychelles, Thailand, Tunisia, and Zambia.

The following jurisdictions were covered in the 2025 edition of the report but are not covered in the 2026 edition: Andorra, Cayman Islands, Democratic Republic of Congo, Greenland, Guernsey, Montenegro, Montserrat, Nigeria, Papua New Guinea, Serbia, and Trinidad and Tobago.

[2] An indexed unit of account is a value defined in relation to a price index (such as the CPI), so that its monetary value adjusts automatically over time. It is used to set prices, thresholds, or payments in real terms, helping reduce the need for frequent adjustments in nominal values.

[3] The OECD Revenue Statistics Interpretative Guide can be found in Annex A of *Revenue Statistics 2025* (OECD, 2025[17])

[4] Note that a participant in an ETS that is also subject to an excise duty on carbon emissions may face double carbon taxation: once through the carbon market and again through the excise duty.

Tax Policy Reforms 2026

OECD and Selected Partner Economies

This is the eleventh edition of *Tax Policy Reforms: OECD and Selected Partner Economies*, an annual publication that provides comparative information on tax reforms across countries and tracks tax policy developments over time. The report covers the tax policy reforms introduced or announced in 2025 in 92 member jurisdictions of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS), including all OECD countries. The publication also provides an overview of the macroeconomic environment and tax revenue context in which these tax reforms were made, highlighting how governments used tax policy to respond to short- and long-run structural challenges.

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