

# **The importance of tax system structure for economic growth in OECD countries – Extreme Bounds Analysis**

## **Abstract**

The thesis examines the importance of tax system structures for economic growth in OECD countries. It aims to find out whether a revenue-neutral tax reform can promote economic growth. In other words, its objective is to identify taxes which are most harmful for economic growth and suggest tax policy implications accordingly. The extreme bounds analysis is employed to examine the robustness of relationship between particular taxes and the growth rate. This method consists in running a number of regressions and observing how the coefficients respond to various model alterations. The results suggest that taxes levied on personal income have a robust negative impact on economic growth. On the other hand, consumption and property taxes appear to be non-significant predictors of economic growth. The policy implication is drawn that a revenue-neutral tax reform shifting the tax burden from personal income towards consumption and property is likely to boost the economy.

JEL classification: H21, H24, H27, O11, O47

Key words: tax system structure, economic growth, extreme bounds analysis, tax reform