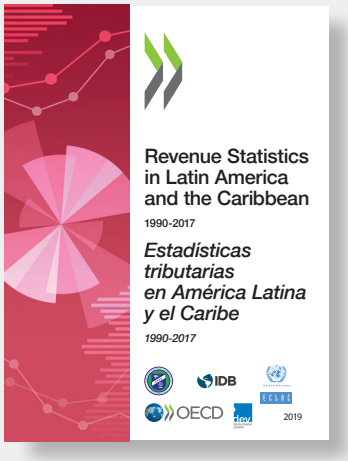
Revenue Statistics in Latin America and the Caribbean

Revenue Statistics in Latin America and the Caribbean



Revenue Statistics in Latin America and the Caribbean is an annual publication providing accurate, complete and reliable statistics on tax revenues for tax policy development. It includes harmonised and internationally comparable data that can be accessed online free of charge. It is a key contribution to the goal of improving domestic resource mobilisation, which supports the Sustainable Development Goals (SDGs).

The publication is produced jointly by the OECD Centre for Tax Policy and Administration, the OECD Development Centre, the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the Inter-American Centre of Tax Administrations (CIAT) and the Inter-American Development Bank (IDB), and for the first time with the support of the European Union Regional Facility for Development in Transition for Latin America and the Caribbean (LAC).

The eighth edition of *Revenue Statistics in Latin America and the Caribbean*, published in March 2019, provides data from 1990 to 2017 for 25 countries (two of which are OECD members): Argentina, the Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela. It allows comparison with OECD, African, and Asian and Pacific economies presented in other publications in the Revenue Statistics series. It also presents an average for participating countries which is compared with the OECD average.

Definitions and classifications

Revenue Statistics in Latin America and the Caribbean follows the OECD tax classification where taxes are defined as compulsory, unrequited payments to general government. Taxes are unrequited in the sense that benefits provided by government are not normally in proportion to their payments. Compulsory social security contributions paid to general government are classified as taxes.

Taxes are classified according to their base. The six main categories are: taxes on income and profits; social security contributions (SSCs); payroll and workforce taxes; property taxes; goods and services taxes and other taxes.

Non-tax revenues are all other revenues received by general government, not classified as taxes. They include: grants (foreign aid); property income (rents and royalties, interest and dividends and other property income); sales of goods and services (including administrative fees); fines, penalties and forfeits; and miscellaneous and unidentified revenue.

Further information on definitions and classifications is available in the Interpretative Guide www.oecd.org/tax/tax-policy/oecd-classification-taxes-interpretative-guide.pdf.

The publication is available at https://oe.cd/RevStatsLatam

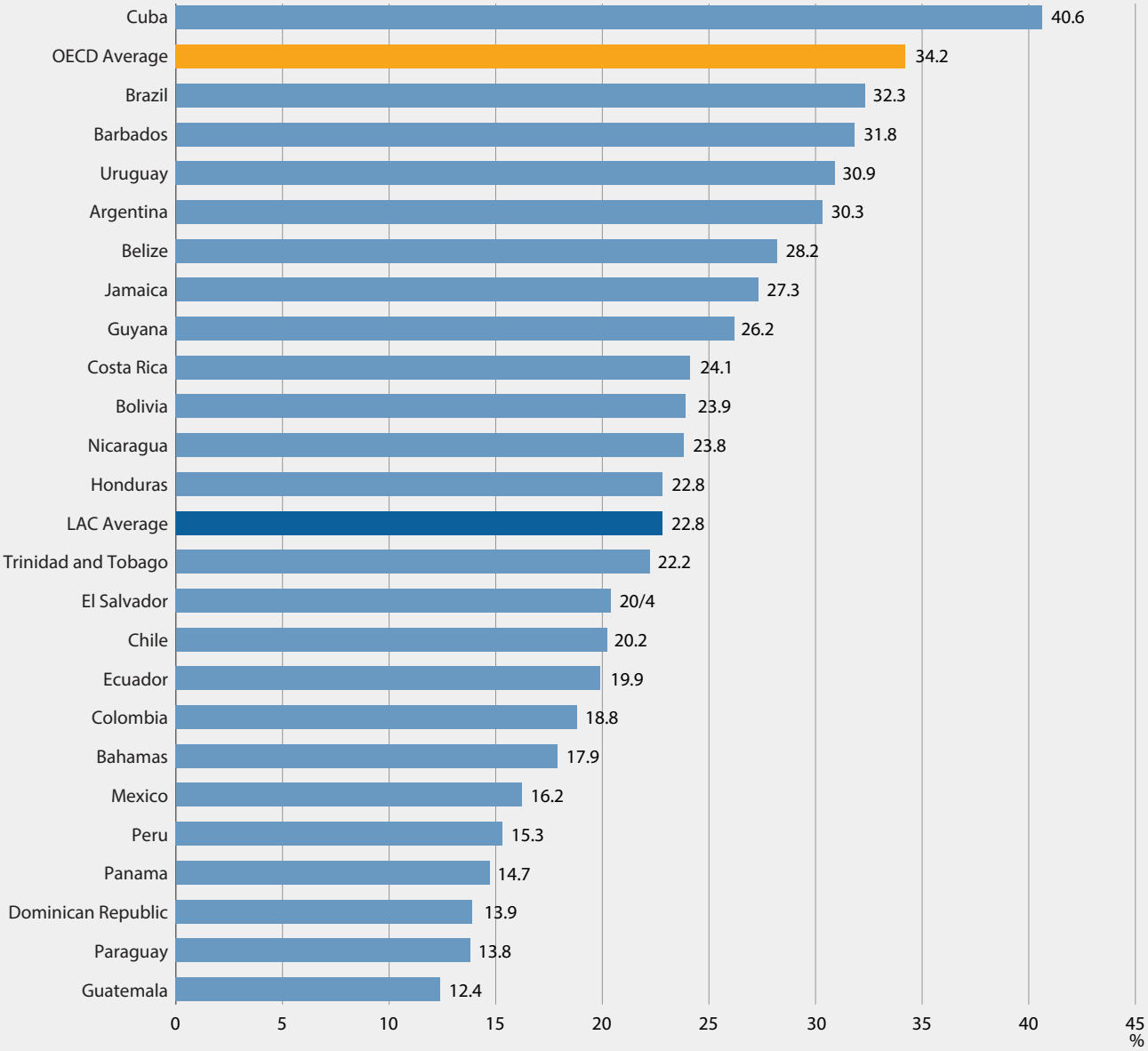
Key results

TAX RATIOS FOR 2017

In 2017, the average tax-to-GDP ratio in the LAC region (measured as tax revenues, including SSCs paid to general government, as a proportion of GDP) was 22.8%. The LAC average represents the unweighted average of 24 Latin American and Caribbean countries included in this publication and excludes Venezuela due to data availability issues.

Tax-to-GDP ratios ranged from 12.4% in Guatemala to 40.6% in Cuba in 2017. All LAC countries had a tax-to-GDP ratio below the OECD average of 34.2%, except for Cuba. Countries in Central America and Mexico typically have lower tax-to-GDP ratios, with a sub-regional average of 21.0% in 2017, whereas countries in the Caribbean sub-region had higher tax-to-GDP ratios and a sub-regional average of 25.6%. The average for South America was the same as the LAC average at 22.8%.

Figure 1. **Tax-to-GDP ratios (total tax revenue as % of GDP) in LAC countries, 2017**

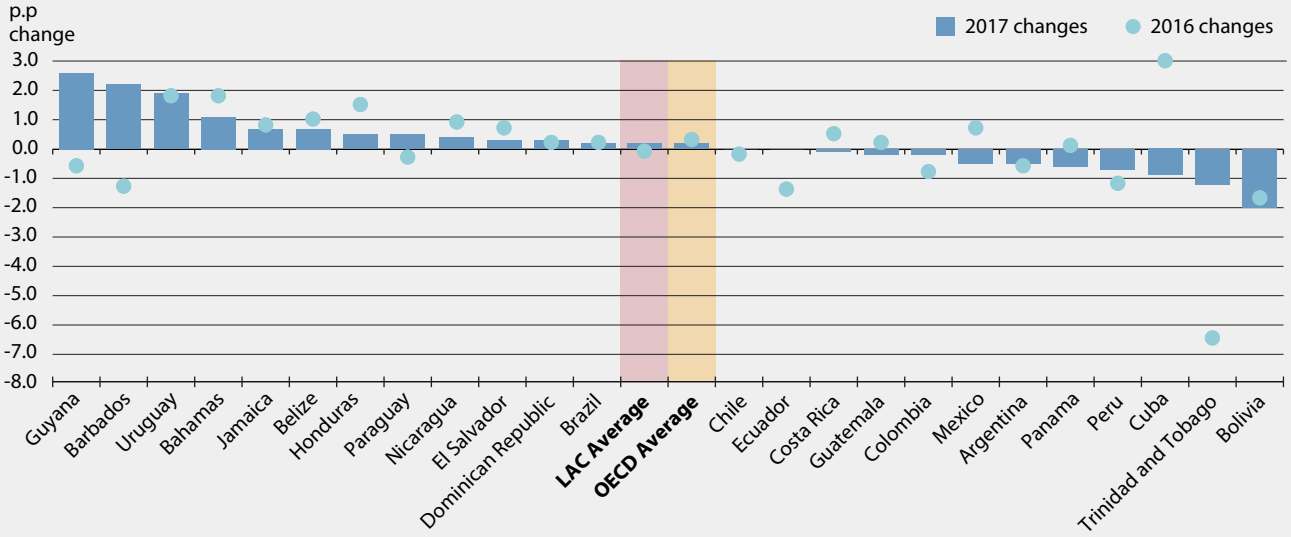


Source: OECD/United Nations/CIAT/IDB 2019 , *Revenue Statistics in Latin America and the Caribbean 2019*, https://oe.cd/RevStatsLatam

Between 2016 and 2017, the average LAC tax-to-GDP ratio increased by 0.2 percentage points, as did the OECD average. This increase in the LAC region was driven by large increases in four Caribbean countries as well as Uruguay. The increase in the tax-to-GDP ratio in the LAC region reflects in part the recovery in the overall economic environment in the region in 2017 after a two-year recession, driven by improvements in global demand, increased trade and higher commodity prices.

Between 2016 and 2017, 12 countries reported an increase in their tax-to-GDP ratios while 10 recorded a decrease and two saw no change. Over this period, Guyana and Barbados recorded the largest increases (of 2.6 and 2.2 percentage points respectively) whereas Bolivia recorded the largest decrease (of 2.0 percentage points). In both Guyana and Barbados, an increase in revenue from taxes on goods and services was the main contributor to the higher tax-to-GDP ratios and was mainly explained by tax policy and tax administration reforms.

Figure 2. **Changes in tax-to-GDP ratios in LAC countries in 2015-16 and 2016-17 (percentage points of GDP)**



Source: OECD/United Nations/CIAT/IDB 2019, *Revenue Statistics in Latin America and the Caribbean 2019,* https://oe.cd/RevStatsLatam

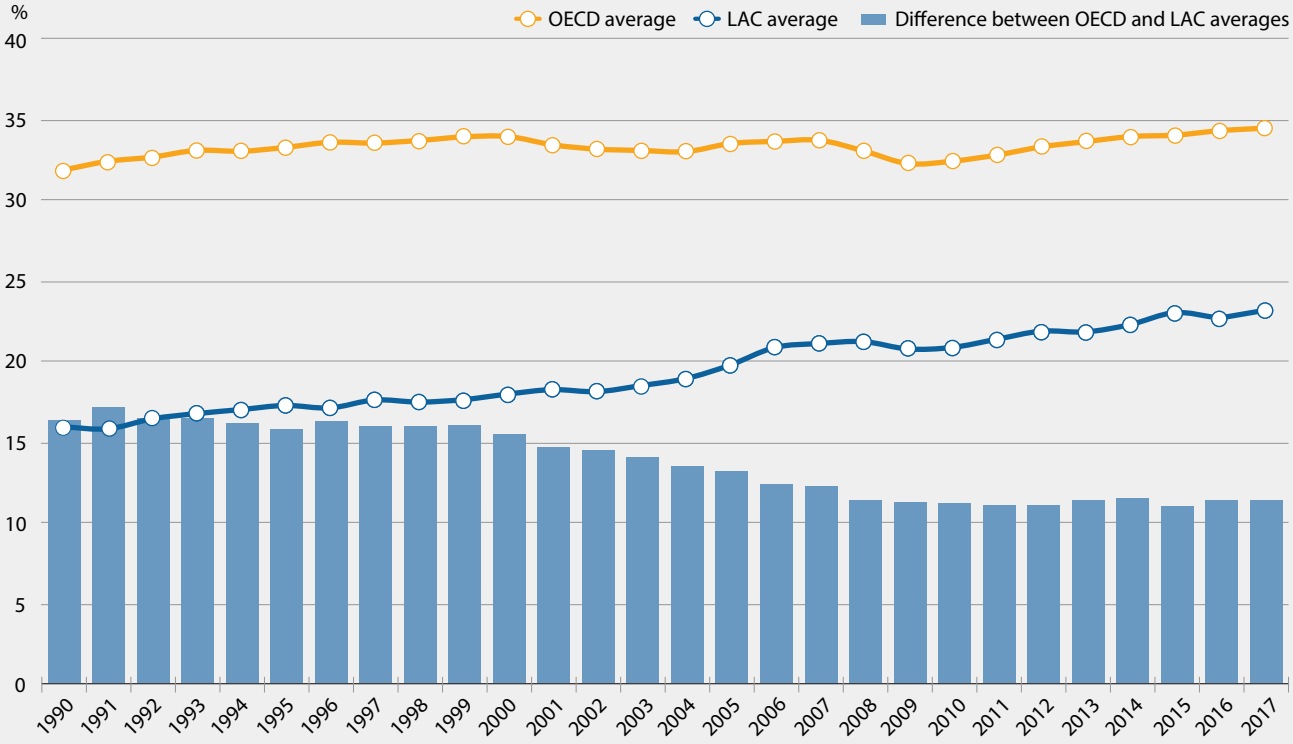
TAX-TO-GDP RATIOS SINCE 1990

Between 1990 and 2017, the average tax-to-GDP ratio in LAC countries rose almost continuously, increasing by 7.3 percentage points from 15.5% to 22.8%, and converged towards the OECD average. The difference in the average tax-to-GDP ratio between countries in the LAC region and the OECD decreased from 16.4 percentage points in 1990 to 11.4 percentage points in 2017.

South America recorded the fastest growth between 1990 and 2017 and the sub-regional average for South America reached the LAC average in 2005 (at 20.0% of GDP). South America's average tax-to-GDP ratio was consistently higher than the LAC average between 2010 and 2016. In contrast, the growth of the tax-to-GDP ratios for Central America and Mexico and for the Caribbean has been more gradual. The tax-to-GDP ratio of Central America and Mexico was consistently below the LAC average across the period, whereas the Caribbean's average tax-to-GDP ratio was consistently higher.

The main contributors to the increase in tax revenues in the LAC region were value-added taxes (VAT) and taxes on income and profits. VAT revenue as a percentage of GDP in LAC countries increased by 3.7 percentage points between 1990 and 2017, trending to the OECD average level (6.0% and 6.8% of GDP respectively in 2016). Since 1990, nine out of the 25 countries (especially Caribbean countries) introduced a VAT and additional efforts were made in most countries to improve the mobilisation of VAT revenue (through an increase of VAT rates, expansion of the taxable base and strengthening of the VAT collection system). Revenues from taxes on income and profits increased by 2.8% of GDP over the same period, mainly driven by the boom in commodity prices.

Figure 3. **Tax-to-GDP ratios, LAC and OECD averages, 1990-2017**



Source: OECD/United Nations/CIAT/IDB 2019, *Revenue Statistics in Latin America and the Caribbean 2019, https://oe.cd/RevStatsLatam*

TAX STRUCTURES

The average LAC tax mix shifted towards VAT and taxes on income and profits between 1990 and 2017. In 2017, the average tax mix exhibited a relatively high share of revenue from taxes on goods and services, which made up about half of total tax revenues compared with a third in the OECD (2016 figure). At 27.9% of total tax revenues, VAT was the biggest source of revenue on average in the LAC region in 2017, followed by revenues from taxes on income and profits (27.1%) and from other taxes on goods and services (21.8%).

On average, 44% of tax revenues in LAC countries came from taxes on income and profits and SSCs, compared with 60% in the OECD in 2016. Within taxes on income and profits, the revenue share of corporate income tax (CIT) was higher in the LAC region compared to the OECD while the revenue share of personal income tax (PIT) was lower. In 2016, CIT and PIT accounted for 15.4% and 9.6% of total tax revenues respectively, compared with 9.0% and 23.8% in the OECD. Similarly, the average share of SSCs in total tax revenues was about 10 percentage points lower in the LAC region than the OECD average (16.5% versus 26.2%).

Figure 4. **Tax structure (as % of total tax revenue) in the LAC and OECD regions, 1990 and 2016**

Source: OECD/United Nations/CIAT/IDB 2019, *Revenue Statistics in Latin America and the Caribbean 2019,* https://oe.cd/RevStatsLatam

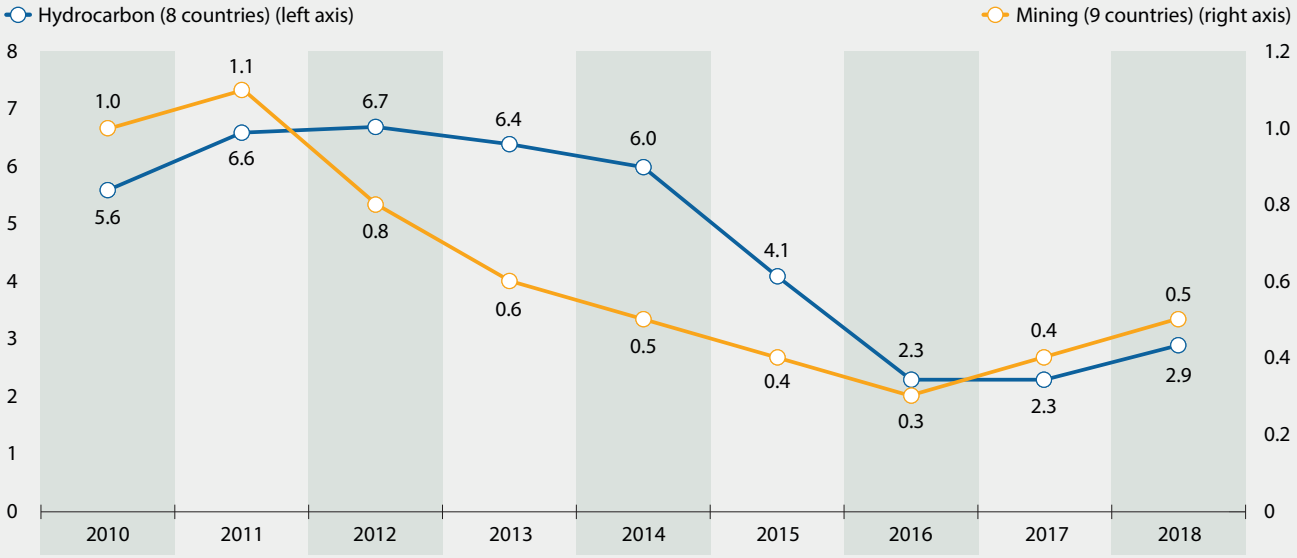
Environmentally related taxes play an increasingly significant role in many countries. In the 22 LAC countries for which data are available, environmentally related tax revenues amounted to 1.1% of GDP on average in 2017, a lower level than the OECD average of 1.6% of GDP. Tax revenues from energy, most commonly from excises on diesel and petrol, represented the highest share of environmentally related tax revenue in the LAC region (0.7% of GDP on average), around two-thirds of environmentally related tax revenue. These were followed by revenues from motor vehicle and transport services taxes, which represented most of the remainder.

Tax revenues levied on other environmentally related bases were negligible in the LAC region. In recent years, Chile, Mexico and Colombia have introduced significant green tax reforms. These include the introduction of carbon taxes mostly levied on fossil fuels and/or motor vehicles, based on their carbon content.

SPECIAL FEATURES

The Report contains two special features. The first identifies trends in fiscal revenues from non-renewable natural resources for a selection of countries in the LAC region in 2017 and 2018. These revenues grew slightly in 2017, after falling sharply between 2014 and 2016. A favourable global oil market allowed hydrocarbon revenues to remain at their 2016 level of 2.3% of GDP, with increased non-tax revenues offsetting a decline in tax revenues. Meanwhile, revenues from mining as a proportion of GDP increased to 0.37% on average in 2017 from 0.28% in 2016. Revenues from mining and hydrocarbons are estimated to have strengthened further in 2018 despite a sharp correction in prices over the second half of the year.

Figure 5. **Trends in fiscal revenues from non-renewable natural resources as a percentage of GDP, 2010-2018**



Source: OECD/United Nations/CIAT/IDB 2019, *Revenue Statistics in Latin America and the Caribbean 2019,* https://oe.cd/RevStatsLatam

The second special feature examines recurrent taxes on immovable property in Latin America. These revenues are a critical means of supporting local governments in providing basic services but in Latin America they are low relative both to other sources of revenue and to average revenues in OECD countries. There is wide variation in terms of the revenues generated through these taxes between the countries examined, from 0.1% of GDP in Ecuador, to 0.9% of GDP in Uruguay in 2016. The OECD average level was 1.1% of GDP in 2016. The special feature examines these taxes in greater detail for Argentina, Brazil and Colombia to identify the constraints and enablers of higher revenues.

Towards harmonised regional statistics

- ***Revenue Statistics in Latin America and the Caribbean*** provides tools that have been developed by tax policy makers and adapted for tax policy analysis, such as:

  – An annual publication, available in hard copy and on line, that allows for cross country comparison.

  – A highly-detailed dataset freely accessible on line.

  – *Compare your country*, a free online interactive tool, and other tools for data presentation and analysis.

- **Comparability and trustworthiness:** a common method for collecting, analysing, aggregating and presenting data across over 80 countries around the world, with data validated by national authorities and regional partners. This data is accessible through the Global Revenue Statistics Database.

- **Continuous dialogue:** bilateral exchanges and seminars on tax policy and statistics with experts in Latin American and Caribbean countries and regional partners to share experiences and best practices.

Partnerships

The OECD is an intergovernmental organisation that includes 36 countries and has helped develop global standards, international conventions, agreements and recommendations since 1961 to promote better policies in areas such as governance and the fight against bribery and corruption and to support corporate responsibility, development assistance, global investment and international taxation..

The Inter-American Centre of Tax Administrations (CIAT) supports the efforts of national governments by promoting the evolution, social acceptance and institutional strengthening of tax administrations, encouraging international cooperation and the exchange of experiences and best practices. CIAT is a non-profit international public organization that provides specialised technical assistance for the modernization and strengthening of tax administrations. Founded in 1967, CIAT currently has 42 member countries and associate member countries from four continents.

The Economic Commission for Latin America and the Caribbean (ECLAC) is one of the five regional commissions of the United Nations. It was founded with the purpose of contributing to the economic development of Latin America, coordinating actions directed towards this end, and reinforcing economic ties among countries and with other nations of the world. The promotion of the region's social development was later included among its primary objectives. The 33 countries of Latin America and the Caribbean, together with several Asian, European and North American nations that have historical, economic and cultural ties with the region, comprise the 46 Member States of ECLAC.

The Inter-American Development Bank (IDB) was founded in 1959. Its current focus areas include three development challenges – social inclusion and inequality, productivity and innovation, and economic integration – and three cross-cutting issues – gender equality and diversity, climate change and environmental sustainability; and institutional capacity and the rule of law. The IDB is the leading source of development financing for Latin America and the Caribbean providing loans, grants, and technical assistance; and conducting extensive research.

Contacts

For more information on the publication, or to participate in future editions, please see **https://oe.cd/RevStatsLatam** or contact **RevenueStatistics@oecd.org**

Useful links

OECD **www.oecd.org/tax/** or **www.oecd.org/dev**
ECLAC **www.cepal.org/**
CIAT **www.ciat.org/**
IDB **www.iadb.org/**

Follow us

@OECDtax
@OECD_Centre
@eclac_un
@ciatorg
@the_IDB

A global project

Revenue Statistics in Latin America and the Caribbean is an annual publication in a global series that includes four publications and an online database:
www.oecd.org/tax/tax-policy/global-revenue-statistics-database.htm