Revenue Statistics in Latin America and the Caribbean
1990-2016

30th ECLAC Regional Seminar on Fiscal Policy
Santiago, Chile – 27 March, 2018
Revenue Statistics in Africa (2017)
A joint project with the African Tax Administration Forum (ATAF) and the African Union Commission (AUC), with the support of the European Union and the technical co-operation of the African Development Bank (AfDB) and the Centre de rencontres et d'études des dirigeants des administrations fiscales (CREDAF).

Revenue Statistics in Latin America and the Caribbean (2018)
A joint project with 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).

Revenue Statistics in Asian Countries (2017)
A joint project with the support of the European Union and in co-operation with the Asian Development Bank (ADB).

Revenue Statistics in the OECD (2017)
Published annually since 1972.
Revenue Statistics in Latin America and the Caribbean

• **Detailed, internationally comparable data** on tax revenues in Latin American and Caribbean (LAC) economies

  • 25 LAC economies from 1990-2016
  • Comparisons with the average for OECD economies (and online data for 54 OECD and non-OECD countries)

• Based on **OECD Revenue Statistics methodology**, a reference source for OECD member countries

• **Joint project** with the Economic Commission for Latin America and the Caribbean (ECLAC), the Inter-American Centre for Tax Administrations (CIAT), and Inter-American Development Bank (IDB)
Revenue Statistics in Latin America and the Caribbean: 2018 edition

Revenue Statistics in Latin America and the Caribbean
1990-2016

Estadísticas tributarias en América Latina y el Caribe
1990-2016

2018
I. Tax revenue trends, 1990-2016

II. Tax structure

III. Fiscal revenues from non-renewable natural resources

IV. Income taxes in Latin America

V. Conclusions
Tax revenues in LAC dipped in 2016, falling further behind the average OECD level

Total tax revenues in LAC and OECD, 1990-2016
(Percentage of GDP)

Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean
Wide variations exist across LAC countries. In 2016, the tax-to-GDP ratios ranged from 12.6% in Guatemala to 41.7% in Cuba.

Total tax revenues in LAC countries and OECD, 2016
(Percentage of GDP)

Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean
Tax revenues declined in 12 of the countries in 2016 (vs. 4 in 2015). LAC average declined by 0.3 p.p.

Tax revenue change by country, 2015 and 2016
(percentage points of GDP)

Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean
I. Tax revenue trends, 1990-2016

II. Tax structure

III. Fiscal revenues from non-renewable natural resources

IV. Income taxes in Latin America

V. Conclusions
Tax structures continue to be based on indirect tax receipts (VAT and other taxes on consumption)

Tax revenue composition in LAC and OECD, 2015
(Percentage of total tax revenues and GDP)

Note: The LAC corporate income tax revenue and personal income tax revenue as a percentage of GDP should be interpreted with caution as Ecuador, Nicaragua and Venezuela are excluded in the calculation. For these countries, more than a third of their revenue from taxes on income and profits cannot be allocated to corporate income tax revenue (1200) or personal income tax revenue (1100).

Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean
In perspective, LAC increased their reliance on income taxes and VAT since 1990, while decreasing reliance on other consumption taxes.

Main tax categories in LAC and OECD, 1990-2016
(Percentage of GDP)

Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean
VAT is the largest source of revenue in almost half of the countries

Tax structures by the principal tax category revenue share in LAC countries, 2016
(Percentage of total tax revenue)

Note: 2015 data for the OECD average
Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean
LAC personal income tax revenue continues to be low (vs CIT), in contrast to OECD

Personal and Corporate income tax revenues in LAC countries and OECD, 2016
(Percentage of GDP)

Note: Data for 2015 for the OECD. Ecuador, Nicaragua and Venezuela are excluded. For these countries, more than a third of their revenue from taxes on income and profits cannot be allocated to corporate income tax revenue (1200) or personal income tax revenue (1100). Only countries that could allocate 75% or more of revenue of taxes on incomes and profits into the sub categories taxes on income and taxes on profits are shown in the figure above.

Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean
I. Tax revenue trends, 1990-2016

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III. Fiscal revenues from non-renewable natural resources

IV. Income taxes in Latin America

V. Conclusions
Revenues from non-renewable natural resources continued to fall in the main commodity exporters…

Non-renewable natural resources and other revenues in LAC (12 countries) (Percentage of GDP)

Note: Includes Argentina, Bolivia, Brazil, Chile, Colombia, Dominican Republic, Ecuador, Jamaica, Mexico, Peru, Suriname and Trinidad and Tobago
Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean
...driven by the decline of hydrocarbon-related revenues (expected to remain stable in 2017)

Hydrocarbon-related and mining revenues in LAC
(Percentage of GDP)

Note: Mining includes: Argentina, Bolivia, Brazil, Chile, Colombia, Jamaica, Mexico, Peru, Dominican Republic and Suriname.
Hydrocarbons include: Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, Peru, Suriname, Trinidad and Tobago and Venezuela.
Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean
Public revenues from hydrocarbons decreased in all countries in 2016

Public revenues from hydrocarbons, by country and type of revenue in LAC
(Percentages of GDP)

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Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean
Public revenues from mining remained constant as a share of GDP in most economies.

Public mining revenues from, by country and type of revenue in LAC
(Percentages of GDP)

<table>
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Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean
I. Tax revenue trends, 1990-2016

II. Tax structure

III. Fiscal revenues from non-renewable natural resources

IV. Income taxes in Latin America

V. Conclusions
Revenue from income taxes in Latin America almost doubled between 1990 and 2016.

### Structure and evolution of income tax revenues (Percentage of GDP)

<table>
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<tr>
<th>Year</th>
<th>Individuals</th>
<th>Corporates</th>
<th>Other</th>
<th>Income tax</th>
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Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean
Over 55% of revenues from income tax come from companies, while 32% come from individuals.

Latin America (11), OECD and EU (15): personal and corporate income revenues, circa 2015

<table>
<thead>
<tr>
<th>Countries</th>
<th>Revenues as % of GDP</th>
<th>As a share of total income tax</th>
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<td>Individuals (1100)</td>
<td>Corporates (1200)</td>
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<td>EU (15)</td>
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</tbody>
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Revenues as % of GDP As a share of total income tax

Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean.
Reduction of the maximum marginal rates, exempted minimums and informality contribute to low PIT revenues

Evolution of the maximum and minimum marginal income tax rates for individuals

Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean
Income redistribution of PIT in the LAC region is weak, especially compared to EU

Reduction of the Gini coefficient due to personal income tax in Latin America (18 countries) and the European Union (28 countries)

Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean
Progress is observed in some countries in LAC (higher collections, enhanced income redistribution)

- **Colombia**: reforms since 2010 to increase tax collection, improve tax equity, reduce tax evasion and promote formality
  - Creation of National Alternative Minimum Tax (IMAN), simplified Minimum Tax (IMAS) and Income Tax for Equity (CREE), unification of PIT rates, elimination of exemptions on dividends received by individuals

- **Chile**: tax reform in 2014 to finance an education reform
  - Increase of CIT rates, broadening of the tax base for companies and individuals, better progressivity of the PIT system

- **Mexico**: tax reform in 2013
  - Modification of the CIT system, introduction of 10% tax on dividends and capital gains for individuals, introduction of annual limit on personal deductions, higher income brackets
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Tax revenues dipped in the Americas Latinas

- With an average tax-to-GDP ratio of 22.7% in 2016, LAC declined from 2015 by 0.3 p.p. but this trend is expected to reverse in subsequent years.
- In 2016, tax revenues as a percentage of GDP declined in 12 of the 25 countries compared to four countries in 2015.
- The average tax burden in LAC countries fell further behind the average levels in the OECD (34.3% of GDP in 2016).
- Heterogeneity is a hallmark of the region. In 2016 the tax to GDP ratios in LAC countries range from 12.6% (Guatemala) to 41.7% (Cuba).
Many challenges remain on the collection of PIT

- The fall in the LAC average tax-to-GDP ratio in 2016 was driven by a decrease in revenue from income taxes of 0.2 percentage points.
- In 2016, VAT remains the biggest source of tax revenue in the LAC region.
- **Direct taxes** collection is relatively low in LAC countries.
- As % of GDP, **PIT in LAC is nearly four time lower** than in the OECD (2.4% vs 8.4% respectively)
• Fiscal revenues from non-renewable natural resources continued to fall on average in the 12 commodity exporters in LAC

• Hydrocarbon-related revenues drove this decrease - falling on average from 5% of GDP in 2015 to 3.4% in 2016 in the 10 oil-exporting countries in the region

• Overall, the region’s dependence on non-renewable natural resources declined between 2010 and 2016
PIT revenues remain limited, and its impact on inequality is low

- The degree of income redistribution by PIT for LAC countries is much lower than in the European Union and the OECD

- Narrow tax base, low top marginal rates and tax evasion explain low PIT revenue in Latin America

- In recent years, a number of countries in Latin America (e.g. Colombia, Chile, Mexico) have undertaken PIT reforms.
Some policy recommendations

• **In absence of reforms, collection will remain significantly lower than OECD.** Key to ensure the financing of education and infrastructure and social programmes

• **A key area for reform is PIT**, where lower rates, narrower bases, and informality contribute to levels of revenue that are markedly below that of OECD countries

• Central governments have a key role in supporting strengthening efforts for subnational governments (policy and institutions)

• The fiscal management of commodities should be strengthened before the next boom. Also, **strengthening tax systems** reduces exposure to commodity prices

• Tax policy reforms have to come, hand in hand, with **improvements in their management**. Latin American governments need to strive for more efficient, transparent and innovative services
Gracias!

www.latameconomy.org/es/revenue-statistics/
Annex

Tax revenues change in LAC by main tax category, 2015-2016
(Percentage points of GDP)

Source: OECD/ECLAC/CIAT/IDB (2018), Revenue Statistics in Latin America and the Caribbean
Annex: Future steps

- Continue expanding **country coverage**
  Haiti and Suriname; small Caribbean islands

- Improve data collection of **subnational governments**

- Improve **granularity** of taxes (country-specific taxes)

- **Breakdown of CIT and PIT** for Nicaragua, Venezuela and Ecuador

- Expand the fiscal picture: statistics on **tax expenditures (and on government expenditures)**