Revenue Statistics in Latin America and the Caribbean 2019

XXXI ECLAC Regional Seminar on Fiscal Policy
Santiago, Chile – 25 March, 2019
The Global Revenue Statistics project

- Detailed, comparative tax revenue data for 90+ countries according to a common classification

- Contributes to **SDG 17** targets...
  - 17.1: improve domestic capacity for tax and other revenue collection
  - 17.19: support statistical capacity building in developing countries.

- ... to the **Addis Ababa Action Agenda** and to the **Addis Tax Initiative**, aimed at enhancing the mobilisation and effective use of domestic revenues for the SDGs

- Four annual **publications** (OECD, Latin America & the Caribbean, Africa, Asia & Pacific) & **online datasets**; a **Global Database**; an interactive tool (“Compare your Country”); and regional communities of practice

- A partnership between the **OECD (CTPA & DEV)** and **regional organisations** with the financial support of the **European Union (EU)** and the government of **Japan. In the case of LAC, EU LAC Facility in Development in Transition**

- A tool for tax policy makers & administrators and for international dialogue, providing information on tax levels, tax structure, and changes over time
Revenue Statistics in Latin America and the Caribbean

I. Tax revenue trends, 1990-2017

II. Tax structure

III. Fiscal revenues from non-renewable natural resources

IV. Property taxation in Latin America

V. Conclusions
Tax-to-GDP ratios varied widely across the region in 2017

Total tax revenues in LAC countries and OECD, 2017
(Percentage of GDP)

Note: The Caribbean includes six countries (Bahamas, Barbados, Belize, Guyana, Jamaica and Trinidad and Tobago), Central America & Mexico nine countries (Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama) and South America nine countries (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru and Uruguay). The classification of countries into the different sub-regions follows ECLAC’s classification.

Source: OECD/ECLAC/CIAT/IDB (2019), Revenue Statistics in Latin America and the Caribbean
South America recorded the fastest growth in tax-to-GDP

Average tax-to-GDP ratios, LAC and sub-regions, 1990-2017
(Percentage points of GDP)

Source: OECD/ECLAC/CIAT/IDB (2019), Revenue Statistics in Latin America and the Caribbean
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Taxes on goods & services provided 50% of tax revenues in 2017

Tax revenue composition in LAC and OECD, 2016

Note: The average CIT revenue and PIT as a percentage of GDP for LAC should be interpreted with caution as Ecuador, Nicaragua and Venezuela are excluded from the calculation. The LAC averages excludes Venezuela due to data availability issues. Ecuador and Nicaragua are excluded from the LAC averages for CIT revenue as a percentage of GDP and PIT revenue as a percentage of GDP as more than a third of their revenue from taxes on income and profits cannot be allocated to CIT (1200) or PIT (1100).

Source: OECD/ECLAC/CIAT/IDB (2019), Revenue Statistics in Latin America and the Caribbean
LAC has increased its reliance on income taxes and VAT

Main tax categories, 1990-2017
(Percentage of GDP)

Source: OECD/ECLAC/CIAT/IDB (2019), Revenue Statistics in Latin America and the Caribbean
LAC’s PIT revenues below CIT revenues, unlike in OECD

PIT and CIT revenues in LAC countries and OECD, 2017
(Percentage of GDP)

Note: Data for 2016 for the OECD. Ecuador, Nicaragua and Venezuela are excluded. Data are not available for Venezuela. For Ecuador and Nicaragua 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 (2019), Revenue Statistics in Latin America and the Caribbean
Environmental taxes a potential source of higher revenues

Environmentally related tax revenue by main tax base, 2017
(as percentage of GDP)

Sources: OECD/ECLAC/CIAT/IDB (2019), Revenue Statistics in Latin America and the Caribbean
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Decline in natural resource revenues has finally ended

Source: OECD/ECLAC/CIAT/IDB (2019), Revenue Statistics in Latin America and the Caribbean

Non-renewable natural resource revenues for LAC region, 2010-18
(Percentage of GDP)

Source: OECD/ECLAC/CIAT/IDB (2019), Revenue Statistics in Latin America and the Caribbean
Hydrocarbon revenues increased in most countries, steady on average

Hydrocarbon revenues by country and type (Percentage of GDP)

<table>
<thead>
<tr>
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<td>0.4</td>
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<td>0.1</td>
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<td>0.3</td>
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<td>Bolivia (Plur. State of)</td>
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<td>0.3</td>
<td>0.2</td>
<td>4.1</td>
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<td>0.0</td>
<td>0.3</td>
<td>0.4</td>
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<td>0.7</td>
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<td>Ecuador</td>
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<td>5.6</td>
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<tr>
<td>Mexico</td>
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<td>3.9</td>
<td>3.8</td>
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<tr>
<td>Peru</td>
<td>0.4</td>
<td>0.5</td>
<td>0.1</td>
<td>0.1</td>
<td>0.3</td>
<td>0.4</td>
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<tr>
<td>Trinidad and Tobago</td>
<td>2.5</td>
<td>2.8</td>
<td>1.4</td>
<td>1.2</td>
<td>1.2</td>
<td>1.6</td>
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<tr>
<td>Simple average</td>
<td>2.3</td>
<td>2.3</td>
<td>0.3</td>
<td>0.2</td>
<td>2.0</td>
<td>2.1</td>
<td></td>
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</tr>
</tbody>
</table>

Note: Red indicates a year-on-year decline in source of revenues
Source: OECD/ECLAC/CIAT/IDB (2019), Revenue Statistics in Latin America and the Caribbean
Mining revenues increased in most countries

### Mining revenues by country and type (Percentages of GDP)

<table>
<thead>
<tr>
<th>Country</th>
<th>Total</th>
<th>Tax revenues</th>
<th>Non-tax revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>0.02 0.04</td>
<td>0.01 0.03</td>
<td>0.01 0.01</td>
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<tr>
<td>Bolivia (Plur. State of)</td>
<td>0.79 0.75</td>
<td>0.34 0.26</td>
<td>0.45 0.49</td>
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<tr>
<td>Brazil</td>
<td>0.07 0.07</td>
<td>0.03 0.04</td>
<td>0.03 0.03</td>
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<tr>
<td>Chile</td>
<td>0.38 0.95</td>
<td>0.02 0.46</td>
<td>0.37 0.48</td>
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<td>Codelco</td>
<td>0.37 0.49</td>
<td>0.01 0.01</td>
<td>0.37 0.48</td>
</tr>
<tr>
<td>Private producers</td>
<td>0.01 0.45</td>
<td>0.01 0.45</td>
<td>0.00 0.00</td>
</tr>
<tr>
<td>Colombia</td>
<td>0.27 0.29</td>
<td>0.07 0.06</td>
<td>0.20 0.23</td>
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<td>Jamaica</td>
<td>0.14 0.02</td>
<td>0.00 0.00</td>
<td>0.14 0.02</td>
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<tr>
<td>Mexico</td>
<td>0.17 0.19</td>
<td>0.15 0.16</td>
<td>0.03 0.03</td>
</tr>
<tr>
<td>Peru</td>
<td>0.30 0.62</td>
<td>0.17 0.46</td>
<td>0.13 0.16</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>0.39 0.43</td>
<td>0.33 0.37</td>
<td>0.07 0.06</td>
</tr>
<tr>
<td><strong>Simple average</strong></td>
<td><strong>0.28 0.37</strong></td>
<td><strong>0.12 0.20</strong></td>
<td><strong>0.16 0.17</strong></td>
</tr>
</tbody>
</table>

Note: Red indicates a year-on-year decline in source of revenues
Source: OECD/ECLAC/CIAT/IDB (2019), Revenue Statistics in Latin America and the Caribbean
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Recurrent taxes on immovable property important for sub-national government

Recurrent taxes on immovable property as proportion of subnational tax revenue, 2016

![Chart showing the proportion of subnational tax revenue from recurrent taxes on immovable property for various countries in 2016.](chart)
Revenues from recurrent taxes on immovable property are too low

Recurrent taxes on immovable property, 1990-2016
Percentage of GDP
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Fiscal revenues in LAC countries at 22.8% of GDP

• LAC’s tax-to-GDP ratio of 22.8% in 2017 was up 0.2 percentage points from 2016, when it had dipped by 0.1 percentage points from the previous year.

• LAC’s tax-to-GDP ratio remains far behind the OECD (34.2% of GDP) – gap of 11.4 percentage points in 2017 (same as in 2016)
  • LAC’s tax structure moving towards that of OECD (16.4 percentage points in 1990)

• Higher domestic resource mobilisation critical input to the Development in Transition approach
  → to strengthen domestic capacities to address new and existing challenges - Development Traps
  • Key to ensure the financing of education, infrastructure and social programmes.
The “Americas Latinas” and “Caribes” observed in taxes

- Heterogeneity is a hallmark of the region. In 2017, the tax-to-GDP ratios in LAC countries ranged from 12.4% (Guatemala) to 40.6% (Cuba).

- The recovery in the LAC average tax-to-GDP ratio in 2017 was driven by increases in four Caribbean countries and Uruguay.
  - Guyana and Barbados recorded the largest increases (of 2.6 and 2.2 percentage points respectively), gains attributable to recent tax policy and tax administration reforms.

- In 2017, tax revenues as a percentage of GDP increased in 12 of the 24 countries, declined in 10 and stayed steady in two.

- Estimated increase in hydrocarbon revenues in 2018 augurs well for overall revenue performance but high prices were not sustained.
Scope for revenues from PIT, environmental & property taxes to increase

• Weak PIT revenues (2.2% of GDP in 2017 and 2016) still a key reason for disparity with OECD countries (8.2% of GDP in 2016)
  – Constraint not only on revenues but also on redistribution

• Environmentally related taxes have potential to be an important source of revenues while also addressing long-term challenge of climate change (1.1% of GDP vs. 1.6% in OECD countries).

• Significant difference in revenues from this source indicates potential for countries to learn from each other.
  – Important to monitor recent green reforms in Chile, Mexico and Colombia

• Stronger property taxes key to improving delivery of basic services, especially in urban areas (0.3% of GDP in LAC countries vs. 1.1% of GDP at OECD level)
  – Some countries do better than others but major capacity and information constraints remain
Policy recommendations

• In absence of major structural reforms, revenue collection will remain significantly lower than OECD, acting as a major constraint on development.
• Higher proportion of direct taxes (PIT and not CIT) and lower dependence to indirect taxes (mainly VAT) and revision of certain tax expenditures.
• PIT is key - low rates, narrow bases, and informality contribute to levels of revenue that are markedly below that of OECD countries -> Taxing wages in LAC.
• Higher subnational revenues needed to make decentralisation work, to promote better services and to adapt to urbanization
• Fiscal management of commodities should be strengthened; stronger tax systems reduce exposure to commodity prices
• Tax policy reforms must be accompanied by better spending -> institutional trap
  – Governments need to strive for more efficient, transparent and innovative services and productive investments to grow economy
Gracias!

[Links]
www.latameconomy.org/es/revenue-statistics/