Executive Summary

Revenue Statistics in Latin America and the Caribbean 2023 provides internationally comparable data on tax levels and tax structures for 27 Latin American and Caribbean (LAC) countries: Antigua and Barbuda, 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, Saint Lucia, Trinidad and Tobago, Uruguay and Venezuela.

In this publication, "taxes" are defined as compulsory, unrequited payments to general government. Compulsory social security contributions (SSCs) paid to general government are classified as taxes. More information on the tax classification is set out in the Interpretative Guide in Annex A.

Tax-to-GDP ratios in the LAC region in 2021

A recovery in economic activity after the initial shock of the COVID-19 pandemic, higher commodity prices and the end of temporary tax reliefs supported a strong rebound in tax revenues across the LAC region in 2021. The average tax-to-GDP ratio in the LAC region was 21.7% in 2021, an increase of 0.8 percentage points (p.p.) from the level in 2020, when the tax-to-GDP ratio fell by 0.8 p.p. The LAC average represents the unweighted average of 25 countries included in this publication, excluding Cuba and Venezuela due to data issues. In comparison, the average tax-to-GDP ratio across the OECD increased by 0.6 p.p. between 2020 and 2021 to reach 34.1%.

Tax-to-GDP ratios ranged from 12.7% in Panama to 33.5% in Brazil in 2021. Eighteen countries recorded increases in their tax-to-GDP ratio between 2020 and 2021, and eight countries recorded decreases. While tax revenues and GDP increased in nominal terms in all countries except the Bahamas, nominal GDP rose by more than nominal tax revenues in eight LAC countries, causing their tax-to-GDP ratio to decline.

The largest increase in 2021 was observed in Belize, whose tax-to-GDP ratio rose by 5.0 p.p. due to an increase in revenues from taxes in goods and services caused by a strong rebound in tourism. The second- and third- largest increases were observed in Chile (2.8 p.p.) and Peru (2.7 p.p.) and were driven primarily by revenues from value-added taxes (VAT) and income taxes, related to higher commodity prices and the settling of 2020 tax obligations in 2021.

In 2021, revenues from taxes on goods and services rebounded strongly as a percentage of GDP (by 0.8 p.p.), reversing a decline of similar magnitude in the previous year. Within this category, revenues from VAT recorded the largest rise of any major tax type, of 0.6 p.p. Meanwhile, revenues from income taxes increased by 0.1 p.p. on average across the LAC region between 2020 and 2021, having declined by 0.1 p.p. in 2020.

Average tax-to-GDP ratios in the Caribbean, Central America & Mexico and South America stood at 22.8%, 19.2% and 22.8% respectively in 2021. South America and Central America & Mexico both recorded an increase of 1.1 p.p. in tax revenues between 2020 and 2021, while the Caribbean's tax-to-GDP ratio increased by just 0.1 p.p. In all three sub-regions, VAT was the main driver of the increase in tax revenues. Income tax revenues also contributed to higher tax revenues in Central America & Mexico and in South America. In contrast, revenues from income taxes fell by 0.5 p.p. between 2020 and 2021 in the Caribbean, driven mainly by declines in corporate income tax (CIT).

Evolution of tax-to-GDP ratios in the LAC region since 1990

The average tax-to-GDP ratio for the LAC region rose by 7.0 p.p. between 1990 and 2021 due largely to increases in revenues from VAT and taxes on income and profits (of 4.1 p.p. and 2.5 p.p., respectively). The gap between the LAC and OECD average tax-to-GDP ratios narrowed over this period, from 16.2 p.p. in 1990 to 12.5 p.p. in 2021, although the difference widened in 2020 due to the relatively large impact of the COVID-19 pandemic on tax revenues in the LAC region.

On average, South America's tax-to-GDP ratio recorded the strongest growth among the sub-regions between 1990 and 2021 and has been above the LAC average since 1994, despite declining between 2015 and 2020. The Caribbean's average tax-to-GDP ratio was consistently higher than the LAC average between 1990 and 2021, while the average tax-to-GDP ratio of Central America & Mexico increased gradually over this period but remained below the LAC average.

Tax structures in the LAC region

In 2021, taxes on goods and services generated half of total tax revenues in the LAC region, compared with less than a third in the OECD (32.1% in 2020, the latest year available). VAT revenues were the principal source of these revenues in the LAC region in 2021, accounting for 29.9% of total tax revenues and amounting to 6.4% of GDP on average. In contrast, VAT accounted for 20.2% of total tax revenues in the OECD (2020 figure).

Taxes on income and profits accounted for 26.7% of total tax revenues in the LAC region in 2021. CIT and personal income tax revenues accounted for 15.4% and 9.4% respectively of total tax revenues on average, compared with 9.0% and 24.1% in the OECD (2020 figures). The average share of SSCs in total tax revenues was 17.0% in the LAC region in 2021, below the OECD average of 26.6% (2020 figure).

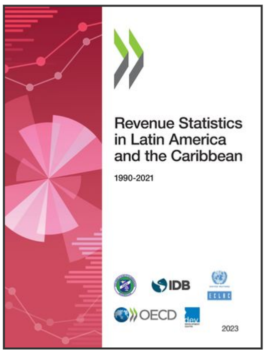
Environmentally related tax revenues (ERTRs) amounted to 1.0% of GDP on average in 2021 in the 25 LAC countries for which data are available, below the OECD average of 1.9%. More than two-thirds of ERTRs in the LAC region were derived from taxes on energy, most commonly excises on diesel and petrol (0.7% of GDP on average).

Special feature: Trends in fiscal revenues from non-renewable natural resources

Hydrocarbon-related revenues in major oil producers in the LAC region rose from 2.1% of GDP on average in 2020 to 2.6% in 2021 and an estimated 4.2% in 2022 as oil prices rose due to the impact of the global economic recovery in 2021 and Russia's invasion of Ukraine in 2022. Meanwhile, average revenues from mining increased from 0.34% of GDP in 2020 to 0.68% in 2021 and an estimated 0.7% in 2022. A recovery in mining output, coupled with higher international prices, led to a sharp increase in mining profits and CIT payments in the region's major mineral producers.

Special feature: Tax expenditures in the LAC region

Tax expenditures are widely used in the LAC region to achieve a range of economic and social objectives. However, foregone revenues from tax expenditures are significant, averaging 3.7% of GDP in Latin America in 2021, equivalent to 19% of general government tax revenues. Tax expenditures may not always be the most efficient policy tool; it is crucial to measure their costs and monitor their impact.



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