Executive summary

In light of the United Nation's 2030 Agenda for Sustainable Development, awareness of the need to mobilise government revenue in developing countries to fund public goods and services is increasing. *Revenue Statistics in Asian and Pacific Economies* presents key indicators to track progress on domestic resource mobilisation and to inform tax policy and reform.

Revenue Statistics in Asian and Pacific Economies presents detailed, internationally comparable data on tax revenues for 16 Asian and Pacific economies (Australia, the Cook Islands, Fiji, Indonesia, Japan, Kazakhstan, Korea, Malaysia, New Zealand, Papua New Guinea, the Philippines, Samoa, Singapore, the Solomon Islands, Thailand and Tokelau) and on non-tax revenues for 4 Pacific economies (the Cook Islands, Papua New Guinea, Samoa and Tokelau). The report also includes a special feature on managing taxpayer compliance.

Tax-to-GDP ratios in Asian and Pacific economies

In 2016, tax-to-GDP ratios in the Asia and Pacific region ranged from 11.6% in Indonesia to 31.6% in New Zealand. The tax-to-GDP ratio refers to total tax revenue, including social security contributions, as a percentage of gross domestic product (GDP). All countries in this publication had lower ratios in 2016 than the OECD average of 34.0% and half of the economies included in this publication had tax-to-GDP ratios above the Latin American and the Caribbean (LAC) average of 22.7%.

Six of the eight Asian countries covered in this publication had a tax-to-GDP ratio below 20% (the exceptions being Japan and Korea) whereas six of the eight Pacific economies had a tax-to-GDP ratio above 24% (the exceptions being Papua New Guinea and Tokelau).

Since 2015, nearly two-thirds of the economies included in this publication experienced decreases in their tax-to-GDP ratios and three countries registered no change in 2016. Only three economies (the Cook Islands, Korea and Singapore) had higher tax-to-GDP ratios in 2016 than in 2015. Since 2015, the largest changes in tax-to-GDP ratios were recorded in Papua New Guinea and the Solomon Islands (both decreases, of 2.2 and 2.1 percentage points, respectively) and in the Cook Islands and Korea (both increases, of 1.5 and 1.1 percentage points, respectively).

Most economies included in the publication have increased their tax-to-GDP ratios since 2007, with the exception of Australia, Indonesia, Kazakhstan, Malaysia, New Zealand and Papua New Guinea. The highest increases between 2007 and 2016 were observed in the Cook Islands and Samoa (5.6 and 3.9 percentage points, respectively), primarily explained by increases in value-added tax (VAT) and other taxes on goods and services in both countries. Across the same period, Kazakhstan and Papua New Guinea experienced the largest decreases in their tax-to-GDP ratios (11.2 and 8.6 percentage points, respectively), driven in both cases by decreases in corporate income tax (CIT) revenues. These were explained

by the impact of declining prices of natural resources on the profitability of companies in the mining and oil sector in both countries, as well as by a reduction of CIT rates in Kazakhstan.

Tax structures in Asian and Pacific economies

Economies in Asia and the Pacific rely predominantly on goods and services taxes and on income taxes. In six economies in this publication (the Cook Islands, Fiji, Kazakhstan, Samoa, the Solomon Islands and Thailand), taxes on goods and services accounted for the largest share of tax revenues in 2016. Within goods and services, VAT is an important and increasing source of revenues in most economies. In 2016, VAT revenue ranged from 12.9% of total tax revenue in Australia to 46.1% of total tax revenue in the Cook Islands (the Solomon Islands and Tokelau do not impose VAT) and was higher as a share of total taxes in the Pacific compared to Asian economies. In the Pacific economies that apply a VAT, VAT accounted for more than 25% of revenues in 2016 except in Australia and Papua New Guinea. In contrast, VAT revenue generated less than 25% of total tax revenue in 2016 in all Asian countries except Indonesia.

Income taxes provided the main share of tax revenues in the nine remaining countries with the exception of Japan, where social security contributions (40.4% of total tax revenue) represented the principal source. Across all countries, revenues from CIT varied between 9.4% of total tax revenue in Samoa and 41.1% of total tax revenue in Malaysia in 2016. The three countries – Kazakhstan, Papua New Guinea and Malaysia – with the highest share of revenue from CIT (over 27% of total tax revenue) are highly reliant on revenues from natural resource companies in the oil and mining sector. All Asian countries except Indonesia, Japan and Korea had a greater share of CIT relative to personal income tax in 2016, whereas the reverse was observed for the Pacific economies (with the exception of Fiji).

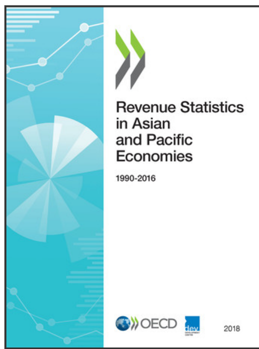
Non-tax revenues in selected Pacific economies in 2016

This publication also includes non-tax revenues for four Pacific economies (the Cook Islands, Papua New Guinea, Samoa and Tokelau). In 2016, non-tax revenues as a percentage of GDP were significant for the Cook Islands and Tokelau but lower than 5% in Papua New Guinea and Samoa.

The sources of non-tax revenues varied between countries in 2016. Property-related income was the main source of non-tax revenues for the Cook Islands in 2016 (44.2% of non-tax revenues) and Tokelau (64.4%); in both countries, the majority of this income was from fishing rents. Grants were also an important source of revenues for all four economies in 2016, exceeding 30% of total non-tax revenues.

Special feature: Managing taxpayer compliance

A special feature explores important topics in the management of taxpayer compliance in Asian and Pacific economies. The level of taxpayer compliance and government enforcement is one of the factors that influence the level of tax revenues in an economy. In the management of taxpayer compliance, it is important to pay attention to a number of issues such as ensuring effective compliance risk management – including tax gap research, managing the compliance of large taxpayers, addressing international tax avoidance and evasion, optimising the use of tax withholding at source and third party reporting requirements, as well as appropriately calibrated voluntary disclosures policies and programmes. In Asia and the Pacific, the management of taxpayer compliance varies widely. For example, tax gap research has been implemented in a few larger economies – Australia and the Philippines, for instance – while almost all tax administrations in the region have in place an organisational division or unit managing the tax affairs of large taxpayers.



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