Executive summary

Revenue Statistics in Asian Countries provides internationally comparable data on tax levels and tax structures for seven Asian countries: Indonesia, Japan, Kazakhstan, Korea, Malaysia, the Philippines and Singapore. It also includes a special feature, which discusses the development of information and communications technology (ICT) in tax administrations in Asia.

Tax-to-GDP ratios in Asian countries range from 11.8% in Indonesia to over 32.0% in Japan, with all countries other than Japan and Korea below 18% (data for Japan is for 2014 due to data unavailability). Ratios in all countries are lower than the OECD average of 34.3% in 2015. Tax-to-GDP ratios are defined as total tax revenue, including social security contributions (SSCs), as a percentage of gross domestic product (GDP).

In this publication, "taxes" are defined as compulsory, unrequited payments to general government. Taxes are "unrequited" in the sense that benefits provided by government to taxpayers are not normally in proportion to their payments. The OECD methodology classifies a tax according to its base: income, profits and capital gains, payroll, property, goods and services and other taxes. Compulsory SSCs paid to general government are classified as taxes. More information on the tax classification and the basis of reporting is set out in the Interpretative Guide in Annex A.

Changes in tax-to-GDP ratios in Asian countries in 2015

Facing a range of external and domestic challenges, the growth of Asian economies was moderate in 2015. Major external shocks affecting economic activity in the region included the significant drop in global commodity prices, China's economic slowdown, and the slower recovery in advanced countries. Between 2014 and 2015, the tax-to-GDP ratio continued to decrease in Indonesia, Kazakhstan and Malaysia. The ratio also decreased in Singapore, although it still remained higher than its 2013 level. The decrease between 2014 and 2015 was particularly significant in Kazakhstan (5.6 percentage points, compared to less than 0.7 percentage points in the other countries), due mainly to a fall in oil tax revenues. Korea saw the largest increase over this period of 0.7 percentage points.

Since 2000, the tax-to-GDP ratio has increased in five of the Asian countries featured in this publication, primarily due to tax reforms and the modernisation of tax systems and administrations. The increases between 2000 and 2015 ranged from 0.7 percentage points in Malaysia to 3.8 percentage points in Korea. Kazakhstan and Singapore decreased their tax-to-GDP ratios by 4.3 percentage points and 1.9 percentage points respectively over this period. Falling corporate tax revenues as a percentage of GDP, partially due to changes in corporate income tax rates, contributed to this decrease.

The main drivers of the growth in tax-to-GDP ratios since 2000 differed across the countries concerned. Revenue from taxes on income and profits was the predominant driver of growth in Malaysia and the Philippines, whereas in Indonesia the growth in its tax-to-GDP ratio was principally driven by the growth in revenues from taxes on goods and services. In Korea and Japan, the biggest increase since 2000 occurred in SSCs, which accounted for over 3 percentage points in both countries.

Tax structures in Asian countries in 2015

Excluding Japan and Korea, the countries in this publication rely more heavily on corporate taxes and less heavily on SSCs and value added tax (VAT) than the Latin American and Caribbean (LAC) and OECD averages, with the partial exception of Indonesia, where VAT revenue is higher. In contrast, the tax structures of Japan and Korea are more evenly split between the main categories of tax revenues in 2015, similar to the OECD average.

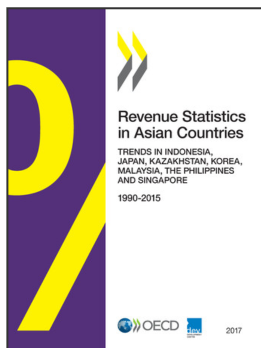
- In 2015, revenue from taxes on income and profits in Malaysia reached 59.6% of total taxation whereas this category amounted to between 40% and 45% in the other Southeast Asian countries, 38.8% in Kazakhstan and between 30% and 35% in Korea, Japan (in 2014) and the OECD countries on average (in 2014).
- In 2015, corporate income taxes were a significant source of tax revenue in all seven countries, ranging from 12.8% of total taxation in Korea to 42.5% in Malaysia, compared to the OECD average of 8.8%. As a percentage of GDP, corporate income tax revenues in Japan, Korea, Malaysia and the Philippines were higher in 2015 than in 2000, despite reductions in corporate income tax rates over this period.
- The share of VAT as a proportion of total tax revenues in 2015 remained smaller (except for Indonesia) than the OECD average of 20.1% (in 2014) due to generally lower VAT rates, ranging from 12.2% in Japan (in 2014) to 18.6% in Singapore. In Indonesia the share of VAT as a percentage of total tax revenues amounted to 31.1% in 2015.
- Revenues from SSCs are relatively small in Southeast Asian countries and Kazakhstan, ranging from 1.6% of total taxation in Malaysia to 14.0% in the Philippines. The figures for SSCs in Indonesia are not available, but are negligible. Singapore does not levy any SSCs. In contrast, SSCs represent more than 25% on average in the OECD (including Japan and Korea).

VAT revenue ratios in 2014

VAT revenue ratios (VRRs) in Asian countries varied in 2014. A VRR of 100% would suggest that all VAT is collected on its entire potential base and there is no loss of VAT revenue as a consequence of exemptions, reduced rates, fraud, evasion or tax planning. The Philippines and Kazakhstan had the lowest VRRs, at below 50% in both cases, whereas Singapore had the highest at 84%. Japan, Korea and Singapore had relatively high VRRs, exceeding 65%. The VRR has not changed significantly for Japan, Korea and Singapore since 2000, whereas it has experienced major changes in Indonesia and Kazakhstan over that period, increasing by 23 percentage points in Indonesia and by 14 percentage points in Kazakhstan.

Special feature: Information and communications technology (ICT) in tax administrations in Asia

The level of tax revenues in an economy is influenced by tax policy and administration as well as taxpayer compliance and government enforcement. Recent developments in information and communications technology (ICT), both for electronic filing and for payment of taxes, have presented many opportunities for revenue bodies to increase government revenue, improve efficiency, and enhance the quality of services delivered to taxpayers. At the same time they have enabled an overall reduction in taxpayer compliance costs and government administration costs, while delivering improved enforcement.



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