1 Tax revenue trends, 1990-2021

Introduction

Economies in Latin America and the Caribbean (LAC) rebounded strongly in 2021 after registering one of the most severe output contractions in 2020 due to the COVID-19 crisis. The recovery was driven by fiscal stimulus, more favourable external conditions and the acceleration of the LAC region's vaccination campaigns, which allowed economies to reopen. Nevertheless, poverty and inequality in the LAC region remained above pre-pandemic levels. Although the recovery in 2021 helped relieve some of the pressure on public finances, growth slowed in 2022 and structurally tight fiscal space, largely attributable to low tax revenues, still needs to be addressed (OECD et al., 2022[1]).

Fiscal policy has an important role to play in catalysing inclusive economic growth in the region and achieving the Sustainable Development Goals. In the short term, LAC economies must balance support for the economic recovery with protecting the most vulnerable households and preserving fiscal sustainability. In the long term, higher levels of revenue generation will be crucial to finance capital investments and address demands from citizens across the region to improve equity via the provision of public goods of quality, to mitigate high levels of vulnerability, particularly in the labour market, and to implement more comprehensive social protection systems. Tax reforms will be needed to encourage a transition to cleaner forms of energy in the context of the climate crisis as well as to promote entrepreneurship in the region (OECD et al., 2022[1]).

Revenue Statistics in Latin America and the Caribbean 2023 provides internationally comparable data on tax revenues in 27 countries in the region, both as a basis for in-depth tax policy analysis and as a common starting point for knowledge sharing and capacity development. This edition of the report shows the recovery of tax revenues in 2021, the second year of COVID-19 pandemic. This chapter discusses the evolution of key tax indicators between 1990 and 2021, including the tax-to-GDP ratio, the tax mix and the share of tax revenue generated by different levels of government, as well as the efficiency of value-added tax in the region. It also analyses revenues from environmentally related taxes. Chapters 5 and 6 provide a detailed country-by-country breakdown of tax revenues.

Tax-to-GDP ratios: levels and annual changes in 2021

Tax-to-GDP ratios in 2021

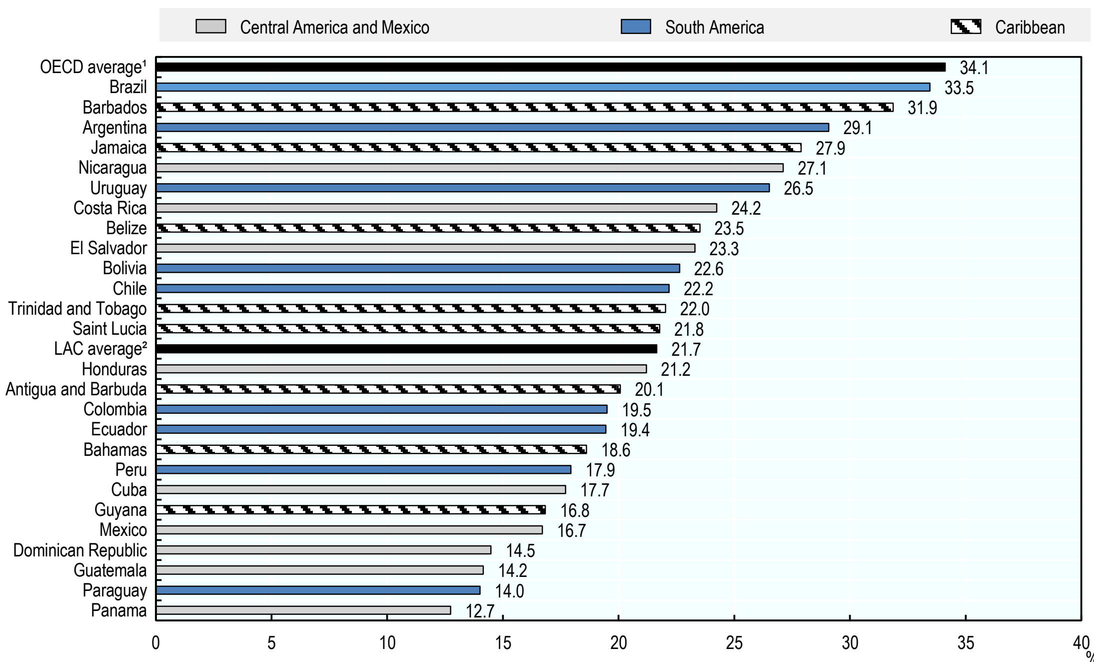
The tax-to-GDP ratio measures tax revenues (including social security contributions paid to the general government) as a proportion of gross domestic product (GDP). The LAC average represents the unweighted average of 25 of the countries included in this publication; it excludes Venezuela due to a lack of data and Cuba due to the revenue impact of a monetary reform in 2021 (see Box 1.1).

The average tax-to-GDP ratio in the LAC region was 21.7% in 2021 (Figure 1.1). Levels ranged from 12.7% in Panama to 33.5% in Brazil. All LAC countries recorded a tax-to-GDP ratio below the OECD average of 34.1%.[1]

The highest tax-to-GDP ratios in the LAC region were registered by Brazil (33.5%), Barbados (31.9%) and Argentina (29.1%). The countries with the lowest tax-to-GDP ratios were Panama (12.7%), Paraguay (14.0%) and Guatemala (14.2%).

Figure 1.1. Tax-to-GDP ratios in the LAC region, 2021

Total tax revenues as percentage of GDP



Note: The classification of countries into different sub-regions follows ECLAC's classification and is based on the spoken language of countries. The "Caribbean" includes English-speaking countries and Guyana, while "Central America and Mexico" covers Spanish-speaking countries including Dominican Republic and Cuba.

The figures exclude local government revenues for Antigua and Barbuda, Argentina (but include provincial revenues), the Bahamas, Barbados, Cuba, the Dominican Republic, Saint Lucia, Trinidad and Tobago, and Venezuela as data are not available.

1. Represents the unweighted average of the 38 OECD member countries. Chile, Colombia, Costa Rica and Mexico are also part of the OECD (38).

2. Represents the unweighted average of the 25 Latin American and Caribbean countries included in this publication, excluding Cuba and Venezuela due to data issues.

Source: OECD et al. (2023[2]), Table 4.1.

StatLink https://stat.link/0odk5j

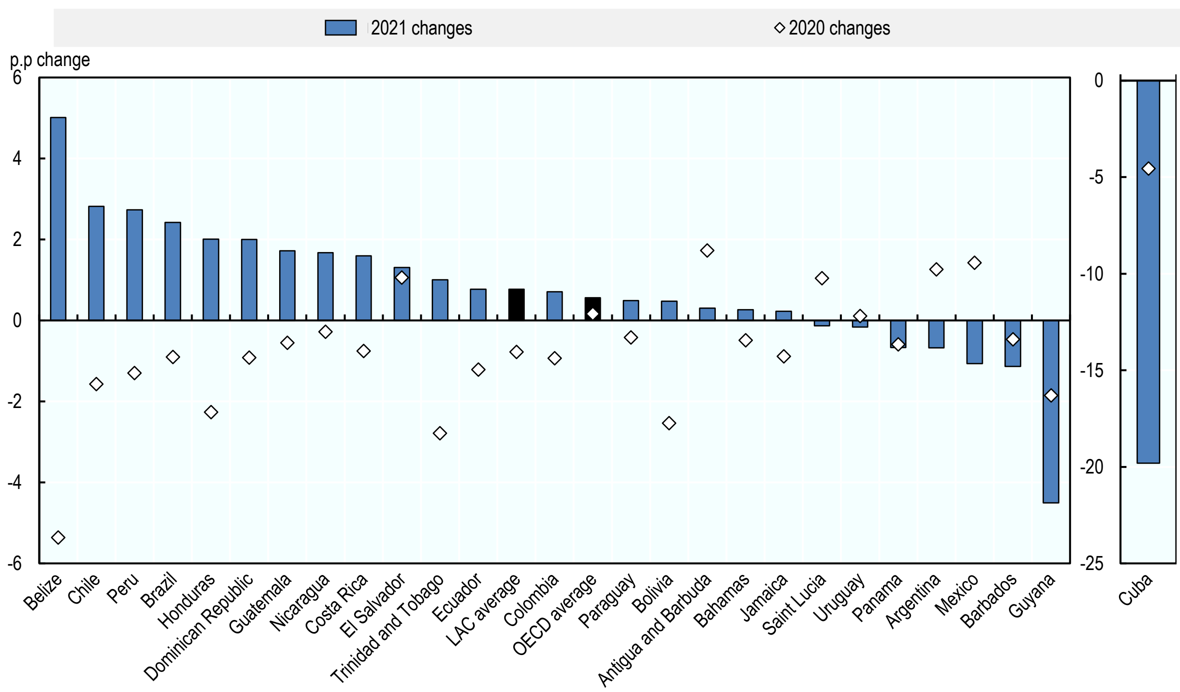
In 2021, the average LAC tax-to-GDP ratio was 0.8 percentage points (p.p.) higher than in 2020, marking a rebound from a decline of the same magnitude between 2019 and 2020. Changes in tax-to-GDP ratios between 2020 and 2021 varied across the region: eighteen countries recorded increases in their tax-to-GDP ratio and eight countries recorded decreases (Figure 1.2). In contrast, twenty countries recorded decreases in 2020, the year in which the impact of the COVID-19 pandemic was most severe.

The increase in the tax-to-GDP ratio exceeded 1.0 p.p. in 11 LAC countries between 2020 and 2021. Belize, Chile and Peru recorded the largest increases, of 5.0 p.p., 2.8 p.p. and 2.7 p.p. respectively. Over the same period, tax-to-GDP ratios in four LAC countries decreased by more than 1 p.p. The largest decreases between 2020 and 2021 were observed in Cuba (19.8 p.p.), Guyana (4.5 p.p.), Barbados and Mexico (both 1.1 p.p.).

In half of the 26 countries in the LAC region, the tax-to-ratio in 2021 exceeded the level in 2019; for eight of these countries, tax revenues as a share of GDP were more than one percentage point higher.

Figure 1.2. Changes in tax-to-GDP ratios in the LAC region in 2020 and 2021

Year-on-year change, p.p.



Note: The LAC average represents the unweighted average of 25 LAC countries included in this publication and excludes Cuba and Venezuela due to data issues. The OECD average represents the unweighted average of the 38 OECD member countries. Chile, Colombia, Costa Rica and Mexico are also part of the OECD (38).
Source: Authors' calculations based on OECD et al. (2023[2]), Table 4.1.

StatLink https://stat.link/y2xwmk

Box 1.1. The revenue impact of Cuba's monetary reform in 2021

In 2021, amid a complex macroeconomic context related to the COVID-19 pandemic, the Cuban government implemented the most far-reaching reform since it began its transformation of the national economic model. Previously, the government had announced in 2011 that it would begin the process of unifying Cuba's currency, and in 2013 it set out a timetable for the measures that would lead to the unification of the currency and exchange rate.

The monetary reform[2] is based on four pillars:

- The unification of the Cuban currency, entailing the elimination of the Convertible Peso (Peso Cubano Convertible, CUC) and the circulation of a single national currency (Peso Cubano, CUP). An exchange rate of 24 CUP to 1 US Dollar was established for all economic transactions, implying a depreciation of the official exchange rate.
- A reform of the systems for prices, salary increases and pensions.
- A gradual elimination of various subsidies and gratuities; an increase in the cost of a basic basket of consumer goods and public services; and the replacement of universal subsidies with subsidies targeted at vulnerable groups.
- New regulations to promote decentralisation (including among firms); larger incentives to promote productivity and competitiveness; and measures to promote market-based relationships between institutions.

With regard to the first pillar, the elimination of the CUC was announced on 1 January 2021, leaving the CUP as Cuba's only currency. The CUP had previously been used to pay public-sector salaries and pensions; fees for basic public services and certain locally produced goods were also priced in CUP.

The monetary reform, combined with inflation, caused Cuba's GDP to increase more than fivefold in nominal terms between 2020 and 2021, from CUP 107 billion to CUP 545 billion. This sharp nominal increase affected the ratios of various macroeconomic variables – including those related to public finances – which are measured as a percentage of GDP.

The monetary reform had two main impacts on fiscal revenues. The first was a reduction in the rate of the sales tax. Prior to the reform, the tax on retail sales ranged from 25% to 42% depending on activity and was highly differentiated within the retail and food service sector. With effect from 1 January 2021, economic agents carrying out activities in retail trade, services or local production pay a tax of 10% on their sales. This resulted in a decline in revenues from the tax on sales.

The second effect was a substantial increase in income from sales. As part of the monetary reform, the price of all goods and services previously expressed in CUC is now expressed in CUP, at an exchange rate of 1 CUC: 24 CUP. This resulted in higher incomes for economic agents that were not linked to an increase in the volume of goods or services sold but rather were a result of the change in prices. Higher incomes resulted in higher revenues for the government, which it considered to be excess liquidity and thus classified as non-tax revenues.

The monetary reform has significantly altered Cuba's tax structure. Revenues from taxes on goods and services as a share of GDP declined by 15.5 p.p. between 2020 and 2021 to 1.9% of GDP, while income taxes fell by 2.4 p.p. to 8.2% of GDP. As a result, income tax became the principal source of tax revenues in Cuba in 2021 at 46.2% of total tax revenues; the previous year, revenues from taxes on goods and services had accounted for the largest share (46.5% of the total).

The monetary reform also changed the level of Cuba's tax and non-tax revenues as well as their respective weight in public revenues. In 2021, tax revenues amounted to 17.7% of GDP, down from 37.5% in 2020. Non-tax revenues, meanwhile, rose from 14% of GDP in 2020 to 29.7% of GDP in 2021. The overall impact of these changes was a reduction in Cuba's total revenues equivalent to 4.2% of GDP between 2020 and 2021.

Source: UN-ECLAC

Tax revenues in the second year of COVID-19

In 2021, the LAC region rebounded strongly from the COVID-19 shock in 2020, which caused the most severe contraction the region has experienced in decades. Average GDP growth in the LAC region exceeded 6% in 2021, a performance mainly attributed to the low base, fiscal stimulus, more favourable external conditions and the reopening of the economies after the COVID-19 lockdowns. However, the recovery was uneven: some countries regained pre-pandemic GDP levels, while in others, notably Mexico and countries in the Caribbean, the recovery was constrained by low tourist numbers and limited fiscal space for stimulus. The LAC region also saw a rise in inflation in the final quarter of 2021 resulting from disruptions in global supply chains, high freight costs, and imbalances between demand and supply (OECD et al., 2022[1]). These inflationary pressures were exacerbated in 2022 by Russia's invasion of Ukraine.

In 2021, economies in the LAC region started to withdraw fiscal stimulus while revenues increased in line with the economic recovery; primary fiscal deficits narrowed and public debt receded but remained above pre-pandemic levels. However, the LAC region remained under tight fiscal constraints at a time when governments were under pressure to support the economy and ensure fiscal sustainability, while also confronting higher food inflation, the financial demands of the green transition, and the need to protect the most vulnerable through stronger social protection systems.

Overview of changes in tax revenues and GDP

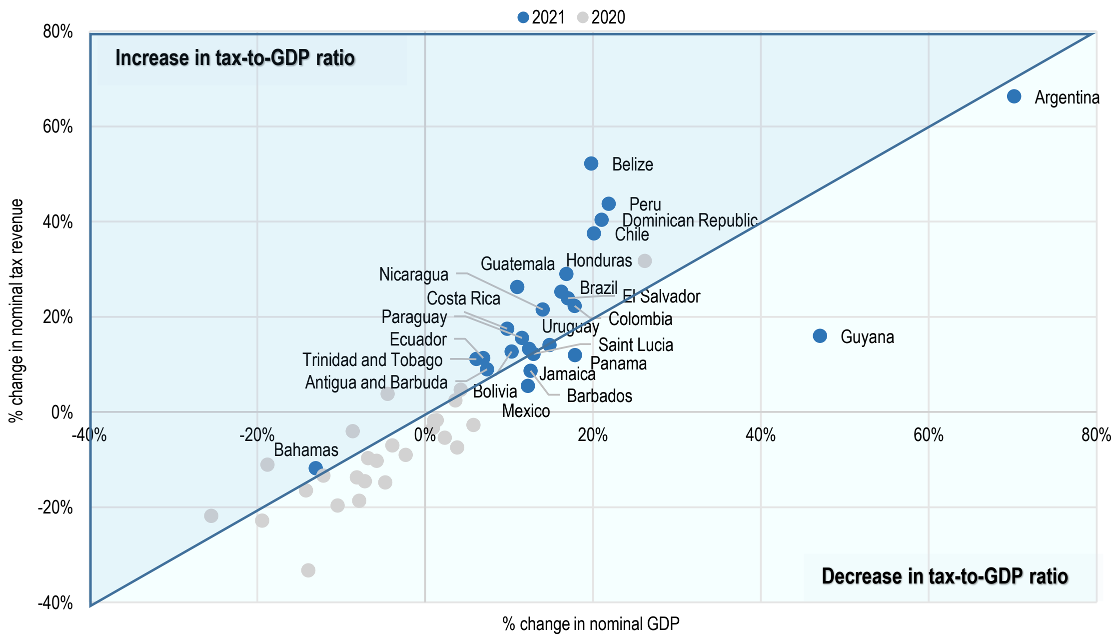
This section analyses annual changes in nominal tax revenues and nominal GDP in 2021 and the resulting changes in tax-to-GDP ratios, which it compares to changes in 2020. The value of the tax-to-GDP ratio depends on two components, the numerator (tax revenues) and the denominator (GDP) (see Box 1.2). Changes in tax-to-GDP ratios reflect changes in nominal tax revenues as well as in nominal GDP.

All countries covered by this report except the Bahamas recorded increases in nominal tax revenues and nominal GDP between 2020 and 2021. Nominal tax revenues grew by 21.4% on average over the period while nominal GDP increased on average by 16.6% (unweighted figures, excluding Cuba). These increases contrast with the historic falls in the previous year, during which nominal tax revenues and nominal GDP fell by 8.5% and 5.2% respectively on average (unweighted figures excluding Cuba).

Figure 1.3 shows the year-on-year changes in nominal tax revenues and nominal GDP in 2020 and 2021. While tax revenues increased in nominal terms in all countries except the Bahamas in 2021, GDP increased by less than tax revenues in 17 countries, leading to higher tax-to-GDP-ratios relative to 2020. In eight LAC countries, nominal GDP rose by more than nominal tax revenues, causing tax-to-GDP ratios to decline. In comparison, nominal tax revenues declined in about two-thirds of countries and nominal GDP declined in most countries in 2020.

Figure 1.3. Changes in nominal tax and nominal GDP, 2020 and 2021

Year-on-year % change



Note: The diagonal line across the graph represents the point at which the change in tax revenues and in GDP were of the same magnitude and therefore the point at which the tax-to-GDP ratio remained unchanged. Countries above the diagonal line had increases in their tax-to-GDP ratios; countries below it had falls.
Source: LAC figures are authors' calculations based on OECD et al. (2023[2]), Chapter 5.

StatLink https://stat.link/d7kcnx

The Bahamas was the only country where tax revenues and GDP both declined in nominal terms between 2020 and 2021 (by 12% and 13% respectively). However, the country's tax-to-GDP ratio increased as the decline in tax revenues was smaller than for GDP.

Box 1.2. The tax-to-GDP ratio methodology

The tax ratios shown in this publication express aggregate tax revenues as a percentage of GDP. The value of this ratio depends on its denominator (GDP) and its numerator (tax revenue). Both the numerator and the denominator may be subject to historical revision. The tax-to-GDP needs to be taken with caution: nominal tax revenues and nominal GDP may change in the same direction (both increasing or both decreasing), but the tax-to-GDP ratio will go in the opposite direction over the same period if the change in nominal tax revenues is lower than the change in nominal GDP.

In 21 LAC countries, the reporting year coincides with the calendar year. The remaining six countries report on a fiscal year basis:

- The fiscal year in Barbados, Belize and Saint Lucia runs from April to March. This means that reporting year 2021 is Q2/2021–Q1/2022.
- The fiscal year in Trinidad and Tobago covers October to September. The reporting year 2021 spans Q4/2020–Q3/2021.
- The fiscal year for the Bahamas ends on 30 June. The reporting year 2021 runs from Q2/2020–Q2/2021.

The numerator (tax revenues)

This publication uses tax revenue figures that are submitted by focal points or published annually by national Ministries of Finance, tax administrations or statistics offices. Historical tax revenue data are subject to revisions each year, with more important revisions in more recent years. Past figures may also change from one edition to the next when data are improved (new data obtained or refined classification).

The denominator (GDP)

The GDP figures used in this publication are mainly sourced from the *World Economic Outlook* (WEO) published by the IMF. Using these GDP figures ensures maximum consistency across countries, as well as international comparability. GDP figures are also revised and updated to reflect better data sources and improved estimation procedures, or to move towards new internationally agreed guidelines for measuring the value of GDP. The most recent available figures from WEO were published in October 2022 (IMF, 2021[3]) and include GDP revisions made by some countries to align with the most recent System of National Accounts (SNA 2008).

The GDP figures for the four LAC countries that are also members of the OECD – Chile, Colombia, Costa Rica and Mexico – are based on the OECD Annual National Accounts.

Major changes in tax-to-GDP ratios in LAC countries in 2021

This section examines in greater detail the largest changes in tax-to-GDP ratios in LAC countries in 2021 relative to 2020. Three main factors explain the rebound in tax-to-GDP ratios in 2021: economic activity and imports recovered; the price of commodities increased sharply, leading to higher tax revenues from non-renewable natural resources (see Chapter 2); and tax relief measures (i.e., tax deferrals, suspensions of advance payments) implemented to support households and firms during the COVID-19 pandemic expired in 2021 (ECLAC, 2022[4]).

- Countries most affected by the pandemic in 2020 were those reliant on tourism (due to the impact of travel restrictions) and major producers of non-renewable natural resources (as commodity prices plummeted in the second quarter of 2020). In 2021, the four countries that registered the largest increases in their tax-to-GDP ratio rely on tourism (Belize) or on hydrocarbons and mining activities (Chile, Brazil and Peru).

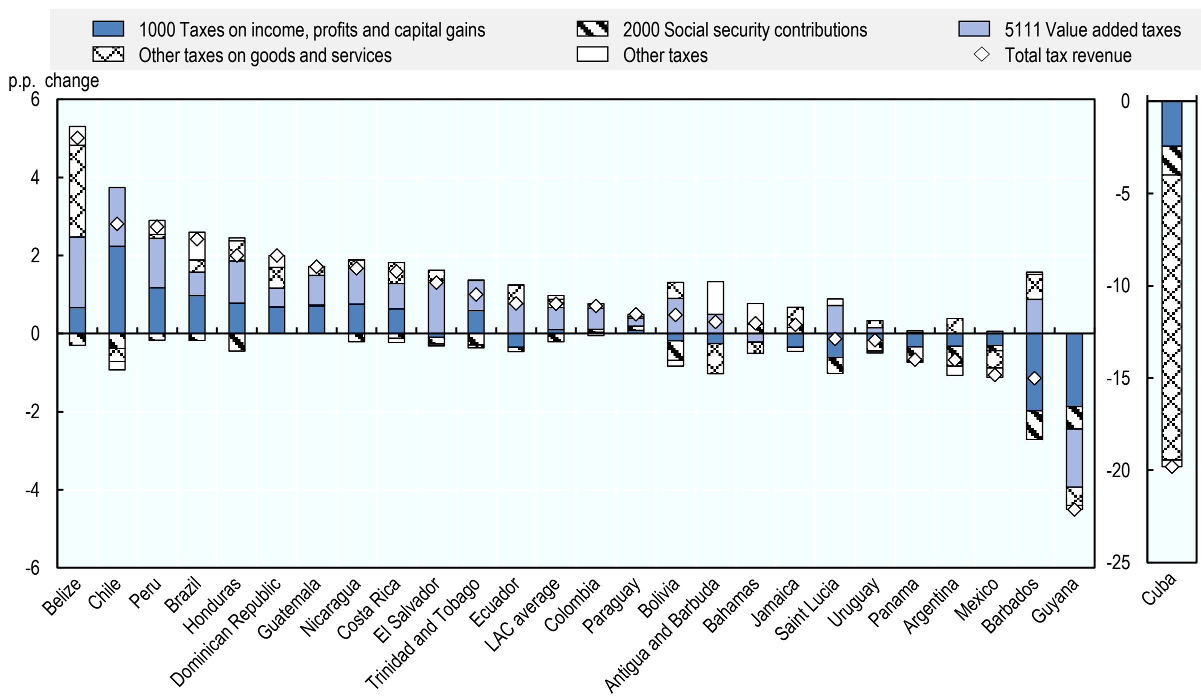
- Belize reported the largest increase in tax revenues as a share of GDP among LAC countries in 2021, of 5.0 p.p. This was driven largely by a strong economic recovery and a low base; Belize saw the third-largest decline in tax revenues in the region in 2020. Belize's economy grew 15.2% in real terms in 2021 after contracting by 13.4% a year earlier (Statistical Institute of Belize, 2023[5]).The tourism sector showed a significant rebound in fiscal year 2021 (April to March) (Belize Tourism Board, 2022[6]). VAT contributed the most to the increase in tax revenues, rising by 1.8 p.p., followed by excises and customs duties (both up by 1.1 p.p.) and income taxes (up 0.7 p.p.).
- Chile and Peru recorded the second- and third-largest increases in the tax-to-GDP ratio among LAC countries in 2021 at 2.8 p.p. and 2.7 p.p., respectively. The increases were driven primarily by income taxes (which rose by 2.2 p.p. in Chile and by 1.2 p.p. in Peru) and VAT (up 1.5 p.p. in Chile and 1.3 p.p. in Peru), supported by a rebound in economic growth. In Chile, GDP reversed a 6.0% decline in 2020 to grow by 11.7% in real terms in 2021 (OECD, 2023[7]), while Peru's economy expanded by 13.6% in real terms in 2021 after contracting by 11% in 2020 (Central Reserve Bank of Peru, 2023[8]). Tax revenues in both countries benefited from tax relief measures implemented in 2020. For example, some of the increase in revenues from income taxes was attributable to annual income tax returns that corresponded to 2020 but were settled in 2021 (ECLAC, 2022[4]). Higher commodity prices in 2021 also gave a boost to the tax revenues of both countries (see Chapter 2).
- Brazil saw the fourth-largest increase in tax revenues, which rose by 2.4 p.p. in 2021 to 33.5% of GDP. Revenues from corporate income tax (CIT) (up 1.0 p.p.) and taxes on goods and services (up 0.9 p.p.) were the main drivers of this increase. Brazil's tax revenues were also boosted by higher commodity prices (see Chapter 2).

Eight LAC countries experienced a decline in their tax-to-GDP ratio between 2020 and 2021; for all these countries, the decreases were the result of nominal tax revenues increasing by less than nominal GDP.

- The decline in Cuba's tax-to-GDP ratio (of 19.8 p.p.) was the largest in the region and resulted from the significant fall in revenues from the sales tax as a percentage of GDP. These exceptional declines were the result of a monetary reform (see Box 1.1) as well as a challenging economic context related to the strengthening of US economic sanctions in 2021.
- Guyana recorded the second-largest decline in tax revenues as a share of GDP (of 4.5 p.p.), although tax revenues rose by 16% in nominal terms. The decline in the tax-to-GDP ratio was caused by rapid GDP growth due to increased oil production (ECLAC, 2022[4]).
- A decline in tax revenues of 1.1 p.p. in Barbados was the third largest among LAC countries whose tax revenues fell in 2021 as a percentage of GDP. Barbados' decline was primarily fuelled by a drop of 2.4 p.p. in CIT revenues. During fiscal year 2020, Barbados received one-off receipts from the international business sector due to higher rates on foreign exchange companies and the higher profitability of these companies, which led to an increase in CIT receipts of around 4% of GDP between 2019 and 2020.
- Mexico reported the fourth-biggest tax revenue decline in 2021 (of 1.1 p.p.) across all the main tax categories. While Mexico saw a relatively strong economic recovery in 2021, nominal tax revenues rose slowly because of measures adopted by the Tax Administration Service in 2020 (ECLAC, 2022[4]). These included tax controls targeting evasion and avoidance, which contributed to an increase of 4% in nominal tax revenues in 2020 relative to 2019. (OECD et al., 2022[9]). The decline in revenues as a share of GDP in 2021 was observed across all major tax types.

Figure 1.4. Changes in tax-to-GDP ratios in LAC countries by main tax heading, 2021

Year-on-year change, p.p.



Note: The LAC average represents the unweighted average of 25 LAC countries included in this publication and excludes Cuba and Venezuela due to data issues.
Source: Authors' calculations based on OECD et al. (2023[2]), Chapter 4.

StatLink https://stat.link/4zme7u

Impact of the pandemic on different tax types

In 2021, revenues from taxes on goods and services rebounded strongly as a percentage of GDP from the sharp decrease experienced in the previous year because of the COVID-19 crisis. Revenues from taxes on goods and services increased on average by 0.8% of GDP across the region in 2021 compared with a decline of 0.7% of GDP in 2020 (Table 1.1).

Within taxes on goods and services, VAT revenues increased by 0.6 p.p. between 2020 and 2021. Other consumption taxes (OCT), which include excises, customs and imports duties, non-VAT general taxes (such as sales taxes), taxes on the use of goods (such motor vehicles taxes) and taxes to perform activities (such as professional business licences), increased by 0.2 p.p. between 2020 and 2021. In comparison, between 2019 and 2020, revenues from VAT and OCT declined by 0.3 p.p. and 0.4 p.p. respectively.

Revenues from income taxes increased by 0.1 p.p. on average across the LAC region between 2020 and 2021, having declined by 0.2 p.p. between 2019 and 2020 due to the fall in CIT revenues over the period (In 2021, CIT revenues remained unchanged as a percentage of GDP compared to 2020). The recovery in income tax and VAT revenues in 2021 was partly due the end of temporary tax measures for firms through tax deferrals and suspension of advance payment implemented in 2020 (ECLAC, 2022[4]).

Revenues from personal income tax (PIT) remained unchanged as a percentage of GDP in 2020 and 2021. In contrast, revenues from social security contributions (SSCs) increased by 0.1 p.p. in 2020 and declined by 0.2 p.p. in 2021.

Table 1.1. Changes in tax revenues by main tax categories, 2020 and 2021

Year-on-year change, p.p.

	2020	2021
PIT	0.0	0.0
CIT	-0.2	0.0
SSCs	0.1	-0.2
VAT	-0.3	0.6
OCT	-0.4	0.2
Res.	-0.1	0.2
Total tax	**-0.8**	**0.8**

Note: The LAC averages represent the unweighted average of 25 LAC countries included in this publication and excludes Cuba and Venezuela due to data issues. In addition, the PIT and CIT averages excludes Ecuador due to data quality issues. Res. includes 1300 Taxes on income and profits that cannot be allocated between CIT and PIT.
Source: Authors' calculations based on OECD et al. (2023[2]), Chapter 4.

StatLink https://stat.link/84sc07

Figure 1.5 presents the overall distribution of changes in revenues from different tax types as a percentage of GDP between 2020 and 2021 as well as between 2019 and 2020. Most LAC countries (20 out of 25) recorded increases in revenues from taxes on goods and services in 2021, whereas about two-thirds of LAC countries experienced decreases in these revenues in 2020.

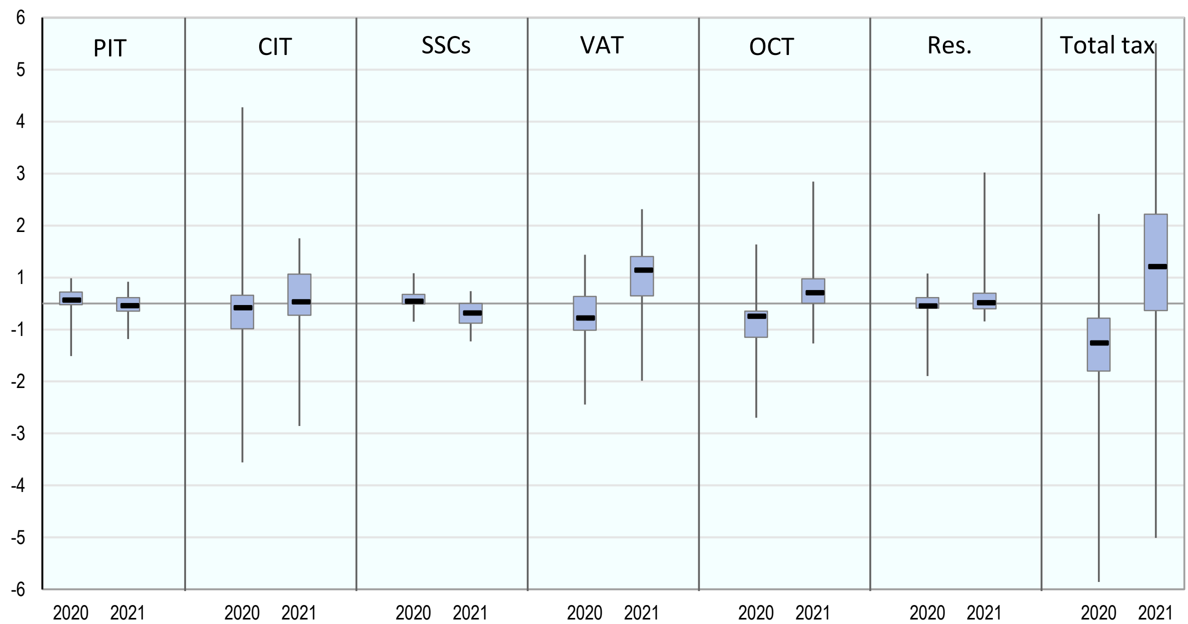
- Twenty-one LAC countries observed increases in VAT revenues as a share of GDP in 2021 against only nine in 2020. The largest increase in VAT revenues in 2021 amounted to 1.8 p.p. in Belize and the largest decrease in VAT revenues was observed in Guyana (1.5 p.p.).
- Nineteen LAC countries saw increases in revenues from OCT as a share of GDP in 2021 whereas nine countries had higher OCT revenues in 2020 relative to 2019. The changes (excluding Cuba) ranged from a decrease of 0.8 p.p. in Antigua and Barbuda to an increase of 2.3 p.p. in Belize.

Unlike the other tax categories, revenues from PIT and CIT as a share of GDP were unchanged in 2021 relative to 2020. PIT revenues were also stable in 2020, while CIT revenues fell in 2020. Half of LAC countries saw increases in CIT revenues as a share of GDP in 2021 whereas nearly two-thirds of countries recorded decreases in CIT revenues as a share of GDP in the previous year.

While revenues from SSCs were stable on average in 2020 as a percentage of GDP, they decreased in eighteen LAC countries in 2021 and fell by 0.2 p.p. on average.

Figure 1.5. Changes in tax revenues by category as in LAC, 2020 and 2021

Year-on-year change, p.p.



Note: The averages exclude Cuba and Venezuela due to data issues. Additionally, the PIT and CIT averages exclude Ecuador due to data quality issues. In the figure, the lowest point represents the minimum country change for the tax type; the box represents the changes for countries between the lower and upper quartiles (i.e. 50% of countries had changes within the range shown by each box); and the upper point for each tax type represents the maximum country change. The line in each box represents the median country change (i.e. half of countries were above this line and half were below).
Source: LAC figures are authors' calculations based on OECD et al. (2023[2]), Chapter 4.

StatLink https://stat.link/veyh1c

Impact on different LAC sub-regions

The three LAC sub-regions were affected in different ways by the COVID-19 crisis in 2020. The Caribbean was hit hard by the collapse in tourism while the South American sub-region, which is a net exporter of non-renewable natural resources, suffered from sharp declines in commodity prices. In all three sub-regions, the tax-to-GDP ratio declined.

Average tax-to-GDP ratios in the Caribbean, Central America and Mexico and South America recovered in 2021, reaching 22.8%, 19.2% and 22.8% respectively. South America and Central America and Mexico recorded an increase of 1.1 p.p. between 2020 and 2021 after they fell by 0.8 p.p. and 0.4 p.p. respectively on average in 2020. Meanwhile, while the Caribbean showed a modest increase of 0.1 p.p. after a decline of 1.1 p.p. in 2020.

For all three sub-regions, revenues from taxes from goods and services led the recovery in 2021, increasing by 0.6 p.p., 0.9 p.p. and 0.8 p.p. respectively in the Caribbean, Central America and Mexico, and South America. These revenues were affected the most by the COVID-19 pandemic in 2020. Within revenues from taxes on goods and services, VAT was the main driver for the increases observed in all sub-regions. Changes in income tax revenues varied across the sub-regions; the Caribbean is the only sub-region that showed a decrease in these revenues between 2020 and 2021. In all three sub-regions, SSCs declined on average by 0.2 p.p. or more in 2021, whereas in 2020 these revenues did not decrease on average.

Table 1.2 presents annual changes in tax revenues in 2021 for the Caribbean, Central America and Mexico, and South America by main tax type.

- In the Caribbean, the largest increases in revenues as a share of GDP in 2021 were recorded in VAT (by 0.4 p.p.) and property taxes (shown in the category residual) by 0.3 p.p. Revenues from OCT increased to a lesser extent in 2021 (by 0.2 p.p.), compared to a large fall in these revenues in 2020 (0.7 p.p.). In contrast, income tax revenues decreased by 0.5 p.p. in 2021, driven by falls in CIT revenues, which were unchanged in 2020 relative to 2019.
- In Central America and Mexico and in South America, the largest increases in revenues as a share of GDP in 2021 were recorded in VAT (0.7 p.p. for both sub regions) followed by revenues from income taxes (0.3 p.p. in Central America and Mexico and 0.4 p.p. in South America). CIT revenues increased by 0.3% and 0.2% of GDP in 2021 in Central America and Mexico and in South America respectively. Within income tax in South America, the largest increase was recorded for revenues that could not be allocated between CIT and PIT (0.3 p.p. shown as part of the residual category).

Table 1.2. Changes in tax revenues by category as a share of GDP, LAC and sub-regions, 2021

Year-on-year change, p.p.

	LAC	Caribbean	Central America + Mexico	South America
PIT	0.0	-0.1	0.0	0.0
CIT	0.0	-0.4	0.3	0.2
SSC	-0.2	-0.2	-0.2	-0.2
VAT	0.6	0.4	0.7	0.7
OCT	0.2	0.2	0.2	0.2
Res.	0.2	0.3	0.0	0.3
Total tax	**0.8**	**0.1**	**1.1**	**1.1**

Note: The averages exclude Cuba and Venezuela due to data issues. Additionally, the PIT and CIT averages for LAC and the South American sub-region exclude Ecuador due to data quality issues.
Source: Authors' calculations based on OECD et al. (2023[2]), Chapter 4.

StatLink https://stat.link/j7arzt

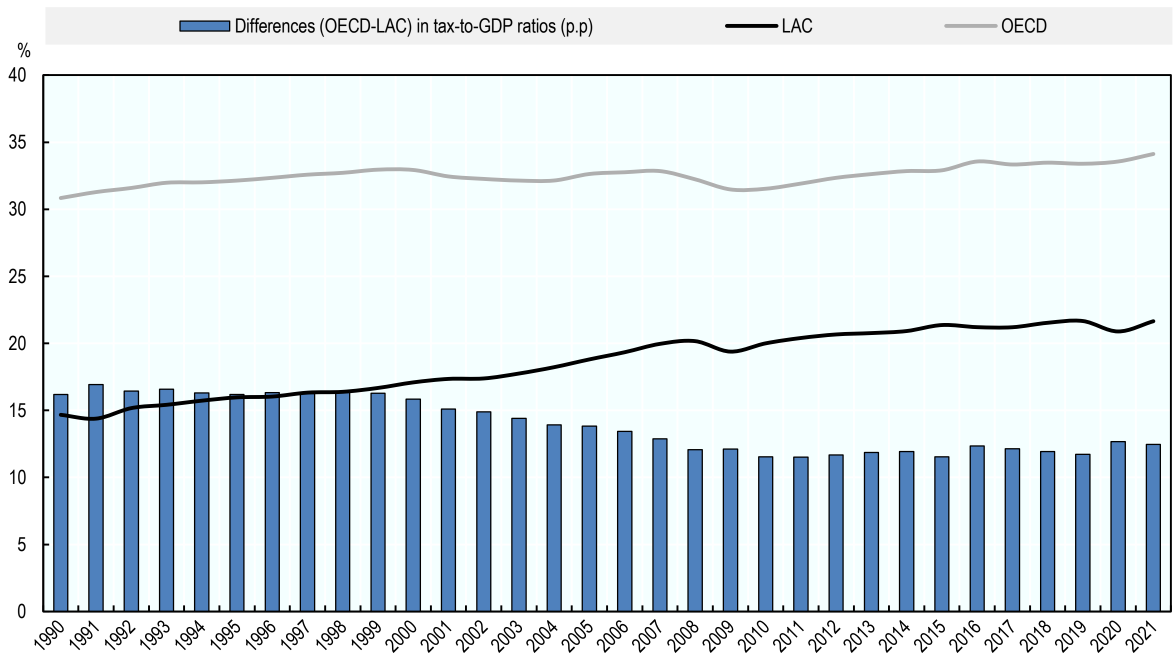
Long-term trends in tax-to-GDP ratios

Evolution of tax-to-GDP ratios since 1990

Despite the declines in tax-to-GDP ratios caused by the global financial crisis in 2009 and by COVID-19 in 2020 (of 0.8 p.p. in both years), the average tax-to-GDP ratio for the LAC region has increased significantly over the past three decades, rising from 14.7% in 1990 to 21.7% in 2021 (Figure 1.6). This trend contrasts with that of OECD countries, where the average tax-to-GDP ratio has been relatively stable since 1990 (although at a higher level than the LAC average); the OECD tax-to-GDP ratio reached 34.1% in 2021, 3.3 p.p. above its level in 1990. The difference between the LAC and OECD average tax-to-GDP ratio has thus reduced considerably over time, reaching 12.5% of GDP in 2021.

Figure 1.6. Tax-to-GDP ratios, LAC and OECD averages, 1990-2021

As % of GDP



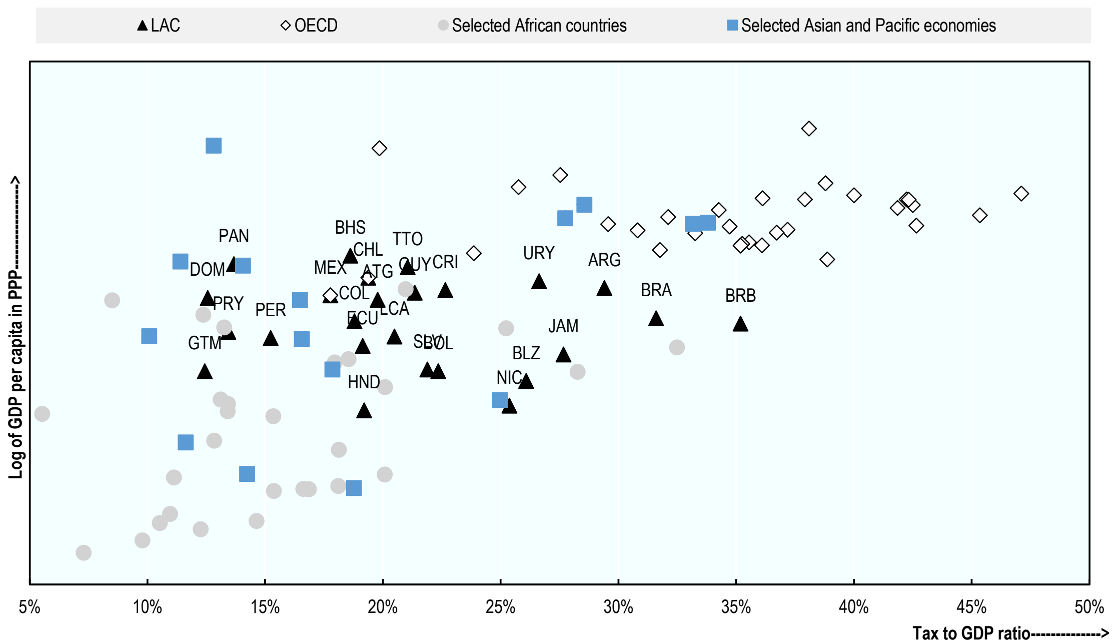
Note: The LAC average represents the unweighted average of 25 LAC countries included in this publication and excludes Cuba and Venezuela due to data availability issues. The OECD average represents the unweighted average of the 38 OECD member countries. Chile, Colombia, Costa Rica and Mexico are also part of the OECD (38).
Source: Authors' calculations based on OECD et al. (2023[2]), Chapter 4.

StatLink https://stat.link/yelvqs

Factors influencing tax-to-GDP ratios

Tax-to-GDP ratios are influenced by a range of economic and structural factors (see Box 1.3). Differences between the LAC and OECD average tax-to-GDP ratios are consistent with the tendency for countries at higher income levels to have higher tax-to-GDP ratios (Figure 1.7). Argentina, Barbados, Brazil and Uruguay show similar tax-to-GDP ratios and levels of income to some OECD countries. Empirical analysis suggests that stronger tax collection, accompanied by stronger institutions, education and skills, and economic diversification, allowed many OECD countries to evade the middle-income trap, in contrast to countries in the LAC region (Melguizo et al., 2017[10]).

Figure 1.7. GDP per capita in PPP (USD) and tax-to-GDP ratios for countries in the LAC region, the OECD, and a group of African, Asian and Pacific economies, 2020



Note: The year of comparison is 2020 as data for tax-to-GDP ratios in 2021 is not available for the selected African, Asian and Pacific economies. Cuba and Venezuela are not included in this figure due to data issues. The purchasing-power-parity (PPP) between two countries is the rate at which the currency of one country needs to be converted into that of a second country to ensure that a given amount of the first country's currency will purchase the same volume of goods and services in the second country as it does in the first. The implied PPP conversion rate is expressed as national currency per current international dollar. An international dollar has the same purchasing power as the US dollar has in the United States. An international dollar is a hypothetical currency that is used as a means of translating and comparing costs from one country to the other using a common reference point, the US dollar (USD).
Source: IMF (2022) for figures of GDP per capita. Tax-to-GDP ratios are sourced from the Global Revenue Statistics Database (https://www.oecd.org/tax/tax-policy/global-revenue-statistics-database.htm).

StatLink https://stat.link/aobsc2

Box 1.3. Factors influencing tax-to-GDP ratios

The economic and structural factors that influence tax-to-GDP ratios include GDP per capita (a measure of a country's income level), openness to trade, natural resource endowments and the importance of agriculture in the economy. The capacity of tax administrations, levels of corruption and tax morale (the willingness of people to pay taxes) are also strongly linked to the level of tax revenues (OECD, 2014[11]; OECD, 2019[12]).

The tax-to-GDP ratio also reflects political choices regarding the role of the government and its size. For example, the extent of state participation in financing social security is an important factor behind disparate tax ratios in the LAC region. From the 1980s onwards, many LAC countries, such as Chile, El Salvador and Mexico, privatised healthcare and pensions to greater or lesser degrees: contributions to private institutions are not considered SSCs in the OECD classification. In Colombia and Peru, private and public programmes compete and employees opt between them (OECD et al., 2015[13]; OECD/IDB/The World Bank, 2014[14]). On the other hand, Argentina, Brazil and Uruguay follow a model where public and private systems are complementary. In these countries, substantial reforms were undertaken to extend coverage of social security systems to those previously excluded. This has also been instrumental in the increase of tax revenues (ECLAC, 2014[15]).

Informality is another factor that constrains tax collection in LAC by significantly reducing the tax base. Informal employment accounts for close to 60% of workers in Latin America and the Caribbean (OECD, 2020[16]).

The region loses significant amounts of tax revenues to tax evasion and aggressive tax planning. Foregone revenues due to tax non-compliance in LAC was estimated at 6.1% of GDP in 2018, mainly in income tax (3.8% of GDP) and VAT (2.3% of GDP) (ECLAC, 2020[17]).

In addition, geographic location and historical factors can influence tax-to-GDP ratios. For example, landlocked countries are less able to impose taxes on goods and services at a port of entry than coastal countries. Socio-demographic determinants, such as level of education or female participation in the labour force are also important. Finally, international factors, including the tax policies of other countries, can impact tax-to-GDP ratios.

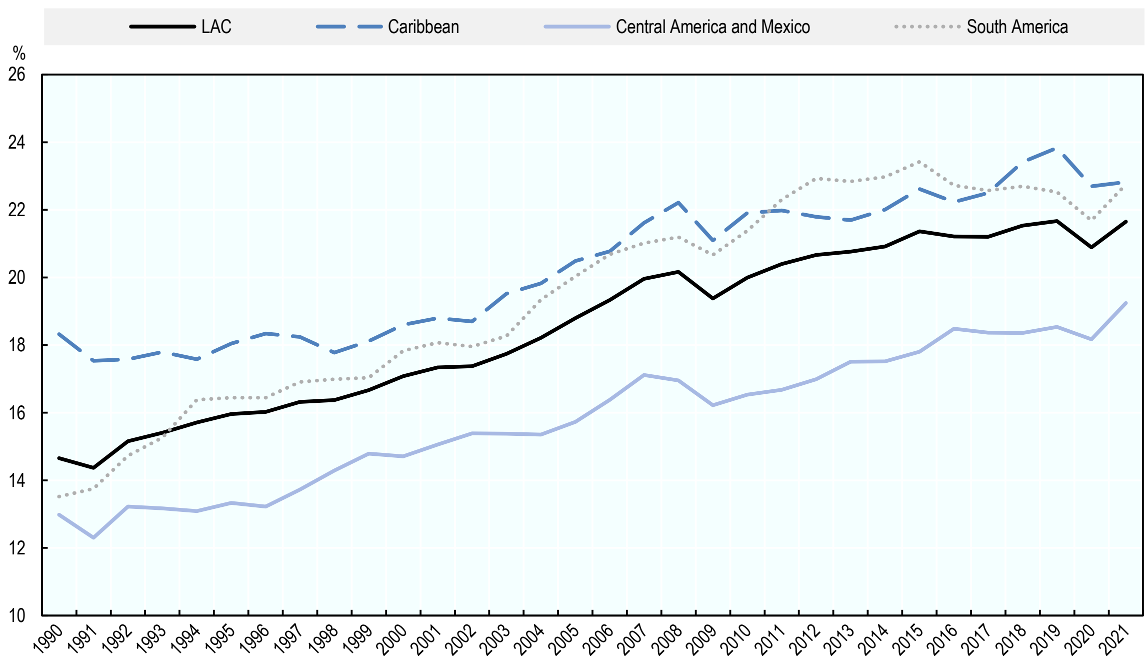
Evolution of tax-to-GDP ratios in the Caribbean, Central America and Mexico, and South America since 1990

Figure 1.8 shows the evolution of the average tax-to-GDP ratio for the three LAC sub-regions since 1990. While tax levels in all three sub-regions have shown an upward trend during the last three decades, their trajectory shows notable differences:

- On average, South America recorded the strongest growth between 1990 and 2021 of 9.2 p.p. The sub-region recorded a strong increase in its tax-to-GDP ratio during the 1990s. Since 2015, however, South America's tax-to-GDP ratio has declined towards the LAC average, and from 2019 it has followed the LAC average trend. In 2021, South America' tax-to-GDP ratio stood at 22.8%, which was 1.1 p.p. higher than the LAC average and 0.2 p.p. above its pre-crisis level in 2019.
- The increase in the average tax-to-GDP ratio for Central America and Mexico over the period has followed a similar trend to the LAC average, amounting to 6.3 p.p. Between 1990 and 2021, the average tax-to-GDP ratio of this sub-region remained below the average for the LAC region; in 2021 it stood at 19.2%, 2.4 p.p. lower than the LAC average but 0.7 p.p. higher than its pre-crisis level (18.5% in 2019).

- The average tax-to-GDP ratio of the Caribbean increased by 4.5 p.p. between 1990 and 2021, and it has been consistently higher than the LAC average. After a sharp increase between 2017 and 2019, the Caribbean's tax revenues as percentage of GDP declined strongly during the COVID-19 period. The Caribbean is the only sub-region that has not recovered its pre-crisis level: the average tax-to-GDP ratio stood at 22.8% in 2021, 1.0 p.p. lower than in 2019.

Figure 1.8. Average tax-to-GDP ratios, LAC and sub-regions, 1990 2021



Note*:* The LAC average represents the unweighted average of 25 LAC countries included in this publication and excludes Cuba and Venezuela due to data issues. The Caribbean includes eight countries (Antigua and Barbuda, Bahamas, Barbados, Belize, Guyana, Jamaica, Saint Lucia and Trinidad and Tobago), Central America and Mexico eight countries (Costa Rica, 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 and is based on the spoken language of countries. The Caribbean includes the English-speaking countries and Guyana while Central America and Mexico covers Spanish-speaking countries including Dominican Republic.
Source: Authors' calculations based on OECD et al. (2023[2]), Chapter 4.

StatLink https://stat.link/dysjco

Evolution of tax revenues by tax types since 1990

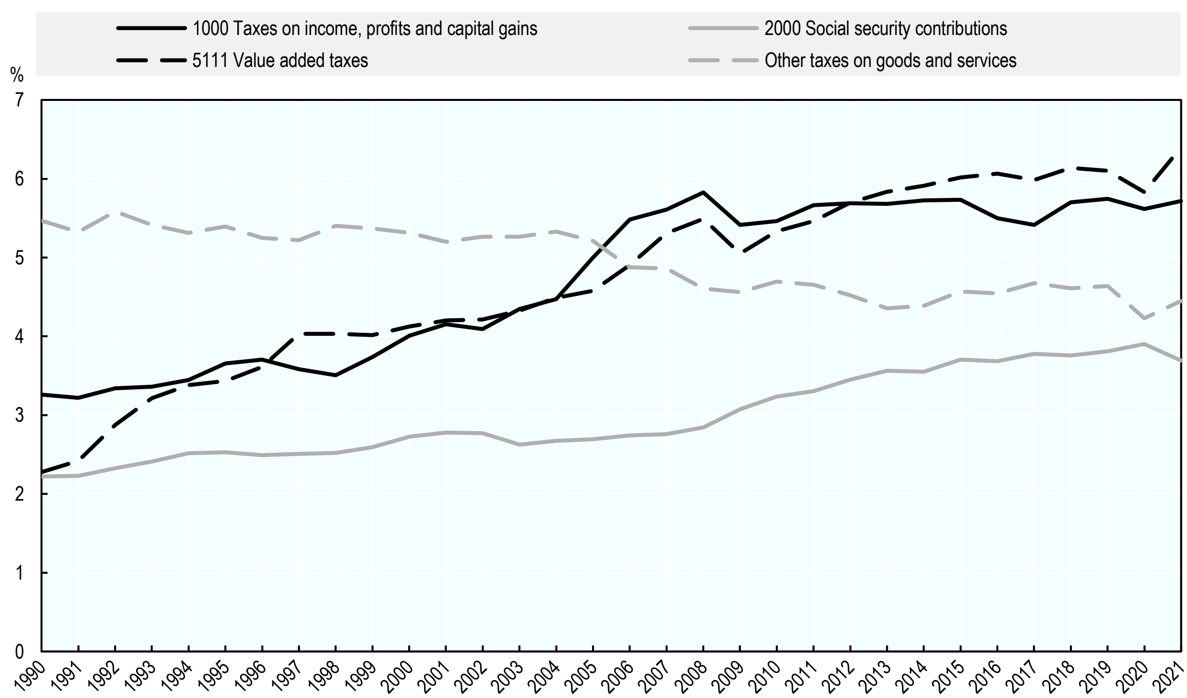
Tax-to-GDP ratios in LAC countries increased in the early 1990s after a decade of macroeconomic instability. During the 1980s, many countries ran large fiscal imbalances and some resorted to alternative ways of financing expenditure (borrowing or printing money). This caused rapid inflation across the region, which eroded the real value of tax revenues. Reforms in the 1990s focused on price stability, trade liberalisation and fiscal discipline. Most LAC governments reduced spending and implemented policies aimed at increasing tax revenues; budget management and fiscal balances improved considerably. Policy makers implemented reforms to tax policy and administration to reinforce tax systems against inflationary episodes by shortening collection lags and indexing tax liabilities (ECLAC, 2018[18]).

The introduction of VAT has been the most significant tax reform in LAC of the past three decades. By the early 1990s, almost all countries were implementing a VAT system and reforms aimed to increase its rate, to widen the tax base and to improve collections. Several countries have moved towards single-rate VAT schemes (ECLAC, 2018[18]).

LAC countries have undertaken significant efforts to modernise tax administration over the last two decades. New information technology systems have been implemented, tax collection systems became more efficient, and staff have gained expertise (IDB, 2013[19]). Tax reforms included the introduction or development of simplified regimes for small taxpayers, the taxation of property based on presumed incomes and the expansion of taxation to labour and capital income, including dividends. Reforms have also included the establishment of minimum taxes, taxes on financial transactions and gradual reductions in the real income level taxed at the top marginal rate (ECLAC, 2013[20]; ECLAC, 2018[18]).

Figure 1.9. Revenue from selected taxes in the LAC region, 1990-2021

Percentage of GDP



Note: The LAC average represents the unweighted average of 25 LAC countries included in this publication and excludes Cuba and Venezuela due to data issues.
Source: Authors' calculations based on OECD et al. (2023[2]), Chapter 4.

StatLink https://stat.link/8jremh

The increase in the average tax-to-GDP ratio in the LAC region since 1990 has largely been driven by increases in revenues from income tax and VAT, which increased by 2.5 p.p. and 4.1 p.p. respectively between 1990 and 2021. In 2021, revenues from VAT amounted to 6.4% of GDP while revenues from taxes on income and profits were equivalent to 5.7% of GDP (Figure 1.9).

Between 1990 and 2021, revenues from other consumption taxes in LAC decreased as a percentage of GDP. This decline is associated with trade liberalisation, as a result of which LAC countries changed the way they tax imported and exported goods as well as specific goods and services. These changes included a reduction of import tariffs, narrowing the base of products and services subject to excises, and the elimination of taxes on exports. One important exception is Argentina, where taxes on exports were re-established in 2002, partly abolished in 2015, and reintroduced in September 2018.

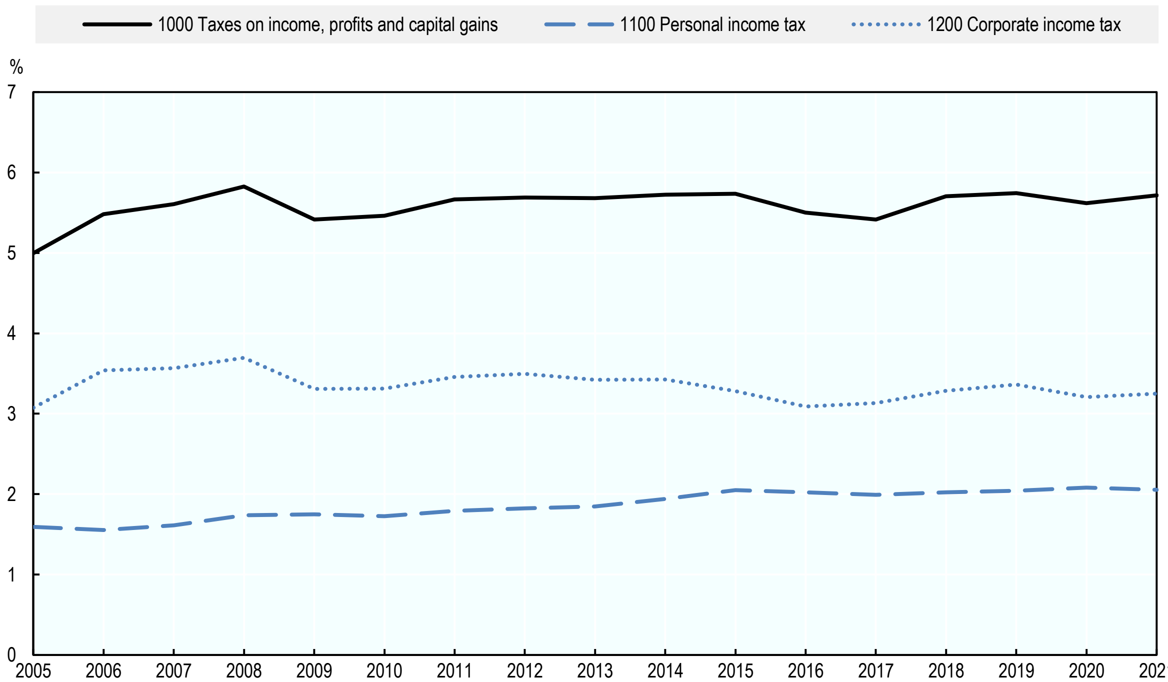
Five distinct phases in the evolution of tax revenues can be distinguished:

- Between 1990 and 2002, VAT contributed more to the increase in tax revenues than taxes on income and profits (1.9% of GDP versus 0.8%). Over that period, five countries introduced a VAT (Barbados, Belize, El Salvador, Jamaica and Paraguay). Several other countries increased their standard VAT rates as well as undertaking reforms to widen the tax base and improve revenue collection.
- Between 2002 and 2008, the opposite is observed: revenue from taxes on income and profits contributed more than VAT revenues to the increase in the average tax-to-GDP ratio (the increases amounted to 1.7% and 1.3% of GDP respectively). The increase in income taxes was partly explained by the commodity price boom after 2003, which drove up CIT revenue from the natural resource sector (ECLAC, 2014[15]; Barreix, Benítez and Pecho, 2017[21]). In several countries, it was also a result of policies that reduced tax incentives in free-trade zones, the introduction of minimum taxes for corporations, reforms in international taxation and agreements between countries to fight tax evasion.
- Revenues from VAT and income taxes declined during the global financial crisis (GFC). During the subsequent recovery, VAT revenues grew faster than income tax revenues on average across the region, exceeding them as a percentage of GDP in 2013. Commodity prices contributed to a stagnation of income tax revenues between 2011 and 2015 and a decrease between 2015 and 2016. In 2016, VAT revenues amounted to 6.1% of GDP compared to 5.5% for income tax revenues. During this period, two more Caribbean countries introduced a VAT (Saint Lucia in 2012 and the Bahamas in 2015).
- Between 2016 and the start of the COVID-19 crisis in 2020, commodity prices recovered and income tax revenues rebounded. Between 2017 and 2018, revenues from income taxes recorded their largest increase since 2011, at 0.3 p.p. on average, due to strong profits in the mining and oil and gas extraction sectors.
- In 2020, all main tax categories except for PIT and SSCs declined as a percentage of GDP due to the COVID-19 pandemic before increasing in 2021 as explained earlier in this chapter. SSCs were the only tax category that recorded a decline in 2021. By 2021, PIT recovered its 2019 level and VAT exceeded it by 0.3 p.p. while other main tax categories had not fully recovered.

Figure 1.10 shows the evolution of CIT and PIT since 2005. Over this period, CIT revenues as a percentage of GDP have been more volatile than revenues from PIT, which have steadily increased on average across the region and were more resilient than CIT revenues during the GFC and the COVID-19 crisis. In 2021, the LAC averages for CIT and PIT revenues stood at 3.3% and 2.1% of GDP, respectively.

Figure 1.10. Revenue from taxes on income and profits, CIT and PIT in the LAC region, 2005-21

Percentage of GDP



Note: The LAC averages exclude Cuba, and Venezuela due to data issues.; Ecuador is included in the LAC average for total income tax revenues but excluded from the LAC averages for PIT and CIT revenues as a percentage of GDP as it is not possible to distinguish between revenues from PIT and CIT.
Source: OECD et al. (2023[2]), Chapter 4.

StatLink https://stat.link/6a1vd4

There are notable differences between the three LAC sub-regions in the evolution of the main tax categories over the last two decades:

- In the Caribbean, VAT revenues as a percentage of GDP increased greatly on average as seven of the eight Caribbean countries introduced[3] a VAT system over the period, later than most countries in Central America and Mexico and in South America. VAT revenues were the main driver of the overall increase in the Caribbean's tax-to-GDP ratio over the period.
- In Central America and Mexico and in South America, taxes on income and profits contributed most to the increase in the overall tax-to-GDP ratio, followed by VAT. Revenues from taxes on income and profits were influenced by increases in mineral and oil prices between 2003 and 2010.

Tax structures

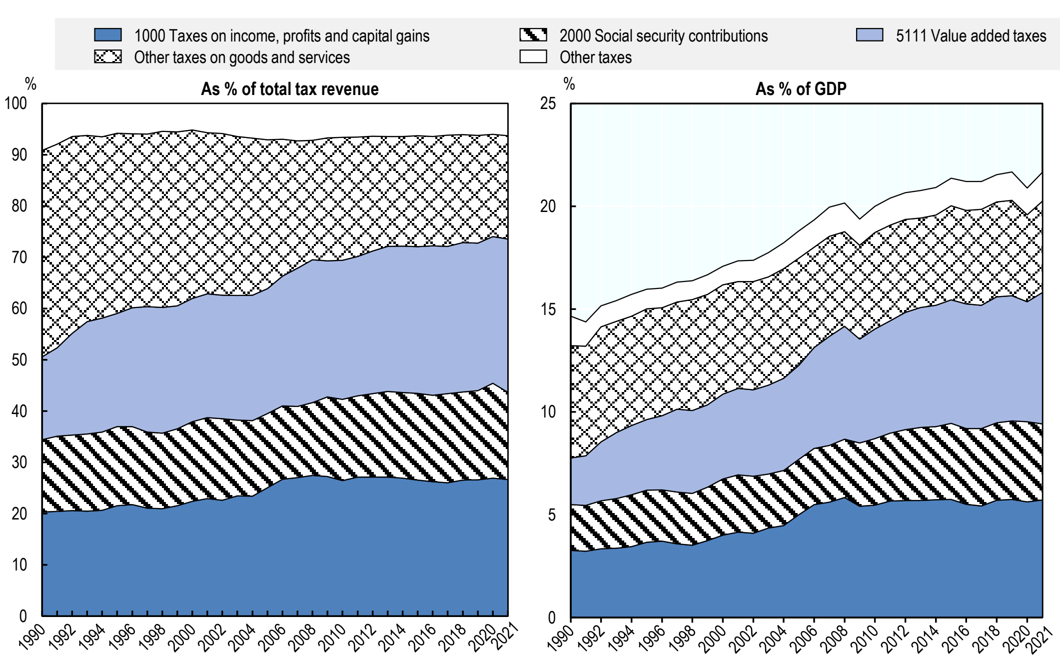
The tax structure (defined as the share of major tax types in total tax revenues) depicts the composition of tax revenues by different tax types. It is an important indicator for understanding the economic and social effects of tax systems in the LAC region.

Evolution of tax structures

Taxes on goods and services provided the largest share of total tax revenues in the LAC region in 2021, representing half of total taxation on average. During the last three decades, the average LAC mix has shifted towards VAT, taxes on income and profits, and social security contributions and away from other taxes on goods and services.

- The share of VAT revenues in total tax revenues reached 29.9% in 2021, corresponding to an increase of 13.7 p.p. since 1990. The revenue share of other taxes on goods and services (including excises, customs and import duties) declined by 20.1 p.p. over the same period (Figure 1.11).
- The share of revenues from taxes on incomes and profits grew by 6.3 p.p. (from 20.3% to 26.7% of total tax revenues) between 1990 and 2021.
- The share of social security contributions in total tax revenues increased by 2.9 p.p. from 1990 to 17.0% in 2021. Two major (and opposing) factors have influenced the trajectory of social security contributions in the region. While rising personal incomes have led to higher collections, this was counter-balanced by the full or partial privatisation of social security that occurred in many countries, principally between the mid-1990s and 2010 (OECD et al., 2015[13]).

Figure 1.11. Average tax structure in the LAC region, 1990-2021



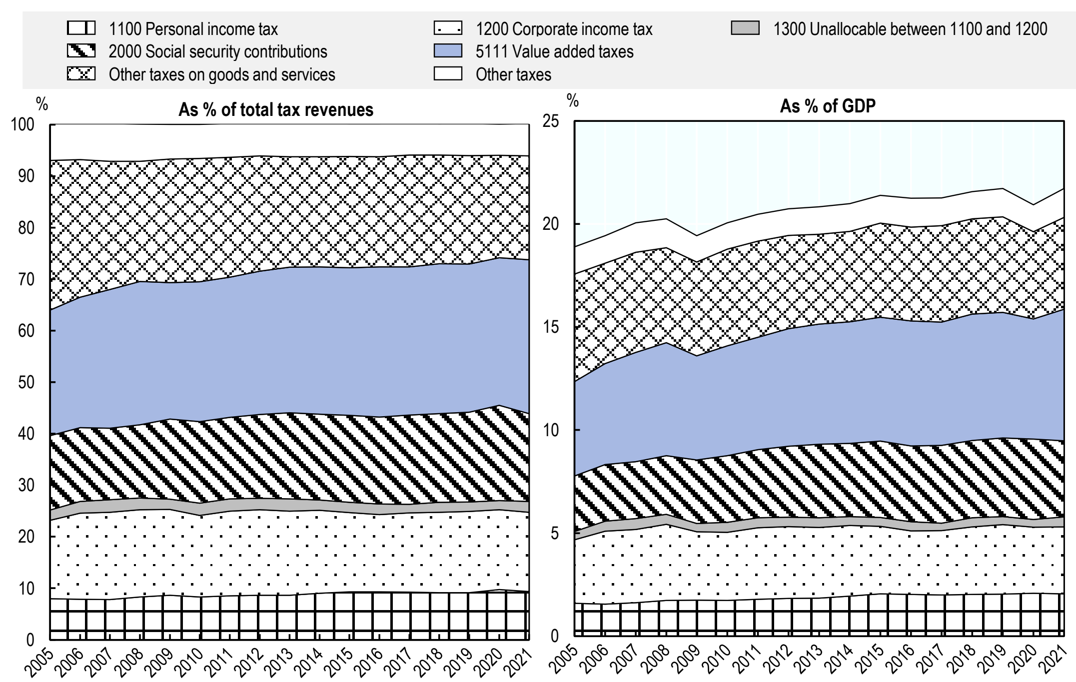
Note: The LAC average represents the unweighted average of 25 LAC countries included in this publication and excludes Cuba and Venezuela due to data issues.
Source: Authors' calculations based on OECD et al. (2023[2]), Chapter 4.

StatLink https://stat.link/juzbq2

The share of PIT revenues grew from 8.0% of total tax revenues in 2005 to 9.4% in 2021, in part due to increases in personal incomes across the region in the last two decades before the COVID-19 pandemic. However, in comparison to OECD countries, the average share of PIT revenue remains low in LAC countries despite some countries implementing reforms to expand their tax base. After the GFC, several countries established flat rates on capital income that had previously been exempt and implemented progressive rates on labour income (ECLAC, 2014[15]). More recently, Ecuador introduced a tax reform that came into force at the beginning of 2022 affecting PIT and taxation on wealth, profits and foreign assets. In addition to increasing revenues, this reform is expected to increase the progressivity of Ecuador's tax system.

There are relatively few PIT payers in the LAC region, largely due to high levels of informality and the concentration of income earners at low-income levels: in 2013, only 10% of the population in Latin America were registered taxpayers (IDB, 2013[19]).

Figure 1.12. Average tax structure in the LAC region, 2005-21



Note: The LAC average excludes Cuba and Venezuela due to data issues. Ecuador is excluded from the LAC average for PIT and CIT revenues due to data quality issues.
Source: Authors' calculations based on OECD et al. (2023[2]), Chapter 4.

StatLink https://stat.link/1nb9pv

Several other factors continue to limit PIT revenues, including a small tax base that is comprised primarily of wages (since tax privileges are often granted to returns on capital) and high levels of evasion (Barreix, Benítez and Pecho, 2017[21]; ECLAC, 2014[15]). ECLAC (2020[17]) finds that the evasion rates for PIT are high in selected LAC countries that conducted tax evasion studies, ranging from 18.7% in Mexico (2016 figure, equivalent to tax revenue losses of 0.8% of GDP) to 69.9% in Guatemala (2006 figure equivalent to tax revenue losses of 0.5% of GDP). Evasion is more common among the self-employed than employees. A study for Mexico that disaggregated the evasion rate for different groups concluded that tax revenue losses as a percentage of GDP are nearly five times higher for individuals with business activities than for wage earners (ECLAC, 2020[17]).

The share of CIT revenues in total tax revenues increased by 0.1 p.p. between 2005 and 2021, reaching 15.4% in the latter year. CIT evasion is also a significant issue in the LAC region, with higher evasion rates than for PIT. ECLAC (2020[17]) states that “evasion rates for CIT range from 19.9% in Mexico to almost 80% in Guatemala”. Revenue losses attributed to tax evasion are estimated to exceed 4% of GDP in the Dominican Republic, Guatemala, Peru and Panama.

In 2021, there were notable differences in average tax structures across the sub-regions. The most significant share of revenue in the Caribbean was derived equally from VAT and from taxes on goods and services other than VAT, which on average represented 28.5% and 28.1% of total tax revenues respectively, whereas in the other two sub-regions VAT revenues represented the largest share. South America had the highest share of VAT revenues in 2021, at 31.7% on average. Social security contributions were lowest in the Caribbean in 2021, at 11.9% of total tax revenues on average. This was slightly less than half of the average for the other sub-regions (19.9% and 19.0% respectively in Central America and Mexico, and in South America). All three sub-regions generated higher revenues from CIT than from PIT.

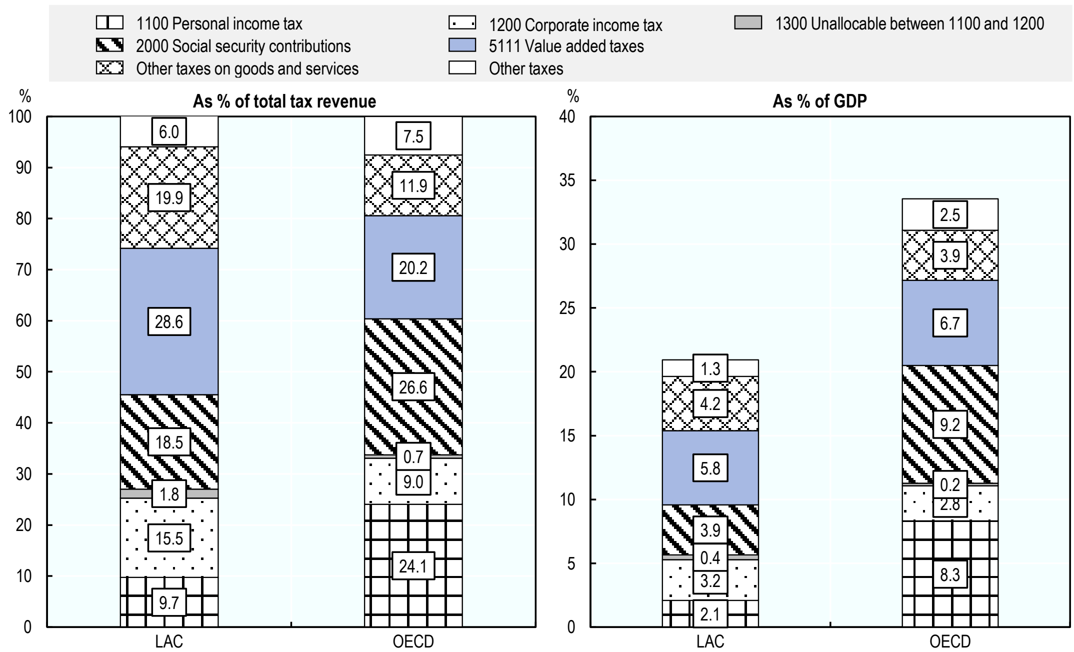
Average tax structure in LAC and the OECD

The average tax mix in the LAC region exhibits low revenues from PIT and social security contributions relative to the OECD average (Figure 1.13). On the other hand, LAC countries rely more on taxes on goods and services, which make up half of tax revenues on average, compared with around one-third in OECD economies on average. As a percentage of GDP, revenues from taxes on goods and services in the LAC region and the OECD were similar in 2020, at 10.1% and 10.6% respectively.[4]

By contrast, the combined share of taxes on income and profits and social security contributions as percentage of total tax revenues was much lower in the LAC region than in the OECD in 2020 (45.5% versus 60.4%, on average). As a percentage of GDP, these two categories amounted to 9.6% in the LAC region, less than half the OECD average (20.5%). The tendency towards private provision of social security in many LAC countries explains some of this difference.

On average, CIT generated 15.5% of total tax revenues in the LAC region, compared with 9.0% in the OECD (respectively 3.2% and 2.8% of GDP). The most striking difference relates to revenues from PIT, which contributed 24.1% of total tax revenues in the OECD on average in 2020 versus 9.7% of total tax revenues in the LAC region. PIT revenues amounted to 2.1% of GDP in the LAC region on average, compared with 8.3% in the OECD.

Figure 1.13. Average tax structure in the LAC and the OECD, 2020



Note: The year of comparison is 2020 as the 2021 tax structure for the OECD average is not available. The LAC average excludes Cuba and Venezuela due to data issues. Ecuador is excluded from the LAC average for PIT and CIT revenues due to data quality issues. The OECD average represents the unweighted average of the 38 OECD member countries. Chile, Colombia, Costa Rica and Mexico are also part of the OECD (38).
Source: Authors' calculations based on OECD et al. (2023[2]), Chapter 4.

StatLink https://stat.link/pxjlwf

Taxes on immovable property and payroll (contained within the category "other taxes") are a less important source of revenue for the LAC region on average than in the OECD, although there are challenges with data availability for property taxes.

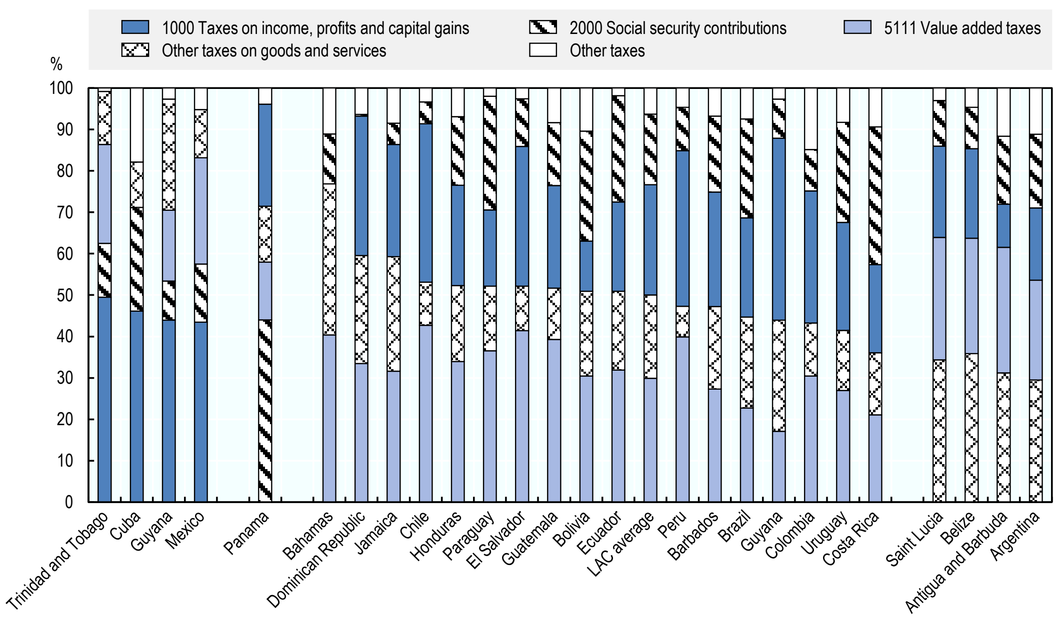
Tax structures in LAC countries

Taxes on goods and services were the main source of revenue for all LAC countries except Cuba, Guyana, Mexico, Panama, and Trinidad and Tobago in 2021 (Figure 1.14). For Cuba, Guyana, Mexico and Trinidad and Tobago, revenue from taxes on income and profits accounted for the largest share, whereas revenue from SSCs was the most important source of tax revenues for Panama. For Cuba, the tax structure changed compared to that in 2020 (when taxes on good and services were the main source of total tax revenue) due to a monetary reform (see Box 1.1).

In most of the countries where taxes on goods and services were the main source of revenues, VAT contributed a larger share than taxes on goods and services other than VAT, such as excises and import duties. Seventeen countries recorded higher revenues from VAT, ranging from 21.1% of total tax revenues in Costa Rica to 42.7% in Chile. In contrast, four countries (including three in the Caribbean) received a larger share of revenues from taxes on goods and services other than VAT. This group includes Argentina, which sourced 29.5% of total tax revenues from taxes on goods and services other than VAT: export taxes represented just under a quarter of this category and were equivalent to 2.1% of GDP, compared with less than 0.1% of GDP on average in the region.

Figure 1.14. Tax structures in LAC countries, 2021

As % of total tax revenues



Note: Countries are grouped by the main share of tax revenues among 1000 taxes on income and profits, 2000 social security contributions, 5111 value added taxes and other taxes on goods and services. The Bahamas does not tax income. There is no VAT system in Cuba. The LAC average represents the unweighted average of 25 LAC countries included in this publication and excludes Cuba and Venezuela due to data issues.
Source: Authors' calculations based on OECD et al. (2023[2]), Chapter 4.

StatLink https://stat.link/e6tom1

In 2021, social security contributions ranged from 0.4% of total tax revenues in the Dominican Republic to 44.0% in Panama. The level of these revenues reflects choices about how to finance social security (see Box 1.2): in countries with public or mixed social security schemes (including Argentina, Bolivia, Brazil, Costa Rica, Panama, Paraguay and Uruguay), social security contributions accounted for over 20% of total tax revenues.

VAT revenue ratio

This section discusses the VAT revenue ratio (VRR) in LAC countries in 2021. The VRR "measures the difference between the VAT revenue collected and what would theoretically be raised if VAT was applied at the standard rate to the entire potential tax base in a "pure" VAT regime and all revenue was collected" (OECD, 2022[22]). The VRR is the ratio of the actual VAT revenues to the product of final consumption (net of VAT revenues) and the standard VAT rate. The calculation is shown below.

$$\frac{\text{VAT revenues}}{(\text{final consumption expenditure} - \text{VAT revenues}).\text{standard VAT rate}}$$

This indicator provides a sense of VAT revenue loss related to exemptions and reduced rates, fraud, evasion and tax planning as well as weaknesses in tax administrations. However, this indicator needs to be interpreted with reference to the underlying characteristics of the VAT system in each country, as a higher VRR could result from cascading effects (for example when exemption occurs early in the supply chain) or from a failure to refund VAT input credits. Other factors may also influence the ratio upwards or downwards, for example when the place of taxation rules for international trade diverge from the destination principle or when the tax on inbound digital supplies is not collected. It is also important to note that the interpretation of the VRR is more difficult for countries that rely significantly on tourism. These countries may record a high VRR due to methodological reasons: purchases by non-residents may not be included in final consumption expenditure (the denominator) whereas the VAT on these purchases is included in the overall VAT revenues (the numerator) (Keen, 2013[23]).

Table 1.3. VRR and VAT rates in LAC countries by sub-region, 2021

	VRR	VAT rate (%)
Central America and Mexico	**0.51**	**13.6**
Costa Rica	0.53	13.0
Dominican Republic	0.37	18.0
El Salvador	0.79	13.0
Guatemala	0.51	12.0
Honduras	0.52	15.0
Mexico	0.37	16.0
Nicaragua	0.54	15.0
Panama	0.41	7.0
South America	**0.60**	**16.8**
Argentina	0.48	21.0
Bolivia	0.67	13.0
Chile	0.76	19.0
Colombia	0.38	19.0
Ecuador	0.73	12.0
Paraguay	0.73	10.0
Peru	0.59	18.0
Uruguay	0.48	22.0
Caribbean	**0.59**	**13.9**
Antigua and Barbuda	0.63	15.0
Bahamas	0.77	12.0
Barbados	0.61	17.5
Belize	0.69	12.5
Guyana	0.18	14.0
Jamaica	0.64	15.0
Saint Lucia	0.62	12.5
Trinidad and Tobago	0.56	12.5
LAC average	**0.57**	**14.8**
OECD average (2020)	**0.56**	**19.1**

Note: Brazil, Cuba and Venezuela are excluded. Brazil operates a multiple-rate system with tax levied at different rates for each sub-national level. Cuba did not operate a VAT system in 2021. Venezuela's tax revenue data are not available for 2021.
Source: VAT rates are sourced from the CIAT, Trading Economics and Deloitte websites, the final expenditure consumption figures from the United Nations Statistics Division website and VAT revenues from the country tables in OECD et al. (2023[2]), Chapter 5, OECD (2022[22]) for the OECD figures.

StatLink https://stat.link/a04ug5

Table 1.3 presents the VRR for LAC countries and for the three sub-regions. The highest VRR is seen in El Salvador and the Bahamas; many other Caribbean countries also have a high VRR. Countries in this sub-region only introduced a VAT in the 2000s, much later than countries in the other sub-regions. The high VRRs in these countries partly reflects a commitment to international good practice, including a broad-based VAT with a low standard rate, a limited number of exemptions and no reduced rates. This is the case for the Bahamas, which introduced VAT in 2015 at a standard rate at 7.5% (later increased to 12.0% in July 2018). While the Bahamas had one of the highest VRRs in the LAC region, this may be in part because it receives a high share of revenue from tourism compared to other countries: receipts from international tourism as a percentage of total exports were 80.4% in 2019, compared to an average of 7% in the LAC region as a whole (World Bank, 2023[24]).

By contrast, the lowest VRRs were seen in the Dominican Republic, Guyana and Mexico. Several factors contribute to the low VRR in Mexico, including the scope of VAT exemptions, the application of a domestic zero rate to numerous goods and services, as well as low compliance (OECD, 2022[22]); (OECD, 2018[25]). However, Mexico implemented a VAT reform in January 2014 that included the replacement of some reduced and zero rates with the standard rate and the introduction of improved processes. The VRR in Mexico increased from 0.28 in 2013 to 0.32 in 2014. The VRR increased to 0.37 in 2020 as a result of the broadening of the VAT base for digital services in line with OECD recommendations (KPMG, 2019[26]), effective from June 2020

A number of factors may contribute to the low VRR in the Dominican Republic. The design of VAT in the country is one factor: the Dominican Republic includes numerous VAT exemptions (Schlotterbeck, 2017[27]). Tax-exempt goods include educational materials, medicines, health services, financial services, utilities, renewable energy equipment and inland transportation services, while exempted services include education, cultural services and electricity (OECD, 2022[28]). VAT evasion is another important factor for the low VRR. ECLAC (2020[17]) calculates that VAT evasion in the Dominican Republic is among the highest in the LAC region at 43.8% (2017 figure), against an average of 30% in a sample of 12 LAC countries.

VAT evasion remains an important challenge elsewhere in the LAC region. ECLAC (2020[17]) examined various studies on VAT evasion in 12 countries and observed that VAT non-compliance rates in the region ranged from 14.8% in Uruguay to 45.3% in Panama in 2016. Guatemala, the Dominican Republic and Panama recorded the highest increases (by 30% of more) in their VAT evasion rate since 2009.

Environmentally related tax revenues

Through the Paris Agreement of 2016, countries have committed to decarbonise their economies by the middle of the 21st Century, implying a shift away from fossil fuels as a source of energy. To reduce emissions and drive decarbonisation, an increasing number of countries are deploying environmentally related taxes, and price-based policy instruments. By incorporating a price signal into consumer decisions, systems of environmental taxation give effect to the polluter-pays principle to favour greener over more polluting economic activities. Well-designed systems of environmental taxation can influence environmental outcomes by encouraging businesses and households to consider the environmental costs of their behaviour.

An environmentally related tax is a tax whose base is a physical unit (or a proxy of a physical unit) of something that has a proven, specific negative impact on the environment regardless of whether the tax is intended to change behaviours or is levied for another purpose (OECD, 2005[29]).

LAC countries have been slow to implement environmentally related taxes. Although they have introduced fuel taxes (mainly for revenue collection rather than environmental purposes), many countries also provide subsidies for energy products (Lorenzo, 2016[30]) in order to mitigate the impact of high and volatile petroleum prices, control inflation, boost competitiveness and protect the poorest sections of the population. Energy subsidies can put a strain on national budgets.

However, energy tax revenues were greater than the cost of subsidies for five of the six LAC countries included in the a recent OECD report (OECD, 2021[31]) (Costa Rica, Dominican Republic, Guatemala, Jamaica and Uruguay, with the exception being Ecuador), representing on average a net positive impact on public finances in these six countries (roughly 0.6% of GDP in 2018 on average).

Beyond taxes on fuel and the registration or use of vehicles, environmental taxes are still underdeveloped across the LAC region. However, a few LAC countries have introduced significant green tax reforms in recent years, including Chile, Mexico and Colombia.

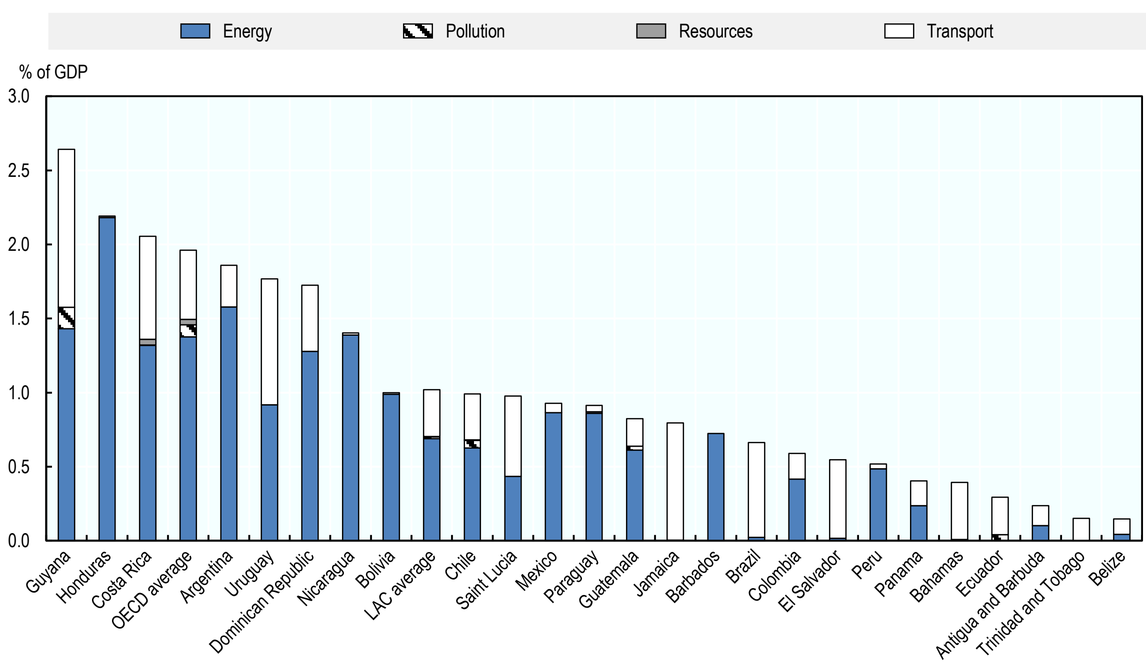
A detailed examination of country-specific taxes[5] reveals that environmentally related tax revenues (ERTR) in the LAC region in 2021 ranged from 0.1% of GDP in Belize to 2.6% in Guyana (Figure 1.15). In Guyana, revenues from the tax on the import of petroleum products amounted to 1.4% of GDP in 2021.

Between 2020 and 2021, ERTRs in most LAC countries either remained at the same level as a share of GDP (11 countries) or declined (6 countries). Only eight out of the 25 LAC countries with available data recorded increases in their ERTR, of between 0.1% and 0.3% of GDP.

When compared to the pre-pandemic levels, 12 out of 25 LAC countries either equalled or exceeded their ERTR levels in 2021. In four countries, ERTR receipts for 2021 exceeded 2019 levels modestly (<1% of GDP) while the rest (eight countries) already equalled their pre-pandemic ERTR levels. Guyana and the Bahamas have the most ground to catch up; their ERTRs in 2021 were 1.4 p.p. and 1.0 p.p. below 2019 levels, respectively.

Figure 1.15. Environmentally related tax revenues in LAC countries by main tax base, 2021

Percentage of GDP



Note: The LAC average represents the unweighted average of 25 LAC countries included in this publication and excludes Cuba and Venezuela due to data issues. The figure does not include Jamaica's revenues from the special consumption tax on petroleum products (estimated to be more than 2.0% of GDP in 2018) (OECD, 2021[31]) as the data are not available. The OECD average represents the unweighted average of the 38 OECD member countries. Chile, Colombia, Costa Rica and Mexico are also part of the OECD (38).
Source*: PINE* database for Chile, Colombia, Costa Rica and Mexico, and author's calculations for other countries based on OECD et al. (2023[2]), Chapter 5.

StatLink https://stat.link/s0q72z

On average across 25 LAC countries in this report, ERTR amounted to 1.0%[6] of GDP in 2021, a lower level than the OECD average of 1.9% of GDP (estimated 2021 figure) (OECD, 2022[32]).

In 2021, revenues from energy taxes (most commonly excises from diesel and petrol) generated the highest share of total ERTRs in the LAC region. Revenues from energy taxes amounted to 0.7% of GDP on average in 2021. Revenues from motor vehicle and transport services amounted to 0.3% of GDP and represented most of the remainder. Revenues from tax levied on other environmentally related bases were negligible (i.e. < 1.5% of the total ERTR).

ERTRs were higher in the OECD than in the LAC region in 2021 across the different bases, notably for energy and transport-related taxes (OECD, 2022[32]). The OECD averages for energy and transport-related tax revenues amounted to 1.4% and 0.5% of GDP respectively.

Key ERTR trends in 2021

Between 2020 and 2021, ERTRs in the LAC region remained flat, with a minimal decline of 0.05 p.p. on average during the period. While most economies eased pandemic restrictions in 2021, boosting overall tax revenues due to increased economic activity, the impact on ERTR across LAC sub-regions was mixed, with only the Central America and Mexico sub-region registering an increase (of 0.1% of GDP on average) while these revenues declined by 0.1 p.p. in both the Caribbean and South America on average. In contrast to the LAC region, the OECD recorded a 0.1% average decline over the same period.

Since economies re-opened in early 2021, energy prices rose sharply as a result of a strong recovery in demand after the COVID-19 shock and a combination of supply and demand factors that gradually tightened markets. In response, governments around the world rolled out support measures to shield firms and households from the impact of high energy prices (Van Dender et. al., 2022[33]). Energy tax reductions and suspensions (e.g. VAT or excise tax rate reduction or suspension) were an important component of these support measures in a bid to reduce the effective prices consumers pay. Consequently, these support measures reduced the amount of revenues collected from energy-related taxes.

LAC countries were no exception, as soaring energy prices triggered governments in the region to deploy fuel price support measures. Mexico, which registered a 0.4 p.p. decrease in energy-related ERTR, reduced its fuel excise tax for diesel and petrol in a bid to contain fuel prices in 2021. Government efforts to keep petrol prices lower also affected revenues on fuel-related VAT as lower petrol prices translated to a lower VAT charged (El Economista, 2023[34]).

In Guyana, which registered a 0.3 p.p. decline in energy-related ERTR, the government lowered excise tax rates on gasoline and diesel on two occasions in 2021 to reduce pump prices for domestic consumers (Stabroek News, 2022[35]). Bolivia's energy related ERTR fell by 0.5% of GDP in 2021 on account of a decline in revenues collected from the *Impuesto especial a los hidrocarburos y sus derivados* levied on hydrocarbon products sold in the country, as the government sought to dampen the rise of fuel prices for Bolivian consumers.

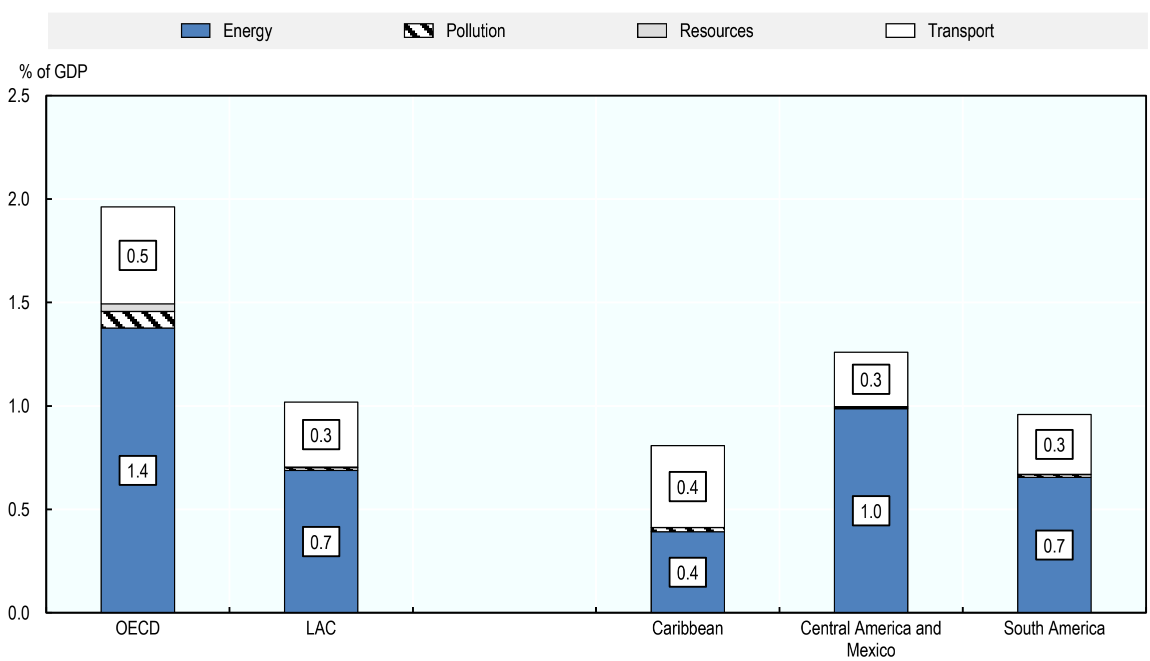
Although most LAC countries registered growth in transport-related ERTR in 2021, the Bahamas, which raises a significant portion of its revenues from travel and departure taxes, was an exception. In Fiscal Year (FY) 2021, revenues from the departure tax fell by 1.2% of GDP. The country reports data on a backward-looking basis, with FY 2021 covering the period from July 2020 to June 2021, the height of COVID-19 international travel bans and border closures (Office of the Prime Minister, Commonwealth of the Bahamas, 2020[36]) (Benton et al., 2021[37]). While the country started opening to visitors in early 2021, tourism arrivals only started to pick up later that year, when international airlines and cruise ships re-established routes (McLeod, 2021[38]) (Wood, 2021[39]) (Bahamas Ministry of Tourism, 2022[40]). Due to the record fall in the Bahamas, transport-related ERTRs in the Caribbean sub-region declined by 0.09 p.p. on average in 2021. Transport-related ERTRs recovered their pre-pandemic levels in the other sub-regions.

ERTRs by sub-region

There were notable differences in the composition of ERTR across the LAC sub-regions in 2021, on average (Figure 1.16). While energy-related tax revenues represented the highest share of ERTR in Central America and Mexico (1.0% out of a total of 1.3%) and South America (0.7% out of a total of 1.0%), both energy- and transport-related taxes were almost equal in the Caribbean region at around 0.4% of GDP. Transport-related taxes in Central America and Mexico and in South America amounted to 0.3% of GDP for both sub-regions while in the Caribbean they amounted to 0.4% of GDP. Transport-related tax revenues for most Caribbean countries were mainly sourced from travel or departure taxes, an important source of revenues for tourism-reliant countries.

Figure 1.16. Environmentally related tax revenues in the OECD, LAC and sub-region averages by main tax base, 2021

Percentage of GDP



Note: The LAC average represents the unweighted average of 25 LAC countries included in this publication and excludes Cuba and Venezuela due to data issues. The OECD average represents the unweighted average of the 38 OECD member countries. As well as being part of the LAC region, Chile, Colombia, Costa Rica and Mexico are also member countries of the OECD (38) and thus are incorporated in both averages.
Source: *PINE* database for Chile, Colombia, Costa Rica and Mexico, and authors' calculations for other countries based on OECD et al. (2023[2]), Chapter 5.

StatLink https://stat.link/qw57hb

Taxes by level of government

In LAC countries, tax revenues are collected predominantly by central or federal entities. Sub-national public spending is mainly financed through transfers from upper to lower levels of government, to a greater extent than in OECD countries. Countries shown here exhibit varied structural configurations: Argentina, Brazil, Mexico and Venezuela have federal systems whereas other countries are unitary states.

Where sub-national data for LAC countries is available, tax revenues collected by central government accounted for more than two-thirds of the total collections, whereas the corresponding figure for OECD countries was about 60% (2020 figure). Brazil is a notable exception: central government tax revenue amounted to 44.9% of tax collected in 2021(Table 1.4).

There are two statistical issues to consider when comparing the attribution of revenues for LAC countries with that of OECD members. First, revenues of both groups have been attributed to different levels of government according to guidelines set out in the 2008 System of National Accounts (SNA).[7] The second issue is that some LAC countries lack tax revenue statistics at sub-national level.

For the 19 LAC countries in this report for which sub-national data is available, the share of sub-national tax revenues in total tax revenue was below 7.0% in 2021 except in Argentina, Brazil and Colombia. Federal systems tend to raise more substantial own revenues compared to unitary states. In Brazil, states and municipalities collect about a third of total tax revenues, indicating a significant degree of decentralisation of tax collection. A large part of the VAT (ICMS – *imposto sobre operações relativas à circulação de mercadorias e prestação de serviços de transporte interestadual e intermunicipal e de comunicação*) is collected at the state level.

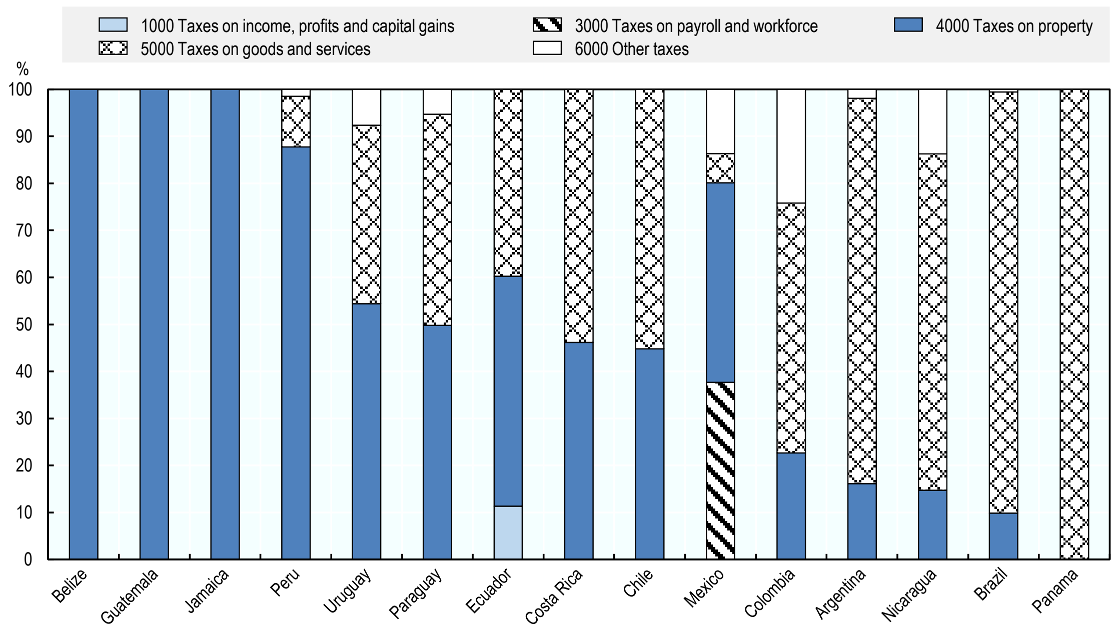
Sub-national tax revenues in Argentina and Colombia account for more than 17% of total tax revenues. Argentina has a significant collection at state level, which is explained in part by the provincial sales tax (*impuesto sobre los ingresos brutos*). Mexico has recorded a steady decrease in the collection of its own revenues from 2014. In 2014 sub-national tax revenues accounted for 6.5% of total tax revenues; in 2021 these amounted to 4.2%. (IDB, 2022[41]) explains that Mexico has seen increases of intergovernmental transfers over time, which may reduce the incentive for sub-national governments to collect their own revenue (Smoke et al., 2022[42]).

As a percentage of GDP, sub-national tax revenues ranged from less than 0.1% in Guyana to 10.4% in Brazil in 2021 and the median value amounted to 0.7% of GDP. Low sub-national tax revenues across the LAC region reflect the fact that sub-national governments in LAC countries tend to have a relatively narrow range of taxes under their jurisdiction. The taxes most frequently assigned to sub-national entities are property taxes, motor-vehicle licenses, taxes on specific services and municipal fees. The revenue-generation potential of these instruments is limited relative to the tax bases under central jurisdiction, such as VAT and income taxes.

In 2021, all subnational tax revenues in Belize, Guatemala and Jamaica, and more than half of tax revenue collected at the sub-national level in Peru, Uruguay, Ecuador and Paraguay, were sourced from property taxes (Figure 1.17). All other countries in the region rely principally on revenues from taxes on goods and services. Mexico is the only country that also collected revenue from different tax bases. In 2021, nearly half of sub-national tax revenue in Mexico came from payroll taxes. In OECD countries, sub-national entities tend to have much broader potential tax bases. A substantial proportion of revenue collection by sub-national governments in OECD countries comes through taxes on income and profits (representing more than a third of the total collected at sub-national level on average).

The COVID-19 crisis impacted subnational tax revenue in the LAC region, leading to an average decline of 5% in subnational nominal tax revenues in 2020, with nearly two-thirds of countries recording declines. However, these revenues increased by 14% on average in 2021, and only three countries of the 19 for which data is available saw decreases over the period.

Figure 1.17. Tax mix of sub-national tax revenue in LAC countries, 2021



Note: Figures for Antigua and Barbuda, Bahamas, Barbados, Bolivia, Cuba, Dominican Republic, El Salvador, Guyana, Honduras, Saint Lucia, Trinidad and Tobago and Venezuela are excluded as either the sub-national tax revenue data or the breakdown of sub-national tax revenue data by the main type of tax category is not available. Figures exclude local government revenues for Argentina but include provincial revenues. Data for Ecuador, Nicaragua, Panama and Uruguay are estimated for 2021.
Source: Authors' calculations based on OECD et al. (2023[2]), Chapter 6.

StatLink https://stat.link/9muqse

The crisis has highlighted the need for structural reforms to improve the collection and enhance the sources of revenues at the sub-national level. Options for doing so include improvements in information and statistics regarding the revenues from these taxes, the administrative capacity to collect at the local level, effective co-ordination with national authorities, and promotion of sustainable sources of tax revenues at this level (Nieto-Parra and Orozco, 2020[43]).

Low tax revenues at the sub-national level in LAC countries may result from a lack of administrative and technical capacity. Property taxes require sophisticated systems and information, and collecting this revenue is expensive. Appropriate property registers are lacking in many countries; where they exist, they are rarely updated (Canavire-Bacarreza, Martínez-Vázquez and Sepúlveda, 2012[44]); (OECD et al., 2019[45]). As a result, tax authorities lack access to accurate valuations of lands and buildings; real estate registries are often reluctant to share this information. Property tax also suffers from a high level of informality: buildings are constructed without permits, properties are not registered and reported prices of some real estate transactions are falsified. As property tax is one of the most controversial taxes with citizens and has high political costs, politicians are often unwilling to invest sufficient resources to levy this revenue.

Table 1.4. Attribution of tax revenue to sub-sectors of general government in LAC countries

Percentage of total tax revenue

	Central government			State or regional government			Local government[1]			Social Security funds		
	1995	2000	2021	1995	2000	2021	1995	2000	2021	1995	2000	2021
Federal countries												
Argentina	59.0	66.4	65.0	17.5	17.8	17.2	..	..	..	23.4	15.8	17.8
Brazil	44.8	47.9	44.9	26.5	25.0	25.1	3.7	3.4	6.1	25.0	23.7	23.9
Mexico[3]	73.9	78.3	81.8	2.8	2.7	2.6	1.5	1.0	1.6	21.8	18.0	14.0
Venezuela[4]	94.6	94.6	..	..	..	..	..	..	..	5.4	5.4	..
Regional countries												
Colombia[3,5]	63.2	68.7	72.7	5.5	5.6	5.1	8.6	9.4	12.3	22.7	16.3	10.0
Unitary countries												
Antigua and Barbuda[2]	100.0	100.0	83.6				..	..	..	..	..	16.4
Bahamas[2]	89.1	88.1	88.0				..	..	..	10.9	11.9	12.0
Barbados	85.6	84.4	81.6				..	..	..	14.4	15.6	18.4
Belize	93.2	93.5	89.3				0.5	0.7	0.7	6.3	5.8	10.0
Bolivia	94.3	86.4	68.9				5.7	6.3	4.5	..	7.3	26.6
Chile[3]	89.9	87.8	88.8				6.5	7.9	6.9	3.6	4.4	4.3
Costa Rica[3]	65.5	63.3	59.0				1.6	1.9	2.9	33.0	34.8	38.2
Cuba[6]	..	..	..				..	..	..	11.3	10.4	25.0
Dominican Republic	99.3	99.0	99.6				..	..	..	0.7	1.0	0.4
Ecuador[2]	70.5	87.7	71.4				4.0	1.6	2.9	25.5	10.7	25.7
El Salvador	80.9	80.5	86.8				..	..	1.7	19.1	19.5	11.5
Guatemala	83.6	83.6	83.9				0.6	0.9	0.9	15.8	15.5	15.2
Guyana	92.6	88.6	90.5				..	..	0.0	7.4	11.4	9.5
Honduras	86.1	85.3	80.1				4.4	5.2	3.3	9.5	9.4	16.5
Jamaica	100.0	99.3	93.3				..	0.7	1.5	..	..	5.1
Nicaragua[2]	80.4	72.5	70.3				4.6	9.5	5.7	15.0	18.0	24.0
Panama[2]	67.2	59.6	54.2				..	2.2	1.8	32.8	38.2	44.0
Paraguay	92.0	74.4	70.0				..	..	2.6	8.0	25.6	27.4
Peru	88.7	86.5	87.4				..	1.6	2.2	11.3	11.9	10.4
Saint Lucia[2]	100.0	90.0	88.7				..	..	..	..	10.0	11.3
Trinidad and Tobago	96.8	93.6	87.0				..	..	..	3.2	6.4	13.0
Uruguay[2]	61.7	63.6	70.1				8.8	8.9	5.7	29.5	27.5	24.2

1. The data exclude local government revenues for Antigua and Barbuda, Argentina (but include provincial revenues), the Bahamas, Barbados, Cuba, the Dominican Republic, Saint Lucia, Trinidad and Tobago and Venezuela as the data are not available. Local government revenue data have been available since 1991 for Nicaragua, since 1994 for Bolivia, since 1995 for Guatemala, since 1998 for Jamaica, since 1999 for Panama, since 2000 for Peru, since 2002 for El Salvador and Guyana, since 2006 for Paraguay and since 1990 for all other countries.
2. The data include the following estimations Antigua and Barbuda (social security contributions for 2019-2021), Bahamas (social security contributions for 2021), Ecuador (local tax revenues for 2021), Nicaragua (local tax revenues for 2020 and 2021), Panama (local tax revenues for 2021), Saint Lucia (social security contributions for 2021) and Uruguay (local tax revenues for 2021). See the corresponding country tables for more information.
3. Preliminary data for 2021.
4. Some tax revenue data between 2014 and 2017 and all data from 2018 are not available. The breakdown by sub-sectors of general government is not available for those years.
5. Colombia is constitutionally a unitary country with high autonomy of its territorial entities.
6. Data for sub-sectors of general government in Cuba are only available between 2002 and 2012.
Source : OECD et al. (2023[2]), Table 4.11.

StatLink https://stat.link/sowcrz

References

Bahamas Ministry of Tourism (2022), *Stopover Visitors by Month Islands of the Bahamas Preliminary 2022*, https://www.tourismtoday.com/sites/default/files/stopover_by_month_and_country_comparision_2015-2022a_2.pdf. [40]

Barreix, A., J. Benítez and M. Pecho (2017), "Revisiting personal income tax in Latin America: Evolution and impact", *OECD Development Centre Working Papers*, No. 338, OECD Publishing, Paris, https://doi.org/10.1787/16d42b4a-en. [21]

Belize Tourism Board (2022), *Travel & Tourism Statistics Digest 2021,*, https://www.belizetourismboard.org/belize-tourism/statistics/. [6]

Benton, M. et al. (2021), *COVID-19 and the State of*, International Organization for Migration, https://publications.iom.int/books/covid-19-and-state-global-mobility-2020. [37]

Canavire-Bacarreza, G., J. Martínez-Vázquez and C. Sepúlveda (2012), *Sub-national Revenue Mobilization in Peru, IDB Working Paper Series No. 299*, IDB, https://publications.iadb.org/en/sub-national-revenue-mobilization-peru. [44]

Central Reserve Bank of Peru (2023), *BCRPData (database), Central Management of Economic Studies*, https://estadisticas.bcrp.gob.pe/estadisticas/series/cuadros/memoria/ca_001. [8]

ECLAC (2022), *Fiscal Panorama of Latin America and the Caribbean 2022*, Economic Commission for Latin America and the Caribbean, Santiago., https://www.cepal.org/en/publications/48015-fiscal-panorama-latin-america-and-caribbean-2022-fiscal-policy-challenges. [4]

ECLAC (2020), *Fiscal Panorama of Latin America and the Caribbean 2020: Fiscal policy amid the crisis arising from the coronavirus disease (COVID-19) pandemic*, Economic Commission for Latin America and the Caribbean, https://repositorio.cepal.org/handle/11362/45731. [17]

ECLAC (2018), *The Fiscal Panorama of Latin America and the Caribbean*, United Nations, https://www.cepal.org/en/publications/43406-fiscal-panorama-latin-america-and-caribbean-2018-public-policy-challenges. [18]

ECLAC (2014), *Tax policy in Latin America: Assessment and guidelines for a second generation of reforms*, United Nations, https://repositorio.cepal.org/handle/11362/36806. [15]

ECLAC (2013), *Fiscal Panorama of Latin America and the Caribbean: Tax reform and renewal of the fiscal covenant*, United Nations, https://www.cepal.org/en/publications/3101-fiscal-panorama-latin-america-and-caribbean-2013-tax-reform-and-renewal-fiscal. [20]

El Economista (2023), "Pemex, el gran beneficiado por los estímulos fiscales a gasolinas: CIEP", (accessed 28 April 2023), https://www.eleconomista.com.mx/economia/Pemex-fue-el-gran-beneficiario-por-los-estimulos-fiscales-a-las-gasolinas-20230222-0059.html. [34]

IDB (2022), *The Role of Subnational Governments in the Covid 19 Pandemic Response Are There Opportunities for Intergovernmental Fiscal Reform in the Post Pandemic World*. [41]

IDB (2013), *More than revenues, Taxation as a development tool*, Inter-American Development Bank, https://publications.iadb.org/en/publication/more-revenue-taxation-development-tool-executive-summary. [19]

IMF (2021), *World Economic Outlook Database, October 2021*, https://www.imf.org/en/Publications/WEO/weo-database/2021/October (accessed on 20 September 2021). [3]

Keen, M. (2013), *The anatomy of VAT, WP/13/111*, IMF, https://www.imf.org/en/Publications/WP/Issues/2016/12/31/The-Anatomy-of-the-VAT-40543. [23]

KPMG (2019), *Mexico: Tax reform 2020, VAT on services provided from digital platforms*, https://home.kpmg/us/en/home/insights/2019/11/tnf-mexico-tax-reform-2020-vat-services-digital-platforms.html. [26]

Lorenzo, F. (2016), *Inventario de instrumentos fiscales verdes en América Latina*, CEPAL, https://agua.org.mx/biblioteca/inventario-instrumentos-fiscales-verdes-en-america-latina-experiencias-efectos-alcances/. [30]

McLeod, S. (2021), *Bahamas Government Welcomes Royal Caribbean Cruise Line*, https://www.caribbeannationalweekly.com/news/bahamas-government-welcomes-royal-caribbean-cruise-line/. [38]

Melguizo, A. et al. (2017), "No sympathy for the devil! Policy priorities to overcome the middle-income trap in Latin America", *OECD Development Centre Working Papers*, No. 340, OECD, https://doi.org/10.1787/26b78724-en. [10]

Nieto-Parra, S. and R. Orozco (2020), *Potencializar los impuestos subnacionales en América Latina y el Caribe en tiempos del Covid-19 in Los desafíos de las finanzas intergubernamentales ante el Covid-19*, AIFIL - Asociación Iberoamericana de Financiación, https://www.aifil-jifl.org/wp-content/uploads/2020/11/AIFIL-2.11.pdf. [43]

OECD (2023), *OECD National Accounts Statistics (database)*, https://doi.org/10.1787/na-data-en (accessed on 28 April 2023). [7]

OECD (2022), *Consumption Tax Trends 2022: VAT/GST and Excise Rates, Trends and Policy Issues*, OECD Publishing, Paris, https://doi.org/10.1787/6525a942-en. [22]

OECD (2022), *Multi-dimensional Review of the Dominican Republic: Towards Greater Well-being for All, OECD Development Pathways*, OECD Publishing, Paris, https://doi.org/10.1787/560c12bf-en. [28]

OECD (2022), *PINE database*, OECD Publishing, Paris, http://www.oecd.org/environment/tools-evaluation/environmentaltaxation.htm. [32]

OECD (2021), *Environmental policy: Environmentally related tax revenue accounts, OECD Environment Statistics (database)*, https://stats.oecd.org/Index.aspx?DataSetCode=ERTR_ACC. [46]

OECD (2021), *Taxing Energy Use for Sustainable Development*, OECD Publishing, Paris, https://www.oecd.org/tax/tax-policy/taxing-energy-use-for-sustainable-development.htm. [31]

OECD (2020), “COVID-19 in Latin America and the Caribbean: Regional socio-economic implications and policy priorities”, *OECD Policy Responses to Coronavirus (COVID-19)*, http://www.oecd.org/coronavirus/policy-responses/covid-19-in-latinamerica-and-the-caribbean-regional-socio-economic-implications-and-policy-priorities-93a64fde/. [16]

OECD (2019), *Tax Morale: What Drives People and Businesses to Pay Tax?*, OECD Publishing, Paris, https://doi.org/10.1787/f3d8ea10-en. [12]

OECD (2018), *Consumption Tax Trends 2018: VAT/GST and Excise Rates, Trends and Policy Issues*, OECD Publishing, Paris, https://doi.org/10.1787/ctt-2018-en. [25]

OECD (2014), *Development Co-operation Report 2014: Mobilising Resources for Sustainable Development*, OECD Publishing, Paris, https://doi.org/10.1787/dcr-2014-en. [11]

OECD (2005), *Glossary of statistical terms*, https://stats.oecd.org/glossary/detail.asp?ID=6437. [29]

OECD et al. (2023), *Revenue Statistics in Latin America and the Caribbean 2023*, OECD Publishing, Paris, https://doi.org/10.1787/a7640683-en. [2]

OECD et al. (2022), *Latin American Economic Outlook 2022: Towards a Green and Just Transition*, OECD Publishing, Paris, https://doi.org/10.1787/3d5554fc-en. [1]

OECD et al. (2022), *Revenue Statistics in Latin America and the Caribbean 2022*, OECD Publishing, Paris, https://doi.org/10.1787/58a2dc35-en-es. [9]

OECD et al. (2019), *Revenue Statistics in Latin America and the Caribbean*, OECD Publishing, Paris, https://doi.org/10.1787/25666b8d-en-es. [45]

OECD et al. (2015), *Revenue Statistics in Latin America and the Caribbean 2015*, OECD Publishing, Paris, https://doi.org/10.1787/rev_lat-2015-en-fr. [13]

OECD/IDB/The World Bank (2014), *Pensions at a Glance: Latin America and the Caribbean*, OECD Publishing, Paris, https://doi.org/10.1787/pension_glance-2014-en. [14]

Office of the Prime Minister, Commonwealth of the Bahamas (2020), *Press Release, Office of the Prime Minister*, https://opm.gov.bs/statement-on-upcoming-weekend-lockdowns/. [36]

Schlotterbeck, S. (2017), *Tax Administration Reforms in the Caribbean, “Challenges, Achievements, and Next Steps”*. [27]

Smoke, P. et al. (2022), *The Role of Subnational Governments in the Covid-19 Pandemic Response: Are There Opportunities for Intergovernmental Fiscal Reform in the Post-Pandemic World?*, Inter-American Development Bank, Washington, D.C., https://doi.org/10.18235/0004391. [42]

Stabroek News (2022), *Excise Tax on fuel cut from 10% to 0%*, https://www.stabroeknews.com/2022/03/24/news/guyana/excise-tax-on-fuel-cut-from-10-to-0/. [35]

Statistical Institute of Belize (2023), *Annual GDP by Activity: 1990-2021*, https://sib.org.bz/statistics/economic-statistics/gross-domestic-product/. [5]

Van Dender et. al., K. (2022), *Why governments should target support amidst high energy prices*, https://doi.org/10.1787/40f44f78-en. [33]

Wood, D. (2021), *The Bahamas Welcomes Back Cruise Industry*, https://www.travelpulse.com/news/cruise/the-bahamas-welcomes-back-cruise-industry.html. [39]

World Bank (2023), *International tourism, receipts (% of total exports)*, https://data.worldbank.org/indicator/ST.INT.RCPT.XP.ZS. [24]

Notes

[1] The OECD figure is provisional and is based on preliminary data provided for the year 2021. The data need to be interpreted with caution as they are subject to revisions in future years that can affect the magnitude, and less commonly, the direction, of change between the last two years of data.

[2] For more information on the process of the monetary regulation, please see the Decreto Ley No. 17/2020, Gaceta Oficial de la República de Cuba.

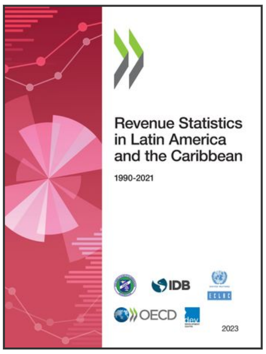
[3] VAT was introduced in 1991 in Jamaica, 1997 in Barbados, 2006 in Belize (the General Sales Tax), 2007 in Guyana and Antigua and Barbuda, 2012 in Saint Lucia and in 2014 in the Bahamas.

[4] The year of comparison is 2020 as the average tax structure for OECD countries in 2021 is not available at the time of writing.

[5] Although environmentally related tax revenues are not separately identified in the standard OECD classification of tax revenues, they can be identified through the detailed list of specific taxes included for most countries within this overarching classification. It is on this basis that they are included in the OECD Policy Instruments for the Environment (PINE) database (OECD, 2022[32]). In 2020, the OECD started the collection of Environmentally Related Tax Revenue (ERTR) accounts in line with the System of Environmental and Economic Accounting and ERTR accounts are disaggregated by industries and households (OECD, 2021[46]).

[6] Both LAC and OECD figures here refer to unweighted averages comprising 25 countries for the LAC region and 38 countries for the OECD.

[7] This means that revenues are generally attributed to the level of government that exercises the authority to impose the tax or has the final discretion to set and vary the tax rate. This has implications for situations where one level of government collects tax revenues and transfers them in whole or in part to other levels. Regional examples of this type of mechanism are the Co-participation Law in Argentina, federal participations in Mexico (mandated in the Fiscal Co-ordination Law) and participation funds in Brazil (defined in Article 159 of the Constitution).



From:

Revenue Statistics in Latin America and the Caribbean 2023

Access the complete publication at:

https://doi.org/10.1787/a7640683-en

Please cite this chapter as:

OECD*, et al.* (2023), "Tax revenue trends, 1990-2021", in *Revenue Statistics in Latin America and the Caribbean 2023*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/4c6ec4a3-en