Executive summary

Between 2021 and 2022, tax-to-GDP ratios increased in more than three quarters of countries in Latin America and the Caribbean (LAC), while the average tax-to-GDP ratio for the LAC region rose by 0.3 percentage points (p.p.) to 21.5%, still slightly below its pre-pandemic level (21.6%). The increase in the regional average was driven by corporate income tax (CIT) amid higher profits by oil companies, although this was partially offset by a decline in revenue from excises, due to lower demand as well as the adoption of a range of policy measures by countries to mitigate the impact of energy and food inflation on households and firms.

Revenue Statistics in Latin America and the Caribbean 2024 provides internationally comparable data on tax levels and tax structures for 27 LAC countries: Antigua and Barbuda, Argentina, the Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Lucia, Trinidad and Tobago, Uruguay and Venezuela. The LAC average represents the unweighted average of 26 countries included in this publication, excluding Venezuela due to data issues.

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

Tax-to-GDP ratios in the LAC region in 2022

Tax-to-GDP ratios ranged from 10.6% in Guyana to 33.3% in Brazil in 2022. Against a backdrop of an ongoing recovery from the COVID-19 shock and high commodity prices, tax-to-GDP ratios increased in twenty countries between 2021 and 2022 and declined in six.

The largest increases were observed in Chile (whose tax-to-GDP ratio rose by 1.7 p.p.), the Bahamas (1.6 p.p.) and Ecuador (1.5 p.p.). The increase in Chile was mainly driven by higher CIT revenue, while growth in tourism in the Bahamas led to strong VAT receipts. In Ecuador, the increase was driven by the oil sector and the introduction of taxes on net wealth. The largest decreases in 2022 occurred in Caribbean countries, as strong GDP growth in this sub-region outpaced the rise in tax revenue, particularly in Guyana, where the tax-to-GDP ratio fell by 6.3 p.p. between 2021 and 2022.

In 2022, revenue from CIT increased by 0.6 p.p. on average across the LAC region from the previous year while revenue from personal income tax (PIT) was unchanged as a share of GDP. Meanwhile, revenue from taxes on goods and services declined by 0.3 p.p. Within this category, revenue from excises fell by 0.4 p.p. as sharp increases in the cost of essential items caused demand to fall and prompted governments to reduce taxes (mostly on fuel products). In contrast, VAT revenues remained unchanged in 2022 relative to 2021.

Average tax-to-GDP ratios in the Caribbean, Central America & Mexico and South America stood at 21.7%, 19.4% and 23.5% respectively in 2022. Tax revenue increased by 1.0 p.p. and 0.3 p.p.

respectively in South America and in Central America & Mexico, while the Caribbean's tax-to-GDP ratio decreased by 0.6 p.p. If Guyana is excluded, the Caribbean's average tax-to-GDP ratio rose by 0.2 p.p.

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

The average tax-to-GDP ratio for the LAC region rose by 6.9 p.p. between 1990 and 2022 largely due to increases in revenue from VAT and from taxes on income and profits (of 3.8 p.p. and 3.1 p.p., respectively). The gap between the LAC and OECD average tax-to-GDP ratios narrowed over this period, from 16.2 p.p. in 1990 to 12.5 p.p. in 2022, although it has widened since 2010. On average, South America's tax-to-GDP ratio recorded the strongest growth among the sub-regions between 1990 and 2022.

Tax structures in the LAC region

In 2022, taxes on goods and services generated almost half of total tax revenue in the LAC region, compared with less than a third in the OECD (31.9% in 2021, the latest year available). VAT was the principal source of this revenue in the LAC region in 2022, accounting for 28.3% of total tax revenue on average and amounting to 6.1% of GDP.

On average, taxes on income and profits accounted for 30.1% of total tax revenue in the LAC region in 2022. CIT and PIT revenue accounted for 18.8% and 9.2% respectively of total tax revenue, compared with 10.2% and 23.7% in the OECD (2021 figures). The average share of SSCs in total tax revenue was 16.7% in the LAC region in 2022, below the OECD average of 25.6% (2021 figure).

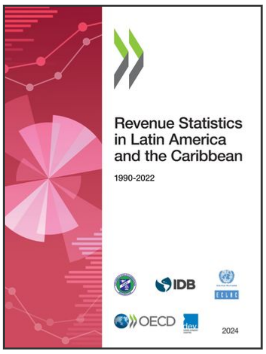
Environmentally related tax revenue (ERTR) amounted to 0.8% of GDP on average in 2022 in the 23 LAC countries for which data are available, below the OECD average of 1.9%. ERTR in the LAC region was derived principally from taxes on energy, most commonly excises on diesel and petrol (0.5% of GDP on average). A reduction in energy-related tax revenue was behind the decline in ERTR of 0.1 p.p. between 2021 and 2022.

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

Hydrocarbon-related revenue among major oil producers in the LAC region increased to 4.4% of GDP on average in 2022 from 2.6% of GDP in 2021 as oil prices surged in the first half of 2022 due to the impact of Russia's invasion of Ukraine and constrained global supply. Meanwhile, average revenue from mining increased from 0.7% of GDP in 2021 to 0.8% of GDP in 2022 despite weakening prices and lower production. In contrast, both hydrocarbon-related revenue and mining revenue fell as a share of GDP in 2023, to an estimated 3.9% and 0.5% of GDP respectively as oil and mineral prices trended down.

Special feature: Equivalent fiscal pressure in the LAC region

Equivalent fiscal pressure (EFP) is an indicator of the tax burden that complements the tax-to-GDP ratio by adding contributions to private social security systems and non-tax revenue from the exploitation of natural resources to tax revenue. On average, EFP was 1.7% of GDP higher than the LAC region's tax-to-GDP ratio in 2021. In Chile and Mexico, which recorded the largest revenues from these additional components, the EFP was 5.9% and 5.5% of GDP higher respectively than the countries' tax-to-GDP ratios in 2021.



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