

Governments raise revenues to finance the provision of goods and services, pay accruing debt and interests, and fulfil their redistributive role within and across generations. The amount raised is determined by multiple factors, such as government policies, political institutions, the endowment of natural resources, stage of economic and social development, and internal and external macroeconomic conditions. When revenue flow fluctuates substantially, governments need to manage shortages or surpluses to ensure consistent service provision over time. Revenue shortages may require raising taxes, contracting debt or consolidating expenditures; surpluses may result in further expenditure (e.g. more public investment or current consumption), constituting reserve funds or reducing taxes.

In 2016, average government revenues were 18.2% of GDP across SEA countries, significantly below the OECD average (37.8%). Viet Nam reported the highest level of government revenues as a share of GDP (23.8%), followed by Thailand (22%) and Singapore (21%). Meanwhile Brunei Darussalam, Lao PDR and Indonesia took revenues at less than 18% of GDP. Average government revenues in SEA were at 19.8% of GDP in 2007, falling by 1.6 p.p. on average for the following ten years. Reasons for this trend include the development of broad tax-incentive schemes to encourage foreign investment; a significant drop in global commodity prices; the People's Republic of China's recent economic slowdown; and a slower recovery in many OECD economies (OECD 2018; OECD 2017). New Zealand (2.9 p.p.) and Australia (0.7 p.p.) also saw reductions in the same period.

Another way to compare government revenues is to look at those collected per capita. In 2016, SEA countries took on average USD 2 121 PPP per capita. However, this masks large differences between countries in the region. Those with the highest collections were Singapore (USD 18 943 PPP) and Brunei Darussalam (USD 13 624 PPP). All other countries in the region took revenues below USD 6 000 PPP; six (Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines and Viet Nam) actually collected less than USD 2 000 PPP. By contrast, all OECD neighbouring countries took revenues above USD 12 000 PPP. However, it should be considered that there are large differences between countries' wealth (as measured by GDP per capita) both in the region and in comparison to OECD countries, as well as in the size of their population.

On average, government revenues in SEA countries increased annually by 2.7% in 2007-16, in terms of real revenues per capita. Yet, as mentioned, this increase does not necessarily mean that taxation rates in the region have increased, but rather reflects improvements of tax administrations and high levels of economic growth. Some countries are taking steps to address low levels of tax compliance, such as Indonesia's tax amnesty programmes in 2017. During 2007-16, the annual average growth rate of real government revenues was positive in all SEA countries

except Brunei Darussalam, where revenues have been declining by 7.8% annually on average; triggered mainly by the drop in oil and gas prices in recent years.

Compared to OECD countries, where the average per capita revenue in 2016 was USD 16 537 PPP, the SEA region raises less revenue per capita on average. Only Singapore and Brunei Darussalam raise similar levels. However, the annual average 2007-16 growth rate was higher in SEA countries (2.7% of GDP) than in OECD countries (0.6%).

Methodology and definitions

Data are drawn from the IMF World Economic Outlook (WEO) database (April 2018), which is based on the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA in several instances, which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems. The GFSM and SNA frameworks have been recently revised and several statistical standards were implemented by the countries. General government consists of central government, state government, local government and social security funds. Revenues encompass taxes, net social contributions, and grants and other revenues. Government revenues per capita were calculated by converting total revenues to USD using the implied IMF purchasing power parities (PPP) conversion rates and dividing it by population. PPP is the number of units of country B's currency needed to purchase the same quantity of goods and services in country A. Gross domestic product (GDP) is the standard measure of the value of the goods and services produced by a country during a period.

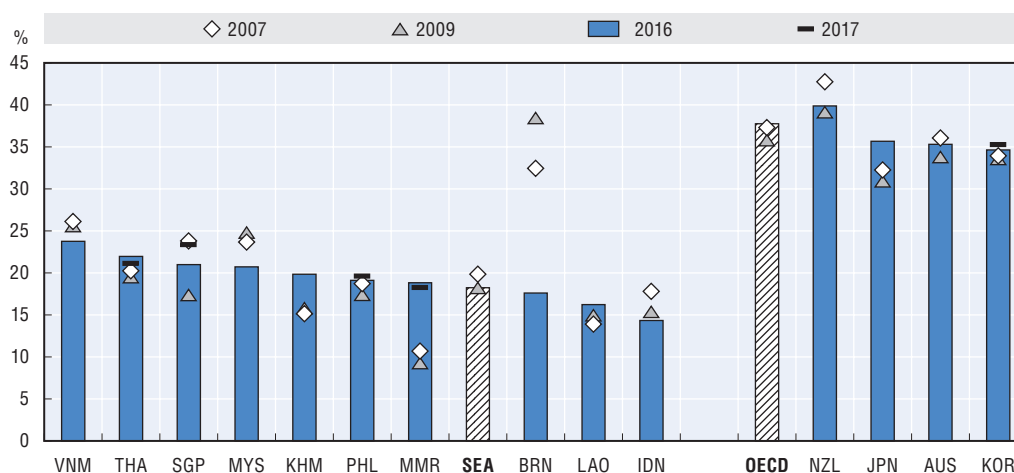
For the OECD countries and average, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

OECD (2018), *Economic Outlook for Southeast Asia, China and India 2018: Fostering Growth Through Digitalisation*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264286184-en>.

OECD (2017), *Revenue Statistics in Asian Countries: Trends in Indonesia, Japan, Kazakhstan, Korea, Malaysia, the Philippines and Singapore*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264278943-en>.

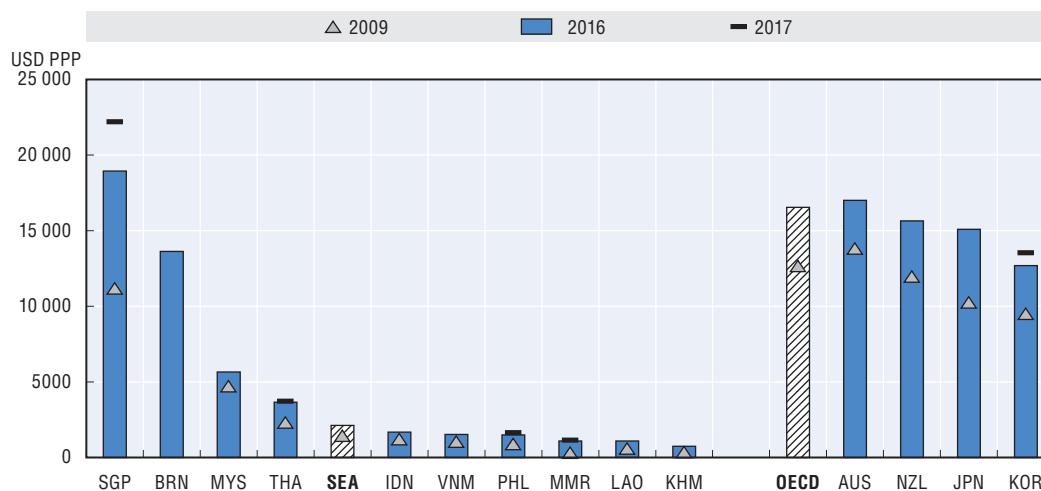
2.7. General government revenues as a percentage of GDP, 2007, 2009, 2016 and 2017



Sources: For SEA countries, IMF (April 2018) World Economic Outlook database. For OECD countries, OECD National Accounts Statistics (database).

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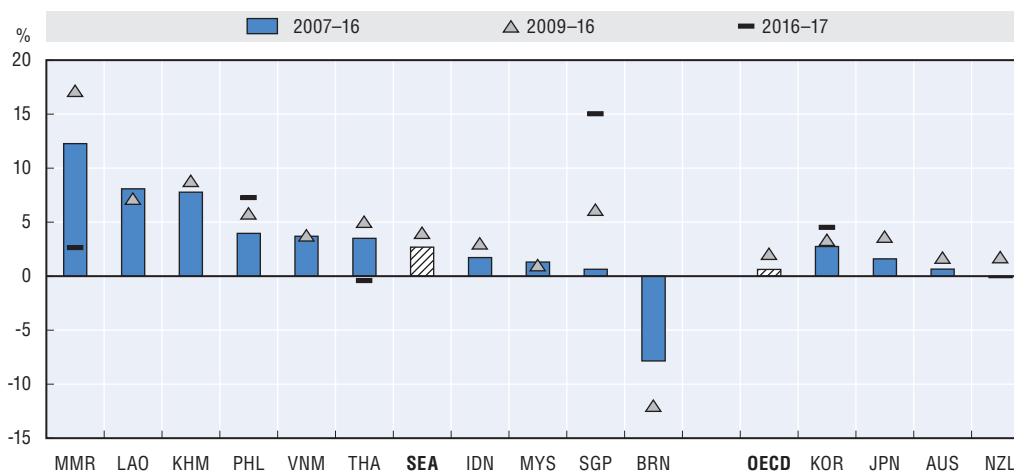
2.8. General government revenues per capita, 2009, 2016 and 2017



Sources: For SEA countries: IMF (April 2018) World Economic Outlook database. For OECD countries, OECD National Accounts Statistics (database).

StatLink <https://doi.org/10.1787/888933840570>

2.9. Annual average growth rate of real government revenues per capita, 2007-16, 2009-16 and 2016-17



Sources: For SEA countries, IMF (April 2018) World Economic Outlook database. For OECD countries, OECD National Accounts Statistics (database).

StatLink <https://doi.org/10.1787/888933840589>



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