1 Tax revenue trends, 1990-2022

Introduction

After a strong rebound in 2021 from the shock of the COVID-19 pandemic the previous year, growth slowed in many countries in Latin America and the Caribbean (LAC) in 2022. External conditions were less favourable, public transfers were rolled back, monetary policy tightened and the effects of the reopening of economies dissipated (OECD et al., 2023[1]). Challenging socioeconomic conditions persisted, as poverty and extreme poverty in the region remained above pre-pandemic levels and inflation further eroded purchasing power. In 2022, 29% of the population was in poverty and 11.2% in extreme poverty in the LAC region (OECD et al., 2023[1]).

Despite recent consolidation efforts, fiscal space remains limited in the LAC region. To fund their development programmes, governments in the region need to enhance the targeting of public spending and mobilise additional resources through higher borrowing and by increasing public revenues. Fairer and more efficient tax systems are required: low tax revenues in most LAC countries limit the state's capacity to respond to citizens' demands and improve public services. In addition, by rebalancing the tax structure away from a dependence on consumption taxes and corporate income tax and by promoting further progressivity in the personal income tax, the region could reduce inequalities and minimise distortions that constrain entrepreneurship (OECD et al., 2023[1]). Tax reforms will also be needed to encourage a green and just transition (OECD et al., 2022[2]). In many LAC countries, a stronger fiscal pact between government, citizens and the private sector is required to ensure that political support for these reforms is sustained throughout what is likely to be a long-term process (OECD et al., 2021[3]).

Revenue Statistics in Latin America and the Caribbean 2024 provides a unique basis for such fiscal pacts. By providing internationally comparable data on tax revenues in 27 countries in the region, it serves both as a basis for countries' in-depth tax policy analysis and as a common starting point for knowledge sharing and capacity development across the LAC region. This chapter discusses the evolution of key tax indicators between 1990 and 2022, 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 revenue from environmentally-related taxes. This analysis is complemented by special features on revenues from non-renewable natural resources (Chapter 2) and the equivalent fiscal pressure indicator (Chapter 3). Chapter 4 provides comparative tables for key tax indicators across the region, while Chapters 5 and 6 provide a detailed country-by-country breakdown of tax revenue.

Tax-to-GDP ratios: levels and annual changes in 2022

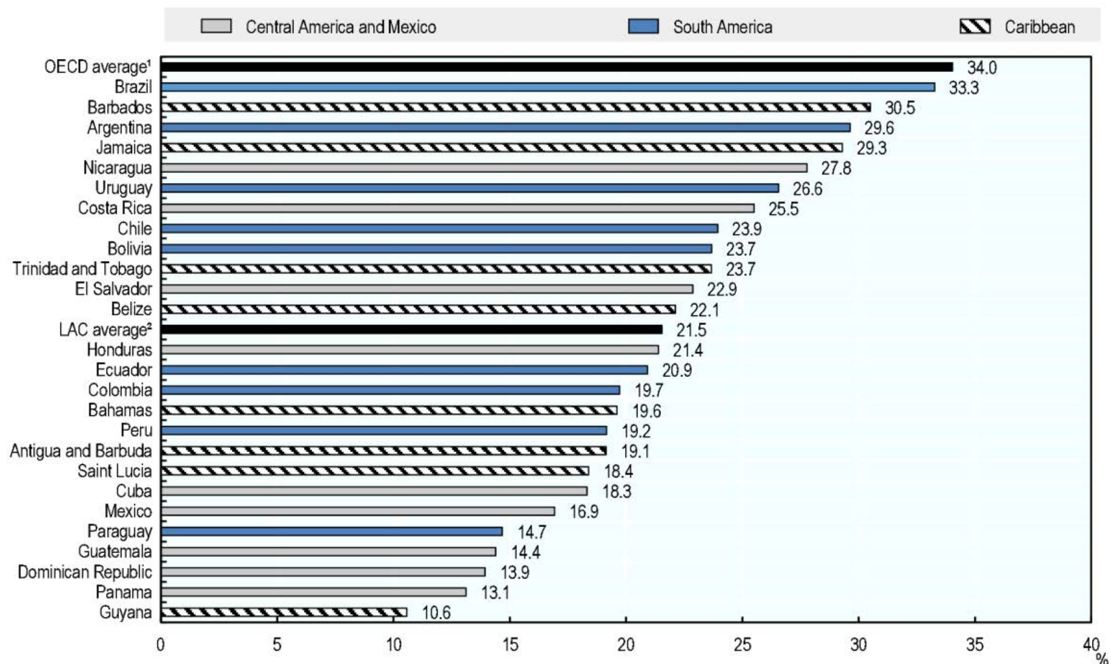
Tax-to-GDP ratios in 2022

The tax-to-GDP ratio measures tax revenue (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 26 of the countries included in this publication; it excludes Venezuela due to a lack of data (see Box 1.1).

The average tax-to-GDP ratio in the LAC region was 21.5% in 2022 (Figure 1.1). The highest tax-to-GDP ratios were observed in Brazil (33.3%), Barbados (30.5%) and Argentina (29.6%), while the countries with the lowest tax-to-GDP ratio were Guyana (10.6%), Panama (13.1%) and Dominican Republic (13.9%). All countries in the LAC region recorded a tax-to-GDP ratio below the OECD average of 34.0% in 2022.[1]

Figure 1.1. Tax-to-GDP ratios in the LAC region, 2022

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 26 Latin American and Caribbean countries included in this publication, excluding Venezuela due to data availability issues.
Source : OECD et al. (2024[4]), Table 4.1.

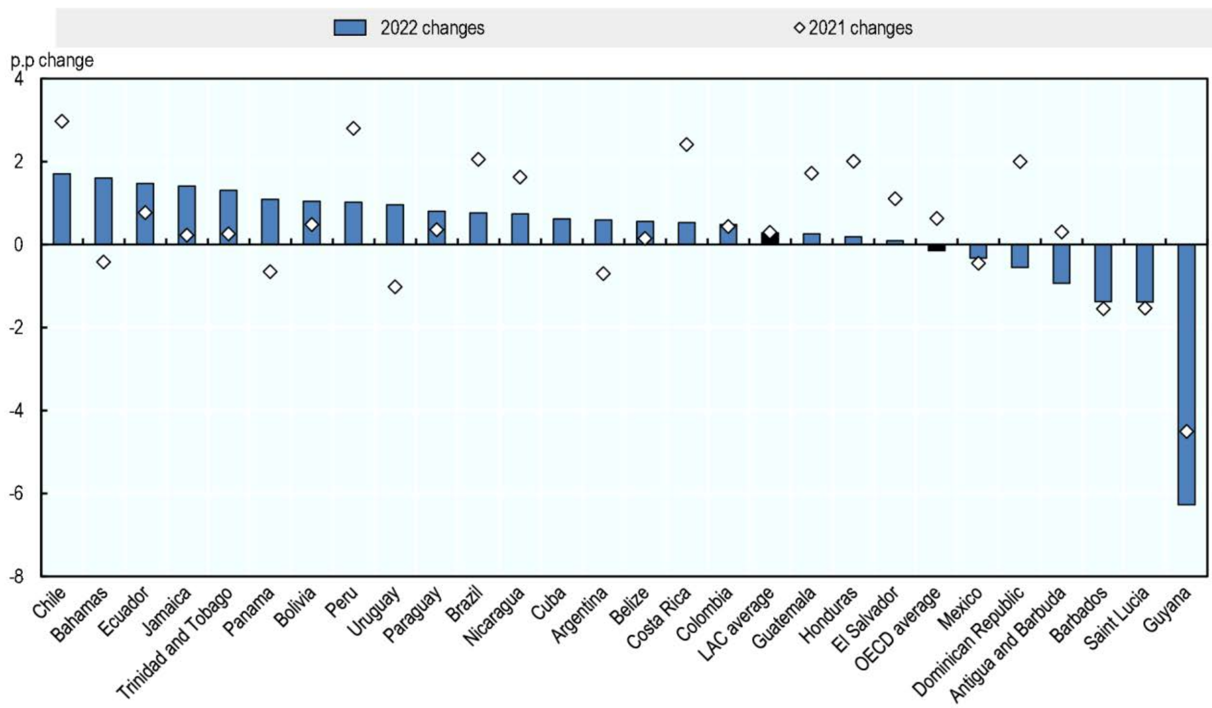
StatLink https://stat.link/enrchl

In 2022, the average LAC tax-to-GDP ratio was 0.3 percentage points (p.p.) higher than in 2021 (21.3% of GDP). Changes in tax-to-GDP ratios between 2021 and 2022 varied across the region (Figure 1.2). Twenty countries recorded an increase in their tax-to-GDP ratio while six countries recorded a decline.

The increase in the tax-to-GDP ratio between 2021 and 2022 exceeded 1.0 p.p. in nine countries. Chile, The Bahamas and Ecuador recorded the largest increases, of 1.7p.p., 1.6 p.p. and 1.5 p.p. respectively. Over the same period, tax-to-GDP ratios in three LAC countries decreased by more than 1 p.p.: Guyana (6.3 p.p.), Barbados and Saint Lucia (both 1.4 p.p.). Although tax revenue grew strongly in nominal terms in these latter countries, their tax-to-GDP ratios declined between 2021 and 2022 because this growth was outpaced by the increase in nominal GDP (see Box 1.1).

Figure 1.2. Changes in tax-to-GDP ratios in the LAC region in 2021 and 2022

Year-on-year change, p.p.



Note: The LAC average represents the unweighted average of 26 LAC countries included in this publication and excludes 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. (2024[4]), Table 4.1.

StatLink https://stat.link/s5ht0z

Box 1.1. The tax-to-GDP ratio methodology

The tax ratios shown in this publication express aggregate tax revenue 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 treated with caution: nominal tax revenue 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 revenue 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 2022 is Q2/2022-Q1/2023.
- The fiscal year in Trinidad and Tobago covers October to September. The reporting year 2022 spans Q4/2021-Q3/2022.
- The fiscal year for The Bahamas ends on 30 June. The reporting year 2022 runs from Q2/2021-Q2/2022.

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 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 (for example, new data is obtained or classification is refined).

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 maximises 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 the WEO were published in October 2023 (IMF, 2023[5]) and include GDP revisions. 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.

Nominal GDP figures in this edition were revised from those shown in last year's edition for 13 countries. Of these, the GDP of 11 countries was revised upwards (in ascending order Costa Rica, Nicaragua, Paraguay, Colombia, El Salvador, Brazil, The Bahamas, Uruguay, Belize, Panama, and Saint Lucia). Saint Lucia recorded the largest revision, of 11.3%. The resultant difference between the tax-to-GDP ratio for 2021 shown in the 2023 and 2024 editions of this report ranged from -2.0 p.p. in Belize and Saint Lucia to +0.7 p.p. in Costa Rica.

The average tax-to-GDP ratio for the LAC region in 2021 shown in the 2023 edition of *Revenue Statistics in Latin America and the Caribbean* was 21.7%. In this year's edition, it is 0.4 p.p. lower, at 21.3%, primarily because of the GDP revisions mentioned above. The increase in the LAC region's tax-to-GDP ratio between 2020 and 2021 has also been revised downwards, from 0.8 p.p. in the 2023 edition to 0.3 p.p. in this edition. The difference in the average-tax-to-GDP ratio for 2021 between the two editions is also due (to a lesser extent) to the inclusion of Cuba in the LAC average from 2021 in this year's edition. A monetary reform implemented in 2021 significantly altered Cuba's tax structure as well the level and relative weight of its tax and non-tax revenue. Cuba is only included in the LAC average from 2021 onwards because revenue data prior to 2021 is not comparable with data subsequent to the reform. (OECD et al., 2023[6])

Major changes in tax-to-GDP ratios in LAC countries in 2022

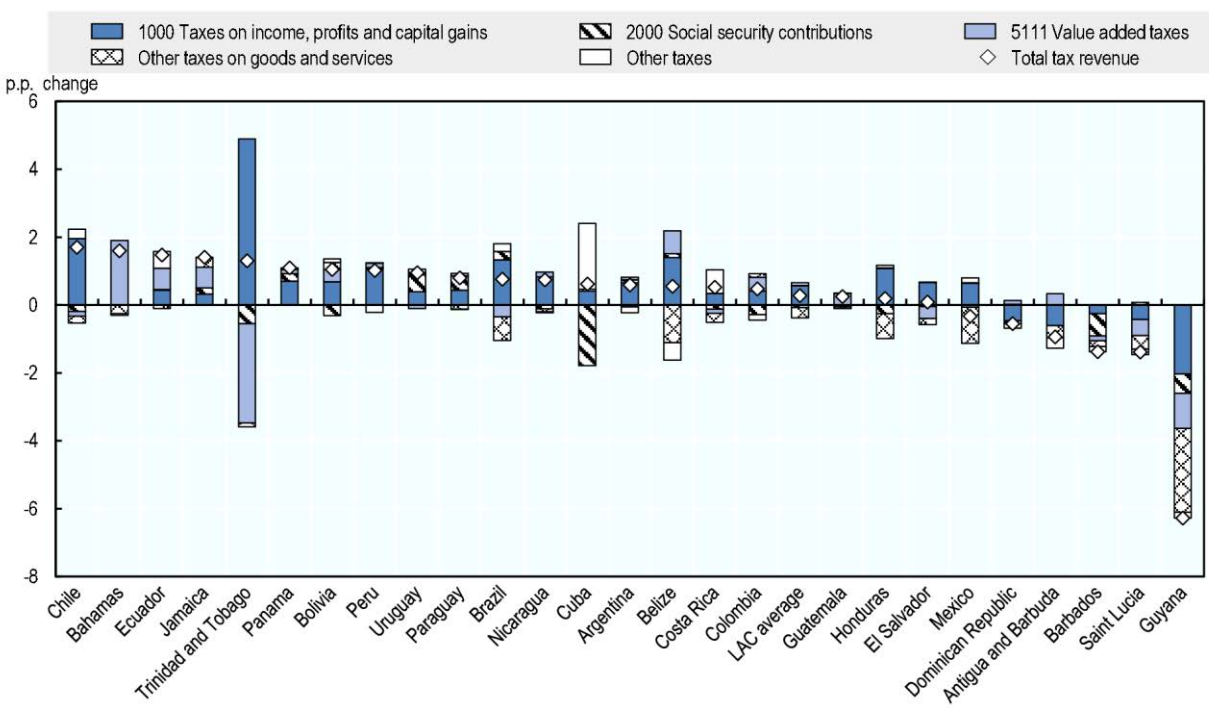
In 2022, the LAC region faced a challenging macroeconomic backdrop. Regional growth slowed to 4.0% in real terms from 7.0% in 2021. Inflation rose strongly in 2022 due partly to external factors such as trade disruptions and supply bottlenecks caused by the pandemic and compounded by Russia's invasion of Ukraine, which further affected commodity prices. As elsewhere in the world, governments in the LAC region implemented measures to mitigate the inflationary pressures on households and firms (see Box 1.2) (OECD et al., 2023[1]).

Against this backdrop, tax revenue grew as a percentage of GDP in most countries but these increases tended to be weaker than those observed in 2021. This section examines in greater detail the largest changes in tax-to-GDP ratios in LAC countries in 2022 relative to 2021. Two main factors explain the higher tax-to-GDP ratios in 2022: economic growth and higher prices and production levels in the oil and mineral sector, which led to higher tax revenue from non-renewable natural resources (see Chapter 2 (ECLAC, 2022[7])). However, measures to mitigate inflation resulted in lower revenue from consumption taxes.

- Chile recorded the largest increase in its tax-to-GDP ratio among LAC countries in 2022, at 1.7 p.p. The increase was primarily driven by a rise of 1.9 p.p. in revenue from corporate income tax (CIT) as the economy recovered from the impact of COVID-19.
- The Bahamas experienced the second-largest rise in tax revenue as a percentage of GDP (1.6 p.p.) amid an economic recovery, particularly in the tourism sector. The increase was driven by revenue from value-added tax (VAT), which rose by 1.9 p.p.in 2022 relative to 2021 even though the statutory VAT rate was reduced from 12% to 10% in January 2022 (ECLAC, 2023[8]).
- Ecuador's tax-to-GDP ratio recorded the third-largest increase between 2021 and 2022, of 1.5 p.p. Increases in revenue cut across different tax types: income tax, VAT, and property tax revenues (the latter shown in ''other taxes" in Figure 1.3) increased by 0.4 p.p., 0.6 p.p., and 0.5 p.p., respectively. As well as benefiting from a stronger economic performance and high oil prices, Ecuador introduced measures to temporarily tax net wealth from individuals and companies, and it also improved the efficiency of its tax collection (IMF, 2022[9]).
- In Trinidad and Tobago, the tax-to-GDP ratio rose by 1.3 p.p. between 2021 and 2022. CIT revenue rose by 5.5 p.p. over the period due to a surge in oil and natural gas prices. This increase was partly offset by a drop in VAT revenue of 2.9 p.p. in 2022 relative to 2021, partly explained by enhanced VAT refunds (Ministry of Finance Trinidad and Tobago, 2022[10]).

Figure 1.3. Changes in tax-to-GDP ratios in LAC countries by main tax heading, 2022

Year-on-year change, p.p.



Note: The LAC average represents the unweighted average of 26 LAC countries included in this publication and excludes Venezuela due to data availability issues.
Source: Authors' calculations based on OECD et al. (2024[4]), Chapter 4.

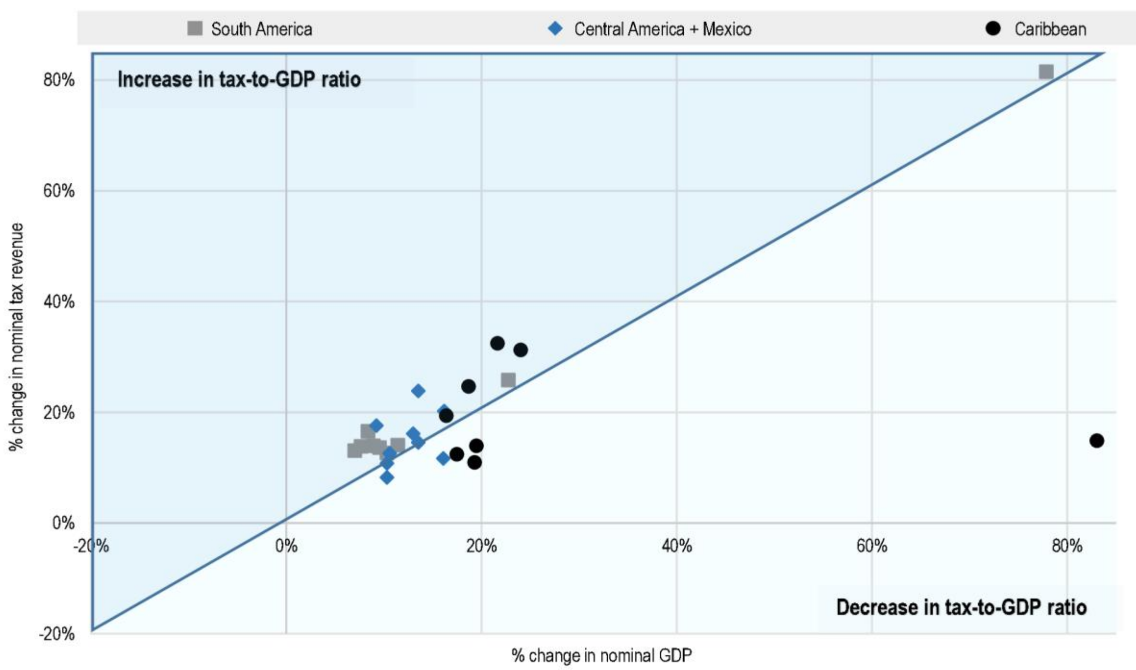
StatLink https://stat.link/suxmp3

Six countries in the LAC region experienced a decline in their tax-to-GDP ratio between 2021 and 2022; in each case, the decrease was the result of nominal tax revenue increasing by less than nominal GDP. The largest declines occurred in four Caribbean countries: Guyana recorded the largest decline (of 6.3

p.p.), followed by Barbados and Saint Lucia (both 1.4 p.p.), and Antigua and Barbuda (0.9 p.p.) (Figure 1.4).

Guyana recorded an increase in nominal GDP of 83% (63% in real terms) between 2021 and 2022 while nominal tax revenue rose by 15% over the same period. GDP growth in Guyana was the highest in the world in 2022, resulting from strong growth in oil production and high oil prices. Several tax reforms contributed to the slower growth in tax revenue, including an increase in the value of personal income tax (PIT) thresholds to benefit lower-income households, the reduction and then removal of excise taxes on gasoline and diesel to mitigate high energy prices, and the calculation of customs duties, excise tax and VAT based on pre-pandemic freight costs for importers facing high shipping prices (ECLAC, 2023[11]).

Figure 1.4. Changes in nominal tax and nominal GDP by sub-regions, 2021-2022



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.* (2024[4])

StatLink https://stat.link/o245sz

Changes in tax revenues from different tax types in 2022

Increases in tax revenue across the LAC region in 2022 were driven by CIT, which was supported in a number of countries by high commodity prices. In contrast, revenue from taxes on goods and services contracted in 2022 amid high inflation and rising credit costs that affected households' purchasing power and led to a fall in private consumption. In addition, revenue from taxes and goods and services fell as a result to the adoption of measures to mitigate a surge in energy prices.

CIT revenue increased by 0.6 p.p. on average across the LAC region between 2021 and 2022. High oil and gas prices in 2021 strengthened companies' profits in 2022, especially in oil-producing countries. In contrast, revenue from PIT remained unchanged as a percentage of GDP over the same period despite an increase in wages due to inflation. Revenue from social security contributions (SSCs) decreased by 0.1 p.p. in 2022. (Table 1.1).

Within taxes on goods and services, VAT revenue was unchanged as a percentage of GDP between 2021 and 2022. Over the same period, revenue from other consumption taxes (OCT), which include excises, customs and imports duties, and non-VAT general taxes (such as sales taxes), decreased by 0.3 p.p. Falls in OCT revenue were driven by a decline of 0.4 p.p. in excise revenue, which was mainly due to cuts in fuel taxes by several countries in response to higher prices (see Box 1.2).

Table 1.1. Changes in tax revenues by main tax categories, 2021 and 2022

Year-on-year change, p.p.

	2021	2022
PIT	-0.1	0.0
CIT	0.1	0.6
SSCs	-0.2	-0.1
VAT	0.2	0.0
OCT	0.0	-0.3
Res.	0.1	0.1
Total tax	**0.3**	**0.3**

Note: The LAC averages represent the unweighted average of 26 LAC countries included in this publication and excludes Cuba (up to 2020) and Venezuela due to data issues. In addition, the PIT and CIT averages exclude Ecuador due to data quality issues.
Source: Authors' calculations based on OECD et al. (2024[4])

Tax-to-GDP ratios in LAC sub-regions

This report examines trends in tax revenue across three sub-regions: Central America and Mexico; the Caribbean; and South America. Average tax-to-GDP ratios in Central America and Mexico and South America increased for the second consecutive year in 2022 reaching 19.4% and 23.5% respectively while the Caribbean's tax-to-GDP ratio decreased (also for the second year) to 21.7%. South America and Central America and Mexico recorded an increase of 1.0 p.p. and 0.3 p.p., respectively between 2021 and 2022, while the Caribbean's tax-to-GDP ratio declined by 0.6 p.p. over the period.

Tax revenue and GDP both increased in nominal terms in all three sub-regions in 2022. However, for four of the eight Caribbean countries included in the report, GDP increased by more than tax revenue, leading to lower tax-to-GDP-ratios for these countries and for the Caribbean on average (Figure 1.4). This is particularly the case for Guyana, whose sharp decline in the tax-to-GDP ratio is discussed in the previous section; if Guyana is excluded, the Caribbean's average tax-to-GDP ratio increased by 0.2 p.p. in 2022.

GDP growth in the Caribbean region was particularly strong in 2022, growing by 13.1% in real terms in 2022, driven largely by the tourism sector. Nominal tax revenue in the Caribbean also increased, especially from VAT and taxes from international transactions (ECLAC, 2023[8]). Latin America's GDP grew at a slower rate, at 3.9% in real terms. As shown in Figure 1.4, all Caribbean countries in this publication recorded growth in nominal GDP of 16% or more between 2021 and 2022 while all but four Latin American countries recorded growth below this level.

Box 1.2. The tax policy response to inflation

In 2022, prices on energy and food surged internationally, a tendency exacerbated by Russia's invasion of Ukraine, causing difficulties for firms and households, especially those with low incomes (OECD et al., 2022[2]). In response, governments in the LAC region adopted a wide range of measures, including subsidies and transfers to households and businesses or price support measures, to reduce the impact of higher international prices on consumers. The price support measures included price controls and reductions or exemptions of taxes on goods and services, such as VAT and excises.

According to an IMF survey of 22 LAC countries, half of the measures adopted in the LAC region related to energy products, and most of them related to fuel (Amaglobeli et al., 2023[12]). Temporary reductions in excise taxes on petroleum products were the most frequently introduced measure, followed by decreases in the VAT/GST rate on fuel products, and in import duties to a lesser extent.

Countries that reduced excises on fuel included Belize, Brazil, Guyana, Honduras, Mexico and Peru:

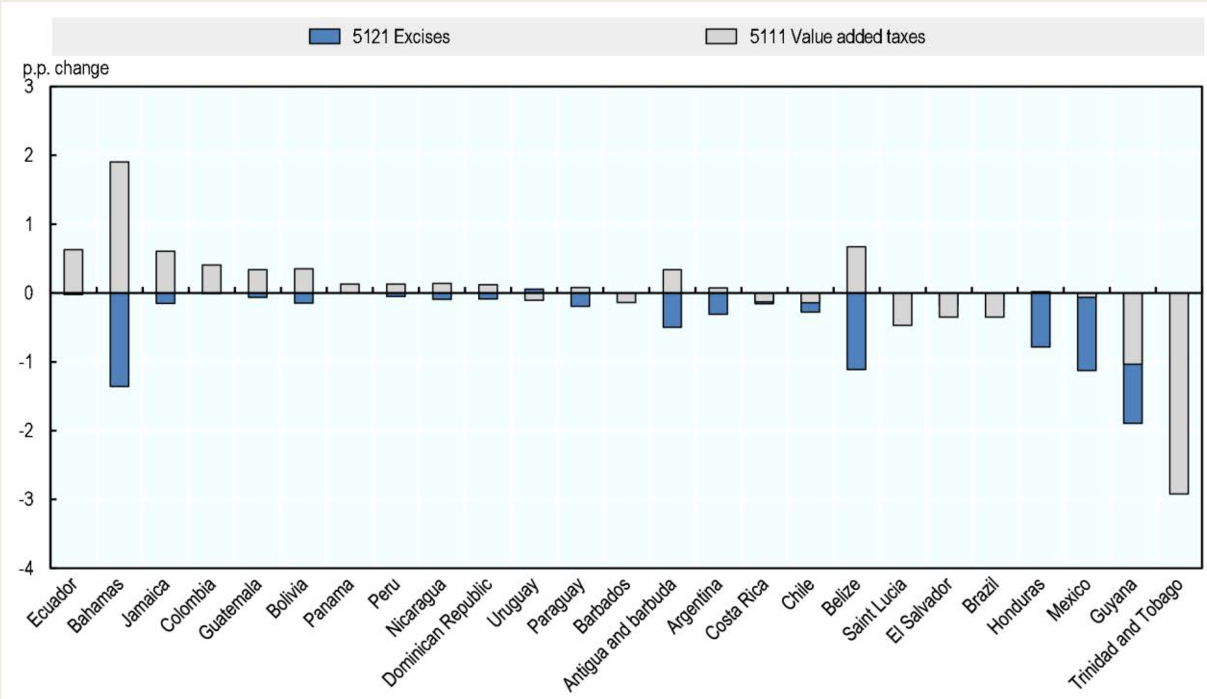
- In Belize, tax cuts on fuel were implemented in April 2022; these reduced the excise tax on diesel and gasoline by 100% and 77% respectively (Government of Belize, 2022[13]).
- Brazil reduced rates of the Contribuição sobre Intervenção do Domínio Econômico (best known as CIDE) levied on imports and retail sale of gasoline, diesel fuel, fuel oil, aviation kerosene, LPG, other petroleum products and ethanol fuel (OECD, 2024[14]).
- Honduras reduced petrol and diesel prices, leading to a decline in revenue from the levy on fuel sales (called the contribution for social programmes and conservation of road assets). In addition, the government reduced taxes on imports of gasoline (by around 30%) and diesel (by around 50%) (ECLAC, 2023[8]; OECD, 2024[14]).
- Mexico introduced a tax credit on fuel excise duties, which fuel importers and producers could use to offset monthly CIT or VAT payments (OECD, 2022[15]).
- Gasoline and diesel, as well as selected goods that make up the basic family basket, were exempted from the excise tax in Peru (OECD, 2024[14]).

Some countries made changes to VAT, including Barbados, Brazil, Costa Rica, Guyana, Honduras and El Salvador:

- Barbados put a cap on VAT on gas and diesel (in US dollars) for six months (OECD, 2022[15]).
- A VAT exemption for electricity purchases intended for distribution was introduced by Costa Rica (OECD, 2022[15]).
- El Salvador temporarily reduced the VAT rate on fuels from April 2022 (OECD, 2022[15]).
- Honduras extended the discount on freight costs when calculating the VAT base on imports up to June 2022 (OECD, 2022[15]).

Figure 1.5 shows changes in excise and VAT revenue between 2021 and 2022. Policies to reduce excises or VAT on fuel products contributed to declines in those tax types. Excise revenue declined as a percentage of GDP in 19 countries; decreases of more than 1.0 p.p. occurred in The Bahamas, Belize, Guyana and Mexico. On average, excise revenue fell by 0.4 p.p. over the period. In contrast, revenue from VAT was unchanged as a percentage of GDP on average between 2021 and 2022 but declined in countries that reduced VAT rates to mitigate inflation; the declines were 0.1 p.p. in Barbados and Costa Rica, 0.3 p.p. in Brazil, 0.4 p.p in El Salvador and 1.0 p.p. in Guyana.

Figure 1.5. Changes in excise and VAT revenue in LAC countries between 2021 and 2022, % of GDP



Source: Authors' calculations based on OECD et al. (2024[4]), Chapter 4.

StatLink https://stat.link/spt5wn

Table 1.2 presents annual changes in revenue for the Caribbean, Central America and Mexico, and South America by main tax type in 2022. Revenue from income taxes increased by 0.4 p.p. in the Caribbean, 0.5 p.p. in Central America and Mexico, and by 0.8 p.p. in South America. These increases were driven by CIT in all three cases. OCT revenue declined in all sub-regions. Changes in revenue from VAT, PIT and SSCs varied across the sub-regions; the Caribbean was the only sub-region where revenue from all three categories declined between 2021 and 2022.

- In the Caribbean, the largest decreases in revenue as a share of GDP in 2022 were recorded in OCT (-0.6 p.p.). Revenue from other categories except for CIT decreased to a lesser extent (by -0.2 p.p. for PIT, SSCs and property taxes in the 'residual' category and by -0.1 p.p. for VAT). CIT revenue grew 0.7 p.p., largely due to the increase in Trinidad and Tobago.
- In Central America and Mexico and in South America, the largest increases in revenue as a share of GDP in 2022 were recorded in CIT (0.4 p.p. and 0.7 p.p. respectively). Revenue from PIT increased by 0.1 p.p. in both sub-regions. VAT revenue increased in South America by 0.1% of GDP and was unchanged in Central America and Mexico. In South America, the only revenue category that recorded a decrease was OCT, which declined by 0.1 p.p. This category declined in Central America and Mexico (by 0.3 p.p.) as well, where SSCs also fell (by 0.2 p.p.).

Table 1.2. Changes in tax revenues by category as a share of GDP, LAC and sub-regions, 2022

Year-on-year change, p.p.

	LAC	Caribbean	Central America & Mexico	South America
PIT	0.0	-0.2	0.1	0.1
CIT	0.6	0.7	0.4	0.7
SSC	-0.1	-0.2	-0.2	0.1
VAT	0.0	-0.1	0.0	0.1
OCT	-0.3	-0.6	-0.3	-0.1
Res.	0.1	-0.2	0.3	0.1
Total tax	**0.3**	**-0.6**	**0.3**	**1.0**

Note: The averages exclude Venezuela due to data availability issues. Additionally, the PIT and CIT averages for LAC and the South America sub-region exclude Ecuador due to data quality issues.
Source: Authors' calculations based on OECD et al. (2024[4]).

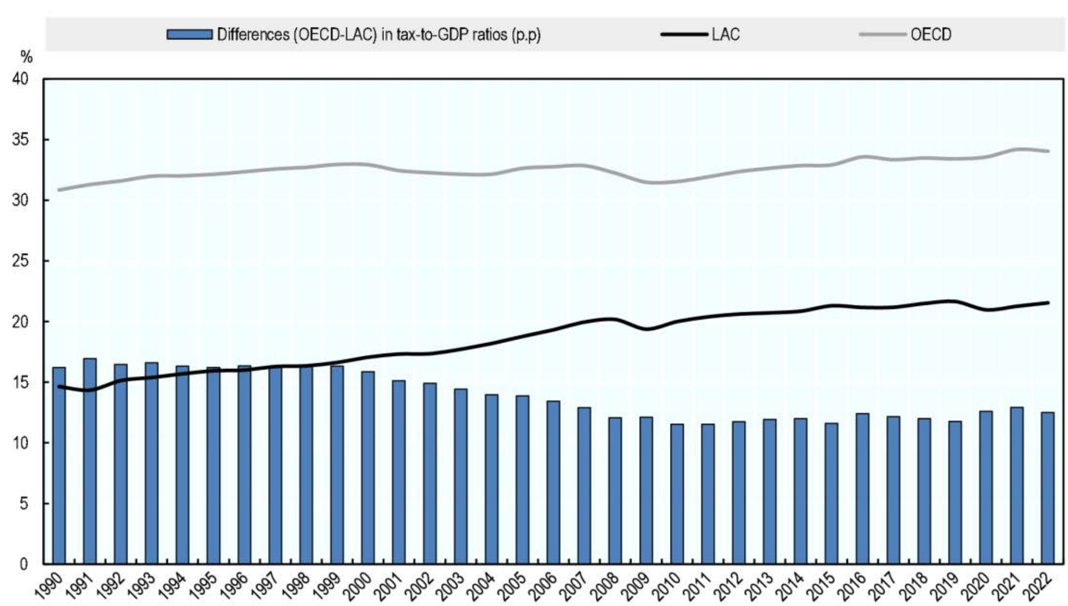
Long-term trends in tax-to-GDP ratios

Evolution of tax-to-GDP ratios since 1990

Despite the declines in tax-to-GDP ratios caused by the global financial crisis (GFC) in 2009 and by COVID-19 in 2020 (of 0.8 p.p. and 0.7 p.p., respectively), the average tax-to-GDP ratio for the LAC region has increased significantly over the past three decades, rising from 14.6% in 1990 to 21.5% in 2022 (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 34.0% in 2022, 3.2 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 2022.

Figure 1.6. Tax-to-GDP ratios, LAC and OECD averages, 1990-2022

Percentage of GDP



Note: The LAC average represents the unweighted average of 26 LAC countries included in this publication and excludes Cuba (up to 2020) 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. (2024[4]), Chapter 4.

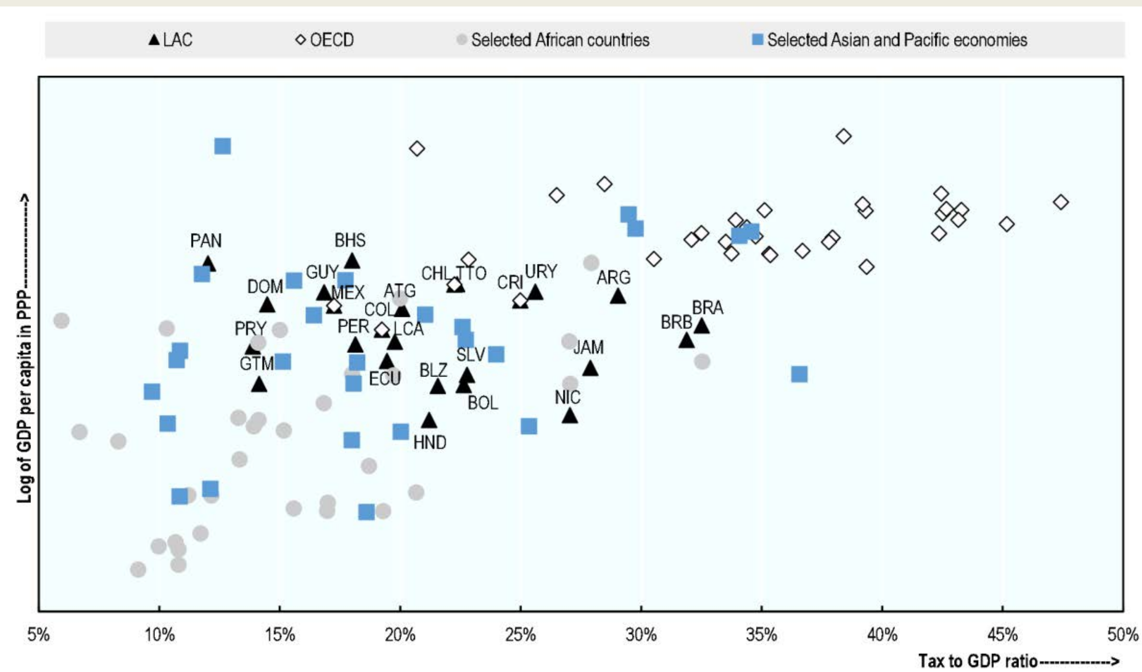
StatLink https://stat.link/2tpcm6

Box 1.3. Factors influencing tax levels

Tax-to-GDP ratios are influenced by a range of economic and structural factors. 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[16]).

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 revenue (OECD, 2014[17]; OECD, 2019[18]).

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, 2021



Note*:* The year of comparison is 2021 as data for tax-to-GDP ratios in 2022 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 (2023) 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/hjyfix

The tax-to-GDP ratio also reflects political choices regarding the role and size of the government. 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: these contributions to private institutions are not considered SSCs. In Colombia and Peru, private and public programmes compete, and employees opt between them (OECD et al., 2015[19]; OECD/IDB/The World Bank, 2014[20]). 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[21]).

Informality is another factor that constrains tax collection in the LAC region by significantly reducing the tax base. Informal employment accounts for close to 60% of workers in Latin America and the Caribbean (OECD, 2020[22]).

The LAC region loses significant amounts of tax revenue to tax evasion and aggressive tax planning. Foregone tax revenue due to non-compliance in the region 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[23]).

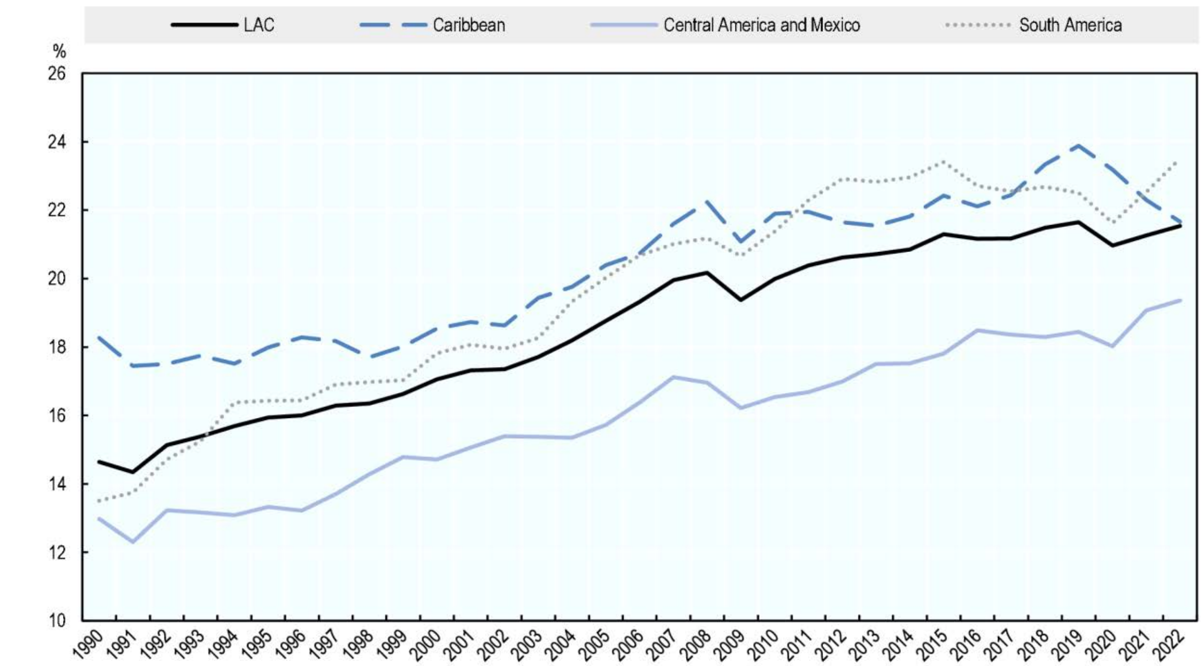
In addition, geographic location and historical factors can influence tax-to-GDP ratios. For example, landlocked countries are less able to impose taxes on goods and services at a port of entry than coastal countries. Socio-demographic determinants, such as the level of education or female participation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

Figure 1.8 shows the evolution of the average tax-to-GDP ratio in 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 2022, of 10.0 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 2022, South America' tax-to-GDP ratio stood at 23.5%, 2.0 p.p. higher than the LAC average and 1.0 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 6.4 p.p. Between 1990 and 2022, the average tax-to-GDP ratio of this sub-region remained below the average for the LAC region; in 2022, it stood at 19.4%, 2.2 p.p. lower than the LAC average but 0.9 p.p. higher than its pre-crisis level (18.5% in 2019).
- The average tax-to-GDP ratio of the Caribbean increased by 3.4 p.p. between 1990 and 2022, and it has been consistently higher than the LAC average. After a sharp increase between 2017 and 2019, the Caribbean's tax revenue as a percentage of GDP declined strongly. The Caribbean is the only sub-region that has not recovered to its pre-pandemic level: the average tax-to-GDP ratio stood at 21.7% in 2022, 2.2 p.p. lower than in 2019.

Figure 1.8. Average tax-to-GDP ratios, LAC and sub-regions, 1990-2022

Percentage of GDP



Note*:* The LAC average represents the unweighted average of 26 LAC countries included in this publication and excludes Cuba (up to 2020) 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 nine countries (Costa Rica, Cuba from 2021, 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. (2024[4]), Chapter 4.

StatLink https://stat.link/m63oi7

Evolution of revenue by tax type since 1990

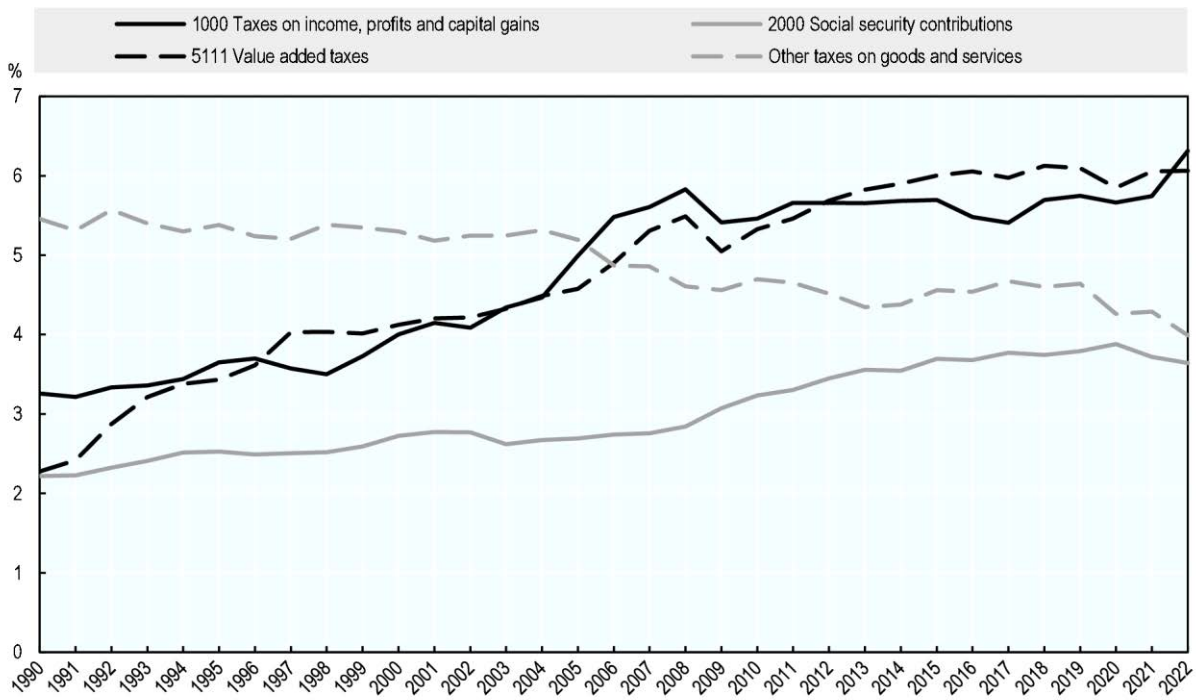
Tax-to-GDP ratios in LAC countries increased in the early 1990s after a decade of macroeconomic instability. During the 1980s, many countries ran large fiscal imbalances and some resorted to alternative ways of financing expenditure (borrowing or printing money). This caused rapid inflation across the region, which eroded the value of tax revenue in real terms. Reforms in the 1990s focused on price stability, trade liberalisation and fiscal discipline. Most governments reduced spending and implemented policies to increase 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[24]).

The introduction of VAT has been the most significant tax reform across the LAC region 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 its base and to improve collections. Several countries have moved towards single-rate VAT schemes (ECLAC, 2018[24]).

Countries in the LAC region have made 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[25]). Tax reforms have 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[26]; ECLAC, 2018[24]).

Figure 1.9. Revenue from selected taxes in the LAC region, 1990-2022

Percentage of GDP



Note*:* The LAC average represents the unweighted average of 26 LAC countries included in this publication and excludes Cuba (up to 2020) and Venezuela due to data issues.
Source: Authors' calculations based on OECD et al. (2024[4]), Chapter 4.

StatLink https://stat.link/kn1b6p

The increase in the average tax-to-GDP ratio in the LAC region since 1990 has largely been driven by increases in revenue from VAT and from taxes on income and profits (PIT and CIT combined), which increased by 3.8 p.p. and 3.1 p.p. respectively between 1990 and 2022. In 2022, revenue from VAT amounted to 6.1% of GDP while revenue from taxes on income and profits amounted to 6.3% of GDP (Figure 1.9).

Between 1990 and 2022, revenue from OCT decreased as a percentage of GDP in the LAC region. 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 exception is Argentina, where taxes on exports were re-established in 2002, partly abolished in 2015, then reintroduced in 2018.

Five distinct phases in the evolution of tax revenue in the LAC region can be distinguished:

- Between 1990 and 2002, VAT contributed more to the increase in tax revenue than taxes on income and profits (1.9% of GDP versus 0.8%). Over that period, five countries introduced VAT (Barbados, Belize, El Salvador, Jamaica and Paraguay). Several other countries increased standard VAT rates and undertook reforms to widen the tax base and improve revenue collection.
- Between 2002 and 2008, taxes on income and profits contributed more than VAT 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 revenue from income taxes was partly explained by the commodity price boom after 2003, which drove up CIT revenue from the natural resource sector (ECLAC, 2014[21]; Barreix, Benítez and Pecho, 2017[27]). 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.
- Revenue from VAT and income taxes declined during the GFC. During the subsequent recovery, VAT revenue grew faster than income tax revenue on average across the region, exceeding them as a percentage of GDP in 2013. Commodity prices, contributed to a stagnation of income tax revenue between 2011 and 2015 and a decrease between 2015 and 2016. 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 yearly 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 SSCs declined as a percentage of GDP due to the COVID-19 pandemic before increasing in 2021. In 2022, only CIT increased as a share of GDP relative to 2021 as explained earlier in this chapter.

Figure 1.11 shows the evolution of revenue from PIT, CIT and taxes on income in total since 2005. Over this period, CIT has remained the main share of income tax revenue in the LAC region, at around 60% on average. Although CIT revenue as a percentage of GDP has been more volatile than revenue from PIT, it has been the larger driver of growth in total revenue from income tax over time. Statutory CIT rates are relatively high in the LAC region and tax provisions are less generous than in other countries, resulting in higher effective average and marginal corporate tax rates in the LAC region (see Box 1.4).

Box 1.4. Corporate effective taxes rates in Latin America and the Caribbean

Tax rates on corporate profits in the LAC region are high by international standards and may jeopardise competitiveness and investments. This is a particular concern given the low level of private investment in LAC countries.

The perception that tax burdens on corporate profits are high in the LAC region is based on two factors. First, average CIT collections are relatively high; in 2021; they amounted to 3.4% of GDP versus 3.3% of GDP in OECD countries. Second, statutory CIT rates (STRs) are relatively high: while the average CIT rate is 23.6% in the OECD, it is 24.1% in the LAC region.

However, revenue levels and STRs do not show the whole picture of the tax system's impact on business investments. For instance, STRs do not consider tax provisions that affect the definition of corporate tax bases. These provisions include allowances for fiscal depreciation, deductions for interest payments, and equity financing. Because these provisions can significantly affect tax liabilities, they are key for the correct measurement of effective taxation across tax systems.

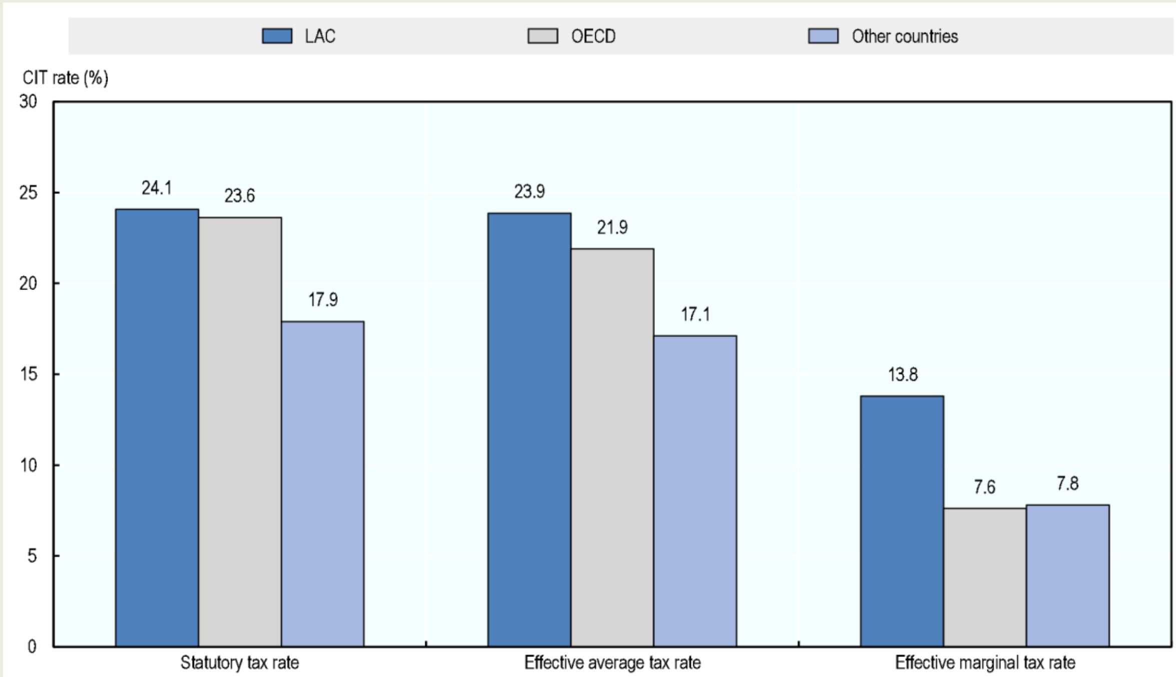
To better gauge the tax burdens on companies, (Hanappi et al., 2023[28]) calculated forward-looking effective tax rates (ETRs) for 21 LAC countries. Their methodology is based on the OECD's *Corporate Tax Statistics* (OECD, 2022[29]) and allows comparison across 77 jurisdictions. This methodology does not require information from tax returns since calculations are based on assumptions about the financial returns of hypothetical investment projects, to which existing tax laws are applied to determine the amount of tax owed. Two types of ETR are calculated: (i) the effective average tax rate (EATR), which measures the percentage of profits companies allocate to paying the CIT and (ii) the effective marginal tax rate (EMTR), which measures the extent to which taxes increase the marginal cost of capital (for more detail see (Hanappi et al., 2023[28])).

Results show that LAC countries have high average and marginal effective tax rates. In 2021, the average EATR in the 21 LAC countries was 23.9%, compared to 21.9% in OECD countries and 17.1% in the remaining countries analysed. In the case of the EMTR, the average rate was 13.8% in the LAC region, almost double the average of 7.6% in OECD countries and 7.8% in the remaining countries (Figure 1.10). At the country level, Argentina, Brazil, and Chile have the highest EATR of the 89 jurisdictions analysed. In the case of EMTR, Argentina, Bolivia, Chile, Jamaica and Peru appear in the top ten.

The high ETRs in LAC countries are mainly explained by the high statutory CIT rates. However, they are also due in part to ungenerous tax provisions. The average EATR in LAC countries is only 0.2 p.p. lower than statutory rates on average while in OECD countries it is 1.7 p.p. lower.

An example of ungenerous tax provisions is the treatment of software depreciation in several countries in the LAC region. While research has estimated that the annual economic depreciation rate of software is 40%, the Chilean legislation does not allow software to be depreciated while the depreciation rates in Argentina and Bolivia are very low (2% and 5%, respectively).

Figure 1.10. Statutory tax rates and effective tax rates, 2021



Source: (Hanappi et al., 2023[28])

StatLink https://stat.link/pc7uyl

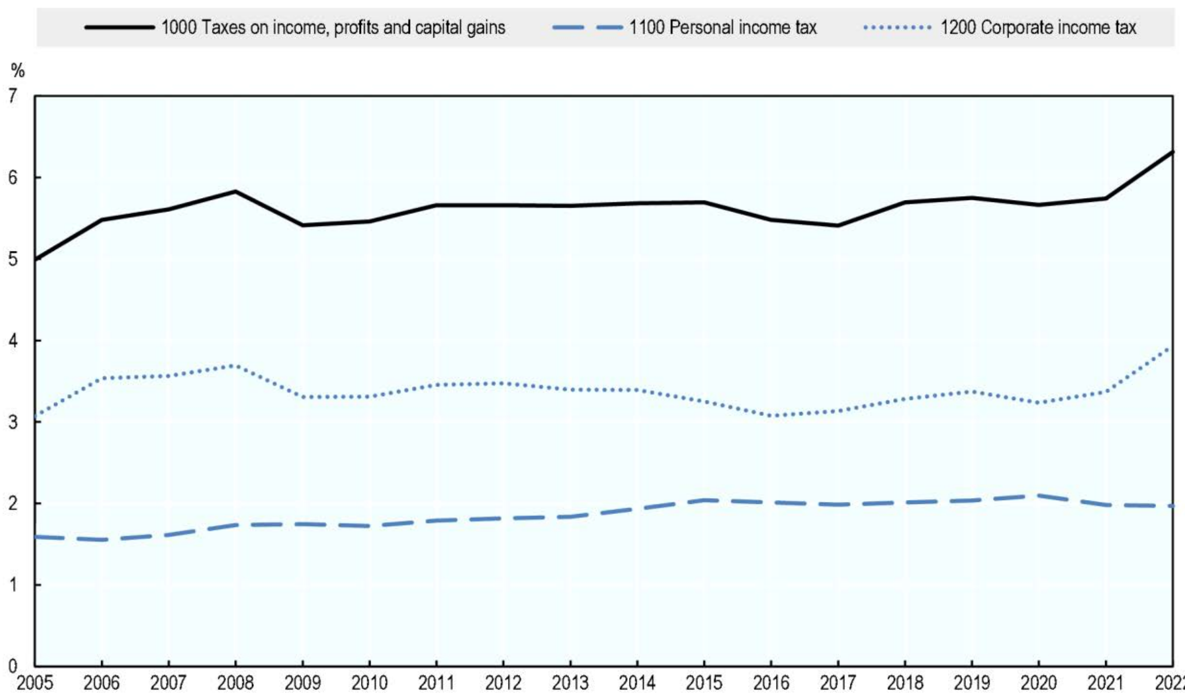
Meanwhile, PIT revenue has steadily increased on average across the region and was more resilient than CIT revenue during the GFC and the COVID-19 crisis. In 2022, the LAC averages for CIT and PIT revenue stood at 3.9% and 2.0% of GDP, respectively.

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 revenue as a percentage of GDP increased greatly on average as seven of the eight Caribbean countries included in this report[2] introduced a VAT system over the period, later than most countries in Central America and Mexico and in South America. VAT was the main driver behind 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. Revenue from taxes on income and profits were influenced by increases in mineral and oil prices between 2003 and 2010.

Figure 1.11. Revenue from taxes on income and profits, CIT and PIT in the LAC region, 2005-22

Percentage of GDP



Note: The LAC averages exclude Cuba (up to 2020) 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.
Source: OECD et al. (2024[4]), "Revenue Statistics in Latin America and the Caribbean: Comparative tables", *OECD Tax Statistics* (database), http://dx.doi.org/10.1787/data-00641-en.

StatLink https://stat.link/10wark

Tax structures in the LAC region

The tax structure (defined as the share of major tax types in total tax revenue) 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, 1990-2022

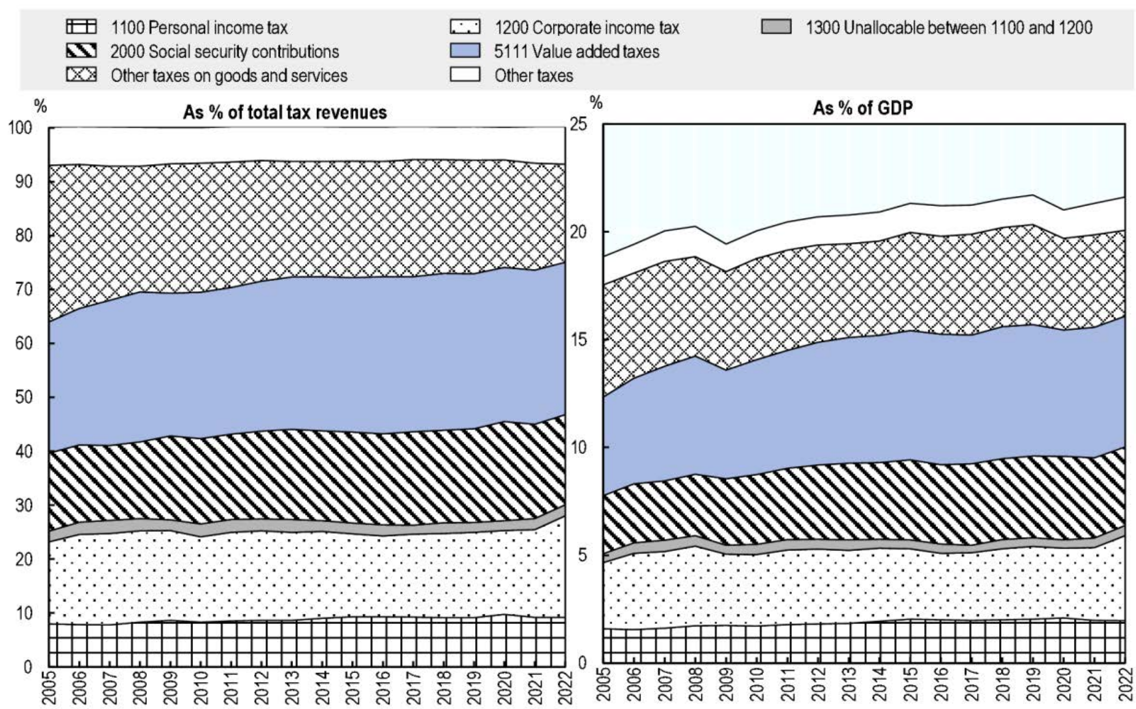
Taxes on goods and services generated the largest share of total tax revenue in the LAC region in 2022, representing about half of total taxation on average. During the last three decades, the average LAC mix has shifted towards VAT, taxes on income and profits, and SSCs while OCT have been less prominent.

- The share of VAT in total tax revenue was 28.3% in 2022, corresponding to an increase of 12.1 p.p. since 1990. The revenue share of other taxes on goods and services (including excises, customs and import duties) declined by 22.1 p.p. over the same period.
- The share of revenue from taxes on incomes and profits grew by 9.4 p.p. (from 20.3% to 29.8% of total tax revenues) between 1990 and 2022.
- The share of SSCs in total tax revenue increased by 2.7 p.p. from 1990 to 16.7% in 2022. Two (opposing) factors have influenced the trajectory of SSCs. 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[19]).

The share of PIT grew from 8.0% of total tax revenue in 2005 to 9.2% in 2022, in part due to increases in personal incomes across the region in the 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 the 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[21]). 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[25]).

Figure 1.12. Average tax structure in the LAC region, 2005-22



Note: The LAC average excludes Cuba (up to 2020) 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. (2024[4]), "Revenue Statistics in Latin America: Comparative tables", *OECD Tax Statistics* (database), http://dx.doi.org/10.1787/data-00641-en.

StatLink https://stat.link/3zje9y

Several other factors continue to limit PIT revenue, including a small tax base that is comprised primarily of wages (since tax privileges are often granted to returns on capital), high tax reliefs (such as personal deductions and income exemptions), high tax allowances, and high levels of evasion (Barreix, Benítez and Pecho, 2017[27]; ECLAC, 2014[21]; ECLAC, 2023[8]). (ECLAC, 2020[23]) 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 revenue losses of 0.8% of GDP) to 69.9% in Guatemala (2006 figure, equivalent to revenue losses of 0.5% of GDP). Evasion is more common among the self-employed than employees. A study for Mexico concluded that tax revenue losses as a percentage of GDP are nearly five times higher for individuals with business activities and almost seven times higher for persons with rental income than for wage earners. Similarly, in Costa Rica, the evasion rate for wage-earners and pensioners was only 3.5% in 2018, while the non-compliance rate for profit-making activities was 82.7% in 2018 and has been trending upward since 2015 (ECLAC, 2023[8])

The redistributive impact of PIT in Latin America is weak, achieving a reduction of just 2% in income inequality, which contrasts markedly with the countries of the European Union, where income taxes reduce inequality by 12% in 2014. The reduction in the Gini coefficient attributable to PIT in the LAC region ranged from 0.3% (Paraguay) to 5.9% (Mexico) in 2014 (OECD et al., 2018[30]). Many LAC countries often implement tax deferrals, reduced rates and exemptions, which typically have less redistributive impact than targeted tax reliefs. Deferrals postpone the deadline for filing and paying taxes but do not adjust tax calculations based on household income. PIT exemptions, on the other hand, might reduce revenue and decrease redistributive effectiveness. However, it is important to consider the region's heterogeneity, as removing many of these tax privileges or lowering their thresholds may enhance redistributive effectiveness at the expense of exacerbating distortions in allocative efficiency, which may influence taxpayers' decisions and behaviour (ECLAC, 2023[8])..

Enhancing the design of PIT has the potential to increase the progressivity of tax systems in the LAC region and to generate higher revenue. More progressive tax regimes in the region require more efficient tax administrations. It is essential that the design of PIT in each country, as well as potential reforms to enhance its effectiveness, achieves a balance between the principles of administrative simplicity, distributive equity and revenue sufficiency (ECLAC, 2023[8])..

The share of CIT in total tax revenue increased by 3.6 p.p. between 2005 and 2022, reaching 18.8%, mainly due to the significant increase in CIT revenue and decrease of OCT revenue between 2021 and 2022. CIT evasion is also a significant issue in the LAC region, with higher evasion rates than for PIT. ECLAC (2020[23]) 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.

For all three regions, the most significant share of revenue was derived from VAT. South America had the highest share of VAT revenue in 2022, at 30.8% on average. SSCs were lowest in the Caribbean in 2022, at 11.8% of total tax revenue on average. This was slightly less than half of the average for the other sub-regions (18.9% and 18.5% respectively in Central America and Mexico, and in South America). All three sub-regions generated higher revenue from CIT than from PIT.

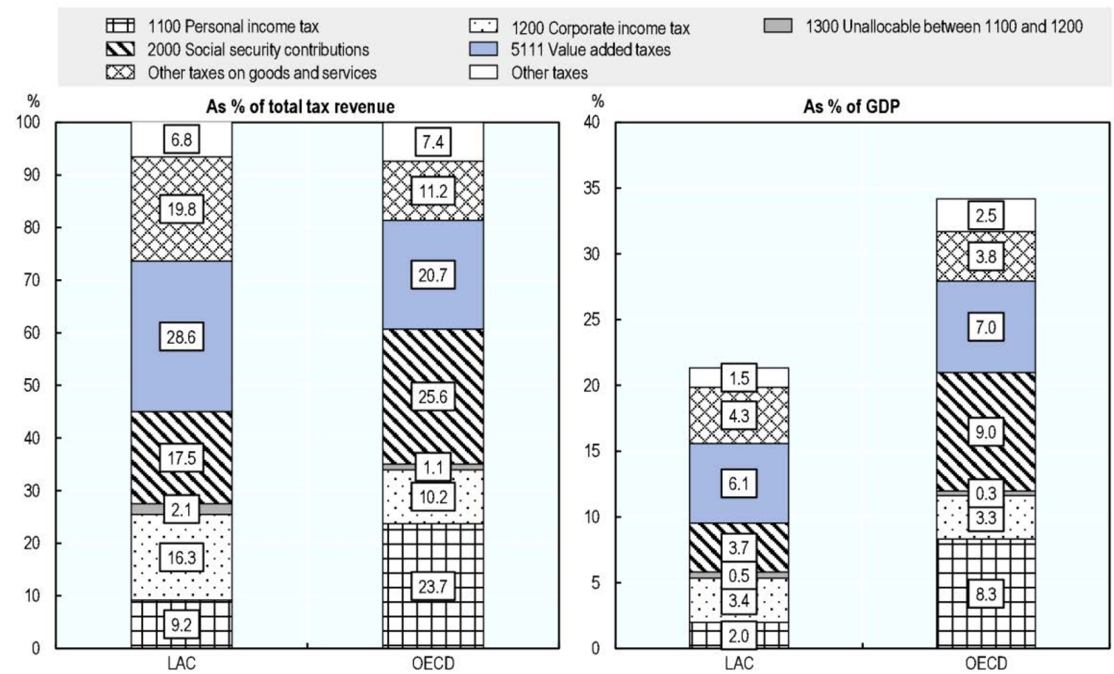
Average tax structures in LAC and the OECD

Relative to the average for OECD countries, the average tax mix for the LAC region is characterised by low revenue from PIT and SSCs (Figure 1.13). LAC countries rely more on taxes on goods and services, which make up half of tax revenue on average, compared with around one-third in OECD economies on average. As a percentage of GDP, revenue from taxes on goods and services in the LAC region and in the OECD were similar in 2021, at 10.3% and 10.7% respectively.[3]

By contrast, the combined share of taxes on income and profits and SSCs as percentage of total tax revenue was much lower in the LAC region than in the OECD in 2021 (45.0% versus 60.7%, on average). As a percentage of GDP, these two categories amounted to 9.5% in the LAC region, less than half the OECD average (21.0%). The tendency towards private provision of social security in many LAC countries explains some of this difference.

On average, CIT generated 16.3% of total tax revenue in the LAC region, compared with 10.2% in the OECD (respectively 3.4% and 3.3% of GDP). The most striking difference relates to revenue from PIT, which contributed 23.7% of total tax revenues in the OECD on average in 2021 versus 9.2% of total tax revenue in the LAC region. PIT revenue amounted to 2.0% of GDP in the LAC region on average, compared with 8.3% for the OECD.

Figure 1.13. Average tax structure in the LAC and the OECD, 2021



Note: The year of comparison is 2021 as the 2022 tax structure for the OECD average is not available. The LAC average excludes 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. (2024[4]), "Revenue Statistics in Latin America: Comparative tables", *OECD Tax Statistics* (database), http://dx.doi.org/10.1787/data-00641-en.

StatLink https://stat.link/nxvr58

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.

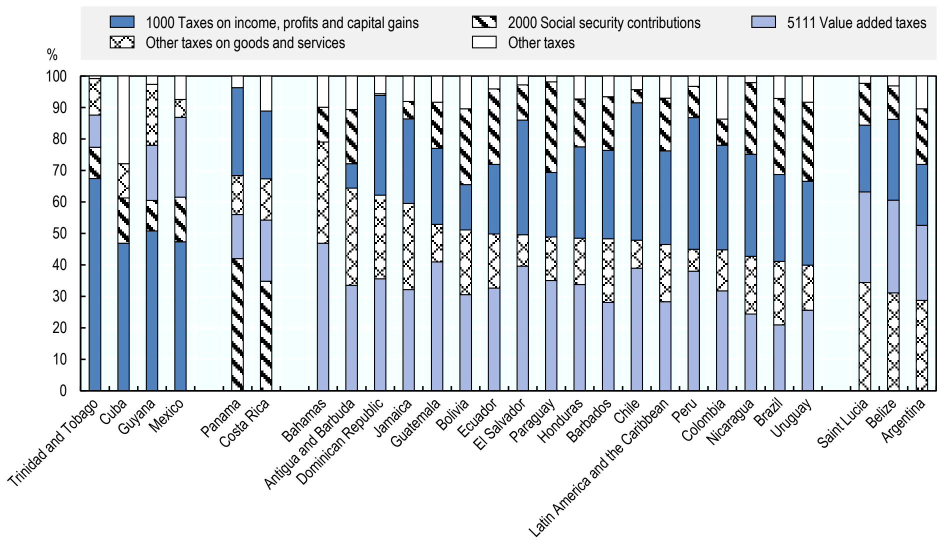
Tax structures in LAC countries

Taxes on goods and services were the main source of revenue for all LAC countries except Costa Rica, Cuba, Guyana, Mexico, Panama, and Trinidad and Tobago in 2022 (Figure 1.14). For Cuba, Guyana, Mexico and Trinidad and Tobago, taxes on income and profits accounted for the largest share, whereas SSCs were the most important source of tax revenue for Costa Rica and Panama.

In most of the countries where taxes on goods and services were the main source of revenue, VAT contributed a larger share than OCT. Seventeen countries recorded higher tax revenue from VAT, ranging from 21.0% of total tax revenue in Brazil to 46.8% in The Bahamas. In contrast, three countries (including two in the Caribbean) received a larger share of revenue from taxes on goods and services other than VAT. This group includes Argentina, which sourced 28.7% of total tax revenue 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, 2022

Percentage of total tax revenue



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 26 LAC countries included in this publication and excludes Venezuela due to data availability issues.

Source: Authors' calculations based on OECD et al. (2024[4]), Chapter 4.

StatLink https://stat.link/vbmfl5

In 2022, SSCs ranged from 0.6% of total tax revenue in the Dominican Republic to 42.0% in Panama. The level of this revenue reflects choices about how to finance social security (see Box 1.3): in countries with public or mixed social security schemes (including Argentina, Bolivia, Brazil, Costa Rica, Panama, Paraguay and Uruguay), SSCs accounted for over 17% of total tax revenue.

VAT revenue ratio

This section discusses the VAT revenue ratio (VRR) in LAC countries in 2022. 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[31]). 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 also more difficult for countries relying 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[32]).

Table 1.3. VRR and VAT rates in LAC countries by sub-region, 2022

	VRR	VAT rate (%)
Central America and Mexico	**0.49**	**13.6**
Costa Rica	0.50	13.0
Dominican Republic	0.38	18.0
El Salvador	0.73	13.0
Guatemala	0.52	12.0
Honduras	0.52	15.0
Mexico	0.33	16.0
Nicaragua	0.52	15.0
Panama	0.41	7.0
South America	**0.60**	**16.8**
Argentina	0.47	21.0
Bolivia	0.70	13.0
Chile	0.71	19.0
Colombia	0.42	19.0
Ecuador	0.81	12.0
Paraguay	0.69	10.0
Peru	0.58	18.0
Uruguay	0.45	22.0
Caribbean	**0.64**	**13.6**
Antigua and Barbuda	0.71	15.0
Bahamas	1.26	10.0
Barbados	0.62	17.5
Belize	0.71	12.5
Guyana	0.22	14.0
Jamaica	0.73	15.0
Saint Lucia	0.59	12.5
Trinidad and Tobago	0.27	12.5
LAC average	**0.58**	**14.7**
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 2022. Venezuela's tax revenue data are not available.
Source: VAT rates are sourced from (OECD, 2022[31]), the final expenditure consumption figures from the WEO (IMF, 2023[5]) and VAT revenues from the country tables in OECD et al. (2024[4]), Chapter 5, (OECD, 2022[31]), for the OECD figures.

Table 1.3 presents the VRR for LAC countries and for the three sub-regions. The highest VRR is seen in The Bahamas and stands well above 1. This is a notable example of the impact of the methodology on the interpretation of the VRR as explained above. The high VRR in The Bahamas is due to the nominator being artificially high while the denominator does not correspond to the actual tax base. This is partly explained by the high share of revenue that the country receives from tourism driving up the VRR as tourism receipts are not accounted for in the final consumption expenditure in the denominator. Despite this caveat, it is important to note that The Bahamas introduced a VAT in 2015 following international good practice, including a broad-based VAT with a low standard rate (at 7.5%, increased to 12.0% in 2018), a limited number of exemptions and no reduced rates. These also contribute to the country's high VRR.

By contrast, the lowest VRRs were seen in Guyana and Trinidad and Tobago in the Caribbean and in the Dominican Republic and Mexico in Central America. 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[31]); (OECD, 2018[33]). However, Mexico implemented a VAT reform in January 2014 including the replacement of some reduced and zero rates with the standard rate and the introduction of improved processes. The VRR in Mexico increased from 0.26 in 2013 to 0.29 in 2014. The VRR increased to 0.35 in 2020 as a result of the broadening of the VAT base for digital services in line with OECD recommendations (KPMG, 2019[34]), effective from June 2020.

Several factors may contribute to the low VRR in the Dominican Republic. The design of VAT in the country is one factor: the Dominican Republic has numerous VAT exemptions (Schlotterbeck, 2017[35]). 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[36]). VAT evasion is another important factor for the low VRR. ECLAC (2020[23]) 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 countries.

VAT evasion remains an important challenge elsewhere in the LAC region. ECLAC (2020[23]) 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 largest 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, environmental taxation gives effect to the polluter-pays principle to favour greener over more polluting economic activities. Well-designed systems of environmental taxation can encourage 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[37]).

Countries in the LAC region have generally 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[38]) despite the strain these can put on national budgets to mitigate the impact of high and volatile fuel prices, control inflation, boost competitiveness and protect the poorest sections of the population. While energy support decreased between 2012 and 2019 by around 30%, it more than doubled in 2021 (OECD, 2023[39]).

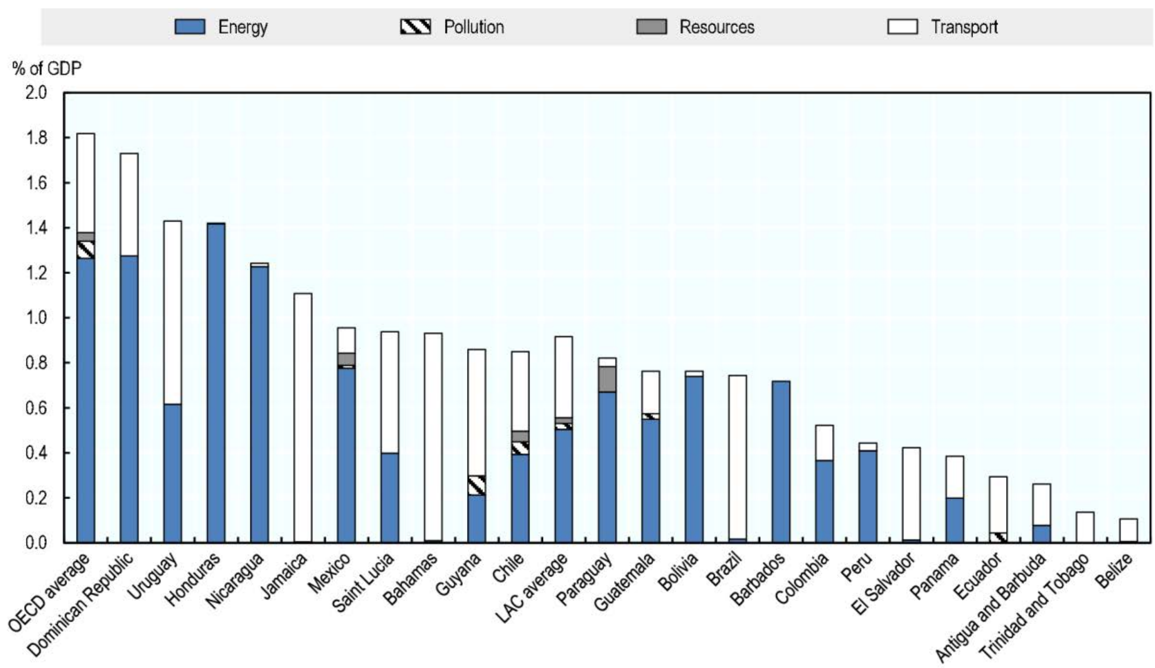
However, revenue from energy taxes was greater than the cost of subsidies for five of the six LAC countries included in (OECD, 2021[40]) (Costa Rica, Dominican Republic, Guatemala, Jamaica and Uruguay, with the exception being Ecuador), representing on average a net positive impact on public finances 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 green tax reforms in recent years. Argentina, Chile, Colombia, Mexico and Uruguay introduced carbon pricing policies through carbon taxes, primarily in the transport sector, although these remain limited and the effective carbon rates are not at a level that can reduce carbon emissions effectively (OECD, 2023[39]).

A detailed examination of country-specific taxes[4] reveals that environmentally related tax revenue (ERTR) in the LAC region in 2022 ranged from 0.1% of GDP in Belize to 1.7% in Dominican Republic (Figure 1.15). On average across 23 LAC countries in this report, ERTR amounted to 0.8%[5] of GDP in 2022, below the OECD average of 1.9% of GDP (estimated 2022 figure) (OECD, 2022[41]).

Figure 1.15. Environmentally related tax revenue in LAC countries by main tax base, 2022

Percentage of GDP



Note: The LAC average represents the unweighted average of 23 LAC countries included in this publication and excludes Argentina, Costa Rica, 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[40]) as the data are not available. The OECD average represents the unweighted average of 37 OECD member countries excluding Costa Rica.
Source: *PINE* database for Chile, Colombia and Mexico, and author's calculations for other countries based on OECD et al. (2024[4]), Chapter 5.

StatLink https://stat.link/kpcjyq

In 2022, revenue from energy taxes (most commonly excises on diesel and petrol) generated the highest share of total ERTR in the LAC region. Revenue from energy taxes amounted to 0.5% of GDP on average, while revenue from motor vehicle and transport services amounted to 0.4% of GDP and represented most of the remainder. Revenue from tax levied on other environmentally related bases was negligible (i.e. < 1.5% of the total ERTR). ERTR was higher in the OECD than in the LAC region in 2022 across the different bases, notably for energy-related taxes that amounted to 1.3% of GDP (OECD, 2022[41]).

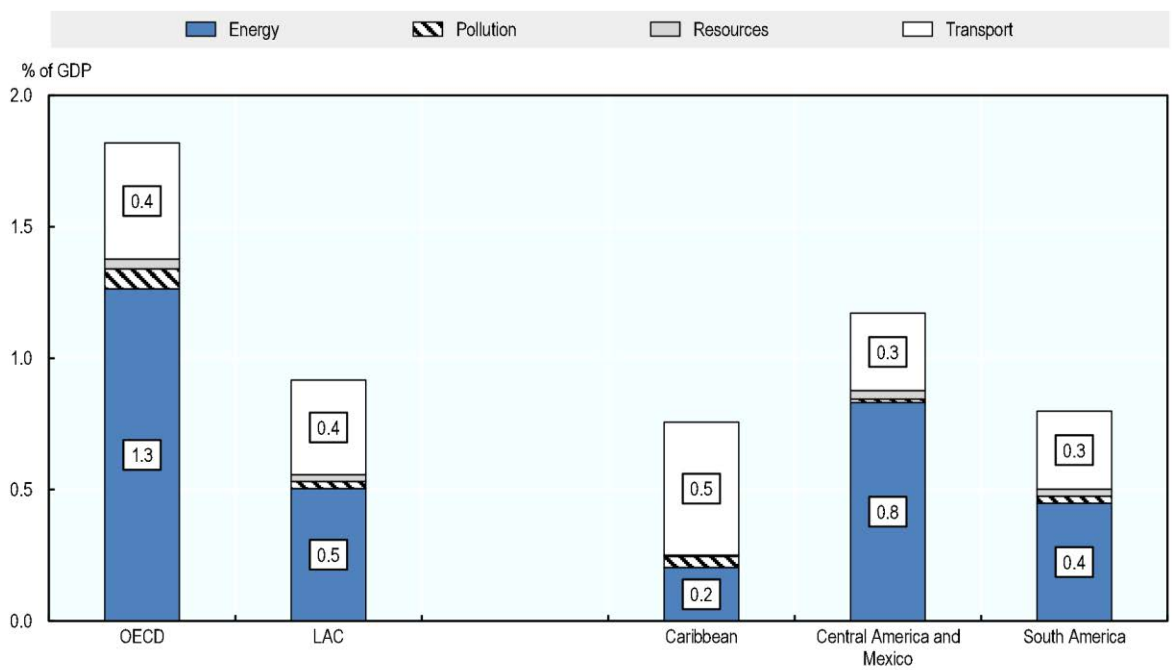
There were notable differences in the composition of ERTR across the LAC sub-regions in 2022, on average (Figure 1.16). Energy-related taxes accounted for the highest share of ERTR in Central America and Mexico (0.8% of GDP out of a total of 1.1%); energy- and transport-related taxes were similar in South America at 0.4% and 0.3% of GDP respectively in 2022, and transport-related taxes represented the highest share of ERTR in the Caribbean region at around 0.5% of GDP. Transport-related tax revenue for most Caribbean countries was mainly sourced from travel or departure taxes, an important source of revenue for tourism-reliant countries.

Between 2021 and 2022, average ERTRs in the LAC region declined by 0.1 p.p. due to a fall in energy-related tax revenue. This was also the case for all three sub-regions as well as for the OECD, which recorded a 0.2% average decline over the same period. The fall in energy-related tax revenue across the LAC region and sub-regions was associated with lower demand and energy tax reductions and suspensions (e.g. VAT or excise tax rate reduction or suspension) as an important component of support measures aiming to reduce the effective prices consumers pay. (see Box 1.3).

In most LAC countries, ERTR declined as a share of GDP (14 countries) or remained at the same level (8 countries) in 2022. Only three out of the 23 LAC countries with available data recorded increases in their ERTR. The changes in ERTR over the period ranged from a decrease of 1.8% of GDP in Guyana to an increase of 0.5% in The Bahamas.

Figure 1.16. Environmentally related tax revenue in the OECD, LAC and sub-regional averages by main tax base, 2022

Percentage of GDP



Note: The LAC average represents the unweighted average of 23 LAC countries included in this publication and excludes Argentina, Costa Rica, Cuba and Venezuela due to data issues. The OECD average represents the unweighted average of 37 OECD member countries excluding Costa Rica. As well as being part of the LAC region, Chile, Colombia and Mexico are also member countries of the OECD and thus are incorporated in both averages.
Source: *PINE* database for Chile, Colombia and Mexico, and authors' calculations for other countries based on OECD et al. (2024[4]), Chapter 5.

StatLink https://stat.link/0u3pm2

Taxes by level of government

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

Where sub-national data for LAC countries is available, tax revenue collected by central government accounted for more than two-thirds of the total collections, whereas the corresponding figure for OECD countries was about 60% (2021 figure). Brazil is a notable exception: central government tax revenue amounted to 46.2% of tax collected in 2022 (Table 1.4).

There are two statistical issues to consider when comparing the attribution of revenue for LAC countries with that of OECD members. First, revenue of both groups have been attributed to different levels of government according to guidelines set out in the 2008 System of National Accounts (SNA).[6] The second issue is that some LAC countries lack tax revenue statistics at sub-national level.

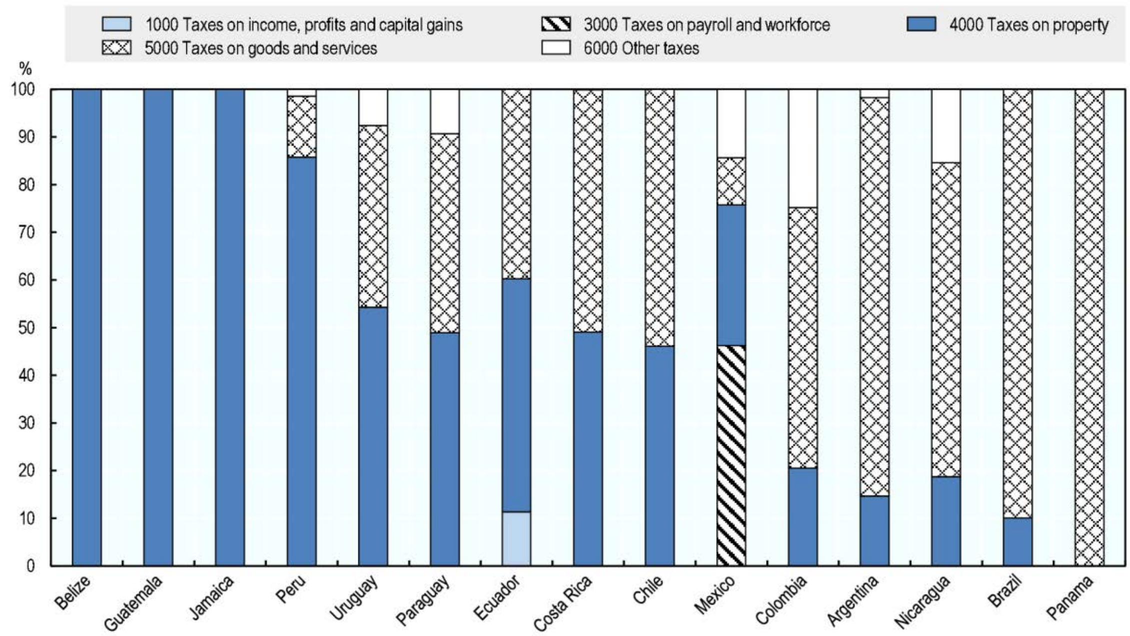
For the 19 LAC countries in this report for which sub-national data is available, the share of sub-national tax revenue in total tax revenue was below 7.0% in 2022 except in Argentina, Brazil and Colombia. Federal systems tend to raise more substantial own revenue compared to unitary states. In Brazil, states and municipalities collect about a third of total tax revenue, 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 revenue in Argentina and Colombia accounts for more than 16% of total tax revenue. Argentina has a significant collection at state level, due in part to the provincial sales tax (*impuesto sobre los ingresos brutos*). As a percentage of GDP, sub-national tax revenue ranged from less than 0.1% in Guyana and Guatemala to 9.9% in Brazil in 2022 and the median value amounted to 0.4% of GDP. Low sub-national tax revenue across the LAC region reflects 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 2022, all subnational tax revenue in Belize and Guatemala and Jamaica, and more than half of tax revenue collected at the sub-national level in Peru, Uruguay, Ecuador and Paraguay, was sourced from property taxes (Figure 1.17). All other countries in the region rely principally on taxes on goods and services. Mexico is the only country that also collected revenue from different tax bases. In 2022, 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 is generated by taxes on income and profits (representing more than a third of the total collected at sub-national level on average).

The COVID-19 crisis has highlighted the need for structural reforms to improve the collection and enhance the sources of revenue at sub-national level. Options for doing so include improvements in information and statistics regarding the revenue 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 revenue at this level (Nieto-Parra and Orozco, 2020[42]).

Figure 1.17. Tax mix of sub-national tax revenue in LAC countries, 2022



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 2022.
Source: Authors' calculations based on OECD et al. (2024[4]), Chapter 6.

StatLink https://stat.link/po53ih

Low tax revenue 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[43]); (OECD et al., 2023[6]). 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 raise revenue via this instrument.

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	2022	1995	2000	2022	1995	2000	2021	1995	2000	2022
Federal countries												
Argentina	59.0	66.4	65.1	17.5	17.8	17.1	..	..	..	23.4	15.8	17.7
Brazil	44.8	47.9	46.2	26.5	25.0	23.4	3.7	3.4	6.2	25.0	23.7	24.2
Mexico	73.9	78.3	79.5	2.8	2.7	4.5	1.5	1.0	1.8	21.8	18.0	14.1
Venezuela[3]	94.6	94.6	..	..	..	..	..	..	..	5.4	5.4	..
Regional countries												
Colombia[4]	63.2	68.7	75.2	5.5	5.6	4.8	8.6	9.4	11.7	22.7	16.3	8.3
Unitary countries												
Antigua and Barbuda[2]	100.0	100.0	82.8				..	..	..	..	..	17.2
Bahamas[2]	89.1	88.1	89.0				..	..	..	10.9	11.9	11.0
Barbados	85.6	84.4	83.0				..	..	..	14.4	15.6	17.0
Belize	93.2	93.5	88.8				0.5	0.7	0.5	6.3	5.8	10.7
Bolivia	94.3	86.4	71.5				5.7	6.3	4.4	..	7.3	24.1
Chile[3]	89.9	87.8	89.9				6.5	7.9	6.9	3.6	4.4	3.2
Costa Rica[3]	65.5	63.3	61.4				1.6	1.9	2.7	33.0	34.8	35.9
Cuba[5]	..	..	..				..	..	..	11.3	10.4	14.4
Dominican Republic	99.3	99.0	99.4				..	..	..	0.7	1.0	0.6
Ecuador[2]	70.5	87.7	73.3				4.0	1.6	2.7	25.5	10.7	24.0
El Salvador	80.9	80.5	86.9				..	..	1.9	19.1	19.5	11.2
Guatemala	83.6	83.6	84.5				0.6	0.9	0.9	15.8	15.5	14.7
Guyana	92.6	88.6	90.3				..	..	0.0	7.4	11.4	9.7
Honduras	86.1	85.3	81.2				4.4	5.2	3.6	9.5	9.4	15.2
Jamaica	100.0	99.3	93.2				..	0.7	1.3	..	..	5.5
Nicaragua[2]	80.4	72.5	71.3				4.6	9.5	5.9	15.0	18.0	22.8
Panama[2]	67.2	59.6	56.4				..	2.2	1.6	32.8	38.2	42.0
Paraguay	92.0	74.4	68.8				..	..	2.4	8.0	25.6	28.8
Peru	88.7	86.5	88.0				..	1.6	2.1	11.3	11.9	9.9
Saint Lucia[2]	100.0	90.0	86.7				..	..	..	..	10.0	13.3
Trinidad and Tobago	96.8	93.6	90.1				..	..	..	3.2	6.4	9.9
Uruguay[2]	61.7	63.6	69.2				8.8	8.9	5.6	29.5	27.5	25.2

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 2019-2022), Bahamas (social security contributions for 2021 and 2022), Ecuador (local tax revenues for 2021 and 2022), Nicaragua (local tax revenues for 2022), Panama (local tax revenues and social security contributions for 2022), Saint Lucia (social security contributions for 2021 and 2022) and Uruguay (local tax revenues for 2022). See the corresponding country tables for more information.
3. 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.
4. Colombia is constitutionally a unitary country with high autonomy of its territorial entities.
5. Data for sub-sectors of general government in Cuba are only available between 2002 and 2012.
Source : OECD et al. (2024[4]), Table 4.11.

References

Amaglobeli, D. et al. (2023), *Policy Responses to High Energy and Food Prices*, https://doi.org/10.5089/9798400237768.001. [12]

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. [27]

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. [43]

ECLAC (2023), *Economic Survey of Latin America and the Caribbean*, Economic Commission for Latin America and the Caribbean, https://repositorio.cepal.org/server/api/core/bitstreams/3e801708-1d17-4f7b-bb58-256903679cae/content. [11]

ECLAC (2023), *Fiscal Panorama of Latin America and the Caribbean 2023: fiscal policy for growth, redistribution and productive transformation*, Economic Commission for Latin America and the Caribbean, https://www.cepal.org/en/publications/48900-fiscal-panorama-latin-america-and-caribbean-2023-fiscal-policy-growth. [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. [7]

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/items/a4a90b62-2e90-4eca-87ca-ce61fb15693f. [23]

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. [24]

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. [21]

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. [26]

Government of Belize (2022), *Government Mitigating Impacts of Fuel Prices*, Government of Belize, https://www.pressoffice.gov.bz/government-mitigating-impacts-of-fuel-prices/. [13]

Hanappi, T. et al. (2023), "Corporate Effective Tax Rates in Latin America and the Caribbean", *Technical Note No IDB-TN- 2782*, https://doi.org/10.18235/0005168. [28]

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. [25]

IMF (2023), *World Economic Outlook Database, October 2023*, https://www.imf.org/en/Publications/WEO/weo-database/2023/October (accessed on 20 September 2021). [5]

IMF (2022), *Sixth Review under the Extended Arrangement under the Extended Fund Facility and Financing Assurances Review*, International Monetary Fund, https://www.finanzas.gob.ec/wp-content/uploads/downloads/2023/05/Staff-Report-diciembre-2022-ingles29052023.pdf. [9]

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. [32]

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. [34]

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/. [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. [16]

Ministry of Finance Trinidad and Tobago (2022), *Budget Statement 2023: Tenacity and Stability in the Face of Global Challenges*, Ministry of Finance Trinidad and Tobago, https://www.finance.gov.tt/wp-content/uploads/2022/09/Budget-Statement-2023-E-Version.pdf. [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. [42]

OECD (2024), *OECD Tax Database*, OECD Publishing, Paris, https://www.oecd.org/tax/tax-policy/tax-database/. [14]

OECD (2023), *Environment at a Glance in Latin America and the Caribbean , Spotlight on Climate Change*, OECD Publishing, https://doi.org/10.1787/2431bd6c-en. [39]

OECD (2022), *Consumption Tax Trends 2022: VAT/GST and Excise, Core Design Features and Trends*, OECD Publishing, Paris, https://doi.org/10.1787/6525a942-en. [31]

OECD (2022), *Corporate Tax Statistics: Fourth Edition*, OECD Publishing, https://doi.org/10.1787/5c8d8887-en. [29]

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. [36]

OECD (2022), *PINE database*, OECD Publishing, Paris, http://www.oecd.org/environment/tools-evaluation/environmentaltaxation.htm. [41]

OECD (2022), *Tax Policy Reforms 2022*, OECD Publishing, Paris, https://doi.org/10.1787/067c593d-en. [15]

OECD (2021), *Environmental policy: Environmentally related tax revenue accounts, OECD Environment Statistics (database)*, https://stats.oecd.org/Index.aspx?DataSetCode=ERTR_ACC. [44]

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. [40]

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/. [22]

OECD (2019), *Tax Morale: What Drives People and Businesses to Pay Tax?*, OECD Publishing, Paris, https://doi.org/10.1787/f3d8ea10-en. [18]

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. [33]

OECD (2014), *Development Co-operation Report 2014: Mobilising Resources for Sustainable Development*, OECD Publishing, Paris, https://doi.org/10.1787/dcr-2014-en. [17]

OECD (2005), *Glossary of statistical terms*, https://stats.oecd.org/glossary/detail.asp?ID=6437. [37]

OECD et al. (2024), *Revenue Statistics in Latin America and the Caribbean 2024*, OECD Publishing, Paris. [4]

OECD et al. (2023), *Latin American Economic Outlook 2023: Investing in Sustainable Development*, OECD Publishing, Paris, https://doi.org/10.1787/8c93ff6e-en. [1]

OECD et al. (2023), *Revenue Statistics in Latin America and the Caribbean*, OECD Publishing, Paris, https://doi.org/10.1787/a7640683-en. [6]

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. [2]

OECD et al. (2021), *Latin American Economic Outlook 2021: Working Together for a Better Recovery*, OECD Publishing, Paris, https://doi.org/10.1787/5fedabe5-en. [3]

OECD et al. (2018), *Revenue Statistics in Latin America and the Caribbean*, OECD Publishing, Paris, https://doi.org/10.1787/rev_lat_car-2018-en-fr. [30]

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. [19]

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. [20]

Schlotterbeck, S. (2017), *Tax Administration Reforms in the Caribbean, "Challenges, Achievements, and Next Steps"*. [35]

Notes

[1] The OECD figure is provisional and is based on preliminary data provided for the year 2022. 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.

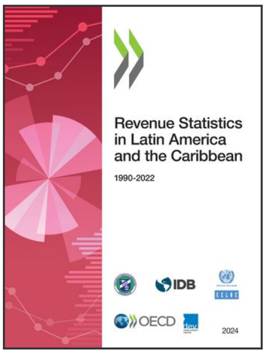
[2] VAT was introduced in 1991 in Jamaica, 1997 in Barbados, 2006 in Belize (the General Sales Tax), 2007 in Guyana and Antigua and Barbuda, 2012 in Saint Lucia and in 2014 in the Bahamas.

[3] The year of comparison is 2021 as the average tax structure for OECD countries in 2022 is not available at the time of writing.

[4] 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[41]). 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[44]).

[5] Both LAC and OECD figures here refer to unweighted averages comprising 26 countries for the LAC region and 38 countries for the OECD.

[6] 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 2024

Access the complete publication at:

https://doi.org/10.1787/33e226ae-en

Please cite this chapter as:

OECD*, et al.* (2024), “Tax revenue trends, 1990-2022”, in *Revenue Statistics in Latin America and the Caribbean 2024*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/f974688b-en