Revenue Statistics in Latin America

1990 - 2010

BRAZIL

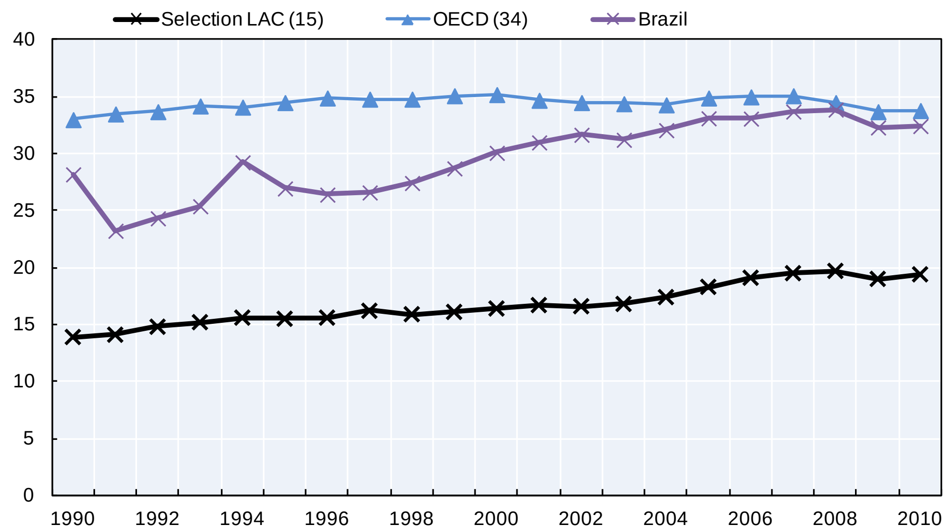
Tax revenues have been robust and rising in Brazil for the last two decades, showing the highest tax to GDP ratio in Latin America during the period 1990-2009, and reaching higher levels than 17 OECD countries in 2010.

Revenues derived from indirect taxation are relatively high in Brazil compared with OECD countries. However, the VAT system, operated at sub-national state level, is complex, leading to predatory tax competition among the states and entailing high compliance and administration costs.

The potential progressivity of the tax system is reduced by the combination of the heavy reliance on indirect taxes, the low contribution of personal income taxes to total tax revenues, and the significant weight of social security contributions and payroll taxes.

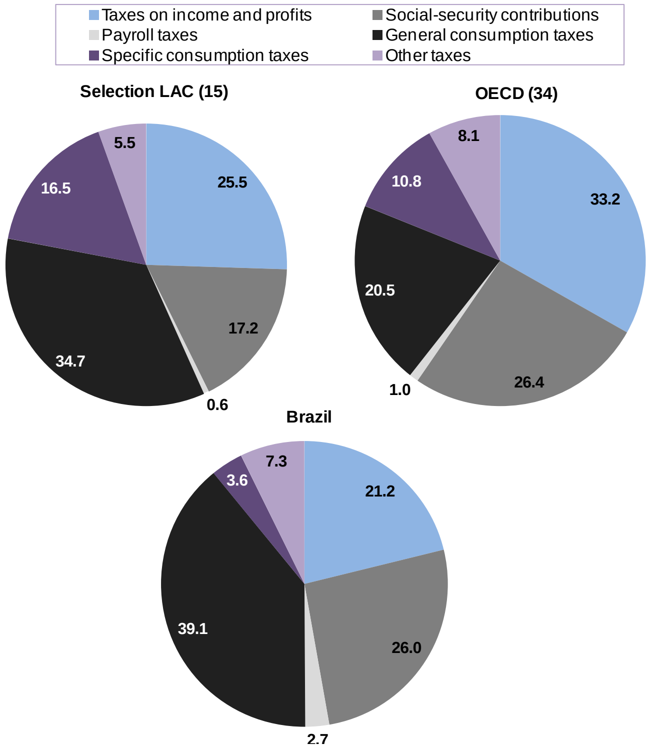
Total tax revenues as percentage of GDP in Latin America and OECD

(1990-2010)



Tax structures in Brazil, Latin America and OECD

(2010)



Trends in Tax Revenues

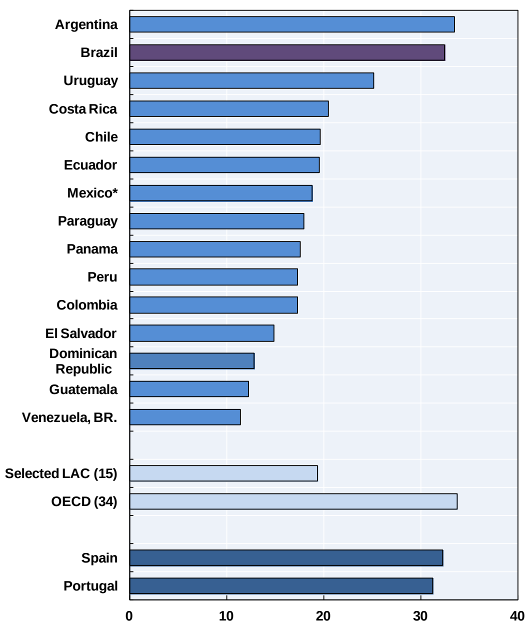
Apart from a sharp decrease in 1991 (5 percentage points), tax revenues as a percentage of gross domestic product (GDP) have increased considerably during the last two decades in Brazil, reaching higher levels than those observed in many OECD countries. In 2010 the tax to GDP ratio was higher than in 17 OECD countries including Australia, Canada, Japan, New Zealand, Spain, Switzerland and the United States.

Brazil has historically been the Latin American[1] country with the highest tax to GDP ratio during the period 1990-2009 (but second after Argentina in 2010), showing ratios similar to the OECD average, in particular after 2004.

An increase in the tax to GDP ratio is a common trend in the LAC region, in contrast to the relatively stable ratios observed in the OECD, although there are wide national variations in both areas. As a result of this trend, the gap between the OECD and LAC averages started to narrow after 2000.

Total tax revenues as percentage of GDP

(2010)



* In ECLAC and CIAT data, fees levied on hydrocarbon production are treated as non tax revenues

[1] Represents a selected group of 15 Latin American countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela. Chile and Mexico are also part of the OECD (34) group.

Evolution of the Tax Mix

In terms of tax structure (the share of major taxes in total tax revenue), the percentage of indirect taxation and particularly VAT (ICMS) is relatively high in Brazil compared with OECD countries. The share of indirect taxes has remained fairly stable between 1990 and 2010, with a slight increase in revenues from specific consumption taxes (e.g. excises and taxes on international trade). This upward trend of specific consumption taxes contrasts with the diminishing role observed in the region and OECD countries. Moreover, the high revenues from indirect taxation in Brazil are linked to four separate forms of VAT, which are collected at the sub-national state level, making the system complex.

Turning to direct taxation, tax revenues from income and profits have played a secondary role as a source of revenue in Latin America, although an increasing trend is observed during the period 1990-2010.[2] They have also risen in Brazil, but at a slower rate than the average in the region, peaking in 2008 at a level of 23% (compared with 27% in the region and 35% in the OECD).

In particular, revenues from personal income taxes are especially low (less than 10% of tax revenues and 4% of the GDP in 2010). However, in contrast with most other countries in the region, social security contributions make up a significant proportion of total tax revenues in Brazil for the last two decades, reaching levels closer to those in the OECD. This is to some extent explained by the wide variation in social security schemes in Latin America. Social security represents larger shares of revenues in countries that have public and mixed schemes like Brazil, Costa Rica, Ecuador, Panama, Paraguay and Uruguay. In contrast, private personally funded schemes mainly explain the relatively low levels of tax revenues used to finance social security in other countries, including Chile, Mexico and Peru.

In addition, a rising trend is observed in the share of payroll taxes in total tax collection in Brazil between

[2] In most of the LAC countries, in addition to increases in revenues from corporate income taxes and exports, the international price of commodities and, in particularly revenues from natural resources (oil and mines), also contribute to the increasing share of direct taxes on total revenue collection.

1990-2010, showing than both the average in the region and among OECD countries. Thus, in 2010 the average ratio of the combined tax receipts from direct taxation, social security contributions and payroll taxes to GDP was 16.2% in Brazil, compared with 20.8% in OECD countries and 8.5% in the region.

On the other hand, the share of property taxes in total revenues has been significantly high in Brazil compared with the average in the region, peaking at 8.6% in 2003, and reaching levels even higher than those in the OECD region most years during the period 1990-2010 (also in terms of GDP). Most of these revenues correspond to taxes on financial and capital transactions, which are more distorting than recurrent taxes on immovable property. While the relative importance of property taxes was still high in Brazil in 2010, a wide variation is observed during the period 1990-2010, mainly reflecting fluctuations of revenues from taxes on financial operations.

Finally, less than 50% of revenues are attributed to the Federal Administration in Brazil, where a large part of the VAT (ICMS) is collected at the sub-national state level. This contrasts with the rest of the region, where the attribution of tax revenues is highly skewed towards central or federal entities, with sub-national activities relying more heavily on a system of transfers from upper to lower levels of administration. In the other Latin American countries, receipts by central governments accounted for about two thirds or more of the total collected whereas the corresponding figure for OECD countries was about 60%.

Selected comparative data on tax revenues

	1990			2010		
	Brazil	LAC	OECD	Brazil	LAC	OECD
Tax to GDP	28.2	13.9	33.0	32.4	19.4	33.8
Taxes on goods and services	13.5 (47.7)	7.1 (53.0)	10.4 (33.0)	14.2 (43.6)	9.9 (52.1)	11.0 (33.1)
- General taxes (VAT and Sales tax)	*13.4 (47.4)*	*3.3 (21.6)*	*5.9 (18.1)*	*12.7 (39.1)*	*6.7 (34.7)*	*6.9 (20.5)*
- Specific taxes	*n.a.*	*3.5 (29.9)*	*4.1 (13.2)*	*1.2 (3.6)*	*3.0 (16.5)*	*3.5 (10.8)*
Taxes on Income and profits	5.1 (18.1)	3.2 (21.9)	12.5 (37.1)	6.9 (21.2)	4.8 (25.5)	11.3 (33.2)
Social Security Contributions	6.8 (24.0)	2.5 (16.2)	7.6 (22)	8.4 (26.0)	3.6 (17.2)	9.1 (26.4)
Payroll taxes	0.4 (1.5)	0.1 (0.6)	0.3 (1.0)	0.9 (2.7)	0.1 (0.6)	0.4 (1.0)
Property taxes	1.8 (6.5)	0.7 (4.5)	1.8 (5.7)	1.9 (5.7)	0.8 (3.5)	1.8 (5.4)

Figures in brackets represent % of tax revenues
n.a.: not available data

The Second Edition of the ***Revenue Statistics in Latin America*** covers the following countries:

- Argentina
- Brazil
- Chile
- Colombia
- Costa Rica
- Dominican Republic
- Ecuador
- El Salvador
- Guatemala
- Mexico
- Panama
- Paraguay
- Peru
- Uruguay
- Venezuela

Revenue Statistics in Latin America is a joint publication by CIAT (Inter-American Centre of Tax Administrations, www.ciat.org), ECLAC (Economic Commission for Latin America and the Caribbean, www.cepal.org) and the OECD (Organisation for Economic Co-operation and Development, www.oecd.org).

This report, which has been prepared using the same methodology used by the OECD for its ***Revenue Statistics,*** provides detailed data for each of the countries' fiscal performance from both a static and a dynamic (over time) perspective, as well as enables comparisons with other countries in the region, and with OECD countries. As a result, this publication provides LAC tax policy officials with essential information on which to make informed tax policy decisions about the **overall size of the tax burden, the share of different taxes in the tax mix, setting tax rates and thresholds for individual taxes, and the attribution of taxes by level of government.**

This work is part of the ***OECD LAC Fiscal Initiative***, which aims to improve taxation and public expenditure policies to support stronger economic growth and fairer income distribution in the LAC region.

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For more information on *Revenue Statistics in Latin America* and the LAC Fiscal Initiative please consult www.latameconomy.org/en/fiscal-policy/revenue-statistics and www.oecd.org/tax/lacfiscal

To access the data for each country note please go to:
www.oecd.org/ctp/globalrelationsintaxation/RevenueStatsCountryNotes2012.htm