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USAID'S STRENGTHENING PUBLIC FINANCIAL MANAGEMENT IN LATIN AMERICA AND THE CARIBBEAN (PFM-LAC)

Summary Analysis of Country-Specific Revenue Briefs for:

Colombia, Dominican Republic, Guatemala, Haiti, Honduras, Jamaica, Paraguay, and Peru

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January 2014

Contract Number : AID-OAA-I-12-00036/AID-OAA-TO-13-00030

This publication was produced for review by the United States Agency for International Development. It was prepared by Deloitte Consulting LLP.

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Program Name:	USAID Strengthening Public Financial Management in Latin America and the Caribbean (PFM-LAC)
Sponsoring USAID Office:	USAID/LAC/RSD/BBEG
Contract Number:	AID-OAA-I-12-00036/AID-OAA-TO-13-00030
Contractor:	Deloitte Consulting LLP
Date of Publication:	January 17, 2014

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LAC/RSD, Strengthening PFM in LAC Project January 2014

Summary Report

Purpose

This report summarizes country-specific revenue briefs developed by the Strengthening Public Financial Management in Latin America and Caribbean (PFM-LAC) Project. Each individual brief provides a high-level overview of the current tax system in a specific country; thus, readers should reference the individual briefs for more detailed information on a particular country. Each country brief contains three sections, as follows:

- The first section discusses the evolution of revenue during the past decade and analyzes revenue handles, such as taxes on income and profits, goods and services, international trade, and other taxes[1] as a percentage of GDP.
- The second section outlines fiscal reforms during the past decade and highlights changes in tax rates and other policy measures, enacted tax reform packages, and changes in tax administration.
- The third section provides high-level comparisons of the performance, structure, and productivity of the tax system with averages across countries in the Latin American and the Caribbean (LAC) region, countries with similar levels of income, and the world as a whole.

Selected Countries

This study provides an overview of the tax systems of the following eight countries.[2]

- **Colombia**
- **Dominican Republic**
- **Guatemala**
- **Haiti**
- **Honduras**
- **Jamaica**
- **Paraguay**
- **Peru**

Summary

Total tax revenue as a percentage of GDP increased in six out of the eight countries between 2003 and 2012. Relatively significant increases of 4.2% and 3.6% of GDP, respectively,

[1] Other taxes primarily include revenue from taxes levied on bases other than the ones covered by the other categories mentioned, as well as revenues that cannot be attributed to a single tax category. According to IMF's Government Finance Statistics Manual 2001, examples include taxes on persons that are not based on income (e.g., "head" taxes) and stamp duties that do not apply primarily to a single class of transactions or activities covered by the other tax categories (http://www.imf.org/external/pubs/ft/gfs/manual/pdf/all.pdf).

[2] The PFM-LAC project developed seven of the eight subject country revenue briefs. This summary also includes information on Haiti from a prior revenue brief developed under the E3 LPFM project, which ended in 2013.

occurred in Haiti and Paraguay, while Guatemala and Jamaica experienced decreases of less than one percent of GDP. The composition of revenue changed in all eight countries, with typical changes including: increased revenue from taxes on income and profits as a percentage of GDP (except in Jamaica); increased revenue from taxes on goods and services (except in Guatemala, Honduras, and Peru); decreased revenue from taxes on international trade (except in Haiti); and increased revenue from other taxes (in four of the eight countries). A recent study[3] estimated the average tax effort of surveyed LAC countries to be at 61.1% of tax capacity,[4] with Jamaica and Colombia showing the highest tax effort (92.2% and 69.2% of tax capacity, respectively) and Guatemala and the Dominican Republic showing the lowest tax effort (35.8% and 45.3%).

Over the past decade, and especially in the last two years, all eight countries enacted tax policy and tax administration reforms. These reforms included selective changes in tax rates, efforts to expand the tax base and rationalize rates, and actions to address evasion, enable inspections, and improve collections.

The data used to compare the tax systems of the selected eight countries with LAC and world averages, as well as the averages of countries with similar levels of income, are from the 2012-2013 release of USAID's Collecting Taxes database.[5] The most recent comparative data in this section are from fiscal year 2011 and do not reflect the most recent reforms and data discussed below. Total tax revenue as percent of GDP in the eight countries averaged 14.6% in 2011 and was lower than the LAC and world averages (19.5% and 17.9%) in all countries, with the exception of Jamaica (at 22.6%). This low revenue effort typically stemmed from low levels of personal income tax revenue as a percentage of GDP (2.2% of GDP on average in the eight countries versus 4.1% and 5.5% in LAC and the world, respectively) and somewhat low levels of VAT revenue as a percentage of GDP (5.6% of GDP on average versus LAC and world averages of 6.4% and 6.1%, respectively). The revenue effort from the corporate income tax, at 3.9% on average in the eight countries, was slightly higher than the LAC and world averages (3.7% and 3.3%, respectively).

The maximum personal income and value added tax rates in the assessed countries (averaging 26.1% and 13.9%, respectively) were comparable to the LAC and world averages, with the exception of personal income tax rates in Paraguay (10% maximum) and VAT rates in Haiti[6] and Paraguay (both at 10%), which were significantly lower. The average corporate income tax rate in the assessed countries (27.7% on average) was on par with the LAC average (27.2%) and above the world average (24.1%).

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[3] Pessino, Carola and Ricardo Fenochietto (2010), "Determining countries' tax effort", *Hacienda Pública Española / Revista de Economía Pública,* 195-(4/2010): 65-87, Instituto de Estudios Fiscales.
[4] "Tax capacity" is the estimated maximum amount of tax revenue that can be generated given a country's economic, social, institutional, and demographic characteristics. "Tax effort" is the ratio of actual revenue to tax capacity. The definition of "tax effort" employed in the aforementioned study differs than the definition of revenue effort employed further below in this paper.
[5] USAID's Collecting Taxes Database, http://egateg.usaid.gov/collecting-taxes.
[6] Haiti's 10% turnover tax operates somewhat similarly to a value added tax as it allows deductions for inputs to production.

The revenue productivity[7] of the personal income tax in the examined countries, at 0.09 on average, was lower than the LAC and world averages (0.15 and 0.22, respectively). An exception was Honduras (0.22). The VAT productivity in the assessed countries (0.41 on average) was slightly lower than the LAC and world averages (0.47 and 0.42), with the exception of Guatemala, Honduras, and Paraguay (0.51, 0.48, and 0.62, respectively). The productivity of the corporate income tax (0.22 on average) was typically higher than the LAC and world averages (both at 0.15), with the exception of Colombia (0.04), the Dominican Republic (0.04), and Honduras (0.12).

Major Developments and Features of the Tax Systems

Evolution of Revenue

Total Tax Revenue over the Period
(% of GDP)

Country	2003	2012	Difference
Colombia[1]	12.1%	14.5%	**2.4%**
Dominican Republic[2]	11.9%	13.5%	**1.6%**
Guatemala[3]	11.4%	10.6%	**-0.8%**
Haiti[4]	8.5%	12.7%	**4.2%**
Honduras[5]	14.5%	14.8%	**0.3%**
Jamaica[6]	23.4%	22.7%[7]	**-0.7%**
Paraguay[8]	8.7%	12.3%	**3.6%**
Peru[9]	12.9%	15.7%	**2.8%**
Average			**1.7%**

Source: [1] IMF Article IV Staff Reports; [2] National Tax Authority, IMF GFS and WEO Database; [3] CEPALSTAT; [4] World Economic Outlook, IMF FAD Database; [5] CEPALSTAT; [6] IMF GFS Database; [7] Figure from 2011; [8] CEPALSTAT; [9] CEPALSTAT

Between 2003 and 2012, total tax revenue as a percent of GDP increased in six out of the eight countries, with significant increases observed in Haiti and Paraguay, and decreases observed in Guatemala and Jamaica. The composition of revenue changed in all eight countries, shifting away from taxes on international trade to taxes on income and profits and on goods and services, reflecting in part the coming into force of regional trade agreements.

Total tax revenue increased by 1.7% of GDP on average over the period.

As shown in the table above, Haiti, Paraguay, Peru, and Colombia experienced the largest percentage point changes in total tax revenue between 2003 and 2012 (4.2%, 3.6%, 2.8%, and 2.4% of GDP, respectively). The Dominican Republic experienced moderate revenue growth of 1.6% of GDP. Tax revenues in Honduras remained relatively stagnant, increasing only by 0.3% of GDP. Total tax revenue in Guatemala and Jamaica decreased by -0.8% and -0.7% of GDP, respectively.

Taxes on Income and Profits over the Period
(% of GDP)

Country	2003	2012	Difference
Colombia[1]	4.5%	6.7%	**2.2%**
Dominican Republic[2]	3.3%	4.0%	**0.7%**
Guatemala[3]	3.0%	3.4%	**0.4%**
Haiti[4]	1.7%	3.0%	**1.3%**
Honduras[5]	3.1%	4.8%	**1.7%**
Jamaica[6]	10.5%	9.6%[7]	**-0.9%**
Paraguay[8]	1.5%	2.6%	**1.1%**
Peru[9]	4.0%	7.5%	**3.5%**
Average			**1.3%**

Source: [1] IMF Article IV Staff Reports; [2] National Tax Authority, IMF GFS and WEO Database; [3] CEPALSTAT; [4] World Economic Outlook, IMF FAD Database; [5] CEPALSTAT; [6] IMF GFS Database; [7] Figure from 2011; [8] CEPALSTAT; [9] CEPALSTAT

Revenues from taxes on income and profits increased by 1.3% of GDP on average.

Revenues from taxes on income and profits in Peru and Colombia experienced the largest increases as a percentage of GDP over the decade (3.5% and 2.2% respectively).

Honduras, Haiti, and Paraguay showed moderate increases of 1.7%, 1.3%, and 1.1% of GDP. The Dominican Republic and Guatemala remained relatively stagnant, with increases of only 0.7% and 0.4% of GDP, respectively. Revenues from taxes on income and profits in Jamaica decreased by -0.9% of GDP over the period.

Revenues from taxes on goods and services increased by 0.5% of GDP on average.

Taxes on Goods and Services over the Period
(% of GDP)

Country	2003	2012	Difference
Colombia[1]	5.5%	5.8%	**0.3%**
Dominican Republic[2]	5.6%	7.6%	**2.0%**
Guatemala[3]	6.7%	6.2%	**-0.5%**
Haiti[4]	3.3%	4.0%	**0.7%**
Honduras[5]	10.1%	9.0%	**-1.1%**
Jamaica[6]	10.0%	10.3%[7]	**0.3%**
Paraguay[8]	5.4%	8.2%	**2.8%**
Peru[9]	7.4%	7.2%	**-0.2%**
Average			**0.5%**

Source: [1] IMF Article IV Staff Reports; [2] National Tax Authority, IMF GFS and WEO Database; [3] CEPALSTAT; [4] World Economic Outlook, IMF FAD Database; [5] CEPALSTAT; [6] IMF GFS Database; [7] Figure from 2011; [8] CEPALSTAT; [9] CEPALSTAT

Revenues from taxes on goods and services in Paraguay and the Dominican Republic experienced the largest increases as a percentage of GDP over the decade (2.8% and 2.0% respectively). Haiti demonstrated a moderate increase of 0.7% of GDP. Colombia and Jamaica remained relatively stagnant with increases of only 0.3% of GDP. Revenues from taxes on goods and services in Honduras, Guatemala, and Peru decreased over the period by -1.1%, -0.5%, and -0.2% of GDP, respectively.

Revenues from taxes on international trade decreased by -0.4% of GDP on average.

Taxes on International Trade over the Period
(% of GDP)

Country	2003	2012	Difference
Colombia[1]	0.8%	0.5%	**-0.3%**
Dominican Republic[2]	2.8%	1.0%	**-1.8%**
Guatemala[3]	1.5%	0.6%	**-0.9%**
Haiti[4]	2.3%	4.2%	**1.9%**
Honduras[5]	1.1%	0.8%	**-0.3%**
Jamaica[6]	2.5%	2.0%[7]	**-0.5%**
Paraguay[8]	1.6%	1.5%	**-0.1%**
Peru[9]	1.2%	0.3%	**-0.9%**
Average			**-0.4%**

Source: [1] IMF Article IV Staff Reports; [2] National Tax Authority, IMF GFS and WEO Database; [3] CEPALSTAT; [4] World Economic Outlook, IMF FAD Database; [5] CEPALSTAT; [6] IMF GFS Database; [7] Figure from 2011; [8] CEPALSTAT; [9] CEPALSTAT

Haiti was the only country out of the eight with an increase in revenues from taxes on international trade as a percentage of GDP over the decade. Jamaica, Colombia, Honduras, and Paraguay remained relatively stagnant, with decreases of -0.5%, -0.3%, -0.3%, and -0.1% of GDP, respectively. The Dominican Republic, Guatemala, and Peru experienced decreases of -1.8%, -0.9%, and -0.9% of GDP, respectively.

Revenues from other taxes increased by 0.1% of GDP on average.

Other Taxes over the Period
(% of GDP)

Country	2003	2012	Difference
Colombia[1]	1.3%	1.5%	**0.2%**
Dominican Republic[2]	0.0%	0.0%	**0.0%**
Guatemala[3]	0.1%	0.2%	**0.1%**
Haiti[4]	N/A	N/A	**N/A**
Honduras[5]	0.0%	0.0%	**0.0%**
Jamaica[6]	0.4%	0.7%[7]	**0.3%**
Paraguay[8]	0.3%	0.1%	**-0.2%**
Peru[9]	0.4%	0.7%	**0.3%**
Average			**0.1%**

Source: [1] IMF Article IV Staff Reports; [2] National Tax Authority, IMF GFS and WEO Database; [3] CEPALSTAT; [4] World Economic Outlook, IMF FAD Database; [5] CEPALSTAT; [6] IMF GFS Database; [7] Figure from 2011; [8] CEPALSTAT; [9] CEPALSTAT

Revenues from other taxes as a percentage of GDP increased slightly over the period in Jamaica, Peru, Colombia, and Guatemala (increases of 0.3%, 0.3%, 0.2%, and 0.1% of GDP respectively). The Dominican Republic and Honduras showed no change over the decade. Paraguay experienced a decrease of -0.2% of GDP.

Tax Capacity and Tax Effort

Tax Effort and Tax Capacity

	Tax Effort	Tax Capacity	Defined
Colombia	69.2%	28.3%	
Dominican Republic	45.3%	31.3%	***Tax Capacity*** *is the maximum tax revenue that can be generated given the country's economic, social, institutional, and demographic characteristics.*
Guatemala	35.8%	29.9%	
Haiti	N/A	N/A	
Honduras	59.0%	30.3%	
Jamaica	92.2%	35.2%	
Paraguay	59.3%	25.8%	***Tax Effort*** *is the ratio of actual revenue to tax capacity.*
Peru	53.4%	28.7%	
LAC Average	**61.1%**	**33.5%**	

Source: Pessino, Carola and Ricardo Fenochietto (2010), "Determining countries' tax effort", *Hacienda Pública Española / Revista de Economía Pública* , 195-(4/2010): 65-87, Instituto de Estudios Fiscales

A recent study[8] estimated the tax effort and tax capacity of 96 countries across the world based on economic, social, institutional, and demographic characteristics. The average tax effort of the surveyed LAC countries was 61.1% of tax capacity. Jamaica and Colombia ranked highest among the eight countries, with tax efforts of 92.2% and 69.2%, respectively.

Overview of Reforms

Over the past decade, the eight countries assessed in this report pursued far-reaching tax policy and tax administration reforms. The table below provides an overview of recent key fiscal reforms across the eight countries assessed.[9]

Country	Changes in Rates	Expansion of the Tax Base	Administrative Reforms
Colombia	• 2012; Consolidated multiple VAT rates to three: a 16% standard rate, 5% on specific goods and services, and 0% for zero-rated and exempt goods • 2012; Introduced a Minimum National Alternative Tax and new graduated rates for personal income taxes • 2012; Reduced corporate income tax from 33% to 25%	• 2013; Introduced a 33% charge on assets moved to tax haven countries on individuals and businesses • 2010; Eliminated VAT zero-rating on hydrocarbon and mining exports	• 2005; Implemented a new electronic system to verify taxes owed against data from the financial sector and other government agencies
Dominican Republic	• 2012; Temporarily increased the VAT rate from 16% to 18% • 2012; Temporarily lowered the CIT rate from 29% to 28% (effective 2014) • 2012; Removed certain VAT exemptions and reduced rate on basic food items	• 2011; Introduced a 1% tax on performing financial assets of financial institutions	• 2012; Introduced a tax amnesty program for personal, corporate, VAT, and inheritance tax on unpaid debts owed for taxes from 2009-2011 • 2007; Established more severe sanctions for violations of the tax law and increased inspection powers of tax examiners

[8] Pessino, Carola and Ricardo Fenochietto (2010), "Determining countries' tax effort", *Hacienda Pública Española / Revista de Economía Pública*, 195-(4/2010): 65-87, Instituto de Estudios Fiscales.
[9] For detailed information and sourcing, please refer to each individual revenue brief.

Country	Changes in Rates	Expansion of the Tax Base	Administrative Reforms
Guatemala	• 2012; Reduced corporate income tax rates from 31% to 25% (optional regime), and raised the gross income rate from 5% to 7% (standard regime) • 2012; Reduced the minimum and maximum personal income tax rates from 15% to 5%, and from 31% to 25%, respectively	• 2008; Re-established a 1% solidarity tax for companies/individuals that carry out mercantile or agricultural activities[10]	• 2012; New Anti-Evasion Law increased authority and resources of the tax administration to conduct audits • 2012; Established mandatory receipt issuance for all purchases over 50 Quetzals.
Haiti	• 2014 (planned); Raise import tariffs and align duties to CARICOM regional averages • 2012; Increased targeted taxes on tobacco, alcohol, and gambling	• 2011; Introduced taxes on foreign remittances and long-distance calls	• 2013; Launched e-declarations • 2012; Established Medium-Size and NGO Taxpayer Units • 2012; Drafted legislation to reorganize the tax administration along functional lines (planned 2014) • 2012; Improved control and analysis of customs duty exemptions
Honduras	• 2013; Increased the general VAT rate from 12% to 15% and the VAT rate on alcohol and tobacco from 15% to 18%; introduced a capital gains tax of 10% • 2010; Reduced social contributions rates • 2010; Reintroduced a flat 10% tax on dividends • 2010; Increased taxes on excises, vehicles, and telecommunications • 2010; Temporarily raised the solidarity tax to 10%, reducing it annually before a phase out in 2015	• 2012; Enacted Population Security Act, which introduced a tax on mining, bank transactions, telephone, and other industries	• 2012; New Anti-Evasion Law granted more legal rights to the tax administration, allowing it to supervise the banking system and cross reference deposits • 2004; Established a new organizational structure within the tax administration to include customs, compliance, and large taxpayer units.
Jamaica	• 2015 (planned); Simplify the tariff structure, reduce tax rates, and introduce a minimum income tax on business activity • 2012; Reduced the VAT rate from 17.5% to 16.5% • 2009; Increased income tax thresholds • 2009; VAT special rates on telephone and departure taxes were raised	• 2015 (planned); Eliminate the VAT zero-rating on government purchases; streamline exemptions	• 2015 (planned); Limit the imposition of incentives and discretionary waivers • 2013; Granted the tax administration Semi-Autonomous Revenue Authority Status • 2011;Consolidated the Inland Revenue Department, the Taxpayer Audit and Assessment Department, and the Tax Administration Services Department to establish a new Tax Administration Jamaica
Paraguay	• 2012; Enacted the long-delayed personal income tax bill, establishing the 10% rate on taxable income • 2004; Lowered corporate income tax rates from 30% to 20%, and to 10% in 2006	• 2012; Agriculture reform extended the VAT to primary production and introduced a 10% profit tax on commercial farmers, as well as new agricultural taxes • 2004; Abolished tax holidays on first time investments, and eliminated dividend, profit, and bond exemptions • 2004; Established a new small business tax of 10% and a 1% property tax	• 2004; Administration reform to improve collections and prevent corruption, which included establishing the rotation of officers, collections and inspections campaigns, and performance pay for lawyers representing the government in court actions (10% of tax debts collected through court actions)
Peru	• 2011; Lowered the VAT rate from 19% to 18% • 2011; Lowered customs duty rates from 8% to 6.5%; lowered tariffs for over 3,000 items • 2010; Introduced a new flat 5% tax to standardize capital gains taxes for local and foreign investors • 2011; Passed new tax laws to increase tax revenues from mining companies	• 2012; Abolished tax exemptions on interest and capital gains, and expanded the withholding tax to include dividends • 2012; Tightened transfer pricing rules and introduced tax rules for foreign-owned companies • 2011; Introduced fuel excise taxes	• 2012; Tax reform package passed to strengthen compliance and enforcement. Granted tax authorities power to initiate partial tax audits to examine specific liabilities • 2012; Introduced harsher penalties for customs and tax law infractions

[10] On the contrary, Guatemala introduced a number of relatively significant tax privileges in November of 2013.

Tax System Profile (2010-11)

The table in Annex 1 provides a high-level description of the tax systems for the assessed eight countries and draws comparisons with the Latin America and Caribbean (LAC) region, the Caribbean Community (CARICOM), upper and lower-middle-income (UMI, LMI) countries,[11] and the world as a whole. The data in this section are from the 2012-2013 release of USAID's Collecting Taxes database. **The most recent comparative data in this section are from fiscal year 2011 and do not reflect the most recent reforms or data discussed above.**[12]

Revenue Effort

- "Revenue Effort" is the amount of revenue as a share of GDP.
- The average tax revenue effort in the eight-country group is 14.6%, which is significantly below the LAC, CARICOM, and UMI averages by roughly five percentage points. It stands modestly below the world and LMI averages, which are in the 16%-18% range.
    - **Jamaica has the highest overall tax revenue effort at 22.6% of GDP, while Guatemala has the lowest effort with 11%.**
- The average personal income tax revenue effort for the eight-country group is 2.2%. It is significantly below all comparator groups, for which averages range between 4.1% and 5.5%.
    - **Honduras has the highest personal income tax revenue effort at 5.2% of GDP, while Guatemala and Paraguay have the lowest effort with 0.4% and 0.0%, respectively.**
- The average corporate income tax revenue effort for the eight-country group is 3.9%. It is below the CARICOM regional average of 4.9% and modestly above the LAC region, income group, and world averages, which are between 3.3% and 3.7%.
    - **Haiti and Jamaica have the highest corporate income tax revenue effort at 7.9% and 7.3% of GDP, respectively. The Dominican Republic has the lowest effort with 1.1% of GDP.**
- The average revenue effort from the VAT for the eight-country group is 5.6%. It is modestly below all comparator group averages.
    - **Jamaica and Peru have the highest VAT revenue effort at 7.0% and 6.6% respectively. The Dominican Republic and Haiti rank lowest with 4.2% and 3.2%.**

[11] Derived from the World Bank's Country and Lending Group classifications, http://data.worldbank.org/about/country-classifications/country-and-lending-groups.
[12] A primary source for USAID's Collecting Taxes database are IMF's Government Finance Statistics data. More recent values for the assessed countries were often obtained from the Economic Commission for Latin America and the Caribbean (ECLAC). The two sources differ on occasion.

Tax Structure

- The average minimum personal income tax rate for the eight-country group is 15.3%, while the average maximum personal income tax rate is 26.1%. The average minimum rate is above the LAC regional, income group, and world averages, and broadly in line with the CARICOM average. The average maximum rate is on par with all comparator group averages, except for the UMI average, which is moderately lower.
    - **Jamaica and Colombia have the highest minimum tax rates of 25% and 19%, respectively, while Haiti and Paraguay have the lowest rates at 10% and 8%, respectively. Colombia has the highest maximum tax rate, at 33%, while Paraguay's 10% maximum rate is the lowest.**
- The average corporate income tax rate for the eight-country group is 27.7%. It is on par with the LAC and CARICOM regional averages of 27.1% and modestly above the income group and world averages, which are in the 23%-24% range.
    - **Jamaica and Colombia have the highest corporate income tax rates of 33.3% and 33%, respectively. Paraguay's rate is the lowest at 10%.**
- The average VAT rate for the eight-country group is 13.9%. It is modestly above the CARICOM average of 11.5% and broadly in line with the remaining comparator group averages, which are in the 13%-14% range.
    - **Peru and Jamaica have the highest VAT rates at 18% and 17.5%, while the rates in Paraguay and Haiti are the lowest at 10%.**

Revenue Productivity

- "Revenue productivity" measures the revenue share of GDP mobilized for each point of the tax rate.
- The average personal income tax productivity for the eight-country group is 0.09, which is well below all comparator groups and significantly below the world average of 0.22.
    - **Honduras has the highest personal income tax productivity of 0.22. Guatemala and Paraguay have the lowest productivity of 0.1 and 0.0, respectively.**
- The average corporate income tax productivity for the eight-country group is 0.22, which is modestly above all comparator groups.
    - **Guatemala has the highest corporate income tax productivity of 0.61. Colombia[13] and the Dominican Republic have the lowest productivity values, both at 0.04.**
- The average VAT productivity for the eight-country group is 0.41, which is below all comparator averages.

[13] The productivity of Colombia's corporate income tax is calculated from an estimate of Colombia's corporate income tax as a share of GDP. Colombia's corporate income tax as percentage of GDP is calculated as the difference between tax on income and profits as a share of GDP and personal income tax revenue as a share of GDP.

- **Paraguay and Guatemala have the highest VAT productivity, at 0.62 and 0.51, respectively. Haiti and the Dominican Republic have the lowest productivity of 0.32 and 0.26, respectively.**

Tax Administration Structure

- All countries studied (for which data were available) organize their tax administrations along functional lines and include a Large Taxpayer Unit (LTU).
- The average ratio of active taxpayers to staff for the eight-country group (where data were available) is 285, which is significantly below the LAC and world averages of 981 and 677, respectively.
    - **Peru and Paraguay have the highest ratio of active taxpayers per staff, at 690 and 478, respectively. The Dominican Republic and Honduras have the lowest ratios, at 55 and 50 taxpayers per staff, respectively.**

Taxpayer Burden and Corruption Evidence

- On average, the 2010 World Bank Enterprise Surveys indicated that the percentage of business taxpayers "expected to give gifts in meeting with tax officials" was 8.7% for the eight-country group (those with available data), which is above the LAC regional average of 6.1% and well below the world average of 14.1%.
    - **According to this measure, the evidence of corruption is highest in the Dominican Republic, at 15.3% of business taxpayers, and lowest in Colombia, at 1.5%.**
- On average, the 2014 World Bank Doing Business survey estimates that the average time to pay taxes expended by a medium-sized company amounted to 288 hours per year in for the eight-country group, which is slightly below the LAC regional average of 369 hours, and in line with the world average of 285 hours per year.
    - **According to this measure, taxpayer burden is highest in Paraguay, averaging 384 hours and lowest in Haiti, averaging 184 hours**.

ANNEX 1: Revenue Structure and Performance Measures

	Tax Revenue Effort				Tax Rate Structure					Revenue Productivity			Tax Administration						
Country	TAXY	PITY	CITY	VATY	PITMINR	PITMAXR	CITR	VATR	WEDGE	PIT-PROD	CIT-PROD	VAT-PROD	TAXSTAFF	PAYER-TO-STAFF	FUNCTION	LTU	CUSTOMS	CORRUPTION EVIDENCE	TAXPAYER BURDEN
Units	*Revenue as a % of GDP (%)*				*Percentage Tax Rate (%)*					*Productivity in terms of collection*			*Ratio*		*1 = Yes, 0 = No*			*Percentage (%)*	*Hours*
Colombia	13.6	3.8	1.4	5.3	19.0	33.0	33.0	16.0	47.6	0.13	0.04	0.33	0.20	N/A	1.00	1.00	1.00	1.5	203
Dominican Republic	13.8	3.1	1.1	4.2	15.0	25.0	29.0	16.0	34.3	0.14	0.04	0.26	0.27	55	1.00	1.00	0.00	15.3	324
Guatemala	11.0	0.4	3.1	6.1	15.0	31.0	31.0	12.0	11.5	0.01	0.61	0.51	0.30	154	1.00	1.00	1.00	3.9	326
Haiti	12.8	2.5	7.9	3.2	10.0	30.0	30.0	10.0	18.1	0.08	0.26	0.32	N/A	N/A	N/A	1.00	0.00	N/A	184
Honduras	15.4	5.2	3.1	5.8	15.0	25.0	25.0	12.0	10.7	0.22	0.12	0.48	0.31	50	1.00	1.00	1.00	2.8	224
Jamaica	22.6	1.2	7.3	7.0	25.0	25.0	33.3	17.5	19.5	0.05	0.22	0.40	N/A	N/A	1.00	N/A	0.00	14.3	368
Paraguay	12.1	0.0	2.4	6.2	8.0	10.0	10.0	10.0	23.0	0.00	0.24	0.62	0.14	478	1.00	1.00	0.00	14.6	384
Peru	15.8	1.7	5.2	6.6	15.0	30.0	30.0	18.0	22.6	0.06	0.17	0.37	0.25	690	1.00	1.00	1.00	8.4	293
Average	**14.6**	**2.2**	**3.9**	**5.6**	**15.3**	**26.1**	**27.7**	**13.9**	**23.4**	**0.09**	**0.22**	**0.41**	**0.25**	**285**	**1.00**	**1.00**	**0.50**	**8.7**	**288**
LAC Countries Avg[1]	19.5	4.1	3.7	6.4	13.4	27.5	27.2	13.5	20.1	0.15	0.15	0.47	0.33	981	0.80	0.78	0.30	6.1	369
CARICOM Countries Avg[2]	21.3	4.6	4.9	6.9	15.9	25.9	27.1	11.5	13.0	0.17	0.17	0.54	0.77	N/A	0.44	0.33	0.14	N/A	N/A
Low-Middle-Income Economies Avg[3]	16.4	4.6	3.6	6.0	10.4	27.3	24.7	13.1	19.0	0.17	0.17	0.44	0.35	349	0.91	0.89	0.22	N/A	N/A
Upper-Middle-Income Economies Avg[4]	19.4	4.8	3.7	6.4	11.5	24.2	23.5	13.7	24.1	0.23	0.16	0.45	0.57	588	0.88	0.82	0.37	N/A	N/A
World Average	17.9	5.5	3.3	6.1	10.9	27.8	24.1	13.8	22.4	0.22	0.15	0.42	0.65	677	0.88	0.81	0.30	14.1	285

Footnotes:

1. **LAC countries** include: Anguilla, Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bermuda, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay, and Venezuela.

2. **Caribbean Community (CARICOM) countries** include: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

3. **Low-Middle-Income Countries** include: Armenia, Bhutan, Bolivia, Cameroon, Cape Verde, Congo, Rep, Cote d`Iviore, Djibouti, Egypt, El Salvador, Georgia, Ghana, Guatemala, Guyana, Honduras, India, Indonesia, Kiribati, Kosovo, Lao P.D.R, Lesotho, Mauritania, Micronesia, Moldova, Mongolia, Morocco, Nicaragua, Nigeria, Pakistan, Papua New Guinea, Paraguay, Philippines, Samoa (Western), Senegal, Solomon Islands, Sri Lanka, Sudan, Swaziland, Syrian Arab Republic, Timor-Leste, Ukraine, Uzbekistan, Vanuatu, Vietnam, West Bank/Gaza, Yemen, Rep, and Zambia..

4. **Upper-Middle-Income Countries** include: Albania, Algeria, Angola, Azerbaijan, Belarus, Belize, Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, China, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, Fiji, Gabon, Grenada, Hungary, Iran, Iraq, Jamaica, Jordan, Kazakhstan, Lebanon, Libya, Macedonia, Malaysia, Maldives, Marshall Islands, Mauritius, Mexico, Montenegro, Namibia, Palau, Panama, Peru, Romania, Serbia, Seychelles, South Africa, St. Lucia, St. Vincent and the Grenadines, Suriname, Thailand, Tunisia, Turkey, Turkmenistan, and Venezuela.

ANNEX 2: Collecting Taxes Indicators Glossary

CITR is the general rate applied for the corporate income tax. In most countries, only one corporate income tax is applied to corporate profits. In most countries, business enterprises that are owned by sole proprietors or unincorporated partnerships pay tax under the personal income tax system.

CITY is the level of corporate income tax collections as percentage of GDP.

CITPROD represents how well the corporate income tax does in terms of revenue collection, given the tax rate. CITPROD is the portion of GDP in revenue that is mobilized for each point of CIT rate.

CUSTOMS indicates whether the domestic tax and customs administrations operate as a single, integrated institution (a value of 1) or separately (a value of 0).

FUNCTION shows whether the tax administration is organized by function (a value of 1) or otherwise (a value of 0).

LTU indicates whether the tax administration has a large taxpayer unit of office (a value of 1) or not (a value of 0).

PAYERTOSTAFF is the ratio of the number of active taxpayers in the country to the number of tax administration staff.

PITMINR is the lowest non-zero positive tax rate applied to the lowest income group in the personal income tax system.

PITMAXR is the highest tax rate applied under the personal income tax system.

PITY is the level of personal income tax collections as percentage of GDP.

PITPROD provides an indication of how well the personal income tax in a country does in terms of producing revenue. PITPROD is the portion of GDP in revenue that is mobilized for each point of the average PIT rate.

TAXSTAFF is the total number of staff of the tax administration per 1,000 of the national population

TAXY is total tax revenue as percentage of GDP.

VATR is the general rate at which most goods and services are taxed under the VAT. Most countries have a variety of reduced rates for certain basic goods, such as basic food stuffs. Also, all countries have a zero rate on exported goods.

VATY is the level of VAT collections as a percentage of GDP.

VATPROD is a measure of how well the VAT produces revenue for the government, given the VAT rate. It is the revenue as percentage of GDP that is mobilized for each point of VAT rate.

WEDGE is an estimate of the overall taxation of labor income, represented as a percentage of gross salary. It combines social contributions with personal income tax. The tax wedge represents the ratio of total labor taxes to total labor costs to the employee.