Revenue Statistics in Latin America

1990 - 2010

DOMINICAN REPUBLIC

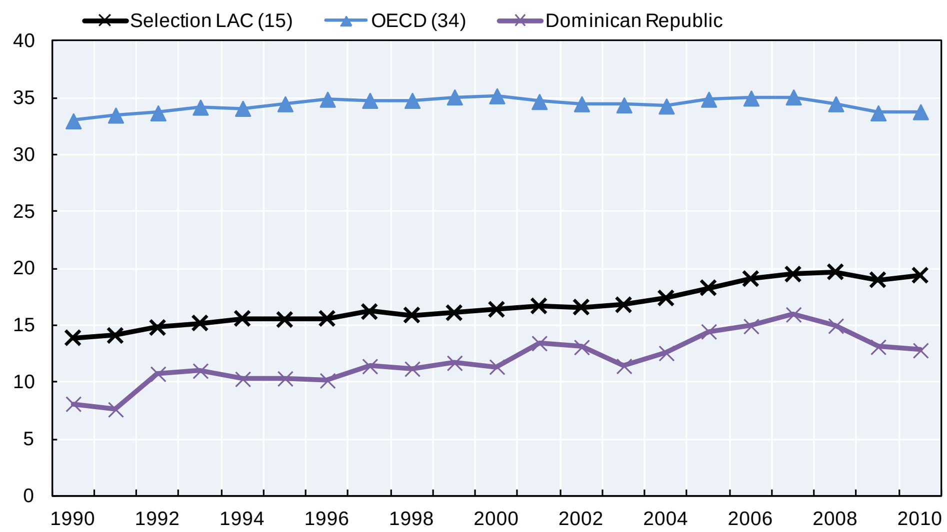
Total tax collection is very low in the Dominican Republic, with only Guatemala and Venezuela showing lower levels in 2010.

The Dominican Republic is the country in Latin America (apart from Venezuela) with the largest decrease in the tax to GDP ratio during the period 2007-2010. A tax reform was presented in October which aimed at reversing this trend.

The potential progressivity of the tax system is reduced by the combination of high reliance on indirect taxes and the low contribution of personal income taxes to total tax revenues.

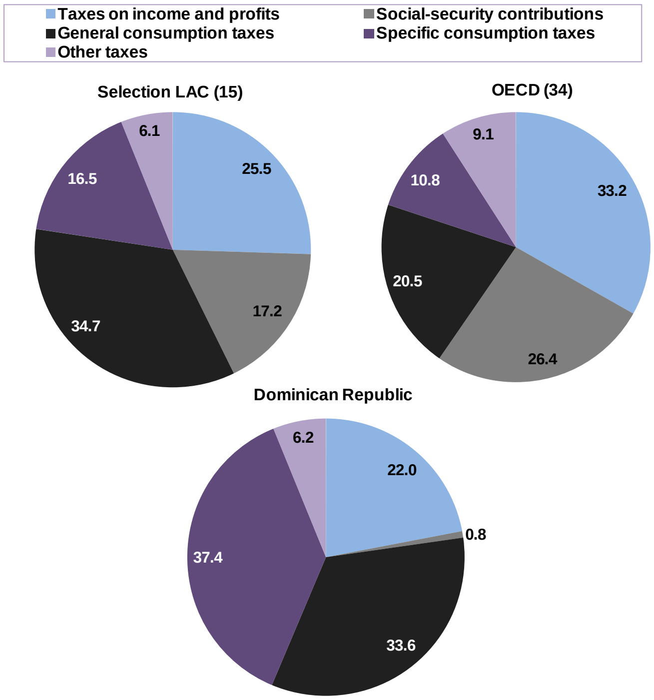
Total tax revenues as percentage of GDP in Latin America and OECD

(1990-2010)



Tax structures in the Dominican Republic, Latin America and OECD

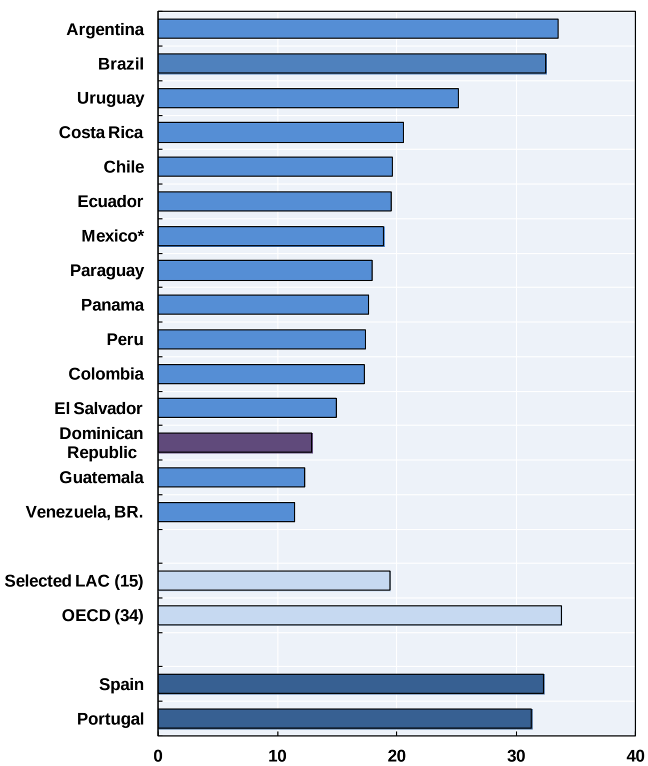
(2010)



Trends in Tax Revenues

In the Dominican Republic tax revenues as a percentage of gross domestic product (GDP) have increased considerably during the last two decades (4.7 percentage points), in contrast to the relatively stable but higher ratios observed in the OECD. This increase is a common trend in the LAC region[1], reflecting favourable macroeconomic conditions, changes in the tax system design and strengthening of tax administrations. As a result, the gap between the averages for the two areas 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. These are 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.

However, in 2010 the tax to GDP ratio in the Dominican Republic (12.8%) is the third lowest ratio in the selected LAC countries, after Venezuela (11.4%) and Guatemala (12.3%). This reflects below average historical tax revenues as well as a decrease in the tax ratio from 2007 onwards. Unlike the increases observed in many of the other countries in the region (exceptions being Colombia, Costa Rica and Venezuela) in 2010, the Dominican Republic has failed to break this downward trend.

Evolution of the Tax Mix

At the same time that revenues have been rising, the tax structure (the share of major taxes in total tax revenue) has also changed significantly in the Dominican Republic between 1990 and 2010.

While the relative importance of indirect taxes is still high, the composition of taxes in this category has changed. In particular, the increasing importance of VAT (ITBIS) has been accompanied by the diminishing role of specific consumption taxes such as excise taxes and taxes on international trade. However, in terms of GDP, the revenue from general consumption taxes is 2.4 percentage points lower than the average in the region. Despite the decrease in the share of taxes on international trade, in particular since 2005, this category of taxes still accounts for an important part of tax revenues (1% compared with the 5.6 % average in the region) in 2010. Regarding excise taxes, most of the revenue comes from taxes on hydrocarbons, which still represent 14.2% of total taxes in 2010.

Turning to direct taxation, tax revenues from income and profits have played a secondary role as a source of revenue in the region, although an increasing trend is observed. In the Dominican Republic revenues from this category alternate increasing and decreasing periods showing a stable trend in the long run. However, only in 2001 and 2003 these revenues reached higher levels than those in 1990 (27.4% and 28.8%, respectively, in contrast to25.4 %.

Revenues from personal income taxes are particularly low (between 7 and 14% of tax revenues and less than 2% of the GDP in 2010) contributing to reduce the progressivity of the tax system. While low revenue levels from personal income tax are a common feature shared with other Latin American countries, revenue collection from the corporate sector is also very low in the Dominican Republic, representing about half of the regional average in terms of GDP.

Revenue Statistics in Latin America shows that the lower contribution of personal income taxes to total revenues in LAC countries is explained by the fact that the share of labour income in GDP is substantially lower in Latin America than in OECD countries, and its distribution means that there are relatively fewer taxpayers, given the concentration of income earners at low income levels.

However, the difference between the tax ratio of the Dominican Republic and the other countries in the region is at large extent explained by the lower share of social security contributions in total tax revenues. This is because the public system was replaced by compulsory contributions to a private scheme in 2001. If the latter contributions were to be added to the tax revenues, the total value for 2010 would increase by around 2.5 percentage points (from 0.1 % to approximately 2.6% of GDP).

Finally, the share of property taxes in total revenues has considerably increased in the Dominican Republic, reaching levels higher than the average in the region and getting closer to the OECD average; although in terms of GDP this contribution is still low. However, most of these revenues correspond to taxes on financial and capital transactions, which are more distortionary than recurrent taxes on immovable property.

Selected comparative data on tax revenues

	1990			2010		
	Rep. Dom	LAC	OECD	Rep. Dom	LAC	OECD
Tax to GDP	8.1	13.9	33.0	12.8	19.4	33.8
Taxes on goods and services	5.7 (70.6)	7.1 (53.0)	10.4 (33.0)	9.2 (72.0)	9.9 (52.1)	11.0 (33.1)
- General taxes (VAT and Sales tax)	*1.3 (15.6)*	*3.3 (21.6)*	*5.9 (18.1)*	*4.3 (33.6)*	*6.7 (34.7)*	*6.9 (20.5)*
- Specific taxes	*4.4 (54.1)*	*3.5 (29.9)*	*4.1 (13.2)*	*4.8 (37.4)*	*3.0 (16.5)*	*3.5 (10.8)*
Taxes on Income and profits	2.1 (25.4)	3.2 (21.9)	12.5 (37.1)	2.8 (22.0)	4.8 (25.5)	11.3 (33.2)
Social Security Contributions	0.1 (0.8)	2.5 (16.2)	7.6 (22)	0.1 (0.8)	3.6 (17.2)	9.1 (26.4)
Property taxes	0.1 (0.7)	0.7 (4.5)	1.8 (5.7)	0.7 (5.2)	0.8 (3.5)	1.8 (5.4)

Figures in brackets represent % of tax revenues

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