



FISCAL POLICIES TO MITIGATE THE EFFECTS OF THE PANDEMIC AND FOSTER INVESTMENT FOR A SUSTAINABLE RECOVERY

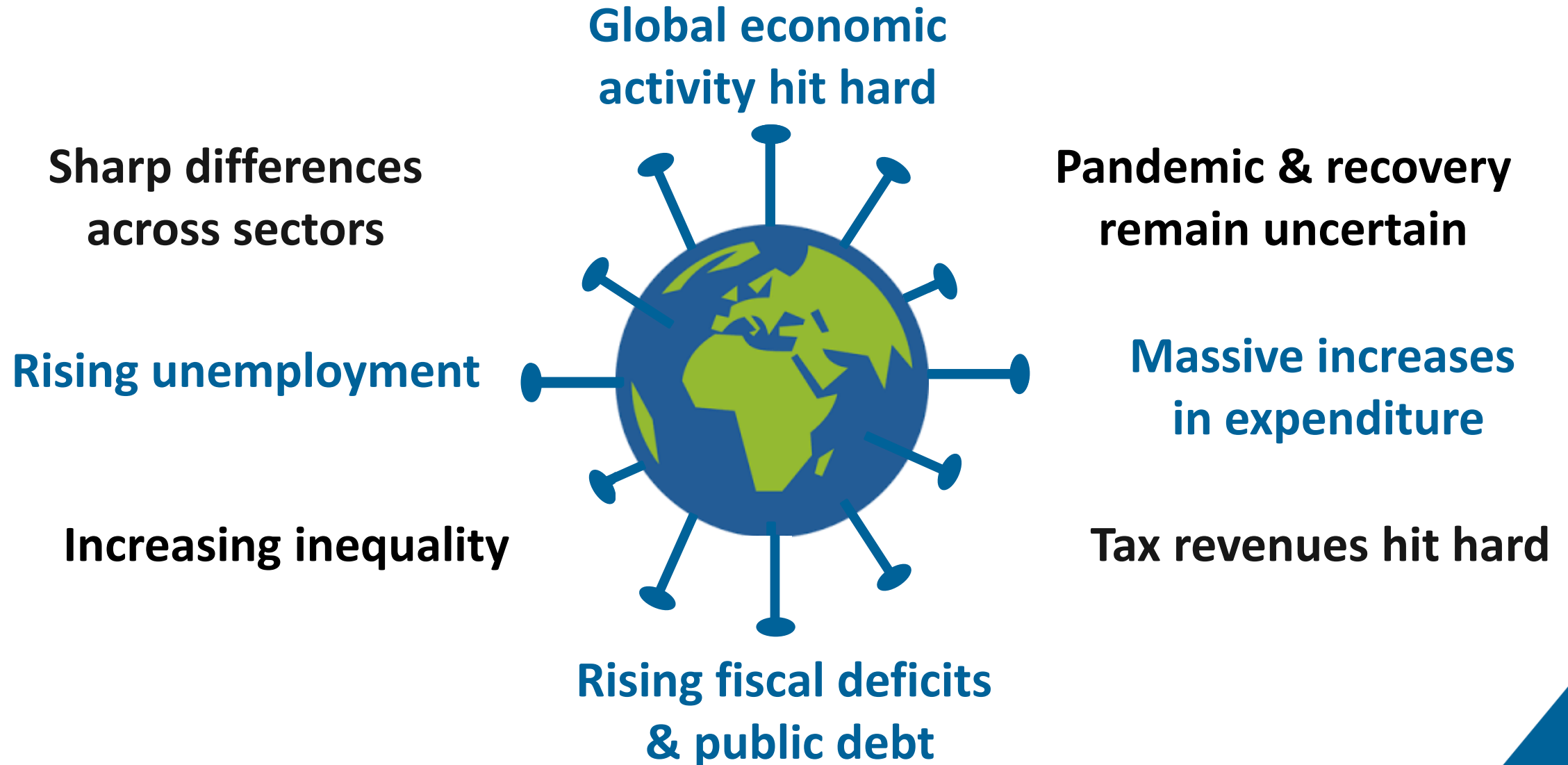
Experts Meeting: EU Facility Joint Response to COVID-19

David Bradbury, Head of Tax Policy
OECD Centre for Tax Policy & Administration

13 July 2021, Virtual meeting



Impact of the COVID-19 crisis on tax systems





Long-term trends, structural shifts & challenges

1	Public finance challenges	Low growth & productivity	2
3	Accelerating digitalisation	Environmental risks	4
5	Demographic challenges	Increasing inequality	6
7	Gaps in social protection	Informality	8



Policy options for sustainable & inclusive growth

Exceptional measures

Taxes on top income, solidarity levies & excess profits taxes

Tackling inequality

Taxes on capital income, wealth, inheritances & capital gains

Green recovery

Carbon pricing, & green budgeting

Support growth & innovation

Tax incentives for investment, R&D credits

Better utilising tax bases

Property, consumption & health taxes

Tax challenges of digitalisation

Pillars One & Two, VAT, & digitalising tax administration

Domestic resource mobilisation

Simplified taxes to support compliance & formality



The right policy mix will depend on country-specific circumstances



THE LAC CONTEXT



Revenue Statistics provides a critical evidence base for assessing pre-crisis LAC tax systems

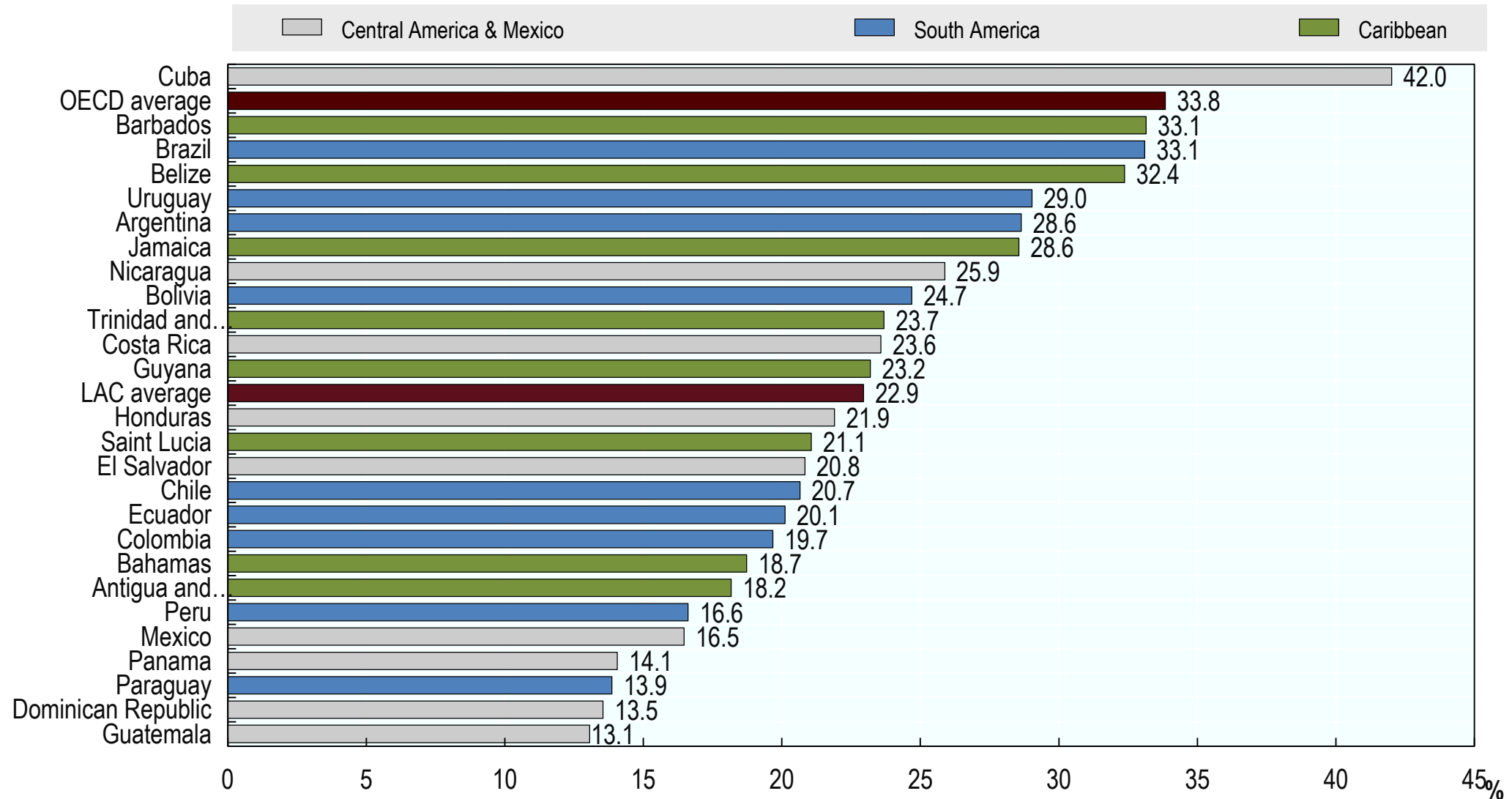
- Comprehensive, detailed & harmonised statistics on tax revenues in 26 Latin America & Caribbean countries
- 2021 edition provides:
 - Data & analysis on tax revenues from 1990 to 2019
 - A special feature on fiscal policy responses to COVID-19 pandemic
 - A special feature on non-renewable resource revenues in the region in 2019-20
- Publication, data, interactive charts, country notes (in English & Spanish) and other material for analysis free online

<https://www.oecd.org/ctp/revenue-statistics-in-latin-america-and-the-caribbean-24104736.htm>





Tax-to-GDP ratios remain low in many LAC countries

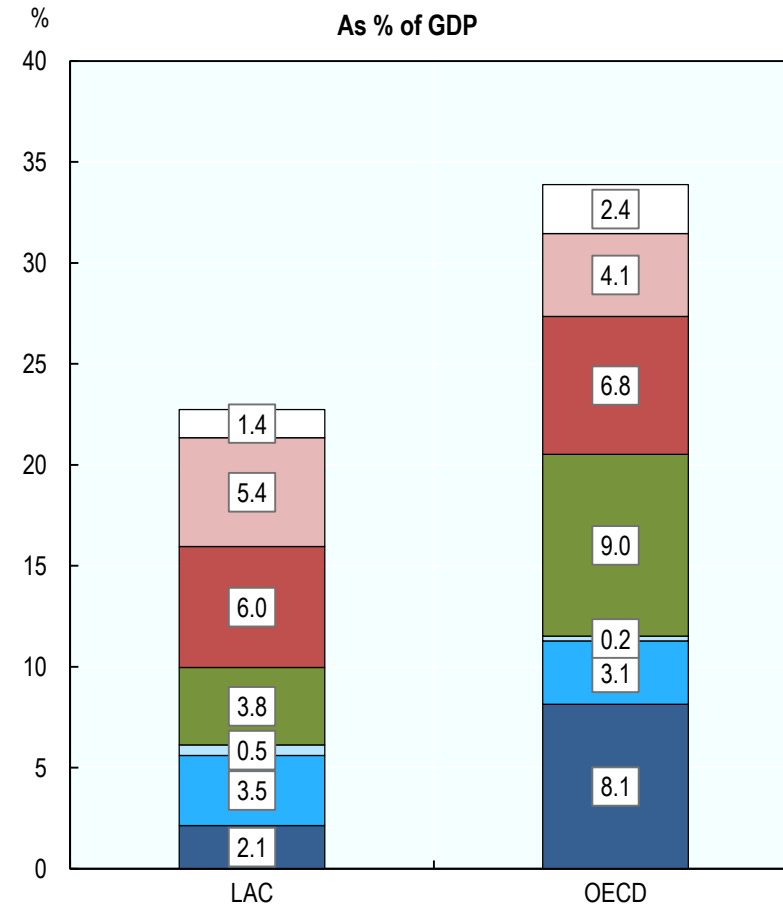
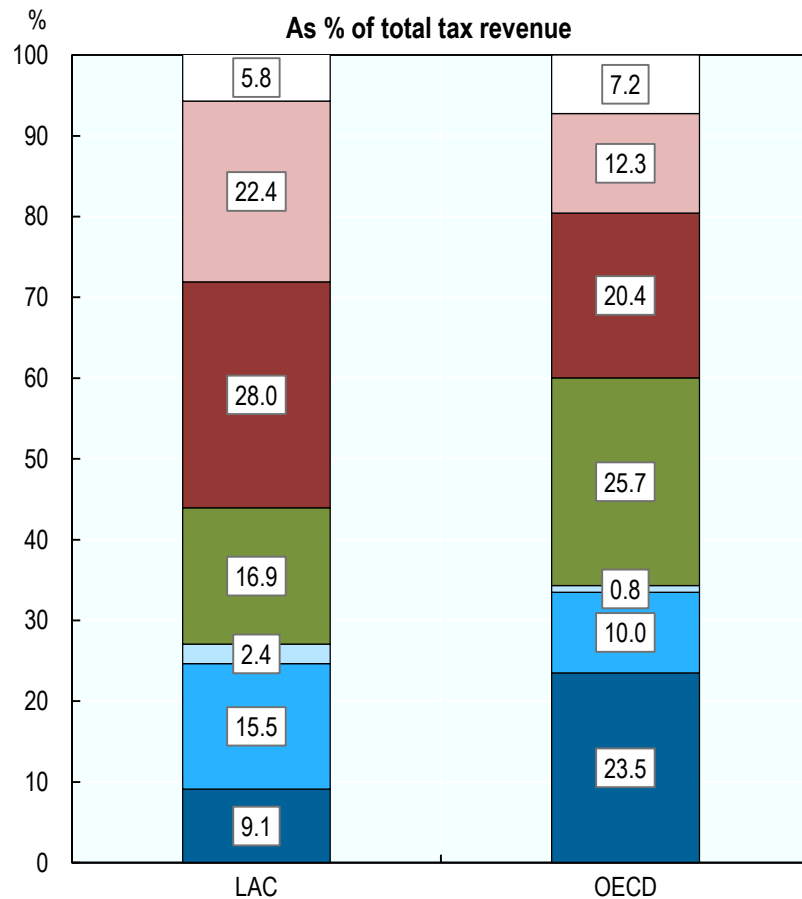


Source: OECD/UN-ECLAC/CIAT/IDB (2021), Revenue Statistics in Latin America & the Caribbean.



LAC countries rely on revenues from taxes on goods & services, with lower levels of PIT & SSCs

- 1100 Personal income tax
- 2000 Social security contributions
- Other taxes on goods and services
- 1200 Corporate income tax
- 5111 Value added taxes
- Other taxes
- 1300 Unallocable between 1100 and 1200





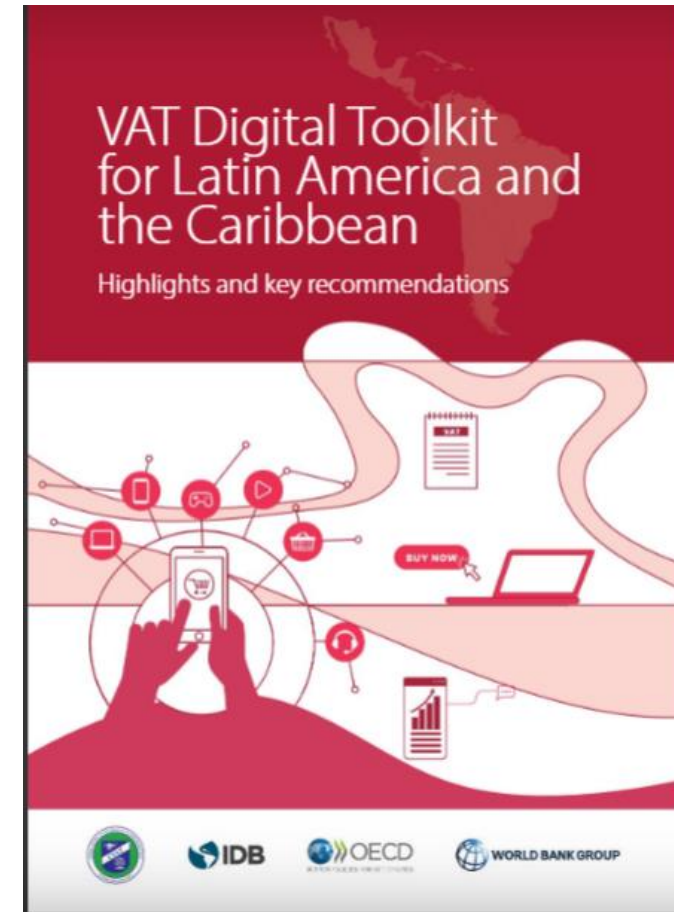
Tax revenues in Latin America & the Caribbean rose modestly in 2019 before being hit hard by COVID-19

- LAC's tax-to-GDP ratio increased in 2019 due to strong growth in the Caribbean, but remains lower than the OECD average LAC countries are more reliant on revenues heavily affected by the COVID-19 crisis:
 - Taxes on goods & services generated nearly half of total tax revenues in LAC compared with about a third in the OECD
 - Corporate income taxes are higher in LAC than in OECD (16% vs 10%)
- Tax policy has a key role to play in driving a green & inclusive recovery in the LAC region
 - There is scope to increase environmentally related taxes, which were 1.2% of GDP in 2019, predominantly from taxes on energy
 - Increasing personal income tax (PIT) & social security contributions (SSCs), which remain low in the region, can improve progressivity & enhance social protection



VAT Digital Toolkit for Latin America and the Caribbean

- To **assist tax authorities** in the Latin America and Caribbean (LAC) region **with the design and implementation of policy reform** to ensure the effective collection of VAT on e-commerce activities
- Provides **detailed guidance for the successful implementation** of a comprehensive VAT strategy directed at all types of e-commerce.
- Produced by the **OECD** in partnership with the **World Bank Group (WBG)**. The **Inter American Center of Tax Administrations (CIAT)** and the **Inter American Development Bank (IADB)** have also contributed considerably as regional partners





Contact details



David Bradbury

Head of the Tax Policy and Statistics Division
Centre for Tax Policy and Administration

2, rue André Pascal - 75775 Paris Cedex 16
Tel: +33 1 45 24 15 97 - Fax: +33 1 44 30 63 51

David.Bradbury@oecd.org || www.oecd.org/tax