



5.5 Tax policies

	Tax revenue	Taxes on income, profits, and capital gains		Domestic taxes on goods and services		Export duties		Import duties		Highest marginal tax rate ^a		
	% of GDP	% of total taxes		% of value added in industry and services		% of exports		% of imports		Individual rate %	on income over \$	Corporate rate %
	1998	1980	1998	1980	1998	1980	1998	1980	1998	1999	1999	1999
Albania	14.8	..	9.4	..	16.9	..	0.0	..	10.8	..	..	..
Algeria	30.7	..	71.6	..	4.1	..	..	..	..	..	..	..
Angola	..	..	..	..	..	..	..	..	..	..	..	..
Argentina	12.4	..	14.9	2.8	6.3	0.0	0.5	0.0	9.2	35	200,000	35
Armenia	..	..	..	..	..	..	..	..	..	..	..	..
Australia	22.7	67.6	72.8	5.4	5.4	0.5	0.0	8.5	3.7	47	30,579	36
Austria	34.8	22.8	25.7	9.1	9.5	0.2	0.0	1.6	0.4	50	59,590	34
Azerbaijan	18.2	..	22.2	..	9.2	..	0.0	..	4.2	40	3,704	30
Bangladesh	..	14.8	..	3.4	..	3.9	..	16.4	..	..	..	..
Belarus	28.7	..	11.1	..	16.8	..	0.0	..	3.9	..	..	..
Belgium	43.3	40.2	36.8	10.6	11.6	0.0	0.0	0.0	0.0	55	69,993	39
Benin	..	..	..	..	..	2.2	..	..	..	..	..	..
Bolivia	15.1	..	8.7	..	10.2	..	0.0	..	5.7	13	..	25
Bosnia and Herzegovina	..	..	..	..	..	..	..	..	..	..	..	..
Botswana	14.7	45.5	51.3	0.2	1.7	0.1	0.0	21.8	18.4	30	17,960	15
Brazil	..	13.6	..	9.0	..	0.0	..	16.5	..	28	17,881	15
Bulgaria	27.0	..	19.0	..	14.4	..	0.0	..	5.3	40	9,403	27
Burkina Faso	..	20.1	..	2.9	..	3.6	..	20.7	..	..	..	..
Burundi	12.7	20.4	24.1	10.1	14.5	..	2.3	..	18.9	..	..	..
Cambodia	..	..	..	..	..	..	..	..	..	20	39,915	20
Cameroon	..	23.7	..	4.7	..	7.1	..	21.3	..	60	13,321	39
Canada	..	60.8	..	3.5	..	1.1	..	4.6	..	29	38,604	38
Central African Republic	..	17.7	..	6.0	..	9.2	..	23.9	..	..	..	..
Chad	..	..	..	..	..	..	..	..	..	..	..	..
Chile	18.4	22.0	22.2	12.4	11.0	0.0	..	7.0	..	45	6,526	15
China	5.7	..	9.6	..	5.4	..	0.0	..	2.8	45	12,079	30
Hong Kong, China	..	..	..	..	..	..	..	..	..	17	13,583	16
Colombia	10.1	28.9	41.2	3.0	5.5	7.2	0.0	12.3	8.2	35	32,221	35
Congo, Dem. Rep.	4.3	34.5	31.0	1.6	2.3	10.7	..	18.3	..	50	13,167	..
Congo, Rep.	6.7	63.8	37.9	3.1	1.5	0.1	0.0	14.0	7.5	50	14,210	45
Costa Rica	23.1	14.6	12.1	6.6	12.4	6.6	0.5	7.0	4.2	25	14,185	30
Côte d'Ivoire	20.8	14.0	21.3	7.6	4.9	8.0	5.9	28.9	26.1	10	4,263	35
Croatia	43.3	..	12.3	..	27.8	..	0.0	..	7.6	35	5,556	..
Cuba	..	..	..	..	..	..	..	..	..	..	..	..
Czech Republic	31.6	..	15.2	..	11.4	..	0.0	..	1.5	40	36,979	35
Denmark	..	40.6	..	20.3	..	0.0	..	0.1	..	59	..	32
Dominican Republic	15.5	24.8	18.0	3.8	6.6	6.2	0.0	15.0	12.9	25	14,309	25
Ecuador	..	46.6	..	2.5	..	3.0	..	16.3	..	0	..	0
Egypt, Arab Rep.	16.6	24.8	34.4	8.5	5.9	0.0	0.0	26.3	17.8	32	14,706	40
El Salvador	..	..	..	..	..	..	..	..	..	30	22,857	25
Eritrea	..	..	..	..	..	..	..	..	..	..	..	..
Estonia	29.9	..	21.3	..	15.3	..	0.0	..	0.0	26	..	26
Ethiopia	..	24.7	..	9.2	..	35.1	..	16.4	..	..	..	..
Finland	28.1	30.9	33.8	16.5	16.8	0.0	0.0	1.9	0.0	38	61,164	28
France	39.2	19.1	20.9	12.8	12.2	0.0	0.0	0.1	0.0	..	..	33
Gabon	..	60.2	..	1.8	..	1.7	..	38.3	..	55	2,290	40
Gambia, The	..	18.1	..	1.2	..	12.5	..	21.8	..	..	..	..
Georgia	4.6	..	18.1	..	4.1	..	0.0	..	3.6	..	..	..
Germany	26.5	19.4	17.0	..	..	0.0	0.0	0.0	0.0	53	66,690	30
Ghana	..	22.0	..	4.6	..	30.5	..	14.5	..	35	7,102	35
Greece	20.6	19.5	36.6	10.2	..	0.0	0.0	6.3	0.1	45	56,271	35
Guatemala	..	12.4	..	3.9	..	9.9	..	7.6	..	25	26,740	28
Guinea	10.0	..	10.5	..	0.8	..	0.1	..	25.9
Guinea-Bissau
Haiti	..	15.9	10.2	..	12.3
Honduras	..	32.9	..	5.1	..	7.5	..	7.8	..	30	75,758	15



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	Tax revenue	Taxes on income, profits, and capital gains		Domestic taxes on goods and services		Export duties		Import duties		Highest marginal tax rate ^a		
	% of GDP	% of total taxes		% of value added in industry and services		% of exports		% of imports		Individual rate %	Corporate rate %	Corporate rate %
	1998	1980	1998	1980	1998	1980	1998	1980	1998	1999	on income over \$	1999
Hungary	31.4	22.1	21.6	28.2	15.1	0.1	0.0	7.5	2.7	40	4,566	18
India	8.6	21.9	31.0	8.1	5.1	1.8	0.1	26.4	24.2	30	3,538	35
Indonesia	15.6	82.0	65.9	2.4	5.2	0.9	0.9	5.1	0.7	30	6,623	30
Iran, Islamic Rep.	11.2	12.2	28.5	1.0	1.9	0.0	0.0	20.9	27.0	54	174,171	54
Iraq	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	31.6	38.6	42.9	..	..	0.0	0.0	6.2	0.0	46	14,799	32
Israel	36.4	47.3	42.4	..	..	0.0	0.0	4.5	0.7	50	57,789	36
Italy	38.6	32.1	32.4	8.2	11.1	0.0	0.0	0.1	0.0	46	81,665	37
Jamaica	..	35.1	..	15.6	..	0.0	..	2.3	..	25	2,712	33
Japan	..	74.7	..	2.5	..	0.0	..	2.3	..	50	259,291	35
Jordan	19.8	17.0	15.3	1.6	10.0	0.0	0.0	21.2	10.8	..	..	..
Kazakhstan	..	..	..	..	..	..	..	..	..	30	..	30
Kenya	23.5	33.3	38.9	14.8	16.9	1.3	0.0	11.8	14.3	33	382	33
Korea, Dem. Rep.	..	..	..	..	..	..	..	..	..	..	..	..
Korea, Rep.	17.3	25.5	31.0	9.5	7.1	0.0	0.0	7.6	4.3	40	66,236	28
Kuwait	1.5	63.6	24.6	0.2	..	0.0	0.0	3.0	3.5	0	..	0
Kyrgyz Republic	..	..	..	..	..	..	..	..	..	..	..	30
Lao PDR	..	..	..	..	..	..	..	..	..	40	1,064	..
Latvia	28.0	..	14.6	..	15.8	..	0.0	..	1.1	25	..	25
Lebanon	12.7	..	12.1	..	1.9	..	..	..	15.9	..	..	..
Lesotho	38.7	15.6	23.2	5.4	8.0	6.2	..	21.6	..	..	..	..
Libya	..	..	..	..	..	..	..	..	..	..	..	..
Lithuania	25.4	..	14.7	..	16.7	..	0.0	..	1.1	33	..	29
Macedonia, FYR	..	..	..	..	..	..	..	..	..	..	..	..
Madagascar	8.5	17.1	18.8	8.4	3.3	3.0	0.9	17.6	28.6	..	..	..
Malawi	..	38.9	..	11.7	..	0.0	..	16.8	..	38	948	38
Malaysia	18.9	41.9	44.4	5.7	6.9	9.1	0.5	9.0	3.4	30	39,474	28
Mali	..	20.5	..	7.8	..	3.0	..	8.0	..	..	..	..
Mauritania	..	..	..	..	..	..	..	..	..	..	..	..
Mauritius	17.7	17.3	14.2	4.8	8.0	8.6	0.0	16.2	12.7	30	2,220	15
Mexico	13.0	36.9	34.9	8.3	9.2	0.5	0.0	9.3	2.1	40	200,000	35
Moldova	..	..	..	..	..	..	..	..	..	..	..	..
Mongolia	13.5	..	16.1	..	9.7	..	0.2	..	0.2	..	..	..
Morocco	..	22.0	..	9.9	..	2.2	..	22.3	..	44	6,445	35
Mozambique	..	..	..	..	..	..	..	..	..	20	792	35
Myanmar	4.5	4.9	31.3	12.7	5.6	0.0	0.0	19.3	59.9	30	..	30
Namibia	..	..	..	..	..	..	..	..	..	40	16,129	40
Nepal	8.8	6.6	17.6	8.0	6.9	5.4	0.7	16.0	8.7	..	..	..
Netherlands	42.7	33.1	26.6	10.6	..	0.0	0.0	0.0	0.0	60	56,075	35
New Zealand	32.1	75.0	66.4	6.9	..	0.1	0.0	4.4	4.0	33	18,134	33
Nicaragua	..	8.9	..	0.0	..	3.9	..	8.1	..	30	18,083	30
Niger	..	28.1	..	4.6	..	2.6	..	17.0	..	..	..	..
Nigeria	..	..	..	..	..	..	..	..	..	25	1,395	28
Norway	34.1	30.3	26.9	15.2	15.7	0.1	0.0	0.8	0.9	28	6,835	28
Oman	6.4	92.4	63.7	0.2	..	0.0	0.0	1.4	2.5	0	..	12
Pakistan	12.6	16.8	28.6	8.6	6.2	2.0	0.0	25.8	16.2	..	..	..
Panama	18.4	29.0	28.7	5.2	..	0.5	0.1	3.0	..	30	200,000	30
Papua New Guinea	..	67.5	..	4.2	..	1.4	..	8.0	..	47	48,251	25
Paraguay	..	16.6	..	2.7	..	0.5	..	8.4	..	0	..	30
Peru	13.7	28.1	23.2	7.1	8.3	10.9	0.0	17.1	11.3	30	47,985	30
Philippines	17.0	23.6	39.8	7.8	6.8	1.0	0.0	13.4	8.8	33	12,773	33
Poland	32.7	..	27.6	..	12.4	..	0.0	..	3.9	40	15,192	34
Portugal	32.1	20.9	29.5	..	..	0.0	0.0	4.4	0.0	40	36,478	34
Puerto Rico	..	..	..	..	..	..	..	..	..	33	50,000	20
Romania	24.4	0.0	32.8	..	9.6	0.0	0.0	0.0	5.1	45	4,080	38
Russian Federation	..	..	..	..	..	..	..	..	..	35	6,036	35



5.5 Tax policies

	Tax revenue	Taxes on income, profits, and capital gains		Domestic taxes on goods and services		Export duties		Import duties		Highest marginal tax rate ^a		
	% of GDP	% of total taxes		% of value added in industry and services		% of exports		% of imports		Individual rate %	on income over \$	Corporate rate %
	1998	1980	1998	1980	1998	1980	1998	1980	1998	1999	1999	1999
Rwanda	..	20.7	..	5.3	..	21.3	..	17.7	..	..	..	..
Saudi Arabia	..	..	..	..	..	..	..	..	..	0	..	45
Senegal	..	21.4	..	7.8	..	2.8	..	26.9	..	50	22,469	35
Sierra Leone	10.2	25.0	17.6	4.1	7.2	10.1	..	17.2	..	..	..	..
Singapore	16.1	47.0	41.7	4.1	4.7	0.0	0.0	0.9	0.2	28	240,964	26
Slovak Republic	..	..	..	..	..	..	..	..	..	42	29,258	40
Slovenia	..	..	..	..	..	..	..	..	..	..	..	..
South Africa	24.6	64.1	59.5	6.2	10.2	0.1	0.0	3.0	0.3	45	20,391	30
Spain	28.1	25.2	32.3	..	..	0.0	0.0	6.0	0.0	40	77,139	35
Sri Lanka	14.5	16.4	13.9	8.0	12.7	22.0	0.0	9.6	8.2	35	4,405	35
Sudan	..	17.2	..	5.2	..	3.4	..	31.1	..	..	..	..
Sweden	35.8	21.1	16.6	11.7	..	0.0	0.0	1.5	0.1	31	27,198	28
Switzerland	22.0	15.1	14.2	..	..	0.0	0.0	4.0	0.7	..	..	45
Syrian Arab Republic	16.4	24.7	44.5	1.8	..	1.7	9.1	11.6	35.6	..	..	..
Tajikistan	..	..	..	..	..	..	..	..	..	..	..	..
Tanzania	..	35.2	..	..	..	9.7	..	9.2	..	35	12,335	30
Thailand	14.5	19.3	32.1	8.6	8.9	4.4	0.1	11.1	4.4	37	108,430	30
Togo	..	38.6	..	6.4	..	3.3	..	15.2	..	..	..	..
Trinidad and Tobago	..	85.7	..	1.6	..	0.0	..	9.8	..	35	7,937	35
Tunisia	24.8	19.2	18.8	8.7	7.2	1.1	0.2	20.6	19.9	..	..	..
Turkey	19.1	61.8	41.2	5.1	12.5	0.0	0.0	8.9	2.0	40	159,898	30
Turkmenistan	..	..	..	..	..	..	..	..	..	..	..	..
Uganda	..	11.8	..	4.6	..	55.7	..	15.8	..	30	3,578	30
Ukraine	..	..	..	..	..	..	..	..	..	40	5,953	30
United Arab Emirates	0.7	..	0.0	0.0	..	..	..	..	..	0	..	20
United Kingdom	36.4	43.4	41.1	11.5	13.7	0.0	0.0	0.1	0.0	40	46,589	31
United States	20.5	61.6	60.4	0.9	0.7	0.0	0.0	3.0	2.0	40	283,150	35
Uruguay	30.0	11.5	13.6	11.1	13.9	0.0	0.0	19.3	6.4	..	..	30
Uzbekistan	..	..	..	..	..	..	..	..	..	45	2,400	33
Venezuela, RB	12.8	79.4	30.9	1.0	7.2	0.0	0.0	9.6	12.6	34	78,500	34
Vietnam	15.8	..	23.3	..	8.1	..	0.0	..	11.4	50	5,695	32
West Bank and Gaza	..	..	..	..	..	..	..	..	..	..	..	..
Yemen, Rep.	15.2	..	48.7	..	3.8	..	0.0	..	10.2	..	..	..
Yugoslavia, FR (Serb./Mont.)	..	..	..	..	..	..	..	..	..	..	..	..
Zambia	..	41.1	..	12.5	..	0.0	..	7.2	..	30	742	35
Zimbabwe	26.4	57.9	48.2	6.7	9.9	0.0	..	4.3	..	50	20,455	35

a. These data are from PricewaterhouseCoopers's *Individual Taxes: Worldwide Summaries 1999-2000* and *Corporate Taxes: Worldwide Summaries 1999-2000*, copyright 1999 by PricewaterhouseCoopers by permission of John Wiley & Sons, Inc.



Tax policies 5.5

About the data

Taxes are compulsory, unrequited payments made to governments by individuals, businesses, or institutions. They are considered unrequited because governments provide nothing specifically in return for them, although taxes typically are used to provide goods or services to individuals or communities on a collective basis. The sources of the revenue received by governments and the relative contributions of these sources are determined by policy choices about where and how to impose taxes and by changes in the structure of the economy. Tax policy may reflect concerns about distributional effects, economic efficiency (including corrections for externalities), and the practical problems of administering a tax system. There is no ideal level of taxation. But taxes influence incentives and thus the behavior of economic actors and the country's competitiveness.

The level of taxation is typically measured by tax revenue as a share of GDP. Comparing levels of taxation across countries provides a quick overview of the fiscal obligations and incentives facing the private sector. In this table tax data measured in local currencies are normalized by scaling variables in the same units to ease cross-country comparisons. The table refers only to central government data, which may considerably understate the total tax burden, particularly in countries where provincial and municipal governments are large or have considerable tax authority.

Low ratios of tax collections to GDP may reflect weak administration and large-scale tax avoidance or evasion. They may also reflect the presence of a sizable parallel economy with unrecorded and undisclosed incomes. Tax collection ratios tend to rise with income, with higher-income countries relying on taxes to finance a much broader range of social services and social security than lower-income countries are able to provide.

As countries develop, they typically expand their capacity to tax residents directly, and indirect taxes become less important as a source of revenue. Thus the share of taxes on income, profits, and capital gains is one measure of a tax system's level of development. In the early stages of development governments tend to rely on indirect taxes because the administrative costs of collecting them are relatively low. The two main indirect taxes are international trade taxes (including customs revenues) and domestic taxes on goods and services. The table shows these domestic taxes as a percentage of value added in industry and services. Agriculture and mining are excluded from the denominator because indirect taxes on goods originating from these sectors are usually negligible. What is missing here is a measure of the uni-

formity of these taxes across industries and along the value added chain of production. Without such data no clear inferences can be drawn about how neutral a tax system is between subsectors. "Surplus" revenues raised by some governments by charging higher prices for goods produced under monopoly by state-owned enterprises are not counted as tax revenues. Similarly, losses from charging below-market prices for products are rarely identified as subsidies.

Export and import duties are shown separately because their burdens on the economy (and thus growth) are likely to be high. Export duties, typically levied on primary (particularly agricultural) products, often take the place of direct taxes on income and profits, but they reduce the incentive to export and encourage a shift to other products. High import duties penalize consumers, create protective barriers—which promote higher-priced output and inefficient production—and implicitly tax exports. By contrast, lower trade taxes enhance openness—to foreign competition, knowledge, technologies, and resources—energizing development in many ways. The economies growing fastest over the past 15 years have not relied on tax revenues from imports. Seeing this pattern, many developing countries have lowered tariffs over the past decade, and this trend is expected to continue. In some countries, such as members of the European Union, most customs duties are collected by a supranational authority; these revenues are not reported in the individual countries' accounts.

The tax revenues collected by governments are the outcomes of systems that are often complex, containing many exceptions, exemptions, penalties, and other inducements that affect tax incidence and thus influence the decisions of workers, managers, and entrepreneurs. A potentially important influence on both domestic and international investors is a tax system's progressivity, as reflected in the highest marginal tax rate on individual and corporate income. Figures for individual marginal tax rates generally refer to employment income. For some countries the highest marginal tax rate is also the basic or flat rate, and other surtaxes, deductions, and the like may apply.

Definitions

- **Tax revenue** comprises compulsory, unrequited, non-repayable receipts collected by central governments for public purposes. It includes interest collected on tax arrears and penalties collected on nonpayment or late payment of taxes and is shown net of refunds and other corrective transactions.
- **Taxes on income, profits, and capital gains** include taxes levied by central governments on the actual or presumptive net income of individuals and profits of enterprises. Also included are taxes on capital gains, whether realized or not, on the sale of land, securities, and other assets. Social security contributions based on gross pay, payroll, or number of employees are not included, but social security contributions based on personal income after deductions and personal exemptions are included.
- **Domestic taxes on goods and services** include all taxes and duties levied by central governments on the production, extraction, sale, transfer, leasing, or delivery of goods and rendering of services, or on the use of goods or permission to use goods or perform activities. These include general sales taxes, turnover or value added taxes, excise taxes, and motor vehicle taxes.
- **Export duties** include all levies collected on goods at the point of export. Rebates on exported goods—that is, repayments of previously paid general consumption taxes, excise taxes, or import duties—should be deducted from the gross receipts of the appropriate taxes, not from export duty receipts.
- **Import duties** comprise all levies collected on goods at the point of entry into the country. They include levies for revenue purposes or import protection, whether on a specific or ad valorem basis, as long as they are restricted to imported products.
- **Highest marginal tax rate** is the highest rate shown on the schedule of tax rates applied to the taxable income of individuals and corporations. Also presented are the income levels above which the highest marginal tax rates for individuals apply.

Data sources

The definitions used here are from the International Monetary Fund's (IMF) *Manual on Government Finance Statistics* (1986). The data on tax revenues are from print and electronic editions of the IMF's *Government Finance Statistics Yearbook*. The data on individual and corporate tax rates are from PricewaterhouseCoopers's *Individual Taxes: Worldwide Summaries* (1999b) and *Corporate Taxes: Worldwide Summaries* (1999a).