Revenue Statistics in Asian and Pacific Economies

ASIAN DEVELOPMENT BANK

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Pacific Islands Tax Administrators Association

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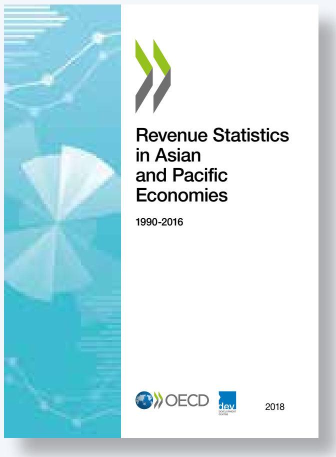
In light of the United Nation's 2030 Agenda for Sustainable Development, awareness of the need to mobilise government revenue in developing countries to fund public goods and services is increasing. ***Revenue Statistics in Asian and Pacific Economies* is an annual publication presenting key indicators to track progress on domestic resource mobilisation and to inform tax policy and reform.**



The report presents detailed, internationally comparable data on tax revenues for 16 Asian and Pacific economies – **Australia,** the **Cook Islands, Fiji, Indonesia, Japan, Kazakhstan, Korea, Malaysia, New Zealand, Papua New Guinea,** the **Philippines, Samoa, Singapore,** the **Solomon Islands, Thailand and Tokelau** – and on non-tax revenues for four Pacific economies – the **Cook Islands, Papua New Guinea, Samoa and Tokelau**. The report also includes a special feature on managing taxpayer compliance.

Definitions and classifications

Revenue Statistics in Asian and Pacific Economies follows the OECD tax classification where taxes are defined as compulsory, unrequited payments to general government. Taxes are unrequited in the sense that benefits provided by government are not normally in proportion to their payments. Compulsory social security contributions paid to general government are classified as taxes.

Taxes are classified according to their base. The six main categories are: taxes on income and profits; social security contributions; payroll and workforce taxes; property taxes; goods and services taxes and other taxes.

Non-tax revenues are all other revenues received by general government, not classified as taxes. They include: grants (foreign aid); property income (rents and royalties, interest and dividends and other property income); sales of goods and services (including administrative fees); fines, penalties and forfeits; and miscellaneous and unidentified revenue.

Further information on definitions and classifications is available in the Interpretative Guide:
www.oecd.org/tax/tax-policy/oecd-classification-taxes-interpretative-guide.pdf

The publication is available at **http://oe.cd/revenue-statistics-in-asia-and-pacific-2018**

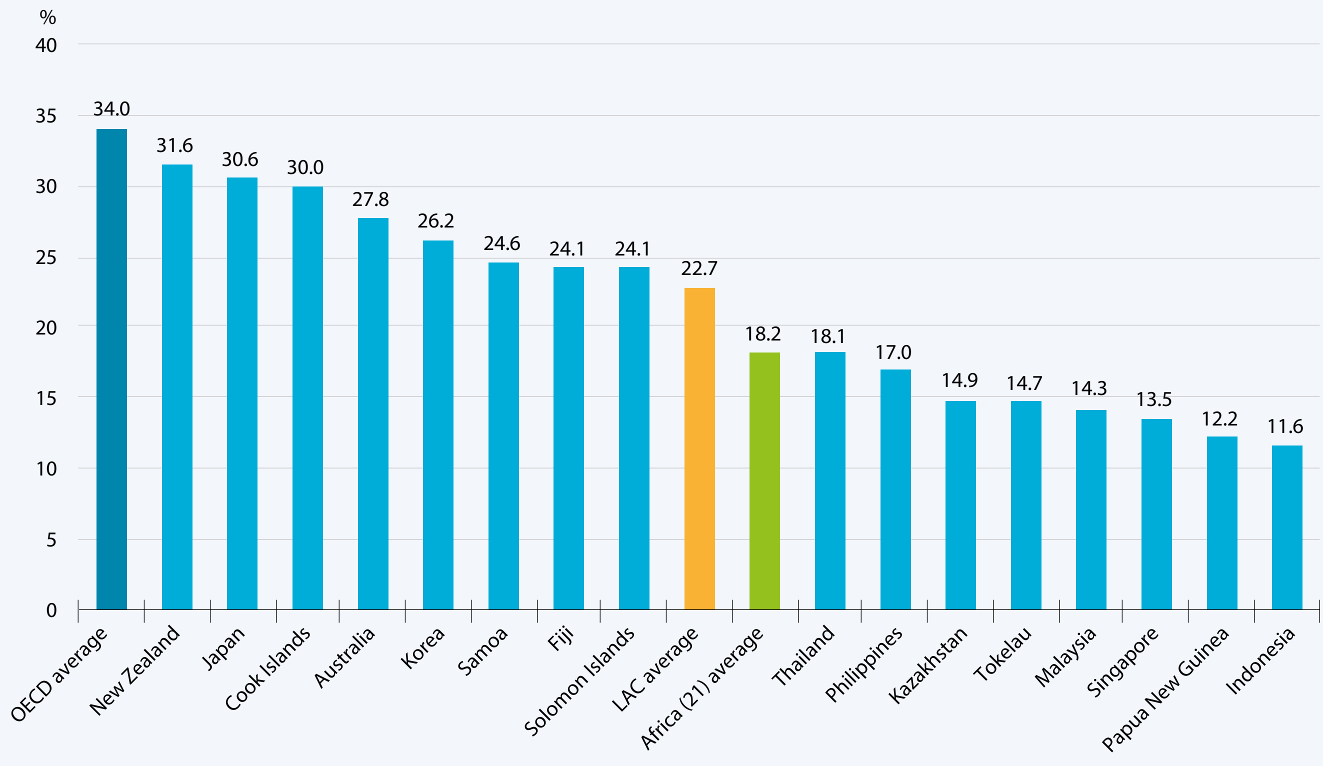
Key results

TAX-TO-GDP RATIOS IN ASIAN AND PACIFIC ECONOMIES

In 2016, **tax-to-GDP ratios in the Asia and Pacific region ranged from 11.6% in Indonesia to 31.6% in New Zealand**. The tax-to-GDP ratio refers to total tax revenue, including social security contributions, as a percentage of gross domestic product (GDP). All countries in this publication had lower ratios in 2016 than the OECD average of 34.0% and half of the economies included in this publication had tax-to-GDP ratios above the Latin American and the Caribbean (LAC) average of 22.7%.

Six of the eight Asian countries covered in this publication had a tax-to-GDP ratio below 20% (the exceptions being Japan and Korea) whereas six of the eight Pacific economies had a tax-to-GDP ratio above 24% (the exceptions being Papua New Guinea and Tokelau).

Figure 1. **Tax-to-GDP ratios (total tax revenue as % of GDP), 2016**



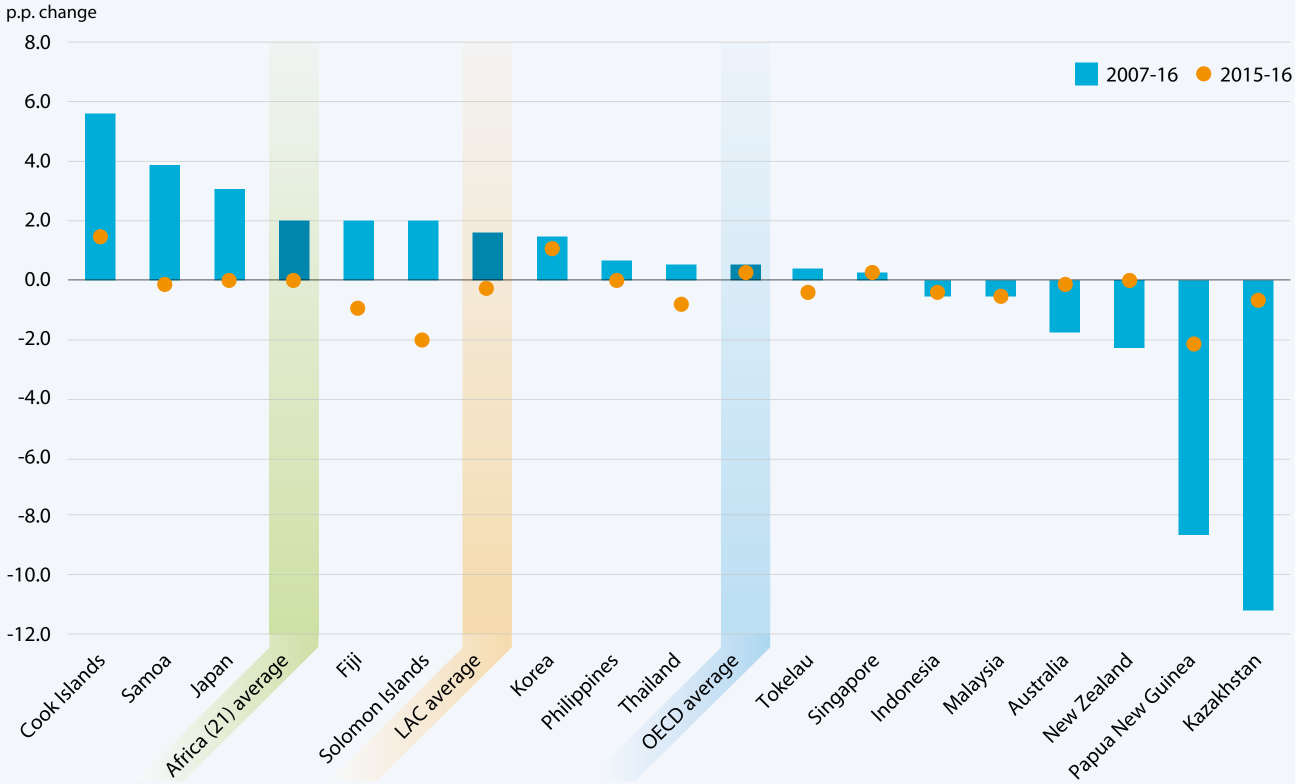
Source: OECD (2018), *Revenue Statistics in Asian and Pacific Economies 2018.*

CHANGES IN TAX-TO-GDP RATIOS IN ASIAN AND PACIFIC ECONOMIES

Since 2015, nearly two-thirds of the economies included in this publication experienced decreases in their tax-to-GDP ratios and three countries registered no change in 2016. Only three economies (the Cook Islands, Korea and Singapore) had higher tax-to-GDP ratios in 2016 than in 2015. Since 2015, the largest changes in tax-to-GDP ratios were recorded in Papua New Guinea and the Solomon Islands (both decreases, of 2.2 and 2.1 percentage points, respectively) and in the Cook Islands and Korea (both increases, of 1.5 and 1.1 percentage points, respectively).

Most economies included in the publication have increased their tax-to-GDP ratios since 2007, with the exception of Australia, Indonesia, Kazakhstan, Malaysia, New Zealand and Papua New Guinea. The highest increases between 2007 and 2016 were observed in the Cook Islands and Samoa (5.6 and 3.9 percentage points, respectively), primarily explained by increases in value-added tax (VAT, also called goods and services taxes (GST) in some jurisdictions) and other taxes on goods and services in both countries. Across the same period, Kazakhstan and Papua New Guinea experienced the largest decreases in their tax-to-GDP ratios (11.2 and 8.6 percentage points, respectively), driven in both cases by decreases in corporate income tax (CIT) revenues. These were explained by the impact of declining prices of natural resources on the profitability of companies in the mining and oil sector in both countries, as well as by a reduction of CIT rates in Kazakhstan.

Figure 2. **Changes in tax-to-GDP ratios, percentage points, 2015-16 and 2007-16**



Note: Data for Fiji and the Solomon Islands start in 2008 and the 2007-16 changes represent the changes between 2008 and 2016. Data of Import duties for the Solomon Islands are estimated for 2008.

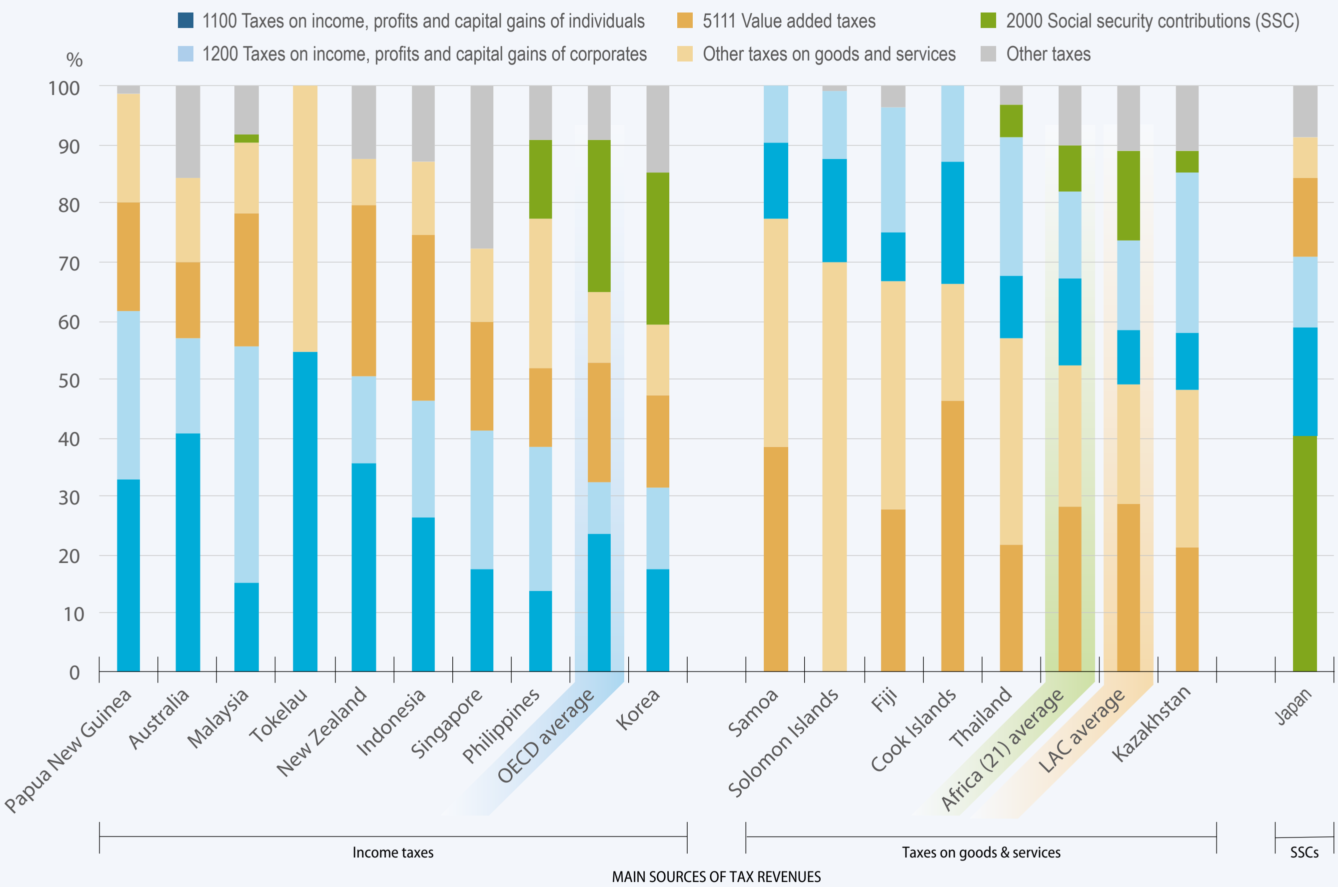
Source: OECD (2018), *Revenue Statistics in Asian and Pacific Economies 2018.*

TAX STRUCTURES IN ASIAN AND PACIFIC ECONOMIES

Economies in Asia and the Pacific rely predominantly on goods and services taxes and on income taxes. In six economies in this publication (the Cook Islands, Fiji, Kazakhstan, Samoa, the Solomon Islands and Thailand), taxes on goods and services accounted for the largest share of tax revenues in 2016. Within goods and services, VAT is an important and increasing source of revenues in most economies. In 2016, VAT revenue ranged from 12.9% of total tax revenue in Australia to 46.1% of total tax revenue in the Cook Islands (the Solomon Islands and Tokelau do not impose VAT) and was higher as a share of total taxes in the Pacific compared to Asian economies. In the Pacific economies that apply a VAT, VAT accounted for more than 25% of revenues in 2016 except in Australia and Papua New Guinea. In contrast, VAT revenue generated less than 25% of total tax revenue in 2016 in all Asian countries except Indonesia.

Income taxes provided the main share of tax revenues in the nine remaining countries with the exception of Japan, where social security contributions (40.4% of total tax revenue) **represented the principal source.** Across all countries, revenues from CIT varied between 9.4% of total tax revenue in Samoa and 41.1% of total tax revenue in Malaysia in 2016 (the OECD average was 9.0%). The three countries – Kazakhstan, Papua New Guinea and Malaysia – with the highest share of revenue from CIT (over 27% of total tax revenue) are highly reliant on revenues from natural resource companies in the oil and mining sector. All Asian countries except Indonesia, Japan and Korea had a greater share of CIT relative to personal income tax in 2016, whereas the reverse was observed for the Pacific economies (with the exception of Fiji).

Figure 3. **Tax structures (% of total tax revenue), 2016**



Note: Social security contributions are estimated for Kazakhstan for 2016.

Source: OECD (2018), *Revenue Statistics in Asian and Pacific Economies 2018.*

NON-TAX REVENUES IN SELECTED PACIFIC ECONOMIES

This publication also includes non-tax revenues for four Pacific economies (the Cook Islands, Papua New Guinea, Samoa and Tokelau). In 2016, non-tax revenues as a percentage of GDP were significant for the Cook Islands and Tokelau but lower than 5% in Papua New Guinea and Samoa.

The sources of non-tax revenues varied between countries in 2016. Property-related income was the main source of non-tax revenues for the Cook Islands in 2016 (44.2% of non-tax revenues) and Tokelau (64.4%); in both countries, the majority of this income was from fishing rents. Grants were also an important source of revenues for all four economies in 2016, exceeding 30% of total non-tax revenues.

Non-tax revenue as a percentage of GDP and non-tax revenue of main headings as percentage of total non-tax revenues in selected Pacific economies, 2016

	Non-tax revenue/ GDP	Grants/ Total non-tax	Property income/ Total non-tax	Sales of goods and services/ Total non-tax	Fines, penalties and forfeits/ Total non-tax	Miscellaneous and unidentified revenue/ Total non-tax
Cook Islands	11.5	39.7	44.2	5.0	1.1	10.0
Papua New Guinea	2.9	69.3	25.6	0.0	0.0	5.1
Samoa	4.8	40.9	6.4	41.4	11.4	0.0
Tokelau[1]	236.5	33.4	64.4	2.1	0.0	0.0

1. Tokelau receives significant revenues from foreign vessels for access to Tokelau fishing waters. In the 2008 System of National Accounts (SNA), these revenues are recorded as part of GNI, but they do not add to GDP.

Source: OECD (2018), *Revenue Statistics in Asian and Pacific Economies 2018.*

Special feature: Managing taxpayer compliance

A special feature in the report explores important topics in the management of taxpayer compliance in Asian and Pacific economies. The level of taxpayer compliance and government enforcement is one of the factors that influence the level of tax revenues in an economy. In the management of taxpayer compliance, it is important to pay attention to a number of issues such as ensuring effective compliance risk management – including tax gap research, managing the compliance of large taxpayers, addressing international tax avoidance and evasion, optimising the use of tax withholding at source and third party reporting requirements, as well as appropriately calibrated voluntary disclosure policies and programmes. In Asia and the Pacific, the management of taxpayer compliance varies widely. For example, tax gap research has been implemented in a few larger economies – Australia and the Philippines, for instance – while almost all tax administrations in the region have in place an organisational division or unit managing the tax affairs of large taxpayers.

Towards harmonised regional statistics

- ***Revenue Statistics in Asian and Pacific Economies*** provides tools that have been developed by tax policy makers and adapted for tax policy analysis, such as:
  - An annual publication, available in hard copy and online, that allows for cross country comparison.
  - A highly-detailed dataset freely accessible online.
  - ***Compare your country***, a free online interactive tool, and other tools for data presentation and analysis.
- **Participation is free of charge:** there is no payment required, and participation involves approximately 1-2 weeks of work a year for national officials. Most data compilation tasks are carried out by the OECD.
- **Comparability and trustworthiness:** a common method for collecting, analysing, aggregating and presenting data across over 90 countries around the world, with data validated by national authorities. These data are accessible through the Global Revenue Statistics Database.
- **Continuous dialogue:** bilateral exchanges and seminars on tax policy and statistics with experts to share experiences and best practices.

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The OECD is an intergovernmental organisation that has helped develop global standards, international conventions, agreements and recommendations since 1961 to promote better policies in areas such as governance and the fight against bribery and corruption and, to support corporate responsibility, development assistance, global investment and international taxation.

In collaboration with:

ADB ASIAN DEVELOPMENT BANK

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 67 members— 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

Pacific Community Communauté du Pacifique

The Pacific Community (SPC) is an intergovernmental organisation pursuing sustainable development to benefit Pacific people, providing technical and scientific support across a range of sectors, including crosscutting issues such as climate change, disaster risk management, food security, gender equality, human rights, health and social development.

PITAA Pacific Islands Tax Administrators Association

The Pacific Islands Tax Administrators Association (PITAA) provides a forum for Pacific Island countries to discuss and share experiences on tax administration and policy issues. PITAA was established in 2004 with a membership of 16 countries, which aims to promote international best practices on tax administration standards in the Pacific.

Contacts

For more information on the publication, or to participate in future editions, please see:
http://oe.cd/revenue-statistics-in-asia-and-pacific-2018
or contact **RevenueStatistics@oecd.org**

Useful links

OECD **www.oecd.org/tax** or **www.oecd.org/dev**
EU **https://ec.europa.eu/europeaid/node/22_en**
ADB **www.adb.org**
SPC **www.spc.int**
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A global project

***Revenue Statistics in Asian and Pacific Economies* is part of a global series that includes four annual publications for different regions and the *Global Revenue Statistics Database*.** Launched in 2018, the Global Revenue Statistics Database draws on the publications to provide detailed, comparable tax revenue data for over 90 countries from all regions of the world.

http://oe.cd/global-rev-stats-database