

1 Tax revenue trends in Asia and the Pacific

Chapter 1 provides information on trends in tax and non-tax revenues in 28 Asian and Pacific economies, including changes in tax-to-GDP ratios, tax structures, taxes by level of government and non-tax revenue levels and structures. It includes data for 2020, the first year of the COVID-19 pandemic, and tracks trends in tax revenues across the region since 2010.

Achieving the Sustainable Development Goals in the 2030 Agenda for Sustainable Development requires mobilising additional resources – in particular government revenues – to fund public goods and services in developing countries. Taxation provides the largest share of government revenues in almost all countries and is relatively predictable and sustainable, in contrast with non-tax revenues such as official development assistance and royalties.

This edition of *Revenue Statistics in Asia and the Pacific* provides comprehensive data on public revenues in 2020, the first year of the COVID-19 pandemic. Like other regions of the world, the pandemic had far-reaching social and economic consequences for Asia and the Pacific, although not all economies were affected in the same way. The report shows how the majority of economies in the region experienced declines in tax revenues both in nominal terms and as a percentage of GDP, thereby placing major stress on their public finances. It also demonstrates which tax types were particularly affected by the pandemic in different parts of the region. Chapter 2 discusses opportunities for mobilising higher revenues in developing Asia in the wake of the pandemic in order to repair countries' fiscal systems and promote investment while also fostering equality and enhancing the region's resilience.

This report presents detailed and internationally comparable data on tax revenues in 28 Asian and Pacific economies: Australia, Bangladesh, Bhutan, Cambodia, People's Republic of China (hereafter "China"), the Cook Islands, Fiji, Indonesia, Japan, Kazakhstan, Korea, Kyrgyzstan¹, Lao People's Democratic Republic (hereafter Lao PDR), Malaysia, the Maldives, Mongolia, Nauru, New Zealand, Pakistan, Papua New Guinea, the Philippines, Samoa, Singapore, the Solomon Islands, Thailand, Tokelau, Vanuatu and Viet Nam. It also provides information on non-tax revenues for Bhutan, Cambodia, the Cook Islands, Fiji, Kazakhstan, Kyrgyzstan, Lao PDR, the Maldives, Mongolia, Nauru, Pakistan, Papua New Guinea, the Philippines, Samoa, Singapore, Thailand, Tokelau, Vanuatu and Viet Nam.

Chapter 1 discusses key tax indicators for these 28 economies: the tax-to-GDP ratio; the tax structure and the share of tax revenue by level of government. It also analyses non-tax revenues for selected economies. The discussion is supplemented by the comparative tables in Chapter 3 and detailed information for each economy in Chapters 4 and 5.

The impact of COVID-19 on tax revenues

This section analyses the impact of COVID-19 on nominal tax revenues and nominal gross domestic product (GDP) in the Asia-Pacific region between 2019 and 2020 as well as changes in the tax-to-GDP ratio over this period. The value of the tax-to-GDP ratio depends on two components: the numerator (tax revenues) and the denominator (GDP) (Box 1.1). Changes in tax-to-GDP ratios between 2019 and 2020 reflect changes in both components over this period.

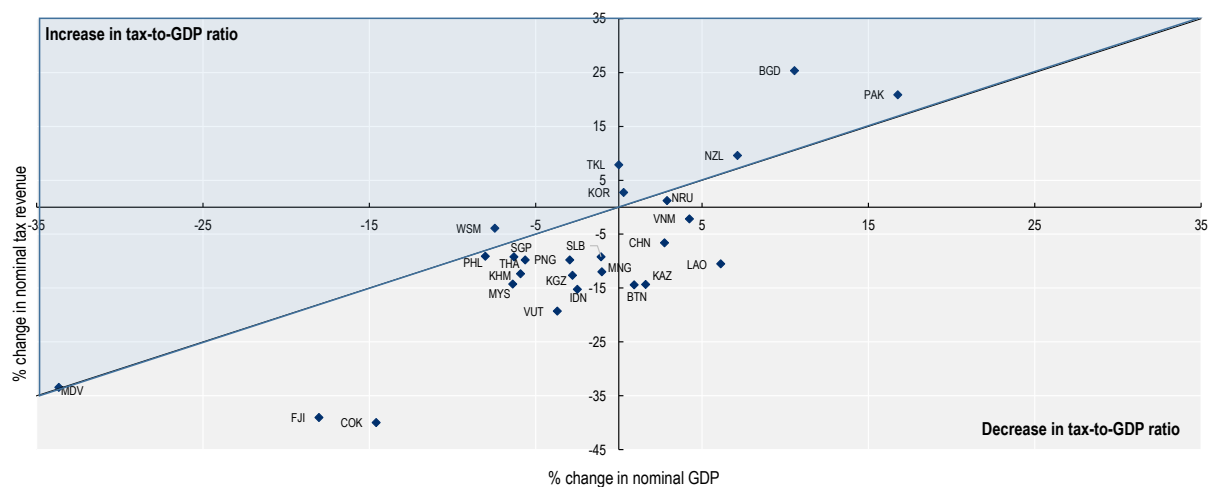
The COVID-19 pandemic resulted in historic falls in nominal tax revenues and nominal GDP. Twenty out of 26 economies for which data are available for 2020 (excluding Australia and Japan) recorded falls in nominal tax revenues between 2019 and 2020, which fell by 8.8% on average over the period. Nominal GDP fell in 15 economies and decreased by -2.6% on average between 2019 and 2020.

Figure 1.1 shows the falls in nominal tax revenues and GDP between 2019 and 2020 across the 26 economies. Decreases in nominal tax revenues larger than 15% were observed in Indonesia (-15.2%), Vanuatu (-19.3%), the Maldives (-33.5%), Fiji (-39.1%) and the Cook Islands (-40.0%). Nominal GDP decreased by less than tax revenues in most of these economies: by -2.5% in Indonesia, -3.7% in Vanuatu, -18.0% in Fiji and -14.6% in the Cook Islands, the exception being the Maldives, where nominal GDP decreased by -33.7%, almost the same amount as tax revenue. As a result, tax-to-GDP ratios decreased in Indonesia, Vanuatu, Fiji and the Cook Islands, while there was a small increase in the tax-to-GDP ratio in the Maldives as tax revenues fell by slightly less than GDP. A similar effect can be observed for Nauru:

nominal GDP increased by more than nominal tax revenue, which translated into a decrease in the tax-to-GDP ratio of -0.8 p.p. between 2019 and 2020.

Figure 1.1. Changes in nominal tax and nominal GDP, 2019-20

Year-on-year, percentage change



Note: Australia, Japan, Korea and New Zealand are part of the OECD (38) group. Data for Australia, Japan, Korea and New Zealand are taken from *Revenue Statistics 2021* (OECD, 2021^[1]).

Australia and Japan are excluded from the graph as data for 2020 were not available.

Source: Author's calculation based on (OECD, 2022^[2]).

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Box 1.1. The tax-to-GDP ratio methodology

The tax-to-GDP ratios shown in *Revenue Statistics in Asia and the Pacific 2022* express aggregate tax revenues as a percentage of GDP. The value of this ratio depends on its denominator (GDP) and its numerator (tax revenues). Both the numerator and the denominator may be subject to historical revision.

Taxes are defined as compulsory, unrequited payments to general government. In the OECD classification, taxes are classified by the base of the tax and include taxes on incomes and profits, compulsory social security contributions (SSCs) paid to the general government, taxes on payroll and workforce, taxes on property, taxes on goods and services and other taxes.

The numerator (tax revenues)

This publication uses tax revenue figures that are submitted by focal points or published annually by national Ministries of Finance, tax administrations or statistical offices. Historical tax revenue data are subject to revision each year, with more important revisions in later years. Past figures may also change from one edition to the next when new data are obtained.

In 16 Asian and Pacific economies, the reporting year coincides with the calendar year. The remaining twelve countries report on a fiscal year basis:

- The fiscal year in Australia, Bangladesh, Bhutan, the Cook Islands, Nauru, New Zealand, Pakistan, Samoa and Tokelau runs from July to June. This means that reporting year 2020 corresponds to Q3/2020-Q2/2021.
- The fiscal year in Singapore and Japan covers April to March while in Thailand it covers October to September. The reporting year 2020 spans Q2/2020-Q1/2021 and Q4/2019-Q3/2020, respectively.

The denominator (GDP)

The GDP figures used in this publication are sourced from OECD National Accounts data for Australia, Indonesia, Japan, Korea and New Zealand; National Statistical Offices for Cambodia, China, Cook Islands, Fiji, Kazakhstan, Kyrgyzstan, Lao PDR, Malaysia, Maldives, Mongolia, Philippines, Singapore, Thailand, Tokelau and Viet Nam; the Asian Development Bank's Key Indicators Database for Papua New Guinea, Solomon Islands and Vanuatu; and World Economic Outlook data published by the IMF for Bangladesh, Bhutan and Pakistan.

Using these GDP figures ensures maximum consistency across countries, as well as international comparability. GDP figures are also revised and updated to reflect better data sources and improved estimation procedures, or to move towards new internationally-agreed guidelines for measuring the value of GDP.

Between 2019 and 2020, almost three-quarters of the economies in this publication for which data are available experienced decreases in their tax-to-GDP ratios (Figure 1.2). Nineteen economies had lower tax-to-GDP ratios in 2020 relative to 2019, whereas seven recorded higher ratios than in 2019 (data for 2020 are not available for Australia and Japan). The largest increases were seen in Tokelau and Bangladesh at 1.5 percentage points (p.p.) and 1.2 p.p., respectively. The increases in the remaining economies were smaller than 1 p.p.

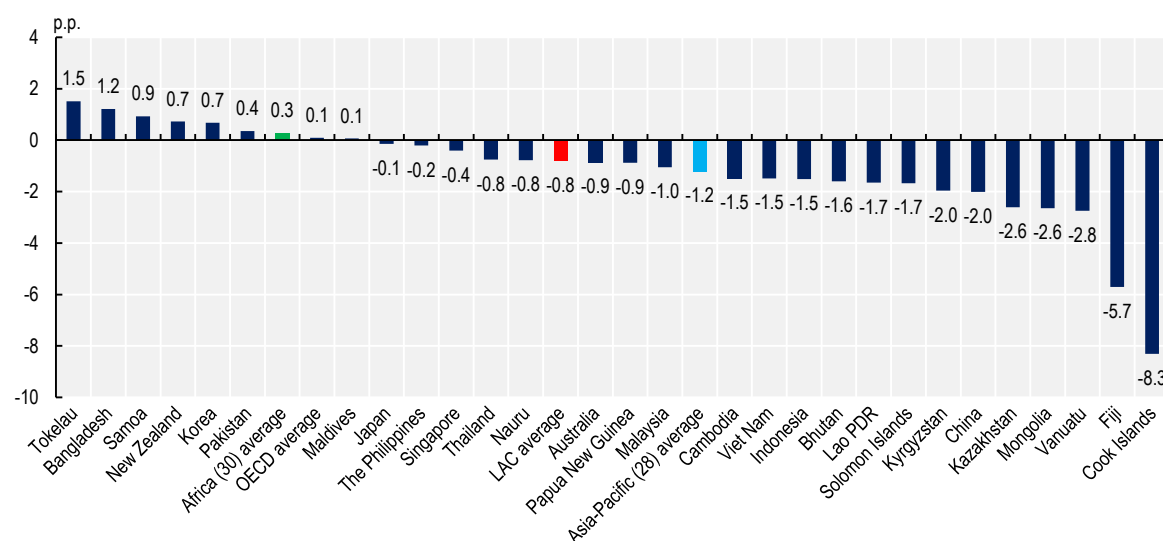
By contrast, fourteen economies experienced decreases in their tax-to-GDP ratio larger than or equal to 1 p.p. Tax-to-GDP ratios declined by between -1.0 p.p. and -2.0 p.p. in Malaysia, Viet Nam, Cambodia, Indonesia, Bhutan, Lao PDR, the Solomon Islands, Kyrgyzstan and China between 2019 and 2020. Five economies reported decreases larger than 2.0 p.p.: Kazakhstan and Mongolia (both by -2.6 p.p.), Vanuatu

(-2.8 p.p.), Fiji (-5.7 p.p.) and the Cook Islands (-8.3 p.p.). In the remaining five countries, the decreases were smaller than 1 p.p.

On average, the tax-to-GDP ratio for the Asia-Pacific region fell by -1.2 p.p. between 2019 and 2020. This was larger than the decline in Latin America and the Caribbean (LAC), where the regional average declined by -0.8 p.p. between 2019 and 2020 (OECD et al., 2022^[3]). Meanwhile, the OECD average increased by 0.1 p.p. over the same period (OECD, 2021^[1]). Tax-to-GDP ratios increased in 20 of the 36 OECD countries for which 2020 data are available, while they decreased in 20 of the 26 LAC countries and increased in six between 2019 and 2020.

Figure 1.2. Annual changes in tax-to-GDP ratios (2019-20)

Percentage point (p.p.) change



Note: Australia, Japan, Korea and New Zealand are part of the OECD (38) group. Data for Australia, Japan, Korea and New Zealand are taken from *Revenue Statistics 2021* (OECD, 2021^[1]).

Data for the change between 2018 and 2019 are used for Australia and Japan.

Source: Author's calculations based on Table 3.1 in Chapter 3.

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Evolution of tax-to-GDP ratios since 2010

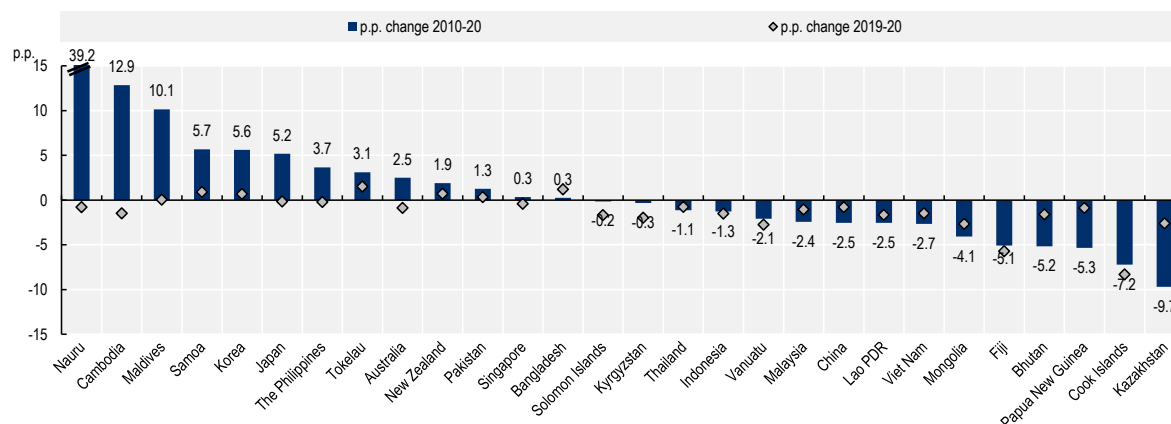
Across a longer time horizon, tax-to-GDP ratios declined in 15 of the 28 economies in this publication between 2010 and 2020 while 13 economies observed an increase over this period (Figure 1.3).² The largest decreases between 2010 and 2020 were observed in Fiji (-5.1 p.p.), Bhutan (-5.2 p.p.), Papua New Guinea (-5.3 p.p.), the Cook Islands (-7.2 p.p.) and Kazakhstan (-9.7 p.p.). While tax-to-GDP ratios in Kazakhstan, Papua New Guinea and Bhutan were affected by falls in natural resource prices between 2010 and 2020, decreases in Fiji and the Cook Islands over this period were attributable to the COVID-19 pandemic: between 2010 and 2019, their tax-to-GDP ratios increased by 0.6 p.p. (Fiji) and 1.1 p.p. (the Cook Islands) (Figure 1.3).

Between 2010 and 2020, the tax-to-GDP ratio increased most in the Maldives (10.1 p.p.), Cambodia (12.9 p.p.) and Nauru (39.2 p.p., since 2014). Samoa, Korea and Japan also reported increases larger than 5.0 p.p. since 2010. Of the 13 economies whose tax-to-GDP ratios increased since 2010, only Bangladesh, Tokelau and Cambodia reported changes larger than 1 p.p. between 2019 and 2020. By

contrast, most economies whose tax-to-GDP ratio has decreased since 2010 reported changes larger than 1 p.p. between 2019 and 2020, the exceptions being Thailand (-0.8 p.p.), China (-0.8 p.p., exclusive of SSCs) and Papua New Guinea (-0.9 p.p.).

Figure 1.3. Changes in tax-to-GDP ratios (2010-2020 and 2019-2020)

Percentage point (p.p.) change



Note: Australia, Japan, Korea and New Zealand are part of the OECD (38) group. Data for Australia, Japan, Korea and New Zealand are taken from *Revenue Statistics 2021* (OECD, 2021^[1]).

For Australia and Japan, the graph shows changes between 2010-19 and 2018-19 as data for 2020 were not available for both countries.

The tax-to-GDP ratios for China are shown exclusive of SSCs.

Data for Nauru is only available from 2014 and for Pakistan from 2011 onwards.

Source: Authors' calculations based on Table 3.1 in Chapter 3.

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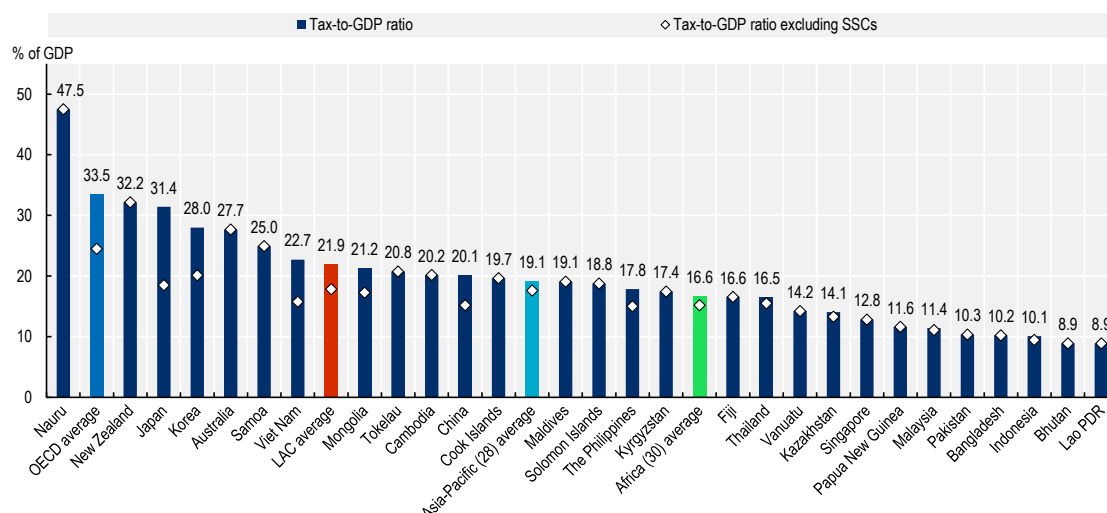
Tax-to-GDP ratios during the COVID-19 pandemic

In 2020, tax-to-GDP ratios in Asia and the Pacific ranged from 8.9% in Bhutan and Lao PDR to 47.5% in Nauru (Figure 1.4). Twelve of the 28 economies had tax-to-GDP ratios above the Asia-Pacific (28) average of 19.1% in 2020, and all economies in the publication had lower ratios than the OECD average of 33.5%, with the exception of Nauru. Most of the Asian countries covered in this report had a tax-to-GDP ratio below the regional average of 19.1%, with the exceptions of Japan (31.4%, 2019 figure), Korea (28.0%), Viet Nam (22.7%), Mongolia (21.2%), Cambodia (20.2%), China (20.1%) and the Maldives (19.1%). By contrast, tax-to-GDP ratios observed in the Pacific islands were more evenly distributed, with four economies recording tax-to-GDP ratios above the regional average (the Cook Islands, Tokelau, Samoa and Nauru) and four below (Papua New Guinea, Vanuatu, Fiji and the Solomon Islands).

Tax-to-GDP ratios in Asian and Pacific economies, inclusive and exclusive of SSCs, are shown in Figure 1.4. In countries that levy SSCs, tax-to-GDP ratios exclusive of SSCs ranged from 9.5% of GDP in Indonesia to 20.1% of GDP in Korea in 2020 (Lao PDR and Kyrgyzstan are not included as data are not available). For all countries with SSC data, six countries in Asia had tax-to-GDP ratios exclusive of SSCs between 15% and 20% of GDP: the Philippines (15.0%), China (15.2%), Thailand (15.5%), Viet Nam (15.8%), Japan (18.5%, 2019 figure) and Mongolia (17.3%), while three countries had tax-to-GDP ratios exclusive of SSCs below 15%: Indonesia (9.5%), Malaysia (11.1%) and Kazakhstan (13.3%). While excluding SSCs does not impact the tax-to-GDP ratios in Pacific economies, where social protection is funded predominantly from general revenues and not through SSCs, it plays a more significant role in the ratios of most of the Asian economies included in this publication.

Figure 1.4. Tax-to-GDP ratios in Asian and Pacific economies and regional averages, including and excluding social security contributions (2020)

Percentage of GDP



Note: The figures do not include sub-national tax revenue for the Cook Islands, Fiji, Lao PDR, Malaysia, the Maldives, Papua New Guinea, Samoa, the Solomon Islands and Viet Nam as the data are not available.

The averages for Africa (30 countries), for Asia-Pacific (28 economies), for LAC (26 Latin American and Caribbean countries) and the OECD (38 countries) are unweighted.

Australia, Japan, Korea and New Zealand are part of the OECD (38) group. Data for Australia, Japan, Korea, New Zealand and the OECD average are taken from *Revenue Statistics 2021* (OECD, 2021^[1]).

2019 data are used for the Africa (30) average, Australia and Japan, as 2020 data are not available.

Source: Authors' calculations based on Table 3.1 in Chapter 3.

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Structural factors are a key determinant of tax-to-GDP ratios across economies. These include the importance of agriculture in the economy, openness to trade and the size of the informal economy. For example, in many economies with a large agricultural sector, taxation can be particularly challenging as it relates to informality, low incomes and low productivity (Mawejje and Sebudde, 2019^[4]). In addition, agriculture benefits from numerous tax exemptions. For example, Malaysia allows an Investment Tax Allowance on capital expenditure and income tax to companies producing certain agricultural products or engaged in certain agricultural activities (Malaysian Investment Development Authority, 2019^[5]). The common challenges that Small Island Developing States (SIDS) confront, such as remoteness, exposure to natural disasters and low economic diversification, also influence tax-to-GDP ratios and tax structures in these islands. These factors are discussed in more detail in Box 1.3.

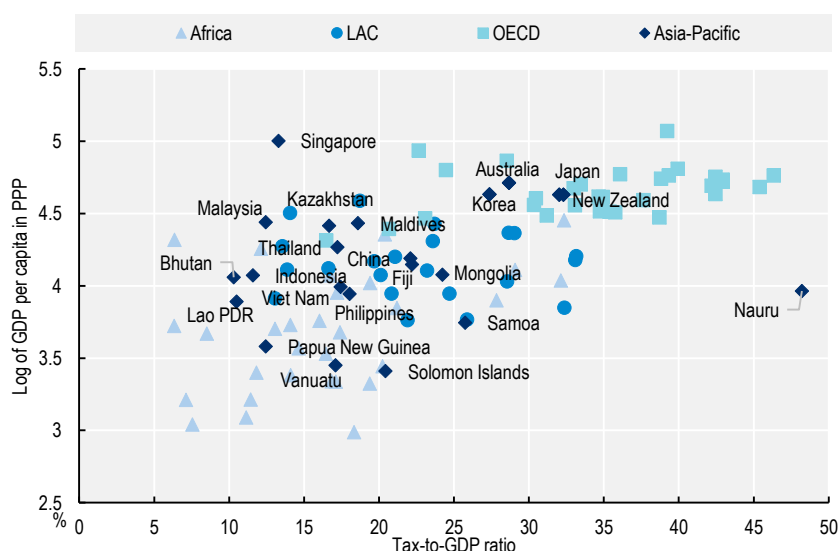
In addition to structural factors, tax policy and tax administration settings also strongly influence the level of tax revenues. These include the size of the tax base, governance and administrative capacity within tax authorities, the level of satisfaction with public service provision and tax morale (i.e. the willingness of people to pay taxes) (OECD, 2019^[6]). For example, Aizenman et al. (2019^[7]) found that tax-to-GDP ratios in Asia are positively correlated with government effectiveness and institutional quality. Finally, tax-to-GDP ratios tend to be higher in high-income economies, although the relationship is not direct and is less pronounced at lower levels of income due to the influence of other factors (Figure 1.5).

The relationship between GDP per capita and tax levels across the Asian and Pacific economies in this publication is less direct than that observed across LAC or OECD countries. Nine Asian and Pacific

economies (China, Fiji, Kazakhstan, the Maldives, Mongolia, the Philippines, Samoa, Thailand and Viet Nam) have broadly similar GDP per capita and tax-to-GDP ratios as the majority of LAC countries. Seven economies (Pakistan, Bangladesh, Kyrgyzstan, Papua New Guinea, Vanuatu, Samoa and the Solomon Islands) have similar per capita levels of income but their tax-to-GDP ratios differ markedly. In contrast, Australia, Japan, Korea and New Zealand have higher per capita income and tax-to-GDP ratios. Finally, Singapore has the highest GDP per capita of the 28 economies considered here and a relatively low tax-to-GDP ratio.

The high GDP per capita in Singapore results from significant inward flows of foreign direct investment (FDI) (UNCTAD, 2012^[8]), whereas the tax-to-GDP ratio is explained by lower income tax rates (particularly on corporate income) and value added tax (VAT) rates compared to other Asian and Pacific economies (UNESCAP, 2014^[9]). Nauru, on the other hand, has a similar GDP per capita level to Lao PDR, Viet Nam and the Philippines but reports the highest tax-to-GDP ratio of the 28 economies in this publication as a result of high revenues generated in connection with the Refugee Processing Centre (RPC) (Government of Nauru, 2020^[10]).

Figure 1.5. Tax-to-GDP ratios and GDP per capita (in PPP) in Asian and Pacific economies, Latin America and the Caribbean, OECD and African countries (2020)



Note: The y-axis is on a logarithmic scale.

Data for 2019 are used for Australia, Japan and all African countries.

The Cook Islands and Tokelau are excluded as GDP per capita data were unavailable for these countries.

The purchasing power parity (PPP) between two countries is the rate at which the currency of one country needs to be converted into that of a second country to ensure that a given amount of the first country's currency will purchase the same volume of goods and services in the second country as it does in the first. The implied PPP conversion rate is expressed as national currency per current international dollar. An international dollar has the same purchasing power as the US dollar has in the United States. An international dollar is a hypothetical currency that is used as a means of translating and comparing costs from one country to the other using a common reference point, the US dollar [definitions derived from (IMF, 2019^[11]) and (WHO, 2015^[12])].

Source: GDP per capita from *World Economic Outlook, April 2022* (IMF, 2022^[13]).

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Box 1.2. Tax revenue trends in the ASEAN (8) and in Pacific Island economies since 2010

Among the 28 economies included in this publication, two distinct subgroups can be identified: one group of eight Pacific Island economies and another comprising eight members of the Association of Southeast Asian Nations (ASEAN).

The eight Pacific Island economies included in this publication are the Cook Islands, Fiji, Nauru, Papua New Guinea, Samoa, the Solomon Islands, Tokelau and Vanuatu, which together comprise the Pacific Islands (8) average. Despite their diversity, the Pacific Island economies share common characteristics such as remoteness, small populations, limited economic diversification, and exposure to natural disasters and climate change (ADB, 2016^[14]).

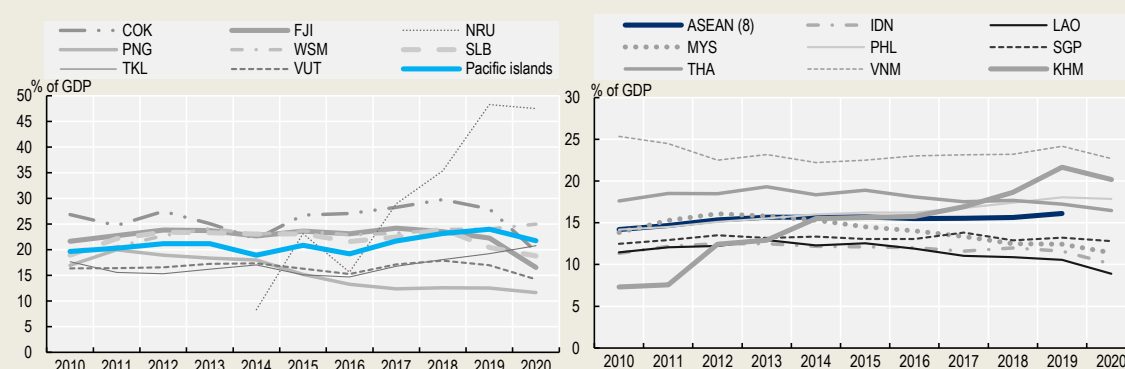
The second sub-regional group includes the eight ASEAN member states in this publication. Founded in 1967, ASEAN is a regional organisation that promotes economic, political and social collaboration amongst its ten member states and within the region (ASEAN, 2021^[15]). The eight ASEAN members included in this publication are Cambodia, Indonesia, Lao PDR, Malaysia, the Philippines, Singapore, Thailand and Viet Nam; they comprise the ASEAN (8) average.³

The Pacific Islands generally had higher tax-to-GDP ratios than the ASEAN (8) countries (Figure 1.6). Tax-to-GDP ratios in the former grouping ranged from 11.6% of GDP in Papua New Guinea to 47.5% in Nauru in 2020, with an average of 21.8%. Across the ASEAN (8) economies, tax-to-GDP ratios ranged from 8.9% in Lao PDR to 22.7% in Viet Nam in the same year, with an average of 15.0%.

Since 2010, tax-to-GDP ratios in both groups increased, with a more moderate growth for the ASEAN (8) economies. However, most of the Pacific Island and ASEAN (8) economies registered a decrease in their tax-to-GDP ratios between 2019 and 2020, with the exception of Samoa (increased by 0.9 p.p.) and Tokelau (increased by 1.5 p.p.). The Cook Islands (-8.3 p.p.), Fiji (-5.7 p.p.) and Vanuatu (-2.8 p.p.) experienced the largest decreases in tax-to-GDP ratios among the 16 economies.

Changes in tax-to-GDP ratios between 2010 and 2020 ranged from -7.2 p.p. in the Cook Islands to 39.2 p.p. in Nauru (since 2014) in the Pacific Island economies, while changes in the tax-to-GDP ratio in ASEAN countries ranged between -2.7 p.p. in Viet Nam to 12.9 p.p. in Cambodia.

Figure 1.6. Tax-to-GDP ratios in ASEAN and Pacific Island economies, 2010-20



Note: Data for Nauru are only available from 2014 onwards.

Source: Author's calculation based on (OECD, 2022^[21]).

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Regional differences are also reflected in the average tax structures, as displayed in Figure 1.7. While revenues from taxes on goods and services play an important role in both regions (48.1% of total taxes in the ASEAN (8) economies and 57.5% in the Pacific Island economies), the composition of the taxes on goods and services differs. Revenues from VAT contributed 21.6% of total taxation in the ASEAN (8) economies on average in 2020, which is lower than the Asia-Pacific (28) average (23.1%) and the Pacific Islands (8) average (22.3%). Revenues from other taxes on goods and services accounted for the largest share of total taxes in both the ASEAN (8) and the Pacific Island economies. However, the share of these taxes was 35.2% in the Pacific Island economies, 8.7 p.p. larger than the average share in the ASEAN (8) countries in 2020 (of 26.5%).

Another difference between the averages is the relative importance of revenues from PIT and CIT. CIT revenues played a relatively small role in the tax structures of Pacific Island economies and contributed only 11.0% on average to total tax revenues in 2020, whereas revenues from CIT accounted for 24.1% of total taxes for the ASEAN (8) average and 18.8% of total taxes of the Asia-Pacific (28) average. Revenues from PIT accounted for an average of 13.2% of total taxes in the ASEAN (8) countries, 16.0% in the Asia-Pacific region and 21.2% in Pacific Island economies in 2020.

Figure 1.7. Tax structure in Asia-Pacific, ASEAN (8) and Pacific Island economies in 2020




Note: Asia-Pacific (28) average: Unweighted average of the 28 Asian and Pacific economies included in this publication.

ASEAN (8) average: Unweighted average of the 8 ASEAN economies (Cambodia, Indonesia, Lao PDR, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam) included in this publication.

Pacific Islands (8) average: Unweighted average of the 8 Pacific Island economies (the Cook Islands, Fiji, Nauru, Papua New Guinea, Samoa, the Solomon Islands, Tokelau and Vanuatu) included in this publication.

Source: Author's calculations based on (OECD, 2022^[2]), "Revenue Statistics - Asian and Pacific Economies: Comparative tables", OECD Tax Statistics (database).

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Tax structures in Asia and the Pacific

The tax structure, measured as the composition of tax revenues from different tax types, is the second key indicator in the *Revenue Statistics* publications. Considering the structure of taxation is useful for policy analysis as different taxes have different economic and social effects. Across the 28 economies in this publication, the composition of taxes varies widely, reflecting economies' different policy choices, economic structures and conditions, tax administration capabilities and historical factors.

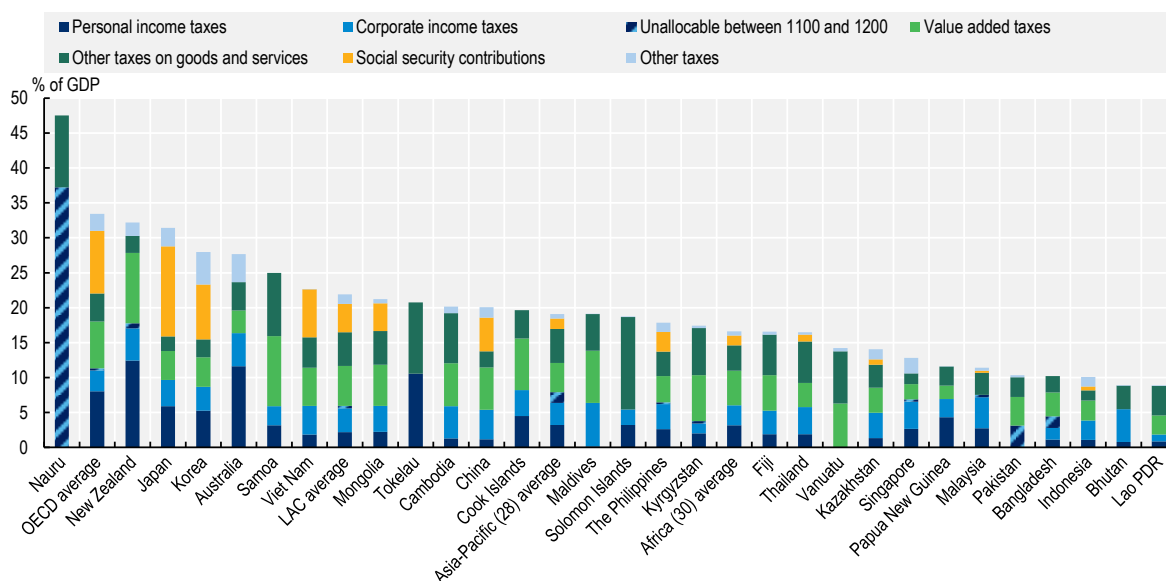
Revenues by tax category in 2020

Australia, New Zealand and Tokelau recorded the highest levels of personal income tax (PIT) revenues as a percentage of GDP in 2020 (Figure 1.8). Revenue from PIT equated 12.4% of GDP in New Zealand, 11.6% of GDP in Australia (2019 figure) and 10.6% of GDP in Tokelau. In the other Pacific economies covered in this publication, revenue from PIT was above 3.0% of GDP and closer to the Asia-Pacific (28) average of 3.2%, except in Fiji (1.9%) and Vanuatu (which does not have a PIT). For Nauru, it is not possible to distinguish between revenues from PIT and CIT. However, Nauru has the highest level of revenue from income taxes of all economies included in the publication, at 37.2% of GDP.

In the Asian countries in this publication (excluding Japan and Korea), revenue from PIT in 2020 ranged from 0.1% in the Maldives, which introduced PIT in 2020, to 2.7% of GDP in Malaysia. Japan and Korea both had higher revenues from PIT than the rest of the Asian countries included in this publication, at 5.9% (2019 figure) and 5.3% respectively.

Figure 1.8. Tax structures as a percentage of GDP (2020)

Percentage of GDP




Note: The averages for Africa (30 countries), for Asia-Pacific (28 economies), for LAC (26 Latin American and Caribbean countries) and the OECD (38 countries) are unweighted.

Australia, Japan, Korea and New Zealand are part of the OECD (38) group. Data for Australia, Japan, Korea, New Zealand and the OECD average are taken from *Revenue Statistics 2021* (OECD, 2021^[1]).

2019 data are used for the Africa (30) average, Australia, Japan and the OECD average.

Source: (OECD, 2022^[2]).

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Revenues from CIT were equivalent to 3.1% of GDP on average across the Asia-Pacific region. They were higher than revenues from PIT in 15 of the 24 economies considered here (excluding Tokelau and Vanuatu, which do not have a CIT, and Nauru and Pakistan, for which it is not possible to distinguish between PIT and CIT revenues). Revenues from CIT ranged from 1.0% of GDP in the Lao PDR to 6.2% in the Maldives, the only country in which CIT revenues exceeded 5% of GDP.

SSCs account for a relatively small proportion of tax revenues of Asian and Pacific economies. Sixteen economies in this publication, including all the Pacific economies, do not levy SSCs. In most of the other economies, revenues from SSCs were relatively low in 2020, including Malaysia (0.3% of GDP), Indonesia (0.6% of GDP), Kazakhstan (0.7% of GDP), Thailand (1.0% of GDP) and the Philippines (2.8% of GDP). These were significantly below the averages of LAC (4.0% of GDP) and the OECD (8.9% of GDP in 2019). Five Asian economies reported relatively high revenues from SSCs: Mongolia (4.0% of GDP), China (4.9% of GDP), Viet Nam (6.9% of GDP), Korea (7.8% of GDP) and Japan (12.9% of GDP, 2019 figure).⁴

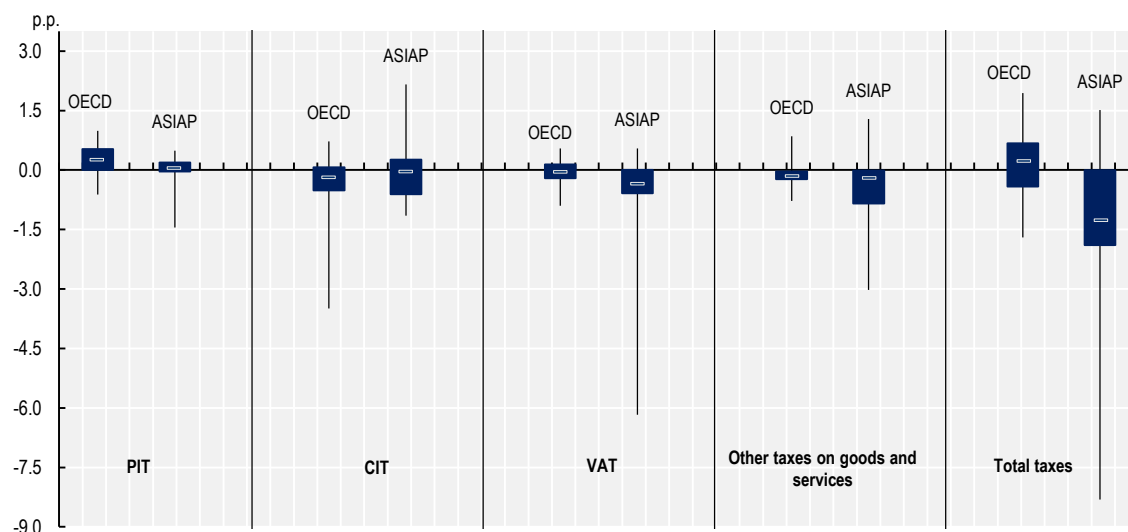
Revenues from taxes on goods and services amounted to 9.0% of GDP on average across the 28 Asian and Pacific economies. In Asian economies, revenues from taxes on goods and services amounted to less than 10% in 2020, with the exception of Mongolia (10.7%), the Maldives (12.7%), Cambodia and Kyrgyzstan (both 13.3%). In contrast, the majority of the Pacific economies in this publication generated revenues from taxes on goods and services that exceeded 10% of GDP, ranging from 10.2% of GDP in Tokelau to 19.1% in Samoa in 2020. The exceptions in the Pacific were Papua New Guinea (4.6% of GDP) and Australia (7.3% of GDP, 2019 figure).

Revenue impact of COVID-19 by tax category

While the majority of the economies included in this publication experienced a decrease in tax revenues as a result of the COVID-19 crisis, the channels through which revenues were impacted by the pandemic varied:

- Figure 1.9 presents the overall distribution of changes in tax types as percentage of GDP between 2019 and 2020 in the OECD and in the Asia-Pacific region. On average, the tax-to-GDP ratio in Asia-Pacific decreased by -1.2 p.p. while in the OECD it increased by 0.1 p.p.. Besides the difference in magnitude, changes in both regions were driven by different tax types. Revenues from CIT declined in only half of the 26 economies for which data are available in the Asia-Pacific region,⁵ while they declined in two thirds of the OECD countries. In Asia and the Pacific, the decrease was driven by decreases in revenue from taxes on goods and services: these decreased in 21 economies, and the magnitude of the decrease as percentage of GDP was overall larger than in OECD countries, where these tax categories did not change on average between 2019 and 2020.

Figure 1.9. Changes in tax revenues by category as a share of GDP, OECD and Asia Pacific, 2019-20



Note: The category SSCs is excluded from the graph as SSCs are less relevant in the Asia-Pacific region.

Source: Author's calculations based on (OECD, 2022^[16]), "Revenue Statistics - Asian and Pacific Economies: Comparative tables", *OECD Tax Statistics* (database) and (OECD, 2021^[11]).

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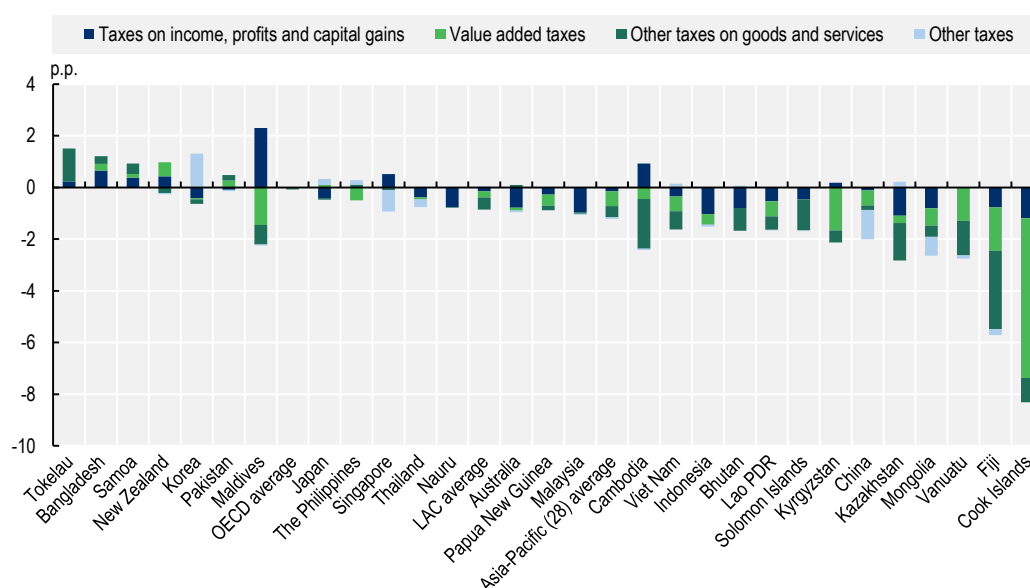
- Tax-to-GDP ratios across the Pacific Islands decreased primarily because of lower revenues from taxes on goods and services resulting from a sharp fall in tourism. The number of tourist arrivals declined by 99% to 100% between April and December 2020 (ADB, 2020^[17]). Vanuatu, Fiji and the Cook Islands, three Pacific Island economies heavily reliant on tourism, experienced the largest decreases among the 28 economies due to border closures: the tax-to-GDP ratio decreased by -2.8 p.p. in Vanuatu, by -5.7 p.p. in Fiji and by -8.3 p.p. in the Cook Islands between 2019 and 2020. Declines in revenues from taxes on goods and services were the main driver of the decreases in all three economies. In Vanuatu, revenues from VAT and other taxes on goods and services contributed equally to the decline, both decreasing by -1.3 p.p. In Fiji, revenues from other taxes on goods and services accounted for the bulk of the decrease (-3.0 p.p.), mostly due to a decline of over 70% in revenues from the airport departure tax (FRCS, 2020^[18]) and lower revenues from excises, while VAT revenues declined by -1.7 p.p. between 2019 and 2020. In the Cook Islands, revenues from VAT declined by -6.2 p.p., while revenues from taxes from other goods and services declined by -0.9 p.p. and income tax revenues decreased by -1.2 p.p. over the same period.
- In Asia, the largest decreases in tax-to-GDP ratios occurred in Kyrgyzstan and China (both by -2.0 p.p.), and Kazakhstan and Mongolia (both by -2.6 p.p.). In Kyrgyzstan, revenues from VAT declined by -1.7 p.p., mainly due to lower revenue from VAT on imports. In China, lower revenues from SSCs and VAT were the main drivers of the decrease of the tax-to-GDP ratio between 2019 and 2020. In Kazakhstan, lower revenues from taxes on the production of minerals and from taxes on exports contributed most to a -1.5 p.p. decline in revenues from other taxes on goods and services between 2019 and 2020. Additionally, revenues from taxes on oil companies (to the National Fund) decreased by over 60% in nominal terms, leading to a -1.1 p.p. decline in revenues from income taxes. In Mongolia, declines in revenues from income taxes, VAT revenue and other

tax revenues, including social security contributions, contributed almost equally to the overall decline of -2.6 p.p. (income tax revenue decreased by -0.8 p.p. while the latter both decreased by -0.7 p.p.). Revenue from other taxes on goods and services decreased by -0.4 p.p.

- In Cambodia and the Maldives, increases in revenues from income taxes (partially) offset decreases in revenues from taxes on goods and services between 2019 and 2020. In Cambodia, a decrease in revenues from taxes on goods and services was mainly due to lower revenues from excises and VAT (which declined by -2.4 p.p.), while revenues from CIT increased by 0.9 p.p., leading to an overall decrease of -1.5 p.p. in the tax-to-GDP ratio. While the Maldives also experienced a decline in revenues from taxes on goods and services (of -2.2 p.p.) due to the lack of tourism, the decline was offset by a 2.3 p.p. increase in revenues from income taxes due higher revenues from the bank profit tax.

Figure 1.10. Net changes in tax-to-GDP ratios between 2019 and 2020 by main type of tax


Percentage point (p.p.) change



Note: Australia, Japan, Korea and New Zealand are part of the OECD (38) group. Data for Australia, Japan, Korea and New Zealand are taken from *Revenue Statistics 2021* (OECD, 2021^[1]).

Data for the change between 2018 and 2019 are used for Australia and Japan.

Source: Authors' calculations based on (OECD, 2022^[16]), "Revenue Statistics - Asian and Pacific Economies: Comparative tables", *OECD Tax Statistics* (database).

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Tax structures in 2020 and evolution since 2010

Within the Asia-Pacific region, tax structures varied greatly in 2020. In 18 economies, the main source of tax revenue was taxes on goods and services, while nine economies obtained the largest share of tax revenues from income taxes. Japan is the only country where the greatest share of revenues was derived from SSCs. There were also notable differences between the ASEAN countries and the Pacific Islands in the publication, discussed in Box 1.2.

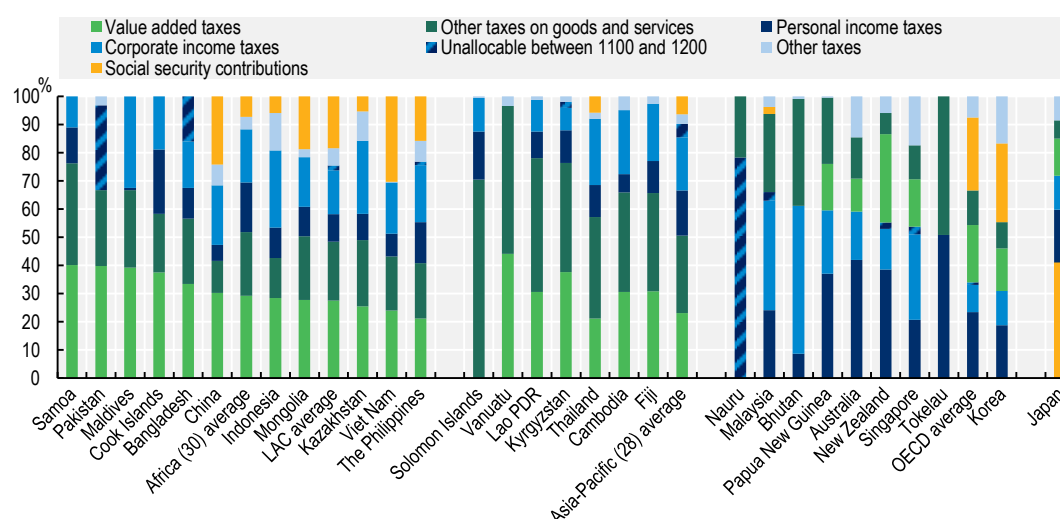
In 2020, income taxes were the largest source of revenue for Australia (2019 figure), Bhutan, Korea, Malaysia, Nauru, New Zealand, Papua New Guinea, Singapore and Tokelau. Among these economies,

the share of income tax revenue in total tax revenue varied from 30.9% in Korea to 78.3% in Nauru. CIT revenues exceeded PIT revenues in three Asian countries (Bhutan, Malaysia and Singapore), while all Pacific economies in this group except Nauru (Australia, New Zealand, Papua New Guinea and Tokelau), as well as Korea, generated higher shares of revenue from PIT than from CIT.⁶

Taxes on goods and services were the main source of tax revenue in Bangladesh, Cambodia, China, the Cook Islands, Fiji, Indonesia, Kazakhstan, Kyrgyzstan, Lao PDR, the Maldives, Mongolia, Pakistan, Philippines, Samoa, the Solomon Islands, Thailand, Vanuatu and Viet Nam in 2020, contributing between 41.7% (China) and 96.6% (Vanuatu) of total tax revenue. In six of these economies, taxes on goods and services other than VAT, such as excises and import duties, contributed a larger share than VAT revenues to total tax revenues. Revenues from other taxes on goods and services in these economies ranged from 34.9% of total tax revenues in Fiji to 70.5% in the Solomon Islands, while eleven economies received a larger share of revenue from VAT, ranging from 21.1% in the Philippines to 40.2% in Samoa.

As discussed earlier, SSCs generated a relatively small proportion of revenues for most Asian and Pacific economies, with a few exceptions among the Asian countries. Japan derives the largest share of total tax revenues from SSCs (41.1% in 2019) while these also generated a significant proportion of revenues in the Philippines (15.7%), Mongolia (18.7%), China (24.2%), Korea (28.0%) and Viet Nam (30.4%).

Figure 1.11. Tax structures as a percentage of total taxation in 2020




Note: The averages for Africa (30 countries), for Asia-Pacific (28 economies), for LAC (26 Latin American and Caribbean countries) and the OECD (38 countries) are unweighted.

Australia, Japan, Korea and New Zealand are part of the OECD (38) group. Data for Australia, Japan, Korea, New Zealand and the OECD average are taken from *Revenue Statistics 2021* (OECD, 2021^[1]).

2019 data are used for the Africa (30) average, Australia, Japan and the OECD average.

Source: (OECD, 2022^[16]), "Revenue Statistics - Asian and Pacific Economies: Comparative tables", *OECD Tax Statistics* (database).

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VAT is an increasingly important source of revenues for most economies in this publication, particularly in the Pacific. Excluding Nauru, Malaysia, Bhutan, Tokelau and the Solomon Islands, which do not have value added taxes, VAT revenues in 2020 ranged from 11.7% of total tax revenue in Australia (2019 figure) to 44.1% in the Vanuatu.

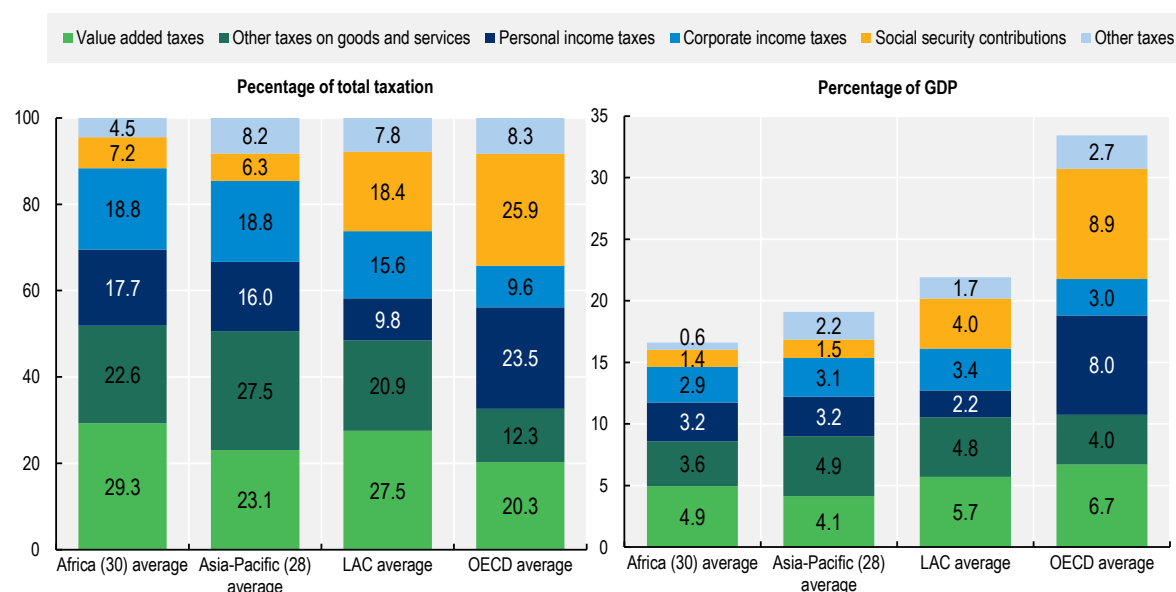
In ten of the 16 Asian economies that levy VAT, it generated more than 25% of total taxes (Kazakhstan, Mongolia, Indonesia, China, Lao PDR, Cambodia, Bangladesh, Kyrgyzstan, the Maldives and Pakistan). In six countries, the share of revenues from VAT was below 25%, ranging from 13.2% in Japan to 24.0% in Viet Nam. The share of revenues from VAT in total taxes was generally higher across Pacific economies, with only two economies (Australia at 11.7% of total taxes [2019 figure] and Papua New Guinea at 16.4%) reporting shares below 30%, while the share in the rest of the economies ranged from 30.9% in Fiji to 44.1% in Vanuatu in 2020. On average, the share of VAT in total tax revenues in Asia-Pacific (28) in 2020 (23.1%) was similar to the OECD average of 20.3% (2019 figure) and lower than the LAC (27.5%) and Africa (30) averages (29.3%, 2019 figure).

In 2020, revenues from other goods and services contributed between 6.5% of total tax revenue in Japan (2019 figure) and 70.5% in the Solomon Islands (Figure 1.11). The high share in the Solomon Islands was derived from general taxes on goods and services, such as the goods tax and the sales tax and export duties on various products, particularly logging (the Solomon Islands does not apply a VAT). The share of other taxes on goods and services in total revenues is also comparatively high in Cambodia, Thailand, Samoa, Bhutan, Kyrgyzstan, Lao PDR, Tokelau and Vanuatu, where they exceed 35% of total tax revenues.

In 2020, revenues from other taxes on goods and services played a more prominent role in the Pacific economies than in the Asian countries covered in this publication. Seven of the ten Pacific economies generated more revenue from other taxes on goods and services than from VAT, whereas 12 of the 18 Asian countries received more revenue from VAT. For the Africa, LAC and OECD averages, revenue from VAT contributed a larger share to total tax revenue than other goods and services while the opposite was true for the Asia-Pacific (28) average.


Figure 1.12. Tax structure for the Africa (30), Asia-Pacific (28), LAC and OECD averages, 2020

Percentage of total tax revenues and as a percentage of GDP



Note: 2019 data are used for the Africa (30) average and the OECD average.

Source: (OECD, 2022^[16]), "Revenue Statistics - Asian and Pacific Economies: Comparative tables", *OECD Tax Statistics* (database).

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Average tax structures across Asia-Pacific, Africa and LAC shared some similarities in 2020. Revenues from goods and services accounted for a similar share of total tax revenues in Africa, Asia-Pacific and LAC, at 51.9% (2019 figure), 50.6% and 48.4% respectively – much higher than the OECD average of 32.6% (2019 figure). Taxes from other goods and services generated the largest share of total tax revenue (27.5%) in the Asia-Pacific region in 2020 (Figure 1.12), which was significantly higher than the share in Africa (22.6%, 2019 figure) and the LAC average (20.9%), and more than twice the OECD average (12.3%, 2019 figure). Revenues from VAT were equivalent to 4.1% of GDP in Asia-Pacific; at 23.1% of total taxation, these revenues were closer to the OECD average of 20.3% (2019 figure) than to the average share of VAT in Africa (29.3%, 2019 figure) and LAC (27.5%).

On average, income tax revenues in the Asia-Pacific region accounted for the same share of total taxation as in Africa (38.4%). In the Asia-Pacific region, revenues from PIT accounted for 16.0% of total taxes, similar to the Africa average of 17.7% (2019 figure), above the LAC average (9.8%) and below the OECD average (23.5%, 2019 figure). CIT revenues accounted for a larger share of total tax revenues in the Asia-Pacific region, on average, at 18.8%, which was the same as the Africa (30) average (also 18.8%, 2019 figure) and above the shares in LAC (15.6%) and the OECD (9.6%, 2019 figure). The Asia-Pacific region had the lowest share of SSCs among the four averages: they contributed 6.3% of total taxes in Asia Pacific, 7.2% in Africa (2019 figure), 18.4% in LAC and 25.9% of total taxes in OECD countries (2019 figure).

Changes in tax-to-GDP ratios between 2010 and 2020 by tax category

Between 2010 and 2020, declines in CIT revenues were the major driver of decreases in tax-to-GDP ratios observed in many economies, whereas a range of tax types accounted for the increases (Figure 1.13). These changes reflect the diverse range of policy measures and economic developments in the 28 Asian and Pacific economies over this period.

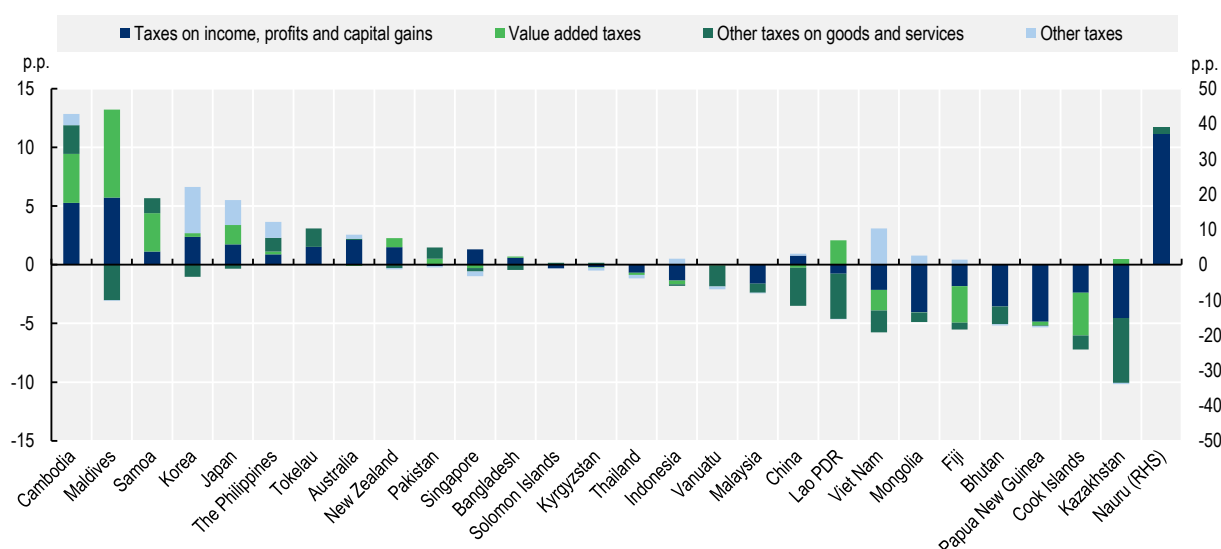
Of the fifteen economies where tax-to-GDP ratios declined between 2010 and 2020, lower CIT revenues contributed to the declines in ten. The largest declines in the tax-to-GDP ratios over this period were in Fiji (-5.1 p.p.), Bhutan (-5.2 p.p.), Papua New Guinea (-5.3 p.p.), the Cook Islands (-7.2 p.p.) and Kazakhstan (-9.7 p.p.). As already mentioned, the decreases in the Cook Islands and Fiji were mainly due to the impact of the COVID-19 pandemic. In the remaining economies, decreases reflected a longer-term trend and resulted primarily from declines in CIT revenues, amplified by the COVID-19 pandemic:

- The decrease in Bhutan was mainly driven by decreases in revenue from CIT (-3.4 p.p.) and excises (-1.9 p.p.) due to lower revenues from the business income tax and lower economic activity prior to the COVID-19 pandemic (World Bank, 2021^[19]). The removal of the excise duty refund from India due to the introduction of Goods and Service Tax caused a decrease in revenues from excises in 2019 (IMF, 2018^[20]).
- Papua New Guinea and Kazakhstan were affected by declines in natural resource prices:
 - Between 2010 and 2020, CIT revenues in Papua New Guinea decreased by -4.8 p.p. due to lower revenues from the mining and petroleum tax, which accounted for half as much tax revenue in nominal terms in 2019 and for only around 12% in nominal terms in 2020 due to the COVID-19 pandemic as it did in 2010. Other factors such as slower economic growth and an earthquake in 2018 also contributed to the decline in the tax-to-GDP ratio in Papua New Guinea (IMF, 2020^[21]).
 - The decline in tax-to-GDP ratio for Kazakhstan was mainly driven by decreases in CIT (-4.4 p.p.) and other taxes on goods and services (-5.5 p.p.), which include revenues from customs and import duties and from taxes on the production of useful minerals. Kazakhstan was particularly affected by the commodity price shock in 2014, as more than one-third of budgetary revenues are generated through the oil sector (OECD, 2019^[22]).

- Thirteen economies recorded increases in their tax-to-GDP ratios between 2010 and 2020. The largest increases were observed in the Maldives, Cambodia and Nauru (since 2014), which all recorded increases larger than 10 p.p. Tax policy and administrative reforms were the main driver of the increases in tax-to-GDP in all three economies:
 - Since 2014, Nauru has introduced an employment and services tax and a business tax, and has improved revenue collection (IMF, 2020^[23]).
 - Cambodia has implemented various administrative and regulatory reforms under the long-term Public Financial Management Reform Programme to improve the government's finance system (Royal Government of Cambodia, 2019^[24]). Reforms aimed at making tax administrations more efficient have included the digitalisation of taxpayer services, simplification of procedures, improvements of audits and training for staff, as well as the revision of some tax rates to ease compliance (Royal Government of Cambodia, 2018^[25]), (OECD, 2018^[26]), (World Bank, 2019^[27]).
 - The Maldives have undertaken major tax policy reforms since 2011 to increase tax revenue. Key policy changes have included the introduction of a goods and services tax in 2011, a business tax, and a corporate profit tax (ADB, 2017^[28]). The tax-to-GDP ratio increased by 2 p.p. between 2010 and 2011, mainly due to the introduction of VAT. Subsequent rate increases in these three taxes have also contributed to higher tax revenues (ADB, 2017^[28]). The Maldives also introduced a personal income tax in 2020 (Maldives Inland Revenue Authority, 2020^[29]).

Figure 1.13. Net changes in tax-to-GDP ratios between 2010 and 2020, by main type of taxes

Percentage point (p.p.) change



Note: Australia, Japan, Korea and New Zealand are part of the OECD (38) group. Data for Australia, Japan, Korea and New Zealand are taken from *Revenue Statistics 2021* (OECD, 2021^[11]).

2019 data are used for Australia and Japan.

Data for Nauru are only available from 2014 and Pakistan from 2011 onwards. The tax-to-GDP ratios for China are shown exclusive of SSCs. Nauru recorded the largest increase among Asian and Pacific economies and uses the axis on the right hand side (RHS).

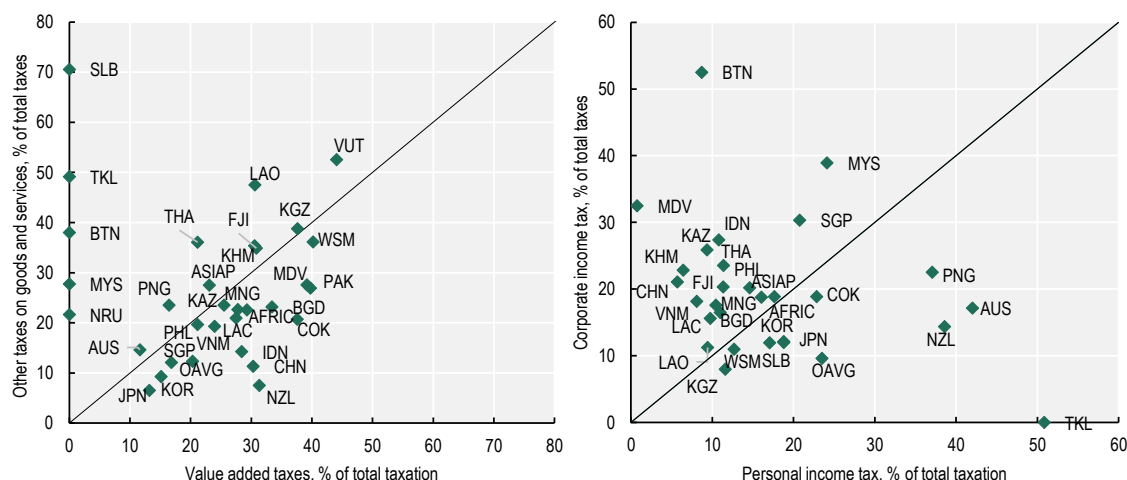
Source: Authors' calculations based on (OECD, 2022^[16]), "Revenue Statistics - Asian and Pacific Economies: Comparative tables", *OECD Tax Statistics* (database).

Between 2010 and 2020, the share of revenue from VAT increased most in the Maldives (by 39.2 p.p.), Lao PDR (25.0 p.p.) and Kazakhstan (12.4 p.p.). Both the Maldives and Lao PDR introduced a VAT within this timeframe (in 2011 and 2010, respectively). While Lao PDR replaced the earlier turnover tax with a VAT (Keomixay, 2010^[30]), the Maldives introduced a goods and sales tax, which is a value added tax, for the first time to raise revenue (ADB, 2017^[28]). Increases in the share of VAT in total taxation in Kazakhstan were mainly the result of improved VAT administration (IMF, 2020^[31]).

Seven economies experienced a decline in the share of VAT revenues over this period: Australia, Fiji, Korea, the Cook Islands, the Philippines, Singapore and Viet Nam. In Fiji, the share of VAT revenue declined by -7.2 p.p. in 2020 to 30.9% of total tax revenues, following a decrease of the VAT rate from 15% to 9% in 2016. In Viet Nam, the share of VAT decreased by -4.4 p.p. due to the increase in other tax revenues, such as PIT and SSCs. The decrease of -3.4 p.p. in the Cook Islands was a result of lower VAT revenues during the COVID-19 pandemic. Decreases in Australia (2010 to 2019), Korea and Singapore ranged from -1.5 p.p. to -2.7 p.p. over the same period.

Figure 1.14. Revenues from VAT and other taxes on goods and services and revenues from PIT and CIT, 2020

Percentage of total taxation



Source: (OECD, 2022^[16]), "Revenue Statistics - Asian and Pacific Economies: Comparative tables", *OECD Tax Statistics* (database).

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The relative importance of CIT and PIT in income tax revenues also varied between Asian and Pacific economies (Figure 1.14). In most Asian economies included in this publication, the share of revenues from CIT as a percentage of total taxation was higher than the share of revenues from PIT in 2020, except for Japan, Kyrgyzstan and Korea. In contrast, all Pacific economies, with the exception of Fiji, reported higher shares of revenues from PIT than CIT (see Box 1.2).

In 2020, revenues from CIT contributed between 8.0% of total tax revenue in Kyrgyzstan and 52.5% of total tax revenue in Bhutan. In six economies, the share of CIT revenues in total tax revenues exceeded 25% (Bhutan, Indonesia, Kazakhstan, Malaysia, Maldives and Singapore). By contrast, revenue from PIT as a percentage of total tax revenues ranged from 0.8% in the Maldives, which introduced personal income taxes in 2020, to 50.8% in Tokelau (which does not have a CIT).

The share of CIT revenues was lower in 2020 than in 2010 in thirteen economies, by between 0.2 p.p. of total tax revenues in Samoa and 23.2 p.p. in Papua New Guinea. The share of revenues from PIT

decreased in five Asian and Pacific economies between 2010 and 2020, with the size of the decrease ranging from 0.3 p.p. in Tokelau to 6.0 p.p. in the Cook Islands. Revenue from PIT increased as a share of total taxation for 20 economies (excluding China, Pakistan, Nauru and Vanuatu which have no PIT data), with the increases ranging from 0.1 p.p. in Bangladesh to 13.4 p.p. in Papua New Guinea.

Box 1.3. Enhancing domestic resource mobilisation in Small Island Developing States through revenue statistics

Small Island Developing States (SIDS) comprise a diverse group of the smallest and most remote economies in the world located across Africa, Asia and the Pacific, and Latin America and the Caribbean. They share a common and unique set of development challenges owing to their small populations and landmasses, spatial dispersion and remoteness from major markets, and exposure to severe climate-related events and natural disasters. With small and undiversified economies, SIDS are highly vulnerable to external shocks, as they rely strongly on the global economy for financial services, tourism, remittances and concessional finance.

Two common challenges faced by SIDS are the achievement of adequate domestic resource mobilisation and debt sustainability. Domestic revenues are often erratic due to narrow economic productive bases that are often concentrated in sectors exposed to external fluctuations, such as natural resources or tourism. At the same time, SIDS typically have large current expenditures as the high unit cost of providing services to small and scattered populations increases public sector expenditures above the average levels of other developing countries (31.7% of GDP in SIDS, compared to 21.3% in other developing countries) (World Bank, 2020^[32]). Severe climate events and natural disasters also tend to have heavy fiscal and economic impacts. These factors lead to high levels of public debt for many SIDS [59.5% of GDP, compared to 44.6% for other developing countries (World Bank, 2020^[33])] and reduce the fiscal space to invest in development.

Taxes are an important and relatively stable source of revenues in many SIDS, although economies' ability to raise domestic revenues varies significantly. The *Global Revenue Statistics* publications and database (OECD, 2022^[34]) show that Pacific Islands had the biggest variation of tax-to-GDP ratios among SIDS, from 11.6% in Papua New Guinea to 47.5% in Nauru in 2020. Among African SIDS, Cabo Verde had a tax-to-GDP ratio of 20.6%, Mauritius of 21.1% and Seychelles of 34.3% in 2019 (OECD, AUC, ATAF, 2021^[35]). Finally, for SIDS in Latin America and the Caribbean, ratios ranged from 12.6% in the Dominican Republic to 37.5% in Cuba in 2020 (OECD et al., 2022^[3]).

The COVID-19 pandemic is hampering SIDS' ability to mobilise and improve the stability of domestic revenues. Public revenues in SIDS have been affected by the crisis via a variety of channels, most notably the sharp fall in tourism, the decline in overall economic activity, and fluctuations in commodity and natural resource prices. To recover from the COVID-19 crisis, enhanced management of key sectors, including fisheries, tourism and natural resource extraction, may provide opportunities to enhance domestic revenue mobilisation in SIDS. Policies to reduce "leakages" from these sectors – especially tourism – and to support backward and forward linkages with other domestic sectors (e.g. food and agriculture, consumer goods and construction) could expand the taxable production base.

Improving the efficiency of revenue collection, enlarging the tax base and employing efficient tax policies are also essential to increase the resources required to sustain development. The *Global Revenue Statistics* project supports 21 SIDS in these efforts by providing accurate, comparable and detailed data on their tax revenues. This information is essential for tax policymaking and administrative reforms, and forms a common evidence base for mutual learning across SIDS on how to scale up domestic resource mobilisation.

Source: Piera Tortora and Talita Yamashiro Fordelone, based on OECD (OECD, 2018^[36]), (World Bank, 2020^[33]), (World Bank, 2020^[32]) and on the Global Revenue Statistics database (OECD, 2022^[34]).

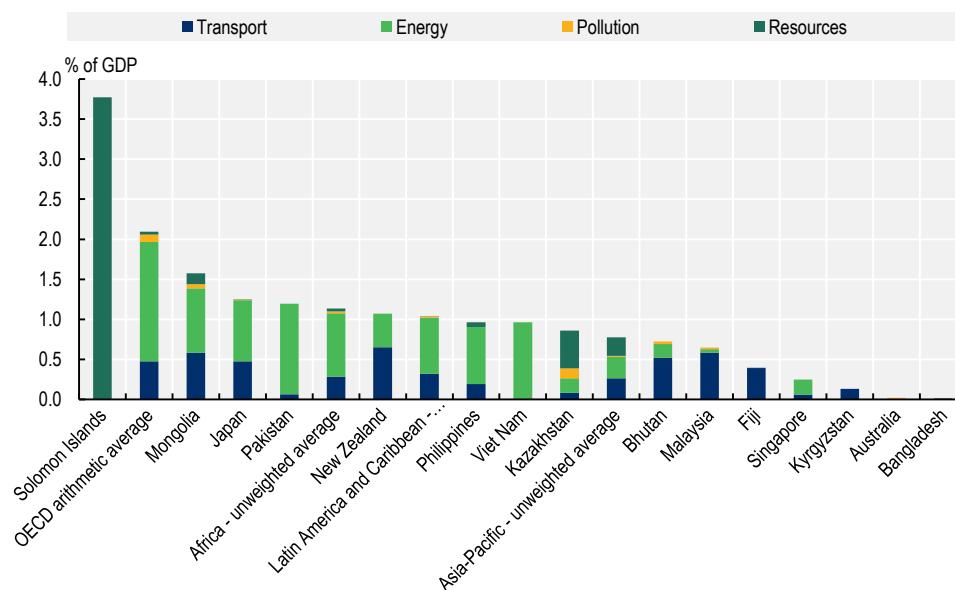
Environmental taxes in Asia and the Pacific

Environmentally related taxes,⁷ and price-based policy instruments more generally, play an increasingly significant role in many countries to support a transition to sustainable and low-carbon economic growth. By incorporating a price signal into consumer and producer decisions, these taxes give effect to the polluter-pays principle and encourage businesses and households to consider the environmental costs of their behaviour. Although environmentally related tax revenues⁸ (ERTR) are not separately identified in the standard OECD tax classification, they can be identified through the detailed list of specific taxes included for most countries within this overarching classification. It is on this basis that they are included in the *OECD Policy Instruments for the Environment* (PINE) database (OECD, 2022^[37]).⁹

A detailed examination of taxes for the Asian and Pacific economies for which information is available demonstrates that revenue from environmentally related taxes in 2020 ranged from no (or very close to zero) environmentally related taxes in Australia and Bangladesh, to 3.8% of GDP in the Solomon Islands.¹⁰ The case of the Solomon Islands is notable as their environmentally related tax revenue is particularly high compared to other Asian and Pacific economies or the OECD average, due in large part to higher export duties, particularly on timber. The next highest revenues from environmentally related taxes in the region in 2020 were observed in Mongolia (1.6%), Japan (1.2%), Pakistan (1.2%), New Zealand (1.1%), and Philippines and Viet Nam (both 1.0%). On average, environmentally related taxes amounted to 0.8% of GDP in the Asia-Pacific region.

Figure 1.15. Environmentally related tax revenue in Asian and Pacific economies, by main tax base, 2020

Percentage of GDP



Note: It has not been possible to identify environmentally related tax revenues for Cambodia, China, the Cook Islands, Indonesia, Korea, Lao PDR, Maldives, Nauru, Papua New Guinea, Samoa, Thailand, Tokelau and Vanuatu due to data availability issues. 2019 data are used for the Africa (30) average.

Sources: Restricted ERTR database based on PINE database; (OECD, 2022^[37]).

Asian and Pacific economies rely on a range of bases for their ETR:

- In New Zealand, Bhutan, Malaysia, Fiji, Kyrgyzstan and Bangladesh, the majority of ETR comes from transport taxes (registration or road use of motor vehicles or departure taxes). They represent the totality for Fiji, Kyrgyzstan and Bangladesh, and 90% of total ETR in Malaysia, 72% in Bhutan and 61% in New Zealand.
- In other Asian and Pacific economies, ETR are principally raised via taxes on energy (most commonly from diesel and petrol excises). They represent the totality of ETR in Viet Nam, 95% in Pakistan, 76% Singapore, 74% in the Philippines, 61% in Japan and 51% in Mongolia. Other ETR are levied from pollution and resources taxes. In almost all of these countries, a combination of these two types of taxes is used. Australia and the Solomon Islands are exceptions as they rely entirely on pollution taxes and resource taxes respectively.
- The composition of ETR is markedly different in Asian and Pacific economies than in African, LAC and OECD countries. In 2020, revenues from energy taxes and transport taxes generated the highest share of total ETR in the Asia-Pacific region (0.26% of GDP and 34% of the total ETR for both) whereas resources taxes amounted to 0.23% of GDP on average and pollution taxes 0.01% (29% and 2% of total ETR in Asia-Pacific respectively). In other regions, energy taxes accounted for 69.8% in Africa [2019 figure] of the total ETR, 71.2% in the OECD and 67.6% in LAC.

In general, the use of taxation to address environmental issues is low in the region and there is scope to increase use of such instruments, as recently shown by Singapore. In 2019, Singapore became the first country in Southeast Asia to impose a carbon tax. Its payment was first levied in 2020, based on greenhouse gas (GHG) emissions in 2019. The tax is applied on facilities that emit 25 000 tonnes of GHG emissions (tCO_{2e}) or more annually and it is set at a rate of S\$5 (tCO_{2e}) from 2019 to 2023, covering six greenhouse gases, and will be progressively raised to S\$25/tCO_{2e} in 2024 and 2025, S\$45/tCO_{2e} in 2026 and 2027 and S\$50-80/tCO_{2e} by 2030 (NCCS, 2020^[38]). This tax complements the carbon emissions-based vehicle scheme introduced in January 2013, which levies a tax on all new cars, taxis and newly-imported used cars, based on their CO₂/km performance.

The under-utilisation of environmental taxes in the Asia-Pacific region needs also to be understood in the context of the extensive use of fossil fuels subsidies. Reforming energy subsidies is considered by ADB (2016^[39]) as “one of the most important policy challenges for developing Asian economies”. UN ESCAP (2016^[40]) recommends that governments gradually phase out energy subsidies while implementing measures to compensate vulnerable groups and to ensure international competitiveness in a sustainable way. Reforming energy subsidies while at the same time implementing environmental taxation has the potential to mobilise significant government revenues and help to meet the Sustainable Development Goals (SDGs).

Taxes by level of government

This section discusses the relative share of tax revenues attributed to different levels of government in 2020: central government, regional or provincial government (including state government, where relevant), and local government as well as social security funds.

Sub-national taxes as a share of total tax revenues are highly variable across the region (Table 1.1). In 2020, the share of sub-national government tax revenue in the Asian countries ranged from 0.8% of total revenues in Bhutan to 36.7% in China. In Indonesia, revenues attributed to sub-national governments rose to over 11.5% in 2020, following the shift of property taxation to the local level in 2014. Revenue collected by sub-national governments accounted for 15.4% of total taxes in Mongolia in 2020, 6.5% in New Zealand and 19.2% in Australia (including both state and local tax revenues, 2019 figure).

The types of taxes levied by local governments vary between countries. Local governments in the Philippines have a narrow range of taxes under their jurisdiction, relying on property taxes and taxes on income and profits. Sub-national governments in Japan and Korea raise revenue from taxes on income and profits, property taxes, taxes on goods and services, payroll (Korea only) and other taxes. The share of sub-national government revenue also depends on the range of services that local governments are expected to provide. For example, the two types of local governments in Japan, prefectures and municipalities, participate in a wide range of responsibilities such as economic development plans, education, urban planning, public health and other social assistance expenditures (OECD/UCLG, 2019^[41]). Between 2000 and 2020, the share of revenues collected by sub-national governments was stable across the region, with the exception of Indonesia and Kazakhstan. In Indonesia, the share of revenues attributed to sub-national governments increased by 8.4 p.p., whereas in Kazakhstan decreased by -20.1 p.p.

With SSCs generating a smaller proportion of total revenues in Asia and the Pacific than in other regions, the share of revenues attributed to social security funds was also low. Australia, Bhutan, Cambodia, New Zealand, Pakistan and Singapore do not have social security funds and the proportion of total tax revenues collected by social security funds was zero in 2020, and was under 6% of total revenues in Indonesia, Kazakhstan, Malaysia and Thailand. By contrast, countries that source a greater share of their revenues from SSCs also had higher shares of revenues attributed to social security funds: at 41.1% of tax revenues in Japan in 2019, 28.0% in Korea, 24.2% in China, 18.7% in Mongolia, and 15.7% in the Philippines in 2020. The share of tax revenues attributed to social security funds has increased in Japan (by 5.8 p.p.) and Korea (by 11.3 p.p.) since 2000, and in Mongolia since 2006 (by 8.6 p.p.).

Table 1.1. Attribution of tax revenues to sub-sectors of general government

	Federal or central government				Sub-national government				Social security funds			
	2000	2010	2015	2020	2000	2010	2015	2020	2000	2010	2015	2020
Australia	81.8	80.2	79.3	80.8	18.2	19.8	20.7	19.2	0.0	0.0	0.0	0.0
Bhutan	99.7	99.9	99.6	99.2	0.3	0.1	0.4	0.8	0.0	0.0	0.0	0.0
China	..	54.7	50.3	39.1	..	45.3	49.7	36.7	..	..	..	24.2
Indonesia	96.8	92.8	88.9	82.6	3.2	7.2	10.6	11.5	..	..	0.6	5.9
Japan	38.7	33.0	36.7	35.5	26.1	25.9	23.9	23.5	35.2	41.1	39.4	41.1
Kazakhstan	50.3	81.3	72.2	65.0	49.7	16.2	24.0	29.7	..	2.5	3.8	5.3
Cambodia	..	100.0	93.4	90.7	..	..	6.6	9.3	..	0.0	0.0	0.0
Korea	68.2	60.0	55.4	53.0	15.1	16.6	18.0	19.0	16.7	23.3	26.6	28.0
Mongolia	..	75.5	61.5	65.9	..	11.4	16.5	15.4	..	13.1	22.0	18.7
Malaysia	98.0	98.2	98.3	97.4	..	..	..	..	2.0	1.8	1.7	2.6
New Zealand	94.3	92.8	93.2	93.5	5.7	7.2	6.8	6.5	0.0	0.0	0.0	0.0
Pakistan	..	..	92.4	91.1	..	..	7.6	8.9	..	..	0.0	0.0
The Philippines	81.5	82.0	80.6	78.3	5.3	5.3	5.3	5.9	13.1	12.6	14.1	15.7
Singapore	100.0	100.0	100.0	100.0	..	..	..	..	0.0	0.0	0.0	0.0
Thailand	88.9	86.3	86.4	86.6	7.5	6.6	8.0	7.6	3.7	7.1	5.6	5.8

Note: Australia, Japan, Korea and New Zealand are part of the OECD (38) group. Data for Australia, Japan, Korea and New Zealand are taken from (OECD, 2020^[42]) (OECD, 2021^[11]).

2019 data are used for Australia and Japan.

Australia: Sub-national figures include data of state and local government.

Data for China are included for 2020. Detailed data on revenue from social security contributions were not available in previous years.

Source: (OECD, 2022^[16]), "Revenue Statistics - Asian and Pacific Economies: Comparative tables", *OECD Tax Statistics* (database).

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Non-tax revenues in selected economies

This publication includes information on non-tax revenues for selected economies for which data are available. Non-tax revenues are defined as all revenues received by general government that do not meet the OECD definition of taxes, as set out in the Interpretative Guide (Annex A). They are further divided into five categories according to the definitions set out in Annex B: grants; property income; sales of goods and services; fines, penalties and forfeits; and miscellaneous and unidentified revenues.

Non-tax revenues as a percentage of GDP

Non-tax revenues were equivalent to a significant share of GDP in 2020 for six of the 19 economies for which data are available. In 2020, non-tax revenues amounted to 11.6% of GDP in Samoa, 19.8% in Bhutan, 24.0% in Vanuatu and 27.4% in the Cook Islands, whereas they amounted to 67.5% in Nauru and 218.7% in Tokelau. The very high level of non-tax revenues in Tokelau, measured as a share of GDP, is due to the fact that non-tax revenues are derived primarily from payments by foreign vessels for access to fishing waters under the Exclusive Economic Zone (EEZ) of Tokelau. In the 2008 System of National Accounts, these revenues are recorded as part of GNI but they do not add to GDP. By contrast, non-tax revenues are below 8.5% of GDP in the remaining economies. Similarly, fishing activities represent a significant source of revenue for the Nauru government and accounts for more than 50% of the total non-tax revenue in 2020, collected mainly from access fees paid by foreign fishing vessels.

Between 2019 and 2020, non-tax revenues declined in 12 economies as a percentage of GDP while they increased in seven. The declines exceeded 1 p.p. in five economies: Pakistan (-1.1 p.p.), Lao PDR and Tokelau (both -1.4 p.p.), Singapore (-2.4 p.p.) and Nauru (-17.8 p.p.). The decline in non-tax revenues in Nauru was mostly attributable to lower fishing and visa fee revenues, which were heavily affected by the COVID-19 crisis. In contrast, the Cook Islands reported an increase of 11.4 p.p. in non-tax revenue due to an increase in other revenue earned on behalf of the crown (classified under miscellaneous non-tax revenue), while the remaining economies reported increases smaller than one percentage point.

Non-tax revenues have been increasing since 2010 (or earliest available year) as a share of GDP in the majority of the economies but declining for Bhutan, Cambodia, Kyrgyzstan, Lao PDR, Maldives, Mongolia, Pakistan and Papua New Guinea. The largest increases occurred in Tokelau (64.1 p.p.), Nauru (38.9 p.p., since 2014), Vanuatu (15.7 p.p.), and the Cook Islands (13.9 p.p.). The upward trend for Tokelau and Nauru has been driven by higher revenues from property income, which is mostly sourced from fishery income. Tokelau receives support from New Zealand to strengthen the management of its Exclusive Economic Zone to maximise Tokelau's revenue collection from its international fisheries (New Zealand Foreign Affairs & Trade, 2018^[43]). Fisheries income also increased for Tokelau and Nauru after they became partners to the Parties to the Nauru Agreement (PNA), which administers the fishing vessel-day scheme (VDS). The VDS is the system to sustainably manage the world's largest tuna fishery in the Western and Central Pacific Ocean, and has increased revenue to the PNA by over 700% in the past seven years (Parties to the Nauru Agreement, 2016^[44]). The increase in non-tax revenue for Vanuatu is mainly due to development project grants from Australia, the World Bank, New Zealand and China, and the government's Honorary Citizenship Programme (Department of Finance and Treasury of Vanuatu, 2018^[45]). For the Cook Islands, grants have constituted an increasing share of non-tax revenue. Official Development Assistance (ODA) from New Zealand to support education, health and tourism initiatives in the Cook Islands accounts for the largest source of grants revenues (Ministry of Finance and Economic Management, 2020^[46]).

While tax revenue increased in economies such as Cambodia, Nauru, Maldives and Samoa as a percentage of GDP since 2010 (or earliest available year), non-tax revenues have been a more volatile source of revenue. In Bhutan, Lao PDR, and Samoa, the volatility of grants contributed most to the overall volatility of non-tax revenues. In Pakistan, revenues from property income were notably volatile.

Table 1.2. Non-tax revenue of main headings in selected Asia Pacific economies, 2010-20

Percentage of GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Bhutan	22.1	21.5	16.6	20.6	14.8	17.7	15.0	16.4	13.1	19.5	19.8
Cambodia	6.4	4.6	4.4	5.7	4.4	4.0	5.1	4.7	5.1	5.1	4.3
Cook Islands	13.5	8.2	8.4	14.3	16.2	13.9	16.4	14.3	12.9	16.0	27.4
Fiji	2.9	3.6	3.0	2.9	2.9	2.9	3.2	3.5	3.6	3.4	4.1
Kazakhstan	1.0	1.4	1.8	1.0	1.5	1.3	1.2	1.1	1.7	1.5	1.2
Kyrgyzstan	8.3	8.7	7.6	8.4	9.4	10.7	7.9	8.5	6.3	7.6	7.8
Lao PDR	9.5	6.7	10.2	7.3	9.6	7.7	4.5	5.3	5.4	5.1	3.7
Maldives	10.2	9.0	6.3	5.1	7.0	6.7	7.2	6.8	6.8	6.4	5.7
Mongolia	6.5	7.4	6.9	7.2	7.8	6.4	5.1	4.3	4.6	4.3	3.6
Nauru	..	..	..	..	28.6	65.2	63.7	70.8	92.7	85.3	67.5
Pakistan	..	2.5	3.0	3.6	3.5	2.5	2.8	2.0	1.1	3.3	2.2
Papua New Guinea	4.7	3.3	3.1	2.4	3.1	3.2	3.2	3.3	3.7	2.8	2.7
The Philippines	..	..	..	..	1.8	2.0	1.8	1.7	1.8	2.0	2.3
Samoa	8.9	6.0	4.8	7.1	4.8	4.7	4.5	5.3	5.6	10.9	11.6
Singapore	3.5	3.5	3.4	3.5	3.9	4.4	4.4	5.3	4.3	7.2	4.7
Thailand	3.3	2.7	2.9	2.9	3.1	3.6	3.7	3.6	3.8	3.7	4.0
Tokelau	154.6	196.4	192.6	246.6	173.4	230.4	236.5	210.0	236.4	220.1	218.7
Vanuatu	8.3	5.9	5.2	4.2	5.8	14.8	9.6	14.2	19.8	24.3	24.0
Viet Nam	5.7	5.1	4.9	5.1	5.1	6.5	7.2	8.4	8.6	8.3	8.2

Note: Tokelau receives significant revenues from foreign vessels for access to Tokelau fishing waters. In the 2008 SNA, these revenues are recorded as part of GNI, but they do not add to GDP.

Source: (OECD, 2022^[16]), "Revenue Statistics in Asian and Pacific Economies: Comparative tables", *OECD Tax Statistics* (database).

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Structure of non-tax revenues

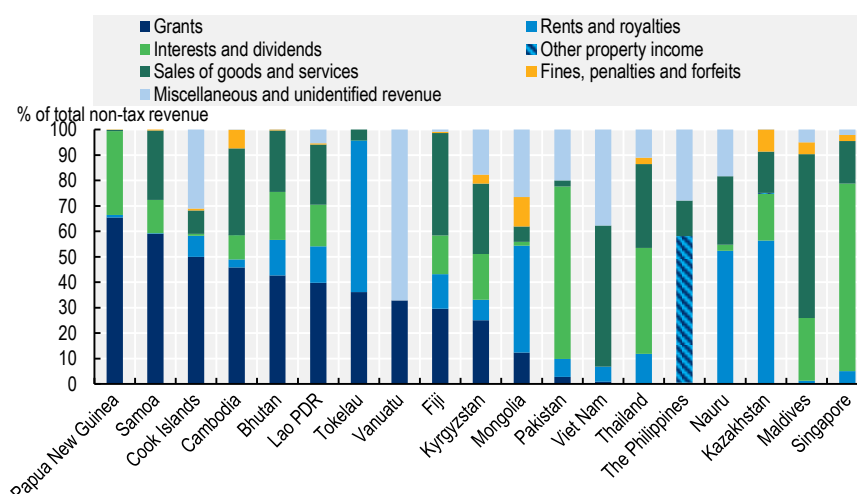
Non-tax revenues are divided into different categories: grants; property income; sales of goods and services; fines, penalties and forfeits; and miscellaneous and unidentified revenues. In 2020, the shares of each of these categories in total non-tax revenues varied across the 19 economies for which data are available (Figure 1.16). Notable trends include:

- Grants were an important source of revenues for half of the economies in 2020, exceeding 30% of total non-tax revenues in eight economies: Vanuatu (32.8%), Tokelau (36.2%), Lao PDR (39.7%), Bhutan (42.6%), Cambodia (45.8%), the Cook Islands (49.9%), Samoa (59.0%) and Papua New Guinea (65.4%). In 2020, they accounted for the majority of non-tax revenues for the Samoa and Papua New Guinea
- Property income accounted for over 30% of total non-tax revenue in more than half the economies for which non-tax revenue data are available. There were only five economies in which property income accounted for less than 20% of total non-tax revenue: Vanuatu, which does not generate revenues from property income, Viet Nam (5.9%), Cook Islands (9.2%), Cambodia (12.7%) and Samoa (13.3%). Property income accounted for more than half of total non-tax revenues in seven economies in 2020: Thailand (53.2%), Nauru (54.7%), the Philippines (58.0%), Tokelau (59.6%), Pakistan (74.9%), Kazakhstan (75.2%) and Singapore (78.8%).
- Property income in Tokelau and Nauru was derived predominantly from fisheries (i.e. fishing rents, fishing days, support vessels, etc.), which represented more than 90% of total property income in both economies. Rents and royalties accounted for 56.4% of total non-tax revenue in Kazakhstan


in 2020, mainly from oil revenues. Interests and dividends represented the majority of non-tax revenues for Pakistan (67.8%) and Singapore (73.7%). Other property income for the Philippines made up 57.6% of non-tax revenues.

- Finally, sales of goods and services accounted for more than half of non-tax revenues for Viet Nam (55.5%, composed by fees and charges, land rents, and revenues from land user right assignment) and Maldives (64.4%, mainly from leasing, fees and charges).

Figure 1.16. Structure of non-tax revenues, 2020



Source: (OECD, 2022^[16]), "Revenue Statistics - Asian and Pacific Economies: Comparative tables", *OECD Tax Statistics* (database).

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Notes

¹ Note by the ADB: The ADB recognises “Kyrgyzstan” as the “Kyrgyz Republic”.

² Data for Pakistan are available from 2011 and data for Nauru are available from 2014. In addition, 2020 data for Australia and Japan are not available in (OECD, 2021^[48]), so 2019 data are used instead.

³ The ASEAN members not included in this publication are Myanmar and Brunei Darussalam.

⁴ Data on SSCs were not available for Cambodia and Lao PDR.

⁵ For Nauru and Pakistan, it is not possible to distinguish between revenues from PIT and CIT.

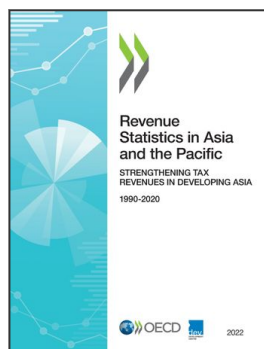
⁶ For Nauru and Pakistan, it is not possible to distinguish between revenues from PIT and CIT.

⁷ An environmentally related tax is a tax whose base is a physical unit (or a proxy of a physical unit) of something that has a proven, specific harmful impact on the environment regardless of whether the tax is intended to change behaviours or is levied for another purpose (OECD, 2005^[49]).

⁸ The figures in this report do not include revenues (that may be significant) from other policies addressing environmental issues such as fees and charges or revenues from emissions trading schemes. However the PINE database provides additional data on fees and charges, subsidies, voluntary approaches, tradable permits, deposit-refund systems for more than 80 countries (OECD, 2017^[47]).

⁹ Data on environmentally related tax revenue are presented for four tax-base categories: energy (including all CO₂ related taxes); transport (mostly motor vehicle taxes); pollution (e.g. discharges of waste or pollutants, taxes on waste or packaging); and resources (e.g. water extraction, hunting and fishing, mining) (OECD, 2017^[47]).

¹⁰ These figures need to be treated with caution as some environmentally related taxes may not be captured if the data are not sufficiently disaggregated.



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