Inter-American Center of Tax Administrations - CIAT

Tax Studies and Research Directorate
Working Paper 1-2014

Trends in Consumption Taxation in Latin America: 2000-2012

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January 2014

Acknowledgements

CIAT is grateful to the Inter-American Development Bank for financing that supported this study.

The authors wish to express their gratitude for the assistance of Julio López and Zoraya Miranda of CIAT's Executive Secretariat, as well as for the help provided by CIAT's Tax Studies and Research Network.

1. Introduction

This document provides an overview of consumption tax in 17 countries of Latin America. It focuses on value-added tax (VAT)-like levies and excise taxes, and covers the period 2000–2012.

The study does not include Brazil's ICMS because it is less comparable with the other VATs in the region. It is applied at the subnational level and introduces special treatment for inter-state operations (it does not adhere fully to the destination principle but rather is a mix). Its taxable base does not include services, apart from transport (ISS levied at the municipal level serves that function, although it is a cumulative tax). Other federal-level taxes such as PIS/PASEP and COFINS, which in some cases allow the deduction of sales taxes, could have been included in the analysis but were not because, strictly speaking, they are taxes on gross receipts.

Also excluded are some taxes in other countries that are generally levied at the subnational level. Among others, these include: the tax on gross receipts in Argentina; the tax on industry and commerce in Colombia; the license for commerce, industry, professions and trades in Paraguay; the tax on goods and services in Costa Rica; and the transactions tax in Bolivia (which falls under the remit of the central government). In all these cases the taxes are on gross receipts.

Also excluded is the Contribution to Financing Social Security (COFIS) levied in Uruguay between 2001 and 2007.

Having excluded Brazil from analysis of the VATs, we chose not to include the IPI in the analysis of excise taxes.

Chapter 2 reviews the literature's main recommendations on the optimal taxation of consumption.

Chapter 3 is devoted to VAT. First it examines the tax's revenue-generating capacity and its redistributive capacity. It shows the tax's relative importance in the countries' fiscal structures and presents useful indicators to assess its revenue performance, analyzing certain factors that might help explain that performance. The chapter also discusses the distributive effects of VAT. Second, it offers an in-depth analysis of the tax's design in the 17 countries under study. This comparison covers the scope of the tax, territorial aspects of the taxable event, differential treatment (exclusions, exemptions and increased or reduced rates), simplified regimes for small-scale taxpayers, the treatment of exports, matters related to how the tax is determined, the characteristics of tax settlement, and other issues.

Chapter 4 is devoted to excise taxes. It shows the relative importance of these taxes in the countries' fiscal structures and analyzes their revenue structure by components (or categories of goods), reviewing some aspects of their design.

2. Theoretical framework

One of the most recurring discussions in the literature on optimal taxation concerns the best way to tax the capacity to pay that individuals express through their consumption. Consider the representative individual who typically features in microeconomics textbooks and who, in a static scenario,[1] seeks an optimal balance between the consumption of two goods, x_1 and x_2 and leisure[2] l. Given some preferences, the allocation of time ($\overline{H}$), the prices of the goods (p_1 and p_2) and the wage (w), the individual's problem is traditionally represented as:

$$\text{Max } U(x_1, x_2, l)$$

$$\text{s.t. } w(\overline{H} - \ell) = \sum p_i x_i$$

A tax (t) on both goods and leisure would be equivalent to the hypothetical lump-sum tax of welfare theory (a tax that causes no deadweight loss or excess burden because it does not distort consumption decisions), in which case this would be an optimal way of taxing the contributive capacity expressed in consumption. To see this, consider that the tax entails a budget constraint on the individual which is equivalent to that resulting from a lump-sum tax $\tau w\overline{H}$ where $t = \dfrac{\tau}{1-\tau}$.

In the real world, however, leisure cannot be taxed in the same way as the goods. Hence, without any change in individuals' nominal income, any tax on goods will change relative prices and distort consumption decisions.

Assuming individuals with identical preferences for goods, equal nominal incomes, and separability in consumption and leisure decisions, Ramsey (1927) suggests the need to use different tax burdens for each good in the economy, with a view to ensuring that demand for each of them is reduced by the same magnitude in percentage terms. In this way, individuals' consumption decisions would not be changed. Without interdependence among the demand for goods, (that is, with zero cross elasticities), Ramsey's famous rule of inverse elasticity suggests heavily taxing the goods the demand for which is most inelastic to changes in their price, and lightly taxing (or even subsidizing) goods with the most elastic demand.

Maintaining the impossibility of taxing leisure, but denying the assumption of the separability of consumption and leisure decisions, Corlett and Hague (1953) reinterpreted Ramsey's recommendation and suggested that the optimal approach is to tax heavily those goods that are complementary to leisure and to tax lightly (or even subsidize) goods that are complementary to work. This would yield something close to the outcome of a hypothetical lump-sum tax that would cause no deadweight loss or excess burden.

Accepting that individuals have neither identical preferences nor equal nominal incomes, and also that consumption taxes can be used to enhance distributive justice, Diamond and Mirrlees (1971) proposed heavy taxation of luxury goods and very light taxation of necessities, so that the percentage reduction in demand for goods consumed by the richest would be greater than the percentage reduction in the demand for goods consumed by the poorest. It is questionable whether this recommendation would lead to more effective redistribution, since the application of heavier

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[1] Saving does not exist.
[2] Leisure is time devoted to activities distinct from paid work.

tax to luxury goods whose demand is more elastic to changes in their price would also increase the deadweight loss or excess burden in the economy (a circumstance that would also affect producers), and thus all the gains in social welfare derived from the redistribution of revenue could be diminished.

Consumption taxes, however, can also be used for the purposes of regulation. Economic theory has provided reasons for basing State intervention on taxes (or subsidies) when the market has offered no private solutions to tackle the effect of externalities. Pigou (1932) pointed out the need to align private incentives with social incentives so as to induce the market to attain "socially" optimal levels of consumption of goods that have certain market characteristics. Many consumption taxes are therefore used as instruments to promote the consumption of merit goods that produce positive externalities, or that reduce the consumption of demerit goods that have negative externalities.

In practice, the simplest way that the countries have found to tax private consumption has been to use some form of general tax on all goods and services (a VAT or sales tax levied at the final stage of the production-distribution chain and one or several excise taxes on goods and services i) with demand that is inelastic to price changes; ii) that are complementary to leisure; iii) that have negative externalities; or iv) that are consumed by the richest (luxury goods). To improve the progressivity of general consumption taxes, countries often establish different rates (increased or reduced) or offer exclusions or exemptions.[3] These mechanisms can also seek to attain socially optimal levels of consumption of merit or demerit goods, or facilitate the consumption of goods that are complementary to work and penalize the consumption of goods that are complementary to leisure.

[3] Since the rich also consume necessities, for example, and spend much more on them than the poor in nominal terms, a better alternative seems to be a tax that is as universal as possible and is accompanied by direct transfers to the poorest, a design that Barreix et al. (2010) call personalized VAT.

3. Value added taxes

3.1. Revenue and redistributive capacity

According to Keen (2013), by 2012 some 150 countries had implemented a VAT: 26 low-income countries, 40 medium-low income, 46 medium-high income, and 38 high-income countries. VAT's growing importance has gone hand in hand with the substantial rise in the revenue generated. Leaving aside the high-income countries, in the past 20 years VAT revenue has almost doubled in middle-income countries and has grown by more than 50 percent in low-income countries.

Uruguay, in 1968, was the first Latin American country to introduce VAT, as Table 1 shows. In the 1970s another 10 countries adopted VAT: Argentina, Bolivia, Chile, Colombia, Costa Rica, Ecuador, Honduras, Nicaragua, Panama and Peru. Guatemala, Mexico and the Dominican Republic introduced it in the 1980s. El Salvador, Paraguay and Venezuela adopted it in the 1990s. Hence it can be said that VAT has been present in the region, on average, for 34 years. Without question, the tax's initial design was not as we know it today. Some were single-phase taxes. Other placed restrictions on tax credits or did not refund taxes to exporters.[4]

Table 1
VAT in Latin America

	Introduced	Years in force by 2012
Argentina	January 1975	38
Bolivia	January 1974	39
Chile	March 1975	38
Colombia	January 1975	38
Costa Rica	January 1975	38
Ecuador	August 1970	43
El Salvador	September 1992	21
Guatemala	August 1983	30
Honduras	January 1976	37
Mexico	January 1980	33
Nicaragua	January 1975	38
Panama	March 1977	36
Paraguay	July 1993	20
Peru	January 1973	40
Dominican Republic	January 1983	30
Uruguay	January 1968	45
Venezuela	October 1993	20

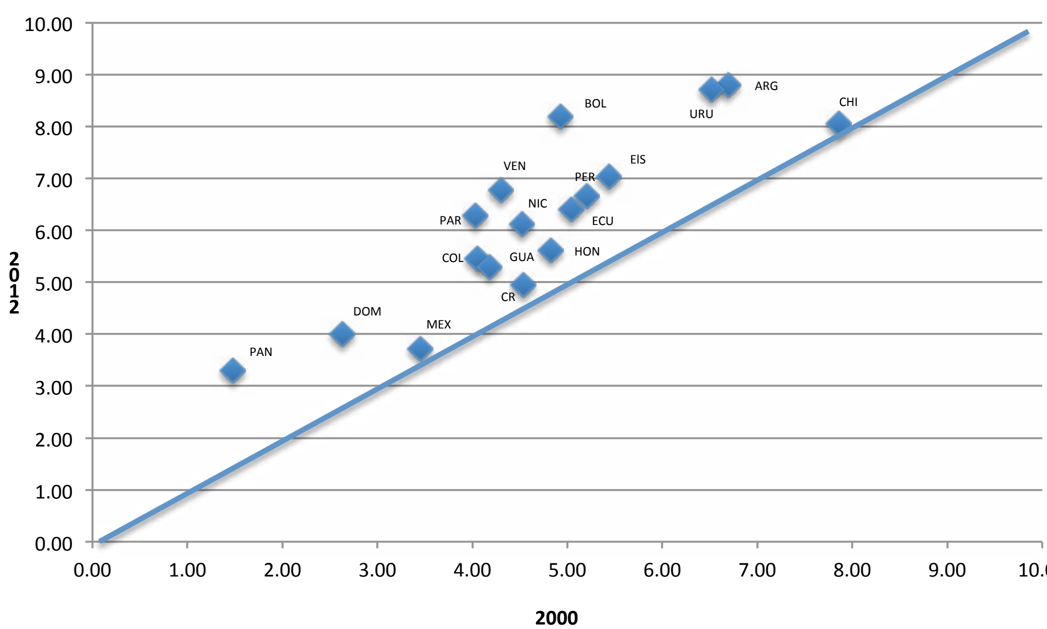
Source: CIAT, CAN, Gillis (1989), Tait (1988), Ebril et al. (2001), Khalilzadeh-Shirazi (1994), Thirsk (1998), ITD (2005).

[4] Tait (1988) and Zolezzi (1983) review the characteristics of these early designs.

In almost all the Latin American countries covered by this study, VAT provides most of the tax revenue. Annexes 1 and 2 offer historical series from 1972 to 2012, with data on VAT revenue as a percentage of GDP and as a share of the tax revenues of central governments. By 1987 VAT was providing, on average, between 20 percent and 25 percent of tax revenues. The share grew progressively in the 1990s until it stabilized at an average of 40 percent at the start of this century. Since 2000 its share of tax revenue has been relatively stable as a result of the improvement in the collection of other taxes, especially company income tax.[5]

In contrast to what might have been thought, consolidation of the tax (that is, the countries' accumulated experience in using it) shows only a weak relation to VAT yield and even seems to be non-existent. The linear correlation between revenue and the number of years for which the tax has been in force has never exceeded 0.5. Between 1990 and 2012, a period marked by constant increases in VAT collection, the average linear correlation was just 0.2. Rates are much more closely related to revenue. The linear correlation between VAT revenue and its standard effective rates[6] has not been less than 0.6. During the upswing in rates between the mid 1980s and the early 1990s, the average linear correlation was 0.8.

Figure 1
VAT Revenue: 2000 vs. 2012
(% of GDP)



As Figure 1 shows, in the period 2000–2012, VAT in Latin America gained on average one and a half percentage points of GDP. This period merits analysis because a comparison of the data is more

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[5] Calculation of the historical averages does not take account of VAT in Costa Rica or Nicaragua because data on VAT collections on imports are not available for all years. Until 1989 in Costa Rica and until 1999 in Nicaragua, this revenue was reported in conjunction with takings from tariff duties, making it impossible to determine data on total VAT revenue before those years.
[6] Takes account of all the changes to the general rate throughout an entire calendar year.

consistent. For the countries that adopted VAT before the 1990s, these years were a period of stability, while for those that adopted it more recently this period was one in which they had been managing the tax for at least a decade. The quality of the statistics on revenue are also better in this period because of recent efforts to harmonize and standardize the data on the part of organizations such as the IDB, CIAT, ECLAC and the OECD.

In all the countries analyzed, revenue increased between the start and end of the period. The countries in which the increase exceeded 40 percent were Bolivia, Panama, Paraguay, the Dominican Republic and Venezuela. Those with growth of between 20 percent and 40 percent were Argentina, Colombia, Ecuador, El Salvador, Guatemala, Nicaragua, Peru and Uruguay. Finally, the countries in which the increase was below 20 percent were Chile, Costa Rica, Honduras and Mexico. Given the strong correlation between VAT revenue and the rates of the tax, it is worth noting which countries experienced high revenue growth without changing—or even while reducing—their standard effective rates in the same period. These include Bolivia, Paraguay and Venezuela.

Figure 2
Average Standard Effective VAT Rate
(%)

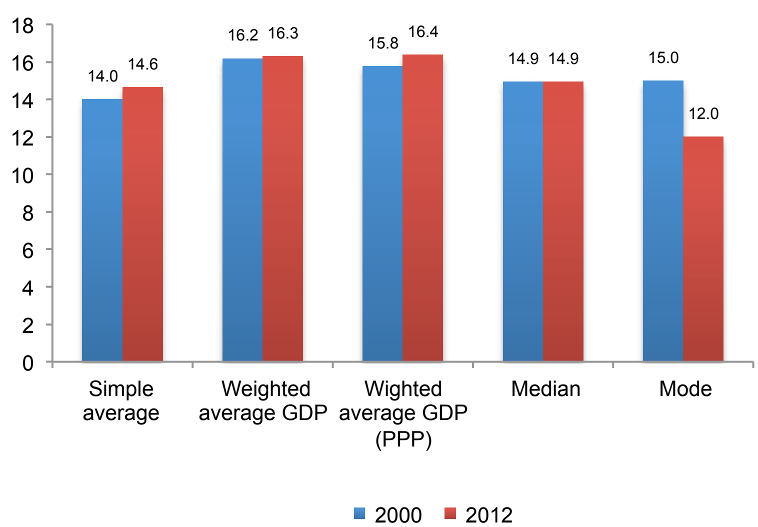


Figure 2 shows that in the same period the average standard effective VAT rate in Latin America has been quite stable: in simple averages it rose from 14.0 percent to 14.6 percent, while in weighted averages it rose from 16.2 percent to 16.3 percent using GDP, and from 15.8 percent to 16.4 percent using GDP at PPP. Venezuela is the country that made the most changes to the standard VAT rate throughout the period, followed by the Dominican Republic, although in different directions: Venezuela gradually reduced the rate from 15 percent to 12 percent, whereas in the Dominican Republic the rate doubled from 8 percent to 16 percent. It is worth pointing out that the tax reforms implemented during this period included changes in VAT rates, most notably in Colombia and Guatemala in 2001, Chile in 2003, Uruguay in 2007, and Mexico and Panama in 2010. Annex 3 presents the historical trends in general VAT rates.

It is useful to devise indicators that are complementary to revenue in order to improve analysis of VAT's performance. On the basis of information from the national accounts, it is possible to calculate the productivity coefficients relative to GDP or household consumption (this latter is also known as C-efficiency). GDP is normally used as a proxy of VAT's taxable base because VAT is a general tax. Given that the debit-credit system turns VAT into a consumption tax, it also seems appropriate to use household consumption as a proxy for the VAT tax base. These coefficients are arrived at by dividing tax revenue (measured as a percentage of the chosen macroeconomic aggregate) by the tax's standard effective rate.[7] The basic idea is that if the revenue arises from applying a rate to a given taxable base, these coefficients must be 1 or very close to 1.

Table 2
VAT Productivity
(by point of the standard effective rate)

	Based on GDP			Based on private consumption (C-efficiency)		
	2000	2012	% var.	2000	2012	% var.
Argentina	0.318	0.419	31.6	0.459	0.734	59.8
Bolivia	0.330	0.548	66.4	0.432	0.922	113.6
Chile	0.436	0.424	-2.8	0.680	0.676	-0.5
Colombia	0.270	0.341	26.4	0.389	0.555	42.8
Costa Rica	0.349	0.381	9.2	0.521	0.585	12.4
Ecuador	0.420	0.534	27.2	0.650	0.866	33.2
El Salvador	0.418	0.542	29.5	0.476	0.581	22.2
Guatemala	0.418	0.442	5.7	0.498	0.515	3.5
Honduras	0.402	0.468	16.4	0.568	0.595	4.7
Mexico	0.230	0.233	1.0	0.343	0.345	0.6
Nicaragua	0.301	0.408	35.4	0.353	0.489	38.7
Panama	0.296	0.471	59.4	0.493	0.808	63.7
Paraguay	0.403	0.628	56.0	0.616	0.865	40.3
Peru	0.289	0.370	28.2	0.405	0.601	48.4
Dominican Rep.	0.328	0.250	-23.7	0.422	0.297	-29.6
Uruguay	0.283	0.396	39.8	0.370	0.577	55.8
Venezuela	0.285	0.565	98.1	0.551	0.958	73.9
Average	0.340	0.437		0.484	0.645	

Apart from Chile and the Dominican Republic, all the countries experienced an increase in the productivity coefficients during the period 2000–2012 (see Table 2). If the impact of the doubling of the standard rate during the period is isolated, it is clear that VAT in the Dominican Republic has a low yield. The contrary is true in Venezuela, where the increase in the coefficients signals a VAT with one of the highest yields in the region. With only modest changes in the rates in the other countries, the improvement in VAT's productivity can only be explained by greater capture of the taxable base—either through an improvement in the countries' economic conditions, cuts in VAT

[7] If VAT revenue derived from each of the reduced and/or increased rates on certain goods and services were available, it would be possible to make a more precise calculation of the productivity coefficients.

benefits and incentives, or a decline in tax non-compliance as a result of more effective work on the part of the tax administrations.

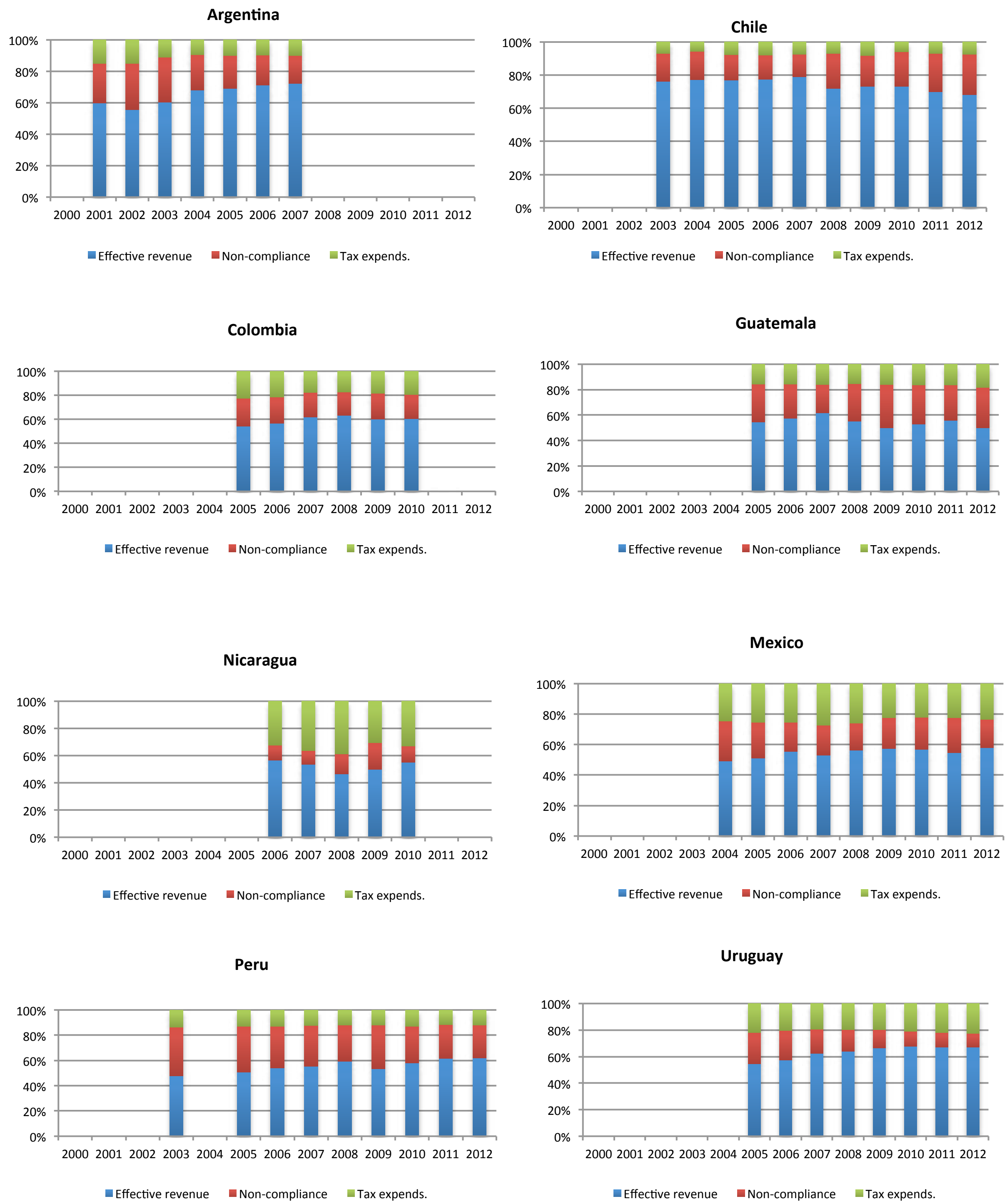
The productivity coefficients do not allow clear identification of which component is responsible for the improved performance. Hence the need to focus on structural revenue collection. This refers to the set of components that determine VAT's revenue capacity: potential revenue (understood as the sum of effective revenue plus the resources lost because of non-compliance); and tax expenditure (the fiscal cost of tax benefits and incentives). In the case of VAT, these latter are mainly exclusions, exemptions and reduced rates. A concise way of analyzing how the revenue-raising capacity of a tax has changed is to look at trends over time in the components of structural revenue collection.

At present, most Latin American tax administrations and ministries of finance systematically and periodically estimate VAT tax expenditures and non-compliance. Such fiscal transparency practices are widespread in the region. CIAT monitors and regularly compiles this information for its member countries. Much of it is available on the institutional websites of the above-mentioned bodies, but other data is only accessible through contacts with the relevant authorities. CIAT (2011) and Pecho et al. (2012) bring together much of this information for the period under analysis. They are complemented by other studies with more recent data.

Unfortunately, not all the countries present measurements of VAT expenditures and non-compliance for each and every year of the 2000–2012 period, and thus it is impossible to calculate the structural revenue for all countries, as is desirable. Similarly, the period covered by the tax expenditure measurements do not always coincide with those of VAT non-compliance, and vice versa. Hence, the most complete and recent calculations of structural revenue can only be made for Argentina, Chile, Colombia, Guatemala, Mexico, Nicaragua, Peru and Uruguay.[8] For those countries it is possible to analyze trends over five to ten years. Figure 3 shows the results.

[8] In some cases, tax expenditures and non–compliance can be measured using the accrual principle.

Figure 3
Trends in and Composition of Structural VAT Revenue
(%)



While the contribution of effective revenue to structural revenue increased over time in Argentina (2001–2007), Colombia (2005–2010), Mexico (2004–2012), Peru (2005–2012) and Uruguay (2005–2012), it fell in Chile (2003–2012), Guatemala (2005–2012) and Nicaragua (2006–2010). For the first group of countries (except Uruguay), this conduct stems from the reduction in tax expenditures (not so marked in Mexico and Peru) and progress in tackling VAT non-compliance (more marked in Argentina, Peru and Uruguay). For the second group, the decline in effective revenue's contribution to structural revenue stems from the fact that tax expenditures were unchanged or even grew, and there was an increase in VAT non-compliance (more marked in Chile).

Although reasonable historical series on structural revenue cannot be built for the other countries, the data offer information on tax expenditures and VAT non-compliance. For example, improvements in reducing non-compliance are evident in El Salvador and Paraguay. By contrast, an increase in non-compliance is apparent in the Dominican Republic and Panama. It is also evident that there has been a rationalization of tax expenditures in Ecuador and the Dominican Republic, while in Costa Rica, Honduras and Paraguay there has been an increase.

Table 3
VAT Non-Compliance
(% of potential revenue)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Argentina	27.9	29.6	34.8	32.3	24.8	23.3	21.2	19.8	-	-	-	-	-
Bolivia	-	-	-	-	-	-	-	-	-	-	-	-	-
Chile	-	-	-	18.0	18.1	16.6	15.8	14.8	22.5	20.2	22.2	24.8	26.5
Colombia	-	-	37.5	34.9	31.8	30.2	27.7	24.8	23.7	26.1	24.9	22.6	23.0
Costa Rica	-	-	-	-	-	-	-	-	-	-	30.1	29.1	30.5
Dominican Rep.	27.5	36.5	37.2	42.8	41.7	35.6	31.2	26.1	24.9	30.3	29.7	-	-
Ecuador	-	20.1	30.1	30.6	31.8	-	-	-	-	-	-	-	-
El Salvador	42.4	39.2	38.8	37.4	39.1	35.4	30.4	34.2	36.3	39.2	33.1	-	-
Guatemala	-	30.1	29.4	30.4	29.2	35.2	31.7	26.5	35.0	40.5	36.8	33.4	39.0
Honduras	-	-	-	-	-	-	-	-	-	-	-	-	-
Mexico	-	-	-	-	34.9	31.7	25.5	27.0	24.3	26.3	27.0	29.5	24.3
Nicaragua	-	-	-	-	-	-	16.1	15.8	24.4	28.1	17.8	-	-
Panama	-	-	-	-	-	-	-	29.2	34.0	30.1	27.1	41.9	39.7
Paraguay	-	-	-	-	-	-	54.4	45.3	43.6	42.1	33.7	33.7	33.9
Peru	-	46.3	45.9	44.5	43.7	41.7	37.9	37.0	32.6	39.2	33.4	30.4	29.5
Uruguay	39.9	37.4	40.1	36.1	30.8	30.1	27.8	22.7	20.2	17.2	14.4	14.0	13.4
Venezuela	-	-	-	-	-	-	-	-	-	-	-	-	-
Average	34.4	34.2	36.7	34.1	32.6	31.1	29.1	26.9	29.2	30.8	27.5	28.8	28.9

In general, VAT performed better in Latin America in the 2000–2012 period because the tax administrations were more effective in reducing non-compliance. The rationalization of tax benefits and incentives in the countries has been limited. While VAT non-compliance declined on average by 16.2 percent over the period, tax expenditures grew on average by 44.3 percent, reflecting the rigidities that the countries face in introducing tax reforms in this regard.[9]

Why was there a declining trend in VAT non-compliance? First, the period 2000–2012 coincided with a phase of economic recovery and growth. The theories dealing with non-compliance are inconclusive as to whether a more favorable economic context reduces the tendency to fail to comply with tax obligations, but several hypothesis point in that direction and they can be regarded as plausible. On the other hand, Latin America still has high levels of informality, a circumstance that constrains voluntary compliance. Second, the improvement in the public sector's institutional quality has allowed tax administrations to be strengthened, and hence tax control strategies have become more effective. Note in particular, throughout the period, the introduction or strengthening of the study of various mechanisms for advance payment of VAT, such as withholding and collection regimes.

Finally, there is the matter of VAT's redistributive capacity. References to this issue constantly indicate that the tax is regressive. This argument is quite clear: since VAT is levied on final consumption and its taxable base is very broad, those who devote a large amount of their income to consumption—the poorest households—pay more tax as a proportion of their income. This characteristic is illustrated in Table 4, which shows VAT as a percentage of income. Note that the ratios decline as they move in the income distribution from the poorest segments to the richest.

The table also shows that when this calculation is performed for consumption, which is a better measure of constant income, the results are reversed in almost all cases (with the exceptions of Chile, Peru and Uruguay), suggesting that VAT is progressive in consumption. This latter finding—progressivity in consumption—can be interpreted as a consequence of the presence of tax benefits and incentives, especially exclusions or exemptions and reduced rates, that can have a certain degree of bias in favor of poorer households. Nonetheless, marked income regressivity indicates that these tax benefits and incentives, which have a substantial fiscal cost, are not effective, generally because of targeting problems or "inclusion errors."

For Costa Rica, Mexico and Uruguay, BID (2012) shows the extent to which the distribution of consumption that is exempt or subject to a reduced rate is concentrated in the richer segments. For Ecuador, the study presents the distribution of tax expenditure in VAT, and indicates a greater concentration in the richest segment. These findings do not necessarily imply that tax expenditure as a proportion of income increases with that income—in other words, that it is also regressive, as with the tax. For Uruguay, the study indicates that analysis of the distributive impact of tax expenditures reveals that some operate in a progressive way (mainly foodstuffs), while others help increase the tax's regressivity (health and education services, fuels).

[9] This is a constant issue in tax policies, not only because of what it means in terms of expanding the tax's revenue-collection capacity but also because of the benefits than can be obtained—depending on the chosen design—from the viewpoint of economic efficiency if there are fewer distortions in resource allocation.

Table 4
Distributive Effect of VAT[10]

		Decile 1	Decile 2	Decile 5	Decile 9	Decile 10	Kakwani index	Reynolds-Smolensky Index
Argentina (2008)	Income	18.6	14.1	11.2	9.6	8.4	-0.076	-0.009
	Consumption	-	-	-	-	-	-	-
Bolivia (2000)	Income	-	-	-	-	-	-	-
	Consumption	5.5	-	6.2	-	6.9	0.026	0.002
Chile (2003)	Income	35.3	19.6	15.4	12.9	8.8	-0.130	-0.018
	Consumption	15.6	15.3	15.2	13.3	12.2	-	-
Costa Rica (2004)	Income	5.4	4.2	4.1	3.5	3.0	-0.085	-0.003
	Consumption	3.1	3.6	4.3	5.1	5.6	0.058	0.003
Colombia (2003)	Income	6.3	5.8	4.4	3.2	2.1	-0.067	-0.004
	Consumption	5.9	5.2	4.5	4.6	4.7	0.046	0.003
Ecuador (2003)	Income	4.6	4.2	4.1	4.9	5.2	0.038	0.002
	Consumption	3.8	4.1	4.7	6.3	7.6	0.106	0.007
El Salvador (2006)	Income	24.0	15.2	14.9	7.0	6.5	-0.141	-0.013
	Consumption	14.3	14.9	14.8	15.1	15.7	0.010	0.001
Guatemala (2006)	Income	20.2	9.1	6.3	5.4	4.9	-0.136	-0.008
	Consumption	4.3	4.6	4.9	6.2	6.8	0.074	0.005
Honduras (2005)	Income	10.2	-	8.2	-	5.0	-0.090	-0.001
	Consumption	4.0	-	5.2	-	8.8	0.102	0.008
Nicaragua (2001)	Income	8.6	5.1	4.1	3.4	3.4	-0.094	-0.004
	Consumption	1.9	2.3	2.8	4.1	4.6	0.110	0.004
Panama (2003)	Income	4.6	2.2	2.0	1.6	1.7	-0.104	-0.002
	Consumption	0.6	0.8	0.9	1.3	1.7	0.116	0.003
Paraguay (2001)	Income	24.1	6.2	5.3	4.4	4.0	-0.117	-0.005
	Consumption	3.0	3.3	3.9	5.2	5.0	0.067	0.003
Peru (2000)	Income	4.8	4.3	6.0	7.1	6.1	-0.176	-0.012
	Consumption	6.5	6.9	7.7	7.6	6.7	-0.015	-0.001
Dominican Rep. (2004)	Income	8.8	5.5	3.7	3.0	2.0	-0.185	-0.005
	Consumption	2.3	2.6	2.8	3.0	3.0	0.038	0.001
Uruguay (2006)	Income	21.6	12.7	9.9	7.6	6.5	-0.108	-0.010
	Consumption	9.2	9.5	9.7	9.1	8.7	-0.018	-0.002

[10] The Kakwani index measures the tax's degree of progressivity: the higher the value, the greater the progressivity. The Reynolds-Smolensky index measures the tax's redistributive capacity: the higher the value, the greater the capacity.

3.2. The chosen VAT designs

The modern idea of VAT is well defined in Ebrill et al. (2001). It is a broad-based tax on the sale and import of goods and services at all stages of the production-distribution chain, which systematically compensates for the taxes paid on goods and services acquired as inputs—except perhaps capital goods—relative to that due on the sold goods and services. By recognizing the taxes paid on inputs, VAT does not distort production costs and thereby ensures productive efficiency.

The responses to a questionnaire distributed by CIAT to gather information on VAT legislation in 2012 allow us to offer here some comparative data that sheds light on the circumstances of VAT in Latin America.[11] It should be stressed that almost all of the responses took the laws on VAT as a reference, leaving aside particular matters established by other laws. It should also be pointed out that while this study was being written, several countries were engaged in VAT reforms and therefore the situation described here might have changed, especially in Colombia, Honduras, Mexico and the Dominican Republic.

Legislation on VAT is fairly similar in the Latin American countries covered by this study. Perhaps the greatest differences lie in the use of tax benefits and incentives that establish differential treatment for certain goods and services. The regulations refer to a range of economic events that determine a very broad-based tax. From 1990 onward, González et al. (2009) highlight a tendency for VAT in the region to be levied not only on the sale and import of moveable goods but on non-moveable goods and services in general. Several countries also tax the withdrawal of goods for self-consumption, donations and leases. A small number of countries include transfers to form or expand companies, and allocations for the liquidation of companies.

As regards the territorial aspect of the taxable event, the regulations normally make reference to operations conducted within the national territory. Nonetheless, what is meant by national territory can change in line with the different kinds of economic events. In the case of the sale of goods and importation, the national territory generally refers to the non-free customs territory. In the case of service provision, the territory might be closer to the political limits of the territory. Annex 4 presents a summary of the territoriality criteria used for VAT in the countries under study.

In the cases of the sale of goods and importation, what is important is the final destination of the goods and not the residence of those participating in the transaction, and thus VAT adheres to the destination principle in all the countries. This criterion also applies to the provision of services, but the regulations do not always distinguish in the same way how such services take advantage—that is, the residence of those who benefit from the provision. Most often, service provision within the national territory is taxed, except for those whose beneficiary is a non-resident (this being a matter of exporting services), and also includes the provision of services abroad when the beneficiary is a resident. Once more, the important criterion is the destination of the provision. There are, however, exceptions, such as Paraguay.

There is quite broad consensus on the method used to determine the tax obligation. All the countries use the credit for invoices method. In the case of the sale of goods, most often the calculation includes, as well as the sale price or the value of the operation (generally net of discounts and rebates), complementary services generated by the sale, such as packaging, maintenance, transport, and in many cases financial expenses (purchases on credit). When such

[11] The responses can be consulted at:
http://webdms.ciat.org/action.php?kt_path_info=ktcore.actions.document.view&fDocumentId=9877.

complementary services are included in the taxable amount, the regulations usually indicate that for that purpose it is not important if these services are billed together with the principal or separately.

Most countries include the other taxes applicable to taxed transactions in the taxable base, especially excise taxes, but excluding VAT itself. Bolivia is an exception, in that it considers the tax itself as part of the taxable base. In the case of imports, the criterion most often used is to consider the taxable base as the value in customs (or CIF value), including all import duties and customs charges, in addition to the taxes applicable to the transaction when the regulations consider them applicable in the case of sale of goods.

Table 5 presents detailed information about the basis of the calculation.

In all cases the tax is multi-phase, such that each taxpayer pays in line with the contribution to the final value that they made in their participation in the value chain. For this purpose, use is made of a debit minus credit mechanism, or as it is also known, a tax-against-tax mechanism. In the regulations analyzed, this characteristic is present in all cases. The only exception is Colombia, but exclusively for a set of goods (carbonated beverages, beers and oil by-products) that are also subject to an excise tax. In these cases a single-phase system operates.

As regards the frequency of tax settlement, in almost all cases it is monthly. Colombia is an exception, since it sets two-monthly, four-monthly and annual periods, depending on the size of the taxpayer. Several countries also offer the option of longer periods (quarterly or annually), but for small-scale taxpayers in simplified VAT regimes or for certain activities that by their economic nature justify less stringent demands for information.

The obligation to settle the tax is generated at the moment of the invoicing, or when the goods are delivered, or when the customs procedures are completed in the case of imports, or at the moment a service is provided in the case of services. This criterion is the most common in the countries and, consequently, the accrual criterion is used to establish the timing of the settlement. Mexico is the most obvious exception in this regard, having opted several years ago for a cash settlement criterion—that is, taking as a reference for settlement the debits and credits at the time they are charged and paid, respectively. Some countries also use the cash settlement in a subsidiary way or as an application criterion for some activities. For example, Chile uses this criterion in a subsidiary way in the provision of services; Peru applies it to the first sale of real estate; and the Dominican Republic has it for the SME sector.

Table 5
Taxable Bases

	Sale of goods	Provision of services	Import of goods
Argentina	Sale price net of discounts, including complementary services (includes financial expenses and excludes all tax)	Total payment to a service provider	The value of the good computed in the same way as customs duties + import taxes; excludes indirect taxes
Bolivia	Sale price net of discounts, including complementary services (includes financial expenses); VAT is part of the net price	Net sale price including complementary services (includes financial expenses); VAT is part of the net price	CIF value of the settlement (or the resettlement accepted by the customs authorities) + duties and other customs fees necessary to dispatch the goods
Chile	Value of the operation and complementary services (including financial expenses) + taxes (except VAT)	Value of the operation and complementary services (including financial expenses) + taxes (except VAT)	Customs value (or otherwise the CIF value) + customs charges
Colombia	Value of the operation and complementary services (including financial expenses) + taxes (except VAT)	Value of the operation and complementary services (including financial expenses) + taxes (except VAT)	CIF value and customs duties
Costa Rica	Sale price net of discounts + excise tax (if applicable), not including complementary services or financial expenses	Sale price net of discounts + excise tax (if applicable).Not including complementary services or financial expenses	CIF value and import duties and other customs charges + excise tax (if applicable)
Ecuador	Sale price net of discounts, and applicable taxes and charges, not including complementary services or financial expenses	Sale price net of discounts, and applicable taxes and charges. Not including complementary services or financial expenses	Value in customs + import duties and other customs charges + other applicable taxes and charges
El Salvador	Price agreed on the transfer of the good	Total value of the payment for the service	CIF value or customs value + tariffs + applicable specific consumption taxes
Guatemala	Sale price net of discounts + complementary services (includes financial expenses)	Sale price net of discounts + complementary services (including financial expenses)	CIF value or customs value + tariffs and other customs charges
Honduras	Value of the good (net of discounts) excluding complementary services, including financial expenses	Value of the service (net of discounts) excluding complementary services, including financial expenses	CIF value + tariffs and other customs charges + applicable specific and excise taxes
Mexico	Agreed price + complementary services (includes financial expenses) + applicable taxes	Agreed price + complementary services (includes financial expenses) + applicable taxes	The value of the good computed in the same way as customs duties + import taxes + applicable internal taxes
Nicaragua	Transaction price established on the invoice + complementary services (including financial expenses except default interests) + applicable taxes There are exceptions to this rule for certain goods	Transaction price established on the invoice + complementary services (including financial expenses except default interest) + applicable taxes	Value in customs + import duties and other customs charges + other applicable taxes and charges
Panama	Sale price + complementary services (includes financial expenses)	The amount of fees	CIF value and customs duties and other customs charges affecting imported goods
Paraguay	Accrual price net of discounts, + complementary services (includes financial expenses) + applicable taxes (except VAT)	Accrual price net of discounts + complementary services (includes financial expenses) + applicable taxes (except VAT) - Some services have specific considerations as regards how the basis of the calculation is determined	CIF value + tariffs and other customs charges + applicable specific and excise taxes
Peru	Sale price + complementary services (includes financial expenses) + and excise taxes (if applicable)	Total payment + complementary services (includes financial expenses)	Value in customs + import duties and other customs charges + other applicable taxes and charges (except VAT)
Dominican Republic	Accrual price net of discounts, + complementary services (includes financial expenses) and applicable excise taxes	Total value of the services provided, excluding the obligatory tip	Value in customs + import duties and other customs charges + applicable excise taxes
Uruguay	Value of the operation and complementary services (including financial expenses) + applicable taxes (except VAT)	Value of the operation and complementary services (including financial expenses) + applicable taxes (except VAT)	Value in customs + import duties and other customs charges + other applicable taxes (except VAT)
Venezuela	Invoiced price of the good as long as it is not below market price (if it is below, the market price applies) + complementary services (includes financial expenses) - discounts and rebates + applicable taxes (there are some exceptions)	Total invoiced price + complementary services (including financial expenses) - discounts and rebates + applicable taxes (there are some exceptions)	Value in customs + import duties and other customs charges + other applicable taxes (there are some exceptions)

As regards the conditions for the granting of credits, there is a substantial level of uniformity in the criteria used. The basic condition for the granting of tax credits is that the purchase of goods (or imports of them) or the contracting of services should be strictly linked to the taxed operations that taxpayers undertake as part of their economic activities. The regulations are always very explicit in this respect and are defined in both positive and negative terms—that is, they specifically stipulate which kinds of purchases are allowed and which are not. In many cases and as a general rule, they mention the expenditures allowed for income tax as a general reference of allowed spending. Those not allowed are typically related to the owner's consumption spending or donations.

In the vast majority of cases there is a proportionality rule to identify the tax credit when the purchases that give rise to it are linked to taxed and untaxed (or exempt) operations. This rule applies when it is impossible to attribute precisely each item of spending to a taxed or untaxed operation. In all cases the rule consists essentially of calculating the tax credit as the value of the tax included in the spending by the ratio of taxed sales to total sales in the period. The legislation in some countries, especially Colombia and Costa Rica, makes no references to this rule. This is consistent with the granting of tax credits for spending related to exempt operations, a criterion that is available in these countries' VAT legislation.

In general, the tax credits granted in the settlement must be those accrued in the period for which the settlement is being made. If they relate to a previous period, in many cases the legislation does not allow them and they must be considered a cost. Nonetheless, some countries permit longer periods for them to be allowed, generally between two and three months after the spending (when that period has passed, the spending is not considered for the purposes of a tax credit and is a cost). In all cases it is explicit that the spending, in order for its related tax credit to be allowed, must be duly documented (with an invoice or some other document that is allowed under the regulations). In many cases the law itself also indicates that the tax must be distinguished in the tax document; in others, the law does not mention it but it could be indicated in the regulations governing the tax.

Annex 5 presents detailed information on ways of settling the tax.

VAT is a consumption tax when it allows deduction of the tax included in the purchase of capital goods, since they are regarded as another input; it is an income tax when it allows deduction of the tax paid in buying capital goods in a manner proportional to their depreciation or amortization; and it is a product tax when it does not allow deduction of the tax paid in purchasing capital goods, since in that case they are regarded as final-use goods. The most common variant of VAT in Latin America is the consumption type—that is, the taxes treat capital goods using the same debit-credit procedure applied to other allowed tax credits.

There are differences in the timing and conditions for processing refunds. As regards allowing tax credits for capital goods purchases, the allowance is total in almost all cases. The only identified exceptions to this are Colombia, Costa Rica and Uruguay, and the exceptions are to some extent partial. In Colombia the general criteria for granting tax credits for capital goods purchases are similar to those applicable to an income-type VAT.[12] Costa Rica has a product-type VAT in the case of automobiles for personal use. Uruguay is similar to Costa Rica, but the definition is the contrary: in the case of purchases of automobiles, consumption-type VAT is confined to the purchase of commercial vehicles.

[12] An ongoing tax reform will make it possible to convert it into a consumption-type VAT.

Table 6 details all the rates applicable in 2012. As mentioned earlier, it should be noted that Bolivia's rate is applied on a taxable basis that includes the VAT itself. In that respect, the legal rate of 13 percent implies in reality an effective rate of 14.94 percent on the price without VAT. For the purposes of international comparisons, this is the rate that should be considered. Ten of 17 countries, in addition to having a standard rate, have differential rates (increased or reduced) for certain goods and services. These are Argentina, Colombia, Costa Rica, Honduras, Mexico, Nicaragua, Panama, Paraguay, Uruguay and Venezuela.

Table 6
Statutory VAT Rates, 2012
(%)

	Standard	Reduced	Increased
Argentina	21.00	10.50	27.00
Bolivia (included in the price)	13.00	-	-
Chile	19.00	-	-
Colombia	16.00	1.60 and 10.00	20.00, 25.00 and 35.00
Costa Rica	13.00	5.00 and 10.00	-
Ecuador	12.00	-	-
El Salvador	13.00	-	-
Guatemala	12.00	-	-
Honduras	12.00	-	15.00 and 18.00
Mexico	16.00	11.00	-
Nicaragua	15.00	7.00	-
Panama	7.00	-	10.00 and 15.00
Paraguay	10.00	5.00	-
Peru	18.00	-	-
Dominican Rep.	16.00	-	-
Uruguay	22.00	10.00	-
Venezuela	12.00	8.00	22.00

The greatest differences in the legislation on VAT in the countries examined herein lie in the use of tax benefits and incentives that establish differential treatment for certain goods and services. These cost the countries of the region, on average, 2.05 percent of GDP in 2012 (see Table 7). Costa Rica, Honduras and the Dominican Republic are the countries in which VAT tax expenditures exceed 3 percent of GDP. Those countries are followed by Ecuador, Panama and Uruguay, where tax expenditure is between 2 percent and 3 percent of GDP. In most of the countries, tax expenditure is between 1 percent and 2 percent of GDP: Argentina, Brazil, Colombia, El Salvador, Guatemala, Mexico, Paraguay and Peru. Chile is the only country in which VAT tax expenditure is below 1 percent of GDP.

Exclusions and exemptions (including those that form part of special or promotional regimes) and reduced rates are the most widely used instruments. It is also worth highlighting the use of preferential treatment to benefit national producers of certain goods and services that are sold in the local market (zero-rated regimes or drawbacks), which allow them to recover the VAT paid on their purchases. Deductions are not used. Peculiarly, Chile makes extensive use of VAT credits for construction firms. Finally, note that some mechanisms for advance recovery of VAT (deferments) are used in Chile, Costa Rica and Peru.

Table 7
VAT Tax Expenditures
(% of GDP)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Argentina	n.a.	1.45	1.33	1.03	0.98	1.01	1.00	1.09	1.03	1.02	1.14	1.12	1.19
Bolivia	-	-	-	-	-	-	-	-	-	-	-	-	-
Chile	n.a.	n.a.	0.78	0.73	0.59	0.80	0.73	0.71	0.84	0.82	0.62	0.79	0.88
Colombia	-	-	-	-	-	2.13	2.14	1.56	1.54	1.58	1.68	n.a.	n.a.
Costa Rica	-	-	-	-	-	-	-	-	-	-	3.44	3.47	3.54
Dominican Rep.	-	-	-	-	-	-	-	-	4.68	4.02	3.05	3.19	3.23
Ecuador	-	-	-	-	-	3.01	2.92	2.62	2.77	2.10	2.13	2.05	2.09
El Salvador	-	-	-	-	-	-	-	-	-	2.62	n.a.	n.a.	n.a.
Guatemala	-	-	-	n.a.	n.a.	1.49	1.49	1.52	1.52	1.56	1.56	1.53	1.96
Honduras	-	-	-	-	2.68	2.41	n.a.	n.a.	n.a.	n.a.	3.78	3.90	n.a.
Mexico	-	-	1.67	1.62	1.64	1.68	1.66	1.85	1.71	1.31	1.49	1.51	1.51
Nicaragua	-	-	-	-	2.82	3.10	3.27	3.99	4.69	3.31	3.38	n.a.	n.a.
Panama	-	-	-	-	-	-	-	-	-	-	-	-	2.27
Paraguay	-	-	-	-	-	-	-	-	1.34	1.38	1.48	n.a.	n.a.
Peru	n.a.	n.a.	n.a.	1.55	n.a.	1.46	1.42	1.35	1.38	1.42	1.52	1.27	1.30
Uruguay	-	-	-	-	-	3.24	3.23	2.90	2.83	2.69	2.77	2.91	2.95
Venezuela	-	-	-	-	-	-	-	-	-	-	-	-	-

To identify the orientation of the VATs, it is useful to have a picture of the exclusions, exemptions and differential (increased or reduced) rates applied to various categories of goods and services. As mentioned earlier, often countries establish these instruments to enhance the progressivity of VAT, although they can also seek to attain socially optimal levels of consumption of merit or demerit goods, or facilitate the consumption of goods that are complementary to work and penalize the consumption of goods that are complementary to leisure. For each category of goods and services, Figure 4 shows the number of countries that use the aforementioned instruments. The countries appear whenever they have an exclusion, exemption of differential rate, irrespective of whether they are far-reaching or limited in scope. Differential rates are used less often than exclusions and exemptions.

It is notable that all the countries covered in this study grant more or less extensive advantages to financial services.[13] Most of the countries also have some form of preferential treatment for

[13] Annex 6 shows the treatment in four large categories of economic activities linked to the financial arena: operations of banking entities or other regulated entities engaged in financial intermediation; operations of institutional retirement fund administrators and similar bodies; operations linked to stock exchange activity; and operations by savings and loan cooperatives or similar bodies.

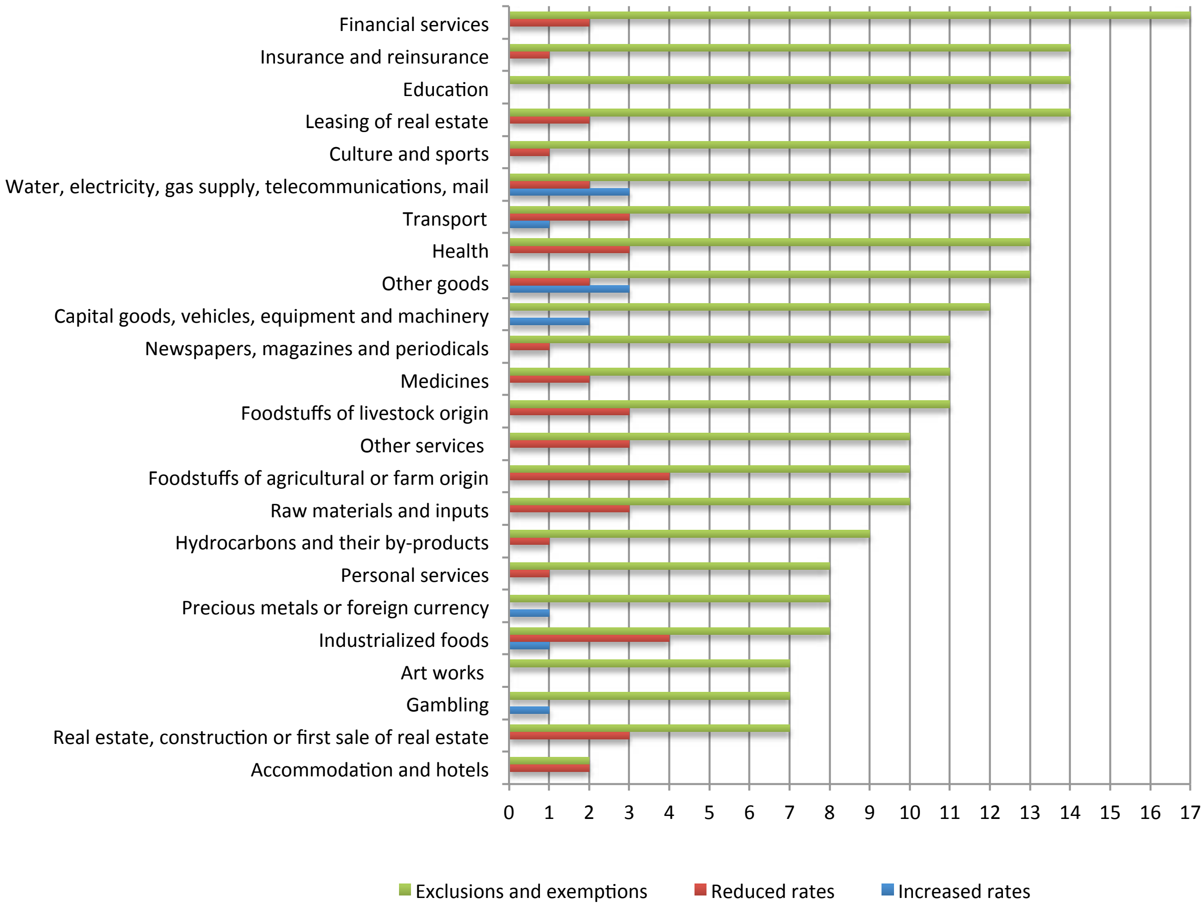
insurance and reinsurance policies, education, healthcare and transport. The same is true of some services in monopoly or oligopoly markets such as electricity, running water, basic telephony and postal services—although in Argentina, Colombia and Honduras, by contrast, it is possible to identify increased rates for some economic events in this category. Culture and sport, especially large public events, as well as the leasing of real estate (mainly for housing), also offer exclusions or exemptions in most of the countries.

A second group of categories of goods and services also receive differential treatment, albeit to a lesser degree than the previous group. Reduced rates are prominent in these categories. This is the case of medicines, livestock and agricultural products, mainly in their natural state, and various raw materials and inputs. These latter are usually related to agricultural production, whose goods are generally exempt, such that there is different treatment throughout the value chain. Hence, it is common for the following products to be exempt: fertilizers, agrochemicals, seeds, and raw material for agricultural production. In some cases, this treatment also extends to machinery and equipment. It should be pointed out that in Costa Rica, Honduras, Nicaragua, Panama, Paraguay and the Dominican Republic, hydrocarbons and their derivatives are subject to single taxes that replace the other taxes, including VAT. In that respect, they are excluded or exempt. The main problem with this option is that it is impossible for local producers and exporters to use the tax credit for their purchases, doubtless generating more revenue but also leading to accumulation and a cascade effect that detracts from competitiveness.

The countries with the fewest exclusions, exemptions and/or differential rates are Bolivia, Chile, El Salvador and Guatemala. To some extent it can be said that VAT in these countries is the most universal in the region. They are followed by Costa Rica, Ecuador, Honduras, Mexico, Paraguay, the Dominican Republic and Venezuela. Finally, the countries with the most exclusions, exemptions and/or differential rates are Argentina, Colombia, Nicaragua, Panama, Peru and Uruguay.

Annex 7 shows in detail the exclusions and exemptions by categories of goods and services. Annex 8 presents the different rates (reduced or increased). Note that this latter annex does not take account of zero-rated regimes in some countries for producers that sell exempt or excluded goods on the local market.

Figure 4
VAT: Exclusions, Exemptions and Differential Rates, 2012
(number of countries)



According to Pecho (2012), there are simplified VAT regimes for small-scale taxpayers in eight Latin American countries.[14] These are Chile, Costa Rica, Guatemala, Mexico, Nicaragua, Paraguay, the Dominican Republic and Uruguay. If the three countries that set VAT thresholds are included (Colombia, Honduras and Panama), the number rises to 11. In Guatemala, Nicaragua and Uruguay, small-scale taxpayers in simplified VAT regimes are also exempt from income tax.

Practically all the simplified VAT regimes for small-scale taxpayers seek to cover individuals engaged in economic activities. There are far fewer cases in which business entities are allowed to be subject to simplified regimes, and when they are so allowed there are restrictions (on the number of partners, or the stipulation that the company can only be made up of individuals). Moreover, economic activities related to foreign trade, to the real estate sector and to the financial sector usually cannot be subject to these regimes.

[14] Not considered here are presumptive regimes that seek only to simplify how the tax is determined but that do not establish criteria for being subject to such schemes according to the size of the taxpayer. For the same reason, neither does this section consider special or promotional VAT regimes covering certain sectors or geographic areas. Moreover, the latter comprise only tax expenditures and not full tax regimes.

The limitations on joining such regimes are generally established by using parameters such as annual income or sales, but purchases are also used (Costa Rica and the Dominican Republic). The limit on being able to join simplified VAT regimes for small-scale taxpayers in 2012 was US$32,940 on average. Costa Rica (US$93,971) and Colombia (US$54,392) have the highest numbers in this respect. They are followed by Uruguay (US$36,622), Panama (US$36,000), Paraguay (US$23,858), Nicaragua (US$21,429) and Guatemala (US$19,231). The lowest levels are in Honduras (US$9,523.8) and Chile (US$1,613). But annual income, sales or purchases are not the only requirements. Also required are assets and number of employees in Costa Rica, the number of business premises in Colombia and Costa Rica, the size of the premises in Chile, the value or turnover of inventories in Chile and Nicaragua, and financial deposits and the individual value of invoices in Colombia.

Simplified VAT regimes for small-scale taxpayers use four schemes for settlement of the tax: percentages of income or purchases, percentages of gross added value, fixing of debit and credit on the basis of sales or purchases, or simply a fixed quota.

As regards administrative facilities, in all the regimes there has been a relaxation of the obligation to keep accounts and a partial or total easing of the obligation to issue payment receipts. Most of the tax administrations in the countries with these regimes have devised free technological solutions to assist this segment of taxpayers, such as electronic books, electronic invoicing and online submission of tax returns. Moreover, they all offer targeted assistance and guidance through personalized channels and websites for SMEs. Some measurements carried out by CIAT in Chile, Costa Rica and Uruguay show that the compliance cost for small-scale taxpayers in simplified regimes is significantly less than the cost for those in general regimes.

As mentioned earlier, VAT in all the Latin American countries covered by this study adheres to the destination principle—that is, the VAT seeks to tax final domestic consumption. In that respect, imports are taxed but not exports. Of the 17 countries considered herein, 15 exclude exports from the tax's sphere of application. In nine of them, exports are in a zero-rated regime (Bolivia, Ecuador, El Salvador, Honduras, Mexico, Nicaragua, the Dominican Republic, Uruguay and Venezuela), and in the other six they are exempt (Argentina, Chile, Colombia, Guatemala, Panama and Paraguay). In Costa Rica and Peru, exports are excluded from the tax's application (see Table 8).

In all cases, the exporter recovers the taxes paid on purchases subject to VAT by means of compensation or reimbursement. CIATData statistics on tax revenues offer information on VAT refunds for eight of the 17 countries analyzed in this study: Argentina, Chile, Colombia, Ecuador, Guatemala, Mexico, Paraguay and Peru. In the period 2000–2012, VAT refunds in these countries did not surpass 1.8 percent of GDP except in Chile, where refunds were in the range of 3 percent to 4.5 percent of GDP throughout the period. Data on the tax accrued in the period is not available, but as a percentage of gross revenue, VAT refunds accounted on average for 31.4 percent in Chile, 28.1 percent in Mexico, 19.3 percent in Peru, 10.6 percent in Guatemala, 7.3 percent in Argentina, 6.8 percent in Colombia, 6.0 percent in Ecuador and 2.3 percent in Paraguay.

Finally, as regards the compensation options, eight countries restrict compensation to the tax itself (which is important for businesses that are not 100 percent exporting firms) and eight others extend it to other taxes, both their own and withholdings to third parties, and even to other kinds of obligations. Paraguay offers direct reimbursement. Bolivia and Peru, which are among the countries that allow only compensation of the tax itself, set a cap on repayment of the excess tax, which is equivalent to the FOB customs value of the exported good, multiplied by the tax rate.

Table 8
VAT and Exports

	Export of goods	Export of services	Form of refund: compensation or reimbursement (cash, documentation, certificates etc.)
Argentina	Exempt	Exempt	Both; compensation covers the tax itself, other taxes, and is transferable to third parties
Bolivia	Zero rate	Zero rate	Both; compensation of the tax itself; refund of the excess to a maximum equivalent to the FOB value of export x VAT rate; the mining and metals sector has a specific regime
Chile	Exempt	Exempt	Both; compensation covers the tax itself and other taxes, including withholdings and customs taxes
Colombia	Exempt	Exempt	Both; compensation covers the tax itself
Costa Rica	Excluded	Excluded	Both; compensation covers the tax itself
Ecuador	Zero rate	Zero rate	Both; compensation covers the tax itself
El Salvador	Zero rate	Zero rate	Both; compensation covers the tax itself, other taxes, and other obligations
Guatemala	Exempt	Exempt	Both; compensation covers the tax itself
Honduras	Zero rate	Zero rate	Both; compensation covers the tax itself
Mexico	Zero rate	Zero rate	Both; compensation covers the tax itself
Nicaragua	Zero rate	Zero rate	Both; compensation covers the tax itself, other taxes, and other obligations
Panama	Exempt	Exempt (comprehensive list of services exports)	Both; compensation covers the tax itself
Paraguay	Exempt	Only exempt: international "export" freight	Reimbursement
Peru	Excluded	Excluded (there is a list of services regarded as export services)	Both; compensation of the tax itself; refund of the excess to a maximum equivalent to the value of export x VAT rate
Dominican Rep.	Zero rate	Zero rate	Both; compensation covers the tax itself, other taxes, and other obligations
Uruguay	Zero rate	Zero rate (there is a list of services regarded as export services)	Both; compensation covers the tax itself, other taxes, and other obligations
Venezuela	Zero rate	Zero rate	Both; compensation covers the tax itself, other taxes, and other obligations

4. Excise taxes

The simplest way that the countries have found to tax private consumption in an "optimal" way has been to use some form of general tax on all goods and services (a VAT or sales tax levied at the final stage of the production-distribution chain), and one or several selective taxes on goods and services i) with demand that is inelastic to price changes; ii) that are complementary to leisure; iii) that have negative externalities; or iv) that are consumed by the richest (luxury goods).

As in all parts of the world, the main excise taxes in the Latin American countries considered here are those on hydrocarbons and their derivatives, tobacco and its derivatives, and alcoholic beverages. Nonetheless, in the region there are also excise taxes on new and/or luxury vehicles, soft drinks, energy drinks, syrups, sodas and their concentrates, telecommunications, cement, casinos and gambling, firearms, waste matter, some tourism-related activities, insurance policies, public performances and various luxury goods (jewelry, perfumes).

Most of these taxes fall under the remit of central or national governments, but subnational governments often apply them. One noteworthy case is Colombia, where the main excise taxes fall under the remit of the departments and municipalities.[15]

Traditionally, excise taxes are levied at the production or import stage, such that the tax is included in the sale price through the various marketing stages up to the consumer. Focusing the pass-through of the tax on the first stage of the value chain usually serves to facilitate its management, mainly in markets that have imperfect competition, as is often apparent with tobacco and fuels.

Unlike VAT revenue, excise tax revenue has been losing fiscal importance in the Latin American countries examined in this study. Since 1990, excise tax revenue as a percentage of GDP in central government tax revenue has been declining in the region. As mentioned earlier, the decline in the fiscal importance of excise taxes stems from the progressive inclusion into VAT of various economic events that were previously subject to excise taxes, especially service provision. In 2000 such revenues accounted for an average of 16.5 percent of the central government tax take; by 2012 this figure had fallen to an average of 10.6 percent. Table 9 gives country-specific details for the beginning and end of the period under study. The contribution of these kinds of taxes has fallen substantially in all countries except Ecuador, El Salvador and the Dominican Republic.

In the period 2000–2012, none of the Latin American countries covered by this study collected more than 4.5 percent of GDP through excise taxes. The countries that collected more than 3 percent of GDP in one or more years are Costa Rica, Honduras, Nicaragua and the Dominican Republic.[16] Excise taxes in Bolivia and Uruguay accounted for between 2 percent and 3 percent of GDP during most of the period. In the other countries, excise tax revenues were equivalent to less than 2 percent of GDP. In Mexico, revenue has been negative since 2006. This is directly linked to the procedure used to establish excise tax rates on fuels, which are often negative and which make the tax act like a subsidy. For more information on how this tax is calculated, see Reyes Tépach (2011).

[15] In reality, only the administration and destination of the revenue.

[16] As mentioned in the previous section, in all the countries, hydrocarbons and their derivatives are subject to single excise taxes that replace the other taxes.

Table 9
Excise Tax Revenues, 2000 vs. 2012

	As % of central government tax revenues			As % of GDP		
	2000	2012	% var.	2000	2012	% var.
Argentina	13.9	8.0	-42.2%	2.1	1.9	-8.5%
Bolivia	26.7	6.7	-74.9%	3.7	1.6	-57.2%
Chile 1/	14.3	9.5	-33.7%	2.2	1.7	-25.8%
Colombia 2/	12.6	6.1	-51.3%	1.2	0.9	-23.4%
Costa Rica	27.4	21.9	-20.1%	3.3	2.9	-11.3%
Ecuador	5.2	5.6	8.2%	0.6	0.8	44.3%
El Salvador	3.4	8.4	150.4%	0.4	1.3	250.8%
Guatemala	13.2	8.2	-37.9%	1.3	0.9	-28.6%
Honduras	29.5	21.6	-26.6%	4.1	3.2	-21.0%
Mexico	14.8	-9.4	-163.8%	1.6	-0.8	-150.8%
Nicaragua	30.2	18.7	-38.2%	3.1	2.8	-11.3%
Panama	15.5	9.9	-35.7%	1.5	1.2	-20.3%
Paraguay	17.2	15.2	-11.8%	1.6	1.9	15.3%
Peru	13.6	5.3	-61.0%	1.9	1.0	-49.3%
Dominican Rep.	17.6	27.5	56.4%	2.2	3.7	70.4%
Uruguay	17.8	10.4	-41.6%	2.8	2.2	-22.9%
Venezuela	8.6	7.0	-19.0%	1.2	0.9	-20.3%
Simple average	16.5	10.6	-35.8%	2.0	1.6	-19.1%

1/ Includes revenue from levies on alcoholic beverages and soft drinks, luxury goods and luxury vehicles, treatment of which is established by the VAT law.
2/ Since the main excise taxes fall under the remit of the departments and municipalities, calculation of the fiscal contribution of these taxes has taken account of the tax revenue of all levels of government, not just the central government.

Table 10 shows the relative importance of the main components of excise tax revenue—fuels, tobaccos and by-products, beverages (non-alcoholic and alcoholic, including beers) and the other goods and services. In most countries, excise tax on fuels accounts for most of the total revenue from the tax, but its relative importance has declined somewhat over the period. A possible explanation for this is that the countries have introduced various subsidy mechanisms to tackle volatility in the price of gasoline and diesel (the main fuels), which have had a marked impact on the revenue-generating capacity of excise taxes. It should be noted that Ecuador does not levy any excise tax on fuels.

Another explanation lies in the relative importance of the other components. While the average share of excise tax revenue on beverages and tobacco and its by-products has increased slightly in the countries under study, there has been a greater increase in the relative importance of excise tax revenue from vehicles, aircraft, telecommunications, firearms, munitions and explosives, club memberships, perfumes, colognes, casinos, slot machines and gambling, videogames, incandescent light bulbs, pay TV, cement, jewelry, insurance policies, tourism-related activities, and others. Notable cases are Ecuador, El Salvador, Guatemala, Honduras, Panama, the Dominican Republic and Uruguay.

Table 10
Composition of Excise Tax Revenue
(% of total)

	2000				2012			
	Fuels	Tobacco and by-products	Beverages (alcoholic and non-alcoholic)	Other	Fuels	Tobacco and by-products	Beverages (alcoholic and non-alcoholic)	Other
Argentina 1/	59.4	29.2	2.92	8.5	59.0	23.8	3.9	13.4
Bolivia	70.8	n.a.	n.a.	n.a.	39.0	n.a.	n.a.	n.a.
Chile	56.5	30.0	11.4	2.1	51.5	36.4	11.3	0.8
Colombia	55.1	8.5	36.4	0.0	51.2	7.2	41.6	0.0
Costa Rica	n.a.	n.a.	n.a.	n.a.	54.1	n.a.	n.a.	n.a.
Ecuador 2/	-	31.1	44.8	24.1	-	29.9	45.4	24.7
El Salvador	n.a.	n.a.	n.a.	n.a.	34.7	11.4	35.8	18.1
Guatemala	71.9	10.6	10.5	7.0	57.9	8.6	15.3	18.3
Honduras	56.2	8.5	15.3	20.0	59.6	5.5	11.7	23.3
Mexico	76.8	9.4	8.4	5.4	n.a.	n.a.	n.a.	n.a.
Nicaragua 2/	73.9	n.a.	n.a.	n.a.	65.5	n.a.	n.a	n.a.
Panama	n.a.	n.a.	n.a.	n.a.	25.2	6.2	12.9	55.6
Paraguay	69.1	n.a.	n.a.	n.a.	69.3	n.a.	n.a.	n.a.
Peru	61.3	n.a.	n.a.	n.a.	42.7	n.a.	n.a.	n.a.
Dom. Rep.	37.4	5.6	29.2	27.8	49.7	5.2	20.0	25.0
Uruguay	54.4	22.6	11.6	11.4	44.1	21.8	14.7	19.4
Venezuela	50.3	23.7	9.2	16.9	20.3	50.5	23.2	6.0
Simple av.	61.0	17.9	18.0	12.3	48.3	18.8	21.4	18.6

1/ Data for 2012 in fact correspond to 2011.
2/ Based on excise tax revenue from internal operations.

Bieberach (2013) highlights some aspects of the treatment accorded to soft drinks, alcoholic beverages, and tobacco by-products. Excise tax is set according to the value (ad valorem), or rather an amount to be paid is established on the basis of a specific unit of measurement that might be liters of the product, liters of alcohol, kilograms, unit of cigarettes and so on, or a combination of an ad valorem component and a specific measurement (referred to as "mixed" in this study).

Ad valorem taxes can be grouped into those levied on the real price of the transfer, sale or transaction, and those levied on the recommended retail price. The tax assessment is often based on the transaction price but taking as a reference minimum a percentage of the recommended retail price, or adding an assumed minimum profit margin to the value of the transaction. An exception is Nicaragua, whose regulations set the taxable base for products according to the sale price to the retailer.

Among the specific-type taxes, the amount is set in monetary units, in some cases without adjustments, while in others they are adjusted at least once a year and inflation is normally used as a reference for the adjustment.

Often, a single jurisdiction uses more than one type of levy (ad valorem, specific or mixed) for different goods. The rates and specific taxable amounts vary significantly by the type of product taxed.

As regards excise tax on soft drinks, whether applied to juices, water, energy drinks or sodas, Argentina, Chile, Ecuador, El Salvador, Mexico, Nicaragua, Panama, Paraguay, Peru and Paraguay are countries that use an ad valorem tax. They all use the transaction value as the basis of the assessment, except for Ecuador and El Salvador, which use the sale price to the final consumer. On the other hand, the countries that use the specific-type tax are Bolivia, Costa Rica, El Salvador, Guatemala and Honduras. The first two have indexed the tax assessment while the other three set it in monetary units. El Salvador has a mixed tax for this group of goods.

The rates applied to soft drinks are significantly lower than those applied to the other products. Among non-alcoholic beverages, the highest rates by country usually apply to energy drinks and sodas. Among the countries that use an ad valorem tax, Argentina, Nicaragua, Panama and Paraguay have tariffs below 10 percent. Chile, Ecuador, El Salvador, Peru and Uruguay have tariffs of between 10 percent and 19 percent. A noteworthy case is Mexico, which does not tax juices, soft drinks or water, but does tax energy drinks with a tariff of 25 percent of the recommended retail price. Of the countries that use a specific tax, Costa Rica, Guatemala and Honduras have tariffs of less than US$0.20 per liter. Bolivia's tariff is above US$0.50 per liter. Most of the countries (11) do not tax juices or sodas. On the other hand, the Dominican Republic and Venezuela do not tax energy drinks.

As regards excise taxes on alcoholic beverages, including beers, wines and spirits, all the countries use an ad valorem tax except Honduras, Panama, and Venezuela. Nonetheless, Bolivia, Costa Rica, Ecuador, El Salvador, and the Dominican Republic in reality use a mixed scheme because they also levy specific taxes on those goods. Most of the countries that apply an ad valorem tax use the value of the transaction as the basis of the tax assessment. Only Colombia, Ecuador, El Salvador, Guatemala and the Dominican Republic use the sale price to the final consumer. Among those that use a specific tax, the taxable basis has been indexed by Bolivia, Costa Rica, Ecuador, Honduras, the Dominican Republic and Venezuela. Only El Salvador and Panama set it in monetary units.

There is a certain tendency to distinguish the tax applicable to beers, wines and spirits. Generally, the assessment is determined in line with the percentage of alcohol per liter, or liters of absolute alcohol. Honduras and Bolivia, instead of basing the tax on absolute alcohol, set a tax on the basis of the volume of the product itself. In some cases, even among spirits, there are differences according to the product (rum, brandy, tequila, whisky).

The tax on alcoholic beverages is substantially higher than that on soft drinks, but it is significantly lower than the tax on tobacco and its by-products. Among the countries that use an ad valorem tax, El Salvador and Guatemala have tariffs of below 10 percent. Bolivia, Costa Rica, Paraguay and the Dominican Republic have tariffs of between 10 percent and 19 percent. Argentina, Chile and Peru have tariffs of between 20 percent and 29 percent. Colombia, Ecuador, Mexico, Nicaragua and Uruguay have tariffs of above 30 percent. Of the countries that use a specific tax, Bolivia, Panama and Venezuela have tariffs of less than US$4 per liter of absolute alcohol. Ecuador and the Dominican Republic have tariffs of between US$4 and US$8 per liter of absolute alcohol. Costa Rica and El Salvador have tariffs above US$8 per liter of absolute alcohol.

Finally, as regards excise taxes on tobacco and its by-products, all the countries use an ad valorem tax except Colombia, Honduras and Paraguay. Nonetheless, Chile, Costa Rica, Ecuador, El Salvador, Mexico, Nicaragua, Peru and the Dominican Republic in reality use a mixed scheme because they also levy specific taxes on those goods. Among those that apply an ad valorem tax, for the levy on cigarettes most of them use the recommended retail price as the taxable basis, even though the base is different for other products. Among those that use a specific tax, the taxable basis has been indexed by Chile, Colombia, Costa Rica, Ecuador, Nicaragua, Peru and the Dominican Republic. Only El Salvador, Honduras, Mexico and Paraguay set it in monetary units.

Tobacco and tobacco by-products are subject to the highest tax compared to the aforementioned products. In this category, cigarettes are the products with the highest tax. Hence they are used below as a reference. Among the countries that use an ad valorem tax, Costa Rica and the Dominican Republic have tariffs of below 50 percent on cigarettes. Argentina, Bolivia, Chile, Uruguay and Venezuela have tariffs of between 50 percent and 99 percent. Ecuador, El Salvador, Guatemala, Mexico and Panama have tariffs above 100 percent. Among the countries that use a specific tax on cigarettes, El Salvador, Chile, Colombia, Honduras, Mexico, Nicaragua and Peru have tariffs of less than US$0.035 per cigarette. Costa Rica has tariffs of between US$0.035 and US$0.045 per cigarette. Ecuador, the Dominican Republic and Uruguay have tariffs of more than US0.045 per cigarette. Paraguay is an exception in that its tax is substantially lower than that of the other countries: it sets a tax of 13 percent on an assumed basis of PYG 4,000 (Paraguayan guaranis) on imports and PYG 3,500 on local production. This determines a fixed amount of the tax at less than US$0.006 per cigarette.

5. Conclusions

VAT has been present in Latin America for 34 years, on average.

For all the countries analyzed in this study, VAT currently accounts on average for 40 percent of central government tax revenue.

In the period 2000–2012, VAT in Latin America gained, on average, one and a half percentage points of GDP.

In all the countries analyzed, revenue increased between the start and end of the period.

In the same period, the average standard effective VAT rate in Latin America has been quite stable: in simple averages it rose from 14 percent to 14.6 percent, while in weighted averages it rose from 16.2 percent to 16.3 percent using GDP, and from 15.8 percent to 16.4 percent using GDP at PPP.

Apart from Chile and the Dominican Republic, all the countries experienced growth in the productivity coefficients in the period 2000–2012, with respect to both GDP and household consumption (C-efficiency).

Analysis of structural revenue reveals that effective revenue collection grew over time in Argentina (2001–2007), Colombia (2005–2010), Mexico (2004–2012), Peru (2005–2012) and Uruguay (2005–2012). It fell in Chile (2003–2012), Guatemala (2005–2012) and Nicaragua (2006–2010). For the first group of countries (except Uruguay), this conduct stems from the reduction in tax expenditures (not so marked in Mexico and Peru) and progress in tackling VAT non-compliance (more marked in Argentina, Peru and Uruguay). For the second group, the decline in the contribution of effective revenue stems from the fact that tax expenditures were unchanged or even grew, and there was an increase in VAT non-compliance (more marked in Chile).

In general, VAT performed better in Latin America because the tax administrations were more effective in reducing non-compliance. The rationalization of tax benefits and incentives in the countries has been limited. While VAT non-compliance declined on average, by 16.2 percent over the period, tax expenditures grew on average, by 44.3 percent.

The tax's regressive nature is confirmed. For 15 of the countries analyzed, VAT as a percentage of revenue declines as one moves from the poorest to the richest in the income distribution. Nonetheless, when this calculation is performed for consumption, which is a better measure of constant income, the results are reversed in almost all cases (with the exceptions of Chile, Peru and Uruguay), suggesting that VAT is progressive in consumption.

The legislation on VAT is fairly similar in the Latin American countries covered by this study. Perhaps the greatest differences lie in the use of tax benefits and incentives that establish differential treatment for certain goods and services. The most common variant of VAT in Latin America is the consumption type—that is, the taxes treat capital goods using the same debit-credit procedure applied to other allowed tax credits. VAT in all the Latin American countries covered by this study adheres to the destination principle—that is, the VAT seeks to tax final domestic consumption. In that respect, imports are taxed but not exports.

The study offered an in-depth analysis of the tax's design in the 17 countries under analysis, territorial aspects of the taxable event, distinct treatment (exclusions, exemptions and increased or reduced rates), simplified regimes for small-scale taxpayers, the treatment of exports, matters related to how the tax is determined, the characteristics of settlement, and other issues.

Unlike VAT revenue, excise tax revenue has been losing fiscal importance in the Latin American countries examined in this study. Since 1990, excise tax revenue as a percentage of GDP in central government tax revenue has been declining in the region. In 2000 such revenues accounted for an average of 16.5 percent of the tax take; by 2012 this figure had fallen to an average of 10.6 percent. The contribution of these kinds of taxes has fallen substantially in all countries except Ecuador, El Salvador and the Dominican Republic.

In the period 2000–2012, none of the Latin American countries covered by this study collected more than 4.5 percent of GDP through excise taxes. The countries that collected more than 3 percent of GDP in one or more years are Costa Rica, Honduras, Nicaragua and the Dominican Republic. Excise taxes in Bolivia and Uruguay accounted for between 2 percent and 3 percent of GDP during most of the period. In the other countries, excise tax revenues were equivalent to less than 2 percent of GDP.

In most countries, excise tax on fuels accounts for most of the total revenue from the tax, but its relative importance has declined somewhat because of the improvement in revenue generated by the other components. The average share of excise tax revenue on beverages and on tobacco and its by-products has increased slightly in the countries under study, but there has been a greater increase in the relative importance of excise tax revenue from vehicles, aircraft, telecommunications, firearms, munitions and explosives, club memberships, perfumes, colognes, casinos, slot machines and gambling, videogames, incandescent light bulbs, pay TV, cement, jewelry, insurance policies, tourism-related activities, and others.

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Annex 1: VAT Revenue as a Percentage of GDP

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Argentina	-	-	-	1.6	2.3	2.9	3.0	3.2	2.9	3.4	2.6	2.1	1.8	2.2	2.5	2.6	1.8	1.6	2.3	3.4
Bolivia	-	-	n.a.	0.6	0.5	0.6	0.6	0.6	0.4	0.4	0.3	0.2	0.1	0.5	0.4	1.7	2.6	2.6	3.0	3.4
Chile	-	-	-	5.8	6.2	7.8	8.6	9.5	10.2	11.1	10.7	8.1	8.8	8.3	8.4	8.2	7.3	6.9	7.0	7.3
Colombia	-	-	-	1.7	1.7	1.7	1.9	1.9	1.8	1.9	2.3	**1.9**	2.4	2.6	2.5	2.6	2.5	2.5	2.5	2.9
Costa Rica 1/	-	-	-	1.8	1.6	1.4	1.6	1.7	1.7	1.4	1.7	3.6	3.5	2.8	3.3	3.1	2.0	2.0	2.1	2.3
Dom. Rep.	-	-	-	-	-	-	-	-	-	-	-	n.a.	0.7	0.9	1.0	1.3	1.3	1.2	1.2	1.2
Ecuador 2/	n.a.	1.2	1.1	1.3	1.1	1.2	1.5	1.4	1.5	1.5	1.5	1.3	1.4	1.6	2.7	2.6	2.7	2.8	2.8	3.0
El Salvador	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guatemala	-	-	-	-	-	-	-	-	-	-	-	0.5	1.5	2.0	2.0	2.3	2.4	2.4	2.2	2.2
Honduras	-	-	-	-	0.9	1.0	0.9	1.0	1.0	1.0	1.6	1.4	1.7	1.8	1.8	1.8	1.8	1.9	2.7	2.9
Mexico	-	-	-	-	-	-	-	-	2.7	2.6	2.2	3.0	3.2	3.1	3.2	3.2	3.4	3.1	3.6	3.4
Nicaragua 1/	-	-	-	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.0
Panama 2/	-	-	-	-	-	1.5	2.0	2.0	1.7	1.7	1.7	1.5	1.5	1.4	1.5	1.6	1.0	1.1	1.4	1.5
Paraguay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Peru 3/	-	3.4	3.8	4.3	4.2	4.2	4.7	4.6	4.7	4.4	4.4	3.6	3.0	2.7	1.6	1.3	2.2	2.1	2.0	2.9
Uruguay 3/4/	2.25	3.1	3.6	4.2	4.9	4.6	4.4	4.4	5.7	6.1	6.2	5.5	5.9	6.3	6.3	6.4	6.8	6.4	6.7	7.0
Venezuela	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: CIATData, Historical Government Finance Statistics (1972–1989 in GFSM 1986 format), Tait (1988), AFIP, Central Bank of the Dominican Republic, OECD-CIAT-ECLAC Revenue Statistics, SAT and MINFIN, INEGI, Central Bank of Nicaragua, INEC, Central Reserve Bank of Peru, DGI.

1/ Only including VAT revenue from domestic operations.
2/ Does not include payments with tax documents.
3/ Gross revenue—that is, not discounting refunds.
4/ Does not include revenue from Minimum VAT or COFIS.

Annex 1 (continued): VAT Revenue as a Percentage of GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Argentina	5.9	6.9	6.7	6.8	6.9	7.0	7.0	6.6	6.7	5.7	4.9	5.6	6.9	6.9	7.2	7.7	7.7	7.6	8.1	8.4	8.8
Bolivia	4.7	5.4	5.5	5.6	5.6	5.9	5.7	5.8	4.9	5.3	5.7	5.6	5.7	6.3	6.3	6.6	7.1	6.7	6.9	8.0	8.2
Chile	7.9	8.1	7.7	7.5	7.8	7.9	7.8	7.6	7.9	7.8	7.9	8.0	7.9	7.8	7.0	7.5	8.4	7.3	7.6	7.9	8.1
Colombia	3.3	3.4	4.1	3.9	4.5	4.5	4.2	4.0	4.3	4.7	4.5	4.9	4.9	5.1	5.6	5.4	5.6	5.1	5.3	5.7	5.5
Costa Rica 1/	2.2	1.9	1.9	1.8	2.6	2.5	2.1	1.9	1.9	2.4	2.4	2.2	2.4	2.5	2.7	2.8	2.8	2.7	2.5	2.5	2.6
Dom. Rep.	1.7	2.0	1.9	2.0	2.0	2.3	2.3	2.6	2.6	3.6	3.7	3.1	3.4	4.1	4.5	4.9	4.7	4.2	4.3	4.2	4.0
Ecuador 2/	3.0	3.1	3.0	3.1	2.9	3.2	3.5	3.6	5.0	6.0	5.9	5.4	5.2	5.3	5.3	5.5	5.1	5.4	5.5	5.4	6.4
El Salvador	3.9	4.4	4.4	4.9	5.2	5.3	5.4	5.4	5.4	5.9	5.8	6.0	6.0	6.5	7.0	6.9	6.8	6.1	6.7	6.8	7.0
Guatemala	2.7	2.8	2.6	2.9	3.6	3.7	3.7	4.1	4.2	4.8	5.3	5.3	5.5	5.2	5.4	5.9	5.5	4.9	5.1	5.2	5.3
Honduras	2.9	3.1	3.1	3.5	3.5	3.8	4.9	6.1	4.8	4.5	4.6	5.0	5.1	5.2	5.6	6.1	6.3	5.2	5.4	5.7	5.6
Mexico	2.7	2.6	2.7	2.8	2.9	3.1	3.1	3.3	3.5	3.6	3.5	3.3	3.3	3.4	3.6	3.6	3.7	3.4	3.8	3.7	3.7
Nicaragua 1/	1.1	1.4	1.4	1.3	1.4	1.7	1.9	2.1	2.2	2.1	2.0	2.0	2.0	2.0	2.2	2.3	2.0	2.3	2.2	2.1	2.1
Panama 2/	1.6	1.7	1.7	1.7	1.6	1.6	1.7	1.6	1.4	1.3	1.3	1.5	1.6	1.7	1.9	2.1	2.3	2.3	2.8	3.3	3.3
Paraguay	-	3.2	3.9	4.3	4.0	4.4	4.4	4.0	4.0	3.9	3.6	4.0	4.3	4.6	4.9	5.0	5.5	5.6	6.3	6.3	6.3
Peru 3/	3.9	5.1	6.0	6.4	6.3	6.6	6.6	6.3	6.4	6.3	6.3	6.7	6.8	7.0	7.1	7.5	8.5	7.7	8.2	8.3	8.4
Uruguay 3/4/	7.4	7.4	7.3	7.8	8.0	7.5	7.6	7.4	7.2	7.4	7.2	7.9	8.8	9.3	9.9	10.4	10.5	10.5	10.3	10.2	10.1
Venezuela	-	-	2.6	4.2	4.5	5.9	5.8	5.2	4.3	4.5	4.4	4.8	6.3	6.5	6.5	5.6	7.1	5.9	5.6	6.2	6.8

Source: CIATData, Historical Government Finance Statistics (1972–1989 in GFSM 1986 format), Tait (1988), AFIP, Central Bank of the Dominican Republic, OECD-CIAT-ECLAC Revenue Statistics, SAT and MINFIN, INEGI, Central Bank of Nicaragua, INEC, Central Reserve Bank of Peru, DGI.

1/ Only including VAT revenue from domestic operations.
2/ Does not include payments with tax documents.
3/ Gross revenue—that is, not discounting refunds.
4/ Does not include revenue from Minimum VAT or COFIS.

Annex 2: VAT Revenue as Percentage of Central Government Tax Revenues

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Argentina	-	-	-	25.4	25.9	25.4	26.3	30.8	32.9	35.1	30.0	26.4	23.7	22.5	26.0	29.3	23.3	16.4	27.9	35.2
Bolivia	-	-	n.a.	5.1	4.1	5.1	5.4	6.5	4.2	4.3	6.0	6.9	3.8	7.0	4.7	21.2	36.0	37.1	37.5	37.0
Chile	-	-	-	26.5	32.3	40.0	44.4	50.6	50.8	52.4	51.9	41.9	42.9	42.8	44.1	45.1	47.4	45.9	42.6	43.9
Colombia	-	-	-	17.8	18.4	19.5	20.6	21.5	21.5	23.9	28.2	25.9	31.6	30.1	28.3	27.5	27.9	27.9	30.9	31.1
Costa Rica 1/	-	-	-	14.4	13.1	11.4	12.3	14.1	14.3	11.2	13.7	23.7	23.9	21.0	24.5	21.7	13.9	14.3	15.2	21.3
Dom. Rep.	-	-	-	-	-	-	-	-	-	-	-	n.a.	8.4	10.2	9.4	12.6	12.0	12.3	15.5	15.5
Ecuador 2/	n.a.	10.9	11.9	14.3	14.4	14.7	16.9	18.1	18.6	20.7	23.9	22.3	22.0	23.4	33.4	32.8	35.4	33.5	36.2	39.2
El Salvador	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guatemala	-	-	-	-	-	-	-	-	-	-	-	7.7	28.2	31.8	27.4	28.3	27.2	29.8	32.2	26.9
Honduras	-	-	-	-	8.1	7.4	7.0	7.4	7.0	7.7	12.8	12.3	13.2	13.1	13.5	13.3	14.4	14.9	18.6	18.7
Mexico	-	-	-	-	-	-	-	-	24.7	24.5	22.4	29.5	30.9	30.4	27.8	30.1	29.6	27.8	33.6	32.0
Nicaragua 1/	-	-	-	15.5	15.3	15.8	14.0	n.a.	12.6	14.1	12.8	12.6	13.4	15.7	15.9	13.5	11.4	12.3	13.3	12.1
Panama 2/	-	-	-	-	-	10.9	14.8	13.6	13.1	12.7	12.9	11.1	11.9	11.3	11.3	11.1	11.1	13.3	12.9	12.9
Paraguay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Peru 3/	-	25.9	28.3	28.8	31.7	30.5	30.2	30.4	27.5	31.1	31.7	30.8	24.0	18.8	13.1	13.6	23.5	26.9	17.4	25.5
Uruguay 3/4/	17.6	22.3	28.4	35.5	33.0	30.4	28.9	31.4	35.9	37.4	44.8	36.6	42.4	39.5	37.5	40.2	44.6	44.3	41.9	44.0
Venezuela	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: CIATData, Historical Government Finance Statistics (1972–1989 in GFSM 1986 format), Tait (1988), AFIP, Central Bank of the Dominican Republic, OECD-CIAT-ECLAC Revenue Statistics, SAT and MINFIN, INEGI, Central Bank of Nicaragua, INEC, Central Reserve Bank of Peru, DGI.

1/ Only including VAT revenue from domestic operations.
2/ Does not include payments with tax documents.
3/ Gross revenue—that is, not discounting refunds.
4/ Does not include revenue from Minimum VAT or COFIS.

Annex 2 (continued): VAT Revenue as Percentage of Central Government Tax Revenues

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Argentina	51.9	56.5	55.6	57.3	57.1	53.8	52.4	48.7	47.3	41.0	36.0	33.4	36.1	35.8	37.2	38.1	36.7	38.1	37.5	38.0	37.7
Bolivia	42.1	43.6	43.2	43.3	45.0	46.3	42.1	44.2	34.0	38.9	40.6	41.7	36.8	31.1	27.7	28.8	29.6	27.7	30.7	32.6	31.4
Chile	46.0	47.3	47.0	45.3	45.6	48.0	48.7	50.1	49.3	48.3	49.3	50.5	48.8	43.8	36.1	37.1	44.4	50.5	44.8	41.4	44.3
Colombia	34.1	33.9	41.1	41.9	46.6	44.4	43.2	41.5	43.0	40.4	39.2	41.7	40.7	41.2	42.1	40.4	42.1	39.7	43.1	41.9	38.2
Costa Rica 1/	18.8	17.3	16.6	16.2	22.1	20.9	17.7	16.5	15.8	18.8	18.8	17.1	18.9	19.2	19.5	19.1	18.4	20.1	19.6	19.0	19.5
Dom. Rep.	15.5	17.9	19.3	18.7	19.5	20.0	20.2	21.5	21.3	26.0	27.3	26.0	26.2	27.7	30.5	30.9	31.6	31.9	33.8	33.0	29.9
Ecuador 2/	42.7	43.2	42.0	40.5	42.3	40.0	39.7	35.2	45.5	52.4	52.0	51.3	49.1	46.8	45.7	45.2	43.0	41.6	40.4	41.8	43.6
El Salvador	40.7	42.7	42.2	44.2	50.1	52.4	53.7	52.5	53.1	55.8	52.5	53.2	53.2	52.5	52.6	51.0	50.6	48.0	49.5	49.1	48.8
Guatemala	31.6	34.2	37.2	35.9	41.8	42.3	42.2	43.7	45.4	44.6	45.6	47.0	48.8	47.3	47.0	50.0	50.3	48.1	49.8	49.7	50.1
Honduras	18.3	19.7	20.7	21.3	24.0	26.8	29.0	34.2	35.0	32.6	33.3	36.4	35.5	35.8	36.8	37.0	38.9	36.9	37.2	38.3	37.8
Mexico	24.0	23.1	24.0	30.4	31.9	31.3	29.7	29.0	32.6	31.8	30.0	33.1	37.0	39.2	42.7	40.6	45.8	36.1	40.0	41.4	44.1
Nicaragua 1/	11.9	15.5	14.9	14.1	15.1	16.0	17.2	19.3	20.7	22.0	19.3	17.0	16.6	15.7	16.3	16.4	14.5	17.6	15.9	14.6	14.2
Panama 2/	14.5	15.7	15.7	15.1	15.2	15.0	16.5	15.0	14.3	14.3	14.3	16.6	18.3	18.6	17.8	19.7	21.2	20.3	24.7	29.5	26.8
Paraguay	-	40.0	39.8	38.7	39.3	42.6	43.0	43.7	43.2	42.8	44.3	45.6	41.7	45.3	46.5	49.9	52.0	48.1	52.6	52.3	51.5
Peru 3/	32.1	42.4	45.8	47.2	44.7	45.5	45.2	45.2	46.5	44.5	46.6	46.1	46.7	46.1	42.9	43.2	48.2	49.2	49.0	47.4	46.5
Uruguay 3/4/	44.5	46.5	46.6	48.2	45.7	45.7	46.0	47.0	45.9	45.0	42.3	42.8	44.8	46.7	47.6	51.0	51.4	50.0	49.4	49.0	48.9
Venezuela	-	-	17.8	31.3	30.5	30.3	42.1	37.8	31.3	36.6	39.3	41.5	48.2	41.8	39.0	34.1	43.5	43.3	50.2	50.1	50.7

Source: CIATData, Historical Government Finance Statistics (1972–1989 in GFSM 1986 format), Tait (1988), AFIP, Central Bank of the Dominican Republic, OECD-CIAT-ECLAC Revenue Statistics, SAT and MINFIN, INEGI, Central Bank of Nicaragua, INEC, Central Reserve Bank of Peru, DGI.

1/ Only including VAT revenue from domestic operations.
2/ Does not include payments with tax documents.
3/ Gross revenue—that is, not discounting refunds.
4/ Does not include revenue from Minimum VAT or COFIS.

Annex 3: Trends in Standard VAT Rates

			1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Argentina			-	-	-	-	-	13.00	Until Jul: 13.00; since Aug: 16.00	16.00	16.00	16.00
Bolivia	Included in the price		-	-	-	-	-	-	-	-	-	-
	Excluded from the price		-	-	-	-	5.00	5.00	5.00	5.00	5.00	5.00
Chile			-	-	-	-	-	Since Mar: 20.00	20.00	20.00	20.00	20.00
Colombia			-	-	-	-	-	10.00	10.00	10.00	10.00	10.00
Costa Rica			-	-	-	-	-	10.00	10.00	10.00	10.00	10.00
Ecuador			Since Aug: 4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00	5.00
El Salvador			-	-	-	-	-	-	-	-	-	-
Guatemala			-	-	-	-	-	-	-	-	-	-
Honduras			-	-	-	-	-	-	3.00	3.00	3.00	3.00
Mexico			-	-	-	-	-	-	-	-	-	-
Nicaragua			-	-	-	-	-	6.00	6.00	6.00	6.00	6.00
Panama			-	-	-	-	-	-	-	Since Mar: 5.00	5.00	5.00
Paraguay			-	-	-	-	-	-	-	-	-	-
Peru	Total		-	-	-	15.00	15.00	17.00	Until Jun: 17.00; since Jul: 20.00	20.00	20.00	20.00
	VAT for central government (IGV)		-	-	-	15.00	15.00	17.00	Until Jun: 17.00; since Jul: 20.00	20.00	20.00	20.00
	Surcharge for the municipalities (IPM)		-	-	-	-	-	-	-	-	-	-
Dominican Republic			-	-	-	-	-	-	-	-	-	-
Uruguay	VAT	Effective (including COFIS)	10.00	10.00	14.00	14.00	18.00	20.00	20.00	18.00	18.00	18.00
		Nominal	10.00	10.00	14.00	14.00	18.00	20.00	20.00	18.00	18.00	18.00
	COFIS		-	-	-	-	-	-	-	-	-	-
Venezuela			-	-	-	-	-	-	-	-	-	-

Annex 3 (continued): Trends in Standard VAT Rates

			1980	1981	1982	1983	1984	1985	1986
Argentina			Until Sept: 16.00; Since Oct: 20.00	20.00	20.00	Until Sept: 20.00; Since Oct: 18.00	18.00	18.00	18.00
Bolivia	Included in the price		-	-	-	-	-	-	Until May: 5.00; since Jun: 10.00 (11.11)
	Excluded from the price		5.00	5.00	5.00	5.00	5.00	5.00	Until May: 5.00; since Jun: 10.00 (11.11)
Chile			20.00	20.00	20.00	20.00	20.00	20.00	20.00
Colombia			10.00	10.00	10.00	10.00	10.00	10.00	10.00
Costa Rica			10.00	10.00	10.00	10.00	10.00	10.00	10.00
Ecuador			5.00	5.00	5.00	Until Jun: 5.00; since Jul: 6.00	6.00	6.00	10.00
El Salvador			-	-	-	-	-	-	-
Guatemala			-	-	-	Since Aug: 10.00	Until Sept: 10.00; since Oct: 7.00	7.00	7.00
Honduras			3.00	3.00	5.00	5.00	5.00	5.00	5.00
Mexico			10.00	10.00	10.00	10.00	15.00	15.00	15.00
Nicaragua			6.00	6.00	6.00	6.00	6.00	10.00	10.00
Panama			5.00	5.00	5.00	5.00	5.00	5.00	5.00
Paraguay			-	-	-	-	-	-	-
Peru	Total		20.00	Until Oct: 20.00; since Nov: 16.00	16.00	16.00	Until Jul: 18.00; from Aug. until Dec. 14, 1984: 8.00; since Dec. 15, 1984: 9.00	11.00	Until Feb. 8, 1986: 11.00; since Feb. 9, 1986: 6.00
	VAT for central government (IGV)		20.00	Until Oct: 20.00; since Nov: 16.00	16.00	16.00	Until Jul: 18.00; since Aug: 8.00	10.00	Until Feb. 8, 1986: 10.00; since Feb. 9, 1986: 5.00
	Surcharge for the municipalities (IPM)		-	-	-	-	Since Dec. 15, 1984: 1.00	1.00	1.00
Dominican Republic			-	-	-	6.00	6.00	6.00	6.00
Uruguay	VAT	Effective (including COFIS)	18.00	18.00	18.00	18.00	20.00	20.00	20.00
		Nominal	18.00	18.00	18.00	18.00	20.00	20.00	20.00
	COFIS		-	-	-	-	-	-	-
Venezuela			-	-	-	-	-	-	-

Annex 3 (continued): Trends in Standard VAT Rates

			1987	1988	1989	1990	1991
Argentina			18.00	Until Jul: 18.00; since Aug: 15.00	15.00	Until Jan: 15.00; from Feb. to Sept: 13.00; since Oct: 15.60	Until Jan: 15.60; from Feb. to Jul: 16.00; since Aug: 18.00
Bolivia	Included in the price		10.00	10.00	10.00	10.00	10.00
	Excluded from the price		11.11	11.11	11.11	11.11	11.11
Chile			20.00	Until Jun: 20.00; since Jul: 16.00	16.00	Until Jun: 16.00; since Jul: 18.00	18.00
Colombia			10.00	10.00	10.00	10.00	12.00
Costa Rica			10.00	10.00	10.00	10.00	13.00
Ecuador			10.00	10.00	10.00	10.00	10.00
El Salvador			-	-	-	-	-
Guatemala			7.00	7.00	7.00	7.00	7.00
Honduras			5.00	5.00	5.00	Until Feb: 5.00; since Mar: 7.00	7.00
Mexico			15.00	15.00	15.00	15.00	10.00
Nicaragua			10.00	10.00	10.00	10.00	10.00
Panama			5.00	5.00	5.00	5.00	5.00
Paraguay			-	-	-	-	-
Peru	Total		Until Dec. 4, 1987: 6.00; since Dec. 5, 1987: 6.50	Until Mar. 9, 1988: 6.50; from Mar. 10, 1988 to Aug. 22, 1988: 10.00; from Aug. 23, 1988 to Dec. 31, 1988: 15.00	13.00	Until Feb. 20, 1990: 15.00; from Feb. 21, 1990 to Aug. 11, 1990: 17.00; from Aug. 12, 1990 to Dec. 31, 1990: 13.00	Until Aug. 9, 1991: 14.00; since Aug. 10, 1991: 16.00
	VAT for central government (IGV)		5.00	Until Mar. 9, 1988: 5.00; from Mar. 10, 1988 to Aug. 22, 1988: 8.50; from Aug 23, 1988 to Dec. 31, 1988: 13.50	2.00	Until Feb. 20, 1990: 13.00; from Feb. 21, 1990 to Aug. 11, 1990: 15.00; from Aug. 12, 1990 to Dec. 31, 1990: 11.00	Until Aug. 9, 1991: 12.00; since Aug. 10, 1991: 14.00
	Surcharge for the municipalities (IPM)		Until Dec. 4, 1987: 1.00; since Dec. 5, 1987: 1.50	1.50	2.00	2.00	2.00
Dominican Republic			6.00	6.00	6.00	6.00	6.00
Uruguay	VAT	Effective (including COFIS)	21.00	21.00	21.00	22.00	22.00
		Nominal	21.00	21.00	21.00	22.00	22.00
	COFIS		-	-	-	-	-
Venezuela			-	-	-	-	-

Annex 3 (continued) - Trends in Standard VAT Rates

			1992	1993	1994	1995	1996	1997	1998
Argentina			18.00	18.00	18.00	Until Jul: 18.00; since Aug: 21.00	21.00	21.00	21.00
Bolivia	Included in the price		Until Feb: 10.00 (11.11); since Mar: 13.00 (14.94)	13.00	13.00	13.00	13.00	13.00	13.00
	Excluded from the price		Until Feb: 10.00 (11.11); since Mar: 13.00 (14.94)	14.94	14.94	14.94	14.94	14.94	14.94
Chile			18.00	18.00	18.00	18.00	18.00	18.00	18.00
Colombia			12.00	14.00	14.00	14.00	16.00	16.00	16.00
Costa Rica			12.00	11.00	10.00	Until Aug. 10.00; since Sept: 15.00	15.00	Until Feb: 15.00; since Mar: 13.00	13.00
Ecuador			10.00	10.00	10.00	10.00	10.00	10.00	10.00
El Salvador			Since Sept: 10.00	10.00	10.00	Until Aug. 10.00; since Sept: 13.00	13.00	13.00	13.00
Guatemala			7.00	7.00	7.00	7.00	10.00	10.00	10.00
Honduras			7.00	7.00	7.00	7.00	7.00	7.00	Until Apr: 7.00; since May: 12.00
Mexico			10.00	10.00	10.00	15.00	15.00	15.00	15.00
Nicaragua			10.00	10.00	10.00	15.00	15.00	15.00	15.00
Panama			5.00	5.00	5.00	5.00	5.00	5.00	5.00
Paraguay			-	Since Jul: 10.00	10.00	10.00	10.00	10.00	10.00
Peru	Total		Until Feb: 16.00; since Mar: 18.00	18.00	18.00	18.00	18.00	18.00	18.00
	VAT for central government (IGV)		Until Feb: 14.00; since Mar: 16.00	16.00	16.00	16.00	16.00	16.00	16.00
	Surcharge for the municipalities (IPM)		2.00	2.00	2.00	2.00	2.00	2.00	2.00
Dominican Republic			8.00	8.00	8.00	8.00	8.00	8.00	8.00
Uruguay	VAT	Effective (including COFIS)	22.00	22.00	22.00	23.00	23.00	23.00	23.00
		Nominal	22.00	22.00	22.00	23.00	23.00	23.00	23.00
	COFIS		-	-	-	-	-	-	-
Venezuela			-	Since Oct: 10.00	10.00	12.50	Until July: 12.50; since Aug: 16.50	16.50	16.50

Annex 3 (continued): Trends in Standard VAT Rates

			1999	2000	2001	2002	2003	2004
Argentina			21.00	21.00	21.00	Until Nov. 17, 2002: 21.00; since Nov. 18, 2002: 19:00	Until Jan. 17, 2003: 19.00; since Jan. 18, 2003: 21:00	21.00
Bolivia	Included in the price		13.00	13.00	13.00	13.00	13.00	13.00
	Excluded from the price		14.94	14.94	14.94	14.94	14.94	14.94
Chile			18.00	18.00	18.00	18.00	Jan-Sept: 18.00; Oct-Dec: 19.00	19.00
Colombia			Until Oct: 16.00; since Nov: 15.00	15.00	16.00	16.00	16.00	16.00
Costa Rica			13.00	13.00	13.00	13.00	13.00	13.00
Ecuador			10.00	12.00	Jan-May: 12.00; Jun.-Aug: 14.00; Sept-Dec: 12.00	12.00	12.00	12.00
El Salvador			13.00	13.00	13.00	13.00	13.00	13.00
Guatemala			10.00	10.00	Jan.-Jul: 10.00; Aug-Dec: 12.00	12.00	12.00	12.00
Honduras			12.00	12.00	12.00	12.00	12.00	12.00
Mexico			15.00	15.00	15.00	15.00	15.00	15.00
Nicaragua			15.00	15.00	15.00	15.00	15.00	15.00
Panama			5.00	5.00	5.00	5.00	5.00	5.00
Paraguay			10.00	10.00	10.00	10.00	10.00	10.00
Peru	Total		18.00	18.00	18.00	18.00	Jan.-Jul: 18.00; Aug-Dec: 19:00	19.00
	VAT for central government (IGV)		16.00	16.00	16.00	16.00	Jan.-Jul: 16.00; Aug-Dec: 17:00	17.00
	Surcharge for the municipalities (IPM)		2.00	2.00	2.00	2.00	2.00	2.00
Dominican Republic			8.00	8.00	12.00	12.00	12.00	Jan-Sept: 12.00; Oct-Dec: 16.00
Uruguay	VAT	Effective (including COFIS)	23.00	23.00	Since May: 26.69	26.69	26.69	26.69
		Nominal	23.00	23.00	23.00	23.00	23.00	23.00
	COFIS		-	-	Since May: 3.00	3.00	3.00	3.00
Venezuela			Until May: 16.50; since Jun: 15.50	Until July: 15.50; since Aug: 14.50	14.50	Until Aug. 14.50; since Sept: 16.00	16.00	Until Aug. 16.00; since Sept: 15.00

Annex 3 (continued): Trends in Standard VAT Rates

			2005	2006	2007	2008	2009	2010	2011	2012
Argentina			21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00
Bolivia	Included in the price		13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
	Excluded from the price		14.94	14.94	14.94	14.94	14.94	14.94	14.94	14.94
Chile			19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
Colombia			16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00
Costa Rica			13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Ecuador			12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
El Salvador			13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Guatemala			12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Honduras			12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Mexico			15.00	15.00	15.00	15.00	15.00	16.00	16.00	16.00
Nicaragua			15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Panama			5.00	5.00	5.00	5.00	5.00	Jan.-Jul: 5.00; Jul.-Dec: 7.00	7.00	7.00
Paraguay			10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Peru	Total		19.00	19.00	19.00	19.00	19.00	19.00	Jan.-Feb: 19.00; Mar.-Dec: 18:00	18.00
	VAT for central government (IGV)		17.00	17.00	17.00	17.00	17.00	17.00	Jan.-Feb: 17.00; Mar.-Dec: 16:00	16.00
	Surcharge for the municipalities (IPM)		2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Dominican Republic			16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00
Uruguay	VAT	Effective (including COFIS)	26.69	26.69	Jan.-Jun: 26.69.00; Jul.-Dec: 22.00	22.00	22.00	22.00	22.00	22.00
		Nominal	23.00	23.00	Jan.-Jun: 23.00; Jul.-Dec: 22.00	22.00	22.00	22.00	22.00	22.00
	COFIS		3.00	3.00	Jan.-Jun: 3.00; Jul.-Dec: -	-	-	-	-	-
Venezuela			Until Sept: 15.00; since Oct: 14.00	14.00	Until Feb: 14.00; Mar.-Jun: 11.00; since July: 9.00	9.00	Until Mar: 9.00; since Apr: 12:00	12.00	12.00	12.00

Annex 4: Territorial Aspects of the Taxable Event

	Sale of goods	Provision of services	Import of goods	Leasing of moveable property	Leasing of real estate	Transfers to create or expand companies	Allocation for liquidation of companies	Withdrawals in kind for self-consumption	Donations
Argentina	Location or placement in the country	Provided in the national territory, excluding those to be used abroad; includes service provision abroad to be used inside the country	Definitive import			Location or placement in the country	Provided in the national territory		
Bolivia	Location or placement in the country	Provided in the national territory, excluding those to be used abroad	Definitive import	Provided in the national territory	Provided in the national territory				
Chile	Location or placement in the country	Provided in the national territory, excluding those to be used abroad; includes service provision abroad to be used inside the country	Definitive import	Provided in the national territory	Provided in the national territory	Location or placement in the country	Provided in the national territory	Provided in the national territory	
Colombia	Location or placement in the country	Provided in the national territory, excluding those to be used abroad	Definitive import	Provided in the national territory	Provided in the national territory	Location or placement in the country	Provided in the national territory	Provided in the national territory	Provided in the national territory
Costa Rica	Location or placement in the country	Provided in the national territory, excluding those to be used abroad	Definitive import	Provided in the national territory		Location or placement in the country	Provided in the national territory	Provided in the national territory	Provided in the national territory
Ecuador	Location or placement in the country	Provided in the national territory, excluding those to be used abroad	Definitive import	Provided in the national territory	Provided in the national territory			Provided in the national territory	Provided in the national territory
El Salvador	Location or placement in the country	Provided in the national territory, excluding those to be used abroad; includes service provision abroad to be used inside the country	Definitive import	Provided in the national territory	Provided in the national territory	Location or placement in the country	Provided in the national territory	Provided in the national territory	
Guatemala	Location or placement in the country	Provided in the national territory, excluding those to be used abroad; includes service provision abroad to be used inside the country	Definitive import	Provided in the national territory	Provided in the national territory		Provided in the national territory	Provided in the national territory	Provided in the national territory
Honduras	Location or placement in the country	Provided in the national territory, excluding those to be used abroad	Definitive import					Provided in the national territory	

Mexico	Location or placement in the country (intangible goods; acquirer and transferor reside in the country	When provided wholly or partially by a resident in the country (does not apply to international transport: if the trip starts in the country, it is taxed independently of the residence of the carrier). Excludes services provided by residents and used abroad (export of services)	Definitive import	Provided in the national territory	Provided in the national territory	Location or placement in the country	Provided in the national territory	Provided in the national territory	Provided in the national territory
Nicaragua	Location or placement in the country	Provided in the national territory, excluding those to be used abroad; includes service provision abroad to be used inside the country	Definitive import	Provided in the national territory	Provided in the national territory			Provided in the national territory	Provided in the national territory
Panama	Location or placement in the country	Provided in the national territory, excluding those to be used abroad; includes service provision abroad to be used inside the country	Definitive import	Provided in the national territory		Location or placement in the country			
Paraguay	Location or placement in the country	Provided in the national territory; includes service provision abroad to be used inside the country; excludes only international freight; others services exports are not exempt	Definitive import	Provided in the national territory		Location or placement in the country	Provided in the national territory	Provided in the national territory	Provided in the national territory
Peru	Location or placement in the country	Provided in the national territory, excluding those to be used abroad; includes service provision abroad to be used inside the country	Definitive import						
Dominican Republic	Location or placement in the country	Provided in the national territory	Definitive import	Provided in the national territory					
Uruguay	Location or placement in the country	Provided in the national territory, excluding those to be used abroad	Definitive import	Provided in the national territory		Location or placement in the country	Provided in the national territory		
Venezuela	Location or placement in the country	Provided in the national territory, excluding those to be used abroad; includes service provision abroad to be used inside the country	Definitive import	Provided in the national territory	Provided in the national territory			Provided in the national territory	

Annex 5: Settlement of the Tax

	Multiphase or single-phase	Tax settlement period (tax period)	Accrual criterion or cash settlement criterion	Conditions for allowing credits	Allowance of credits on exempt activities
Argentina	Multiphase. Debit-credit	Calendar month. For some activities, calendar year	Accrual	Purchases related to taxed activities (the proportionality rule applies). Spending documented by invoice or equivalent, with tax distinguished in the document	Exporters. Employer contributions can be measured as a VAT credit in certain percentages
Bolivia	Multiphase. Debit-credit	Monthly	Accrual	Purchases related to taxed activities. Spending documented by invoice or equivalent. Credit ceilings for purchases of naphthas and diesel	Exporters
Chile	Multiphase. Debit-credit	Monthly, except for the simplified regime (quarterly)	Accrual	Purchases related to taxed activities (the proportionality rule applies). Spending documented by invoice or equivalent.	Exporters. Specific conditions for allowing credits on purchases subject to VAT to build housing and VAT supported by pension funds in subcontracting services
Colombia	Multiphase. Debit-credit. Sodas, bears and oil by-products have a single-phase system	Every two, four or twelve months depending on the taxpayer segment (by size)	Accrual	Purchases related to taxed activities. Spending documented by invoice or equivalent.	Exporters. Allows credits for purchases subject to VAT for exempt operations
Costa Rica	Multiphase. Debit-credit	Monthly	Accrual	Purchases related to taxed activities. Spending documented by invoice or equivalent, with tax distinguished in the document	Exporters. Allows credits for purchases subject to VAT for sale of exempt goods; this is not the case for exempt services
Ecuador	Multiphase. Debit-credit	Monthly, except for those who sell exclusively at zero rate or untaxed, or have 100% VAT withholding, who settle every six months	Accrual	Purchases related to taxed activities (the proportionality rule applies). Spending documented by invoice or equivalent, with tax distinguished in the document	Exporters. Sale of inbound tourism to non-residents; direct sale of goods and services with a zero rate for exporters
El Salvador	Multiphase. Debit-credit	Monthly	Accrual	Purchases related to taxed operations and those with a zero rate (the proportionality rule applies). Spending documented by invoice, with tax distinguished in the document	Exporters (strictly speaking, exports are subject to a zero rate and thus are apt for the allowance of credits)
Guatemala	Multiphase. Debit-credit	Monthly	Accrual	Purchases related to taxed activities (the proportionality rule applies). Spending documented by invoice or equivalent.	Exporters. Sale of goods or provision of services to individuals who are exempt in the domestic market: allows credits for purchases connected to these activities under certain conditions

Honduras	Multiphase. Debit-credit	Monthly	Accrual	Purchases related to taxed activities (the proportionality rule applies). Spending documented by invoice or equivalent.	Exporters
Mexico	Multiphase. Debit-credit	Monthly, except in the case of accidental sales and occasional imports	Cash settlement	Purchases related to taxed operations and those with a zero rate (the proportionality rule applies). Spending documented by invoice, with tax distinguished in the document	Exporters (strictly speaking, exports are subject to a zero rate and thus are apt for the allowance of credits)
Nicaragua	Multiphase. Debit-credit	Monthly. the tax administration can set other timeframes for particular cases	Accrual	Purchases related to taxed operations and those with a zero rate (the proportionality rule applies). Spending documented by invoice, with tax distinguished in the document	Exporters (strictly speaking, exports are subject to a zero rate and thus are apt for the allowance of credits)
Panama	Multiphase. Debit-credit	Monthly. Personal services provided independently settle on a quarterly basis	Accrual	Purchases related to taxed activities (the proportionality rule applies). Spending documented by invoice or equivalent, with tax distinguished in the document	Exporters
Paraguay	Multiphase. Debit-credit	Monthly	Accrual	Purchases related to taxed activities (the proportionality rule applies). Spending documented by invoice or equivalent, with tax distinguished in the document	Exporters
Peru	Multiphase. Debit-credit	Monthly. For imports, each time the customs procedure takes place	Accrual, except for the first sale of real estate (cash)	Purchases related to taxed activities (the proportionality rule applies). Spending documented by invoice or equivalent, with tax distinguished in the document	Exporters. There is a specific regime allowing credits for taxpayers in Amazonia (for some economic activities)
Dominican Republic	Multiphase. Debit-credit	Monthly	Accrual. Cash settlement criterion in the SME sector	Purchases related to taxed activities (the proportionality rule applies). Spending documented by invoice or equivalent, with tax distinguished in the document	Exporters. Allows credits for purchases subject to VAT to exempt operations
Uruguay	Multiphase. Debit-credit	Monthly. There is an option for annual settlement according to the size of taxpayers, and in agriculture	Accrual	Purchases related to taxed activities (the proportionality rule applies). Spending documented by invoice or equivalent, with tax distinguished in the document	Exporters. There are activities assimilated into exports and these are allowed credits
Venezuela	Multiphase. Debit-credit	Monthly	Accrual	Purchases related to taxed activities (the proportionality rule applies). Spending documented by invoice or equivalent, with tax distinguished in the document	Exporters (strictly speaking, exports are subject to a zero rate and thus are apt for the allowance of credits)

Annex 6: Financial Services

	Treatment	Operations of banking entities or other regulated entities engaged in financial intermediation	Operations of institutional retirement fund administrators and similar bodies	Operations related to stock exchange activity	Operations of savings and loan cooperatives and similar bodies
Argentina	Excluded or exempt	Exemption: deposits and loans (in the latter case, those between institutions); interest on loans to buy or refurbish housing	Exemption: interest on retirement or pension funds	Exemption: interest on securities issued by public or private institutions	Exemption: interest paid to partners
	Taxed	Other operations	Other operations	Other operations	Other operations
Bolivia	Excluded or exempt	Exemption: interest on financial operations (credits granted or deposits received by financial institutions)	Exemption: contributions, National Solidarity Contributions, allowances and all benefits of the Integrated Pensions System	Exemption: buy-sell share operations, debentures, securities and debt instruments; capital gains generated by the buying and selling of securities through mechanisms established by the securities exchange; any transaction involving the public offering of securities registered in the RMV and undertaken by the State	Exemption: interest on financial operations (credits granted or deposits received by financial institutions)
	Taxed	Other operations	Other operations	Other operations	Other operations
Chile	Excluded or exempt	Exemption: interest on any kind of operations involving financial and credit instruments; commissions related to guarantees and sureties granted by financial institutions	Exemption: interest on any kind of operations involving financial and credit instruments; commissions related to guarantees and sureties granted by financial institutions	Exemption: interest on any kind of operations involving financial and credit instruments; commissions related to guarantees and sureties granted by financial institutions	Exemption: interest on any kind of operations involving financial and credit instruments; commissions related to guarantees and sureties granted by financial institutions
	Taxed	forward interest rate transactions and default interest; other operations	Other operations	Other operations	Other operations
Colombia	Excluded or exempt	Financial interest or yields on credit operations	Commissions received by companies managing State funds and services related to social security	Commissions received by stockbrokers for managing stock funds; commission paid for the placement of capitalization bonds	Financial interest or yields on credit operations
	Taxed	Other operations	Other operations	Other operations	Other operations
Costa Rica	Excluded or exempt	Generic exemption	Generic exemption	Generic exemption	Generic exemption
Ecuador	Excluded or exempt	Generic exemption	Generic exemption	Generic exemption	Generic exemption

El Salvador	Excluded or exempt	Exemption: interest on deposits in financial institutions and on loans from them	No specific reference found	Exemption: revenue from the placement of bonds	Exemption: interest on deposits in financial institutions and on loans from them
	Taxed	Other operations	Other operations	Other operations	Other operations
Guatemala	Excluded or exempt	Exemption: services provided by institutions overseen by the Superintendency of Banks	No specific reference found	Exemption: services provided by stock exchanges authorized to operate in the country; the creation, issuing, circulation and transfer of any kind of negotiable instruments and stocks, and accrued interest on such operations	Exemption: services provided to the partners and to third parties
	Taxed	Other operations	Other operations	Other operations	Other operations
Honduras	Excluded or exempt	Generic exemption	Generic exemption	Generic exemption	Generic exemption
Mexico	Excluded or exempt	Exemption: charged interest deriving from activities subject to 0% tax or exempt; charged interest on mortgage loans for housing	Exemption: commissions for the administration of resources from retirement savings systems	Exemption: obligations set out in the General Law on Securities and Credit Operations; federal governments bonds or securities	Exemption: charged interest from employees' savings banks
	Taxed	Accrued interest from credits granted by institutions in the financial system; Other operations	Other operations	Other operations	Other operations
Nicaragua	Excluded or exempt	Exemption: financial services and services inherent to financial activity, including interest on capital leasing	Exemption: financial services and services inherent to financial activity, including interest on capital leasing	Exemption: commissions on stock market transactions through stock exchanges and agricultural exchanges	Exemption: financial services and services inherent to financial activity, including interest on capital leasing
	Taxed	Other operations	Other operations	Other operations	Other operations
Panama	Excluded or exempt	Exclusion: payments, including paid and received interest, generated by financial services provided by authorized bodies (except commissions)	Exclusion: payments and interest on contributions to pension funds and the like	Exclusion: transfers of negotiable instruments and securities in general Exemption: stock exchange and agricultural exchange operations	Exemption: financial activities of cooperatives
	Taxed	Commissions generated by banking services and/or financial services provided by authorized bodies	Other operations	Charged interest on transfers of negotiable instruments and securities in general	Other operations
Paraguay	Excluded or exempt	Exemption: deposits in banking and financial entities; conveyance of receivables, deposits in institutions in the savings system and loans for housing	No specific reference found	Exemption: public and private securities, and their accrued interest	Exemption: deposits in cooperatives

	Taxed	Other operations	Other operations	Other operations	Other operations
Peru	Excluded or exempt	Exclusion: credit services offered by businesses in the financial system that are supervised by the Superintendency of Banking and Insurance and private pensions funds. In the case of credits for MSMEs or development loans, excludes interest, commissions and other income	Exclusion: credit services offered by businesses in the financial system that are supervised by the Superintendency of Banking and Insurance and private pensions funds.	Exclusion: interest and capital gains generated by certificates of deposit of the Central Reserve Bank of Peru (BCRP) and BCRP capitalization bonds; interest generated by securities issued through public or private offerings, or acquired through a centralized negotiating mechanism set out in the Securities Market Law	Exclusion: income received by municipal savings banks, savings and loan cooperatives, and similar institutions geared to MSMEs
	Taxed	Taxed: interest for financial services provided by a non-resident institution	Other operations	Other operations	Other operations
Dominican Republic	Excluded or exempt	Generic exemption	Generic exemption	Generic exemption	Generic exemption
Uruguay	Excluded or exempt	Exemption: banking operations carried out by banks, banking houses and savings and loan cooperatives; interest on loans to individuals for the purpose of buying housing; interest on deposits	No specific reference found	Exclusion: sale of public and private securities and the interest they generate	Exemption: banking operations carried out by banks, banking houses and savings and loan cooperatives
	Taxed	Interest on loans to individuals who do not pay income tax	Other operations	Other operations	Other operations
Venezuela	Excluded or exempt	Excluded: operations and services in general provided by banks and other regulated financial institutions; cash loans	Excluded: the operations of institutional retirement fund administrators	Excluded: sale of stocks, public and private securities; operations in stock exchanges and agricultural exchanges	Excluded: operations of savings and loan cooperatives
	Taxed	Other operations	Other operations	Other operations	Other operations

Annex 7: VAT Exclusions and Exemptions by Type of Goods and Services

	Real estate/construction of, and first sale of	Hydrocarbons and their by-products	Capital goods; vehicles, equipment and machinery
Argentina			Aircraft for passenger transport and/or cargo aircraft for defense and security (their parts and components). Water-going vessels when acquired by the State
Bolivia			
Chile			For certain investment projects and according to the availability of the good at the national level
Colombia	Construction materials (applicable in some departments)	Crude oil, natural gas, coke	Machinery and/or equipment for particular purposes and uses (medical and agricultural) under certain conditions; basic industries, treatment and recycling of waste, export industry equipment imported by research and technology development centers, and by educational institutions; equipment for sports, healthcare, research and education, donated to official bodies or non-profit institutions
Costa Rica		Fuels subject to the single tax set by Law 8114	
Ecuador			Agricultural machinery; aircraft for commercial use, transport of cargo, passengers and services; hybrid or electric vehicles (up to 35,000); those produced and marketed by craftspeople
El Salvador			Machinery of registered taxpayers used to produce exempt goods; buses, microbuses and hire vehicles for public transport, as long as they meet certain criteria
Guatemala	Under certain limits as to square meters, location and specific characteristics (value no greater than the quetzal equivalent of US$17,500)		Assets of banks or financial companies, transferable to other entities in the same category; machines, equipment and other goods imported by cooperatives, federations and confederations legally established and registered, for use in their activities or services
Honduras		All fuels subject to the Contribution for Social Programs and Maintenance of the Roads	Electricity generating machinery; machines, equipment and accessories for agricultural production
Mexico	Construction for housing		
Nicaragua	Generic definition	All fuels subject to the Combined Specific Tax on Fuels and the Special Tax to Finance Road Maintenance	Agricultural machinery and parts
Panama		All fuels subject to the Tax on the Consumption of Fuels and Oil Derivatives	
Paraguay	Generic definition	All fuels derived from oil are subject to the excise tax	National production for use in the industrial or agricultural cycle, or made by investors (law 60/90 of 1991)
Peru	First sale, as long as it is for housing, does not exceed a certain amount, and meets certain criteria		
Dominican Republic		All fuels subject to the excises taxes on fuels	Various capital goods for use in agriculture; machinery, equipment and parts related to the production of medicines for human and animal use
Uruguay	All, except new real estate	Crude oil; all fuels (except fuel oil and gas oil)	Agricultural machinery and accessories; collective transport vehicles for regular departmental, national and international service provision
Venezuela		Natural gas used as an input for the manufacture of fertilizers; fuels, inputs and additives used to improve gasoline (ethanol, methanol and by-products)	Automobiles adapted for the use of the disabled; wheelchairs; imports of scientific and educational equipment for research and teaching; medical equipment for the public sector and non-profit organizations (as long as such equipment is not available in the country or when national production is insufficient)

Annex 7 (continued): VAT Exclusions and Exemptions by Type of Goods and Services

	Raw materials and inputs	Foodstuffs of livestock origin	Foodstuffs of agricultural or farm origin
Argentina			
Bolivia			
Chile			
Colombia	Fertilizers and pesticides, raw materials for the production of vaccines, veterinary products		
Costa Rica	Inputs for agriculture and marine fishing; veterinary products; inputs for housing construction	Articles in the “basic tax basket”	Articles in the “basic tax basket”
Ecuador	Seeds, bulbs, plants; feed, fodder and other foodstuffs consumed by animals raised for human consumption; insecticides, fertilizers and others; veterinary products	Generic definition	All
El Salvador			
Guatemala		Meats and seafood (retail and for final consumers) in local and municipal markets	Fresh fruits and vegetables, cereals legumes and basic grains (retail and for the final consumer) in local and municipal markets
Honduras	Fuels and other inputs for electricity production; inputs and raw materials for agricultural production; frozen animal semen; raw material and material used to produce exempt goods	Goods in the basic basket (comprehensive list of goods)	Goods in the basic basket (comprehensive list of goods)
Mexico			
Nicaragua	Veterinary products; insecticides, herbicides, fertilizers and other agricultural inputs; raw materials and inputs used to produce various exempt goods (educational and scientific materials, and periodical publications). Feed for cattle and poultry	Fresh fish, poultry meat (except breast), beef and pork (except fillets and loin)	Untransformed or unpackaged agricultural goods (except flowers or floral arrangements); generic definition; eggs
Panama	Manufactured fertilizers, insecticides, herbicides, and other agricultural inputs; some manual tools for agricultural use; barbed wire; seeds used in agriculture	Agricultural products in their natural state; foodstuff products (generic definition)	Agricultural products in their natural state; foodstuff products (generic definition)
Paraguay		Agricultural products in their natural state	Agricultural products in their natural state
Peru	Some agricultural inputs: seeds (including certain seeds used for sowing) and fertilizers; fish, shellfish, mollusks and other aquatic invertebrates (except fish used for processing fishmeal and fishoil); wools and fine and ordinary threads	Various agricultural products in their natural state	Agricultural products in their natural state or frozen: covers a wide range of fruits, vegetables, cereals etc
Dominican Republic	Inputs of agricultural origin (fats, flours, oils, molasses or sugars, feed for birds and fish, vegetable materials and scraps), packaging material, fertilizers and agrochemicals as long as they are imported by laboratories; edible animal and vegetable fats; fertilizers and their ingredients	Live animals, fresh, refrigerated and frozen meats, commonly consumed fish	Farm products; fresh, refrigerated or frozen agricultural products: covers a wide range of legumes, vegetables, tubers and fruits, unprocessed and of widespread consumption, etc.
Uruguay	Comprehensive list of goods used in agricultural production, including raw materials used to make them	Poultry and pork	
Venezuela	Seeds and grains, base material for animal reproduction and biological inputs for the agricultural sector; fertilizers; agrochemicals; maize used to produce human and animal foodstuffs, oils, materials used to produce oils, mayonnaises and margarines; sorghum and soya	Poultry meat, cattle meat and pig meat in its natural state, refrigerated and in other states	Vegetable products in their natural state; poultry and other farm products eggs

Annex 7 (continued): VAT Exclusions and Exemptions by Type of Goods and Services

	Industrialized foods	Medicines	Newspapers, magazines, and periodicals
Argentina	Ordinary natural water, milk without additives when the buyers are final consumers or are exempt	In the case of resale and when tax has been paid at the import or manufacturing stage	Books, pamphlets and similar printed products (booklets or loose leaves that comprise a work or part of a work); newspapers, magazines and periodicals (at the stage of public sale)
Bolivia			
Chile			
Colombia		All	
Costa Rica	Articles in the "basic tax basket"	All	
Ecuador	Milk, cheeses and other milk products; cold meats; bread, sugar, salt, noodles and similar foodstuffs	Includes all medicines for human or veterinary use and the raw material needed to produce and market them	Books and complementary material
El Salvador			
Guatemala		Generic and alternative medicines, antiretrovirals (for HIV/AIDS patients) under the remit of authorized public and private bodies that are registered in the country	
Honduras	Goods in the basic basket (comprehensive list of goods)	Other pharmaceutical products	Generic definition
Mexico			Generic definition
Nicaragua	Rice (except packaged in quantities of 50 pounds or less and of higher quality), sugar (except special sugar), edible oil (except olive oil, sesame, sunflower and corn oils), coffee (except of higher quality) salt, corn tortillas, flours and breads; milk and milk drinks, cheeses	Covers medicines and the raw material needed to produce them, as well as various medical accessories (prostheses, wheelchairs, apparatus for the disabled, and others) medical instruments and equipment	Generic definition
Panama	Sodas; foodstuff products (generic definition)	Medicinal and pharmaceutical products and the raw material needed to produce them	Generic definition (excepting pornographic material)
Paraguay			Educational, cultural and scientific magazines, books and periodicals
Peru		Inputs for the treatment of some illnesses	Stamp albums and books, and sketchbooks
Dominican Republic	Milk and dairy goods (cheeses, yoghurt), butter, flours, coffee, cereals, worked grains (wheat, oats, corn and rice), cold meats and tinned sardines, sugars, cacao and chocolate, beverages, baby food, pastas, bread	Covers a range of medicines (with certain exceptions) and other pharmaceutical products related to medicine, for retail sale	Preuniversity educational material (notebooks, blackboards, pencils and so on); books and magazines, periodicals, and scientific and educational periodicals
Uruguay	Milk and some milk varieties (pasteurized and ultrapasteurized, with added vitamins, skimmed and powdered) except flavored milk and milk packaged in certain materials; some goods from the consumption basket (bread, rice, sugar, edible oils, and so on).		All (of any kind)
Venezuela		For human, animal and vegetable use	Newspapers, magazines, books

Annex 7 (continued): VAT Exclusions and Exemptions by Type of Goods and Services

	Artistic and cultural works and objects/advertising	Precious metals, national/foreign currency	Other goods
Argentina	Entry tickets for theatrical performances, seals of organizations of public good (to obtain funds or engage in advertising)	Coined gold or gold bars with a purity of 999/1,000, traded by official bodies or authorized banks, coins (including those made from precious metals) that have legal tender in the issuing country or are officially quoted	Price quotation or capitalization seals and policies
Bolivia			
Chile			
Colombia	Purchases by museums or State bodies that possess or manage such goods		Weapons of war, personal computers, smart mobile devices, clothing, toiletries, articles for use by foreign diplomatic, consular or technical missions
Costa Rica	Costa Rican literary, musical and plastic arts compositions		Goods to be used in education
Ecuador			
El Salvador			Goods imported by passengers and crew of vessels, aircraft and other vehicles that enter duty free; goods donated from abroad to qualified bodies; donations through agreements with El Salvador; donations of imported goods to municipalities for public works or the benefit of the community
Guatemala			
Honduras	Artistic paintings and sculptures; sheet music		Craftworks and similar goods (for small industry); nationally produced flowers. Goods transfers between companies by means of merger, absorption, dissolution or liquidation
Mexico	Imports of artworks for public exhibition	Generic definition (includes troy-ounce denominated pieces and ingots of 99% purity, the latter according to certain sale conditions)	Used furniture (except those disposed of by businesses)
Nicaragua		National banknotes and coins	Nationally produced clothing (including cloth diapers and children's clothing), and footwear; some cleaning and hygiene products
Panama		Foreign currency and public and private securities	Products for babies (baby carriages, diapers, bibs, etc.) and children (car seats)
Paraguay		Foreign currency and public securities	Animals used in hunting and fishing, alive or otherwise, in their natural state; goods introduced into the country by members of the diplomatic corps and accredited international organizations
Peru	Imports of cultural goods that are part of the national heritage; and of cultural and artworks produced by Peruvians	Gold dust and unrefined gold for non-monetary use	Vehicles with certain specifications for passenger transport and the official use of diplomatic missions, consular offices and international organizations; used imported automobiles; automobiles donated to religious institutions
Dominican Republic			Plants for planting; seat cushions and vehicles for the disabled; joint replacements
Uruguay	Musical and film works in various formats (digital and celluloid)	Generic definition	Diplomas and credentials (public and private) and transferable securities
Venezuela		Central Bank imports of banknotes and coins and the materials or inputs used to produce them	Pacemakers; catheters; valves, artificial organs and prostheses; goods donated from abroad to non-profit institutions, corporations, foundations and universities

Annex 7 (continued): VAT Exclusions and Exemptions by Type of Goods and Services

	Education	Health	Leasing of real estate
Argentina	All forms of educational services	Medical assistance supplied by healthcare providers. Imports by religious and public-benefit institutions for charitable medical assistance or scientific and technological research of academic and teaching activities	For housing, rural real estate, when the lessee is the national, provincial, municipal State, the city of Buenos Aires and the other locations, up to $1,500.00
Bolivia			
Chile	Income from teaching	Exemption is for some institutions	Except those that have industrial or commercial purposes
Colombia		Medical, odontological and hospital services, clinical and laboratory services for human health	For housing
Costa Rica	Generic definition	Medical care	Construction services
Ecuador	Generic definition	All (including prepaid medicine and services for the manufacture of medicines	Exclusively for housing
El Salvador	Provided by educational centers and similar institutions	Provided by government institutions of public-interest institutions	When there is no commercial purpose (temporary use)
Guatemala	Public and private educational institutions		
Honduras	In general	In general	With option to buy; commercial premises of up to 5,000 lempiras monthly, housing (except hotels, motels and guest houses)
Mexico	Generic definition	Provided by institutions of the public administration	For housing, farms for agricultural or livestock purposes
Nicaragua	Generic definition	All (except cosmetic and esthetic services not required by virtue of illness, functional disorders or accidents)	For housing, except furnished; land for agricultural use
Panama	All those provided by individuals and companies authorized by the ministry of education	Generic definition	For housing when the contract exceeds six months
Paraguay	The bodies that provide the services might or might not be for-profit, but the profits cannot be distributed between the partners and must be used for the purpose for which the institution was created	The bodies that provide these services must be non-profit to benefit from this exemption	Generic definition
Peru			Generic definition
Dominican Republic	All, including cultural services (theater, ballet, opera, dance folklore, and orchestra	All	Leasing of housing
Uruguay	Generic definition		All
Venezuela	All those provided by institutions registered with the ministry of education, culture and sport	Medical and odontological assistance, surgery and hospitalization	

Annex 7 (continued): VAT Exclusions and Exemptions by Type of Goods and Services

	Financial services	Insurance and reinsurance	Transport
Argentina	Covers a wide range of placements and financial services	Life insurance	International passenger and cargo transport; transport of passenger luggage and baggage incidents, the injured, immigrants, Argentine scientists and technicians, diplomatic representatives
Bolivia	Covers a wide range of placements and financial services		International cargo transport by road
Chile	Covers a wide range of placements and financial services	Covers a wide range of insurance (life, international import-export transport, earthquake insurance etc.)	International cargo and passenger transport by any means; there is also subjective exemption for businesses transporting passengers
Colombia	Covers a wide range of placements and financial services (including State and social services)	Life and education	Public land, river and maritime transport; public and private national and international transport
Costa Rica	Generic definition		
Ecuador	Financial and stock exchange (generic definition)	Health and life (individual and group), accidents; medical assistance and personal accident insurance, and land transport insurance	National land and water-borne transport and cargo transport; international air transport of passengers and cargo; transport of crude oil and natural gas through oil and gas pipelines
El Salvador	Covers a wide range of placements and financial services	Of individuals, and reinsurance in general	Public land transport of passengers
Guatemala	Transfer of moveable property and real estate, debt securities, other securities and shares; debt interest (publicly traded companies)	Generic definition	
Honduras	Transfers of services between companies by means of merger, absorption, dissolution or liquidation	Of individuals and reinsurance in general	Passenger land transport
Mexico	Covers a wide range of placements and financial services (including collections, credits and commissions)	Agricultural risk, housing credit, financial guarantees and life insurance	Public land transport of passengers (except railways); international maritime cargo transport (provided by non-residents)
Nicaragua	Generic definition	Premia paid for agricultural and vehicle insurance	Internal (cargo and passengers) by any means; cargo for export, by any means
Panama	Broad definition: some are excluded from the tax and others are exempt; State loans; deposits in legally authorized entities	Generic definition	Cargo, air, maritime and land transport; passengers by sea and land; repairs, maintenance and cleaning in transit in territorial waters
Paraguay	Conveyance of receivables, interest on public and private securities; deposits in banking and financial entities		
Peru	Services provided by APFP (pensions) and its affiliates; interest or capital gains on certificates of deposit in the Central Reserve Bank of Peru; a wide range of financial services	Life insurance, policies for the small business program	Public passenger transport within the country, except by rail and air; international cargo transport (including complementary services in the primary customs area)
Dominican Republic	Generic definition. Also covers pension and retirement plans	Generic definition	Passengers and cargo
Uruguay	Banking operations except interest on loans to individuals who do not pay income tax	Related to agricultural production (within the national territory); for death, infirmity, old age, illnesses and personal injury (if the insurance and reinsurance entity is authorized)	
Venezuela	Generic definition	Generic definition	National land and water-borne transport of passengers; cargo transport of some goods; fuels derived from hydrocarbons

Annex 7 (continued): VAT Exclusions and Exemptions by Type of Goods and Services

	Running water electricity, gas supply, telecommunications, mail	Accommodation and hotels	Personal services
Argentina	Postage stamps, tax stamps and similar, banknotes, share certificates, liability certificates and similar, except checkbooks and similar		
Bolivia			
Chile	Mail		Income received by independent workers
Colombia	Energy, water pipeline, toilet facilities, sewerage, household gas		
Costa Rica	Household electricity consumption below 250kw/h		Those not regarded as professionals in the law
Ecuador	Electricity, drinking water, sewerage and garbage collection. Refrigeration, cooling and freezing services, animal slaughter, butchery, grinding and milling services, production of edible oils		
El Salvador	Running water and sewerage services provided by government bodies		
Guatemala			Social security institutions; memberships and periodic fees to associations and social, trade union, cultural, scientific, educational and sports institutions, and political parties
Honduras	Electricity (up to 750 kw/h), drinking water and sewerage		Professional fees in general; barbershops and beauty salons
Mexico			Professional medical services provided by individuals; copyright
Nicaragua	Electricity for irrigation, for agricultural use; drinking water		
Panama	Drinking water, sewerage, electricity (the whole value chain), residential fixed telephony; social communication (except the allocation of space for advertising), mail; residential internet and educational institutions recognized by the State		Sale of food in commercial establishments that do not sell alcoholic beverages; travel agents' commissions
Paraguay			
Peru	Postal services to complete postal services originating abroad		Sale of food in low-cost cafeterias and public universities
Dominican Republic	Electricity, water and garbage collection		
Uruguay	Water for basic household consumption; electricity for municipalities to provide street lighting	If Uruguayan and out of high season	Payments to artists resident in the country
Venezuela	Electricity, water, gas and residential sanitation; public telephones	For students, the old, the disabled and sick, provided by institutions devoted to providing such services	

Annex 7 (continued): VAT Exclusions and Exemptions by Type of Goods and Services

	Culture and sports	Gambling	Other services
Argentina	Theatrical activity	Lottery tickets and betting slips (official or authorized)	
Bolivia	Artistic events that foster national artistic production (includes production, promotion and transmission)		
Chile	Sports, artistic, cultural, theatrical, and musical events etc. (income derived from)		
Colombia	Cultural and sports services, cinema tickets		Funeral services; bar and restaurant services; agricultural services
Costa Rica			
Ecuador	Public performances (generic definition)	Lotteries	Funeral and religious services; road and bridge tolls; homes for the elderly; book printing; tourism travel packages; crop-spraying; services provided by craftspeople, their workshops and workers, services provided by social clubs, professional associations, chambers of production, trade unions and similar institutions
El Salvador	Public cultural events authorized by the TA		
Guatemala	Sports federations		Diplomatic and consular missions with equal and reciprocal treatment between countries; international organizations, institutions overseen by the superintendency of banks and the stock market; savings and loan cooperatives
Honduras	Tickets for sporting events		Diplomatic and consular missions with equal and reciprocal treatment between countries: institutions that are constitutionally exempt
Mexico	Tickets for some public performances (excluding cinemas, theaters, circuses)	Generic definition	
Nicaragua	Sporting events for amateur sportspeople	National lottery	Religious events
Panama	Public cultural events	In casinos and racetracks	Sanitation services provided by public or concessionary entities
Paraguay		Generic definition	Religious services, as long as provided by non-profit bodies
Peru	Public performances (as long as they are qualified by the commission responsible for such purposes)	Generic definition	Leasing of moveable property; construction and repair of Navy vessels providing industrial Navy services
Dominican Republic			Funerals, beauty salons and hairdresser services
Uruguay			
Venezuela	Entry tickets for parks, museums, cultural centers etc.; tickets for artistic and sporting events as long as their value is below a certain amount		Food services provided to students and workers in educational institutions or businesses; services for rearing cattle, sheep, pigs, poultry and other minor species, including their production and reproduction

Annex 8: Reduced and Increased Rates by Type of Goods and Services (not including zero rate)

	Real estate/construction of, and first sale of	Oil, natural gas and other forms of energy; fuels derived from hydrocarbons	Capital goods; vehicles, equipment and machinery	Raw materials and inputs	Foodstuffs of livestock origin	Foodstuffs of agricultural or farm origin
Argentina	Housing construction undertaken directly or through third parties **10.50**	Propane, butane and liquefied petroleum gas **10.50**		Fresh or salted, dried, limed, pickled or preserved cowhide, not tanned, parchment-dressed or further processed; chemical fertilizers for agricultural use **10.50**	Cattle, sheep, goat, and camelid meats and their edible offal, fresh, refrigerated and frozen **10.50**	Fresh fruits and vegetables, refrigerated or frozen; grains and cereals (except rice, oilseeds and dry vegetables, beans, peas and lentils, bee honey in bulk **10.50**
Bolivia						
Chile						
Colombia			Certain types of vehicles (pick-ups), sporting vessels made or assembled in the country **20.00** Non-luxury vehicles **25.00** Private aircraft, luxury cars, imported vessels for leisure or sporting activities **35.00**			Roasted coffee wheat, oats, all kinds of flour, sugarcane, corn and rice for industrial use, oil, oilseeds and oleaginous fruits **10.00**
Costa Rica				Wood **10.00**		
Ecuador						
El Salvador						
Guatemala						
Honduras						
Mexico						
Nicaragua						
Panama						
Paraguay	Generic definition **5.00**				Uncooked meats **5.00**	Eggs **5.00**
Peru						
Dominican Republic						
Uruguay	In the case of the first transfer **10.00**					Fruits, flowers and vegetables in their natural state when on sale to the final consumer **10.00**
Venezuela			Excursion-related or rustic vehicles and automobiles whose final price is above the equivalent of US$30,000; motorcycles of more than 500cc (except those used for social security); helicopters, airplanes, and other aircraft for recreational or sports use **22.00**	Liquid or concentrated minerals or foodstuffs, and the raw materials used to make them, for raising goats, sheep, and minor species **8.00**	Meats in their natural state, refrigerated, frozen and in other states **8.00**	

Annex 8 (continued): Reduced and Increased Rates by Type of Goods and Services (not including zero rate)

	Industrialized foods	Medicines	Newspapers, magazines and periodicals	Precious metals, foreign currency	Other goods
Argentina	Wheat flour, bread, biscuits, crackers and cakes made entirely with wheat flower **10.50**		In SME publishing businesses, location of advertising space **10.50**		
Bolivia					
Chile					
Colombia	Tinned tuna and sardines, fructose, fructose syrup, chocolate **10.00**				
Costa Rica					
Ecuador					
El Salvador					
Guatemala					
Honduras					Beers, brandy, combined liquors and other alcoholic beverages, cigarettes and other tobacco products **15.00**
Mexico					Import and sale of goods (in the border region) **11.00**
Nicaragua					
Panama					Alcoholic beverages **10.00** Tobacco by-products (cigarettes, cigars, and others) **15.00**
Paraguay	Rice, noodles, maté, edible oils, milk, flour and iodized salt **5.00**	Pharmaceutical products **5.00**			
Peru					
Dominican Republic					
Uruguay	Bread and other baked goods, edible oils, rice, noodles and pastas, cereal flour, salt, sugar, maté, coffee, tea, edible fats **10.00**	Medicines and specialized pharmaceutical products and the raw materials needed to produce them **10.00**			Soap **10.00**
Venezuela	Butters; caviar **22.00**			Jewelry with precious stones whose price is above or equivalent to US$500 **22.00**	Fighting bulls; “Paso” horses **22.00**

Annex 8 (continued): Reduced and Increased Rates by Type of Goods and Services (not including zero rate)

	Health	Leasing of real estate	Financial services	Insurance and reinsurance	Transport	Water, electricity, gas supply, telecommunications, mail
Argentina	Medical and paramedical assistance provided or contracted by cooperatives to mutual associations and prepaid medical systems (that are not exempt) **10.50**		Interest and commissions on loans granted to those registered by private, official public or mixed entities; or loans granted by foreign banking institutions that meet certain criteria (Basel Committee on Banking Supervision). Interest and commissions on loans granted by these entities to firms that provide a public transport service by land over short, medium and long distances **10.50**		Passenger transport by land, sea and air within the country, except taxis and private car services on routes of less than 100 km **10.50**	Provision of running water, sewers and drains, telecommunications services (used outside residences and solely for housing, holiday homes and summer houses, or wasteland); electricity (except public street lighting) **27.00**
Bolivia						
Chile						
Colombia	Prepaid medical plans **10.00**	Real estate rentals (when not for residential purposes or for exhibitions and showings of national artworks) **10.00**		Medical insurance policies, surgery and hospitalization insurance **10.00**		Mobile telephony **20.00**
Costa Rica						Electricity for residential use **5.00**
Ecuador						
El Salvador						
Guatemala						
Honduras					First-class air passengers **18.00**	Telecommunications **15.00**
Mexico						
Nicaragua						Electricity for residential use up to a certain ceiling (from 301 to 1,000 kw/h) **7.00**
Panama						
Paraguay		Generic definition **5.00**	Interest, commissions and charges on loans and financing **5.00**			
Peru						
Dominican Republic						
Uruguay	Services related to human health provided outside a dependent relationship; ambulance transport **10.00**				Passenger land transport **10.00**	
Venezuela					National air passenger transport **8.00**	

Annex 8 (continued): Reduced and Increased Rates by Type of Goods and Services (not including zero rate)

	Accommodation and hotels	Personal services	Culture and sports	Gambling	Other services
Argentina					Provided by labor cooperatives, promotional cooperatives or those recorded in the Ministry of Social Development's National Register of Effectors of Local Development and Social Economy (when the buyer, lessee or lender is the national State, provinces or municipalities, centralized or decentralized entities) **10.50**
Bolivia					
Chile					
Colombia	Services provided by hotels and lodging establishments **10.00**	Private security, sanitation and temporary employment services **1.60**	Services offered by social or sports clubs to retired employees **10.00**		Storage of agricultural products **10.00**
Costa Rica					
Ecuador					
El Salvador					
Guatemala					
Honduras					
Mexico					Import and provision of services (in the border region) **11.00**
Nicaragua					
Panama					
Paraguay					
Peru					
Dominican Republic					
Uruguay	Hotel services for nationals in high season **10.00**				
Venezuela				Slot machines that take coins, tokens, or other media **22.00**	