

Recent Fiscal Developments and Revenue Trends in Asia and Oceania



Presentation by Fiscal Affairs Department, IMF

Seminar on MTRS and Related Issues

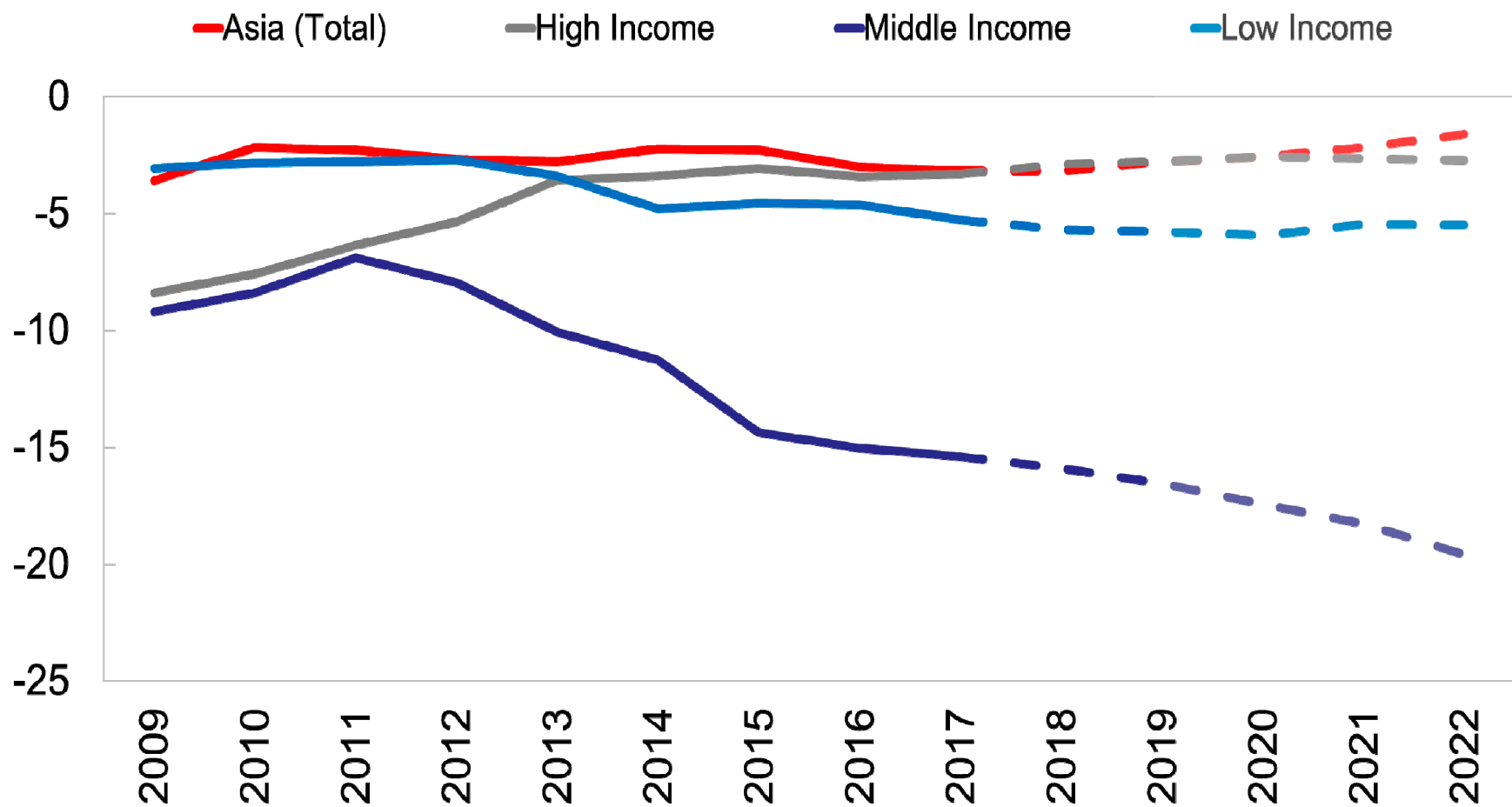
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Manila

December 2017

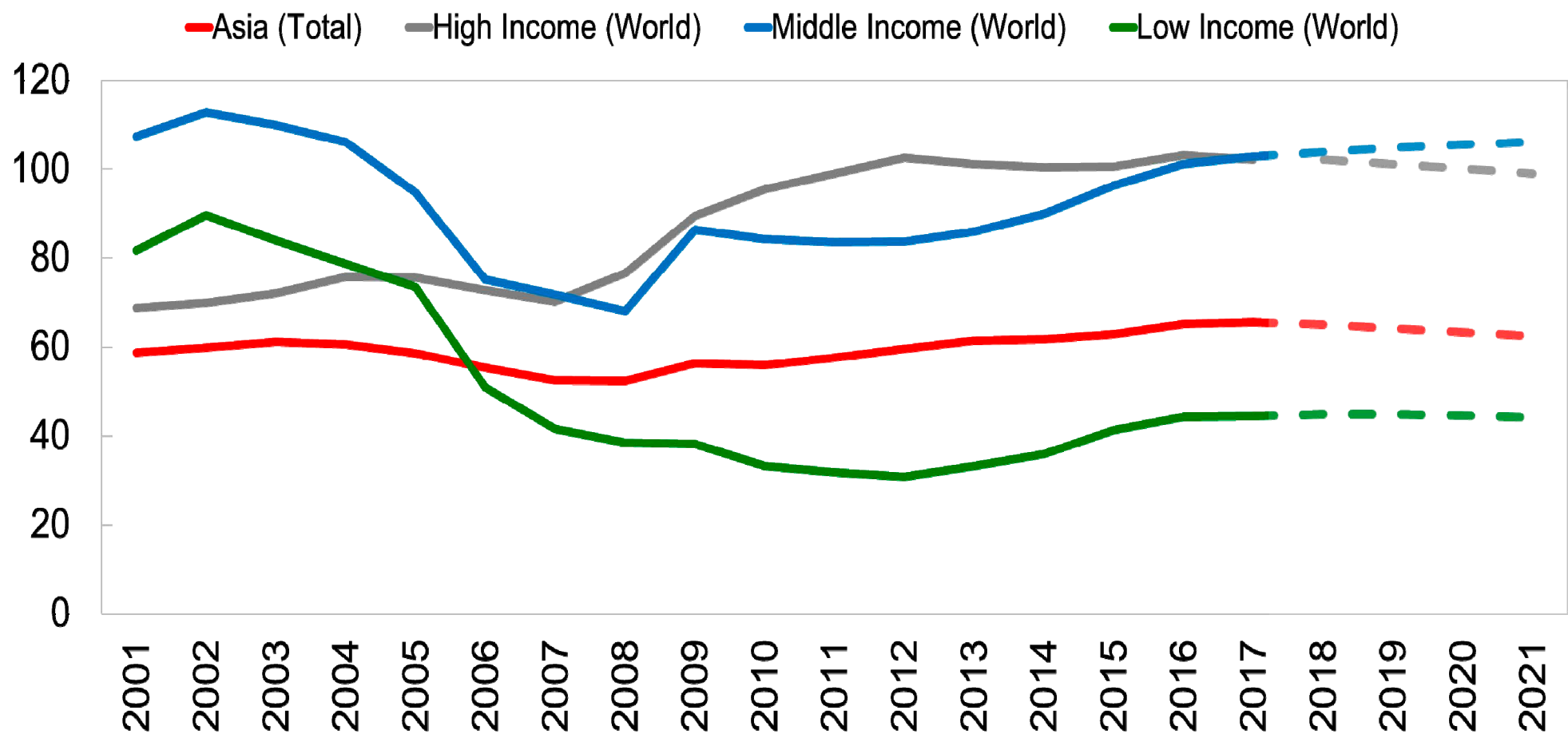
Recent Fiscal Developments in the World

Overall Fiscal Balance: 2010-19 (Percent of GDP)



Source: IMF staff estimates.

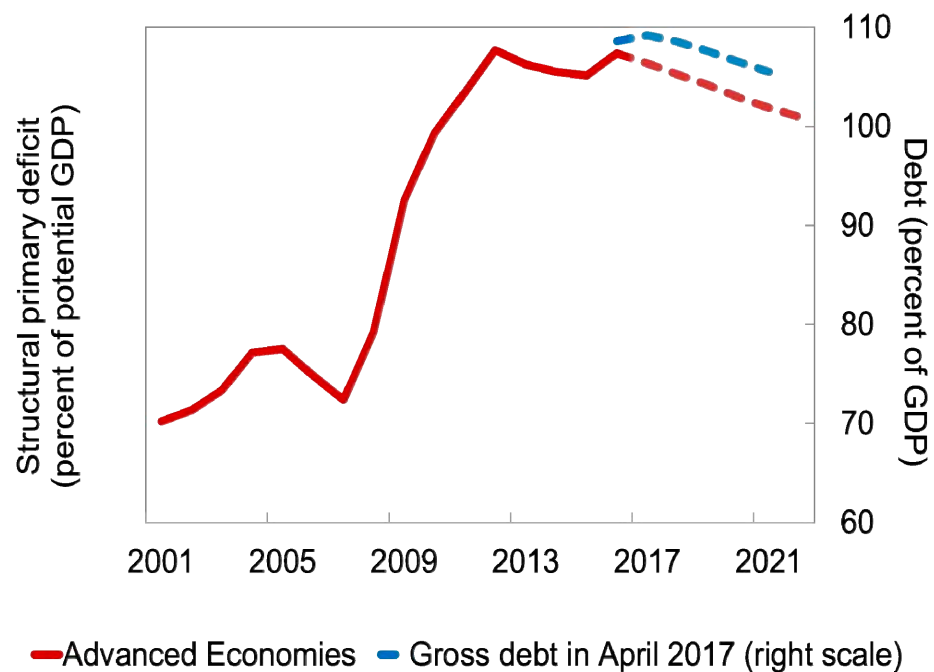
General Government Debt: 2001-22 (Percent of GDP)



Source: IMF staff estimates.

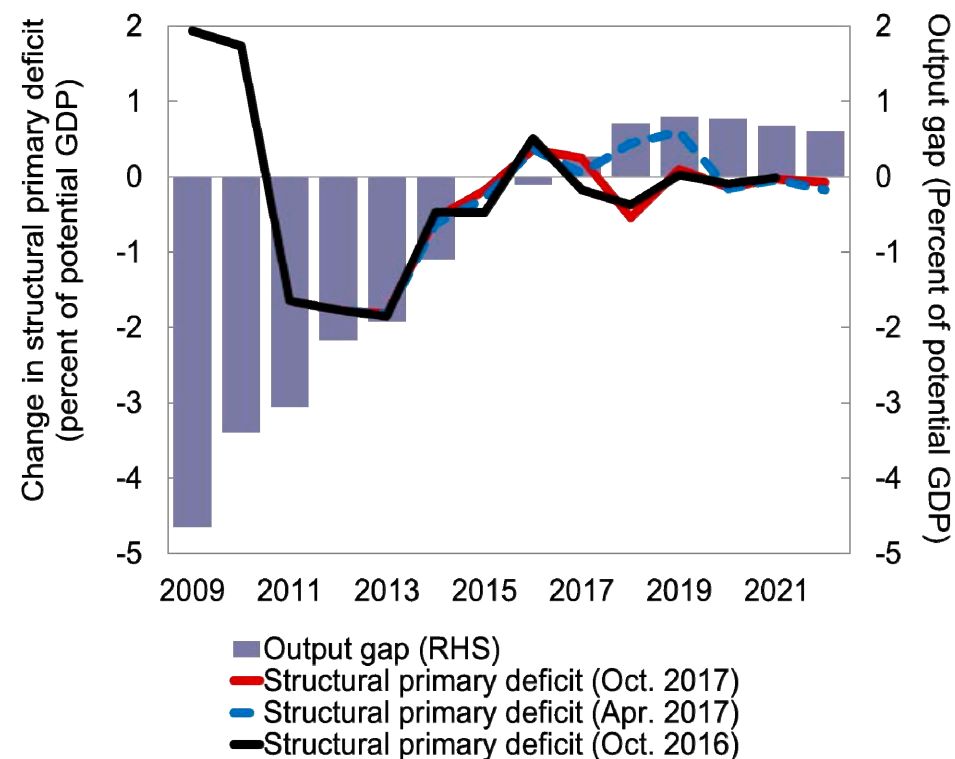
Advanced Economies: Improved debt dynamics...

General Government Debt and Deficit, 2001-22



US: Fiscal Impulse and Output Gap, 2009–22

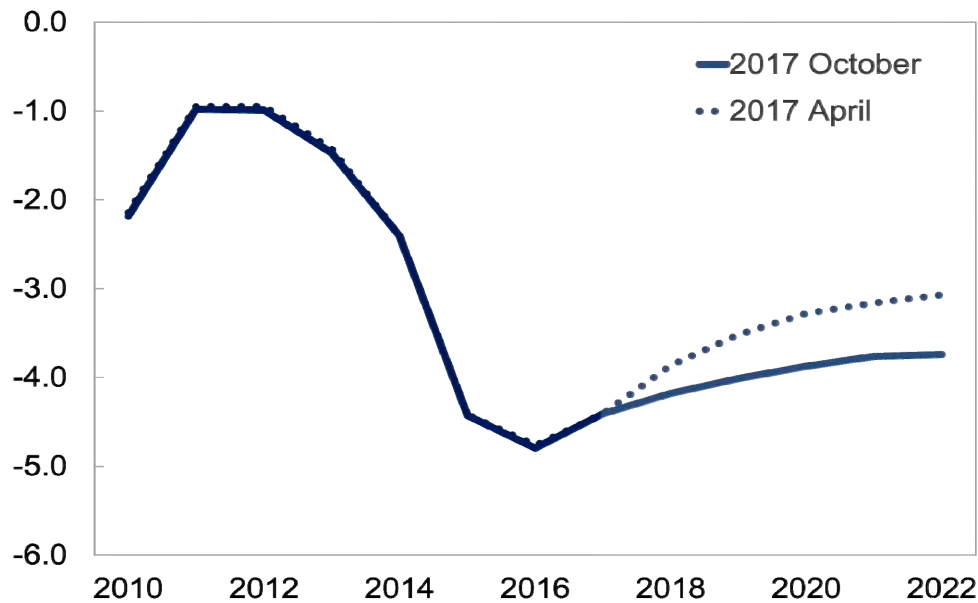
(Percent of potential GDP)



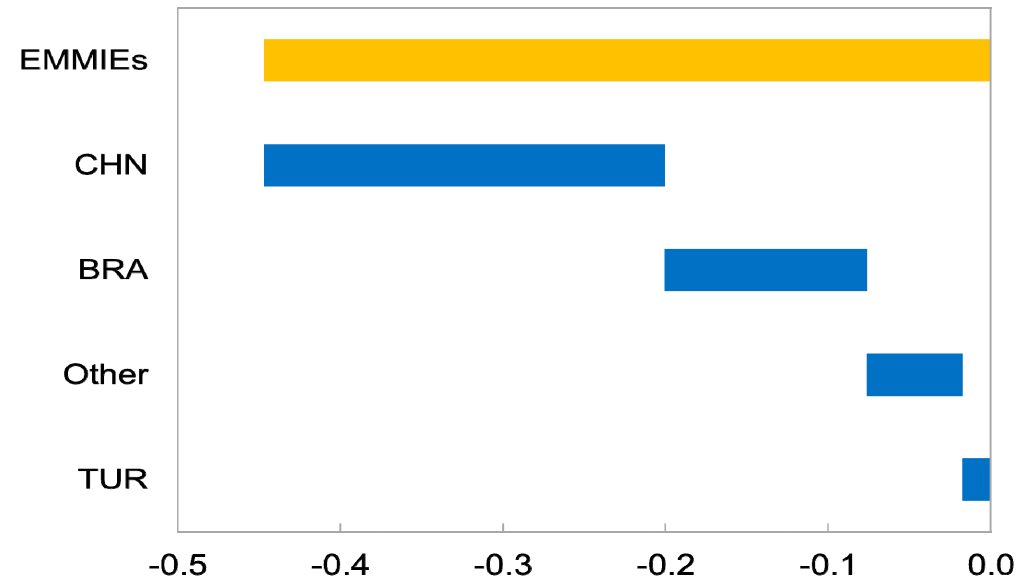
Source: IMF staff estimates.

Emerging Markets: Deficits revised up

EMs: General Government Overall Balance, 2010–22
(Percent of GDP)



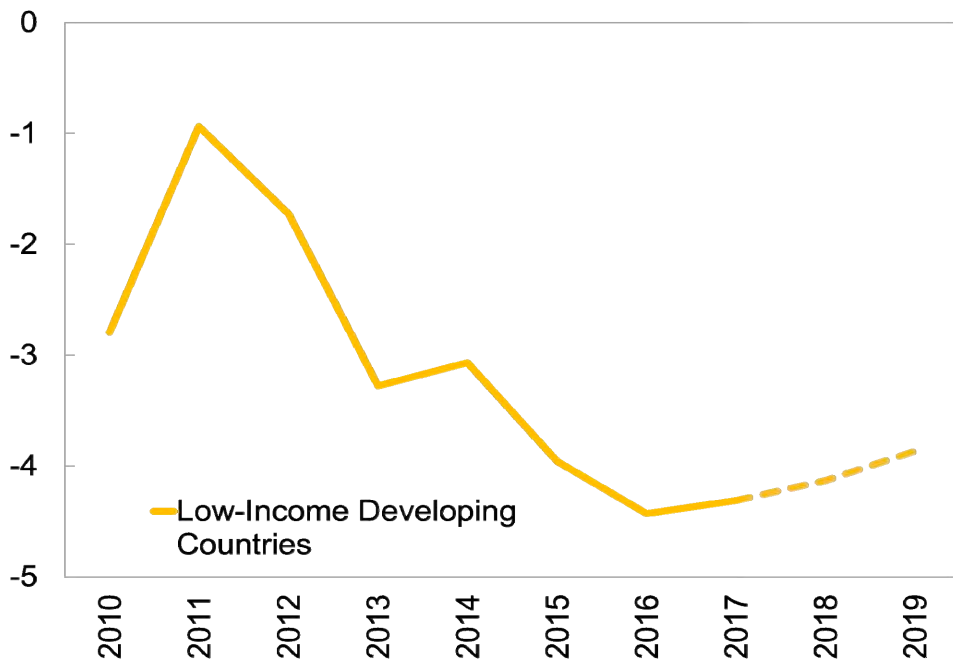
EMs: Contributions to Overall Balance Revisions over 2017-22
(Relative to April 2017 FM; in percent of GDP)



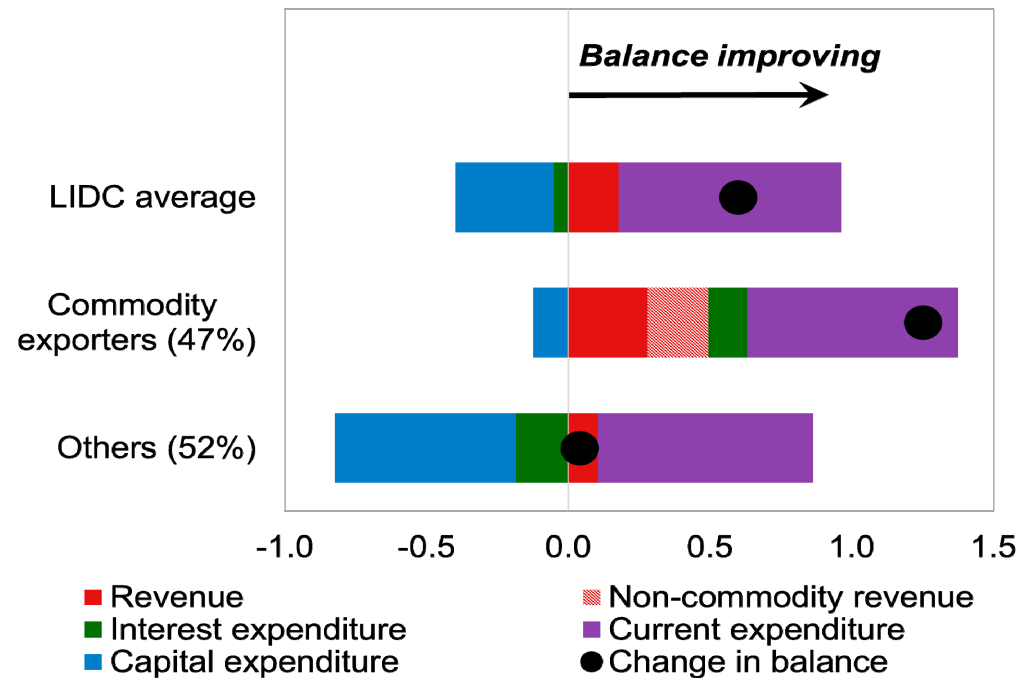
Source: IMF staff estimates.

LIDCs: Decline in fiscal deficit

Overall Fiscal Balance: 2010–19
(Percent of GDP)



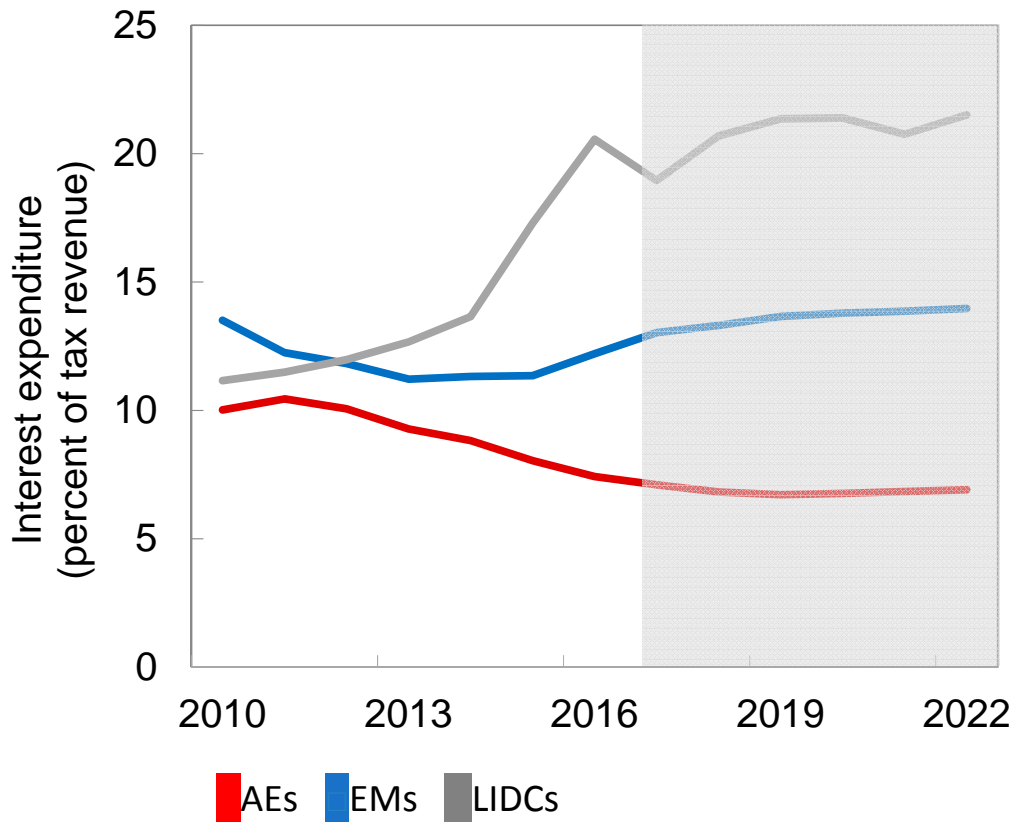
Change in Fiscal Balance Ratio, 2016-19
(Percent of GDP)



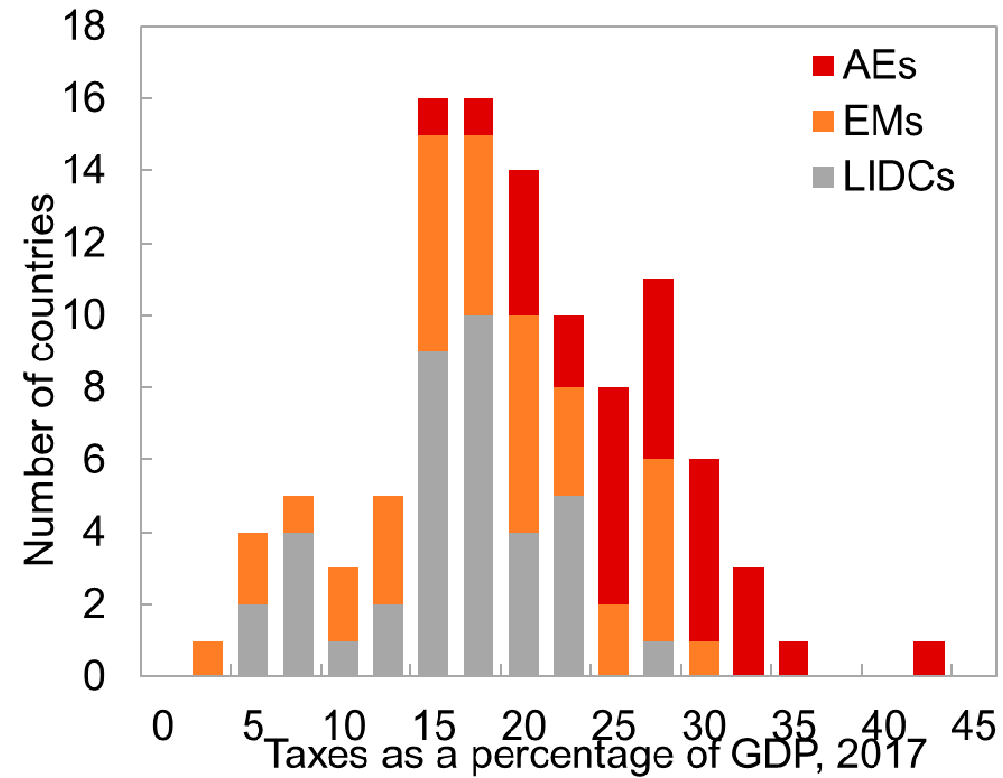
Source: IMF staff estimates.

LIDCs: Revenue mobilization is a priority

Interest Expenditure, 2010-2022
(Percent of Tax Revenue)



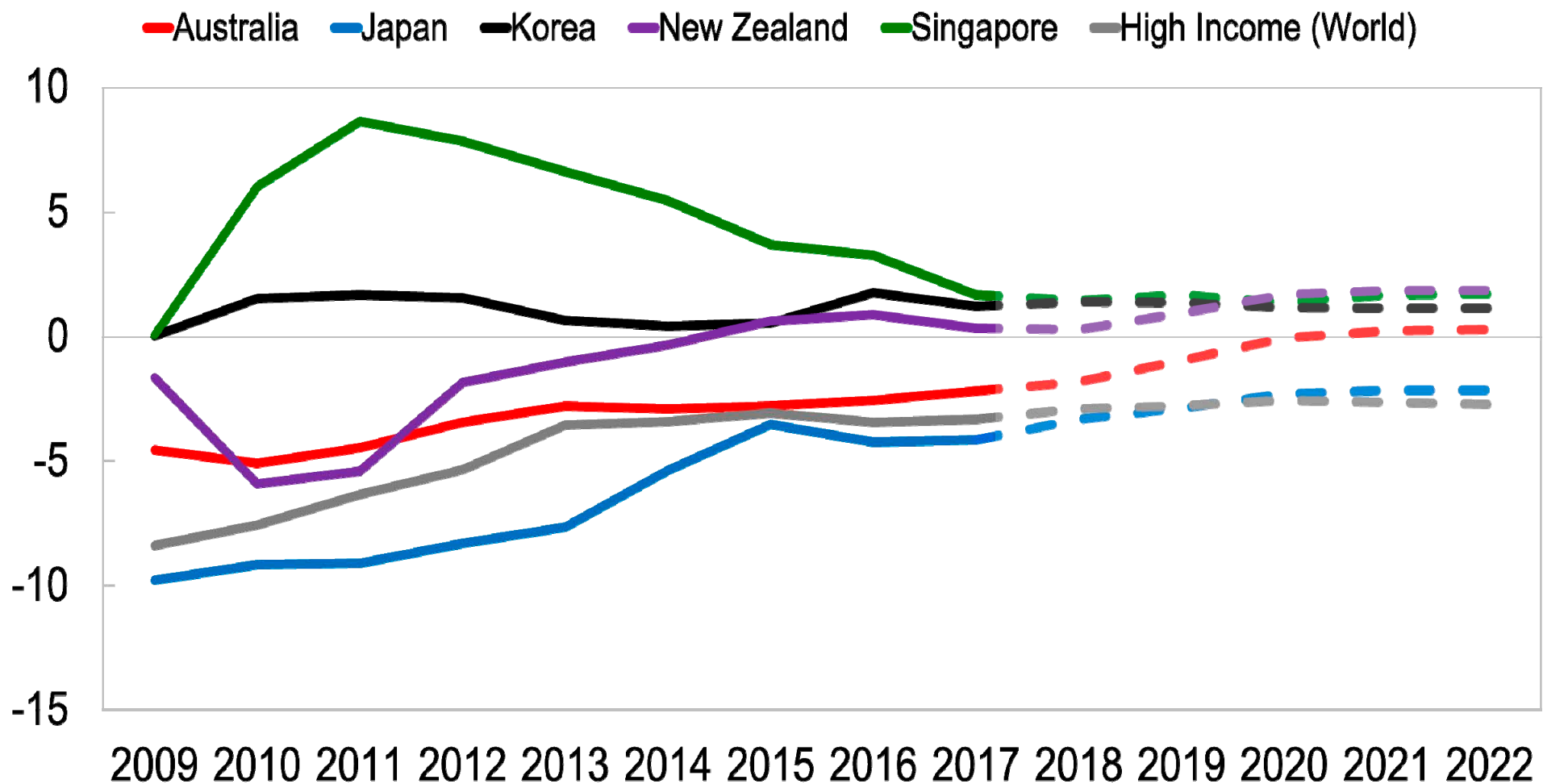
World Distribution of Tax-to-GDP Ratio, 2017



Source: IMF staff estimates.

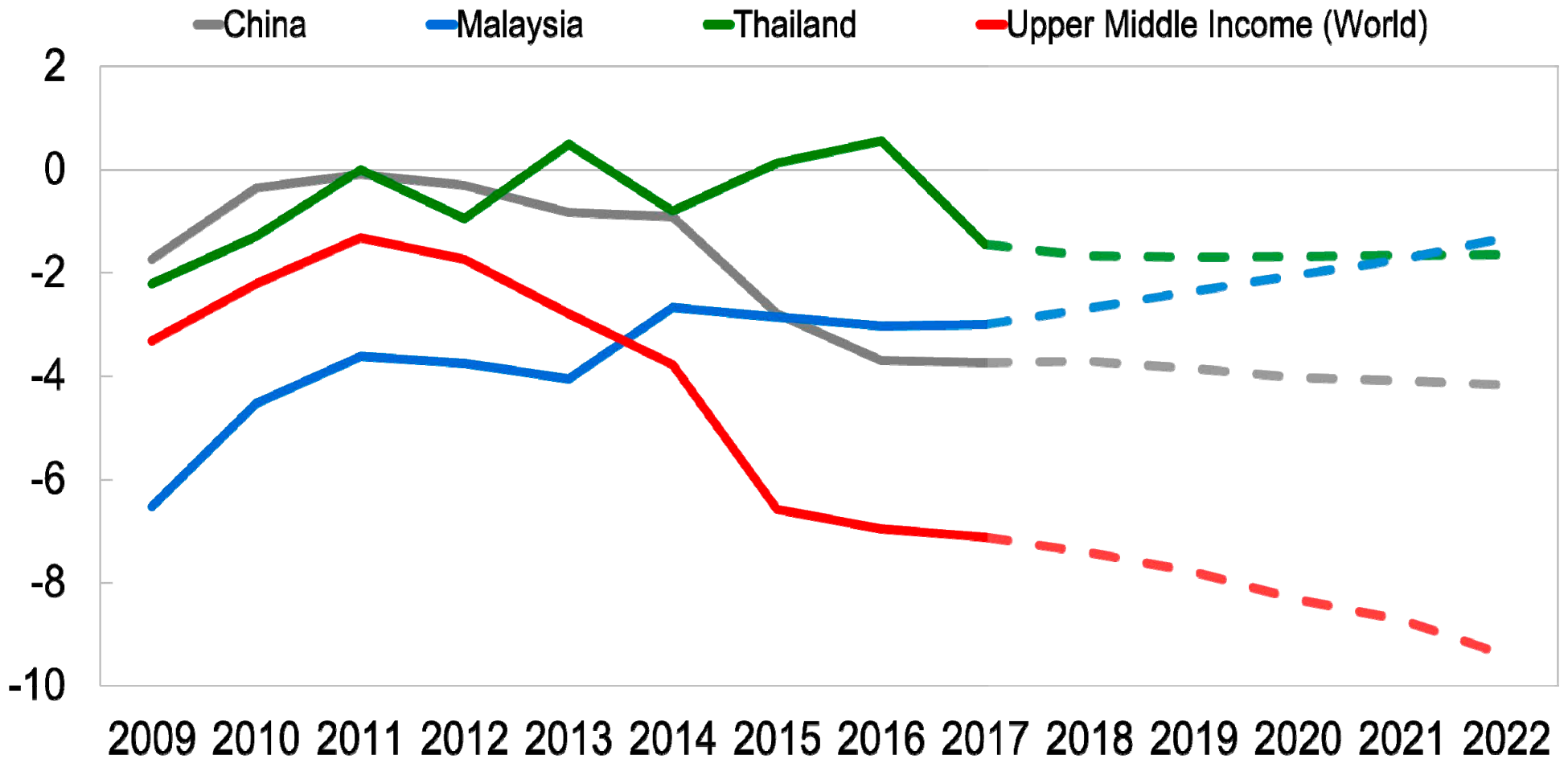
Recent Fiscal Developments in Asia and Oceania

Overall Fiscal Balance: High Income Countries 2010-19 (Percent of GDP)



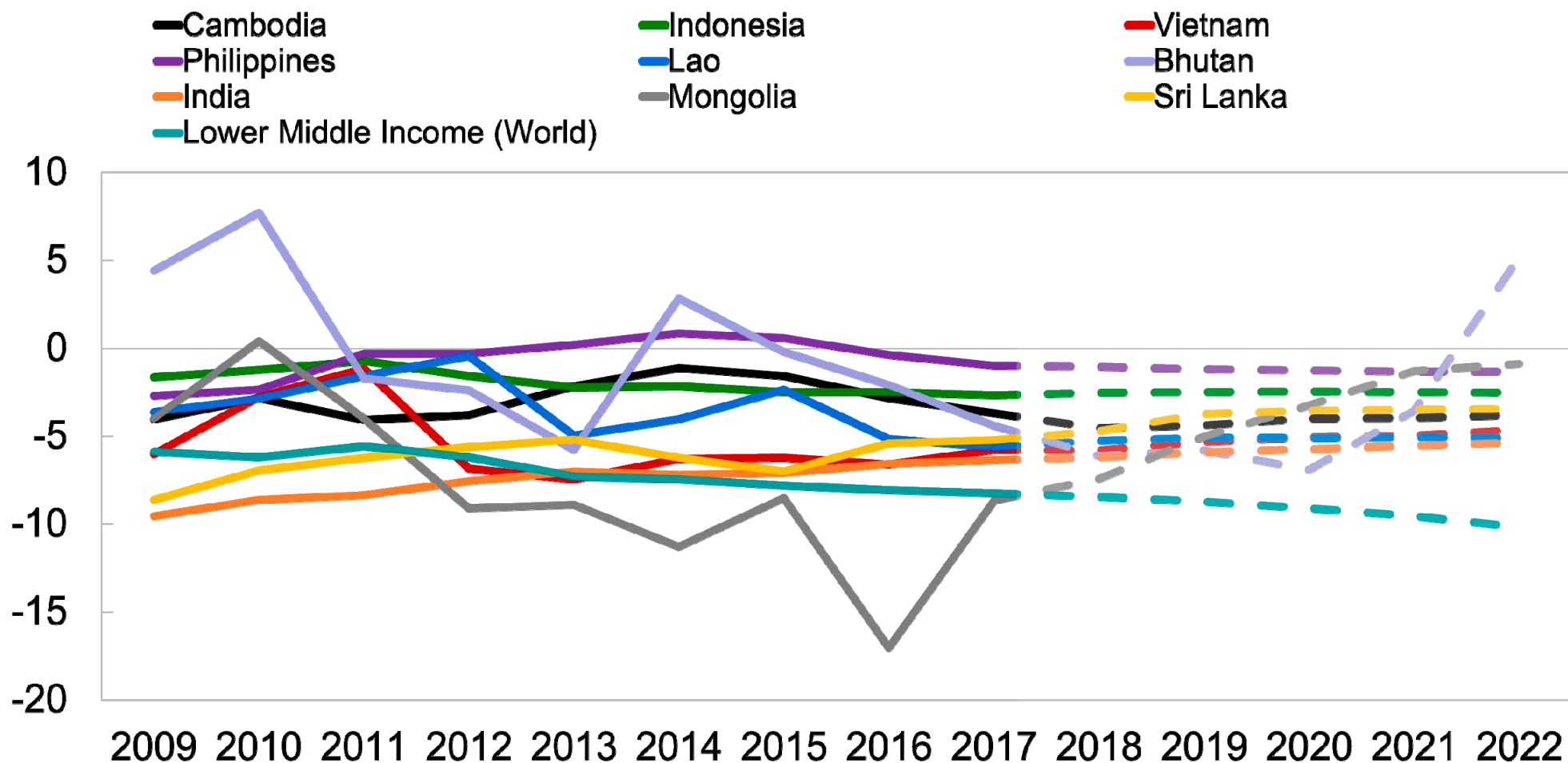
Source: IMF staff estimates.

Overall Fiscal Balance: Middle Income Countries 2010-19(Percent of GDP)



Source: IMF staff estimates

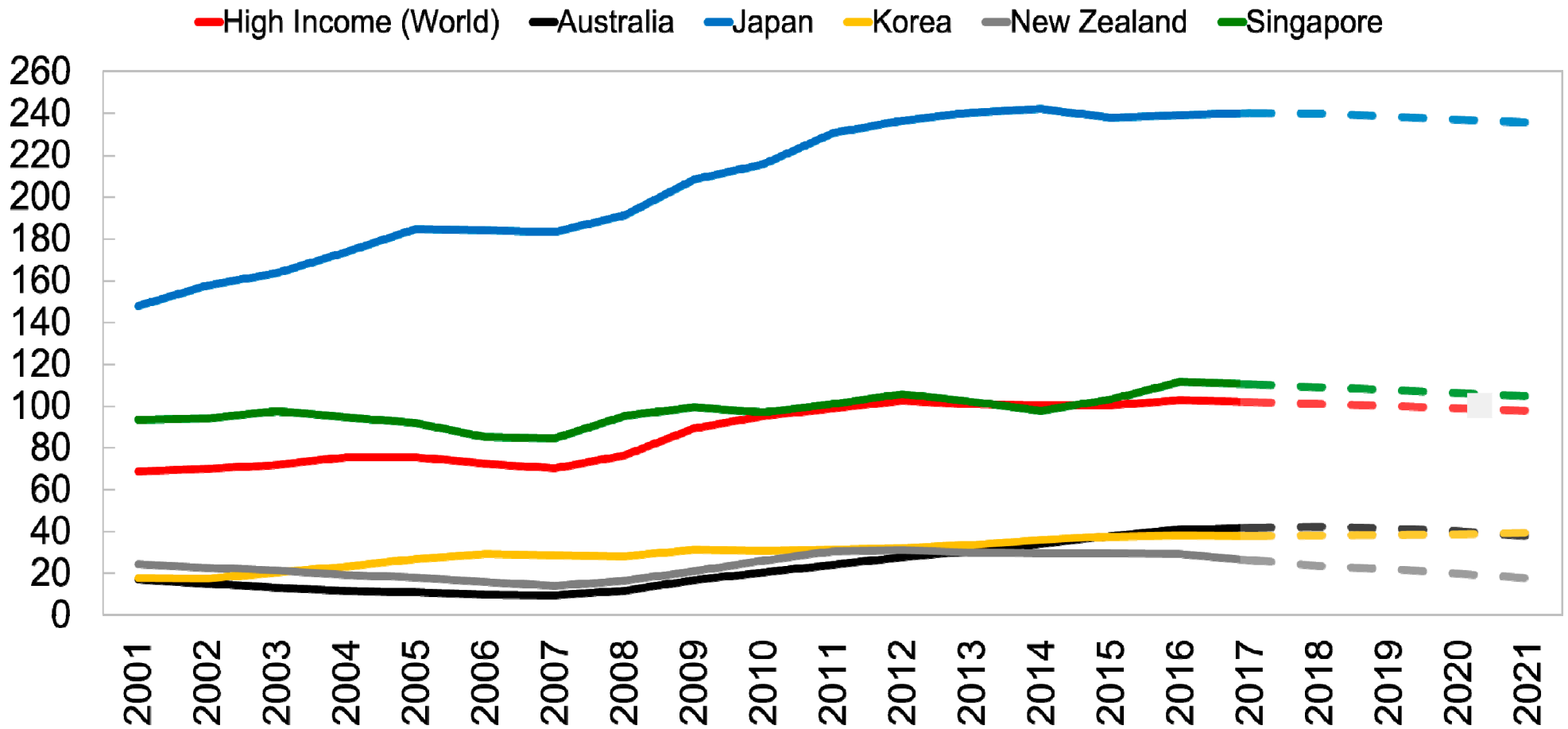
Overall Fiscal Balance: Low Income Countries 2010-19 (Percent of GDP)



Source: IMF staff estimates.

General Government Debt: High Income Countries 2001-22

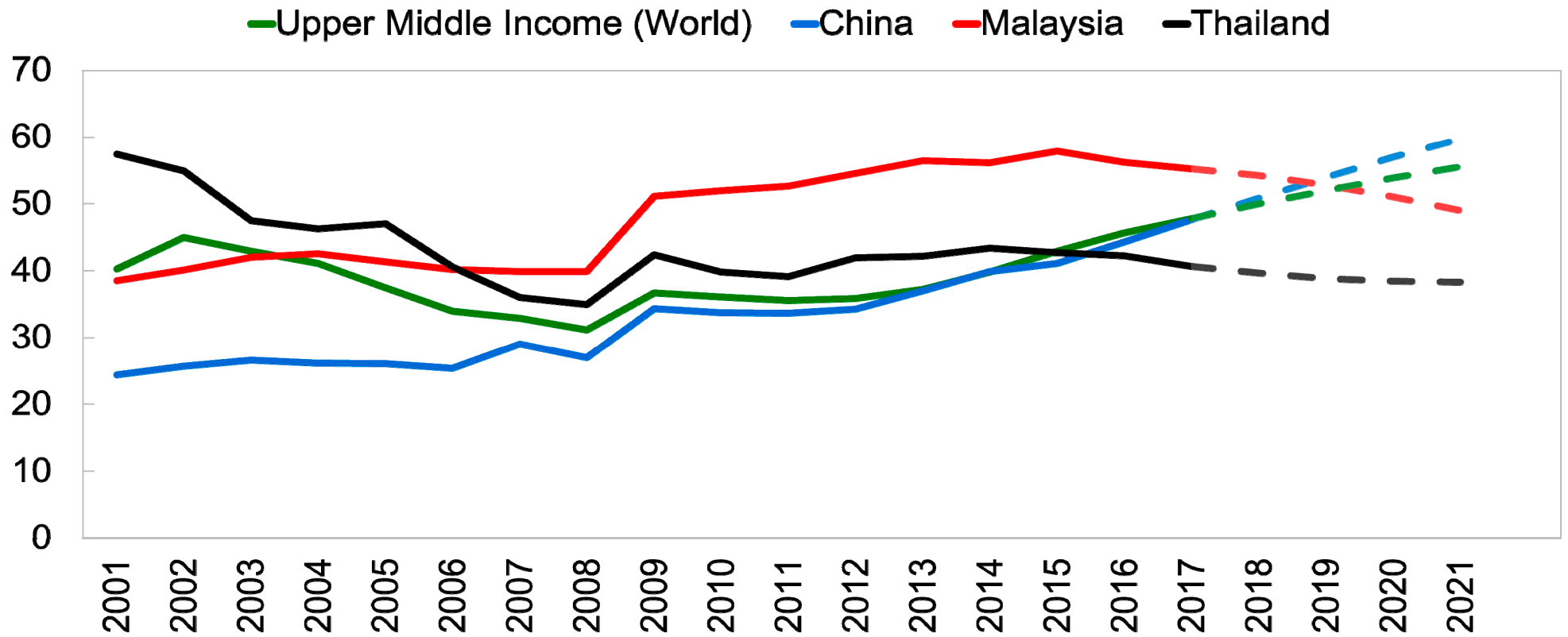
(Percent of GDP)



Source: IMF staff estimates.

General Government Debt: Middle Income Countries 2001-22

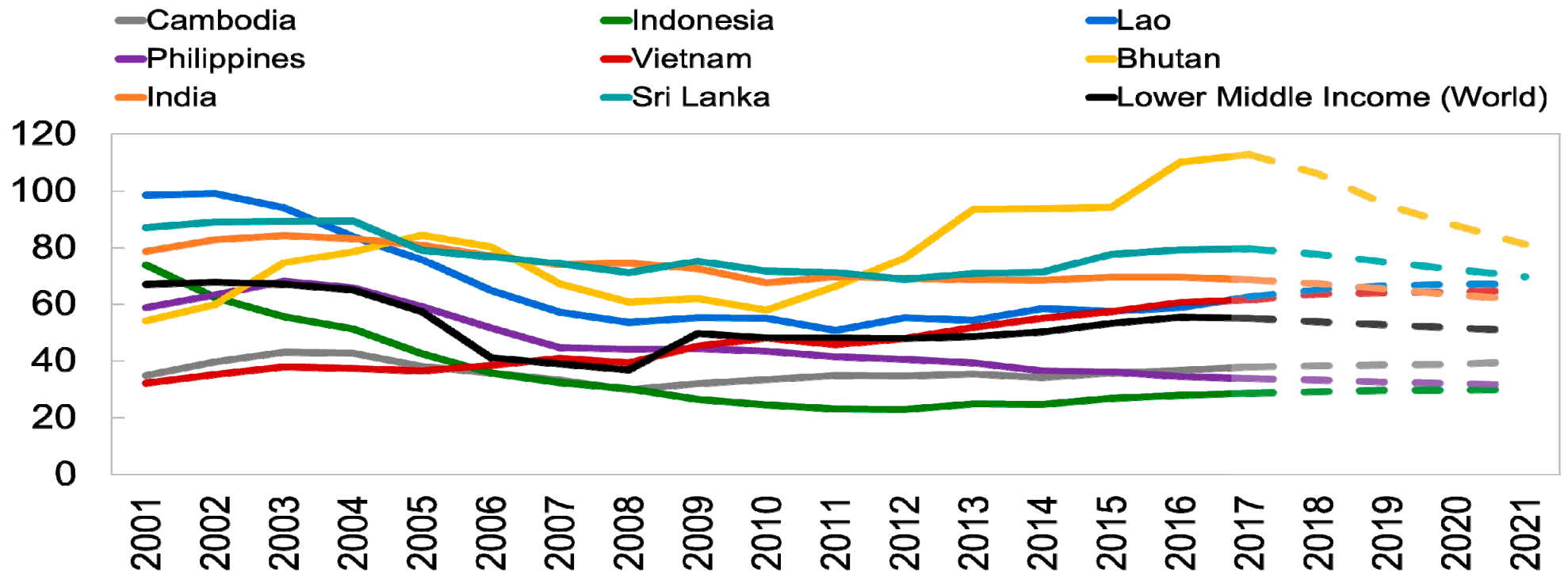
(Percent of GDP)



Source: IMF staff estimates.

General Government Debt: Low Income Countries 2001-22

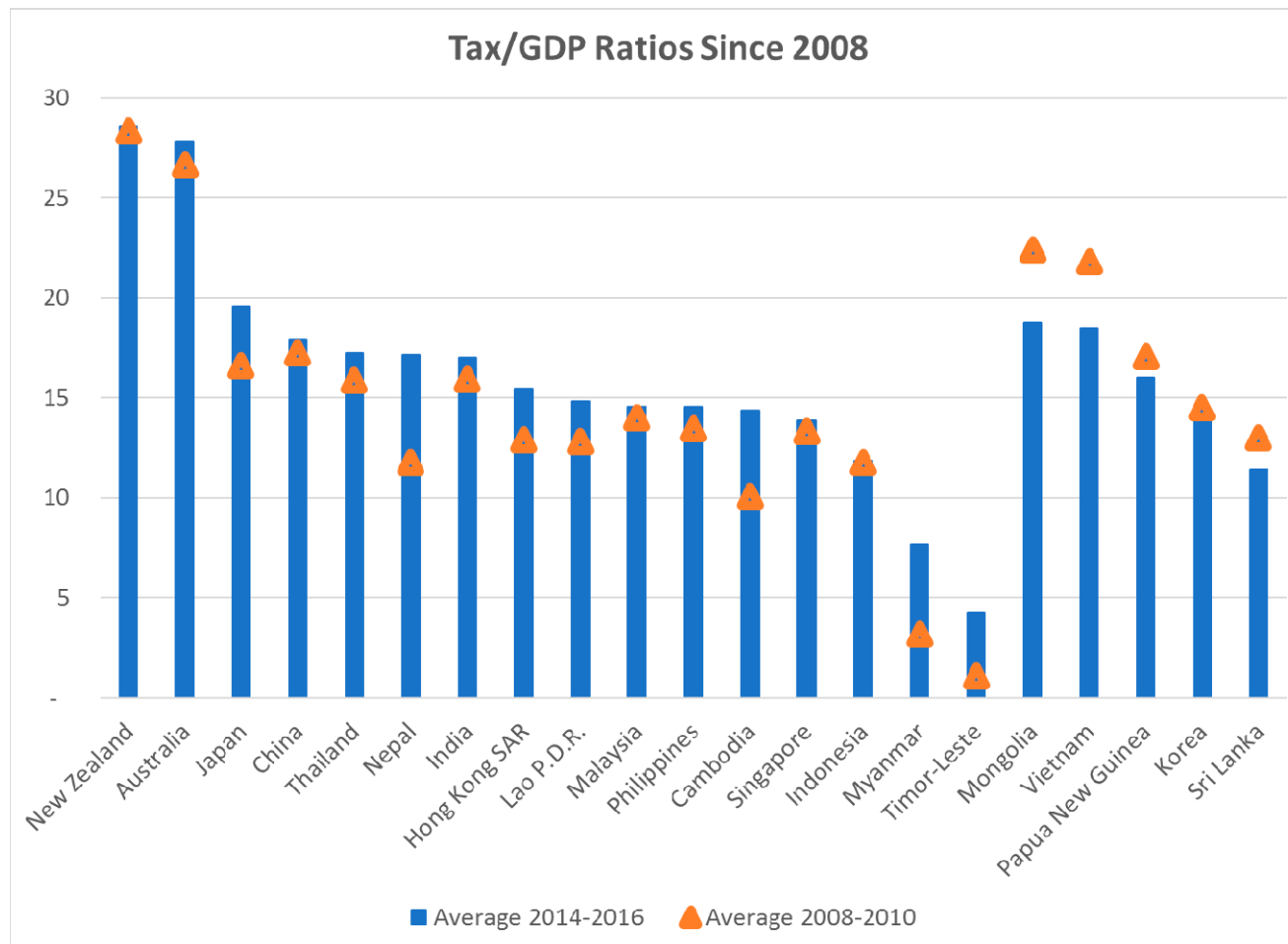
(Percent of GDP)



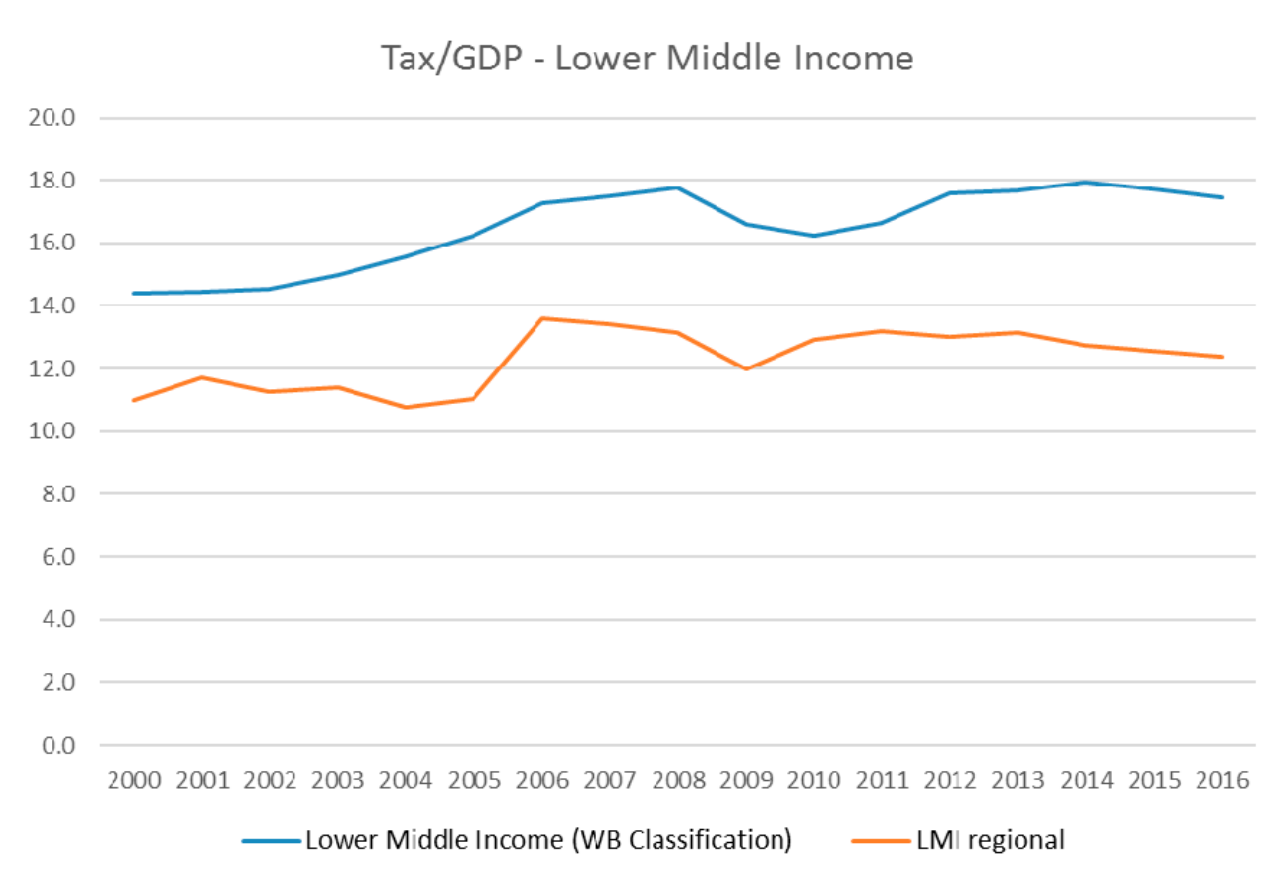
Source: IMF staff estimates.

Recent Revenue Trends in Asia and Oceania

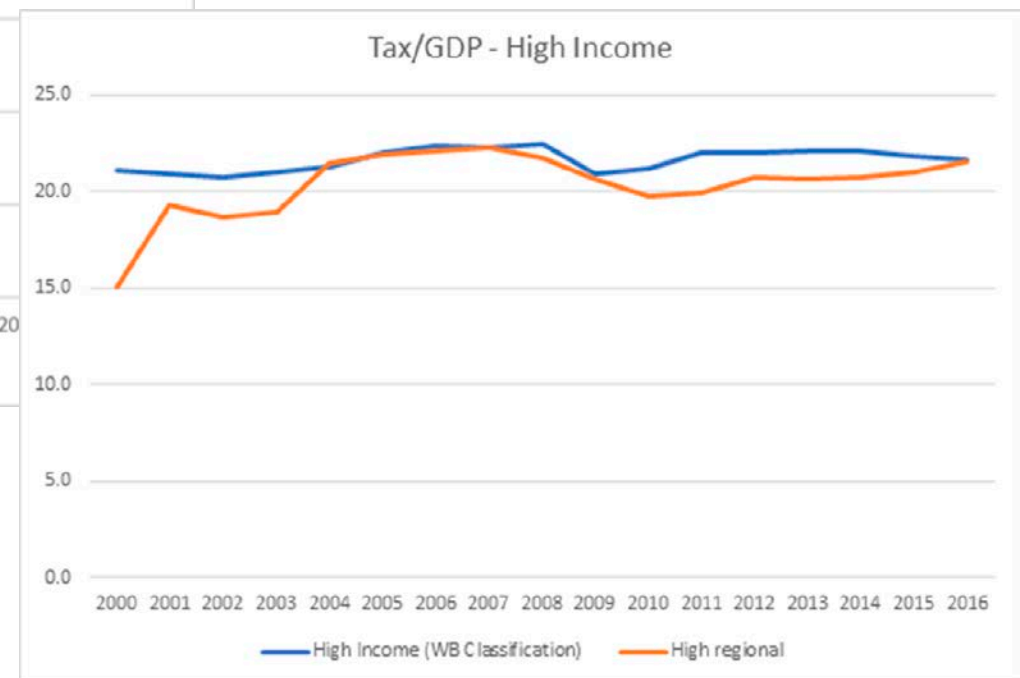
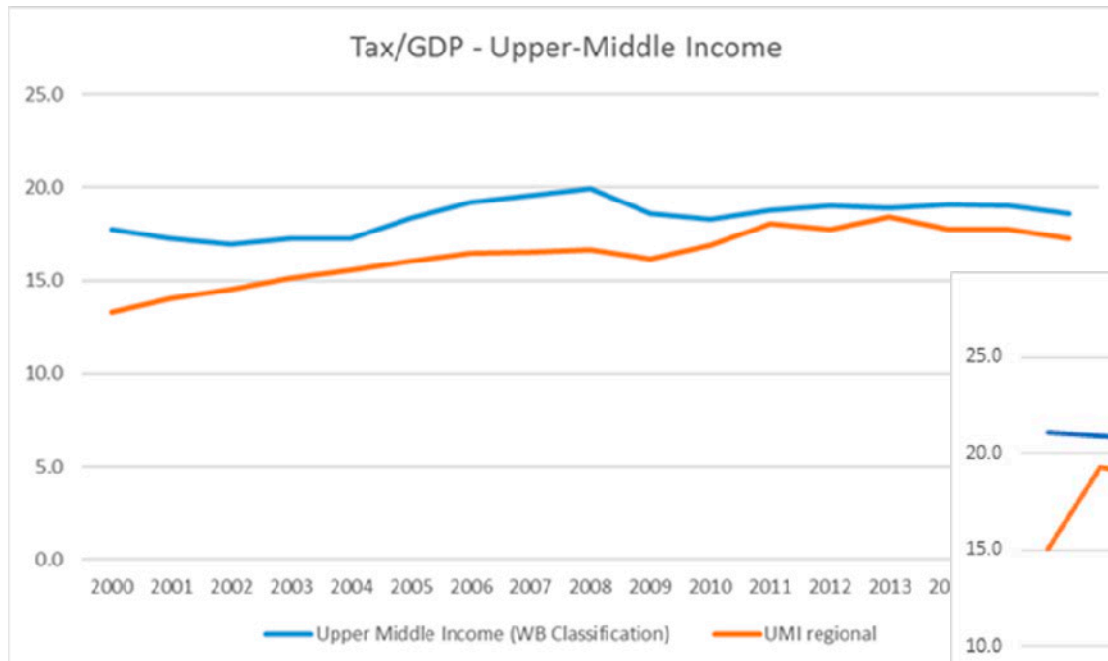
The majority of Asia/Pacific countries have increased tax revenue since the 2008 crisis, except for some resource-rich countries



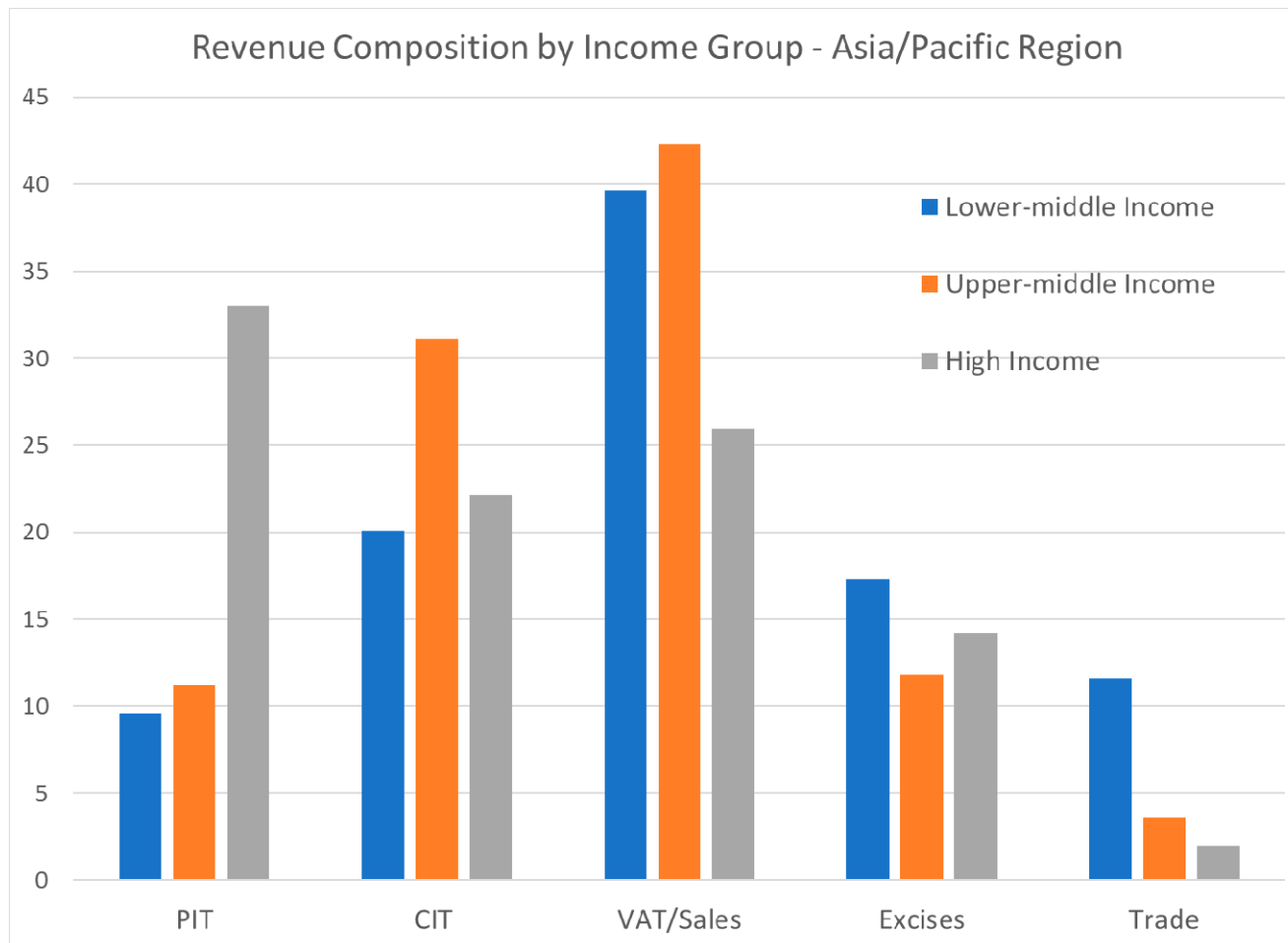
Lower income countries in Asia/Pacific region raise less tax revenue on average than other LMI countries



However, this gap disappears as income levels rise

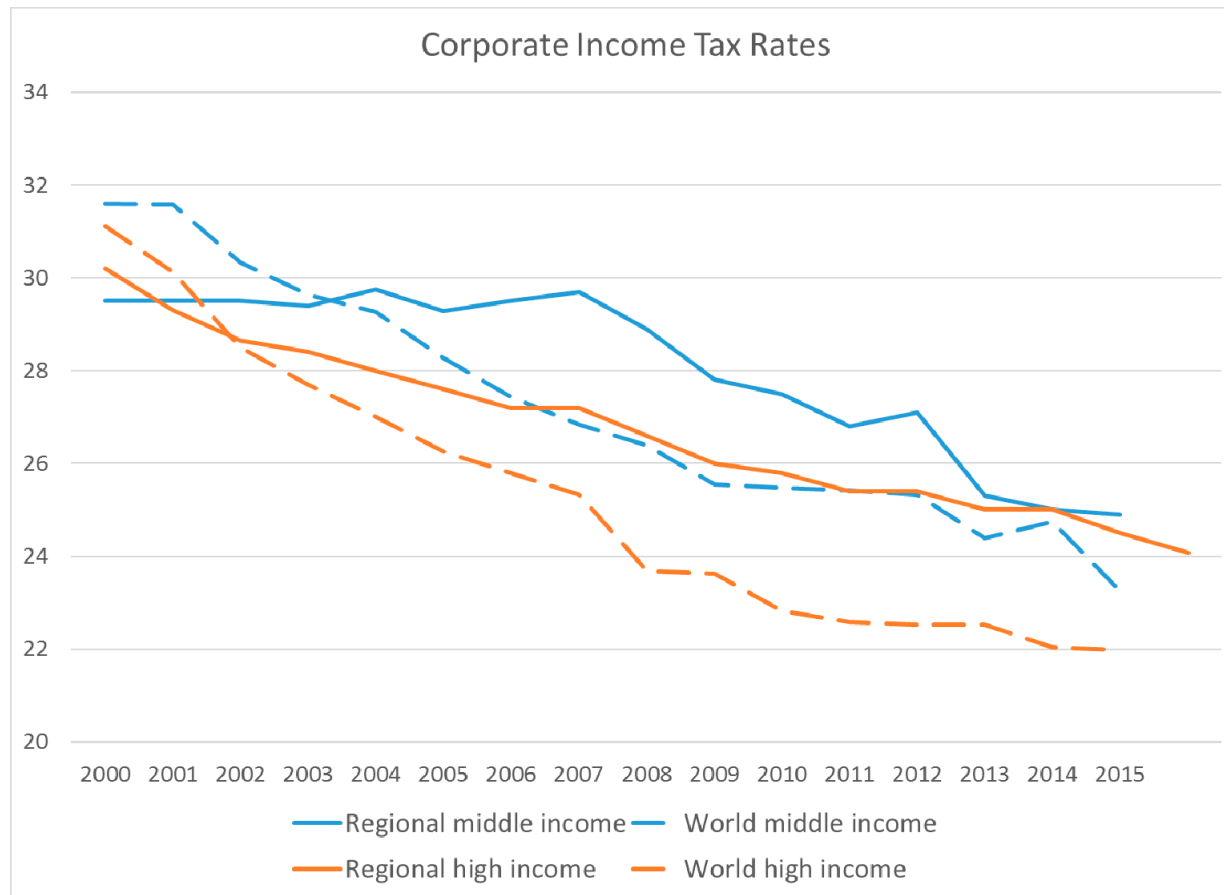


Tax structure also varies with income level

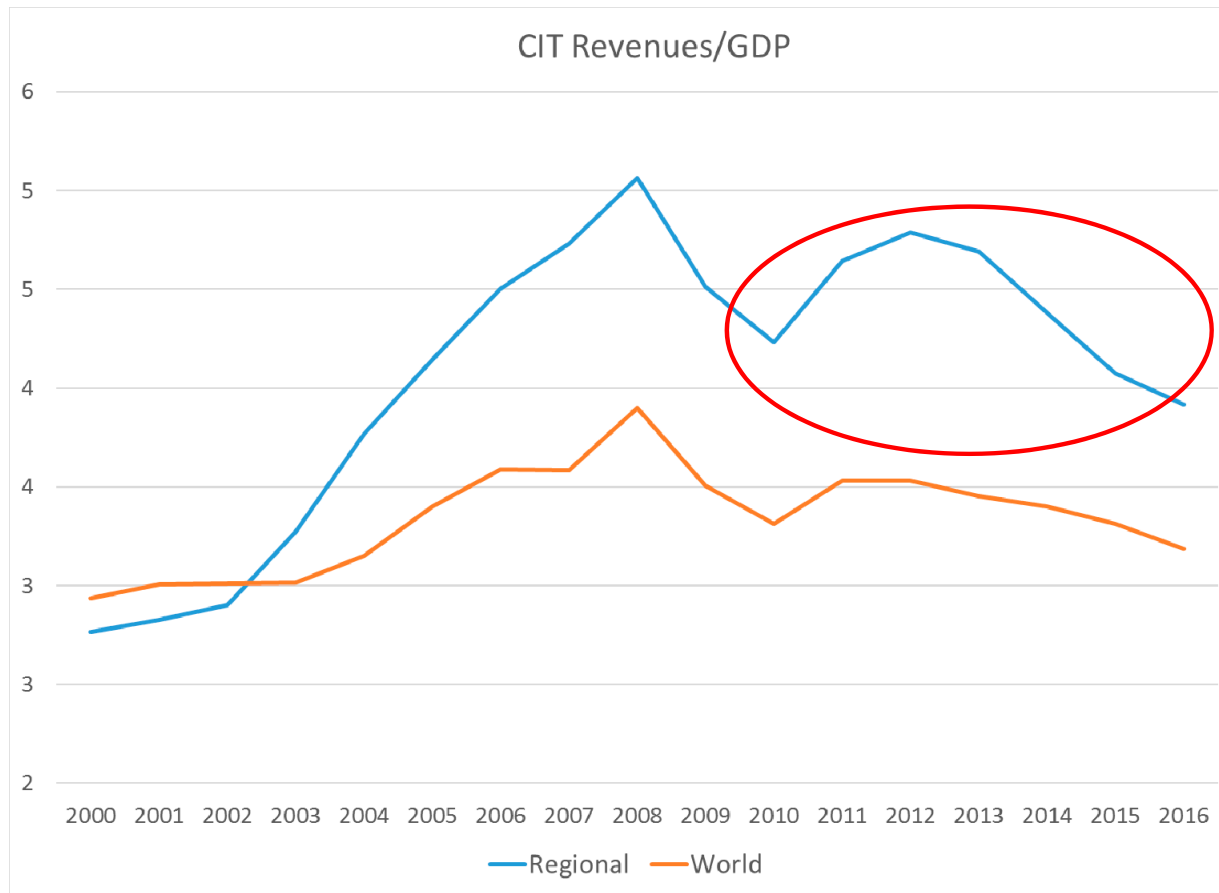


- Lower-income countries rely more heavily on indirect taxes--VAT, excises, and especially trade
- Upper-middle income countries rely most heavily on corporate income tax (CIT) and VAT
- High-income countries rely much more heavily on personal income tax (PIT)

Tax competition has been pushing down CIT rates in Asia, but not as rapidly as elsewhere...



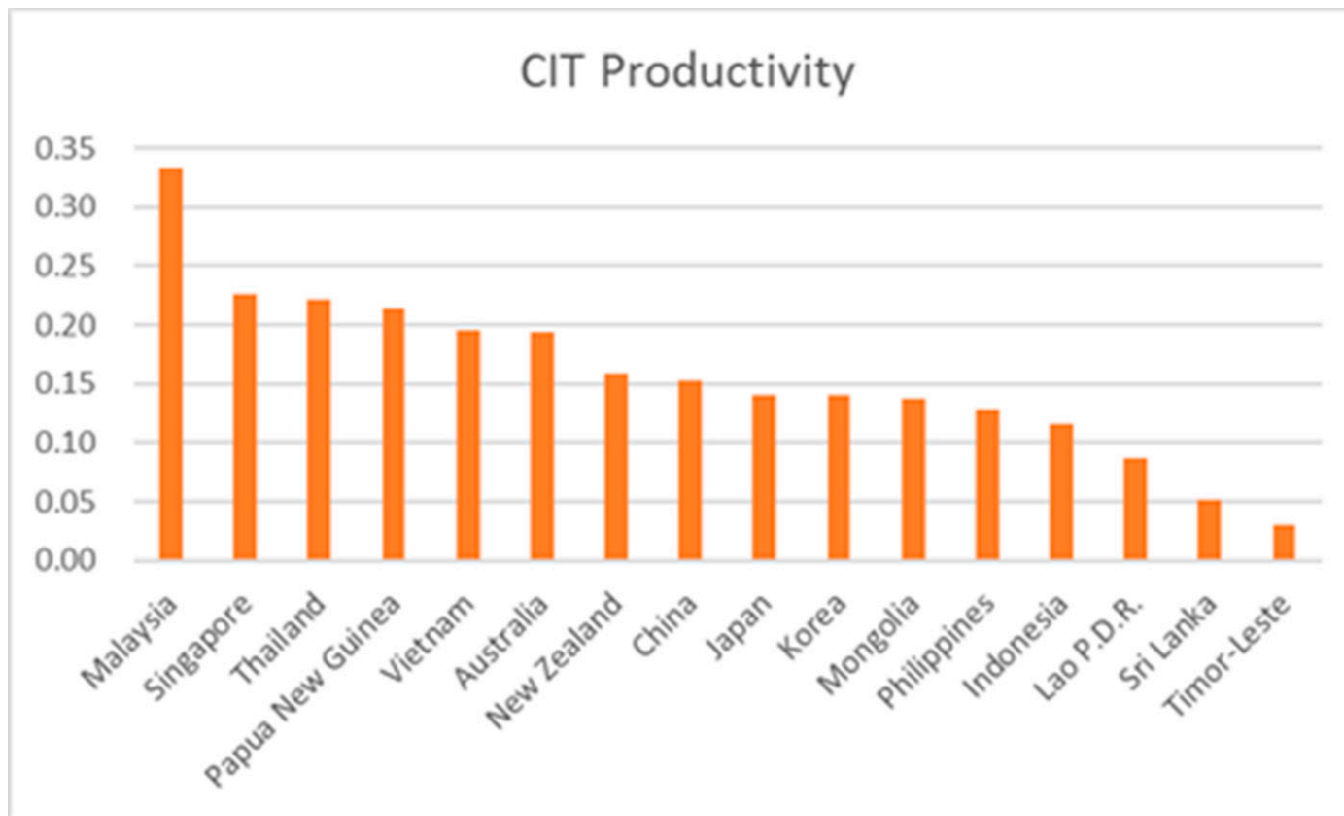
...and CIT revenue levels have accordingly been higher



← Revenues recovered from crisis, but have since eroded

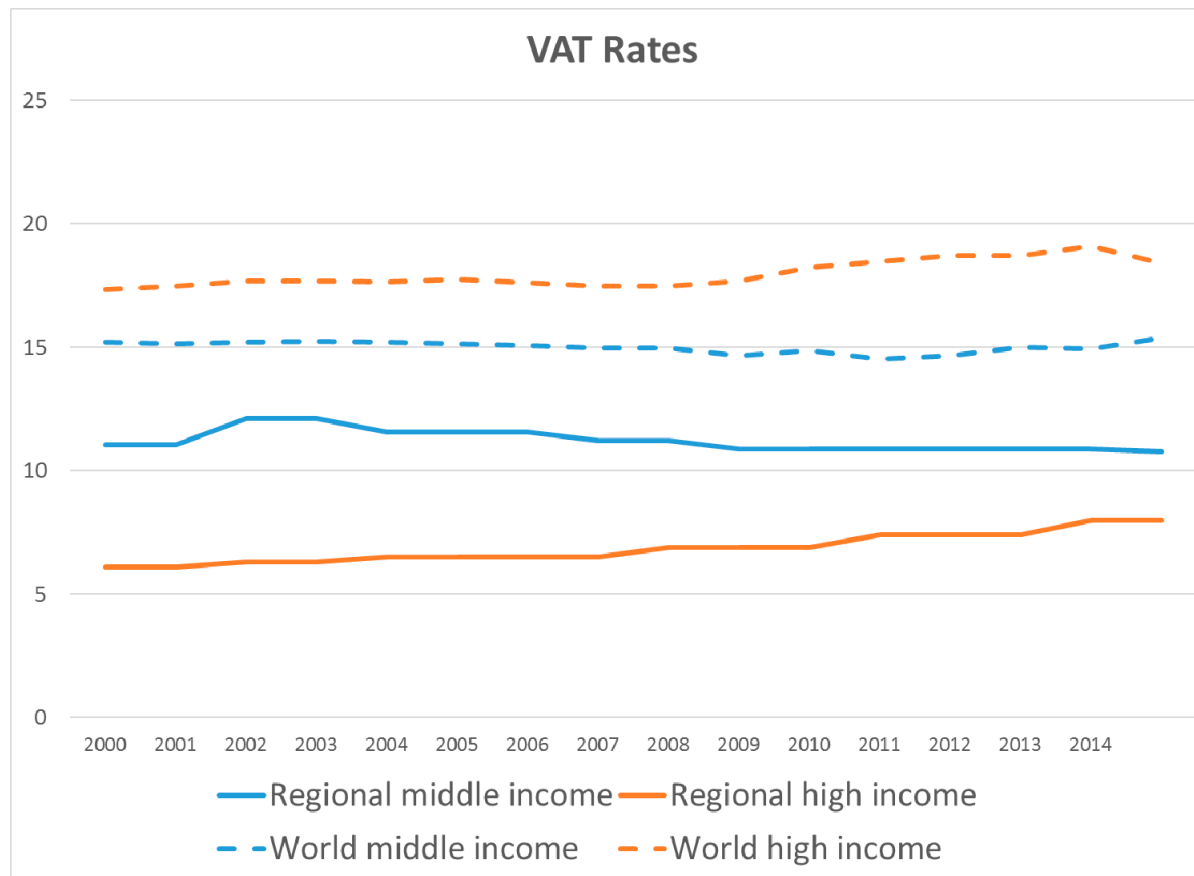
However, CIT productivity varies widely across the region

$$\text{CIT productivity} = \frac{\text{CIT Revenues}}{\text{CIT rate} * \text{GDP}}$$

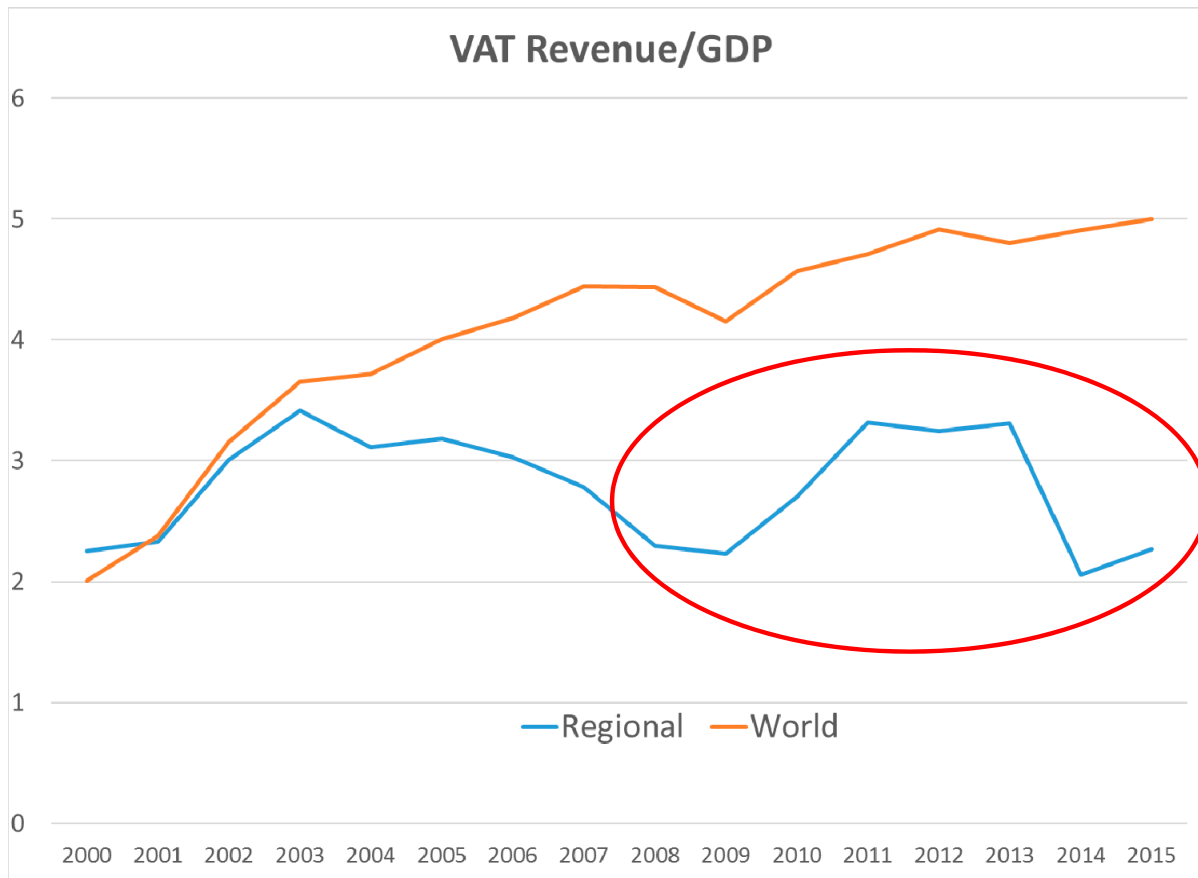


Some countries keep high statutory rate, but offer tax incentives for more mobile types of investment

VAT rates are lower in Asia than elsewhere, especially among high-income countries



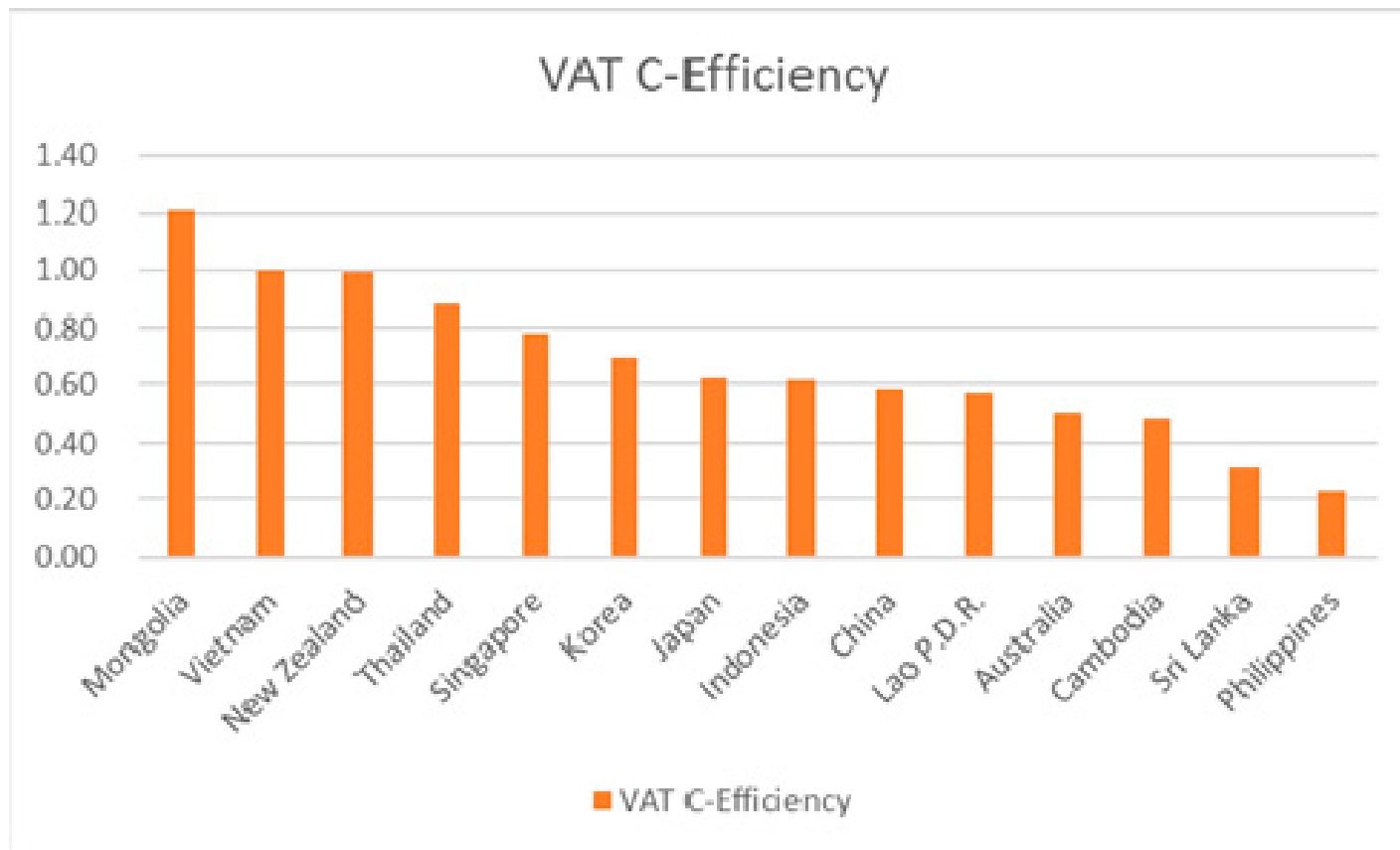
...and VAT revenue is accordingly lower



Volatility suggests at least some regional VATs are falling on business income

VAT efficiency rates also vary widely

$$\text{VAT "C-efficiency"} = \frac{\text{VAT Revenues}}{\text{VAT rate} * \text{Consumption}}$$



Excessive exemptions may narrow VAT base, reducing C-efficiency, or cause “cascading”, which increases C-efficiency

THANK YOU