



# CHILE'S TAX SYSTEM IN CONTEXT

## Diálogos Por Un Pacto Tributario

**David Bradbury**

Deputy Director  
OECD Centre for Tax Policy & Administration

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## Key points

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**Chile's tax-to-GDP ratio is low compared to other OECD countries. It is the 3<sup>rd</sup> lowest in the OECD, but...**

- **Chile is at an earlier stage of economic development than other OECD countries**
- **Chile has a high level of compulsory social contributions to the private sector, which are not included in the OECD's standard tax-to-GDP ratio**
- **Chile has a heavy reliance on mining revenues, and not all of these are included in the OECD's standard tax-to-GDP ratio**

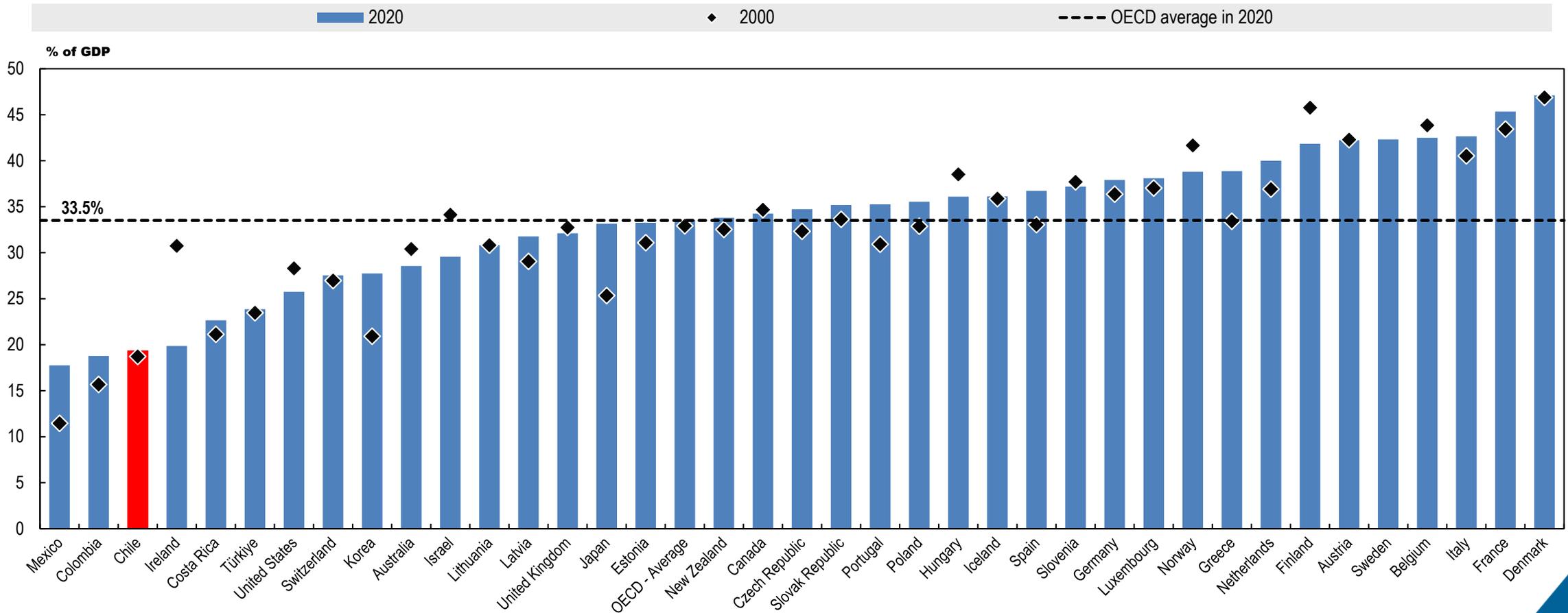
**However,**

- **When you consider Chile's stage of development (i.e. income level), it still has a lower tax-to-GDP ratio than comparable OECD countries when they were at the same stage of development**
- **When you account for Chile's high level of compulsory social contributions to the private sector, it still has the 5<sup>th</sup> lowest tax-to-GDP ratio**
- **When you account for Chile's high reliance on resource revenues, it is still below the OECD average tax-to-GDP ratio, because non-tax mining revenues are less than 2% of GDP**



# Tax-to-GDP ratios vary widely across OECD countries, but Chile is at the bottom

## Tax-to-GDP ratios

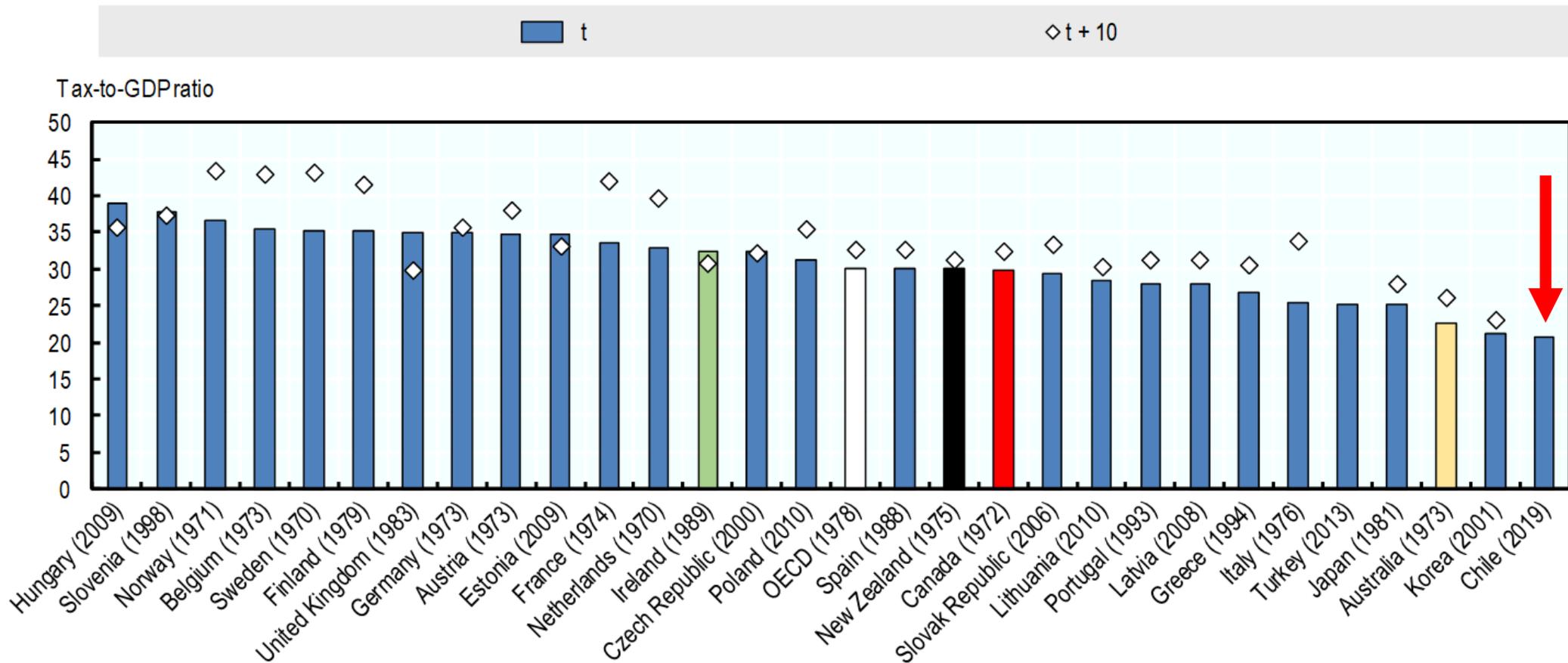


Source: OECD (2022) Revenue Statistics Database



# Chile's tax share is lower than comparable OECD countries at the same stage of development

Tax shares, selected OECD countries  
(in the year countries had closest income to Chile's 2019 level)

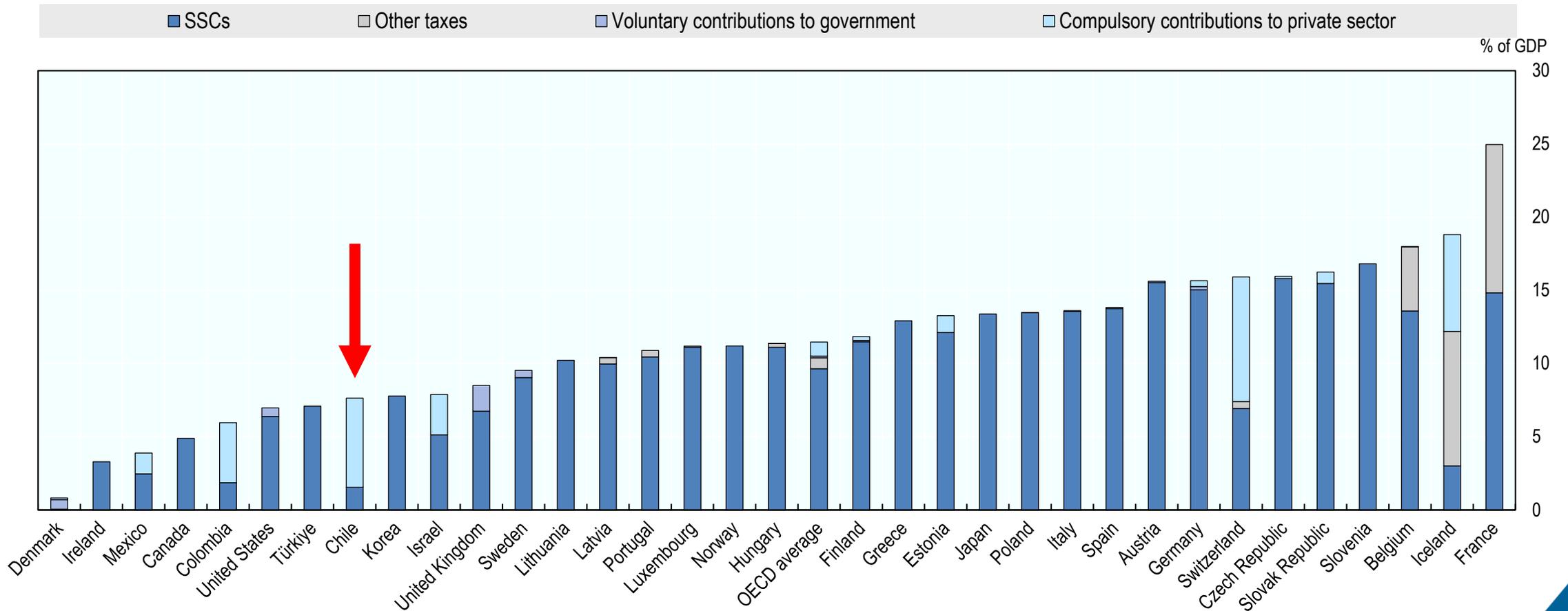


Source: OECD (2022) Country Tax Policy Review of Chile



# Compulsory social contributions to the private sector play a role in several OECD countries including Chile

## Financing of social security benefits, % of GDP, 2020



Source: OECD (2022) Country Tax Policy Review of Chile



# Chile's tax share remains low by OECD standards regardless of how you treat social contributions (i)

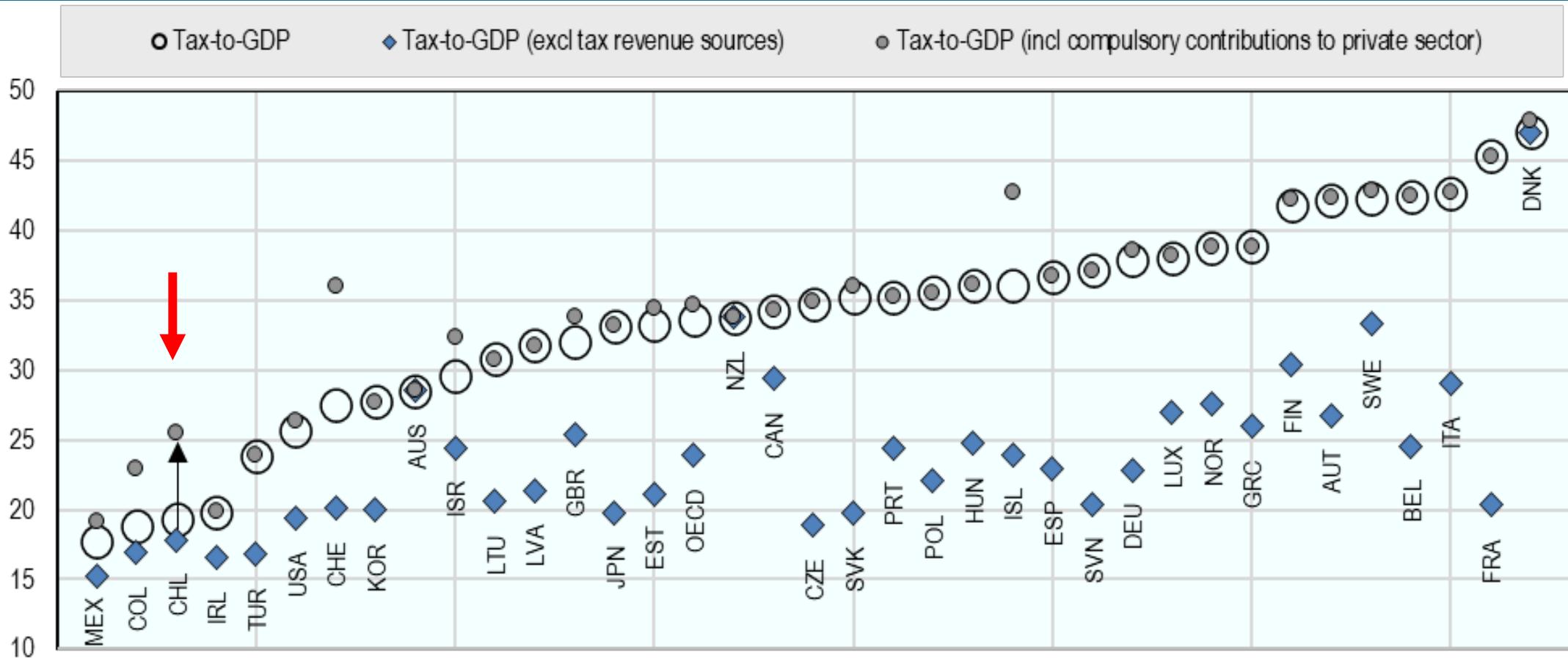
Some argue that tax-to-GDP comparisons with the OECD are misleading given Chile's atypically low social security contribution (SSC) revenues and large compulsory contributions from the private sector. However:

- **When SSCs and other earmarked taxes are excluded from analysis**, the gap between Chile's tax-to-GDP ratio (17.8%) and the OECD average (23.9%) narrows. **Chile still has the 5<sup>th</sup> lowest tax-to-GDP in the OECD.**
- **When compulsory contributions to the private sector are included in the analysis**, Chile's tax-to-GDP (25.5%) moves closer to the OECD average (34.7%). **Chile still has the 5<sup>th</sup> lowest tax-to-GDP in the OECD.**



# Chile's tax share remains low by OECD standards regardless of how you treat social contributions (ii)

Tax-to-GDP ratios and financing of social-security type benefits, % of GDP, 2020



Information and underlying data from the OECD Tax Policy Review Chile 2022: <https://www.oecd.org/tax/tax-policy/oecd-tax-policy-reviews-chile-2022-0a8d9e7c-en.htm>; and the OECD Revenue Statistics report and database: [https://www.oecd-ilibrary.org/taxation/revenue-statistics-2022\\_8a691b03-en](https://www.oecd-ilibrary.org/taxation/revenue-statistics-2022_8a691b03-en)



# Equivalent Fiscal Pressure: Chile still remains below the OECD average tax-to-GDP ratio

## Equivalent Fiscal Pressure (EFP) adds:

- Contributions to private social security systems (pensions and healthcare); and
- Non-tax revenues derived from the exploitation of natural resources to the tax-to-GDP ratio

**Chile's EFP was 26.4% in 2018** (up from its tax-to-GDP ratio of **21.1%**), **but still 7.1 percentage points lower than the average OECD tax-to-GDP ratio (33.5%).**

- Private social security contributions amount to **4.7% of GDP** in 2018
- Non-tax revenues from natural resources were equivalent to **0.6% of GDP** in 2018

More recent data shows an increase in non-tax revenues from natural resources for Chile...

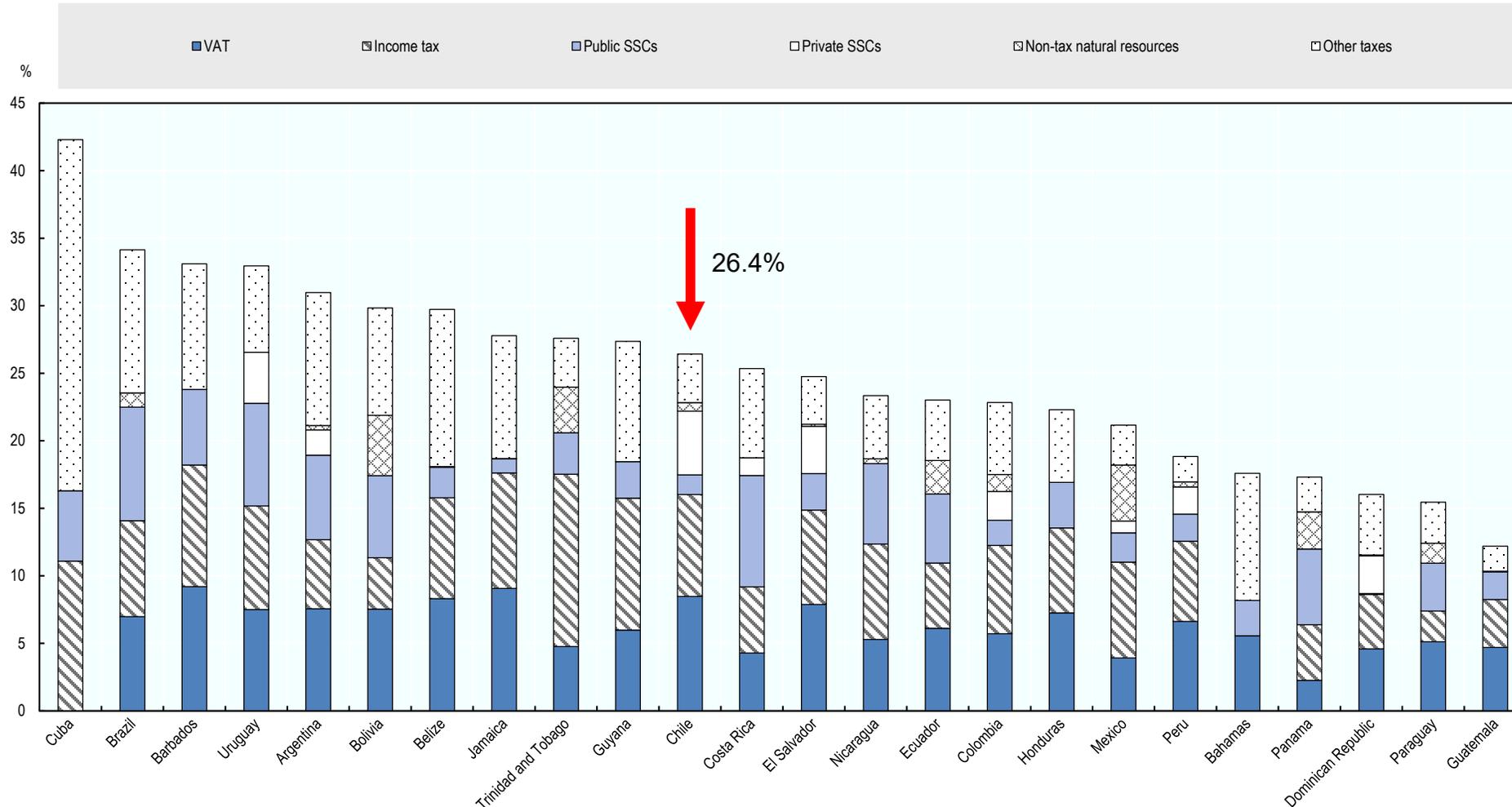
- ... but this still accounts for **less than 2% of GDP\***

\* <https://statistics.cepal.org/portal/cepalstat/>



# Measures beyond the tax-to-GDP ratio show that Chile still has scope to increase domestic resources

Fiscal pillars and other components of EFP by country, 2018 (% of GDP)



Data can be found at <https://www.ciat.org/idb-ciat-revenue-collection-database/?lang=en>.



# More than 1/2 of mining revenues in Chile are classified as taxes, with non-tax revenues being a small share of GDP

Latin America and the Caribbean (12 countries): General government revenues from mining, 2020-2021

Country	Percentage of GDP								
	Total revenues			Tax revenues			Non-tax revenues		
	2020	2021	2021/2020 (p.p. of GDP)	2020	2021	2021/2020 (p.p. of GDP)	2020	2021	2021/2020 (p.p. of GDP)
Argentina	0.06	0.06	0.00	0.04	0.04	0.00	0.02	0.02	0.00
Bolivia (Plur. State of)	0.43	0.95	0.52	0.03	0.30	0.27	0.40	0.65	0.26
Brazil	0.24	0.48	0.24	0.15	0.36	0.21	0.09	0.13	0.04
<b>Chile</b>	<b>1.26</b>	<b>3.01</b>	<b>1.75</b>	<b>0.72</b>	<b>1.85</b>	<b>1.13</b>	<b>0.54</b>	<b>1.16</b>	<b>0.62</b>
Colombia	0.21	0.30	0.08	0.05	0.09	0.03	0.16	0.21	0.05
Ecuador	0.09	0.12	0.03	0.05	0.07	0.02	0.04	0.05	0.01
Guatemala	0.02	0.03	0.01	0.01	0.02	0.01	0.01	0.00	0.00
Jamaica	0.04	0.13	0.09	0.00	0.00	0.00	0.04	0.13	0.09
Mexico	0.18	0.29	0.11	0.18	0.29	0.11	...	...	...
Nicaragua	0.43	0.58	0.14	0.28	0.40	0.13	0.16	0.17	0.02
Peru	0.56	1.66	1.10	0.39	1.23	0.84	0.17	0.43	0.26
Dominican Republic	0.50	0.54	0.03	0.37	0.43	0.05	0.13	0.11	-0.02
LAC	0.34	0.68	0.34	0.19	0.42	0.23	0.14	0.26	0.11



## Conclusion

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**Even after taking into account social contributions to the private sector and non-tax mining revenues, Chile's tax-to-GDP ratio remains well below the OECD average**



## Contact details

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### **David Bradbury**

Deputy Director  
Centre for Tax Policy and Administration

2, rue André Pascal - 75775 Paris Cedex 16  
Tel: +33 1 45 24 15 97 – Fax: +33 1 44 30 63 51

[David.Bradbury@oecd.org](mailto:David.Bradbury@oecd.org) || [www.oecd.org/tax](http://www.oecd.org/tax)