

# **Tax Reforms in Latin America in an Era of Democracy. A Database<sup>f</sup>**

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## **Introduction**

This document presents the codebook for a novel database of tax reforms for Latin America between 1990 and 2004 using the Worldwide Tax Summaries of PriceWaterhouseCoopers (PwC). The constraint we face is the interruption of the publication of our main source of information, the PriceWaterhouseCoopers International Tax Summaries, in 2005. This database can be used for studying the political economy of tax reforms in Latin America as it is shown in the accompanying paper “Tax Reforms in Latin America in an Era of Democracy”. Table 1 summarizes all the reforms that have been coded and that are in the accompanying stata dta file. Table 2 presents the detailed reforms.

**\*\*Note:** this version of the database does not include whether the reforms are general or particular – To be included in future releases**\*\***

**\*\*Note 2:** the new version of the database introduces some minor changes to the coding of some reforms, particularly in within the minor reforms category, following comments received and extensive review by the authors**\*\***

## **Codebook**

Following are the definitions for all the variables included in the Tax Reforms database. All the variables have a positive value when the reform is expected to increase revenue and a negative value when the reform is expected to decrease revenue. Furthermore, a reform in any of the variables has an absolute value of 1, except for TaxRefOverhaul and TaxRefVATCreation, which are valued at 2.<sup>1</sup>

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<sup>f</sup> We would like to thank Maria Franco Chuaire for her assistance with our research. The opinions expressed in this document are those of the authors and do not necessarily reflect those of the Inter-American Development Bank.

<sup>1</sup> This decision was made in order to keep the coding as close as possible to Mahon’s (2004).

**TaxRefOverhaul:** Equal to 2 when there is a mayor reform or overhaul to the tax system.

**TaxRefMinorDuties:** Equal to  $\pm 1$  when there is a minor or hard to classify reform. Examples of this are minor changes to income tax rules such as distribution of profits, minor administrative changes such as the regime of audits and minor changes to other taxes, such as real estate appraisal.

**TaxRefVATCreation:** Equal to 2 when a value added tax is introduced, regardless of whether it replaces a previous sales tax or not.

**TaxRefVATExpansion:** Equal to  $\pm 1$  when significant changes are made to the VAT's tax base.

**TaxRefVATRate:** Equal to  $\pm 1$  when the VAT rate is altered.

**TaxRefPITBroad:** Equal to  $\pm 1$  when significant changes are made to the PIT's tax base.

**TaxRefPITRate:** Equal to  $\pm 1$  when the PIT rates are altered.

**TaxRefCITBroad:** Equal to  $\pm 1$  when significant changes are made to the CIT's tax base.

**TaxRefCITRate:** Equal to  $\pm 1$  when the CIT rates are altered.

**TaxRefAdmReform:** Equal to  $\pm 1$  when a major administrative reform takes place.

**TaxRefFinancialTax:** Equal to  $\pm 1$  when a tax on financial transactions is introduced, modified or eliminated.

**TaxRefExcise:** Equal to  $\pm 1$  when significant changes are made to excise taxes' rates or base.

**TaxRefOtherTaxes:** Equal to  $\pm 1$  when significant changes are made to other taxes not mentioned before, such as estate taxes or taxes on property.

**TaxRefIncentives:** Equal to  $\pm 1$  when tax incentives are introduced, modified or eliminated. Following previous definition, the introduction of an incentive carries a value of  $-1$ , as it implicates a reduction in revenues, and vice versa.

**TaxRefSocialSecurity:** Equal to  $\pm 1$  when either employer or employee's contributions to social security are modified.

## TABLES

Table 1. Summary of Tax Reforms

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Argentina	T, vr, pir, cir, FT, E, o, TI, SS	M, VR, ft	VR, CIR, ft	ti	SS	VR	PIR, CIR, o, ss		O	PIR, CIR, ti, ss	PIR	FT, ss	ft, O	A	
Bolivia	CIR, ti	SS	VR	PIR, SS		CI, CIR, E	ti	E, ti, SS			ss	E	E, ss	E	E
Brazil	cir	VR	CIR	M, cir	VR, PIR, O	CIR, ft	pir, cir, o			O	PIR	M, A, FT, O	M, O	O	M, E, O
Chile	VR	CIR			pir	M, pir	M, E						pir, CIR, ss	VR, pir, CIR, ti	CIR
Colombia	M, VR		TI	M, VR, PIR, ti		PIR, CIR, o	M, VR, e, O, SS	E, ti	M		M, vr, FT, ti	VR, O		M, VE, PI, CIR, e, ti	A
Costa Rica			VR	vr	vr	VR	E	vr	M, e		pi		e, ti	PIR, CIR, E	cir
Dominican Rep.			T, pir, cir, O, TI	pir, cir	pir, cir	VR, pir, cir					T	pir		VR, E, SS	E, o
Ecuador	pir, cir				M, E	M, pir, E		pi, pir, E	e	pi, ci, O	VR, PI, CI	T, ft, E, SS		E	ti
El Salvador				VC, e, SS	e	VR, e, o									
Guatemala	E, O		T, e, o	pir, ci, cir		PIR, CIR, O, SS	VR		pir, FT, E	cir	cir	PIR, CIR, O, TI, SS		O	VR
Honduras	cir	VR				O	pir				VR	pir, cir			O, ti
Mexico	pir	cir	vr	cir	cir, TI, SS	VR, o	ti	M, PI	ti	PIR		M	T, M, CIR, E, O	M, pir, cir, e, o, ti	T, pir, cir, e, o
Nicaragua		ti	pir	ve, cir, o								pir, cir			
Panama		cir	pir, cir	cir, ti	cir, O, TI			cir	ti					cir, E, O, ti	ti
Paraguay	ti	T, o	M, VC, CIR, O	O	e				ti	M					
Peru	VR	vr, o	VR, pir, cir, o, TI	o, ti, SS	pir, e, o, ss		SS	O	E, SS	o		M, pir, cir	PIR, CIR, E	M, PIR	VR, CIR, FT, e
Uruguay	CIR			E	TI		VR, o		ti	O, ti		ti		CIR, E	
Venezuela		ti, SS	pir, cir	VC, O	M, VE	VR, PIR, CIR		ve, VR		T, vr, PI, FT	vr, ci, ft	T, CI, ti	VR, FT		ft
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004

### Notes:

T: Tax System Overhaul, m: Minor or hard to classify reform, VC: VAT Creation, VE: VAT Expansion, VR: VAT Rate Increase, PI: Broadening of Personal Income Tax, PIR: Increase Personal Income Rate, CI: Broadening Corporate Income Tax, CIR: Increase Corporate Income Rate, A: Comprehensive Administrative Reform, FT: Financial Tax, E: Excises, O: Other Taxes, TI: Tax Incentives, SS: Social Security Contributions

Low caps italics represent a change in the opposite direction, such as a rates decrease or the elimination of a tax.

For tax incentives, capitals mean the reduction or elimination of an incentive and low caps italics the creation of one.

**Source** :Author's compilation using Price Waterhouse Coopers International Tax Summaries, based on Eduardo Lora's database, and Mahon (2004) coding criteria

Table 2. Detail of reforms in Latin America

The following table provides the disaggregated information on the reforms that have been coded in the database. It excludes the changes in rates of the common taxes.

Year	Tax	Description of the Reform	+/-
<b>Argentina</b>			
1990	Other taxes	A 1% Tax on assets of business entities has been established for the nine fiscal years commencing Jan 1 1990.	+
1990	Other taxes	Capital gains tax has been abolished effectively January 1, 1990	-
1990	VAT	VAT rate is 13% (previously 15%)	-
1990	CIT	The rate is 20%. For fiscal years commenced before Jan 1, 1990, the rate is still 33%.	-
1990	PIT	The rates ranged from 7 to 45% in 1989. They range from 6 to 30% in 1991.	-
1990	Excise Taxes and Duties	Beginning Jan 1, 1990 there is a tax on assets for the 1990, 1991 and 1992 fiscal years at the 1% rate.	+
1990	Social security	Employer contributions to health care increased from 4.5% to 6%	+
1990	Tax incentives	Tax incentives have been suspended through Sep 1990 by the 1989 Economic Emergency Law and replaced by a series of bonds.	+
1990	Financial Transactions	A tax on financial services is effective as of Jan 1, 1990 and is levied at a 6% rate on monthly net income of financial entities.	+
1990	Tax Reform	A tax reform was enforced in 1990.	+
1991	Minor/hard to classify	Tax losses that have not been offset are transformed into a fiscal credit against the government and cancelled through Bonds.	+
1991	Financial Transactions	The 0.7% charge to current account with banks is reduced to 0.3% in 1991.	-
1991	VAT	VAT rate is 16% (13% in 1990)	+
1992	Financial Transactions	The tax on current account with banks has been abolished.	-
1992	Financial Transactions	The tax on financial services has been abolished.	-
1992	CIT	Tax rate is 30% (20% in 1992)	+
1992	VAT	The general rate is 18% (16% in 1992)	+
1993	Tax incentives	The tax on assets has been abolished as from Sept 1, 1993.	-
1993	Tax incentives	Law 24196/93 created an investment regime for mining activity, guaranteeing fiscal stability for a term of 30 years, except for VAT.	-
1994	Social security	Employee's contributions are up to 11% (from 10%). However there is a new maximum income subject to contributions.	+
1995	VAT	The general rate is 21% (18% in 1995).	+
1996	Other taxes	The rate of the individual's asset tax is now 0.5% (previously 1%)	-
1996	Social security	Employer contributions to health care are now 5% (previously 6%)	-
1996	PIT	There is a new rate scale. It ranges from 6 to 30%. Previously 11 to 30%, meaning that the top marginal rate is the same.	+
1996	PIT	The top marginal rate is 33% as of September 1996.	+
1996	CIT	The rate for corporations increased to 33% from 30% as from September 28, 1996.	+
1998	Other taxes	There is a new minimum notional income tax of 1% on the value of assets. Its payment will be treated as payment on account of income tax.	+
1999	Social security	There is a reduction of 30% to 80% of the employer's contributions, depending on the geographical location where the services are rendered.	-
1999	Tax incentives	Law 25080 established an investment regime for plantation, protection and maintenance of forests similar to the one for mining.	-
1999	CIT	The profit tax rate has increased to 35%	+
1999	PIT	The top marginal tax rate has increased to 35%	+
2000	PIT base	Income tax liability was increased due to a reduction of allowances and an emergency tax on high income for the fiscal year 1999.	+
2000	PIT	The 2000 tax reform gives rise to a considerable increase of income tax liability due to changes of tax rates, reduction of allowances and the introduction	+
2001	Social security	Employee's contribution to the individual capitalization pension fund was temporarily reduced from 11% to 5%.	-
2001	Financial Transactions	A new tax on credits and debits on bank accounts is levied at a rate of 0.6%.	+
2001	Financial Transactions	The tax on interest and financial costs of business loans and credits will be abolished.	-
2002	Other taxes	Export taxes were introduced in March 2002, with rates ranging from 5% to 20% depending on the products exported.	+
2003	Administrative Reform	Law 25.795 introduced many changes to Law on Tax Procedures (Law 11683) relating to penalties, responsibility of joint ventures and others.	+
<b>Bolivia</b>			
1990	Tax incentives	Oil companies are subject to the 1990 Law of Hydrocarbons. Exporters benefit from reimbursements for VAT, income and excise taxes.	-
1990	CIT	Effective Jan 1990, taxable income of Bolivian corporations is taxed at the rate of 3%.	+
1991	Social security	Employer contributions up to 6% in 1991 (previously 5%).	+
1992	VAT	Effective March 1, 1992, the VAT rate is 13% (previously 10%)	+
1993	Social security	Employee's contributions are now 8% (previously 6%)	+
1993	PIT	The flat rate is 13% (10% in 1992)	+
1995	Excises and duties	Excise taxes change. Beverages now pay a specific tax and vehicles pay 18% or 10% if high capacity, among other changes.	+
1995	Other taxes	Tax on gross income was raised from 2% to 3% by Law 1606 starting Jan 1 1995. Corporations pay whichever is higher between this tax and CIT.	+
1995	Minor/hard to classify	Liberal professionals are subject to corporate tax at a rate of 12.5% on their revenue net of VAT.	+
1995	CIT	Law 1606, issued on December 22, 1994 established a 25% tax on corporate income. Regulations to this law had not been issued through March 15, 1995. T	+
1996	Tax incentives	Mining and petroleum extractive activities will be subject to an additional income tax at a 25% rate.	-
1997	Tax incentives	All mining companies are subject to the income tax and a special form of royalty called the complementary mining tax.	-
1997	Social security	A new pension fund law changed the system to one of individual capitalization. The employee will bear the entire burden of contributions.	+
1997	Excises and duties	A special tax on hydrocarbons and derived products is charged on production or import of gasoline, diesel oil and lubricating oil and grease.	+
2000	Social security	The Housing Fund employee contribution is no longer in force, effective November 2000	-
2001	Excises and duties	Excises on beverages have increased. The rates vary for different products.	+
2001	Excises and duties	The rates for the special tax on hydrocarbons and derived products have been increased.	+
2002	Excises and duties	Excises on beverages have increased. The rates vary for different products.	+
2002	Social security	The rate for pension funds contributions has been reduced from 12.5% to 12.21%	-
2002	Excises and duties	The rates for the special tax on hydrocarbons and derived products have been increased.	+
2003	Excises and duties	The rates for the special tax on hydrocarbons and derived products have been increased.	+
2004	Excises and duties	The rates for the tax on hydrocarbons have changed. Some were reduced to their 2002 levels and others increased, depending on type of fuel.	+

Year	Tax	Description of the Reform	+/-
<b>Brazil</b>			
1990	CIT	The regular rate is 30%, down from 35% in 1989. On the other hand, there is now a 5% state income tax.	-
1991	VAT	VAT rate is up to 18% (previously 17%)	+
1992	Minor/hard to classify	The structure of a surcharge to the CIT has been modified. A progressive 5%-10% scheme was replaced by a flat 10% rate.	+
1992	CIT	Up to Dec 31 1991, corporate taxpayers were subject to a surcharge of 5% on annual taxable income in excess of Cr\$35mm and 10% on income in excess of	+
1993	Minor/hard to classify	Starting Jan 1 1993, stock dividend distribution is no longer subject to an 8% withholding tax.	+
1993	Minor/hard to classify	Starting Jan 1 1993, the maximum provision for bad debts has been reduced from 3% to 1.5% (1% for financial institutions)	+
1993	Minor/hard to classify	Starting Jan 1 1993, taxes, contributions and related costs such as inflation restatement and interest are deductible for tax purposes.	+
1993	CIT	Federal income tax is paid at the rate of 25% on taxable income (previously 30% except for agricultural activities).	-
1994	Financial Transactions	As from Jan 1, 1994, all debit entries made to bank checking accounts are subject to the IPMF at the rate of 0.25%.	+
1994	Other taxes	The Social Contribution Tax went up for financial institutions (from 15% to 23%).	+
1994	PIT	Top marginal rate is 35% (25% in 1993)	+
1995	Minor/hard to classify	The surcharge on CIT is now 12% (previously 10%)	+
1995	Financial Transactions	The IPMF (Provisional Tax on Financial Transactions) has been eliminated.	-
1995	CIT	The surcharge is now 12%-18% (from 10%-15%)	+
1996	Minor/hard to classify	The surcharge on the CIT is now 10% and above a higher threshold	-
1996	Other taxes	Social contribution went down to 8% (18% for financial institutions)	-
1996	CIT	Federal income tax rate is 15% (from 25%)	-
1996	CIT	The surcharge is now 10% and above a higher threshold	-
1996	PIT	Top marginal rate is back down to 25%	-
1999	Other taxes	The rate of the Social Contribution Tax went up to 12% for the period from May 1 to December 31, 1999.	+
2000	PIT	The top marginal rate is now 27.5% (previously 25%)	+
2001	Administrative Reform	On January 11, 2001, Brazil granted the tax authorities the more powers to inspect records of financial institutions under audit.	+
2001	Minor/hard to classify	As from May 25, 2001, Brazilian corporate taxpayers can no longer apply a percentage of income tax liability on certain approved investments.	+
2001	Other taxes	The COFINS levied at 3% and PIS levied at 0.65% are new deductible monthly federal social contributions calculated as a percentage of revenue.	+
2001	Financial Transactions	The new CPMF (Provisional Contribution on Financial Transactions) is levied on withdrawals from bank accounts at a rate of 0.38%.	+
2001	Financial Transactions	A new Financial Transactions Tax is levied on certain financial transactions at various rates.	+
2001	Other taxes	The rate of the Social Contribution is now 9% (previously 8%)	+
2002	Other taxes	Technical services are subject to the Contribution to the Economic Intervention Domain (CIDE) at the rate of 10% plus a withholding tax of 15%.	+
2002	Minor/hard to classify	The cumulative aspect of the PIS was revoked and the PIS rate was increased from 0.65% to 1.65%	+
2003	Financial Transactions	As per Constitutional Amendment 42, issued on Dec 21, 2003, the CPMF was extended until Dec 31, 2007 at the rate of 0.38%	+
2004	Other taxes	The cumulative aspect of COFINS was revoked and the rate increased to 7.6%. Importation of goods & services will be subject to PIS & CONFINS.	+
2004	Excises and duties	Import taxes have been increased.	+
2004	Minor/hard to classify	Services provided by nonresidents to Brazilian entities are now subject to the municipal service tax (ISS) at rates ranging from 2% to 5%.	+
<b>Chile</b>			
1990	VAT	VAT is up to 18% from 16%	+
1990	Minor/hard to classify	The imputed net taxable income is 7% of net assets (previously 8%). Only the greater between this and the income tax is paid.	-
1991	Minor/hard to classify	The rate on accrued but undistributed income was temporarily raised from 10 to 15% between 1991 and 1993.	+
1991	CIT	The rate on accrued but undistributed income was temporarily raised from 10 to 15% between 1991 and 1993.	+
1992	Tax incentives	A special contribution is levied on producers of crude oil, natural gas, coal and nickel for calendar years 1992 through 1997.	+
1993	Tax incentives	VAT paid on the importation of capital goods can be taken as a credit against the income tax liability in the year the VAT was paid.	-
1993	Minor/hard to classify	For fiscal years 1993 to 1997 there is a special surcharge of 25% on the 30% CIT rate which can be taken as a tax deduction.	+
1994	PIT	Rate have been lowered. Top marginal rate is now 48% (50% in 1993)	-
1995	Minor/hard to classify	Employee's contributions to social security are 20.2% (previously 20.5%)	+
1995	PIT	Rate have been lowered. Top marginal rate is now 45%	-
1995	Minor/hard to classify	The imputed net taxable income is down to 4%.	-
1996	Excises and duties	Alcoholic and non alcoholic beverages and certain luxury items such as jewels, are subject to additional sales taxes, ranging from 13% to 70%.	+
1996	Excises and duties	Remittance tax goes down to 7% from 8%.	-
1996	Social security	The employee's contribution to social security will raise from 3.125% to 3.375% in 1996	+
1996	Minor/hard to classify	Rates of the Special Contribution Tax were changed in December 1995 and they can no longer be taken as an income tax deduction.	+
1997	Excises and duties	As from July 14, 1997, the Stamp Tax rate is 1% (previously 0.5%).	+
1998	Minor/hard to classify	As from taxable year 1998, in no case can the income tax liability, be less than 75% of that determined under the presumptive income system.	-
2000	Financial Transactions	Law 633/2000 treats de so-called Gravamen a los Movimientos Financieros as a new tax of a permanent character and instantaneous accrual.	+
2000	Tax incentives	The special contribution on crude oil and gas is reduced for the 2000 year and will be 0% in 2001.	-
2001	Minor/hard to classify	The rate on assets to compare with income tax is up to 6% (previously 5%)	+
2001	Other taxes	The Stamp Tax rate is now 1.5% (previously 1%)	+
2002	Social security	Employee's contributions are now 20% (previously 20.2%)	-
2002	PIT	Top marginal rate is now 43% (45% in 2001)	-
2002	CIT	Thin capitalization rules were introduced. The ability to use tax losses was restricted and the corporate income tax rate was increased to compensate for a	+
2003	Tax incentives	An Investment Platform Law established new rules that exempt corporations with foreign capital from tax on income obtained outside of Chile.	-
2003	PIT	Top marginal rate is now 40%	-
2003	VAT	VAT rate is now 19%	+

Year	Tax	Description of the Reform	+/-
<b>Colombia (cont.)</b>			
1990	VAT	Rate went up to 12% from 10%	+
1993	VAT	Rate went up to 14% from 12%	+
1995	PIT	The top marginal rate is 35% (from 30%)	+
1995	CIT	For 1996 and later years the rate is 35% (from 30%) without the special surcharge. It is compared with either 5% of net assets or 1.5% of gross assets, whichever is higher.	+
1996	VAT	The rate goes up to 16%	+
2000	VAT	VAT rate was lowered from 16% to 15% only for year 2000, went back to 16% in 2001	-
2003	Minor/hard to classify	The carryforward period for losses in the CIT is extended from five to eight years.	-
2003	PIT base	Changes were introduced to the PIT. The percentage of labor income that is exempt has been reduced from 30% to 25%.	+
2003	Tax incentives	Effective 2003, new tax exemptions are created for a number of businesses. Investment of dividends or branch profits also have new benefits.	-
2003	Tax incentives	VAT paid on the import or purchase of industrial machinery can now be credited against VAT or income tax.	-
2003	Excises and duties	The highest rates on motor vehicles have been reduced. The maximum rate was 60% and is now 38%.	-
2003	VAT	Effective 2005, export of services will trigger VAT at 2%	+
2003	CIT	The corporate income tax rate for calendar (fiscal) year 2003 is 38.5% and 36.7% for later years (up from 35%). The increase will only apply to taxpayers with taxable income above 100 million pesos.	+
2003	VAT	Effective 2005, export of services will trigger VAT at 2%	+
2004	Administrative Reform	Effective January 1, 2004, transfer pricing rules apply to all taxpayers on both domestic and cross border transactions with related parties.	+
<b>Costa Rica</b>			
1992	VAT	Reduced to 12% effective Jan 1 1992 (NOTE: it was 10% in 1989 and 1991 books....)	+
1993	VAT	Reduced to 11% effective Jan 1 1993	-
1994	VAT	Reduced to 10% effective Jan 1 1994	-
1995	VAT	Increased to 15% effective September 1995	+
1996	Excises and duties	Real estate are to be reformed. The tax to be applied is 0.6% and a reappraisal will take place.	+
1997	VAT	Sales tax was increased (sic) to 13% effective March 19, 1997	+
1998	Excises and duties	Each local government is in charge of real estate appraisal. The rate will be 0.25% above CRC 3,789,000.	-
2000	PIT base	As of October 2000, the income threshold for individuals to be exempt from income taxes is lowered.	-
2002	Minor/hard to classify	The law establishes special regulations for small companies with a progressive scheme including three rates (10%, 20%, 30%)	+
2002	Excises and duties	The real estate tax rate has been lowered.	-
2003	CIT	Taxable income is taxed at a 30% rate. Only for the current year, this rate will be 36%. Rates for small companies were increased accordingly.	+
2003	PIT	Top marginal tax rates are 30% for self-employed and 18% for employed individuals (previously 25 and 15%)	+
2003	Excises and duties	The rate of the Franchise Tax was increased from 25% to 27.5%	+
<b>Dominican Republic</b>			
1992	Tax Reform	There is a new Tax Code, effective June 1, 1992	+
1992	Other taxes	Capital gains are now taxed, at a rate of 30% in 1992, which will be reduced to 27% in 1993, 26% in 1994 and 25% in 1995.	+
1992	Tax incentives	The new Tax Code revokes all tax incentive laws (except those for offshore -free-zone- operations for export).	+
1992	CIT	The new Tax Code, provides for a 30% CIT rate in 1992, 27% in 1993, 26% in 1994 and 25% in 1995 and thereafter (previously there was a progressive rate, starting at 25% and reaching 30% in 1995).	-
1992	PIT	The new Tax Code, provides for a 30% PIT rate in 1992, 27% in 1993, 26% in 1994 and 25% in 1995 and thereafter (previously there was a progressive rate with a maximum of 30% in 1995).	-
1995	VAT	Rate is up to 8% from 6%	+
2000	Tax Reform	Laws 147-00 and 12-01 were enacted on December 27 and 29, 2000, respectively, amending the Dominican Tax Code.	+
2001	Minor/hard to classify	Personal allowances have been increased and there is a new bracket table with higher thresholds. This is also adjusted in following years.	-
2001	PIT	Personal allowances have been increased and there is a new bracket table with higher thresholds. This is also adjusted in following years.	-
2003	Excises and duties	The maximum excise rate is 80% (previously 60%)	+
2003	Other taxes	A minimum CIT is imposed, which is calculated as 1.5% of annual gross revenue.	+
2003	Social security	A new social security regime has been implemented, introducing a capitalization system. Employer contribution is now 10% (previously 7%)	+
2003	VAT	The VAT rate is 12% (previously 8%)	+
2004	Excises and duties	Minimum excise rate is now 19.5% (previously 5%)	+
2004	Other taxes	Effective on January 1, 2004, the minimum tax ceased to be in force. The 1.5% on gross revenue continues to exist as an advance for income tax.	-
2004	Other taxes	Laws 01 and 02 of 2004 introduced a Contribución solidaria transitoria (CST) on exported goods and services equal to 5% on the gross earnings.	+
<b>Ecuador</b>			
1990	CIT	Top marginal rate is now 25% (previously 40%)	-
1990	PIT	Top marginal rate is now 25% (previously 40%)	-
1994	Minor/hard to classify	Distributed profits to stockholders residing abroad now pay the basic 25% instead of 36%. The same applies to branch profits.	+
1994	Excises and duties	Minimum excise rate is 20% (previously 5%)	+
1995	Excises and duties	Minimum excise rate is 20.3% and the maximum rate is 106% (previously 20-100%)	+
1995	PIT	Individuals' capital gains and investment income are taxed at a flat 8% (10% in 1994)	-
1997	Minor/hard to classify	The CIT regime for distributed and reinvested profits of local corporations and branches has changed.	+
1997	Excises and duties	There is now a 10% excise tax on vehicles, imported perfumes, crystals, porcelain, furnitures and jewelery.	+
1997	Minor/hard to classify	The income thresholds for the application of the progressive PIT rates have been raised, meaning effective tax paid is lower.	-
1997	PIT base	Capital gains and investment income have been declared not form a part of the individual's taxable income.	-
1997	PIT	The income thresholds for the application of the progressive rates have been raised, meaning effective tax paid is lower, at least in nominal terms. This is due to inflation.	-
1998	Excises and duties	Excise rates range from 10% to 75% (previously 20.3-106%). Tax on automobiles is now 5% (previously 10%).	-
1999	PIT/CIT base	Income tax was suspended for 1999	-
1999	Other taxes	A Financial Transactions Tax was implemented at the rate of 1% on most financial transactions and remittances abroad.	+
2000	VAT	VAT rate is now 12% (previously 10%)	+
2001	Excises and duties	There are minor increases in excise rates.	+
2001	Financial Transactions	The Financial Transactions Tax is no longer in effect, as it was abolished as of December 31, 2000	-
2001	Social security	A new Social Security Law states that individuals under professional fee-based relationships are now required to pay a 20.15% contribution.	+
2001	Tax Reform	On May 14, 2001, the tax law was once again amended, and new regulations to the Internal Tax Regime Law (ITRL) came into effect.	+
2003	Excises and duties	Telecommunication services are now taxed at 15%.	+
2004	Tax incentives	There is an incentive for reinvested profits, which now have a reduced CIT rate of 15%.	-

Year	Tax	Description of the Reform	+/-
<b>El Salvador</b>			
1993	Social security	Employee's contributions have been raised (rates were 4, 2.5, 1% and now are 4.5, 4, 1%)	+
1993	Excises and duties	A 5% stamp tax was eliminated.	-
1993	VAT Creation	A 10% VAT has been created.	+
1994	Excises and duties	The Real Estate Transfer Tax has been lowered.	-
1995	Other taxes	The capital tax (on assets) has been removed.	-
1995	VAT	Vat rate is up to 13%	+
<b>Guatemala</b>			
1990	Excises and duties	Beginning August 22, 1990, a 2% income tax is withheld from the quetzal amount of goods exported.	+
1992	Tax Reform	New tax legislation is effective as of July 1992.	+
1992	Excises and duties	The withholding tax on exports is down to 1.5% beginnin July 1, 1992.	-
1993	CIT base	Capital gains were previously taxed as ordinary income and now are taxed at a flat rate of 15%	-
1993	CIT	A progressive CIT (12%, 22%, 34%) has been replaced by a 25% fixed rate.	-
1993	PIT	The rate scheme has been flattened. The top marginal rate is 25% (34% in 1992 book)	-
1995	Other taxes	The rate of Annual Business Tax is up to 1.5% on net assets and the maximum limit on the amount to be paid has been removed.	+
1995	Social security	The employer social security contributions rate is now 12% (previously 11.3%)	+
1995	CIT	A rate of 30% is applicable to the taxable income of a company as of Jan 1, 1995.	+
1995	PIT	Top marginal rate is up to 30% (previously 25%). A rate of 30% is applicable to individuals earning income from sources other than an exclusive labor relat	+
1996	VAT	The VAT is to be increased from 7% to 10% by Jan 1, 1996 or the first day of the month following that in which an internal peace treaty is signed.	+
1998	Financial Transactions	Interest income earned by domiciled persons other than banks is subject to a flat 10% withholding tax.	+
1998	PIT	The flat rate is 10% (previously 15%)	-
1998	PIT	Top marginal rate is back down to 25%	-
1999	CIT	The rate will be reduced to 27.5% in 1999 and to 25% in 2000	-
2001	Other taxes	The Annual Business Tax is now 2.5% on net assets or 1.25% on gross income, whichever is greater (previously only 1.5% on net assets).	+
2001	Social security	Social Security Contributions have changed. Corportations contribute 12.67% (previously 12%). Employees contribute 4.83%.	+
2001	Tax incentives	The percentage of total profits that can be deducted from CIT if reinvested is down to 5% (previously 15%).	+
2001	CIT	CIT rate is now 31%	+
2001	PIT	There is a new top bracket in income tax with a marginal rate of 31% (the previous top marginal rate was 25%)	+
2003	Other taxes	The rates of the Annual Business Tax were increased to 3.5% of net assets or 2.25 on gross income	+
2004	VAT	VAT rate is now 12% (previously 10%)	+
<b>Honduras</b>			
1990	CIT	Effective Jan 1, 1990, the corporate tax rate is 15% on the first L100,000 of taxable income and 35% on the amount over L100,000. In addition to there rates	-
1991	VAT	VAT is levied at a general rate of 7% (10% for alcohol and tobacco products)	+
1995	Other taxes	A net assets tax at a rate of 1% applies to all of a company's assets. The income tax paid the year before constitutes a credit for this tax.	+
1996	PIT	Rates have been lowered. Top marginal rate is now 30% (previously 40%)	-
1999	VAT	The rate is now 12% (15% for alcohol and tobacco products)	+
2000	PIT	The top bracket with a marginal rate of 30% has been eliminated. The top marginal rate is now 25%.	-
2000	CIT	The rate is now 25%	+
2004	Other taxes	There is a 5% solidarity tax levied on all companies whose taxable income is in excess of HNL 1 million.	+
2004	Tax incentives	There is a new set of tax incentives for the tourism industry.	-
<b>Mexico</b>			
1990	PIT	The top marginal rate is 35% (50% in 1989)	-
1991	CIT	The rate was 36% in 1990 and is 35% for 1991.	-
1992	VAT	VAT rate is 10% (15% in 1991)	-
1993	CIT	The 35% rate is reduced by half for agriculture, stock breeding, fishing, timber and publishing. It is reduced by 1/4 for those corporations in the primary a	-
1994	Social security	Employee's SS contributions are up from 4.85% to 5.15% and are 5.2% in 1995, 5.25% in 1996.	+
1994	Tax incentives	A tax incentive for Mexican owned small industries in sectors of the country outside major metropolitan areas was eliminated.	+
1994	CIT	The basic rate was reduced to 34%	-
1995	Other taxes	There is a minimum tax called tax on assets that is payable only in excess of federal income tax. The rate was lowered from 2% to 1.8%.	-
1995	VAT	The general VAT rate was increased from 10% to 15%.	+
1996	Tax incentives	There are new incentives for the transportation sector; sales with electronic equipment; creation of employment and small taxpayers.	-
1997	Minor/hard to classify	The income tax rate applicable to independent personal services performed by a nonresident in Mexico is a flat 21%.	+
1997	PIT base	Taxable investment income now includes earnings from investments located in countries considered to be tax havens.	+
1998	Tax incentives	A tax credit against income tax is available, equivalent to 20% of the additional investment in relevant R&D.	-
1999	PIT	Starting in 1999, the top tax rate for individuals was raised to 40% (from 35%)	+
2001	Minor/hard to classify	In an effort to increase individual tax compliance, a transitory resolution was passed that limits audits of certain taxpayers.	+
2002	Minor/hard to classify	Some items of investment income that were exempt are now included in the tax return, among other changes to returns.	+
2002	Excises and duties	The new excise tax law (IESPYS) levies certain items such as gasoline, alcoholic beverages, cigarettes and motor vehicles.	+
2002	Other taxes	The new Gross Payroll Tax law establishes a 3% tax payable by employers on total compensation.	+
2002	Excises and duties	A 5% tax is imposed on operations with the general public related to the sale, lease and importation of luxury goods and services.	+
2002	Other taxes	States are now allowed to impose income tax on individuals and a maximum 3% tax on services, rents and goods sold to the general public.	+
2002	Tax Reform	The Congress passed a tax reform including an increase on IESPYS, a new payroll tax and a new tax on luxury goods and changes to income tax.	+
2002	CIT	The federal CIT rate will be 35% in 2002. This eate will decrease one percentage point annually until the year 2005, when the rate will be 32%. The 2002 el	-
2003	Minor/hard to classify	Compulsory profit sharing will become a deductible expense. In 2004, 2005, and from 2006 on, it is deductible at 40%, 80% and 100%, respectively.	+
2003	Other taxes	A credit on ISCAS (Impuesto sustitutivo del crédito al salario) is allowed which reduces the individual tax liability.	-
2003	Excises and duties	The tax on luxury goods and on certain transactions with the general public was eliminated	-
2003	Minor/hard to classify	Some items of investment income that were exempt are now included in the tax return. Other requirements have changed.	+
2003	Tax incentives	A tax incentive might be available to taxpayers involved in certain technological R&D. It is a 30% credit on CIT with a maximum amount.	-
2003	PIT	Top marginal rate is down to 35%	-
2004	Tax Reform	A reform contains amendments to the federal tax code, mainly related to residency rules, mergers, derivatives, joint ventures and ruling requests.	+
2004	Excises and duties	Excise tax on the sale of mineralized water and on telecommunication services was eliminated. Other changes to IESP were enacted.	-
2004	Other taxes	The ISCAS was eliminated in the 2004 tax reform.	-
2004	PIT	Top marginal rate is down to 33%	-

Year	Tax	Description of the Reform	+/-
<b>Nicaragua</b>			
1991	Tax incentives	New companies may request partial or total exemption of CIT and customs duties for 3-5 years if they are classified as basic, necessary or useful.	-
1992	PIT	Rates have been lowered. Top marginal rate is now 35.5%	-
1993	Other taxes	A progressive tax on capital was eliminated.	-
1993	Other taxes	A real estate municipal tax of 1% on fiscal value was enacted.	+
1993	CIT	The CIT flat rate went from 35.5% to 30%. The presumptive tax went from 6% of net worth or 2% of gross revenue to only 4% of net worth.	-
1993	VAT	Medicines were exempt and are now taxed at 5%.	+
1993	VAT base	Medicines were exempt of VAT and are now taxed at 5%.	+
2001	CIT	The CIT flat rate went from 30% to 25%	-
2001	PIT	Top marginal rate is now 25% (previously 30%)	-
<b>Panama</b>			
1991	CIT	Tax rates are gradually flattened. There are three rates, in 1991 they are (25, 42, 47.5), in 1992 (27.5, 40, 45), in 1993 (30, 37.5, 42) and in 1994 there are only	-
1992	PIT	Top marginal rate is 30% (56% in 1991)	-
1993	Tax incentives	New incentives for forestation activities and small enterprises are listed.	-
1994	Other taxes	Local corporations must pay a 4% complementary tax each year on behalf of their shareholders if no dividends are declared.	+
1994	Tax incentives	An incentive for construction of new houses by exempting their cost from real estate taxes for a 5 to 25 year period ended in June 30, 1994	-
1997	CIT	A flat rate of 30% is now applicable	-
1998	Tax incentives	A law granting legal stability for investments was enacted Law Nº 54 of July 22, 1998.	-
2003	Excises and duties	Special consumer goods such as vehicles, jewelry, firearms, cable and satellite TV and mobile phones are subject to an additional 5% tax.	+
2003	Other taxes	The annual company tax and the annual license tax were increased.	+
2003	Tax incentives	An exemption from CIT for manufacturing, assembling and specialized services companies established in processing zones was reduced.	-
2003	CIT	The CIT rate will drop from 30% to 29% in 2005 and 28% in 2007	-
2004	Tax incentives	50% of VAT paid during the fiscal year on the acquisition of goods and services can be applied as credit against CIT, up to 10% of tax payable.	-
<b>Paraguay</b>			
1990	Tax incentives	Law 60/90 encourages foreign investments with different incentives.	-
1991	Other taxes	The taxation on capital established by Law 68/70 was annulled by Law No 125/91.	-
1991	Tax Reform	A new tax law (125/91) has been approved.	+
1992	Minor/hard to classify	Income from personal work are exempt from tax in Paraguay except for executives, who are taxed at a top marginal rate of 30%.	-
1992	VAT Creation	A VAT substitutes the old sales tax and services tax.	+
1993	Other taxes	The 1% real estate tax now has a reduced 0.5% rate for rural property and an additional tax of 0.5% or 1% for large properties.	+
1994	Excises and duties	According to Law 125/91, the tax on acts and documents has been partially abolished since July 1, 1994.	-
1998	Tax incentives	A Capital Market Law (Nº 1284/98) established incentives for companies listed on the Asunción Stock Exchange.	-
1999	Minor/hard to classify	The reduced CIT rate for low income taxpayers has raised from 3% to 4%	+
<b>Peru</b>			
1990	VAT	Rate is up to 11% from 8.5% in 1989	+
1991	Other taxes	The top marginal rate of the Tax on Personal Net Worth is down to 3% from 4%.	-
1991	VAT	Rate is up to 16% from 11%	+
1992	Other taxes	A minimum tax on income has been established, which will be calculated as 2% of net assets adjusted for inflation.	+
1992	Tax incentives	An exemption from sales taxes for industrial entities in the jungle, frontier zones, free zones and special treatment zones was suspended.	+
1992	Other taxes	The Tax on Personal Net Worth now has a flat rate of 1.5% on the excess over a certain threshold	-
1992	CIT	The rate is 30% (35% in 1991)	-
1992	PIT	Top marginal rate is 37% (45% in 1991)	-
1992	VAT	VAT rate is up to 18% (previously 16%)	+
1993	Social security	The employee's contribution to the Housing Fund is 9% on a maximum monthly remuneration of S/. 10.800. (1% on a maximum of S/. 8320 in 1992)	+
1993	Other taxes	As from 1993, there is no tax on personal equity	-
1994	Other taxes	A 2% flat tax on corporations' net equity was eliminated.	-
1994	Excises and duties	Excises on luxury goods was lowered from the 10-75% range to the 10-30% range.	-
1994	Social security	The contribution to the Housing Fund is down to 3% on total remuneration and is now not deductible in determining taxable income.	-
1994	PIT	Top marginal rate is now 30% (37% in 1993). The scheme has been flattened	-
1996	Social security	The contribution to the Housing Fund is now on the employer and is 9% on total remuneration.	+
1996	Social security	Employees' contribution to Social Security is up from 6% to either 8% to the private pension fund or 11% to the national pension fund.	+
1997	Other taxes	An extraordinary net assets tax was created in March 1997. It was intended to be a one-time levy but it has been extended to December 31, 1998.	+
1998	Excises and duties	Excises on luxury goods are now in the 10-45% range, increasing the maximum rate.	+
1998	Social security	Contributions to Social Security are now 12% and 15% respectively.	+
1999	Other taxes	The rate of the extraordinary net assets tax rate has been reduced to 0.2% and was extended to December 31, 1999.	-
2001	Minor/hard to classify	There have been significant changes in the Income Tax legislation, which were effective Jan 1, 2001.	+
2001	PIT	Top marginal rate is now 20% (previously 30%)	-
2001	CIT	The flat rate is now 20% (previously 30%). However, with effect for the 2001 tax year, domiciled corporations are subject to a 30% rate, being able to appl	-
2002	Excises and duties	Rates on excises to luxury items have increased (from 10-40% to 10-125%)	+
2002	CIT	The rate is now 27%. Likewise, there is a 4.1% rate applied over distributed earnings, according to certain provisions.	+
2002	PIT	Top marginal rate is up to 27%	+
2003	Minor/hard to classify	An additional payment in advance of income tax is in place, calculated on the basis of assets and payable in nine monthly installments.	+
2003	Minor/hard to classify	Nondomiciled entities are assessed by CIT by applying a rate of 30% on taxable income.	+
2003	PIT	Top marginal rate is up to 30%	+
2004	Excises and duties	Excise rates are now in the 10-100% range.	-
2004	Financial Transactions	As of March 2004, a Impuesto a Transacciones Financieras (ITF) at a rate of 0.15% is in force.	+
2004	CIT	The rate for domiciled entities is now 30% (previously 27%)	+
2004	VAT	The VAT rate is now 19% (previously 18%)	+



Year	Tax	Description of the Reform	+/-
<b>Uruguay</b>			
1990	CIT	The CIT rate is 30%. However, for one year only, commencing March 31, 1990, the income tax rate will be 40%.	+
1993	Excises and duties	The rate on gross income of the Tax on Commisions is now 9% (previously 7%)	+
1994	Tax incentives	A tax incentive to the Importation of fishing vessels was eliminated.	+
1996	Other taxes	The rate of the Capital Tax was reduced from 2% to 1.5%	-
1996	VAT	The rate was increased from 22% to 23%	+
1998	Tax incentives	Forestry and citriculture companies are exempt from CIT, and forests and land so employed are exempt from capital and real estate taxes.	-
1999	Other taxes	A capital tax now applies to the noncommercial assets of individual taxpayers. It is applied at progressive rates between 0.7 and 3%.	+
1999	Tax incentives	There is a new accelerated depreciation regime for industrial machinery and installations, trucks, agricultural machinery and computers..	-
2001	Tax incentives	Investment law provides an incentive for manufacturing undertakings. If an investment project is declared promoted, tax benefits are granted.	-
2001	Tax incentives	Income derived from the production of software is exempt from income tax for fiscal years ending from January 1, 2001 to December 31, 2004.	-
2003	CIT	CIT rate is now 35% (previously 30%)	+
2003	Excises and duties	The rate on gross income of the Tax on Commisions is now 10.5% (previously 9%)	+
<b>Venezuela</b>			
1991	Social security	Employer's Social Security contributions are up 2 percentage points.	+
1991	Tax incentives	Different tax credits for new investments were granted for a five year period starting September 1, 1991	-
1992	CIT	Top marginal rate is 30% (50% in 1991)	-
1992	PIT	Top marginal rate is 30% (45% in 1991)	-
1993	Other taxes	A 1% tax on assets is payable only when it exceeds the CIT for that year. New businesses are exempt for the first three years of operation.	+
1993	VAT Creation	Effective October 1, 1993, a 10% VAT is imposed.	+
1994	Minor/hard to classify	A reform on Income Tax law establishes the concept of taxable unit in order to reduce the effect of inflation on the determination of tax rates.	+
1994	VAT base	Beginning Jan 1, 1994, a 15% VAT is levied on luxury goods and services.	+
1994	VAT	Beginning Jan 1, 1994, a 15% VAT is levied on luxury goods and services.	+
1994	CIT	The top marginal rate is now 34% (previously 30%)	+
1995	PIT	Top marginal rate is now 34% (previously 30%)	+
1995	VAT	The normal rate is now 12.5%. The rate on luxury goods is 20% beginning Jan 1, 1995.	+
1997	VAT base	The government issued a VAT exoneration for taxpayers developing hydrocarbon projects during the pre-operating stage.	-
1997	VAT	VAT rate is now 16.5%	+
1997	VAT	In March 1997, the government issued a VAT exoneration for taxpayers developing hydrocarbon projects during the pre-operating stage. This exoneration	-
1999	Financial Transactions	A new tax of 0.5% is levied on each debit/withdrawal from a financial institution.	+
1999	Tax Reform	A tax reform amended the income tax law and several other tax laws. Transfer pricing rules apply as of Jan 1, 2000	+
1999	PIT base	The 1999 tax reform broadened the territoriality of the PIT and created a dividend tax at a flat rate of 34%, among other changes.	+
1999	VAT	There is a new VAT law (ICVSM). As of June 1, 1999, the rate is 15.5%, except on Margarita island, where it is 8%. The rate may change every year within t	-
2000	CIT base	Earnings from agricultural, livestock, poultry, fishing, forestry, companies in certain states and SMEs in industrial parks were exempted from CIT.	-
2000	Financial Transactions	Effective April 30, 2000, the Financial Transactions Tax was eliminated.	-
2000	VAT	As of August 1, 2000, the general VAT rate is 14.5%	-
2001	Tax incentives	Tax rate on income derived from oil and related activities was reduced from 67.7% to 50%.	-
2001	Tax Reform	The Organic Tax Code was amended in 2001. The amendment included changes to joint liability, statutes of limitations, penalties and procedures.	+
2002	VAT	As of September 1, 2002, the rate is 16%. As of January 1, 2003, an 8% VAT rate will apply to import of certain primary products, professional services to th	+
2002	Financial Transactions	A Bank Debit Tax will be effective as of March 16, 2002 and until March 15, 2003. The rate is equivalent to 0.75% of each debit or withdrawal made.	+
2002	Financial Transactions	The Bank Debit Tax was increased from 0.75% to 1%.	+
2004	Financial Transactions	The application of the Bank Debit Tax was extended until December 21, 2004 but the rate was lowered to 0.5%.	-

Note: +/- indicates whether the reform is expected to increase (+) or decrease (-) tax revenues.

Source: own elaboration based on PriceWaterhouseCoopers Worldwide Tax Summaries.