FIU | Adam Smith Center for Economic Freedom

# The Comprehensive Tax Index

*Measuring Investment Opportunities in Latin America*


*2024 Annual Study*

# Preface

From a classical liberal perspective, taxation is a necessary but inherently coercive instrument of the state, and as such, its design must be subject to rigorous scrutiny, transparency, and constant improvement. Taxes should be limited to what is strictly necessary to finance the essential functions of government—those which cannot be fulfilled by individuals or civil society—and must be administered in a way that respects economic freedom, minimizes distortion, and upholds the principle of subsidiarity. In other words, public resources should be allocated and managed at the most local level possible, empowering communities and reducing the scope for centralized inefficiency.

In this context, the structure and implementation of tax systems have a profound impact on the behavior of economic agents. By influencing consumption, savings, investment, and capital accumulation, taxes can either encourage or hinder entrepreneurship, innovation, and long-term growth. A well-structured fiscal system must strive to be both **competitive**, by keeping tax burdens low and attractive to investment, and **neutral**, by avoiding distortions that favor some sectors or behaviors over others.

The *Comprehensive Tax Index* evaluates the tax competitiveness and neutrality of eighteen Latin American countries, offering an inclusive assessment of tax policies across various domains: individual and business taxation, consumption, property, and international regulations. The 2024 edition of the index reveals that the region still faces serious challenges in creating tax systems that support sustainable development and economic freedom. Despite significant heterogeneity among countries, the overall performance points to a pressing need for reform.

In an era where the legitimacy of public spending is under constant scrutiny, this study contributes to the broader conversation on how states can enhance the transparency, efficiency, and purposefulness of fiscal policy. By highlighting best practices and identifying inefficiencies, the *Comprehensive Tax Index* provides valuable insights for policymakers committed to fostering an institutional framework that respects individual liberty, rewards productive activity, and advances the prosperity of Latin American nations.

Carlos Díaz-Rosillo, Ph.D.
Founding Director
The Adam Smith Center for Economic Freedom

# Acknowledgments

The Adam Smith Center for Economic Freedom extends its sincere recognition and appreciation to economists **Miguel A. Rivas Espinoza and Jacques A. Bentata Rosental** for their outstanding dedication and rigorous work in preparing **The 2024 Comprehensive Tax Index. Measuring Investment Opportunities in Latin America**. Their analytical expertise and commitment to advancing economic understanding have been instrumental in producing a report that will serve as a valuable resource for policymakers, investors, and scholars across the region.

# I. Introduction

Taxes, in their countless forms, influence the behavior of economic agents—individuals and businesses—by affecting consumption, savings, investment, and capital accumulation decisions.

This research aims to shed light on the current landscape of Latin American tax systems based on two fundamental criteria: competitiveness and neutrality. In other words, it focuses on how to encourage greater investment while minimizing economic distortions. It builds upon *A Measurement of Tax Competitiveness and Neutrality for Latin America*, proposed by Rivas, et al. (2022), which, in turn, was inspired by the International Tax Competitiveness Index developed by the Tax Foundation (Asen & Bunn, 2021).

The Comprehensive Tax Index adapts its framework[1] to the characteristics of the region, combining qualitative and quantitative elements. Evaluating more than 40 variables across 18 Latin American countries enables an exhaustive analysis of each tax system, highlighting its strengths and weaknesses in terms of tax competitiveness and neutrality. In other words, it provides a snapshot of which countries have tax profiles that better promote investment—i.e., where investment, savings, and capital accumulation are more incentivized—while minimizing economic distortions.

Unlike other indices, The Comprehensive Tax Index has the advantage of being the only tax metric whose final construction is in absolute rather than relative terms. This means that it reveals that the highest-performing countries are not necessarily ideal but still have opportunities for improvement to foster greater economic growth, that is, through The Comprehensive Tax Index, the potential for perfection in each country's tax systems—both overall and for specific types of taxes—becomes much clearer.

In the Latin American context, where growth, social equality, and pressing priorities require prompt assessment, a competitive and neutral tax system is key to attracting foreign investment, promoting local savings, and fostering entrepreneurship. To achieve these goals, The Comprehensive Tax Index emerges as a highly useful tool, simplifying the identification of tax threats to investment and facilitating their transformation into actionable opportunities.

This study not only provides a static comparison between countries but also lays the foundations for a dynamic assessment of the evolution of the tax systems in the region and their impact on other macroeconomic variables.

In a context where public spending and resource management are constant topics of debate, this research provides a solid foundation for reflection and transformation in Latin America's fiscal policies. In this sense, The Comprehensive Tax Index aims to be a valuable tool for both academics and policymakers, enabling them to identify areas for improvement and promote tax reforms that contribute to sustainable economic development.

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[1] Annex A includes a more in-depth review of the methodology used in the research, as well as some of its limitations.

The index also has relevance for ordinary citizens, who, with better information, can exert effective pressure on policymakers to implement reforms that enhance tax competitiveness and neutrality, thereby fostering economic growth and improving citizens' quality of life.

Finally, with verifiable results, The Comprehensive Tax Index[2] is also intended for investors focused on the region. It makes a substantial contribution to the available information on Latin America, which can often be unclear or inaccessible. With more information available, the evaluation of the environment becomes much clearer, enabling more accurate business decision-making.

The transparency and competitiveness of tax systems are essential to building a more prosperous and equitable region. With these goals in mind, The Comprehensive Tax Index aims to serve as a starting point for future discussions on the efficiency and fairness of Latin America's tax systems.

The structure of the research is as follows: the first chapter provides a theoretical overview of tax competitiveness and neutrality. Chapter II includes a brief explanation of the taxes considered in the analysis. Chapter III presents The Comprehensive Tax Index results, which are analyzed both generally and specifically for each country, highlighting strengths and opportunities for improvement. Finally, chapter IV offers some concluding remarks.

### I.1. Competitiveness and Neutrality. Definition

Tax competitiveness refers to the ability of a fiscal system to minimize the tax burdens faced by both individuals and businesses, allowing for low marginal rates that encourage capital inflows and foster economic activity (Asen & Bunn, 2021).

In contrast, an uncompetitive tax system negatively affects the economic decisions of agents, as high taxation levels can create disincentives for investment and consumption. From a more rigorous economic perspective, the effects of an uncompetitive tax system are reflected in a greater impact on households' disposable income, reducing their consumption capacity, as well as in businesses' investment decisions. Specifically, "all taxes affect a taxpayer's consumption possibilities" (Uribe, 2013, p.11). However, less competitive systems tend to impact these decisions more deeply, generating stronger disincentives for both individuals and businesses to operate within countries under such fiscal regimes.

On the other hand, a neutral tax system is one that "does not alter the behavior of economic agents" (Gómez, 2005, p.3); that is, it neither favors nor disadvantages any particular economic activity, thus avoiding imbalances or bias in the economy. The presence of a substitution effect "becomes the definitive criterion when determining whether a tax is neutral or not" (Uribe, 2013, p.11). In a perfectly neutral tax system, taxes do not induce changes in economic behavior.

Ideally, a country should design its tax system to be both highly competitive and neutral, as this would ensure sustained economic growth and adequate fiscal revenue to meet government objectives (Asen & Bunn, 2021). Consequently, in terms of the Comprehensive

[2] Annex C includes all the data used in this research, the transformation process applied to obtain the results by component, category, and variable for each country, as well as the specific results themselves.

Tax Index, the ideal scenario is for countries to have tax systems that achieve the highest possible scores in the index.

# II. Index's Components[3]

To provide a clear view of the different areas that make up tax systems, and to understand which specific aspects may be more or less attractive for investment in a country, The Comprehensive Tax Index divided the analysis of tax competitiveness and neutrality into five components. Each component carries equal weight in the overall index, as illustrated in Figure 1.


**Figure 1. Index's components**

Each of these components consists of a series of categories, which represent more specific areas of study within the relevant taxes. These categories, in turn, are analyzed through a set of variables whose purpose is to assess either tax competitiveness or tax neutrality, depending on the case, in a granular manner within each particular area of study.

Given The Comprehensive Tax Index's methodological framework[3], when considering all the components, their categories, and the specific variables included, 61.38% of the total available score in the index corresponds to tax competitiveness, while the remaining 38.62% corresponds to tax neutrality. However, as explained later, this distribution is not uniform across components, as there are areas where tax competitiveness, for instance, may carry more or less weight.

## II.1. Corporate Taxes

These are direct taxes levied on corporate profits, which negatively impact business earnings after fulfilling tax obligations, thereby reducing returns on investment and discouraging it.

As illustrated in Figure 2, this component is divided into three categories: Corporate Tax Rates, Cost Recovery, and Incentives and Complexity. These categories are further segmented into a set of variables. The methodological design of the available scoring for corporate taxes allocates 52.38% to tax competitiveness, while the remaining 47.62% corresponds to tax neutrality.

[3] Annex A contains a more detailed and in-depth explanation of the methodological structure used in the research, as well as the variables included in the index, indicating in each case which specifically assesses tax competitiveness and which assesses tax neutrality.

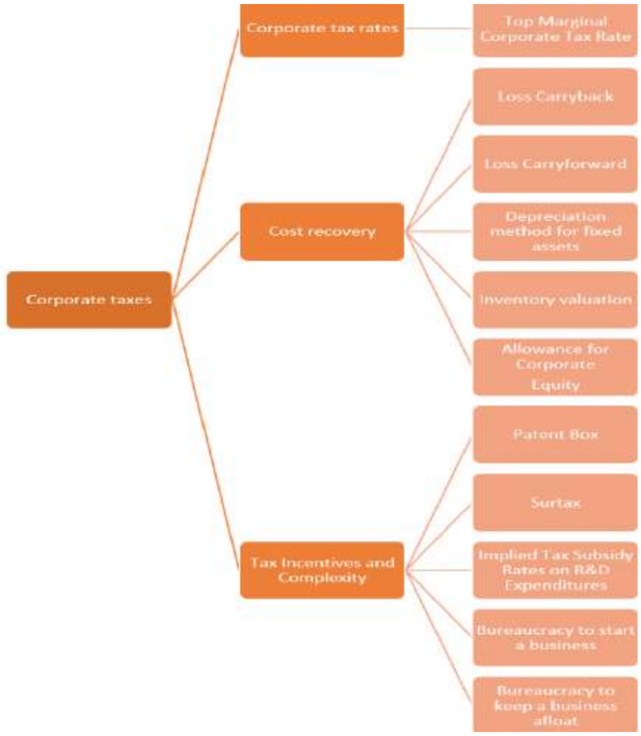


**Figure 2: Corporate taxes.**

### II.2. Individual Taxes

These are direct taxes levied on individuals' income and wages. High tax payments for individuals result in lower disposable income, and since consumption depends on disposable income, the higher the taxes in a country, the lower its levels of production, income, and wages (Mankiw, 2014).

This component is divided into three categories: Ordinary Income Taxes, Capital Gains and Dividend Taxes, and Complexity. As shown in Figure 3, these categories are further divided into a set of variables. The methodological design of the available scoring for individual taxes assigns equal importance to tax competitiveness and tax neutrality.

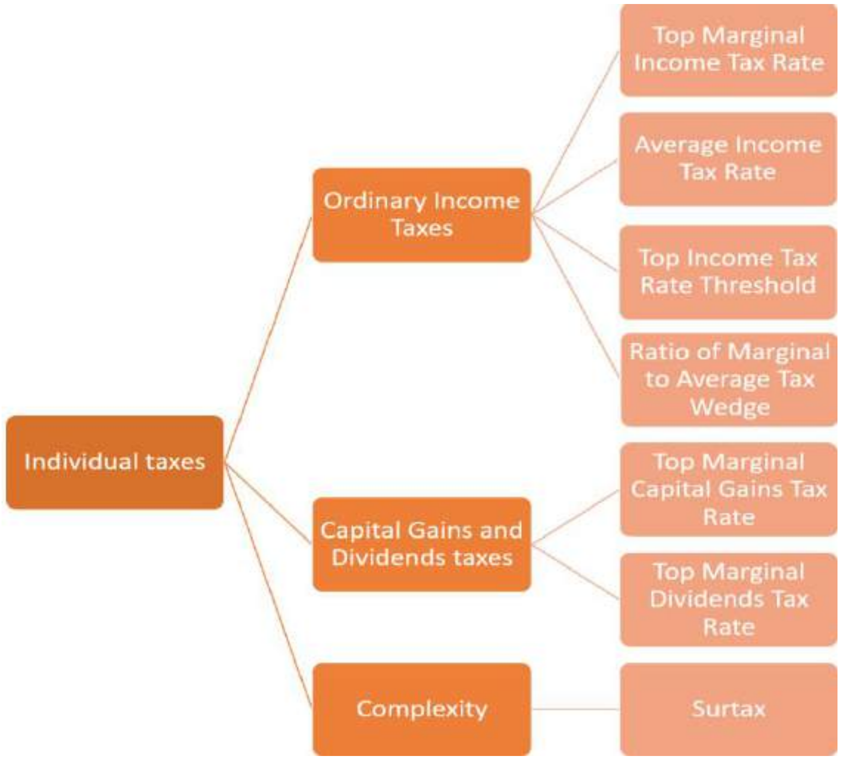


**Figure 3: Individual Taxes.**

### II.3. Consumption Taxes

These are indirect taxes levied on the consumption of final goods and services, typically in the form of a value-added tax, VAT. Since VAT is only applied to final goods and services, it is the most widely used globally and is considered "the most efficient form of tax collection" (Asen & Bunn, 2021, p.22).

The Comprehensive Tax Index divided the analysis of this component into two categories: Consumption Tax Rate and Consumption Tax Base. As illustrated in Figure 4, consumption taxes have the simplest structure, consisting of only three variables in total. Due to its methodological design, tax competitiveness and tax neutrality carry equal weight in the scoring of consumption taxes.

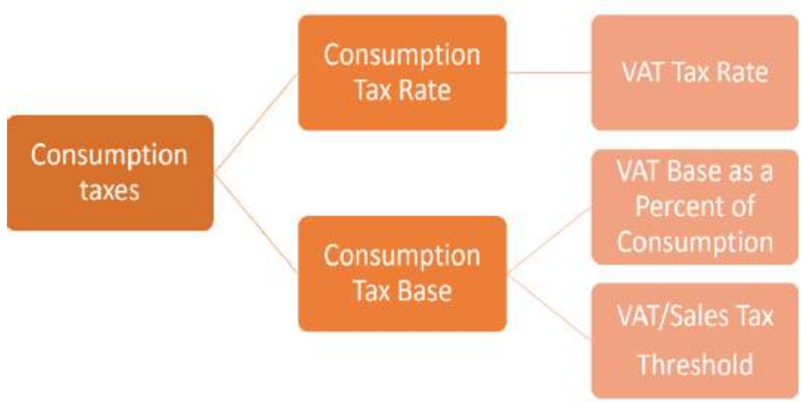


**Figure 4: Consumption taxes.**

## II.4 Property Taxes

These are taxes levied on the value of the property owned by individuals or businesses, which create economic distortions by discouraging wealth creation and savings. Consequently, they hinder capital accumulation, investment, and the long-term growth potential of an economy.

As illustrated in Figure 5, to analyze the different kinds of property, The Comprehensive Tax Index divided property taxes into three categories: Real Property Taxes, Wealth and Estate Taxes, and Taxes on Capital and Other Assets. Each of these categories was further divided into a set of variables. The methodological design of the available scoring for property taxes allocates 88.89% to tax competitiveness, while only 11.11% corresponds to tax neutrality.

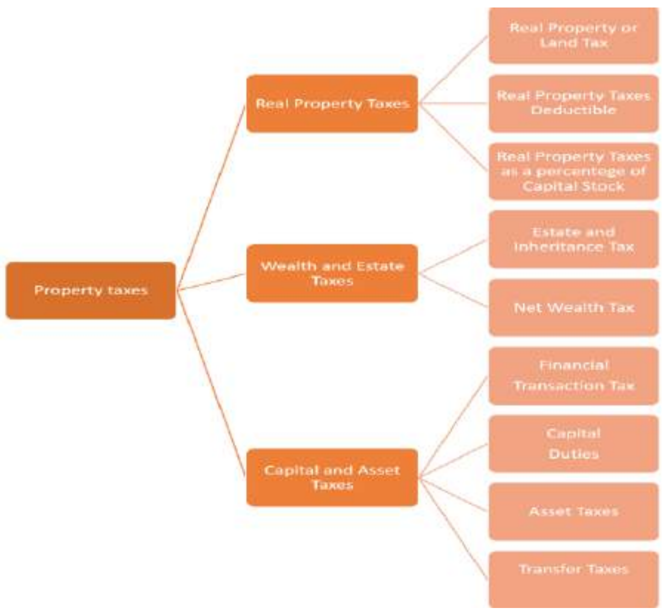


**Figure 5: Property taxes.**

## II.5. International Taxes

This component refers to tax regulations applied to companies operating in multiple countries. The design of this regulatory framework can influence the number of foreign companies willing to expand their activities in a specific country. Restrictive taxes tend to have negative effects on a nation's investment levels and overall production.

The Comprehensive Tax Index divides the analysis of this component into four categories: International Exemptions, Tax Withholding, International Treaties, and International Tax Regulations. As illustrated in Figure 6, being a complex component, the analysis of international categories includes the largest number of variables in the entire study. The methodological design of the available scoring for international taxes allocates 65.63% to tax competitiveness, while the remaining 34.38% corresponds to tax neutrality.

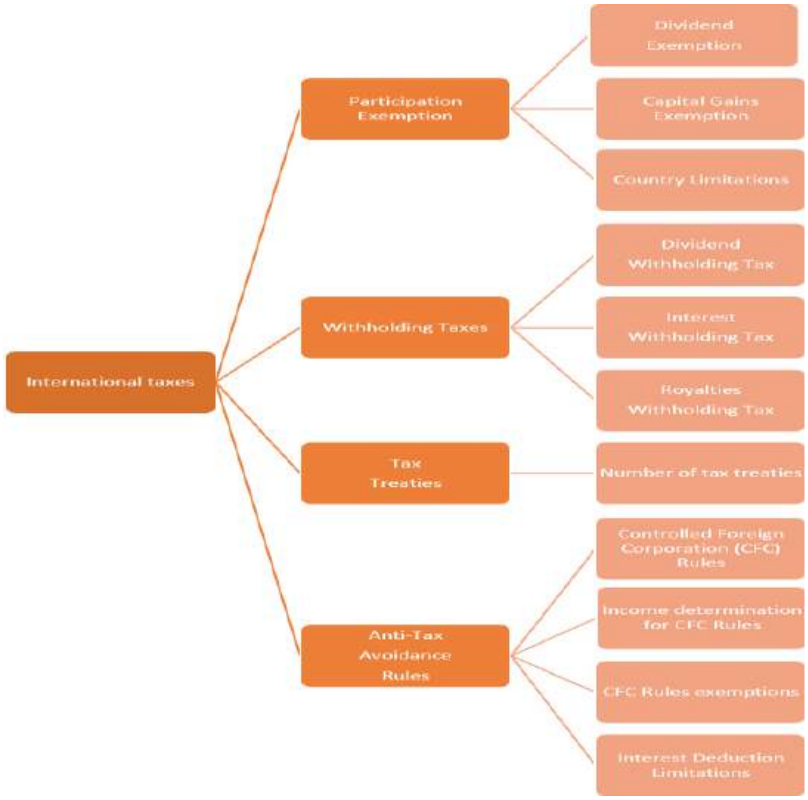


**Figure 6: International taxes.**

# III. The Comprehensive Tax Index: 2024 Results

Table 1 summarizes the overall results of The Comprehensive Tax Index (CTI) for 2024, as well as by component, ranked according to the overall performance of each country.

**Table 1: The Comprehensive Tax Index: 2024 scores.**

| Ranking | Country | 2024 CTI | Corporate taxes | Individual taxes | Consumption taxes | Property taxes | International taxes |
|---|---|---|---|---|---|---|---|
| **1** | **Paraguay** | **68.11** | 13.70 | 17.64 | 18.24 | 12.22 | 6.31 |
| **2** | **Panama** | **65.38** | 10.03 | 16.52 | 11.43 | 13.89 | 13.51 |
| **3** | **Costa Rica** | **61.25** | 9.18 | 15.77 | 11.92 | 12.20 | 12.18 |
| **4** | **El Salvador** | **61.10** | 8.01 | 17.05 | 14.64 | 15.56 | 5.84 |
| **5** | **Nicaragua** | **56.46** | 6.70 | 15.33 | 15.46 | 11.11 | 7.86 |
| **6** | **Mexico** | **57.18** | 9.42 | 15.84 | 12.98 | 13.89 | 5.06 |
| **7** | **Honduras** | **54.78** | 7.24 | 16.88 | 15.03 | 7.77 | 7.86 |
| **8** | **Guatemala** | **55.03** | 7.64 | 18.07 | 12.48 | 8.89 | 7.95 |
| **9** | **Bolivia** | **54.56** | 8.32 | 17.77 | 13.92 | 6.11 | 8.45 |
| **10** | **Uruguay** | **53.42** | 10.74 | 15.80 | 6.99 | 7.14 | 12.74 |
| **11** | **Ecuador** | **51.96** | 8.64 | 13.29 | 14.50 | 8.89 | 6.66 |
| **12** | **Peru** | **50.36** | 6.74 | 15.47 | 12.95 | 10.55 | 4.65 |
| **13** | **Dominican Rep.** | **47.42** | 10.82 | 15.29 | 11.33 | 2.77 | 7.21 |
| **14** | **Brazil** | **48.88** | 10.27 | 16.25 | 6.55 | 10.52 | 5.29 |
| **15** | **Chile** | **43.50** | 10.40 | 9.01 | 12.32 | 8.86 | 2.91 |
| **16** | **Colombia** | **37.68** | 6.79 | 14.53 | 8.56 | 2.17 | 5.64 |
| **17** | **Venezuela** | **36.26** | 6.80 | 11.73 | 10.59 | 1.11 | 6.03 |
| **18** | **Argentina** | **35.57** | 6.46 | 15.37 | 3.46 | 3.82 | 6.46 |

It can be observed that only four countries—Paraguay, Panama, Costa Rica, and El Salvador—have tax systems that are slightly competitive and neutral, whereas the systems in Venezuela and Argentina are the least competitive and neutral. The rest of the region's tax systems report average results in terms of competitiveness and neutrality.[4]

The analysis by components shows the following main results:

- **Corporate Taxes:** The best-performing country was Paraguay, as it has the most competitive rates for this tax. In contrast, Argentina ranked the lowest, primarily due to having the least competitive rates, as well as its corporate tax regime, which causes some distortions.
- **Individual Taxes:** The best-performing country was Guatemala, as its tax system is highly competitive and neutral regarding individuals. On the other hand, Chile ranked the lowest because its individual tax rates are very high and do not apply to the majority of

[4] The explanation of how the qualitative assessment was defined based on the Comprehensive Tax Index scores is addressed in Annex A.

the population, making them less neutral. On average, Latin America achieved its best results in this component.

- **Consumption Taxes:** Similar to corporate taxes, the best and worst-performing countries in this component were Paraguay and Argentina, respectively. This is mainly due to neutrality variables: Paraguay does not generate any distortion in its VAT, while this tax is somewhat complex in Argentina. The difference in VAT rates is also significant.
- **Property Taxes:** El Salvador ranked the highest in this component, as it imposes the fewest taxes on various forms of capital. Conversely, Venezuela ranked the lowest due to having numerous types of property taxes.
- **International Taxes:** Panama has the least stringent international tax regulations, making it the best-performing country in this component, while Chile ranked the lowest. On average, Latin America faces significant challenges in international taxes, as this component recorded the region's worst results in The Comprehensive Tax Index.

Table 2 illustrates the evolution of The Comprehensive Tax Index results, comparing the data shown in Table 1 with the results obtained in 2021.

**Table 2: The Comprehensive Tax Index's results 2024 vs. 2021.**

| Country | 2024 score | 2021 score* | Change of score* | Change of ranking* |
|---|---|---|---|---|
| Paraguay | 68.11 | 64.58 | 5.47% | = |
| Panama | 65.38 | 62.49 | 4.62% | = |
| Costa Rica | 61.25 | 59.5 | 2.94% | +1 |
| El Salvador | 61.10 | 56.29 | 8.55% | +2 |
| Nicaragua | 56.46 | 54.98 | 2.69% | +2 |
| Mexico | 57.18 | 54.61 | 4.71% | +3 |
| Honduras | 54.78 | 52.66 | 4.03% | +4 |
| Guatemala | 55.03 | 62.14 | -11.44% | -5 |
| Bolivia | 54.56 | 54.68 | -0.21% | -1 |
| Uruguay | 53.42 | 56.48 | -5.42% | -5 |
| Ecuador | 51.96 | 50.66 | 2.57% | +2 |
| Peru | 50.36 | 48.91 | 2.96% | -1 |
| Dominican Rep. | 47.42 | 52.66 | -9.96% | -1 |
| Brazil | 48.88 | 49.7 | -1.66% | = |
| Chile | 43.50 | 52.78 | -17.58% | -5 |
| Colombia | 37.68 | 49.04 | -23.16% | -1 |
| Venezuela | 36.26 | 28.38 | 27.77% | +1 |
| Argentina | 35.57 | 43.95 | -19.07% | -1 |

* *Source: Rivas et. al (2022).*

The Comprehensive Tax Index's regional average score dropped from 53.03 points in 2021 to 52.16 points in 2024, a decrease of 1.63%, which is explained by two main factors:

1. To mitigate the negative economic effects of the COVID-19 pandemic and the resulting lockdowns, many countries implemented fiscal measures in 2020 and 2021. These measures primarily took the form of reduced tax rates or temporary exemptions on certain taxes, thereby increasing tax competitiveness (IMF, n.d.)

However, as health restrictions eased, economies returned to their pre-pandemic tax structures, and governments reversed these temporary policies. Moreover, public spending efforts during the pandemic may have strained the fiscal sustainability of the region, as observed in OECD member countries (OECD, 2024). In this scenario, some Latin American tax systems may have become less competitive, as governments sought to address the pandemic's costs and ensure post-pandemic fiscal sustainability.

Specifically, in the case of The Comprehensive Tax Index, some countries' results may reflect a return to pre-pandemic tax policies or stricter fiscal measures adopted afterward. These changes led to increases in tax rates that were temporarily reduced during the pandemic.

A notable example is Chile, which temporarily lowered its maximum marginal corporate tax rate to 10% during 2020 and 2021, making it the most competitive country in 2021. However, after the pandemic, this rate was adjusted to its current level of 27%, negatively impacting its 2024 results.

2. Beyond pandemic-related policies, some countries implemented tax changes unrelated to COVID-19. For instance, in early 2024, Ecuador increased its VAT rate from 12% to 15%.

Figure 7 presents these results by country, divided according to their levels of tax competitiveness. Panama has the most competitive tax system in the region, achieving 44.0 points, or over 70% of the available score for the variables that measure this aspect across the various components (out of a total of 61.4 points). In contrast, with only 13.2 points, Venezuela is the least competitive country in the study, achieving just 21.5% of the available score.

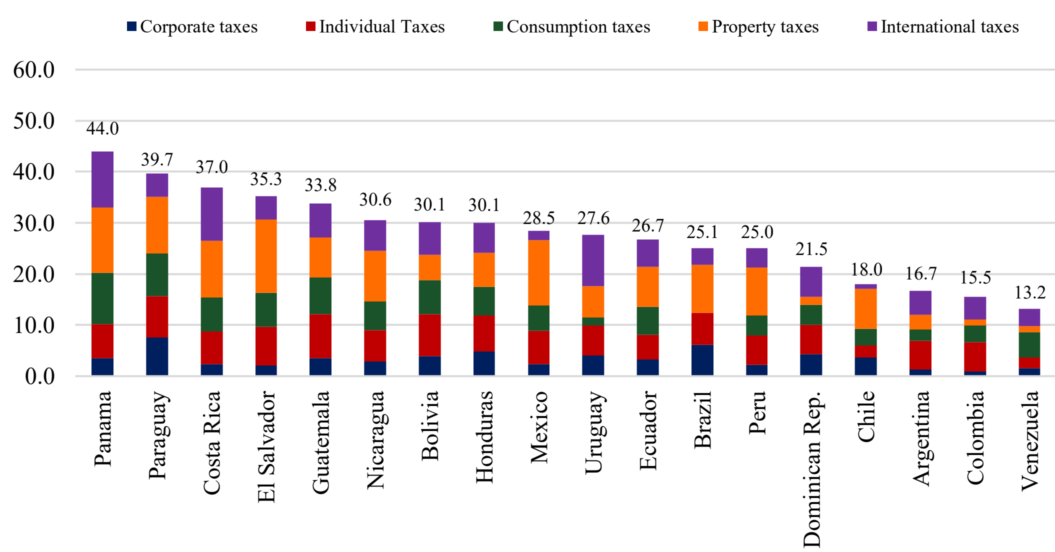


**Figure 7. The Comprehensive Tax Index: Competitiveness Scores 2024.**

Overall, Latin America faces significant challenges regarding competitiveness, as its tax systems averaged 27.7 points for these variables, representing 45% of the available score. While the region achieved somewhat notable results in individual taxes, the main areas for improvement in competitiveness lie in corporate taxes, where, on average, tax rates are relatively high. Additional areas for improvement are property taxes and international taxes, which are also not very competitive.

Figure 8 presents The Comprehensive Tax Index results by country, now organized by levels of tax neutrality.

With 28.7 points, Mexico has the least distorting tax system in the study, achieving 74.3% of the available score for these variables (out of a total of 38.6 points). On the other hand, Argentina has the least neutral tax system in the region, with only 18.8 points, representing 48.8% of the available score for these variables.

Unlike competitiveness, Latin America performed fairly well in tax neutrality, averaging 63.4% of the available score for these variables. Additionally, the dispersion of results is minimal, with a standard error lower than 2.5 points. It is worth emphasizing that Latin America is highly neutral in corporate taxes, but there is still considerable room for improvement in the neutrality of international taxes.

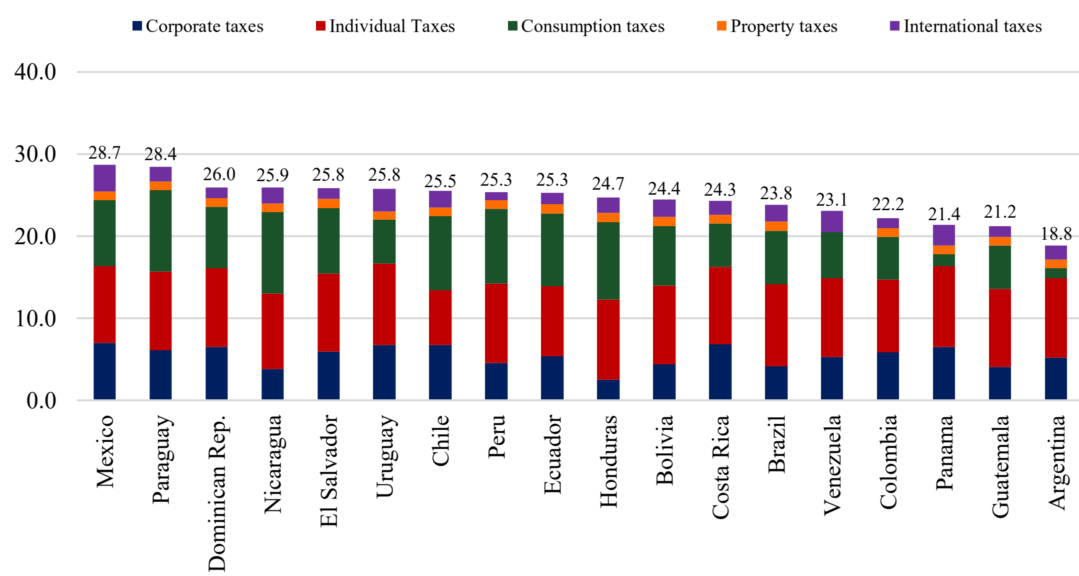


**Figure 8. The Comprehensive Tax Index 2024: Neutrality Scores.**

When combining the Competitiveness scores illustrated in Figure 7 with the Neutrality scores shown in Figure 8, a powerful message emerges: Latin America, as a whole, is not very competitive but highly neutral, adhering to the principle of equality before the law, in a tax sense. However, this equality is applied in a way that, regardless of the sector or economic activity, high-rate taxes are imposed, discouraging investment and so forth, the possibilities for growth and prosperity.

### III.1. Country results.

### III.1.1. Argentina

Argentina ranks last in The Comprehensive Tax Index, with a tax system that is neither competitive nor neutral. The country dropped one position in the ranking compared to 2021, and its score decreased by 19.07%. Figure 9 summarizes Argentina's competitiveness and neutrality results for each component.

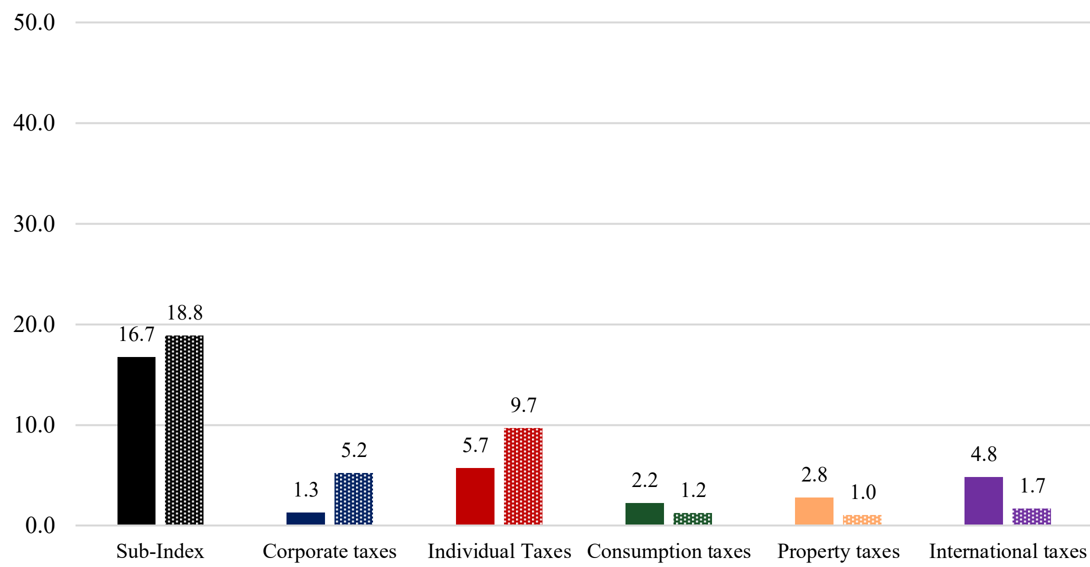


**Figure 9. Argentina: The Comprehensive Tax Sub-Indices and Components scores.**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

Argentina's key takeaways.

- Ordinary income taxes for individuals are relatively neutral, as the maximum marginal rate applies to most of the population, given the average income.
- Argentina has signed 27 international tax treaties that prevent double taxation with other countries.
- Some international transactions are facilitated since the country does not have strict rules regarding foreign-controlled companies and does not impose rigid limitations on interest deductions.

The weakest aspects of Argentina's tax system are:

- Argentina received the lowest score recorded by a country within a specific component in the research, scoring just one point in Property Taxes. This is due to the inclusion of multiple taxes that discourage capital accumulation, such as real estate taxes, wealth taxes, inheritance and gift taxes, among others.

- VAT in Argentina is neither competitive nor neutral because the country has a high rate of 21%, and exemptions for small taxpayers complicate the administrative process for compliance.
- Businesses in Argentina face a 35% tax rate on their profits, placing the country at a disadvantage in the region.

### III.1.2 Bolivia

Bolivia ranks 9th in The Comprehensive Tax Index, and its tax system can be considered "average" in terms of competitiveness and neutrality. Although the country dropped one position compared to 2021, its overall result did not show significant changes.

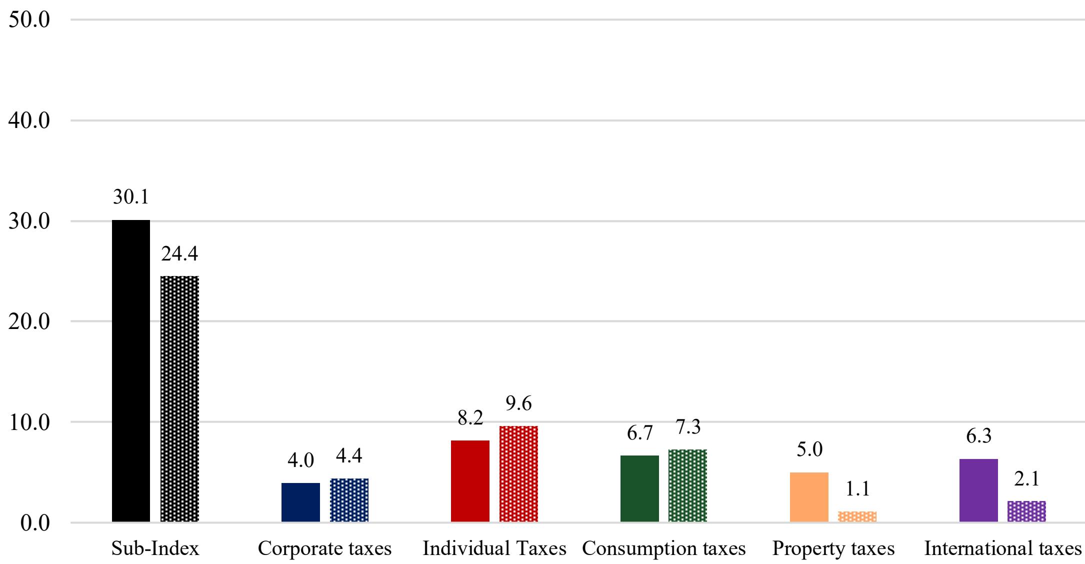


**Figure 10. Bolivia: Comprehensive Tax Sub-Indices and Components scores**

*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

Bolivia's key takeaways:

- With a flat tax design, Bolivia's individual income taxes are among the most neutral in the region. Additionally, with a rate of 13%, this tax is also quite competitive.
- Bolivia does not impose a specific tax on dividends, thereby avoiding issues of double taxation.
- Bolivia stands out as the top country in the region in terms of international tax regulations, as it does not impose rules on foreign-controlled companies or set limitations on interest deductions.

The weakest aspects of Bolivia's tax system are:

- Bolivian companies must pay corporate income taxes at standard rates, as well as an additional surtax. Moreover, the country has many bureaucratic processes for maintaining a business, making the system somewhat complex for corporations.
- Compared to 2021, the number of international tax treaties decreased, and exemptions on dividends and capital gains were eliminated.
- Capital accumulation is discouraged in Bolivia due to taxes on real estate (non-deductible), wealth, inheritances, real estate transfers, and assets.

### III.1.3 Brazil

Brazil ranked 14th in The Comprehensive Tax Index, maintaining the same position as in 2021, although its score decreased by 1.66%. Its tax system is considered "average" in terms of competitiveness and neutrality.

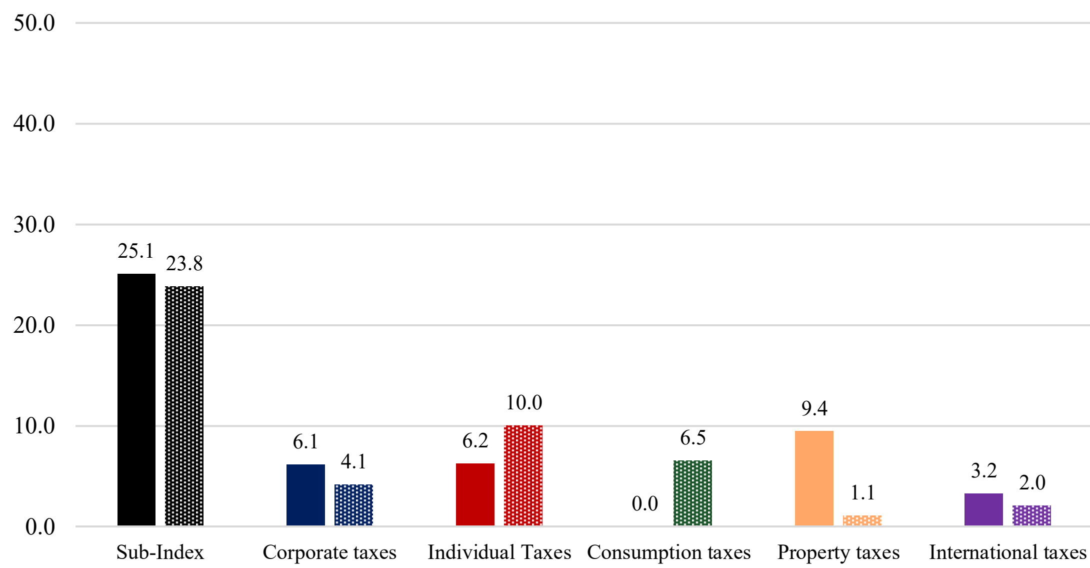


**Figure 11. Brazil: Comprehensive Tax Sub-Indices and Components scores.**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

Brazil's key takeaways:

- Brazil has signed 37 international tax treaties that facilitate international operations regarding investment flows, particularly by avoiding double taxation and simplifying the exchange of goods and services with other countries.
- Individual income taxes in Brazil are fairly neutral.
- With a 15% rate, Brazil has the second most competitive individual income tax rate in the region.

The weaknesses of Brazil's tax system include:

- The consumption tax rate is 25%, the highest in the region.

- There are surtaxes on corporate profits that can bring the total tax rate up to 34%.
- Brazil imposes certain taxes on property, inheritance, real estate transfers, and financial transactions, which can discourage capital accumulation and investment in real estate.

### III.1.4 Chile

Chile ranks 15th in The Comprehensive Tax Index, with its score dropping significantly by 17.58%, causing it to fall five positions in the index ranking. Chile's tax system can be described as average in terms of competitiveness and neutrality. Figure 12 summarizes Chile's competitiveness and neutrality results for each component.

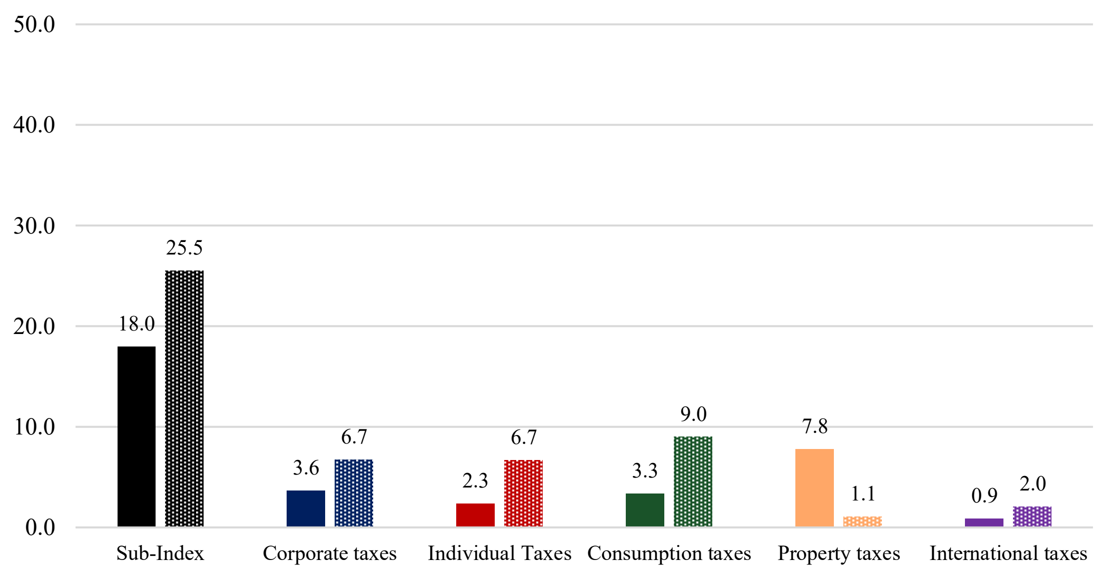


**Figure 12. Chile: The Comprehensive Tax Sub-Indices and Components scores.**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

Chile's key takeaways:

- Chile is the only country in the region where forward tax loss carryovers are allowed without any limitations.
- Although the VAT rate is significant, tax revenue from this source reaches 79% of the ideal level, making it a neutral tax.
- Like Brazil, Chile has signed 37 international double taxation treaties.

Some elements that negatively affect Chile's tax system include:

- Chile's tax system likely discourages foreign investment due to its global tax structure and the region's highest average tax rates on dividends, interest, and royalty withholding.
- Chile has the highest individual income tax rate in the region, while the average individual ordinary income tax rate is 4%. This disparity creates significant distortions between different income sources, harming the system's neutrality.
- It has the least competitive capital gains and dividend tax rates in the region.

### III.1.5 Colombia

Colombia ranks 16th in The Comprehensive Tax Index. Although it only dropped one position in the ranking, its score decreased by 23.16% compared to 2021, the largest reduction between editions. Colombia's tax system is considered uncompetitive and not neutral.

Colombia's key takeaway:

- Along with Costa Rica, corporate taxes in Colombia are the most neutral in the region.
- Additionally, companies are allowed to carry forward their tax losses for periods exceeding 10 years, and in some cases, without limits.
- Colombia's tax system is partially territorial as it offers a 100% exemption on taxes for dividends and capital gains, though this applies only to holding companies.

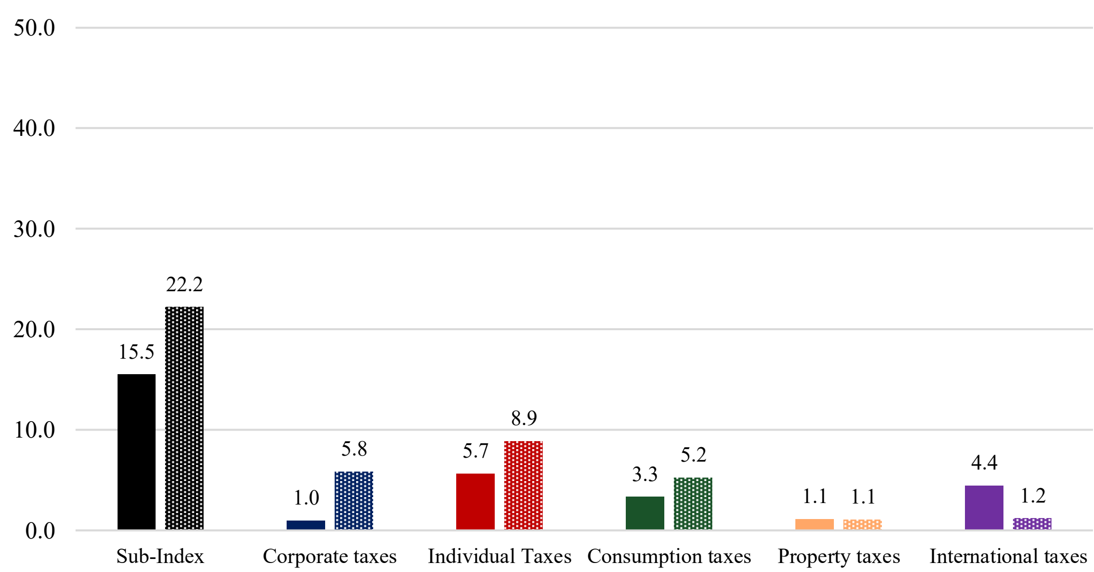


**Figure 13. Colombia: The Comprehensive Tax Sub-Indices and Components scores.**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

Some areas for improvement in Colombia's tax system include:

- Bureaucratic processes for keeping a business operational in Colombia are extensive, complicating the payment of corporate taxes, which are taxed at the least competitive rate in the region (35%), alongside Argentina.
- Another particularly high rate in Colombia is the ordinary income tax for individuals, set at 39%.

Colombia discourages capital accumulation with taxes on wealth, donations, inheritances, assets, capital contributions, financial transactions, real estate transfers, and the value of real estate itself, although deductions are available.

### III.1.6 Costa Rica

Costa Rica ranked third in The Comprehensive Tax Index, climbing one position compared to 2021. Its tax system is considered slightly competitive and neutral, and stands out in the following areas:

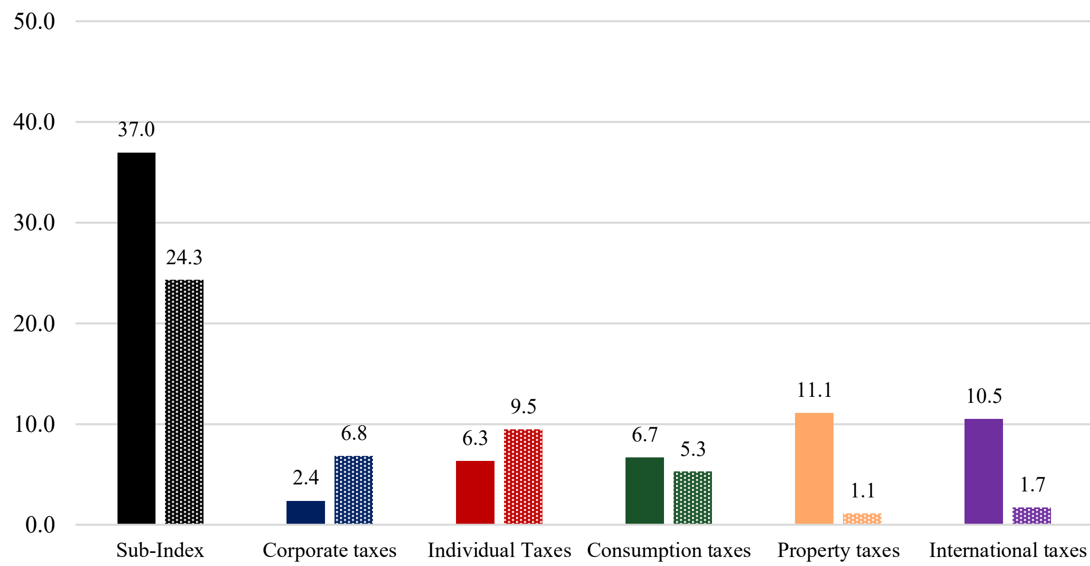


**Figure 14. Costa Rica: The Comprehensive Tax Sub-Indices and Components scores**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

- Along with Panama, it is the only Latin American country that allows a full exemption from taxes on both dividends and capital gains in the international framework, without any limitations.
- Costa Rica has no rules on foreign-controlled companies, and its limitations on interest deductions are negligible.
- Apart from having a stamp duty on real estate transfers, Costa Rica has no taxes on wealth, inheritances, donations, capital, or assets.

On the other hand, some of the weaknesses of Costa Rica's tax system are:

- With a rate of 30%, Costa Rica has one of the highest corporate tax rates in the region.
- It has only three international treaties to prevent double taxation between countries.
- Recovering costs associated with the depreciation of fixed assets, particularly intangibles, can be somewhat challenging in Costa Rica. Additionally, its provisions for carrying forward tax losses are quite limited.

### III.1.7 Dominican Republic

The Dominican Republic ranked 11th in The Comprehensive Tax Index, and its tax system can be considered average in terms of competitiveness and tax neutrality. Although it dropped only one position in the index ranking, its score decreased by 9.96% compared to the previous edition. Figure 15 summarizes the Dominican Republic's competitiveness and neutrality results for each component.

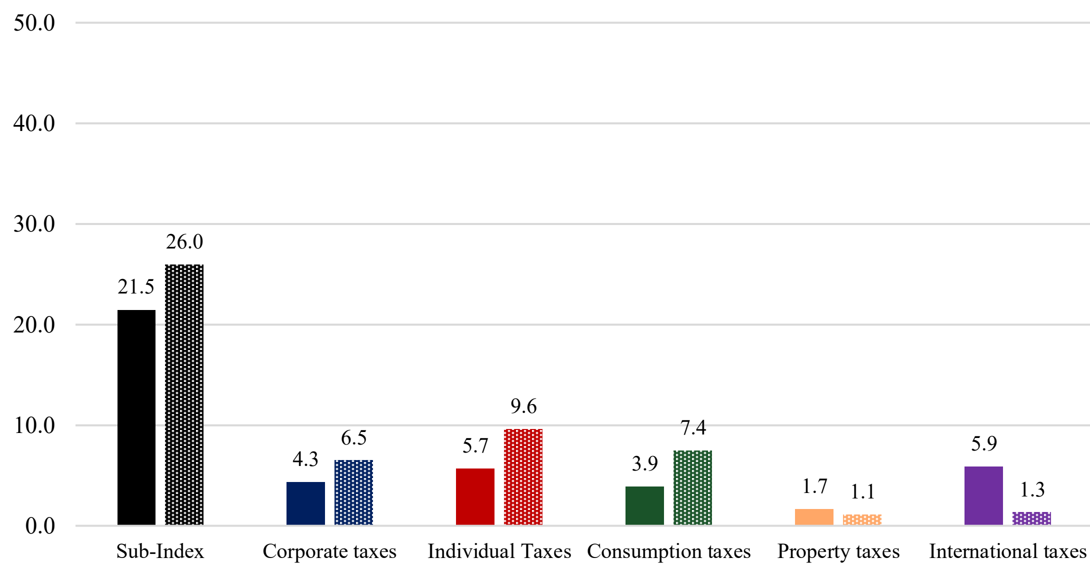


**Figure 15: Dominican Rep.: Comprehensive Tax Sub-Indices and Components scores.**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

The most notable aspects of this system include:

- It offers the best cost recovery mechanisms for businesses in the region, partly because the country allows inventory valuation using the LIFO method.
- The Dominican Republic does not enforce rules on foreign-controlled companies.
- The dividend tax rate in the Dominican Republic is relatively competitive at 10%.

The main weaknesses of the Dominican Republic's tax system are:

- It discourages capital accumulation because, in addition to taxing land value, it also taxes the value of real estate on the land without allowing deductions. There are also taxes on wealth, donations, inheritances, assets, capital contributions, and property transfers.
- With only two treaties with other countries, the Dominican Republic has one of the lowest numbers of international tax agreements in Latin America.
- VAT revenue in the country is only 48.54% of the ideal, likely due in part to its high rate of 18%.

### III.1.8 Ecuador

Ecuador ranks 11th in The Comprehensive Tax Index, and its tax system can be considered "average" in terms of competitiveness and neutrality. Its score increased by 2.57%, moving up two positions in the index ranking. Figure 16 summarizes Ecuador's competitiveness and neutrality results for each component.

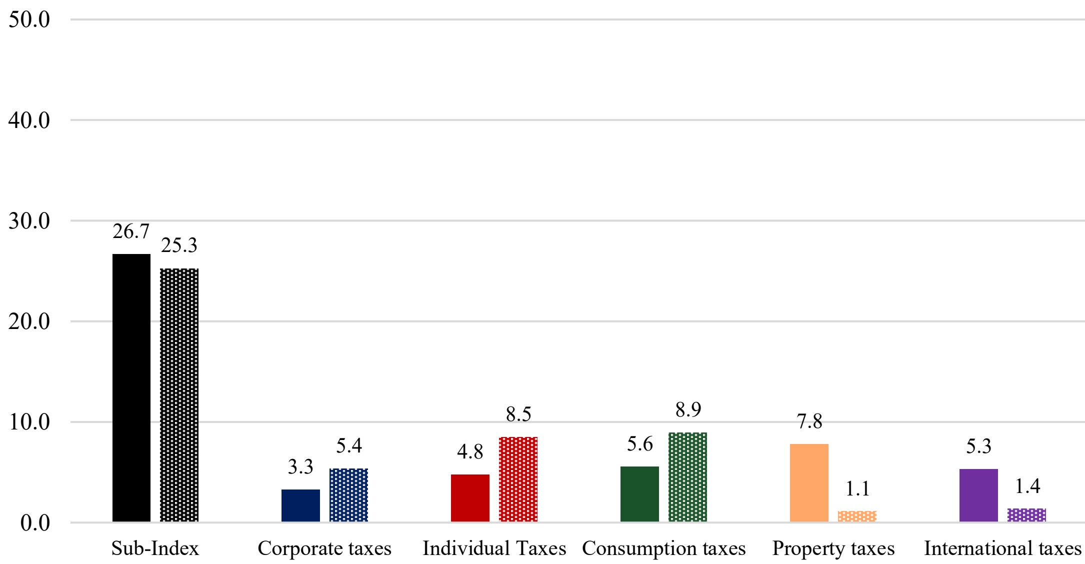


**Figure 16. Ecuador: The Comprehensive Tax Sub-Indices and Components scores.**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

Some strengths of Ecuador's tax system include:

- Although not perfect, Ecuador's international tax system is largely territorial.
- Despite the VAT rate increasing from 12% to 15%, this rate is still below the Latin American average, and VAT revenue is very close to the ideal case, making it a neutral system within the consumption tax component.
- Ecuador does not impose taxes on property transfers, capital contributions, or financial transactions.

The main weaknesses of Ecuador's tax system are:

- Ordinary income taxes are neither competitive nor neutral in Ecuador. The country has one of the highest maximum rates for this tax in the region, and these high rates only apply to a very small portion of the population, as the majority of taxpayers face a much lower tax rate.
- Ecuador is one of the few countries that applies surtaxes on corporate profits, complicating its tax system.
- With a rate of 40%, Ecuador has the second-highest marginal tax rate on dividends in the region, surpassed only by Chile.

### III.1.9 El Salvador

El Salvador's tax system ranked 4th in The Comprehensive Tax Index, rising two positions compared to 2021, with its index score increasing by 8.55%. This tax system can be considered slightly competitive and neutral.

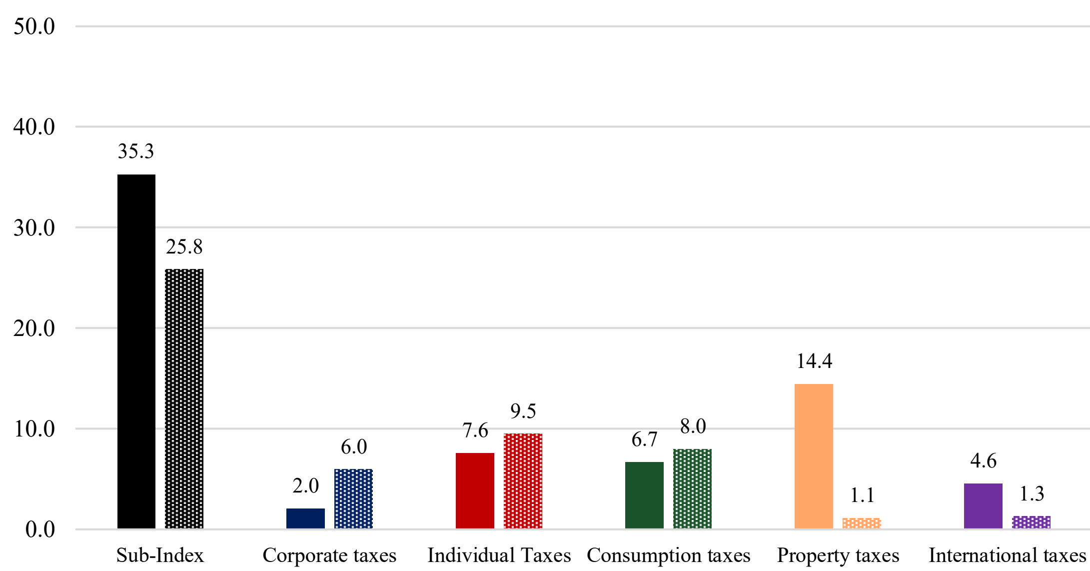


**Figure 17. El Salvador: The Comprehensive Tax Sub-Indices and Components scores.**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

The most relevant aspects of this tax system are:

- El Salvador is the country that most encourages capital accumulation in Latin America, as it is the only one that does not impose a tax on the value of real estate, limiting taxation to land value. Additionally, it does not impose taxes on wealth, inheritances, donations, capital contributions, or financial transactions.

- The capital gains tax rate is 5%, and the dividend tax rate is 10%, both significantly low.
- El Salvador does not have rules on foreign-controlled companies.

However, El Salvador's tax system has some weaknesses:

- It is the most challenging country in the region for businesses to recover costs, as it does not allow for tax loss carrybacks or carryforwards, and the allowed depreciation rates for fixed assets are very low.
- El Salvador has a global tax system; its withholding tax rates on dividends, interest, and royalties are relatively high on average, and it has only one international tax treaty, which limits foreign investment.
- At 30%, the maximum individual income tax rate is relatively high, but it applies to only a small portion of the population. The rate applicable to the average income is 10%, making the system less neutral.

### III.1.10 Guatemala

Guatemala ranks 8th in The Comprehensive Tax Index, dropping five positions compared to the 2021 edition, as its score decreased by 11.44%. In 2021, this system was considered slightly competitive and neutral, but it is now classified as average in terms of the analyzed variables. Figure 18 summarizes Guatemala's competitiveness and neutrality results for each component.

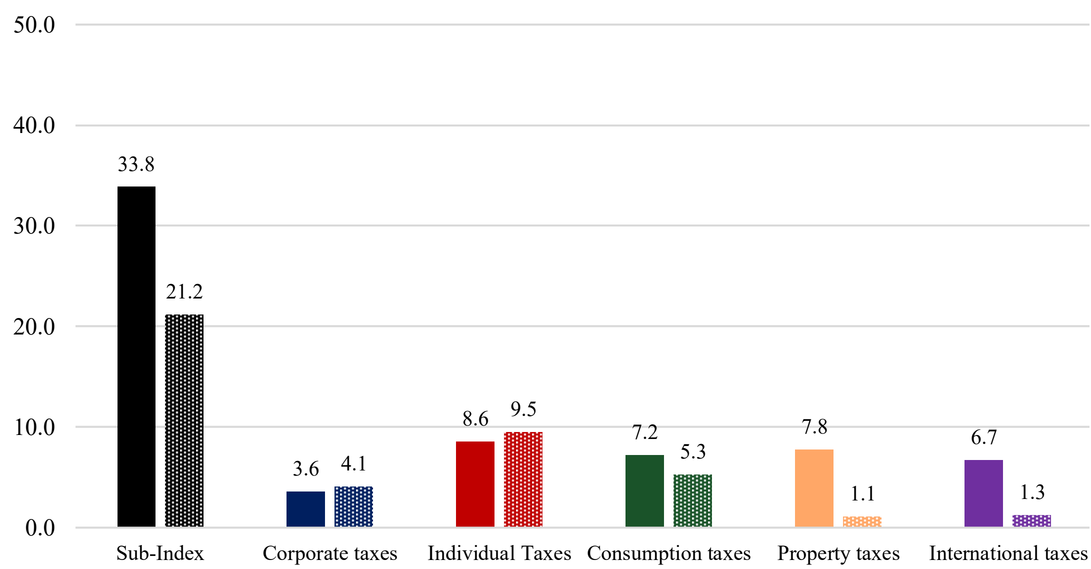


**Figure 18. Guatemala: The Comprehensive Tax Sub-Indices and Components score**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

Some of the strengths of Guatemala's tax system include:

- With a score of 18.07 points, Guatemala's performance in individual taxes was the second-best recorded in the entire analysis for a country within a specific component, only behind Paraguay in Consumption Taxes (18.24 points). This performance is due to the country having the lowest individual income tax rate in Latin America and one of the most competitive rates for capital gains and dividends taxes.
- Guatemala has the lowest average withholding tax rates on international dividends, interest, and royalties in the region, and it does not have rules on foreign-controlled companies.
- At 12%, Guatemala's VAT rate is the third lowest in the region.

The main weaknesses of Guatemala's tax system are:

- Corporate income taxes are highly uncompetitive and non-neutral, as cost recovery for fixed assets has become significantly more complex compared to 2021. Additionally, businesses face a surtax on their profits and cannot carry forward or backward their tax losses.
- The country does not have any international tax treaties.
- Due to numerous exemptions on VAT, Guatemala's VAT revenue is far from ideal in the entire region, making this tax highly non-neutral.

### III.1.11 Honduras

Honduras ranks 7th in The Comprehensive Tax Index, with its score increasing by 4.03% compared to 2021 and climbing four positions in the index, the largest improvement compared to the previous edition. Its tax system can be considered average in terms of competitiveness and neutrality. Figure 19 summarizes Honduras' competitiveness and neutrality results for each component.

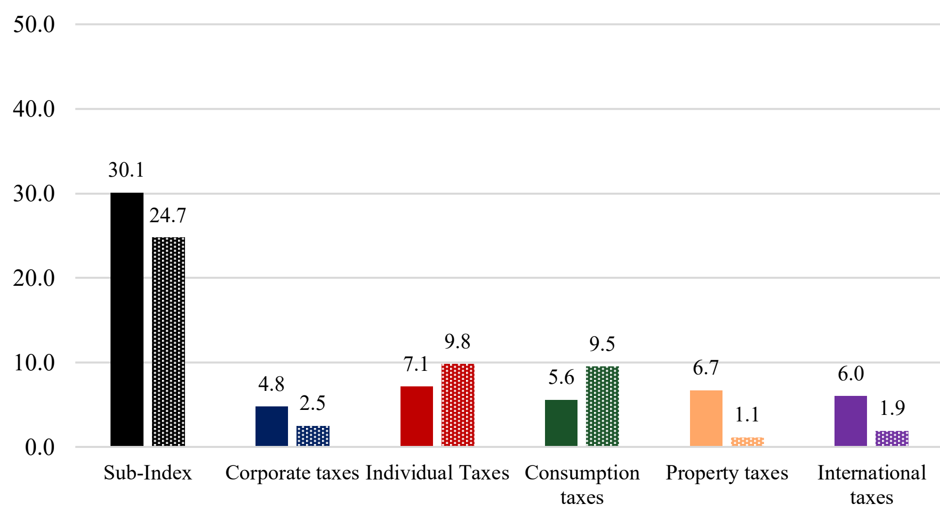


**Figure 19: Honduras: The Comprehensive Tax Sub-Indices and Components scores.**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

Honduras' key takeaway:

- It does not have rules on foreign-controlled companies and does not impose any restrictions on interest deductions for foreign businesses, encouraging foreign investment.
- Compared to the 2021 edition, consumption taxes became much more neutral in Honduras because the VAT exemption threshold was removed, and its VAT revenue is the third closest to the ideal in all of Latin America.
- By allowing the valuation of inventories using the LIFO method, Honduras facilitates cost recovery for businesses.

However, the major weaknesses of Honduras' tax system include:

- It imposes a surtax on corporate profits, complicating corporate decision-making.
- Honduras has a tax on real estate value in addition to land value taxes, and these taxes cannot be deducted.
- The country does not have any international tax treaties.

### III.1.12 Mexico

Mexico ranked sixth in The Comprehensive Tax Index, climbing three positions compared to the 2021 edition, with its score increasing by 4.71%. Its tax system can be considered average in terms of competitiveness and neutrality.

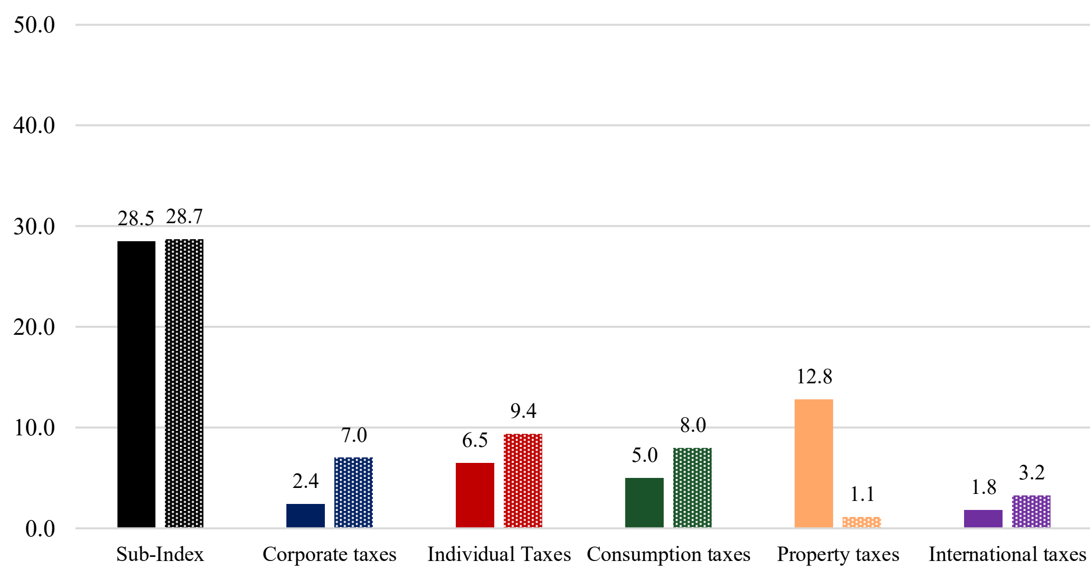


**Figure 20. Mexico: The Comprehensive Tax Sub-Indices and Components scores.**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

The strengths of Mexico's tax system are:

- Mexico has the most neutral tax system in the region, achieving 74.32% of the available score for variables that measure neutrality.
- It is the Latin American country with the most international treaties (59) to address double taxation issues between nations.
- Capital accumulation is encouraged in Mexico, as real estate is taxed but with available deductions. Additionally, there are no taxes on net wealth, assets, capital contributions, or financial transactions. Formally, there is no inheritance or gift tax, but certain gifts are subject to income tax.

On the other hand, the weaknesses of Mexico's tax system include:

- Compared to 2021, while Mexico improved its provisions limiting international interest deductions, it severely discourages foreign investment because it does not allow exemptions on international dividends or capital gains. Additionally, its withholding tax rates on dividends, interest, and royalties are among the least competitive in the region.
- With a rate of 35%, Mexico has one of the highest individual income tax rates in all of Latin America.
- At 30%, the corporate tax rate is also significant.

### III.1.13 Nicaragua

Nicaragua ranks 5th in The Comprehensive Tax Index, improving from 7th place in 2021. Its tax system is considered average in terms of competitiveness and fiscal neutrality.

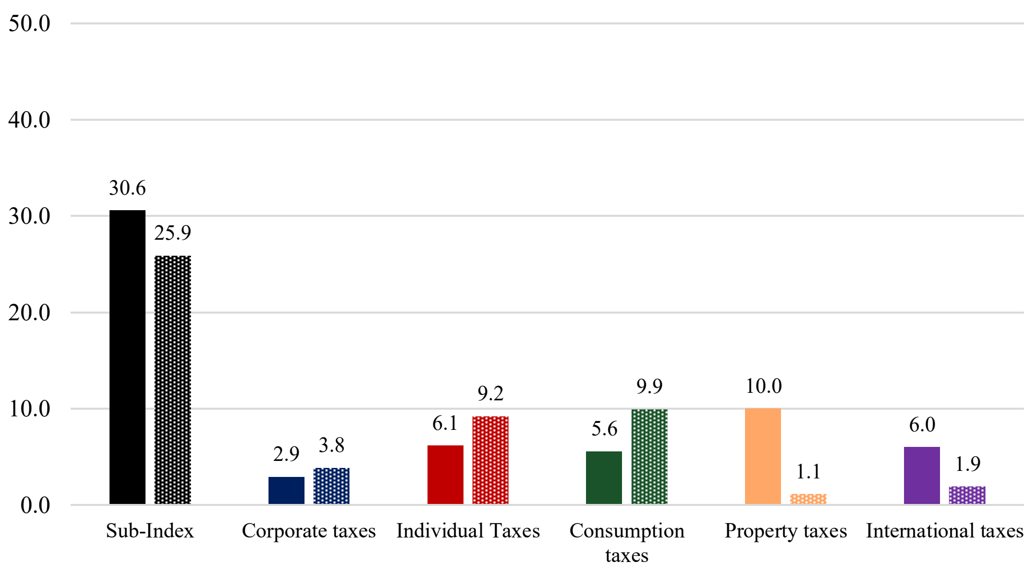


**Figure 21. Nicaragua: The Comprehensive Tax Sub-Indices and Components scores.**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

The strengths of Nicaragua's tax system are:

- It has the most neutral VAT in the region, along with Paraguay, as it does not include any exemption thresholds, and VAT revenue is at 98% of the ideal level.
- Nicaragua does not impose taxes on wealth, assets, capital contributions, financial transactions, or real estate transfers, which encourages businesses and promotes investment and the expansion of economic activity.
- It has no rules on foreign-controlled companies, and it sets a 15% withholding tax on dividends, interest, and royalties, which is relatively low compared to other countries in the region.

However, Nicaragua's tax system has some weaknesses, such as:

- It has no international treaties signed with other countries to prevent double taxation, which limits its ability to attract foreign investment.
- The fiscal system imposes a 30% corporate tax rate, which is not competitive compared to other countries with lower rates.
- While Nicaragua does not have an extremely complex tax system, the lack of significant reforms and the relative opacity in the application of certain tax regulations can increase the administrative burden for businesses and individuals.

### III.1.14 Panama

For the second consecutive edition, Panama ranked second in The Comprehensive Tax Index, with its score increasing by 4.62% compared to 2021. Its tax system can be considered lightly competitive and neutral. Figure 22 summarizes Panama's competitiveness and neutrality results for each component.

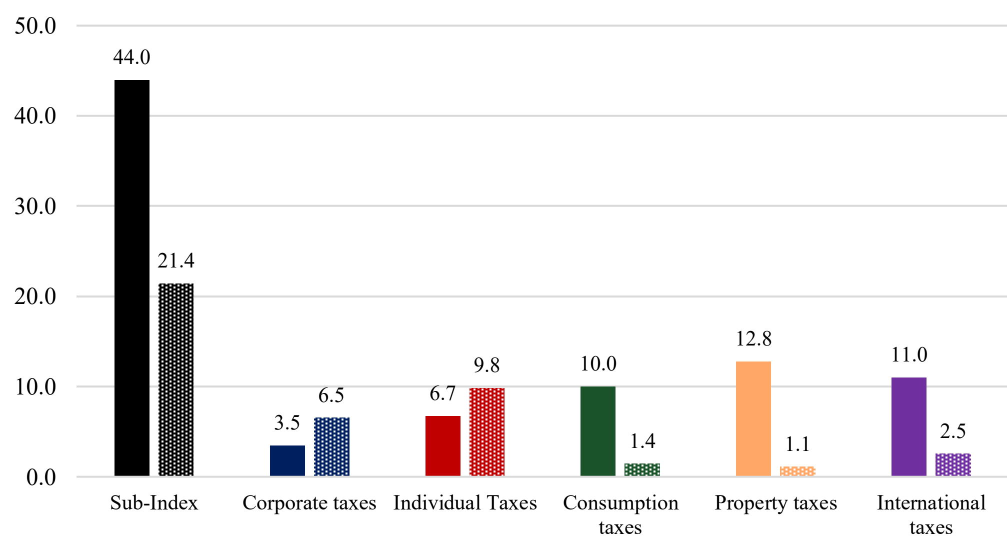


**Figure 22. Panama: The Comprehensive Tax Sub-Indices and Components scores**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

Some strengths of Panama's tax system include:

- It is the most competitive in the entire region, achieving 71.62% of the available score for competitiveness variables. This is explained, for example, by having the lowest VAT and capital gains tax rates in Latin America, despite a 10 percentage-point increase since 2021.[5]
- Panama is the country that most encourages foreign investment in Latin America, as it is one of the few countries in the region with a partially territorial tax system. Full exemption on dividends is allowed, albeit with some limitations. Additionally, it has no rules on foreign-controlled companies or restrictions on interest deductions.
- Except for a stamp duty on real estate transfers, Panama does not impose taxes on wealth, inheritances, donations, assets, or capital.

However, its weaknesses include:

- Although VAT is highly competitive, it is not very neutral in Panama, as it is one of only two countries in the region that includes an exemption threshold, making it more complex.
- After Guatemala, Panama is the country where cost recovery for fixed assets, especially intangible assets, is the most complex for businesses.
- While it is not a disadvantage, Panama could enhance its status as a hub for foreign investment by signing more international agreements to prevent double taxation between countries. Currently, it has only 17 treaties, slightly over a quarter of the number held by Mexico (60 agreements).

### III.1.15 Paraguay

For the second consecutive edition, Paraguay ranked first in The Comprehensive Tax Index, with its score increasing by 5.47%. Its tax system can be considered slightly competitive and neutral.

The most notable aspects of Paraguay's tax system include:

- It is highly competitive, as Paraguay has the lowest corporate income tax rate in all of Latin America. It also has very competitive rates for individual income taxes, capital gains, dividends, VAT, and other taxes.
- Paraguay does not enforce rules on foreign-controlled companies.
- It, along with Nicaragua, has the most neutral VAT in the region, as it does not include any exemption thresholds, and VAT revenue reaches 98% of the ideal level.

[5] Although these rates increased by 10 percentage points compared to 2021.

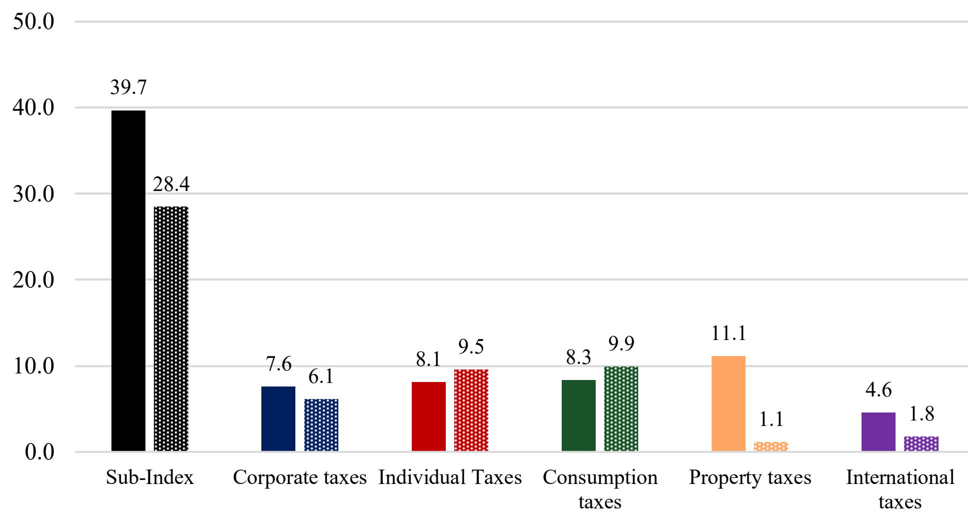


**Figure 23. Paraguay: The Comprehensive Tax Sub-Indices and Components scores.**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

However, Paraguay's tax system still has areas for improvement:

- The ability to attract foreign investments could improve significantly, as Paraguay has only signed five tax treaties to avoid double taxation. Its tax system is global, and its rules on interest deduction limitations are inflexible.
- Recovering costs associated with fixed assets is somewhat challenging for businesses in Paraguay.
- In addition to taxing land value, Paraguay imposes a property tax on real estate located on the land, which discourages capital accumulation, as well as levies capital contributions and other assets with taxes.

### III.1.16 Peru

Peru ranks 12th in The Comprehensive Tax Index. Despite its index score increasing by 2.96%, it dropped one position in the ranking. Its tax system is considered average in terms of neutrality and competitiveness.

The strengths of Peru’s tax system are:

- Peru has one of the most competitive dividend tax rates in the region, at 5%.
- Its withholding tax rate on interest is the most competitive in the region, and its rate on dividends is the second lowest.
- Although Peru's VAT rate is not low, this tax is very neutral.

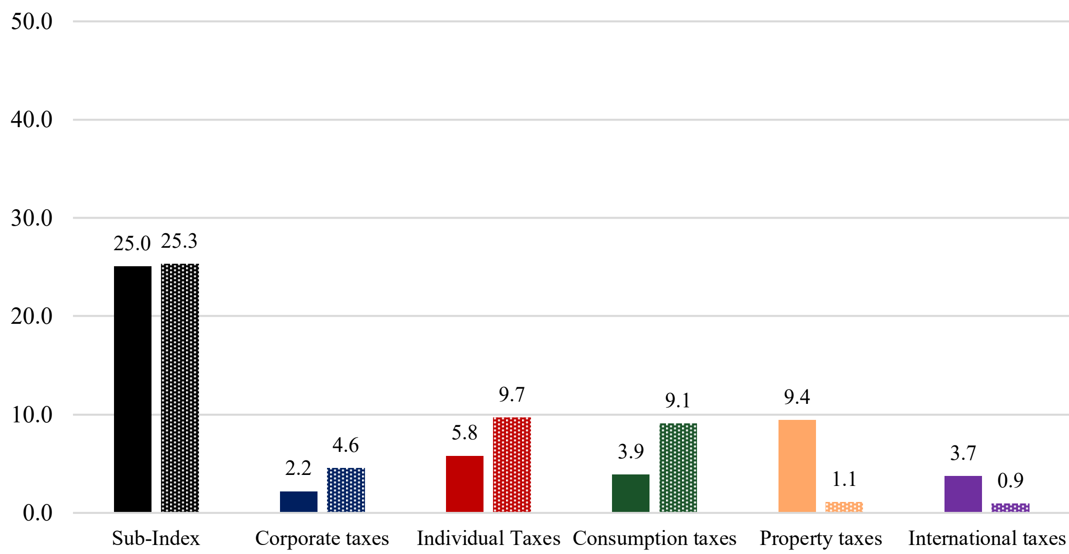


**Figure 24. Peru: The Comprehensive Tax Sub-Indices and Components scores**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

The weaknesses of Peru's tax system are:

- Corporate taxes are not very competitive or neutral. While the corporate tax rate itself is not particularly high, cost recovery is highly complex, and certain R&D expenses are incentivized unevenly.
- Peru has rules on foreign-controlled companies, and its regulations regarding limitations on interest deductions are very strict.
- In addition to taxing land value, the country imposes a property tax on real estate located on the land, as well as taxes on the transfer of these properties, other financial transactions, and other assets, discouraging capital accumulation.

### III.1.17 Uruguay

Uruguay ranked 10th in The Comprehensive Tax Index, dropping five positions in the region, although its score only decreased by 5.42%. Its tax system can be considered average in terms of competitiveness and neutrality. Figure 25 summarizes Uruguay's competitiveness and neutrality results for each component.

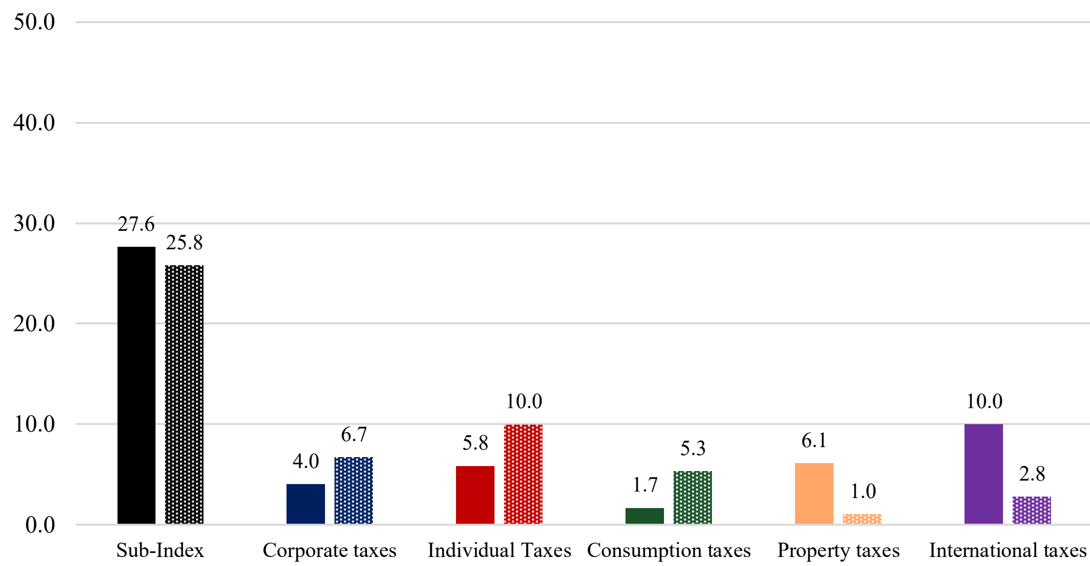


**Figure 25. Uruguay: The Comprehensive Tax Sub-Indices and Components scores.**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

The strengths of Uruguay's tax system include:

- It offers various incentives for attracting foreign investment. Uruguay is one of the few countries in the region with a partially territorial tax system, allowing a full exemption from taxes on dividends distributed abroad (without limitations). Its withholding tax rates on dividends, interest, and royalties are among the lowest in Latin America. Additionally, this country does not impose rules on foreign-controlled companies or restrictions on interest deductions.
- It has one of the lowest dividend tax rates in the region, at 7%.
- Individual income taxes in Uruguay are very neutral.

However, the main weaknesses of Uruguay's tax system include:

- Although neutral, Uruguay’s average ordinary income tax rate, at 36%, is the least competitive in Latin America.
- At 22%, it has the second-highest VAT rate in the region, only behind Brazil.
- Uruguay imposes taxes on real estate transfers, net corporate assets, and capital contributions, which discourages capital accumulation in the country.

### III.1.18 Venezuela

Venezuela ranks 17th in The Comprehensive Tax Index, rising one position because its score increased by 27.77%, the highest improvement in the study.[6] However, its tax system remains uncompetitive and non-neutral.

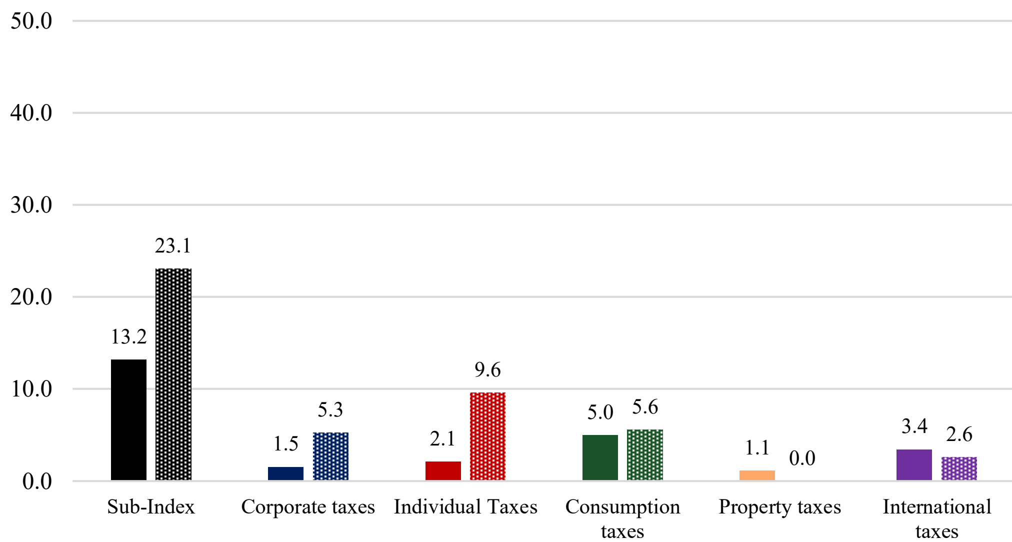


**Figure 26. Venezuela: The Comprehensive Tax Sub-Indices and Components scores**
*Note: Filled bars correspond to the tax competitiveness variables, while dotted bars correspond to the tax neutrality variables.*

Some positive elements of Venezuela's tax system include:

- Since the tax unit has a low value, the maximum ordinary income tax rate for individuals is the same as the rate applicable to the average income, making it a neutral tax.
- Venezuela has 35 tax treaties, seven more than in 2021.
- It does not enforce rules on foreign-controlled companies.

Weaknesses of Venezuela's tax system include:

- It is the least competitive country in the region. This is evident in its tax rates, with 34% applied to corporate profits, individual ordinary income, capital gains, dividends, and international withholding taxes.
- Venezuela received the lowest score recorded by a country in a specific component: Property Taxes. This is because the country severely discourages capital

[6] This percentage increase must be contextualized: Given the very low baseline score in 2021, any change in performance may appear exaggerated in percentage terms.

accumulation with taxes on real estate value, its transfer, wealth, inheritances and donations, capital contributions, financial transactions,[7] and other assets.

- Bureaucratic processes associated with starting a business are extensive in Venezuela, making it the most restrictive country in the region for formal entrepreneurship. Additionally, it is difficult for businesses to recover costs associated with fixed assets in Venezuela.

[7] The use of foreign currencies is also taxed in Venezuela, although this is not considered within the variables of the index.

# IV. Concluding Remarks

To provide a wide-ranging perspective on the tax landscape in Latin America, this research calculated The Comprehensive Tax Index, a tool that measures and compares the tax performance of each country in the region based on two criteria: competitiveness and neutrality.

A competitive tax system is one that, relatively speaking, minimizes tax burdens to encourage investment inflows and capital accumulation, which, in turn, fosters economic growth. Meanwhile, a neutral tax system ensures that the behavior of economic agents remains unaffected by taxation, promoting equality before the law in a tax sense without favoring or disadvantaging any specific sector or economic activity.

To ensure that governments meet their fiscal objectives, a competitive and neutral tax system is one that encourages investments while minimizing distortions in the economy. Consequently, a higher score on The Comprehensive Tax Index should correspond to more sustainable economic development.

The Comprehensive Tax Index's results indicate that, on average, Latin America slightly worsened its tax performance between 2024 and 2021. This decline is likely explained by a return to "normal tax policies" after the temporary and lenient measures adopted in 2021 due to COVID-19. However, some countries became more or less competitive and neutral through actions that were unrelated to post-pandemic fiscal corrections.

It was found that Latin America is a "gray" region in tax terms: out of the 18 countries analyzed, only four can be considered slightly competitive and neutral (Paraguay, Panama, Costa Rica, and El Salvador), two are low in competitiveness and neutrality (Argentina and Venezuela), while the rest is "average", in terms of the variables considered.

In a regional context where public spending and tax structure are constant topics of debate, this edition of The Comprehensive Tax Index sheds light on the opportunities for tax progress in Latin American countries to enhance growth prospects in the coming years.

On average, while it is true that there are still areas for improvement, the region showed relatively good results in individual taxes. The Comprehensive Tax Index also indicates that Latin America could improve its VAT configuration, although the results in this component were decent.

The major areas for improvement in the region include property taxes, as there are numerous taxes that hinder capital accumulation; corporate taxes, where there is a need to reduce rates and allow the carryforward of losses in all countries; and, most importantly, international taxes, where a shift toward a territorial composition is needed, and countries should sign more agreements to avoid double taxation.

Beyond these general comments, the heterogeneity of tax structures in the region means there are more specific points of improvement that vary from country to country. The Comprehensive Tax Index's results make it easier to identify these opportunities for improvement, as shown by the main weaknesses of the tax systems in each of the 18 countries analyzed in the previous section of the chapter.

Understanding that tax competitiveness and neutrality are key elements in designing a tax system, it is urgent for Latin American countries to undertake tax reforms aimed in these directions. This would help attract more investments without generating significant distortions in the economy and, ultimately, achieve sustainable development.

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# Annex

## VI.1. Annex A: Methodology

The 18 countries included in the study were Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. The measurement of The Comprehensive Tax Index scores, based on the methodology implemented by Rivas et al. (2022), was defined using absolute results rather than relative ones. This approach highlights the potential for improvement in each tax system and identifies possible areas for enhancement.

However, scores for variables measuring competitiveness were assigned using relative criteria, as competitiveness necessarily implies comparison.[8] Therefore, the results for greater or lesser competitiveness are inherently relative.

Consequently, The Comprehensive Tax Index can be seen as a tool with a mixed methodology: while some variables are based on relative results, the overall construction of the index is absolute.

The index was structured so that the maximum score available for a country is 100 points, while the minimum is 0 points. For instance, if the most outstanding country in the region achieves a score of 90 points, this indicates that its tax system is still 10 points away from being considered perfectly competitive and neutral, meaning there is room for improvement even if it is the best or most prominent system.

Analyzing the entire tax system of a country involves studying various fields of taxation. The Comprehensive Tax Index is divided into five components: Corporate Taxes, Individual Taxes, Consumption Taxes, Property Taxes, and International Taxes. Each component is equally weighted within the index, with a maximum score of 20 points (one-fifth of the total score available in the index), while the minimum is 0 points.

The qualitative assessment of both the total Comprehensive Tax Index score and the scores for each component, in terms of tax competitiveness and neutrality, was defined as follows:

The Comprehensive Tax Index scoring system provides a detailed classification for evaluating the competitiveness and neutrality of tax systems. The scores are interpreted as follows:

- 100 points (or 20 points per component): A perfectly competitive and neutral tax system.
- 99.99 - 80 points (or 19.99 - 16 points per component): A highly competitive and neutral tax system.

[8] Competitiveness can only be measured in relation to an external subject, distinct from oneself.

- 79.99 - 60 points (or 15.99 - 12 points per component): A slightly competitive and neutral tax system.
- 59.99 - 40 points (or 11.99 - 8 points per component): A regular tax system in terms of competitiveness and neutrality.
- 39.99 - 20 points (or 7.99 - 4 points per component): A tax system with low competitiveness and neutrality.
- 19.99 - 0 points (or 3.99 - 0 points per component): A minimally competitive and neutral tax system.

As with the analysis of a complete tax system, analyzing a specific area of that system requires understanding its internal composition. For this reason, the Comprehensive Tax Index divided each component into a number of categories. However, not all components contain the same number of categories. For example, the composition of International Taxes is more complex than that of Corporate Taxes, which justified segmenting the International Taxes component into a greater number of categories compared to the Corporate Taxes categories.

Each category was assigned equal weighting within its respective Comprehensive Tax Index component. Accordingly, the maximum score available for a category is expressed as:

$$P_{SC} = \frac{P_C}{N}, \tag{1}$$

where $P_C$ is the maximum score available per component, and $N$ is the number of categories within the component in question.

For example, the Consumption Tax component is divided into two categories: Consumption Tax Rate and Consumption Tax Base. Since the maximum score available for each component is 20 points, the maximum score available for any of the aforementioned categories is 10.0 points ($P_{SC}$ = 20/2 = 10).

Each category, in turn, was composed of a series of variables, where each variable had an identical weight within its category. The score available for a variable within The Comprehensive Tax Index, $P_V$, was expressed as:

$$P_V = \frac{P_{SC}}{n}, \tag{2}$$

here $n$ is the number of variables in the category in question.

For example, within the Individual Taxes component, the category Taxes on Capital Gains and Dividends consists of two variables: Maximum Marginal Tax Rate on Capital Gains and Maximum Marginal Tax Rate on Dividends. Since the maximum score available for each category under Individual Taxes is 6.67 points, the maximum score available for each of these variables is 3.33 points ($P_V$=6.67/2=3.33 $P_V$= 6.67/2 = 3.33 $P_V$=6.67/2=3.33).

This scoring rule was generally applied across variables, but there were two specific exceptions:

1. Insufficient Updated Information: When there was not enough updated information to construct a variable, the score for that variable was halved. In other words,

countries lacking updated information were penalized in their Comprehensive Tax Index scores.

2. Dependent vs. Independent Variables: When a variable depended on another, the dependent variable received a lower score than the independent one. For example, the variable Deduction on Property Taxes depends on whether a country taxes real estate, which is captured in the independent variable Real Estate or Land Tax. In this case, the independent variable received part of the score from the dependent one.

The rule determining how much of the available score was awarded to a country depended on its performance in a particular variable.

There are two types of variables in The Comprehensive Tax Index: qualitative and quantitative. The scores for qualitative variables were determined based on an ideal standard, following the criteria employed in the International Tax Competitiveness Index (Asen and Bunn, 2021). This index evaluates tax competitiveness and neutrality exclusively among member countries of the Organization for Economic Cooperation and Development (OECD). The scoring for quantitative variables, while grounded in the theoretical criteria of qualitative variables, was based on numerical ranges (higher/lower) derived from a sample of 28 observations.[9] Using these ranges and the data for each country, a percentage (ranging from 0% to 100%) was calculated to represent the proportion of the maximum available score that each country achieved in each variable.[10]

Finally, the data sources consulted for this research were:

- Deloitte International Tax Source (n.d.): Tax Guides and Country Highlights.
- PwC (n.d.): Worldwide Tax Summaries.
- International Monetary Fund (2024): World Economic Outlook.

**A.1 Limitations**

Although this research aims to compare the competitiveness and neutrality of tax systems in Latin America, certain types of taxes are not included in the study model. The Comprehensive Tax Index considered only national taxes, excluding subnational tax systems, import and export taxes (e.g., tariffs), industrial and commercial licenses, special economic zones, free trade zones, and others.

For the sample selection, only the countries previously mentioned were included. The Caribbean islands (with the exception of the Dominican Republic) were excluded due to the difficulty and limitations in obtaining updated official data, as well as the length of this study.

Lastly, the methodology of this edition does not include the same variables related to the complexity of tax systems as the 2021 edition. That study relied on data from the Paying

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[9] The study includes 18 Latin American countries, along with 10 additional countries analyzed in Rivas et al. (2022): South Korea, Denmark, Estonia, Latvia, Italy, Japan, New Zealand, Poland, the United Kingdom, and Switzerland**.** The selection of these 10 countries is based on their positions as the best- and worst- performing nations in each component of the 2020 International Tax Competitiveness Index by the Tax Foundation (Asen & Bunn, 2021). Including these countries helps to universalize the information and provide a general comparative benchmark, ensuring that the variable values are more representative of global realities.

[10] Some examples of both the scoring determination process and the decision rules for score allocation can be found in Rivas et al. (2022)**.**

Taxes Report (PwC, 2021). Since this report has not been updated since 2021, the fiscal efficiency variables from PwC were excluded and replaced with variables from the Bureaucracy Index 2024 (Levy-Carciente, et. al. 2024). Therefore, it is important to note that the editions are not perfectly comparable.

## VI.2. Annex B: Component and Categories description

### B.1. Corporate Taxes

These are direct taxes imposed on corporate profits, which negatively affect business earnings after fulfilling tax obligations, reducing returns on investment, and discouraging such activity. This component was divided into three categories: Corporate Tax Rate**,** Cost Recovery, and Incentives and Complexity**.**

### B.1.1 Corporate Tax Rate

The maximum marginal corporate tax rate measures the highest rate at which each additional monetary unit of a corporation's taxable profits is taxed. As these taxes increase, corporations receive a smaller share of the outcomes of their activities. High corporate tax rates are synonymous with the reduced competitiveness of the tax system. Consequently, the Comprehensive Tax Index assigns higher scores to countries with lower rates, and vice versa.

### B.1.2. Cost Recovery

Corporate taxes are imposed on corporate profits. In a neutral tax system, profits are defined in such a way that the costs incurred by companies to carry out their economic activities are considered. Ignoring certain costs can inflate taxable profits and, therefore, corporate taxes.

The Comprehensive Tax Index segments cost recovery into several variables grouped as follows:

- <u>Provisions for Carrying Forward or Backward Tax Losses</u>: All businesses operate with some degree of risk. A tax system designed to minimize economic distortions should aim to reduce the procyclicality of investments (Hanappi, 2018). One way to achieve this is through provisions for carrying forward or backward tax losses, allowing businesses to deduct losses from one fiscal period against profits from future or past periods. A competitive and neutral tax system allows for these provisions indefinitely, while an uncompetitive system does not permit them at all.
- <u>Cost of Recovery of Fixed Assets</u>: Most tax legislation in the region requires the deduction of fixed asset costs from income using depreciation schedules. However, given the time value of money, these schedules often fail to allow for the full deduction of the real value of fixed assets, inflating corporate taxable profits.

  In a competitive and neutral tax system, companies can fully deduct the real value of their investments. To capture this effect, The Comprehensive Tax Index measures the extent to which companies can deduct the value of their fixed assets (specifically machinery, buildings, and intangibles) using the net present value of those assets.
- <u>Inventory Valuation</u>: Tax deductions for corporate profits due to inventory costs are realized at the time of sale. As a result, governments and accounting authorities in each country usually define the allowed methods for inventory valuation, which typically

include: First In, First Out (FIFO); Last In, First Out (LIFO); and Weighted Average Cost.

Since the possibility of tax deductions for inventories is linked to the permitted valuation method, this plays a significant role in determining a good tax system. A competitive and neutral tax system accounts for inflation, which reduces the real value of goods and services and, therefore, what companies can deduct from their taxes. The LIFO method best captures this effect, followed by the Weighted Average Cost and FIFO methods (Morse & Richardson, 1983).

Countries that allow the LIFO method receive the highest possible score in the Comprehensive Tax Index. Countries that only allow FIFO receive the lowest possible score. Countries that allow inventory valuation using the Weighted Average Cost method receive 50% of the available score for this variable.

- Notional Interest Deduction: Companies can finance their activities by increasing their debt or equity. Generally, tax systems incentivize debt-based financing, which can distort the economy. One way to make tax systems more neutral is by allowing the deduction of notional interest. This reduces the incentives for debt-based financing while encouraging equity-based financing without discouraging investment (Kestens et al., 2012). Countries that allow the deduction of notional interest receive higher scores in the Comprehensive Tax Index compared to those that prohibit it.

### B.1.3 Incentives and Complexity

Ideally, a tax system should not create distortions in the economy at all. However, in practice, many tax systems favor certain types of investments over others, meaning they lack neutrality. Additionally, the complexity imposed by a tax system on corporate taxes is a key factor for businesses deciding where to establish operations, as it may lead to higher costs in terms of time and effort.

To measure the effect of tax incentives on tax systems, the Comprehensive Tax Index considers two variables: the presence or absence of intellectual property regimes and the implicit tax subsidy rates for R&D expenditures. To analyze complexity, the Comprehensive Tax Index examines corporate tax surcharges and bureaucracy levels.

- Intellectual Property Regimes: These are incentives that allow companies to apply reduced tax rates (lower than the standard corporate income tax rates) to income generated from R&D activities. Since these regimes are not neutral, countries that implement them receive a lower Comprehensive Tax Index score compared to those that do not.

- Implicit Tax Subsidy Rate for R&D Expenditures: Beyond incentives for income derived from R&D, some systems allow for deductions on costs associated with R&D activities. To assess the extent to which R&D expenditures are favored over others (i.e., measuring this distortion), the OECD developed the implicit tax subsidy rate for R&D expenditures. A rate far from zero implies significant preferential treatment for R&D expenditures, making the tax system less neutral. Therefore, countries with rates far from zero receive a lower Comprehensive Tax Index score compared to those with rates closer to zero.

- Corporate Tax Surcharges: Some tax systems impose additional tax rates on corporate profits, beyond the standard maximum rates established in the regulations. The presence of surcharges can create confusion for companies, as they may be uncertain about the effective tax rate applied to their profits at the end of the fiscal year. This uncertainty can hinder investment projects. Consequently, countries without surcharges receive higher Comprehensive Tax Index scores than those with them.

- Bureaucracy: In general, as tax processes become more bureaucratic, it becomes more difficult for businesses to comply with tax obligations. Companies must dedicate more time and effort to taxes, discouraging formal entrepreneurship and reducing tax collection efficiency. In other words, fiscal bureaucracy introduces distortions in business decision-making and diminishes tax efficiency.

  The Bureaucracy Index was used to quantify this issue. This index measures the number of hours businesses dedicate to bureaucratic procedures for starting and maintaining operations in compliance with the law (Levy-Carciente, et. al. 2024). In countries where the number of hours dedicated to these processes is higher—indicating greater distortions—the Comprehensive Tax Index score is lower.

### B.2. Individual Taxes

Individual taxes are direct taxes imposed on individuals' income and wages. High individual tax payments result in lower disposable income. Since consumption depends on disposable income, higher taxes in a country lead to lower levels of production, income, and wages (Mankiw, 2014). This component is divided into three categories: Ordinary Income Taxes, Taxes on Capital Gains and Dividends, and Complexity.

#### B.2.1. Ordinary Income Taxes

These are taxes individuals must pay on income earned from their economic activities. The Comprehensive Tax Index divides this category into three variables:

- Tax Rate on Ordinary Income of Individuals: In most countries, these taxes are structured progressively, meaning that as individuals earn more, they pay higher rates because they fall into higher tax brackets. Due to this structure, if the tax cost of earning an additional unit of income outweighs the benefit of that additional income, individuals may choose to work fewer hours. As a result, high tax rates on ordinary income can reduce the productivity of individuals and businesses, thereby affecting a country's overall production levels.

  The Comprehensive Tax Index considers the maximum marginal tax rates individuals may face in a specific country, as well as the rate applied at the average income level. Higher maximum and average tax rates result in lower scores in the index, and vice versa.

- Threshold for the Maximum Marginal Tax Rate on Ordinary Income: Due to the progressive nature of individual tax systems, not all individuals are subject to the same tax rate. A neutral tax system aims for the threshold for the maximum marginal tax rate relative to the average income to be close to 1 (Asen & Bunn, 2021). Consequently, countries with thresholds far from 1 receive lower scores in the Comprehensive Tax Index compared to those with thresholds closer to 1.

- Ratio of Marginal to Average Tax Wedges: A common concern for most countries is social security and pensions. Regardless of whether a system is public, private, or mixed, labor contributions are typically split between employees and employers. However, employers sometimes pass part of these costs back to workers.

To evaluate the burden of taxes on labor, two metrics developed by the OECD are used: the marginal tax wedge, which measures the influence of earning an additional dollar of income, and the average tax wedge, which measures the overall tax burden on the average worker in the country. To estimate the neutrality of a social contribution system, the marginal tax wedge is divided by the average tax wedge. A higher ratio indicates that earning more income subjects workers to a greater tax burden, leading to losses and distortions in their decisions. Thus, high ratios receive lower Comprehensive Tax Index scores than lower ones.[11]

### B.2.2 Taxes on Capital Gains and Dividends

These taxes are imposed to capture a portion of income not generated by an individual's primary economic activity. Higher levels of such taxes pose several challenges to national tax systems and economic growth.

As taxes on capital gains and dividends increase, incentives for investment mobility decrease, as investors may avoid the tax cost of selling their assets, leading to a "lock-in" effect (Holt & Shelton, 1962). Furthermore, capital gains and dividend taxes can result in double taxation, where the same income is taxed at two levels (e.g., company and shareholder) (Chen & Kao, 2011).

Therefore, high tax rates on capital gains and dividends are associated with reduced competitiveness of a tax system. To capture this effect, the Comprehensive Tax Index assigns higher scores to countries with lower rates and lower scores to those with higher rates.

### B.2.3. Complexity

Similar to corporate taxes, some tax systems require individuals to pay additional surcharges beyond the maximum tax rates established in the regulations. As with corporations, the presence of these surcharges can create confusion for individuals and discourage economic growth. Consequently, countries without surcharges receive higher scores in the Comprehensive Tax Index compared to those with surcharges.

### B.3. Taxes on Consumption

Consumption taxes are indirect taxes levied on the expenditure for final goods and services, typically in the form of the Value-Added Tax (VAT). Since VAT is imposed only on final goods and services, it is the most widely used consumption tax globally and is considered "the most efficient form of tax collection" (Asen & Bunn, 2021, p. 22). The Comprehensive Tax Index divided the analysis of this component into two categories: Consumption Tax Rate and Consumption Tax Base.

### B.3.1. Consumption Tax Rate

The VAT rate specifies, in percentage terms, how much individuals and businesses must pay when purchasing a particular good or service. Higher VAT rates generally lead to higher

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[11] Due to the unavailability of data for most Latin American countries, it was decided to reconstruct this index using the variables and procedures employed by the OECD. Therefore, the results should be interpreted with appropriate caution.

prices for these goods and services, which in turn result in lower consumer spending.[12] As VAT rates increase, consumption and investment in a country are disincentivized (Chernick & Reschovsky, 2000). Thus, the Comprehensive Tax Index assigns lower scores to countries with higher VAT rates and higher scores to those with lower rates.

### B.3.2. Consumption Tax Base

In some cases, the consumption tax base is defined in a way that excludes many commercial activities, making it less neutral. This can create incentives to consume untaxed goods over taxed ones, leading to inefficient resource allocation in the economy (Asen & Bunn, 2021).

To analyze this effect, the Comprehensive Tax Index divides the analysis of this category into two variables:

- VAT Exemption Threshold: This specifies the income level above which VAT is no longer exempt. Exempting small businesses from VAT gives them an advantage over larger companies (Asen & Bunn, 2021) and creates an incentive for businesses to avoid increasing their income to stay below the threshold. Ideally, a tax system does not allow such thresholds, as they create distortions in the economy. Therefore, the Comprehensive Tax Index assigns the highest score to countries without exemption thresholds and a score of zero to those that have them.
- VAT Base as a Percentage of Total Consumption: Another way to measure the neutrality of a consumption tax structure is by examining what proportion of final goods and services is excluded from the VAT base. A neutral tax system should not exclude any final goods or services from the VAT base. The Comprehensive Tax Index assigns higher scores to countries where the ratio of actual revenue to potential revenue (under a full-consumption VAT system) is closer to 1 (100%).

## B.4. Property Taxes

Property taxes are levied on the value of property owned by individuals or businesses, including land, real estate, wealth, and other assets. These taxes create economic distortions by discouraging wealth creation and savings, thereby hindering capital accumulation, investment, and long-term economic growth.

To account for different forms of property, the Comprehensive Tax Index analysis of property taxes was divided into three categories: Real Estate Taxes**,** Taxes on Wealth, Inheritance, and Gifts, and Taxes on Capital and Assets.

### B.4.1. Real Estate Taxes

Ideally, property taxes should be structured so that individuals and businesses are only required to pay taxes on the value of the land, excluding buildings constructed on it. Taxing buildings in addition to land could discourage investment and reduce production levels in the economy (Asen & Bunn, 2021).

Countries that limit property taxes to land value receive a higher Comprehensive Tax Index score compared to those that impose taxes on both land and real estate. To mitigate the

[12] Except for goods and services with inelastic demand.

negative impact on scores for countries with both types of taxes, those that allow deductions for property taxes receive a better score than those that do not.

Additionally, the disincentives to investment created by property taxes can be measured using the ratio of revenue from these taxes to the stock of private capital. As this ratio increases, economic agents have fewer assets available for productive use, discouraging capital accumulation and investment. Consequently, countries with higher ratios receive lower scores on The Comprehensive Tax Index.

### B.4.2. Taxes on Wealth, Inheritance, and Donations

Wealth taxes hinder the efforts of workers and businesses to increase their wealth, which is derived from innovation, labor, productivity, and savings. When wealth taxes are applied, they can reduce production levels, income, and wages in the economy (Fuest et al., 2018). Consequently, the Comprehensive Tax Index assigns higher scores to countries that do not have wealth taxes compared to those that do.

Inheritance and donation taxes, while only applied upon the death of the decedent, limit the resources available to the heirs that could otherwise be used for investment and consumption. This negatively impacts a country's economy. Countries without inheritance or donation taxes receive the highest possible score for this variable. Those with only one of these taxes receive a medium score, while countries with both taxes receive the lowest possible score.

### B.4.3. Taxes on Capital and Assets

Taxes on capital and assets tend to increase capital costs, which reduces the returns on capital and on their owners in the economic activities that use these resources. This negatively impacts investment.

This category focuses on corporate property and evaluates the potential harm of taxes on capital and assets to business development through four variables:

- Taxes on property transfers: These are levied when ownership is transferred from one owner to another. These taxes unnecessarily increase the cost of the transaction and lead to inefficient resource allocation in the economy (Dachis, Duranton & Turner, 2012).
- Asset taxes: These taxes are imposed on the value of a company's assets within a given year. According to Asen and Bunn (2021), these are akin to wealth taxes but apply exclusively to businesses.
- Taxes on capital contributions: These are indirect levies on the value of shares issued by a company at a given time. While these taxes often have low rates, they restrict the equity financing available to companies, thereby hindering project development (Asen & Bunn, 2021).
- Financial transaction taxes: These are applied to the value of financial asset transactions. Depending on the legislation of each country, these taxes may be borne by the buyer or seller. In any case, such taxes slow down transactions, making them more complex and less efficient (Anthony et al., 2012).

For each of these variables, countries that impose these taxes receive a score of zero, while those that do not receive the full score available.

### B.5. International Taxes

International taxes refer to the tax regulations applied to companies operating across multiple countries. The design of this regulatory framework can influence the willingness of foreign companies to expand their activities in a specific country. Restrictive tax policies tend to have negative effects on a nation's investment levels and overall production. The Comprehensive Tax Index divides the study of this component into four categories: International Exemptions, Tax Withholding, Tax Treaties, and International Tax Regulations.

#### B.5.1. International Exemptions

Ideally, a country's tax laws should be designed to tax only the income generated within its borders. Such systems are known as territorial. Conversely, tax systems that impose taxes on income generated both domestically and abroad are referred to as worldwide systems. Worldwide tax systems discourage investment because businesses operating under such systems are at a disadvantage compared to those based in countries with territorial systems (Kohlhase & Pierk, 2020).

To determine whether a tax system is territorial, the degree of exemptions for dividends and capital gains allowed under the system must be analyzed. A perfectly territorial system fully exempts dividend and capital gains payments made by a subsidiary to its parent company when they are based in different countries. The Comprehensive Tax Index assigns higher scores to countries that allow higher levels of exemptions for foreign dividends and capital gains without restrictions.

#### B.5.2. Tax Withholding

When a company pays dividends, interest, or royalties to foreign investors, a portion of these payments is withheld as taxes, reducing the taxable amount and its return. To compensate for these losses, companies sometimes increase the value of these payments beyond what is necessary (Asen & Bunn, 2021). High withholding tax rates lead to greater losses for businesses, foreign investors, or both, discouraging investment and resulting in inefficient resource allocation. Therefore, countries with high withholding rates on dividends, interest, and royalties receive lower scores in the Comprehensive Tax Index.

#### B.5.3. Tax Treaties

International tax treaties, also known as agreements, are established between two countries or groups of countries to prevent the issue of double taxation in an international context. These treaties ensure that an individual or company does not pay taxes twice on the same income. Countries with a higher number of signed tax treaties are less likely to encounter issues of double taxation, making them more attractive destinations for investment projects from companies and individuals (Lejour, 2014). As a result, such countries receive higher scores in the Comprehensive Tax Index.

#### B.5.4. International Tax Regulations

The final element to analyze involves tax regulations aimed at preventing tax avoidance by companies, which limit the extent to which businesses can reduce their tax obligations. More restrictive tax systems can discourage foreign investment, hindering a country's development (Asen & Bunn, 2021). The analysis of these regulations is divided into two parts:

- Controlled Foreign Companies (CFC) Rules: These rules target companies that, while registered and operating in a specific country, have their tax residency in another country to benefit from lower tax rates.

  To prevent revenue loss, many jurisdictions implement CFC rules that limit the ability of businesses to fully benefit from the tax competitiveness of the country where they reside, reducing the potential of their investment projects (Egger & Wamser, 2015).

Countries with CFC rules receive lower scores than those without them. To offset this negative impact, the Comprehensive Tax Index assigns higher scores to countries that limit CFC rules to passive income rather than total income. Additionally, countries that allow exemptions within their CFC rules also receive higher scores.

- Interest Deduction Limitations: These limitations can take several forms, including transfer pricing restrictions, thin capitalization rules, and constraints based on debt-to-equity ratios or interest-to-earnings before taxes. Of these, transfer pricing rules create the least economic distortion, followed by thin capitalization rules, debt-to-equity ratio rules, and interest-to-earnings limitations, which severely distort the economy.

  The Comprehensive Tax Index scores this variable as follows: Countries that impose no limitations or limit them solely to transfer pricing receive the highest score. Countries with limitations based on debt-to-equity ratios receive half the available score. Countries with interest-to-earnings limitations receive a score of zero. Countries with informal thin capitalization rules receive an average score of the two highest categories, or 3/4 of the total score.

## VI.3. Annex C: Scores, score determination, and data used in the investigation.

**Table C.1.: Corporate tax scores (1).**

| | | Corporate tax rates | | Cost recovery | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Country** | **Component score** | Category score | *Top Marginal Corporate Tax Rate* | Category score | *Loss Carryback* | *Loss Carryforward* | *Buildings* | *Machinery* | *Intangibles* |
| **Argentina** | **6.46** | 0.00 | *0.00* | 1.73 | *0.00* | *0.48* | *0.02* | *0.10* | *0.19* |
| **Bolivia** | **8.32** | 2.67 | *2.67* | 1.52 | *0.00* | *0.24* | *0.02* | *0.12* | *0.19* |
| **Brazil** | **10.27** | 5.33 | *5.33* | 1.75 | *0.00* | *0.95* | *0.04* | *0.10* | *0.19* |
| **Chile** | **10.40** | 2.13 | *2.13* | 2.47 | *0.00* | *0.95* | *0.02* | *0.06* | *0.95* |
| **Colombia** | **6.79** | 0.00 | *0.00* | 1.67 | *0.00* | *0.71* | *0.19* | *0.10* | *0.19* |
| **Costa Rica** | **9.18** | 1.33 | *1.33* | 1.29 | *0.00* | *0.24* | *0.48* | *0.10* | *0.00* |
| **Ecuador** | **8.64** | 1.87 | *1.87* | 1.89 | *0.00* | *0.48* | *0.05* | *0.10* | *0.32* |
| **El Salvador** | **8.01** | 1.33 | *1.33* | 0.71 | *0.00* | *0.00* | *0.05* | *0.19* | *0.00* |
| **Guatemala** | **7.64** | 2.67 | *2.67* | 0.90 | *0.00* | *0.00* | *0.05* | *0.19* | *0.19* |
| **Honduras** | **7.24** | 2.67 | *2.67* | 2.33 | *0.00* | *0.24* | *0.10* | *0.10* | *0.95* |
| **Mexico** | **9.42** | 1.33 | *1.33* | 1.79 | *0.00* | *0.71* | *0.05* | *0.24* | *0.31* |
| **Nicaragua** | **6.70** | 1.33 | *1.33* | 1.79 | *0.00* | *0.24* | *0.10* | *0.19* | *0.31* |
| **Panama** | **10.03** | 2.67 | *2.67* | 1.30 | *0.00* | *0.48* | *0.03* | *0.31* | *0.00* |
| **Paraguay** | **13.70** | 6.67 | *6.67* | 1.38 | *0.00* | *0.48* | *0.05* | *0.19* | *0.19* |
| **Peru** | **6.74** | 1.47 | *1.47* | 1.31 | *0.00* | *0.60* | *0.05* | *0.19* | *0.00* |
| **Dominican Rep.** | **10.82** | 2.13 | *2.13* | 2.67 | *0.00* | *0.48* | *0.05* | *0.24* | *0.95* |
| **Uruguay** | **10.74** | 2.67 | *2.67* | 1.84 | *0.00* | *0.48* | *0.03* | *0.19* | *0.19* |
| **Venezuela** | **6.80** | 0.27 | *0.27* | 1.50 | *0.00* | *0.24* | *0.03* | *0.10* | *0.19* |

**Table C.2.: Corporate tax scores (2).**

| | Cost recovery (Continuation) | | Tax Incentives and Complexity | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Country** | *Inventory valuation* | *Allowance for Corporate Equity* | Category score | *Patent box* | *Implied Tax Subsidy Rates on R&D Expenditures* | *Bureaucracy to start a business* | *Bureaucracy to keep a business afloat* | *Surtax* |
| **Argentina** | *0.95* | *0.00* | 4.72 | *0.00* | *1.28* | *1.12* | *0.99* | *1.33* |
| **Bolivia** | *0.95* | *0.00* | 4.13 | *1.33* | *0.98* | *1.25* | *0.57* | *0.00* |
| **Brazil** | *0.48* | *0.00* | 3.19 | *0.00* | *0.67* | *1.31* | *1.21* | *0.00* |
| **Chile** | *0.48* | *0.00* | 5.79 | *1.33* | *0.57* | *1.23* | *1.33* | *1.33* |
| **Colombia** | *0.48* | *0.00* | 5.13 | *1.33* | *1.28* | *1.18* | *0.00* | *1.33* |
| **Costa Rica** | *0.48* | *0.00* | 6.56 | *1.33* | *1.28* | *1.29* | *1.32* | *1.33* |
| **Ecuador** | *0.95* | *0.00* | 4.88 | *1.33* | *1.03* | *1.29* | *1.23* | *0.00* |
| **El Salvador** | *0.48* | *0.00* | 5.96 | *1.33* | *0.91* | *1.27* | *1.12* | *1.33* |
| **Guatemala** | *0.48* | *0.00* | 4.07 | *1.33* | *0.91* | *0.89* | *0.94* | *0.00* |
| **Honduras** | *0.95* | *0.00* | 2.24 | *1.33* | *0.91* | *0.00* | *0.00* | *0.00* |
| **Mexico** | *0.48* | *0.00* | 6.30 | *1.33* | *1.19* | *1.30* | *1.14* | *1.33* |
| **Nicaragua** | *0.95* | *0.00* | 3.58 | *1.33* | *0.91* | *0.00* | *0.00* | *1.33* |
| **Panama** | *0.48* | *0.00* | 6.06 | *1.33* | *1.03* | *1.03* | *1.33* | *1.33* |
| **Paraguay** | *0.48* | *0.00* | 5.65 | *1.33* | *0.91* | *1.30* | *0.78* | *1.33* |
| **Peru** | *0.48* | *0.00* | 3.97 | *1.33* | *0.00* | *1.20* | *0.10* | *1.33* |
| **Dominican Rep.** | *0.95* | *0.00* | 6.02 | *1.33* | *0.86* | *1.30* | *1.19* | *1.33* |
| **Uruguay** | *0.95* | *0.00* | 6.24 | *1.33* | *1.06* | *1.27* | *1.24* | *1.33* |
| **Venezuela** | *0.95* | *0.00* | 5.03 | *1.33* | *0.86* | *0.67* | *0.83* | *1.33* |

**Table C.3.: Individual tax scores (1).**

| | | **Ordinary Income Taxes** | | | | |
|---|---|---|---|---|---|---|
| **Country** | **Component score** | Category score | *Top Marginal Income Tax Rate* | *Average Income Tax Rate* | *Top Income Tax Rate Threshold* | *Ratio of Marginal to Average Tax Wedge* |
| **Argentina** | **15.37** | 3.79 | *0.72* | *0.05* | *1.67* | *1.36* |
| **Bolivia** | **17.77** | 5.47 | *1.46* | *1.06* | *1.67* | *1.27* |
| **Brazil** | **16.25** | 4.70 | *0.97* | *0.39* | *1.67* | *1.67* |
| **Chile** | **9.01** | 2.03 | *0.55* | *1.48* | *0.00* | *0.00* |
| **Colombia** | **14.53** | 3.57 | *0.58* | *0.79* | *1.47* | *0.74* |
| **Costa Rica** | **15.77** | 4.81 | *1.06* | *0.97* | *1.54* | *1.24* |
| **Ecuador** | **13.29** | 3.92 | *0.65* | *1.44* | *0.48* | *1.36* |
| **El Salvador** | **17.05** | 4.91 | *0.89* | *1.20* | *1.30* | *1.52* |
| **Guatemala** | **18.07** | 5.93 | *1.67* | *1.44* | *1.59* | *1.23* |
| **Honduras** | **16.88** | 5.13 | *1.06* | *0.97* | *1.54* | *1.56* |
| **Mexico** | **15.84** | 4.09 | *0.72* | *0.68* | *1.55* | *1.15* |
| **Nicaragua** | **15.33** | 4.38 | *0.89* | *0.97* | *1.48* | *1.04* |
| **Panama** | **16.52** | 5.18 | *1.06* | *0.97* | *1.54* | *1.60* |
| **Paraguay** | **17.64** | 5.73 | *1.56* | *1.30* | *1.62* | *1.25* |
| **Peru** | **15.47** | 4.91 | *0.89* | *1.02* | *1.46* | *1.55* |
| **Dominican Rep.** | **15.29** | 4.73 | *1.06* | *0.74* | *1.62* | *1.31* |
| **Uruguay** | **15.80** | 3.97 | *0.68* | *0.00* | *1.67* | *1.63* |
| **Venezuela** | **11.73** | 3.79 | *0.75* | *0.09* | *1.67* | *1.28* |

**Table C.4.: Individual tax scores (2).**

| | Capital Gains and Dividends taxes | | | Complexity | |
|---|---|---|---|---|---|
| **Country** | Category score | *Top Marginal Capital Gains Tax Rate* | *Top Marginal Dividend Tax Rate* | Category score | *Surtax* |
| **Argentina** | 4.92 | *2.14* | *2.78* | 6.67 | *6.67* |
| **Bolivia** | 5.63 | *2.30* | *3.33* | 6.67 | *6.67* |
| **Brazil** | 4.88 | *1.55* | *3.33* | 6.67 | *6.67* |
| **Chile** | 0.32 | *0.16* | *0.16* | 6.67 | *6.67* |
| **Colombia** | 4.29 | *2.14* | *2.14* | 6.67 | *6.67* |
| **Costa Rica** | 4.29 | *2.14* | *2.14* | 6.67 | *6.67* |
| **Ecuador** | 2.70 | *2.30* | *0.40* | 6.67 | *6.67* |
| **El Salvador** | 5.48 | *2.54* | *2.94* | 6.67 | *6.67* |
| **Guatemala** | 5.48 | *2.54* | *2.94* | 6.67 | *6.67* |
| **Honduras** | 5.08 | *2.54* | *2.54* | 6.67 | *6.67* |
| **Mexico** | 5.08 | *2.54* | *2.54* | 6.67 | *6.67* |
| **Nicaragua** | 4.29 | *2.14* | *2.14* | 6.67 | *6.67* |
| **Panama** | 4.68 | *2.54* | *2.14* | 6.67 | *6.67* |
| **Paraguay** | 5.24 | *2.70* | *2.54* | 6.67 | *6.67* |
| **Peru** | 3.89 | *0.95* | *2.94* | 6.67 | *6.67* |
| **Dominican Rep.** | 3.89 | *1.35* | *2.54* | 6.67 | *6.67* |
| **Uruguay** | 5.16 | *2.38* | *2.78* | 6.67 | *6.67* |
| **Venezuela** | 1.27 | *0.63* | *0.63* | 6.67 | *6.67* |

**Table C.5.: Consumption tax scores.**

| | | Consumption Tax Rate | | Consumption Tax Base | | |
|---|---|---|---|---|---|---|
| **Country** | **Component score** | Category score | *VAT tax rate* | Category score | *VAT/Sales Tax Threshold* | *VAT Base as a Percent of Consumption* |
| **Argentina** | **3.46** | 2.22 | *2.22* | 1.24 | *0.00* | *1.24* |
| **Bolivia** | **13.92** | 6.67 | *6.67* | 7.25 | *5.00* | *2.25* |
| **Brazil** | **6.55** | 0.00 | *0.00* | 6.55 | *5.00* | *1.55* |
| **Chile** | **12.32** | 3.33 | *3.33* | 8.99 | *5.00* | *3.99* |
| **Colombia** | **8.56** | 3.33 | *3.33* | 5.23 | *5.00* | *0.23* |
| **Costa Rica** | **11.92** | 6.67 | *6.67* | 5.25 | *5.00* | *0.25* |
| **Ecuador** | **14.50** | 5.56 | *5.56* | 8.94 | *5.00* | *3.94* |
| **El Salvador** | **14.64** | 6.67 | *6.67* | 7.98 | *5.00* | *2.98* |
| **Guatemala** | **12.48** | 7.22 | *7.22* | 5.26 | *5.00* | *0.26* |
| **Honduras** | **15.03** | 5.56 | *5.56* | 9.48 | *5.00* | *4.48* |
| **Mexico** | **12.98** | 5.00 | *5.00* | 7.98 | *5.00* | *2.98* |
| **Nicaragua** | **15.46** | 5.56 | *5.56* | 9.91 | *5.00* | *4.91* |
| **Panama** | **11.43** | 10.00 | *10.00* | 1.43 | *0.00* | *1.43* |
| **Paraguay** | **18.24** | 8.33 | *8.33* | 9.91 | *5.00* | *4.91* |
| **Peru** | **12.95** | 3.89 | *3.89* | 9.06 | *5.00* | *4.06* |
| **Dominican Rep.** | **11.33** | 3.89 | *3.89* | 7.44 | *5.00* | *2.44* |
| **Uruguay** | **6.99** | 1.67 | *1.67* | 5.33 | *5.00* | *0.33* |
| **Venezuela** | **10.59** | 5.00 | *5.00* | 5.59 | *5.00* | *0.59* |

**Table C.6.: Property tax scores (1).**

| Country | Component score | Category score | *Real Property or Land Tax* | *Real Property Taxes Deductible* | *Real Property Taxes as a Percentage of Capital Stock* | Category score | *Net Wealth Tax* | *Estate and Inheritance Tax* |
|---|---|---|---|---|---|---|---|---|
| | | Real Property Taxes | | | | Real Property Taxes | | |
| **Argentina** | **3.82** | 2.16 | *0.00* | *1.11* | *1.04* | 0.00 | *0.00* | *0.00* |
| **Bolivia** | **6.11** | 1.11 | *0.00* | *0.00* | *1.11* | 1.67 | *0.00* | *1.67* |
| **Brazil** | **10.52** | 2.18 | *0.00* | *1.11* | *1.07* | 5.00 | *3.33* | *1.67* |
| **Chile** | **8.86** | 2.19 | *0.00* | *1.11* | *1.08* | 3.33 | *3.33* | *0.00* |
| **Colombia** | **2.17** | 2.17 | *0.00* | *1.11* | *1.06* | 0.00 | *0.00* | *0.00* |
| **Costa Rica** | **12.20** | 2.20 | *0.00* | *1.11* | *1.09* | 6.67 | *3.33* | *3.33* |
| **Ecuador** | **8.89** | 2.22 | *0.00* | *1.11* | *1.11* | 1.67 | *0.00* | *1.67* |
| **El Salvador** | **15.56** | 5.56 | *3.33* | *1.11* | *1.11* | 6.67 | *3.33* | *3.33* |
| **Guatemala** | **8.89** | 2.22 | *0.00* | *1.11* | *1.11* | 3.33 | *3.33* | *0.00* |
| **Honduras** | **7.77** | 1.10 | *0.00* | *0.00* | *1.10* | 3.33 | *0.00* | *3.33* |
| **Mexico** | **13.89** | 2.22 | *0.00* | *1.11* | *1.11* | 6.67 | *3.33* | *3.33* |
| **Nicaragua** | **11.11** | 1.11 | *0.00* | *0.00* | *1.11* | 3.33 | *3.33* | *0.00* |
| **Panama** | **13.89** | 2.22 | *0.00* | *1.11* | *1.11* | 6.67 | *3.33* | *3.33* |
| **Paraguay** | **12.22** | 2.22 | *0.00* | *1.11* | *1.11* | 6.67 | *3.33* | *3.33* |
| **Peru** | **10.55** | 2.21 | *0.00* | *1.11* | *1.10* | 6.67 | *3.33* | *3.33* |
| **Dominican Rep.** | **2.77** | 1.10 | *0.00* | *0.00* | *1.10* | 0.00 | *0.00* | *0.00* |
| **Uruguay** | **7.14** | 2.14 | *0.00* | *1.11* | *1.03* | 3.33 | *0.00* | *3.33* |
| **Venezuela** | **1.11** | 1.11 | *0.00* | *1.11* | *0.00* | 0.00 | *0.00* | *0.00* |

**Table C.7.: Property tax scores (2).**

| | Capital and Asset Taxes | | | | |
|---|---|---|---|---|---|
| **Country** | Category score | *Transfer Taxes* | *Asset Taxes* | *Capital duties* | *Financial transaction tax* |
| **Argentina** | 1.67 | *0.00* | *0.00* | *1.67* | *0.00* |
| **Bolivia** | 3.33 | *0.00* | *0.00* | *1.67* | *1.67* |
| **Brazil** | 3.33 | *0.00* | *1.67* | *1.67* | *0.00* |
| **Chile** | 3.33 | *0.00* | *1.67* | *0.00* | *1.67* |
| **Colombia** | 0.00 | *0.00* | *0.00* | *0.00* | *0.00* |
| **Costa Rica** | 3.33 | *0.00* | *0.00* | *1.67* | *1.67* |
| **Ecuador** | 5.00 | *1.67* | *0.00* | *1.67* | *1.67* |
| **El Salvador** | 3.33 | *0.00* | *0.00* | *1.67* | *1.67* |
| **Guatemala** | 3.33 | *0.00* | *0.00* | *1.67* | *1.67* |
| **Honduras** | 3.33 | *0.00* | *0.00* | *1.67* | *1.67* |
| **Mexico** | 5.00 | *0.00* | *1.67* | *1.67* | *1.67* |
| **Nicaragua** | 6.67 | *1.67* | *1.67* | *1.67* | *1.67* |
| **Panama** | 5.00 | *0.00* | *1.67* | *1.67* | *1.67* |
| **Paraguay** | 3.33 | *1.67* | *0.00* | *0.00* | *1.67* |
| **Peru** | 1.67 | *0.00* | *0.00* | *1.67* | *0.00* |
| **Dominican Rep.** | 1.67 | *0.00* | *0.00* | *0.00* | *1.67* |
| **Uruguay** | 1.67 | *0.00* | *0.00* | *0.00* | *1.67* |
| **Venezuela** | 0.00 | *0.00* | *0.00* | *0.00* | *0.00* |

### Table C.8.: International tax scores (1)

| Country | Component score | Participation Exemption: Category score | *Dividend Exemption* | *Capital Gains Exemption* | *Country Limitations* | Withholding Taxes: Category score | *Dividend Withholding Tax* | *Interest Withholding Tax* | *Royalties Withholding Tax* |
|---|---|---|---|---|---|---|---|---|---|
| **Argentina** | **6.46** | 0.00 | *0.00* | *0.00* | *0.00* | 1.67 | *1.33* | *0.00* | *0.33* |
| **Bolivia** | **8.45** | 0.00 | *0.00* | *0.00* | *0.00* | 3.21 | *1.07* | *1.07* | *1.07* |
| **Brasil** | **5.29** | 0.00 | *0.00* | *0.00* | *0.00* | 2.62 | *1.67* | *0.48* | *0.48* |
| **Chile** | **2.91** | 0.00 | *0.00* | *0.00* | *0.00* | 0.24 | *0.00* | *0.00* | *0.24* |
| **Colombia** | **5.64** | 1.67 | *1.67* | *0.00* | *0.00* | 2.14 | *0.71* | *0.71* | *0.71* |
| **Costa Rica** | **12.18** | 5.00 | *1.67* | *1.67* | *1.67* | 2.38 | *0.95* | *0.95* | *0.48* |
| **Ecuador** | **6.66** | 3.33 | *1.67* | *1.67* | *0.00* | 1.34 | *0.96* | *0.48* | *-0.10* |
| **El Salvador** | **5.84** | 0.00 | *0.00* | *0.00* | *0.00* | 1.43 | *0.48* | *0.48* | *0.48* |
| **Guatemala** | **7.95** | 0.00 | *0.00* | *0.00* | *0.00* | 3.57 | *1.43* | *1.19* | *0.95* |
| **Honduras** | **7.86** | 0.00 | *0.00* | *0.00* | *0.00* | 2.86 | *1.19* | *1.19* | *0.48* |
| **Mexico** | **5.06** | 0.00 | *0.00* | *0.00* | *0.00* | 1.19 | *1.19* | *0.00* | *0.00* |
| **Nicaragua** | **7.86** | 0.00 | *0.00* | *0.00* | *0.00* | 2.86 | *0.95* | *0.95* | *0.95* |
| **Panama** | **13.51** | 5.00 | *1.67* | *1.67* | *1.67* | 2.86 | *0.71* | *1.07* | *1.07* |
| **Paraguay** | **6.31** | 0.00 | *0.00* | *0.00* | *0.00* | 1.43 | *0.95* | *0.24* | *0.24* |
| **Peru** | **4.65** | 0.00 | *0.00* | *0.00* | *0.00* | 3.10 | *1.43* | *1.43* | *0.24* |
| **Dominican Rep.** | **7.21** | 0.00 | *0.00* | *0.00* | *0.00* | 2.76 | *1.19* | *1.19* | *0.38* |
| **Uruguay** | **12.74** | 3.33 | *1.67* | *0.00* | *1.67* | 3.52 | *1.33* | *1.10* | *1.10* |
| **Venezuela** | **6.03** | 0.00 | *0.00* | *0.00* | *0.00* | 0.30 | *0.05* | *0.05* | *0.21* |

**Table C.9.: International tax scores (2)**

| | Tax treaties | | Anti-Tax Avoidance Rules | | | | |
|---|---|---|---|---|---|---|---|
| **Country** | Category score | *Tax treaties* | Category score | *Controlled Foreign Corporation (CFC) Rules* | *Income determination for CFC Rules* | *CFC Rules exemptions* | *Interest Deduction Limitations* |
| **Argentina** | 1.04 | *1.04* | 3.75 | *2.50* | *0.63* | *0.63* | *0.00* |
| **Bolivia** | 0.23 | *0.23* | 5.00 | *2.50* | *0.63* | *0.63* | *1.25* |
| **Brazil** | 1.42 | *1.42* | 1.25 | *0.00* | *0.63* | *0.00* | *0.63* |
| **Chile** | 1.42 | *1.42* | 1.25 | *0.00* | *0.63* | *0.00* | *0.63* |
| **Colombia** | 0.58 | *0.58* | 1.25 | *0.00* | *0.63* | *0.00* | *0.63* |
| **Costa Rica** | 0.12 | *0.12* | 4.69 | *2.50* | *0.63* | *0.63* | *0.94* |
| **Ecuador** | 0.73 | *0.73* | 1.25 | *0.00* | *0.63* | *0.63* | *0.00* |
| **El Salvador** | 0.04 | *0.04* | 4.38 | *2.50* | *0.63* | *0.63* | *0.63* |
| **Guatemala** | 0.00 | *0.00* | 4.38 | *2.50* | *0.63* | *0.63* | *0.63* |
| **Honduras** | 0.00 | *0.00* | 5.00 | *2.50* | *0.63* | *0.63* | *1.25* |
| **Mexico** | 2.31 | *2.31* | 1.56 | *0.00* | *0.63* | *0.63* | *0.31* |
| **Nicaragua** | 0.00 | *0.00* | 5.00 | *2.50* | *0.63* | *0.63* | *1.25* |
| **Panama** | 0.65 | *0.65* | 5.00 | *2.50* | *0.63* | *0.63* | *1.25* |
| **Paraguay** | 0.19 | *0.19* | 4.69 | *2.50* | *0.63* | *0.63* | *0.94* |
| **Peru** | 0.31 | *0.31* | 1.25 | *0.00* | *0.63* | *0.63* | *0.00* |
| **Dominican Rep.** | 0.08 | *0.08* | 4.38 | *2.50* | *0.63* | *0.63* | *0.63* |
| **Uruguay** | 0.88 | *0.88* | 5.00 | *2.50* | *0.63* | *0.63* | *1.25* |
| **Venezuela** | 1.35 | *1.35* | 4.38 | *2.50* | *0.63* | *0.63* | *0.63* |

**Table C.10.: Corporate tax scores determination (1)**

| Country | Corporate tax rates | Cost recovery | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Top Marginal Corporate Tax Rate | Loss Carryback | Loss Carryforward | Buildings | Machinery | Intangibles | Inventory valuation | Allowance for Corporate Equity |
| ***Points*** | ***6.67*** | ***0.95*** | ***0.95*** | ***0.95*** | ***0.95*** | ***0.95*** | ***0.95*** | ***0.95*** |
| **Argentina** | 0% | 0% | 50.00% | 2.00% | 10.00% | 20.00% | 100.00% | 0.00% |
| **Bolivia** | 40% | 0% | 25.00% | 2.50% | 12.50% | 20.00% | 100.00% | 0.00% |
| **Brazil** | 80% | 0% | 100.00% | 4.00% | 10.00% | 20.00% | 50.00% | 0.00% |
| **Chile** | 32% | 0% | 100.00% | 2.50% | 6.67% | 100.00% | 50.00% | 0.00% |
| **Colombia** | 0% | 0% | 75.00% | 20.00% | 10.00% | 20.00% | 50.00% | 0.00% |
| **Costa Rica** | 20% | 0% | 25.00% | 50.00% | 10.00% | 0.00% | 50.00% | 0.00% |
| **Ecuador** | 28% | 0% | 50.00% | 5.00% | 10.00% | 33.33% | 100.00% | 0.00% |
| **El Salvador** | 20% | 0% | 0.00% | 5.00% | 20.00% | 0.00% | 50.00% | 0.00% |
| **Guatemala** | 40% | 0% | 0.00% | 5.00% | 20.00% | 20.00% | 50.00% | 0.00% |
| **Honduras** | 40% | 0% | 25.00% | 10.00% | 10.00% | 100.00% | 100.00% | 0.00% |
| **Mexico** | 20% | 0% | 75.00% | 5.00% | 25.00% | 33.00% | 50.00% | 0.00% |
| **Nicaragua** | 20% | 0% | 25.00% | 10.00% | 20.00% | 33.00% | 100.00% | 0.00% |
| **Panama** | 40% | 0% | 50.00% | 3.33% | 33.00% | 0.00% | 50.00% | 0.00% |
| **Paraguay** | 100% | 0% | 50.00% | 5.00% | 20.00% | 20.00% | 50.00% | 0.00% |
| **Peru** | 22% | 0% | 62.50% | 5.00% | 20.00% | 0.00% | 50.00% | 0.00% |
| **Dominican Rep.** | 32% | 0% | 50.00% | 5.00% | 25.00% | 100.00% | 100.00% | 0.00% |
| **Uruguay** | 40% | 0% | 50.00% | 3.00% | 20.00% | 20.00% | 100.00% | 0.00% |
| **Venezuela** | 4% | 0% | 25.00% | 3.00% | 10.00% | 20.00% | 100.00% | 0.00% |

**Table C.11.: Corporate tax scores determination (2)**

| Country | Tax Incentives and Complexity | | | | |
|---|---|---|---|---|---|
| | Patent box | Implied Tax Subsidy Rates on R&D Expenditures | Bureaucracy to start a business | Bureaucracy to keep a business afloat | Surtax |
| ***Points*** | ***1.33*** | ***1.33*** | ***1.33*** | ***1.33*** | ***1.33*** |
| **Argentina** | 0.00% | 96.30% | 84.00% | 74.05% | 100.00% |
| **Bolivia** | 100.00% | 73.63% | 93.86% | 42.46% | 0.00% |
| **Brazil** | 0.00% | 50.00% | 98.06% | 90.99% | 0.00% |
| **Chile** | 100.00% | 42.59% | 92.35% | 99.66% | 100.00% |
| **Colombia** | 100.00% | 96.30% | 88.16% | 0.00% | 100.00% |
| **Costa Rica** | 100.00% | 96.30% | 96.68% | 99.37% | 100.00% |
| **Ecuador** | 100.00% | 77.13% | 96.51% | 92.54% | 0.00% |
| **El Salvador** | 100.00% | 68.30% | 95.08% | 83.82% | 100.00% |
| **Guatemala** | 100.00% | 68.30% | 66.50% | 70.68% | 0.00% |
| **Honduras** | 100.00% | 68.30% | 0.00% | 0.00% | 0.00% |
| **Mexico** | 100.00% | 88.89% | 97.80% | 85.55% | 100.00% |
| **Nicaragua** | 100.00% | 68.30% | 0.00% | 0.00% | 100.00% |
| **Panama** | 100.00% | 77.13% | 77.48% | 100.00% | 100.00% |
| **Paraguay** | 100.00% | 68.30% | 97.30% | 58.42% | 100.00% |
| **Peru** | 100.00% | 0.00% | 90.12% | 7.29% | 100.00% |
| **Dominican Rep.** | 100.00% | 64.81% | 97.43% | 89.13% | 100.00% |
| **Uruguay** | 100.00% | 79.80% | 95.34% | 92.71% | 100.00% |
| **Venezuela** | 100.00% | 64.67% | 49.93% | 62.55% | 100.00% |

**Table C.12.: Individual tax scores determination (1)**

| Country | Ordinary Income Taxes | | | |
|---|---|---|---|---|
| | Top Marginal Income Tax Rate | Average Income Tax Rate | Top Income Tax Rate Threshold | Ratio of Marginal to Average Tax Wedge |
| ***Points*** | ***1.67*** | ***1.67*** | ***1.67*** | ***1.67*** |
| **Argentina** | 42.97% | 2.78% | 100.00% | 81.37% |
| **Bolivia** | 87.78% | 63.89% | 100.00% | 76.40% |
| **Brasil** | 58.25% | 23.61% | 100.00% | 100.00% |
| **Chile** | 32.79% | 88.89% | 0.00% | 0.00% |
| **Colombia** | 34.83% | 47.22% | 88.30% | 44.10% |
| **Costa Rica** | 63.34% | 58.33% | 92.59% | 74.53% |
| **Ecuador** | 38.90% | 86.11% | 28.89% | 81.37% |
| **El Salvador** | 53.16% | 72.22% | 77.78% | 91.30% |
| **Guatemala** | 100.00% | 86.11% | 95.56% | 73.91% |
| **Honduras** | 63.34% | 58.33% | 92.59% | 93.79% |
| **Mexico** | 42.97% | 40.67% | 92.90% | 68.94% |
| **Nicaragua** | 53.16% | 58.33% | 88.89% | 62.32% |
| **Panama** | 63.34% | 58.33% | 92.59% | 96.27% |
| **Paraguay** | 93.89% | 77.78% | 97.22% | 75.16% |
| **Peru** | 53.16% | 61.11% | 87.30% | 93.17% |
| **Dominican Rep.** | 63.34% | 44.44% | 97.22% | 78.88% |
| **Uruguay** | 40.94% | 0.00% | 100.00% | 97.52% |
| **Venezuela** | 45.01% | 5.56% | 100.00% | 77.02% |

**Table C.13.: Individual tax scores determination (2)**

| Country | Capital Gains and Dividends taxes | | Complexity |
|---|---|---|---|
| | Top Marginal Capital Gains Tax Rate | Top Marginal Dividend Tax Rate | Surtax |
| ***Points*** | ***3.33*** | ***3.33*** | ***6.67*** |
| Argentina | 64.29% | 83.33% | 100.00% |
| Bolivia | 69.05% | 100.00% | 100.00% |
| Brasil | 46.43% | 100.00% | 100.00% |
| Chile | 4.76% | 4.76% | 100.00% |
| Colombia | 64.29% | 64.29% | 100.00% |
| Costa Rica | 64.29% | 64.29% | 100.00% |
| Ecuador | 69.05% | 11.90% | 100.00% |
| El Salvador | 76.19% | 88.10% | 100.00% |
| Guatemala | 76.19% | 88.10% | 100.00% |
| Honduras | 76.19% | 76.19% | 100.00% |
| Mexico | 76.19% | 76.19% | 100.00% |
| Nicaragua | 64.29% | 64.29% | 100.00% |
| Panama | 76.19% | 64.29% | 100.00% |
| Paraguay | 80.95% | 76.19% | 100.00% |
| Peru | 28.57% | 88.10% | 100.00% |
| Dominican Rep. | 40.48% | 76.19% | 100.00% |
| Uruguay | 71.43% | 83.33% | 100.00% |
| Venezuela | 19.05% | 19.05% | 100.00% |

**Table C.14.: Consumption tax scores determination**

| Country | Consumption Tax Rate | Consumption Tax Base | |
|---|---|---|---|
| | VAT tax rate | VAT/Sales Tax Threshold | VAT Base as a Percent of Consumption |
| ***Points*** | ***10.00*** | ***5.00*** | ***5.00*** |
| **Argentina** | 22.22% | 0.00% | 24.74% |
| **Bolivia** | 66.67% | 100.00% | 45.02% |
| **Brasil** | 0.00% | 100.00% | 30.98%* |
| **Chile** | 33.33% | 100.00% | 79.76% |
| **Colombia** | 33.33% | 100.00% | 4.51% |
| **Costa Rica** | 66.67% | 100.00% | 5.00% |
| **Ecuador** | 55.56% | 100.00% | 78.79% |
| **El Salvador** | 66.67% | 100.00% | 59.56% |
| **Guatemala** | 72.22% | 100.00% | 5.22% |
| **Honduras** | 55.56% | 100.00% | 89.58% |
| **Mexico** | 50.00% | 100.00% | 59.52% |
| **Nicaragua** | 55.56% | 100.00% | 98.12% |
| **Panama** | 100.00% | 0.00% | 28.61%* |
| **Paraguay** | 83.33% | 100.00% | 98.18% |
| **Peru** | 38.89% | 100.00% | 81.24% |
| **Dominican Rep.** | 38.89% | 100.00% | 48.83% |
| **Uruguay** | 16.67% | 100.00% | 6.53% |
| **Venezuela** | 50.00% | 100.00% | 11.88% |

*The available score for this variable was limited to 50% due to the unavailability of updated information in these countries.

**Table C.15.: Property tax scores determination**

| Country | Real Property Taxes | | | Wealth and Estate Taxes | | Capital and Asset Taxes | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Real Property or Land Tax | Real Property Taxes Deductible | Real Property Taxes as a percentage of Capital Stock* | Net Wealth Tax | Estate and Inheritance Tax | Transfer Taxes | Asset Taxes | Capital duties | Financial transaction tax |
| ***Points*** | ***3.33*** | ***1.11***** | ***2.22*** | ***3.33*** | ***3.33*** | ***1.67*** | ***1.67*** | ***1.67*** | ***1.67*** |
| **Argentina** | 0.00% | 100.00% | 46.99% | 0.00% | 0.00% | 0.00% | 0.00% | 100.00% | 0.00% |
| **Bolivia** | 0.00% | 0.00% | 49.90% | 0.00% | 50.00% | 0.00% | 0.00% | 100.00% | 100.00% |
| **Brazil** | 0.00% | 100.00% | 48.23% | 100.00% | 50.00% | 0.00% | 100.00% | 100.00% | 0.00% |
| **Chile** | 0.00% | 100.00% | 48.75% | 100.00% | 0.00% | 0.00% | 100.00% | 0.00% | 100.00% |
| **Colombia** | 0.00% | 100.00% | 47.61% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Costa Rica** | 0.00% | 100.00% | 49.06% | 100.00% | 100.00% | 0.00% | 0.00% | 100.00% | 100.00% |
| **Ecuador** | 0.00% | 100.00% | 49.90% | 0.00% | 50.00% | 100.00% | 0.00% | 100.00% | 100.00% |
| **El Salvador** | 100.00% | 100.00% | 50.00% | 100.00% | 100.00% | 0.00% | 0.00% | 100.00% | 100.00% |
| **Guatemala** | 0.00% | 100.00% | 49.90% | 100.00% | 0.00% | 0.00% | 0.00% | 100.00% | 100.00% |
| **Honduras** | 0.00% | 0.00% | 49.58% | 0.00% | 100.00% | 0.00% | 0.00% | 100.00% | 100.00% |
| **Mexico** | 0.00% | 100.00% | 49.90% | 100.00% | 100.00% | 0.00% | 100.00% | 100.00% | 100.00% |
| **Nicaragua** | 0.00% | 0.00% | 50.00% | 100.00% | 0.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| **Panama** | 0.00% | 100.00% | 49.90% | 100.00% | 100.00% | 0.00% | 100.00% | 100.00% | 100.00% |
| **Paraguay** | 0.00% | 100.00% | 50.00% | 100.00% | 100.00% | 100.00% | 0.00% | 0.00% | 100.00% |
| **Peru** | 0.00% | 100.00% | 49.58% | 100.00% | 100.00% | 0.00% | 0.00% | 100.00% | 0.00% |
| **Dominican Rep.** | 0.00% | 0.00% | 49.48% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 100.00% |
| **Uruguay** | 0.00% | 100.00% | 46.47% | 0.00% | 100.00% | 0.00% | 0.00% | 0.00% | 100.00% |
| **Venezuela** | 0.00% | 100.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

* The available score for this variable was limited to 50% due to the unavailability of updated information in these countries.

** The available score of this variable was reduced by half because it is dependent on the result of "Real Property or Land Tax", which receives a higher available score as a result.

## Table C.16.: International tax scores determination

| Country | Participation Exemption | | | Withholding Taxes | | | Tax treaties | Anti-Tax Avoidance Rules | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dividend Exemption | Capital Gains Exemption | Country Limitations | Dividend Withholding Tax | Interest Withholding Tax | Royalties Withholding Tax | Tax treaties | Controlled Foreign Corporation (CFC) Rules | Income determination for CFC Rules | CFC Rules exemptions | Interest Deduction Limitations |
| ***Points*** | ***1.67*** | ***1.67*** | ***1.67*** | ***1.67*** | ***1.67*** | ***1.67*** | ***5.00*** | ***2.50*** | ***0.63***** | ***0.63***** | ***1.25*** |
| **Argentina** | 0% | 0% | 0.00% | 80.00% | 0.00% | 20.00% | 20.77% | 100.00% | 100.00% | 100.00% | 0.00% |
| **Bolivia** | 0% | 0% | 0.00% | 64.29% | 64.29% | 64.29% | 4.62% | 100.00% | 100.00% | 100.00% | 100.00% |
| **Brazil** | 0% | 0% | 0.00% | 100.00% | 28.57% | 28.57% | 28.46% | 0.00% | 100.00% | 0.00% | 50.00% |
| **Chile** | 0% | 0% | 0.00% | 0.00% | 0.00% | 14.29% | 28.46% | 0.00% | 100.00% | 0.00% | 50.00% |
| **Colombia** | 100% | 0% | 0.00% | 42.86% | 42.86% | 42.86% | 11.54% | 0.00% | 100.00% | 0.00% | 50.00% |
| **Costa Rica** | 100% | 100% | 100.00% | 57.14% | 57.14% | 28.57% | 2.31% | 100.00% | 100.00% | 100.00% | 75.00% |
| **Ecuador** | 100% | 100% | 0.00% | 57.71% | 28.57% | -5.71% | 14.62% | 0.00% | 100.00% | 100.00% | 0.00% |
| **El Salvador** | 0% | 0% | 0.00% | 28.57% | 28.57% | 28.57% | 0.77% | 100.00% | 100.00% | 100.00% | 50.00% |
| **Guatemala** | 0% | 0% | 0.00% | 85.71% | 71.43% | 57.14% | 0.00% | 100.00% | 100.00% | 100.00% | 50.00% |
| **Honduras** | 0% | 0% | 0.00% | 71.43% | 71.43% | 28.57% | 0.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| **Mexico** | 0% | 0% | 0.00% | 71.43% | 0.00% | 0.00% | 46.15% | 0.00% | 100.00% | 100.00% | 25.00% |
| **Nicaragua** | 0% | 0% | 0.00% | 57.14% | 57.14% | 57.14% | 0.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| **Panama** | 100% | 100% | 100.00% | 42.86% | 64.29% | 64.29% | 13.08% | 100.00% | 100.00% | 100.00% | 100.00% |
| **Paraguay** | 0% | 0% | 0.00% | 57.14% | 14.29% | 14.29% | 3.85% | 100.00% | 100.00% | 100.00% | 75.00% |
| **Peru** | 0% | 0% | 0.00% | 85.71% | 85.74% | 14.29% | 6.15% | 0.00% | 100.00% | 100.00% | 0.00% |
| **Dominican Rep.** | 0% | 0% | 0.00% | 71.43% | 71.43% | 22.86% | 1.54% | 100.00% | 100.00% | 100.00% | 50.00% |
| **Uruguay** | 100% | 0% | 100.00% | 80.00% | 65.71% | 65.71% | 17.69% | 100.00% | 100.00% | 100.00% | 100.00% |
| **Venezuela** | 0% | 0% | 0.00% | 2.86% | 2.86% | 12.57% | 26.92% | 100.00% | 100.00% | 100.00% | 50.00% |

* The available score for these variables was reduced by half because it is dependent on the result of "Controlled Foreign Corporation (CFC) Rules", which receives a higher available score as a result.

**Table C.17.: Corporate tax data(1)**

| Country | Corporate tax rates | Cost recovery | |
|---|---|---|---|
| | Top Marginal Corporate Tax Rate | Loss Carryback (Number of years) | Loss Carryforward (Number of years) |
| **Argentina** | 35.00% | Not allowed | 5 |
| **Bolivia** | 25.00% | Not allowed | 3 (companies with share capital of less than BOB 1 million are allowed for 5) |
| **Brazil** | 15.00% | Not allowed | No time limit (limited to 30% of the taxable income of the amount prior to the tax loss carryforward) |
| **Chile** | 27.00% | Not allowed | No time limits |
| **Colombia** | 35.00% | Not allowed | 12 (but those generated up to 2016 are unlimited) |
| **Costa Rica** | 30.00% | Not allowed | 3 (companies in the agricultural sector have their function extended to 5 years) |
| **Ecuador** | 28.00% | Not allowed | 5 (but limited to 25% of the taxable income) |
| **El Salvador** | 30.00% | Not allowed | Not allowed |
| **Guatemala** | 25.00% | Not allowed | Not allowed |
| **Honduras** | 25.00% | Not allowed | 3 (but limited to agriculture, manufacturing, mining, and tourism companies) |
| **Mexico** | 30.00% | Not allowed | 10 (companies that exploit and produce hydrocarbons in offshore waters, with a minimum depth of 500m, have their function extended to 15 years) |
| **Nicaragua** | 30.00% | Not allowed | 3 |
| **Panama** | 25.00% | Not allowed | 5 (at a rate of 20% each year, but limited to 50% of taxable income) |
| **Paraguay** | 10.00% | Not allowed | 5 (but limited to 20% of taxable income) |
| **Peru** | 29.50% | Not allowed | A: Against net income generated within the next four tax years following the year in which the loss was incurred, any loss not offset within that period cannot be carried forward to any future year.<br>B: Against 50% of the net income generated in the following tax years after the year in which the loss was incurred, there are no time limitations for carrying forward losses. |
| **Dominican Rep.** | 27.00% | Not allowed | 5 (at a rate of 20% each year, limited to 80% of the taxable income of the fourth year, and 70% of the taxable income of the fifth year) |
| **Uruguay** | 25.00% | Not allowed | 5 |
| **Venezuela** | 34.00% | Not allowed | 3 (limited to 25% of taxable income) |

**Table C.18.: Corporate tax data (2)**

| Country | Cost recovery (continuation) | | | | |
|---|---|---|---|---|---|
| | Buildings | Machinery | Intangibles | Inventory valuation | Allowance for Corporate Equity |
| **Argentina** | 2.00% | 10.00% | 20.00% | Last purchase | No |
| **Bolivia** | 2.50% | 12.50% | 20.00% | Replacement cost or Market value | No |
| **Brazil** | 4.00% | 10.00% | 20.00% | Average cost | No |
| **Chile** | 2.50% | 6.67% | 100% (depends on the useful life) | Average cost | No |
| **Colombia** | 20.00% | 10.00% | 20.00% | Average cost | No |
| **Costa Rica** | 50.00% | 10.00% | 0.00% | Average cost | No |
| **Ecuador** | 5.00% | 10.00% | 33.33% | LIFO | No |
| **El Salvador** | 5.00% | 20.00% | 0% | Average cost | No |
| **Guatemala** | 5.00% | 20.00% | 20.00% | Average cost | No |
| **Honduras** | 10.00% | 10.00% | 100% (depends on the useful life) | LIFO | No |
| **Mexico** | 5.00% | 25.00% | 33.00% | Average cost | No |
| **Nicaragua** | 10.00% | 20.00% | 33.00% | LIFO | No |
| **Panama** | 3.33% | 33.00% | 0% | Average cost | No |
| **Paraguay** | 5.00% | 20.00% | 20.00% | Average cost | No |
| **Peru** | 5.00% | 20.00% | 0% | Average cost | No |
| **Dominican Rep.** | 5.00% | 25.00% | 100% (depends on the useful life) | LIFO | No |
| **Uruguay** | 3.00% | 20.00% | 20.00% | LIFO | No |
| **Venezuela** | 3% | 10% | 20% | LIFO | No |

**Table C.19.: Corporate tax data (3)**

| Country | Tax Incentives and Complexity | | | | |
|---|---|---|---|---|---|
| | Patent box | Implied Tax Subsidy Rates on R&D Expenditures | Bureaucracy to start a business | Bureaucracy to keep a business afloat | Surtax |
| **Argentina** | Yes | -0.02% | 2513.00 | 862.00 | No |
| **Bolivia** | No | -0.14% | 1184.00 | 1612.00 | Yes |
| **Brazil** | Yes | 0.27% | 618.00 | 460.00 | Yes |
| **Chile** | No | 0.31% | 1387.00 | 254.00 | No |
| **Colombia** | No | -0.02% | 1952.00 | 2620.00 | No |
| **Costa Rica** | No | -0.02% | 804.00 | 261.00 | No |
| **Ecuador** | No | -0.12% | 827.00 | 423.00 | Yes |
| **El Salvador** | No | -0.17% | 1019.00 | 630.00 | No |
| **Guatemala** | No | -0.17% | 4872.00 | 942.00 | Yes |
| **Honduras** | No | -0.17% | N/D | N/D | Yes |
| **Mexico** | No | 0.06% | 652.00 | 589.00 | No |
| **Nicaragua** | No | -0.17% | N/D | N/D | No |
| **Panama** | No | -0.12% | 3392.00 | 246.00 | No |
| **Paraguay** | No | -0.17% | 720.00 | 1233.00 | No |
| **Peru** | No | 0.54% | 1688.00 | 2447.00 | No |
| **Dominican Rep.** | No | -0.19% | 703.00 | 504.00 | No |
| **Uruguay** | No | -0.11% | 984.00 | 419.00 | No |
| **Venezuela** | No | -0.19% | 7106.00 | 1135.00 | No |

N/D: Data not available.

**Table C.20.: Individual tax data (1)**

| Country | Ordinary Income Taxes | | | |
|---|---|---|---|---|
| | Top Marginal Income Tax Rate | Average Income Tax Rate | Top Income Tax Rate Threshold | Ratio of Marginal to Average Tax Wedge |
| **Argentina** | 35.00% | 35.00% | 1.00 | 81.37% |
| **Bolivia** | 13.00% | 13.00% | 1.00 | 76.40% |
| **Brazil** | 27.50% | 27.50% | 1.00 | 100.00% |
| **Chile** | 40.00% | 4.00% | 10.00 | 0.00% |
| **Colombia** | 39.00% | 19.00% | 2.05 | 44.10% |
| **Costa Rica** | 25.00% | 15.00% | 1.67 | 74.53% |
| **Ecuador** | 37.00% | 5.00% | 7.40 | 81.37% |
| **El Salvador** | 30.00% | 10.00% | 3.00 | 91.30% |
| **Guatemala** | 7.00% | 5.00% | 1.40 | 73.91% |
| **Honduras** | 25.00% | 15.00% | 1.67 | 93.79% |
| **Mexico** | 35.00% | 21.36% | 1.64 | 68.94% |
| **Nicaragua** | 30.00% | 15.00% | 2.00 | 62.32% |
| **Panama** | 25.00% | 15.00% | 1.67 | 96.27% |
| **Paraguay** | 10.00% | 8.00% | 1.25 | 75.16% |
| **Peru** | 30.00% | 14.00% | 2.14 | 93.17% |
| **Dominican Rep.** | 25.00% | 20.00% | 1.25 | 78.88% |
| **Uruguay** | 36.00% | 36.00% | 1.00 | 97.52% |
| **Venezuela** | 34.00% | 34.00% | 1.00 | 77.02% |

**Table C.21.: Individual tax data (2)**

| Country | Capital Gains and Dividends taxes | | Complexity |
|---|---|---|---|
| | Top Marginal Capital Gains Tax Rate | Top Marginal Dividend Tax Rate | Surtax |
| **Argentina** | 15.00% | 7.00% | No |
| **Bolivia** | 13.00% | 0.00% | No |
| **Brazil** | 22.50% | 0.00% | No |
| **Chile** | 40.00% | 40.00% | No |
| **Colombia** | 15.00% | 15.00% | No |
| **Costa Rica** | 15.00% | 15.00% | No |
| **Ecuador** | 13.00% | 37.00% | No |
| **El Salvador** | 10.00% | 5.00% | No |
| **Guatemala** | 10.00% | 5.00% | No |
| **Honduras** | 10.00% | 10.00% | No |
| **Mexico** | 10.00% | 10.00% | No |
| **Nicaragua** | 15.00% | 15.00% | No |
| **Panama** | 10.00% | 15.00% | No |
| **Paraguay** | 8.00% | 10.00% | No |
| **Peru** | 30.00% | 5.00% | No |
| **Dominican Rep.** | 25.00% | 10.00% | No |
| **Uruguay** | 12.00% | 7.00% | No |
| **Venezuela** | 34.00% | 34.00% | No |

**Table C.22.: Consumption tax data**

| Country | Consumption Tax Rate | Consumption Tax Base | |
|---|---|---|---|
| | VAT tax rate | VAT/Sales Tax Threshold | VAT Base as a Percent of Consumption |
| **Argentina** | 21.00% | Yes, of ARS 3,000.00 for goods; or ARS 2,000.00 for services. | 24.74% |
| **Bolivia** | 13.00% | No | 45.02% |
| **Brazil** | 25.00% | No | 61.97% |
| **Chile** | 19.00% | No | 79.76% |
| **Colombia** | 19.00% | No | 4.51% |
| **Costa Rica** | 13.00% | No | 5.00% |
| **Ecuador** | 15.00% | No | 121.21% |
| **El Salvador** | 13.00% | No | 140.44% |
| **Guatemala** | 12.00% | No | 5.22% |
| **Honduras** | 15.00% | No | 89.58% |
| **Mexico** | 16.00% | No | 59.52% |
| **Nicaragua** | 15.00% | No | 98.12% |
| **Panama** | 7.00% | Yes, of USD 36.000,00 | 57.22% |
| **Paraguay** | 10.00% | No | 98.18% |
| **Peru** | 18.00% | No | 81.24% |
| **Dominican Rep.** | 18.00% | No | 48.83% |
| **Uruguay** | 22.00% | No | 6.53% |
| **Venezuela** | 16.00% | No | 11.88% |

## Table C.23.: Property tax data

| Country | Real Property Taxes | | | Wealth and Estate Taxes | | Capital and Asset Taxes | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Real Property or Land Tax | Real Property Taxes Deductible | Real Property Taxes as a Percentage of Capital Stock | Net Wealth Tax | Estate and Inheritance Tax | Transfer Taxes | Asset Taxes | Capital duties | Financial transaction tax |
| **Argentina** | Both, collected by states | Yes | 0.31% | Yes | In Buenos Aires, inheritance and gifts are taxable | Stamp tax | Property tax | No | Yes |
| **Bolivia** | Both, collected by states | No | 0.03% | Yes | Only successions | Yes | Yes | No | No |
| **Brazil** | Both | Yes | 0.19% | Yes | Only successions | Yes | No | No | Yes |
| **Chile** | Both | Yes | 0.14% | No | Both | Stamp tax | No | Yes | No |
| **Colombia** | Both, collected by states | Yes | 0.25% | Yes | Both | Stamp tax | Yes | Taxes on the registration of documents as subscribed capital | Yes |
| **Costa Rica** | Both | Yes | 0.11% | No | None | Yes | Capital gains tax on assets only | No | No |
| **Ecuador** | Both | Yes | 0.03% | Yes | Only successions | No | Yes | No | No |
| **El Salvador** | Only Land | N/A | 0.02% | No | None | Yes | Yes, municipal | No | No |
| **Guatemala** | Both | Yes | 0.03% | No | Both | Yes | Yes | No | No |
| **Honduras** | Both, collected by municipalities | No | 0.06% | Yes | None | Yes | Yes | No | No |
| **Mexico** | Both | Yes | 0.03% | No | None | Yes | No | No | No |
| **Nicaragua** | Both | No | 0.02% | No | Both | No | No | No | No |
| **Panama** | Both | Yes | 0.03% | No | None | Yes | No | No | No |
| **Paraguay** | Both | Yes | 0.02% | No | None | No | Yes | There are fees, but no taxes | No |
| **Peru** | Both | Yes | 0.06% | No | None | Yes | Yes, temporal | No | Yes, temporal |
| **Dominican Rep.** | Both | No | 0.07% | Yes | Both | Yes | Yes | Yes | No |
| **Uruguay** | Both | Yes | 0.36% | Yes | None | Yes | Yes | Yes | No |
| **Venezuela** | Both | Yes | 4.83% | Yes | Both | Yes | Yes | Yes | Yes |

**Table C.24.: International tax data (1)**

| Country | Participation Exemption | | | Withholding Taxes | | |
|---|---|---|---|---|---|---|
| | Dividend exemption | Capital gains exemption | Country Limitations | Dividend Withholding Tax | Interest Withholding Tax | Royalties Withholding Tax |
| **Argentina** | 0.00% | 0.00% | N/A | 7.00% | 35.00% | 28.00% |
| **Bolivia** | 0.00% | 0.00% | N/A | 12.50% | 12.50% | 12.50% |
| **Brazil** | 0.00% | 0.00% | N/A | 0.00% | 25.00% | 25.00% |
| **Chile** | 0.00% | 0.00% | N/A | 35.00% | 35.00% | 30.00% |
| **Colombia** | 100.00% | 0.00% | Only available for holdings | 20.00% | 20.00% | 20.00% |
| **Costa Rica** | 100.00% | 100.00% | None | 15.00% | 15.00% | 25.00% |
| **Ecuador** | 100.00% | 100.00% | The exemptions apply only if the company proves that the respective taxes were paid abroad (exemption not valid for income received from tax havens) | 14.80% | 25.00% | 37.00% |
| **El Salvador** | 0.00% | 0.00% | N/A | 25.00% | 25.00% | 25.00% |
| **Guatemala** | 0.00% | 0.00% | N/A | 5.00% | 10.00% | 15.00% |
| **Honduras** | 0.00% | 0.00% | N/A | 10.00% | 10.00% | 25.00% |
| **Mexico** | 0.00% | 0.00% | N/A | 10.00% | 35.00% | 35.00% |
| **Nicaragua** | 0.00% | 0.00% | N/A | 15.00% | 15.00% | 15.00% |
| **Panama** | 100.00% | 100.00% | None | 20.00% | 12.50% | 12.50% |
| **Paraguay** | 0.00% | 0.00% | N/A | 15.00% | 30.00% | 30.00% |
| **Peru** | 0.00% | 0.00% | N/A | 5.00% | 4.99% | 30.00% |
| **Dominican Rep.** | 0.00% | 0.00% | N/A | 10.00% | 10.00% | 27.00% |
| **Uruguay** | 100.00% | 0.00% | None | 7.00% | 12.00% | 12.00% |
| **Venezuela** | 0.00% | 0.00% | N/A | 34.00% | 34.00% | 30.60% |

**Table C.25: International tax data (2)**

| Country | Anti-Tax Avoidance Rules | | | |
|---|---|---|---|---|
| | Controlled Foreign Corporation (CFC) Rules | Income determination for CFC Rules | CFC Rules exemptions | Interest Deduction Limitations |
| **Argentina** | No | N/A | N/A | Deductions for interest expense and foreign exchange losses of up to 30% of EBITDA apply |
| **Bolivia** | No | N/A | N/A | None |
| **Brazil** | Yes | All income | These rules do not apply to companies engaged in oil and gas exploration and exploitation | Various debt-to-equity ratios of 2:1 (and in the case of tax havens 0.3:1) apply. |
| **Chile** | Yes | Passive income | Exemptions apply based on the portion of Passive income. | Applies a debt/equity ratio of 3:1, and a Surtax of up to 35% for over-indebtedness |
| **Colombia** | Yes | Passive income | If less than 80% of the total income is passive, the total income is exempted | Applies a debt/equity ratio of 2:1 (except for companies in non-performing phases, in the infrastructure sector, or factoring). |
| **Costa Rica** | No | N/A | N/A | Although there are no formal thin capitalization rules, a 20% limit on non-bank interest deductions applies. |
| **Ecuador** | Yes | All income | None | A deduction for interest on loans equivalent to 20% of EBITDA is applied. |
| **El Salvador** | No | N/A | N/A | 3:1 debt/equity ratio applies only to tax havens |
| **Guatemala** | No | N/A | N/A | Applies a 3:1 ratio between the maximum annual interest rate, determined by Banco de Guatemala, and the average of the taxpayer's total net assets. |
| **Honduras** | No | N/A | N/A | None |
| **Mexico** | Yes | All income | None | Applies a debt/equity ratio of 3:1 and an interest deduction of 20% of EBITDA if deductible interest exceeds MXN 20 million |
| **Nicaragua** | No | N/A | N/A | None |
| **Panama** | No | N/A | N/A | None |
| **Paraguay** | No | N/A | N/A | There are no formal thin capitalization rules, but interest payments made on loans from shareholders, head offices, or companies in the same economic sector are deductible up to 30% of the taxpayer's net income |
| **Peru** | Yes | Passive income | None | Deductions apply up to 30% of EBITDA (not applicable to taxpayers with revenues of less than USD 2.9 million, nor to companies in the banking and insurance sector, nor to companies engaged in public works and infrastructure services) |
| **Dominican Rep.** | No | N/A | N/A | Debt/equity ratio 3:1 applies. |
| **Uruguay** | No | N/A | N/A | None |
| **Venezuela** | No | N/A | N/A | Debt/equity ratio 1:1 applies. |

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