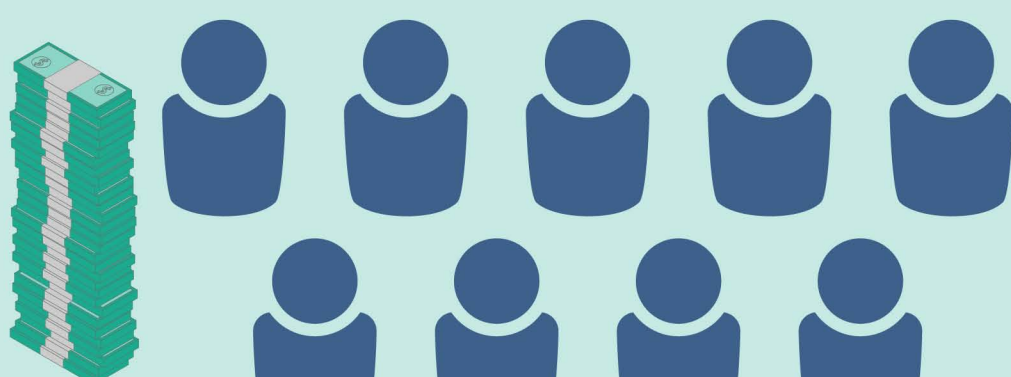


Inequality and redistribution

taxes and transfers

Extreme inequality affects growth and social cohesion

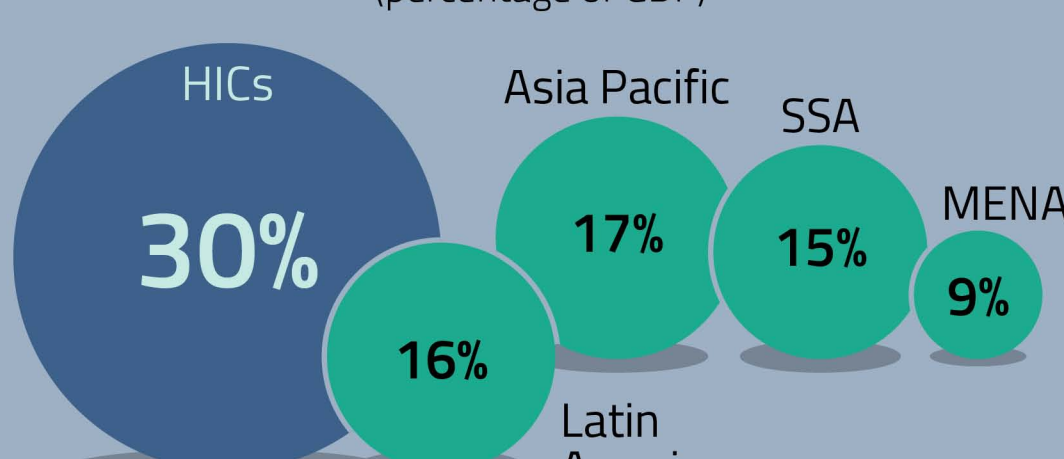
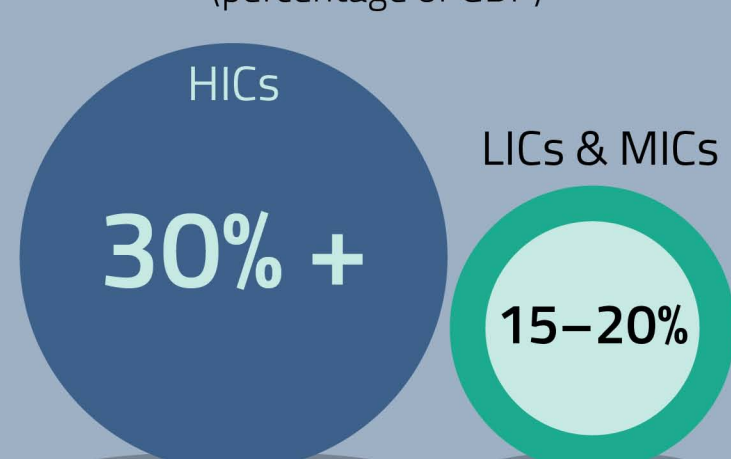


In 2014, **the richest 10%** of people in Latin America had **71% of the region's wealth**¹

Average tax ratios and social spending are **higher in HICs** than in LICs and MICs²

Tax collection
(percentage of GDP)

Social spending
(percentage of GDP)



Average tax collection rate in Latin America as a proportion of GDP rose by 4% between 2000 and 2013, but **remains lower than in OECD countries**¹

However, the average tax collection rate **obscures** the full picture:

11/18



countries in Latin America still **fall below the 20% necessary to achieve the UN's SDGs**¹

Personal income tax is weak in Latin America



On average, OECD countries collect **6.5 times more** personal income tax than Latin American countries¹



Tax avoidance in Latin America is a significant challenge

\$320 BILLION

Total estimated evasion of income tax and VAT¹



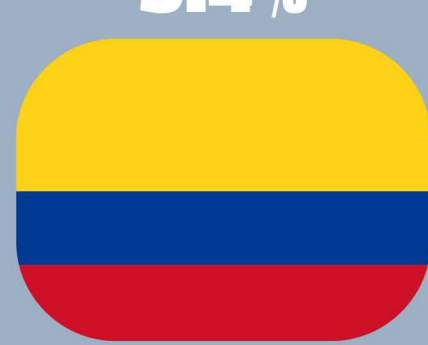
The **concentration of all income by the richest 0.05% of the population in Brazil surpasses that of all countries with available data**³

8.5%



Brazil

5.4%



Colombia

3.4%



UK

3.3%



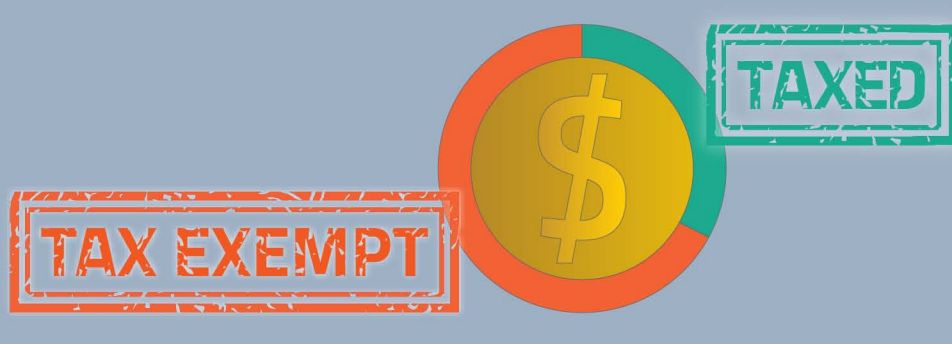
Uruguay

1.7%

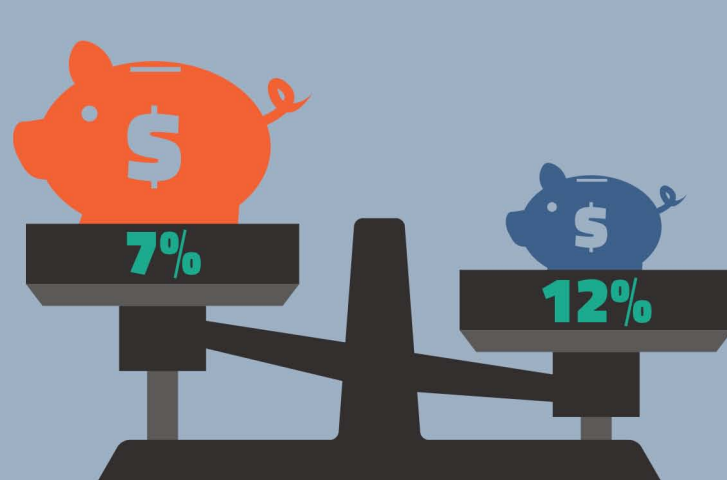


Norway

About two-thirds of their income is exempt from any tax³



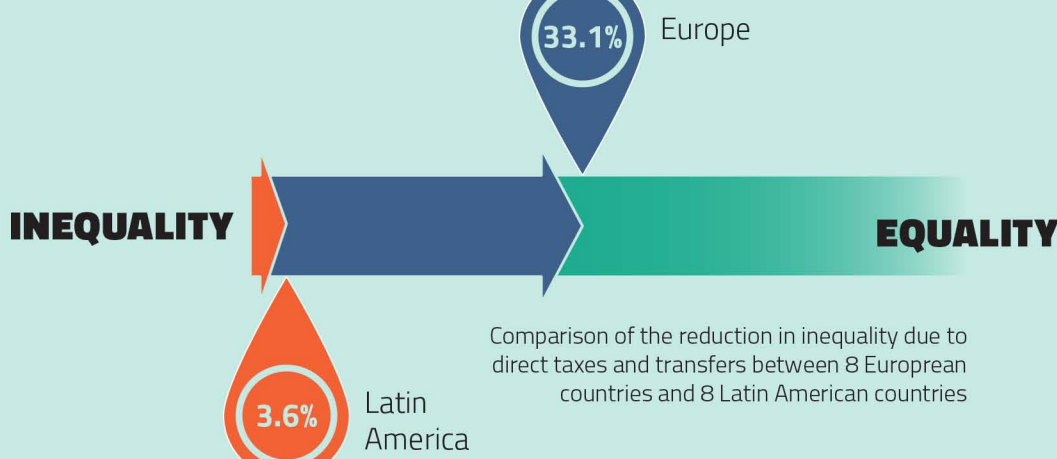
On average, the super-rich in Brazil pay only 7% income tax, while intermediate earners pay 12%³



Direct taxes can be used by governments **to reduce poverty and inequality** through the transfer of wealth and use of social protection systems²



However, on average, taxes and transfers have **less of an effect** on income inequality in LICs and MICs than in HICs²



Taxation has some potential advantages over other forms of financing for social protection, such as promoting government accountability, providing improved services and increasing citizens' willingness to pay taxes²



To reduce poverty and inequality, we need to understand the joint role of taxes and transfers

Fiscal space for social protection: knowledge sharing initiative



socialprotection.org



Empowered lives.
Resilient nations.



International

For more information, join the Online Community at socialprotection.org

Design by Antony F. Bickenson © 2016

Abbreviations

GDP, gross domestic product; HICs, high-income countries; LICs, low-income countries; MENA, Middle East and North Africa; MICs, middle-income countries; OECD, Organization for Economic Co-operation and Development; SDGs, Sustainable Development Goals; SSA, Sub-Saharan Africa; UN, United Nations; VAT, value-added tax.

Sources

¹ECLAC & Oxfam. 2016. Time to tax for Inclusive Growth. Santiago, ECLAC.

²Bastagli, F. 2015. Bringing taxation into social protection analysis and planning. *ODI Working paper 421*. London, ODI.

³Gobetti, S.W. & Orair, R.O. 2015. Taxation and distribution of income in Brazil: new evidence from personal income tax data. *IPC-IG One-pager 312*. Brasília, IPC-IG.