ITBIS Dominican Republic

Evidence from administrative records

World Bank - DGII

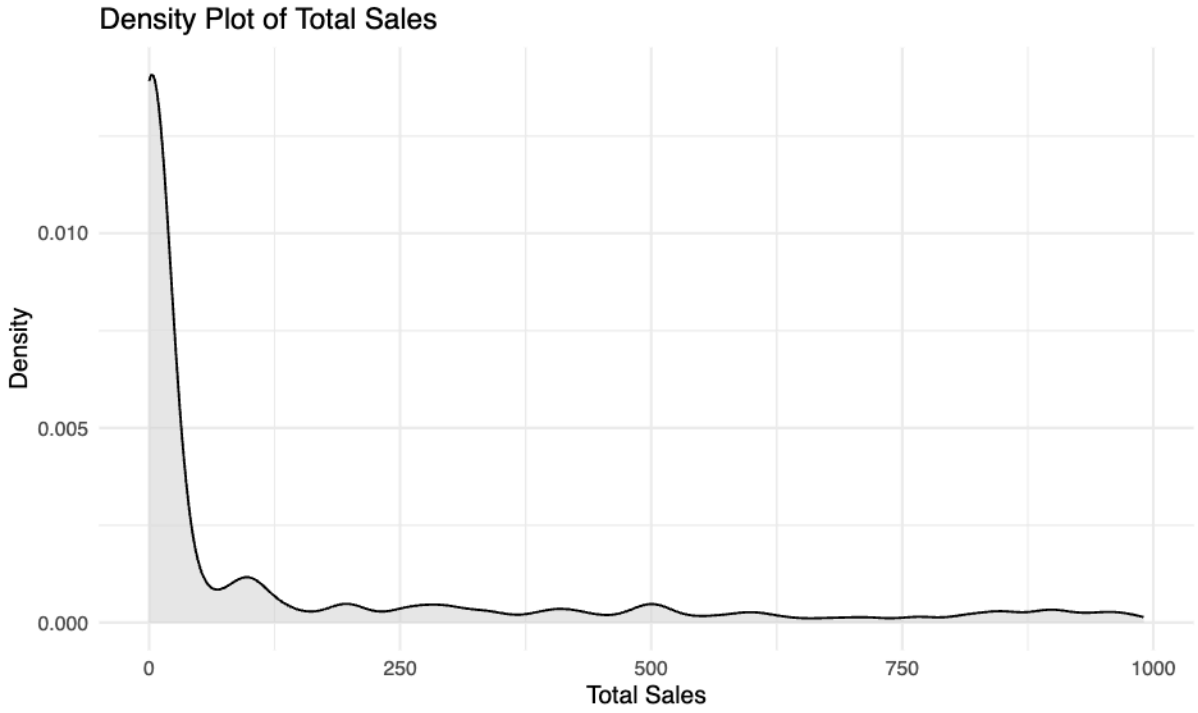
04-10-2024

Summary

1 Introduction

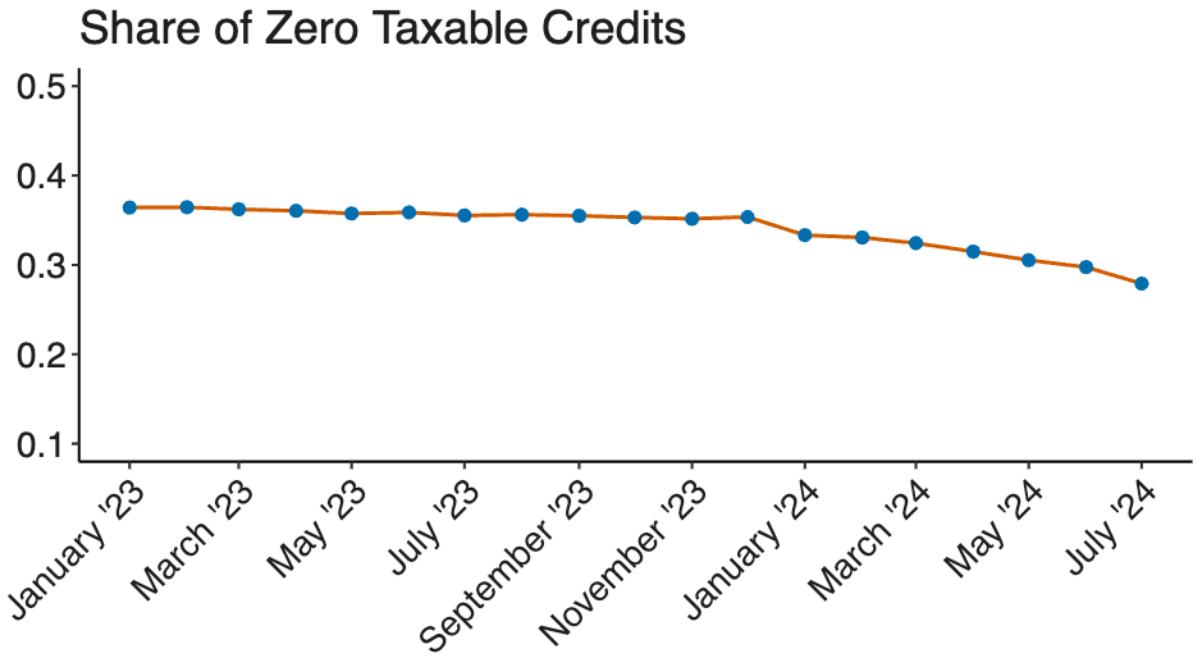
2 Data

Our main analysis dataset is the full panel of ITBIS filings in 2023. We observe 1,475,238 declarations in the period from 150,222 unique taxpayers. Not all taxpayers file every period - approximately 0.65‘ file 12 declarations, while the remaining firms are somewhat equally distributed filing between 1 and 11 declarations.

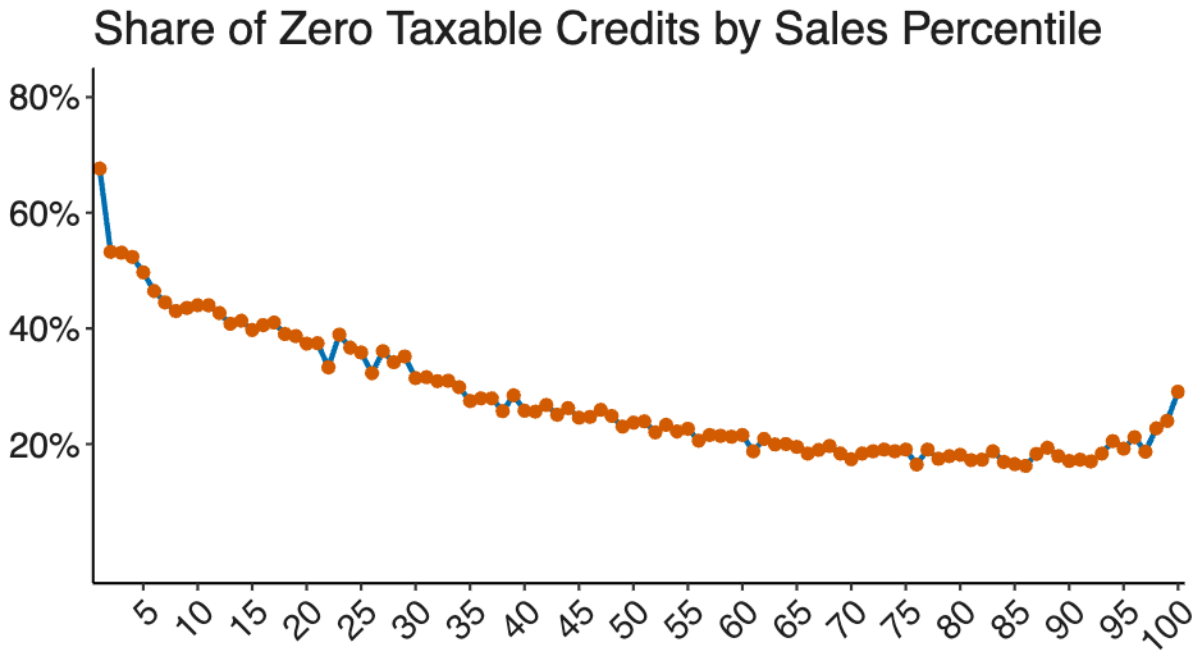


This graph represents the distribution of total sales for values below 100, providing a zoomed-in view of the data. The most notable feature is the atypical peak in density for values between 0 and 1, indicating that a significant number of firms are declaring total sales within this narrow range.

This unusual concentration of firms reporting very small sales values, especially between 0 and 1, raises questions about the reporting behavior. It's interesting to note that despite these firms declaring such low sales figures, they sometimes report large amounts of credits—a behavior that might warrant further investigation.



The graph shows the share of zero taxable credits from January 2023 to July 2024. In 2023, the share remained relatively stable between 0.35 and 0.4, with only slight fluctuations. However, starting in early 2024, a clear downward trend emerged, with the share steadily dropping to 0.27 by July 2024.

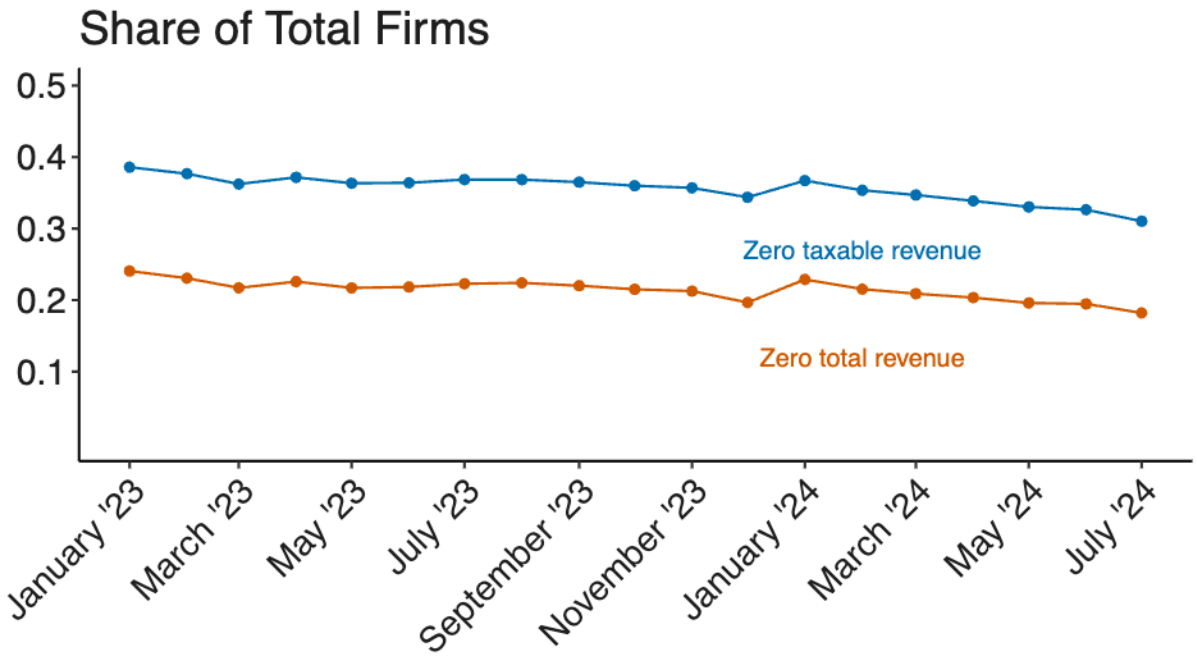


The graph shows the share of firms with zero taxable credits across different sales percentiles.

At the lower sales percentiles (5th percentile), the share starts at approximately 70% but rapidly declines as the sales percentile increases. Between the 20th and 50th percentiles, the share stabilizes around 30-40%, showing minor fluctuations. However, towards the higher sales percentiles, particularly after the 95th percentile, the share starts increasing again, peaking above 30% at the 100th percentile.

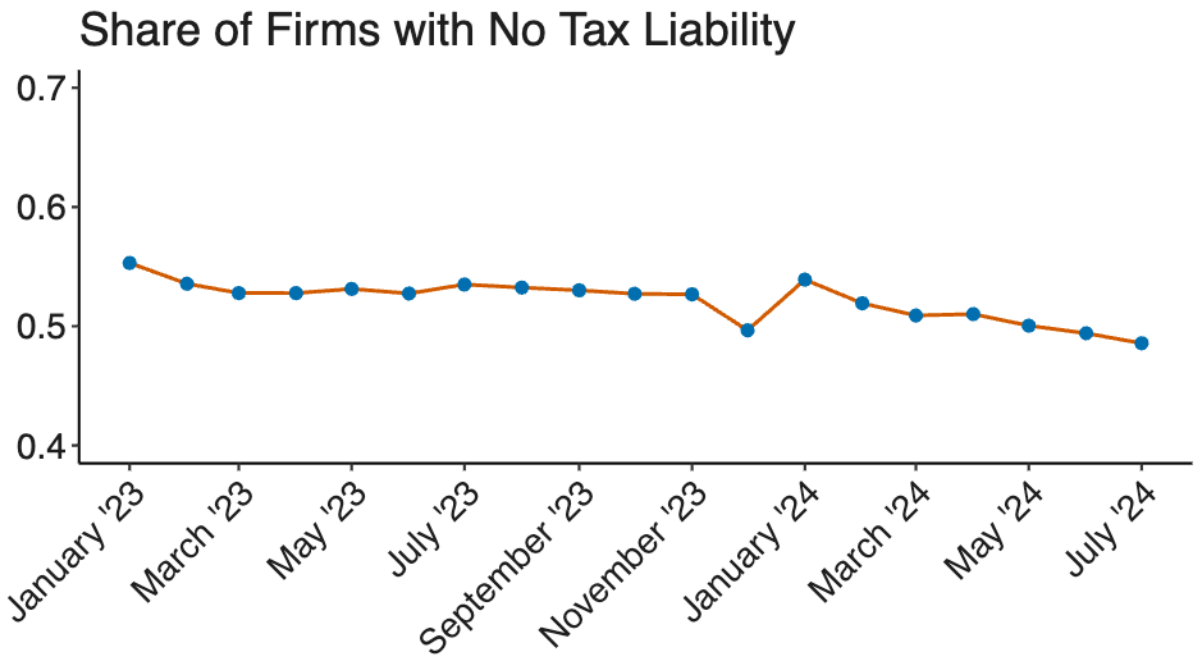
3 Monthly aggregates

Figure 1



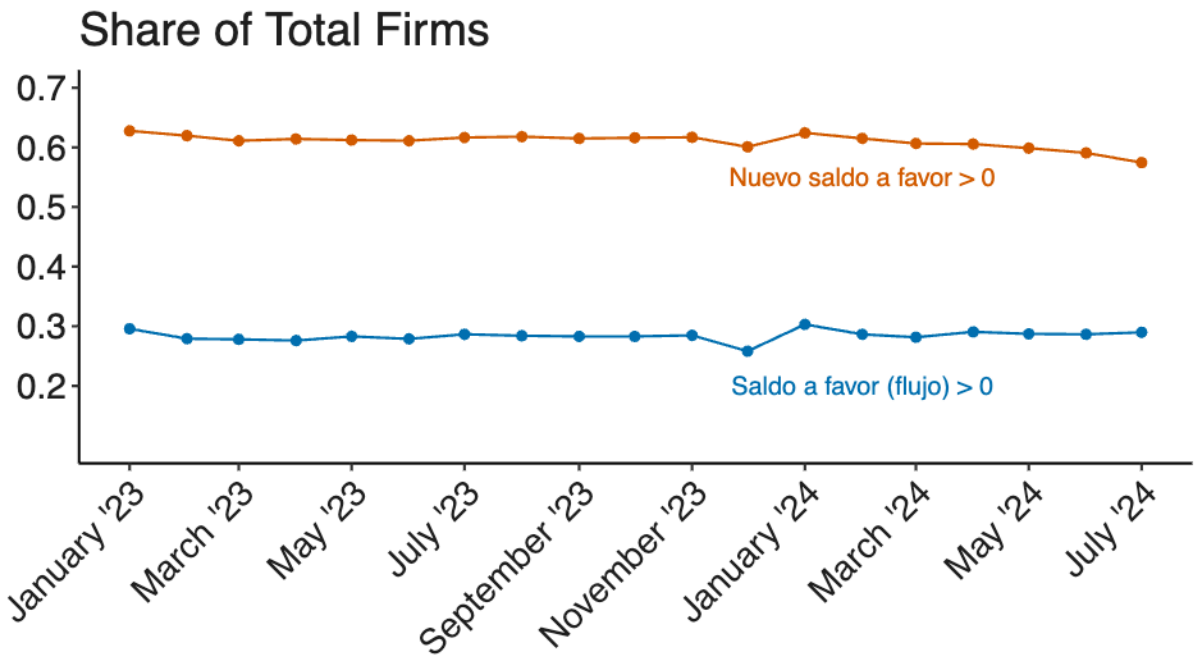
The graph shows the share of firms reporting zero total revenue and zero taxable revenue from January 2023 to July 2024. For firms with zero total revenue, there is a slight downward trend throughout 2023, starting at 23% and gradually decreasing to 19% by the end of the year. However, there is a notable uptick in January 2024, where the share jumps back to 23%, before continuing its downward trend, reaching 17% in July 2024. This is a significant decrease compared to the 22% reported in the same month of July 2023.

Figure 2



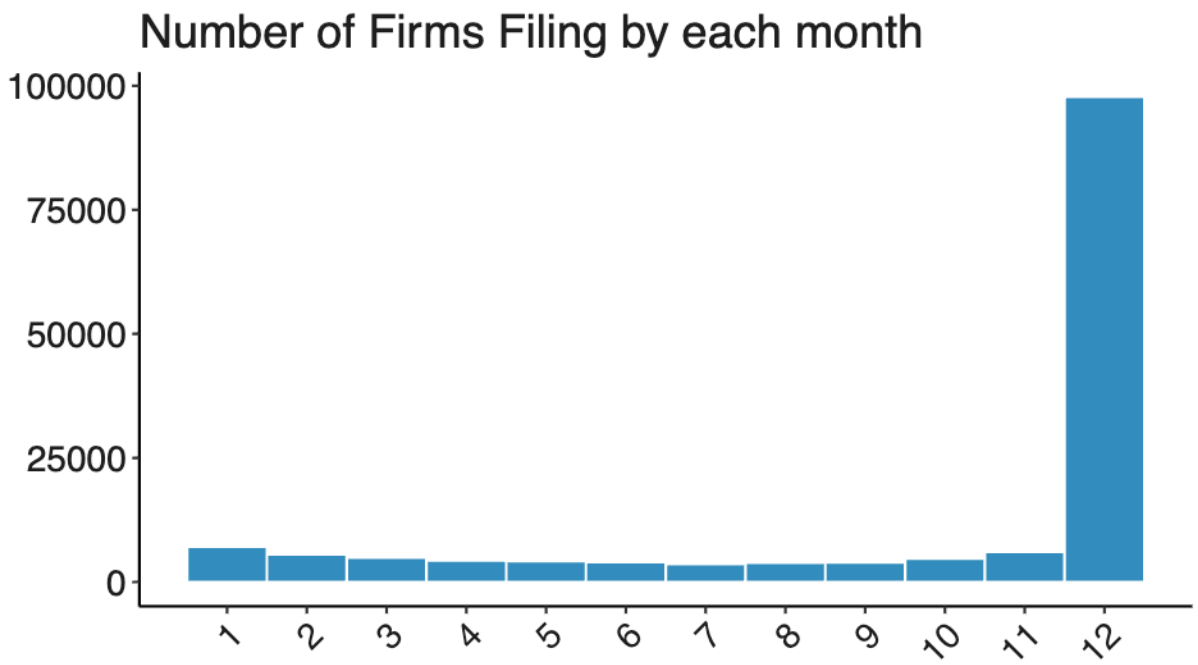
The graph displays the share of firms with no tax liability from January 2023 to July 2024. In early 2023, the share starts just above 0.5 and steadily declines throughout the year, reaching around 0.5 by the end of 2023. There is a noticeable uptick in January 2024, where the share rises back to approximately 0.55, before resuming a downward trend through 2024, ultimately reaching around 0.48 in July 2024.

Figure 3

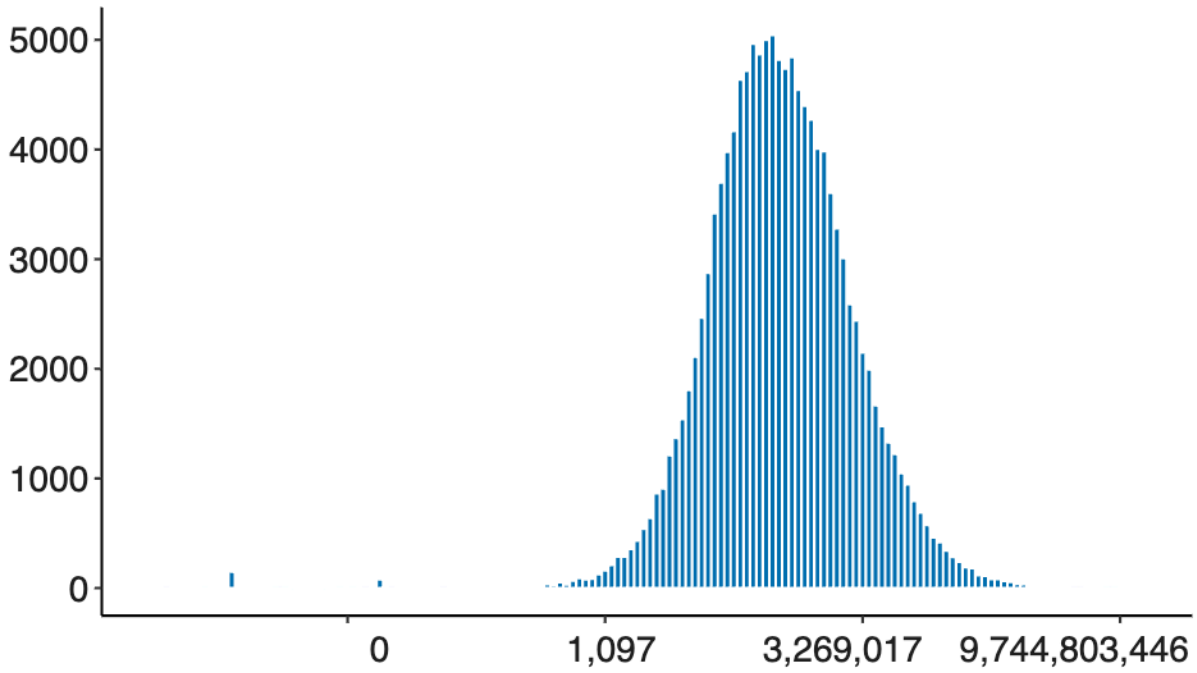


The graph shows the share of total firms with a positive balance ("Nuevo saldo a favor > 0") and firms with a positive cash flow balance ("Saldo a favor (flujo) > 0") from January 2023 to July 2024. The share of firms with a positive balance remains relatively stable throughout the period, fluctuating slightly between 0.6 and 0.65. On the other hand, the share of firms with a positive cash flow balance stays around 0.25 to 0.3 for most of the period, with a slight uptick in early 2024, reaching around 0.3, before declining back to earlier levels.

4 Taxpayer-level results

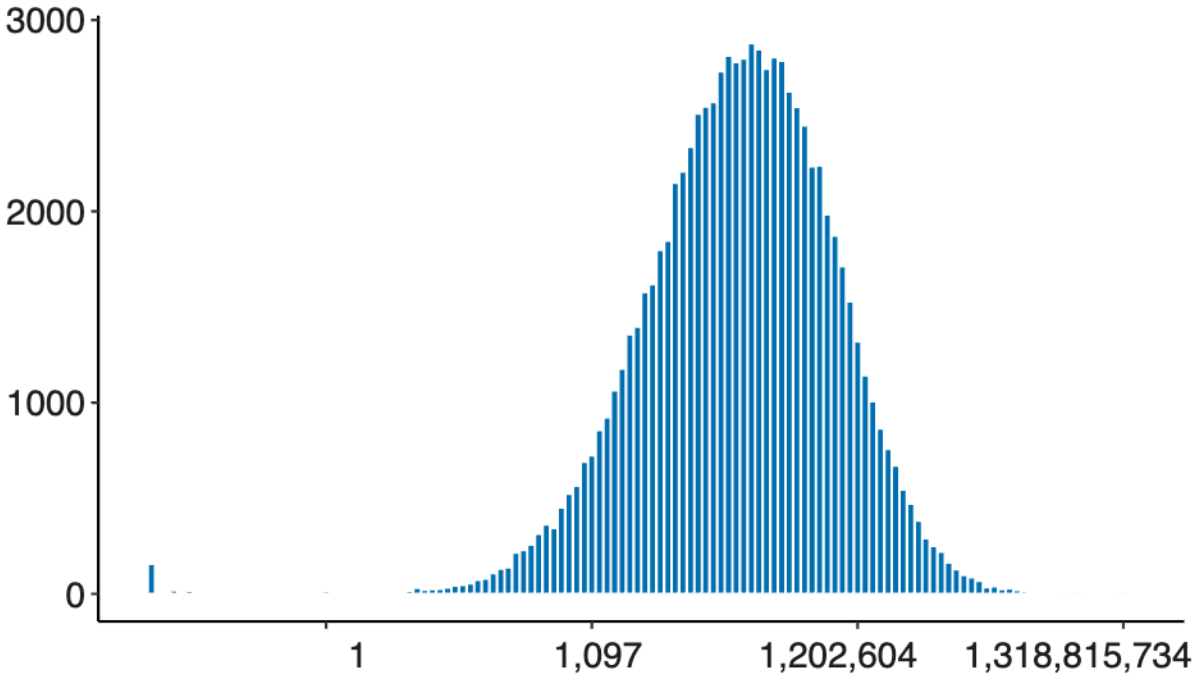


The bar graph illustrates the number of firms by the number of times they filed during the year. It reveals that the majority of firms file every month, with nearly 100,000 firms filing 12 times. In contrast, firms that file fewer than 12 months show much lower numbers, consistently ranging between 5,000 and 10,000 firms. This suggests that the majority of firms maintain a regular monthly filing schedule, while a smaller group files on a less frequent basis.



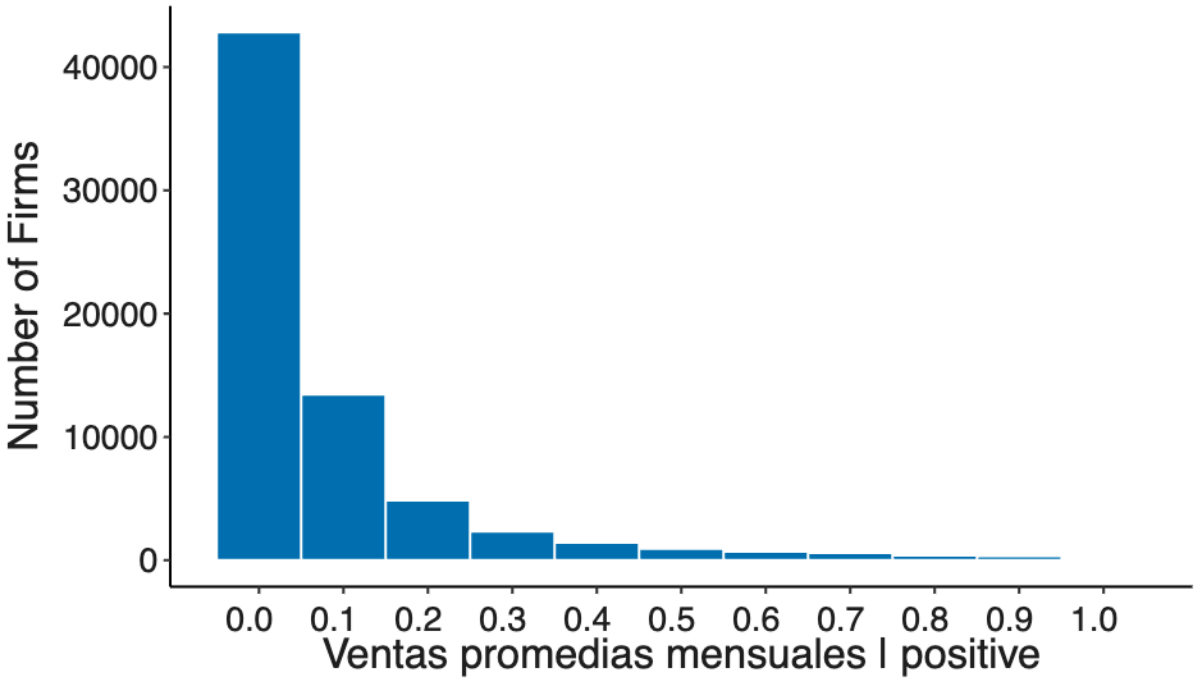
The histogram shows the log-transformed distribution of total sales per employee across firms. The mean value of total sales per employee is approximately 4.67 million, while the median is significantly lower at around 161,118.8, indicating a right-skewed distribution.

Figure 4



The histogram shows the log-transforme distribution of the last balance across firms. Given the median is 3,579.87, but the mean is much higher at 446,308.9, this distribution confirms that a few firms with very large balances are driving the average upward.

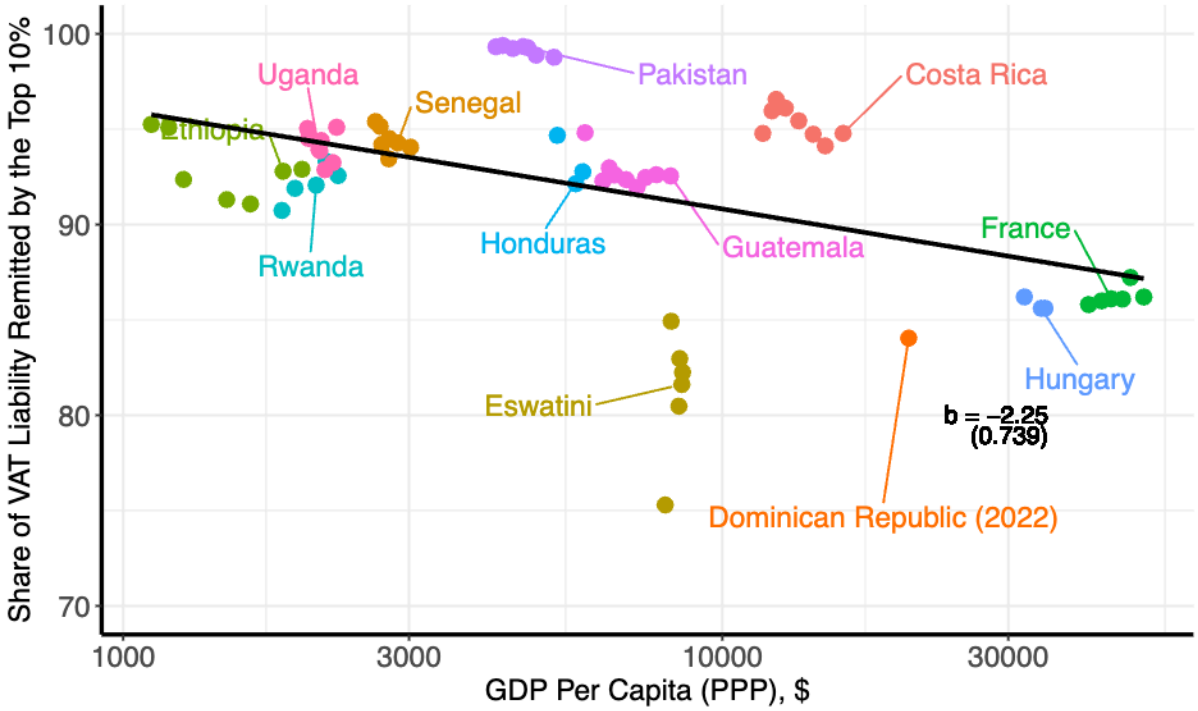
Figure 5



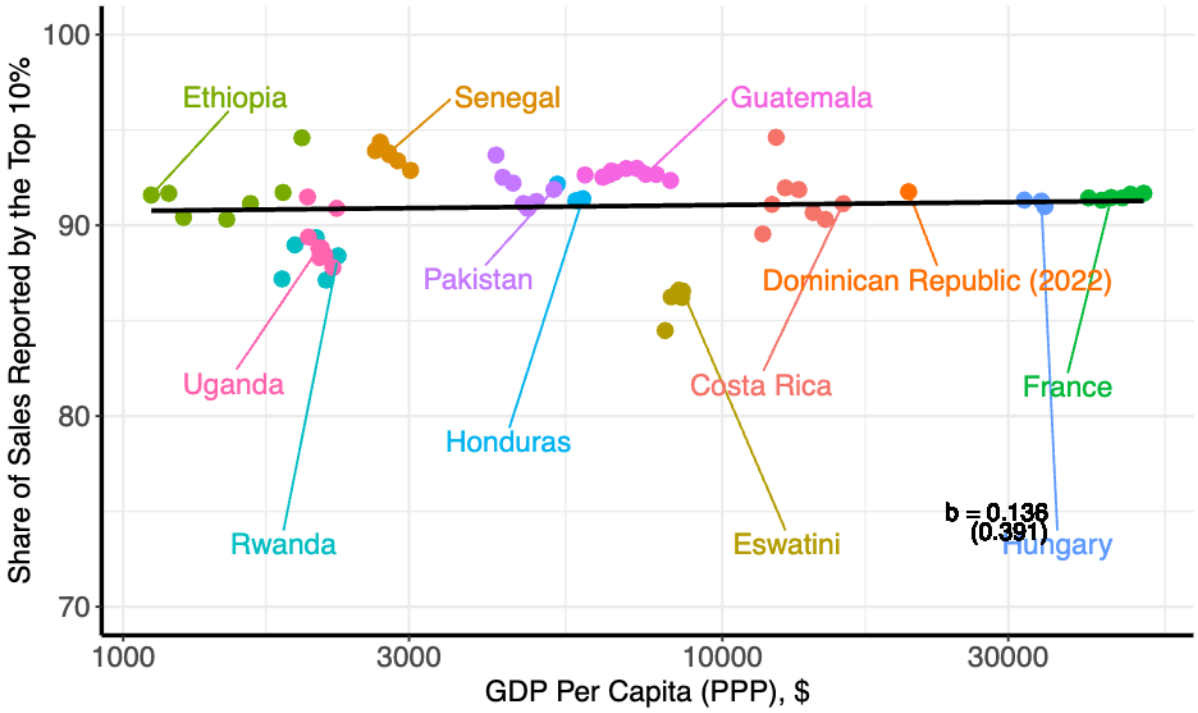
This graph illustrates the distribution of firms across different brackets of monthly average sales shares of positive credits, ranging from 0 to 1. The x-axis represents these shares (in brackets of 0.1), while the y-axis shows the number of firms that fall into each bracket.

The most prominent observation is that the majority of firms cluster in the 0.0 to 0.1 range, indicating that a large portion of firms report very low sales shares of positive credits. The number of firms rapidly declines as the share increases, with far fewer firms having a sales share of positive credits above 0.2.

5 International Comparisons

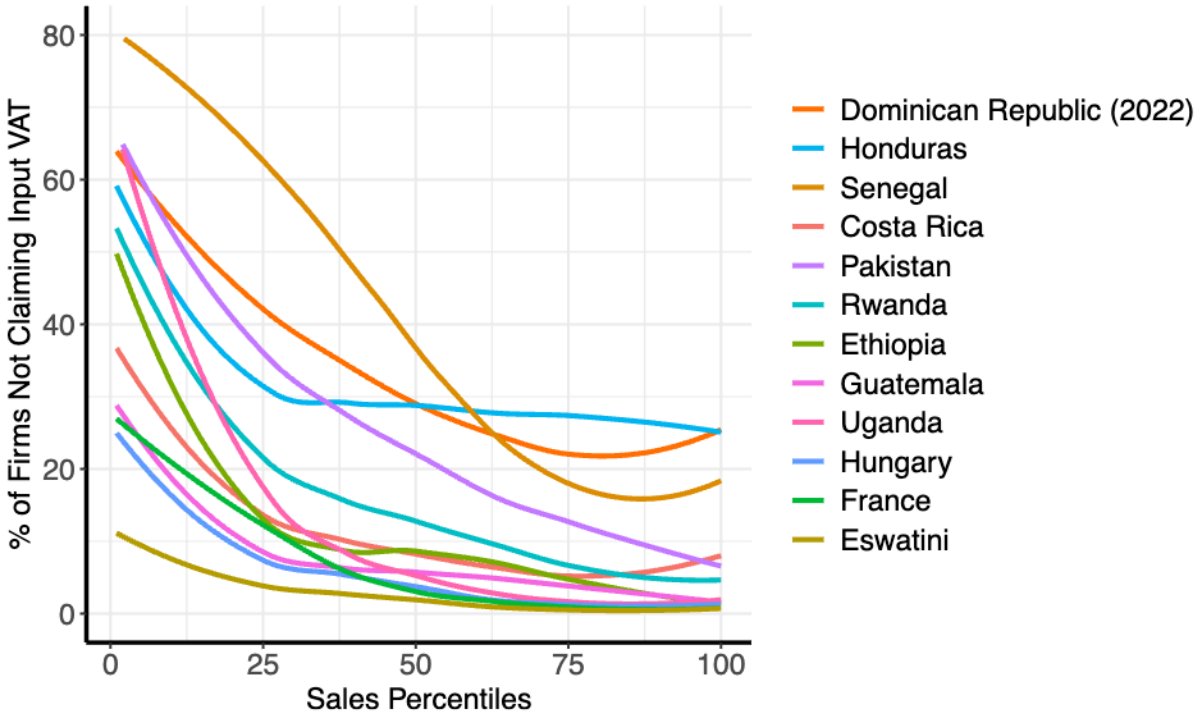


This scatter plot shows the relationship between GDP per capita (PPP) and the share of VAT liability remitted by the top 10% of firms across countries. The trend line indicates a slight negative correlation (b = -2.34), meaning that in wealthier countries, the top 10% remits a smaller share of total VAT. Countries with lower GDP per capita, such as Ethiopia and Rwanda, show nearly 100% VAT remittance by the top 10%. The Dominican Republic (2022), highlighted in orange, stands out as an outlier. Despite having a higher GDP per capita (around $10,000), the top 10% of firms remit only about 80% of the VAT. This difference may also be explained by the fact that statistics from other countries refer to older observations, such as Costa Rica, where the oldest data batch dates back to 2014.

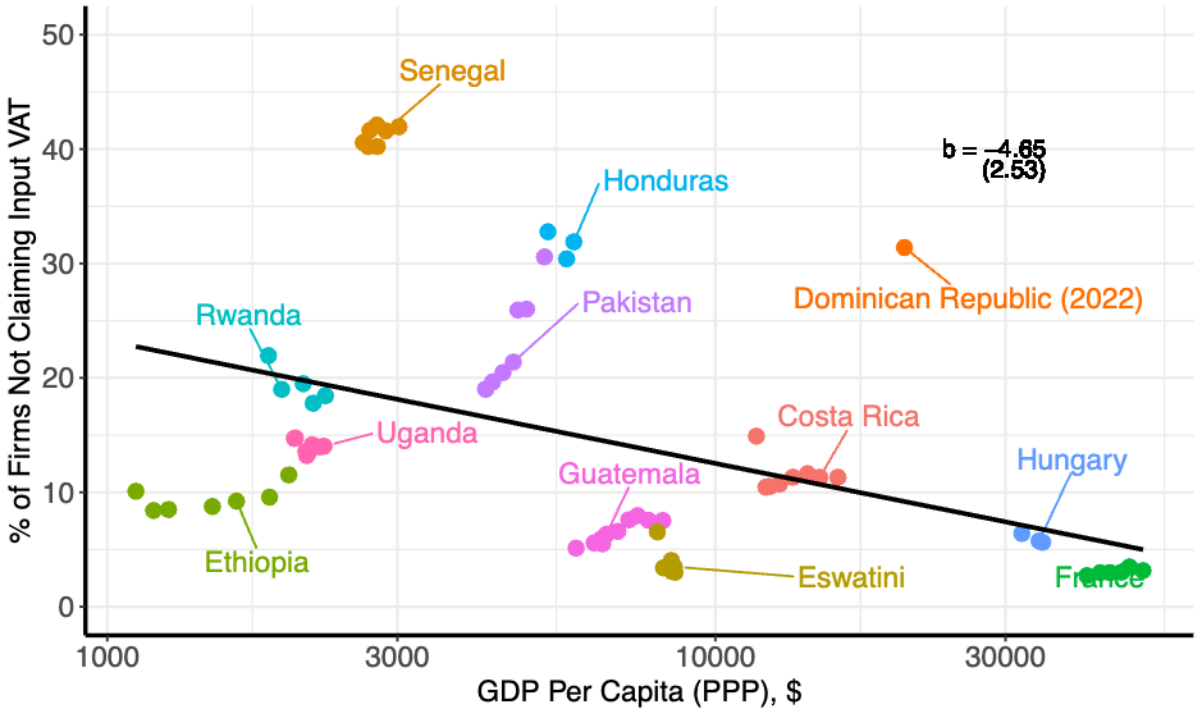


This scatter plot depicts the relationship between GDP per capita (PPP) and the share of sales reported by the top 10% of firms across several countries. The regression line shows a near-zero slope (b = 0.136), indicating little to no correlation between GDP per capita and the concentration of sales reported by the top 10%. In both lower- and higher-income countries, the top 10% of firms tend to report a similar high share of total sales.

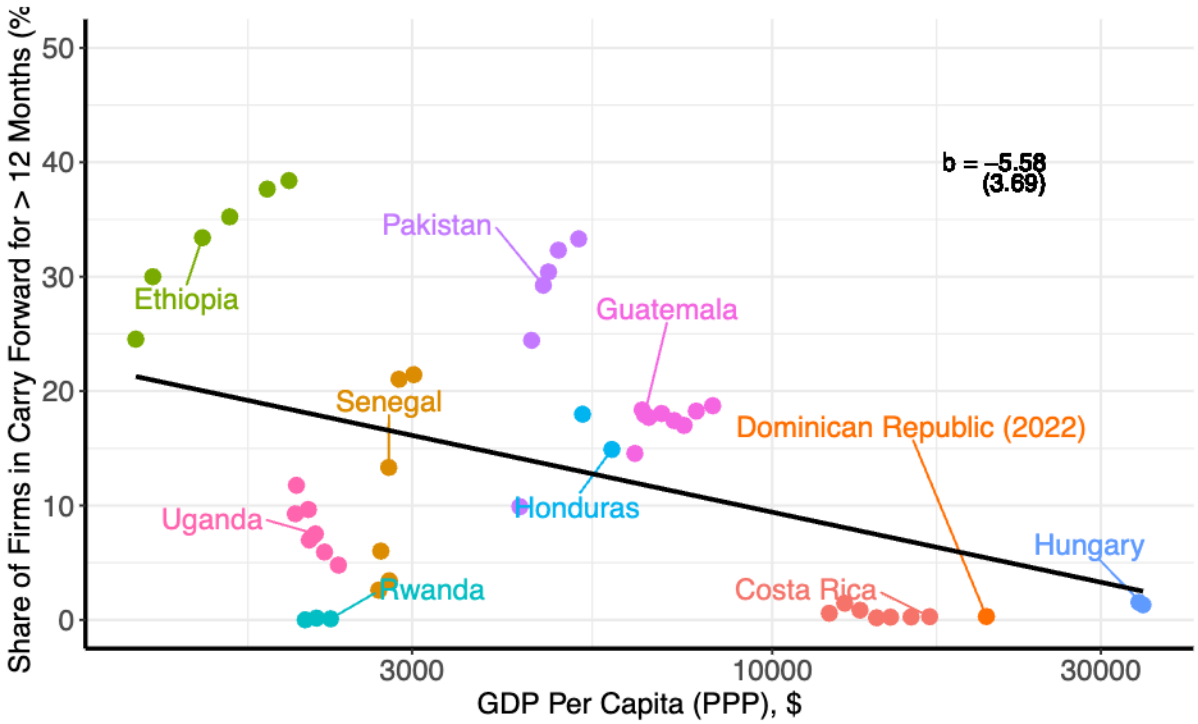
The Dominican Republic (2022), highlighted in orange, shows a share of about 90%, consistent with the overall trend.



This graph shows the percentage of firms not claiming input VAT across sales percentiles for various countries. In the Dominican Republic (2022), the orange line shows a high share of firms not claiming VAT at lower sales percentiles, which decreases as sales increase, with a slight uptick at the top. Senegal consistently has a higher percentage of non-claiming firms, while France and Hungary see a rapid decline in non-claiming firms as sales rise. The general trend indicates that larger firms are more likely to claim input VAT than smaller ones.

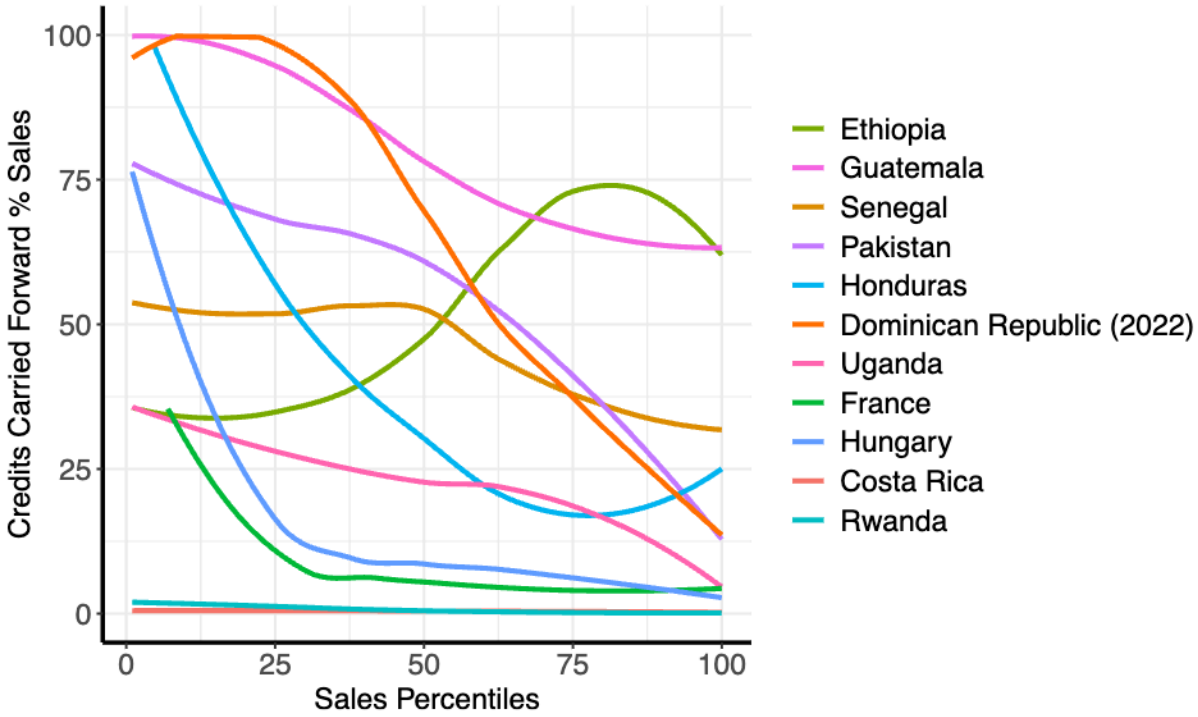


This scatter plot shows the relationship between GDP per capita (PPP) and the percentage of firms not claiming input VAT across countries. The negative slope of the regression line (b = -4.65) suggests that in countries with higher GDP per capita, fewer firms fail to claim input VAT. Senegal has the highest percentage of firms not claiming input VAT, despite its relatively low GDP per capita. In contrast, the Dominican Republic (2022) shows a higher-than-expected percentage of firms not claiming VAT given its GDP level, while countries like France and Hungary report much lower percentages. The general trend indicates that as GDP per capita increases, more firms claim input VAT, signaling greater participation in formal VAT systems.



This scatter plot illustrates the relationship between GDP per capita (PPP) and the share of firms in carry forward for more than 12 months. The regression line (b = -5.58) shows a negative slope, suggesting that as GDP per capita increases, fewer firms remain in carry forward for over a year.

Notably, Ethiopia has the highest share of firms in long-term carry forward (over 40%), while countries like Rwanda and Uganda report much lower percentages. The Dominican Republic (2022) is positioned in the middle, with around 15% of firms in carry forward, slightly above countries with higher GDP per capita like Hungary and Costa Rica. This negative correlation may reflect that in higher-income countries, firms are better able to offset VAT credits in a timely manner, reducing the need for extended carry forwards.



This graph shows the percentage of credits carried forward across sales percentiles for various countries. In the Dominican Republic (2022), firms in the lower percentiles carry forward nearly 100% of their sales as credits, with the percentage declining for larger firms. Countries like Guatemala and Honduras show similar trends, while France and Rwanda consistently have lower percentages. Overall, smaller firms tend to carry forward more credits.