**BELIZE**

**SUPPORT FOR TRADE AND TAX POLICY REFORM (BL-T1059)**

**TERMS OF REFERENCE**

**PROPOSAL AND ANALYSIS OF Economic consequences of A GRADUAL PHASE IN FROM THE BUSINESS TAX TO A CORPORATE INCOME TAX**

BACKGROUND AND JUSTIFICATION

Belize has had one of the most revenue-effective systems in the Central America and Caribbean Region in the last decade. Tax revenue in Belize is high compared to the average of the Latin American and Caribbean region as a whole (23.8% vs. 23.8%). However, tax revenues have remained relatively flat in the last years, in a context where public debt amounted to 75% of GDP in 2012. Although Belize’s tax system is relatively effective in generating revenue, it does so in a manner that damages economic decisions, is inequitable and is complex for both tax administrators and tax payers. These adverse outcomes stem from five main problems: (i) too many different taxes (for instance, three different types of import duty); (ii) continued over-reliance on sub-optimal forms of taxation – notably trade taxation – rather than more benign taxes, like the value added tax; (iii) numerous exemptions; (iv) special tax regimes, for instance for the tourism sector; and (v) fragmentation of the tax administration.

In terms of direct taxation, Belize charges corporations a Business Tax (BT). The business tax is a highly distortive element of the Belizean tax system due to the fact that it does not tax net income but gross sales, thus potentially taxing losses. As designed, the tax is not correlated with the taxpayer actual capacity to pay, and the tax burden can be very high for some taxpayers and minimum for others, depending on the ratio of profits to sales. In consequence, private investment decisions can be importantly affected by tax considerations (IMF, 2013). Important distortions are also generated by the existence of numerous rates that try to counterbalance the lack of proportionality of the tax burdens; they range from 0.75% to 25%.

To address the above mentioned deficiencies, the project BL-T1059 “Support for trade and tax policy reform”, will fund applied studies related to the economic consequences of the direct taxation reform. The objective of these applied studies is to decisively influence with inputs and clarity for making public policy decisions.

OBJECTIVE

The objective of this consultancy is to analyze the economic and fiscal consequences of a gradual phase-in of a conventional corporate income tax, to replace the current Business Tax.

ACTIVITIES

The analytical work will focus on the following economic consequences of an income tax reform, based on a gradual phase-in to a conventional corporate income tax, to replace the current Business Tax (IMF proposal):

1. Revenue implications
2. Final effective tax burden and differences before and after the change in the sectors of the economy to which it would apply. In this regard, due consideration must be given to the competitive position of the Belizean sectors in the international market after such a change, possibly together with, or at least taking into account, the indirect and trade tax reform.

CHARACTERISTICS

Type of consultancy: international, individual.

Qualifications: The consultant must be an expert with at least a master degree in a relevant discipline, with no less than 15 years of experience in the area of economics and finance, and at least 10 years of experience in tax policy in countries of Latin America and the Caribbean or countries with a similar economic structure as Belize's. S/he must be fluent in English.

Start date and duration: 30 days during a period of 4 months from the signing of the contract.

Work place: Place of residence of the consultant and Belize. The consultant must stay in Belize for at least 30% of the total working days. A maximum of one visit is foreseeable during the work. Travel and accommodation will be included in the total cost of the consultancy.

PRODUCTS AND PAYMENT

* 20% upon signing of the contract.
* The balance upon delivery and approval by the IDB of the final report containing the findings, analysis, and conclusions of the tasks mentioned in the “Activities” section of this document.

COORDINATION

This consultancy will be in charge of the Municipal and Fiscal Management Division (IFD/FMM), under the coordination of Mr. Fernando Velayos (E-mail: fvelayos@iadb.org, Phone: +1 (202) 623-3870)