

1. Record Nr.	UNINA9910959028603321
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Titolo	Tax Incentives and Investment in the Eastern Caribbean / / Sebastian Sosa
Pubbl/distr/stampa	Washington, D.C. : , : International Monetary Fund, , 2006
ISBN	9786613828057 9781462354863 1462354866 9781452795560 1452795568 9781283515603 1283515601 9781451908190 1451908199
Edizione	[1st ed.]
Descrizione fisica	1 online resource (29 p.)
Collana	IMF Working Papers
Soggetti	Capital investments - Caribbean Area Investment tax credit - Caribbean Area Business Taxes and Subsidies Consumption taxes Financial Instruments Institutional Investors Investment & securities Investments: Stocks Marginal effective tax rate Non-bank Financial Institutions Pension Funds Public finance & taxation Spendings tax Stocks Tax administration and procedure Tax holidays Tax incentives Taxation Taxation, Subsidies, and Revenue: General Antigua and Barbuda

Lingua di pubblicazione	Inglese
Formato	Materiale a stampa
Livello bibliografico	Monografia
Note generali	"January 2006."
Nota di bibliografia	Includes bibliographical references.
Nota di contenuto	""Contents""; ""I. INTRODUCTION""; ""II. RELATED LITERATURE""; ""III. METHODOLOGY""; ""IV. TAX INCENTIVES IN THE ECCU""; ""V. RESULTS""; ""VI. CONCLUDING REMARKS""; ""REFERENCES""
Sommario/riassunto	<p>Tax incentives have been used extensively in the countries of the Eastern Caribbean Currency Union (ECCU) to promote investment. The associated revenue losses are large, and benefits in terms of new investment have been limited, raising doubts about the cost effectiveness of the tax incentive schemes. This paper examines the effects of incentives using the marginal effective tax rate approach (METR), adapting this methodology to the case of a small open economy where the marginal investor is a nonresident. The results show that METRs are high in the region; that there is a large dispersion in the size of METRs across financing source; and that METRs on investment are larger than the overall distortion on capital, with a substantial subsidy to domestic saving. In the presence of tax holidays-the most common incentive scheme in the region-the distortion on capital basically vanishes.</p>