Revealing 21% of GDP in Hidden Assets: Evidence from Argentina

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Motivation

- Offshore evasion poses severe challenges for tax policy (Slemrod, 2019; Zucman, 2015) → Undermines the progressivity of taxation bc it’s highly concentrated

- To entice wealthy evaders to disclose foreign income/assets, 50+ countries have implemented tax amnesties, offering reduced penalties and no prosecution (OECD, 2015)

- Gov’ts worldwide have conducted enforcement initiatives to improve wealthy households’ tax compliance (e.g., CRS, FATCA, TIEAs)
Motivation

- Understanding the circumstances under which these tools succeed/fail is crucial for tax enforcement and the conduct of tax policy.

- However, it has been hard to draw lessons from countries’ varying experiences: e.g., baseline evasion rates, amnesties’ design and contextual features, data limitations.
This paper

- We study Argentina’s recent experience with offshore tax enforcement initiatives

- Argentina is particularly well-suited to examine these issues

1. **There is a lot at stake:** 1/3 of GDP had been stored offshore

2. **Argentines report assets annually** because there is a gross wealth tax

3. **Rich policy variation:** amnesties in 2009, 2013–2015, 2016, with varied effectiveness: disclosed assets ranged from 0.5% to **21% of GDP**
   —world’s most successful amnesty?
Argentina owned the equivalent of 36.5% of GDP in offshore wealth.

Source: Alstadsæter, Johannesen, and Zucman (2018)
This paper

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Disclosed assets made under the 2016 amnesty by 255k participants
80% hidden abroad, mostly financial assets; raised 1.8% of GDP from a one-time tax

Total disclosed: US$ 117B (21% of GDP)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Disclosed value (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign stocks</td>
<td>9.9</td>
</tr>
<tr>
<td>Domestic stocks</td>
<td>4.7</td>
</tr>
<tr>
<td>Foreign bank acc.</td>
<td>2.4</td>
</tr>
<tr>
<td>Domestic bank acc.</td>
<td>1.4</td>
</tr>
<tr>
<td>Foreign real est.</td>
<td>1.8</td>
</tr>
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<td>Domestic real est.</td>
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</tr>
<tr>
<td>Other assets</td>
<td>1.2</td>
</tr>
</tbody>
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US$ 117B (21% of GDP)
This paper

- The extensive scale of asset disclosures provides an opportunity to utilize straightforward methods to unpack the effects of changes in tax enforcement.

- By employing two decades of detailed tax tabulations + Pareto interpolations, we shed light on:
  1. the prevalence, nature, and distribution of tax evasion
  2. the effects of improved compliance on tax revenue
  3. the degree of progressiveness within the tax system

- We discuss several factors that may have contributed to 2016 amnesty’s success.
Contributions

▶ Offshore evasion and fiscal implications
  Alstadsæter et al. (2019), Zucman (2015)

▶ Voluntary disclosure programs
  Alstadsæter et al. (2019, 2022), Johannesen et al. (2020), Langenmayr (2017), Leenders et al. (2023), Londoño-Vélez and Ávila-Mahecha (2021)

→ Argentina offers the world’s largest natural experiment with tax amnesties

→ Enables to shed light on the factors contributing to better offshore tax enforcement

→ We show that large disclosures of offshore assets can take place, even in a developing country with a lot at stake and a history of failed amnesty programs
Macri’s 2016 tax amnesty

1. **Scope:** all (foreign and domestic) assets and currencies as of July 22, 2016
   In place for nine months (Aug ’16–March ’17)

2. **Tax and non-tax benefits:** forgave tax liabilities & fines + no criminal prosecution
   Pre-amnesty, penalty for evasion was 2–10X taxes evaded + imprisonment

3. **Costs:** a one-time penalty of 0% if assets less than US $19k, up to 10% above US $50k (5% for real estate)
   - To encourage early participation, top rate jumped to 15% after Dec 31, 2016
   - Participants could waive penalty by investing 1/3rd of disclosed asset in special Treasury bonds or domestic mutual funds for five years
Outline

 Revealing Foreign and Domestic Assets

 Disclosures by Top Wealth Groups

 Expanding the Wealth and Capital Income Tax Bases

 Do Taxpayers Repatriate Assets in Response to Tax Incentives?

 What made the 2016 amnesty different?
A 310% increase in the number of wealth taxpayers declaring foreign assets

Notes: There are 28,816 returns for foreign assets and 1,241,683 for domestic assets at baseline (2015).
Argentines now report that half of their assets are located abroad.
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What made the 2016 amnesty different?
The disclosures expanded the amount of wealth reported by the top 0.1%.
And the share of foreign assets declared by top 0.1% tripled.
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What made the 2016 amnesty different?
The massive disclosures expanded Argentina’s wealth tax base.
As a result, wealth tax revenue doubled—and tripled when tax rate ↑
Assets disclosures contributed to more capital income reported

The number of taxpayers reporting capital income doubled

Capital income (taxpayers)
Assets disclosures contributed to more capital income reported

The capital income tax base tripled—and the increase persisted

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital income (tax base)</th>
<th>Rental income</th>
<th>Business income</th>
<th>Wage income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>100</td>
<td>90</td>
<td>80</td>
<td>70</td>
</tr>
<tr>
<td>2009</td>
<td>100</td>
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<td>2010</td>
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<td>90</td>
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<td>70</td>
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<tr>
<td>2011</td>
<td>100</td>
<td>90</td>
<td>80</td>
<td>70</td>
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<tr>
<td>2012</td>
<td>100</td>
<td>90</td>
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<td>2013</td>
<td>100</td>
<td>90</td>
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<td>2014</td>
<td>100</td>
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<tr>
<td>2015</td>
<td>100</td>
<td>90</td>
<td>80</td>
<td>70</td>
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<tr>
<td>2016</td>
<td>300</td>
<td>90</td>
<td>80</td>
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<td>500</td>
<td>90</td>
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<td>90</td>
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<td>2019</td>
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<td>90</td>
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<td>2020</td>
<td>600</td>
<td>90</td>
<td>80</td>
<td>70</td>
</tr>
<tr>
<td>2021</td>
<td>700</td>
<td>90</td>
<td>80</td>
<td>70</td>
</tr>
</tbody>
</table>
Outline

Revealing Foreign and Domestic Assets

Disclosures by Top Wealth Groups

Expanding the Wealth and Capital Income Tax Bases

Do Taxpayers Repatriate Assets in Response to Tax Incentives?

What made the 2016 amnesty different?
Limited response to sizable tax incentives for repatriation

Most Argentines kept their assets abroad, despite sizable tax incentives:

1. Repatriation clauses embedded in the amnesty to bring capital back into the country → Waive penalty by investing 1/3rd of disclosed asset in special Treasury bonds

2. New adm imposed higher (“confiscatory”) tax rates on foreign assets in 2019 → Raised top wealth tax rate from 0.25% to 2.25%

▶ Suggests that taxation is not the primary motive to hold assets abroad
   → Might be to insure against economic volatility, currency controls, ER fluctuations, inflation spells, and to obtain higher returns
Little change in declared foreign assets in 2018–2020

Billions of 2015 pesos

2009 Amnesty

2013-15 Amnesty

2016 Amnesty

Assets located abroad

Assets located in Argentina
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What made the 2016 amnesty different?
What made the 2016 amnesty different? Four essential features

1. **Rewarded compliant taxpayers to safe keep tax morale but slashed wealth tax to entice participation**
   - Non-participants who filed wealth tax in 2014 and 2015: 0% wealth tax in 2016–18
   - Participants: wealth tax rate dropped from 1.25% in 2015 to 0.25% in 2018
   - Talks about repealing wealth tax in 2019

2. **Threat of detection became more credible**
   - TIEAs with most relevant tax havens (Uruguay, Switzerland), Brazil, Chile, USA
   - Panama Papers leak two months prior

3. **A favorable political economy with a pro-market and business-friendly gov’t + earmarking revenue to fund public pension system (garnering taxpayer support)**

4. **Massive ad campaign made program salient + simple disclosure process**
Wealth tax rates dropped from 1.25% in 2015 to 0.25% in 2018

<table>
<thead>
<tr>
<th>Tax Rates (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.25%</td>
</tr>
<tr>
<td>1.75%</td>
</tr>
<tr>
<td>1.5%</td>
</tr>
<tr>
<td>1.25%</td>
</tr>
<tr>
<td>1%</td>
</tr>
<tr>
<td>0.75%</td>
</tr>
<tr>
<td>0.5%</td>
</tr>
<tr>
<td>0.25%</td>
</tr>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

### Cutoffs:
- 100k
- 102.3k
- 102.3k
- 200k
- 305k
- 750k
- 2m
- 5m
- 3m
- 6.5m
- 10m
- 18m
- 300m
- 500m
- 1B
- 1.5m
- 3B
- 5B
- 10B
- 100B
- 300B

### Special rates for foreign assets:
What made the 2016 amnesty different? Four essential features

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   + earmarking revenue to fund public pension system (garnering taxpayer support)

4. Massive ad campaign made program salient + simple disclosure process
TIEAs made the threat of detection more credible

Note: can explain some, but not all, of the disclosures: (i) CRS not fully operational until 2018; (ii) 3.3% of GDP disclosed in *domestic* assets, including 110,000 properties

Source: Slide taken from AFIP’s communication campaign.
What made the 2016 amnesty different? Four essential features

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Citizens’ trust in the government (from 0 to 5)

Confidence in Govt Index

2009 Amnesty
Mean 1.3

Currency controls introduced

2013-15 Amnesty
Mean 1.7

Macri took office

2016 Amnesty
Mean 2.5
An ad promoting amnesty to contribute to better pension benefits for older citizens

The ad translates to:

**Tax Amnesty**

**Declaration of assets**

*Report your assets, contribute to your country, we achieve better pensions. We all grow*
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4. Massive ad campaign made program salient + simple disclosure process
Visibility: amnesty banners at the entrance of IRS’s headquarters
Google search trends show amnesty program was salient.
An ad describing tax evaders’ penalty trade-off

“Why you’ll pay dearly for it later”

Example: a person with a non-declared property worth 3m pesos

Left: A 5% penalty (150k pesos) if evader discloses it before March 31

Right: A potential 202% penalty (6m pesos) + potential criminal prosecution starting April 1

Source: AFIP’s webpage.
Simple disclosure process

Screenshot of AFIP’s main webpage

Translation:

Tax Amnesty (Sinceramiento Fiscal)

“HOW TO DISCLOSE ASSETS’

“Access this video-tutorial for a step-by-step guide to report your undeclared assets and enjoy the benefits”

Bottom right: countdown to the deadline
Final remarks

▶ We show that large disclosures of offshore assets can take place, even in a developing country with a lot at stake and a history of failed amnesties.

▶ Will our results replicate in other countries or even a future Argentina?

▶ Admittedly, Argentina has some unique features. However, its varied experiences with tax amnesties can offer valuable lessons for other countries:

→ Well-designed tax incentives, strong confidence in the incumbent government, substantial ad campaigns, and a credible threat of detection can matter for amnesty programs to succeed.
Thanks!
Summary of main results

1. Despite substantial offshore tax evasion, the number of people declaring foreign assets tripled in 2016 and declared foreign assets quadrupled.

2. Disclosures were extensive among the top 0.1% who hold most of their assets offshore. This enabled a new administration in 2019 to raise revenue/ETR by levying higher taxes on foreign assets.

3. Improving tax compliance has sizable externalities on capital taxes and social transfers. Wealth and capital income tax bases more than doubled even four years later. Earmarked revenue boosted pension benefits by 15%.

4. Limited repatriation responses to amnesties and “confiscatory” taxes on foreign assets. Taxation is not the primary motive to hold assets abroad.
Appendix
By earmarking revenue, the amnesty raised pension benefits by 15%.
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And effective tax rate remains unchanged in 2019/20.
As a result, big spike in wealth tax revenue to GDP ratio in 2019.
## Tax Rates and Wealth Tax Thresholds: 1991-2020

<table>
<thead>
<tr>
<th>Fiscal Years</th>
<th>Exemption Threshold</th>
<th>Bracket 1</th>
<th>Bracket 2</th>
<th>Bracket 3</th>
<th>Bracket 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-1994</td>
<td>100k/102.3k</td>
<td></td>
<td></td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>1995-1998</td>
<td>102.3k</td>
<td></td>
<td></td>
<td>0.5%</td>
<td></td>
</tr>
<tr>
<td>1999-2006</td>
<td>102.3k</td>
<td>0.5%</td>
<td>0.75%</td>
<td></td>
<td>0.75%</td>
</tr>
<tr>
<td>2007-2015 (notches)</td>
<td>305k</td>
<td>0.5%</td>
<td>0.75%</td>
<td>1%</td>
<td>1.25%</td>
</tr>
<tr>
<td>2016</td>
<td>800k</td>
<td></td>
<td></td>
<td>0.75%</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>950k</td>
<td></td>
<td></td>
<td>0.50%</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>1.05m</td>
<td></td>
<td></td>
<td>0.25%</td>
<td></td>
</tr>
<tr>
<td>2019-2020 domestic assets</td>
<td>2m</td>
<td>0.5%</td>
<td>0.75%</td>
<td>1%</td>
<td>1.25%</td>
</tr>
<tr>
<td>2019-2020 foreign assets</td>
<td>2m</td>
<td>0.7%</td>
<td>1.20%</td>
<td>1.80%</td>
<td>2.25%</td>
</tr>
</tbody>
</table>

**Notes:** Thresholds (in current pesos) are reported in blue. For 2007-2015 the thresholds operated as notches.

Filing thresholds (earnings): 2007-2014: $96k; 2015: $200k; 2016: $500k; 2017: $1m; 2018: $1.5m; 2019: $2m; 2020: $2.5m.
Wealth Tax Filers and Wealth Tax Payers

Exemption cutoff (right)

- Constant 2015 pesos

Number of individuals

- Tax Filers
- Taxpayers

Revenue from the 2016 Amnesty’s Special Tax

Total collected: AR$ 148,600 mill (USD 9,522 mill)
A 256% increase in wealth tax revenue!
Effective Tax Rate

Top statutory tax rate

2009 Amnesty

2013-15 Amnesty

2016 Amnesty

Effective tax rate
Revenue with and without “Good Compliers”

Wealth tax revenue (left)

2009 Amnesty
2013-15 Amnesty
2016 Amnesty

Adding good compliers exempt tax

Wealth tax revenue (left)

Billions of 2015 pesos

Wealth reported in income tax returns

Robustness: Reassuringly, people also report more assets abroad in their income tax returns.
Wealth reported in income tax returns

Assets located in Argentina and abroad

2016 Amnesty

Value of assets located abroad increased 590% in Argentina

Robustness: Reassuringly, people also report more assets abroad in their income tax returns.
Annual inflation [2000-2017]
~20% increase Jan 23, 2014
~30% increase Dec 17, 2015
Currency controls lifted (dollar clamp)
~24% increase Aug 30, 2018
~24% increase Aug 12, 2019
Month with the largest special tax payment

Tax Revenue collected in December 2016 almost doubles due to amnesty’s special tax
### Details of disclosed assets

<table>
<thead>
<tr>
<th>Type of Asset</th>
<th>Value (in mill USD)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments - Abroad</td>
<td>54,999</td>
<td>47</td>
</tr>
<tr>
<td>Investments - in Argentina</td>
<td>860</td>
<td>1</td>
</tr>
<tr>
<td>Cash deposits - Abroad</td>
<td>25,925</td>
<td>22</td>
</tr>
<tr>
<td>Cash deposits - in Argentina</td>
<td>405</td>
<td>0</td>
</tr>
<tr>
<td>National/foreign currency - in Argentina</td>
<td>7,344</td>
<td>6</td>
</tr>
<tr>
<td>Real Estate - Abroad</td>
<td>10,124</td>
<td>9</td>
</tr>
<tr>
<td>Real Estate - in Argentina</td>
<td>10,434</td>
<td>9</td>
</tr>
<tr>
<td>Rest of Assets</td>
<td>6,685</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>116,775</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td><strong>% of GDP</strong></td>
<td></td>
<td><strong>21%</strong></td>
</tr>
</tbody>
</table>

*Notes: Investments abroad: 30% located in the US, 26% in Switzerland, 15% in the UK; Cash deposits abroad: 45% located in the US, 32% in Switzerland, 9% in Uruguay; Real estate abroad: 49% located in Uruguay, 37% in the US, 4% in Brazil. Rest of assets: cars, boats, airplanes, art, jewelry, etc.*
Tax returns reporting foreign assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Returns</th>
</tr>
</thead>
<tbody>
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<td>2002</td>
<td>15,000</td>
</tr>
<tr>
<td>2003</td>
<td>18,000</td>
</tr>
<tr>
<td>2004</td>
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<td>2009</td>
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<td>2018</td>
<td>48,000</td>
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<tr>
<td>2019</td>
<td>50,000</td>
</tr>
<tr>
<td>2020</td>
<td>52,000</td>
</tr>
</tbody>
</table>

Amnesty programs in 2009, 2013-2015, and 2016 significantly increased the number of tax returns reporting foreign assets.
Stocks Abroad vs in Argentina

Number of tax returns (2015=100)

- Stocks abroad
- Stocks in Argentina

2016 Amnesty

Year:
- 2009
- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
- 2016
- 2017
- 2018
- 2019
- 2020
- 2021
Bank deposits and currency

Abroad vs in Argentina

Number of tax returns (2015=100)

2016 Amnesty

Deposits & Currency abroad

Deposits & Currency in Argentina
Massive disclosures of foreign stocks, cash, and real estate

![Graph showing the increase in billions of 2015 pesos for Stocks, Deposits & Currency, and Real Estate from 2009 to 2020. There is a significant increase in all categories post-2016, with a notable spike in 2017. The graph highlights the post-2016 Amnesty period with a red annotation.]
Domestic real estate and cash also increase (but smaller in %)
Share of Male Wealth Tax Payers

- Male Taxpayers (%)

- Year: 2002 to 2020
Wealth reported in income tax returns

Assets located in Argentina and abroad

2016 Amnesty

Wealth value (2015=100)

2016

Assets located in Argentina and abroad

in Argentina
Fiscal Externalities into the Income Tax

Capital Income: Taxpayers

Taxpayers (2015=100)


Capital income (taxpayers)

2016 Amnesty
Fiscal Externalities into Pensions

Average pensions

<table>
<thead>
<tr>
<th>Year</th>
<th>Avg Pension (pesos Dec'15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014m1</td>
<td>5000</td>
</tr>
<tr>
<td>2015m1</td>
<td>4500</td>
</tr>
<tr>
<td>2016m1</td>
<td>4000</td>
</tr>
<tr>
<td>2017m1</td>
<td>3500</td>
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<tr>
<td>2018m1</td>
<td>3000</td>
</tr>
<tr>
<td>2019m1</td>
<td>2500</td>
</tr>
</tbody>
</table>

Jun'16 law was passed
Sep'16 SSA accepts applications
Dec'17 pension reform

Average Pension
Minimum benefit
Distribution of wealth (assets)

Bunching at the exemption cutoff
Translation:

Tax Amnesty

Declaration of assets

Report your assets, contribute to your country. We achieve better pensions. We all grow.
What makes for a successful tax amnesty?
A roadmap

- The tax incentives
- The threat of detection
- A favorable political economy
- High salience and low compliance costs
What made the 2016 amnesty successful at disclosing hidden assets?

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Fernandez</td>
<td>Fernandez</td>
<td>Macri</td>
</tr>
<tr>
<td>Political inclination</td>
<td>Left</td>
<td>Left</td>
<td>Right</td>
</tr>
<tr>
<td>Can you disclose foreign currencies?</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Can you disclose assets?</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Is there a penalty for disclosing?</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Is there a reduced penalty for repatriation?</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Is repatriation required?</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is there a credible information exchange threat?</td>
<td>~</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Is there legal certainty? (currency controls)</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- How many people disclosed? 35k 16k 255k
- How much was disclosed? (% GDP) 1.3% 0.5% 21%
A credible threat of detection? Yes

- The threat of detection was not credible prior to 2014 because Argentina had no TIEAs ⇒ It is difficult to catch people evading taxes offshore

- In October 2014, Argentina commits to exchange information by September 2017 (for FY 2016) for OECD-AEOI

- In 2016: TIEAs with Uruguay (Sep’16), Switzerland (Nov’16), Brazil (Dec’16), and the US (Dec’16)

- In April 2016: Panama Papers were leaked
Timeline of agreements signed during the 2016 amnesty

**SINCERAMIENTO FISCAL**

**ÁMBITO INTERNACIONAL**

<table>
<thead>
<tr>
<th>Month</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agosto</td>
<td>Inicio del Sinceramiento</td>
</tr>
<tr>
<td>Setiembre</td>
<td>Declaración conjunta para el Intercambio de Información Tributaria. A partir de 2017</td>
</tr>
<tr>
<td>Octubre</td>
<td>Convenio de intercambio de información, A partir de enero de 2017</td>
</tr>
<tr>
<td>Noviembre</td>
<td>Acuerdo bilateral para el intercambio de información, A partir de 2018</td>
</tr>
<tr>
<td>Diciembre</td>
<td>Acta de Entendimiento (retroactivo últimos 5 años) y Acuerdo de Intercambio (inmuebles, autos, cuentas bancarias). A partir enero de 2017</td>
</tr>
</tbody>
</table>

Source: Slide taken from AFIP’s communication campaign.
A credible threat of detection? Yes

Panama Papers leaked in April 2016

Google search interest

- "Tax Amnesty"
- "Panama Papers"
A credible threat of detection? Yes
Argentina's TIEAs are being used to enforce taxes

► AFIP crackdown on foreign accounts thanks to TIEAs
► “3,000 foreign bank accounts under investigation”
► “They were not reported to AFIP in 2016 and 2017; the AFIP will continue to investigate information received from other tax entities around the world”
► Reinforces the value of TIEAs

Source: La Nacion, October 9, 2021.
Unlike for previous amnesties, 2016 amnesty participants expected the wealth tax to be progressively eliminated ⇒ encourages participation of evaders

Notwithstanding, 2016 participants also paid the highest penalty rate: up to 15% compared to only 8% in 2009 and 0% in 2013–15 ⇒ discourages participation of evaders but retains support and compliance of honest taxpayers

Moreover, conditional on participating, penalty rates do matter (but appear to have a limited effect if repatriation is required). Recall the 2016 penalty schedule:
⇒ 10% vs 15% for assets above US$ 50k if disclosed before or after Dec 31, 2016
⇒ 0% if 1/3 disclosed value is invested in treasury securities or in domestic mutual funds for 5-yr
Most assets disclosed in Dec 16, before top penalty rate ↑
Revenue from Amnesty’s Special Tax

Total collected:
AR$ 148,600 mill
(USD 9,522 mill)
Salience? Yes

A massive advertisement campaign
Low compliance cost? Yes

Screenshot of AFIP’s main webpage

Translation:

Tax Amnesty (Sinceramiento Fiscal)

“HOW TO DISCLOSE ASSETS’

“Access this video-tutorial for a step-by-step guide to report your undeclared assets and enjoy the benefits”
Low compliance cost? Yes
An App and a calculator to simulate the tax penalty

2. DECLARACION DE BIENES

PERSONA HUMANA: La tenencia de moneda y bienes deben ser declarados en moneda nacional al 22 de julio de 2016. Para tenencias de bienes en el extranjero, vea la información en el "En el extranjero".

DOLAR U.S.A. = 4,7000 | EURO = 5,9000

Tenencia de moneda en el país
En el País: $ 0
En el exterior: $ 0

Dinero bancarizado
En el País: $ 0
En el exterior: $ 0

Inmuebles
En el País: $ 0
En el exterior: $ 0

Demás Bienes
En el País: $ 0
En el exterior: $ 0

CALCULAR
Low compliance cost? Yes

Translation:

Tax Amnesty (Sinceramiento Fiscal)

“This is an opportunity to do your part, declare all your assets, regularize your debt and, if you complied, find out about the benefits”
Low compliance cost? Yes

Translation:

Tax Amnesty (Sinceramiento Fiscal)

“DO YOU HAVE UNDECLARED CASH?”

“You have until October 31st. Don’t miss it out. You still have time!”
Under What Conditions is a Tax Amnesty Successful?

What does seem to work?

✓ A credible threat of detection thanks to TIEAs and leaks
✓ Large tax incentives for evaders to disclose (but maintain support of compliant taxpayers)
✓ A favorable political economy thanks to a pro-market and business-friendly government and earmarking revenue for a perceived good cause
✓ High salience thanks to massive info campaign
✓ Low compliance cost by simplifying the procedure to disclose

What does not seem to work?

▶ Tax incentives to repatriate assets
▶ Tax benefits for investing in treasury securities
An increase in the wealth tax to raise revenue for COVID-19

- The increase in reported wealth enabled the gov’t to raise revenue progressively in 2020 to deal with the COVID-19 crisis [News: [1] [2]]

- A one-time wealth tax surcharge was levied on the 12.5k wealthiest people: MTRs between 2% to 3.5% for domestic assets and 3% to 5.25% for foreign assets

- Revenue was earmarked for health expenses (e.g., medical supplies, vaccines), subsidies for SMEs, and welfare for low-income households

  ⇒ 10k people filed, with ≈ USD 80B in taxable assets (50% located abroad)
  
  Reference: pre-amnesty taxable assets of wealthiest 10k ≈ USD 41B

  ⇒ Collected ≈ USD 2.66B (≈80% of the projected revenue); ≡ 1 month of VAT revenue

  ⇒ Non-filers were subject to higher audit rates