

Revealing 21% of GDP in Hidden Assets: Evidence from Argentina's Tax Amnesties

Juliana Londoño-Vélez
UCLA & NBER

Dario Tortarolo
Nottingham & IFS

NBER Public Economics Program Meeting
Fall 2022

Motivation

- ▶ Offshore evasion poses severe challenges for tax policy (Slemrod, 2019; Zucman, 2015)
- ▶ Gov'ts worldwide have conducted enforcement initiatives to improve wealthy households' tax compliance (e.g., CRS, TIEAs, FATCA)
- ▶ Voluntary disclosure programs or **tax amnesties** seek to entice wealthy evaders to disclose foreign income/assets in exchange for reduced penalties and no prosecution

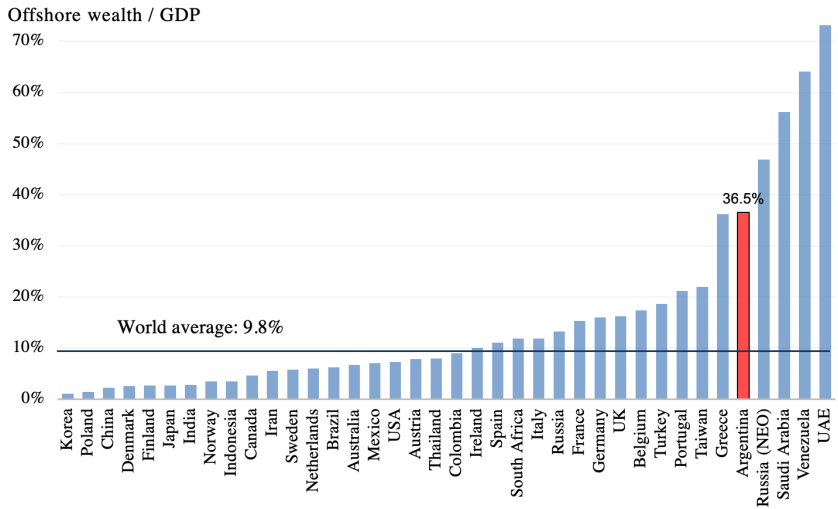
Motivation

- ▶ Despite their widespread use, tax amnesties remain controversial and differ drastically in how effectively they improve tax compliance
- ▶ Understanding *how* and *why* tax amnesties succeed/fail is crucial to conduct tax policy
- ▶ However, it has been hard to draw lessons; e.g., countries vary in baseline evasion rates and amnesties vary in design and contextual features

This paper

- ▶ Studies tax amnesties' effectiveness and impact on capital taxation and public spending
- ▶ Argentina is well-suited to examine these issues
 1. **There is a lot at stake:** 1/3 of GDP had been stored offshore [Alstadsæter et al., 2018]
 2. **Argentines report assets annually** because there is a gross wealth tax
 3. **Rich policy variation:** left and right-wing gov't programs in 2009, 2013–2015, 2016, with varied effectiveness: disclosed assets ranged from 0.5% to **21% of GDP**—world's most successful amnesty?
- ▶ Uses detailed data from wealth and income tax tabulations and pension benefits spanning two decades

Argentina owned the equivalent of 36.5% of GDP in offshore wealth



Source: Alstadsæter, Johannesen, and Zucman (2018)

Summary of main results

1. Despite substantial offshore tax evasion, declared foreign assets quadrupled in 2016
2. Tax progressivity improved because disclosures were extensive among top 0.1%
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 response to amnesties and “confiscatory” taxes on foreign assets

Contributions

- ▶ Offshore evasion and fiscal implications [Alstadsæter et al. \(2019\)](#), [Zucman \(2015\)](#)

→ Wealthy Argentines kept undeclared assets abroad, but enforcement policy provoked large disclosures, affecting capital taxation and public spending

- ▶ Nascent empirical literature on tax amnesties and voluntary disclosure programs
[Alstadsæter et al. \(2019, 2022\)](#), [Johannesen et al. \(2020\)](#), [Langenmayr \(2017\)](#), [Leenders et al. \(2021\)](#),
[Londoño-Vélez and Ávila-Mahecha \(2021\)](#)

→ Policy revealed substantial offshore assets even in a country with a lot at stake and a history of failed amnesty programs

Outline

Context and Data

The Effectiveness of Argentina's Amnesties

- Revealing Foreign and Domestic Assets

- Disclosures by Top Wealth Groups and Tax Progressivity

- Expanding the Wealth and Capital Income Tax Bases

- Increasing Transfers by Earmarking Revenue for Pension Spending

- Do Taxpayers Repatriate Assets in Response to Tax Incentives?

Discussion and Conclusion

Outline

Context and Data

The Effectiveness of Argentina's Amnesties

- Revealing Foreign and Domestic Assets

- Disclosures by Top Wealth Groups and Tax Progressivity

- Expanding the Wealth and Capital Income Tax Bases

- Increasing Transfers by Earmarking Revenue for Pension Spending

- Do Taxpayers Repatriate Assets in Response to Tax Incentives?

Discussion and Conclusion

Argentina's wealth tax

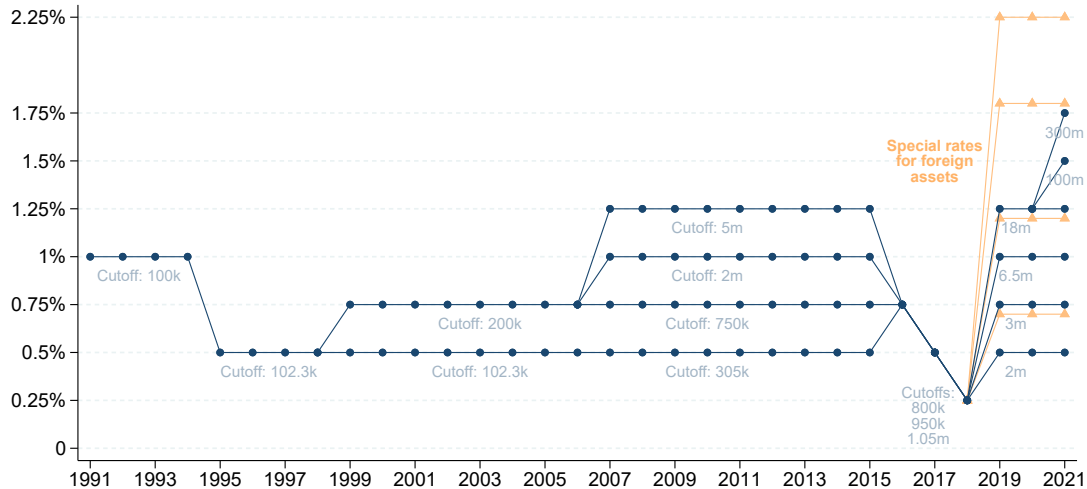
- ▶ Argentina levies a gross wealth tax on inds and firms on worldwide assets held on Dec 31
- ▶ Broad tax base (e.g., real estate, vehicles, foreign currency, cash, checking account balance, shares) with two exemptions:
 1. Savings accounts and term deposits at Argentine banks
 2. Securities, bonds, other negotiable instruments issued by the public sector
- ▶ Taxpayers must file an annual tax return and pay any balance in June of year $t + 1$ ▶ F.762/A
- ▶ Large variation in wealth tax rate and number of taxpayers due to reforms and bracket creep

More info on AFIP website [here](#)

Argentina's wealth tax rates have ranged from 0.25% to 2.25%

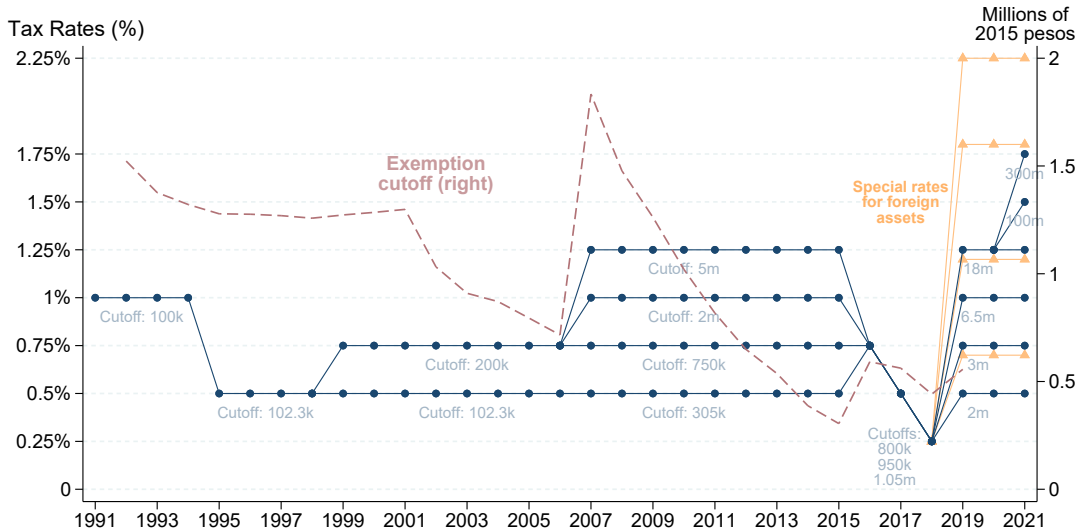
▸ Table ▸ Revenue ▸ Features ▸ ATR ▸ N payers ▸ Bunching

Tax Rates (%)



Argentina's wealth tax rates have ranged from 0.25% to 2.25%

► Table ► Revenue ► Features ► ATR ► N payers ► Bunching



A brief history of Argentina's recent experience with tax amnesties

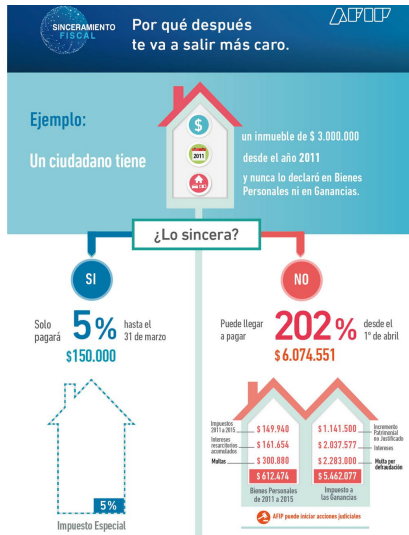
- ▶ Left- and right-wing gov'ts implemented three tax amnesties in 2009, 2013–15, and 2016, varying in policy design, contextual features, and revenue collection
- ▶ Fernandez de Kirchner implemented two amnesties in 2009 and 2013–15: revealed assets worth 0.5% to 1.3% of GDP, but little impact on tax revenue
- ▶ Macri's program in 2016 encouraged 255,000 individuals and firms to disclose assets worth US\$ 117B (21% of GDP), raised US\$ 9.5B (1.8% of GDP) from special tax

News: [\[1\]](#), [\[2\]](#), [\[3\]](#), [\[4\]](#), [\[5\]](#), [\[6\]](#), [\[7\]](#), [\[8\]](#)

Macri's 2016 tax amnesty

1. **Scope:** all (foreign and domestic) assets and currencies as of July 22, 2016
Passed on June 29, 2016, and lasted nine months (Aug '16–March '17)
2. **Tax and non-tax benefits:** forgave all liabilities for taxes and 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

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.

Macri's 2016 tax amnesty: 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. Earmarked revenue to fund public pension system
3. Massive ad campaign made program salient
4. Threat of detection became more credible: TIEAs with most relevant tax havens (Uruguay, Switzerland), Brazil, Chile, USA + Panama Papers two months prior

Macri's 2016 tax amnesty: 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. **Earmarked revenue to fund public pension system**
3. Massive ad campaign made program salient
4. Threat of detection became more credible: TIEAs with most relevant tax havens (Uruguay, Switzerland), Brazil, Chile, USA + Panama Papers two months prior

An ad promoting amnesty to contribute to better pension benefits for older citizens



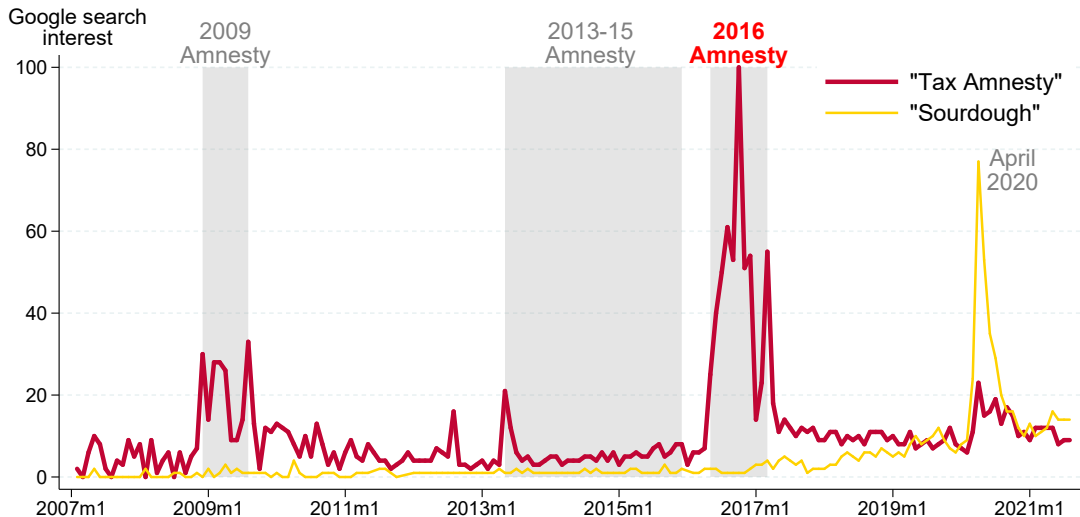
Macri's 2016 tax amnesty: four essential features

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. Earmarked revenue to fund public pension system
3. **Massive ad campaign made program salient**
4. Threat of detection became more credible: TIEAs with most relevant tax havens (Uruguay, Switzerland), Brazil, Chile, USA + Panama Papers two months prior

Massive ad campaign made program salient



Google search trends show amnesty program was salient



Macri's 2016 tax amnesty: 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. Earmarked revenue to fund public pension system
3. Massive ad campaign made program salient
4. **Threat of detection became more credible: TIEAs with most relevant tax havens (Uruguay, Switzerland), Brazil, Chile, USA + Panama Papers two months prior**

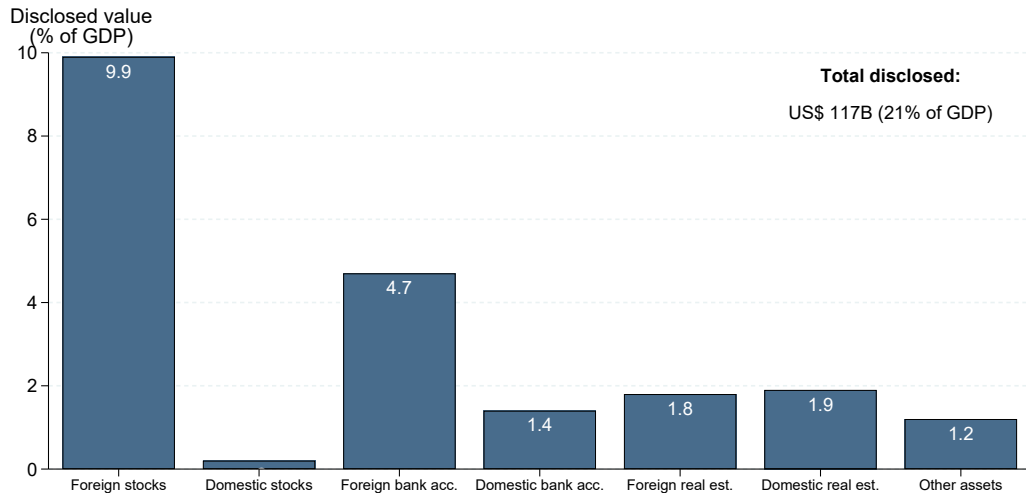
TIEAs made the threat of detection more credible



Source: Slide taken from [AFIP's communication campaign](#).

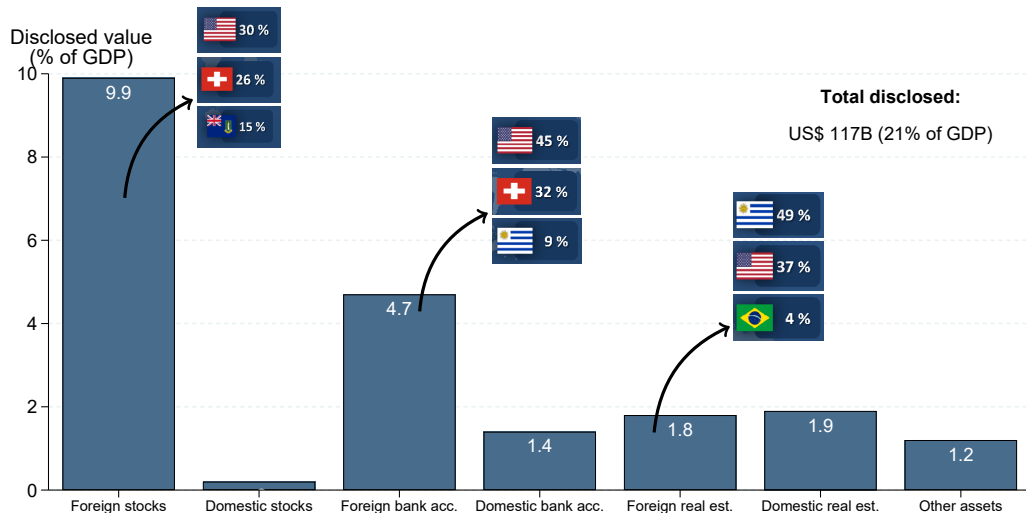
Disclosures made under the 2016 amnesty

80% hidden abroad, mostly financial assets ▶ Tax Revenue



Disclosures made under the 2016 amnesty

80% hidden abroad, mostly financial assets ▶ Tax Revenue



Administrative data

1. Detailed IRS tax tabulations from wealth tax and income tax (FYs 2002-20)

- ▶ **Wealth tax:** number of filers, taxpayers; wealth value, tax base, tax liability.
Broken by: gender, location (domestic vs foreign), type of asset, industry sector, ~15 brackets
- ▶ **Income tax:** number of filers, taxpayers; wealth value, debts, net worth.
Tax base split into 4 sources: rental, capital, business, wage income

2. Spending: monthly retirement benefits from SSA; reparation spending

- ▶ Number of retirees, average benefit, decomposed by deciles

Outline

Context and Data

The Effectiveness of Argentina's Amnesties

- Revealing Foreign and Domestic Assets

- Disclosures by Top Wealth Groups and Tax Progressivity

- Expanding the Wealth and Capital Income Tax Bases

- Increasing Transfers by Earmarking Revenue for Pension Spending

- Do Taxpayers Repatriate Assets in Response to Tax Incentives?

Discussion and Conclusion

Outline

Context and Data

The Effectiveness of Argentina's Amnesties

Revealing Foreign and Domestic Assets

Disclosures by Top Wealth Groups and Tax Progressivity

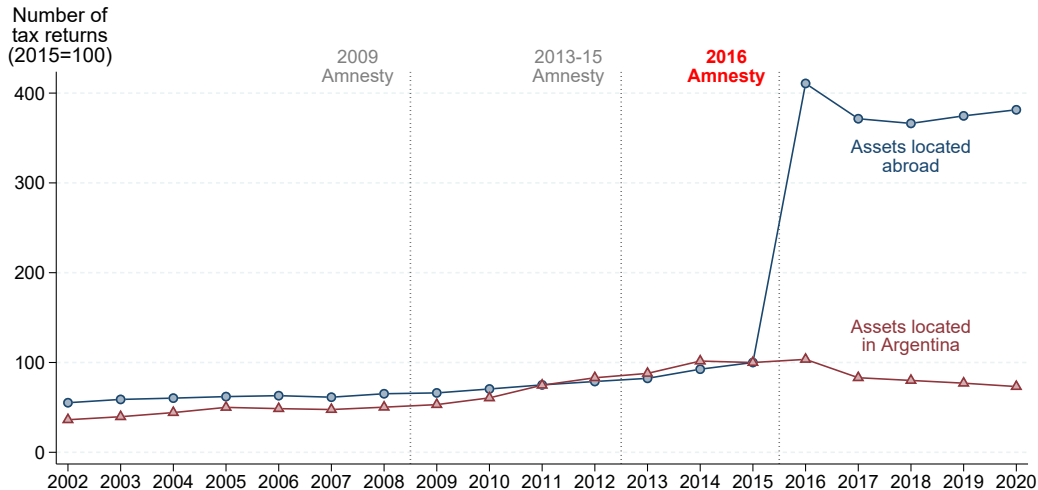
Expanding the Wealth and Capital Income Tax Bases

Increasing Transfers by Earmarking Revenue for Pension Spending

Do Taxpayers Repatriate Assets in Response to Tax Incentives?

Discussion and Conclusion

A 310% increase in the number of wealth taxpayers declaring foreign assets

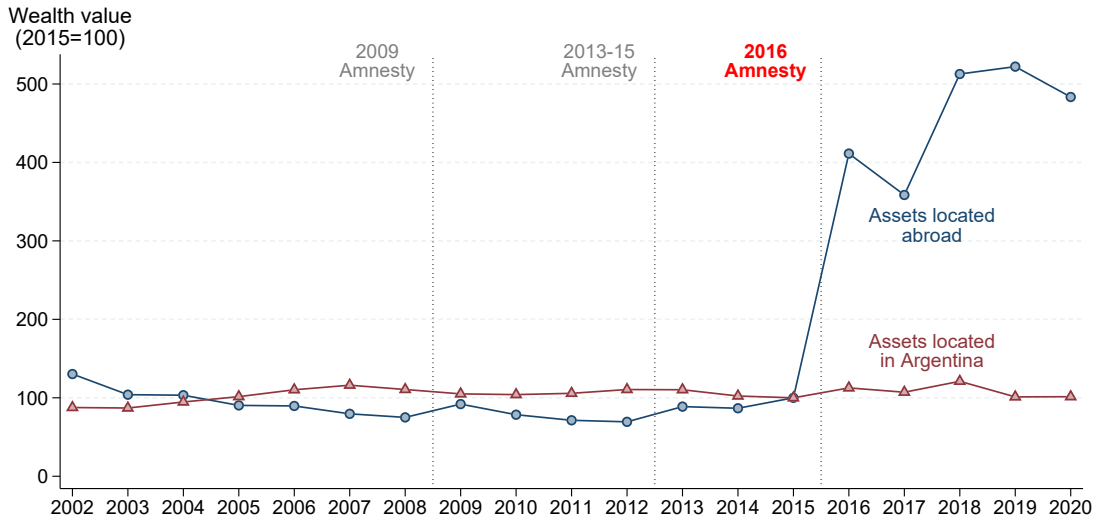


Notes: There are 28,816 returns for foreign assets and 1,241,683 for domestic assets at baseline (2015).

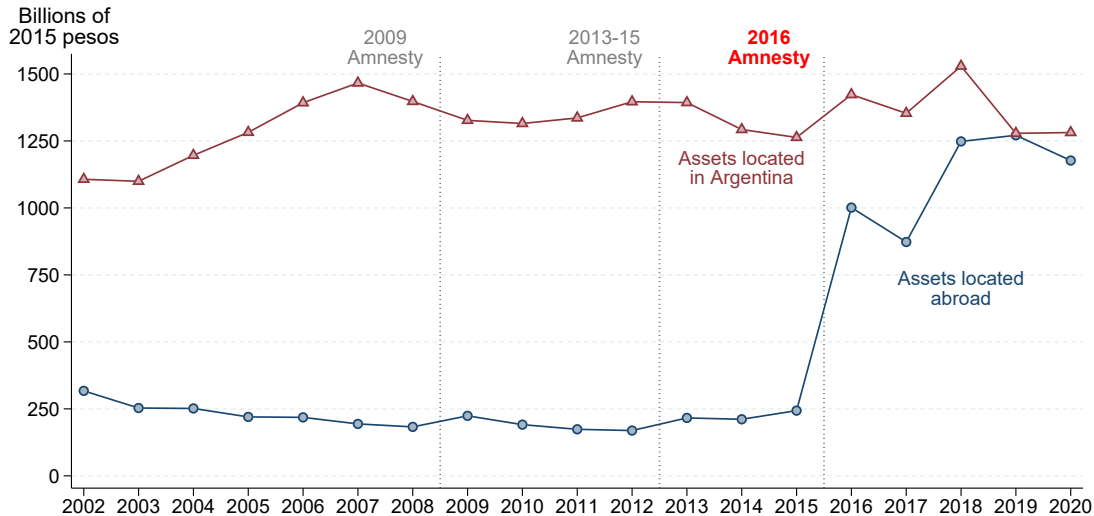
► See levels

There is a more than 310% increase in the value of declared foreign assets

► ER

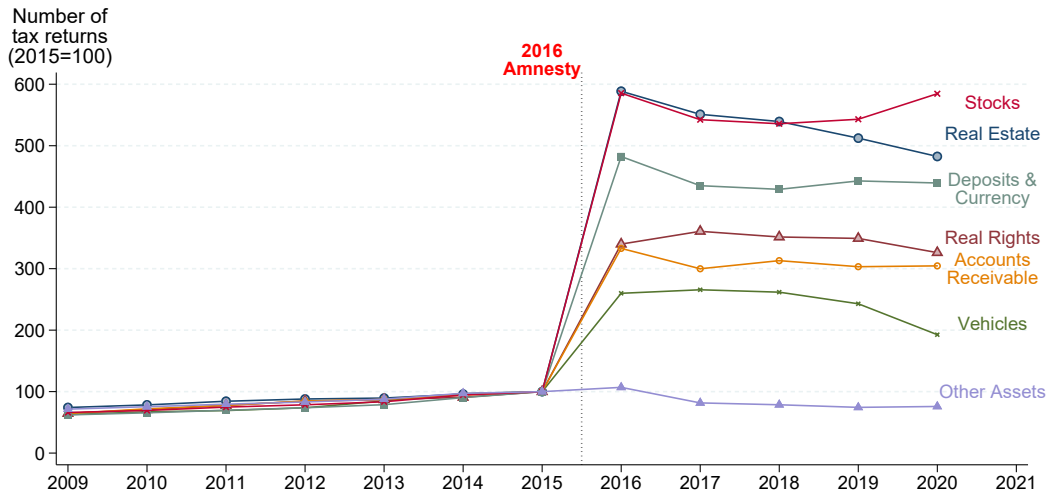


Argentines now report that half of their assets are located abroad ▶



The likelihood of declaring foreign assets increased for all asset types

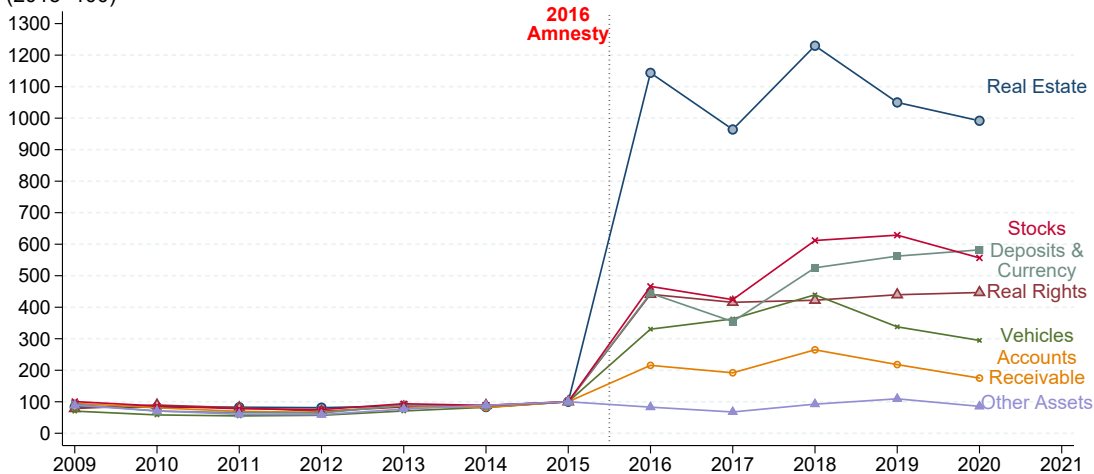
► See cases



The value of declared foreign real estate increased by over 1000%

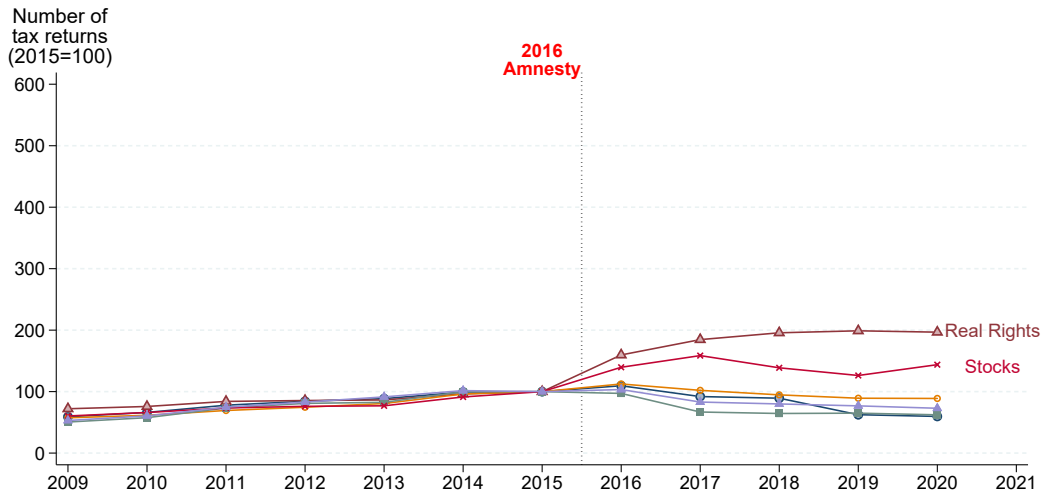
► Absolute

Wealth value
(2015=100)

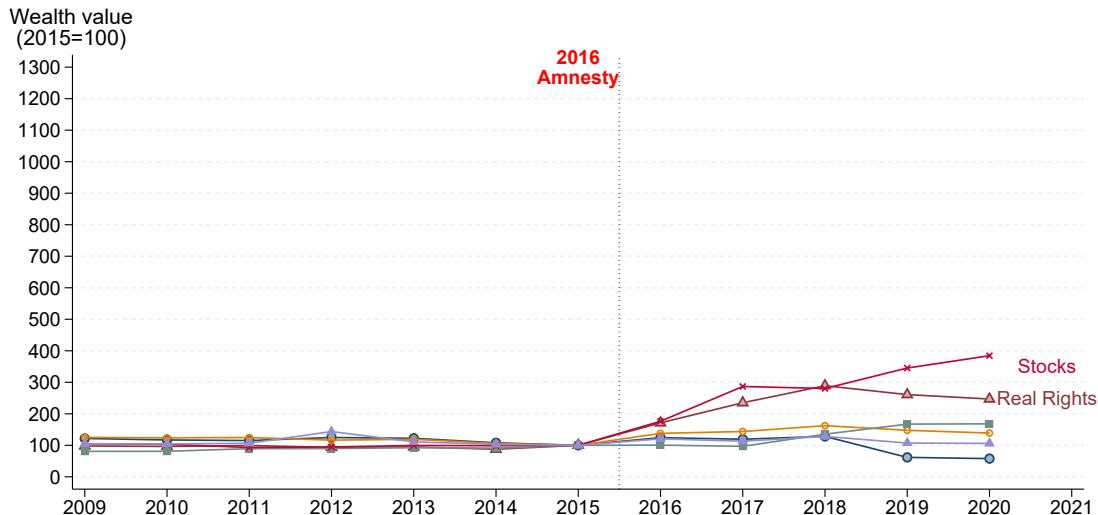


By contrast, smaller change in no. of taxpayers declaring domestic assets

► See cases



By contrast, smaller change value of declared domestic assets



Outline

Context and Data

The Effectiveness of Argentina's Amnesties

Revealing Foreign and Domestic Assets

Disclosures by Top Wealth Groups and Tax Progressivity

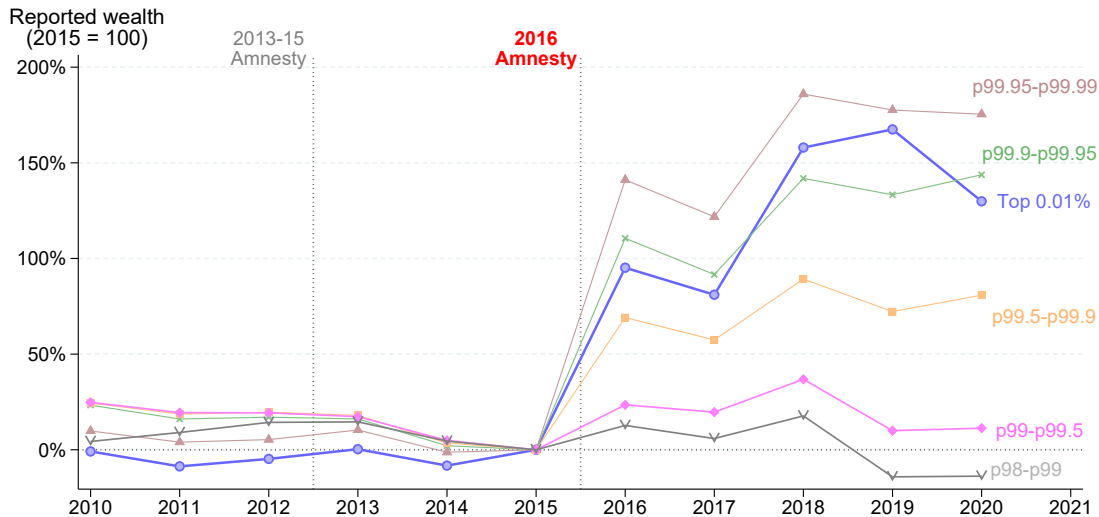
Expanding the Wealth and Capital Income Tax Bases

Increasing Transfers by Earmarking Revenue for Pension Spending

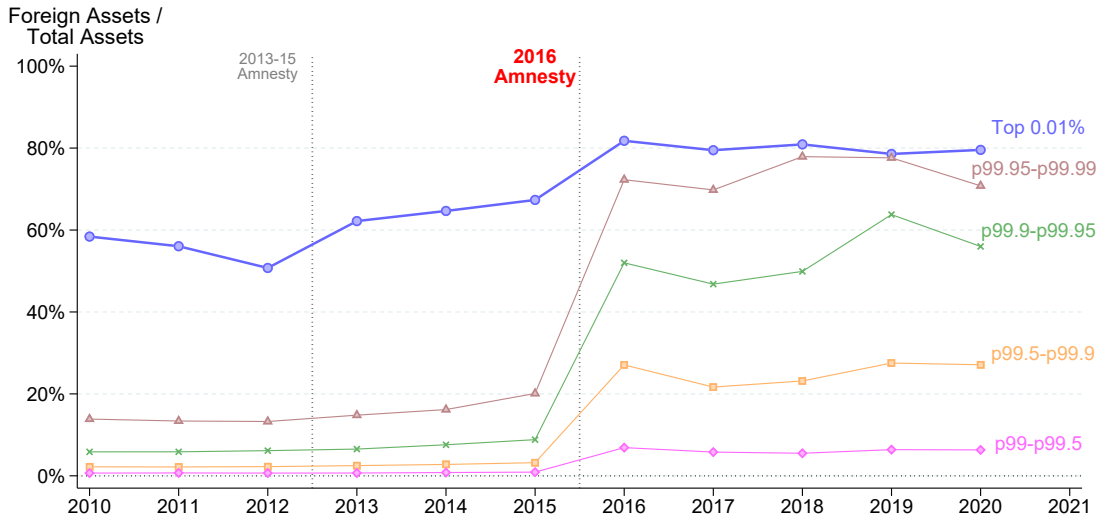
Do Taxpayers Repatriate Assets in Response to Tax Incentives?

Discussion and Conclusion

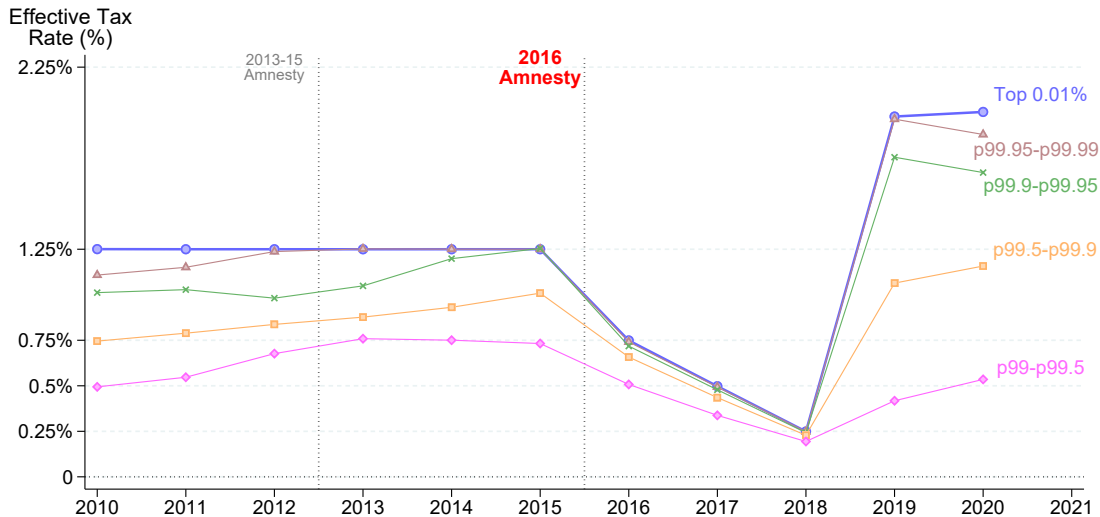
The increase in reported assets is greater for Argentina's top 0.1%



Amnesty tripled the share of foreign assets declared by top 0.1%



An increase in the progressivity of the wealth tax in 2019



Outline

Context and Data

The Effectiveness of Argentina's Amnesties

Revealing Foreign and Domestic Assets

Disclosures by Top Wealth Groups and Tax Progressivity

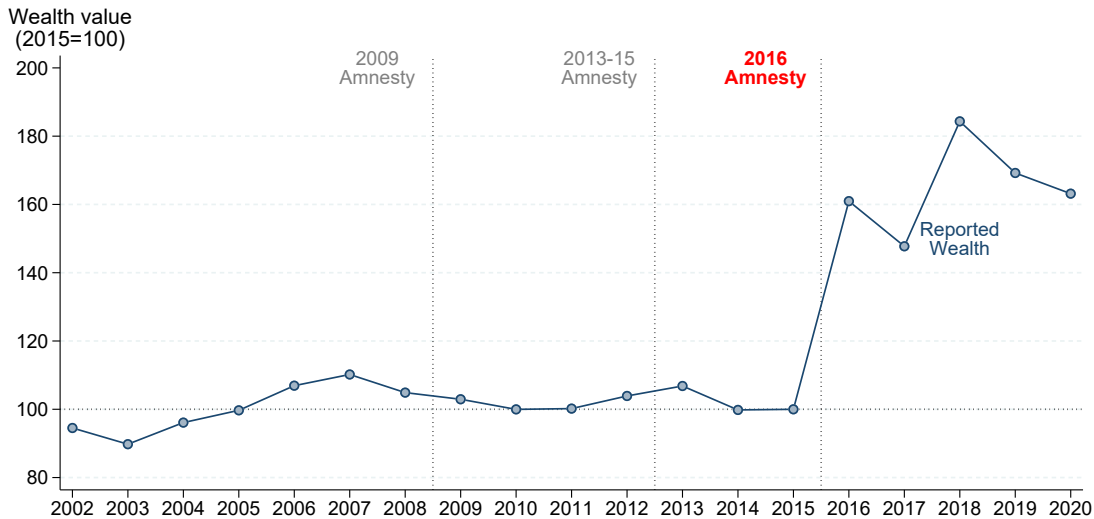
Expanding the Wealth and Capital Income Tax Bases

Increasing Transfers by Earmarking Revenue for Pension Spending

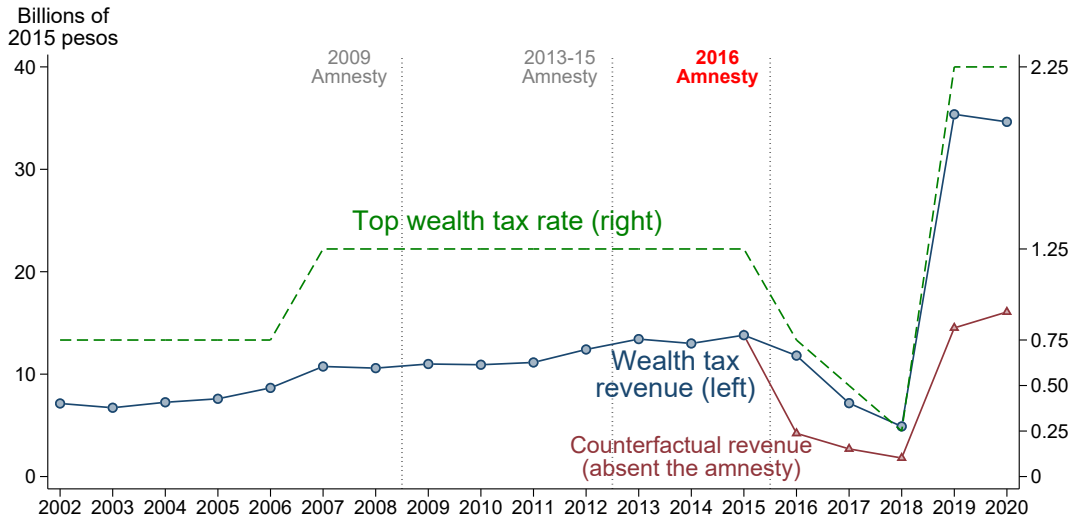
Do Taxpayers Repatriate Assets in Response to Tax Incentives?

Discussion and Conclusion

The amnesty raised the total value of wealth reported by tax filers

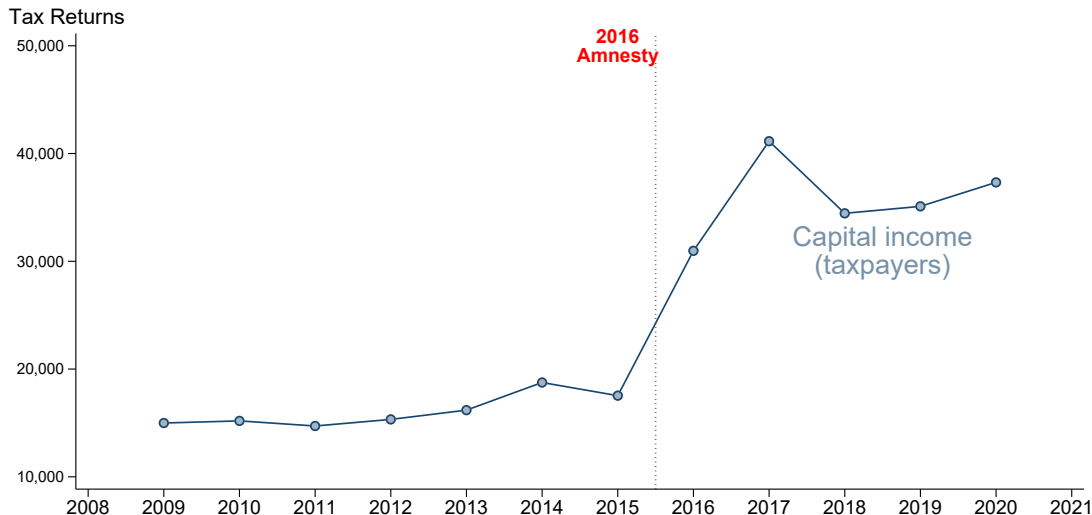


As a result, wealth tax revenue doubled—and tripled when tax rate ↑

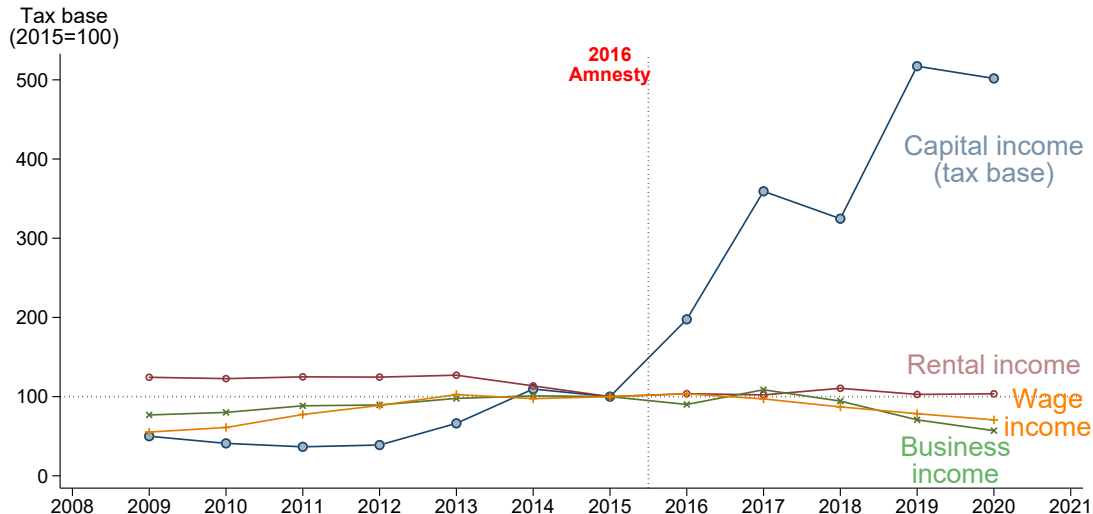


The number of taxpayers subject to capital income tax doubled

► All sources



The capital income tax base tripled—and the increase persisted

[► Levels](#)[► Shares](#)

Outline

Context and Data

The Effectiveness of Argentina's Amnesties

Revealing Foreign and Domestic Assets

Disclosures by Top Wealth Groups and Tax Progressivity

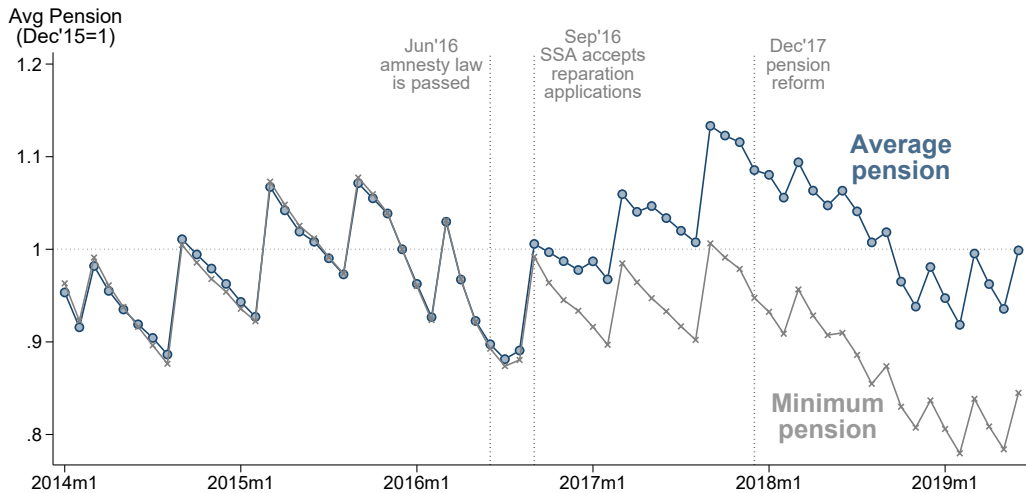
Expanding the Wealth and Capital Income Tax Bases

Increasing Transfers by Earmarking Revenue for Pension Spending

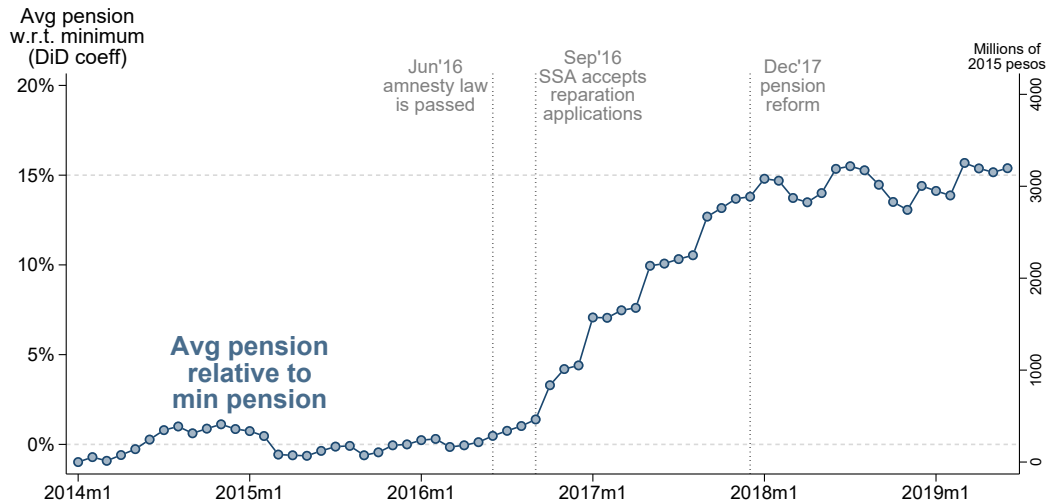
Do Taxpayers Repatriate Assets in Response to Tax Incentives?

Discussion and Conclusion

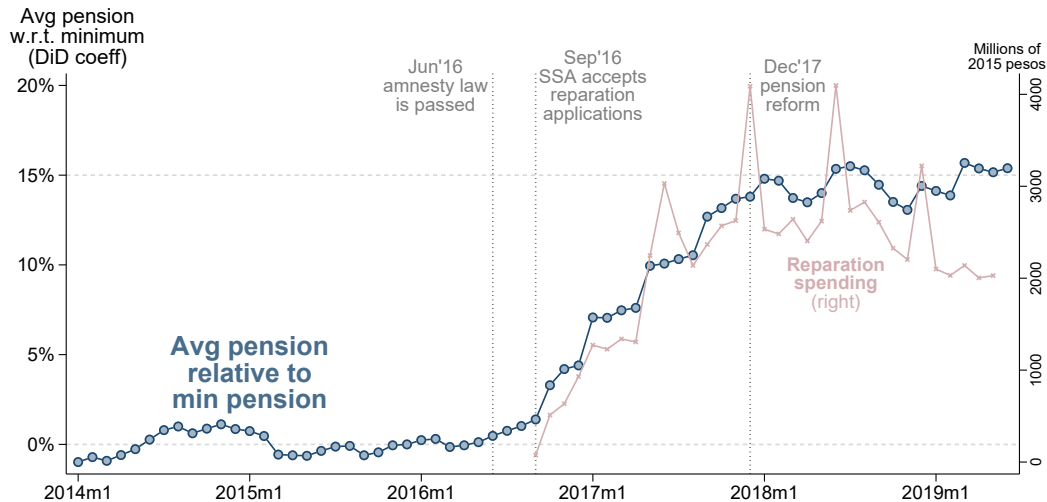
By earmarking revenue, the amnesty raised pension benefits by 15% ► Levels



By earmarking revenue, the amnesty raised pension benefits by 15% ► Levels



By earmarking revenue, the amnesty raised pension benefits by 15% ► Levels



Outline

Context and Data

The Effectiveness of Argentina's Amnesties

- Revealing Foreign and Domestic Assets

- Disclosures by Top Wealth Groups and Tax Progressivity

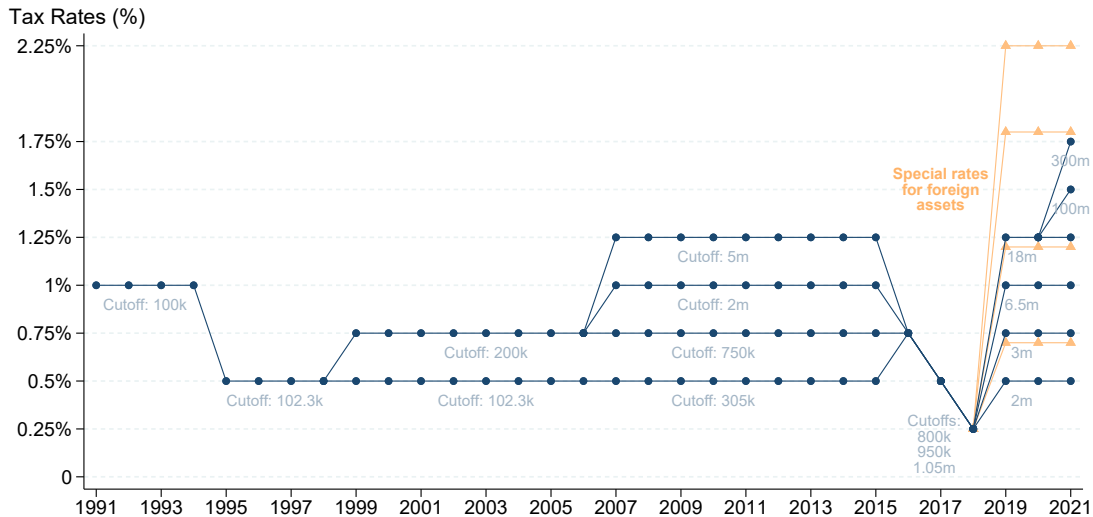
- Expanding the Wealth and Capital Income Tax Bases

- Increasing Transfers by Earmarking Revenue for Pension Spending

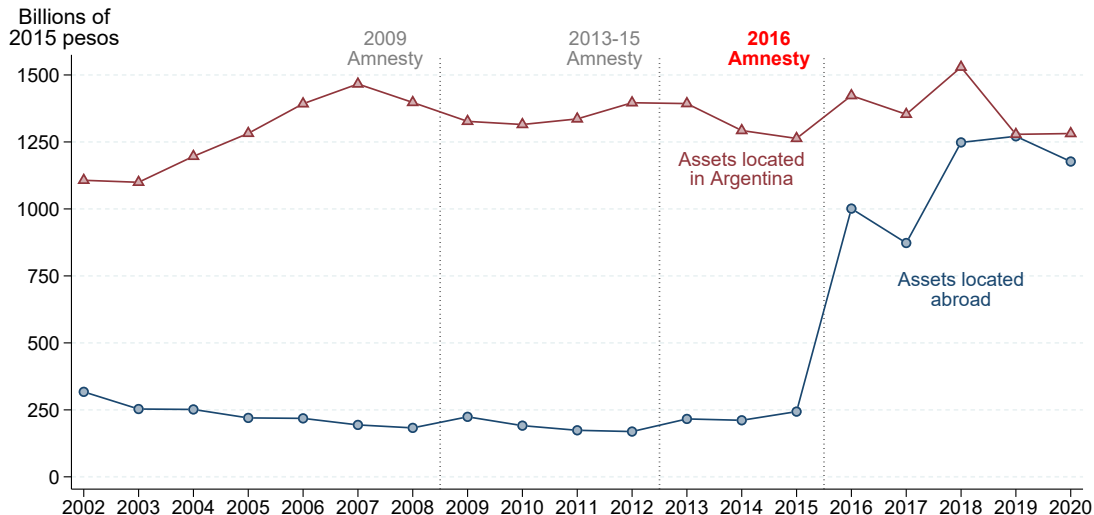
- Do Taxpayers Repatriate Assets in Response to Tax Incentives?

Discussion and Conclusion

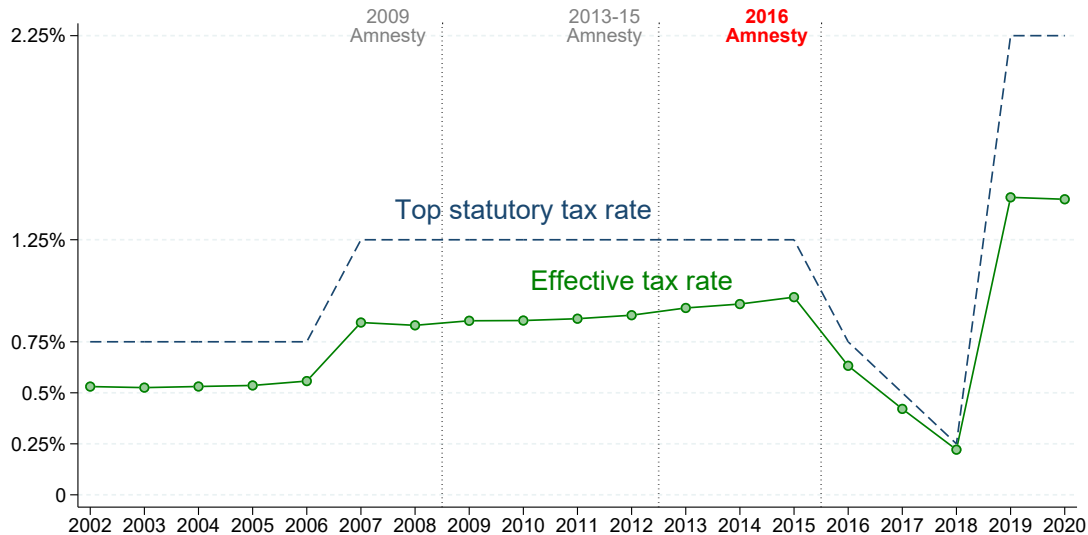
Argentina raised top wealth tax rate to 2.25% for foreign assets in 2019



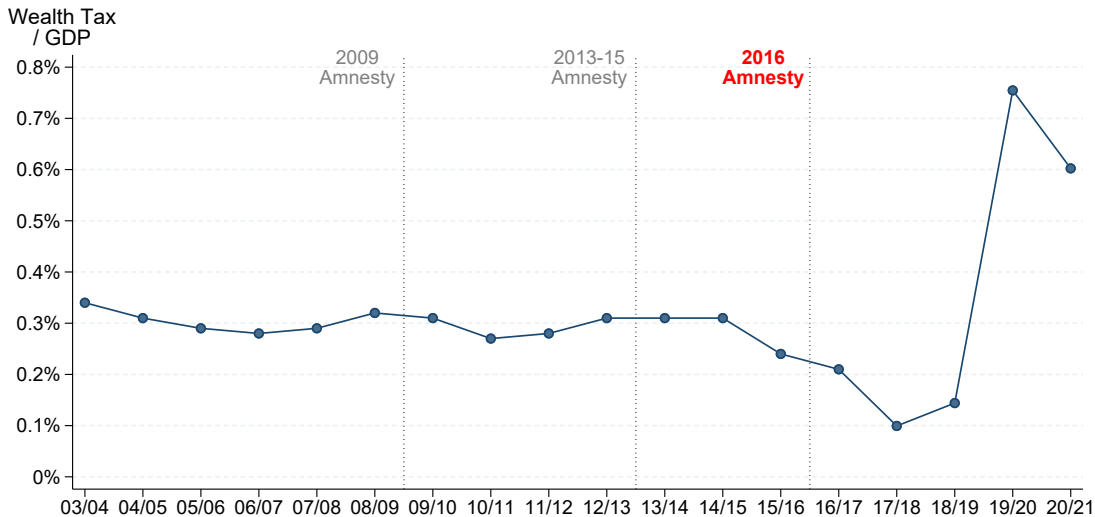
However, little change in declared foreign assets (relative to 2018)



And effective tax rate remains constant



As a result, big spike in wealth tax revenue to GDP ratio in 2019



Outline

Context and Data

The Effectiveness of Argentina's Amnesties

- Revealing Foreign and Domestic Assets

- Disclosures by Top Wealth Groups and Tax Progressivity

- Expanding the Wealth and Capital Income Tax Bases

- Increasing Transfers by Earmarking Revenue for Pension Spending

- Do Taxpayers Repatriate Assets in Response to Tax Incentives?

Discussion and Conclusion

Quick recap

- ▶ Argentina had unprecedented success in encouraging evaders—especially the wealthiest 0.1%—to reveal assets hidden offshore
- ▶ The expansion of the wealth and capital income tax bases turned out to be key later when gov't needed to raise revenue to deal with the COVID-19 crisis
 - ▶ Wealth tax surcharge on the wealthiest 12.5k Argentines [▶ Details](#)
- ▶ Will our results replicate in other countries or even a future Argentina?

What made the 2016 amnesty different? ▶

- ▶ Combined generous tax incentives while retaining support and compliance of honest taxpayers ▶
- ▶ A credible threat of detection thanks to TIEAs and leaks ▶
- ▶ A favorable political economy thanks to a pro-market and business-friendly gov't + earmarking revenue to garner taxpayer support ▶
- ▶ High salience and low compliance costs ▶

Thanks!



Macri and a shower of dollars

Appendix

Wealth Tax Form 762/A

► Back



IMPUESTO
SOBRE
LOS BIENES
PERSONALES

F.762/A

Sello fichador de recepción

Firma

Carácter

C.U.I.T. o C.U.I.L. N° Verif. Hora
20-22038809-4 156421 190127

Año 0 Orig. / 1-9 Rect. Establecimiento
2011 Rectificativa 1 0

Código de Actividad Versión
851900 130000

Apellido y Nombre o Denominación: FREYRE, JOSE LUIS

Responsable por deuda ajena de: NO

R1 - Bienes situados en el país

a	Inmuebles	019	0,00
b	Derechos reales	020	0,00
c	Automotores	021	31.900,00
d	Naves	022	0,00
e	Aeronaves	023	0,00
f	Patrim. de emp. o explot. unipers.	035	0,00
	Acciones, cuotas, parti. soc. etc.	180	0,00
n	Títulos públicos y privados	181	0,00
i	Créditos	028	0,00
j	Depósitos en dinero	078	0,00
k	Dinero en efectivo	029	500,00
l	Bienes muebles registrados	086	0,00
m	Otros bienes	030	0,00
n	Bs. pers. y bs. muebles del hogar	031	1.620,00
o	TOTAL EN EL PAIS	132	34.620,00

R2 - Bienes situados en el exterior

a	Inmuebles	663	0,00
b	Derechos reales	032	0,00
c	Automotores, naves y aeronaves	671	0,00
d	Créd., oblig. neg. debentures, etc.	033	0,00
e	Depósitos en dinero	736	0,00
	Bienes muebles y semovientes	787	0,00
g	Títulos, acc. y demás part. soc.	034	0,00
h	Otros bienes	789	0,00
i	TOTAL EN EL EXTERIOR	906	0,00

R3 - Determinación de impuesto

a	Total de bienes sujetos a impuesto	914	34.020,00
b	Mínimo exento	108	305.000,00
c	Diferencia	353	0,00
d	Alícuota del impuesto	256	0,00
e	IMPUESTO DETERMINADO	264	0,00
f	Total Bienes Exentos/No Alcanzados	506	120.414,18

R4 - Determinación de la cuota de impuesto

a	Impuesto determinado	213	0,00
b	Impuestos análogos pagados en ext.	161	0,00
c	Total de anticipos cancelados con bonos o certificados fiscales	1000	0,00
d	Total de anticipo cancelados en efectivo o compensación	689	0,00
e	Pago a cuenta del Imp. s/Acc. y Part. S		0,00
f	Total de pagos a cuenta	688	0,00
g	Saldo a favor del periodo anterior	583	0,00
h	Saldo a favor del contribuyente	685	0,00
i	Saldo a favor AFIP	683	0,00
j	Saldo a favor anticipos cancelados con Bonos o Certificados fiscales	1001	0,00

R5 - Pago de cuotas

a	Saldo a pagar en cuotas	001	0,00
b	Cantidad de cuotas que solicita	005	0
c	Monto del pago a cuenta	007	



076220220388094122011000000
437bae80fcdcf1f1e6a62686ff6934b

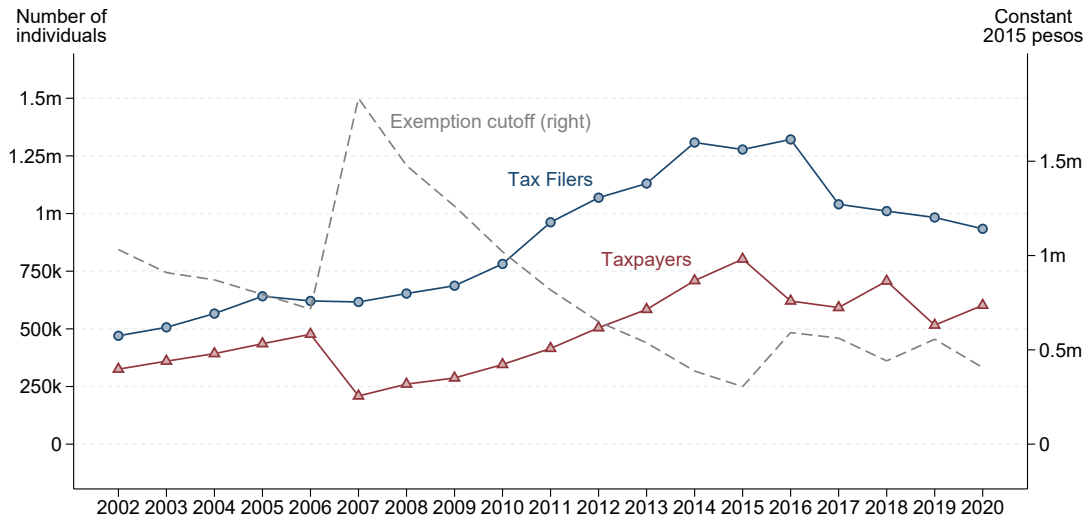
Declaro que los datos consignados en este formulario son correctos y completos y que he confeccionado la presente utilizando el programa aplicativo (software) entregado y aprobado por la AFIP, sin omitir ni falsear dato alguno que deba contener, siendo fiel expresión de la verdad.

Tax Rates and Wealth Tax Thresholds: 1991-2020

Fiscal Years	Exemption Threshold	Bracket 1	Bracket 2	Bracket 3	Bracket 4			
1991-1994	100k/102.3k	1%						
1995-1998	102.3k	0.5%						
1999-2006	102.3k	0.5%	200k	0.75%				
2007-2015 (notches)	305k	0.5%	750k	0.75%	2m	1%	5m	1.25%
2016	800k	0.75%						
2017	950k	0.50%						
2018	1.05m	0.25%						
2019-2020 domestic assets	2m	0.5%	3m	0.75%	6.5m	1%	18m	1.25%
2019-2020 foreign assets	2m	0.7%		1.20%		1.80%		2.25%

Notes: Thresholds (in current pesos) are reported in blue. For 2007-2015 the thresholds operated as notches. [► Back](#)
 Filing thresholds (earnings): 2007-2014: \$96k; 2015: \$200k; 2016: \$500k; 2017: \$1m; 2018: \$1.5m; 2019: \$2m; 2020: \$2.5m.

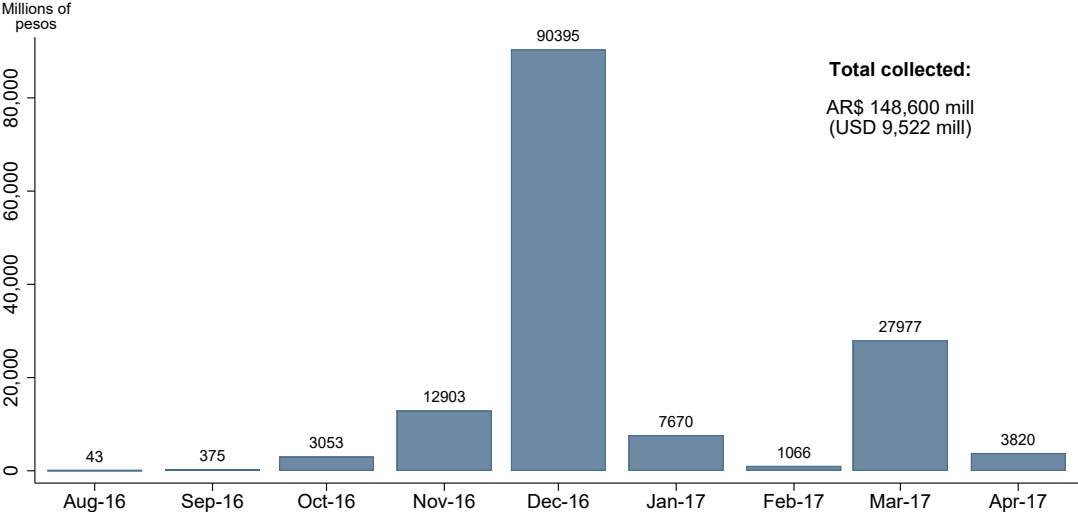
Wealth Tax Filers and Wealth Tax Payers

[► Back](#)

Revenue from the 2016 Amnesty's Special Tax

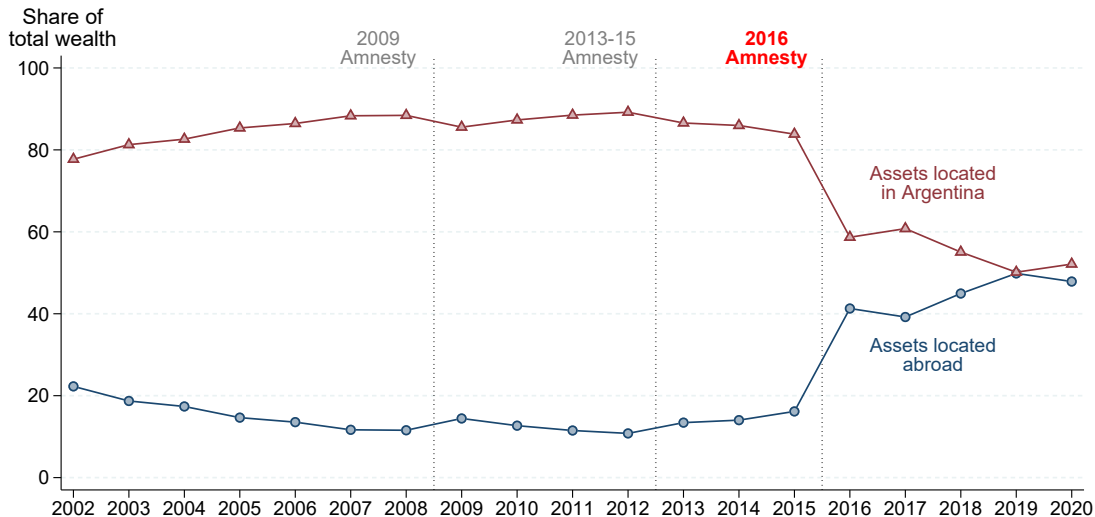
► Back

► Disclosures

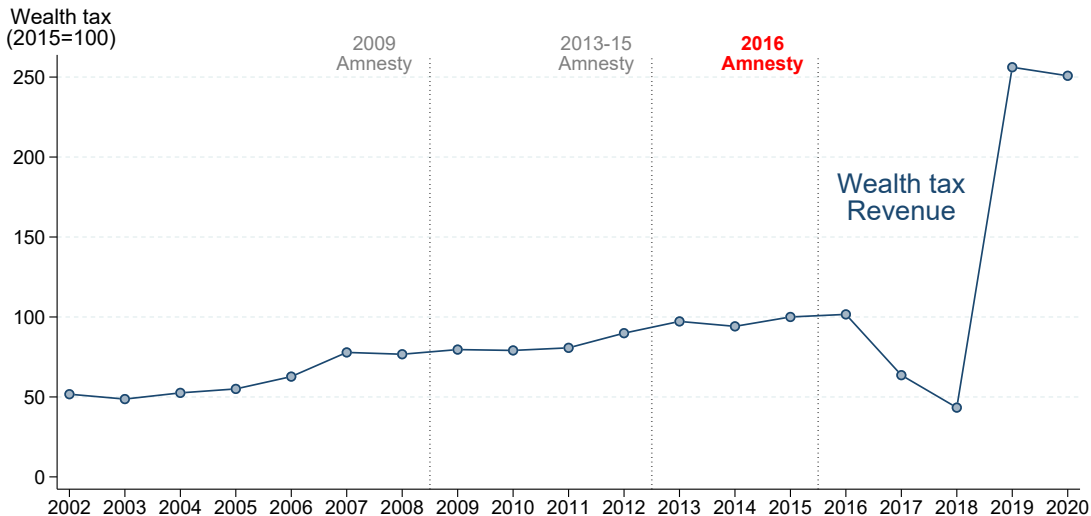


Foreign vs Domestic Assets

Share of total wealth [▶ Back](#)

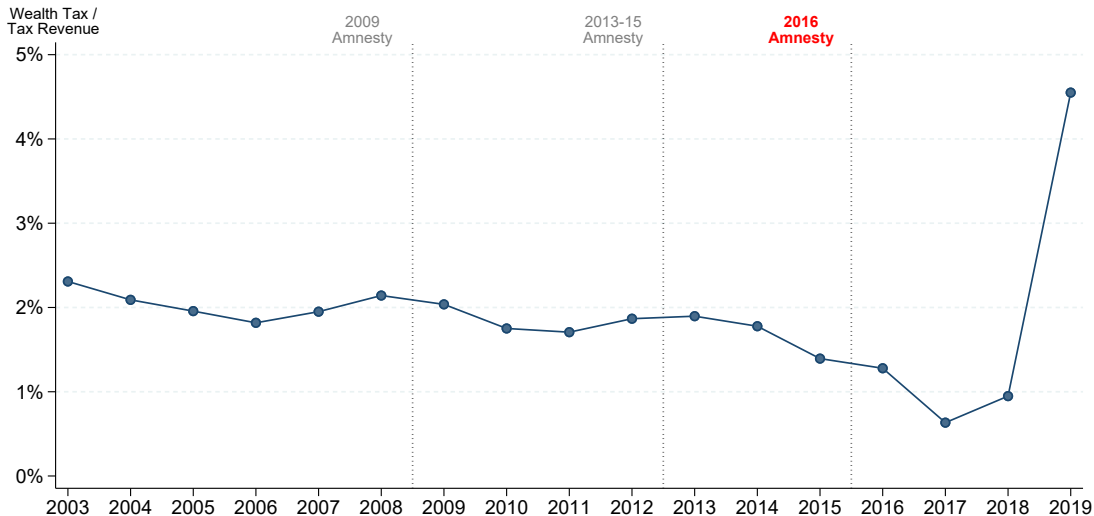


Wealth Tax Revenue



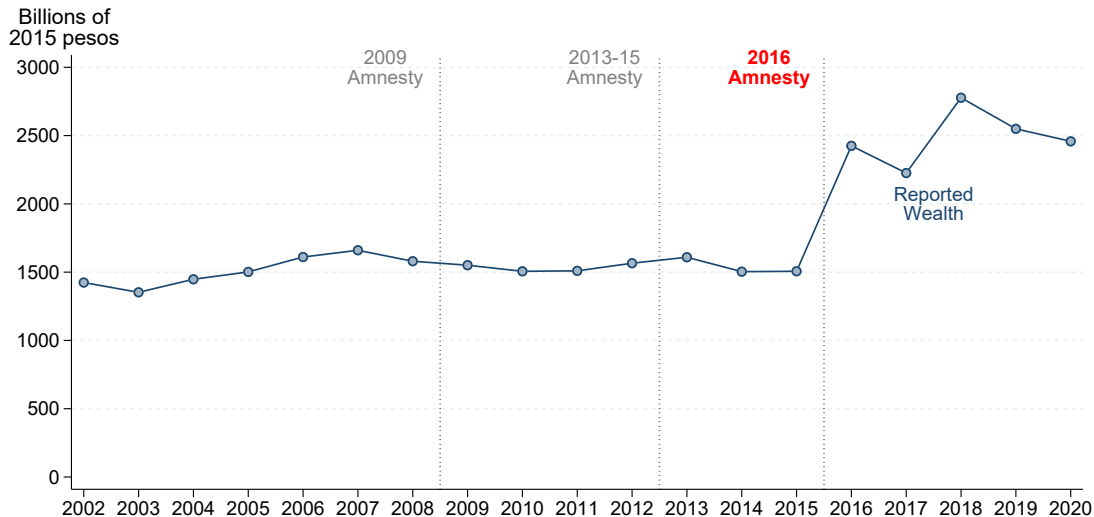
A 256% increase in wealth tax revenue!

Wealth Tax / Tax Revenue (%)



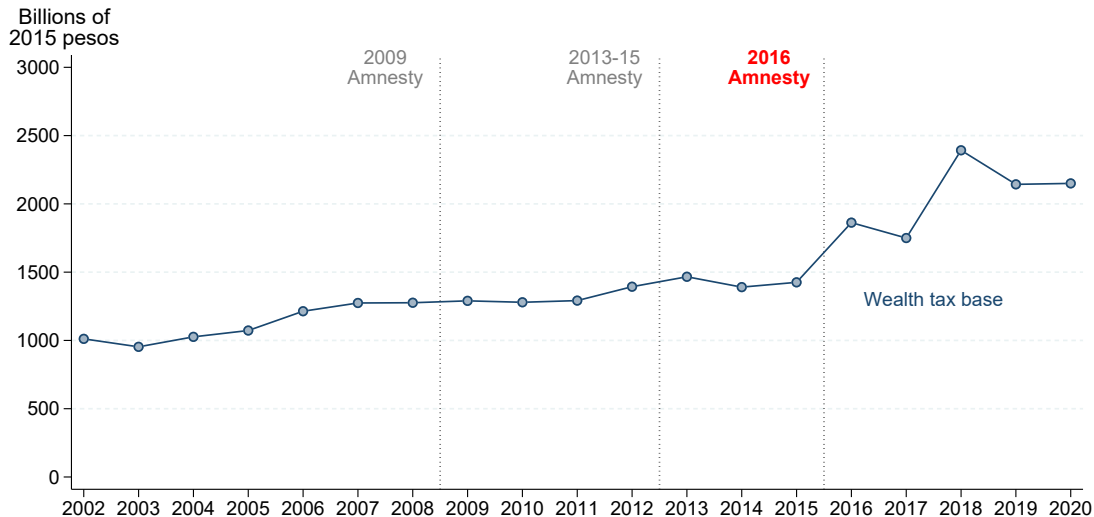
Reported Wealth (levels)

► Back



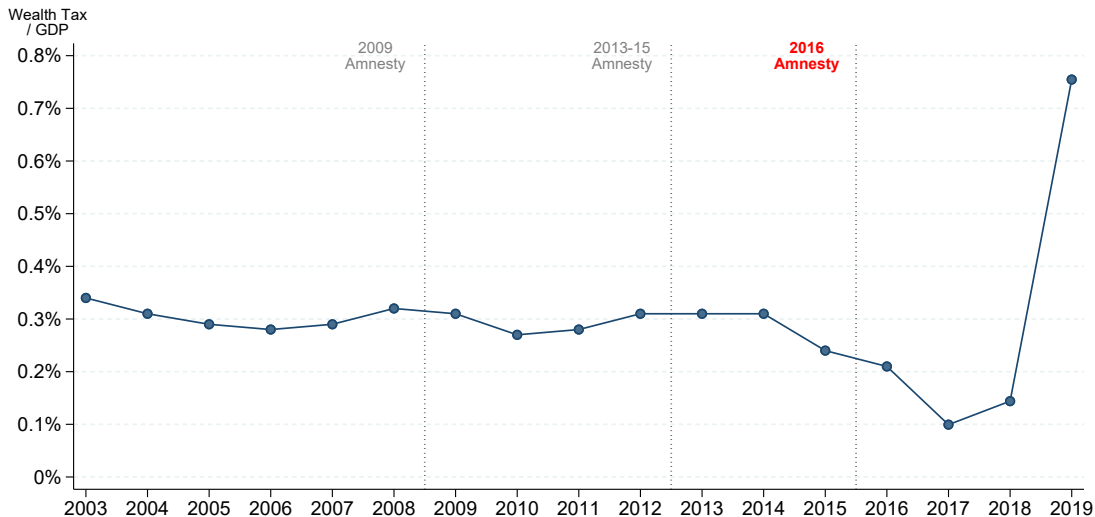
Wealth Tax Base

► Back



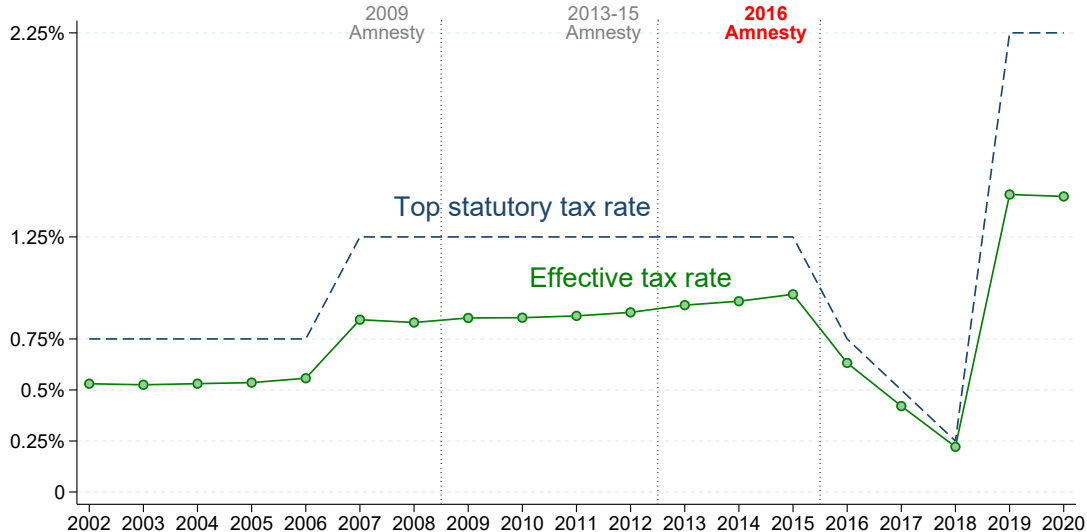
Wealth Tax / GDP (%)

► Back



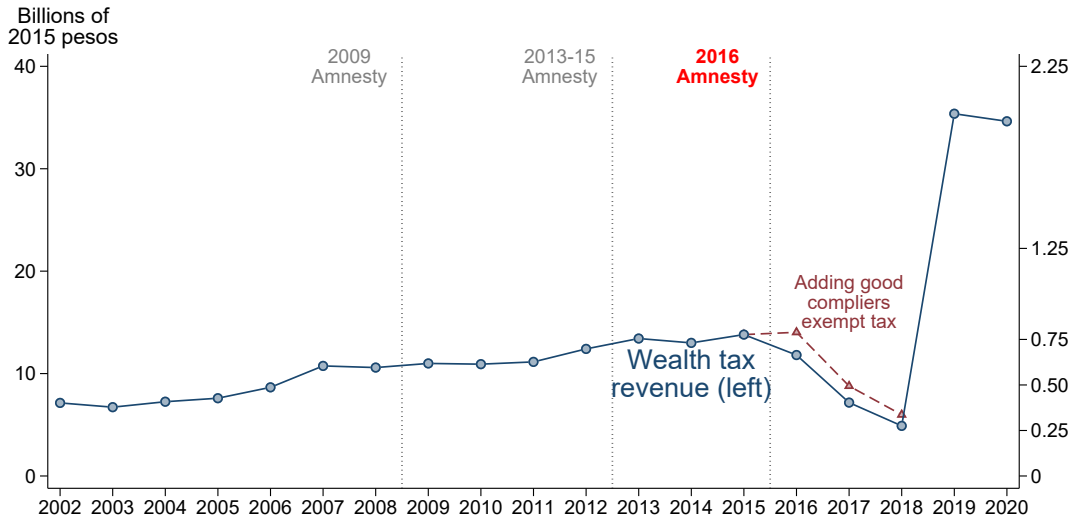
Effective Tax Rate

► Back

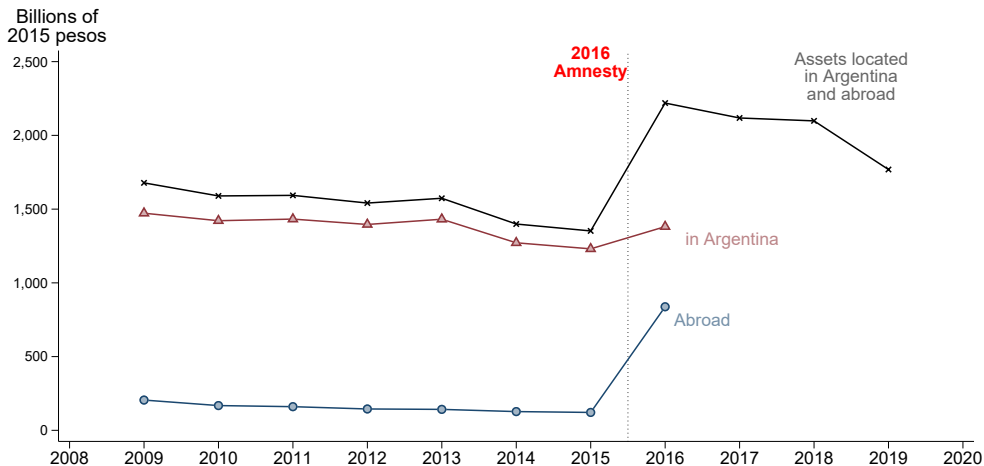


Revenue with and without “Good Compliers”

► Back



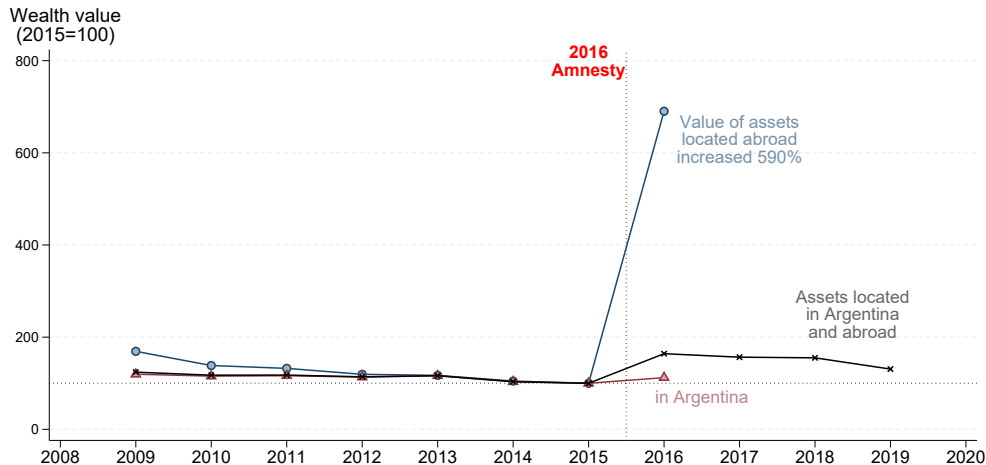
Wealth reported in income tax returns



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

Wealth reported in income tax returns

► Zoom in



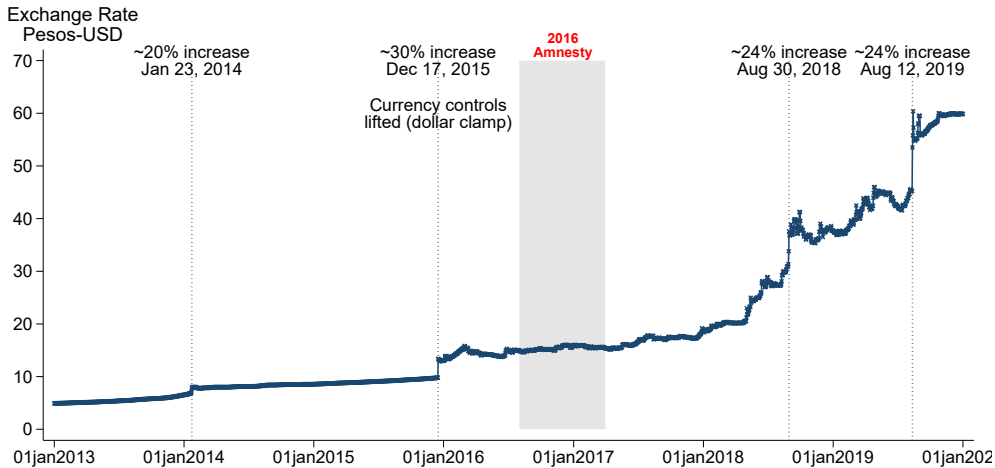
Robustness: Reassuringly, people also report more assets abroad in their income tax returns.

Annual inflation [2000-2017]

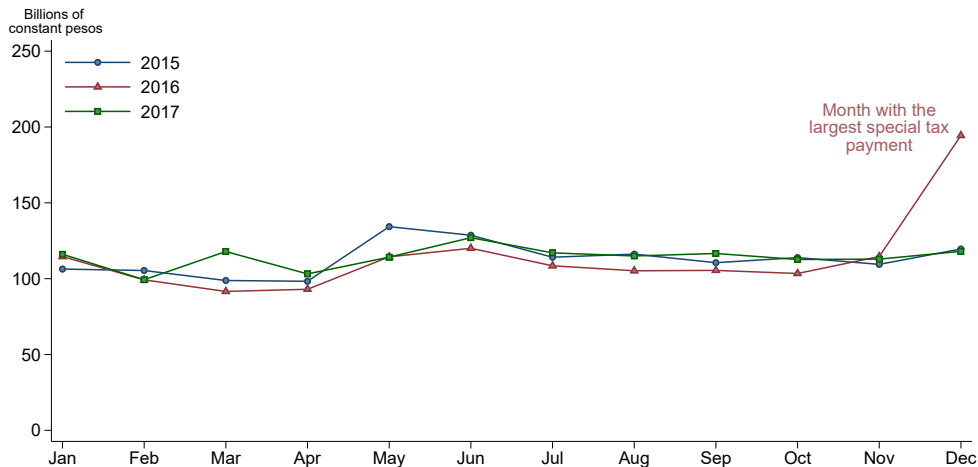


Exchange Rate Pesos-US Dollar

► Back



Total Tax Revenue



Tax Revenue collected in December 2016 almost doubles due to amnesty's special tax

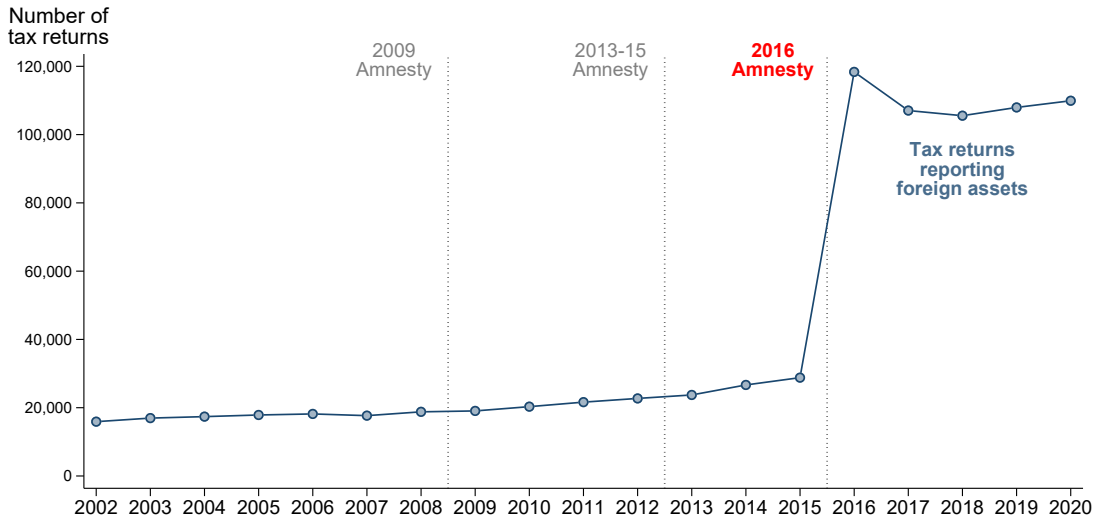
Details of disclosed assets

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

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

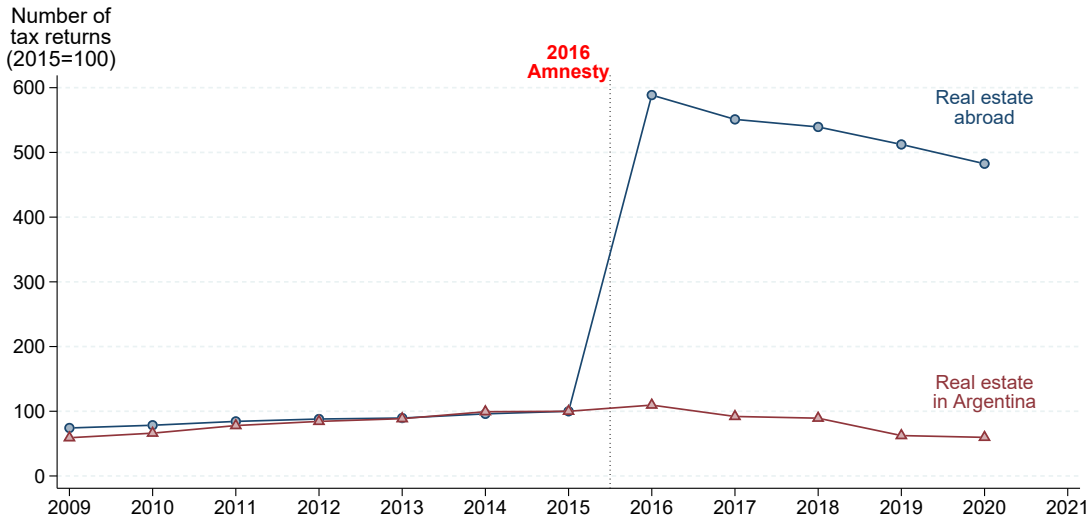
► Back



Real Estate

[► Back](#)

Abroad vs in Argentina

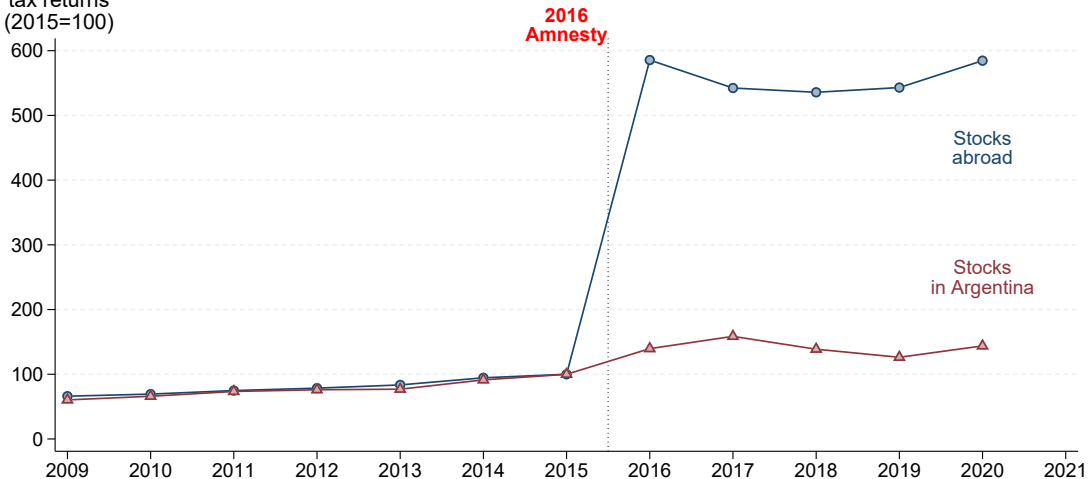


Stocks

► Back

Abroad vs in Argentina

Number of
tax returns
(2015=100)

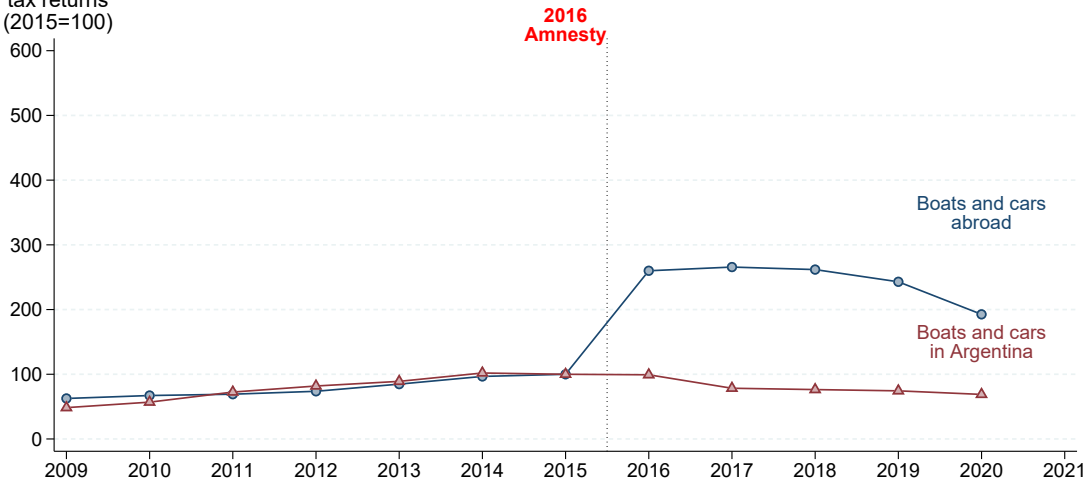


Vehicles

► Back

Abroad vs in Argentina

Number of
tax returns
(2015=100)

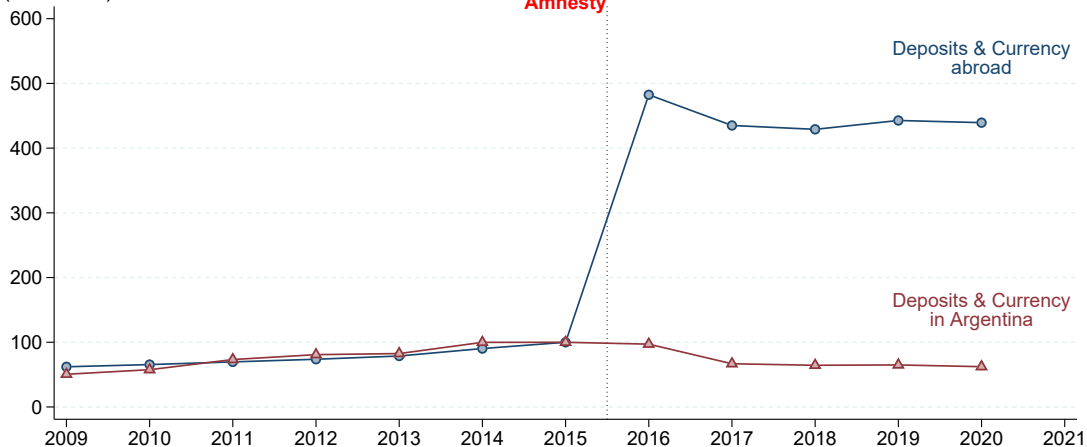


Bank deposits and currency

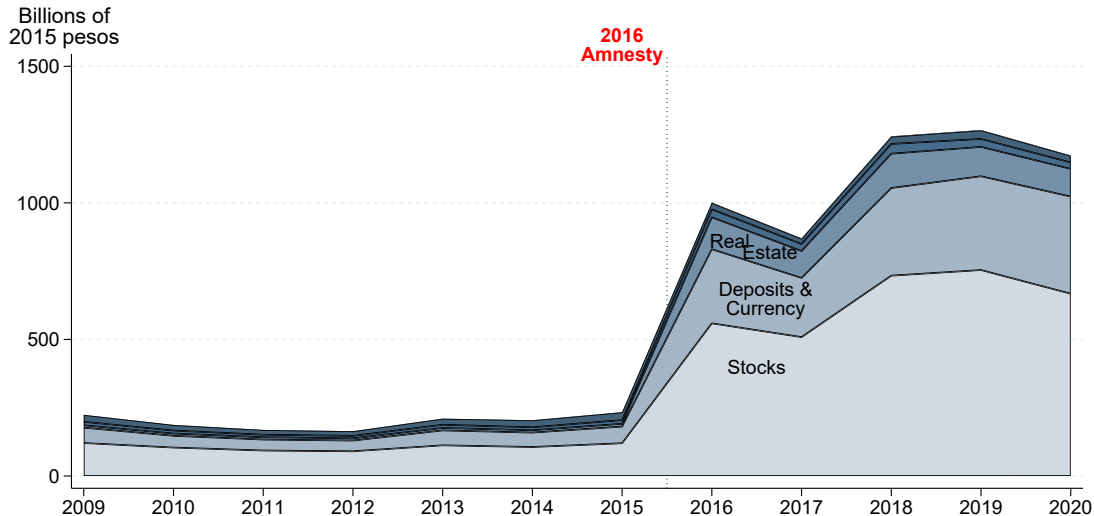
► Back

Abroad vs in Argentina

Number of
tax returns
(2015=100)

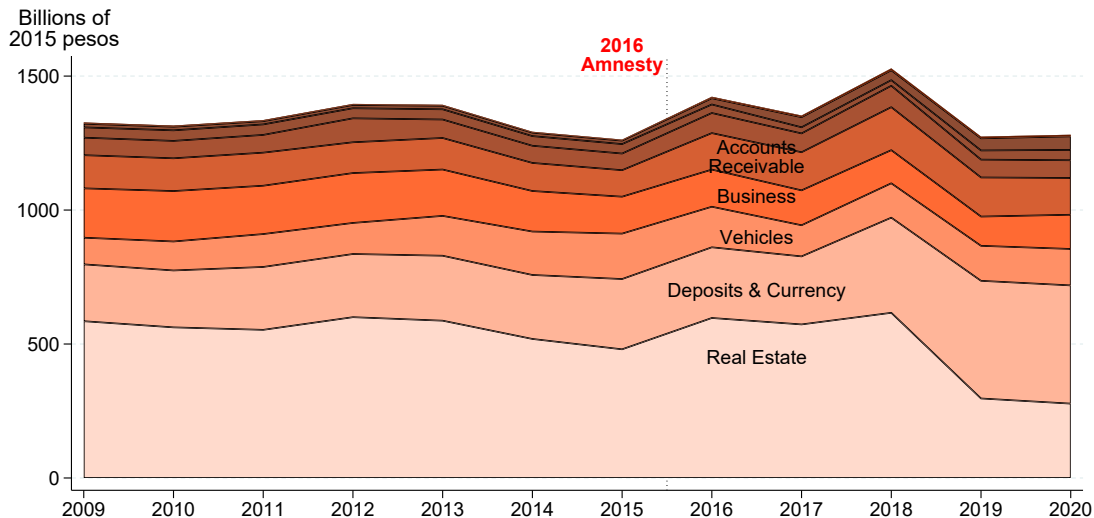


Massive disclosures of foreign stocks, cash, and real estate [► Back](#)

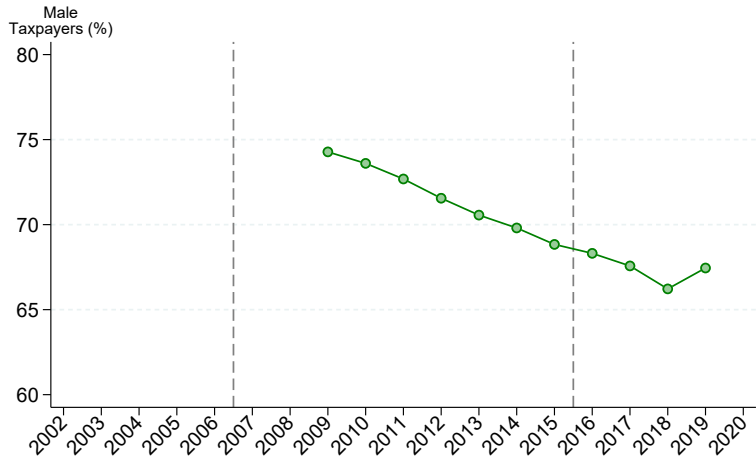


Domestic real estate and cash also increase (but smaller in %)

► Back

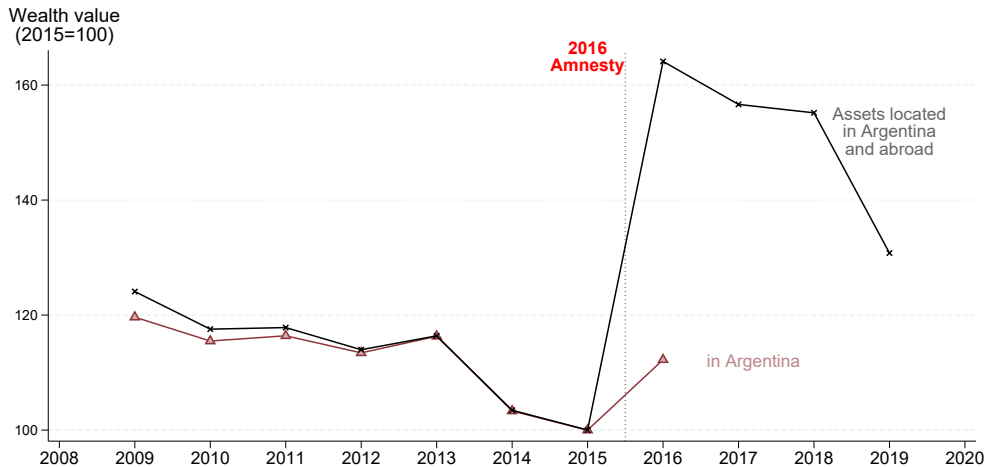


Share of Male Wealth Tax Payers



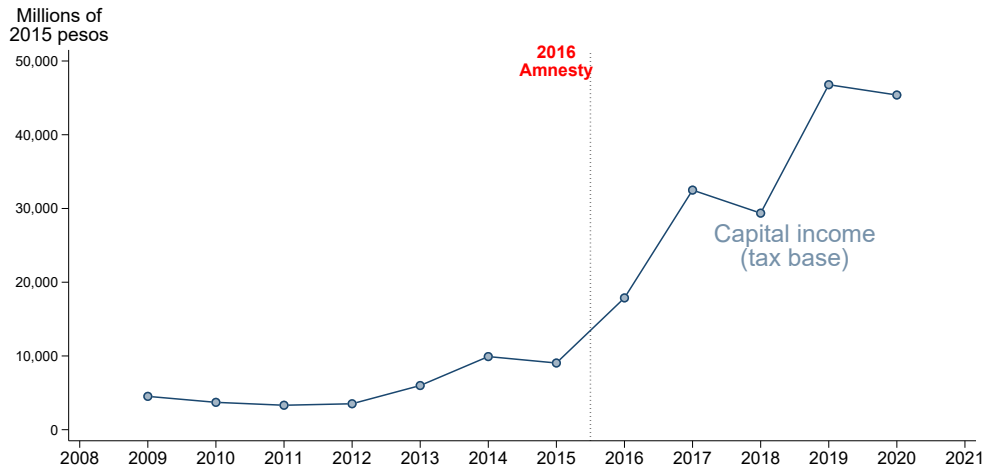
Wealth reported in income tax returns

► Back



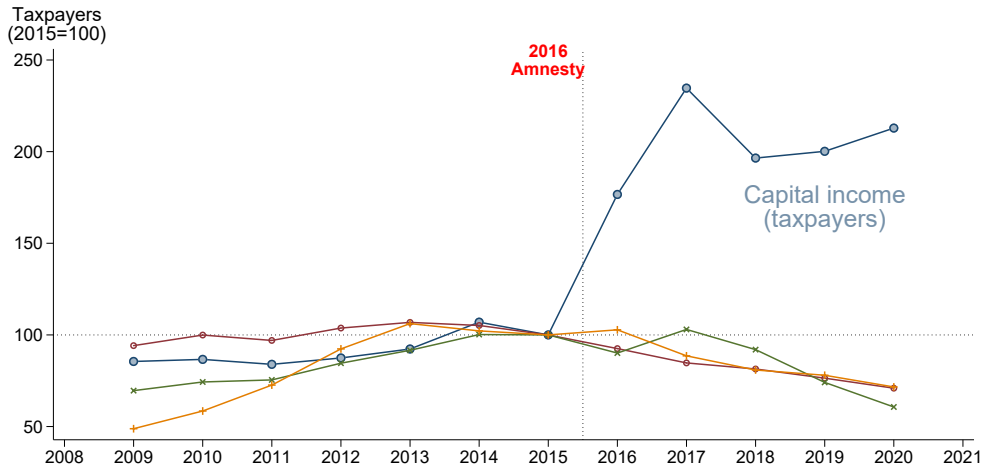
Fiscal Externalities into the Income Tax

Capital Income: Tax base [▶ Back](#)



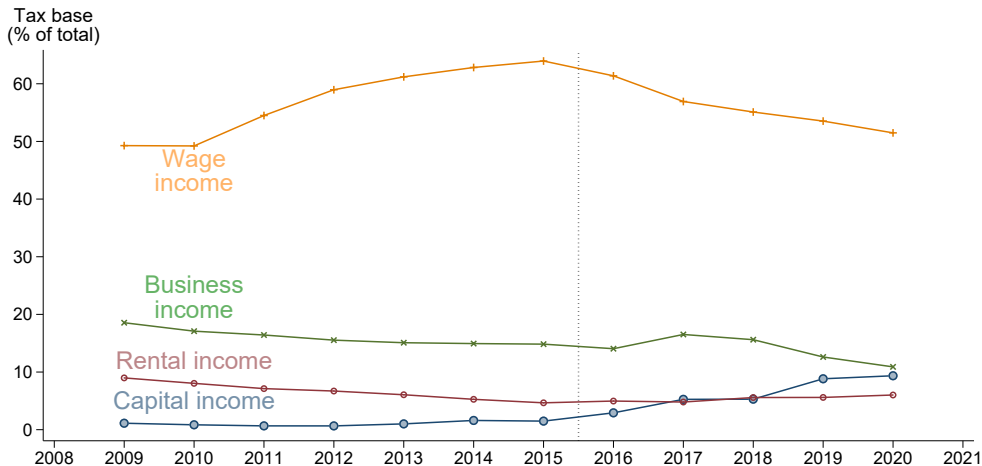
Fiscal Externalities into the Income Tax

Capital Income: Taxpayers [▶ Back](#)



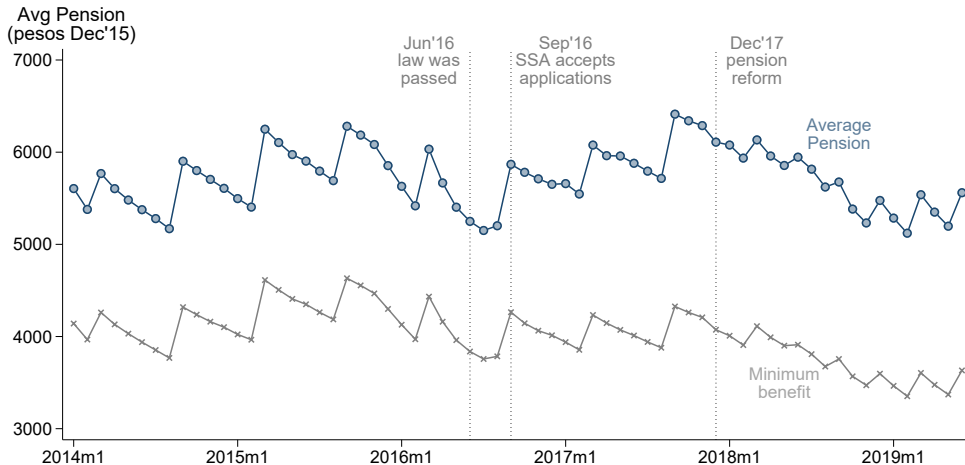
Fiscal Externalities into the Income Tax

Capital Income: Share of total tax base [► Back](#)



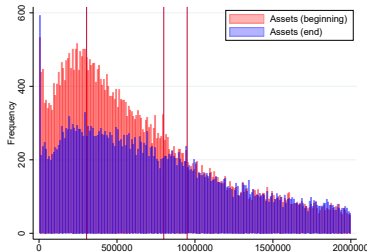
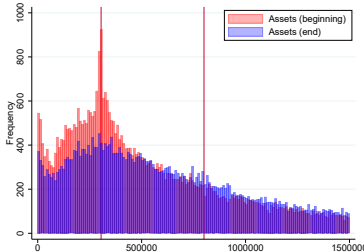
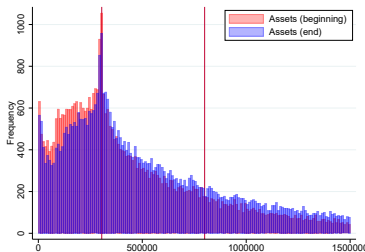
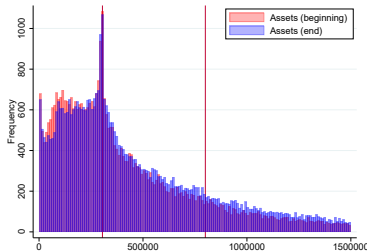
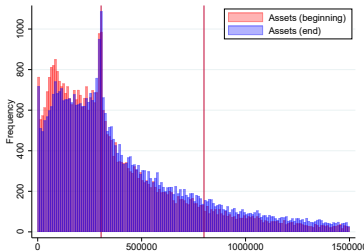
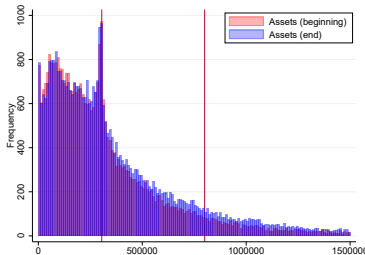
Fiscal Externalities into Pensions

Average pensions [▶ Back](#)



Distribution of wealth (assets)

Bunching at the exemption cutoff [► Back](#)



Advertisement of earmarked revenue

► Back



Source: AFIP's webpage.

► Translation:

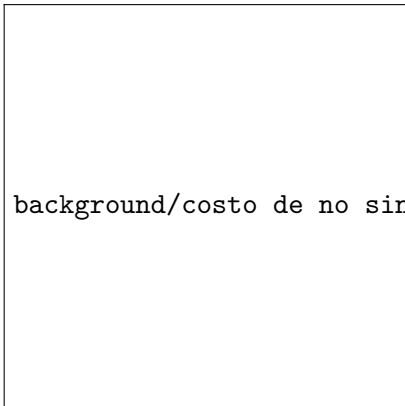
Tax Amnesty

Declaration of assets

Report your assets, contribute to your country.
We achieve better pensions. We all grow.

An ad to encourage the disclosure of real estates

► Back



Source: AFIP's webpage.

Why is it going to be more expensive afterwards?

The banner shows an example of a citizen with a non-declared property worth 3m pesos.

The left blue panel shows a 5% penalty (150k pesos) if the person comes forward and disclose it.

The right red panel shows a potential 202% penalty (6m pesos) if the person doesn't disclose it and is detected by AFIP.

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?

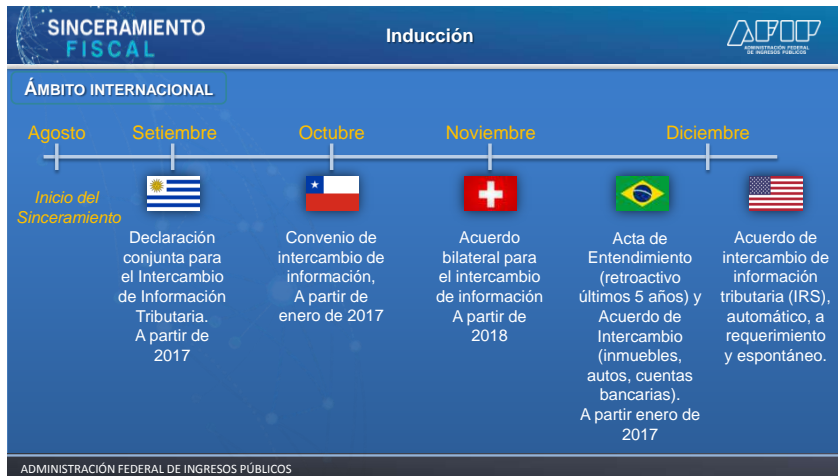
	2009	2013-2015	2016
President	Fernandez	Fernandez	Macri
Political inclination	Left	Left	Right
Can you disclose foreign currencies?	✓	✓	✓
Can you disclose assets?	✓		✓
Is there a penalty for disclosing?	✓		✓
Is there a reduced penalty for repatriation?	✓		✓
Is repatriation required?		✓	
Is there a credible information exchange threat?		~	✓
Is there legal certainty? (currency controls)			✓
How many people disclosed?	35k	16k	255k
How much was disclosed? (% GDP)	1.3%	0.5%	21%

A credible threat of detection? Yes [▶ Back](#)

- ▶ The threat of detection was not credible prior to 2014 because Argentina had no TIEAs \Rightarrow 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

TIEAs made the threat of detection more credible [► Back](#)

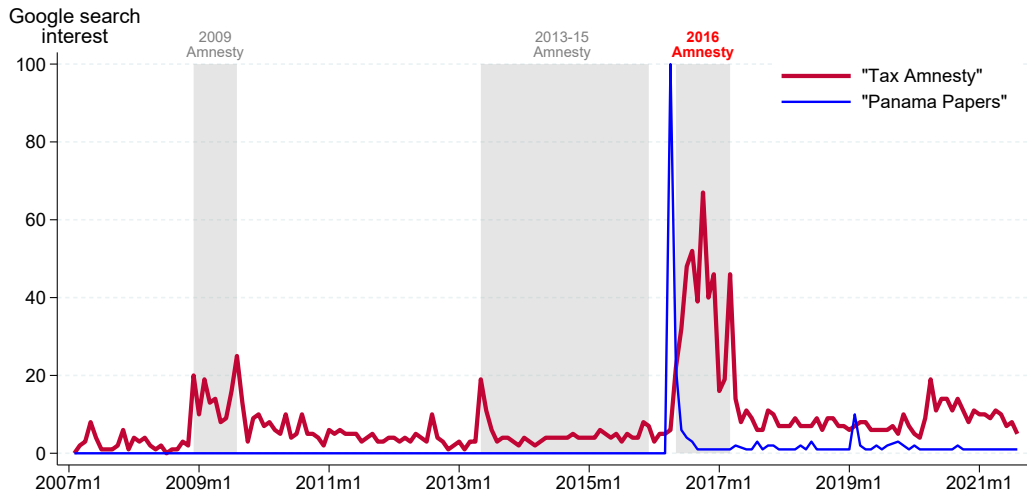
Timeline of agreements signed during the 2016 amnesty



Source: Slide taken from [AFIP's communication campaign](#).

A credible threat of detection? Yes

Panama Papers leaked in April 2016 [▶ Back](#)



A credible threat of detection? Yes

Argentina's TIEAs are being used to enforce taxes [► Back](#)

LA NACION

Dólar: Oficial \$97,75 \$103,75 Blue \$180,50 \$184,50



"ELEVADOS PATRIMONIOS".

La AFIP tiene bajo la lupa 3000 cuentas bancarias de argentinos en el exterior

No fueron declaradas ante el fisco durante los períodos 2016 y 2017; la Administración Federal de Ingresos Públicos seguirá investigando información que recibió de otras entidades tributarias del mundo

Source: [La Nacion, October 9, 2021.](#)

- ▶ 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

Generous tax incentives? Maybe [▶ Back](#)

Unlike for previous amnesties, 2016 amnesty participants expected the **wealth tax** to be progressively eliminated \Rightarrow 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 \Rightarrow discourages participation of evaders but retains support and compliance of honest taxpayers

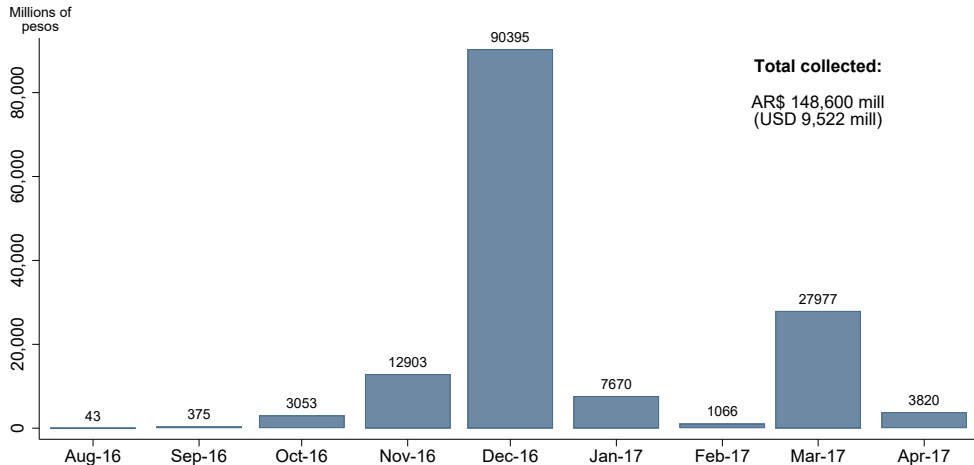
Moreover, conditional on participating, penalty rates do matter (but appear to have a limited effect if **repatriation** is required). Recall the 2016 penalty schedule:

\Rightarrow 10% vs 15% for assets above US\$ 50k if disclosed before or after **Dec 31, 2016**

\Rightarrow 0% if 1/3 disclosed value is invested in **treasury securities** or in domestic **mutual funds** for 5-yr

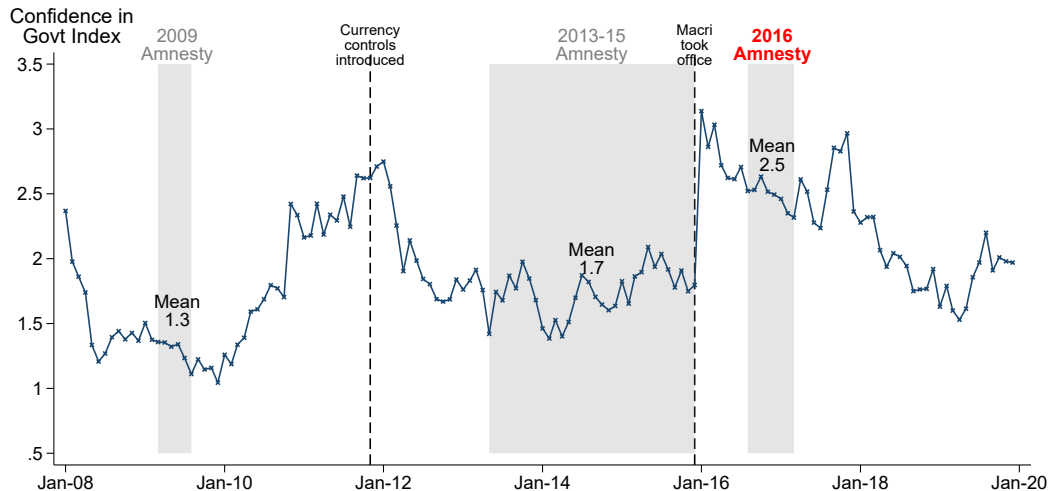
Most assets disclosed in Dec 16, before top penalty rate ↑

Revenue from Amnesty's Special Tax



A favorable political economy? Yes

Confidence in government (UTDT Index) [► Back](#)



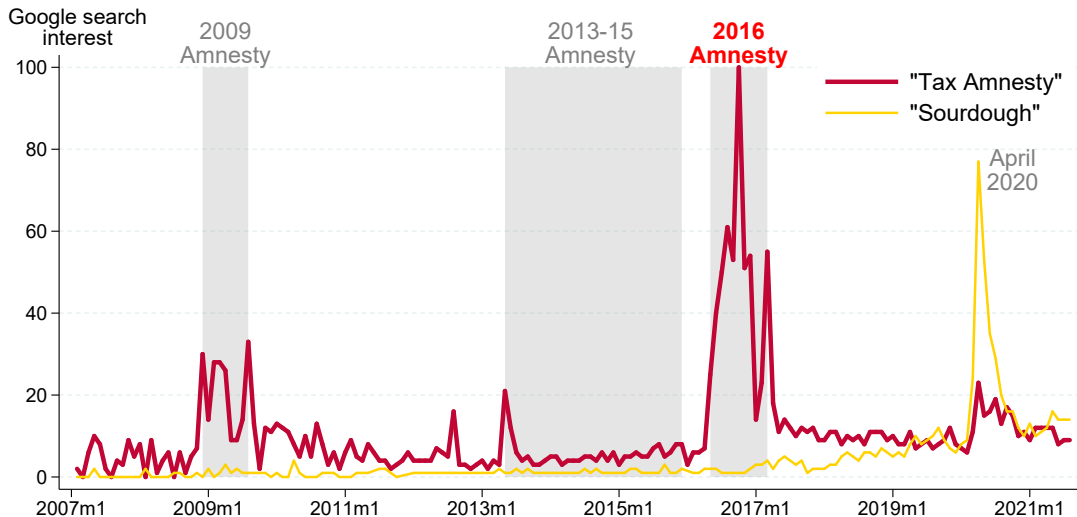
Salience? Yes

A massive advertisement campaign [▶ Back](#)



Salience? Yes

► Back



Low compliance cost? Yes

Screenshot of AFIP's main webpage [▶ Back](#)



AFIP
ADMINISTRACIÓN FEDERAL DE
INGRESOS PÚBLICOS

IMPOSITIVA
ADUANA
SEGURIDAD SOCIAL

SINCERAMIENTO FISCAL
CÓMO DECLARAR BIENES

CONOCÉ EN ESTE **VIDEO-TUTORIAL** EL PASO A PASO PARA INCLUIR TUS BIENES AÚN NO DECLARADOS Y GOZAR DE LOS BENEFICIOS.

Acceso con
CLAVE FISCAL

INGRESAR

SOLICITAR CLAVE ¿OLVIDÓ SU CLAVE?

CONSEJOS DE SEGURIDAD
AYUDA

CLAVE DEL DÍA
Si declararás bienes que en su totalidad superen los \$ 800.000, podés pagar el impuesto especial mediante la entrega del BONAR17 y/o GLOBAL17.
ENTERATE

Te quedan:

DÍAS	HORAS	MIN	SEG
44	06	27	36

PARA DEPOSITAR EL EFECTIVO A DECLARAR

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 [► Back](#)



ADMINISTRACIÓN FEDERAL DE
INGRESOS PÚBLICOS

IMPOSITIVA
ADUANA
SEGURIDAD SOCIAL

SINCERAMIENTO FISCAL

NUEVA APLICACIÓN PARA SMARTPHONES

YA PODÉS DESCARGAR
LA APLICACIÓN DE SINCERAMIENTO FISCAL



Acceso con
CLAVE FISCAL

INGRESAR

SOLICITAR CLAVE ¿OLVIDÓ SU CLAVE?

CONSEJOS DE SEGURIDAD
AYUDA

Te quedan:

DÍAS	HORAS	MIN	SEG
44	06	33	45


PARA DEPOSITAR EL EFECTIVO A DECLARAR



CLAVE DEL DÍA
Si declarás bienes que en su totalidad superen los \$ 800.000, podés pagar el impuesto especial mediante la entrega del BONAR17 y/o GLOBAL17.
ENTERATE

2. DECLARACION DE BIENES


PERSONA HUMANA: La tenencia de moneda y bienes deberán ser declaradas en moneda nacional al 22 de julio de 2016
(Para tenencia y bienes de moneda extranjera **valorar con cotización tipo comprador BNA**).
DOLAR U.S.A = 14,7000 | EURO = 16,5000



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

Screenshot of AFIP's main webpage

The screenshot shows the AFIP (Administración Federal de Ingresos Públicos) website. At the top left is the AFIP logo with the text 'IMPOSITIVA ADUANA SEGURIDAD SOCIAL'. Below it, the text 'LEY 27.260' is displayed. The main heading is 'SINCERAMIENTO FISCAL'. Below this, a dark blue box contains the text: 'ESTA ES UNA OPORTUNIDAD PARA CUMPLIR CON TU PARTE. DECLARÁ TODO TU PATRIMONIO, REGULARIZÁ TU DEUDA Y, SI CUMPLISTE, ENTERATE DE LOS BENEFICIOS.' To the right, there is a blue sidebar with the following options: 'Acceso con CLAVE FISCAL', 'INGRESAR' (with a lock icon), 'SOLICITAR CLAVE ¿OLVIDÓ SU CLAVE?', 'CONSEJOS DE SEGURIDAD', and 'AYUDA'. At the bottom, there is a 'CLAVE DEL DÍA' section with a clock showing '19:13:27:53' and the text 'Hasta el 31 de octubre de 2016, inclusive, podés hacer la declaración voluntaria y excepcional de tenencias de moneda nacional o extranjera en efectivo en el país Enterate'. Below the clock is the text 'PARA DEPOSITAR EL EFECTIVO A DECLARAR'.

LEY 27.260

SINCERAMIENTO FISCAL

ESTA ES UNA OPORTUNIDAD PARA CUMPLIR CON TU PARTE. DECLARÁ TODO TU PATRIMONIO, REGULARIZÁ TU DEUDA Y, SI CUMPLISTE, ENTERATE DE LOS BENEFICIOS.

Acceso con **CLAVE FISCAL**

INGRESAR

SOLICITAR CLAVE ¿OLVIDÓ SU CLAVE?

CONSEJOS DE SEGURIDAD

AYUDA

CLAVE DEL DÍA

Hasta el 31 de octubre de 2016, inclusive, podés hacer la declaración voluntaria y excepcional de tenencias de moneda nacional o extranjera en efectivo en el país **Enterate**

Te quedan:

DÍAS	HORAS	MIN	SEG
19	13	27	53

PARA DEPOSITAR EL EFECTIVO A DECLARAR

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

Screenshot of AFIP's main webpage



IMPOSITIVA
ADUANA
SEGURIDAD SOCIAL

SINCERAMIENTO FISCAL

¿TENÉS EFECTIVO SIN DECLARAR?

TENÉS TIEMPO HASTA EL 31 DE OCTUBRE. NO TE QUEDES AFUERA. ESTÁS A TIEMPO!

Acceso con
CLAVE FISCAL

INGRESAR

SOLICITAR CLAVE | ¿OLVIDÓ SU CLAVE?

CONSEJOS DE SEGURIDAD
AYUDA

CLAVE DEL DÍA
Hasta el 31 de octubre de 2016, inclusive, podés hacer la declaración voluntaria y excepcional de tenencias de moneda nacional o extranjera en efectivo en el país **Enterate**

Te quedan:

DÍAS	HORAS	MIN	SEG
18	18	27	32

PARA DEPOSITAR EL EFECTIVO A DECLARAR

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 ► Back

- ▶ 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 \approx USD 80B in taxable assets (50% located abroad)
Reference: pre-amnesty taxable assets of wealthiest 10k \approx USD 41B
 - ⇒ Collected \approx USD 2.66B (\sim 80% of the projected revenue); \equiv 1 month of VAT revenue
 - ⇒ Non-filers were subject to higher audit rates