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

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Abstract

We study the effectiveness of tax amnesties and their impacts on capital taxation and public spending. We leverage rich policy variation from Argentina, which implemented the world's most successful program, reportedly revealing assets worth 21% of GDP. First, despite substantial offshore tax evasion, declared foreign assets quadrupled. Second, tax progressivity improved because disclosures were extensive among the wealthiest 0.1%. Third, improving tax compliance has sizable fiscal externalities on capital taxes and social transfers: the wealth and capital income tax bases more than doubled, and the earmarked revenue boosted pension benefits by 15%. We end by discussing the lessons from Argentina.

Key words: tax evasion, offshore wealth, amnesties, enforcement, Argentina
JEL codes: H26, H31, D31

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1 Introduction

Offshore evasion poses a severe challenge for tax policy (Slemrod, 2019; Tørsløv et al., 2022). Households hold around 8% of their financial wealth in tax havens (Zucman, 2013), and most offshore wealth is owned by a few individuals at the top of the distribution of income and wealth (Alstadsater et al., 2019; Guyton et al., 2021; Londoño-Vélez and Ávila-Mahecha, 2021). In recent years, governments worldwide have conducted a series of enforcement initiatives to improve wealthy households' tax compliance, including the OECD's Common Reporting Standards, cross-country automatic tax information exchange agreements (TIEAs), and the US Foreign Account Tax Compliance Act. In addition, over 50 countries have sought to entice wealthy evaders to disclose their foreign incomes and assets in exchange for reduced penalties and no prosecution (OECD, 2015).

Despite their widespread use, tax amnesties remain controversial and differ drastically in how effectively they improve tax compliance. Part of what drives these differences may be that tax evaders can perceive few benefits to coming forward and choose not to participate. In addition, amnesties may erode tax morale and discourage compliance if honest taxpayers feel that participants' sanctions are not sufficiently punitive. Understanding what makes a tax amnesty effective in boosting tax revenue and improving compliance is crucial for tax enforcement and the conduct of tax policy. However, it has been hard to draw lessons from countries' varying experiences because programs vary markedly in their design features, and countries have diverse baseline evasion rates and enforcement capacities.

This paper studies the effectiveness of tax amnesties and their impacts on capital taxation and public spending. We focus on the case of Argentina, which is particularly well suited to examining these issues. First, there is a lot at stake: Figure 1 shows that the equivalent of 36.5% of the country's gross domestic product (GDP) had been stored offshore before the recent amnesties—nearly four times the world average (Alstadsater et al., 2018). Second, Argentines report their (domestic and foreign) wealth annually to the tax authority because there is a gross wealth tax on individuals and firms. Third, Argentina's rich policy variation offers the world's largest natural experiment with tax amnesties. In the last 14 years, both left- and right-wing governments implemented voluntary disclosure schemes, modifying their scope and implementation features. As a result, the amnesties varied drastically in their effectiveness: official statistics report the value of assets disclosed range from less than 0.5% of GDP in 2015 to 21% of GDP in 2016, with the latter being considered one of the world's most successful tax amnesties.

Using detailed tax tabulations spanning two decades provided by the Argentine tax

authority, we first shed light on the nature and prevalence of tax evasion revealed by the amnesties. There is substantial offshore evasion: over 80% of the assets disclosed during the 2016 amnesty had been hidden abroad, mainly in tax havens or low-tax jurisdictions like Uruguay, Switzerland, and the British Virgin Islands, though a meaningful share was in the United States. Most foreign assets disclosed were financial: nearly half were stocks, and almost one-quarter were bank accounts and currencies. Approximately 255,000 evaders came forward, tripling the number of people declaring foreign assets in their wealth tax returns. In addition, after 14 years of remarkable stability, foreign assets quadrupled from Arg$250 billion in 2015 (4.3% of GDP) to Arg$1 trillion in 2016 (16.5% of GDP) and reached Arg$1.25 trillion in 2019 (20.7% of GDP). As a result of these massive disclosures, Argentines today report that nearly one-half of all their assets are offshore, bringing the country much closer to the macro estimates of offshore wealth (Alstadsater et al., 2018).

Because offshore evasion tends to be highly concentrated at the top of the distributions of income and wealth, Argentina's amnesty boosted the total wealth reported by the wealthiest individuals. Indeed, we examine the distributional effects of tax amnesties and find that four years after the amnesty, the wealthiest 0.1% of adults reported owning two to three times more assets than before the scheme. Crucially, since these high-net-worth individuals hold most of their wealth offshore, the amnesty revealed substantial foreign assets at the top, tripling the share of foreign assets declared by the top 0.1%. This enabled Argentina to raise revenue by levying taxes on offshore wealth, making the tax system more progressive.

Next, we analyze the fiscal externalities that asset revelations have on capital taxation and public spending. On the tax side, we examine impacts on Argentina's wealth tax and capital income tax. The 2016 amnesty expanded the wealth tax base by doubling reported assets. As a result, the wealth tax revenue more than doubled in 2018 and tripled the next year following a wealth tax hike, reaching nearly 0.8% of GDP in 2019—one of the world's most successful wealth taxes in terms of revenue.[1] In addition to boosting wealth tax revenue, the amnesty also boosted taxable capital income as disclosers declared larger asset returns. We show that the number of taxpayers reporting some capital income doubled, and the capital income tax base tripled. Critically, the expanded capital income tax base persisted four years after the amnesty program ended, suggesting a lasting improvement in tax compliance.

[1] Furthermore, thanks to this expanded wealth tax base, in 2020 Argentina financed healthcare expenses and its expansion of the social safety net in response to the COVID-19 pandemic by imposing a one-off wealth tax surcharge on the richest 12,500 individuals—that is, roughly the top 0.05%.

On the spending side, we show that the tax revenue collected from the amnesties raised public spending. We focus on the 2016 amnesty, whose 'special' tax revenue was earmarked to fund the public pension system. Using pension benefits data from Argentina's Social Security Administration, we compare the average pension of retirees against the monthly minimum pension, which is not affected by the policy, before and after its implementation. Thanks to the additional resources, the program increased pension payouts to older citizens by 15%.

Lastly, we find suggestive evidence that Argentine taxpayers do not repatriate their offshore assets, despite sizable tax incentives for repatriation. First, we find little evidence that repatriation clauses, often included in tax amnesties, entice evaders to bring capital back into the country. Instead, most Argentine evaders chose to pay heavier taxes and keep their assets abroad. The lack of repatriation response is surprising in light of Argentina's recent move to impose higher taxes on foreign assets. These results suggest that tax incentives do not explain why Argentines have offshore assets. Instead, we posit that wealthy Argentines keep their wealth abroad to insure themselves against economic volatility, currency controls, high exchange rate fluctuations, and inflation spells, and to obtain higher returns.

We end by discussing what other countries can learn from Argentina's experience with amnesty programs. While Argentina has some unique features—for instance, a large share of its wealth is located abroad—it also offers rich variation in policy design, contributing to the amnesties' successes and failures. We leverage this variation and contrast the schemes' design and contextual features over the past decade. Specifically, we discuss how the tax incentives, the threat of detection, the program salience, the compliance costs, and the political economy surrounding each scheme can affect their effectiveness. We argue that Argentina's 2016 amnesty was successful thanks to four main factors. First, well-designed tax incentives that enticed disclosures and rewarded compliant taxpayers to avoid offsetting tax morale. Second, the TIEAs with critical players like Uruguay, Switzerland, and the United States, making the perceived threat of detection more credible. Third, a favorable political economy, with a pro-market and business-friendly president leveraging wealthy Argentines' trust to implement an amnesty program and garnering taxpayer support by presenting it as a pension reparations program for older citizens. Fourth, a massive advertising campaign made the program salient and simplified the disclosure process.

In addition to these policy implications, our paper also contributes to two academic literatures. First, we contribute to the growing literature on offshore evasion (Alstadsater et al., 2019; Zucman, 2015). We study the case of Argentina, where the overwhelming

majority of individuals at the top of the wealth distribution keep their assets offshore and do not declare them to Argentine tax authorities. Notwithstanding, a well-planned enforcement policy enticed them to come forward, drastically raising macroeconomic calculations of the country's offshore wealth.

Second, we contribute to the nascent empirical literature on tax amnesties and voluntary disclosure programs (Alstadsater et al., 2022; Johannesen et al., 2020; Langenmayr, 2017; Leenders et al., 2021; Londoño-Vélez and Ávila-Mahecha, 2021). In our view, the Argentine economy is an interesting laboratory because it offers the world's largest natural experiment with tax amnesties, enabling us to shed light on the factors contributing to the effectiveness of tax amnesties. We show how such a policy can reveal substantial offshore assets, even in a country with a lot at stake and a history of failed amnesty programs. In doing so, we show that tax evasion by the wealthy can have sizable fiscal externalities on capital taxation and public spending.

The remainder of this paper is organized as follows. Section 2 describes the institutional context and the data. Section 3 presents the results on the effectiveness of Argentina's amnesties. Section 4 discusses the policy design and contextual features of the various amnesty programs. Lastly, Section 5 briefly concludes.

2 Context and data

2.1 Wealth taxation in Argentina

Argentina has levied a recurrent wealth tax on individuals and firms since 1991 (Law 23.966). Unlike other wealth-taxing countries, Argentina's wealth tax is levied on all *gross* assets and does not allow discounting debt from the wealth tax base. The tax base includes all worldwide assets—that is, assets held domestically and abroad—on 31 December. The broad tax base includes real estate, vehicles, foreign currency, cash, checking account balance, shares, and some securities. There are two exemptions during our study period: (1) savings accounts and term deposits held at Argentine banks; and (2) securities, bonds, or other negotiable instruments issued by the public sector.

Figure 2, which plots Argentina's wealth tax schedule since 1991, shows significant variation in who pays the wealth tax and the wealth tax rate, resulting from Argentina's frequent tax reform episodes and high-inflation spells generating substantial 'bracket creep'. For example, between 2007 and 2015, Argentina's annual inflation rate ranged from 10% to 40% (Figure A.1 in Appendix A). As the wealth tax's filing and the exemption thresholds were nominally defined, inflation tripled the number of taxpayers filing and

paying the wealth tax from 250,000 to over 750,000, peaking at around 2.5% of all adults aged 20 and above (Figure A.2).

In addition, Figure 2 shows that Argentina's wealth tax rates have historically ranged from 0.25% to 2.25%. Between 2007 and 2015, the wealth tax schedule featured four tax rates, ranging from 0.5% to 1.25% (Law 26.317). A tax reform initiated in 2016 by the Macri administration unified the tax rates to a single rate of 0.75% in 2016, 0.5% in 2017, and 0.25% in 2018, and introduced a tax amnesty (Law 27.260), which we describe below. In 2018, the same administration replaced the single tax rate with three progressive rates ranging from 0.25% to 0.75% to be effective in 2019 (Law 27.480). However, the new Fernández administration replaced 2019's wealth tax schedule with eight different rates depending on the asset's location (Law 27.541 and Decree 99/2019).

2.2 A Brief history of Argentina's recent experience with amnesties

Argentina has a history of tax amnesties, varying substantially in policy design, contextual features, and revenue collection. Right- and left-wing governments have implemented five different tax amnesties since the country's return to democracy in 1983. We focus on Argentina's last three amnesties, which took place within seven years: the Fernández de Kirchner administration implemented two amnesties in 2009 and 2013–15, and Macri implemented one in 2016. As summarized in Table 1, these amnesties differed in their effectiveness and how much revenue they collected: the Fernández de Kirchner amnesties revealed assets worth 0.5–1.3% of GDP but had little impact on tax revenue. In comparison, Macri's program disclosed assets worth 21% of GDP and raised 1.8% of GDP in revenue from penalties. Furthermore, the three schemes varied radically in their scope, penalty rate, repatriation requirement, the availability of cross-country TIEAs, and whether compliant taxpayers were awarded tax benefits, among other things. We describe Macri's 2016 amnesty program in the remainder of this section and compare it with the previous two amnesties in Section 4.

Passed on 29 June, 2016, Macri's temporary tax amnesty took place for nine months, from August 2016 to March 2017 (Law 27.260). It allowed Argentine residents and companies to disclose undeclared foreign or domestic assets and currencies held as of 22 July, 2016. The program granted participants tax and non-tax benefits. Before the amnesty, evaders caught cheating on their wealth and income tax duties paid 2–10 times the taxes evaded and could be subject to imprisonment. By contrast, the amnesty established a lower rate, depending on the asset type, size, and disclosure date. Specifically, real estate assets paid 5% of the asset's value. For all other assets, the penalty varied with the

disclosed amount: 0% if less than US$19,000, 5% between US$19,000 and US$50,000, and 10% above US$50,000. (The latter increased to 15% for assets disclosed after 31 December 2016 to encourage early participation.) However, participants could waive this one-time tax by investing one-third of the disclosed assets in special Treasury bonds or domestic mutual funds for five years. In addition, the program forgave all liability for taxes and fines and granted participants protection from most types of legal prosecution.[2]

We highlight four essential features of Macri's amnesty program. First, the program rewarded compliant taxpayers to safekeep tax morale while slashing wealth taxes to entice evaders to come forward. On the one hand, the government exempted taxpayers who filed the wealth tax in 2014 and 2015 and did not participate in the amnesty from the wealth tax between 2016 and 2018 (called the 'good complier' tax benefit). On the other hand, the government lowered the wealth tax rate for amnesty participants: the *average* tax rates were replaced by *marginal* tax rates and slashed from 1.25% in 2015 to 0.75% in 2016, 0.5% in 2017, and 0.25% in 2018 (Figure 2). Furthermore, there were talks about repealing the wealth tax for all taxpayers starting in 2019. At the time, Macri's commitment to reduce and eventually abolish wealth taxation seemed credible: Macri represented a new and pro-market government, supported by Argentina's elite (Sturzenegger, 2019), who, as we later show, would benefit from the amnesty program.

The second key feature is that the Argentine government used the amnesty program's 'special tax' revenue to fund its public pension system. Officially named the 'National Program of Historical Reparation for Retirees,' the program earmarked its revenue to finance reparations to pensioners for unpaid benefits, increase some existing benefits, and fund a new non-contributory pension. In practice, the first chapter of the tax bill restored pension benefits between 1995 and 2008 for approximately 2.3 million people. The second chapter of the bill, called 'Tax Amnesty Regime' , established the amnesty program to generate the revenue needed to fund pension debts and benefits.

Third, the amnesty program was salient. Argentina's tax authority (*Administración Federal de Ingresos Públicos*, or AFIP for its Spanish acronym) led a massive advertising campaign. For instance, Figure A.4 shows three large banners at the entrance of AFIP's headquarters in Buenos Aires, encouraging evaders to disclose their hidden assets. Figure A.5 shows the advertisement posted on AFIP's website, and Figure A.6 shows screenshots of AFIP's website promoting disclosures of hidden assets.

Lastly, the threat of detection became more credible after Argentina signed

[2] Figure A.3 presents an advertisement used by AFIP (*Administración Federal de Ingresos Públicos*) to encourage participants to disclose under the amnesty program. The ad compares the penalty using a Arg$3 million property unreported for five years as a hypothetical example: only Arg$150,000 under the amnesty, compared to Arg$6 million outside the amnesty.

numerous automatic TIEAs in 2016, including treaties with its most relevant tax havens, like Uruguay and Switzerland, as well as with Brazil, Chile, and the United States (Figure A.7 plots a timeline of these events). In addition, the Panama Papers were leaked two months before the adoption of the amnesty program, further raising the perceived threat of detection and its salience, as proxied by Google's search interest (Figure A.8).

The official reports by AFIP, reproduced in Table A.2, shed light on the magnitude of disclosures. Nearly 255,000 people and firms participated in Macri's amnesty program. Participants revealed assets worth US$117 billion, representing 21% of Argentina's GDP in 2016. The success of Argentina's amnesty surprised even the authorities themselves. According to news reports, the amount collected is six times greater than the government's initial projections (Telam, 2016). Four-fifths of the disclosed assets were abroad, and the remainder in Argentina. Nearly half of the assets disclosed were foreign stock and other investments (10% of GDP). Almost one-quarter represented deposits in foreign bank accounts and currencies (5% of GDP). About 6% corresponded to undeclared cash (1% of GDP).[3] Lastly, almost one-fifth came from real estate (4% of GDP), corresponding to 167,000 previously hidden properties. The penalties raised US$9.5 billion in revenue, equivalent to 1.8% of GDP (AFIP, 2017). These numbers suggest that Argentina's 2016 amnesty program is one of the world's most successful tax amnesties in the sheer value of the amount disclosed and the revenue collected from penalties.

2.3 Data

We use data from three primary sources. First, we use information from statistical yearbooks provided by AFIP, representing detailed tabulated data from tax returns for the country's wealth, income, value-added, and payroll taxes for FYs 2002–20. Our primary analysis uses data from the wealth tax, including the tabulations with information on the number of filers and taxpayers, the wealth value, the tax base, and the tax liability. These tabulations also decompose this information by gender, the location of the asset (domestic versus foreign), the type of asset, the industry sector, and many wealth brackets. In addition, we use information from the income tax and its four components: rental income, capital income, business income, and labor income. The income tax tabulations include the number of filers and taxpayers and information on the asset value, debts, and net worth.

Second, we use monthly retirement data from Argentina's Social Security Administration (ANSES, for its Spanish acronym). The data consists of monthly

[3] Participants deposited this money in a special bank account and reported it to the tax authority.

tabulations of the number of retirees, the average benefit, and the average by deciles. In Argentina the retirement benefit has two main components: a fixed universal basic amount and a variable social insurance component for persons aged 65 or older with at least 30 years of contributions. The latter is 1.5% of the insured's average adjusted monthly earnings in the last ten years multiplied by the number of years of contribution up to a maximum of 35 years. In addition, there is a minimum pension that acts as a floor, akin to minimum wages for low-skilled workers. All benefits are automatically adjusted for inflation twice a year, in March and September. Critically, the minimum pension is fixed by law. (For this reason, Section 3.4 leverages the fact that the minimum pension cannot be affected by the reparations program to proxy how average benefits would have evolved absent the policy.)

Lastly, we collected monthly data on the reparation spending funded by the amnesty's revenue from a series of public government memos. Specifically, we use ANSES information from the government's reports to Congress numbers 97, 99, 101, 103, 112, and 116.

3 The effectiveness of Argentina's tax amnesties

This section examines the effectiveness of Argentina's tax amnesties. Section 3.1 sheds light on the nature and prevalence of tax evasion revealed by Argentina's amnesty programs. Section 3.2 discusses the distributional patterns of tax evasion and their implications for the tax system's progressivity. Sections 3.3 and 3.4 analyze the fiscal externalities that asset revelations have on the wealth and capital income tax bases, and pension spending, respectively. Finally, Section 3.5 discusses whether taxpayers repatriate their foreign assets in response to tax incentives.

3.1 Revealing foreign and domestic assets

Figure 3 plots the number of wealth tax filers declaring assets owned domestically and abroad. The series is indexed to equal 100 in 2015, before the 2016 amnesty. Several striking results emerge from this figure. First, neither the 2009 nor the 2013–15 amnesties affected the number of people reporting assets to the tax authority. By contrast, there is a spectacular increase of 310% in the number of taxpayers reporting to own foreign assets in 2016, consistent with the amnesty encouraging people who owned foreign assets to declare them. Second, this increase persisted even four years later. By contrast, the

number of taxpayers reporting assets in Argentina did not change much after 2016.[4] Indeed, offshore evasion was the primary form of evasion, and the amnesty significantly encouraged evaders to come forward.

In addition to inducing evaders to report offshore assets, the 2016 amnesty also encouraged people to declare more of them. Figure 4 plots the total value of declared domestic and foreign wealth in constant 2015 pesos. Figure 4(a) expresses the series indexed to equal 100 in 2015, while Figure 4(b) reports the absolute values. The figure shows that the value of domestic and foreign assets is remarkably stable between 2002 and 2015. Between 2015 and 2016, domestic assets increased by a modest 13% (Table 2). By contrast, foreign assets increased by 311%, quadrupling from Arg$250 billion in 2015 (4.3% of GDP) to Arg$1 trillion in 2016 (16.5% of GDP) and reaching Arg$1.25 trillion in 2019 (20.7% of GDP). As a result, in 2019 Argentines reported owning the same amount of wealth domestically and offshore.

Figures 5 and 6 decompose these results by asset type. Figure 5 shows that the number of people reporting foreign stocks and real estate increased by nearly 500% in 2016 relative to 2015. Similarly, the number of people reporting to own foreign bank deposits and currencies, real rights, and vehicles increased between 150% and nearly 400%. Moreover, Figure 6 shows that the value of reported foreign real estate increased by 1044% compared to 2015. In addition, declared foreign stock, bank deposits and currencies, real rights, and vehicles increased by 366%, 344%, 341%, and 230%, respectively (Table 2).[5] By contrast, declared *domestic* assets did not change as dramatically and some assets did not change at all (Table 2).[6]

Figure 7 shows that the largest *absolute* gain in the amount reported by Argentines to the tax authority came from foreign stocks and investments, bank deposits, and cash holdings. Indeed, the amount of declared foreign stocks is striking: more Arg$400 billion or US$30 billion were disclosed to the authorities, equivalent to 9.9% of GDP in 2016.[7] Likewise, more than Arg$360 billion or US$25 billion deposited in foreign bank accounts were declared in wealth tax returns after the amnesty. To our knowledge, no other tax

[4] Figure A.9 displays the number of tax returns reporting foreign assets in levels. The number of wealth tax returns reporting foreign assets quadrupled from 28,816 to 118,368 between 2015 and 2016. In contrast, the number of wealth tax returns reporting domestic assets remained relatively stable at 1,241,683 and 1,285,537 in 2015 and 2016, respectively.

[5] Real rights give holders a right to do something with or on the subject property (stronger than the owner's right) and include ownership, use, pledge, usufruct, mortgage, and predial servitude.

[6] A notable exception is domestic real rights and stocks, which increased by roughly 70% (Table 2).

[7] These values, expressed in constant 2015 pesos, are roughly equivalent to Arg$755 billion or US$50 billion in 2016 pesos, which is closer to the official number reported by AFIP (Table A.2). Unlike the AFIP reports, our data is based on wealth tax filers. Since people below the wealth tax filing threshold can also disclose assets, our results are lower-bound estimates of overall disclosures.

amnesty—either attempted by any other administration in Argentina or another country—has achieved this amount of revelations.

Many of these assets were hiding in countries historically considered tax havens or low-tax jurisdictions, such as Switzerland, the British Virgin Islands, and Uruguay. Nevertheless, a meaningful share—30% of foreign stocks, 45% of foreign bank accounts, and 37% of foreign real estate—were located in the United States (Figure A.10).[8]

3.2 Disclosures by top wealth groups and tax progressivity

Wealth disclosures might have important implications for the progressivity of the tax system if evasion is concentrated at the top. To examine this possibility, we characterize the wealth distribution and compare the average assets owned by the wealthiest Argentines over time. Specifically, we rank individuals based on their declared assets each year (thus, the groups refer to different people every year) and compare each group's average reported assets before and after the amnesty program. To examine the extreme right tail of the distribution, we decompose the top 2% into bins of increasing assets all the way to the top 0.01%: P98–P99, P99–P99.5, P99.5–P99.9, P99.9–P99.95, P99.95–P99.99, and P99.99. We use the *gpinter* interface for Pareto interpolations developed by Blanchet et al. (2022), which flexibly recovers a continuous distribution based on Argentina's tabulations.

Figure 8 and Table 3 compare the assets reported yearly by the wealthiest 2% of tax units—defined as individuals aged 20 and above—separately by bins of increasing assets. Individuals below the top 1% had a moderate 13% increase in their average assets declared in 2016 relative to 2015. By contrast, the wealthiest 0.5% of taxpayers declared substantially more capital after the program. The rise was especially remarkable among the top 0.1%, for their assets more than doubled. Furthermore, their declared assets remained sizably larger four years after the amnesty, with these individuals reporting to own two to three times as many assets as before the scheme. These results suggest that the wealthiest Argentines owned most evaded assets and that the program boosted the assets reported by this wealthy group of individuals.

Next, we compare high-net-worth individuals' foreign and domestic assets before and after the amnesty. Figure A.12 compares the likelihood of reporting a foreign asset and the share of foreign assets declared by the top fractile groups, decomposing the top 1%

[8] Moreover, there is evidence that evaders are sensitive to penalty rates: most disclosures of assets took place in December 2016, before the highest penalty fee would increase from 10% to 15% (Figure A.11).

of the distribution into bins of increasing assets.[9] High-net-worth Argentines held most of their wealth offshore: three-quarters of individuals in the top 0.01% reported a foreign asset before the amnesty, and their foreign assets comprised over two-thirds of all their assets. Moreover, after the amnesty, virtually all individuals in this group reported owning foreign assets, and foreign assets rose to four-fifths of all assets. Furthermore, a minority of individuals in the next 0.09% declared their foreign assets to Argentine authorities before the amnesty, so they experienced the largest increases in foreign asset disclosures. In all, the amnesty tripled the share of foreign assets declared by the top 0.1%.

Having achieved massive disclosures of foreign assets, Argentina sought to raise revenue by levying high taxes on offshore wealth in 2019. Levying higher taxes on foreign assets has implications for the progressivity of the tax system because the wealthiest Argentines own most foreign assets. To examine changes in tax progressivity, Figure 9 plots the effective wealth rate between 2010 and 2020 by bins of increasing fortune. The wealthiest 0.01% experienced an eightfold increase in their effective tax rate, which jumped from 0.25% in 2018 to 2% in 2019. Similarly, the effective tax rate increased significantly for the next 0.09%. Furthermore, as the following sections will show, most Argentines chose to pay the tax and keep their assets abroad despite the heftier rates, making Argentina's wealth tax one of the world's most successful in terms of revenue.

3.3 Expanding the wealth and capital income tax bases

The above results showed that the 2016 amnesty revealed substantial assets held by Argentines domestically and offshore. This section shows that, as a result, the amnesty dramatically expanded Argentina's wealth and capital income tax bases.

Figure 10 plots the total value of wealth reported by wealth tax filers in constant 2015 pesos. Total declared wealth increased by 60% in 2016 compared to 2015, from Arg$1,500 billion to Arg$2,400 billion (Figure A.13) or from US$116 billion to US$186 billion using the market exchange rate (Figure A.14). Moreover, declared wealth remained more than 60% greater four years later. Arguably, once a taxpayer discloses an asset to the authorities, it is hard to go back and underreport it.

Ceteris paribus, an expanded tax base will boost the wealth tax revenue. However, Argentina combined the amnesty program with (1) an exemption of compliant taxpayers from the wealth tax; (2) a progressive reduction of wealth tax rates; (3) a switch from

[9] Argentina's wealth tabulations rank individuals based on total assets. To recover the share of foreign assets (and the effective tax rate) for each fractile, we cumulate the amount of foreign assets (and wealth taxes) by total assets, interpolate the cumulative function for each fractile with a smooth cubic spline function, and differentiate the interpolated function. Reassuringly, a linear interpolation delivers virtually the same results.

average to marginal rates; and (4) higher filing thresholds. Therefore, we simulate the counterfactual revenue authorities would have mechanically collected without the amnesty to examine this effect.

Our simulation assumes that, first, declared wealth would have remained the same in constant pesos in 2016 as in 2015, absent the amnesty. This assumption is plausible, as Figure 10 shows that the stock of reported wealth evolved stably in the 14 years before the 2016 amnesty. Next, we compute the 2016 wealth tax base, defined as wealth exceeding the exemption threshold, by subtracting 2016's new exemption threshold of Arg$800,000 from the simulated amount of reported wealth. Lastly, we multiply the simulated wealth tax base by the 2016 wealth tax rate of 0.75% to obtain the counterfactual wealth tax revenue. We performed a similar procedure for 2017 and 2018, when the tax rate was 0.5% and 0.25%, respectively.[10]

Figure 11 suggests that Argentina's amnesty more than doubled the wealth tax revenue by 165–180% from 2016 to 2018. Moreover, the expanded tax base enabled the government to raise more revenue in 2019 by increasing the wealth tax rates and levying an exceptionally high rate of 2.25% on foreign assets. In December 2018 the Macri administration reneged on its promise to abolish the wealth tax. The following year, the new Fernández administration increased the top wealth tax rate to 1.25% and 2.25% for domestic and foreign assets, respectively, and generated separate tax schedules depending on the location of the asset (Figure 2).[11] As a result, the average effective wealth tax rate increased from 0.25% in 2018 to 1.46% in 2019 (Figure A.15). Consequently, Figure 11 shows that the wealth tax revenue increased more than sevenfold from Arg$4.9 billion in 2018 to Arg$35.4 billion in 2019, or from 0.14% of GDP to 0.75% of GDP (Figure A.16), making Argentina's wealth tax one of the most successful in terms of tax revenue. Relative to the counterfactual tax revenue in 2019, the amnesty raised revenue more than threefold thanks to the prominent disclosures of offshore wealth it induced.

In addition, the improved wealth tax compliance caused by the amnesty could encourage disclosers of hidden assets to declare the *return* of their assets, boosting taxable income. To measure the effect on capital income tax compliance, we turn to the data from the income tax. Figure 12 compares the number of taxpayers who report some capital

[10] We ignore taxpayers responding to the change in the wealth tax rates by changing their reported wealth. If taxpayers respond to the reduced tax rates of 2016, 2017, and 2018 by reporting more wealth, this could confound part of the revenue effect. Similarly, the wealth tax hike in 2019 might induce some taxpayers to report less wealth, meaning tax revenue would have been higher absent the tax change.

[11] To simulate the counterfactual tax revenue absent the amnesty in that year, we assume that all domestic and foreign assets faced the top tax rates. This assumption is conservative because, in practice, many smaller assets faced lower tax rates, making our counterfactual revenue an upper bound and, correspondingly, our estimated revenue gain a lower bound.

income (panel (a)) and their amount of reported capital income (panel (b)). There is no change in the series before the 2016 amnesty, followed by a meaningful increase in reported capital income starting in 2016—when disclosers were required to register income. Specifically, the number of taxpayers reporting some capital income doubled, and the capital income tax base tripled after the amnesty. By contrast, By contrast, Figure 12(b) shows that none of the other three sources of income—namely wage, rental, or business income—changed after the amnesty. These patterns are consistent with foreign and domestic assets, which generated taxable income and were left undeclared before the amnesty, becoming more truthfully reported after the program. Critically, again, these improvements persisted years after the amnesty program ended.

Lastly, the increased reported wealth tax compliance was timely as the COVID-19 crisis struck in 2020, enabling the government to raise revenue progressively. The government used progressive wealth taxation to finance health expenses and expand the social safety net, levying a one-time wealth tax surcharge on the wealthiest 12,500 Argentines with assets worth more than Arg$200 million or US$2.4 million (Law 27.605). The marginal tax rates ranged from 2% to 3.5% for domestic assets and 3% to 5.25% for foreign assets. Official reports from AFIP informed that 10,000 people paid the tax by April 2021 with approximately US$80 billion in taxable assets, of which 50% were located abroad.[12] This value is more than twice the US$30 billion tax base declared by the wealthiest 11,700 Argentines before the amnesty, based on our tabulations. As a result, the government collected US$2.8 billion in revenue, roughly equivalent to one month of Argentina's value-added tax, the country's largest revenue source (AFIP, Serie Anual 2021).

3.4 Increasing transfers by earmarking revenue for pension spending

As explained in Section 2, Argentina earmarked the revenue from the 2016 amnesty program's 'special tax' to fund the public pension system, including reparations to pensioners for unpaid benefits and an increase in some existing benefits. In this section, we show that earmarking resulted in higher pension benefits for the elderly.

We leverage two institutional features to examine the effect of the tax amnesty on pension payouts. First, the reparations program aimed to raise pensions for those contributing for at least 30 years, who are eligible to receive a monthly pension benefit

[12] The remaining 2,500 non-filers were actively audited by the tax authority and threatened with prosecution. About 1,100 taxpayers filed a lawsuit against the government and are currently being treated in court (https://www.telam.com.ar/notas/202112/577043-afip-aporte-solidario-extraordinario-recaudacion.html).

(based on pre-retirement income) in addition to Argentina's monthly minimum pension benefit. By contrast, the reparations program should not affect the minimum monthly pension received by the roughly 2.5 million individuals—one in two older citizens—who contribute for fewer than 30 years (Berniell et al., 2020; Bosch and Guajardo, 2012; Rottenschweiler, 2020). Therefore, the average pension of retirees earning more than the minimum is potentially affected by the policy (treated), while the monthly minimum pension is not (control). Second, Argentina adopted the amnesty law in June 2016, and the Social Security Administration (SSA) began accepting reparation applications from retirees three months later. Therefore, we should expect the program to increase pension payouts starting in September 2016.

Figure 13 shows how retirees' pension benefits evolve before and after the amnesty program. Panel (a) compares the minimum pension benefit (control) and the average pension above the minimum benefit (treated) before and after the adoption of the amnesty law in June 2016. Both series are expressed in constant 2015 pesos and normalized to 1 in December 2015. The two series evolve identically before the amnesty and then diverge, with the average pension substantially increasing after September 2016, when the SSA began accepting applications for pension reparations. Over 603,000 pensioners applied for reparations that month. The number of applicants doubled by November 2017 and stabilized at around 1.2 million. As a result, Figure 13(b), which reports the difference-in-difference (DD) coefficient, shows that the difference between the two series stabilizes at around 15%.[13] In addition, Figure 13(b) superimposes the total monthly reparation spending based on official SSA reports. The series aligns closely with the DD coefficient, consistent with the amnesty program causally increasing reparation spending on pension benefits.[14] In sum, by earmarking the revenue from the amnesty for Argentina's pension reparations program, the average pension received by retirees increased by 15%.

3.5 Do taxpayers repatriate assets in response to tax incentives?

This section presents several pieces of evidence suggesting taxpayers do not meaningfully repatriate their foreign assets in response to tax incentives.

[13] In December 2017, Argentina introduced a new pension reform. Among other things, this reform revised the pension indexation formula used to calculate increases in pension benefits. As shown by the pension benefits' step function growth in Figure 13, the indexation system was based on semi-annual adjustments (based on growth in wages and taxes). By contrast, the 2017 reform based the system on quarterly adjustments (based on wage and price inflation).

[14] Figure A.17 plots the evolution of average pension benefits above and below the median benefit. Since one-half of retirees receive the statutory minimum pension, they do not experience any change in their pension benefits after the amnesty.

First, the 2013–15 amnesty encouraged repatriation by waiving the participation fee for participants who disclosed foreign currencies and deposits and invested them in three Treasury securities. Because Treasury securities are exempt from Argentina's wealth tax, the waived penalty generated a sizable tax benefit for repatriation. Notwithstanding, the amount invested in Treasury securities during the 2013–15 amnesty represented only 0.5% of GDP (Table 1). In fact, 12 times less currency and fewer deposits were disclosed during this amnesty than during the 2016 scheme, despite being only a couple of months apart. Later, participants of the 2016 amnesty could also waive the penalty by investing one-third of their disclosed assets in two Treasury bonds or domestic mutual funds. However, again, most Argentine evaders chose to pay the special tax and keep their assets abroad, as the head of AFIP himself later acknowledged to the press (Clarin, 2017). Thus, the repatriation clauses included in Argentina's tax amnesties to entice evaders to bring capital back into the country do not seem to have achieved their objective.

Second, Argentines do not seem eager to repatriate their assets even after the government raised the tax rates on foreign assets in 2019. That year, Argentina increased the top wealth tax rate to 2.25% for foreign assets (Figure 2)—the highest tax rate in the last three decades. By contrast, domestic assets were levied with a lower top rate of 1.25%, generating a differential tax treatment depending on the location of the asset and a solid incentive to repatriate capital to alleviate the wealth tax burden. Furthermore, Argentina awarded an additional tax incentive for taxpayers choosing to repatriate: individuals repatriating 5% or more of their foreign assets would face the (lower) domestic wealth tax rate for *all* of their assets.

If Argentine taxpayers responded to these strong tax incentives to repatriate capital, we would observe a drop in foreign assets, a corresponding increase in domestic assets, and a decrease in the average effective tax rate after 2019. However, the amount of foreign and domestic assets barely changed in 2019 and 2020 compared to 2018 (Figure 4). Moreover, the average effective tax rate remained similar in 2020 relative to 2019 (Figure A.15). These results hold throughout the distribution of assets: both the share of foreign assets and the effective tax rate remained constant for the wealthiest 1% (Figures 9 and A.12). While these pieces of evidence do not entirely rule out that some taxpayers respond to tax incentives favoring repatriation, our data suggests that the short-term response is not quantitatively meaningful. As a result, the Argentine wealth tax's effective tax rate and collected revenue skyrocketed after 2019 (Figures A.15 and A.16).

Why do wealthy Argentines prefer to pay a hefty wealth tax and keep their assets abroad? Given the seemingly negligible repatriation response to taxes, tax incentives cannot explain why Argentines have offshore assets. Instead, wealthy Argentines might

keep their assets offshore because this allows them to insure themselves against economic volatility, currency controls, high exchange rate fluctuations, and inflation spells. In addition, foreign assets might enable Argentines to access financial services they cannot get in Argentina and, presumably, obtain higher (pre-tax) returns.

4 Discussion

This section discusses the policy design and contextual features of Argentina's 2016 amnesty program compared with previous programs. We leverage the rich policy variation from Argentina's multiple amnesties to examine the role of the scheme's tax and non-tax features, such as how salient the program is and how credible is the threat of detection. The ideal policy experiment would randomize such features in a randomized control experiment to estimate their causal effect. Alas, this is politically unfeasible. Notwithstanding, given that Argentina has implemented multiple amnesties with different designs and varying degrees of success, the experience from Argentina might help other governments draw some lessons about the conditions under which an amnesty program can achieve its goals.

The tax incentives. In establishing a voluntary disclosure program, tax administrations typically offer tax benefits to entice evaders to come forward. However, these tax incentives must be designed to avoid negatively impacting existing levels of compliance. For example, if there is a perception that evaders can secure terms through these programs that leave them better off than honest taxpayers, this may unintentionally increase non-compliance (Langenmayr, 2017; OECD, 2015).

Argentina's 2016 amnesty combined generous tax incentives to encourage participation while retaining the support and compliance of honest taxpayers. On the one hand, the law contained a gradual wealth tax reduction and the draft bill even discussed its abolition from January 2019 onward, enticing evaders to participate because doing so would not offset their future wealth tax obligations. At the time, the government's commitment to reduce and eventually abolish wealth taxation seemed credible: Macri represented a new and pro-market government, widely accepted by Argentina's elite, who benefited from the amnesty program. On the other hand, the amnesty program levied the highest penalty rate: up to 15% compared to only 8% in 2009 and 0% in 2013–15 (Table 1). Furthermore, the government explicitly rewarded compliant wealth tax payers by exempting those who did not participate in the amnesty from the wealth tax in 2016, 2017, and 2018. The combination of these two features may have resulted in high participation without eroding compliance of non-evaders.

The threat of detection. Tax evaders are more willing to comply if they perceive they will likely get caught cheating. However, this probability depends on whether a tax authority can detect offshore evasion. Automatic TIEAs can improve detection and, as a result, make the threat of detection more credible. Indeed, many governments have implemented voluntary disclosure programs to take advantage of the momentum given by the availability of information about financial accounts held abroad and increased cooperation between tax authorities (OECD, 2015).

Arguably, the threat of detection was not credible when Argentina implemented its amnesties in 2009 and 2013–15: the country had not signed TIEAs before 2014, leaving authorities largely unable to catch cheaters. In contrast, this changed by the time the 2016 amnesty came around. First, in October 2014, Argentina participated in the OECD Automatic Exchange of Information and committed to exchanging information by September 2017. Second, in 2016, Argentina signed TIEAs with one of its most relevant tax havens, Uruguay, as well as many other countries, including United States, Chile, Switzerland, and Brazil. These advances were integral to the tax authority's communication campaign to encourage participation in the 2016 amnesty program. Indeed, several years later, the media reported how the TIEAs were used to enforce taxes (La Nacion, 2021). Furthermore, the Panama Papers were leaked four months before the amnesty began, which, as shown by Londoño-Vélez and Ávila-Mahecha (2021), further raised the perceived threat of detection. Taken together, these factors likely led to a greater perception that the loopholes enabling evasion were narrower in 2016 than in previous years.

A favorable political economy. Political alignment and attitudes towards government can influence taxpayers' decisions to evade taxes (Cullen et al., 2021). Argentines' confidence in the left-wing government of Fernández de Kirchner was low during the 2009 and 2013–15 amnesties. Figure A.18 plots the national governance index, which measures citizens' trust in the government and ranges from 0 (low) to 5 (high). There is a discrete jump in the confidence index as soon as Macri takes office. Moreover, confidence remained high when Macri implemented the amnesty program shortly after. Unlike his predecessor, a program implemented by a pro-market and business-friendly president may have encouraged wealthy Argentines to come forward.[15]

In addition, Argentina used the amnesty program to generate revenue to fund an

[15] An example of Macri's pro-market stance is that he lifted Argentina's foreign exchange controls as soon as he took office in December 2015. These controls, established by Fernández de Kirchner in 2011, limited Argentines' ability to buy or sell foreign currency. Opposing the Kirchners, Macri campaigned on the promise that he would cancel the restrictions immediately as part of the reforms to promote economic growth.

increase in the pensions of older citizens; the law earmarked revenue from the amnesty's 'special tax' to fund these retirees. Indeed, the government promoted this as part of its campaign to encourage evaders to come forward, presenting the amnesty as a way that people could contribute to better pension benefits for senior citizens (as an illustration, Figure A.5 reproduces an advertisement used by AFIP for this purpose). As a result, earmarking may have generated taxpayer support for the amnesty program.

High salience and low compliance costs. Argentina sought to encourage participation thanks to a massive information campaign promoting participation in the tax amnesty. Moreover, authorities considerably simplified the disclosure procedure to make it easy for people to come forward. For instance, they published step-by-step guidelines on how to participate, posted tutorial videos on YouTube, and created an app to calculate the participation tax penalty (Figure A.6). This may have contributed to high participation.

In sum, Argentina's 2016 amnesty was likely successful thanks to well-designed tax incentives, a credible threat of detection, a favorable political economy, and a massive advertising campaign.

5 Conclusion

We find that Argentina's most recent tax amnesty in 2016 had unprecedented success in encouraging taxpayers—especially those in the wealthiest 0.1% of the wealth distribution—to reveal their assets hidden offshore. Moreover, the enforcement effect is sizable relative to independent estimates of the amount of concealed offshore wealth and capital income overall (Alstadsater et al., 2018; Zucman, 2013). Consequently, the program improved the progressivity of Argentina's wealth tax, expanded the country's wealth and capital income tax bases, and raised revenue from taxes on capital. In addition, by earmarking revenue, the improved enforcement funded a pension reparations program that raised benefits for older citizens.

Do our findings apply to other countries? We certainly do not claim that Argentina's success can be replicated everywhere—even by a future Argentine administration. Admittedly, Argentina has some unique features, starting with a large stock of offshore wealth. Notwithstanding, its varied experiences with tax amnesties can offer valuable lessons for other countries. Amnesties seem to be most effective when combined with well-designed tax benefits for compliant and non-compliant taxpayers, credible detection and punishment threats for non-participating evaders, substantial ad campaigns, strong confidence in the incumbent government, and, perhaps, earmarking revenue for taxpayer support.

Lastly, Argentina has recently moved to impose very high taxes on foreign assets to encourage people to invest capital in the country. While our data suggests negligible repatriation responses in the short term, repatriation could take longer to respond. Thus, further research should examine whether Argentines will bring capital back in the subsequent years.

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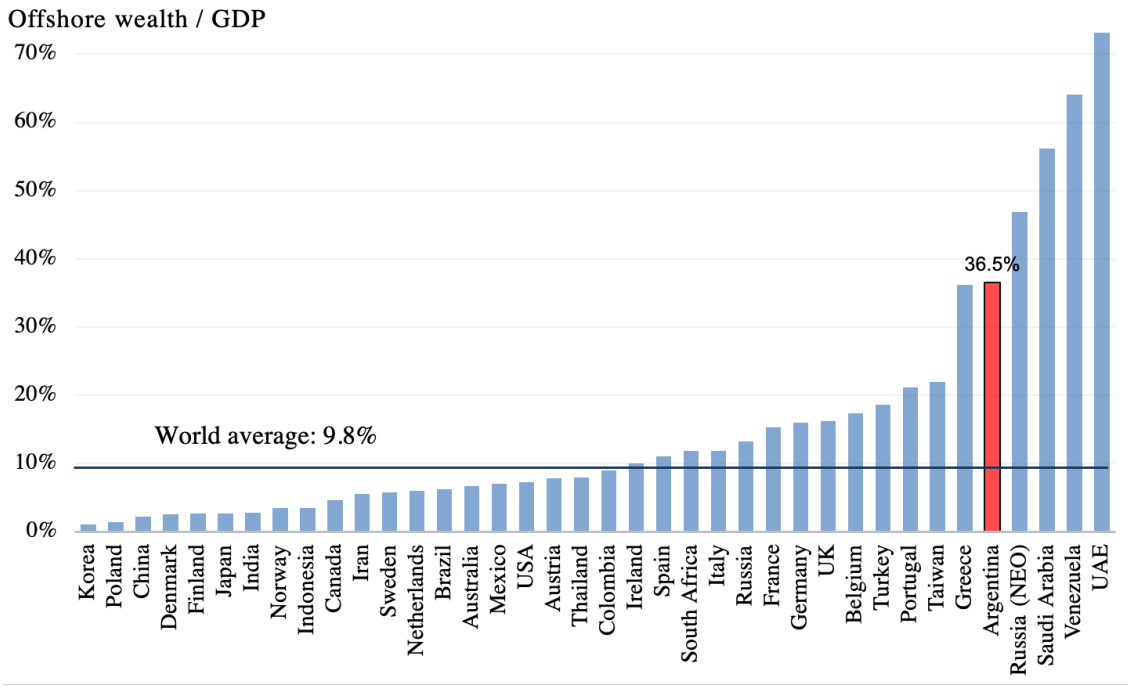
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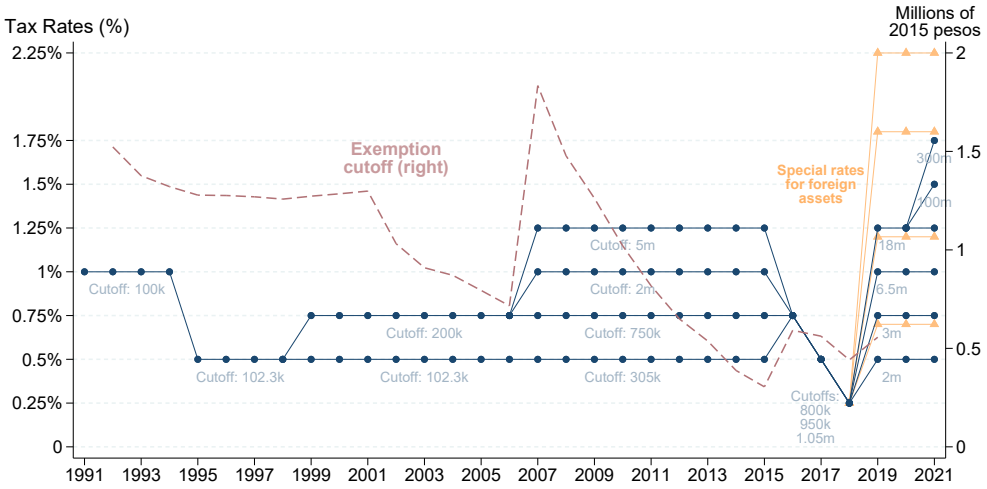
Figures and Tables

Figure 1: Argentina owned the equivalent of 36.5% of GDP in offshore wealth



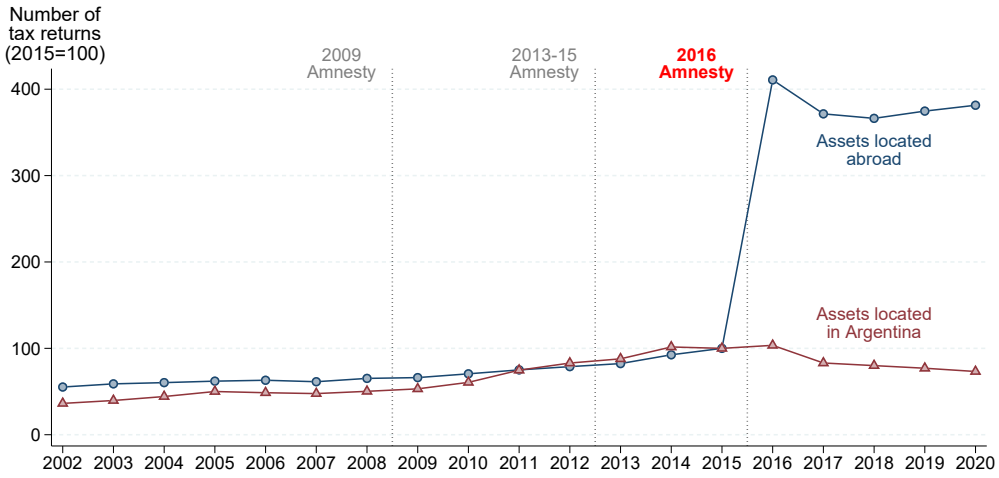
Notes: this figure shows the amount of household wealth owned offshore as a percentage of GDP, in 2007. Argentina, highlighted in red, owns the equivalent of 36.5% of GDP in offshore wealth.
Source: Alstadsater et al. (2018).

Figure 2: Argentina's wealth tax rates have ranged from 0.25% to 2.25%



Notes: this figure plots the wealth tax schedule in Argentina between 1991 and 2021, showing sizable variation in the exemption cutoff and bracket schedule. The left axis plots the statutory wealth tax rates and associated bracket cutoffs in current pesos. Because these cutoffs are nominally defined, high-inflation spells cause 'bracket creep': the exemption cutoff (plotted in the right axis and expressed in millions of 2015 pesos) dropped between 2007 and 2015. Moreover, Argentina's wealth tax rates have historically ranged from 0.25% to 2.25%, with reforms taking place in 1995, 1999, 2007, 2016, and 2019. For instance, in 2016 Argentina replaced the bracket schedule based on four average tax rates with a single marginal rate of 0.75% and raised the filing threshold. *Source:* authors' compilation based on Table A.1.

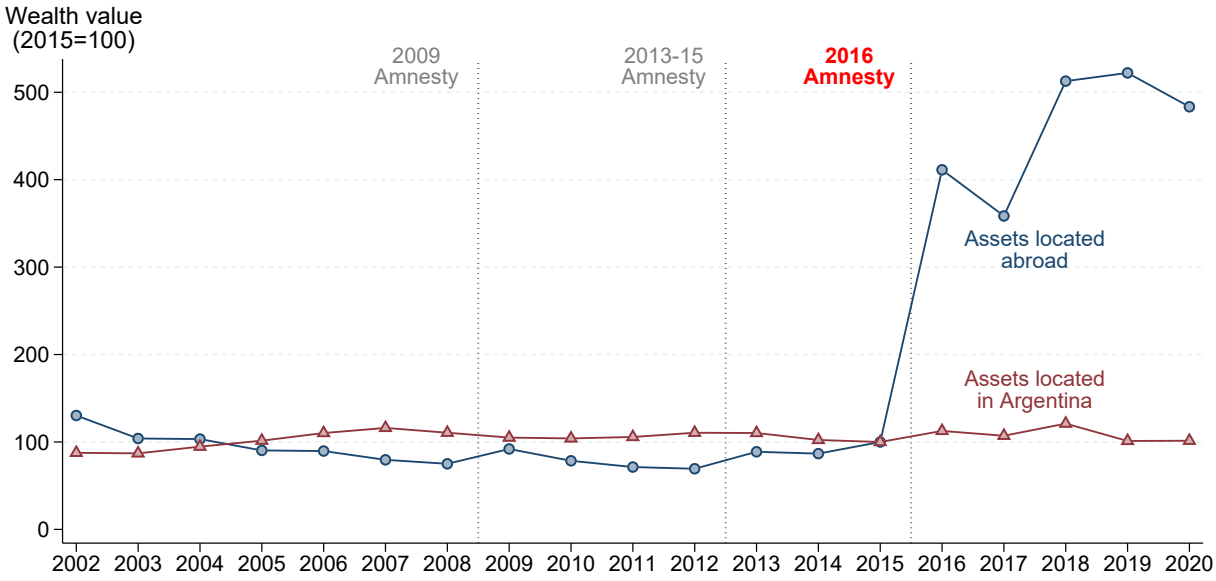
Figure 3: A 310% increase in the number of taxpayers declaring foreign assets



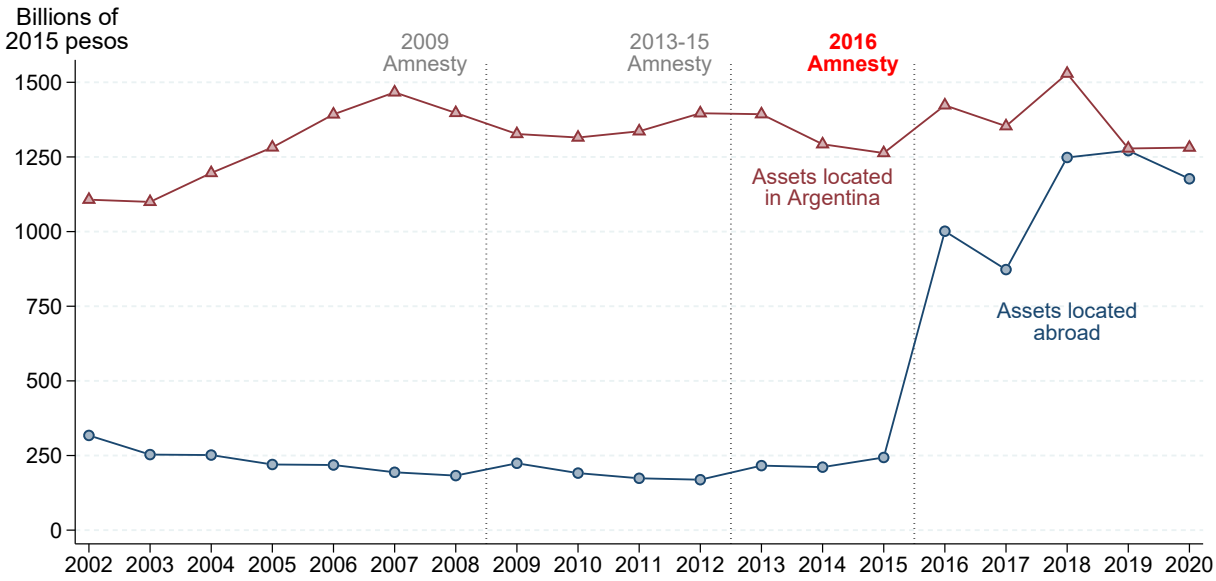
Notes: this figure plots the number of taxpayers declaring assets owned domestically and abroad. The series is indexed to equal 100 in 2015, before the 2016 amnesty. Neither the 2009 nor 2013–15 amnesties affected the number of people reporting assets to the tax authority. By contrast, there was a 310% increase in the number of taxpayers reporting to own foreign assets in 2016, which persisted even three years later, consistent with offshore evasion being the primary form of evasion.*Source:* authors' calculations using data from the AFIP statistical yearbooks.

Figure 4: A more than 310% increase in the value of declared foreign assets

(a) Relative values



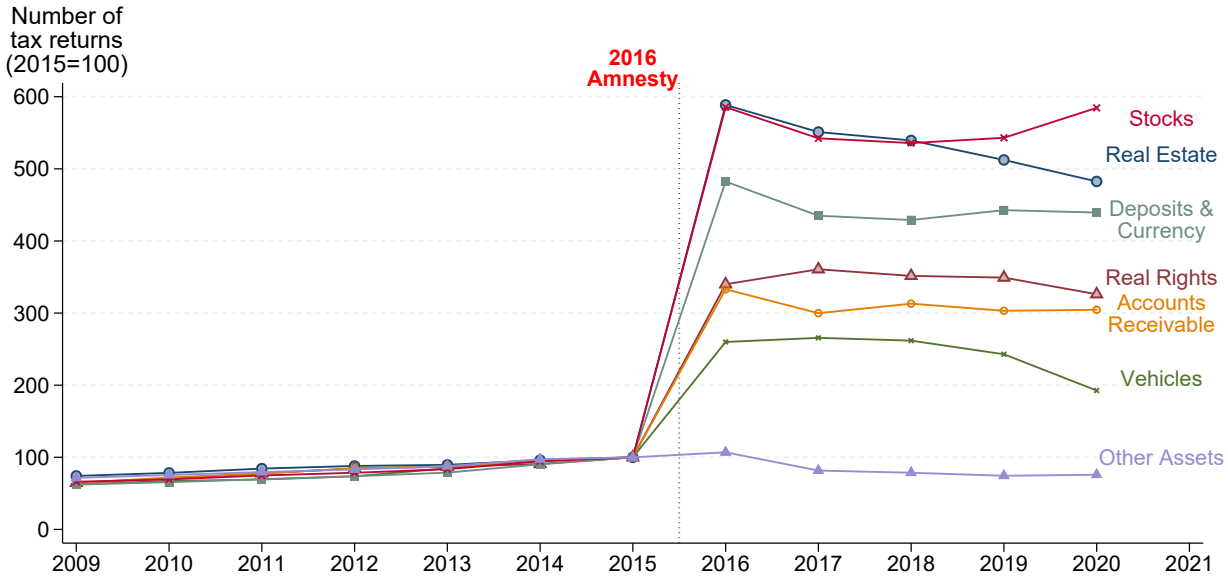
(b) Absolute values



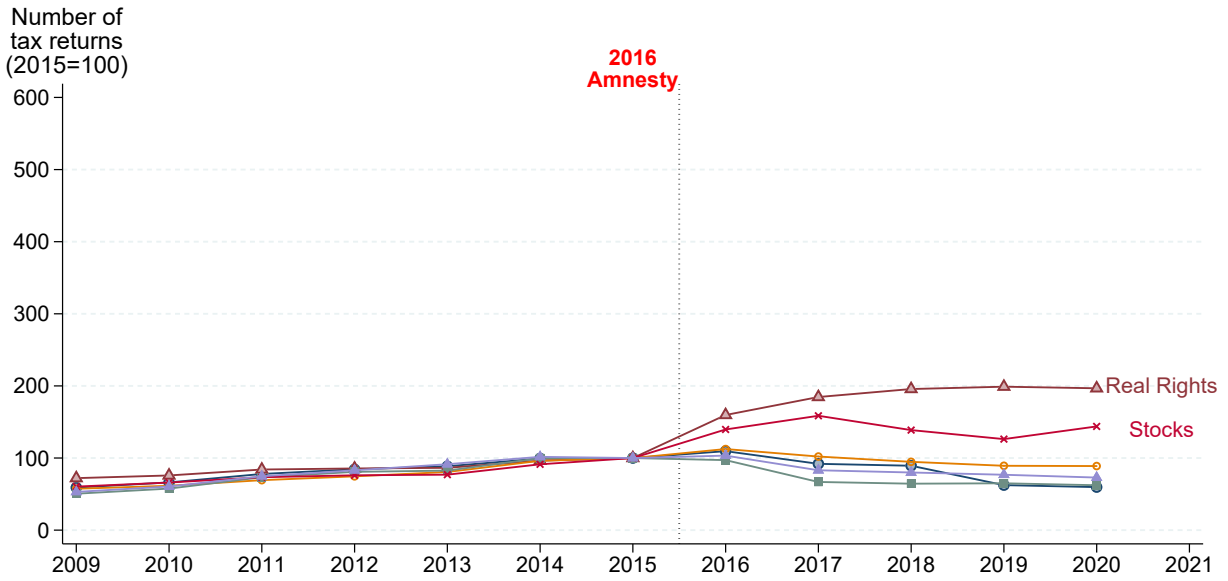
Notes: this figure plots the total value of declared domestic and foreign wealth in constant 2015 pesos. Panel (a) expresses the series indexed to equal 100 in 2015, while Panel (b) reports the absolute values. The value of domestic and foreign assets is remarkably stable between 2002 and 2015. However, while domestic assets continued in the same trend, the value of foreign assets quadrupled from Arg$250 billion in 2015 to Arg$1 trillion in 2016 and Arg$1.25 trillion in 2019. *Source:* authors' calculations using data from AFIP statistical yearbooks.

Figure 5: The likelihood of declaring foreign or domestic assets by asset type

(a) Foreign assets



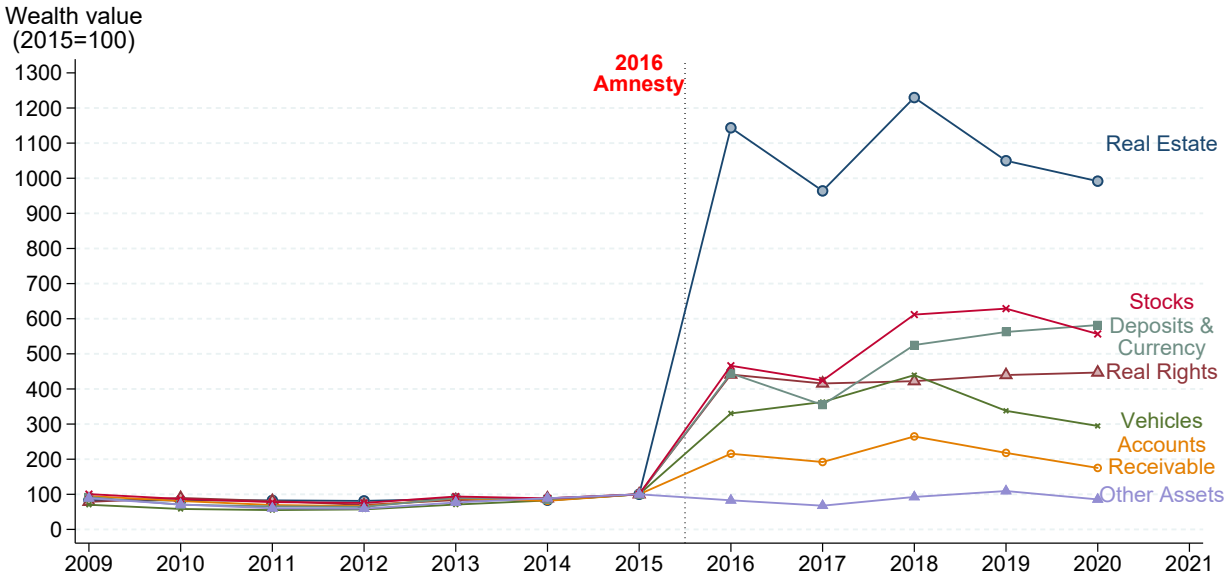
(b) Domestic assets



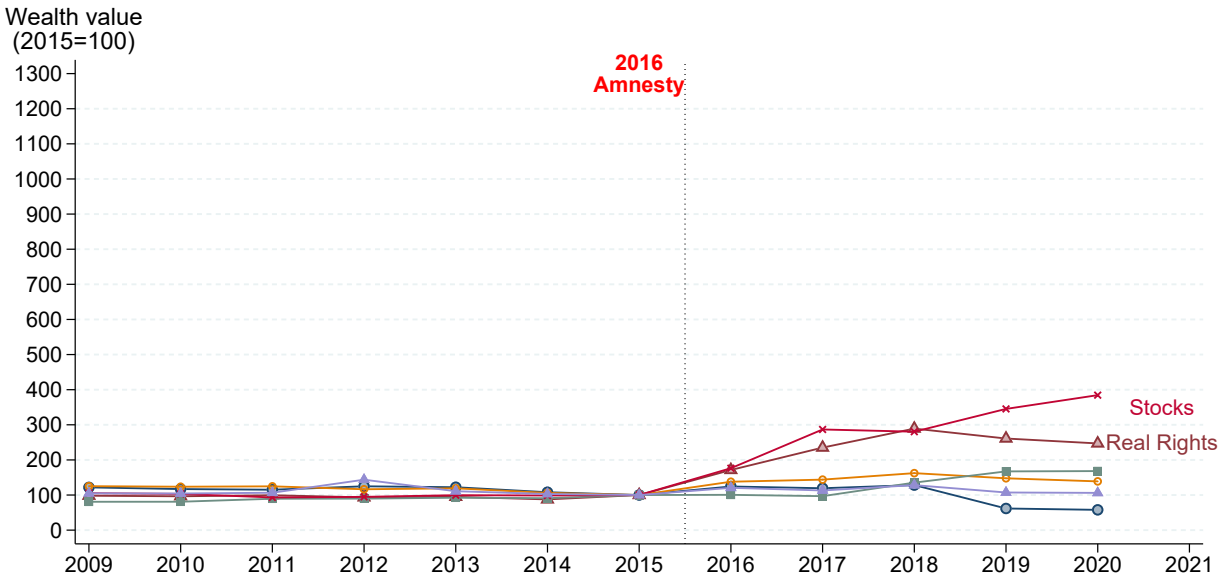
Notes: this figure decomposes Figure 3 by asset type and plots the number of taxpayers declaring different types of foreign or domestic assets in panels (a) and (b), respectively (2015 = 100). The number of people reporting foreign stocks and real estate increased by nearly 500% in 2016 relative to 2015.
Source: authors' calculations using data from AFIP statistical yearbooks.

Figure 6: The relative value of declared foreign or domestic assets by asset type

(a) Foreign assets



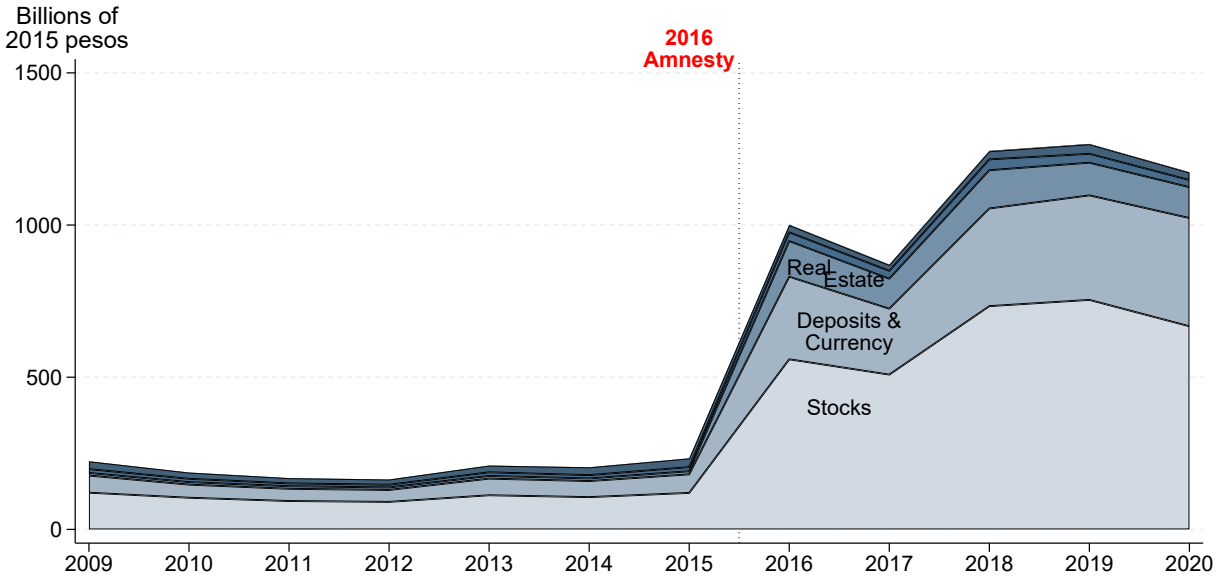
(b) Domestic assets



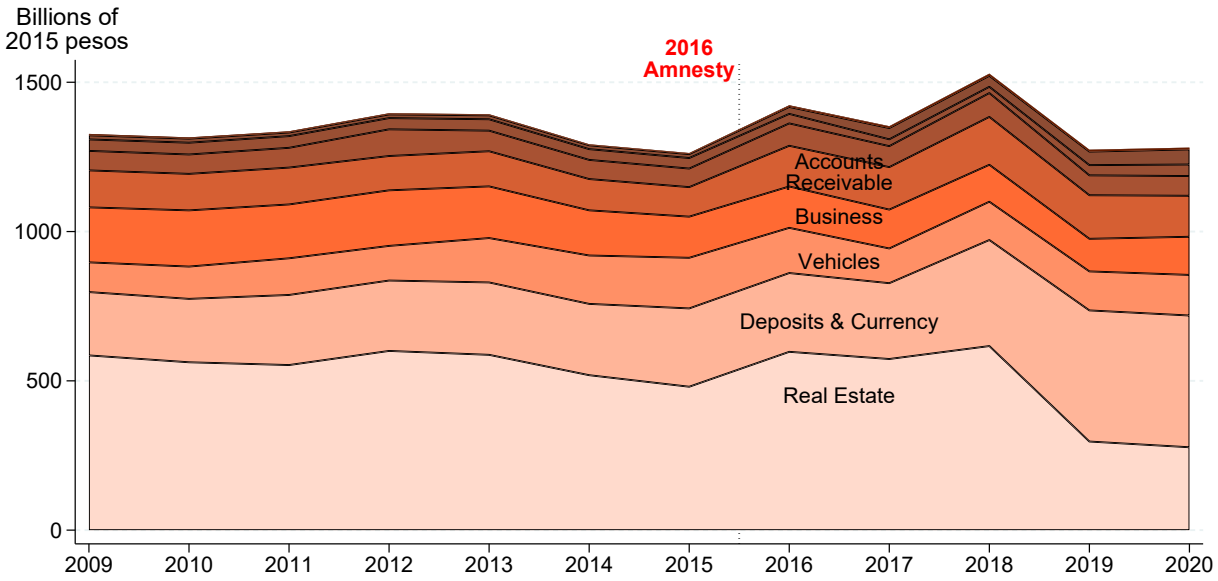
Notes: this figure decomposes Figure 4 by asset type and plots the relative value of different types of foreign or domestic assets in panels (a) and (b), respectively, in constant pesos (2015 = 100). The value of reported foreign real estate increased by more than 1,000% compared to 2015. Similarly, the number of people reporting to own foreign bank deposits and currencies, real rights and credits, and cars and boats increased by 380%, 240%, and 160%, respectively.
Source: authors' calculations using data from AFIP statistical yearbooks.

Figure 7: The real value of declared foreign or domestic assets by asset type

(a) Foreign assets

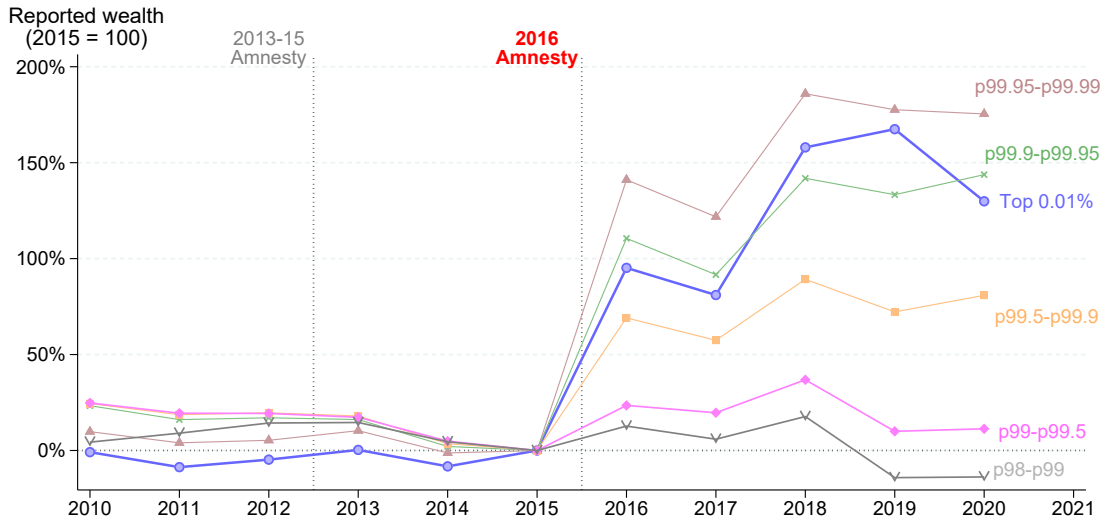


(b) Domestic assets



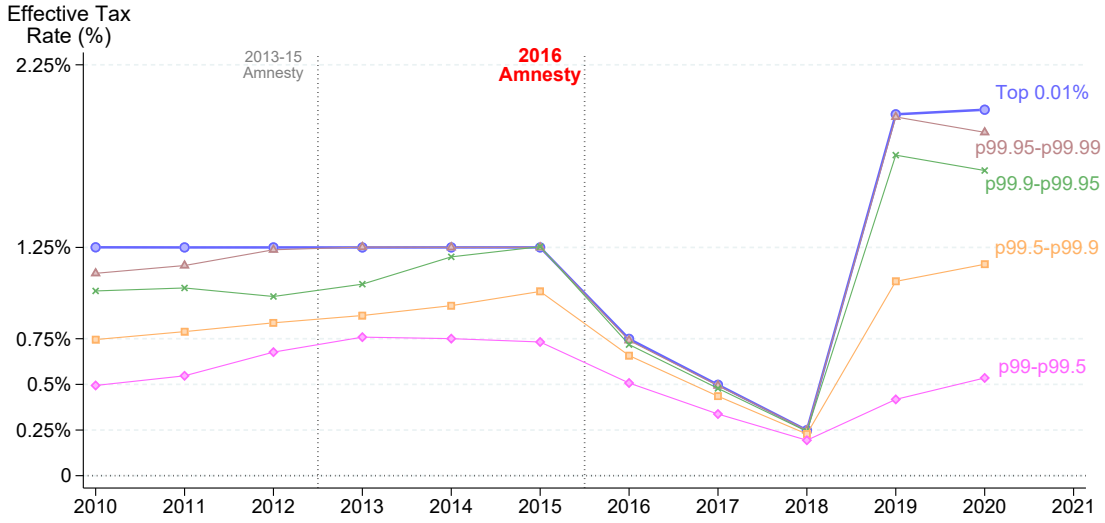
Notes: this figure plots the absolute value of the different types of foreign or domestic assets reported by taxpayers in panels (a) and (b), respectively, in constant 2015 pesos (billions). More than Arg$400 billion (US$30 billion) of foreign equities were disclosed to the authorities, equivalent to 9.9% of GDP in 2016. Likewise, more than Arg$360 billion or US$25 billion deposited in foreign bank accounts were reported in tax returns after the amnesty. Panel (b) shows a drop in domestic real estate after the 2019 reform created a separate wealth tax exemption threshold for primary residences, nine times larger than the threshold for all other assets.
Source: authors' calculations using data from AFIP statistical yearbooks.

Figure 8: The increase in reported assets is greater for Argentina's wealthiest 0.1%



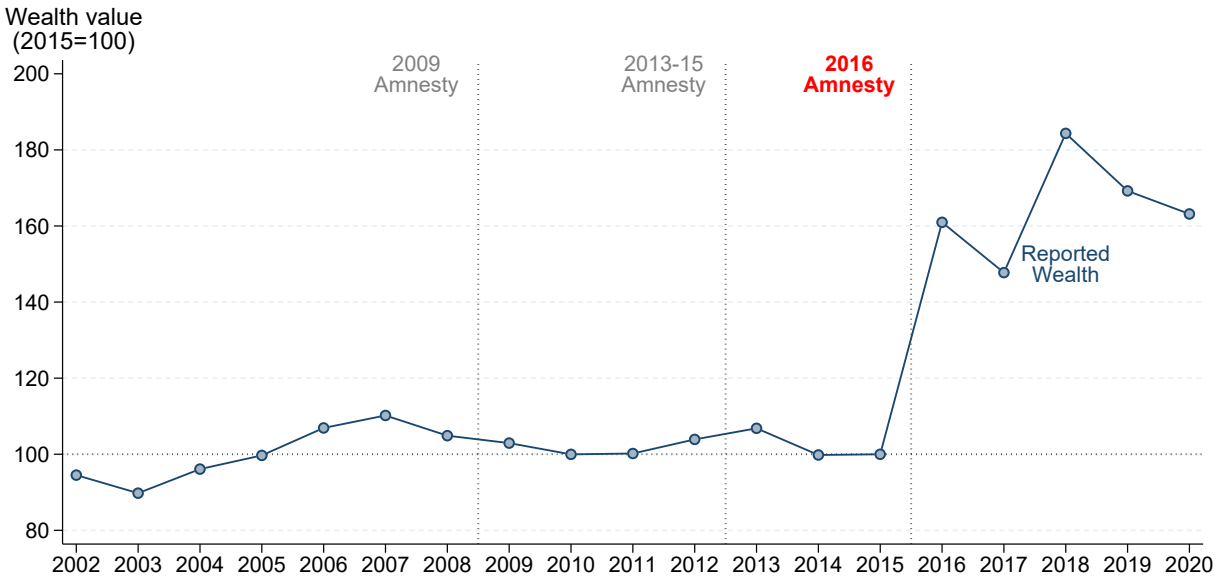
Notes: this figure compares the assets reported yearly by the wealthiest 2% of adults (aged 20 and above) separately by bins of increasing assets relative to 2015. Individuals below the top 1% had moderate increases in their average assets after the amnesty. By contrast, the wealthiest 0.5% of taxpayers declared substantially more assets after the program. In particular, the rise was remarkable among the top 0.1% who, four years after the amnesty, reported to own two to three times as much assets as before the scheme.
Source: authors' calculations using data from AFIP statistical yearbooks.

Figure 9: An increase in the progressivity of the wealth tax in 2019



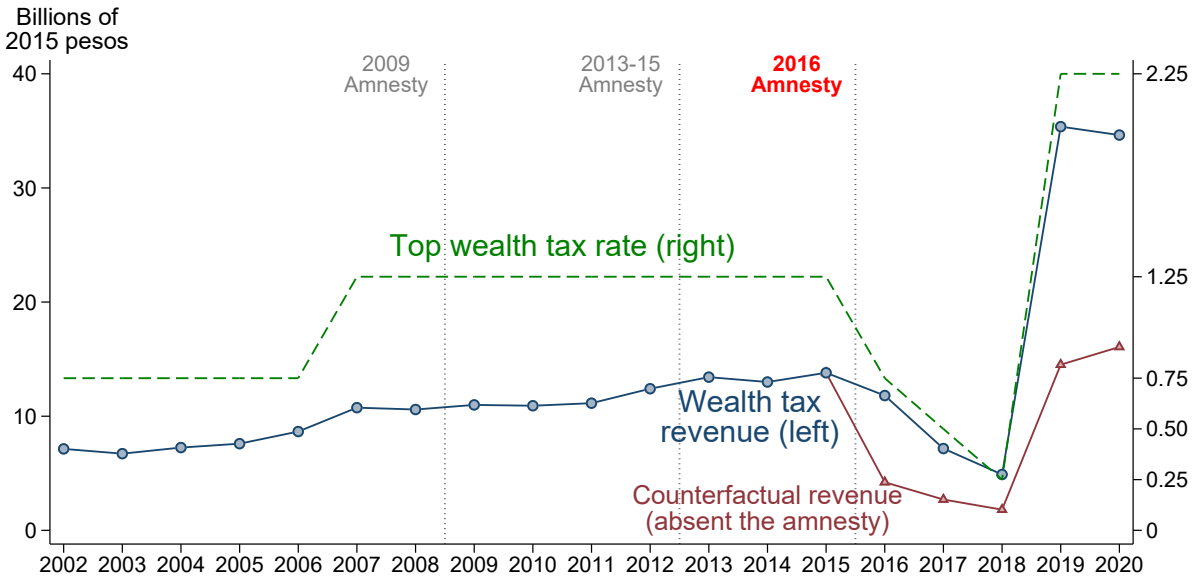
Notes: this figure compares the wealth tax liability expressed as a share of total (taxable and non-taxable) assets by the wealthiest 1% of adults (aged 20 and above) separately by bins of increasing assets. The progressivity of the wealth tax increased in 2019 when Argentina taxed offshore assets at higher rates.
Source: authors' calculations using data from AFIP statistical yearbooks.

Figure 10: The 2016 amnesty raised the total value of wealth reported by tax filers



Notes: this figure plots the total value of wealth reported by tax filers in constant 2015 pesos (2015 = 100). Total declared wealth increased by 60% in 2016 compared to 2015 (or from US$116 billion to US$186 billion using the market exchange rate of Arg$12.9 to US$1 in December 2015). Moreover, declared wealth remained 70% greater three years later.
Source: authors' calculations using data from AFIP statistical yearbooks.

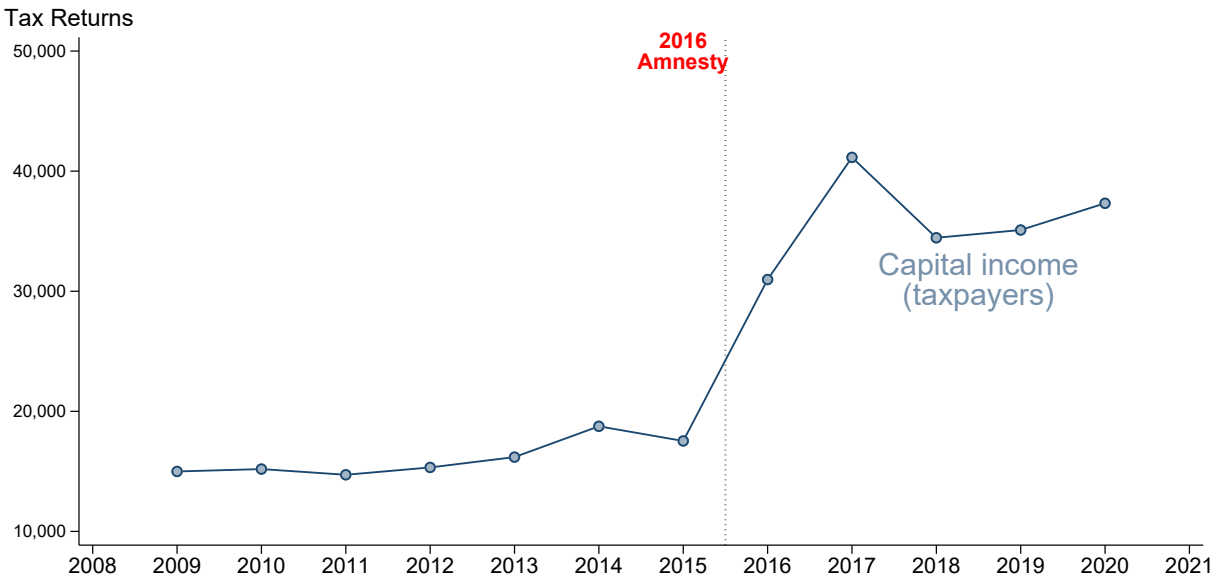
Figure 11: The 2016 amnesty raised the wealth tax revenue



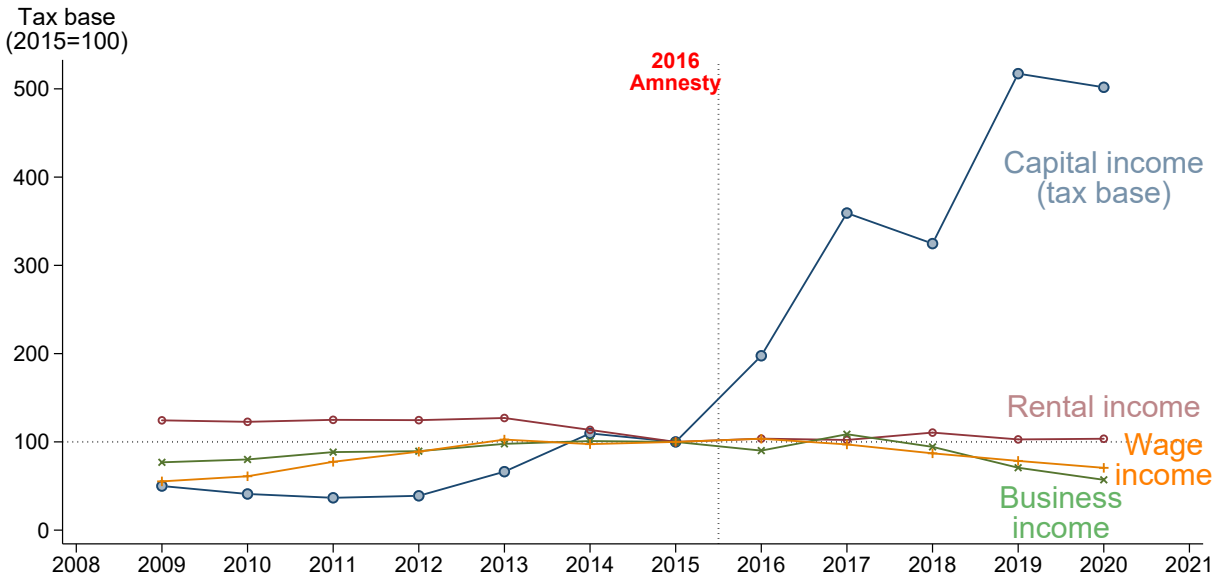
Notes: this figure plots the wealth tax revenue and the counterfactual revenue absent the tax amnesty (left axis) as well as the top wealth tax rate (right axis). Argentina's amnesty more than doubled the wealth tax revenue by 165–180% from 2016 to 2018. Moreover, the wealth tax revenue increased more than sevenfold from Arg$4.9 billion in 2018 to Arg$35.4 billion in 2019, after the 2019 reform increased the wealth tax rates. Relative to the counterfactual revenue in 2019, the amnesty raised tax revenue more than threefold thanks to the prominent disclosures of offshore wealth it induced.
Source: authors' calculations using data from AFIP statistical yearbooks.

Figure 12: The 2016 amnesty raised capital income tax revenue

(a) Number of taxpayers subject to capital income tax



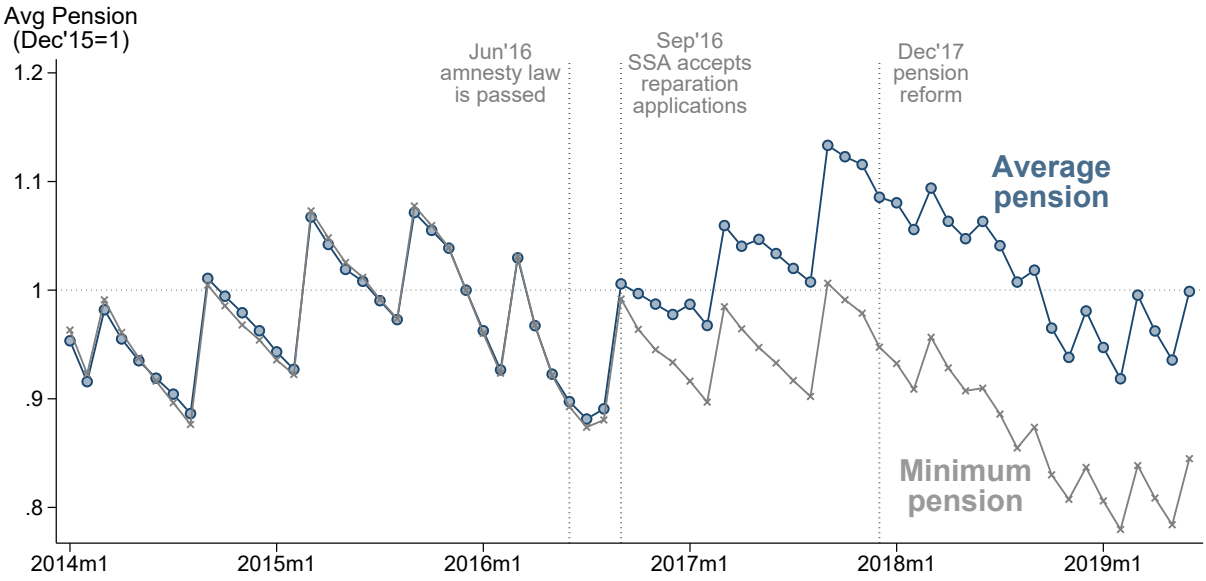
(b) Capital income tax base



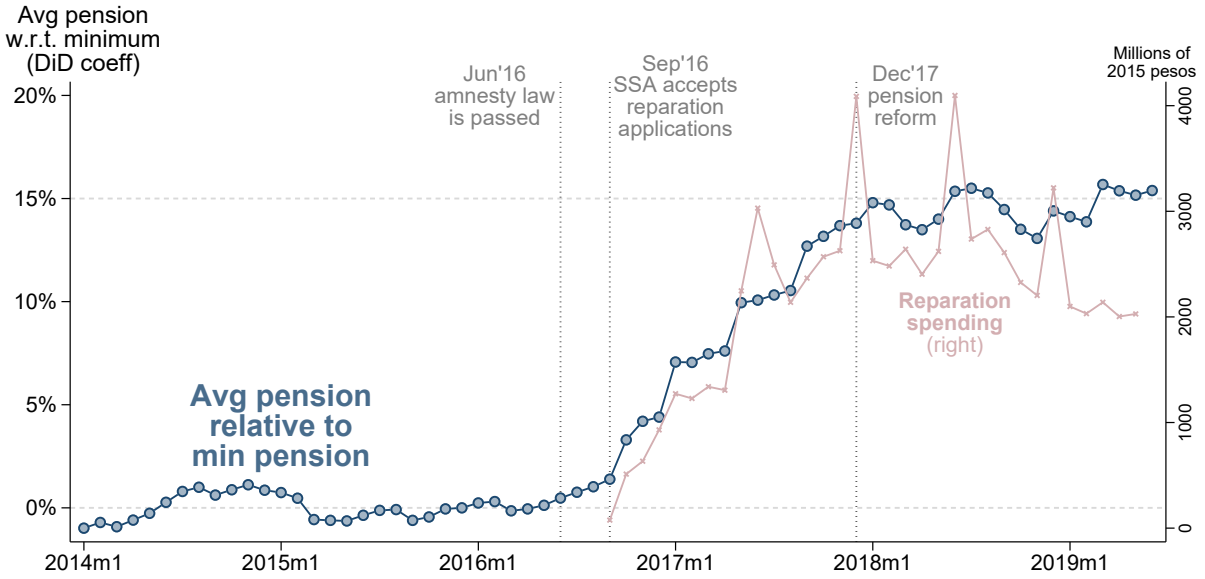
Notes: this figure shows how the 2016 amnesty raised capital income tax revenue by comparing the number of taxpayers subject to the capital income tax and the capital income tax base in panels (a) and (b), respectively. There is a meaningful increase in reported capital income starting in 2016, when disclosers are required to register income: the number of taxpayers reporting some capital income doubled and the capital income tax base tripled. By contrast, none of the other three sources of income (wage income, business income, rental income) changed after the amnesty. These patterns are consistent with foreign and domestic assets, which generated taxable income and were left undeclared before the amnesty, becoming more truthfully reported after the program. Critically, these improvements persisted years after the amnesty program ended.
Source: authors' calculations using data from AFIP statistical yearbooks.

Figure 13: Earmarking amnesty revenue to fund retirees

(a) Average and minimum pension benefits



(b) The difference between average and minimum pension and reparation spending



Notes: this figure plots retirees' pension benefits before and after the 2016 amnesty program. Panel (a) compares the minimum pension benefit (control) and the average pension above the minimum benefit (treated). The series are expressed in constant 2015 pesos and normalized to 1 in December 2015. The average pension substantially increased after September 2016, when the SSA began accepting applications for reparations. The number of reparation applicants stabilized at approximately 1.2 million by November 2017. As a result, panel (b), which plots the DD coefficient (left axis) against the amount spent on Argentina's pension reparations program (right axis), shows that the difference between the two series also stabilizes at around 15%. Pension reparations spending increases after September 2016 and aligns closely with the DD coefficient.

Source: authors' calculations using data from ANSES.

Table 1: A comparison of Argentina's recent tax amnesty programs

	2009	2013–15	2016
President	Fernández	Fernández	Macri
Political inclination	Left	Left	Right
Can you disclose foreign currencies?	✓	✓	✓
Can you disclose assets?	✓		✓
What is the maximum penalty?	8%	0%	15%
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?	35,000	16,000	255,000
How much was disclosed? (% GDP)	1.3%	0.5%	21%

Notes: this table compares the features of Argentina's recent tax amnesty programs. The features of each amnesty were drawn from Law 26.749 for the year 2009, Law 26.860 for the period 2013–15, and Law 27.260 for the year 2016. The 2013 amnesty was meant to last three months, but was extended on nine occasions until December 2015.
Source: authors' compilation.

Table 2: Domestic and foreign assets in 2014, 2015, and 2016

	Domestic assets			**Foreign assets**		
	2015 US$ (1)	**2015–14** %Δ (*pre*) (2)	**2016–15** %Δ (*post*) (3)	**2015** US$ (4)	**2015–14** %Δ (*pre*) (5)	**2016–15** %Δ (*post*) (6)
Deposits and currencies	20,336	10%	1%	4,736	16%	344%
Stocks and investments	1,020	1%	76%	9,297	13%	366%
Real estate	37,230	-7%	24%	792	20%	1044%
Vehicles	13,264	4%	-10%	17	21%	230%
Real rights	174	14%	71%	9	13%	341%
Equity of companies	10,685	-9%	1%	758	43%	-
Accounts receivable	7,659	-6%	38%	1,042	23%	116%
Other assets	7,552	-3%	10%	2,221	13%	-17%
Total assets	**97,920**	**–2%**	**13%**	**18,872**	**8%**	**311%**

Notes: this table shows changes in foreign and domestic assets before and after Argentina's 2016 tax amnesty. First, columns (1) and (4) report the total amount of domestic and foreign assets declared by wealth taxpayers in 2015. Next, columns (2) and (5) report the percentage change before the amnesty between 2015 and 2014. Finally, columns (3) and (6) report the post-amnesty change between 2016 and 2015. Each row corresponds to a different type of asset. The last row shows the aggregate across categories.
Source: authors' calculations using data from AFIP statistical yearbooks.

Table 3: Reported assets by the wealthiest 2% in 2015 and 2016

	Average reported assets (in 2015 US dollars)		
	2015	**2016**	**%Δ**
p98–p99	62,283	70,208	13%
p99–p99.5	121,491	150,029	23%
p99.5–p99.9	304,985	515,821	69%
p99.9–p99.95	586,091	1,234,090	111%
p99.95–p99.99	1,455,901	3,510,129	141%
p99.99–p100 (top 0.01%)	8,097,634	15,804,161	95%

Notes: this table compares the average assets (in 2015 US dollars) reported by the wealthiest 2% of tax units (individuals aged 20 and above) in 2015 and 2016. The table decomposes the top 2% into bins of increasing assets all the way to the top 0.01%. Individuals below the top 1% had moderate increases in their average assets after the 2016 amnesty. By contrast, the wealthiest 0.5% of taxpayers declared substantially more assets after the program. The number of tax units is 28,764,680 in 2015 and 29,164,076 in 2016.
Source: authors' calculations using data from AFIP statistical yearbooks.

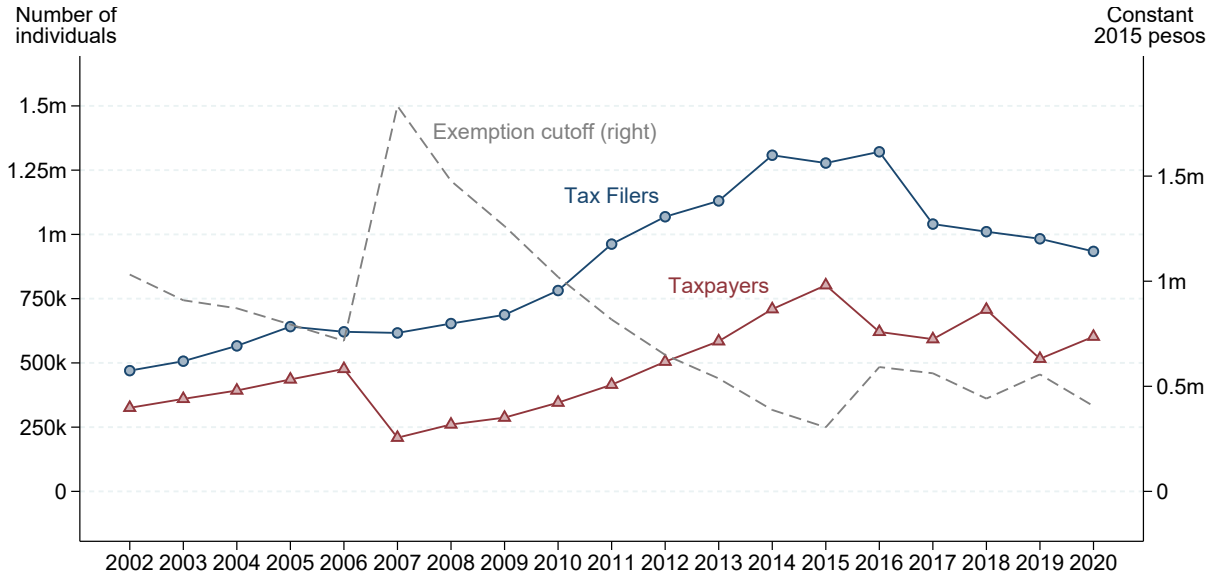
APPENDIX

Figure A.1: Annual inflation: 2000–17



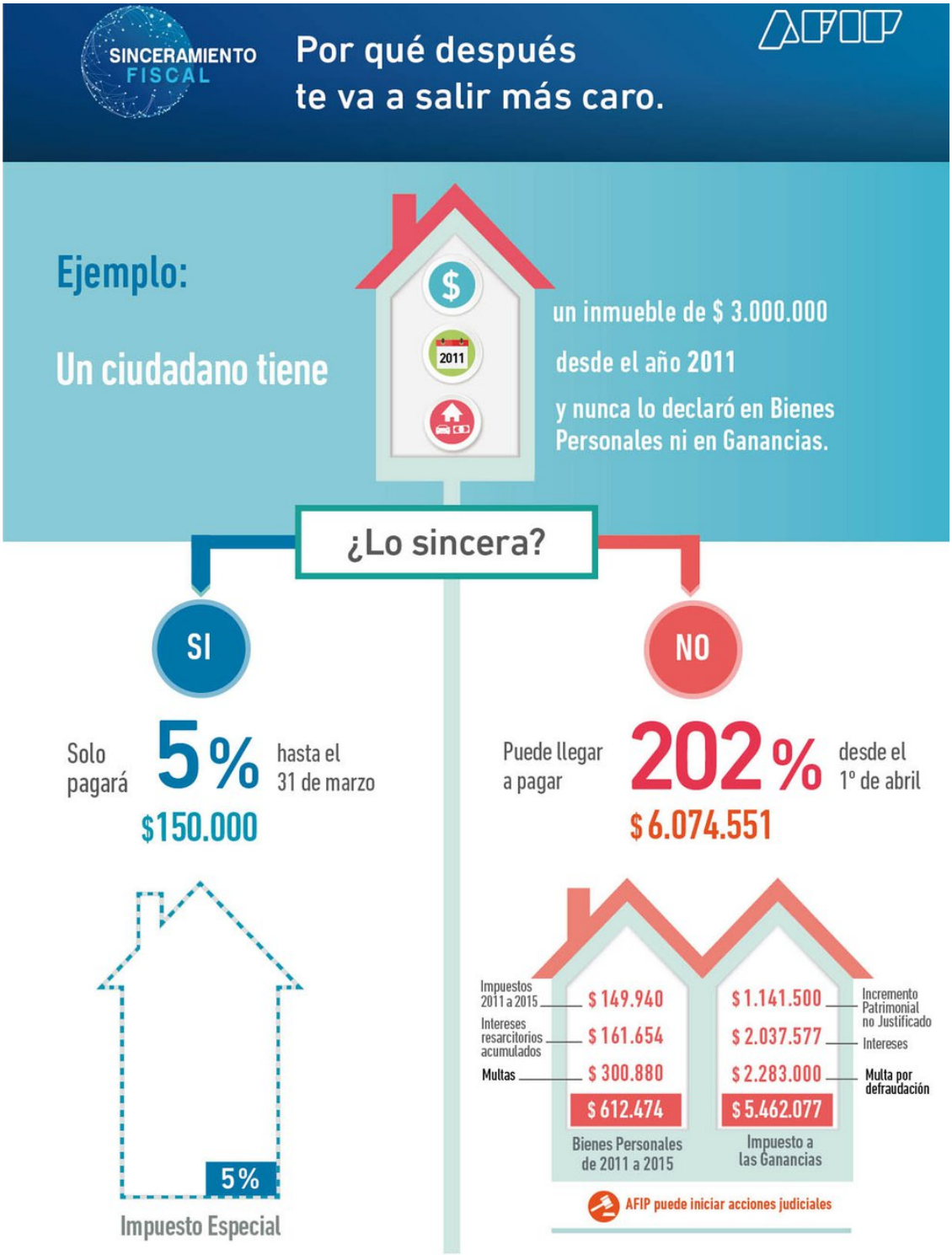
Notes: this figure plots the average annual inflation rate in Argentina between 2000 and 2017.
Source: The Billion Prices Project at MIT (Cavallo and Bertolotto, 2016).

Figure A.2: Wealth tax filers and payers



Note: this figure plots the number of wealth tax filers and payers between 2002 and 2019 on the left axis, and the wealth tax exemption threshold (in 2015 pesos) on the right axis.
Source: authors' calculations using data from AFIP statistical yearbooks.

Figure A.3: An ad to encourage real estate disclosures



Note: the banner presents the hypothetical case of a citizen with property worth Arg$3 million that had never been declared in their income and wealth tax returns. The left blue panel shows a 5% penalty (Arg$150,000) if the person comes forward and discloses it before 31 March 2017. The right red panel shows that the penalty increases to 202% (Arg$6 million) starting 1 April 2017 if the person does not disclose it under the amnesty and is caught by AFIP.
Source: AFIP's webpage.

Figure A.4: Three banners at the entrance of AFIP's building in Buenos Aires



Note: the banners on the left, in the center, and on the right say: 'Pay 10% until December 31st,' 'Disclose your undeclared assets,' and 'Pay 15% until March 31st,' respectively.
Source: AFIP's webpage.

Figure A.5: An advertisement to encourage amnesty participation



Note: the advertisement translates to: 'Tax Amnesty. Declaration of assets. Report your assets, contribute to your country, we achieve better pensions. We all grow.'
Source: AFIP's website.

Figure A.6: Screenshots of AFIP's website about the 2016 Amnesty



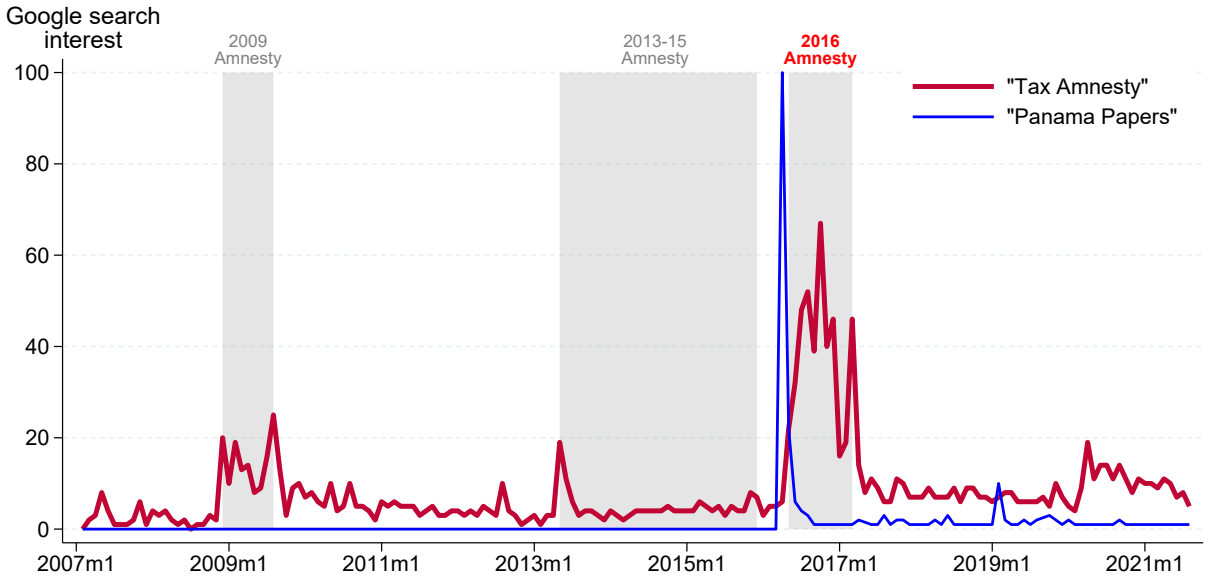
Note: this figure reports screenshots of AFIP's website regarding the 2016 tax amnesty. The top left panel reads: *Tax Amnesty. How to disclose assets. Access this* **video-tutorial** *for a step-by-step guide to report your undeclared assets and enjoy the benefits.* The top right panel reads: *Law 27.260. Tax Amnesty. This is an opportunity to do your part, declare all your assets, regularize your debt and, if you complied, find out about the benefits.* The middle left panel reads: *Tax Amnesty. Do you have undeclared cash? You have until October 31st. Don't miss it out. You still have time!* The middle right panel reads: *Tax Amnesty. New App for smartphones. You can now download the tax amnesty's App.* Note also that the bottom of these four panels shows the countdown to the deadline of the amnesty program. The bottom panel shows a calculator that was made available for people to simulate the tax penalty when disclosing their assets.

Figure A.7: TIEAs signed around the 2016 amnesty program



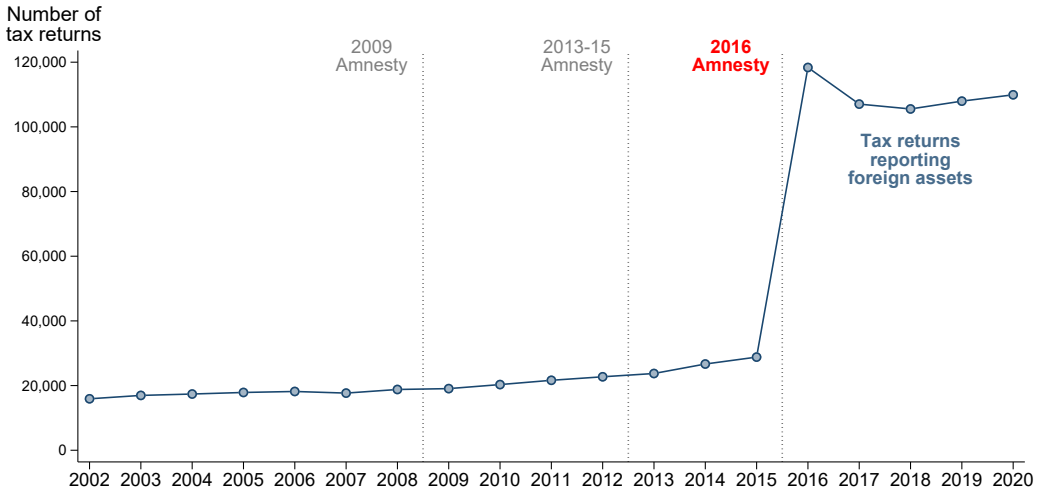
Note: this figure plots the timeline of TIEAs signed in 2016 between Argentina and Uruguay (September), Chile (October), Switzerland (November), Brazil (December), and the United States (December).
Source: AFIP's communication campaign.

Figure A.8: Google search interest



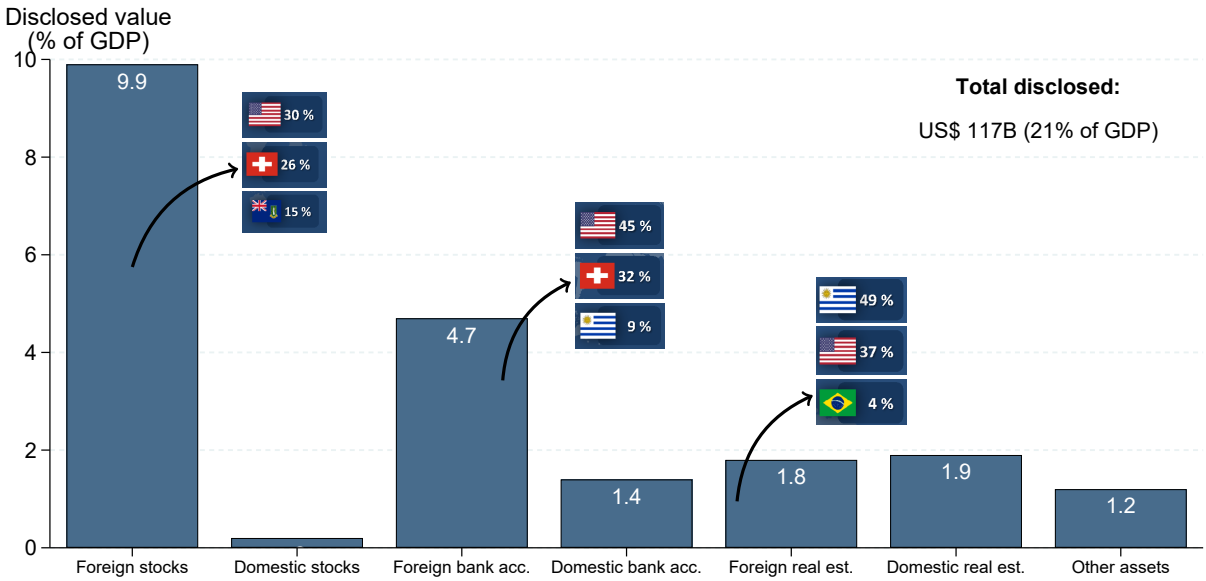
Source: authors' calculations using data from Google Trends.

Figure A.9: Number of tax returns reporting foreign assets (levels)



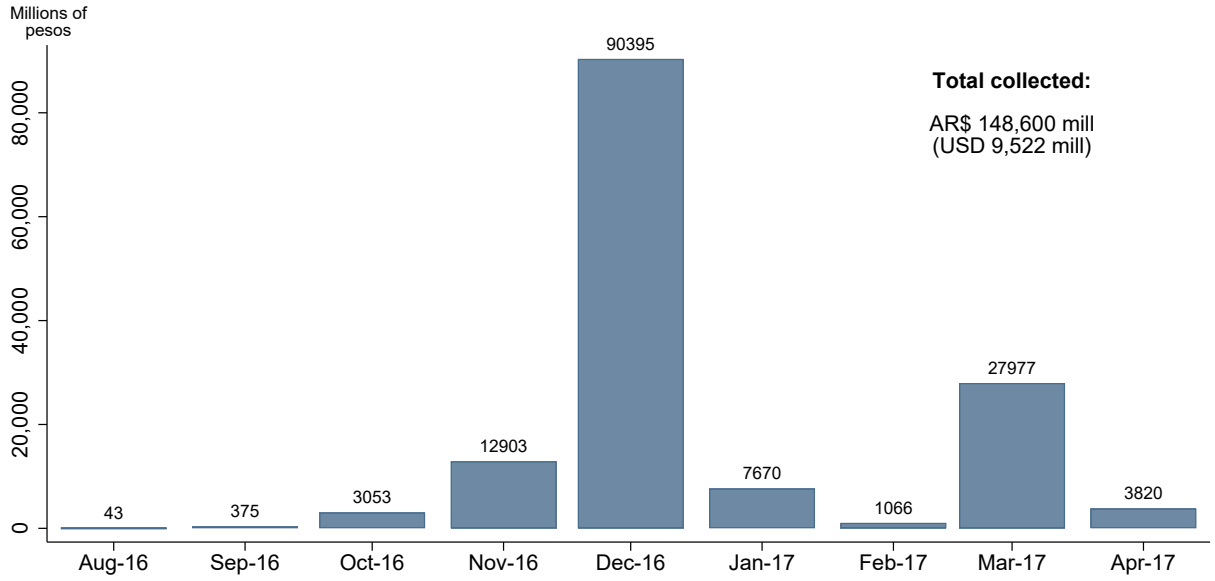
Note: this figure plots the number of taxpayers declaring foreign assets in wealth tax returns over time.
Source: authors' calculations using data from AFIP statistical yearbooks.

Figure A.10: Where had the assets disclosed in 2016 been hidden?



Notes: this figure plots the value of disclosed assets in the 2016 tax amnesty by type and location.
Source: authors' compilation based on official information from the national tax authority AFIP.

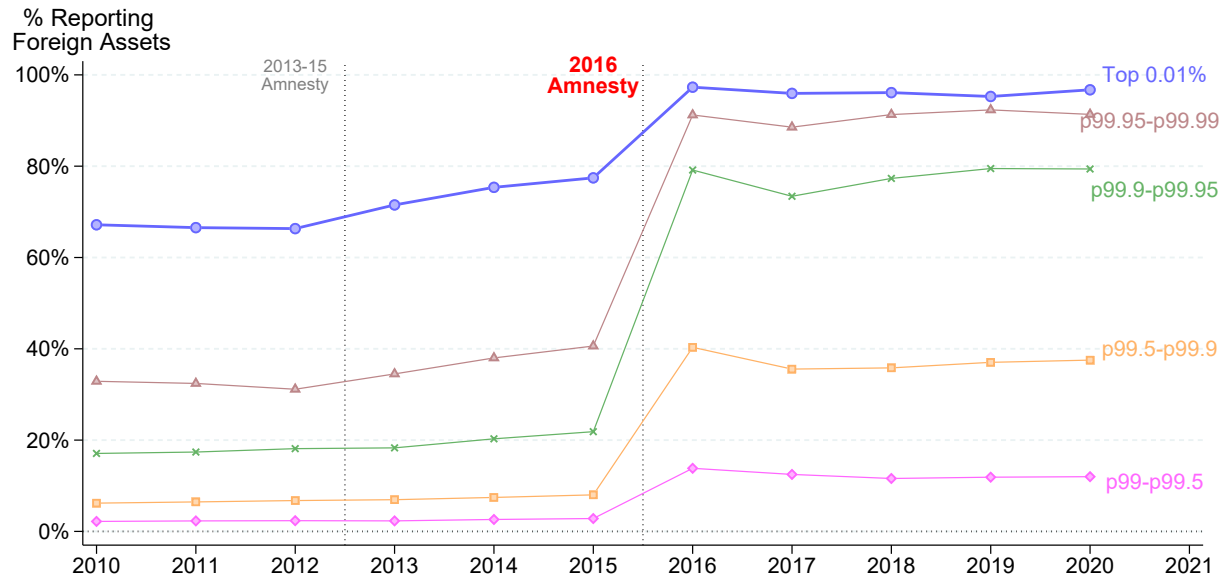
Figure A.11: Revenue from the 2016 amnesty's special tax peaked in December 2016



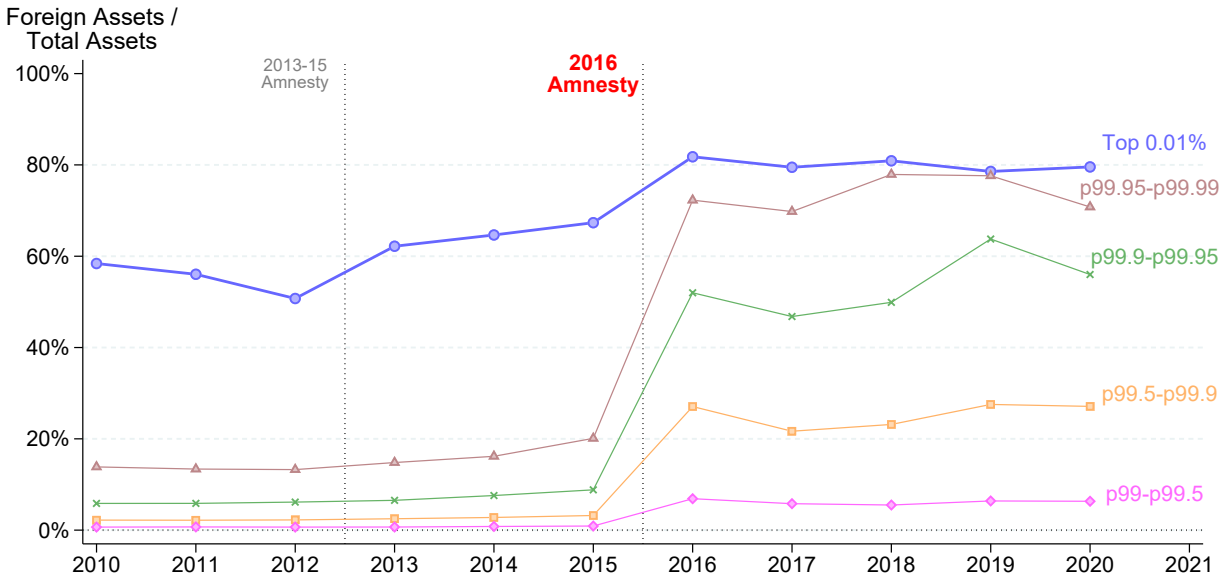
Note: the amnesty took place between August 2016 and March 2017 and raised US$9.522 billion in revenue from penalties ('special tax'). As a benchmark, this was the third largest source of tax revenue in 2016, after VAT and income tax. Arg$1,298 million were left unassigned to any month and April 2017 corresponds to late payments. Most disclosures of assets happened in December 2016, before the highest penalty fee increased from 10% to 15%, raising 61% of the special tax revenue in only one month.
Source: authors' calculations using data from AFIP statistical yearbooks.

Figure A.12: Foreign assets reported by top percentile groups

(a) Share of taxpayers reporting foreign assets

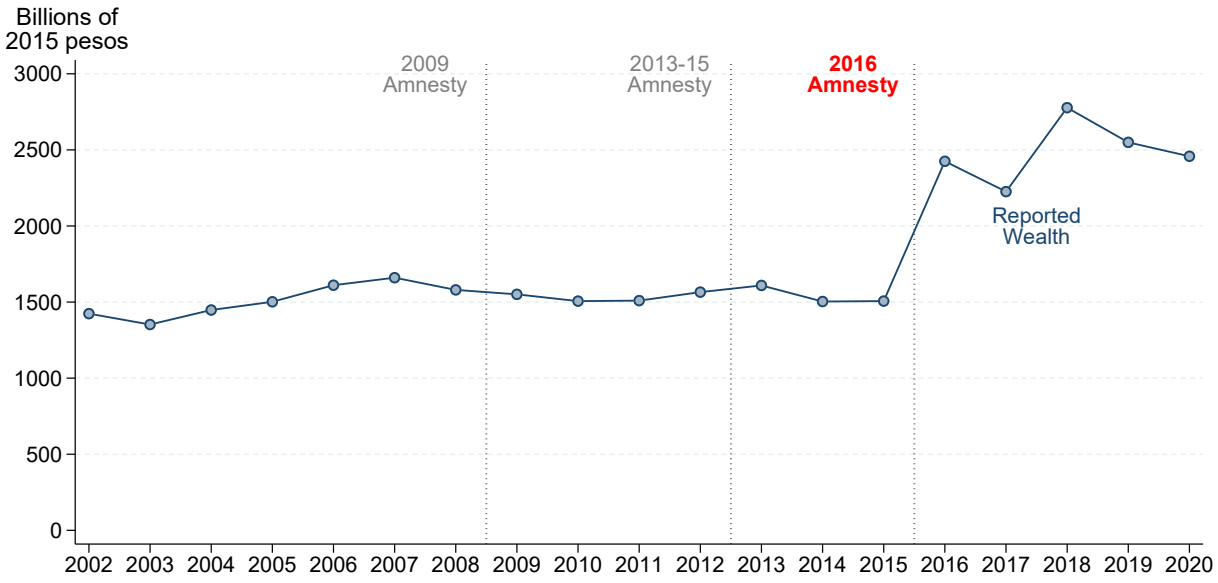


(b) Foreign assets as a share of total assets



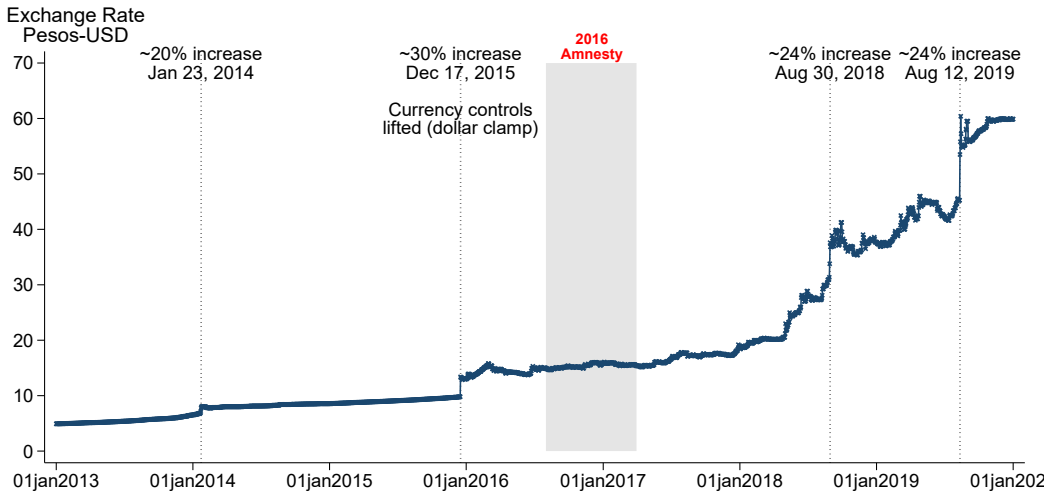
Note: this figure plots foreign assets reported by the top 1% separately by groups of increasing assets. Panel (a) plots the share of individuals reporting a foreign asset, while Panel (b) plots foreign assets as a share of total assets. Nearly 100% of individuals in the wealthiest 0.01% of the distribution report a foreign asset after the 2016 amnesty program. Since other individuals in the top 0.1% did not declare foreign assets before the amnesty, they experience a large increase after the amnesty both in terms of the share reporting a foreign asset and the value of reported foreign assets.
Source: authors' calculations using data from AFIP statistical yearbooks.

Figure A.13: Reported wealth in levels



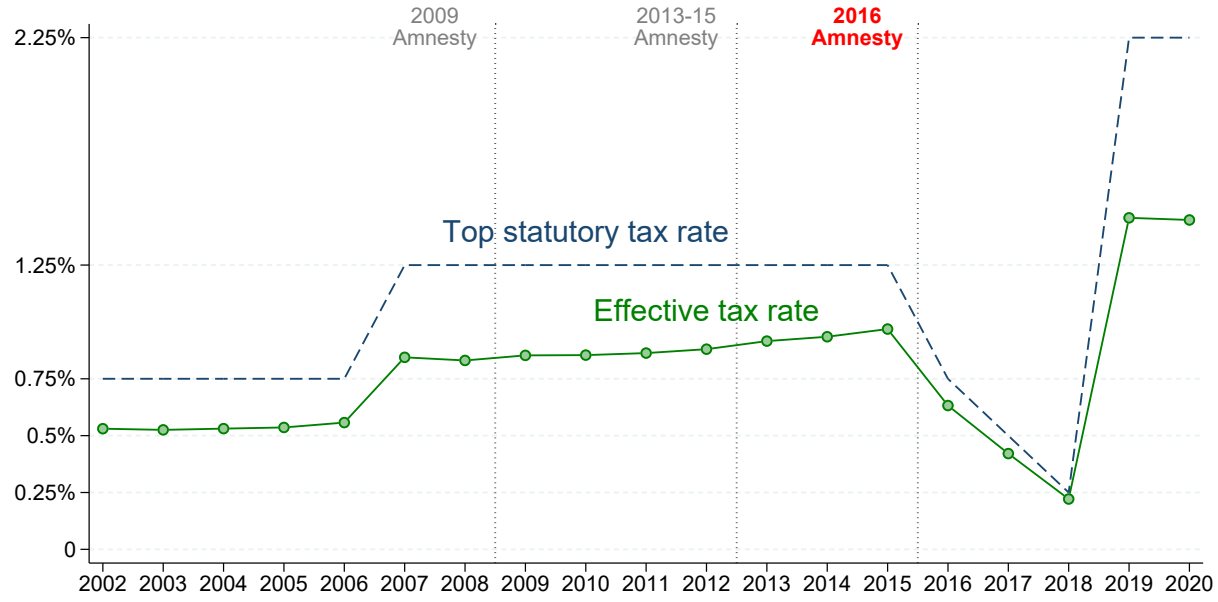
Note: this figure plots the total value of wealth reported by tax filers in constant 2015 pesos. The exchange rate was about Arg$12.9 per US$1 in December 2015.
Source: authors' calculations using data from AFIP statistical yearbooks.

Figure A.14: Exchange rate: Argentine pesos per US Dollar



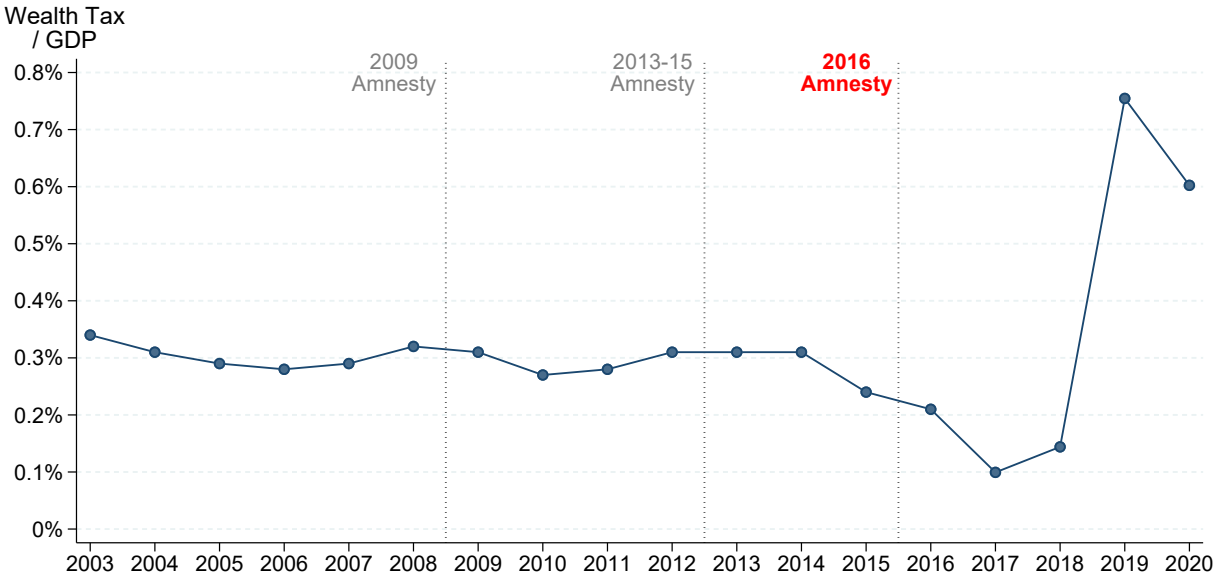
Note: this figure plots the nominal exchange rate of Argentine pesos per US dollar between 2013 and 2020.
Source: authors' compilation based on data from the Central Bank of the Argentine Republic (BCRA).

Figure A.15: Top statutory wealth tax rate and effective tax rate



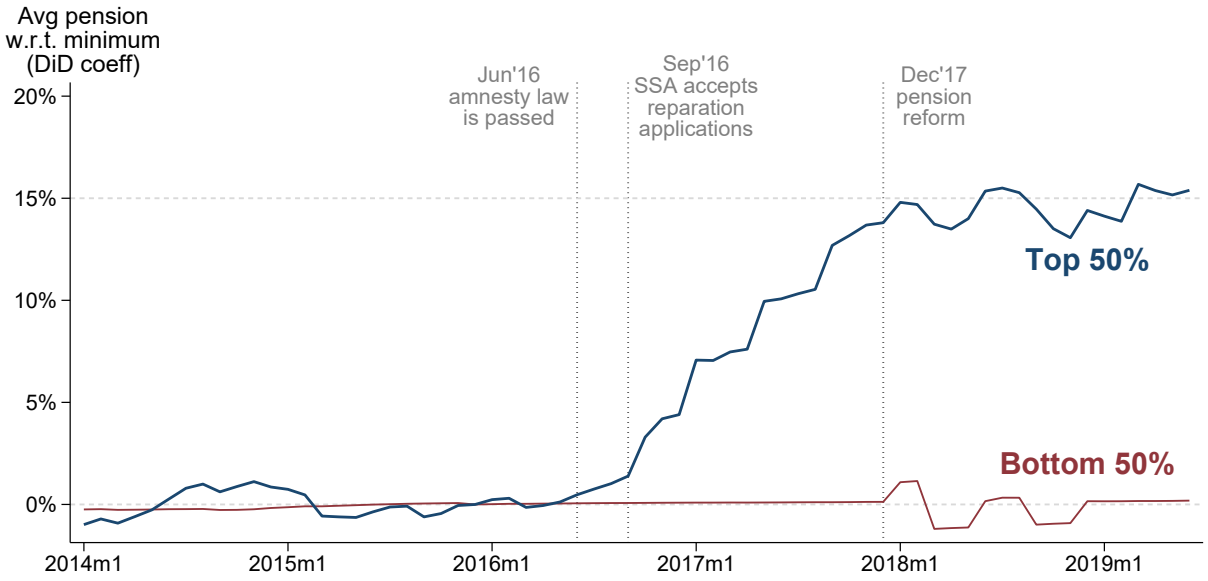
Note: this figure plots the top statutory wealth tax rate against the average effective wealth tax rate between 2002 and 2020. The average effective wealth tax rate is the wealth tax liability divided by total (taxable and non-taxable) assets.
Source: authors' calculations using data from AFIP statistical yearbooks.

Figure A.16: Wealth tax revenue to GDP ratio



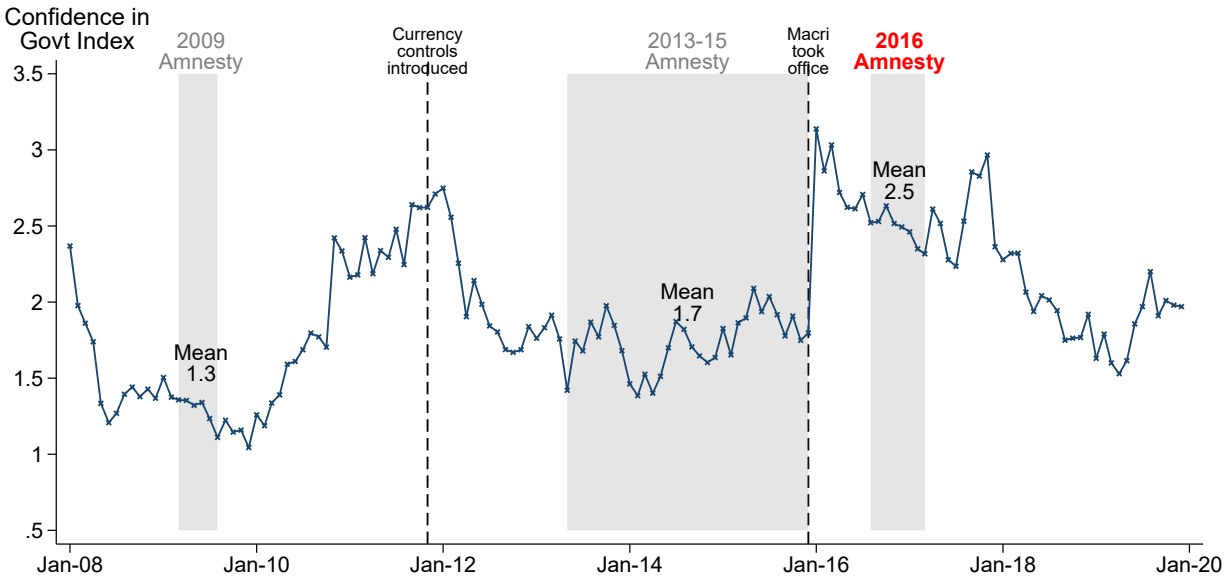
Note: this figure plots the ratio of wealth tax revenue to GDP for the period 2003–20.
Source: authors' calculations using data from AFIP statistical yearbooks.

Figure A.17: Difference between average and minimum pension for the bottom and the top 50% of retirees



Note: this figure shows how pensions increased after the 2016 amnesty for the top 50% of retirees earning above the minimum pension (blue line) but not for the bottom 50% who receive the minimum pension and were unaffected by the reparation program (red line). Each series plots the DD coefficient comparing the average pensions relative to the minimum pension in December 2015.
Source: authors' calculations using data from ANSES.

Figure A.18: Confidence in government (UTDT index)



Note: the UTDT index measures the evolution of public opinion about the work carried out by the national government. The scale of this confidence index varies from 0 (low) to 5 (high).
Source: authors' calculations using data from *Indice de Confianza en el Gobierno. Escuela de Gobierno. Universidad Torcuato Di Tella* (https://www.utdt.edu/icg).

Table A.1: Tax rates and wealth tax thresholds: 1991–20

Fiscal Years	Exemption Threshold	Bracket 1	Bracket 2	Bracket 3	Bracket 4
1991–94	100k/102.3k	1%			
1995–98	102.3k	0.5%			
1999–2006	102.3k	0.5%	200k 0.75%		
2007–15 (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%			
2019–20 domestic assets	2m	0.5%	3m 0.75%	6.5m 1%	16m 1.25%
2019–20 foreign assets	2m	0.7%	1.20%	1.80%	2.25%

Note: taxable thresholds (in current pesos) are reported in blue. During the period 2007–15 the thresholds operated as notches. Besides the exemption threshold, the tax has a filing threshold for people with annual gross earnings above the following thresholds: 2007–14: $96k; 2015: $200k; 2016: $500k; 2017: $1m; 2018: $1.5m; 2019: $2m; 2020: $2.5m.
Source: authors' compilation based on Ministerio de Economía (2022).

Table A.2: The 2016 amnesty according to AFIP

Asset type	Value (in million US$)	% of total	% of GDP
Investments—abroad	54,999	47	10
Investments—in Argentina	860	1	0
Cash deposits—abroad	25,925	22	5
Cash deposits—in Argentina	405	0	0
National/foreign currency—in Argentina	7,344	6	1
Real estate—abroad	10,124	9	2
Real estate—in Argentina	10,434	9	2
Rest of assets	6,685	6	1
Total	**116,775**	100	21

Note: this table breaks down the US$116,755 disclosed in the 2016 amnesty program by type of asset. The geographic distribution of assets located abroad is the following. Investments abroad: 30% located in the United States, 26% in Switzerland, and 15% in the British Virgin Islands; cash deposits abroad: 45% located in the US, 32% in Switzerland, and 9% in Uruguay; real estate abroad: 49% located in Uruguay, 37% in the United States, and 4% in Brazil. The 'rest of assets' category includes: vehicles, boats, aeroplanes, art, jewellery, and more. The value disclosed in real estate corresponds to 167,000 properties—110,000 located in Argentina and 57,000 located abroad.
Source: official information from the national tax authority AFIP.