



FISCAL IMPACT OF BILL 0018-PE-2023 - “BUY WITHOUT VAT” PROGRAM

Gabriel Esterelles

OPC Director

Martín López Amorós

Director of Fiscal and Tax Analysis

María Eugenia David Du Mutel de Pierrepont

Director of Studies, Analysis, and Evaluation

Marcela De Maya – Pedro Velasco

Analysts of the Directorate of Fiscal and Tax Analysis

María Laura Cafarelli – Romina Muras

Analysts of the Directorate of Budget Analysis

María Pía Brugiafreddo – Andrés Kolesnik

Analysts of the Directorate of Studies, Analysis, and Evaluation

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Introduction

This report is prepared at the request of the Budget and Finance Committee of the Honorable Chamber of Deputies of the Nation and refers to Bill 0018-PE-2023, which proposes the creation of the "BUY WITHOUT VAT" program. The Bill establishes a refund program for the purchase of goods of the Basic Food Basket, which is basically an extension of the current refund system established by Law 27,253, as amended.

For this purpose, the paper is structured as follows: in the first place, it presents the details of the Bill, including the content of its Sections. In the second place, the results of the estimated revenue impact of the amendment under analysis are presented. Finally, an annex is included in which the assumptions and methodology used for the estimate are explained, and an alternative estimate of the tax revenue impact of the Bill is presented, using as a base scenario the one set forth in the recent AFIP Resolution 5418, which established a universe of beneficiaries similar to that of the Bill under analysis, although with a lower refund ceiling.

Bill details

The Bill consists of nine Sections, distributed in two Titles. Title I creates and describes the scope and benefits of the "BUY WITHOUT VAT" program, and Title II contains other provisions.

With respect to Title I, Section 1 creates the program and defines as beneficiaries of the refund of VAT included in the transactions of goods of the Basic Food Basket using debit or credit cards of financial entities included in Law 21,526; cards issued within the framework of the "*Tarjeta Alimentar*" and "*Potenciar Trabajo*" programs, as well as through other electronic means associated to accounts linked to the beneficiaries, the following subjects:

- :
- Those who receive retirement, survivor's pensions and non-contributory pensions, in a monthly amount not exceeding the sum of SIX (6) minimum pension benefit referred to in Section 125 of Law 24,241, as amended (Section 1 subsection a); and those who render paid services in an employment relationship in the private or public sector, provided that the monthly income does not exceed the sum equivalent to SIX (6) times the Minimum, Vital and Mobile Salary (Section 1 subsection d).
 - Those who receive Universal Child Allowances for social protection; and those who receive Pregnancy Allowances for social protection (Section 1 subsections b and c); as well as those who receive the cards issued within the framework of the "*Tarjeta Alimentar*" and "*Potenciar Trabajo*" programs (Section 3).
 - Those who are included within the Special Employment Contract Regime for Domestic Workers established by Law No. 26,844 as amended.
 - Those under the Simplified Tax Regime for Small Taxpayers (SR) who are under any of the Categories of Section 8 of the Annex to Law No. 24,977, as amended and supplemented, except for those who obtain income from items included in the last paragraph of Section 11 of such Annex¹.

¹ Those who obtain income from: (a) Government positions; (b) Work performed under an employment relationship; (c) Pensions or retirement benefits under any of the national or provincial regimes; (d) The performance of the direction, administration or management of companies; (e) Financial services and investments, purchase and sale of securities and shares in the profits of any company to the extent that upon joining the Simplified Regime for Small Taxpayers (SR) or at any of the assumptions provided for in Section 9 of this Annex, such income for the twelve (12) immediately preceding months exceeds the maximum amount of gross income established in the first paragraph of Section 8 for category A, in force at the month of joining or at the referred assumptions; (f) Leasing of real or personal property.

For its part, Section 2 establishes that these subjects will be excluded from the program when it is verified that they receive other income taxed under the Income Tax (subsection a) or are registered in the Argentine Integrated Social Security System (SIPA) as self-employed workers (subsection b).

Finally, Section 4 limits the monthly refund provided for, which may not exceed 21% of the value of the Basic Food Basket for a Type 2 household, in force each month.

Within Title II, Section 5 establishes the delegation of powers to the AFIP (Federal Administration of Public Revenues) to expand the list of beneficiaries and the maximum amount of the monthly refund, as well as the amount of the refund up to a limit of 21% of the amount paid for the transactions included in the program. Section 6 establishes that the financial entities included in Law No. 21,526 will be responsible for crediting the amount refunded in the bank account from which the payment of the benefited operation was made. Section 7 invites the provinces, the Autonomous City of Buenos Aires, and the municipalities to adhere to these policies. Section 8 provides that the measure will be effective as from January 1, 2024, and Section 9 states that the National Executive Branch shall be notified.

Estimated impact

This section presents the estimated fiscal impact of Bill 0018-PE-2023. The amendments provided for in the Bill would take effect as of January 1, 2024; therefore, the cost was estimated for 2024. The Annex details the calculation methodology applied, the macroeconomic assumptions made (based on the macroeconomic projections of the 2024 Budget Bill) and the sources of information used.

The impact estimate was made based on the regulatory framework in force at the time of the submission of the 2024 Budget Bill². For this purpose, an amount for the refund was calculated under the conditions set forth in Bill 0018-PE-2023 and compared with the amount obtained by applying the regulations in force at the time of the submission of the 2024 Budget Bill. The methodology used, as well as an alternative calculation, are detailed in the Annex to this report. It should be noted that it is assumed that the measure under study does not generate a change in consumer behavior (specifically, in the percentage of their income applied to the consumption of goods of the Basic Food Basket), and potential collection effects of an eventual greater bankarization of the economy as a consequence of the measure are not considered. Neither are second round effects on taxes such as Debits and Credits or Income Tax, or even VAT in the event that the refund is applied to goods not included in the Basic Food Basket, or if the refund ceiling has already been exceeded.

² It includes the extension of benefits and beneficiaries established by AFIP General Resolution 5410.

Table 1. Cost estimate for fiscal year 2024³

Number of beneficiaries and as % of GDP

Parameter	2024 Budget Bill	0018-PE-2023	Difference
Beneficiaries	9,278,655	21,238,310	11,959,655
Refund, % of GDP, 2024	0.28%	1.29%	1.01%

SOURCE: OPC based on Bill 0018-PE-2023

The fiscal cost is estimated at 1.01% of the GDP for 2024, and the number of beneficiaries would increase by 12 million.

Although the National Executive Branch informed when implementing the extension of the refund regime through Resolution 5418 that the loss in tax revenue would be compensated by the National Treasury so as not to affect the tax-sharing with the provinces, the Bill under analysis does not provide for a mechanism of that nature, so the fiscal cost would be distributed as shown in Table 2, assuming that 100% of the resources comes from VAT.

Table 2. Distribution of fiscal cost in 2024

As a % of GDP

Revenues allocation	% of GDP
AFIP	-0.02%
Social Security (A+B)	-0.11%
<i>A) Provinces with pension funds not transferred to the Nation</i>	-0.01%
<i>B) ANSES</i>	-0.10%
Treasury	-0.32%
Judicial Branch	-0.03%
Contributions from the National Treasury	-0.01%
Provinces	-0.52%
TOTAL	-1.01%

SOURCE: OPC based on Bill 0018-PE-2023

³ Values were estimated based on the assumptions in the methodological annex.

Annex

This annex presents the assumptions and methodology used for the impact estimate shown in Table 1.

Assumptions

The impact estimate presented in Table 1 requires two types of assumptions; macroeconomic and behavioral assumptions of potential beneficiaries. Macroeconomic assumptions are necessary to extrapolate the values from 2023 to 2024. For this purpose, the macroeconomic assumptions of the 2024 Budget Bill were used, using our own monthly calculation. An estimate was also made of the evolution of the minimum pension benefit and the minimum vital and mobile salary (SMVM), since both variables affect the universe of beneficiaries as well as the total benefit. Table 3 presents the main macroeconomic assumptions used.

Table 3. Macroeconomic assumptions used for the calculation

Scenario	Assumption
RIPTE* variation 2024	101.8%
SMVM variation 2024	107.0%
Minimum Pension Benefit variation 2024	110.0%
CPI variation 2024	95.8%
Basic Food Basket Variation - Type 2 Household 2024	98.8%
NOMINAL GDP 2024	ARS352.4 trillion

SOURCE: OPC based on 2024 Budget Bill

* Average Taxable Remuneration for Stable Workers

The significance of the behavioral assumptions lies in determining the portion of the beneficiaries' income that would be applied to the purchase of goods of the Basic Food Basket and, therefore, eligible to receive the refund provided for in both Law 27,253 as amended and in Bill 0018-PE-2023.

It is assumed that expenses on goods in the Basic Food Basket are equivalent to the "Food and Beverages" category of the National Household Expenditure Survey 2017/2018 (ENGHo 18). Based on that assumption, a percentage of income allocated to the purchase of goods that comprise the Basic Food Basket was estimated using microdata from the survey. The results are shown in Table 4. Given the heterogeneity of the agents that comprise the universe of the refund regimes that were compared to estimate the fiscal impact of the Bill, it was decided to make a different assumption for each one of them. In the cases in which 100% of the expenses on goods of the Basic Food Basket were considered, the assumption was that these expenses would be met entirely with the means of payment or benefits covered by Bill 0018-PE-2023, using the remaining household income (obtained, for example, through work in the informal sector) to meet other expenses.

Table 4. Behavioral assumptions used for the calculation

Scenario	% of average registered income allocated to goods of the Basic Food Basket
Workers under employment relationship with an income of less than 1 SMVM	26.8%
Workers under employment relationship with an income of more than 1 SMVM	16.6%
Simplified regime taxpayers categories A and B	30.1%
Simplified regime taxpayers category C and upwards	14.7%
Pensioners with incomes below the minimum pension benefit	27.5%
Pensioners with incomes above the minimum pension benefit	17.2%
Beneficiaries of non-contributory pensions - Disability	100.0%
Beneficiaries of non-contributory pensions - Mothers of 7 or more children	27.5%
Beneficiaries of non-contributory pensions - Veterans	14.7%
Beneficiaries of the <i>Potenciar Trabajo</i> program	100.0%
Beneficiaries of Universal Child Allowance (AUH)	100.0%
Beneficiaries of Universal Pregnancy Allowance (AUE)	100.0%
Beneficiaries <i>Tarjeta Alimentar</i>	100.0%
Women Domestic Workers	20.5%
<i>Monotributo Social</i> (Social simplified tax regime)	33.1%

SOURCE: OPC based on National Household Expenditure Survey 2017/2018

Methodology

Based on the assumptions introduced in Tables 3 and 4, the following process was applied:

1. The universe of beneficiaries was identified. For this purpose, different government sources were consulted, as detailed in Table 5.
2. The evolution of income in 2024 was estimated based on the variables shown in Table 5.
3. For each type of beneficiary, an expenditure in goods of the Basic Food Basket was estimated, applying the assumptions in Table 4. This calculation was made on a monthly basis for each month of 2024.
4. Based on the consumption estimated in the previous paragraph, the 21% refund was calculated. In the event that it exceeded the ceiling of 21% of the value of the Basic Food Basket of the previous month⁴, the same ceiling was applied.
5. Based on the values calculated, a total revenue impact of Bill 0018-PE-2023 was estimated, assuming that all beneficiaries use the benefit as of January 1, 2024.
6. The calculation was repeated, with the beneficiaries and parameters of Law 27,253 as amended.
7. The fiscal cost of Bill 0018-PE-2023 was estimated as the difference between 5 and 6.

⁴ It is assumed that the refund ceiling is determined based on the value of the Basic Food Basket of a Type 2 Household for the month prior to the purchase.

Table 5. Number of beneficiaries resulting from Bill 0018-PE-2023 and sources

Type of beneficiary	Number of beneficiaries (millions)	Source	Macro variable used for the projection
A) Workers with income of less than 6 SMVM	8.5	Own calculation based on data from Ministry of Labor, Employment and Social Security and Statistical Bulletin of Social Security.	RIPTE
B) Pensioners with incomes below 6 pension benefits	5.5	Statistical Bulletin of Social Security	Minimum benefit
C) Beneficiaries of Universal Child Allowance (AUH)	2.3	ANSES	CPI
D) Beneficiaries of Universal Pregnancy Allowance (AUE)	0.1	ANSES	CPI
E) Beneficiaries of non-contributory pensions	1,5	Statistical Bulletin of Social Security	Minimum benefit
F) Women Domestic Workers	0.5	Registered Employment Statistics - Ministry of Labor, Employment and Social Security	RIPTE
G) Simplified regime taxpayers	1.9	Registered Employment Statistics - Ministry of Labor, Employment and Social Security	CPI
H) Social simplified regime taxpayers	0.6	Registered Employment Statistics - Ministry of Labor, Employment and Social Security	CPI
I) Beneficiaries of the <i>Potenciar Trabajo</i> program	1.3	Open Budget	SMVM
J) Beneficiaries <i>Tarjeta Alimentar</i>	2.7	Ministry of Social Development	CPI

SOURCE: OPC, based on various sources.

Alternative scenario

In this section, an alternative estimate of the fiscal impact of the Bill under analysis is made, taking as a base scenario the provisions of the AFIP Resolution 5418, which broadened the universe of beneficiaries, raised the refund to 21% of the expense on goods of the Basic Food Basket and set the refund ceiling at the amount of ARS18,800. On the other hand, the refund ceiling provided for in the Bill is higher than that of the AFIP Resolution. Therefore, there is no difference in the total number of beneficiaries but there is a difference in the amount of the refund. Table 6 shows the results. As can be seen, the fiscal cost of the Bill with respect to AFIP Resolution 5418 would be marginal, since it only affects the refund ceiling.

Table 6. Cost estimate for fiscal year 2024

Number of beneficiaries and as % of GDP

Parameter	AFIP Res. 5418	0018-PE-2023	Difference
Estimated number of beneficiaries	21,238,310	21,238,310	-
Estimated refunds, % of GDP, 2024	1.27%	1.29%	0.02%

SOURCE: OPC based on Bill 0018-PE-2023

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This report does not contain binding recommendations.

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Hipólito Yrigoyen 1628. Piso 10 (C1089aaf) CABA, Argentina.

T. 54 11 4381 0682 / contacto@opc.gob.ar

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