

APPENDIX

Table AI: Descriptive Statistics														
Panel A: Tax Variables														
	1997	1998	1999	2000	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Profit Tax Rate	0.33	0.33	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Turnover Tax Rate (Min.)	-	0.033	0.033	0.033	0.033	0.033	0.033	0.033	0.033	0.033	0.033	0.033	0.02	0.02
CIT Revenue (%GDP)	2.85	3.18	3.26	3.67	2.85	3.92	4.98	5.27	5.14	5.28	5.17	4.85	5.31	5.9
Total Tax revenue (%GDP)	13.37	13.72	14.1	13.38	11.49	13.65	16.08	16.29	16.22	16.88	16.67	16.47	17.51	18.27
SR Revenue (%GDP)	-	-	0.14	0.12	0.07	0.08	0.11	0.14	0.13	0.13	0.13	0.14	0.15	0.16
SR Revenue (%TotGovRev)	-	-	0.81	0.72	0.44	0.39	0.51	0.63	0.58	0.53	0.5	0.51	0.51	0.55
Panel B: Firm Characteristics (Mean)														
Taxable Income (thousands. pesos)	262	269	232	274	1 382	513	432	487	541	696	842	852	1 032	1 271
Profits (thousands. pesos)	769	890	735	803	1 408	1 316	1 322	1 553	1 737	2 204	2 502	2 638	3 266	4 148
Turnover (thousands. pesos)	2 632	2 968	2 413	2 554	4 210	4 370	4 271	5 010	5 637	7 334	8 550	8 604	10 589	13 716
Total number of firms	105 721	102 617	104 193	103 706	93 661	92 699	132 032	133 639	152 429	140 135	159 995	172 385	176 387	182 577
Firms reporting gains	59 791	58 220	56 097	54 139	43 437	49 797	71 380	78 551	94 244	93 735	109 498	115 477	123 878	133 746
Firms reporting losses	1 704	1 881	2 257	2 334	36 242	27 458	34 297	30 591	32 203	26 132	29 640	36 471	30 829	28 297
Observations	34	34	34	34	51	51	51	51	51	51	51	51	51	51

Note: The table presents descriptive statistics, focusing on tax variables (panel A) and firm characteristics (panel B). Rows 1-2 of panel A are based on Argentina's corporate tax schedule (Laws No. 24977, 25865 and 26565). The remaining rows are based on administrative tax return data from the universe of tax-registered firms in the GR in Argentina (Federal Administration of Public Revenue, Dataset (AFIP)).

Table AII: Simplified tax regime					
(Nov.) 1998-(Jun.) 2004					
Category	Turnover	Physical area	Electricity bill	Unit Price	
	(annual, pesos) To:	(m2) To:	(annual) To:	To:	
A	12000	20	2000kw	100	
B	24000	30	3300kw	150	
C	36000	45	5000kw	220	
D	48000	60	6700kw	300	
E	72000	85	10000kw	430	
F	96000	110	13000kw	580	
G	120000	150	16500kw	720	
H	144000	200	20000kw	870	
(Jul.) 2004-(Dec.) 2009					
Category	Turnover	Physical area	Electricity bill	Unit Price	
	(annual, pesos) To:	(m2) To:	(annual) To:	To:	
A	12000	20	2000kw	100	
B	24000	30	3300kw	150	
C	36000	45	5000kw	220	
D	48000	60	6700kw	300	
E	72000	85	10000kw	430	
F	96000	110	13000kw	580	
G	120000	150	16500kw	720	
H	144000	200	20000kw	870	
I	12000	20	2000kw	2000	
J	24000	30	3300kw	3300	
K	36000	45	5000kw	5000	
L	48000	60	6700kw	6700	
M	72000	85	10000kw	10000	
(Jan.) 2010-(June) 2012					
Category	Turnover	Physical area	Electricity bill	Accrued rent	Employees
	(annual, pesos) To:	(m2) To:	(annual) To:	(annual) To:	(min.)
A	24000	30	3300kw	9000	-
B	36000	45	5000kw	9000	-
C	48000	60	6700kw	18000	-
D	72000	85	10000kw	18000	-
E	96000	110	13000kw	27000	-
F	120000	150	16500kw	27000	-
G	144000	200	20000kw	36000	-
H	200000	200	20000kw	48000	-
I	235000	200	2000kw	48000	1
J	270000	200	2000kw	48000	2
K	300000	200	2000kw	48000	3

Note: Physical area refers to the area affected by the activity and electricity bill refers to the electrical energy consumed. Source: Federal Administration of Public Revenue, Dataset (AFIP).

Table AIII: Single tax (monthly)						
(July)1998-(June)2004						
Category	Tunover Tax (Monthly)		Pension (monthly)		Total (monthly)	
A	33		33		66	
B	39		33		72	
C	75		33		108	
D	118		33		151	
E	194		33		227	
F	284		33		317	
G	373		33		406	
H	464		33		497	
(July)2004-(Dec.)2009						
Category	Tunover Tax (Monthly)		Pension (monthly)	Health (monthly)	Total (monthly)	
A	33		33	22	88	
B	39		33	22	94	
C	75		33	22	130	
D	118		33	22	173	
E	194		33	22	249	
F	310		33	22	365	
G	405		33	22	460	
H	505		33	22	560	
I	33		33	22	88	
J	39		33	22	94	
K	75		33	22	130	
L	128		33	22	183	
M	210		33	22	265	
(Jan.) 2010-(Jun.) 2012						
Category	Services (monthly)	Commercial (monthly)	Pension (monthly)	Health (monthly)	Total service (monthly)	Total commercial (monthly)
A	39	39	110	70	219	219
B	75	75	110	70	255	255
C	128	118	110	70	308	298
D	210	194	110	70	390	374
E	400	310	110	70	580	490
F	550	405	110	70	730	585
G	700	505	110	70	880	685
H	1600	1240	110	70	1780	1420
I	-	2000	110	70	-	2180
J	-	2350	110	70	-	2530
K	-	2700	110	70	-	2880

Turnover tax (annual)					
(July) 1998-(June) 2004					
	Turnover base	Single tax (annual)	Turnover tax [max-min]		
A	[0-12000]	396	[0.033]		
B	[12001-24000]	468	[0.038-0.0195]		
C	[24001-36000]	900	[0.037-0.025]		
D	[36001-48000]	1416	[0.039-0.0295]		
E	[48001-72000]	2328	[0.048-0.032]		
F	[72001-96000]	3408	[0.047-0.0355]		
G	[96001-120000]	4476	[0.046-0.0373]		
H	[120001-144000]	5568	[0.046-0.0386]		
(July) 2004-(Dec.) 2009					
	Turnover base	Single Tax (annual)	Turnover tax [max-min]		
A	[0-12000]	396	[0.033]		
B	[12001-24000]	468	[0.038-0.0195]		
C	[24001-36000]	900	[0.037-0.025]		
D	[36001-48000]	1416	[0.039-0.0295]		
E	[48001-72000]	2328	[0.048-0.032]		
F	[72001-96000]	3720	[0.051-0.0387]		
G	[96001-120000]	4860	[0.050-0.0405]		
H	[120001-144000]	6060	[0.050-0.0420]		
I	[0-12000]	396	[0.033]		
J	[12001-24000]	468	[0.038-0.0195]		
K	[24001-36000]	900	[0.037-0.025]		
L	[36001-48000]	1536	[0.0426-0.032]		
M	[48001-72000]	2520	[0.0524-0.035]		
(Jan.) 2010-(June). 2012					
	Turnover base	Single Tax (annual, Service)	Single Tax (annual, Commercial)	Turnover tax, Service [max-min]	Turnover tax, Commercial [max-min]
A	[0-24000]	468	468	[0.0195]	[0.0195]
B	[24000-36000]	900	900	[0.037-0.025]	[0.037-0.025]
C	[36001-48000]	1536	1416	[0.042-0.032]	[0.039-0.0295]
D	[48001-72000]	2520	2328	[0.052-0.035]	[0.048-0.032]
E	[72001-96000]	4800	3720	[0.066-0.05]	[0.051-0.0387]
F	[96001-120000]	6600	4860	[0.068-0.055]	[0.050-0.0405]
G	[120001-144000]	8400	6060	[0.069-0.058]	[0.050-0.0420]
H	[144001-200000]	19200	14880	[0.13-0.096]	[0.103-0.0744]
I	[200001-235000]	-	24000	-	[0.119-0.102]
J	[235001-270000]	-	28200	-	[0.119-0.104]
K	[270000-300000]	-	32400	-	[0.12-0.108]

Source: Federal Administration of Public Revenue, Dataset (AFIP).

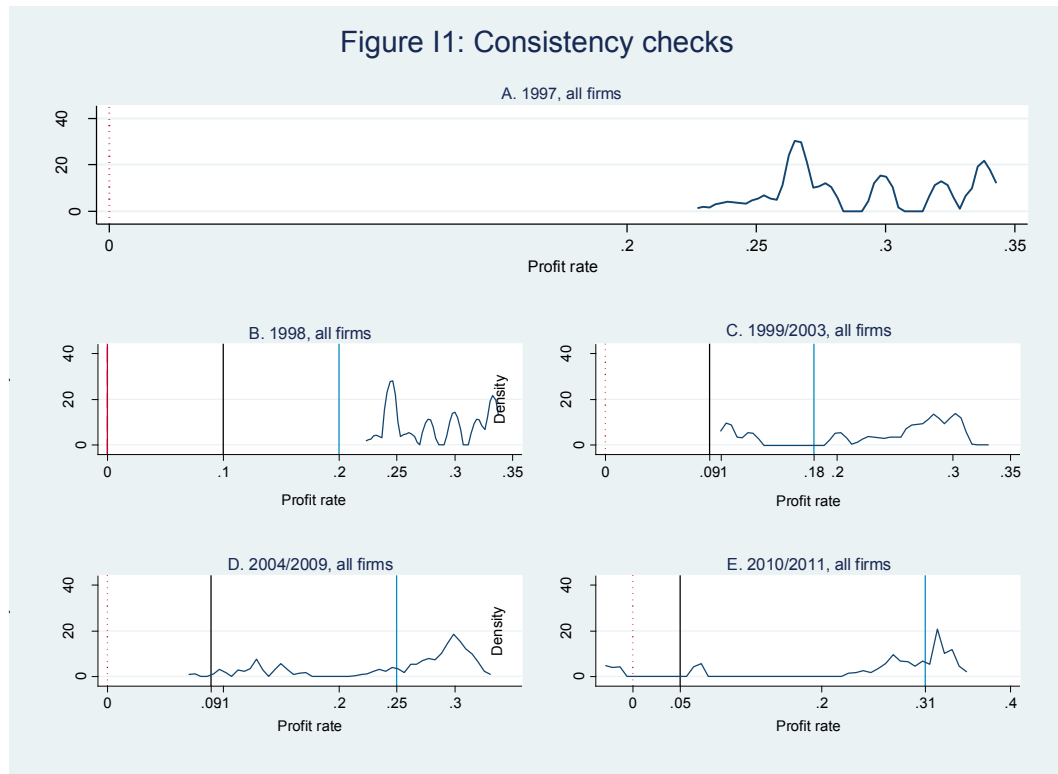
Table AIV: Classification of firms in the GR				
Tax threshold	Reported turnover (annual, pesos)			
1°	1	100 000	Small firms	Eligible firms
2°	100 001	200 000		
3°	200 001	300 000	Medium firms	Non eligible firms
4°	300 001	500 000		
5°	500 001	1 000 000		
6°	1 000 001	2 000 000		
7°	2 000 001	3 000 000		
8°	3 000 001	5 000 000		
9°	5 000 001	10 000 000		
10°	10 000 001	20 000 000		
11°	20 000 001	30 000 000		
12°	30 000 001	50 000 000		
13°	50 000 001	100 000 000		
14°	100 000 001	200 000 000		
15°	200 000 001	300 000 000		
16°	300 000 001	500 000 000	Large firms	
17°	More than 500 000 000			

Source: Federal Administration of Public Revenue of Argentina, Dataset (AFIP).

Table AV: Bunching window

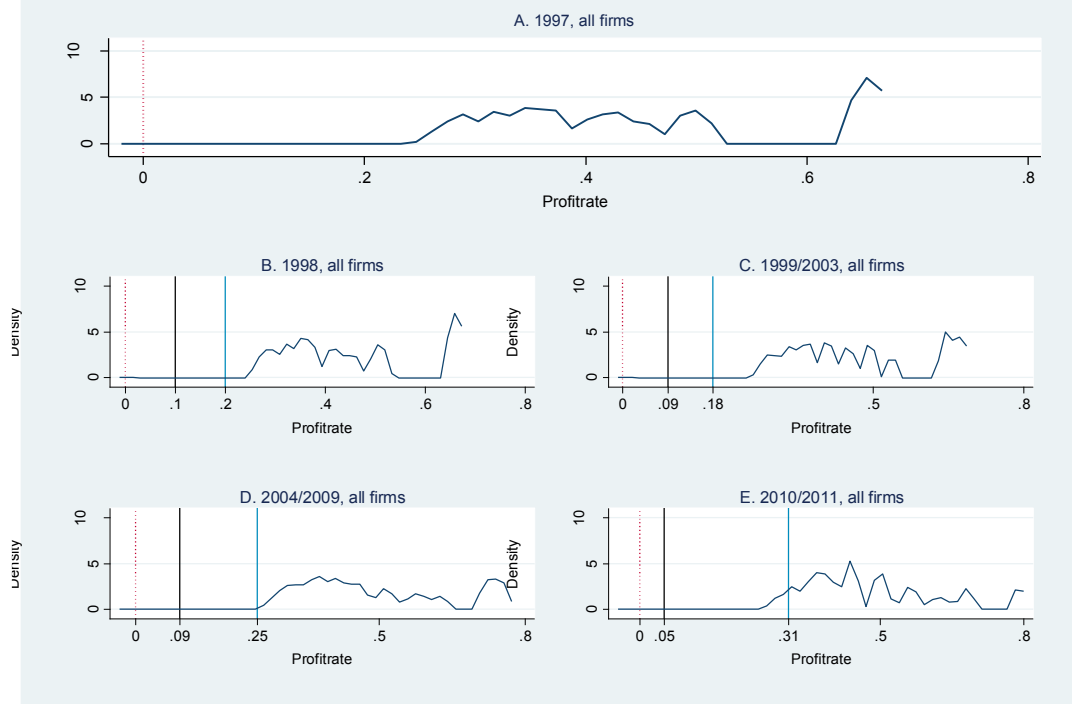
All firms							
Tax years	Kink point (theory)	Kink point (practice)	Width Parameter	Lower band	Middle band	Middle band	Upper band
1997	-	0,07	0,01	0,05	0,06	0,08	0,09
1998	0,1	0,07	0,01	0,05	0,06	0,08	0,09
1999/2003	0,09	0,075	0,02	0,035	0,055	0,095	0,115
2004/2009	0,09	0,09	0,01	0,07	0,08	0,1	0,11
2010/2011	0,05	0,1	0,02	0,06	0,08	0,12	0,14
Non eligible firms							
Tax years	Kink point (theory)	Kink point (practice)	Width Parameter	Lower band	Middle band	Middle band	Upper band
1997	-	0,068	0,01	0,048	0,058	0,078	0,088
1998	0,1	0,071	0,01	0,051	0,061	0,081	0,091
1999/2003	0,09	0,065	0,02	0,025	0,045	0,085	0,105
2004/2009	0,09	0,09	0,01	0,07	0,08	0,1	0,11
2010/2011	0,05	0,093	0,01	0,073	0,083	0,103	0,113
Medium firms							
Tax years	Kink point (theory)	Kink point (practice)	Width Parameter	Lower band	Middle band	Middle band	Upper band
1997	-	0,07	0,005	0,06	0,065	0,075	0,08
1998	0,1	0,071	0,005	0,061	0,066	0,076	0,081
1999/2003	0,09	0,077	0,01	0,057	0,067	0,087	0,097
2004/2009	0,09	0,1	0,01	0,08	0,09	0,11	0,12
2010/2011	0,05	0,09	0,01	0,07	0,08	0,1	0,11

Figure I1: Consistency checks



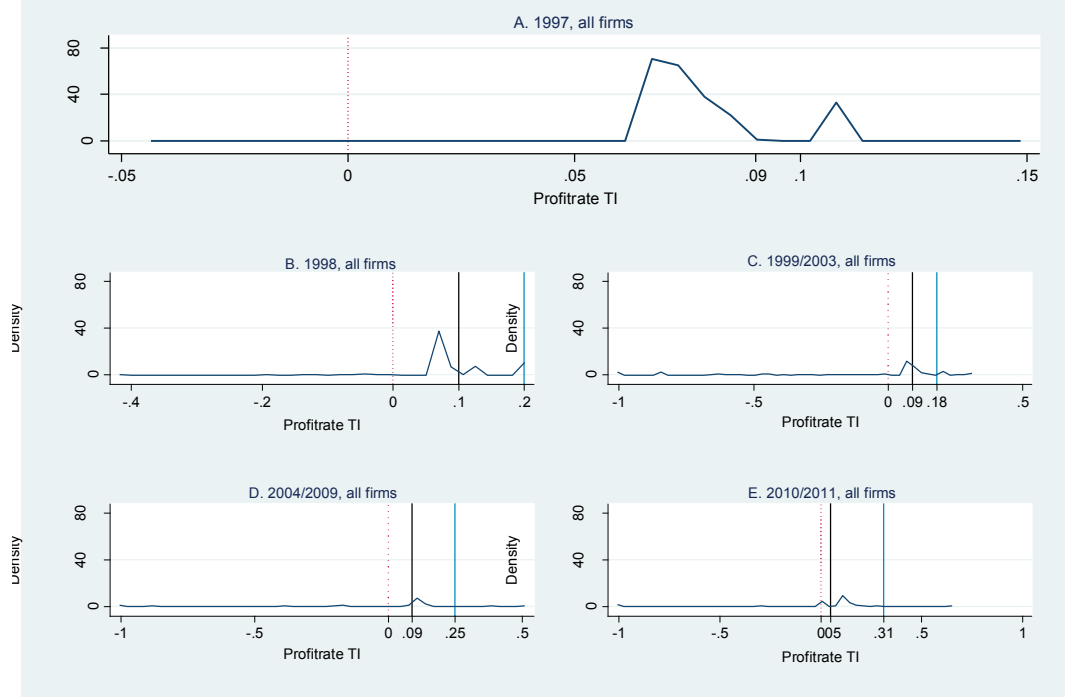
Note: Figure I1 shows the empirical Kernel density distribution of the profit rate (*calculated profit* as a fraction of turnover) for all firms and different time periods. The calculated profit is the reported turnover minus the reported costs. The black solid line shows the kink points calculated using $\tau_y(\text{min})$ and τ_π : 1998(0.1), 1999/2003(0.09), 2004/2009(0.09) and 2010/2011(0.05). The blue solid line shows the kink points calculated using $t_y(\text{total, min})$ and τ_π : 1998(0.2), 1999/2003(0.18), 2004/2009(0.25) and 2010/2011(0.31).

Figure I2: Consistency checks



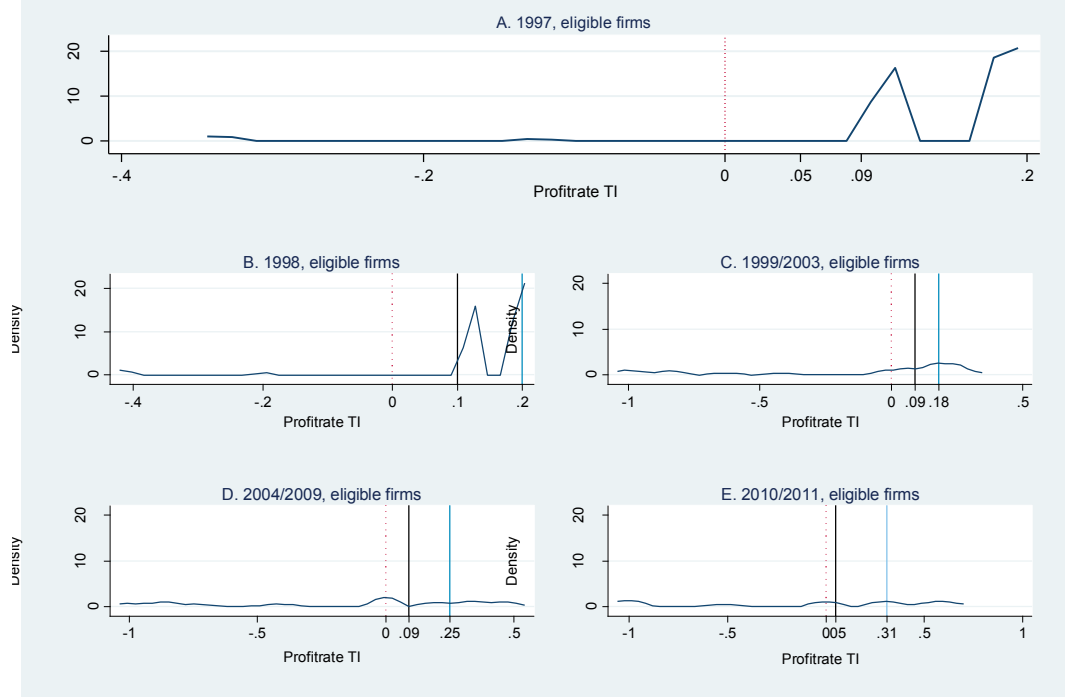
Note: Figure I2 shows the empirical Kernel density distribution of the profit rate (*reported gross profit* as a fraction of turnover). The black solid line shows the kink points calculated using $\tau_y(\min)$ and τ_π : 1998(0.1), 1999/2003(0.09), 2004/2009(0.09) and 2010/2011(0.05). The blue solid line shows the kink points calculated using $t_y(\text{total}, \min)$ and τ_π : 1998(0.2), 1999/2003(0.18), 2004/2009(0.25) and 2010/2011(0.31).

Figure II1: Bunching evidence



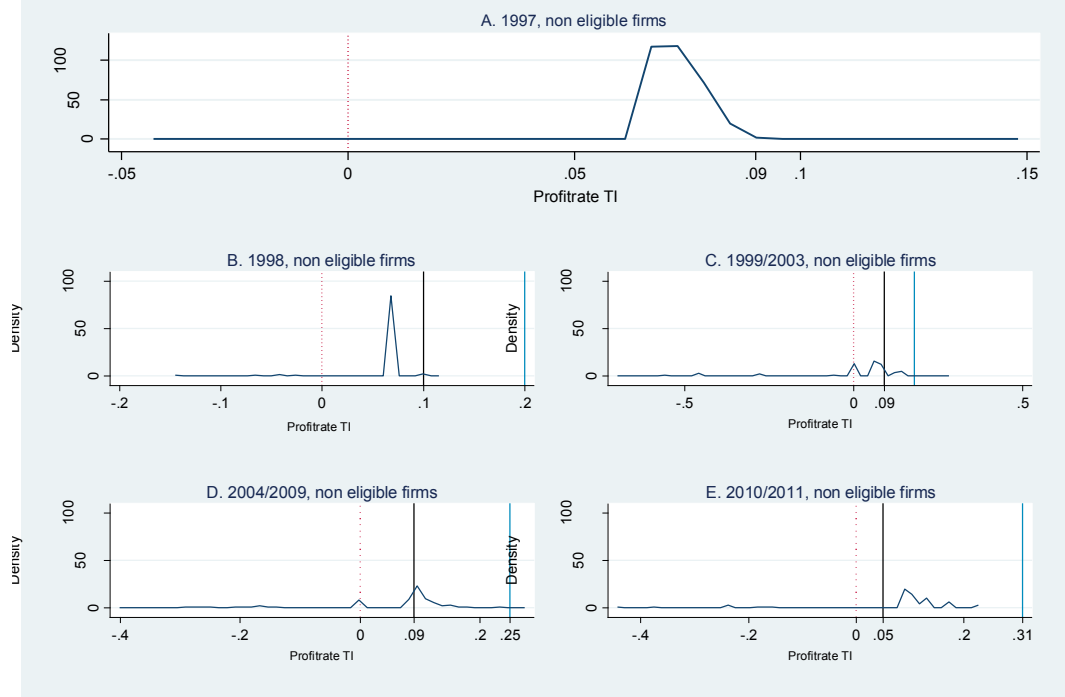
Note: Figure II1 shows the empirical Kernel density distribution of the profit rate (*reported taxable income* as a fraction of turnover) for *all firms*. The black solid line shows the kink points calculated using $\tau_y(\text{min})$ and τ_π : 1998(0.1), 1999/2003(0.09), 2004/2009(0.09) and 2010/2011(0.05). The blue solid line shows the kink points calculated using $t_y(\text{total}, \text{min})$ and τ_π : 1998(0.2), 1999/2003(0.18), 2004/2009(0.25) and 2010/2011(0.31).

Figure II2: Bunching evidence



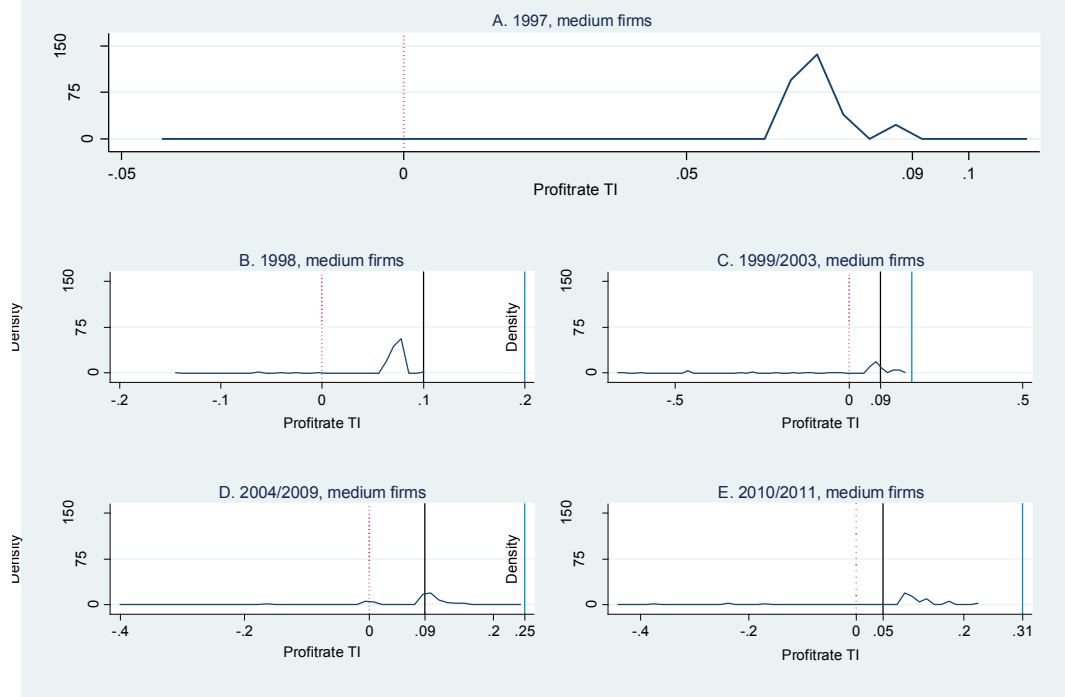
Note: Figure II2 shows the empirical Kernel density distribution of the profit rate (*reported taxable income* as a fraction of turnover) for *eligible firms*. The black solid line shows the kink points calculated using $\tau_y(\text{min})$ and τ_π : 1998(0.1), 1999/2003(0.09), 2004/2009(0.09) and 2010/2011(0.05). The blue solid line shows the kink points calculated using $t_y(\text{total}, \text{min})$ and τ_π : 1998(0.2), 1999/2003(0.18), 2004/2009(0.25) and 2010/2011(0.31).

Figure II3: Bunching evidence



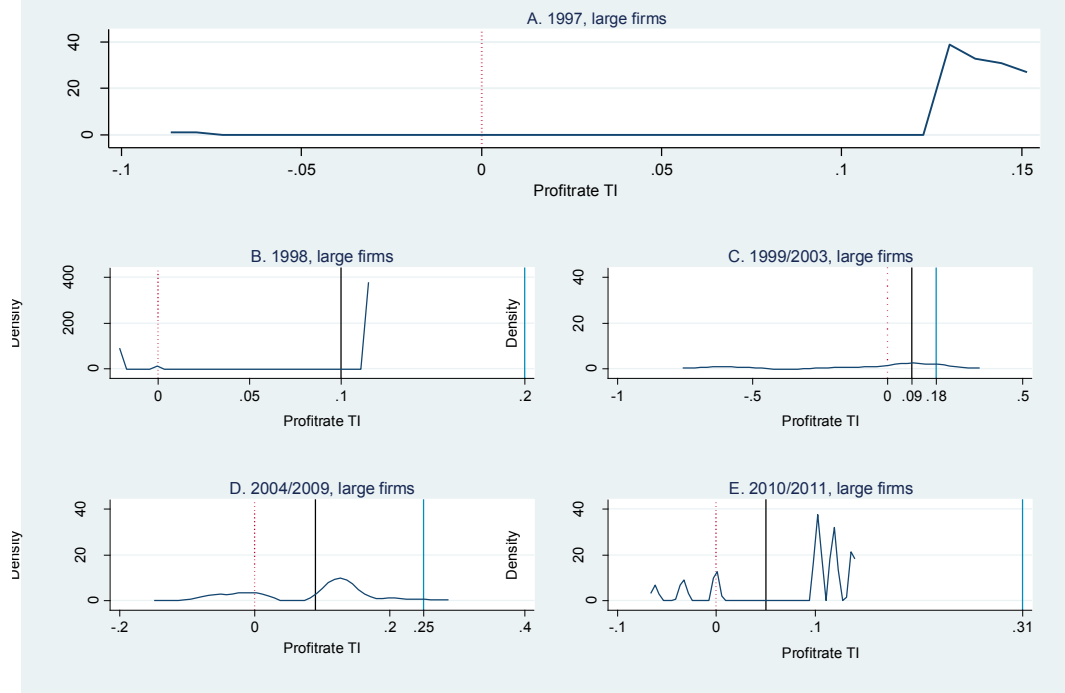
Note: Figure II3 shows the empirical Kernel density distribution of the profit rate (*reported taxable income as a fraction of turnover*) for *non-eligible firms*. The black solid line shows the kink points calculated using $\tau_y(\text{min})$ and τ_π : 1998(0.1), 1999/2003(0.09), 2004/2009(0.09) and 2010/2011(0.05). The blue solid line shows the kink points calculated using $t_y(\text{total, min})$ and τ_π : 1998(0.2), 1999/2003(0.18), 2004/2009(0.25) and 2010/2011(0.31).

Figure II4: Bunching evidence



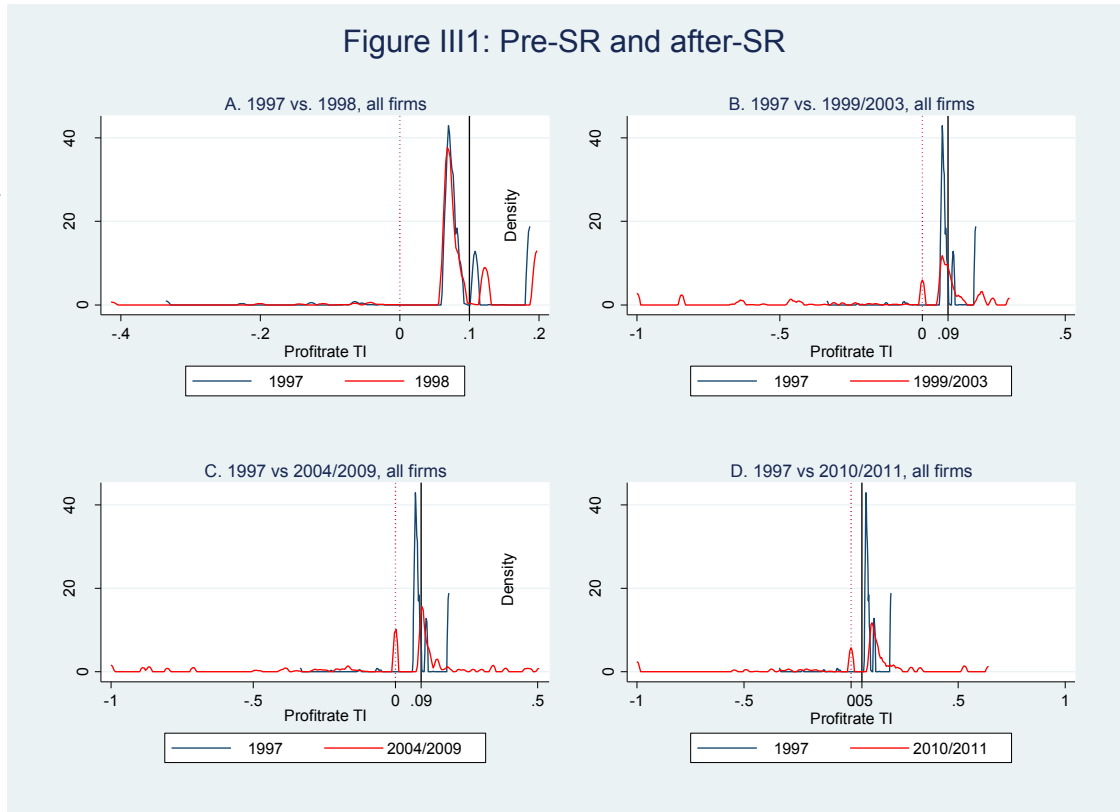
Note: Figure II4 shows the empirical Kernel density distribution of the profit rate (*reported taxable income* as a fraction of turnover) for *medium firms*. The black solid line shows the kink points calculated using $\tau_y(\text{min})$ and τ_π : 1998(0.1), 1999/2003(0.09), 2004/2009(0.09) and 2010/2011(0.05). The blue solid line shows the kink points calculated using $t_y(\text{total, min})$ and τ_π : 1998(0.2), 1999/2003(0.18), 2004/2009(0.25) and 2010/2011(0.31).

Figure II5: Bunching evidence



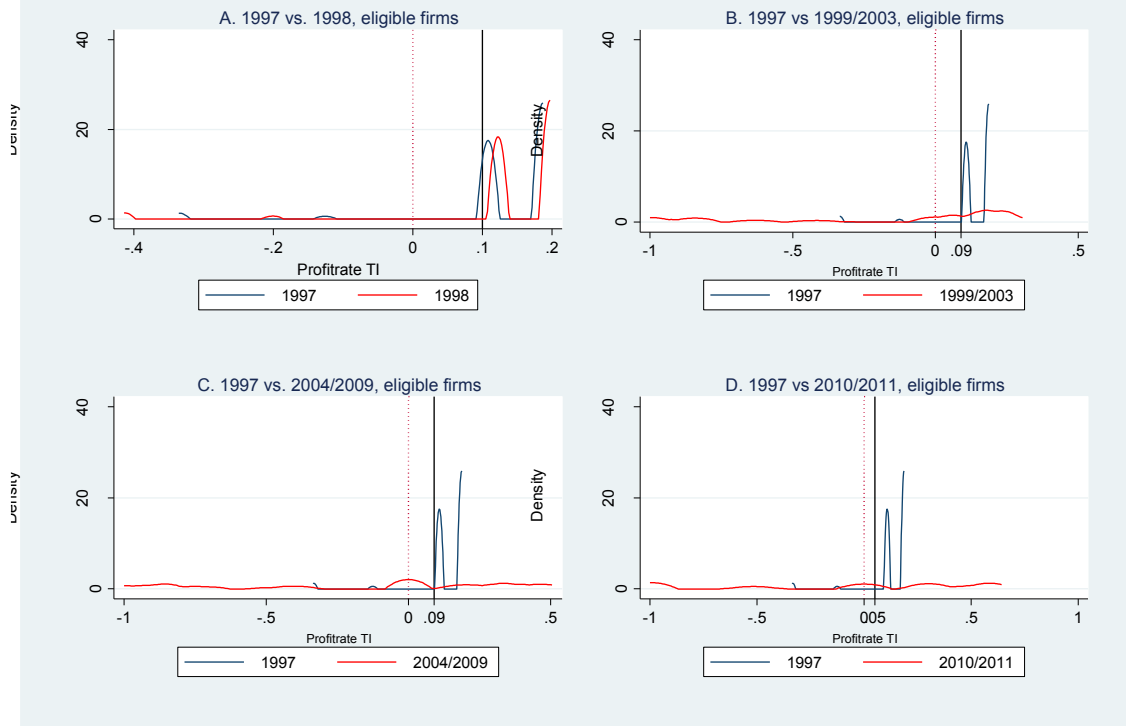
Note: Figure II5 shows the empirical Kernel density distribution of the profit rate (*reported taxable income* as a fraction of turnover) for *large firms*. The black solid line shows the kink points calculated using $\tau_y(\text{min})$ and τ_π : 1998(0.1), 1999/2003(0.09), 2004/2009(0.09) and 2010/2011(0.05). The blue solid line shows the kink points calculated using $t_y(\text{total, min})$ and τ_π : 1998(0.2), 1999/2003(0.18), 2004/2009(0.25) and 2010/2011(0.31).

Figure III1: Pre-SR and after-SR



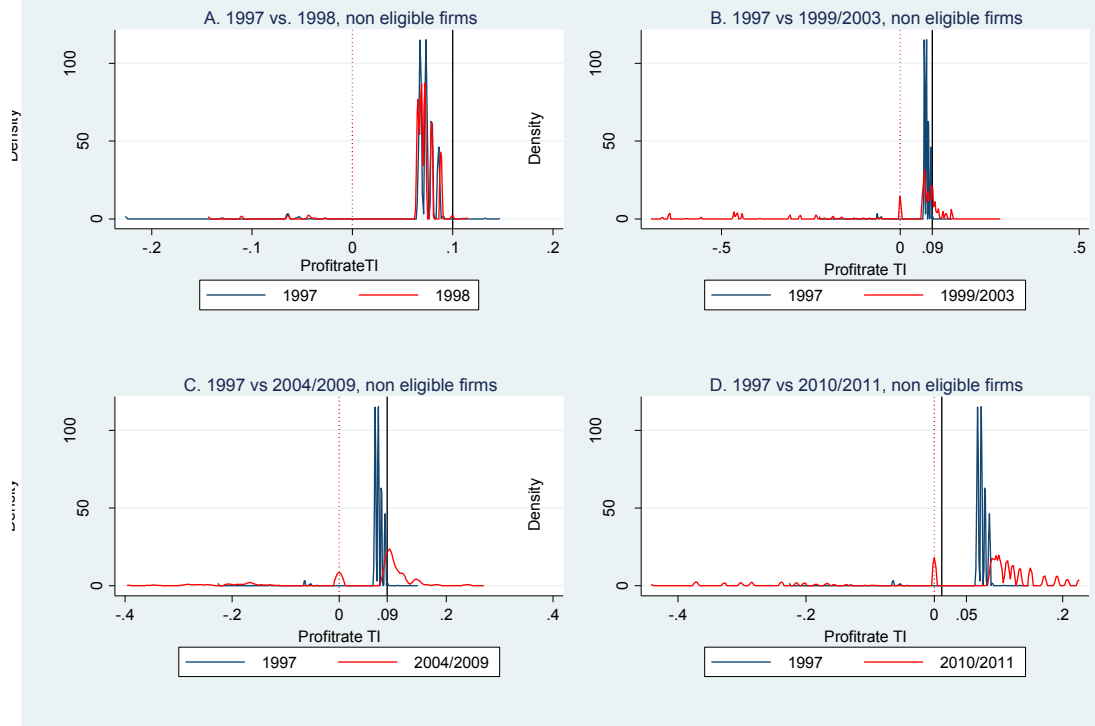
Note: Figure III1 shows the empirical Kernel density distribution of the profit rate (reported taxable income as a fraction of turnover) for *all firms* in 1997, 1998, 1999/2003, 2004/2009 and 2010/2011. The black solid line shows the profit rates calculated using $\tau_y(\min)$ and τ_π : 1998(0.1), 1999/2003(0.09), 2004/2009(0.09) and 2010/2011(0.05), and the zero profit rate is marked by a dotted line.

Figure III2: Pre-SR and after-SR



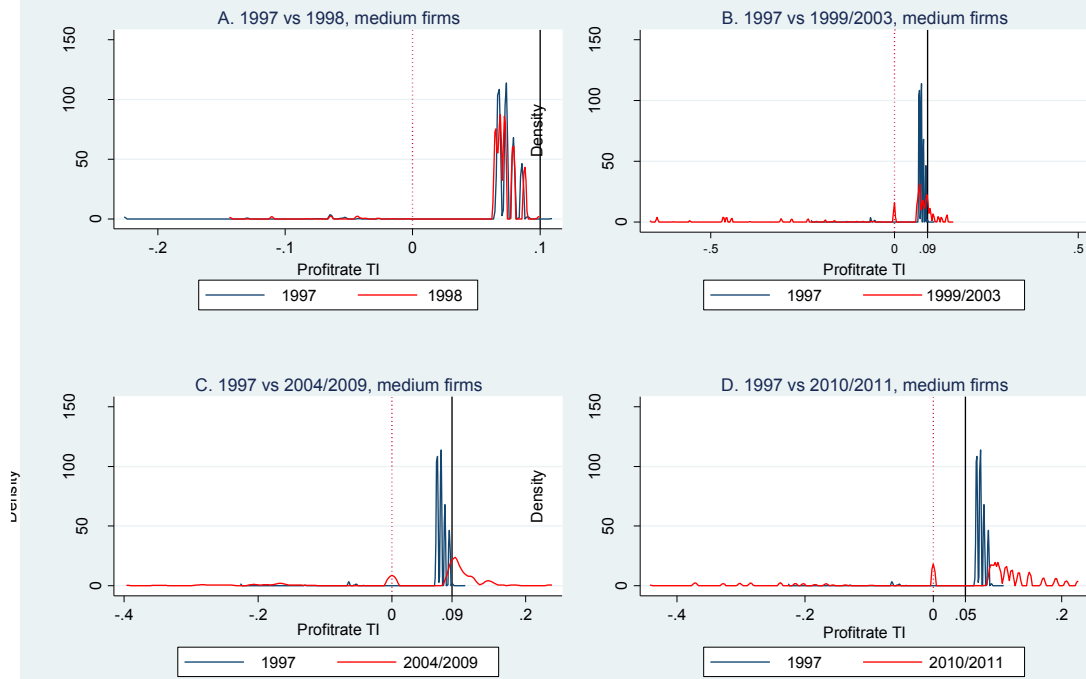
Note: Figure III2 shows the empirical Kernel density distribution of the profit rate (reported taxable income as a fraction of turnover) for *eligible firms* in 1997, 1998, 1999/2003, 2004/2009 and 2010/2011. The black solid line shows the profit rates calculated using τ_y (min) and τ_π : 1998(0.1), 1999/2003(0.09), 2004/2009(0.09) and 2010/2011(0.05), and the zero profit rate is marked by a dotted line.

Figure III3: Pre-SR and after-SR



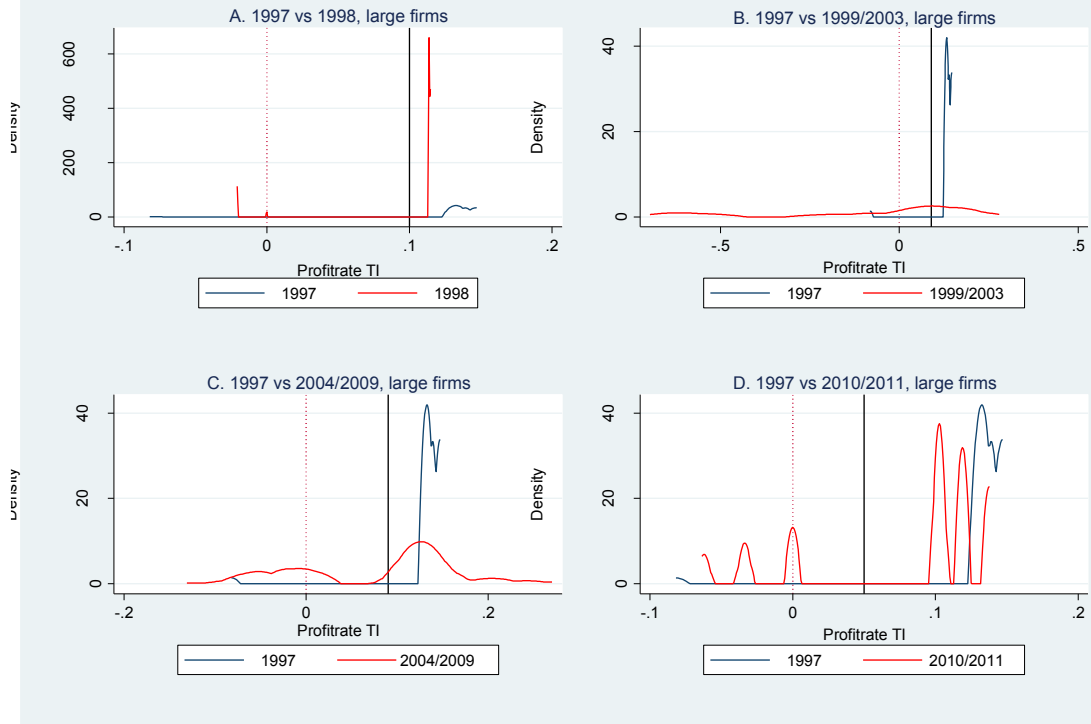
Note: Figure III3 shows the empirical Kernel density distribution of the profit rate (reported taxable income as a fraction of turnover) for *non-eligible firms* in 1997, 1998, 1999/2003, 2004/2009 and 2010/2011. The black solid line shows the profit rates calculated using $\tau_y(\min)$ and τ_π : 1998(0.1), 1999/2003(0.09), 2004/2009(0.09) and 2010/2011(0.05), and the zero profit rate is marked by a dotted line.

Figure III4: Pre-SR vs. after-SR



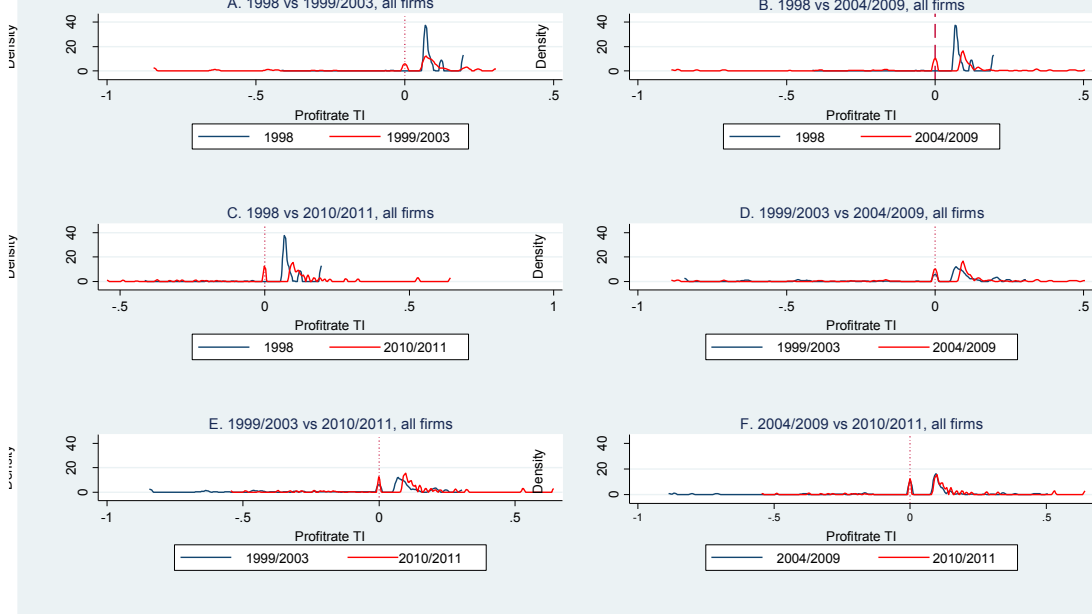
Note: Figure III4 shows the empirical Kernel density distribution of the profit rate (reported taxable income as a fraction of turnover) for *medium firms* in 1997, 1998, 1999/2003, 2004/2009 and 2010/2011. The black solid line shows the profit rates calculated using $\tau_y(\min)$ and τ_π : 1998(0.1), 1999/2003(0.09), 2004/2009(0.09) and 2010/2011(0.05), and the zero profit rate is marked by a dotted line.

Figure III5: Pre-SR vs. after-SR



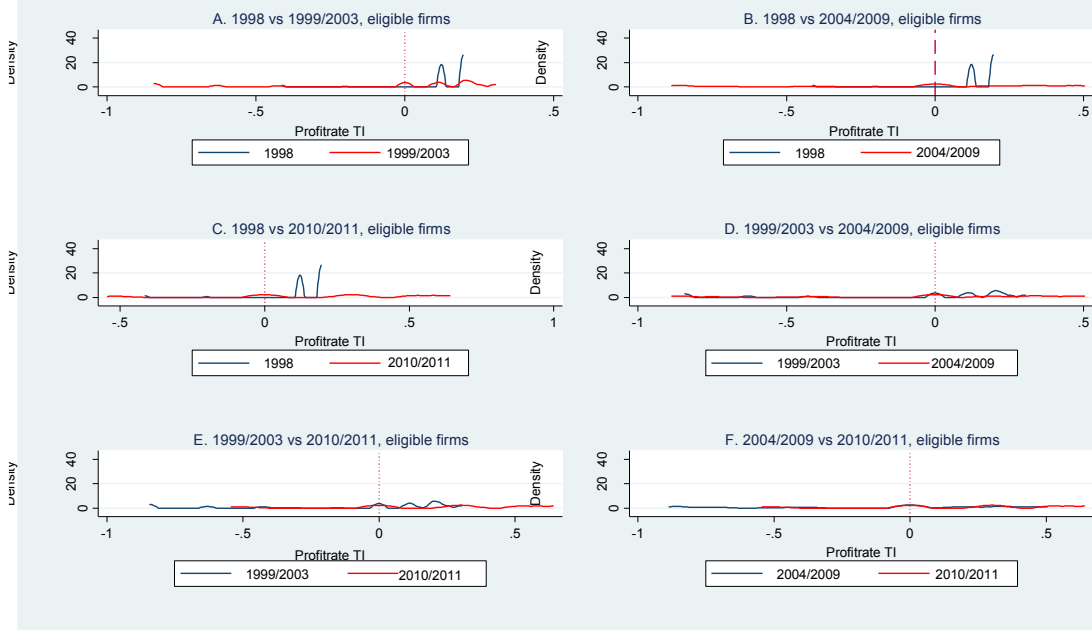
Note: Figure III5 shows the empirical Kernel density distribution of the profit rate (reported taxable income as a fraction of turnover) for *large firms* in 1997, 1998, 1999/2003, 2004/2009 and 2010/2011. The black solid line shows the profit rates calculated using τ_y (min) and τ_π : 1998(0.1), 1999/2003(0.09), 2004/2009(0.09) and 2010/2011(0.05), and the zero profit rate is marked by a dotted line.

Figure IV1: Identification checks



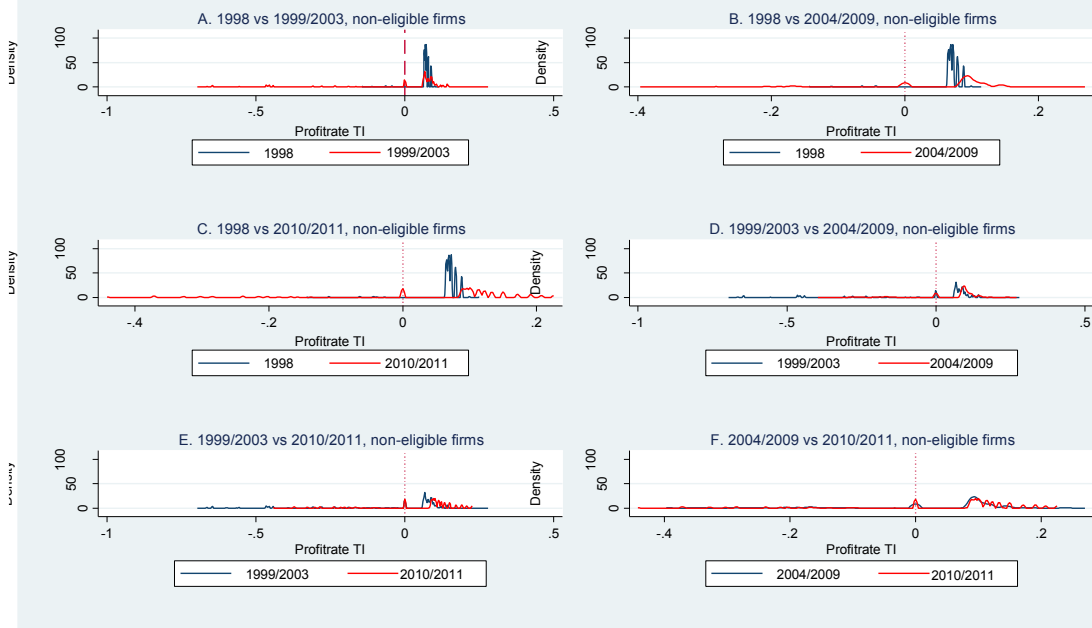
Note: Figure IV1 shows the empirical Kernel density distribution of the profit rate (reported taxable income as a fraction of turnover) for *all firms* in each time period. In Panel A, the kinks are at a profit rate 0.1 (in 1998) and 0.09 (in 1999/2003). In Panel B, the kinks are at a profit rate 0.1 (in 1998) and 0.09 (in 2004/2009). In Panel C, the kinks are at a profit rate 0.1 (in 1998) and 0.05 (in 2010/2011). In Panel D, the kinks are at a profit rate 0.09 (in 1999/2003) and 0.09 (in 2004/2009). In Panel E, the kinks are at a profit rate 0.09 (in 1999/2003) and 0.05 (in 2010/2011). In Panel F, the kinks are at a profit rate 0.09 (in 2004/2009) and 0.05 (in 2010/2011).

Figure IV2: Identification checks



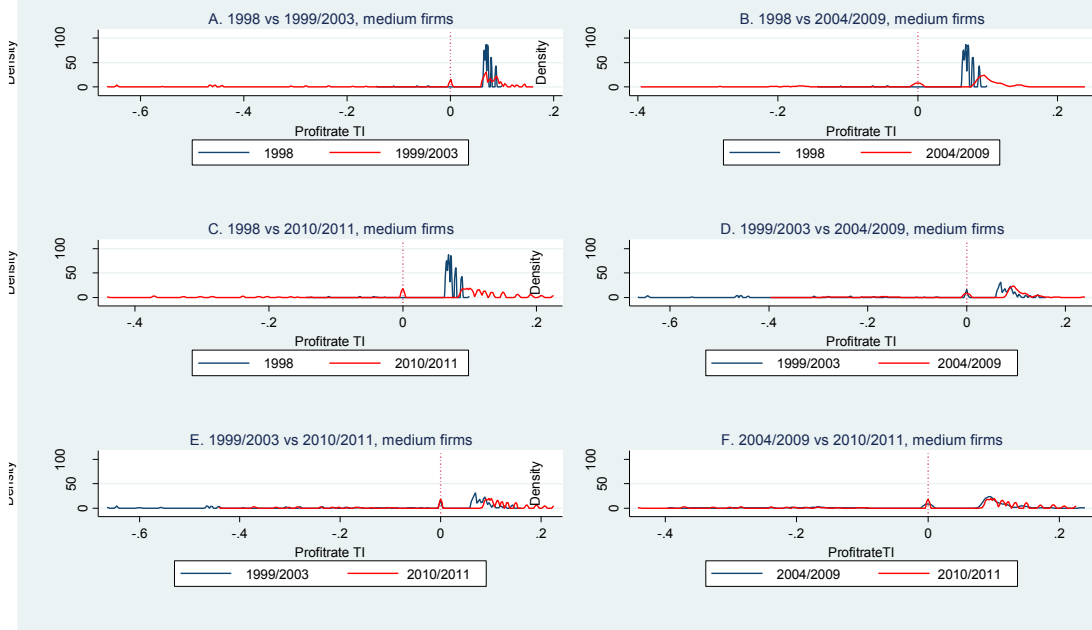
Note: Figure IV2 shows the empirical Kernel density distribution of the profit rate (reported taxable income as a fraction of turnover) for *eligible firms* in each time period. In Panel A, the kinks are at a profit rate 0.1 (in 1998) and 0.09 (in 1999/2003). In Panel B, the kinks are at a profit rate 0.1 (in 1998) and 0.09 (in 2004/2009). In Panel C, the kinks are at a profit rate 0.1 (in 1998) and 0.05 (in 2010/2011). In Panel D, the kinks are at a profit rate 0.09 (in 1999/2003) and 0.09 (in 2004/2009). In Panel E, the kinks are at a profit rate 0.09 (in 1999/2003) and 0.05 (in 2010/2011). In Panel F, the kinks are at a profit rate 0.09 (in 2004/2009) and 0.05 (in 2010/2011).

Figure IV3: Identification checks



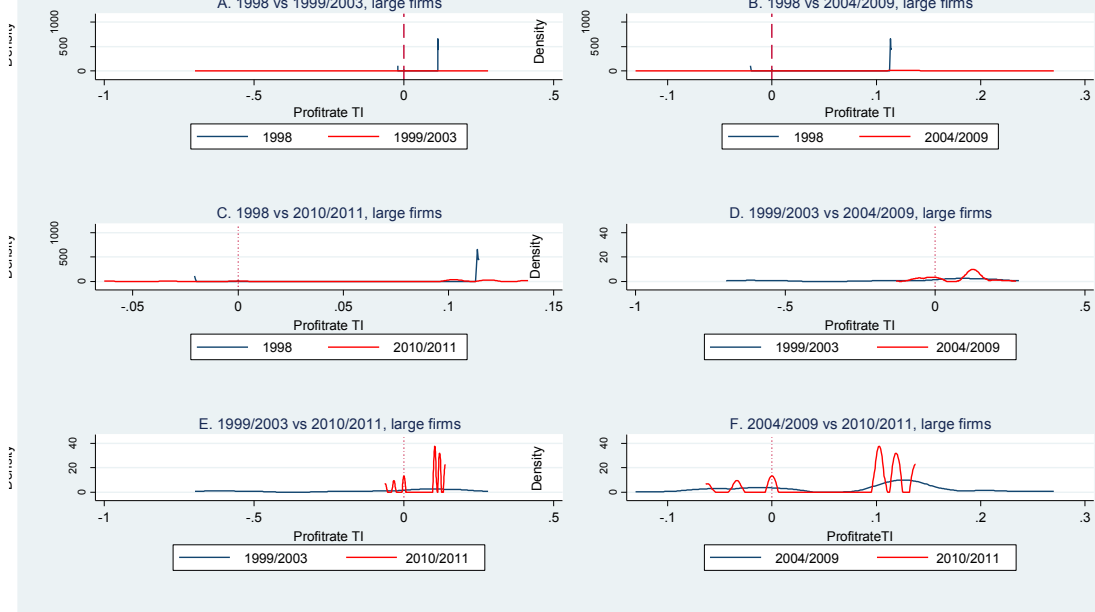
Note: Figure IV3 shows the empirical Kernel density distribution of the profit rate (reported taxable income as a fraction of turnover) for *non-eligible firms* in each time period. In Panel A, the kinks are at a profit rate 0.1 (in 1998) and 0.09 (in 1999/2003). In Panel B, the kinks are at a profit rate 0.1 (in 1998) and 0.09 (in 2004/2009). In Panel C, the kinks are at a profit rate 0.1 (in 1998) and 0.05 (in 2010/2011). In Panel D, the kinks are at a profit rate 0.09 (in 1999/2003) and 0.09 (in 2004/2009). In Panel E, the kinks are at a profit rate 0.09 (in 1999/2003) and 0.05 (in 2010/2011). In Panel F, the kinks are at a profit rate 0.09 (in 2004/2009) and 0.05 (in 2010/2011).

Figure IV4: Identification checks



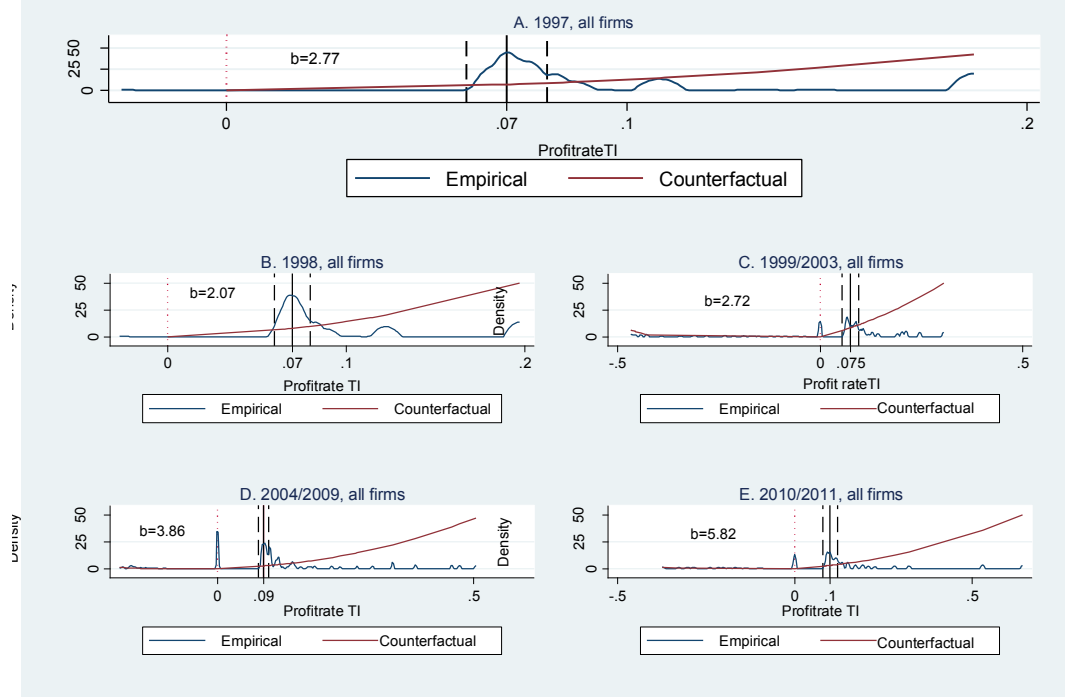
Note: Figure IV4 shows the empirical Kernel density distribution of the profit rate (reported taxable income as a fraction of turnover) for *medium firms* in each time period. In Panel A, the kinks are at a profit rate 0.1 (in 1998) and 0.09 (in 1999/2003). In Panel B, the kinks are at a profit rate 0.1 (in 1998) and 0.09 (in 2004/2009). In Panel C, the kinks are at a profit rate 0.1 (in 1998) and 0.05 (in 2010/2011). In Panel D, the kinks are at a profit rate 0.09 (in 1999/2003) and 0.09 (in 2004/2009). In Panel E, the kinks are at a profit rate 0.09 (in 1999/2003) and 0.05 (in 2010/2011). In Panel F, the kinks are at a profit rate 0.09 (in 2004/2009) and 0.05 (in 2010/2011).

Figure IV5: Identification checks



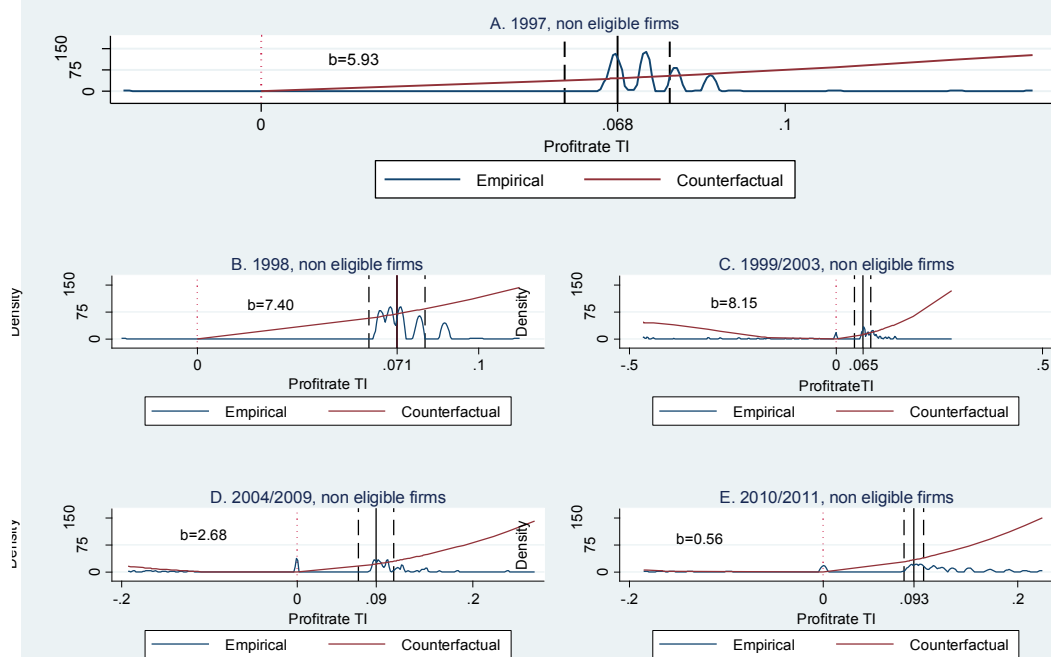
Note: Figure IV5 shows the empirical Kernel density distribution of the profit rate (reported taxable income as a fraction of turnover) for *large firms* in each time period. In Panel A, the kinks are at a profit rate 0.1 (in 1998) and 0.09 (in 1999/2003). In Panel B, the kinks are at a profit rate 0.1 (in 1998) and 0.09 (in 2004/2009). In Panel C, the kinks are at a profit rate 0.1 (in 1998) and 0.05 (in 2010/2011). In Panel D, the kinks are at a profit rate 0.09 (in 1999/2003) and 0.09 (in 2004/2009). In Panel E, the kinks are at a profit rate 0.09 (in 1999/2003) and 0.05 (in 2010/2011). In Panel F, the kinks are at a profit rate 0.09 (in 2004/2009) and 0.05 (in 2010/2011).

Figure V1: Bunching estimation



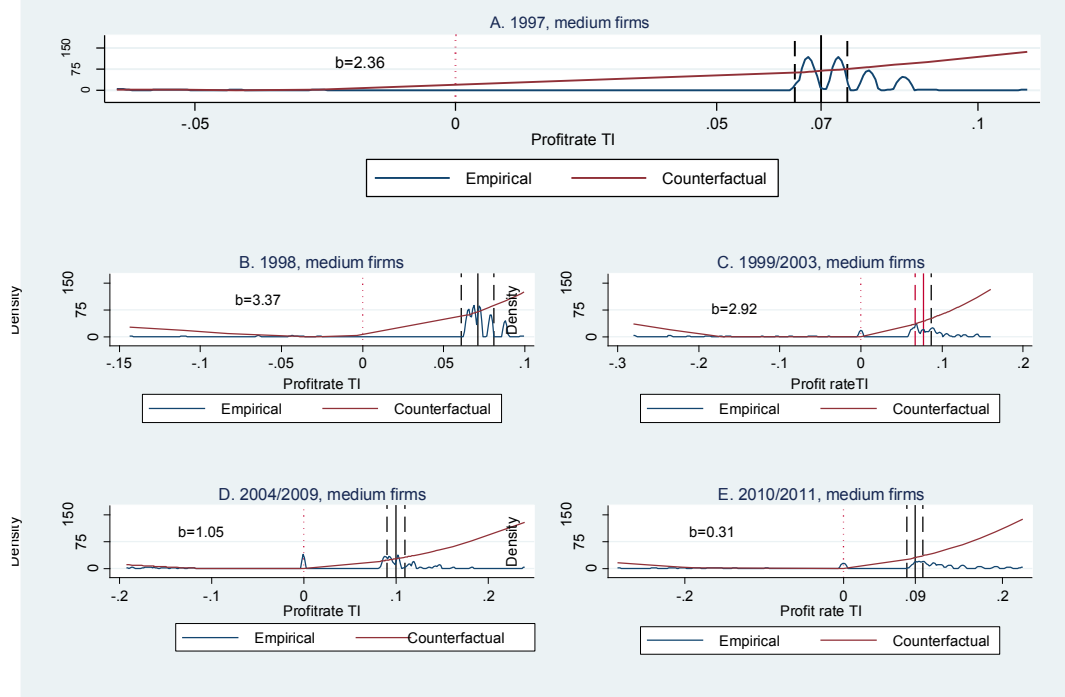
Note: Figure V1 shows the empirical density distribution of the profit rate (reported taxable income as a fraction of turnover, solid blue graph) and the counterfactual density (solid black graph) for *all firms* in 1997, 1998, 1999/2003, 2004/2009 and 2010/2011. The counterfactual density is estimated from the empirical density, by fitting a third-order polynomial, second-order for 1999/2003, excluding data around the kink. We choose the middle band for all panels such that the kink points are bin centers. The kink points are marked by vertical solid lines, lower and upper bands of the bunching window are marked by vertical dashed lines. The zero profit rate is marked by a dotted line.

Figure V2: Bunching estimation



Note: Figure V2 shows the empirical density distribution of the profit rate (reported taxable income as a fraction of turnover, solid blue graph) and the counterfactual density (solid black graph) for *non eligible firms* in all periods. The counterfactual density is estimated from the empirical density, by fitting a third-order polynomial, second-order for 1997 and 1998, excluding data around the kink. We choose the middle band for all panels, except 2004/2009 (all bands), such that the kink points are bin centres. The kink points are marked by vertical solid lines, lower and upper bands of the bunching window are marked by vertical dashed lines. The zero profit rate is marked by a dotted line.

Figure V3: Bunching estimation



Note: Figure V3 shows the empirical density distribution of the profit rate (reported taxable income as a fraction of turnover, solid blue graph) and the counterfactual density (solid black graph) for *medium firms* in all periods. The counterfactual density is estimated from the empirical density, by fitting a third-order polynomial, excluding data around the kink. We choose the middle band for all panels, except 1998 (all bands), such that the kink points are bin centres. The kink points are marked by vertical solid lines, lower and upper bands of the bunching window are marked by vertical dashed lines. The zero profit rate is marked by a dotted line.