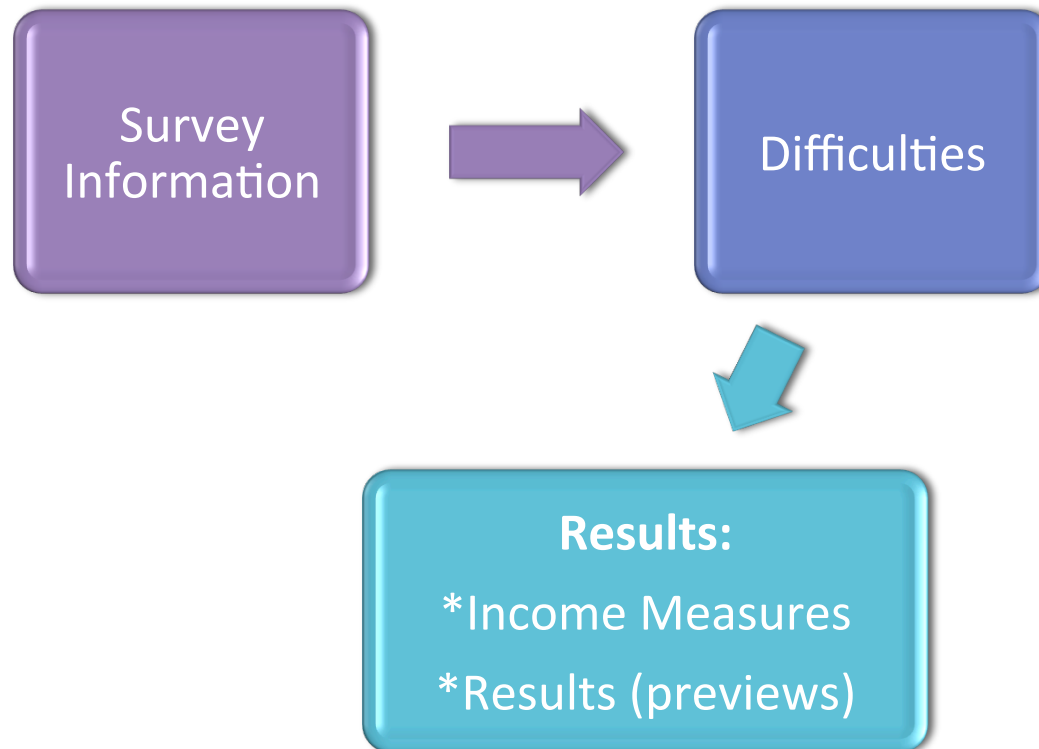


Ecuador

Social Spending, Taxes and Income Redistribution in Ecuador
– Preview –



Social Spending, Taxes and Income Redistribution in Ecuador



Social Spending, Taxes and Income Redistribution in Ecuador

-Survey Information-

«Urban and rural household income and outcome survey»

ENIGHUR 2011-2012

«Urban and rural household income and outcome survey»

ENIGHU 2003-2004

Main Objective

Provide information about income and expenditure of urban and rural households (2012)



Social Spending, Taxes and Income Redistribution in Ecuador

-Survey Information-

- A sample size of 41,760 households corresponding to 3,480 sectors was used.

Information
collected

- General characteristics of the housing and its equipment.
- Income information regarding the main and secondary job, self-employment, remittances and transfers -public and private-.
- Information of daily, monthly and annual household expenditure based on the 12 divisions of the classification of individual consumption by purpose (CCIF).
- Information on carried-out-the-house personal expenses of household members (12 years and over), for instance cigarettes, food and liquor.



Social Spending, Taxes and Income Redistribution in Ecuador

-Difficulties-

In general, the survey was very complete about the information we need. Nevertheless, we had some difficulties about:

- Net agricultural income. There was gross agricultural income but some agricultural spending were missing values.
 - To calculate net agricultural income: we estimate the spending by a regression.
- There is not information (at per capita level) about the contributions to social security directed towards pensions, just the total value reported of pension.
 - We use the global distribution of social security budget going to pensions and health.
- Retirement pension. The number of beneficiaries of private retirement pensions couldn't be found.
 - We are trying to find information of private retirement participation.



Social Spending, Taxes and Income Redistribution in Ecuador

-Difficulties-

In general, the survey was very complete about the information we need. Nevertheless, we had some difficulties about:

- Not all health programs provided by the government were included in the survey.
 - We used the Alternative Survey Method.
- Fuel subsidies. The official cost of fuel without subsidy did not consider the opportunity cost of selling the fuel. The official unsubsidized price does not reflect the international market price.
 - Fuel prices of Colombia and Peru (average) were used as reference.



Social Spending, Taxes and Income Redistribution in Ecuador

-Results-

Income Measures

- **Market Income**

- $I^m = W + IC + AC + IROH + PT + SSP + I_NONREG$

- **W** = Gross wage and salaries from informal and formal sector -earned income- (wage and salaries from formal and informal sector, self employment, agricultural work, in-kind income and gifts.)
 - **IC** = Income from capital (dividends, interest, profits, rents, of formal and informal sector, excludes capital gains), and rent.
 - **AC** = Autoconsumption on: agricultural products, home reared animals and derives (e.j milk), trees for home use (e.j firewood) and other products from own business.
 - **IROH**= Imputed rent for owner occupied housing , an specific question was used in which the hypothetical value of rent for people living in their own home was asked (an hedonic price model was not yet implemented).



Social Spending, Taxes and Income Redistribution in Ecuador

-Results-

- **PT**= Private transfers (remittances, alimony, donations from NGOs and scholarships)
- **SSP**= Retirement pensions from contributory social security system (for this component no specific question was found on any of the questionnaires, therefore a general question was used in which recipients were chosen according to other observed characteristics.)
- **I_NONREG** = Taxes from non regular income (property transfer, vehicles transfer, inheritances and lotteries)

Social Spending, Taxes and Income Redistribution in Ecuador

-Results-

- **Net market income**

- $I^n = I^m - DT - SSC - I_NONREG$

- I^m = Market income previously obtained

- **DT**= Direct taxes on personal income

- In the direct tax component the following taxes were included: personal income tax on both self and formal employment and taxes from non-regular income such as property, vehicles, inheritances and lotteries.

- **SSC**= All contributions to social security except the portion going towards pensions

- A specific question about **total** contributions to social security was found on the survey, therefore to subtract the portion going towards **pensions**, budget structure information from the national social security institute was used.



Social Spending, Taxes and Income Redistribution in Ecuador

-Results-

- **Disposable income**

- $I^d = I^n + GT$

- I^n = Net market income

- **GT**= Direct government transfers; mainly cash but can include transfers in kind such as food

- In this component the following government programs were included (using the direct identification method): **“Bono de Desarrollo Humano”**, **“Bono Joaquin Gallegos Lara”** “Desayuno Escolar Gratuito”, “Mi Papilla”, “Almuerzo Escolar Gratuito”, “Programa o Servicio de Desarrollo Infantil”, “Educación Alimentaria”, “Textos Escolares Gratuitos”, “Uniforme Escolar Gratuito”.



Social Spending, Taxes and Income Redistribution in Ecuador

-Results-

- **Post-fiscal income** (*not presented*)

- $I^{pf} = I^d + \text{IndS} - \text{IndT}$

- I^d = Disposable income

- **IndS** = Indirect subsidies

- Indirect subsidies were taken into account using consumption data mainly on fuel subsidies (gas, gasoline and diesel). The indirect effects of fuel subsidies (on prices of goods) have not been yet estimated.

- **IndT** = Indirect taxes

- Indirect taxes were subtracted from income using consumption data; VAT tax was calculated using a preliminary list of all VAT taxed products.



Social Spending, Taxes and Income Redistribution in Ecuador

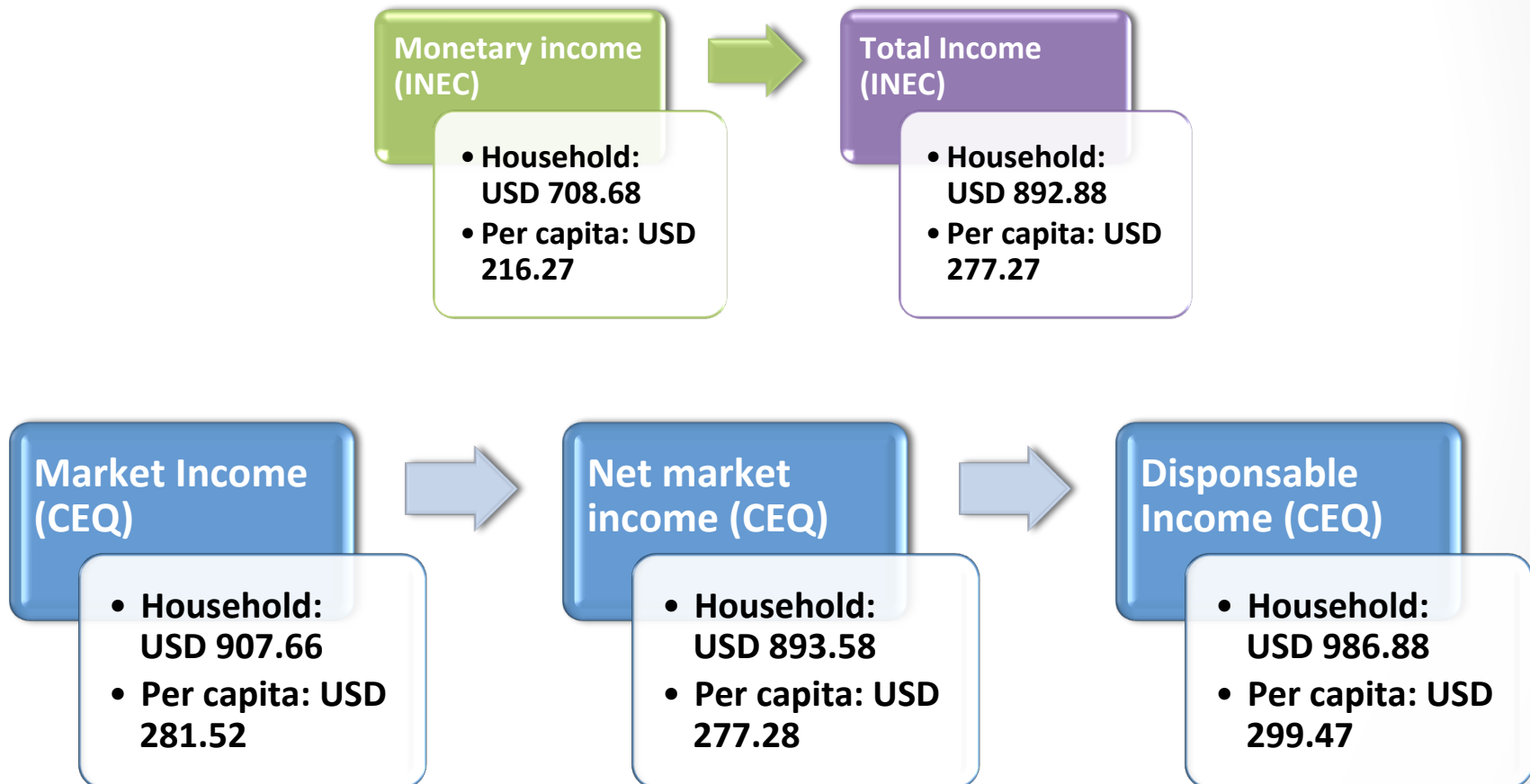
-Results-

- **Final income** (*not presented*)
 - $I^f = I^{pf} + \text{InKindT} - \text{CoPaym}$
 - I^{pf} = Post fiscal income
 - **InKindT** = government transfers in the form of free or subsidized services in education and health; urban and housing.
 - In this component only subsidized services on health have been included.



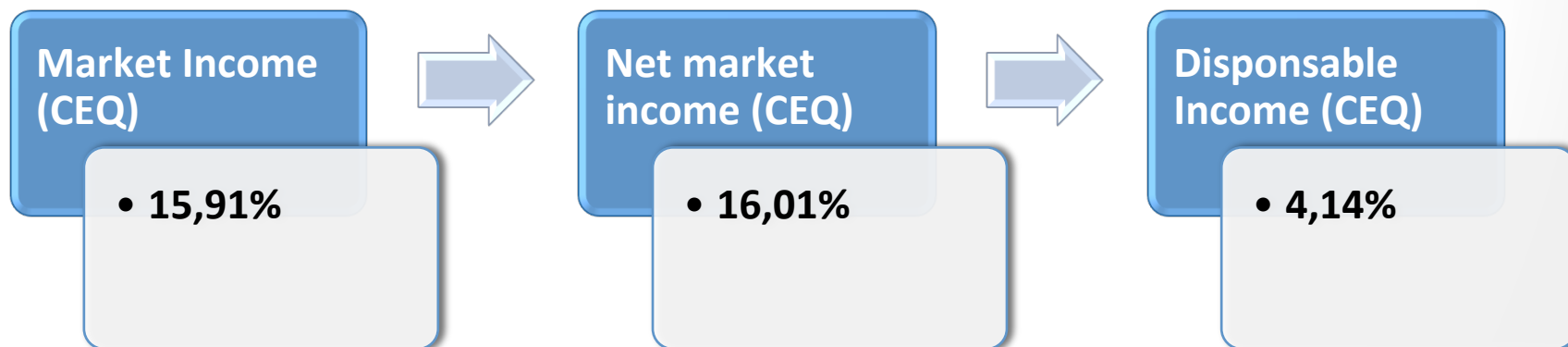
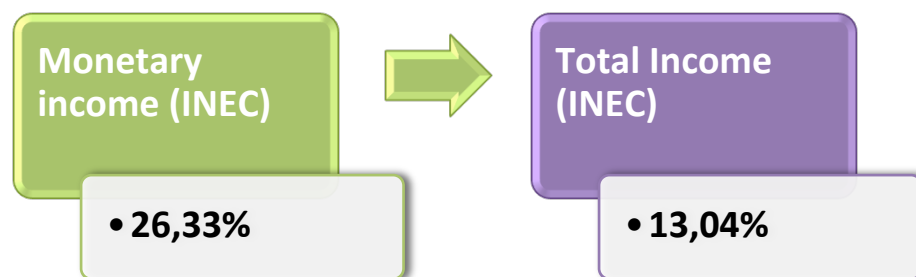
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-Income results-



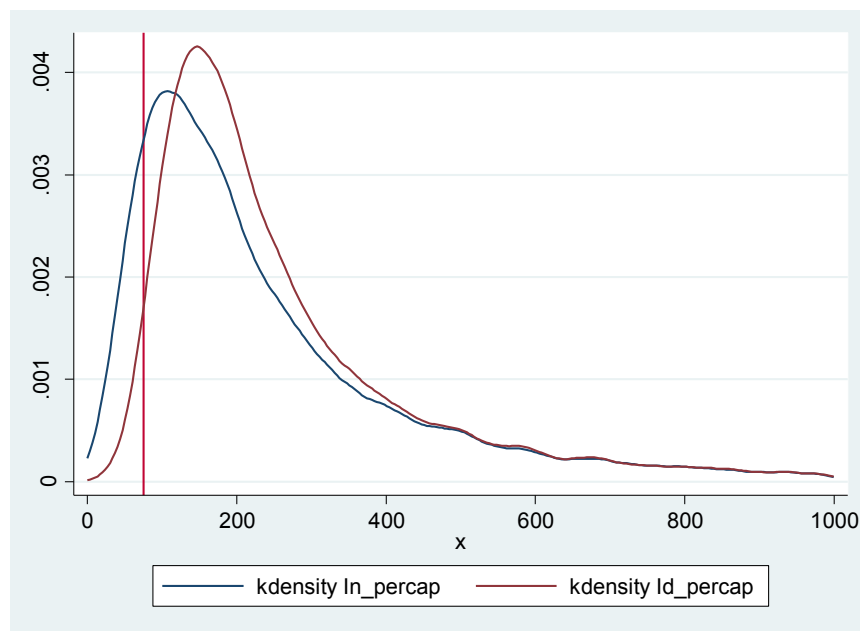
Social Spending, Taxes and Income Redistribution in Ecuador

-Poverty line USD 2,5-



Social Spending, Taxes and Income Redistribution in Ecuador

-Poverty line USD 2,5-



Net market income (CEQ)

• 16,01%



Disposable Income (CEQ)

• 4,14%

Social Spending, Taxes and Income Redistribution in Ecuador – Preview –

