

High incomes and personal taxation in Colombia 1993-2010

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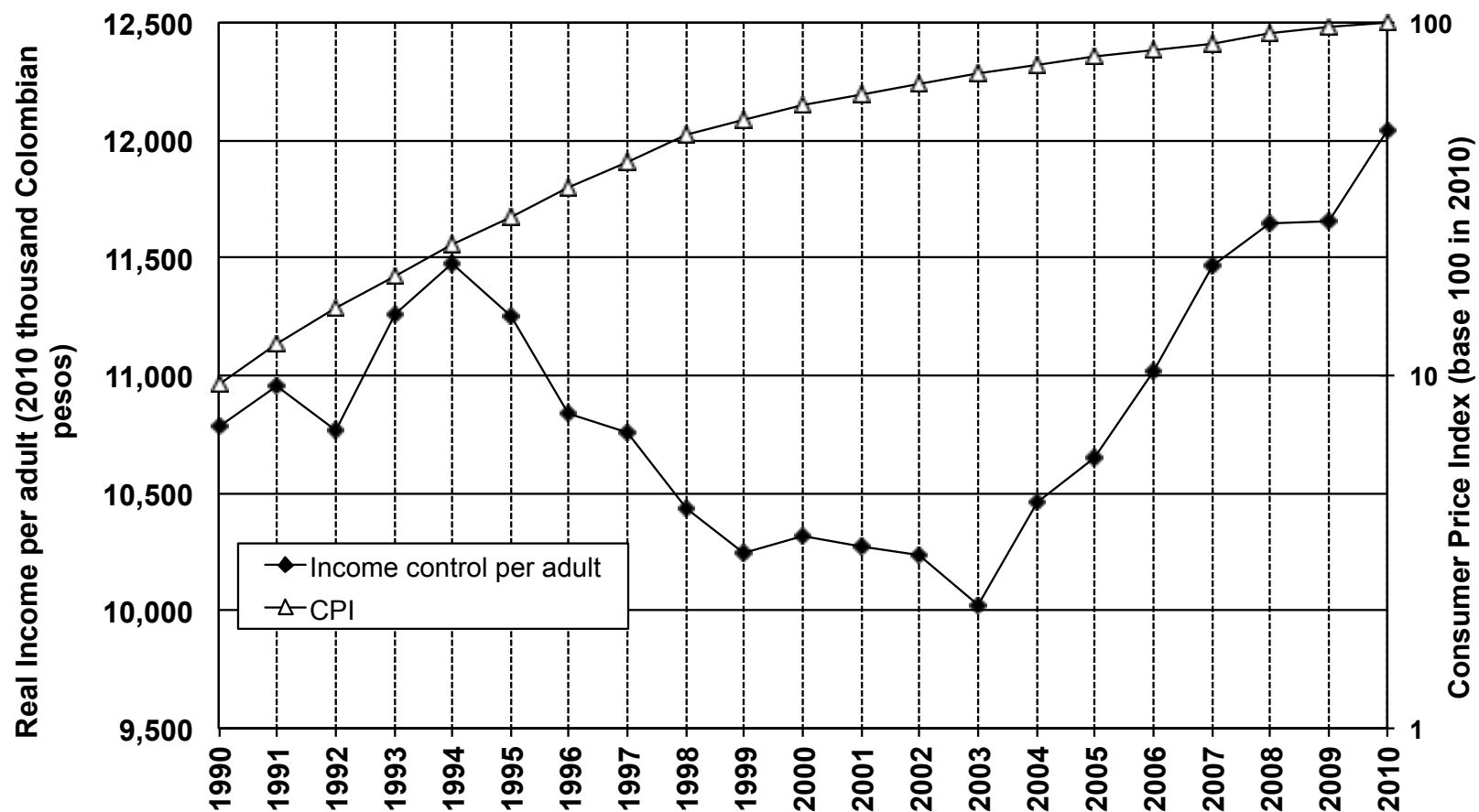


FIGURE 1



Average Real Income and Consumer Price Index in Colombia, 1990-2010

Source: Table A1.

Notes: Figure reports the average real income per adult (aged 20 and above), expressed in real 2010 thousand Colombian Pesos. CPI index is equal to 100 in 2010.

1 USD ≈ 2,000 Colombian Pesos (2010 prices)

Data

- Micro-data: universe of tax filers 1993-2003
- Micro-data: balanced panel of tax filers 2006-2010
- Tabulations: universe of tax filers 1992-2011p
- GEIH surveys 2007-2010
 -  Colombia was the first LA country in providing the microdata of taxfilers (the others are Uruguay and Ecuador)
 -  1.1 million tax assessments in 2010, out of 28 million adults

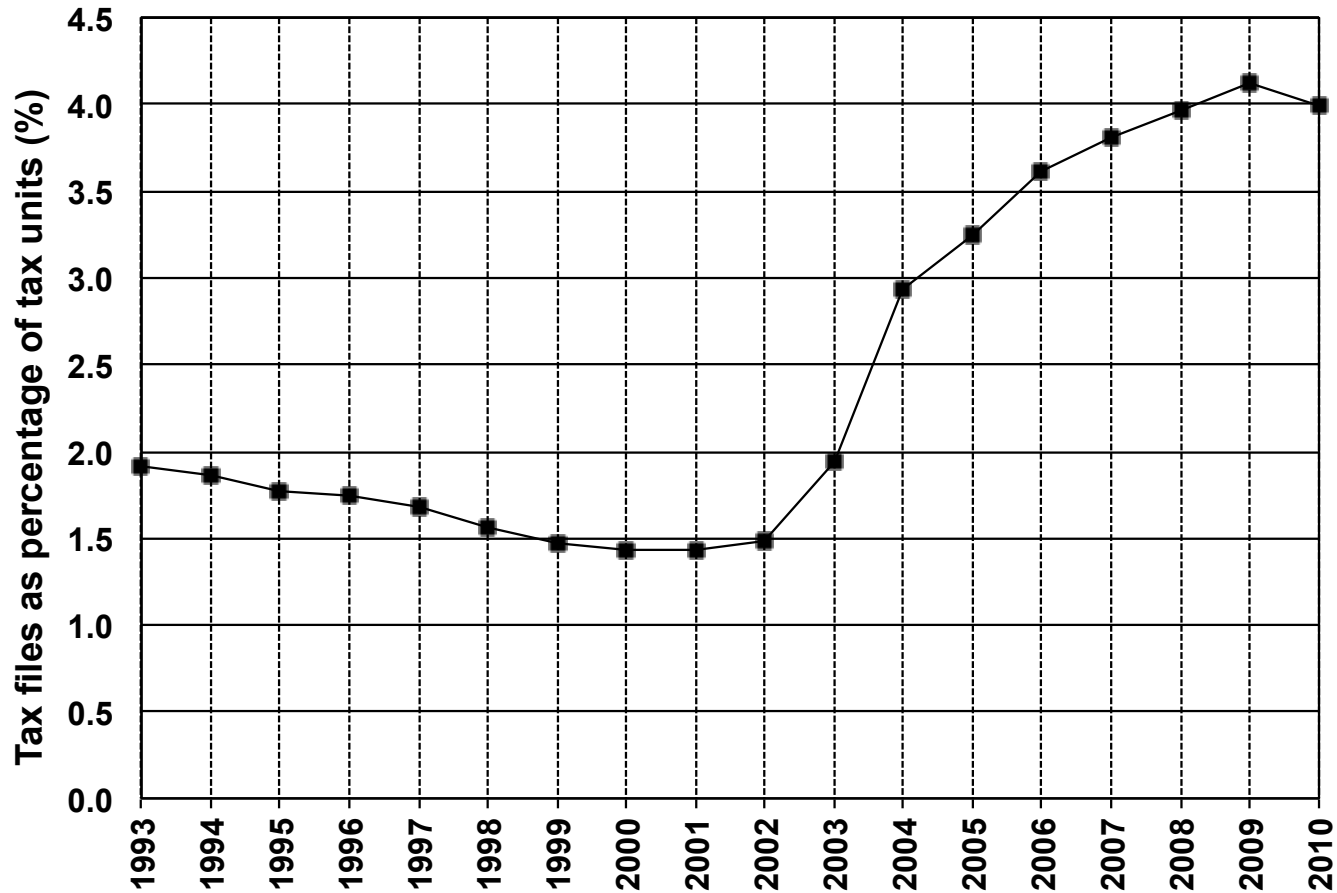


FIGURE 2

Tax filers as percentage of tax units (adults aged 20+) in Colombia, 1993-2010

BUT the DIAN estimates that around 5million were subject in 2010 (18% of adults)

Table 1. Thresholds and average incomes in top groups within the top percentile, Colombia 2010

Income threshold			Average income			
Thresholds	US\$ (market exchange rate)	US\$ (PPP)	Income Groups	Number of tax units	US\$ (market exchange rate)	US\$ (PPP)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			all adults	28,104,576	\$6,021	\$9,152
P99	\$49,667	\$75,493	Top 1-0.5%	140,523	\$61,420	\$93,357
P99.5	\$77,552	\$117,878	Top 0.5-0.1%	112,418	\$112,003	\$170,243
P99.9	\$188,199	\$286,059	Top 0.1-0.05%	14,052	\$223,096	\$339,103
P99.95	\$272,150	\$413,663	Top 0.05-0.01%	11,242	\$380,183	\$577,872
P99.99	\$637,991	\$969,737	Top 0.01%-0.001%	2,529	\$1,031,639	\$1,568,075
P99.999	\$2,353,235	\$3,576,880	Top 0.001%	281	\$6,067,930	\$9,223,158

Note: In 2010, US\$1 = \$2000 pesos market exchange rate, and PPP US\$1 = \$1,316 pesos

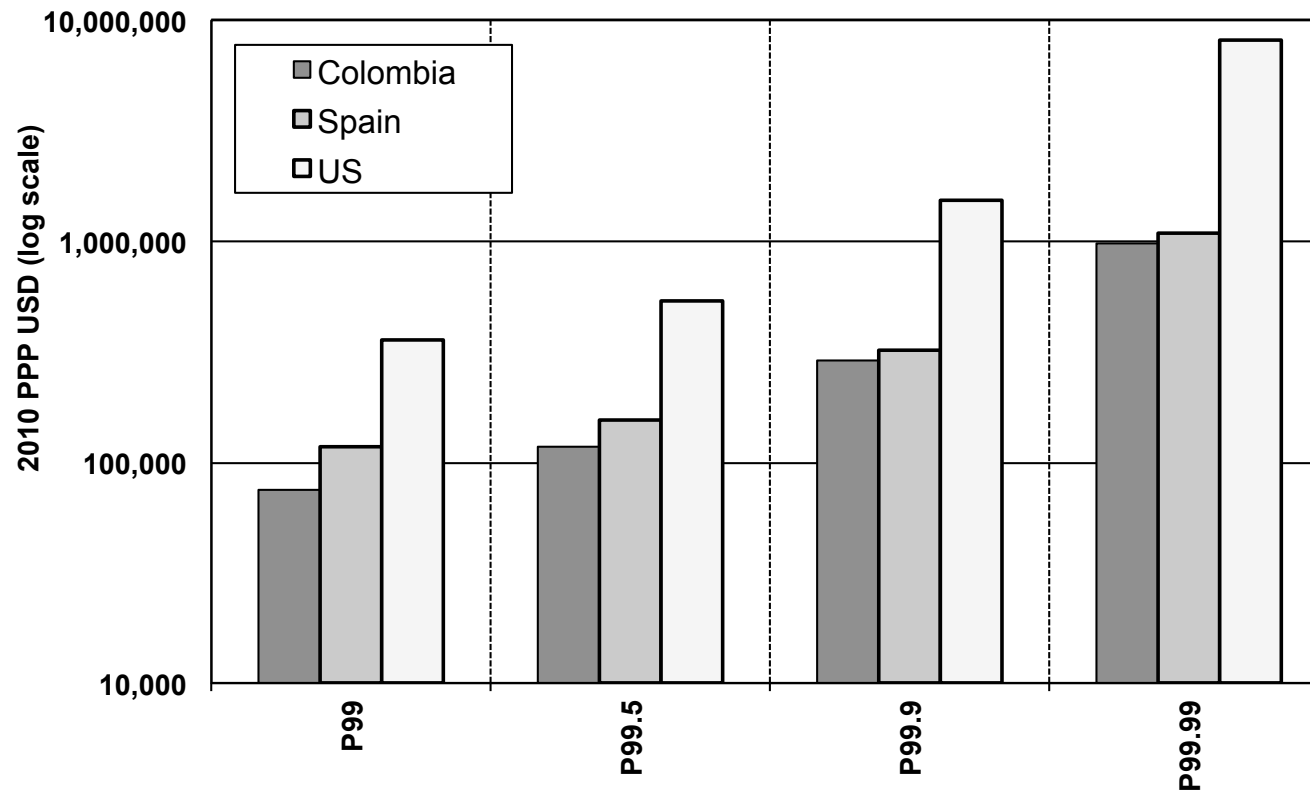
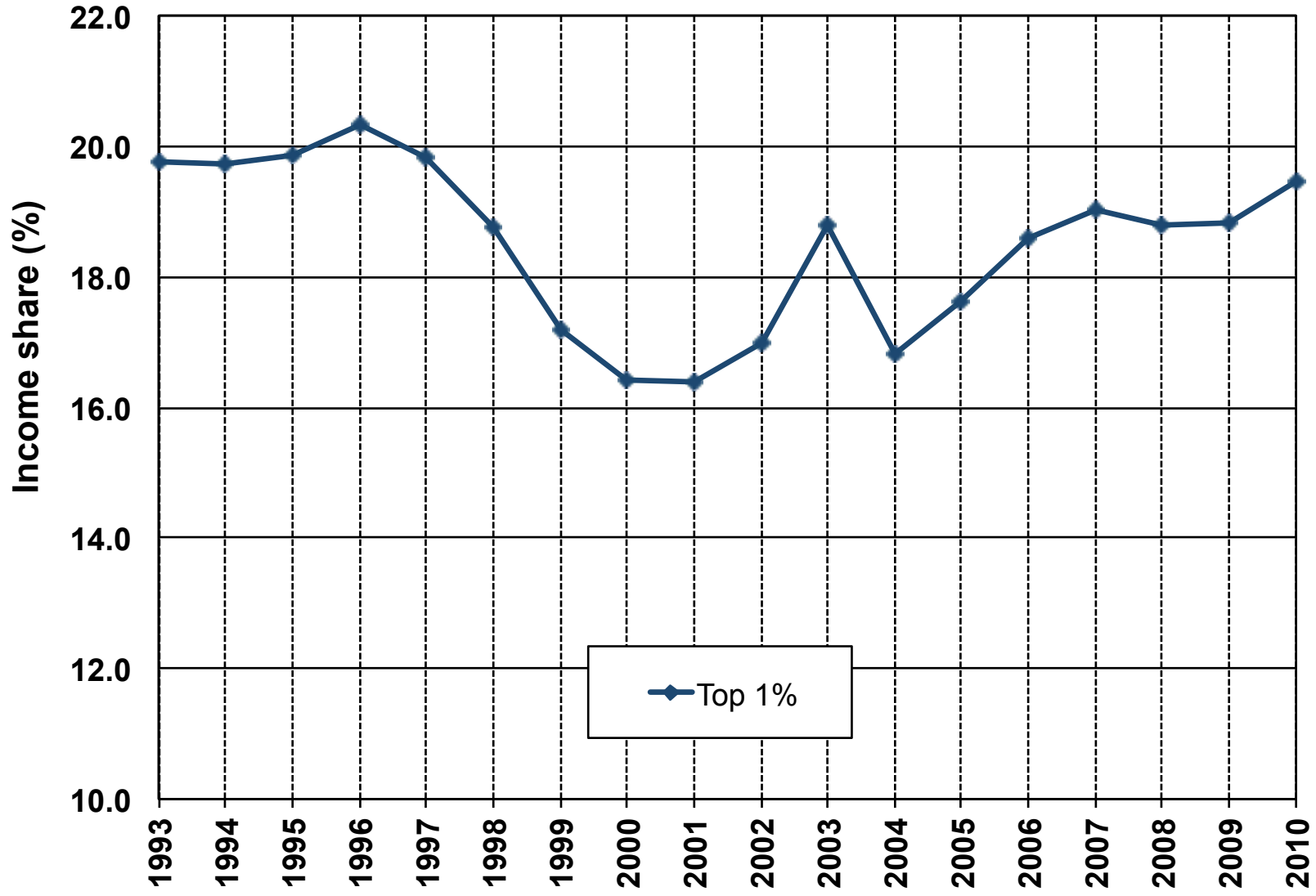


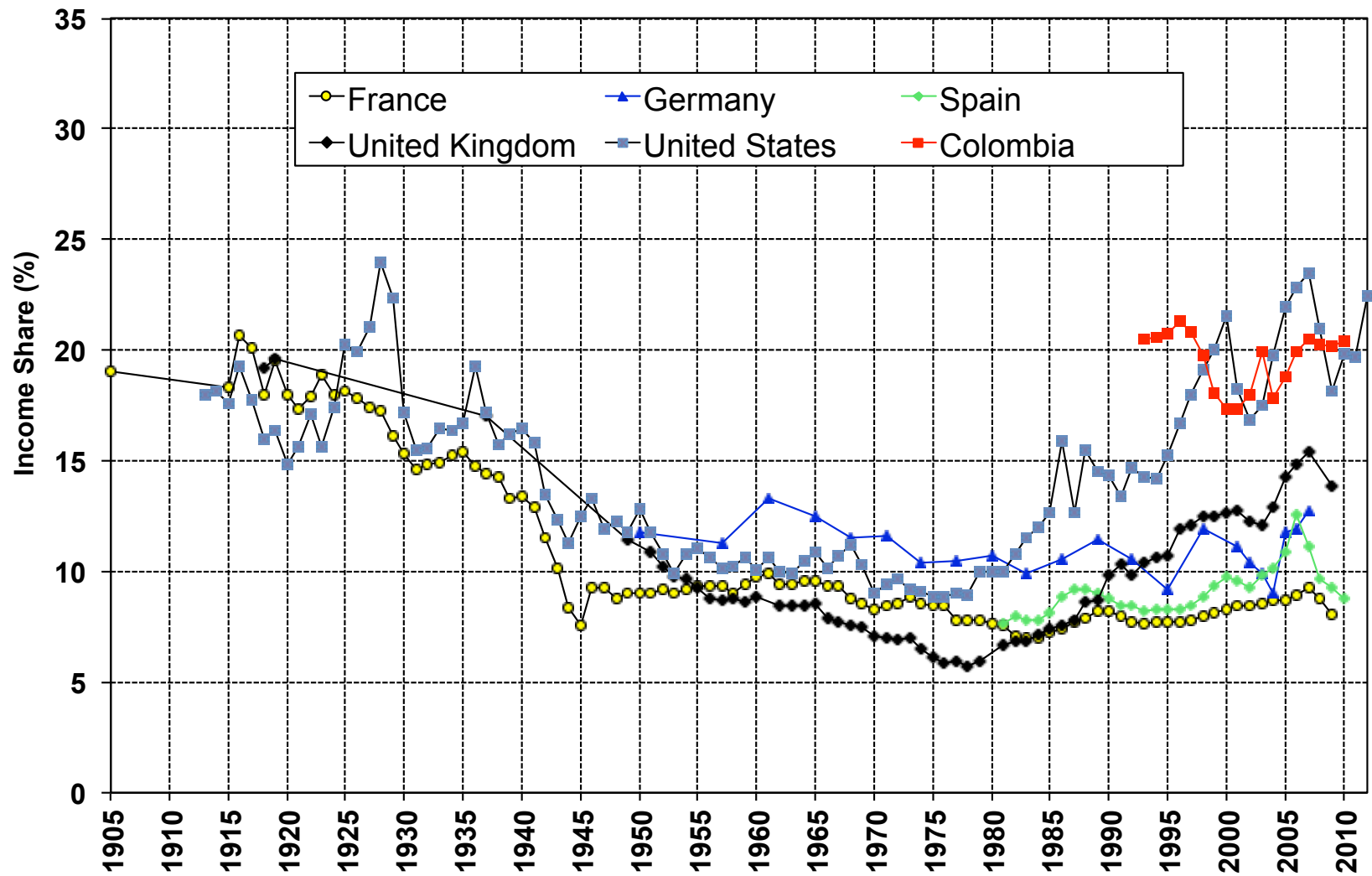
FIGURE 2

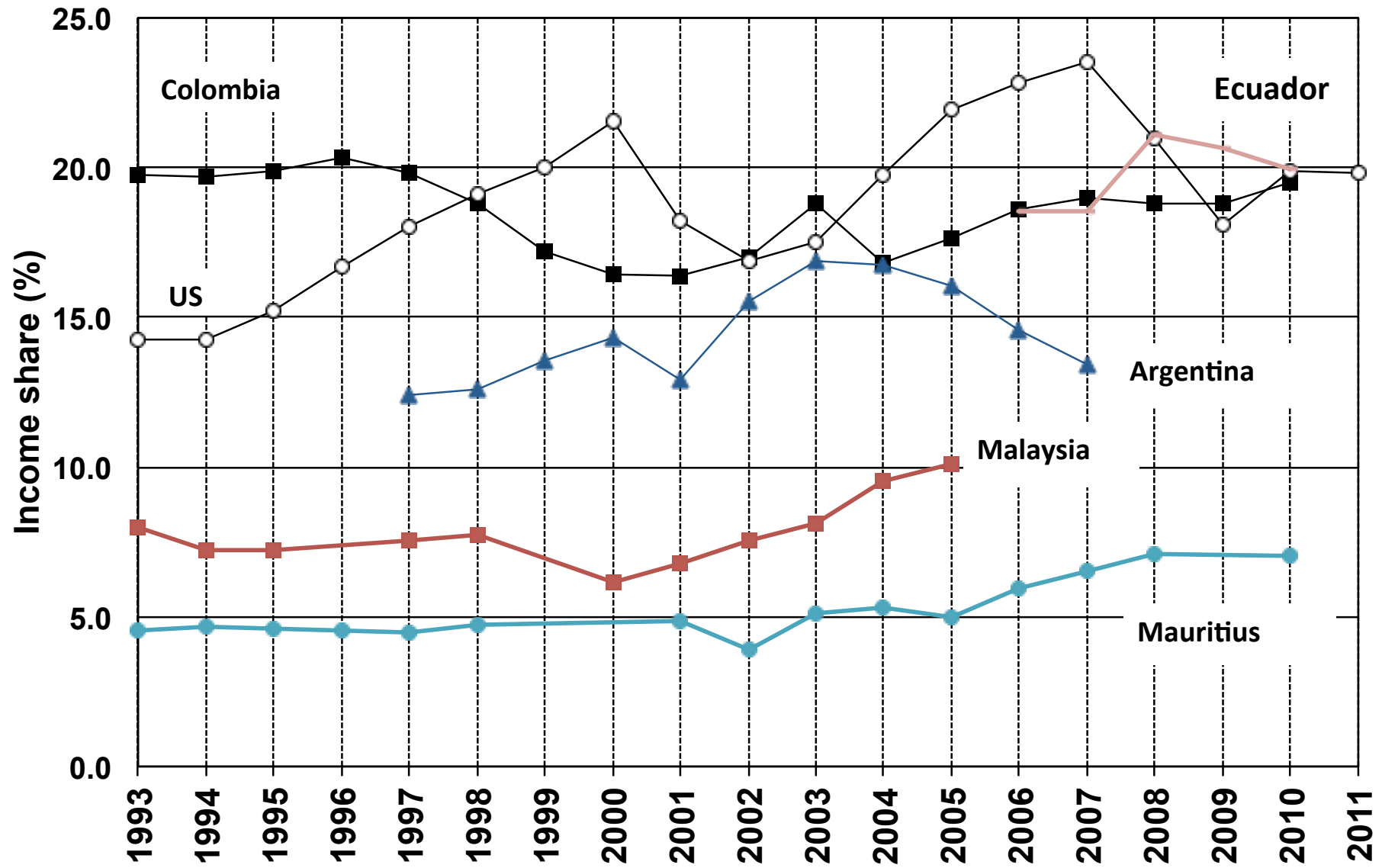
Incomes at different percentiles in Colombia, Spain and US in PPP US Dollars in 2010

Notes: Estimates for Spain and US include capital gains.

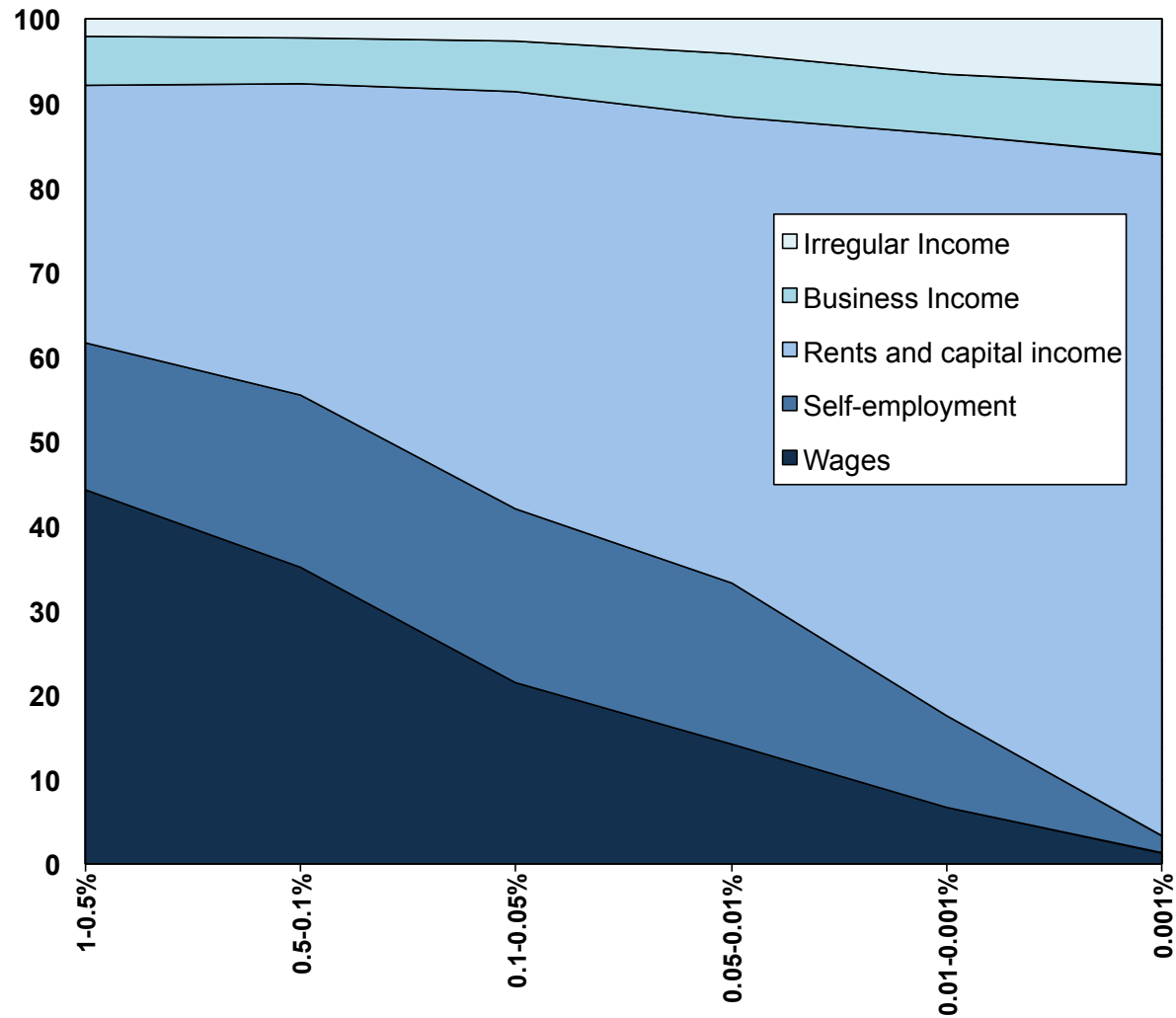
Sources: The World Top Incomes Database and authors' estimates.







The rich are mostly rentiers and capital owners



Income taxation and SSC are regressive at the top

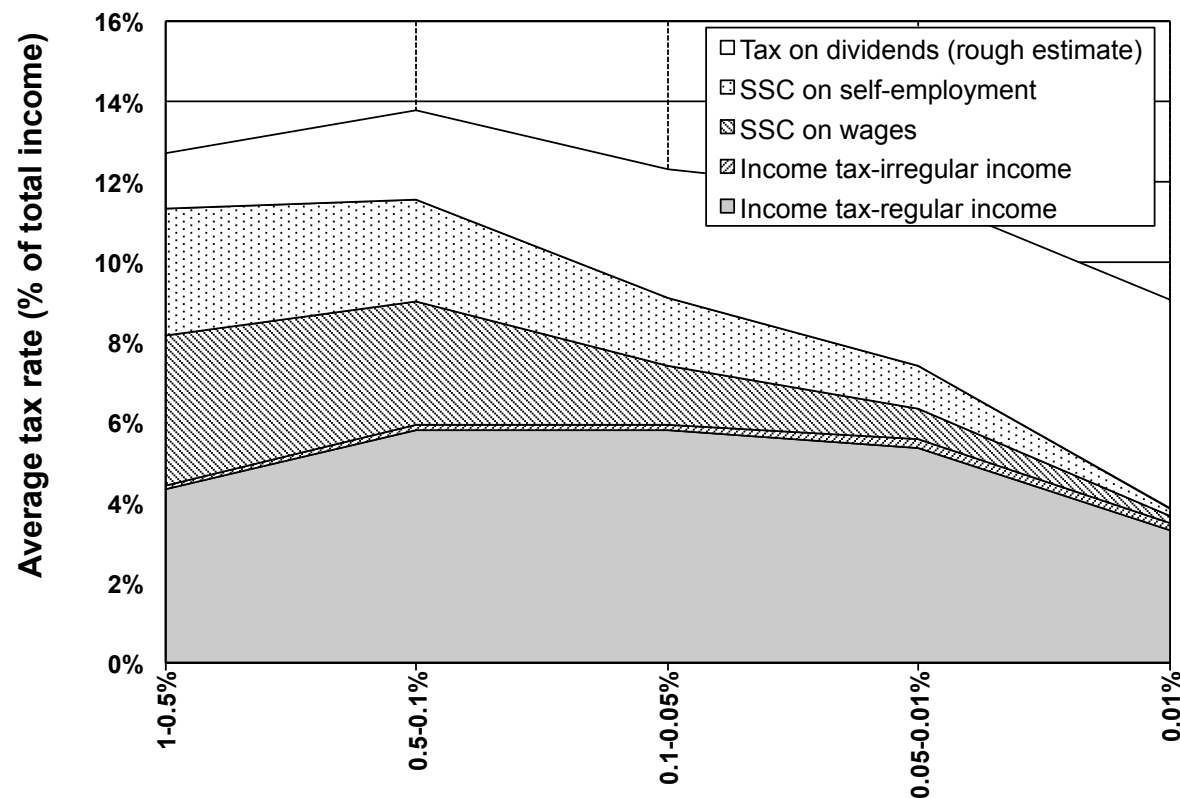
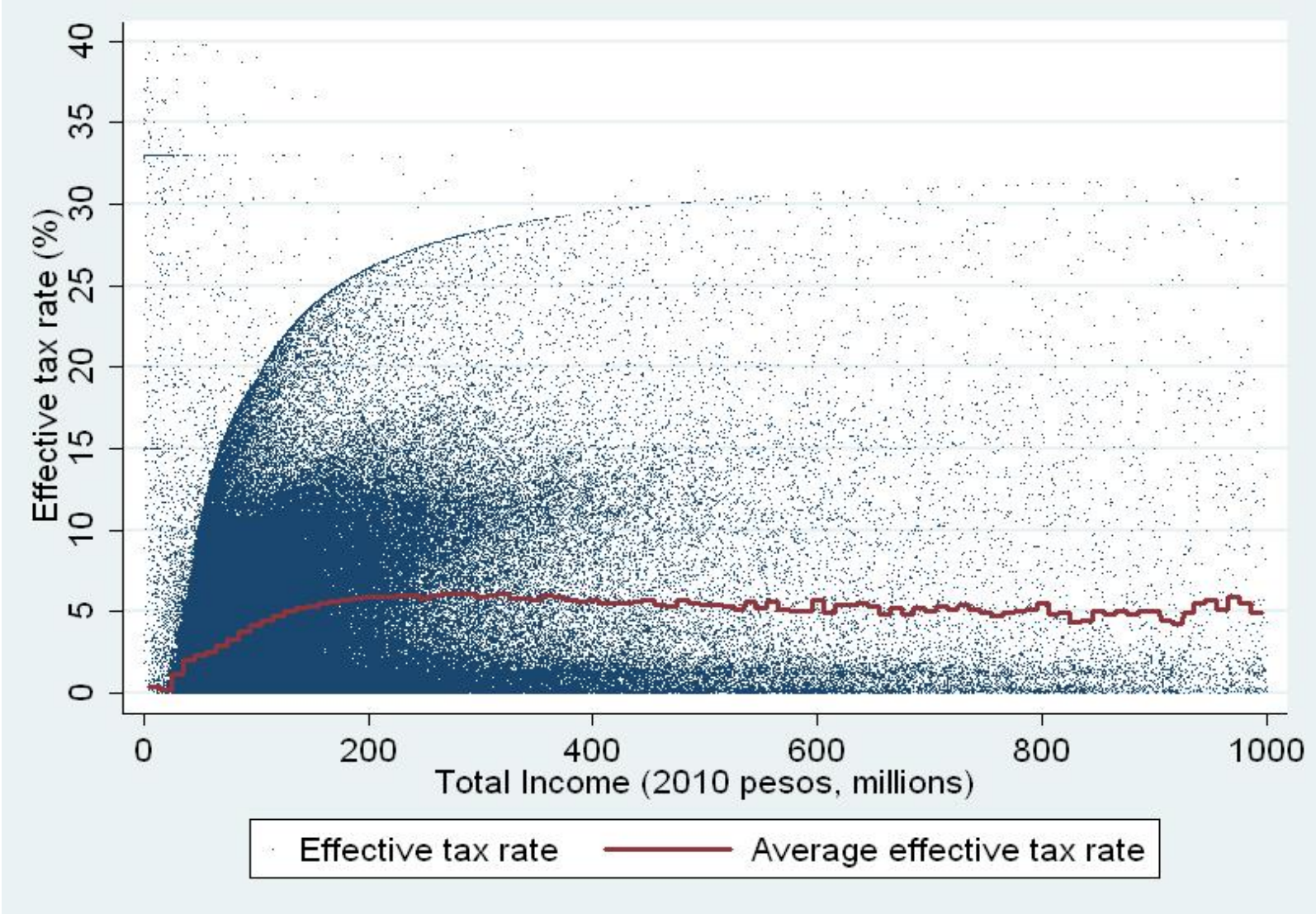


FIGURE 12

Income tax and social security contributions at the top in Colombia, 2010

Notes: SSC stands for social security contributions. It is assumed that 33% of 'ingresos no constitutivos de renta' come from taxed dividends. Irregular incomes are donations, long-term capital gains, and inheritances.

Source: Table A7.



Explanation:

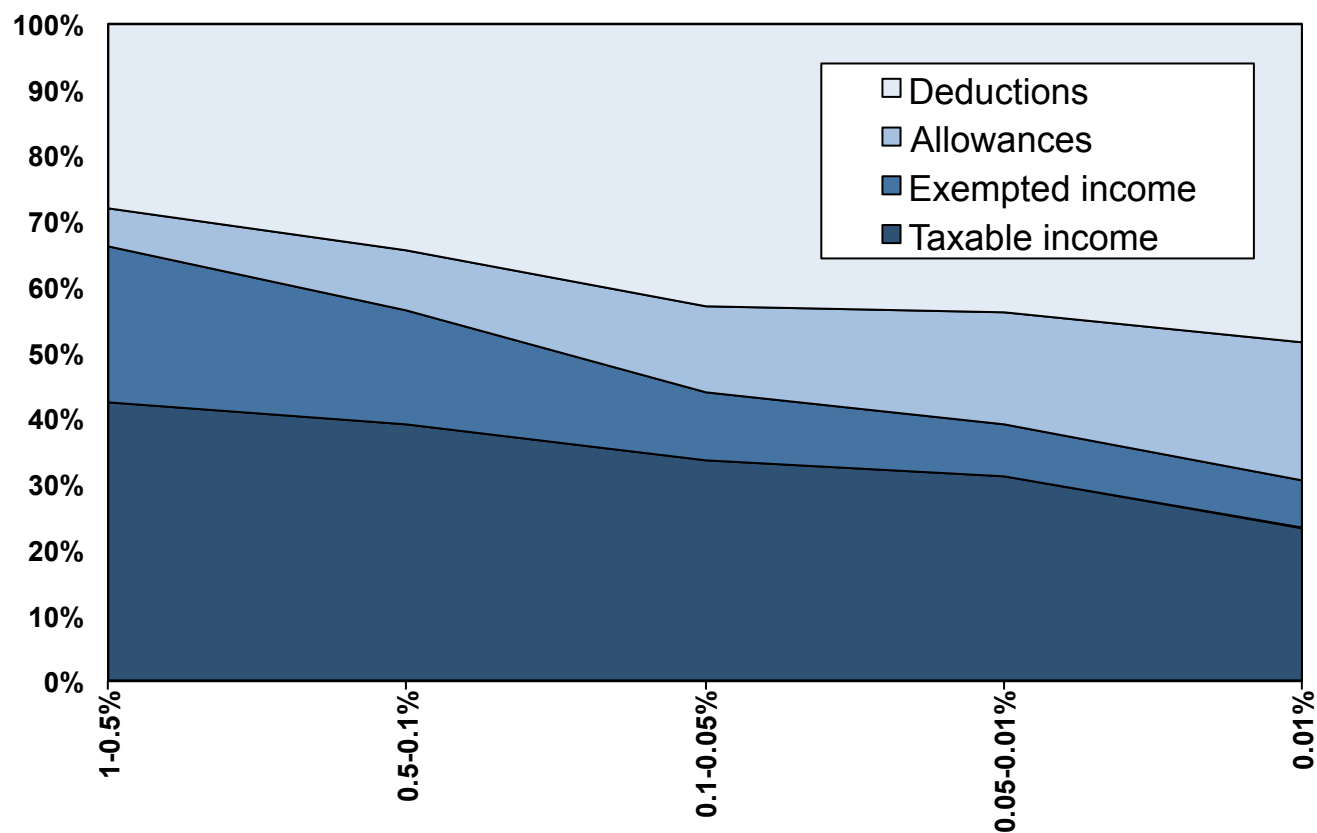


FIGURE 10

Taxable and non taxable income across top groups in Colombia, 2010

Source: Table A7.

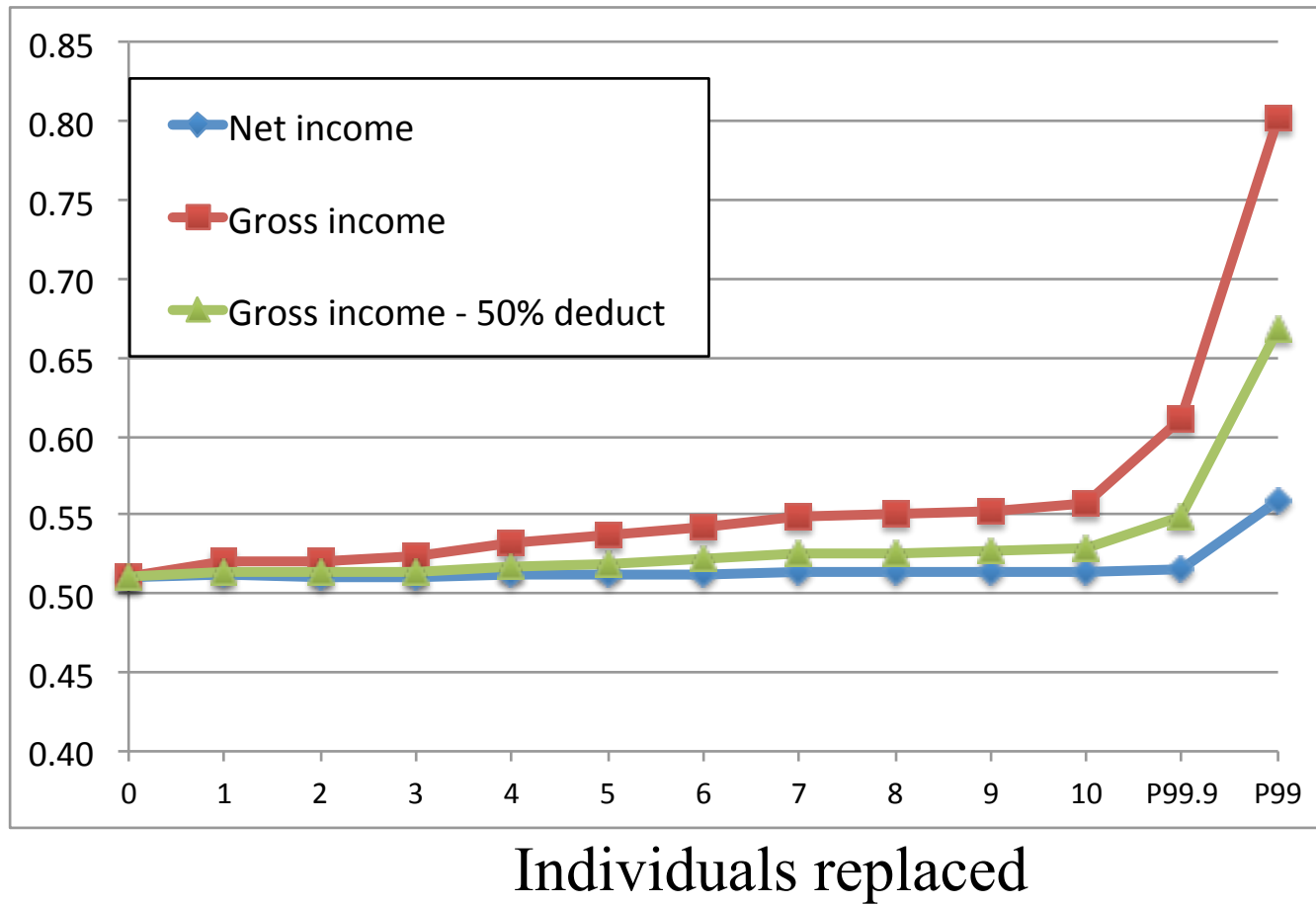
Notes: The figure assumes that 33% of income reported as "ingresos no constitutivos de renta" come from taxed dividends.

Table 4. Top income shares and Gini coefficient in Colombia, 2007-2010

Year	Top net-of-tax income share from tax data: incomes above survey P99 (%)	Gini coeff G (survey- based)	Gini coeff G* (bottom 99%) (survey-based)	Gini coeff G corrected with tax-based top 1% share
	(1)	(2)	(3)	(5)
2007	26.41	58.95	53.27	63.05
2008	27.59	54.04	48.38	60.15
2009	27.88	54.43	48.66	60.49
2010	28.00	55.35	49.97	61.49

Combining surveys and tax data

Gini



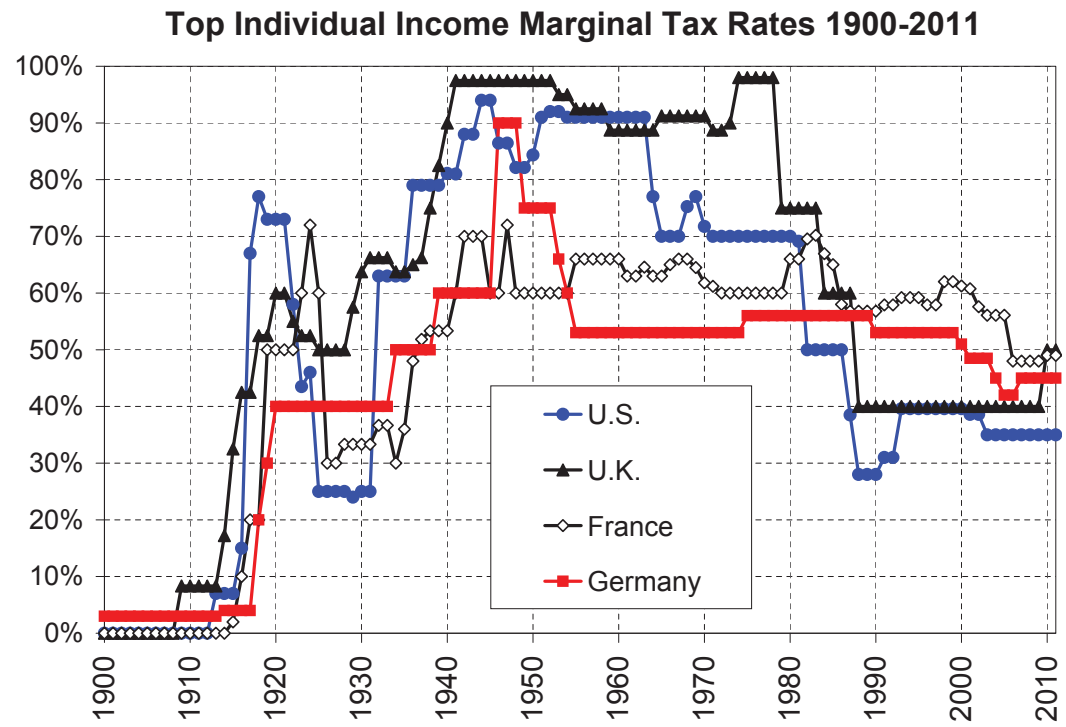


Figure 1: Top Marginal Income Tax Rates in the US, UK, France, Germany

Table 3. Comparison of top 1% income share in household surveys and tax data, Colombia 2007-2010

Year	Number of individuals in top 1%		Total Income (in th. millions)		Average income in economy (in thousands)		P99 (in thousands)		Top 1% Income Share (%)		Top 1% average Income (in thousands)	
	Survey	Tax data	Survey	Tax data	Survey	Tax data	Survey	Tax data	Survey	Tax data	Survey	Tax data
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
2007	215,027	264,375	166,730	250,439	7,754	9,473	60,155	71,695	15.2	18.3	117,656	172,950
2008	198,034	269,790	177,429	276,600	8,960	10,252	60,214	78,072	13.8	18.1	123,400	185,708
2009	208,601	275,358	189,759	292,795	9,097	10,633	64,576	84,640	13.9	18.2	126,844	193,983
2010	222,626	281,046	211,303	315,074	9,491	11,211	65,845	89,427	13.5	19.0	128,381	212,702

- All adults aged 20+ (census data) : 8,500,000
- All adults aged 20+ (survey data) : 8,800,000
- All adults aged 20 + or individuals with $y > 0$: 9,090,000

Income totals:

- Survey: \$ 29,900 million
- National Account: \$ 39,000 million
- Difference 23.3 %

HH primary income + social benefits – SS contributions – imputed SS contributions – imputed property income of insurances policy holders – imputed rental for owner occupied housing – fix capital consumption

Ecuador-survey data

	2010	Total	Top 10%	Top 1%	Top 0.1%
Wages		60.2	58.9	39.5	11.3
Self employment		25.1	27.9	45.7	67.7
Capital		6.2	6.4	9.2	16.8
Transfers		7.3	4.7	1.9	0.5
Secondary income		1.3	2.1	3.8	3.7
		100.0	100.0	100.0	100.0
Mean income (\$)		3,292	15,010	42,927	110,008
Percentile (\$)			6,732	21,720	60,960
Share (%)			45.60	13.04	3.34
Memo: Share US 2012 (%)			48.16	19.34	8.82

Ecuador 2010

Highest incomes in survey (annual)			Net incomes: tax def (net of soc sec contr)		Gross incomes: tax def (net of soc sec contr)		Incomes: net of 50% of ded (net of soc sec con		
	w	Gini	w	Gini	w	Gini	w	Gini	
		0.511							
1	736,320	68	0.510	86	0.512	2,965	0.520	2,677	0.514
2	653,280	214	0.509	105	0.511	3,089	0.520	2,731	0.513
3	480,060	383	0.507	202	0.510	3,601	0.524	2,945	0.514
4	312,000	438	0.507	416	0.511	4,963	0.532	3,533	0.517
5	242,400	644	0.506	667	0.512	6,386	0.537	4,209	0.519
6	195,600	696	0.506	970	0.513	8,051	0.543	5,100	0.522
7	160,800	835	0.506	1,368	0.513	10,254	0.549	6,256	0.525
8	152,640	869	0.506	1,503	0.513	10,971	0.551	6,605	0.526
9	144,000	930	0.505	1,655	0.514	11,889	0.553	7,091	0.527
10	129,720	1,048	0.505	2,023	0.514	13,672	0.557	8,084	0.529
P99.9	60,960	9,091	0.495	10,572	0.516	46,965	0.612	26,012	0.549
P99	21,720	90,910	0.456	84,520	0.558	164,322	0.802	129,595	0.669
Share top 0.1%			3.3		4.2		9.0		6.1
Share top 1%			13.0		12.3		23.8		17.9
Difference control total %			76.7		76.1		92.7		83.6

Income tax schedule-Ecuador

Fracción Básica	Exceso Hasta	Impuesto Fracción Básica	Impuesto Fracción Excedente
0,00	9,720	0	0%
9,720	12,380	0	0%
12,380	15,480	133	10%
15,480	18,580	443	12%
18,580	37,160	815	15%
37,160	55,730	3.602	20%
55,730	74,320	7.316	25%
74,320	99,080	11.962	30%
99,080	En adelante	19.392	35%

Social security contrib. (employee): 9.35% (private) and 11.35% (public)

Ecuador 2010 - Average income tax rates (%)

	Net incomes: tax def (net of soc sec contr)		Gross incomes: tax def (net of soc sec contr)		Incomes: net of 50% of ded (net of soc sec cont)	
	Income tax	Income tax + SSC	Income tax	Income tax + SSC	Income tax	Income tax + SSC
Top 1%	7.4	11.8	4.2	7.1	4.9	8.1
Top 0.1%	15.3	17.5	5.1	6.1	8.1	9.4