

# The Role of the Public Sector in the National Transfer Accounts of Mexico

Iván Mejía Guevara

Mtro. Félix Vélez Fernández Varela

IDRC-ECLAC PROJECT

NATIONAL POPULATION COUNCIL-MEXICO (CONAPO)

Sixth Annual National Transfer Accounts Workshop, January 9-10,  
Berkeley, California

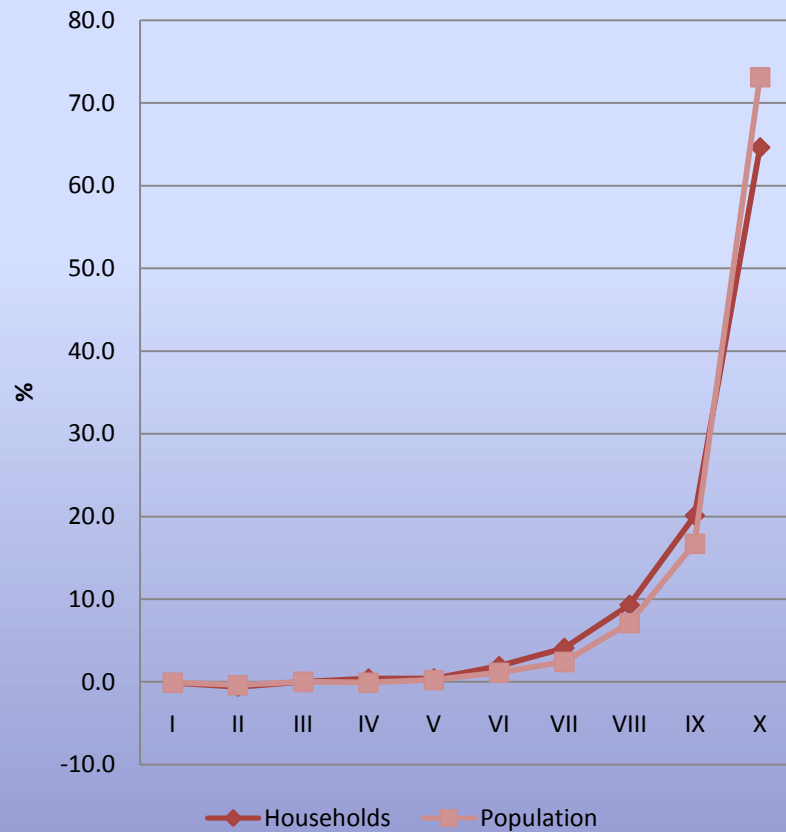
# Outline

- I. Public Transfer Outflows
- II. Oil Revenues
- III. NTA Estimates

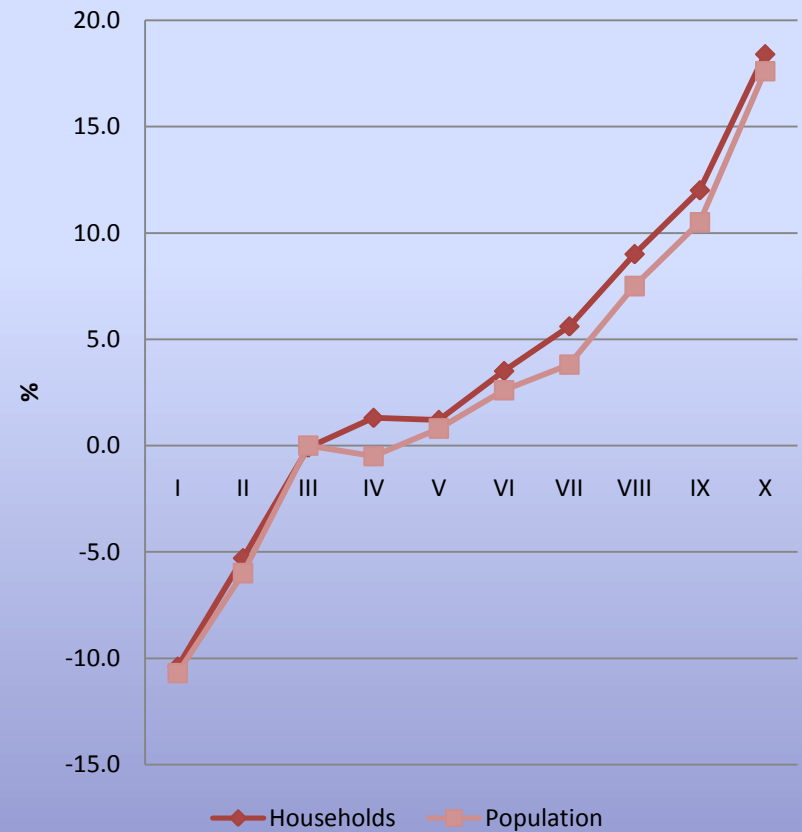
# **I. Public Transfer Outflows**

# Contribution for the Payment of Income Tax (ISR) by Income Deciles, Mexico 2004

## ISR Contribution



## ISR Incidence



# Contribution for the Payment of SSC by Income Deciles, Mexico 2004

### SS Contribution



### SS Incidence

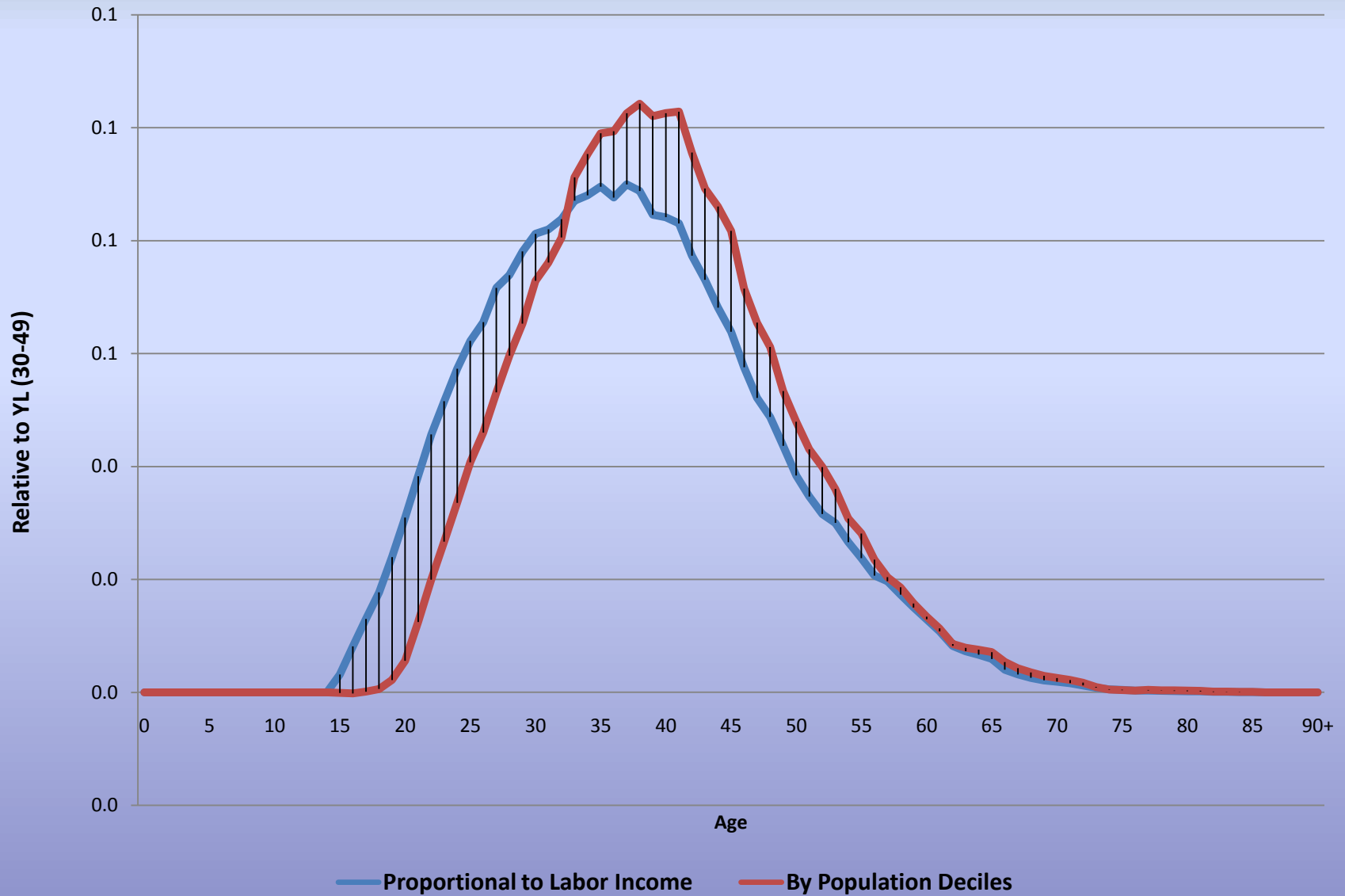


# Macroeconomic Control for Income Tax by Income Deciles, Mexico 2004

Income decil	Contribution to ISR (%)	Macro control s (billion Mexican pesos)
I	-0.1	(232.3)
II	-0.6	(1,394.1)
III	0	-
IV	0.4	929.4
V	0.4	929.4
VI	1.9	4,414.6
VII	4.1	9,526.3
VIII	9.3	21,608.4
IX	20.1	46,702.0
X	64.6	150,097.0
Total	100.0	<b>232,348.3</b>



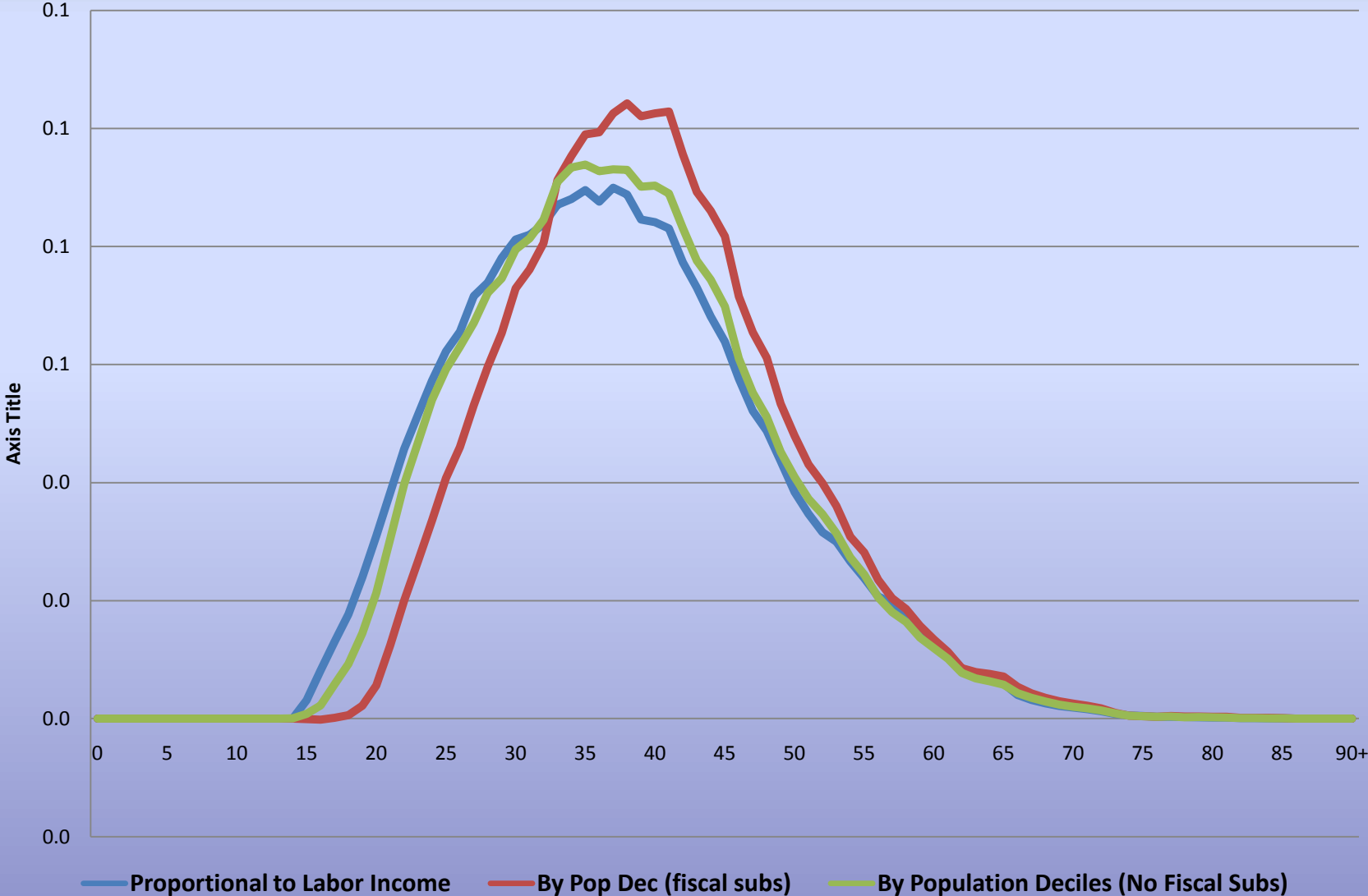
# Age Profiles of Income Tax\*, Mexico 2004



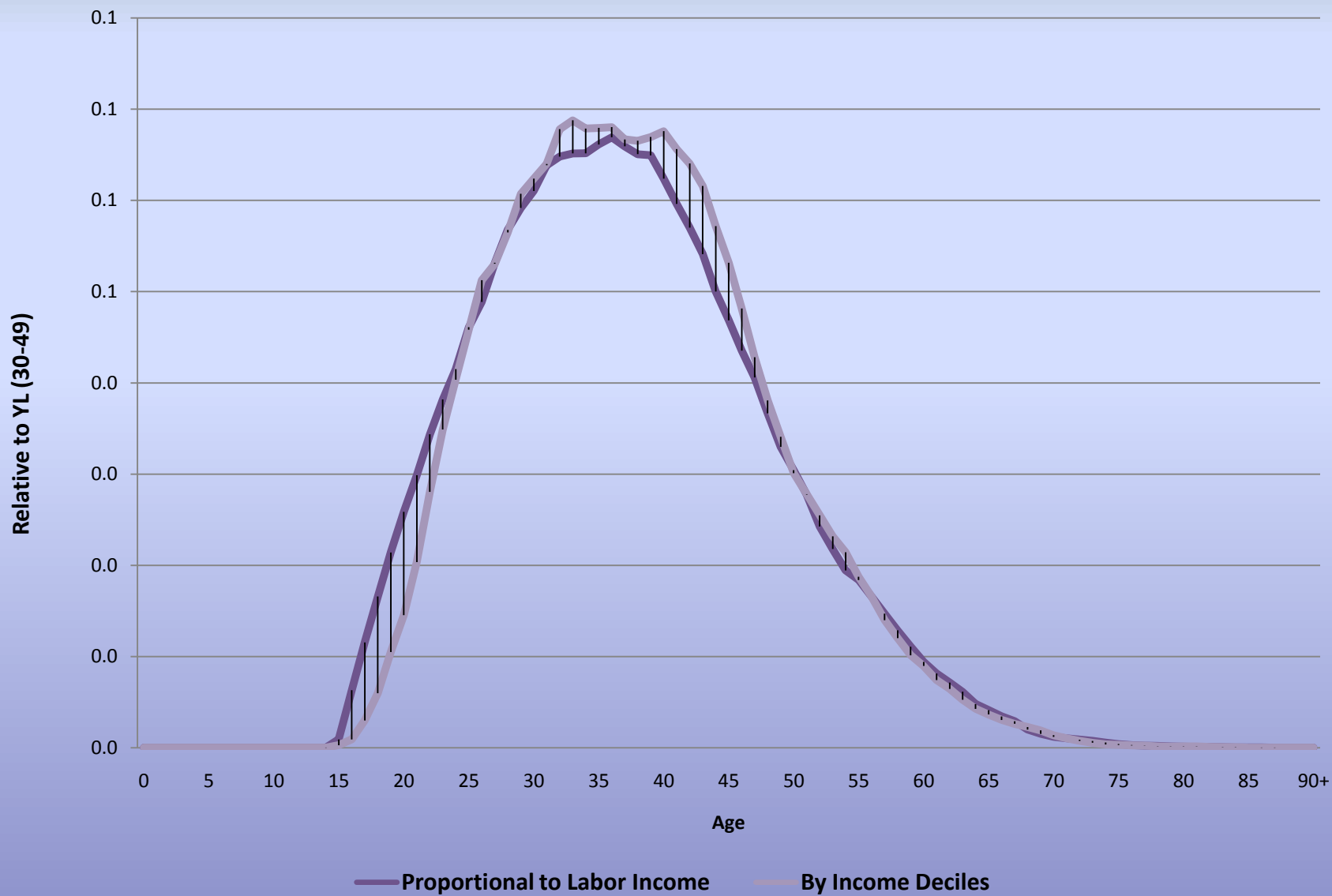
\* Includes fiscal subsidies to low income deciles' population.



# Effects of Fiscal Subsidies on the Allocation of ISR, Mexico 2004

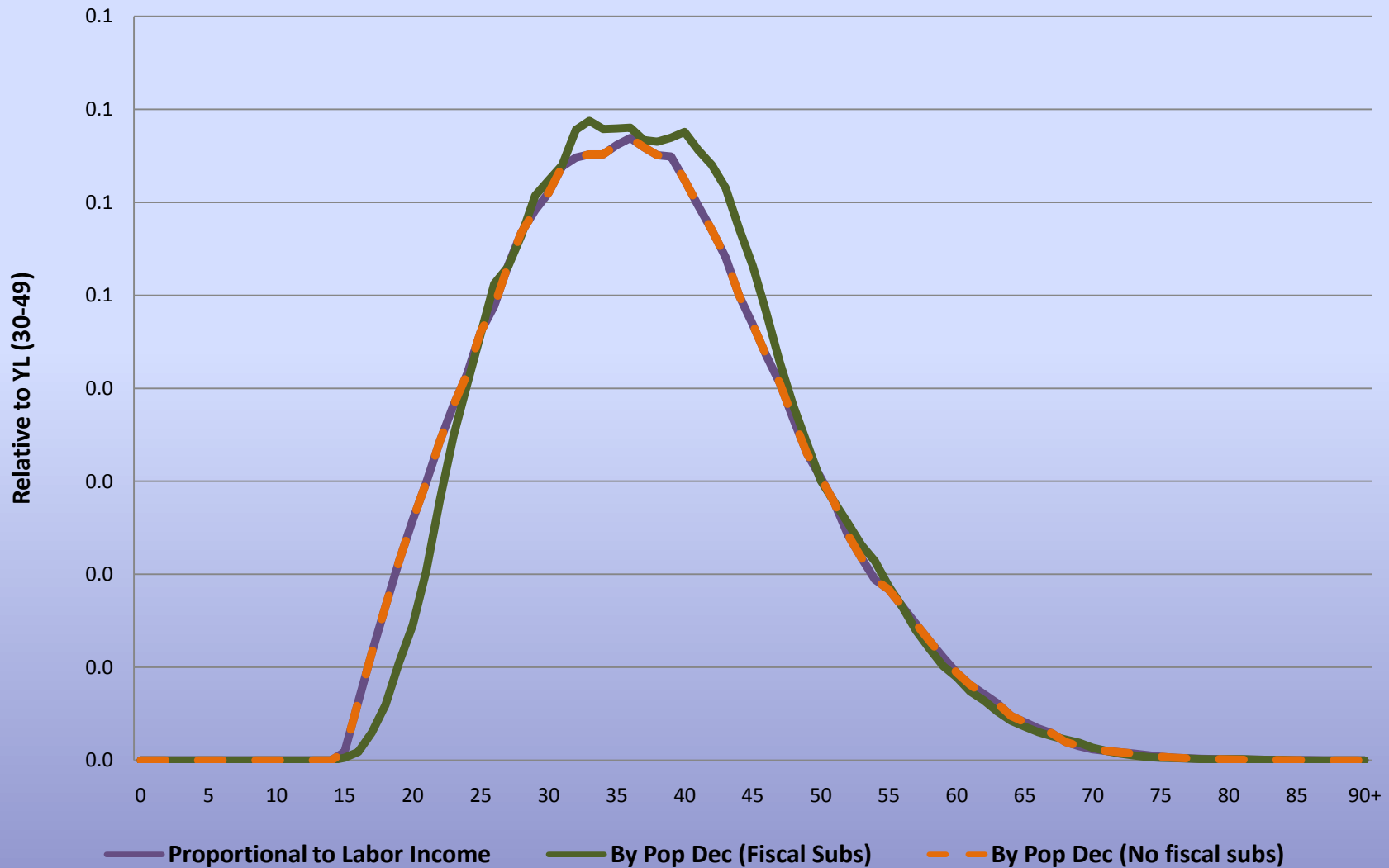


# Age Profile of Social Security Contributions\*, Mexico 2004

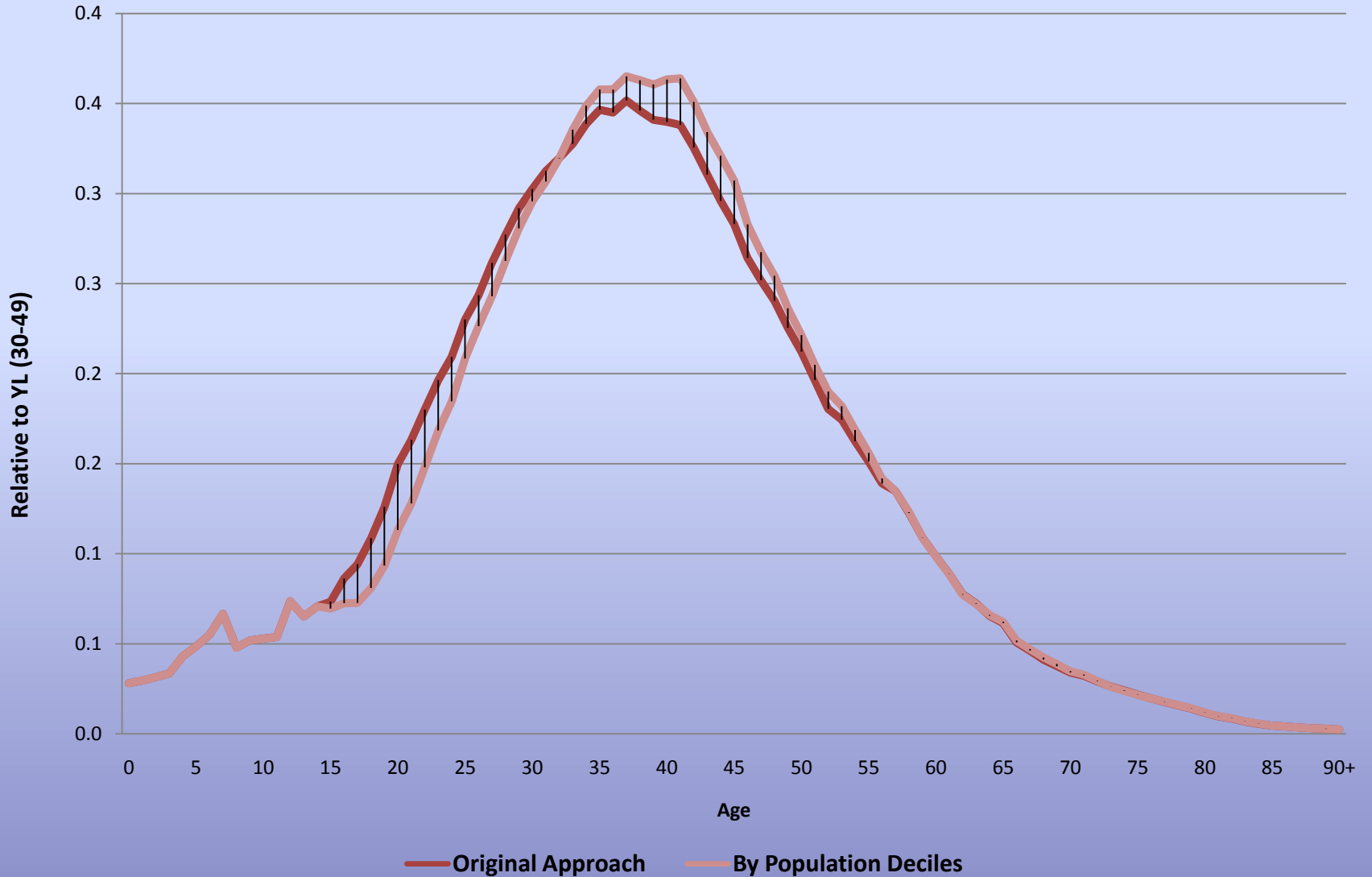


\* Includes fiscal subsidies to low income deciles' population.

# Effects of Fiscal Subsidies on the Allocation of SSC, Mexico 2004

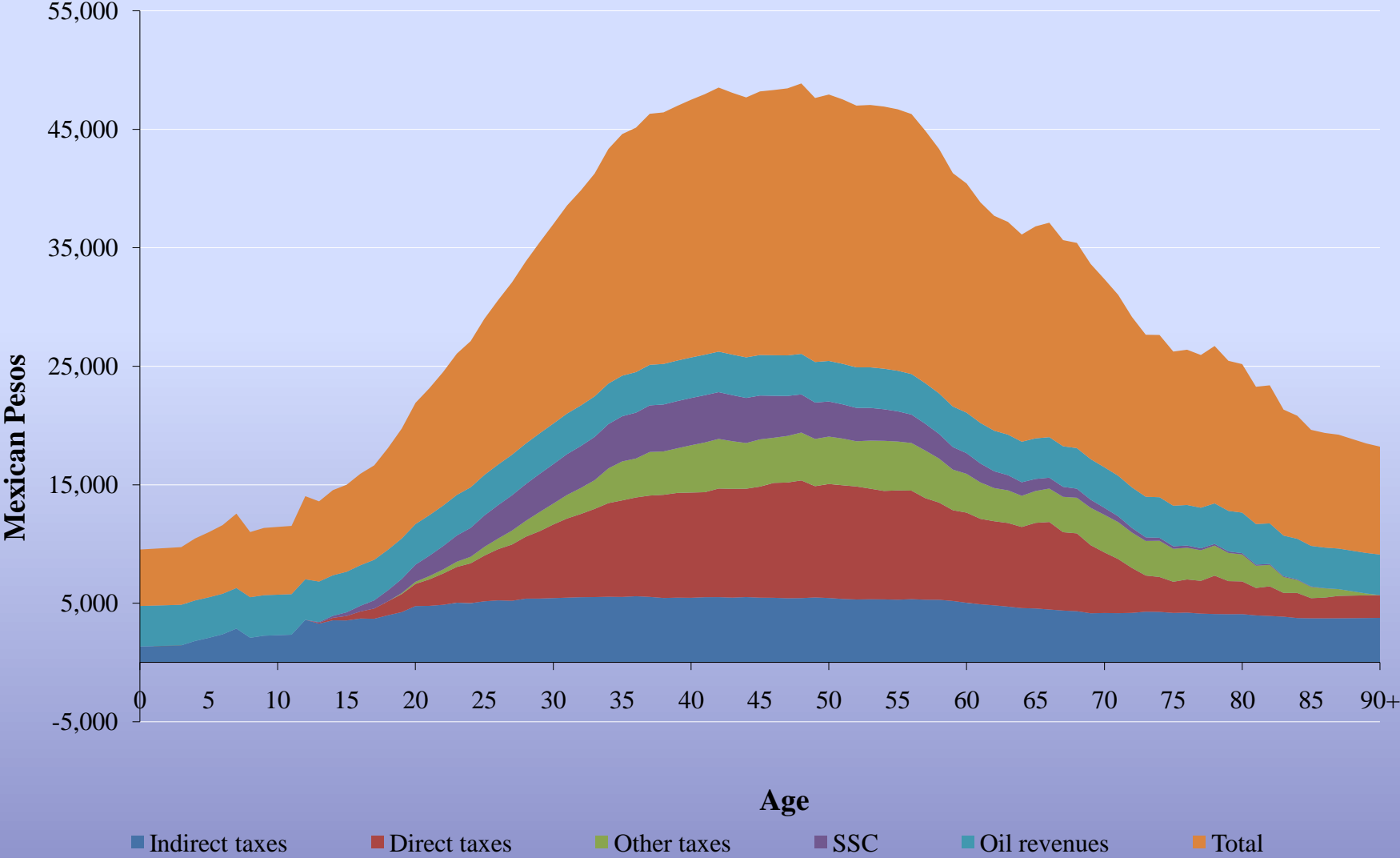


# General Tax Profile, Mexico 2004



## **II. Oil Revenues**

# Public Outflows, Mexico 2004



# Public Transfers Outflows: Treatment of Oil Revenues

Transfer Outflows	UN SNA	SNA – PEMEX	Labor Income	Asset Income	Consumption	Rest of the World
<b>TOTAL</b>	-1,509,858	-1,138,128	-572,264	-191,821	-373,306	-736
<b>Taxes on production and imports [1]</b>	<b>-819,276</b>	-447,545	-22,765	-18,696	-406,085	
Taxes on products	-777,816	-406,085	0	0	-406,085	
Value added type taxes (VAT)	-291,147	-291,147	0	0	-291,147	
Taxes and duties on imports excluding VAT	-29,693	-29,693	0	0	-29,693	
<b>Export Taxes</b>	<b>-110,711</b>	<b>0</b>	0	0	0	
Taxes on products except VAT, import and export taxes	-346,264	-85,245	0	0	-85,245	
Monopoly revenues and excise (tobacco and alcohol)	-31,911	-31,911	0	0	-31,911	
<b>Excise tax (Gasoline)</b>	<b>-53,335</b>	<b>-53,335</b>	0	0	-53,335	
Taxes on financial transactions	0	0	0	0	0	
<b>Other</b>	<b>-261,019</b>	<b>0</b>				
Other taxes on production	-41,460	-41,460	-22,765	-18,696	0	
<b>Subsidies [1]</b>	<b>32,778</b>	32,778	0	0	32,778	
<b>Current taxes on income, wealth, etc. [2]</b>	<b>-405,474</b>	-405,474	-232,348	-173,126	0	
Taxes on income	-368,013	-368,013	-194,888	-173,126	0	
Individual income tax	-194,888	-194,888	-194,888	0	0	
Corporate income tax	-173,126	-173,126	0	-173,126	0	
Other current taxes	-37,461	-37,461	-37,461	0	0	
<b>Social contributions [2,3]</b>	<b>-175,415</b>	-175,415	-175,415	0	0	
Employers' actual social contributions	-153,351	-153,351	-153,351	0	0	
Imputed social contributions	-22,065	-22,065	-22,065	0	0	
<b>Other current transfer outflows [2]</b>	<b>-142,471</b>	-142,471	-141,735	0	0	-736

# Taxes and Royalties of PEMEX

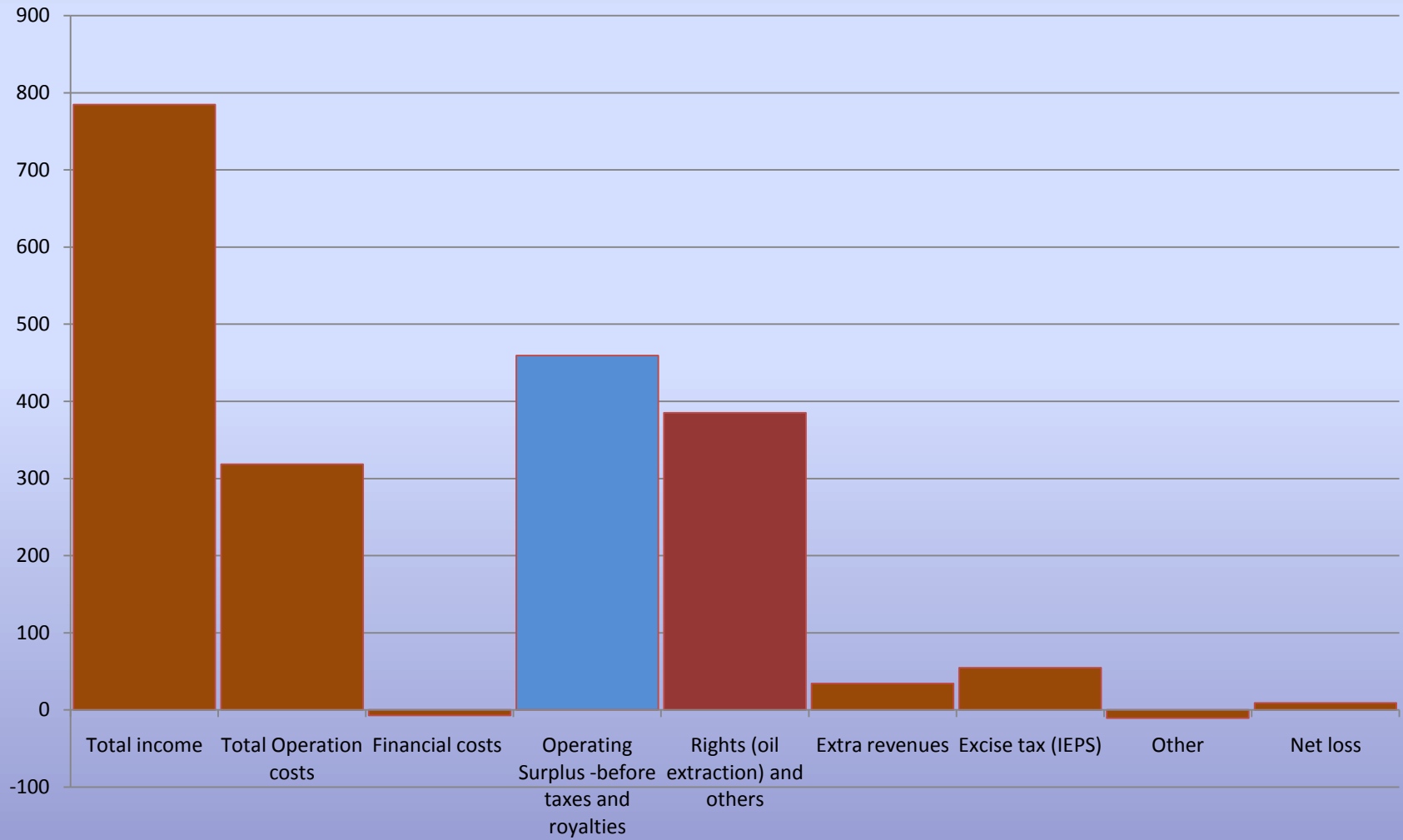
## 1. Royalties

- a) Tax to the extraction: 52.3% over cash flow resulting from the difference between oil sells and extraction costs
  - b) Extraordinary: 25.5% (same base)
  - c) Additional: 1.1% (same base)
- 2. Tax to oil revenues: Equivalent to ISR for corporations (35%)
  - 3. Excise tax [Gasoline and diesel (IEPS)]
  - 4. Value Added tax (VAT)
  - 5. Excise Tax (IEPS): rates depend on: product, producer prices, geographical selling

NOTE: Total Taxes and Royalties: 60% of total sells to others.



# PEMEX Operating Surplus and Net Loss



# Reallocation of Oil Revenues: Public Property Income, Mexico 2004

Public Asset Income	UN SNA	SNA + PEMEX
Asset Income (total)	-64,032	307,698
Operating surplus, net	0	0
Property income, net	-64,032	307,698
Property inflows	123,623	495,354
Property outflows	-187,656	-187,656
Interest, net	-145,294	-145,294
Inflows	42,355	42,355
Outflows	-187,649	-187,649
Distributed income of corporations, net	71,086	71,086
Inflows	71,086	71,086
Outflows	0	0
Reinvested earnings on DFI, net	0	0
Inflows	0	0
Outflows	0	0
Property income to insurance policyholders	320	320
Inflows	320	320
Outflows	0	0
<b>Rent, Net</b>	<b>9,856</b>	<b>381,586</b>
<b>Inflows</b>	<b>9,863</b>	<b>381,594</b>
Outflows	-7	-7

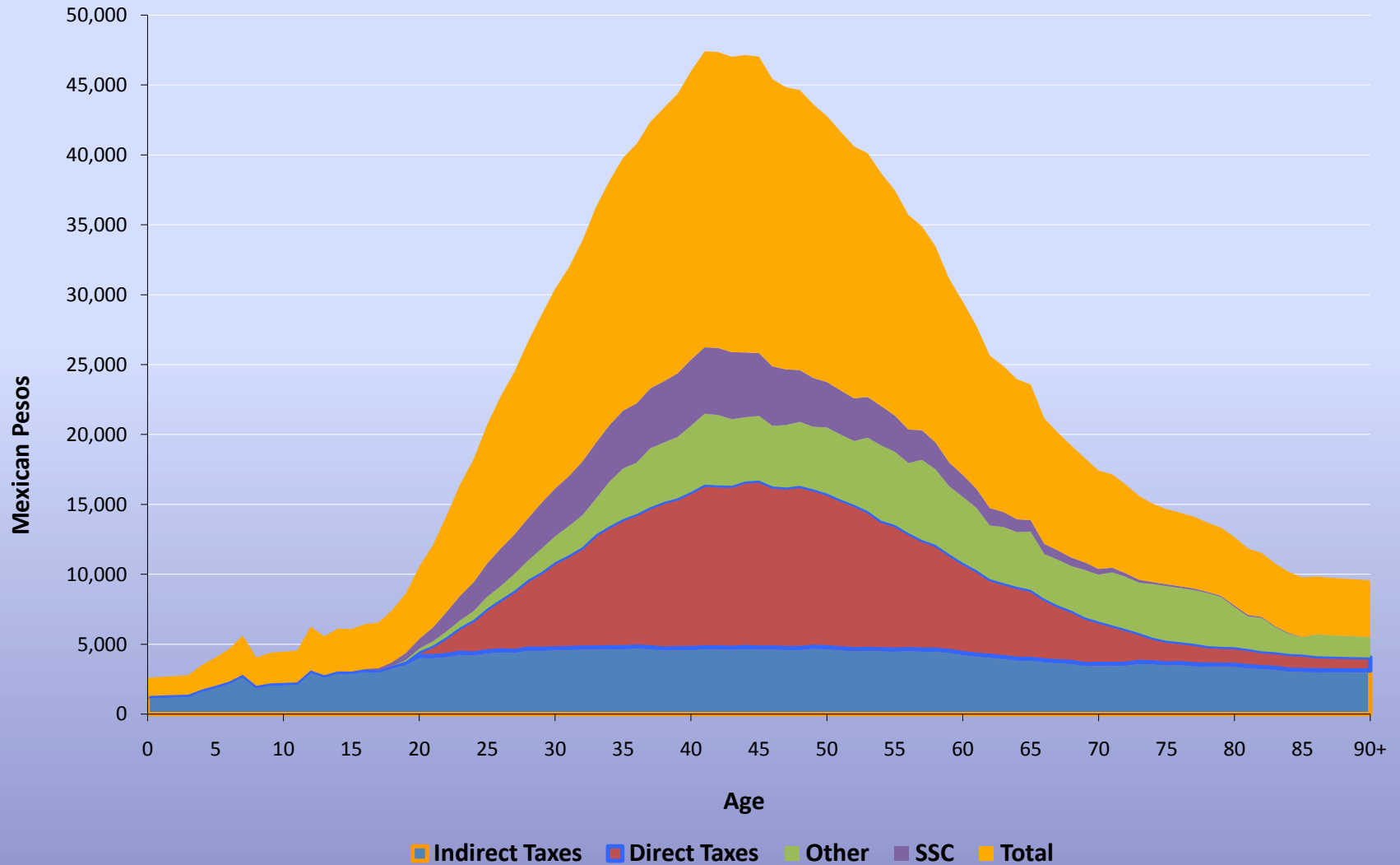
# Reallocation of Oil Revenues: Private Property Income, Mexico 2004

Private Asset Income	UN SNA	SNA + PEMEX
Asset Income (total)	3,101,616	2,358,155
<b>Capital income, net</b>	<b>3,173,129</b>	<b>2,801,399</b>
<b>Other taxes less subsidies on production</b>	<b>390,426</b>	<b>18,696</b>
Property income, net	-71,513	-443,244
Property inflows	2,212,109	2,212,109
Property outflows	-2,283,622	-2,655,353
Interest, net	41,209	41,209
Inflows	467,430	467,430
Outflows	-426,221	-426,221
Distributed income of corporations, net	-91,793	-91,793
Inflows	1,686,806	1,686,806
Outflows	-1,778,598	-1,778,598
Reinvested earnings on DFI, net	-10,754	-10,754
Inflows	14,782	14,782
Outflows	-25,536	-25,536
Property income to insurance policyholders	-320	-320
Inflows	15,343	15,343
Outflows	-15,663	-15,663
<b>Rent, Net</b>	<b>-9,856</b>	<b>-381,586</b>
Inflows	27,748	27,748
<b>Outflows</b>	<b>-37,603</b>	<b>-409,334</b>

# Transfers Surplus(+)/Deficit(-)

Structure of Public Flow Account	SNA		SNA - PEMEX	
<b>Public Transfers</b>				
Net Public Transfers		0		0
Public Transfer Inflows		1,237,652		1,237,652
In-kind Transfer Inflows	913,971		913,971	
Cash Transfer Inflows	323,681		323,681	
Public Transfer Outflows		-1,237,652		-1,237,652
<b>Taxes and Grants</b>	<b>-1,509,858</b>		<b>-1,138,128</b>	
<b>Transfers Surplus(+)/Deficit(-)</b>	<b>272,206</b>		<b>-99,525</b>	
<b>Public Asset-based Flows</b>				
<b>Public Asset-based Reallocations</b>		<b>-272,206</b>		<b>99,525</b>
<b>Asset Income, net</b>		<b>-64,032</b>		<b>307,698</b>
Less: Public Saving		208,174		208,174

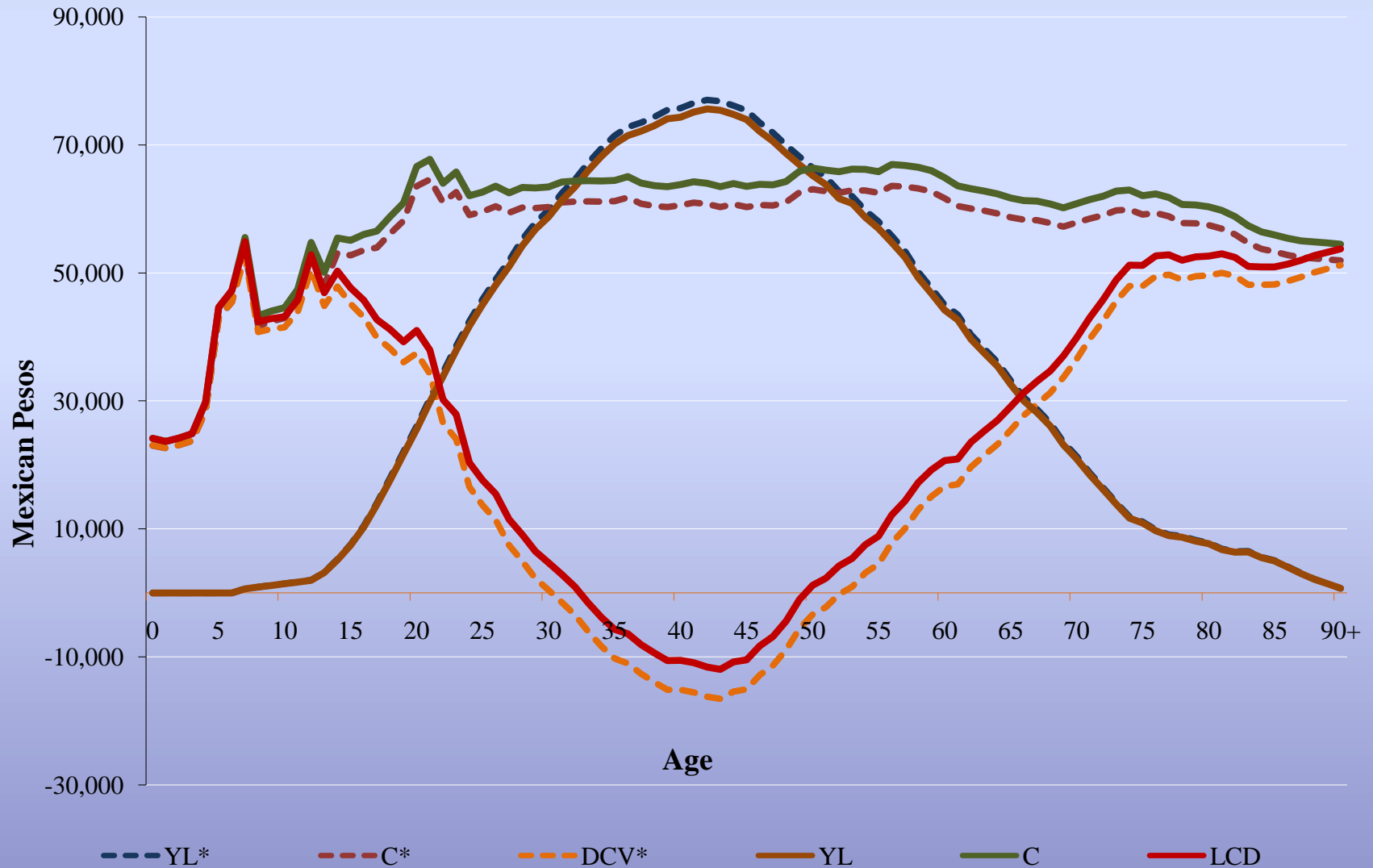
# Public Outflows (withou Oil Revenues), Mexico 2004



### **III. NTA Estimates**

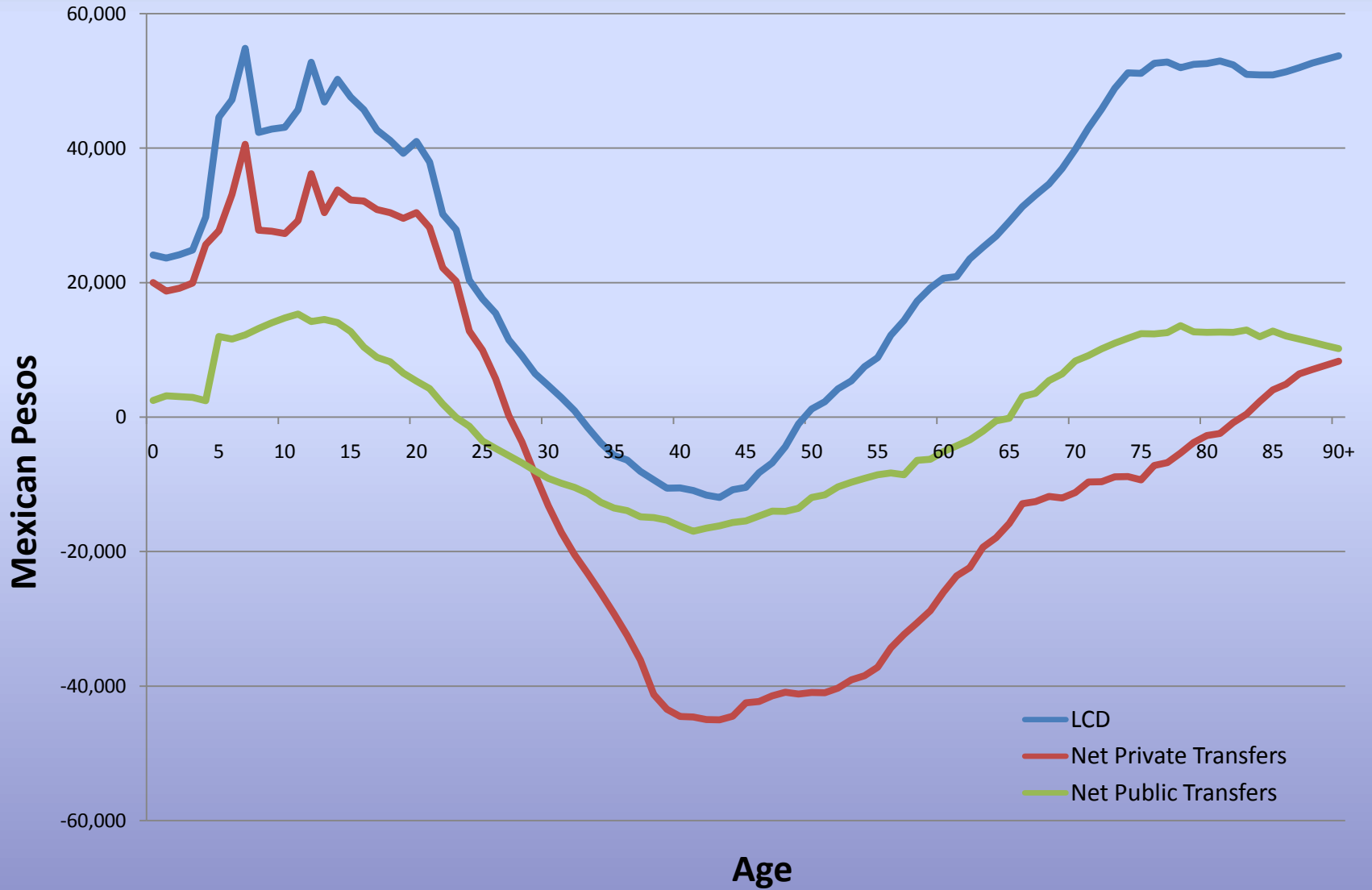
# Life Cycle Deficit: Treatment of Oil Revenues

## Mexico 2004



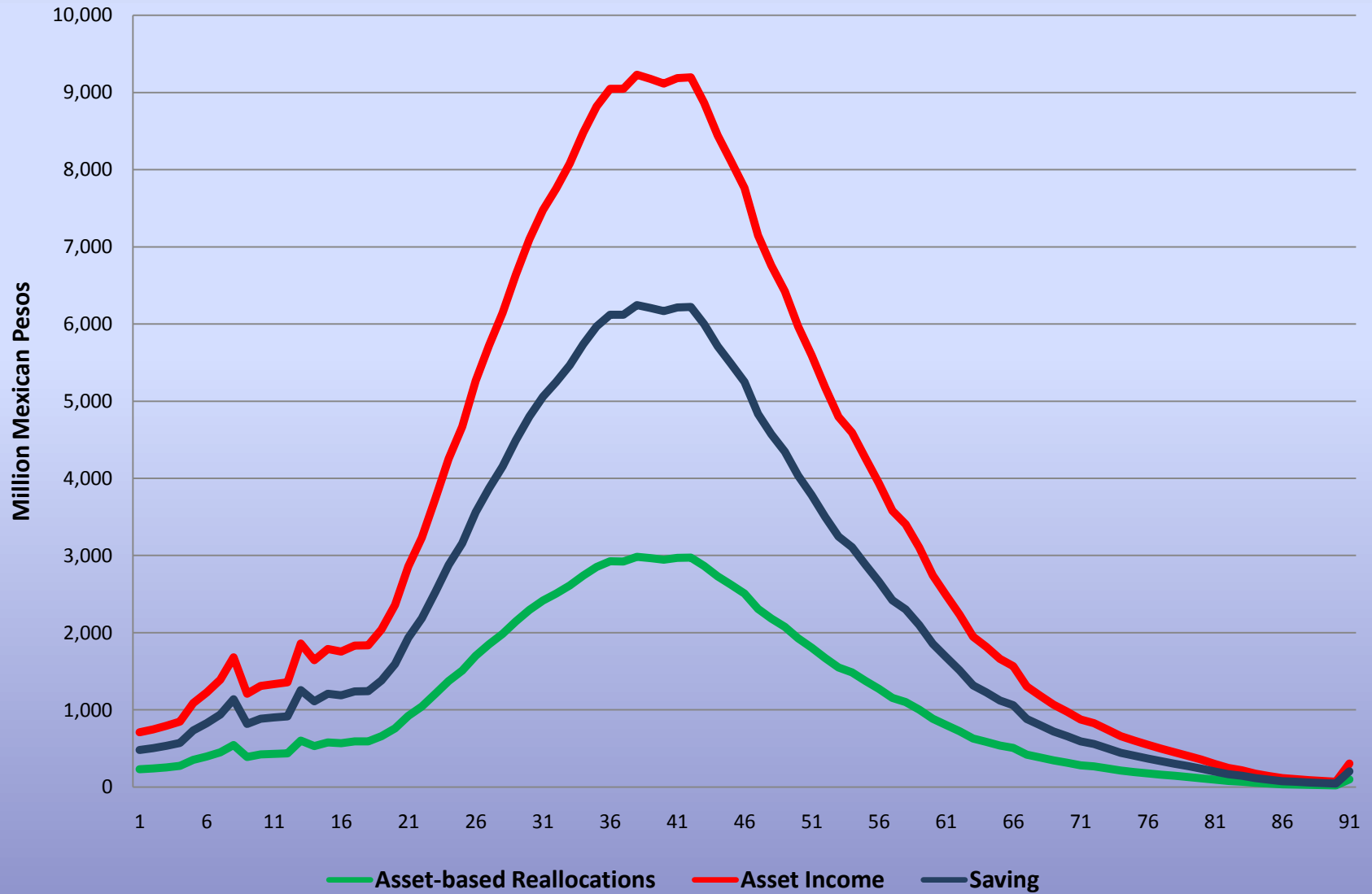
\* Treatment of oil revenues as indirect taxes and their functional classification as YL and asset income.

# LCD vs. Net Transfers

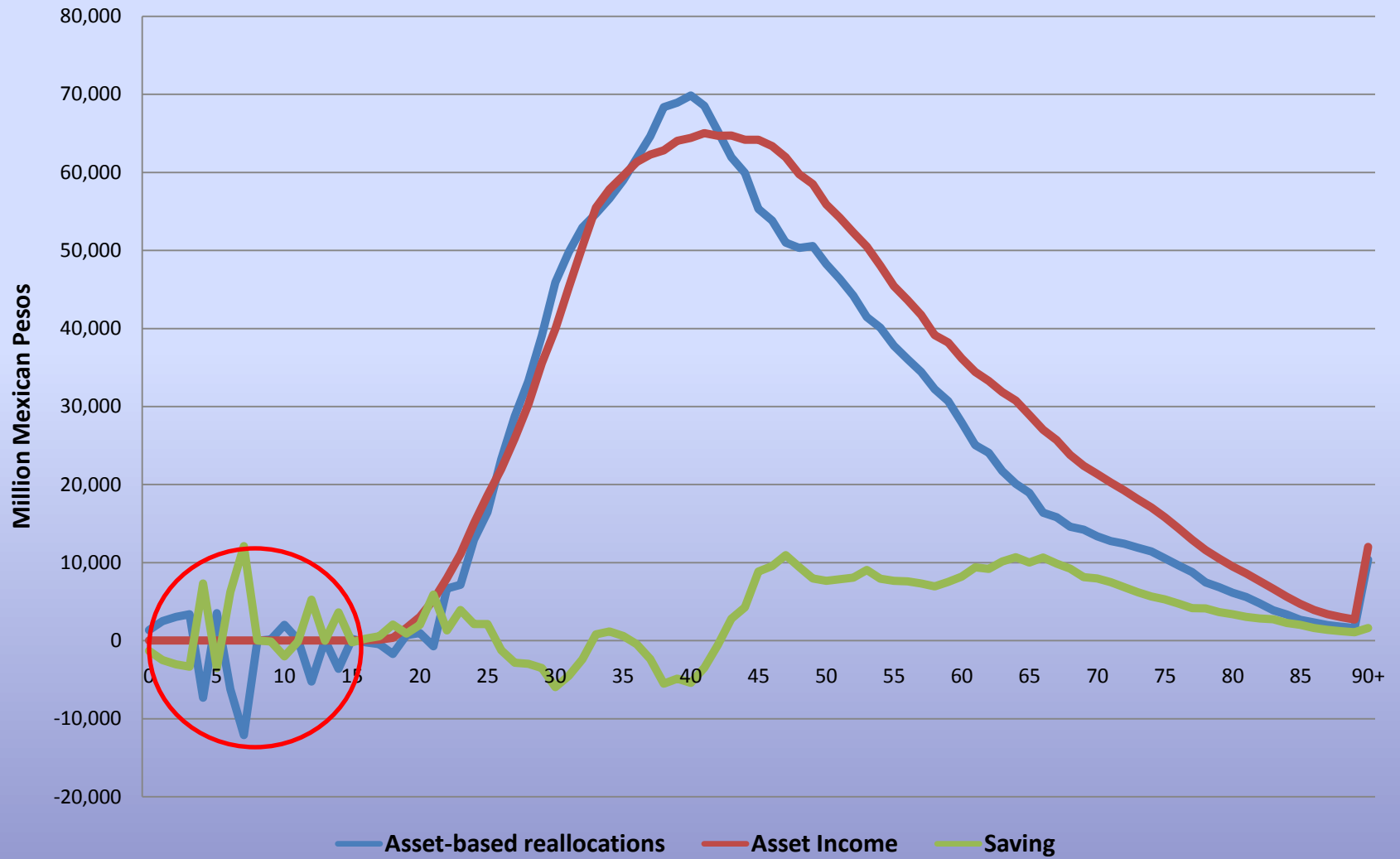




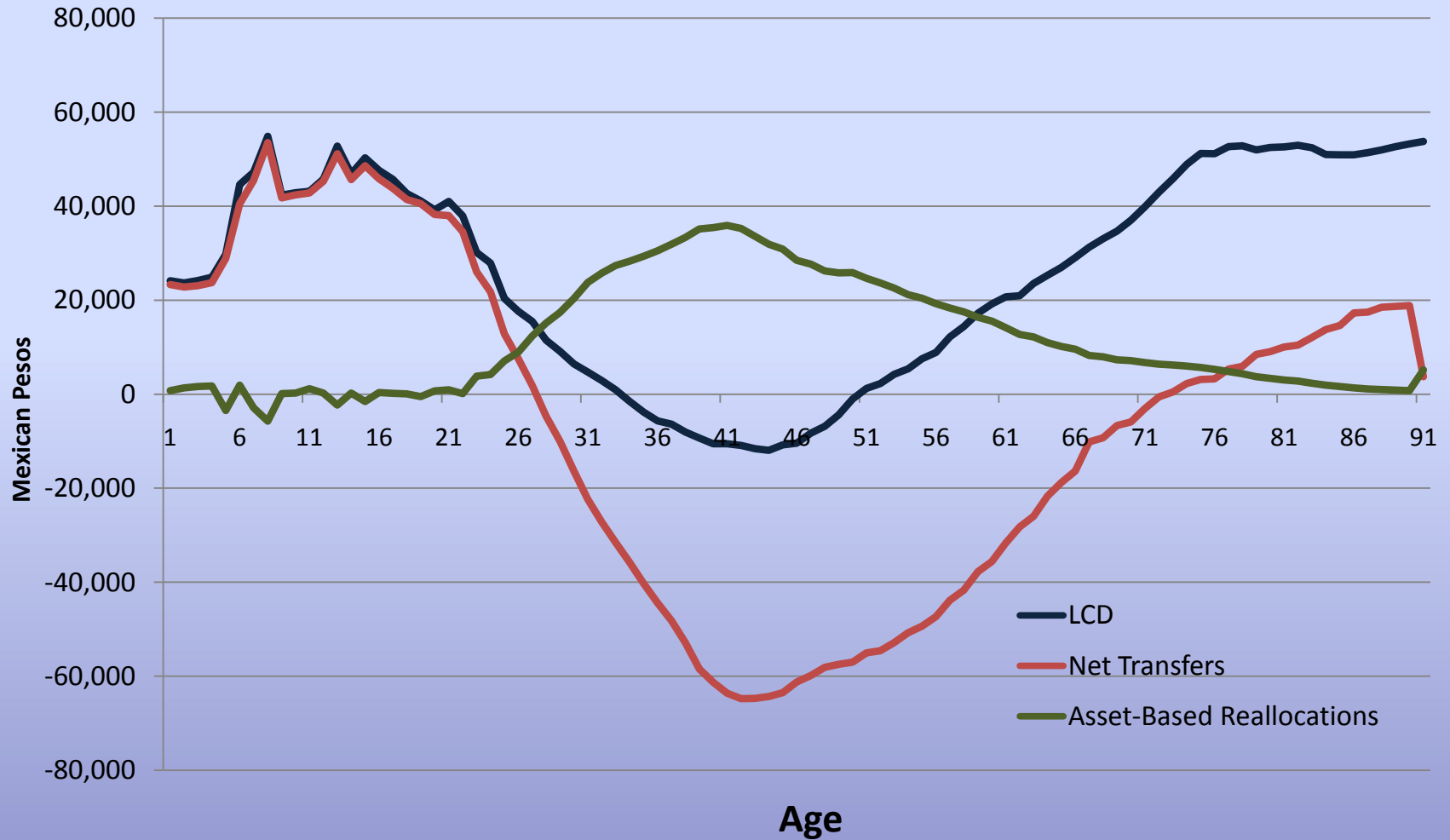
# Public Asset-based Reallocations (Aggregate), Mexico 2004



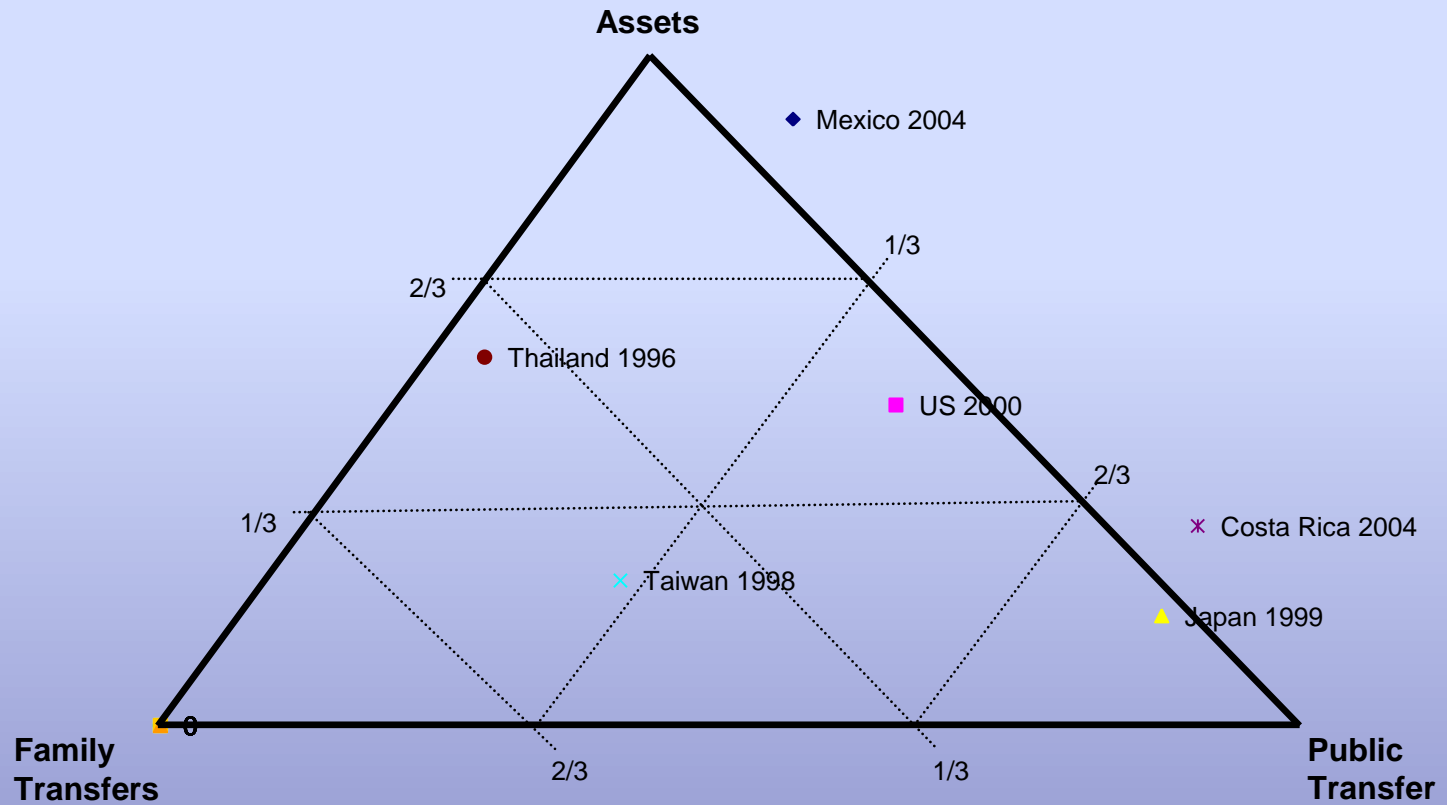
# Private Asset-based Reallocations (Aggregate), Mexico 2004



# Per Capita LCD, Net Transfers and Asset Based-Reallocations, Mexico 2004



# Support of LCD for 65+



## Future Work

1. Complete NTA estimates: 2000, 2002, 2005 and 2006
2. Generational Accounts 2004
3. Article for IDRC-ECLAC Project