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Recenzia B
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<i>Prosím nezasahujte do tejto tabuľky</i>

RECENZENT/KA (meno a priezvisko, pozícia, inštitúcia): **Milan Výškrabka**NÁZOV MATERIÁLU: **Elasticity of Taxable Income in Slovakia**TYP VÝSTUPU*[1]: **Analýza**

(pri spoločných výstupoch uviesť aj typy individuálnych vkladov):

ANALYTICKÝ ÚTVAR, REZORT: **Ministerstvo financií SR - Inštitút finančnej politiky**AUTORI/KY: **Martin Mikloš;**

SPOLUAUTORI/KY: - - ; - - ; - - ; - -

RECENZNÝ FORMÁT*[2]: **2****PRIPOMIENKY:**

P.č.	Pripomienka sa vzťahuje k (strana, odsek):	Text pripomienky*[3]	Odôvodnenie pripomienky	Vysporiadanie sa s pripomienkou*[4]
1		I would strongly advise you to make it very clear whether the reported results are elasticities with respect to the marginal tax rate or net-of-tax rate.	This may not be evident for the time-constrained reader.	Accepted: Added clarifications to key parts of the text.
2		One important caveat of the paper is the use of one-year growth rates in the estimation. Any (data-informed) tax	The response of taxable income on impact is a necessary ingredient covering	Partially accepted:

		<p>reform should be designed with the longer-term impact/equilibrium in mind.</p>	<p>the transition period. Nevertheless, changes in income two-three years following the reform could shed more light on the dynamics of the adjustment process. This would certainly be worth exploring in a future update of the analysis.</p>	<p>I agree, but this approach was chosen due to data limitations and reforms which occurred too close to each other. I elaborated on the discussion of the advantages and disadvantages and included a reference to another paper (Neisser, 2018) which shows that 1-year changes are as frequent in the literature as 3-year changes and if anything, 1-year changes tend to yield higher ETI estimates. However, no further analysis was conducted here.</p>
3		<p>In light of Figure 2a, I am wondering whether the control group in the diff-diff models is well defined as the average growth rate of income of top-earners between 2012 and 2018 is clearly below the rate of growth of the other income groups.</p>	<p>Figure 2a shows that the labour income of top 1% earners did not grow at the same rate as the income of other groups. The question is whether the control group is well defined.</p>	<p>Not accepted: Valid concern, but most of the discrepancy is caused by divergent growth in 2004-2010. The placebo test in Tab1 intends to show that this is a problem only if we do not include sufficient income controls. Tab2 further shows that</p>

				changing treatment/control groups does not significantly affect the results (at least in the case of the 2013 reform)
4		You are explaining that the taxable income of some groups of employees cannot be properly estimated from the data from the SIA.	Couldn't this caveat be overcome by simply dropping those observations around the ceiling from the sample?	Not accepted: I agree, but the number of such observations ranges from around 800 in the earlier years of the dataset to less than 100 in the later years, so I decided to keep the observations to avoid re-running all regressions. Obtaining very similar results from the tax returns data suggests this poses no problem for the results.
5		The text interprets the fact that total labour cost increases following a hike in employer social contributions as surprising.	Isn't this just a mechanical consequence of downward wage rigidity? Despite the existence of flexible components of one's salary that can be used to optimise on labour costs, I found this result intuitive.	Partially accepted: This might not be intuitive for those unfamiliar with the Slovak labour tax system. I consider this evidence as one of the contributions of this paper to the wider empirical

				literature discussing economic incidence of different taxes. Such results may not be found in other institutional contexts. However, I reformulated parts of the text to make it sound less surprising.
6	2	“These numbers also confirm the hypothesis that richer individuals tend to exhibit <u>higher</u> responsiveness.”	Higher than...? This is not obvious from the text, as the reader does not know whether those lower estimates refer to the elasticity of lower income earners. In particular, in the first paragraph on the same page you introduce the reforms that you study targeted top-income earners.	Accepted: Clarified in the text
7	9	“However, the main goal of this reform was to raise revenue rather than to address any income inequalities. As a result, the reform was not communicated to the public sufficiently. This could have created certain information asymmetry with implications for the salience of the reform further investigated below.”	this is pure speculation unless you have supporting evidence. Please support it or tune the strong voice down	Accepted: Reformulated and added some indicative evidence.

8	12	footnote 8 reveals very sensitive information. I suggest you delete the footnote		Not accepted: The presented information is sufficiently generic that it does not violate confidentiality of tax information. It is included because it directly links to the discussion from Giertz (2007). I want to show that the results in this paper do not suffer from such sensitivity to dropping only 100 observations.
9	20	“the probability of switching from emp. to self-employment”	you need to elaborate on these findings. In appendix, you could explain what model and data you used.	Accepted: Short description of the method included in the note under the figure.
10	21	“...their tax hikes cannot continue at the current pace”	I suggest you stay in positive territory, this statement is too judgemental. You may want to focus on the consequences of continued tax hikes based on your findings.	Accepted: Reformulated the conclusions.

CELKOVÉ HODNOTENIE (recenzent/ka vyplní túto časť po vysporiadaní sa s pripomienkami analytickou jednotkou):

The quality of the paper is high. The author clearly identifies the objectives and main contributions of the paper. Several model specifications, two estimation strategies, and two data sources help shed light on estimates' plausibility. The author duly refers to literature throughout the paper to set the analysis in context and justify the taken decisions. The results are presented clearly and thoroughly.

[1] Výber medzi: 1. analýza (komplexný analytický materiál s návrhmi konkrétnych systémových opatrení); 2. komentár (rozsahovo menší analytický materiál venujúci sa konkrétnemu čiastkovému problému); 3. manuál (metodické usmernenie vyplývajúce z potreby zjednotenia procesov a postupov v konkrétnej oblasti).

[2] Formát 1 pre komentár/manuál (2 recenzenti bez povinného odborného workshopu); Formát 2 pre analýzu (3 recenzenti a povinný odborný workshop).

[3] Do tabuľky značiť pripomienky zásadného metodologického a obsahového charakteru (nie štylistické či gramatické opravy).

[4] Vyplní analytická jednotka: pripomienka bola akceptovaná / pripomienka nebola akceptovaná a zdôvodnenie / pripomienka bola čiastočne akceptovaná a zdôvodnenie.