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(Short Communication)

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The end of the Argentine Monotributo? Evidence, risks, and the reform debate over a pillar of financial inclusion

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Abstract

Argentina's Monotributo, a simplified tax regime introduced in 1998, has been studied as a tool for financial inclusion, labor formalization, and social protection expansion for microentrepreneurs. This short communication synthesizes the accumulated evidence on its performance and situates those findings within the active policy debate over the regime's potential elimination or structural reform, driven by International Monetary Fund (IMF) recommendations and Argentina's broader fiscal reform agenda. The literature documents consistent growth in the taxpayer base, meaningful formalization outcomes, and expanded social security coverage, alongside structural limitations including sectoral asymmetries in effective tax rates and distortions arising from delayed indexation under inflation. Recent public statements from government officials and tax specialists highlight the institutional complexity of any transition away from the regime. This communication also considers a dimension largely absent from the existing literature: the regime's incidental exposure to exchange-rate carry trade dynamics, situating this concern within the broader theoretical framework of volatility suppression and systemic fragility. This review argues that the available evidence warrants caution regarding abrupt elimination and underscores the need for a gradual, well-sequenced reform approach.

Keywords: Monotributo; Simplified Tax Regime; Financial Inclusion; Formalization; Argentina; Fiscal Reform; IMF; Carry Trade; Exchange-Rate Volatility

1. 1. Introduction

Argentina's Monotributo, formally the Regimen Simplificado para Pequenos Contribuyentes, was created by Law No. 24,977 in 1998. Its stated objectives were to reduce compliance costs for self-employed workers and microenterprises, to broaden the tax base, and to extend formal social protection to contributors who had previously operated outside the system (Congreso de la Nacion Argentina, 1998). The regime consolidates income tax, value-added tax (VAT), and pension and health contributions into a single monthly fixed payment, with contributors categorized into income brackets from A to K. Since its inception, the Monotributo has grown into one of the most widely studied simplified tax instruments in Latin America, reaching over two million contributors and extending access to the national pension and health insurance systems to workers who had previously been excluded from those schemes (ILO, 2022).

Despite its scale and institutional consolidation, the Monotributo has not been free of structural criticism. The literature documents persistent challenges including delayed indexation of income thresholds under inflationary conditions, sectoral asymmetries in the effective fiscal burden, and limited graduation of contributors into the general tax regime (Yacoubian, 2025; ILO, 2022). These features have sustained a recurring debate about whether the regime, in its current form, best serves the objectives of formalization and fiscal sustainability for which it was originally designed. More

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recently, that debate has acquired new urgency in the context of Argentina's broader fiscal reform agenda and evolving discussions at the international policy level.

This short communication reviews the accumulated evidence on the Monotributo's performance as a financial inclusion and formalization instrument, examines its documented structural limitations, and situates both within the current policy debate. No new empirical data are presented. The objective is to provide a synthesis that is useful for researchers and policymakers assessing the regime's future trajectory.

2. Methods

This paper follows a narrative review approach consistent with the short communication format. Academic sources were identified through searches of Google Scholar and Scopus using the terms "Monotributo," "simplified tax regime Argentina," "formalization microenterprise Latin America," and "presumptive taxation informal economy." Institutional reports from the ILO, CIAT, and IMF were retrieved directly from their respective repositories. Only sources with verifiable authorship and institutional affiliation were included. Specific empirical claims are attributed exclusively to the source from which they originate. Policy developments were documented from official government communications, IMF Country Report No. 25/219 (IMF, 2025), and specialized journalism sources published between November 2025 and May 2026, the latter covering the evolution of carry trade conditions and ARCA's April 2026 update to reportable transaction thresholds.

3. Results

3.1. Financial Inclusion and Formalization Outcomes

The Monotributo's primary rationale has been the inclusion of previously informal workers into the formal tax and social protection system. The ILO country brief on Argentina (ILO, 2022) reports that the scheme reaches just over two million people who make contributions to the national pension system and enjoy coverage under the national health insurance scheme. The same document identifies the regime's main achievement as extending social security to workers who were previously excluded, and notes that the reduced administrative burden made the Monotributo substantially more attractive to small contributors than the general regime. The ILO (2022) also notes a structural risk: if left unmonitored, the regime's attractiveness relative to the general scheme may lead contributors to either under-report activities or deliberately limit enterprise growth to avoid progression into the more demanding general regime.

The CIAT (2024) describes the Argentine Monotributo as an instrument that, in addition to fiscal objectives, explicitly incorporates social security benefits as core design elements, distinguishing it from earlier simplified tax regimes that focused exclusively on revenue collection. In terms of comparative regional evidence, Rocha et al. (2018), studying Brazil's SIMPLES Nacional reform, found that reductions in the tax burden under simplified regimes increased enterprise formalization rates, though predominantly among firms already proximate to the margin of formal compliance. While that study concerns Brazil and cannot be directly applied to Argentina, the structural parallel between SIMPLES and the Monotributo makes its findings informative regarding the conditions under which simplified regimes drive formalization.

Joshi et al. (2014), in a cross-country review of informal economy taxation in developing countries, argue that the success of simplified regimes in sustaining formalization depends on the credibility of enforcement mechanisms and on the timely adjustment of regime parameters to real economic conditions. Their analysis is not specific to Argentina but provides a widely cited framework that is directly applicable to the Monotributo's documented trajectory under inflation. Edward (2025) similarly finds that simplified regimes can significantly improve voluntary compliance and broaden the tax base when supported by clear eligibility criteria, predictable tax liabilities, and low compliance costs, while also identifying administrative stress as a critical moderating factor that weakens regime effectiveness under economic volatility.

3.2. Structural Limitations and Fiscal Burden Dynamics

Alongside evidence of formalization outcomes, the literature identifies structural limitations. Yacoubian (2025) provides an empirical analysis of fiscal burden dynamics within the Monotributo over the 2019-2025 period, using verified administrative data from AFIP and official exchange rates from Banco de la Nacion Argentina. The study calculates Effective Tax Rates (ETRs) for all income categories (A through K) separately for movable goods sellers and service providers.

Three patterns are documented by Yacoubian (2025). First, a persistent sectoral asymmetry exists: service providers face higher ETRs than goods sellers under identical gross income caps across all periods analyzed. In the first semester of 2025, this gap peaked at an ETR of 15.38% for Category K service providers versus 6.66% for goods sellers in the same category. Second, delayed parameter updates under high inflation produced periods of sharp ETR decline followed by abrupt recovery: the ETR for Category A goods sellers dropped to 2.26% in the first semester of 2024 before subsequent adjustments restored higher levels. Third, despite these distortions, the taxpayer base grew from 1,957,266 in 2019 to 2,726,060 in 2024, with only a marginal decline of 0.41% recorded in 2025, demonstrating enrollment resilience across repeated macroeconomic shocks.

Pedroni (2024), based on qualitative interviews with merchants and public accountants in Argentina, identifies tax burden, the design and application of fiscal controls, and the consequences of non-compliance as factors that simultaneously incentivize and disincentivize formal registration. That study concludes that the interaction among these factors discourages tax compliance and notes that enterprise size, sector, and type of client also shape formalization decisions.

3.3. The Reform Debate and Recent Policy Developments

The IMF, in its first review of the Extended Fund Facility arrangement for Argentina (IMF Country Report No. 25/219), stated that Argentina's tax system "remains complex, highly distortive and unstable, which weighs on growth and competitiveness" and called specifically for reform of the Monotributo to raise social security contributions (IMF, 2025). The same report called for broadening the personal income tax base and simplifying corporate taxation as part of a broader fiscal consolidation agenda (Buenos Aires Herald, 2025).

In November 2025, reports emerged that the government was considering eliminating the Monotributo and migrating all contributors to the general tax regime, with a proposed minimum non-taxable income threshold of approximately 2.8 million pesos per month and a reduction in employer social contribution rates as a complementary measure (iProfesional, 2025). Press coverage raised concerns about implementation feasibility, noting that the regime had accumulated more than two decades of institutional presence and that a minimum transition period of at least one year from legislative approval would be required to allow contributors, tax authorities, and provincial systems to adapt. The same coverage highlighted that elimination would require simultaneous adjustments to provincial Ingresos Brutos regimes, adding a further layer of jurisdictional complexity to any reform process (iProfesional, 2025).

On November 14, 2025, official government spokespersons publicly denied that any decision to eliminate the Monotributo had been taken (Errepar, 2025). The denial followed approximately 24 hours of widespread media coverage triggered by the initial reports. Nonetheless, the IMF's continued position (IMF, 2025; Buenos Aires Herald, 2025) indicates that structural adjustment of the regime remains on the fiscal reform agenda.

3.4. Carry Trade Dynamics and Small-Scale Currency Arbitrage Among Monotributo Contributors

For several years in Argentina, increasingly strict restrictions on access to U.S. dollars have created opportunities for financial arbitrage. As *La Nación* reported, successive government measures limited the purchase of foreign currency in an effort to eliminate the *rulo*—a strategy in which investors profit from the spread between multiple official and parallel exchange rates through sequential currency transactions (La Nación, 2021). At the same time, these restrictions have not always been interpreted solely as attempts to protect the country's international reserves. Some analysts argue that they have also facilitated or coincided with policies that favor large investors through *bicicleta financiera* (financial cycling), a form of carry trade in which participants exploit interest rate differentials and exchange rate dynamics for speculative gains (BBC, 2017).

A further dimension of the Monotributo's role in Argentina's macro-financial environment concerns its incidental use as a vehicle for financial engineering rather than productive activity. Two related but distinct phenomena have been documented among contributors. The first is currency arbitrage: given the coexistence of multiple U.S. dollar exchange rate types in Argentina (official, MEP, CCL, and parallel/blue, among others), some contributors buy dollars through a cheaper channel and sell them through a more expensive one, capturing the spread between quotation types. The second is carry trade in the stricter sense: contributors hold whichever currency, pesos or U.S. dollars, offers the more favorable interest-earning position at a given time, a strategy that only constitutes carry trade when the interest earned exceeds the rate of depreciation of the currency being held. Some portals reported that peso-denominated short-term instruments have offered returns substantially above the rate of currency depreciation, a pattern Argentine financial commentary describes as "carry trade" conducted by individual investors and savers, not only institutions (El Economista, 2025; Notipress, 2026). Both dynamics have been observed among Monotributo contributors, for whom the regime's simplified billing and account structure appears in some cases to serve as a cover for these financial movements rather than for the declared productive or commercial activity the regime was designed to formalize.

The underlying logic is broadly consistent, in qualitative terms, with the volatility-suppression framework discussed by Lee, Lee, and Coldiron (2020) in the synthesis offered by Yacoubian and Padilla Garcia (2026): the proliferation of carry-seeking positions, however small individually, can mask rather than eliminate exchange-rate risk until it resurfaces abruptly. The parallel is conceptual rather than a tested application of the model, since that literature addresses institutional and cross-border capital flows rather than individual taxpayer behavior under a domestic simplified regime.

The Monotributo intersects with this dynamic through at least two documented channels. First, Resolucion General 5616 (December 2024) specifies the official exchange rate applicable when electronic invoices are issued and settled in foreign currency, a framework that explicitly extends to Monotributo contributors in Categories A, B, and C under the related Resolucion General 5198 (CAME, 2025); combined with the regime's low compliance burden, this creates a documented mechanism through which currency-differential gains from conventional foreign-exchange operations can be channeled through Monotributo registration alongside, or instead of, genuine commercial activity. Second, professional tax-advisory sources report a parallel pattern in the cryptoasset space: although the Monotributo does not contemplate mining, cryptocurrency trading, or gains from crypto games or NFTs as eligible activities, the regime is frequently, and improperly, used to justify income of this kind (Contablix, 2023). Together these two channels suggest that the regime's low entry barrier may function, at the margin, as a low-barrier conduit for arbitrage-driven income, whether denominated in pesos, dollars, or cryptoassets, though no published data quantify the share of registrations attributable to either channel. Separately, Argentina's federal tax authority (ARCA) has maintained, through at least April 2026, a reporting threshold of 50 million pesos per month in cumulative transfers between accounts held by the same individual, beyond which financial institutions must report account and transaction details; press coverage indicates this threshold remained unchanged heading into April 2026 (Ambito, 2026a, 2026b; La Nacion, 2026). Because this is a reporting threshold rather than a transaction ceiling, it does not by itself constrain the scale of arbitrage activity that could be conducted through Monotributo-registered activity before triggering disclosure.

4. Discussion

The evidence reviewed here points in two directions. On one side, the Monotributo has produced measurable formalization and social inclusion outcomes: consistent enrollment growth across multiple crisis periods and documented extension of social security coverage to previously excluded workers (ILO, 2022; CIAT, 2024; Yacoubian, 2025). On the other side, the structural problems documented by Yacoubian (2025) and the risk of deliberate under-development identified by ILO (2022) provide substantive grounds for reform.

The IMF's characterization of the Monotributo as a distortionary component of Argentina's tax system is grounded in documented features of the regime. The ILO (2022) itself acknowledges that the regime's attractiveness relative to the general scheme may lead contributors to limit enterprise growth, which is structurally consistent with the Fund's concern that the simplified system functions as a permanent rather than transitional formalization pathway (IMF, 2025). This concern also aligns with Joshi et al.'s (2014) argument that simplified regimes require credible enforcement to prevent sustained informality beneath the formal threshold.

The reform debate surrounding the Monotributo is not unique to Argentina. Valihura (2026), analyzing Ukraine's simplified taxation system under the National Revenue Strategy until 2030, documents structurally analogous problems: sectoral asymmetries in tax burden, risks of artificial business fragmentation to remain within the simplified regime, and the need for a graduated transition period rather than abrupt structural change. That study proposes a three-year transition from 2027 to 2029 with phased rate increases, a design logic consistent with the implementation concerns raised in the Argentine context.

At the same time, the operational concerns reported in press coverage of the November 2025 debate reflect a real asymmetry between the administrative demands of the general regime and the documented capacity of most Monotributo contributors (iProfesional, 2025). The behavioral risk that abrupt elimination could push a portion of contributors back into informality rather than forward into the general regime is consistent with Rocha et al.'s (2018) finding that formalization responses to simplified regime reforms are concentrated at the margin of compliance, implying sensitivity in both directions to changes in compliance costs.

The official denial of November 2025 defers rather than resolves the reform question. The IMF's continued position (IMF, 2025; Buenos Aires Herald, 2025) indicates that structural adjustment of the Monotributo remains on the policy agenda, regardless of the November denial.

5. Conclusions

The Monotributo has operated for over two decades as a financial inclusion instrument with documented formalization and social protection outcomes. Its taxpayer base grew from under two million in 2019 to over 2.7 million by 2024, sustained through the COVID-19 pandemic and repeated macroeconomic disruptions (Yacoubian, 2025). The extension of social security access to previously excluded workers constitutes its most significant institutional contribution according to the ILO (2022) and CIAT (2024).

Structural reform is justifiable on documented grounds: sectoral ETR asymmetry, inflation-driven distortions from delayed indexation, and the risk of deliberate enterprise under-development to avoid graduation into the general regime (Yacoubian, 2025; ILO, 2022). However, the evidence reviewed does not support abrupt elimination as the preferred policy instrument. The administrative complexity of migrating approximately three million contributors to the general regime, the cascading effects on provincial tax structures, and the behavioral risk of increased informality among marginal contributors collectively argue for a sequenced transition with adequate preparation time (iProfesional, 2025).

Future research should monitor behavioral responses to formal reform announcements, track graduation rates following any structural changes, and assess the distributional effects of alternative transition designs across contributor income categories.

Compliance with ethical standards

Disclosure of conflict of interest

The authors declare that they have no conflicts of interest related to the publication of this paper.

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