

  
 **ANALYTICS** 

*no.203.078*

**THE FLAT TAX CASE OF BULGARIA**

Dec., 19, 2012

A presentation of:

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no.203.078 **STRUCTURAL CHANGES OF BULGARIAN ECONOMY (1950-2010)**

**Gross Added Value in the GDP of Bulgaria  
/by sectors/**



	1950	1960	1970	1980	1990	2000	2005	2010est
◆ Agricultural Sector	31,3%	32,2%	22,6%	16,9%	17,7%	13,90%	9,3%	7,0%
■ Industrial Sector	40,6%	52,6%	57,8%	57,7%	51,1%	30,10%	30,4%	30,0%
▲ Services Sector	28,1%	15,2%	19,6%	25,4%	31,2%	56,0%	60,3%	63,0%



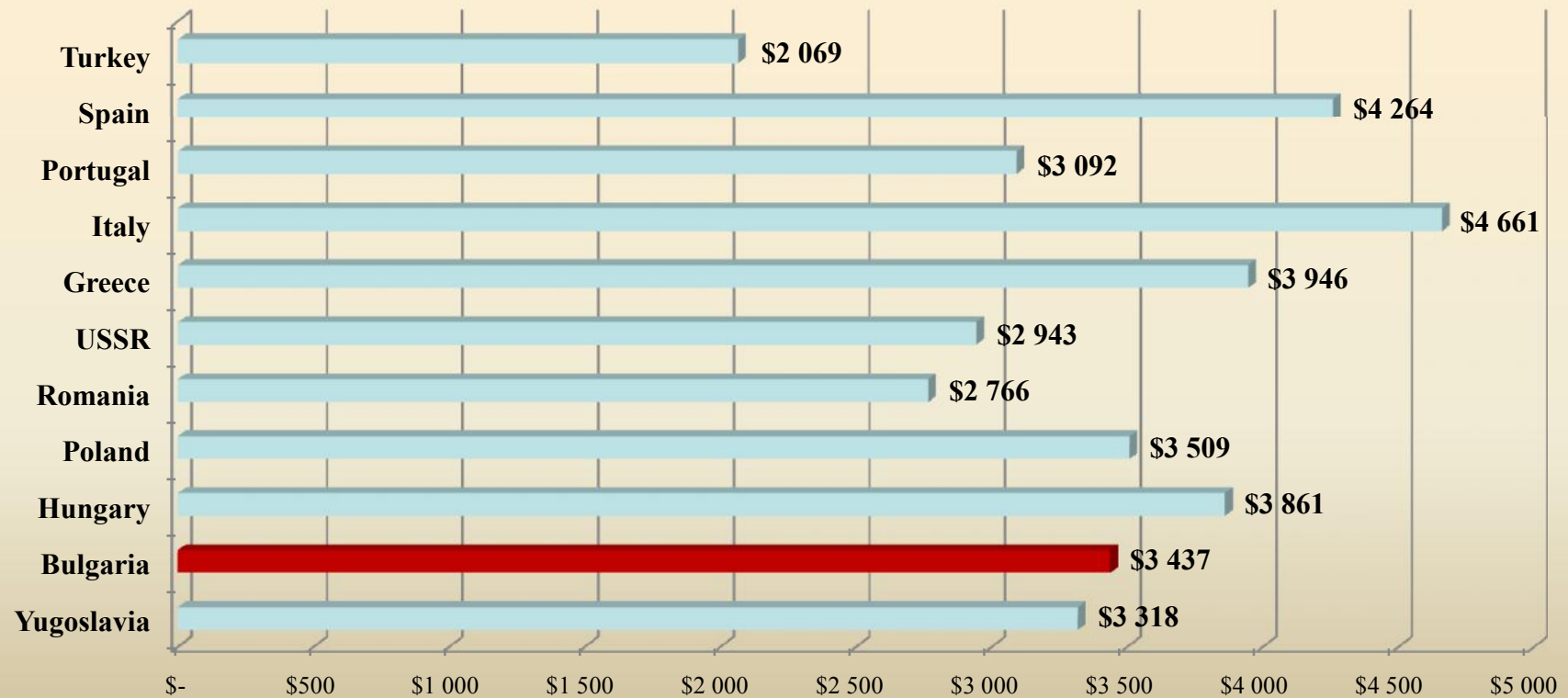
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## REMINISCENCES FROM THE PAST

### GDP PER CAPITA, 1980

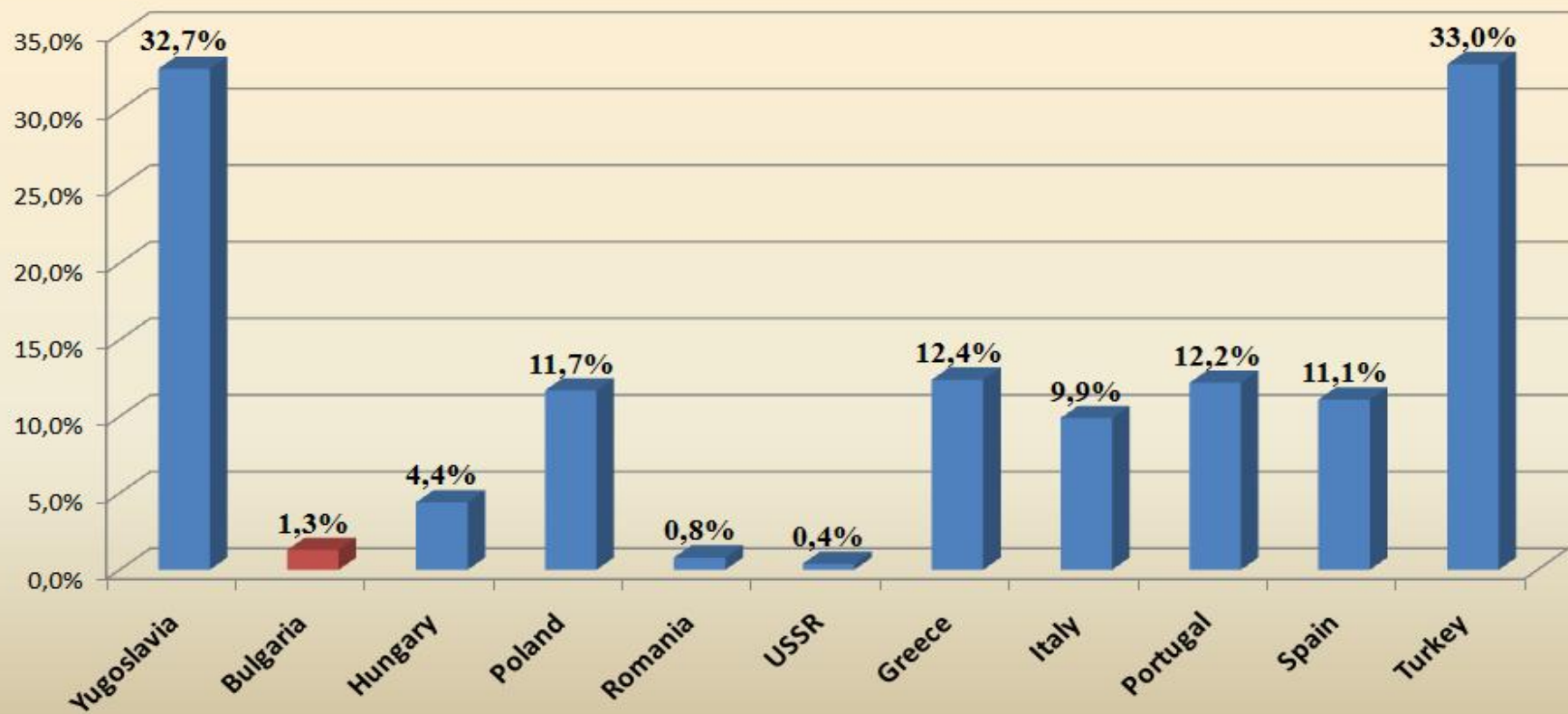


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## REMINISCENCES FROM THE PAST

### ACCUMULATED INFLATION FOR A PERIOD OF 25 YEARS: 1963-1988





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## THE ECONOMIC SITUATION OF PRESENT DAYS

- 1) Full-Member of the EU:
  - Stands to mean: full payment of monetary contributions;
- 2) However, OUT of Schengen Area:
  - Stands to mean: not benefiting as other country-members from the “Freedoms of Movement (of Goods, Services, Capitals, People); The Single Market is still Utopia;
- 3) At the same time “Tax-Dumping Zone/Tax Test Zone”:
  - Stands to mean: lower taxes, lower budget proceedings, and failed public policies;
- 4) At the same time “Currency Board” in action:
  - Stands to mean: impossible to manage the Money Supply
- 5) And most importantly, FLAT TAX ZONE
  - Stands to mean: impossible to design adequate fiscal policies;

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## THE ECONOMIC SITUATION OF PRESENT DAYS

- A. Can use NEITHER Monetary Policy, NOR Fiscal Policy adequately;
- B. Therefore, Governments apply – Austerity Policy (budget cuts, “freezing” of social transfers, pensions, statistical manipulation of data /sanctions from the Eurostat – to revise all economic data for the past 20 years/
- C. Foreign Direct Investments are either of Speculative nature, or pump-out the profits; (Many speculative “deals” in the Machinery sector, Production of Metals, Plastics, Textile Industry).
- D. Virtually all industry sectors – SURVIVE (cash depletion; expensive credits covered by 120-130% of real assets; more than 180 days average lagging of payments and other negative facts such as huge inter-corporate indebtedness /about 120% of the country’s GDP)

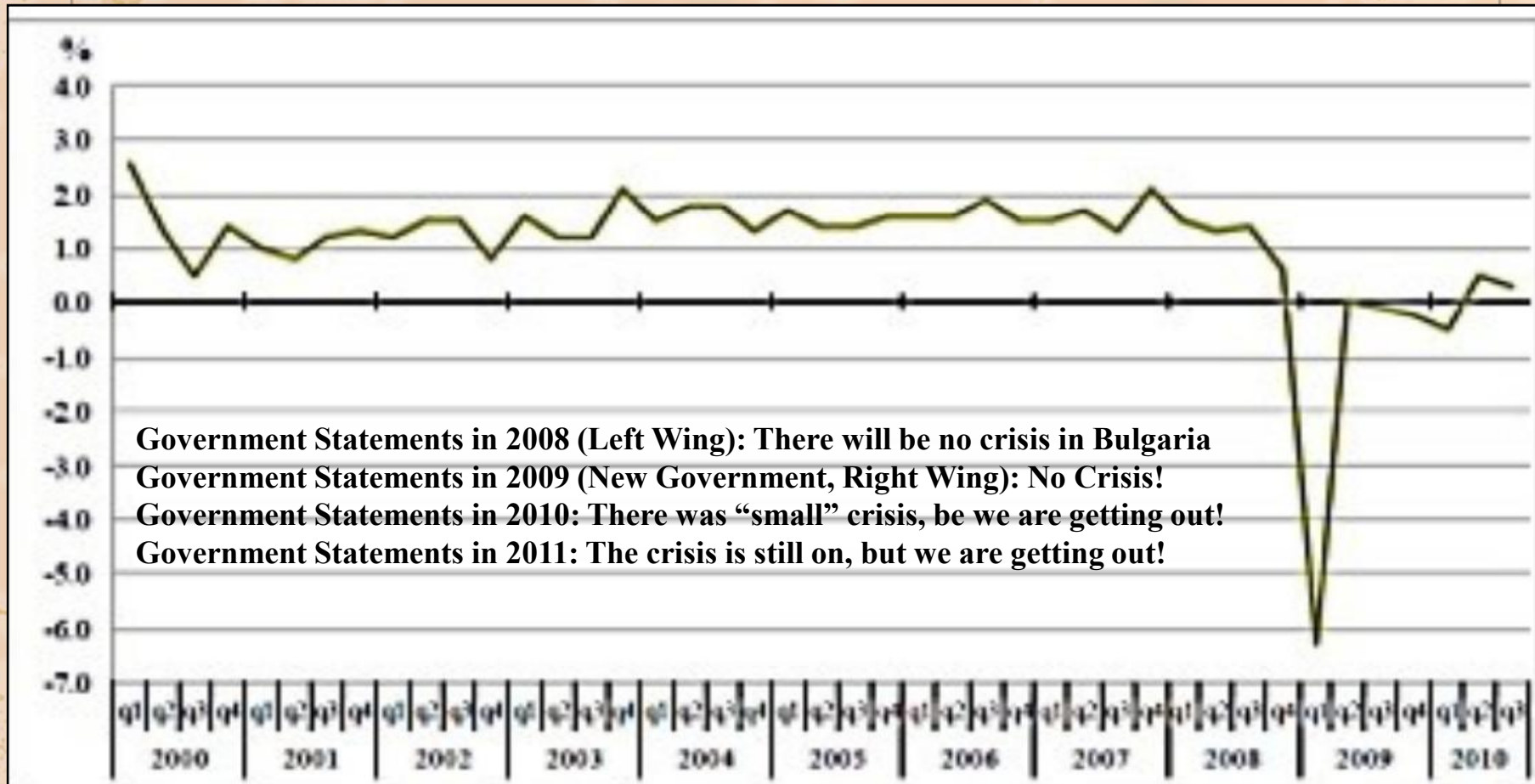


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## CHAINED GDP-GROWTH BY QUARTERS (2000-2010)



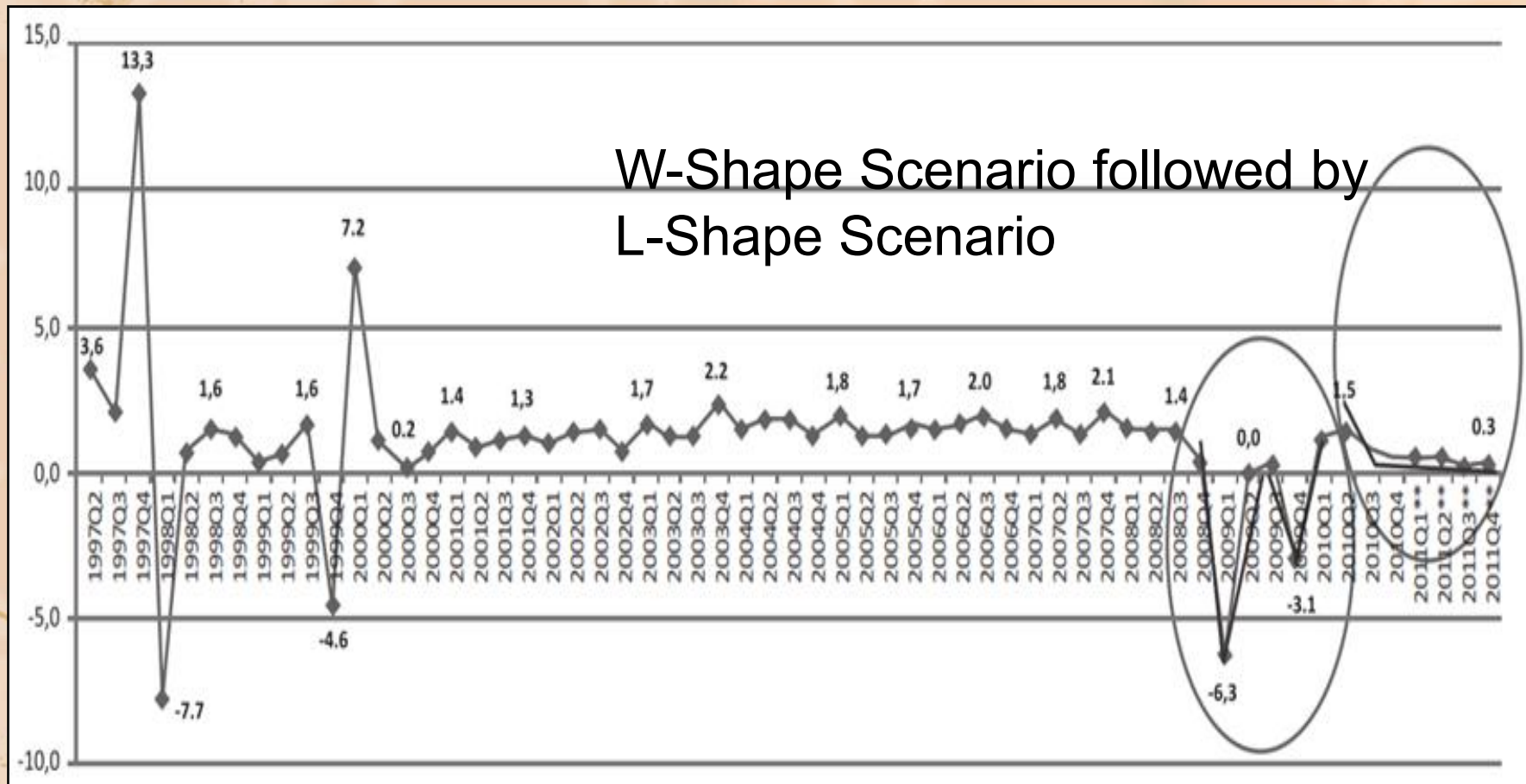


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PRESENT DAYS:  
GDP GROWTH OF BULGARIA ON QUARTER BASIS (1997-2011)







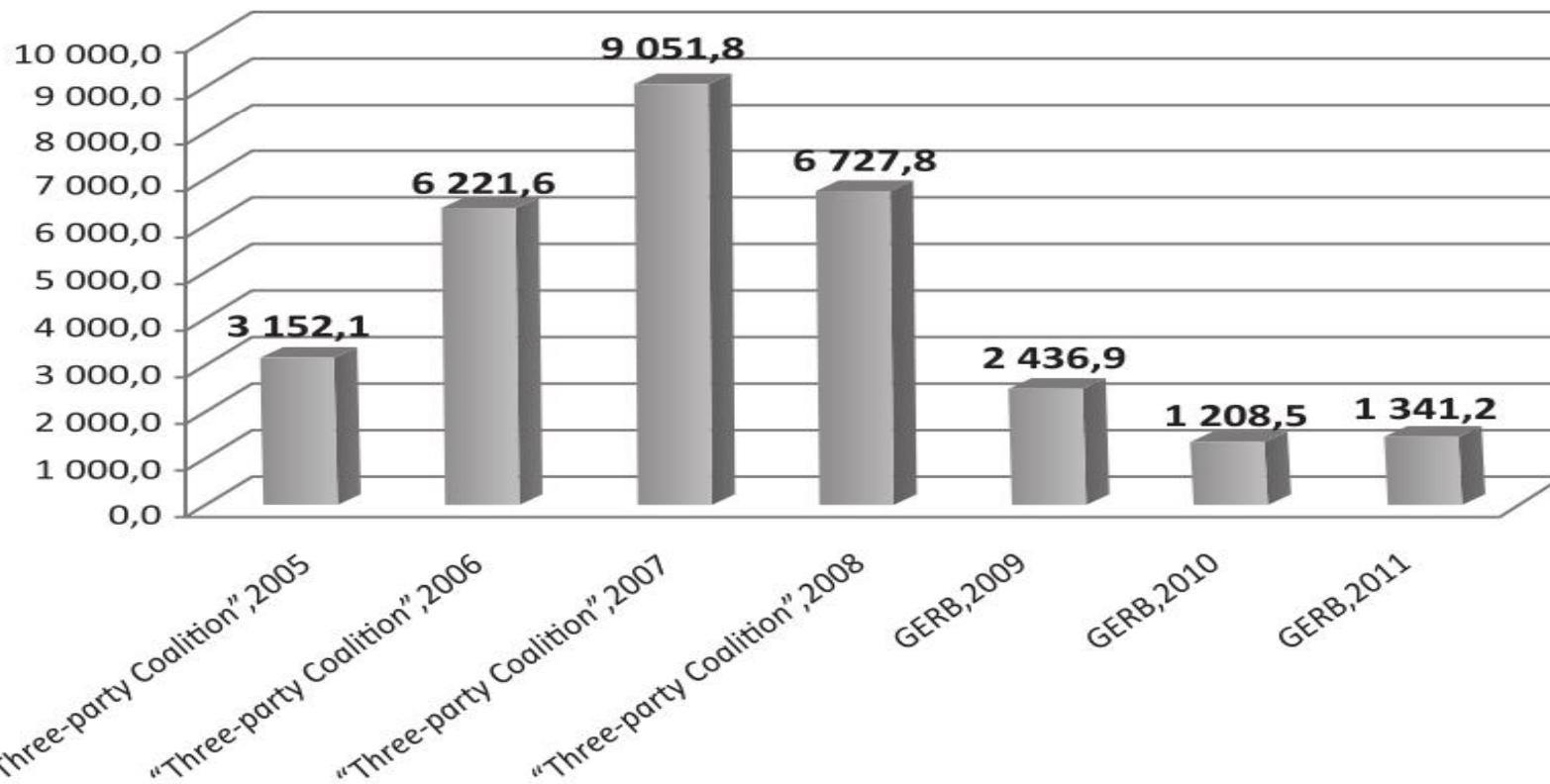
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**FDIs in the time of the present Right-Wing Government FLY AWAY!**

**Dynamics of the Foreign Direct Investments (FDIs) in Bulgaria (in million levs)**

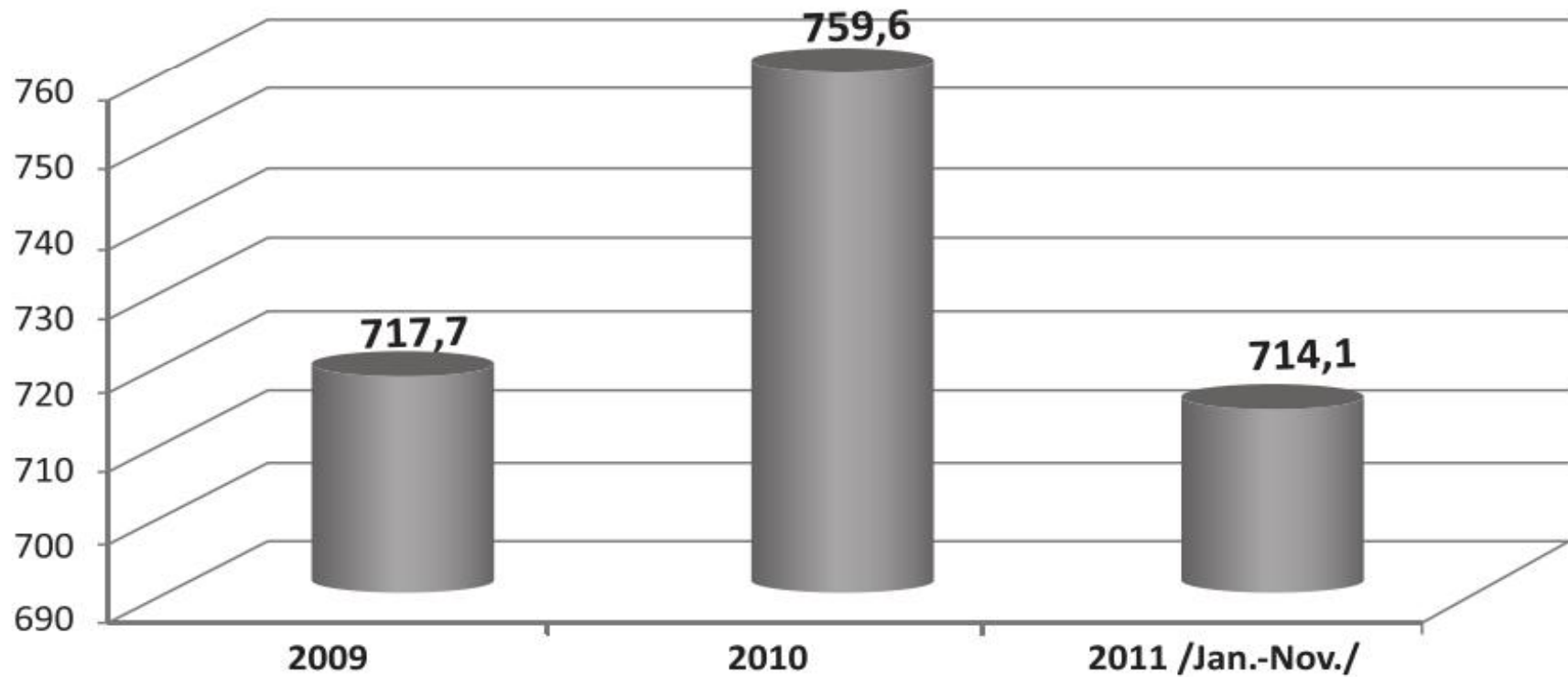


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**PRIVATE REMITTANCES ARE NOW HALF OF THE FDI's !**

**Official Remittances (transacted through a Financial Intermediary) of Bulgarians who reside permanently abroad (in million euro)**





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PRESENT DAYS:

GDP GROWTH OF BULGARIA ON QUARTER BASIS (1997-2011)

- 1) Instead of attracting investments, investments are exported: from € 200 mln. (2007) to € 461 mln. (2008)
- 2) Trade Deficit grows: from € 6,3 bln. (2007) to € 8,3 bln. (2008) /it reached almost 25% of GDP, and keeps growing/;
- 3) Currency and Fiscal Reserves of the country are seriously injured (the Government keeps taking money from it, on “as need it basis”, and “revolves” its actions any time it considers an emergency is on its way;
- 4) Introduced corrections in the Budget and Budget Procedures, so that the Financial Minister “at his discretion” (when he wants) to “utilize” (get) from the reserve money of the country;

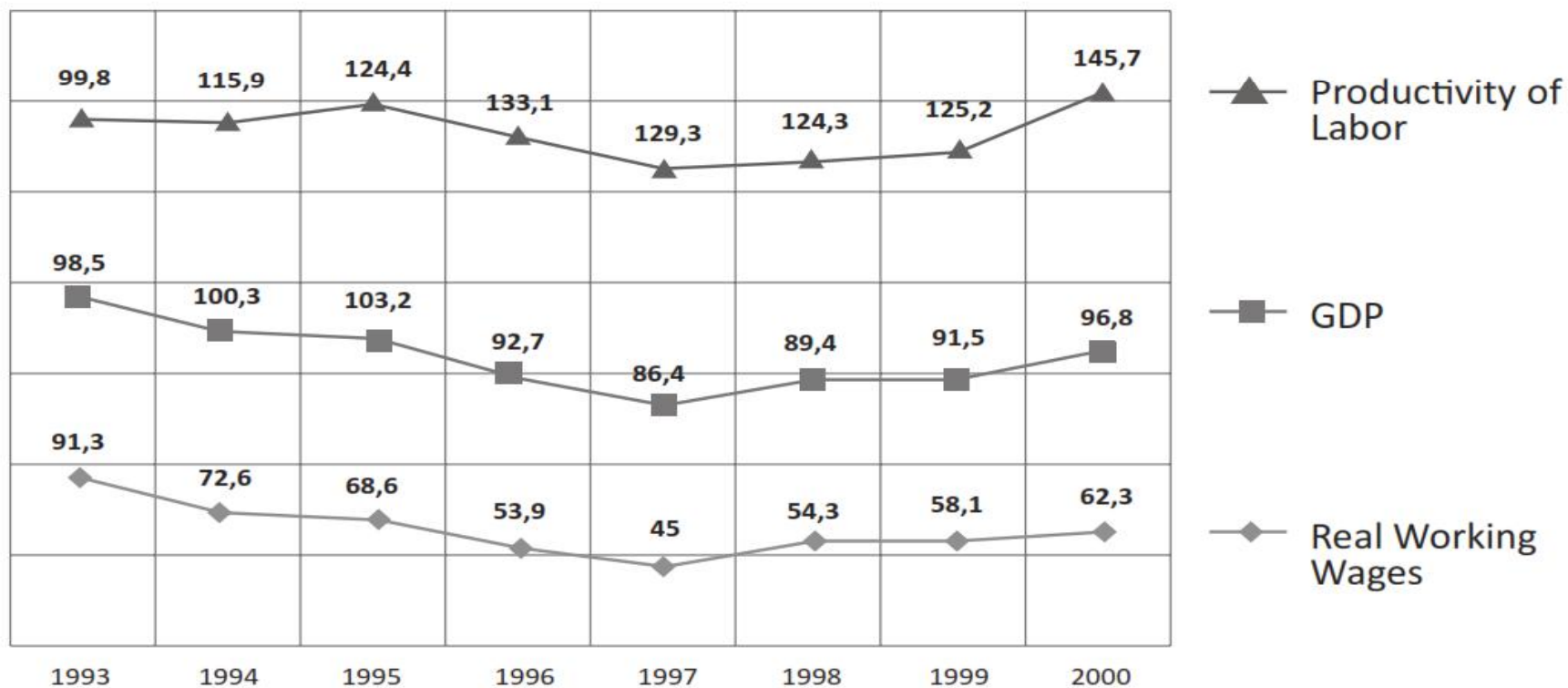
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GDP REMAINS THE SAME, THE PRODUCTIVITY OF LABOUR INCREASES,

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BUT WAGES GO DOWN. TOTAL DIVERGENCE IS ABOUT 85%  
BETWEEN PRODUCTIVITY AND WAGE LEVELS

**Cumulative Indices of Labor Productivity, GDP, and the Real Working Wages  
in Bulgaria /1993-2000/**



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SOUTH EAST EUROPE TURNS INTO A TEST-FIELD FOR NEW TAX NORMS

## Flat Tax Rates in South East Europe /as of 2008/

State	Year of introduction of FTRs	FTR for incomes of individuals	FTR for profits of corporations
1. Albania	2008	10%	10%
2. Bosnia and Herzegovina	2009	0%; 10%; 15%	10%
3. Bulgaria	2007	10%	10%
4. Kosovo *	n.a.	7%	10%
5. Macedonia	2007	10%	10%
6. Romania	2005	16%	16%
7. Slovenia	2008	16%; 27%; 41%	22%
8. Serbia	2003	14%	14%
9. Croatia	2001	15%, 25%, 35%, 45%	20%
10. Montenegro**	2008	15% (9%**)	(9%**)

\*Suggestion of the US Chamber of Commerce

\*\*To be introduced in 2010



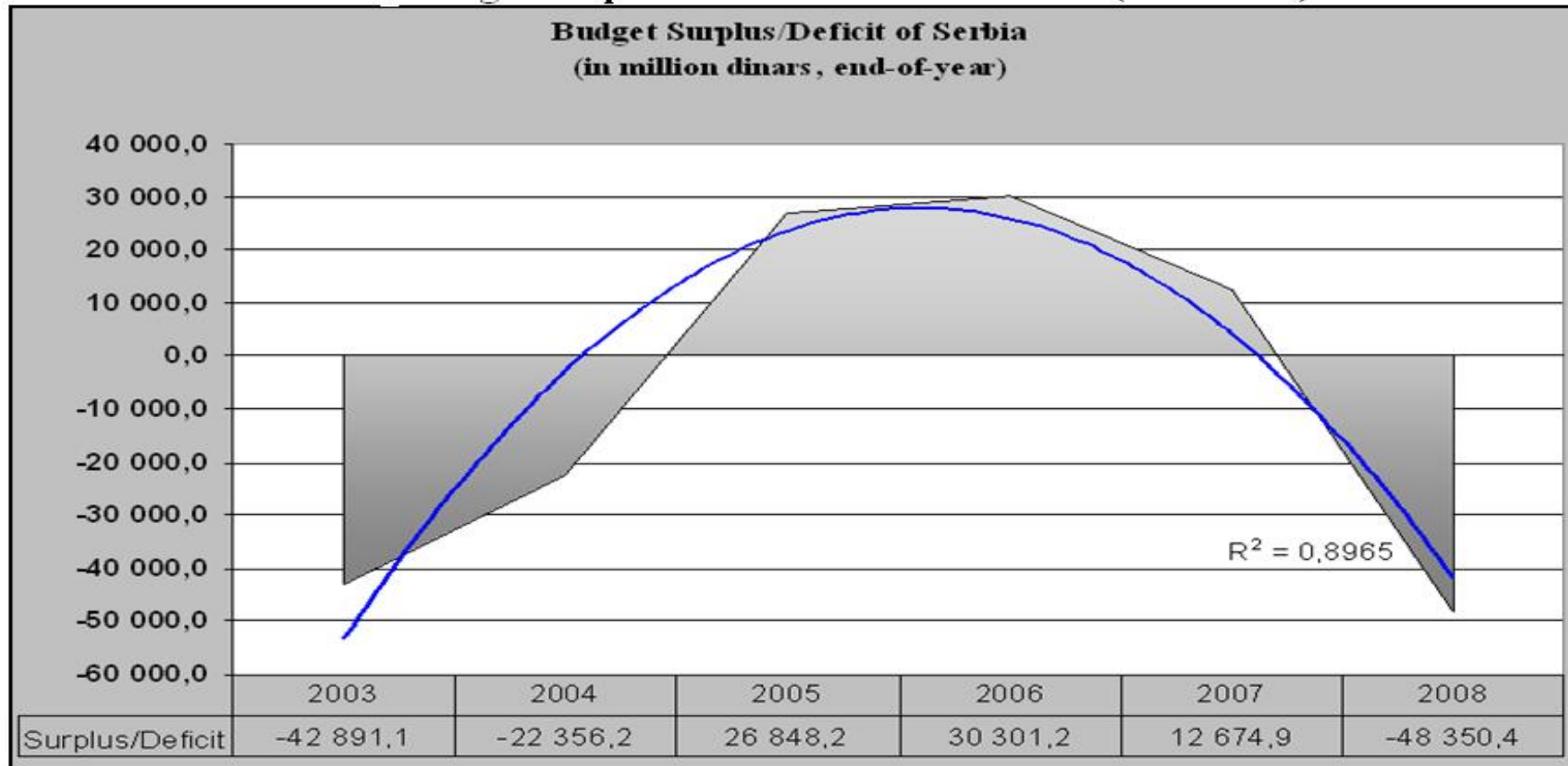
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EVIDENCE FROM SERBIA DEMONSTRATED THAT THE FLAT TAX RATE

*no.203.078* (introduced in 2003) ENLARGED STATE DEFICITS IN 2007 AND 2008)

**Budget Surplus/Deficit Curve of Serbia (2003-2008)**





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## THE RESULTS OF THE FLAT TAX RATE IN BULGARIA



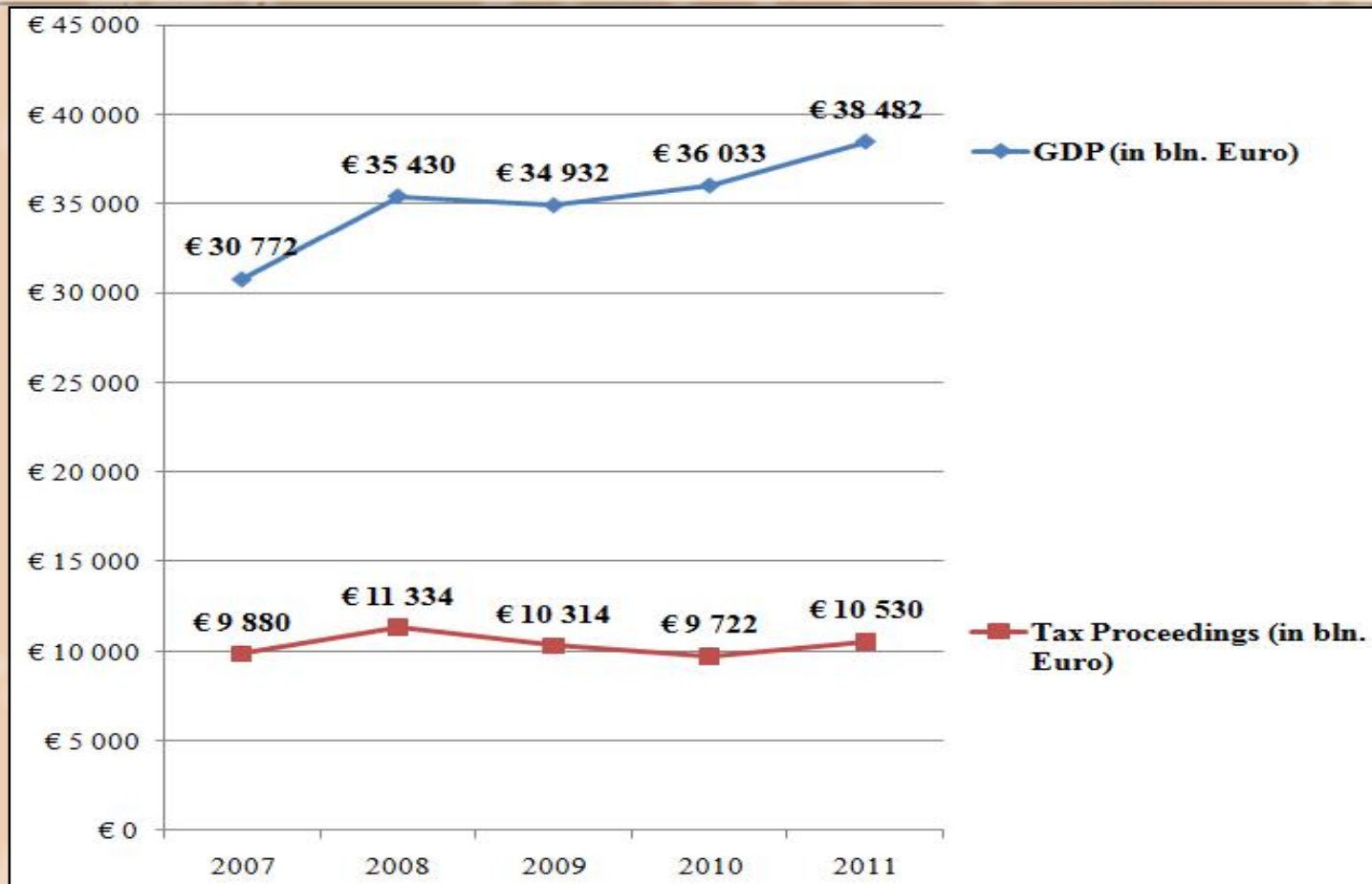


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## THE RESULTS OF THE FLAT TAX RATE IN BULGARIA





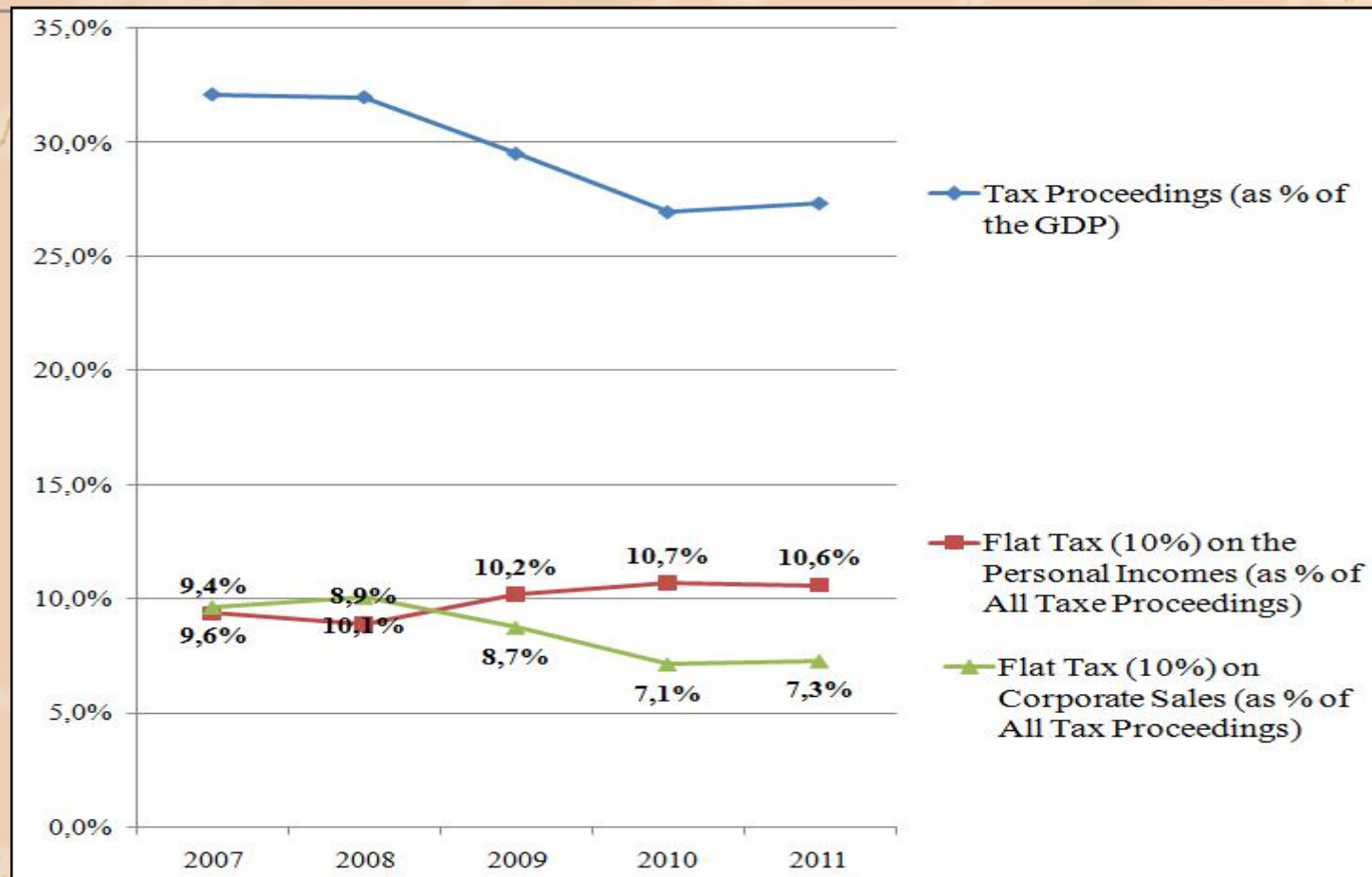


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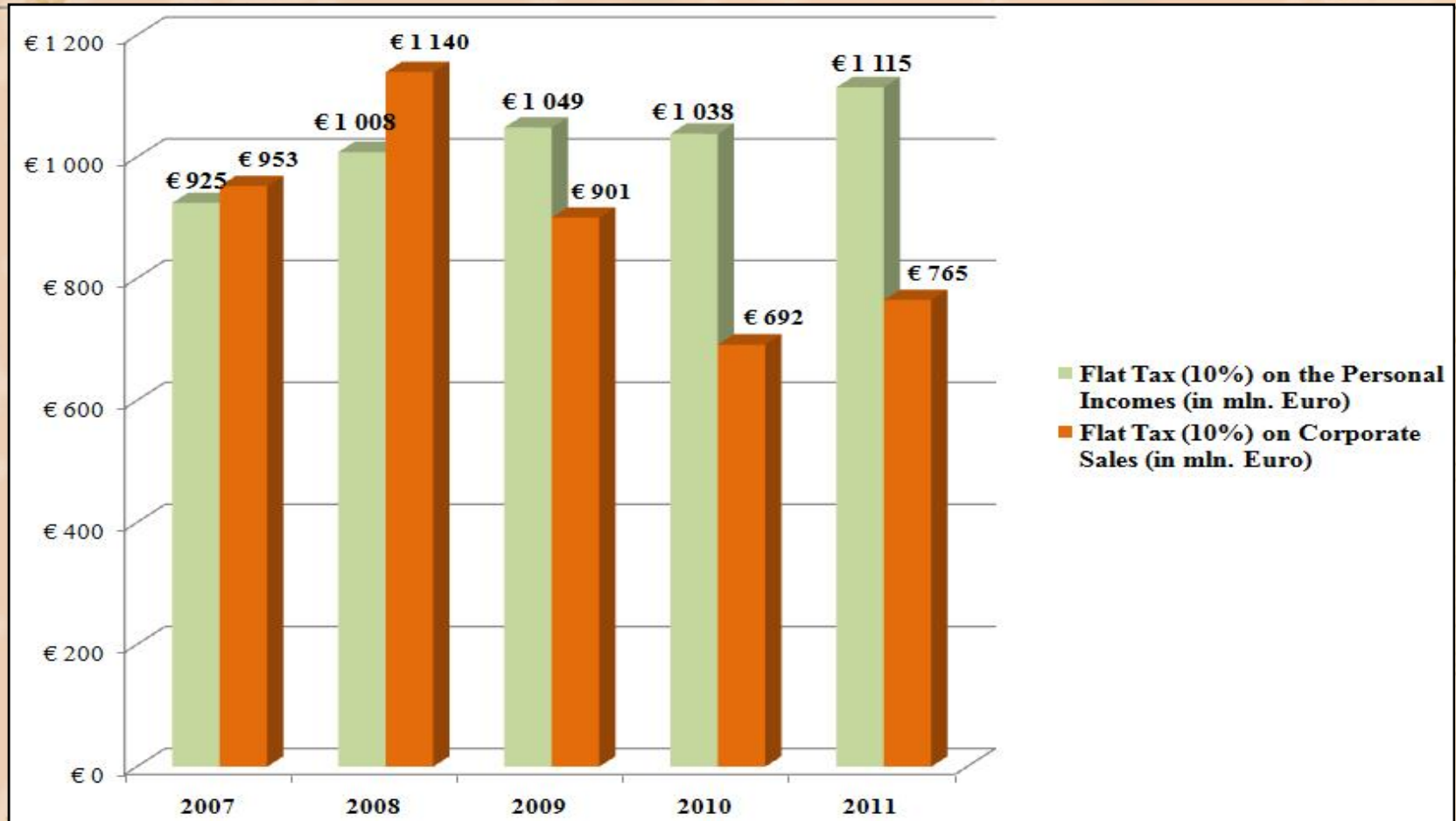
## THE RESULTS OF THE FLAT TAX RATE IN BULGARIA



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## THE RESULTS OF THE FLAT TAX RATE IN BULGARIA

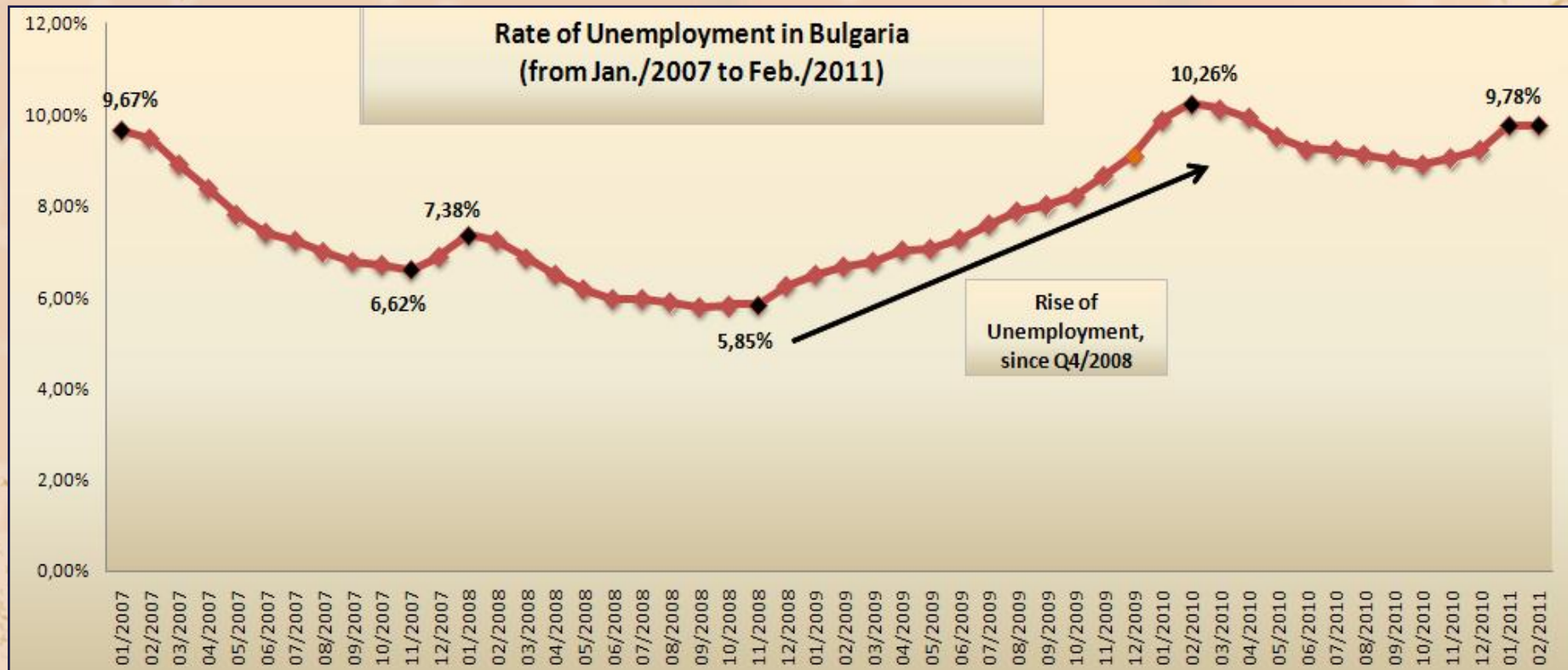


# ANALYTICS

no.203.078 **LABOR MARKET IS SERIOUSLY AFFECTED AS A FINAL RESULT**

Unemployed in 2008 – 200,000 individuals

Unemployed in Nov./2012 – 370,000 (11,2%)/The Crisis entered the country in Q2/2009/




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**THANK YOU FOR YOUR ATTENTION !**

**ANY QUESTIONS ???**

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Mr. Atanas Vladikov**