Against the Flow: Can Bulgaria Survive Progressive Counter-Revolution in Labor Taxation?

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LATCHEZAR BOGDANOV

During the late 1990s and most part of the 2000s, Central and Eastern European countries reformed their tax systems with two key characteristics: reducing the relative burden of direct taxes and – probably more distinctly, at least for the rest of the developed economies – introduction of single personal income tax rates. The last decade, however, saw a policy shift in the opposite direction – the so-called "flat tax" was undermined by various adjustments or abolished altogether in the region.

While some observers focus on income tax rates alone, the broad picture necessarily includes all other levies on labor, along with self-employment. As a deeper look reveals, the composition of the tax base, the structure and size of various deductions, allowances, or exemptions, as well as the types of income that are subject to tax or different social security and health contributions play, in fact, an even more important role in determining the actual effective tax burden.

At the same time, Bulgaria stands as an odd case of a country which changed the ruling majorities several times, but maintained its tax structure for labor incomes relatively intact for more than a decade. From the point of view of the discussion on the future tax policies in Bulgaria, the following overview of different recent reforms in other countries and their impact might provide some useful lessons.

HOW THE FLAT TAX WAS INTRODUCED AND PRESERVED SO FAR IN BULGARIA

A brief overview of the history of Bulgarian tax reforms might be helpful. In the late 1990s, Bulgarian businesses and workers faced corporate and personal income tax rates at around 40% each, with the social security contribution rate totaling 37% for

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BULGARIA STANDS AS AN ODD CASE OF A COUNTRY WHICH CHANGED THE RULING MAJORITIES SEVERAL TIMES, BUT MAINTAINED ITS TAX STRUCTURE FOR LABOR INCOMES RELATIVELY INTACT FOR MORE THAN A DECADE

the most common types of employment. Since 1999-2000, the policy direction shifted towards a reduction of rates, combined with measures to increase tax base and compliance. The corporate income tax rate was gradually reduced from 32.5% in 2000 to 15% in 2016, and finally – to 10% in 2017, where it has remained since. Social security contributions were reduced by 9 percentage points between 2005 and 2017, and the top marginal income tax rate was reduced from 40% in 2000 to 24% in 2007.

The step to introduce a single-rate personal income tax was the logical next step. It should be noted that it was a part of a wider set of tax changes, which in effect broadened the tax base while reducing rates.

For example, since 2002 Bulgaria has applied a system of minimum social security thresholds differentiated by the type of activity and employment to combat undeclared work[1]. These thresholds were raised on average by almost 90% between 2007 and 2010. The minimum threshold for self-employed was raised by more than 60% in 2010 alone. The income cap for social security was increased by 43% in 2008 – the year of the introduction of the 10% flat rate. The expenditure allowance for the self-employed was reduced from 35% of total income to 25%. The basic income allowance was abolished, which effectively means that the income tax is applied to all income. At the same time, social security tax was reduced by another 2 percentage points. In short, the philosophy was a broad tax base combined with lower tax rates.

Despite the heavy toll that the global economic crises put on the Bulgarian economy, and, particularly, on the labor market, this policy was maintained. In 2010, there was an additional reduction in social security rates by 2 percentage points – however, it was reversed next year by a 1.8 p.p. increase. As the economy entered a sustainable recovery phase and with employment growing since 2013, the measures to broaden the base resumed, though at a lower intensity – between 2013 and 2019, the minimum social security threshold for the self-employed was increased by 33%, whereas the cap for social security income was increased by 50%.

SINCE 2002 BULGARIA HAS APPLIED A SYSTEM OF MINIMUM SOCIAL SECURITY THRESHOLDS DIFFERENTIATED BY THE TYPE OF ACTIVITY AND EMPLOYMENT TO COMBAT UNDECLARED WORK

At the same time, some new allowances and deductions that decreased the tax base (though applied to income tax only, not to social security levies) were introduced. The interest on residential mortgages for young families (i.e. below 35 years of age of at least one of the spouses) for the purchase of the first home, up to a principal of EUR 51,000, can now be deducted from the gross annual income. This has up until now limited coverage, as Bulgaria has a high home-ownership rate, while mortgage financing stagnated between 2009 and 2017 with total housing credit remaining at below 9% of GDP until 2018.

New child allowances of about EUR 101 per year per child (capped at EUR 303) were introduced, but their size is negligible

[1] A common practice in the 1990s was to have all workers in a company employed at the minimum wage and pay additional amounts in cash, thus avoiding social security and tax payments. The system of minimum threshold by occupations and economic activity effectively made employers pay social security (all contributions including healthcare) based on an income level pre-determined by the administration, which was typically higher than the minimum wage.

as they reduce the effective tax burden on the average wage by as much as 1.6% for each child. Deductions for voluntary contributions of up to 10% of gross income to life insurance or pension funds were preserved; however, early disbursements from these funds became taxable, so the opportunity for pass-through schemes was abolished. The allowance for people with disabilities of about EUR 4,000 per year was also maintained. A food voucher deduction of up to EUR 31 per worker per month remained too, although there is a quota for the total amount of deductible vouchers at about EUR 160 million per annum (for 2019).

Recently, pension fund contributions were increased by 2 percentage points, together with a raise in the standard retirement age as part of a set of measures towards long-term financial sustainability of the pay-as-you-go pension system. As the income base for social security for the self-employed was not formally changed, the tax administration has started to put a growing pressure on businesses by applying more stringent definitions.

For example, a small business would typically register as a limited liability company with the owner paying social security on the minimum threshold (minimum wage at present), while the remaining part of the income would be taxed only as corporate profit at 10% – a strict interpretation would treat a large part of the business income as taxable with social security taxes. At the same time, the tax administration started a campaign against the practice of keeping a large part of company income as retained earnings on the books (thus avoiding the 5% dividend tax on distributed profits), which was widely used – especially by small and medium businesses.

Overall, throughout the last decade Bulgaria pursued a policy of keeping both PIT and social security rates unchanged, while gradually introducing measures to increase compliance. In practice, this leads to a broadened tax base, although without any major overhaul of the tax code. At the same time, Bulgaria is a rare case of not having a basic income allowance – which means that all income from zero is taxed at 10%, and having a rather symbolic child allowance. Social security contributions are paid out on at least the minimum monthly income threshold set out for different occupations and economic activities or self-employed, up to a universal cap of monthly income. The self-employed are taxed either with PIT if they act as individuals or sole proprietors; or with the corporate income tax if they are incorporated as a limited liability company. The benefit of such a status is that most are *de facto* paying social security only on the minimum income threshold, though by law all of their so-called “income from labor” should be taxed. Another distinctive feature is that Bulgaria has no reduced VAT rate (except

BULGARIA HAS A HIGH HOME-OWNERSHIP RATE, WHILE MORTGAGE FINANCING STAGNATED BETWEEN 2009 AND 2017

THROUGHOUT THE LAST DECADE BULGARIA PURSUED A POLICY OF KEEPING BOTH PIT AND SOCIAL SECURITY RATES UNCHANGED, WHILE GRADUALLY INTRODUCING MEASURES TO INCREASE COMPLIANCE

for tourism) on foods and other basic consumption goods, which almost every other EU country has.

MEANWHILE, ELSEWHERE IN CEE, THE TIDES CHANGED

The decade in the aftermath of the global economic crises shook the public finances of most CEE countries. However, the revenues from taxes on labor seem to have remained rather intact. Nevertheless, governments in the region initiated various changes in the income taxation structure – some motivated by the necessity to increase revenues to balance budgets, others by purely political considerations. Here are some examples of notable changes, which might be considered as indicators of a new trend in the region.

1) In **Hungary**, the uniform single tax rate for individual income was introduced as late as 2013 (unlike most other CEE countries which made this step in the previous decade). The basic income allowance was, in practice, replaced with a progressive child allowance, which reached EUR 26 thousand per year (in 2019) for a couple with three children. The cut in the income tax rate was accompanied by an increase in social security contributions, and, more importantly – the abolishment of the earnings cap.

2) **Romania** already had a 16% flat tax when a significant reform was implemented in 2018. The personal income tax rate was reduced to 10 %. The rate cut was accompanied by an increase in the basic allowance. At the same time, the burden of social security contributions was shifted to the employee, effectively raising the burden, while also removing the earnings cap for most of the contributions. With respect to the tax base, the measures were contradictory – simultaneous decreasing the base for PIT, while broadening the base for social security contributions. It should also be noted that this change occurred shortly after a major cut in the VAT rate from 24% to 20%, and later to 19%, and was paired with a decision to significantly increase public sector salaries.

3) In 2018, **Latvia** opted for a personal income tax rate hike – from 23% to 31.4%. At the same time, the so-called “solidarity tax”, which was in effect a tax to replace the social security contributions which were capped after 2014, was reduced. Raising the annual income allowances decreased the tax base. Other measures expanded the tax base – e.g. some social

BULGARIA IS A RARE CASE OF NOT HAVING A BASIC INCOME ALLOWANCE – WHICH MEANS THAT ALL INCOME FROM ZERO IS TAXED AT 10%

security contributions had to be paid on income from royalties as well.

4) **Lithuania** also introduced a cap on social security income in 2019 (first at EUR 120 average monthly wages for the annual income, to gradually be reduced to EUR 60 average wages by 2021). The rate of social security contributions was reduced, but at the same time a new, higher PIT rate of 27% was introduced for labor income exceeding the SSC cap. Income below this level is taxed at 20% instead of the previous flat rate of 15%. Increasing basic income allowances decreased the PIT base.

5) **Poland** introduced a so-called solidarity levy of 4%, which effectively raised the top marginal personal tax rate to 36%. Solidarity levy also applies to the self-employed, for whom the top marginal personal tax rate was increased from 19% to 23%. The rate, however, applies to income above about EUR 250,000 annually, and a great majority of such income earners are registered as self-employed to benefit from the 19% tax rate. Two ideas were initiated, but did not materialize. As the effective tax burden for the self-employed and persons under labor contracts are quite different, the Polish Ministry of Finance announced a set of measures in a sort of "entrepreneur test". The assumption was that despite the fact that a large part of taxpayers use the self-employed status, they are not, in fact, entrepreneurs engaged in independent business activity, but rather are in a hidden employment relationship. If enforced, such a measure would broaden the base for both PIT and social security contributions. Another proposal with a huge potential impact on the tax burden was the draft law that removed the income cap for social security contributions – the law was, however, deemed unconstitutional. This measure was also a part of a general trend to expand the base.

6) In the **Czech Republic**, the uniform income tax rate of 15% was supplemented with a so-called solidarity charge of 7% for income exceeding the social security earnings cap. At the same time, the cap for health insurance contributions was removed, effectively broadening the tax base.

7) Finally, **Slovakia** introduced a higher marginal rate of 25% for personal income tax, *de facto* abolishing the 19% single rate. A few years later, it also increased significantly the level of the social security contributions cap, and removed the cap for health system contributions altogether.

Such policy moves have one distinctive common feature: an increase in progressivity of the tax burden on labor. The changes

either raise the social security payments on higher incomes, or introduce new tax rates for higher incomes; the effect on economic incentives is similar. At the same time, governments are under pressure to preserve or even reduce the tax burden on the middle class or lower-income households, which means further expansions of tax deductions or allowances.

Also, as progressivity grows, the gap between effective tax burden on labor contracts and people with self-employed or small-business status widens. This, in turn, provokes an over-reaction from tax authorities, which challenge favorable regimes designed to promote and encourage start-ups and entrepreneurship due to growing suspicions of abuse. From a political perspective, Bulgarian policy makers are increasingly challenged to "do what all other countries in the region are doing", i.e. raise marginal tax rates and introduce various tax cuts "for the middle class".

THE EFFECTIVE TAX BURDEN: WHO TAXES THE MOST, AND DID ANYTHING CHANGE?

Though the most recent Bulgarian reforms are not yet reflected in the data, a short summary of the macroeconomic outcome of the diverse tax policies will have to include several observations.

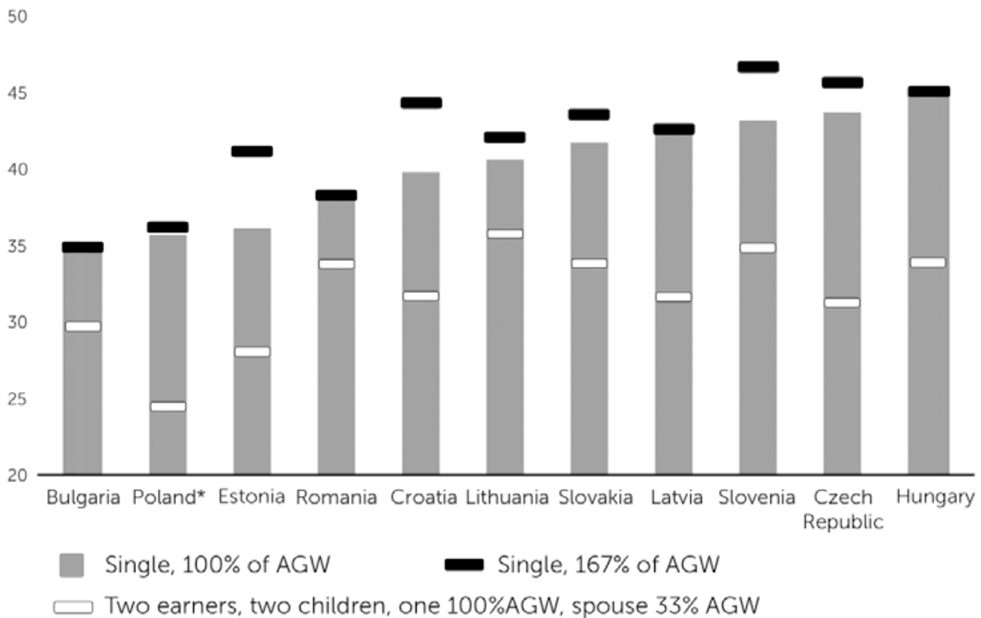
First, the so-called "tax wedge" – the ratio of total labor income taxes paid and the total cost to the employer – varies among CEE countries, but not significantly, despite the different rates in each country. For a single earner of the average wage with no children it varies between 35% (in Bulgaria) and 45% (in Hungary). For a two-earner couple with two children, with one spouse earning the average wage and the other about 1/3 of the average wage, the tax wedge is slightly lower – reflecting the child and family and basic income allowances. The notable changes in this period include a significant decrease in Hungary – where in 2008, the tax wedge was among the highest in the EU – and in Romania. Meanwhile, Slovakia raised the tax wedge on the average worker (single without children).

To impact major allowances and the "progressivity" (though only around the average income levels) of labor taxation can be seen in the difference in the tax wedges specific to a given type of employee. In 2018, the countries that have the "flattest" burden are Bulgaria and Romania, and to some extent, Lithuania.

It is also important that the tax wedge on the typical employee does not necessarily equal the ratio of revenues from the taxes on labor income (PIT plus SSC) to the total amount of compensation of employees in

THE SO-CALLED "TAX WEDGE" – THE RATIO OF TOTAL LABOR INCOME TAXES PAID AND THE TOTAL COST TO THE EMPLOYER – VARIES AMONG CEE COUNTRIES, BUT NOT SIGNIFICANTLY

Figure 1: Tax wedge in 2018, various types of earners



Source: European Commission, DG Economic and Financial Affairs

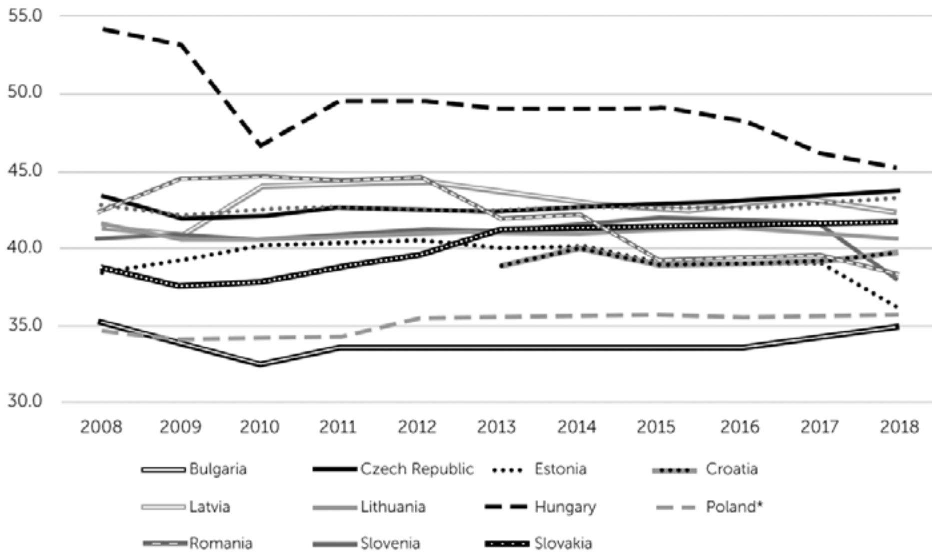
* Data on Poland might be somewhat misleading due to overhaul of the pension system by effective dismantling of the capital pillar.

the economy, or the so-called "implicit tax rate on labor". In all countries but Slovakia, the level of the implicit tax rate on labor is lower than the tax wedge on the single earner with no children. This reflects several factors, including the progressivity of the tax rates, the relative size of tax allowances, and the scope of the tax base. Apart from that, the implicit tax rate can be used as an indirect indicator on the effectiveness of tax authorities to collect revenues and prevent tax evasion.

This being said, it is worth mentioning that across the region the implicit tax rate on labor varied significantly in 2018 – showing a 19 percentage point difference between Bulgaria and Slovakia. In 2008, the difference was 15 p.p. – and the country with the highest ITR on labor was Hungary. This indicator confirms what was previously mentioned – i.e. that an increase of the tax burden in Slovakia and a decrease in Hungary took place.

Second, and more important, the total amount of revenues from labor taxes relative to the size of the economy in each country did not change dramatically throughout the period. The ratio of labor tax revenues to GDP, however, differed significantly between the lowest level of 10.9% (in Bulgaria) and 18.3% (in Slovakia). The latter is the only case of a relatively big increase in tax revenues with 5 percentage points since 2013. It is also notable that Bulgaria, which did not modify any major parameter of the system, and Romania, which reduced significantly the income tax rate, actually managed to increase slightly their revenues.

Figure 2: Tax wedge: single earner with no children, at 100% of average gross wage



Source: European Commission, DG Economic and Financial Affairs

* Data on Poland might be somewhat misleading due to overhaul of the pension system by effective dismantling of the capital pillar.

Table 1: Implicit tax rate on labor and tax wedge

2018	Implicit tax rate on labour	Tax wedge on single earner	Difference in p.p.	Tax wedge on 2-earner	Difference in p.p.
Bulgaria	24.7	34.9	10.2	29.8	5.1
Czechia	40.6	43.8	3.2	31.3	- 9.3
Estonia	33.1	36.2	3.1	28.1	- 5.0
Croatia	30.9	39.8	8.9	31.7	0.8
Latvia	29.4	42.3		31.7	2.3
Lithuania	31.8	40.7	8.8	35.8	3.9
Hungary	38.9	45.0	6.1	33.9	- 5.0
Poland	33.8	35.7	1.9	24.5	- 9.3
Romania	30.7	38.3	6.1	33.8	3.1
Slovenia	36.0	43.2	7.2	34.9	- 1.1
Slovakia	43.8	41.8	- 2.1	33.9	- 10.0

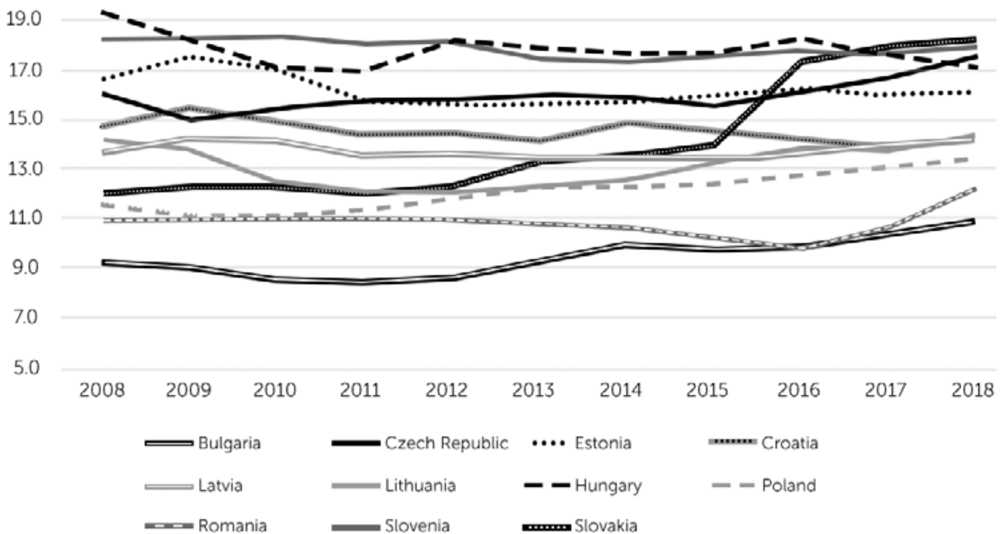
Source: Own calculations based on European Commission, DG Taxation and Customs Union

THE IMPLICIT TAX RATE CAN BE USED AS AN INDIRECT INDICATOR ON THE EFFECTIVE-NESS OF TAX AUTHORITIES TO COLLECT REVENUES AND PREVENT TAX EVASION

The actual tax revenues from the personal income tax reflect the changes in rates, but the link is not as strong as many might expect, signifying that the scope of the tax base is a key factor. Nevertheless, the historical data mark the major tax rate cuts in Hungary and Romania, though rate increases in other countries seem not to have resulted in big revenue growth.

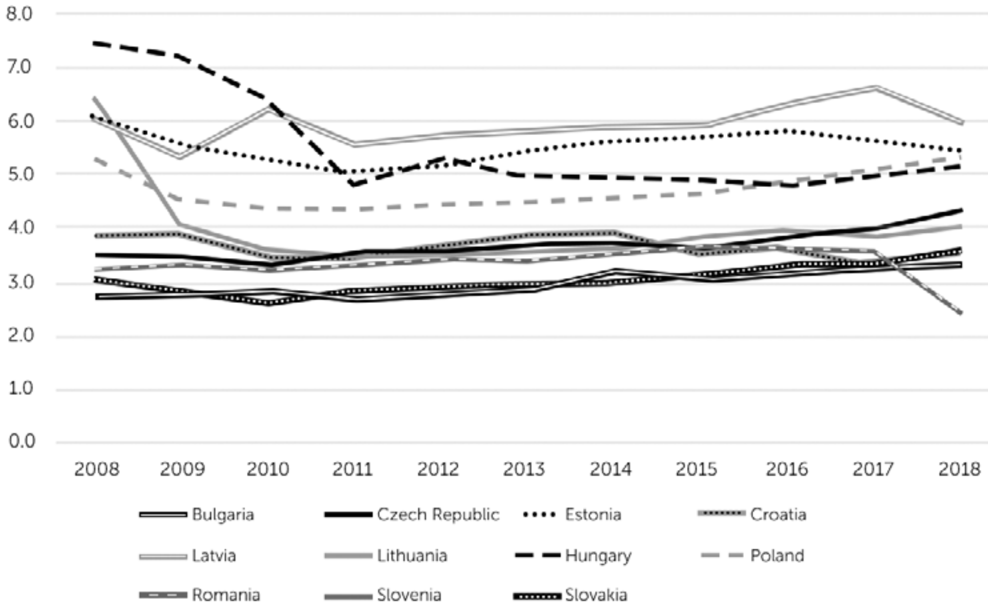
The overall conditions of the labor market, as well as the efficiency of tax administrations to combat shadow the economy, are obviously important too – in Bulgaria, for example, which did not change its PIT rate, the revenues collected increased by almost the same rate as in the Czech Republic, where the rate was increased from 15% to 22%. So, other determinants might be even more significant than merely adding a higher rate (or removing one, for that matter).

Figure 3: Taxes on labor as share of GDP



Source: European Commission, DG Taxation and Customs Union, based on Eurostat data

Figure 4: Revenues from personal income tax as share of GDP



Source: Eurostat

Part of the explanation lies in the structure of the overall taxation of labor – the bigger and growing share of the burden are the social security contributions. In all but two of the countries (Poland and Latvia), the share of the income tax is around or below 1/3 of the total labor income taxation. Moreover, between 2008 and 2018, in all but two of the countries (Czechia and Bulgaria) its share fell, signifying the policy shift to gradually increase the role of social security contributions.

IS HIGHER AND MORE PROGRESSIVE TAXATION THE NEW TREND?

It seems that, with a few notable exceptions, this is the easiest way to describe the series of tax and social security reforms in recent years across the region. Although these changes included a wide variety of measures with a sometimes contradictory effect, they show several common characteristics. Whether it was named "solidarity surcharge" (in Latvia, Poland, or the Czech Republic) or governments directly admitted that they introduced higher tax rates, the effect is the same – higher marginal taxation of income. In most cases it was accompanied by bigger allowances and deductions, which decreased the tax base. It should be noted that governments tried not to increase the level of the tax wedge on the typical (or average) employee.

As a rule, the solidarity levy or the additional higher tax rate is applied to income exceeding the earnings cap for social security contributions. The logic behind this approach is relatively self-evident – with income cap, the total labor taxation becomes regressive once the cap is exceeded. As the difference in tax rates is still lower than the total social security contribution rate that it *de facto* replaces, politicians could still claim that the

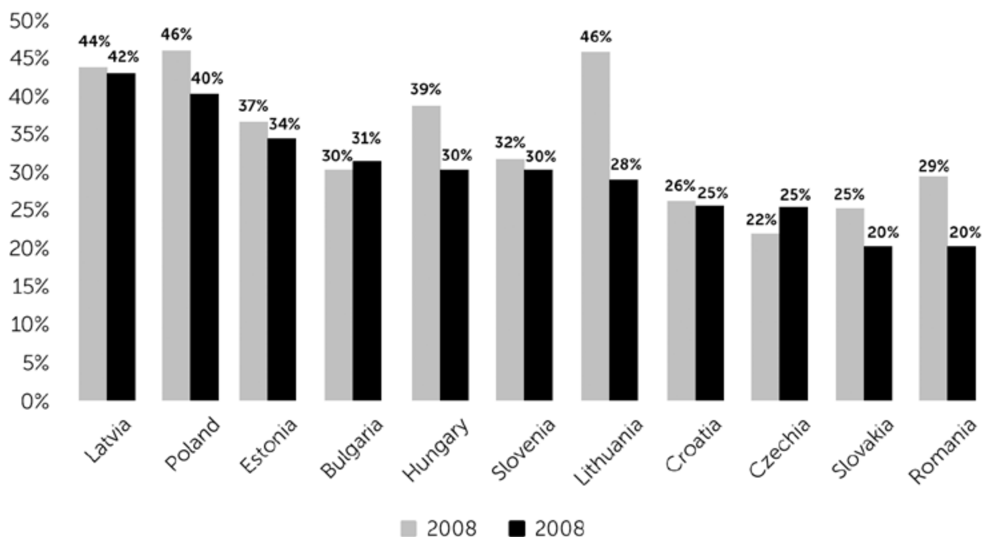
overall effective level of taxation declines above the cap. Nevertheless, this represents an increase in the tax burden for earners with incomes higher than the level of the cap.

Other countries (Hungary and Romania) opted for a different approach – reduce significantly their personal income tax rates, but remove the social security contributions cap. In a way, this approach generates a significant progressivity, as the cuts in income tax rates are significantly lower than the rates for social security contributions that are due on income exceeding the cap. At the same time, both countries increased allowances that further shrank the tax base, especially for lower income earners.

It is probably too early to conclusively assess the budgetary implications of the recent reforms. The data until 2018, however, show that overall revenues from labor taxation did not increase significantly (with the notable exception of Slovakia). In Bulgaria, to the contrary, both personal income tax and

THE SOLIDARITY LEVY OR THE ADDITIONAL HIGHER TAX RATE IS APPLIED TO INCOME EXCEEDING THE EARNINGS CAP FOR SOCIAL SECURITY CONTRIBUTIONS

Figure 5: Share of income tax in total revenues from labor taxes



Source: European Commission, DG Taxation and Customs Union, based on Eurostat data

THE RECENT TAX RATE HIKES, INCLUDING THE REMOVAL OF THE SOCIAL SECURITY INCOME CAP, FURTHER WIDEN THE GAP AND CREATE EVEN BIGGER INCENTIVES FOR ABUSE

social security revenues grew as percentage of GDP, with no changes to taxes, no expansion in scope of the tax base, and no relative increase in the level of the social security cap.

Nevertheless, in all countries, the relative share of the income tax in the overall labor income taxation is gradually declining. With reforms to increase or remove the social security contributions, they become the key determinant of the tax burden.

The different treatment of self-employment (using various legal forms, including incorporation or other forms of company establishment) and standard employment creates a challenge. On the one hand, governments typically want to encourage entrepreneurship and, therefore, create a low-tax environment for small businesses. These include application of low corporate profits tax rate, and in most cases, a comparatively small amount of social security contributions for partners or managers. This creates incentives for arbitrage – i.e. using a small-business status to reduce the tax burden on activities that would otherwise be categorized as labor income. The recent tax rate hikes, including the removal of the social security income cap, further widen the gap and create even bigger incentives for abuse – which, in turn, put pressure on revenue agencies to limit the application of favorable tax treatment for small businesses, or intensify checks and audits.

HOW BULGARIA CAN PRESERVE ITS LOW FLAT TAX: LESSONS TO BE LEARNED

Adding new rates in the PIT structure, a "solidarity levy", or removing or significantly expanding the income for social security contributions – all of these effectively increase the effective tax burden for relatively high incomes. The key political message was that the rich should contribute more, especially in times of hardship – we should not underestimate the impact of the global economic crisis on budget revenues and labor markets in the region.

At the same time, such tax hikes on higher-income earners are a suitable excuse to extend more generous allowances and deductions – to low-income groups or related to family and children. A combination of this kind preserves, or even reduces the tax wedge on the "average employee", which, in turn, is crucial for maintaining competitiveness, attracting foreign investment, and creating most types of jobs.

For Bulgaria, the overall trend in the region poses a serious challenge: It is difficult to defend a low-rate, flat income tax with no basic income allowance while the rest of the converging CEE countries choose opposite policies. The case for abandoning the current structure has been driven

THE KEY POLITICAL MESSAGE WAS THAT THE RICH SHOULD CONTRIBUTE MORE, ESPECIALLY IN TIMES OF HARDSHIP

in recent years by three ideological arguments: the "rich" should pay more (in general), the lack of basic allowance creates inequality and increases poverty, and finally, the size of the government should grow to finance higher health and pension expenditures. Based on the overview of recent tax reforms in other countries and on specific conditions related to the structure of Bulgarian public finances, and the economy as a whole, let us consider the case for preserving the flat tax.

As a catching-up economy starting from a low level of income (even by CEE comparison), Bulgaria needs to attract capital and foster job creation. This means keeping relatively low taxes on labor and capital, while relying to a greater extent on consumption taxes. Also, because of the low nominal income levels, the minimum rates for excise duties established within the EU are in relative terms considerably higher than in most other countries. Bulgaria is also a rare case for not having a reduced VAT rate for food and essentials – which is, from an economic growth perspective, considered a better source of revenue than taxing labor. The tax base for VAT is also quite broad, as the threshold for compulsory registration is around EUR 25,000 of annual turnover.

Comparing marginal income tax rates and actual income tax collections, it seems that doubling or even tripling the rate in Bulgaria, if accompanied with the introduction of some allowances, would probably generate 1 to 3 percentage points of GDP in higher revenues. The trade-off is obvious – to keep the low tax rate the government must keep the tax base as broad as possible. And vice-versa – an introduction, for example, of a basic allowance equal to the minimum wage would require doubling the rate (or introduce a quite steep progression) to keep the total revenues unchanged.

Nevertheless, the concern that the current system is somewhat regressive – i.e. the high-income earners pay a lower overall contribution – should be addressed. This would probably require a predictable formula for gradually increasing the social security earnings cap – at present, it is set arbitrarily in the annual state budget act. Such a measure can create credibility that

THE BULGARIAN GOVERNMENT SHOULD UNDERTAKE DEEP REFORMS OF THE SOCIAL PROTECTION SYSTEM

the cap is not artificially limited, so that particular groups of taxpayers can benefit.

At the same time, there are certain types of income that are not subject to social security and health contributions, or the legal framework is ambiguous, so that the tax administration is unable to collect. This problem has some absurd proportions as, for example, there are several thousand people who have no mandatory health insurance, while at the same time receiving sizable rental incomes. Another set of measures should address the obvious loophole that allows *de facto* self-employed taxpayers to pay social security and health based on extremely low income (i.e. the minimum wage), even if they generate significantly higher incomes from provision of their services.

To relieve the burden of expectations that the tax structure can solve inequalities, poverty, and social exclusion by itself, the Bulgarian government should undertake deep reforms of the social protection system. These should include both targeting social transfers better, as well as more adequate social services to facilitate social inclusion and enable exiting the poverty trap. Without them, the political pressure to "do something" about the poor – by narrowing the tax base, introducing various exemptions and allowances, etc. – will not disappear.

Finally, a focus on combating tax evasion and closing loopholes that allow avoidance must be a key priority for both legislators and the revenue agency[2]. Several recent initiatives proved that, with the help of modern risk evaluation and other monitoring technologies, tax administration could significantly increase collection. In line with the discussion above, implementing the law broadens the tax base – increasing public revenues without the pressure to raise tax rates for law-abiding taxpayers.

A FOCUS ON COMBATING TAX EVASION AND CLOSING LOOPHOLES THAT ALLOW AVOIDANCE MUST BE A KEY PRIORITY FOR BOTH LEGISLATORS AND THE REVENUE AGENCY

[2] The National Revenue Agency of Bulgaria already launched several campaigns to "whiten" certain business practices. These include, most notably, the pressure to make companies formally distribute profits and pay a 5% dividend tax (instead of simply drawing the cash, but formally retaining earnings), focusing the restaurants and bars which had the practice of significantly under-reporting revenues and salaries of personnel, auditing online shops which used to sell goods without invoicing and paying VAT and CIT in case of cash payments upon delivery, etc.

LATCHEZAR BOGDANOV

Chief Economist at Institute for Market Economics in Sofia, Bulgaria. In 2003, he became co-founder of Industry Watch, a private research company that became a key stakeholder in public debate on economic policy in Bulgaria. A founding member of the Bulgarian Macroeconomic Association and a member of the jury of Forbes Business Awards – Bulgaria