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Continuing tax concerns in Central Europe: Presentation to the Economic Growth Workshop October 2007

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Outline

- The first and second generations of reforms
- The flattening or the flat tax
- The tax wedge on labor
- EU concerns
- Property tax challenges
- Who cares?



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The first and second generations of reforms

- Reliance on taxes for government revenues
- Move to market, self-assessment
- Tax administration modernization
- Introduction of the VAT, especially as part of the process to join the EU;
- Harmonization of excises with EU guidelines;



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The first and second generations of reforms

- Elimination of “citizen taxes” and schedular treatment of incomes;
- Elimination of wasteful and unproductive tax incentives and tax holidays;
- Harmonization of tax regulations to international accounting standards



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The flat tax drive

- On the move in Central Europe
- Flat or flattening?
- Is it really important?

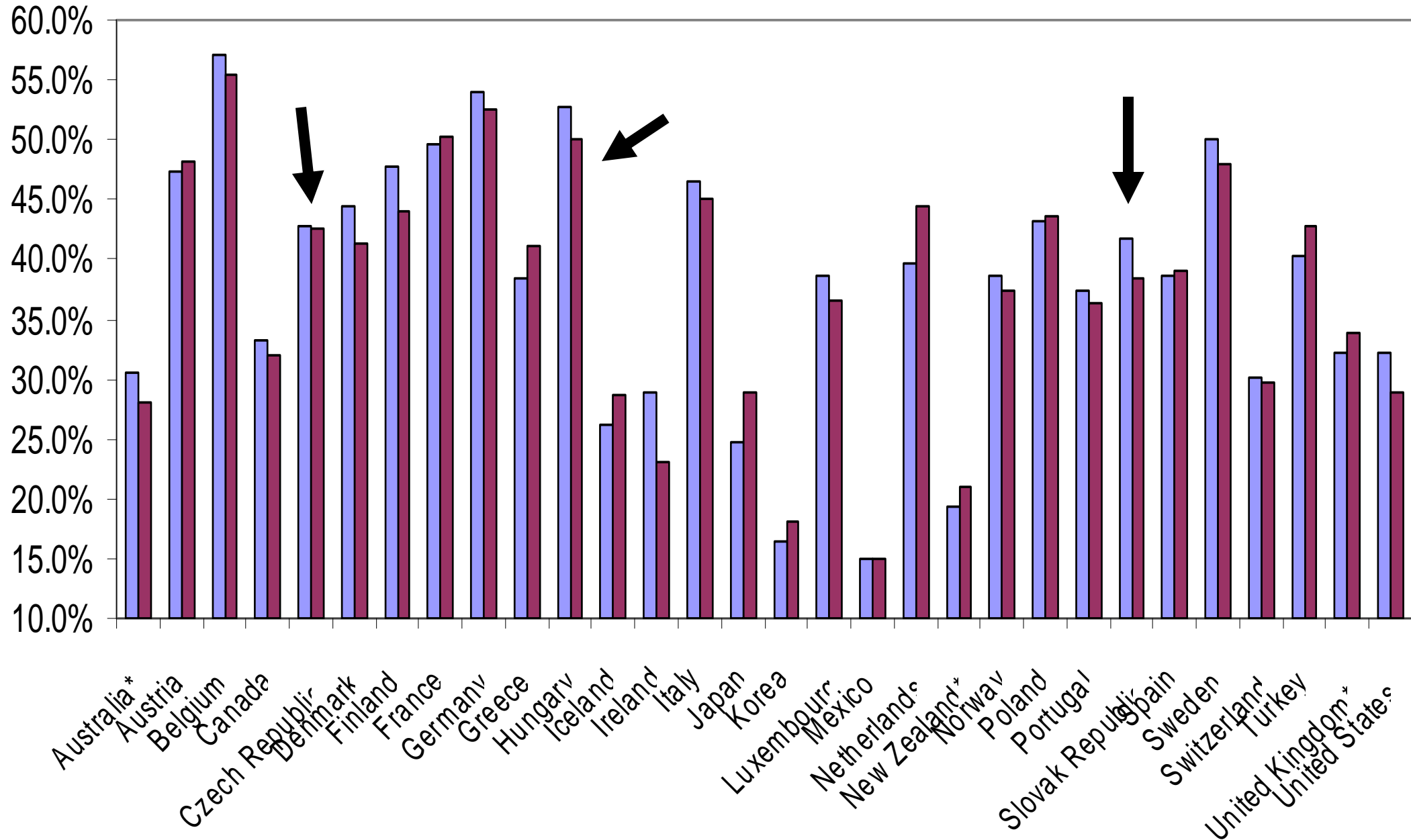
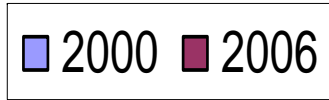


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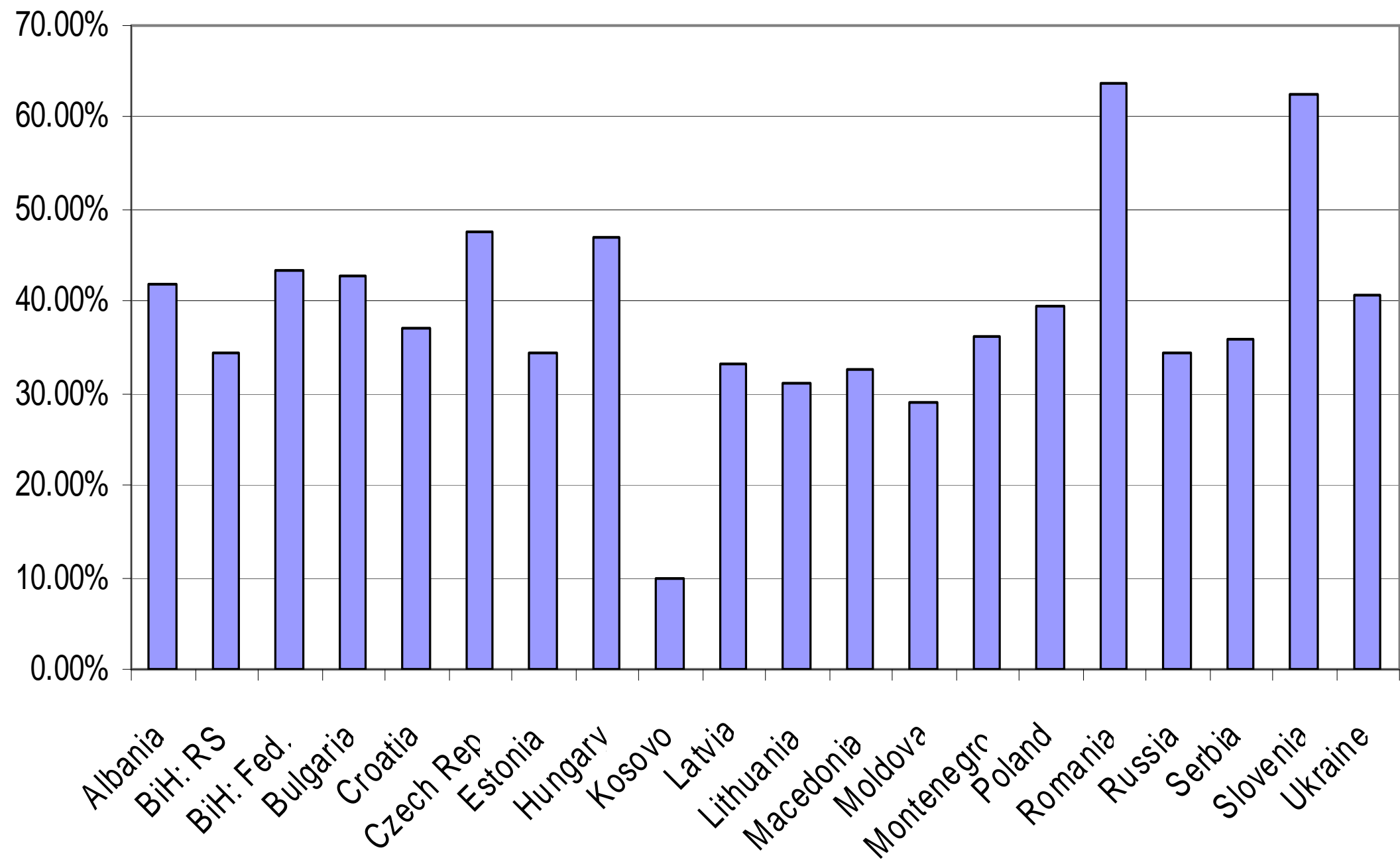
Tax wedge

- Disincentive to employ labor-using technology
- High social charges in Central Europe
- Is this really the issue?

Tax wedge in 2000 and 2006



Social contributions/payroll tax





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EU concerns

- VAT,
- Excises,
- Customs
- Common treatment of companies/tax competition
- Race to the bottom/tax competition



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Property tax

- Several countries have implemented market-value based property taxes
- Are data systems really the issue?
- Or property rights and tenancy?
- Real concern in many countries has been “property rich and income poor” populations



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Who cares?

- Europe cares
- Old Europe cares
- New Europe cares
- US cares
- Should you or USAID care?