

OPINION

By: Assoc. Prof. Dimitar Georgiev Zlatinov, PhD, Economic Research Institute at the Bulgarian Academy of Sciences

Regarding: Dissertation for the award of the scientific degree Doctor of Sciences in Professional Field 3.8 Economics

Author of the dissertation: Prof. Victor Ivanov Yotzov, PhD

Title of the dissertation: Between Efficiency and Equity: Assessing the Effects of the Flat Tax in the Countries of Central and Eastern Europe

Grounds for submitting this opinion: Order No. 124/27 February 2026 of the Director of the Economic Research Institute at the Bulgarian Academy of Sciences appointing me as a member of the scientific jury in the procedure for the defence of the dissertation for the scientific degree of Doctor of Sciences

1. Information about the candidate

Prof. Victor Yotzov, PhD, is an established Bulgarian scholar with many years of academic, expert, and teaching experience in the fields of macroeconomics, public finance, monetary theory, financial crises, and economic policy. He obtained the educational and scientific degree of PhD in Economics at the Economic Research Institute at the Bulgarian Academy of Sciences with a dissertation on the modelling and forecasting of economic processes under conditions of economic transition. His primary higher education is a Master's degree in Economics from the University of National and World Economy. His professional training has been further enriched through specialisations at the International Monetary Fund, the Bank of England, the research centre of the Swiss National Bank, the Joint Vienna Institute of the World Bank and the IMF, and other international institutions.

The author's professional biography demonstrates consistency and a high degree of relevance to the subject matter of the present dissertation. He is Professor at the Faculty of Economics and Business Administration of Sofia University St. Kliment Ohridski; he has served as Associate Professor at the University of National and World Economy, Professor in the Macroeconomics Section of the Economic Research Institute at the Bulgarian Academy of Sciences, Director of the Institute of Economics and Policies at the University of National and World Economy (2015–2018), Bulgaria's representative to the International Monetary Fund (2003–2010), and Acting Chief Economist of the Bulgarian National Bank. His academic and practical experience places him in a particularly strong position to analyse the complex tax and macro-fiscal processes that constitute the subject of the present dissertation.

Prof. Yotzov has maintained sustained teaching and research activity, has participated in national and international research projects, and has demonstrated substantial publication activity in fields directly related to fiscal policy, inequality, financial stability, foreign investment, and European economic integration. This provides a convincing professional

foundation for the development of a dissertation for the scientific degree of Doctor of Sciences.

2. General characteristics and relevance of the dissertation

The dissertation comprises 301 pages and is structured into an introduction, seven chapters, a bibliography, and five appendices. The extended abstract is 40 pages in length. The dissertation examines the rise, implementation, and consequences of the flat tax in the countries of Central and Eastern Europe, combining theoretical, historical-institutional, comparative, and econometric analysis, with a separate chapter devoted specifically to Bulgaria.

The relevance of the topic is beyond doubt. The issue of the effects of the flat tax remains among the most contested questions in the political economy of transition, in the theory of optimal taxation, and in the practice of fiscal policy. The debate is particularly acute in the countries of Central and Eastern Europe, where tax reforms have been implemented over recent decades under the influence of competing objectives – economic growth, investment attractiveness, administrative simplicity, fiscal sustainability, and social equity. The topic is also significant for Bulgaria, given the continuing treatment of the flat tax as simultaneously an economic, social, and political issue.

The dissertation has a structure and content that satisfy the requirements for a dissertation for the scientific degree of Doctor of Sciences. It is a large-scale, independent, and conceptually complete study with a clearly articulated internal logic. The exposition proceeds consistently from the theoretical foundations and literature review, through the historical-institutional evolution of the flat tax in the countries of Central and Eastern Europe, to the data, methodology, and empirical estimates, with an emphasis on policy recommendations.

3. Content of the dissertation submitted

The Introduction fulfils the necessary functions of an introductory part to a large-scale scientific study. It formulates the relevance of the topic, the economic context of post-socialist transformation, four research questions, four main hypotheses, and the overall research methodology. I positively assess the effort made, from the very beginning, to establish the link between the theoretical debate, the comparative regional analysis, and the Bulgarian experience. I nevertheless believe that the dissertation would benefit if, already in the Introduction, a sharper distinction were made between the flat tax as a politically and journalistically loaded concept, the proportional income tax as a formal institutional regime, and the actual progressivity of the tax system once account is taken of a tax-free threshold, tax credits, and the interaction with social security contributions.

In Chapter I, the author examines the theoretical foundations of tax policy and compares progressive and proportional taxation, situating the study within the broader debate on efficiency, neutrality, ability to pay, and the redistributive function of taxation. A

particularly positive impression is made by the author's thorough command of both classical and contemporary theoretical sources, as well as by the effort to connect specifically tax-related issues with the political economy of transition. The literature review is rich and demonstrates a high level of scholarly awareness. In some places, however, the arguments concerning the conflict between efficiency and equity are repeated in closely similar formulations.

Chapter II is devoted to the development of the idea of proportional taxation in Central and Eastern Europe. Here the author offers a useful chronology, classifies the sub-periods of the rise, spread, and partial retreat of the reform, and develops a comparative country analysis. This is a strong part of the dissertation, because it shows that the flat tax is not merely a technical tax measure, but also an institutional and political phenomenon associated with different ideas and expectations, international influences, and domestic fiscal constraints. In my view, it is precisely here that one of the dissertation's important theoretical contributions becomes visible – the attempt to conceptualize tax change as part of the broader political economy of post-socialist transition.

In Chapter III, the author presents the data, the research strategy, and the econometric methods employed. He works with a panel dataset covering 11 countries from Central and Eastern Europe for the period 1995–2024, using panel models with different characteristics and capabilities. The author's methodological preparation is of a very high standard and is consistent with contemporary standards for empirical research in economics. I assess positively the fact that the limitations of identification, data, and interpretation are explicitly discussed. I believe that this chapter could develop more clearly the discussion of the operationalization of the flat tax variable and the extent to which binary coding captures the real differences in the complexity and progressivity of national tax systems.

Chapter IV contains the substantive panel-based empirical analysis of the economic and social consequences of introducing proportional taxation in the countries of Central and Eastern Europe. The analysis covers effects on economic growth, the labour market, foreign direct investment, income inequality, public debt, and automatic fiscal stabilisers. This chapter is among the strongest parts of the dissertation. The author does not confine himself to a single dependent variable or a single indicator of reform success, but rather considers the policy in a multidimensional manner. The analysis highlights the important conclusion that the flat tax cannot be regarded as a universal engine of growth. Instead, the results point to limited and context-dependent effects on growth and investment, an absence of convincing positive effects on labour supply and tax compliance, clearer and more persistent effects on inequality, and a weakening of automatic stabilisers. Although this part constitutes a serious contribution to the study, greater caution is needed in formulating strong causal claims, since the period under examination also coincides with other major processes – accession to the European Union, the global financial and economic crisis of 2007–2008, the pandemic shocks associated with COVID-19, changes in the institutional environment, and shifts in external conditions.

Chapter V is devoted to the Bulgarian experience with the flat tax. It is here that the author's analytical independence is most strongly evident. Through appropriate statistical methods, Prof. Yotzov constructs the trajectory for Bulgaria and estimates the effects of the reform after 2008. This chapter has substantial practical value, because it takes the dissertation beyond comparative academic analysis and directs it toward the Bulgarian debate on tax policy. I particularly value the fact that the author does not provide a one-sided and ideologically convenient answer, but rather demonstrates a genuine trade-off between moderate benefits in terms of economic growth and substantial distributive and fiscal costs. It is precisely this lack of one-dimensionality that makes the analysis scientifically more convincing. I believe that the choice of the set of variables in the model could have been justified in greater detail, and the broad ranges in some of the quantitative estimates, especially with regard to foregone revenues, require clearer contextualisation.

In Chapter VI, the author discusses the results in a broader theoretical and policy context. Economic growth, the labour market, tax compliance, foreign direct investment, inequality, and the question of why the effects in Bulgaria are moderate and/or heterogeneous are analysed. This is a strong interpretative chapter, linking the econometric results both to the academic literature and to the broader debates on efficiency and equity. The attempt to show that the evaluation of a tax reform cannot be reduced solely to the rate of GDP growth, but must also include distributive effects, the quality of public services, the stabilising role of the budget, and the institutional capacity of the state, is particularly valuable. Some of the policy interpretations here, however, go one step beyond what is directly ascertainable from the empirical findings and would be even more convincing if supported by additional fiscal modelling.

In Chapter VII, the main conclusions are synthesised and policy recommendations are formulated. Prof. Yotzov concludes that the flat tax in Bulgaria is associated with a moderate positive effect on economic growth, but also with significant losses in tax revenue, increased inequality, and a weakening of the redistributive function of the system. The concluding part proposes recommendations aimed at restoring progressivity in personal income taxation, introducing a tax-free threshold, reforming property taxation, and strengthening tax administration. I regard these recommendations as logically deriving from the analysis undertaken, but I believe that some of them – for example, the parameters of specific tax schedules or the expected revenue effects – would benefit from additional microsimulations and more detailed fiscal calculations.

4. Evaluation of the scientific and applied scientific contributions

The dissertation contains clearly identifiable scientific, methodological, and applied scientific contributions. I accept the contributory elements identified by the author, while considering the following to be the most significant.

The dissertation offers a comprehensive empirical assessment of the effects of the flat tax in the countries of Central and Eastern Europe across a broad range of economic and social indicators. In this respect, it goes beyond the greater part of the existing literature, which usually focuses on a limited set of outcomes.

A distinct methodological contribution is also present. The combination of comparative historical-institutional analysis with panel econometric models of different types has been implemented convincingly and is not an end in itself. This integrated approach gives the study high analytical value.

The dissertation contributes to a better understanding of the trade-off between efficiency and equity in tax policy. The author demonstrates that the flat tax is not a neutral institutional choice and that its evaluation must include distributive effects, revenue capacity, and stabilising function, rather than merely its possible incentives for economic growth.

The analysis of automatic fiscal stabilisers should also be noted as a contribution, since it adds an important mechanism to the discussion of the macro-fiscal consequences of tax regimes. This is a particularly valuable aspect of the study.

The Bulgarian case has substantial applied scientific value. The analysis of Bulgaria is not an illustrative application, but an independently developed empirical part that provides a foundation for a more informed debate on one of the most sensitive issues of economic policy.

I consider it important to note that not all of the contributions claimed by the author are of equal weight. The empirical and methodological contributions are the most convincing and the best substantiated. The policy recommendations also have value, but they are derivative of the main scientific findings and should be evaluated in that context.

5. Evaluation of the publications and the extended abstract related to the dissertation

Ten publications have been submitted within the procedure, together with documentation demonstrating compliance with the minimum national requirements. Among them are works published in refereed and indexed outlets, publications in peer-reviewed academic journals, and papers delivered at scientific conferences. Thematically, they cover issues of fiscal policy, inequality, foreign investment, financial stability, European integration, and the effects of euro adoption. Some of the publications are directly related to the subject matter of the dissertation, while others outline the broader research profile within which the present study is situated.

In quantitative terms, the publication activity is sufficient and convincingly exceeds the minimum requirements. It is also positively noteworthy that, in addition to the publications, a considerable number of citations have been presented, along with participation in and leadership of research projects, and published university textbooks. All of this is consistent with the profile of a candidate for the scientific degree of Doctor of Sciences.

The 40-page extended abstract presents the content of the dissertation objectively. It reflects the relevance of the topic, the research questions and hypotheses, the methodological framework, the structure of the study, the main empirical results, and the claimed contributions.

6. Comments and recommendations

The comments made below are entirely corrective and recommendatory in nature and in no way call into question the overall high assessment of the dissertation. Their purpose is to assist in its further editorial and analytical refinement with a view to future publication.

The dissertation would benefit from a stricter and more consistent conceptual distinction between the formal regime of the flat tax and the actual progressivity of the tax system. This is important both for theoretical precision and for the empirical operationalisation of the variables.

Some of the econometric results – especially those concerning foreign direct investment, budget revenues, and some of the scenarios examined – require even more cautious interpretation and a clearer discussion of the limits of causal inference. It would be useful for the study to be developed further through microsimulations or more detailed fiscal models that would link the empirical conclusions even more directly to specific parameters of tax reform.

The text requires a degree of editorial refinement. In places, there are repetitions, a mixing of Bulgarian and English terminology, the use of the first-person plural, and fragmentation resulting from the more frequent use of bullet points and enumerations. The bibliographic apparatus could also be standardised more rigorously. The chosen mode of textual presentation is unconventional and creates an impression of fragmentation due to the presence of numerous bullets, dashes, and ellipses when the author's theses are expressed and certain processes are systematised. My recommendation here is that this be avoided, which would improve the visual readability of the text.

7. Conclusion

On the basis of the materials submitted and the arguments set out above, I consider that the dissertation of Prof. Victor Ivanov Yotzov, PhD, entitled *Between Efficiency and Equity: Assessing the Effects of the Flat Tax in the Countries of Central and Eastern Europe* constitutes an independent, large-scale, conceptually complete, and scientifically significant study with a clear theoretical framework, substantial empirical scope, contemporary methodology, and original scientific contributions. The dissertation meets the criteria and requirements of the Act on the Development of the Academic Staff in the Republic of Bulgaria, the Rules for its Implementation, and the applicable internal regulations governing academic staff development.

In light of the above, I express my positive opinion and respectfully recommend that the esteemed Scientific Jury confer upon Prof. Victor Ivanov Yotzov, PhD, the degree of Doctor of Sciences in Professional Field 3.8 Economics.

22 April 2026

Assoc. Prof. Dimitar Zlatinov, PhD