

REVIEW

From: Prof. Dr. Stefan Petranov, Professor at the Faculty of Economics of Sofia University "St. Kliment Ohridski"

Subject: dissertation for the scientific degree "Doctor of Science" in the professional field 3.8 Economics

Author of the dissertation: Viktor Ivanov Yotsov

Topic of the dissertation: Between efficiency and fairness: assessing the effects of the flat tax in Central and Eastern European countries

Reason for submitting the review: participation in the scientific jury for the defense of the dissertation work according to Order 124/27.02.2026 of the Director of the Economic Research Institute at the Bulgarian Academy of Sciences.

1. Information about the dissertation candidate

Viktor Yotsov is a professor at the Department of Finance and Accounting at Sofia University "St. Kliment Ohridski", where he lectures on the disciplines "Money, Banks and Financial Markets", "Public Finance" and "Financial Crises". At the same time, he is also an adjunct professor at the Macroeconomics Section at the Economic Research Institute at the Bulgarian Academy of Sciences. He holds the scientific degree "Doctor of Economics" from the Economic Research Institute at the Bulgarian Academy of Sciences with a dissertation "Modeling and Forecasting of Economic Processes under Transition Conditions - Theoretical Statements and Empirical Results". He holds a Master's degree in Economics from the University of National and World Economy.

Outside of his academic activities, the author of the proposed dissertation also has an impressively rich professional and administrative experience in various organizations and institutions. In this regard, his positions as Acting Chief Economist and Director of the Economic Research and Forecasts Directorate of the Bulgarian National Bank, Representative of Bulgaria to the IMF and Advisor to the Executive Director of the Fund, Independent Member of the Supervisory Board of the United Bulgarian Bank stand out.

This combination of academic background, administrative experience, as well as professional experience in national and international financial institutions and in corporate governance, allows for a very broad and diverse view of economic processes. This, in turn, creates an excellent basis for the presented work.

2. General characteristics and relevance of the presented dissertation work

The presented dissertation consists of 293 pages, of which 246 pages are main text, a bibliography with 119 sources and five appendices. The main text is divided into an introductory part and seven chapters, with the last (seventh) chapter essentially being a conclusion, presenting recommendations for economic policies and the author's concluding thoughts. The appendices present quantitative results from the evaluation and testing of the econometric models used, as well as other various data used in the study. The text is illustrated with the help of 50 graphs and 21 tables.

The topic of the dissertation work focused on the effects of proportional taxation is undoubtedly relevant. The issues of designing and implementing an optimal tax system are among the eternal problems of economic science, because there is no tax system that is ideal at all times and in all places. In this sense, the topic is relevant in general, but in particular, currently in Bulgaria, its relevance is also determined by additional circumstances, related on the one hand to the imperative need to control budget deficits and on the other hand to the recommendations of a number of international institutions for rethinking the applied proportional tax system.

In view of these conditions, the author has focused on assessing the effects of the implementation of a proportional tax system for the income of individuals in the countries of Central and Eastern Europe and on this basis the formulation of relevant conclusions for the economic policy in Bulgaria. Separate attempts in this direction are available in both the international and Bulgarian specialized literature, but the proposed work achieves an informative panoramic picture, with a very broad base of quantitative and non-quantitative data and a modern analytical apparatus.

The scope of the proposed research, its depth, the theoretical generalizations reached, the complexity and importance of the issues considered correspond to a dissertation for the degree of Doctor of Science. The work is logically structured, the approach is unified, the presentation is clear, consistent and logically connected between the individual parts.

3. Content of the submitted dissertation

Introduction. Before proceeding to the presentation of his research in substance, in the Introduction the author presents the main characteristics of his dissertation - the research questions that are the subject of the study, the hypotheses that are tested, the scope and methodology, as well as the structure of

the dissertation. The existing limitations of the methodology are also correctly commented on.

The first chapter logically presents the theoretical foundations of tax policy and a review of the literature in the field of taxation of individuals with a focus on the proportional system. The arguments "for" and "against" this system are objectively examined and the theoretical and conceptual framework of the study is built. The review of the literature concludes that the studies of other authors do not support universal conclusions about the advantages of the proportional over the progressive system, but emphasizes the important role of the context in which the respective system operates.

Chapter Two presents the chronology of the introduction of proportional taxation of personal income since the mid-1990s in the countries of Central and Eastern Europe, former socialist countries and members of the Council for Mutual Economic Assistance. Based on a comparative analysis, the main trends, the motives for the adoption, the results, as well as the motives for the abandonment of this system at a later stage in some of the countries are examined. The analysis covers a wider range of countries than those that subsequently participate in the econometric models developed in subsequent chapters. Nevertheless, the inclusion in this chapter of countries such as Russia, Serbia, Ukraine, Georgia is informative and useful for the author's further analyses.

The results of the comparative analysis empirically confirm the understanding of mixed economic outcomes – some countries achieve impressive results, while others have limited results accompanied by budgetary difficulties. But in all cases it is difficult to separate the effects of the tax system from other factors that also have an impact on the outcomes under consideration.

Chapter Three presents the variables that are used in the econometric models in the following chapters as dependent, explanatory and control variables. The analytical apparatus of the study is also argued. The methodological approach is explained, which is based on the application of panel models with fixed effects, event study, DiD (difference in differences) and robustness checks, with the proposed models being presented in an analytical form. The chosen apparatus thus corresponds to the contemporary achievements of empirical studies of causal relationships.

Chapter Four presents the results of the empirical analysis for 11 CEE countries that are included in the empirical part of the study. It examines the effects of the introduction of a proportional tax system on seven important macroeconomic indicators – economic growth, labor market, foreign direct investment, income inequality, budget revenues, public debt and automatic fiscal stabilizers. The models described in Chapter Three are used in different modifications with and without control variables, respectively, and the results of

the estimation of three panel models and two DiD models are presented. Additionally, the results of a decomposition analysis are presented, aiming to decompose the total effects into structural components and components related to the size of tax rates. The results obtained are also supported by robustness checks. It is empirically confirmed that the introduction of proportional taxation in the studied countries is associated with contradictory effects – positive in terms of economic activity and fiscal sustainability and at the same time negative in terms of foreign direct investment, income inequality and automatic stabilizers. It is also confirmed that there is significant heterogeneity across countries and time periods, which highlights the critical importance of other factors that take into account the context in which tax reforms are carried out.

Chapter **Five** seeks an answer to the question of what is the effect of introducing a proportional tax, specifically in Bulgaria, through the application of two methodologies - Synthetic Control Method (SCM) and Difference-in-Differences (DiD). The main conclusion is that the answer to this question should be sought on the basis of public preferences regarding the trade-off between efficiency and fairness.

Chapter six presents the author's interpretation of the obtained results, compares them with the results of other studies, and analyzes the mechanisms through which proportional taxation can lead to different results in different countries.

Chapter **Seven** synthesizes the author's conclusions and presents a number of his recommendations for reform of the tax system in Bulgaria. Assuming that Bulgarian society has a moderate aversion to income inequality, the author concludes that the net effect of the application of a proportional tax in Bulgaria, for the period under review, is negative in terms of public welfare. On this basis are his recommendations for tax reform that would adopt progressive taxation, as well as other recommendations related to improving the efficiency of the tax system.

4. Evaluation of scientific and applied scientific contributions

The presented dissertation has clearly formulated significant economic problems. In it, the author has achieved significant scientific and applied scientific contributions. Among the first, I would highlight:

- Analysis of the political and economic factors that explain the adoption and partial (at this stage) rejection of proportional taxation in the CEE countries, as well as the mechanisms of influence of these factors.
- The study of the challenges to tax policy in the context of Eurozone membership and fiscal integration in the European Union.

From the scientific and applied contributions, I would highlight:

- The comprehensive empirical assessment of the effects of proportional taxation in CEE countries.
- Counterfactual analysis of the effects in Bulgaria.
- Recommendations for economic policies regarding the tax system in Bulgaria.

In general, I accept the contributions listed on pages 39-40 of the Abstract.

5. Fulfillment of requirements

With regard to the dissertation itself, my assessment, based on the conclusions from the previous sections of the review, is that it represents an original author's work and does not repeat the topic or a significant part of the content of the work for which the educational and scientific degree "doctor" was obtained. The work is based on reliable scientific data, the sources of which are reported exhaustively and fully meets the requirements of Art. 59, para. 3 of the Regulations for the Acquisition of Scientific Degrees and Holding Academic Positions in the Economic Research Institute at the Bulgarian Academy of Sciences.

With regard to the additional scientometric criteria related to the author's publications and other academic activities, the presented Report on the fulfillment of the minimum national requirements under Art. 26 of the Law on the Development of Academic Staff in the Republic of Bulgaria shows that the number of points collected significantly exceeds the minimum requirements. With 100 points required for groups D and E, Viktor Yotsov has 210 points and 380 points, respectively. In addition, the report also shows an impressive number of points for activities such as participation in scientific projects and supervision of doctoral students, which, although not included in the minimum requirements, further form the impression of active and productive academic activity.

6. Critical notes and recommendations

Overall, the proposed work leaves a very good impression with its broad scope and the depth of the issues investigated. However, from the point of view of the analytical apparatus used, I have two remarks:

- The author used the same set of explanatory variables for all dependent variables in the econometric models. This led in some cases to the omission of important regressors and, accordingly, to coefficients that are statistically insignificant or have theoretically "unexpected" signs. The author correctly comments on these features verbally, but in my opinion, the results would be more convincing if different explanatory

variables, tailored to the most important factors as regressors, were used for the different cases .

- When analyzing the effect on tax revenues, the estimate would be more precise if the dependent variable did not reflect all budget revenues, but only those from personal income tax.

7. Conclusion

Based on the results achieved and the arguments presented above, I believe that the proposed dissertation work of **Viktor Ivanov Yotsov** meets the criteria and requirements set out in the Regulations for the Acquisition of Scientific Degrees and Holding Academic Positions in the Economic Research Institute at the Bulgarian Academy of Sciences. With this review I express my **positive opinion** about the awarding of the scientific degree "Doctor of Sciences" to Viktor Yotsov.

25.04.2026/Sofia

Signature:
(*Prof. Dr. Stefan Petranov*)