

https://dspace.org/

The effects of a flat income tax on inequality : the case of Kazakhstan

Vorobey, Yelena

2017

https://hdl.handle.net/10539/24367

Vorobey, Yelena (2017) The effects of a flat income tax on inequality : the case of Kazakhstan, University of the Witwatersrand, Johannesburg, <https://hdl.handle.net/10539/24367>

Downloaded from a DSpace repository. https://dspace.org/

Name: Yelena Vorobey
Student number: 1536683
Degree: Development Policy and Theory
Title: The effects of a flat income tax on inequality: The case of Kazakhstan
Supervisor: Daniela Casale

ABSTRACT

A flat tax is a single-rate tax on all types of income with a minimum tax-free bracket. In theory, such a tax can improve the efficiency, effectiveness, and simplicity of a system, while the distributional effects vary depending on the tax and exemption structure. This dissertation analyses the effects of the flat tax reform introduced in Kazakhstan in 2007, through the review of the major tax changes in the country and a tax simulation exercise. Kazakhstan is a particular case because of a large number of taxes and contributions levied on income and a maximum-earnings bracket above which an individual is not taxed. The analysis of macroeconomic data over two decades suggests that the benefits in efficiency, effectiveness, and simplicity are marginal, as well as debatable. The simulation analysis, based on 2007 data, shows that redistribution happened at the expense of the middle-income group as a result of the flat tax reform. The results show that while the flat tax system, along with other factors such as the general trend in the poverty reduction, the imperfect tax schedule of the preceding system, and pro-poor public expenditures, contributed to the improvement of equity overall, the results might be reversed once there is a higher share of the high-income earners.