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Flat Tax in Slovakia: How It Works

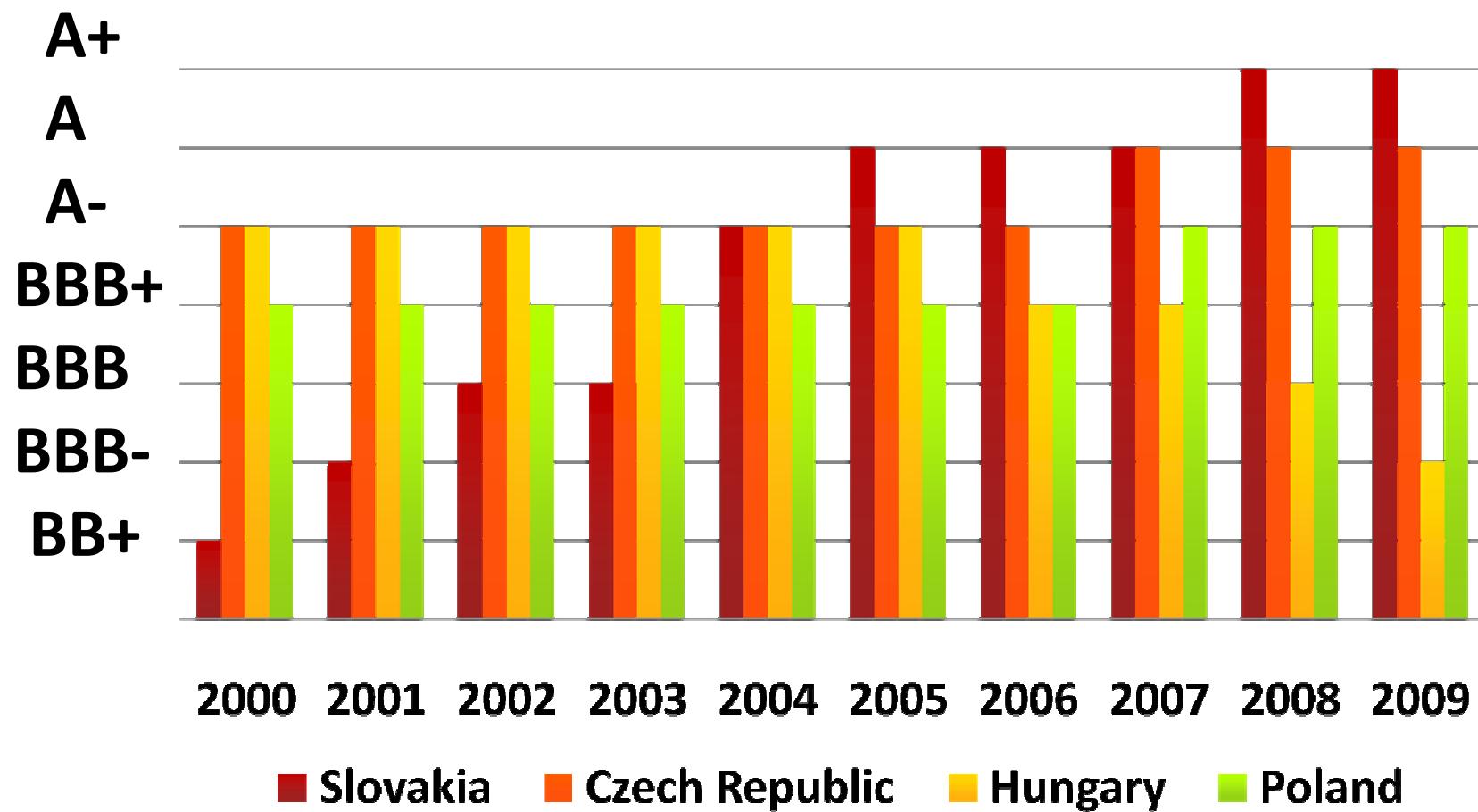
Zurich, 18 February 2010



Public sector reforms

- Public finance reform
- Tax reform
- Pension reform
- Social benefit reform
- Labor market reform
- Healthcare reform
- Fiscal decentralization
- Regional education reform (partially)

Foreign currency rating (S&P)

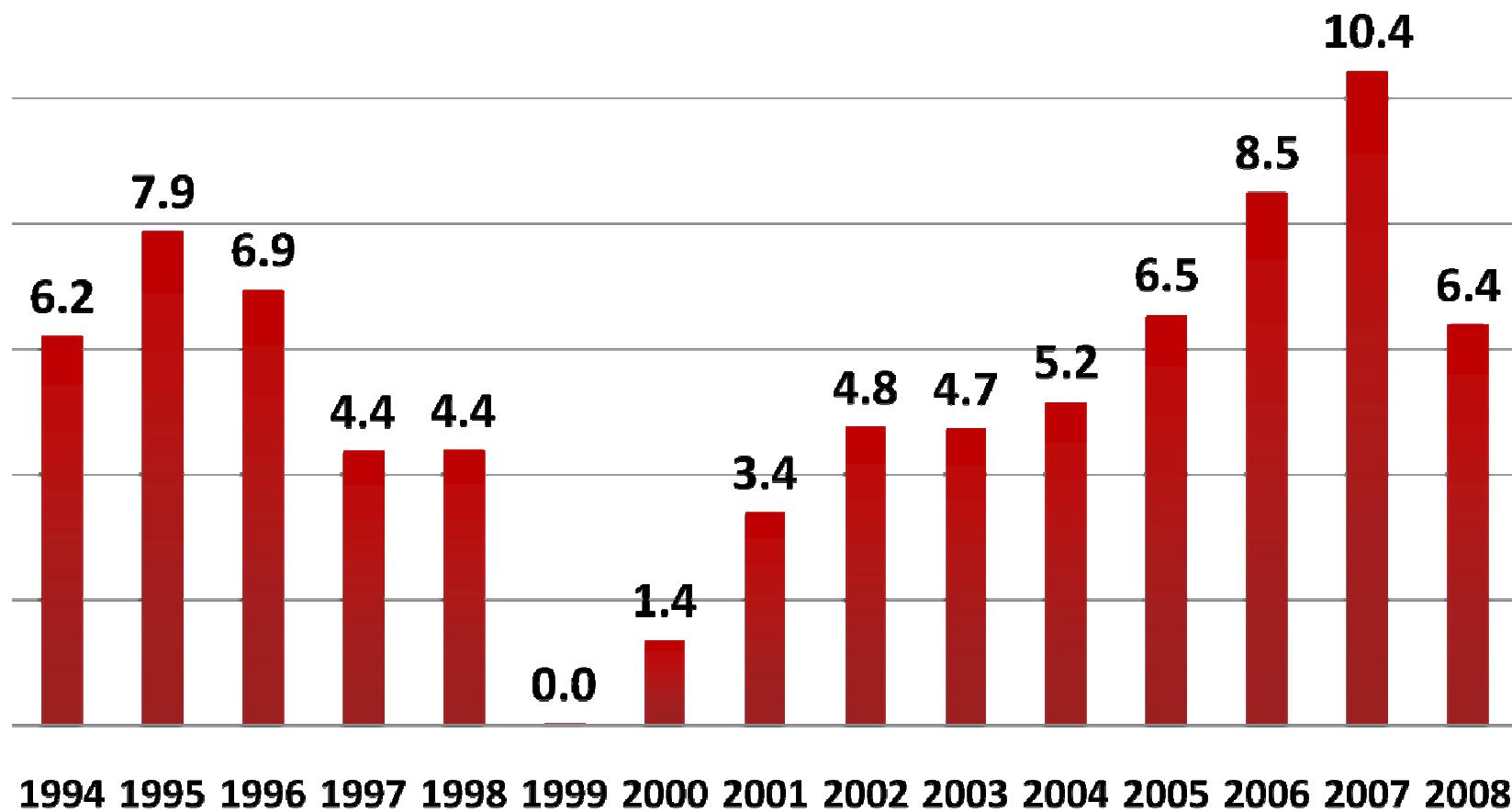


International integration

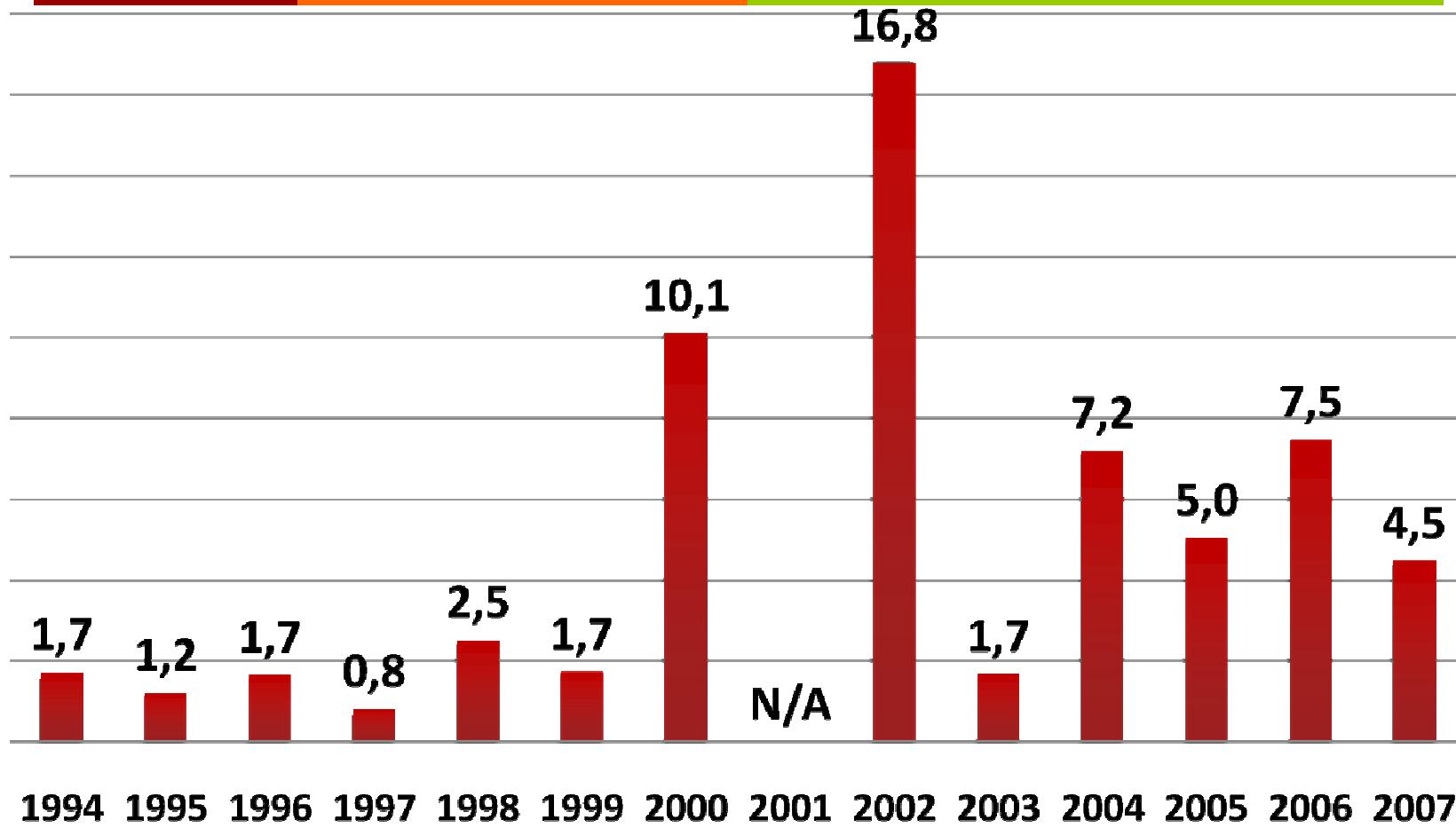


- Slovakia – NATO, EU, OECD, €
- Czech Republic – NATO, EU, OECD
- Poland – NATO, EU, OECD
- Hungary – NATO, EU, OECD
- Slovenia – NATO, EU, €
- Latvia – NATO, EU
- Lithuania – NATO, EU
- Estonia – NATO, EU
- Romania – NATO, EU
- Bulgaria – NATO, EU
- Croatia – NATO
- Albania – NATO

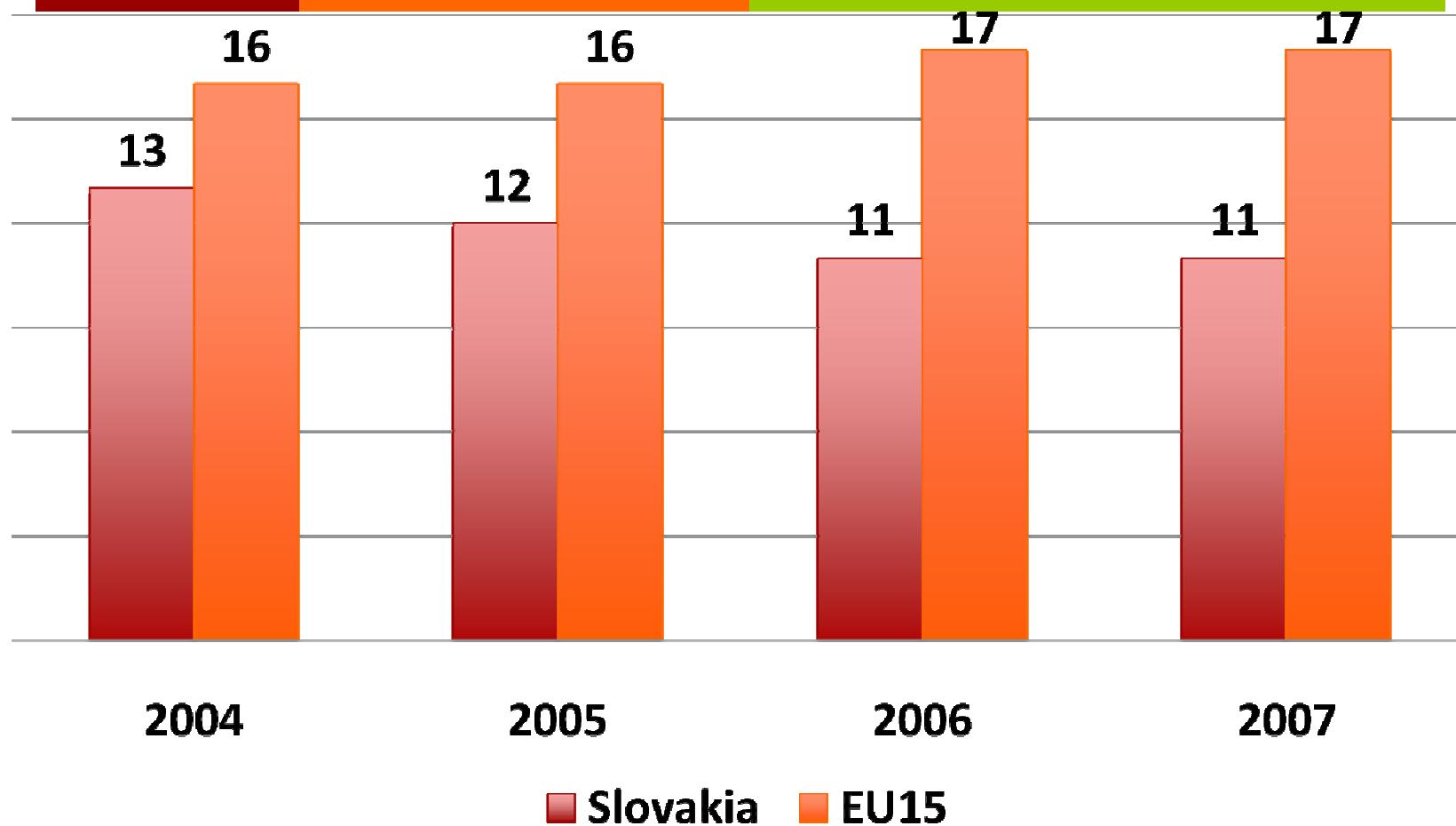
Real GDP growth



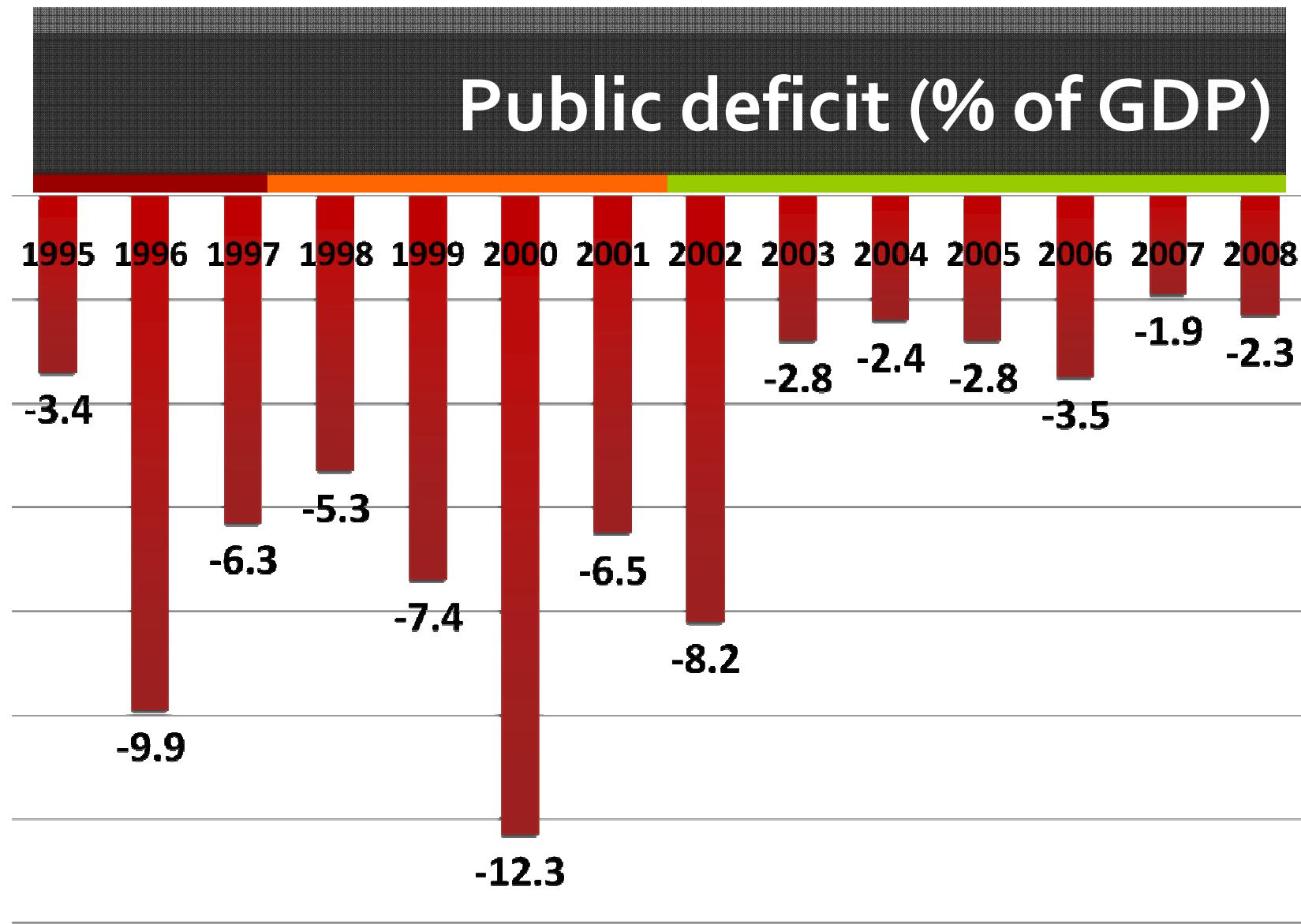
FDI inflow (% of GDP)



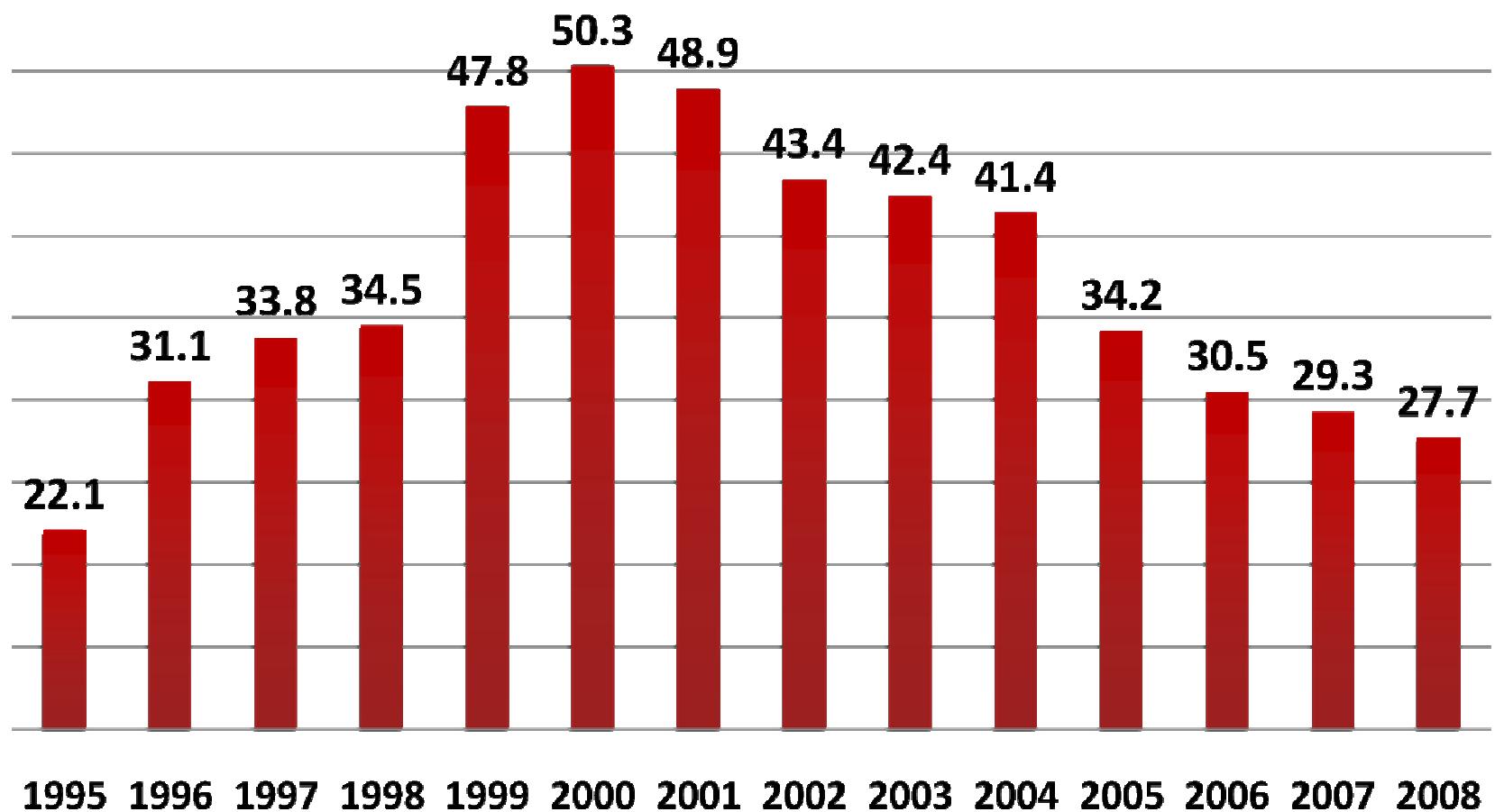
At risk of poverty



Public deficit (% of GDP)



Public debt (% of GDP)



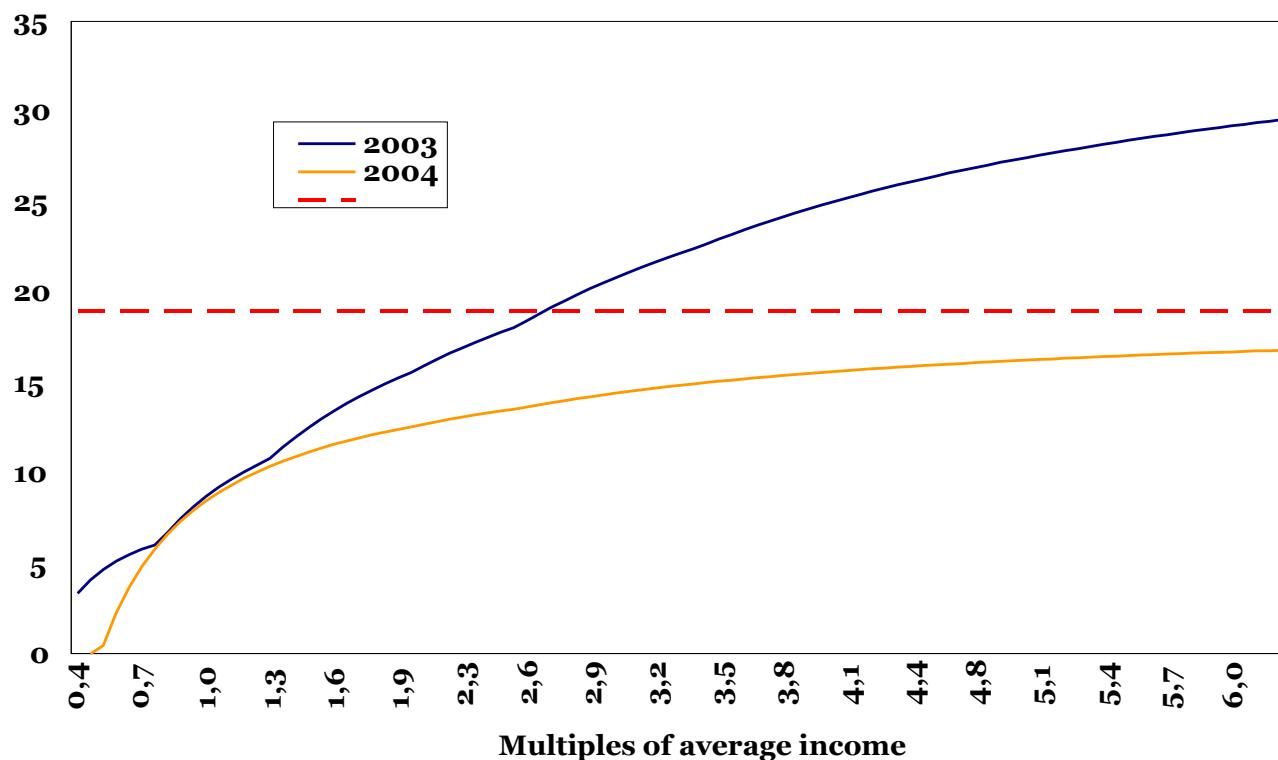
Comparison of old and new tax system

Changes in income tax rates

(in %)	2003	2004
Personal income tax	2; 2,25; 2,5; 2,75; 10; 20; 28; 35; 38	19
Corporate income tax	15; 18; 25	19
Allowance tax	1; 5; 10; 15; 20; 25	19

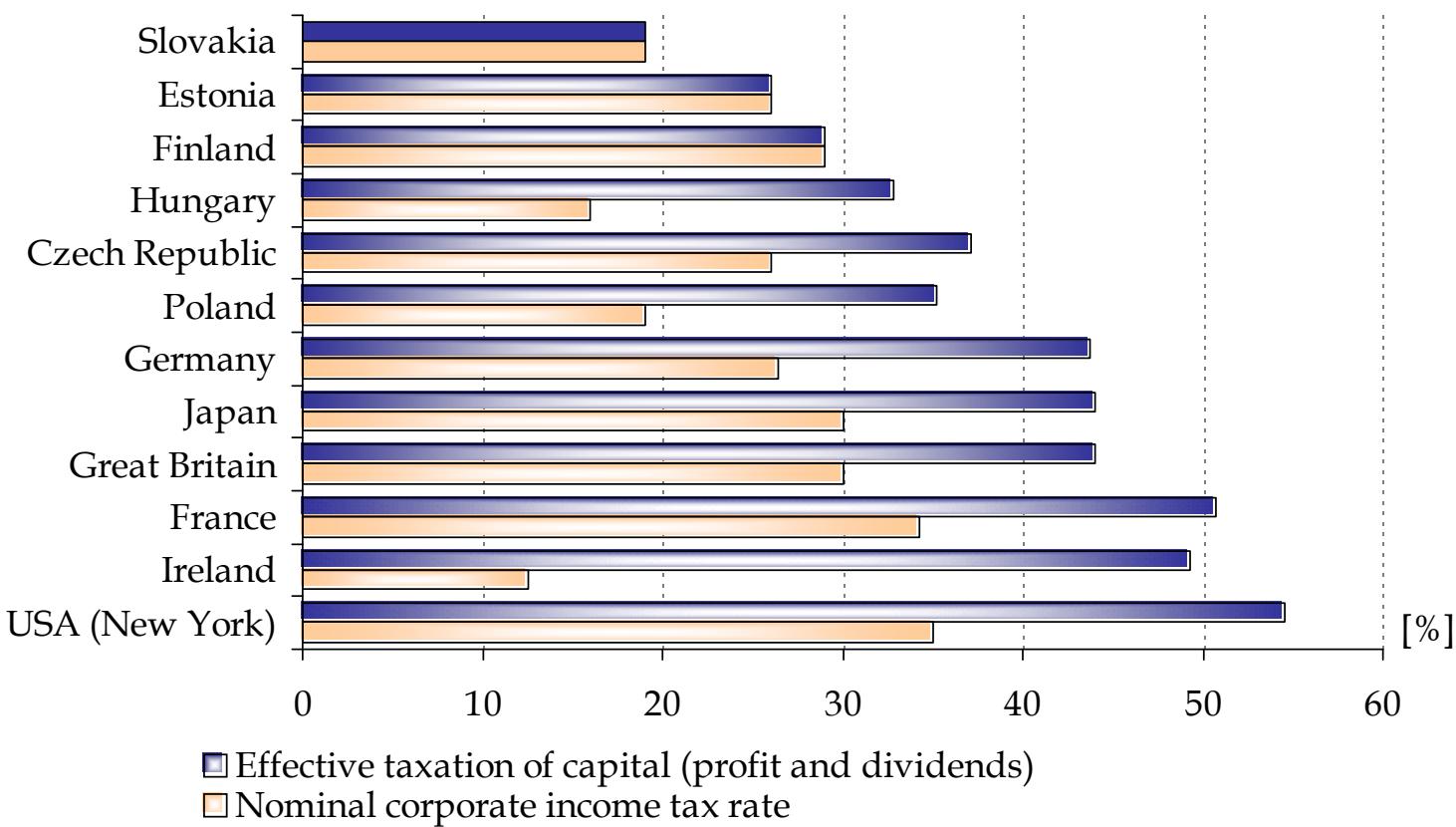
Source: Ministry of Finance of the Slovak Republic

Effective taxation of individuals' income



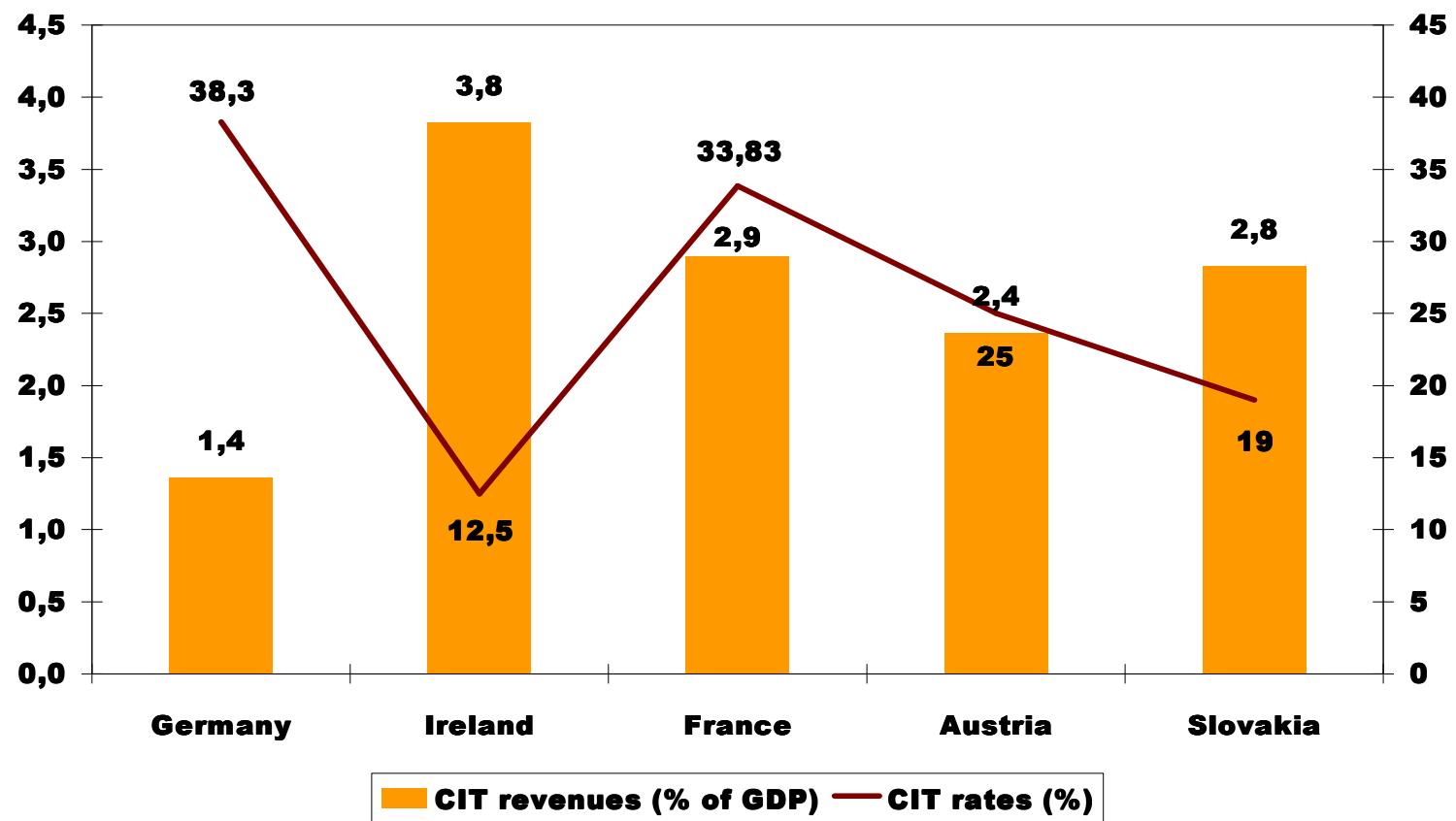
Source: Ministry of Finance of the Slovak Republic, own calculations

Income tax of individuals and dividend tax in EU countries as of 2005



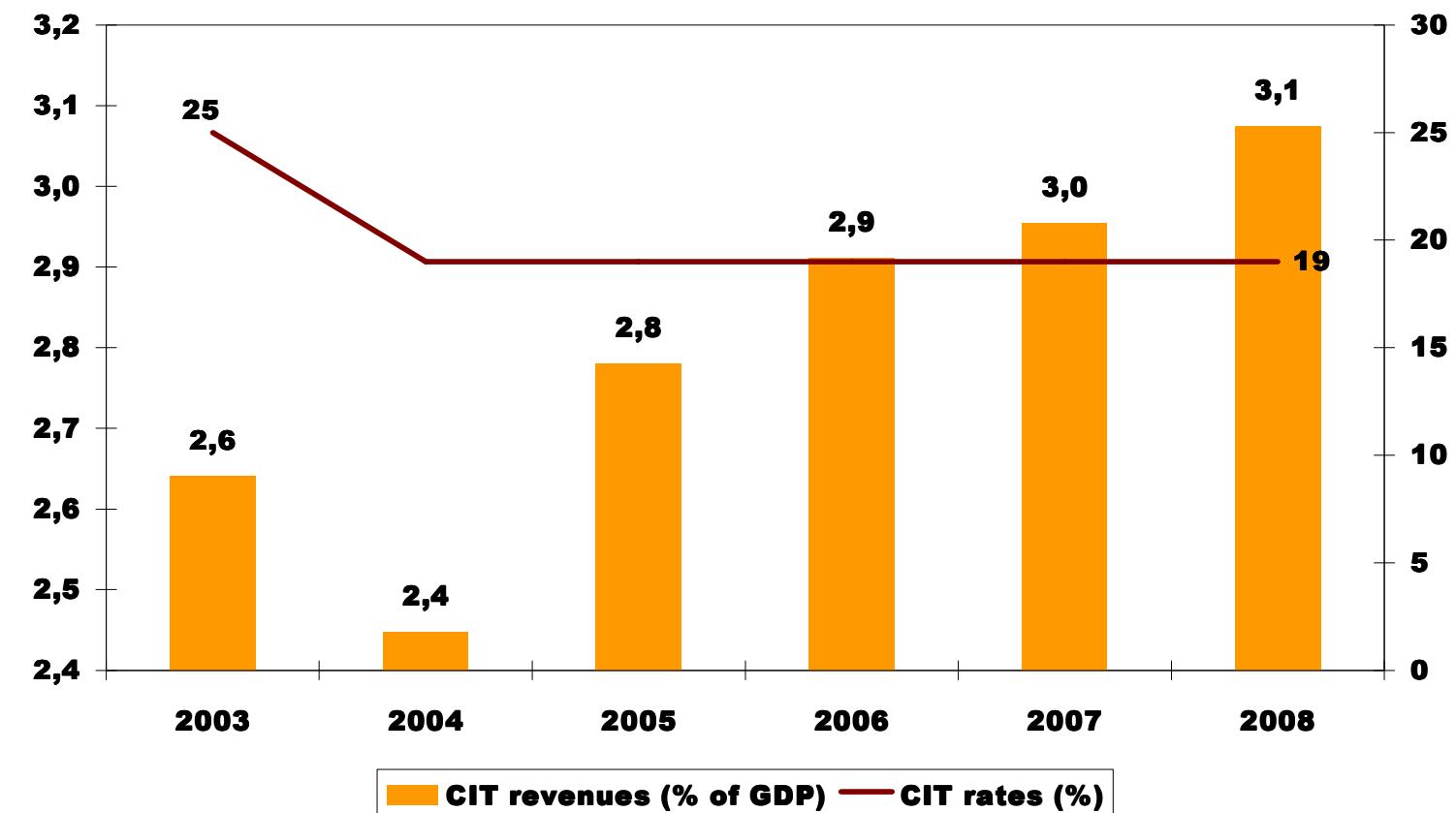
Source: Ministry of Finance of the Slovak Republic

CIT rate and revenues in selected EU countries as of 2006



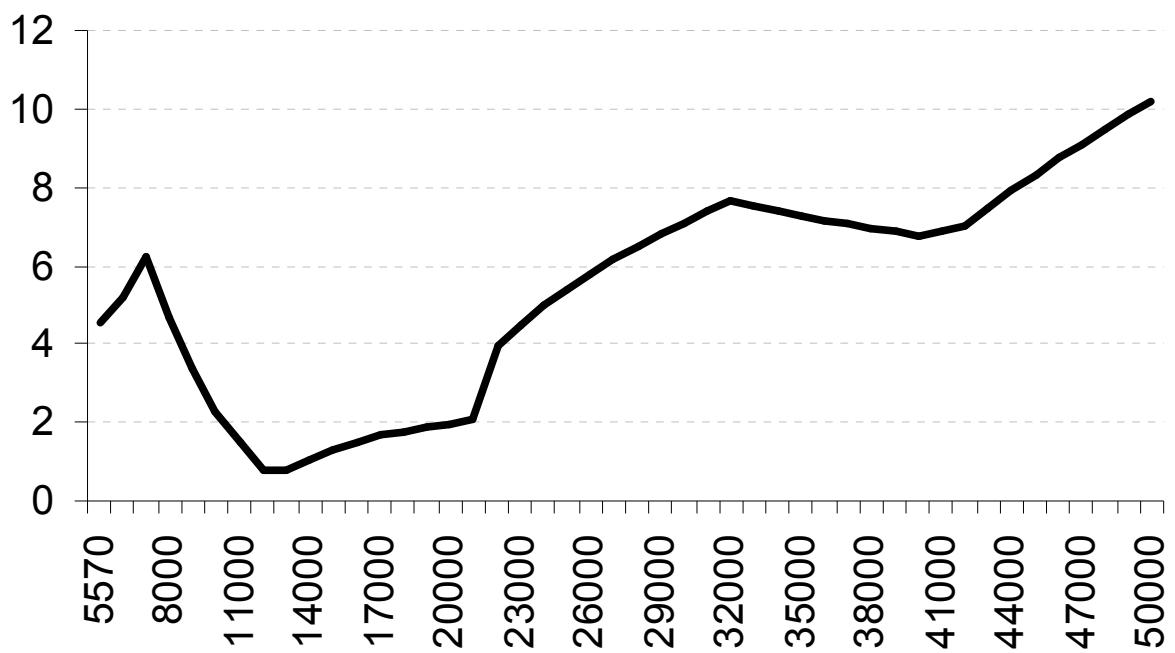
Source: Eurostat, own calculations

CIT rate and revenues in Slovakia in 2003 – 2008



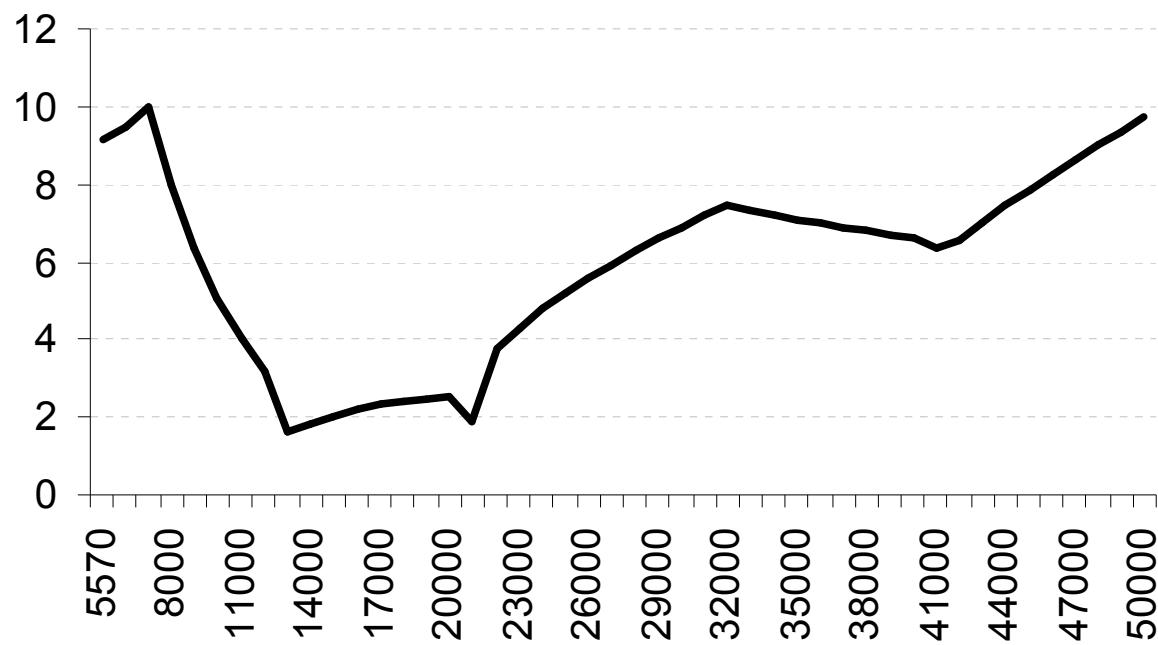
Source: Ministry of Finance of the Slovak Republic, own calculations

Real growth of net income of a taxpayer in 2004 (in %; based on gross monthly wage in 2003)



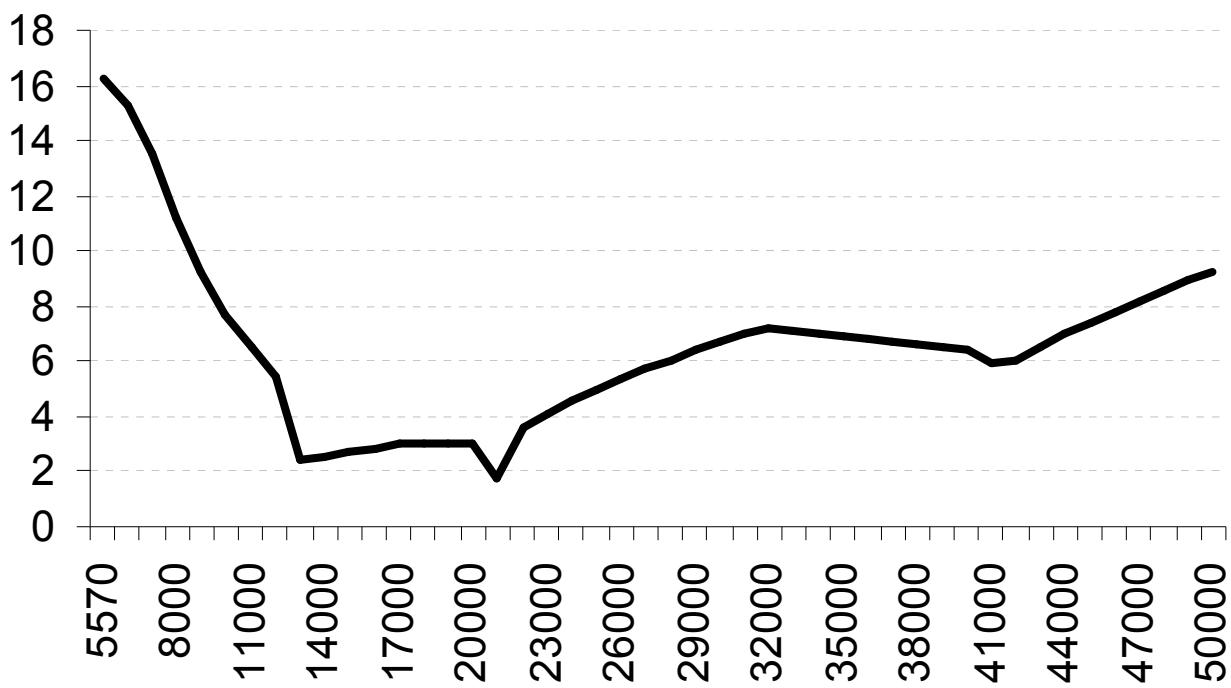
Source: Ministry of Finance of the Slovak Republic

Real growth of net income of a taxpayer with one child (in %)



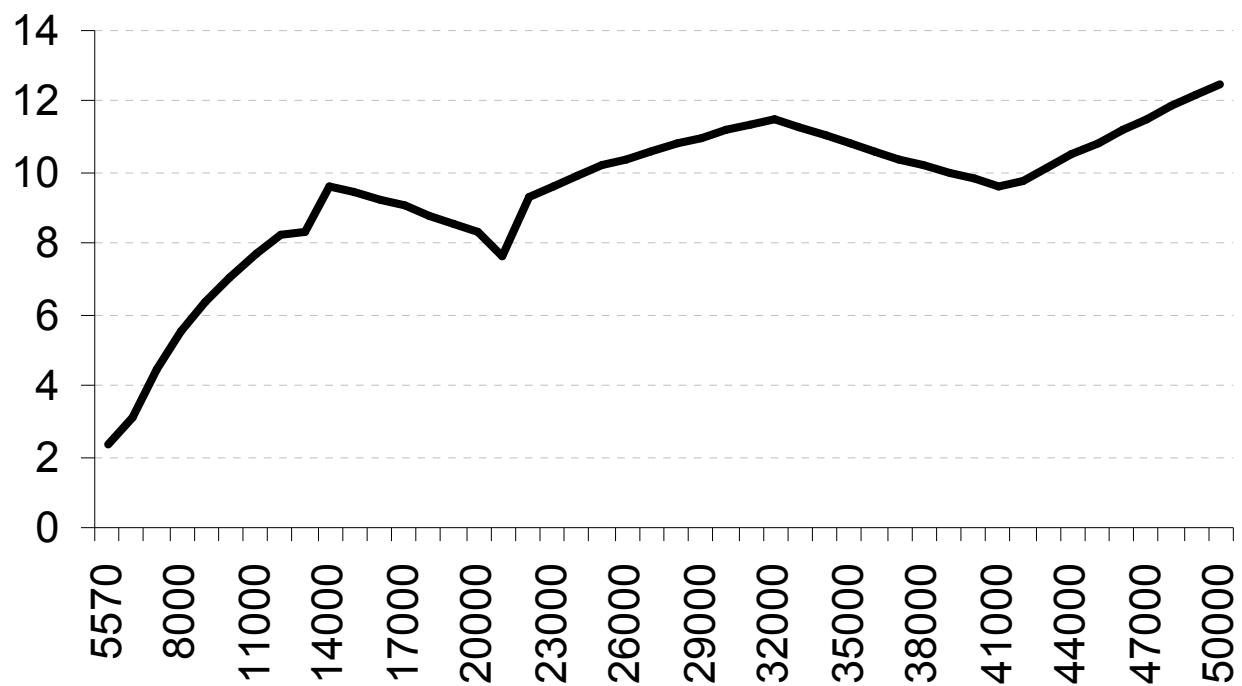
Source: Ministry of Finance of the Slovak Republic

Real growth of net income of a taxpayer with two children (in %)



Source: Ministry of Finance of the Slovak Republic

Real growth of net income of a taxpayer with unemployed wife in 2004 (in %)

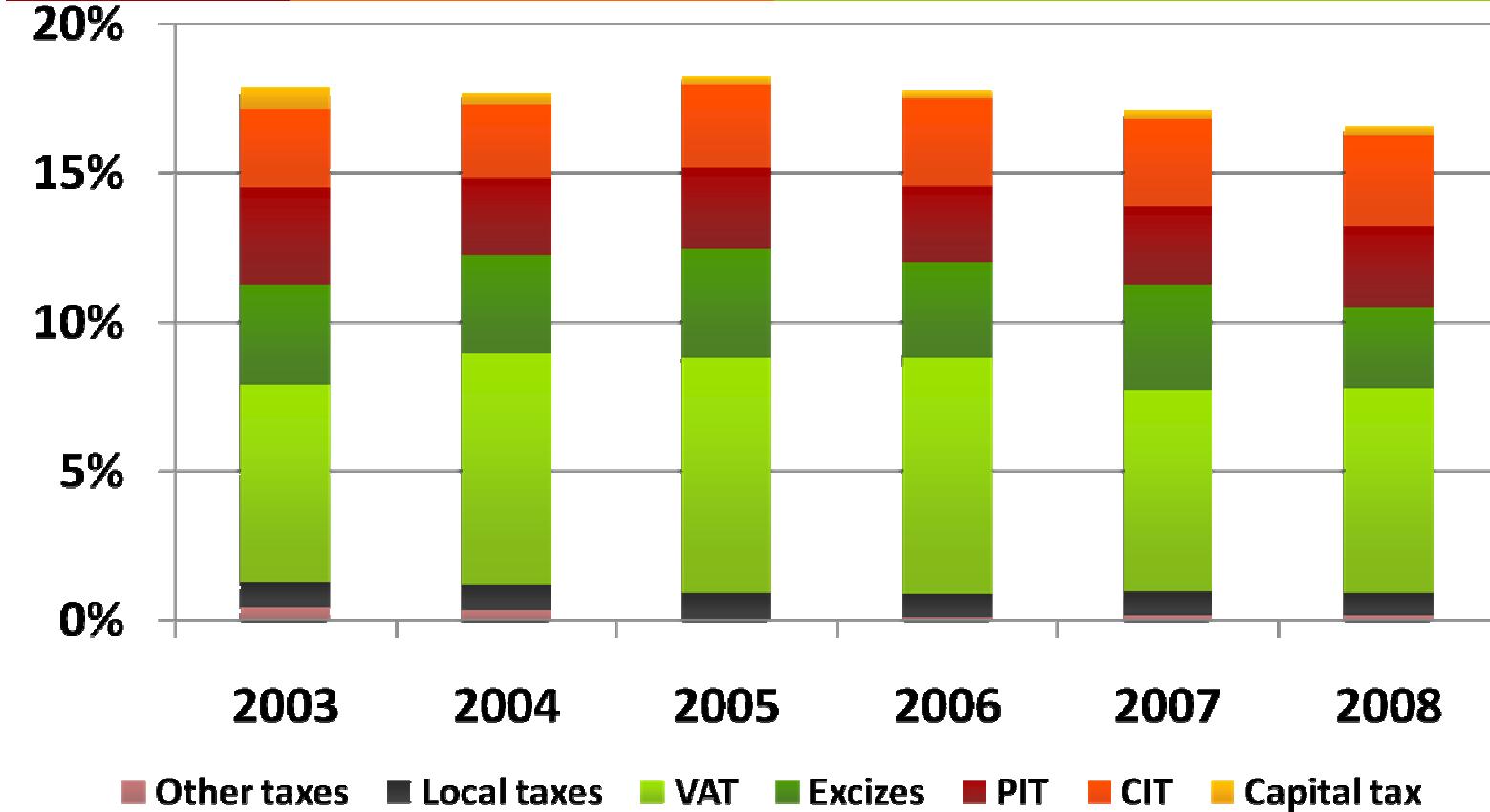


Source: Ministry of Finance of the Slovak Republic

Composition of tax income (% of GDP)

	2003	2004	2005	2006	2007	2008
Direct taxes	6,7%	5,5%	5,8%	5,7%	5,9%	6,1%
PIT	3,3%	2,6%	2,7%	2,5%	2,6%	2,7%
CIT	2,6%	2,4%	2,8%	2,9%	3,0%	3,1%
Capital tax	0,8%	0,4%	0,3%	0,3%	0,3%	0,3%
Indirect taxes	11,2%	12,2%	12,5%	12,0%	11,2%	10,5%
VAT	6,6%	7,7%	7,9%	7,9%	6,7%	6,9%
Excizes	3,3%	3,3%	3,6%	3,2%	3,5%	2,7%
Local taxes	0,8%	0,9%	0,9%	0,8%	0,8%	0,7%
Other taxes	0,5%	0,3%	0,1%	0,1%	0,2%	0,2%
TOTAL TAXES	17,9%	17,7%	18,2%	17,8%	17,1%	16,6%

Tax revenues (% of GDP)



Share of direct and indirect taxes on total taxation

