

Title: Analysing the distribution of income and taxes in Slovenia with a tax benefit model

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Year: 2002

Abstract:

This thesis begins, in Chapter 2, with the analysis of income distribution and income inequality during the transition from a socialist to a market economy in Slovenia. The results suggest that during the 1990s the inequality of market earned income grew, while social and fiscal policy ensured that the inequality of household disposable income did not increase. The tax system provides a shelter for low income individuals and social and family transfers are effectively tax free, as well as the major part of pensions. On the other hand, the system is progressive and high-income individuals pay proportionally more tax. Chapter 3 presents a microsimulation model for the Slovenian tax-benefit system. It provides an estimate of the size and distribution of personal income tax, social security contributions and payroll taxes at the level of both individuals and households. The results of the model validation reveal that the quality of simulations crucially depends on the databases used by the model. A comparison of its simulations with the outcomes of other microsimulation models reveals that the model can claim a level of accuracy no worse, on average, than other comparable models. Chapter 4 shows the ability of the microsimulation model to simulate tax policy and to estimate the consequences on analysed policy alternatives. It includes three sets of simulations connected with the tax-benefit system in Slovenia: an introduction of tax credits, an introduction of uniform child allowance and a new child benefit and the simulation of a basic income scheme for children. Effects of analysed policy alternative are estimated both at the level of households (regarding the changes in disposable income) as well as at the level of government (regarding the changes in tax revenues). Chapter 5 includes the estimation of the overall tax burden of households, including direct and indirect taxes. Results suggest that inactive (pensioner) households are faced with lower marginal and average tax rates for direct taxes, especially for personal income tax. On the other hand, they carry a higher tax burden of indirect taxes compared with the active households.