To "D. A. Tsenov" Academy of Economics
Department of "Finance and Credit"

REVIEW

From reviewer (name, academic title and degree):
Prof. Dr. Andrey Zahariev from "D. A. Tsenov" Academy of Economics

Scientific specialty of the reviewer:
"Finance, money circulation, credit and insurance" (Finance)

Registration of the reviewer in NACID according to the procedure of ZRASRB and PPZRASRB (Register of academic staff and protected dissertation works in NACID): 01.12.2018

Peer-reviewed PhD author:
Doctoral student Nikolay Kirilov Kalistratov, D010221242

Title of the dissertation:
"THE INFLUENCE OF THE SHADOW ECONOMY ON THE TAX REVENUES IN BULGARIA"

Unit where the doctoral student is enrolled:
Department of "Finance and Credit" at "D. A. Tsenov" Academy of Economics

Scientific specialty of the doctoral student and form of study:
Full-time doctoral student of training financed by the state under the doctoral program "Finance, monetary circulation, credit and insurance", Professional Field 3.8 Economics at the Department of "Finance and Credit" of "D. A. Tsenov" Academy of Economics

Scientific supervisor of the doctoral student:
Professor Dr. Stoyan Prodanov, "Finance and Credit" Department at Faculty of Finance, "D. A. Tsenov" Academy of Economics

Reason for writing the review:
Order for composition of scientific jury No. 254/16.04.2024

Regulations:
This review was developed in accordance with the requirements of the Law on the Development of the Academic Staff in the Republic of Bulgaria - ZRASRB, the Regulations for the Implementation of the ZRASRB - PPZRASRB and the Regulations for the Development of the Academic Staff in "D. A. Tsenov" AE.

1. Fulfillment of the formal requirements for the dissertation and presentation of the dissertation

The dissertation submitted for review has been developed following a classic three-chapter research framework. In the introduction, the problem area of research is presented and justified, as follows: topicality, object, subject, thesis, goal, tasks and methodology. In this regard, the development fully meets the standards and requirements for a dissertation work.

PhD Student Kalistratov is a qualified lawyer and lawyer practicing tax and insurance law. He has a master's degree in accounting and control. He worked in the central administration of the National Revenue Agency, in the BFU and in law firms. He was enrolled as a PhD student at the Department of Finance and Credit in 2021 and after the expiry of his PhD educational plan, he was given a defence move.

2. Structural assessment of the development

The presented dissertation has a volume of 191 pages and includes an Introduction; Chapter One. Theoretical dimensions of the tax system, the business climate, the "grey economy" and tax avoidance; Chapter two. Methods and approaches for researching the dimensions and scales of the shadow economy; Chapter Three. An empirical study of the attitudes of businesses and citizens towards the shadow economy and tax avoidance. In the conclusion, the main results of the dissertation work are presented. Key summaries are drawn and directions for future research on the topic are formulated.

A bibliographic reference in APA style with 139 titles (21 items in Bulgarian and 118 items in English) is presented to the development, among which scientific researches of the department staff are also reflected, which is a prerequisite for a thorough theoretical analysis. A representative number of tables and figures are also included in the development.

The review of the used citations, the main content and the bibliographic reference allows to establish correct compliance with the requirements for

bibliographic citation and bibliographic description. Data from the similarity check system indicates a very high level of originality (over 93%) with correct citation of the author's research and publications according the PhD plan.

3. Scientific and substantive evaluation of the development

The research is on a topic with indisputable relevance, scientific and applied orientation. I assess the formulated problem and developed proposals for solutions as sound, correctly formulated and valuable for theory and practice.

3.1. Object and subject of the research – The object of research is the tax revenues in the Republic of Bulgaria. The subject of the dissertation is the relationship and dependence of tax revenues on the shadow economy. For the author, the shadow economy can be represented as a set of legitimate economic activities that are completely or partially unaccounted for in national statistics, and the persons employed in them consciously conceal part or all of their income. The general economic activity also includes the shadow economy, which can be established and investigated using various indirect methods.

3.2. Dissertation Objective and Objectives - The objective of the dissertation is to determine tax revenue as a function of the share of the shadow economy. To approve a methodology for determining the scale of the shadow economy, using various indirect methods, based on natural and value indicators, as well as an assessment of the tax system and a precise analysis of the benefits and risks of changes in tax regulation aimed at reducing the share of the economy in the shade.

The research tasks are formulated as follows:

- to build a theoretical basis - it consists of a historical review of the tax system in Bulgaria, establishing the positives and negatives of progressive and flat taxes and their impact on business;
- study of the business climate in our country - opportunities for doing

business, methods of financing and taxation, tax reliefs for various public benefit activities;

- analysis of the dimensions of the shadow economy itself - development of the phenomenon and prerequisites for its existence;

- consideration of the empirical methods for establishing the dimensions of the shadow economy - this includes modern international trends and specific methods applied in our country, as well as their results

3.3. Research Thesis - The leading research thesis of the dissertation is that taxation, corruption, excessive regulation and weak government efficiency are key determinants of the development of the shadow economy as a complex socio-economic phenomenon. Considering the "grey" economy as a global phenomenon with deep historical roots suggests the need for a deeper study of its causes, dimensions and impact in order to formulate effective policies to reduce its negative impact on society.

3.4. Research methodology - The research conducted is based on the use of a wide range of scientific and applied methods - induction and deduction, comparative analysis, surveying.

For the achievement of the research tasks, publicly available data from the official information bases were used.

4. Achieved results

In the dissertation, he justified the conclusion that the larger the sector and the higher the share of monetary operations in the grey sector, the greater its contribution to the grey economy. This and a number of other factors prevent the scale of the grey economy from being reliably measured - one of the reasons is that a key component of it in Bulgaria is a number of unreported transactions that would otherwise have to be taxed. For the dissertation, another reason is that government

revenue is also reduced due to tax evasion/evasion mechanisms that often take place within registered transactions (an example is given here with the Missing Taxpayer Tax Fraud), many of which are even paid by electronic path. However, the expected budgetary effects of the shadow economy are serious enough to show that efforts to combat the phenomenon are worthwhile and that the potential benefits of addressing this problem can be significant.

The development has successfully identified the factors that influence the level of the grey economy. The most important among them are the popularity of card payments, the ratio of taxes to GDP, and the institutional and tax morale of a country. It is important to note that they vary greatly in the ability of politicians to influence them. For example, improving institutional and fiscal morale may require the government to introduce many, often difficult, reforms, which may additionally take a long time.

It was concluded that significantly reducing the burden of taxes and insurance is not an easy process. On the other hand, public policies leading to an increase in the popularity of cashless payments seem relatively easier to implement. In this context, the thesis analyses a set of different regulations, where by replacing cash with electronic payments or by increasing the share of registered consumer cash transactions, the shadow economy can be reduced. The author argues that many of the considered solutions are already present in a number of countries around the world. Some of these are based on enforcement mechanisms or obligations, while others focus on providing incentives to consumers or traders.

The effects of the considered regulations are calculated using an econometric modeling or simulation approach. The results obtained show that there is indeed a significant potential to reduce the passive grey economy and increase government revenues by promoting electronic payments. The impact of the measures under consideration, with the exception of limits on maximum consumer cash payments, on shrinking the shadow economy varies depending on the instrument analysed. PhD student Kalistratov correctly points out that the most effective regulation is the

provision of financial incentives for consumers to use electronic payments, which can contribute to reducing the passive grey economy from 2.2% of GDP (Slovenia) to 6.7% of GDP (Bosnia and Herzegovina). This regulation is also considered to be the most beneficial in terms of its impact on government net revenue, which ranges from 0.1% of GDP (Slovenia) to 0.63% of GDP (Czech Republic).

PhD student Kalistratov assesses that the thresholds for cash payments to consumers can be considered as a different category from the analyzed measures, because if they are set at a very low level, however contradictory this statement may seem at first glance, they can almost completely eliminate the shadow economy by displacing a large share of existing consumer payments in cash. At the same time, setting high thresholds for consumer cash payments would have little, if any, impact on the passive shadow economy.

The effects of the analysed instruments are highly country-specific and depend on a number of characteristics of national markets such as the share of cash versus card payments in total consumer transactions, the share of cashless payments in GDP, the size of the passive grey economy, effective tax rates, the attitudes of citizens and businesses and others.

In the Bulgarian context, each of the listed measures has a significant potential to reduce the grey economy. Increasing the popularity of electronic payments stands out as an important measure to tackle the problem of unreported activities.

At the end of the dissertation PhD student Kalistratov emphasizes that each of the presented measures should be considered only as one of the many possible variants of a given regulation. As these decisions may be modified in terms of their scope, timing and other parameters, their actual impact will change accordingly and will depend on the final decision of the regulators.

Therefore, the measures analysed in the dissertation can be treated not only as recommendations, but also as examples illustrating the effects of potential regulations that can be taken into account by politicians in their attempt to deal with

the problem of the shadow economy.

5. Evaluation of the abstract and publications on the dissertation

The abstract presents synthetically the achievements of the dissertation work. Three publications are presented on the subject of the dissertation, incl. presented at authoritative scientific forums. In the course of the procedure, another article was published in an authoritative scientific journal indexed in ERIH+. I believe that the abstract and publications correctly reflect the scientific potential of the author and support the popularization among the scientific and professional community of the main contributions and achievements in the work of the dissertation student.

Conclusion:

The presented dissertation work for the educational and scientific degree "doctor" has the requirements of the Rules for RAS in "D. A. Tsenov" AE quantitative and qualitative characteristics. The dissertation contains scientific and applied scientific results, which represent an original contribution to science. The dissertation clearly demonstrates that the doctoral student has in-depth theoretical knowledge of the relevant specialty, as well as abilities for independent scientific and practical-applied research. The support from the scientific supervisor is visible and positive in all sections and directions.

On the basis of all the above, I express a positive conclusion - "FOR" the awarding of the educational and scientific degree "Doctor" in economics to Mr. Nikolay Kirilov Kalistratov from the "Finance and Credit" department of the "D. A. Tsenov" Academy of Economics.

07/05/2024

Reviewer: ....

(Prof. Dr. Andrey Zahariev)