Assessing the distributional effects of income taxation during the economic crisis era in Greece.

Paraskevi Tsinaslanidou* and Maria Pempetzoglou

1Panteion University, School of Political Science, Department of Social Policy, Syggrou ave. 136, 17671, Athens, Greece – Greece

2Associate Professor, Department of Social Administration and Political Science, Panagi Tsaldari 1, 69100, Komotini, Greece – Greece

Abstract

The memorandums that have been signed between the Greek governments and Troika, during the economic crisis era in Greece, included a number of strict austerity measures. The tax system underwent extensive reforms. The main reforms related to the personal income taxation included the modification of tax scales and tax rates, the abolition of tax exemptions and the introduction of new taxes and levies. These changes were taken under an emergency call for fiscal revenue and they appear to afflict the distributional feature of income taxation. The present paper aims to highlight the major tax reforms, regarding personal income taxation, that have been imposed during the recent economic crisis and to compare the distributional impact of these reforms before and during the crisis. For this purpose, we have used data from the General Secretariat for Information Systems and the Independent Public Revenue Authority. The effects on income distribution are investigated by calculating and comparing the Gini coefficient and the Lorenz curve, for 2008 and 2015, both before and after tax imposition. The results indicate that the economic crisis worsened significantly income inequality and that the imposition of the personal income taxation has only slightly improved income distribution. At last, the paper provides recommendations on tax policy.

Keywords: personal income tax, income distribution, Greece, economic crisis

*Speaker