

The State of Tax Policy in the Central Asian and Transcaucasian Newly Independent States (NIS)

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Abstract

Two possible tax policy strategies for the NIS are: (1) an optimal nondistortionary tax structure as a one-shot action; and (2) a structure with identifiable and clearly understood distortionary elements as a temporary phenomenon to close the fiscal gap. An assessment of NIS tax structures reveals that they conform to neither. They are rapidly acquiring complex features comprising multiple rates, exemptions, and other difficult-to-administer properties, with uncertain ramifications for efficiency, equity, and the fiscal deficit. Steady--and perhaps prolonged--effort needs to be made if simple, broad-based, and revenue-productive tax structures are to be achieved.

JEL Classification Numbers:

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	<u>Contents</u>	<u>Page</u>
I.	Introduction	1
II.	A Tax Reform Strategy	1
III.	NIS Tax Structures	5
	1. Value-added tax	5
	2. Excises	9
	3. Enterprise profits tax	9
	4. Personal income tax	15
	5. Land and assets taxes	17
IV.	Concluding Remarks	19
	References	21