

## The Impact of the Flat Tax Reform on Inequality

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There's a [great paper](#) under the above title in the Romanian Journal of Economic Forecasting by Liviu Voinea and Flaviu Mihaescu.

As they report:

*In this paper we focused on the flat tax impact on inequality in Romania. We compared 2005 against 2004, when we were able to isolate the flat tax impact from other factors. We found that the higher the gross wage is, the higher the flat tax gains are. The inequality indicators we calculated (the Gini index, the relative mean deviation, the coefficient of variation, the standard deviation of logarithms, the Mehran index and the Piesch index) show an increase in inequality determined by the flat tax.*

*The Lorenz curve is illustrative, as only the last quintile of the population (richest 20%) appears as the clear winner of the flat tax. The results also indicate that the higher the income level, the higher the income elasticity of consumption.*

*We conclude that the flat tax led to increased income inequality and it stimulated households consumption particularly among the wealthiest households.*

This was the outcome I forecast in [my own paper on flat taxes](#), which these authors reference.

It's not a surprising finding — but it's good to have it confirmed that flat taxes are unambiguously regressive.

It's [worth noting](#) George Osborne has been a big fan of them.