PROBLEMS AND DEVELOPMENTS IN THE EU TAX SYSTEM

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Abstract:

In this paper we conducted a brief analysis of the tax system in Romania compared to other EU Member States, taking into account the main characteristics of tax systems in terms of direct taxation, indirect taxation, and social contributions to the achievement of budgetary revenues. Studies show that taxation Member States of the European Union in recent years has been marked by increasing tax burden by implementing measures aimed in particular indirect tax increases, but nevertheless there were a number of changes at the level of direct taxation and social contributions.

Key words: *direct taxation, indirect taxation, social contributions*

Introduction

The European Union is in constant evolution and implicit tax system has undergone regular structural analysis to improve and adapt to changing conditions in agreement with recent policies and objectives, but also to include new possibilities.

Fiscal policy is considered essential for all EU countries, in the context in which we are to achieve a general policy of the European Union. Currently, fiscal independence requirement is constrained so undistorted competition within the Single Market and the need for employment in the Maastricht convergence criteria (1993) incorporated in the "Stability and Growth Pact (2008)" and lately in "fiscal Pact (2013)", aiming to coordinate national fiscal policies to ensure a climate of stability and fiscal prudence.

Currently at EU level there isn't an integrated tax system, just a junction of different national tax systems. Such diversity has led national tax systems become, often, generating tax competition. Differences between tax regimes and the tax rates, the main objective of fiscal policy in the European Union, were to avoid distortions of competition in the European single market.

Financial imbalances which were felt in recent years at the level of the Member States directly affected tax bases, especially in the area of direct taxation, with negative effects on the achievement of public tax vents. All these circumstances led to the resumption of talks about the lack of a common fiscal policy and the effective tax coordination at EU level.

Discussion, debate on harmonization and tax competition in the European Union were visible in the literature, especially since the 90s, when many experts have ruled differently on common fiscal policy architecture, ranging between centralized fiscal policies as a result of a uniform tax, including tax rates.

The methodology used in this paper is based on the study and interpretation of literature and analysis of practical activity specific tax system in Romania, but also the other Member States of the European Union were formulated according to some opinions.

Taxation is a matter of conflict, generating controversy because it involves permanent confrontation between the public and taxpayers. This means that those who contribute a portion of their income to the budget want this contribution to be as small as possible and the advantage obtained from the State which, as budgetary authority under ever-increasing pressure of general needs, wants same contribution to be possible, in order to ensure a higher level of satisfaction of needs.

It should be considered taxpayer behavior because although higher taxes mean higher budget revenues and decreasing mean while private income, which generates a behavioral attitude of dissatisfaction taxpayers and tax evasion or use the underground economy, and what assist the market and a decrease in revenue for its active by purchasing power. In contrast, lower taxes stimulate the real economy, affecting the formal budget revenues.

Tax reforms in EU Member States differ in scope and depth, ranging from implementing their own tax policies and the implementation of European fiscal policy elements, according to charges and EU recommendations. Both policies have multiple implications of the taxpayers and the public decision makers.

Registration of all revenues from direct taxes and fully collect the tax liability can not be achieved only in circumstances where there is proper cooperation between tax administrations of the Member States of the European Union. In this respect, the provisions of Council Directive 77/799 / EEC on mutual cooperation between national tax authorities are appreciated because their observance leads to increased cooperation between national tax administrations.

Structure of direct taxes in the European Union highlights the real difference between old and new Member States. If the countries that joined over the years until 2004 the EU share of contributions, indirect taxes and direct the GDP are relatively equal, the new Member States, the share of direct taxes in GDP is lower.

Among countries with high direct taxation and those with relatively low tax in 2012 (chart no. 1 - the share of direct taxes in GDP of the UE28, 2012) occupied a middle position: Germany (12.1%), Greece (10.2%), Spain (10.6%), France (12.4%), Cyprus (11.1%), the Netherlands (11.2%). We note that in terms of variation, Romania is in phase with Croatia, Estonia and Slovakia and in antiphase with the United Kingdom, Sweden, Finland, Luxembourg, Belgium.

We find that over UE 28 average (11.3%), in the year 2012 there were: Belgium (17.4%), Denmark (30.6%), Germany (12.1%), Ireland (13, 1%), France (12.4%), Italy (15.2%), Luxembourg (14.8%), Malta (13.9%), Austria (13.4%), Finland (16.3%), Sweden (18.3%), the UK (15.1%) and below the minimum were the following countries: Bulgaria (5.3%), Czech Republic (7.2%), Estonia (6, 8%), Greece (10.2%), Spain (10.6%), Croatia (6.1%), Cyprus (11.1%), Latvia (7.7%), Lithuania (4.9%), Hungary (7.5%), the Netherlands (11.2%), Poland (7.2%), Portugal (9.4%), Romania (6.1%), Slovenia (7.8%), Slovakia (5.6%) - chart. 1.

In the same year under review, the countries with the highest indirect taxation were: Bulgaria (15.4%), Denmark (16.9%), Estonia (14.2%), France (15.2%), Croatia (15%), Hungary (18.5%), Austria (14.8%), Slovenia (14.6%), Finland (14.7%) and Sweden (18.7%) - chart. 2.

If indirect taxation requires a high degree of harmonization because of the free movement of goods and freedom to supply services, the same can be said of direct taxation, which is why the treaty which establishes the European Community does not provide specific alignment of direct taxes. Some aspects of direct taxation "do not actually require any harmonization or coordination and are left entirely to the discretion of Member States the principle of subsidiarity". The situation is slightly different where direct taxation has an impact on the four freedoms enshrined in the EC Treaty (free movement of goods, persons, services and capital) and establishment of people and businesses. National provisions on tax matters must respect these fundamental freedoms.

Taxation, particularly companies, is one of the few areas of Community policy the Council may adopt legislative measures than unanimously. For this reason, the adoption of measures in this area proved difficult. Initially, only two directives were in force and a convention, all three being taken at the Council meeting on 23 July 1990. Subsequently, on 1 December 1990, the Council adopted a package of measures designed to combat harmful tax competition, with the instilling a new dynamism objective of fiscal coordination within the Union both for businesses and for individuals.

Within the Member States of the European Union, national authorities may take decisions within direct taxes. Most of the provisions relating to direct taxes within the European Union are a vast network of bilateral tax agreements signed between Member States and third countries covering the scope of taxation revenue streams.

Measures taken in the community for the harmonization of direct taxes sought to achieve administrative cooperation between national tax authorities and to remove barriers to business entrepreneurs.

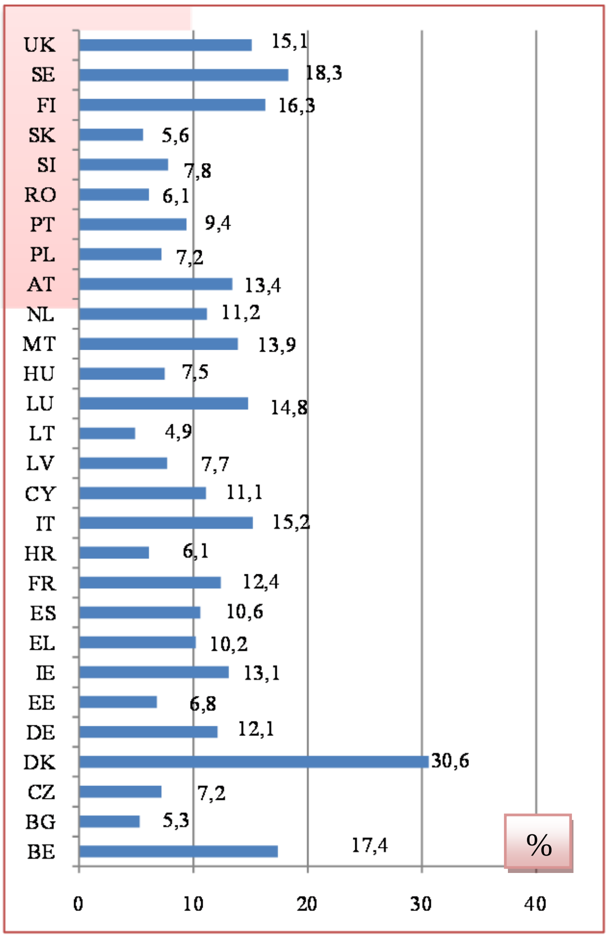

Chart. 1 Share of direct taxes in GDP in the UE28, 2012

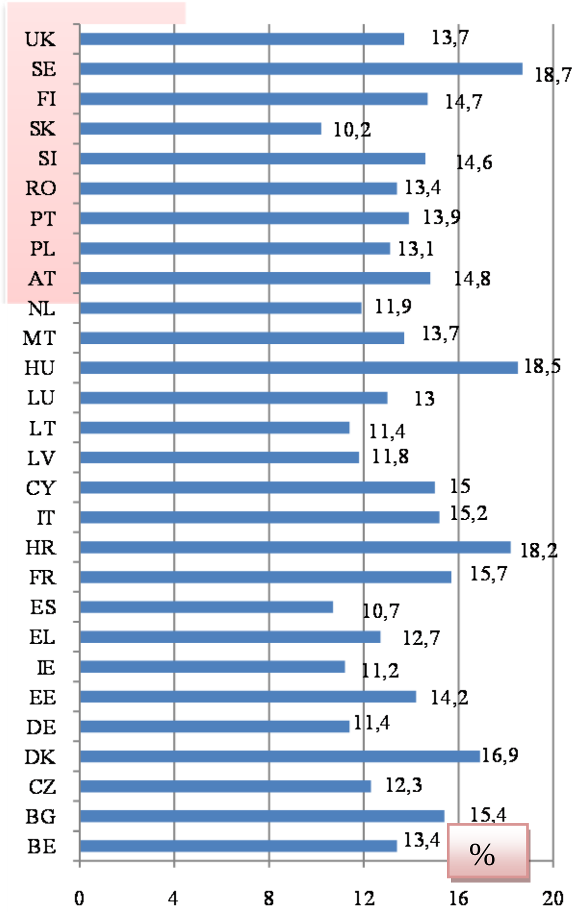

Chart. 2 Share of indirect taxes in GDP in the UE28, 2012

So far, within the European Union there is a clear plan for harmonization of legislation on social security contributions, the adopted measures that focus on coordination insurance system in order to avoid double taxation of employees or persons practicing professions. In this sphere, in the community, there are notable differences from country to country.

In general, European Union Member States where there is a low level of these contributions, there is a strong social security system. In general, employers' contribution rates are presented at a level, higher than the rates of these contributions paid by employees. Social protection is ensured by the social security system varies depending on the degree of economic development, the disposable income per inhabitant etc., so it was found that industrialized countries provide a higher level of social protection than those in developing countries.

The share of social security contributions in GDP recorded different variations from country to country. In 2012, this indicator reached a level of 14.9% in Austria, 15.2% in Germany, 15.6% in the Czech Republic 15.6%, 14.6% in Belgium, the Netherlands 16% - chart. 3.

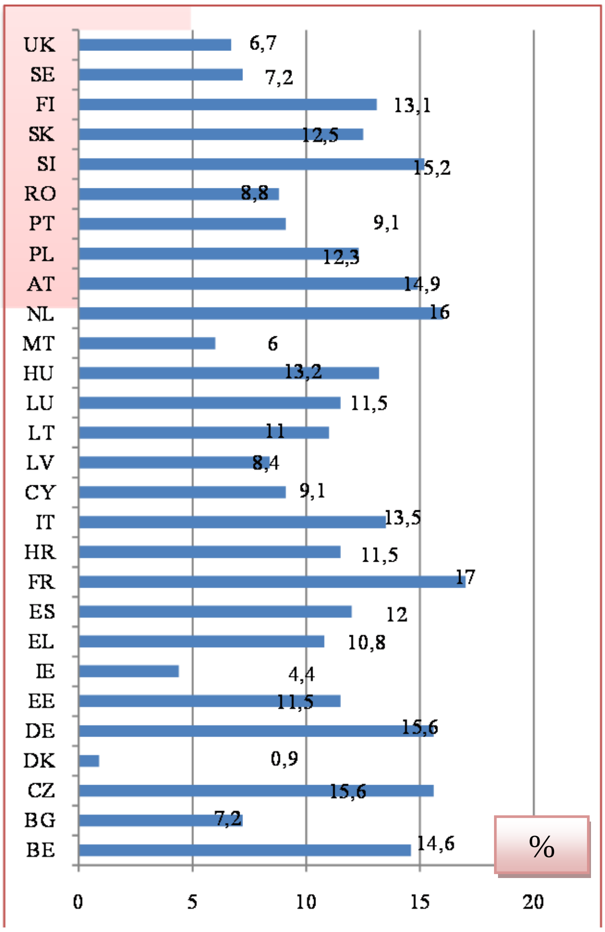

Chart. 3 Share of GDP, in the UE28, 2012

International Corporations issue of direct taxes should be viewed with caution, however, since the rules for determining taxable income and, in particular, deductions for expenses that are considered sensitive vary from country to country.

Regarding income tax share of GDP among countries with a high level of this indicator numbers: Cyprus (6.3%), Luxembourg (5.3%) and Malta (6.3%) - chart. 4.

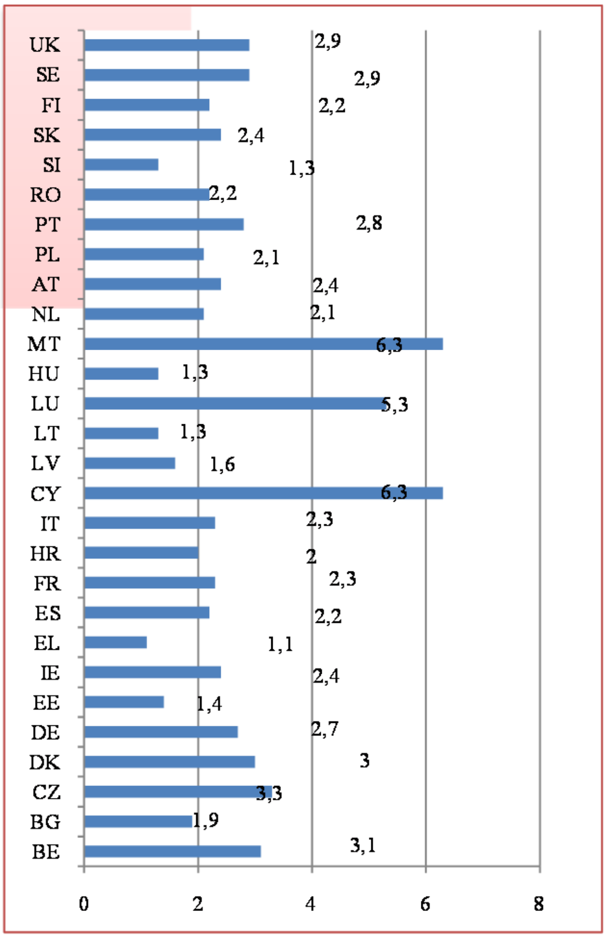

Chart. 4 Share of income tax in GDP in the UE28, 2012

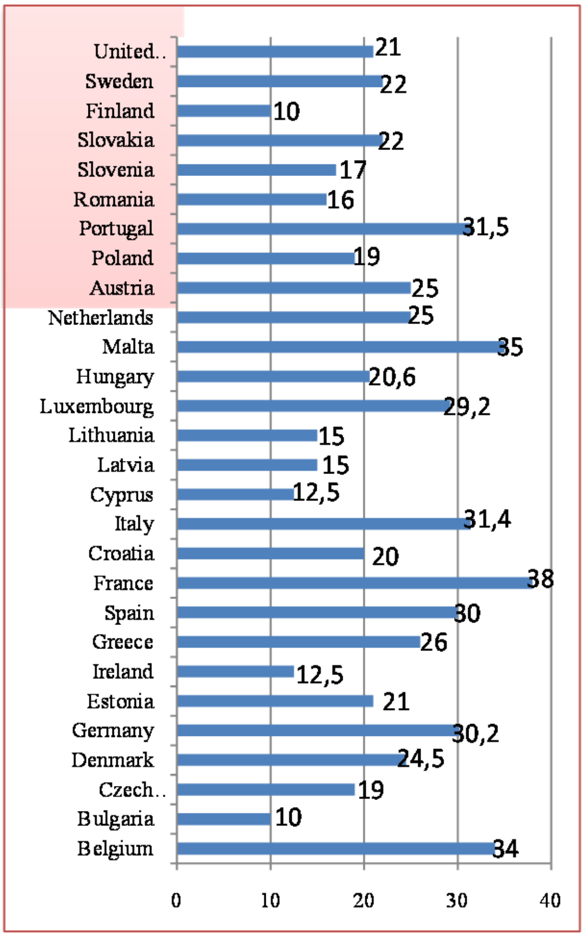

Chart. 5 The rate of tax, in the UE28, 2014

One reason for the existence of these differences is the application of reduced rates for income tax in most states that joined the EU in 2004. Among the countries that joined in 2004 and 2007 have basically reduced tax rates of profit companies (chart no. 2.3.) are: Cyprus (12.5%), Latvia (15%), Lithuania (15%), Poland (19%), Czech Republic (19%), Slovakia (22%), Bulgaria (10%), Romania (16%).

In 2014 the highest levels of legal quotas corporate income tax were recorded in countries such as Belgium (34.0%), Germany (30.2%), Spain (30%), France (38%), Italy (31.4%), Portugal (31.5%).

Across the EU, in 2014, the gap between the highest share of corporate profit tax was in France (38%) and the lowest was in Bulgaria and Finland (10%) is 28 percentage points.

Member States of the European Union may adopt measures in the sphere of income tax, but coordination at EU level is necessary to prevent cross-border discrimination (for the avoidance of double taxation or to reduce evasion).

Increasing importance given income tax is due in large part to the fact that this direct tax within the EU has a more stable tax base.

In the year 2012 the income tax share of GDP recorded a high level in Denmark (24.5%), followed by Sweden (15.2%) - garficul no. 6. The opposite was Slovakia with a level of the share of 2.6%, Bulgaria (3%).

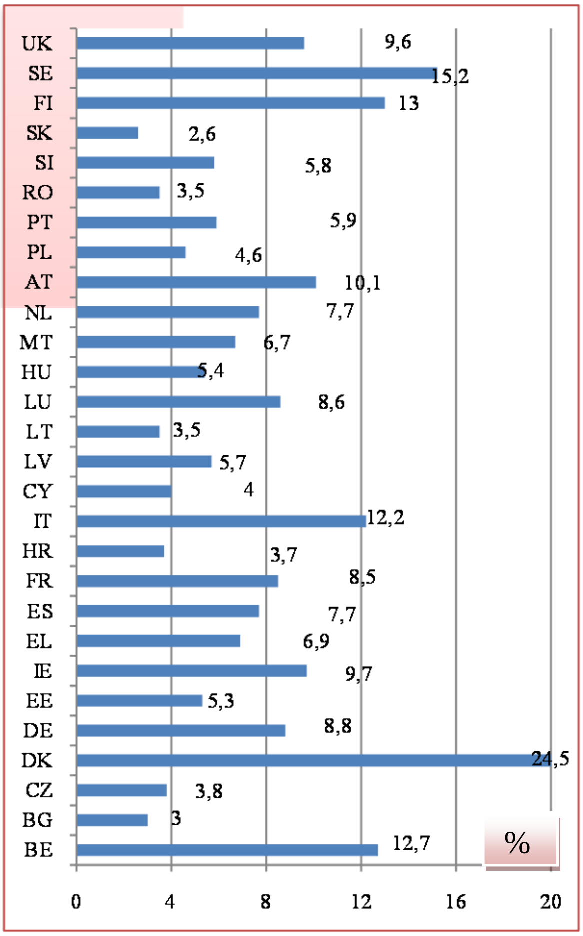

Chart. 6 Share of income tax in GDP in the UE28, 2012

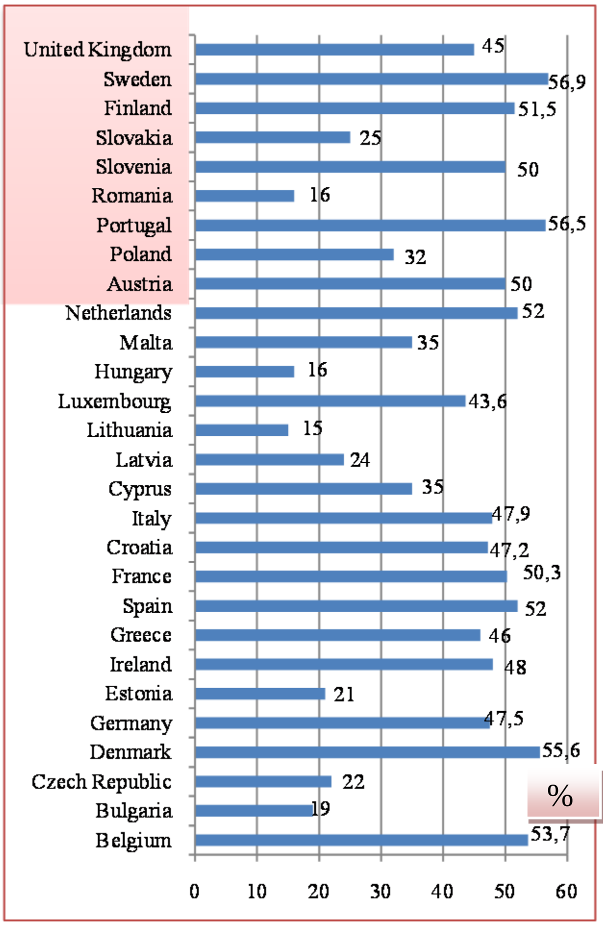

Chart. 7 Odds for income tax in 2014, the UE28

All these changes are mainly due to changes to the income tax system. In determining income tax rates are frequently used proportional or progressive, meeting frequently at present within the EU imposing proportional odds as to gradually move away from imposing compound progressive rates (in brackets).

In chart. 7 provide personal income tax rates for the employees in the UE28, for the current year. Member States have implemented a wide range of tax measures that had the effect of boosting.

Reducing tax rates of wages was an important element of the targeted increase the supply of labor or aimed at improving the living conditions of people with low incomes.

Currently among the countries that practice an income tax rate above the average are Belgium (53.7%), Denmark (51.5%), Germany (47.5%), Ireland (41.0%), Greece (45.0%), Spain (45.0%), France (46.7%), Italy (45.6%), Luxembourg (42.1%), the Netherlands (52.0%), Austria (50, 0%), Portugal (46.5%), Slovenia (41.0%), Finland (49.2%), Sweden (56.4%), the UK (50.0%) - chart. 7.

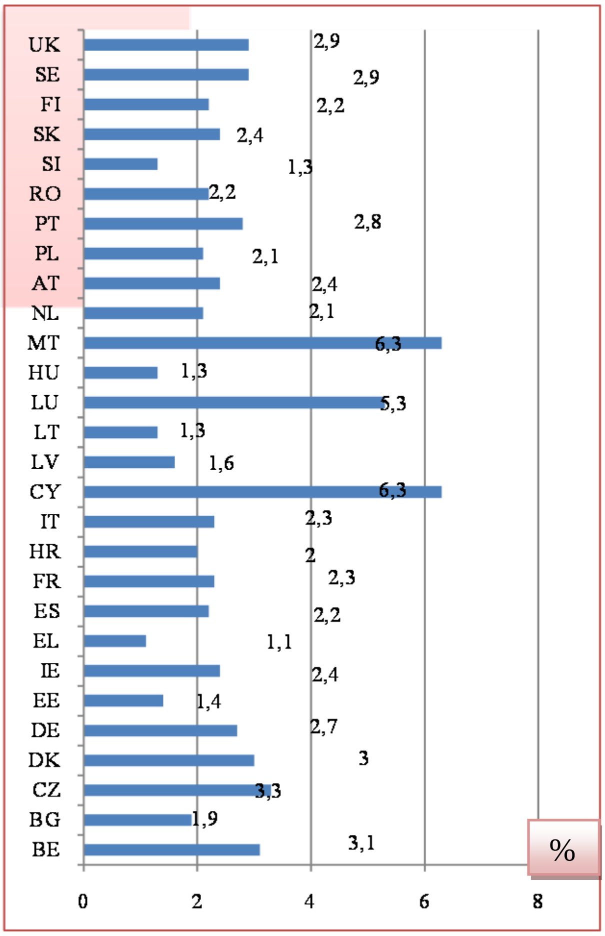

Chart. 8 Share of VAT in GDP in the UE28, 2012

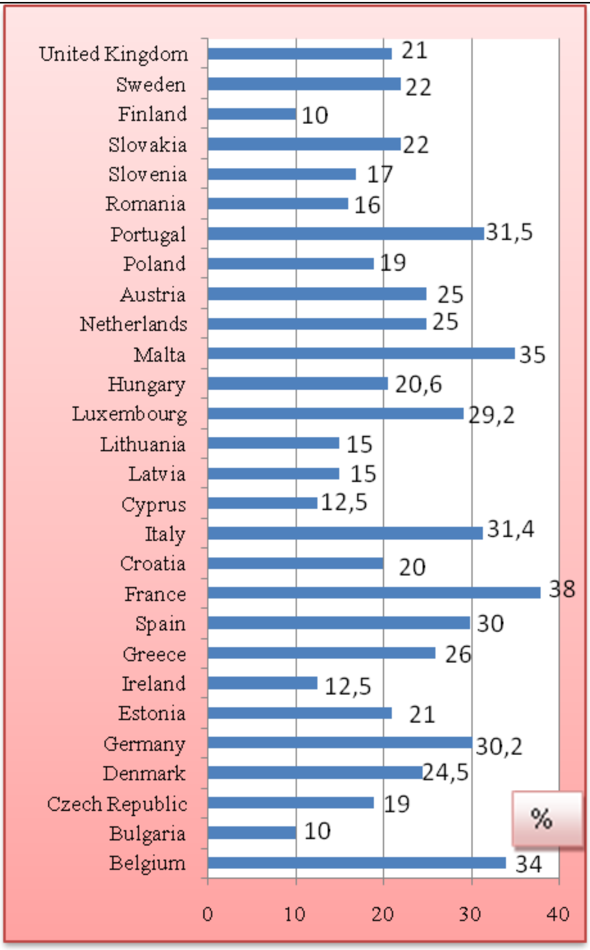

Chart. 9
VAT rate in 2014 UE28

For indirect taxes, regulations of the European Union member states are generally harmonized with EU directives. The value added tax, members of the European Union established standard rate which records a level between 15% and 25%, which means 10 percentage points above the minimum required 15%.

For the year 2014 average is 21.5% UE28 - chart. 9 countries that practice an above average rate are: Sweden (22%), Slovakia (22%), Portugal (31.5%), Austria and the Netherlands (25%), Malta (35%), Luxembourg (31.5 %) France (38%), Spain (30%), Greece (26%), Germany (30.2%), Denmark (24.5%) and Belgium (34%). A minimum standard rate is registered in countries such as Finland, Lithuania, Latvia, Lithuania, Cyprus, Bulgaria. For a low fee, countries have used legal margin for maneuver in terms of both the rate and the list of approved products that charge reduced rates.

Although successive EU regulations outlined a Community regime applicable to indirect taxes, however, VAT, as the main indirect tax at EU level, there are significant differences in the tax rates, according to the schedule no.

We believe that there is an unified fiscal policy orientation or among the old EU countries nor in that of last admitted into the European Union. However, the Treaty of Maastricht has left the matter of direct taxes in national competence, the Community authorities reserving the right to give directives only in indirect taxes: VAT, excise duties on petrol, alcohol and tobacco.

Although the increase in tax revenue must be judiciously proportioned between direct and indirect taxes, the trend is obvious to reduce direct tax ratio of indirect taxes. Although the Romanian government decisions were based on fiscal relaxation as means of tensioning the business environment, stimulating and encouraging private initiative to formalize the hidden economy. Also allows the sustainability of economic growth by broadening the tax base as a result of official business expansion. In the year 2012, social contributions made in Romania represented 8.8% of GDP, 2.3 percentage points less than the EU average (11.1%). The fact that the burden of social security contributions continue to be at a high level indicates the need to reduce them, as it affects the interest of foreign companies for direct capital investment and reduces the competitiveness of economic operators in Romania.

Conclusions

In the evolution of tax systems in the European Union can be seen as a balance between the need for centralized state intervention in the affairs of society, with a tendency to increase taxes so as a consequence of this need and economic affordability to tax. The amount of taxation Member States of the European Union is the result of interference between the need for state intervention in society and society can support budget funds. That means that developed countries taxation is lower than in the developed environment because the company has the ability to solve major problems without state intervention. Less developed countries have lower taxation, as they have the ability to economically support, while having a high need for assumption of centralized state intervention programs of national interest, such as health and education.

Regarding strictly Romania, as a member of the UE 28, fiscal policy adopted and implemented allow it to behave as the other Member States, and in particular, as the last wave of accession. Romania wonţt do discordant note in the European, because it has made a number of commitments to the European Union in all areas where negotiated, including fiscal and budgetary. In the period following Romania's accession to the European Union to cover public needs are in a continuous growth, the competent bodies to resolve this problem were urged international organizations to do the standard VAT rate increase or income tax or corporation. In the analyzes, Romania adopted the first solution that is increasing the standard VAT rate by 5 percentage points, but further analysis shows that the increase in the standard VAT rate brings more budgetary resources, but also involves a series of true effects, including: increased prices for domestic and imported origin, negatively affecting living standards for large swathes of the population that without this tax measure is below the subsistence level.

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