ASPECTS REGARDING THE DEGREE OF TAXATION IN THE MEMBER STATES OF THE EUROPEAN UNION

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Abstract

The degree of taxation has steadily increased in the EU member countries, largely reflecting an expansion of the public sector. Many countries in the European Union have adopted measures to reduce the level of taxation, but the tax burden in the Member States of the European Union is high. The mix of fiscal policies is very different from one country to another, and this is because fiscal policy is an element of national sovereignty. In the paper, using statistical data at the level of the European Union, the degree of taxation will be highlighted, comparative studies will be carried out and conclusions about the fiscal burden registered in each Member State of the European Union will be highlighted. These calculations will be made using a series of indicators from the literature.

The general objection of the paper is that in the Member States of the European Union the level of taxation varies according to the degree of development of each Member State and varies according to the fiscal policy promoted within each country. The structure analysis of the tax system adopted by each member state of the European Union in the paper highlighted the fact that at the level of the developed countries the tax systems are focused on direct taxes and the less developed countries apply tax systems focused on indirect taxes and contributions large social. For example, in the year 2016, with regard to tax revenue structure, in Denmark the share of direct taxes in GDP was 30.2%, indirect taxes in GDP was 16.5% and the share of compulsory social contributions in GDP was 0.1%.

Keywords: *tax policy, degree of taxation, European Union*

JEL classification: *H24*

1. Introduction

Transformations of tax systems that have taken place over time, from the need to permanently adapt to new trends and mechanisms in the real economy, also produce multiple effects on economic development peoples, representing a genuine fiscal revolution.

In the EC Treaty of 1957, in Rome, through the creation of the Common Market and the coordination of the economic policies of the member countries, the European Union wants to promote economic development and raise the standard of living.

In the economic practice between taxation and the degree of development of an economy there is a close link, as it influences in large part both the activity of individuals and legal entities.

Regarding the level of taxation, this can be highlighted by means of the indicator of the degree of taxation or the rate of mandatory levies, with the help of which significant international comparisons can be made with macroeconomic incidences.

Fiscal pressure is calculated as a ratio between mandatory deductions over a period of time, typically one year, and gross domestic product over the same period. This way of calculating the fiscal pressure is of a quantitative and not qualitative type, so it can not capture aspects related to the qualitative nature of the influence factors, which are not limited to public utilities.

At a macroeconomic level, the tax pressure rate can be calculated either as a fiscal pressure in the strict sense, calculated as the ratio between the amount of taxes received by the state and the gross domestic product, or in the form of the broad tax burden ratio calculated as the ratio of the whole taxes and social contributions and gross domestic product.

2. Fiscal policy issues

Tax policy is an element of national sovereignty, being an instrument of economic regulation that can be used to influence consumption, to encourage savings or to modify the way companies are organized.

Knowing that fiscal policy measures adopted in a state can also influence the economies of neighboring countries, within the single market, Member States have to coordinate their fiscal actions and policies.

There is a phenomenon of tax competition within the Member States because EU citizens can choose to live and work with less tax pressure because they can pay lower taxes and firms can try to reduce their tax burden by relocating.

Taking into account that the fiscal policy ensures the government's activity in a state, it is seen as "a variety of organization, administration and management of the society, regarding the implementation of social, economic, cultural or public interest objectives, meant to ultimately ensure the overall development of society. [4]

In the context of the contemporary world, economic policy as a major component of the general state policy plays a particularly important role in ensuring the implementation and realization of all the other governmental policies in the various fields of social life, such as education, scientific research, security and defense national, administration and internal order, culture, art, social protection and others.

Fiscal policy, as a form of the economic policy of the state, provides financial support for the implementation of other policies.

In the literature, there is a certain contradiction between the concepts used in the sense that in the Anglo-Saxon literature the notion of fiscal policy is used in the sense of financial policy, which includes both the objectives of a state's decision-maker related to the procurement of budgetary resources through taxes and fees, as well as those that result from the activity of performing the public expenditures.

According to this approach, fiscal policy is "the use of public expenditure and tax revenue to ensure economic growth, that is, deliberate control of public expenditures and fiscal revenues of the state for obtaining outputs, achieving employment, and combating inflation. [4]

Thus, it is observed that in the Anglo-Saxon literature, it covers both the first stage of the function of the distribution of public finances, the mobilization of resources at the state's disposal and the second stage, the allocation of public funds to destinations.

In the paper written in Latin, fiscal policy is seen as the state's tax policy, considering that the part related to the spending of public resources is strictly within the competence of the budgetary policy.

Iulian Văcărel presents in his paper this separation between the fiscal policy and the policy of the budget, considering that "since the overwhelming part of the public revenues are held by the taxes, taxes and contributions, the expressions of fiscal policy and tax reform. At the same time, making public spending through the budget system has led to the beginning of fiscal policy expressions and budgetary reform. " [10]

By sharing this view, I appreciate the importance of a clear distinction between fiscal and budgetary policy.

However, taking into account that fiscal policy is an important component of financial policy, as Shaguna Dan Drosu said in his Treaty, "fiscal policy has to be tackled always in close connection with fiscal policy (allocation policy) in fact-elaborated concurrently by the competent public authorities; Indeed, the increase in the level (and at the same time the diversification of the structure) of the public expenditures is being investigated and new sources of public funds are being identified. The fulfillment of the budgetary functions thus requires the adoption of a unitary

fiscal and budgetary policy, which implies the overall approach of the budgetary revenues and expenditures "[6].

The same author also states that the boundaries between the two policies are difficult to trace, and that a unitary fiscal and bureaucratic policy is needed to achieve the buoyant functions - short-term stabilization, resource allocation and income distribution.

As far as the national fiscal policy is concerned, it can not be seen in isolation, but as part of a wider context, driven by European integration, and member states need to increase their efforts to adapt their own tax systems to their current economic, political and social trends that characterize the area of the European Union.

Regarding the fact that fiscal policy must be regarded as a common problem of the European Union, Minea Ştefan Mircea states in his paper that "fiscal policy is the work of state power (national fiscal policy) or suprastate (regional or world fiscal policy); it is the "art" of determining and implementing the general characteristics of the tax, characteristics that - depending on the economic and psychological data provided by society - must be able to give the compulsory levies the vigor and, at the same time, the flexibility (elasticity) collections corresponding to public revenues intended to cover general and common needs at local or wider level. " [3]

The fiscal policy of the European Union is of particular importance, as it is based on its ability not only to disrupt the single European market but to contribute to its proper functioning.

The fiscal policy of the European Union is in fact a process of coordinating all the fiscal policies of the Member States of the European Union that retain their fiscal sovereignty, and these countries, through considerable effort, are trying to establish similar structures of fiscal policy. The fiscal policy of the European Union is in fact a process of coordinating all the fiscal policies of the Member States of the European Union that retain their fiscal sovereignty, and these countries, through considerable effort, are trying to establish similar.

Taxation plays a fundamental role in creating a fair society and in building a strong economy. Through fiscal policy promoted at the level of the Member States of the European Union, it is possible to move towards eliminating inequalities, not only by supporting social mobility but also by reducing the inequities in market income.

At the same time, fiscal policy can have a major influence on employment decisions, on the degree of investment and on the ability of businesses to expand their business lines. An effective fiscal policy drive leads to stronger economic growth.

In order to determine whether a fiscal policy is effective, four priorities are pursued in practice, namely:

1. Stimulating investment;
2. Support for employment;
3. Reducing inequalities;
4. Ensure tax compliance.

At European Union level, the total of taxes varies from one country to another.

At 2017, estimates indicate that the share of total impetus (including social contributions) in gross domestic product was EU-28, fluctuating with an oscillation from 24.1% in Ireland to 45.6% in Denmark.

The differences that exist between total tax levels reflect, in fact, differences related to social preferences for public goods.

At 2016, according to the official database, the EU27 average of the total tax burden (including social contributions) on GDP was 38.9%. Countries with a level above the EU27 average are: Belgium (44.4%), Denmark (46.4%), Germany (39.0%), France (45.6%), Italy (42.6%) , Hungary (39.3%), Austria (42.3%), Finland (44.1%), Sweden (44.15). Countries with a share of total taxes (including social contributions) in GDP below the EU27 average in 2016 are: Bulgaria (29.0%), Czech Republic (34.7%), Estonia (34.5%) , Ireland (23.3%), Greece (38.8%), Spain (33.3%), Croatia (37.8%), Cyprus (33.6% Luxembourg (38.3%), Malta (32.7%), the

Netherlands (38.8%), Poland (33.4%), Portugal (34.4%), Romania , 9%), Slovenia (36.6%), Slovakia (32.2%) and the United Kingdom (33.7%).

Table no. 1 **Share of total taxes (including social contributions) in GDP at the level of the Member States of the European Union**

- % -

	Total taxes (including social contributions)						
	2010	2011	2012	2013	2014	2015	2016
Belgium	43.1	43.7	44.8	45.6	45.5	45.2	44.4
Bulgaria	26.0	25.3	26.7	28.2	28.4	29.1	29.0
Czech Republic	32.7	33.8	34.2	34.8	33.9	34.0	34.7
Denmark	45.0	45.0	45.8	46.3	48.9	46.5	46.4
Germany	36.7	37.2	37.8	38.2	38.2	38.4	39.0
Estonia	33.3	31.5	31.7	31.6	32.6	33.7	34.5
Ireland	27.8	28.0	28.3	28.7	29.0	23.4	23.3
Greece	32.0	33.6	35.5	35.5	35.7	36.6	38.8
Spain	31.3	31.2	32.2	33.0	33.6	33.7	33.3
France	42.1	43.3	44.5	45.3	45.6	45.6	45.6
Croatia	35.9	35.2	35.9	36.4	36.6	37.1	37.8
Italy	41.5	41.5	43.5	43.5	43.2	43.0	42.6
Cyprus	31.9	31.9	31.6	31.6	33.4	33.2	33.6
Latvia	28.5	28.4	29.1	29.4	29.8	30.1	31.2
Lithuania	28.3	27.2	27.0	27.0	27.5	28.9	29.8
Luxembourg	37.6	37.2	38.5	38.4	37.5	37.2	38.3
Hungary	37.2	36.6	38.3	37.9	38.1	38.8	39.3
Malta	31.9	32.2	32.4	32.7	32.6	32.1	32.7
Netherlands	36.1	35.9	36.0	36.5	37.5	37.4	38.8
Austria	41.1	41.2	41.9	42.7	42.8	43.2	42.3
Poland	31.4	31.8	32.1	31.9	31.9	32.4	33.4
Portugal	30.4	32.3	31.8	34.1	34.2	34.4	34.4
Romania	**26.2**	**28.1**	**27.7**	**27.2**	**27.5**	**28.0**	**25.9**
Slovenia	37.1	36.7	37.1	36.7	36.4	36.6	36.6
Slovakia	28.0	28.5	28.2	30.1	31.0	32.1	32.2
Finland	40.8	42.0	42.7	43.6	43.8	43.9	44.1
Sweden	43.2	42.5	42.6	42.9	42.6	43.1	44.1
United Kingdom	33.5	34.2	33.3	33.2	32.7	33.1	33.7
UE 28	37.2	37.7	38.3	38.7	38.7	38.5	38.9

Source: www.europa.eu.int, Eurostat Statistics

According to the data in table no. for the 2010-2016 period, the largest growth gap was recorded in countries such as Greece (6.8%), France (3.5%), and declining in Ireland (-4.5%).

Countries with a larger EU-28 share (1.7%) over the 2010-2016 period are: Bulgaria (3%), Czech Republic (2%), Germany (2.3%), Greece (6.8 percent), Spain (2 percent), France (3.5 percent), Croatia (1.9 percent), Lenonia (2.7 percent), Hungary (2.1 percent) 7%), Poland (2%), Portugal (4%), Slovakia (4.2%) and Finland (3.3%).

The graphical representation of the weight of total taxes in GDP (including mandatory budget contributions) in GDP in the year 2016 is as follows:

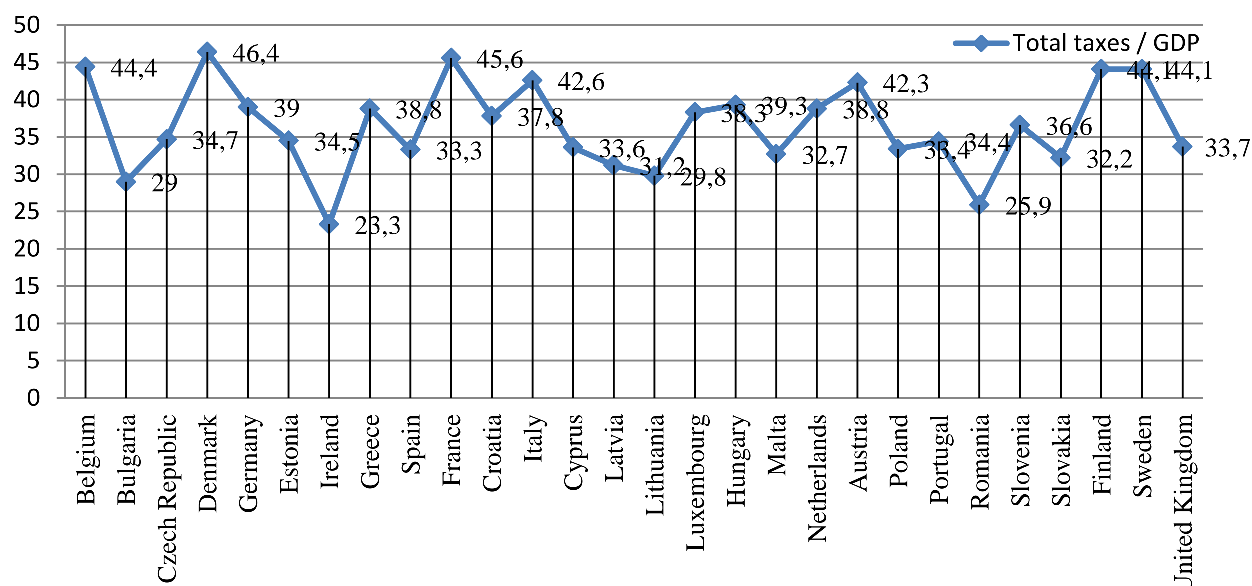

Chart no. 1 **Share of total taxes (including mandatory budget contributions) on GDP in the Member States of the European Union in 2016**

As for the share of indirect taxes in GDP in the year 2016, the first positions are occupied by Sweden (22.6%), Croatia (19.5%) and Hungary (18.3%). With regard to the direct tax ratio in GDP ratio, in the year 2016, the first positions are occupied by Denmark (30.2%), Sweden (18.8%) and Belgium (17.1%). In terms of the share of compulsory social contributions in GDP, the highest share was registered in France (16.8%), Germany (15.2%) and the Netherlands (14.8%) in the year 2016.

Table no. 2 **Share of total taxes (including social contributions) in GDP at the level of the Member States of the European Union**

\- % -

	Indirect taxes / GDP			Direct taxes / GDP			Compulsory social contributions /GDP		
	2010	2013	2016	2010	2013	2016	2010	2013	2016
Belgium	13,1	13,4	13,5	16,1	17,8	17,1	13.9	14.4	13.8
Bulgaria	14,2	15,4	15,5	5,1	5,3	5,6	6.6	7.4	7.8
Czech Republic	11,3	12,9	12,5	6,8	7,2	7,6	14.5	14.8	14.7
Denmark	16,4	16,6	16,5	28,7	30,4	30,2	0.1	0.1	0.1
Germany	10,9	11,0	10,9	10,8	12,2	12,9	15.0	15.0	15.2
Estonia	13,9	13,5	15,2	6,6	7,2	7,7	12.8	11.0	11.5
Ireland	10,9	10,8	8,7	11,8	12,9	10,7	5.0	5.0	3.9
Greece	12,7	14,2	17,3	8,4	10,6	10,4	10.9	10.7	11.1
Spain	10,4	11,3	11,8	9,7	10,8	10,5	12.0	11.5	11.4
France	14,8	15,6	16,1	11,4	13,2	13,0	16.2	16.8	16.8
Croatia	17,6	18,7	19,5	6,6	6,5	6,6	11.8	11.2	11.7
Italy	14,1	15,1	14,6	14,3	15,3	15,1	13.0	13.1	12.9
Cyprus	14,5	13,7	15,4	9,4	10,3	9,7	8.0	7.5	8.5
Latvia	12,4	13,3	14,5	7,4	7,7	8,4	8.7	8.5	8.3
Lithuania	12,0	11,2	12,0	4,6	5,0	5,7	11.7	10.8	12.2
Luxembourg	12,3	12,9	12,1	14,4	14,4	15,3	10.9	11.1	10.9
Hungary	17,5	18,5	18,3	7,8	6,6	7,5	11.8	12.8	13.6
Malta	13,9	13,1	13,1	12,5	13,8	14,1	5.6	5.7	5.5

Netherlands	11,6	11,3	12,1	11,4	10,4	11,9	13.1	14.9	14.8
Austria	14,4	14,6	14,6	12,7	13,7	13,0	14.0	14.5	14.7
Poland	13,9	13,0	13,5	6,7	6,7	7,1	10.9	12.4	12.8
Portugal	13,3	13,8	14,9	8,5	11,4	10,3	8.6	8.9	9.1
Romania	**11,8**	**12,7**	**11,4**	**5,7**	**5,9**	**6,5**	**8.6**	**8.6**	**8.0**
Slovenia	14,2	15,1	14,7	8,1	7,0	7,4	14.9	14.5	14.5
Slovakia	10,2	10,4	10,8	5,6	6,4	7,3	12.1	13.3	14.1
Finland	13,0	14,5	14,6	15,7	16,5	16,8	12.1	12.6	12.8
Sweden	22,4	22,3	22,6	18,2	17,8	18,8	2.7	2.8	2.7
United Kingdom	12,3	12,8	13,0	15,0	14,2	14,4	6.3	6.2	6.3
UE 28	13,0	13,5	13,6	12,3	13,2	13,3	12,0	12,2	12,1

Source: www.europa.eu.int, Eurostat Statistics

According to the data in table no. 2, the share of indirect taxes in GDP over the 2010-2016 period is above the EU average (+ 0.6%) in the countries: Bulgaria (+ 1.3%), Czech Republic (+ 1.2%), Estonia + 1.3%), Greece (+ 4.6%), Spain (+ 1.4%), France (+ 1.3%), Portugal (+ 1.6%) and Finland (+ 1.6%).

As for the share of direct taxes in GDP at the level of the Member States of the European Union, countries with a larger than EU25 average over the period 2010-2016 are: Denmark (1.5%), Germany (2 , Estonia (1.1%), Greece (2%), France (1.6%), Lithuania (1.1%), Malta (1.6%), Portugal (1.8%) , Slovakia (1.7%) and Finland (1.1%).

The share of mandatory social contributions in GDP at the level of the Member States of the European Union is 0.1% over the 2010-2016 time horizon. The countries that registered a level above the EU28 level are Bulgaria (1.2%), Czech Republic (0.2%), Germany (0.2%), Greece (0.2%), France (0, Cyprus (0.5%), Lithuania (0.5%), Hungary (1.8%), the Netherlands (1.7%), Austria (0.7%), Portugal (0.5%), Slovakia (2%) and Finland (0.7%).

The difficulties encountered in the process of harmonizing the rates of taxation have led the European Union to resort to other means easier to implement or easier to accept by the Member States of the European Union, such as those aimed at developing common rules, fiscal cooperation within the framework of the union between Member States.

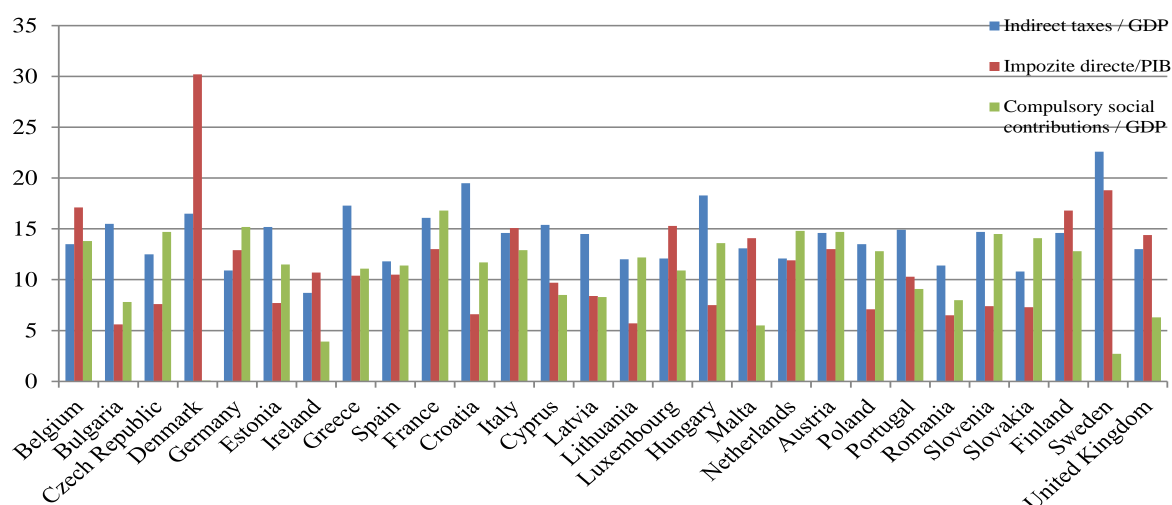

Chart no. 2 **The share of indirect taxes in GDP, the weight of direct taxes in GDP and the share of compulsory social contributions in GDP in the Member States of the European Union, at the level of 2016**

The importance of the analysis of taxation and parafiscality is given by the influence that they have on the economic sectors of states, being used most of the times as economic or parafiscal levers, in order to stimulate, develop economic activity, or to stimulate others.

At EU level there are significant differences in structure in total tax revenues. According to the data presented in table no. 2 it is noticed that at the level of developed countries tax systems are focused on direct taxes, less developed countries, apply tax systems focused on indirect taxes and large social contributions. For example, in Denmark in 2016, the direct tax rate in GDP was 30.2%, the indirect tax rate in GDP of 16.5% and the share of contributions to GDP of 0.1%. On the opposite side, at the level of the same year, Bulgaria was located where the share of direct taxes in GDP was 5.6%, the indirect tax rate in GDP of 15.5%, and the share of social contributions to GDP of 7.8%.

3. Conclusions

The level of taxation is a relevant indicator for the economic policy applied by public authorities in a country, the levy in the form of taxes representing the highest level of total government.

The results of the analysis carried out in the paper on the total taxation (including social contributions) tax rate recorded by the EU Member State Fiscal for the period 2010-2016 indicate that although at the level of the European Union there is a tax strategy but common objectives , their achievement is different, and Member States continue to use its prerogatives of fiscal sovereignty.

Then it is desired to quantify the fiscal pressure, in any event, it is wrong to consider the impact of a single tax without taking into account the other taxes and duties, regardless of what is to be considered.

In the case of countries where active economic development policies are being implemented (most of them in the European Union are the new member states, including Romania), it is worth mentioning the adoption of a fiscal-budgetary policy similar to that of the current developed countries in Western Europe they applied them after the Second World War when their economies were destroyed and acceleration of economic growth was needed.

The analysis of the work shows that the level of taxation in the Member States of the European Union varies according to the degree of development of each Member State and varies according to the fiscal policy promoted within each country. At the level of the developed countries, tax systems are focused on direct taxes, and less developed countries apply tax systems based on indirect taxes and large social contributions. For example, in the year 2016, with regard to tax revenue structure, in Denmark the share of direct taxes in GDP was 30.2%, indirect taxes in GDP was 16.5% and the share of compulsory social contributions in GDP was 0.1%, in Belgium the share of direct taxes in GDP was 17.1%, indirect taxes on GDP was 13.5% and the share of mandatory social contributions in GDP was 13 , 8% in Luxembourg, the share of direct taxes in GDP was 13.5%, indirect taxes in GDP was 12.1%, and the share of mandatory social contributions in GDP was 10.9%, while in the Finland's share of direct taxes in GDP was 16.8%, indirect taxes in GDP was 14.6% and the share of mandatory social contributions in GDP was 12.8%.

In most of the Central and Eastern European Member States that joined the European Union in 2004 and 2007, the level of taxation is relatively low, but its impact on taxpayers must be seen in terms of available incomes and consumer price levels. Increasing the level of taxation in these EU Member States, shortly, is an inappropriate step in stimulating consumer behavior.

At European Union level, the greatest challenge remains to find solutions to the issues of the need for compatibility between the different systems and relationships of the Member States, including the fiscal system remaining a challenge.

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