

INDIRECT TAXES ÎN EUROPEAN UNION

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Abstract: *The main objective of our research is to make extensive analysis on the budgets of EU member states in order to emphasize the main trends within the period 2000-2011. We are using common measures such as: data in millions of euro, percentage of GDP, fixed base index, chain based index, percentage of total revenues or total taxes. Through this study case, we aim to create a good presentation of the EU. State members, an image of the percentage modification related to a base year, achieved by the main budgetary components from year to year. On our case study we are focusing only in indirect taxes since these are, for many EU countries the main budgetary revenues. Another important reason for focusing on indirect taxations is the fact that most countries during the financial crises consider readjusting of these taxes on of the main tool to adapt to the lack of public resources. Our research is based on data extracted from EUROSTAT and our calculation and compilations. Our working hypothesis is that despite huge differences in tax policy among all 27 European countries there are some common trends and Romanian tax policy must adapt and must follow them. Another important element is that trends in fiscal policy may vary due different elements such as: level of development, social policy issues, systems of financing different public expenditures, number and structure of populations, regional and local objectives and many others. The VAT, the main important indirect tax is extensively annualized since most of the trends of taxation are dictated by the trends of VAT. Romania is a special example, not the only one., where VAT has significance importance for budgetary revenues and was the main element of fiscal adjustments during the financial crisis.*

Keywords: *fiscal policy; indirect taxes, VAT, European Union, fiscal harmonization.*

JEL classification: *E62; G28; H20; O52.*

1. Introduction

The purpose of our research is to analyze the budgets of the E.U. countries compared to the budgets of Romania during 1999-2010 period, highlighting the evolution of the budgetary incomes especially indirect taxes. After studying the literature regarding the budgets of the E.U. member states we had done the analysis of their budgets. Our study also aims at analyzing the main trends and budgets of

the E.U. states, which are done through the calculation of some indices, reported both income and expenditure of the extracted data: indices with fixed base, chain-based indices, minimum, maximum, mean values recorded at the level of states, weights and values of total GDP. The data needed for analysis were processed from the European Union website (<http://epp.eurostat.ec.eu.int>), in compliance with the standard classification. These data were extracted and processed in March 2012. Our analysis is according with the European Union standards ESA. Our approach begins with the analysis of the most important categories of taxes, the tax on production and imports (D2). ESA standard define this kind of tax who is achieved through cash payments or in nature, that are collected by the public institution or by the E.U. institutions, in what concerns the production and the import of goods and services, workforce or land owning or other goods utilized in the process of production. These taxes are payable without taking into account if there is a profit or not,

The taxes on production and imports include the following categories: Taxes on products and Other taxes on production. The category taxes on products are including: V.A.T., taxes on products excluding V.A.T. and the import duties on products;

Taxes on products include those taxes paid per unit of good or service produced or transacted. The tax may be formed from a sum of money paid per unit of a good or service or may be calculated ad valorem as a percentage of price per unit or value of goods and services produced or traded.

The Value Added Tax is a type of tax that falls on the goods or services collected in stages by enterprises and ultimately borne entirely by consumers.

The taxes and duties on imports excluding VAT comprise compulsory payments levied by general government or the EU institutions on imported goods, excluding V.A.T., in order to allow free movement within the economy and the services provided by unit's resident and resident units to buyers.

The taxes on products excluding VAT and import duties (D214) consist of taxes on goods and services that become payable as a result of production, export, sale, transfer, leasing or delivery of such goods or services, or from the use of these goods or services for own consumption or own capital formation.

Other taxes on production consist of all taxes that enterprises incur as a result of employment in production, regardless of the quantity or value of goods or services produced or sold. These types of taxes can be paid on land, fixed assets or labor employed in production or in certain activities or transactions.

D2 Taxes on production and imports

D21 Taxes on products

D211 Value added type taxes (VAT)

D212 Taxes and duties on imports excluding VAT; D2121 Import duties:

D2122 Taxes on imports excluding VAT and import duties; D2122A Levies on imported agricultural products; D2122B Monetary compensatory amounts on imports; D2122C Excise duties; D2122D General sales taxes; D2122E Taxes on specific services; D2122F Profits of import monopolies;

D214 Taxes on products, except VAT and import taxes; D214A Excise duties and consumption taxes; D214B Stamp taxes; D214C Taxes on financial and capital transactions; D214D Car registration taxes; D214E Taxes on entertainment; D214F Taxes on lotteries, gambling and betting; D214G Taxes on insurance premiums; D214H Other taxes on specific

services; D214I General sales or turnover taxes; D214J Profits of fiscal monopolies; D214K Export duties and monetary compensatory amounts on exports; D214L Other taxes on products.

D29 Other taxes on production; D29A Taxes on land, buildings and other structures; D29B Taxes on the use of fixed assets; D29C Total wage bill and payroll taxes; D29D Taxes on international transactions; D29E Business and professional licenses; D29F Taxes on pollution; D29G Under-compensation of VAT (flat rate system); D29H Other taxes on production.

2. Taxes on production and imports

As we can observe, the indirect taxes are represented at the E.U. 27 budgetary classification level by the D2 code. The maximum amount of the indirect tax revenue in the E.U. 27 was 1,666,408.9 million Euros in 2007. The minimal amount of the budget revenues (from this tax) in the E.U. 27 was recorded in 1999 and was 1,174,391 million. Regarding the average, we can say that it was 1,426,687.82 million Euros in the period under review for E.U. 27. The country that recorded the maximum values of the indirect taxes was Germany, which recorded a maximum of 305.460.00 million Euros in 2007. The main reason for this maximum was recorded in indirect taxes, in Germany, was due to the increasing of the V.A.T. rate from 16% to 19%.

Table 1			
Indirect taxes, state ranking, mil. Euros			
Maximum values		Minimum values	
Germany	305.460 (2007)	Malta	454 (1999)
France	288.571 (2008)	Estonia	627 (1999)
England	256.471 (2007)	Latvia	933 (1999)
Italy	225.928 (2007)	Lithuania	1405 (1999)
Spain	122.779 (2007)	Bulgaria	1.663 (1999)
Source: Personal processing of the data from the Eurostat			

Table (Indirect taxes, state ranking) shows the minimum and the maximum values of the European Union. All the maximum values are recorded in 2007, except France (2008) by the old European Union member countries, while minimum values are found in countries that joined recently the European Union. France also has quite high values of the maximum indirect tax revenue in quantum of 288.571 million Euros in 2008. The main cause of this increase was the lowering of the indirect tax rates leading to a high degree of their collection. Britain also reached high values of the indirect tax revenue in this period, namely a maximum of 256,470.5 million Euros in

2007. The main cause of this increase was due to a higher fiscal pressure of the indirect taxes from 37.6% to 38.3%.

Italy also recorded in 2007, in this area, a maximum of 225.471 million Euros. Germany in 2007 had a maximum of 305,460 million Euros from indirect taxes. In all these countries where there have been significant increases in the indirect tax revenue we could observe an increase over the period, the maximum being reached in 2007. Thus, compared to 1999 in Germany was an increase from 1999 to 2007 of 1.26 times, 1.31 times in France, in the U.K. of 1.38 times and 1.34 times in Italy. In Estonia there was also a considerable increase of 3.36 times. As we can remark, the average percentage of the indirect tax revenues, at the E.U. level, in total incomes, is exactly 29.68%. The highest percentage of the revenues from this tax was almost 49%, and it was registered in Bulgaria (2006).

If in the Nordic countries, the highest indirect tax revenues were recorded, we see that the indirect taxes are exactly the opposite, Finland registering, for example, the minimum of the percentages in total incomes of the indirect taxes. We noted that the maximum percentages of the indirect tax revenue in total income were in Bulgaria. High percentages appear in former communist countries such as Romania, Hungary, Poland, Slovakia and other countries such as Slovenia, Latvia, Ireland, Portugal, and Lithuania.

Table 2		
The minimum and the maximum of the indirect taxes, percentages in total income		
Maximum indirect tax, percents in total income		
Indirect tax:	48,98%	Bulgaria
Minimum indirect tax, percents in total income		
Indirect tax:	24,02%	Finland
Source: Personal processing of the data from the Eurostat		

In Romania, the absolute amounts of revenues from the indirect taxes increased greatly between 1999 and 2007, from 4,114.5 million Euros to 16,379.5 million Euros. Thus, we realized that there was an increasing in the amounts of 3.98 times in 2008 compared to 1999. The trend in the indirect taxes can bring out the base and chain indices analysis. It is noted that in 2005 over 2004, these revenues have increased 1.44 times. It should be noted that the mentioned increase of 1.44 times, the largest increase from one year to another, was registered in the E.U. 27. As you know, Romania is among the countries where the average percentage of the indirect tax revenue in total revenue is 34.11%, compared to 18.07% from the average of the direct tax revenues. In terms of G.D.P. the percentage average of the indirect taxes recorded in Romania, is 11.99%, average close to the percentage average of the

G.D.P. registered in the Netherlands (12.18%), Latvia (13.93%), Lithuania (11.83%), Germany (11.74%), Spain (11.13%).

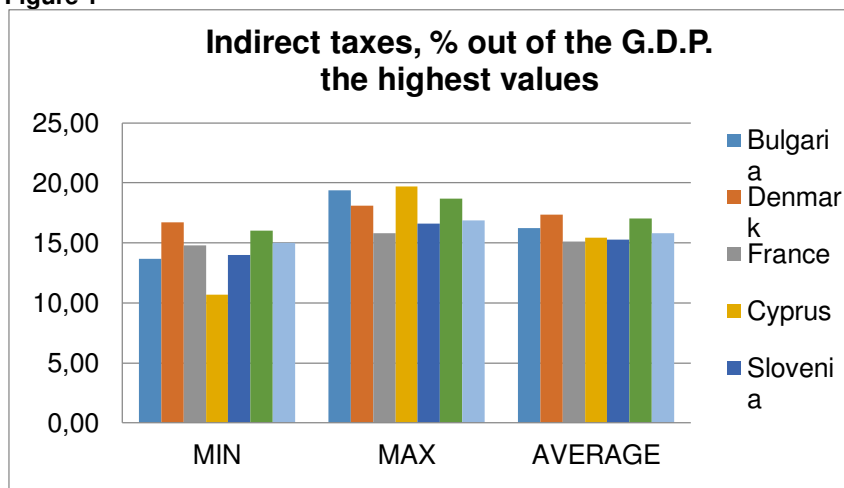
Further, considering the percentage of the G.D.P. of the indirect taxes for all countries analyzed, we find that it varies between 8.80% - 19.70% for the entire period (1999-2007). The maximum percentage in the G.D.P. of indirect taxes was recorded in Bulgaria (19.4% in 2006), and the minimum in Spain (8.8% in 2009). We noted that in Germany, Spain, Italy, Netherlands, England, the maximum percentage in G.D.P. of these taxes had minimum values and the average of the period analyzed had a very close level to the minimum, which suggests that the indirect taxes have been a slow evolution for the entire period considered in this study.

The indirect taxes are divided into taxes on production and other taxes on production.

3. Taxes on production

The revenues from the taxes on production represent over 80% of the revenues from taxes on production and imports, with an average share of the total income of 24.70% and an average share in G.D.P. of 10.96% (of the U.E. 27). These revenues, in the U.E. 27 had a maximum value of 1,380,088.2 million Euros in 2007 and a minimum value of 966,185.6 million Euros in 1999. Among the countries that have high levels of incomes from taxes on production, are to be named: Germany, England, France and Italy. This is due to an improvement in services, namely the production of the goods in those countries, so that the amount of revenues from taxes on products increased proportionally with them.

Figure 1



Source: Personal processing of the data from the Eurostat

The taxes on production are divided into: a) value added tax (V.A.T.), b) Taxes on imports excluding V.A.T., c) taxes on production, excluding VAT and customs duties.

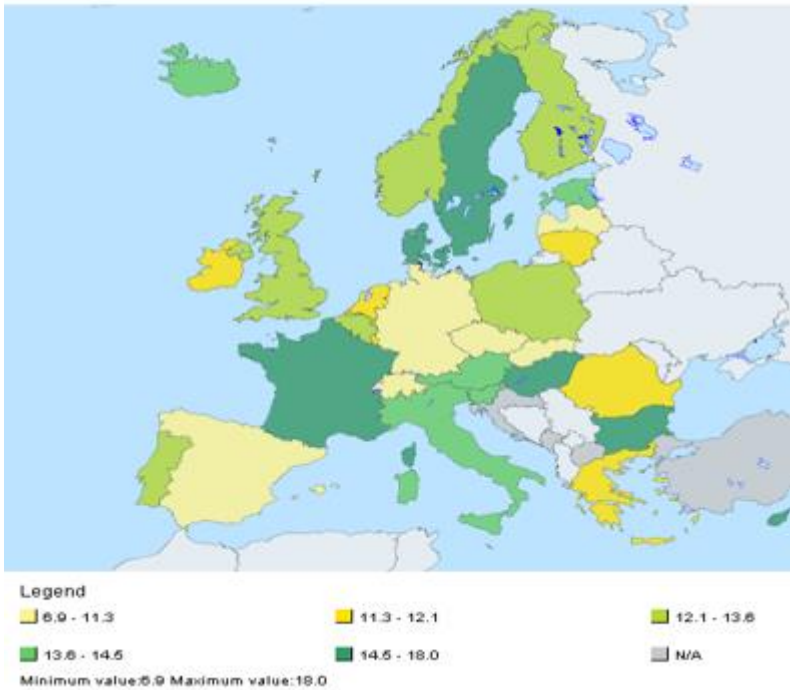
4. V.A.T.

The V.A.T. is the most important component of the taxes on production and it represents about half of the taxes on production and imports, accounting for 15.18% of the total revenues, and accounted for 6.73% of E.U. 27 G.D.P. The revenues of the value added tax in the E.U. 27 recorded a maximum of 856,510.1 million in 2007, and the minimum value, 568,410 million, was recorded in 1999. If we analyze the evolution of the income from V.A.T., we can see that these revenues are evolving in the analyzed period from 568,410 million in 1999 to 856,510.1 million in 2007, and then, in 2008, 2009 and 2010, the values registered were below the peak recorded in 2007. The countries with the highest values of V.A.T. revenues are: Germany (178,460 million Euros in 2010), France (134.744 million Euros in 2008), England (131,047.4 million Euros in 2007) and Italy (131,047.4 million Euros in 2007). The lowest values of the V.A.T. revenues in the countries of the E.U. 27, appear in Malta, Latvia, Cyprus, Estonia. From the available data we can see an increase in the V.A.T. revenues in absolute terms in all through 27 countries over the period we analyzed. The share in total revenues of the V.A.T. revenues ranged from 10.97% (Slovenia 1999) and 31.38% (Bulgaria 2006). In 2007, the V.A.T. in England had an increase of more than 1.39 times compared to 1999. In Romania, the total amount of the V.A.T. revenue is between 12.74% in 1999 and 25.03% in 2005, but will decrease to 23.53% in 2007 and then in 2010 to drop to 22.60%. Romania ranks seventh E.U. 27, in terms of total share's average of the V.A.T. revenue in total revenues at a rate of 19.92%. Bulgaria is just ahead of Romania with a share of total V.A.T. revenues of 27.25%, 23.09% Estonia with 23.09%, Ireland 19.99%, 20.61% Cyprus, Latvia 20.96% and Lithuania with 21.73%. Analyzing the share in the G.D.P. of the V.A.T., on all the countries surveyed, we acknowledged that it ranged between 4.8% and 12.4% for the entire analyzed period.

5. Taxes on imports

In what concerns the chapter of taxes and payments on imports excluding VAT, is of less importance in our analysis because they accounted for 3.37% of the total budget and 2.2% from the income tax on production. With respect to these taxes, it should be noted that the taxes on imports excluding V.A.T. had an interesting development in the period 1999-2011. The revenues from this tax were 28.285 million Euros in 1999, after that, they grew up in 2001 to 32,271.2 million, then they decreased in 2002 to 30,700.2 million, in 2003 they increased again to 31.35,9 million, after which they decreased in 2004 to 30,245.2 million and in what concerns the last year we analyzed, in 2010 they reached 29,506.9 million Euros, value similar to that from 2007. We note that their level is low in almost all E.U. countries in the entire analyzed period. Romania has an average of the taxes on imports excluding VAT of 1.86% out of the total revenues during 1999-2010.

Figure 2
Taxes on production and imports
 % of GDP - 2010
 General government



Regarding the section of the taxes on products excluding VAT and customs duties, it is worth noting that they accounted for 8.80% out of the total revenues in the E.U. 27 and other current taxes have accounted for approximately 5%. The revenues from the taxes on products excluding V.A.T. and customs duties have higher values than those mentioned above. This type of incomes recorded an average in the E.U. 27 throughout the analyzed period of 436,129.74 million Euros. The highest value occurred in England (93,947.5 million), Germany, France, Spain and Italy, and the minimum values are registered in Estonia, Malta, Cyprus, Latvia and Luxembourg. Romania has an average of these taxes in quantum of 2768.08 million in the analyzed period. The largest share of the G.D.P., regarding this duty, belongs to Slovenia in 1999 (8.3%) and the lowest proportion in Estonia in 2000 and 2001 (0.1%). The percentage average of the tax revenues on products excluding V.A.T. out of the total incomes in Romania is 10.22%. The percentage average of the G.D.P. of this tax are low, ranging from 0.1% to 8.3%, in the member countries while in Romania, the value recorded as a percentage average from the G.D.P. is 3.57%.

6. In conclusion

The maximum amount of the indirect tax revenue in the E.U. 27 was 1,666,408.9 million Euros in 2007. The minimal amount for the E.U. 27 was recorded in 1999 and was 1,174,391 million.

The country that recorded the maximum values of the indirect taxes was Germany, (305.460.00 million Euros in 2007), due to the increasing rate of the V.A.T. from 16% to 19%. All the maximum values on Indirect taxes, are recorded in 2007, except France (2008) by the old European Union member countries

Minimum values on Indirect taxes are found in countries new members of EU. The biggest increases in the period 1999 – 2007 were in: Germany, 1.26 times; 1.31 times in France, in the U.K. 1.38 times and 1.34 times in Italy.

The average share of the indirect tax revenues in total incomes, at the E.U. level, was 29.68%. The highest percentage of the revenues from this tax was almost 49%, and it was registered in Bulgaria (2006). If in the Nordic countries, indirect tax revenues were the lowest. Finland registering, for example, the minimum shares in total incomes of the indirect taxes.

in former communist countries are recorded the maximum shares of the indirect tax revenue in total income: Bulgaria, Romania, Hungary, Poland, Slovakia, Slovenia, Latvia, and Lithuania.

In Romania, the absolute amounts of revenues from the indirect taxes increased greatly between 1999 and 2007, from 4,114.5 million Euros to 16,379.5 million Euros. It should be noted that the mentioned increase of 1.44 times increase, was the biggest registered in the E.U. 27.

In Romania the average percentage of the indirect tax revenue in total revenue is 34.11% (18.07% average of UE). In terms of G.D.P. the percentage average of the indirect taxes recorded in Romania, is 11.99%, average close to the percentage average of the G.D.P. registered in the Netherlands (12.18%), Latvia (13.93%), Lithuania (11.83%), Germany (11.74%), Spain (11.13%).

The maximum percentage in the G.D.P. of indirect taxes was recorded in Bulgaria (19.4% in 2006), and the minimum in Spain (8.8% in 2009)

The revenues from the taxes on production represent over 80% of the revenues from indirect taxes, with an average share of the total income of 24.70% and an average share in G.D.P. of 10.96% (of the U.E. 27). The highest levels are recorded in Germany, England, France and Italy.

The V.A.T. is the most important component of the indirect taxes; it represents about half of the taxes on production and imports, accounting for 15.18% of the total revenues, and accounted for 6.73% of EU 27 GDP. The revenues of the value added tax in the E.U. 27 recorded a maximum of 856,510.1 million in 2007, and the minimum value, 568,410 million(1999). The countries with the highest values of V.A.T. revenues are: Germany (178,460 million Euros in 2010), France (134.744 million Euros in 2008), England (131,047.4 million Euros in 2007) and Italy (131,047.4 million Euros in 2007). The lowest values of the V.A.T. revenues in the countries of the EU27, appear in Malta, Latvia, Cyprus, Estonia.

The share in total revenues of the V.A.T. revenues ranged from 10.97% (Slovenia 1999) and 31.38% (Bulgaria 2006).

In Romania, the total amount of the V.A.T. revenue is between 12.74% (1999) and 25.03% (2005), 23.53% (2007) and then in 2010 to drop to 22.60%.

Regarding the section of the taxes on products excluding VAT and customs duties, it is worth noting that they accounted for 8.80% out of the total revenues in the E.U. 27 and other current taxes have accounted for approximately 5%. The revenues from the taxes on products excluding V.A.T. and customs duties have higher values than those mentioned above.

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