

FISCAL HARMONIZATION FROM THE VIEW OF EU INCOMES

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This paper deals with a possibility of alternative incomes of European Union budget in the form of transfer of part of collection from harmonized tax bases of individual types of taxes. At the present the member states return percentage of collection of VAT into the EU budget. The transfer is limited by maximum rate 0,5 % of harmonized bases of assessment, which ceiling represents 50 % GNP of every member state. The aim of this article is to evaluate other possibilities of fiscal harmonization from the point of view of possible alternative resources of EU.

Key words: fiscal harmonization, direct taxes, indirect taxes, EU budget

Introduction

The main backbones of the incomes of European Union budget are so-called own resources. These consist of agricultural rates charged within the bounds of common agricultural policy on agricultural products imported into European Union from third countries and duties imposed from sugar makers. Another own resources of European Union budget are duties imposed from products according to common custom tariff, which get into the European Union area. Since 1988 has been introduced contribution from GNP as own resource of the budget. In these days transfer of only tax charged on national level – value added tax - serves as last resource of the European Union budget. Member states have the commitment to transfer payments into the European Union budget according to bases of assessment which is counted as proportion of net incomes from VAT and weighted average of ratios in concrete member state. Since 2004 the transfer of member states into the European Union budget has been in the form of percentage of VAT limited by maximum ratio 0.5% of harmonized bases of assessment, that ceiling is 50% of GNI of every member state.

In addition to own resources of the budget above listed into the EU budget flow also other incomes. It concerns above all duties of the activity of institutions, income tax of 'European employees', penalties, interests and so on. It concerns only very small part in comparison with the resources above listed.

It is necessary to analyze also other possibilities of fiscal harmonization from the point of view of alternative EU resources. There is possibility to find other tax areas as potential resources of EU budget too.

2. Potential resources of European Union budget

2.1 Excise tax

In view of the fact that in the area of excise tax harmonization happened structural harmonization, within the bounds of that passed the harmonization of tax bases, there were launched also minimum rates of taxes, together with the case of value added tax the transfers in the form of percentage from the transfer of excise taxes could serve as the resource of European Union budget. Nevertheless, there is one fundamental difference between value added tax and excise tax. Value added tax is general tax of consumption, which is imposed on all goods and services on the market. On the other hand excise taxes are selective taxes, which are imposed only on select goods with the aim of reducing its consumption.

The aim of the state is to reduce overconsumption especially referring to the environment protection (e.g. from energetic products and electricity in the area of excise taxes) and also reduce overconsumption, which is caused by the fact that the negative externalities (e.g. medical costs of smokers) are not included in the price of product. Only in the case of zero elasticity of supply and demand it is possible to reduce overconsumption. In this case excise taxes increase the effectivity of tax system.

Another problem is regressivity of excise taxes. Consumption of products, which are liable to excise taxes at taxpayer with the increase of his income, reduces it. Taxpayers with low incomes face relatively higher tax burden. Moreover, it is proved that the consumption of tobacco and alcohol is relatively higher at poor people or countries.

Because of the reasons above mentioned the assessment of percentage of excise taxes, as the transfer into the European Union budget is very disputable. The transfer of collection of excise taxes would, on multinational level, contradict the principle of tax fairness. Poorer countries within the bounds of the European Union would transfer more into the budget than relatively richer countries. Moreover,

the income of the excise taxes should serve for financing of externalities connected with the consumption of concrete product and stay in the country of consumption.

2.2 Personal income tax

The area of personal income taxation was traditionally quite neglected by harmonization. The reason is big difference of single taxation systems and different systems of social insurance. It would be very difficult to make structural harmonization above all tax bases harmonization. As cardinal is possible to consider above all:

- historical difference and different definitions of tax bases consequent upon that,
- existence of two different accounting systems which are used in member states – tax accounting within the bounds of that the economic result is the same as the tax bases and accounting within the bounds of that it is necessary to transform the economic result into the tax bases,
- sensitivity of the question of personal income tax harmonization, because the income tax is traditional source of national budgets incomes.

One of the possible variations of transfer of personal income tax collection into the European Union is either transfer of part of collection tax or transfer in accordance to gross national income per habitant according to the average of whole European Union. In this connection it is necessary to mention completely different member states ideas about personal incomes taxation ways, which caused that the personal income tax is impossible tool of the European Union budget. In the European Union exist various methods of personal incomes taxation. Single systems which use progressive taxation hide big differences in highness of tax rates, count of tax brackets, non-taxable amounts, deductibles items, tax allowance and so on.

Only the area, in which was made at least partial coordination of personal incomes taxation, presents taxation of interest incomes derive from savings. The aim of the directive number 2003/48/EEC about taxation of the incomes from the savings in the form of interest payments is to make possible taxation of interest incomes derive individuals from other member states, who try to avoid taxation or to considerably reduce taxation with help of their residency. Possible common determination of at least minimum tax rate would partly help reduce tax evasions and could prevent tax competition among member states too. In that situation it is possible to imagine that the yield of collection of the tax of savings could serve as a source of the European Union budget. On the other site it is necessary to remind that the tax from savings could also serve as a fiscal tool of the government for influence of economic growth of country. If the competence to determine tax rate is devolved to the European Commission, the governments will lose important tool of fiscal policy. The negative mentioned above is possible to temper with determining only minimum tax rates (not absolute), what was already mentioned above.

2.3 Corporation income tax

The requirement of harmonization of corporate taxation in European Union rose especially in connection with introducing of single market. The existence of 27 different taxation systems does not allow fully profit on the advantages of single market by companies. Further move on the way to the structural harmonization of corporate taxation was acceptance of the status of European company and European cooperative company. According to the fact that the forms of business mentioned above are suitable above all for big companies, there were open very intensive discussions about so-called European limited liability company. In this connection it is necessary to mention that the European Commission desists from pursuit of tax rates harmonization. This happened because of unsuccessful effort to enforce minimum corporation income tax rates or to determine spread of tax rates in the seventies and the eighties of the last century. This should persist in competence of member states also in the future.

If the tax rates persist in competence of the member states after the tax bases harmonization, the European Commission will be allowed to determine certain percentage of collection of the corporate income tax as liable transfer into the European Union budget. It is necessary to point up the fact that the direct taxes are very sensitive about the economic cycle and that is why their yield is very unstable. That is why it should not be thought about them as about alternative stable source of European Union budget.

It is possible to determine percentage of the transfer of tax collection into the European Union budget when the single harmonized tax bases for each subject without exemption exists. The problem is that the states with lower tax rate will transfer more into the budget than the states with lower tax rate. If the subjects exactly know the height of the tax burden (the nominal and effective tax rate are equal), they will move into the states with the lowest tax burden.

Transfers into the European Union budget within the bounds of common consolidated tax bases are very disputable. This model is applied only to the companies with Europe-wide activities. Companies acting in national scale would be taxed on bases of national tax legislation. In this situation could be transferred only part of the tax yield from the consolidated tax bases, because only these are harmonized. This caused the same situation – moving of companies into the tax advantageous states (states with lower tax burden) – because they would transfer more into the budget (because of tide of tax bases) than the states with higher tax rate.

According to the fact that the model of European corporative tax presupposes introduction of unitary tax rate and administration of taxes in the level of EU, there is not probable in the practice that this model will be chosen for harmonization. Theoretically, this system would guarantee the yield of the European corporate tax as income into the European Union budget. If the tax burden of the European corporate tax is lower than the tax burden of national income tax there will set in the problem of moving of companies into the system of European corporate tax which could in extreme case caused considerable erosion of national tax bases.

Within the bounds of the taxation system in the country of fiscal domicile there do not come to the harmonization because there would continue different taxation systems. When the harmonization do not come, it will not be possible to guarantee fair transfers of collection of corporate income tax into the EU budget.

The European Commission determined introduction of the taxation system in the country of fiscal domicile for small and medium-sized enterprises as a short-term goal in the area of corporate taxation, within the bounds of that it is not possible, however, to guarantee any fair transfers of collection of corporate income tax into the common EU budget, unless it will be achieve at least partial convergence of methods of the tax bases construction.

Introducing of the common consolidated tax bases for companies with Europe-wide activities remains long-range goal of the European Commission. Within the bounds of this system is possible to guarantee fair transfers into the common EU budget hardly. Because of the reasons mentioned above it is not possible to suppose that the corporate income tax could serve as the alternative source of the EU budget.

Conclusions

Introducing of the alternative source of the European Union budget in the form of partial transfer of collection of certain type of tax depends on development of the tax harmonization area. The transfer of percentage of harmonized value added tax bases into the EU budget is possible thanks to the fact that in the area of value added tax it was reached structural harmonization. Although the structural harmonization was reached also in the area of excise taxes, they do not represent universal tax of consumption and that is why they are not convenient to be candidate for alternative resource of the EU budget, because in that case the principle of tax fairness could not be maintained.

In the area of direct taxes it is necessary to stress that the European Commission not continues the tax rates harmonization but only seeks unifications of tax bases. The aim of this area is only structural harmonization. Any discussion about corporate income tax rates hint at opposition of the member states. Voting of this area continues unanimous on the level of the EU Council and that is why for any change is requested consensus of all involved member states. In near future it is not possible to expect any considerable movements in this area. From the reason mentioned above is the introduction of the European corporate income tax, which could become the own income into the common EU budget and contribute to its considerable increase improbable in the nearest time-period.

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