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Taxes Harmonization Features in the European Union Countries

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ABSTRACT

Today the most developed integration association is the European Union (EU), which main predecessor is the European Economic Community (EEC) that was created in 1957. The challenge on the today's agenda in the EU is the formation and strengthening of the economic, monetary and political union of the countries - members. The integration within the EU affects almost all relationship parties of the states - the EU members - politics, economics, social and cultural spheres. To indicate this process the term "tax harmonization" is used in the EU. The driving force and the motivation incentive of the taxation harmonization in the member states of the EU are the processes of the deepening of the international economic integration. At the same time, the tax systems rapprochement of the states involved in the integration association has the opposite stimulating effect on the further development of the integration processes in other areas. The research relevance is caused by the importance and special role of tax harmonization in the framework of the European economic integration deepening, the development of the EU united internal market, the economic and currency union formation in the EU. The study objectives is the determination of the tax harmonization and justification of its need for the integration association at the mature stages of its development, the identification and analysis of the factors affecting the pro- process of tax harmonization in the EU countries.

Keywords: Economy, Taxes, Tax Harmonization, The Tax System Regulation

JEL Classifications: F33, G18, M48

1. INTRODUCTION

The tax problem is one of the most difficult and contradictory in the world practice of the national economy maintaining, as taxes are the main source of the budgetary receipts and, therefore, the financing of social and other nation-wide programs. Taxes are not only the main source of the state revenues replenishment, but also one of the main levers of the state impact on the market economy. Therefore, the taxation effective system creation is one of the most important problems of any country.

The main element of the taxation are taxes. They represent the obligatory payments raised by the state from the legal entities and individuals for the purpose of the public requirements satisfaction.

There is rather reasonable opinion that the all-European currency introduction will inevitably lead to the tax system unification of Europe. Legislature of the countries entering into the Union constantly conducts work on the improvement of the mechanisms and procedures of fund collection from the taxpayers (Vitvitskaya, 2013).

The integration within the EU affects almost all relationship parties of the states - the EU members - politics, economics, social and cultural spheres.

Taxes are one of the basic concepts of the financial science. The complexity of understanding the tax nature is caused by that the tax is at the same time the economic, commercial and legal phenomenon of the real life.

Taxes can be raised the next ways:

- The cadastral - (from the word cadastre - the table, reference book) when the taxable object is differentiated into groups according to a certain sign. A list of these groups and their signs is registered in the special directories. For each group set the individual tax rate. This method is characterized that the tax size does not depend on the object profitability (Kapustin, 2012).

The tax on the vehicles owners can be an example of such tax. It is raised at the established rate from the vehicle power irrespective of this vehicle is used or stands idle.

- On the declaration basis.

Declaration is the document in which the taxpayer provides the calculation of the income and tax on it. This method characteristic feature is that the tax payment is made upon the income receipt and the person receiving the income. Income tax can be an example.

- At a source - this tax is paid in by the person paying the income. Therefore, the tax payment is made before the income obtaining, and the income recipient receives it reduced by the tax sum.

For example, the income tax on individuals. This tax is paid by the enterprise or organization, at which the person works. That is before the payment, for example, the salary the tax sum is subtracted from it and transferred to the budget. The rest sum is paid to the worker.

Fixed legislatively the set of taxes, payments, the principles of their construction and the collection ways forms the tax system.

The tax system represents the set of the taxes and obligatory payments raised in the state, and also the principles, forms and methods of their establishment, change, cancellation, payment, collection, tax calculation and control.

One can cite as an example the regulation of individual types of taxes in Germany.

1.1. Value Added Tax (VAT)

The standard rate is 16%, lowered - 7% (on some agricultural products, food, medical equipment, printing editions, passenger transport and other certain services of public appointment). From the taxation are excluded the service of mails, banks, insurance companies, some social and cultural establishments, and also activity of small enterprises (with a turn to 25 euros per year) and the agriculture and forestry enterprises (Bogoviz et al., 2016).

1.2. Income Tax

It is raised from the persons on the progressive scale: The minimum rate is 19% (with an annual income up to 8153 euros), the maximum - 53% (with income of more than 120 thousand euros). It sets annually increasing the non-taxable income. Residents pay tax on income derived from business activities in Germany and abroad. From the tax amount deductible losses and certain types of expenses; provides benefits for children and the taxpayer age, in the case of illness and so forth. Concerning non-residents the tax is charged only with business income in Germany (Gris, 2014); the specific mode of rates, deductions and discounts works. A kind

of the income tax is the tax on salary. Rates similar to rates of income tax. Charged with employees in Germany, including non-residents, but by special rules.

1.3. Corporate Income Tax

The standard rate is 45%, for some categories of the companies - 42%, on dividends distributed in the form of profit - 30% (dividends included in the shareholders' income and are assessed with the income tax). On the joint-stock companies and other legal entities registered in Germany, the tax is levied on profits generated in Germany and abroad; on the foreign companies - with the profits derived only from German sources. Excluded from the taxation the agricultural cooperatives and some other organizations. From the taxable amount may be deducted losses and certain expenses.

1.4. Property Tax

The rate for individuals is 1%, and for the legal entities - 0.6% (preferential rates in agriculture and forestry). Non-taxable minimum - 120 and 20 thousand euros, respectively. Applies to non-resident property located in Germany (Shemyatenkov, 2013).

The tax system is always presented as a system of institutions and organizations that are engaged in the regulation of the tax relations. In such instance, which carry out tax control and tax administration, from time to time all taxpayers should address.

At the same time, the tax system is presented as a tax mechanism that includes a set of tools and methods of organizational and legal measures aimed at the implementation of the current tax legislation. By means of the tax mechanism the stability and target orientation of the tax system functioning are provided, the tax policy is carried out (Vitvitskaya, 2013).

2. TAXES HARMONIZATION IN THE EUROPEAN UNION (EU)

Today the most developed integration association is the EU, which main predecessor is the EEC that was created in 1957. The challenge on the today's agenda in the EU is the formation and strengthening of the economic, monetary and political union of the countries - members. The integration within the EU affects almost all relationship parties of the states - the EU members - politics, economics, social and cultural spheres.

It should be noted that to indicate this process the term "tax harmonization" is used in the EU. The driving force and the motivation incentive of the taxation harmonization in the Member States of the EU are the processes of the deepening of the international economic integration. At the same time, the tax systems rapprochement of the states involved in the integration association has the opposite stimulating effect on the further development of the integration processes in other areas (Zakharov, 2014).

The set of taxes, payments, the principles of their construction and ways of collection fixed legislatively forms the tax system.

The tax system represents the taxes and obligatory payments set raised in the state, and also the principles, forms and methods of their establishment, change, cancellation, payment, collection, tax calculation and control.

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The tax system can be presented and as the taxes, fees duties and other payments set established to payment.

The tax systems in different countries differ from each other: On the structure, the set of taxes, the collection methods, the tax rates, the fiscal powers of the various levels of government, the tax base, the tax benefits. This is natural, since the tax system evolved and continue to develop under the influence of different economic, political and social conditions. However, any tax system should meet the general requirements.

The EU is the powerful economic force. The essential part of world gross domestic product (GDP) and international trade (respectively 23% and 24%) falls to the EU share. In the union supranational integration institutes are created, there is a uniform legal space. The citizens of supranational member states are at the same time the EU citizens. The construction of the internal market - the space where there is a "four freedoms" (free movement of goods, services, capital and people). Formed economic and monetary union with a single collective currency - euro. The general policy in the main areas of social and economic life is pursued. More and more powerful is the foreign policy and the policy in the field of safety (Kapustin, 2012).

First, the EU is not the interstate association that is based on the international law norms like the international economic organizations or regional trade blocs. The European integration institutes system has absolutely other political, economic and legal nature. It is based on the principle of supranationality, i.e. the transmission of the nation-states their sovereignty to supranational institutions and bodies. The EU is, first, the common law, common institutions and common policy (Mikhalkina, 2015).

Secondly, the EU place and role in the modern world are incommensurable to the place and role of any trade block or the international organization. The EU is a solid political and economic force, one of the main poles of the world politics and economy together, and on a par with the major nation states - the United States and Japan.

The Agreement establishing the EEC, signed in 1957, has a special section on taxes. However, its provisions relate only to indirect taxation that has a direct impact on trade, and mostly limited to setting out some general principles. In particular, it is prohibited to impose on goods imported from member countries, internal taxes in a bigger size than domestic goods, as well as tax returns for export in amounts exceeding those that were actually recovered. Article 99 authorizes the Commission to develop proposals for the harmonization of indirect taxes in the interests of the common market, without specifying any terms (Mikhalkina, 2015).

The uniform European act also regards as of paramount importance the indirect taxation. According to article 17 UEA, harmonization of indirect taxes has to be carried out in that measure in what it "is necessary to provide creation and functioning of domestic market in the terms provided in article 8a" (i.e., to the beginning of 1993).

Regulations, which are peculiarly relating to direct taxes, has no one of the specified contracts. A legal basis for the actions development in the field of the direct taxation is the article 100 of the EEC agreement that provides "the rapprochement of the legislative provisions, instructions and administrative actions of the member states which directly affect creation or functioning of the common market" (Movsesyan, 2013).

It should be noted that neither in the foundation agreements, nor in the UEA there is no definition of the concept "tax harmonization." During the European community creation, the western economists treated this term differently. One meant by it only the tax policy coordination - the mutual consultations and informal arrangements between the member countries at the separate taxes rates; others considered that harmonization means transition to uniform tax system and transfer of all powers by definition of the base and the main taxes rates to the community bodies. With the development of the integration process, the focus shifted towards the uniform taxation introduction, without reaching, however, to the complete unification.

In practice, the main method of the tax barriers elimination in the EU is the gradual rapprochement of the member countries tax systems. This allowed the preservation of some of the differences between them that have no significant impact on competition conditions and do not hinder the proper functioning of the uniform market. Such a pragmatic approach to the tax harmonization implementation is reflected in the "White Paper" about the completion of the EU uniform internal market creation (1985) and other documents of the European Commission, where these problems are considered.

Integrations of the national tax systems in the EU aims to:

- To bring into accord the tax systems structures, the taxes main types collection order in all the union countries;
- To provide a neutrality of taxes from the competition conditions point of view in the uniform market, otherwise, the non-discriminatory tax regime for all the participants;
- To create conditions for the control cancellation at the internal borders of the union;

- To eliminate possibility of the double taxation of the profits of the companies, which are carrying out activity in two or more EU countries;
- To exclude the possibility of the taxes evasion and to guarantee the corresponding income receipt in the member countries budgets.

3. TAX INTEGRATION OF THE EU MEMBER COUNTRIES

Harmonization of the VAT and excises, and the taxation unification of the companies became the main directions of the tax integration. Thus, the purpose of all tax revenue transfer to the EU bodies is not set. The member countries income from collection of taxes continues to come to their national budgets except a certain part of a VAT which is deducted in the uniform budget of union (in 1997 - 1.4% of the collected sum of this tax). Actually, in the EU it is still not created the uniform tax space that complicates functioning of the uniform internal market.

It is important to emphasize that the legislation concerning direct and indirect taxes the EU Council takes unanimously. Such acts are a form of directives, which define the purpose and timing of the various events. Specific methods of their implementation are the responsibility of national authorities taking appropriate laws.

May 1, 2004 in the EU has entered ten new countries: Hungary, Cyprus, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, Czech Republic and Estonia. In accordance with the Agreement establishing the EU this integration group, currently has 25 member states, will continue to move towards the creation of a common European economic space, within which there are no barriers (including tax) for the free circulation of goods, services, capital and human resources. An important factor in the successful integration of a corresponding modification of the national tax systems of countries - the EU members, which is currently carried out under the influence and international tax competition, and the European tax harmonization (coordination) (Russian Federation. Laws, 2005).

The convergence of the national tax legislation, the tax systems structure, the tax rates and methods of the tax base calculating that occurs because of the two above-mentioned processes, is now extended its action also to the ten countries recruits. Sure, it brings a new level of the international tax competition in the region, but also puts immediate tasks before the European tax coordination.

4. THE GOVERNMENT INTEGRAL FUNCTIONS IN THE ECONOMY, AS A BASIS OF THE TAX HARMONIZATION

As known, the taxation is not the end in itself of the state. Taxes are urged to guarantee the government integral functions realization in the economy, social protection and justice, to provide stable receipts in the state budget. Therefore, the national tax policy implementation character and ways, the degree of liberal views

of tax climate of the country in no small measure depend on a part that is assigned to the state in modern mixed economy. Than it is less on the volume and expenses administrative functions of the government, the state social security system is more effective, the cheaper the cost to taxpayers of the corresponding content management system, as well as the purchase of public goods and services.

The two leading models today of the macroeconomic development - the neoliberal and the social market - the taxes priority functions are somewhat different. If in the neoliberalism framework taxes allocated primarily the indirect economic control role, the social market system gradually transformed into obsession-state social security (social welfare state), is forced to focus on the role of fiscal tax burden. Therefore, countries with the neoliberalism elements in the national economic policies tend to have a lower share of public expenditure in relation to GDP and lower levels of the tax burden. On the contrary, the social market model, and assuming a large state custody business, and greater cost set of social guarantees, it is more costly in financial terms. For countries - supporters of this development model are characteristic a high proportion of public expenditure and taxes to GDP (Sabelnikov et al., 2014).

Since the ten countries that joined the EU in 2004, the level of its economic development significantly falls short of the average of the old EU countries, one of the urgent tasks of the EU becomes the economic development financing the new member countries of the total Union budget. As statistics show, the reception of new members in the EU has demanded about € 5.3 billion in 2006, € 10.4 billion in 2007 and € 12 billion in 2008. The total cost of the EU enlargement in the period up to 2008 was about 80 billion euros. It is clear that the burden of such financial costs fell on the shoulders of the old EU member states, especially Germany, France, Great Britain, Sweden, the Netherlands and Austria that are the countries - net contributor of a single European budget. However, from these six countries, only Sweden in 2007 had problems with the balance of its national budget, while Germany, France, Britain and the Netherlands went beyond the permissible deficit defined in the 3% of GDP (Table 1).

In these circumstances rather actual are the prospects of the introduction of the uniform all-European tax receipts from which would be directly sent directly the EU budget.

The idea of such a tax, all the taxation responsibility of which would be transferred directly to the EU bodies, and the taxpayers would constitute the individuals and legal persons who receive income from sources in the Union, is associated with the increase in the EU transparency financing activities (operating system transfers a certain part of the GDP of the member countries as well as the share of the collected VAT to the first address in Brussels is quite complicated and confusing), and with the increase in the joint-member countries costs due to the expansion of the integration grouping. Such tax could be an example of the true unification of the EU countries national tax systems under the common control of the Union bodies (Russian Federation. Laws, 2005).

Table 1: The tax systems structure of the European Union main countries (Bulletin for International Fiscal Documentation 2007. Vol. 58 No. 8/9 P. 352.)

Country	Income taxes	Social taxes and fees	Tax payroll	Property tax	Taxes on goods and services	Other taxes and fees
The original members of the European Union						
Austria	29.8	33.5	6.1	1.3	28.0	1.2
Belgium	39.6	31.6	-	3.1	24.4	0.1
United Kingdom	37.9	17.1	-	12.1	32.4	-
Germany	28.0	40.1	-	2.3	29.3	-
Greece	24.4	32.5	-	4.5	38.4	0.4
Denmark	59.5	3.4	0.5	3.5	32.8	-
Ireland	40.7	15.4	-	5.6	37.9	-
Spain	29.1	35.4	-	6.6	28.7	0.3
Italy	32.6	30.3	-	5.4	25.4	6.1
Luxembourg	36.9	27.8	-	8.1	26.9	0.1
Netherlands	27.1	35.6	-	5.3	30.9	0.5
Portugal	27.6	27.1	-	3.4	41.1	0.5
Finland	40.8	26.5	-	2.4	30.0	0.1
France	24.0	37.2	2.4	7.0	25.5	3.6
Sweden	36.1	30.1	4.1	3.2	26.1	0.2
New members of the European Union/EEC members 3.2P						
Hungary	26.5	30.3	3.2	1.9	37.4	0.7
Poland	28.8	29.4	0.6	4.3	37.0	-
Slovakia	21.0	43.3	-	1.6	37.1	-
Czech Republic	24.7	44.1	-	1.4	29.8	-

EEC: European Economic Community

The competition in the taxation sphere exists in case when people have an opportunity to reduce the tax burden by transfer of the capital and/or labor from high-tax jurisdictions to low tax jurisdiction. Such migration disciplines the wasteful governments and favorably influences the countries that reduce tax rates and carry out the reforms promoting economic growth. The tax competition is especially important in the conditions of present global economy, and the happening processes help to convince many countries of need to carry out the tax policy promoting the market development (Bulletin for International Fiscal Documentation, 2007).

No wonder that the high-tax countries do not like the tax competition; using the international bureaucratic structures, in particular, the EU.

5. CONCLUSION

At present new proposals on the tactics of the European tax harmonization (coordination) are made by Germany and France. These countries want to make the process of the tax harmonization the democratic character, including the relevant sections of the uniform principles of the EU tax policy in the new European constitution. In particular, it is expected the adoption of joint solutions in the field of coordination of fiscal policies in the EU by getting a qualified majority of the Union countries - members votes with the abolition of the possibility of vetoing dissenting countries. Germany has also offered to enter into the agreement with the new EU members of a kind of "tax corridor" that would contribute to the elimination of detrimental tax competition within the EU. For this purpose it is supposed fixation of permissible

minimum and maximum tax rates in the new member countries of the EU to the past would not be able to further depress their already modest direct and indirect taxes.

It is possible to increase the state receipts at the expense of the consumption taxation and by the VAT rates alignment for different types of consumer goods. Though preferential rates are the instrument of social policy of the population groups' support with the low income, their efficiency from this point of view is quite low as also the population with higher income uses low prices. Instead, directive bodies of the joined countries quite can partially replace measures of the social help through the VAT with the alternative tools of the income taxation and social benefits considering financial position of the recipients.

There are also economic arguments in favor of rapprochement of the VAT rates and cancellation eventually of all withdrawals, especially in anticipation of the accession to the EU. Data confirm that the dispersion of the taxes rates on consumption between the countries reduces their efficiency, undermines their neutrality and deforms the competition in the commodity markets and structure of consumption. Besides, the situation comparative analysis results in the certain countries showed that with other things being equal plurality of the VAT rates, as a rule, is followed by a smaller collecting of the tax that is negatively reflected on cumulative state receipt.¹⁹

The political task to reduce the existing gap in the taxes rates on consumption and to ensure further harmonization of taxation within the EU will be for the actual accession countries and after their entry into the EU.

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