

CONSIDERATIONS ON THE FISCAL POLICY OF THE EUROPEAN UNION IN THE FIELD OF DIRECT TAXATION

Maria Melicia CHIRCULESCU

Lecturer Ph.D.

UNIVERSITY “CONSTANTIN BRÂNCUȘI” TARGU JIU

chirculescu_felicia@yahoo.com

ABSTRACT

EUROPEAN TAX POLICY HAS NOT SOUGHT AND DOES NOT SEEK TO IMPOSE STANDARDIZATION ON THE TAX SYSTEMS OF THE EUROPEAN MEMBER STATES. THE ACTION OF THE EUROPEAN FISCAL POLICY IS MATERIALIZED IN THE COMPATIBILITY OF THE NATIONAL FISCAL SYSTEMS FOR THE MEMBER STATES AND THOSE CANDIDATES FOR INTEGRATION, BASED ON THE COMMON OBJECTIVES ESTABLISHED BY THE CONCLUDED TREATIES.

IN TOTAL BUDGET REVENUES, DIRECT TAXES ARE SIGNIFICANT SOURCES, AS THEY MAINLY REFER TO THE TAXATION OF PROFITS AND THE TAXATION OF REVENUES FROM INDIVIDUALS FROM ANY SOURCE. FOR THE CATEGORY OF DIRECT TAXES, THE EUROPEAN UNION HAS FAILED TO ACHIEVE FISCAL HARMONIZATION, AS A RESULT IT CONTINUES ITS ACTIVITY IN THE FIELD OF FISCAL COORDINATION.

KEY WORDS: *FISCAL POLICY, DIRECT TAXES, EUROPEAN UNION.*

JEL classification: H21, H30

1. Introduction

The different structure of the national tax systems in the Member States of the European Union implies the appropriate choice of taxes and duties that will be subject to fiscal harmonization and those that will be subject to fiscal coordination.

Significant differences in the degree of taxation in the Member States of the European Union determine the involvement of the European Commission, through coordination and harmonization, in taxation, in order to allow companies¹ and individuals to fully benefit from the advantages of the single market, to support the general objectives of European Union policy. and the existence of concordance between the fiscal policy of the European Union and other policies on employment², energy, environment, etc.

The impossibility of harmonizing direct taxes was due to major differences in the taxation of income of individuals and legal entities in the Member States of the European Union, regarding: the tax base; tax rate; the situation of the payer and the supporter; the existence of a significant time difference between real and financial flows; the purchasing power of the realized income, especially at the level of natural persons; the existence of differences between the tax burden at the level of companies and the tax burden at the level of

¹ Popescu, O. R., & Brâncuși, C. (2014). Decision making process during organizational change in Romanian companies. *Descrierea CIP a Bibliotecii Naționale a României Globalization and intercultural dialogue: multidisciplinary*, 338.

² Alecsioiu, O. R. (2017). EVALUAREA PERFORMANTELOR RESURSELOR UMANE. *Analele Universitatii "Constantin Brancusi" din Targu Jiu. Serie Litere si Stiinte Sociale*, 105-111.

the individual; the existence of compulsory social security contributions of policyholders and employers; and other differences.

2. Direct taxes in the Member States of the European Union

The structure and evolution of direct taxes in the member states of the European Union show major differences between states, respectively: in 2018, the share of direct taxes in total tax revenues ranged from 16.8% (Croatia) to 64.6% (Denmark). The average registered at the level of the European Union in 2018 for the share of direct taxes in the total fiscal revenues was 33.1%. The villages that recorded a level of the share of direct taxes below the EU27 average for the indicator of the share of direct taxes in total tax revenues are: Bulgaria (20.2%), Czech Republic (22.2%), Estonia (22.6%), Greece (26.1%), France (29.9%), Croatia (16.8%), Cyprus (26.9%), Latvia (23.9%), Lithuania (18.8%), Hungary (17, 9%), Poland (22.3%), Portugal (29.1%), Romania (18.8%), Slovenia (20.9%), Slovakia (21.3%).

The EU27 average in 2018 was 33.1%. The countries that registered a level above the EU27 average in 2018, at the level of the indicator the share of direct taxes in total tax revenues are: Belgium (39.4%), Denmark (64.6%), Germany (33.7%), Ireland (47.9%), Italy (34%), Luxembourg (42%), Malta (42.6%), Finland (38.4%), Sweden (42.6%).

Table no 1 The share of direct taxes in GDP in the member states of the European Union, in 2018

Member States of the European Union	Belgium	Bulgaria	Czech Republic	Denmark	Germany	Estonia	Ireland	%
Direct taxes as GBP	17,7	6,0	8,0	29,1	13,5	7,4	10,8	

Source: www.ec.europa.eu

Table no 1 continuation

Member States of the European Union	Greece	Spain	France	Croatia	Italy	Cyprus	Latvia	Lithuania	%
Direct taxes as GBP	10,2	11,0	13,9	6,5	14,2	9,1	7,4	5,7	

Source: www.ec.europa.eu

Table no 1 continuation

Member States of the European Union	Luxembourg	Hungary	Malta	Netherlands	Austria	Poland	Portugal	%
Direct taxes as GBP	16,5	6,7	13,6	12,7	13,6	7,8	10,1	

Source: www.ec.europa.eu

Table no 1 continuation

Member States of the European Union	Romania	Slovenia	Slovakia	Finland	Sweden	United Kingdom	%
Direct taxes as GBP	4,9	7,9	7,3	16,2	18,6	14,2	

Source: www.ec.europa.eu

The structure of direct taxes in all Member States of the European Union presupposes the existence of personal income taxes, corporate income taxes and other direct taxes. At the level of all member states of the European Union, the largest share of direct taxes is held by personal income taxes.

A success in coordinating direct taxes is the issue of cross-border relations. Thus, the Merger Directive 90/434 / EEC clarified the reduction of tax measures unfavorable to the merger of companies and the Directive 90/435 / EEC on "parent companies and subsidiaries"

specified the modalities for the elimination of double taxation of distributed profits. between the parent company and subsidiaries in another Member State. Existing tax differences at the level of the parent company and subsidiaries may influence the investment decision and thus distort competition.

The Code of Conduct for Business Taxation has not gained the force of law, but has become a tool for removing tax measures that can negatively affect competition and the integrity of income bases in the Member States of the European Union.

The different taxation of personal income in the Member States has led the European Commission to take action to remove obstacles to the free movement of labor; elimination of highly skilled labor migration for tax reasons; establishing the conduct regarding the taxation of incomes from salaries, dividends, interests, capital gains; non-discrimination between residents and non-residents of the Member States; establishing the regime of tax deductions; avoidance of double taxation; combating acts and acts of tax evasion.

Table no. 2 Personal income tax rates and rates applied for corporate taxation in the Member States of the European Union at the level of 2020

%

Member States of the European Union	Personal income tax rate	Rates applied for corporate taxation
Belgium	53,1	25,0
Bulgaria	10,0	10,0
Czech Republic	15,0	19,0
Denmark	55,9	22,0
Germany	47,5	29,9
Estonia	20,0	20,0
Ireland	40,0	12,5
Greece	54,0	24,0
Spain	43,5	25,0
France	51,5	32,0
Croatia	42,5	18,0
Italy	47,2	27,8
Cyprus	35,0	12,5
Latvia	31,4	20,0
Lithuania	32,0	15,0
Luxembourg	45,8	24,9
Hungary	15,0	10,8
Malta	35,0	35,0
Netherlands	49,5	25,0
Austria	50,0	25,0
Poland	32,0	19,0
Portugal	53,0	31,5
<i>Romania</i>	10,0	16,0
Slovenia	50,0	19,0
Slovakia	25,0	21,0
Finland	51,1	20,0
Sweden	52,3	21,4
United Kingdom	45,0	19,0
EU28	39,0	21,4
EU27	38,8	21,5

Source: ec.europa.eu

Analyzing the data from table no. 2 we note that, in terms of the level of corporate tax rates, fiscal relaxation is felt, which has led to economic growth and development.

Between 2019 and 2020, the corporate tax rate did not change in Bulgaria, the Czech Republic, Denmark, Germany, Estonia, Ireland, Spain and Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland and Sweden.

The rest of the states have opted for a reduction of direct taxation for companies, respectively:

- Belgium, in the period 2019 - 2020, there was a reduction of 4.6 percentage points;
- Greece, in the period 2019 - 2020, there was a reduction by 4 percentage points;
- France, between 2019 and 2020, there was a reduction of 2.4 percentage points.

Regarding the personal income tax rate, in the period 2019 - 2020, it had changes in Ireland (from 48% to 40%), in Greece (from 55% to 54%), the Netherlands (from 51.8 % to 49.5%) and Sweden (from 57.2% to 52.3%). In the same period, 2019-2020, Lithuania has adopted a policy of increasing the personal income tax rate from 27% in 2019 to 32% in 2020.

The analysis of the evolution of taxation in the Member States of the European Union, from the point of view of personal income taxation must take into account the share of these personal income taxes in the total fiscal obligations; the taxation method applied; the elements taken into account in determining the taxable income; the relationship between income tax and social security contributions.

3. Conclusions

The aspects presented in the paper highlight the major differences in terms of direct taxation in the Member States of the European Union. At the same time, the paper highlights the low share of these taxes in the gross domestic product and the tendency of states to progress and development. Thus, it can be appreciated that for the two main categories of direct taxes, namely personal income taxes and corporate income taxes, currently only fiscal coordination can act. The issue of harmonization of direct taxes will be taken into account when macroeconomic indicators on GDP, budget deficit, inflation rate, public debt level, interest rate level have compatible values.

BIBLIOGRAPHY

- [1]. Alecsoiu, O. R. EVALUAREA PERFORMANTELOR RESURSELOR UMANE. Analele Universitatii" Constantin Brancusi" din Targu Jiu. Serie Litere si Stiinte Sociale, 105-111, 2017
- [2].Ebrill, L., Keen, M., Bodin, J.P., Summers, V.,The Modern VAT, International Monetary Fund, Washington, U.S.A., 2001,
- [3].Martinescu, A., Indirect Taxes and Fees. Legal regulations.Jurisprudenta, EdituraUniversulJuridic, Bucharest, 2010
- [4]. Popescu, O. R. Decision making process during organizational change in Romanian companies. Descrierea CIP a Bibliotecii Naționale a României Globalization and intercultural dialogue: multidisciplinary, 338, 2014
- [5]. Tatoi, Ana-Maria, Harmonization of Tax Systems in the Context of Integration in the European Union, House of Science Book, ClujNapoca, 2008,
- [6]. Văcărel, I., Bistriceanu, Gh.D.,Bercea, F., Anghelache, G., Moșteanu, T., Bodnar, M., Georgescu, F. Public Finances, Edition VI, Didactic and Pedagogical Publishing House, Bucharest, 2007,
- [7]. Stolojan T., Tartacan R., Integrarea și politica fiscală europeană, Editura Burg, Sibiu, 2002
- [8]. Vintilă, G., Taxation, Methods and Tax Techniques, Ecomonică Publishing House, Bucharest, 2006,
- [9]. Taxation trends in the European Union, Data for the EU Member States, Iceland and Norway”, Eurostat, 2020;
- [10]. Moșteanu Tatiana coordinator, Budget Finance - Theoretical Synthesis and Practical Applications, Economic Publishing House, Bucharest, 2001,
- [11]. Talpoș Ioan, Romanian Finance, Sedona Publishing House, Timișoara,1998,
- [12]. ***www.europa.eu[22 ianuarie 2018].
- [13]. ***www.europa.eu
- [14]. ***www.europa.eu.int
- [15]. ***<http://europa.eu/eurostat>