

## **SURVEY ON EU27 BUDGETS: TAXES**

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### **Abstract**

In this study we make an analysis of the major aspects concerning the budgets of the EU countries. On this paper we focus on the main taxes of the 27 EU countries. Our analysis concerns the direct taxes and indirect taxes. Direct taxes have the following structure: current taxes on income and taxes on capital. Current taxes on income are made up of: taxes on income and other current taxes. Taxes on income consist of tax on personal income and the tax on the revenue or profit of companies. Indirect taxes consist of: taxes on production and imports, which in turn are composed of taxes on production and other taxes on production. The taxes on production consist of: Value Added Tax, taxes on imports excluding VAT and taxes on production excluding VAT and duties. Analysis of main trends of taxation in the European Union countries will be achieved by calculating several indicators, namely: fixed-base indices, chain-based indices, minimum, maximum, average, percentages and percentages of total GDP.

## 1. Introduction

In analyzing the revenues budget of the EU27, we started from the analysis of the overall revenues in the period between 1999 and 2006, and then we made an analysis of the EU budget revenue structure, its components, dynamics and some of the causes for its evolution. The structure of the total revenues in the EU is presented in Table 1.

**Table 1:** The structure of total revenues in EU

Total incomes	Total Taxes	Indirect Taxes
		Direct Taxes
	Social Contributions	
	Other incomes	

The total income consists of the total taxes (which include direct taxes, indirect taxes), social contributions and other incomes. Indirect taxes consist of: *D2 Taxes on production and imports*, which in turn are composed of D21 Taxes on production and D29 Other taxes on production. The Taxes on production consist of: D211 Value Added Tax, D212 Taxes on imports excluding VAT and D214 Taxes on production excluding VAT and duties. Direct taxes have the following composition: D5 Current taxes on income and Taxes on capital D91. D5 Current taxes on income are made up of: D51 Taxes on income and D59 Other current taxes. D51 Taxes on income consist of: D51A Tax on personal income, D51B Tax on the revenue or profit of companies, D51C Tax on income from securities, D51C Tax on winning the lottery and gambling, D51E Other taxes on income.

The average share of total tax revenues from the total EU budget is 59%, social contributions 31% and other incomes 10%. The highest share in total revenue is represented by total taxes, followed by social contributions and other incomes.

**Table 2:** Total tax revenues at the EU budget

EU Averages	
Total taxes	59,47%
Social Contributions	27,68%
Other incomes	12,05%
The minimum share out of Total Revenues	
Total Taxes - Romania	46,17% (2002)
Social Contributions - Denmark	3,42% (2006)
Other incomes - Belgium	0,05% (1999)

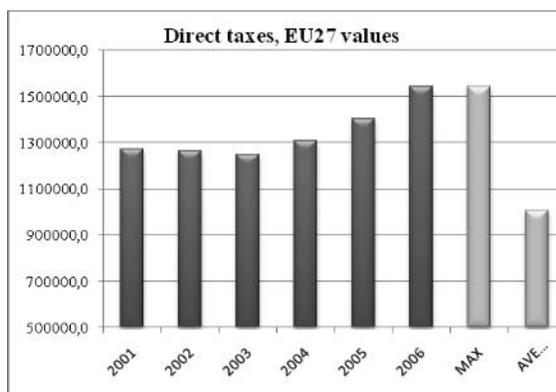
The overall average tax pressure exerted at the level of EU27 in the period under review was 40.3%. The highest average overall tax pressure has been recorded in the Nordic countries with values close to 50% and lowest in Romania, Lithuania

and Latvia with values close to 30%. It is obvious that among former communist countries that are now EU members, our country is the country with the lowest tax pressure. This was determined by reducing the share of income taxation of individuals, the reduction of the tax on profits, reduced tax base and the change in GDP. After calculating the average tax pressure, the following taxes contribute in approximately equal proportions: social contributions, direct taxes, indirect taxes, while other incomes represent the most insignificant proportion. A reduced fiscal pressure appears in developing countries in an attempt to stimulate economic development and attract investment, to increase employment and labor productivity. On the other hand in developed countries a higher tax pressure disappears because they need the tax (fiscal) incentives to encourage investment.

## 2. Direct taxes

At the EU27 level the analysis of direct taxes is made only starting with 2001 because, as in previous cases, Bulgaria and Romania (the last countries joining the Union in 2007) did not provide Eurostat with the data required on taxes.

Figure 1 shows a steady increase in direct taxes during the analyzed period, without sudden oscillations of the direct taxes. Direct taxes in the EU27 have an upward trend in the period under review, rising from 1,272,727 million Euros in 2001 to 1,540,332 million Euros in 2002. The only year in which a decrease is noticed is 2003. Thus, if the level of direct taxes of EU27 in 2002 recorded a value of 1,264,950 million Euros, it declined to 1,248,519 million Euros in 2003.



**Figure 1:** Direct taxes, EU27 values

The chain-based indices of direct taxes in the EU27 had a value under 1.0 in 2002 and 2003 and in 2004, 2005, 2006 values slightly over 1.0. The average of the share of direct taxes in the total taxes is 89.8% in the analyzed period, while the average of the share of total taxes in GDP is over 12%.

As Table 3 shows, the maximum of the weights of the direct taxes in the Member States are registered in Denmark, while the smallest share is noticed in Bulgaria. The difference between the maximum share of direct taxes in Denmark and Romania is

35.59% and the minimum difference between the share identified in Bulgaria and the minimum share of direct taxes in total revenues in Romania is 0.16%.

**Table 3:** Maximum and minimum shares of direct taxes out of total income

MAXIMUM D.T. share out of total income		
Direct taxes:	55,12% (2005)	Denmark
MINIMUM I.T. share out of total income		
Indirect taxes:	15,12% (2005)	Romania

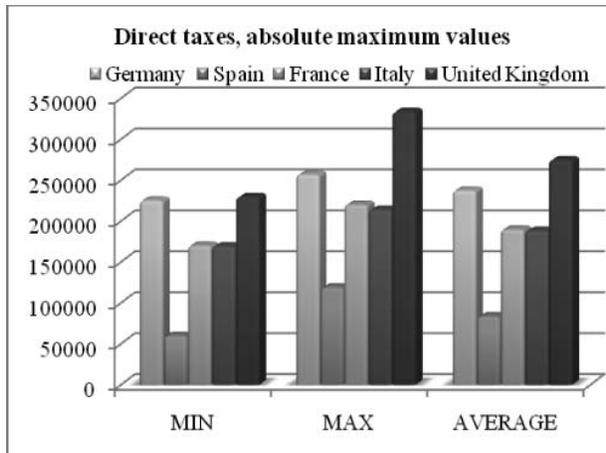
In the case of total taxes, the most important countries reached maximum values of direct taxes in 2006 and minimum values in 1999. The maximum values were reached by: United Kingdom, Germany, France, Italy and Spain, and the minimum were identified in the following countries: Malta, Estonia, Latvia, Cyprus, Lithuania and Bulgaria (see Table 4).

**Table 4:** Direct taxes – mln. Euros

Maxim Values		Minimum Values	
United Kingdom	333,583 (2006)	Malta	322 (1999)
Germany	256,940 (2006)	Estonia	477 (1999)
France	220,193 (2006)	Latvia	523 (1999)
Italy	213,886 (2006)	Lithuania	940 (1999)
Spain	119,109 (2006)	Bulgaria	970 (1999)

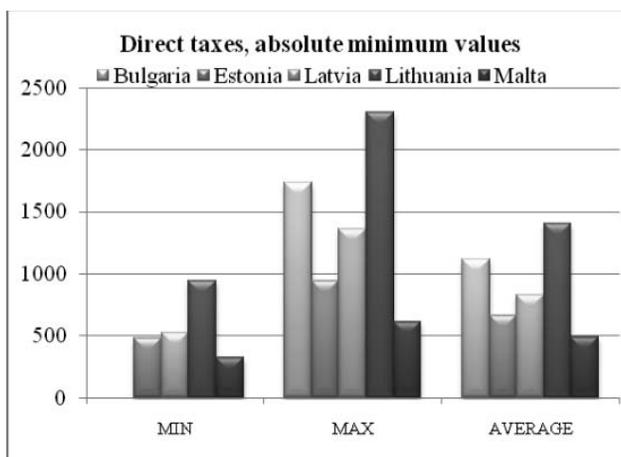
These data are registered in United Kingdom due to the ongoing prosperity of its economy, the increase of the purchasing power of this country, which influences the increase in revenues on alternative time periods. Thus, one can observe an upward trend in this country on income taxes, especially on individual income, on properties, on the profits of the companies, so in particular on earnings from outside of the activities which are paid by salary. This may confirm that of the total direct taxes (333,584 million Euros in 2006 in United Kingdom), 98.42% are current taxes on income and wealth (328,584.8 million Euros), the remaining 1.58% being represented by other income categories.

This high tax was introduced with the purpose of rebalancing a growing budget deficit, which in 2006 reached a value of 3% of GDP being 0.2% higher than the previous year. The minimum amount of direct taxes in the EU27 is 1,248,519.7 million Euros recorded in 2001, and the maximum is 1,540,332.5 million Euros in 2006. Across the countries, the maximum amount of direct taxes is recorded in United Kingdom, with 333,584 million Euros in 2006.



**Figure 2:** Direct taxes, absolute maximum values for Germany, Spain, France, Italy and United Kingdom

Other countries characterized by high taxes are Germany with 256,940 million Euros 2000, France with 220,193 million Euros in 2000 and Italy with 213,886 million Euros in 2006. The minimum tax is registered in Malta with 322 million Euros in 1999, due to a low rate of GDP growth, which in turn generated a low level of taxes. Countries with a reduced amount of taxes are Estonia, 477 million Euros, followed by Latvia, 523 million Euros in 2000, and Lithuania, 940 million Euros in 2000. The average level of direct taxes in the EU27 is 1,004,747 million Euros in the analyzed period, and among the countries of the UE, the average minimum is held by Malta, with 486 million Euros and the average maximum by the UK, with 274,666 million Euros. It was expected that countries with the lowest and the highest average value of direct taxes to be the same with the countries that have held the maximum, respectively the minimum of these taxes.



**Figure 3:** Direct taxes, absolute minimum values for Bulgaria, Estonia, Latvia, Lithuania and Malta

We must point out that during this period (2001-2006) total taxes in absolute amounts collected by Romania have increased from 2,734 million Euros in 2001 to 5,971.9 million Euros in 2006. However, in some EU27 countries such as Slovenia, Slovakia, Luxembourg, the amounts recording absolute values were similar. Then note that Romania registered the highest value of direct taxes of 5,971.9 million Euros in 2006, and the minimum value of 2,734 million Euros in 2001. The average share of direct taxes in the average total income in Romania is 13.88% while the average share of total taxes is 30.11%. But if we take into account the average share of total taxes in Romania in the average total income of the EU27 for the entire period 1999-2006, we find that it is only 3.7%.

The values of fixed-base indices for direct taxes are calculated until the year 2006, referring to the base year 1999. Thus, the maximum value reached by the index of the growth of direct taxes is 2.60 in Latvia, followed by Lithuania with 2.45, the Czech Republic with 2.11 and 1.98 in Spain (all these values being recorded in 2006 and then reported in 1999). The minimum index of the growth of direct taxes during the analyzed period is 0.88 in Sweden in 2002, being followed by 0.91 in Estonia in 2000, 0.94 in Germany in 2004 and 0.95 in Slovakia in 2000. The average of the indices of the growth of direct taxes in 2006 compared to 1999 in the Member States is 1.26, but inevitably there are countries that are well above the state average and are below the average. States that are below the average of 1.26 are Germany with 0.99, Sweden with 1.03, Italy with 1.11 and France with 1.12. Values which are above average are, in order, Latvia, with 1.58, 1.55 in Hungary, Czech Republic and Lithuania with 1.54 to 1.50 (values fluctuated from year to year depending on revenue share, expenses and the collection of taxes, with no other major causes that can change the level of direct taxes being reported). Because the data referring to 1999 are not available in the Eurostat database, the fixed-base indices have not been calculated for Romania.

Related to based-chain indices, at EU27 level they are analyzed in the period between 2002 and 2006, due to the situation of Romania and Bulgaria which have offered available data starting only with 2002. In general, the based-chain indices calculated for direct taxes have an approximately linear and increasing trend, with small differences between the minimum and maximum. In order to observe the evolution of chain-based indices for direct taxes, one must notice the value of the taxes in certain periods. From the calculation of the chain based indices at the EU27 level, we have the following data: an index of 0.99 in 2003 vs. 2002 (in this case a stagnation of the taxes can be seen), 1.05 in 2004 compared to 2003 (when a slight increase in direct taxes in the EU27 can be observed) and an index of 1.07 in 2005 compared to 2004.

At a Member State level the differences between the maximum and minimum values of the chain-based indices relating to the evolution of direct taxes are more significant. The maximum evolution of direct taxes from one year to another is made by Romania in 2006 over 2005, with a value of 1.41. This is followed by Latvia, Poland and Bulgaria (1.33 in 2006/2005, 1.31 in 2005/2004 and 1.26 in 2006/2005). The

minimum evolution of direct taxes from one year to another is 0.84 and is registered in Sweden (2001/2000 – a value which is due to a balancing of the budget in 2000 was well above the proposed amount). The following minimum values are 0.87 (Poland – 2003/2002), 0.91 (Germany – 2001/2000, Estonia – Cyprus 2000 – 2003/2002) and 0.93 (United Kingdom – 2003/2002). In Romania the minimum value of the chain based indices regarding direct taxes is 1.01 in 2002 compared to 2001. The average evolution of direct taxes from one year to another during the period under consideration, for the member countries is 1.07, all of them reaching values very close to the average, excluding Romania and Latvia, whose average value are 1.18, respectively 1.15.

The weights of the direct taxes in the total revenues in the EU27 recorded no major differences between the values for the analyzed period, but one can see some oscillations. The minimal share of direct taxes in total budgetary revenues in the EU27 that is recorded is 27.97% in 2003, and the maximum of 29.41% in 2006. In the countries of the European Union, the analysis begins in 1999, with two exceptions: in Romania the data is available only since 2001 and in Bulgaria since 2002. The smallest value of direct taxes in the total revenues was recorded in Romania in 2002 (15.12%), followed at a short distance by Bulgaria with 15.37% in 2005. Other countries with low weights were Slovakia (17.06% in 2005) and Slovenia (with 17.22% in 1999). The maximum weight of direct taxes in the total budget revenues was in Denmark in 2005 with 55.12% from the total revenue, followed by the UK, with 41.37% in 2006, then by Finland with 38.66% in 2000 and Ireland with 37.8% in 1999. In Romania, the highest share was 19.53% in 2004.

Direct taxes consist of current taxes on income and taxes on capital. We will refer in more detail to the first component because it is the most important component of the direct taxes. **The current taxes on income** have a share of over 95% out of direct taxes, and a share of 26.66% out of total income. The fiscal pressure created by this tax is 12.82%. An absolute increase in the tax amount was observed in the majority of EU27 countries over the period examined, except France, Italy, Poland, Portugal, Finland and Sweden. We must point out that the EU27 reductions in current taxes on income were noticed from 2001 to 2003, from 1,272,727.8 million Euros in 2001 to 1,248,519.7 million Euros in 2003 and then rising up in 2006 to 1,540,332.5 million Euros. United Kingdom, Germany, France and Italy are the countries that recorded the most important values of this type of tax. Unlike the countries listed above, Malta, Lithuania and Estonia recorded the lowest values. The average of the current taxes in Romania is 2,829.61 million Euros, similar to the average of Finland, Slovenia and Slovakia. The weighted average of the current taxes in the total taxes of the EU27 is 28.56%, while in Romania the share is 13%, the lowest average share from the total taxes in the European Union. The same is true for the average share out of GDP for these taxes, where Romania holds the last place in EU27.

Most of current taxes on income (90%) are given by the **tax on income**, with a share out of the total income of 26.66% and a share of GDP of 11.98%. The countries that have the highest and lowest amount of income tax are the same as for the current

taxes. Regarding the weights of the total on income in the total taxes, Romania is on the penultimate place in the EU27 before Bulgaria. Regarding the average share of GDP of these taxes, Romania and United Kingdom are the countries that are on the last places in the EU27.

The main components of the personal income tax are **the tax on personal income** and **the tax on company profit**. Studying the absolute amounts of the taxes on personal income in EU27 countries we find that they have an increasing trend in most countries. The highest value of this tax is recorded in United Kingdom (201,754.4 million Euros) and the lowest in Malta (168 million Euros). We must observe here that the average personal income taxes on the absolute amounts shown in Romania are 1,788.3 million Euros and the average share out of the total incomes is 8.36%. The highest shares of the personal income tax in total revenues is over 43% and are found in countries such as Sweden, Belgium and Austria. The weights of the other countries personal income tax in total revenues are falling in the range 5% - 13%. The weight in the GDP of this tax on personal income falls between 4%-26%. In Romania the tax share in the GDP is of 2.3% over the analyzed period.

From an analysis of the **tax on the profits of companies** we find that the average tax on company profits is over 8,000 million each year in the period under review. The highest amounts of money that are raised from the tax on the profits of the companies are found in United Kingdom (accounting for a maximum of 73,923.3 million Euros in 2006), France and Italy. The lowest absolute amounts are collected in Estonia (47.8 million Euros throughout 2006), Lithuania and Latvia. Romania increased almost threefold the amount collected from the taxes on the profits of the companies from 1,101 million Euros in 2001 to 2,777 million Euros in 2006. The average of the weights of the tax on the income or profits of the companies in the GDP of the 27 countries increased from 2.96% to 3.26%, so by 0.3 percentage points. Luxembourg was clearly differentiated from the rest of the countries. There is a large discrepancy between the share in GDP of Luxembourg and the weights of the other countries throughout the analysis. In Luxembourg, a maximum of 8% out of GDP was registered in 2002, the country obtaining values of over 5% throughout the analyzed period. In other countries this tax weights were concentrated in the 0.5% - 5% intervals. A minimum share of GDP of this tax of 0.5% occurs in 2001 in Lithuania. In most countries we see that these weights are very close, which shows that the tax revenue from company incomes has increased very slowly in the EU27 in the period under review. Tax on winnings from lotteries and gambling are insignificant in the income tax like other taxes on income.

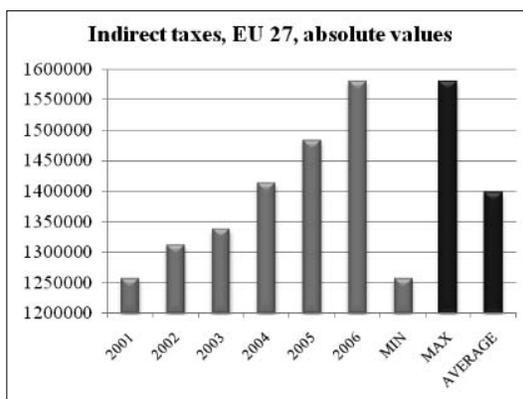
A second component of the direct taxes, the **taxes on capital**, recorded values below 1.30% of GDP in the analysis. Studying the available data we see that these rates have increased in absolute amount during the period examined in all countries except Ireland, Portugal, Slovakia, Italy and Poland. The maximum was recorded in the United Kingdom throughout the examined period, and the least in Slovakia (0.2 million Euros in 2006). We need to remember that the average revenues from taxes

on capital increased from 747 million Euros to 1,050 million Euros in 2006. Very large increases compared to the base year are registered in Cyprus in 2004 and 2005 and lowest in Portugal in 2006 of 0.04 times. Following the share of taxes on capital in GDP we see that it oscillated between 0% and 1.3% for all countries throughout the analyzed period.

In the field of direct taxation, the aim is primarily to minimize the possibilities for evasion and avoidance of double taxation on the basis of bilateral agreements between Member States. The purposes followed by the harmonization of fiscal policy is to avoid the negative effects of competition between Member States, in particular the transfer of tax avoidance by the phenomenon of migration of firms seeking the most favorable tax system.

### 3. Indirect Taxes

As we see, indirect taxes are represented in the EU budget by D.2 *Taxes on production and imports*. The maximum level of indirect taxes in EU27 was 1,580,366 million Euros in 2006. The minimum amount of these taxes in the EU27 was in 2001 and it was 1,257,048 million Euros. Regarding the average, we can say that it was 1,397,327 million Euros in the EU27 during the period under review.



**Figure 4:** Indirect taxes in EU27 between 2001 and 2006

Countries that have recorded maximum values for indirect taxes were Germany, which recorded a maximum of 280,430 million Euros in 2006. The main reason for this maximum amount of indirect taxes in Germany is the increasing VAT rate from 16% to 19%.

Table 5 shows the minimum and maximum values from the European Union. All values are the maximum recorded in 2006 by the members of the European Union, while minimum values are found in countries that recently joined the European Union. France which has recorded quite high values of revenues from indirect taxes reached a maximum of 275,890 million Euros in 2006. The cause was a decreasing of indirect taxes rates which resulted in a high degree of their collection. United Kingdom also reached high values of indirect taxes during this period more precisely

the maximum value of 244,733 million Euros in 2006. The main cause of this increase is the increase of the taxes from 37.6% to 38.3%. Italy also recorded in 2006 in this respect a maximum of 218,250 million Euros. Italy recorded in 2006 a maximum amount of indirect taxes of 218,250 million Euros. All these countries that have registered significant increases in indirect taxes show a growth throughout the period under review, the maximum being reached in 2006. Thus reported to 1999, Germany recorded an increase from 1999 to 2006 of 1.16%, France with 1.27%, UK with 1.32% and Italy with 1.30%. Estonia had also an increase of 2.77%. As noted, the average share of indirect taxes in EU27 in total revenues is 30.11%. The highest share of this tax of over 49% appears in Bulgaria in 2006.

**Table 5:** Indirect taxes (mln. Euros)

Maximum Values		Minimum Values	
Germany	280.430 (2006)	Malta	453 (1999)
France	275.862 (2006)	Estonia	636 (1999)
United Kingdom	244.733 (2006)	Latvia	932 (1999)
Italy	218.250 (2006)	Lithuania	977 (1999)
Spain	121.273 (2006)	Bulgaria	2,000 (1999)

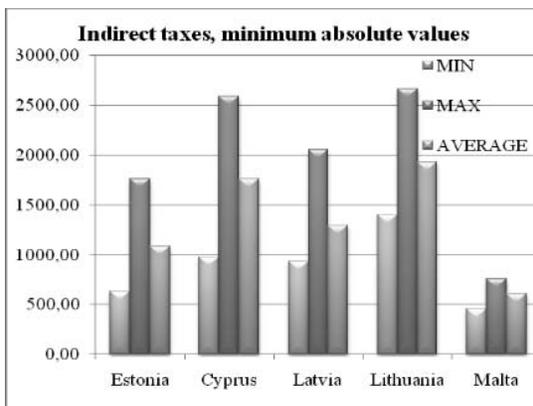
If the Nordic countries have registered the highest direct taxes we find that with regard to indirect taxes they are at the opposite side. For example, Finland had the lowest share of indirect taxes in the total incomes.

**Table 6:** Minimum and maximum shares of indirect taxes out of total income

Maximum I.T.Share out of total income		
Indirect Taxes	49,01%	Bulgaria
Minimum I.T. Share out of total income		
Indirect Taxes	24,62%	Finland

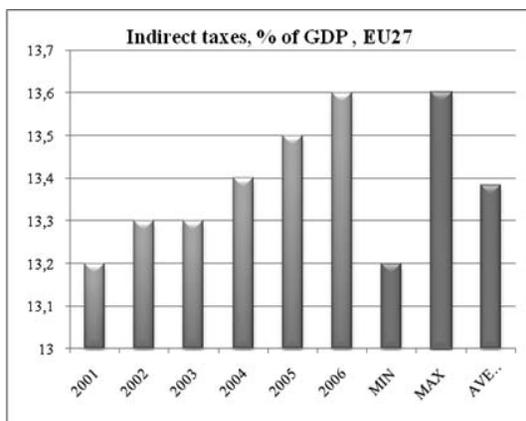
As Table 6 shows, the maximum share of indirect taxes in the total revenues is in Bulgaria. Weights are very high in former communist countries, such as Romania, Hungary, Poland, Slovakia, but also in other countries such as Ireland, Portugal and Lithuania. A special case is shown when we analyze the chain-based indices for indirect taxes, which are reduced in 2000 by 0.92 times compared to 1999. In Romania, the absolute amounts of indirect tax increase (2001-2006) from 5,106.8 million Euros to 12,421 million Euros. Thus, the amounts increase by 2.43 times in 2006 compared to 2001. The same trend in indirect taxes can be highlighted by the analysis of a chain-based index. It is noted that in 2005 compared to 2004, these revenues have increased by 1.44 times, only to drop again in the following year, and so, recording a decrease in 2006 over 2005. Noteworthy to mention that the above-mentioned

increase of 1.44 times is the largest increase from one year to another registered at EU27 level. As we know, Romania is one of the countries in which the weighted average of indirect taxes in total revenues is 26.88%, much higher comparatively to an average of 13.07% identified for direct taxes. With regard to the weighted average of indirect taxes in GDP recorded in Romania, it is 12.03%, an average that is close to the average encountered in the Netherlands (12.23%), Latvia (12.14%), Lithuania (12%), Germany (11.85%) and Spain (12%).



**Figure 5:** Minimum absolute values of indirect taxes in EU27

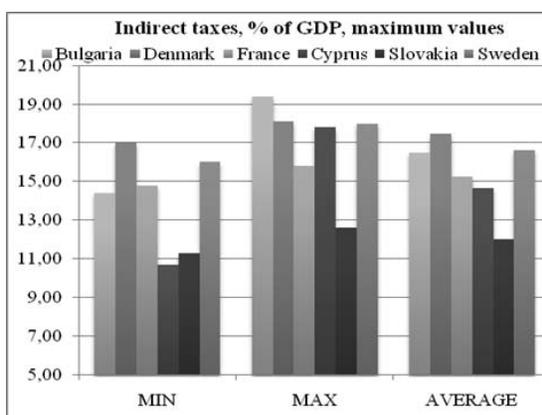
Further, in analyzing the share of indirect taxes in the GDP for all countries, we find that it varies between 10.70% and 19.40% for this period. The maximum weight in GDP of the indirect taxes has been recorded in Bulgaria (19.4% in 2006) and the minimum in Cyprus (10.7%). It must be noted that in Austria, Belgium, Denmark, Germany, Spain, Italy, Hungary, Netherlands, Austria, United Kingdom, the highest share in GDP of this tax had minimum values and the average value for the period was very close to the minimum value, which shows that indirect taxes have had a slow evolution for the entire time interval analyzed.



**Figure 6:** The share of indirect taxes in the GDP

At EU level, the fiscal policy is subject to the Treaty for the Establishment of the European Community, which states the elimination of customs duties between Member States (article 3) and any other measures with similar effect, and ensures free competition within the common market.

Indirect taxes are divided into taxes on production and other taxes on production. Taxes on production represent over 80% of taxes on production and imports, with an average share of total income starting from 24.96% and a weighted average share in GDP of 11.07% at EU27 level. These taxes, in the EU27 had a maximum value of 1,304,973.70 million Euros in 2006 and a minimum value of 1,038,472.30 million Euros in 2001. Among countries that recorded large amounts of taxes on production are included Germany, United Kingdom, France and Italy. This is due to an improvement in services and production of goods in those countries, so that the taxes on products increased in proportion to them.



**Figure 7:** Share of indirect taxes in GDP. Maximum values

Between 1999 and 2000, the budget of Germany faces a slight decrease in taxes on production with 21.31% compared to 2001 and then followed up until 2006 by a continuous growth. The largest share (47.63%) of taxes on production was registered in Bulgaria in 2006, due to implementation of economic program of adhering to the EU, so that the biggest increase of these taxes in total revenue budget was recorded, an increase which is similar with the already joined countries. Romania had also a share of 38.46% in the year 2005.

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

**a) The value added tax (VAT)** is the most important component of the taxes on production, representing about half of taxes on production and imports, with a share of 15.08% out of the total revenues and a share of 6.68% out of GDP in the EU27. The Value Added Tax at the EU27 level recorded a maximum of 797,104.20 million Euros in 2006, and the recorded minimum value is 621,548.50 million Euros in 2001. If we analyze the VAT evolution we find that this tax is growing in the period

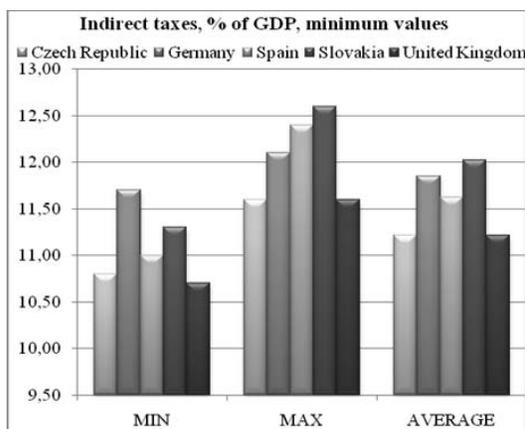
under review from 621,548 million Euros in 2001 to 797,104 million Euros in 2006. Countries that recorded the highest VAT are Germany (143,770 million Euros in 2006), France (128,078 million Euros in 2006), United Kingdom (125,542 million Euros in 2006) and Italy (90,976 million Euros in 2006). The lowest VAT values in EU27 are in Malta, Latvia, Cyprus and Estonia. Considering the available data, we have seen an increase in the level of VAT in absolute value in all 27 countries over the entire period. The share from total income of the VAT ranged between 10.98% (Slovenia in 1999) and 31.5% (Bulgaria in 2006). In 2006, the accumulated amounts from the VAT in United Kingdom increased by over six times as compared to 1999.

In Romania the share from the total incomes of the amounts of VAT is between 17.16% in 2001 and 25.04% in 2005. Romania is ranked fourth in the EU27 in terms of average shares of total VAT revenue in total incomes, with a percentage of 21.36%.

In front of Romania is Belgium, which has a share of VAT in the total revenues of 27.06%, 23.01% in Estonia and Lithuania with 21.50%. If we analyze the weight of the VAT in the GDP, for all the EU27 countries, we find that it has oscillated between 4.8% and 12.5% during the analyzed period.

**b)** The chapter of **taxes and charges on imports excluding V.A.T.** is less important in our analysis because it has a share of 0.65% from the total budget revenues and 2.2% from the tax on production. For such taxes it must be mentioned that the taxes on imports excluding VAT had an interesting evolution in the period under review. They fell from 32,271.2 million Euros in 2001 to 30,702 million Euros in 2002 for all EU27 countries, they increased then to 31,337.4 million Euros in 2003, and then they decreased again to 29,683.9 million Euros in 2005. We can see that the level of these taxes is low in almost all EU Member States, for the entire examined period, United Kingdom having a zero value. In three other countries, Austria, Finland and Greece, these taxes have recorded negative values, reflecting the fact that they had refunded amounts. The maximum level of taxes and payments on imports excluding VAT was registered in Germany (16,770 million Euros in 2001) and the minimum level in Estonia and United Kingdom. An interesting analysis is related to the fixed-base indices in Estonia. Thus in 2006, compared to 1999, the increase is of 2,281 times in this country, a record value, unprecedented in the fixed-base indices calculations. Romania holds modest amounts for taxes on imports excluding VAT, with an average of 552.6 million Euros in the period under analysis and comes close to the average of most countries in the EU27. The share in the GDP of the taxes on imports excluding VAT was very low, and in seven of the EU27, the share in the GDP is zero. Romania had an average of taxes on imports excluding VAT of 0.83% during 2001-2006.

**c)** In the section of **taxes on products excluding VAT and duties**, it is noted that they have a share of 9.23% of total revenues in the EU27 and other current taxes have a share of only 5.15%. Taxes on products excluding VAT and customs duties have values higher than the above. Such taxes have a EU27 average level of 427,851.77 million Euros throughout the analysis.



**Figure 8:** Share of indirect in GDP. Minimum values

#### 4. Conclusions

The average share of total tax revenues from the total EU budget is 59%. The overall average tax pressure exerted at the level of EU27 in the period under review was 40.3%. The highest average overall tax pressure has been recorded in the Nordic countries with values close to 50% and lowest in Romania, Lithuania and Latvia with values close to 30%.

Direct taxes in the EU27 have an upward trend in the period under review. The average of the share of direct taxes in the total taxes is 89.8% in the analyzed period, while the average of the share of total taxes in GDP is over 12%. The maximum of the weights of the direct taxes in the Member States are registered in Denmark, while the smallest share is noticed in Bulgaria. The average share of direct taxes in the average total income in Romania is 13.88% while the average share of total taxes is 30.11%. The current taxes on income have a share of over 95% out of direct taxes, and a share out of total income of 26.66%. The fiscal pressure created by this tax is 12.82%. Most of current taxes on income (90%) are given by the tax on income, with a share out of the total income of 26.66% and a share of GDP of 11.98%.

Taxes on personal income in EU27 countries have an increasing trend in most countries. The highest value of this tax is recorded in United Kingdom and the lowest in Malta. We must observe here that the average personal income taxes on the absolute amounts shown in Romania are 1,788.3 million Euros and the average share out of the total taxes is 8.36%.

From an analysis of the tax on the profits of companies we find that the highest amounts of money that are raised from this tax are found in United Kingdom, France, Italy. The lowest absolute amounts are collected in Estonia, Lithuania and Latvia.

The maximum level of indirect taxes in EU27 was recorded in 2006. Country that has recorded maximum values for indirect taxes was Germany. The average share of indirect taxes in EU27 in total revenues is 30.11%. The highest share of this tax

of over 49% appears in Bulgaria in 2006. If the Nordic countries have registered the highest direct taxes we find that with regard to indirect taxes they are at the opposite side. In Romania, indirect taxes increased by 2.43 times in 2006 compared to 2001. Romania is among the countries in which the weighted average of indirect taxes in total revenue is 26.88% compared to an average of 13.07% identified in direct taxes.

Taxes on production represent over 80% of taxes on production and imports, with an average share of total income from 24.96% and a weighted average of GDP of 11.07% at EU27.

V.A.T. is the most important component of the taxes on production, representing about half of taxes on production and imports, with a share of 15.08% out of the total revenues and a share of 6.68% out of GDP in the EU27. The V.A.T. at the EU27 level recorded a maximum value in 2006. If we analyze the VAT evolution, we find that this tax grew in the period under review, from 621,548 million Euros in 2001 to 797,104 million Euros in 2006. Countries that recorded the highest VAT are Germany, France, United Kingdom and Italy. The lowest VAT values are in Malta, Latvia, Cyprus and Estonia. In Romania, the share from the total incomes of the amounts of VAT is between 17.16% in 2001 and 25.04% in 2005. Romania is ranked fourth in the EU27 in terms of average shares of total VAT revenue in total incomes, with a percentage of 21.36%.

### **References:**

1. Fölster, S. and Henrekson, M., 'Growth Effects of Government Expenditure and Taxation in Rich Countries', 2001, *European Economic Review*, no. 45, pp. 1501–1520.
2. Lindstrom, G., 'EU-US Burdensharing: Who does what?', EU-ISS Chaillot Paper no. 82, September 2005.

### **Web sites**

All budgetary data used for computations are available online at the following addresses:

[http://ec.europa.eu/eurostat/ramon/index.cfm?TargetUrl=DSP\\_PUB\\_WELC](http://ec.europa.eu/eurostat/ramon/index.cfm?TargetUrl=DSP_PUB_WELC)

[http://circa.europa.eu/irc/dsis/eurostat50/info/data/en/today\\_2.htmwww.insse.ro/cms/files/Eurostat/](http://circa.europa.eu/irc/dsis/eurostat50/info/data/en/today_2.htmwww.insse.ro/cms/files/Eurostat/)

<http://oecd.org/dataoecd/18/0/2666146.pdf>

<http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=4>

<http://circa.europa.eu/irc/dsis/nfaccount/info/data/esa95/en/een00155.htm>

<http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/http://epp.Eurostat.cec.eu.int>