Tax quota development in the Czech Republic and in the European Union

Szarowska, Irena

Silesian University - School of Business Administration

2008

TAX QUOTA DEVELOPMENT IN THE CZECH REPUBLIC AND IN THE EUROPEAN UNION[1]

IRENA SZAROWSKÁ[2]

Abstract

Eurostat and OECD regularly publish data concerning a tax burden in particular countries. Tax quota (compound tax quota) is used as a basic international comparative indicator, which determines a ratio of taxes in the gross domestic product. This indicator is a subject of interest even in discussions concerning the tax harmonization of the European Union, which objective is to make taxes not to be a barrier of free movement of people, capital, goods and services among states and also to prevent tax evasions. This paper describes a basic conception of the indicator, points out methodical differences in the calculation of the tax quota and analyses the development of the tax quota in the Czech Republic and in the European Union. The objective is as well to verify a hypothesis that a value of the tax quota is decreasing in time and indirect taxes currently outweigh direct ones.

Key words: tax, tax quota, direct taxes, indirect taxes, tax harmonization.

JEL Classification: E 62, H 20.

1 INTRODUCTION

The tax burden has always been and always will be a subject to expert and quasi-expert discussions as it affects each citizen as an individual living in a given country. The enlargement of the European Union and the process of

---

[1] This paper was prepared with the support of Czech Grant Agency (Grant GAČR No. 402/08/0067.

[2] Irena Szarowská, MSc, Assistant Professor by Department of Finance, Silesian University in Opava, School of Business Administration in Karviná, Czech Republic, e-mail: szarowska@opf.slu.cz.

globalisation also influence, among others, tax systems and fiscal policy in particular member countries. The role either the endeavour of the European Union is not to consolidate national tax and dues systems but to guarantee their mutual comparison in accordance with adopted agreements established in the European Union[3]. Among main objectives of the European Union's tax policy rank the support of a harmonic development of economic activities, fluent and well-balanced development, increasing stability, increase of living standards and tight co-operation among the member countries. The objective of the European Union's tax policy is also prevent the situation when the tax policies of particular member countries would negatively mutually influence each other and by this they would create inadequate competitive environment resulting in convenience of domestic products.

The harmonization in the European Union should mainly make taxes not to be a barrier of free movement of people, capital, goods and services among states. Its objective is also to prevent tax evasions as the co-operation indeed provides a solution of failures arising during the revenue collection and thus it makes possible to achieve a positive efficiency and the growth of wealth.

2 OBJECTIVE AND METHODOLOGY

Eurostat and OECD regularly publish data concerning a tax burden in particular countries. Tax quota (compound tax quota) is used as a basic international comparative indicator, which determines a ratio of taxes in the gross domestic product. The objective of this paper is to describe a basic conception of the

[3] The tax policy belongs to policies with shared competences. Member countries can issue own legislature only if there had not already existed the common European regulation, eventually an amendment to it. The tax practice is more or less a sum of factually independent tax policies of particular EU member countries. In various periods exists an increased endeavour to harmonisation of European taxes (e. g. at the acceding of the European Commission led by R. Prodi), however, these endeavours have been so far unsuccessful as the member countries do not show a great willingness to delegate these powers to the bodies of the EU.

indicator and to point out possible methodical differences in the calculation of the tax quota and to analyses the development of the tax quota in the Czech Republic and in the European Union. The purpose is also to verify often presented statement that the value of the tax quota is decreasing in time and indirect taxes currently outweigh direct ones. This paper uses data published by OECD and Eurostat. Basic methods of the submitted paper are methods of analysis and deduction.

3 RESULTS AND DISCUSSION

3. 1 Tax quota characteristics and the methodology of calculation

The interstate comparison of concrete taxes has not got very significant predicative ability with regard to the different construction of taxes in particular countries. The height of a tax rate is only one of the variables. Great weight is also carried by differently constructed tax basis from which is the tax calculated and systems of exceptions and deductible items, different in each country. The height of the tax rates is thus important information for potential investor who considers his entrepreneurial purposes but it is not applicable during the comparison of tax systems. The tax quota removes this as it determines the total burden.

The tax quota is on of the basic indicators enabling an international comparison of the tax burden. It is a macroeconomic indicator representing the ratio of taxes in the gross domestic product[4]. It represents the part of the gross domestic product, which is redistributed through public budgets. It is presented as a percent and thereby it sufficiently serves the purpose of comparison. According to the “extent” of the numerator (i. e. the “extent” of considered public incomes) is distinguished the simple tax quota and compound tax quota (sometimes also

---

[4] HAMERNÍKOVÁ, B., KUBÁTOVÁ, K.: Veřejné finance. Praha, Eurolex Bohemia 2004.

called aggregate tax quota). The simple tax quota includes only the incomes of public budgets, which are really marked as taxes. With regard to the fact that the tax incomes (quasi-taxes) are actually also incomes resulting from obligatory insurance on social security and a contribution to the state employment policy and incomes resulting from obligatory insurance on health insurance, the compound tax quota including these incomes is the relevant indicator[5].

Data concerning the range of the tax quota are regularly analyzed by the Organization for Economic Co-operation and Development (OECD). Another institute analyzing, among others, the tax quota is Eurostat. This paper uses information published by OECD but also from the pages of Eurostat with regard to more actual data.

Table 1: Development of the compound tax quota in the EU countries in 1995 – 2004

	1995	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**Average 1995-2004**	**1)**	**2)**
BE	43,8	44,4	44,9	45,5	45,5	45,2	45,2	45,3	44,9	45,2	45,0	0,2	1,4
CZ	36,2	35,1	35,5	33,9	34,7	34,4	34,5	35,4	36,0	36,6	35,2	0,2	0,4
DK	48,8	49,2	48,9	49,3	50,1	49,4	48,5	47,8	47,6	48,8	48,8	-0,3	0,0
DE	39,8	40,7	40,7	40,9	41,7	41,9	40,0	39,5	39,6	38,7	40,3	-0,4	-1,1
EE	37,9	35,6	35,9	34,9	34,6	32,6	31,7	32,4	32,9	32,6	34,1	-1,7	-5,3
EL	32,6	33,0	34,3	36,3	37,3	37,9	36,6	37,3	36,4	35,1	35,7	1,1	2,4
ES	32,7	33,1	33,2	33,0	33,6	33,9	33,5	33,9	34,0	34,6	33,5	0,5	1,9
FR	42,7	43,9	44,1	44,0	44,9	44,1	43,8	43,1	43,1	43,4	43,7	-0,1	0,7
IE	33,1	33,1	32,3	31,7	31,7	31,6	29,7	28,4	29,0	30,2	31,1	-1,6	-2,8
IT	40,1	41,8	43,7	42,5	42,5	41,8	41,4	40,9	41,5	40,6	41,7	-0,2	0,6
CY	26,9	26,8	26,0	28,2	28,5	30,5	31,5	31,5	33,3	34,1	29,7	3,0	7,2
LV	33,6	31,3	32,7	34,3	32,4	29,5	28,5	28,2	28,5	28,6	30,8	-2,1	-5,0
LT	28,6	28,1	31,5	32,2	32,1	30,0	28,7	28,4	28,2	28,4	29,6	-0,6	-0,2
LU	42,4	42,6	41,7	40,3	40,6	40,4	40,6	41,1	40,9	40,1	41,1	-0,5	-2,3
HU	41,6	40,6	39,0	39,0	39,1	39,2	39,5	39,0	39,0	39,1	39,5	-0,5	-2,6
MT	27,6	26,1	27,8	26,1	27,2	28,3	30,3	32,2	32,2	35,1	29,3	3,0	7,6
NL	40,5	40,8	40,6	40,3	41,6	41,5	38,3	37,7	37,5	37,8	39,7	-1,1	-2,7
AT	41,3	42,6	44,0	44,0	43,7	42,8	44,7	43,7	43,0	42,6	43,2	0,2	1,3
PL	38,5	37,3	36,7	36,0	36,4	34,2	33,9	34,3	33,3	32,9	35,3	-1,7	-5,6
PT	31,9	32,8	32,9	33,1	34,1	34,3	33,9	34,7	35,1	34,5	33,7	0,9	2,6

[5] In most developed countries the tax quota has increased approximately four times in last 120 or 130 years. The reason was the growth of state´s and all the public bodies´ objectives, e. g. educational system, army etc.

SI	40,2	38,9	37,9	38,8	39,1	38,5	38,8	39,1	39,4	39,7	39,0	0,1	-0,6
SK	40,5	39,0	35,8	37,0	34,6	33,2	32,1	32,4	31,3	30,3	34,6	-3,1	-10,1
FI	45,6	46,9	46,1	46,0	46,4	47,7	45,7	45,6	44,6	44,3	45,9	-0,4	-1,3
SE	49,0	51,5	52,0	52,7	53,3	53,4	51,4	49,7	50,2	50,5	51,4	-0,1	1,5
UK	35,4	34,9	35,5	36,5	36,8	37,4	37,2	35,5	35,5	36,0	36,1	0,2	0,7
NO	42,3	42,8	42,5	42,5	42,8	43,0	43,2	43,6	42,9	-	42,8	-	-
EU-25 (3)	39,7	40,5	40,7	40,7	41,2	41,0	40,0	39,4	39,5	39,3	40,2	-0,3	-0,4
EU-15 (3)	39,8	40,6	40,9	40,9	41,4	41,3	40,3	39,6	39,7	39,6	40,4	-0,2	-0,2
EUR-12 (3)	39,9	40,9	41,3	41,1	41,7	41,5	40,4	40,0	40,0	39,7	40,7	-0,3	-0,2
NMS-10 (3)	38,0	36,8	36,2	35,8	36,0	34,7	34,5	34,9	34,6	34,5	35,6	-1,0	-3,5
EU-25 (4)	38,1	38,0	38,2	38,3	38,5	38,1	37,6	37,5	37,5	37,6	37,9	-0,2	-0,5
EU-15 (4)	40,0	40,7	41,0	41,1	41,6	41,5	40,7	40,3	40,2	40,2	40,7	-0,1	0,2
EUR-12 (4)	38,9	39,6	39,9	39,8	40,3	40,3	39,5	39,3	39,2	38,9	39,6	-0,1	0,1
NMS-10 (4)	35,2	33,9	33,9	34,0	33,9	33,1	33,0	33,3	33,4	33,7	33,7	-0,4	-1,4
Ratio st.dev. and mean in %	15,3	16,6	15,9	15,7	15,9	16,2	16,0	15,5	15,1	15,1			-0,2
Difference max. and min.	22,1	25,4	26,0	26,6	26,1	25,0	22,8	21,5	22,0	22,1			0,0

Rem.: 1) Change in percents of GPD 1995 to 2004, 2) Difference weighted GDP 1995 to 2004, 3) weighted average - arithmetical mean, 4) average

Source: Data from EC (2005): Structures of the taxation systems in the European Union 1995-2003. Url: http://europa.eu.int

The tax quota is generally calculated as a ratio of total tax income's sum to GDP. By reasons of using a different methodology for the GDP calculation the data presented by particular institutions can differ. The GDP range is usually in the EU counties determined according to the ESA 95 methodology (European Statistical Office), thus on the accrual basis[6]. In the case of tax incomes these can be determined partly on a cash principle[7] and partly on an accrual principle[8]. Another possibility is the use of so-called modified cash incomes[9].

[6] Transactions and other economic flows are recorded in the moment when the economic value is created, transformed and expires – includes thus all events that have an influence on financial efficiency, position or liquidity of a government sector.

[7] The cash principle consists in the determination of tax incomes according to their amount, which is carried to account to the given moment on the accounts of a government whereas for this accounting does not directly deciding a moment of occurrence of a subject´s obligation to pay a tax.

[8] The accrual system of measuring the tax incomes consists in the determination of the tax incomes´ amount, by which in a given year arose a fact creating an obligation of a taxpayer to

The International Monetary Fund within the frame of the GFS 86 methodology used the cash principle, but with the taking up of the GFSM 2001 methodology the IMF uses concurrently even the accrual principle. In the Czech Republic is henceforth used the cash way of state budget's and state financial statement's calculation mainly for the reason of comparability of a time series and quick accessibility of data.

3. 2. Single and compound tax quota in the EU countries

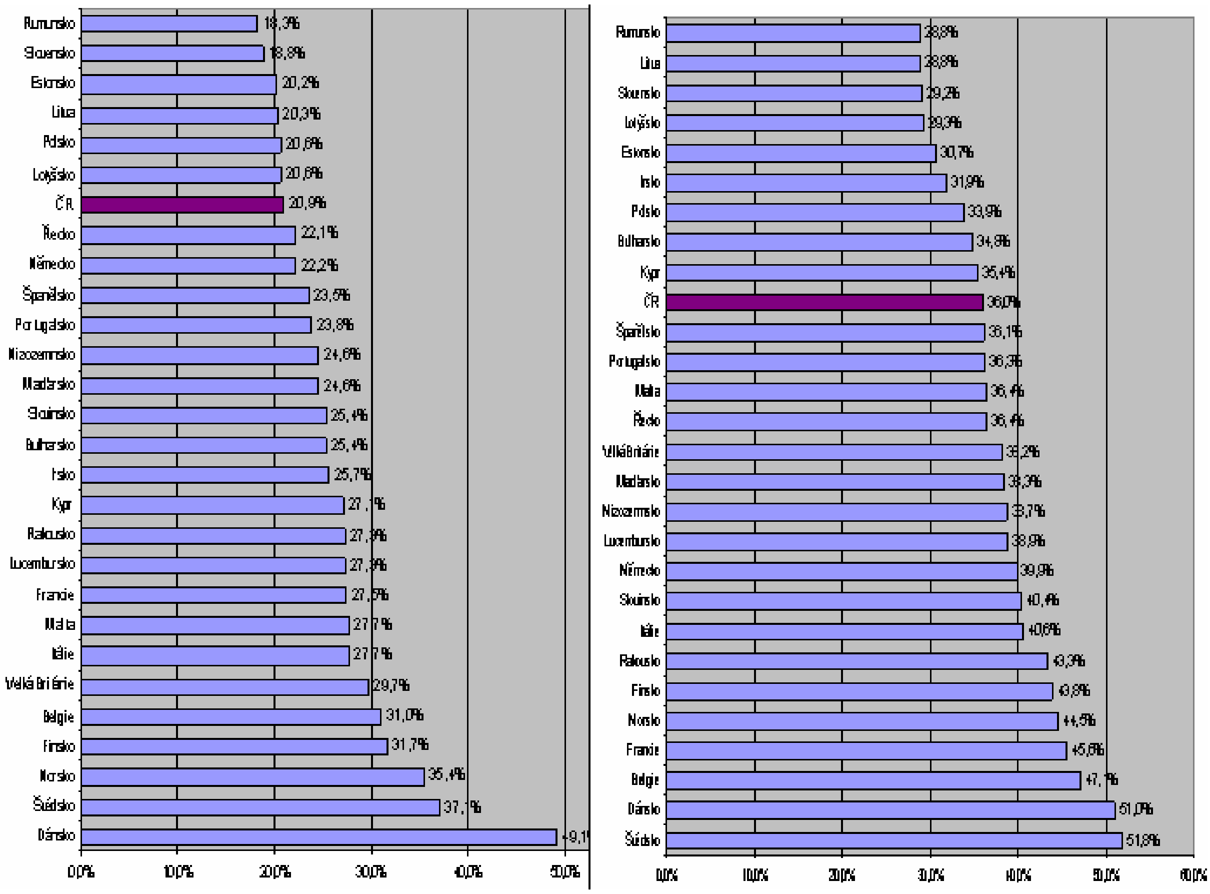
According to the latest available statistics is the average total tax quota of the OECD member countries in the methodology of the OECD for the year 2004 35,9% GDP, whereas the Czech Republic achieved in 2004 the total tax quota 38,4% and in 2005 38,5% GDP, what is 2,5 or 2,6 percentage points above the average of the OECD countries. The total tax quota of European OECD member countries made in 2004 38,3% GDP and is thus almost the same as the total tax quota in the Czech Republic. Concrete values of the single and compound tax quota are shown in the Chart 1.

---

pay a tax or a right of a government to levy the tax in this year or eventually in following years. Although this way shows the real management of the government more precisely, there arises a problem with identifying of the government´s incomes amount in the given year, which can not be definitely found out even in the course of several years – hence there are used various forms of predictions, most frequently with the use of an coefficient. On the basis of experiences from the past is compiled an coefficient, which express a probable amount of a not-levied tax and with the help of this coefficient are subsequently calculated accrual tax incomes.

[9] The method of modified cash flows is the most frequently used in reality. For the corporate income and personal income taxes are the withholding taxes and pre-taxes credited always into the year, when they were levied. Additional payments of a tax liability are in the case of these taxes credited into the previous year. In the case of wage taxation (personal income tax, insurance) is the January payment credited to the previous year, what means the January payment of a VAT is credited into the previous year.

Chart 1: Simple and compound tax quota in % GDP in the European Union (year 2005)



Source: http://www.oecd.org/statsportal/0,2639,en_2825_293564_1_1_1_1_1,00.html

The highest value of the compound tax quota is in the long term (thus even in 2005) achieved by countries of Northern Europe. Especially than Sweden 51,8%, Denmark 51% and Belgium 47,1%. It is given by the fact that these countries have the highest direct taxes (more than 40 %, whilst an average in the EU is 34,9%)[10]. The difference between the country with the highest tax quota (Sweden) and the lowest tax quota (Romania, that joined the EU on 1st January 2007) is c. 23%. The Czech Republic finds itself, with respect to the compound tax quota, approximately in the half. Its amount is for the year 2005 36%. From surrounding countries has the lower tax quota only Poland (33,9%) and Slovakia

[10] In the year 2004

(29,2%). Conversely, the higher tax quota has Germany (39,9%) and Austria (43,3%).

The average simple tax quota of the EU countries was found out 26,27%, thus for c. 12% less than is the compound tax quota. This unambiguously corroborates the fact that not only the Czech Republic but also even the other countries use besides classical taxes even the quasi-taxes. The highest value of the simple tax quota in 2005 is achieved by Denmark (49,1%), which even in the long-term horizon significantly surpasses other countries. This means that there is the lowest range of hidden taxes (quasi-taxes). Second in the chart, Sweden (37,1%) lags behind Denmark for almost 12%. The position of the Czech Republic, according to the ratio of classical taxes in the GDP (simple tax quota), did not significantly changed. Its value in 2005 stopped on 20,9% and decreased against 2004 for less than 1%. It is possible to estimate that this decrease was caused by changes in the height of income taxes.

As it was mentioned above, the tax quota is simply calculated indicator, by which it is possible to compare the tax burden in particular years. Following Table 2 shows the development of simple tax quota and compound tax quota in the Czech Republic and in European Union (average value) from 1998 to 2006.

Table 2: Simple and compound tax quota in % GDP

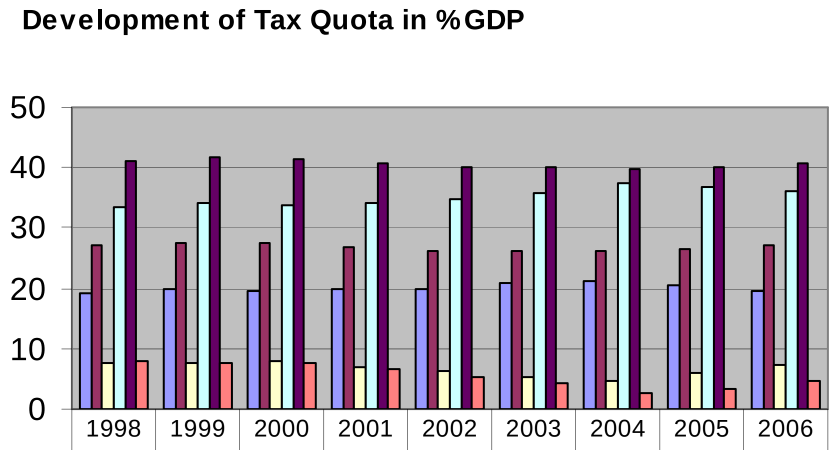
	1998	1999	2000	2001	2002	2003	2004	2005	2006
CR: CTQ	33,4	34,1	33,9	34,0	34,8	35,8	37,3	36,8	36,0
CR: STQ	19,3	20,0	19,6	19,8	19,9	20,7	21,2	20,6	19,7
EU: CTQ	41,2	41,8	41,5	40,7	40,2	40,0	39,9	40,2	40,8
EU: STQ	27,0	27,5	27,5	26,8	26,3	26,0	26,0	26,4	27,0

Rem.: CTQ – compound tax quota, STQ – simple tax quota

Source: Data from Eurostat and European Commission Services

From Table 2 results that the value of the tax quota in the Czech Republic is rather stable up to 2004 – on the level of c. 34% GDP (compound tax quota), or 21% (simple tax quota). Since 2004 has been the value of the tax quota getting around 35%, when the simple tax quota has been getting around a similar area as it had been in 2004, thus 21%. The development was in the case of the simple tax quota influenced mainly by changes in taxation (e. g. decrease of VAT) and in the case of compound tax quota by changes in payments of social and health insurance. From the table also results that DK and SDK in the European Union achieves higher values than in the Czech Republic.

Chart 2: Development of the tax quota in % GDP



	1998	1999	2000	2001	2002	2003	2004	2005	2006
CR: STQ	19,3	20	19,6	19,8	19,9	20,7	21,2	20,6	19,7
EU: STQ	27	27,5	27,5	26,8	26,3	26	26	26,4	27
Difference STQ (EU and CR)	7,7	7,5	7,9	7	6,4	5,3	4,8	5,8	7,3
CR: CTQ	33,4	34,1	33,9	34	34,8	35,8	37,3	36,8	36
EU: CTQ	41,2	41,8	41,5	40,7	40,2	40	39,9	40,2	40,8
Difference CTQ (EU and CR)	7,8	7,7	7,6	6,7	5,4	4,2	2,6	3,4	4,8

Rem.: CTQ – compound tax quota, STQ – simple tax quota

Source: Own processing on the basis of the data from Eurostat

Chart 2 shows the development of simple and compound tax quota in the Czech Republic and the European Union in percents of GDP, including the difference in values between the Czech Republic and EU. At the beginning of the period under consideration was the difference between the simple and compound tax quota c. 7,7% GDP. The differences at simple tax quota decreased during the period under consideration (to 4,8% in 2004) but in 2006 again achieve the value of 7,3% GDP. The compound tax quota developed in the time similarly.

The minimal difference in the rates was recorded in 2004, the values than again increase up to 4,8% in 2006. This means that at the end of the period under consideration exist greater differences in the simple tax quota than in the compound tax quota, namely for the reason of the significant share of payments on the social insurance in the SDK in the Czech Republic.

3. 3 Tax quota and its components´ development

Important are not only the total range of the monitored indicator, but also the value of particular components. The development of compound tax quota´s components in the Czech Republic and the EU is shown in the Table 3 and Table 4 and Charts 3 and 4.

Table 3: Development of particular components of the compound tax quota in the Czech Republic in % of GDP.

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Indirect taxes	11,0	11,5	11,3	11,0	10,8	11,1	11,6	11,5	10,9
Direct taxes	8,3	8,5	8,3	8,8	9,1	9,6	9,6	9,2	8,8
Social and health insurance	14,4	14,1	14,2	14,2	14,9	15,1	16,1	16,1	16,2

Source: Data from Eurostat and European Commission Services

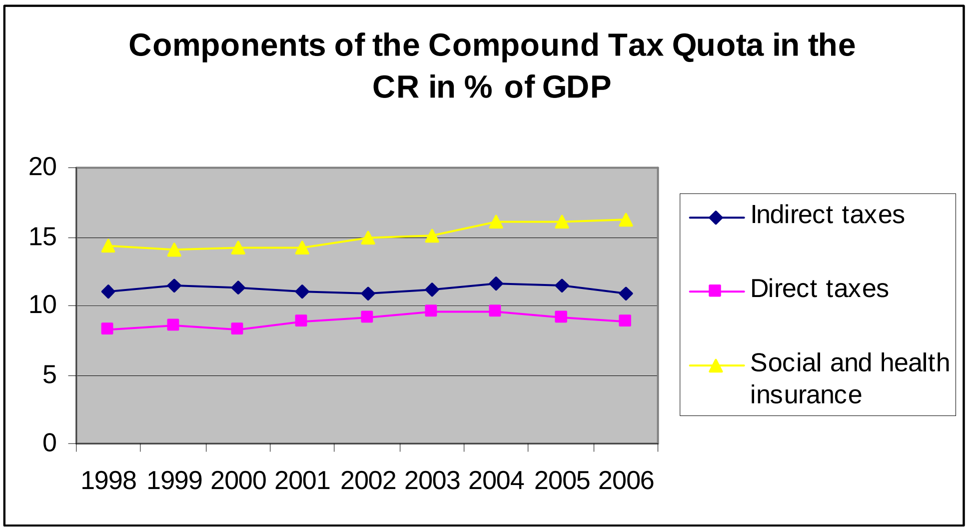
Table 4: Development of particular components of the compound tax quota in the EU in % of GDP.

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Indirect taxes	13,4	13,7	13,5	13,2	13,3	13,2	13,3	13,4	13,6
Direct taxes	13,3	13,6	13,8	13,3	12,8	12,4	12,3	12,7	13,2
Social and health insurance	14,3	14,2	14,0	13,9	13,9	14,0	13,9	13,8	13,7

Source: Data from Eurostat and European Commission Services

The components of the compound tax quota mean the dividing of taxes into direct and indirect and into payments on social and health insurance[11]. Standard, generally established economic definition prefers indirect taxes[12] to direct ones. That is the reason why many economists argue that for an economy are better taxes from consumption. Their amount might threaten low-income groups of population, but it is possible to be compensated by special social transfers. In addition, they are more transparent[13].

Chart 3: Development of components of the compound tax quota in the Czech Republic in % of GDP.



Source: Own processing

From the Chart 3 and Table 3 is obvious that in the Czech Republic have direct and indirect taxes got a stable ratio on the compound tax quota and recorded changes were caused partly by the harmonization of the Czech legislature with

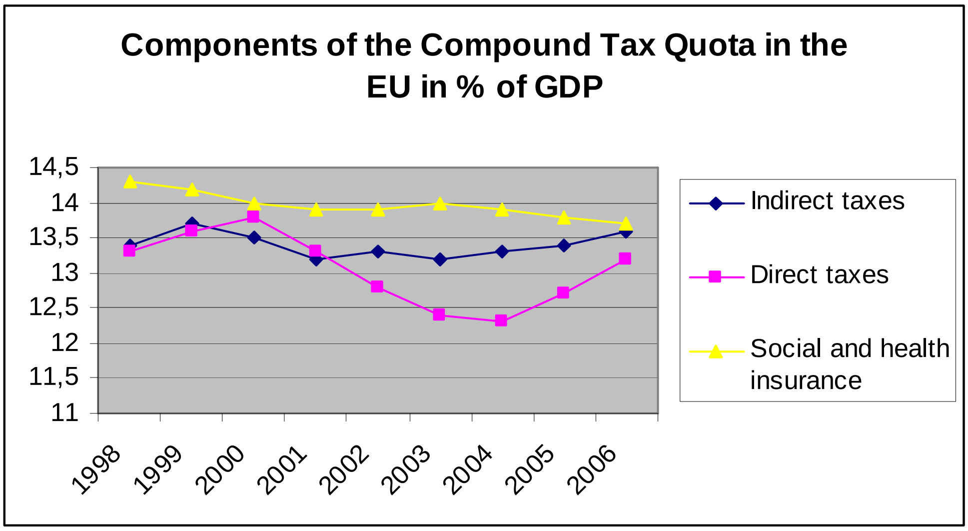
[11] If we compare the development in the Czech Republic with the OECD countries we will find out that the social insurance today makes today a dominant part of the tax yields of almost all the OECD countries. The publication of the OECD explains it increasing ratio (from 18% in 1965 to 26% in 2003) mainly by the stress on the social transfers increase in connection with increasing unemployment, ageing population and ever-growing costs of health service.

[12] Indirect taxes are value added tax, consumer tax, customs and other indirect taxes.

[13] Direct taxes are imposed on a concrete subject, which cannot transfer this tax on somebody else, e. g. income taxes. Indirect taxes are imposed on a concrete subject as well, but it can transfer them on some other subject.

the law of the EU (namely the decrease of VAT from 22% to 19% since 1st May 204) and partly by changes in the tax field within the frame of public finances´ reform (namely the changes of corporate income tax rate). As to the ratio of the social and health insurance to the GDP, it is obvious that the development has got a stable value till 2001, since 2002 is the value increasing. Reason of this are changes in rates of payments on social and health insurance.

Chart 4: Development of components of the compound tax quota in the European Union in % of GDP.



Source: Own processing

The Chart 4 proves the fact, that there are currently two dominant trends in the tax policy of the European Union: decreasing of taxes and diversion from direct taxes to indirect taxes. The development of particular components of the compound tax quota in particular EU countries is different from the development in the Czech Republic. Whilst in the Czech Republic is the amount of direct taxes in the period under consideration stable, in the European Union was recorded a fluctuating development of the direct taxes in the time. Their values are also permanently higher than in the Czech Republic (between 12,3 and 13,8% GDP). Current tax policy of the EU is focused on the rates of indirect taxes (e. g. VAT, consumer taxes), which can directly influence the market. The value of indirect taxes has been fluently increasing since 2001. Conversely, the values of quasi-taxes, namely the payments on social insurance, have been constantly decreasing in the countries of the European Union (with an exception in 2003).

4 CONCLUSIONS

The research has proved that there are currently two dominant trends in the tax policy: decreasing of taxes and diversion from direct taxes to indirect taxes. In the process of tax decreasing, and thus increasing of a competitive advantage in comparison with surrounding countries, are the most active countries of Middle and East Europe. Both above-mentioned trends show themselves in particular European Union member countries in varying degrees. During the evaluation of countries according to statistical indicators we will find among the member countries significant differences not only in the total tax quota, but mainly in the structure of these taxes.

Interstate comparison of particular concrete taxes has not got very significant predicative ability with regard to the different construction of taxes. Not only the height of the tax rate, but even differently constructed tax bases, from which is the tax calculated, and systems of exceptions and deductible items, significantly influence the tax burden and the final tax yield in particular countries. Tax quota is one of the basic indicators enabling the international comparison of the tax burden. Through the tax quota it is possible to compare the ratio of taxes on the gross domestic product, thus the part of the gross domestic product, which is being redistributed through public budgets in particular countries.

The tax system of the Czech Republic is in its main characters similar to the systems of other member countries of the European Union. In the Czech Republic, like in the most of EU countries, is the ratio of levied taxes to GDP increasing. In 2005 achieved the compound tax quota in the Czech Republic 38,5 percent of GDP. With these results is the Czech Republic with its quota getting around the average (the average of the OECD countries is higher for 2,5%). However, the Czech specificity is the structure of the compound tax quota, as the payments on the social insurance are the most important income of the public budgets (in 2006 they exceed 40% of all the public incomes). The second higher income's item are indirect taxes and the third greatest resources of budgets are the income taxes.

5 APPENDIX

TERRITORIAL ANALYSIS OF THE COMPOUND TAX QUOTA IN THE EU COUNTRIES IN 1995 – 2005

As there is rather a large number of member countries, the particular countries are divided according to the territorial viewpoint. For charts were used data from Eurostat with regard to more actual data.

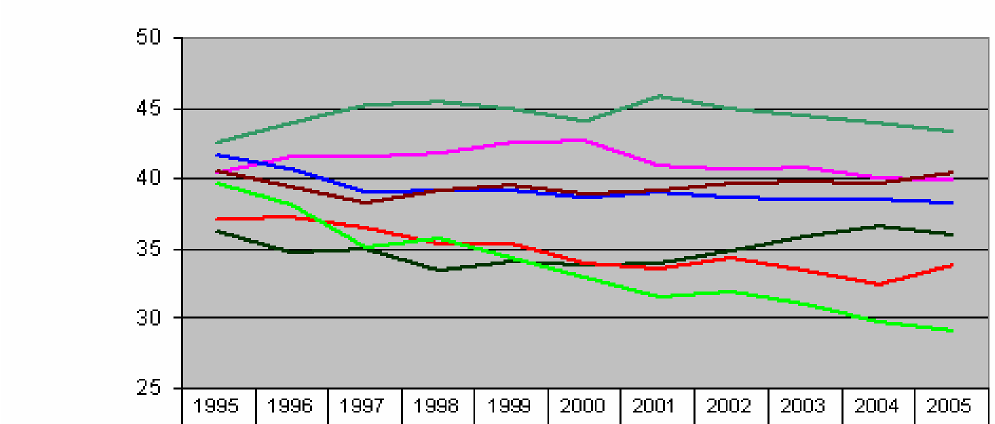
5. 1 Middle Europe

Austria has in the period 1995 – 2005 the highest ratio of taxes on GDP from all the countries of the Middle Europe. In 2005 this indicator stopped on the value of 43,3%. Second Slovenia 40,4% followed by third Germany 39,9% "lags behind" it for almost 3%. The Czech Republic finds itself approximately in a half. In 2005 it recorded slight year-on-year decrease of 0,6 on the value of 36%.

The chart of tax quota development in the Czech Republic features the increasing trend in 1998 – 2004. Afterwards it started to decrease for the reason of public finances´ reform. One of the basic objectives of the tax policy of the Czech Republic is the tax quota's stabilisation. According to the information from the Ministry of Finance it rate in the future should get on the level of 2001. A significant share in this decrease has namely the decrease of the personal and corporate income tax rate, which was moderated by increasing the consumer tax at the tobacco products. Slovakia, as the only one country of the Middle Europe, features the trend of decrease of the tax quota in the whole period under consideration. Its change of the tax quota's height in 1995 – 2005 represents a decrease for more than 10%. A significant share in this fierce decrease took certainly the implementation of the straight tax rate, cancellation of dividend tax and triple-tax (death duty, gift tax and real estate-transfer tax).

Chart 5: Development of the compound tax quota in the Middle Europe

in % of GDP



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
ČR	36,2	34,7	35	33,4	34,1	33,9	34	34,8	35,8	36,6	36
Německo	40,4	41,5	41,5	41,8	42,6	42,7	40,9	40,7	40,8	40	39,9
Maďarsko	41,7	40,6	39	39,1	39,2	38,6	39	38,6	38,5	38,5	38,3
Rakousko	42,6	43,9	45,2	45,4	45	44,1	45,8	45	44,4	44	43,3
Polsko	37,1	37,2	36,5	35,4	35,3	34	33,6	34,3	33,4	32,4	33,9
Slovinsko	40,5	39,4	38,3	39,1	39,5	38,9	39,2	39,6	39,8	39,7	40,4
Slovensko	39,7	38,1	35,1	35,7	34,3	33	31,6	32	31,1	29,8	29,2

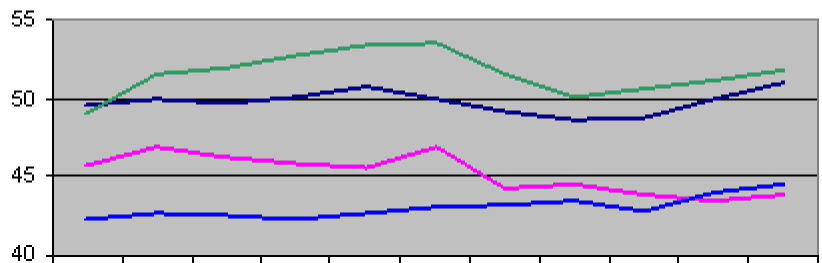
Source: Data from Eurostat and European Commission Services

5. 2 Northern Europe

The fact that countries of the Northern Europe are number one in the ratio of taxes to the GDP is not a new thing. The highest value achieves Sweden with 51,8% followed by Denmark, Finland and the last of the northern countries, Norway. The highest year-on-year increase can be seen in the case of Denmark, where the tax quota growth against 2004 for 1%.

Chart 6: Development of the compound tax quota in the Northern Europe

in % of GDP



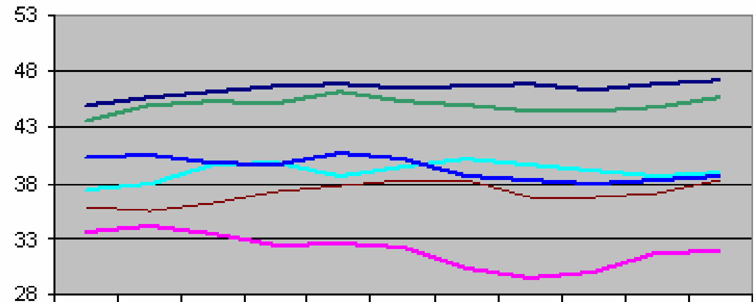
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Dánsko	49,6	49,9	49,7	50,1	50,7	50	49,2	48,6	48,8	50	51
Finsko	45,7	46,9	46,2	45,9	45,6	46,9	44,3	44,5	43,8	43,5	43,8
Švédsko	49	51,5	51,9	52,7	53,4	53,6	51,6	50,1	50,6	51,1	51,8
Norsko	42,3	42,7	42,5	42,3	42,6	43	43,2	43,5	42,8	44	44,5

Source: Data from Eurostat and European Commission Services

5. 3 Western Europe

From the member countries of the Western Europe dominates in the ratio of taxes to the GDP in 205 Belgium with 47,1% followed by France, The Netherlands, Great Britain and Ireland. The year-on-year increase of the tax quota reached in the case of all these countries 1% increase in average. We can see there, as in the case of other EU countries, the impact of the tax reform, which in 2001 in The Netherlands, caused more dramatic drop of the tax quota. Namely Ireland is a good example of well-done economic reforms, which shifted it from the position of the undeveloped country among the elite of the modern Europe.

Chart 7: Development of the compound tax quota in the Western Europe in % of GDP



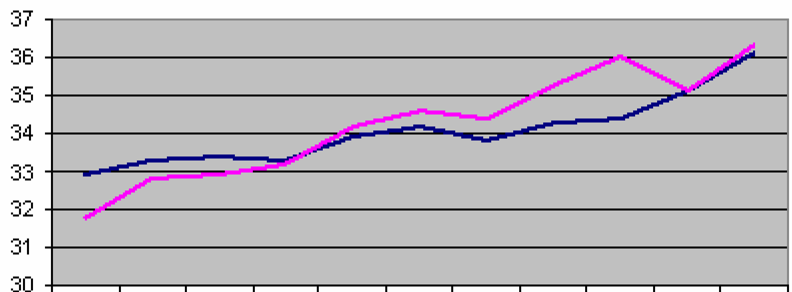
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Belgie	44,9	45,6	46,1	46,7	46,8	46,5	46,6	46,9	46,4	46,8	47,1
Irsko	33,7	34,1	33,5	32,5	32,7	32,3	30,4	29,5	30,1	31,7	31,9
Francie	43,6	45	45,3	45,2	46,2	45,3	45	44,5	44,4	44,7	45,6
Lucembursko	37,4	37,9	39,7	39,8	38,7	39,4	40,2	39,7	39,1	38,6	38,9
Nizozemnsko	40,3	40,5	39,8	39,7	40,6	40,1	38,7	38,2	37,9	38,2	38,7
Velká Británie	35,9	35,6	36,3	37,3	37,8	38,2	38,2	36,8	36,7	37,1	38,2

Source: Data from Eurostat and European Commission Services

5.4 South-west Europe

This is the case of Portugal and Spain. For these two coastal countries of the South-west Europe is characteristic the growing trend of the tax quota indicator. It is not possible to say that the development in these countries significantly differs from neighbouring member countries. Both counties show the height of the indicator in 2005 in the height of 36,3 and 36,1% what represents 1% increase in comparison with 2004.

Chart 8: Development of the compound tax quota in the South-west Europe in % of GDP



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Španělsko	32,9	33,3	33,4	33,3	33,9	34,2	33,8	34,3	34,4	35,1	36,1
Portugalsko	31,8	32,8	32,9	33,2	34,2	34,6	34,4	35,3	36	35,1	36,3

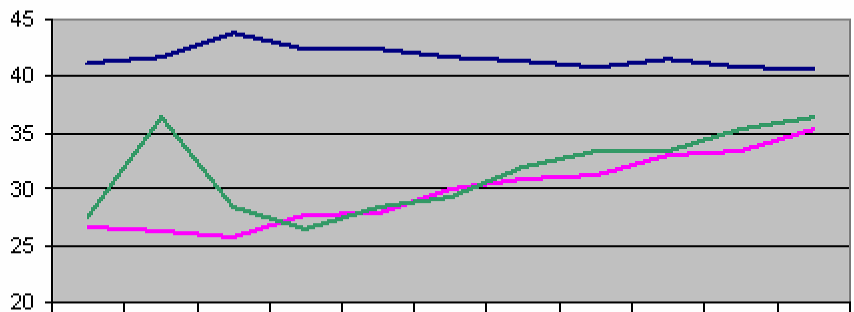
Source: Data from Eurostat and European Commission Services

5.5 Southern Europe

Three countries represent the Southern Europe: Italy, Cyprus and Malta. In the case of the last two countries it is possible to mention a rather high increase of the tax quota in 1997 – 2005. An independent development is recorded in Italy, which has a ratio of taxes to the GDP in 2005 for more than 5% higher than remaining two island countries. A sharp decrease of the tax quota on Malta in 1997 is worth mentioning, when this indicator fallen for almost 9%.

Chart 9: Development of the compound tax quota in the Southern Europe

in % of GDP



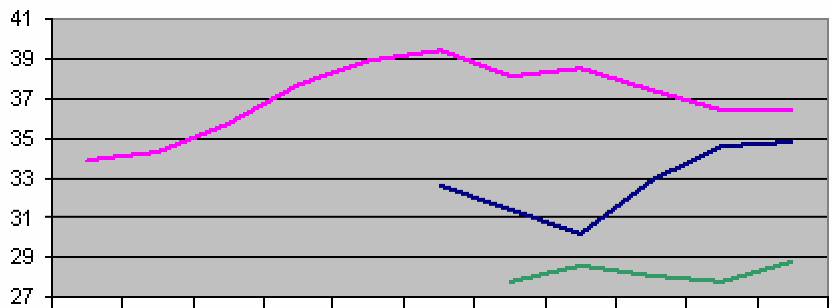
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Itálie	41,2	41,6	43,7	42,3	42,4	41,6	41,3	40,8	41,4	40,7	40,6
Kypr	26,7	26,4	25,8	27,7	28	30	30,9	31,2	33,1	33,3	35,4
Malta	27,5	36,4	28,5	26,6	28,4	29,3	31,9	33,4	33,3	35,4	36,4

Source: Data from Eurostat and European Commission Services

5.6 South-east Europe

Among the EU member countries has been since January 2007 ranked even the states of the South-east Europe Romania and Bulgaria. Unfortunately there were not found sufficiently long time series on basis of which could be analysed the development of their tax quota more precisely. The highest tax quota from the countries of the South-east Europe belongs to Greece. In 2005 it reached 36,4% and it is also not possible to pass over that the oscillating zone is in the period under consideration getting around from 33 to 39% (what is one of the greatest from the EU countries). Second placed Bulgaria followed by Romania 28,8%, which has got together with Lithuania the lowest tax quota from all the EU member countries. On 1st January 2005 was in Romania implemented straight tax what resulted in the increase of the tax quota for 1%.

Chart 10: Development of the compound tax quota in the South-east Europe in % of GDP



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Bulharsko						32,6	31,4	30,2	32,9	34,6	34,8
Řecko	33,9	34,3	35,7	37,7	38,9	39,4	38,1	38,5	37,4	36,4	36,4
Rumunsko							27,8	28,6	28,1	27,8	28,8

Source: Data from Eurostat and European Commission Services

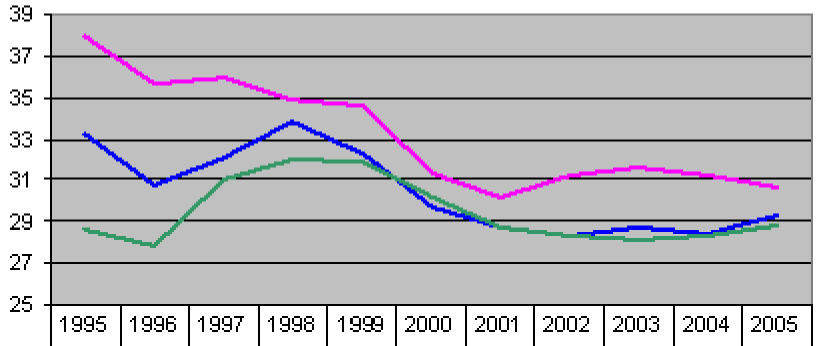
5.7 North-east Europe

The countries of the North-east Europe represent the most interesting chart of the tax quota development. It includes Estonia with 30,7%, Latvia with 29,3% and Lithuania 28,8% in 2005. Here is not even as interesting the year-on-year change[14] as the fact that in these countries occurs striking decrease of the taxes´ ratio to the GDP. In the case of Estonia is this trend stopped in 2001 when again occurs its "increase". To this situation certainly contributed the implementation of the straight tax in Estonia in 1994. On the other hand, Latvia and Lithuania had been drastically decreasing their ratio of taxes to GDP since 1998 till 2005, however in the last two years occurred a slight increase. In the case of these neighbouring countries was also implemented the straight tax, namely in 1995, thus one year later than in Estonia.

[14] Even though the decrease in the case of Estonia from 37,9% in 1995 to 30,7% in 2005 could be marked as a significant fall.

Chart 11: Development of the compound tax quota in the North-east Europe

in % of GDP



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Estonsko	37,9	35,6	35,9	34,9	34,6	31,3	30,2	31,2	31,6	31,2	30,7
Lotyšsko	33,2	30,8	32,1	33,8	32,3	29,7	28,7	28,4	28,7	28,5	29,3
Litva	28,6	27,9	31	32	31,9	30,2	28,7	28,4	28,2	28,4	28,8

Source: Data from Eurostat and European Commission Services

REFERENCES:

[1] BAILEY, S. J. *Strategic public finance*. 1st edition Palgrave Macmillan, Houndmills, 2004. ISBN 0333-9222-12.

[2] http://ec.europa.eu/taxation_customs/taxation/index_en.htm

[3] KUBÁTOVÁ, K. *Daňová teorie a politika*. 3.přepracované vydání. Praha: ASPI Publishing, 2005. ISBN 80-86395-84-7.

[4] MARVAL, J. *Daňová kvóta v ČR*. Brno: Centrum výzkumu konkurenční schopnosti české ekonomiky, 2006. 22 s. WP č.3/2006. ISBN 1801-4496.

[5] *Structures of the taxation systems in the European Union 1995-2003. EUR 28 (excl. VAT)*. Luxembourg: Office for Official Publications of the European Communities, 2005. ISBN 92-79-00337-2. Url: http://europa.eu.int.

[6] SZAROWSKÁ, I. Daňové zatížení v České republice a Evropské unii. In *Theoretical and Practical Aspects of Public Finance*. Praha: VŠE v Praze, 2007. ISBN 978-80-245-1188-7.

[7] *Tax policy in the European Union*. Luxembourg: Office for Official Publications of the European Communities, 2000. ISBN 92-828-8734-0. Url:http://europa.eu.int/comm/taxation_customs/publications/taxation/documents/fiscal_en.pdf.

[8] VANČUROVÁ, A. a kol**.** *Daňový systém ČR*. Praha: Vox, 2006. ISBN 80-86324-60-5.

[9] www.euractiv.com/en/taxation

[10] www.ey.com/global/content.nsf/International/Services_-_Tax_-_EU_Tax