Let's make the tax system more lovable

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Abstract

Making the taxes acceptable to large number of people by allocating their obligation to the chosen project is the main subject of this paper. In this way a greater objectivity, transparency and local goals are set in according to the preferences of the tax contributors. State Investment office prevents the rule of invisible hand of market by allocation part of tax money to the less developed regions reducing difference between them.

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Keywords: tax, principal agent problem, welfare

LET'S MAKE TAX SYSTEM TO WORK FOR US

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1. Introduction

It is not unusual situation to hear people complaining about taxes and that mood increases with the deadline for taxes to be submitted. Either they are not comfortable to pay a sum that they believe in many cases doesn't provide what is really needed, or not very custom to paper work which is the extra expenditure for paying the expert help. Time have its price and we all are spending it by paying some vague benefit without any clear aim worth paying (fighting) it for. In any case taxes are in large number of cases very negative category and this fact have universal feeling.

By hearing accidentally conversation of two very young people (maybe high school) in Croatia about their disagreement with town officials decision about making ski place out of citizen taxes and making justifiably that I established later that it will turn out as failure while the one who ski will in any case go and spend their money abroad (Austria, France, Italy). The ski is going to be build just for those who stay in town during the winter time and don't have means for this sport.

This is obvious case of the rushed city official decision based on the success of one female ski results and depicts small town mentality in the way to allocate public resources in the way that make some suspicion about priority of that decision and tax payer's agreement. This is how I came to the subject how principal spending agent's resources and what is to be done to approve situation. Although it seams hard problem still unsolvable by much greater economies and experts in the field some small steps could be made in order to make our life more tax paying pleas able.

More or less we have introduced ourselves with the obstacles in the tax subject and goes from the facts that: government is run by winning political party whose goals are sometimes in favor of their success and not supporting wide population benefit; lack of clear long term goals that are going to be obtained no matter of political power and easily and transparently communicated to the tax base; no quotes for certain programs, problem of solidarity between the richer and poorer areas, inefficient decision process made in number of cases without feasibility study.

On the side of tax payers: tax evasion in tax heavens and moving the whole production process in the area of less tax burden are common in companies daily operations thinking. In addition to that fact some charitable deductions are considered only by Board of Directors and doesn't involve employees what can also bring some suggestions. Population is burdened by obligation of paying money, spending the time in learning the tax system which is more and more complicated and inclined to be changed with the change of party system, don't share the vision of future benefits and are not provided with help even in the case of the lower income or no income members of society.

This paper discuses several options to be made in order to make tax system more pleas able. The first one is the clear budget for the next fiscal year and investment decisions to be publicly disposed. In order to make those agents should propose their programs and list of priority should be made. By submitting their tax application agents have the opportunity to choose which program they want to be financed by their money in the category of (health, kindergarten, school equipment, infrastructure objects, old care centers etc). An obligatory part should be allocated to the government and the local community, but all the other projects are publicly chosen and run to it. In this why agents participate in the decision about common goals, they are not passive bystanders and in they are more willing to participate in public life. By choosing the project that wish to finance, by following its development and being notified about final stage or making it operational agents are not inclined to make tax evasion, and principal decision are not based on small grope interest but more widely accepted, approved what make them real trustee of the public best interest.

2. How the tax system works

Pre words about taxes

A tax is a financial charge or other levy imposed on an individual or a legal entity by a state or a functional equivalent of a state. It may be defined also as a "pecuniary burden laid upon individuals or property to support the government [. . .] a payment extracted by legislative authority."

Funds provided by taxation have been used by states and their functional equivalents throughout history to carry out many functions. Some of these include expenditures on war, the enforcement of law and public order, protection of property, economic infrastructure (roads, legal tender, enforcement of contracts, etc.), public works, social engineering, and the operation of government itself. Most modern governments also use taxes to fund welfare and public services. These services can include education systems, health care systems, pensions for the elderly, unemployment benefits, and public transportation. Energy, water and waste management systems are also common public utilities.

The resource collected from the public through taxation is always greater than the amount which can be used by the government. The difference between resource collected from the public and amount used by the government is called *compliance cost* and includes for example the labor cost and other expenses incurred in complying with tax laws and rules.

Some economists, especially neo-classical economists, argue that all taxation creates market distortion and results in economic inefficiency. They have therefore sought to identify the kind of tax system that would minimize this distortion. Also, one of every government's most fundamental duties is to administer possession and use of land in the geographic area over which it is sovereign, and it is considered economically efficient for government to recover for public purposes the additional value it creates by providing this unique service.

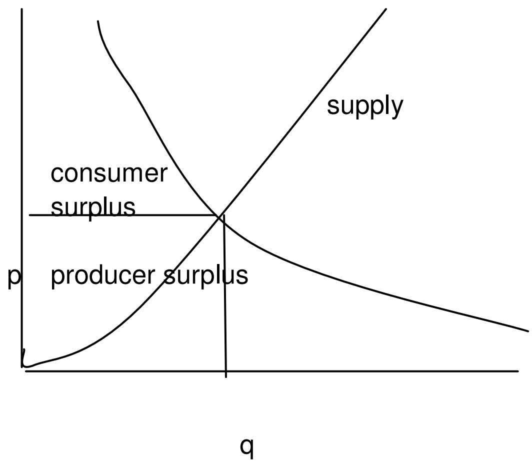
Since governments also resolve commercial disputes, especially in countries with common law, similar arguments are sometimes used to justify a sales tax or value added tax. Others (e.g. libertarians) argue that most or all forms of taxes are immoral due to their involuntary (and therefore eventually violent) nature. The most extreme anti-tax view is anarcho-capitalism, in which the provision of *all* social services should be a matter of voluntary private contracts.

There are many types of taxes or levies with different rates and purpose. They also vary across countries and we can observe some visible features of them but in most cases we can not trace types of taxes and final destination in any country that would be prior in advance.

What we can observe and look to is just the date tax freedom day which presents the first day in year in which nation as whole earned enough income to fund its annual tax burden. With this money all national strategic decision planned for the next period should be paid for, as well as whole team from government to administration in some government offices.

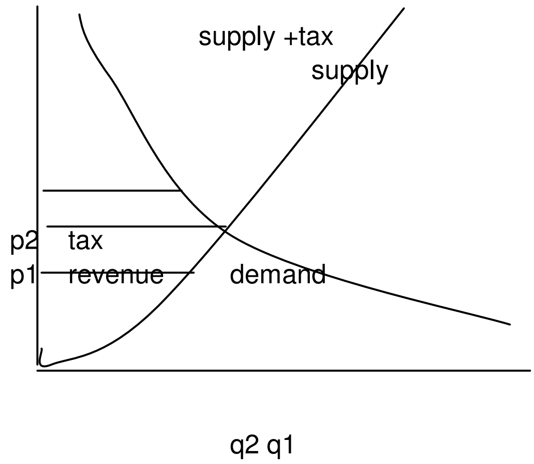
How the tax system really functions is depicted on the graphs that follow. In a good free market equilibrium is reached at quantity produced –q- and sold at the price -p-. Social surplus, here equal to the consumer surplus plus the producer surplus, is maximized (assuming that there are no externalities).

Picture 1



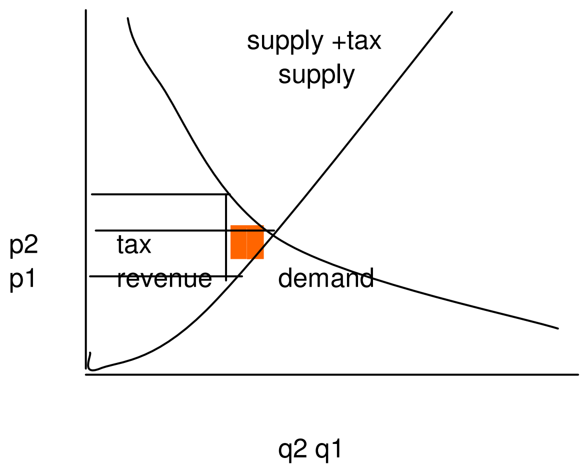
Picture 2 shows a marginal tax on production of a good. The tax charges a fee whenever a producer wishes to produce an extra unit of the good or, in the case of transaction taxes, when a consumer receives a good. When a marginal tax is placed on production, the market price will rise to –p2-, and since fewer consumers wish to purchase the good at the higher price, the quantity produced falls to –q2-. The government receives the amount of the tax for each unit sold, amounting to the region shown in grey. This is the revenue the government receives for this tax. The social surplus is now the consumer surplus plus the producer surplus plus the government revenue.

Picture 2



Note that in this situation, where price elasticity's of demand and supply are equal, the price of the good that consumers face (the market price) only increases by half the amount of the tax, the other half of the tax is borne by the producer. Thus both consumer and producer surpluses shrink by equal amounts. This property occurs infrequently. Who bears the cost of the tax is determined by the price elasticity's of the demand and supply of the good. For goods with inelastic demands (at least in the short-run) like cigarettes, and gasoline almost all of the tax is paid by the consumer. Alternatively, for goods with inelastic supply curves, like event tickets where seats remain fixed, the producer bears almost all, if not all, of the tax.

Picture 3



In addition to administrative costs, there are effects on economic efficiency that can result due to marginal taxes, in the form of a loss in social surplus (shown in orange). This loss is often called deadweight loss which is a loss created because potential trades (in the amount of q1-q2) are not executed. The deadweight loss is proportional to the square of the tax rate. Thus if the tax rate is doubled, the deadweight loss will quadruple. This means a small tax on a broad tax base (sales tax) would normally be more efficient, or result in less deadweight loss, than a large tax rate on a narrow tax base (taxing a particular good heavily).

The most common types of tax obligations worldwide are:

a) A capital gain tax

It is a tax levied on the profit released upon the sale of a capital asset. In many cases, the amount of a capital gain is treated as income and subject to the marginal rate of income tax. However, in an inflationary environment, capital gains may be to some extent illusory.

b) Corporate tax

Corporate tax refers to a direct tax levied by various jurisdictions on the profits made by companies or associations and often includes capital gains of a company. Earnings are generally considered gross revenue less expenses. Corporate expenses that relate to capital expenditures are usually deducted in full (for example, trucks are fully deductible in the Canadian tax system, while a corporate sports car is only partly deductible). They are often deducted over the useful life of the asset purchase.

c) Excises

Excises (or exemptions from them) are also used to modify consumption patterns (social engineering). For example, a high excise is used to discourage alcohol consumption, relative to other goods. This may be combined with hypothecation if the proceeds are then used to pay for the costs of treating illness caused by alcohol abuse. Similar taxes may exist on tobacco, pornography, etc., and they may be collectively referred to as "sin taxes". A carbon tax is a tax on the consumption of carbon-based non-renewable fuels, such as petrol, diesel-fuel, jet fuels, and natural gas. The object is to reduce the release of carbon into the atmosphere. In the United Kingdom, vehicle excise duty is an annual tax on vehicle ownership.

d) Income tax

An income tax is a tax levied on the financial income of persons, corporations, or other legal entities. Various income tax systems exist, with varying degrees of tax incidence. Income taxation can be progressive, proportional, or regressive. The "tax net" refers to the types of payment that are taxed, which included personal earnings (wages), capital gains, and business income. The rates for different types of income may vary and some may not be taxed at all. Capital gains may be taxed when realized (e.g. when shares are sold) or when incurred (e.g. when shares appreciate in value). Business income may only be taxed if it is significant or based on the manner in which it is paid. Some types of income, such as interest on bank savings, may be considered as personal earnings (similar to wages) or as a realized property gain (similar to selling shares). In some tax systems, personal earnings may be strictly defined where labor, skill, or investment is required (e.g. wages); in others, they may be defined broadly to include windfalls (e.g. gambling wins).Personal income tax is often collected on a pay-as-you-earn basis, with small corrections made soon after the end of the tax year. These corrections take one of two forms: payments to the government, for taxpayers who have not paid enough during the tax year; and tax refunds from the government for those who have overpaid. Income tax systems will often have deductions available that lessen the total tax liability by reducing total taxable income. They may allow losses from one type of income to be counted against another. For example, a loss on the stock market may be deducted against taxes paid on wages. Other tax systems may isolate the loss, such that business losses can only be deducted against business tax by carrying forward the loss to later tax years.

e) Import export tariffs

An import or export tariff (also called customs) is a charge for the movement of goods through a political border. Tariffs discourage trade, and they may be used by governments to protect domestic industries. A proportion of tariff revenues are often hypothecated to pay government to maintain a navy or border police. The classic ways of cheating a tariff are smuggling or declaring a false value of goods. Tax, tariff and trade rules in modern times are usually set together because of their common impact on industrial policy, investment policy, and agricultural policy. A trade bloc is a group of allied countries agreeing to minimize or eliminate tariffs against trade with each other, and possibly to impose protective tariffs on imports from outside the bloc. A customs union has a common external tariff, and, according to an agreed formula, the participating countries share the revenues from tariffs on goods entering the customs union.

2.1 Croatia

End users of the taxes collected in Croatia are Government with its thirteen offices (for public procurement, national minorities, gender equality, social partnerships, privatization and revision of it, legislation etc), thirteen ministries, with 27 Offices of the Public sector, and numerous offices of the state and local government.

All classes of taxes are implemented in the system (excises, tariffs, import taxes) and with progressive income type of taxation. There are still no taxation on capital gains on stock exchange. Taxes are collected during the year with the final income tax obligation for the adult citizens until end of February, while company are obliged to submit tax report together with other required accounting reports till end of April.

Although having clear and well communicated tax policy there are still lots of ambiguity on the side of general government deficit that was -4.9% of GDP in 2004. With the general Government debt in Croatia (2004) reaching 44,8% of GDP below the ceiling of 60% imposed upon the Euro countries by the Growth and Stability Pact, Croatia is struggling with a bigger public debt of 50.7% of GDP. The later amount is representation of consolidated debt of central government (85% of general government debt), the extra budgetary funds and the local governments augmented for the amount of guarantees. Croatia is facing the rapid growth of public debt due to the debt of extra budgetary funds, public enterprises and local government as well as guarantees. As part of the pre accession economic program agreed with the EU Croatia committed itself to gradual adjustment of its fiscal and structural policies. Ministry of Finance is responsible for the registration of guaranties but was still until end of 2003 and in 2004 shows some differences with the registration maintained by the Croatian National Bank.

The most important aim of the fiscal policy is fiscal consolidation to close the gap between savings and investment in the domestic economy which leads to determination of the balance of payments and rapidly increases foreign debt.

Although Governments aim to reduce deficit by increasing in revenues (taxes, eliminating the gray economy, collecting dividends from the public companies, receipts from the sale of GSM license, increase in excise rates on cars and tobacco,) and lesser extent in investment expenditures (especially in the Highway and Road Agencies) limit borrowing by local government and take measures to control health spending and limit the nominal stock of guarantees (especially for the rail road sector) it till now hasn't provide much success.

Policy implementation was not in line with its plans due to slippage in tax collection: shortfall of some revenues (dividends from the telecom company) increase in arrears in the health sector and increase in the ceiling for debt guarantees (restructuring the state owned shipyards).

Although with the very detailed budget structure there are still rooms for some flexibility through the provision in the Budget Act that allows reallocation during budget execution and a legislative device called Law on Budget Execution.

It is important at this stage to stress the fact that although the budget has detailed structure it is not based in any significant amount on program considerations and rules for reallocation expenditures no not differ among the reasons for reallocation such as changed macroeconomic conditions, new spending priorities but based on reallocation size (here are three major types reallocation of less (upon approval of Ministry of Finance) and more than 5% (Government permission) and that that de/increases total budget expenditure.

General government expenditure consists of 41% of GDP of State Budget, 6.4% extra budgetary Funds and 5.4% of GDP of Regional and local government. Croatia has a large sector of public enterprises compared to economies of similar size. Although Croatian Privatization fund manages a portfolio of more than 1100 companies outside the financial and utility sectors there are no clear rules for profit transfers from the public enterprises to the state budget.

Croatia has a large number of public enterprises many of which engage in quasi fiscal activities. There is no clear division of tasks concerning the oversight of public enterprises between the line ministries the Ministry of Finance and the Privatization Fund. It is important that the rules are clarified and that budget users are made accountable for the financial management of the public enterprises under their supervision. There is no clear distinction between the multi annuals expenditure totals of first level budget users (ministries and independent public law agencies) and line item estimates and no attempt has yet been made to estimate tax expenditures.

As addition to this Parliament has a minor role in the formulation of budget policy due to limited time in budgetary process that gives them a little chance for detailed engagements and analysis of its. They pay a little attention to implementation issues and budget credibility is enhanced only if there were an increase on deviations from budget amounts during the year.

The cash management system is featured by a heavy preventive control by the Ministry of Finance what is the consequence of the lack of budgetary discipline during budget execution. In another words while there is no control on the budget, control is relocated to the cash management process.

2.2. UK

Taxation in the United Kingdom may involve payments to at least two different levels of government: local government and central government (HM Revenue & Customs). Local government is financed by grants from central government funds, business rates, and council tax and increasingly from fees and charges such as those from on-street parking. Central government revenues are mainly income tax, national insurance contributions, value added tax, corporation tax and fuel duty.

UK source income is generally subject to UK taxation no matter the citizenship nor the place of residence of the individual nor the place of registration of the company.

Double taxation of non-UK income and gains is avoided by a number of bilateral tax treaties.

Income tax forms the bulk of revenues collected by the government. Each person has an income tax allowance, and income up to this amount in each tax year is free of tax for everyone. For 2006-07 the tax allowance for under 65s is £ 5,035.[1] Above this amount there are a number of tax bands - each taxed at a different rate: savings income (for instance, interest received from investments, and/or capital gains) is taxed at a lower rate of 20% (instead of 22%) within the basic rate band, and at 40% above it (over £33,300 in 2006-07).Income from share dividends is taxed at 10% up to the basic rate limit (£33,300) and at 32.5% above that. Capital gains are subject to tax at the marginal rate of income tax (for individuals) or of corporation tax (for companies).

For companies, the chargeable gain is calculated (again, in very broad terms) as proceeds less cost; however, instead of relief, companies are entitled to indexation allowance, which is calculated with reference to movements in the retail prices index (individuals are also entitled to indexation allowance prior to April 1998). Companies are not entitled to any annual exemption. Capital gains for individuals are taxed slightly differently from those for companies.

The second largest source of government revenues is National Insurance contributions (NIC), payable by employees, employers and the self-employed. Unlike income tax National Insurance is levied at 11% (that is, 11p in the £), but can be contracted-out for persons with a qualifying pension scheme with a reduction of 1.6%. There has also been the addition of a 1% rate on income above the upper threshold in recent years. Employers pay an additional 12.8% on earnings over the lower earnings threshold (£94 per week), but without the upper threshold, so total earnings are taxed at 12.8% per employee.

The third largest source of government revenues is value added tax (VAT), charged at the standard rate of 17.5% on supplies of goods and services. It is therefore a tax on consumer expenditure. Certain goods and services are exempt from VAT, and others are subject to VAT at a lower rate of 5% (the reduced rate) or 0% ("zero-rated").[6]

The fourth largest source of government revenues is corporation tax, charged on the profits and chargeable gains of companies. The main rate is 30%, which is levied on taxable income above £1.5m. In 2005-06, income below this level was taxed at 0% and 19%,[7] but with marginal reliefs in between the bands. The 0% starting rate has been abolished with effect from 1 April 2006.

There is also a Supplementary charge to Corporation Tax for companies involved in petroleum exploration (for example in the North Sea) which is levied at a rate of 20% for profits arising from 1 January 2006 (previously the rate was 10%).

Stamp duties are charged on, amongst other things, motor fuel, alcohol, tobacco, betting and vehicles.

Gifts made more than seven years prior to death are not taxed; if they are made between three and seven years before death a tapered inheritance tax rate applies. There are some important exceptions to this treatment: the most important is the "reservation of benefit rule", which says that a gift is ineffective for inheritance tax purposes if the giver benefits from the asset in any way after the gift (for example, by gifting a house but continuing to live in it).

Motoring taxes include: fuel duty (which itself also attracts VAT), vehicle excise duty, the London congestion charge and various statutory fees including that for the compulsory vehicle test and that for vehicle registration.

2.3 Germany

Taxation is one of the most criticized matters in Germany. Germans themselves assume that it is the most complex system in the world and we can agree if know the fact that the ten percent of the literature on taxation in the world refers to the German tax system. There are 118 laws, 185 forms, 418 exceptions and 96,000 regulations (just one comment to taxation covers 2,671 pages). There are nearly 100,000 instructions for the administration only referring to taxation (more than 28,000 pages). The complexity of the German tax system is a result of constant modifications prompted by political and corporate pressure groups.

Administration costs amount to an annual €3.7 billion for levying income taxes, which is approximately two and a half per cent of the total amount of income tax yielded every year (€150 billion).

Since tax regulations are frequently modified and hard to understand, people rely on tax advisors.

In 2006, the federal government plans to spend a total of 262 billion Euro, which include 38 billion Euro in new debts (as a percentage of the taxes go to the states, this is not the total amount of taxes). Of these, the five largest items are work and social welfare (120 billion Euro), payments for existing debts (40 billion Euro), defense (24 billion Euro), traffic (24 billion Euro), salaries and pensions for federal employees (8.5 billion Euro), and sciences (8 billion Euro).

Despite its image, taxation of corporations in Germany is only nominally high, but tax revenue is effectively low to non-existent. Corporations have to pay a certain percentage of earnings as tax. But the ways in which costs can be deducted from tax are numerous and powerful. After the tax reform of 2000 the corporate tax revenue sharply declined. All four corporate taxes (Körperschaftssteuer, Kapitalertragssteuer, veranlagte Einkommenssteuer, Gewerbesteuer) taken together have yielded only € 23.6 billion in 2000, minus € 0.4 billion in 2001 and € 2.9 billion in 2002. Considering the size of the German economy and the record high earnings of German blue chips this situation is nothing short of preposterous to ordinary Germans.

Small businesses, however, struggle with the high nominal taxation, as they are often unable to utilize the numerous loopholes. Also, freelancers and entrepreneurs run into this problem. If their profits must be predominantly used for living expenses on a regular basis (rather than saving profits for more than a ten year period), there is no way the money can be saved from the high nominal taxes.

Germany's individual tax rates vary with the income, that is the tax rates are progressive as they are in most industrialized countries of the west. On salaries and wages, income taxes are paid as you earn. Income taxes have been reduced recently, and the maximum marginal rate is 42% in 2005.

By law, employees pay "as they earn" a compulsory fee for their individual social security of approximately 20-21% of what they earn. The same amount is paid by the employer into the bargain, which is a continual contentious political issue in Germany.

Health insurance is 6% - 7% of taxable income (before tax, minus deductions). Pensions insurance is 9.65 %, unemployment insurance is 3.25 %, and health/nursing care insurance is 0.85% of taxable income. In total, this is around 21% of your taxable income. These payments are partly subject to a tax relief or tax deductions. Employers have to pay the same amounts that go into the social security of the individual employee.

German pensions are currently not taxable at retirement age. If the earnings of an employee are above a certain limit (about €46,800 in 2005), he or she can opt for a private health insurance policy, which can be considerably cheaper, especially when the employee is young and unmarried. The national health system is a family insurance, covering spouse and children. Private insurance covers children, until they work themselves (and therefore fall into the mandatory public insurance).

2.4 Canada

Approximately 70% of the Canadian government's income comes from taxation, the rest from tariffs, fees and investments.

Both the federal and provincial governments have imposed income taxes on individuals, and these are the most significant sources of revenue for those levels of government accounting for over 40% of tax revenue. The federal government charges the bulk of income taxes with the provinces charging a somewhat lower percentage. Income taxes throughout Canada are highly progressive with the high income residents paying a significantly higher percentage than the low income residents. Canadian income taxes are still less progressive than those of many nations.

Where income is earned in the form of a capital gain, only half of the gain is included in income for tax purposes; the other half is not taxed.

Personal income tax can be deferred in a Registered Retirement Savings Plan (RRSP), a tax sheltered savings account or mutual fund that is intended to help individuals save for their retirement.

Companies and corporations pay tax on profit income and on capital. These make up a relatively small portion of total tax revenue. Tax is paid on corporate income at the corporate level before it is distributed to individual shareholders as dividends. A tax credit is provided to individuals who receive dividend to reflect the tax paid at the corporate level. This credit does not eliminate double taxation of this income completely, however, resulting in a higher level of tax on dividend income than other types of income. (Where income is earned in the form of a capital gain, only half of the gain is included in income for tax purposes; the other half is not taxed.)

The federal government levies a multi-stage sales tax of 6% on goods and services (7% prior to 1 July 2006), that is called the Goods and Services Tax (GST), and, in some provinces, the Harmonized Sales Tax (HST). The GST/HST is similar to a value-added tax.

The municipal level of government is funded largely by property taxes on residential, industrial and commercial properties. These account for about ten percent of total taxation in Canada.

Both the federal and provincial governments impose excise taxes on inelastic goods such as cigarettes, gasoline, alcohol, and for vehicle air conditioners. A great bulk of the retail price of cigarettes and alcohol are excise taxes. The vehicle air conditioner tax is currently set at $100 per air conditioning unit. Canada has some of the highest rates of taxes on cigarettes and alcohol in the world. These are sometimes referred to by Canadians as "sin taxes".

Federal taxes are collected by the Canada Revenue Agency (CRA), formerly known as "Revenue Canada" or the "Canada Customs and Revenue Agency".

Under "Tax Collection Agreements", CRA collects and remits to the provinces: Provincial personal income taxes on behalf of all provinces except Quebec, so that individuals outside of Quebec file only one set of tax forms each year for their federal and provincial income taxes.

Corporate taxes on behalf of all provinces except Quebec, Alberta and Ontario. Provincial sales taxes in New Brunswick, Nova Scotia and Newfoundland and Labrador.

3. What are the problems in current tax system

Up to know it is quite clear that the taxes involves involuntarily obligation with partly agreed delegated decision making. Under second term it is understood principals (P) obligation and right that in election term chooses his agent A to make decision, collect, allocate and spend tax money. Problems would not exist if interest of P and A are identical and principal has complete information about the decisions, their consequences and can perfectly observe agents choices than there is no difficulty for P in ensuring that A acts in her interest.

But praxes often reveal situations where P can not even partly observe agents decision and is not fully believed that he works in his best interest. The most extreme examples are situation where government is not fully supported by conduction the war (maybe latest USA led war in Iraq can be seen as an example of this kind).

Problems that are present in this case is the situation where both tax payer (principal) and decision makers about usage of taxes (agent) know that agent has information that is valuable to P but which P can not observe. This problem in literate often referred as hidden information is contra productive and main mile stone to be moved in order to make tax system more agreeable to pay.

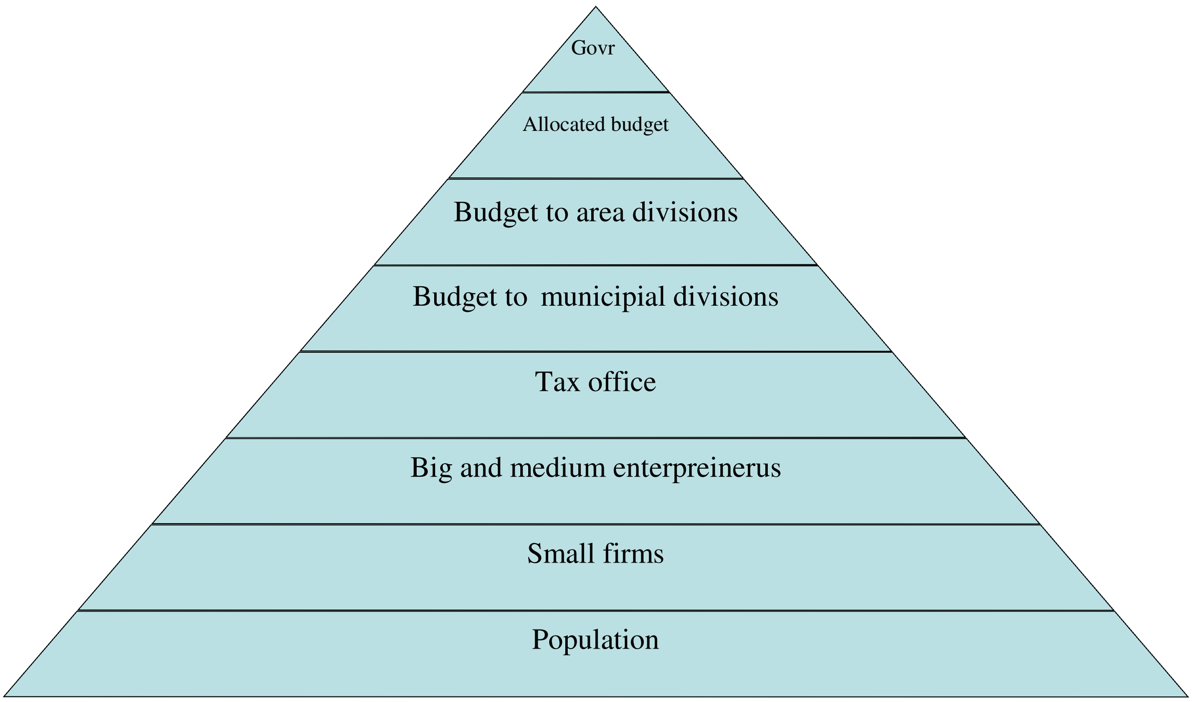
The second problem common in all states is the problem of moral hazard in both ways where agent can not observe the actions of principal but and vice versa action.

The problem of this relationship is also that principal is seeing as Satckelberg leader in than way that he decide about party (in the malty party system) which is going to control state budget. But once that he do that he can't renegotiate his position ex post and this situation stays at least for four years as long as the party holds majority seats). Although later principal can collect more information about effectiveness and choices made by agent, he can not influence the majority of their decisions.

Each group is placed in the two role chare and represents agent and principal at the same time, but with different obligation and possibilities to avoid, reduce or turn an obligation into his own interest.

3.1 Broadest tax base

Tax obligation is the bourdon for each legally abiding tax paying category but still some specific types of obligation are observed among each group. Broadest tax base exhibit tax avoidance due to lack of understanding their obligation or rights, problems of additional expenditure by paying tax advisor, paying the smaller income taxes by reporting smaller amounts of money earned. They are in majority of cases the largest base of tax revenues while beside the income taxes, they pay taxes on all the products they use (VAT, company impose all tax obligation in the price of products, excise, import tax, tax on property, dividends).Almost all their activities are subject of tax obligation. Problem with this group is that they have to bear the biggest bourdon but the privileges are very unequally distributed. Except the right to vote, for many of them doors of decision making and money distribution and usage stays pretty much closed.



3.1 Medium or small size companies

Smaller size companies need to cope with complex tax policy and regulation on one side, implementation in its system and fight for the market position with much stronger Goliath that is larger companies. In many development countries they need to satisfy the local political feelings in order to be left to pursue its business objectives so they political opinions changes with each different political wind. This situation further deteriorates healthy business climate and brings to one mind system at one side and the large conglomerates at the other.

Main types of tax avoidance are smaller income payment to workers which reduces their tax obligation, expenditure overstatement in order to decrease tax on profit, or finding the tax heaven shelter to transfer some of its income. The unsuccessful small companies can be forced to close up if playing according to rules by paying all obligations in the legally abiding way what makes them uncompetitive in comparison with the similar size companies that employees tax avoidance tactics, or with the bigger companies that benefits from the economies of scale, project diversification and better opportunities on the market. Being in the sandwich between similar companies same size that avoid some of the tax obligations in the way reducing costs and offering better pricing on the market and the bigger companies , this situation puts pressure on smaller companies making them very innovative in its business, forcing them to consider bribery or chasing them out of market.

3.2 Medium and big companies

Small and big companies should follow regulatory procedures regarding taxes in a vary different ways on which the most common are reporting and payment of income taxes, taxes on dividend and profit.
Although contract between the principal (in this case the state) and agent (company) is one way direction, state can only induce power in the cases of control and suspect low levels of payment. Interests of agents can differ depending upon enterprise ownership or the management policy. This further leads us to the numerous new principal agents' relations with contracts that can induce good or bad tax behavior.

The first relation sealed with contract is between the owner of firm and managers. Manager is usually rewarded for achieving a bigger profit while making dividend and stock price on the exchange bigger, providing return on invested capital favorable to investor. While owner can't observe and control fully managers business decisions, he can be easily deceived by some creative accounting praxes that goes from artificial profit making, by decreasing expenses on the count of capital, or by making some risky investments and speculate with the owners money.

The number of owners can be large that bear the risk of profits, but on the other hand with their portfolio diversification they reduce their own risk and in that way lower the level of company control. The only way of their dissatisfaction with the companies performance is visible by share selling. This is partly constraint on manager's incentive to increase profit results and stop devaluation –in the case of stock sell- or in the worse case for his own private interest to get lower management fees and limited amount of time spend on the top of the company. Managers will choose output and input levels, investment plans in the light of effects on the determinants of their own satisfactions taking account of shareholders interests only insofar as they represent an externally imposed constrained.
The manager objective are characterized by a single maxim such as: sales revenue and growth or by utility function defined on variables which more directly reflect managerial preferences such as expenditures on staff.
The interest of shareholders are expressed by a minimum profit constraint rationalized as the amount required to avoid takeover and allowing the firm to make less than maximum profit.

Asymmetry of information is present between managers and owners. If an owner knew as much as the manager about the profit making possibilities of the firm the owner could threaten to punish observed deviations from profit maximizing behavior and so ensure that they did not take place. But on the other hand if owner perceives that the manager's information is inevitably going to be superior to his own then he can try to devise a contract which takes account of this asymmetry of information and provides the manager with an incentive to take at least some account of the owner's objectives.

This is the situation when principal –P- employees agent –A- to carry out activities on his behalf. Agent A must choose some decision variable –e- which determines an outcome -x=x(e, Q)-. In this function –Q- is a random variable with known distribution. In the moral hazard case agent must choose -e- before –Q- is known. Principal observes the outcome –x- but cannot observe –e- or –q- and is unable to ensure that –A- in fact chooses the level of –e- principal consider right. The next problem is to design a contract that reward –A- according to the outcome value –x- taking into account any tendency agent might have to chose a value of –e- which is non optimal for –P-.

In a second type of model in the literature known as adverse selection agent knows –q- before –e- is chosen, while again principal cannot observe –e- or –q-.But principal knows that agent knows –q- so faces the problem of designing a contract which induces agent to reveal the true value of –q-.

The reason why neither owner nor tax collector that is government can fully comprehend managers behavior and have contract that best serves its interest is possibility to come to complete contract. At the time contract is made there is generally Incentive for managers to rise profits or income depend whether the company operates in the capitalistic type of business where profit maximization is the main goal, or the labor managed firms where the rise in revenue means possibilities for the new workers to be employed.

In the first type of firm, if owner does not know how to run company he will relay upon managers decision. If the –E- is denoted as managers effort supply, and the -P(E)- company profit before the managers pay is subtracted, and let's say that –I- is the manager's reservation indifference curve. If the managers pay –y- and profit is presented on the vertical axis -I- shows the set of -(E, y)- pairs such that the manager is indifferent between working for the firm and taking his next best employment opportunity. Assume that managers utility function is quasy linear $u(E,y)=v(y)-E$ where $v'>0$, $v''<0$.
-A's- reservation utility level –u- is the utility –A- derives from the next employment. Thus the highs of –I- measures the cost of -A' s- effort to owner by setting:

$v(y)-E=u$
and by solving we can write
$y=v^{-1}(u+E)=y(E)$
Owner's income from the firm is the companies profit so he needs to maximize the equation to:

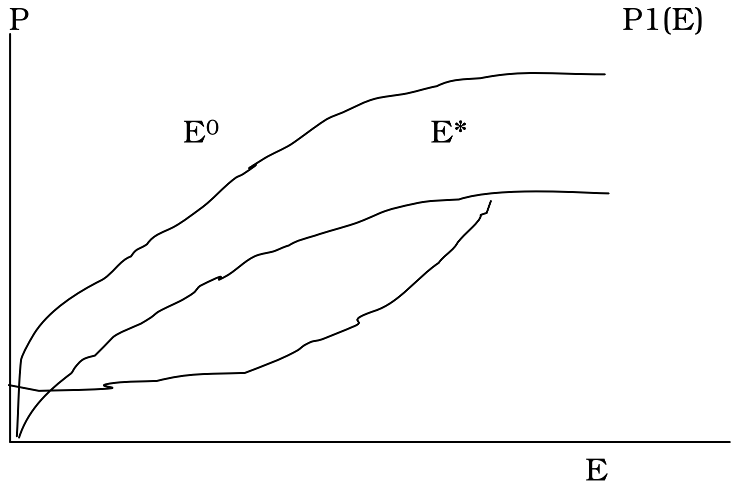
$$\text{Max} \quad P(E)-y(E)$$
$$P'(E^*)=y'(E^*)$$

If the owner knows the profit and -y(E)- functions and can observe the gross profit outcome -P(E)- or -E- itself then he can engage the agent on the contract which specifies the payment $y^*=y(E^*)$ conditional on the profit outcome being
$P(E^*)$ and which pays $< a_0$

Any outcome other than $P(E^*)$ results that agent does the best by supplying E^* since any lower E can be detected and results in lower utility $v(y^*)-E^*=u^0$.
When owner can not observe agents choice directly and is faced with uncertainty possibilities for hidden actions type of agent principal model arises.
If the principal can observe the $P1(E^*)$ or $P2(E^*)$ he will pay y^* he can $P2(Eo)$ he pays which satisfies:
$vp(y^*)+(1-p)v(y)-E^0<u^o$

If the owner wants agent to accept the contract that agent's reservation expected utility constraint is satisfied for each choice of Ei.

$vp(y1)+(1-p)v(y2)-Ei>u^o$
Where E can take h or l effort levels and is expected utility agent would receive in his next best employment.



So, this example shows that nature of the principal information is crucial. But in many cases principal can not observe the agents choice of decision variable so asymmetry of information occurs. If some outcomes have zero probability of being observed then principal can impose sufficiently large penalties he can ensure that agent acts in his best interest. A problem arises when there is no chance that principal will have clear evidence that agent has not acted in his best interest. In this case he should offered agent and contract which will provide him with an incentive to make his choices more closely to principal interest. This means that payments to manager increases with the profit of the business.

Major companies faults to tax collectors:

-tax evasion

Tax heavens are made solely for the tax avoidance behavior, supporting business run off and making some of the managers and owners richer than before. With the help of small banks, even post offices significant amounts of money is saved for company and make country a little bit poorer for the money that could be otherwise spend on social activities.

-lower wages and payment through other means

Transition countries especially Eastern European countries are struggling with grey economy that has its ways in reducing tax obligation. By lowering the wages and paying the minimum amount to worker in order to reduce contribution and tax charges, an employer pays' a salary to worker by offering him additional means that are tax profit deductible such as more travel, education, etc.

-creative accountancy
Mangers can use wide variety of means to increase or decrease expenses and in that way influence level of profit. This game is not out of law and without consequences for workers, but by lowering tax obligation some other aspects of society could be found in difficulties.

-moving the production to more cost and tax favorable areas
Many conglomerates quickly move their production to the area with favorable tax condition or cheaper labor force. Government should carefully review all the consequences of lowering tax rates, introducing flat tax in order to attract capital and boosts foreign investment.

-the lower profit the better in the socialist economies
There are many cases where the workers own the firm. In that case they are rewarded for supplying labor by a share in the surplus of revenue over payments to all the non labor inputs. In such a firm if capital is fixed, and employment variable the firms production function is q=f(N) with
$f_N > 0$ $f_{NN} < 0$.

If such company sells into a perfectly competitive market with price –p-, and –F- are the fixed costs then each worker receives an income –y- by:
$Y=(pq-F)/N$
and while workers own the firm they share its profits.

The second assumption is that company is trying to maximize this income per worker and having for its aim to
max –y- the first order condition is
$Pf_N (N^*, K) = [pf(N^*, K)-F]/N^*=y^*$
which determines optimal employment N*.

The company sets employment at a level that equates the marginal value product of labor to income per worker. Employment will be expanded as long as an additional worker adds more to revenue than she is paid.

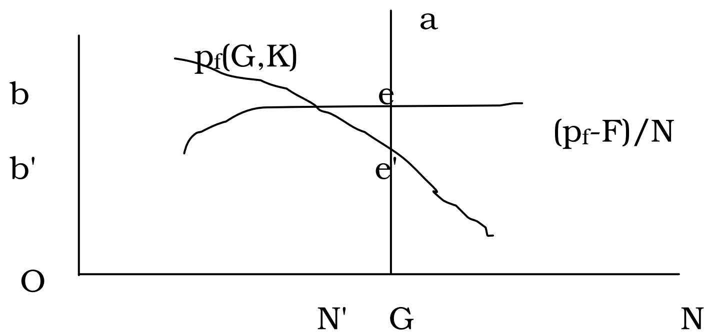
If the market price rises we can differentiates equation to obtain:
$=f_N < 0$ since $f_{NN}<0$ implies $f_N< f/ N$.

An increase in the market price reduces the firm's employment level, and hence its output.

When the market price raises the marginal value product of labor curve which is the labor demand curve of a capitalistic firm shifts up but also does the curve of income per worker. Because of the presence of the fixed cost the latter curve shifts upward by more than the former and that results in falling of the employment as intersection of the two curves. The cost of the marginal worker rises relative to the contribution to revenue she makes and so a firm seeking to maximize income per worker would fire her.

In their way main difference between two types of companies is made. While capitalistic firm discriminates among owners in the return it pays on capital suppliers of a new capital may well receive a lower rate of returns than existing owners and this makes an important difference in decision on input level.
Labor company is a non discriminating firm in the sense that a new worker receives the same income or profit shares as existing workers.
If the new worker is hired at a market wage rate rather than at a profit share equal to that of existing workers then it is easy to show that employment will equate the marginal value product of labor to the wage rate and the perverse effects of changes in than output price disappear.

Labor factory has in its nature social objectives which are total maximization of the total income accruing to all population of workers. As long as an extra worker adds more to the firm’s revenue then –b- total income is increased by employing her.



Since workers will supply labor to the labor firm rather than remain unemployed if they receive an income of at least –b- the curve –bea- is a supply curve of labor.

A conventional capitalistic firm would also presumable be able to hire up to g workers by paying a wage of –b- and it would maximize profit by employing workers up to the point where pf_N=b. If the supply curve is -b'e'a'- the workers would be better off with labor company than working for a capitalistic firm. The labor company would pay them each an income of pfn(g,k), while capitalistic firm would only need to pay each of them b'<pfN(G,K). In this case social objective in labor firms are met better.

3.3 Government

The large number of Parliaments around the world is made of at least two different parties. Multy party system regularly induces strong competition in the pre election as well as in later periods when some decisions need to be voted. Bombed with all kinds of good messages about brighter future people are often reflected by lights and do not fully comprise the consequences of their decisions what results in later regrets. What seams to be good solid political and economic plan turns out later into unrecognizable event or fiasco. Maybe some other more important goals are perused but this happened often with minimum or without explanation. The worst thing is that situation reappears again, each election term candidates are better and better with more promising prospects for everybody, but at the end- often a little is done. While we can't change the system which we have organized for ourselves due to its long term tradition in democracy let at least look at it a little bit deeper with more understanding.

The first question that should be raised is question of willingness to pay and the second important issue is this obligation communicated and understood well from the obligation, allowances till usage if this means.

We can all agree that taxes are in many aspects obliged money collection to government to whom we maybe did not vote. The government once elected usually behaves as agent of the huge public but with mechanisms to induce its will boundlessly. Programs that rise up suddenly are perused while major party have democratically decided to; some humanitarian and health care aims so important before now steps aside while party is strongly backed up by some industry goals. Taxes could be increased to the environment what could lead to decrease in harmful gasses. Mechanism of principal is to be wise and patient and wait for another election term or in the cases of strong disagreements make demonstration. But demonstrations are enlarging number of cases and consequence of inner or outer money supported act, and not for the two to three percent rise in the taxes.

But still stays the question if the government rise taxes are it clear in advance ranges of money collected and purpose for spending? In majority cases, I would strongly say no.
Communication can be divided into three basic category of knowledge

1. firstly – obligation
2. secondly- allowances
3. thirdly –usage of this means

In order to reduce all ambiguities each communication and duty point should be clearly stated while line where government connects with tax payers and goes from one role to another (principal/agent) special attention should be done.

4. Lets do taxes

In order to come to the better prospective in our tax consideration author proposes several steps to be implemented in the system in order to achieve its purpose as the people money spend for the people aims:

1. Make tax payments, obligation and end decision transparent

2. Do allow free of charge tax services for the groups that are infavourable situation in comparison to other income groups (immigrants, self supported women with children, old people, minorities, low income groups etc)

2. Make the fiscal year decisions transparent with clear long term strategy and goals which are agreed by all parties and followed no matter of party change. These objectives should be displayed on the internet pages and building of local and state government official buildings.

3.By submitting the tax obligation each legal subject could choose among different proposed projects to be financed by his money, should be notified about this project until end of it and could actually be part of later activities surrounded by it (running, charitable work, further donation, right of certain decisions, passive management, etc)

4 Transparency in projects that are to be made by public money are of the primary importance. Strong human and number reasoning comprised in the feasibility study, long term common goal aim and possibility to come to the waiting list or get the opportunity to submit a plead to a court in charge for the tax issues.

5. In order to avoid less eager and no many good ideas and need to be done proposal in line with the more wealthier investors state should provide for limited amount of programs free assistants in legal and economic advices how to prepare thorough feasibility study and reach investors, decision makers and public that should have the last word.

6.Comittee of experts varying from independent to representative from each party need to be in the   Committee that judges from the expert point of view investment proposal, list them according to long term country economic, social and cultural aims.

7. If the surplus of tax money is collected it should not be spend unwisely but invested in Funds, Property, and earn interest for the period when these means are going to be spend in the agreed manner publicly announced

8. Do avoid explanation of the Ministry of Finance that allocation of tax money is impossible to make and complicates there decision process about money allocation.

9. Budget should be carefully considered, for each party to be taken time to study the material in order to prepare in more quality debates

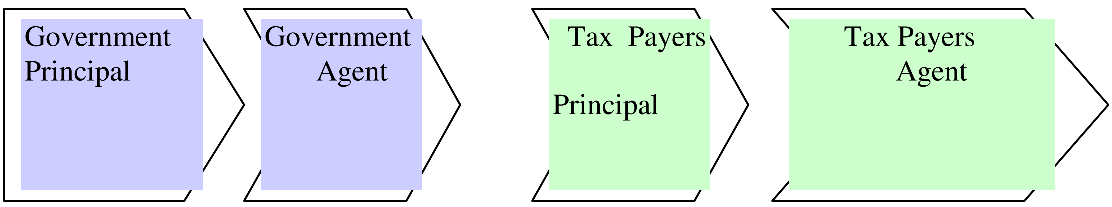
10. Time management of money

5. We talk about numbers and people-econometrics of daily life

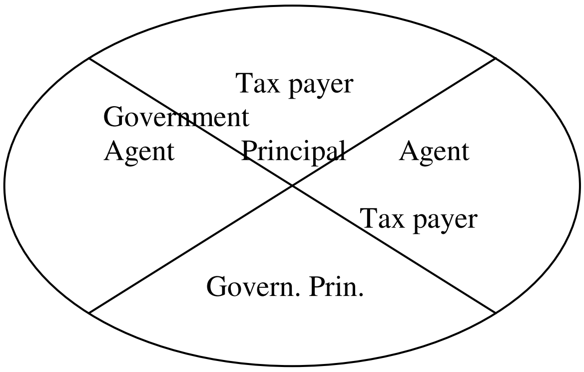
When engineers build a building or a home they try to make as much space as possible functional, to make building part of the environment, use the energy in order to improve energy efficacy, enriched it with greens and flowers. It is the case with a good carpenter to make things fit good into each other, or tailor –the skirts has to fit and make someone to feel more beautiful .

It is a little bit harder to social engineers while they have to think about huge amount of different aspects and deal with constant change of power, opinions, influences etc. But the common goal of building a good, prosperous, healthy environment should be underlined under each strategy and society should have some steady growth path toward a better life. In that context these violent act of having to pay something to "unknown someone" need to be corrected and seeing as lovable act of common pursuit for better life. Maybe today is utopia to talk about smiling faces who are rushing toward tax offices in order to pay their common contribution but can we make this situation a little bit better or do we try to make it better?

In order to make it more acceptable if not totally act of love we need to understand the fact that each participant is actually agent and principal and these different roles need to be engineers as better as possible.



Gaps between the roles need to be fitted as much and as better as possible by making the system transparent and acceptable for majority. In that way we would not have the separate entities of government on one side and payers at the other but the ring of people who acts in the best interest agreed.



The process of making this parts more coherent to each other is seeing in following scheme. During the whole year investment office collects investment suggestions, proposes and calculate feasibility studies including financial, economic and environmental parts. List projects for tax payers and collect results. If the project collected enough means (tax money) start investment with procurements and construction. At the end of project notify Government and tax payers about investment and future operations. If there are no enough money for certain project investment office invest collected money, keep it to next year tax payment obligation or make some other financial schemes.

Investment Office collects proposals for the investment projects that are useful for community, financially , environmentally or socially beneficial

↓

TAX DEADLINE –tax payers need to submit yearly tax report and choose among projects

↓

25% Tax payer chooses the project he would like to finance -locally

25% Tax payer chooses the project he would like to finance –state level

50% Tax money goes to fixed budget costs

↓

Projects are listed, according to money collected and sorted in Invest.Office

↓

Tax payer is notified about decision, start of project, and all the other relevant data

↓

If having enough money project goes to verification :
State project to Government
Local project to Local authorities

↓

If verified project got number, start procurement procedure, schedule of implementation and project starts

↓

Project is followed through the whole life
Start of work, revenue, costs, benefits to society, information is publicly announced and tax payer has certain rights to have priority at work place, or to volunteer and this way he is part of the tax process and willingly contribute in order to receive some visible chosen future benefits

5.1. Government

Clear yearly, middle term and long term tax strategy with transparent long term revenue plan published. Analysis and explanations made by each category.

Expenses divided into three categories: Administrative, Social Welfares and Programs. Each department and category should have long term plans in which proposes programs, savings divided into fixed and variable costs.

Example of one cycle through charts and numbers is depicted as follows:

a) Revenue

	Explain Changes Describe	Year1	Year 2	Year 3	Year n
Taxes					
Type 1					
Type 2					
Contribution					
Excise					
Dividends					
Other					

b) Expenses

	Year1	Year 2	Year 3	Year n
a) Administration				
b) Social Welfare				
C1)Investment Office-state level				
Program 1				
Program n				
C2)Investment Office-locally				
Program 1				
Program 2				
Program n				

c) Administration plan-programs and savings

	fixed	variable	fixed	variable
Social security				
Economic issues				
General Public Services				
Education				
Public order and security				
Defense				
Promotion of living standards				
Culture, sport, religion				

d) Each Department publicly announces mid term plan and suggested programs

	Year1	Year 2	Year 3	Year n
Social security				
Program 1				
Program 2				
Program n				
Economic issues				
Program 1				
Program 2				
Program n				

5.2. State and Locally divisions for Investments

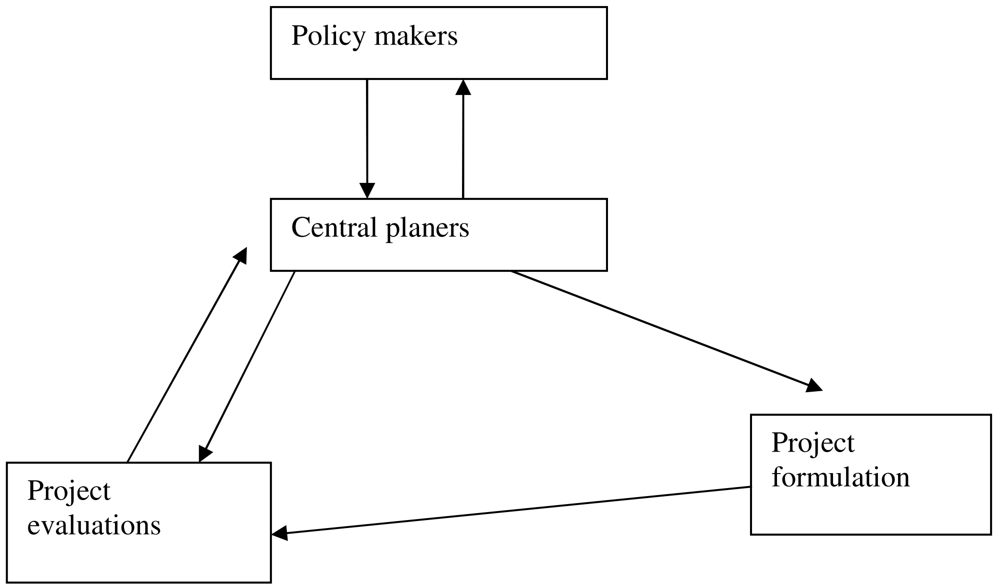
The main connection between the tax payer and Government or collector and distributor of tax money should be an independent office for Investment. Based locally and on the state level need to be in action 365 days a year in order to collect investment proposals, calculate and made feasibility studies, compare project made financial and economic analysis, rank the project according to tax payers lists, make suggestion about financing, start the project , find contractors, conduct procurement, and follow the project until is done. Keep the registry of donors to the project and collect financial reports afterwards in order to

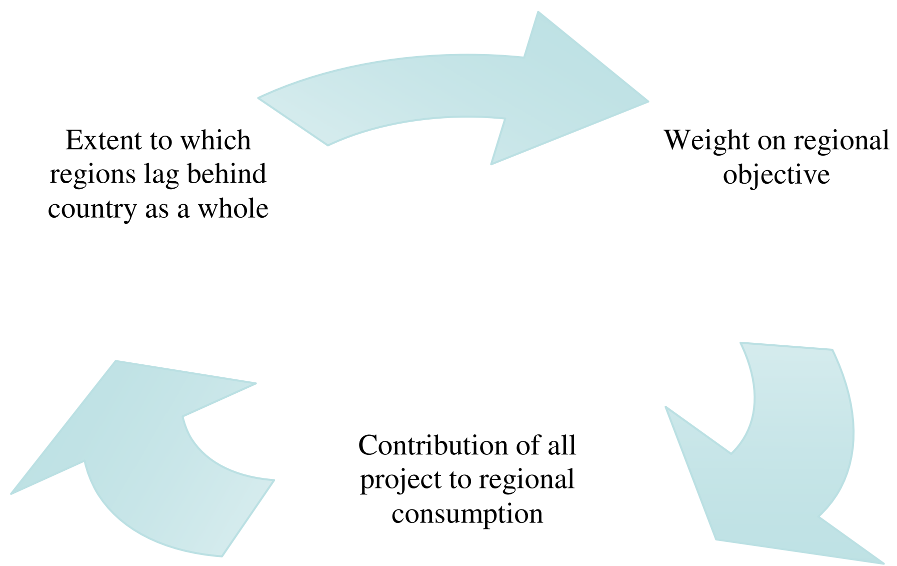
The questions that need to be answered properly , well studied for each proposal and publicly announced are presented in the table below:

What?	Product, service, technological changes
Where?	Locally, regional market,
Who?	Owners, suppliers, government, owners, stock holders
How?	Current status, milestones, schedule, costs, grants, investments
Why?	financial, social, environmental benefits
What if	Sensitivities concerning financing, technology, environment, macroeconomic and global parameters
To whom	Market, users

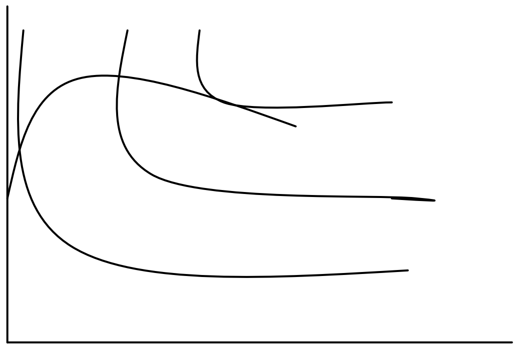
In this way Investment Office reduces distance between the tax payers and users of their money like an zone that explains, encourages, help and make suggestions of useful project to society. Tax payers would not see the tax obligation as some very complicated activities in which they have no part but be active participant that actually decides what is to be made with their money.

Local office is familiar with problems and priorities of local population and by cooperation with the central investment office supports development of all regions. In this way by making, analyzing and implementing all data regional consumption is increased equally. If weight is put on macroeconomic main factors (unemployment, wage, housing) of each region the best possibilities of region is put into objective in order to achieve better prospects and for less developed parts.


Policy makers
Central planers
Project formulation
Project evaluations


Extent to which regions lag behind country as a whole
Weight on regional objective
Contribution of all project to regional consumption

Regional consumption



Aggregate consumption

Duties to be conduct by investment offices are:

During the year collecting and proposing the investment project

↓

Preparing the feasibility studies with financial, economical, social, environmental considerations

↓

After tax submission deadline collects results, priorities projects and make the proposal to local or state authorities

↓

Procurement, project followings, reports of project status

↓

After project is activated informed all relevant parties, public, tax payers, authorities. Have the data base of further project business results.

5.3. Tax payers

Two cases of tax payer influence on the government decisions are presented. The first one is decision about two projects for community among government has to choose and the second one is the employment of armed forces on the territory of some other land.

a) Two inclusive projects

Two inclusive projects in one local community are proposed. One is new hospital another building the football station. While the first one contributes to society, second could aggregate certain profit but is useful for limited purposes.

↓

Tax payers decided to allocate their tax money half to the one and half to the other project. So there are no enough means for neither of them. Investment office decides to invest money for a another year to make a revenue and considers further financing options.

↓

Next year tax payers decide to which project they choose and allocate their money. If the project qualifies with 70% of initial wealth , investment office can borrow of consider some additional capital and start projects

↓

After completion revenue from activities are employed (rent of shops in hospital) revenue from football tickets.

↓

Profits from profitable projects are further injected into other projects

b) Tax payer decision

Tax payer in this system can influence strategic government decision if not in short but surely in the mid term period. Discrepancies in opinion can leveraged after tax payers decide not to participate in troupe employment in some other region other than domestic. They decide to allocate their money to some other programs if consider program questionable and force Government on additional borrowing or troupe withdrawal. In this way strategic decisions are truly made democratically respecting and taking into consideration a large number of people and not just the small elected group.

Government proposes employment of armed forces in some other country
This should be financed from the project in charge by Ministry of Defense

Tax payers decide whether or not to allocate their money to the cause
Government from reserves finance the troupe deployment

Next year tax payers are again asked to allocate their money to the project. If they believe it is right thing to do they will support the project. Otherwise Government will still have to rely on reserves.

Lack of money would force the Defense to borrow it, but Government would like to keep the budget out of deficit in order to win next election so proposes trop withdrawal

Tax payer decision whether or not to allocate their money contributed to
Government and Ministry decision at the end

6. Conclusion

Taxes are part of our daily lives by making payments for goods and services (VAT), considering import of some foreign goods or smoking cigarettes (excise). It is sometimes a stressful activities at the end of year when income tax is due to be made and submitted to tax authorities and stress is greater the more tax rules, exemptions and changes law went through. The tax process is not easier for the companies while they contribute to society by paying income, VAT, dividend or profit tax, but they developed art of reducing their obligation by using the right to have a tax heaven account, move production to tax favorable countries or simple use one of many creative accounting tactics.

Why so much effort to reduce obligation which supposedly makes a world a better place for us?

This question and some answers underline this paper that tries to tackle the problem of principal and agent in the tax payer and tax user scheme. While developing the more transparent (not in the quantitatively way by submitting the numerous lines of budget but qualitatively by really using the tax money on benefit of all of us) system, cooperation among tax payers and users is established by link of investment project scheme. Budget is divided on three parts: Administrative, Social Benefits and Investment Projects. While the first two categories can be improved gradually by recognizing the fixed and variable parts of costs that can be reduced, investment part is done by tax payer decision about allocation of their money. In this way locally defined necessities are suggested, feasibility studies calculated, priorities listed and eventually selected by those who are obliged to submit tax form. In this way larger number of people really decide how to manage with their money and hidden activities are prevented. Having the Investment Office at the state and local level all regional development distortions are recognized and with publicly announced projects difference between growth on regions is lowered. In this way not just the market directs the investment but it is regulated by stated offering truly equal chance for everybody.

Table: VAT in some countries

Country	Rate		Local name
	Standard	Reduced	
Argentina	21%	10.5% or 0%	IVA = *Impuesto al Valor Agregado*
Australia	10%	0%	GST = Goods and Services Tax
Bosnia and Herzegovina	17%		PDV = *porez na dodatu vrijednost*
Canada	6% (AB), 11% (SK) or 14%1	4.5%	GST = *Goods and Services Tax*, TPS = *Taxe sur les produits et services*
Chile	19%		IVA = *Impuesto al Valor Agregado*
People's Republic of China[2]	17%	6% or 3%	增值税
Croatia	20%	0%	PDV = *Porez na dodanu vrijednost*
Dominican Republic	6%	12% or 0%	
Ecuador	12%		IVA = *Impuesto al Valor Agregado*
Egypt	10%		*GST = Goods and Sales Tax*
El Salvador	13%		IVA = *Impuesto al Valor Agregado*
Guyana	16%	14%	
Iceland	24.5%	14%3	VSK = *Virðisaukaskattur*
India[4]	12.5%	4%, 1%, or 0%	
Israel[10]	15.5%5		Ma'am = *מס ערך מוסף*
Japan	5%		Consumption tax = 消費税
Jersey[9]	3%	0%	*GST = Goods and Sales Tax*
Jordan	16%		*GST = Goods and Sales Tax*
Kazakhstan	14%		
Lebanon	10%		
Moldova	20%	5%	TVA = *Taxa pe Valoarea Adăugată*
Republic of Macedonia	18%	5%	ДДВ = *Данок на Додадена Вредност*
Malaysia[6]	5%		
Mexico	15%	0%	IVA = *Impuesto al Valor Agregado*
New Zealand	12.5%		GST = Goods and Services Tax

Norway	25%	14% or 8%	MVA = *Merverdiavgift* (informally *moms*)
Paraguay	10%	5%	IVA = *Impuesto al Valor Agregado*
Peru	19%		IGV = *Impuesto General a la Ventas*
Philippines	12%7		RVAT = *RVAT or Reformed Value Added Tax*, locally known as *Karagdagang Buwis*
Russia	18%	10% or 0%	НДС = *Налог на добавленную стоимость*
Serbia	18%	8% or 0%	PDV = *Porez na dodatu vrednost*
Singapore	5% 8		GST = Goods and Services Tax
South Africa	14%	0%	VAT = *Valued Added Tax*
Republic of Korea	10%		부가세 = 부가가치세
Sri Lanka	15%		
Switzerland	7.6%	3.6% or 2.4%	MWST = Mehrwertsteuer, TVA = Taxe sur la valeur ajoutée, IVA = Imposta sul valore aggiunto, VAT = Value Added Tax
Thailand	7%		
Trinidad and Tobago	15%		
Turkey	18%	8% or 1%	KDV= Katma değer vergisi
Ukraine	20%	0%	ПДВ= *Податок на додану вартість*
Uruguay	23%	14%	IVA = *Impuesto al Valor Agregado*
Vietnam	10%	5% or 0%	GTGT = *Gia Tri Gia Tang*
Venezuela	11%	8%	IVA = *Impuesto al Valor Agregado*

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