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## PERSONAL INCOME TAX IN THE TAX SYSTEMS OF EU MEMBER STATES (SELEECTED ISSUES)

*У процесі подальшої інтеграції ЄС мало уваги приділялося ролі прибуткових податків. Різноманітні системи прибуткових податків у межах ЄС та їх диференціація негативно впливають на європейський ринок праці, інвестиції та заощадження, перешкоджаючи економічному зростанню. Кожна країна має незначну мотивацію для гармонізації, оскільки вона може бути залучена до конкуренції податкових ставок, а прибуткові податки переплітаються із системами соціальної безпеки, що робить будь-які спроби реформування надзвичайно складними та політично непопулярними.*

*В процессе дальнейшей интеграции ЕС мало внимания уделялось роли подоходных налогов. Различные системы подоходных налогов в пределах ЕС и их дифференциация негативно влияют на европейский рынок труда, инвестиции и сбережения, препятствуя экономическому росту. Каждая страна имеет незначительную мотивацию для гармонизации, поскольку она может быть привлечена к конкуренции налоговых ставок, а подоходные налоги переплетаются с системами социальной безопасности, что делает любые попытки реформирования крайне сложными и политически непопулярными.*

*In the process of furthering EU integration little attention was given to the role of income taxes. Multiple income tax systems exist across the Union and their differentiation negatively impacts the European labour market, investments and savings, inhibiting economic growth. Individual nations have little motivation to harmonise as they can engage in tax rate competition and income taxes are interwoven with social security systems that make any attempts at reform extremely complex and politically unpopular.*

**Keywords.** EU integration, tax harmonisation, personal income taxation, tax system differentiation.

**1. Introduction.** Full economic integration requires consideration of taxes as an important factor in the furthering of integration processes, since EU member states are tax nations, e. g. countries where budgetary incomes come primarily from taxation. EU member state tax systems are strongly diversified, due to individual developmental paths shaped by national history of various lengths, civilisational development, culture, value systems, social and economic policy, that also define the state's current financial needs. Even in a single state, taxes cannot remain neutral towards economic and social processes. Therefore, the challenge faced by EU creators was not the outright neutralisation of the impact that taxes had on the integration process, rather they worked towards limiting the negative consequences of overly diversified national tax systems. Gradual, long-term harmonisation emerged as a continent-wide process. During the development of the Treaty of Rome it was decided that, to assure a common market, it was enough to harmonise indirect taxes and remove trade barriers as they were the prime inhibitors to the flow of goods and services. The harmonisation of direct (income) taxes was not considered as they were seen as not significantly affecting the single internal market. Problems tied to direct taxation <sup>[1]</sup> became visible as integration proceeded, the EU grew, its citizens began to migrate, multinational enterprises increased in size and scope and their financial flows (capital and profit transfers between headquarters and subsidiaries in different EU countries) became seriously affected.

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A question should be posed: *is harmonisation occurring in accordance with a predefined programme (that can be defined as tax system coordination) or is it forced upon nations by the market (understood as “quiet” harmonisation of a paralegal nature)?*

### **2. Tax systems of EU member states – structure and common characteristics**

Tax systems of EU member states are a result of a long evolutionary process and have many common characteristics. Changes that had taken place came about as a result of J. M. Keynes' doctrine, which moved away from the notion of natural taxation and placed a lot of non-fiscal functions on taxes. As a result of such an approach, the personal income tax, due to its character, became one of the nation's most important instruments of income redistribution <sup>[2]</sup>.

Similarities in the tax systems of EU members are a result of identical or very similar factors that shaped the specific tax policies and of the legal aspects of taxation. The factors include:

- a) level of economic development;
- b) systemic assumptions;
- c) similar social and demographic problems;
- d) integration of the European economy;

- e) globalisation of the world economy;
- f) rules of cooperation with international institutions.

These factors are the result of similar economic and social structures that have been determined by cultural, historical, sociological and political issues. In practice, the shape of a tax system is the result of considering the interests of multiple and different social groups, complicated by quite often changes in the legal system that come from political battles and tradeoffs.

The EU economic system is one with a high level of interaction and exchange connected to a specific type of taxation system, which is characterised by:

- a) Large tax burden <sup>[4]</sup>;
- b) similar structure, with the core consisting of personal and corporate income taxes and general consumption taxes and excise;
- c) an important role played by accounting;
- d) a small role of inheritance and donation taxes as well as taxes on assets.

The tax doctrine contains statements about what role should be played by an effective and rational tax policy operated by the state. These statements are differently defined, depending on the criteria set for aims that are to be met through the taxation policy. Therefore, the first question must be about taxation policy functions, and only later can we focus on the forms and methods of its realisation.

The fundamental aims of taxation policy are considered to be:

- a) effectiveness of the income function;
- b) effectiveness of the extra-fiscal functions;
- c) equal spread of the tax burden;
- d) low costs of tax revenue generation (tax collection).

Table 1

#### Personal income tax in the tax systems of EU member states

Participation of Personal Income Tax (PIT) in budgetary revenues (in %) *				
Years	1980	1985	1998	2008
European Union (UE-15)	29,1	28,3	27,0	26,5
Participation of Corporate Income Tax (CIT) in budgetary revenues of EU countries (in %) *				
European Union (UE-15)	6,1	6,5	7,0	9,5
Combined income taxes				
European Union (UE-15)	35,2	34,8	34,0	36,0
Participation of VAT in budgetary revenues of EU countries (in %) *				
European Union (UE-15)	31,0	32,0	31,6	30,4
Participation of Social Security contributions in budgetary revenues of EU countries (in %) *				
European Union (UE-15)	31,0	29,0	29,2	27,5

\* The analysis of tax revenues of the new 8 members (data for Cyprus and Malta is unavailable) has been presented below.  
Source: own investigation.

The analysis of data in the table above allows for the conclusion that the primary sources of budgetary incomes in EU member states comes from direct and indirect taxation as well as social security contributions. The analysis of the role of direct and indirect taxes as a percentage of GDP shows that only Belgium, Denmark, Finland, Sweden and the United Kingdom have a higher percentage participation of income taxes in their GDP. The remaining countries have a higher percentage of indirect taxes, yet the difference is not that notable (about 8–10 % in favour of combined indirect taxation). A percentage fall of indirect taxes as a source of budgetary revenues in the old 15 EU member states (1965–2008 by 8,2 %) has most likely been caused by the process of harmonising indirect taxation across the Union. Only Greece and Portugal retain a sizeable dominance of indirect taxation in their DGP (over 60 % in favour of combined indirect taxation), and as such both countries are similar in nature to the new EU entrants, whose systems are dominated by revenues from indirect taxation (a difference of 50–60 % in favour of indirect taxation). A detailed analysis of budgetary incomes of new EU members is given below.

When analysing only personal and corporate income taxes as well as VAT, it becomes clear that governmental tax revenues are dominated by income taxes (36 %), with VAT bringing in only 31 % <sup>[4]</sup>. An opposite tendency occurs in eight of the 10 new entrants.

**Tax revenues as a percentage of GDP in 15 old EU member states  
and in the new 8 countries (1999–2008)** <sup>[5]</sup>

Types of taxes	EU-15 (average)	EU-8 (average)	Czech Rep	Estonia	Lithuania	Latvia	Poland	Slovakia	Slovenia	Hungary
Taxes combines as % of GDP	40,7	33,6	36,4	32,5	28,1	29,6	33,6	31,0	39,8	37,6
Personal Income Tax	10,5	5,7	4,8	7,4	7,3	6,0	4,6	3,5	4,2	7,5
Corporate Income Tax	3,8	5,7	3,2	0,8	0,5	2,1	1,8	2,5	1,3	2,4
VAT	7,1	7,9	5,6	9,1	8,0	7,4	7,4	7,4	10,2	8,4
Social Security Contributions	11,4	11,9	15,0	11,0	7,7	9,2	9,6	12,7	15,5	11,3

Source: own investigation.

Eight new EU members are characterised by lower incomes from personal income taxes as a percentage of governmental tax revenues than the old 15 members (with an average of 10,5 % GDP). The highest percentage of personal income tax revenue is present in Hungary (7,5 %), Estonia and Latvia (respectively 7,4 % and 7,3 %). The lowest percentage is present in Slovakia (3,5 %) and Slovenia (3,4 %).

The new EU members also have a higher percentage of indirect taxes as a source of revenue coupled with higher social security contributions (which will be explained below).

Table 3

**Comparison of tax revenues in the 15 old and 8 new EU member states  
(without Cyprus and Malta), 1999–2008**

Taxes	EU 15 (in %)	EU 8 (in %)
Income taxes	36	25
Indirect taxes	31	36
Other taxes	6	6
Social Security contributions	27	33

Source: IMF and World Bank.

The table above highlights the differences in the structure of tax revenues in the old and new EU member states. The differences are historical in nature.

Income taxes were introduced in most of the new members during the early 1990's, and the tax did not gain popularity and social acceptance in the period of rapid and radical social, economic and political transformation. The smaller income tax revenues can be partially explained by the presence of a sizeable "grey economy" in the new EU member states. The percentage participation of social security contributions in the new members is a result of the deep and painful economic transformation, during which, a sizeable percentage of the working people were sent to compulsory retirement to reduce the pressures on the labour market. With increased numbers of retirees came the growing demands for social security payouts.

Table 4

**Structure of tax revenues in each of the 8 new EU members \* (1999–2008)**

Country	Total taxes	Income taxes	Indirect taxes	Social Security	Other taxes
8 Countries	100	24,9	36,2	32,6	6,3
Czech Rep	100	24,1	30,6	40,1	5,2
Estonia	100	27,3	34,8	33,8	4,1
Lithuania	100	30,3	40,8	23,6	5,3
Latvia	100	25,0	36,2	34,3	4,5
Poland	100	24,5	36,3	30,4	8,8
Slovakia	100	23,7	31,5	37,4	7,4
Slovenia	100	18,8	38,9	33,4	8,5
Hungary	100	25,6	40,3	27,7	6,4

\* Data missing for Cyprus and Malta.

Source: own investigation.

The above mentioned data shows a smaller percentage of income taxes in the tax revenues of the new EU members compared to the old fifteen countries (an average of 36 %). One of the primary reasons is a weaker and less-competent (ill-trained) tax administration, which in turn means that basing governmental revenues on indirect taxes allows for easier administration, collection and assures lower tax avoidance and evasion. It also reduces the costs of tax revenue generation (public expenditure on tax collection). Lithuania has the highest percentage of income taxes in total governmental tax revenues (over 30 %), whereas Slovenia has the lowest (18,8 %). It is clear that the two primary sources of governmental revenues among the new EU states are: VAT and social security contributions, whereas in the old 15 countries it is the income tax that plays a more important role than VAT.

### 3. EU tax systems – general notions

An analysis of tax revenues of the EU fifteen, allows for the formulation of several general notions:

- a) tax reforms undertaken over the last several years are aimed primarily at the reduction of direct taxation, especially of the personal income tax;
  - b) the result of such reforms is an increase of the indirect tax burden, social security contributions and of asset-related taxes;
  - c) EU member states can be divided into those with a “northern” tax mentality, where personal income taxes play a significant role in governmental tax revenues (Belgium, Denmark, Finland, Sweden) and those with a “southern” mentality, where indirect and wealth-related taxation forms the tax revenue backbone (Greece, France, Portugal, Spain and Italy);
  - d) ongoing economic integration brings with it a slow but visible process of “northern” and “southern” tax systems evolution, towards the emergence of a balance between indirect and direct taxation as a part of tax revenues;
  - e) the systems are characterised by a relatively low percentage of corporate income taxes, which can be seen as a conscious policy of easing entrepreneurial burdens and assuring that they are not weighted down with excessive fiscal policies;
  - f) most EU members are witnessing an increase in social security contributions, which is a result of the systematically increasing numbers of the elderly (“ageing population”) that will require increased public expenditures on health care and social security.
- a) An analysis of tax revenues of the 10 new EU member states highlights the following differences;
  - b) the percentage of personal income taxes is much lower than in the countries of the “old” fifteen, and will, in all likelihood, continue to decline, primarily due to the “tax system competitiveness” effect;
  - c) the result is a need to recover lost governmental revenues via indirect taxation;
  - d) the tax revenue structure of the new 10 member states appears to bear notable similarities to the “southern” tax system mentality.

### 4. PIT as the crucial area of tax systems harmonisation

Rules regulating income taxes do not form a crucial area of tax systems harmonisation, unlike indirect taxes. It is assumed that the discrepancies in regulations regarding direct taxation do not pose a threat to the functioning of the internal EU market. Also, such harmonisation is more complicated than that of indirect taxes, both from the political, technical and legal point of view. Harmonisation touches only those tax institutions (mainly personal income taxes) that regulate certain international operations of enterprises, i. e. those areas that can be a source of unequal treatment of local and international producers and that can lead to cases of double taxation.

Direct taxation is characterised by a relatively low level of normative harmonisation – the EU Treaty contains no direct requirements and regulations for their harmonisation, in essence leaving direct taxation solely in the hands of the individual governments. Thus, governments have complete control over shaping of their national solutions, and are only limited by the need for equal treatment of national and international entities.

This situation is a result of several factors.

First, when the Treaty of Rome was created, direct taxation was not seen as exerting a powerful influence on the functioning of the internal market. As a result its harmonisation was not thought of as important. The approach most likely came from under appreciation of the strength and mobility of the European work force as well as of the strength of pan-European entrepreneurship. Thus, EU legislation regarding direct taxation can be based solely on par. 94 of the EU Treaty, which gives the Council the right to pass Directives aimed at harmonising the legal, operational and administrative regulations of EU members, which have direct impact on the functioning of the common EU market.

Second, income taxes, as direct forms of taxation, are an important and valuable tool of fiscal policy of individual states, due to their direct nature and the possibility of playing a regulatory and stimulatory function. As a result, politicians find it difficult to get rid of this form of tax <sup>[6]</sup>.

Third, Directives regarding harmonisation of direct taxation have to be passed by an absolute majority, which causes a conformity deficit, primarily due to political conflicts that emerge during EU parliamentary sessions as well as the differing perspectives that political parties across the EU have regarding their country’s taxation policies <sup>[7]</sup>.

Fourth, progress in terms of income tax harmonisation brings out fears about the threat to national tax sovereignty and leads to the entrenchment of governmental positions regarding any harmonisation of direct taxation <sup>[8]</sup>.

The only Directive regulating personal income taxes is from 3<sup>rd</sup> June 2003 (2003/48/EC) and sets to define the taxation of incomes acquired from savings, in the form of interest. The Directive covers harmonisation of tax structures for private individuals and aims to enable the effective taxation of incomes in the form of interest on savings that are held in one country whereas the savings' owner resides in another country. According to the Directive the host nation (one where the income from savings is generated) is required to refrain from any taxation, allowing for taxation in the home country (where the savings' owner resides). The Directive also outlines a subsystem for effective information sharing on taxing incomes from savings (Art. 9).

Besides the abovementioned Directive, EU member states have been given the freedom to set personal income taxation. As a result, personal income taxation does not present an accession adjustment area for Poland <sup>[9]</sup>, as EU members individually decide about the scale and scope, structure, rebates and tax reductions <sup>[10]</sup>, progression structure <sup>[11]</sup>, etc.

Despite the sole Directive on personal income taxation, rules are emerging automatically and the levels of taxation are becoming homogeneous. Due to the presence of competitiveness assumptions in the tax law, EU member states are undertaking independent adjustments in the area of accepted tax solutions. Competition between national tax systems forces certain solutions that bring various tax constructions closer to one another, so that favourable conditions emerge for the functioning of the common EU market <sup>[12]</sup>.

The result of "silent harmonisation" is the increasing commonality of tax construction solutions, especially in the areas that do not come under top-down EU harmonisation requirements – especially in the area of personal income taxes. EU member state solutions share the following <sup>[13]</sup>:

- a) the tax is levied on the combined (global) incomes of the taxpayer;
- b) the tax scale is progressive, with multiple brackets, variable minimal and maximal tax levels;
- c) most countries have sums free from taxation;
- d) the tax burden is adjusted for inflation via an automatic or semi-automatic indexation system or through variable tax steps;
- e) personal income taxation takes under consideration the ability of the taxpayer to carry the burden, and does so through a system of rebates and deductions;
- f) different principles are applied to taxing of family incomes, real estate sales and assets;
- g) there is a variable system of income-related cost recognition that is related to the method of income generation;
- h) there is no differentiation of the tax burden from the perspective of the sources from which income is generated and its intended use;
- i) the income tax system contains preferences that are specific to the way that income is spent.

An important role in the harmonisation process is played by decisions made in the European Court of Justice, which, as the guardian of Treaty freedom, gives out verdicts in specific cases, creating the interpretation of laws of individual EU member states. ECJ verdicts have a sizeable influence on the shaping of EU tax laws and offer guidance to other member states on how to adjust their laws to EU regulations.

## 5. Research results and conclusion

The harmonisation of the personal income tax is not an easy endeavour due to varied remuneration systems, differing approaches to social issues, shaping and evaluating costs of income generation, tax steps, shaping the progression structure, etc. Most experts agree that we can expect an increasing harmonisation of systemic solutions in the area of personal income taxation, which will be the result of equalisation of economic development between EU members and the perfection of the best tax practices and their spread to EU member states <sup>[14]</sup>.

Harmonisation in general is a difficult challenge, and any debate about harmonising PIT systems brings out major counterarguments:

1. Further loss of sovereignty in national financial policies, which will inhibit the state's ability to affect economic processes and (especially) social ones. Harmonisation of the rules for calculating the basis for taxation and the acceptance of unified rates would mean the transfer of tax-setting prerogatives to a trans-national institution: the EU. In such a situation, each nation must conduct its own analysis of costs and benefits (of transferring those competencies versus their retention).
2. Different social models and retirement systems, when combined with varied degrees of PIT integration with retirement contributions, determine various financial needs of the state, therefore harmonisation would have to reach far beyond "mere" PIT systems.
3. Historical, cultural, social factors that have shaped national tax systems enforce claims that path-dependent process will be difficult to reverse.
4. Competitive inequality between taxpayers who operate in one market and those that function in multiple EU member states. Depending on their primary country of residence it can be an advantage to pay taxes elsewhere (when the other nation's tax regime is friendlier, e. g. for Poles employed and taxed in the UK) or a disadvantage (when British taxpayers operating in Poland or Poles earning in the UK are subject to Polish taxation <sup>[15]</sup>).

Notwithstanding abovementioned criticisms, the following predictions can be made regarding income tax (primarily PIT) harmonisation across the European Union:

1. Harmonisation of direct taxes is unavoidable, but it will be a long-term process and will affect CIT before PIT <sup>[16]</sup> (reducing complexity of trans-border business operations will be a priority compared to easing the life of individual taxpayers). It is likely that the global economic crisis (2008–2009) will negatively impact the speed of any harmonisation as governments focus on surviving the difficult period and, since research suggests that speedy



harmonisation negatively affects economic growth, governments will remain weary of such processes, keen to defend any possible economic growth (and thus their own positions).

2. The current process of direct tax harmonisation is in an early stage of progress due to existing extensive national variations. Forces promoting reform are more economic and include the unified market, common currency, need to increase competitiveness. Opposing forces are more ideological and focus on the dangers of sacrificing fiscal competencies, especially that these powers will be handed over to a supranational body. The need for unanimous voting when backed by the complexity of current tax policies are the main causes for a slow harmonisation process (rationality of pure tax-related arguments comes in conflict with local political rationality).

3. At the very least, it is crucial to assure the enforcement and optimisation of regulations covering the avoidance of double taxation, both personal (PIT) and business (CIT). The need for speedy resolutions stems from the growth and expansion of trans-border economic activity and the removal of barriers to the movement of labour which complicate proper income taxation (calculation and collection). It is necessary to employ a holistic approach to this issue and that calls for a review of signed bilateral agreements by their signatories, introducing required corrections and signing of new agreements with EU members <sup>[17]</sup>.

4. PIT harmonisation should focus on achieving intergovernmental agreement on calculating the tax base, to avoid distortions in the real tax rate (tax brackets). The concept of taxable income is a result of local costs of generating the income, rebates and deductions and the current methods of setting them differ in each country. The same comment relates to the methodology used for defining tax progression and the concepts of minimal and maximum rates and the social aspects of the PIT.

5. When discussing PIT harmonisation it is important to remember about the integration of this tax with social security contributions, as both contribute to the burden placed on labour. They are complementary and form the “tax wedge” (the difference between the gross labour costs to the employer and the net income for the employee) and are important for businesses when considering the costs-versus-reward of creating new employment opportunities (positions). When PIT is coordinated with social security contributions, attempts at coordination or harmonisation become extremely difficult as two different deduction systems and multiple ministries in each state become involved.

6. A controversial issue is the competitive lowering of PIT rates, and nations intent on lowering (“dumping”) their effective tax rates ought to consider the impact of those actions on the wider Union, especially from the perspective of affecting competitive equilibria <sup>[18]</sup>.

7. It is important to approach with caution the concepts regarding the removal of the capital gains tax since this would promote speculative activity (due to resulting high profits), while discriminating against labour incomes and profits from (more laborious, productive and long-term) economic activity. Much more beneficial would be the removal of taxes on savings, as it would stimulate an increase in the rate of savings and make more capital available to fund economic growth.

8. It is difficult to expect that the EU will evolve into a federal state, but only such a structure would give the Union the right to set and collect taxes. The, tax policies would be formulated and implemented in a top-down manner that would allow for the implementation of a uniform (harmonised) tax system. It is unlikely that member states will agree to such a solution, especially due to the political importance and financial role of income taxes. Therefore, we can expect that income taxes will remain decentralised, e. g. under the control of individual nations <sup>[19]</sup>.

9. A question emerges regarding the future possibilities for the income tax becoming a “European tax” <sup>[20]</sup> and whether such an idea is realistic. The debate about setting a European tax started with the underlining of the weaknesses of available financial resources and defining the new model of EU budget revenues. The EU Commission proposed the personal income tax as a tax that fulfils eight criteria (in three groups): budgetary (sufficiency and stability), effective (recognition, low operating costs, effective allocation of resources), just (vertical and horizontal, income that assumes that the level of this tax is in balance with economic development). When considering the PIT, the Commission proposed three possible ways of establishing the PIT as a European tax:

- poll tax, set at about 260 Euro;
- percentage of national PIT revenues (visible as a separate position in the annual tax declaration);
- separate EUPIT (two tax declarations: national and EU). Its introduction would increase implementation and collection costs and its very creation would require a Decree by the Council (in key elements) and a Directive (in the administrative section);
- the EU Commission focused on the last concept. Completed analyses indicate that EUPIT set at 10% of current national PIT rates (coupled with a matching reduction in national PIT) would provide appropriate funds to the EU. It is improbable that a EU tax will be implemented from 2014, because the decision is purely political and not economical and requires unanimous agreement by all EU member states. Considering the specifics of the PIT presented in this article, it is unlikely that the PIT will become the basic EU tax in the foreseeable future.

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<sup>[1]</sup> This article focuses on personal income taxation, but the Authors see the term “income taxes” as more than just the Personal Income Tax (PIT), since in macroeconomic terms it is important to see the PIT and CIT (Corporate Income Tax) as correlated when considering taxing total incomes, e. g. when taxing company profits first by CIT and then taxing dividends received by individual shareholders with PIT. See more: Wołowiec, 2009. It is also important to see income taxes as compulsory burdens on income that create strong resentment, which in turn impact the scale and breadth of possible harmonisation. See more: Duszyński & Wołowiec, 2008.

<sup>[2]</sup> The final aim of the state’s fiscal policy in its redistributive role is the provision to each household (individual) of a minimal income that allows satisfying the basic consumption, material and cultural needs. This approach is criticised by the representatives of various neo-liberal ideologies, who argue that concern about the fulfilment of consumption needs should be the burden solely of individuals, and any attempts by the government to realise its redistributive functions will lead to the reduction of income-related activity by individuals, and as such is dangerous to the social-economic development of society. Such an approach in its extreme form is rarely formulated, but the debate about the state’s redistributive functions and its protective measures is a heated one. It is also debatable as to what is the true or appropriate level of income that assures the fulfilment of the most basic existential and cultural needs of the individual.

<sup>[3]</sup> The burden in the 15 EU member states for 2007 amounted to 40,9 % GDP (an increase of 0,26 % compared to 1997). The levels varied from 31,2 % in Ireland to 54 % GDP in Sweden. More in: Inventory of Taxes in the Member States of the European Union, Luxembourg, 2008. By the state’s fiscal role we understand the redistribution of gross value added (including debt). In analysing fiscal operations, we can define three indicators: level of governmental which is the ratio of expenditure to GDP. More detailed measures are: tax levels, i.e. the ratio of taxes to GDP and the fiscal burden level, which is the ration of taxes and other non-tax burdens related to the cost of labour to GDP. More in: F. Grądański, Kierunki racjonalizacji systemu finansów publicznych Polsce, “Ekonomista”. – 2002. – № 2. – P. 223 i d.

<sup>[4]</sup> During the last 30 years fiscal burdens have increased, and the increase in income tax burdens has been greater than of consumption taxes.

<sup>[5]</sup> No data for Cyprus and Malta.

<sup>[6]</sup> Through the application of income taxes it is easier to realise the non-fiscal functions of taxation. The harmonisation process will not eliminate the stimulatory function, based on the application of different tax structures, as the differentiation of developmental levels of individual states and regions as well as specific tradition in national tax systems will require (temporarily) the application of varied instruments and tools of tax policy.

<sup>[7]</sup> In: J. de Goede, Integracja europejska a prawo podatkowe, “Kwartalnik Prawa Podatkowego”. – 2003. – № 1. – P. 130.

<sup>[8]</sup> It is important to note that in the case of income taxes we are looking at the identities of formal and real taxpayers. More in: W. Wójtowicz (ed), Zarys finansów publicznych i prawa podatkowego, Dom Wydawniczy ABC, Warszawa, 2003. – P. 131. Also: W. Nykiel, Prawo podatkowe w Unii Europejskiej (i jego wpływ na unormowania polskie) [in:] Encyklopedia Podatkowa, PWN, Warszawa 1998, E/33.

<sup>[9]</sup> Despite this, there are certain problems visible in the area of personal income taxation, which will have to be dealt with in the near future: the differences between residents (those subject to the unlimited tax responsibilities) and non-residents (subject to restricted tax responsibilities).

<sup>[10]</sup> If reductions cover the personal and corporate income taxes, then the discounts can take the form of public assistance, and then it ceases to be an area no interest to the EU Commission. The issue, whether a tax discount takes on the form of public assistance, is affected by the rule of accumulation, in accordance with which “the rules are used to offer assistance” whose value surpasses over 3 years a financial limit defined by the rules.

<sup>[11]</sup> In: J. Gałuszka, Podatek od dochodów osobistych krajach Unii Europejskiej, “Przegląd Podatkowy” – 2002. – № 2. – P. 18–22; T. Wołowiec, An evaluation of the individual income tax system in Poland and some chosen European Union countries, taking into account pro-family tax politics part I, “Produktivita” Slovenske Centrum Produktivity, 2004. – № 1. – P. 23; T. Wołowiec, Podatek dochodowy od osób fizycznych w krajach Unii Europejskiej, “Ekonomika i Organizacja Przedsiębiorstwa”. – 2002. – № 12. – P. 75–87.

<sup>[12]</sup> See: A. Gomułowicz, J. Małecki, Podatki i prawa podatkowe, LexisNexis, Warszawa, 2004. – P. 625–626.

<sup>[13]</sup> In: A. Krajewska, Podatki. Unia Europejska, Polska, Kraje Nadbałtyckie, PWE, Warszawa, 2004. – P. 74–75; Z. Ofiarski, Ewolucja funkcji pozafiskalnej podatków w Polsce po roku 1990 [in:] Kierunki reformy polskiego systemu podatkowego, UMCS, Lublin, 2003. – P. 105–106.

<sup>[14]</sup> See: J. Gałuszka, Harmonizacja podatków pośrednich i bezpośrednich w Unii Europejskiej – implikacje dla Polski, “Przegląd Podatkowy”, 2000. – № 19. – P. 3–5.

<sup>[15]</sup> Even the UK tax free amount, about 3500 GBP, when converted into Polish zloty, puts the taxpayer into the higher end of the first Polish tax bracket, while Polish National Insurance is double that of the UK.

- <sup>[16]</sup> Kopits G., (ed), 1992, "Tax harmonization in the European Community: policy issues and analysis", IMF Occasional Paper. – 1992. – № 94.
- <sup>[17]</sup> Bolkstein F., 2002, "Toward an Internal market without tax obstacles", Speech at European Commission on company taxation in the EU, Brussels, 2002. – 29 April.
- <sup>[18]</sup> Tax dumpers should be also aware that a price-reduction war (which tax dumping is) has no clear winner, as there can always emerge a new low-cost (low-tax) competitor and take any gains away for a short period until the next, increasingly determined "dumper" lowers the rates once more, seizing a temporary advantage.
- <sup>[19]</sup> Tanzi, V., Zee, H. H., 1998, "Consequences of the Economic and Monetary Union for the coordination of tax system in the European Union: lessons from the US experience", IMF Working Paper, 1998. – № 115.
- <sup>[20]</sup> Agra Facts № 05–07, 19.10.2007; "Tax-based EU own resources an assessment", Taxation papers, working paper 2004. № 1; Financing the EU. Commission report on the operation of the own resources system; Kucharek, W., 2007, "Podatek europejski. Czy może być źródłem dochodów budżetu UE?", Biuletyn Skarbowy, 2007. – № 2. – P. 11–15.