Comparative Analysis on Romanian Taxation in the European Context, as a Prerequisite for Tax Harmonization

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Abstract: The issue of tax harmonization at EU level is becoming more present in the global crisis context, as it is both accepted and disputed by the European officials that manifest their preference for either coordination or tax competition. The crisis has generated, among other things, large budget deficits and a dangerous crisis of debts in the euro area, a situation that has attracted many followers in terms of tax harmonization. There is a European regulated Area, a unique European market, European unique currency and common monetary policy which regard the criteria relating to public finances (budget deficits, public debt). We ask ourselves to what extent it is necessary to achieve coordination or even tax unification and how does that help. This paper examines, according to the statistical database, the level and type of taxation, on categories of taxes and as a share of GDP, in Romania compared to EU countries, in order to clarify the current situation, the existing differences, the prospect of good European practice. If we speak of tax harmonization in terms of being acquired by Romania, the conclusion is that we can not report only to the technical or quantifiable aspects, as compared with the best results in European area, because they do not represent a guarantee of similar results. The fiscal policy must be both a prerequisite and a consequence of sustainable economic and financial policies, and the tax harmonization can only help insofar as it relates to the relationships between states and not at the tax level.

Keywords: European tax harmonization; public policy; tax revenue as a share of GDP

JEL Classification: G20; G21; G 29

1. Introduction

This paper examines, based on statistical data, the evolution of taxation in Romania, the level and type of taxation, on taxes' categories and as a share of GDP, compared with EU countries in order to clarify the current situation, the existing differences, directions and steps that could be taken for tax harmonization

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or the need of the good practice takeover. The analyzed statistical data are taken from sources that provide a unified statistical framework – ESA95 harmonised system of national and regional accounts so that it enables the comparative analysis of some heterogeneous tax systems.[1] If we follow the distribution of the total tax burden in the EU in 2009, we state that Romania is the group of countries with the lowest taxes, that is less than 30% of GDP to the EU average 38.4% (compared with U.S. - 24% or Japan with 28.1% in same period). However, Romania is unable to raise its finance, that is to boost the economy and improve the living standards and the solutions on this matter should be focused not on increasing taxation, so unbearable as reduced as it appears from the European perspective, but increasing the degree of discipline in the field in order to improve the collecting degree and reduce tax evasion, reducing bureaucracy and efficient administration, clearer legislation and without interpretations, close correlation with the economic and financial policy. On the other hand, there are European countries that have a very high tax - between 45 and 50% in Denmark and Sweden, for example, but the economy is strong, the standard of living is particularly high, the crises are less and the measures to prevent and counteract of their effects are more efficient.

The tax harmonization involves interpretations in relation to other concepts, for example the cooperation and tax coordination, but the details can make a difference, depending on the area to which they relate. The same problem occurs in all the unions that are being created, being generally valid the statement according to which “Harmonisation does not mean total equalization and egalitarianism (like in socialism). The nations shall keep their particularities in culture and tax culture.” (Petersen, et al., January 2010)

2. EU Positions in the Field of Tax Harmonization

The founding Treaties and the subsequent ones of the European Economic Community review and decide on issues concerning the harmonization of legislation in European area on "the way in which it can be harmonized in the interest of the common market the internal right of different Member States relating to turnover taxes, excise duties and other indirect taxes" (The Establishment Treaty of the European Economic Community, 1957) or "the harmonization of legislation concerning the turnover taxes, excise duties and other indirect taxes, to the extent that such harmonization is necessary to ensure the establishment and functioning of the internal market in the established time." (The Treaty on European Union, 1992) and “the adoption of provisions for the harmonization of legislation concerning turnover taxes, excise duties and other indirect taxes, to the extent that such harmonization is necessary to ensure the

[1] http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-DU-11-

establishment and functioning of the internal market and to avoid distortion of competition." (Consolidated version of the Treaty on European Union and the Treaty on European Union, 2010)[1] Based on these facts, we can see that when it comes to tax harmonization, it is aimed mainly at indirect taxes in terms of fair competition, as the price of products that are traded on the common market include VAT and excise duties. In the field of direct taxation, a relative harmonization regarded the tax on turnover tax and corporate taxation in a country, where there is an economic and financial relationship with other Member States, so they are concerned also the interests of other states, such as the cases of mergers, divisions, transfers of assets or subsidiarity relation and mother-society or a common system of taxation applicable to payment of interest and dividends between affiliated companies belonging to different Member States.

Tax harmonization, as shown in the European documents, consists of the coordination of Member States' tax systems in order to avoid uneven and competitive changes in national fiscal policies, which could undermine the internal market.[2]

The fiscal Maastricht limits provide an additional safety belt. The Maastricht limits on deficits and debt aim largely at safeguarding monetary policy credibility and, as yet, its Member countries have not planned a macroeconomic stabilisation role at the Community level. (Hoeller, Louppe, & Vergriete, 1996)
Tax harmonization can be interpreted as an instrument to reach the objective of a well-performing single market or a fundamental key towards European political union.[3]

The taxation domain remained largely within the decision of Member States. On several occasions, the European Commission reiterated its conviction that a full harmonization of tax systems of Member States is not necessary, as long as they comply with the EU legislation, being sufficient only a better coordination of national policies in this regard.[4]

At the same time, the fiscal policy should favor a greater cooperation between tax administrations, in terms of control and fight against fraud. Thus, in taxation context, the community legislation desires to be a tool for combating tax evasion and to avoid imposing over the Member States' borders of, in terms of a strong administration, properly equipped.

[1] http://eur-lex.europa.eu/ro/treaties/index.htm#founding
[2]http://ec.europa.eu/romania/documents/eu_romania/tema_30.pdf;
http://ec.europa.eu/taxation_customs/index_en.htm.
[3] Francisco J Delgado, Maria Jose Presno, Convergence of fiscal pressure in the EU – a time series approach,
http://uniovi.academia.edu/FranciscoJDelgado/Papers/92965/Convergence_of_the_fiscal_pressure_in_the_European_Union_a_time_series_approach.
[4] COM(2006)823 (pdf 61 Kb)

The *community acquis* on taxation area aimed at indirect taxes primarily, focusing on value added tax and excise duties regimes. Adopting the unique currency in 17 of the Member States requires the establishment of some common shares for VAT and common rules for business taxation.

If the initial decision was that the fiscal and budgetary policies should be established at national level, however recently, the European officials said that the decision to create the euro area, of not to integrating the finance in a European framework, can be modified (in December 2010).[1] The harmonization of imposing bases for corporate income tax is an initiative developed in special communication of the European Commission in 2001[2], the idea was resumed from the point of creating a common basis for taxation of profits on the financial crisis background. Major European countries desire the tax corporate profits unique in the European Union, namely the creation of a common profits' tax. The European Commission wants its implementation in order to reduce or eliminate the investors' difficulties that should take into account 27 different tax systems. Germany and France already have committed to better coordinate its policies on tax and labor market, in order to support the euro area convergence and anticipations go onto this direction. It is proposed a leveling or alignment both of tax base and tax share, in which case the tax will not be a criterion for investment decisions in one country or another. The changes would be favorable for multinational companies, eliminating the double taxation of profits and creating the possibility of tax consolidation for companies groups.

The political will for the purposes of strengthening the fiscal framework of the European Union is a strong signal in supporting the fiscal sustainability in the euro area and the events that precipitate in this area, the approaches that target common measures, is a powerful signal throughout the entire EU space, in anticipation of future mutations in the fiscal-budget field.

During 2010, the European Council decided to strengthen the coordination of reform and fiscal- budgetary policies in the Member States so that the future economic policy decisions at EU level are consistent and integrated.[3]

But still, at the national level, the fiscal and budgetary strategy on 2011-2013 period of the Ministry of Public Finance of Romania's Government states that, as tendencies, the continuance of improving the legislation by harmonizing it with the Community law by national legislation transposing of the Directives adopted at EU level in VAT and excise duties domain.[4] Relatively to direct taxes, it is said the

[1] http://www.efin.ro/stiri_financiare/international

[2] *Towards an Internal Market without tax obstacles. A strategy for providing companies with a consolidated corporate tax base for their EU-wide activities*, Communication from the Commission, 23.10.2001.

[3] http://ec.europa.eu/europe2020/pdf/nrp/cp_romania_ro.pdf

[4] http://discutii.mfinante.ro/static/10/Mfp/strategbug/STRATEGIA_FB_27sept.pdf, pg. 31, 32.

idea of maintaining, on medium term, of the unique share of 16% and of social contributions' shares. On the other hand though, it is estimated that "the way of the recession is proving to be slow, because the fiscal space to boost economy is small", which can only infer that tax, as currently conceived in Romania, is unable to provide a boost to the economy and the role of financial leverage is less visible and effective. It should thus be considered the causes and what can be done in the fiscal policy domain, so as to achieve the desired economic boost. In this respect, the EU experience and best practice can be a landmark worthy of consideration.

3. Coordinates of the Current Taxation System in Romania in the European Context

Regarding the indirect taxes, the standard rate of VAT in Romania is of 24% from 1 July 2010, there were taken measures to rise it up before this date it was 19%,[1] a rate of 9% applies to certain supplies of goods and services provided by the Tax Code and since 2009, a rate of 5% applies for social housing. With the same date it was also extended the tax base. It remains however a number of exemptions from paying the VAT. The government declares the intent for the period 2011-2013, to promote a fiscal policy that would provide sustainability to the economic growing process by maintaining the current reduced VAT shares.[2]

Increases were applied periodically and the excise duties, mainly for fuel, cigarettes, coffee etc.

Most important aspects aimed at direct taxation, namely taxation of individuals' income and of companies' profit in Romania, coming from the unique share, set at 16%. Of the 27 European Union countries, the individual income is subject to progressive taxation in 25 countries and the base on unique share is practiced only in seven countries, namely: Lithuania (33% by 2006, reduced to 15 % currently), Estonia (26% by 2006, reduced to 21% currently) Latvia (25%, increased to 26% in 2010), Slovakia (unique share from 2004, 19%) and Romania, 16 % of 2005, unique share starting with 2008, Bulgaria (10%) and Czech (15%).

Taxing the physical entities relates to a unique share of taxation system which, since 2005, replaced the previous system of progressive quota with four levels of taxation ranging from 18% to 40%. This quota generally applies to income from independent activities, royalties, income from movable and immovable assets, income from sale of listed shares, interest income from bank deposits. On the other hand, as series of income is deductible or exempt from tax on wages. The nature performance is taxed normally as meal tickets that were exempt from tax until July

[1] GEO no. 58/2010 for amending and supplementing Law no. 571/2003 regarding the Fiscal Code and other tax financial measures, published in Official Monitor no. 431/2010.
[2] http://discutii.mfinante.ro/static/10/Mfp/strategbug/STRATEGIA_FB_27sept.pdf,

1, 2010. The pension income is taxed but only when it exceeds a certain threshold value, adjusted from time to time (currently, this threshold is 1,000 lei, less a bit over 230 euros).

The corporate income taxation in Romania follows the classic system: the profit is taxed at the corporate's level and the profit, distributed as dividends, is taxed at the level of company and at individual shareholders. The standard rate is 16%, lower, when before 2005 it was 25%. The dividends received from other Romanian companies are exempt from taxation. From May 1, 2009 it was introduced a minimum tax for companies between 2200 and 43 000 Ron based on gross income. The costs incurred for the carrying out activities are generally deductible, but the fuel costs for companies' means of transport are not deductible under certain conditions, provided explicitly by the current legislation. For activities such as gambling, nightclubs or casinos there is a minimum of 5% tax on the turnover. The microenterprises pay the same tax as other companies. As of October 1, 2010 the minimum tax was eliminated and it is applied the 16% rate on corporates' profit. The legal entities whose turnover is the equivalent of up to 100,000 euros for the previous year and have up to 9 employees have the choice, since 2011, between paying a tax of 16% and pay a 3% income tax from the turnover. The microenterprises will not be able to choose, the ones that derive income from banking, insurance, gambling, management and consulting activities.

Regarding the tax on wealth, it is clear that real estate properties are subject to local taxes on housing. The fee ranges from 0.1% for individuals and between 0.25% and 1.5% for companies to 5% and 10% in certain situations. Earth, both built and unincorporated, is subject to all local taxes. Local taxes have increased by about 20% in 2010.

The social contributions were at a higher level, being subject to numerous proposals for reduction, in combination with increasing the minimum wage as a factor to stimulate consumption. In fact, maintaining the existing rates is supported by the politicians in power for 2012 as well. Social insurance contributions are paid both the employer and employee and increased in 2009 by 1.5%. From February 1, 2009, the employees with normal working conditions pay for social contributions monthly 10.5% of income. Employers contribute at a rate of 20.8%. Higher taxes for employers of up to 30.8%, can be applied to special conditions of employment. Also, other categories of insured persons are transferred between 31.3% and 41.3% Social Security Contributions. In addition, both employees and employers contribute to health insurance fund and unemployment fund. All social contributions are deductible for establishing income tax. Employers have other contributions, such as accidents at work and occupational diseases (between 0.15% and 0.85% of monthly gross income for 2009-2011) to leave and health insurance benefits (0.85%), contributions to the Guarantee Fund for payment of wage claims

(0.25%). An evolution of the main mandatory social contributions is in the following table:

Table 1. The evolution of social security contributions rates in Romania

% Of payroll

The main mandatory social contributions	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009-2011**
CAS – social security contributions	**35,0**	**35,0**	**34,5**	**31,5**	**31,5**	**29,3**	**29,0**	**28,9**	**31,3**
- The employer (normal working conditions)	23,3	23,3	25,0	22,0	22,0	19,8	19,5	19,4	20,8
- Employee	11,7	11,7	9,5	9,5	9,5	9,5	9,5	9,5	10,5
Unemployment	**6,0**	**6,0**	**4,5**	**4,0**	**4,0**	**3,5**	**3,0**	**1,5**	**1,0**
- Employer	5,0	5,0	3,5	3,0	3,0	2,5	2,0	1,0	0,5
- Employee	1,0	1,0	1,0	1,0	1,0	1,0	1,0	0,5	0,5
CASS – health insurance contribution	**14,0**	**14,0**	**13,5**	**13,5**	**13,5**	**13,5**	**12,5**	**11,5**	**10,7**
- Employer	7,0	7,0	7,0	7,0	7,0	7,0	6,0	5,5	5,2
- Employee	7,0	7,0	6,5	6,5	6,5	6,5	6,5	6,0	5,5
Total	**55,0**	**55,0**	**52,5**	**49,0**	**49,0**	**46,3**	**44,5**	**41,8**	**43,0**
- Employer	35,3	35,3	35,5	32,0	32,0	29,3	27,5	25,8	26,5
- Employee	19,7	19,7	17,0	17,0	17,0	17,0	17,0	16,0	16,5

Through out the time, there is a strong downward tendency between 2001-2009, with a slight increase from 2008 in 2009-2011, both for employers and employees, but their share in GDP is increased in relation to employees and authorized physical entities (Table 2).

The European Commission published online the report "Taxation trends in the European Union - 2011 Edition", under which the tax revenues in Romania are as follows[1]:

[1]http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_structures/2011/report_2011_en.pdf.

Table 2. The evolution of tax revenues in Romania, in the structure -% of GDP

Romania	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Indirect taxes	12,2	11,3	11,6	12,3	11,7	12,9	12,8	12,6	12,0	11,0
VAT	6,5	6,2	7,1	7,2	6,7	8,1	7,9	8,1	7,9	6,7
Excise duties and consumption taxes	3,0	2,8	2,6	3,5	3,6	3,3	3,2	3,0	2,7	3,2
Other taxes on products (incl. import duties)	2,2	1,6	1,3	1,0	1,0	1,0	1,2	0,7	0,6	0,4
Other taxes on production	0,5	0,6	0,6	0,6	0,5	0,5	0,6	0,8	0,8	0,7
Direct taxes	7,0	6,4	5,8	6,0	6,4	5,3	6,0	6,7	6,7	6,5
Personal income	3,5	3,3	2,7	2,8	2,9	2,3	2,8	3,3	3,4	3,5
Corporate income	3,0	2,5	2,6	2,8	3,2	2,7	2,8	3,1	3,0	2,6
Other	0,6	0,5	0,4	0,3	0,3	0,3	0,3	0,4	0,3	0,4
Social contributions	11,1	10,9	10,7	9,4	9,1	9,6	9,7	9,7	9,3	9,4
Employers´	8,1	7,1	6,5	6,2	5,9	6,4	6,3	6,2	6,0	6,0
Employees´	3,0	3,8	4,2	3,1	3,0	3,0	3,3	3,3	3,2	3,3
Self- and non-employed	0,0	0,0	0,1	0,2	0,2	0,2	0,1	0,2	0,1	0,2
Total	**30,2**	**28,6**	**28,1**	**27,7**	**27,2**	**27,8**	**28,5**	**29,0**	**28,0**	**27,0**
Seasonally adjusted data	32,6	30,1	29,2	28,4	26,8	27,3	27,0	26,7	24,5	26,5
Real GDP growth (annual rate)	**2,4**	**5,7**	**5,1**	**5,2**	**8,5**	**4,2**	**7,9**	**6,3**	**7,3**	**-7,1**

Tabel 3. Evolution of tax revenues on administration levels - % of total tax revenue

Central government	59,5	59,7	60,1	62,8	63,4	63,0	63,0	62,2	62,9	61
Local government	3,9	3,8	3,1	3,5	3,4	3,1	3,4	4,0	3,2	3,5
Social security funds	36,6	36,5	36,8	33,7	33,2	33,9	33,6	33,0	32,9	34,6
EU institutions	-	-	-	-	-	-	-	0,9	0,9	0,8

According to table 2, the Report of fiscal revenues in gross domestic product (GDP) of Romania was 27% in 2009, almost nine percentage points lower than the average of the 27 European Union countries. Evolving over the last 10 years, larger oscillations are found in the years 1999, 2000, with 30-31% share, in 2001 so far has maintained a relatively similar share, between 27-28% and 29% only in 2007, even if there were, in time, important changes in the tax system referring to tax basis, the level of rates or the way of establishing them - progressive or unique rate, further increases in indirect taxes, mainly VAT and excise duties etc. Large developments of GDP, as annual rate (Table 2) emphasize this effect, and the increase of taxes can be considered one of the causes of GDP reduction. This situation is reflected in the structure of tax revenues as a percentage of GDP, so that indirect taxes were constant between 11 and 12%, the European average is between 13 and 14%, so quite a small difference. In comparison, **direct taxes** have a contribution of 7% in 2000 and only 5.3% in 2005, when it was introduced the unique rate, up to 6.5% in 2009. EU 27 Average indicates a share of direct tax of

GDP of 11.5% in 2004 and 2009, to 12.3 and 12.4% in 2008 and 2007, almost double comparing to Romania. (Chart 1.)

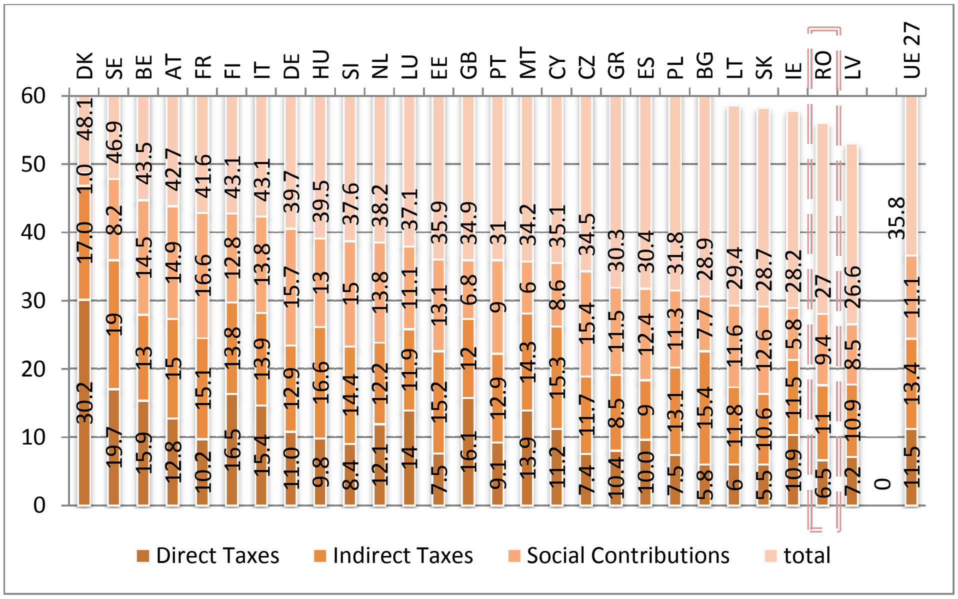

Chart 1 – Statement of tax revenues, in structure, in EU countries - 2009 -% of GDP[1]

It is interesting to observe the position of Romania in the EU area, as being one of the top states with the highest recorded results; we find the following[2]:

- Total Taxes as % of GDP - Romania ranks 26 - so very little share compared to other European countries, the next position being occupied by Latvia.
- Direct Taxes as% of GDP - position 24, and also a low share and the Direct Taxes as % of Total Taxation - position 20 - comparable.
- Direct Taxes as% of GDP - *Corporate income tax* - the position 8, reflecting a higher position in the ranking compared to the total weight of taxation.
- Direct Taxes as% of GDP - *Personal income taxes* - position 25, again very low.
- Indirect Taxes as% of GDP - position 24 - while in terms of share of Indirect Taxes as% of Total taxation, Romania ranks 9, that is the indirect taxes represent a large share of indirect taxes in total taxation, compared to other EU countries. It shows such a feature of taxation in Romania, which relies more on indirect taxes

[1]http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_structures/2011/report_2011_en.pdf, http://ec.europa.eu/taxation_customs/taxation/gen_info/economic_analysis/tax_structures/article_6047_en.htm

[2]http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_structures/2011/report_2011_en.pdf

than on the direct taxes which may have high tax efficiency, even in economically difficult situations. If direct taxes have a high sensitivity to fluctuations in the economy, when the economy does not work, the most reliable source of income for the state remains consumption taxation.

Overall, however, by 2009, the level of taxation in Romania is among the lowest in the EU and significantly lower than that of neighboring countries, Bulgaria and Hungary. However, Romanians' perception is that taxation is excessive and burdensome, with more negative effects than benefits, an idea fueled by the existence, over time, of a large number of taxes, being the responsibility of physical and legal entities, an inefficient administration which leaves the entire tax burden on the shoulders of taxpayers, and legislative instability that characterized the Romanian fiscal system.

Year 2010 already brought a series of tax increases at the level of budgetary pressure and in the same sense, the construction budget for 2011 and 2012 to 2014 horizons is considering an increase to over 30% of GDP in tax revenue, declared based on the reduction fiscal evasion and subterranean economy.[1] Unfortunately, the threat of global crisis continues, based on the so damaged economic and social space in Romania, so that business environment support, as alleged in the present to be necessary, is expected to achieve only surface measures of reduced effects, such as "re-scheduling the legal framework for granting installments for the paying the mandatory taxes, the establishment of legislative, administrative and operational measures in order to simplify customs formalities."[2]

According Table 3, the central government allocated share of total income is less than half of the entire analyzed period, while the local administration share is on average of about 3.5%, compared to an average of over 10% at EU level.

The share allocated to **social insurance funds** increased from 32.9% in 2008 to 34.6% in 2009, about four percentage points above the EU 27 Average.

However, as a percentage of GDP (Table 2), the revenues allocated to social security funds are of approximately 1.7% lower than the EU 27 average, the causes are diverse, including the situation on the labor market, namely high unemployment.

[1] http://ec.europa.eu/europe2020/pdf/nrp/cp_romania_ro.pdf
[2] http://discutii.mfinante.ro/static/10/Mfp/buget2011/RAPORT_BUGET2011.pdf

4. Differences of Total Taxation in the EU

Despite the high tax rate, in the year 2009, 13 Member States registered shares of total tax revenues under 35% of GDP, of which 6 under 30% (Bulgaria, Ireland, Latvia, Lithuania, Slovakia and Romania with 27%). Seven EU countries have a higher share of 40% total taxes to GDP, among them three states with the largest tax are Denmark (48.1%), Sweden (46.9%) and Belgium (43.5%). One can notice a difference of over 20% between Romania and Denmark, so the tax burden in the country with the highest tax is 70% higher than the lowest fees. The data are presented in Table 4.

These differences are mainly due to taken social policy measures such as pension, health and education, public employment, etc., measures that the states can afford, given the fact that their economic policies are effective.

Technical factors also play a role: some countries provide social or economic assistance through tax cuts and not through public spending, while social transfers are exempted from tax and social contributions in some Member States but not in others. It should be noted that the GDP value taken into account in determining the tax rate include also the estimation includes of informal sector production ("gray or black economy"); so the high tax evasion can lead to a lower rate of taxation.

As a general rule, the rate of tax revenue / GDP is significantly higher in the 15 old member states (countries that joined the Union before 2004) compared to the 12 new Member States, as shown in the following table:

Table 4. Total tax revenues in EU countries (including social contributions)

1999 - 2009, as% of GDP[1]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
BE	45.3	45.0	45.0	45.1	44.6	44.7	44.7	44.3	43.9	44.3	43.5
BG	30.6	32.5	30.9	29.6	32.2	33.1	34.0	33.2	34.2	33.3	28.9
CZ	34.0	33.8	34.0	34.8	35.7	37.4	37.1	36.7	37.2	36.1	34.5
DK	50.1	49.4	48.5	47.9	48.0	49.0	50.8	49.6	49.0	48.2	48.1
DE	41.7	41.9	40.0	39.5	39.6	38.7	38.8	39.2	39.4	39.3	39.7
EE	32.5	31.0	30.2	31.0	30.8	30.6	30.6	31.1	32.3	32.2	35.9
IE	31.9	31.6	29.8	28.5	29.0	30.3	30.8	32.3	31.4	29.3	28.2
GR	33.3	34.6	33.2	33.7	32.1	31.2	31.8	31.7	32.4	32.6	30.3
ES	33.6	33.9	33.5	33.9	33.9	34.5	35.6	36.4	37.1	33.1	30.4
FR	44.9	44.1	43.8	43.1	42.9	43.2	43.6	43.9	43.2	42.8	41.6
IT	42.5	41.8	41.5	40.9	41.3	40.6	40.4	42.0	43.1	42.8	43.1
CY	28.0	30.0	30.9	31.2	33.0	33.4	35.5	36.5	40.9	39.2	35.1

[1]ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_structures/2011/report_2011_en.pdf

LV	32.0	29.5	28.5	28.3	28.5	28.5	29.0	30.4	30.5	28.9	*26.6*
LT	31.7	30.1	28.6	28.4	28.1	28.3	28.5	29.4	29.7	30.3	29.3
LU	38.3	39.1	39.8	39.3	38.1	37.3	37.6	35.6	35.7	35.6	37.1
HU	38.2	39.0	38.2	37.8	37.9	37.4	37.5	37.2	39.8	40.4	39.5
MT	27.3	28.2	30.4	31.5	31.4	32.9	33.9	33.7	34.6	34.5	34.2
NL	40.4	39.9	38.3	37.7	37.4	37.5	37.6	39.0	38.9	39.1	38.2
AT	44.0	43.2	45.3	43.9	43.8	43.4	42.3	41.9	42.2	42.8	42.7
PL	34.9	32.6	32.2	32.7	32.2	31.5	32.8	33.8	34.8	34.3	31.8
PT	34.1	34.3	33.9	34.7	34.8	34.1	35.1	35.9	36.8	36.7	31.0
RO	31.0	30.2	28.6	28.1	27.7	27.2	27.8	28.5	29.0	28.0	27.0
SI	38.2	37.5	37.7	38.0	38.2	38.3	38.6	38.3	37.8	37.3	37.6
SK	35.4	34.1	33.1	33.1	32.9	31.5	31.3	29.2	29.3	29.1	28.8
FI	45.8	47.2	44.6	44.6	44.0	43.5	44.0	43.5	43.0	43.1	43,1
SE	51.8	51.8	49.9	47.9	48.3	48.7	49.5	49.0	48.3	47.1	46.9
GB	36.2	36.7	36.4	34.9	34.7	35.1	36.0	36.8	36.5	37.3	34.9
EU 27	40.8	40.6	39.7	39.0	39.0	38.9	39.2	39.7	39.7	39.3	38.4

Despite these great differences, over the years, until 2007 the tax rates tended to converge, the difference between the highest and the lowest rate declined during 2001-2007. In 2008, however, the rates again departed easily, possibly because of differences between the decreases registered in the Member States.

In 2008, under the impact of the recession, the tax rate fell below the rising trend during the last four years. However, the decline brought the rate where it was in 2006 and on long term slightly below the level of 2000. Years 2008 and 2009 were characterized by a quasi-general decrease of tax revenues and fees, with major differences to the extent that some countries had great falls (e.g. Spain, Bulgaria, Cyprus, Ireland, Belgium, Latvia, Poland) while in others the effect was limited or conversely, showed slight increases in 2009 (Estonia, Germany, Luxembourg).

In the EU, the GDP progress was relatively upward, deterioration being especially sharp in the second half of 2008; however, although the actual rate of growth decreased by more than 2 points to 0.5%, the weighted average of the 27 Member States, some states have had a relatively good average growth for the entire year. For example, Romania, Bulgaria and Slovakia have recorded growth rates in 2008, the decrease being strongly felt in 2009. When it comes to GDP per capita, the highest recorded level in Europe, in the countries with high taxation, namely Luxembourg (GDP per capita: $ 89,562), Norway (GDP per capita: $ 56,920), Switzerland (GDP per capita: $ 46,424), Netherlands ($ 42,447) and Austria ($ 39,711), except for Ireland ($ 39,999 and taxation in 2009 under 30% of GDP).

5. Conclusions

The European Union compared to other developed areas of the world and the potential of emerging countries, is a high tax area. In 2009, the rate of income tax, that is the sum of all taxes and social security contributions in the 27 EU Member States increased to 35.8% of the GDP average, while in 2008 and in previous years it was majority over 39%, more than a third above the levels registered in the U.S. (24%) and Japan (28.1%).

Overall, the tax rate has decreased since 2000, but, on average, only a few years. The requirement to reduce public deficit, still threatening with repeated and strong global crisis, has not allowed an endorsement of efforts to reduce taxes. Moreover, even countries that were located, apparently at least, in its low tax states such as Romania, project an increase in the next fiscal period and the public debt crisis emphasizes this need. The economy is left to the will and ability of managers and of external developments, while the tax affects consumption and production. The real interest declared by public policies, to boost the economy seems to be knocking against the priorities of the moment, regarding the immediate insurance of public revenues to the level required by European demands and emphasized prudence that current baneful events induce which the important European countries are facing.

Tax harmonization with EU states practices, from Romania's perspective can not be achieved simply by legislative adjustments, accompanied by increased taxation and cosmeticizing the business environment with "makeup" that fade from one day to another. Measures as Restructuring tax liability or their exemption seems to be the place they always reach in difficult moments, proving the state's inability to look ahead and to find the most appropriate long-term remedies. The public policy should focus primarily on the directions that can achieve this goal, namely a functional market economy and not by "saving" the moment, as there were the incomes of the working abroad Romanians or a favorable climate for a good agricultural year . We believe that the increase in tax revenues must be a consequence of solid economic and financial policies, real and lasting, accompanied by fiscal discipline, reducing tax evasion, of the subterranean economy. In addition, the EU's poorest countries, lowering the rates of taxation are among the few arguments that can attract foreign investment and encourage the local entrepreneurs.

If we speak of tax harmonization, the conclusion is that we can report both the technical aspects or quantifiable, compared with the best results in Europe, as their implementation is not a guarantee of similar results. Tax harmonization may remain on the major directions set by the European treaties and the tax level, on the total and in structure is a problem generated by the policy mix in regional and global context.

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