Novelty Journals

ISSN 2394-7322

International Journal of Novel Research in Marketing Management and Economics
Vol. 3, Issue 1, pp: (1-9), Month: January-April 2016, Available at: www.noveltyjournals.com

The Current State of the Tax Harmonization in the European Union

Bianka Bittmannová

Faculty of International Relations, University of Economics in Bratislava, Slovakia

Abstract: **The aim of the article is to analyze the current situation of the tax harmonization in the European Union. The tax harmonization and the fiscal cooperation is one of the policies of the European union, which is important because of the smooth functioning of the Single European Market. The article presents different views on the tax harmonization, it describes the consecutive evolution of the tax harmonization in the EU, it studies the current state of the harmonization of indirect and direct taxes and it also outlines the future initiatives planed in the EU. It also highlights the main differences between the tax policies of the member states of the EU and compares the countries with highest and lowest tax rates in the different categories of taxes.**

Keywords: **tax harmonization, European union, taxation, tax policy, European Single Market, direct taxes, indirect taxes, tax rate, tax burden.**

I. INTRODUCTION

Throughout the history, the topic of taxes has always been very sensitive for all the governments, because it forms a great part of the state budget revenues, but on the other hand it is one of the important factors influencing the economic activity and also having an impact on the competition between countries. One of the aims of tax cooperation in the European Union (EU) is to create a big blog of countries throughout the Europe with a single market, which would compete together against other integration blocs and big countries in the world economy in this field. When we analyze the current situation and new decision made in the EU after the economic crisis, tax harmonization is getting more important and a burning issue on the level of the EU, as many governments were forced to higher their tax rates, because of the fiscal problems. But as usual, it has many advocates and also many opponents, and the approach of the member states in the EU varies greatly. That’s why the area of taxes is still not perfectly harmonized and according to some experts, it still hinders the functioning of the single market.

The article describes the principles of tax harmonization and tax competition and presents different views at the advantages and disadvantages of the tax harmonization as such, not only at the European level. But as the main objective of the article is to analyze the current state of the tax harmonization in the European union, the author is going into details and analyzes the situation in the field of direct and indirect taxes applied in the European union. The tax rates levied throughout the member states of the EU are compared and the development from past till these days is studied. The article provides a brief and concise description of the tax situation in the EU and also indicates plans that are being considered for the future. The main methods used are analyses, comparison and description.

II. WHAT IS A TAX HARMONIZATION AND WHY IS IT IMPORTANT?

Tax harmonization is understood as a "process of adjusting of tax systems of different jurisdictions in the pursuit of a common policy objective" (James, 2002, p. 100). Under the term tax harmonization, we can understand not only the process, including the recourses that help reaching the aim, but also the result of this process (the harmonization of tax legislation). In the context of the Single European Act is the tax harmonization defined as the removal of tax distortion affecting commodity and factor movements in the internal market to help the efficient allocation of resources. The tax

harmonization in the EU should help the smooth functioning of the Single European Market (James, 2002, p. 100). In connection with the European integration, we can explain the tax harmonization as the coordination of the legal and administrative measures of the member states with the aim of supporting the single market (Medveď, Nemec et al., 2011, p. 525). Within the framework of tax harmonization, the barriers that distort competition between the member states should be removed.

The tax harmonization is one of the main achievements (or still the aim) of the Single European Market (SEM), that was created in the European Union in 1993. Single European Market means the creation of one big market without the internal borders, where free movement of goods, services, capital and labour is guaranteed. Despite the fact, that the SEM was completed in 1993, based on the White paper and the Single European Act (1987), which highlighted the persisting barriers to the free movement, it is still not totally perfect until these days. At the time there are many barriers to the completely free movement of goods and production factors. The current state of the tax harmonization is continuingly on the quite low level and there is still a long way to go. It always was and is very difficult to reach further agreements and deeper cooperation in the area of tax harmonization in the EU, as the unanimous compliance is needed to make the measure valid on the level of the EU (contrary to most of the EU policies, where the qualified majority to reach a decision is enough). Even though that the European Commission had proposed in the past a change to qualified majority voting in matters of taxation, the political opinion in most countries, e.g. United Kingdom, but also the new member states, do not support this proposal. The result in completion of the single market in the area of taxes should be the complete removal of the tax borders within the EU, including the framework of the direct as well as indirect taxes (Medveď, Nemec et al., 2011, p. 525).

Already Adam Smith 200 year ago was thinking about tax competition between countries. He thought, that if in one country there would be a very high tax burden on the capital, his owner could end business in this country and take his capital to another country, so the government would lose all the revenues, because the capital cultivates the country (Smith, 1776, p. 675). Building also on this, the advocates of the tax harmonization claim, that the cooperation in the area of taxes is an important prerequisite for a smooth functioning of the single market and that the harmonization can lead to a bigger efficiency and welfare in the member state. The tax rates harmonization would lead to a greater allocative efficiency (James, 2002, p. 97). The differences in taxes between the member states lead to the tax competition, which can influence the public and private choices. Harmonization could have positive effects also on the reducing of the administrative burden, because when one member state has a good functioning tax system that would cope with the harmonized conditions, the other member states could simply copy and implement that system. On the other hand, the opponents think, that in the area of direct taxes the sovereignty of the decisions of the member states should be preserved. They claim, that the tax competition can have positive effects on the government efficiency (Bénassy-Quéré et al., 2014, p.1). The concept of tax harmonization is as a cartel, it is aimed at limiting the labour and capital movements from countries with high taxes to countries with lower taxes (Mitchell, 2005). Tax harmonization reduces the tax competition and that’s why it leads to lower efficiency. According to some experts, especially the countries that should higher their tax levels would be mostly against the harmonization. But also the countries that would have to lower the tax burden could protest, because the effect would be the lack of resources in the state budget and the need for the allocation of public money (Peková, 2005, p. 195). One could also claim, that it wouldn’t be possible to implement the same tax system in every member courtiers, because they have other specific policies and traditions, that require at least some deviations and adjustments. Bernholz claims, that there in no need on the level of the EU to harmonize the taxes and even the pension systems to reach its integration goals. But he recognizes, that as the free movement of goods and capital became the most important principles of the EU, the different tax burden can be a limiting factor (Bernholz, 2009, p. 2 – 4). The member states should not lower their fiscal autonomy and they shouldn’t see the tax competition as negative element, but should rather see it as a tool for increasing the competitiveness of the European market as a whole (Solík, 2007, p. 96). The tax harmonization is so difficult also because of the preferences and specifics of the individual countries.

III. HOW FAR DID THE EUROPEAN UNION GET?

After the adoption of the Single European Act, the permissible mandate in the field of taxation concerned only the phasing in a common external tariff (cooperation) and eliminating the internal tariff. The basic goal defined as the minimal needed, had been some level of uniformity in the type and base of the taxes, that should be reached (James, 2002,

International Journal of Novel Research in Marketing Management and Economics
Vol. 3, Issue 1, pp: (1-9), Month: January-April 2016, Available at: www.noveltyjournals.com

p. 96). The priority was given to the tax harmonization of the mobile factors, the financial assets, commodity taxes and corporate income taxation. The labor and real asset tax harmonization became not so important, as they are the less mobile factor.

The field of taxes is being considered as the field of common coordination in the European Union. It is the field, which is coordinated and harmonized through directives, which means, that the final transposition of rules is the responsibility of the single member states. The member states can decide in what way will they implement the rule in their national legislations, they can choose different means to reach the same goal. The directive is binding in subject to the outcome. As the tax harmonization was always a stumbling block on the EU soil and it did not proceed easily because of the opposing opinions of the member states, they had gradually abandoned the objective of fully integrated tax system, and rather acceded to reduce the differences between the tax systems of the member states.

The first rule governing the issue of tax harmonization in the EU was the Treaty establishing the European Economic Community (today it is the Treaty on the Functioning of the European Union), particularly its Article 93 dealing with indirect taxes and the Article 94 dedicated to direct taxation. European Commission has launched its tax policy strategy in 2001. In this strategy the Commission expressed it’s a bit changed opinion, that there is no need for a board harmonization of the direct tax systems across the member states. According to this strategy, the member states should be free to choose their tax system. The EU should be active only in such an extent, in which the member states are not able to act and an EU regulation would be more effective. The most important priority of the strategy is to eliminate the tax obstacles to economic activity between the member states and thereby to boost the single market (COM/2001/260 of 23 May 2001).

When considering the current level of tax harmonization, much work has been done in the area of indirect taxation, where we include value added tax (VAT) and excise taxes. Little bit worse is the situation with the harmonization of the direct taxes. And from the economic point of view, this factor is more relevant for the competition between countries and can help to boost the economic activity. One of the direct taxes, which most of all have an impact on doing business is the Corporate income tax (CIT). CIT and other direct taxes are not yet harmonized in the European Union, but the discussions are concentrated in this area since 2001.

Another very important area of tax cooperation is the avoidance of double taxation. In 1990, the Parent-subsidiary directive was adopted, which governs the taxation of the repatriated profits by the principle to be taxed only in one country, what should stop the discrimination of the foreign subsidiaries in comparison to the domestic companies. The aim of the Interest and Royalties directive, adopted in 2003 is also to combat the double taxation. By this directive, the withholding taxes on cross-border interest and royalty payments within the EU were abolished. Further the EU takes action to tackle the tax obstacles and inefficiencies, and as essential is considered the fight against the tax fraud (COM/2006/254 of 31 May 2006). It is assumed that tax fraud in EU reaches currently the amount around 1 trillion Euros. The countries of the EU coordinate each other by exchange of the information concerning the goals set in the area of taxes (e.g. the tax fraud). In the last time the discussion has moved from “double taxation” to “double non-taxation”, because there are suspicions, that a number of transnational corporations is paying low taxes only thanks to the usage of different optimization techniques through the member countries of the EU.

In the worldwide comparison, the EU belongs to the areas with the highest tax rates, when the average tax rates are taken into consideration, as there is still not a complete harmonization, and different tax rates exist between the member states. The overall tax burden, including the taxes and the social security contributions, is in a long term context higher than in the USA and Japan and all the developed countries in the OECD. What is more, the trend in the tax rates in the EU is rising. This tendency was also stimulated by the crisis, during which the rates rose in many countries. The problem may lie in the other policies of the Single European Market and the emphasizing need for stricter rules of economic coordination. For this reason, the rules for the budgetary balance had been introduced, within which countries must adhere to certain ceilings on the budget deficit and national debt.

But the high taxes are not a novelty in Europe, they started to be applied since the 1970s to finance the state activities, what is associated with the rising role of the state in the economy and by ensuring social needs of the population. At the beginning of the new millennium, also as a result of increasing tax competition with the forthcoming accession of new members to the EU began the tax burden to gradually decrease.

Because of the financial and debt crisis the pressure on the public budgets in many countries became stronger and they were forced to deal with the situation by raising taxes. In 2012, the weighted average in EU 28 of the taxes, including the social contributions, accounted for 39,4 % of GDP (Remeur, 2015). This share is by 1/3 higher than in USA and Japan and it increases year by year. The need for harmonization has come to be even more evident during the crisis because the different system of taxation began to cause of many disputes. Most of the countries which have witnessed the fiscal imbalances, had or still has relatively benevolent tax system compared to other countries in the EU. That was the reason why other countries conditioned their financial aid by the terms of tax increases that we can see today are happening in more European countries. The reforms undertaken for fiscal consolidation have increased the overall tax burden across the EU.

A. VAT and indirect taxes:

The harmonization in the area of VAT became the part of the acquis communautaire. This group of taxes was harmonized as first since the 1960s, because it was believed, that the big differences of VAT rates between the member states, would lead to variations in prices of the same products throughout the EU and could hinder the free movement of goods in the SEM. What is more, the VAT is clearly the most significant component of taxation, numerically it creates more than two thirds of the total tax burden. The analyses began with the border areas, for which is the tax competition most relevant. Those living in the border areas would have the incentive to do the so called "cross-border shopping", and use the low tax in a border country to shop the goods cheaper. But also in this field some researchers claim, that the tax competition can lead to the spontaneous harmonization effect (the sellers would try to reduce the prices to balance their competitors from the other state, even at the cost of reduction of profit), and there is no need to enforce the harmonization with some rules (Mečár, 2008, p. 117). And as the cross-border shopping can be very unpopular among these shopkeepers, because they lose trade, they can exert the political pressure on the government to act in favor of harmonization (Gammie and Robinson, 1989). But this has usually only local character, because of the border areas and it was unfortunately not the case of the EU.

Also because of the existence of some level of spontaneous harmonization, the EU decided to coordinate the VAT in the fixed range. The member countries agreed to set a minimum rate for the value added tax, that can be applied in the EU. The VAT is regulated by two directives from 1977 and 2006. The minimum standard rate of VAT is currently agreed on 15 %. There is also a reduced rate at the level of 5 %, applied on the sensitive goods (e.g. medicine, books, basic food etc.). The maximum level of tax rate of 25 %, is only a recommendation, and the member states are not obliged to keep it.

The differences throughout the EU are quite big, even though the harmonization in the area of VAT is the greatest. The average VAT in EU is 21,6 % for the year 2015. The highest VAT rate on the level of 27 % is levied in Hungary. The lowest VAT rate of 17 % is applicable in Luxemburg. No country applies the minimum possible tax rate of 15 %, but as we see, the Hungary exceeds the recommended limit of VAT by 2 %. In average the EU member states use 2 reduced rates of VAT. Only Denmark uses no reduced rate and contrary France, Ireland and Luxemburg apply 3 different rates of the reduced VAT. In most of the countries the reduced rates are applied on foodstuff, water and non-alcoholic beverages, some agricultural supplies, pharmaceuticals and medical equipment for disabled persons, public transportation, books and periodicals, hotel accommodation and restaurants, admission to cultural and sports events and other.

TABLE I: Standard Vat rate and the reduced rates in EU

	% of standard VAT rate	Number of reduced rates	% of reduced rates
Austria	20	2	12/10
Belgium	21	2	12/6
Bulgaria	20	1	9
Croatia	25	2	13/5
Cyprus	19	2	9/5
Czech Republic	21	2	15/10
Denmark	25	0	
Estonia	20	1	9
Finland	24	2	14/10

International Journal of Novel Research in Marketing Management and Economics
Vol. 3, Issue 1, pp: (1-9), Month: January-April 2016, Available at: www.noveltyjournals.com

France	20	3	10/5,5/2,1
Germany	19	1	7
Greece	23	2	13/6
Hungary	27	2	18/5
Ireland	23	3	13,5/9/4,8
Italy	22	2	10/4
Latvia	21	1	12
Lithuania	21	2	9/5
Luxemburg	17	3	14/8/3
Malta	18	2	7/5
Netherlands	21	1	6
Poland	23	2	8/5
Portugal	23	2	13/6
Romania	24	2	9/5
Slovakia	20	1	10
Slovenia	22	1	9,5
Spain	21	2	10/4
Sweden	25	2	12/6
United Kingdom	20	2	5/0

Source: http://www.vatlive.com/vat-rates/european-vat-rates/eu-vat-rates/

When we analyze the historical evolution of the VAT rates, we can say that the taxes in the EU are on the rise. Since 2006 only 5 countries didn't higher their VAT rate. These countries include Austria, Belgium, Bulgaria, Denmark and Malta. Austria maintains the same VAT rate already since 1984, the others since 1990s and Malta since 2004, when joined the EU. All the other member states have changed their VAT rates. Most of the countries (11) increased their tax rate in 2010. In this year only Ireland decreased its VAT rate to 21 % (in 2009 it was increased to 21,5 %), but in 2012 it was increased again to even higher level of 23 %. Cyprus started gradually increasing its lowest VAT rate since 2012, and currently it is 19 %. Except of Ireland, there are more countries in which there was a reduction in VAT rate. Latvia first gradually increased its VAT rate from 18 to 22 %, but then it fell in 2012 at the current 21 %. Portugal and United Kingdom both reduced their rates in 2009, but then the next two years they increased the rates. The increase of the VAT rates can be attributed to effects of the crisis.

TABLE II: Development of the VAT rates in the EU

	2006	2010	2015
Austria	20	20	20
Belgium	21	21	21
Bulgaria	20	20	20
Croatia	22	23	25
Cyprus	15	15	19
Czech Republic	19	20	21
Denmark	25	25	25
Estonia	18	20	20
Finland	22	23	24
France	19,6	19,6	20
Germany	16	19	19
Greece	19	23	23
Hungary	20	25	27
Ireland	21	21	23
Italy	20	20	22
Latvia	18	21	21

Lithuania	18	21	21
Luxemburg	15	15	17
Malta	18	18	18
Netherlands	19	19	21
Poland	22	22	23
Portugal	21	21	23
Romania	19	24	24
Slovakia	19	19	20
Slovenia	20	20	22
Spain	16	18	21
Sweden	25	25	25
United Kingdom	17,5	17,5	20

Source: http://www.vatlive.com/vat-rates/european-vat-rates/eu-vat-rates/

Excise duties are applied on the sale or use of specific products and usually depend from the amount of the product. With the creation of the Single Market and the abolition of tax controls at the borders, some common routing was necessary also for the excise duties in the EU, which would support the cross-border trade and prevent the competitive distortions. According to the Treaty of the Functioning of the European Union, excise duties are also subject to a minimum rate. All revenue collected from excise duties goes entirely to the Member States where are levied. They started to be harmonized since 1970s, because they also have a direct effect on the movement of good between the member states and the current state of their harmonization is the highest compared to other kinds of rate. To the groups of goods, on which the excise duties must be levied, belongs tobacco and tobacco goods, alcohol and energy goods. The excise duties are an important and stable source of income of the state budgets of the EU member countries. They make up one fourth of the indirect tax burden (Zourek, 2010, p. 27). But excise duties can be also seen as having an educational character, trying to change the consumer behavior and they are supporting the health policy. In addition, the general rules for producing, storing and moving these goods around the EU and the scope for possible exemptions are agreed on the level of the EU.

B. Direct taxes:

The direct taxes can be levied on different taxpaying capacity attributed to the taxable person, for example the current income, capital gains, home ownership, car registration, the acquisition of a dwelling and the like. The direct taxation of capital and labor is much less harmonized, as it is not so easily moving between the member countries as the goods. Even though, the field of direct taxation is not directly governed by the rules of European Union, just a few directives and the case law of the Court of Justice are helping to harmonize at least the standards of the taxation. In general, according to the Treaty of functioning of the European Union, the EU can act in the field of direct taxes only when the internal market is affected. Direct taxes are addressed in particular through the focus on the removal of tax obstacles and the prevention of tax competition.

The initiatives of deeper harmonization of the direct taxes are as old as the harmonization of the indirect taxes, because the supporters believed and still believe in the importance of their effect on the competition between the member states. As the VAT has direct effect only on the final consumer, the direct taxes can influence the producers or even the employees, where to start their business and work. That's why the raising VAT doesn't need to have a negative effect on the functioning of the Single Market. But the incentives in the direct taxes harmonization is little bit different than by indirect taxes. The option of the indirect harmonization is always more often discussed, what would mean the unification of the tax bases through the harmonization of accounting and business law principles instead of unification of the tax rates. All the member states apply their own rates of corporate and individual income taxes.

The personal income tax (PIT) is not yet covered by common rules at the level of the EU, but the principle of free movement of persons and the prohibition of discrimination guarantees, that the citizen of one member state working in the other can not be treated less favorably than its own nationals. The field of PIT is still covered only by bilateral tax treaties and case low. Some progress is made in the field of the social systems, which also needs to be harmonized because of the the free movement of people. Today it is quite common that person is drawing a pension in another state from the member state in which they worked during their working age and the system is functioning well. Also the systems are quite

different in the member states. Only 6 member states apply flat rates and in all the other countries there is a progressive system applied, where the tax rate depends on the amount of income. From the long run perspective, the tax burden of labour taxation is decreasing in a majority of member countries (Eurostat, 2014). Belgium is nowadays the number one country that taxes labour at the highest rate in the European Union. Before it used to be Hungary, but since 2011 it implemented a flat tax scheme system (Rogers and Phillipe, 2014, p. 6). The countries using flat rates have generally a lower tax burden, as for example Bulgaria applies 10 % rate on all income categories, Lithuania 15 % or Hungary and Romania 16 % rate. We can also come to a conclusion, that the new member states, accessing the EU after 2004 apply lower PIT rates than the older member states. However, the statistical calculations claim that the overall tax burden remain higher in "flat tax" countries than in "progressive" systems, so they compensate the low PIT revenues with other taxes that are less detrimental to growth (VAT, excises, taxes on immovable property, environmental and health-related taxes). The highest rates applied on the top incomes are around 50 % (for example in Belgium, Denmark, Spain, France, Netherland, Portugal, Finland or Sweden). Luxemburg has the most differentiated rates according to the progressivity. In every country there are some allowances depending for example on the number of children, living in the family in comparison to the single member household and others (Your Europe, 2015). The EU 28 average implicit tax rate on labour was in 2012 on the level of 36,1 % of the income. This figure includes also the social contributions payments. The implicit tax rate was lowest in Malta (23,3 %). Also Bulgaria, Portugal and United Kingdom have their implicit tax rates only a bit above 25 %. On the other hand, the highest implicit tax rate on labour are in Belgium and Italy (42,8 %) and in Austria and Finland are above 40 % as well. The highest annual growth in implicit tax rate was recognized in Greece, where the burden rose from 30,9 % in 2011 to 38 % in 2012 as the result of crisis measures aimed specifically at tax increases. Despite the fact that the actual PIT rate decreases with time, the state revenues are compensated with other charges deducted from the income, because the implicit tax rate is rising over time almost in all member countries of the EU. (Eurostat, 2015). In average, more than two thirds of labour taxes are social contributions and payroll taxes, but their shares are very different in the member states.

The proposals to harmonize the corporate income tax (CIT) have been under intensive discussion for more than 40 years. But till these days the outcome of these discussions is not very tangible. The corporate income taxes are steadily falling from 1995. This could help to enhance the competitiveness of the EU, what is one of the mail goals of the EU’s strategies. The EU-28 corporate tax top rate average in 2014 was 22,9 %, compared to 35,0 % in 1995 (Eurostat, 2014). But although the trend is very clean, the rates vary considerably between the member states. The highest top statutory rates above 30 % are used in Belgium, Germany, Spain, France, Italy, Malta and Portugal and the lowest top statutory rates are in Bulgaria (10 % - the same as the personal income tax rate), Ireland and Cyprus (12,5 %) or Latvia and Lithuania (15 %). In 2014, four member states cut their rates. The largest reduction took place in Finland (from 24.5 % to 20 %), followed by the United Kingdom (23 % to 21 %), Slovakia (23 % to 22 %), and Denmark (25 % to 24.5 %).

The first attempts how to cooperate in the field of CIT within the EU, led to the adoption of the Mergers and Parent-Subsidiary Directives. The concept of Common Consolidated Corporate Tax Base (CCCTB) had been proposed in the European Commission as the common system for calculation of the tax base in 2011. According to many, this system could be seen as beneficial for the companies, because they would need to know one common system to do business in any country in EU, and they wouldn’t need to follow different rules for every country. The European multinationals could use one formula for calculating their tax base, even if operating in more countries. This could help to reduce the administrative burden and make doing business in the EU easier. The group would be able to file a single consolidated tax return for its whole activity in the EU. In the country, where the mother company of the group resides. Each member state would get the share of the tax paid by the company according to the formula calculated using multiple data (e. g. turnover, wage bill, number of employees and physical capital) as source. Each member state would be able to tax its apportioned share at its own CIT rate. The idea of CCCTB was re-launched again in 2015, as it is believed to improve the business environment of the Single Market. What is more, it could help to fight against the tax avoidance of the big companies operating cross borders. As the CCCTB system was not yet accepted, there are new initiatives to be started in 2016 (European Commission, 2015). The collective of authors (Bénassy-Quére, Trannoy, Wolff, 2014) from the French Council of Economic Analysis recommend the revision of the current project of the CCCTB, through the enhanced cooperation scheme, where the initiatives of the member countries would be needed.

There are even more projects running to support the CIT harmonization and fighting the tax fraud, also behind the borders of the EU. Worth mentioning is the Base Erosion and Profit Shifting (BEPS) program, launched by the OECD in September 2013.This ambitious project is aimed to address the new challenges of the globalized economy, especially the digital economy and the intellectual property, because the role of intangible assets is growing with the globalization, and it is getting more and more difficult to measure and to localize the value added of these products. It should also help to reduce the scope for the double non-taxation that can occur as the result of the financing agreements within a company group (OECD, 2015).

At the same time, the financial activities are taxed differently in the EU member states. There are many initiatives to harmonize these taxes as well. There is a general rule in the EU that the financial activities are exempted from VAT. One of the attempts of harmonization of the taxes in financial sector in the EU is the financial transaction tax, which is applied so far in 11 member states (Remeur, 2015). There is also a proposal that all specific taxes on systemic banks covered by the Single Supervisory Mechanism should be transferred at the central level and merged into a single Financial Activity Tax. Because without the tax harmonization, the project of the banking union in the EU could fail.

IV. CONCLUSION

Even though, the EU started to harmonize its tax systems in the early 1960s, the harmonization is still not perfect and the plans for the future improvements are big. The phenomenon of tax harmonization in the EU is very difficult, because of the need of unanimous decisions and the adverse attitudes of the state. The tax systems and tax rates are today still very different in the member states. When comparing the fields of direct and indirect taxes, indirect taxes (VAT and excise duties) are harmonized deeper than the direct taxes. The problem is, that the big differences in the systems cause in many cases tax evasion and the big tax competition have bad influence on completing and smooth functioning of the Single Market. That’s why the current efforts are aimed on harmonization of direct taxes which have greater impact on tax competition between the member states of the EU and therefore can have an impact on the better functioning of the Single Market.

Compared to other parts of the world, EU is the zone with higher general level of taxation. The rates of the indirect taxes are on the rise from the long run perspective. And also as the result of the crisis and the fiscal imbalances in the EU, the current average overall tax burdens are on the rise. But on the other hand, the direct taxes are generally rather declining in the majority of the member states. This can be evaluated as positive, because they have direct impact on the competitiveness and they can influence the GDP growth, what is strongly needed in the recovery from the crisis.

REFERENCES

[1] AVALARA (2015) European Union VAT rates by country. In: vatlive.com. 2015. Accessible online: http://www.vatlive.com/vat-rates/european-vat-rates/eu-vat-rates/

[2] BÉNASSY-QUÉRÉ, A., TRANNOY A., WOLFF B. G. (2014) Tax harmonization in Europe: Moving forward. Paris: French Council of Economic Analysis, July 2014. Accessible online: http://bruegel.org/2014/07/tax-harmonization-in-europe-moving-forward/

[3] BERNHOLZ, P. (2009) How to Safeguard Subsidiarity and Competition in the European Union. In: RMM, 2009. Vol. 0.

[4] EUROPEAN COMMISION (2015) Common consolidated corporate tax base. In: ec.europa.eu. 2015. Accessible online: http://ec.europa.eu/taxation_customs/taxation/company_tax/common_tax_base/index_en.htm

[5] EUROSTAT (2014) Taxation trends in the European Union. Luxemburg: Eurostat Statistical Books, 2014. ISBN 978-92-79-35672-8

[6] EUROSTAT (2015) Implicit tax rates by economic function [gov_a_tax_itr]. In: Eurostat (database). Accessible online: http://appsso.eurostat.ec.europa.eu/nui/show.do

[7] GAMMIE, M. and ROBISON, B. (1989) Beyond 1992: A European tax system. London: The Institute for Fiscal Studies, 1989. ISBN 0-9022992-79-1.

[8] JAMES, S. (2002) Taxation: Critical perspectives on the world economy. London and New York: Routledge, 2002, ISBN 0-415-18800-8.

[9] MEČÁR, M (2008) Harmonizácia daní v EÚ. In: Dane, účtovníctvo, odvody bez chýb a pokút, 2008. Vol. 7-8, p. 114-123. ISSN 1336-7986.

[10] MEDVEĎ, J., NEMEC, J. et al. (2011) Verejné financie. Bratislava: Sprint dva, 2011. ISBN 978-80-89393-46-6.

[11] MITCHELL, J. D. (2005) Tax competition and EU. In: Konzervatívne listy. Bratislava: Konzervatívny inštitút M.R. Štefánika, November 2005, ISSN 1336-5886.

[12] OECD (2015) Base Erosion and Profit Shifting. In: OECD. 2015. Accessible online: www.oecd.org/tax/beps.htm

[13] PEKOVÁ, J. (2005) Veřejné finance, Praha: ASPI, 2005. ISBN 80-7357-049-1.

[14] REMEUR, C. (2015) Tax policy in the EU. Brussels: European Parliamentary Research service, February 2015. Accessible online: http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/549001/EPRS_IDA(2015)549001_EN.pdf

[15] ROGERS, J. and PHILLIPE, C. (2014) The tax burden of typical workers in the EU 28, Brussels: New Direction Foundation, May 2014, ISBN 978-87555-078-1. Accessible online: http://europeanreform.org/files/New_Direction_-_2014_Tax_Burden_of_Typical_Workers_in_the_EU.pdf

[16] SMITH, A. (1776) An inquire into the nature and causes of the wealth of nations. Oxford University Press.

[17] SOLÍK, J. (2007) Súčasný stav a tendencie vývoja harmonizácie daní v Európskej únii. Bratislava: Nadácia F. A. Hayeka, 2007. ISBN 978-80-969833-0-8.

[18] YOUR EUROPE (2015) Income taxes abroad. In: europa.eu. November 2015. Accessible online: http://europa.eu/youreurope/citizens/work/taxes/income-taxes-abroad/index_en.htm

[19] ZOUREK, H. et al. (2012) Taxation trends in the European Union. Luxembourg: Publication Office of the European Union, 2012. ISBN 978-92-79-21209-3.