

**Structures of the Tax Systems
in
Estonia, Poland, Hungary, the Czech Republic and Slovenia**

Final Report
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for services of collecting and analysing data on the structure of the tax systems in
Estonia, Poland, Hungary, the Czech Republic and Slovenia

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Note: The findings of this study are disseminated for the sake of transparency and in order to create a work-tool. This document does, however, not necessarily the views of the Commission of the European Communities who cannot be held responsible for its accuracy and completeness.

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Abstract

In recent years the European Commission has developed a standard format for the collection, disaggregation and display of tax data from the Member States, published regularly in *“Inventory of Taxes Levied in the Member States of the European Union”* and in *“Structures of the Taxation Systems in the European Union”*.

Aims of this Study

The aim of this study is to investigate the structure of the tax system for the accession states Estonia, Poland, Hungary, the Czech Republic and Slovenia in this same format. This involves:

- Identification of appropriate data sources and description of the available data.
- Drawing up an inventory of all taxes for each country.
- Construction of a tax revenue database.
- Classification of tax revenues according to different types of categorizations.
- Analysis of the tax structure and comparison with that of present Member States.
- Documentation of the database and of the calculations.

This final reports presents the results as follows:

- The documentation of the data sources (sec. I.2).
- The ‘Inventory of Taxes’ for the countries covered (sec. II and Annex 1 to Annex 5).
- The ‘Table of Revenues’ according to ESA classification and split by level of government (sec. III).
- Revenues assigned to economic functions (sec. IV).
- Display and analysis of the tax structures for each country including implicit tax rates and a comparison with the EU average (sec. V).

Main Results

The main results for the most recent year covered by government approved data are shown in the following table (for details see sec. V.6).

Comparing the five countries of this report with the EU average one recognizes similarities and a number of striking differences. Apart from some differences in the nominal rates (maximum rate on individual income relatively low in all of the five countries) the most significant features are the following:

Revenues in traditional classification (cf. line 2 of the table):

- Indirect taxes as a share of total taxation play a larger or much larger rôle in all countries than in the EU (exceeding this average by nearly a factor 1.5 in Slovenia), with the exception of the Czech Republic where their share equals the average in the EU.
- Direct taxes represent a smaller share of total taxation in all countries than in the EU, very much so in Hungary, the Czech Republic and Slovenia (here only two thirds of the EU average).
- The share of social contributions in total taxation is slightly lower than in the EU in all countries with the exception of the Czech Republic, where their share is a factor 1.2 higher than in the EU.

Main Results			(0) EU average '96	(1) ESTONIA '98	(2) POLAND '98	(3) HUNGARY '99	(4) CZECH REPUBLIC '98	(5) SLOVENIA '98
(1) Nominal Tax Rates								
(1.1)	VAT Rate	[% of net price]	15 (L) to 25 (DK,S)	18	22	25	22	19
(1.2)	Max. Tax Rate on Individual Income	[% of taxable income]	40 (UK) to 60 (F)	26	40	40	40	50
(1.3)	Corporation Tax Rate	[% of taxable income]	28 (FIN) to 40 (D)	26	34	18	35	25
(1.4)	Local Business Tax	[% of value added]	0 to 4 (F)			2		
(1.5a)	Social Contributions	[% of gross wage]	9 (DK) to 41 (D)	33	37	47	48	53
(1.5b)	Social Contributions	[% of labour cost]	9 (DK) to 34 (D)	25	31	35	35	40
(2) Revenues in traditional classification								
(2.1)	Indirect Taxes	[% of total revenue]	32.5	37.8	37.9	42.7	32.3	46.7
(2.2)	Direct Taxes	[% of total revenue]	31.2	30.0	29.9	23.8	23.5	19.3
(2.3)	Social Contributions	[% of total revenue]	36.3	32.2	32.3	33.5	44.2	34.1
(3) Revenues according to economic functions								
(3.1)	Taxes on Consumption	[% of total revenue]	26.7	33.5	34.0	36.6	29.1	39.5
(3.2)	Taxes & Contributions on Employed Labour	[% of total revenue]	51.2	52.8	37.1	46.3	48.2	49.5
(3.3)	Taxes & Contributions on Self- and Non-Employed Labour	[% of total revenue]	5.7	0.9	13.4	3.2	7.7	3.2
(3.4)	Taxes on Capital & Business	[% of total revenue]	15.9	12.9	11.4	13.9	14.9	7.7

Revenues classified according to economic functions (cf. line 3 of the table)

The structure shows a relatively high similarity with the EU average in the Czech Republic and in Estonia and shows larger differences in the other countries.

- Taxes on 'Consumption' have a higher or much higher share in total taxation than in the EU average (a factor of 1.3 higher than this average in Poland, 1.5 higher in Slovenia).
- Taxes & Contributions on 'Employed Labour' differ significantly from the EU average only in Poland, where their share is only 0.7 of the EU average.
- Taxes & Contributions on 'Self- and Non-Employed Labour' and Taxes on 'Capital & Business' (sum of line 3.3 and 3.4 of table V.6) have a similar weight in total taxation as in the

EU only in Estonia, Poland and the Czech Republic; their share is only three quarters of the EU average in Hungary and one half in Slovenia.

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