

V. DISPLAY AND ANALYSIS OF TAX STRUCTURES

The comprehensive display and analysis of tax structures for the five countries is based on all the informations, assignments and computations of the preceding sections:

- the data sources (sec. I),
- the precise definition of each tax in the 'Inventory of Taxes' (sec. II and Annex),
- the revenue data for each tax and each year, displayed in the 'Table of Revenues' based on the respective EXCEL-sheets (sec. III),
- the assignments to economic functions, combined with the national accounts data (sec. IV).

The following data gives an overview of the available and processed data that enter the structural display and analysis presented in the following subsections V.1. to V.5.

Table V.1. Availability of Data in the '91 to '99 Period					
Countries	Estonia	Poland	Hungary	Czech Republic	Slovenia
(1) Revenues	'93 to '98	'91 to '98	'91 to '99	'93 to '98	'92 to '98
(2) National accounts					
(2a) final consumption	'93 to '98	'91 to '98	'91 to '99	'92 to '99	'92 to '98
(2b) compensation of employees	'93 to '98	'91 to '98	'91 to '99	'92 to '99	'92 to '98
(2c) net operating surplus	'93 to '98	--	--	'95 to '96	'93 to '98

The documentation of the time development of tax structures since independence (Estonia '92, Slovenia '92, Czech Republic '93) or since the beginning of the transition period (Poland '91, Hungary '91) gives a picture of the structural changes that have been achieved: they have created a fiscal structure in each of the accession states that bears a great overall similarity to the systems prevailing in the EU, in particular in the EU 6 countries, as displayed in the cross country tables, sec. V of "Structures of the Taxation Systems in the European Union":

V.1. Estonia

(1) Total revenues: indirect and direct taxes, social contributions

The level of aggregate taxation in Estonia in '98 was 37.6 % of GDP, nearly 5 percentage points below the '96 EU average. Of this total revenue a fraction of 0.38 are indirect taxes, 0.30 come from direct taxes and social contributions make up the remaining 0.32. For comparison: the respective EU fractions in '96 were 0.33, 0.31 and 0.36.

The 'indirect tax / GDP' ratio of 14 % equals '96 EU average, the 'direct tax / GDP' ratio of 11 % is below the '96 EU average of 13 %; social contributions amount to only a 12 % share of of GDP compared to the 15 % EU average.

As a special and unique feature of direct taxation Estonia levies only one flat rate of 26 % on all income, both individual and corporate.

The share of central government in 1998 was 53 % of total revenue or 79 % of taxes without social contributions, made up of most of indirect taxes, 44 % of individual income tax, 100 % of corporate income tax and of some other minor taxes. The share of non-central government was 14 % of total revenue or 21 % of taxes without social contributions; this share consisted of 56 % of individual income tax, of taxes on ownership on land and buildings and of some other smaller non-central taxes.

The 0.32 fraction of total revenues that derive from social contributions are paid exclusively by employers at a rate of 33 % of all payments made to employees; self-employed persons pay 33 % on net business income up to a limit of 15 official minimum monthly salaries.

From '93 to '95 the share of non-central government in total revenues has been reduced from 23 % to 14 % and remained practically constant since; the share of central government was increased from 45 % to 54 % in this period and has been kept above 53 % since, whereas the fraction of social contributions has been kept practically constant at 0.32.

(2) The functional structure of taxation from '93 to '96

Data for Estonia are available since '93, the first year after independence. Even in the '93 to '96 transition period the total level of taxation and the split according to the economic functions of the tax base has changed very little:

- The level of aggregate taxation fluctuated around 38 % of GDP.
- Taxes on consumption went up from 11 % to 13 % of GDP, slightly above the '96 EU-average.
- Levies on employed labour were practically constant at around 20 % of GDP, 1 percentage point below the '96 EU-average.
- Taxes on capital & business (incl. self-employed labour) were reduced from a low 7 % of GDP in '93 to 5 % in '96 (and slightly increased again in '98), which is only one half of the '96 EU average. Two facts contribute to this result: the low flat rate of corporation tax, 26 %, and the nearly vanishing tax revenue ascribed to self-employed labour.
- Taxation related to environment including energy taxes was increased from a GDP share of 0.5 % in '93 to 2 % '96, to be compared with the '96 EU average of 3 % of GDP. Energy taxes went up from 0.5 % to 1 % of GDP in this period and have been further increased to almost 2 % in '98, thus approaching the '96 EU average of slightly above 2 %.

(3) Developments since '97

The level of aggregate taxation in the Estonia continued to fluctuate only very slightly around the average since '93 and amounted to 38 % of GDP in '98.

The shares of total taxation falling to the three factors 'consumption', 'employed labour' and 'capital & business (incl. self-employed labour)' have also been changed very little:

- Taxes on 'consumption' had been increased from a previous average of 33 % of all taxes to 35 % in '95 and to 37 % in '97, but have returned to 34 % in '98. After all customs duties have been abolished since '95, taxes on consumption consist entirely of VAT, producing two thirds of the revenue on the factor consumption, and of excise duties on motor fuel, on alcohol and on tobacco producing the other third.
- Taxes & contributions attributed to 'employed labour' continue to contribute 53 % to total taxation with fluctuations of about 1 percentage point.
- The share of total taxation falling to 'capital & business (incl. self-employed labour)' has been increased slightly from below 12 % to about 13 %, due predominantly to a growth of corporate income. This is very low compared to the '96 EU average of about 22 %; this share is smaller only in Finland with about 11 % and in Denmark with 12 %.

Looking at the implicit tax rates on finds the general picture confirmed: they have not changed very much since '96, that of 'employed labour' increasing slightly and approaching 40 % ('96 EU average 43 %), whereas that on consumption remains in the 15...17 % bracket ('96 EU average 14 %) and that on 'capital & business (incl. self-employed labour)' at a very low 21 % ('96 EU average 36 %).

(4) Typical recent nominal tax rates

The general VAT rate is 18 %. Certain cultural services and educational materials are taxed at a 0 % rate. Customs duties have been abolished since '95.

Individual income tax is levied at a flat rate of 26 % of taxable income; of the gross income certain exemptions (domestic dividends, interest, premiums paid to qualified pension schemes), personal allowances and educational expenses may be deducted.

Corporate income is taxed at a flat rate of 26 %.

Social contributions are paid fully by the employer at a rate of 33 % of gross wage which is equivalent to 25 % of labour cost.

(5) Decided and planned changes from 2000 onwards

Amendments to the existing tax laws are planned by the Estonian Government for the time from 2000 onwards, cf. Annex 1.2:

- Corporate income tax will, according to the plan, not be paid on income earned, but on any kind of distribution of income, open or concealed, in order to encourage investments.
- Excise duties: those on alcohol will be brought to conformity with EU rules by 2001, those on motor fuels by 2002 and those on tobacco by 2003 at the latest.

Table V.1.1. Tax Structures - ESTONIA								
Statutory Charges in SLOVENIA								
	1991	1992	1993	1994	1995	1996	1997	1998
A. Evolution and Structure as % of GDP								
Indirect taxes		14.5	16.0	17.4	17.9	18.2	18.5	18.9
VAT		6.8	7.2	7.8	8.4	8.4	8.8	9.1
Excise duties		3.6	3.7	4.5	4.5	4.6	4.5	4.4
others		4.1	5.1	5.2	5.1	5.2	5.2	5.5
Direct taxes, incl.		7.4	7.3	7.7	7.2	7.7	7.8	7.8
Personal income		6.8	6.8	6.9	6.6	6.8	6.7	6.6
Corporate income		0.6	0.5	0.8	0.6	0.9	1.2	1.2
Social Contributions		18.6	19.2	17.1	16.3	14.7	13.8	13.8
employers´		7.6	8.3	7.4	6.8	5.2	4.4	4.4
employees´		10.1	10.1	8.9	8.8	8.7	8.5	8.5
self-employed		0.9	0.8	0.7	0.7	0.8	0.9	0.9
B. Splitting by Receiving Administrative Level as % of GDP								
Central Government		18.6	19.8	21.6	22.3	22.9	23.3	23.6
Non-central Government		3.3	3.6	3.6	2.9	3.0	3.0	3.1
Social Sec. Funds		18.6	19.2	17.1	16.3	14.7	13.8	13.8
EC Institutions		0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Structure according to the Economic Function as % of GDP								
Consumption		13.9	15.0	16.1	16.8	16.4	16.0	16.0
Labour		24.9	25.5	23.9	22.7	21.8	21.3	21.4
employed		23.7	24.3	22.7	21.6	20.6	20.0	20.1
paid by employers		7.6	8.3	7.8	7.0	6.0	5.7	5.8
paid by employees		16.0	16.0	15.0	14.6	14.6	14.3	14.3
self-employed		1.3	1.2	1.2	1.1	1.2	1.3	1.3
Capital & Business		1.6	1.9	2.3	1.9	2.3	2.7	3.1
Real Estate		0.3	0.5	0.5	0.5	0.5	0.6	0.7
Real Capital		0.0	0.1	0.1	0.1	0.1	0.1	0.1
Profits		0.6	0.5	0.8	0.6	0.9	1.2	1.2
Shares & Savings		0.4	0.4	0.4	0.4	0.4	0.4	0.4

Wealth		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Business		0.3	0.4	0.4	0.4	0.5	0.5	0.6
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer								
Total		40.5	42.5	42.3	41.5	40.7	40.1	40.6
of which environm.		3.4	3.9	4.0	3.8	4.1	4.4	5.0
Energy		2.9	2.9	3.1	3.0	3.3	3.2	3.3
Transport		0.2	0.5	0.3	0.3	0.3	0.3	0.4
Pollution		0.0	0.0	0.0	0.0	0.0	0.3	0.5
Ressources		0.3	0.5	0.6	0.5	0.6	0.6	0.8
D. Implicit Tax Rates								
Consumption			14.4	15.9	15.5	15.9	17.6	15.5
Labour employed			37.5	35.6	36.2	37.1	38.0	39.4
Capital & Business			29.4	33.9	28.7	20.2	20.5	21.5

(incl. self-employed labour)

Note: Data for the denominator for the implicit tax rate for 'capital and business', namely 'net operating surplus' may have large uncertainties for the earlier years. Therefore we only show the results of the calculations from 1995 onwards.

Fig. V.1. Implicit Tax Rates - ESTONIA

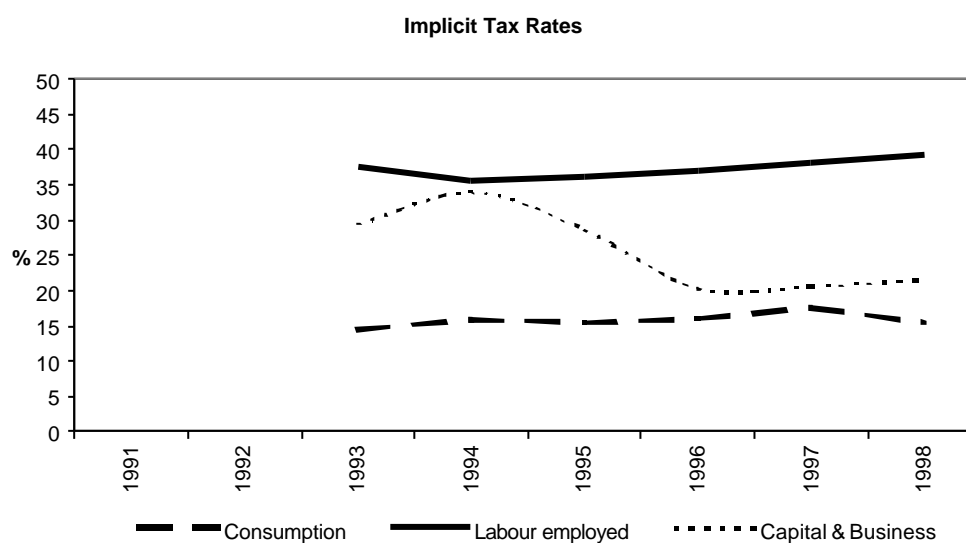


Table V.1.2. Tax Shares as % of Total Taxation - ESTONIA								
A. Direct/Indirect Taxes	1991	1992	1993	1994	1995	1996	1997	1998
% of total taxes								
Tax Quotas								
Indirect taxes			32.6	37.7	38.3	41.1	41.8	38.2
VAT			24.5	28.2	26.0	26.6	27.0	23.3
Excise duties			4.9	5.2	7.2	8.8	9.7	10.1
others			3.2	4.3	5.1	5.7	5.0	4.7
Direct taxes			35.3	29.2	29.3	26.5	26.2	29.6
Personal income			22.6	20.4	22.7	22.0	21.2	22.7
Corporate income			12.8	8.9	6.6	4.5	5.0	7.0
Non imputable			0.5	0.2	0.3	0.4	0.4	0.4
Social Contributions			32.1	33.1	32.4	32.4	32.1	32.2
employer's			31.5	32.5	31.9	31.8	31.6	31.7
employees			0.0	0.0	0.0	0.0	0.0	0.0
self-employed			0.5	0.5	0.5	0.5	0.5	0.5
B. Tax-quotas, Level of Government	1991	1992	1993	1994	1995	1996	1997	1998
Central Government			44.0	55.6	54.8	53.8	54.5	53.6
Local Government			23.9	11.4	12.8	13.9	13.5	14.2
Social Sec. Funds			32.1	33.1	32.4	32.4	32.1	32.2
EC Institutions			0.0	0.0	0.0	0.0	0.0	0.0
C. Taxes according to function	1991	1992	1993	1994	1995	1996	1997	1998
% of total taxes								
Tax Quotas								
Taxes on Consumption			30.4	34.0	33.5	35.9	37.1	33.8
VAT and general turnover taxes			24.5	28.2	26.0	26.6	27.0	23.3
VAT			24.5	28.2	26.0	26.6	27.0	23.3
general turnover taxes			0.0	0.0	0.0	0.0	0.0	0.0
Control			0.0	0.0	0.0	0.0	0.0	0.0
excise duties			5.0	5.2	7.2	8.8	9.7	10.1
other taxes on consumption			0.9	0.5	0.3	0.4	0.4	0.4
Control			0.0	0.0	0.0	0.0	0.0	0.0

Labour			52.9	51.8	53.3	52.7	51.6	53.1
employed			52.5	51.5	53.0	52.3	51.3	52.8
paid by employers			31.5	32.5	31.9	31.8	31.6	31.7
paid by employees			21.0	18.9	21.1	20.5	19.7	21.1
Control			0.0	0.0	0.0	0.0	0.0	0.0
self- and non- employed			0.8	0.8	0.9	0.8	0.8	0.9
Capital and business			16.2	13.7	12.6	11.0	10.8	12.5

V.2. Poland

(1) Total revenues: indirect and direct taxes, social contributions

In '98 the level of aggregate taxation in Poland was 38 % of GDP, nearly 4 percentage points below the '96 EU average. Indirect taxes contributed the largest fraction: 0.38 of total taxation. Expressed as a fraction of GDP indirect taxes amounted to 0.14 of GDP (very close the '96 EU average), direct taxes to only 0.11 of GDP (compared to the 0.13 '96 EU average) and social contributions amounted to 0.12 of GDP, well below the '96 EU average of 0.15.

In 1998 central government received nearly 59 % of total revenue or 79 % of taxes without social contributions. Non-central government received 9 % of total revenue or 14 % of taxes without social contributions; more than half of the non-central tax income is derived from individual income tax, of which the central government transfers a fraction of 0.276 to the commune of residence of the tax payer, the remainder comes mostly from the real estate tax levied by non-central government.

Social security contributions make up for nearly one third of total revenue; an estimated fraction of 0.36 of social contributions was levied as employers' share, a fraction of 0.37 as employees' share, the remaining 0.27 were paid by self-employed persons (for the basis of this estimate cf. note (3) to table IV.2).

(2) The functional structure of taxation from '91 to '96

Data for Poland are available since the beginning of the transition period in 1991. In the earlier years of this transition period one recognizes

- a high fluctuation in the level of aggregate taxation, which grew from 37 % of GDP in '91 to 42 % in '93 to go back again slightly below 40 % since '95 and
- great structural shifts within the categories of indirect taxes (introduction of VAT and excise duties in '93, abolishment of previous turn-over tax in '94) and of direct taxes (personal income beginning to yield revenue in '92, corporate income tax decisively lowered from '92 onwards).

In terms of the tax load on economic functions these structural changes resulted in the following development:

- Taxation of consumption went up from 10 % of GDP in '91 to about 14 % in '93 and has been nearly constant since.
- The load of taxes and social contributions assigned to employed labour was gradually reduced from nearly 16 % of GDP in '91 to about 14 % in '96.
- The tax revenue from self-employed labour increased from about 3 % of GDP in '91 to 5 % since '93.
- Revenues assigned to capital & business (excl. self-employed labour) has decreased from nearly 9 % of GDP in '91 to about 4.5 % in '95 and since, mostly due to a reduction in the legal rates of income tax.
- Taxes on transfers, amounting to almost 2 % of GDP or 4.5 % of total revenue since '93, are significant in Poland, because state pensions are taxed like other personal income.
- Taxation of energy has contributed an appreciable share only from '94 onwards and amounts to about 1.5 % of GDP since; all other environment-related taxes are negligible.

The implicit tax rates confirm the overall picture:

- The implicit tax rate on consumption fell from around 18 % in '94-'95 to 16 % in '98, slightly above the '96 EU average of 14 %.
- The implicit tax rate on employed labour has gone down from 35 % in '94 to 32 % since '98, which is remarkably lower than the '96 EU average of 43 %.

(3) Developments since '97

No significant changes are visible in the '97 and '98 data: both total taxation and factor taxation continued to decrease very slightly.

(4) Typical recent nominal tax rates

The general VAT rate is 22 %, with a preferential rate of 7 % for childrens' articles, health equipment and the like and of 0 % for books and for apartments.

Individual income tax is progressive and, as of Jan 1, 99, levied in 3 classes of annual taxable income: a minimum rate of 19% up to 7,600 EURO, a rate of 30 % on the excess up to 15,200 EURO and a top rate of 40 % for the excess above 15,200 EURO.

Corporate income was taxed at a flat rate of 34 % as of Jan 1, 99; the rate has been reduced to 30 % since Jan 1, 2000.

Social contributions are levied at a rate of 37 % of gross wages (18.3 % employer's share, 18.7 % employees' share) which is equivalent to 31 % of labour cost.

(5) Decided and planned changes from 2000 onwards, cf. Annex 2.2

One major change has been decided by parliament: the rate of corporate income tax, which was reduced from 36 % to 34 % as of Jan 1, 1999, will be only 30 % as of Jan 1, 2000; further decreases of this rate are provided to 28 % in 2001.

Further plans for after 2000 provide the introduction of a 3 % VAT rate on agriculture, and, for 2003, a change with respect to the basis of assessment for the real estate property tax from a square meter to a value basis.

Table V.2.1. Tax Structures - POLAND								
Statutory Charges in POLAND								
	1991	1992	1993	1994	1995	1996	1997	1998
A. Evolution and Structure as % of GDP								
Indirect taxes	17.9	14.6	16.6	16.1	15.5	15.6	15.1	14.4
VAT	0.0	0.0	3.3	6.7	6.8	7.3	7.9	7.9
Excise duties	0.0	0.0	2.0	4.0	4.0	4.0	3.8	3.9
others	17.9	14.6	11.3	5.4	4.8	4.2	3.3	2.7
Direct taxes, incl.	7.7	12.2	13.5	12.5	12.2	11.7	11.4	11.2
Personal income	0.3	7.6	9.2	9.2	9.1	8.7	8.4	8.3
Corporate income	7.3	4.6	4.3	3.2	3.1	2.9	3.0	2.9
Social Contributions	11.7	11.3	12.4	12.0	12.1	12.4	12.5	12.2
employers´	4.2	4.1	4.5	4.3	4.4	4.4	4.5	4.4
employees´	4.3	4.2	4.6	4.4	4.5	4.6	4.6	4.5
self-employed	3.2	3.1	3.3	3.2	3.3	3.3	3.4	3.3
B. Splitting by Receiving Administrative Level as % of GDP								
Central Government	22.2	24.1	26.8	25.6	24.7	23.8	22.9	22.3
Non-central Government	3.3	2.8	3.2	3.0	3.0	3.5	3.6	3.4
Social Sec. Funds	11.7	11.3	12.4	12.0	12.1	12.4	12.5	12.2
EC Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Structure according to the Economic Function as % of GDP								
Consumption	9.7	11.5	14.4	14.4	14.0	14.1	13.5	13.0
Labour	18.8	19.4	20.6	19.9	19.7	19.5	19.5	19.1
employed	15.6	14.7	15.3	14.7	14.5	14.3	14.3	14.0
paid by employers	7.6	5.9	5.4	4.9	4.7	4.7	4.8	4.7
paid by employees	8.1	8.8	9.9	9.8	9.8	9.6	9.5	9.3
self-employed	3.2	4.7	5.3	5.2	5.2	5.2	5.2	5.1
Capital & Business	8.6	5.9	5.7	4.6	4.5	4.4	4.4	4.2
Real Estate	1.2	1.1	1.2	1.1	1.1	1.1	1.1	1.1
Real Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profits	7.3	4.6	4.3	3.2	3.1	2.9	3.0	2.9
Shares & Savings	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2

Wealth	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Business	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Transfer	0.1	1.4	1.7	1.7	1.7	1.6	1.6	1.6
Total	37.2	38.2	42.5	40.6	39.8	39.6	39.0	37.9
of which environm.	0.1	0.2	0.8	1.7	1.5	1.7	1.6	1.7
Energy	0.0	0.0	0.6	1.5	1.3	1.4	1.4	1.6
Transport	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Pollution	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ressources	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
D. Implicit Tax Rates								
Consumption	11.9	13.8	17.2	17.9	17.9	17.6	16.9	16.3
Labour employed	37.3	31.2	34.6	35.2	34.5	33.0	32.4	32.2
Capital & Business								

(incl. self-employed income)

Note: The denominator for the implicit tax rate for 'capital and business' is 'net operating surplus' = 'gross operating surplus' minus 'consumption of fixed capital'.
The Central Statistical Office of Poland is only in the process of estimating values for consumption of fixed capital. It is therefore at impossible to calculate implicit tax rates for 'capital and business'.

Fig. V.2. Implicit Tax Rates - POLAND

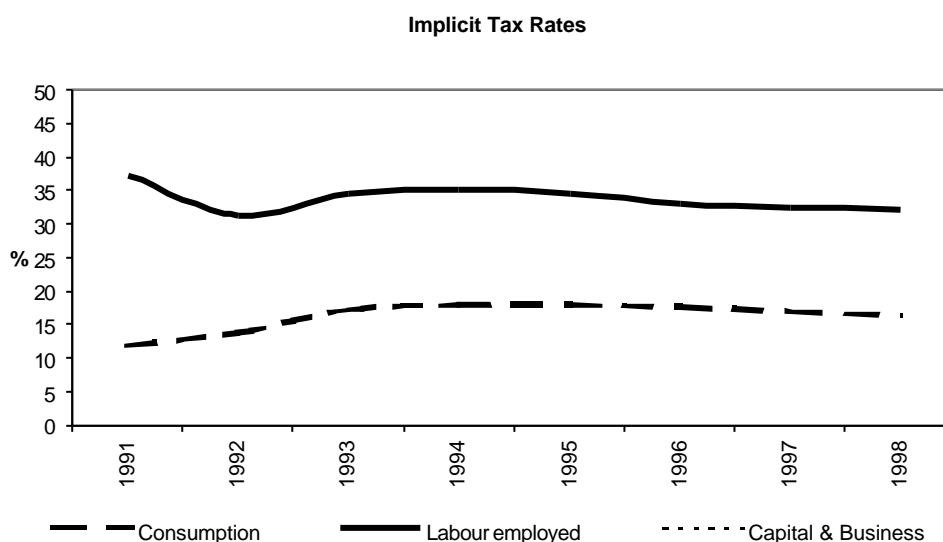


Table V.2.2. Tax Shares as % of Total Taxation - POLAND

Tax Quotas								
Indirect taxes	48.0	38.3	39.1	39.7	38.9	39.3	38.6	38.1
VAT	0.0	0.0	7.8	16.6	17.0	18.5	20.3	20.8

Excise duties	0.0	0.0	4.7	9.9	10.0	10.2	9.7	10.2
others	48.0	38.3	26.6	13.2	12.0	10.6	8.6	7.2
Direct taxes	20.6	32.0	31.8	30.7	30.6	29.5	29.2	29.6
Personal income	0.8	20.0	21.7	22.7	22.9	22.0	21.5	22.0
Corporate income	19.7	12.0	10.0	7.9	7.7	7.4	7.7	7.5
Non imputable	0.1	0.1	0.1	0.0	0.0	0.0	0.1	0.0
Social Contributions	31.4	29.7	29.2	29.6	30.4	31.2	32.2	32.3
employer's	11.3	10.7	10.5	10.7	11.0	11.2	11.6	11.6
employees	11.6	11.0	10.8	10.9	11.3	11.5	11.9	11.9
self-employed	8.5	8.0	7.9	8.0	8.2	8.4	8.7	8.7
B. Level of Government, tax-quotas								
Central Government	59.6	63.0	63.2	63.0	62.1	60.1	58.6	58.8
Local Government	9.0	7.3	7.6	7.4	7.5	8.7	9.2	8.9
Social Sec. Funds	31.4	29.7	29.2	29.6	30.4	31.2	32.2	32.3
EC Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax Quotas								
Taxes on Consumption	26.2	30.1	34.0	35.5	35.1	35.6	34.7	34.3
VAT and general turnover taxes	20.3	23.5	22.0	16.7	17.1	18.5	20.3	20.8
VAT	0.0	0.0	7.8	16.6	17.0	18.5	20.3	20.8
general turnover taxes	20.3	23.5	14.3	0.2	0.0	0.0	0.0	0.0
Control	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
excise duties	0.0	0.0	4.7	9.9	10.0	10.2	9.7	10.2
other taxes on consumption	5.8	6.6	7.2	8.9	8.1	6.9	4.6	3.3
Control	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Labour	50.6	50.7	48.4	48.9	49.4	49.2	49.9	50.4
employed	42.0	38.4	36.0	36.1	36.3	36.1	36.7	37.1
paid by employers	20.3	15.3	12.6	12.0	11.7	11.8	12.3	12.4
paid by employees	21.6	23.1	23.3	24.1	24.5	24.3	24.3	24.7
Control	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
self- and non-employed	8.6	12.3	12.5	12.8	13.1	13.1	13.2	13.4
Capital and business	23.1	15.5	13.5	11.3	11.2	11.0	11.3	11.1
real estate	3.2	2.8	2.8	2.7	2.8	2.8	2.9	2.9
real capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

V.3. Hungary

(1) Total revenues: indirect and direct taxes, social contributions

The level of aggregate taxation in Hungary was 39 % of GDP in '99, roughly 2 percentage points below the '96 EU average. Indirect taxes are the largest fraction: 0.43 of total taxation; indeed the 'indirect tax / GDP' ratio of 17 % lies above the long term EU average of 14 %. On the other hand direct taxes make up only 9 % of GDP, well below the '96 EU average of 13 %. Likewise the 'social contributions / GDP' ratio of 13 % in '99 lies below the '96 EU average of 15 %.

The share of central government in '99 was 58 % of total revenue or 88 % of taxes without social contributions; non-central government received 8 % of total revenue or 12 % of taxes without social contributions, made up of one quarter of personal income tax, of a non-central business tax, the taxes on land & buildings, one half of taxes on property transfer and more than one half of the motor vehicle taxes.

Social security contributions, making up one third of total revenue, are levied predominantly (fraction 0.82) as the employers' share, the employees' share amounting to 0.16 of the total. Self-employed persons contribute only 0.02 of social contributions.

(2) The functional structure of taxation from '91 to '96

Data for Hungary are available for all years from '91 to '99 (preliminary). In the earlier period from '91 to '96 one realizes the effects of the economic transition in marked changes both of the level of total taxation and of the relative weight of levies on the factors 'consumption', 'employed labour' and 'capital & business (incl. self-employed labour)':

- The level of aggregate taxation was decisively lowered from 47 % to 41 % of GDP between '91 and '96 and has remained around 39 % since.
- Of this decrease of 7 percentage points about one half was due to a reduction in the levies on 'employed labour' - mainly through a lowering of social security contributions - , the other half was owed to a drastic reduction of the taxation of 'capital & business (incl. self-employed labour)', which went from 9 % of GDP in '91 to 6 % of GDP in '96 (and is only slightly rising since, probably due to an increase in taxable business income).
- Taxation of 'consumption' has been kept relatively constant in the '91 to '96 period, fluctuating around 15 % of GDP; it has been reduced to 14 % since '97.
- Taxation of energy was and is relatively high in Hungary; however, it was reduced from 4 to 2 % of GDP from '91 to '96 (and increased again to 3 % in '99). The total of environment-related taxes amounted to more than 4 % of GDP in '91 and to 3 % of GDP in '96 (and up to now), which coincides with the '96 EU average.

(3) Developments since '97

Both total taxation and factor taxation have been kept rather stable in the 3 recent years. Factor taxation expressed as a fraction of total taxation (incl. soc. contributions) shows the following development:

- The fraction on 'consumption' remained around 0.36 of all taxes in marked contrast with the '96 EU average of 0.27;
- the fraction attributed to 'employed labour' was slightly decreased from 0.52 to 0.50. which agrees well with the '96 EU average of 0.51;

- the fraction assignable to 'capital & business (incl. self-employed labour)' increased from 0.15 in '97 to 0.17 in '99, still well below the long term EU average of 0.21.

The implicit tax rates confirm the overall picture: relatively high on 'consumption', not so high on 'employed labour':

- The implicit tax rate on 'consumption' remains at 19 % through the years '97 to '99 ('96 EU average 14 %),
- the implicit tax rate on 'employed labour' was decreased from 43 % in '97 to 40 % in '99 ('96 EU average 43 %),
- due to a lack of confirmed data on net operating surplus an implicit tax rate for 'capital & business (incl. self-employed labour)' could not be computed.

(4) Typical recent nominal tax rates

The general VAT rate is 25 %; a reduced rate of 12 % is applied for basic food, medicine and energy products; the tax rate for human medicine is 0 %.

Individual income tax is progressive; there are three classes of taxable aggregate annual income: the minimum tax rate is due on the first 1,700 EURO, 30 % are levied on the excess up to 4,100 EURO and the top rate of 40 % on the excess over 4,100 EURO.

Corporate income is taxed at a flat rate of 18 %.

Social contributions are levied at a rate 33 % of gross wage as the employers' share plus 11 % as the employees' share (reduced to 5 % for members of private pension funds); this is equivalent to 35 % of labour cost.

(5) Decided and planned changes from 2000 onwards

No major or structural changes in taxation have been decided by the Hungarian Parliament or provided by the Hungarian Government for the near future; but gradual adjustments (cf. Annex 3.2) regarding rates and procedures: an increase of family allowance with respect to personal income tax by 30 % on the average, a tightening of the rules for VAT refunds, an adjustment of excise duties on wine to the EU directives and an increase of the upper limits for social security obligations.

Table V.3.1. Tax Structures - HUNGARY

Statutory Charges in HUNGARY									
	1991	1992	1993	1994	1995	1996	1997	1998	1999
A. Evolution and Structure as % of GDP									
Indirect taxes	17.2	17.9	18.9	17.9	18.4	17.8	16.5	16.3	16.6
VAT	6.0	6.0	8.1	7.7	7.6	7.5	7.9	7.9	8.5
Excise duties	6.3	6.2	4.7	4.2	4.1	3.9	3.8	4.2	4.1
others	4.9	5.8	6.1	6.0	6.7	6.4	4.7	4.2	4.0
Direct taxes, incl.	12.9	10.1	9.8	9.4	8.9	9.0	8.5	8.7	9.0
Personal income	7.4	7.5	8.0	7.4	7.0	7.1	6.6	6.5	6.4
Corporate income	4.2	2.2	1.5	1.9	1.9	1.8	1.9	2.2	2.6
Social Contributions	16.6	18.0	18.4	17.2	15.1	13.8	14.1	13.9	13.0
employers´	13.5	14.0	14.0	13.5	12.2	11.4	11.6	11.6	10.7
employees´	3.2	3.3	3.6	3.1	2.4	2.1	2.2	2.1	2.0
self-employed	0.0	0.7	0.8	0.6	0.5	0.3	0.2	0.3	0.3
B. Splitting by Receiving Administrative Level as % of GDP									
Central Government	27.4	24.9	26.1	24.8	24.5	23.8	21.8	21.5	22.4
Non-central Government	2.6	3.1	2.5	2.4	2.7	3.0	3.2	3.5	3.2
Social Sec. Funds	16.6	18.0	18.4	17.2	15.1	13.8	14.1	13.9	13.0
EC Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Structure according to the Economic Function as % of GDP									
Consumption	14.9	15.9	16.7	15.6	16.3	15.3	14.0	13.8	14.1
Labour	23.7	25.2	26.1	24.3	21.9	20.7	20.4	20.2	19.2
employed	22.6	23.4	24.1	22.6	20.3	19.3	19.2	19.0	17.9
paid by employers	13.6	14.1	14.1	13.6	12.3	11.5	11.8	11.7	10.8
paid by employees	9.1	9.3	10.0	9.1	8.0	7.8	7.4	7.3	7.2
self-employed	1.1	1.8	2.0	1.7	1.6	1.4	1.2	1.2	1.2
Capital & Business	8.0	4.9	4.3	4.5	4.2	4.6	4.7	5.0	5.3
Real Estate	0.5	0.4	0.3	0.4	0.5	0.6	0.6	0.6	0.5
Real Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profits	6.4	3.5	2.8	2.9	2.6	2.5	2.6	2.7	3.2
Shares & Savings	0.4	0.4	0.4	0.4	0.3	0.4	0.3	0.3	0.3

Wealth	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Business	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	0.6	0.4	0.6	0.6	0.7	1.0	1.1	1.2	1.1
Transfer									
Total	46.7	46.0	47.0	44.4	42.4	40.6	39.1	38.9	38.6
of which environm.	4.6	4.8	3.3	3.0	2.9	2.9	2.9	3.3	3.3
Energy	3.9	3.8	2.6	2.3	2.1	1.8	1.8	2.0	2.8
Transport	0.5	0.8	0.6	0.5	0.6	0.8	0.8	0.9	0.2
Pollution	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ressources	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3
D. Implicit Tax Rates									
Consumption	18.5	18.8	18.9	18.5	21.1	20.6	19.3	18.9	19.2
Labour employed	40.8	42.9	44.8	44.6	43.2	42.3	42.7	41.9	39.6
Capital & Business									

(incl. self-employed income)

Note: The denominator for the implicit tax rate for 'capital and business' is 'net operating surplus' = 'gross operating surplus' minus 'consumption of fixed capital'.
The Central Statistical Office of Hungary is only in the process of estimating values for consumption of fixed capital. It is therefore at present impossible to calculate implicit tax rates for 'capital and business'.

Fig. V.3. Implicit Tax Rates - HUNGARY

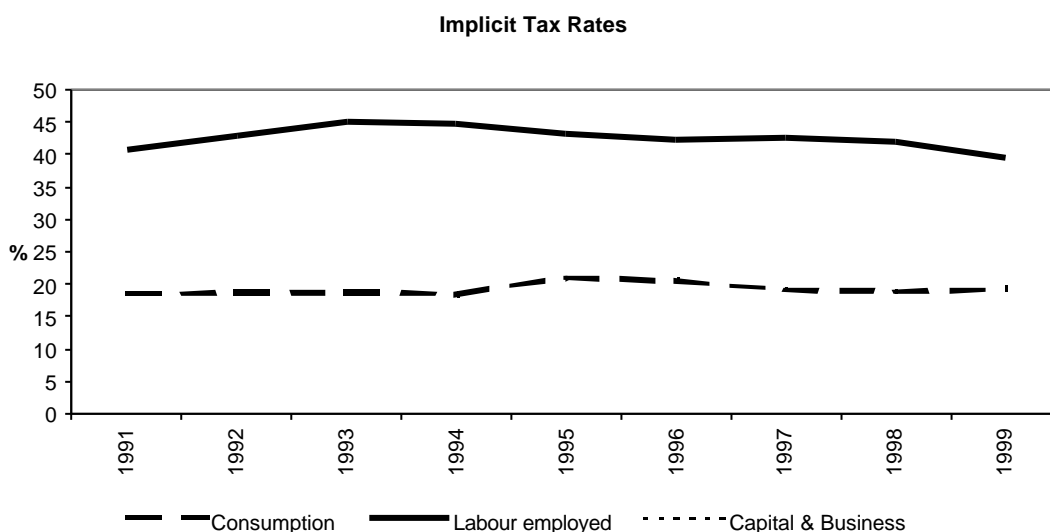


Table V.3.2. Tax Shares as % of Total Taxation - HUNGARY									
A. Direct/Indirect Taxes	1991	1992	1993	1994	1995	1996	1997	1998	1999
Indirect taxes	36.8	38.9	40.1	40.3	43.3	43.8	42.2	41.8	43.0
VAT	12.8	13.0	17.2	17.3	17.8	18.4	20.2	20.3	22.0
Excise duties	13.5	13.4	10.0	9.5	9.6	9.5	9.8	10.7	10.6
others	10.5	12.6	12.9	13.4	15.9	15.9	12.1	10.9	10.4
Direct taxes	27.6	22.0	20.8	21.1	21.1	22.2	21.8	22.4	23.4
Personal income	15.8	16.3	17.0	16.6	16.5	17.5	16.8	16.7	16.6
Corporate income	9.1	4.7	3.3	4.3	4.5	4.5	4.9	5.5	6.7
Non imputable	2.7	1.0	0.5	0.1	0.1	0.1	0.1	0.1	0.1
Social Contributions	35.6	39.1	39.1	38.7	35.6	34.0	36.0	35.8	33.6
employer's	28.8	30.4	29.7	30.3	28.7	28.1	29.8	29.7	27.6
employees	6.8	7.2	7.7	7.1	5.7	5.2	5.6	5.4	5.3
self-employed	0.0	1.5	1.7	1.3	1.2	0.7	0.6	0.7	0.7
B. Tax-quotas acc. to Level of Government									
Central Government	58.7	54.2	55.6	55.9	57.9	58.7	55.8	55.2	58.0
Local Government	5.6	6.7	5.3	5.4	6.5	7.3	8.2	9.0	8.4
Social Sec. Funds	35.6	39.1	39.1	38.7	35.6	34.0	36.0	35.8	33.6
EC Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Taxes according to function									
Taxes on Consumption	32.0	34.5	35.4	35.1	38.4	37.8	35.8	35.3	36.7
VAT and general turnover taxes	12.8	13.0	17.2	17.3	17.8	18.4	20.2	20.3	22.0
VAT	12.8	13.0	17.2	17.3	17.8	18.4	20.2	20.3	22.0
general turnover taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
excise duties	13.5	13.4	10.0	9.5	9.6	9.5	9.8	10.7	10.6
other taxes on consumption	5.7	8.1	8.2	8.3	11.0	9.9	5.7	4.3	4.1
Labour	50.8	54.8	55.5	54.8	51.6	51.0	52.2	51.9	49.7
employed	48.5	50.8	51.2	51.0	47.9	47.6	49.1	48.8	46.5
paid by employers	29.0	30.6	29.9	30.6	29.0	28.3	30.1	30.0	27.9
paid by employees	19.4	20.3	21.3	20.4	18.9	19.3	19.0	18.8	18.6
Control	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
self- and non-employed	2.4	4.0	4.3	3.8	3.7	3.3	3.1	3.2	3.2
Capital and business	17.2	10.7	9.1	10.1	10.0	11.2	12.0	12.7	13.7

V.4. Czech Republic

(1) Total revenues: indirect and direct taxes, social contributions

In '98 the level of aggregate taxation in the Czech Republic was 38 % of GDP, 4 percentage points below the '96 Union average. Social security contributions, of which two thirds are paid by the employers, are by far the largest fraction of revenues with a fraction of 0.44 of total taxation.

The indirect tax / GDP ratio of 12 % is below, the direct tax / GDP ratio of 9 % well below the '96 EU average. VAT amounts to more than half, excise duties to another third of all indirect taxes.

The share of central government in '98 was 44 % of total revenue, made up of all indirect taxes, of 60 % of individual income tax and of 80 % of corporation tax. The share of non-central government was 12 % of total revenue and consisted mainly of two fifth of all individual income taxes and of one fifth of all corporate income taxes plus the real property tax plus some minor fees.

The 0.44 fraction of total taxation that stems from social contributions is made up of nearly two thirds from employers, nearly one fourth from employees and a (remarkably high) one eighth contributed by self-employed and non-employed persons.

Since '93 the share of all taxes & contributions going to non-central government has been increased from 9 % to 12 % of total tax revenue, that going to central government has been decreased from 52 % to the present share of 44 %. The fraction of social contributions in total taxation has been increased from 0.39 to 0.44 in the '93 to '98 period covered by the data.

(2) The functional structure of taxation from '93 to '96

Data for the Czech Republic are available since the separation from Slovakia, 01.01.1993. In the period '93 to '96 the level of taxation and the split according to the economic functions of the tax base have developed as follows:

- The level of aggregate taxation sank steadily from 43 % to 39 % of GDP.
- Taxes on 'consumption' decreased from 13 % of GDP in '93 to 12 % of GDP in '96, i.e. still 1 percentage point higher than the EU-average, due mostly to the high VAT-rate of 22 %. They amounted to a 0.31 fraction of total taxation in '96.
- Levies on 'employed labour' went up from 17 % to 18 % of GDP, well below the EU-average of roughly 21 % of GDP in this period. The fraction of total taxation levied on 'employed labour' has gone up steadily from 0.40 to 0.46 in the '93 to '96 period and continues to do so due to the decrease in the taxation of 'consumption' and of 'capital & business (incl. self-employed labour)'.
- Taxes on 'capital & business (incl. self-employed labour)' have been decreased from 13 % to 9 % of GDP, which is the '96 EU average; their fraction of total taxation has been decreased from 0.30 to 0.23.
- Taxation of energy was constant at a GDP share of around 2.5 %, made up entirely of the excise duty on hydrocarbon fuels and lubricants. Taxation of other resources, transport and pollution was slightly decreased and amounted to 0.6 % of GDP in '96. Thus the total of environment-related taxes coincides with the EU average of about 3 % of GDP.

(3) Developments since '97

The level of aggregate taxation in the Czech Republic continues to be slightly lowered to 38 % of GDP in '98, 4 percentage points below the '96 EU average.

The fractions of total taxation falling to the three factors 'consumption', 'employed labour' and 'capital & business (incl. self-employed labour)' have been changed very little:

- The fraction on 'consumption' decreased from 0.31 to 0.29 of total taxation (as compared with the '96 EU average of 0.27);
- the fraction attributed to 'employed labour' was somewhat increased from 0.46 to 0.48 of total taxation (as compared with the '96 EU average of 0.51);
- the fraction assignable to 'capital & business (incl. self-employed labour)' fluctuates between 0.21 and 0.23 of total taxation (as compared with the '96 EU average of 0.22).

The implicit tax rates confirm these trends:

- The implicit tax rate on 'consumption' shows a continuous decrease from 18 % in '93 to 16 % in '98 ('96 EU average 14 %),
- the implicit tax rate on 'employed labour' fluctuates between 37 % and 39 % ('96 EU average 43 %),
- the implicit tax rate on 'capital & business (incl. self-employed labour)', called 'other factors' in the Eurostat publication "*Structures of the Taxation Systems in the European Union*", 1998, could - for lack of government confirmed national accounts data - only be calculated for the years '95 and '96 and appears to be approaching the EU average of 36 %.

(4) Typical recent nominal tax rates

The general VAT rate is 22 %, with a preferential rate of 5 % for water, food products, medicine, health services and many other services.

Individual income tax is progressive and, up to '99, has been levied in five classes of taxable annual income; the rates are 15 % on the first 2,800 EURO, 20 % on the excess up to 5,600 EURO, 25 % on the excess up to 8,400 EURO, 32 % up to 32.000 EURO and, up to '99, 40 % on the excess over 32.000 EURO of annual taxable income.

Corporate income has been taxed at a flat rate of 35 % up to '99.

Social contributions are levied at a rate of 47.5 % of gross wage, of which 35 %-points as the employers', 12.5 %-points as the employees' share; this is equivalent to 35 % of labour cost.

(5) Decided and planned changes from 2000 onwards, cf. Annex 4.2

With respect to the taxation of income several major changes have come into force as of Jan 1, 2000:

- The top tax bracket for individual income with a present rate of 40 % has been abolished, so that the progression ends at a rate of 32 %.
- The tax rate on dividends has been lowered from the previous 25 % to 15 %.
- The rate of corporate income tax is lowered from the previous 35 % to 31 %.

After 2001 some major changes are provided, especially in the field of indirect taxes, in order to harmonize the Czech tax system with EU directives.

Table V.4.1. Tax Structures - CZECH REPUBLIC								
Statutory Charges in CZECH REPUBLIC								
	1991	1992	1993	1994	1995	1996	1997	1998
A. Evolution and Structure as % of GDP								
Indirect taxes			15.4	14.4	13.7	13.5	13.1	12.4
VAT			7.6	7.3	6.9	7.0	7.0	6.6
Excise duties			4.0	4.0	4.1	3.9	3.8	3.7
others			3.9	3.2	2.8	2.6	2.2	2.1
Direct taxes, incl.			10.9	10.3	10.0	9.2	8.6	9.0
Personal income			3.8	4.6	5.0	5.1	5.2	5.2
Corporate income			7.1	5.6	4.9	4.0	3.3	3.7
Social Contributions			16.5	16.6	16.4	16.5	16.9	16.9
employers´			10.2	10.7	10.6	10.9	11.2	11.0
employees´			3.8	3.9	3.9	3.8	3.9	3.9
self-employed			2.5	2.0	1.9	1.8	1.9	2.0
B. Splitting by Receiving Administrative Level as % of GDP								
Central Government (incl. social contr. for pensions)			33.2	31.1	29.7	29.1	28.5	28.0
Non-central Government			3.9	4.9	5.2	4.7	4.5	4.6
Social Sec. Funds (only health)			5.8	5.4	5.2	5.4	5.6	5.7
EC Institutions			0.0	0.0	0.0	0.0	0.0	0.0
C. Structure according to the Economic Function as % of GDP								
Consumption			13.2	12.8	12.3	12.2	11.8	11.1
Labour			20.8	20.8	20.8	21.0	21.5	21.4
employed			16.9	17.6	17.8	18.1	18.7	18.5
paid by employers			10.8	10.7	10.6	10.9	11.2	11.0
paid by employees			6.1	6.9	7.2	7.2	7.5	7.4
self-employed			4.0	3.1	3.0	2.8	2.8	2.9
Capital & Business			8.9	7.8	7.0	6.0	5.3	5.7
Real Estate			0.5	0.5	0.5	0.5	0.5	0.6
Real Capital			0.4	0.4	0.3	0.3	0.3	0.2

Profits			7.1	5.6	4.9	4.0	3.3	3.7
Shares & Savings			0.1	0.5	0.6	0.7	0.7	0.7
Wealth			0.0	0.0	0.0	0.0	0.0	0.0
Business			0.3	0.3	0.3	0.2	0.3	0.3
Other			0.4	0.4	0.3	0.3	0.2	0.2
Transfer								
Total			42.9	41.3	40.1	39.1	38.6	38.3
of which environm.			3.2	3.2	3.3	3.1	2.9	2.9
Energy			2.4	2.4	2.7	2.5	2.3	2.4
Transport			0.4	0.4	0.4	0.3	0.3	0.3
Pollution			0.3	0.3	0.2	0.2	0.2	0.1
Ressources			0.1	0.1	0.1	0.1	0.1	0.1
D. Implicit Tax Rates								
Consumption			18.4	17.5	17.4	17.1	16.2	15.6
Labour employed			37.0	37.8	37.8	37.2	38.3	38.6
Capital & Business					41.7	38.4		

(incl. self-employed income)

Note: The denominator for the implicit tax rate for 'capital and business' is 'net operating surplus' = 'gross operating surplus' minus 'consumption of fixed capital'.
The Central Statistical Office of the Czech Republic has final numbers for 'consumption of fixed capital' only for the years 1995 and 1996 values. It is therefore at present only possible to calculate implicit tax rates for 'capital and business' for 1995 and 1996.

Fig. V.4. Implicit Tax Rates - CZECH REPUBLIC

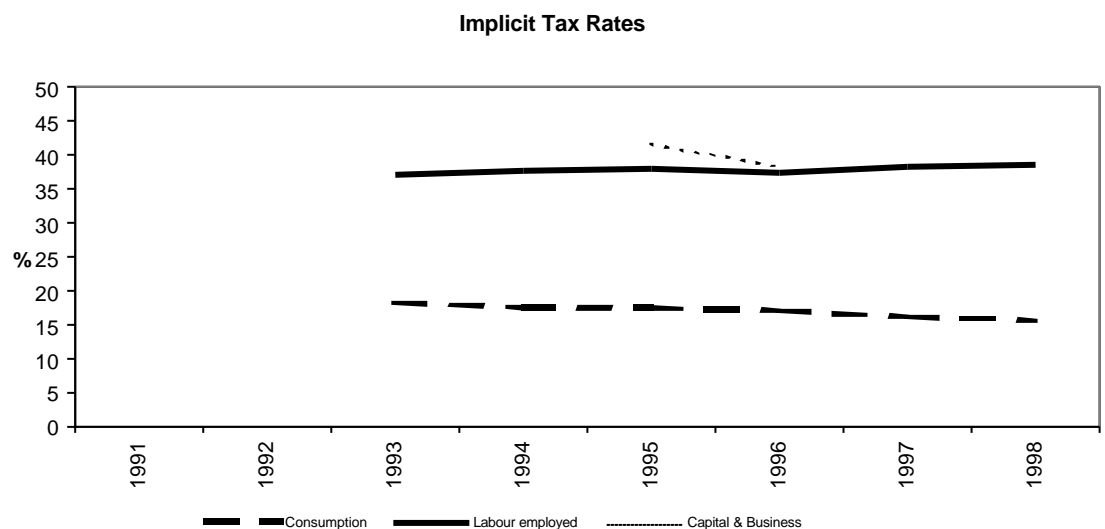


Table V.4.2. Tax Shares as % of Total Taxation - CZECH REPUBLIC								
A. Direct/Indirect Taxes	1991	1992	1993	1994	1995	1996	1997	1998
% of total taxes								
Tax Quotas								
Indirect taxes			35.9	34.9	34.3	34.4	33.8	32.3
VAT			35.9	17.6	17.1	17.8	18.1	17.1
Excise duties			17.6	9.6	10.2	9.9	9.9	9.7
others			9.0	7.8	6.9	6.7	5.8	5.5
Direct taxes			25.5	25.0	24.9	23.6	22.3	23.5
Personal income			8.9	11.2	12.4	13.1	13.5	13.6
Corporate income			16.5	13.6	12.3	10.3	8.6	9.7
Non imputable			0.1	0.2	0.1	0.1	0.2	0.2
Social Contributions			38.6	40.1	40.8	42.1	43.9	44.2
employer's			23.8	25.8	26.5	27.8	28.9	28.8
employees			8.9	9.4	9.7	9.7	10.1	10.1
self-employed			5.9	4.8	4.7	4.6	4.9	5.3
B. Tax-quotas acc. to Level of Government								
Central Government			77.4	75.3	74.0	74.3	73.8	73.2
Local Government			9.1	11.7	12.9	11.9	11.7	12.0
Social Sec. Funds			13.5	13.0	13.0	13.7	14.4	14.9
EC Institutions			0.0	0.0	0.0	0.0	0.0	0.0
C. Taxes according to function								
% of total taxes								
Tax Quotas								
Taxes on Consumption			30.7	30.9	30.8	31.1	30.6	29.1
VAT and general turnover taxes			17.6	17.7	17.2	17.8	18.1	17.1
VAT			17.6	17.6	17.1	17.8	18.1	17.1
general turnover taxes			0.0	0.1	0.0	0.0	0.0	0.0
Control			0.0	0.0	0.0	0.0	0.0	0.0
excise duties			9.3	9.6	10.2	9.9	9.9	9.7
other taxes on consumption			3.8	3.6	3.4	3.4	2.5	2.3
Control			0.0	0.0	0.0	0.0	0.0	0.0
Labour			48.6	50.3	51.8	53.6	55.7	55.9

employed			39.4	42.7	44.4	46.4	48.4	48.2
paid by employers			25.2	26.0	26.6	27.8	29.0	28.8
paid by employees			14.2	16.7	17.9	18.5	19.4	19.4
Control			0.0	0.0	0.0	0.0	0.0	0.0
self- and non- employed			9.2	7.6	7.4	7.2	7.3	7.7
Capital and business			20.7	18.8	17.4	15.3	13.7	14.9

V.5. Slovenia

(1) Total revenues: indirect and direct taxes, social contributions

In '98 the level of aggregate taxation was 40 % of GDP, about 2 percentage points below the '96 EU average. Indirect taxes contributed by far largest fraction: 0.47 of total revenue. Expressed as a fraction of GDP the indirect taxes amount to 0.19 of GDP (of which one half is derived from VAT), well above the '96 EU average of 0.14. Direct taxes yield only 0.08 of GDP (compared to the '96 EU average of 0.13 of GDP), of which four fifth come from personal income tax. Social contributions amount to a 0.14 fraction of GDP.

Central government received 58 % of total revenue in '98 or 88 % of taxes without social contributions. Non-central government received 8 % (or 12 % of taxes without social contributions); a fraction of 0.35 of individual income tax goes to non-central government, resulting in two thirds of the non-central revenue, the remainder coming mostly from the non-central charges for the use of building ground and some minor non-central taxes.

Social security contributions make up for one third of total revenue; a fraction of 0.32 of the contributions is levied as the employers' share, 0.62 as the employees' share, whereas 0.06 are paid as compulsory contributions of self-employed persons. In addition Slovenia levies a payroll tax which amounts to over 3 % of total revenues or 1.4 % of GDP.

(2) The functional structure of taxation from '92 to '96

Data for Slovenia are available since independence in 1992. Whereas the aggregate level of taxation remained relatively stable through the years (from 40 % of GDP in '92 to 42 % of GDP in '94 and back to 40 % since '97), the composition in terms of factor taxation was changed rather drastically:

- Taxation of 'consumption' went up from about 14 % of GDP in '92 to over 16 % in '96 and since.
- The load of taxes and contributions on 'employed labour' went down from 24 % of GDP in '92 to about 20 % since '96.
- Taxes on 'capital & business (incl. self employed labour)' were slightly increased from 3 % of GDP in '92 to around 4 % since '96, still less than one half of the '96 EU average.
- Taxation of energy contributes a revenue of around 3 % of GDP throughout the years; the total revenue of environment-related taxes (incl. energy) went up to about 4 % of GDP in '96 (and to 5 % in '98, a factor 2 higher than the '96 EU average).

The general structure: strong emphasis on indirect taxation, is confirmed by the implicit tax rates:

- The implicit tax rate on 'consumption' went up from 18 % in '92 to 21 % in '96 and since, which is 5 percentage points higher than the '96 EU-average.
- The implicit tax rate on 'employed labour' fluctuates between 40 % in '93 and 38 % since '96, to be compared with the '96 EU-average of 43 %.
- The implicit tax rate on 'capital & business (incl. self employed labour)', computed only for the years '95 and onwards, moves around 30 %, 6 percentage points below the '96 EU-average.

(3) Developments since '97

The level of aggregate taxation has remained practically unchanged slightly above 40 % of GDP from '96 onwards. The same is true for the breakdown of this total both according to the conventional split and to the disaggregation by economic function

- Taxes on 'consumption' remained at 16 % of GDP or at a 0.40 fraction of all taxes.
- Taxes and contributions on 'employed labour' amounted to a constant 20 % of GDP or a 0.50 fraction of total taxation since '97.
- Taxes on 'capital & business (incl. self-employed labour)' went up very slightly from below 4 % of GDP to above 4 % in '98, or from a fraction of 0.09 of all taxes to 0.11. Compared to the EU '96 average (about 9 % of GDP or a 0.22 fraction of all taxes) taxation on 'capital & business (incl. self-employed labour)' was and remains exceedingly low in Slovenia.

(4) Typical recent nominal tax rates

The general VAT rate is 19 %. A reduced rate of 8 % is charged on preferential goods and services from foodstuffs, medicine and books to cultural and educational services.

Individual income taxation is progressive and ranges in 6 classes of taxable income from a minimum rate of 0...17%, beginning at a taxable annual income of 5.000 EURO, to a top rate of 50 % for the excess over 31.000 EURO.

Corporate income is taxed at a flat rate of 25 %.

The rate of social contributions including pay roll tax (expressed as [contributions plus pay roll tax] per gross cost of labour) is 40 %; without the pay roll tax this amounts to a rate of 29 % on gross cost of labour.

(5) Decided and planned changes from 2000 onwards

Up to now the Ministry of Finance of Slovenia has not published any information about planned changes for the near future.

Table V.5.1. Tax Structures - SLOVENIA								
Statutory Charges in SLOVENIA								
	1991	1992	1993	1994	1995	1996	1997	1998
A. Evolution and Structure as % of GDP								
Indirect taxes		14.5	16.0	17.4	17.9	18.2	18.4	18.9
VAT		6.8	7.2	7.8	8.4	8.4	8.8	9.1
Excise duties		3.6	3.7	4.5	4.5	4.6	4.5	4.4
others		4.1	5.1	5.2	5.1	5.2	5.2	5.5
Direct taxes, incl.		7.4	7.3	7.8	7.3	7.7	7.8	7.8
Personal income		6.8	6.8	6.9	6.6	6.8	6.7	6.6
Corporate income		0.6	0.5	0.8	0.6	0.9	1.2	1.2
Social Contributions		18.6	19.2	17.1	16.3	14.7	13.8	13.8
employers´		7.6	8.3	7.4	6.8	5.2	4.4	4.4
employees´		10.1	10.1	8.9	8.8	8.7	8.5	8.5
self-employed		0.9	0.8	0.7	0.7	0.8	0.9	0.9
B. Splitting by Receiving Administrative Level as % of GDP								
Central Government		18.6	19.8	21.6	22.3	22.9	23.3	23.6
Local Government		3.3	3.6	3.6	2.9	3.0	3.0	3.1
Social Sec. Funds		18.6	19.2	17.1	16.3	14.7	13.8	13.8
EC Institutions		0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Structure according to the Economic Function as % of GDP								
Consumption		13.9	15.0	16.1	16.8	16.4	15.9	16.0
Labour		24.9	25.5	23.9	22.7	21.8	21.3	21.4
employed		23.7	24.3	22.7	21.6	20.6	20.0	20.1
paid by employers								
paid by employees								
self-employed		1.3	1.2	1.2	1.1	1.2	1.3	1.3
Capital & Business		1.6	1.9	2.3	1.9	2.4	2.8	3.1
Real Estate		0.3	0.5	0.5	0.5	0.5	0.6	0.7
Real Capital		0.0	0.1	0.1	0.1	0.1	0.1	0.1
Profits		0.6	0.5	0.8	0.6	0.9	1.2	1.2
Shares & Savings		0.4	0.4	0.4	0.4	0.4	0.4	0.4

Wealth		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Business		0.3	0.4	0.4	0.4	0.5	0.5	0.6
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer								
Total		40.4	42.4	42.2	41.4	40.6	40.0	40.5
of which environm.		3.4	3.9	4.0	3.8	4.1	4.4	5.0
Energy		2.9	2.9	3.1	3.0	3.3	3.2	3.3
Transport		0.2	0.5	0.3	0.3	0.3	0.3	0.4
Pollution		0.0	0.0	0.0	0.0	0.0	0.3	0.5
Ressources		0.3	0.5	0.6	0.5	0.6	0.6	0.8
D. Implicit Tax Rates								
Consumption		18.4	18.9	20.9	21.5	21.2	20.7	21.0
Labour employed		36.9	40.4	39.2	37.7	37.6	37.3	38.4
Capital & Business					29.7	30.1	29.8	31.2

(incl. self-employed income)

Note: Data for the denominator for the implicit tax rate for 'capital and business', namely 'net operating surplus' may have large uncertainties for the earlier years. Therefore we only show the results of the calculations from 1995 onwards.

Fig. V.5. Implicit Tax Rates - SLOVENIA

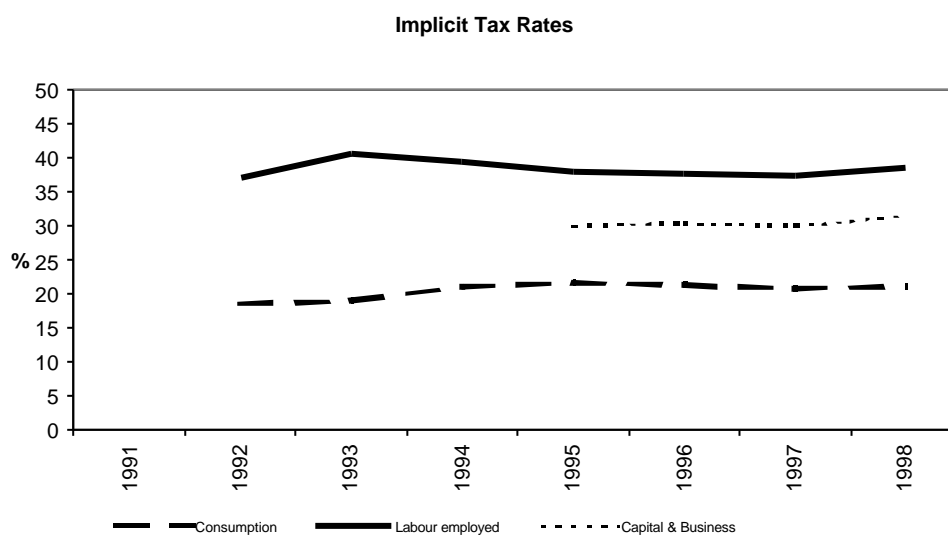


Table V.5.2. Tax Shares as % of Total Taxation - SLOVENIA

Direct/Indirect Taxes A	1991	1992	1993	1994	1995	1996	1997	1998

Tax Quotas								
Indirect taxes		35.9	37.7	41.2	43.2	44.8	46.0	46.7
VAT		16.8	17.0	18.5	20.1	20.7	22.0	22.4
Excise duties		8.9	8.7	10.5	10.8	11.4	11.1	10.8
others		10.1	12.0	12.2	12.2	12.7	12.9	13.5
Direct taxes		18.2	17.2	18.3	17.5	19.0	19.6	19.2
Personal income		16.7	16.1	16.4	16.0	16.8	16.7	16.2
Corporate income		1.4	1.1	1.9	1.4	2.1	2.9	3.0
Non imputable		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social Contributions		46.0	45.1	40.5	39.4	36.2	34.4	34.1
employer's		18.8	19.4	17.6	16.4	12.9	10.9	10.8
employees		25.0	23.7	21.1	21.2	21.3	21.2	21.0
self-employed		2.1	1.9	1.7	1.7	1.9	2.2	2.2
B. Tax-quotas acc. to Level of Government								
Central Government		46.0	46.6	51.0	53.7	56.4	58.2	58.2
Local Government		8.0	8.4	8.6	6.9	7.5	7.4	7.8
Social Sec. Funds		46.0	45.1	40.5	39.4	36.2	34.4	34.1
EC Institutions		0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Taxes according to function								
% of total taxes								
Tax Quotas								
Taxes on Consumption		34.2	35.4	38.0	40.4	40.4	39.8	39.5
VAT and general turnover taxes		16.8	17.0	18.5	20.1	20.7	22.0	22.5
VAT		16.8	17.0	18.5	20.1	20.7	22.0	22.4
general turnover taxes		0.0	0.0	0.0	0.0	0.0	0.0	0.1
Control		0.0	0.0	0.0	0.0	0.0	0.0	0.0
excise duties		7.8	8.4	8.2	8.5	7.4	5.0	3.6
other taxes on consumption		9.6	9.9	11.3	11.8	12.3	12.8	13.4
Control		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Labour		61.5	60.0	56.4	54.7	53.6	53.1	52.6
employed		58.4	57.2	53.7	52.0	50.6	49.9	49.5
paid by employers		18.9	19.4	18.3	16.9	14.7	14.2	14.3
paid by employees		39.5	37.7	35.4	35.1	36.0	35.7	35.1
Control		0.0	0.0	0.0	0.0	0.0	0.0	0.0

self- and non- employed		3.1	2.9	2.7	2.7	2.9	3.2	3.2
Capital and business		4.0	4.4	5.4	4.7	5.8	6.8	7.6

V.6. Summary of Results

For a quick overview the main results for each country are displayed for the year '98 and compared with the EU average for '96 (latest year available) in table V.6 below.

V.6.1. Assignments

The individual entries in this table are obtained from the following assignments and computational procedures:

(1) Nominal tax rates

Current nominal tax rates for the accession states are extracted from the 'Inventory of Taxes', Annex 1 to Annex 5. The range of current nominal tax rates in the EU are taken from "Structures of the Taxation Systems in the European Union", 1998 and from "European Tax Handbook", IBFD Publications, Amsterdam 1999.

Social contributions are displayed in two different ways, per gross wage, line (1.5a), i.e. the traditional nominal rates, and per gross cost of labour¹, line (1.5b).

(2) Revenues in traditional classification

They represent partly reaggregated data from the 'Tables of Revenues' given in section III above; for EU 15 the data are contained in "Structures of the Taxation Systems in the European Union", EU, 1998.

Line (2.1) 'Indirect Taxation' is, by definition, the sum of all entries in ESA category 3: 'taxes linked to production & imports', cf. sec. IV.

Line (2.2) 'Direct Taxation' is the sum of the entries in ESA category 1: 'current taxes on income and wealth' and category 2: 'non-current taxes on income and wealth (capital taxes)'.

Line (2.3) 'Social Contributions' represents the sum of all entries in ESA category 4: 'actual social contributions'.

¹ For line (1.5b) the following list shows the computational procedure applied for each country:

ESTONIA: social contributions are 20 % (pension), 13 % (health), total 33 %; social contributions are paid fully by the employer ? labour cost = 133 % of wage; social contributions per gross labour cost = $33 \% / (100+33) \% = 25 \%$.

POLAND: social contributions are 19.5 % (pension), 15.5 % (health) and 2 % (injury insurance), total 37 %; from this 18.3 % is paid by the employer ? labour cost = 118.3 % of wage, social contributions per gross labour cost = $37 \% / (100+18.3) \% = 31 \%$.

HUNGARY: social contributions are 22 % (pension), 11 % (health) and 3 % (sick leave) total 36 %, to be paid by employers plus 8 % (pension) and 3 % (health), total 11 %, to be paid by employees ? labour cost = 136 % of wage; social contributions per gross labour cost = $47 \% / (100+36) \% = 35 \%$.

CZECH REPUBLIC: social contributions are 26 % (pension), 13.5 % (health), 3.6 (state employment policy) and 4.4 % (sick leave), total 47.5 %; from this 35 % is paid by the employer ? labour cost = 135 % of wage; social contributions per gross labour cost = $47.5 \% / (100+35) \% = 35 \%$.

SLOVENIA: social contributions are 24.35 % (pension), 12.72 % (health), 0.2 % (unemployment), 0.2 % (maternity) and 0.53 % (injury insurance), total 38 %; from this 15.9 % is paid by the employer, in addition the employer has to pay a pay roll tax of 15 % which is added here to social contributions to allow an international comparison ? labour cost = 130.9 % of wage; social contributions per gross labour cost = $(38+15) \% / (100+15.9+15) \% = 40 \%$. Labour cost is here defined as: gross wage plus employers' share of contributions plus pay roll tax.

Table V.6. Summary of Main Results

Main Results			(0)	(1)	(2)	(3)	(4)	(5)
			EU average '96	ESTONIA '98	POLAND '98	HUNGARY '99	CZECH REPUBLIC '98	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

(3) Revenues according to economic functions

The assignment of 'Revenues - according to economic functions' follows the procedure of sec. IV, where each tax listed in the 'Tables of Revenues' has been scrutinized.

Line (3.1) 'Taxes on Consumption':

By and large subclasses 3.1: VAT, 3.2: import duties and 3.3: excise duties, which amount to nearly 90 % of indirect taxes, have to be assigned to 'consumption'. However subclasses 3.4:

taxes on services, 3.5: taxes on ownership of land & buildings, 3.6: stamp, registration & similar duties, 3.7: other taxes linked to production & imports had to be assigned to taxes on 'capital & business'.

Lines (3.2) 'Taxes & Contributions on Employed Labour', (3.3) 'Taxes & Contributions on Self- and Non-Employed Labour', (3.4) 'Taxes on Capital & Business':

Section IV, in particular IV.3. 'Country specific assignments keys' presents in all detail the assignment and reaggregation that leads to the numbers displayed.

V.6.2. Comparison with the EU Average

Comparing the five countries of this report with the EU average one recognizes similarities and a number of striking differences:

(1) Nominal Tax Rates

- (1.1) VAT rates in the accession states lie within the bandwidth of the EU.
- (1.2) The maximum tax rate on income is much lower in Estonia than the lower limit of the EU bandwidth, near this limit in Poland, Hungary and the Czech Republic and near the middle of this bandwidth in Slovenia.
- (1.3) The rates of corporation taxes show a bandwidth similar to the EU, with the exception of Hungary (rate only 18 %).
- (1.4) Only Hungary has a local business tax, based on value added, which is within the EU bandwidth.
- (1.5) The range of social contributions in the accession states is comparable to the bandwidth in the EU.

(2) Revenues, traditional classification

- (2.1) 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.
- (2.2) 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).
- (2.3) 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.

(3) Revenues according to economic functions. The structure of taxation, considered from this point of view, shows a relatively high similarity with the EU average in the Czech Republic and in Estonia and shows larger differences in the other countries.

- (3.1) 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).
- (3.2) 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.
- (3.3) Taxes & Contributions on 'Self- and Non-Employed Labour' plus Taxes on 'Capital & Business' (sum of line 3.3 and line 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.