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STUDY ON TAXES AND CHARGES APPLIED IN THE EUROPEAN UNION COUNTRIES AND IN ROMANIA IN THE FIELD OF AGRICULTURE

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Abstract

The purpose of this study is to make a methodological and technical synthesis on taxation in the countries of the European Union, as well as to highlight the methodology and tax rates for corporate tax and value added tax in 14 European countries. This study highlights that taxes and charges in Europe are not much different from those in Romania. More substantial differences are recorded in the tax rates applied by 26 countries of the European Union but also those outside the EU. In some EU Member States, a number of tax reform measures have been taken, such as: reducing social contributions, lowering VAT in labour intensive sectors, introducing and increasing environmental taxes. Establishing the legal framework for taxation, depending on the fiscal policy objectives of the state, the impact of fiscal discipline in combating the underground economy and tax evasion, improving the methods and procedures used by the tax office in tax settlement, levying and control are problems of utmost importance for ensuring that the public budget system is supplied with the necessary minimum resources.

Key words: *incomes, taxes, value added tax.*

INTRODUCTION

The corporate tax is a personal tax and within the fiscal reform in Romania, the profit tax plays an important role, both in terms of its contribution to the formation of budgetary revenues and by influencing the profit generating activities [9].
Profit is the result obtained as a result of the investment of capital, determined as the difference between the total incomes received from the basic activity and other activities and the total expenses corresponding to the performed activity [13].
Value Added Tax is an indirect tax that, unlike freight tax, applies to the entire economic circuit, to the end user of the products or services but only to the value added in the phase of that circuit [10]. The taxable object is the value of goods, works and services at billing prices. The supporter is the final consumer [17].
VAT is highly elastic to economic processes in the sense that if businesses develop and VAT collected, VAT will be higher.
If sales are stagnating and the amount of VAT will be lower, therefore the state's revenues will be lower. VAT is a tax with a high tax return, but any indirect tax is unfair [11]. This translates into regressing revenue growth and not to a low taxable minimum.

MATERIALS AND METHODS

The research methodology used in this paper has the following main aspects:
-bibliographic study of the internal and international literature;
-collecting the concrete information within the researched area;
-ordering, processing and presentation of results in synthetic form;
-making a tax questionnaire;
-analysis and interpretation of results, formulation of conclusions and recommendations.

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RESULTS AND DISCUSSIONS

The actuality of the theme lies in the importance of taxation and reforms in this domain for the economic development of any state.[16]

It is well-known that tax systems are a key factor in influencing the overall mechanism of the economy [14].

They determine the extent to which people save, invest, work, influencing production growth and employment, which are key elements of the economic strategy, making tax reform an important component of economic reform. [3]

Lithuania (only 17.4%) has the smallest share of direct taxes from total taxes in 2010, followed by Bulgaria (18.8%) and Slovakia (19.1%). (Countries that together with Romania emphasis on indirect taxation). All of these countries have adopted fixed-rate taxation systems that lead to a sharp reduction of direct taxes compared to indirect taxes. [15].

In 2010, Romania holds the third place in terms of indirect taxes (45.2%) from total taxes, with the first positions occupied by Hungary (45.5%) and Bulgaria (55.4%).

Tax systems in Germany and France that focus on social security contributions are on the opposite side to those in Denmark, Sweden and the UK, where the share of social contributions in total incomes is low (The focus in these states is on direct taxes). [4] (Table 1).

Table 1. Employee-Employer Contributions in Romania. 2011-2014

Specification	Employee	Employer
Pension	10.5%	20.8%, 25.8%, 30.8%
Health	5.5%	5.2% 0.85% leave and allowances
Unemployment	0.5%	0.5%, 0.25% Guarantee Fund for the payment of its receivables
Total	**11.5%**	**27.6%-37.6%**

Source: Own processing after ec.europa.eu/eurostat

<u>Austria</u>

Tax on profit. Taxable persons:

• some companies owe incomes tax both for incomes earned in Austria but also for profits made abroad: capital companies, cooperatives, mutual insurance funds, associations, foundations, other private legal entities; associations with no legal personality, institutions, foundations or other special funds governed by private law, whose central or head office is in Austria, legal persons governed by public law for the benefits of industrial and commercial public services;[16].

• legal persons, associations of individuals and funds not having central government or headquarters in Austria owe tax only to the profits made in that State.

The following institutions are exempted from paying incomes tax: railway companies, religious or charitable associations, non-profit associations, credit union and pension funds [5].

The taxable base is the realized profit. In order to determine the expenses, the following deductions are being made: pensions paid, permanent expenses, fees paid to tax advisors, donations admitted by law, research and development expenses (up to 0.25%), professional training expenses for employees (up to 20%).

Tax losses incurred in a fiscal year may be deducted from the incomes earned in the following year, under the heading of "special expenses". Until 1988, the carry forward of tax losses was limited to 7 years, and now there is no such limit. Since 2001, the deduction of losses is capped at 75% of the taxable profit realized in the following fiscal year.

The tax rate is 25%, being reduced from 34% as it was in 2014. The tax is paid annually.

Whatever profit they make joint stock companies subject to incomes tax must pay a minimum tax determined according to the form under which the company is formed and accounting for approximately 5% of the minimum share capital for the formation of that company. For limited liability companies, the minimum tax is 1,090 Euros for the first fiscal year and 1,750 Euros for the next fiscal years. For joint-stock companies, the minimum tax is 1,090 Euro for the first fiscal year and 3,500 Euro for the next fiscal years. For banks and insurance companies, the minimum tax is € 5,452.[19].

The amounts collected from the profit tax are divided as follows:

• 71.89% for the Federal Government;
• 14.94% for the Länder Goverment;
• 13.17% for local authorities.

Value Added Tax. Companies whose turnover does not exceed € 22,000 are not required to pay value added tax. Value of VAT, applied in Austria:

• overall rate 20%;
• 10% reduced rate for: some food, books, newspapers, other periodicals; certain art objects; land and buildings lease agreements (hotels, hostels, etc.); energy distribution; the activity of theatres, museums, cinemas, television, etc;
• 0% quota for: export of goods to countries other than those in the Community; work performed under a contract with a foreign agent if goods are to be transported to countries outside the US; distribution of goods in the United States, if the customer is registered as a VAT payer in another Member State; the cross-border transport of persons by airplane or ship.

Excluded from VAT are the bulk of banking and insurance services, small businesses whose turnover exceeds EUR 7,500, as well as medical services in the field of public health and social assistance [8].

Taxpayers are required to submit monthly statements by the 15th of the second month following the reporting period [7]. Companies that had a turnover in the previous year under the ceiling of 22,000 Euro submit the quarterly forecast [6].

Table 2. Structure of revenues between 2000 and 2014 in Austria

Structure of revenues	2000	2001	2013	2014	% 2014/2000
Indirect taxes	15.2	15.2	15	14.8	15.2
VAT	8.1	8.1	7.9	7.9	8.1
Excise duties and consumption taxes	2.7	2.7	2.8	2.7	2.7
Other taxes on products	1.2	1.2	1.1	1.1	1.2
Other taxes on production	3.2	3.3	3.1	3.1	3.2
Direct taxes	13.2	15	13.5	12.8	13.2
Personal	10	10.7	10.1	9.5	10
Corporate	2.2	3.2	2.4	2.3	2.2
Other	0.9	1	1	1	0.9
Social	14.7	14.8	14.6	14.5	14.7
Employers	7.1	7	6.8	6.8	7.1
Employees	6	6.1	5.9	5.9	6
Self- and non-employed	1.6	1.7	1.9	1.8	1.6
Less: amounts assessed but unlikely to be collected	0	0	0.1	0.1	0

Source: Own processing after ec.europa.eu/eurostat

At the end of the year, the final declaration is filed for the entire fiscal year.(Table 2).

Belgium

Tax on profit. The Belgian tax system favours "coordination centres", "distribution centers" and "service centers". Coordination centers involve the reunification of several companies within a group whose reserve capital is at least EUR 24,789,352.48 and its turnover is at least EUR 247,893,324.78. The goal of the center is to develop and centralize one or more joint activities for the benefit of some or all companies that form the group.

The determination of the tax base is the result of a succession of six operations each with distinct rules.

In the first operation, the components of the taxable profit that are grouped into three categories are determined and summed up:

• Reserves (risk and cost provisions are exempt from tax); non-deductible expenses (fines, penalties, confiscations, interests, excessive benefits, gifts, certain specific professional expenses, 25% for private car expenses, clothing costs, 50% of protocol expenses);
• distributed benefits (dividends, amounts used by the company to acquire its own shares)[19].

The second operation consists in dividing the taxable profit into three parts, according to their origin as follows:

• profits made in Belgium are taxed in full;
• profits made abroad in a country with which Belgium has not entered into an agreement to avoid double taxation benefit from a reduction when determining the tax on profits;
• profits made abroad in a country with which The profit tax collected is due to the state budget. (Table 3).

Table 3. Belgian income tax-2016

Taxable income on bracket		Total tax on income below bracket	Tax rate on income in bracket
0	11,070	0	25
11,070	12,720	2,767.50	30
12,720	21,190	3,262.50	40
21,190	38,830	6,650.50	45
38,830	Over	1,4588.50	50

Source: Own processing after Belgium Taxation and Investment 2016. Reach, relevance and reliability. A publication of Deloitte Touche Tohmatsu Limited

Belgium has not entered into a double taxation convention are tax-exempt and are no longer taken into account.[2].

In the third operation deduction of non-taxable items takes place. Thus, an amount of 11,510 or 23,030 Euro, as the case may be, can be deducted for each employee involved in a scientific research activity or recruited to take a leading position in the export department.

The value of certain gifts can be deducted but cannot exceed 5% from the tax base determined in the first stage or 500,000 Euros.

The standard rate of taxation is 33%. Reduced rates apply if taxable profit does not exceed € 322,500. For a taxable profit of less than € 25,000, a rate of 24.25% applies, for a taxable profit between € 90.000 and € 322,500 a 34.5% tax rate is applied.

To qualify for reduced rates, the company must accomplish certain conditions:

• not be a member of a group belonging to a coordination center registered in Belgium;

• 50% of the shares are not controlled by another company; starting with 1994, the standard quota and reduced rates are increased by a "complementary crisis contribution" of 3%, for example the standard rate is 33.99%.

If the taxable incomes derive from a state with which Belgium has not signed a double taxation convention, the tax rate is reduced to a quarter.

The coordination canters, if they have employees, pay a tax of 10,000 euros for each employee of the centre, but cannot exceed 100,000 Euros. Tax is paid in advance before 1 January [18].

Taxes are also paid by certain legal entities, such as the state, the provinces, the Brussels region, municipalities and authorities administering religious goods, inter-municipal associations, public transport companies, non-profit societies and associations [19]. The taxable base is the incomes from real estate, capital incomes and the acquisition of movable property. The tax rates are variable, namely:

• 20% for real estate incomes;[1].

• between 16.5 and 33% for capital incomes;

• 300% for expenses that cannot be justified.

Insurance companies and credit companies pay a tax of 0.06%.

Value Added Tax. Natural or legal persons existing in Belgium who are engaged in an economic activity consisting in the supply of goods or the provision of services, with the principal title or occasionally wherever the place of employment is, are liable to value added tax.

Belgian income tax is paid on the taxable base, which is determined from salary less compulsory social security contributions (paid either in Belgium or abroad). Social security tax in Belgium is paid on top of earned income. If you're employed your employer pays part and you pay another, smaller part (which worked out to be 35 percent and 13.07 percent of salary respectively in 2016). Self-employed workers pay the amount themselves but it is capped at EUR 15,905 per year.

<u>The United Kingdom of Great Britain And Northern Ireland</u>

Tax on profit. Taxable persons, companies and associations, clubs and trade associations, non-resident companies making profits from business activities in the United Kingdom are considered to be taxable persons. The profit tax is applied to the global profit of British companies, corporations and unicorporative associations.[12].

For profits between £ 300,000 and £ 1,500,000, a marginal deduction rate is applied so that the tax rate will gradually increase in proportion to the profit. (Table 1).

Table 4.Taxes on profit tax 2011-2014 in UK

Profit (£ per year)	The marginal rate of deduction	Taxation rate (%)
0–300,000	20	20
300,001–1,500,000	27.5	20–26
Above 1,500,000	26	26

Source: Own processing after http://www.ifs.org.uk/bns/bn09.pdf

The following institution is not taxable persons: institutions providing health services, local authorities, charitable associations, etc.

The tax rate is set on a progressive profit scale: the 0% share for profits lower than £ 10,000;

- 23.75% share for profits between £ 10,001-50,000;
- 19%, for profits ranging from 50,001 to 300,000 pounds; share of 32.75%, for profits ranging from £ 300,001 to £ 1,500,000; a 30% share for profits higher than £ 1,500,000.

Value Added Tax. Any company whose turnover exceeds £ 58,000 becomes a value added tax payer for all its products.

The following are exempt from VAT: land, education, health, insurance, postal services, lottery, funeral pumps, etc.

Tax rates: the normal share of 17.5%;

• The reduced share of 5% for gas and electricity for housekeeping and restoration of religious edifices;[1].

• 0% quota for food, medicines, children's clothing, books, gold, transport.

The payment of value added tax is based on the estimated annual value as follows:

• annually for a VAT cap of less than £ 600,000;

• quarterly for a VAT cap of £ 600,001-2 million;

• Monthly for a VAT cap of over 2,000,000 pounds.

<u>Spain</u>

Tax on profit. Profit tax payers are resident companies as well as non-resident companies for profits made in Spain. Spain allocates some percentage deductions for: research and development activity, for investments in tangible and intangible assets, excluding land and buildings, for foreign investment, for investment in culture, film production, publishing of books, to improve the professional training of the employees of a company.[1].

In Spain, several tax rates are applied for profit as follows: the standard rate of 35%;

• a reduced 30% share for small and medium-sized enterprises whose profit does not exceed 90,152 Euros;

• 25% reduced rate for mutual insurance companies, for social security organizations, for credit cooperatives and for non-profit-making associations;

• the reduced rate of 20%, for the profits from the activity specific to the cooperatives;

• 0% share for pension funds;

• The 40% quota for hydrocarbon companies or similar businesses.

As of January 1, 2015, the income tax has been reformed and simplified. It's important to note that these rates vary between each region. The rates shown below apply to the Community of Madrid. The communities of Andalusia and Catalonia apply a higher regional income tax than Madrid. The top rate of income tax in Andalusia and Catalonia is 49%.(Table 5).

Table 5. Income tax rate applied in the Community of Madrid

From (euros)	Up to (euros)	Tax Rate
€0	€12,450	19%
€12,450	€20,200	24%
€20,200	€35,200	30%
€35,200	€60,000	37%
€60,000 & Above	0.0%	45%

Source: Own processing after Taxation in Spain. Moving to Valencia. Retrieved 13 July2016. https://en.wikipedia.org/wiki/Taxation_in_Spain

Value Added Tax. Value added tax is applied for deliveries of goods and services. They are exempt from value added tax: medical services, social services, courier services, financial services, insurance, cultural, educational activity.

Tax rates applied in Spain: the normal rate of 16%;

• The reduced share of 7% for food, sanitation, radio and television services, sanitary materials and tools, funeral services, refreshments;

• The reduced share of 4% for bread, milk, cheese, eggs, vegetables and fruits, pharmaceuticals, prostheses and vehicles for the handicapped, books and periodicals, etc.

The VAT return is filed monthly, quarterly, or annually based on turnover, and payment is made within three weeks of the expiration of the reporting period.

<u>Hungary</u>

Tax on profit. The Hungarian tax system stimulates the establishment of companies on the Hungarian territory but also the development of foreign investments. Are areas such as environmental protection, Internet service development, food quality, film production, creating new jobs, benefiting from some tax incentives.

Hungary uses a single tax rate of 16%.

Tax losses can be carried forward to the results of subsequent years for a period of 5 years.

Value Added Tax. For value added tax, Hungary uses three allowances: the standard rate of 25%; reduced share of 15% of natural gas, water supply, restaurant services, hotel services, passenger transport, fuel used for public transport, sewage services as well as household waste treatment; reduced share of 5% for medicines, nutritional products.

CONCLUSIONS

For the development of a community, both public and private financial resources are needed. Public resources consist mainly taxes that governments use in all countries. Through taxes and taxes governments pursue the following goals:

- Procurement of revenue necessary to cover public expenditures;
- Stimulation of branches or sub-branches;
- reducing the production and consumption of some products;
- achieving social goals, etc.

In order for taxes and contributions to be made available to the state in financial resources it is necessary to issue tax regulations that create the technical - organizational and operational framework for their establishment, settlement and collection. These regulations must be known by both tax authorities and taxpayers, both natural and legal.

Taxation after 1990 granted some facilities to all economic agents, including those who carried out agricultural activities. These facilities were:

Even if the European Union has different views on granting tax incentives, they are used in many countries within the Union. Thus, taxation can contribute more to the development of agriculture by adopting the following measures:

Promoting the formation and consolidation of agricultural companies by:

• non-taxation the profits of agricultural companies for a period of 5 years since the establishment, if the profit is used for the development of the business. Among the countries of the United States which apply such exemptions are: France, Germany, Greece, Italy, Luxembourg, Poland, Portugal;
• non-taxation of the incomes from the lease for a period of 5 years from the date of the lease, for the encouragement of the lease and the increase of the leased lands, provided that the lease is maintained for at least 5 years;
• non-alignment of petroleum products, energy and natural gas for agriculture;
• applying a maximum VAT rate of 5% on inputs in agricultural production for all supplies as well as agricultural services. Reduced rates apply to the following countries in the European Union: Belgium, France, Germany, the Netherlands;
• reducing tax rates to the following tax categories:
• tax on profit = from currently16% to 15%;
• VAT = from currently 19% to 16%;
• employers' contribution to pensions = from 19.5% to 16%;
• employee's contribution to health = from 5.5% to 3%.

A few proposals are needed based on this analysis

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- Promoting the formation and consolidation of agricultural companies by: the non-taxation the profits of the agricultural companies for a period of 5 years from the establishment, if the profit is used for the development of the business. Among the countries of the United States which apply such exemptions are: France, Germany, Greece, Italy, Luxembourg, Poland, Portugal.
- Non-taxation of leased incomes for a period of 5 years from the date of the lease, for the encouragement of the lease and the increase

of the leased lands, provided that the lease is maintained for at least 5 years.
- Applying higher import duties on non-U.E. to encourage and protect domestic production such as wheat, meat sugar, etc.
-Non-alignment of petroleum products, energy and natural gas for agriculture.
-Applying a maximum VAT rate of 5% on inputs in agricultural production for all supplies as well as agricultural services. Reduced rates apply to the following countries in the European Union: Belgium, France, Germany, the Netherlands.
- Non-taxation of administrative buildings and zootechnical buildings for a period of 5 years from the date of putting into service provided that they are not alienated or destroyed 10 years after the exemption period.
- Non-taxation of salary incomes of persons working in the agricultural sector for a period of 5 years from the date of employment.

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