FISCAL MANAGEMENT-COMPARISONS AT EUROPEAN LEVEL ON PERSONAL INCOME TAX

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Abstract: *The changes in the period 2013-2014 of the fiscal environment in Central and Eastern Europe indicates that in the region it kept a slight reduction in direct taxation, while mitigating the VAT increase. According to the regional study MAZARS "Central Eastern European Tax Brochure 2014" average corporate tax rate is currently around 17% and the average VAT rate remains at about 21%. Romania is still below the regional average of the profit tax rate, while 24% VAT rate places it among the countries of Central and Eastern Europe with the highest level of tax burden of indirect taxation. The study analyzes the existing tax in the region, allowing comparison of the main factors of competitiveness tax in the countries of Central and Eastern Europe.*
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Income tax in the region: balance between the unique and the progressive

Income tax system in 16 countries analyzed in Central and Eastern Europe has not undergone any changes in the period 2013-2014. Montenegro remains the country with the lowest tax rate on income in the region of 9%, while the highest rates are in Austria and Slovenia (maximum quota of 50%).

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The taxation system based on single tax rate is applied in 8 of the 16 countries, while in the other 8 states are part of the progressive quota system. Eurostat data indicates that at European Union level did not intervene changes: apart from Finland and Sweden, which have operated increases of tax on income, any other Member State did not change tax brackets in the range 2013-2014. By comparing the variation of rates of income tax in the region with those of European Union, large differences are observed between countries. In the European Union, the lowest dimension is that of Bulgaria (10 %), and the highest, in excess of 55% will be applied in Sweden and Denmark. With 16 %, Romania falls in the second echelon of EU countries with the lowest rate of income tax, together with Bulgaria, Lithuania and Hungary. The analysis of the rates and the differences between the countries must take into account several aspects: the existence of the quota system progressive income tax in some countries, the criteria for granting tax deductions, the differences in defining taxable, etc.

In Romania, the tax on income earned by natural persons is owed by tax-payers classified as follows:

a) Romanian resident individual persons, with a residence in Romania, for the revenue obtained from any source both in Romania and abroad;
b) other resident individuals, for the revenue obtained from Romania.
    - non-resident individual persons who is self-employed through a permanent establishment in Romania;
    - non-resident individual persons who are performing dependent activities in Romania;
    - non-resident individual persons who obtain other income.

The categories of income that are subject to tax on income are: income from dependent activities; income from salaries; income from renting or leasing their assets; investment income; income realized from transferral of immovable property of personal property; income from pension, income from agricultural activities; venture of awards and playing games of chance, income from other sources.

Revenue from all sources by natural persons shall be subject to the tax quota of 16% - single tax rate applied to taxable income for each income sources. There are exceptions to the unique rate. Thus the income from transferral of ownership of securities shall be taxed at a rate of 1 %; the income from properties transfer.

Bulgaria uses income tax as a tax paid by individuals who receive income in Bulgaria. Although income is the core of this tax, the law on income tax of individuals does not explicitly define income, instead it puts income in connection with his sources.

Depending on the source of income types are: Income from employment; Personal business income; Income from rents; Income from transfer of property rights; Income from other sources; Donations and legacies are the only sources of income exempt from tax.

Taxable income is considered income from all sources, except for items that are defined as not taxable. The law contains over 30 considered taxable income such as: Revenue from the sale of the house; Dividends that were distributed in the form of new shares; Income from compulsory social insurance; Additional income insurance; Interest on deposits in commercial banks; Bonds, municipal and corporate Bulgarian; Scholarships; Amounts and prizes of gambling; Travel expenses; Income from rent or lease of agricultural land; Income from raw agricultural materials etc.

Deductions for donations: up to 5% in 14 well-defined cases; up to 15% for donations to the culture; up to 50% for donations to the Children Fund.

Basic taxable income (total tax base) shall be calculated in three steps. First, the tax base shall be calculated separately for each source of income. Secondly, they must be aggregated and thirdly the tax exemptions shall be deducted from the total taxes. For the total tax base is applied a tax rate of 10 %.

They are exempted from paying tax the persons who are in one of these situations:

- The persons with reduced capacity for work (Invalid), may exempt from paying tax up to 7,920 BGN.
- Exemptions of up to 10 % of the total amount of the tax base for personal contributions to supplementary pension schemes, as well as for additional health insurance and life insurance policies.

In France, to determine the subjects who are resident income taxpayers, the tax law employs three alternative criteria:

- Personal criteria: permanent residence in France;
- Professional criteria: the pursuit of a professional activity in France (employed or not), which is not an ancillary activity;

- Economic criterion: Hexagon location in the centre of economic interest.

In principle, all residents owe tax for their income (domestic and foreign), while non-residents owe tax only for the benefits of French source.

The tax base consists of nine categories of revenue: benefits, wages, pensions, and life rent; agricultural benefits; industrial and commercial benefits; non-commercial income; income from movable capital nature; land income; remuneration of the administrators of commercial firms; professional earnings; earnings obtained by individuals.

Determining the taxable income shall be carried out at the level of each category of income, in accordance with their own rules.

The tax rate varies between 0% for incomes of less than EUR 4,262 and 48% incomes exceeding 47,932 € .

France granted attention to taxation plus-values in various transactions or in possession of movable assets or real estate. Basically there are two main categories of taxable transactions:

- securities gains carried out by assignment of securities or precious objects;
- real estate gains achieved by disposing of immobile or of certain rights of buildings.

Tax rates are variable:

- income from the disposal of securities exceeding EUR 15,000 shall be taxed with 16, to which they added a obligatory social contribution of 10 %;
- gain from disposals of valuables: precious metals - 8% of the sale price; jewellery, objects of art or collection - 5% for the portion of the sale price exceeding 3050 €;
- revenue real estate nature- the application of general reference of the tax, with certain corrective to obviate imposition progression.

The tax on income from salaries

Tax on income from wages is imposed only to companies resident and permanent establishments of foreign companies, which are not subject to the value added tax (VAT) or if at least 90% of their benefit has been exempted from the VAT in the previous year. The tax base represents the total amount of the remuneration.

Such rates are:

- 4.25 % for the part of individual annual salary up to 6 675 euros;
- 8.5 % for the part of individual annual salary between 6 675 euros and 13 337 euros;
- 13.6 % for the part of individual annual salary which exceeds 13 337 euros.

Apprenticeship Tax

Tax on apprenticeship is placed on the amount of the total wages, at a rate of 0.5 percent. A reduced rate applies in certain French departments. The tax is deductible for corporate income tax.

Tax on improvement (preparation) professional

Training tax applies to employers who have 10 employees or more. These employers must invest 1.5% of the total amount in payroll on training programs.

The rate is reduced by 0.15% for enterprises employing less than 10 employees.

Tax deductible tax reasons in proceedings for the imposition of the company's revenue.

In Austria, the personal income tax collected is shared between the federal government, provinces and local authorities in the same proportion as the profit tax. This tax is payable by Austrian residents for domestic and foreign income that they receive. In contrast, non-residents only owe tax for the benefits of Austrian origin.

The tax base consists of seven distinct categories of income: agricultural income, non-commercial income, industrial and commercial income, wages and salaries, investment income, land revenue and royalties and other income. In principle, the tax base is obtained by summing the corresponding accounting seven categories of income. Are exempt from taxation, for example, war veterans pensions, aid to promote the arts, science or research, family allowances, compensation paid to victims of violent crimes etc.

For the first three categories of income mentioned, the Austrian law has provided for the possibility of deducting 20% of investments in employee training material, 35% of investments in research – development, a share of voluntary contributions to pension funds (approximately 10% of costs up to 1800 € deductible, provided that at least 40% of the capital is invested in shares of Austrian companies), amounts paid to tax consultants, contributions to religious cults (capped at a certain level), the purchase of new shares (within certain limits). It also reduces taxable income and certain extraordinary expenses such as medical expenses, repairs necessary due to the occurrence of a disaster, funeral expenses, expenditure on education of children sent to study abroad.

Tax rates vary between 0% for income below € 3.640, up to 50% on income over € 50.870.

In Latvia, income tax is due in Latvia by Latvian residents, for all domestic and foreign revenues and non-residents for the incomes obtained in Latvia. The tax residence of a person is determined by a criterion that became classic, namely the fact of living in Latvia at least 183 days during a fiscal year.

While income tax is collected by the central authorities, in the end 71.6% of the amounts collected is distribute local.

The tax base generally includes all categories of income from individuals. Exemptions from tax and deductions for taxpayers are few in number. These include basic personal allowances granted to taxpayers, worth 216 Lats annual.

Latvia applies the single taxation quota in the amount of 25% (effective in 1995), all income greater than 312 Lats annual. Annual revenues that do not meet the threshold are exempt from taxation.

In Poland, to determine taxpayers who owe income tax, the same distinction is made between residents and non-residents. Residents owe tax on all income they produce, while non-residents owe tax only on income from Poland.

Residence criterion is determined by the Polish Civil Code that the existence of primordial interests of individuals in Poland. This criterion must, however, must by examined for each case.
The taxation base consists of nine categories of income: wages, income from performance of professional services, exercise of a business (other than agriculture), income from certain agricultural activities, income relating to property rental, investment income, income from transactions property, and other income.

Are considered taxable income the benefits received by the shareholders or members of a partnership venture. If the company does not have legal personality, the associates distributed income is taxed according to the Articles of Association. If the company is a legal entity, any distributions of benefits in the form of dividends are taxed.

With effect from 1 January 2005, dividends, interest, royalties and other tax withholding regime are taxed at a flat 19%.

Natural persons carrying on business (alone or in partnership) may opt for a flat tax rate of 19% under certain conditions. The majority of non-residents' incomes are taxed at a flat rate of 20%, without, however, that non-residents should be able to exploit any deductible expenses.

In principle, income tax in Hungary is owed by all who are tax resident in this country, regardless of nationality.

To determine the tax base (which includes basically all income), the Hungarian legislature has provided an interesting system, in which the exemptions or deductions are expressed in percentage, in the form of tax credits:

- 18% Of salary income;
- 25% Of voluntary contributions to pension schemes, public or private;
- 30% Of an employee's contribution to mutual insurance funds;
- 20% Of revenues from certain categories of investments;
- 30% Of donations to charities;
- 40% Of a bank loan instalments related to the purchase of a house etc.

However, if an individual's annual income is greater than 6.5 million forints, it can not receive more than deducting voluntary contributions to pension and health funds and any family allowances.

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