Analysis of Local Taxes in the European Union

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Abstract

The fiscal system can be used as a tool for economic life regulation, for the state intervention in the economy in order to eliminate the imbalances in different periods of economic life. Moreover, the relation between taxation and the level of economy development is a conditioning relation: a stable and developed economy, always prove a favorable environment for a fiscal relaxation.

Key words: fiscality, duties, fees, taxes
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1. Introduction

Taxes are a form of removal of a part of the income and / or individuals and companies fortune, at the disposal of state, in order to pay the public spending. This removal is mandatory and permanently (non-refundable and without counterperformance). The mandatory nature of the tax must be understood that their payment to the state is a task to all individuals and / or legal persons who derives income from a particular source, or possess a certain kind of wealth, which, according to law, owe a tax.

Taxes and fees are increasingly important component of economic life, through which the state obtain financial resources, necessary to cover public expenditures, whose realization the performance of its functions depends on (Inceu, Lazar, and Moldovan , 2009).

All direct and indirect taxes contribute to the decrease of the life level of the population, but in different ways. Thus, while direct taxes lead to lower nominal incomes of different social categories, indirect taxes shrinks the purchasing power (Mara, 2010).

2. Analysis of the wealth tax in the European Union

Austria

Building and land tax

It is applied a 0.2% share for the estimated value of the estate, the share can be multiplied by a coefficient that can exceed 500%.

Bulgaria

Building and land tax

It is applied a 0.15% share for the sale value.

Tax on conveyance

The amount of tax is determined in accordance with engine output, adjusted by a factor depending on the year of manufacture.

Denmark

Building and land tax

Denmark collects more taxes by local communities, for the possession of a property:

- A tax on land perceived by each region, amounting to 1%;
- A municipal tax on land ranging from 0.6 to 2.4%;
- For buildings that are used for offices, hotels, factories or workshops, it is due a municipal tax of up to 1% of the property.

Tax on conveyance

The tax is calculated based on fuel consumption and mass.

Estonia

Building and land tax

Estonia does not tax the transfer of a real estate. There is instead a tax on land, which is currently between 0.1-2.5% of taxable value of the land. The tax is payable by the owner or the user of the land in question.

Tax on conveyance

The rate is set by the local authority.

Finland

Building and land tax

It is applied a rate between 0.5% and 1% for the cadastral value (value generally lower than market value), and for permanent residences between 0.22% and 0.5% . In 2008 the average rate was 0.74%, and for permanent residences was 0.29%. For the 2nd house, the tax rate can not be higher than 0.6% of the permanent residence. For the taxation of power stations the share can not exceed 1.40% except for nuclear power plants, for which the maximum rate is 2.20%.

Tax on conveyance

It is applied a share of 10 - 40%, depending on CO2 emission, of the taxable value of the car. The calculation of the tax rate is made using the following formula: tax rate (%) = 4 + CO2 / 10.

France

Building and land tax

France applies a solidarity tax on wealth, for people whose fortune is evaluated at over 720,000 euro. The tax rates varies between 0.55% - 1.80% (if the net value of assets exceeds 15,000,000 euro). Established in 1987, it is a tax on property (all assets, rights and taxable values). Subjects who owe this tax are both individuals residing in France, for assets held in France and abroad, and the ones residing outside France, for goods held in France. Solidarity tax on wealth is calculated by applying a sliding scale on installments to the net value of taxable wealth (Minea, Costas, 2006).

Table 1. Sliding scale on installments

Installment	Share
Tax value < 720,000 euro	0%
720,000-1,160,000 euro	0.55%
1,160.000-2,300,000 euro	0.75%
2,300.000-3,600,000 euro	1%
3,600,000-6,900,000 euro	1.30%
6,900,000-15,000,000 euro	1.65%

Tax value > 15,000,000 euro	1.80%

Sursa: Rates of walth tax in France, 2011

Germany

Building and land tax

It is applied a 0.35% share for the taxation of land and buildings owned, which can be multiplicated in certain limits, by the local communities. Thus, the land tax (Grundsteuer) values actually reaches between 0.98% and 2.1%.

Tax on conveyance

It is calculated based on the engine capacity for each 100 cc each or fraction thereof, as follows: For Euro 3 and over, for gas is 6.75 euro and for diesel is 15.44 euro; For Euro 2, gas at 7.36 euro and diesel 16.05 euro; For Euro 1 and under, gas is 15.13 euro and diesel 27.35 euro. For mobile homes / caravans it is applied an environmental tax between 10 euros and 40 euros per 200 kg. For other vehicles including pickup trucks weighing up to 3.5 tons it is applied a quota on weight for every 200 kg: up to 2t - 11.25 euro; between 2 and 3t - 12.02 euro and between 3 and 3.5 tons - 12.78 euro.

Greece

Building and land tax

Greece include in the tax base only immovable property situated in Greece, and relative rights to such assets. The residence homes up to 200 square meters and with a value of up to 243,600 EUR are exempt from property tax, and for what is over this amount, the tax is fixed between 0.3% (wealth lower than 246,750 euro) and 0.8% (wealth greater than 1,027,250 million euro).

Italy

Building and land tax

Italy taxes real estate owning (buildings and land), by a tax of 0.4 - 0.7% of the property value, which is set and charged by municipalities. The tax on real estate (Imposta Communale Sugli Immobili) is due by both individuals and legal persons, being established in relation to the cadastral value (in general) or to the acquisition value of the asset (for buildings used for business purposes).

Latvia

Building and land tax

In Latvia there is a tax on land, amounting to 1.5% of the taxable value of the land (reduced from 4% in 2000). The taxable value is managed by Financial Administration. As for the tax on buildings, amounting to 1.5% of the carrying value, it is only due by the companies that own buildings or production facilities.

Tax on conveyance

The cars are taxed annually depending on the weight (Tulai and Serbu, 2005).

Lithuania

Building and land tax

Lithuania levy more taxes on the ownership of land and buildings: a building tax owed by legal entities, which amounted to 1% of the building value; a tax on land due by legal persons also, amounting to 1.5% of taxable value; for the public property lands that were rented or leased through auction, the amount of land tax is set by auction specifications, between 1.5 - 4% of the taxable value of the land.

Malta

Building and land tax

Malta may be categorized as an ideal destination for living, whereas no taxes on ownership of movable property. Revenues from the transfer of a property are not taxed, if the good was kept in the property for at least 3 years.

Poland

Building and land tax

Buildings used for commercial - 18.6 zlotys (4.96 euro) / sqm, and for other buildings 6.23 PLN (1.66 euro) / sqm. For land used for business - 0.69 zlotys (0.18 euro) / sqm, and the remaining lands 0.34 PLN (0.09 euro) / sqm.

Portugal

Building and land tax

In the matter of taxes on land and buildings which they apply, Portugal makes a distinction between immovable property situated in the countryside (taxed at 0.8%) and buildings situated in urban areas, which are taxed at rates ranging from 0.4 to 0.8% of the impozabilable value. The tax is charged by municipalities (Beju and Cucosel, 2010).

Spain

Building and land tax

Spain applies a tax on the world heritage of residents and on the heritage located in the country, belonging to non-residents. There are exempt from taxation: spanish historic heritage assets and works of art accessible to the public; artworks whose market value does not exceed a certain threshold set by law; private pension rights etc. The scale of tax is between 0.2% (for smaller wealth than of 167,130 euro) and 2.5% (in the case of wealth exceeding 10,695,997 euro). In Spain a land tax is levied also, amounting to 0.3 - 0.4% of the cadastral value of a building.

Tax on conveyance

A special tax on luxury goods applies to yacht owners who spend more than 6 months in Mallorca. Those must pay 12% of the value of the boat and may be required to register the yacht under the flag of Spain.

Sweden

Building and land tax

Wealth that does not exceed SEK 1,500,000 (2,000,000 for couples) are not taxable, and for which exceeds this threshold is due 1.5%. A quota between 1.2 - 1.5% of the market value for housing real estates, for commercial properties the share is 1.0%, for industrial properties the share is 0.5%, and for the hydropower stations the share is 2.2%.

Hungary

Building and land tax

For buildings the tax is 900 forints (2.92 euro) / sqm, or 3% of market value of the land. For lands the tax is up to 200 forints (0.65 euro) / sqm or 3% of the property at its fair value.

Our neighbours are obliged to pay a luxury tax for any home more valuable than 100 million forints, equivalent to 375,000 euro. This fee is applied in addition to the tax on buildings due to local authorities.

Tax on conveyance

The fee for cars is as follows: in the first 3 years from the vehicle manufacture - 0.99 euro * Kw / year; in 4 - 7 years from the vehicle manufacture - 0.86 euro * Kw / year; in 8 - 11 years from the vehicle manufacture - 0.66 euro * Kw / year; in the years 12 - 15 from the vehicle manufacture - 0.53 euro * Kw / year; since the 16th year after vehicle manufacture 0.40 euro * Kw / year. Tax share for other vehicles is 40 euro per 100 kg / year.

3. Conclusions

Wealth taxes are the consequences of ownership of movable or immovable property. They falls as real direct taxes, being placed on material objects, but in time they were adjusted because there are many cases in which the tax changes depending on the situation of owner. So, the customization of taxes comes as a response to the need to achieve a full tax fairness for the tax payers.

Wealth tax, the measure that conjures additional charging of buildings, in that for the same property will be paid different taxes depending on the real estate wealth of the payer, is applied in countries such as France, Switzerland, Liechtenstein, Netherlands, Norway, Greece, India and in the majority of household assets such as cash, bank deposits, savings in pension funds, real estate investments, stakes and titles.

Some countries require the taxpayer a statement containing one part of assets and the other part of liabilities. The tax is calculated on the difference or on that exceeds a certain level established. Wealth tax is applied in "welfare states" with high levels of government spending in GDP.

Lawyers of this tax say that it has as positive effects the improving of the equity of the tax system, the increase of government revenue, the encourage of economic growth. On the other hand, opponents claim that this tax determine an exodus across borders of the wealthy people, as well as a massive migration of capital abroad.

Widely accepted view is that the property tax is a local tax overly controversial, each increase of this tax generating, nationwide, more or less justified clamor.

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