THE HARMONIZATION OF THE INDIRECT TAXATION IN THE EUROPEAN UNION

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Abstract: Harmonization of the indirect taxation in the European Union is a necessity in the context of cross-border trade development, the evolution of market economies.
The themes debates the main issues related to fiscal harmonisation of the indirect taxes and presents the European Comission future projects.
Key words: Indirect taxation, VAT, Fiscal harmonization

The internationalization of the social relationships, known under the denomination of globalization, implies an outwardly opening of the national economies. The unprecedented development of the world trade, the progress of science and technique, the evolution of the market economies, have accelerated the process of regional and world integration. Within this context, the harmonization of the national economic policies was compulsory. The fiscal policy, an integrant part of the economic policies, represents the object of the harmonization process developed at the European Union’s level. The fiscal policy is the work of the state power (the national fiscal policy) or of the overstate power (the regional or world fiscal policy).

In actual fact, the fiscal policy is established in a direct connection with the state options regarding the taxes and duties, in that it has to impose the conscious utilization of the entire assembly of fiscal instruments and procedures in order to settle the level, the structure and the regime of the fiscal facilities, within the process of the distribution of the social product, so that it is ensured the accomplishment of the political, economic and social goals.

The indirect taxation is characterized by the fact that it exclusively refers to the consumption of goods and services, determining a distribution of the fiscal obligations.

The indirect taxes are those sources of budgetary incomes that are achieved, mainly, by means of the taxation on the consumption, being collected for goods sale, for the performance of certain services, respectively of some works.

They are borne by the final consumer, namely by the one that acquires and/or uses for himself the good or the service within the price of which the tax is included the tax.

In the field of the indirect taxation system, the goal of the European action is to achieve the compatibility of the national systems, not only amongst them, but also with the aims of the EC treaty.

One of the first measures regarding the fiscal harmonization at the community level, aimed the indirect taxes which are applied to the reunited capitals (denominated “contribution rights”).

Beginning with 1977, VAT was the first harmonized tax.

Despite all these efforts, the fiscal harmonization is far from being satisfying. This persistent incapacity regarding the development in the fiscal policies coordination has conduced not only to the perpetuation of decisions on the internal market, but it has also aggravated the unemployment, including the favouring of the tax base erosion.

In 1996 the committee identified the three main directions that will be the key points for the fiscal policy that is to be promoted in the European Union within the next period:

- the establishment of the collection of taxes for the member States;


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• the good functioning of the unique market;
• the promotion of the employment (jobs).

**VAT** has been introduced beginning with 1970 in the European Economic Community by means of the first and the second VAT norm, replacing the various production and consumption taxes applied until then by the member States, taxes that represented obstacles for the trades. The sixth VAT norm appeared in 1977 in order to harmonize this tax. It allowed the establishment of the methodology necessary for the achievement of the goal that has already been pointed out by the first VAT norm: the fiscal borders annulment. By means of this norm, it has been implemented the application of a definitive tax regime for the exchanges among the member State, related to their tax base in the member State of origin of the delivered goods and of the performed services.

The annulment of the fiscal borders required a certain harmonization level of the VAT rates. The member States apply, within the new regime, a normal VAT rate of at least 15% and, optionally, one or two diminished rates of at least 5%, only for certain goods and services with a cultural or social character.

The tax principle in the consumption State (or the taxing at origin) for the goods and services destined to the subjects, at the rates and according to the conditions in force in this State remains the essential principle of the VAT common regime for privates. It is a matter of avoiding, as long as the rates are not sufficiently close (alike), the distortion risks of the competition and the delocalization of the activities. This regime is therefore intended to the consolidation of the community integration, maintaining the financial interests of the member States.

Although, the transitory regime maintained at the same time different tax regimes at destination companies, in order to ensure that the tax is collected in each member State, depending on the significance of the consumption made on its territory; in the mean time, legal actions have been promoted, pointing out particular regimes, especially for:

- occasionally goods, art objects, antiques, collection objects;
- operations on gold;
- services with a high intensity of manual labour;
- tourism agencies;
- services provided by electronic ways.

Regarding the exchanges with the third countries, the imports are declared at the customs and they are VAT taxed when they are imported. The exports will remain exonerated, under the reserve of the accomplishment of the usual customs formalities.

For the operators who want to put in free practice in the member states the third goods before they send them to another member state in which they will be used or consumed, it is applied the simplified regime.

Within the VAT strategy, the committee has the goal of affirmation of the taxing principle at the consumption place and the simplification of the operators’ obligations. With this purpose, it proposes the pointing out of a “unique desk” mechanism, that brought considerable facilities in case an operator performs taxable actions for which he is subjected to tax in the member States in which it is not established. On the other hand, the Committee agrees that a more and more strong collaboration among the member States, should allow the maintaining of the VAT fraud within acceptable limits.

The communitary regulation regarding the excises is recent. In contrast with the VAT one, it established a definitive regime and, in general, at the owning, the circulation and the control of the products subjected to excises. The maintained principle is the one of the taxing in the country of consumption. This regime, effective beginning with 1 January 1993, is one of the elements of the global strategy for the rates approaching and for the harmonization of the indirect structures. This regime is applied to the alcoholic drinks, manufactured tobacco and mineral oils and allows the circulation of goods with the cancellation of the excises rights and without controls at the intracommunitory borders. The excises are paid when the product is put in consumption in the State of consumption. The circulation of the products with the cancellation of the rights is made by means of the fiscal repository and under cover of an accompanying administrative document.
The instauration of the minimal rate for alcohol and alcoholic drinks, cigarettes and tobacco was made in 1992. It was foreseen that during the entire two years, the Council will exam the minimal rates, taking into consideration the good functioning of the internal market and of the real value of these rates.

According to the approach kept by the Committee for mineral oils, petrol (carburant) and petrol gas (the respect towards the environment, the encouraging of the consumption of energetic products that are resulted from recyclable resources), the Committee presented in 1992 a proposal that established the decrease of the rates (quotas) of the excises applied to the carburant of origin or to the bio-carburant and in 1977, a proposal regarding the harmonization of the indirect fiscality for the energetic products.

Together with the approach of the rates in force in the member States, a minimal harmonization of the structures is, also, necessary (taxable materials, collection methods, fiscal exonerations, payment conditions) in order to achieve the effective cancellation of the fiscal borders. In this effect, the EU norms have as goal, the harmonization of the taxed products in order to ensure a common taxing and to foresee the applicable exonerations.

Regarding the mineral oils, petrol and petrol gas, the European Union adopted two norms in 1992, norms that referred to the harmonization of the structures of the rights resulted from excises for mineral oils and the approach of the excises rates for the mineral oils. In 1997, the European Committee issued a new norm proposal regarding the harmonization of the indirect fiscality of these products. In 2003 this proposal was adopted, determining a real communitary environment for the energetic products and electricity.

The specificity of Romania in comparison with the EU27 countries is the structure of the collected incomes at the state budget. In Romania, the fiscal and budgetary incomes are depending on the incomes resulted from the indirect taxes and duties (VAT, excuses, customs taxes, etc), while in the European Union, the contribution of the three main categories of taxes and duties (direct, indirect taxes and social contributions) within the incomes are relatively close. Under these circumstances, we can notice that the fiscality in Romania is an average one, comparing with the countries within the European Union, being situated at a level close to Ireland or Slovakia (where it is applied a unique quota of 19% both for the incomes and for VAT) and much more diminished in comparison both with the countries within the EU15, for example Sweden, France or Denmark, and with some of the new-included EU countries in 2004, such as Czech Republic or Hungary.

In comparison with the rates applied by the member states of EU, the VAT quote applied in Romania is situated at an average level. This rate of 19% is met in Slovakia (where it is applied the principle of the unique quota extended also for VAT), Germany, Czech Republic, etc. The highest VAT rate is registered in Sweden, Norway and Denmark (25%). The rate used in Romania is higher than the one used in other states such as Luxemburg and Cyprus (15%) or Great Britain (17%). Otherwise, regarding also the first registration tax, that has been recently introduced in the Fiscal Code and so contested, it must be mentioned that, in Romania, the environmental taxes are 10 times smaller in comparison with the European Union.

The harmonization of the indirect taxing is a long process that often comes up against the significant differences that exist in the legislation of the member states.

Bibliography: