

**Structures of the Tax Systems
in
Estonia, Poland, Hungary, the Czech Republic and Slovenia**

Final Report
commissioned by the
European Commission, DG XXI

Reference: Contract XXI/99/801
for services of collecting and analysing data on the structure of the tax systems in
Estonia, Poland, Hungary, the Czech Republic and Slovenia

Wiesbaden (FRG), finished May 29, 2000, released for publication Nov 9, 2000

Note: The findings of this study are disseminated for the sake of transparency and in order to create a work-tool. This document does, however, not necessarily the views of the Commission of the European Communities who cannot be held responsible for its accuracy and completeness.

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The authors of this report would like to express their special gratitude to the Ministries of Finance of Estonia, Poland, Hungary, Czech Republic and Slovenia and to all the officials that were involved in this work: for the excellent and friendly cooperation, for the considerable work load they were willing to take on and for the complete and relevant information they made available to ATW-research.

Abstract

In recent years the European Commission has developed a standard format for the collection, disaggregation and display of tax data from the Member States, published regularly in *“Inventory of Taxes Levied in the Member States of the European Union”* and in *“Structures of the Taxation Systems in the European Union”*.

Aims of this Study

The aim of this study is to investigate the structure of the tax system for the accession states Estonia, Poland, Hungary, the Czech Republic and Slovenia in this same format. This involves:

- Identification of appropriate data sources and description of the available data.
- Drawing up an inventory of all taxes for each country.
- Construction of a tax revenue database.
- Classification of tax revenues according to different types of categorizations.
- Analysis of the tax structure and comparison with that of present Member States.
- Documentation of the database and of the calculations.

This final reports presents the results as follows:

- The documentation of the data sources (sec. I.2).
- The ‘Inventory of Taxes’ for the countries covered (sec. II and Annex 1 to Annex 5).
- The ‘Table of Revenues’ according to ESA classification and split by level of government (sec. III).
- Revenues assigned to economic functions (sec. IV).
- Display and analysis of the tax structures for each country including implicit tax rates and a comparison with the EU average (sec. V).

Main Results

The main results for the most recent year covered by government approved data are shown in the following table (for details see sec. V.6).

Comparing the five countries of this report with the EU average one recognizes similarities and a number of striking differences. Apart from some differences in the nominal rates (maximum rate on individual income relatively low in all of the five countries) the most significant features are the following:

Revenues in traditional classification (cf. line 2 of the table):

- 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.
- 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).
- 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.

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

Revenues classified according to economic functions (cf. line 3 of the table)

The structure shows a relatively high similarity with the EU average in the Czech Republic and in Estonia and shows larger differences in the other countries.

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

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I. CONSTRUCTION OF THE DATA BASE

I.1. Aims and Methodology of the Study

Context of the Study: Tax Coordination

Considerable efforts have been made in the last decade within the EU to obtain compatible economic data for all Member States, in particular with respect to the tax system. The data thus obtained have been used among others:

- to formulate proposals for economic policy, e.g. the implementation of the White Paper on Growth, Competitiveness and Employment,
- to devise economic instruments for environmental improvement,
- to develop strategies against erosion of the tax base, and
- to prepare for the European Monetary Union.

The statistical tool used in these efforts is contained in the Eurostat publication "*Structures of the Taxation Systems in the European Union*", 1998. Besides the traditional classification it amounts to a breaking down of the total of taxes

- according to the economic function of the tax base into the two main categories taxes on consumption and taxes on production,

and

- taxes on production further according to various production factors, to be described in detail in the section on Methodology below.

The method has been applied to Member States and some other developed economies (studies in which also the authors of this report have been involved) and proven its usefulness for the above mentioned goals.

Applying the tool to the five aspirants to EU-membership covered by this report will serve several purposes:

- It shows the degree of compatibility of general economic and in particular of tax data in these countries with the EU-standard and the degree to which a conversion from their national data to the Eurostat format has already been achieved and possibly allow recommendations for adaptations in their statistics.
- It improves a detailed knowledge of the tax reality there; it will reveal similarities and differences of the tax structure of the selected country with respect to the structures prevailing in the EU.
- It documents the major changes in principles and methods of taxation that were made in these countries in preparation for the accession to the EU and describes further reforms that have already been passed or are in preparation for the immediate future (2000 to 2002).
- All in all the information obtained may contribute in a positive way to the future accession of the candidate countries.

Methodology: Ascertaining of all taxes and disaggregation according to fiscal categories and to economic functions

For the EU-Member States a comprehensive system of ascertaining, disaggregating and displaying tax data has been developed over the last years and documented in its latest version in "Structures of the Taxation Systems in the European Union", Eurostat, 1998.

According to this format all taxes and contributions for the respective country and for each year for which a reliable data source exists are to be classified and displayed in three different ways:

Table A contains the classical split between direct taxes (i.e. taxes on current income and wealth, capital taxes), indirect taxes (taxes charged on produced or imported goods) and social contributions. There are different concepts of direct and indirect taxes. This report follows the EUROSTAT definition and defines direct taxes as those taxes which are directly related to income and wealth and indirect taxes as those taxes which are related to production or imports. Since this distinction as such is often not sufficient, direct taxes are further subdivided into taxes on personal income and taxes on corporate income and others (non imputable). Indirect taxes are divided into turnover taxes incl. VAT, excise duties, taxes on services and others. Social contributions form a category of their own.

Table B shows a split of taxes according to the government level which ultimately receives the revenues. According to the ESA a distinction is made between central government (ESA Code: S61), non-central government (S62), social insurance (S63) and the EC (S92).

Table C classifies taxes and social contributions according to economic functions of the tax base. Five categories are distinguished: taxes on

- consumption,
- labour employed,
- labour self- and non-employed,
- capital & business,
- transfers (where applicable).

All taxes and social contributions are grouped under one but only one of these headings. In addition there are two "of which" categories: taxes on energy and environmental taxes. Taxes on energy or environmental use are usually also taxes on consumption or taxes on other factors of production.

The assignment along economic instead of fiscal categories is the main novelty in this approach; it allows the subsequent calculation of the relative tax loads on different production factors and on consumption, which are part of the relative factor prices and hence have an impact on factor allocation¹. The 'implicit tax rates ITR' will be calculated to serve as a macroeconomic indicator for the factor tax loads.

Due to the novelty of this latter approach a universal methodology allowing each tax in any country to be uniquely ascribed to these economic categories is still under development and depends to a large extent on the degree of specification and disaggregation of the available raw data.

¹ An early attempt of such a classification of taxes according to economic functions, see also sec. V below, was undertaken in ATW's 1993-94 study for the EU: "More Jobs, Less Pollution", and in ATW's 1997 study for the EU "More Jobs, Less Tax Evasion, Cleaner Environment" , revised and updated in 1999; in its most recent 1999 version the material is on file at <http://www.JARASS.DE>.

This is particularly true for the study undertaken here, because the five accession states Estonia, Poland, Hungary, Czech Republic and Slovenia differ historically greatly from the present EU Member States:

- Their economies have only from 1990 onwards been fully converted to a free market economy, where taxation of individuals plays a dominant rôle.
- In each of the five countries the legal base for the presently prevailing system of taxation, with a structure similar to the systems in the Member States, has only been laid by legislation of the years 1991/2 and been amended several times up to the 1999 status documented in this report.
- Internationally published tax data exist in the OECD tax statistics only for Poland, Czech Republic and Hungary, and only for the years 1991...1993 and after.
- National tax statistics in a format appropriate for this report do exist only for the years after the transition period after 1991. This report contains the most recent updated version of national data as of Dec 1999, obtained from the respective Ministries of Finance, representing definitive figures up to 1998, for Hungary and Slovenia estimates for 1999; for Slovenia budget plans for 2000 have been made available.

Both the "Inventory of Taxes" and the "Tables of Revenues" for each country have been checked and revised, where necessary, by the responsible departments of government in each of the countries. Likewise the information entering into the disaggregation of revenues according to the economic function of the tax base has been scrutinized by the national tax experts, e.g. the split of 'individual income tax' into the share falling to

- employed labour,
- to self-employed labour,
- to individual capital income, gains, wealth
- to other (transfers and unallocable).

All tables and graphs shown in this report have been made completely compatible with those in "*Structures of the Taxation Systems in the European Union*".

I.2. Data Sources and Description of Available Data

In order to win the full cooperation of the national tax authorities in the five countries covered by this study, ATW has sent letters to Their Excellencies, the Ministers of Finance, in the respective countries. The Ministers in each country very promptly nominated the officials responsible for this task.

At this point the authors of the report would like to express their special gratitude to all these officials named in detail here below and to their collaborators

- for the excellent and friendly cooperation,
- for the considerable work load they were willing to take on,
- for the complete and relevant information they made available to ATW-research.

The complete exchange of letters between ATW-research and the ministers and the responsible officials named by the ministers are on file at ATW and can be delivered to the Commission upon request.

The following table I.1 gives basic information for the 5 countries, based on data from the Eurostat data base NewCronos, on data collected from national Central Statistical Offices and Finance Ministries.

| Table I.1. Important Data (1998) for the 5 Countries investigated | | | | | | | |
|--|------------------------------|--------------------------------|----------------|---------------|----------------|-----------------------|-----------------|
| | | | (1) ESTONIA | (2) POLAND | (3) HUNGARY | (4) CZECH REPUBLIC | (5) SLOVENIA |
| (1) General data | | | | | | | |
| (1.1) | Gross Domestic Product (GDP) | [billion of national currency] | 73 | 549 | 11,420 | 1,821 | 3,243 |
| (1.2) | Exchange rate | [national currency / EURO] | 15.8 | 3.9 | 241.0 | 36.2 | 186.3 |
| (1.3) = (1.1)/(1.2) | GDP | [billion EURO] | 4.6 | 140.1 | 47.4 | 50.4 | 17.4 |
| (1.4) | population | [million] | 1.5 | 38.7 | 10.1 | 10.3 | 2.0 |
| (2) Data per GDP | | | | | | | |
| (2.1) = (1.3)/(1.4) | GDP / capita | [EURO / cap] | 3,190.3 | 3,622.8 | 4,671.7 | 4,890.8 | 8,779.6 |
| (2.2) | exports / GDP | [%] | 80 | 20 | 34 | 60 | 57 |
| (2.3) | tax revenues / GDP | [%] | 38 | 36 | 39 | 38 | 40 |

Useful country specific information about national institutions (incl. the respective homepages) which supply economic and financial data is given by the International Monetary Fund at <http://dsbb.imf.org/country.htm> .

I.2.1. Estonia

(1) General Data

The Eurostat data base NewCronos supplies general data incl. national accounts for 1993 to 1998.

Estonia is not a Member State of OECD, therefore OECD does not supply any data for Estonia.

Data on national accounts and exchange rates has been supplied by:

Statistical Office of Estonia (SOE)

Dir. General Rein VEETOUSME

Macroeconomics Division

Endla Street 15

15174 Tallinn

ESTONIA

T. +372 (6) 259211, fax 372 (6) 259370

e-mail: stat@stat.ee

http://www.stat.ee/wwwstat/eng_stat/statistics_fr.html

Publication: Gross Domestic Product of Estonia, semi-annual publication, 2/99, Statistical Office of Estonia.

(2) Tax Data

Aggregated tax data: The Statistical Office of Estonia supplies tables of "Revenue of state budget and local budgets" at http://www.stat.ee/wwwstat/content/I_S_RH_TK/1.html.

Detailed tax data: National tax data are available since 1993. (Independence since 6.9.1991).

His Excellency, the Minister of Finance Siim KALLAS has been informed with a letter dated August 23, 1999 of our task:

His Excellency, the Minister of Finance Siim KALLAS

Ministry of Finance

Suur-Ameerika 1

15006 Tallinn

ESTONIA

T. +372 (6) 113-445, fax +372 (6) 317-810

Email: info@fin.ee, homepage: <http://www.fin.ee/english/contact.html>

His Excellency has kindly given us, letter of August 27, 99, no. 32-1-12/209, the following names as contact persons:

for questions of tax statistics:

Ministry of Finance of the Republic of Estonia

Head of Macroanalysis and Prognosis Department

Mrs. Mai TALVIK

Suur-Ameerika 1

15006 Tallinn

ESTONIA

T. +372 (6) 113-539, fax +372 (6) 317-810, e-mail: maital@fin.ee

for questions of tax legislation:

Ministry of Finance of the Republic of Estonia

Head of Tax Policy Department

Mrs. Lemmi ORO

Suur-Ameerika 1

15006 Tallinn

ESTONIA

T. +372 (6) 113-344, fax +372 (6) 317-810, e-mail: lemmio@fin.ee

Preliminary versions of 'Table of Tax Revenues' (letter and email of September 11, 99 to Mrs. Mai TALVIK) and 'Inventory of Taxes' (letter and email of September 20, 99 to Mrs. Lemmi ORO) have been sent to the national authorities for revision.

With email of October 11, 99 revised 'Inventory of Taxes' has been returned by the Estonian Ministry of Finance. With email of Oct 12, 99, revised 'Table of Tax Revenues' has been returned by the Estonian Ministry of Finance.

With email of October 22 detailed questions with respect to split of individual income tax into taxes on employed labour, on self-employed labour, on individual capital income and on other have been sent to to the national authorities, Mrs. Mai TALVIK. After an intensive exchange of informations the cooperation produced the respective splits (email of Jan 4, 2000 from Mrs. Mai TALVIK).

Therefore the data used in this report completely originates from the national authorities.

I.2.2. Poland

(1) General Data

The Eurostat data base NewCronos supplies general data incl. national accounts for 1990 to 1997.

Poland is Member of OECD and included in most statistical publications. OECD publishes national accounts data for 1990 to 1997; see National Accounts, 1999 edition, OECD.

National accounts and exchange rate data has been supplied by:

Central Statistical Office
Ms. Irmina CERLING
National Accounts and Finance Division
00-916 Warszawa
POLSKA
T. 48 (22) 6083830, fax 48 (22) 6083876
email: I.CERLING@stat.gov.pl
<http://www.stat.gov.pl/english/index.htm>

(2) Tax Data

Aggregated data: OECD publishes tax data for the years since 1991. The latest edition (Revenue Statistics 1965 - 1998, 1999 edition, OECD, Paris, October 1999) gives tax data in the OECD format from 1991 to 1997 and an aggregated estimate for 1998.

Detailed data: National tax data are available for all years since 1991.

His Excellency, the Minister of Finance Leszek BALCEROWIC has been informed with a letter dated August 23, 1999 of our task:

His Excellency, the Deputy Prime Minister and Minister of Finance Leszek BALCEROWIC
Ministerwo Finansów
ul. Swietokrzyska 12
00-916 Warszawa
POLSKA
T. +48 (22) 826-5595, -4383, fax +48 (22) 826-6352
biuro.prasowe@mofnet.gov.pl
<http://www.mofnet.gov.pl/cgi-bin/mfin-eng.plx>

His Excellency has kindly given us, fax of Oct 7, 99, no. PF/DOD/50/99, the following name as contact person:

Ministry of Finance
Department of Financial Policy, Analysis and Statistics
Director Witold SKROK
ul. Swietokrzyska 12
00-916 Warszawa
POLSKA
T. +48/22/826-5107, /694-5232, fax +48/22/694-3630
e-mail: wsk@mofnet.gov.pl
<http://www.mofnet.gov.pl/cgi-bin/mfin-eng.plx>

With letter and email dated Oct 7, 99 preliminary versions of "Table of Tax Revenues" and "Inventory of Taxes" have been sent to Director SKROK for revision.

Prof. JARASS and Prof. OBERMAIR as representatives of ATW-research have visited the Polish Ministry of Finance on Nov 16, 99 and have been received by Mr. SKROK, head of division.

By fax of December 20, 1999 detailed questions with respect to split of individual income tax into taxes on employed labour, on self-employed labour, on individual capital income and on other have been sent to the national authorities, Dir. W. SKROK.

By fax of Dec 22, 1999 Dir. SKROK has sent revised 'Table of Revenues'.

By email of Jan 20, 2000 Dir. SKROK has sent detailed information regarding the split of personal income taxes.

By email of Jan 10 and 24, 2000 Dir. SKROK has sent detailed information for the preparation of "Inventory of Taxes", partly in Polish language.

Economist Beate PAWLOWSKA from Gdansk/Poland, who made an internship at the European Commission till February 2000, provided additional information, translated Polish information into English and collaborated in preparing the 'Inventory of Taxes' for Poland. Using this additional information ATW has prepared a revised version of the preliminary 'Inventory of Taxes' and has sent it for finalisation to Dir. W. SKROK

After an intensive exchange of informations the cooperation between the Polish Finance Ministry, ATW and B. PAWLOWSKA allowed to prepare the final version of 'Inventory of Taxes'.

The revenue data and the split of personal income tax used in this report completely originates from the national authorities; for the 'Inventory of Taxes' the information of the Polish Finance Ministry was the basis for the finalization by ATW.

I.2.3. Hungary

(1) General Data

The Eurostat data base NewCronos supplies general data incl. national accounts for 1991 to 1998.

Hungary is Member of OECD and included in most statistical publications; OECD publishes national accounts data for 1990 to 1997: National Accounts, 1999 edition, OECD.

National accounts and exchange rate data has been supplied by Hungarian Finance Ministry and:

Hungarian Central Statistical Office (HCSO)

Head of Department of National Accounts

Dr. Pál POSZONYI

Keleti Károly u. 5-7

H-1024 Budapest

HUNGARY

T. +36 (1) 345-6170

fax +36 (1) 345-6376

<http://www.ksh.hu/eng/index.html>

(2) Tax Data

Aggregated data: OECD publishes tax data for the years since 1991. The latest edition (Revenue Statistics 1965 - 1998, 1999 edition, OECD, Paris, October 1999) gives tax data in the OECD format from 1991 to 1997 and an aggregated estimate for 1998.

Detailed data: National tax data are available for all years since 1991.

First information was given by:

Ministry of Finance

Secretariat of European Integration

Director Ms. Zsuzsa BESZTERI

Jozsef Nador ter 2-4

H - 1051 Budapest

HUNGARY

T. +36 (1) 327-5944 fax +36 (1) 327-2785

e-mail: zsuzsa.beszteri@pm.gov.hu

His Excellency, the Minister of Finance Zsigmond JÁRAI has been informed with a letter dated August 23, 1999 of our task:

His Excellency, the Minister of Finance Zsigmond JÁRAI

Ministry of Finance

József Nádor tér 2-4

H - 1051 Budapest

HUNGARY

T. +36 (1) 327-2111, +36 (1) 318-6751, fax +36 (1) 318-0738

Email: zsigmond.jarai@p-m.x400gw.itb.hu

<http://www.meh.hu>

His Excellency, the Deputy Secretary of State Dr. László KÉKESI responded with letter of September 16, 99, no. 9419/99.

His Excellency, the Deputy Secretary of State Dr. László KÉKESI

Ministry of Finance

József Nádor tér 2-4

H - 1051 Budapest

HUNGARY

T. +36 (1) 118-2066, fax +36 (1) 118-2570

In his letter he gave us the following name as contact person:

Ministry of Finance
Head of the Department of Income Taxes
Dr. István JUHÁSZ
Jozsef Nador ter 2-4
H - 1051 Budapest
HUNGARY
T. +36 (1) 327-5916, fax +36 (1) 327-2516
e-mail: Istvan.Juhasz@pm.gov.hu
<http://www.meh.hu>

Ministry of Finance
Department of Income Taxes
Peter ZOLYOMI
Jozsef Nador ter 2-4
H - 1051 Budapest
HUNGARY
T. +36 (1) 327-2719, fax +36 (1) 327-2469
email: zolyomi@pm.gov.hu

By letter and email dated September 30, 99 preliminary versions of "Inventory of Taxes" and of "Table of Tax Revenues" have been sent to him für revision.

Prof. JARASS as representative of ATW-research has visited the Hungarian Ministry of Finance on Dec 13, 99 and has been received by Mr. P. ZOLYOMI.

By email of Dec 21, 1999 revised 'Inventory of Taxes' and revised 'Table of Revenues' have been delivered, by email of Dec 27, 1999 splits for individual income taxes.

Therefore the data used in this report completely originates from the national authorities.

I.2.4. Czech Republic

(1) General Data

The Eurostat data base NewCronos supplies general data incl. national accounts for 1992 to 1998.

Czech Republic is Member of OECD and included in most statistical publications; OECD publishes national accounts data for 1990 to 1997: National Accounts, 1999 edition, OECD.

All national accounts data has been supplied by the Czech Finance Ministry.

If necessary additional data can be supplied by:

Czech Statistical Office (CSO)
Sokolovska 142
Praha
CZECH REPUBLIC
T. +420 (2) 6845406, fax 420 (2) 6846149
<http://www.czso.cz/eng/angl.htm>

(2) Tax Data

Aggregated data: OECD publishes tax data for the years since 1993. The latest edition (Revenue Statistics 1965 - 1998, 1999 edition, OECD, Paris, October 1999) gives tax data in the OECD format from 1993 to 1997 and an aggregated estimate for 1998. Note: For the years before the separation from Slovakia (1.1.93) OECD splits the Czechoslovakian data according to the two regions.

Detailed data: National tax data are available for all years since 1993.

His Excellency, the Minister of Finance Pavel MERPLIK has been informed with a letter dated August 23, 1999 of our task:

His Excellency, the Deputy Prime Minister and Minister of Finance Pavel MERTLÍK
Ministry of Finance
Letenská 15
118 00 Praha 1
CZECH REPUBLIC
T. +420 (2) 5704-2100, fax +420 (2) 5704-3114
<http://www.mfcr.cz/scripts/hpe/default.asp>

His Excellency has kindly given us, letter of August 31, 99, no. 253/66317/1999, the following names as contact persons:

Ministry of Finance
Tax Revenue Departement Director
Vaclav GRAMMETBAUER
Odbor 25 - danovych prijmu
Mr. Antonin HARAPAT
Mr. Martin JAREŠ
Letenska 15
118 10 Praha 1
CZECH REPUBLIC
T. +420 (2) 5704-3013 (HARAPAT), -3068 (JAREŠ), fax +420 (2) 5704-2788
e-mail: Antonin.Harapat@mfcz.cz, e-mail: Martin.Jares@mfcz.cz
<http://www.mfcr.cz/scripts/hpe/default.asp>

With letter and email dated September 22, 99 preliminary versions of "Table of Tax Revenues" and "Inventory of Taxes" have been sent to these national authorities für revision.

With email of September 30, 99 revised "Table of Tax Revenues" have been returned by the Czech Ministry of Finance.

With email of Oct 15, 99, revised "Inventory of Taxes" have been returned by the Czech Ministry of Finance.

With email of Oct 25, 99, additional revision of "Inventory of Taxes" incl. major changes in the foreseeable future and reclassifications of certain taxes have been supplied by the Czech Ministry of Finance.

A completely revised version incl. further details for environmental taxes, c.f. CZ°3.3.6 and CZ°3.7. have been sent by the Czech Ministry of Finance with email of Nov. 1, 99.

By email of Nov 12, 1999 a detailed split of personal income tax has been delivered.

Therefore the data used in this report completely originates from the national authorities.

I.2.5. Slovenia

(1) General Data

The Eurostat data base NewCronos supplies general data incl. national accounts for 1990 to 1998.

Slovenia is not a Member State of OECD, therefore OECD does not supply any data for Slovenia.

All national accounts data has been supplied by the Czech Finance Ministry.

Data on GDP are available also on Statistics Office website

<http://www.sigov.si/zrs/slo/index.html> and published in the Statistical Yearbook.

Data on exchange rates (averages, end of period, daily) are available also on the Bank of Slovenia website http://www.bsi.si/html/eng/publications/bulletins/bil_1999_11cel.pdf on page 48 in its Monthly bulletin.

Statistical Office of the Republic of Slovenia (SORS)

Vozarski pot 12

1000 Ljubljana

SLOVENIA

T. +386 (61) 1255322, fax 386 (61) 216932

<http://www.gov.si/zrs/eng/index.html>

http://www.sigov.si/mf/angl/tekgib/a_bilvl.htm

Overview of Slovenian government at <http://www.uvi.si/vlada/eng/index.html>

(2) Tax Data

Aggregated tax data: The Statistical Office of Slovenia supplied "Revenue of state budget and local budgets" at http://www.sigov.si/mf/angl/tekgib/a_bilvl.htm .

Detailed tax data: National tax data are available since 1992 (91?).

His Excellency, the Minister of Finance Mitja GASPARI has been informed with a letter dated August 23, 1999 of our task:

His Excellency, the Minister of Finance Mitja GASPARI

Ministry of Finance of the Republic of Slovenia

Županciceva 3

1502 Ljubljana

SLOVENIA

T. +386 (61) 178-5248, fax +386 (61) 178-5655

<http://www.sigov.si/mf/angl/apredmf1.html>

His Excellency, the State Secretary Milojka KOLAR responded with letter of September 1, 99, no. 1672/99:

His Excellency, the State Secretary Milojka KOLAR

Ministry of Finance of the Republic of Slovenia

Županciceva 3

1502 Ljubljana

SLOVENIA

In his letter he gave us the following names as contact persons:

Ministry of Finance of the Republic of Slovenia

Division for Tax and Financial Structure Analysis

Mrs. Alenka JERKIC and Mr. Stane VENCELJ

Županciceva 3

1502 Ljubljana
SLOVENIA
T. +386 (61) 178-6134 (Jerkic), -5234 (Vencely), fax +386 (61) 125-1190
e-mail Alenka.JERKIC@mf-rs.si, Stane.VENCELJ@mf-rs.si
<http://www.sigov.si/mf/angl/apredmf1.html>

Preliminary versions of 'Table of Tax Revenues' (letter and email of September 15, 99) and 'Inventory of Taxes' (letter and email of September 20, 99) have been sent to the national authorities für revision.

Mrs. Marija FERLEŽ
State Undersecretary
Ministry of Finance of the Republic of Slovenia
Department for Taxes and Customs
Županciceva 3
1502 Ljubljana
SLOVENIA
T. +386 (61) 178-5214, fax +386 (61) 178-5721
e-mail Marija.FERLEZ@mf-rs.si

A preliminary version of 'Tables of Revenues' has been sent by letter and email of September 15, 99 to the Finance Ministry für revision.

Prof. OBERMAIR as representative of ATW-research has visited the Slovenian Ministry of Finance on Dec 17, 99 and has been received with respect to tax revenues by Ms. Alenka JERKIC, Division for Tax and Financial Structure Analysis. Ms. JERKIC supplied the final revised versions of 'Table of Revenues' incl. local taxes.

He has been received by Ms. Marija FERLEŽ, State Undersecretary, Ministry of Finance of the Republic of Slovenia, Department for Taxes and Customs. A print-out of the nearly finished revised 'Inventory of Taxes' for Slovenia was the basis for conversation.

By email of January 20, 2000 Ms. JERKIC has sent a detailed split of personal income tax.

State Undersecretary Ms. FERLEŽ has sent the completed 'Inventory of Taxes' to ATW by email of February 1, 2000.

Therefore the data used in this report completely originates from the national authorities.

II. INVENTORY OF TAXES - DESCRIPTION OF ALL IDENTIFIED TAXES

“*Inventory of Taxes Levied in the European Union*” is published and updated regularly by the European Commission; most recently the updated version for Finland has been prepared in 1999.

This series of publications serves as the model for the description of all taxes in the accession states Estonia, Poland, Hungary, the Czech Republic and Slovenia.

The sequence of taxes in the inventories follows the ESA-classification in the four main categories:

- (1) Current taxes on income and wealth
- (2) Non-current taxes on income and wealth (‘Capital taxes’)
- (3) Taxes linked to production and imports
- (4) Actual social contributions

Following the ESA classification, category (3) Taxes linked to production and imports, is further disaggregated into

- (3.1) VAT and general turn-over taxes
- (3.2) Import duties and agricultural levies
- (3.3) Excise duties
- (3.4) Taxes on services
- (3.5) Taxes on ownership of land and buildings
- (3.6) Stamp, registration and similar duties
- (3.7) Other taxes linked to production and imports

(4) Actual social contributions

is split up into

- (4.1) Employers’ social contributions
- (4.2) Employees’ social contributions
- (4.3) By self-employed and non-employed persons

Thus, e.g. for Estonia, the taxes are listed in the following sequence:

- EST 1.1., EST 1.2. etc lists all current taxes on income and wealth (individual income tax, corporate income tax...) for Estonia, likewise PO 1.1. etc. for Poland.
- EST 2.1., EST 2.2 etc. lists capital taxes (inheritance and gift tax).
- EST 3.1.1., EST 3.1.2. lists VAT and general turnover taxes.
- EST 3.2.1., 3.2.2. etc. lists import duties and agricultural levies.
- EST 3.3.1., EST 3.3.2. etc. lists the various excise duties.
- EST 3.4.1., EST 3.4.2. etc. lists the taxes on services.
- EST 3.5.1., EST 3.5.2. etc. lists taxes on ownership of land and buildings
- EST 3.6.1, etc. lists stamp, registration and similar duties
- EST 3.7.1. etc. lists other taxes linked to production and imports.

Finally:

- EST 4.1.1., EST 4.1.2. etc. lists employers’ social contributions

- EST 4.2.1., EST 4.2.2. etc. the social contributions of employees.
- EST 4.3.1., EST 4.3.2. etc. the social contributions of self-employed and non employed persons.

Within the description of each tax the individual features are described in the following standard order (as far as a category is not empty):

- legal base (Law Nr.... of 199..);
- beneficiary (central, regional, or local government, social security funds);
- tax payable by:
- basis of assessment;
- exemptions;
- deductions;
- special features;
- collection;
- rates.

Furthermore, as suggested in a meeting of the contractors with DG XXI in Brussels on Dec 6, 99, the time evolution of the tax system in the countries covered is displayed in the following way:

- The 'Inventory of Taxes' lists all taxes in force as of 1999.
- A list of decided and of planned changes from 2000 onwards.
- A list of taxes that have been abolished before 1999.

The 'Inventory of Taxes' for each of the five countries investigated is given in the Annex of this report:

- A.1. Estonia,
- A.2. Poland,
- A.3. Hungary,
- A.4. Czech Republic,
- A.5. Slovenia.

II. INVENTORY OF TAXES - DESCRIPTION OF ALL IDENTIFIED TAXES

“*Inventory of Taxes Levied in the European Union*” is published and updated regularly by the European Commission; most recently the updated version for Finland has been prepared in 1999.

This series of publications serves as the model for the description of all taxes in the accession states Estonia, Poland, Hungary, the Czech Republic and Slovenia.

The sequence of taxes in the inventories follows the ESA-classification in the four main categories:

- (1) Current taxes on income and wealth
- (2) Non-current taxes on income and wealth (‘Capital taxes’)
- (3) Taxes linked to production and imports
- (4) Actual social contributions

Following the ESA classification, category (3) Taxes linked to production and imports, is further disaggregated into

- (3.1) VAT and general turn-over taxes
- (3.2) Import duties and agricultural levies
- (3.3) Excise duties
- (3.4) Taxes on services
- (3.5) Taxes on ownership of land and buildings
- (3.6) Stamp, registration and similar duties
- (3.7) Other taxes linked to production and imports

(4) Actual social contributions

is split up into

- (4.1) Employers’ social contributions
- (4.2) Employees’ social contributions
- (4.3) By self-employed and non-employed persons

Thus, e.g. for Estonia, the taxes are listed in the following sequence:

- EST 1.1., EST 1.2. etc lists all current taxes on income and wealth (individual income tax, corporate income tax...) for Estonia, likewise PO 1.1. etc. for Poland.
- EST 2.1., EST 2.2 etc. lists capital taxes (inheritance and gift tax).
- EST 3.1.1., EST 3.1.2. lists VAT and general turnover taxes.
- EST 3.2.1., 3.2.2. etc. lists import duties and agricultural levies.
- EST 3.3.1., EST 3.3.2. etc. lists the various excise duties.
- EST 3.4.1., EST 3.4.2. etc. lists the taxes on services.
- EST 3.5.1., EST 3.5.2. etc. lists taxes on ownership of land and buildings
- EST 3.6.1, etc. lists stamp, registration and similar duties
- EST 3.7.1. etc. lists other taxes linked to production and imports.

Finally:

- EST 4.1.1., EST 4.1.2. etc. lists employers’ social contributions

- EST 4.2.1., EST 4.2.2. etc. the social contributions of employees.
- EST 4.3.1., EST 4.3.2. etc. the social contributions of self-employed and non employed persons.

Within the description of each tax the individual features are described in the following standard order (as far as a category is not empty):

- legal base (Law Nr.... of 199..);
- beneficiary (central, regional, or local government, social security funds);
- tax payable by:
- basis of assessment;
- exemptions;
- deductions;
- special features;
- collection;
- rates.

Furthermore, as suggested in a meeting of the contractors with DG XXI in Brussels on Dec 6, 99, the time evolution of the tax system in the countries covered is displayed in the following way:

- The 'Inventory of Taxes' lists all taxes in force as of 1999.
- A list of decided and of planned changes from 2000 onwards.
- A list of taxes that have been abolished before 1999.

The 'Inventory of Taxes' for each of the five countries investigated is given in the Annex of this report:

- A.1. Estonia,
- A.2. Poland,
- A.3. Hungary,
- A.4. Czech Republic,
- A.5. Slovenia.

III. TAX REVENUES

This section is devoted to the 'Tables of Tax Revenues', classified according to the standard 'European System of Accounts' (ESA).

All taxes, duties, fees and contributions that are levied as unrequited payments to general government and hence contained in the 'Inventory of Taxes' (see sec. II and Annex) for the respective countries are assigned to one of the four aforementioned categories and to the appropriate subcategory:

- (1) Current taxes on income and wealth
- (2) Capital taxes
- (3) Taxes linked to production and imports
 - (3.1) VAT and general turn-over taxes
 - (3.2) Import duties and agricultural levies
 - (3.3) Excise duties
 - (3.4) Taxes on services
 - (3.5) Taxes on ownership of land and buildings
 - (3.6) Stamp, registration and similar duties
 - (3.7) Other taxes linked to production and imports
- (4) Actual social contributions
 - (4.1) by employers'
 - (4.2) by employees'
 - (4.3) by self-employed and non-employed persons

A preliminary assignment of each tax has been made by ATW-research on the basis of national tax statistics, IBFD (International Bureau of Fiscal Documentation) and OECD data. This assignment and the individual figures for all taxes and all years have been revised by the Ministries of Finance.

The assignment in this final report is hence authorized by the national tax authorities.

The report displays

- tables of revenues paid to general government;
- tables of revenues paid to non-central government; in three of our countries: Poland, Hungary and Czech Republic this category comprises both municipal and regional governments.

These tables and, in addition, the tables of revenues paid to central government for social security contributions are shown in the respective EXCEL sheets, files S60S92, S61, S62 and S63.

III.1. Estonia

| Table III.1.1. Revenues - ESTONIA, General Government | | | | | | | | | |
|--|---|------|------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| INPUT | ESTONIA | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| | S60 Total Taxation | | | 8,125.4 | 11,720.7 | 15,828.6 | 19,765.5 | 24,735.6 | 27,500.3 |
| | S92 Total Taxation | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| million EEK | | | | | | | | | |
| Taxes | General Government (S 60) | | | | | | | | |
| 0. | Taxes and social contributions | | | 8,125.4 | 11,720.7 | 15,828.6 | 19,765.5 | 24,735.6 | 27,500.3 |
| 0.1. | Total tax receipts | | | 5,521.1 | 7,844.4 | 10,700.4 | 13,370.0 | 16,799.7 | 18,646.9 |
| 1. | Current taxes on income and wealth - total | | | 2,869.5 | 3,426.6 | 4,642.8 | 5,244.7 | 6,468.4 | 8,153.2 |
| 1.1. | personal income tax | | | 1,832.3 | 2,388.2 | 3,593.1 | 4,353.7 | 5,240.0 | 6239.1 |
| 1.2. | corporate income tax | | | 1,037.2 | 1,038.4 | 1,049.7 | 891.0 | 1,228.4 | 1914.1 |
| 2. | Non-current taxes on income and wealth (' capital taxes') - total | | | | | | | | |
| 3. | Taxes linked to production and imports - total | | | 2,651.6 | 4,417.8 | 6,057.6 | 8,125.3 | 10,331.3 | 10,493.7 |
| 3.1. | VAT and general turnover taxes - total | | | 1,993.6 | 3,309.0 | 4,112.5 | 5,266.5 | 6,686.2 | 6,413.4 |
| 3.1.1. | VAT on domestic goods | | | 627.8 | -13.8 | 125.0 | 168.8 | -664.7 | -1,642.2 |
| 3.1.2. | VAT on imported goods | | | 1,365.8 | 3,322.8 | 3,987.5 | 5,097.7 | 7,350.9 | 8,055.6 |
| 3.2. | Import duties and agricultural levies - total | | | 38.5 | 35.7 | 7.9 | 0.5 | 0.7 | 0.1 |
| 3.2.1. | customs duty | | | 38.5 | 35.7 | 7.9 | 0.5 | 0.7 | 0.1 |
| 3.3. | Excise duties - total | | | 401.50 | 610.00 | 1,136.90 | 1,734.80 | 2,401.00 | 2,789.80 |
| 3.3.1. | excise on alcohol | | | 335.6 | 375.5 | 635.5 | 752.5 | 918.3 | 935.2 |
| 3.3.2. | excise on tobacco | | | 21.3 | 31.3 | 170.6 | 350.0 | 501.5 | 537.4 |
| 3.3.3. | excise on fur | | | 1.2 | 0.7 | 0.5 | 0.0 | 0.0 | 0.0 |
| 3.3.4. | excise on motor fuel | | | 44.6 | 203.2 | 253.6 | 525.9 | 872.5 | 1,221.90 |
| 3.3.5. | excise on motor vehicle | | | 0.0 | 0.0 | 77.2 | 106.4 | 100.8 | 91.1 |
| 3.3.6. | excise on package | | | 0.0 | 0.0 | 0.0 | 0.0 | 7.9 | 4.2 |
| 3.4. | Taxes on services - total | | | 38.5 | 26.6 | 46.2 | 85.4 | 96.3 | 101.3 |
| 3.4.1. | gambling tax | | | 38.5 | 26.6 | 46.2 | 85.4 | 96.3 | 101.3 |
| 3.5. | Taxes on ownership of land and buildings - total | | | 51.8 | 130.4 | 159.6 | 276.4 | 336.6 | 394.3 |
| 3.5.1. | land tax | | | 27.6 | 123.9 | 148.9 | 242.3 | 296.3 | 326.8 |
| 3.5.2. | natural resource tax | | | 16.8 | 0.0 | 10.3 | 33.6 | 39.4 | 66.9 |
| 3.5.3. | forestry tax | | | 7.4 | 6.5 | 0.4 | 0.5 | 0.9 | 0.6 |
| 3.6. | Stamp, registration and similar duties - total | | | 77.8 | 144.4 | 261.6 | 291.4 | 319.4 | 351.0 |
| 3.6.1. | State duty | | | 77.8 | 144.4 | 261.6 | 291.4 | 319.4 | 350.97 |
| 3.7. | Other taxes linked to production and imports - total | | | 49.9 | 161.7 | 332.9 | 470.3 | 491.1 | 443.9 |
| 3.7.1. | local taxes | | | 2.8 | 6.0 | 6.4 | 49.9 | 48.0 | 58.4 |
| 3.7.2. | finances | | | 15.9 | 37.4 | 65.1 | 87.6 | 91.7 | 108.1 |
| 3.7.3. | pollution fee | | | 19.4 | 20.6 | 35.3 | 40.9 | 58.8 | 77 |
| 3.7.4. | revenue from exploitation of air-space and aquatory | | | 11.8 | 97.7 | 226.1 | 291.9 | 292.6 | 200.35 |
| 4. | Actual social contributions | | | 2,604.3 | 3,876.3 | 5,128.2 | 6,395.5 | 7,935.9 | 8853.4 |
| 4.1. | Employers' actual social contributions | | | 2,563.0 | 3,814.8 | 5,046.8 | 6,294.0 | 7,809.9 | 8,712.9 |
| 4.2. | Employees' actual social contributions | | | | | | | | |
| 4.3. | Social contributions by self-employed and non-employed persons | | | 41.3 | 61.5 | 81.4 | 101.5 | 126.0 | 140.5 |

| Table III.1.2. Revenues - ESTONIA, <u>Non-central</u> Government | | | | | | | | | |
|---|---|------|------|----------------|----------------|----------------|----------------|----------------|----------------|
| INPUT | ESTONIA | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| | S62 Non-central Government | | | 1,944.7 | 1,332.0 | 2,021.8 | 2,743.4 | 3,330.2 | 3,906.1 |
| million EEK | | | | | | | | | |
| Taxes | Local Government (S 62) | | | | | | | | |
| 0. | Taxes and social contributions | | | 1,944.7 | 1,332.0 | 2,021.8 | 2,743.4 | 3,330.2 | 3,906.1 |
| 0.1. | Total tax receipts | | | 1,944.7 | 1,332.0 | 2,021.8 | 2,743.4 | 3,330.2 | 3,906.1 |
| 1. | Current taxes on income and wealth - total | | | 1,837.1 | 1,197.8 | 1,871.4 | 2,404.2 | 2,924.4 | 3,477.5 |
| 1.1. | personal income tax | | | 1,832.3 | 1,197.8 | 1,871.4 | 2,404.2 | 2,924.4 | 3,477.5 |
| 1.2. | corporate income tax | | | 4.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2. | Non-current taxes on income and wealth ('capital taxes') - total | | | | | | | | |
| 3. | Taxes linked to production and imports - total | | | 107.6 | 134.2 | 150.4 | 339.2 | 405.8 | 428.6 |
| 3.1. | VAT and general turnover taxes - total | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.1.1. | VAT on domestic goods | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.1.2. | VAT on imported goods | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.2. | Import duties and agricultural levies - total | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.2.1. | customs duty | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3. | Excise duties - total | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.1. | excise on alcohol | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.2. | excise on tobacco | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.3. | excise on fur | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.4. | excise on motor fuel | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.5. | excise on motor vehicle | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.6. | excise on package | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.4. | Taxes on services - total | | | 0.0 | 0.0 | 0.0 | 2.0 | 3.8 | 4.0 |
| 3.4.1. | gambling tax | | | 0.0 | 0.0 | 0.0 | 2.0 | 3.8 | 4.0 |
| 3.5. | Taxes on ownership of land and buildings - total | | | 41.0 | 100.8 | 115.2 | 245.1 | 310.6 | 364.2 |
| 3.5.1. | land tax | | | 16.8 | 94.3 | 104.5 | 211.0 | 270.3 | 296.7 |
| 3.5.2. | natural resource tax | | | 16.8 | 0.0 | 10.3 | 33.6 | 39.4 | 66.9 |
| 3.5.3. | forestry tax | | | 7.4 | 6.5 | 0.4 | 0.5 | 0.9 | 0.6 |
| 3.6. | Stamp, registration and similar duties - total | | | 63.8 | 13.2 | 1.6 | 1.1 | 0.9 | 0.8 |
| 3.6.1. | State duty | | | 63.8 | 13.2 | 1.6 | 1.1 | 0.9 | 0.8 |
| 3.7. | Other taxes linked to production and imports - total | | | 2.8 | 20.2 | 33.6 | 91.0 | 90.5 | 59.6 |
| 3.7.1. | local taxes | | | 2.8 | 6.0 | 6.4 | 49.9 | 48.0 | 58.4 |
| 3.7.2. | finances | | | 0.0 | 14.2 | 27.2 | 41.1 | 42.5 | 1.2 |
| 3.7.3. | pollution fee | | | | | | | | |
| 3.7.4. | revenue from exploitation of air-space and aquatory | | | | | | | | |
| 4. | Actual social contributions | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.1. | Employers' actual social contributions | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.2. | Employees' actual social contributions | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.3. | Social contributions by self-employed and non-employed persons | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

III.2. Poland

| Table III.2.1. Revenues - POLAND, General Government | | | | | | | | | |
|---|---|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| INPUT | POLAND | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| | S60 Total Taxation | 30.1 | 43.9 | 66.1 | 91.0 | 122.0 | 152.6 | 183.1 | 208.0 |
| | S92 Total Taxation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| billions of PLN | | | | | | | | | |
| Taxes | General Government (S 60) | | | | | | | | |
| 0. | Taxes and social contributions | 30.1 | 43.9 | 66.1 | 91.0 | 122.0 | 152.6 | 183.1 | 208.0 |
| 0.1. | Total tax receipts | 20.6 | 30.9 | 46.8 | 64.1 | 84.9 | 105.0 | 124.2 | 140.9 |
| 1. | Current taxes on income and wealth - total | 6.2 | 14.0 | 21.0 | 27.9 | 37.3 | 45.0 | 53.4 | 61.5 |
| 1.1. | individual income tax | 0.2 | 8.8 | 14.3 | 20.7 | 28.0 | 33.6 | 39.3 | 45.8 |
| 1.1.1. | individual income tax (Fn1) | 0.0 | 7.2 | 12.0 | 17.4 | 23.6 | 26.3 | 30.1 | 34.8 |
| 1.1.2. | individual income tax - local (Fn1) | 0.0 | 1.3 | 2.1 | 3.1 | 4.1 | 7.0 | 8.9 | 10.6 |
| 1.1.3. | presumptive income tax - local | 0.1 | 0.2 | 0.3 | 0.2 | 0.3 | 0.4 | 0.4 | 0.4 |
| 1.1.4. | income equalization tax (Fn1) | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1.1.5. | income equalization tax - local (Fn1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1.2. | corporation tax | 5.9 | 5.3 | 6.6 | 7.2 | 9.3 | 11.4 | 14.0 | 15.7 |
| 1.2.1. | income from legal entities | 5.4 | 5.1 | 6.3 | 6.9 | 8.9 | 10.8 | 13.3 | 14.9 |
| 1.2.2. | income from legal entities - local | 0.6 | 0.2 | 0.3 | 0.4 | 0.5 | 0.6 | 0.7 | 0.8 |
| 2. | Non-current taxes on income and wealth (capital taxes) - total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| 2.1. | inheritance and gift tax - local | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| 3. | Taxes linked to production and imports - total | 14.5 | 16.8 | 25.8 | 36.1 | 47.5 | 59.9 | 70.7 | 79.3 |
| 3.1. | VAT and general turnover taxes - total | 6.1 | 10.3 | 14.6 | 15.2 | 20.8 | 28.2 | 37.2 | 43.2 |
| 3.1.1. | VAT on goods and services (Fn2) | 0.0 | 0.0 | 5.1 | 6.5 | 8.8 | 10.8 | 12.5 | 14.5 |
| 3.1.2. | VAT on imported goods (Fn3) | 0.0 | 0.0 | 0.0 | 8.6 | 12.0 | 17.5 | 24.7 | 28.7 |
| 3.1.3. | previous turn over tax | 6.1 | 10.3 | 9.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.2. | Import duties and agricultural levies - total | 1.7 | 2.7 | 4.4 | 7.5 | 9.1 | 9.4 | 7.0 | 6.1 |
| 3.2.1. | customs duties | 1.7 | 2.7 | 4.4 | 4.9 | 5.8 | 6.5 | 7.0 | 6.1 |
| 3.2.2. | import tax (Fn6) | 0.0 | 0.0 | 0.0 | 2.6 | 3.3 | 2.9 | 0.0 | 0.0 |
| 3.2.3. | compensatory fees on agricultural imports | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3. | Excise duties - total | 0.0 | 0.0 | 3.1 | 9.0 | 12.1 | 15.5 | 17.8 | 21.2 |
| 3.3.1. | on domestic spirits | 0.0 | 0.0 | 1.1 | 3.1 | 4.1 | 4.5 | 4.6 | 4.7 |
| | on imported spirits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| 3.3.2. | on domestic fuels | 0.0 | 0.0 | 0.9 | 2.5 | 3.0 | 4.0 | 4.6 | 6.6 |
| | on imported fuels | 0.0 | 0.0 | 0.1 | 0.8 | 1.0 | 1.6 | 1.9 | 2.2 |
| 3.3.3. | on domestic tobacco | 0.0 | 0.0 | 0.5 | 1.5 | 2.7 | 3.8 | 4.5 | 5.2 |
| | on imported tobacco | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.4. | on domestic beer | 0.0 | 0.0 | 0.2 | 0.6 | 0.8 | 0.9 | 1.2 | 1.3 |
| | on imported beer | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.5. | on domestic wine | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | 0.3 | 0.3 | 0.4 |
| | on imported wine | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| 3.3.6. | on domestic other products | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.3 | 0.3 |
| | on imported other products | 0.0 | 0.0 | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 | 0.3 |
| 3.4. | Taxes on services - total | 0.0 | 0.0 | 0.1 | 0.2 | 0.2 | 0.3 | 0.4 | 0.5 |
| 3.4.1. | gambling tax | 0.0 | 0.0 | 0.1 | 0.2 | 0.2 | 0.3 | 0.4 | 0.5 |
| 3.5. | Taxes on ownership of land and buildings - total | 1.0 | 1.2 | 1.8 | 2.4 | 3.4 | 4.3 | 5.3 | 6.1 |

| | | | | | | | | | |
|-------------|---|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 3.5.1. | agricultural property tax - local (Fn4) | 0.2 | 0.2 | 0.4 | 0.4 | 0.5 | 0.7 | 0.8 | 0.8 |
| 3.5.2. | forest property tax - local | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| 3.5.3. | real estate property tax - local | 0.8 | 1.1 | 1.4 | 2.0 | 2.8 | 3.5 | 4.4 | 5.2 |
| 3.6. | Stamp, registration and similar duties - total | 0.1 | 0.2 | 0.3 | 0.4 | 0.6 | 0.8 | 1.1 | 0.3 |
| 3.6.1. | tax on means of transportation - local | 0.1 | 0.2 | 0.3 | 0.4 | 0.6 | 0.8 | 1.1 | 0.3 |
| 3.7. | Other taxes linked to production and imports - total | 5.6 | 2.3 | 1.5 | 1.4 | 1.3 | 1.3 | 1.9 | 1.9 |
| 3.7.1. | local fees | 0.0 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 |
| 3.7.2. | abolished taxes | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.2 | 0.2 | 0.0 |
| 3.7.3. | abolished taxes - local | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.7.4. | tax on wages (Fn1) | 1.6 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.7.5. | tax on wages - local (Fn1) | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.7.6. | tax on salaries (Fn1) | 0.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.7.7. | tax on salaries - local (Fn1) | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.7.8. | rehabilitation fund contribution | 0.0 | 0.3 | 0.4 | 0.6 | 0.7 | 0.8 | 1.3 | 1.5 |
| 3.7.9. | employment fund contribution | 0.0 | 0.0 | 0.0 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| 3.7.10. | penalties for excessive pay roll increases | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| 3.7.11. | excessive wage tax | 2.7 | 1.7 | 1.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4. | Actual social contributions | 9.5 | 13.0 | 19.3 | 26.9 | 37.2 | 47.6 | 58.9 | 67.1 |
| 4.1. | Employers' actual social contributions | 3.4 | 4.7 | 6.9 | 9.7 | 13.4 | 17.1 | 21.2 | 24.2 |
| 4.1.1. | to soc. insur. fund, labour fund and farmers ins.fund | 3.4 | 4.7 | 6.9 | 9.7 | 13.4 | 17.1 | 21.2 | 24.2 |
| 4.2. | Employees' actual social contributions | 3.5 | 4.8 | 7.1 | 10.0 | 13.7 | 17.6 | 21.8 | 24.8 |
| 4.2.1. | to soc. insur. fund, labour fund and farmers ins.fund | 3.5 | 4.8 | 7.1 | 10.0 | 13.7 | 17.6 | 21.8 | 24.8 |
| 4.3. | Soc. contr. by self- and non-employed | 2.6 | 3.5 | 5.2 | 7.3 | 10.0 | 12.9 | 15.9 | 18.1 |
| 4.3.1. | to soc. insur. fund, labour fund and farmers ins.fund | 2.6 | 3.5 | 5.2 | 7.3 | 10.0 | 12.9 | 15.9 | 18.1 |
| 5.1. | Tax on motor vehicles - total | 0.1 | 0.2 | 0.3 | 0.4 | 0.6 | 0.8 | 1.1 | 0.3 |

Note: The Polish authorities could not supply data for disaggregation of line 4. Actual social contributions into lines 4.1, 4.2 and 4.3. To produce a first estimate for the orders of magnitude of the respective fractions of contributions the following split has been applied:

- Employers' and employees' social contributions on the one side and social contributions by self-employed and non-employed persons on the other side have been split according to the '98 fraction of individual income tax: 0.58 and 0.21, see table V.2, line 1.1.1. This results in shares of 73 % and 27 % respectively.
- Employers' social contributions on the one side and employees' social contributions on the other side have been split according to the social contribution rates for '98 of 18.29 % of gross wage to be paid by employers and 18.71 % to be paid by employees, see sec. III.2. Inventory of Taxes of Poland. This results in shares of $18.29 \% / (18.29 + 18.71) \% * 73 \% = 36 \%$ (employers) and 37 % (employees).

Result of first estimate :

4.1 employers' contributions: 36 %; 4.2 employees' contributions 37 %; 4.3 contributions by self-employed and non-employed: 27 %.

| Table III.2.2. Revenues - POLAND, Non-central Government | | | | | | | | | |
|---|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| INPUT | POLAND | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| | S62 Total Taxation | 2.7 | 3.2 | 5.0 | 6.7 | 9.1 | 13.3 | 16.8 | 18.6 |
| billions of PLN | | | | | | | | | |
| Taxes | Non-central Government (S 62) | | | | | | | | |
| 0. | Taxes and social contributions | 2.7 | 3.2 | 5.0 | 6.7 | 9.1 | 13.3 | 16.8 | 18.6 |
| 0.1. | Total tax receipts | 2.7 | 3.2 | 5.0 | 6.7 | 9.1 | 13.3 | 16.8 | 18.6 |
| 1. | Current taxes on income and wealth - total | 0.8 | 1.6 | 2.7 | 3.7 | 4.9 | 7.9 | 10.0 | 11.8 |
| 1.1. | individual income tax | 0.2 | 1.5 | 2.4 | 3.3 | 4.4 | 7.4 | 9.3 | 11.0 |
| 1.1.1. | individual income tax (Fn1) | | | | | | | | |
| 1.1.2. | individual income tax - local (Fn1) | 0.0 | 1.3 | 2.1 | 3.1 | 4.1 | 7.0 | 8.9 | 10.6 |
| 1.1.3. | presumptive income tax - local | 0.1 | 0.2 | 0.3 | 0.2 | 0.3 | 0.4 | 0.4 | 0.4 |
| 1.1.4. | income equalization tax (Fn1) | 0.1 | | | | | | | |
| 1.1.5. | income equalization tax - local (Fn1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1.2. | corporation tax | 0.6 | 0.2 | 0.3 | 0.4 | 0.5 | 0.6 | 0.7 | 0.8 |
| 1.2.1. | income from legal entities | | | | | | | | |
| 1.2.2. | income from legal entities - local | 0.6 | 0.2 | 0.3 | 0.4 | 0.5 | 0.6 | 0.7 | 0.8 |
| 2. | Non-current taxes on income and wealth ('capital taxes') - total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| 2.1. | inheritance and gift tax - local | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| 3. | Taxes linked to production and imports - total | 1.9 | 1.5 | 2.3 | 3.0 | 4.2 | 5.3 | 6.7 | 6.7 |
| 3.1. | VAT and general turnover taxes - total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.1.1. | VAT on goods and services (Fn2) | | | | | | | | |
| 3.1.2. | VAT on imported goods (Fn3) | | | | | | | | |
| 3.1.3. | previous turn over tax | | | | | | | | |
| 3.2. | Import duties and agricultural levies - total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.2.1. | customs duties | | | | | | | | |
| 3.2.2. | import tax (Fn6) | | | | | | | | |
| 3.2.3. | compensatory fees on agricultural imports | | | | | | | | |
| 3.3. | Excise duties - total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.1. | on domestic spirits | | | | | | | | |
| | on imported spirits | | | | | | | | |
| 3.3.2. | on domestic fuels | | | | | | | | |
| | on imported fuels | | | | | | | | |
| 3.3.3. | on domestic tobacco | | | | | | | | |
| | on imported tobacco | | | | | | | | |
| 3.3.4. | on domestic beer | | | | | | | | |
| | on imported beer | | | | | | | | |
| 3.3.5. | on domestic wine | | | | | | | | |
| | on imported wine | | | | | | | | |
| 3.3.6. | on domestic other products | | | | | | | | |
| | on imported other products | | | | | | | | |
| 3.4. | Taxes on services - total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.4.1. | gambling tax | | | | | | | | |
| 3.5. | Taxes on ownership of land and buildings - total | 1.0 | 1.2 | 1.8 | 2.4 | 3.4 | 4.3 | 5.3 | 6.1 |
| 3.5.1. | agricultural property tax - local (Fn4) | 0.2 | 0.2 | 0.4 | 0.4 | 0.5 | 0.7 | 0.8 | 0.8 |
| 3.5.2. | forest property tax - local | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| 3.5.3. | real estate property tax - local | 0.8 | 1.1 | 1.4 | 2.0 | 2.8 | 3.5 | 4.4 | 5.2 |
| 3.6. | Stamp, registration and similar | 0.1 | 0.2 | 0.3 | 0.4 | 0.6 | 0.8 | 1.1 | 0.3 |

| | | | | | | | | | |
|-------------|---|------------|------------|------------|------------|------------|------------|------------|------------|
| | duties - total | | | | | | | | |
| 3.6.1. | tax on means of transportation - local | 0.1 | 0.2 | 0.3 | 0.4 | 0.6 | 0.8 | 1.1 | 0.3 |
| 3.7. | Other taxes linked to production and imports - total | 0.9 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 |
| 3.7.1. | local fees | 0.0 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 |
| 3.7.2. | abolished taxes | | | | | | | | |
| 3.7.3. | abolished taxes - local | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.7.4. | tax on wages (Fn1) | | | | | | | | |
| 3.7.5. | tax on wages - local (Fn1) | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.7.6. | tax on salaries (Fn1) | | | | | | | | |
| 3.7.7. | tax on salaries - local (Fn1) | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.7.8. | rehabilitation fund contribution | | | | | | | | |
| 3.7.9. | employment fund contribution | | | | | | | | |
| 3.7.10. | penalties for excessive pay roll increases | | | | | | | | |
| 3.7.11. | excessive wage tax | | | | | | | | |
| 4. | Actual social contributions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.1. | Employers' actual social contributions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.1.1. | to soc. insur. fund, labour fund and farmers ins.fund | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.2. | Employees' actual social contributions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.2.1. | to soc. insur. fund, labour fund and farmers ins.fund | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.3. | Social contributions by self-employed and non-employed persons | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.3.1. | to soc. insur. fund, labour fund and farmers ins.fund | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 5.1. | Tax on motor vehicles | 0.1 | 0.2 | 0.3 | 0.4 | 0.6 | 0.8 | 1.1 | 0.3 |

III.3. Hungary

| Table III.3.1. Revenues - HUNGARY, General Government - | | | | | | | | | | |
|--|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| INPUT | HUNGARY | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| | S60 Total Taxation | 1,166.6 | 1,354.3 | 1,668.7 | 1,939.0 | 2,380.2 | 2,796.6 | 3,335.5 | 3,923.9 | 4,408.7 |
| | S92 Total Taxation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| billions of HUF | | | | | | | | | | |
| Taxes | General Government (S 60) | | | | | | | | | |
| 0. | Taxes and social contributions | 1,166.6 | 1,354.3 | 1,668.7 | 1,939.0 | 2,380.2 | 2,796.6 | 3,335.5 | 3,923.9 | 4,408.7 |
| 0.1. | Total tax receipts | 750.8 | 824.9 | 1,016.2 | 1,188.9 | 1,532.2 | 1,845.5 | 2,135.4 | 2,520.2 | 2,925.6 |
| 1. | Current taxes on income and wealth - total | 319.4 | 295.6 | 345.4 | 405.9 | 498.6 | 617.7 | 724.4 | 874.0 | 1,026.9 |
| 1.1. | individual income tax | 183.9 | 220.9 | 284.3 | 322.7 | 392.3 | 490.8 | 560.3 | 656.7 | 732.0 |
| 1.1.1. | personal income tax | 183.9 | 220.9 | 284.3 | 322.7 | 392.3 | 490.8 | 560.3 | 656.7 | 732.0 |
| 1.1.2. | of which: interest withholding tax | 11.9 | 15.2 | 24.6 | 17.9 | 8.6 | 0.1 | 0.1 | 0.0 | 0.0 |
| 1.2. | corporation tax | 106.0 | 63.6 | 54.4 | 83.5 | 106.3 | 126.9 | 164.2 | 217.3 | 294.9 |
| 1.2.1. | corporate income tax | 106.0 | 63.6 | 54.4 | 83.5 | 106.3 | 126.9 | 164.2 | 217.3 | 294.9 |
| 1.3. | other taxes on income and wealth | 29.5 | 11.1 | 6.7 | -0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1.3.1. | previous research and development contribution | 11.1 | 8.8 | 6.6 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1.3.2. | previous profit tax on shares in state property | 18.4 | 2.3 | 0.1 | -1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2. | Non-current taxes on income and wealth ('capital taxes') - total | 2.0 | 1.8 | 1.8 | 2.3 | 2.7 | 2.8 | 3.7 | 4.2 | 4.8 |
| 2.1. | duty on inheritance | 1.8 | 1.4 | 1.3 | 1.8 | 2.1 | 2.1 | 2.8 | 3.1 | 3.6 |
| 2.2. | duty on gifts | 0.3 | 0.4 | 0.4 | 0.5 | 0.6 | 0.7 | 0.9 | 1.1 | 1.2 |
| 3. | Taxes linked to production and imports - total | 429.4 | 527.5 | 669.1 | 780.7 | 1,030.9 | 1,225.0 | 1,407.3 | 1,642.0 | 1,893.9 |
| 3.1. | VAT and general turnover taxes - total | 152.0 | 187.8 | 308.4 | 363.6 | 462.4 | 581.7 | 767.1 | 920.2 | 1,089.5 |
| 3.1.1. | value added tax | 149.5 | 175.7 | 286.7 | 336.4 | 424.0 | 515.1 | 674.8 | 796.9 | 969.4 |
| 3.1.2. | local business tax | 2.5 | 12.1 | 21.7 | 27.3 | 38.5 | 66.6 | 92.4 | 123.3 | 120.1 |
| 3.2. | Import duties and agricultural levies - total | 75.0 | 100.2 | 128.2 | 150.5 | 249.4 | 248.7 | 161.3 | 131.6 | 134.3 |
| 3.2.1. | customs duties | 62.8 | 100.2 | 128.2 | 150.5 | 249.4 | 248.7 | 161.3 | 131.6 | 134.3 |
| 3.2.2. | previous differential producer's turnover tax | 12.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3. | Excise duties | 157.0 | 181.4 | 167.4 | 184.0 | 229.1 | 265.6 | 327.9 | 418.2 | 466.1 |
| 3.3.1. | consumption tax on coffee | 1.8 | 1.4 | 1.6 | 2.2 | 2.9 | 3.7 | 2.4 | 2.7 | 3.0 |
| 3.3.2. | excise duty on alcohol products | 22.9 | 23.2 | 24.5 | 26.2 | 29.0 | 34.0 | 38.0 | 41.0 | 45.6 |
| 3.3.3. | excise duty on tobacco products | 20.0 | 24.9 | 31.1 | 34.0 | 43.7 | 49.8 | 60.0 | 72.8 | 82.6 |
| 3.3.4. | excise duty on petrol | 63.1 | 79.5 | 59.3 | 65.5 | 73.4 | 72.5 | 90.2 | 102.2 | 167.0 |
| 3.3.5. | excise duty on diesel | 35.0 | 32.8 | 30.8 | 34.4 | 45.8 | 50.0 | 63.0 | 97.3 | 142.0 |
| 3.3.6. | excise duty on other oil products | 0.0 | 0.7 | 0.6 | 0.5 | 0.6 | 2.3 | 2.8 | 4.5 | 5.3 |
| 3.3.7. | other consumption taxes | 2.8 | 1.9 | 2.4 | 2.7 | 6.6 | 11.8 | 12.8 | 17.1 | 18.1 |
| 3.3.8. | contract distillation spirits tax | 1.9 | 2.2 | 1.9 | 1.7 | 1.5 | 2.5 | 2.6 | 2.2 | 2.5 |
| 3.3.9. | previous road fund contribution | 9.5 | 15.0 | 15.3 | 16.7 | 25.6 | 39.0 | 56.1 | 78.4 | 0.0 |
| 3.4. | Taxes on services - total | 0.9 | 2.9 | 3.9 | 6.4 | 8.4 | 13.6 | 18.5 | 23.1 | 30.7 |
| 3.4.1. | local tourism tax on staying | 0.3 | 0.5 | 0.5 | 0.7 | 0.8 | 1.5 | 1.9 | 2.1 | 1.7 |
| 3.4.2. | tourism contribution | 0.0 | 0.0 | 0.2 | 0.7 | 1.5 | 1.8 | 2.4 | 3.1 | 3.0 |
| 3.4.3. | cultural contribution | 0.1 | 0.1 | 0.2 | 0.7 | 0.8 | 1.2 | 2.4 | 3.4 | 4.6 |
| 3.4.4. | gambling tax | 0.5 | 2.4 | 3.0 | 4.3 | 5.3 | 9.1 | 11.9 | 14.4 | 21.4 |
| 3.5. | Taxes on ownership of land and buildings - total | 6.2 | 5.3 | 3.9 | 5.1 | 6.6 | 12.3 | 15.8 | 19.8 | 21.2 |

Structures of the Tax Systems
III. Tax Revenues

| | | | | | | | | | | |
|---------------|--|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|----------------|
| 3.5.1. | land parcel tax | 0.0 | 0.4 | 0.5 | 0.7 | 0.8 | 1.3 | 1.7 | 1.8 | 2.3 |
| 3.5.2. | building tax | 0.2 | 2.1 | 2.3 | 3.3 | 4.1 | 8.3 | 10.8 | 13.1 | 14.3 |
| 3.5.3. | local tourism tax on buildings | 0.1 | 0.4 | 0.4 | 0.3 | 0.4 | 0.5 | 0.5 | 0.6 | 0.7 |
| 3.5.4. | land protection contribution | 0.1 | 0.1 | 0.3 | 0.3 | 0.6 | 0.8 | 1.1 | 1.6 | 1.4 |
| 3.5.5. | communal tax payable by private individuals | 0.3 | 0.4 | 0.5 | 0.5 | 0.7 | 1.5 | 1.8 | 2.7 | 2.5 |
| 3.5.6. | previous land tax | 0.0 | 1.5 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.5.7. | previous building taxes | 5.5 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.6. | Stamp, registration and similar duties - total | 7.4 | 14.1 | 14.4 | 19.0 | 26.5 | 42.1 | 47.9 | 55.7 | 62.0 |
| 3.6.1. | duty on onerous transfer of property | 5.3 | 6.6 | 8.2 | 12.8 | 20.2 | 28.2 | 32.8 | 38.9 | 41.2 |
| 3.6.2. | motor vehicle tax | 2.0 | 7.5 | 6.2 | 6.2 | 6.3 | 13.9 | 15.1 | 16.8 | 20.8 |
| | from which | | | | | | | | | |
| | tax on domestic motor vehicles - central | 0.0 | 1.5 | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.7 |
| | tax on domestic motor vehicles - local | 1.4 | 2.3 | 2.5 | 2.5 | 2.5 | 7.1 | 7.9 | 8.8 | 11.9 |
| | tax on domestic motor vehicles - extra budgetary fund | 0.0 | 0.7 | 1.2 | 2.5 | 2.5 | 5.0 | 5.3 | 5.5 | 0.0 |
| | tax on motor vehicles registered abroad - central | 0.6 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.2 |
| | tax on motor vehicles registered abroad - extra budgetary fund | 0.0 | 0.2 | 1.3 | 1.3 | 1.3 | 1.9 | 1.9 | 2.4 | 0.0 |
| 3.7. | Other taxes linked to production and imports - total | 31.0 | 35.7 | 42.8 | 52.0 | 48.4 | 60.9 | 68.6 | 73.4 | 90.1 |
| 3.7.1. | breeding contribution | 0.0 | 0.0 | 0.3 | 0.4 | 0.5 | 0.6 | 0.7 | 0.8 | 0.9 |
| 3.7.2. | fishing development contribution | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.7.3. | game-preserving contribution | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | 0.2 |
| 3.7.4. | water resource contribution | 1.4 | 1.8 | 2.0 | 2.9 | 3.2 | 3.7 | 4.2 | 4.9 | 5.5 |
| 3.7.5. | forest maintenance contribution ¹ | 2.3 | 1.9 | 1.5 | 1.8 | 2.1 | 2.2 | 3.0 | 3.2 | 3.2 |
| 3.7.6. | environmental protection product charges | 0.0 | 0.9 | 1.5 | 2.5 | 4.7 | 10.9 | 11.7 | 18.7 | 21.8 |
| 3.7.7. | Other taxes linked to environmental protection² | 1.3 | 0.8 | 0.8 | 0.9 | 0.9 | 1.3 | 1.1 | 1.3 | 1.8 |
| 3.7.7.1. | environmental protection fee | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.7.7.2. | air pollution levy | 0.9 | 0.3 | 0.3 | 0.5 | 0.3 | 0.6 | 0.3 | 0.5 | 0.9 |
| 3.7.7.3. | water pollution levy | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| 3.7.7.4. | toxic waste levy | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |
| 3.7.7.5. | noise abatement levy | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.7.8. | communal tax payable by entrepreneurs | 0.6 | 0.9 | 1.2 | 1.2 | 1.1 | 1.2 | 1.4 | 1.2 | 1.4 |
| 3.7.9. | rehabilitation contribution | 0.0 | 0.1 | 0.1 | 0.3 | 0.3 | 0.5 | 0.6 | 1.1 | 1.7 |
| 3.7.10. | training levy | 2.1 | 2.0 | 2.1 | 2.3 | 2.4 | 3.1 | 7.9 | 8.5 | 8.0 |
| 3.7.11. | previous wage guarantee contribution | 0.0 | 0.0 | 0.0 | 1.6 | 2.7 | 3.1 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | | | |
| 3.7.12. | unallocable tax penalties; unallocable between class 1, 2 and 3 | 23.2 | 27.2 | 33.4 | 38.0 | 30.5 | 34.3 | 37.8 | 33.6 | 45.6 |
| 4. | Actual social contributions³ | 415.8 | 529.4 | 652.5 | 750.1 | 848.0 | 951.1 | 1,200.2 | 1,403.7 | 1,483.1 |
| 4.1. | Employers' social security contributions | 336.1 | 411.2 | 496.0 | 587.2 | 683.6 | 784.7 | 993.7 | 1,165.0 | 1,218.8 |
| 4.1.1. | pensions | 329.0 | 207.6 | 239.7 | 292.9 | 351.9 | 411.8 | 499.4 | 593.7 | 620.8 |
| 4.1.2. | health | 0.0 | 165.3 | 190.8 | 233.1 | 280.6 | 311.8 | 403.1 | 473.6 | 512.6 |
| 4.1.3. | employers' contribution ⁴ | 7.0 | 38.3 | 65.5 | 61.3 | 51.1 | 61.1 | 91.1 | 97.7 | 85.4 |
| 4.2. | Employees' social security contributions | 79.7 | 97.6 | 127.8 | 137.2 | 135.3 | 146.7 | 187.1 | 212.0 | 232.4 |
| 4.2.1. | pensions | 78.3 | 54.1 | 66.7 | 71.6 | 70.0 | 75.5 | 95.6 | 116.9 | 120.3 |
| 4.2.2. | health | 0.0 | 36.1 | 44.4 | 48.2 | 46.9 | 50.6 | 62.5 | 62.7 | 74.3 |
| 4.2.3. | employee's contribution | 1.4 | 7.4 | 16.8 | 17.4 | 18.5 | 20.7 | 29.0 | 32.5 | 37.9 |
| 4.3. | Social security contributions paid by others (self-employed & non-employed) | 0.0 | 20.6 | 28.7 | 25.7 | 29.2 | 19.7 | 19.4 | 26.6 | 31.8 |
| 4.3.1. | pensions | 0.0 | 10.0 | 12.9 | 12.1 | 10.9 | 12.2 | 13.2 | 21.0 | 27.1 |

| | | | | | | | | | | |
|--------|--------|-----|------|------|------|------|-----|-----|-----|-----|
| 4.3.2. | health | 0.0 | 10.6 | 15.8 | 13.6 | 18.3 | 7.4 | 6.2 | 5.6 | 4.8 |
|--------|--------|-----|------|------|------|------|-----|-----|-----|-----|

Notes:

¹ Revenues from forest maintenance contribution are gross-type figures between 1991 and 1993.

² At the level of local governments the split of taxes linked to environmental protection according to various fees & levies can not be done. That's why the sum of revenues from each relevant tax does not correspond to the amount under code 3.7.7.

³ Tables for 1991 allow only to present two figures. These data include all social security contributions paid by employers, employees, and others, respectively.

⁴ Employers' contribution for the period 1991-1995 include lump-sum compensation paid by the central budget.

| Table III.3.2. Revenues - HUNGARY, <u>Non-central</u> Government | | | | | | | | | | |
|---|--|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| INPUT | HUNGARY | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| | S62 Total Taxation | 65.5 | 91.2 | 88.7 | 105.6 | 154.2 | 205.0 | 272.5 | 354.8 | 370.5 |
| billions of HUF | | | | | | | | | | |
| Taxes | Non-central Government (S 62) | | | | | | | | | |
| 0. | Taxes and social contributions | 65.5 | 91.2 | 88.7 | 105.6 | 154.2 | 205.0 | 272.5 | 354.8 | 370.5 |
| 0.1. | Total tax receipts | 65.5 | 91.2 | 88.7 | 105.6 | 154.2 | 205.0 | 272.5 | 354.8 | 370.5 |
| 1. | Current taxes on income and wealth - total | 47.0 | 63.0 | 49.0 | 61.3 | 93.6 | 101.3 | 135.7 | 179.2 | 192.1 |
| 1.1. | individual income tax | 47.0 | 63.0 | 49.0 | 61.3 | 93.6 | 101.3 | 135.7 | 179.2 | 192.1 |
| 1.1.1. | personal income tax | 47.0 | 63.0 | 49.0 | 61.3 | 93.6 | 101.3 | 135.7 | 179.2 | 192.1 |
| 1.1.2. | of which: interest withholding tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1.2. | corporation tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1.2.1. | corporate income tax | | | | | | | | | |
| 1.3. | other taxes on income and wealth | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1.3.1. | previous research and development contribution | | | | | | | | | |
| 1.3.2. | previous profit tax on shares in state property | | | | | | | | | |
| 2. | Non-current taxes on income and wealth (' capital taxes') - total | 2.0 | 1.8 | 1.8 | 1.2 | 1.4 | 1.4 | 1.8 | 2.1 | 2.4 |
| 2.1. | duty on inheritance | 1.8 | 1.4 | 1.3 | 0.9 | 1.0 | 1.1 | 1.4 | 1.5 | 1.8 |
| 2.2. | duty on gifts | 0.3 | 0.4 | 0.4 | 0.2 | 0.3 | 0.3 | 0.4 | 0.5 | 0.6 |
| 3. | Taxes linked to production and imports - total | 16.4 | 26.4 | 38.0 | 43.1 | 59.2 | 102.3 | 135.1 | 173.5 | 176.0 |
| 3.1. | VAT and general turnover taxes - total | 2.5 | 12.1 | 21.7 | 27.3 | 38.5 | 66.6 | 92.4 | 123.3 | 120.1 |
| 3.1.1. | value added tax | | | | | | | | | |
| 3.1.2. | local business tax | 2.5 | 12.1 | 21.7 | 27.3 | 38.5 | 66.6 | 92.4 | 123.3 | 120.1 |
| 3.2. | Import duties and agricultural levies - total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.2.1. | customs duties | | | | | | | | | |
| 3.2.2. | previous differential producer's turnover tax | | | | | | | | | |
| 3.3. | Excise duties | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.1. | consumption tax on coffee | | | | | | | | | |
| 3.3.2. | excise duty on alcohol products | | | | | | | | | |
| 3.3.3. | excise duty on tobacco products | | | | | | | | | |
| 3.3.4. | excise duty on petrol | | | | | | | | | |
| 3.3.5. | excise duty on diesel | | | | | | | | | |
| 3.3.6. | excise duty on other oil products | | | | | | | | | |
| 3.3.7. | other consumption taxes | | | | | | | | | |
| 3.3.8. | contract distillation spirits tax | | | | | | | | | |
| 3.3.9. | previous road fund contribution | | | | | | | | | |
| 3.4. | Taxes on services - total | 0.3 | 0.5 | 0.5 | 0.7 | 0.8 | 1.5 | 1.9 | 2.1 | 1.7 |
| 3.4.1. | local tourism tax on staying | 0.3 | 0.5 | 0.5 | 0.7 | 0.8 | 1.5 | 1.9 | 2.1 | 1.7 |
| 3.4.2. | tourism contribution | | | | | | | | | |
| 3.4.3. | cultural contribution | | | | | | | | | |
| 3.4.4. | gambling tax | | | | | | | | | |
| 3.5. | Taxes on ownership of land and buildings - total | 6.1 | 3.7 | 3.7 | 4.8 | 6.1 | 11.6 | 14.8 | 18.2 | 19.8 |
| 3.5.1. | land parcel tax | 0.0 | 0.4 | 0.5 | 0.7 | 0.8 | 1.3 | 1.7 | 1.8 | 2.3 |
| 3.5.2. | building tax | 0.2 | 2.1 | 2.3 | 3.3 | 4.1 | 8.3 | 10.8 | 13.1 | 14.3 |
| 3.5.3. | local tourism tax on buildings | 0.1 | 0.4 | 0.4 | 0.3 | 0.4 | 0.5 | 0.5 | 0.6 | 0.7 |

| | | | | | | | | | | |
|---------------|--|------------|------------|-------------|------------|-------------|-------------|-------------|-------------|-------------|
| 3.5.4. | land protection contribution | | | | | | | | | |
| 3.5.5. | communal tax payable by private individuals | 0.3 | 0.4 | 0.5 | 0.5 | 0.7 | 1.5 | 1.8 | 2.7 | 2.5 |
| 3.5.6. | previous land tax | | | | | | | | | |
| 3.5.7. | previous building taxes | 5.5 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.6. | Stamp, registration and similar duties - total | 6.7 | 9.0 | 10.7 | 8.9 | 12.6 | 21.2 | 24.3 | 28.3 | 32.5 |
| 3.6.1. | duty on onerous transfer of property | 5.3 | 6.6 | 8.2 | 6.4 | 10.1 | 14.1 | 16.4 | 19.4 | 20.6 |
| 3.6.2. | motor vehicle tax | 1.4 | 2.3 | 2.5 | 2.5 | 2.5 | 7.1 | 7.9 | 8.8 | 11.9 |
| | from which | | | | | | | | | |
| | tax on domestic motor vehicles - central | | | | | | | | | |
| | tax on domestic motor vehicles - local | 1.4 | 2.3 | 2.5 | 2.5 | 2.5 | 7.1 | 7.9 | 8.8 | 11.9 |
| | tax on domestic motor vehicles - extra budgetary fund | | | | | | | | | |
| | tax on motor vehicles registered abroad - central | | | | | | | | | |
| | tax on motor vehicles registered abroad - extra budgetary fund | | | | | | | | | |
| 3.7. | Other taxes linked to production and imports - total | 0.9 | 1.2 | 1.4 | 1.5 | 1.3 | 1.5 | 1.7 | 1.5 | 1.9 |
| 3.7.1. | breeding contribution | | | | | | | | | |
| 3.7.2. | fishing development contribution | | | | | | | | | |
| 3.7.3. | game-preserving contribution | | | | | | | | | |
| 3.7.4. | water resource contribution | | | | | | | | | |
| 3.7.5. | forest maintenance contribution | | | | | | | | | |
| 3.7.6. | environmental protection product charges | | | | | | | | | |
| 3.7.7. | other taxes linked to environmental protection¹ | 0.2 | 0.3 | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.5 |
| 3.7.7.1. | environmental protection fee | | | | | | | | | |
| 3.7.7.2. | air pollution levy | | | | | | | | | |
| 3.7.7.3. | water pollution levy | | | | | | | | | |
| 3.7.7.4. | toxic waste levy | | | | | | | | | |
| 3.7.7.5. | noise abatement levy | | | | | | | | | |
| 3.7.8. | communal tax payable by entrepreneurs | 0.6 | 0.9 | 1.2 | 1.2 | 1.1 | 1.2 | 1.4 | 1.2 | 1.4 |
| 3.7.9. | rehabilitation contribution | | | | | | | | | |
| 3.7.10. | training levy | | | | | | | | | |
| 3.7.11. | previous wage guarantee contribution | | | | | | | | | |
| | | | | | | | | | | |
| 3.7.12. | unallocable tax penalties; unallocable between class 1, 2 and 3 | | | | | | | | | |
| 4. | Actual social contributions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.1. | Employers' social security contributions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.1.1. | pensions | | | | | | | | | |
| 4.1.2. | health | | | | | | | | | |
| 4.1.3. | employers' contribution | | | | | | | | | |
| 4.2. | Employees' social security contributions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.2.1. | pensions | | | | | | | | | |
| 4.2.2. | health | | | | | | | | | |
| 4.2.3. | employee's contribution | | | | | | | | | |
| 4.3. | Social security contributions paid by others (self-employed & non-employed) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.3.1. | pensions | | | | | | | | | |
| 4.3.2. | health | | | | | | | | | |

¹ At the level of local governments the split of taxes linked to environmental protection according to various fees & levies can not be done. That's why the sum of revenues from each relevant tax does not correspond to the amount under code 3.7.7.

III.4. Czech Republic

| Table III.4.1. Revenues - CZECH REPUBLIC, General Government | | | | | | | | | |
|---|---|------|------|-------|-------|-------|-------|-------|-------|
| INPUT | CZECH REPUBLIC | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| | S60 Total Taxation | | | 437.6 | 488.7 | 553.5 | 615.5 | 648.4 | 696.6 |
| | S92 Total Taxation | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| billions of CZK | | | | | | | | | |
| Taxes | General Government (S 60) | | | | | | | | |
| 0. | Taxes and social contributions | | | 437.6 | 488.7 | 553.5 | 615.5 | 648.4 | 696.6 |
| 0.1. | Total tax receipts | | | 268.8 | 292.8 | 327.4 | 356.5 | 363.7 | 388.8 |
| 1. | Current taxes on income and wealth - total | | | 111.3 | 121.3 | 136.9 | 144.1 | 143.3 | 162.4 |
| 1.1. | personal income tax - total | | | 39.1 | 54.9 | 68.8 | 80.7 | 87.7 | 94.9 |
| 1.1.1. | wages and salaries withholding | | | 23.2 | 35.6 | 45.2 | 54.5 | 60.3 | 65.0 |
| 1.1.2. | tax withheld on interest and dividends paid to individuals | | | 1.5 | 5.8 | 8.5 | 10.3 | 11.5 | 13.1 |
| 1.1.3. | other income tax of individuals | | | 2.7 | 13.1 | 14.8 | 15.8 | 15.8 | 16.7 |
| 1.1.4. | previous individual income tax | | | 11.8 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 |
| 1.2. | corporation tax - total | | | 72.2 | 66.4 | 68.0 | 63.4 | 55.6 | 67.6 |
| 1.2.1. | corporate income tax | | | 66.2 | 56.3 | 58.5 | 52.0 | 45.8 | 55.7 |
| 1.2.2. | tax withheld on interest and dividends paid to corporations | | | 4.7 | 8.3 | 8.8 | 10.7 | 9.2 | 11.7 |
| 1.2.3. | previous profit taxes on corporations | | | 1.3 | 1.8 | 0.7 | 0.7 | 0.6 | 0.2 |
| 2. | Non-current taxes on income and wealth ('capital taxes') - total | | | 0.4 | 1.0 | 0.7 | 0.9 | 1.0 | 1.1 |
| 2.1. | inheritance tax | | | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 2.2. | gift tax | | | 0.2 | 0.4 | 0.4 | 0.3 | 0.4 | 0.4 |
| 2.3. | levy on withdrawal of land from agriculture | | | 0.3 | 0.6 | 0.3 | 0.5 | 0.5 | 0.5 |
| 2.4. | levy on withdrawal of land from forestry | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| 3. | Taxes linked to production and imports - total | | | 157.1 | 170.6 | 189.8 | 211.6 | 219.4 | 225.3 |
| 3.1. | VAT and general turnover taxes - total | | | 77.1 | 86.5 | 95.0 | 109.4 | 117.7 | 119.4 |
| 3.1.1. | VAT | | | 77.1 | 85.8 | 94.8 | 109.3 | 117.6 | 119.4 |
| 3.1.2. | previous turnover tax | | | 0.0 | 0.6 | 0.2 | 0.1 | 0.1 | 0.0 |
| 3.2. | Import duties and agricultural levies - total | | | 16.4 | 17.4 | 17.4 | 19.7 | 14.9 | 13.6 |
| 3.2.1. | customs duties | | | 15.2 | 17.4 | 17.4 | 19.7 | 14.9 | 13.6 |
| 3.2.2. | previous import surcharge | | | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3. | Excise duties - total | | | 40.6 | 46.8 | 56.7 | 61.2 | 64.2 | 67.8 |
| 3.3.1. | on hydrocarbon fuels and lubricants | | | 24.7 | 28.7 | 36.9 | 38.9 | 39.4 | 42.9 |
| 3.3.2. | on alcohol and liquor | | | 4.1 | 4.8 | 5.2 | 5.6 | 6.5 | 6.4 |
| 3.3.3. | on beer | | | 2.9 | 3.3 | 3.3 | 3.2 | 3.3 | 3.7 |
| 3.3.4. | on wine | | | 0.6 | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 |
| 3.3.5. | on tobacco products | | | 7.6 | 8.9 | 10.6 | 12.8 | 14.4 | 14.2 |
| 3.3.6. | Duty on CFC | | | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| 3.3.7. | restaurant sale of alcoholic beverages and tobacco products | | | 0.7 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.4. | Taxes on services - total | | | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 1.1 |
| 3.4.1. | fees on entry tickets | | | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 3.4.2. | resort and recreation fees on visitors | | | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| 3.4.3. | fees on advertising facilities | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.4.4. | Fees on operated gambling machines | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.7 |

| | | | | | | | | | |
|-------------|---|--|--|--------------|--------------|--------------|--------------|--------------|--------------|
| 3.4.5. | fees on recreational units (based on capacity) | | | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 3.5. | Taxes on ownership of land and buildings - total | | | 3.0 | 3.8 | 3.8 | 4.0 | 3.9 | 4.1 |
| 3.5.1. | real property tax | | | 3.0 | 3.8 | 3.8 | 4.0 | 3.9 | 4.1 |
| 3.6. | Stamp, registration and similar duties - total | | | 9.8 | 10.7 | 12.4 | 13.5 | 15.2 | 16.7 |
| 3.6.1. | highway fee (beginning in 1995) | | | 0.0 | 0.0 | 0.9 | 0.9 | 1.0 | 1.6 |
| 3.6.2. | motor vehicle entry fees | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.6.3. | tax on use of public space | | | 0.5 | 0.6 | 0.7 | 0.8 | 0.8 | 0.7 |
| 3.6.4. | previous notary fees | | | 0.8 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.6.5. | misc. license and permit fees | | | 3.2 | 3.9 | 3.8 | 3.7 | 4.1 | 4.0 |
| 3.6.6. | real property transfer tax | | | 0.6 | 1.6 | 2.8 | 3.5 | 4.5 | 5.7 |
| 3.6.7. | dog fees | | | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| 3.6.8. | lump sum commercial car tax (called road tax) | | | 4.3 | 4.1 | 3.9 | 4.3 | 4.6 | 4.4 |
| 3.6.9. | levy on temp. withdrawal of land from agriculture | | | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| 3.7. | Other taxes linked to production and imports - total | | | 9.8 | 5.0 | 4.2 | 3.5 | 3.1 | 2.5 |
| 3.7.1. | water pollution fee | | | 1.1 | 0.8 | 0.7 | 0.6 | 0.5 | 0.5 |
| 3.7.2. | air pollution fee | | | 0.8 | 1.3 | 1.2 | 1.3 | 1.6 | 1.2 |
| 3.7.3. | waste deposit fee | | | 0.8 | 1.1 | 1.1 | 0.8 | 0.5 | 0.6 |
| 3.7.4. | unallocated previous taxes and levies | | | 0.8 | 0.8 | 0.8 | 0.5 | 0.3 | 0.2 |
| 3.7.5. | previous payroll tax | | | 6.3 | 1.0 | 0.5 | 0.3 | 0.2 | 0.1 |
| 4. | Actual social contributions | | | 168.8 | 195.8 | 226.1 | 258.9 | 284.7 | 307.8 |
| 4.1. | Employers' actual social contributions | | | 104.1 | 126.0 | 146.5 | 171.0 | 187.7 | 200.8 |
| 4.1.1. | retirement | | | 58.4 | 72.2 | 83.5 | 93.6 | 102.8 | 110.2 |
| 4.1.2. | state employment policy | | | 8.6 | 8.0 | 9.2 | 15.4 | 16.9 | 18.1 |
| 4.1.3. | sick leave | | | 11.5 | 12.7 | 14.7 | 15.8 | 17.4 | 18.6 |
| 4.1.4. | health insurance | | | 25.3 | 30.4 | 35.7 | 42.1 | 46.5 | 49.9 |
| 4.1.5. | penalties | | | 0.4 | 2.7 | 3.4 | 4.1 | 4.1 | 4.0 |
| 4.2. | Employees' actual social contributions | | | 38.8 | 46.2 | 53.6 | 59.5 | 65.4 | 70.2 |
| 4.2.1. | retirement | | | 19.8 | 24.1 | 27.8 | 31.2 | 34.3 | 36.7 |
| 4.2.2. | state employment policy | | | 2.9 | 2.7 | 3.1 | 1.9 | 2.1 | 2.3 |
| 4.2.3. | sick leave | | | 3.5 | 4.2 | 4.9 | 5.3 | 5.8 | 6.2 |
| 4.2.4. | health insurance | | | 12.6 | 15.2 | 17.8 | 21.0 | 23.2 | 25.0 |
| 4.3. | Social contributions by self-employed and non-employed persons | | | 25.9 | 23.7 | 25.9 | 28.4 | 31.7 | 36.8 |
| 4.3.1. | retirement | | | 3.6 | 5.1 | 6.3 | 6.1 | 6.7 | 7.0 |
| 4.3.2. | state employment policy | | | 0.5 | 0.6 | 0.7 | 0.8 | 0.9 | 1.0 |
| 4.3.3. | sick leave | | | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.3.4. | health insurance: | | | 21.1 | 17.9 | 18.7 | 21.3 | 23.9 | 28.6 |
| 4.3.5. | self-employed | | | 4.1 | 4.1 | 4.8 | 4.4 | 5.0 | 5.3 |
| 4.3.6. | non-employed | | | 0.1 | 0.4 | 0.6 | 0.4 | 0.5 | 0.5 |
| 4.3.7. | government | | | 16.9 | 13.4 | 13.3 | 16.4 | 18.5 | 22.8 |
| 4.3.8. | penalties | | | 0.0 | 0.1 | 0.2 | 0.3 | 0.2 | 0.2 |

| Table III.4.2. Revenues - CZECH REPUBLIC, <u>Non-central</u> Government | | | | | | | | | |
|--|---|------|------|-------------|-------------|-------------|-------------|-------------|-------------|
| INPUT | CZECH REPUBLIC | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| | S62 Total Taxation | | | 39.9 | 57.4 | 71.5 | 73.5 | 76.1 | 83.3 |
| billions of CZK | | | | | | | | | |
| Taxes | Non-central Government (S 62) | | | | | | | | |
| 0. | Taxes and social contributions | | | 39.9 | 57.4 | 71.5 | 73.5 | 76.1 | 83.3 |
| 0.1. | Total tax receipts | | | 39.9 | 57.4 | 71.5 | 73.5 | 76.1 | 83.3 |
| 1. | Current taxes on income and wealth - total | | | 32.5 | 49.1 | 63.5 | 65.1 | 67.9 | 74.8 |
| 1.1. | personal income tax - total | | | 31.9 | 49.0 | 60.3 | 51.0 | 54.5 | 58.6 |
| 1.1.1. | wages and salaries withholding | | | 23.2 | 35.6 | 45.2 | 35.1 | 38.6 | 41.8 |
| 1.1.2. | tax withheld on interest and dividends paid to individuals | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1.1.3. | other income tax of individuals | | | 2.7 | 13.1 | 14.8 | 15.8 | 15.8 | 16.7 |
| 1.1.4. | previous individual income tax | | | 6.1 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 |
| 1.2. | corporation tax - total | | | 0.6 | 0.1 | 3.1 | 14.1 | 13.4 | 16.2 |
| 1.2.1. | corporate income tax | | | 0.0 | 0.1 | 3.1 | 12.0 | 11.5 | 14.0 |
| 1.2.2. | tax withheld on interest and dividends paid to corporations | | | 0.0 | 0.0 | 0.0 | 2.1 | 1.8 | 2.2 |
| 1.2.3. | previous profit taxes on corporations | | | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2. | Non-current taxes on income and wealth ('capital taxes') - total | | | 0.1 | 0.2 | 0.0 | 0.1 | 0.1 | 0.2 |
| 2.1. | inheritance tax | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2.2. | gift tax | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2.3. | levy on withdrawal of land from agriculture | | | 0.1 | 0.2 | 0.0 | 0.1 | 0.1 | 0.1 |
| 2.4. | levy on withdrawal of land from forestry | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3. | Taxes linked to production and imports - total | | | 7.3 | 8.1 | 8.0 | 8.3 | 8.1 | 8.3 |
| 3.1. | VAT and general turnover taxes - total | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.1.1. | VAT | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.1.2. | previous turnover tax | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.2. | Import duties and agricultural levies - total | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.2.1. | customs duties | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.2.2. | previous import surcharge | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3. | Excise duties - total | | | 0.7 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.1. | on hydrocarbon fuels and lubricants | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.2. | on alcohol and liquor | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.3. | on beer | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.4. | on wine | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.5. | on tobacco products | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.6. | Duty on CFC | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.7. | restaurant sale of alcoholic beverages and tobacco products | | | 0.7 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.4. | Taxes on services - total | | | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 1.1 |
| 3.4.1. | fees on entry tickets | | | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 3.4.2. | resort and recreation fees on visitors | | | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| 3.4.3. | fees on advertising facilities | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.4.4. | Fees on operated gambling machines | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.7 |
| 3.4.5. | fees on recreational units (based on capacity) | | | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 3.5. | Taxes on ownership of land and | | | 3.0 | 3.8 | 3.8 | 4.0 | 3.9 | 4.1 |

| | | | | | | | | | |
|-------------|---|--|--|------------|------------|------------|------------|------------|------------|
| | buildings - total | | | | | | | | |
| 3.5.1. | real property tax | | | 3.0 | 3.8 | 3.8 | 4.0 | 3.9 | 4.1 |
| 3.6. | Stamp, registration and similar duties - total | | | 2.2 | 2.5 | 3.0 | 3.2 | 3.2 | 2.6 |
| 3.6.1. | highway fee (beginning in 1995) | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.6.2. | motor vehicle entry fees | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.6.3. | tax on use of public space | | | 0.5 | 0.6 | 0.7 | 0.8 | 0.8 | 0.7 |
| 3.6.4. | previous notary fees | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.6.5. | misc. license and permit fees | | | 1.5 | 1.8 | 2.1 | 2.1 | 2.2 | 1.6 |
| 3.6.6. | real property transfer tax | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.6.7. | dog fees | | | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| 3.6.8. | lump sum commercial car tax (called road tax) | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.6.9. | levy on temp. withdrawal of land from agriculture | | | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.7. | Other taxes linked to production and imports - total | | | 1.1 | 1.0 | 0.9 | 0.7 | 0.6 | 0.6 |
| 3.7.1. | water pollution fee | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.7.2. | air pollution fee | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.7.3. | waste deposit fee | | | 0.4 | 0.7 | 0.5 | 0.5 | 0.5 | 0.5 |
| 3.7.4. | unallocated previous taxes and levies | | | 0.4 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 |
| 3.7.5. | previous payroll tax | | | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4. | Actual social contributions | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.1. | Employers' actual social contributions | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.1.1. | retirement | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.1.2. | state employment policy | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.1.3. | sick leave | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.1.4. | health insurance | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.1.5. | penalties | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.2. | Employees' actual social contributions | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.2.1. | retirement | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.2.2. | state employment policy | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.2.3. | sick leave | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.2.4. | health insurance | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.3. | Social contributions by self-employed and non-employed persons | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.3.1. | retirement | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.3.2. | state employment policy | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.3.3. | sick leave | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.3.4. | health insurance: | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.3.5. | self-employed | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.3.6. | non-employed | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.3.7. | government | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.3.8. | penalties | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

III.5. Slovenia

| INPUT | SLOVENIA | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|-----------------|---|------|-------|-------|-------|-------|---------|---------|---------|
| | S60 Total Taxation | | 412.5 | 609.8 | 784.2 | 921.9 | 1,039.4 | 1,165.0 | 1,315.9 |
| | S92 Total Taxation | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| billions of SIT | | | | | | | | | |
| Taxes | General Government (S 60) | | | | | | | | |
| 0. | Taxes and social contributions | | 412.5 | 609.8 | 784.2 | 921.9 | 1,039.4 | 1,165.0 | 1,315.9 |
| 0.1. | Total tax receipts | | 222.9 | 334.9 | 466.8 | 558.8 | 663.3 | 764.4 | 867.6 |
| 1. | Current taxes on income and wealth - total | | 74.8 | 104.7 | 143.3 | 160.6 | 196.9 | 227.6 | 252.9 |
| 1.1. | individual/personal income tax | | 68.8 | 98.0 | 128.3 | 147.7 | 174.7 | 194.0 | 213.3 |
| 1.2. | corporate income tax | | 5.9 | 6.7 | 15.0 | 12.9 | 22.3 | 33.6 | 39.6 |
| 2. | Non-current taxes on income and wealth ('capital taxes') - total | | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 |
| 2.1. | (local) inheritance and gift tax | | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 |
| 3. | Taxes linked to production and imports - total | | 148.0 | 230.1 | 323.3 | 397.9 | 466.0 | 536.5 | 614.3 |
| 3.1. | VAT and general turnover taxes - total | | 69.3 | 103.9 | 144.9 | 185.6 | 215.2 | 256.5 | 296.6 |
| 3.1.1. | VAT (sales tax till 7/99) | | 69.3 | 103.9 | 144.9 | 185.6 | 215.2 | 256.5 | 295.1 |
| 3.1.2. | (local) sales taxes on services | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.1.3. | (local) special sales tax on services | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.5 |
| 3.2. | Import duties and agricultural levies - total | | 32.3 | 51.5 | 64.3 | 78.2 | 76.6 | 58.5 | 47.3 |
| 3.2.1. | customs duties and other import taxes | | 32.3 | 51.5 | 64.3 | 78.2 | 76.6 | 58.5 | 47.3 |
| 3.3. | Excise duties - total | | 36.9 | 52.8 | 82.5 | 99.5 | 118.5 | 129.4 | 141.6 |
| 3.3.1. | duties on petrol and mineral oils | | 29.5 | 41.7 | 56.6 | 67.0 | 84.5 | 93.5 | 106.6 |
| 3.3.2. | cigarette and tobacco duty | | 5.3 | 9.6 | 19.6 | 24.1 | 26.1 | 27.8 | 27.3 |
| 3.3.3. | duty on alcohol drinks | | 2.1 | 1.6 | 6.3 | 8.4 | 7.9 | 8.1 | 7.7 |
| 3.4. | Taxes on services - total | | 0.1 | 0.5 | 1.1 | 1.4 | 1.5 | 1.6 | 1.5 |
| 3.4.1. | (local) tax on lottery winnings | | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 |
| 3.4.2. | (local) fees on gambling machines | | 0.0 | 0.4 | 0.9 | 1.2 | 1.2 | 1.3 | 1.2 |
| 3.5. | Taxes on ownership of land and buildings - total | | 3.1 | 6.5 | 10.2 | 10.1 | 13.3 | 17.7 | 24.2 |
| 3.5.1. | (local) taxes on property | | 0.2 | 0.2 | 0.2 | 0.3 | 0.4 | 0.6 | 0.7 |
| 3.5.2. | (local) duties on use of agriculture land | | 0.1 | 0.5 | 2.7 | 1.7 | 1.9 | 1.8 | 2.9 |
| 3.5.3. | (local) charges for the use of building ground | | 2.8 | 5.8 | 7.3 | 8.1 | 11.0 | 15.4 | 20.6 |
| 3.6. | Stamp, registration and similar duties - total | | 3.6 | 10.2 | 12.2 | 14.7 | 18.1 | 21.7 | 32.5 |
| 3.6.1. | (local) administrative fees | | 1.5 | 2.1 | 1.7 | 0.6 | 0.0 | 0.0 | 0.0 |
| 3.6.2. | (local) tourist fees | | 0.2 | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 | 0.6 |
| 3.6.3. | (local) communal fees | | 0.0 | 0.2 | 0.4 | 1.1 | 3.0 | 4.0 | 4.7 |
| 3.6.4. | other (general government) administrative fees | | 1.9 | 3.1 | 3.9 | 6.3 | 7.4 | 9.2 | 10.3 |
| 3.6.5. | motor vehicle registration duties households | | 0.0 | 2.7 | 3.6 | 4.3 | 5.0 | 5.5 | 9.1 |
| 3.6.6. | motor vehicle registration duties - enterprises | | 0.0 | 0.9 | 1.2 | 1.3 | 1.4 | 1.4 | 2.1 |
| 3.6.7. | Other motor vehicle registration duties (nonresidents) | | 0.0 | 0.9 | 0.9 | 0.7 | 0.8 | 1.2 | 1.3 |
| 3.6.8. | tax on banks and insurance companies | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.3 |
| 3.7. | Other taxes linked to production and | | 2.7 | 4.7 | 8.1 | 8.4 | 22.8 | 51.1 | 70.6 |

| | | | | | | | | | |
|-----------|--|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | imports - total | | | | | | | | |
| 3.7.1. | environment tax | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.1 | 17.7 |
| 3.7.2. | tolls on highways | | 1.5 | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.7.3. | charges for water works | | 0.6 | 1.1 | 1.5 | 1.7 | 1.1 | 1.4 | 1.8 |
| 3.7.4. | (local) taxes on use of goods | | 0.4 | 0.6 | 0.6 | 2.9 | 3.4 | 4.1 | 5.2 |
| 3.7.5. | tax on payroll/wages | | 0.1 | 0.0 | 5.9 | 3.8 | 18.3 | 37.5 | 45.9 |
| 4. | Actual social contributions | | 189.6 | 274.9 | 317.4 | 363.1 | 376.1 | 400.6 | 448.3 |
| 4.1. | Employers' actual social contributions (consolidated) | | 77.7 | 118.6 | 137.9 | 151.6 | 134.1 | 127.5 | 142.6 |
| 4.2. | Employees' actual social contributions | | 103.1 | 144.7 | 165.8 | 195.4 | 221.9 | 247.5 | 276.8 |
| 4.3. | Social contributions by self-employed and non-employed persons | | 8.8 | 11.6 | 13.7 | 16.1 | 20.1 | 25.6 | 28.9 |
| | of which (unconsolidated, i.e. they do not add up to line 4.) | | | | | | | | |
| | contributions for unemployment insurance | | 13.9 | 21.1 | 9.9 | 7.3 | 2.8 | 2.4 | 2.7 |
| | contributions for obligatory health insurance | | 85.3 | 103.0 | 117.7 | 138.4 | 166.9 | 187.2 | 209.1 |
| | contributions for maternity leave | | 0.0 | 0.0 | 1.1 | 1.8 | 2.1 | 2.4 | 2.6 |
| | contributions for pension and disability insurance | | 109.6 | 177.4 | 219.2 | 260.4 | 252.5 | 260.4 | 294.1 |
| | other ('earthquake' contribution) | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.4 |

| Table III.5.2. Revenues - SLOVENIA, <u>Non-central</u> Government | | | | | | | | | |
|--|---|------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| INPUT | SLOVENIA | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| | S62 Total Taxation | | 33.1 | 51.0 | 67.2 | 63.4 | 77.5 | 86.5 | 102.1 |
| billions of SIT | | | | | | | | | |
| Taxes | Non-central Government (S 62) | | | | | | | | |
| 0. | Taxes and social contributions | | 33.1 | 51.0 | 67.2 | 63.4 | 77.5 | 86.5 | 102.1 |
| 0.1. | Total tax receipts | | 33.1 | 51.0 | 67.2 | 63.4 | 77.5 | 86.5 | 102.1 |
| 1. | Current taxes on income and wealth - total | | 27.8 | 40.7 | 52.6 | 46.8 | 55.7 | 58.5 | 64.4 |
| 1.1. | individual/personal income tax | | 27.7 | 40.6 | 52.4 | 46.6 | 55.4 | 58.2 | 64.0 |
| 1.2. | corporate income tax | | | | | | | | |
| 2. | Non-current taxes on income and wealth ('capital taxes') - total | | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 |
| 2.1. | (local) inheritance and gift tax | | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 |
| 3. | Taxes linked to production and imports - total | | 5.2 | 10.1 | 14.3 | 16.3 | 21.5 | 27.7 | 37.4 |
| 3.1. | VAT and general turnover taxes - total | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.5 |
| 3.1.1. | VAT (sales tax till 7/99) | | | | | | | | |
| 3.1.2. | (local) sales taxes on services | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.1.3. | (local) special sales tax on services | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.5 |
| 3.2. | Import duties and agricultural levies - total | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.2.1. | customs duties and other import taxes | | | | | | | | |
| 3.3. | Excise duties - total | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3.3.1. | duties on petrol and mineral oils | | | | | | | | |
| 3.3.2. | cigarette and tobacco duty | | | | | | | | |
| 3.3.3. | duty on alcohol drinks | | | | | | | | |
| 3.4. | Taxes on services - total | | 0.0 | 0.4 | 0.9 | 1.2 | 1.2 | 1.3 | 1.2 |
| 3.4.1. | (local) tax on lottery winnings | | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 |
| 3.4.2. | (local) fees on gambling machines | | 0.0 | 0.4 | 0.9 | 1.2 | 1.2 | 1.3 | 1.2 |
| 3.5. | Taxes on ownership of land and buildings - total | | 3.1 | 6.5 | 10.2 | 10.1 | 13.3 | 17.7 | 24.2 |
| 3.5.1. | (local) taxes on property | | 0.2 | 0.2 | 0.2 | 0.3 | 0.4 | 0.6 | 0.7 |
| 3.5.2. | (local) duties on use of agriculture land | | 0.1 | 0.5 | 2.7 | 1.7 | 1.9 | 1.8 | 2.9 |
| 3.5.3. | (local) charges for the use of building ground | | 2.8 | 5.8 | 7.3 | 8.1 | 11.0 | 15.4 | 20.6 |
| 3.6. | Stamp, registration and similar duties - total | | 1.7 | 2.6 | 2.6 | 2.1 | 3.5 | 4.5 | 5.3 |
| 3.6.1. | (local) administrative fees | | 1.5 | 2.1 | 1.7 | 0.6 | 0.0 | 0.0 | 0.0 |
| 3.6.2. | (local) tourist fees | | 0.2 | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 | 0.6 |
| 3.6.3. | (local) communal fees | | 0.0 | 0.2 | 0.4 | 1.1 | 3.0 | 4.0 | 4.7 |
| 3.6.4. | other (general government) administrative fees | | | | | | | | |
| 3.6.5. | motor vehicle registration duties households | | | | | | | | |
| 3.6.6. | motor vehicle registration duties - enterprises | | | | | | | | |
| 3.6.7. | Other motor vehicle registration duties (nonresidents) | | | | | | | | |
| 3.6.8. | tax on banks and insurance companies | | | | | | | | |
| 3.7. | Other taxes linked to production and imports - total | | 0.4 | 0.6 | 0.6 | 2.9 | 3.4 | 4.1 | 5.2 |
| 3.7.1. | environment tax | | | | | | | | |
| 3.7.2. | tolls on highways | | | | | | | | |

| | | | | | | | | | |
|-----------|--|--|------------|------------|------------|------------|------------|------------|------------|
| 3.7.3. | charges for water works | | | | | | | | |
| 3.7.4. | (local) taxes on use of goods | | 0.4 | 0.6 | 0.6 | 2.9 | 3.4 | 4.1 | 5.2 |
| 3.7.5. | tax on payroll/wages | | | | | | | | |
| 4. | Actual social contributions | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4.1. | Employers' actual social contributions (consolidated) | | | | | | | | |
| 4.2. | Employees' actual social contributions | | | | | | | | |
| 4.3. | Social contributions by self-employed and non-employed persons | | | | | | | | |

IV. REVENUES ASSIGNED TO ECONOMIC FUNCTIONS

The basis of this classification is the (empirical) fact that factor costs do influence the economic decisions of market participants. Effective for economic choices is the actual level of costs and even more so the expectation of the rising or falling of the relative costs of the alternatives in the foreseeable future.

Taxes that become due when a unit of a factor of production is deployed or a unit of goods or services is consumed do constitute part of the factor costs and hence do influence the economic choices: they may act as incentives and disincentives for the deployment of the different factors¹. Indeed recommendations with respect to tax shifts have been made based on this principle of incentives and disincentives: A reduction of a high load of levies on labour, compensated by an increased taxation of natural resources and environmental goods is seen as an incentive for employment of labour and a disincentive for environmentally harmful activities; cf. the recommendations of the White Paper and the present tax reform in several Member States.

While these general considerations seem plausible enough, only in the last few years scientific efforts have been made to classify all statutory levies (i.e. all taxes, social security contributions and other unrequited compulsory payments to general government) according to economic functions, in particular according to production factors and consumption.

This classification stands in contrast to the traditional classification of taxes into fiscal categories like direct/indirect or income/wealth etc. Hence a universal methodology allowing each tax in any country to be uniquely ascribed to these economic categories is still under development.

IV.1. Construction of a Key for the Assignment of Revenues to Economic Functions

A desirable goal of such efforts is a breakdown of all taxes into the two main categories

- Taxes on Consumption

and

- Taxes & Contributions on Factors of Production.

A residual covers taxes on transfers and taxes not allocable to either of the two categories given above.

According to the disaggregation proposed in "*Structures of the Taxation Systems in the European Union*" taxes on factors of production consist of

- Taxes & contributions on Employed Labour, aggregated as "Levies on Employed Labour".

¹ The registration of the time development of factor taxation in a given economy may, when combined with national accounts data, allow even a quantification of the elasticities of factor deployment with respect to factor taxation. Let t_i be the effective rate of tax n_i and D_j a measure of the deployment of the economic factor n_j in the period after a change of t_i , then $d \ln D_j / d \ln t_i =: e_{ji}$ is the elasticity of factor j with respect to tax i . If e_{ji} , measured or inferred from the declared intentions of the relevant economic actors, is significantly negative, then a decrease of the rate t_i can be considered a tax incentive for the deployment of the factor j .

If it is true that relative factor costs do have an impact on relative factor deployment, then an estimate of the dominant negative elasticities may serve for the formulation of an economically rational tax policy.

- Taxes & contributions on self-employed labour, on entrepreneurial activities, on income from capital and property, on capital gains, on wealth, on ownership of land and buildings, on the transfer of property, on inheritances and gifts, aggregated as 'Levies on Capital & Business' (incl. self-employed labour).

All items in the ESA class 3 'Taxes Linked to Production and Imports' which have not been listed under one of these two categories are - from the point of view of economic function - to be classified as taxes either on final consumption (such as VAT, most of excise duties, large parts of import duties) or on intermediate consumption (such as taxes on energy for commercial use). Even though taxes on intermediate consumption might also be allotted to 'Levies on Capital & Business', this report follows the convention used in "*Structures of the Taxation Systems in the European Union*" and hence aggregates such taxes, duties and fees into one group 'Levies on Consumption'.

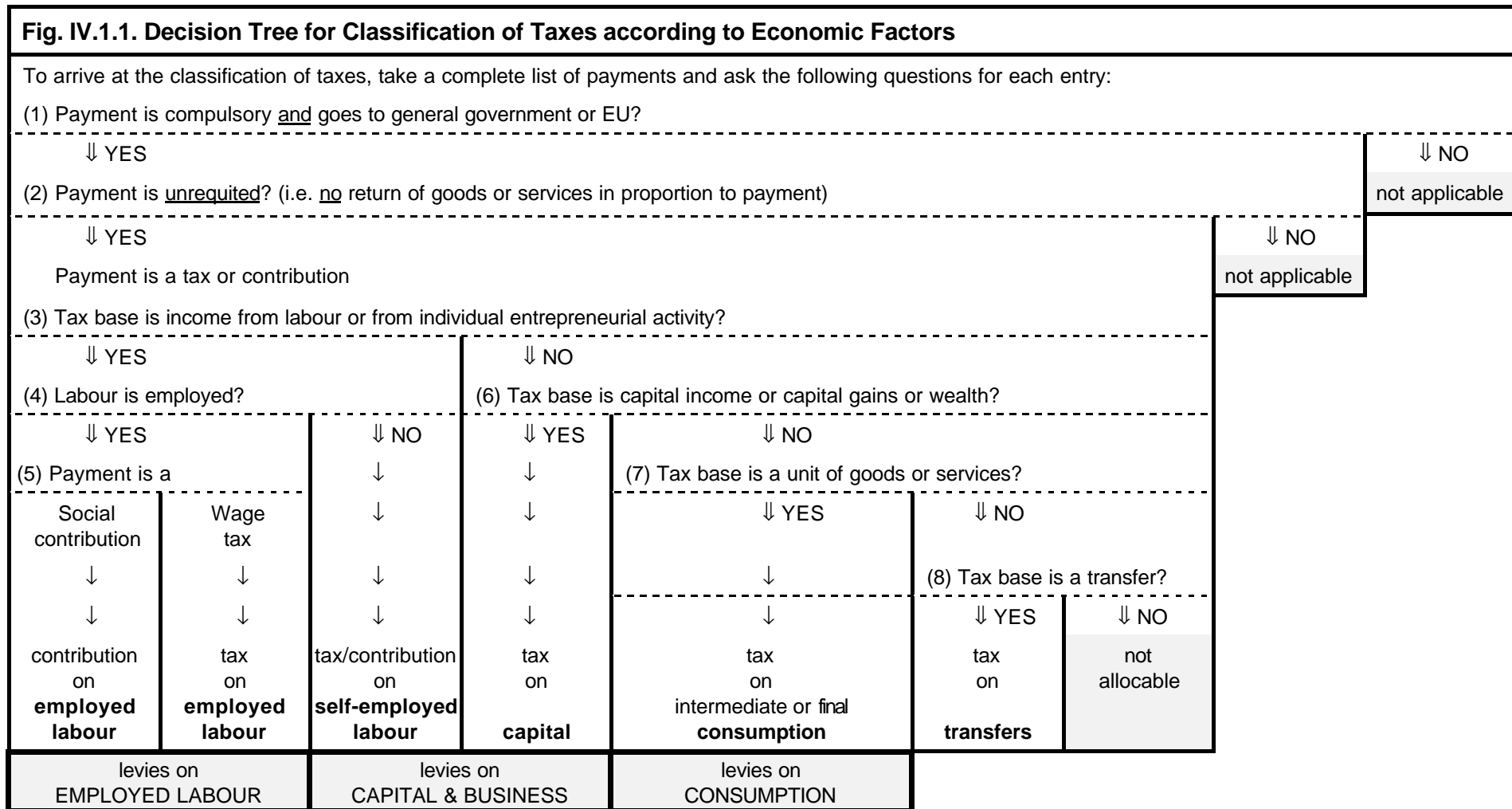
It should be emphasized that this assignment of taxes to factors applied here to the accession states is based on the decision orientation sketched above; as a rule this assignment differs both from the criterion of 'primary incidence' and of 'final resting place'. Example: ESA category '4.2: Employers' social contributions' has its primary incidence at the employer and its final resting place at the consumer of goods and services provided by the employer. In the classification used here it is assigned to 'employed labour', because a reduction of the rate decreases the cost of labour for the employer and hence is seen as an incentive for labour employment.

An operational approach to the classification of all statutory levies according to economic functions as defined in "*Structures of the Taxation Systems in the European Union*" is indicated in the decision tree presented below in fig. IV.1.1.

This procedure yields the three main categories used for the assignment:

- levies on employed labour,
- levies on capital & business,
- levies on intermediate and final consumption,

and the residual, made up of taxes on transfers and of unallocable levies.



In practice the precise and unambiguous assignment of revenues to one of these categories and subcategories may pose some problems; example: the correct split of individual income tax into the share to be assigned to employed labour, to self-employed labour, to individual income from capital and to transfers.

In the EU Member States this task has been carried out on the basis of coefficients either given by the respective Ministries of Finance / National Statistical Offices or estimated with the use of additional information from tax surveys, national accounts etc.

National tax statistics in some of the countries covered by this report do in fact display such a breakdown or at least proxies for the precise categorization. Nevertheless for all countries covered by this report the final allotment has been decided upon through questionnaires that have been sent to the respective national Finance Ministries. All data and assignments used in this report have been checked again by them.

As an example we present the questionnaire for the break-down of taxes on income of individuals for Hungary.

| Fig. IV.1.2. Questionnaire for the Break-down of Taxes on Income of Individuals - Example Hungary | | | | | |
|--|-------------------------------------|----------------------------------|---------------------------------------|--|---------------------|
| | | A. tax on <u>employed</u> labour | B. tax on <u>self-employed</u> labour | C. tax on personal income from capital | D. tax on transfers |
| 1.1. | Individual income and profits tax | ? .. % | ? .. % | ? .. % | ? .. % |
| 1.1a. | Dividend withholding | - | - | 100 % | - |
| 1.1b. | Interest withholding | - | - | 100 % | - |
| 1.1c. | Individual capital gains tax | - | - | 100 % | - |
| 1.2. | Corporate income tax | - | - | - | - |
| 1.3. | (local) communal tax on enterprises | - ? | ? .. % | ? .. % | - |
| 1.4. | Research and development fund levy | - ? | ? .. % | ? .. % | - |
| 1.5. | (local) rehabilitation contribution | ? .. % | ? .. % | ? .. % | - |
| 1.6. | (local) training levy | ? .. % | ? .. % | ? .. % | - |
| 1.7. | (local) wage guarantee contribution | ? .. % | - ? | - % | - |
| 1.8. | Gambling tax | - | - | 100 % | - |

As a result the final report presents the economic classification of tax revenues in the Eurostat format to the best knowledge of the responsible officials in the respective countries.

In addition to this complete disaggregation into mutually exclusive categories, the report - following the 'Structures of the Taxation Systems in the European Union' - presents two 'of which' categories:

- Taxes on Energy and
- Taxes on Environment, aggregated from 'Taxes on Transport' (excl. fuels), 'Taxes on Resources' (excl. energy) and 'Taxes on Pollution'.

These two categories have been extracted from the taxes on consumption and are displayed in the second last column of the 'Country Specific Assignment Keys' given in sec. IV.3 below.

IV.2. Allotment Problems and Borderline Cases

From a theoretical point of view the allotment of each tax to one economic factor leaves some grey areas where an unambiguous assignment is up to question. A detailed discussion of such problems is given in §§ 31 to 34 of ATW's 1997 study for the EU "*More Jobs, Less Tax Evasion, Cleaner Environment*"; in its most recent 1999 version the material is on file at <http://home.t-online.de/home/jarass>.

Examples of borderline cases are:

- (1) Contributions, leading to social benefits, which may, in some countries, not comply with all criteria for a levy:
 - They may be payable to funds that are government controlled, but not institutions of general government.
 - They may contain a share that is not completely unrequited, as it leads to a predictable future return in proportion to the contributions made; nevertheless this share has been included in the numbers given in the tables of this report, even though they could also have been excluded from social contributions just like the payments to private pension funds.
- (2) Another case in question are excise duties on materials that are used for production (like natural gas for the production of synthetics or fuels for commercial traffic) which might be assigned to 'Levies on Capital & Business', but in this report, in agreement with "*Structures of the Taxation Systems in the European Union*", are assigned to taxes on intermediate consumption.
- (3) Likewise customs duties on materials used for production (like ores) might be assigned to the category 'Levies on Capital & Business'; instead here all customs duties are allotted to the category 'intermediate and final consumption'.

Thus for this report all borderline questions are resolved by strictly following the practice used for the Member States in accordance with "*Structures of the Taxation Systems in the European Union*". They are based on the ESA-assignments of the 'Tables of Revenues' given above in sec. III and on the precise definitions of each tax given in the respective 'Inventory of Taxes' for each country, cf. annex. Where necessary, additional informations have been obtained by tax officials in the respective countries.

IV.3. Country Specific Assignment Keys

The procedure described in the last section combined with the answers to the questionnaires concerning the split, mostly of individual income tax (cf. sec. IV.1 above) allows to construct the following assignment keys:

For each tax listed in the given country's 'Table of Revenues' the shares (between 0.00 and 1.00) are given by which it should be assigned to one of the categories given as the 6 columns:

- (1) Employed Labour
- (2) Capital & Business, subdivided into
 - (2a) self-employed labour
 - (2b) individual income from capital
- (3) Consumption, subdivided into
 - (3a) intermediate consumption
 - (3b) final consumption

If an appreciable share of a tax on the 'intermediate and final consumption' falls to 'intermediate consumption', a factor of 0.5 has been ascribed to the two subcategories 'intermediate' and 'final' each.

- (4) Transfers

A further qualification of category '(2b) individual income from capital' and of 'environmental taxes' is given in the last two columns. For a detailed discussion of 'environmental taxes' see ATW's 1996 study for the EU/Eurostat "*Manual: Statistics on Environmental Taxes*"; in its most recent 1999 version the material is on file at <http://home.t-online.de/home/jarass>.

Example for calculation of total taxes & contributions on labour in 1998 for Estonia: Take 'Table III.1.1. Revenues - Estonia, General Government', multiply each figure there with the share given in column (1) of table IV.3.1. in the same line and add up.

| Table IV.3.1. Key for the Assignment of Revenues - ESTONIA | | | | | | | | | |
|--|---|---------------------------|-----------------------|---------|---------------|-------|------------|--------------------------|------------------------|
| | | (1) | (2a) | (2b) | (3a) | (3b) | (4) | | |
| | | Compensation of Employees | Operating Surplus | | Consumption | | Trans-fers | further qualification | |
| Taxes | General Government (S60) | Em-ployed labour | Self-em-ployed labour | Capital | Intermediat e | Final | | of (2b) taxes on capital | of environmental taxes |
| 1 | Current taxes on income and wealth - Total | | | | | | | | |
| 1.1. | personal income tax | 0.93 | 0.015 | 0.055 | | | | shares& savings | |
| 1.2. | corporate income tax | | | 1 | | | | income& profit | |
| 2 | Capital taxes - Total | | | | | | | | |
| 3 | Taxes linked to production and imports - Total | | | | | | | | |
| 3.1. | VAT and general turnover taxes - Total | | | | | | | | |
| 3.1.1. | VAT on domestic goods | | | | | 1 | | | |
| 3.1.2. | VAT on imported goods | | | | | 1 | | | |
| 3.2. | Import duties and agricultural levies - Total | | | | | | | | |
| 3.2.1. | customs duty | | | | 0.5 | 0.5 | | | |
| 3.3. | Excise duties - Total | | | | | | | | |
| 3.3.1. | excise on alcohol | | | | 1 | | | | |
| 3.3.2. | excise on tobacco | | | | 1 | | | | |
| 3.3.3. | excise on fur | | | | 1 | | | | |
| 3.3.4. | excise on motor fuel | | | | 0.5 | 0.5 | | | transport |
| 3.3.5. | excise on motor vehicle | | | | 0.5 | 0.5 | | | transport |
| 3.3.6. | excise on package | | | | | 1 | | | pollution |
| 3.4. | Taxes on services - Total | | | | | | | | |
| 3.4.1. | gambling tax | | | | | 1 | | | |
| 3.5. | Taxes on ownership of land and buildings - Total | | | | | | | | |
| 3.5.1. | land tax | | | 1 | | | | real estate | |
| 3.5.2. | natural resource tax | | | 1 | | | | real estate | resource |
| 3.5.3. | forestry tax | | | 1 | | | | real estate | resource |
| 3.6. | Stamp, registration and similar duties - Total | | | | | | | | |
| 3.6.1. | State duty | | | 1 | | | | licensies & duties | |
| 3.7. | Other taxes linked to production and imports - Total | | | | | | | | |
| 3.7.1. | local taxes | | | 1 | | | | other | |
| 3.7.2. | fin es | | | 1 | | | | other | |
| 3.7.3. | pollution fee | | | | | 1 | | | pollution |
| 3.7.4. | revenue from exploitation of air-space and aquatory | | | | | 1 | | | resource |
| 4 | Actual social contributions | | | | | | | | |
| 4.1. | Employers' actual social contributions | 1 | | | | | | | |

| | | | | | | | | | |
|------|--|---|---|--|--|--|--|--|--|
| 4.2. | Employees' actual social contributions | 1 | | | | | | | |
| 4.3. | Social contributions by self-employed and non-employed persons | | 1 | | | | | | |

Remarks:

(1) Line 1.1. personal income tax:

The split of personal income tax is acc. to Estonian Finance Ministry. Values are based on average data for the period '96 to '98: In 1997 taxes on employed labour were 4852 Mio Kroons from total personal income tax of 5240, in 1998 it was 5865 from total 6239; the Finance Ministry agrees to approximate at 93 %. Taxes on self employed were in 1996 40.4 Mio Kroons from total 4354 personal income tax, in 1997 58.7 from 5240, in 1998 99.9 from 6239; approximately 1.5 %.

(2) Columns (3a) and (3b):

If an appreciable share of a tax on the 'intermediate and final consumption' falls to 'intermediate consumption' a factor of 0.5 has been ascribed to the two subcategories 'intermediate' and 'final' each.

Table IV.3.2. Key for the Assignment of Revenues - POLAND

| | | (1) | (2a) | (2b) | (3a) | (3b) | (4) | | |
|-------------|---|---------------------------|----------------------|---------|--------------|-------|-----------|--------------------------|------------------------|
| | | Compensation of Employees | Operating Surplus | | Consumption | | Transfers | further qualification | |
| Taxes | General Government (S60) | Employed labour | Self-employed labour | Capital | Intermediate | Final | | of (2b) taxes on capital | of environmental taxes |
| 0. | Taxes and social contributions | | | | | | | | |
| 0.1. | Total tax receipts | | | | | | | | |
| 1. | Current taxes on income and wealth - Total | | | | | | | | |
| 1.1. | individual income tax | 0.58 | 0.21 | 0.02 | | | 0.19 | | |
| 1.1.1. | individual income tax | | | | | | | shares& savings | |
| 1.1.2. | individual income tax - local | | | | | | | shares& savings | |
| 1.1.3. | presumptive income tax - local | | | | | | | shares& savings | |
| 1.1.4. | income equalization tax | | | | | | | shares& savings | |
| 1.1.5. | income equalization tax - local | | | | | | | shares& savings | |
| 1.2. | corporation tax | | | | | | | | |
| 1.2.1. | income from legal entities | | | 1 | | | | income/p rofit | |
| 1.2.2. | income from legal entities - local | | | 1 | | | | income/p rofit | |
| 2. | Non-current taxes on income and wealth (capital taxes) - total | | | | | | | | |
| 2.1. | inheritance and gift tax - local | | | 1 | | | | wealth | |
| 3. | Taxes linked to production and imports - Total | | | | | | | | |
| 3.1. | VAT and general turnover taxes - Total | | | | | | | | |
| 3.1.1. | VAT on goods and services | | | | | 1 | | | |
| 3.1.2. | VAT on imported goods | | | | | 1 | | | |
| 3.1.3. | previous turn over tax | | | | | 1 | | | |
| 3.2. | Import duties and agricultural levies - Total | | | | | | | | |
| 3.2.1. | customs duties | | | | 0.5 | 0.5 | | | |
| 3.2.2. | import tax | | | | 0.5 | 0.5 | | | |
| 3.2.3. | compensatory fees on agricultural imports | | | | 0.5 | 0.5 | | | |
| 3.3. | Excise duties - Total | | | | | | | | |
| 3.3.1. | on domestic spirits | | | | | 1 | | | |
| | on imported spirits | | | | | 1 | | | |
| 3.3.2. | on domestic fuels | | | | 0.5 | 0.5 | | | energy |
| | on imported fuels | | | | 0.5 | 0.5 | | | energy |
| 3.3.3. | on domestic tobacco | | | | | 1 | | | |
| | on imported tobacco | | | | | 1 | | | |
| 3.3.4. | on domestic beer | | | | | 1 | | | |
| | on imported beer | | | | | 1 | | | |
| 3.3.5. | on domestic wine | | | | | 1 | | | |

| | | | | | | | | | |
|-------------|---|-------------|-------------|---|--|---|--|-----------------|-----------|
| | on imported wine | | | | | 1 | | | |
| 3.3.6. | on domestic other products | | | | | 1 | | | |
| | on imported other products | | | | | 1 | | | |
| 3.4. | Taxes on services - Total | | | | | | | | |
| 3.4.1. | gambling tax | | | | | 1 | | | |
| 3.5. | Taxes on ownership of land and buildings - Total | | | | | | | | |
| 3.5.1. | agricultural property tax - local (Fn4) | | | 1 | | | | real estate | |
| 3.5.2. | forest property tax - local | | | 1 | | | | real estate | |
| 3.5.3. | real estate property tax - local | | | 1 | | | | real estate | |
| 3.6. | Stamp, registration and similar duties - Total | | | | | | | | |
| 3.6.1. | tax on means of transportation - local | | | | | 1 | | | transport |
| 3.7. | Other taxes linked to production and imports - Total | | | | | | | | |
| 3.7.1. | local fees | | | 1 | | | | license& duties | |
| 3.7.2. | abolished taxes | | | 1 | | | | other | |
| 3.7.3. | abolished taxes - local | | | 1 | | | | other | |
| 3.7.4. | tax on wages | 1 | | | | | | | |
| 3.7.5. | tax on wages - local | 1 | | | | | | | |
| 3.7.6. | tax on salaries | 1 | | | | | | | |
| 3.7.7. | tax on salaries - local | 1 | | | | | | | |
| 3.7.8. | rehabilitation fund contribution | 1 | | | | | | | |
| 3.7.9. | employment fund contribution | 1 | | | | | | | |
| 3.7.10. | penalties for excessive payroll increases | 1 | | | | | | | |
| 3.7.11. | excessive wage tax | 1 | | | | | | | |
| 4. | Actual social contributions | 0.73 | 0.27 | | | | | | |
| 4.1. | Employers' actual social contributions | | | | | | | | |
| 4.1.1. | to soc. insur. fund, labour fund and farmers ins.fund | | | | | | | | |
| 4.2. | Employees' actual social contributions | | | | | | | | |
| 4.2.1. | to soc. insur. fund, labour fund and farmers ins.fund | | | | | | | | |
| 4.3. | Social contributions by self-employed and non-employed persons | | | | | | | | |
| 4.3.1. | to soc. insur. fund, labour fund and farmers ins.fund | | | | | | | | |

Remarks:

(1) Line 1.1. Individual income tax:

The split of individual income tax is based on data from the Polish Finance Minister, email of Jan 20, 2000. A detailed list of taxpayers acc. to income source and with respect to source of income has been supplied (this list is shown in the EXCEL sheet, Poland, in the file key. The detailed calculations are also shown in this file. Values are based on average data for the period '97 to '98.

The share of self-employed is high because acc. to Eurostat 10.9 Mio persons have been employed and 4.3 Mio persons have been self-employed in 1997.

The share of transfers is high because pensions are taxed as ordinary income without any exemptions and the respective taxes are listed separately in the Polish data. Unfortunately all other countries were not able to deliver separate tax data for taxation of pensions.

(2) Columns (3a) and (3b) consumption:

If an appreciable share of a tax on the 'intermediate and final consumption' falls to 'intermediate consumption' a factor of 0.5 has been ascribed to the two subcategories 'intermediate' and 'final' each.

(3) Line 4. Social contributions

The Polish authorities could not supply data for disaggregation of line 4. Actual social contributions into lines 4.1, 4.2 and 4.3. To produce a first estimate for the orders of magnitude of the respective fractions of contributions the following split has been applied:

Employers' and employees' social contributions on the one side and social contributions by self-employed and non-employed persons on the other side have been split according to the '98 fraction of individual income tax: 0.58 and 0.21, see table V.2, line 1.1.1. This results in shares of 73 % ($=0.58/(0.58+0.21)$) and 27 % respectively; see also remark below table III.2.1.

Table IV.3.3. Key for the Assignment of Revenues - HUNGARY

| | | (1) | (2a) | (2b) | (3a) | (3b) | (4) | | |
|-------------|---|---------------------------|----------------------|---------|--------------|-------|-----------|--------------------------|------------------------|
| | | Compensation of Employees | Operating Surplus | | Consumption | | Transfers | further qualification | |
| Taxes | General Government (S60) | Employed labour | Self-employed labour | Capital | Intermediate | Final | | of (2b) taxes on capital | of environmental taxes |
| 0 | Taxes and social contributions | | | | | | | | |
| 0.1. | Total tax receipts | | | | | | | | |
| 1 | Current taxes on income and wealth - total | | | | | | | | |
| 1.1. | individual income tax | | | | | | | | |
| 1.1.1. | personal income tax | 0.8 | 0.15 | 0.05 | | | | 0 shares & savings | |
| 1.1.2. | of which: interest withholding tax | | | 1 | | | | | |
| 1.2. | corporation tax | | | | | | | | |
| 1.2.1. | corporate income tax | | | 1 | | | | | |
| 1.3. | other taxes on income and wealth | | | | | | | | |
| 1.3.1. | previous research and development contribution | | | 1 | | | | profit | |
| 1.3.2. | previous profit tax on shares in state property | | | 1 | | | | profit | |
| 2 | Non-current taxes on income and wealth (capital taxes) - total | | | | | | | | |
| 2.1. | duty on inheritance | | | 1 | | | | wealth | |
| 2.2. | duty on gifts | | | 1 | | | | wealth | |
| 3 | Taxes linked to production and imports - total | | | | | | | | |
| 3.1. | VAT and general turnover taxes - total | | | | | | | | |
| 3.1.1. | value added tax | | | | | 1 | | | |
| 3.1.2. | local business tax | | | 1 | | | | other | |
| 3.2. | Import duties and agricultural levies - total | | | | | | | | |
| 3.2.1. | customs duties | | | | 0.5 | 0.5 | | | |
| 3.2.2. | previous differential producer's turnover tax | | | 1 | | | | other | |
| 3.3. | Excise duties | | | | | | | | |
| 3.3.1. | consumption tax on coffee | | | | | 1 | | | |
| 3.3.2. | excise duty on alcohol products | | | | | 1 | | | |
| 3.3.3. | excise duty on tobacco products | | | | | 1 | | | |
| 3.3.4. | excise duty on petrol | | | | 0.5 | 0.5 | | | energy |
| 3.3.5. | excise duty on diesel | | | | 0.5 | 0.5 | | | energy |
| 3.3.6. | excise duty on other oil products | | | | 0.5 | 0.5 | | | energy |
| 3.3.7. | other consumption taxes | | | | | 1 | | | |
| 3.3.8. | contract distillation spirits tax | | | | | 1 | | | |
| 3.3.9. | previous road fund contribution | | | | 0.5 | 0.5 | | | transport |
| 3.4. | Taxes on services - total | | | | | | | | |

| | | | | | | | | | |
|---------------|---|---|--|---|--|---|--|---------------------|------------|
| 3.4.1. | local tourism tax on staying | | | | | 1 | | | |
| 3.4.2. | tourism contribution | | | 1 | | | | profit | |
| 3.4.3. | cultural contribution | | | 1 | | | | profit | |
| 3.4.4. | gambling tax | | | 1 | | | | profit | |
| 3.5. | Taxes on ownership of land and buildings - total | | | | | | | | |
| 3.5.1. | land parcel tax | | | 1 | | | | real estat | resourc e |
| 3.5.2. | building tax | | | 1 | | | | real estat | |
| 3.5.3. | local tourism tax on buildings | | | 1 | | | | real estat | |
| 3.5.4. | land protection contribution | | | 1 | | | | real estat | resourc e |
| 3.5.5. | communal tax payable by private individuals | | | 1 | | | | real estat | |
| 3.5.6. | previous land tax | | | 1 | | | | real estat | |
| 3.5.7. | previous building taxes | | | 1 | | | | real estat | |
| 3.6. | Stamp, registration and similar duties - total | | | | | | | | |
| 3.6.1. | duty on onerous transfer of property | | | 1 | | | | real estat | |
| 3.6.2. | motor vehicle tax | | | | | 1 | | | transpor t |
| 3.7. | Other taxes linked to production and imports - total | | | | | | | | |
| 3.7.1. | breeding contribution | | | 1 | | | | operat. a busines s | resourc e |
| 3.7.2. | fishing development contribution | | | 1 | | | | operat. a busines s | resourc e |
| 3.7.3. | game-preserving contribution | | | 1 | | | | operat. a busines s | resourc e |
| 3.7.4. | water resource contribution | | | 1 | | | | operat. a busines s | resourc e |
| 3.7.5. | forest maintenance contribution | | | 1 | | | | operat. a busines s | resourc e |
| 3.7.6. | environmental protection product charges | | | | | 1 | | operat. a busines s | resourc e |
| 3.7.7. | other taxes linked to environmental protection | | | | | 1 | | | |
| 3.7.7.1. | environmental protection fee | | | | | | | | pollution |
| 3.7.7.2. | air pollution levy | | | | | | | | pollution |
| 3.7.7.3. | water pollution levy | | | | | | | | pollution |
| 3.7.7.4. | toxic waste levy | | | | | | | | pollution |
| 3.7.7.5. | noise abatement levy | | | | | | | | pollution |
| 3.7.8. | communal tax payable by entrepreneurs | 1 | | | | | | | |
| 3.7.9. | rehabilitation contribution | 1 | | | | | | | |
| 3.7.10. | training levy | 1 | | | | | | | |
| 3.7.11. | previous wage guarantee contribution | 1 | | | | | | | |

| | | | | | | | | | |
|-------------|--|---|---|---|--|--|--|--|--|
| 3.7.12. | unallocable tax penalties; unallocable between class 1, 2 and 3 | | | 1 | | | | | |
| 4 | Actual social contributions | | | | | | | | |
| 4.1. | Employers' social security contributions | | | | | | | | |
| 4.1.1. | pensions | 1 | | | | | | | |
| 4.1.2. | health | 1 | | | | | | | |
| 4.1.3. | employers' contribution | 1 | | | | | | | |
| 4.2. | Employees' social security contributions | | | | | | | | |
| 4.2.1. | pensions | 1 | | | | | | | |
| 4.2.2. | health | 1 | | | | | | | |
| 4.2.3. | employee's contribution | 1 | | | | | | | |
| 4.3. | Social security contributions paid by others (self-employed & non-employed) | | | | | | | | |
| 4.3.1. | pensions | | 1 | | | | | | |
| 4.3.2. | health | | 1 | | | | | | |

Remarks:

(1) Line 1.1. Individual income tax:

Note: The split of personal income tax is acc. to Hungarian Finance Minister email of Dec 27, 99. We have used the average of values for 1996, 1997 and 1998.

(2) Columns (3a) and (3b) consumption:

If an appreciable share of a tax on the 'intermediate and final consumption' falls to 'intermediate consumption' a factor of 0.5 has been ascribed to the two subcategories 'intermediate' and 'final' each.

Table IV.3.4. Key for the Assignment of Revenues - CZECH REPUBLIC

| | | (1) | (2a) | (2b) | (3a) | (3b) | (4) | | |
|-------------|---|---------------------------|----------------------|---------|--------------|-------|-----------|--------------------------|------------------------|
| | | Compensation of Employees | Operating Surplus | | Consumption | | Transfers | further qualification | |
| Taxes | General Government (S60) | Employed labour | Self-employed labour | Capital | Intermediate | Final | | of (2b) taxes on capital | of environmental taxes |
| 1 | Current taxes on income and wealth - Total | | | | | | | | |
| 1.1. | personal income taxes - total | | | | | | | | |
| 1.1.1. | income tax of individuals | | 1 | | | | | | |
| 1.1.2. | wages and salaries withholding | 1 | | | | | | | |
| 1.1.3. | withheld on interest and dividends paid to individuals | | | 1 | | | | shares & savings | |
| 1.1.4. | previous individual income tax | | 1 | | | | | | |
| 1.2. | taxes on corporations - total | | | | | | | | |
| 1.2.1. | corporate income tax | | | 1 | | | | income/p profit | |
| 1.2.2. | withheld on interest and dividends paid to corporations | | | 1 | | | | income/p profit | |
| 1.2.3. | previous profit taxes on corporations | | | 1 | | | | income/p profit | |
| 2 | Non-recurrent taxes on income and wealth ('capital taxes') - total | | | | | | | | |
| 2.1. | inheritance tax | | | 1 | | | | wealth | |
| 2.2. | gift tax | | | 1 | | | | wealth | |
| 2.3. | levy on withdrawal of land from agriculture | | | 1 | | | | real estate | |
| 2.4. | levy on withdrawal of land from forestry | | | 1 | | | | real estate | |
| 3 | Taxes linked to production and imports - Total | | | | | | | | |
| 3.1. | VAT and general turnover taxes - Total | | | | | | | | |
| 3.1.1. | VAT | | | | | 1 | | | |
| 3.1.2. | previous turnover tax | | | | | 1 | | | |
| 3.2. | Import duties and agricultural levies - Total | | | | | | | | |
| 3.2.1. | customs duties | | | | 0.5 | 0.5 | | | |
| 3.2.2. | previous import surcharge | | | | 0.5 | 0.5 | | | |
| 3.3. | Excise duties - Total | | | | | | | | |
| 3.3.1. | on hydrocarbon fuels and lubricants | | | | 0.5 | 0.5 | | | energy |
| 3.3.2. | on alcohol and liquor | | | | | 1 | | | |
| 3.3.3. | on beer | | | | | 1 | | | |
| 3.3.4. | on wine | | | | | 1 | | | |
| 3.3.5. | on tobacco products | | | | | 1 | | | |
| 3.3.6. | Duty on CFC | | | | 1 | | | | pollution |
| 3.3.7. | restaurant sale of alcoholic beverages and tobacco products | | | | | 1 | | | |
| 3.4. | Taxes on services - Total | | | | | | | | |

Structures of the Tax Systems
IV. Revenues Assigned to Economic Functions

| | | | | | | | | | |
|-------------|--|---|---|---|-----|-----|--|---------------------------|-----------|
| 3.4.1. | fees on entry tickets | | | | | 1 | | | |
| 3.4.2. | resort and recreation fees on visitors | | | | | 1 | | | |
| 3.4.3. | fees on advertising facilities | | | | 1 | | | | |
| 3.4.4. | fees on operated gambling machines | | | 1 | | | | operat. a busines s | |
| 3.4.5. | fees on recreational units (based on capacity) | | | 1 | | | | operat. a busines s | |
| 3.5. | Taxes on ownership of land and buildings - Total | | | | | | | | |
| 3.5.1. | real property tax | | | 1 | | | | real estate | |
| 3.6. | Stamp, registration and similar duties - Total | | | | | | | | |
| 3.6.1. | highway fee (beginning in 1995) | | | | 0.5 | 0.5 | | | transport |
| 3.6.2. | motor vehicle entry fees | | | | 0.5 | 0.5 | | | transport |
| 3.6.3. | tax on use of public space | | | | 1 | | | | resources |
| 3.6.4. | previous notary fees | | | 1 | | | | real estate | |
| 3.6.5. | misc. license and permit fees | | | 1 | | | | operat. a busines s | |
| 3.6.6. | real property transfer tax | | | 1 | | | | real estate | |
| 3.6.7. | dog fees | | | | | 1 | | | |
| 3.6.8. | lump sum commercial car tax (called road tax) | | | 1 | | | | real capital | |
| 3.6.9. | levy on temp. withdrawal of land from agriculture | | | 1 | | | | real estate | |
| 3.7. | Other taxes linked to production and imports - Total | | | | | | | | |
| 3.7.1. | water pollution fee | | | | 1 | | | | pollution |
| 3.7.2. | air pollution fee | | | | 1 | | | | pollution |
| 3.7.3. | waste deposit fee | | | | 1 | | | | pollution |
| 3.7.4. | unallocated previous taxes and levies | | | | 1 | | | | |
| 3.7.5. | previous payroll tax | 1 | | | | | | | |
| 4 | Actual social contributions | | | | | | | | |
| 4.1. | Employers' actual social contributions | 1 | | | | | | | |
| 4.2. | Employees' actual social contributions | 1 | | | | | | | |
| 4.3. | Social contributions by self-employed and non-employed persons | | 1 | | | | | | |

Remarks:

(1) Line 1.1. Individual income tax:

The split of taxes on individuals is acc. to email of Czech Finance Ministry of Nov 12, 1999. Values are based on average data for the period '96 to '98.

(2) Columns (3a) and (3b) consumption:

If an appreciable share of a tax on the 'intermediate and final consumption' falls to 'intermediate consumption' a factor of 0.5 has been ascribed to the two subcategories 'intermediate' and 'final' each.

| Table IV.3.5. Key for the Assignment of Revenues - SLOVENIA | | | | | | | | | |
|---|---|---------------------------|----------------------|---------|--------------|-------|-----------|-----------------------|------------------------|
| | | (1) | (2a) | (2b) | (3a) | (3b) | (4) | | |
| | | Compensation of Employees | Operating Surplus | | Consumption | | Transfers | further qualification | |
| Taxes | General Government (S60) | Employed labour | Self-employed labour | Capital | Intermediate | Final | | of (2b) | of environmental taxes |
| | | | | | | | | taxes on capital | |
| 0 | Taxes and social contributions | | | | | | | | |
| 0.1. | Total tax receipts | | | | | | | | |
| 1 | Current taxes on income and wealth - total | | | | | | | | |
| 1.1. | individual/personal income tax | 0.87 | 0.06 | 0.055 | | | 0.015 | shares & savings | |
| 1.2. | corporate income tax | | | 1 | | | | income/profit | |
| 2 | Non-current taxes on income and wealth ('capital taxes') - total | | | | | | | | |
| 2.1. | (local) inheritance and gift tax | | | 1 | | | | wealth | |
| 3 | Taxes linked to production and imports - total | | | | | | | | |
| 3.1. | VAT and general turnover taxes - total | | | | | | | | |
| 3.1.1. | VAT (sales tax till 7/99) | | | | | 1 | | | |
| 3.1.2. | (local) sales taxes on services | | | | | 1 | | | |
| 3.1.3. | (local) special sales tax on services | | | | | 1 | | | |
| 3.2. | Import duties and agricultural levies - total | | | | | | | | |
| 3.2.1. | customs duties and other import taxes | | | | 0.5 | 0.5 | | | |
| 3.3. | Excise duties - total | | | | | | | | |
| 3.3.1. | duties on petrol and mineral oils | | | | 0.5 | 0.5 | | | energy |
| 3.3.2. | cigarette and tobacco duty | | | | | 1 | | | |
| 3.3.3. | duty on alcohol drinks | | | | | 1 | | | |
| 3.4. | Taxes on services - total | | | | | | | | |
| 3.4.1. | (local) tax on lottery winnings | | | | | 1 | | | |
| 3.4.2. | (local) fees on gambling machines | | | 1 | | | | operat. a businesses | |
| 3.5. | Taxes on ownership of land and buildings - total | | | | | | | | |
| 3.5.1. | (local) taxes on property | | | 1 | | | | real estate | |
| 3.5.2. | (local) duties on use of agriculture land | | | 1 | | | | real estate | resources |
| 3.5.3. | (local) charges for the use of building ground | | | 1 | | | | real estate | resources |
| 3.6. | Stamp, registration and similar duties - total | | | | | | | | |
| 3.6.1. | (local) administrative fees | | | 1 | | | | operat. a businesses | |
| 3.6.2. | (local) tourist fees | | | 1 | | | | operat. a | |

| | | | | | | | | | |
|-------------|--|---|---|---|-----|-----|--|-----------------------|-----------|
| | | | | | | | | business | |
| 3.6.3. | (local) communal fees | | | 1 | | | | operat. a business | |
| 3.6.4. | other (general government) administrative fees | | | 1 | | | | operat. a business | |
| 3.6.5. | motor vehicle registration duties households | | | | | 1 | | | transport |
| 3.6.6. | motor vehicle registration duties - enterprises | | | 1 | | | | real capital | transport |
| 3.6.7. | Other motor vehicle registration duties (nonresidents) | | | 1 | | | | real capital | transport |
| 3.6.8. | tax on banks and insurance companies | | | 1 | | | | operat. a business | |
| 3.7. | Other taxes linked to production and imports - total | | | | | | | | |
| 3.7.1. | environment tax | | | | | 1 | | | pollution |
| 3.7.2. | tolls on highways | | | | 0.5 | 0.5 | | | transport |
| 3.7.3. | charges for water works | | | | 0.5 | 0.5 | | | resources |
| 3.7.4. | (local) taxes on use of goods | | | | | 1 | | | |
| 3.7.5. | tax on payroll/wages | 1 | | | | | | | |
| 4 | Actual social contributions | | | | | | | | |
| 4.1. | Employers' actual social contributions (consolidated) | 1 | | | | | | | |
| 4.2. | Employees' actual social contributions | 1 | | | | | | | |
| 4.3. | Social contributions by self-employed and non-employed persons | | 1 | | | | | | |

Remarks

(1) Line 1.1. Individual income tax:

The split of individual/personal income tax is acc. to Slovenian Finance Ministry, email of Jan 20, 2000 with a detailed listing of all subclasses of personal income tax. Values are based on average data for the period '96 to '98.

(2) Columns (3a) and (3b) consumption:

If an appreciable share of a tax on the 'intermediate and final consumption' falls to 'intermediate consumption' a factor of 0.5 has been ascribed to the two subcategories 'intermediate' and 'final' each.

IV.4. Factor Specific Taxation - Implicit Tax Rates

An implicit tax rate on an economic factor is defined as the ratio of the total tax revenue assigned to this factor divided by the total income (incl. all taxes) or cost (incl. all taxes) of this factor, expressed in percent.

However, since tax statistics do not furnish numbers for the value of the tax base, the calculation of implicit factor tax rates poses a systematic problem: while the numerator is taken from tax statistics, the denominator or a proxy for it has to be taken from National Accounts Statistics and other sources.

(1) The total sum of the base on which 'taxes on employed labour' and 'social contributions' are levied is obviously 'Compensation of employees'. Thus the implicit rate of taxes and social security contributions is defined as

$$\rho_{\text{LABOUR}} = \frac{\text{paid 'taxes \& social contributions on employed labour'}}{\text{'compensation of employees'}} * 100 [\%].$$

(2) The tax bases for the different taxes on self-employment, capital income (incl. capital gains) and on wealth are quite varied. However almost all of them tax (potential) net wealth increases (=capital income) which are due to self-employment or the deployment of capital. 'Net operating surplus' is the generally accepted proxy for this net wealth increase of the overall economy. Therefore the implicit tax rate on capital & business (incl. self-employed labour) can be defined as:

$$\rho_{\text{CAPITAL}} = \frac{\text{paid 'taxes on capital \& business (incl. self-employed labour)'}}{\text{'net operating surplus'}} * 100 [\%].$$

'Net operating surplus' equals 'gross operating surplus' minus 'consumption of fixed capital'. Gross operating surplus is the residual after subtracting compensation of employees from national income. The process of estimating values for consumption of fixed capital is difficult and not yet finished for Poland and Hungary, only for '95 and '96 for Czech Republic. It is therefore at present not possible to calculate implicit tax rates for 'capital and business' for all countries investigated.

(3) The implicit tax rate on final consumption is 'taxes on final consumption' per 'final consumption expenditure':

$$\rho_{\text{CONSUMPTION}} = \frac{\text{paid 'taxes on final consumption'}}{\text{'final consumption expenditure'}} * 100 [\%].$$

Final consumption expenditure

= private consumption expenditure

+ general government consumption expenditure of (police, armed forces, education etc.)

+ consumption expenditure of non-profit institutions serving householda
(education, health services etc.)

Consumption expenditure of general government and of non-profit institutions are mostly exempted from general consumer taxes like sales tax or VAT (around 2/3 of consumption taxes), but not from customs and excise taxes (around 1/3 of consumption taxes).

Using only private consumption expenditure (70% - 80 % of total consumption in the countries investigated) for the denominator would give the tax rate for that part of the consumption which is mainly taxed. But it would make the implicit tax rate on consumption dependent on the share of private consumption per total consumption.

Note: At present part of consumption taxes, mainly customs duties and excise duties on oil products, are charged on 'intermediate' consumption of producers. If an appreciable share of a tax on the 'intermediate and final consumption' falls to 'intermediate consumption' a factor of 0.5 has been ascribed to the two subcategories 'intermediate' and 'final' each in tables IV.3.x; see footnote (2) below tables IV.3.x. At the time being this share of taxes on intermediate consumption has been included in the total of 'taxes on final consumption' which leads to an overestimation of the implicit tax rate on final consumption.

IV.5. National Accounts Data

| Table IV.5.1. National Accounts Data - ESTONIA | | | | | | | | |
|---|-------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Summary | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| Mio of EEK | | | | | | | | |
| (1) Gross Domestic Product | | | 21,610 | 29,600 | 40,705 | 52,446 | 64,324 | 73,213 |
| (1a) Final National Consumption | | | | | | | | |
| (1b) Compensation of Employees | | | 11,384 | 16,968 | 23,146 | 27,910 | 33,392 | 36,885 |
| (1c) <u>Net</u> Operating Surplus | | | 4,716 | 5,026 | 7,452 | 11,551 | 14,001 | 17,149 |
| (2) Tax total | | | 8,125 | 11,721 | 15,829 | 19,766 | 24,736 | 27,500 |
| | | | | | | | | |
| EEK / ECU | | | 15.5 | 15.4 | 14.8 | 15.1 | 15.7 | 15.8 |

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 for implicit tax rates for 'capital and business' from 1995 onwards.

| Table IV.5.2. National Accounts Data - POLAND | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Summary | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| billion PLN | | | | | | | | |
| (1) Gross Domestic Product | | | 156 | 224 | 306 | 385 | 469 | 549 |
| (1a) Final National Consumption | | | 130 | 175 | 238 | 307 | 374 | 433 |
| (1b) Compensation of Employees | | | 69 | 93 | 128 | 167 | 207 | 239 |
| (1c) <u>Net</u> Operating Surplus | | | | | | | | |
| (2) Tax total | | | 66 | 91 | 122 | 153 | 183 | 208 |
| | | | | | | | | |
| PLN / ECU | | | 2.1 | 2.7 | 3.1 | 3.4 | 3.7 | 3.9 |

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 for the present impossible to calculate implicit tax rates for 'capital and business'.

| Table IV.5.3. National Accounts Data - HUNGARY | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Summary | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| billions of HUF | | | | | | | | | |
| (1) Gross Domestic Product | 2,498 | 2,943 | 3,548 | 4,365 | 5,614 | 6,894 | 8,541 | 10,075 | 11,420 |
| (1a) Final National Consumption | 2,012 | 2,478 | 3,131 | 3,679 | 4,342 | 5,120 | 6,198 | 7,342 | 8,433 |
| (1b) Compensation of Employees | 1,386 | 1,606 | 1,906 | 2,216 | 2,635 | 3,147 | 3,839 | 4,562 | 5,176 |
| (1c) Net Operating Surplus | | | | | | | | | |
| (2) Tax total | 1,167 | 1,354 | 1,669 | 1,939 | 2,380 | 2,797 | 3,336 | 3,924 | 4,409 |
| | | | | | | | | | |
| HUF / ECU | 92.7 | 102.1 | 107.7 | 124.8 | 162.7 | 191.2 | 210.9 | 241.0 | 253.7 |

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 for the present impossible to calculate implicit tax rates for 'capital and business'.

| Table IV.5.4. National Accounts Data - CZECH REPUBLIC | | | | | | | | |
|--|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Summary | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| billions of CZK | | | | | | | | |
| (1) Gross Domestic Product | | | 1,021 | 1,183 | 1,381 | 1,572 | 1,680 | 1,821 |
| (1a) Final National Consumption | | | 733 | 863 | 977 | 1,123 | 1,223 | 1,302 |
| (1b) Compensation of Employees | | | 465 | 553 | 650 | 766 | 819 | 871 |
| (1c) <u>Net</u> Operating Surplus | | | | | 330 | 361 | | |
| (2) Tax total | | | 438 | 489 | 553 | 615 | 648 | 697 |
| | | | | | | | | |
| CZK / ECU | | | 34.1 | 34.1 | 34.3 | 34.0 | 35.8 | 36.2 |

The Central Statistical Office of the Czech Republic has final numbers for 'consumption of fixed capital' only for the years 1995 and 1996. It is therefore at present only possible to calculate implicit tax rates for 'capital and business' for 1995 and 1996.

| Table IV.5.5. National Accounts Data - SLOVENIA | | | | | | | | |
|--|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Summary | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| billions of SIT | | | | | | | | |
| (1) Gross Domestic Product | | | 1,435 | 1,853 | 2,221 | 2,555 | 2,907 | 3,243 |
| (1a) Final National Consumption | | | 1,142 | 1,424 | 1,735 | 1,978 | 2,237 | 2,473 |
| (1b) Compensation of Employees | | | 862 | 1,074 | 1,272 | 1,400 | 1,559 | 1,697 |
| (1c) <u>Net</u> Operating Surplus | | | 36 | 128 | 182 | 229 | 300 | 392 |
| (2) Tax total | | | 610 | 784 | 922 | 1,039 | 1,165 | 1,316 |
| | | | | | | | | |
| SIT / ECU, end of year | | | 132.3 | 152.4 | 153.5 | 169.5 | 180.4 | 186.3 |

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 for implicit tax rates for 'capital and business' from 1995 onwards.

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.

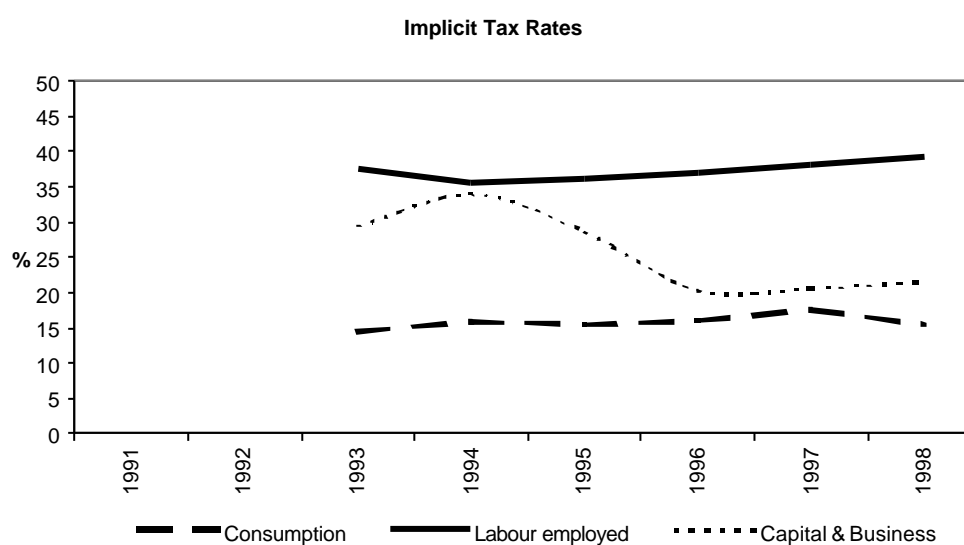
| Table V.1.1. Tax Structures - ESTONIA | | | | | | | | |
|--|------|------|------|------|------|------|------|------|
| Statutory Charges in SLOVENIA | | | | | | | | |
| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| A. Evolution and Structure as % of GDP | | | | | | | | |
| Indirect taxes | | 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

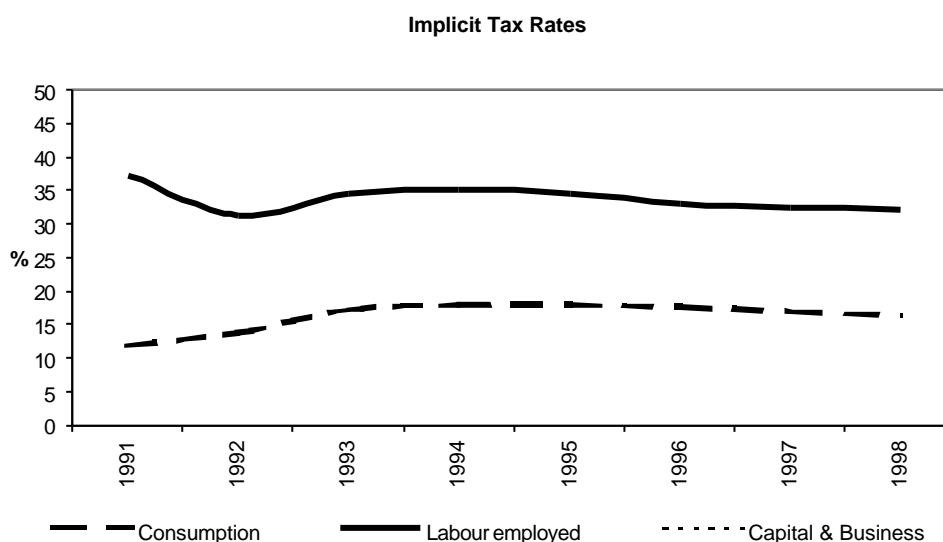


Table V.2.2. Tax Shares as % of Total Taxation - POLAND

| | | | | | | | | |
|-------------------|------|------|------|------|------|------|------|------|
| 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

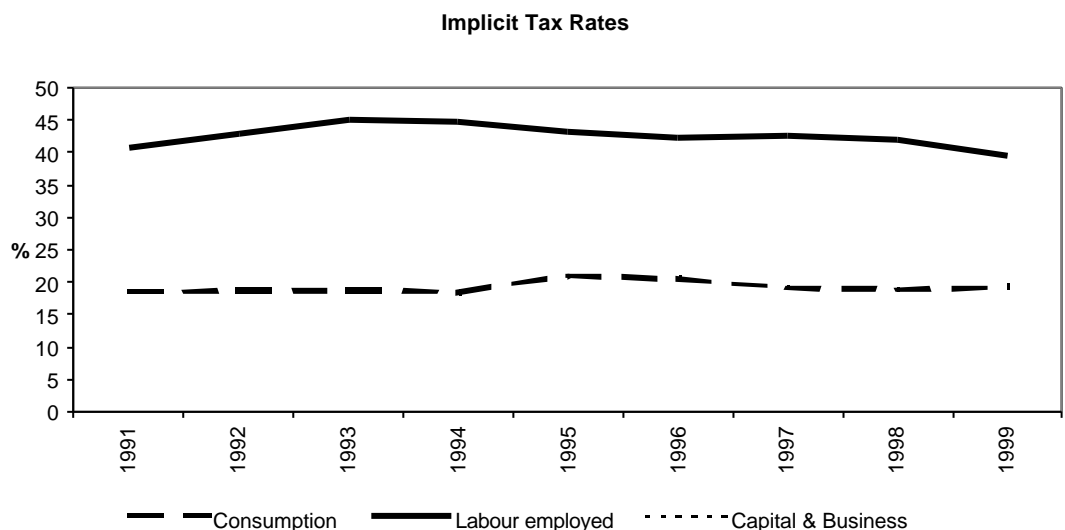
| Statutory Charges in HUNGARY | | | | | | | | | |
|--|------|------|------|------|------|------|------|------|------|
| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
| A. Evolution and Structure as % of GDP | | | | | | | | | |
| Indirect taxes | 17.2 | 17.9 | 18.9 | 17.9 | 18.4 | 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.

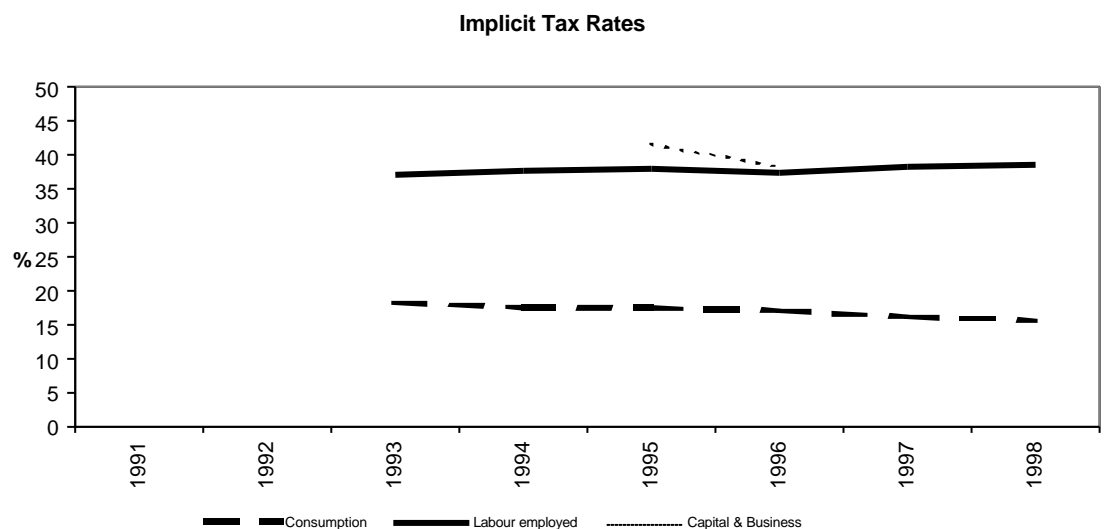
| Table V.4.1. Tax Structures - CZECH REPUBLIC | | | | | | | | |
|--|------|------|------|------|------|------|------|------|
| Statutory Charges in CZECH REPUBLIC | | | | | | | | |
| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| A. Evolution and Structure as % of GDP | | | | | | | | |
| 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

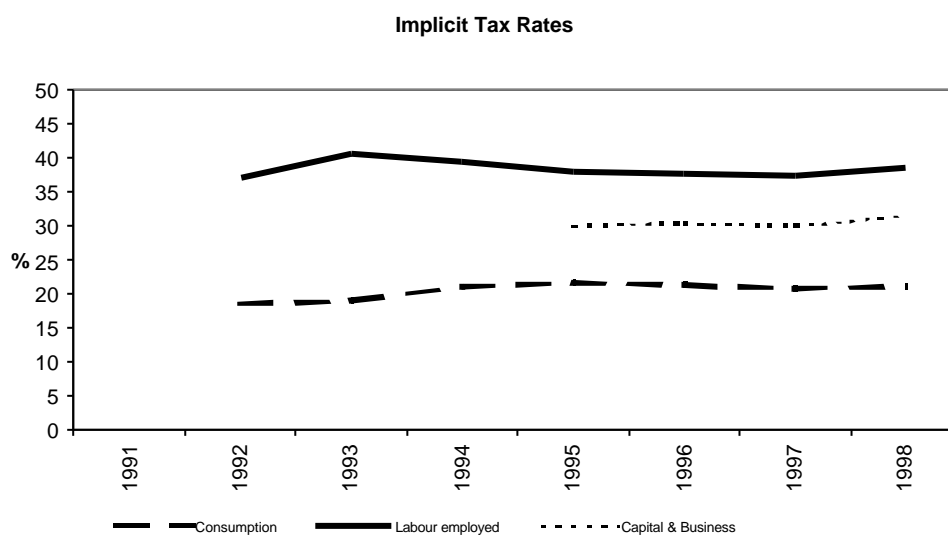


Table V.5.2. Tax Shares as % of Total Taxation - SLOVENIA

| 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.

ANNEX - INVENTORY OF TAXES

The publication "Inventory of Taxes Levied in the European Union" is published and updated regularly by the European Commission; most recently the updated version for Finland has been prepared in 1999.

This series of publications serves as the model for the description of all taxes in the accession states Estonia, Poland, Hungary, the Czech Republic and Slovenia.

The sequence of taxes in the inventories follows the ESA-classification in the four main categories:

- (1) Current taxes on income and wealth
- (2) Non-current taxes on income and wealth ('Capital taxes')
- (3) Taxes linked to production and imports
- (4) Actual social contributions

Following the ESA classification, category (3) Taxes linked to production and imports, is further disaggregated into

- (3.1) VAT and general turn-over taxes
- (3.2) Import duties and agricultural levies
- (3.3) Excise duties
- (3.4) Taxes on services
- (3.5) Taxes on ownership of land and buildings
- (3.6) Stamp, registration and similar duties
- (3.7) Other taxes linked to production and imports

(4) Actual social contributions

is split up into

- (4.1) Employers' social contributions
- (4.2) Employees' social contributions
- (4.3) By self-employed and non-employed persons

Thus, e.g. for Estonia, the taxes are listed in the following sequence:

- EST 1.1., EST 1.2. etc lists all current taxes on income and wealth (individual income tax, corporate income tax...) for Estonia, likewise PO 1.1. etc. for Poland.
- EST 2.1., EST 2.2 etc. lists capital taxes (inheritance and gift tax).
- EST 3.1.1., EST 3.1.2. lists VAT and general turnover taxes.
- EST 3.2.1., 3.2.2. etc. lists import duties and agricultural levies.
- EST 3.3.1., EST 3.3.2. etc. lists the various excise duties.
- EST 3.4.1., EST 3.4.2. etc. lists the taxes on services.
- EST 3.5.1., EST 3.5.2. etc. lists taxes on ownership of land and buildings
- EST 3.6.1, etc. lists stamp, registration and similar duties
- EST 3.7.1. etc. lists other taxes linked to production and imports.

Finally:

- EST 4.1.1., EST 4.1.2. etc. lists employers' social contributions

- EST 4.2.1., EST 4.2.2. etc. the social contributions of employees.
- EST 4.3.1., EST 4.3.2. etc. the social contributions of self-employed and non employed persons.

Within the description of each tax the individual features are described in the following standard order (as far as a category is not empty):

- legal base (Law Nr.... of 199..);
- beneficiary (central, regional, or local government, social security funds);
- tax payable by:
- basis of assessment;
- exemptions;
- deductions;
- special features;
- collection;
- rates.

Furthermore, as suggested in a meeting of the contractors with DG XXI in Brussels on Dec 6, 99, the time evolution of the tax system in the countries covered is displayed in the following way:

- The 'Inventory of Taxes' lists all taxes in force as of 1999.
- A list of decided and of planned changes from 2000 onwards.
- A list of taxes that have been abolished before 1999.

The 'Inventory of Taxes' for each of the five countries investigated is given in the following Annex 1 to Annex 5:

- A.1. Estonia,
- A.2. Poland,
- A.3. Hungary,
- A.4. Czech Republic,
- A.5. Slovenia.

Annex 1. Inventory of Taxes - Estonia

Annex 1.1. Taxes in Force as of 1999

EST°1.1.

National Tax on Individual Income

(TULUMAKS)

Legal base:

Income Tax Law (Law Nr. 263, passed on 8 December 1993 (State Gazette I 1993, 79, 1184); entered into force on 1 January 1994).

Latest amendment passed on 17 February 1999 (State Gazette I 1999, 27, 555), entered into force 01.07.1999.

Beneficiary:

Income tax of non-resident natural persons accrues into the state budget.

44% of the income tax of a resident natural person accrues into the state budget and 56% into the budget of the unit of local government of his/her place of residence.

Tax payable by:

Resident and non-resident individuals.

Basis of assessment:

All items of worldwide income including capital gains, unless exempt by law.

Exemptions:

The following items are not subject to individual income tax:

- domestic dividends (a final tax is levied at the distributing company at a gross-up rate of 26/74)
- interest received from a resident bank or financial institution
- capital gains resulting from the sale of the taxpayer's own dwelling used before as his permanent residence or restored to him through restitution of illegally expropriated property and similar items
- premiums paid to qualified annuity pension schemes and expenses to buy shares of resident pension funds, up to 15% of the income in the tax year
- pension payments from qualifying schemes are taxed at a lower rate of 10% by a final withholding
- fringe benefits: all benefits in kind like covering of (some) housing expenses, private use of company cars, loans at preferential rates, insurance premiums for non-compulsory insurance paid by the employer etc. are taxed at the employer, not the employee, at the standard flat rate of 26%
- State and state-approved scholarships
- compensation for business- and service-related travel expenses and business use of a private automobile, as well as payments made as compensation for other travel and accommodation costs permitted under law and per diem prescribed by law, in accordance with the order and rates prescribed by the Government of the Republic of Estonia

- certain insurance proceeds
- inheritances and gifts
- indemnification paid to an employee for work accidents in accordance with rates prescribed the Minister of Finance
- income from the sale of movable property in personal use of a natural person
- compensations prescribed by law or established by the Government of the Republic of Estonia
- amounts paid on the basis of law as tax exempt representation costs
- winnings of lotteries organized on the basis of an operating permit
- compensation paid under the State Compensation to Crime Victims Act

Deductions:

- interest for loans used for acquisition of residential housing for the tax payer's or his parent's or children's dwelling may be deducted from the taxable income.
- education expenses for the tax payer or for his children under 26 paid for studying in a public education institution, private licensed school or recognized foreign educational institution are deductible.
- donations to approved non-profit organizations and to state or municipality owned institutions with cultural, health, sports or educational purposes are deductible up to 5% of the taxpayer's net taxable income.
- personal allowance: a basic allowance of EEK 6000 per tax year (Government has decided to raise it to EEK 9600 per tax year since 01.2000).
- Alimony payments made by a maker of alimony payments during the period of taxation are deducted from his/her income.

Married couples:

In general each person is taxed separately, including children with own income. Resident spouses may file a joint income tax return.

Non-residents:

Non-resident individuals are taxed on their income from Estonian sources, mostly by way of withholding a final tax on gross payments at – in most cases – the rates levied for resident individuals. As a consequence non-residents are not obliged to file individual tax returns.

Collection:

The employer withholds the tax on employed income. Taxes on dividends, royalties and interest paid to non-residents and resident natural persons (except interest paid to natural persons by resident credit institutions and the Compensation Fund) are withheld at the source.

For other income, tax will be paid under the income tax return.

A natural person deriving income from entrepreneurship is obligated to make advance payments of income tax based on the return of the latest tax year.

Rates:

All taxable individual income is subject to a flat rate taxation of 26%.

Losses:

Losses incurred with respect to business income may be carried forward against future profits for 5 years. Losses fitting certain conditions (investments in underdeveloped regions of Estonia) may be carried forward against future profits for 7 years.

EST°1.2.

Corporate Income Tax

(TULUMAKS)

Legal base:

Income Tax Law (Law Nr. 263, passed on 8 December 1993 (State Gazette I 1993, 79, 1184); entered into force on 1 January 1994).

Latest amendment passed on 17 February 1999 (State Gazette I 1999, 27, 555), entered into force 01.07.1999.

Beneficiary:

Central government

Tax payable by:

All corporate entities such as

- resident joint stock companies and limited liability companies
- resident partnerships and cooperatives
- resident associations and foundations
- Estonian branches and permanent establishments of non-resident entities

Basis of assessment:

Annual worldwide income such as business income, interest, royalties and gains from the sale of property or rights.

Domestic dividend income of companies is taxed at the distributing entity; it is tax-exempt, but to be disclosed at the receiving entity.

Exemptions:

Domestic dividends, insurance benefits for damaged property.

Deductions:

All substantiated expenses directly related to the taxable income in the year. This includes interest and royalties, expenses for training of employees and expenses for the employment of disabled personnel.

Other expenses like donations to non-profit organizations and for public interest purposes are deductible up to a limit of 10% of the net taxable income.

Incentives:

In addition to usual depreciation, special immediate deductions for investments in underdeveloped regions of Estonia are in use.

Collection:

Monthly advance payments based on the income tax calculated in the income tax return for the previous period of taxation.

Rates:

The flat rate of income tax is 26%.

Losses:

Losses incurred with respect to business income may be carried forward against future profits for 5 years. Losses fitting certain conditions (investments in underdeveloped regions of Estonia) may be carried forward against future profits for 7 years.

EST° 3.1.

Value Added Tax

(KÄIBEMAKS)

Legal base:

Value Added Tax Act (Law Nr. 203, passed on 25 August 1993 (State Gazette I 1993, 60, 847); entered into force on 1 January 1994).

Latest amendment passed on 27 May 1999 (State Gazette I 1999, 52, 558), entered into force 01.07.1999.

Beneficiary:

Central government

Tax payable by:

A person liable to taxation is a person who makes a taxable supply as a result of entrepreneurship. Institutions of state or local government are treated as persons liable to taxation to the extent of their supply that poses competition with respect to other persons liable to taxation on the market. Persons liable to taxation and all other persons importing goods into Estonia pay value-added tax on import in the order as set forth for paying taxes on import in the customs regulations.

Taxable transactions:

- (1) the sale and exchange of goods or service;
- (2) the lease of goods with the obligation of purchase (capital lease);
- (3) the gratuitous alienation of goods or services;
- (4) the consumption of goods or services by the person liable to tax itself, in certain cases;
- (5) the letting of immovable or movable things for hire or lease (commercial lease) and setting limited real rights with respect to immovable things.

Taxable amount:

The selling price of goods or services to which all charges payable by recipient of the goods or services to the seller of the goods or services have been added. With imported goods it is the customs value of the goods, including all taxes on import.

Exemptions:

- (1) elementary, basic, secondary and higher education, as well as advanced training and continuing education;
- (2) postage stamps and public postal services;
- (3) medical services and medicines;
- (4) funeral services;
- (5) services rendered by credit and financing institutions and insurance services;
- (6) organization of gambling;

- (7) lottery tickets;
- (8) letting of housing and provision of services to the owner of housing under a maintenance contract;
- (9) treating dangerous waste;
- (10) social services as defined in the Law on Social Welfare;
- (11) scientific research activities of universities and research establishments funded from the state budget;
- (12) municipal public sauna services;
- (13) enabling a curative holiday and means for spending free time to the young in licensed youth camps.

Collection:

A registered person liable to taxation has the obligation to pay the value-added tax on its taxable supply, except import, by the scheduled date of submitting the value-added tax return and in the case of import, by the date of paying taxes on import specified in the customs regulations.

Rates:

The tax rate for value-added tax is 18%.

A reduced rate of 5 % is applied for certain books published in Estonia (except textbooks and workbooks where tax rate is 0 %, see below).

The tax rate for value-added tax is zero in the case of the following objects:

- (1) export of goods or services;
- (2) tickets of theaters registered in Estonia;
- (3) tickets of concerts of state concert organizations and collectives of performers;
- (4) subscribed periodicals published and printed in Estonia;
- (5) textbooks and workbooks for basic schools and gymnasiums, approved by the Ministry of Education.

EST° 3.2.1.

Customs Duty Service Fee

(TOLLITEENUSTE EEST VÕETAV TASU)

Legal base:

The Customs Act, Art. 43, Para 4 (passed on 17 December 1997 (State Gazette I 1998, 3, 54); entered into force on 19 January 1998).

The Government Regulation No 252 (passed on 10 November 1998 (State Gazette I 1998, 100, 1624); entered into force on 1 December 1998).

Beneficiary:

Central government

Tax payable by:

Declarant (a person, who presents goods to be declared and makes a customs declaration).

Basis of assessment:

Service rendered by the customs authorities.

Rates:

For customs clearance in agreed (between customs authorities and declarant) place outside the usual working time: 125 EEK/ hour

For customs clearance of airplanes and vessels outside the territory of customs authorities and outside the usual working time: 500 EEK/ hour.

EST° 3.3.1.

Excise Duty on Alcohol

(ALKOHOLIAKTSIIS)

Legal base:

Alcohol Excise Duty Act (Law Nr. 86, passed on 8 November 1995 (State Gazette I 1995, 87, 1539); entered into force on 1 December 1995).

Latest amendment passed on 10 February 1999 (State Gazette I 1999, 24, 359), entered into force 15.04.1999.

Beneficiary:

Central government. 3,5% of the excise tax receipts in the state budget (taking into account the reimbursements) shall be transferred to the Cultural Endowment of Estonia, of which 0,5 per cent is transferred to the Physical Culture and Sports Endowment within the Cultural Endowment of Estonia.

Tax payable by:

Excise tax on imported alcohol shall be payable by the importer in accordance with the order for paying taxes on imports prescribed by Customs Law.

Excise tax on alcohol manufactured in Estonia shall be payable upon the sale, exchange, free transfer or use for self-consumption of alcohol.

Basis of assessment:

Alcohol excise tax is charged on alcohol manufactured in Estonia and imported into Estonia, except on amounts that natural persons are allowed to import tax free in accordance with the Estonian customs regulations.

Exemptions:

- (1) Beer with an alcoholic content by volume up to 2.5% vol (incl.);
- (2) Alcohol manufactured by an Estonian manufacturer and exported by the latter, in case a goods declaration for export certifies exportation. The Tax Board shall pay a refund to the manufacturer of the alcoholic beverage for spirits used to manufacture the alcoholic beverage to be exported in accordance with the conditions and order established by the Minister of Finance;
- (3) Alcohol to be exported that is admitted into a customs warehouse, in case a goods declaration for import certifies the admittance of goods into the customs warehouse. Import for free circulation of alcohol manufactured in Estonia that has been admitted into a customs warehouse for exportation, is disallowed;
- (4) Alcohol conveyed aboard water and air transport vessels engaged in foreign travel, and to stores located in areas accessible after the passport and customs control, in the form of consumption or take-away supplies, in case it is certified by a goods declaration for export;
- (5) Alcohol sold for supplying water or air transport vessels engaged in foreign travel, and to an entrepreneur who has ownership of private customs warehouse and who is engaged in

providing supplies to stores located in areas accessible after the passport and customs control, in case a goods declaration of import certifies the admittance of alcohol into the customs warehouse;

- (6) Alcohol in limited amounts, for displaying on exhibitions, fairs or shows, admitted upon the permission of the Customs Board temporarily to the customs territory subject to re-exportation in the same state.
- (7) Alcohol to be presented as a sample for the state alcohol register – upon presentation to customs control of a declaration or certificate identifying the sample;
- (8) Alcohol imported by representations of foreign diplomatic and consular missions, as well as international organisations and pre-governmental programs of co-operation enjoying a similar status, and natural persons enjoying diplomatic status, for use in the exercise of their official function, in accordance with the order established by the Minister of Finance;
- (9) Confiscated alcohol sold for processing in the established order.

Rates:

Excise tax rates on alcohol

| Taxable product | Excise tax rate in EEK |
|--|---------------------------|
| 1. Sparkling wines and other wines of fresh grapes with an alcoholic content by volume up to 15%vol. | 10,40* |
| 2. Sparkling wines and other wines of fresh grapes with an alcoholic content by volume exceeding 15%vol | 15,60* |
| 3. Other fermented drinks (e.g. cider, berry wine etc.) and their blends: with an alcoholic content by volume up to 15% vol with an alcoholic content by volume exceeding 15%vol | 4,90* 6,50* |
| 4. Beer | 0,55** |
| 5. Other alcohol | 1,45** |
| 6. Rectified spirits, to be used for medical, pharmaceutical, veterinary, research and study purposes, and for the production of perfumery | 0,20* |

* per litre

** per one %vol of absolute alcohol a litre

EST° 3.3.2.

Excise Duty on Tobacco

(TUBAKAAKTSIIS)

Legal base:

Tobacco Excise Duty Act (Law Nr. 45, passed on 29 June 1994 (State Gazette I 1994, 54, 901); entered into force 1 January 1995).

Latest amendment passed on 21 June 1999 (State Gazette I 1999, 56, 589), entered into force 01.01.1999.

Beneficiary:

Excise duty is paid into the state budget. Of the excise duty received in the state budget, 3.5 per cent is transferred to the Cultural Endowment of Estonia, of which 0.5 per cent is transferred to the physical fitness and sport endowment within the Cultural Endowment of Estonia.

Tax payable by:

Excise duty on tobacco products manufactured in Estonia shall be paid by the producer of such products; excise duty on tobacco products conveyed to Estonia shall be paid by the importer of such products.

Excise duty on tobacco products manufactured in Estonia or conveyed to Estonia is paid upon the purchase of revenue stamps. The price of the revenue stamp constitutes the excise duty rate. Enterprises which have a state activity licence for the import and export of tobacco products or for the manufacture of tobacco products have the right to purchase revenue stamps.

Basis of assessment:

Excise duty on tobacco is imposed on tobacco products manufactured in Estonia and conveyed into the customs territory of Estonia, except quantities which natural persons are permitted to import duty free pursuant to customs rules valid in Estonia.

Exemptions:

Excise duty is not imposed on tobacco products if such products:

- (1) exported tobacco products;
- (2) tobacco products that a passenger is allowed to bring into Estonia according tax-free amount stated in custom regulations;
- (3) amount, which is stated by Minister of Finance, of tobacco products, which are used as sample products at exhibitions, fairs or shows in case they are brought to Estonian custom-territory for a certain period stated at custom regulation or will be taken back to producer-company in Estonia.

Rates:

Excise duty rates for tobacco products

| Taxable product | Excise duty rate in kroons, as of | |
|-----------------|-----------------------------------|------------|
| | 01.01.1999 | 01.01.2000 |
| | | |

| | | |
|--------------------------------|------|------|
| 1. Cigarettes* | 5,00 | 5,50 |
| 2. Russian cigarettes** | 5,00 | 5,50 |
| 3. Cigarillos*** | 5,00 | 5,50 |
| 4. Cigars**** | 5,00 | 5,00 |
| 5. Smoking tobacco***** | 6,35 | 7,00 |
| 6. Snuff***** | 6,35 | 7,00 |
| 7. Chewing tobacco***** | 6,35 | 7,00 |
| 8. Other tobacco products***** | 6,35 | 7,00 |

* applies to 1-20 (incl.) cigarettes in a consumer package

** applies to 1-20 (incl.) Russian cigarettes in a consumer package

*** applies to 1-20 (incl.) cigarillos in a consumer package

**** applies to one cigar

***** applies to 1-50 grams in a consumer package

EST° 3.3.4.

Excise Duty on Fuel

(KÜTUSEAKTSIIS)

Legal base:

Fuel Excise Duty Act (Law Nr. 182, passed on 17 June 1993 (State Gazette I 1993, 38, 563; 1996, 90, 1613); entered into force on 1 July 1993).

Latest amendment passed on 25 January 1999 (State Gazette I 1999, 10, 158), entered into force 15.02.1999.

Beneficiary:

Central government

Tax payable by:

- (1) Excise duty is imposed on imported motor fuel, lubricated motor oil and fuel oil, except for liquefied gas and compressed gas used as motor fuel, upon the declaration of motor fuel, lubricated motor oil or fuel oil for import for free circulation immediately after the entry thereof into the Estonian customs territory or after prior completion of a customs procedure. Excise duty shall be paid by the importer to the bank account of the Customs Board pursuant to the procedure provided for by customs rules (as defined in the Customs Act).
- (2) Upon the partial or total loss or destruction in the Estonian customs territory of cargo transported into the Estonian customs territory under the customs procedure "customs transit" (as defined in the Customs Act), unless this is caused by *force majeure*, excise duty is paid by the person responsible for arranging the carriage of goods under a customs transit procedure.
- (3) Excise duty is imposed on motor fuel, lubricated motor oil and fuel oil manufactured in Estonia, and imported liquefied and compressed gas used as motor fuel, upon the sale or self-consumption thereof.

Basis of assessment:

Fuel excise duty is imposed on motor fuel, lubricated motor oil and fuel oil manufactured in Estonia or imported into Estonia.

Excise duty is not imposed on:

- (1) motor fuel contained in the standard tanks of motor vehicles upon entry into Estonia, including motor fuel contained in the standard service tanks of motorised water craft to be used by the same motor vehicles and the lubricated motor oil contained in the motors of such vehicles;
- (2) motor fuel, lubricated motor oil and fuel oil manufactured in Estonia and exported by the manufacturer if the removal thereof from Estonia is certified by a declaration of goods for export (as defined in the Customs Act);
- (3) amounts of motor fuel, lubricated motor oil and fuel oil less than the maximum amounts permitted to be brought into Estonia by natural persons pursuant to customs rules.

Rates:

Rates of excise duty on motor fuel, lubricated motor oil and fuel oil

| Motor fuel, oil | Unit | Rate of excise duty in kroons, as of | | |
|---|-------------|--------------------------------------|----------------|----------------|
| | | 01.12. 1999 | 01.12. 2000 | 01.12. 2001 |
| 1. Motor vehicle petrol | 1000 litres | 3500 | 4000 | 4300 |
| 2. Diesel fuel | kilograms | 3.04 | 3.69 | 4.40 |
| 3. Aviation kerosene | kilograms | 3.87 | 4.25 | 4.62 |
| 4. Aviation gasoline | kilograms | 1.50 | 1.50 | 1.50 |
| 5. Liquefied gas used as motor fuel | kilograms | 1.50 | 1.50 | 1.50 |
| 6. Compressed gas used as motor fuel | kilograms | 1.30 | 1.40 | 1.50 |
| 7. Lubricated motor oil | kilograms | 0.49 | 0.60 | 0.71 |
| 8. Light fuel oil | kilograms | 0.30 | 0.30 | 0.36 |

EST° 3.3.5.

Motor Vehicle Excise Tax

(MOOTORSÕIDUKIAKTSIIS)

Legal base:

Motor Vehicle Excise Duty Act (Law Nr. 498, passed on 8 February 1995 (State Gazette I 1995, 17, 236); entered into force on 1 April 1995).

Latest amendment passed on 09 December 1998 (State Gazette I 1998, 111, 1831), entered into force 03.01.1999.

Beneficiary:

Central government

Tax payable by:

Excise tax on imported motor vehicles is paid by the importer, excise tax on motor vehicles manufactured in Estonia is paid by the manufacturer.

Basis of assessment:

The cylinder capacity and age of the motor vehicle. The excise tax computed on the bases of the two rates, is added together for taxation purposes.

Exemptions:

- (1) On motor vehicles manufactured in Estonia exported by the manufacturer, in case a customs declaration certifies their exportation;
- (2) On motor vehicles imported by representations of foreign diplomatic and consular missions, representations of international organizations and international programs of cooperation, enjoying a similar status with the former, as well as by natural persons enjoying diplomatic status, for use in the exercise of their official functions;
- (3) Motor vehicles constructed or adapted for use by the disabled or for the transportation of the disabled;
- (4) Motor vehicles over 25 years.

Rates:

Excise tax based on the cylinder capacity of motor vehicles

| | |
|--|--------------------------|
| Motor vehicles specially designed for travelling on snow | 10,0 EEK/cm ³ |
| Golf cars and similar vehicles | 15,0 EEK/cm ³ |

Other vehicles, with spark-ignition internal combustion engine:

| | |
|---|-------------------------|
| -up to 1600 cm ³ | 2,0 EEK/cm ³ |
| -above 1600 cm ³ and up to 2500 cm ³ | 3200EEK |
| + 5 EEK per each cm ³ of cylinder capacity, which exceeds 1600 cm ³ | |

| | |
|--|-------------------------|
| -above 2500 cm ³ | 7700 EEK |
| + 15 EEK per each cm ³ of cylinder capacity, which exceeds 2500 cm ³ | |
| Other vehicles, with compression-ignition internal combustion piston engine (diesel or semi diesel): | |
| -up to 1500 cm ³ | 2,0 EEK cm ³ |
| -above 1500 cm ³ and up to 2500 cm ³ | 3000EEK |
| + 5 EEK per each cm ³ of cylinder capacity, which exceeds 1500 cm ³ | |
| -above 2500cm ³ | 8000EEK |
| + 15EEK per each cm ³ of cylinder capacity which exceeds 2500 cm ³ | |
| Motorcycles, with or without side-cars | 2,5EEK/cm ³ |

Excise tax based on the age of the motor vehicle (for each year of age)

| | |
|---|--------|
| Used motor vehicle of 1-5 years of age | 200EEK |
| Used motor vehicle of 6-10 years of age | 300EEK |
| Used motor vehicle over 10 years of age | 500EEK |

On calculation of excise tax based on the age of the motorcycles applies the coefficient 0,5.

EST° 3.3.6.

Packaging Excise Tax

(PAKENDIAKTSIIS)

Legal base:

Packaging Excise Tax Act (Law Nr. 11, passed on 19 December 1996 (State Gazette I 1997, 5, 31); entered into force on 1 March 1997).

Beneficiary:

Central government

Tax payable by:

Excise tax on imported packaging shall be payable by the importer of packaging.

Excise tax on packaging filled in Estonia shall be payable by the user of packaging.

Bases of assessment:

Packaging excise tax is charged on package filled in Estonia and imported into Estonia.

Exemptions:

- 1) on packaging of which at least 60 % is recovered;
- 2) on packing containing goods that natural persons are allowed to bring into Estonia under the customs regulation prescribing the maximum allowable limits of alcohol or tax free limits of non-alcohol beverages;
- 3) on exported packaging;

Rates:

Tax shall be computed for both rates (per packaging and per liter) and added up.

| Alcohol and nonalcoholic beverages packaging | Per packaging (EEK) | Per liter |
|--|------------------------|-----------|
| Glass and ceramics | 0,50 | 2,00 |
| Plastic | 1,00 | 2,00 |
| Metal | 0,75 | 2,00 |
| Other | 0,25 | 1,00 |

EST°3.4.1.

Gambling Tax

(HASARTMÄNGUMAKS)

Legal base:

Gambling Tax Law (Law Nr. 97, passed on 6 December 1995 (State Gazette I 1995, 95, 1630); entered into force on 1 February 1996).

Latest amendment passed on 17 February 1999 (State Gazette I 1999, 27, 554), entered into force 1 April 1999.

Beneficiary:

- (1) Upon operating games of chance, games of skill, betting and totalizator,
 - 5 % of the gambling tax paid on the gambling premises shall be remitted to the budget of the town or municipality, on whose administrative territory the gambling premises are located;
 - 95% of the gambling tax paid on the gambling premises shall be remitted to the state budget.
- (2) 30 % of the gambling tax receipts into the state budget, shall be transferred to the Cultural Endowment and 7 % to the Estonian Red. The remaining 63 % shall be purpose-oriented for supporting programs and projects directly relating to children, families, the elderly and the disabled.
- (3) The receipts of gambling tax from operating lotteries shall be remitted to the state budget as purpose-oriented funds.

Tax payable by:

- (1) the operator of games of chance, betting and totalizator, who possesses a valid operating license and gaming license for operating the above gambling games;
- (2) the operator of games of skill, who possesses a written permission of the municipal or town government for operating the game of skill;
- (3) operator of lotteries, who possesses a gaming license.

Basis of assessment:

Gambling tax is levied on:

- (1) income gained from operating games of skill, totalizator and betting, which is equal to the amount of stakes made, from which the amount of prizes paid out to the players has been deducted;
- (2) a gambling board and gaming machine used for operating games of chance, which is located on gambling premises allowed by a gaming license;
- (3) income gained from operating lotteries, which is equal to the amount received from the sale of lottery tickets.

Exemptions:

The receipts of gambling tax from a lottery organised for funding a specific program or project, shall be used for the purpose for which the lottery was organised.

Rates:

- (1) Upon operating games of chance the rate of gambling tax per month shall be:
 - 3 000 EEK per gaming machine;
 - 10 000 EEK per gambling board.
- (2) The rate of gambling tax shall be:
 - on income gained from operating games of skill, totalizator and betting, which is equal to the amount of stakes made, from which the amount of prizes paid out to the players has been deducted;
 - 30 % upon operating betting
 - 5 % upon operating totalizator
 - 18 % upon operating games of skill;
 - on income gained from operating lotteries, which is equal to the amount received from the sale of lottery tickets;
 - 16 % upon operating classic lotteries
 - 16 % upon operating instant lotteries
 - 11 % upon operating numeric lotteries.

EST° 3.5.1.

EST° 3.5.3.

Land Tax (incl. Forestry Tax)

(MAAMAKS)

Legal base:

Land Tax Law (Law Nr. 130, passed on 6 May 1993 (State Gazette I 1993, 24, 428); entered into force on 1 July 1993).

Beneficiary:

Local government

Tax payable by:

The owner of land, or users of land whose land use is not formalised pursuant to the procedure prescribed by the Land Reform Act. Upon the encumbrance of land with the right of superficies or a usufruct, land tax shall be paid by the superficiary or usufructuary.

Basis of assessment:

Land tax is imposed on all land, except:

- (1) land where economic activities are prohibited by law or pursuant to the procedure provided by law. Mandatory activities necessary for the preservation of protectable objects provided by protection rules are deemed not to be economic activities;
- (2) land adjacent to buildings or parts thereof of diplomatic missions and consular representations of foreign states;
- (3) land in the use of a foreign state or international organisation on the basis of an agreement entered into between the Government of the Republic and the foreign state or international organisation;
- (4) cemeteries;
- (5) land under places of worship of churches and congregations;
- (6) municipal land under the jurisdiction of a local government, except in the case prescribed by § 10 of this Act;
- (7) land in public use.

Land tax is a tax based on the assessed value of land.

Rates:

The rate of land tax shall be 0.5–2.0 per cent of the assessed value of land annually. The tax rate is established by the local government council and may be amended only as of the start of the budgetary year.

According to a decision of the Government of the Republic, 20, 50 or 75 per cent of the rate of land tax is paid on land where economic activities are restricted by law or pursuant to the procedure provided by law.

Exemptions:

Temporary tax exemptions:

1. Until 31 December 2000, the rate of land tax for areas under cultivation used for the production of agricultural products and for natural grasslands shall be 0.3 to 1.0 per cent of the assessed value of the land annually.
2. Recipients of old-age or disability pensions whose right of use of land was created before 1 July 1993 may be exempted from the obligation to pay land tax until 31 December 2000 to the extent of 0.1 hectares in cities and 1.0 hectare in rural municipalities on the condition that the applicant for the tax exemption does not receive rent on the basis of the right of use of land. One user of land may be exempted from up to 200 kroons of tax per year.

EST°3.5.2.

Natural Resource Tax for the Right to Exploit the State Minerals

(RIIGILE KUULUVATE MAAVARUDE KAEVANDAMISÕIGUSE TASU)

Legal base:

Earth's Crust Act (Law Nr. 441, passed on 9 November 1994 (State Gazette I 1994, 86, 1488); entered into force on 1 January 1995)

Last amendment passed on 16 June 1999 (State Gazette I 1999, 54, 583), entered into force 23 June 1999.

Beneficiary:

Central government and Local government. The extraction tax of the deposits of state importance is paid in extent of 30% into the State budget and in extent of 70% into the local budget. The extraction tax of the deposits of local importance is paid into the local budget.

Tax payable by:

The right to extract the minerals takes effect on the basis of the minerals extraction permit. Tax will be paid by user of reserve (the holder of the extraction permit).

Basis of assessment:

Volume of the extracted reserve

Rates:

Established by the Government: "The establishment of the rates of the extraction tax for the rate to exploit the state minerals". Governmental Regulation from 07.10.1998 No 226 (RT I 1998, 88, 1438). Rates established by above mentioned regulation will be enforced from 01.01.1999, 01.01.2000 and 01.01.2001.

EST° 3.6.1.

State Duty

(RIIGILÕIV)

Legal base:

State Fee Act (Law Nr. 205 , passed on 22 October 1997 (State Gazette I 1997, 80, 1344); entered into force on 29 November 1997).

Latest amendment passed on 10 February 1999, (State Gazette I 1999, 24, 360), entered into force 01.07.1999.

Beneficiary:

State fee accrue to the state budget, except state fees charged for certification of the authenticity of copies and extracts of documents, the authenticity of signatures on documents and certification of authorisations by rural municipality secretaries or city secretaries until 1 January 2000, which accrue to the rural municipality or city budget pursuant to § 60 of the Notaries Act.

Tax payable by:

Individuals and legal entities according to established tax rates.

Basis of assessment:

The performance of legal acts and issue of documents.

Rates:

Specified by law. Fees are either a flat amount or a percentage of the value involved.

EST° 3.7.1.

Local Taxes

(KOHALIKUD MAKSUD)

Legal base:

Law on Local Taxes (Law Nr. 418, passed on 21 September 1994 (State Gazette I 1994, 68, 1169), entered into force on 24 October 1994).

Latest amendment passed on 26 January 1999 (State Gazette I 1999, 16, 269), entered into force 28.02.1999.

Beneficiary:

Local government

Tax payable by:

There are following local taxes: poll tax, local income tax, sales tax, boat tax, commercial and advertisement tax, tax for closing roads and streets, motor vehicle tax, tax for keeping animals, and entertainment tax.

- (1) Poll tax is paid by inhabitants aged 18-65 of the municipality or town.
- (2) Local income tax – enterprises located in the municipality or town, whose income is subject to the Law on Income Tax.
- (3) Sales tax – enterprises registered and natural persons engaged in entrepreneurship active in the administrative territory of the municipality or town.
- (4) Boat tax – owners of boats, yachts and launches whose length does not exceed 12 meters. Commercial and advertisement tax – individuals and legal entities for commercials and advertisements displayed within the administrative area of the local government as well as those on the public transport registered to individuals or legal entities residing and located within the territory of the local government.
- (5) Tax on Closing Roads and Streets – individuals and legal entities in the case of organising demonstrations, processions and other events, as well as construction work requiring the closure of roads, streets, squares, parks or recreation areas.
- (6) Motor Vehicle Tax – individuals and legal entities motor vehicle registered in the national register.
- (7) Tax on Keeping Animals – owners of animals, which is subject to tax within the territory of the municipality or town.
- (8) Entertainment Tax – organisers of recreational activities or owners of recreational establishment within the territory of the municipality or town.

Rates:

Determined by the local Council. Local income tax may not exceed 2 percent of taxable income or 0.4 percent of premiums for insurance companies. Sales tax may not exceed 1 percent paid on the sale price of goods and services as determined under the Law on Value Added Tax.

EST° 3.7.2.

Fines

(TRAHVID)

Legal base:

Legal person bears liability according to the provisions of *Taxation Act* (passed on 16 December 1993 (State Gazette I 1994, 1, 5; 1996, 35,714) entered into force on 6 January 1996; latest amendment passed on 17 February 1999 (State Gazette I 1999, 27, 394); entered into force on 1 April 1999),

individual according to the provisions of *Code of Administrative Offences* (passed on 8 July 1992 (State Gazette I 1992, 29, 396; 1999, 41, 496); entered into force on 1 August 1992; latest amendment passed on 25 February 1999 (State Gazette I 1999, 31, 425); enters into force 1 January 2000) or *Criminal Code* (passed on 7 May 1992 (State Gazette I 1992, 20, 287 and 288; 1999, 38, 485); entered into force on 1 June 1992; latest amendment passed on 16 June 1999 (State Gazette I 1999, 57, 595); entered into force on 17 July 1999).

Beneficiary:

Central Government

Payable by:

The person who violates law

Basis of assessment:

Violation of law

Rates:

The size of the penalty depends on the fact whether the offence is committed by individual or legal person, whether the violation of law is intentional or negligent.

There are flat rates for some offences (for example for failing to submit a tax return as prescribed in a tax Act by the due date) or percentage of the amount of underpayment.

EST°3.7.3.

Pollution Fee

(SAASTETASU)

Legal base:

Pollution Charges Act (Law Nr. 42, passed on 10 February 1999 (State Gazette I 1999, 24, 361); entered into force on 21.03.99).

Beneficiary:

Central government.

Tax payable by:

- (1) The pollution charge shall be paid by the owner of an immovable if pollutants or waste are released into the environment from the immovable of the owner according to the wishes of the owner.
- (2) If pollutants or waste are released into the environment from land used on the basis of a right of superficies by a superficiesary or from land adjacent to a structure as a movable by the owner of the structure, the obligation to pay the pollution charge shall also apply to such superficiesary or owner.
- (3) For the purposes of this Act, release of waste into the environment means the discharge of waste on an immovable, on land used on the basis of a right of superficies or on land adjacent to a structure as immovable.

Basis of assessment:

Amount of pollutants (The determination of the volume of pollutants upon the calculation of the pollution charge shall be based on documented measurements, analyses performed by recognized or accredited laboratories, or calculations made on the basis of the calculation methods established by the Minister of the Environment).

Rates:

Rates are established by the Act on Pollution Charges (§8, §9, §10) from 01.01. 1999, 01.01.2000 and 01.01.2001.

EST°3.7.4.

Revenue from Exploitation of Air Space and Aquatory - Water Extraction Tax

(VEE KASUTUSÕIGUSE TASU)

Legal base:

Water Act (Law Nr. 365, passed on 11 May 1994 (State Gazette I 1994, 40, 655); entered into force on 16 June 1994)

Last amendment passed on 16 June 1999 (State Gazette I 1999, 54, 583), entered into force 23 June 1999.

Beneficiary:

Central government and Local government (50% : 50% of revenue).

Tax payable by:

Water users having the permit

Basis of assessment:

Volume of water

Rates:

Established by the Government: "The establishment of the rates of water user charges" . Governmental Regulation from 07 October 1998 No 227 (RT I 1998, 88, 1439). Rates established by above mentioned regulation will be enforced from 01.01.1999, 01.01.2000 and 01.01.2001.

EST°4.

Social Security Contributions

(SOTSIAALMAKS)

Legal base:

Social Tax Law (Law Nr. 31, passed on 15 April 1998 (State Gazette I 1998, 40, 611); entered into force on 1 April 1999).

Latest amendment passed on 18 February 1999 (State Gazette I 1999, 29, 397), entered into force 01.04.1999.

Beneficiary:

Public funds: Social security fund and Health insurance fund.

Tax payable by:

The employer pays on the payments to employees. Self-employed individuals pay their own social security contributions on net business income up to 15 official minimum monthly salaries (currently this minimum monthly salary is EEK 1250).

Basis of assessment:

All payments made to employees. Fringe benefits furnished by an employer to a natural person in respect of an employment relation, except reimbursements of an employee's travel or similar expenses within restrictive limits.

Rates:

The total rate both for employed and self-employed labour is 33%, of which 20% for social insurance and 13% for health insurance.

Deductibility:

Social security contributions are deductible for purposes of corporate income tax of employers and individual income tax of self-employed individuals.

Annex 1.2. Tax Changes from 2000 onwards

Plans from 2000 onwards:

EST°1.2.

Corporate Income Tax

Several amendments are prepared by the Estonian Government in corporate income tax. The objective of amendments is following: corporate entities will not pay tax on income earned, but they shall pay tax in any case of making distributions, also on transactions that can be treated as concealed distributions of profit – fringe benefits, gifts and charitable contributions and expenses not related to entrepreneurship. The purpose of the draft law is to leave more resources to enterprises to enable them make investments to create new jobs, improve the conditions in socialsphere and develop education.

EST°3.1.

VAT

Several amendments in the Value Added Tax Act are prepared. According to the Government's project, the VAT rate shall be 18 % in the case of municipal public sauna services, enabling a curative holiday and means for spending free time to the young in licensed youth camps (from 01.01.2000) and scientific research activities of universities and research establishments funded from the state budget (from 01.01.2001). The VAT rate shall be 5 % in the case of treating dangerous waste (from 01.01.2000) and medicines and medical requisites (from 01.01.2001). From 01.01.2000 the VAT rate shall be 5 % in the case of all books (except zero-rated textbooks and workbooks) and 0 % in the case of tickets of all theatres and all subscribed periodicals.

EST°3.3.

Excise Duties

EST°3.3.1.

Excise Duty on Alcohol

It is expected to achieve essential uniformity with the Community acquis in taxation system of alcohol by 2001 at the latest.

At the present time the draft Alcohol Excise Tax Act, by which taxation system will mainly be aligned with Council Directive 92/12/EEC (tax warehouse system), is envisaged to submit to the Government for approval on November 1, 1999 and to implement by January 1, 2001 at the latest.

EST°3.3.1.

Excise Duty on Tobacco

The tax rate consisting of an ad valorem and a fixed amount component will be introduced for cigarettes according to a preliminary plan in 2003.

Amendments to excise taxation system under Council Directive 92/12/EEC will be brought in force by 2003 at the latest.

EST°3.3.4.

Excise Duty on Motor Fuel

In accordance with the Fuel Excise Tax Act of Estonia, the rates of excise duty on motor fuel, lubricated motor oil and fuel oil will gradually be harmonised by the year 2002 with the minimum

rates of excise duties on mineral oils of the European Union, established by the Council Directive 92/82/EEC. The only exception is the excise duty levied on aviation gasoline.

It is also planned to widen the object of taxation according to the Council Directive 92/81/EEC. Estonian legislation should cover heavy fuel oil, gas oil, liquid petroleum gas and methane.

EST°3.7.2.

Fines

Fines for tax evasion and fraud will increase in foreseeable future.

EST°3.4.

Social Security Contributions

According to amendment prepared in Social Tax law the minimum tax base of social tax – the minimum monthly salary, will be abolished.

Annex 1.3. Taxes Abolished

EST°3.3.3.

Excise Duty on Fur (*KARUSNAHAAKTSIIS*)

Fur Excise Duty Act (Law Nr. 970 of Supreme Council; passed on 11 November 1991 (State Gazette 1991, 40, 492); entered into force on 1 January 1992).

Abolished by law on 18 October 1995 (State Gazette I 1995, 83, 1443), abolition entered into force on 1 January 1996.

Annex 2. Inventory of Taxes – Poland

INTRODUCTION

(1) Constitutional basis of taxes

The Polish tax system has received a strong constitutional basis lately. Article 84 of the Constitution lays down the principles of civil tax duty; the article contains:

- a protection against introducing burdens, which do not have any features of taxes,
- a component of control, i.e. an individual constitutional duty of every citizen,
- a prohibition to bypass the tax law.

The same article 84 and article 217 of the Constitution create the statutory principle of tax duty control. Article 27 regulates principles of dividing tax duty between different groups of taxpayers and tax subjects.

Article 92 of the Constitution points at the existing relation between statutory regulations and executive certificates.

The standard principles of a democratic state have to be applied in the fiscal law

(2) The Tax Law

The Tax Law, which has some elements of a Tax Code, has come into force since 01.01.1998. In the Tax Law the following principles are laid down:

- the general tax law,
- the tax duties,
- the principles describing the checking actions,
- the tax control,
- the tax proceedings,
- the way of passing on tax information,
- the tax secret.

The Tax Law is a first step to a further development of the general tax system.

(3) The classification of the Polish system of taxes and charges

(3.1) Taxes

Taxes in the Polish system are:

- Value Added Tax (VAT)
- excise duties
- gambling tax
- personal income tax
- corporate income tax
- lump sum tax (charge), which is only a form of collection of the personal income tax
- inheritance and gift tax
- agricultural tax
- forest tax
- real estate tax
- tax on means of transportation
- tax on dogs.

(3.2) Charges

Charges in the Polish system are:

- fiscal charge
- market charge

- administrative charge.

(4) Local revenues coming from taxes and charges.

Local revenues consist of:

- real estate tax
- agricultural tax
- forest tax
- share of personal income tax
- share of corporate income tax
- tax on individual business activity
- tax on means of transportation
- tax on dogs
- inheritance and gift tax
- fiscal charge
- market charge
- administrative charge
- mining tax (regulated by the Mining Law).

(5) Framework of the Polish tax system according to objective classification:

- taxation on revenues
- taxation on incomes (profits)
- taxation on property
- taxation on consumption.

Annex 2.1. Taxes in Force as of 1999

PO°1.1.1.
PO°1.1.2.
PO°1.1.3.

Individual Income Tax

(Podatek dochodowy od osób fizycznych)

Legal base:

Tax law of July 26., 1991 (*Ustawa z 26 lipca 1991 o podatku dochodowym od osob fizycznych*), latest amendment Nr 162 of 1998 (*rozporzadzenie ministra finansow , Dz.U. nr 162, 1998*)

Beneficiary:

Central government

Local government:

- personal income tax from business activities, paid by a lump-sum form of taxation
- 27,6 percent of the revenue from personal income tax from persons having their place of residence in a community (the share is distributed to the communities by central government)

Tax payable by:

Natural persons are subject to income tax. Persons having their place of residence in Poland or present in the country for more than 183 days in a fiscal year are subject to an unlimited tax obligation. Persons without permanent residence in Poland and staying in the country less than 183 days in a fiscal year are subject to a limited tax obligation, i.e. only on income generated in Poland.

In general each individual is taxed separately unless they apply for joint taxation, in the latter case the tax is assessed as twice the amount of tax which falls due on half of their joint income. The income of dependent children is added to the parents' income.

Basis of assessment:

The income tax has a general character. This tax is imposed on all revenues coming from different sources (labour, capital, property, established incomes - scholarships, pensions, and benefits).

Taxation in Poland covers all incomes generated by natural persons, with the exception of income from non-specialized agricultural activities and from forestry, income that is subject to inheritance tax and donation duty, income derived from illicit activities and income derived from the division of the joint property as a result of the cease or limitation of the marriage joint ownership.

The tax law lists a variety of types of payments that are defined as income and are subject to tax. Categories of income as given in the law are:

- income from dependent services such as employment or pensions
- income from independent services like professional, intellectual, artistic or sports activities
- income from business
- income from specialized branches of agriculture

- rental income
- income from money investments and property rights
- income from the sale of real estate and of property rights
- other income like social security benefits, grants scholarships or other, not belonging to the other categories, unless they are exempt.

Any class of payments not listed is thus legally not income and hence is not subject to taxation.

Both spouses' incomes as well as children's incomes can be taxed jointly.

Incomes from given loans, dividends on shares and other shares in net profit of corporations, as well as incomes which are paid for help to police, organs of state protection and treasury control as well as incomes from not disclosed sources of revenues and from winnings in games and competitions cannot be joined between married couples.

Exemptions:

The law lists, among others, the following main types of exempt income:

- income from non-specialized agricultural activities and from forestry
- gains from the sale of agricultural or forestry land for agricultural or forestry use.
- income on sales of government bonds issued after January 1., 1989 and local government bonds issued after January 1., 1997, income on stocks and certificates of the National Investment Fund and of industry funds are exempt from tax until December 31., 2000.
- income from interest on bank accounts (only if they are not linked to business activity), income on sales of compensation certificates, on interest and discount of government securities and of local government bodies are exempt from tax without any time limits.
- social welfare benefits and benefits paid from social funds in case of accidents, long illness or death.
- income from the sale of a flat or building if the money is used within 2 years for the acquisition of another flat or building.
- most fringe benefits
- The income tax does not cover revenues, which are taxed with other taxes (duties) (e.g. revenues from agriculture and forestry activity, revenues covered by the inheritance and gift tax).

But revenues coming from sources not disclosed are liable to taxation.

Deductions:

Within each category of income the expenses incurred to obtain this income are deductible; with respect to business income the same rules apply as for deductions from corporate income. For certain types of income the deductible expenses may be computed as a percentage of the earned income, e.g. 20% in the case of independent professional, intellectual, artistic or sports activities, 50% in the case of licence fees for inventions or copyright royalties.

Certain types of expenditure are deductible from the aggregate net income:

- social security contributions unless already deducted as expenses in one of the categories of income.
- donations for purposes of science, education, culture, religion, sports, ecology and charity, up to 10% or 15% of the income.
- costs for training and continuing education in connection with the taxpayer's income.
- cost of earning income - The cost of earning income is deducted at a set percentage (0.25) of the upper limit of the first tax band a month. Deductions are usually given automatically. If the real cost of earning income can be proved higher the real costs are deductible.

Deductible from the aggregate net income are:

- Expenditures on annuities, donations (only for the benefit of corporate bodies, to socially worthy causes, e.g. in support of science, education and culture- but no more than 15 per cent of the income, or in case of religious worship, charity or environment protection – no more than 10 per cent of income), expenditures on rehabilitation.
- expenditures on constructing a single or multi-family dwelling and expenditures to purchase a building ground for that reason, up to maxima specified by law.
- One general personal allowance for each individual.

Losses may be carried forward at one third each against the income of the next 3 years, but prior losses may not increase current losses.

Collection:

The withholding of tax from wages and salaries is undertaken by employers on a non-cumulative basis in monthly installments: 19 percent from the income received in the given month if the accumulated income throughout the tax year did not exceed the upper limit of the first tax band, 30 percent from the income received in the month after the month when the accumulated income throughout the tax year did exceed this limit and 40 percent when the accumulated income throughout the tax year did exceed the upper limit of the second tax band

Taxpayers must complete a tax return by 30. April every year.

Rates:

Rates on the aggregate taxable base, as of Jan. 1., 1999, are given in the following table:

| Annual taxable income (PLN) | Accumulated tax on lower amount (PLN) | Plus % on the excess |
|-----------------------------|---------------------------------------|----------------------|
| up to 29.624 | - | 19 |
| 29.624 – 59.248 | 5.233.76 | 30 |
| Above 59.248 | 14.120.96 | 40 |
| | | |

The tax card

The tax card is a way of paying a lump sum tax substituting tax on personal income. The tax card is designed for taxpayers having small-scale production, providing particular kinds of services and running production activity (craftsmanship), retail trade in groceries (including agriculture goods), door-to-door sale of commodities, catering, transportation services, entertainment activity, home-meal sale, veterinary service and doing particular free professional health services, as by nurses and midwives.

Such taxpayers do not need to prove their factual revenues and costs with documents, they are not obliged in any way to keep a register, to declare the income received, and to pay the monthly advance tax payments.

The tax amount is calculated as a set amount for a particular period, in the form of a decision made in the particular case by the Tax Authority. Depending on individual circumstances the tax rates can be reduced or increased.

There are some tax preferences allowed for taxpayers who run their business in areas with high structural unemployment.

Lump sum tax (lump sum income tax on registered revenues from small business)

The tax rate is calculated as a set percentage of the received revenues, without deducting from it costs of earning income.

The tax rate depends on the kind of activity:

- 3 percent – for the revenues from retail trade and catering industry, with the exception for the revenues coming from the sale of drinks with more than 1,5 percent of alcohol
- 5,5 percent – for the revenues from craftsmanship, dwelling-house building business activity, transportation
- 8,5 percent – services, including catering industry with the revenues coming from the sale of drinks with more than 1,5 percent of alcohol

This kind of tax is used by persons running own business, if they gained revenues lower than ZI 400.000 in the year before the current tax year or they begin business activity in the current tax year and do not use the tax card. The taxpayers using this form of taxation are obliged to keep a simplified register of revenues and purchases. They have to allow paying this tax in monthly terms and hand in an information about an amount of revenues in the first half of the year - until 31.07., and after a year - until 31.01. the next year.

This form of taxation cannot be used by all taxpayers, especially not by taxpayers gaining income from the following activities: running a pharmacy, legal services (e.g. notary's), running an exchange office and pawnshop, service in accountancy.

PO°1.2.1.
PO°1.2.2.

Corporate Income Tax

(Podatek dochodowy od osób prawnych)

Legal base:

Tax Law 15. February 1992 (*Ustawa z 15 lutego 1992 o podatku dochodowym od osob prawnych*), latest amendment Nr.162 of 20. November1998 (*nowelizacja ustawy z 20 listopada 1998*)

Beneficiary:

Central government

Local government: 5 percent of the receipts from corporate income tax from taxpayers having their place of residence in the community (the share is redistributed by central government).

Tax payable by:

Legal entities such as joint-stock companies, limited liability companies, state enterprises and cooperatives are subject to corporate income tax. Partnerships are not treated as companies; the partners are taxed individually on their share of the income. Some institutions not possessing legal personality, e.g. schools, educational associations, health service bodies, etc., are likewise not treated as corporations.

There exists an „unlimited tax obligation”. Tax is charged from total incomes, regardless of the place where these incomes are gained including income from abroad.

However, taxpayers with their head office or managing board situated abroad, are covered by „limited tax obligation” - taxed is only income gained on Polish territory. The following institutions are exempted from tax: State Treasury, National Bank of Poland, budgetary economic units, purposeful funds, international holdings, communities and units of communities.

Basis of assessment

Resident corporate entities are taxed on their world-wide income after deduction of the expenses incurred in obtaining such income. Capital gains from the sale of business assets are included in the taxable income. Receipts are treated as income on the date the sums are due and payable, interest is treated on a cash basis.

The tax basis is not joined with revenues treated by the Tax Act as tax-free, e.g. some revenues from sale of real estate being a part of a farm, revenues with purpose of charity and for the employment of handicapped persons. Moreover, the tax basis does not contain income from compensations, and over 20 other specified cases of income.

Exemptions:

Tax exempt types of income are:

- income from non-specialized agricultural activities and from forestry.
- gains from the sale of agricultural and forestry land that remains used as such.
- indemnities received.
- income from foreign sources as far as provided in an international agreement.

- income allocated and transferred to legal entities for charitable purposes and for the furthering of science, education, health, culture, sports, infrastructure development and environmental protection.
- the bodies exempted include: the Treasury, Polish National Bank, local authorities, special purpose funds, etc.

Deductions:

Deductible expenses are, among others:

- cost of earning income: depreciation allowances etc.
- advertising expenses
- donations for non-profit purposes
- donations for the benefit of corporate bodies in support of science, education, health, culture, sport, infrastructure development, environmental protection, religious worship, charity, public security and national defence.

Annual depreciation rates range from 1.5% to 50% depending on the type of asset.

There are tax incentives in the form of investment allowances; for preferential investments the allowance must not exceed 30% of the taxable base, for non-preferential investments this maximum allowance is 10%. For investments in special economic zones established for a period of 20 years and in communities with high structural unemployment additional allowances may be granted.

As of Jan. 1., 1999 losses may be carried forward for 5 years and up to 50% of the loss may be written off each year.

Special features:

The usual rules hold for groups of companies. Transfer pricing rules follow in general the OECD rules: "Transfer Pricing Guidelines".

Collection:

Assessment of tax due is made on the basis of the taxpayer's return. Monthly advance payments are due on their current year's income or, under a new rule, on income reported for the preceding 6 month period.

Rates:

As of Jan. 1, 1999 the corporate income tax rate is 34%, down from a previous 36%; a decrease to 30% from the year 2000 on is established.

Tax rates on revenues mentioned in articles 21 and 22 of the Corporation Tax Act (taxpayers with limited tax obligation)– are

- 10 % for revenues from aerial navigation, sea navigation,
- 20 % for revenues from copyright, know-how, sport and entertainment activities.

Dividends received from resident companies are taxed with a withholding of 20% at the distributing company; the tax may be credited against the receiving company's tax debt.

Dividends may be distributed only from after-tax profits.

PO°2.1.

Inheritance and Gift Taxes

(Podatek od spadków i darowizn)

Legal base:

Tax Law of July 28., 1983.

Beneficiary:

Local government

Tax payable by:

The tax obligation arises, when the taxpayer obtains any possession at no cost (inheritance, donation). Liable to this tax are natural persons, gaining a donation or a legacy situated on Polish territory.

Basis of assessment:

The net market value of all property received by the beneficiary; for apartments and dwelling houses the valuation is decreased.

There is a tax free allowance of

- 7510 Zloty for spouses, children, parents, brothers etc (group I),
- 5670 Zloty for nephews, spouses of brothers etc (group II),
- 3820 Zloty for others (group III).

Exemptions:

Property in Poland is exempt, if both the deceased/donor and heir/donee are neither Polish nationals nor residents.

Collection:

This tax is collected when the natural person acquires ownership.

Rates:

Rates depend on the closeness of family relationship between both parties, classified in 3 classes.

The inheritance and gift tax rates are progressive.

The actual rates range from

- 3-7 % for spouses, children, parents, brothers etc (group I), .
- 7-12 % for nephews, spouses of brothers etc (group II), .
- 12-20 % for others (group III).

The highest rates are applied to values in excess of 16020 Zloty.

Detailed rates:

Tax amount is calculated from the excess of the tax base over the tax free allowance according to the following rates:

From the beneficiary in the I tax group:

- up to 8.010 zł - 3%,

- From 8.010 zł to 16.020 zł - 240 zł 30gr plus 5% on the excess of 8.010 zł,
- from 16.020 zł - 640zł 80 gr plus 7% on the excess of 16.020 zł,

From the beneficiary in the II tax group:

- up to 8.010 zł - 7%,
- from 8.010 zł to 16.020 zł - 560 zł 70gr plus 9% on the excess of 8.010 zł,
- from 16.020 zł - 1.281 zł 60 gr plus 12 % on the excess of 16.020 zł,

From the beneficiary in the III tax group:

- to 8.010 zł - 12 %,
- from 8.010 zł to 16.020 zł - 961zł 20gr plus 16 % on the excess of 8.010 zł,
- from 16.020 zł- 2.242zł 80gr plus 20 % on the excess of 16.020 zł.

PO°3.1.1.
PO°3.1.2.

Value Added Tax

(Podatek od Towarow I Usług)

Legal base:

The reform of turnover tax was finished by the acceptance of VAT. The Value Add Tax Act has been applied since 05.07.1993.

(Ustawa z 8 stycznia 1993 r. (8 January 1993) o podatku od towarow I uslug oraz o podatku akcyzowym.)

Latest amendment of 22 December 1999 *(rozporzadzenie ministra finansow z 22 grudnia 1999 r. w sprawie wykonania niktorych przepisow ustawy o podatku od towarow I uslug oraz o podatku akcyzowym)*

Beneficiary:

Central government

Tax payable by:

The taxpayers are natural persons and legal persons as well as organisational units, which are not legal persons. With agreement of the treasury office, branches of the above mentioned taxpayers can be made liable for the VAT.

Companies and individuals must register for and charge VAT, if their annual turnover exceeds PLN 80.000.

Basis of assessment:

The compensation received for goods supplied and services rendered is the taxable base; for imported goods it is the value at importation including customs duties.

Object of taxation is a sale of commodities or services. Öiable to VAT are as well:

- the donation of commodities and providing of services for needs of advertisement
- the donation of commodities and providing of services for personal needs of taxpayer, partners, shareholders, members of supervisory board and managing board, members of association, employed and former workers
- the exchange of commodities and services
- the donation of commodities
- the providing of services without payment
- the providing of commodities or provision of services in return for debts
- the provision of services or providing of commodities instead of payment.

Exemptions:

The following activities are not subject to VAT:

- exports, but not Polish goods acquired by tourists and taken abroad
- unprocessed agricultural products, cultural and social services, communal services
- sale of a company (whole or parts of it)
- activity in random-games
- illegal activity.

Rates:

- The general rate is 22 %.
- For children's articles, processed food articles, equipment for health care, agricultural machinery, fertilizers and pesticides the rate is 7 %.
- 0 % for export goods and services included in the lists provided in tax code
- 0 % for books, flats

PO°3.2.1.

Customs Duties

(Clo)

Legal base:

Customs Duties Code 09. January 1997 (*Kodeks celny z dnia 9 stycznia 1997*), latest amendment Nr 23

Beneficiary:

Central government

Tax payable by:

See Customs Duties Code (Titel VII – Customs Duties obligation), and in particular: art. 208-225 (Area II – The base of the customs duties obligation), art. 231-242 (Area III –Payment of the customs duties obligation, Paragraph 2 – Collection)

Basis of assessment:

See Customs Duties Code (Titel II Calculation) - art. 13-14 (Area I – Rates, other tariffs and classification of goods), art. 15-20 (Area II – Origination), art. 21-34 (Area III -Valuation)

Exemptions:

Exemptions are listed in art. 190 of Customs Duties Code.

Rates:

The rates are set every year by the Cabinet in a decree. The latest rates see Dz.U. on 23.12.1998r., Nr 158, poz. 1036.

PO°3.3.1.
PO°3.3.2.
PO°3.3.3.
PO°3.3.4.
PO°3.3.5.
PO°3.3.6.

The Polish Finance Ministry up to did not specify excise duties in greater detail. With email of March 27, 2000 they have been asked to give additional information. We propose to include this data as soon as it is available.

Excise Duties

(Podatek akcyzowy)

Legal base:

Have been collected since 05.07.1993 on the basis of the Value added tax and excise duty Act, passed on 08.01.1993. (*Ustawa z 8 stycznia 1993 r. (8 January 1993) o podatku od towarow i uslug oraz o podatku akcyzowym*).

Beneficiary:

Central government

Tax payable by:

The taxpayers are only manufacturers and importers. The duty is to be paid before introducing a commodity into the market.

Basis of assessment:

The tax subject is - similar to VAT – the sale and exchange of excised commodities as well as importation or donation.

The tax basis depends on the kind of turnover. If there is turnover of goods by manufacturers, the tax basis is the scale of turnover, in importation – the value of commodity, increased by duty. For some goods the tax basis is the quantity, e.g. amount of wine in litres, for other goods it can be the sales price diminished by the VAT due. This way of taxation concerns also other taxpayers than manufacturers and importers.

Rates:

The rates range from 25% to 1900%.

The following is a list of commodities subject to different rates of excise duty:

- Excise Duties on Domestic Spirits
- Excise Duties on Imported Spirits
- Excise Duties on Domestic Fuels
- Excise Duties on Imported Fuels
- Excise Duties on Domestic Tobacco
- Excise Duties on Imported Tobacco
- Excise Duties on Domestic Beer
- Excise Duties on Imported Beer

- Excise Duties on Domestic Wine
- Excise Duties on Imported Wine
- Excise Duties on Other Products

PO°3.4.1.

Gambling Tax

(Podatek od gier)

Legal base:

Law of July 29, 1992

(Ustawa z dnia 29 lipca 1992 r. o grach losowych i zakładach wzajemnych.

Podatek od gier został wprowadzony ustawą z dnia 29 lipca 1992 r. o grach losowych i zakładach wzajemnych (Dz. U. z 1998r. Nr 102, poz. 650, Nr 145, poz. 946, Nr 155, poz. 1014 i Nr 160, poz. 1061) i obowiązuje od dnia 9 grudnia 1992 r).

Beneficiary:

Central government

The tax basis depends on the kind of the game and depends on the gross gambling income.

Tax payable by:

The entities operating in this field are subject to the gambling tax.

This tax is to be distinguished from the VAT revenue coming from gambling.

Basis of assessment:

Depending on the kind of the game.

Collection:

Rates:

The tax rates range from 10% and 15% to 45%.

PO°3.5.1.

Agricultural Property Tax

(Podatek rolny)

Legal base:

Law on Agricultural Property Tax of 15. November 1984

(Ustawa z 15 listopada 1984 o podatku rolnym)

Beneficiary:

Local government

Tax payable by:

The owner of agricultural property. The subject of taxation is the possession of a farm, independent of the achieved income from farming activity.

Basis of assessment:

The taxation basis is the area of a farm in conversion hectares. The conversion hectare is a conventional unit to be distinguished from the real area unit. The conversion rate is based on objective criteria, which are land location (4 taxation districts), the kind of a land (arable land or meadow), soil quality (arable land: 8 classes, meadow: 6 classes).

Exemptions:

- Arable land, class V, VI and VIz
- Land along the border line
- Ploughland, meadows, pasture with drainage system
- Arable area on which the farm production has been ceased for 3 years (up to 20% of the total are of the farm)
- Land that was used to be a waste land and was brought into cultivation is exempted for 5 years, in the next following 2 years there is a tax relief
- Land received as a result of the exchange or merge exempt for 1 year, in the following 2 years tax relief
- Area of the lakes, where flowing water, dams and water containers supplying people with water are located,
- Waste land
- Land used for activity other than agricultural
- Land which on the basis of administrative decisions is considered as for not for agricultural purposes.
- Land of no worth for agricultural activity
- Land of historical interest which fulfills certain conditions
- Land used for activity other than agricultural

Tax reliefs:

- Tax reliefs for investment
- Tax relief for farmers serving in the army and for farms situated in mountain and piedmont areas (depending on the class of the land)
- In the case of natural calamity

The Communal Council may introduce some additional tax exemptions and tax reliefs.

Subjects exempted:

- The Treasury
- Communes

Rates:

The tax scale is proportional and is counted in purchase price of rye. The tax from 1 conversion hectare is an equivalent in money to 2,5 quintals of rye. For the sake of inflation, the tax is charged twice a year on the basis of 1,25 quintals of rye.

PO°3.5.2.

Forest Property Tax

(Podatek leśny)

Legal base:

Tax Law of 28. September 1991.

Beneficiary:

Local government

Tax payable by:

The owner of forestry property

Basis of assessment:

The construction of this tax is similar to the agricultural property tax. It is not on revenue, because tax obligation depends on possession of forest, but not from gaining any economical advantages of it.

Exemptions:

- Forest with the standing timber of the age of 40 years
- Forest entered in a register of special protection

The Communal Council may introduce some additional exemptions

Tax reliefs:

Like for agricultural property, PO 3.5.1.

Rates:

The tax rates are different for the different categories.

PO°3.5.3.

Real Estate Property Tax

(Podatek od nieruchomości)

Legal base:

Law of January 12., 1999.

(Ustawa o podatkach i opłatach lokalnych z 12 stycznia 1999)

Beneficiary:

Local government

Tax payable by:

The tax is levied on natural persons, legal persons and units not being legal persons, which are:

- landlord, independent owner of property or building structures not connected with land,
- owner, alternatively manager of real estate or building structures, which is National Treasury's or communes' property,
- perpetual lessee of property.

Basis of assessment:

The subject of taxation is:

- buildings or some parts of them
- structures destined for economical activity, different from agriculture or forestry
- lands not embraced by agriculture and forestry tax or covered by them, but provided for different activities than agriculture or forestry.

Basis of assessment is the area in square meters, for buildings in 3 classes, for land in 2 classes.

Exemptions:

Numerous kinds of lands, properties, buildings and structures are excluded from taxation (article 7), however the local council can introduce other exemptions.

Rates:

The minimum rates that the local selfgovernment council (Gmina) may levy are defined by decree of the Minister of Finance published every year. Within this frame the Gmina decides on the annual rates actually levied.

The maximum rates are defined by decree of the Minister of Finance published every year and must not be lower than 50 per cent of the upper limits of the maximum tax.

As of 1999 the maximum rates are given in the following table:

| Type of real estate | Maximum annual tax per square meter |
|-----------------------|-------------------------------------|
| Residential buildings | 0.33 PLN |
| Commercial buildings | 11.95 PLN |
| Other buildings | 3.98 PLN |
| Commercial land | 0.40 PLN |
| Other land | 0.05 PLN |

Many local authorities apply lower rates with regard to new investments.

PO°3.6.1.

Tax on Means of Transportation

(Podatek od srodkow transportu)

Legal base:

Local Taxes and Charges Act of 12.01.1999.

(Ustawa o podatkach i oplatach lokalnych z 12 stycznia 1999)

Beneficiary:

Local government

Tax payable by:

The taxpayers are natural and legal persons that are the owner of a motor vehicle.

The tax subject is the ownership of useful (registered) motor vehicles, e.g. cars, tractors, trailers, motorcycles, yachts, ferries and boats if they have engines.

Basis of assessment:

The tax basis depends on the kind of motor vehicle and on the engine's cubic capacity, as well as carrying capacity or total mass.

Rates:

The tax rate depends on the above mentioned features. The highest rates are described in the Act, but local authorities can reduce them.

PO°3.7.1.

Local Fees, Fiscal Charge

(opłaty lokalne, oplata skarbową)

The fiscal charge payable on transactions as defined by common law may be treated as a tax. It is collected by central government tax authorities but it constitutes the income of the local government. The following informations relate only to the fiscal charge payable on transactions as defined by common law.

Legal base:

Law on Fiscal Charge of January 31., 1989

Decree of the Minister of Finance of December 9., 1994

Beneficiary:

Local government

Tax payable by:

Party of the transaction

Basis of assesment:

The value of the subject of the transaction, the details of the assesment are defined in the Law and in the Decree.

Exemptions:

1. foreign states, their diplomatic representations and consulates, international organizations and institutions, their branches and representations and also their members and other persons with the same rights if they are not Polish citizens nor their place residence is located on the territory of the Republic of Poland,
2. Exempt are the following parties of transactions as defined by common law:
 - 1) budgetary units,
 - 2) legal persons, whose statutory aim is scientific, scientific-technical, cultural activity and also activity in the field of sport and physical education, environment, charity, health service and social welfare, rehabilitation of the handicapped, religious activity if in the year preceeding the tax year they benefited from total exemption from income tax and on the condition that the subject of the sale is not an element of an enterprise run by those persons or that the purchase was not made on the account of an enterprise of that kind; the exemption does not relate to state enterprises, co-operatives and their unions and partnerships
 - 3) communities and unions of communities
 - 4) the Treasury,
 - 5) disabled persons purchasing rehabilitation equipment, wheelchairs and motorized bicycles,

- 6) disabled persons buying motorcycles or private cars in I or II category regardless of the kind of disability, or disabled persons of the III. category if the decision of the commission for disability and employment or any other document stating their motional handicap is presented
 - 7) Protected Work factories as defined by the regulations on employment and rehabilitation of disabled persons ,
 - 8) State enterprises for organised sales of parts of the enterprises.
3. The following transactions:
- 1) sale of foreign money,
 - 2) transfer of the ownership of immovables (and also of the lease, underlease, rent) with the exception of dwelling buildings or their parts located in city areas, as a result of the following contracts:
 - a) sale contract,
 - b) contract of life estate
 - c) contract on the share of the inheritance,
 - d) contract on the abolition of the co-ownership,
 - e) contract of donation – in the part relating to the takeover of the debts and incrimination by the donator or to the obligations on the account of vendor or third parties,
 - f) contract of exchange - up to the market value of the immovables – under the condition that immovables will become a part of the farm which belongs to the vendee,
 - 3) sale of immovables, of right to hereditary tenure, of right to the ownership of a flat in a co-operative or one-family house or the right to the dwelling premises in a small dwelling-house, if the vendee is the previous owner (the tenant of hereditary tenure) of:
 - a) expropriated immovables, for which no other replacement immovables or other form of compensation was granted,
 - b) sold immovables for the purpose of expropriation, which in case of expropriation would meet the criteria to be granted with replacement immovables,
 - c) immovables or right to hereditary tenure purchased on the basis of the regulations on the protection and formation of the environment ,
in the amount of the compensation received (the price), under the condition that the purchase occurred in 5 years time since the date of the compensation (payment) received.
 - 4) sale of the dwelling building or its part, dwelling premises which constitute separate immovables, right to the ownership of a flat in a co-operative or one-family house or the right to the dwelling premises in a small dwelling-house if it takes place as a realisation or in relation to the multiparties agreement on exchange of the building or the rights to the dwelling premises,
 - 5) sale of the dwelling building or its part, of dwelling premises which constitute a separate immovable, of right to the ownership of a flat in a co-operative or one-family house or the right to the dwelling premises in a small dwelling-house if it takes place with the purpose of the receipt (in exchange) of the rights to rent a flat in a co-operative or to the dwelling building or its part, occupied by the vendee on the basis of the lease contract as defined by regulations on lease of the dwelling premises and dwelling supplements ,

- 6) exchange of dwelling premises which constitute a separate immovables, of right to the ownership of a flat in a co-operative or one-family house or the right to the dwelling premises in a small dwelling-house if the parties of the contract are the persons of the I tax group according to the Tax Law on Inheritance and Gifts,
 - 7) sale of the movables if the market value of the transaction's object does not exceed 50 zł,
 - 8) commission sale contract if the value of the goods given to the commission agent for sale or the price paid by commission agent does not exceed 50 zł,
 - 9) sale of precious metals, including coins after 1850 to the businesses authorised to the metal trade,
 - 10) transfer of the ownership of equipment, objects and fixing located on the area of the plot that belongs to the workers' plot gardens,
 - 11) sale of raw materials, basic materials and supplementary materials, semi-finished products, packages, spare parts, waste, off-scourings,
 - 12) commission sale contract entered while performing business by a commission agent,
 - 13) sale of stock to the brokers,
 - 14) sale of Treasury bills issued by the Minister of Finance,
 - 15) sale of bonds of the Polish National Bank.
4. Changes of lease or underlease contracts as a result of the changes of the rent amount.
5. Loan contracts:
- 1) Granted by credit of lease enterprises (including the subjects who do not have their residence or headquarters on the territory of the Republic Poland) based on the regulations of the Bank Law,
 - 2) If the total sum or the value of the loans granted to the same person does not exceed 100 zł in one year,
 - 3) granted from company funds, worker unions funds and other purpose funds
6. Partnership contracts if the only area of their business activity is to gain and to produce building materials from local resources.
7. Warrantee contracts:
- 1) warrantee on bills and on declarations attached to the bill,
 - 2) warrantee for a loans guarantee given by the workers pecuniary aid funds, co-operative saving-credit funds, fellow-workers saving-loans funds running their activities in the army and from company's social security fund,
 - 3) warrantee (guarantee) in relation to foreign trade,
 - 4) warrantee on debt promissory notes that guarantee loans granted to farmers, members of the farm co-operatives, workers of the agricultural and forestry service, workers of the state farm enterprises and settlers if guarantor is :
 - a) a spouse of the debtor, regardless of the loan amount,
 - b) other person if the loan amount does not exceed 100 zł,
 - 5) warrantee on debt promissory notes that guarantee loans granted by banks to agricultural co-operatives, agricultural associations, farming associations and collective bodies of individual farmers, if the guarantor is a member of those organisations,

- 6) warrantee for loans and credits guarantee granted from special purpose funds,
 - 7) The Treasury.
8. Mortgage:
- 1) statutory,
 - 2) obligatory,
 - 3) on trade and fishery ships,
 - 4) warrantee on subsidies or other forms of financial help granted to social organisations in the field of sport and tourism,
 - 5) for guarantee of the bank liabilities by right of the individual credits granted to farmers for the purchase of a farm or its part or for the purchase of buildings located on parcels from the persons who transferred their farms to the State in exchange of the pension or old-age pension,
 - 6) for guarantee of the bank liabilities by right of the credits granted to individual farmers or collective bodies of individual farmers for inventory or component construction together with the equipment ,
 - 7) for guarantee of co-operative liabilities and debts,
 - 8) for guarantee of loans and credits granted by special purpose funds.

Transactions that are not subject to fiscal charge::

1. transactions as defined by common law in case of:
 - a) alimony, care, wardship and adoption,
 - b) social security, pension and old-age pension, social welfare, deductions granted to soldiers carrying out the obligatory army service and to persons doing replacement service and their families, and also authorizations and deductions for disabled persons and combatants
 - c) Sejm and Senat elections, elections to national councils and referendum,
 - d) general defence obligation,
 - e) employment, social security benefits and wages,
 - f) science, education and health,
 - g) activities based on regulations on expropriations of immovables,
 - h) sale of immovables for the purpose justifying the expropriation,
 - i) sale of immovables or the right to hereditary tenure by pre-emption or redemption carried out by the Treasury,
 - j) sale or exchange of immovables or the right to hereditary tenure based on regulations on protection and formation of environment and regulations on arable land and expropriation of immovables,
 - k) sale of goods in the proceedings of execution and bankruptcy.
2. Transactions as defined by common law:
 - a) contract on sale, lease, underlease, rent entered by VAT payers and other contracts of that kind,
 - b) loan contracts entered between the persons from the I tax group according to the Tax Law on Inheritance and Gifts- up to the amount that equals to free tax allowance,

- c) sale contracts of the separate permanent living accommodation and dwelling premises, in which Army House Agency is the party..

Reductions:

1. if one party of the transaction as defined by common law is exempted from fiscal charge fee obligation then the tax rate is reduced by 50%.
2. sale of the farm machines, agrimators and trailers to farmers, then the tax rate is reduced by 50%.

Rates:

Tax rates depend on the sort of the transaction as described in common law and are set by the Minister of Finance.

Local Fees

Local Taxes and Charges Act of 12.01.1999.

(Ustawa o podatkach i opłatach lokalnych z 12 stycznia 1999)

examples are:

Dog Tax

(Podatek od posiadania psow)

Legal base:

Local Taxes and Charges Act of 12.01.1999.

Beneficiary:

Local government

Tax payable by:

The taxpayers are natural persons, possessing dogs.

Basis of assessment:

The tax subject and basis is a fact of owning a dog. The dog is treated as a luxury good.

Exemptions:

There are the tax exemptions for:

- members of foreign consular staff (on mutual principle)
- disabled persons - a dog is treated as help
- people over 70 years old, running a household on their own
- people, who own farms (two dogs).

Rates:

The tax rate is proportional and established by the local authorities.

PO°3.7.8.

Rehabilitation Fund Contribution

(Fundusz Rehabilitacyjny osob niepełnosprawnych)

Legal base:

Tax Law of 27.08.1997

Beneficiary:

The contributions are paid for the benefit of the Fund. The income is aimed at:

- 1) financing part of the social security contributions for disabled persons employed in so called Labour Protected workshops and Labour Activity workshops,
- 2) refund of the wages cost and social security contributions for disabled persons sent to work by district Job Center,
- 3) organising work places for disabled persons and adjusting the existing work places to the needs resulting from the disability,
- 4) financing a part of or refund of wages paid off to disabled persons employed in so called Labour Protected workshops,
- 5) financing a part of therapy for disabled persons,
- 6) financing a part of the interest from the bank credits contracted by Labour Protected workshops,
- 7) removal of architectural barriers for disabled persons.

Tax payable by:

Contributions are paid by employers.

Basis of Assessment and Rates:

- 1) The employer who employs at least 25 employees calculated in units of working time is obliged to pay contributions for the benefit of the Rehabilitation Fund monthly as a product of a set 40,65% of the average wage level and the number of work units that the employer stays below the level of 6% of empöoyment of disabled employees.
- 2) The employer pays for the benefit of Rehabilitation Fund 50% of the recources received as a result of tax relief from the income tax.
- 3) An employer who has not organised in a set period of time a workplace for a person who became disabled as a result of an accident at work or as an result of occupational disease is obliged to pay the amount of 15 times of the average wage on the day of termination of terms of employment.
- 4) The fund is aided also with budgetary donations and with gifts given by employers.

PO°3.7.9.

Employment Fund Contribution

(Fundusz Gwarantowanych Swiadczen Pracowniczych)

Legal base:

Tax Law of 14.12.1994

Beneficiary:

The President of the Central Job Center is a disposer of the Employment Fund. The funds resources are assigned to finance the following activities, e.g.:

- 1) Costs of training of employees and unemployed persons and other authorized persons,
- 2) Financial benefits and social security contributions paid to unemployed persons,
- 3) Costs of employment of graduates sent by a Job Center,
- 4) Credit tickets distributed to the persons sent by a Job Center to work in another city/town/village.
- 5) Salaries and social security contributions paid to young people employed on the basis of a training work contract,
- 6) Planning, publishing and distribution of information about services of the job centers and other agents on the job market, for unemployed and other job-seeking persons, and for employers,
- 7) Activities related to the realisation of special programs.

Tax payable by:

Contributions are paid by employers.

Income of the Employment Fund:

- 1) contributions paid by employers,
- 2) budget donations to supplement the funds of the Employment Fund assigned to payment of the obligatory benefits,
- 3) income from the purchase of Treasury bills and Government securities,
- 4) income from purpose deposits in banks and other public institutions or warranted by the Treasury,
- 5) contributions paid by foreign partners for Polish workers employed on the basis of international agreement,
- 6) other income.

Basis of assessment:

The contributions are calculated as a set percent of the basis of assessment for the purpose of social security contributions. The basis of assessment must not be less than the level of a monthly average wage.

Rates:

The rates are set by the Cabinet in the form of a decree after consultation with the High Employment Council. In year the2000 the rate has been set on the level of 0,08% of the basis of assessment

PO°4.

Social Security Contributions

(Skladki na ubezpieczenia społeczne)

Legal base:

Ustawa z 17 grudnia 1998r (17 December 1998) o emeryturach I rentach z Funduszu Ubezpieczen Spolecznych

Tax payable by:

Employers, Employees and selfemployed persons for old-age pension, disability insurance, health and maternity insurance and injury insurance.

Basis of assessment:

Basis of the contributions is income as defined for income tax purposes.

For selfemployed persons the maximum base of assessment for pension and disability insurance is the annual equivalent of 30 average salaries as projected for the respective year; with respect to health, maternity and injury insurance there is no such maximum.

Special features:

The pension insurance is a "three pillar system":

Pillar I: obligatory public system financed through the Social Security Fund FUS.

Pillar II: obligatory private pillar based on private pension funds.

Pillar III: all voluntary private pension plans, life insurance etc.

Rates:

| Purpose of payment | Employer (%) | Employee (%) |
|--------------------------|--------------|--------------|
| Pension insurance | 9.76 | 9.76 |
| Disability insurance | 6.50 | 6.50 |
| Health and maternity in. | - | 2.45 |
| Injury insurance | 2.03 | - |
| Total | 18.29 | 18.71 |

The contributions are deductible for purposes of income tax by both employers and employees.

Previous contributions for the Account of the Department of Social Security (*Zaklad Ubezpieczen Spolecznych*) to be paid until 1998.

Wage Guarantee Fund Contribution

(Fundusz Gwarantowanych Swiadczen Pracowniczych)

Legal base:

Tax Law of 29.12.1993

Beneficiary:

Contributions for the benefit of the Fund are used in order to satisfy the claims of the employees in of case when bankruptcy proceedings against an insolvent employer, of a business closing down or when an employer factually ceases the business and does not have the financial resources to pay off the wages due. The fund pays off also unreiterated benefits in the amount of the wages due when an employer is in temporary difficulties. The benefits paid off are a liability to be paid back to the Fund from the insolvent property of the previous employer.

Tax payable by:

Contributions are paid by employers. Contributions to the Fund are treated as business cost.

Income of the Wage Guarantee Fund:

- 1) contributions paid by employers,
- 2) the recovered payments by right of employees benefits and also their equivalent in immovables and in the rights related to the immovables of the overtaken by the Fund,
- 3) any surplus resulting from the sale of immovables and of the rights related to them (equivalent – see point 2),
- 4) interests on the investment of the financial surpluses of the Fund,
- 5) bequests and donations,
- 6) gifts given to the Fund by employers.

Basis of assessment:

The contributions are calculated as a set percentage of the basis of assessment for the purpose of social security contributions.

Rates:

The rates are set by the Minister of Labour and Social Policy in the form of a decree with the agreement of the Ministry of Finance and the Fund's Council. In the year 2000 the rate has been set on the level of 0,08% of the basis of assessment.

Annex 2.2. Tax Changes from 2000 onwards

(1) Decided Tax Changes

PO°1.2.

Corporation tax

A decrease to 30 percent in the year 2000 and to 28 percent in 2001 is established.

PO°4.

Social contributions

The following table gives the present rates of injury insurance:

From 1. January 2000 change from a fixed rate of 2.03 % to a differentiated system depending on the branch; the rates vary from 0.4 % of wages to 8.12 %.

(2) Plans from 2000 onwards

PO°3.5.1.

VAT

There are plans to introduce a 3% tax rate for agriculture.

PO°3.5.1.

Agricultural Property Tax

There is expectation to connect the agriculture tax with the tax on income.

PO°3.5.3.

Real Estate Property Tax

Basis of assessment: Presently the area in square meters, for buildings in 3 classes, for land in 2 classes.

After 2003 it is planned to introduce a tax that is based on the value instead of the size of the property.

Annex 2.3. Taxes Abolished

PO°1.1.4.

PO°1.1.5.

Income Equalization Tax (*Podatek wyrównawczy*)

Legal base: Tax Law of 28. July 1983 on equalisation tax (*Ustawa z dnia 28 lipca 1983r. o podatku wyrównawczym*)

Abolished on 1. January 1992 by Tax Law of July 26., 1991 on Personal Income Tax.

PO°3.1.3.

Previous Turnover Tax (*Podatek obrotowy*)

Legal base: Tax Law of 16. December 1972 on Turnover Tax (*Ustawa z dnia 16 grudnia 1972r. o podatku obrotowym*)

Tax Law of 26. February 1982 on taxation of socialised sector units (*Ustawa z dnia 26 lutego 1982r. o opodatkowaniu jednostek gospodarki uspołecznionej Dz.Ust. z 1987r., nr 12, poz.77*)

Abolished on 5. July 1993 by Tax Law of 8 January 1993. on VAT and Excises (*Dz.Ust. nr 11 z 1993, poz.50*)

PO°3.2.2.

PO°3.2.3.

Import Tax (*Podatek importowy*)

Legal base: Tax Law of 25. November 1993 on Import Tax (*Ustawa z dnia 25 listopada 1993 roku o podatku importowym Dz.Ust. z 1993, nr 123, poz.551*)

Introduced in 1994 and abolished on 31. December 1995 as it was not prolonged, The tax Law was set for one tax year and had to be prolonged.

Compensatory Fees on Agricultural Imports were part of the Import Tax.

PO°3.7.2.

PO°3.7.3.

Abolished Taxes, examples:

a) Previous Personal Income Tax (*Podatek dochodowy od osób fizycznych*)

Legal base: Tax Law of 16. December 1972 on Personal Income Tax (*Ustawa z dnia 16 grudnia 1972r. o podatku dochodowym*)

Abolished on 1. January 1992 by Tax Law of July 26., 1991 on Personal Income Tax.

b) Previous Profit Tax (*Podatek od Zyskow*)

Corporate Income Tax (*Podatek dochodowy od osób prawnych*)

Legal base: Tax Law of 31. January 1989 on Corporate Income Tax (*Ustawa z dnia 31 stycznia 1989 r. o podatku dochodowym od osób prawnych*)

Abolished on 15. February 1992 by Tax Law of February 15., 1992 on Corporate Income Tax

c) Agricultural Tax (*Podatek rolny*)

Legal base: Tax Law of 15. November 1984 on Agricultural Tax (*Ustawa z dnia 15 listopada 1984 r. o podatku rolnym*)

Abolished to the extent relating to the agricultural tax from personal income coming from special farm production on 1. January 1992 by Tax Law of July 26., 1991 on Personal Income Tax.

d) Real Estate Tax (*Podatek od nieruchomości*)

Legal base: Tax Law of 14. March 1985 on Local Taxes and Fees (*Ustawa z dnia 14 marca 1985r. o podatkach i opłatach lokalnych*)

Abolished by Tax Law of 12. January 1991 on Local Taxes and Fees.

e) Road Tax (*Podatek drogowy*)

Legal base: Tax Law of 14. March 1985 on Local Taxes and Fees (*Ustawa z dnia 14 marca 1985r. o podatkach i opłatach lokalnych*)

Abolished by Tax Law of 12. January 1991 on Local Taxes and Fees.

f) Tax on Dogs (*Podatek od posiadania psów*)

Legal base: Tax Law of 14. March 1985 on Local Taxes and Fees (*Ustawa z dnia 14 marca 1985r. o podatkach i opłatach lokalnych*)

Abolished by Tax Law of 12. January 1991 on Local Taxes and Fees.

PO°3.7.4.

PO°3.7.5.

Wages Tax (*Podatek od wynagrodzeń*)

Legal base: Tax Law of 4. February 1949 on Wages Tax (*Ustawa z dnia 4 lutego 1949r. o podatku od wynagrodzeń*)

Abolished on 1. January 1992 by Tax Law of July 26., 1991 on Personal Income Tax.

PO°3.7.6.

PO°3.7.7.

Salaries Tax (*Podatek od plac*)

Legal base: Tax Law of 26. February 1982 on taxation of the socialised sector units (*Ustawa z dnia 26 lutego 1982r. o opodatkowaniu jednostek gospodarki uspołecznionej*).

Abolished on 1. January 1992 by Tax Law of July 26., 1991 on Personal Income Tax.

PO°3.7.10.

PO°3.7.11.

Penalties for Excessive Pay Roll Increases and Excessive Wage Tax (*Podatek od ponadnormatywnego wzrostu wynagrodzeń - popiwiek*)

Podatek od ponadnormatywnego wzrostu wynagrodzeń (popiwiek) został wprowadzony w 1993 roku Ustawą kształtowania środków na wynagrodzenia w państwowej sferze budżetowej w 1993 roku oraz zmianie ustawy o wynagrodzeniach osób zajmujących kierownicze stanowiska państwowe (Dz.U. z roku 1993, Nr 80, poz. 350).

Abolished: on 1. Jan. 1995 by Tax Law of Dec. 16., 1994.

Annex 3. Hungary

Annex 3.1. Taxes in Force as of 1999

HU°1.1.1.

HU°1.1.2.

Personal Income Tax

(Személyi jövedelemadó)

Legal base:

Law Nr. 117 of 1995.

Beneficiary:

Central government and local governments (due to a tax sharing arrangement fixed in the annual budget law). Tax on private individuals' income from the rental of arable land are wholly payable to local governments.

Tax payable by:

Resident individuals are taxable on world-wide income of any kind.

Basis of assessment:

The law distinguishes 6 classes of individual income, for which different rules with respect to deductions and rates apply:

- income from dependent personal services: all employment in connection with dependent service, contributions paid by the employer into an employee's voluntary pension funds;
- income from independent personal services and entrepreneurial activities: business income, income from liberal professions, royalties on intellectual property rights etc. Taxable income from independent activities may be computed in one of three ways: (1) the taxpayer keeps records of all expenses directly related to his profit-making activity and deducts them from the gross income, (2) the taxpayer reports 90% of his gross income as taxable income, (3) the taxpayer may opt for a lump-sum taxation, if he is engaged in small scale business activities;
- income from capital: interest from savings accounts, treasury bonds, investment fund shares etc, dividends on shares of companies held by individuals. Income in the form of employee shares is considered to be dividend income;
- income from the sale of property;
- miscellaneous income: income from the rental of real property, income from winnings;
- other income not included in any of the above categories: state pensions, unemployment payments, fringe benefits, damages or sums received by insurance for lost income.

Exemptions:

Classes of exempt income are:

- social welfare allowances, family allowance,
- subsidies granted on the basis of the law for housing purposes,
- payments received from foundations, charitable organisations or mutual assistance funds,
- certain fringe benefits (within a limitation) like vacation voucher, meals provided by the employer in kind,

- insurance payments that are not a replacement of lost income.

Pensions received from the state, from private pension funds, from the pension funds of the churches in Hungary, pensions from abroad and scholarships are taxable, but the tax calculated on them is deductible from the charge payable.

Deductions:

There are various tax credits, i.e. amounts deductible from the tax calculated on taxable income; these credits include

- per each dependent the family tax credit is (i) HUF 1.700 per month for one or two dependents, (ii) HUF 2.300 per month for three or more dependents, (iii) HUF 2.600 per month for seriously disabled dependents.
- 30% of school fees for listed high schools. The ceiling of this tax credit is HUF 60.000.
- 30% or 35% of donations given to public interest associations.

Employees may reduce their tax liability by up to 10% of the annual salary up to an amount of HUF 36.000 if their annual taxable income is below HUF 1 million.

Further tax credits are granted for investments in securities, for statutory pension contributions, for voluntary premium payments for pension, health or life insurance, for intellectual activities, for agricultural producers and for savings for the purpose of buying or constructing a dwelling.

Collection:

Tax from salaries must be withheld by the employer. Generally, taxable persons are obliged to file a tax declaration, unless they receive income only from one employer or have only tax-exempt income.

Rates:

As of Jan. 1, 1999 the rates applicable to aggregate annual income are:

| Taxable income (HUF) | Tax due on first amount (HUF) | Plus % on excess |
|----------------------|-------------------------------|------------------|
| up to 400.000 | 0 | 20 |
| 400.001 to 1.000.000 | 80.000 | 30 |
| over 1.000.000 | 260.000 | 40 |

Interest income is taxed at a rate of 0%. Dividends are taxed at a flat rate withholding tax which is 20% for ordinary and 35% for excess dividends like dividends derived from employee shares. Capital gains from the disposal of property are taxed at a rate of 20%. A private individual's income from the rental of real property is taxed at a rate of 20%.

HU°1.2.1.

Corporate Income Tax

(Társasági adó és osztalékadó)

Legal base:

Law Nr. 81 of 1996.

Beneficiary:

Central government.

Tax payable by:

Taxable entities for corporate income tax are

- corporate entities created under company law, i.e. joint-stock companies, limited liability companies, general partnerships and limited partnerships,
- co-operatives, state-owned companies, foundations, associations for public interest purposes,
- associations like lawyer's offices,
- public service companies,
- social organisations, churches, housing co-operatives, voluntary mutual insurance funds,
- risk capital funds.

For dividend tax purposes the taxpayers are the receiving shareholders (legal entities, partnerships without legal entities, associations of persons and other organizations), the dividend tax must, however, be withheld by the paying company.

Basis of assessment:

Resident companies are taxed on their world-wide income; the taxable base is computed from the accounting profits, i.e. gross revenue minus all deductible expenses. Gains from the sale of capital assets are treated as business income.

Exemptions:

Income derived from domestic and foreign dividends is tax exempt. Twenty per cent of the amount incurred on the grounds of research and experimental development can be deducted from the tax base.

Deductions:

All expenses directly related to the income-earning activities of the company are deductible.

Depreciation rates range from 2% - 6% for industrial buildings, for machinery the general depreciation-rate is 14,5%; up to 30% for machinery and equipment put to use after Jan. 1, 1996, and 33% for electronically controlled equipment, computers, industrial robots, solar panels, office equipment and the like.

Losses may be carried forward for 5 years, start-up losses incurred in the first 4 years after a company's formation may be carried forward indefinitely.

There are a large number of tax incentives in the form of tax credits for companies with foreign participation, for large scale or otherwise privileged investments, e.g. in specified industrial zones, or for employment of previously unemployed persons.

Rates:

From Jan. 1, 1997 the flat rate of corporate income tax is 18%. Dividends paid to shareholders (legal entities, partnerships without legal entities, associations of persons and other organizations) are taxed with a withholding rate of 20%.

HU°2.1.

Duty on Inheritance

(Öröklési illeték)

Legal base:

Law Nr. 93 of 1990.

Beneficiary:

Central and local governments (50-50%). This tax sharing arrangement is fixed in the annual budget law.

Tax payable by:

The subject matter of the inheritance duty generally is the acquisition of property on the basis of inheritance. The duty on inheritance must be paid by the beneficiary.

Basis of assessment:

The net value of any property situated in Hungary has been regarded as the basis of assessment.

Exemptions:

There are certain exemptions from duty of inheritance, e.g.

- inheritance bestowed for domestic scientific, artistic, educational etc. purposes,
- in the case of shares and other securities,
- the part of movable inheritance not exceeding the market value of HUF 300.000,
- inheritance of usufruct or use of housing property by surviving spouse.

Rates:

Rates depend on the degree of relationship between the deceased and heir:

- Class I: children, spouse, parents; the rate is 11%,
- Class II: other close relatives; the rate is 15%,
- Class III: others; the rate is 21%.

For immovable property the rates are reduced to 2.5%, 4%, 5%.

HU°2.2.

Duty on Gifts

(Ajándékozási illeték)

Legal base:

Law Nr. 93 of 1990.

Beneficiary:

Central and local governments (50-50%). This tax sharing arrangement is fixed in the annual budget law.

Tax payable by:

The gift duty must be paid by the donee of a gift, consisting of immovable property situated in Hungary, of movable property or of free of charge establishment of rights of pecuniary value, free of charge cession of such rights.

Basis of assessment:

The net value of the gift has been regarded as the basis of assessment.

Exemptions:

Certain donations like shares and other securities may be exempt. Movable property with a value of less than HUF 150.000 is exempt.

Rates:

The applicable rates, like with the duty on inheritance, depend on the proximity between donor and donee and amount to 5% in Class I, 8% in Class II and 10% in Class III.

HU°3.1.1.

Value Added Tax

(Általános forgalmi adó)

Legal base:

Law Nr. 74 of 1992.

Beneficiary:

Central government.

Tax payable by:

All natural persons and legal entities supplying goods or services for profit on a regular or a businesslike basis are obliged to pay value added tax.

Basis of assessment:

The value of goods or services supplied (excluding VAT), and the value of imported goods (including customs duties) have been regarded as the tax bases.

Exemptions:

Enterprises and natural persons with an annual turnover not exceeding HUF 2.000.000 may opt to be exempt from accounting and paying VAT (and forgoing the right to deduct VAT paid on purchases). Transactions relating to health care services, education, financial services, cultural and sports services, gambling, public TV and radio broadcasting, social security, lease of dwellings land property and insurance are exempt (without right of deduction).

Under reciprocity agreements – presently with Austria, Belgium, Denmark, Finland, France, Germany (with the exception of VAT on diesel oil), Italy, Liechtenstein, Luxemburg, the Netherlands, Spain, Sweden, Switzerland and the United Kingdom – non-residents doing business in Hungary may reclaim the VAT paid on Hungarian supplies of goods and services including the importation of goods.

Rates:

The standard rate is 25%, a reduced rate of 12% is applied for basic food, medicines and medical supplies, coal, mineral fuels, electrical energy and most services. A zero rate applies to exports, international transport and related services, text books used in public education and specified medicines and medical materials.

HU°3.1.2.

Local Business Tax

(Helyi iparuzési adó)

Legal base:

Law Nr. 100 of 1990.

Beneficiary:

Local governments. Local governments have their own rights to impose this tax.

Tax payable by:

Entrepreneurs, who are registered within the jurisdiction of a municipality might be liable to the local business tax.

Basis of assessment:

The tax base for permanent commercial activities is the net sales revenues of products sold or services provided less the purchase value of goods sold and the value of services provided by subcontractors and less 66% of material costs in 1999, and all material costs in 2000.

For temporary commercial activities the tax is established on the basis of the number of calendar days during which the activity has been performed.

Exemptions:

Some municipalities do not charge such tax or grant tax credits.

Rates:

The maximum admissible rate in 1999 is 1.7%, it will go to 2% in 2000.

HU°3.2.1.

Customs Duties

(Vám- és importbefizetések)

Legal base:

Law Nr. 100 of 1995, 93 of 1990.

Beneficiary:

Central government.

Tax payable by:

All natural persons and legal entities importing goods from abroad provided that the imported goods are not subject to relief from customs duty. The customs clearance fee and the statistical duty is payable only for customs goods imported from non-WTO Member countries. At the same time, on proceedings initiating permission of the importation of goods, services etc. a duty is payable.

Basis of assessment:

The base of the customs duty, the customs clearance fee and the statistical duty is the customs value of the imported goods. The customs value is generally calculated according to the principles of the Agreement on implementation of the Article VII of the General Agreement on Tariffs and Trade. However, there are some exemptions such as goods arriving in non-commercial traffic, goods returned from temporary export for processing outside the customs territory.

Exemptions:

The exemptions are included in the custom law. These articles provide relief from customs duty such as: for goods defined as duty-free in international conventions signed by Hungary, for returned goods, for materials or components sent by a foreign contracting party in order to be incorporated in the export goods manufactured for him, for goods imported free of charge on the basis of guarantee or warranty, for the fuel and spare parts required for the operation of motor vehicles entering to Hungary, for goods grown or raised abroad within the framework of border-region farming.

Rates:

The average mfn (most favoured nations treatment) rate of duty is 12,4% on all products, 33,3% on agricultural products, 15% on fishery products and 7,4% on industrial products. However, in fact the applied rate of duty is much more lower than the average of the mfn duty rates as a result of the free trade agreements. The duty on proceedings initiating permission of the importation of goods, services etc. is HUF 3.000.

HU°3.3.1.

Consumption Tax on Coffee

(Kávé fogyasztási adója)

Legal base:

Law Nr. 78 of 1991.

Beneficiary:

Central government.

Tax payable by:

In general, the tax must be paid by the manufacturer or producer of the products. The importer is liable to pay the tax on imported products.

Basis of assessment:

Generally, the tax base is the market value - not including consumption tax and value added tax - of the products. In the case of imported products, the basis of assessment is the customs value.

Rates:

The applicable tax rate is 12%.

HU°3.3.2.

Excise Duty on Alcoholic Products

(Alkoholtermékek jövedéki adója)

Legal base:

Law Nr. 103 of 1997.

Beneficiary:

Central government.

Tax payable by:

The taxpayer is the person producing the excise goods and the importer of the excise goods.

Basis of assessment:

Generally, the basis of assessment is the quantity of the alcoholic product in hectolitre grade by volume. According to the special regulations, the basis of assessment

- in the case of intermediate products, is the quantity of intermediate product measured in litres,
- in the case of beer, is the quantity of beer measured in hectolitre and Balling (Plato) grade,
- in the case of sparkling wine, is the quantity of sparkling wine measured in litres.

Rates:

The general tax rate is HUF 1.400 per hectolitre grade. Special rules apply to

- spirits, the tax rate is HUF 1.120 per hectolitre grade,
- intermediate products, the tax rate is HUF 66,60 per each litre for carbonated intermediate alcoholic products and HUF 88,80 per each litre for non-carbonated intermediate alcoholic products,
- beer, the tax rate is HUF 312 per each hectolitre and Balling (Plato) grade,
- sparkling wine, the tax rate is HUF 66,60 per litre.

HU°3.3.3.

Excise Duty on Tobacco Products

(Dohánytermékek jövedéki adója)

Legal base:

Law Nr. 103 of 1997.

Beneficiary:

Central government.

Tax payable by:

The taxpayer is the person producing the excise goods and the importer of the excise goods.

Basis of assessment:

The tax base is the retail price and thousand units. The retail price is the amount established by the licensee of the tobacco product tax warehouse or by the importer, that includes tax and value added tax as is indicated on the tax seal.

Rates:

The applicable tax rates are

- a) for cigarettes HUF 2.300 per thousand units and 17% of the retail price;
- b) for cigars, cigarillos and loose cut tobacco 25% of the retail price.

HU°3.3.4.

Excise Duty on Petrol

(Benzin jövedéki adója)

Legal base:

Law Nr. 103 of 1997.

Beneficiary:

Central government.

Tax payable by:

The taxpayer is the person producing the excise goods and the importer of the excise goods.

Basis of assessment:

The tax base is the quantity of the mineral oil.

Rates:

The applicable tax rates are as follows:

- 1) for unleaded petrol: HUF 86,90 per litre;
- 2) for leaded petrol and other petrol: HUF 93,90 per litre.

HU°3.3.5.

Excise Duty on Diesel

(Gázolaj jövedéki adója)

Legal base:

Law Nr. 103 of 1997.

Beneficiary:

Central government.

Tax payable by:

The taxpayer is the person producing the excise goods and the importer of the excise goods.

Basis of assessment:

The tax base is the quantity of the mineral oil.

Rates:

The applicable tax rate for diesel fuels is HUF 75 per litre.

HU°3.3.6.

Excise Duty on Other Oil Products

(Egyéb ásványolaj termékek jövedéki adója)

Legal base:

Law Nr. 103 of 1997.

Beneficiary:

Central government.

Tax payable by:

The taxpayer is the person producing the excise goods and the importer of the excise goods.

Basis of assessment:

The tax base is the quantity of the mineral oil.

Rates:

The applicable tax rates are differentiated according to the next structure:

- 1) for petroleum products: HUF 93,90 per litre,
- 2) for liquid hydrocarbons from natural gas and other gas products used as fuel for motor vehicles: HUF 86,70 per kg,
- 3) for compressed hydrocarbons in the form of gas from natural gas and other gas products used as fuel for motor vehicles: HUF 41,80 per nm³,
- 4) for benzol and its homologous compounds: HUF 93,90 per litre,
- 5) for lubrication oil: HUF 67,50 per kg,
- 6) for additives (mineral oil): HUF 67,50 per kg,
- 7) for natural gas condensate: HUF 93,90 per litre.
- 8) for heating oil: HUF 75 per litre

HU°3.3.7.

Other Consumption Taxes

(Egyéb fogyasztási adók)

Legal base:

Law Nr. 78 of 1991.

Beneficiary:

Central government.

Tax payable by:

In general, the tax must be paid by the manufacturer or producer of the products. The importer is liable to pay the tax on imported products.

Basis of assessment:

Generally, the tax base is the market value - not including consumption tax and value added tax - of the products. In the case of imported products the basis of assessment is the customs value.

Rates:

The applicable consumption tax rates are as follows:

1. for products made of precious metals other than silver, jewelry made from precious stones etc.: 35%,
2. for passenger cars
 - 2a. with engine displacement up to 1.600 cc: 22%,
 - 2b. with engine displacement greater than 1.600 cc: 32%,
 - 2c. with engine displacement up to 1.600 cc equipped with catalytic converters, and electric passenger cars: 10%,
 - 2d. with engine displacement greater than 1.600 cc equipped with catalytic converters: 20%,
3. for grape wines: 11%.

HU°3.3.8.

Contract Distillation Spirits Tax

(Bérfozési szeszadó)

Legal base:

Law Nr. 103 of 1997.

Beneficiary:

Central government.

Tax payable by:

Natural person who has fruit-brandy or cognac manufactured from his own or collected fruit.

Basis of assessment:

The tax base is the quantity of the alcoholic product in hectolitre grade (measured at 20 °C) by volume.

Rates:

Two tax rates can be distinguished:

- HUF 500 per hectolitre degree, up to the annual quantity of 50 hectolitre degree, and
- HUF 1.120 per hectolitre degree, over the annual quantity of 50 hectolitre degree.

HU°3.4.1.

Local Tourism Tax on Staying

(Helyi idegenforgalmi adó tartózkodás után)

Legal base:

Law Nr. 100 of 1990.

Beneficiary:

Local government. Local governments have their own rights to impose this tax.

Tax payable by:

Private person who is not a permanent resident, spending at least one guest-night within the area of jurisdiction of a local government is liable to local tourism tax.

Basis of assessment:

The basis of tax is the number of guest nights commenced, or the accommodation fee payable for a guest night commenced.

Exemptions:

The following tax exemptions can be taken into account:

- private person under the age of 18 or over the age of 70;
- private person receiving care in health care institutions or social institutions;
- private person residing in the area of jurisdiction of local government for example on the basis of scholarship, employment etc.;
- private persons, who own or lease a holiday resident which is located in the area of jurisdiction of a local government.

Rates:

The upper limits of the applicable tax rates are HUF 300 per person per guest night, or 4% of the accommodation fee.

HU°3.4.2.

Tourism Contribution

(Turisztikai hozzájárulás)

Legal base:

Law Nr. 90 of 1998.

Beneficiary:

Central government.

Tax payable by:

Enterprises involved in tourism like hotel services, car rentals, casinos, travel agencies, restaurants and other tourism related businesses are obliged to pay tourism contribution.

Basis of assessment:

The basis of assessment is the net sales revenues, or the commercial profit margin, or the net sales revenues after taxation.

Rates:

The applicable rate of tourism contribution is 1 or 2% of the tax base, depending on the type of activities carried out.

HU°3.4.3.

Cultural Contribution

(Kulturális járulék)

Legal base:

Law Nr. 23 of 1993.

Beneficiary:

National culture fund.

Tax payable by:

Producer, importer, publisher, distributor or provider of taxable goods and services is obliged to pay cultural contribution.

Basis of assessment:

The basis of assessment is the net sales revenues derived from taxable transactions.

Rates:

The rates of the cultural contribution vary between 0,5 and 25%, depending on the type of products and services provided.

HU°3.4.4.

Gambling Tax

(Játékadó)

Legal base:

Law Nr. 34 of 1991.

Beneficiary:

Central government.

Tax payable by:

Gambling organizers are obliged to pay the gambling tax.

Basis of assessment:

As for the basis of assessment, the following items must be regarded as tax base:

- in the case of draws and totalizer-type bets: the prize basis;
- in the case of money-winning and gambling machines: the tax item has been defined for each machine;
- in the case of bets based on the bookmaker system and casinos: the net gaming revenues.

Rates:

The applicable tax rates are as follows:

- for draws and totalizer-type bets: 16%;
- for money-winning machines: per each machine, HUF 28.000 per month on money-winning machines included in category I., and HUF 18.000 per month on money-winning machines included in category II.;
- for gambling machines: the annual tax is HUF 60.000 per each machine;
- for bets based on the bookmaker system: 30%;
- for casinos: 40%.

HU°3.5.1.

Land Parcel Tax

(Telekadó)

Legal base:

Law Nr. 100 of 1990.

Beneficiary:

Local government. Local governments have their own rights to impose this tax.

Tax payable by:

The owner of the parcel on the first day of the calendar year is obliged to pay land parcel tax.

Basis of assessment:

The tax base is

1. the actual area of the parcel as calculated in square meters, or
2. the adjusted market value of the parcel.

Exemptions:

The following items are exempted from the land parcel tax:

- parcels under building prohibition for the period of the prohibition;
- taxpayers engaged in public transport services;
- the safety zone of buildings;
- parcels registered in the forestry sectors etc.

Rates:

The annual maximum tax rates are

1. HUF 200 per square meter, or
2. 3% of the adjusted market value.

HU°3.5.2.

Building Tax

(Építményadó)

Legal base:

Law Nr. 100 of 1990.

Beneficiary:

Local government. Local governments have their own rights to impose this tax.

Tax payable by:

The owner of the building as of the first day of the calendar year is obliged to pay building tax.

Basis of assessment:

The tax is calculated on

1. the net floor space of the building as calculated in square meters, or
2. the adjusted market value of the building.

Exemptions:

Tax-exempted items are including

- temporary residential buildings,
- buildings used for the purposes of social, health care, child welfare and educational institutions,
- buildings owned by budgetary organs, public service organizations and the church.

Rates:

The annual maximum tax rates are

1. HUF 900 per square meter, or
2. 3% of the adjusted market value.

HU°3.5.3.

Local Tourism Tax on Buildings

(Helyi idegenforgalmi adó építmény után)

Legal base:

Law Nr. 100 of 1990.

Beneficiary:

Local government. Local governments have their own rights to impose this tax.

Tax payable by:

Private person who is the owner of a building which doesn't qualify as a residential dwelling is obliged to pay local tourism tax.

Basis of assessment:

The basis of tax is the useful surface of the building.

Rates:

The upper limit of the applicable tax rate is HUF 900 per square meter annually for the building.

HU°3.5.4.

Land Protection Contribution

(Földvédelmi járulék)

Legal base:

Law Nr. 55 of 1994.

Beneficiary:

Central government.

Tax payable by:

The person using the arable land for non-agricultural purposes is obliged to pay the land protection contribution.

Basis of assessment:

The payable land protection contribution must be calculated on the basis of the gold crown value of arable land.

Rates:

The actual land protection contribution has been calculated by multiplying the gold crown value of arable land by a factor that is fixed in the legislation and varies across various types and quality classes of arable land. For instance, in the case of the eight quality class, a forint amount corresponding to the four thousandfold product of the gold crown value must be paid as land protection contribution.

HU°3.5.5.

Communal Tax payable by Private Individuals

(Magánszemélyek kommunális adója)

Legal base:

Law Nr. 100 of 1990.

Beneficiary:

Local government. Local governments have their own rights to impose this tax.

Tax payable by:

According to the relevant legislation, private individuals

1. who are the owner of the building structure on the first day of the calendar year,
 2. who own the ground plot on the first day of the calendar year,
 3. who rent flats not owned by private persons
- are obliged to pay communal tax.

Basis of assessment:

The payable tax is assessed on each building, ground plot or lease right.

Rates:

The annual maximum rate is HUF 12.000 for each taxable item.

HU°3.6.1.

Duty on Onerous Transfer of Property

(Visszterhes vagyonátruházási illeték)

Legal base:

Law Nr. 93 of 1990.

Beneficiary:

Central and local governments (50-50%). This tax sharing arrangement is fixed in the annual budget law.

Tax payable by:

The duty on onerous transfer of property is payable by the acquiring person.

Basis of assessment:

The payable duty must be calculated on the market value of the property acquired.

Exemptions:

The main items that are exempted from the duty on onerous transfer of property:

- acquisition of ownership of a plot of land, if the party acquiring the property builds a residential house on such real property within 4 years;
- acquisition by the nature conservation administrator of the right of management of nature conservation areas owned by the State;
- acquisition of property by an economic organization through reorganization (merger, demerger) when the newly established economic organization(s) will become the legal successor(s) of the former one(s) etc.

Rates:

The general rate of duty on onerous transfer of property is 10% of the market value of the property acquired. In the case of housing property, the rate of duty is, per flat, 2% up to HUF 4 million and 6% of the amount of market value in excess thereof. In respect of the acquisition of the ownership right in an automobile, the rate of duty is HUF 10 for each cubic centimeter of displacement capacity of the automobile's motor, while in the respect of automobiles powered solely by electric motors the rate is HUF 400 for each kW capacity of the motor. For the acquisition of the ownership right in a trailer, if the permissible maximum gross weight of the trailer is less than 2500 kg, the duty payable is HUF 5.000, or HUF 12.000 in all other cases.

HU°3.6.2.

Motor Vehicle Tax

(Gépjármuadó)

Legal base:

Law Nr. 82 of 1991.

Beneficiary:

Central and local governments. On the basis of the applicable tax sharing arrangement fixed in the legislation mentioned above:

- in the case of tax on domestic motor vehicles: (i) 50% of the amount calculated by the lower tax item is due to local governments, and (ii) 100% of the difference between the applicable and the lower tax item is payable to local governments, while (iii) the remaining revenues are attributable to the central government;
- in the case of tax on motor vehicles registered abroad, the whole amount of revenues is due to the central government.

Tax payable by:

In the case of tax on domestic motor vehicles, the taxpayer is the owner indicated in the column of owner of the traffic licence of the motor vehicle on the first day of the year. In the case if in addition to the owner, the operator (user) of the motor vehicle is also contained in the traffic licence on the first day of the year, the latter is the taxpayer.

In the case of tax on motor vehicles registered abroad, the tax must be paid by the operator.

Basis of assessment:

In the case of tax on domestic motor vehicles, the basis of the tax is the weight of the motor vehicle itself as indicated in the traffic licence (dead weight).

In the case of tax on motor vehicles registered abroad, the basis of the tax is

- the length of stay, for motor vehicles transporting passengers,
- the dead weight of lorries, while in loaded state, the total of the dead weight of the motor vehicle and the load weight, and the distance covered in the territory of the Republic of Hungary, for lorries.

Exemptions:

In the case of domestic motor vehicles, the following products are exempted from the tax:

- a) motor vehicles used for passenger transport and provided with a temporary traffic licence, valid for a period of not more than 30 days,
- b) motorcycles, if the volume of their engines does not reach 250 cubic centimetres,
- c) motor vehicle used for the transport of physically handicapped person,
- d) motor vehicles that are museum pieces,
- e) motor vehicles owned by budgetary organs, churches, social organizations and foundations,
- f) motor vehicles used for local and inter-city public transport services,

- g) motor vehicle that can only be used for communal purposes (ambulance service, fire brigade service, transport of waste),
- h) agricultural tractors.

In the case of motor vehicles registered abroad, the following products are exempted from the tax:

- a) a lorry registered abroad and used for the combined transport of goods on international routes which transports the goods in the territory of the Republic of Hungary,
- b) motor vehicles transporting passengers for a period of 60 days in each calendar year,
- c) motor vehicles transporting free of charge international aid shipment providing prompt support and serving to relieve the consequences of catastrophes.

Deductions:

In the case of tax on domestic motor vehicles, the following tax deductions can be taken into account:

- a) the half of the tax due must be paid on motor vehicles driven exclusively by electricity, pure gas,
- b) a tax deduction of 25 or 50% can be applied for motor vehicles provided with catalytic converter reducing environmental pollution,
- c) in the case of lorries fulfilling international requirements regarding air pollution and/or noise emission, a 25 or 50% tax deduction can be applied,
- d) taxpayer effecting a combined transport of goods with his lorry is eligible to tax benefits amounting to 20, 35 or 50%.

Rates:

In the case of tax on domestic motor vehicles, the annual tax item is

1. at least HUF 600 on each commenced 100 kilograms of the tax base, but not more than HUF 1.000,
2. at least HUF 2.000 per year, but not more than HUF 5.000 per year, for motorcycles, mobile home trailers, caravans and covered trailers,
3. a monthly payment of HUF 2.000 for motor vehicles operated by temporary traffic licence.

In the case of tax on motor vehicles registered abroad, the tax of HUF 50 must be imposed on a motor vehicle transporting passengers for each day after the end of the tax exempt period. A tax of HUF 3 is payable for each tonne of the weight of a lorry, and for each kilometre.

HU°3.7.1.

Breeding Contribution

(Tenyésztési hozzájárulás)

Legal base:

Law Nr. 114 of 1993.

Beneficiary:

Central government.

Tax payable by:

Agricultural producers and companies organizing totalizer-type horse race betting are obliged to pay the breeding contribution.

Basis of assessment:

The breeding contribution must be paid on the basis of (i) net sales revenues derived from selling of agricultural products listed in the relevant legislation, and (ii) the turnover of company organizing totalizer-type horse race betting.

Rates:

The applicable tax rates are differentiated according to the various types of agricultural products - for instance taxpayer dealing with the sale of milk must pay a contribution of 0,5% -, whilst for companies organizing totalizer-type horse race betting a contribution of 0,6% is payable.

HU°3.7.2.

Fishing Development Contribution

(Halászatfejlesztési hozzájárulás)

Legal base:

Law Nr. 41 of 1997.

Beneficiary:

Central government.

Tax payable by:

In exchange for the right of fishing received from the State, the legal entity or the private person having authority to fish must pay fishing development contribution.

Basis of assessment:

The fishing development contribution has been calculated on the fishing value of rivers, lakes etc.

Rates:

The payable charge is determined in a decree issued by the Ministry of Agriculture within the range of HUF 100 and HUF 1.000 per each hectare annually.

HU°3.7.3.

Game-preserving Contribution

(Vadvédelmi hozzájárulás)

Legal base:

Law Nr. 55 of 1996.

Beneficiary:

Central government.

Tax payable by:

This contribution must be paid by any persons authorized to hunt.

Basis of assessment:

The payable amount of contribution must be calculated on the basis of number of big games, pheasants and brown hares.

Rates:

The applicable contribution rates - for each animal - are the following: (1) for big games: HUF 1.000; (2) for pheasants: HUF 50; and (3) for brown hares: HUF 100.

HU°3.7.4.

Water Resource Contribution

(Vízkészlet járulék)

Legal base:

Law Nr. 90 of 1998.

Beneficiary:

Central government.

Tax payable by:

Water users (whose activity needs permission) and industrial consumers (whose annual water consumption is more than 10.000 m3) are obliged to pay water resource contribution.

Basis of assessment:

The tax base is the quantity of water consumption more than 500 m3 per permission. It follows that water consumption below 500 m3 is tax exempt.

Rates:

For water users the applicable tax rates are:

- HUF 1,50 per m3 (basic rate);
- if the actual water consumption is 10% above the permitted quantity, the applicable tax rate is HUF 3 per m3 on the quantity over the ceiling (extra rate);
- HUF 9,50 per m3 when the activity is carried out without permission.

For industrial consumers the applicable tax rate is HUF 4,60 per m3.

HU°3.7.5.

Forest Maintenance Contribution

(Erdofenntartási járulék)

Legal base:

Law Nr. 54 of 1996.

Beneficiary:

Central government.

Tax payable by:

The silviculturist has to pay forest maintenance contribution on the cubic measurement of the cut out wood (subject to licence issued by the forestry authority).

Basis of assessment:

The basis of tax is the gross cubic measurement of the cut out wood.

Rates:

The tax rates are differentiated according to the regions of Hungary and to the types of forest.

HU°3.7.6.

Environmental Protection Product Charges

(Környezetvédelmi termékdíjak)

Legal base:

Law Nr. 56 of 1995.

Beneficiary:

Central government.

Tax payable by:

The environmental protection product charges must be paid by

- a) the first domestic distributor or user for own purposes of Hungarian-manufactured products subject to product charges, and
- b) the importer of products subject to product charges.

Basis of assessment:

The basis of assessment includes:

- 1) in the case of fuels: the excise tax paid on fuels;
- 2) in the case of tyres, packing materials, refrigerants and batteries: the mass of the products;
- 3) in the case of cooling apparatuses: the number of units of cooling apparatuses, distinguished by the nominal refrigeration volume and the quantity of the refrigerant;
- 4) in the case of crude oil products: the volume of crude oil products.

Rates:

There are several annexes in the legislation that contain different tax rates for the relevant products subject to product charges, which means that a general tax rate can not be determined.

HU°3.7.7.1.

Environmental Protection Fee

(Természetvédelmi bírság)

Legal base:

Law Nr. 53 of 1996.

Beneficiary:

Central government and local governments. According to the relevant rules in force, local governments are entitled to (1) the full amount of environmental protection fees imposed by the local government, and (2) 30% of the sum of environmental protection fees imposed by the regional environmental protection authority in the area of the local government.

Tax payable by:

The environmental protection fee is payable by those (i) causing any damages to nature conservation areas, (ii) carrying out activities polluting the environment, (iii) doing any businesses without the necessary licence issued by the relevant authority etc.

Basis of assessment:

The environmental protection fee does not have explicit tax base.

Rates:

The actual amount of the environmental protection fee depends on the extent of pollution caused. In the relevant legislation there has been a range of payments that must be taken into account when imposing this fee.

HU°3.7.7.2.

Air Pollution Levy

(Légszennyezési bírság)

Legal base:

Law Nr. 21 of 1986 (Decree of the Council of Ministers).

Beneficiary:

Central government and local governments. According to the relevant rules in force, local governments are entitled to (1) the full amount of air pollution levies imposed by the local government, and (2) 30% of the sum of air pollution levies imposed by the regional environmental protection authority in the area of the local government.

Tax payable by:

The manufacturer or producer of a product or service, and the person or company causing certain emissions are obliged to pay air pollution levy.

Basis of assessment:

The basis of levy includes: (a) point sources, (b) building sources, (c) surface sources, (d) breaking the air quality regulations.

Rates:

Different equations are used for the calculation of levy. The applicable charge depends on the risk factor of the polluting material.

HU°3.7.7.3.

Water Pollution Levy

(Szennyvízbírság)

Legal base:

Law Nr. 3 of 1984 (Order of the OVH).

Beneficiary:

Central government and local governments. According to the relevant rules in force, local governments are entitled to (1) the full amount of water pollution levies imposed by the local government, and (2) 30% of the sum of water pollution levies imposed by the regional environmental protection authority in the area of the local government.

Tax payable by:

Legal entities, organizations without legal status and private entrepreneurs causing certain emissions are obliged to pay water pollution levy.

Basis of assessment:

The basis of water pollution levy includes: (1) polluting materials, and (2) toxic materials.

Rates:

The applicable rate depends on the type of polluting material, the water-quality category of the area concerned, the concentration of pollution in the waste water and the characteristics of recipient.

HU°3.7.7.4.

Toxic Waste Levy

(Veszélyeshulladék bírság)

Legal base:

Law Nr. 102 of 1996 (Government Decree).

Beneficiary:

Central government and local governments. According to the relevant rules in force, local governments are entitled to (1) the full amount of toxic waste levies imposed by the local government, and (2) 30% of the sum of toxic waste levies imposed by the regional environmental protection authority in the area of the local government.

Tax payable by:

The importer/wholesale provider/owner of a product is obliged to pay toxic waste levy.

Basis of assessment:

The payment of toxic waste levy emerges when the regulations about toxic waste - e.g., preparation of waste management plans, qualifying of toxic waste - are broken.

Rates:

The payable levy depends on the type of breaking the regulations, the amount of waste and the risk category of waste.

HU°3.7.7.5.

Noise Abatement Levy

(Zaj- és rezgésbírság)

Legal base:

Law Nr. 12 of 1983 (Decree of the Council of Ministers).

Beneficiary:

Central government and local governments. According to the relevant rules in force, local governments are entitled to (1) the full amount of noise abatement levies imposed by the local government, and (2) 30% of the sum of noise abatement levies imposed by the regional environmental protection authority in the area of the local government.

Tax payable by:

The constructor or operator of a building, establishment is obliged to pay noise abatement levy.

Basis of assessment:

The noise abatement levy is payable when (i) new establishments exceed the established noise limit, (ii) existing establishments exceed the established noise limit, and (iii) new road, railroad or airport exceed the established noise limit.

Rates:

Different equations are used in different cases. The applicable rate depends on the number of rooms, the number of protectable rooms of public buildings in front of which the noise level is higher than the limit, and the degree of exceeding the limit.

HU°3.7.8.

Communal Tax Payable by Entrepreneurs

(Vállalkozók kommunális adója)

Legal base:

Law Nr. 100 of 1990.

Beneficiary:

Local government. Local governments have their own rights to impose this tax.

Tax payable by:

This local tax is payable by entrepreneurs.

Basis of assessment:

The tax base is the adjusted average number of the staff employed by the taxpayer in the area of jurisdiction of a local government.

Rates:

The annual maximum rate of this tax is HUF 2.000 per person.

HU°3.7.9.

Rehabilitation Contribution

(Rehabilitációs hozzájárulás)

Legal base:

Law Nr. 4 of 1991.

Beneficiary:

Labour market fund (extra-budgetary fund).

Tax payable by:

Rehabilitation contribution is payable by employers having more than 20 employees and the number of partially incapacitated workers does not reach 5% of the total number of employees.

Basis of assessment:

In the case of rehabilitation contribution, the basis of assessment is the difference between 5% of the total number of employees and the number of partially incapacitated workers employed.

Rates:

When calculating the actual rehabilitation contribution for a year, the difference mentioned above must be multiplied by HUF 20.628.

HU°3.7.10.

Training Levy

(Szakképzési hozzájárulás)

Legal base:

Law Nr. 77 of 1996.

Beneficiary:

Labour market fund (extra-budgetary fund).

Tax payable by:

Employers are obliged to pay training levy.

Basis of assessment:

The training levy is imposed on the wage costs of employers.

Rates:

The applicable tax rate is 1.5% and 1.3% for employers carrying out agricultural activities.

HU°3.7.12.

Unallocable Tax Penalties

(Adóbüntetések)

Legal base:

Law Nr. 91 of 1990.

Beneficiary:

Central government.

Tax payable by:

All taxpayer whose tax liability and tax payment obligation is prescribed by laws establishing taxes.

Basis of assessment:

Default penalty: in the event of late payment of tax or if budgetary subsidies are used prior to eligibility a default penalty must be paid from the due date or until the date of eligibility, respectively.

Self-revision surcharge: a taxpayer has to pay a self-revision surcharge if correcting the amount of taxes or budgetary subsidies. The self-revision surcharge must be determined by the taxpayer separately for each tax and budgetary subsidy according to the difference of the tax or subsidy declared and corrected.

Tax penalty: tax penalties must be imposed for tax arrears. A tax difference established to the debit of a taxpayer must be considered tax arrears.

Default fine, there are several types of fines, of which the following should be pointed out:

- if a taxpayer meets his obligation to file his tax return following the deadline for filing, such taxpayer must pay default fine on the full annual tax;
- in respect of an erroneous tax return default fine must be paid on the difference of the correct and the incorrect amount of taxes or budgetary subsidies;
- default fine payable in respect of a taxpayer's failure to meet the obligation of tax deduction, the base of such fine is the amount of tax not deducted;
- in the event of a taxpayer's failure to meet the obligation of issuing invoices, receipts etc. a default fine is payable.

Rates:

The applicable rates differ according to the type of tax penalties, the main items are as follows:

- default penalty: it must be calculated as multiplying the penalty base by 1/365 of double the prevailing prime interest rate for each calendar year;
- self-revision surcharge: it must be calculated as 50% of the default penalty;
- tax penalty: the applicable rate is 50% of the tax arrears;
- default fine: different rates must be used, e.g.:
 1. for taxpayers meeting his obligation to file his tax return following the deadline a default fine of 5% is payable if the delay is less than 15 days, 20% for delay less than 30 days, and 30% for delay over 30 days;
 2. in respect of erroneous tax return the default fine is 5% of the difference of the correct and the incorrect amount of taxes or budgetary subsidies;

3. the default fine payable in respect of a taxpayer's failure to meet the obligation of tax deduction is 20%;
4. when a taxpayer fails to meet the obligation of issuing invoices, receipts etc. a default fine up to HUF 100.000 is payable.

HU°4.1.

Employers' Social Security Contributions

(Munkáltatók társadalombiztosítási járulékai)

Legal base:

Law Nr. 80 of 1997, 66 of 1998, 4 of 1991.

Beneficiary:

Health insurance fund, Public pension insurance fund (1st pillar), Labour market fund (extra-budgetary fund).

Tax payable by:

Employers and self-employed persons are obliged to pay social security contributions. The health care contribution must be paid by employers and payers. The employers' sick-leave benefit contribution is payable by employers. The employers' contribution must also be paid by employers.

Basis of assessment:

On any incomes, which are (i) taxed progressively, or (ii) regarded as disbursements in small amounts, or (iii) regarded as benefits in kind according to the personal income taxation and paid to insured employees, social security contributions must be paid. A self-employed person must pay social security contributions on income paid out for his work, but at least on the minimum wage fixed in the legislation.

At the calculation of the health care contribution the following main items must be included in the basis of assessment:

- in the case of the health care contribution expressed in percentage: (i) any incomes which are taxed progressively according to the personal income taxation and on which no social security contributions have been imposed; (ii) the part of dividend income exceeding a limit defined in the personal income taxation; (iii) benefits in kind, on which no social security contributions have been levied etc.;
- in the case of the fixed health care contribution, the payable amount must be determined for each person (employee, partner of a company, home worker, elected office-holders receiving fees etc.).

The employers' sick-leave benefit contribution must be calculated on the basis of a socially insured employee's sick-leave benefit.

The basis of assessment of the employer's contribution includes:

- gross wages paid to employees,
- benefits in kind, meal and vacation allowances which are subject to the personal income tax, and
- 1/4 of the tax on company cars provided within the framework of an employment relationship.

Rates:

Employers' and self-employed persons' social security contributions include the pension security contribution at a rate of 22%; and the health security contribution at a rate of 11%.

The applicable rates of the health care contribution are differentiated according to the following system:

- in the case of the health care contribution expressed in percentage, the applicable general rate is 11%; whilst
- in the case of the fixed health care contribution, the applicable rate is HUF 3.600 per each month and person.

One third of a socially insured employee's sick-leave benefit must be paid as employers' sick-leave benefit contribution.

The applicable rate of the employer's contribution is 3%.

HU°4.2.

Employees' Social Security Contributions

(Munkavállalók társadalombiztosítási járulékai)

Legal base:

Law Nr. 80 of 1997, 4 of 1991.

Beneficiary:

Health insurance fund, Public pension insurance fund (1st pillar), Labour market fund (extra-budgetary fund).

Tax payable by:

Employees and self-employed persons are obliged to pay social security contributions. The employee's contribution is payable by employees. (Employees receiving pension benefit are exempted from these two contributions.)

Basis of assessment:

The basis of assessment with respect to employees' social security contributions includes any incomes paid to insured employees and are taxed progressively or regarded as disbursements in small amounts according to the personal income taxation. The annual ceiling of the base of employees' social security contributions is HUF 1.854.200. A self-employed person must pay social security contributions on income paid out for his work, but a ceiling of the base of HUF 1.854.200 must be taken into account. Gross wages paid to employees must be regarded as the basis of the employee's contribution.

Rates:

Employees' and self-employed persons' social security contributions include health insurance contribution at a rate of 3%, and pension contribution at a rate of 8% or 2% for members of private pension funds. The applicable rate of the employee's contribution is 1.5%.

HU°4.3.

Social Security Contributions paid by Others

(Mások által fizetett társadalombiztosítási járulék)

Legal base:

Law Nr. 80 of 1997.

Beneficiary:

Health insurance fund, Public pension insurance fund (1st pillar).

Tax payable by:

Pension (security) contributions are payable by

- both payer and receiver of certain social benefits (nursing fee, child care allowance, child raising benefit);
- both payer and receiver of unemployment benefits;
- both employers and workers employed within the framework of casual work.

Health security contribution is payable by

- those who are not regarded as insured persons;
- both employers and workers employed within the framework of casual work;
- payer of unemployment benefits;
- partnerships and self-employed persons, in the case of the accident contribution.

Basis of assessment:

As for the basis of assessment, the following bases can be distinguished:

- social and unemployment benefits;
- the monthly minimum wage - fixed in the legislation - for persons who are not insured;
- in the case of casual work a fixed contribution has been determined;
- in the case of the accident contribution, the basis of assessment has been defined according to the next structure:
 1. for partnerships: any personal remuneration subject to personal income taxation and received for the participation of a member - with own pension benefit rights - of the partnership in the running of the company;
 2. for self-employed person with own pension benefit rights: any personal remuneration withdrawn by the self-employed person from his business.

Rates:

The applicable contribution rates are the following:

- in the case of social benefits, a pension security contribution of 22% plus 8% is payable;
- in the case of unemployment benefits, a pension security contribution of 22% plus 8% and a health security contribution of 11% is payable;
- in the case of non-insured persons, a health security contribution of 11% is payable;
- in the case of casual work, a fixed contribution is payable, the actual amount of contribution is depending on the amount of wages paid to employees;
- the applicable rate of the accident contribution is 5%.

Annex 3.2. Tax Changes from 2000 onwards

Main decided tax changes in the Hungarian Tax System for year 2000:

HU°1.1.1.

Personal income tax

The tax credit for workers can be claimed by employees whose incomes are less than HUF 1,2 million per year. (In 1999, this upper limit is HUF 1 million.) Between HUF 1 and 1,2 million the tax credit is reducing. The rate of family allowance is averagely increasing by 30% in 2000; the applicable amounts of tax credits are the following:

- for one or two dependents HUF 2200 per month and per dependent,
- for three or more dependents HUF 3000 per month and per dependent,
- for severely disabled dependents HUF 3400 per month and per severely disabled dependent.

Tax allowance linked to payments to voluntary mutual insurance funds has changed from 50% (in respect of pension funds) and from 25% (in respect of health insurance funds and mutual funds) to 30%. Private entrepreneurs may choose flat-rate taxation, regardless of the type of their activities, if their annual revenues are less than HUF 4 million (instead of HUF 3,5 million in 1999).

HU°3.1.1.

Value Added Tax

The essential of the modification of the law on value added tax is the tightening of the rules linked to tax reclaims, for example:

- as from 1 January, 2000, pre-charged tax on the purchase of products or use of services is deductible in that case, if the taxpayer has already paid the price (including VAT);
- the limit of tax base above which pre-charged tax can be deducted is increasing from HUF 2 million to HUF 4 million;
- the refundable tax exceeding HUF 500 thousand must be paid within 45 - instead of the usual 30 - days of having the tax return submitted etc.

In order to create the necessary consistency with tax rules of EU's countries, the tax rate on some of products of animal origin, vegetable fluids, resin etc. is 25% as from 1 January, 2000. The tax rate on fuel made of plant (bio-diesel) is 0% in 2000.

HU°3.2.1.

Customs duties

The Hungarian Parliament has recently decided on the cancellation of the customs clearance fee and the statistical duty as from 1 January, 2000.

HU°3.3.1.

to

HU°3.3.8.

Excise duty, consumption tax

The most important change connected with these taxes is that the wine will become excise products as from 1 August, 2000, within the framework of EU harmonization. The tax rate will be HUF 5 per litre on grape wine and HUF 20 on other wines.

Rates of excise duties and contract distillation spirits tax:

| Products | Tax rate in 1999 | Tax rate in 2000 | Change |
|--|---------------------|--|----------|
| Mineral oils | | | |
| Unleaded petrol (HUF/litre) | | | |
| octane number 98 | 86,90 | 93,00 | +6,10 |
| weak octane number 98 | 86,90 | 100,50 | +13,60 |
| Other petrol, petroleum, benzol and its homologous compounds, natural gas condensate (HUF/litre) | 93,90 | 100,50 | +6,60 |
| Diesel fuel (HUF/litre) | 75,00 | 80,20 | +5,20 |
| Liquid hydrocarbons from natural gas (HUF/kg) | 86,70 | 43,00 | -43,70 |
| Lubrication oil, additives (HUF/kg) | 67,50 | 72,20 | +4,70 |
| Compressed hydrocarbons from natural gas (HUF/nm ³) | 41,80 | 22,00 | -19,80 |
| Alcoholic products (HUF/hectolitre grade) | | | |
| Spirits | 1120 | 1250 | +130 |
| Other alcohol products | 1400 | 1500 | +100 |
| Grape wine (HUF/litre) - as from 1 August, 2000 | 11 per cent | 11 per cent (until 1 August); 5 HUF/litre (as from 1 August, 2000) | - |
| Other wines (HUF/litre) - as from 1 August, 2000 | - | 20 | - |
| Sparkling wine (HUF/litre) | 66,60 | 71,20 | +4,60 |
| Intermediate alcoholic products (HUF/litre) | | | |
| Carbonated | 66,60 | 77,00 | +10,40 |
| Non-carbonated | 88,80 | 97,70 | +8,90 |
| Beer (HUF/hectolitre and Balling (Plato) grade) | 312 | 334 | +22 |
| Tobacco products (on the retail price) | | | |
| Cigarette (thousand units) | HUF 2300 + 17% | HUF 2645 + 17% | +HUF 345 |
| Cigars, cigarillos | 25% | 25% | 0 |
| Loose cut tobacco | 25% | 26% | +1% |
| Other consumer's tobacco | 25% | 25% | 0 |
| Contract distillation spirits tax (HUF/ hectolitre degree) | | | |
| under 50 hectolitre grade per year | 500 | 540 | +40 |
| over 50 hectolitre grade per year | 1120 | 1250 | +130 |

HU°4.1.
to
HU°4.3.

Social security contribution

The most important changes connected with the social security obligation are the following:

- the upper limit of basis of employees' and private entrepreneurs' social security contribution is increasing from HUF 1.854.200 to HUF 2.020.320 per year;
- the monthly amount of the fix health contribution is increasing from HUF 3.600 to HUF 3.900 per capita.

Annex 3.3. Taxes Abolished

HU°1.3.1.

Research and Development Contribution (*Muszaki-fejlesztési hozzájárulás*)

Law Nr. 11 of 1988, abolished since 1994.

Beneficiary:

Central technical development fund (extra-budgetary fund).

Tax payable by:

Business enterprises such as inter alia public companies, co-operatives, business associations, private entrepreneurs etc. Were obliged to pay this contribution.

Basis of assessment:

The basis of the contribution was the basis of assessment of entrepreneurial profit tax of the year preceding the year concerned.

Exemptions:

Those, whose annual turnover had not exceeded HUF 25 million in the year preceding the year concerned, did not need to pay contribution. Contribution did not need to be paid in the case of research and development activities, retail trade activities, catering activities. The newly-founded payer established at settlements economically underdeveloped or concerned by central structural policy decisions had to pay a reduced contribution.

Deductions:

The payer was entitled to an allowance of 80% of the contribution in the case of public services and health care activities, certain consumer's services, sales of popular handicrafts and traditional cottage-industry products; 65% of the contribution in the case of cultural and sport activities; 35% of the contribution in the case of agricultural, sylvicultural and primary wood industry activities. Business association was entitled to 60% (in the first five years) and 40% (from the sixth year onwards) deduction from the contribution, if it was engaged in production, operation of a hotel, its registered capital exceeded HUF 50 million and the proportion of the foreign share was at least 30%. The deduction amounted to 100% (in the first five years) and 60% (from the sixth year onwards), if the business association was engaged in especially important activities.

Collection:

Payers were obliged to pay monthly 1/12 of the annual calculated contribution.

Rates:

The rate of the contribution was 4,5%.

HU°1.3.2.

Profit Tax on Shares in State Property (*Állami vagyon utáni részesedés*)

Law Nr. 80 of 1992, abolished since 15 May, 1994.

Beneficiary:

Central government.

Tax payable by:

State enterprises, trusts, co-operatives managing state property were liable to this charge.

Basis of assessment:

The payable charge had to be calculated by multiplying business profit after taxation by the proportion of state property in the issued capital.

Rates:

The rate of the charge was 25%.

HU°3.2.2.

Previous Differential Producers' Turnover Tax (*Különbözeti termelői forgalmi adó*)

Law Nr. 109 of 1988 (Decree of the Council of Ministers). This tax was abolished in 1991, however the rule of law was in force until 1997.

Beneficiary:

Central government.

Tax payable by:

The tax had to be paid by (i) the first domestic owners, for products imported, and (ii) economic organizations exporting the products, for products exported. This tax was levied on those basic materials, semi-finished products, consumer's goods, services etc. listed in the legislation.

Basis of assessment:

The basis of assessment included:

in the case of products imported on the basis of rouble account, the difference between the domestic price and the calculated price (appeared on the relevant invoice and corrected with certain items), or the quantity of the product; whilst

in the case of products exported, the export revenues.

Rates:

The applicable tax rates depended on the type of products, consequently a general rate can not be defined.

HU°3.3.9.

Road Fund Contribution (*Útalap hozzájárulás*)

Law Nr. 30 of 1992, abolished since 1999.

Beneficiary:

Road fund (extra-budgetary fund).

Tax payable by:

The taxpayer was the person producing petrol products and the importer of petrol products.

Basis of assessment:

In the last year (1998) when the road fund contribution was in force this was a tax sharing arrangement rather than a separate payment. The basis of the tax sharing calculation was the excise tax paid after petrol products.

Collection:

This was a tax sharing arrangement in 1998 and certain part (see below) of the total excise tax revenues collected after petrol products had to be transferred to the Road fund.

Rates:

In 1998 around 25-30% of the total revenues from the excise tax collected after petrol products had to be transferred to the Road fund.

HU°3.5.6.

Previous Land Tax (*Földadó*)

Law Nr. 79 of 1991, abolished since 1995.

Beneficiary:

Central government.

Tax payable by:

Land tax was payable by those, who (that) use land area on the 31st May of the particular year.

Exemptions:

If the size of the land area used by the taxpayer did not exceed 6.000 m², the taxpayer was exempted from land tax. The newly planted orchard or vineyard was temporarily exempted from the tax.

Deductions:

The taxpayer using technology to protect the environment was granted a tax allowance of 50%.

Basis of assessment:

The basis of land tax was the cadastral net income of the taxable land area used by the taxpayer.

Collection:

Land tax of the tax year had to be paid in accordance with the rule of self-assessment.

Rates:

Tax rates were differentiated according to the various branches of cultivation. For example, in the case of branch of cultivation of garden if the average gold crown value of 1 hectare was 35, the annual tax as per gold crown was HUF 20.

HU°3.5.7.

Previous Building Taxes (*Korábbi építményadók*)

Law Nr. 18 of 1983 (Joint decree of ÉVM-PM), 12 of 1970 (Joint decree of PM-ÉVM), 25 of 1986 (Law-decree), 23 of 1985 (Law-Decree). All of these rules of law have been abolished since 1992.

Beneficiary:

Local governments.

Tax payable by:

According to the relevant rules mentioned above, owners (mainly private persons) of building land, dwelling or buildings used for recreational purposes etc. were obliged to pay these taxes.

Basis of assessment:

These taxes had to be calculated on the basis of acreage (in square meters) of taxable items (building land, dwelling, other building etc.).

Rates:

The applicable rates of taxes depended on various factors:

- location of the taxable buildings, dwellings;
- the number of buildings, dwellings etc. owned by taxpayers;

- the actual area of taxable building;
- type of buildings, for instance different rates were applied to dwelling houses and holiday houses etc.

Local governments were entitled to determine - within a limitation - the actual tax rates.

HU°3.7.11.

Previous Wage Guarantee Contribution

(Bérgarancia járulék)

Law Nr. 66 of 1994, abolished since 1996. .It should be noted that in 1996 the wage guarantee contribution was integrated into the employers' contribution.

Beneficiary:

Wage guarantee fund (extra-budgetary fund), and since 1996 Labour market fund.

Tax payable by:

Economic association, company of certain legal entities, subsidiary company, state-owned company, co-operative etc. were obliged to pay wage guarantee contribution.

Basis of assessment:

The basis of wage guarantee contribution was the gross earning paid by economic organizations (as employers) to their workers (employees)

Collection:

Every month economic organizations were obliged to pay the wage guarantee contribution.

Rates:

The rate of wage guarantee contribution was 0,3%.

Annex 4. Czech Republic

Annex 4.1. Taxes in Force as of 1999

CZ°1.1.1.

CZ°1.1.2.

CZ°1.1.3.

INCOME TAX

(Dan z příjmu)

Legal base:

Law No. 586/1992 Coll., latest amendments No. 209/1997, 210/1997, 111/1998, 149/1998, 168/1998, 227/1998, 333/1998, 129/1999, 144/1999, 163/1999, 170/1999 Coll.

The income tax code covers both individuals and companies; the computation of taxable income follows the same rules for both cases; the computation of the tax due and the rates, however, differ greatly; hence individual income tax and corporate income tax are here described as separate items.

INCOME TAX OF INDIVIDUALS

(Dan z příjmu fyzických osob)

Legal base:

Law No. 586/1992 Coll., latest amendments No. 209/1997, 210/1997, 111/1998, 149/1998, 168/1998, 227/1998, 333/1998, 129/1999, 144/1999, 163/1999, 170/1999 Coll.

Beneficiary:

Law No. 576/1990 Coll., latest amendment No. 160/1997 Coll.

Central government:

- Revenue from taxes withheld on interest and dividends paid to individuals – 100% of yield.
- Revenue from withholding tax on wages and salaries – 30% or 40% of tax yield (effectively cca 36% – see local government).

Local government:

- Revenue from income tax of unincorporated individuals – 100% of yield.
- Revenue from withholding tax on wages and salaries – 60% of yield, but in the case of the four largest cities (Praha, Brno, Ostrava and Plzen) – 70%.

Tax payable by:

Residents on their world-wide income, non-residents on their Czech source income.

Basis of assessment:

Income from the different categories is aggregated to compute the taxable base with the exception of interest and dividends, where the flat rate withholding taxes are deductible against the final income tax liability.

Categories of taxable income are:

Income from present or former employment. Employee's social security contributions is deductible.

Income from business activities and independent services (agriculture, trade, other business, intellectual property rights etc.) and from leasing or rents. Expenses related to the activity are deductible, either in detail or as a lump sum deduction ranging from 20 % for rents income, 25 % for trade and business income to 30 % for income from intellectual property and to 50 % for income from agriculture.

Income from capital assets is treated like other income, with exception of interest and dividends, cf. first paragraph above.

Exemptions:

Tax exemption is granted for certain types of income like sale of a dwelling used as the taxpayer's home for at least 2 years, benefits from social insurance and most of the benefits from private insurance, scholarships etc.

Deductions:

The tax code defines deductible expenses by common rules for corporations and individuals. Donations for purposes of science, education, culture, medicine, ecology, sports, religion are deductible up to 10 % of the taxable base.

Losses may be carried forward for 7 years.

The basic personal allowance is CZK 34.920 for the taxpayer, additional CZK 19.884 for a spouse living in the taxpayers household and with an income of less than CZK 32.040, and an allowance of CZK 21.600 for each child living in the taxpayer's household.

Collection:

Tax on employed income is withheld by the employer. Other income is taxed according to the annual tax return; monthly, quarterly or twice a year advance payments are due depending on last years assessment.

Rates:

The following table gives rates as of Jan. 1, 1999:

| Taxable income (CZK) | Tax on lower amount | Plus % on excess over lower amount |
|----------------------|---------------------|------------------------------------|
| up to 102.000 | - | 15 |
| 102.000 to 204.000 | 15.300 | 20 |
| 204.000 to 312.000 | 35.700 | 25 |
| 312.000 to 1.104.000 | 62.700 | 32 |
| over 1.104.000 | 316.140 | 40 |

For dividends the rate is 25 %. For interest from savings accounts the rate is 15 %.

For authors' royalties the rate is 10 % but only up to the sum of CZK 3000 paid out in a month. The author's royalties paid out in excess of this sum in a month are included in the tax base together with other kinds of income and taxed according to the tax rates mentioned in the table above.

Special features:

Tax revenue statistics for the Czech Republic display individual income tax in 3 categories

- withholding tax on wages and salaries,
- other income tax of unincorporated individuals,
- taxes withheld on interest, dividends and other income paid to individuals.

CZ°1.2.1.

CZ°1.2.2.

Corporate Income Tax

(Dan z příjmu právnických osob)

Legal base:

Law No. 586/1992 Coll., latest amendments No. 209/1997, 210/1997, 111/1998, 149/1998, 168/1998, 227/1998, 333/1998, 129/1999, 144/1999, 163/1999, 170/1999 Coll.

Beneficiary:

Law No. 576/1990 Coll., latest amendment No. 160/1997 Coll.

Central government – 80% of total receipts

Local government – 20% on the basis of population

The corporate income tax on profits earned by municipalities through their own commercial activities is direct revenue of those municipalities – 100 % of the revenue, this treatment is not applied to final withholding tax.

Tax payable by:

Income of all legal persons – public and private limited companies and other entities doing business – in short: companies – is subject to corporate income tax.

Remark: At public companies the determined tax base is divided among partners. If partners are represented by legal entities (corporations) it will be applied to them the same regime of taxation as to other legal entities. When partners are represented by natural persons, it will be applied to them the regime of taxation covering natural persons.

Basis of assessment:

Companies are taxed on their worldwide income. Taxable base is gross income minus expenses for obtaining this income as shown in the profit and loss account, capital gains are treated like other business income.

Distributed profits are taxed both on the company and on the shareholder level; to relieve double taxation a company may credit 50 % of the withholding tax on dividends paid out of profits against its corporate income tax liability.

Special deductions are allowed for special types of investments.

Exemptions:

Exempt is interest from securities secured by a mortgage and interest on Eurobonds issued by a resident company and paid out to non-residents.

Deductions:

Depreciation allowances for tangible and intangible assets with a useful life of more than 1 year are granted in five depreciation categories (4 years, 6 years, 12 years, 20 years and 30 years); there is a choice of linear or accelerated depreciation.

Reserves and provisions for bad debts are deductible under certain conditions.

There are different types of investment incentives

As of '98 incentives for large scale investments meeting certain conditions (investment of at least USD 10 million in 5 years in the manufacturing industry, qualifying as high tech and as environmentally friendly); corporate income tax may be deferred for 5 years and waived if profits are reinvested in the CZ Rep. after the first 5 years.

Losses may be carried forward for 7 years, losses resulting from certain privileged investments indefinitely.

Special features:

Group treatment: In groups of companies each entity is taxed separately. Double taxation of intercorporate dividends is eased by partial deduction for already paid withholding taxes.

Transfer pricing rules: if prices for transactions between entities that are associated economically or personally differ from standard prices, the taxable base will be adjusted by the price difference.

There is an investment allowance of 10, 15 or 20 % of the price of the investment for certain privileged investments.

The taxpayer may receive tax incentives after he has fulfilled certain conditions (investment at least 10 mil. USD, use of high technology, environmentally friendly investment) after the government's decision. Taxpayer may then receive tax holidays for 5 years, if the investment is done from scratch, the holidays may be extended to 10 years."

Collection:

All payers of income tax are required to make prepayments at 6 months, 3 months or 1 months intervals depending on the amount of their latest tax liability.

Rates:

Profits and capital gains of legal entities are taxed at a flat rate of 35 %. The profits of investment and pension funds are taxed at 25 %.

Fees paid to members of the board of directors are taxed as wages with income tax of individuals.

CZ°2.1.

Inheritance Tax

(Dan dedická)

Legal base:

Law No. 357/1992 Coll., latest amendments No. 151/1997, 203/1997, 227/1997, 169/1998, 95/1999 Coll.

Beneficiary:

Central government

Tax payable by:

The heir of a property

The inheritors are classified in three categories:

I: Spouses and relatives in the direct line (children, grandchildren, parents);

II: other relatives in the collateral line, namely siblings, nephews, nieces, uncles and aunts; children's spouses, husband's children and parents, spouses of parents and individuals living with the decedent in a common household for at least a year prior to the death of the decedent and who for that reason took care of the common household or who were dependent on the decedent of their support.

III: All other persons.

Basis of assessment:

The value of the property acquired by an individual heir

Exemptions:

If the acquisition of property by inheritance concerns persons included in the first category, it is exempt from inheritance tax.

Acquisition of movable personal belongings of individuals, unless these things have been for a year prior to acquisition included into the decedent's business property if the value of such property acquired by each individual taxpayer does not exceed CZK 60 000 for persons in II. category and CZK 20 000 for III. category. The tax is collected only on the amount that exceeds the above limits. The same amount is exempt in the case of acquisition of deposits and financial means.

Rates:

The rates in category II. from 3 % to 12 % and in the third category from 7 % to 40 % (dependent on the height of tax base), the final amount is then multiplied by a coefficient 0.5.

CZ°2.2.

Gift Tax

(Dan darovací)

Legal base:

Law No. 357/1992 Coll., latest amendments No. 151/1997, 203/1997, 227/1997, 169/1998, 95/1999, 27/2000 Coll.

Beneficiary:

Central government

Tax payable by:

The taxpayer is the acquirer.

The acquirers (beneficiary/donee) are classified in three categories:

I: Spouses and relatives in the direct line (children, grandchildren, parents);

II: other relatives in the collateral line, namely siblings, nephews, nieces, uncles and aunts; children's spouses, husband's children and parents, spouses of parents and individuals living with the donee or donor in a common household for at least a year prior to the transfer and who for that reason took care of the common household or who were dependent on the donee, donor or decedent of their support.

III: All other persons.

Basis of assessment:

The value of the donated movable, immovable property and on the other property benefit.

Exemptions:

Acquisition of movable personal things of individuals (unless the things were included in the donor's business property for a year prior to acquisition) if the value does not exceed CZK 1 000 000 in persons in I. category, CZK 60 000 in II. category and CZK 20 000 in III. category. The same amounts are exempt concerning deposits and financial means.

Rates:

The rates in category I. range from 1 % to 5 %, in category II. from 3 % to 12 % and in the third category from 7 % to 40 % (dependent on the height of tax base).

CZ°2.3.

Levy on Withdrawal of Land from Agriculture

(Odvody za trvalé odnetí pudy ze zemědělského půdního fondu)

Legal base:

Law No. 334/1992 Coll., latest amendment Law No. 98/1999 Coll.

Beneficiary:

Municipality (40%), State Fund of Environment (60%).

Tax payable by:

Subject who asks for permanent withdrawal of land from the agriculture.

Basis of assessment:

Area (ha) of withdrawn land.

Rates:

Lump sum levy is calculated depending on environmental, climatic and other factors (different from the levy above)

CZ°2.4.

Levy on Withdrawal of Land from Forestry

(Poplatek za odnetí pozemku plnění funkcí lesa)

Legal base:

Law No. 289/1995 Coll.

Beneficiary:

Municipality (40%), State Fund of Environment (60%).

Tax payable by:

Subject who asks for withdrawal of land which functions as a forest.

Basis of assessment:

Area (ha) of withdrawn land.

Rates:

Annual levy on temporary withdrawal = $PP \cdot CD \cdot f$

PP ... average forest production of timber (6,3m³/ha)

CD ... price of timber in the area of withdrawal

f ... environmental factor (1,4 to 5)

Lump sum levy on permanent withdrawal is equal to present value of perpetual annual levy on temporary withdrawal with interest rate of 2 % (i.e. 50x annual levy on temporary withdrawal).

CZ°3.1.1.

Value Added Tax

(Dan z pridané hodnoty)

Legal base:

Law No. 588/1992 Coll.; latest amendments No. 129/1999, 17/2000, 22/2000.

Beneficiary:

Central government.

Tax payable by:

Legal entities and individuals whose business turnover exceeds CZK 750.000 in the previous 3 successive months must register for VAT purposes. Cancellation of VAT registration will not be approved if in the immediately preceding three month turnover exceeded CZK 750.000, and total annual turnover was in excess of CZK 3.000.000.

Basis of assessment:

The price of the taxable supply excluding the VAT. Taxable are the supply of goods including the transfer of real estate, the supply of services and imports of goods (imported services are not liable to VAT).

Exemptions:

Financial services provided by banks or similar institutes are exempt from VAT; likewise a number of public interest services (post services, radio and TV broadcasting, education, health services, social aid).

Rates:

There are two rates, a standard rate of 22 % and a reduced rate of 5 %. The reduced rate is imposed on water, agricultural and food products, pharmaceutical products, health services and facilities, construction and many other services. Some services are charged by standard rate, e.g. intermediary services, advertisement, accommodation, catering or repairs.

CZ°3.2.1.

Customs Duties

(Cla)

Legal base:

Law No. 13/1993 Coll., latest amendment No. 113/1997 Coll.

Beneficiary:

Central government

Tax payable by:

The importer of goods.

Basis of assessment:

Custom duties are calculated from custom value of the imported goods. The most of custom values are equal to actual price of the goods paid abroad. (Decree of the Ministry of Finance No. 135/1998 Coll.)

Exemptions:

Certain goods of Czech origin that are re-imported after export or goods imported for the use of disabled persons etc.

Rates:

Customs duty rates is levied on according to the Customs Tariff (Government Regulation No. 303/1998 Coll.). Estimated effective average rate is about 1,2 % for year 1999.

CZ°3.3.1.

Excise Duty on Hydrocarbon Fuels and Lubricants

(*Spotřební dan z uhlovodíkových paliv a maziv*)

Legal base:

Law No. 587/1992 Coll., amended by Law: No. 199/1993, 325/1993, 136/1994, 260/1994, 148/1995, 95/1996, 61/1997, 303/1997, 129/1999, 22/2000 Coll.

Beneficiary:

Central government

Tax payable by:

Producers and importers of selected products.

Basis of assessment:

Amount of commodity sold, imported, used for further working, or lost:

- motor car petrol and aircraft petrol
- petroleum spirits
- motor oils (diesel) and petroleum
- LPG for transportation
- LPG for other purposes
- CNG for transportation
- CNG for other purposes
- light heating oil
- heavy heating oil
- lubricating oils and other oils

Rates:

| | |
|--|-----------------------|
| motor car petrol and aircraft petrol | 10 840 CZK/ 1000 l |
| petroleum spirits | 0 CZK/ 1000 l |
| motor oils (diesel) and petroleum | 8 150 CZK/ 1000 l |
| LPG for transportation | 2 850 CZK/ t |
| LPG for other purposes | 0 CZK/ t |
| CNG for transportation | 0 CZK/ m ³ |
| CNG for other purposes | 0 CZK/ m ³ |
| light heating oil (tax is refunded if used for heating purposes! Effective tax rate is zero) | 8 150 CZK/ 1000 l |
| heavy heating oil | 0 CZK/ t |
| lubricating oils and other oils | 0 CZK/ 1000 l |

Exemptions:

- Goods for export.
- Goods bought by diplomatic representatives, certain international organisations.
- Imported goods if they are custom duty exempt except re-imports or goods imported for the use of disabled persons.

- Goods used as samples.

The following goods are taxed, but the tax is refunded:

- Selected goods used for further working.
- Selected mineral oils used for production of heat.

CZ°3.3.2.

Excise Duty on Alcohol

(Spotřební dan z lihu a lihovin)

Legal base:

Law No. 587/1992 Coll., amended by Law: No. 199/1993, 325/1993, 136/1994, 260/1994, 148/1995, 95/1996, 61/1997, 303/1997, 129/1999, 22/2000 Coll.

Beneficiary:

Central government

Tax payable by:

Producers, importers and processors of alcohol and liquors.

Basis of assessment:

Number of litres of ethylalcohol at 20 °C sold, imported, used for further working, or lost

Rates:

234 CZK per 1 l ethylalcohol at 20 °C,

fruit spirits distilled by fruit growers: 95 CZK per 1 l ethylalcohol at 20 °C.

Exemptions:

- Goods for export.
- Selected goods used for further working.
- Goods bought by diplomatic representatives, certain international organisations.
- Goods sold in duty/tax free shops.
- Imported goods if they are custom duty exempt except re-imports or goods imported for the use of disabled persons.
- Goods used as samples.
- Alcohol used for further working into food and cosmetic products.
- Denatured alcohol.
- Losses of alcohol up to the amount set by the law.

CZ°3.3.3.

Excise Duty on Beer

(Spotřební dan z piva)

Legal base:

Law No. 587/1992 Coll., amended by Law: No. 199/1993, 325/1993, 136/1994, 260/1994, 148/1995, 95/1996, 61/1997, 303/1997, 129/1999, 22/2000 Coll.

Beneficiary:

Central government

Tax payable by:

Producers and importers of beer.

Basis of assessment:

The volume of beer expressed in hectolitres (hl) sold, imported, or lost

Rates:

Annual production more than 200 000 hl - CZK 24,00 per hl for every 1 % of original malt extract.

Small independent breweries with annual production of beer not exceeding 200 000 hl - special scheme is applied:

- below 10 000 hl (including) - CZK 12,00 per hl.,
- 10 000 - 50 000 hl (including) - CZK 14,40 per hl.,
- 50 000 - 100 000 hl (including) - CZK 16,80 per hl.,
- 100 000 - 150 000 hl (including) - CZK 19,20 per hl.,
- 150 000 - 200 000 hl (including) - CZK 21,60 per hl.

CZ°3.3.4.

Excise Duty on Wine

(Spotřební dan z vína)

Legal base:

Law No. 587/1992 Coll., amended by Law: No. 199/1993, 325/1993, 136/1994, 260/1994, 148/1995, 95/1996, 61/1997, 303/1997, 129/1999, 22/2000 Coll.

Beneficiary:

Central government

Tax payable by:

Producers and importers of selected products.

Basis of assessment:

The volume of wine expressed in litres (l) sold, imported, or lost:

- a) sparkling wines
- b) wines saturated with CO₂
- c) sweet and sweet spiced wines
- d) other beverages (e.g. fruit wines)
- e) cidre and perry (max. 7 % of alcohol)
- f) cidre and perry (more than 7 % of alcohol)

Rates:

- a) 23,40 CZK per litre
- b) 16,40 CZK per litre
- c) 16,40 CZK per litre
- d) 5,10 CZK per litre
- e) 2,40 CZK per litre
- f) 16,40 CZK per litre

CZ°3.3.5.

Excise Duty on Tobacco Products

(Spotřební dan z tabákových výrobků)

Legal base:

Law No. 587/1992 Coll., amended by Law: No. 199/1993, 325/1993, 136/1994, 260/1994, 148/1995, 95/1996, 61/1997, 303/1997, 129/1999, 22/2000 Coll.

Beneficiary:

Central government

Tax payable by:

Producers and importers of tobacco products.

Basis of assessment:

The volume of tobacco products expressed in single units or in kilogram (kg) sold, imported, or lost:

- a) filter cigarettes longer than 70 mm
- b) corded cigarettes and filter cigarettes up to 70 mm in length, inclusive
- c) cigars, cigarillos
- d) cigarette tobacco for production of cigarettes
- e) tobacco filler for hand-rolled cigarettes
- f) pipe, snuff and chewing tobacco
- g) tobacco refuse
- h) tobacco refuse for smoking

Rates:

- a) 0,79 CZK per unit
- b) 0,67 CZK per unit
- c) 0,79 CZK per unit
- d) 855 CZK per kg
- e) 0,79 CZK per unit
- f) 44 CZK per kg
- g) 44 CZK per kg
- h) 855 CZK per kg

CZ°3.3.6.

Excise Duty on CFC

(Poplatky za výrobu a dovoz látek a výrobku poškozující ozónovou vrstvu Zeme)

Legal base:

Law No. 86/1995 Coll.

Beneficiary:

State Fund of Environment

Tax payable by:

Producers and importers of CFC

Basis of assessment:

Amount (kg) of the compound containing 1 % of CFC and more

Rates:

200 CZK per 1 kilogram

CZ°3.4.1.

Fees on Entry Tickets

(Poplatek ze vstupného)

Legal base:

Law No. 565/1990 Coll., latest amendments No. 305/1997, 149/1998 Coll.

Beneficiary:

Local government

Tax payable by:

Organiser of the action (cultural, sport, sales etc.)

Basis of assessment:

Lump sum of admission fees

Rates:

Maximum 20 %, set by local government

Exemption:

Set by law (charity and similar actions) or by the local government.

CZ°3.4.2.

Resort and Recreation Fees on Visitors

(Poplatek za lázenský nebo rekreační pobyt)

Legal base:

Law No. 565/1990 Coll., latest amendments No. 305/1997, 149/1998 Coll.

Beneficiary:

Local government

Tax payable by:

Natural persons, who are in spas or tourist regions on holidays or therapeutic stays

Basis of assessment:

Number of days of stay

Rates:

Maximum 15 CZK/day per person, set by local government

Exemption:

Set by law (disabled persons, children aged up to 18 years, seniors aged above 70 years) and other special exemptions based on local government discretion.

CZ°3.4.4.

Fees on Operating Gambling Machines

(Poplatek za provozovaný výherní hrací přístroj)

Legal base:

Law of CNR No. 565/1990 Coll., latest amendments Act No. 305/1997 Coll. and Act No. 149/1998 Coll.

Tax payable by:

Operator of the gambling machine

Basis of assessment:

Time (in quarter of year) for which the gambling machine is operated

Rates:

From 1000 CZK to 5000 CZK per 3 months (quarter of year), set by local government

Exemption:

None

CZ°3.4.5.

Fees on Recreational Units (based on capacity)

(Poplatek z ubytovací kapacity)

Legal base:

Law No. 565/1990 Coll., latest amendments No. 305/1997, 149/1998 Coll.

Beneficiary:

Local government

Tax payable by:

Owner of accommodation capacity, collected only in spas and tourist regions.

Basis of assessment:

Number of beds per day used for accommodation.

Rates:

Maximum 2 CZK per bed/day, set by local government.

Exemption:

Set by law (accommodation for students, for employees of owner of accommodation capacity, buildings of health or charity institutions) or by the local government.

CZ°3.5.1.

Real Property Tax

(Dan z nemovitostí)

Legal base:

Law No. 338/1992 Coll., latest amendment No. 248/1995 Coll.

Beneficiary:

Local government

Tax payable by:

Owner or beneficial owner of land and buildings.

Basis of assessment:

Tax on land:

Land tax includes the taxation of agricultural land, wood land and fish farm land, built-up areas, courtyard and other land and developed land without buildings.

Agricultural and forestry land, ponds for intensive fishing is taxed on the basis of the purchase price.

The tax base of agricultural land are average prices in the cadastre areas. These prices are derived from quality of soil according to valid price decree.

The tax base of commercial forests and ponds used for intensive fish farming are average prices according to valid price decree.

The tax base of built-up areas, developed land and other land is the actual area of the plot of land in square meters.

The taxable values are not adjusted to market prices in regular intervals, ad hoc amendments only.

Tax on buildings:

The tax is levied on buildings and structures submitted to building inspection.

The tax base is the area of the ground plan of the overhead part of structure in square meters.

Exemptions:

Tax on land:

Land owned by the state, by the municipality, by accredited diplomatic representatives.

Plots of land forming one functional unit with the building used for religious services of churches, public service companies, schools, museums, galleries, libraries, medical establishment, social care establishment, foundations or used for improvement of environment

Land used as parks and sport grounds for the public.

Agricultural land and woodland after recultivation.

Agricultural land for a period of 5 years and commercial forests (up to 10 years) restituted to owners.

Land determined for public transport

Land which is subject to the building tax, protective and special woodland, water areas except ponds for intensive fish farming, land used for defence of state.

Tax on buildings:

Buildings owned by the state, by the municipality, by accredited diplomatic representatives.

Buildings used for religious services of churches, public service companies, schools, museums, galleries, libraries, medical establishment, social care establishment, foundations or used for improvement of environment

Newly constructed houses for non-business for a period of 15 years,

Culture monuments for period of 8 years

Buildings used for public transport.

In certain cases are the buildings exempted from the building tax provided that they are not used for business activity or leased.

Dams, water supply systems, sewage systems, structures used to distribute energy, public roads.

Rates:

Tax on land:

The tax rate on arable land, hop-fields, vineyards, gardens and orchards is 0.75 % of the average price.

The tax rate on meadows and pastures, commercial forests and ponds used for intensive fish farming is 0.25 % of average price according to valid price decree.

The tax rate on built-up areas and courtyard, and other land is 0,1 CZK per square meter.

The tax rate on developed land is 1 CZK per square meter. This tax rate is multiplied by coefficients ranging from 0.3 % to 4.5 % according to the size of the municipality, local government has limited discretionary power to set this multiplier.

Tax on buildings:

dwelling houses: 1 CZK per square meter multiplied by the coefficient in the same way as in the case of developed land,

buildings for individual recreation purposes: 3 CZK per square meter

non residential area: 1 CZK per square meter,

garages built separately from dwelling houses: 4 CZK per square meter,

Structures for business purposes:

used for primary agricultural production, forestry or water management: 1 CZK per square meter of the built-up area,

used for industrial production civil construction, transport, power engineering: 5 CZK per square meter of the built-up area,

used for other business activities: 10 CZK per square meter of the built-up area ,

Other structures: 3 CZK per square meter of the built-up area

These rates are multiplied coefficients ranging from 0.3 % to 4.5 % according to the size of the municipality, local government has limited discretionary power to set this multiplier.

CZ°3.6.1.

Highway Fee (beginning in 1995)

(Poplatek za užívání dálnice a rychlostní silnice)

Legal base:

Law No. 13/1997 Coll., Government Regulation No. 146/1999 Coll.

Tax payable by:

All drivers of motor vehicles using highways

Basis of assessment:

Tonnage of a vehicle

Beneficiary:

Central government

Rates:

per year

- vehicles weighting up to 3,5 t: 800 CZK
- vehicles weighting from 3,5 to 12 t: 4000 CZK
- vehicles weighting over 12 t: 8000 CZK

Exemption:

- Fire-fighting vehicles, military vehicles, prison vehicles, ambulance vehicles, vehicles belonging to the highway authority.
- Police vehicles.
- Customs office's vehicles.
- Vehicles used for transport of severely handicapped persons.
- Vehicles used for removing consequences of traffic accidents.

CZ°3.6.2.

Motor Vehicle Entry Fees

(Poplatek za povolení k vjezdu s motorovým vozidlem do vybraných míst a částí měst)

Legal base:

Law No. 565/1990 Coll., latest amendments No. 305/1997, 149/1998 Coll.

Tax payable by:

Person who has permission for entrance to selected places

Basis of assessment:

Number of days which is the permission valid

Rates:

Maximum 20 CZK/day, set by local government

Exemption:

Set by law (person who have temporary stay at selected place and their relatives, disabled persons, persons who perform economical activity in real property at selected place) or by the local government

CZ°3.6.3.

Tax on Use of Public Space

(Poplatek za užívání veřejného prostranství)

Legal base:

Law No. 565/1990 Coll., latest amendments No. 305/1997, 149/1998 Coll.

Tax payable by:

Persons who use public space for specific reasons (to place facilities for providing services, sales or advertisement facilities, circuses, waste deposits, for permanent parking places, to perform sport events, to make movies etc.)

Basis of assessment:

Square meters per day of used public space.

Rates:

Maximum 10 CZK/day per m², for sales or advertisement facilities, amusement facilities maximum 100 CZK/day per m², set by local government

Exemption:

Set by law (charity or public actions, assignment of permanent parking place for disabled person) or by the local government

CZ°3.6.5.

Miscellaneous License and Permit Fees

(Správní poplatky)

Legal base:

Law No. 368/1992 Coll.

Examples:

There are 154 areas of licences and fees, each area contains approximately 5 items (average).

Examples are:

- *Plaint of appeal in tax or custom proceedings (Podání žádosti v danovém nebo celním řízení)*, 100 – 200 CZK
- *Certificate of Czech citizenship (Vydání osvědčení nebo potvrzení o státním občanství České republiky)*, 100 CZK
- *Grant of Czech citizenship (Udelení státního občanství České republiky)*, 5000 CZK
- *Change of name*, 100 or 1000 CZK
- *Conclusion of matrimony (Uzavření manželství)*, 600 – 2000 CZK
- *Building licence (Vydání stavebního povolení)*, 300 – 3000 CZK
- *Gambling machines permit licence (Povolení k provozování výherních hracích přístrojů za každý přístroj)*, 30000 CZK per year
- *Trade licence (Vydání živnostenského listu)*, 1000 CZK
- *Weapon pass (Vydání zbrojního průkazu)*, 200 – 1000 CZK
- *Licence to bond emission (Udelení povolení k emisi dluhopisu)*, 0,2 % of the total amount of emission, minimum 20 000 CZK, maximum 1 000 000 CZK
- *Grant of Czech visa (Udelení českého víza)*, 200 – 1500 CZK
- *Extract from real estate cadastre (Výpis z katastru nemovitostí)*, 50 – 300 CZK
- *Plaint of invention application (Podání přihlášky vynálezu)*, 600 – 1200 CZK

CZ°3.6.6.

Dog Fees

(Poplatek ze psu)

Legal base:

Law of CNR No. 565/1990 Coll., latest amendments No. 305/1997, 149/1998 Coll.

Beneficiary:

Local government

Tax payable by:

Owner of the dog

Rates:

Maximum 1000 CZK/year per dog, second and other dogs maximum 1500 CZK/year per dog, set by local government.

Exemptions:

Set by law (dogs of disabled persons) or by the local government.

CZ°3.6.7.

Real Property Transfer Tax

(Dan z prevodu nemovitosti)

Legal base:

Law No. 357/1992 Coll., latest amendments No. 151/1997, 203/1997, 227/1997, 169/1998, 95/1999 Coll.

Tax payable by:

Real estate transfer tax is paid by a transferor (seller).

Basis of assessment:

The tax base is the price of the transferred real property. Either the agreed price or the price according to Law on Property Valuation, No. 151/1997 Coll., whichever is higher.

Beneficiary:

Central government

Exemptions:

- The transfer and transition of ownership of immovable during the liquidation of state-owned companies, joint-stock companies fully owned by the state or fully owned by the National Property Fund of the Czech Republic or the Land Fund of the Czech Republic and of limited liability companies fully owned by the state,
- the transfer and transition of ownership of immovable of joint-stock companies fully owned by the state, carried out in accordance with the decision of the shareholders' meeting and approved by the government of the Czech Republic,
- the transfer of ownership of the immovable of joint stock companies fully owned by the state, connected with their direct sale under the decision on privatisation in accordance with special legislation,
- the transfer and transition of ownership of immovable in connection with the division and merger of municipalities or with changes of their territory in accordance with special legislation,
- transfers of ownership of immovable from the ownership of municipalities to the ownership of voluntary unions of municipalities (henceforth "unions") established in accordance with a special Act, and further from the ownership of unions to the ownership of municipalities which are, or have been, associated in the union and had been the previous owners of the transferred immovable,
- a transfer or transition of ownership of immovable in the ownership of the Czech Republic is exempt from tax if the right to manage the property is vested in central bodies, state funds, district authorities or budget organisations or organisations funded from the budget of the latter and established by central bodies or district authorities, as well as transfers and conveyance of ownership of immovable property to the Czech Republic.
- The first transfer (sale) of real property or transition of ownership of a construction which is a new building and for which inspection approval has been issued, or is a completed new building, or a building under construction and the construction is not yet in use is exempt, if the transferor (seller) is :
 - a) a natural person registered in the commercial register or a legal person, and the transfer of the construction is being carried out in connection with their business activities,
 - b) a municipality.

Rates:

5 %

CZ°3.6.8.

Commercial Car Tax (called road tax)

(*Silnicní dan*)

Legal base:

Law No. 16/1993 Coll., latest amendments No. 143/1996, 61/1998 Coll.

Tax payable by:

Natural persons and legal entities enlisted in the M. O. T. certificate of a motor vehicle issued in the Czech Republic as their holders and natural persons and legal entities, using motor vehicles, registered abroad, in the Czech territory for an entrepreneurial activity.

Basis of assessment:

Passenger cars: cylinder capacity in cubic centimeters according to dates registered in the M. O. T. certificate

Other vehicles: total weight in tons and number of axles

Beneficiary:

Central government

Exemptions:

- Single-track vehicles and three-track vehicles and their trailers.
- Vehicle of diplomatic missions and consular offices (where there is a reciprocal arrangement).
- Vehicles which are abroad intermittently for at least 183 days (of the year).
- Vehicles used for the regular inland transportation of passengers.
- Fire-fighting vehicles, ambulance vehicles, vehicles of the mining and mountain rescue services, gas emergency service vehicles and power engineering emergency service vehicles.
- Vehicles which provide an emergency supply of drinking water to the population.
- Road sweeping and flushing machines (vehicles), vehicles belonging to road authorities which are exclusively used in road repair.

Tax reductions in respect of vehicles used in combined (multimodal) transport:

- carriage by a vehicle from the place of loading to the nearest appropriate railway station or port and from there by rail or water to the railway station or port nearest to the place of destination, and from there by road to the place of destination,
- collection and delivery of freight containers used in combined transport (ISO containers, ISO exchangeable container transport bodies) to the transfer area used by such combined transport, railway station or port where the consignment is reloaded for railway or water transport or vice versa.

Rates:

Tax rates, according to the tax base, are the following:

- personal cars: from 1200 CZK to 4200 CZK per year
- other motor vehicles: from 1800 CZK to 50400 CZK per year

CZ°3.6.9.

Levy on Temporary Withdrawal of Land from Agriculture

(Odvody za dočasné odnetí pudy ze zemedelského pudního fondu)

Legal base:

Law No. 334/1992 Coll., latest amendment Law No. 98/1999 Coll.

Beneficiary:

Municipality (40%), State Fund of Environment (60%).

Tax payable by:

Subject who asks for temporary withdrawal of land from the agriculture.

Basis of assessment:

Area (ha) of withdrawn land.

Rates:

Annual levy is calculated depending on environmental, climatic and other factors.

CZ°3.7.1.

Water Pollution Fee

(Poplatek za znečištění vypouštěných odpadních vod)

Legal base:

Law No. 58/1998 Coll.

Beneficiary:

State Fund of Environment

Tax payable by:

The person who empties out the waste water into surface sources of water.

Basis of assessment:

Fees are imposed on:

- a) weight (kg) of the pollutant,
- b) volume of waste water emptied out (m³).

Rates:

ad a) rates (CZK/kg) are very individual according to specific polluting substance (for example the rate of mercury is 20 000 Kc/kg)

ad b) 0,1 Kc per 1 m³

CZ°3.7.2.

Air Pollution Fee

(Poplatek za znecišťování ovzduší)

Legal base:

Law No. 309/1991 Coll., latest amendment No. 158/1994 Coll.

Law No. 389/1991 Coll., latest amendment No. 86/1995 Coll.

Beneficiary:

Either State Fund of Environment or local municipalities depending on the size of source of air pollution.

Tax payable by:

The subject operating the source of air pollution. The subjects are divided into three groups:

- a) small – output power to 0,2 MW
- b) medium – output power above 0,2 to 5 MW
- c) large – output power above 5 MW

Basis of assessment:

ad a) amount of kW of output power and the sort of fuel

ad b) and ad c) amount (t) and the sort of pollutant

Rates:

ad a) annual fee is up to 40 000 CZK

ad b) and ad c) annual fee differs greatly, for example:

| • Polluting substance | Rate (CZK/t) |
|-----------------------|--------------|
| • solid emissions | 3 000 |
| • SO ₂ | 1 000 |
| • NO _x | 800 |
| • CO | 600 |
| • hydrocarbons | 2 000 |

Exemption:

The person operating the small source (up to 50 kW) of air pollution not as business activity.

CZ°3.7.3.

Waste Deposit Fee

(Poplatek za uložení odpadu)

Legal base:

Law No. 125/1997 Coll., latest amendment Law No. 167/1998 Coll.

Beneficiary:

The base fee is a revenue of the municipality. The risk surcharge is a revenue of State Fund of Environment.

Tax payable by:

Producer of waste (according to this law municipalities are the producers of communal waste of natural persons non-entrepreneurs).

Basis of assessment:

Amount (t) of waste

Rates:

The rate of the base fee (CZK/t):

| year | 1998 | 1999-2000 | 2001-2002 | 2003 and further |
|--------------------------|------|-----------|-----------|------------------|
| dangerous waste | 200 | 250 | 350 | 450 |
| communal and other waste | 20 | 30 | 50 | 80 |

The rate of the risk surcharge (CZK/t):

| year | 1998 | 1999-2000 | 2001-2002 | 2003 and further |
|-----------------|------|-----------|-----------|------------------|
| dangerous waste | 300 | 500 | 750 | 1000 |

CZ°4.

Social Insurance and Employment Policy Contributions

(Pojistné na sociální zabezpečení a příspěvek na státní politiku zaměstnanosti)

All social contributions (with the exception of contribution for health insurance) go to the general budget; they are not paid to a special social contribution budget. There is no special fund for these revenues, they are treated as any other revenue of State budget. Therefore all of these revenues have been included in central government.

Only health insurance contributions are earmarked as revenues of health insurance companies.

Legal base:

Law No. 589/1992 Coll.

Beneficiary:

Central government

Tax payable by:

Earners of employed or self-employed income.

Basis of assessment:

For employed persons the taxable income from employment.

The self-employed may assess their own tax base, minimum at 35 % of taxable business income. The minimum tax base is 17700 CZK, the maximum tax base is 486000 CZK. (These limits apply only for self-employed.)

Collection:

For employees the employer withholds all contributions and transfers them to the social insurance account.

Rates:

For employees:

| Purpose of payment | Employer (%) | Employee (%) |
|---|---------------|---------------|
| Pension insurance contribution | 19.5 | 6.5 |
| Contribution to state employment policy | 3.2 | 0.4 |
| Sickness benefits contribution | 3.3 | 1.1 |

For self-employed:

| Purpose of payment | Employer (%) |
|---|---------------|
| Pension insurance contribution | 26 |
| Contribution to state employment policy | 3.6 |
| Sickness benefits contribution (voluntary) | 4.4 |

Compulsory Health Insurance

(Pojistné na všeobecné zdravotní pojištění)

Legal base:

Law No. 592/1992 Coll., latest amendments No. 59/1995, 149/1996, 48/1997, 127/1998 Coll.

Beneficiary:

Health insurance funds that maintain individual accounts for each insured person.

Tax payable by:

All natural persons

Basis of assessment:

For employed persons the taxable income from employment, minimum tax base is twelve times the minimum wage (43200 CZK as of 1 July 1999). The floor does not apply in certain exceptions (disabled persons, seniors receiving no pension, person who cares for child up to 7 years or two children up to 15 years).

For the self-employed, the tax base is 35 % of taxable business income. The minimum tax base is 43200 CZK, the maximum tax base is 486000 CZK. (The ceiling applies only for self-employed.)

For persons with no income, the tax base is 43200 CZK.

For children, pensioners etc. with no income (other than e.g. pensions of pensioners) the tax base is 34560 CZK. (State pays health insurance for these persons.) If these persons have income from employment, the tax base is the part of their gross wage in excess of 34560 CZK. If these persons have income from self-employment, the tax base is 35 % of the difference between their gross profit and 34560 CZK.

Rates:

The total amounts to 13.5 % of the taxable income. For employment income the employer's share is 9 %, the employee's share is 4.5 %.

Annex 4.2. Tax Changes from 2000 onwards

(1) Decided Tax Changes

CZ°1.1.1.

Individual income tax

The following table gives new rates as of Jan. 1, 2000:

| Taxable income (CZK) | Tax on lower amount | Plus % on excess over lower amount |
|----------------------|---------------------|------------------------------------|
| up to 102.000 | - | 15 |
| 102.000 to 204.000 | 15.300 | 20 |
| 204.000 to 312.000 | 35.700 | 25 |
| over 312.000 | 62.700 | 32 |

For dividends and interest from savings accounts the rate is 15 %.

CZ°1.2.1.

Corporate income tax

From Jan 1, 2000, the rate will be 31 %.

CZ°3.1.1.

VAT

The reduced (5%) rate is imposed on restaurant services from April 1, 2000.

(2) Planned changes 2001 onward

CZ°3.1.1.

VAT

The threshold for compulsory registration will be reduced to 500 000 CZK in the previous 3 successive months.

CZ°3.6.1.

Road tax

Reduction in rates for cars weighting above 12 t (5–10% reduction).

Local taxes

The present Law No. 565/1990 Coll. on Local fees will be abolished and new law on local taxes will be introduced. There will be these new taxes: infrastructure tax, resort and recreation fees on visitors, waste tax, dog tax, advertisement tax, recreational unit tax, entry tickets tax, tax on operated slot machines, tax on operated gambling machines, tax on use of public space.

(3) Year 2002 and later

Major changes in further years will harmonise Czech tax system with EU Directives, especially in the field of indirect taxes.

Annex 4.3. Taxes Abolished

| | |
|--|-----------|
| | CZ°1.1.4. |
| Previous Individual Income Tax (<i>Dan z příjmu obyvatelstva</i>) Law No. 389/1990 Coll., abolished by law No. 586/1992 | |
| | CZ°1.2.3. |
| Previous Corporate Income Tax (<i>Duchodová dan</i>) Law No. 157/1989 Coll., abolished by law No. 586/1992 Coll. | |
| | CZ°3.1.2. |
| Previous Turn Over Tax (<i>Dan z obratu</i>) Law No. 73/1952 Coll., abolished by law No. 588/1992 Coll. | |
| | CZ°3.2.2. |
| Previous Import Surcharge (<i>Dovozní přírážka</i>) Decree No. 108/1991 Coll., abolished by decree No. 598/1992 Coll. | |
| | CZ°3.3.7. |
| Tax on Restaurant Sale of Alcoholic Beverages and Tobacco Products (<i>Poplatek z prodeje alkoholických nápoju a tabákových výrobku</i>) Law No. 565/1990 Coll., abolished by law No. 48/1994 Coll. | |
| | CZ°3.4.3. |
| Fees on Advertising Facilities (<i>Poplatek z reklamních zařízení</i>) Law No. 565/1990 Coll., abolished by law No. 48/1994 Coll. | |
| | CZ°3.6.4. |
| Previous Notary Fees (<i>Notářské poplatky</i>) Law No. 146/1984 Coll., abolished by Law No. 357/1992 Coll. | |
| | CZ°3.7.4. |
| Unallocated Previous Taxes and Levies All these taxes and levies have been abolished. Examples are: <ul style="list-style-type: none">• Tax on housing (<i>Domovní dan, Domovní dan</i>)• Levy on profit (<i>Odvod ze zisku</i>)• Individual tax on income from literary and artistic activity (<i>Dan z literární a umelecké činnosti, Dan z literární a umelecké činnosti</i>)• etc. | |
| | CZ°3.7.5. |
| Previous Payroll Tax (<i>Dan z objemu mezd, Odvod z objemu mezd</i>) Law No. 76/1952 Coll., abolished by law 586/1992 Coll. | |

Annex 5. Inventory of Taxes - Slovenia

Annex 5.1. Taxes in Force as of 1999

SLO°1.1.

Individual Income Tax

(DOHODNINA)

Legal base:

Law on Personal Income Tax (Official Gazette Nos. 71/93, 2/94, 14/96 B Constitutional Court's decision, 7/95 and 44/96)

Beneficiary:

State budget (65%) and local budgets (35%).

Tax payable by:

Residents are liable to income tax on their income earned in Slovenia and on their income, received from abroad (pensions, dividends, royalties). An individual is, independent of his nationality, resident of Slovenia, if he has his permanent residence in the Republic of Slovenia.

- Non-residents are liable to income tax on certain Slovenian source income. If they resided in Slovenia less than six consecutive month, they don't have to fill the final tax return. In that case the tax paid in Slovenia is treated as a final tax.
- Each individual is treated as a separate taxpayer. There is no taxation of spouses, or a family as a whole.

Basis of assessment:

Taxation of the different sources of income is computed separately and aggregated after expenses and certain allowances have been deducted.

Taxable sources of individual income are:

- income from employment, pensions, remunerations for services and other receipts, paid in cash or in kind, including bonuses and benefits. Compulsory social security contributions are deductible.
- income from agriculture B the taxable base is the cadastral income of farmland and woodland under the regulations on the ascertainment of such income (limited deductions for renovation of buildings on the farm, for converting for tourism purposes, for purchase of farm equipment etc. possible).
- profits from business and professional activities, calculated like those for corporate income tax purposes, with additional deductions for certain expenses and for social security contributions, and with increased incentives for employing disabled and unemployed persons.
- income from property like dividends, interest on loans and income from renting. Taxable is 60% of the income from dividends, income from interest reduced by the increase of retail prices in the loan period and renting income minus maintenance and management costs.
- income from property rights like copyrights, inventions, trademarks etc. Taxable is the gross income less costs for obtaining this income.

- capital gains obtained from the sale of shares and from the sale of real estate, if sold less than 3 years after acquisition, are taxable. Tax base is the difference between selling price and the valorized acquisition value of the capital.

Exemptions:

The list of exemptions includes among others the following types of income:

- social welfare for children and disabled persons,
- solidarity aids for unemployed persons,
- income from disabled persons received under special regulations (e.g. disabled military and civilian veterans),
- payments received by students for obligatory practical work performed according to their educational program,
- scholarships,
- income from newly recultivated land (for 5 years).

Deductions:

Certain expenses may be deducted from the aggregate taxable base up to a limit of 3% of the taxable base (for all of these expenses together). These expenses are mainly as follows:

- acquisition of long-term securities issued by the Republic of Slovenia,
- acquisition and maintenance of a residential building or apartment,
- maintenance of historical or cultural monuments which are the property of the taxpayer,
- voluntary payments for pension and health schemes,
- acquisition of books,
- payments for tuition fees,
- gifts to charitable, religious, sport, cultural, educational and similar institutions,
- membership fees for political parties and trade unions,
- acquisition of company shares.

Unlimited deductions:

- employee compulsory social security contributions,
- self-imposed contribution as a special local assessment determined by referendum

Personal allowances:

- 11% of the average annual wage in Slovenia for all taxpayers;
- 100% of the average annual wage if the taxpayer is a disabled person;
- 40% of the average annual wage if the taxpayer is a student (only when he derives income from his work as a student);
- 8% of the average annual wage if the taxpayer is above 65 years of age (so-called senior's allowance).

Special family allowances are granted to taxpayers who are supporting their child or any other dependent family member, as follows:

- 10% of average annual wage in Slovenia for the first child or any other dependent family member and 5 extra percentage points (10% for one, 25% for two, 45% for three children; etc.) for each subsequent child; and
- 50% of average annual wage in Slovenia for disabled child.
- Losses incurred in private business activities may be carried forward against future profits from this same activity for 5 years.

Collection:

The taxable income of an individual, earned in a calendar year is aggregated and the total amount is taxed at progressive rates. The advance tax payments during the tax period are

deductible from the final tax liability and any difference is collected on receipt of an assessment from the tax authorities. When the total sum of advance payment exceeds the tax payable, a refund can be requested.

When the payer of income from employment, pensions, other receipts and other earnings subject to individual taxation, is a domestic legal person or individual who perform private or professional business, the payer is bound to calculate and pay a withholding tax for the taxpayer.

Advance tax payments on private business or professional activity income are to be made monthly, quarterly or twice per taxable year (i.e. every sixth months in the taxable year) on the basis of the latest assessed year.

Rates:

The aggregated taxable base for 1998 is taxed at the following rates:

| Taxable base (SIT) | Tax on lower amount (SIT) | Plus % on excess over lower amount |
|------------------------|---------------------------|------------------------------------|
| 0 to 943.094 | 0 | 17 |
| 943.094 to 1.886.186 | 160.325 | 35 |
| 1.886.186 to 2.829.281 | 490.407 | 37 |
| 2.829.281 to 3.772.374 | 839.353 | 40 |
| 3.772.374 to 5.658.560 | 1.216.591 | 45 |
| over 5.658.560 | 2.065.375 | 50 |

The amount of withholding tax on employment income and pensions is determined according to the special monthly tax rate scale. The rate of advance tax on income earned under contracts for temporary work or for the execution of services, and on other receipts including prizes and similar receipts, is 25%.

Rates of advance tax on income from agriculture are: 0% of taxable base below 30% of the average annual wage in Slovenia in the preceding year; 8% of taxable base exceeding 30% of the annual wage in Slovenia in the preceding year; 17% for non-residents.

The amount of advance tax to be withheld on profits from business and professional activities is determined according to the special tax rate scale. The rate of advance tax for certain professional or some business activities, for which keeping of business books is not necessary (cottage industry, arts and crafts, farmers tourism, etc.) is 25%.

The rate of advance tax payment on income from property and income from property rights is 25%. The rate of advance tax payment on capital gains is 30%.

SLO°1.2.

Corporate Income Tax

(DAVEK OD DOBICKA PRAVNIH OSEB)

Legal base:

Law on Tax on Profit of Legal persons (official gazette No.72/93, 20/95 and 34/96 - Constitutional Court's decision, 18/96 and 27/98)

Beneficiary:

Central government

Tax payable by:

All legal persons, except public enterprises and public commercial establishments owned by the Republic of Slovenia or by its municipalities, non-profit-organisations for non-profit activities (religious, charitable, ecological, educational etc.), disabled person's enterprises and investment funds that distribute at least 90% of last year's profit in the current year.

Basis of assessment:

Taxable base of resident companies is their worldwide income. Allowable deductions are expenses directly related to the company's activities. Limitations on these expenses: long-term reserves are partially deductible, interest on loans from owners may not exceed the average bank interest rate, donations to non-profit-organisations and to political organisations are deductible only up to a certain fraction of the realized income.

Depreciation allowances range from 5% for buildings to 50% for computer equipment.

Deductions:

Tax incentives allow a tax relief for the employment of the unemployed, of disabled personnel and of trainees, for certain types of investments and for investment reserves.

Losses may be carried forward for 5 years. Monthly advance payments are based on the latest tax assessment.

Groups of companies:

There are the usual rules for groups of companies on intercompany dividends (no withholding tax, if profit tax has been paid) and on transfer pricing (common average price for the specific goods or services on a comparable market).

Rates:

The rate of corporate tax is 25%.

SLO^o2.1.

Inheritance and Gift Tax

(DAVEK NA DEDIŠČINE IN DARILA)

Legal base:

Law on Tax on Citizens (Official Gazette Nos. 36/88, 8/89, 48/90, 8/91, 14/92, 7/93, 18/96)

Beneficiary:

Local government

Tax payable by:

Individuals who are testamentary heirs or heirs at law or recipients of a gift.

There are 4 categories of tax payers according to the relationship with the deceased or the donor:

- Class I: direct descendants and spouses
- Class II: parents, siblings and their descendants
- Class III: grandparents
- Class IV: all others

Basis of assessment:

The market value of the inherited property or the gift after deductions of debts or liabilities related to the property or gift.

Exemptions:

Exempt are taxpayers in class I, taxpayers who inherit a house or apartment for their own dwelling and have lived in the household of the deceased and farmers for land inherited or received as a gift.

Rates:

Rates for class II taxpayers range from 5% to 14%, for class III from 8% to 17%, for class IV from 11% to 30% at a progressive rate.

SLO°3.1.1.

Value Added Tax

(DAVEK NA DODANO VREDNOST)

Legal base:

Law on Value Added Tax (Official Gazette of the Republic of Slovenia Nr. 89 of 1998)

Beneficiary:

State budget

Tax payable by:

- individuals and legal entities having a taxable turnover resulting from business;
- a tax representative appointed by a taxable person who has not established a registered business and does not have a fixed establishment in Slovenia, nor a permanent or usual residence (a taxable person established abroad), if the taxable person supplies goods or services in Slovenia. If a taxable person established abroad does not appoint a tax representative, tax is payable by recipients of the goods or services;
- persons to whom particular services (the list of these services is identical to those covered by Article 9 (2)(e) of the Sixth EC Directive) are supplied if the services are carried out by a taxable person established abroad;
- any person who shows VAT on an invoice or some other document serving as an invoice but is not entitled to do so;
- in the case of imports: the customs debtor determined in accordance with customs legislation, or the recipient of the goods.

Small businesses:

Small businesses below a value of SIT 5,000,000 (approximately 25.000 EUR) for annual sales, are not liable for VAT.

Individuals and legal entities may opt for regular treatment for five-years period. There are no special rules regarding tax reporting and accounting for small businesses.

Basis of assessment:

The taxable amount is determined according to the Sixth Directive. It represents the payment that the supplier receives or is entitled to receive as a result of the supply. The value includes all forms of payment in cash or in kind whether paid by the customer or by some other person.

The taxable amount includes incidental expenses such as commissions, packaging costs, transport and insurance as well as taxes, duties, charges other than VAT.

For imported goods the taxable amount is the value of goods determined in accordance with customs legislation, increased by customs duties and other contributions paid at the time of import, VAT excluded.

Exemptions:

Exempt supplies are determined in line with the Sixth Directive. Exemptions are divided on:

- activities in public interest (public postal services; hospital and medical care; medical services; human organs, blood and milk; welfare and social security work; school or university education, sport or physical education; organisations with aims of a political, trade B union, religious, philosophical or civil nature; cultural services and public radio and television broadcasts);
- other activities (insurance and reinsurance, immovable properties, except newly- constructed; letting of residential houses and apartments; financial services; postage stamps and similar stamps; betting, gambling and lotteries);
- exemptions for imports of goods
- exemptions for export of goods and international transport
- Export of goods is defined as the supply of goods dispatched or transported to a destination outside the Republic of Slovenia by or on behalf of the taxable person.
- other special exemptions linked to international of goods traffic
- Goods, placed under suspensive customs arrangement in accordance with customs legislation, are exempted from VAT as long as they are covered by these suspensive arrangements.

Collection:

The taxable person charges VAT on the goods and services supplied, takes credit for VAT paid on business expenditure and pays the net tax to the tax authority.

VAT must be paid by the end of the month following the end of each tax period. If VAT is not paid within the proper time limit, fines and penalty interest is chargeable.

Taxable persons have to calculate the tax liability and submit the tax return in the tax period that is a calendar month, calendar quarter or half of calendar year. The principle is that a credit is carried forward to the following VAT tax period. However any VAT registered person is entitled for a refund in 60 days after submission of VAT tax return forms.

Rates:

There are two VAT rates in Slovenia, the standard VAT rate is 19% and a reduced rate is 8 %.

A lower rate is imposed on almost all categories of supplies from Annex H of the Sixth Directive, which lists those goods and services that may be taxed at a lower than standard rate (foodstuffs, agricultural inputs, water, pharmaceutical products, medical equipment, accessories for the handicapped, public passenger transport, books, newspapers and periodicals, authors, composers, cultural events, sporting events and facilities, housing, hotel and like accommodation, funerals and waste treatment).

And, in addition, a lower rate is imposed on food services in restaurants and on audiovisual material.

Special features:

Up to July 1, 1999, a sales tax, including excise duties, was in effect.

SLO°3.2.1.

Customs Duties

(CARINSKI ZAKON, ZAKON O CARINSKI TARIFI)

Legal base:

Customs Law (Official Gazette of the Republic of Slovenia Nr 1/95, 28/95,32/99)

Law on Customs Tariffs (Official Gazette of the Republic of Slovenia 74/95).

Beneficiary:

State budget

Tax payable by:

Natural and legal persons which are customs debtors in accordance with provisions in force (normally customs declarant or recipient of goods).

Basis of assessment:

The customs value of imported goods is transaction value under the conditions of relevant Articles of Customs Law or in case when transaction value cannot be determined in the said way it shall be determined on the basis of available data, consistent with the principles and general provisions of the agreement on implementation of Article VII of the GATT 1994.

Exemptions:

Customs Law defines an exclusive list of reliefs from customs duties applicable in accordance with obligations under the accepted international/multilateral conventions/agreement, for noncommercial purpose, transfer of activities.

Deductions:

For specific goods the forms of autonomous preferential tariff regimes are applied. These include reduced tariffs, free customs duty rate and customs quotas. The basic criterion for determination of customs quotas, reduced tariff and free customs duty rate is the principle of non-existence of domestic production of good concerned and in connection with specific purposes or uses.

On the other hand a number of bilateral preferential trade agreements constitute the basis for reduced rates applied in trade with certain countries.

Rates:

Average conventional rate: 10,65

Average reduced rate: 8,85

Average EU- Slovenia agreement rate: 3,79

SLO°3.3.1.

Excise Duty on Petrol and Mineral Oils

(TROŠARINA NA MINERALNA OLJA)

Legal base:

Law on Excise Duties (Official Gazette of the Republic of Slovenia Nr. 84/98)

Government Decree (Official Gazette of the Republic of Slovenia Nr. 51/99)

Beneficiary:

State budget

Tax payable by:

- manufacturer and importer of excise products
- tax-exempt user who uses excise products for non-exempted purposes
- person who illegally produces, imports, sells or buys excise products
- person who stores excise products for which the level of excise duty changes

Basis of assessment:

The taxable base is quantity of mineral oil in kilograms, cubic metres or litres.

Rates:

| | According to the law | Government Decree |
|---|-----------------------------|----------------------------|
| | SIT/per 1000 litres | SIT/per 1000 litres |
| leaded petrol | 95.000 (483,06 EUR) | 65.670 (333,92 EUR) |
| unleaded petrol | 80.000 (406,78 EUR) | 55.580 (282,61 EUR) |
| gas oil used as motor fuel | 70.000 (355,94 EUR) | 56.750 (288,56 EUR) |
| gas oil used as heating fuel | 5.000 (25,42 EUR) | 5.000 /25,42 EUR) |
| kerosen used as motor fuel | 70.000 (355,94 EUR) | 62.200(318,31 EUR) |
| kerosen used as heating fuel | 5.000 (25,42 EUR) | 5.000 (25,42 EUR) |
| | SIT/1000 kilogram | SIT/1000 kilograms |
| heavy fuel oil | 5.000 (25,42 EUR) | 3.000 (15,25 EUR) |
| liquid petroleum gas used as motor fuel | 38.000 (193,22 EUR) | 32.200 (163,73 EUR) |
| liquid petroleum gas used as heating fuel | 0 | 0 |
| methane | 0 | 0 |
| | SIT/one cubic meter | SIT/one cubic meter |
| natural gas | 0 | 0 |

SLO°3.3.2.

Cigarette and Tobacco Excise

(TROŠARINA NA TOBACNE IZDELKE)

Legal base:

Law on Excise Duties (Official Gazette of the Republic of Slovenia Nr. 84/98)

Government Decree (Official Gazette of the Republic of Slovenia Nr. 50/99)

Beneficiary:

State budget

Tax payable by:

- manufacturer and importer of tobacco products
- person who illegally produces, imports, sells or buys tobacco products
- person who stores tobacco products for which the level of excise duty changes

Basis of assessment:

- 1000 pieces and retail selling price for cigarettes, cigars and cigarillos
- one kilogram and retail selling price for tobacco (fine-cut tobacco and other smoking tobacco)

Rates:

Duty on cigarettes:

- proportional excise duty: 45 % (50 % from 1 July 2002, 57 % from 1 July 2005) of the retail selling price of the most popular cigarettes
- specific excise duty: 20 % of the total tax burden resulting from the aggregation of the proportional excise duty, the specific excise duty and the VAT levied on these cigarettes.

Duty on other tobacco products (cigars, cigarillos, fine-cut tobacco and other smoking tobacco):

- proportional excise duty 25 % of the retail selling price
- specific excise duty: 0 SIT (0 EUR) per kilogram
- specific excise duty/20 cigarettes 24,39 SIT (0,124 EUR)
- specific excise duty/1000 cigarettes 1.219,35 SIT (6,200 EUR)

| | |
|----------------------------|------------------------|
| retail selling price /20 | 200 SIT (1,02 EUR) |
| retail selling price/1000 | 10.000 SIT (50,85 EUR) |
| • proportional excise duty | 32,8067 % |

SLO 3.3.3.

Excise on Alcoholic Drinks

(TROŠARINA NA ALKOHOL IN ALKOHOLNE PIJACE)

Legal base

Law on Excise Duties (Official Gazette of the Republic of Slovenia Nr. 84/98)

Beneficiary:

State budget:

Tax payable by:

- manufacturer and importer of alcohol and alcoholic beverages
- small producer of wine and brandy whose annual production exceeds prescribed quantities
- tax-exempt user who uses alcohol for non-exempted purposes
- person who illegally produces, imports, sells or buys alcohol and alcoholic beverages
- person who stores alcohol and alcoholic beverages for which the level of excise duty changes

Basis of assessment:

- the excise duty levied on beer is fixed by reference to the number of hectolitre/degrees of actual alcoholic strength by volume
- the excise duty levied on wine, fermented beverages and on intermediated products is fixed by reference to the number of hectolitres of finished products
- the excise duty levied on ethyl alcohol is calculated by reference to the number of hectolitres of pure alcohol.

Rates:

- beer: 1000 SIT (5,08 EUR) for 1 vol % of alcoholic strength
- wine: 0 SIT (0 EUR)
- fermented beverages: 7.500 SIT (38,14 EUR)
- intermediated products: 11.000 SIT (55,93 EUR)
- ethyl alcohol: 100.000 SIT (508,48 EUR)

SLO°3.4.1.

Tax on Lottery Winnings

(DAVEK NA DOBITKE OD IGER NA SRECO)

Legal base:

Law on Tax on Citizens (Official Gazette Nos. 8/91, 14/92, 7/93)

Beneficiary:

Local government

Tax payable by:

Individuals who win lottery prizes

Basis of assessment:

Value of the prize.

Rates:

15%

SLO°3.4.2.

Fees on Gambling Machines

(POSEBNA TAKSA ZA IGRALNE AVTOMATE)

Legal base:

Law on gambling (Official Gazette Nos. 27/95)

Beneficiary:

Local government

Tax payable by:

Owners of the gambling machines

Basis of assessment:

Rates:

Lumpsum of 100.000 tolar/ per each gambling machine, located outside casinos

Tax on Gambling, Concession on Gambling

(Koncesijska dajatev in davek od iger na sreCo)

Legal base:

Law on gambling (Official Gazette Nos. 27/95),

Law on Tax on Gambling (Official Gazette Nos. 57/99)

Beneficiary:

Budget of the State, Local government, Foundation for humanitarian purposes and sports

Tax payable by:

Organizers of gambling

Tax base:

Amount of prizes minus payments

Rates:

Tax 18%

Concession (progressive 5 to 35%)

SLO°3.5.1.
SLO°3.5.2.

Taxes on Property

(DAVEK OD PREMOŽENJA)

Legal base:

Law of Tax on Citizens (Official Gazette Nos. 36/88, 8/89, 48/90, 8/91, 14/92, 7/93, 18/96)

Beneficiary:

Local government

Tax payable by:

Individuals, owners or users, who possess or use buildings, parts of buildings, apartments, garages and owners of ships with size at least 8 meter (not used for attending activities).

Basis of assessment:

1. value of buildings or second homes (point system)

- calculation of the value :

number of points* x value of the point/m² = value of the building/m²

value of the building/m² x useful area in m² = **value of the building**

- the value of the point is determined yearly by municipality and every year multiplied by cost of living index;

2. size (length) of ships

according to specific criteria (age, location, installation, building equipment etc.)

Exemptions:

- 1. Buildings of less than 160 m², except second homes;
- 2. Buildings used for agricultural purposes;
- 3. Business premises, used by owner or user for business activity;
- 4. Cultural or historical monuments;
- 5. Temporary exemption of 10 years for new buildings and for repaired or renewed buildings, if the value of these buildings is increased with renovation for more than 50%;
- 6. For tax payer with more than 3 family members, who live with him in his own house, the tax is decreased for 10% for 4th member and for every additional family member;
- 7. Ships of less than 8 meter long.

Rates:

State decide unity tax rates, the value of the immovable property is determined by local community council.

A. (0,1 - 1%)

B. (0,20 - 1,5%)

B1. business premises (0,15 - 1,25%)

for business premises that aren't used for attending activities or aren't hired for rent, the tax rate is increased for 50%

C. annual lump-sum tax of 19.744 SIT for ship with length between 8-9 m;

for each additional meter the lump-sum amount is increased by 7.728 SIT

for every additional year of age of the ship, the tax is decreased for 5%

Tax on Transfer of Immovable Property

(DAVEK NA PROMET NEPREMICNIN)

Legal base:

Law on Tax on Transfer of Immovable property (Official Gazette Nos. 57/99)

Beneficiary:

Local governments

Tax payable by:

Seller of immovable property

Basis of assessment:

Market value

Rates:

2%

SLO°3.5.3.

(Local) Charge for the Use of Building Ground

(NADOMESTILO ZA UPORABO STAVBNEGA ZEMLJIŠČA)

Legal base:

Building ground law (Official Gazette Nos. 18/84, 32/85, 33/89, 24/92, 24/97)

For building land (vacant, constructed) is payed a substitute, which is a local revenue.

The charge is determined by local community council.

Beneficiary:

Local government

Tax payable by:

Legal persons and individuals, users or owners of the land or building/part of building.

Basis of assessment:

1. the vacant building land, planned for building,
2. the constructed building land, where the building is located.

Exemptions:

1. land and buildings used by army, church and foreign embassies;
2. for new buildings or apartments - temporary exempt for 5 years;
3. for people with low incomes - partial or full exemption.

Rates:

The charge amount is different according to each municipality.

SLO°3.6.1.

Administrative Fees

(UPRAVNE TAKSE)

Legal base:

Administrative fees are prescribed with Law on Administrative Fees (Official Gazette No.)

Beneficiary:

- State budget – for fees payable in cash, charged for costs of governmental authorities;
- Local budget – for fees payable in cash, charged for costs of local authorities;
- 70% State budget; 30% Local budget – for fees, charged in fiscal stamps and regardless what costs should be covered (local or governmental) by these fees;

Tax payable by:

Legal or other persons and other organisations applying for authorisation or other act of local or governmental office;

Basis of assessment:

- Average costs of specific governmental or local authorities' act (e.g. application authorisation, appeal, certificate from official record, certification of a copy etc.) but only if it's based on request of legal or other person or organisation;

or in some cases

- Value or quantity of the object which caused expenses of governmental or local office (only if it's based on request of legal or other person or organization);

Rates:

The tariff includes the general tariff for application, authorisation, appeal, etc. without prejudice to the legal nature of administrative procedure and the special tariff for the same of different acts in the specific administrative procedures (e.g. authorisation for building construction etc.)

Regarding the basis of assessment there are two possible types of rates:

AD1) Flat-rate for each governmental or local authorities' act.

AD2) Percentage of value or different flat – rates for different quantities.

SLO°3.6.2.

Tourist Fees

(TURISTICNA TAKSA)

Legal base:

Law on Promotion of Tourism (Official Gazette No. 57/98)

Beneficiary:

Local government

Tax payable by:

Tourist staying in a tourist resort

Basis of assessment:

A fee is from 3-11 points

Rates:

1 point is 14 tolars

SLO°3.6.3.
SLO°3.6.4.

Communal Fees

(ZAKON O KOMUNALNIH TAKSAH)

Legal base:

Law on Communal fees (Official Gazette SRS No. 29/65, 5/68, 20/70, 7/72, 18/91)

Beneficiary:

Local (and partly state) government

Tax payable by:

User of local services

Basis of assessment:

Different (e.g. square meters, etc.)

Rates:

Different

SLO°3.6.5.
SLO°3.6.6.
SLO°3.6.7.

Motor Vehicle Registration Duties

(LETNO POVRACILO ZA UPORABO CEST)

Legal base:

Law on public roads

Beneficiary:

State budget

Tax payable by:

The owner of the vehicle

Commercially and privately used vehicles are not treated separately.

It is not possible to split the revenue into these two categories.

Basis of assessment:

Motor vehicles and trailers registered in the Republic of Slovenia using public roads.

Exemptions:

Vehicles using electricity as propellant exclusively, fire- fighting vehicles, ambulances, motor vehicles and trailers registred under Ministry of Internal Affairs and Defence Ministry and for motor vehicles and trailers registred under Diplomatic – Consular missions and vehicle owned by particular international organisations

Rates:

Prescribed amounts related to particular groups of motor vehicles and trailers:

- Motorcycles (related to engine – ccm)
- Passanger motor vehicles and caravans (related to engine – ccm)
- Combined motor vehicles (per vehicle)
- Passenger special motor vehicles (per vehicle)
- Buses (per passenger seat)
- Trailers to personal motor vehicles (proceeding a limited gross laden weight)
- Trailers to buses (proceeding a limiter gross laden weight)
- Trucks and special trucks for specific freight (related to maximum permissible gross laden weight)
- Articulated trucks (related to total maximum permissible gross laden weight)
- Trailers to trucks and specific trailers for special freights (related to maximum permissible gross laden weight)
- Plant and machinery vehicles (per vehicle)
- Trailers to plant and machinery vehicles (per vehicle)

SLO 3.6.8.

Tax on Banks and Saving Banks

(ZAKON O POSEBNEM DAVKU NA BILANCNO VSOTO BANK IN HRANILNIC)

Legal base:

Special tax on the assets of banks and saving banks(Official gazette, No 87/97,84/98-
Constitutional Court s decision, 40/99 and 61/99)

Beneficiary:

Central government

Tax payable by:

Banks and saving banks

Basis of assessment:

Taxable base is all assets of banks and saving banks.

Final tax liability is tax on the assets deducted for paid Profit tax on Legal Persons.

Rates:

Tax rate is 3 %, previous 2,5 %.

Tax on Insurance Premiums

(DAVEKU OD PROMETA ZAVAROVALNIH POSLOV)

Legal base:

Law on Tax on Insurance Services (Official Gazette Nos. 57/99)

Beneficiary:

State budget

Tax payable by:

Insurance Companies

Basis of assessment:

Insurance premiums

Rates:

6,5%

SLO°3.7.1.

Environment Tax

Taxation of Carbon-Dioxide Emissions

(TAKSA ZA CO₂ EMISIJO)

Legal base:

Environmental Protection Act, OJ 32/96, 1/96

Decree on CO₂ Tax, OJ 68/96, 2/97, 5/97 – corr., 24/98, 65/98

Beneficiary:

State budget

Tax payable by:

1. Any person who buys fossil fuels:
 - as motor fuel for on-road, rail way or aviatic transportation,
 - as motor fuel for stationary motors and other non-road vvhicles,
 - as heating fuels for heat and electricity production.
2. Any person who incinerates organic wastes

Basis of assessment:

One kilogram of emitted CO₂ gas

Exemptions:

Connected with the use of mineral oils

Collection:

Monthly returns

Rates:

3 SIT (0,015 EUR) per kilogram of CO₂ which means:

- 6.600 SIT (33 EUR) per 1.000 liters of petrol
- 7.800 SIT (39 EUR) per 1.000 liters of gas oil
- 7.500 (37,5 EUR) per 1.000 liters of kerosene
- 3.900 SIT (19,5 EUR) per 1.00 Sm³ of natural gas (30% discount included)
- 3.600 SIT (18 EUR) per 1.000 kilograms of brown coal
- 3.900 SIT (19,5 EUR) per 1.000 liters of waste oil (50% discount included) burnt in waste incineration plant, industrial furnace of in as heating fuel
- 1.500 SIT (7,5 EUR) per 1.000 kilograms of municipal waste (50% discount included) burnt in waste incineration plant
- 300 SIT (2,5 EUR) per 1.000 kilograms of hazardous waste (90% discount included) burnt in waste incineration plant

SLO°3.7.2.

Tolls on Highways

(CESTNINA ZA UPORABO DOLOCENIH CEST)

Legal base:

Law on public roads (Official Gazette No. 27/97)

Regulations on tolls for the use of certain roads (O.g. No. 51/97, 48/98, 48/98, 51/99, 78/99, 86/99 and 96/99)

SLO°3.7.3.

Taxation of Waste Water Discharges

(TAKSA ZA OBREMENJEVANJE VODE)

Legal base:

Environmental Protection Act, OJ 32/96

Decree on taxation of waste water discharges, OJ 41/95, 44/95, 8/96

Beneficiary:

State budget

Tax payable by:

Any person who discharges waste water into surface fresh water or coastal water

Basis of assessment:

One population equivalent (PE) of pollution by waste water discharges (for untreated urban waste water 1 PE is equal 50 m³ of water)

Exemptions:

Connected with the use of polluted water

Collection:

Monthly installments

Rates:

3.600 SIT (18 EUR) per 1 PE

SLO°3.7.4.

Local Taxes on Use of Goods

Legal base:

Law on Communal fees (Official Gazette SRS No. 29/65, 5/68, 20/70, 7/72, 18/91)

Beneficiary:

Local government

Tax payable by:

User of local services

Basis of assessment:

Different (e.g. square meters, etc.)

Rates:

Different

SLO°3.7.5.

Payroll Tax

(DAVEK NA IZPLACANE PLACE)

Legal base:

Law on Wage Tax (Official Gazette Nos. 34/96 and 31/97)

Beneficiary

State budget

Tax payable by:

All legal and natural persons who pay wages and salaries to employees and are obliged to pay social security contributions under special laws.

Basis of assessment:

The gross amount of each wage or salary.

Exemptions:

Disabled persons companies are not obliged to pay wage tax.

Rates:

The following rates apply:

| Monthly gross wage or salary (SIT) | Tax due (%) |
|------------------------------------|-------------|
| Up to 110.000 | 0 |
| 110.001 to 130.000 | 2 |
| 130.001 to 400.000 | 4 |
| 400.001 to 750.000 | 8 |
| Over 750.000 | 15 |

SLO°4.

Social Security Contributions

(PRISPEVKI ZA SOCIALNO VARNOST)

Legal base:

Law on Social Security Contributions (Official Gazette Nos. 5/96, 18/96, 34/96, 87/97 and 3/98)

Law on Pension and Disability Insurance (Official Gazette Nos.106/99)

Law on Health Care and Health Insurance (Official Gazette Nos. 9/92, 13/93, 9/96, 29/98 and 6/99)

Law on Family Receipts (Official Gazette Nos. 65/93, 71/94, 73/95 and 26/99)

Law on Employment and Unemployment Insurance (Official Gazette Nos. 5/91, 17/91, 12/92, 71/93, 2/94, 38/94 and 69/98)

Beneficiary:

Contributions for pension and disabled insurance are paid to the pension fund.

Contributions for medical care and sickness leave are paid to the health fund.

Contributions for unemployment insurance and maternity leave are paid to the state budget.

Social security contributions payable by:

Employers and employees (see rates below).

Self-employed individuals, including farmers, must contribute to social security.

Basis of assessment:

The amount of gross wages and other remunerations, including benefits in kind.

For self-employed the basis of assessment is the profit of self-employed person.

Collection:

Social security contributions are withheld by the employer.

Rates:

The rates to be paid by employers and employees are given in the following table:

| Contributions for | Employer (%) | Employee (%) |
|-------------------|--------------|--------------|
| pension insurance | 8.85 | 15.50 |
| health insurance | 6.36 | 6.36 |
| unemployment | 0.06 | 0.14 |
| maternity | 0.10 | 0.10 |
| injury insurance | 0.53 | - |
| Total | 15.90 | 22.10 |

Annex 5.2. Tax 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.

Annex 5.3. Taxes Abolished

SLO°3.1.2.

SLO°3.1.3.

Sales Taxes

Up to July 1, 1999, a sales tax, including excise duties, was in effect.