FISCAL POLICY AND ECONOMIC DEVELOPMENT IN THE CURRENT FINANCIAL CRISIS

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Abstract
Fiscal policies in the current era are the sovereign right of states to collect and administer taxes on national territory. In this respect, the European Union, which is an association of independent states, did not created an European tax - although many politicians proposing it - and within the Union is found important differences between the tax systems of member states.
Due to historical and national different traditions, the EU member states have heterogeneous tax systems and revenue sharing systems because of different conceptions of public policies relative to the role of state in social and economic respective community's life.
The financing of public spending is usually considered the main function of taxation. In the original tradition following Locke[1]*, property protection is the main functions of the state. As a result, the tax must correspond to the services rendered, that is to say, to pay the State for the protection of the rights it provides. Here we are at the origin of the doctrine of the benefit that there should be equivalence between the utility derived by the citizens of public services they consume and the "price" they pay tax.*

Keywords: *direct and indirect tax, fiscal revenues, public expenditures, redistribution, incentives, macroeconomic development.*

Introduction

With the development of state functions, justified by the need to counterpart market failures or to ensure the harmonious development of industrial capitalism, government spending increased, particularly spending on infrastructure and education, and demanding an extension of the role of the tax.

Redistribution aims to redress inequalities in income and wealth distribution. It may take a monetary or non-monetary form. Traditionally, there are two dimensions of redistribution. Horizontal redistribution operates transfers that are not motivated by the income hierarchy. It is therefore either transactions between households in the same stratum of income or operations based on criteria other than income. Social protection responds mostly to this type of problem because it aims to make transfers of resources for the benefit of people at social risk: sickness, maternity, family, etc.

The vertical redistribution takes into account the income hierarchy and seeks to reduce inequalities. In this context, the objective of fiscal redistribution is the narrowing of the income spectrum and its preferred instrument is the progressive income tax. It is said that a tax is progressive when the average tax rate is growing faster than income, which means that the elasticity of the tax yield is greater than 1. It follows that escalation can be understood as a positive deviation from a levy proportional to income. In fact, escalation can be analyzed as the structure of a sample, that is to say the distribution of a monetary unit as tax among taxpayers classified according to their position in the income range, while redistributive effects measure the magnitude of changes introduced by the levy in the income distribution. Given a primary distribution of income, the magnitude of these

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[1] John Locke (1632-1704) a British philosopher.

distributional effects depends on both the degree of progressively and average tax rate, that is to say, the bulk of revenue actually collected. In other words, the variation of inequality resulting from a sample can be expressed as the product of its progressiveness by the average tax rate.

Fiscal policy as the main component of macroeconomic policies to stimulate development

The problem of economic policy coordination occurs at two levels: national budgetary policies among themselves and that of their interaction with monetary policy.

In the first case, the need for coordination is a function of the magnitude and meaning of externalities they generate on the partners. Fiscal policy, since it involves a significant investment, can have two effects on the activity. It exerts a positive externality in the sense that it increases the demand partners, but also a negative externality by higher interest rates of the entire economic area concerned. If the benefits outweigh, the non-coordination of fiscal policies will lead to overly restrictive policies. If the negative effects take over, fiscal policies are too expansionary; since national governments underestimate the actual cost to the Union conducted a fiscal stimulus at national level.

As for monetary policy, the policy mix in Europe is possible only when policies are coordinated between Central Bank and European Commission or European Parliament. Then it is to have equal means and an even consistency in objectives between monetary and fiscal policies. But the monetary policy of the Union is not managed according to the particular situation of a state, but depending on the situation of all states. It would therefore be natural to develop a degree of European federalism for fiscal policy in addition to the current centralized policy monetary.

In the European context, it seems - at first glance - that functions to stabilize the economy should be met by the European Union than by its Member States. As for the prerogatives of government, they remain in the distribution of goods and services where consumption is located. In this regard, the provision of public goods corresponds to the respective preference given in terms of cost of facilities, ability to pay and demands for public goods. To do this, this activity should not be centralized at the European level, except for public goods whose provision would be relevant at the federal level.

Moreover, in the economic literature, it seems to be equivalence between politic and institutional federalism and the coordination of economic policies.

The coordination of economic policies can open a very wide range of possibilities, from the simplest coordination where states are happy to inform each other of their national policies to centralize the most important. The main quality of this coordination should be the speed of adaptation and its freedom of action. This coordination also needs to have a relative independence vis-à-vis the electoral and administrative machinery that characterize inter-governments. This is extremely important since it is relevant to the implementation of the policy of the European Union, it is equally important for the design of its financial resources.

Economic and financial crisis, together with fiscal policies adopted by governments had a major impact on tax revenues. It should be noted that even using the same methods of data recording, the major's legislative changes and economic situation had a major impact on tax revenues.

Governments have limited leeway to conduct their fiscal policy. Various constraints such as economic, cultural or institutional can indeed intervene, reducing the ability of fiscal policy to achieve its objectives, or limiting its scope. The tax can also cause unwanted effects, which in turn affect the economic mechanisms.

To control the macroeconomic balance, to ensure the growth and to move towards full employment, there are usually centered on policies to support the application for or recovery of the economy, policies favoring the offer, those more restrictive, favorable for savings and / or seeking to improve business competitiveness.

According to Keynesian analysis, the positive impact of the fiscal policy on economic growth and employment is the result of the multiplier. However, for Keynesians, an increase in public spending is not equivalent to a reduction in revenue. Indeed, the budget expenditure multiplier is greater than the tax multiplier due to slower reaction times of individual incomes and therefore consumption, changes in taxation.

For their part, offer's economists does not believe in the effectiveness of the multiplier and criticize what they call "damage of Keynesianism", in particular the misallocation of productive capacity in the economy that would be generated distortions caused by the tax and public spending. That is why they argue that lower taxes are the instrument of public spending cuts which would result in a revival of investment and activity to eventually fill the deficits.

It must also take into account the counter-cyclical effect of most public activities, including taxation. These activities have certain inertia about the economy and act as automatic stabilizers. In particular, the tax burden and particularly the tax on personal income increases during booms and fall during recessions. The variations are even more important that the samples exhibit a progressive profile. In this regard, Robert Solow[2] argues that tax policies addressing escalation charges call into question the ability of budgets to mitigate the impact of spontaneous economic shocks.

The tax burden characterized indeed by their dual nature, legal and economic. This power is expressed in the tax law that revolves around a set of rules, whose combination determines the extent of contributions and tax policy changes in order to give concrete form to the options which it precedes. From an economic perspective, tax exempt purchasing power to private so that it alters the income distribution, influences the overall activity and affects behavior. It follows that if the tax part of the state functions, it does not fit directly to the type of Musgrave.

As regards fiscal policy, it should be considered the potentially disruptive effects of mobility of factors of production - material resources, skilled labor and capital - in the Union, so that national economic policies in an attempt to gain unilateral advantages by applying a low taxation does not lead to reallocation of business, that could strongly negatively affect other Member States.

At the same time, States supporting the application of a lower tax burden and restriction, at least for certain taxes, tax harmonization, motivate their choices by the need to stimulate the national economy and monitoring of public debt, which has become lately a major problem for all countries, whether developed or developing. This imperative is even more pronounced in the EU Member States, as these economies are economies with a high degree of openness, exhibited competitive pressure and the Union as a whole, must develop and implement effective fiscal policy, being able to challenges posed by sovereign debt crisis in several Member States.

Taxation is the heart of relationship between citizens and the state. Therefore, not only government experts and academics, but also ordinary citizens addressed their questions on the taxation of their country and the European Union, European community we belong to and how the member states are compared with each other.

In this respect, the Stability and Growth Pact[3] provides a fiscal strategy at Community level to reconcile the two trends, following the meeting the need for balanced development of the Union and

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[2] Robert Solow (2002) "Can we use fiscal policy? Is it desirable?" Revue de l'OFCE, No. 83, pp. 7-24.

[3] Stability and Growth Pact (SGP) is a regulatory framework for the coordination of national fiscal policies in economic and monetary union, which includes a preventive component and an arm.

The preventive

Under the provisions of the preventive arm, Member States must submit annually stability programs (convergence) to show how they intend to perform or ensure stable medium-term fiscal positions, taking into account the impact it will have imminent population aging on the budget . These programs are evaluated by the Commission and Council issues an opinion on each of them. Preventive component includes two policy instruments that can be used to avoid deficits "excessive".

protect the interests of Member States in terms of growth potential in the very competitive Community environment.

The consequences of opening the economy[4] to the economic system, mainly commercial on the tax-budget system are numerous, with both direct but especially indirectly impact. In all Member States of the European Union, the openness of the economy - measured as a share of the total volume of foreign trade volume of trade - is high, as the first pillar of the European constitution was even free movement of goods.

According to Ramsey's[5] theory, that levies taxes to be effective - that is, to achieve its goal with acceptable expense - tax bases should be as stable and large amounts, so collected revenues to be less sensitive to tax rate changes. In fact, the American Arthur Laffer showed that a steady rise in marginal tax rate leads, over a certain limit, to a decrease in tax revenues.

Between taxation principles it is found that of equity, which makes the tax system to be optimal when applied to all taxpayers and the marginal rates of taxation are regressive, allowing positive marginal utility of labor factor. Also, it appears that the entity is paying tax effective support and tax pressing exercises, mainly on the less elastic foundations.

Openness of the economy reveals a major difference in tax bases according to their degree of mobility, because of a number of factors that are potentially incompatible. Thus, the mobility factor increases with the openness of the economy, and when they tend to migrate - such as the labor in an economy with low performance, adversely affecting remuneration - tax levies volume decreases, with negative implications for both public sector financial balance - reordering deficit and also increased borrowing - and the private sector, which will be supported to a lesser extent by active economic policy, namely through public spending the internal's economic redistribution.

In the same vein, it should be noted that the most mobile elements: employees with the highest degree of professional qualification, the most modern businesses and high processing capacity, etc., contribute the most, due to their higher pay.

Of equal importance in building an efficient tax system is the share of social contributions of enterprises, because they affect the cost of labor factor with direct influence on management decisions on the duality of labor / capital productivity, thus affecting the inclination of technical and technological modernization.

Economic and financial crisis currently facing the vast majority of EU states to reveal all aspects on which public policies have to lean very closely, referring mainly to the competitiveness

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Based on a proposal from the Commission, the Council may initiate an early warning procedure to prevent an excessive deficit. Through early warning system, the Commission may recommend a Member State to respect the Stability and Growth Pact obligations.

Corrective component

Preventive arm of the Pact governing the excessive deficit procedure (EDP). This is triggered when the deficit exceeds the 3% of GDP in the Treaty. If it concludes that the deficit is excessive for the purposes of the Treaty, the Council shall issue recommendations to the Member States concerned to correct the excessive deficit and set a deadline for it. Failure initiation recommendations leads to the following stages of the procedure, including the possibility of sanctioning euro area Member States.

Long-term sustainability of public finances

Since the aging European population as people live longer and have fewer children, EU Member States face the challenge of ensuring long term sustainability of public finances, given the impact this phenomenon will have on the budget. To meet this challenge and given the strong focus on long-term viability Pact revised version in 2005, are designed joint long-term budget forecasts in the EU and assess and monitor the situation of individual Member States. Complete analysis can be found in the report on viability. Long-term sustainability of public finances is taken into account when assessing stability and convergence programs.

(Source: http://ec.europa.eu/economy_finance/sgp/index_ro.htm)

[4] The concept of an open economy designate the intensity of trade in goods and services of a state with a foreign State.

[5] Frank Ramsey, British mathematician, theorist of the determinism and hazard in a system.

and alleviate imbalances between states, without losing to the Union's position in the global economy.

Thus, the recession has had a clear impact on revenue already in 2008, not only for income taxes (usually very sensitive to growth), but also consumption taxes, which are usually expected to be somewhat more resistant to a downturn, in particular consumption tax revenue, fell more than the volume of consumption itself. However, in 2008, the effect of the crisis was felt strongly on the expenditure side than on the revenue side, probably because of the adoption of spending programs in order to prevent the impact of the crisis. In all main tax measures, both tax increases and tax cuts were introduced in the last two years, often in the same country and sometimes even within the same tax. This is because in the early stages of the crisis, almost all governments have placed greater emphasis on supporting economic activity, but in a later stage of strengthening. Another explanation is that governments often use the reforms as an opportunity to make some needed "maintenance" of the tax system, the introduction of tax incentives at the same time as new features are introduced. Changes in statutory tax rate, as a tax measure, given their high visibility and the fact that they affect a greater number of taxpayers, would normally have a stronger impact on agents' expectations, but usually costs more (in budgetary terms, if the rate reduction, and politically, if growth rate) measures aimed at the tax base, such as the introduction of exemptions.

Given the wide diversity of characteristics tax levy in each country, comparing them is difficult to be taken, and the total compulsory levies collected by the tax authorities, even expressed in the same currency per capita, taking into account purchasing power, have very different values.

To overcome these shortcomings and to make comparative analysis of the states tax being pressed, the used statistical information[6] reveal an indicator known as the tax burden rate or level of taxation, which is defined as the ratio of receipts to mandatory sampling data reported in Gross Domestic Product (GDP), considered the most synthetic macroeconomic indicator.

$$Tax\ burdon\ rate = \frac{Tax\ revenues}{GDP}$$

This indicator is relatively simple and easy to determine, based on information provided by national tax statistics and, therefore, is considered the most common synthetic indicator between macroeconomic indicators on tax and social levies. Accordingly, tax levy rate allows comparative analysis of fiscal policies implemented in different countries of the world, but details of the tax burden analysis must take into account not only tax plus compulsory social contributions, but also the volume of public expenditure dedicated funding social services, which are consistent for each individual state, social policies involved in a greater or lesser extent, public authorities in the community.

Evolution and significance of the tax burden rate is dependent on several factors:

- The level and size variations of GDP. Being located in the denominator of the above function, it is noted that, with the assumption about a constant volume of tax revenues at a constant, any decrease in GDP is reflected in an increase in tax burden, and vice versa, any GDP growth determines a decrease in that pressure. In reality, changes in economic performance are combined with public finances and underground economy size, which is quite difficulty sized, and which, however, influence in many ways the GDP, should be considered when fiscal policy is developed and / or start a significant reform in this area.

- The role of public sector - size and involvement in community life - influence of a decisive manner the tax levy. But there are significant nuances from one country to another, mainly because

[6] Information sources are diverse, but the most used are those provided by economic institutions and / or financial international vocation: OECD, IMF and World Bank, Eurostat, European Central Bank and others, plus information provided by governments national tax. (Sources: Agnes Benassy-Quere, Martine Carré-Tallon, Matthieu Crozet - A competitive tax system in a competitive world, Report for the Council Levies Obligatory CEPII, October 2009)

the public social institutions role: insurance and assistance in several areas such as health, old age pensions, education for all ages, disadvantaged persons protection, etc. join organizations within public / private partnership or even those services are assumed by the private sector, as determined by the national legal framework that stimulate this involvement;

- The degree of intervention of public central authorities, which is another indicator, measured by the rate of tax levies namely the so-called degree of tax net, which takes into account the primary budget deficit[7]. Thus, if, in successive fiscal years, the state register important budget deficits and, to cover its, have recourse to new loans, tax burden rate, calculated according to the formula above, is less than the share of spending in GDP, because expenditures include the cost of debt (interest and fees). In fact and vice versa is true: if a state was indebted in previous years tax levy rate may be greater share of public expenditure so that it would be possible to cover financial debt.

- Ways of intervention of central public authorities. The State has various means of intervention in the economy, which affects, according to their use, the rate of tax burden. Thus, if a State considers certain socio-economic circumstances, can act providing various types of subsidies, can reform the tax system to achieve objectives similar to those that can be achieved through public spending, etc. If we exclude the possibility of resorting to deficit increase, providing new subsidies to the businesses produce, inevitably, increase the tax burden to finance these subsidies. On the contrary, if the equivalent benefits are allocated through measures on taxes, the tax burden rate will be reduced accordingly;

- Redistributive effect. In calculating the rate of tax burden are taken into account only gross levies, which are redistributed to taxpayers aside amounts through various programs and social protection. In this respect it should be emphasized that in determining the rate of tax burden does not take account of public funds to finance public goods and services provided by the state and established by mandatory contributions. Exclusion counterpart does difficult, if even not conclusive, the comparison of tax systems of states, because sampling required is a direct cost figures, while the expenditures cost advantages, particularly those with social value may be quite vague. Redistributive impact can be significant, especially in countries where public sector is important and whether the central government implements active policies of redistribution;

- Distribution of tax burden and tax structure used. Rate tax burden does not consider the weight of various types of taxes and, at the same time, the typology of individuals and / or legal entity to legal regulations of a fiscal nature. In this way, can not be determined by analyzing this ratio, fiscal pressure on individuals or corporations, but the indicator can be used with good results to analyze the impact of fiscal policy on public finances national concerned.

Despite its widespread use, the concept of tax and therefore the fiscal burden suffer from several shortcomings that affect its use. While the tax burden analysis, considered as the sum of taxes can detect a higher tax rate for a given country, the indicator does not provide relevant information on social services made by public authorities, which have to be closely correlated with the amount of contributions social. However, the tax rate is a useful indicator for international comparisons and analysis of fiscal developments, coupled with public spending.

Evolution of the share of different taxes in the democratic states that have implemented tax systems adapted to the activity-based competition is different from country to country, but it can distinguish common trends that occurred in most of them, considering a period of time relative prolonged.

7 Primary budget deficit is calculated by subtracting from gross deficit (budgetary revenues - budgetary expenses) payment of amounts of public borrowing costs in fiscal year at the national level.

$$\Pr imary\ budget\ deficit = Fiscal\ deficit - Public\ debt\ \cos t$$

Primary deficit is a sign for net borrowing requirement, i.e. the amount to be obtained from outside sources to cover the total budget expenditures, from it been extract the cost of previous loans.

Evolution of fiscal taxes in OECD countries

	1965	*1975*	*1985*	*1995*	*2000*	*2008*
Total	*100*	*100*	*100*	*100*	*100*	*100*
Personal income tax	26	30	30	27	25	25
Corporate tax	9	8	8	8	10	10
Social security contributions, of which:	18	22	22	25	24	25
- The employee *part*	*(6)*	*(7)*	*(7)*	*(9)*	*(9)*	*(9)*
- - The employer *part*	*(10)*	*(14)*	*(13)*	*(14)*	*(14)*	*(14)*
Taxes on property	8	6	5	6	6	5
General tax on consumption	12	13	16	19	19	20
Specific taxes on consumption	24	18	16	13	12	10
Other taxes and taxes	2	2	2	3	3	3

Sources : OECD Fiscal Statistics 2010

It is observed relatively high share of social security contributions, given that most democratic countries have adopted and implemented policies to protect the population, particularly the vulnerable one, because low income or due to aging, health, the adverse economic circumstances that involves an increase in unemployment, etc.

Also, a generalized tendency in all OECD member states is to increase general consumption tax, represented in most of them by the value added tax, which was adopted as neutral tax on the consumption of goods and services throughout the entire European Union and the other countries outside the Union.

In the EU there is a wide variety of tax systems, with reference both to the tax base and tax rates and administration procedures, particularly after the accession of ten and then two new states in 2004 and 2007. Also, compared with the major developed countries in the world, the European Union presents a higher tax generated and the need to finance public expenditure system covering a wide range of public services.

In the EU, tax levies evolution marks specific fluctuations, especially if we consider heterogeneous composition in terms of macroeconomic development, of the Member States in the last decade, when the Union was enlarged by the accession of another 12 new states.

Government revenues evolution in European Union
- % in GDP -

No.	Types of revenues	Year			
		2000	2008	2009	2010
1=2+6+7+8 +9	Total revenues, of which:	45.4	44.6	44.0	44.0
2=3+4+5	Fiscal taxes, of which:	27.3	26.6	25.5	25.6
3	- indirect taxes	13.4	13.1	12.9	13.2
4	- direct taxes	13.7	13.1	12.3	12.2
5	- per capita taxes	0.2	0.4	0.3	0.2
6	Social contributions	13.9	13.6	14.1	13.9
7	Other current revenues	1.8	1.9	1.9	1.8
8	Capital revenues	0.2	0.2	0.1	0.2

Sources: “eurostat. Statistical books. Government finance statistics. Summery tables – 1/2011. data 1996-2010. 2011 edition.

As a general trend, it is observed the decrease of the tax burden exercised by all taxes and fees (25.6% in 2010 compared with 27.3% ten years ago, in 2000, as a percentage of GDP), the causes can be grouped into two broad categories:

- EU enlargement, the new Member States applying in the most part, a lower tax burden, since the policy of stimulating economic development is the Keynesian type;

- After 2008, the first year that it is felt strongly the financial crisis and subsequent economic crisis, all European countries have tried to implement fiscal policy instruments and / or budget to maintain macroeconomic balance and avoid skidding sovereign debt.

The distinction between receipts from direct and indirect taxes is empirical, but for a depth analysis of taxation and, especially, to implement a policy to achieve the main objective of stimulating economic stabilization, this distinction is essential, because the way that taxes affect the taxpayer concerned, first and second, but perhaps even more important, the entire economic and social life varies according to their typology.

Direct tax burden for individuals consists of income taxes (wages, property rights, rights of use of property disposal, income from self-employment and income from independent activities, income from capital, etc.) and circulation of wealth or property, which is, the rule in most states, imposed by local authorities. These tax obligations that are entirely without direct counterpart, compulsory social security contributions are added to individual task in general when it performs dependent work.

Direct business taxation consists of taxes placed on the benefits they obtained during the fiscal year, as well as obligations of the employer's social contributions costs for staff, plus taxes on heritage buildings, land, vehicles, etc., that is, as with individuals, local taxes.

The tax burden both on individuals and legal entities is much higher than that of indirect taxes as their bearer is the final consumer.

The overall progressivity determination of tax systems is difficult and imprecise. In most states applying progressive taxation, i.e. increasing taxes as the tax base increases, it is specific for personal income tax, unlike all other taxes or fees that apply proportional tax - which means single percentage calculated for the tax base - or specific tax, i.e. sampling is a fixed amount per unit of physical measures.

Undoubtedly, personal income tax makes the tax customization. Through fiscal measures which take into account family situation and applying a progressive tax scale, progressive tax burden can be adapted according to economic and social situation of the taxpayer. Most developed countries, where the middle class population, which has medium to high income, has the largest share in total population, was traditionally applied, progressive personal income tax, including as a measure of respect equity and social solidarity.

In recent times, however, tax reforms implemented in developed countries, especially after the '80s, when public intervention had to nuance and to adapt to new challenges of globalization and the rapid expansion of information society, the general trend was reduction in personal income tax share of total public revenues and increased indirect taxation, especially as the current period is characterized as increased consumer society, even though currently mitigated the effect of financial crisis.

Income taxation of individual’s revenues from any sources presents a relative diversity in the European Union but Member States can be grouped into two categories that have similar characteristics:

- Member States with a higher development level, applying a direct tax on personal income in progressive installments proportionate share, with a high marginal quota, so that people with higher incomes to contribute more to the financing of public services through budgetary allocations. I.e. there are in this situation, the European Union: Germany, Austria, Belgium, Denmark, Spain, Finland, France, Luxembourg, Netherlands, Portugal, United Kingdom, Sweden, etc. Some of these states exempt an annual amount, above which sits a tax on income and other income differential rates of pay than that: dividends, interest and income immigrant entrepreneurs or rich persons who are subject to lower tax pressure – as in Belgium, Netherlands and others;

- Member States that have recently integrated in the European Union and implements structural reforms in many sectors, trying to induce and stimulate sustainable economic growth. They shall apply to mail tax systems axis, emphasizing indirect taxation to collect most of the public revenues, which, although it is inevitable, even if they have the highest revenue neutral to individuals and businesses. Most Member States in this second category imposes a personal income flat, relatively lowered, trying to stimulate savings and thus increase capital available for investment financing. Examples: Lithuania, Romania, Slovakia, Czech Republic etc.).

Taxation of benefits / corporate income also shows a great variety in European Union Member States, both in terms of tax rates and the methodology for determining the tax base are correlated with economic policy conducted by national public authorities in the field of real economy. It could be notice in this respect several features that distinguish each member:

- Countries where the rate of profitability of domestic firms is large, practice a higher tax on profits, but also more exemptions / deductions to stimulate activities considered of national interest. For example, in Belgium, the standard rate is 33.99% with application of special deductions for interest earned by companies and scientific research exemptions of benefits affected. At the same time, Belgium practice a decreased quota at 24.98% on profits applied to the benefits achieved by SMEs to support their financial solvency.

Spain used an advantageous tax regime applies to companies for research and development, extension work, training, SMEs. Luxembourg, a tiny state, but very attractive for equity investments, exempts from tax all financial companies. Some Member States use differentiated rates - tax sliced-depending on the business benefits gained from the current activity: France (331 / 3% and 15%), Hungary (19% and 10%), Ireland (12.5, 10% up to 25%), Netherlands (29% to 34%), United Kingdom (19% to 32.7%);

- New Member States shall, in general, tax rates proportionately lower profit, but such an approach is found in countries with very high level of development, such as, for example, Switzerland.

Indirect taxation must respect freedom of movement of labor, location and movement of services, capital movements, as in equal situations, tax discrimination are prohibited through the effect of the provisions of the European Community Treaty. In the European Union, taxation falls within the provisions of the EU Treaty, which prohibits any discrimination on the domestic market, limiting tax incentives to the export and also obliging Member States to eliminate double taxation within the European Community international bilateral tax conventions.

At the same time, the tax system of each Member State has to respect freedom of movement of persons, mainly those who exercise a profession, the organizational entities that provide services and movement of capital, so that similar situations, tax discrimination are prohibited.

Tax harmonization within the European Union does not mean putting value added tax similar in all Member States, but only on the construction regulations trim identical VAT rates applied may vary as follows:

- The standard rate from 15% minimum and 25% maximum. Currently, VAT rates used in Europe have increased: from 15% in Cyprus and Luxembourg, 25% in Denmark and Sweden, the European Union and Switzerland from 8% to 25% in Norway, outside the European stars Europe;

- reduced tax rates, two or even three, applied to products and / or services that public authorities consider important to the life and / or the country's economic development. Examples of reduced rates are multiple: three reduced rates used in Luxembourg - the country with the highest average level of income / capita; in Denmark, which does not use any reduced rate and standard rate, mentioned above, the maximum of 25 %, although it should be noted that the Danish living standards are among the largest in Europe and even in the world. On the other hand, in countries where the income / capita is above the EU27 average, even more than the EU15 average, applied to food and general products of interest - for example children's clothing - much reduced rate, which makes the weighted average tax rate of VAT to be much lower than in poorer countries. Examples are numerous: Great Britain, which apply a zero rate for food products and many other products and services, Germany 7% on food; France 5.5% for food, etc.

Conclusions

European fiscal strategy[8] has become a necessity in the current situation, marked by financial and economic crisis, but to develop and implement such a strategy is necessary to overcome, through the adhesion of the majority of Member States' populations, a large number of obstacles refers to compulsory levies that produce adverse behavior, the budget deficits that still remain and a number of other situations, different and difficult to monitor and handle. In general, the above issues adversely affect the growth potential of the European Union, considered in its whole, which requires measures to be applied to most mobile economic factors, namely the production, capital and labor the best qualified.

The eexperience about harmonization of consumption taxes, namely the indirect tax: value added tax and excise duties, and implementing the common commercial policy, which eliminated the clearance of goods crossing the national borders of Member States, leads to the thought of achieving a Community tax bases covering primarily to a tax professional, taking into account the free movement of persons, which is perceived as the main pillar of the European Union. The main feature of a common European tax system aims to combine a wider tax base and lower rates. Fiscal and budgetary convergence between Member States involves the need to reduce public debt, while reducing budget deficits, which can not be achieved without a monitor, even a reduction in general government spending. Without, however, affect national policy autonomy to influence productivity regions. In addition, the proposed strategy should influence national decision to choose a social system or another, but at the same time, consider European competitiveness across the EU. In this respect, it should be noted that the Stability and Growth Pact, which was based on a number of options at national level related to their autonomy, proved ineffective. The danger of bankruptcy that faced with several European countries in 2010 and 2011 threatens even the existence and the functioning of the euro zone. To support the Union, was created European Financial Stability Fund, which has been allocated significant sums to support financial integration and monetary union.

Fiscal incentives to manipulate the behavior of economic agents play an increasingly important role in tax policy. The fiscal intervention is performed, so massive, very long time, but it was mostly an economic and social vocation. In recent years the tax incentives are increasingly used to discourage harmful activities and promote activities socially valued positively.

The mechanism by which conduct fiscal incentives can be described starting from the impact of a levy on any market. The presence of a tax in any transaction causes a disjunction between the price paid by the buyer and the price collected by the seller. This difference between the taxes and / or all payroll taxes and the tax price, collected by the government and social, is called "tax wedge". According to economists the welfare cost of taxation is higher than that single puncture of monetary value, because by changing the system of relative prices, the tax also alters economic behavior. If we distinguish the effect of income resulting directly from the levy on resources officers the substitution effect that comes from the new arbitration or reallocations that occur after the change of the signal transmitted by prices, the excess tax burden is the latter substitution effect. That's why one of the conditions for an efficient tax system is that it minimizes the excess tax burden.

There are several reasons that can not reach this ideal situation for tax efficiency. Fiscal instruments required may not be available. Above all, the markets themselves can not be effective.

[8] http://www.europa.eu/European fiscal strategy 2011 qe-198-en.pdf

This of course raises the problem of imperfect competition but also that of the presence of externalities. There is externality when the action of an economic agent is positively or negatively on the value of at least one other agent, without this interaction goes through the price mechanism.

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