

ECONOMIC STRUCTURE OF TAXES AND CONTRIBUTIONS

Contact person at the IMAD: Jasna Kondža

DEVELOPMENT FIELD	Efficient and cheaper government – Quality of public finance
DESCRIPTION OF INDICATOR	<p>Definition: Taxes and contributions according to economic function as a share of GDP: the indicator compares the taxes and contributions according to economic function with gross domestic product. The EU member states must report to the European Commission data on the tax burden in accordance with a strictly defined methodology, identical to the methodology for compiling the Report on Government Deficit and Debt, which is used as a basis to verify the compliance with convergence criteria. Based on the data on the tax burden of individual member states, the European Commission prepared an overview of the taxation systems of all member states. The unified methodology of determining GDP according to national accounts allows cross-country comparability of the total tax burden by country, which is measured as the percentage of taxes and contributions in gross domestic product. Every member state has its own taxation system composed of a large number of taxes that have their own characteristics and specificities. As a result, the different tax systems are entirely non-comparable across countries. The comparability of the structure of taxation system can only be achieved if the structure is translated onto a common denominator in the framework of national accounts. To this end, taxes and contributions are classified according to economic function, into taxes on consumption, taxes on labour, and taxes on capital. The classification of taxes is based on the classification of taxes according to the ESA-95 and on uniformly defined rules for their classification. Some taxes are borderline cases between two possible classifications according to economic function. In order to classify taxes appropriately it is therefore important that countries provide an as detailed as possible breakdown of taxes.</p> <p>Taxes on consumption are defined as taxes levied on transactions between final consumers and producers and as taxes on the final consumption goods. According to the Slovenian taxation system, the main taxes on consumption include value added tax, import duties and customs duties, excise duties, tax on motor vehicles, tax on special and classical gambling, special tax on slot machines, tax on insurance services, sojourn tax, environmental taxes, car registration taxes, and some other taxes.</p> <p>Taxes on labour comprise all taxes directly linked to wages and paid by employees or employers. According to Slovenian legislation, taxes on labour thus include the social security contributions of employees and employers, tax on wages (on employment), the large part of personal income tax (personal income tax is typically levied on different sources of income and is therefore split into taxes on labour and taxes on capital), tax on work contracts, payroll tax, and tax on specific categories of income. Taxes on capital include taxes levied on capital, on corporate income or profits, on household income (rents, dividends, interest and other property income), on capital gains, on property (buildings, weekend houses, boats), on inheritance and gifts, on sales of immovable property, compensation for the use of building ground (a special type of the Slovenian tax on property), parts of personal income tax and social security contributions by self-employed persons.</p> <p>The ESA-95 methodology is based on the accrual principle, which means that all revenues and expenditures are recorded at the moment when claims or obligations arise rather than when they are paid.</p>

	<p><i>Detailed methodological explanations:</i></p> <ul style="list-style-type: none"> – EUROSTAT, European Commission Structures of the taxation systems in the European Union <p><i>International comparability:</i> The methodology of recording taxes is harmonised and applies in all EU countries under constant supervision of the EUROSTAT, which ensures a high level of cross-country data comparability.</p> <p><i>Manner of presentation:</i> aggregately for the whole country</p> <p><i>Unit of measurement:</i> % of GDP</p>
SOURCE OF DATA FOR SLOVENIA	<p><i>Institution:</i></p> <ul style="list-style-type: none"> – Ministry of Finance (general government flows data) – SORS (GDP data, Fiscal burden) – Calculations by IMAD. <p><i>Updating frequency:</i> annually</p>
AVAILABLE TIME SERIES	1995-2004, except for some new EU member states
INTERNATIONAL COMPARISONS	– EU (by country and as a whole); <i>source:</i> Eurostat (according to the ESA-95 methodology)