

Slovenian income taxes and analysis of their tax expenditure in 2006-2010

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Abstract

Tax expenditure analyses have been an important element in the supervision of reform processes linked to implementing different kinds of tax incentive and the management of a correct tax policy. The paper provides an evaluation of tax expenditure in Slovenia relating to personal income tax and corporate income tax. Four consecutive tax years were selected for the calculation of the tax expenditure on personal income tax (2006-09), while three consecutive years were selected for the corporate income tax calculation (2008-10). The tax expenditure calculated for personal income tax was highest in 2006 and reached 5.2% of GDP. After several changes in personal income tax, expenditures decreased to around 3% of GDP in the following three years. The tax expenditure calculated for corporate income tax was much lower as compared to GDP than for personal income tax, reaching around 0.2% of GDP.

Keywords: tax expenditure, tax allowances, personal income tax, corporate income tax, Slovenia

1 INTRODUCTION

There is a wide range of definitions of tax expenditures. Different definitions are found across countries, with definitions for Canada, US, Netherlands and Belgium presented in Toder (2005). A further explanation of the different approaches to definitions and to measurement in Australia, China and Poland are presented in Swift et al. (2004), and for Austria, France Germany and Spain in Swift (2006). The OECD define them “as transfer of public resources that is achieved by reducing tax obligations with respect to a benchmark tax, rather than by direct expenditure” (Commission on Taxation, 2009). Some authors (i.e. Fiekowsky, 1980) argue that tax expenditure should include only tax provisions that substitute for potential spending programs. Brown (2004) defined them “as concessions designed to provide a benefit for a specific activity or class of taxpayer”. The US Budget Act defines them as “revenue losses attributable to provisions of the Federal tax laws which allow special exclusion, exemption, or deduction from gross income or which provide special credit, a preferential rate of tax, or deferral of tax liability” (Joint Committee on Taxation, 2011). The definitions have also differed through history and not only among countries, theoreticians and researchers.

The overriding reason for the existence of tax expenditure lies in distortions of the market, to promote specific investment or consumption, to manage appropriate fiscal policies and for redistributive effects. Care must be taken to ensure their use is effective, stable and simple (Commission on Taxation, 2009). On the other hand, there may also be undesirable effects of tax expenditure. Promoting specific actions through tax incentives (and hence increasing tax expenditure) can lead to the tax system becoming instable and complex (Toder, 2005) and economically inefficient (Surrey and McDaniel, 1985). This increases tax compliance costs, which can have a series of negative impacts, including the inefficient use of re-

sources. Some tax expenditure could be replaced by direct transfers from the budget and is therefore only an alternative for the same objective of a specific policy. The definition of tax benefits for specific groups must include close attention to the frequently regressive nature of tax expenditure, which means that tax incentives usually have greater positive effects for those with higher incomes (Huang and Shaw, 2009).

Tax expenditure analyses have been an important element in the supervision of reform processes aimed at implementing different kinds of tax incentive and managing a correct tax policy (Surrey, 1973). The first reports on tax expenditure analyses were published in the 1960s in Germany and the United States, followed later by analyses in other developed countries (Commission on Taxation, 2009). Countries differ in the number of tax allowances they offer, as well as their amount and form. Tax expenditure in the US for the 2007 income tax was estimated at 760.5 billion USD (5.4% of GDP), while tax expenditure for companies was estimated at 105 billion USD (0.8% of GDP) for 2008 (Huang and Shaw, 2009). An extrapolation from 2011 data offers an estimate of tax expenditure for income tax in the United States for 2012 to 2016 at 4,749.6 billion USD or approximately 7% of GDP (Poterba, 2011). In Belgium tax expenditure for the 2011 income tax was evaluated at 19.4 billion euro (5.2% of GDP), while a negative tax expenditure of 15 billion euro was actually recorded because of the economic crisis, although a year before it had stood at 22.8 billion euro or 6.4% of GDP (Chambre des représentants de Belgique, 2011). A broad review of tax expenditures from selected OECD articles indicates that they are relatively high. In the UK tax expenditure for income tax was assessed at 8.3% of GDP in 2006-07, while in Sweden it was assessed at 10% of collected tax revenues (or 4.8 % of GDP) across a range of tax policies. In the Netherlands in 2006 it stood at 1.1% of GDP for income tax, with the highest being that relating to business, with total tax expenditure assessed at 2% of GDP, while in Germany it was 0.74% of GDP (OECD, 2010). Bratić and Urban (2006) assessed the loss to the Croatian budget due to corporate income tax allowances at 481.3 million kuna (64.2 million euro or 0.2% of GDP) in 2004, and at 3.7 billion kuna (0.494 million euro or 11.2% of GDP) for personal income tax, just for the national budget. It must be remembered that different countries use different methodologies and approaches in assessing tax expenditure, which reflects their significance and makes them an important element in decision-making on further tax measures.

The purpose of this paper is to assess tax expenditure in Slovenia for two taxes on income, personal income tax (PIT) and corporate income tax (CIT). Both taxes are collected and determined by general government. Both taxes are an important part of total tax collected. PIT represents almost 16% of total tax revenue, while CIT represents from 3.5% (in 2010) to 9% (in 2008) in total tax revenues. For the measurement of tax expenditures in Slovenia the revenue loss (or “revenue forgone”) method was used. According to OECD (2010) in practice, most countries use

the revenue forgone method of analysis. The results referred to above (from i.e. Croatia, Netherlands, Sweden, and Belgium) used this method.

The paper first presents the reform process with an emphasis on the tax allowances for these two taxes, followed by an analysis of the use of tax allowances for both taxes over the selected period and evaluated the amounts for them.

2 REFORM PROCESSES IN SLOVENIA LINKED TO TAX ALLOWANCES ON INCOME TAXES

2.1 PERSONAL INCOME TAX

PIT in Slovenia applies to an individual's income, of which there are six categories:

- income from employment (salary, incentives, income earned under contracts for temporary work, pensions and other receipts),
- income from self-employment,
- income from agriculture and forest businesses (cadastral income of farmland and woodland),
- income from lending property and delivery of property rights,
- income from capital,
- other income (i.e. gifts).

For several forms of income (Personal income tax Act, ZDoh-2, 2011), Slovenian legislation has a provision for part of that income not being taxed by standardised expenses incurred during the acquisition of that income being acknowledged. Standardised expenses of 10% are recognised on all contract income (work contracts, copyright fees if not derived from employment, student work), while taxpayers can only claim higher expenses if evidenced by appropriate documentation. Expenses of up to 40% can be recognised for rent, and under certain conditions the self-employed may claim standardised expenses up to 25% of their income (but not more than 25,000 euro), and as much as 70% for a specific group. Since most taxable income derives from salary or pay and pensions, the total amount of all standardised expenses claimed by taxpayers in 2009 reached over 152,000 euro.

Each individual is treated as a separate taxpayer. The tax year is the calendar year. Advance tax payments are made during the tax year. Those paying taxable income are required to calculate and pay an advance tax payment for the taxpayer.

A fundamental tax reform started in Slovenia in 2004, with changes in the taxation of income for individuals and businesses. A number of corrections and other amendments to these tax codes soon followed. The 2004 changes in legislation, which came into effect from 2005 to 2007 were used for calculation of 2006 tax expenditures. The next major overhauls of PIT in Slovenia occurred in 2007, with modifications in 2008, and were used for calculation of tax expenditures in 2007-

09. The major changes in PIT allowances are presented in the table 1. Since the purpose of this paper is linked primarily to changes in allowances, the allowances for the 2006-09 tax years are given. These years were selected because in-depth changes took place between 2006 and 2007, with the ending of non-standard allowances, and in 2008 with an additional general allowance for those with low income, while 2009 was the last year for which data are currently available, since the analysis of 2010 personal income tax data had not yet been concluded at the time of writing. In 2010 a further allowance to PIT was introduced, an allowance of 7,112 euro for work migrants who return to Slovenia at least once a week. This allowance is not included in the analysis.

TABLE 1

Type, characteristics and changes of allowances in PIT in Slovenia for 2006-2009 tax years

Allowance type	Characteristics – reduction of tax	Changes
General personal	base	Amount increases every year because of revalorization. In 2008 additional general allowance for those with low income was introduced.
Disabled people with 100% disability	base	Amount increases every year because of revalorization.
Cultural workers, journalists, sports-people	base	In 2007 the maximum amount was decreased as a result of transformation from SIT to euro.
Temporary student work	base	Amount increases every year because of revalorization. Abolishment of maximum threshold for earned income.
Over 65s	base	Amount increases every year because of revalorization.
Pensioners	obligation	The percentage decreased in 2007 by one percentage point.
For dependent family members*	base	Amount increases every year because of revalorization.
Supplementary pension insurance	base	Maximum amount increases every year because of revalorization.
Non-standard	base	Abolished from 2007.

* The value for first dependent member is given, the value increases for each subsequent member.

Source: TARS, 2011a.

The characteristic of different tax allowances did not change over the time observed. All allowances, except pension-related, reduce the tax base, while the pen-

sion-related allowance reduces the tax obligation (tax credit). Table 2 presents the amounts of PIT allowances in the 2006-09 tax years. Since revalorization in each year is used, the amounts for each allowance increase during the observed years.

TABLE 2
Amounts of PIT allowances in Slovenia for 2006-2009 tax years

Allowance	2006*	2007	2008		2009
			Allowance amount		
General personal (euro)	2,522	2,800	2,960 for independent members and 2,000 for income up to 8,300 or 1,000 for income from 8,301 to 9,600	3,051 for independent members and 2,062 for income up to 8,557 or 1,031 for income from 8,557 to 9,898	
Disabled people with 100% disability (euro)	14,663	14,971	15,824	16,315	
Cultural workers, journalists, sports-people (15% of income up to euro)	25,038	25,000	25,000	25,000	
Temporary student work	5,112 (if total income not higher than 6,677 euro)	2,800	2,960	3,051	
Over 65s	1,173	1,205	1,274	1,313	
Pensioners (% of assessed pension)	14.5	13.5	13.5	13.5	
For dependent family members** (euro)	2,023	2,066	2,184	2,251	
Maximum supplementary pension insurance (euro)	2,341	2,390	2,526	2,605	
Non-standard	2% of the base + 4% for housing	-	-	-	

* Values converted from Slovenian toolars.

** The value for first dependent member is given, the value increases for each subsequent member.

Source: TARS, 2011a.

The tax rate and the number of tax brackets, which has changed over the observed period, also play an important role in the level of PIT expenditure. In 2006 there were 5 tax brackets with a tax rate of 16% (up to 5,539 euro), 33% (from 5,539 to 10,822 euro), 37% (from 10,822 to 21,899 euro), 41% (from 21,899 to 44,012 euro) and 50% (from 44,012 euro). From 2007 there are only three tax brackets

with tax rates of 16% (for the year 2009 the tax base up to 7,410 euro), 27% (from 7,410 to 14,820 euro in 2009) and 41% (from 14,820 euro). Tax brackets are also revalorized every year, with similar rates as the allowances.

2.2 CORPORATE INCOME TAX

CIT is levied on the taxable profit of companies at a rate of 20%. Taxable net profit is defined as revenue minus expenditure according to the income statement. The maximum depreciation rates are determined by law and the taxpayer can choose the method of valuing inventories. All legal entities carrying out commercial activities and with a registered office in Slovenia are subject to corporate income tax. CIT is payable during the fiscal year which is the same as the calendar year. A taxpayer can decide on a fiscal or tax year that is different from the calendar year, following which the tax year cannot be changed for five years. Tax payments must be made in advance (monthly or quarterly) proportionate to the level of the tax base in the latest assessment. Tax returns must be submitted to the tax administration by 31 March for the preceding year, or within three months of the conclusion of the selected tax year.

CIT is a tax that, like PIT, underwent significant amendments in 2004 (Corporate Income Tax Act, ZDDPO-1, 2004), with most provisions entering into force in 2005. The previous “tax on corporate profits” underwent a change in name, and the main changes increased the tax base of most companies. In 2006 the tax was subject to some minor modifications, primarily a more generous recognition of amortisation and depreciation and benefits following a change in accounting policies. The loss-covering period was also changed from 5 to 7 accounting periods, and from 2007 there has been no limitation for the loss-covering period in 2007 the amortisation and depreciation rates and tax rates were reduced (Corporate Income Tax Act, 2011).

Throughout the reform process, changes were largely related to the level of allowances, with a few rare exceptions that were introduced and later abolished. Examples of permanent allowances include the allowance for the employment of people with disabilities and the allowance for grants, and since the introduction of the three-pillar pension system, the allowance for pension saving by employees in the second pillar (pension schemes). Practically throughout, the system has also had an allowance for investments, though the content of this allowance has changed (i.e. which investments are permitted) as has its level. In 2007 a further limit on the level of the allowance was added. For a brief period the allowance was repealed, but it was reintroduced with retroactive application, so effectively it was applicable throughout. In 2006 a new allowance was introduced for investment in research and development, and this has been increased over the years. A 2007 innovation was the allowance for introducing practical knowledge into an organisation. The allowance for the employment of unemployed people was introduced in 2006, together with the allowance for the employment of doctorate-holders who

had not previously worked outside academia, but both allowances were effectively cancelled within one year. The allowance for employment was reintroduced in 2009 as an employment incentive during a period of increasing unemployment. In 2010 an allowance came into force for payments to employees as participation in profit under set conditions, as well as two regional allowances offering incentives for the Pomurje region, only valid there. All forms of tax relief within CIT were in the form of tax allowances, i.e. as tax base deductions. Allowances cannot exceed the tax base.

The changes and developments in CIT allowances for the observed tax years of our analysis are presented in table 3.

TABLE 3
CIT allowances 2008-2010

Allowance		2008	2009	2010
		Allowance amount		
Investment	%	20	30	30
	Max. amount (euro)	20,000	30,000	30,000
R&D	General (%)	20	20	40
	Up to % in less developed regions	40	40	60
% of profit payment to employees		-	-	70 or 100
For employment of disabled people (% of salary paid)		50 to 70	50 to 70	50 to 70
For practical work as part of professional education (up to % of average monthly salary)		20	20	20
For voluntary supplementary pension insurance		Set max. amount, reviewed annually		
Grant*		0.3+0.2%	0.3+0.2%	0.3+0.2%
Employment (% of salary paid**)		-	-	45
For Pomurje region		-	-	70% of employment costs and 70% of investments

*The taxpayer may reduce the tax base by the allowance amount over the following three accounting periods, if a grant is over 0.2% of the taxed income.

** The tax base can be reduced only in two consecutive years.

Source: TARS, 2011b.

The tax rate, which has changed over the observed period, also plays an important role in the level of CIT expenditure. In 2008 the tax rate for corporate income tax was 22%, while in 2009 it was 21% and from 2010 onwards 20%.

3 TAX EXPENDITURE ANALYSIS FOR SLOVENIA

3.1 METHODOLOGY

For the measurement of tax expenditures in Slovenia, the revenue loss (or “revenue forgone”) method was used. Tax expenditures are reductions in tax revenue that result from the use of the taxation system as a policy tool to deliver policy objectives. This is ex post calculation of revenue loss in the budget, because several allowances are introduced by law (Bratić, 2011). One of the disadvantages of the method is that the effect on taxpayer behaviour resulting from the removal of the particular tax expenditure is not used in the estimation (Commonwealth of Australia, 2011). This is the most commonly used method to measure tax expenditures because of its relative simplicity (Brixi Polackova, Valenduc and Li Swift, 2004). In practice, most countries use the revenue forgone method of analysis (OECD, 2010). Along with revenue forgone method, there are also two other basic methods: the revenue gain method and the outlay equivalent method (Bratić, 2011). Tax expenditures in Slovenia are calculated for the first time; the calculation methodology is explained below.

The value of tax expenditure in Slovenia for PIT was calculated according to a number of assumptions. The calculation includes allowances only, and not standardised expenses. Effective tax rates for each tax bracket are calculated according to the nominal rate and the base taxed inside the bracket (i.e. for the first tax bracket, the effective rate of 16% is used from 2007). The data on rates, brackets and amount of allowance are given in chapter 2. As stated, four tax years were selected for the calculation of tax expenditure relating to PIT: 2006-09. The principle reason for selecting 2006 was because the allowance regime changed, primarily in relation to the existence of non-standard allowances, while in 2007 an additional general allowance for those with low income was introduced. The years 2008 and 2009 were selected as two successive years in which no significant differences were made to allowances. As stated above, the 2010 data were not yet available at the time of writing. Data on tax allowances used by taxpayers in each bracket were received as internal data from TARS and are not publicly presented, therefore only calculated tax expenditures are presented and not all the data. Internal TARS data on PIT include the data on number of taxpayers, gross total income, standardised expenses, social security contributions, amounts of each tax allowance, and collected PIT. All mentioned data are presented for each tax bracket. Internal TARS data on CIT include only the total amount of each allowance used by taxpayers in selected years.

The evaluation of tax expenditure for PIT was calculated by first determining, for each tax bracket, the difference between the tax base before allowances are claimed (Tax Base I = gross incomes – social security contributions – standardised expenses claimed). According to the tax rates in different tax brackets, the effective tax rate was determined for each tax bracket and year observed. The tax expenditure was evaluated separately for each tax bracket using the difference

between potential PIT revenue (with no allowances claimed) and actual collected PIT. Potential PIT revenue was calculated as a product of Tax Base I and effective tax rate for each tax bracket. For actual collected PIT revenue in each bracket we used internal TARS data on the amount of tax allowances used. The difference is the loss of revenue because of different tax allowances.

It was simpler to evaluate CIT expenditure, since all allowances reduce the base, and the tax rate is proportional. In Slovenia there are no other significant incentives for businesses. There is no tax holiday for starting business, accelerated depreciation is not allowed and no tax credits are introduced. The full data on individual taxpayers was not accessible, however as already mentioned aggregate figures for amount of each tax allowances in each year were provided by TARS as internal data. The sums of all allowances that reduce the base were multiplied by the relevant tax rate to produce an evaluation of the tax expenditure for that tax. In that case, three successive years were selected, since the types and level of allowance did not change significantly during the period before that. Over the period studied, the tax rate changed (from 22% in 2008 to 20% in 2010), and this had a major influence on the level of tax expenditure.

3.2 RESEARCH RESULTS ON PERSONAL INCOME TAX

The breakdown of claimed allowances reveals the predominance of the general allowance, which is available to all taxpayers (except dependent family members, i.e. students who have decided to submit an independent income tax return). The general allowance represented over 59% of the allowance total in 2006, and almost 70% in 2009 (calculated from TARS data). The allowance for dependent family members was also significant, while all other allowances together constituted less than 10% of the total. As indicated in table 4, the claimed allowance total increased compared to 2006 in the later observed tax years, which is largely the consequence of an increased general allowance and additional general allowances for people on low incomes. According to the methodology set out in the preceding sub-chapter, the amount of tax expenditure was evaluated and was highest in 2006, when there were more tax allowances. The highest amounts of tax expenditure were in the first tax bracket in the period 2007-09, while in 2006 the highest amount was in second tax bracket. The reason is that the taxpayer structure in Slovenia is such that the majority fall within the first income tax bracket. Allowances therefore contribute to the redistributive function. In 2006 the structure was somewhat different due to the 5 tax brackets, since 56.3% of taxpayers came within the first bracket, while only 0.7% of taxpayers fell within the fifth (Ministry of Finance, 2011). The proportion of tax expenditure linked to the first tax bracket (compared to total income tax expenditure) was 28%, with only 12% of total tax expenditure linked to the fifth bracket. In 2009, 58.2% of taxpayers fell within the first tax bracket, 26.9% in the second and 14.9% in the third (Ministry of Finance, 2011). In 2009 the proportion of the tax expenditure is again highest in the first tax bracket, representing 45.7% of total tax expenditure, compared to 16.1% for the

third bracket. The situation was similar in 2007 and 2008. A comparison of the average amount of tax expenditure per taxpayer indicates that the amounts were the highest in the second tax bracket in the period 2007-09 and the lowest in the first one¹. In 2006 the average value of tax expenditure per taxpayer grew, since taxpayers with a higher base could claim a higher allowance, using non-standard allowances, which were set as a percentage of the base. The non-standard allowances therefore reduced the redistributive effect of progressive taxation.

TABLE 4

PIT allowance structure, total value of allowances and total tax expenditure for 2006-2009

	2006	2007	2008	2009
For over-65s (%)	0.005	0.003	0.003	0.003
For disabled people (%)	0.001	0.001	0.001	0.001
For voluntary pension insurance (%)	0.001	0.001	0.001	0.001
For dependent family members (%)	0.038	0.038	0.031	0.032
General (%)	91.51	95.48	96.08	96.51
For student work (%)	4.11	4.14	3.58	3.12
For cultural workers, journalists and sports-people (%)	0.342	0.331	0.307	0.324
Pension (%)	0.006	0.005	0.004	0.003
Non-standard (%)	0.007	-	-	-
Total value of allowances, billion euro	4.60	4.40	5.29	5.26
Total tax expenditure, million euro	1,607	1,039	1,153	1,113
Tax expenditure, % GDP	5.2	3.0	3.1	3.2

Source: Internal TARS data on PIT, 2011 and own calculations.

3.3 RESEARCH RESULTS FOR CORPORATE INCOME TAX

The calculation of tax expenditure for CIT was also estimated using aggregated data for that tax. Table 5 gives a breakdown of tax allowances claimed compared to the total value of allowances, and tax expenditure with regard to the appropriate tax rate in each tax year. The investment allowance was the largest allowance by value. An increase in the R&D allowance was observed in 2010. New allowances also contributed to an increase in allowance value in 2010. Nevertheless, the effects of the economic crisis started to be seen that year, with a reduction in the value of allowances for employment, grants and pension insurance being observed. The total value of allowances for each year was approximately 1 billion euro. Despite the increase in some allowances, the total value did not rise in 2009 and

¹ Tax expenditure per taxpayer in the second tax bracket was around 1,500 euro, for the first around 800 euro, and for the third tax bracket around 950 euro in the period 2007-09. In 2006 in the first tax bracket the tax expenditure per taxpayer was evaluated at 700 euro and rose to 24,000 euro in fifth tax bracket.

2010, a result of course of the poorer business performance in those years. This led to a decrease in tax expenditure, despite the fact that the tax rate was reduced by one percentage point each year.

TABLE 5

CIT allowance structure, total value of allowances and tax expenditure for 2008 to 2010

	2008	2009	2010
Investment (%)	26.5	25.3	21.8
R&D (%)	16.6	16.2	26.5
For employee participation in profit (%)	-	-	0.01
For employment of disabled people (%)	22.5	21.8	18.8
For practical work as part of professional education (%)	0.2	0.3	0.3
For voluntary supplementary pension insurance (%)	27.0	29.1	24.4
Grant (%)	7.1	7.3	6.3
Employment (%)	-	-	0.03
For Pomurje region (%)	-	-	1.9
Total value of allowances, million euro	480	362	405
Total tax expenditure, million euro	105.7	76.0	81.1
Tax expenditure, % GDP	0.28	0.22	0.23

Source: Internal TARS data on CIT, 2011 and own calculations.

The claim that the total tax expenditure and total allowance value reflect a poorer economic performance is supported by the calculation of the ratio of tax expenditure to collected CIT. Tax expenditure in 2008 represented only 8.4% of collected CIT (1.3 billion euro of CIT were collected in 2008), while in 2010 it was up to 18.1% (collected CIT decreased to 449 million euro) of collected CIT. In 2009 the proportion was 10.7%. The importance of tax allowances for businesses is also evident from a comparison of the claimed allowances and total subsidies from central and local government to the economy. In 2008 and 2010 the value of subsidies to the economy was almost the same to the total of claimed allowances. Following the increase in subsidies in 2009, central government subsidies were lowered again in 2010.

4 CONCLUSION

In Slovenia neither the Ministry of Finance nor the Tax Administration calculate tax expenditure for specific taxes. In most cases of changes to legislation, only estimates of the reduction or increase in inflows to the budget the amendments will cause are calculated. This analysis of tax allowances and tax expenditure is therefore the first evaluation of its kind in Slovenia. Only limited, largely aggregated, personal and corporate income tax data were available, which was the main limitation of this study. The results show that government loses around 3% of

GDP every year because of allowances claimed by personal income taxpayers. The percentage is lower for CIT, since it is less than 0.5% of GDP. From the results we can conclude that general allowance is the main allowance for personal income taxpayers. It represents more than 95% of all allowances. Such a structure calls income redistribution into question, since other allowances, which take into account the different situations of people, are almost negligible. The structure of tax expenditures for CIT is more divided among different allowances; nevertheless the investment allowance is that most used by taxpayers.

For better results the Government of Slovenia should initiate further in-depth analysis of tax expenditure, which may include data on each taxpayer's tax base, the amount of allowances claimed, and the effective tax rate at which their tax base is taxed. This would help to improve evaluation of tax reforms and a better understanding of the changes in allowances. It would give a better understanding of the effectiveness of changed allowances, whether they reach the right taxpayer and for whom the situation changed the most. However, the estimated value is probably a good approximation of the actual figure and suitable for international comparisons, for analysing income redistribution from personal income tax in particular, analysing the importance of specific allowances for both taxes, as well as offering adequate data for managing appropriate tax policy.

The study found that tax expenditure on personal income as a percentage of GDP is similar to that found in research in other countries, while the relative proportion of tax expenditure on corporate income tax as percentage of GDP is relatively low in comparison to results in other countries. It also indicated that there are consequences of the economic crisis seen in both estimations of tax expenditures.

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