Ladislav Suhanyi [1]
Alzbeta Suhanyiova [2]
Jarmila Horvathova [3]
Martina Mokrisova [4]

ANALYSIS OF TAX SYSTEMS IN SLOVAKIA AND HUNGARY

Abstract

Taxes are very important and significant economic and political tool in a market economy. Various definitions of taxes are known from the fiscal theory and practice. In general, the tax can be characterized as a mandatory, legally established, non-equivalent, usually recurring payment, which is paid by taxpayers to the State in a specified amount and within a specified period. Each country has its own tax system, which is the result of historical development. Tax systems have gradually changed, they have been adapted to the specificities and needs of each country. The aim of this paper is to examine the tax systems of two neighbouring Central European countries, namely Slovakia and Hungary, and to determine their position within the European Union. There will be made an analysis of tax revenues in these countries and also an analysis of trends in tax rates. The analyses will be focused mainly on personal income tax, corporate income tax and value added tax; a comparison of the tax burden will be made between Slovakia, Hungary and the European Union Member States. When examining the tax burden the indicator of the tax quota will be used, this is currently one of the most common indicators of measurement and comparison of the tax burden.

Keywords

tax burden, tax rate, tax system

1. Introduction

Taxes are an important economic, financial, social and political tool of the state. Each state uses taxes as one of the most important sources of public budgets' revenues. In the literature we can meet various definitions of tax. As Široký says (2012, p. 28) the tax is a compulsory amount, which is predetermined by law and which puts a strain on a part of the nominal income of an economic entity. Taxes belong to the group of indirect economic management tools; they are a tool of redistribution of the created product and they significantly influence the size of the disposable income of individual subjects (Schultzová, 2011, p. 12). Application of taxes and their use is the role of tax policy in each economy.

[1] University of Presov in Presov, Faculty of Management, Konstantinova 16, 080 01 Presov, Slovakia, e-mail: ladislav.suhanyi@unipo.sk
[2] University of Presov in Presov, Faculty of Management, Konstantinova 16, 080 01 Presov, Slovakia, e-mail: alzbeta.suhanyiova@unipo.sk
[3] University of Presov in Presov, Faculty of Management, Konstantinova 16, 080 01 Presov, Slovakia, e-mail: jarmila.horvathova@unipo.sk
[4] University of Presov in Presov, Faculty of Management, Konstantinova 16, 080 01 Presov, Slovakia, e-mail: martina.mokrisova@unipo.sk

Subject to tax policy (which is very closely linked with the fiscal policy and also with the entire economic policy of the state) is the application of tax principles and measures so that taxes serve to enforce economic, social and political objectives of the state. Through taxes the state influences many microeconomic and macroeconomic variables such as unemployment, economic growth of the country, inflation, foreign investment, consumption of the population etc. (Korečko, Suhányiová, 2012, p. 20). Changes in taxes affect the behaviour and the decision making of every economic entity, whether positive or negative. Reducing the tax burden leads the business entities to an increase in economic activity, to a growth of the performance of the economy and it contributes to an increased rate of growth of the national economy. If the tax rates are decreasing, there is an increase in the after-tax disposable income, and that is what motivates them and encourages them to work, to create savings and to invest. Then, the positive result is the expanding production; there is an increase in the tax base and also an increase in the tax revenue for public budgets.

2. Analysis of the tax burden of the member states of the European Union

One of the crucial issues is the problem of the tax burden - from the macroeconomic point of view as well as from the microeconomic point of view. The tax burden reflects the extent to which the tax system (or more precisely the tax) affects the financial resources resulting from the profit of the taxpayer, based on the application of economic or fiscal policy (Schultzová, 2011, p. 23). The tax burden can be measured, respectively expressed by various macroeconomic indicators. One such indicator is the tax quota, which is expressed as a share of collected taxes on gross domestic product for the relevant tax period. To monitor the tax burden of individual EU member countries (28 Member States) the Statistical Office of the European Union - Eurostat (http://ec.europa.eu/eurostat) usually uses indicators of tax quota. In this study, the tax quota was determined as a proportion of total tax revenues (taxes and compulsory social contributions) and gross domestic product.

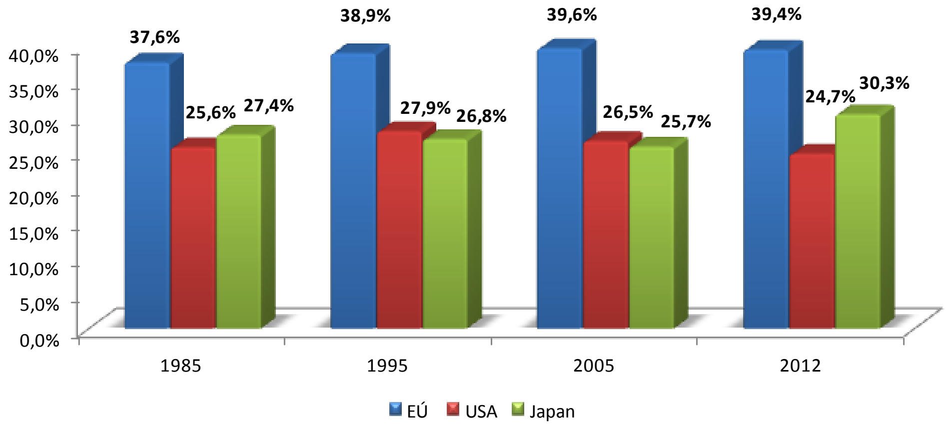

Figure 1: *Tax revenue (including social contributions) EU Aggregates and selected counties (% of GDP) (Source: self elaboration based on "Taxation trends in the European Union" 2010 & 2014)*

According to the report of the European Commission issued in June 2014 (Taxation trends in the European Union, European Commission, Brussels, 2014), the European Union is a zone with high taxes. As highlighted in Figure 1, from the three most advanced industrial centres of the world the highest tax burden in the long term perspective is in the European Union. In 2012, the total share of taxes (that is the sum of taxes and compulsory social contributions) on the weighted average of GDP was represented by 39.4% in the 28 EU Member States. It is almost 15% higher than in the U.S.A. and approximately 10% above the level of Japan.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Difference 2003 to 2012	Ranking 2012	Revenue 2012 (mil. €)
EU-28 avarages weighted	**38,8**	**38,6**	**38,9**	**39,4**	**39,3**	**39,2**	**38,3**	**38,3**	**38,8**	**39,4**	**0,6**		**5 109 446**
Austria	43,4	43,0	42,1	41,5	41,7	42,7	42,4	42,1	42,2	43,1	-0,3	7	132 334
Belgium	44,7	44,8	44,8	44,4	43,9	44,2	43,4	43,8	44,2	45,4	0,7	2	170 619
Bulgaria	31,0	32,5	31,3	30,7	33,3	32,3	29,0	27,5	27,3	27,9	-3,1	27	11 070
Croatia	37,5	36,7	36,6	37,1	37,4	37,1	36,5	36,4	35,3	35,7	-1,8	13	15 684
Czech Republic	35,4	35,9	35,7	35,3	35,9	34,4	33,4	33,6	34,6	35,0	-0,4	16	53 540
Cyprus	32,2	33,0	35,0	35,8	40,1	38,6	35,3	35,6	35,3	35,3	3,1	15	6 250
Denmark	48,0	49,0	50,8	49,6	48,9	47,8	47,8	47,5	47,7	48,1	0,1	1	118 064
Estonia	30,8	30,6	30,6	30,7	31,4	31,9	35,3	34,0	32,3	32,5	1,7	21	5 659
Finland	44,1	43,5	43,9	43,8	43,0	42,9	42,8	42,5	43,7	44,1	=	5	84 878
France	43,1	43,3	43,8	44,1	43,4	43,2	42,1	42,5	43,7	45,0	1,9	3	913 542
Germany	39,1	38,3	38,3	38,6	38,7	38,9	39,4	38,4	38,5	39,1	=	10	1 042 990
Greece	32,1	31,3	32,2	31,7	32,5	32,1	30,5	31,7	32,4	33,7	1,6	17	65 348
Hungary	**38,0**	**37,7**	**37,4**	**37,3**	**40,4**	**40,3**	**40,1**	**38,1**	**37,3**	**39,2**	**1,2**	**9**	**38 008**
Ireland	38,8	30,1	30,6	32,1	31,5	39,5	38,1	28,0	28,2	28,7	-10,1	23	47 037
Italy	41,0	40,4	40,1	41,7	42,7	42,7	42,9	42,5	42,4	44,0	3,0	6	689 289
Latvia	28,6	28,6	29,2	30,6	30,6	29,2	26,6	27,2	27,6	27,9	-0,7	26	6 216
Lithuania	28,8	28,9	29,1	30,0	30,2	30,7	30,4	28,5	27,4	27,2	-1,6	28	8 962
Luxembourg	38,1	37,3	37,6	35,9	35,6	37,5	39,8	38,1	38,2	39,3	1,2	8	16 846
Malta	30,4	31,3	32,9	33,0	33,9	33,0	33,4	32,2	33,0	33,6	3,2	18	2 304
Netherlands	37,4	37,5	37,6	39,0	38,7	39,2	38,2	38,9	38,6	39,0	1,6	11	233 808
Poland	32,2	31,5	32,8	33,8	34,8	34,3	31,8	31,8	32,3	32,5	0,3	20	123 933
Portugal	31,6	30,5	31,4	32,1	32,8	32,8	31,0	31,5	33,2	32,4	0,8	22	53 433
Romania	27,7	27,2	27,8	28,5	29,0	28,0	26,9	26,8	28,4	28,3	0,6	25	37 297
Slovenia	38,0	38,1	38,6	38,3	37,7	37,3	37,2	37,7	37,2	37,6	-0,4	12	13 276
Slovakia	**32,9**	**31,5**	**31,3**	**29,3**	**29,3**	**29,1**	**28,7**	**28,1**	**28,6**	**28,3**	**-4,6**	**24**	**20 134**
Spain	33,9	34,8	35,9	36,8	37,1	32,9	30,7	32,2	31,8	32,5	-1,4	19	334 796
Sweden	47,8	48,0	48,9	48,3	47,3	46,4	46,5	45,4	44,4	44,2	-3,6	4	180 292
United Kingdom	34,4	34,9	35,4	36,1	35,7	37,1	34,3	35,0	35,8	35,4	1,0	14	683 841

Table 1: *Total Taxes (including Social Security Contribution) as % of GDP (2003-2012) (Source: self elaboration based on "Taxation trends in the European Union", 2014)*

Tax revenues and social security contributions expressed as a percentage of GDP reached a level of 38.8% in the reference year 2003 in the 28 countries that are now a part of the European Union. In the year 2012 it was 39.4%, it means that for the period 2003-2012 the average share of tax on GDP increased by 0.6%. The second most noticeable decrease of the tax burden was in Slovakia (it was -4.6%) immediately after Ireland (with a decrease -10.1%). The same increase in the tax burden of the EU countries can also be seen in 2012 compared to 2011, when it reached the same level as in 2003 (38.8%), thus the annual increase was 0.6%.

There has been significant differences in the tax burden in the EU countries in 2012. The lowest tax burden (taxes and compulsory social contributions) has been in Lithuania (27.2%), in Bulgaria and Latvia (identically 27.9%), and in Slovakia and Romania (identically 28.3%). On the other side, the highest burden was in Denmark (48.1%), Belgium (45.4%), France (45%) and Sweden (44.2%). When evaluating the above data in the Table 1, we can say that in 2012 Slovakia had the third strongest decline compared to 2011 within the EU Member States, when the tax burden decreased more significantly only in Portugal and the UK. At the same time Slovakia had the fourth lowest tax burden across the EU (together with Romania). In Hungary can be seen an increase by 1.9% in 2012 compared to 2011. It was the most significant increase in the EU. Hungary was followed by Italy with an increase in the tax burden by 1.6%, and more than 1% of tax burden increase was experienced in other 5 countries. The tax burden increased in Italy from 42.4% to 44%; in Greece from 32.4% to 33.7%; in France from 43.7% to 45%; in Belgium from 44.2% to 45.4%; and in Luxemburg from 38.2% to 39.3%. The Hungarian tax burden is the 9th highest among the 28 EU Member States.

3. Comparative analysis of the tax system in hungary and slovakia

The following text contains a brief analysis of the tax systems of the two neighbouring and historically close EU member states, namely Slovakia and Hungary. Data to compare the basic features of the tax systems and the development of the individual tax rates were drawn from the freely available Eurostat database and the tax laws of the countries analyzed.

Hungary is located in the Central Europe; it is a multiparty republic with a unicameral Parliament. The head of state is the president. The population is about 10 million inhabitants, the area of 93,030 km2. It has borders with Slovakia, Ukraine, Romania, Serbia, Croatia, Slovenia and Austria. The capital is Budapest. Hungary is a member of NATO, OECD and UNO (United Nations Organisation). It joined the European Union in 2004. The National Currency is the Hungarian Forint HUF (on 07/22/2014 the ECB exchange rate was: 1 EUR / 309.63 HUF). The International Code of Hungary is “HU”.

Hungarian tax system distinguishes many kinds of taxes, the exact number is not quantified, since one law provides more types of taxes. Hungarian tax system is divided into the State (Central) System and Local Subsystem.

Among the State Taxes are the Direct Taxes (such as: personal income tax, corporate income tax, capital return tax, simplified entrepreneurial tax, special taxes and tax on the rent, vehicle tax), but also Social Security Contributions.

The State Indirect Taxes are for example the VAT (value-added tax), excise tax, registration tax, energy tax.

The Local Taxes are for example the building tax, land tax, tourist tax, and local business tax.
For the Hungarian Tax System it is characteristic the strong concentration of so-called main taxes. The four main taxes (personal income tax, corporate income tax, VAT, excise taxes) represent more than two-thirds of the total revenues of the central budget.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Hungary: Taxes as % of Total Taxation										
Direct Taxes	25,3	24,1	24,3	25,3	25,7	26,3	24,9	22,6	18,7	19,2
Indirect Taxes	41,5	43,3	42,2	41,0	40,2	39,7	42,1	45,5	45,8	47,1
Social Security	33,2	32,6	33,5	33,6	34,1	34,0	32,9	31,9	35,5	33,8
Hungary: Structure by level of government (% of total taxation)										
Central government	58,1	57,6	57,0	57,0	56,7	61,4	61,9	62,4	58,6	60,2
Local government	11,4	12,0	11,6	11,7	11,1	6,4	6,7	6,5	6,5	6,3
Social security funds	30,5	29,9	30,6	30,6	31,3	31,3	30,7	30,5	34,2	33,0
EU institutions*	n.a.	0,5	0,8	0,8	0,9	0,9	0,7	0,7	0,7	0,6

***Table 2:** Taxes in Hungary (2003-2012)*

** Note: Transfer of the part of the national VAT revenue (as determined by the methodology) to the common EU budget to cover the annual appropriations for payments and commitments.*

Slovakia is located in the Central Europe; it is a multiparty state with a unicameral Parliament and the President. It has an area of 49 036 km2, and about 5.43 million inhabitants. It has borders with Czech Republic, Austria, Poland, Ukraine and Hungary. The capital is Bratislava. Slovakia is a member of NATO, OECD and UNO. It joined the EU in 2004. Since 2009 it is member of the European Monetary Union – Eurozone and the official currency became to be the Euro, which replaced the previous Slovak Crown. The International Code of Slovakia is "SK".

The tax system of Slovakia is legislatively determined by the Law on Income Tax, Law on Value Added Tax, six Laws on Excise Taxes and the Law on Local Taxes and Local Fees for Municipal Waste and Minor Construction Waste. Important contributions with tax character include the Social Insurance and the Health Insurance.

The Direct Taxes collected by the State are the personal income tax and the corporate income tax.

The Indirect Taxes collected by the State are the VAT and the six types of excise taxes.

The Direct Taxes collected by the Local Self-Government are for example the real estate tax, tax on motor vehicles, tax on non-winning game machines, tax on the dog, tax on the use of public place, and so on.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Slovakia: Taxes as % of Total Taxation										
Direct Taxes	21,7	19,4	19,2	20,7	21,0	22,3	19,2	19,1	19,2	19,7
Indirect Taxes	36,4	39,0	40,4	39,2	39,0	37,0	37,2	37,2	37,9	36,1
Social Security	42,0	41,6	40,4	40,1	39,9	40,7	43,6	43,7	42,9	44,2
Slovakia: Structure by level of government (% of total taxation)										
Central government	54,8	54,3	49,3	48,7	49,0	47,7	44,7	46,4	46,3	45,0
Local government	4,0	4,3	10,7	10,8	10,3	11,1	11,5	9,7	10,4	10,5
Social security funds	41,1	40,9	39,1	39,5	39,4	40,0	42,8	42,9	42,2	43,5
EU institutions*	n.a.	0,5	0,9	1,0	1,3	1,2	1,0	1,1	1,1	1,1

***Table 3:** Taxes in Slovakia (2003-2012)*

(Source: self elaboration based on "Taxation trends in the European Union", 2014)

* Note: Transfer of the part of the national VAT revenue (as determined by the methodology) to the common EU budget to cover the annual appropriations for payments and commitments.

3.1. Analysis of the personal income tax in Hungary and Slovakia

Hungary

By the year 2010 the personal income tax become to be progressive, there has been one tax rate of 18% and one rate of 36% (Figure 2). The so called "tax-free allowance" (a non-taxable part of the base) has been deducted from the tax base before determining the tax liability, approximately in the amount of the minimum wage. Since 2010, the tax rates were reduced to 17% respectively 32%, but the tax base was increased of the social security contributions

27% (the so called “super gross tax base”). In 2011, the progressive personal income tax system was replaced by a flat tax rate of 16%, but the tax was still calculated from the so called “super gross tax base” and therefore the real tax burden was actually at the level of 20%. Since 2012, it has been abolished the “tax-free allowance” (a non-taxable part of the base), but still it is possible to reduce the tax base by various deductions; for example families with one or two children, the disabled person etc. The determination of the tax base by the “super-gross methodology” was only applied when exceeded a certain level of income. The use of the so called “super gross tax base” was definitely discharged from the system in 2013. [Act. No. CXVII from 1995 on personal income tax, and subsequent amendments]

* the use of the increased tax base (the so called “super gross tax base”)

Figure 2: *Development of the personal income tax rate in Hungary*
(Source: Act. CXVII from 1995 on personal income tax, and subsequent amendments – HU)

Slovakia

Till 2004, the tax base of individuals in Slovakia was taxed by a progressively moving tax rate, which ranged from 10% to 38% (Figure 3). The reform of the Slovak tax system, in 2004, was a fundamental reform, which was launched in the year of Slovakia's accession into the European Union. Since 2004, the flat tax rate of 19% was applied in the personal income tax.

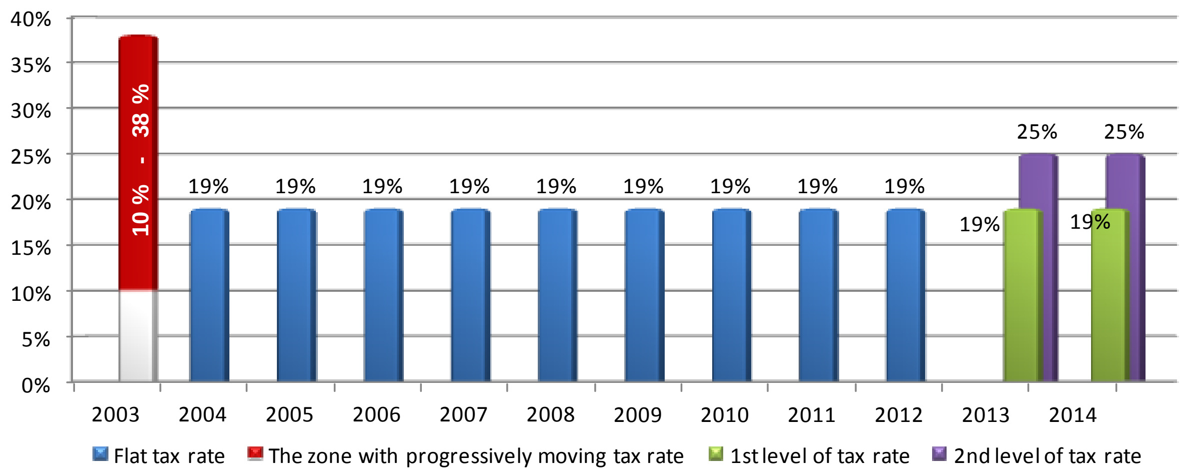

Figure 3: *Development of the personal income tax rate in Slovakia*
(Source: Act. No. 286/1992 Coll. on the personal income tax; and Act. No. 595/2003 Coll. on personal income tax, and subsequent amendments)

Since 2013, the flat personal income tax rate has been removed and actually the personal income tax rate is 19% of that part of the tax base, that do not exceed the amount of the current subsistence minimum 176.8 times; and from that part of the tax base, which exceeds the current subsistence minimum more than 176.8 times the tax rate is 25%. The tax base is adjusted by the “tax-free allowance” (a non-taxable part of the base), that by the amount which can reduce the basis for assessment of the tax itself. This amount is determined as 19.2 times the value of the subsistence minimum for that year. In 2009 and 2010, under the Government's measures to mitigate the impact of the global crisis, it was reduced the tax burden through the increase of the tax-free allowance (a non-taxable part of the base), which was changed to an amount equal to the subsistence minimum multiplied by 22.5. Since 2011 has been made another change in this field and the situation returned to the original state that of force before the year 2009. The tax-free allowance (a non-taxable part of the tax base per one taxpayer) for the year 2014 is equal to 3803 euro. [Act. No. 286/1992 Coll. on the personal income tax; and Act. No. 595/2003 Coll. on personal income tax, and subsequent amendments]

3.2. Analysis of the corporate income tax in Hungary and Slovakia

Hungary

Till the year 2006 the corporate tax rate was flat in Hungary. By the year 2003 it was on the level of 18% and since 2004 it was of 16% (see Figure 5). Since 2006, the tax rate was 10% for the tax base lower than 5 million of Forints (Ft) and 16% for the tax base over 5 million of Ft. Another change has been done since 2008, when the tax rate was at the level of 10% for the tax base fewer than 50 million of Ft and above this limit it was of 16%. Since 2010, the tax rate of the tax base fewer than 500 million Forints (about 1.615 mil. Euros) was on the level of 10%, and above this amount remained of 19%. By the reduced tax rate the government wanted to encourage the development of small and medium enterprises. However, the corporate tax base can be reduced by many ways and many tax reliefs in Hungary, this is why the real corporate tax burden is around 10%. [Act. No. LXXXI. from 1996 on corporate income tax, and subsequent amendments]

Small firms, whose total annual income does not exceed the threshold of 30 million of Forints (about 96,900 Euros), may apply the simplified business tax (flat tax rate of 37% of total revenue), if they so choose.

Slovakia

Till the year 2001 the corporate revenues were taxed by a flat tax rate of 29% of the tax base. In the years 2002 and 2003 it was a flat rate of 25%. The reform of the Slovak tax system in 2004 decreased the corporate income tax rate to the level of 19% (see Figure 5). Thus, it was introduced a general flat tax, which means that the same tax rate was applied on corporate income, on personal income, and the same rate was applied also for VAT. Since 2013, the general flat income tax rate was abolished. The tax rate on corporate income was set on the level of 23% for the year 2013; and, at the present, since January 2014, the tax rate on the taxable income (tax base) of the legal entity is 22%. [Act. No. 286/1992 Coll. on the income tax; Act. No. 595/2003 Coll. on the income tax, and their subsequent amendments]

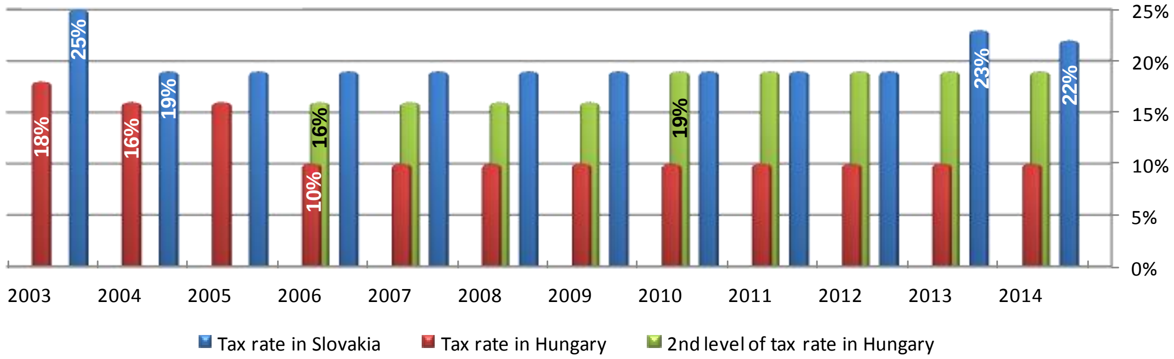

Figure 5: *Development of the corporate income tax*
(Source: Source: self elaboration based on the national legislation)

Tax on income in both countries
In the following Table 4 can be seen the comparison of the collected amount of tax on income (incl. personal and corporate) in the countries analyzed with regard to the EU.

	2004	2005	2006	2007	2008	2009	2010	2011	2012
EU 28 countries	1 238 787,5	1 329 101,9	1 473 946,4	1 586 134,2	1 564 354,9	1 366 456,4	1 415 054,4	1 484 416,9	1 553 704,6
Hungary	7 157,8	7 721,6	8 150,9	10 014,1	10 848,4	8 833,7	7 493,5	6 107,2	6 502,8
Slovakia	1 933,2	2 164,6	2 539,2	3 203,7	3 975,8	3 257,0	3 325,0	3 571,7	3 744,0

Table 4: *Tax on income (in millions of euro)*
(Source: self elaboration based on the data from Eurostat)

We can see that Hungary has collected more of income taxes than Slovakia, but we have to take into account that Hungary has approximately twice as many inhabitants as Slovakia. This is why it is much more useful to compare the collected amount of tax on income per inhabitant (Figure 4). Here we can see, that in the last years the income tax burden per inhabitant is higher in Slovakia, in spite of the fact that Hungary has collected higher amount of income taxes as a total.

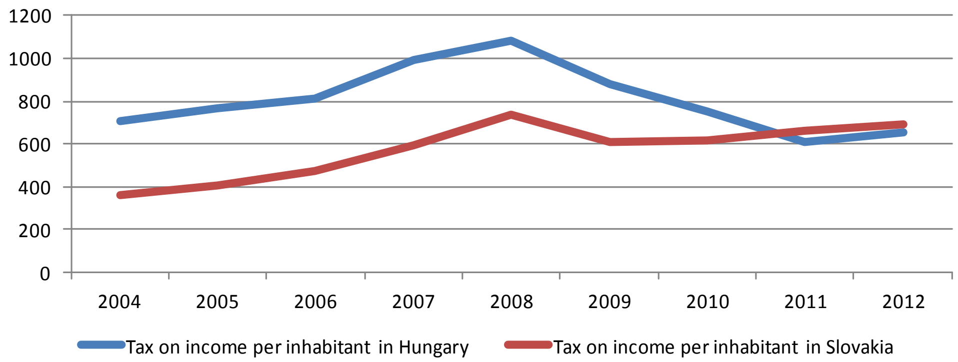

Figure 4: *Collected tax on income per inhabitant (in €)*
(Source: Source: self elaboration based on the data from Eurostat)

3.3. Analysis of the value added tax in Hungary and Slovakia

The Value Added Tax is used in the EU Member States since 1970. The legislative activities of the EU aim to coordinate and harmonize the legislation on VAT to ensure the proper functioning of the internal market (Nerudová, 2011, p. 42). The aim of the Council Directive 2006/112/EC (Directive on the common system of value added tax, and its subsequent amendments and adjustments) is to codify a measure that guides the introduction of a common system of VAT, which applies to the production and distribution of goods and services bought and sold for consumption in the European Union. The common system of VAT applies just to goods and services bought and sold for consumption within the EU. The amount of collection of VAT type taxes in the EU and in the analyzed countries can be seen in the Table 5.

	2004	2005	2006	2007	2008	2009	2010	2011	2012
EU 28 countries	723 764,8	769 985,7	821 013,5	879 079,4	868 247,6	789 058,4	867 253,0	908 729,0	926 909,0
Hungary	7 278,3	7 484,6	6 812,8	8 009,8	8 224,1	7 820,2	8 442,0	8 516,5	9 084,1
Slovakia	2 639,8	3 028,1	3 320,3	3 699,0	4 453,5	4 221,3	4 182,1	4 710,9	4 327,7

Table 5: *Value added type taxes (VAT) (in millions of euro)*
(Source: self elaboration based on the data from Eurostat)

As mentioned, Hungary is bigger country than Slovakia; this is why we will once again compare the collected amount of VAT type taxes in regard to the number of inhabitants (Figure6).

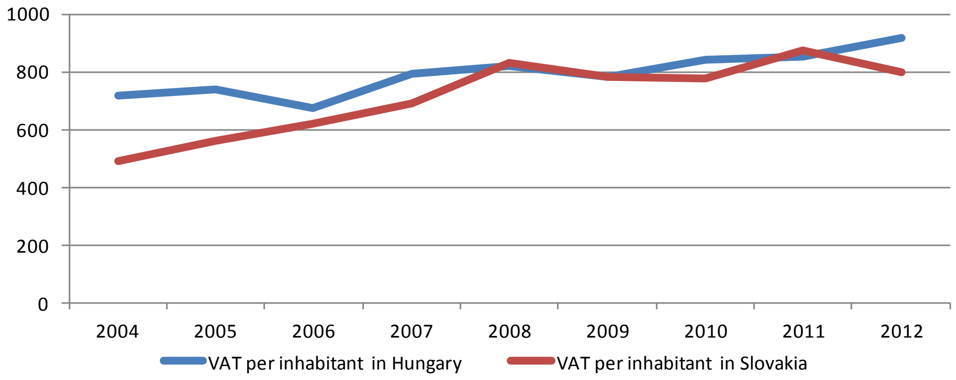

Figure 6: *Collected VAT per inhabitant (in €)*
(Source: Source: self elaboration based on the data from Eurostat)

In the Hungarian and Slovak central budget, the indirect taxes have a lot of weight. The most important tax between the indirect taxes is the value added tax. The year of introduction of VAT in Slovakia was 1993, and in Hungary it was introduced in 1988. The value added tax is a dominant tax also in terms of households, for two reasons. The first is that the VAT is a major source of revenue for the central budget, what means that it contributes the most to the tax burden of households by reducing their disposable income. The second reason is the versatility of the VAT, which in contrast to other duties is concerned to all of the households without exception, because it affects the final consumption.

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EU-28	Standard	19,6	19,5	19,6	19,5	19,6	19,5	19,9	20,5	20,8	21,1	21,5	21,5
HU	Standard	25	25	25	20	20	20	25	25	25	27	27	27
	Reduced	12	5; 15	5; 15	5; 15	5	5	5; 18	5; 18	5; 18	5; 18	5; 18	5; 18
SR	Standard	20	19	19	19	19	19	19	19	20	20	20	20
	Reduced	14	-	-	-	10	10	10	6, 10	10	10	10	10

Table 6: *Development of the VAT rates*
(Source: self elaboration based on the data from "Taxation trends in the European Union 2014", p.26)

Hungary

Hungary applies a reduced tax rate of 18% and 5%. The standard tax rate was changed in 2009 from 20% to 25%. In 2012 the rate of the VAT increased from 25% to 27%, in fact we can say that in Hungary is the highest rate of VAT between the EU Member States. The obligation to register for VAT arises when the annual turnover exceeds 5 million of Hungarian Forints (approximately 16,200 Euros).

Slovakia

Since the year 2011 has been reduced the number of VAT rates in Slovakia. From the original three rates (6%, 10% and 19%) in 2010, remained only two of them in the year 2011. In addition to reducing the number of rates from three to two, there was also changed the level of the basic rate, which increased from 19% to 20%. This rate increase was a result of the measures to reduce the government deficit and it was declared as a temporary solution, but nowadays it is still on this level. The increase in the basic VAT rate was planned only till the government deficit will fall below 3% of GDP. The VAT rate of 10% on selected medical goods and books will remain. The taxpayers are not obliged to register for VAT if their annual turnover does not exceed the amount of 49,790 Euros.

4. Conclusion

Specificities and differences in the development of each country are also reflected in the large and small differences in their tax systems. This is obvious, because each state is built often on different social, economic, social or political principles; each society recognizes the diverse values and traditions and the development of taxes (tax systems) is necessarily conditioned by these factors. The tax burden of the EU countries - but also the amount and number of tax rates - shows strong differences. It can be concluded that the tax burdens in Slovakia and Hungary are below the European Union average. Tax revenues in Hungary - where the income tax calculated per capita - were significantly higher compared with the Slovak income tax revenues, but from 2011 are about the same level in both countries. It is surprising, that despite the higher VAT rate in Hungary, the revenue from the value added tax per capita in both countries is almost the same.

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