

1 The Tax Treatment of Capital Income: European Union and Countries in Transition

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Abstract

This paper deals with the tax treatment of specific categories of income from capital - income from interests on savings deposits and bonds, dividends and capital gains in old Europe, some countries in transition and in the Republic of Croatia. The aim of the paper is to provide, in rather simple manner, the insight into the type of taxation of these categories of capital income (e.g. taxation by applying a separate kind of tax on capital income or inclusion of capital income in the total taxable income), the level of the statutory tax rates and key features of the capital income taxation, so as to enable the comparison of the tax treatment of capital income in Croatia and in the neighboring countries. Very important issues related to the theoretical background and principles on which the taxation of interest income, dividend income and income from capital gains is based are beyond the ambition of this paper and are, thus, left for some other research study.

Keywords: taxation, capital income, tax harmonization

JEL classification: H2, H24

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