

SURVEY ON EU 27 BUDGETS: MAIN REVENUES

Adrian Mihai INCEU
Dan Tudor LAZĂR
Paul ZAI
Mihai BABICI

Adrian Mihai INCEU (corresponding author)
Associate professor, Department of Finance, Faculty of
Economics and Business Administration,
Babes-Bolyai University, Cluj-Napoca, Romania
Tel.: 0040-264-418652
Email: adrian.inceu@econ.ubbcluj.ro

Dan Tudor LAZĂR
Associate professor,
Department of Public Administration, Faculty of Political,
Administrative and Communications Sciences,
Babes-Bolyai University, Cluj-Napoca, Romania

Paul ZAI
PhD candidate,
Faculty of Economics and Business Administration,
Babes-Bolyai University, Cluj-Napoca, Romania

Mihai BABICI
Master student,
Department of Public Administration, Faculty of Political,
Administrative and Communications Sciences,
Babes-Bolyai University, Cluj-Napoca, Romania

Abstract

In this study we present an analysis of the major aspects concerning the budgets of the EU countries. The analysis took into consideration the main revenues of the budgets of these 27 EU countries. Our analysis concerns itself with the total income, taxes (total), social contributions (total) and other incomes. Analysis of main trends of the budgets of the European Union countries will be achieved by calculating several indicators, namely: fixed-based indices, chain-based indices, minimum, maximum, average, percentages and percentages of total GDP.

1. Introduction

European Union (EU) is an economic and political union of 27 member states, located primarily in Europe. It was established by the Treaty of Maastricht on 1st November 1993, upon the foundations of the pre-existing European Economic Community. With a population of almost 500 million, the EU generates an estimated 30% share (US\$18.4 trillion in 2008) of the nominal gross world product.

Among these countries, since 01.01.2007¹, Romania is also a member. Since 2007, inevitably, we have to refer not only to Romania and the other members of the EU, but also we have to refer to the European Union. The European Union has therefore become the first tier of Romania's economic environment, and therefore this paper proposes the analysis of the structure and the evolution of this environment.

Total incomes	Total Taxes	Indirect Taxes
		Direct Taxes
	Social Contributions	
	Other incomes	

In order to start our analysis on the evolution of the EU 27 budgets revenues, a somewhat more complete definition of the incomes of the European Union is needed. As it can be seen above, a primary taxonomy of the total incomes can be made from taxes, social contributions and other incomes.

Our analysis is focused on the level of the General Government. The sector general government (S.13) includes all institutional units which are other non-market producers whose output is intended for individual and collective consumption, and mainly financed by compulsory payments made by units belonging to other sectors, and/or all institutional units principally engaged in the redistribution of national income and wealth

We used data extracted from Eurostat. Eurostat is the Statistical Office of the European Communities situated in Luxembourg. Its task is to provide the European Union with statistics at the European level that enable comparisons between countries and regions. Its mission is to provide the European Union with a high-quality statistical information service.

Eurostat was established in 1953 to meet the requirements of the Coal and Steel Community. Over the years its task has broadened and when the European Community was founded in 1958 it became a Directorate-General (DG) of the European Commission. Eurostat's key role is to supply statistics to other DGs and supply the Commission and other European Institutions with data so they can define, implement and analyse Community policies.

¹ January 1st of 2007 is the date at which, Romania, along with Bulgaria, have adhered to the UE, this way, the number of countries reaching 27. No other states have adhered since, but there are some countries in a pre-adherence state, among them being Croatia.

The data required for the analysis were extracted from the site of the European Union² following the standard classification. This paper aims to analyze the budgets of the European Union countries compared to Romania during the 1999-2006 periods, focusing on the evolution of the budgetary revenues and expenditures.

Analysis of main trends of the budgets of the European Union countries will be achieved by calculating several indicators, namely: fixed-based indices, chain-based indices, minimum, maximum, average, percentages and percentages of total GDP. All these indicators are reported for both expenditures and revenues.

Through this paper we tried to make a presentation as reliable and objective as possible regarding the situation in the EU 27, trying also to compare it to the situation in Romania, both through a comparison of absolute and relative data. Further analysis will present a separate analysis of the incomes and expenditure policies specific to the EU 27 budget.

The values for the tables and charts are always presented in *million Euros (m.E.)*. In all the cases, the values are recorded throughout the 1999-2006 period. The exceptions that occur are due to the fact that some countries have not supplied Eurostat with the data regarding some years.

2. Total revenues

In analyzing the revenues budget of the EU 27, we will start from the analysis of the overall revenues in the period 1999-2006, and then make an analysis of the EU budget revenue structure, the components and their dynamics, some of the causes for its evolution.

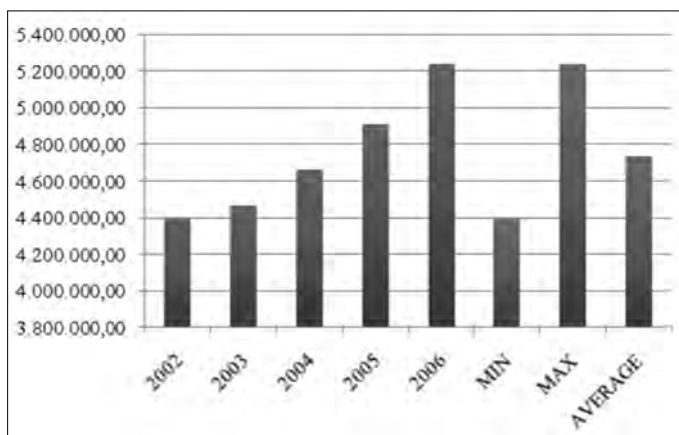


Figure 1: Total general revenues, absolute values, EU 27

The total income consists of the total taxes, social contributions and other incomes.

The total income of the 27 countries increased from 4,392,958 million Euros (m.E.) in 2002 to 5,236,911 m.E. in 2006. Following the available data we have seen an increase in the level of total income in most EU 27 countries.

² [Online] available at <http://epp.Eurostat.ec.eu.int>, last accessed on August 14th, 2009.

An exception is Poland where it is found that the evolution of total revenues has fluctuated during the analyzed period, growing in the period 1999 to 2002, from 63,628 to 82,206 m.E., then decrease to 73,552 m.E. in 2003 and then increase to 108,878 m.E. in 2006. Romania is found in the same situation, where growth takes place between 1999-2000 from 16,040 m.E. to Euros 17,673 million, than decreases to 16,490 m.E. in 2001. Then, it increases again in 2002 to 18,197 m.E., drops to 16,872 in 2003, and then increases to 32,320 m.E. in 2006.

Analyzing the available data we found that the most significant increases in total revenue compared to the base year were registered in 2006, in Estonia by 2.46 times, 2.34 times of Latvia, the Czech Republic by 2.14 times, Romania by 2.01 times. Further it is important to follow the evolution of total revenue from one year to another. The most significant increase from one year to another in the EU 27 is in 2006 compared to 2005 by 1.06 times. A fairly significant increase from one year to another of 1.05 points is in Finland in 2006 compared to 2005.

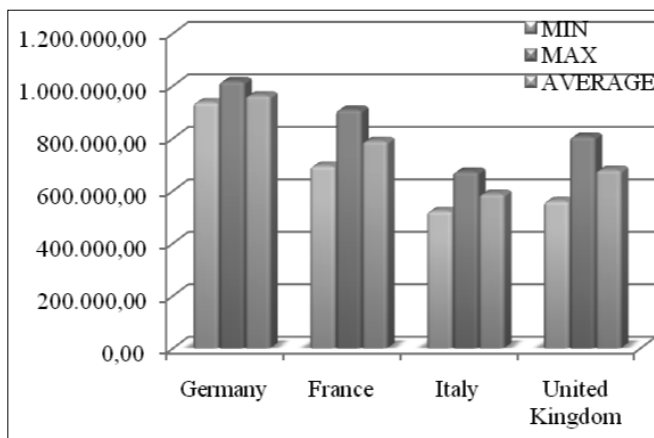


Figure 2: Total general revenues, maximum absolute values.

Total budgetary revenues at EU 27 level, reached a maximum of 5,236,911 m.E. in 2006, and the minimum value of 4,392,958 m.E. in 2002. From 2002 to 2006 total revenues have experienced a slight but continuous growth. Average values registered a total income level EU 27 of 4,733,161 m.E. In 2006, the highest values of *total revenues* were recorded in Germany (1,017,230 m.E.), France (909,129 m.E.), UK (806,300 m.E.) and Italy (672,606 m.E.).

The existence of such high total incomes in these countries is normal given that the GDP in the EU rose by 2.3% over the previous year, while the EU budget deficit decreases by 0.3% in 2006 versus 2005.

In Germany between 1999 and 2000 revenues have increased by 1.02 times, and then between 2000 and 2001 revenues have increased by 1.01 times, and from 2001 to 2006 a period followed in which total revenues increased, reaching the maximum in 2006. The cause for the smaller increase in 2001 of the total revenues compared to the percentage recorded in the previous year was due to the fact that in 2000 a budget

surplus of 1.5% of GDP has been recorded. Also, 2001 was the year in which the third stage of tax reform on income and profit was implemented, which was expected to cost around 1% of GDP. After 2001, Germany experienced a period of prosperity, so that in 2006 reached the maximum total revenue. Germany is the most populous EU member with 82.2 million inhabitants. It is important to recall that it was a positive period for the economy of the European Union.

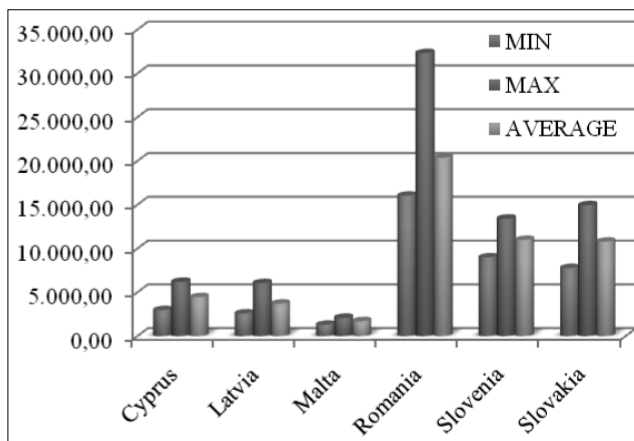


Figure 3: Total general revenues, minimum absolute values

In France there was a continuous increase in total revenues for the period 1999 -2006 due to the continuous fiscal consolidation, total revenues reaching a maximum in 2006. The same situation is found in Italy, where there has been a continuous increase in total revenues from 1999 until 2006, with the maximum reached in 2006. An important aspect to remember, however, is that the budget deficit in France was in 2003 and 2004 more than 3% of GDP, which led the Commission to recommend the country to correct this deficiency. Thus France was forced to implement a series of budgetary policies which reduced the current expenditures and capital expenditures at central and local levels to reduce this deficit. The situation in Britain is similar to Germany. In Britain there has been an increase in total revenues between 1999 and 2002 and between 2002 and 2003 there was a decrease in total revenue by 16%. Between 2004 and 2006 a considerable increase in total revenues was again observed, reaching the maximum in 2006. In 2002 there was a decrease in the financial markets in the world economy and particularly in 2002 fees and taxes have been reduced in the UK. Since 2003 and until 2006 the UK has been involved in several projects to develop economically and to achieve an increase in one total income level, which was confirmed by the maximum total revenues achieved in 2006.

Based on the available data about Romania we observe first that the total revenue increased in an absolute amount from 16,040 m.E. to 32,320 m.E. in 2006. It had in 2006 an increase of 2.01 times compared to the base year. The only decreases in the total revenue were recorded in 2001 compared to 2000, from 17,673 to 16,490 m.E. and in 2003 compared to 2002, from 18,197 to 16,872 m.E. The largest increase of 1.32 times is in 2005

compared to 2004. If we do a comparison with Bulgaria, a country that joined the EU in the same year as Romania we see that the maximum total revenue recorded in Romania is almost 3 times higher than the maximum registered in Bulgaria in 2006. On the other hand, we must point out that the maximum recorded in Romania represents about 0.6% of the maximum level of EU 27. Average total incomes that come close to 20,000 are outlined in Hungary with an average of 30,000 m.E., the Czech Republic 32,000 m.E. and Luxembourg, Slovakia and Slovenia with 10,000 m.E. In the structure of budgetary revenues in Romania, the largest shares in the revenue budget were the social contributions and VAT, this situation being very similar to the one in the European Union.

Minimum values of total revenue have been identified in 1999 in the following countries: Malta (1,293 m.E.), Estonia (1,966 m.E.), Latvia (2,586 m.E.), and Cyprus (2,975 m.E.). These countries recorded the lowest values in total revenue because they are recent members in the European Union (in 2004) and have a quite low number of people reported to the area of the country. For this reason they have remained with a low total income compared to other older member countries, some of them founders, which had the possibility of economic development with the accession to the European Union.

Total Taxes:	85,86% (2005)	Denmark
Social Contributions:	41,42% (2004)	Germany
Other incomes:	1% (1999)	Romania

Germany has recorded the highest share of social contributions in total revenues (41.42%) in 2004. The share of minimum social security contributions in total income is found in Denmark (3.42%) in 2006. Minimum and maximum share of other incomes from total income are insignificant.

Total Taxes:	46,17%(2002)	Romania
Social Contributions:	3,42% (2006)	Denmark
Other incomes:	0,05% (1999)	Belgium

The average share of total tax revenues from the total EU budget is 59%, social contributions 31% and other income 10%. In Belgium, Germany, France, Luxembourg, and England share of total taxes and social contributions is over 90% of total budgetary revenues of these countries, while in the remaining countries the share of these two components of total revenue budget is over 83%. Increases of more than 2 times of the total revenue in 2006 compared to 1999 are observed in Estonia, Cyprus, Latvia, Lithuania and Romania. Average share of total income E.U. 27 is over 50% of GDP.

The highest average total income in the EU 27 countries in the period 1999-2006 appears in the following countries: Germany with 963,418 m.E., France with 789,875 m.E., England with 679,810 m.E., Italy with 588,640 m.E., and Spain with 297,399 m.E.

Out of the total revenue of the EU 27, these five countries hold 73.56% of total budgetary revenues (3,319,141 m.E.). It is not surprising that these five countries are the countries with the greatest number of people among member countries. Total population in the EU 27 is about 492,881,583 people. Only in Germany, France, England, Italy and Spain there are a number of approximately 311,005,022 people. This number corresponds to the percentage of 63% of the EU 27. From this list of five countries, Germany and England had an equal decrease of total revenues in 2001, respectively in 2002 and 2003.

The lowest average values of total revenue in the period under review are shown in Malta (1,706 m.E.), Estonia (3,100 m.E.), Latvia (3,700 m.E.), Cyprus (4,455 m.E.), Lithuania (5,440 m.E.). Regarding the number of inhabitants, these countries occupy the last places in the EU 27 in this regard also.

Table 4.	EU Averages
Total taxes	59,47%
Social Contributions	27,68%
Other income	12,05%

Table 4 presents the main components of total revenues in the period under review. Performing a comparison of five EU countries as the population number and the last five countries, the differences between these countries can be seen, however considering the economic foresight, the smaller countries, despite their size have a high potential for development.

After analyzing the above mentioned indicators, a series of conclusions can be drawn:

- The old members of the European Union have reached a point of maturity as opposed to new members;
- The new EU Member States enjoy the benefits of transitional membership statute. New companies are founded, and new workplaces appear;
- New members have the benefits of EU funds, all contributing to economic growth; and
- The highest share in total revenue is represented by total taxes, followed by social contributions and other income.

The overall average tax pressure exerted at the level of EU 27 in the period under review was 40.3%. The highest average overall tax pressure has been recorded in the Nordic countries with values close to 50% and lowest in Romania, Lithuania, and Latvia with values close to 30%. It is obvious that of all former communist countries (now EU members) our country is the country with the lowest tax pressure. This was determined by reducing the share of income taxation of individuals, the reduction of the tax on profits, reduced tax base and the change in GDP. To calculate the average tax pressure, in approximately equal proportions contribute: social contributions, direct taxes, indirect taxes, and the most insignificant proportion being represented by other

income. A reduced fiscal pressure appears in developing countries in an attempt to stimulate economic development and attract investment, increase employment and labor productivity. On the other hand in developed countries a higher tax pressure disappears because they need the tax (fiscal) incentives to encourage investment.

3. Total taxes

The EU 27 total taxes follow an increasing trend (the minimum value being recorded in 2001 with 2,529,775.8 m.E. and the maximum being recorded in 2006 with 3,120,699 m.E.). It is observed that the average chain based index calculated from the total taxes of the EU 27 is 1.04 during the analyzed period. Analyzing the total share of taxes in GDP we see that it varies between 58.67% in 2002 and 59.59% in 2006.

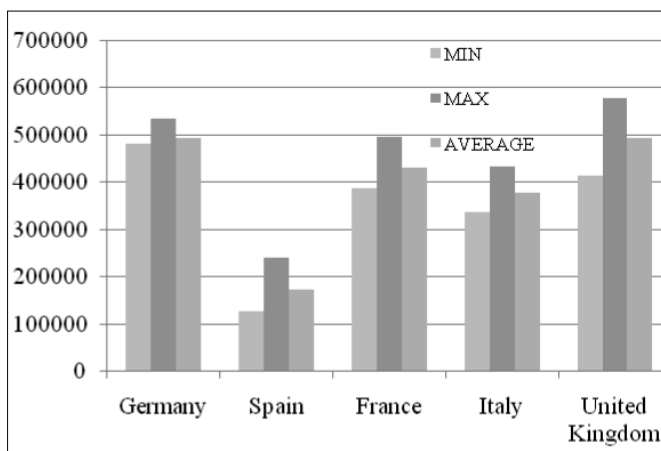


Figure 4: Total taxes, absolute maximum values

Table 5 illustrates the minimum and the maximum total tax, the countries that have these values and the years in which these values are recorded. Regarding the EU, the largest amount of total taxes is recorded in England, with 577,317 m.E., followed by Germany with 534,230 m.E., France with 496,055 m.E., and 432,136 million in Italy. All these maximum total taxes as outlined in Table 6 were recorded in 2006 and the minimum in 1999.

Maximum Values		Minimum Values	
England	577.317 (2006)	Malta	776 (1999)
Germany	534.230 (2006)	Estonia	1163 (1999)
France	496.055 (2006)	Latvia	1456 (1999)
Italy	432.301 (2006)	Cyprus	1956 (1999)
Spain	240.382 (2006)	Lithuania	2344 (1999)

The countries with the lowest values regarding the total taxes are, in descending order, Cyprus - with 1,956 m.E., Latvia - with 1,456 m.E., Estonia - with 1,163 m.E. and Malta, with 776 m.E. The reasons for which Cyprus is recorded with the lowest values

in 2004, is due both to a modest economic growth and a budget deficit higher by 1.9% over the previous year, but also for high levels of spending on defense, as a result of the attacks of September 11th and the conflict with Iraq.

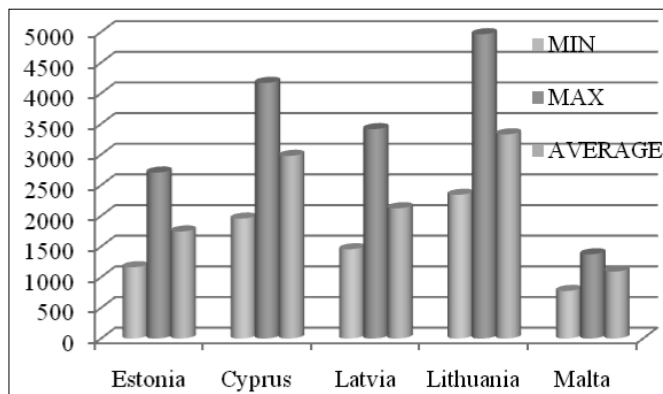


Figure 5: Total taxes, absolute minimum values.

In the category of countries with the maximum total revenues appear old EU countries and within countries with minimum values are the countries that recently joined the European Union.

In the period 2001-2006 the total taxes in Romania are rising. For Romania the maximum of total taxes is 18,393.2 m.E. in 2006 and the minimum value of 7,840.8 m.E. in 2001. The rather high increase of 2.34 times of the total taxes for the period 2001-2006 can be explained by the increase of tax collection and economic growth recorded during this period in Romania. Since the year 2000, we can speak of the first fiscal year in which the local public administration authorities collected the income using their own forces. This was reflected in a higher degree of collection of revenues from taxes, from 63% before the completion of this transfer of responsibilities to 72% after the first year of implementation of the budgetary policy.

The consequence of this transfer of responsibility was reflected in the spectacular developments in tax revenue, depicted in Table 6.

Year	% income collection (average/country)	The responsible institution
1999	63%	The Ministry of Finance
2000	72%	Local public administration (city hall)
2001	75%	Local public administration (city hall)
2002	78%	Local public administration (city hall)
2003	80,5%	Local public administration (city hall)
2004	82%	Local public administration (city hall)
2005	84%	Local public administration (city hall)
2006	87%	Local public administration (city hall)
2007	An estimation of 90%	Local public administration (city hall)

The largest increase from one year to another of the total taxes in Romania of 1.32 times happened in 2005 compared to 2004. Romania joined countries with rather low absolute amounts of total revenues, with an average of 8,714 m.E. in the period under review. The weighted average of GDP in Romania of the total taxes is 18.02% compared to the average share of GDP in the EU 27, which is 25.4%. Countries in which the share of GDP is close to the level in Romania are: Slovakia, Poland and the Czech Republic. The average of total taxes recorded in Romania in the period under review represent 0.4% of total taxes in the EU 27. Countries that have values close to those recorded by Romania on the total taxes are: Luxembourg, Slovenia and Slovakia.

The average total tax level of the EU 27 is 2,052,743 m.E. for the period under review. Across countries, the average maximum total taxes are found in Germany (493,478 m.E.), England (492,803 m.E.), France (430,301 m.E.) and Italy (with 376,701 m.E.). The minimum average values belong to the same countries whose total taxes recorded minimal values, namely Cyprus, with the causes mentioned above, (with an average total tax of 2,979 m.E.), Latvia (with an average total tax of 2,124 m.E.), Estonia (with an average total tax of 1,746 m.E.) and Malta (with an average total tax of 1,092 m.E.). In the case of Romania, our country has an average total tax 8,714 m.E., falls in the category of countries with relative low average total taxes.

We can see that the total taxes EU 27 rose in 2006 compared to 1999 by 1.64 times. Member States which joined the EU among the first (like: France, Italy, England, Germany), recorded insignificant increases of total taxes calculated with the fixed-base indices. For Romania there are no values for the fixed base indices, as there were no available data in the Eurostat database for the base year 1999.

The evolution of the based chain indices is not very spectacular, so that there have been no significant increases from one year to another, nor in the EU 27, nor for the member countries. In the EU 27 the smallest increase in total taxes was recorded in 2003 compared to 2002, and the maximum amount of evolution from one tax year to another in the period under review is in 2006 reported to 2005 and is 1.08 times. The lowest increase in total tax developments from one year to another among the Member States are in the following countries: Romania (by 1.32 times in 2005 compared to 2004), Poland (by 1.28 times in 2005 to 2004).

The period of analysis for the share of total tax revenue in total EU 27 level is 2002-2006. The maximum share of total taxes in total revenue is 59.59% (in 2006) and the minimum is 57.93% (in 2003). The maximum share of total taxes in total revenues in the Member States is in Denmark, with 85.86% in 2006, then followed by England with 73.99% in 1999, Ireland 73.84% in 2006 and Cyprus 68.32% in 2002. The minimum share of total taxes in the total budget revenues is recorded in the period under review in Romania, with a share of 46.17% in 2002, followed by Czech Republic with a share of 48.12% in year 2006, Slovakia with 49.41% in 2001, and Poland with 49.59% in 2001. The average share of the total taxes in the total revenues in the EU 27 is 58.67%. Regarding the member countries, the lowest value of the average share of total taxes in total

revenues is recorded in Romania with a 39.94% share and the highest average value of this share in the Member States is recorded in Denmark with 85.13%.

The highest fiscal pressure exerted by the total taxes to the EU 27 has been registered in the Nordic countries, Denmark (49.5% in 2005) in Sweden (39.8% in 1999), Finland (34.8% in year 2000) and the lowest in countries that recently joined the European Union. So the lowest fiscal pressure exerted by the EU by total taxes is recorded in Romania (17.3% in 2006), then followed by Latvia (with an average of 19.5% in the analyzed period), Czech Republic (with an average of 20.1% in the analyzed period), Poland (with an average of 20.2% during the analyzed period), Lithuania (with an average of 20.5% during the examined period).

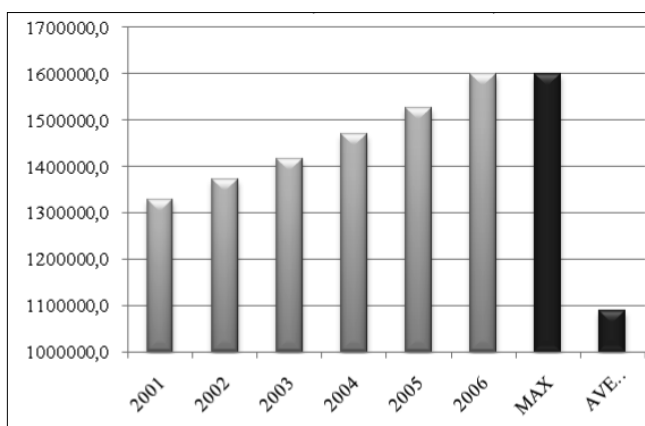


Figure 6: Social Contributions, absolute values, EU 27.

One of the reasons for which the tax pressure of new adhered countries is lower than in other EU countries is constituted by lower rates of the tax on the global income and the income of the companies with the intention of attracting major investments in the area. The average fiscal pressure exerted in the EU 27 by the total taxes is 26.4% in the period under review. In addition to reasons related to lower tax pressure in many EU 27 countries, another factor intervenes: the political factor, which especially during the election periods has tended to reduce fiscal pressure on one hand, and on the other hand the increase of a series social measures. Under these conditions, solutions must be identified to reduce the expenditures through a more efficient use of the public resources and increasing the budget revenues.

4. Total social contributions

From the beginning of the analysis period and through the end of it, more precisely from 2001 and until 2006, social contributions have gradually increased from an amount of 1,326,985 m.E. in 2001 to 1,598,932.5 m.E. in 2006. Minimum and maximum values were reached at the beginning and end of period (as presented above: the years 2001 and 2006).

From the analysis all the EU Member States, the highest value of social contributions is recorded in Germany - 401,080 m.E. in 2006, and it is caused by the social benefits reform implemented in 2005, which assumed a certain period of accommodation.

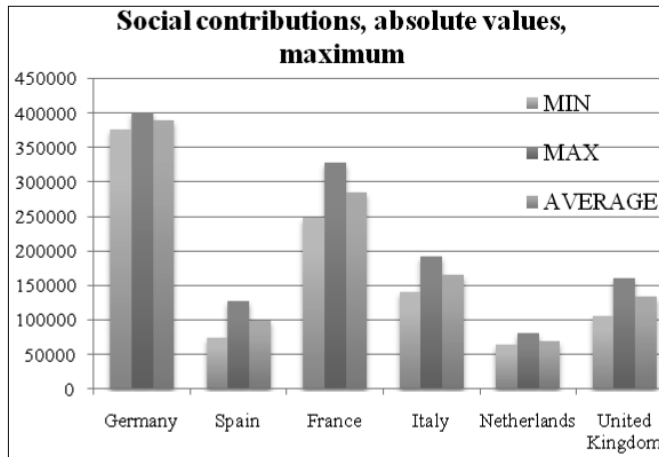


Figure 7: Social Contributions, absolute values, maximum.

Other analyzed countries have the following data: Italy, with 192,038 m.E. in 2006 and England, with 160,185 m.E. in 2006. The value of social contributions is so high in Germany due to the insurances from the public health domains, whose social contribution rates have increased, employment growth, but also because the increased amounts that are offered, to the unemployed and the self-employed. The total amount of social contributions can be obtained by adding the current value of social contributions reaching a percentage of 93% and the value of social contributions reaching a percentage of 7%. In turn, the actual social contributions consist of the current contributions of current employees with 42% of employees' social contributions by 39% and social contributions of the unemployed and self-employed with 19%. The minimum amount of social contributions was recorded in Malta, with 274 m.E. in 1999. Malta's government deficit for 2005 was estimated at 3.3% of GDP, under the proposed target of 3.7% established by a program of budgetary reforms in 2004. It should be noted that social contributions figure is so low in Malta because the public sector has had to liquidate a large number of state enterprises, a situation which has led to considerable decrease in employment, thus reducing the default value of social contributions turnover. Social contributions in Malta in 2006 reached the amount of 358 m.E., out of which 80% are actual social contributions, amounting to 288,840 m.E. and 20% provided social contributions. Actual social contributions are in turn divided into actual social contributions of employers, valued at 130.03 million, representing 45% of actual social contributions, actual social contributions of employees amounting to 128,460 millions representing 44% and social contributions of the unemployed and self-employed amounting to 30.30 million, representing 10%. The value of social contributions is also analyzed in the following countries: Cyprus - 607 m.E. in 1999, Estonia - 648 m.E. in 1999 and Latvia - 744 m.E. in 1999. Regarding Romania, it has reached the maximum level of social contributions of 10,098.2 m.E. in 2006, and a minimum 4,625.6 m.E. in 2001. The lowest and highest levels are all met at the beginning of the period (1999) and at the end (2006), except

Romania, where the beginning of the period was in 2001. The average of the social contributions to the EU 27 is 1,088,590 million and the average seen in the member states is 51,840.7 million. The same cannot be said about Germany, with an average of 389,914 m.E., followed at a difference of over 100,000 m.E. by France, with 285,233 m.E., and then by Italy with 165,541 m.E. and England with 133,234 m.E. The minimum values of the average of the social security contributions for the analyzed period were in Malta - 352 m.E., Cyprus - 853 m.E., Estonia - 924 m.E. and Latvia - 984 m.E.. In Romania the average value of social contributions for the period 2001-2006 is 4,927 m.E. The fixed-base indices are not analyzed at the EU 27 level, but are analyzed for the other countries. The minimum fixed-base index is the same for all the countries (1.00 in the base year 1999) with the exception of Denmark, being a special case, because instead of constantly evolving, it first recorded a decrease, reaching an index of 0.96 in 2002 due to increasing budget deficit which reached unexpected levels, and then followed an increasing trend until 2006, when the situation balanced due to a reduced level of spending and reduced inflation. The fixed-base indices reached a maximum in 2006, in countries like the Czech Republic with 2.33, 2.21 in Lithuania, Ireland and Estonia with 2.16 and 2.11. The fixed-base indices average is 1.29 in the Member States. The minimum value indices were recorded in Germany and Denmark (1.04) and the maximum in the Czech Republic (1.57). Fixed-base indices are not calculated for Romania because of the lack of data for 1999.

Regarding the chain-based ratios, the analysis of the EU 27 is made in the period 2002-2006. If EU 27's case, the chain-based indices have a constantly increasing trend, with very small differences from one year to another, close to the initial minimum (1.03 in 2002). The maximum value of these indicators at the EU 27 level is reached in 2006 over 2005, with an index of 1.05. Other values are 1.03 (2003/2002) and 1.04 (2004/2003, 2005/2004). In the analysis of the member countries' minimum value of the chain-based indices, this is 0.83 (2002/2001 - Denmark), 0.90 (2003/2002 - Poland), 0.96 (2003/2002 - Romania, 2001/2000 - The Netherlands) and 0.97 (2003/2002 - Latvia). The maximums of the evolution of social contributions from one year to another are as follows: 1.39 (2005/2004 in Romania), 1.29 (2006/2005 in Latvia), 1.27 (2000 - Sweden) and 1.23 (2000 - Lithuania). Interesting to note are the cases of Sweden and Lithuania, where in 2001 compared to 2000 (the year of the start of the analysis) there are significant and sudden decreases of the chain-based index: from a maximum of 1.27 reached Sweden in 2000 the following year reached the value of 0.98, and from a maximum of 1.23 in Lithuania, in 2000, it reached 1.05 in 2001. After that, values close to the initial maximum were never reached. The causes of these noticeable oscillations are largely attributable to the changing of the social contribution rate, which has recorded different values in 2002-2006, being affected by changing interest of political factors for policies on social care services, low employment and the unemployment rate.

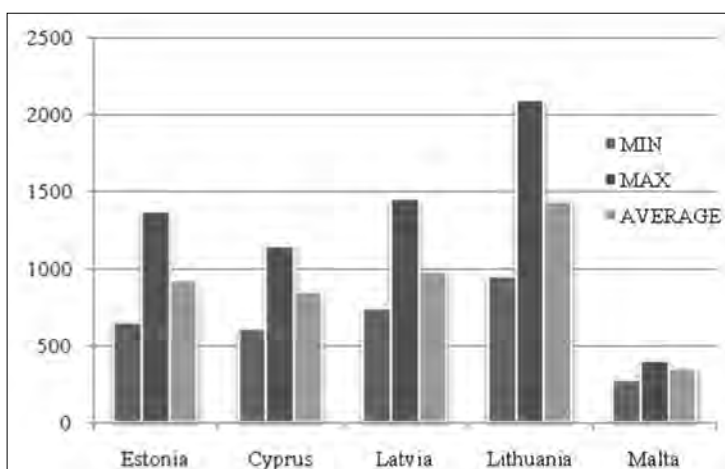


Figure 8: Social Contributions, absolute values, minimum.

The weight of the social contributions in the total revenues of the EU 27 recorded a minimum value of 30.53% (2006) and a maximum of 31.71% (2003). Since 2002, until 2006, these shares had a slight decrease due to the influence of factors mentioned above. In analyzing the situation of the Member States, the minimum weight of the social contributions in the total incomes is held by Denmark with 3.43% in 2006, Ireland with 15.24% in 1999, Cyprus with 18.12% in 2003, Malta with 18.65% in 2006 and England with 18.74% in 1999. The maximum value is reached in 2004 by Germany with 41.42%, followed by Slovakia with 40.05% in 2002, the Czech Republic with 39.63% in 2006, the Netherlands with 35.81% in 1999 and Greece with 32.25% 2003. Romania is situated between these extremes, between the minimum and maximum values specified above, with a minimum amount of the weight of the social contributions in total budgetary revenues of 28.05% in 2001, and a maximum of 31.84% in 2005.

5. Other incomes

The influence of other income in the total income is insignificant. The share of these other incomes from the total income is approximately 0.10% in the EU 27. Noticeable increases in the amount of other income on the analyzed period were identified in Estonia in 2006 compared to 1999 with an increase of 4.94 times. From one year to another the most important increase was of 1.93 times, and it appears also in Estonia in 2000 compared to 1999.

Countries that have recorded maximum values in this chapter are: Germany, which recorded a maximum of 82,990 m.E. in 2005. The lowest absolute value is recorded in Estonia with 156 millions in 1999. In Romania, the chapter of the other income is between 2,116 millions in 2003 and 17,674 millions in 2000. The average of other income over the analyzed period is 6,738 millions is close to that of countries such as Ireland with an average of 4,976 m.E., Greece with an average of 9.422 m.E. etc. The largest increase in budget revenues from other revenues for the member countries are recorded in Estonia where the increase is of 4.96 in 2006 compared to 1999. The evolutions of chain-based

indices show insignificant increases in other revenue from one year to another. The biggest index is recorded in Estonia in 2000 compared to 1999 with a value of 1.93. The share of this income in the total income in the budget of the EU member countries is reduced, and placed below 1%. The rate of 1% in the total income was only recorded in Romania in 1999 and 2000, and then the share of other income in total income to the budget of Romania oscillated between 0.12% in 2005 and 2006 and 0.24% in 2001 and 2002. The lowest share in the total revenue income out of all the analyzed countries during 1999-2006, was recorded in Belgium with 0.05% in 1999.

6. Conclusions

The analysis of a data set should be as objective as possible in order to give us a clear and real image on the analyzed sector. In this case, it aimed at analyzing the evolution and the structure of incomes and expenditures and the main tendencies of these components from 1999 and up to 2006.

The total revenues of the EU 27 budget, have reached a maximum value of 5,236,911 m.E. in 2006, and the minimum value of 4,392,958 m.E. in 2002. The average value registered for the EU 27 total income is 4,733,161 m.E. In 2006, the highest values of total revenues were recorded in Germany (1,017,230 m.E.), France (909,129 m.E.), England (806,300 m.E.) and Italy (672,606 m.E.). If we compare Romania with Bulgaria, which joined the same year the European Union we see that the maximum total revenue recorded in Romania has a value three times higher than the maximum registered in Bulgaria in 2006. On the other hand it is needed to point out that the maximum recorded in Romania represents about 0.6% of the maximum of EU 27. Average total incomes of about 20,000 m.E. are in Hungary with an average of 30,000 m.E., the Czech Republic with 32,000 m.E. and Luxembourg Slovakia Slovenia with 10,000 m.E. In the structure of budgetary revenues in Romania, the largest share in the revenue budget has been kept by the social contributions and the VAT. This situation is not very different from the European Union average. Minimum values of the total revenues were identified in 1999 in the following countries: Malta (1,293), Estonia (1,966), Latvia (1,293), and Cyprus (2,975). These countries recorded the lowest values since they have recently joined the European Union (in 2004) and have a quite low number of people reported the area of the country. For this reason they have maintained low values of the total income compared to other, older, even founder countries, which had the opportunity to prosper with the accession to the European Union. The average share of total tax revenue from the total budget is 59%, social contributions have 31% and other income have 10%.

The average of the weights from the GDP of the total taxes is 18.02% compared to the average share from the GDP of the EU 27 of 25.4%. The countries that have shares from the GDP close to the share of Romania are: Slovakia, Poland and the Czech Republic. The average of the total taxes recorded in Romania in the analyzed period is 0.4% out of the total taxes in EU 27. Countries that have values close to those recorded by Romania in total taxes are: Luxembourg, Slovenia and Slovakia. The lower fiscal pressure exerted by the total taxes in the EU is recorded in Romania (17.3% in 2006),

followed by Latvia (with an average of 19.5% in the analyzed period), Czech Republic (with an average of 20.1% in the analyzed period), Poland (with an average of 20.2% in the analyzed period), Lithuania (with an average of 20.5% in the analyzed period). One of the reasons for which the fiscal pressure of the new countries is lower than in other EU countries is the lower rates of the tax on personal income and company income of the ten new entrants, with the intention of attracting major investments in the area. The minimum value of the share of total taxes in total revenues from all the countries is in Romania, with a share of 46.17% in 2002, followed by the Czech Republic with a share of 48.12% out of the total incomes, 49.41% in Slovakia, and Poland with 49.59%

It should be noted that the study of the development and the trends in the main components of the revenues from the EU 27 budgets was a difficult but interesting process. This analysis has a determinant role in the process of allocating resources and review of the policies implemented in the EU 27 countries.

References

1. Fölster, S. and Henrekson, M., 'Growth effects of government expenditure and taxation in rich countries', 2001, *European Economic Review*, no. 45, pp. 1501–1520.
2. Lindstrom, G., 'EU-US burdensharing: Who does what?', EU-ISS Chaillot Paper no. 82, September 2005.

Web sites

All budgetary data used for computations are available online at the following addresses:

1. http://ec.europa.eu/eurostat/ramon/index.cfm?TargetUrl=DSP_PUB_WELC http://circa.europa.eu/irc/dsis/eurostat50/info/data/en/today_2.htm www.insse.ro/cms/files/Eurostat/
2. <http://oecd.org/dataoecd/18/0/2666146.pdf>
3. <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=4>
4. <http://circa.europa.eu/irc/dsis/nfaccount/info/data/esa95/en/een00155.htm>
5. <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/http://epp.Eurostat.cec.eu.int>