

# **Harmonisation of Indirect Taxation within the European Union**

## **Resumé / Summary**

The aim of my diploma thesis is to describe the process of tax harmonisation within the European Union. Seeing the fact that no big success in harmonisation of direct taxation has been achieved yet, I decided to focus on an indirect taxation, especially the value added tax. I paid attention also to the implementation of the European legislation in the Member States with an emphasis on the Czech Republic.

In the first chapter we can find a definition of a tax, its characteristics and classification from different points of view. There is as well a description of features of an indirect taxation in more details. In the second chapter I try to characterise a harmonisation in the tax field in general, distinguish its types and evaluate its positive and negative aspects in comparison with a tax competition.

In the following chapters I deal more in depth with the tax policy in the European Union and objectives in this field. Member States are free to choose the appropriate tax systems and any proposal for Community action in the tax field should take full account of the principle of subsidiarity and proportionality. However, the national legislation must be compatible with the European Community treaties.

The first articles concerning the taxation and its harmonisation were specified already in the original European Community Treaty and the coordination of tax systems of the Member States became important with growing economic integration. As means of harmonisation, both primary and secondary law are used. The most important legal instruments for harmonisation are directives and regulations. The case law of the European Court of Justice plays a significant role as well, especially in the field of the direct taxation through so-called negative harmonisation.

There was a need to harmonise the structure of the indirect taxation in order to eliminate tax obstacles to all forms of cross-border activities within the single market. The value added tax and excise duties attained the most significant degree of harmonisation. The system of the value added tax was harmonised within the Member States and the minimum rates were set in the Directive. However there are still big differences among the rates of Member States. As regards excise duties, they should be

applied on alcoholic beverages, manufactured tobacco products and energy products and Member States have to respect the minimum rates of duties for each type of product. The minimum rates are set on very low level though. In recent reform of excise duties we can see an ecological concern.

The administrative cooperation and mutual assistance between the Member States in tax field is very important. Various strategies have been issued in order to combat tax fraud by the European Commission recently.