

ASSESSMENT OF DIRECT TAXATION INSTRUMENTS

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Abstract. *Creation and development of a favourable business environment in regions is unthinkable without an appropriate tax system. The research study aims to assess the direct tax system in Latvia comparing it with the tax systems in Estonia, Sweden, Finland and Denmark in order to detect common features and differences, as well as to learn the experience that could be adopted in Latvia. The research tasks are to evaluate criteria of the tax policy and to analyse development directions of the direct tax system. The monographic descriptive method, statistical methods in economics, methods of logic and construction are used in the research.*

Relationships between the elements of the direct tax are explored, and differences between them are determined in the research; the conclusions that could be considered for the tax system improvement in Latvia are made. Evaluation of the direct tax systems in other countries shows that only distributed profit is subject to the corporate income tax in Estonia. The progressive rates are applied to the personal income tax; non-taxable income is higher; as well the tax distribution among budgets differs. In its turn, social security contributions depend on the financing arrangements of the services provided, and the property tax rates are determined by the municipalities, and they are affected by the location of the property and purpose of its use.

Keywords: *income taxes; municipal taxes; property tax; social insurance contributions; tax policy.*

JEL Code: *G28, H24, H25.*

Introduction

Dynamics of economic development is influenced not only by expenses, but by the mechanism of budget revenues as well. The tax system is one of the leverages the state can use to influence actively the economic processes in the country, directing the flow into the favourable direction. Of course, determining taxes, the state has to reckon with the public interests and the economic situation. The tax rate and the sum of resources to be paid into the total state budget have direct impact on the social and economic development of the society.

As provided in the National Development Plan of Latvia, in order to stop the tendency for centralization, it is necessary to increase economic activity in regions, attracting and using the resources of the surrounding areas by supporting the entrepreneurship development and promoting the mobility of the population (National Development Plan, 2012). Development of the regions brings up an issue of fiscal decentralization and setting the local taxes for the municipalities to be independent as

well. G.Davulis (Davulis, 2009) in his research has studied this problem in Lithuania, however, it is still an issue in Latvia as well.

Creating a tax system, each country has to consider not only the increased revenue collection from taxpayers, but it also has to be able to develop the business environment and to promote the people's prosperity by reducing differences in the regional development.

The research study aims to assess the direct tax system in Latvia comparing it with the tax systems in Estonia, Sweden, Finland and Denmark in order to detect common features and differences, as well as to learn the experience that could be adopted in Latvia.

Research objectives: 1) to assess the criteria of tax policy; 2) to analyse development directions of the direct tax system.

Research hypothesis: using more effective elements of the tax system, Latvia could improve the economic activity and advance the arrangements for funding the regions.

The monographic descriptive method, statistical methods in economics, methods of logic and construction are used in the research. Methodological issues are addressed on the basis of the theoretical research literature, research papers and publications by Latvian and foreign authors, statistical data, as well as the legal regulations on the taxation.

The research study is conducted for the period from 2012 to 2015, though, on the certain issues the study period is different.

Novelty of the research – the relationship between the elements of the direct taxation instruments are explored, the differences detected, and the conclusions that could be used for improvement of the tax system in Latvia are made.

The author will examine the following direct taxes: the corporate (enterprise) income tax, the personal income tax, social security contributions, and the real estate (immovable property) tax. The following elements of the taxation instruments will be discussed: taxpayers, the taxable object, rates, and the payment procedure. In the research author will compare five the Baltic Sea region countries: Latvia, Estonia, Sweden, Finland and Denmark.

Evaluation of criteria of the tax policy

Tax policy determines an overall situation in the taxation field, the elements of taxation mechanism to be used, and the status of the tax system. Tax policy acts as one of the governing instruments in the creation of competitiveness of the country. K.Ketners and S.Titova review the tax policy in two aspects:

- 1) aspect of competitiveness – providing the state support for innovation and sustainable economic growth, granting investments for the economic infrastructure, reducing the interference of the state into private life, excluding double taxation;
- 2) aspect of social and political principles – respecting social justice, securing economic independence, and tax transparency (Ketners et al., 2009).

In the draft Tax Policy Strategy of Latvia for 2015 – 2018, it is stipulated that, in respect of direct taxes, it is intended to further reduce the personal income tax rate and to reduce the tax burden in the low-wage sector, increasing the non-taxable minimum and the minimum wage. It is assumed that the corporate (enterprise) income tax will consolidate the tax concession system and will enhance its effectiveness, without changing significantly the total amount of allowances and exemptions (LDDK, 2014).

If the government wants to control the state budget, the increase of direct taxes would be quite undesirable, yet the increase of indirect taxes would be less problematical (Pereira et al., 2011). Thus, the use of the tax policy is based on the government functions or role of the state in the economy. The author agrees with L.Kavale's point of view that the tax policy should be implemented regardless of the financial and budgetary processes in the country. In Latvia, it is necessary to be done in order to improve quality and efficiency of the tax reform based on economic calculations and justified prognoses, excluding the influence of the political factors as much as possible (Kavale, 2011).

Tax burden is considered to be a criterion to characterize the national tax policy, which is expressed as percentage (%) of the gross domestic product (GDP). A significant indicator of the tax policy is the tax structure (Ketners, 2007). The author has carried out a comparison of tax burdens and tax structures, as well as GDP per inhabitant (Table 1).

In Latvia, the tax burden is the lowest and, at the same time, GDP per capita is the lowest, which means lagging behind Denmark and Sweden up to 4 times. In all countries, the main tax revenues comprise direct taxes together with the social security contributions; the highest share of those taxes in the total sum of tax revenues is in Finland – 66.8%, in Denmark – 65.5%, and in other countries 56% - 58%. Analysing the situation in Latvia, it is evident that the labour taxes (the personal income tax and state social security contributions) comprised 14.1% of the total tax burden, which was 27.9% in 2012. This number indicates the main problem of tax policy in Latvia. L.Kavale suggests using the following tax policy instruments to address the problem: non-taxable

minimum and tax reductions (Kavale, 2014). The author agrees that these tax policy instruments have not been assessed in Latvia.

Table 1 Tax revenue, tax structure and GDP at market prices in PPS per inhabitant, 2012
(Eurostat, 2014a; Eurostat, 2014b)

Indicator	Latvia	Estonia	Denmark	Finland	Sweden
Total tax revenue, % of GDP	27.9	32.5	48.1	44.1	44.2
Direct taxes, % of GDP	7.7	6.8	30.6	16.3	18.3
Social contributions, % of GDP	8.4	11.5	0.9	13.1	7.2
Direct taxes, % of total taxation	27.6	20.9	63.6	37.0	41.4
Social contributions, % of total taxation	30.2	35.3	1.9	29.8	16.2
GDP at market prices, PPS per inhabitant, EUR	10900	13300	44900	36900	44500

In Latvia, the tax burden is relatively low, and the regional disparities become apparent as the development of one particular region, which includes the capital city of Riga. The Territory Development Index, which indicates higher or lower development of territories as compared with the average of the national socio-economic development level, was positive (0.926) only in Riga region, while in the other regions it was with a minus sign in 2013 (VRRRA, 2014). In their study, E. Zelgalvis and A.Joppe remark that the Territory Development Index was positive only in Riga region and constantly negative in the other four regions of Latvia starting already from 1999 (Zelgalvis et al., 2014). The Territory Development Index for the planning regions is calculated using eight indicators, including personal income tax amount per inhabitant and per individual merchant, number of commercial enterprises per 1000 inhabitants (Regional Development., 2014), which are related to personal income tax revenue and the activity of performers of economic activities. The Territory Development Index is an indicator which is considered when granting additional funding for the regions. In their study, R. M. Boboc and I. I. Alecu mention that the absorption of the EU funds should be linked to reducing dependence on the foreign loans, growth of employment and labour productivity, diversification of economic and capital market funding (Boboc et al. 2013). Hence, the regions should not rely only upon the EU funds, but rather should enhance the activity of citizens and businesses. In its turn, increased inhabitants' and businesses' activity of leads them to facing tax payments; the latter need to be improved as well.

There are two main functions of tax payments – the fiscal function and the economic regulatory function. Tax revenues constitute the main part of the national income; therefore they impact the economic growth or decline, since being the source of financing of public goods. From the point of view of the economic regulation, the tax policy is used to affect business activities, employment of citizens, distribution of state, municipal, and household incomes. In regional economy, the taxes are used to support certain industries or regions.

The tax structure in terms of division between the state, municipal, and social security budgets is shown in Figure 1.

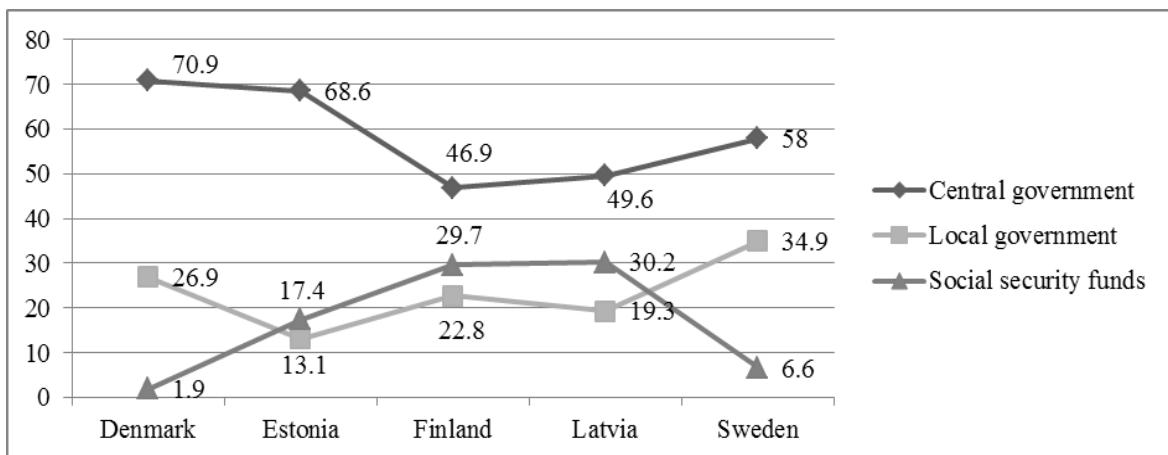


Fig.1 Tax structure by the level of government, 2012 (% of total taxation) (Eurostat, 2014a)

It can be concluded that the lowest percentage of tax revenues for the municipal budgets is provided in Latvia and Estonia, the highest – in Sweden (34.9%). However, the largest sum of tax revenues transferred to the state budget is in Denmark and Estonia, but to the social security fund – in Latvia (30.2%) and in Finland (29.7%). It indicates that the tax revenue distribution between budgets varies in different countries.

Analysis of the direct tax system's development directions

In accordance with the taxation policy realized in the country, the tax system is designed considering the importance of its set of instruments consisting of a few mandatory elements that should be stipulated in the tax legislation. Although the tax elements are the same, though, in each country, they are used differently, which can be explained by several factors: different national development levels; different decisions on the state role in the economy; different priorities, etc. (Kavale et al., 2008).

Most often, taxes are grouped by particular methods of their deduction – direct and indirect taxes. Direct taxation is a payment to the state from the individual or corporate income, property, or wealth. Direct taxation is based on the principle of solvency, though sometimes they are considered as a disincentive factor, because working and earning more means paying more in taxes (Business Dictionary, 2015). Most of discussions are raised by the issue about the negative impact of taxation on stimulating the economy, since the taxes reduce the commercial or wage incomes of individuals. It has to be admitted that the prior goal of individuals' activities is to earn money, and all factors contributing to the increase of earning activate people's work (Rešina, 2011).

The European Union (EU) legislation in the field of the direct taxation is left to be governed by each Member State. Double taxation has to be prevented in the field of personal income taxation. In the field of corporate income taxation, the EU approach is to eliminate barriers in the internal market and to ensure fair tax competition (European Union, 2015).

The Corporate Income Tax (CIT) is paid by legal entities from the income generated by their economic activities. The state should be interested not only in collecting the tax, but also in creating economic environment that would encourage entrepreneurs to attract investments and to invest excess funds for the enterprise development. The rates mostly are determined according to the principle of horizontal equity. However, each country has its own rules how the taxable income that is subject to the CIT is calculated, hence, the share of the tax paid into the budget differs (Table 2).

Table 2 Corporate income tax rate and effective rate
(FM, EMTA, Nordisk e-tax, 2015)

Country	Tax rate, 2015	Effective rate, 2012
Latvia	15.0	6.4
Estonia	20.0	6.2
Denmark	23.5	...
Finland	20.0	17.5
Sweden	22.0	21.9

The corporate income tax rate in **Latvia**, compared with other countries, is the lowest; in addition, a variety of incentives are provided reducing the tax by more than a half. Tax incentives can be divided into 4 groups – nine incentives for the promotion of investments, five incentives for various economic sectors, four incentives for social purposes, and two more reductions (**Pūle, 2014**). The largest amount comprises tax

incentives for the promotion of investments, the loss carry forward, and accelerated procedures for writing-off the fixed assets depreciation using the double-declining balance method.

An estimated CIT shall be paid into the state budget within 15 days after submission of the declaration. During the year, advance payments that are calculated on the basis of the previous year's estimated CIT, adjusted for the inflation rate, are paid until the 15th date of each month.

The tax system in **Estonia** is based on the flat income tax that was introduced in 1994; it is applied to incomes of both individuals and legal entities. Until 2004, the tax rate was 26% and was expected to be gradually reduced to 18% by 2012. In 2008, due to the crisis, the further tax reduction was postponed for an indefinite period. The rate has been reduced from 21% to 20% in 2015.

The corporate income tax system was reformed in 2000 with the aim to provide more funding for investments and to accelerate economic growth. The main aim of the reform was to postpone the taxation of the corporate income until the distribution of profit. Thus, the tax rate on retained earnings is 0%, and, then, the distributed gross profit is subject to tax at a total rate of 20%.

Since the tax period for legal entities is a month, the income tax is paid on a monthly base until the 10th day of the month following transferring it to the state budget.

In **Denmark**, in accordance with the political agreement on the Growth Plan of Denmark adopted in 2013, the corporate tax rate has been reduced to 23.5% since 2015, and to 22% since 2016 (Business-Friendly, 2015).

To estimate profit, business costs are usually deductible if they have incurred to generate income. Capital expenditures are not deductible, except for small acquisitions with the purchase price less than DKK 12 600 (in 2014). Only 25% of the promotional expenses are tax-deductible. Depreciation of the assets is calculated on a straight line basis: buildings used for business purposes in 25 years; machinery and equipment (a rate up to 25% per year); vessels, drilling rigs, aircraft, and trains (a rate up to 17% per year); infrastructure (a rate up to 7% per year). Inventories are valued according the FIFO method. The value of the purchased intangible assets is written off on a straight-line basis during 7 years. Research and development costs (R&D) in most of the areas are deductible in the calculation of the tax, or the depreciation is calculated for those. Computer software acquisition costs may be fully deducted in the year of acquisition.

The corporate income tax declaration must be submitted each year, not later than 6 months after the end of the income year. The corporate

income tax is paid in advance in two equal parts – until 20 March and 20 November. The advance payment is calculated as 50% of the tax paid in the last 3 years. The corporate income tax is not a local tax, though the municipalities receive a share of income tax revenue.

In **Finland**, the corporate income tax rate is applicable on the business profit, which is calculated subtracting all expenses that have incurred in order to gain or to maintain business revenue. Exceptions are some expenses related to the capital growth and dividends, which are not included in the tax base, as well as the expenses related to the non-taxable income.

Depreciation of capital assets is calculated by the geometrically declining depreciation method; the maximum annual rate for machinery and equipment is 25%, for buildings – from 4% or 7%. The acquisition costs of the intangible assets are written off using the straight-line method in 10 years. Losses may be carried forward to the income of the next 10 fiscal years.

During the year, companies are required to make 12 monthly CIT advance payments. The corporate income tax is not a local tax, though the municipalities receive a share of CIT revenue.

In **Sweden**, a corporate income tax is levied on the income of a resident incurred in Sweden and abroad, and income of a non-resident incurred in Sweden. The standard rate of the corporate income tax is 22.0% (reduced from 26.3% since 2013).

The classical system that is based on a broad tax base with a relatively low tax rate is applied to the CIT. The same basic rules apply to all companies irrespective of their size and legal status. Losses of the companies can be carried forward to profits of the following years without time limit.

The author notes that the CIT rates tend to decline; different capital investment depreciation methods are used in different countries; the rates and the applicable exemptions differ as well. In Denmark and Finland, a share of the CIT is transferred to the local government budgets. In Latvia, a diversion of the CIT to the municipal budgets has existed twice – in 1922-1940, when the commercial and industrial tax had been divided equally between the state and local government budgets, and in 1941-1943, when the municipal budgets used to receive a share of the profit tax (Zvejnieks, 1998).

In fact, tax incentives are the only elements of taxation, which is directly used for regional economic stimulation to equalize competitiveness between regions. In Latvia, up to 2013, a tax incentive for the development of regional areas was a CIT reduction on investments in the capital assets in the specially supported areas, and it is

still applicable for the companies operating in the special economic zones.

Natural persons' Personal Income Tax system is based on the principle of justice, which can be implemented both as a vertical and as a horizontal equity principle. In Latvia and Estonia, the personal income tax is designed in accordance with the horizontal equity principle, which implies the application of a proportional rate for all taxpayers. However, in Denmark, Finland, and Sweden, the vertical equity principle is used, which implies that the taxpayers with higher incomes pay a higher tax rate in accordance with the progressive scale.

The main differences in the **personal income tax** (PIT) systems are related to the rates and amount of a non-taxable minimum, as well as to the distribution of tax incomes between the state and local budgets (Table 3).

Table 3 Personal income tax rates and the non-taxable minimum, 2015
(FM, EMTA, Nordisk e-tax, 2015)

Country	Highest rate, %	Non-taxable minimum, EUR
Latvia	23.0	900.00
Estonia	20.0	1848.00
Denmark	55.6	~5813.00
Finland	51.5	16500.00
Sweden	56.9	~ 1400.00 – 3650.00

Among the countries reviewed, the lowest non-taxable minimum and a moderately high proportional rate of 23% are observed in Latvia. There is a lower rate of the capital gains tax – 15% and on the income from the rest of the capital – 10%. In Latvia, the PIT paid in 2015 is divided between the state and the local government budgets in the following proportion: 20% to the state budget and 80% to the municipal budget.

In **Estonia**, all three types of personal incomes – income from paid employment, income from business and capital gains – are taxed at 20% tax rate. Since 2015, the tax rate has been reduced from 21% to 20% while increasing the non-taxable income from EUR 1 728 in 2011-2014 up to EUR 1 848 starting from 2015.

The personal income tax is distributed between the state and the local budgets; for example, in 2015, a share of 11.4% was transferred to the municipal budget and the rest – to the state budgets (EFM, 2015).

In **Denmark**, the personal income tax is formed of a number of taxes. The most important of them are:

1. the labour tax, often called the gross tax. Labour market contribution is 8% of the entire income, deducting employment benefits. The labour tax is not paid on the income from investments and on the benefits;
2. the basic tax is 8.08% of the personal income (the taxable minimum in 2015 – DKK 43 400);
3. the highest tax – a rate of 15% on a personal income above DKK 459 200 in 2015. The rate is reduced if the “tax ceiling” reaches over 51.95% (Deloitte.com, 2015);
4. a proportional rate of the local taxes, though they differ by particular municipalities. The average local personal income tax rate is 25.6% (including the church tax, on average 0.7%) (Statistics Denmark, 2015).

In **Finland**, the right to collect income taxes belongs to the state and municipalities, the Evangelical Lutheran Church and the Orthodox Church. State income taxes are levied on the personal income consisting of wages, investments and the estates of deceased persons. The state tax rate ranges from 6.5% to 31.75%, depending on the amount of income. The municipal tax rate ranges from 16.5% to 22.5%, the church tax rate – from 1% to 2% to be paid by members of both national churches. The municipal income tax is levied at a flat rate on the income and the estates of deceased persons. In addition, there is a social security contribution called “health insurance premium” paid by the individuals at a rate of 2%. Since 2013, the natural persons in addition have to pay a state duty to the pension fund equivalent to 6%. The additional tax is collected on the incomes exceeding EUR 45 000.

The tax on capital gains is 30% and is transferred to the state budget. The tax rate on the revenue from capital that exceeds EUR 40 000 is 32%.

In **Sweden**, the residents have to pay the state and municipal personal income tax on all incomes earned in Sweden and abroad.

On the income from economic activities, 25% is to be paid into the municipal budget, but the state tax is progressive. The state income tax is 20% on the taxable income exceeding SEK 430 200 (in 2015) and 25% on the incomes above SEK 616,100 (EUR 69,837). After withholding the tax, every municipality collects taxes to be charged to the local budget – 29 to 34%, depending on the municipality. Still, the church tax is to be paid and the burial costs at a rate of about 1-2%.

The capital gains are taxed at a flat rate of 30% determined by the state, not subject to the non-taxable amount.

A taxpayer may deduct the taxable minimum – a personal tax allowance at an amount of SEK 13,100 to SEK 34,300 from the taxable

income, if, during the year, the person has had an unlimited liability on tax obligations. In 2015, a standard allowance is SEK 18,800 in relation to the taxable income up to SEK 44,400. The allowance is being gradually increased up to the maximum of SEK 34,300 in relation to the certain income groups and then gradually decreased to SEK 13,100 on the incomes exceeding SEK 349,000.

Comparing both income taxes, it can be concluded that different tax regimes are applied to the performers of economic activities, depending on the chosen form of the enterprise; the above mentioned is outlined by K. Edmark and R. Gordon in their study on companies in Sweden. Moreover, they point out that the tax incentives are important for the companies, too (Edmark et al., 2013). It is in sight in Latvia as well, since the rate of the corporate income tax for companies is by 8% lower than the one paid by personal income tax payers.

The other tax that uses the personal incomes of natural persons as a tax base is the state compulsory social security contributions. Revenue accruing from these payments is used for specific purposes – public financing of the social security system. Common types of the social security are: pension insurance; unemployment insurance; work accident insurance; disability insurance; maternity and sickness insurance; parents' insurance.

State social insurance contribution rates primarily depend on the type of insurance the person is insured for. Similarly, in the reviewed countries, the breakdown of the rates paid by employer and employee differs (Table 4).

Table 4 Social security contributions rate, 2015
(FM, EMTA, Nordisk e-tax, 2015)

Country	Rate, %		
	Total	Employers	Employees
Latvia	34.09	23.59	10.50
Estonia	35.00	33.00	2.00
Denmark	-	-	DKK 900
Finland	28.61	19.47	9.14
Sweden	38.42	31.42	7.00

In **Latvia** since 2014, the maximum annual amount, according to which the state social insurance contributions are paid, has been renewed, comprising EUR 48,600 per year in 2015; a minimum amount of the contributions to be paid by a self-employed and voluntary self-insured person comprise twelve minimum monthly wages as defined by the Cabinet of Ministers (4 320 EUR in 2015).

In **Estonia**, the social tax rate is 33%, of which 20% is allocated to the state pension insurance fund and 13% to the health insurance fund. The employee pays in addition 2% as an unemployment insurance contribution.

There is no maximum amount of the social tax contributions determined, it depends merely on the incomes of person; though, the minimum payment to be paid regardless of the amount of incomes is defined. In 2015, the minimum payment per employee is fixed at EUR 117.15 per month; for the self-employed person the minimum payment is EUR 1 405.80 per year.

In **Denmark**, social security payments are part of the state income tax. The employee shall pay a health contribution of DKK 900 (Deloitte.com, 2015).

In **Finland**, the average contribution of the employer is 17.35% of the employee's wage for the pension insurance and 2.04% for social security. The employee's contribution is usually 2.04% for the health insurance and 5.75% - 7.1% for the pension and unemployment insurance. The unemployment insurance contribution is 0.5%, and the pension insurance contribution is 7.05%, while for people over 53 years it is 5.55%. The health insurance contributions for medical care are paid by unemployed persons as well.

In **Sweden**, the employer's contributions consist of the following: old-age pension contribution, the survivor's pension contribution, health insurance, parental insurance, occupational accident insurance, and unemployment contribution, totalling 31.42%; in addition, the employee pays the pension insurance contributions of 7%.

The real estate (immovable property) tax is mainly the tax paid into the municipal budget. This tax is levied on land and/or buildings, as well, in some countries, on engineering structures. The property tax rates are generally determined as a % of the property's cadastral (market) value.

In **Latvia**, the real estate (immovable property) tax is paid on buildings, land and engineering structures at the rates determined by the municipalities. The rate may vary from 0.2% to 3%, depending on the taxable object (FM, 2015).

In **Estonia**, the entire land area is subject to the land tax. The annual rate of the land tax varies from 0.1% - 2.5%, depending on the cadastral value of land. Rates are set by the municipalities (EMTA, 2015).

In **Denmark**, the real estate tax consists of the land and the property tax. The property tax is calculated on the basis of the real estate assessment (paid for the owned house or apartment). The property tax rate is 1% if its value is equal to EUR 408,000, and 3% if the property is

valued above EUR 408,000. The immovable property value is revalued every second year. The land tax rate varies from 1.6% to 3.4%, depending on the municipality where the land is situated (Nordisk e-tax, 2015).

In **Finland**, the real estate tax is defined as a local government council tax, calculated as a % of the taxable value of the property. Municipalities may set the tax rates within the following ranges: the general real estate tax from 0.80 to 1.55%; the tax on residential houses from 0.37 to 0.80%; the tax on other property from 0.80 to 1.55%; the tax on the building land from 1.00 to 3.00% (Nordisk e-tax, 2015).

In **Sweden**, the real estate tax, depending on the type of use of the property, is 0.5% of the assessment value on the industrial property or 1% of the assessment value on commercial buildings. The rate on the residential housing is determined by the municipalities. If the property is situated in Sweden, the rate set by the municipality is 0.75% of the property's cadastral value, but not more than SEK 7 262 per year (Nordisk e-tax, 2015).

In order to receive budget tax revenues, the compliance with the tax payment regime is essential. In Estonia, tax evasion is more frequent in the construction, agriculture, and service sectors. Tax evasion in these sectors may be a result of the fact that small enterprises operating in these sectors more often use to pay wages "under the counter" and employ staff on verbal contracts (Kriz et al., 2007). Similar problems exist in Latvia as well.

Conclusions and Suggestions

In Latvia, there is the lowest tax burden and, at the same time, the lowest GDP per capita, which means lagging behind Denmark and Sweden up to 4 times. Main tax revenues comprise direct taxes along with the social insurance contributions. In Latvia, labour force taxes comprise half of the total tax burden, which points out one of the tax policy problems. The least tax revenues received by the municipal budgets are in Latvia and Estonia, the most – in Sweden (34.9%). However, the most tax revenues are transferred to the state budget in Denmark and Estonia, but the most tax revenue to the social security fund is transferred in Latvia (30.2%) and Finland (29.7%) indicating that there are differences in the tax revenue distribution between budgets among the countries.

The CIT rates tend to decline; the method for calculating capital investment depreciation, the rates provided by the legislation, and the applicable exemptions differ over the countries. In Estonia, a deferred taxation regime exists, since only distributed profits are taxable. In Denmark and Finland, a share of the corporate income tax is transferred

to the municipal budgets. In Latvia, taxation only on the distributed profits should be introduced as well, thus motivating entrepreneurs to attract investments and to invest excess funds in the enterprise development.

The PIT is one of the sources to finance functions of local governments, providing part of the municipal budget revenues. In Latvia and Estonia, the municipal budgets receive a fixed fiscal percentage of the total revenues, which is larger in favour of the municipalities in Latvia. However, in Denmark, Finland, and Sweden, the municipalities determine the tax rate on the taxable income within the framework of the law. In Latvia, there is the lowest non-taxable minimum subject to the PIT, which should be assessed and increased in Latvia as well.

Social security contributions depend on the financing arrangements of the services provided; however, the property tax rates are set by the local governments and depend on the property location and purpose of its use.

An important aspect is the compliance with the tax regime; in Latvia, not only tax administration should be improved, educational activities should be organized to motivate the individuals to pay taxes.

Reducing the labour force taxes in Latvia, taxation of the corporate income prior to the distribution of profit, improving tax administration, as well as the revision of the tax-sharing between the state and the municipal budgets, could improve the economic activity and to advance the arrangements for funding the regions, thus proving the author's hypothesis.

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TIEŠO NODOKĻU INSTRUMENTĀRIJA IZVĒRTĒJUMS

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Kopsavilkums

Veidojot nodokļu sistēmu, katrai valstij ir jādomā ne tikai par lielāku ieņēmumu iekasēšanu no nodokļu maksātājiem, bet jāspēj attīstīt uzņēmējdarbības vidi un veicināt tautas labklājību, samazinot atšķirības reģionu attīstībā, kas ir aktuāla problēma Latvijā. Pētījuma mērķis ir izvērtēt tiešo nodokļu sistēmu Latvijā, salīdzinot to ar Igaunijas, Zviedrijas, Somijas un Dānijas nodokļu sistēmām, lai atklātu kopējo un atšķirīgo, kā arī uzzinātu kādu pieredzi varētu pārņemt Latvija. Pētījumā izmantota monogrāfiski aprakstošā metode, statistiskās metodes ekonomikā un loģiskās un konstruktīvās metodes.

Pētījumā izpētītas sakarības starp tiešo nodokļu instrumentārija elementiem, atklātas atšķirības un izdarīti secinājumi, ko Latvija varētu izvērtēt nodokļu sistēmas pilnveidošanai. Latvijā ir zemākais nodokļu slogs un vienlaicīgi arī IKP uz vienu iedzīvotāju, kas pat 4 reizes atpaliek no šī rādītāja Dānijā un Zviedrijā. Darbaspēka nodokļi sastāda pusi no kopējā nodokļu sloga, kas parāda vienu no nodokļu politikas problēmām. Starp izpētītajām valstīm pastāv atšķirīgs nodokļu ieņēmumu sadalījums starp budžetiem. Pašvaldības budžets no nodokļu ieņēmumiem vismazāk saņem Latvijā un Igaunijā, bet visvairāk Zviedrijā (34,9%). Igaunijā UIN darbojas atliktā nodokļa režīms, jo ar nodokli tiek aplikta tikai sadalītā peļņa. Dānijā un Somijā daļu no UIN ieskaita pašvaldību budžetos. Latvijā būtu jāievieš arī nodokļa piemērošana tikai sadalītajai peļņai, lai uzņēmēji būtu ieinteresēti piesaistīt investīcijas un ieguldīt brīvos līdzekļus uzņēmumu attīstībai. Latvijā un Igaunijā pašvaldību budžeti saņem

noteiktu fiskālo procentu no kopējiem IIN ieņēmumiem, kas Igaunijā ir lielāks par labu pašvaldībām. Savukārt Dānijā, Somijā un Zviedrijā pašvaldības nosaka IIN likmes no apliekamā ienākuma. Latvijā ir pats zemākais ar IIN neapliekamais minimums, ko vajadzētu izvērtēt un paaugstināt.

Svarīgs moments ir nodokļu maksāšanas režīma ievērošana, kur Latvijā būtu jāuzlabo ne tikai nodokļu administrēšanas darbs, bet arī jāorganizē izglītojoši pasākumi, lai ieinteresētu personas maksāt nodokļus.

Atslēgas vārdi: ienākuma nodokļi; īpašuma nodokļi; nodokļu politika; pašvaldības nodokļi; sociālās apdrošināšanas iemaksas.