COMPARATIVE REVIEW OF TAXES IN THE EUROPEAN UNION DURING THE PERIOD 1995-2007

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Abstract. The tax burden has constantly increased in the countries of the European Union at the end of the 90's, largely reflecting an expansion of the public sector. During that period, many EU countries adopted measures to lower taxes, but the tax system level is still high compared with other countries. The mix of tax policies is very different from country to country.

Keywords: *tax burden, tax policy*

JEL Classification: *H2*

1. Aspects of the tax system economic influences

The tax policy is an element of the national sovereignty, an instrument of economic adjustment that may be used to influence consumption, to encourage savings or to modify the way of organising companies.

The tax may be an especially important lever by which the state can influence the economy. As a matter of fact, it is the most efficient way by which the state may encourage certain types of activity or can influence others' restraint.

A few of the technical ways to transform tax into an instrument of the economic and social policy are: adaptation of the taxes calculation basis; instituting monopolies; creating an exemptions and facilities system; taxes over-sizing; tax return systems. Tax stability and resiliency are two symmetrical principles.

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A tax is stable when it strictly follows all temporary variations which affect the taxable material. Resiliency means the absence of the taxable material opposition to the tax-rate variation.

Laffer curve describes certain restrictions about the way to manipulate the tax pressure from the viewpoint of the necessity to back the budget deficit, namely: there exists an optimum level of the tax pressure, a level at which budget revenues are maximum. Exceeding this threshold by tax pressure results into decreasing budget revenues and not in their increase, because labor is discouraged and business is supplementary penalized due to the higher value of the budget direct debiting of the obtained revenues.

All economies have experienced an open conflict between the tax output and tax equity. This conflict does not exist in theory, namely the better established a tax and the better the tax charge distributed among the members of the society, the highest its efficiency. But, in reality, they say: "productive taxes are not correct, and correct taxes are not productive".

The tax policy gets a more important significance through the adjustment programs oriented toward economic growth. The tax policy measures should not only contribute to the increase of the internal savings growth required to finance investment associated to the objectives of the economic growth, but a special attention should also be paid to the ways the tax policy influences the resources' distribution and the economic growth.

2. EU tax regulations

The structure of the public financial resources is very different from one country to another one. While in the developed countries most of the public financial resources are based upon direct taxes, in the developing countries – among which, Romania – the main source consists of indirect taxes, especially in taxes on consumption (VAT, excises).

By direct taxes, EU countries aim to the following main objectives: prevention of the tax evasion and avoidance of double taxation.

Direct taxes are defined as current taxes on revenues and fortune supplemented by the taxes on the capital which include taxes such as the taxes on successions and donations. The taxes on revenues include both the taxes on individuals' revenues and taxes on legal entities' revenues or profits, as well as the taxes on the capital-gains.

The Treaty on the Establishment of the European Community does not stipulate explicit provisions for the harmonization in the direct taxation field. This may be explained by the fact that, for most of the cases, it is no need to harmonize the direct taxation, this being applied strictly inside each member-state.

The tax regulations concerning the direct taxes are decided by each member-state according to their need of resources, to their tradition, to the typology of the operations they perform etc. But it is possible the direct taxation affect the four fundamental liberties needed to create and maintain the European Union, respectively: the liberty of goods, persons, services and capitals circulation. That is why it is necessary the direct taxation should observe the assurance of these liberties. However, we may not say there exists a harmonization of the direct taxes, the way it exists in the indirect taxes field. As a matter of fact, the first legislative measures in the direct taxes field were taken in the year 1990.

Concerning the legal entities taxation, the European Union aimed the following about the harmonization:

- creation of a joint taxation system applicable to merges, divisions, assets assignment and share-exchanges among companies belonging to the different member-states of the EU;
- creation of a joint system for the profit-taxation among the branches and the mother-company;
- creation of a joint taxation system applicable to the interests and dividends payment among the affiliated entities.

On June 30, 2003, a new directive on the direct taxation was adopted, namely the Directive 2003/49/EC concerning a joint taxation system applicable to interests and dividends payment among affiliated companies in different member-states. The purpose of this directive consists of assuring the fact the interests and royalties paid among different affiliated companies should be once taxed in a member-state, the basic idea being to eliminate the taxation at the source of the interests and royalties payment among affiliated companies.

According to the provisions of this Directive, the interests and royalties payments should be exempted from taxes imposed by their source state provided their beneficiary should be a company in another member-state. These provisions are applied only in case the payments are effected between two affiliated companies. The member-states are also allowed the right not to apply the provisions of this directive in case the condition concerning the affiliated companies' status is not in force for a continuous period of at least two years.

To grant exemption, the source state may impose evidence on the fulfillment of the conditions concerning the status of affiliated companies by a certificate. Within maximum three months following the submission of the certificate, the source state should decide upon granting the exemption for a period of at least one year, but not longer than three years based upon the same certificate. In case the company who pays the interest or the royalty has retained the tax which it was exempted from at the source, it may request its reimbursement within a period of maximum two years following the date of the interest or royalty payment. The source state has to reimburse the respective tax within one year following the date of the application submission. In case the state does not reimburse this tax within one year, the company who has paid it has the right to calculate and request interest for the amount not received, an interest calculated at the level of the interest rate applicable to similar cases according to the international legislation.

Concerning Romania, according to the III-rd Position Complementary Document, there has been requested a 4-year transition period, since the moment of Romania's joining the European Union, respectively since the date of 31.12.2010, for the putting into practice of the provisions stipulated in this directive. But there have been implemented some provisions concerning the terms definition through Law 571/2003 – Taxation Code, with further modifications and complements.

The direct taxes allow a larger re-distribution, for it is not practical to implement the progress principle to the indirect taxes. The application of direct taxes, more "visible" for voters, tends to be larger in countries where the objectives of taxes re-distribution are more evident.

The community legislation concerning the tax on profit is grounded by the provisions of the Treaty of Maastricht[1] which approve the adopting of directives intended to improve law, regulations or administrative provisions of the member-states which directly influence the operation of the Common Market.

The measures adopted by the member-states aiming to lower the tax burden upon salaries (among which, Romania, in 2005 through the Government Emergency Ordinance no. 138 /December 30, 2004 for the modification and supplementing of Law no. 571/2003 concerning the Taxation Code, by adopting the sole tax of 16%), by lowering the tax on salary-revenues, have resulted into the increase of the occupation degree. The Treaty of Maastricht stipulates

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[1] *EU Treaty , art. 100.*

provisions concerning the taxation of the salary-revenues and the social insurance contributions[2], by mentioning that the liberty of movement of the labor force leads to the elimination of any nationality-related discrimination in the member-states concerning the occupation degree, remuneration and other labor conditions.

3. Comparative level of taxes among the European Union states

The tax on individuals' revenues represents at present the most important source of tax preservation, at least in the OCDE countries, where it assures about 30% of the tax receipts.

The taxes contribution to the formation of the state's taxation revenues usually differs according to the level of the economic development, so that in the developed countries the contribution of the indirect taxes is lower than the contribution of the direct taxes, and the weight of the indirect taxes within the total taxation receipts is different from one country to another.

In the developed countries, the contribution of the indirect taxes to the formation of the state's taxation revenues is lower (max. 40%) than the contribution of the direct revenues taxation, while, in the developing countries, this ratio is reversed; in our country, this has changed in favor of the indirect taxes during the period 1994-1995, at present reaching the level up to 75-80%. This fact is explained by the low level of the revenues, profits and fortunes (or fortune elements) held by the individuals and legal entities in these countries, which would assure the collection of more indirect taxes.

Generally, the countries newly joining EU have a different structure if compared to the 15 countries which previously joined the EU; while most of the 15-EU countries generally get the same percentage of revenues from direct taxes, indirect taxes and social contributions, the new member-states are featured by a substantially low weight of direct taxes within the total revenues. The lowest percentages of direct taxes are in Bulgaria (only 17.9% of the total), Romania (19.1%) and Poland (20.5%) – a country where the direct taxes rate lowered by one third compared to 1995. One of the reasons grounding this difference is the low level of the taxes imposed in the new member-states concerning the

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[2] *EU Treaty, art. 48.*

personal and corporate revenues; about the progressive taxation, some countries have given up with it in favor of the plate taxation (an example is Slovakia).

Among the old 15-EU countries, other differences have to be also mentioned. The Northern countries (Sweden, Denmark, and Finland) insist more on the direct taxation, differently from the Southern countries (especially Greece and Portugal) which are featured by high rates of indirect taxes. Denmark is to be remarked, for most of the social expenses are mainly based upon taxes instead of social contributions; thus, in Denmark, the direct taxes rate within the total revenues from taxes is the highest within the whole Union, while the revenues from social contributions are low. In Germany, the opposite phenomenon is obvious: Germany records the highest weight of social contributions and the lowest rate of direct taxes within EU-15; France is a similar case.

The weighted tax-to-GDP ratio[3] (i.e. the total amount of taxes and social security contributions) in the **EU27** increased to 39.9% in 2006 from 39.3% in 2005. The **EU27**[4] tax ratio is nevertheless lower than in 1996 (40.3%) and the peak of 41.0% in 1999. The downtrend which had started in 1999 in most Member States stopped in 2005. In 2006, the overall tax ratio in the **euro area** (EA15) was 40.5%, up from 39.8% in 2005. Since 1996, taxes in the **euro area** have followed a similar trend to the **EU27**, although at a slightly higher level.

EU[5] tax levels remain generally high in comparison with the rest of the world, with the **EU27** tax ratio exceeding those of the **USA** and **Japan** by some 12 percentage points. However, the tax burden varies significantly between Member States, ranging in 2006 from less than 30% in **Romania** (28.6%), **Slovakia** (29.3%) and **Lithuania** (29.7%), to almost 50% in **Denmark** (49.1%) and **Sweden** (48.9%).

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[3] *The tax-to-GDP ratio measures the* ***overall tax burden*** *as the total amount of taxes and compulsory actual social security contributions as a percentage of GDP. This indicator is widely used to measure the overall tax burden but includes the taxes that are raised on social transfers. Because social transfer recipients often receive directly a net payment they do not feel the burden of paying taxes. This definition differs slightly from the one used in the Statistics in Focus, Economy and Finance, 47/2008, "Tax revenue in the EU", which includes the voluntary and imputed social contributions. The difference between the two measures amounts to around 1½% of GDP for the EU and euro area aggregates.*

[4] *The Statistical Office of the European Communities and the Commission's Directorate-General for Taxation and Customs Union, Taxation trends in the European Union: Data for the EU Member States and Norway issued by Eurostat.*

[5] *The Statistical Office of the European Communities and the Commission's Directorate-General for Taxation and Customs Union compiles tax indicators in a harmonised framework based on* ***the European System of Accounts (ESA 95),*** *allowing accurate comparison of the tax systems and tax policies between EU Member States.*

In the past decade significant changes in tax-to-GDP ratios have taken place in several Member States. The largest falls were recorded in **Slovakia**, where the overall tax burden dropped from 39.4% in 1996 to 29.3% in 2006, and **Estonia** (from 35.1% to 31.0%). The highest increases were observed in **Cyprus** (from 26.4% to 36.6%) and **Malta** (from 25.4% to 33.8%).

Labor taxes remain the largest source of tax revenue, representing close to half of total tax receipts in the **EU27**. Taxes on capital accounted for approximately 23% of total tax receipts, and consumption taxes 28%.

For the **EU27** as a whole, the average implicit tax rate (ITR) on labour (including social contributions), the preferred indicator for the average tax burden, amounted to 34.8% in 2006, compared with 34.6% in 2005. The decline registered since 2000 stopped in 2005, despite a wide consensus on the desirability of reducing labour taxes. However, the tax burden is still lower than its maximum of 36.2% in 2000. Among the Member States, in 2006 this rate ranged from 21.5% in **Malta**, 24.2% in **Cyprus**, 25.1% in **Ireland** and 25.5% in the **United Kingdom**, to 44.5% in **Sweden**, 43.0% in **Italy**, 42.8% in **Belgium** and 42.1% in **France**. *Despite the presence of a number of low taxing countries, taxation on labour is, on average, much higher in the EU than in the other main industrialised economies.*

In line with the development over the last few years, the average implicit tax rate on consumption[4] in the **EU27** increased again in 2006, though only marginally, from 22.0% to 22.1%. Consumption was most taxed in **Denmark** (34.0%), **Sweden** (28.1%) and **Finland** (27.3%), while the lowest implicit rates were registered in **Spain** (16.4%), **Lithuania** (16.7%) and **Italy** (17.2%).

The average implicit tax rate on capital in the **EU27** rose sharply from 26.8% in 2005 to 29.0% in 2006, which could be mainly attributed to business cycle effects. There is considerable disparity in this ratio: among the Member States for which 2006 data are available, the highest implicit tax rates on capital were recorded in **Ireland** (42.5%), **France** (41.5%) and **Denmark** (40.9%), and the lowest in **Estonia** (8.4%) and **Lithuania** (14.1%). **Latvia** registered 9.6% in 2005.

Table 1

Tax revenue and implicit tax rates by type of economic activity

	Tax revenue, % of GDP			Implicit tax rate on:								
				Consumption			Labour			Capital		
	1996	2005	2006	1996	2005	2006	1996	2005	2006	1996	2005	2006
EU27**	**40.3**	**39.3**	**39.9**	**21.1**	**22.0**	**22.1**	**35.7**	**34.6**	**34.8**	**24.6**	**26.8**	**29.0**
EA15**	**40.7**	**39.8**	**40.5**	**19.9**	**21.4**	**21.6**	**34.1**	**34.4**	**34.7**	**25.4**	**30.0**	**31.7**
BE	44.4	44.9	44.6	21.3	22.2	22.4	43.4	43.9	42.8	26.7	32.1	32.3
BG	:	34.1	34.4	:	24.4	25.9	:	34.7	30.9	:	:	:
CZ	34.7	37.1	36.2	21.2	22.2	21.2	39.5	41.7	41.0	22.3	25.5	24.9
DK	49.2	50.7	49.1	31.6	33.6	34.0	40.2	37.5	37.0	30.9	47.7	40.9
DE	40.7	38.7	39.3	18.3	18.0	18.2	39.6	38.6	39.6	25.6	22.9	23.4
EE	35.1	30.6	31.0	19.1	22.8	23.6	39.1	34.1	33.9	16.0	7.9	8.4
IE	33.1	30.8	32.6	24.7	26.5	26.9	29.3	25.1	25.1	27.1	37.5	42.5
EL	29.4	31.3	31.4	17.7	17.0	17.6	35.7	37.8	38.1	11.6	:	:
ES	33.1	35.6	36.5	14.4	16.3	16.4	29.5	30.6	31.6	20.6	36.0	38.7
FR	43.9	43.8	44.2	22.1	20.1	20.0	41.5	41.7	42.1	34.7	40.0	41.5
IT	41.8	40.6	42.3	17.1	16.8	17.2	41.5	42.8	43.0	28.2	30.4	34.4
CY	26.4	35.5	36.6	12.3	20.0	20.4	22.3	24.5	24.2	:	31.0	36.6
LV	30.8	29.0	30.1	17.9	20.2	20.0	34.6	33.2	33.5	15.7	9.6	:
LT	27.9	28.8	29.7	16.4	16.5	16.7	35.0	34.9	34.1	15.4	11.5	14.1
LU	37.6	37.8	35.6	20.8	25.5	25.1	29.6	30.0	29.6	:	:	:
HU	40.6	37.4	37.2	29.5	26.4	25.8	43.1	37.8	39.0	:	:	:
MT	25.4	33.7	33.8	14.0	19.1	19.8	17.8	21.9	21.5	:	:	:
NL	40.2	37.9	39.5	23.3	25.3	26.9	33.3	30.5	33.5	23.2	20.7	20.0
AT	42.6	42.0	41.8	20.7	21.2	20.9	39.5	41.0	41.2	28.0	23.2	23.4
PL	37.2	32.8	33.8	21.2	19.6	20.2	36.3	33.1	34.4	21.3	22.2	:
PT	32.8	35.1	35.9	19.5	20.6	21.1	26.5	28.4	28.5	23.0	28.1	:
RO	:	27.9	28.6	:	18.0	17.7	:	29.1	:	:	:	:
SI	39.1	39.3	39.1	24.7	24.2	24.2	37.1	37.5	37.6	:	:	:
SK	39.4	31.5	29.3	24.2	22.2	20.2	39.4	32.9	30.3	33.3	19.1	18.1
FI	47.0	44.0	43.5	27.4	27.6	27.3	45.3	41.5	41.5	30.9	27.5	24.6
SE	50.3	49.5	48.9	27.2	28.1	28.1	48.0	44.7	44.5	26.6	:	:
UK	35.0	36.6	37.4	19.9	18.7	18.5	24.8	25.3	25.5	31.8	36.8	39.7
NO	42.4	43.5	44.0	31.0	29.7	31.1	38.2	38.5	38.0	:	:	:

* *Implicit tax rates (ITR) measure the effective average tax burden on different types of economic income or activities, i.e. on labour, consumption and capital. ITR express aggregate tax revenues as a percentage of the potential tax base for each field.*

** *EU27 and EA15 overall tax ratios are computed on the basis of a GDP-weighted average. For all other indicators the aggregates are calculated as arithmetic averages of the Member States for which the respective annual data are available.*

: Data not available

***Source**: European Commission Services.*

The *ITR on labour* is the ratio between taxes and social contributions paid on earned income and the cost of labour. The numerator includes all direct and indirect taxes and employees' and employers' social contributions levied on employed labour income, while the denominator amounts to the total compensation of employees working in the economic territory increased by taxes on wage bill and payroll. It is calculated for employed labour only (so excluding the tax burden falling on social transfers, including pensions). The average may conceal important variations in the tax burden across the income distribution.

The *ITR on consumption* is the ratio between the revenue from consumption taxes and the final consumption expenditure of households on the economic territory.

The *ITR on capital* includes, in the numerator, the taxes levied on the income earned from savings and investments by households and corporations and taxes related to stocks of capital stemming from savings and investment in previous periods. The denominator of the capital ITR is a proxy of the world-wide capital and business income of Member States' residents for domestic tax purposes. Trends in the capital ITR reflect a wide range of factors and it should be interpreted with caution.

Table 2

Top statutory personal income tax rate on 2007 income, %

RO	SK	EE	BG	LV	LT	CY	CZ	MT	EU27*	LU	HU	EL	FR	PL
16.0	19.0	22.0	24.0	25.0	27.0	30.0	32.0	35.0	38.7	39.0	40.0	40.0	40.0	40.0

UK	EA15*	IE	SI	PT	IT	ES	DE	BE	AT	FI	NL	SE	DK
40.0	40.2	41.0	41.0	42.0	43.0	43.0	47.5	50.0	50.0	50.5	52.0	56.6	59.0

** Arithmetic average*

***Source**: European Commission Services.*

The top personal income tax rate differs substantially within the EU. The highest top rates on 2007 personal income were found in **Denmark** (59.0%), **Sweden** (56.6%), the **Netherlands** (52.0%) and **Finland** (50.5%), and the lowest in **Romania** (16.0%), **Slovakia** (19.0%), **Estonia** (22.0%) and **Bulgaria** (24.0%).

As might be expected, the highest rates are typical of Member States with the most elevated overall tax ratios, such as the Nordic countries, although the Netherlands show the third highest top personal income tax rate while being ranked 14th in terms of the tax ratio (excluding social security contributions). Not

surprisingly, the lowest rates are found in Slovakia and Romania, where the tax ratio is respectively the lowest and the second lowest in the Union.

In a number of EU Member States, decentralization has been an important feature for several years now.

Accordingly, data for 2006 show that the share of total tax revenue accruing to state and local government remains on an upward trend. In contrast, social security funds, possibly owing to pension reform, have received a shrinking portion of revenue. The trends for the central government level are less clear-cut. The trend towards a greater share of local or State (for federal countries) taxes is also quite clear in the comparison with the base year 1995, particularly in the larger EU Member States: in the weighted average, EU-25 local government tax revenue has risen by some 17 % to 4.1 % of GDP.

Table 3

Top statutory tax rate* on corporate income in 2008, %

BG	CY	IE	LV	LT	RO	PL	SK	EE	CZ	HU	SI	EU27**	EL	AT
10.0	10.0	12.5	15.0	15.0	16.0	19.0	19.0	21.0	21.0	21.3	22.0	23.6	25.0	25.0

DK	NL	FI	PT	EA15**	SE	LU	DE	UK	ES	IT	BE	FR	MT
25.0	25.5	26.0	26.5	26.5	28.0	29.6	29.8	30.0	30.0	31.4	34.0	34.4	35.0

* *Adjusted top statutory tax rate on corporate income takes into account corporate income tax (CIT) and, if they exist, surcharges, local taxes, or even additional taxes levied on tax bases that are similar but often not identical to the CIT. In order to take these features into account, the simple CIT rate has been adjusted for comparison purposes.*

** *Arithmetic average.*

***Source**: European Commission Services.*

For corporate income tax, the highest adjusted top statutory tax rates on 2008 income were recorded in **Malta** (35.0%), **France** (34.4%), **Belgium** (34.0%) and **Italy** (31.4%), and the lowest in **Bulgaria** and **Cyprus** (both 10.0%), **Ireland** (12.5%), **Latvia** and **Lithuania** (both 15.0%).

Over recent years, top rates have shown a clear downward trend in the whole of the EU, particularly in the corporate area. Since the second half of the 1990s, corporate income tax (CIT) rates in Europe have been cut forcefully. This trend has continued in 2008, as shown by an 0.9 percentage point drop in the EU-27 average. The cut was even stronger in the euro area (1.2 points), whose rates nevertheless remain somewhat higher (at 26.5 %, the EA-15 average is almost three points above the average for the Union as a whole). Seven Member States

countries cut the corporate tax rate in 2008, most prominently Germany (-8.9 points to 29.8 %) and Italy (-5.9 points to 31.4 %). No country increased the CIT rate. On average, the new Member States display markedly lower top rates.

Although the downward trend has been quite general, corporate tax rates still vary substantially within the Union. The adjusted statutory tax rate on corporate income varies between a minimum of 10 % (in Bulgaria and Cyprus) and a maximum of 35 % in Malta, although the gap between the maximum and the minimum has shrunk since 1995.

As in the case of personal income tax, the lowest rates are typical of countries with low overall tax ratios; consequently, the new Member States tend to have low rates (with the notable exception of Malta, which is also the only Member State, together with Sweden, not having changed its CIT rate since 1995). The reverse is, however, not true: unlike in the case of the personal income tax, the two Member States with the highest tax burden, Denmark and Sweden, display corporate tax rates that are not much above the average. This is linked to the adoption by these countries of Dual Income Tax systems, which by nature tax capital income at a moderate rate.

EU tax levels remain generally high in comparison with the rest of the world, with the **EU27** tax ratio exceeding those of the **USA** and **Japan** by some 12 percentage points.

4. Taxes evolution Romania

In Romania, since January 2005, the tax on profit has lowered from 19% to 16%, and the progressive scale (14%-38%) of the individuals' incomes which used to be globally taxed has been replaced by the 16% tax. A few changes have also been operated, especially the increase of the tax rate on the micro-companies income from, 1.5% to 2.5% for 2008, the other aspects remaining the same: the 1% tax on bonds sale is the same, but there still exists the possibility of making use of the micro-companies for the remuneration of the well-paid employees, and the tax on dividends.

The weight of the incomes from direct taxes within the total tax incomes was 27.2% in 2005 and 26.9% in 2006, followed by a spectacular increase to 32.6% in 2007, reaching 33.7%[6] in 2008. A more clearly economic image of these weights is shown in diagram 1.

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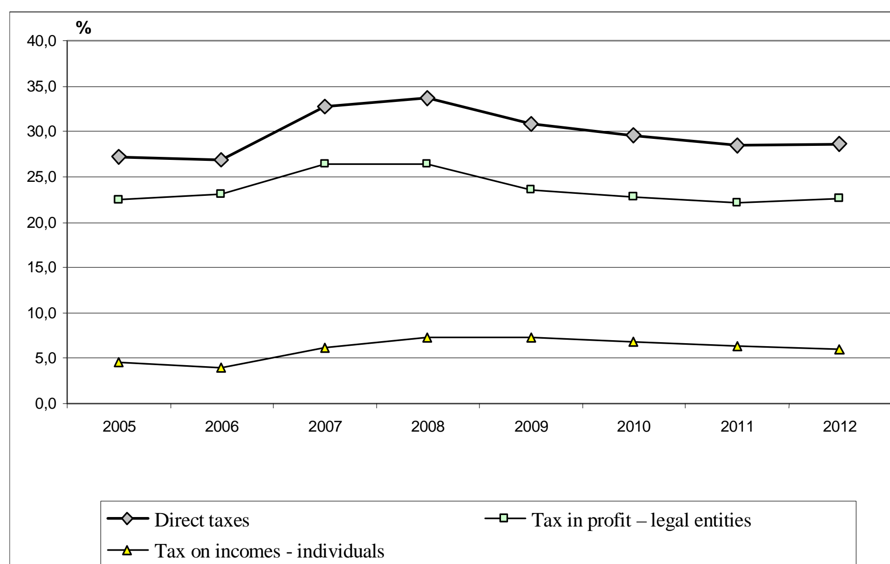
[6] Calculation based upon data supplied by the Ministry of Economy and Finance (2009); for the year 2008, they are grounded by preliminary nominal values

Concerning the indirect taxes, in Romania the standard value added tax (VAT) rate is 19%. The low rate is 9% and it is applied to the following service-providing and/or goods deliveries: human and veterinary use medicines, right to enter castles, museums, memorial houses, historic monuments, school-manuals delivery, hotels accommodation. Exemptions: medical services, certain financial and banking services, research-development and innovation activities for programs, sub-programs and projects achievement.

Graph 1

Evolution of the weight of the direct tax incomes within the total tax incomes



***Source**: Calculation based upon data supplied by the Ministry of Economy and Finance (2009)*

In Romania, the standard VAT rate is lower than in the European Union member-states, but it is much higher than the minimum level established through EU rules (15%). For the same standard VAT rate in Romania and Slovakia, the budget incomes from VAT are much lower in Romania.

Conclusions

The taxes contribution to the tax incomes structure within the European Union member-states is different and depends on the level of the economic development; thus, in the developed countries, the contribution of the indirect taxes is much lower than the contribution of the direct taxes and the weight of the indirect taxes within the total tax collection is different from one country to another.

In Romania, starting with the year 2005, the taxes on incomes and profit have recorded the lowest rates (16%), but their contribution to the budget incomes has increased, which proves that the measures intended to these taxes lowering have reached their main purpose, namely the increase of the taxable basis.

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