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THE TAX BURDEN IN EU-27

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ABSTRACT. The present papers presents the problem of tax burden at the level of European Union between 2001 and 2006. The first part presents various opinions regarding the tax burden. The second part focused on the analysis of overall tax burden evolution over the period 2001-2006. The third part is focused on the overall picture of tax burden during 2006 and makes an overview regarding the three pillars that support the European fiscal system.

Keywords: tax burden, taxation, European Union, fiscal policy, tax revenues.

1. Definition and forms of tax burden

Considering that there are reasons for the state (public powers) to supply public goods and services, as well as to perform income transfers within society, one must agree that, in order to achieve this, the state requires funds/ resources. The financing methods of public expenses have changed in time, but there is no doubt that taxes are perennially and that, in the end, no one can avoid completely paying them (Hoanță, 2000, p. 150).

The natural consequence of establishing taxes in society was the experiencing of a tax burden by the taxpayers.

The constitutional principle of the need for taxation, to which historical reality is added, prove that for a society it is very difficult, if not impossible, to exist without taxes. In its turn, the honest taxpayer, with civic spirit, sees taxes as a necessary evil and consents to pay them (Hoanță, 2000, p. 161). However, when the taxes exceed certain tolerable limits, when they inhibit initiative or, worse, when they incite to fiscal rebellion and other such actions, the terms change. Then, we are in a situation in which the taxpayers fully feel the tax burden effects, paralyzing their normal behavior in economy and society (Hoanță, 2000, p. 161).

Tax burden is a concept closely related to that of taxation policy, being often used to describe the former level. The harshening or relaxing of

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the taxation policy is often spoken about. Obviously, it is a matter of increasing or lowering the level of taxation, thus modifying the tax burden. The level of taxation cannot be assessed in relation to the absolute volume of taxes, even if its evolution in time is followed. The tax volume may change in the conditions when the state does not modify its claims with respect to the taxpayers, the tax burden remaining constant. The level of taxation or the tax burden signify how burdensome are the taxes or, in other words, how heavy is the tax burden the taxpayers should bear (Tulai, 2003, p. 287).

In order to measure tax burden, the tax-to-GDP ratio is calculated.

It represents „an indicator for measuring the part of revenue extracted from production, which transit the budget by means of a mandatory and public assignment process, instead of being left freely at the disposal of private initiative" (Manolescu, 1997, p. 69). Or, as underlines by other authors, as well, the tax burden or the fiscal effort reflects, from an economic aspect, the value of redistributions as part of the revenue created in the real economy being taken over by the state (Corduneanu, 1998, p. 33).

As indicated above, tax burden is, generally, given by the level tax-to-GDP ratio. There are variations of this ratio, depending on the structure of the fiscal incomes considered. Thus, one can speak of *overall tax burden* and *tax burden in the strict sense*.

The tax burden in the strict sense is calculates taking into consideration only the fiscal returns to the state budget (at the central level and at the level of the local communities). However, it does not reflect the entirety of the obligations towards the state and the whole taxable revenue.

Therefore, *the overall tax burden* is calculated by taking into account, together with the taxes and duties owed to the central budget and to the local budgets, the social security contributions, as well. In theory, social security contributions differ from taxes with respect to the fact that contributions should be payments in exchange for social insurance services rendered to the individual, such as health or old age insurance. In practice, however, workers have little or no control over the level of coverage and have little, if any, way of switching funds to obtain the same level of social security insurance at a lower cost; moreover, social security systems often involve substantial redistribution between fund members. These elements tend to assimilate social security payments to taxes.

For a real image of tax burden, the determination of the overall tax burden is more correct.

There are also opinions according to which, to this wide measure of taxation expressed by the overall tax burden should be added the entire budgetary deficit, financed by indebting the state, since the state loans are nothing other than delayed taxes or taxes cashed in with anticipation. This would be *the rate of extended taxation* (Tulai, 2003, p. 288; Hoanță, 2000, p. 166).

In fiscal practice there are used other derivate indicators for measuring the tax burden (at the national level), among which (Hoanță, 2000, p. 166; Tulai, 2003, pp. 288-289):

- *Rate of consolidated taxation* – eliminates certain tax bites with redundant character, for the purpose of expressing more correctly the part of tax revenue destined to finance the activity of the public administrations. The first level of consolidation consists of eliminating the social security contributions (SSC) and the taxes paid by the public administrations. The second level of consolidation is obtained through the elimination of all self-financed mandatory tax bites (meaning not only the ones incurred by the public administrations, but also those fed through the revenue transferred by the public administrations);
- *Rate of net taxation* – is obtained by eliminating from the mandatory tax bites the part spent by the state for the taxpayers' benefit in the form of social or other type of services for families or the individual and of subsidies granted to companies. Hence, only the mandatory tax bites necessary for the public administrations' functioning are taken into account, all elements merely transiting the public treasury (transfers, subsidies or allowances) being excluded. Such a rate of net taxation takes into account the tax reversibility phenomenon and the existence of negative tax.

Tax burden at the national level is technically determined by the needs of financing public expenses, and, as such, it is an objective tax burden. Apart from this burden, there is also a *psychological tax burden* (felt), which measures the tax tolerance threshold. It appears in the form of individual tax burden, established as the ratio between the total tax bites incurred by one taxpayer and the total income obtained by that individual prior to taxation. The level of tax burden differs from country to country and also from one taxpayer to the next, due to the difference of fiscal treatment and to the personalization of taxes depending on economic or social criteria.

Individual tax burden measures the sacrifice the taxpayer must consent to by paying taxes to the state. As a result, the expression of individual tax burden gives the possibility to take into account the subjective elements of social life.

Through its mere existence, taxes are able to modify the taxpayer's economic and social behavior, by means of the influence exerted on consumption and on its level of savings. From this point of view, the notion of marginal tax burden must also be considered; it is related to the existence of tax progressiveness. This type of burden must be treated separately from overall tax burden because there are essential differences between them. Thus, while overall tax burden may be high, the marginal rate may be low, and the other way around. Also, the reference to an average rate of tax burden may be insignificant without taking into account *the marginal burden*, which is, from psychological point of view, acutely felt by the taxpayer (Hoanță, 2000, p. 167).

Still, tax burden occurs, and it is difficult to make accurate differentiations between certain limits, as long as it remains tributary to certain random elements pertaining to the diversity of tax bites, the often occult character of their incorporation into prices, the volume of services the taxpayer receives from the community, which is very difficult to evaluate, the subjective elements, as well as the technical cashing in intentions, which annihilate the fiscal sensitivity of the taxable subject (Geffroy, 1993, p. 58).

The individual tax burden must not be analyzed solely in a mathematical, rigid manner, as the ratio between the revenues taken from the taxpayers and the primary incomes obtained by them. Hoanță (2000, p. 167) considers that the increase of the individual tax burden is relevant especially if it is analyzed in close correlation with the purchasing power of the net monetary incomes (remaining after taxation), namely the extent to which the individual incomes after taxation satisfy the needs of subsistence, leisure and saving/ investment.

Tulai (2003) gives a different tone to the observation made by Hoanță (2000), indicating that the purchasing power of the net income remaining after the direct taxation of the taxpayer's revenue and estate also depends on the level of indirect taxes it incurs when purchasing goods and services. Therefore, the real individual tax burden must be assessed in relation to the entirety of direct and indirect taxes which the taxpayer (natural person) incurs, even if not all of them are set by law as being his/ her burden.

Among the taxpayers, apart from the natural persons, there are the economic agents. The tax burden at the level of the economic agents occurs as the percentage ratio between the mandatory payments to the state which it must make and the value added by it during a period of time, generally one year.

In the structure of the mandatory payments, most of the time, there are included the tax on profit, the social security funds contributions, and other direct taxes owed on the estate to the local budget and included in the company's costs. Of course, the company transfers to the budget other taxes, fees and contributions, as well. But not all of them are incurred by it; VAT, the excises and the custom duties are not taken into account because the company recovers them from the consumer, who incurs them, paying them with the price of the products/ services purchased. These indirect taxes affect, however, the volume of sales and competitiveness by means of the prices, with direct repercussions on the variables taken into account in calculating the tax burden. The other payments, such as the social security contributions, the tax on buildings, terrains, means of transport, included in the cost of products and recovered through the price, have an indirect influence, through the level of costs, over the size of the profit, and, therefore, are also considered financial outflows for the company. To these there should be added the other contributions to the special funds, other than those for social security and protection, in order to have a real image of the tax burden at the level of the economic agent.

The company's tax burden depends, first, on the weight of each type of tax bite in the total tax bites, and, respectively, in the value added; and second, on the size of the rate of each type of tax bites.

2. Evolution of the tax burden in EU-27 over the period 2001 – 2006[2]

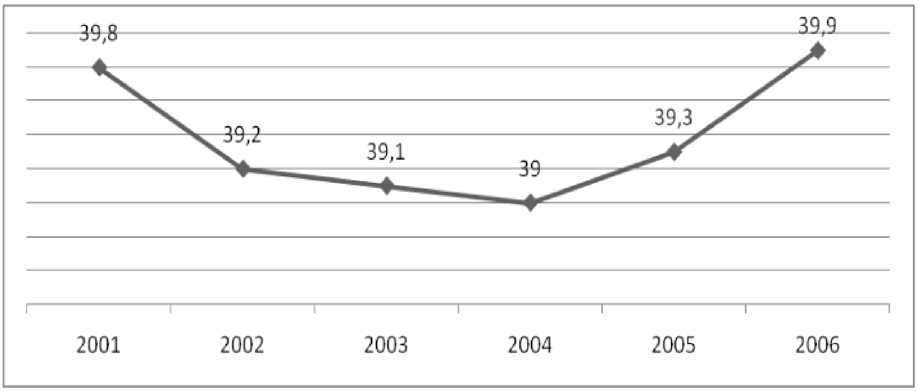
EU-27 tax revenue in terms of GDP increased in 2006 by 0.6 percentage points compared to 2005, reaching roughly its 2001 level. The 2006 level was almost 1 percentage point higher than 2004 (the year for which the lowest value was registered over the period 2001 – 2006).

From 2001 to 2006 tax-to-GDP ratio generally followed a downward trend, turning upwards during the last two years (see Figure 1).

Examining the changes on a country by country basis, it becomes apparent that the overall stagnation in the average tax ratio masks rather different developments.

Figure 2 displays the changes in the tax-to-GDP ratios between 2001 and 2006 in percentage points of GDP (on the ordinate line), in comparison to the current levels in the year 2006 (on the abscissa). This manner of presenting the evolution is inspired by the "portfolio analysis" technique.

[2] In the papers published by the European Commission and Eurostat, the data regarding Romania are supplied starting with year 2001, aspect which explains our choice of period covered.



Source: European Commission (2008); all data are GDP-weighted.

Figure 1: Total tax revenue in the EU-27 as a percentage of GDP, 2001 – 2006

Figure 2 below combines the change of the fiscality level – or tax burden - (%) in every EU member state – on the Ox axe – with the fiscality level in GDP (%) for the year 2006, on Oy axe.

To calculate the changes on Ox axe, the following formula was used:

$$\text{Change in taxation level for country i} = \frac{\text{Taxation level}_{2006(i)} - \text{Taxation level}_{2001(i)}}{\text{Taxation level}_{2001(i)}} \times 100$$

$$\text{Change of tax-to-GDP ratio for } i = \frac{\text{Tax-to-GDP}_{2006(i)} - \text{Tax-to-GDP ratio}_{2001(i)}}{\text{Tax-to-GDP}_{2001(i)}} \times 100$$

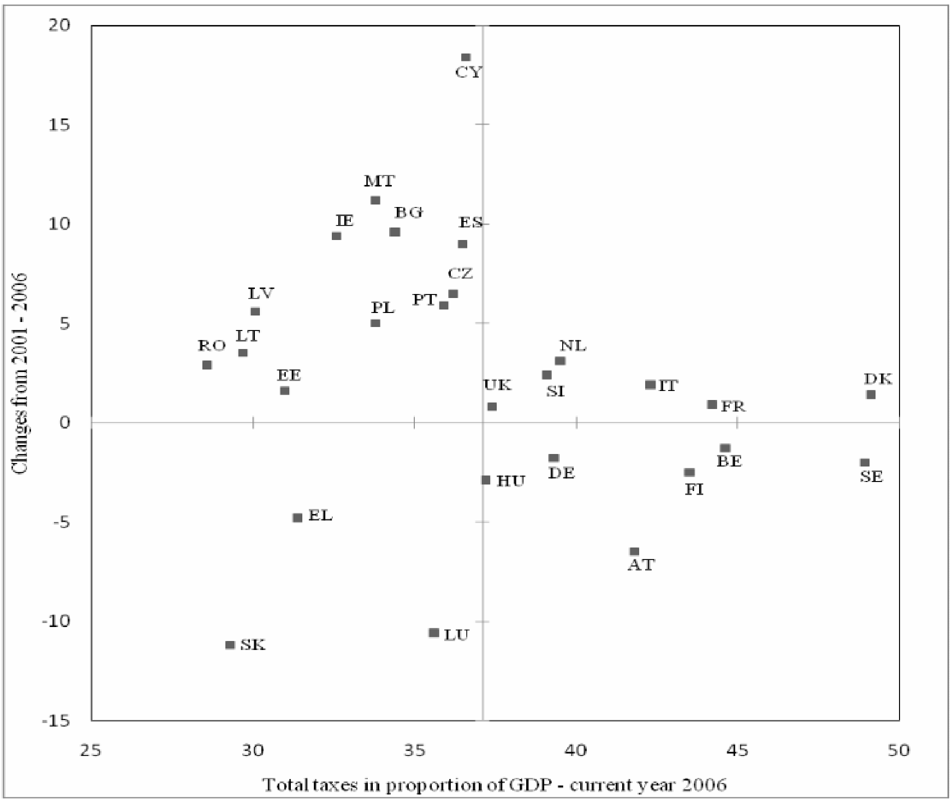
where:

Taxation Level$_{2006(i)}$ is given by tax-to-GDP ratio for 2006 for country “i”,

Taxation Level $_{2001(i)}$ is given by tax-to-GDP ratio for 2001 for country “i”,

“i” – every EU member country (i=1,…,27).

Comparing the taxation level for 2006 against the changes in taxation level between 2001 and 2006, a matrix with 4 entries results. The interception point indicates on Ox axe the average level for taxation inside EU-27 of 37.1%. It separates the countries with taxation levels above and under eu-27 average. On the Oy axe are represented the countries which registered (relative values) an increase or a decrease of taxation level between 2001 and 2006.



Source: Author's calculation on the basis of the data supplied by the European Commission (2008).

Figure 2: Tax-to-GDP ratios in 2006 and their change since 2001

A = top-left quadrant (low-average countries that have increased their ratio)

B = bottom-left quadrant (low-average countries that have reduced their ratio)

C = top-right quadrant (high-average countries that have increased their ratio)

D = bottom-right quadrant (high-average countries that have reduced their ratio)

Several facts are highlighted by this figure:

- *Quadrant A* – contains the most data points, namely 12 countries that registered increases of the taxation rate, but are still positioned below the EU-27 average. Here we can notice a concentration of the new Member States, respectively 9 countries (Bulgaria, Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Malta, Poland, and Romania). Out of them, Cyprus and Malta recorded upward trends (except for Malta in 2003 and 2006, where the ratio was marginally lower compared to the previous year), with the highest increases in the EU-27, of 5.7 and 3.4 percentage points, respectively, over the 6-year period, which represents, in relative size, an increase by 18.4% and, respectively, 11.2%. Also in this quadrant there are 3 'old' Member States (Ireland, Spain, and Portugal), out of which Ireland stands out due to its increase by 2.8 percentage points, which represents, in relative size, an increase by 9.4% in the period considered;
- *Quadrant B* – is the least populated quadrant, containing only 3 recordings, distributed as follows: 1 new Member State (Slovakia) and 2 old Member States (Greece and Luxembourg). Out of the 3 countries, two are of special interest, namely Slovakia, which has reduced its tax-to-GDP ratio from 33% in 2001 to 29.3% in 2006, which represents, in relative size, a reduction by 11.2% (overall, over the entire 1995-2006 period, Slovakia stands out as the Member State that has carried out the most profound restructuring of its tax system, with the tax ratio declining by over one quarter; the country thus changed its ranking significantly, from being essentially in line with the old Member States' average in 1995 at 40.2% of GDP, to having the second lowest ratio in EU-27 in 2006), and Luxembourg, which, even though an 'old' Member State, has registered a reduction of the tax-to-GDP ratio by 4.2 percentage points (from 39.8% in 2001 to 35.6% in 2006), fact that lead to the positioning of this country below the EU-27 average (it must be mentioned that during years 2001 and 2002, Luxembourg was situated, from the point of view of the tax burden, above the EU-27 average);
- *Quadrant C* – comprises six entries, out of which only one new Member State, respectively Slovenia, which, although was above the EU-27 average, continued to constantly increase its tax-to-GDP ratio in the period 2001-2006 (it is worth mentioning that in the interval 1995-2000, Slovenia reduced its overall tax burden from 40.2% to 38%). The other five registrations are represented by 'old' Member States (Denmark, France,

Italy, Netherlands and United Kingdom), but here one can see a relative stability of the tax-to-GDP ratio [as shown by the fact that they are located relatively close to the horizontal axis]. Only Netherlands recorded an increase higher than the other countries in this quadrant, by 1.2 percentage points, meaning, in relative size, by 3.1%;

- *Quadrant D* – has an identical distribution to quadrant C, respectively contains also six above-average countries, respectively five 'old' Member States (Austria, Belgium, Finland, Germany, and Sweden) and one new Member State (Hungary), which have managed to reduce their overall tax ratio. The countries from this quadrant are also closer to the horizontal axis, except for Austria, which registered a reduction by 2.9 percentage points, which represents, in relative size, a decrease by 6.5% of the tax ratio.

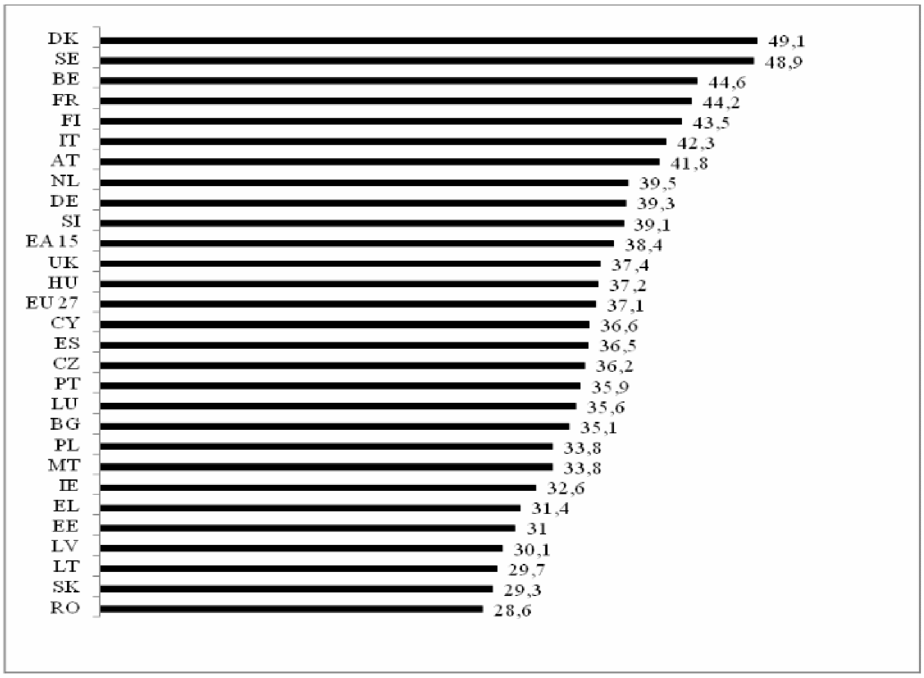
12 member states have increased their tax ratio and only 3 reduced it. The countries with low-taxation level tend to display large adjustments in either direction, upwards or downwards, whereas for the countries with a taxation level above the average the picture appears much more static.

Between 2005 and 2006, tax revenue in terms of GDP rose in 17 out of 27 EU Member States and decreased in 10. As a result, the growths in tax revenue of a majority of the Member States were partially offset by the declines of the other countries resulting in an overall modest increase of the ratio at the EU-27 as a whole (Lupi, 2008). Among the EU Member States (between 2005 and 2006) Ireland (+1.8%), Italy (+1.7%), Cyprus (+1.1%), Latvia (+1.4%), and the Netherlands (+1.6%) recorded increases of their national tax revenue-to-GDP ratios by more than one percentage point compared to 2005, while three (Denmark, Luxembourg, and Slovakia) recorded reductions of more than one percentage point.

3. Structure of taxation in the European Union

3.1) Levels of tax revenue in 2006

EU-27 tax revenue (including social contributions) of general government increased in 2006 to 39.9% of GDP-weighted average. Compulsory levies in the form of taxes and social contributions accounted for over 90% of general government revenue in the EU-27 in 2006 (Paternoster et al, 2008, p. 5).



Source: European Commission (2008)

Figure 3: Ranking of total tax revenue by countries in 2006 as percentage of GDP

As Figure 3 shows, there are wide differences in tax levels across the European Union. The tax-to-GDP ratio, showing the share of total tax revenues, including social security contributions, in gross domestic product, is the main aggregate indicator used to measure the overall tax burden. However, this indicator has certain limitations as a comparative measure across countries and over time. Among the factors which can affect the level and trend of the tax-to-GDP ratio are: the extent to which countries provide social or economic assistance via tax expenditures, rather than direct government spending, and whether or not social transfers are subject to tax.

The level of tax revenue in terms of GDP was highest in Denmark and Sweden (49.1% and 48.9% respectively in 2006) whereas it was generally lower in the new EU Member State, with the lowest share of 28.6% in Romania (over 20 percentage points of GDP lower than Denmark in 2006).

This difference in the level of the overall tax ratio (which includes social security contributions) reflects the significant differences within Member States in the role played by the state.

There are substantial differences in the total tax burden between the 'old' EU-15 Member States (i.e. the 15 countries that joined the Union before 2004) and the new Member States (i.e. the 12 countries that joined the Union in 2004 and 2007). As a general rule, tax-to-GDP ratios tend to be significantly higher in the 'old' EU-15 Member States: the first nine positions in term of overall tax ratio are indeed occupied by 'old' Member States. There are two exceptions; for example, Greece's and Ireland's tax ratios are over seven points below the weighted EU-27 average (39.9%).

Among the new Member States, Slovenia displayed the highest level of tax revenue reaching 39.1% of GDP (only 2 percentage points lower that the EU average). Also, Hungary (37.2%) has a level that exceeds the EU-27 average, but the remaining new Member States display overall tax-to-GDP ratios lower than the average: from the Czech Republic (36.2%, i.e. almost one percentage point below the average) to Romania (28.6%, i.e. 8.5 percentage points below the average).

It is interesting to note that the arithmetical average of the 27 countries is somewhat lower (37.1%) than the GDP weighted EU average (39.9%), because of the relatively low levels of GDP (and therefore low weight) for the countries which tend to have the lower tax revenue.

If one looks at tax levels in the narrow definition, excluding social security contributions, the situation is similar: the arithmetic average shows a level in 2006 at 26.6%, while the weighted average is 26.2% in the Euro area (EA-15). It is worth noting, however, that in the narrow definition, there is practically no difference in tax levels between the Euro area and the EU-25 (26.5%), highlighting that the higher taxation burden in the Euro area is limited to social security contributions. The very low tax levels in Romania, however, result in the EU-27 average for 2006 being 0.4 points below the Euro areas.

3.2) Revenue structure by type of tax

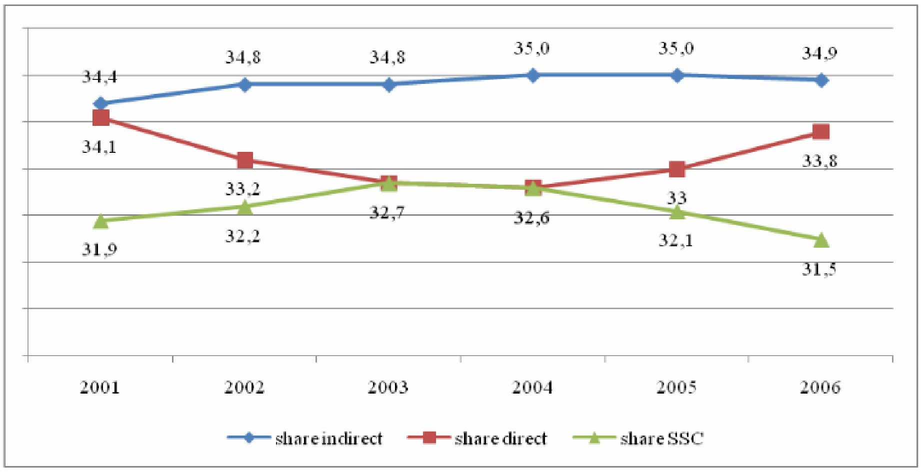
Tax revenue can be grouped into *three main categories or types*:

✓ *indirect taxes* defined as taxes linked to production and imports (such as value added tax – VAT);

✓ *direct taxes* composed by current taxes on income and wealth plus capital taxes, and

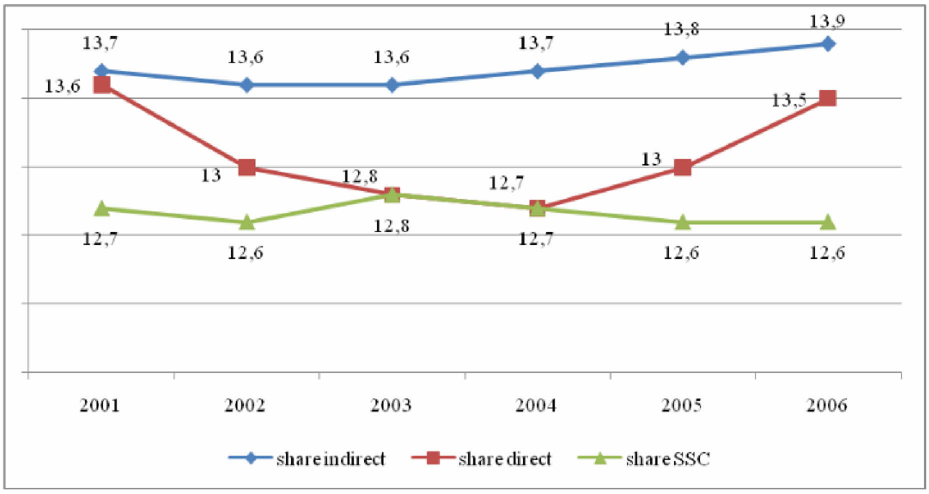
✓ *social contributions* that include actual social contributions (for paying into social security funds or other social insurance schemes) plus imputed social contributions.

The respective shares of these three components have been quite close over time, staying within the 30-35% range (weighted average).



Source: European Commission (2008). All data are GDP-weighted.

Figure 4a: Direct taxes, indirect taxes and social security contributions in % of total taxation



Source: European Commission (2008). All data are GDP-weighted.

Figure 4b: Direct taxes, indirect taxes and social security contributions in % of GDP

The ratio of indirect taxes to GDP increased in period 2002-2006. This increase is due to developments in VAT collection that represented about 8% of GDP in 2006.

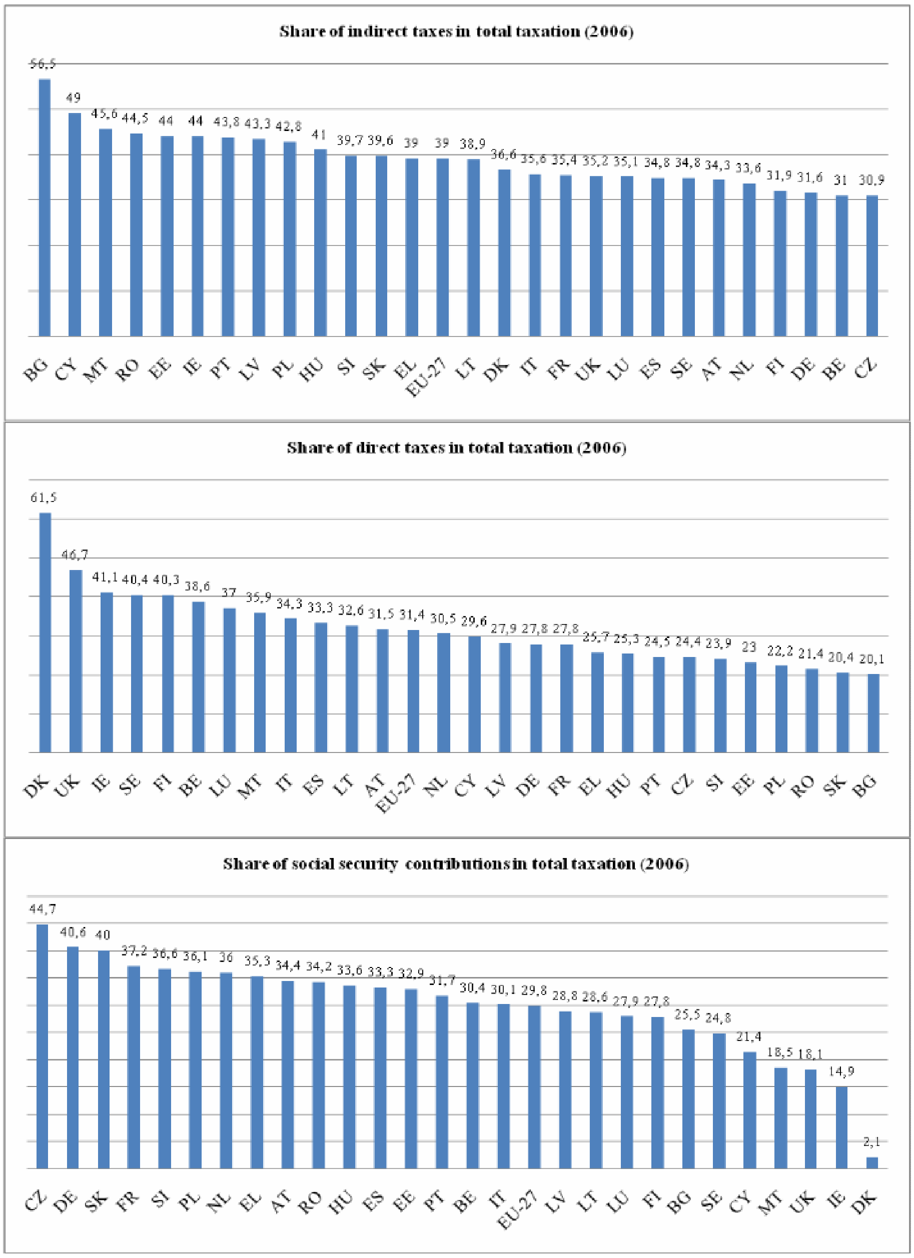
At 13.9% of GDP and 34.9% of total taxes in 2006 (weighted average), indirect taxes remain the main source of tax revenues in the European Union, followed by direct taxes at 13.5% of GDP (or 33.8% of total taxes). There also seems to be a trend in recent years towards more reliance on indirect taxes, as exemplified most recently by the German decision to increase VAT by three points and use part of the proceeds to cut social contributions (Carone, Schmidt and Nicodème, 2007). A third important source of taxes is represented by social security contributions, which represent 12.6% of GDP and 31.5% of total taxes in 2006 (weighted average). This source undergoes in the period 2001-2006, as well, a reduction as weight in total taxation, the same as during the previous period, when the need to decrease labor costs materialized in a decline in social security contributions.

During the interval 2001-2006, 21 countries increased their share of indirect taxes in the total. In case of direct taxes, their share increased 10 countries and decreased in 17, and in what concerns the SSC, their weight in the total taxes increased in 11 countries and reduced in 16.

The phenomenon of augmentation of the share of indirect taxes in total tax revenues, established at the Union level and, especially, among the new Member States, is not so much the direct result of fiscal policy measures, as the effect of certain economic factors which reflect the consolidation of certain market mechanisms, as well as the higher rates of economic growth at the regional revel (Negrescu and Comanescu, 2007, p. 104).

Figure 5 illustrates the structure of the countries' tax revenues, seen from the perspective of the choice made with regard to the use of the fiscal instruments at their disposal. What comes to attention in this figure is the strong diversity of situations, fact that indicates the fiscal option of the EU-27 countries.

Generally, the new Member States have a different structure compared to the EU-15 countries; in particular, while most 'old' Member States raise roughly equal shares of revenues from direct taxes, indirect taxes, and social contributions, the new Member States often display a substantially lower share of direct taxes in the total. The lowest shares of direct taxes are recorded in Bulgaria (only 20.1% of the total), Slovakia (20.4%)



Source: European Commission (2008). For EU-27 I used the arithmetic average.

Figure 5: Structure of tax revenues by major types of taxes, in % of the total tax burden

and Romania (21.4%), which represents a difference from the EU-27 average by more than 10 percentage points. One of the reasons for this difference can be found in the generally lower tax rates applied in the new Member States for corporate tax and personal income tax (European Commission, 2008). For instance, Bulgaria applies a statutory tax rate on corporate income of 10% (together with Cyprus, the lowest rate in Europe), while Romania and Slovakia apply a flat rate both for personal income, and for corporate income, of 16% and, respectively, 19%. Contrary to common belief, the bulk of the difference in direct tax-to-GDP ratios is to be attributed to a lower collection of personal income taxes in new Member States, and not to a lower corporate income tax (Carone, Schmidt and Nicodème, 2007).

The low share of direct taxes in the new Member States is counterbalanced by higher shares of indirect taxes and social contributions in total tax revenues. The highest shares of indirect taxes are indeed found in Bulgaria, where the share is well over half of revenue, and Cyprus, where it is very close to the 50% mark.

As for social contributions, high shares of 40% or more are found in the Czech Republic and Slovakia, although France and Germany are also characterized by a similar level.

Also among the ‘old’ Member States (EU-15) there are some noticeable differences. The Nordic countries (i.e. Sweden, Denmark and Finland) as well as the United Kingdom and Ireland have relatively high shares of direct taxes in total tax revenues (over 40%). In Denmark and, to a lesser extent, also in Ireland and the United Kingdom the shares of social contributions in total tax revenues are low. In Denmark, there is a specific reason for this low share: most welfare spending is financed out of general taxation (European Commission, 2008). This required high direct tax levels and indeed the share of direct taxation to total tax revenues in Denmark is the highest in the Union (61.5%). Germany’s system represent in a sense the opposite of Denmark’s; Germany shows the highest share of social contributions in the total tax revenues, while its share of direct tax revenues on the total is the lowest in the EU-15. France, too, has a high share of social contributions and a correspondingly low share of direct tax revenues, compared to the EU-15 average.

Some statistical facts stand out. While the correlation between the share of indirect taxation is only about -.25, the correlation between social security contributions and direct taxation reaches -.87, indicating some form of trade-off between these two forms of revenues and probably reflecting a choice in the source of financing of social security expenditures as well as the fact that indirect taxes are relatively harmonized across Member States. This is confirmed by the correlations between these sources in percentage of GDP (Carone, Schmidt and Nicodème, 2007).

Despite the fact than indirect taxes are harmonized at EU level, there is substantial variation in the amount of revenues raised from consumption taxes. “The heavy reliance on consumption taxes, notwithstanding some administrative issues they raise, has several advantages:

(i) consumption taxes are relatively neutral towards saving and investment decisions;

(ii) they do not discriminate between imports and locally-produced goods and do not affect external competitiveness (as long as they are based on the destination principle); and

(iii) they provide a symmetric treatment of labor, transfer and capital income, thus creating fewer disincentives to equity better than income taxes” (Joumard, 2001, p. 17).

Conclusions

There are many reasons why government tax revenue varies from year to year as a percentage of GDP. A more in-depth analysis than the one presented here would be needed to explain the causes of such variations in particular countries. However, in general the main reasons are changes in economic activity (affecting levels of employment, sales of goods and services, etc.) and in tax legislation (affecting tax rates, thresholds, exemptions, etc.). It should be noted that, even using accrual methods of recording, the effects of changes in legislation or economic activity tend to have a delayed impact on tax revenue (Lupi, 2008).

Fiscal policy is regarded as a component of national sovereignty, and the fiscal systems of the Member States differ substantially, due to the differences with respect to their economic and social structures and to the conceptual differences regarding the role of taxation, in general, and of a certain tax, in particular.

On the grounds of the facts presented, it can be conclude that there is no clear tendency of the European states to finance their expenses preponderantly from direct taxes or preponderantly from indirect taxes. Also, the policy regarding social contributions is very different, being also influenced by factors such as tradition and customs.

The present paper sets the ground for a further analysis in order to see determine the effects of the current financial crisis on this matter in the years to come.

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