

THE TAX SYSTEM AS A GENERATOR OF ECONOMIC INEQUALITY IN CROATIA

Dunja Skalamera - Alilovic

*Faculty of Economics, University of Rijeka, Croatia
skalamer@efri.hr*

Ivan Rubinic

*Faculty of Law, University of Rijeka, Croatia
irubinic1@pravri.hr*

ABSTRACT

A tax system stands out as the vital instrument in a contemporary economy. Apart from being the medium for fulfillment of fiscal goals, taxes can be used for a wide spectrum of non-fiscal goals, of which the most relevant is influence on income redistribution and the creation of a righteous society. Despite this importance, the system faces a problem which arises from an economic reality and manifests in the fact that, contrary to theory, practice knows not of optimal taxation. The aforementioned generates significant implications and creates practical limitations for achieving economic growth in a modern country and, consequently, society as whole. The aim of this paper is to perceive, detect and alter the characteristics of a tax system which create income and wealth inequality. An analysis had been conducted on the Croatian tax system, which was used to show how structure can provide incentive for creating and maintaining the persistent inequality. The results have shown that the effects of negative tax practices on inequality, in recent history, are still existent and untackled. The organization of tax rates is not working toward the direction of a “positive” distribution of the tax burden.

High shares of regressive taxes in Croatian budget are proof of the system’s departure from the equality principle. From the taxation aspect, capital income enjoys a privileged status when being compared to labor income. An obligation to pay lower corporate tax, instead of higher income tax, is being forced by lawmakers. The system suffers from loopholes that can be used for tax evasion and many categories are either not a subject of taxation, or their status is inadequate. Acknowledging theory and using empirical analysis of economic practice, it can be concluded that the Croatian tax system creates and deepens inequality and acts in favor of preserving a wide gap between contradictory societal structures. The latter confirms the necessity of tax system reform, taking into account the aims of curbing inequality and carrying out a righteous distribution of the tax burden with a simultaneous, efficient redistribution of collected assets.

In order to achieve stability and create a base for future growth, the fulfillment of goals recognized under the scope of this paper need to be considered in the context of a societal priority.

Keywords: *Croatia, inequality, regressive taxation, tax system.*

1. INTRODUCTION

The Great Recession brought to the surface what was seemingly an outdated but, relevant economic problem. The market failure sparked daily debates regarding the justification of a wide wealth gap, management of the poorest members of society, and the government’s role in curbing the negative effects of the market.

The rising economic inequality threatened to confirm the thesis that the capitalistic society is inherently unstable. In addition, it created the need to find adequate models of governance, with final aim to obstruct the overgrowth of the “seed of destruction”, or the inequality that can threaten stability and question the efficiency of the capitalist society.

Recognizing economic inequality¹ as an ominous and destabilizing factor of economic activity is the focus of this paper, where the key determinant of the fiscal apparatus, the tax system, will be analyzed regarding the creation of economic inequality.

The research will be conducted using the Croatian tax system within the research question “Does the existing system lead to generating, expanding, and sustaining inequality?”

The aim of the paper is to confirm the hypothesis that the Croatian tax system does not follow principles of horizontal and vertical equality, but it creates, widens, and maintains inequality. Therefore, this tax system is *de facto*, working in favor of economic inequality, which makes its social role highly questionable.

This paper uses normative approach, providing a synthesis of existing literature and its applications to this specific case. Using conventional methods, a series of supporting hypotheses will be confirmed through induction, and will defend the central hypothesis.

The research is structured in six sections. After the INTRODUCTION, the foundation of the paper (which provides information on existing conditions and reviews of past research) is covered in the sections TRENDS AND STRUCTURE OF INEQUALITY IN CROATIA and TAX SYSTEM AND INEQUALITY. The fourth section, IMPACT OF THE CROATIAN TAX SYSTEM ON INEQUALITY, deals with the analysis of the tax rate structure, distribution of the tax burden, regressive taxation, taxation of labor, capital, assets, as well as other categories relevant to the hypothesis. The fifth section, TAX SYSTEM IMPROVEMENTS AND LIMITATIONS IMPOSED BY GLOBALIZATION, covers the advancement of the tax system towards decreasing inequality, as well as globalization that, as an exogenous factor, limits the creators of national policies and forces them to an international convergence toward high levels of inequality. The sixth and final section, CONCLUSION, provides a synthesis of this research, in which the central hypothesis is defended.

2. TRENDS AND STRUCTURE OF INEQUALITY IN CROATIA

A review of inequality, due to the multidimensional nature of the matter, needs to be conducted beyond the frame of conventional quantitative indicators. Such an approach is necessary in order to distance oneself from measurements of conventionally accepted methods, whose outcome is potentially dubious. Therefore, the authors approach the problem from two aspects. The first is a restricted analysis of conventional methods and the second introduces various indicators which will build on the aforementioned methods and point out the magnitude of economic inequalities within Croatia.

According to Poverty Measurements for 2014 (DSZ, 2015), the “at risk of poverty” rate in Croatia was 19%, the quintile share ratio (S80/S20) was 5.1, and the Gini coefficient was 30.2%². These categories show an identical pattern in the period 2009-2014. It is reflected in rising inequality from 2009-2010, after which a gradual downsizing of inequality occurs. Regarding inequality, compared to the countries of the European Union, Croatia reflects the European average and, due to the minimum deviation throughout the analyzed period, it can be described as stagnating inequality.

Eurostat (2016) data shows that Croatian unemployment rate in 2015 was 16.3%, long term unemployment was 10.3%, youth unemployment surpassed 40%, and the share of recipients working for minimum wage was 9.2% of the total economically active population.

¹ The stand of the authors is that certain levels of inequality are desirable, from the aspect of creating incentive as a catalyst for economic activity. However, the existence of extremely high levels of inequality, which is the current practice in many countries, cannot be justified using economic reasoning.

² Until 2009, inequality and poverty measurements were conducted on the basis of the Household Consumption Survey. Following that, the Citizens Income Survey was implemented. The methodological difference prevents a detailed analysis of inequality trends and limits research to short-term analysis.

On September 5, 2015, 7,706 physical entities had debt higher than 100,000 HRK, 3,729 legal entities had debt higher than 300,000 HRK, 71,824 other tax payers had debt higher than 15,000 HRK (Tax Administration, 2015), and 328,532 citizens, or 7.67% of population, had frozen accounts (FINA, 2016).

Deposits are highly concentrated and 20% of investors have 94% (163 billion HRK) in deposits, while 13% of savings account holders possess 67% of all deposits (60% of time deposits). The former indicates a significant inequality, which is supported by the Gini coefficient, showing index values above 0.8 (Croatian National Bank, 2016).

Forbes (2014) examination shows that the richest quintile of Croatian citizens has, at their disposal, 96% of the wealth. Croatia had three billionaires and 250 millionaires, while at the same time more than 10,000 people were recipients of the Guaranteed Minimum Compensation provided by the Ministry of Social Politics and Youth (2014). The source of 95% of the total assets (2.7 billion HRK) intended for social care in 2014 was provided by the State Budget. This amount equates to 80% of the estimated net worth of the richest Croatian citizen, not taking into account his two most profitable enterprises. According to the Tax Administration, 156 people collect a monthly income above 100,000 HRK. In 2014, the highest income, based on tax returns, was 7.7 million HRK. A report from FINA (2013) states that the top 20 entrepreneurs, according to their highest paid average net monthly salary, were paying salaries above 21,400 HRK. In first place was the company ADRIS GRUPA, paying the immense amount of 52,533 HRK.

Based on the preceding information, if Croatia wants to accomplish secure, harmonized growth and development, and achieve an acceptable life standard for the average citizen, the importance of curbing economic inequality becomes indisputable.

3. TAX SYSTEM AND INEQUALITY

Taxes, as the price of a civilized society³, are the main income of the state apparatus responsible for the functioning of contemporary countries and, precisely for this reason its necessity is not being questioned. From the beginning of economics as a science, questions regarding taxes preoccupied the minds of lead economists. Hence, the founder of economics, Adam Smith (1776) states, “The subject of every state ought to contribute toward the support of the government, as nearly as possible, in proportion to their respective abilities; that is in proportion to the revenue, which they respectively enjoy under the protection of the state.”

Following the same logic, Article 51 of the Croatian Constitution states⁴, “Everyone shall participate in the defrayment of public expenses, in accordance with their economic capability. The tax system shall be based upon the principles of equality and equity.” Fulfillment of the taxation principle, with a simultaneous impact of curbing and limiting the expansion of inequality, is possible by enforcing taxation according to the Ability-to-Pay Principle.

Considering that the fundamental task of the capitalistic state is protection of private property rights, it is logical that an individual who has higher economic power enjoys greater protection and consumes a higher quantity of services. Therefore, it is only natural that a wealthy individual bears a higher tax burden, e.g. a share proportional to the consumed services and finances public expenditures which allow them the enjoyment and protection of their status. In order to conduct taxation according to the Ability-to-Pay Principle, the following conditions have to be fulfilled (Musgrave, 1989, 223):

- a) Horizontal equity: tax payers who are in the same position have to participate equally; and
- b) Vertical equity: tax payers who are in different positions (wealthier) have to participate differently (pay more).

³ This is a quote that is attributed to O.W. Holmes.

⁴ This is in accordance with the practice of the majority of European Union countries.

These principles formally call upon all citizens, and their implementation works toward diminishing inequality.

Finding a correlation between categories of taxation and inequality is of the utmost complexity. This vast and complicated task is represented in the models of taxation of various incomes, progressivity of tax rates, and taxation of real-estate and capital gains, as well as a great number of seemingly less focal issues, which are being marginalized, due to the size constraint of the paper.

In the writing that follows, the authors will introduce to the reader a short literature review including research that supports the main hypothesis and is connected to the impact of taxation on economic inequality.

Burman (2013, 563-592) supports the thought that progressive taxation will result in reducing economic inequality. He states that when determining the level of progressivity, the lawmaker must take into account the level of income necessary for sufficient functioning of the country, the span of the tax exemptions, and the distribution of the tax burden. In the article *Taxes and Inequality*, using the USA as an example, Burman highlights problems represented by the fact that countries gravitate toward the usage of regressive taxes as a source of collecting budget assets, which has a severe impact and violates the horizontal principle of taxation. He also recognizes the unequal treatment of taxation of capital gains and labor incomes, and recommends that the optimal solution would be the integration of capital and labor incomes and taxation with progressive income tax rates.

Wijtvlit (2014) argues that unequal and preferential treatment of capital gains taxation, comparing to labor income, from the Ability-to-Pay aspect, is not justifiable. He holds that differences in classifying labor income and capital gains are a result of an obvious and deliberate lack of reasoning in the implementation of the wider concept of income, leading to inequality. The sustainable solution, he argues, deals with the problem at its source, in a way that the above mentioned components must be taxed using the same underlying logic.

Avi-Yonah (2014) states that the purpose of progressivity of the tax system is in collecting assets for redistribution, which would then be used for fulfillment of social goals⁵, hence, the creation of a more equal society. Moss (2004) holds that the institute of progressive taxation is an important aspect of risk management (inequality insurance), which protects individuals from an unfortunate economic situation, and is compensated for by those with high incomes.

Affirmation of the thought that the tax system has a direct influence on inequality is also found within work of Thomas Piketty (2015) who, on multiple occasions, confirms the relationship between taxation and inequality. Piketty identified progressive taxation of income (first used in France in 1914) and real-estate taxation (first used in 1901) as key variables which, due to their impact on accumulation and concentration of wealth, prevented the return of Rentier capitalism of the 19th century. Piketty considers redistribution as a necessary task of a country, and takes the stand that economic inequality requires collective efforts regarding the achievement of an efficient level of redistribution. The latter is of importance, not exclusively due to the fact that inequality defies the public idea of social justice, but because it implies a significant waste of human resources which otherwise could be allocated more efficiently and work in favor of society as a whole.

Some authors (e.g. Burman, L., Rohaly, J., Shiller, R) who consider that adequate use of the tax system can raise the level of welfare, are focusing on ways to minimize negative effects of

⁵ The focus has been shifted from the level of progressivity to the way assets collected by taxation are being allocated toward helping those in need.

taxation, and are suggesting inventive solutions such as indexation of levels of tax progressivity in respect to targeted inequality rate⁶.

Other authors have different, yet equally innovative solutions. Rakowski (1999) writes about the utility of periodical taxation of wealth, with the goal of protecting political and economic institutions. He argues that periodical taxation should be used within a small percentage of the population, the highest percentage of the wealthiest individuals within a society.

Such a principle is relevant within the period of economic contractions and, due to its nature (passing the burden of the crisis on wealthier individuals), the principles of equity are supported⁷.

Ending this literature review without noting contrary opinion, including the thought that taxes are not a relevant or determining factor, would be far from objective.

There are numerous credible authors who hold the opinions that economists should focus on factors other than just the tax system when curbing inequality but, unfortunately, due to the constraints of the paper, the focus will stay on the aforementioned economic thoughts.

Nevertheless, the well informed reader can oppose, using the argument that, regarding the creation of inequality, more importance should be attributed to the allocation of the budget expenditures, rather than the organization of tax system. Despite this, the authors hold that the mere organization of the tax system reveals much more than what can be seen at first glance. From one side, it reveals the preferences of the creators of economic policies while, from the other side, it shows limited possibility for activism in the wider population.

4. IMPACT OF CROATIAN TAX SYSTEM ON INEQUALITY

After the presentation of the theoretical underpinnings of the paper, the authors will lay out arguments that work toward defending the main hypothesis. Arguments are structured in five sections, which are the most relevant, but not the only connections between tax system organization and economic inequality.

4.1. The organization of tax rates and positive distribution of the tax burden

Organizing tax rates such that the effects of their implementation go in favor of a positive distribution of the tax burden signifies that the creators of the tax system should make decisions using the equality and equity principles, as well as the Ability-to-Pay principle (applied both relatively and absolutely).

In order to show that the Croatian tax system, formally and practically, does not follow the abovementioned principles, a comparison to other EU countries will be displayed and conclusions will be drawn.

Table following on the next page

⁶ The lawmaker sets a targeted rate of inequality and adjusts the rate of progressivity of the taxation accordingly.

⁷ This is the principle that should have been followed when the Crisis Tax was introduced in Croatia.

No.	Member State	VAT	Income Tax	Corporate Tax ⁸	Inheritance and Gifts tax
1	Austria	20	50	25	30
2	Belgium	21	50	33	80
3	Bulgaria*	20	10	10	6.6
4	Cyprus	19	35	12.5	0
5	Czech Republic*	21	15	19	15
6	Denmark	25	55.8	23.5	36.3
7	Estonia*	20	20	20	0
8	Finland	24	48.3	20	36
9	France	20	45	33.3	40
10	Greece	23	42	29	40
11	Ireland	23	40	25	33
12	Italy	22	43	27.5	8
13	Latvia*	21	23	15	0
14	Lithuania*	21	15	15	10
15	Luxembourg	17	40	21	48
16	Hungary*	27	16	19	18
17	Malta	18	35	35	0
18	Netherlands	21	52	25	40
19	Germany	19	45	15	50
20	Poland	23	32	19	20
21	Portugal	23	48	21	10
22	Romania*	24	16	16	0
23	Slovakia	20	25	22	0
24	Slovenia	22	50	17	39
25	Spain	21	49	28	34
26	Sweden	25	59	22	0
27	UK	20	45	20	40
28	Croatia	25	40	20	5
EU average		21.6	37.3	21.7	22.8

* = EU member states which exercise proportional, instead of progressive, taxation of income

Table 1: Comparative analysis of chosen tax categories within the EU in 2015 in % (Authors' calculations based on Deloitte (2015))

When calculating the VAT (value added tax), only the highest tax rates of each member state were taken into consideration. If we compare the average VAT rate of the EU with Croatia we will see that Croatian rate is 16% higher. A direct connection between the average VAT rate

⁸ Corporate Income tax or Profit tax

and inequality is confirmed through the fact that VAT is a regressive tax, in practice (Blažić, 1999; Škarica, 2009; Urban, 2011).

Income tax is analyzed according to the tax rates that apply when an agent falls within the highest tax bracket. According to this criteria, Croatia seems to obtain positive results (a rate is 7% lower), but if a small correction is made and an analysis is done only for member states with progressive tax rates, the reality will be considerably different. Progressive tax rates are present in 21 EU countries and their average tax rate is 44.2%. This confirms that the richest citizens of those EU countries that utilize progressive taxation are, on average, according to the income category, taxed 10% more than their colleagues in Croatia.

The rate of corporate income tax is third in a series of negative indicators of economic inequality, when tax systems are being compared. The table shows that the average corporate tax rate within the EU is higher than in Croatia by 8.5%. Causality between inequality and lower corporate tax rates is quite obvious if we recognize that profit is not appropriated by the most vulnerable (economically) part of the society.

The last category, the tax rate on inheritance and gifts, whose highest rates were analyzed, can end up as the responsibility of the recipient (in most cases, the highest rates occur in cases where the testator is not a blood relative of the successor). Such an indicator is useful when reconsidering the actions that motivated the lawmakers in designing the system, when they created the regulations and served the interests of those they wanted to protect. The share of the most vulnerable individuals, within the total amount of inherited assets is negligible, and because of that, it is worrisome to conclude that average EU rate is more than 3.6 times higher than Croatian rate. This problem is also brought to light by Jelčić (2011), who emphasizes the necessity of tax system reform and supports the initiative that instead of paying taxes on inheritance and gifts using the proportional rate of 5%, a taxation using double progression should be introduced. Double progression, when forming tax rates, should be determined cumulatively, by both the inherited assets and the relationship between testator and recipient (a practice used in several EU countries).

It needs to be stated that the existence of high tax rates does not necessarily mean that the Croatian tax system creates an unequal society. An individual with such a claim would come to the conclusion that, in comparing the member states used as a benchmark (with lower tax rates) inequality is lower, which is not necessarily true. Therefore, a comparison serves only as an indicator of the worldview of the creators of the Croatian tax system, as well as an indicator that there is an opportunity for creating a system which would generate a decline in inequality.

The result of this comparison is that tax rates in Croatia are organized in a way which does not follow the Ability-to-Pay principle. Croatia has a high rate of regressive VAT (16% higher than the average). The highest incomes are taxed using rates 10% lower than other EU countries with progressive taxation and corporate tax and tax on inheritance and gifts, categories which target wealthy societal structures, are being taxed using a rate below the EU average.

4.2. High shares of regressive taxes in the Croatian budget as a proof of the system's departure from the equality principle

Taxes are the most important category within budget revenue. According to Ministry of Finance (2014, 24), it can be calculated that in 2014 taxes made 55.54% of total revenue of the Croatian government or 87.56% of revenue if the component of social insurance is excluded.

Analysis of the share of regressive taxes within tax revenue and total revenue of the Croatian government was conducted under the assumption that indirect taxes are regressive if luxury goods are excluded or neglected.

Significance of this limitation is minimal because strictly regressive taxes, or taxes that have an indirect regressive effect, such as VAT, excise duty⁹ (Urban, 2011; Kesner-Škreb, 1999) and customs duty (Jelčić, 2011), represent a major part of the total Croatian tax revenues.

Under the category of regressive taxes, indirect taxes will be considered. Various types of taxes will be sorted according to Jelčić (2008, 105) who, under the category of direct taxes, considers taxes which are paid before spending income.

Using data from the Croatian Ministry of Finance Annual Report, the available tax categories are classified and analyzed as follows:

	Category	Amount	Share in Total Tax
	Income tax	1,401,942	12.9%
	Corporate income tax and withholding tax	5,657,765	
	Taxes on property	385,981	
	Taxes on use of goods, permission to use goods or perform activities	728,216	
	Total	8,173,904	
	Value added tax	40,923,449	86.64%
	The consumption tax	153,166	
	Excise duty	12,846,449	
	Taxes on specific services	117,470	
	Other taxes on goods and	423,015	
	Tax on international trade and transactions	424,501	
	Total	54,888,050	
III. Other	Unclassified Total	287,860	0.45%
Total tax (I. + II. + III.)		63,349,864	

Table 2: Classification of the tax categories of tax revenues in Croatia in 2014 in thousands of HRK (Authors' calculations based on the Annual Report from the Croatian Ministry of Finance (2014, 24))

The total tax revenues in 2014 were 63.35 billion HRK, of which a staggering 86.64% was comprised of indirect taxes. Hence, more than four fifths of the Croatian tax revenues were regressive. If the comparison is expanded to the total revenues for the same year (114.04 billion

⁹ Excise duty can be progressive if it is imposed on luxury goods. However, considering that excises on luxury goods were terminated in 2013, their progressive nature is not being used as a tool of economic policy. According to the Tax Administration (2015, 101), the tax object (excises) includes alcohol and alcoholic drinks, tobacco and its derivatives, energy sources, and electric energy. These items are consumed by individuals regardless of income level and, therefore, from a taxation aspect, their effect is regressive.

HRK), it is concluded that 48.12% (or 75.87% if we exclude social contributions) of total revenue was regressive. Using the same logic, the share of direct taxes was 12.9% of tax revenue i.e. 7.1% of total revenue, while the category of unclassified taxes, due to its marginal share, is of no significance.¹⁰

The substantial share of regressive taxes in the budget revenue represents, contrary to the convergent logic of the free market, the force of divergence that widens the wealth gap and, thus, creates a more unequal nation.

4.3. Taxation of capital income vs. taxation of labor income

The third section of the analysis, with respect to how the Croatian tax system creates and potentiates inequality, is focused on the contrasting taxation treatment of the labor and capital incomes.

Prior to computation, it should be stated that the comparison of these types of taxation is highly complex. However, if we take into consideration that the final goal of economic activity is to reap the benefits, there is no valid reason that would make it inappropriate to compare two seemingly different types of income, that received on the basis of labor and that received on the basis of capital.

The difference in taxation is evaluated using a model which operates under the following assumptions:

- The calculation was conducted in accordance with tax regulations valid on 21 September 2015;
- Both labor income and profit from capital are shown as annual values;
- Workers gross salary withholdings, as well as uncollected capital claims of the owner, are neglected;
- The computation of the surtax was done using the rate of the city of Zagreb; and
- The capital owner withdraws the entire profit (there is no reinvestment).

Labor Income			Capital Income		
Category		Amount	Category		Amount
I. Tax base		400,000	I. Tax base		400,000
	12%	3,168	Corporate income tax	20%	80,000
	25%	33,000	After-Tax income		320,000
	40%	96,640	Withholding tax ¹¹	12%	38,400
II. Total tax		132,808	II. Total tax		118,400
Surtax	18%	23,905	Surtax	18%	21,312
III. Tax and surtax total		156,713	III. Tax and surtax total		139,712
Share III. in I.		39.18%	Share III. in I.		34.93%

Table 3: Share of taxes in labor and capital income in HRK (Authors' calculations based on Income Tax Act and Profit Tax Act)

¹⁰ Eurostat (2014, 59) came to the same conclusion, using different methodology.

¹¹ For the tax rate on withholding tax, the authors took into consideration the rate for taxing the yield from dividends and shares in corporate income.

The table clearly shows that the structure of taxation favors capital income in comparison to labor income. The share of the total tax burden, with regard to income from labor, is 39.18%, while the same share within income from capital equates to the smaller portion of 34.93%. The agent who receives income from capital is taxed 4.25 percentage points lower than the worker and pays 17,000 HRK less tax annually (see Table 3). The fact that the worker has to pay 17,000 HRK more in taxes is not negligible (keeping in mind that his monthly salary is 20,000 HRK).

While analyzing the importance of taxation, regarding inequality, one has to note that agents frequently obtain capital income in addition to labor income. With that in mind, the effect on economic segregation grows proportionately.

At the same time, the owners of the capital can preserve that capital within their company and avoid paying withholding tax (12%) as well as surtax (18%), or reinvest profits and, ideally, completely avoid paying taxes. The creators of tax policies justify said practices by providing incentives for investment and charging higher taxes on future profits of the legal entity. However, the underlying question is whether the economic reality supports the logic of the creator of the tax system, or whether the logic of the creator supports only certain subgroups of society. Such a practice surely violates the principle of equality since it neglects the possibility of bankruptcy for a legal entity that reinvested its profits, inflation that diminishes the tax burden on future profits, the higher net present value of future budget revenues, as well as other various factors. Furthermore, there is no explanation as to why investment in human capital for individuals does not have the same tax status as reinvestment in the legal entity i.e., why reinvestment in a company decreases the tax burden, while investment in human capital does not.

It is not easy to answer the question of who, *de facto*, bears the burden of corporate income tax¹². Does it fall on the shareholders, consumers or workers backs? In accordance with the principle of profit maximization, corporate income tax can be seen as the basic cost of the production process. Hence, it can be expected that the owner of the company, having that in mind, will include the tax burden in the final price of the good or service. In other words, they transfer the tax burden to the consumer.

Concerning the latter, it can be concluded that individuals within society are enjoying protection from the state, embodied in favorable tax treatment. The tax burden is unequally distributed and it does not take into consideration economic status, does not follow the principles of equality and equity and, consequently, creates inequality.

In addition, adoption of the Profit Tax Act (2014) introduced a variety of controversies and questions for which a concise answer cannot be provided. The reason for this is the fact that some taxpayers are, through the Profit tax Act, forced to abandon the former practice of paying income tax and are now forced to pay lower corporate income tax (profit tax)¹³. Such an “innovation”, without a doubt, is a clear example of negative redistribution of the tax burden.

The above mentioned practice, in the middle run, can result in a significant widening of the income and wealth gaps between the poorest and the richest individuals within the same country.

Turković-Jarža (2014, 201) points out that according to Article 2 of the Profit Tax Act, any person involved in an economic activity, according to the Crafts Act, as well as activities that are, from the taxation aspect, equalized with craft activities, are obliged to pay corporate income tax/profit tax (instead of income tax) at the beginning of the following tax year. Criterion for

¹²See Auerbach, A. (2006).

¹³See table 3

the transfer of tax treatment exists if the agent, in the current period, earns more than 3,000,000 HRK (VAT excluded) in revenue, or if at least two of three following conditions are satisfied:

- a) Income is higher than 400,000 HRK;
- b) Value of long-term assets is higher than 2,000,000 HRK;
- c) On average, more than 15 workers are employed.

Implications of the Profit Tax Act and the consequential impact on unequal tax treatment can be analyzed using Table 3.

Namely, the status of a person who falls under the jurisdiction of the Crafts Act (before implementation of the Profit Tax Act), was the same as taxpayers who paid income tax. This is precisely the reason why, when calculating shares of tax in labor and capital income, the authors assume an income of 400,000 HRK. Before the Profit Tax Act, a taxpayer paid 156,713 HRK in taxes (income 400,000 HRK), while after the adoption of the Act¹⁴, they paid the lower amount of 139,712 HRK. When tax policy is revised, the logic of the lawmaker is not reasonable, since it forces the results of both: lost tax revenues and higher inequality.

This issue was, on multiple occasions, raised by Jelčić (2007; 2011), who questioned justification, efficiency and constitutionality of the Act. He pointed out the possibility that the Profit Tax Act was created in favor of persons involved in independent professional activities, and derisively names the situation “the pearl of the Croatian tax system”.

Taking into account that some groups are in a position to avoid progressive income taxation, and that as a result of the new tax status, they obtain numerous benefits¹⁵ and, in relative terms, they contribute less than other members; it can be concluded that the application of such policies works against both horizontal and vertical principles.

4.4. Tax evasion and other factors directly linked with the creation of inequality

The complex tax system that is subject to frequent changes (Bratić and Urban, 2006; Kesner - Škreb, 2011; Šimović, 2012), as well as compatibility of accounting and tax systems (Blažić, 2004), work in favor of wealthier members of society. They have access to information regarding modifications of the tax system, from which opportunities arise, as well as accumulated assets that can be used towards diminishing or avoiding payment of taxes. The previous statement will be confirmed using two simple models based on real life regulations. The first example will show how agents can change the headquarters of a legal entity with the aim of avoiding paying surtax, while the second will show how agents (independent professional activity) can use the transition from taxation of income to lump sum taxation and diminish their tax burden.

	Earnings Before tax	Profit Tax	Withholding Tax	Total Tax	Surtax	Share of Tax Burden
Legal Entity A	1,000,000	200,000	96,000	296,000	53,280	34.93%
Legal Entity B	1,000,000	200,000	96,000	296,000	0	29.60%

Table 4: The impact of surtax on business performance of legal entities in HRK (Authors' calculations)

¹⁴This occurs assuming that the aforementioned conditions are satisfied.

¹⁵Such as tax exemption when reinvesting

If we compare Legal Entity A with its headquarters in Zagreb (18% surtax rate) with Legal Entity B that has headquarters in municipalities which do not charge surtax, significant deviations from the horizontal principle of taxation will be seen. Legal Entity A will pay 53,280 HRK more in taxes and the share of the tax burden will be 5.33 percentage points higher than the entity that is not required to pay surtax. Legal Entity A, from initial earnings before tax, receives 650,720 HRK, while Legal Entity B receives 704,000 HRK.

Identical logic can be applied to labor income, as well as the consumption tax which, depending on strategies of municipalities, oscillates in intervals from 0-3%.

These examples are evidence of a paradoxical fact where lawmakers, using inadequate decisions within the sphere of the tax system, create rivalries between municipalities that would like to attract a higher number of residents. In this endeavor, they are encouraged to use the absence of surtax as competitive leverage.

The second example, which yields unequal tax treatment and creates the opportunity for manipulation of the system, with a goal of minimizing taxes paid, can be detected within lump sum taxes in particular.

Using the cases regarding taxation of renting apartments, rooms, and beds, a comparison using the agent who pays income tax and the agent who pays a lump sum tax, will be conducted.

Calculations are carried out under the following assumptions:

- a) The annual income of both agents is 200,000 HRK;
- b) The agent who pays income tax qualifies for a personal deduction (coefficient 1) and does not pay surtax;
- c) Annual lump sum income tax is calculated for 20 beds for an A Category tourist area, within a surtax free municipality.

	Income	Income Tax	Lump Sum Tax	Share of tax Burden
Agent A	230,000	-	6,000	2.61%
Agent B	230,000	52,328	-	22.75%

Table 5: Comparison of income and lump sum taxation, in renting apartments, rooms and beds in HRK (Authors' calculations based on Tax Administration (2015))

The share of the tax burden of the agent who pays lump sum tax is twenty percentage points lower than that of the agent who pays income tax. With an equal annual income of 230,000 HRK, the agent who pays income tax is being charged the considerable amount of 46,328 HRK. Taking into account that both agents are involved in the same activity and that one agent is being charged eight times more than the other, it can be concluded that, even within a theoretical model, this defies common sense.

When organization of the tax system allows colossal differences between certain categories, when the transfer from one category to another is relatively easy, and when the most vulnerable

individuals cannot achieve the same tax status as the wealthy, the existing tax system surely does not result in equality¹⁶.

The above topics are relevant, but are not the sole connection between the organization of the tax system and economic inequality. That being said, a few additional factors which represent the determinants of unequal tax treatment, the detailed explanation of which would require additional articles, will be presented briefly.

The first factor is an inefficient collection of taxes from the Croatian Tax Administration. This is verifiable through insight into the Tax Administration database, The List of Matured and Uncollected Claims, which was discussed earlier in this paper and dated September 5, 2015.

Since such a high portion of taxes are not collected, required participation from all citizens in covering the costs of the country is nothing more than a formal farce. All taxpayers who are not settling their obligations toward the country are creating an unrighteous and unequal society. The lawmaker, considering the high number of debtors, has a crucial impact on the unequal treatment of all citizens, whereby those citizens who are not able to manage as well as those who responsibly cover their tax obligations, bear the highest burden.

The second factor is preferential tax status of financial services and the financial sector. A high number of financial services are exempt from taxation (based on the Value Added Tax Act), exemptions are further expanded to include bank assets (contrary to Hungarian practice), as well as financial transactions. This is not an exclusive problem of the Croatian tax system since it occurs throughout the entire European Union. This causes the EU to involve a considerable amount of effort to design a package of measures with a goal of harmonizing the tax treatment of the financial sector, increasing transparency, and diminishing unequal distribution of the tax burden¹⁷.

The third factor has to do with problems dealing with the taxation of income based on independent professional activity. The domain, among other issues, includes the authors' fees. This potentially violates the principles of righteousness because such income (after deducting costs), according to the current legislation, is being taxed by 25%. When the fees are considered regular income, they fall under progressive taxation, which leads to a righteous outcome¹⁸. This problem is in direct connection to the partial termination of the obligation to file an annual tax report, which Šimović (2012) classifies as a key factor in the deviation from the principles of horizontal and vertical equality.

The fourth and last factor is taxation, or lack thereof, regarding personal income earned within virtual worlds¹⁹ or charged in virtual currency. It is, as the taxation of the financial sector, a factor which does not occur exclusively in Croatia, and which represents a problem with global implications. In this case, the lawmaker is bound by necessity to tax the income earned in virtual worlds and using virtual currencies, however, the application of such taxation is highly complex in practice. The technological innovations and modern economic activity are demanding up-to-date adjustments of the country's institutions and regulations, which are nearly impossible to provide. Such a situation results in the fact that, in Croatia, the income of this sort is either not being taxed, or it is not taxed adequately. The occurrence, in most cases, is that the Tax

¹⁶ Important forms of tax evasion, which will not be covered within the scope of this paper, such as usage of offshore tax havens and change of residence to foreign countries with lower or nonexistent tax rates, must be mentioned.

¹⁷ See European Commission (2015)

¹⁸ Similar treatment also stands for the status of the additional income taxation

¹⁹ See S. Gadžo, et al. (2014)

Administration formally recognizes the taxation of virtual transactions and taxation with virtual currencies, but they are most commonly used or initiated with tax evasion in mind.

4.5. Effects of past, negative tax practices on inequality

The inequality phenomenon is not bound to a certain time period and, due to that, when analyzing the impact of the tax system on its creation, the review of relevant, negative tax practices occurring in past periods, is necessary.

In order to defend the thesis in a clear and concise manner, only a few key cases from this category will be presented:

- a) Acceptable tax deductions from income tax – Insight into the practice of past periods shows the existence of prescribed personal deduction enlargement on the basis of expenditures for health services, acquiring healthcare supplies and real estate needs²⁰. These personal deductions could be claimed up to the amount of 12,000 HRK annually. They were used in a large number of services, which acted discriminatorily toward the poorest members of society. In order for an individual to be able to take advantage of rehabilitation, healthcare supplies, or alterations to their living environment, one must have accumulated assets in possession, with which all the above can be afforded. The individuals who have no assets cannot obtain a decrease in the tax burden i.e., they cannot take full advantage of the offerings of the tax system. Therefore, the application of the acceptable tax deductions of this sort violates the principle of vertical equality. Šimović (2012) states that from 2005-2009 the usage of tax deductions increased from 3.7 billion HRK to 5.1 billion HRK and concludes that such a relationship represents the significant impact on horizontal (in)equality. He clearly states that within the income tax system of the RC, the horizontal principle was violated. The synthesis here is that a line of deductions leaves the real tax burden below the level it should be, which results in deviation from both vertical and horizontal principles.
- b) The Crisis Tax – The duration was 17 months, ending in 2010. The Crisis Tax was imposed on income typically covered under income tax, under constraint, if 3,000 HRK is surpassed. From 3,000 – 6,000 HRK taxes were being paid at the rate of 2%, while at earnings surpassing 6,000 HRK, a rate of 6% was charged. As a result of questionable righteousness, the Crisis Tax experienced numerous critiques, among which the most notable was from the Croatian Constitutional Court. In the beginning, taxation was not imposed on independent professional activities, which meant that all citizens were not treated equally. The opinion of the authors, in accordance with Rakowsky (1999), and taking into consideration that the object of taxation included even pensions is that lower income classes should have been excluded from taxation with a simultaneous introduction of higher tax rates imposed on higher income classes. Tax rates should have been higher and applied only to those individuals who, regardless of economic contraction, enjoy a life standard far above the average.
- c) Tax and surtax exemption on income from capital – Tax and surtax exemption on capital income began March 1, 2012, according to Article 30 of The Income Tax Act. From the inequality aspect, the period before the Act was implemented was a period during which persons earning income from capital were exempt from taxation. It must be noted that from 2001-2004 capital income was taxed, although in a different form than the one that is currently implemented. After this Act was repealed in 2005, a new deviation from the

²⁰ The complete list of services is available on websites of the Tax Administration.

horizontal equality principle began (Šimović, 2012). Keeping in mind that income from capital is obtained by individuals from higher income classes, this specific case of tax exemption can be seen as yet another failure, or incentive of the tax system, depending on which class the individual belongs to²¹.

- d) Exemption of taxation from winnings in games of chance – From one side, high earnings from games of chance directly create inequality, while from the other side, exemption from taxation leads to the fact that income from games of chance create greater privileges compared to other types of income, which are taxed regularly.

Even though one may gain the impression that the results of the stated practices are trivial, it is important to keep in mind the existence of the multiplier effect which, in the long run, generates substantial differences.

Any practice that leaves the poorest members of society at the same level of utility (or lowers it), while at the same time increases utility to those individuals who can afford it, defies the Rawls max-min principle of justice and widens inequality.

The impact of these arguments on horizontal and vertical equality, as well as non-observance of the Ability-to-Pay principle, confirms the central hypothesis. Furthermore, this leads to the conclusion that the effects of the existing tax system in Croatia are working toward creation, expansion, and preservation of wealth and income inequality.

5. TAX SYSTEM IMPROVEMENTS AND LIMITATIONS IMPOSED BY GLOBALIZATION

If the Direct Tax Act from 1990 (Jelčić and Bejaković, 2012) is used as the foundation for the Croatian tax system, it can be seen that it is relatively young in comparison to the rest of Europe. A little more than a quarter of a century is not nearly enough time for establishment of a system which is consistently confronted with dynamic markets and the exponential rise of innovations in every sphere of economic activity. The immaturity of the system can justify smaller errors, however, it cannot be used as justification for the existence of fundamental defects.

Recently, Croatia has made a substantial effort in improving the system, which is manifested in the termination of multiple tax exemptions, in introduction of capital income taxation for individuals, in introduction of taxation on interest from savings, in the Fiscalization Act, in implementation of the new Tax Administration platform, and in various other, less significant activities. All of these should be recognized as positive steps in diminishing unequal tax treatment and will directly lead to a higher level of righteousness and a more equal society.

Besides these improvements in decision making (regarding the organization of the tax system), the importance of international surroundings needs to be emphasized. It is a contemporary topic which is the object of discussions among the world's leading economists, such as Stiglitz (2013) and Piketty (2014; 2015).

Piketty, besides his commitment to a higher wealth tax (in a broader sense), with the goal of achieving less inequality, emphasizes the need for harmonization of the tax system both in the EU and globally. The French economist states that the absence of unique tax policies leads to the usage of national tax policies, with an aim of attracting foreign capital and increasing competitiveness. In other words, the absence of common tax policies in the EU (and the world), on one hand, enables the member countries to lower tax rates in order to increase current welfare. On the other hand, it makes things more difficult for other member countries attempting to implement tax policies which are supportive of equality. Piketty sees a solution in execution of the flat tax, which would be used for taxation on all incomes earned on capital

²¹ The problem of taxation of capital income in Croatia was analyzed in detail by Orsag (2011).

investments and which would also be universal, with the purpose of avoiding negative effects of fiscal competition.

Within the international context, the organizers of national tax policies do not have much space for the creation of a more righteous system. The reason for this is because the shift in that direction (taxing in accordance with the Ability-to-Pay principle) would yield an outflow of capital toward member countries that enforce lower tax rates and do not make equality a priority.

All of the above leads to the conclusion that, even if designers of a national policy were to create a better system and remove the flaws, they would be limited by international competition and the outcome of such an undertaking would be uncertain at best.

The righteousness of the tax systems within the Single Market must be built on international foundations. This can be seen in the example of the EU, which strives to harmonize tax systems²². The tax adjustment on the level of the EU would, in addition to the enhancement of transparency, disallow differences in national tax systems in order to lower the tax burden on individual agents. Nevertheless, considering that the current direction of EU policies aims to obtain coordination focused on consumption taxation (regressive taxation), it is highly controversial as to whether such upgrades would serve the EU's most vulnerable citizens.

6. CONCLUSION

Throughout this paper, the impact of the Croatian tax system on the creation, preservation, and support of wealth and income inequality was analyzed.

The research was conducted using this underlying question, “Do lower income and low wealth groups bear a higher tax burden, or have policymakers taken into account relative shares of taxes and, subsequently, organized the system in accordance to the principles of equality and the Ability-to-Pay?”

The organization of the tax system and its impact on economic inequality was evaluated using the available tax categories and by taking into consideration whether they are designed in accordance with horizontal and vertical equality, as well as with the Ability-to-Pay principle.

Based on the presented material, the following can be concluded:

- a) The organization of the tax rates does not work toward distribution of the tax burden according to the Ability-to-Pay principle;
- b) The share of regressive taxes within budget revenues is extremely high;
- c) Capital income has a privileged taxation status when compared to labor income;
- d) An obligation to pay lower corporate tax, instead of higher income tax, is being forced by lawmakers;
- e) Tax evasion is possible and probable;
- f) Effects of negative tax practices on inequality, in recent history, are still existent; and
- g) The system suffers from an abundance of components that directly cause inequality.

The effects of these arguments on horizontal and vertical inequality, and deviation from the Ability-to-Pay principle, are in alignment with the central hypothesis and confirm that the existing Croatian tax system works toward widening and sustaining inequality within the society. It can be seen that Croatian citizens do not bear a tax burden in accordance with their economic status. Due to this, the principles of righteousness and equality are functioning exclusively as formal postulates and the tax system unambiguously represents one of the pillars of economic inequality.

²² See European Parliament (2015)

The lawmakers in the sphere of taxation need to conduct significant reform in order to adjust the system to the proclaimed principles and to create a system that benefits the society in its entirety. The trends of reform movements are in favor of improving the current reality but, on that path, they encounter obstacles of global fiscal competition and a consequential outflow of capital. Therefore, tax system reform, regardless of its complexity, must become a societal priority.

ACKNOWLEDGEMENT: *This work has been supported by the Croatian Science Foundation under the project 6558 Business and Personal Insolvency – the Ways to Overcome Excessive Indebtedness.*

LITERATURE:

1. Auerbach, J. A. (2006). Who Bears the Corporate Tax? A Review of What we Know, I. Poterba (ed.), *Tax Policy and the Economy* (pp. 1-40), Vol. 20, The National Bureau of Economic Research, Cambridge, MA.
2. Avi-Yonah, R. S. (2014). The Parallel March of the Gini: How Does Taxation Relate to Inequality and What Can Be Done About it?, *Public Law and Legal Theory*, University of Michigan, No. 385.
3. Blažić, H. (1999). Regresivnost poreza na dodatnu vrijednost u Hrvatskoj, *Financial Theory and Practice* (pp. 667-676), Zagreb, Vol. 33, No. 2.
4. Blažić, H. (2004). Tax Compliance Costs of Small Business in Croatia, *Financial Theory and Practice* (pp. 309-324), Zagreb, Vol. 28, No. 3.
5. Bratić, V, Urban, I. (2006). Tax expenditures in Croatia, *Financial Theory and Practice* (pp. 129-195), Zagreb, Vol. 30, No. 2.
6. Burman, L. (2013). Taxes and Inequality, *Tax Law Review* (pp. 563-593), New York, Vol. 66.
7. Constitution of the Republic of Croatia. (2014). Official Gazette of the Republic of Croatia, No. 56/90, 135/97, 8/98, 113/00, 124/00, 28/01, 41/01, 55/01, 76/10, 85/10, 05/14.
8. Crafts Act. (2013). Official Gazette of the Republic of Croatia, No. 143/13.
9. Deloitte (2015). *Corporate Tax Rates 2015*, Deloitte Touche Tohmatsu Limited, UK.
10. Deloitte (2015). *International Tax Country Highlights 2015*, Deloitte Touche Tohmatsu Limited, UK.
11. DSZ (2015). *Poverty Indicators 2014*, DSZ. Retrieved 07.02.2016 from <http://www.dzs.hr>
12. European Commission (2015). *Taxation of the Financial Sector*. Retrieved 12.03.2016 from <http://ec.europa.eu>.
13. European Parliament (2015). *Tax Policy in EU: Issues and challenges*. Retrieved 16.04.2016 from <http://www.europarl.europa.eu>.
14. Eurostat (2014). *Taxation trends in the European Union*, European Commission. Retrieved 24.03.2016 from <http://ec.europa.eu>.
15. Eurostat (2015). *Unemployment indicators*. Retrieved 24.03.2016 from <http://ec.europa.eu>.
16. FINA (2013). *Izveštće o najvećoj prosječnoj mjesečnoj plaći u 2013. godini*. Retrieved 07.04.2016 from <http://www.fina.hr>.
17. FINA (2016). *Pregled stanja blokade građana po gradovima i županijama*. Retrieved 13.02.2016 from <http://www.fina.hr>.
18. Forbes (2014). *Hrvatskih top 50*. Retrieved 07.02.2016 from <http://forbes.hr/>.

19. Gadžo, S, Jengiđ, A, Jerđinoviđ, A. (2014). Primitci fiziđkih osoba ostvareni u virtualnim svjetovima i teorijski okvir oporezivanja dohotka, *Zbornik radova Pravnog fakulteta Sveuđilišta u Rijeci* (pp. 291-319), Faculty of Law, University of Rijeka, Rijeka.
20. HNB (2016). *Financijska stabilnost* (No. 16). Retrieved 16.02.2016 from <https://www.hnb.hr/>.
21. HZMO (2016). *Statističke informacije HZMO-a*. Retrieved 05.03.2016 from <http://www.mirovinsko.hr/>.
22. Income Tax Act. (2014). Official Gazette of the Republic of Croatia. No. 177/04, 73/08, 80/10, 114/11, 22/12, 144/12, 43/13, 120/13, 125/13, 148/13, 83/14, 143/14.
23. Jelđiđ, B, Bejakoviđ, P. (2012). *Porezi: opđi dio*, Visoka poslovna škola Libertas, Zagreb.
24. Jelđiđ, B, Lonđariđ-Horvat, O, Őimoviđ, J, Arbutina H, Mijatoviđ, N. (2008). *Financijsko pravo i financijska znanost*, Official Gazette of the Republic of Croatia, Zagreb.
25. Jelđiđ, B. (2007). Zašto fiziđka osoba mođe, i/ili mora, umjesto poreza na dohodak plađati porez na dobit?, *Informator* (p. 1), Zagreb, Vol. 55, No. 5538.
26. Kesner-Őkreb, M, KuliŐ, D. (2000). *Porezni vodiđ za građane*, Institute of Public Finance, Zagreb.
27. Kesner-Őkreb, M. (1999). TroŐarine, *Financial Theory and Practice* (pp. 765-767), Zagreb, Vol. 23, No. 6.
28. Ministry of Finance (2014). *Annual Report of Ministry of Finance for 2014*, Republic of Croatia Ministry of Finance, Zagreb.
29. Ministry of Social Policy and Youth (2014). *GodiŐnje statistiđko izvjeŐće o primljenim pravima socijalne skrbi u 2014. godini*, Republic of Croatia Ministry of Social Policy and Youth, Zagreb.
30. Moss, D, A. (2004). *When all else fails: Government as the Ultimate Risk Manager*, Harvard University Press, Cambridge MA.
31. Musgrave, R. (1989). *Public Finance in Theory and Practice* (5th ed.), McGraw-Hill Inc.
32. Organisation of Games of Chance and Prize Games Act. (2014). Official Gazette of the Republic of Croatia. No. 87/09, 35/13, 158/13, 41/14, 143/14.
33. Orsag, S. (2011). Oporezivanje kapitalnih dobitaka, *Economics* (pp. 57-98), Zagreb Vol. 18, No. 1.
34. Piketty, T. (2014). *Capital in the Twenty-first Century*, The Belknap Press of Harvard University Press, Cambridge, Massachusetts, London, England.
35. Piketty, T. (2015). *The Economics of Inequality*, The Belknap Press of Harvard University Press, Cambridge, Massachusetts, London, England.
36. Profit Tax Act. (2014). Official Gazette of the Republic of Croatia, No. 177/04, 90/05, 57/06, 146/08, 80/10, 22/12, 148/13, 143/14.
37. Rakowski, E. (1999). Can Wealth Taxes be Justified?, *Tax Law Review* (p. 3), New York, Vol. 53.
38. Smith, A. (1776). *An Inquiry into the nature and causes of the wealth of nations*. Sálvio M. Soares (Ed.) MetaLibri Digital Library.
39. Stiglitz, J. (2013). *The Price of Inequality*, W. W. Norton & Company, New York.
40. Őimoviđ, H. (2012). Development of Personal Income Tax in Croatia: Reforms and Failures, *Croatian Journal of Social Policy* (pp. 1-24), Vol. 19, No. 1.
41. Őimoviđ, H. (2012). Effect of expenditures in personal income taxation on horizontal equity in Croatia, *Financial Theory and Practice* (pp. 245-267), Zagreb, Vol. 36, No. 3.
42. Őkarica, M. (2009). Real Regression Frames of the Croatian Value Added Tax, *Economic Thought and Practice* (pp. 259-278), Zagreb, Vol. 18, No. 2.

43. Tax Administration (2004). *Dio osobnog odbitka za izdatke zdravstvenih usluga i stambenih potreba*. Retrieved 06.03.2016 from <http://www.porezna-uprava.hr>.
44. Tax Administration (2015). *The Croatian Tax System*, Republic of Croatia Ministry of Finance, Zagreb.
45. Tax Administration (2015). *Najam stanova, soba i postelja putnicima i turistima i organiziranje kampova* (12th ed.), Republic of Croatia Ministry of Finance, Zagreb.
46. Tax Administration (2015). *Popis dospjelih i nenaplaćenih dugova*. Retrieved 05.09.2015 from <http://duznici.porezna-uprava.hr/>.
47. Turković-Jarža, L. (2014.). Promjena načina oporezivanja s dohotka na dobitak, *Računovodstvo Revizija i Financije*, 2014 (12/14), p. 201.
48. Urban, I. (2011). Raspodjela poreznog opterećenja u Hrvatskoj, *Newsletter: Povremeno glasilo Instituta za javne financije*, 2011(No. 58.), pp. 1-6.
49. Wijtvliet, L. (2014). Too Little, Too Late: The Uneasy Case for a Wealth Tax as a Means to Mitigate Inequality, *Intertax* (pp. 632-643), Vol. 42, No. 10.