

## A CITIZEN'S GUIDE TO TAXATION

Marina Kesner-Škreb and Danijela Kuliš, 2010, Institute of Public Finance and Friedrich Ebert Stiftung, Zagreb, pp. 137

Review\*

Eight years after the first edition of *A citizen's guide to taxation*, the Institute of Public Finance in cooperation with the Friedrich Ebert Stiftung has published a new and updated version in January 2010. Like the first version, the second edition is published in both English and Croatian, and the team of authors, Marina Kesner-Škreb and Danijela Kuliš, both employed at the Institute of Public Finance, remains unchanged. An electronic version of this publication in English can be found free of charge on the official Institute of Public Finance web site <http://www.ijf.hr/eng/taxguide/2010.pdf>.

The aim of this useful publication is to make it easier for citizens, students, entrepreneurs, travellers, public officials and any other interested parties to comprehend the Croatian taxation system and its components. Taxes and taxation represent a foundation of any civilization, or in the authors' own words, "*taxes are as old as civilisation*". This volume gives a thorough but easy-to-read insight into the taxation principles in general, specific taxes and contributions, their development and changes, as well as the functioning of the Tax Administration and tax advisory systems in Croatia. Because they are mostly unavoidable, the general public tends to look upon taxes with dislike, by, forgetting they make many of the public goods and services we take for granted possible, those such as public health, safety, traffic, education and culture. It is clearly, then, in every citizen's best interest fully to understand and get involved in the taxation process.

*A citizen's guide to taxation* is composed in twelve chapters, grouped in such a manner as to form three thematic areas. In the first part, the emphasis is on taxes and taxation in Croatia in general. The majority of the book focuses on specific taxes, contributions and duties one by one with their related rates, tax bases and all of the other relevant information. The last part is concerned with tax administration and tax advising in Croatia.

- The first chapter explains the concept of taxation, its historical origins and the rise of the importance of taxes in the 20<sup>th</sup> century. Also, the authors clarify some basic terms, such as direct and indirect taxes, the concept of tax shifting, characteristics of good taxes, equity and efficiency in taxation. After that, the authors introduce

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the reader to the Croatian taxation system in general. Basic direct and indirect taxes in Croatia are listed and the distinction is made between tax revenues of different government levels. The contributions of specific taxes to the total tax revenue of the general government, as well as tax revenues over time, are given in an overview. Finally, the authors make a comparison of statutory tax rates between Croatia and selected other countries. In the second chapter the authors continue with a detailed clarification of the Croatian General Tax Act, as well as some basic legal terms and processes.

- The largest part of the volume deals with specific taxes. First, personal income tax is discussed in detail and different kinds of incomes are defined. Next, the Guide deals with contributions and their relation with taxes. Corporate income tax comes next and VAT follows, along with explanations of the value added concept, after which the chapter finishes with special excise taxes. In the next chapter the authors explain local taxes, divided between county taxes (the inheritance and gift tax, road motor vehicle tax, boat tax and slot machine tax) and municipality and city taxes (surtax on personal income tax, consumption tax, second home tax trading name or corporate name tax and public land use tax). An overview of other taxes in Croatia follows. Finally, the authors explain the custom duties system in general, duties in the EU and Croatia. Also, some interesting points about the customs union and WTO are brought up and some specific issues interesting for the general public are explained, such as exemptions from duties for travellers and amounts of cash that may be carried by persons travelling to the EU. Note that the authors cover all details for every tax and contribution mentioned, such as tax payers, tax rates, tax returns, tax reliefs, the process and period of taxation, deadlines, penalties, etc.
- The final two chapters focus on the tax administration system in Croatia and present some key points with tax advising. First, the authors present a schematic overview of the organisation of the Tax Administration, the tasks of the administrators and give directions for acquiring all other information. The final chapter explains tax advising in general, the scope of advisers' activities and the advisers' examination process.

The Guide offers an objective overview of every tax implemented in Croatia, along with tax rates, the bases upon which the taxes are paid, the payment deadlines, who is liable to pay which tax, and who is excluded from a certain tax obligation. All of the necessary information about every particular tax can be found in a comprehensive table at the end of the book, summarizing the volume's main subject. The appendix part of the book contains a list of the Tax Administration regional offices and their local offices, a glossary explaining some basic terms and a list of sources of information about taxes, all of which can be very useful for completing the picture of taxation in Croatia. At the end of every chapter authors give a list of all reference regulation documents, which represents an important asset to this book. Graphs and data tables are given when necessary, which along with little pieces of textbox wisdom in the form of folk sayings and famous quotes makes a clever way to refresh this somewhat arid subject for non-expert readers.

This volume can be read at a sitting for its intrinsic interest, but can also be used as a reference manual for citizens who run into a specific tax-related issue. As the authors point out in the preface, “*the Guide is intended primarily for citizens who are daily faced with taxes, as they buy goods in a shop, receive their salaries, order a cup of coffee in a restaurant, inherit a house, etc.*”. That a country’s citizens understand the tax system and do not just blindly follow instructions is a precondition for a transparent and fair society, and this book is a step in that direction.

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