ABSTRACTS

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IMPACT OF INCOME TAXATION ON ECONOMIC GROWTH

The allocation effects of income taxes can be various and depend on such factors as: height of tax rates, capacity of tax scales, subject and base of taxation, scope and scale of tax reliefs and exemptions, the way of distributing tax burden and the way and mode of collecting taxes.

Through income taxes we achieve correction of taxpayers' incomes. Redistribution of national product is conducted between taxpayers and public law entities. The problem here may be the answer to the question whether income taxes perform well the function of redistributing income among various income groups of taxpayers and what is the cost of this tax function.

Income taxes affect economic growth. Increased taxation may translate into either declining direct consumption or declining savings. Lower consumption leads to decreased revenues from direct taxation un- less the growth of income tax rates is accompanied by growth of indirect tax rates. This, however, may cause further decline in consumption or decline in savings and capital supply.

High (progressive) income taxation limits private investment by reducing part of income that could be allocated to investment. Statistical analysis conducted on a group of 20 OECD countries for years 1970 – 1994 confirms the negative relation of households savings rate not only to the size of budget deficit, unemployment rate, current account deficit, demographic structure but also to the size of personal income tax.

The research shows that the most negative influence on economic growth, especially on unemployment level, is exerted by fiscal burden constituting the so-called labor costs. Interestingly, contrary to popular beliefs, the research did not show any correlation between the level of income tax burden on economy and economic growth.