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EVOLUTION OF VAT

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Abstract

The paper is dealing with the origin of the value added tax, as well as the circumstances of its introduction and subsequent evolution. That is why the introduction of its author, Maurice Lauré, is to be mentioned at the very beginning. Then the present state of the tax in France has to be summarized which leads to our considerations about the possible future of the tax in France (partly in other countries as well) and an attempt to formulate possible lessons, following from the faults, that might be seen again especially in France. This is also the reason why our attitude might contain, sometimes quite visibly a Francophile tone. The aim, however, is the presentation of genesis and evolution of the VAT in general, the comparison of its initial state with the present situation in France and a try and assess the difference. The methods used here are the analysis and synthesis, historical description and historical and the comparative method were mostly used.

Key words: France; public finance; indirect taxes; VAT.

JEL Classification: K340, K34

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1. Introduction

For different reasons and for a long time the principles and characteristic qualities of the value added tax (further VAT) were the main topics of many papers and articles [Pařízková 2004: 114-122] In spite of their very erudite and quality character, they had mostly left out (or only incidentally mentioned) the origin and evolution of the tax and the very reason of the existence of the VAT. On one hand it is traditionally considered an effective and highly contributing tax, on the other hand it is taken by many final consumers and tax payers as the root of all evil.

Considering the course of its existence from the origin of the TVA (la Taxe sur la Valeur Ajoutée in French), only the brief and peripatetic course within the context of its history provides a very interesting reservoir for the article we intent to give.

Then the aim of our article is not only presentation of the development of the value added tax (TVA in French context) but also comparison of its present state with that established at the very beginning in France and try and analyse the possible difference. Here we may formulate rather daring hypothesis as follows:

The Value Added Tax as now legally operative in France is pro futuro no longer viable.

Author applies the analysis and synthesis method, the description method, the method of historical description and the comparative method. In the given context it may be said that the analysis and synthesis method seem to be the most suitable instrument for judging the present state of the French TVA to validate or reject our hypothesis. For our purpose the method may be complemented by comparative method, where the comparison is being carried out with the original purpose as well as the initial understanding of the VAT (for the clarity sake the TVA) and, again to achieve either the validation or rejection of the hypothesis.

The applied literature as the necessary source for any treating the subject is mostly taken from foreign sources. The present Czech sources are more or less neglecting the topic of VAT, so the French literature or periodicals as well as the interviews with the leading scholars in the field of French public finances are probably the only sources available in the Czech republic. This is the reason why we use the opportunity to draw the attention mostly to the book published in 2012 by Denys Brunel [Brunel 2012], the economist from the *l'Ecole central* and the doctor of *l'université Paris-Dauphine*, whose publications on the VAT are considered essential and the most complex. It is worth reminding that Denys Brunel is one of the few still living personal “eye witnesses” remembering “the very invention” of the tax.

With respect to the subject, the orientation and contents of the present paper are partly historical, partly “financially-theoretical”. The contribution rests in its novelty (definitely in the Czech republic or Poland) but also in the historical description of approach to the subject itself. Moreover, considering the fact that the evolution of the VAT was “taboo” in the Czech Republic for the long time (more or less till 1989), the comparison with the situation in France especially in the 50’s may also be useful.

2. The VAT and its Genesis

That the territorial origin of the value added tax is truly French idea is the fact generally acknowledged. In 2014 the VAT “celebrated” its sixtieth “birthday” and, especially in France, the festivals organized by scientific and financial circles were more than pompous. The hundreds of conferences were organized, the tens of memorial volumes of transactions and monographs were published [Bouvier 2014]. Let us look to whom and to what the French TVA is owing its discovery and endless debates and discussions ever since.

Both the questions are mostly answered by the person of the inventor, the high official of the French Ministry of Finance, Maurice Lauré¹, born in Moroccan Marrakesh. He was a man in whom the inventive spirit and working enthusiasm were extraordinarily united. He succeeded in the task that many French politicians, monarchs, and fiscal experts vainly tried to solve for many centuries [Egret 1989: 65]. From Philippe IV., The Fair, Henry IV. of Navarre, Napoleon Bonaparte up to Joseph Caillaux, the French statesmen sought an “unattainable Holy Grail² of taxation” i.e. an ideal tax de facto, enabling them to pay the fiscal needs of the state being at the same time as painless as possible, without helping crooks and frauds and stimulating, again in the same time, the growth of national economy. Of course, this dream of ideal tax satisfying the above mentioned “trinity” of requirements began in the antiquity.

As to France, the native country of the Value Added Tax, its budget during the rule of Henry IV. of Navarre reached the sum of 15 millions *Livre parisien*³. At the beginning of 16th century the budget oscillated around 20 millions of *livres* and about 1630 reached 100 millions. The main sources of income was annual direct tax (levied regularly from 1439)

¹ Maurice Lauré (1917 - 2001). Although originally a graduate engineer (*École Polytechnique*), after the Second World war he joined the ranks of the French financial administration (more precisely, the tax inspectorate). In 1952, he co-founded *Direction générale des impôts* (Directorate General for Taxes), where he became a director. He was a president of *Société Générale* between 1973 and 1982, at a time when this French commercial bank was still in the hands of the state.

² Grail is a mythical cup, around which there are several legends. According to one of them, this cup had to capture the blood of Christ, and hence have a miraculous power, which motivated a number of people to search for it.

³ *Livre parisien* was the currency used in the French kingdom, whose coins were coined in Paris until 1667.

and so called "Paulette"⁴. The taxes were raised during the reign of Louis XIII and his minister Cardinal Richelieu. From their time on the raising continued almost constantly. This was probably the reason, why the Finance Minister of King Louis XVIII Joseph Dominique Baron of Ludwig addressing the Parliament (angry by the enormous rise of public expenses due to the Napoleonic wars) with the budget of one billion francs, told the embarrassed deputies: *"Take stock and weigh well, Gentlemen, such a sum you will never see again"* [Brunel 2012: 37].

The development of indirect taxes was possible to follow as well. The French Board of Salt did not deal in the salt only then supervised the taxation of the whole scale of various commodities (e.g. cloth, sugar, candles, dyes) or goods and services considered luxurious (e.g. theatre tickets, coffee, chocolate, spices, playing cards and alcoholic beverages).

There was also customs duty – paid from the food trade between individual provinces. However, in the period of expansive and extensive wars all this was still insufficient. The question then was, what to change in France, where indignation of tax-payers was evident and malversations of tax-collectors were notorious and more than possible. The idea of new tax imposed at all the tax-payers and dispersed all over the country covering all the commodities levied either during the production or the circulation was at hand. The new tax ought to be also moderate and included in the prices of products. The subsequent rise of prices was intended to be limited by technical progress, by the rise of productivity or the discovery of new sources. The statesmen of that time felt that the desired ideal tax had been already found. In 1787 the States General were summoned for the only purpose – to approve this new tax. The session of the States was, understandably, a failure, the Third State resolutely refused to pay the new tax, arguing that aristocracy and clergy got automatically tax exemption. The Rebellion of the Robbed, when about 100 000 people mostly of the Third State were deprived of their long life savings, was in very good memory and those people were neither able nor willing to pay again, considering moreover that the tax was few time raised since (always considered unjust and unfair) and the Revolution of 1789 was near at hand. The 1789 Revolutionists started to think about a new tax, much more acceptable and with its administration decentralized and delegated directly towards the taxpayers. The Utopia was radically cut down by Napoleon who, on the contrary, rigidly centralized the tax administration, abolished the Board of Salt and reformed former indirect taxes and introduced few new, e.g. state tobacco monopoly. However, at the end of 19th century the indirect taxes made the three quarters of state income [Brunel 2012: 38].

Nearly forgotten off the French-speaking countries, the bloody Eighty-years War, so called "the Beggars Rebellion", was mainly caused by the rise of tax that Spain imposed on her

⁴ Tax named after Charles Paulet, in those days, the secretary of the royal chamber and the same time the first person who paid the tax. It was a loyalty tax, a voluntary charge of more important officials paid to the king since 1604. Its yield represented 5 % to 10 % of the state's revenues at the beginning of the 17th century.

Netherland provinces and the fact lead to their final independence in 1581. The conclusion probably is, that since the times of enormous taxes imposed by Roman empire, the Papal State in Italy, up to the hunger riots in the period of Russian revolution 1918, the wrong administration and faulty taxation have been more or less the basic source of revolutions, rebellions and a variety of local riots. And it was the taxes (the most of them the direct ones) that had relatively quick and heavy impact on the lives of millions of people, living in poverty even before.

However, none from the statesmen and politicians either French or other did not discover an ideal tax. The road to it was accompanied by general uncertainty up to the beginning of 20th century. Then French historian Gabriel Ardant wrote that *“for the taxation history as well as for the history in general the twentieth century begins in 1914”* [Ardant 1972: 479]. The search for the Holy Grail of the taxation thus seems to lie in the period between the hopes of yesterday and realities of tomorrow.

In 1949 when Maurice Lauré became the assistant director at the Directorate for taxation legislation, there were three main taxes were existing in France: the turn-over tax (or the sales tax), income-tax (7,5%) and local retail tax (2,75%) paid by all local dealers selling to final consumers. The retail tax was levied for the benefit of the communities, where the sales were realized. Local representatives were satisfied because they obtained stable, independent and easy-to-anticipate income. The merchants paid lump sum for the period of two years.

The real success in the search for the ideal tax was achieved in the fifties of 20th century and not by a mere chance. The French TVA is more or less the product of difficulties of French tax system appearing during early fifties. The author of the concept of value added tax, Maurice Lauré, was of the opinion (that he began to propagate both in the media and in the politics) that the French tax system had to be revised, since it created the excessive tax burden on productivity factors, was enormously complicated and enabled tax exemptions leading to evasions leading and frequent misuse. His ideas were adapted to the momentary French fiscal reality and his concept of new French tax system was easy to be conformed with everyday life of French businessmen and business companies, at the same being relatively simple especially when compared with the obsolete system of indirect taxes. The simplicity was demonstrated even by the fact that Lauré wrote the first primary forms for tax returns himself trying to get the simplicity accessible for all.

Lauré also emphasized the visible advantage of the VAT as to the possible tax evasions. His opinion was that the cheats inclined to frauds were rather retail dealers than big companies and merchants were more inclined to them than craftsmen and producers. This idea was supported by the fact that a small grocer and/or craftsman who works in family company is easily conducive to tax evasion than a big commercial company, with many accountants,

and sharply watched fiscal authorities. The tax frauds were also restricted by the simplicity of the new tax and relative unified rates for the most taxpayers and so the task of “supervisors” was made easier, too. And last but not least, the VAT liquidated many up to this time frequent questions: “What rate should taxpayer X,Y actually pay? What method is to applied in each given stage of the sale?” This sort of question and many similar ones became no longer of any importance. Further advantage of the VAT is that for any tax deduction on the input the merchant has to supply the proof of the previous purchase. This fact practically eliminated any purchase without billing documents. Denys Brunel drew also the attention to the temporary statistics showing that fraud with VAT did not exceed 5% of the total output [Brunel 2012: 90]. Nevertheless, even Maurice Lauré warned against “a black hole” where the frauds with the VAT were (and still are) are more pronounced than before – it is the area of international trade. The genial idea of Maurice Lauré is, of course, is not harmed by the fact.

Raymond Aron⁵, otherwise very sparing compliments, called him at some occasion “*le prince de l’esprit*”. And it was before that Aron called him as “*one of the most intelligent men of France*” [Aron 1955: 411-412].

The world-wide success of the Value Added Tax should not diminish the extensive talent of its creator. Lauré was not pedantic scientist closed in the world of his own, he was also a practical and well renowned lawyer. This feature of his was and still is rather overlooked in France even if it illustrates his versatility and ability to pass from the theory to very practical and realistic thinking.

At the age of 35 he published his most famous work “*La Taxe sur la valeur ajoutée*” in 1952 with the Henry Lafenburger’s⁶ preface, who noted about the author: “*We frequently accuse the finance inspectors that they are only and simply tax experts. In this specific case the author of the VAT arose himself above the mere tax administrator controlling taxpayers. M. Lauré opened the vast horizons for the economic and social effects of the tax system*” [Brunel 2012: 56].

It was really the seminal work, in which Lauré described new, and not only in his eyes, the really revolutionary tax system. The importance of his book is witnessed by the fact that two years later, the Parliament of the Fifth Republic and the President of the Republic René Coty approved⁷ and signed the law introducing the newly discovered tax.

⁵ The French philosopher, historian, political scientist and sociologist. A supporter of liberalism, who since 1955 has been a professor at the Sorbonne in Paris.

⁶ The French economist, specialist in the French and German financial science.

⁷ Value added tax was accepted on 10 December 1954, not by a very convincing vote of 320 votes in favour and 245 votes against.

However, the decision was far from the being unanimous, the violent discussion preceded, Communist were strictly against the “politics of class taxation”, PRF (Gaullists) were afraid of the changes in favour of the big corporations and support of the private sector to the detriment of public investments, SFIO (Socialists) were criticising everything and every time [Brunel 2012: 68].

On the other hand, the timing and discovery of the value added tax were almost perfect and the its introduction was perfect, too. The reason are the following:

1. The Value Added Tax appeared at the beginning of the fifties of the 20th century, in the time when the reconstruction of France after the Second World War had gradually proceeded. France was recovering from four difficult war years, and her economy had to be totally rebuilt. From the European point of view the main instrument was Marshall’s plan⁸; in France Jean Monnet, the Commissioner for Planning, opened the period of restructuring the overall state administration. The time coincided with the end of the Indochina war (1954) and with the beginning of the “Cold War” as well. The world of politics slowly came to conclusion that national economy is the dominant part of national existence and the tax system is its essential sphere. This tax broke the established model of the French tax system and replaced a number of various taxes inflicted on the general sales of goods.
2. The period we speak of now could, at same time, be taken for the beginning of the era of “the consumers’ society”. The period between 1946 – 1975 very soon got, in France and elsewhere, the name *Trentes glorieuses* (The Glorious Thirties). So this is the context in which the VAT was born. In other words, it was simply the tax accompanying the newly born consumers’ society⁹.
3. Last but not least, the fifties were the period of the beginning of European integration. An open market was created and new member states had to adapt themselves and create the maximally similar tax system to prevent expected controversies. Without it the commodities in different states would have different prices due to the differences in taxation and rates. That is why all the states joining the economic political community, then called European Community (*Communautés européennes*), had to introduce the tax “of the VAT type.” However,

⁸ Altogether, over 13 billion US dollars was spent to restore the economy of the oldest continent.

⁹ For completeness, I note that the consumers’ society (or the consumerism) has already been formed in the 20s and 30s of the 20th century, especially in United States of America. However, I consider the period of the 1950s to be main wave of the consumer society, again (primarily) in the United States and (secondary) in Europe. On the other hand, in the 60s of the 20th century it was possible to watch a wave of resistance against a growing consumer society.

the new French invention was so successful that soon crossed the frontiers of Europe.

Let us return once more to the inventor of the new tax. It is necessary to say that the book *La Taxe sur la valeur ajoutée* was not only and single work of the author. In the world of French finances there are two other seminal books: the *Science fiscale* (Fiscal Science) [Lauré 1993] and *La fonction cachée de la fonction de la monnaie face aux charges assies sur l'activité des entreprises* [Lauré 1997]. In spite of the fact that both the books were of different topics, the essence of both rests on the same principle: to create the financial political as well as economical stability and effectiveness. Lauré's last contribution to this idea was published in his book *Les impôts gaspilleurs* [Lauré 2001], where he drew his attention to partial ineffectiveness of the tax systems harmful for the whole economy be it national or private.

The Value Added Tax is still one of the most spectacular changes of the tax system of the twentieth century making a turn-over of economy in many countries in such a way that great world powers apply it till now. What is the reason of revolution character or mystery of success of the VAT? Its working was simple and its function as powerful drive of investments and exports was extraordinary. Its implementation coincides with the post war period, when key issues of payment balance and French franc rate were central problems of the Fourth Republic¹⁰. Today even if the French over all trade balance of foreign trade is unprofitable [Francie: Zahraniční obchod a investice 2018] the situation is far from being critical due to strong protection of the German export.

For the first time in the history, the value added tax was not another complementary fiscal income, but the road to the economical development of every country that introduced it, while the social balance was being kept. Maurice Lauré told once to his good friend Denys Brunel: "*If I have got regular royalties from the value added tax, and I would be happy with one thousandth of collected sum, because even with it I would have be much more richer than Bill Gates*"¹¹ [Brunel 2012: 17] .

The introduction of the VAT change the philosophy of tax reforming. The point was no longer to find the least painful tax and safe source for the fiscal needs but the new tax expressed the economic politics of the state as well as its willingness to contribute to the general welfare.

¹⁰ I.e. from 1946 to 1958.

¹¹ Furthermore, Denys Brunel gives a model example that would certainly appeal to Maurice Lauré. According to statistics, 3 150 billion US dollars was collected worldwide in 2009. If M. Lauré collects 5 % of this amount, he would earn 157 million US dollars in this year.

Being asked later, Maurice Lauré explained his choice for the name “*value added tax*” as follows: “*It was sort of psychological necessity. It was in the time, when the general taxation reform was very loudly demanded, so the great change had the chance to be carried out. Simultaneously, it was necessary to avoid the situations previously known i.e. to stir up hot-head reformers*” [Brunel 2012: 61].

3. The evolution of the Value Added Tax

3.1. The fifties of 20th century

From its very beginnings the French TVA was built on the three pillars:

A - simplicity;

B - neutrality;

C - universality.

The mechanism of the new tax was simple. Each profession of France (i.e. commercial, industrial, “free-lance”) actually collected the VAT paid by the consumer. The producer deduced the VAT from the price of his product, which he himself paid to his subcontractor (“input tax”). Then, after he had added some more value, he sold the product and paid the difference between the input tax and output tax to the inland revenue office. The tax, from the point of its collection (sub A) was simple. The simplicity rested in the fact that from its beginning the tax had only two tax rates: basic 16,85% and reduced 7,5% [Act. No. 54-404 of 10 April 1954 on tax reform, Titre 1, Article 1 paragraph 1]. At the same time the tax was neutral since its rate was always the same regardless the number of subcontractors (sub B). Last but not least, the tax was universal since it was paid by everybody purchasing any commodity whatsoever (sub C). Denys Brunel notes in his book that “*producers (only a few at the beginning) registered on one hand the bills paid to their suppliers with proper TVA, on the other hand the bills that they gave to their customers again with the due TVA, when the difference between both the TVAs was the sum he has to pay for tax office (with possible transfers from one month to another, with the proviso that the final result of the abovementioned deduction was in the negative)*” [Brunel 2012: 56].

As mentioned above, the VAT replaced enormous variety of taxes that made a very complex documentation and demanded very expensive administration. The TVA due to its simplicity, neutrality and universality was very modern for its time and very favourable for the producers. They could deduce it from the price of good that their firm bought and this was convenient for the growth of the investments. Generally, the first TVA did not affect the commodity exports, so implicitly supported the foreign trade. *De facto*, it was the way how to raise competition ability of the firms and companies same way as we do today.

According to the founding father of the tax Maurice Lauré, the TVA was a sort of consumer's tax and not the tax imposed on enterprising. Everybody – rich or poor (the reduced VAT rates for everyday life commodities were pronouncedly lower, while luxury goods was pronouncedly higher¹²) - had to pay it Lauré's idea was to eliminate the taxes imposed either on production or sale in each stage of the process i.e. from original producer up to final consumer. From 1954, when the tax was introduced, it was aimed only to the production and wholesale trade. The newly introduced tax became soon very popular mostly among the state institutions and wholesale dealers (who happily reduced the production costs as tax deductible) and had been copied in other countries very quickly. The reason was partly in the facts said above, but also for the fact that it meant definite and real change in all the tax systems used in all the states introduced it into their systems.

3.2. The sixties of the 20th century

At the beginning of the sixties the VAT was introduced in the French colonies (countries of Maghreb, later in the Sahel countries), then the South America. Here, slightly modified, into Brazil. Then successfully reached Asia, (China and India). In 1988 was introduced (in original or modified form) in 42 countries. Today the VAT is used in 150 countries of the world, and, obligatorily, the 33 countries of OECD (with the only exception – the USA). Here it makes one of basic pillars of the tax systems. Its vitality is marked by the fact that it has been locally adapted or modified with no marked problems.

The French financial community is rightly proud on it, it is frequently presented as another French contribution to the world's general progress similar to that of TGV or Airbus.

We may register another milestone in the development of TVA in 1968, when it was extended to retail dealers and craftsmen. This step (not surprisingly) was rejected by the part of French public opinion. The tax was renamed to *Taxe Vorace de l'Administration* ("The Government's Voraciousness Tax"), or *Tout Va Augmenter* ("Everything Will Get Expensive") [Brunel 2012: 72].

At the end of the sixties the tax was also used by the European Community¹³, that *de facto* made it one of its cornerstones – any state asking for admission has to accept it and introduce the VAT. However, the VAT is not considered to be the universal and painless tax, but last not least, it is taken for politically correct and devoid of any ideology. Moreover, since its origin it bore the mark of free market. From all these reasons the tax

¹² From the economic point of view, however, the construction is contrary to the so-called Ramsey rule (which is not used in practice), i.e. the government's attempt to "fully" tax even those products whose production can not be stopped, and consumers can not stop buying because of necessity.

¹³ At that time, the merged ECSC, EEC and Euratom.

became the mandatory part of taxation system of European states and the window to the rest of the world¹⁴.

4. The present approach to the value added tax in France

Essentially the approach and working of the Value Added Tax could not be changed. We may briefly observe its further development during the last sixty years. The evolution is evident, similarly as in other taxes, and has to reflect the needs both the social and economical and, of course, political. The details are to be observed in the changes of rates, but also, very interestingly and typically in France, in their number.

From January, 1st, 2014 there are four rates of the value added tax in France. The 20% basic is imposed on the most goods and services. The first reduced 10% rate is applicable on goods and services having been previously imposed to 7% rate. Practically, it covers agricultural products, public transport and hotel accommodation. Moreover, there is the second 5,5 % reduced rate used for some sorts of goods and services e.g. food products delivered to school canteens, the furnishing, commodities and services for the handicapped or the heat production from the renewable sources. Typically for France there is the fourth rate, so called "2.1% super reduced" [Code général des impôts, the date 10 January 2018, Article 278, 279]. This rate is applicable for pharmaceuticals used within the Medicare system, and for the sale of living animals for butcheries not paying the VAT and/or for paid internet news. For the completion sake it is necessary to note that except France the three reduced rates mentioned above are also used in Italy, Ireland and Luxembourg.

To compare the rate system with that introduced in the Czech Republic, there is 21% basic, the first reduced 15% and the second reduced 10% [Act. No. 235/2004 Coll., on Value Added Tax, § 47 (1)]. The first reduced tax is applicable for pharmaceuticals intended exclusively for personal use or electronic appliances equipped with audio or contact for the completely and/or partially handicapped. The second reduced rate is applicable for vaccines, illustrated children books and the baby milk nourishment. Summing it up, we may say that the idea of reduced tax rates is to keep the accessibility (mostly health aids, pharmaceuticals, services for the handicapped) for the people in need is being kept. From this point of view their overall general accessibility in France seems rather dubious¹⁵.

Similarly, as the French income tax for both the natural person tax and the juridical person tax, the income tax remains very complicated and their inclusion into the VAT system is complicated and has many gaps. This naturally leads to many exceptions and exemptions

¹⁴ Directive 67/227/EEC obliged Member states to replace existing systems from 1 January 1970 with a single VAT system. In this context, reference is made to Directive 69/463/EEC, which extended the VAT implementation for Belgium until the end of 1972; or Directive 71/401/EEC and 72/250/EEC, which prolonged the implementation of VAT for Italy until 1973.

¹⁵ In more detail "5. Discussion".

and relatively great number of rates. For instance, the French chocolate tax may be very interesting and instructive example: depends what sort of it you like to buy – bitter, milk, white, fondue special, or bonbon special. The same may be seen when a French gentleman hires a horse for the afternoon ride (20%), while having a horse meat steak in the restaurant costs him only 5% rate. Such a remarkable variety is not easily understood neither by laymen nor professionals. Present value added tax is not only in France exposed to rising number of frauds due to online shopping and “e-shops” (and, of course, due to the internet giants as the Facebook or Google), through which the VAT payment becomes very elusive matter.

It was already said why the VAT, formerly very popular with businessmen (the possibility of deducing the production costs), let us say that this tax has become also quite fundamental even for the states where (permanently) makes the important source of public income. There is no better demonstration than the look at the fiscal year 2013, when France, due to the value added tax, gained nearly 180 billion euro, which was approximately a half of the tax income of the French state [Patrimoinorama: Actualité patrimoniale]. The VAT product for the Czech republic for the same year was nearly 309 billion czk. thus representing slightly more than a half of the total state income [Údaje z výběru daní]. This not very deep but highly comparative and significant number is quite evident the irreplaceable position of the value added tax in the tax system of any state and irreplaceable position in the structure of state public incomes.

5. Discussion

All what have been already said may quite rightly lead to ask not only one question. For instance: Is it really necessary to enlarge the scale of the VAT rates? In other words, have the four rates of the VAT their sensible founding or is it an affluent bureaucratic matter that brings France the significant complications? That is why it was necessary to start our essay with giving a genesis of the Value Added Tax and formulate clearly the purpose it was founded for.

The original concept of VAT was based on two rates (16,85% and 7,5%), which corresponded with the intended simplicity of the tax. The rise of number of the rates in France (they are four at the moment) made the tax rather individual than general (see the examples with the chocolate tax, or the selling horses, resp. horse meat steaks). Needless to emphasize the evident discrepancy between the original intention to introduce a simple and universal tax. It seems that this initial intention, formerly, being the advantages of the newly invented tax, are lost for good today.

The great differences between tax rates in different countries are not the national problem, though it is definitely a regional one. Within one state (France) there might be “a surplus” of tax rates, but the rates are in most case different even between states. It is these rates that

show how far did we detoured from the fluent system aimed at and formulated during the early sixties. And let us add the fact that within one state the rates may differ as to their origin and kind and/or as to their further development and processing. We can see that the simplicity of the value added tax as intended and set at its beginning had been lost, too. This statement is easy to prove from the Czech version of the Value Added Tax Act [Act. No. 235/2004 Coll., on Value Added Tax, as amended].

When we try and compare French *Code général des impôts* (The General Tax Code) or the passages modifying the VAT, we find that the number of exceptions and exemptions would be evidently higher in the Czech case. Due to the complications stated above we carefully dare to say that the task of the French law-givers would be in the oncoming (hopefully not sixty) years to simplify the tax conception set it to the original way. This is to say that the future of the Value Added Tax is now at stake. The departure from the original intention is more than evident now (not only in France). Supposing, of course, that the tax considered as basic instrument of public finances is frequently understood much more as political than economical matter. Moreover, all this is multiplied by the fact that now the issue grew up to global dimension and it is no longer French domestic problem and has a bearing to all the countries introducing and using the VAT.

From this momentary situation in France, also the Czech politicians should take their lesson. In my opinion, the present situation (i.e. complications, many exceptions, enormous number of exemptions, complicated calculations and clumsiness of the system) is extremely inoperative not only by one French fiscal experts but elsewhere [Bouvier 2012: 69]. The Czech lawgivers would try and return the law its original simplicity and universality and, compared with the present French situation, take the three rates existing in of present Czech VAT for their upper limit. So the Czech efforts definitely should be directed towards simplification of the tax since the viability of it might be extremely threatened in future. The debates momentarily published in French professional periodicals [Interview with Michel Bouvier of 6 April 2014] show that, in spite of relatively good position of the Czech Republic, the situation is not easy to cope with.

For years France speaks and writes about the necessity of essential and profound reform of the tax system. The reform should involve more or less all the French taxes. That is the reason why France from the January, 1st 2018, returned to taxing income of natural persons by monthly pay. The public mostly acknowledged it but it is only insubstantial change within all the complicated tax system. And this sort of minor if not negligible changes is very frequent, coming almost daily and without visible effects. There rising voices of the public in France demand the discovery of new tax system suitable for the twenty-first century. The system similarly modern and comparable to that of French TVA discovered in the fifties of the twenty century. It should be simple and reflect the needs, context and obstacles of the times we live in. However, if we put the tax system “one level

lower” into the methodology of mere tax collection, there is definitely a need for a new tax to be invented to replace the obsolete VAT already nearly completely devoid of its original merits. The contemporary modern thinking believes in no future viability of the existing and the urgent need of some new tax fitting the modern times. The questions here, of course, are: How the new tax should look like? Would it be limited only to for France only or applicable for all the states using VAT? How long will its usefulness last? And, last but not least, what would be its general philosophy and “the shape” of the new tax?

The solution may be soon (even if considering only the urgent items just mentioned above) highly topical and needed in France. It might be achieved with extraordinary theoretical and practical abilities and/or experience in the way Maurice Lauré had once at his disposal. Let us note that the French professional community already shows some activities directed to the possible future development. Briefly they are as follows: the general tax might be founded on the Tobin tax (or it might be its derivative, at least) put together with progressive taxation combined. The question again is: How fully are the professional financial community and fiscal experts aware of the shape of this new tax? Is more or less already the relatively clear idea or is it waiting for suitable time and context (economical, social and definitely) when the tax will be ripe and ready to be introduced. The question of lesser importance here is the issue of the territorial provenience. Will it be the completely French invention again? Or will this time the revolution tax be coming from elsewhere?

From the all fact given above the discussion could be closed stating that the hypothesis formulated in the beginning of the paper¹⁶ is validated.

6. Conclusion

The presented paper is dealing with the evolution of the Value Added Tax. With respect to the territorial origin of it as well as the nationality of its discoverer, the article had to be written rather from the francophone point of view.

As to the VAT the paper presents it together with the personage of the inventor, the temporary context of the VAT birth and the following historical context of its development included. So our attention was naturally drawn to its evolution in the fifties and sixties of the previous century. The importance of the tax was culminating during the seventies, when the tax became an integral part of the tax system for the whole European Community as well as many developed countries of the world.

In the paper the origin and subsequent development of the Value Added Tax was complemented by the history of the VAT in France and eventually in the Czech Republic.

¹⁶ I.e. "The Value Added Tax as now legally operative in France is *pro futuro* no longer viable".

From January 2014 France increased the number of tax rates from original two to newly existing four. Even if France thus did not become with single country having four VAT rates, the present state is moreover extended by many (and still growing) number of exceptions and tax exempts, quite differing from the original intention in the time of its introduction that extraordinarily emphasized its neutrality and universality. These aspects are slowly disappearing (from contemporary point of view) from the complexity of former universal tax for all and the tax acquired the turbulent status of more and more individual tax (see examples given above the French chocolate TVA tax from the point of view of the French taxpayer).

Nonetheless, nobody can deny that the idea of the VAT contained its original sound philosophy of fairness, simplicity, universality and the "driving" character and the stimulus of national economy of all the countries, that had introduced it. For these reasons the inventor of it should have not been forgotten. The reality, however, is different. Who, except for historians studying the fiscal policy knows Maurice Lauré? Who, indeed? And still, he was a man who revived the economics of many countries till present days. Nobody else (till now again) repeated the success of his tax, quite revolutionary at the beginning but today, as we tried to prove above, quite devoid of its original format and attempted to replace the existing tax with "similarly great" fiscal invention. Paradoxically, we may say that the country that invented the tax and gave it its vitality for few first decades is in the present time no longer able to keep the French variety of the VAT *pro futuro* tenable. The hypothesis given at the beginning was proved.

Finally let us add that the French TVA was not only economical step forwards, but also the marked change of rigid political praxis and situation. The introduction of the VAT was break into the inertia of existing fiscal conservatism. M. Maurice Lauré was not only a single public servant with great talent and knowledge, a man carefully listening to the echoes of the time but also a courageous, nearly revolutionary man, who remains in the eyes of (not only French) the embodiment) of ability, intelligence and spiritual force.

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