

**A Comparison of the Spanish and Irish Taxation**

**Systems from a Terminological Viewpoint**

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I hereby certify that this material, which I now submit for assessment on the programme of study leading to the award of Master of Arts is entirely my own work and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

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# **A Comparison of the Spanish and Irish Taxation Systems from a Terminological Viewpoint**

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With the advent of the European Union, tax harmonisation has become a key issue throughout Europe. Harmonisation by its nature involves the comparison of the different taxation systems that prevail in Europe. One obstacle to this comparison is the fact that each country describes its taxation system in its own language. Clearly, the translation of terms extracted from taxation systems is essential to mutual comprehension. However, language barriers, although significant, do not represent the only difficulty. Taxation systems in Europe have evolved from two main trends resulting in the Anglo-Saxon and the Latin taxation systems. Both types of system have developed separately over the last 200 years and each is based on different underlying concepts. Despite reform, these generic conceptual differences still apply in addition to the various socio-economic factors which have influenced the development of the taxation systems. Recognition and explanation of these difficulties is of paramount importance. This thesis discusses some of the terminological issues raised by conceptual non-equivalence and highlights ways in which terminology as a discipline is a useful tool in isolating these issues. This discussion occurs within the context of a comparison of two specific taxation systems (Spanish and Irish) from the perspective of the translation of Spanish terms into English. The investigation is structured as follows: an examination of terminology as a discipline, an outline of the structure of the Spanish and Irish taxation systems, a discussion of Spanish-English taxation translation difficulties and a Spanish-English glossary of terms.



## **Preface**

This project presents the terminological difficulties posed by the translation of terms from non-equivalent concept systems. In this case, the concept systems considered are the Spanish and Irish taxation systems. The terminological problems presented by the translation of Spanish taxation terms are discussed and solutions are suggested. On the basis of this discussion a bilingual glossary of taxation terms has been drawn up. (See Appendix )

Chapter 1 presents an outline of the theory of terminology which demonstrates the relevance of terminology to taxation.

The basic structure of the Spanish and Irish taxation systems is outlined in Chapter 2.

A diagrammatical representation of the concept systems appears in the appended glossary . This facilitates a comparison of the concept systems which is necessary for further comparison on a terminological level. Spanish terms which appear in bold are included in the appended glossary (See Appendix). Chapter 3 includes a detailed discussion of several categories of terminological difficulties and their possible resolution.

# **1. Theory of Terminology**

## **1.1. *Introduction***

In this section, the emergence of terminology as a discipline is examined and is compared to the more traditional areas of lexicology and lexicography. The notion of "terminology" is explained along with several of its constituent components. In particular, the relevance of terminology to the comparison of the Spanish and Irish taxation systems is demonstrated. This section serves as an introduction to the comparison of the Spanish and Irish taxation concept systems from a terminological viewpoint. The issues raised are examined in greater depth, within the context of taxation literature, in Chapter 3. Also, a selection of terms has been defined and translated within the appended glossary.

## **1.2. Evolution of Terminology**

Although terminology only emerged recently as an independent discipline, for centuries information has been organised and presented systematically in both general and specialised dictionaries (Newmark 1988, Picht and Draskau 1985). Picht and Draskau 1985 offer several examples of extensive terminology work carried out within specialised fields long before terminology existed as a separate discipline. (1985: 23) These include Versalius who worked in the area of anatomy in the 16th Century, Lavoisier and Berthollet who were 18th Century chemists, and Linnaeus who drew up terminologies in the area of botany and zoology in the 18th Century.

Terminology is widely regarded as an interdisciplinary activity. While linguistics obviously plays a key role it draws on several other specialised fields i.e. logic, information technology, standardisation and the increasing number of scientific and specialist disciplines to which it applies.

At the beginning of the twentieth Century a large number of developments began to occur in sciences and technology. New concepts emerged necessitating the creation of new terms to denote them. Parallel developments across different language communities led to an increase in communication between these communities. This in turn highlighted the need for standardisation which is essential for mutual understanding. The evolution of terminologies became crucial to the formulation and dissemination of scientific and technical information. Translators needed a reliable means to ensure that they could access accurate terminological information for the precise translation of scientific and technical texts. Multilingual glossaries became essential tools for the translator. Moreover, the development of such glossaries was useful for the transfer of information between different language groups with the same scientific or technical interests.

In 1906 the IEC (International Electrotechnical Commission) was established in an effort to achieve conceptual and linguistic clarity within the specific area of electricity.

Conceptual classification emerged in 1938 and was regarded as revolutionary. Terms were now organised according to concept i.e. following the hierarchical organisation of a concept system and not alphabetically (See 1.4.3. Lexicography), as had been the case previously. In the area of terminology a dual qualification is necessary for anyone who wishes to work effectively first, and second, and equally important, that of a subject specialist.

Eugen Wüster represents an important figure in the development of terminology. As an engineer he provided the second key component necessary in terminology - that of a subject specialist. His work provided the impetus for the establishment of the ISA 37 Technical Committee, the forerunner of the International Organisation for Standardisation (ISO) and was the basis for the foundation of the Moscow School of Terminology. Other important centres for terminology were the Prague and Vienna Schools. (Picht and Draskau 1985)

Sonneveld and Loening 1993, recognise the multidisciplinary nature of terminology which emerged in the early seventies. They list the key fields relevant to modern day terminology work as the following: informatics, linguistics, documentation science, classification science, conceptology and nomenclature.

### **1.3. Terminology Users**

Terminology users may be classified under four headings:

1. Translators,
2. Students and LSP (Language for Specific Purposes) teachers,
3. Information and documentation experts and
4. Persons involved in verbal and written communication in any specialised subject field.

As stated above, the specific requirements of individual terminologies dictate the methodology used in the compilation of the final glossary. Translators need both monolingual and multilingual terminologies for verifying correct translation equivalents.

LSP teachers use similar glossaries with a view to explaining and clarifying teaching material. Equally students of LSP require access to specialised glossaries as provided by their teachers. Glossaries and terminologies constitute the basic working tools for information and documentation experts in the compilation of dictionaries and other similar publications. Terminologies also prove helpful in professional training or in an interdisciplinary context for those involved in specialised communication within a subject field (Picht and Draskau 1985). Increased communication between experts across languages was one of the reasons for the emergence of terminology as a discipline. Unambiguous communication and standardised terminology are essential to this area. As Sonneveld and Loening (1991: 1) suggest, " Accuracy and unambiguity in scientific, technological and subject-field specific terms are essential for the exchange of information and mutual understanding between subject specialists." This applies to a specialist community which communicates using a common language. Naturally a similar scenario applies to specialist communications across different languages.

With regard to taxation terminology this point is relevant especially in the context of the European Union and the trend towards harmonisation of taxes within the Union. One of the primary aims of the European Union is the removal of all barriers between member countries. This objective has been pursued at multiple levels - socially,

politically and economically. Economically, trade barriers have been removed, emphasis has been placed on free movement of goods and services. Tax harmonisation has always played a key role in this process. However, before taxes can be harmonised the taxation systems in operation in member states must be examined and quantified in comparison to each other. Goetschalkx (1982: 133) maintains that broadly speaking the same activities and professions exist throughout the world. However, they are not always based on the same models, nor do they always develop in an identical manner. Moreover the overall context (social, legal and economic) in which they operate differs considerably.

The appended taxation glossary is aimed at the non-subject specialist who has an interest in Spanish taxation e.g. a translator involved in translating the documentation necessary for an Irish company involved in establishing a subsidiary in Spain.

## **1.4. Linguistic Background to Terminology**

As stated above, terminology only recently emerged as an independent discipline. Clearly it may be traced to developments in general linguistics and is more closely linked to the areas of both lexicology and lexicography. This section examines terminology within the context of general linguistics. It is useful to give a brief description of lexicology and lexicography before undertaking their comparison with terminology.

### **1.4.1. General Linguistics**

Terminology as a discipline is closely linked to several areas of the broader field of linguistics (e.g. through lexicology and lexicography). These are discussed below.

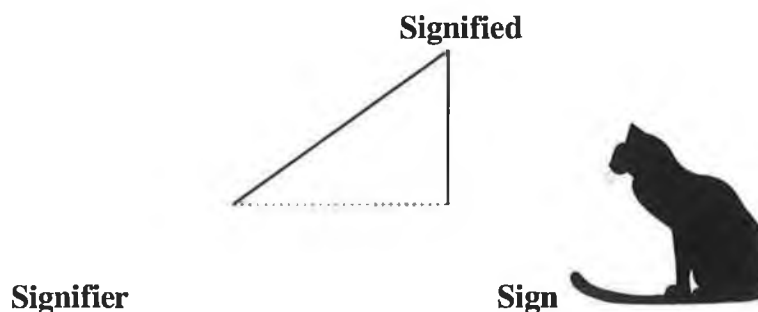
Theoretical linguistics centres on the description of linguistic competence. Pragmatics and discourse analysis examine extralinguistic knowledge. It is important not to neglect the social dimension of language. The comparison of the Irish and Spanish taxation systems was prompted by the social interaction of two separate language communities and their need to interchange unambiguous information about their respective tax regimes. This exchange of information necessitates the examination of both systems at a conceptual level as well as at a terminological level.

Ferdinand de Saussure was one of the most influential figures in the field of linguistics. He made a distinction between what he termed *langue* and *parole*. *Parole* describes the act of speaking while *langue* applies to "the underlying code which ensures that people can speak and understand each other; it has social underpinning and is an operative system embedded in the brain of everyone who has learned a given language" (Asher 1991: 3663). De Saussure believed that the true object of linguistics lay in the analysis of *langue*.

De Saussure's vision of *langue* was based on it being a self contained network of relationships among elements. He believed that these relationships had no positive value but only their negative value, generated by their differing from one another. Concept systems may be viewed as microcosms of de Saussure's *langue*. Independently, they are perfectly unambiguous; however when two equivalent concept systems, from different linguistic communities are compared e.g. the Irish and Spanish taxation systems the unambiguous negativity does not occur to the same extent. In fact a deceptive positive value emerges where equivalence at a *word* level appears to exist.

Terminology has been most closely linked to de Saussure's division of *langue* into three components: *signifié*, *signifiant* and *signe* (*signified*, *signifier* and *sign*). These may be illustrated by Diagram 1. See below. In the diagram the picture of the cat represents the physical representation of *cat*. *Signified* refers to the concept we associate with the physical representation. The *signifier* is the graphic representation of the concept we know as *cat*.

**Diagram 1. Signifier, Signified, Sign.**



De Saussure refers to the underlying concept as the *signified*. The *signified* is manifested physically by the *sign*. The *sign* is described either graphically or phonologically by the *signifier*. The dotted line linking the *signifier* and the *sign* is



important. While there is a direct relationship between the concept and its physical representation, the relationship between the *signifier* and the *sign* is completely arbitrary. However de Saussure argues that "... the signifier although to all appearances freely chosen, is fixed and not free with respect to the linguistic community that uses it" (De Saussure 1959: 65).

De Saussure's triangle has implications for terminology. In the translation of terminology, there is a temptation to select the closest *signifier* even if it does not represent the same *signified* in both communities. Several illustrations of this phenomenon may be found in Chapter 3.

#### 1.4.2. Lexicology

Asher (1991: 2189) defines lexicology as "the linguistic study of words". However, he considers it necessary to expand on the term *word*. Three interpretations of *word* are described:

1. *Word* might refer to a sequence of sounds that occurs as a minimal free form. e.g. a distinction is made between "taxes" and "taxed" but not between "tax" the verb and "tax" the noun. Asher (1991: 2189) also refer to this as a *word form*.
2. Secondly, in different contexts *words* assume different and totally separate meanings e.g. "The journey taxed him greatly" and "She is taxed within the highest bracket." Each is perfectly intelligible within its own context. This type of occurrence is also known as a *lexical unit*.
3. Finally and most pertinent to our discussion a *word* may be the abstract entity at the basis of the related forms "tax", "taxes" and "taxed". *Term* is linked most closely to this interpretation of "word". See Definition of Terminology below. This is often referred to as either the *lexeme* or the *lexical item*.

Lexicology is a broad discipline which is composed of multiple fields of research as well as its different perspectives. The various fields included within the boundaries of

lexicology are the study of idioms (phraseology) and aspects of morphology (specifically word formation like derivation and composition). However, Asher emphasises the difficulties involved in defining the discipline of lexicology. While lexicology is well established in French, German and Slavic linguistics it is not a traditional field of research in English linguistics.

Each of the subfields of lexicology may be further divided by its research perspective.

One of two approaches is traditionally implemented in lexicology: either the onomasiological or the semasiological approach. The former is based on taking concept "x" as a starting point and examining the lexical items that express such a concept. The latter begins with lexical item "y" and explores the concept that it expresses. Both methods are relevant to terminology. For example *income tax* is commonly used in English to describe the concept behind *impuesto sobre la renta de las personas físicas* in Spanish. However, the English and Spanish concepts of "income tax" are not identical. This is an example of the semasiological approach.

Lexicology is concerned with the lexicon i.e. all lexical units of a given language. Terminology examines specific subsets of the lexicon as they have existed within given concept systems. The way in which a lexical unit inflects and changes according to context is of relevance to lexicology while terminology is more concerned with the term itself. Grammatical inflexions are not necessarily a key issue. Lexicology advocates the free development of languages while terminology advises controlled intervention and standardisation. The basic unit of lexicology is the lexical unit. In terminology, all terms are words but all words are not necessarily terms.

### **1.4.3. Lexicography**

Lexicography is described as the technical term for dictionary writing (Asher 1991: 2174). The fundamental aim of lexicography is to describe the parts of the lexicon of

a given language. Glossary compilation and dictionary writing have been carried out since the middle ages.

Considerable common ground exists between lexicography and terminology. Hartmann (1983: 3) describes the production of dictionaries as the purpose of lexicography. A by-product of such dictionaries is the clarification and definition of terms. However this clarification is not the direct aim of the dictionaries. Moreover, definition is achieved within the context of the entire lexicon and not when specifically related to a given concept system. Riggs (1989: 90) distinguishes the two fields by defining the objective of lexicography as helping readers interpret texts while terminology concentrates on helping writers produce texts. Metalanguage while helpful is not essential to the field of terminology. Useful terminologies may exist which do not contain any metalanguage.

Although metalanguage represents an significant facet of lexicography this is not the case in terminology - metalanguage may or may not be present in terminological fiches. Tomaszoyk (1983: 43), counters the theory of a universal language by stating that there is too little in the vocabularies of different languages that is universal. He highlights the fact that problems arise with increasing frequency because of the increase in cross-cultural communication. He believes that the monolingual dictionary cannot cope with these difficulties as they are outside its normal ambit. The compilation of bilingual dictionaries is offered as a possible solution. However bilingual dictionaries can often cause further confusion if they contain inaccurate information. Clarification is only possible through the inclusion of contextual information and or extensive definitions which are outside the scope of the bilingual dictionary.

For Hartmann, terminological work is a source of reference material divided into records or fiches. Each fiche begins with the definition of a given concept. Unlike a dictionary, it is designed to highlight whether multiple terms exist designating this

concept, and, for example the status of these terms i.e. whether they are adequate or not.

### **1.5. Definition of Terminology**

ISO 1087 documentation defines terminology as follows:

- (1) "Any activity concerned with the systematisation and representation of concepts or with the presentation of terminologies on the basis of established principles and methods."

A terminology is then defined as a

- (2) "Set of terms representing the system of concepts of a particular subject field."  
(ISO 1087)

Picht and Draskau 1985 however prefer to opt for three separate definitions of terminology. Terminology is:

- (a) an activity, in that it is the set of practices and methods used for the collection, description and presentation of terms;
- (b) a theory, insofar as it consists of the arguments used to explain the relationships between concepts and terms; and finally,
- (c) the vocabulary of a special field.

Picht and Draskau's definitions are an extension and a further explanation of the ISO concise definition, although, initially, there may appear to be no relationship between the two. The ISO definition (2) is a practical description of Picht and Draskau's last definition (c). The former ISO definition (1) encapsulates both Picht and Draskau's (a) and (b). While ISO (1) does not explicitly refer to a particular theory it implies that the "established principles" were evaluated on the basis of the "arguments used to explain the relationships between concepts and terms". Rondeau (1984: 17-18) qualifies his three definitions for terminology (also listed below) with:

"Terminologie: les notions sont multiples et différents plus ou moins selon l'optique dans laquelle se place leur auteur"

Evidently, the perspective of the author is a crucial factor in the creation of terminologies. Different criteria apply to the elaboration of glossaries for different purposes e.g. the development of a software, help or documentation glossary for translators for use in the localisation of a particular software product and a vocabulary of stock exchange terms drawn up for economists for use at an international conference.

The translators would have a keen interest in the inclusion of several grammatical categories while these would be of neither interest nor benefit to the stock-brokers. Similarly, the preparation of a taxation glossary will be influenced by a wide variety of factors which will be explored further below.

Rondeau (1984: 18), goes on to separate terminology into three categories, as follows:

"1. l'ensemble des termes d'un domaine, comme par exemple la biochimie, ou d'une discipline, comme par exemple la linguistique. On dira alors: la terminologie de la biochimie, de la linguistique etc."

The domaine of taxation may be described as a concept system. It is composed of a series of terms which may be deemed specialised within the area of taxation and are therefore part of LSP (language for specific purposes). Each concept is denoted by a separate term. The Irish taxation system represents one concept system and the Spanish taxation system represents another. When both systems are examined and compared, similarities and differences emerge. Where concepts overlap, they are categorised as equivalent. However, one-to-one equivalence rarely occurs. More often partial equivalence is found, where although some characteristics are identical, there are also several distinguishing ones. Partial equivalence is of paramount significance in legal contexts where the accurate translation of terms is essential. Equivalence in relation to taxation terms is discussed in detail in Chapter 3.

" 2. les méthodes de collecte et de classement des termes, de création néologique, de normalisation des termes, de diffusion des termes: c'est ce à quoi s'emploient terminologues et terminographes"

The work of a terminologist is multi-faceted and its specific nature depends on the requirements of a particular project. In the case of taxation terminology the creation of neologisms is not a relevant issue. Instead, the terminologist is more concerned with the classification and standardisation of taxation terms.

" 3. un science dont l'objet est de l'ordre linguistique, mais qui est essentiellement pluri-disciplinaire et participe à la fois de la linguistique, de la logique, de l'ontologie de la classologie et de l'informatique".

Rondeau's third classification raises a controversial issue in terminology. Sager claims that terminology does not constitute a separate discipline but rather it is a term used to describe a series of practices. He argues that there is no body of literature to support terminology as a separate discipline (1990: 3). Terminology is an applied field. Collation of material and compilation of glossaries is a practical task or series of tasks. Terminology exists independently in so far as it draws from a number of other disciplines e.g. lexicology, lexicography, logic, information theory, technology and standardisation.

Rondeau 1979, expands on the three dimensions referred to above along the following lines:

" Cette réalité terminologique est linguistiquement complexe et comporte les caractéristiques suivantes:

- a) pour une langue donnée, à une notion correspond normalement un terme et un seul,
- b) cette relation d'univocité entre un terme et une notion est propre à chaque langue et ne correspond pas nécessairement à une relation identique dans une autre langue pour une notion donnée."

If we agree that the term *notion* in French is equivalent to the English term *concept*, Rondeau's last point raises another thorny issue in terminology. The concept of universality is extremely controversial. Concept systems are described as follows:

"...conceptual systems are commonly thought of as networks of concepts that ascribe meaning to experience and/or provide us with some coherent representation of the world"

Asher 1990: 676

However Davidson 1982, questions the notion that all concept systems belong to the same universal system. If all concept systems do not belong to the same universal system then the comparison of concept systems becomes impossible. This concurs with Goetschalckx's (1982) view that although approximately the same professions and activities occur across different communities they do not all necessarily come from the same model nor are they carried out within the same social, economic or legal framework. For the purpose of this discussion the Spanish taxation system has been taken as the starting point. The difficulties posed by the translation of Spanish taxation terms are examined in relation to the Irish taxation system.

It appears that although there is overall consensus on the basic definition of terminology, there are still slight discrepancies between theorists. While Rondeau's definitions seem to concur with those of Picht and Draskau he suggests that the exact interpretation of terminology actually depends on the individual user. This is compounded by Picht and Draskau's distinction between the general theory of terminology and specialised terminology.

"By "general theory of terminology" are understood the principles and knowledge which apply to all languages and special fields, whereas specialised terminology theory applies to one specialised field only, in one particular language, e.g. medical terminology."

Picht and Draskau 1985: 195

The glossary attached (See Appendix) follows the ISO 1087 recommendations on terminology as outlined above. The terminology in question consists of a set of terms from the Spanish taxation system and the Irish taxation system respectively. These terms have been systematised and presented in accordance with established principles.

The terms denote the structure of each system and the main taxes levied in each country.

## **1.6. Definitions within Terminology**

Several basic elements of terminology are defined below: concept, term, and equivalence. The presentation of these terms is intended to lay the basis for the discussion of taxation terms which appears below (See Chapter 3).

### **1.6.1. The Concept**

ISO 1087 defines *concept* as follows:

"A unit of thought constituted through abstraction on the basis of properties common to a set of objects.

Note - Concepts are not bound to particular languages. They are, however, influenced by the social or cultural background."

The note included in the ISO 1087 definition gives us an indication of the type of problems that may occur when translating concepts, or more specifically the terms that denote such concepts. While it states that concepts are not necessarily language-bound, it is evident that the manner in which different language groups describe particular concepts may vary greatly e.g. the terms used to denote the colour spectrum.

Rondeau (1984) offers this definition of concept:

"La notion (...) peut se décrire de façon générale comme une représentation abstraite de l'ensemble des traits communs essentiels à un groupe d'entités (objets ou idées) et obtenue par soustraction des caractéristiques individuelles de ces entités."

Rondeau 1984: 22

Picht and Draskau 1985 prefer to include the concept within different concept systems. Several determining factors influence the parameters for each system of concepts. First,



the target audience of the system - translators, technical writers must be taken into account. Second, the actual subject field in question represents another key issue. Will the system be confined to a narrow area or will it encompass a broad range of concepts spanning different fields? Third, the classification system implemented by the terminologist in question is a contributing factor. The appended taxation glossary includes a range of terms that denote the basic concepts of both the Irish and Spanish taxation systems. (See Appendix )

### 1.6.2. The Term

Rondeau (1984) describes the term in the following empirical terms:

"Bref, le terme est un signe linguistique composé d'un signifiant et d'un signifié"

Rondeau 1984: 24

This definition has its origins in lexicology (See 2.4.2. Lexicology) where the *signifiant* represents the underlying concept and the *signifié* represents the term denoting the concept. Essentially it is the same definition as outlined by ISO 1087:

"Designation of a concept by letters, numerals, pictograms or any combination thereof."

Picht and Draskau 1985 define *term* negatively, i.e., in opposition to *non-term*.

"The characteristics of the term which distinguish it from the non-term are precision and the fact that it belongs to a system of terms. That the system of terms is the linguistic representation of a system of concepts may exert an important influence on the formation of terms."

Picht and Draskau 1985: 97

A *term* in this context of taxation is a lexical unit which denotes an underlying concept. *Terms* are specific to a particular system of concepts. The Spanish taxation system

represents one concept system and the Irish taxation system represents another. When a term from one concept system is used within the context of another, its meaning is distorted causing ambiguity and confusion e.g. income tax . When used to describe the tax levied in the Republic of Ireland a number of attributes are allocated to it. The speaker then uses the same term, but this time to describe a parallel tax levied in the Spain. While both terms may share a number of general attributes they are not identical. Unless the speaker explicitly highlights the differences the listener automatically allocates the same attributes to the Spanish tax as they do to the Irish tax. The discussion in Chapter 3 and the appended glossary examine this phenomenon.

### **1.6.3. Equivalence**

ISO 1087: 1990 gives the following definition for equivalence:

"Relation between designations representing the same concept in different languages".

Picht and Draskau 1985 concur with this definition:

"Synonymy and equivalence denote very similar phenomena. The only difference lies in the fact that synonymy refers to identity of concept designated by different terms in the same language while equivalence refers to the same phenomena expressed in two or more languages."

Picht and Draskau 1985: 103

As equivalence is more relevant to our discussion the issue of synonymy will be ignored. Both definitions express the same idea. They are functional where identical concepts exist in two or more languages. However, this is rarely the case. With regard to taxation, the Spanish and Irish taxation systems each consists of a series of terms. Both systems denote the underlying concepts that relate to taxation systems. Despite the fact that both systems strictly belong to the specialised area of taxation, and more specifically the area of taxation that describes the procedures for levying taxes, each represents a different set of concepts linked to the historical development of that

particular system. Baker's (1992) definition is more moderate and allows for other influential factors.

"The term equivalence (...) is used (here) with the proviso that although equivalence can usually be obtained to some extent, it is influenced by a variety of linguistic and cultural factors and is therefore always relative".

Baker 1992: 6

However, it must be noted that no strict rules govern degrees of equivalence and while categories like "total equivalence" and "partial equivalence" exist they serve as little more than guidelines. (Picht and Draskau 1985).

"It is virtually impossible to offer absolute guidelines for dealing with the various types of non-equivalence that exist between languages. The most that can be done (...) is to suggest strategies which may be used to deal with non-equivalence in some contexts".

Baker 1992: 17

Rondeau (1984: 32) resorts to formulae to attempt to express the various degrees of equivalence. Through his mathematical type proof Rondeau cleverly encapsulates the concept of equivalence, non-equivalence, and partial equivalence. However this type of formula is of little use to the translator or terminologist because it does not refer to specific examples, nor does it offer any guidelines as to recommended action when such instances do arise.

Equivalence is considered crucial to terminology and the development of multilingual glossaries. However it is widely known that such equivalence is not always possible. Moreover there are multiple factors involved in equivalence that stretch beyond the linguistic and technical.

The history of different language groups, their political structure, even the prevailing climate are all mitigating factors in how different concepts and concept systems are interpreted. Baker 1992 emphasises this point.

"Languages understandably tend to make only those distinctions in meaning which are relevant to their particular environment, be it physical, historical, political, religious, cultural, economic, legal, technological, social or otherwise"

Baker 1992: 18

Different language communities may perceive the same concepts in a different way. Problems occur when one language group attempts to impose its perception on a different language community. Such attempts can be unsuccessful and may cause confusion. Although Baker is discussing translation in this instance it is also relevant to our discussion of terminology. In the case of taxation terminology, it is almost impossible to avoid this occurrence. Naturally, when discussing Spanish taxation in English, English language taxation terms (in this case, specific to Irish taxation) are used. This results in the imposition of the English language perception of the Irish taxation system onto the Spanish taxation system. A glossary with suitable explanations and notes may decrease this confusion considerably. The Spanish and English concept systems have evolved separately posing further terminological difficulties as illustrated by Koller below:

"Human languages embody in their signs different conceptual systems reflecting their individual histories and the problem of translation is that despite these differences the attempt has to be made to transfer what has been (or could be) thought in the other language into one's own language."

Koller 1987: 23

Sapir takes this notion one step further and even states that this disparity goes further than a difference of perception and because that each language community has its own separate reality, and while there may be overlaps no one to one equivalence exists.

"No two languages are ever sufficiently similar to be considered as representing the same social reality. The worlds in which different societies live are different worlds not merely the same world with different labels attached."

Baker 1992: 26

Culler 1976 agrees with this theory. Once again although his proposal is in relation to translation it is appropriate to include it here as it is equally relevant to terminology.

"If language were simply a nomenclature for a set of universal concepts it would be easy to translate from one language to another. One would simply replace the French name for a concept with the English name. If language were like this the task of learning a new language would also be much easier than it is. But anyone who has attempted either of these tasks has acquired, alas a vast amount of proof that languages are not nomenclatures, that the concepts (...) of one language may differ radically from those of another (...) Each language articulates or organises the world differently. Languages do not simply name existing categories, they articulate their own."

Culler 1976: 21-22

From this perspective the Spanish terms included in the appended glossary are discussed in Chapter 3.

## 1.7. Terminology and the Tax Systems

The taxation systems in Spain and Ireland constitute separate concept systems. Both taxation systems may be deemed specialised subject fields under the ISO 1087 definition:

"Section of human knowledge, the border lines of which are defined from a purpose-related point of view.

Note - In terminology science and its practical applications the subject field is determined through the establishment of systems of concepts."

Each taxation system is composed of a number of terms which denote the concepts contained within each individual concept system. Given the increase in international trade, and more importantly since the establishment of the European Economic Community, there has been an increased interest in and indeed, a necessity for the harmonisation of the rules and regulations governing member states. Naturally taxation is one of these areas. Over the last few years there has been an unprecedented rise in the demand for translation in specialised areas and therefore there has been a consequent demand for specialised terminologies. Equivalence has become a necessity not a luxury in the translation of much of the European Union documentation. Unfortunately one-to-one equivalence is rarely achieved.

As Arntz 1991 suggests, the increase in demand for technical translation has been accompanied by a corresponding increase in new technical terms. Furthermore, these developments are occurring at such a pace that it is impossible to maintain up to date technical dictionaries. Although it seems unlikely that taxation would be an area to generate new terms, the Spanish taxation system constitutes a special case.

Over the last twenty years the Spanish taxation system has undergone fundamental reform. This reform process is still in progress. The issue is not so much the emergence of new terms as mentioned by Arntz but the fact that the old terms become obsolete e.g. in the Spanish taxation system, the *impuesto extraordinario sobre el*

*patrimonio* was replaced by the *impuesto sobre el patrimonio*. To avoid confusion it is essential that technical translators have access to the most up to date terminology for accurate translation.

In the preparation of the taxation glossary, it was not merely a question of drawing up two separate lists of taxation terms and merging them. Equivalence presented serious obstacles in the translation of Spanish taxation terms. This issue is discussed at length in Chapter 3 where specific examples and their proposed resolution are mentioned. The theoretical aspects of the equivalence issue are presented below.

Conceptual differences between languages hinder the communication process. Different language groups subdivide reality in different ways although there are universals that apply (Pinker 1994). For example, the colour spectrum is divided in different ways according to language groups. Spanish taxation terminology is specifically associated with the concepts linked to the Spanish taxation system, which has evolved over a period of time and has been shaped by various political, economic, and social factors. Similarly, Irish taxation terminology is associated with the Irish taxation system which has been influenced by different factors. According to Arntz 1991, equivalence occurs to a greater or lesser extent depending on the register in question. However, as is evidenced in the glossary presented below (See Appendix) there is a large degree of conceptual equivalence between the Irish and Spanish taxation systems. Communication between different language groups in the same specialised field relies on conceptual equivalence.

"Progress in all fields of knowledge is heavily dependent upon the communication of information, unambiguous information, however is only possible if the concepts have the same meaning for all who participate in the information process"

Kommer-Benz 1979

Arntz 1991 in his discussion of legal terminology states that it is a terminologist's duty not only to translate legal terminology but also to make the terminology from one legal

system accessible to someone already familiar with another legal system. The same argument applies to taxation terminology.

Partial equivalence is problematic especially where language for general purposes (LGP) takes on a new and more specialised meaning within a specialised context. This complication is compounded by the fact that a term which would be regarded as specialised within one language community may be deemed to be of general status within another language community.

"Languages differ widely in the way they are equipped to handle various notions and express various aspects of experience (...) possibly because they differ in the degree of importance or relevance that they attach to such aspects of experience."

Baker 1992: 86

For example the term *collection* forms part of the general lexicon. However when prefixed by *tax* it assumes a specialised meaning and belongs to taxation LSP.

A concept may only be understood in relation to the system of concepts that it belongs to (Arntz 1991). Therefore both the Spanish and Irish taxation system have been described in Chapter 2 in order to facilitate terminological comparison on the basis of individual terms in Chapter 3.



## **1.8. Conclusion**

Clearly, history, culture, and many other factors also influence the evolution of concept systems further complicating the search for equivalent terms between different language groups. In order to conduct a terminological comparison of the Irish and Spanish taxation systems it is necessary to outline each system separately. The two systems are outlined and compared in Chapter 2. The outline of each taxation system helps to explain the evolution of the terms and to situate them within the broader framework of a concept system.. The issue of non-equivalence is highlighted when terms from one concept system are transferred into another concept system. (See Chapter 3)

## **2. The Spanish and Irish Taxation Systems**

### ***2.1. The Spanish Taxation System***

#### **2.1.1. Introduction**

This section presents an outline of the Spanish taxation system. First, the historical, social and economic factors which have influenced the systems current structure are examined. This includes an examination of the evolution of the Spanish taxation system over the last 150 years. This description of the development of the Spanish taxation system is essential to understanding the present day system. Second, the current structure of the taxation system is outlined. Third, current legislation governing taxation is examined, and an inventory of taxes levied in Spain is outlined. A brief description of each tax is offered.

#### **2.1.2. Evolution of the Spanish Taxation System**

##### ***2.1.2.1. 1845 Mon-Santillán Reform:***

No formalised taxation system existed anywhere in the world prior to the mid-19th Century (Encyclopaedia Britannica 1978). At around this time two trends emerged generating two different taxation systems; the Latin and the Anglo-Saxon taxation systems. Spain's taxation system after 1845 was typical of the Latin taxation system.

Similar systems prevailed in France, Italy and many Central and South American countries. The evolution of this particular system reflected developments in France over the course of the 19th Century. It should, however, be noted that the French system had been heavily criticised in France as it was deemed irrelevant to the social and economic requirements of the time (Ibáñez and Ariznavarreta 1992).

The Mon-Santillán reform came into effect under the 1845 budgetary legislation (*Ley de Presupuestos de 1845*) and was the product of two 19th Century economists, Alejandro Mon and Ramón de Santillán. Like any modern taxation system, it could be divided into two main categories: direct and indirect taxation. Direct taxes were levied on property, crops and livestock. Similar taxes were levied on industry and certain commercial processes. Indirect taxes, meanwhile, were applied to mortgages and taxes on specified consumer goods. (Tamames 1992)

Ideologically, the Latin system had its origins in non-intervention. The privacy of the family as an economic unit was preserved. Taxes were levied on objects or processes that precluded an individual relationship between the taxpayer and the tax authorities. The notion of non-intervention permeated the system to the extent that fiscal policy bore no relation to economic policy. In many countries, specific economic situations dictate parallel fiscal measures and by extension are an influential factor in the structure of the taxation system. However, in the case of Spain in the mid-19th Century the two existed independently.

The Latin system relied heavily on indirect taxation, in line with the avoidance of direct dealings between taxpayer and authorities. Tax was calculated proportionally and was usually based on average rather than actual yields. The economic means of the individual taxpayer did not dictate the amount of tax paid. Tax took the form of a fixed amount of money paid at regular intervals. This meant that interpretation of the system was uncomplicated for the taxpayer, and as requirements were vague, it left scope for evasion and non-payment of tax. Similarly, from an administrative point of view it was a relatively easy system to enforce. For these reasons it was remarkably resistant to change (Ibáñez and Ariznavarreta 1992: 56). However, from the outset three fundamental flaws were apparent. Firstly, the system relied too heavily on indirect taxation. Secondly, the system was neither flexible nor efficient allowing widespread tax evasion and fraud. Finally and most importantly, it was clear that it was not capable of generating enough revenue to cope with the demands of state expenditure.

### *2.1.2.2. Subsequent Reform 1900-1970s:*

Colonial and civil strife in the latter half of the 19th Century resulted in a demand for an increase in public revenue. This demand prompted the 1900 Fernández-Villaverde reform which involved issuing public debt, underwritten by the Bank of Spain to increase revenue. A utilities tax, which is comparable to present day rates for services provided by the State, was introduced. Several minor changes were also made to the indirect taxation legislation.

Personal income tax first appeared in the early 1920s. In 1925, Calvo Sotelo's reform proposals included the introduction of income tax. In 1927 further attempts were made to adopt personal income tax but once again they were never fully introduced. However, in 1932 the precursor to the modern day personal income tax was first conceived in a series of measures aimed at updating the Spanish taxation system. The general consensus was that a shift in emphasis from indirect to direct taxation was required. One of the results of such a change would have been a more equitable division of the tax burden. Increasing public investment was also considered a priority. Nevertheless, these proposals were never implemented.

After the Spanish Civil War limited tax reform occurred under Larráz, the then Minister for Hacienda (responsible for fiscal policy, roughly equivalent to our Minister for Finance). While the reform included increased taxation, higher rates and larger taxable bases, it did nothing to amend the structure of the system. In the years that followed there was a progressive increase in fraud and evasion despite frequent moratoria and amnesties. Such widespread abuse of the system was indicative of its serious inherent flaws.

The next stage in the reform of the tax system came under Navarro Rubio, Minister for Hacienda. In 1957 he proposed a series of measures aimed at promoting economic stability. Once again the changes were more superficial than fundamental

but they were significant in so far as they looked towards the future. He specifically sought to achieve:

- a) a more flexible tax system,
- b) a significant increase in tax revenue,
- c) saving and investment incentives in the more productive sectors of the Spanish economy , and,
- d) a more equitable income distribution of income.

In 1964 Navarro Rubio continued his reform with a further series of proposals aimed at tidying up the Spanish taxation system, e.g. the elimination of tax duplication. (Duplication of taxes occurred, where the same tax was levied twice because it was processed in a different way on each occasion). The 1964 reform introduced personal taxation for the first time and was also responsible for the systematisation of the indirect taxation regime.

Nonetheless, the Spanish taxation system was still in dire need of fundamental reform.

Even as late as 1972 there was heavy reliance on indirect taxation. In 1972 81% of public revenue came from taxation. Of this amount a significantly higher percentage came from indirect taxation (Tamames 1990)

**TABLE 1** *Revenue from Taxation in Spain in 1970s*

<b>Indirect Taxation</b>	<b>Direct Taxation</b>
34%	66%

Source: Tamames 1990

### *2.1.2.3. 1977 Fuentes Quintana - Fernández Ordóñez Reform*

Between the 1950s and the 1970s Spanish society experienced fundamental changes which also affected the economy. A shift had occurred from a predominantly agricultural economy to an emphasis on industry. As a result of the decline in the agricultural sector, mass rural emigration took place leading to an increasingly urban based society. The financial sector was expanding and stock exchange activity was on the increase. All of these factors had implications for the tax system. The prevailing system was deemed inadequate for modern public sector requirements. It appeared to do nothing to correct the existing inequalities in the areas of profit and wealth distribution. The system did little to encourage economic stability and, more importantly, it failed to promote economic growth. Also, at a time when EEC membership was a priority, it was felt that the tax system would prove a major stumbling block to Spain's entry.

The sentiment that there was a considerable gap between the Latin tax systems, such as those in operation in France, Spain and Italy, and the European tax system was widespread. The notion of a European system refers specifically to the EEC. The main distinction between the two types of system lies in the emphasis placed on personal income tax which characterises the tax systems in the Anglo-Saxon countries. Pitt first broached the notion of personal income tax in 1798 in England with his Bill on "Triple Assessment". Income tax was also one of the distinguishing characteristics of the Prussian tax system. Once the EEC was established it quickly became obvious that serious tax problems would occur given the diversity of the different tax systems among the member states. A progressive tax harmonisation process was essential in order to merge the Anglo-Saxon tradition with the Latin tax regimes in the rest of southern Europe.

Tax reform was no easy process especially when it was clear that fundamental structural reform was involved. Change had taken place in the other countries where

the Latin tax regime prevailed. However, it was a slow and tedious procedure as illustrated by the reform in France and Italy where it occurred gradually over several decades spanning the mid-20th Century. Spain was the last of these countries to implement radical reforms (Ibáñez and Ariznavarreta 1992).

Reform of the Spanish taxation system took the form of a well planned programme which was unilaterally accepted across the political spectrum. Professor Fuentes Quintana of the "Instituto de Estudios Fiscales" was credited with being the driving force behind the reform. Proposals were first introduced in 1973 but were not actually implemented until 1977.

Spanish tax reform occurred in four different phases. The first phase began with the introduction of emergency tax reform legislation in 1977 (**Ley de Medidas Urgentes de Reforma Fiscal, MURF**). A number of measures aimed at reforming the Spanish taxation system were introduced. One aspect of the legislation was the fight against tax evasion and fraud. Tax crimes were specified and included within the Spanish national criminal legislation (**Código Penal**). Lists of taxpayers were published to dissuade tax evasion. However, as a result of the escalation of the activities of ETA (the Basque separatist terrorist organisation) in the late 1970s, it was decided to withdraw this measure as it was considered a security risk. An initial tax amnesty was granted to encourage a more honest relationship between the taxpayer and the state (Tamames 1990). Tax evasion and fraud were extremely common prior to the 1977 reform programme. The secrecy that had governed the banking sector was abolished in order to promote more open financial dealings.

The Moncloa Pacts, a social agreement drawn up between the government and the trade unions in 1978, were significant from a taxation point of view. They entailed the introduction of several new taxes and the reform of existing ones. Progressive personal income tax was introduced (**Impuesto sobre la Renta de Personas Físicas, IRPF**), a wealth tax was also introduced (**Impuesto sobre el Patrimonio**) which was closely linked to the inheritance and gift tax (**Impuesto sobre Sucesiones y**

**Donaciones**). Corporation tax was reformed (**Impuesto sobre Sociedades**). The indirect taxation system was also modified to bring it into line with EEC norms. Other indirect taxation measures included the introduction of a tax on capital transfers and documented legal acts (**Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados**), Value Added Tax (**Impuesto sobre el Valor Añadido**) and customs tax (**renta de aduanas**).

Among the reforms, the implementation of the IRPF had the most far reaching implications. It demonstrated a sharp change in emphasis in the Spanish taxation system by encompassing the previous forms of indirect taxation (**Impuesto de Producto**) and became the focal point of the system. However, the introduction of IRPF was not without complications. In the late 1980s there was considerable controversy over the taxation of families. The issue of couples opting for joint or separate declarations was raised. The IRPF was a tax that principally affected the middle and upper classes. Evasion and fraud were still rife despite frequent clampdowns.

In 1977, 400,000 declarations of income were made; this figure had increased to 13 million in 1994 (Cambio 16). Despite this dramatic improvement the effective elimination of tax crimes continues to be a priority for the Spanish government.

The emergency taxation legislation (MURF) also introduced a personal tax on possessions and wealth (**Impuesto sobre el Patrimonio**) although this was reformed in 1987 with direct personal tax on wealth being obtained through the inheritance and gift tax (**Impuesto sobre Sucesiones y Donaciones**). The inheritance and gift tax was to be levied proportionally with 35% as the lowest rate.



## **2.1.3. Structure of the Spanish Taxation System**

### ***2.1.3.1. Introduction***

The Spanish tax system is considered below under two headings. First, in Section 2.1.3.3 it is viewed from the perspective of the various bodies that levy taxes: the central government, the regional governments, henceforth referred to as **Autonomous Communities** , and the local governments or municipalities. Second, in 2.1.3.4 it is subdivided according to the various types of taxation instruments that exist in Spain, which are grouped under the general headings of direct taxation and indirect taxation.

The taxation powers of each of these entities will be examined before dealing with direct and indirect taxation.

### ***2.1.3.2. Legislating Bodies***

Sometimes there is an overlap between the taxes levied by these separate bodies (Tamames 1990). For example, certain Autonomous Communities may share in a tax levied by the central government (European Parliament, Regional Policy Series 1993).

#### **2.1.3.2.1. The Central Government**

Legislation governing taxation may be found in the Spanish Constitution (**Constitución Española** 1978) and more specifically within the general taxation legislation (**Ley General Tributaria**) LGT 1. Article 133:1 of the Spanish Constitution expressly states that taxes may only be levied by the State through legislation

Art 133:1: " la potestad originaria para establecer los tributos corresponde exclusivamente al Estado, mediante ley ".

Nonetheless, special legislative powers, e.g. those attributed to the Autonomous Communities, are specified within the Spanish constitution. Only those powers listed in the constitution have legal force. The general taxation legislation states that such legislation must first meet with the approval of the national parliament.

LGT Art 2 " La facultad originaria de establecer los tributos es exclusiva del Estado y se ejercerá mediante Ley votada en Cortes".

This legislation applies not only to taxes imposed by the central government but also to all taxes levied by both the Autonomous Communities and the municipalites. Each tax is governed by a corresponding law and all laws are contained within the general taxation legislation. The LGT also covers the general rules of procedure associated with taxation which include management, collection, inspection, judgements, claims procedures and economic administration. Although separate and more specific legislation governs their activities, all measures originate in the Spanish Constitution.

#### 2.1.3.2.2. The Autonomous Communities

The taxation powers of the Autonomous Communities are contained in Article 157 of the Spanish Constitution and in the **Ley Orgánica de Financiación de las Comunidades Autónomas (LOFCA)**, (20 September 1980). Under this legislation the Autonomous Communities are permitted to share in the proceeds of national taxes or surcharges, or they can levy their own taxes (Arthur Andersen 1987: 11). The Autonomous Communities are also entitled to a share in other State revenues along with transfers from a state compensation fund and other appropriations entered under the State budget (European Parliament, Regional Policy Series 1993). The Constitution strictly delimits the taxation powers of the Autonomous Communities. It states that they cannot apply to property or goods situated outside the autonomous community in question. Nor can measures apply to transactions that occur outside the

autonomous community. They may not prevent the free circulation of people or goods within Spanish national territory. LOFCA, meanwhile, attempts to avoid double taxation by stating in Article 6:1 that any tax already levied by the central government may not also be imposed by the Autonomous Communities.

Art 6:1: " tributos que establezcan las Comunidades Autónomas no podrán recaer sobre hechos imposables gravados por el Estado ".

The Constitution in Article 6:4 goes on to say that should state taxes result in a significant decrease in revenue for the Autonomous Communities, compensatory steps would be taken to rectify the situation. An interregional compensation fund (**Fondo de Compensación Interterritorial**) exists which aids those communities whose average income is less than 75% of the European Community average. For some regions the compensatory fund represents a significant source of income (European Parliament 1993). Nine regions have been singled out for special attention: Extremadura, Andalucía, Castilla la Mancha, Galicia, Murcia, Canarias, Castilla y León, Comunidad Valenciana and Asturias.

The State recognises the economic traditions that exist in several of the Autonomous Communities. An additional clause in the Constitution allows for separate powers for each of these communities.

The Basque Country's relationship with the State is defined in an economic agreement known as the **Concierto Económico** which includes an outline of the taxation powers granted to the Community. The Basque Country governs most of its own taxes, excluding tax monopolies and customs duties. However, separate agreements exist with each of the three provinces within the Basque Country which stipulate specific amounts of money to be submitted to Hacienda every year (Tamames 1990).

The most recent economic agreement was drawn up and passed by law in May 1981. Although this agreement is due to last until 2001 it has already been modified by legislation in 1990 (Law No. 27 of 26 December 1990).

Navarre has a similar agreement which recognises the foral traditions of the community. This agreement is known as the **Régimen Histórico Foral de Navarra** and was developed in conjunction with the **Ley Orgánica** of 10 August 1983.

Separate legislation is also in place in the Canary islands. This is outlined in the Constitution and also in an independent agreement governing the islands' economic and financial activities (**Régimen Económico y Financiero del Archipiélago, REF** ). Under this agreement, the Canary islands are not deemed to be part of the European Customs Union. This implies that neither the Common Agricultural Policy (CAP) nor Value Added Tax regulations apply to the islands. This legislation is currently under revision in the context of the European Union.

#### 2.1.3.2.3. Local Government

Taxation within the sphere of local government and municipalities was often neglected on account of the high degree of centralisation that characterised the structure of the Spanish state for a long period until after the death of General Franco. Reform of local government taxation began in 1979 and the current system was introduced in 1988.

Although municipalities levy specific taxes and rates, they have no legislative powers. All taxes levied by local government bodies must be listed expressly in national taxation legislation. This legislation is contained within local government legislation (**Ley de Regulación de las Haciendas Locales LRHL**).

Local governments have power over rates (*tasas*) and a number of indirect taxes.

#### 2.1.3.2.4. Other taxation legislation

As well as the legislative powers within Spanish territory, a number of other laws refer to Spanish taxation. Recently, treaties and international taxation conventions accompanied by European Community norms have had an increasing role to play in national taxation. Spain enjoys comprehensive double taxation agreements with over 25 different countries. The majority cover taxes on both income and capital (International Bureau for Fiscal Documentation 1991: 73). The Spanish Constitution describes the procedures which control double taxation agreements. Treaties must be ratified by the Spanish Parliament, the Cortes (Constitución Española: Artículo 94:1).

Once ratified such treaties may not be abolished, modified or suspended except through mutual agreement of the parties concerned. (Constitución Española: Artículo 96:1).

There are three types of European Community norms that apply and are of specific interest to the taxation harmonisation process. These are Directives, Rulings and Decisions. Community directives are implemented by the central governments of the member states as they see fit. Rulings apply directly to all member states. They must be published in the European Community Official Journal, becoming effective on the date specified in the Journal or, in the absence of such a date, twenty days after publication. Decisions on the other hand apply immediately from the moment of notification whether they are directed at member states or individuals.

#### 2.1.3.3. *Classification of Taxes*

The taxes themselves may be roughly divided into two categories, direct and indirect taxes. These may then be subdivided into smaller categories. Direct taxation covers personal income tax (IRPF), corporate tax and net wealth tax, which are levied by of the State while the inheritance and gift tax is levied by of the autonomous regions. Value Added Tax (VAT) is the fundamental indirect tax although other

indirect taxes are also levied on by the State. These include the tax on capital transfers and documented legal acts, excise duty and customs duties. Table 2 divides the main taxes levied into two categories: direct and indirect taxation.

**TABLE 2** *Classification of taxes in Spain.*

<b>DIRECT TAXATION</b>	<b>INDIRECT TAXATION</b>
* Impuesto sobre la renta de las personas físicas (IRPF)	* Impuesto sobre el valor añadido (IVA)
* Impuesto sobre documentos patrimoniales y actos jurídicos documentados	* Impuestos especiales
* Impuesto sobre sucesiones y donaciones	
* Impuesto sobre el patrimonio	

Direct taxes are discussed individually in 2.1.3.3.1 under the heading Direct Taxation. Section 2.1.3.3.2 examines indirect taxes, also on an individual basis.

### 2.1.3.3.1. Direct taxation

#### 2.1.3.3.1.1. Personal income tax (*Impuesto sobre la renta de las personas físicas IRPF*):

Personal income tax will henceforth be referred to by its Spanish acronym IRPF.

The IRPF has its origins in the Second Republic when it was first proposed as part of the measures of Manuel Azaña's government. However, it was not implemented until the 1970s (Tamames 1990). Since then it has undergone several reforms, the most recent occurring in 1991 (International Bureau for Fiscal Documentation 1991).

The tax is levied by the central government, although special conditions apply to the Basque Country and Navarre, under which they receive the revenue accrued. Such arrangements are specified in their respective agreements with the State.

IRPF is payable by individuals (**personas físicas**), although it should be noted that certain firms are also liable. Residents are liable to IRPF in respect of their worldwide income while non-residents are liable only on their Spanish source income.

Income consists of both schedular income and capital gains. Resident status applies when an individual stays in Spain for more than 183 days in any calendar year.

Absences for less than three years are not deemed to interrupt residence for tax purposes (International Bureau for Fiscal Documentation 1991). IRPF is charged in

two ways. The first of these, *in personam*, applies to individuals resident in Spain for more than 183 days a year or those whose centre of economic activity occurs within Spanish territory. Liability *in rem* applies to non-residents who have a permanent

establishment in Spain and derive their income from such an establishment. Tax is normally paid on an individual basis; however, members of a family may declare their income jointly. Joint declaration entitles them to the application of a reduced rate.

Aggregate income has several advantages: the rates are less onerous, the threshold for making a return is higher, relief on property investment interest is higher and certain tax deductions are higher (Commission of the European Communities 1993). Where

spouses choose to make separate declarations, the determination of income and deductible expenses for each takes the source of the income into account.

Assessment basis *in personam* consists of all the income earned by the taxpayer plus changes in assets. However, changes in assets liable to gift and inheritance tax are not included under the IRPF. Income is divided into two categories: regular and irregular income. Regular income is subjected to the general rates. Irregular income is defined as any source which arises on an irregular basis or, if on a regular basis, if its accrual period exceeds one year. Examples of irregular income include private pension plan lump sum payments, voluntary redundancy lump sum payments, proceeds from a life insurance policy, lump sum received by a soccer player when signing for a club for a number of years, and proceeds in the current year of a crop or goods that have grown over a number of years e.g. sale of lumber grown over an extended period of time.

Liability *in rem* for permanent establishments is levied on all their worldwide income.

In other instances all income and assets within Spain are taxed.

The following sources of income are exempt from IRPF: unemployment benefit, severance pay, prizes from lotteries, (national, Autonomous Communities, Red Cross and ONCE), artistic, scientific and literary prizes and public scholarships (Commission of the European Communities 1993).

There are certain deductions, allowances and credits. In Spain, tax credits are being introduced in preference to tax deductions and may be calculated as a percentage of expenses (Price Waterhouse 1991). A flat rate 1% deduction is also available for professional income where the costs are difficult to itemise. Compulsory payments to Social Security, mutual insurance funds, maintenance and alimony payments are deductible. 250,000 pesetas of investment income are exempt. 800,000 pesetas are deductible on loans on property for personal use.

Family related factors incur tax deductions. Deductions for tax due are allowed depending on marital status, the number of children and the cost of life insurance policies. Other deductions were introduced by the Spanish government to encourage



home ownership, saving, to reduce double taxation or to allow for income from Ceuta and Melilla.

Withholding of income tax occurs on a resident's Spanish source income. This is generally regarded as an advance payment and is credited against the taxpayer's final tax liability.

The tax period coincides with the calendar year. Self-assessment is mandatory, with the final return being verified by the local inspector of taxes. All taxpayers are required to file an annual return. Any outstanding tax must be paid between 1 May and 20 June of the next year. Payment may be divided into two parts, 60% and 40% of the tax due.

Self-employed professionals, artists and individual entrepreneurs are obliged to make advance payments of a minimum of 20% of net income on 5 May, 5 August and 5 November of the current year and on 5 February of the next year.

Rates are measured on a progressive scale. The first 400,000 pesetas of income are tax free. Seventeen taxation bands apply with rates ranging from 20% to 53%. The top rate of 53% applies to income in excess of 9,550,000 pesetas. A separate scale applies to those couples who elect joint assessment. In their case, 16 taxation bands apply with rates ranging from 20% to 53%. The first 800,000 pesetas of a couple's income are tax free with the top rate applying to income in excess of 11 million pesetas. Total tax liability, when combined with wealth tax, may not exceed 70% of the taxable amount.

Social security contribution rates are scaled according to basic salary categories. In January 1992, the general percentage rates were 6.0% for employees and 31.20% for employers (Price Waterhouse 1992). Spanish employers pay one of the highest rates of social security contributions in Europe (Cambio 16).

#### *2.1.3.3.1.2. Corporation Tax (**Impuesto sobre sociedades**)*

Corporation tax is levied by the central government. Again, separate arrangements exist for the Basque Country and Navarre which are outlined in their respective agreements with the Spanish State.

This tax applies to all taxpayers who have legal personality (**persona jurídica**) who are not subject to IRPF. As in the case of the IRPF, liability may be subdivided into two separate categories, those liable *in personam* and those liable *in rem*. *In personam* liability applies to taxable persons resident in Spain, i.e. entities incorporated under Spanish law with their domicile in Spanish territory. *In rem* liability applies to those not resident in Spain but who obtain their income or capital gains within Spain or receive income from an entity which enjoys resident status (Commission of the European Communities 1993)

Usually, the basis of assessment consists of the net profits earned plus the changes in assets occurring in one financial year. A company's taxable period is its business year, which usually coincides with the calendar year (Arthur Andersen 1991). Moreover, the difference between equity capital at the beginning and end of the tax period is also taken into account. Capital contributions are subtracted from the resulting amount and sums withdrawn by members are added (Commission of the European Communities 1993).

A significant number of entities are exempt. These include the central government, the Autonomous Communities, public corporations, the Bank of Spain, social security entities, the Catholic Church and other denominational associations, charities, political parties and trade unions.

Deductions apply under certain circumstances. For example, public administrations other than the central government and the Autonomous Communities are entitled to deductions on provincial or municipal services. Other deductions are available on the following: the export of books, profits and capital gains to entities in Ceuta and Melilla and foreign financing of investment by Spanish firms.

A standard rate of 35% applies although there are reduced rates for certain entities. A rate of 25% applies for non profit making institutions; cooperatives are taxed at a rate of 20%; non-residents with no permanent establishment enjoy a 25%, 14% or 4% tax rate depending on the type of income in question. A rate of 1% applies to collective investment undertakings.

There is a system of tax incentives, which operate as tax credits against net corporation tax liability. The scale is as follows: 5% reduction for investment in new

fixed assets, 20% for certain export related activities, between 15% and 30% on Research and Development depending on whether or not investment in fixed assets is involved. Other deductions exist in the form of double taxation of dividends relief and international double taxation relief.

Losses may be carried forward to the five subsequent financial years but cannot be carried back.

#### **2.1.3.3.1.3. Wealth tax (*Impuesto sobre el patrimonio*)**

This was formerly the impuesto extraordinario de las personas físicas but was revised under Law No. 19 of 6 June 1992 which came into operation on 1 January 1992 (Commission of the European Communities 1993).

The tax is incorporated under central government legislation. In Madrid, and in Ceuta and Melilla, the central government also administers and collects the tax. Elsewhere, it is collected by the Autonomous Communities. Wealth tax is payable *in personam* by Spanish residents in respect of all assets in excess of 15 million pesetas.

Non-residents are liable to wealth tax on all assets situated in Spain regardless of their value.

The basis of assessment is taken as the difference between the value of the taxpayer's assets on the one hand and the value of their liabilities and obligations on 31 December of each year. Wealth tax is regarded as an individual tax. Couples are assessed individually even if all other returns are declared jointly.

All property is subject to this tax although certain exemptions apply. These include property deemed to be part of the Spanish Historical Heritage certain antiques and works of art, artists' own work, (if they remain property of the artist), securities whose yield is exempt under Article 17 of Law No. 18 of 1991 of personal income tax and consolidated rights of members of pension plans.

Tax is calculated on a self-assessment basis with returns filed annually. The tax must be paid in full in the period 1 May-20 June of the current year. However, if the tax due, when combined with IRPF, exceeds 70% of the taxpayer's taxable income the excess is set off against the taxpayer's net wealth due.

Rates are progressive. Eight bands apply with a minimum of 0.2% on amounts up to 25 million pesetas and a maximum rate of 2.5% on amounts exceeding 1,600 million pesetas. Double taxation treaties help avoid double taxation of wealth taxes with allowances made for wealth taxes paid abroad. Other allowances are made for property in Ceuta and Melilla.

#### *2.1.3.3.1.4. Inheritance and Gift Tax (Impuesto sobre sucesiones y donaciones)*

Inheritance and gift tax was first introduced in 1977 under the emergency tax reform legislation (MURF). It has been amended on a number of occasions since, with the most recent reform occurring in 1991 (Royal Decree No. 1629 of 8 November 1991). This tax takes the form of a direct personal tax on increases in wealth through gifts, inheritances and insurance policies. It is levied by the Autonomous Communities. Classification of the inheritance and gift tax depends on the manner in which the increase in wealth occurred. For example, if the transfer is received by a legal rather than a natural person it is subject to corporation tax. Liability operates as follows: in the case of inheritances the heir is liable; in the case of gifts, it is the donee who is liable and in the case of life insurance policies it is the beneficiary who is liable. Spanish residents are liable to this tax on property or wealth acquired through a voluntary transfer whether in Spain or abroad. Non-residents are liable with regard to any assets situated in Spain or any life insurance policy taken out with a Spanish insurance company.

Certain exemptions apply in the case of the transferral of a person's habitual residence and also in the case of one-man businesses in industry, agriculture or the professional sectors. Some industrial bank security transfers and life insurance policies taken out before 19 January 1987 are also exempt.

Several deductions are allowed. These include burial and funeral expenses, debts of the deceased, tax debts to either local authorities or the central government, legal costs related to dispute over an estate, perpetual charges on assets which diminish

their value and inheritance transfers qualifying for relief depending on the relationship between the beneficiary and the deceased.

16 bands apply, 7.65% is applicable on net bases up to 1,193,000 pesetas with the highest rate of 34% applicable to net bases in excess of 119,250,000 pesetas. The acquirer's previous wealth and relationship with the deceased must also be taken into account when calculating the tax.

#### 2.1.3.3.2. Indirect Taxation

##### 2.1.3.3.2.1. Value Added Tax (*Impuesto sobre el valor añadido , IVA*)

Spanish value added tax, henceforth referred to by its Spanish acronym, **IVA**, was first introduced in 1985. It was fully implemented in January 1986 following Spain's accession to the European Community. **IVA** was revised under Law No. 29 of 16 December 1991 in order to comply with the European Community's tax rules.

**IVA** forms the basis for indirect taxation in Spain and is levied by the Spanish central government. The tax is payable by several groups of people: those who supply taxable goods and services in the course of business and professional activities, taxable activities carried out outside Spanish territory by traders or professional persons, importers. Moreover, it is also levied on undivided estates.

It is as important to define a non-taxable transaction as it is to define a taxable transaction. The following are non-taxable transactions: the transfer of business and professional assets where the activity carried out is the same, sales and transfers of firms as a result of death, money transferred as payment, free samples of merchandise of inconsequential value, and services carried out under contract.

Several categories of exempt activities are also listed. Domestic transactions, these include health, education, social security, betting, public postal services, amongst others, are exempt. Export transactions are exempt as are certain transactions linked to suspensive customs procedures. Certain international treaties stipulate IVA-free

transactions, for example, treaties with the Catholic Church, NATO and the Vienna Convention (Commission of the European Communities 1993).

Payment is made through self-assessment by means of quarterly returns although large firms and businesses are required to make returns on a monthly basis. Rates of IVA have been revised and new rates apply as and from August 1992. A standard rate of 15% applies. A reduced rate is applicable for goods or services which are deemed basic necessities, for example food, books, medicines etc. Luxury products are taxed at the higher rate. (See Table 3).

Motor vehicles, aircraft, jewellery, furs and adult films are regarded as luxury products.

**TABLE 3****Value Added Tax in Spain:**

Category	Rate
Standard	15%
Reduced	6%
Luxury	28%

**2.1.3.3.2.2. Taxes on capital transfers and documented legal acts (*Impuesto sobre transmisiones patrimoniales y actos jurídicos documentados*)**

This tax was first introduced in 1980 (Law No. 32 of 21 June 1980; Royal Decree No3050 of 30 December 1980) and has been revised on several occasions since then, the most recent occurring in 1992 (Central Government Finance Act 1992), in accordance with European Community legislation.

The tax on capital transfers and documented legal acts is levied by the central government on capital transfers, corporate transactions and documented legal acts, where IVA is not applicable.

The capital transfers category covers the transfer of rights and assets between natural persons which have not already been subjected to IVA. It is also levied on the creation of rights, for example, leases, pensions and government concessions.

The corporate transaction category was modified to comply with European Community Legislation. It includes the establishment of a company, increase in capital, change in registered office, members' contributions to cover losses as well as winding up with division of contributions to members. Share issue premiums and mergers are considered exempt.

Documented legal acts may be divided into three different categories : a) notarial deeds, b) commercial transfer and transaction documents and c) the acquisition, transfer and recovery of titles.

Specified bodies undertaking particular activities are exempt from this tax. These bodies include central government, regional governments, public institutions and charities.

Liability depends on the type of transaction in question. In the case of capital transfers and documented legal acts the recipient is required to pay the duty, while in the case of corporate transactions it is the company, except where it has been dissolved in which case liability reverts to the members.

The rates vary from 0.5% to 6% depending on the type of transaction. Transfer of moveable property is taxed at 6%, transfer of movables at 4%. Contracting of rights and leases and corporate transactions are taxed at 1%. Notarial deeds are taxed at 0.5% although special conditions apply when stamped paper is used under certain circumstances. A sliding scale applies to bills of exchange and commercial documents. It should be noted that the legislation contains a provision which states that special rules apply in specific circumstances.

#### *2.1.3.3.2.3. Excise Duties*

A series of excise duties applies to manufacturers and importers on certain goods. The central government is the principal beneficiary although the Navarre government also benefits from several duties (excise duty on spirits and alcoholic beverages, and the excise duty on beer). These apply to goods like spirits and alcoholic beverages, beer, hydrocarbons and tobacco (Commission of the European Communities 1993).



#### 2.1.3.3.2.4. Local Taxes

As previously stated the local tax system was completely revised in 1988 and is governed by Law No. 39 of 28 December 1988. Under this legislation four categories of local taxes were stipulated. These are: local charges, local special contributions, surcharges on taxes levied by the Autonomous Communities and local taxes. Local taxes are further subdivided into mandatory establishment taxes and optional establishment taxes. Mandatory establishment taxes include real estate tax (**Impuesto sobre Bienes Inmuebles**) economic activities tax (**Impuesto sobre Actividades Económicas**) and mechanically powered vehicles tax (**Impuesto sobre Vehículos de Tracción Mecánica**). Optional establishment taxes include: tax on construction, installation and works (**Impuesto sobre Construcciones, Instalaciones y Obras**) and tax on the increase of urban land (**Impuesto sobre el Incremento del Valor de los Terrenos de Naturaleza Urbana**).

## **2.2. The Irish Taxation System**

### **2.2.1. Introduction**

This section presents an outline of the Irish taxation system. First, the historical and socio-economic factors which influenced the present system are examined. Then, the evolution of the Irish taxation system is described. In order to achieve a comprehensive description of the structure of the current taxation system, taxation is divided into two main categories: direct and indirect taxation. Within each grouping the taxes are examined on an individual basis.

### **2.2.2. Evolution of the Irish Taxation System**

#### **2.2.2.1. The Mid-19th Century**

The middle of the 19th Century serves as a key point of departure in the discussion of the Irish taxation system for two reasons. First, fundamental changes had occurred in all levels of Irish society in the aftermath of the Famine. Mass emigration was accompanied by the shift in emphasis from agriculture to industry and the increased demographical gravitation towards towns (Cullen 1968). Such a dramatic change in the structure of Irish society had profound implications for the economy and therefore the tax system. Second, no formalised system of taxation existed anywhere in the world prior to the mid-19th Century (Encyclopaedia Britannica 1978). This period of time, therefore represents a milestone in the history of taxation. The taxation legislation introduced across Europe at this time would play a crucial role in the modelling of the modern tax systems currently in operation.

Clearly, the emergence of the Irish taxation system was inextricably linked with the establishment of the British taxation system. One of the most outstanding

characteristics of the incipient British taxation system was income tax. This tax was first introduced by Pitt in 1799 as part of his "Triple Assessment" bill in response to an increased demand for revenue following the Napoleonic wars (Tamames 1990). The predominance of income tax meant the British taxation system was classified as an "Anglo-Saxon" taxation system as opposed to a "Latin" taxation system, a term used to denote the other emergent trend in taxation. As their names suggest the former refers to the countries of northern Europe, especially Britain and Prussia while the latter refers to the countries of southern Europe, especially France, Spain and Italy.

### **2.2.3. Socio-economic Factors**

Following independence in 1922, the British taxation system was adopted in its entirety. While piecemeal reform occurred over the next fifty years, the general structures were maintained. It was not until the mid-1970s that structural reform began, which represented a significant divergence from the British taxation system. Socio-economic factors were influential on the shaping of the Irish taxation system. While the general economic climate is influential on a government's economic policy and therefore also influences fiscal policy, the two are not strictly bound together. Apart from ten years of free trade following the foundation of the Irish Free State a long period of protectionism ensued under successive Fianna Fail governments. This was in line with protectionist policies prevalent at the time in the rest of the world. The 1930s saw the tariff war with England which arose on account of a dispute over the payment of land annuities. The dispute was resolved with the signing of the Anglo-Irish Trade Agreement in 1938 which allowed normal trade relations to resume (Cullen 1987). A high rate of public borrowing made possible by Marshall Aid funding characterised the 1940s. Further borrowing occurred in the 1950s with a return to large scale emigration. 40,000 emigrants were leaving annually for England. Despite a buoyant international economy the 1950s represent a dark hour for the Irish economy. This may be attributed to the fact that following the sustained protectionism of the 1930s, Irish industry was not developed enough to cope with the

challenges of a flourishing international economy. The average growth rate in Ireland in the 1950s was substantially lower than that in other European countries as illustrated in Table as illustrated in Table 4.

**TABLE 4**                      *1950s Average Growth Rate*

Country	Growth Rate
Germany	9.30%
Ireland	1.30%
Spain	8.50%

Source: Kennedy 1989

In the 1960s Ireland became the target location for many multinational corporations seeking a base within Europe. Tax incentives provided by the government became one of Ireland's attractions over other European sites. The multinational corporations provided a significant source of income for the country. Foreign direct investment continued into the early 1970s as the economy experienced sustained growth. The oil crisis and the consequent economic decline were the outstanding events of the 1970s which had a dramatic impact on the Irish economy (Commission of the European Communities 1975)

#### **2.2.4. Recent Reform**

The Irish taxation system which had maintained close links with the British taxation system began a series of far reaching reforms in the mid-1970s. In the area of direct taxation, personal income tax was revised and proposals for changes in company taxation were introduced. Under the 1974 budgetary legislation, the personal income tax code was modified. Surtax was abolished and replaced by a single income tax with a schedule of progressive tax rates. Initial proposals were made to change company taxation in order to bring it into line with EEC policy on harmonisation in this area. This entailed the introduction of the imputation system whereby corporation tax could be offset against personal income tax liability in the form of tax credits. This represented a major change in emphasis for Irish company taxation as it resulted in the separation of personal taxation from company taxation. Previously the distinction had not been so well defined. Frequently an overlap had existed where some corporation taxation was included under the personal income tax code. In the area of indirect taxation VAT was introduced as a precursor to Ireland's membership of the EEC in 1972 (Economic and Social Research Institute 1993).

#### **2.2.5. The Structure of the Irish Taxation System**

All taxes in Ireland are payable to the central government, excluding the rates levied by local authorities. Taxation legislation delimits each tax and the methods to be enforced with regard to administration and collection. The most significant of these are the following: Income Tax Act 1967; Capital Acquisitions Act 1976; Corporation Tax Act 1976. These Acts are then open to amendment on a yearly basis through the annual Finance Act. As in the Spanish system, taxation may be divided into two main areas: direct and indirect taxation. The principal taxes levied in Ireland are presented in Table 5.

**TABLE 5 Taxation in Ireland**

<b>DIRECT TAXATION</b>	<b>INDIRECT TAXATION</b>
* Income Tax	* Value Added Tax
* Corporation Tax	* Excise Duties
* Capital Gains Tax	* Stamp Duties
* Capital Acquisitions Tax	* Residential Property Tax

As was done with the Spanish taxation system in Section 3.1., taxes will be examined on an individual basis, firstly direct taxes and then, indirect taxes. This will facilitate comparisons between the Spanish and Irish taxation systems at a later stage.

## 2.2.5.1. Direct Taxation

### 2.2.5.1.1. *Income Tax*

Irish income tax originates in Pitt's "Triple Assessment" Bill of 1799. As stated in Section 2.2.3, after the foundation of the State, British income tax was adopted until separate legislation was formulated in 1967. The personal income tax code was reformed in 1974. The current legislation consists of the 1967 Income Tax Act, and its amendments, listed in the annual Finance Acts.

Butterworth's Tax Guide (1994:1) defines income tax as follows:

"... a tax on the income of individuals, trustees, personal representatives and companies not subject to corporation tax."

Income tax applies to all persons, including individuals, legal persons, corporate and non-corporate bodies. Both residents and non-residents are liable for income tax. Residents who are domiciled in Ireland are charged income tax on their world-wide income. Income arising in Ireland and in the United Kingdom and foreign income remitted to an individual resident who is not domiciled in Ireland is liable for income tax. For non-residents, all Irish source income is chargeable to income tax, subject to the provisions of any tax conventions in force between Ireland and the country of residence of the taxpayer.

It is interesting to note that the concepts residence and domicile are not defined anywhere in Irish taxation legislation. However, generally accepted definitions exist and are as follows. If an individual spends more than six months in Ireland in any tax year he/she is deemed to be a resident. Also, residential status is deemed to exist if the individual maintains a place of abode in Ireland and visits it during the tax year. If an individual habitually visits the country for three months or more over four consecutive years he/she is also considered a resident. A separate category of ordinary residence also exists and is interpreted by Butterworth's tax guide (1994: 27) as:

"a man's abode in a particular place or country which he has adopted voluntarily and for settled purposes as part of the regular order of his life for the time being"

*Domicile*, on the other hand is a matter of international law which essentially refers to the country considered as home by an individual. Three categories of domicile are recognised through case law namely domicile of origin, domicile of choice and domicile of dependence (Cooney, McLaughlin and Taggart 1994).

Taxable income is divided into four different categories or schedules based on the nature of the income. Schedule C taxes certain interest, annuities and dividends that are payable out of any public revenue and on bankers or dealers involved in cashing or selling coupons (Cooney, McLaughlin and Taggart 1994). Due to its highly specialised nature Schedule C assessments are rarely made. Schedule D taxes income from self-employment and all profits or gain not charged under any other schedule and not otherwise exempted from tax. Schedule E covers wages, salaries and pensions and accounts for approximately 75% of all income assessable for income tax (O'Hagan 1991). Schedule F includes all income from distributions. The majority of revenue from income tax is collected from Schedule D and E. Schedule D is collected in arrears whereas Schedule E is collected on a current year basis with the income tax year commencing on 5 April. All income categorised under Schedule E is subject to the withholding scheme PAYE (Pay-As-You-Earn). Income is deducted by the employer at source according to the requirements of the Revenue Commissioners. Tax is normally assessed on an individual basis although married couples have three different assessment options. Each spouse may be assessed as a single person. The husband may be assessed in respect of the combined incomes of both parties. Finally, they may elect separate assessment where the tax payable is apportioned between both parties.

Self-assessment is mandatory except for individuals taxed under Schedule E. Under the 1990 legislation (Finance Act 1990) 90% of the capital gains chargeable must be paid by 1 November during the year of assessment with the balance due on 31 January of the year following the year of assessment. Otherwise, interest penalties are incurred.



Individuals are entitled to a basic personal allowance of their gross income, before deductions, provided their income does not exceed a stipulated amount. Allowances vary depending on marital status, age and the number of dependent children. Additional secondary allowances are granted to the disabled, widowed parents, single parents and those caring for both dependent relatives and incapacitated children.

A number of sources of income are either statutorily exempt from or not chargeable to tax. These include: certain pensions and allowances, lottery winnings, certain earnings of writers, composers and artists, certain stallion fees, income from patented Irish inventions, income from the leasing of certain farm land (subject to verification), bonus or interest payable under instalment savings schemes and interest on savings certificates, income from scholarships, premiums payable on government and other securities, statutory redundancy payments and investment income from personal injury compensation claims.

Certain deductions and reliefs also apply in specific circumstances related to business and non-business expenses. Business expenses are deductible where they are incurred wholly, exclusively and necessarily in the performance of business related activities. Certain deductions may be made in respect of medical insurance policies, certain approved life insurance policies, retirement schemes, health expenses and certain mortgage expenses. Reliefs apply, under certain conditions, to expenditure incurred on the provision of rented accommodation, certain building conversions and the maintenance or repair of designated buildings. Certain investment income qualifies for tax relief. Monetary gifts to approved bodies or the National Sports Council are also deductible.

Losses incurred within a trade or profession are allowed for tax purposes and may be carried forward and set against subsequent profits. In the case of cessation of trading, losses may be carried back over the previous three years subject to special rules of calculating the loss.

A special feature of Irish income tax is the Deposit Interest Retention Tax (DIRT) which is withheld at source on interest payments by deposit takers i.e. banks, building societies etc. DIRT is charged at the standard rate of 27% under current legislation

(1995 Finance Act) and is applicable to all account holders except senior citizens and incapacitated persons. Interest subject to DIRT is not liable to any further tax.

Social insurance contributions, despite their name, also qualify as a form of income tax. Such "contributions" are earnings-related, rather than risk-related. They entitle the individual to disability, maternity and unemployment benefit. However, individuals who have made no social insurance contributions are also entitled to the same benefits. All individuals are obliged to make social insurance contributions with a minimum rate of 5.5% applying to those with incomes under IR£21,500 (the first IR£520 is disregarded). An additional 2.25% in respect of health and employment levies is charged on all earnings. The employer's contribution amounts to 12.2% on the first IR£25,800. Reduced rates of contributions exist for certain employees.

#### *2.2.5.1.2. Corporation Tax*

As stated in section 2.2.3., company taxation has undergone major restructuring over the last twenty years. The changes were aimed at simplifying the existing system by the introduction of a single rate of taxation on company profits. This reform was in line with EEC policy on tax harmonisation.

Prior to the 1975 reform, company profits were chargeable to income tax at the standard rate capital gains tax and corporation profits tax. Since 1975, corporation taxation in Ireland has been based on the imputation system. Under this system, shareholders are given credit for the tax paid by the company which they may then offset against their own income tax liability. In this way a portion of the company's tax liability is imputed to the shareholders and is deemed a prepayment of their income tax on dividends.

The current corporation tax legislation is a combination of the Corporation Tax Act 1976, incorporating where necessary the Income Tax Act 1967 as amended by the Finance Act 1967 and subsequent Finance Acts.

The basis of assessment is company profits. All resident companies are liable for corporation tax on their profits (income plus chargeable gains but excluding

distributions received from other resident companies). A non-resident company is liable for corporation tax on the trading profits of an Irish branch or agency. A company is deemed to be resident in Ireland if it is managed and controlled there i.e. if its board of directors meets and makes management decisions there. For the purpose of corporation taxation a company is defined as being any corporate body but does not include a local authority, health board or vocational education committee (Commission of the European Communities 1993).

A significant number of entities are exempt. The following entities are exempt from corporation tax in respect of their profits: credit unions, the Custom House Docks Development Authority, Bord Gais (The Irish Gas Board), the Housing Finance Agency, the Pension Board and the Voluntary Health Insurance Board. Income from the following entities which fulfil statutory requirements is also exempt from corporation tax: charitable companies, companies promoting amateur sports, agricultural and fishery societies, harbour authorities, trade unions, trustee savings banks, approved superannuation funds, mutual trading companies and non-trading companies.

The normal rate of corporation tax is 40%. However, major tax relief also applies to certain companies. Export sales relief and the Shannon exemption were applied until 5 April 1990. The Shannon exemption offered a preferential corporate tax rate to companies established in the vicinity of Shannon. Tax relief in the manufacturing sector which was introduced in 1980 applies until 31 December 2010 except in the case of activities in Shannon and the International Financial Centre in Dublin where the relief expires in 2005. Corporation tax is charged at 10% in these cases. A surcharge at the rate of 20% is levied on the undistributed investment or estate income of a close company (a company controlled by a small number of people).

The corporate tax period coincides with the accounting period of the company i.e. no basis period of assessment exists. However, where a company has an accounting period greater than twelve months, the first twelve months is deemed a period of assessment for tax purposes and a return must be made for this period. The remaining portion of this period is treated as a separate period of assessment.

Corporation tax is payable six months after the period end; otherwise penalties are imposed. When a company makes a distribution it is required to pay advance corporation tax (ACT) equal to the tax credit applicable to these dividends. ACT is also payable six months after the period end and may be offset against a company's overall tax liability.

#### *2.2.5.1.3. Capital gains tax*

The Irish capital gains tax was introduced in 1974 and implemented through the capital gains tax Act 1975. In 1978 it was amended by the capital gains tax (Amendment) Act 1978 which presented two significant changes. The first involved the introduction of an allowance which indexes base cost by reference to the level of Irish inflation during the period of ownership. This indexation was subsequently rendered obsolete by the introduction of a single capital gains tax rate. The second entailed the abolition of the CGT charge on death which was effective from 6 April 1978.

The current legislation of capital gains tax is as follows: capital gains tax Act 1975, as amended by the Corporation Tax Act 1976, and the capital gains tax (Amendment) Act 1978, and the Finance Act 1991.

As with income tax, both residents and non-residents are liable for capital gains tax. Residents who are domiciled in Ireland are liable to capital gains tax on chargeable gains wherever they are situated. Chargeable gains arising in Ireland and in the United Kingdom and proceeds of foreign chargeable gains remitted by an individual resident who is not domiciled in Ireland are also liable to capital gains tax. Non-residents are liable to tax on the full amount of certain gains arising in Ireland. Certain entities are either wholly or partially exempt. These include local authorities, certain other public bodies, charities and superannuation funds.

The Capital Gains Tax Act provides for the taxation of capital gains realised on the disposal of assets on or after 6 April 1974. Assets include all types of property, incorporeal property (options, debts etc.), and any currency other than Irish currency.

Disposal has a wide application which includes sales, gifts and part disposals but does not cover the passing of assets on death. From a terminological point of view it is interesting to note that neither *asset* nor *disposal* are defined in the current legislation.

There are several categories of exemptions. An individual's principal private residence is exempt. Tangible movable property with a predictable life of less than fifty years is not chargeable. Life assurance policies, Irish government securities, local authority and certain State-sponsored bodies are exempt as are lotteries and sweepstakes.

The first IR£1,000 of an individual's net gains in any year of assessment is not chargeable, IR£2,000 in the case of a married couple. For individuals, tax is charged for a year of assessment which ends on 5 April each year. The 1991 Finance Act extends self assessment, as applicable to income tax, to capital gains tax. However, unlike income tax, preliminary tax is payable on 1 November in the year following the year of assessment. In the case of companies, tax chargeable is converted into an equivalent amount of corporation tax profit and charged for the period in which the disposal occurs.

In the same way as disposal gives rise to a chargeable gain, it can also give rise to an allowable loss. Losses may be offset against capital gains tax realised in the same year or if unused may be carried forward. No provision exists for the carrying back of losses except in the case of death.

Two rates of capital gains tax apply. A standard rate of 40% is chargeable on most gains, with a reduced rate of 27% applicable to certain other categories.

#### 2.2.5.1.4. *Capital Acquisitions Tax*

The governing legislation is the Capital Acquisitions Tax Act 1976 and amendments thereto by subsequent Finance Acts. Capital acquisitions tax (CAT) is levied on the

recipient of gifts or inheritances. CAT replaced the former estate duties and as such has two distinguishing features. First, all gifts are also liable, albeit at a lower rate than inheritances (25% lower). Second, each heir is liable for CAT on their part of the inheritance, unlike the old estate duty which taxed the estate as a whole. The scope of the Act is to situate gifts and inheritances within certain tax classes and charge tax at progressively higher rates.

CAT is determined by the relationship between the donor and the recipient. A nil tax rate applies to amounts up to a certain threshold whereupon progressive amounts are introduced on the remainder of the gift or the estate. The following table applies:

**TABLE 6: Capital Acquisitions Tax Rates**

<b>Amount</b>	<b>Rate of Tax</b>
The threshold amount	0%
The next IR£10,000	20%
The next IR£30,000	30%
The balance	40%

Source: KPMG (1995)

The threshold amount depends on the relationship between the donor and the recipient. There are three categories of recipients with corresponding thresholds. See Table 7.

**TABLE 7 Capital Acquisitions Tax Thresholds**

<b>Category</b>	<b>Threshold</b>
Class A (spouse, child)	IR£IR178,200
Class B - brother, sister, aunt, uncle, nephew, niece	IR£IR23,760
Class C - others	IR£IR 11,800

Source: KPMG (1995)

Other exemptions also apply. IR£500 of the taxable value of gifts from any one donor in any one year is exempt. Property taken by charities is exempt. Generally non-residents are only liable to CAT in respect of their Irish assets.

Collection of CAT is conducted through mandatory self-assessment and there are severe penalties for non-compliance.



## 2.2.5.2. Indirect Taxation

### 2.2.5.2.1. Residential Property Tax

Residential property tax was first introduced in 1983. Since then, it was reformed in 1991 and the changes were implemented through the Finance Act 1992, when the qualifying market value and income exemption limits were reduced.

The tax takes the form of an annual tax levied on the excess value of residential property owned and occupied at 5 April (the valuation date). Three conditions apply for the individual to be liable for the tax. First, the individual must own and occupy the relevant residential property. Second, the total income of the individual added to the total income of all other persons living in that property must exceed a specified limit (IR£29,500 as of 1995 Finance Act). Finally, the market value of the residential property must exceed a specified limit (IR£94,000 as of 1995 Finance Act). The tax is applied at a rate of 1.5%. Collection occurs through mandatory self-assessment of tax by the taxpayer.

### 2.2.5.2.2. Value Added Tax

Value added tax (VAT) was first implemented in 1973 as part of the European Community tax harmonisation process. VAT replaced the existing sales tax, the turnover and wholesale tax. The current legislation is the Value Added Tax Act 1972 which was amended by the Value Added Tax (Amendment) Act 1978 and the Finance Act 1992.

VAT is described as an indirect tax on consumer expenditure that is charged on the value added at each stage of the production and distribution cycle. The tax is payable by taxable persons who supply goods or services within the country in the course of business. Persons who import goods are liable as are those persons who opt to be taxable e.g. farmers. Distance sales, e.g., telesales, may also be required to register for VAT in the member state to which the goods are sent.

All persons liable for VAT are obliged to register with the Inspector of Taxes. They will then be granted the status of a taxable person which normally comes into effect at the beginning of the next taxable period following registration.

The following goods and services are exempt from VAT: stocks and shares, national broadcasting service, passenger transport, funeral undertakings, education, medical services, insurance and banking, admission to sporting events, lotteries and betting.

Collection of VAT occurs through self-assessment on a two monthly basis. A series of rates applies. Unusually, in Ireland a zero rate of VAT is implemented widely. However this is likely to change as part of the continued push for harmonisation within the European Union.

#### *2.2.5.2.3. Stamp Duties*

The current legislation is the Stamp Act 1891 and subsequent amendments included in Finance Acts. The fundamental principle of stamp duties is that they are a duty on instruments or documents rather than on transactions or persons. Stamp duties are often perceived as "voluntary" taxes in that no duty arises unless there is an undertaking to execute an instrument, e.g. there is no stamp duty on verbal agreements. However, many transactions, by their very nature, necessitate a written document and therefore become liable for stamp duty e.g., in order to transfer shares a stock transfer form must be executed. Stamp duty may be charged at a nominal rate or as an ad valorem charge i.e. as a percentage of the value of the transaction.

Stamp duties may be classed in the following ways. See Table 8.

**TABLE 8 Stamp Duties**

Type of Duty	Payable on
Stamp Duty	Life insurance policies Interest payments received Capital companies Credit cards
Conveyance duty	Instruments of conveyance Transfer of property
Lease duty	Instruments governing purchase of property by lease
Transfer Duty	Transfer of stocks or shares
Fixed Stamp Duty	Deeds of Contracts Cheques, bills of exchange and promissory notes
Security Duty	Instruments securing payment or repayment of money (bonds, mortgage charges etc.)

Source: Commission of the European Communities:1993

In addition to these categories, duties are levied on insurance companies, in respect of their premiums and on banks holding licences within the state, in respect of deposits held.

#### *2.2.5.2.4. Excise Duties*

One of the outstanding characteristics of the Irish taxation system is the amount of revenue generated by excise duties. Ireland, along with Denmark, levies a large number of excise duties compared to other member states. One of the key areas in European Union tax harmonisation has been indirect taxation and, in particular the elimination of excise duties. In keeping with this policy, Ireland has reduced the number of excises enforced with the abolition of excise duties on the following goods: Excise duty on matches, mechanical lighters, gramophone records, tyres and tubes, and motor-vehicle parts and accessories. Unlike the other main indirect tax, VAT, excise duties charge fixed amounts while VAT is charged as a percentage of total value. This means that excise duties must be constantly updated or else their real value decreases. Traditionally, excise duties were principally levied on oil products, alcoholic beverages and tobacco, although they have also been extended to cover electrical appliances and licences. Table 2.6 lists the excise duties currently levied in Ireland.

**TABLE 9 Excise Duties**

<b>TABLE 9 Excise Duties</b>
Excise duty on hydrocarbons
Excise duty on ethyl alcohol
Excise duty on tobacco products
Excise duty on wine
Excise duty on beer
Excise duty on cider
Excise duty on table waters
Excise duty on video players
Excise duty on televisions
Betting duty
Excise duty on certain licences, orders and authorisations
Excise duty on foreign travel
Excise duty on motor cycles

Source: Commission of the European Communities 1993

## **2.3. Comparison of Irish and Spanish Taxation Systems**

### **2.3.1. Introduction**

This section presents a comparison of the Irish and Spanish taxation systems based on the structures outlined in the previous two sections. First, external factors are examined i.e. those influences not directly related to taxation e.g. socio-economic factors.

Second, the current taxation systems are compared from various perspectives including beneficiaries of taxes, liable persons or entities and emphasis placed on specific types of taxation.

It is clear that there are significant similarities and differences between the two systems. Each has experienced a radically different socio-economic history. The economies themselves concentrate on different areas of industry and trade; therefore, each has separate requirements and demands to make on its taxation system. In the comparison of taxation systems, difficulties arise at the outset, even before the language barrier is taken into account, because of disparities in terminology and practice (Encyclopaedia Britannica 1978).

It must be remembered that the overall context for the comparison of the two taxation systems is that of economic integration, in this case the European Union. Taxation systems vary both in their structure and in the emphasis they place on particular taxes e.g. the emphasis placed on excise duties in the Irish taxation system. Economic integration was one of the fundamental aims of the European Union. In tax terms this implies the elimination of all tax discriminations and distortions. This process has given rise to studies comparing taxation systems in member states, with the consequent need to discuss the tenets of one system in the language of another. This in turn has meant that terminology has had to be developed to cope with certain

concepts of one system that had not previously existed within one language when discussing the concepts of another.

### **2.3.2. External Factors**

Spain's status as a world power had declined considerably by the 19th Century. Ireland in the 19th Century on the other hand, was a typical colony, overshadowed by her powerful neighbour, Britain, a legacy which continues, to a lesser extent, to the present day.

As previously stated, no formalised taxation system existed anywhere in the world until the middle of the 19th Century. During this period two trends in taxation emerged, the Anglo-Saxon and the Latin taxation systems. The former was characterised by the predominance of income tax while the latter concentrated on indirect taxation, i.e. the taxation of goods and processes rather than individuals. The Spanish taxation system has its roots in the Latin taxation system, a system which also operated in France, Italy and many countries in Central and South America. The Irish taxation system belongs to the Anglo-Saxon category, as it is a direct descendent of the British taxation system.

Although Spain and Ireland experienced vastly different histories, several similarities do arise. By the middle of the twentieth Century both economies had undergone fundamental changes. In post Civil War Spain a shift in emphasis occurred from agriculture to industry which was characterised by mass migration to urban centres to the detriment of rural society. This could be compared to the similar shift that occurred in Irish society after the Famine. However, while migration was commonplace in Spain, emigration was confined particularly to the north-west and did not take place either on the same scale as it did in Ireland or over such a sustained period of time.

During the Franco dictatorship, Spanish economic policy was geared towards autarchy. High tariffs on imported goods and protectionist measures were prevalent. Spain was also isolated from the rest of Europe on account of Franco's dictatorship. For example in the years after the Second World War Spain was excluded from the Marshall Aid plan. Moreover, certain countries, including the USA, implemented sanctions against Spain. While Ireland was not the object of international sanctions, a similar situation prevailed in Ireland in the 1930s where the emphasis was placed on self sufficiency through indigenous industry which necessitated the implementation of similar protectionist measures.

Under Franco, the Spanish taxation system underwent little fundamental change. Similarly, although Ireland gained her independence in 1922, little was done to reform the British taxation system which had been adopted in its entirety. Economically, Ireland was heavily dependent on the United Kingdom.

Large-scale reform began in Spain in the 1970s under the influence of the technocrats (the powerful business class emerging in Spain). Since the early 1960s there had been increasing pressure to open the Spanish economy. In order to achieve this aim, fundamental changes were essential across the spectrum, not least in the area of taxation. Moreover, an interest in EEC membership was expressed. Spain had been refused membership on two occasions, despite economic reform, on the grounds of the totalitarian regime. However following the demise of Franco in 1975 it became clear that EEC membership was a definite possibility. Ireland was also pressing for EEC membership and had already been refused entry along with the United Kingdom in the sixties. However by the early 1970s, it was evident that enlargement would take place and Ireland's entry was almost certain. The prospect of EEC membership necessitated specific changes to each taxation system.



### **2.3.3. Reform of the Taxation Systems**

In Spain, taxation reform took place through a well structured programme. Firstly through the emergency taxation legislation in 1977 (MURF) introduced widespread reform. The main characteristics of this reform were: measures aimed at combatting tax fraud and evasion and measures designed to encourage a more honest relationship between taxpayer and the tax authorities. A tax amnesty was granted and bank secrecy was abolished. The Moncloa Pacts were a further milestone in tax reform as they saw the formal introduction of new taxes, e.g., wealth tax (impuesto sobre el patrimonio), and the reform of several existing taxes, e.g., personal income tax (IRPF). This reform was in keeping with the objective of modifying the Spanish taxation system to render it compatible with what is generally termed a European taxation system.

Coincidentally, reform also took place in the Irish taxation system in the mid-1970s. The personal income tax code was reformed and corporation tax was modified to incorporate the imputation system. In 1972 Value Added Tax was introduced in Ireland in preparation for her entry into the EEC. However, this reform was not comparable to the widespread reform that occurred in the Spanish taxation system at the same time.

### **2.3.4. Current Taxation Systems**

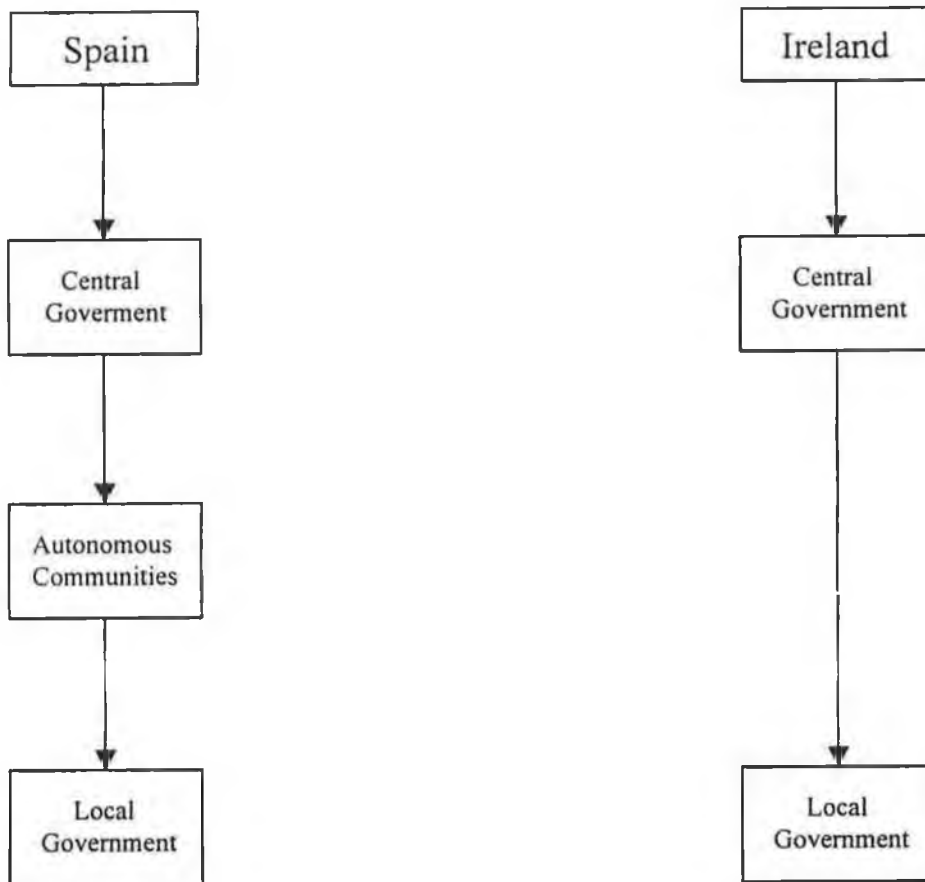
Taxes in Spain are levied at three levels: central government, the Autonomous Communities and local government. The Spanish Constitution governs all taxation legislation and refers to any additional legislation. All taxes pertaining to the central government are listed in either the Spanish Constitution or in the general taxation legislation (LGT). Taxes levied by the Autonomous Communities are governed by

their own legislation (LOFCA). They either levy their own taxes or share in the proceeds of taxes levied by the central government. Special agreements exist between the state and certain Autonomous Communities e.g. the Basque Country. The local government taxation system was completely revised in 1988. Local government bodies have no legislative power with regard to taxation. Local government revenue from taxation consists of local charges, surcharges on autonomous community taxes and mandatory or optional establishment taxes. Similarly, special regimes are in operation in certain Autonomous Communities.

In Ireland, taxes are levied by the central government. With the exception of local charges, the central government is the beneficiary of all taxation revenue collected in Ireland. No structure comparable to the Autonomous Communities exists.

Diagram 2.

## Tax Authorities



IRPF may be deemed an approximate equivalent of Irish income tax. In both cases the central government is the beneficiary, (although special conditions apply to the Basque Country and Navarre). Broadly speaking both are schedular taxes on income. Both assess residents on their worldwide income and non-residents on their Spanish or Irish source income. In Ireland, couples may opt for joint assessment while in Spain households may be assessed as a single unit. Also both systems deduct income tax at source. In Spain the withheld amount is later set off against overall tax liability; in Ireland, taxpayers have income tax withheld under the PAYE scheme. Social security payments are also deducted at source in both instances. Spanish employers pay one of the highest rates of social security payments in the European Union (Actualidad Económica No 1838). In both countries a system of deductions and allowances applies. These are complex and have already been discussed separately. Although not identical they apply to a great extent to the same types of institutions. However, IRPF also taxes capital gains which is taxed separately in Ireland under capital gains tax. In Spain, the distinction is made between capital gains and other such gains which would be payable under the gifts and inheritances tax. On account of this, IRPF is levied both *in personam*, i.e. on the individual, and also *in rem* i.e. on an establishment or object. In both Ireland and Spain annual tax returns are compulsory. Taxpayers are obliged to make an annual return which is verified by the local inspector of taxes or tax district. However, as outlined above, a certain category of taxpayer is not subject to self assessment (Schedule E). Both taxes are progressive although the Spanish tax is substantially more complicated, as seventeen different bands apply compared to the two bands that apply in Ireland. A special feature of Irish income tax is the tax charged on deposit accounts, DIRT (Deposit Interest Retention Tax). DIRT has no Spanish equivalent.

Corporation tax is the closest equivalent to impuesto sobre sociedades. However, one major distinction does exist. Impuesto sobre sociedades charges not only company profits but also changes in assets. Irish corporation tax charges company profits exclusively while capital gains tax covers gains arising from the disposal of assets.

Both systems charge standard rates of corporation tax: 35% in the case of Spain, and 40% in the case of Ireland. Reduced rates apply in Spain on a sliding scale for certain types of organisation e.g. non-profit making organisations. In Ireland, similar organisations are exempt from corporation tax. In Spain companies are required to make advance payments of corporation tax and the corporate tax year coincides with the calendar year. In contrast Irish resident companies are not obliged to make advance payments of corporation tax (payments prior to period end). In Ireland, special conditions apply to the manufacturing sector and to industry established in designated areas. Companies in these categories pay a reduced rate of corporation tax; which applies until 2005 and in some cases until 2010.

Spanish wealth tax (*impuesto sobre el patrimonio*) has no equivalent in the Irish taxation system. Although the accumulated income of the occupants is a factor in assessing liability in the case of Irish residential property tax, it cannot be designated wealth tax.

Irish capital acquisitions tax and Spanish tax on gifts and inheritances are almost exactly equivalent. The amount of tax paid in each case is dependent on the relationship between the donor and the donee. However, in Spain, the wealth of the receiver prior to the gift or inheritance is taken into account. Also sixteen different brackets operate within the Spanish system while four apply to its Irish counterpart.

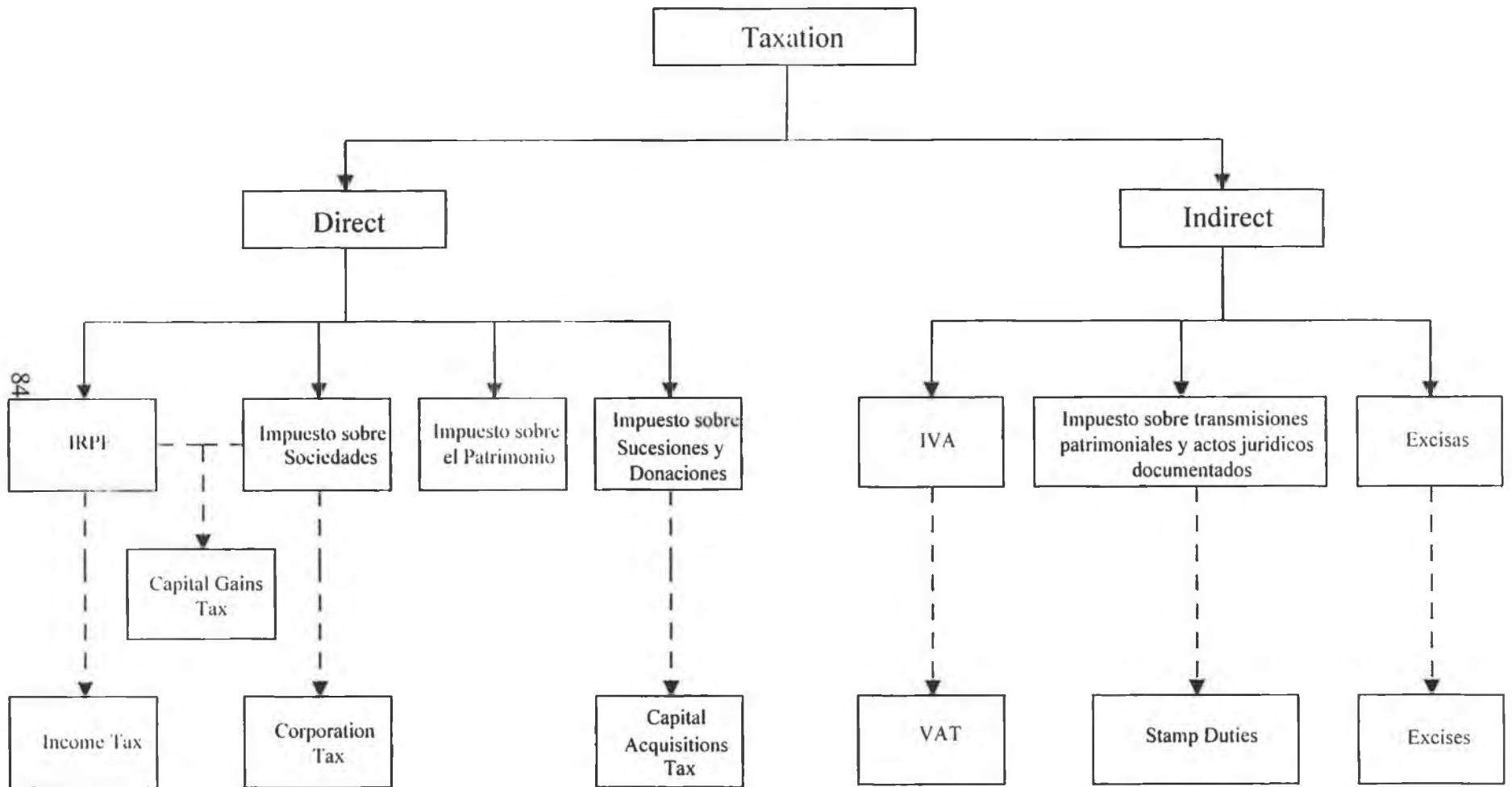
IVA and VAT were introduced into both taxation systems as a precursor to each country's entry into the EEC. This occurred in Spain in 1985 and in Ireland at the earlier date of 1972. Given the nature of the tax one would expect a high degree of equivalence between the two taxes. This is true to a certain extent. The basis of assessment is identical and the tax is charged in the same way. Liable parties are obliged to make their returns on a monthly basis in Spain but on a two monthly basis in Ireland. One would even expect the rates to be different with a gradual harmonisation process occurring over a sustained period of time. However, the most outstanding discrepancy is the liberal use of the zero rate in Ireland. A reduced rate

operates in Spain for a series of goods which are deemed basic necessities, e.g., food, books, medicines. In the event that the EU demands further harmonisation of VAT rates, it will mean the introduction of VAT to a wide range of goods that are currently zero rated.

The Spanish tax on capital transfers and documented legal acts was first introduced in 1980 while the Irish stamp duties originate in the 1891 Stamp Duty Act. Broadly speaking both taxes apply to the same assessment base i.e. they both act as a tax on instruments and documents as opposed to individuals. However, it would appear that Spanish legislation is more vague on the specific categories of capital transfer, corporate transactions and documented legal acts. The Irish stamp duties clearly delimit 11 different categories of stamp duty with specific provisions applicable in each case. In the case of Ireland, stamp duty is also charged on credit cards and on banks or similar institutions holding licences within the state, in respect of deposits held.

Excise duties in Spain are principally levied by the central government, although special conditions apply in the case of Navarre. As in the case of Ireland excises tend to be charged on alcoholic beverages, spirits, beer, hydrocarbons and tobacco. However, Ireland relies much more heavily on excise duties for revenue than Spain. Since accession to the EEC, Ireland has greatly reduced the number of excise duties she levies, although this number will need to be reduced further as the tax harmonisation process progresses. A diagrammatical representation of the Spanish and Irish Taxation Systems may be found in Diagram 3 below.

## Spanish and Irish Taxation Concept Systems



### **3. Terminological issues within the context of taxation literature**

#### ***3.1. Introduction***

This section presents a discussion of the translation difficulties posed by taxation terminology. The terminological issues are examined as they arise within several different taxation text types. They are grouped under six headings: general taxation terms, culture specific taxation references, individual taxes, loan terms, basic taxation links and acronyms. Each is examined separately.



### **3.2. Text Types**

Three main divisions of text types are included here. The first type consists of articles from the general press, in this case El País, which discuss aspects of taxation of interest to the general public. Structurally, these articles tend to be short in length, of a concise style, with no complicated constructions. The second text type is a feature article, in this case extracts from two current affairs publications, Cambio 16 and Actualidad Económica. While the latter could be described as an economic review, it is not of a specialised nature and therefore can be included in the second category. The language of these articles is similar to that of the first category, although from a structural point of view they are different in that in Cambio 16 the feature is made up of a series of articles, an interview and statistical information. Similarly the Actualidad Económica article contains extensive statistics. The final text type consists of extracts from specialised journals. The majority of the remaining articles are lengthy and deal with the interpretation and implications of new legislation both on a Spanish national level and a European Union level. Structurally the texts consist of multi-clausal sentences. The language used tends to be legal and complicated, causing problems not only for the translator but also the native reader. However, the target audience of these texts would consist mainly of subject specialists while the extracts from the other two categories would also be accessible to non-subject specialists.

All three text types have one common trait, i.e. they all contain specialised terminology, although the degree of specialisation of terminology varies from text to text. These terminological issues must be dealt with if an adequate translation is to be provided. Discussion has already taken place on the necessity for such translation (cf Chapter 1). Although the present discussion is focussed on terminological issues, the text type, and by implication, the target audience of the translation, are key factors in the process of making decisions about possible equivalences in English.

For the purposes of this discussion the selected terms have been divided into six categories: general taxation terms, culture-specific terms, individual taxes, loan terms,

basic taxation links and acronyms. Each category will be dealt with separately. Several terms have been selected from each category and discussed with a view to their possible translation into English.

### 3.3. Terminological Issues

#### 3.3.1. General Taxation terms

Example 1: base imponible

This term occurs throughout all text types. The following are examples of the term embedded in text.

- (1) " A la espera de que después de progresar durante ese período de cuatro años de forma importante en la armonización de tipos impositivos y de **bases imponibles** pueda desde primer de enero de 1997, aplicarse el régimen definitivo con base al criterio de aplicar el IVA en origen."

Pedros, Alejandro 1993: 36

- (2) " También hay veces en que se puede contar con un crédito fiscal de Hacienda que se consigue por haber sufrido pérdidas - **bases imponibles negativas** en un ejercicio , se pueden compensar con **bases imponibles positivas futuras** - o aplicando determinadas deducciones sobre la cuota"

Guerra and Bendala 1993: 49

- (3) " ...las que se practican en el Impuesto sobre Sociedades de las donantes se limitan al 10 por 100 de la **base imponible** en abierta discriminación con el régimen de las Cajas de Ahorro

Campo Arbulo, José María del 1992: 79

- (4) " El contexto, junto al cierre de ejercicio, dirige la vista hacia fórmulas con ventajas fiscales que pagan la falta de liquidez deducen hasta 750.000 pesetas en la **base imponible.**"

El País (Negocios)11/12/94: 19

- (5) " En el caso de los planes de pensiones individuales, que suscribe un particular o persona física con un banco, caja de ahorros, compañía aseguradora o cualquier otra entidad financiera o inscrita en el Ministerio de Economía y Hacienda, las aportaciones deducen en la **base del impuesto de la renta de las personas físicas** (IRPF) de todas aquellas personas con rendimientos de trabajo, empresariales, profesionales o artísticos."

El País (Negocios) 04/12/94: 4

- (6) " El resultado alcanzado fue la Sexta Directiva IVA 77/358/CEE de 17 de mayo de 1977, sistema común de Impuesto sobre el Valor Añadido: **base imponible uniforme.**"

García Novoa 1994: 13

The relevant available English language documentation would suggest that possible equivalents may be "tax basis" (Andersen 1987), "basis of assessment" (Commission of the European Communities 1993, Consumers Association 1994) or "tax base" (Burgess and Stern 1993, Institute for Fiscal Studies 1989, OECD 1993). The following examples illustrate these terms as found within the English language texts.

- (7) " The **tax basis** of capital assets will be adjusted for inflation where the holding period exceeds one year."

Andersen 1987: 66

(8) " **Basis of Assessment:**

All profits, with the exception of dividends and other distributions received from other resident companies."

Commission of the European Communities 1993: 421

- (9) " Her tax bill for 1992-1993 will be based on profits from when she started trading until 5 April 1993. This is known as an "actual" **basis of assessment**: your bill is based on profits made in the tax year, not in the year to when your accounts were drawn up."

Consumers Association 1994: 41

- (10) " Imports constitute a significant **tax base** for various types of taxes."

Burgess and Stern 1993: 775

- (11) " How can you compare the burden of taxation in different countries? It is clearly insufficient to merely look at the "headline" tax rate - 35% in the UK, 56% in West Germany etc. This is because the **tax base** and tax treatment of dividends are very different in each country."

Institute for Fiscal Studies 1989: 37

- (12) " A wide **tax base** promotes equity and minimises tax induced distortions."

OECD 1993: 17

- (13) " A main issue in many OECD countries is the question of how should the **tax base** be corrected for inflation."

OECD 1993: 50

Picht and Draskau 1985, however, while accepting that similarity of terms may often indicate identity of concept, state that this is not always reliable. Instead, they advocate

the definition as the only reliable guideline for equivalence. In this case the definition is provided by a Spanish language text:

"...es posible definir la **base imponible** como la cuantificación y valoración del hecho imponible, conforme a las normas, medios y métodos que la Ley propia de cada tributo establezca para su determinación, dentro de los regímenes de estimación aplicables."

Albi Ibáñez y García Ariznavarreta, 1992: 19

In this instance it is clear that any of the English possibilities is correct. "Tax basis" and "basis of assessment" are interchangeable in English. However, Spanish definitions are not always readily available, especially in an area like taxation. Legislative documents are often quite vague in order to allow multiple interpretations. This complicates the procedure for terminologists and translators.

Example 2: sujeto pasivo  
contribuyente

- (14) " La previsión contenida en el artículo 98 de la Ley por la que el derecho de deducir el IVA en las operaciones intracomunitarias de bienes nace en el momento en el que el **sujeto pasivo** efectúe el pago de cuotas deducibles,..."

Pedrós, Alejandro 1993: 38

- (15) " El nuevo marco de libre circulación de capitales regulado por el mencionado Real Decreto 1816/91, ha forzado la reforma del procedimiento de declaración e ingreso de los impuestos correspondientes a los **sujetos pasivos** no residentes."

Eguinoa, Maria 1992: 75

- (16) " Las fundaciones, como personas jurídicas con capacidad de obrar son **sujeto pasivo** de este impuesto,..."

Campo Arbulo, José Antonio 1992: 83

- (17) " Con respecto a las compras de instituciones no consideradas **sujetos pasivos** y **sujetos pasivos** exentos se sugería que las compras hechas en otro Estado miembro debían representar, en el país de establecimiento del agente económico, un acto de autoadquisición, imponible según las condiciones vigentes en el lugar de entrega."

Terra, B 1994: 96

- (18) " Facilita el cumplimiento de los deberes fiscales tanto del **sujeto pasivo** como del **contribuyente**, al haber sustituido a una variedad de impuestos anteriores."

Escribiano Martínez, Alfredo 1993: 14

- (19) " - la posición jurídica del **contribuyente** comunitario depende de la puntual transposición, por parte de cada Estado interno"

García Novoa, César 1994: 36

- (20) " Sin embargo, sabido es que en los últimos tiempos, hemos asistido a lo que se ha dado en llamar un nuevo modelo de relaciones con el Fisco, que Martín Delgado resume en "una intervención activa del **contribuyente** en la gestión"..."

García Novoa, César 1994: 36

- (21) " ...implantando un nuevo procedimiento recaudatorio, buscando un censo actualizado de **contribuyentes**."

Abril Abadín, Eduardo 1994: 46

Both **sujeto pasivo** and **contribuyente** refer to individuals and companies who are liable for taxation. These terms are taken together because in Spanish they form their own mini concept system. "Sujeto pasivo" may be deemed to be the broader term of

"contribuyente". While both refer to people and companies who are obliged to pay tax, "contribuyente" appears to denote an action. The taxpayer is actively engaged in the payment of his/her tax. "Sujeto pasivo", on the other hand, covers a broader spectrum and is of a more passive nature. The "sujeto pasivo" is taxed as opposed to participating in the action of tax payment.

"Sujeto pasivo" and "contribuyente" occur in all text types.

In the majority of the above examples, i.e. (14), (15), (19), (20) and (21), "taxpayer" is a viable English equivalent for both "sujeto pasivo" and "contribuyente". However (16) proves to be problematic in this respect. In English, companies may not be referred to as "taxpayers". Similarly, as in this example, foundations or trusts may not be labelled "taxpayers".

(16e) " Foundations, as legal persons with a capacity to act, are liable to this tax..."

(17e) " With regard to purchases by institutions who are deemed either not liable or exempt, it is suggested that purchases made in another member state should represent in the country of establishment of the economic agent an act of auto-acquisition, taxable according to the governing conditions at the point of delivery."

In the case of (16) "taxpayer" would not collocate with "trust funds" or "companies" in English. Similarly, in the case of (17) "taxpayer" is unsuitable. In this instance it is more fitting to omit the Spanish term altogether and opt for "liable" and "exempt". This is because the English term "taxpayer", although an equivalent for "contribuyente" does not encompass the concept denoted by "sujeto pasivo". A further problem arises when both terms appear in the same sentence, e.g. (19).

(19e) "It facilitates the fulfilment of the fiscal obligations on the part of both the taxpayer and the other liable bodies or companies."

In English there is no direct equivalent, so the term is replaced by an explanation of its underlying concept. Baker 1992 argues that it is almost impossible to provide strict rules for dealing with the different types of non-equivalence. She suggests that different



solutions be arrived at to coincide with non-equivalence as it occurs in different contexts. Following the line suggested by her, therefore, one could choose "taxpayer" for "sujeto pasivo" in a general context while opting for the more formal "taxable entity" in the context of a legal document or a document with legal implications.

Sometimes, a case may be argued for the retention of the term in Spanish and a subsequent explanation in English. While this solution may be appropriate in the case of specific taxes this is not the case in this instance. This type of general taxation term is usually deemed to be known by the reader. Frequent use of brackets and interruption of the text causes confusion and disrupts the fluency of the text.

Example 3:    persona física  
                  persona jurídica

Both terms occur frequently throughout all text types and represent one of the fundamental concepts of the Spanish taxation system. Consequently, instead of having simple English equivalents, they are at the root of some of the most serious terminological problems and frequently present difficulties for the translator.

(22) "El artículo 13 declara sujetas las adquisiciones intracomunitarias de bienes efectuadas a título oneroso por empresarios o profesionales o por **personas jurídicas** que no actúen como tales."

Pedrós, Alejandro 1993: 36

(23) "Cuando se habla de personas entendemos tanto **personas físicas** como **jurídicas**."

(24) "Persona: se emplea en referencia tanto a las **personas físicas** como a las **jurídicas**"

- (25) "A diferencia de la tributación sobre las **personas físicas**, donde ya hemos comentado que prácticamente no ha existido armonización alguna, en el área de la tributación de los beneficios empresariales sí existen importantes procesos de armonización..."

Velasco Plaza, Joaquín 1994: 67

- (26) "Si tenemos en cuenta que en la gran mayoría de los países las **personas físicas** tributan sobre sus ingresos mundiales y la ya mencionada dificultad que dichas personas tienen para cambiar su residencia fiscal podríamos llegar a la siguiente conclusión..."

Velasco Plaza, Joaquín 1994: 73

Both "physical person" and "legal person" are unsuitable equivalents in English, as neither exist as terms in English. Based on consultation of the relevant available English language documentation "individual" and "company" seem to be suitable English equivalents, as the following contextual fragments will illustrate:

- (27) "An **individual** who is resident only in the Republic of Ireland may obtain exemption from tax on income arising from any work of art produced by him and recognised as having cultural or artistic merit."

Andersen 1987: 67

- (28) "Both resident and non-resident **individuals** and trusts are subject to income tax."

International Bureau for Fiscal Documentataion 1991: 37

- (29) "**Companies** may deduct from their profits the amount by which their assets depreciate."

Devereux and Pearson 1989: 40

- (30) "All resident **companies** pay corporation tax on their profits (income plus chargeable gains but excluding distributions received from other resident companies) wherever arising."

Andersen 1987: 66

In this case parallel texts indicate that "individual" and "company" are functional equivalents for "persona física" and "persona jurídica". However, an interesting phenomenon occurs in European Union documentation and double taxation treaties. The terms "person" and "legal person" appear.

- (31) "Tax payable by:

All persons (whether **individuals, legal persons**, members of partnerships, bodies corporate or not corporate) resident in Ireland but deriving income from Irish sources."

Commission of the European Communities 1993: 417

The OECD Model Tax Convention on Income and Capital sets out definitions at the beginning of each treaty.

- (32) "a) the term "person" includes an individual, a company and any other body of persons;  
b) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;"

OECD Model Tax Convention on Income and Capital 1993: 22

This issue is further highlighted in the Irish-Spanish Double Taxation Treaty (1994) where an identical definition applies to the terms "person" and "company". In the case of a double taxation agreement, the exact definition of terms is crucial to the interpretation of the document which is legally binding in both Contracting States. In the case of double taxation treaties, the issue is successfully dealt with by specifically defining these and other terms in both languages at the outset.

This type of issue is prevalent in the compilation of terminological glossaries. As Schulz (1980) states, a problem is often created by the fact that similar concepts are often defined differently in different languages. He furthers this argument by stating that in multilingual terminology the following methodology applies. First, a term is selected in a given language; second, the underlying concept is ascertained; and third, an equivalent, denoting the same concept, is then sought in the target language. However, as occurs so often, the target language equivalent does not express the same underlying concept and consequently cannot be deemed a terminological equivalent. In the majority of the contextual fragments listed above, "individual" and "company" are possible and indeed viable English equivalents, e.g. (22e), (26e).

(22e) "Article 13 states that the intracommunity acquisition of goods is chargeable to businessmen, professionals or **companies** that do not operate as such."

(26e) "If we take into account the fact that in the vast majority of countries **individuals** pay tax on their worldwide income..."

(23e) and (24e) constitute special cases. This may be attributed to the fact that they are extracted from an article on double taxation and therefore utilise the terminology associated with this area. In translation, a similar style and terminology must be retained, justifying the choice of "legal persons", a term only found in European Union English language documentation (Commission of the European Communities 1993).

(23e) " By "person" is understood **individuals** as well as **legal persons**."

(24e) " Person: In reference to **individuals** and **legal persons**."

We may conclude that while "individual" and "company" constitute possible equivalents for "persona física" and "persona jurídica", there are instances where further explanation is

required, e.g. in the case of double taxation treaties or other documentation which has legal implications where terms such as “legal” person are introduced.

### 3.3.2. Culture-Specific Terms

This category includes terms that are specific not only to the Spanish taxation system but also to the Spanish economy as a whole. It is no surprise, therefore, to find many terms referring to institutions or government departments. Once again their translation is context-dependent and their terminological classification requires qualification. Selection of suitable equivalents for culturally-specific terms is made more difficult when the source language concept does not exist in the target language. In order to overcome this obstacle to translation it may be necessary to explain the concept in terms that the target language reader can relate to.

" Languages understandably tend to make only those distinctions in meaning which are relevant to their particular environment, be it physical, historical, political, religious, cultural, economic, legal, technological, social or otherwise."

Baker 1992: 18

Example 1: Zona Especial Canaria (ZEC)

(33) "Junto a una serie de cambios en los atributos propios de las islas y en la imposición directa e indirecta, se establece una denominada **Zona Especial Canaria**(en adelante **ZEC**).

El País (Negocios):13/11/94: 28

This term appears in an El País general article on the Canary Islands as a tax haven. The "Zona Especial Canaria" refers to a designated area of Spain, the Canary Islands, where special tax measures apply which differ from the Spanish norm. While the term is specific to a region of Spain it may require translation in an international context especially given the ongoing tax harmonisation process within the European Union.

Several translation possibilities exist. The term may be included in Spanish, accompanied by a translation or explanation in English e.g. (33e).

(33e) "The establishment of a **Zona Especial Canaria** ("**Canary Islands Tax Area**") takes place in conjunction with a series of changes in the islands' specific attributes and changes in direct and indirect taxation."

The acronym may be retained with an English explanation omitting the original term. The advantage of this particular solution is that if the term recurs (as it does in this text) it is not necessary to repeat the explanation as the acronym suffices e.g. (33f)

(33f) "The establishment of a "**Canary Islands Tax Area**" (ZEC) takes place in conjunction with..."

Finally, the English explanation may appear with no Spanish whatsoever e.g. (33g)

(33g) "The establishment of a "**Canary Islands Tax Area**" takes place in conjunction with..."

Example 2: **Número de Identificación Fiscal (NIF)**

The "número de identificación fiscal" is a number which is allocated to businesses for tax purposes.

(34) "Se implanta un **número de identificación fiscal** que los operadores comunitarios deberán comunicarse a efectos del Impuesto para el control en estas operaciones intracomunitarias;"

Pedrós, Alejandro 1993: 22

Similar criteria apply to this term. However, this term appeared in an article interpreting Spanish legislation. While possible equivalents in English include "VAT number" and in the case of Ireland "PRSI number", a more neutral "Tax identification number" is

preferable as the other two suggestions limit the number to specific taxes. The "número de identificación fiscal" has a wider extension in Spanish being used in both cases.

Example 3: el Fisco

(35) "Sin embargo, sabido es que en los últimos tiempos, hemos asistido a lo que se ha dado en llamar un nuevo modelo de relaciones con el **Fisco** que Martin Delgado resume en "una intervención activa del contribuyente en la gestión" y que tiene su manifestación en la existencia de relaciones entre particulares, cuya obligatoriedad y fundamento procede de las normas tributarias."

García Novoa, César 1994: 36

(36) "...- es preciso situar la fundación frente al **fisco** en un régimen, si no de no sujeción a los tributos sí al menos en un régimen de exención subjetiva."

Eguinoa, María 1992: 80

Interestingly, this term was found in a specialised publication (Dirección y Progreso). "El Fisco" is normally an informal term in Spanish used to refer to "Hacienda", "the taxman" being the closest English language equivalent. Given the context, it is an unusual use of the term. Perhaps the writer wished to emphasise a certain point with her less than formal reference to the tax authorities. As this term was found in specialised texts it is worthwhile including it in terminological documentation accompanied by a note explaining its informal status (cf Appendix ).



### **3.3.3. Individual taxes**

It is clear that there are significant similarities and differences between the two taxation systems as was suggested in Chapter 2. Each has experienced different socio-economic histories. The economies themselves place emphasis on different areas of industry and trade. Therefore each has separate requirements and demands to make on its taxation system. Moreover, different governments place different emphases on the types of taxes they levy. For example while wine is subject to an extremely low tax in Spain, it is heavily taxed in Ireland. Difficulties arise at the outset, even before the language barrier is taken into account because of disparities in terminology and practice.

The main point of convergence between the two systems is the European Union. Both countries are affected by European Union legislation and both have made changes to their taxation systems as a result. However, the types of reform undertaken in each country vary. The Spanish taxation system has been subject to profound changes, including the introduction of many new significant taxes over the last twenty years. The Irish taxation system, on the other hand, has undergone merely superficial changes while the overall structure has remained the same. The Autonomous Communities' powers of taxation are another differentiating characteristic as no comparable structure exists in Ireland. On the level of local government, structures are not equivalent. The legislation attached to individual taxes is complicated. For example, twelve separate pieces of legislation apply to the "impuesto sobre sociedades" (corporation tax) in Spain, whereas only three apply to the similar "corporation tax" in Ireland.

Once an investigation of the individual taxes imposed in both countries is undertaken, the differences in terminology and practice become obvious. In some cases, a similar tax exists in both countries but there is no one-to-one equivalence as, for example in the case of: "impuesto sobre sucesiones y donaciones" and "capital acquisitions tax". Similarly, there are instances where no equivalent tax exists whatsoever ("impuesto sobre el patrimonio"). All the taxes listed below occurred in all three text types. The individual

taxes represent a significant terminological problem and one that must be addressed adequately if an accurate translation is to be achieved.

Example 1: IRPF - Impuesto sobre la renta de las personas físicas.

IRPF is one of the largest sources of tax income for the Spanish government. It is roughly equivalent to income tax and is deducted at source for all employees (cf Chapter 2).

(37) "Como conclusión de estos cuadros podríamos decir que existe un amplio abanico de tipos marginales de gravamen tanto en el IRPF)(de 65 por 100 a 40 por 100) como en las contribuciones a la Seguridad Social (de 53 por 100 a 5 por 100) y que España en ambos casos está más bien en la zona de tipos altos"

Velasco Plaza, Joaquín 1994: 65

(38) "Es importante tener en cuenta que las declaraciones hay que presentarlas aunque las rentas que se someten a tributación estén exentas del **Impuesto sobre la Renta de las Personas Físicas...**"

Eguinoa, María 1992: 76

In Spain IRPF is governed by 1991 legislation (Law No. 18 of 16 June 1991, Royal Decree No 1841 of 30 December 1991). The tax is levied by the central government and certain Autonomous Communities. All persons are liable for IRPF on all income plus all changes in assets. Income tax is charged at progressive rates and 17 different bands apply between 20% and 53%. While certain deductions are made at source taxpayers must make an annual declaration in May/June. Payment may be made in two instalments of 60% and 40% respectively. It should be noted that taxpayers are assessed separately for "IRPF" and "impuesto sobre sociedades" (corporation tax).

In Ireland, income tax is governed by the 1967 Income Tax Act, the 1967 Finance Act and subsequent Finance Acts. The central government is the beneficiary of income tax. Total

net income is liable for income tax and it is divided into four categories or schedules. All persons are liable for income tax. In the case of corporate bodies, any income not chargeable to corporation tax is chargeable to income tax. Tax is deducted at source by PAYE on wages or salaries on a current year basis. Any additional income is taxed on a preceding year basis. The taxpayer is not obliged to make individual returns. The tax year ends on 5 April.

While in Spain changes in assets are chargeable to "IRPF" (income tax), they would be chargeable to capital gains tax (CGT) in Ireland.

In an informal context "income tax" or "personal income tax " are functional equivalents for this term even though it is clear that they are not directly equivalent e.g. (38i) and (38ii)

(38i) "Personal income tax (Impuesto sobre la renta de las personas físicas)."

Commission of the European Communities 1993: 288

(38ii) " There are two methods of charging **income tax**:

- liability *in personam*: in the case of persons resident on Spanish territory for 183 days or more or who have the centre of their economic activities on that territory;

- liability *in rem*: ..."

Commission of the European Communities 1993: 288

(39) and (40) are further examples of contextual fragments in English language texts.

(39) "It seems however, that personal income tax has developed only slowly and in some countries has stagnated or declined as a fraction of GDP and tax revenue."

Burgess and Stern 1993: 820

- (40) "Table 3 classifies countries according to whether or not they aggregate for personal income tax purposes the earned income of spouses where both are gainfully employed."

OECD 1993: 8

As Baker 1992 suggests, it is important to assess the significance of non-equivalence in a given context since the implications of such non-equivalence may be serious in some contexts, but not in others. In this case "income tax" and "personal income tax " are both possible equivalents. However, if the text to be translated has legal implications e.g. in the course of contract negotiations between two firms, it is advisable to include the Spanish term accompanied by an explanation.

Example 2: Impuesto sobre Sociedades

The "impuesto sobre sociedades" may be considered the equivalent of corporation tax (cf Chapter 2)

- (41) "Por segundo año consecutivo, Actualidad Económica ofrece el ranking de las empresas que más pagan por el **Impuesto sobre Sociedades**"

Actualidad Económica, septiembre 1993: 46

- (42) "Así, la Comisión ha renunciado, en materia de imposición directa, a la armonización de los sistemas y de los tipos del **impuesto sobre las sociedades** prevista por una proposición de directiva de 1975."

Barrero Flórez, Adela María 1993: 44

In Spain, the "impuesto sobre sociedades" (corporation tax) is governed by numerous pieces of legislation, twelve in total dating from 1978 to 1991. The tax is levied by the central government and the Autonomous Communities of the Basque Country and

Navarre. All taxpayers who have **personalidad jurídica** (legal personality) but are not subject to IRPF are liable for this tax. It is payable at a standard rate of 35%.

In Ireland, corporation tax is governed by the 1976 Corporation Tax Act incorporating the 1967 Income Tax Act where applicable.(cf Chapter 2) Provisions of subsequent Finance Acts also apply. Corporation Tax is levied by the central government. All companies or corporate bodies are liable for corporation tax excluding local authorities, health boards and Vocational Education Committees. The tax is normally levied at 40% although a special 10% rate applies to manufacturing industry and to designated areas, for example the International Financial Services Centre in Dublin.

In the case of this term the same guidelines apply as for "impuesto sobre la renta de personas físicas". Generally, "corporation tax" is an adequate equivalent e.g. (41e), (42e).

(41e) "For the second year in succession, Actualidad Económica ranks the Spanish companies who pay most **corporation tax**."

(42e) "In this way, the Commission has rejected the proposal, outlined in a 1975 directive which called for the harmonization of taxation systems and **corporation tax rates** in the area of direct taxation."

However, in a legal text, two options are open. First, the term may have a note attached with an explanation or second, a mini-glossary may preface the translation of the text defining the specialised terms therein. The inclusion of conflicting definitions may also be useful to the translator as they serve to clarify the concept and aid in the elimination or selection of possible equivalents (Picht 1985).

Example 3: Impuesto sobre el Patrimonio

This term is discussed in the context of the Spanish taxation system in Chapter 2.

- (43) "El modelo consta de tres ejemplares, uno de los cuales es para la Administración, otro para el comprador y el tercero para el vendedor, al objeto de que pueda justificar el ingreso del pago a cuenta cuando presente la correspondiente declaración por el **Impuesto sobre el Patrimonio**".

Eguinoa, María 1992: 77

In Spain the "impuesto sobre el patrimonio" (wealth tax) was introduced in 1992. The tax is levied by the Autonomous Communities except in the case of Madrid, Ceuta and Melilla. For residents of Spain, all assets and rights above a certain limit are taxable, for non-residents the tax applies to all assets located on Spanish territory. Taxpayers are assessed individually for "wealth tax" irrespective of marital status.

In this case while "wealth tax " in English effectively denotes "impuesto sobre el patrimonio", no equivalent tax exists within the Irish taxation system. Having analysed the term, its extension and implications, "wealth tax" may be deemed a suitable equivalent as it conveys the nature of the tax while it is also comprehensible to the target audience. In a glossary it would be essential to highlight the fact that such a tax does not in fact exist in the target culture.

Example 4: Impuesto sobre el Valor Añadido (IVA)

This term is also discussed in Chapter 2.

- (44) "En cuanto al IVA, éste no sería tratado hasta la *Tercera directiva* (no. 69, 463/CEE del Consejo."

Barrero Flórez, Adela María 1993: 45

- (45) "Alemania cumplió con presteza las obligaciones impuestas en las directivas, que entraron en vigor en 1968; el IVA se introdujo en los Países Bajos a comienzos de 1969 y un año más tarde en Luxemburgo."

Terra, Ben 1994: 88

- (46) "Las Ai (Adquisiciones intracomunitarias) estarán sujetas al IVA en el país de llegada de la expedición o transporte."

Pedrós, Alejandro 1993: 37

"IVA" was introduced in Spain in 1985 as a precursor to Spain's entry into the EEC.(cf Chapter 2) "IVA" is levied by the central government. Three different rates apply: 13%, (standard rate), 6% (reduced) rate and 28% (luxury rate).

In Ireland VAT was introduced in 1972 prior to Ireland's entry into the EEC in 1973. Five different rates apply: 0%, 2.3%, 10%, 12.5% and 21%.

In the case of this term it appears that a direct equivalent exists. This particular tax originated in neither tax system but was imposed on both as a precursor to European Community membership.

### 3.3.4. Loan terms

This category may be divided into two sections. The first contains terms that have been taken from the English language and directly translated into Spanish. The second contains English language terms that have been adopted directly into Spanish.

Example 1: *vacaciones fiscales*

- (47) "Se fija también un especial régimen de *vacaciones fiscales* para las sociedades constituídas entre el 8 de julio y el 31 de diciembre de 1994 con una bonificación del 95% de la parte de cuota íntegra que corresponda a rendimientos de explotaciones económicas desarrolladas mediante establecimiento permanente en Canarias, cumpliéndose determinados requisitos de inversión, de plantilla, etcétera."

El País (Negocios) 13/11/94: 28

Within the contextual fragment "*vacaciones fiscales*" appeared in italics which would suggest that it is an unfamiliar term to the reader. The term has its origins in the English term "tax holidays" and has been adopted in Spanish by a direct translation. The use of "tax holidays" in English is exemplified in (48).

- (48) " Tax free zones and **tax holidays** are often designed to attract foreign investment."

Burgess and Stern 1993: 805

The term "tax holiday" is sufficiently established in English that it features in the Collins English dictionary (3rd edition 1991):

"...a period during which tax concessions are made for some reason; examples include an export incentive or an incentive to start a new business given by some governments in which a company is excused all or part its tax liability."



Example 2: dumping fiscal

- (49) "Este tipo de exoneraciones falsean sin duda alguna la competencia: para algunos empresas, eran demasiado bajas y para otras demasiado altas, lo que daba lugar a subvenciones por exportación (que también se denominaban *dumping* fiscal)."

Terra, Ben 1994: 85

The term "dumping fiscal", like "vacaciones fiscales" appeared in italics. Similarly, no explanation or definition was included. The term derives directly from the English "fiscal dumping".

Example 3: ecotasa

- (50) " Se habla de incrementar el IVA, o de crear la *ecotasa* (impuesto sobre el producto que contamine más), o subir la fiscalidad de la gasolina, el alcohol y el tabaco."

Pérez, Julia and Rodríguez Braun, Carlos 1994: 26

In this instance, it is also clear that "ecotasa" is not in common usage in Spanish. This is illustrated by the fact that it appears in italics and is immediately followed by an explanation in Spanish. "Ecotasa" refers to a tax imposed on products and processes that are detrimental to the environment. The term originated in German and exists in English as "ecotax".

What often happens when terms are transferred from one language to another is that they develop a different connotation in the second language. This occurs to varying degrees, from a complete change in meaning to a slight nuance. However, this has not happened in the case of the three examples mentioned above.

### 3.3.5. Basic taxation links

This section deals with basic taxation links, usually nouns or adjectives, which are a fundamental part of the cohesion of taxation texts in Spanish. They are generally "embedded" terms which pose serious problems for the translator. As they are crucial to the understanding of the text, it is important that they be translated accurately. They occur throughout all text types.

Example 1: devengo

- (52) "El **devengo** del impuesto se produce en el momento de que se efectúa la adquisición, es decir en el momento que se entiende efectuada la entrega de los bienes."

Pedrós Alejandro 1993:23

Here the context dictates that "revenue" is a possible solution.

- (52e) "The revenue of the tax is generated when..."

- (53) "...los rendimientos **devengados** en el trimestre anterior"

Eguinoa, María 1992: 76

In this instance "accrued" functions is a possible equivalent:

- (53e) "income accrued over the previous quarter".

- (54) "La previsión contenida en el artículo 98 de la Ley del IVA por la que el derecho de deducir el IVA en las operaciones intracomunitarias de bienes nace en el momento en que **se devengan** las cuotas deducibles, significa que se produce un retraso de un período en la deducción del IVA soportado en las AI (Adquisiciones Intracomunitarias)"

Pedrós, Alejandro 1993: 38

In this context "due for payment" is a possible solution i.e. (54e)

(54e) "...when the deductible quotas are due for payment."

The difficulty posed by the above sub-set of terms is that it has an extremely wide scope, offering a range of different translations. Severe difficulties are created for the lexicographer as single dictionary entries are insufficient to cope with the translator's requirements. The task of the terminologist is facilitated somewhat by the possibility of including contextual fragments before offering a viable equivalent in the target language. In this way the term may be viewed in context, where its meaning is clear, leaving the translator to opt for the most suitable equivalent.

#### Example 2: desgravación

(55) "Si los planes de pensiones están experimentando un crecimiento progresivo es porque constituyen una de las fórmulas más eficaces para canalizar el ahorro hacia la jubilación, con ventajas fiscales inherentes, ya que la **desgravación** puede alcanzar el 56% de la cantidad aportada."

El País (Negocios) 04/12/94: 4

"Relief" is a possible suggestion for the term in this instance.

(55e) "...relief of up to 56% is available."

(56) "...el donante puede **desgravar** en la base del IRPF"

Campo Arbulo, Jose Antonio del 1992: 79

As there is no verb in English to express the concept of obtaining tax relief, another solution must be found. In this case a functional equivalent is simply "obtain relief" i.e.

(56e) "...the donor may obtain relief from his personal income tax base."

"Donor" is used in English because the contextual fragment refers to a gift tax.

(57) "... aunque la técnica **desgravatoria** consista en definitiva en exonerar de impuestos a determinadas personas, el fundamento último de la exención subjetiva deriva de una valoración positiva de los fines que los sujetos beneficiarios persigue y, consiguientemente, de las actividades que para alcanzarlos desarrollen."

Campo Arbulo, José Antonio del 1992: 80

In this case no equivalent adjective exists. In order to cope with this, a transposition occurs in English. The Spanish adjective is replaced by an English noun clause, (57e).

(57e) "although the method used for allocating tax relief consists in allowing tax exemptions for certain individuals".

### 3.3.6. Acronyms

There appear to be a greater preponderance of acronyms in Spanish texts than in English texts. While this prevails for other text types, it is especially true for taxation texts. Two types of acronym appear in the available Spanish language documentation. The first are abbreviations of Spanish taxes. The second are English abbreviations introduced directly into Spanish. Examples of the first type are IRPF (impuesto sobre la renta de las personas físicas), IVA (impuesto sobre el valor añadido) (58), (59).

- (58) "Como conclusión de estos cuadros podríamos decir que existe un amplio abanico de tipos marginales de gravamen tanto en el IRPF como en las contribuciones a la Seguridad Social."

Velasco Plaza, Joaquín 1994: 65

- (59) "...el IVA se introdujo en los Países Bajos a comienzos de 1969 y un año más tarde en Luxemburgo."

Terra, Ben 1994: 88

Examples of the second type are: FIFO (first in first out) and LIFO (last in first out) (60).

- (60) "El principal interés del informe Ruding radica en las recomendaciones que ofrece para la revisión de la fiscalidad empresarial. Entre ellas destacan las siguientes:  
- Aceptar los métodos de valoración de inventarios basados en el coste medio, **FIFO** y especialmente **LIFO**."

Instituto de Estudios Económicos: Sumario 1992: 3

In the case of the latter, translation does not pose a problem, given that the terms are first and foremost English language terms. In the case of the former, one possible solution is the retention of the Spanish acronym with a subsequent explanation in English e.g. IRPF (Spanish income tax).

### **3.4 Conclusions**

As the above discussion illustrates, the problems associated with non-equivalence in Spanish and English are varied, and can present a serious challenge to the translator. Often, there are several possible translations for a Spanish term. The difficulties posed by this issue are further emphasised by the fact that there is no one reliable bilingual (Spanish-English) dictionary in this field. Moreover, specialised dictionaries in this area often vary considerably on proposed equivalents. In the case of taxation, the situation is complicated by the frequent reforms that occur in the Spanish taxation literature, making it impossible for printed dictionaries to be completely up to date. Here, there is a potential role for online terminology databases which have the capacity to include both multiple translations for a given term and contextual information of value to the translator.

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## **Appendix - Bilingual Glossary**

### ***(i) Preface***

The glossary below follows the ISO 1087 recommendations on terminology as outlined in Chapter 1. The terminology in question consists of a set of terms from the Spanish taxation system and the Irish taxation system respectively. These terms have been systematised and presented in accordance with ISO established principles (cf Chapter 1). The terms denote the structure of each system and the main taxes levied in each country.

In terms of taxation terminology, it is assumed in the preparation of the bilingual glossary that it is aimed at English language translators of Spanish taxation texts. For this reason, the following categories have been considered the most useful: a) *definition*, in order to clarify the term in question and its proposed equivalent; and b) *note*, so that the translator may be alerted to attributes particular to an individual concept. Riggs 1982: 98, supports this theory stating that a terminology should both alert the user to other terms used to denote the same concept and also provide cross references to other useful information within the same concept system.

### ***(ii) Methodology***

The methodology used in compiling this taxation glossary is in line with Sager's theory that terminology does not constitute a separate discipline. It is more of a series of flexible guidelines and a code of practice. Flexibility is important given that terminologies may be developed for every subject area, be they general or specialised. However, a degree of strictness is equally necessary to ensure standardisation. Therefore ISO guidelines were adopted in the preparation of the taxation glossary.

### ***(iii) Glossary Structure***

The following bilingual glossary is composed of 103 taxation terms. The glossary language direction is Spanish-English as it attempts to encapsulate the basic concepts of Spanish taxation in English. Spanish taxation terms were extracted from the corpus of

Spanish taxation texts (cf Bibliography). Origins of the texts vary from daily newspapers e.g. El País to specialised Spanish taxation publications e.g. ICE Efectos de la Fiscalidad en la Actividad Económica.

Where glossary terms appear in the main body of text a term is bolded.

#### ***(iv) Entry Structure***

Spanish term entries appear in bold. Where applicable a context or definition in Spanish follows. The source of the context or definition is also included. The English term appears at the end of the entry. Spanish and English terms are sorted alphabetically in the indices of terms.

## A

**abonar**

*Context* Se aduce que, de aplicarse el principio del país de origen cada Estado miembro tendría que abonar un 15 por 100 a la propia cámara central de compensación respecto de las <<exportaciones>> a otros Estados miembros. *Reference* ICE junio 1994 número 730 p.100

**English to pay tax**

**ajuste fiscal**

**English tax adjustment**

**aportación contributiva**

**English tax contribution**

**armonización**

**English harmonization**

**Ayuntamiento**

**English Town Hall**

*Note* Approximate equivalent. Denotes local government body, also refers to building in which aforementioned body sits.

## B

**banca al por mayor**

*Context* Al mismo tiempo los estrechos márgenes financieros aplicados, especialmente en la banca al por mayor, hacen que el impacto de la tributación directa, sea, conjuntamente con la aplicación de coeficientes de inversión, caja y recursos propios por las autoridades monetarias, muy significativa a la hora de determinar los costes financieros, inversiones financieras de los particulares y de las empresas.

*Reference* ICE junio 1994 número 730 p.72

**English commercial banking**

**base imponible**

*Definition* La **LGT** no establece de forma explícita el concepto de la **base imponible**.... No obstante es posible definir la base imponible como la cuantificación y valoración del **hecho imponible**, conforme a las normas, medios, y métodos que la Ley propia de cada **tributo** establezca para su determinación, dentro de los regímenes de estimación aplicables.

*Reference* Ibáñez y Ariznavarreta 1992 p.19 *Note* La base imponible, como cuantificación del hecho imponible, está formada por el importe de la renta obtenida por el **sujeto pasivo**, durante el período impositivo, determinado por la integración de las cuantías positivas o negativas de las distintas fuentes de renta sujetas a imposición. *Reference* p.80

**English assessment base**

**base liquidable**

*Definition* Es el resultado de aplicar, en su caso, en la **base imponible** las reducciones establecidas en la Ley propia de cada tributo. *Reference* Ibáñez y Ariznavarreta 1992 p.21

**English Taxable income after deduction of allowances**

## C

**carga fiscal**

*Context* Los Estados miembros debían soportar un cuota equivalente de la <<carga fiscal>>, según la decisión de recursos propios, sólo si la **base imponible** fuera idéntica en todos ellos. *Reference* ICE junio 1994 número 730 p.90

**English tax burden**

**carga tributaria**

**English tax burden**

**código penal**

**English penal code**

**Comité Fiscal y Financiero**

*Note Founded by the European Commission in 1960 to evaluate to what extent individual tax regimes of various states, impeded a common market.*

*Reference ICE junio 1994 número 730 p.86*

**English Fiscal and Financial Committee**

### compensación

*Definition ...cuando dos personas, por derecho propio, sean recíprocamente acreedoras y deudoras la una de la otra*

*Reference Código Civil: Art: 1.19595*

**English compensation**

### Comunidad Autónoma

*Definition Regional authority governed by public law and endowed with political autonomy, legislative power and their own government bodies. Reference Ibáñez y Ariznavarreta 1992 p.6*

**English**

**Autonomous Community**

### Concierto Económico

**English Economic agreement between the Basque Country and the Spanish Government**

*Note Subject to modification upon agreed milestones..*

### Constitución Española

**English Spanish Constitution**

**Abbreviation CE**

### contribución especial

*Definition ...aquellos tributos cuyo **hecho imponible** consiste en la obtención por el **sujeto pasivo** de un beneficio o de un aumento de valor de sus bienes, como consecuencia de la realización de obras públicas o del establecimiento o ampliación de servicios públicos.*

*Reference Ibáñez y Ariznavarreta 1992 p.2*

**English incentive**

### contribuyente

**English taxpayer**

### Convenio Económico

**English Agreement between Navarre and Spanish government on autonomous economic policies.**

### Corporación Local

*Reference E. Albi Ibañez, J. García Ariznavarreta: Sistema Fiscal Español, Editorial Ariel, Barcelona 1992. Note Las corporaciones locales sólo pueden establecer **tributos** o disponer sobre la regulación de sus elementos esenciales, si para ello cuentan con facultad expresa de una ley.*

*Reference Ibáñez y Ariznavarreta 1992 p.8*

**English Spanish Local Government body**

### D

### Decisión

*Definition Las Decisiones, ... son vinculantes en su totalidad para aquellos a quienes vayan dirigidas, sean Estados miembros o personas físicas o jurídicas. Surten efecto desde el momento de su notificación.*

*Reference Ibáñez y Ariznavarreta 1992 p.9*

**English Decision**

### defraudación

*Reference E. Albi Ibañez, J. García Ariznavarreta: Sistema Fiscal Español, Editorial Ariel, Barcelona 1992. Definition ..esto es, el incumplimiento, mediante una conducta dolosa o engañosa, de las prestaciones tributarias a las que se está obligado legalmente, con resultado dañoso para la **Hacienda Pública** superior a 5 millones de pesetas..*

*Reference Ibáñez y Ariznavarreta 1992 p.48*

**English tax fraud**

### desgravación

**English tax relief**

**deuda tributaria**

*Definition ...está formada por la cuota tributaria en sentido estricto, tal y como se ha definido y analizado en el apartado anterior, o en sentido amplio, cuando proceda incrementarla con los <<recargos exigibles legalmente sobre las bases o las cuotas, ya sean a favor del Tesoro o de otros entes públicos>> (art 58.2 LGT)*

*Reference Ibáñez y Ariznavarreta 1992 p.23*

**English tax debt**

**devengo**

*Context ...la retribución va a depender de la evolución de la magnitud o parámetro utilizado para determinar el importe de los rendimientos de devengo periódico...*

*Reference Ibáñez y Ariznavarreta 1992 p.111*

**English tax revenue**

**Diputación**

*Context No obstante, mientras las Comunidades Autónomas gozan de potestad legislativa, las Corporaciones Locales (Ayuntamientos y Diputaciones) carecen de dicha facultad.*

*Reference Ibáñez y Ariznavarreta 1992 p.8*

**English Spanish Local government body which has no legislative powers**

**Directiva**

*Context Las Directivas Comunitarias obligan a todo Estado miembro destinatario en cuanto al resultado a alcanzar, dejando a las instancias nacionales la competencia en cuanto a la forma y medios para conseguirlo. No son directamente aplicables, ya que son las autoridades nacionales las que deben transformarlas en derecho interno.*

*Reference Ibáñez y Ariznavarreta 1992 p.9*

**English Directive**

**doble contabilidad**

**English double accounting**

**doble imposición**

*Context (1)...la LOFCA ha introducido el principio de evitar la doble imposición.*

*Reference p.7 Context (2) En segundo lugar, pretende armonizar los mecanismos para eliminar la doble imposición sobre dividendos percibidos de una filial situada en otro Estado miembro.*

*Reference ICE junio 1994 número 739 p.70*

**English double taxation**

**dumping fiscal**

**English fiscal dumping**

**E****ecotasa**

**English ecotax**

**El Fisco**

**English "the Taxman"**

*Note Familiar term*

**elusión fiscal**

**English tax avoidance**

**escisión**

*Context Una vez reguladas las sociedades europeas, y establecido su régimen de tributación sobre beneficios, la directiva de fusiones deberá modificarse en consecuencia para incluirlas, pero mientras tanto basta con que se limite a regular las fusiones, escisiones, etcétera, entre sociedades residentes en distintos Estados miembros.*

*Reference ICE junio 1994 número 730 p.69*

**English split**

**Estatuo de Autonomía del País Vasco**

**English Agreement between the Basque Country and the Spanish government governing autonomy**

**evasión fiscal**

*Context* En realidad el N.I.F., como tantas otras medidas tienden a ir limitando las posibilidades de los flujos de dinero B, cuyos movimientos pueden poner importantes montos de elusión fiscal

*Reference* Tamames 1990 p.716

**English tax avoidance**

**exención tributaria**

*Definition* La exención tiene lugar cuando una norma fiscal contiene determinados supuestos en los que aun cuando se produzca el **hecho imponible**, no se genera la obligación tributaria de pago, por razones subjetivas u objetivas...

*Reference* Ibáñez y Ariznavarreta 1992 p.14

**English tax exemption**

**F****fiscalidad**

*Context* Tales comerciantes podrían continuar comprando contoda legalidad a través de las fronteras, y probablemente lo harán, a juicio de la Comisión siempre que existiesen diferencias significativas en la fiscalidad y por ende, en los precios.

*Reference* ICE junio 1994 número 730 p.92

**English taxation**

**Fondo de Compensación Interterritorial**

**English Fund created to establish financial equilibrium between Autonomous Communities.**

**fraude fiscal**

**English tax fraud**

**fusión**

Es ésta una directiva tanto curiosa pues trata el régimen fiscal aplicable a un fenómeno, como es el de las fusiones y escisiones transnacionales todavía no regulado a nivel de la Comunidad y muy escasamente regulado por la normativa interna de los Estados miembros.

*Reference* ICE junio 1994 número 730 p.69

**English merger**

**G****gasto público**

**English public expenditure**

**English public spending**

**gravar(se)**

*Context* No podrían gravarse, como tales, negocios, actos o hechos celebrados fuera del territorio de la Comunidad impositoria. *Reference* Ibáñez y Ariznavarreta 1992 p.7

**English to be taxed**

**H****Hacienda Pública**

**English Spanish government department. Incorporates taxation.**

**hecho imponible**

*Definition* ...es el presupuesto de naturaleza jurídica o económica fijado por la Ley para configurar cada **tributo** y cuya realización origina el nacimiento de la obligación tributaria

*Reference* LGT Art 28 Note ... la obtención de renta por el **sujeto pasivo**

**English taxable event**

*Reference* IBFD European tax handbook 1991

**I****impuesto**

*Definition* Los **impuestos** son definidos en la **LGT**, como aquellos **tributos** que son exigidos sin ontraprestación, cuyo hecho imponible está constituido por negocios, actos o hechos de naturaleza jurídica o económica que ponen de manifiesto la capacidad contributiva del **sujeto pasivo** como consecuencia de la posesión de los bienes o la adquisición o gasto de la renta.

*Reference Ibáñez y Ariznavarreta 1992*

*p.2*

**English tax**

### **impuesto de sucesiones**

*Context ...que incide tributariamente en las transmisiones intergeneracionales de riqueza*

*Reference Ibáñez y Ariznavarreta 1992*

*p.57*

**English inheritance tax**

### **impuesto directo (23) taxation**

*Reference E. Albi Ibañez, J. García Ariznavarreta: Sistema Fiscal Español, Editorial Ariel, Barcelona 1992.*

*Reference p.11 English direct tax*

### **impuesto indirecto**

*Definition ...los que se exigen, por ejemplo en atención a la capacidad de pago manifestada en la utilización o el consumo de la renta, aunque también gravan determinadas transmisiones patrimoniales que no se realizan dentro del tráfico mercantil, operaciones societarias, ciertos documentos mercantiles o notariales*

*Reference Ibáñez y Ariznavarreta 1992*

*p.11*

**English indirect tax**

### **impuestos en cascada**

**English casacade tax**

### **impuestos especiales**

*Definition Se refieren estos tributos a toda una serie de artículos de consumo fácilmente delimitables, susceptibles de un gravamen de cierta importancia de carácter proporcional debido tanto a la rigidez de la demanda, como al carácter de bienes no siempre estrictamente de primera necesidad. (Tales productos son el alcohol y las bebidas derivadas, la cerveza, los hidrocarburos en sus más diversas manifestaciones, y las labores de tabaco) Reference Tamames 1990 p.694*

**English excise duty**

### **impuesto sobre actividades económicas**

**English economic activities tax**

### **impuesto sobre bienes inmuebles**

**English real estate tax**

### **impuesto sobre construcciones**

**instalaciones y obras**

**English tax on construction**

**installation and works**

### **impuesto sobre el incremento del valor de los terrenos de naturaleza urbana**

**English tax on the increase of urban land**

### **impuesto sobre el patrimonio**

*Definition Es un impuesto directo de naturaleza personal, sobre el conjunto de bienes que se tienen en propiedad, y destinado a ser satisfecho por la renta generada por el propio patrimonio. Tiene una serie de deducciones sobre la base, y un mínimo exento de 9 millones de pesetas.*

*Reference Tamames 1990 p.693*

**English wealth tax**

### **impuesto sobre el valor añadido**

*Definition ...se planteó siempre la sustitución del impuesto sobre el tráfico de empresas (ITE) y del impuesto de lujo por el impuesto sobre el valor añadido (IVA) en línea con la armonización realizada en las Comunidades Europeas en el tema de la imposición indirecta, que se centró en citada figura. Reference Tamames 1990 p.694*

**English Value Added Tax**

**English Abbreviation VAT**

**Spanish Abbreviation IVA**

### **impuesto sobre la renta de las personas físicas**

**English personal income tax**

**English individual income tax**

**Abbreviation IRPF**

### **impuesto sobre sociedades**

*Definition* Se rige por la Ley 61/1978, de 27 de diciembre... Recae sobre las utilidades obtenidas por las empresas que se configuran bajo forma social. Es un impuesto proporcional a las ganancias obtenidas a lo largo del ejercicio, con una tarifa del 35 por 100.

*Reference* Tamames 1990 p.693

**English corporation tax**

#### **impuesto sobre sucesiones y donaciones**

*Definition* ...este **tributo** fue considerablemente reformado; por la Ley 29/1987, de 18 de diciembre. Es de carácter directo, de naturaleza personal, y recae sobre los incrementos de patrimonio obtenidos a título lucrativo por personas físicas vía herencia o donación. Es tributo cedible a las Comunidades Autónomas.

*Reference* Tamames 1990 p.693

**English inheritance and gift tax**

#### **impuesto sobre transmisiones patrimoniales y actos jurídicos documentados**

*Definition* Tiene su base legal en la Ley 34/1980 de 21 de junio. Las tres figuras a que abarca el **impuesto** son: transmisiones patrimoniales onerosas, operaciones societarias, y actos jurídicos documentados.

*Reference* Tamames 1990 p.693

**English Tax on capital transfers and documented legal acts**

#### **impuesto sobre vehículos de tracción mecánica**

**English mechanically powered vehicles tax**

#### **Impuestos personales**

*Definition* Que recaen sobre la renta total o conjunto patrimonial, cuya titularidad está referida a una persona natural o jurídica, siendo determinante la capacidad de pago de la misma.

*Reference* Ibáñez y Ariznavarreta 1992 p.11

**English personal taxation**

#### **inspección**

**English tax inspection**

#### **L**

#### **Ley de Medidas Urgentes de Reforma Fiscal**

*Definition* El proyecto de MURF se discutió por el trámite de urgencia, y a los pocos meses se convirtió en Ley. En su texto se acordó la desaparición del secreto bancario, se tipificó el delito fiscal, y se anunció la publicación de las listas de **contribuyentes**.

*Reference* Tamames 1990 p.689

**English Emergency Taxation**

**Legislation**

**Abbreviation MURF**

#### **Ley de Regulación de las Haciendas Locales**

*Context* La LHRL ha establecido dentro del sistema de ingresos diseñado para los Ayuntamientos y Diputaciones, los **tributos** propios y también los recargos sobre tributos autonómicos o de otros entes locales *Note* Legislation governing Spanish local government. *Reference* Ibáñez y Ariznavarreta 1992 p.8

**English Legislation governing local government taxation powers**

**Abbreviation LRHL**

#### **Ley General Tributaria**

*Note* Draws up a list of basic principles and norms applying to taxation in general. Does not provide hard and fast definitions

**English General Taxation Legislation**

**Abbreviation LGT**

#### **Ley Orgánica**

**English Constitutional Law**

#### **Ley Orgánica de Financiación de las Comunidades Autónomas**



**English Spanish legislation governing Autonomous Communities' Finance**  
**Abbreviation LOFCA**

**licencia fiscal**

*Definition Tributo fijo anual necesario para ejercer una actividad comercial, profesional o industrial, y cuyo coste depende de la clase de actividad que se solicite.*

**English fiscal licence tax**

**M**

**malversación**

*Context Artículo 350: Delito por malversación de fondos públicos*  
*Reference Ibáñez y Ariznavarreta 1992 p.47*

**English misappropriation**

**monopolio fiscal**

*Definition Monopolio establecido por la ley con el fin de recaudar impuestos indirectos sobre el consumo de determinados productos. En muchas ocasiones la actividad de gestión del monopolio es dada en concesión a una empresa privada, a veces mediante subasta pública*

**English fiscal monopoly**

**N**

**naturaleza económica**

*Definition ...cuando el hecho imponible se delimite atendiendo a conceptos económicos se calificar atendiendo a las situaciones y relaciones económicas que existan o se establezcan por los interesados, con independencia de las formas jurídicas utilizadas.*

*Reference Ibáñez y Ariznavarreta 1992 p.14*

**English economic identity**

**naturaleza jurídica**

*Definition Cuando el hecho imponible consista en un acto o negocio jurídica se calificará que sea la forma elegida o la denominación utilizada, prescindiendo de los defectos intrínsecos o de forma que pudieran afectar su validez. Reference Ibáñez y Ariznavarreta 1992 p.14*

**English legal identity**

**número de identificación fiscal**

*Note Implemented in the Ley 33/1987, de 23 de diciembre, de Presupuestos Generales del Estado para 1988.*

**English Spanish tax identification number**

**Abbreviation N.I.F.**

**P**

**patrimonio**

*Definition Conjunto de bienes y derechos pertenecientes a una persona, una vez deducidas sus deudas y obligaciones. Se suele utilizar en sentido estricto, abarcando solamente bienes materiales con contenido económico.*

**English wealth**

**persona física**

**English individual**

**persona jurídica**

**English company**

**English legal person**

**presión fiscal**

*Context La disminución de la presión indirecta se persiguió teóricamente con la instauración del régimen de convenios y evaluaciones globales, y con una serie de modificaciones en la estructura impositiva. Reference Tamames 1990 p.685*

**English tax burden**

*Context The combined burden of personal income tax and net worth tax cannot exceed 70% (in 1987) of total taxable income.*

*Reference Arthur Andersen (1987): p.11*

**principio de capacidad económica**

*Definition (1) La ordenación de los tributos ha de basarse en la capacidad económica de las personas llamadas a satisfacerlos...*

*Reference LGT Art 3 Definition (2)*

*Todos contribuirán al sostenimiento de los gastos públicos de acuerdo con su capacidad económica...*

*Reference CE Art 31.1*

**English principle of economic capacity**

**principio de generalidad**

*Context La obligación (de contribuir) afecta a todos los residentes en territorio Español, tanto nacionales como extranjeros, que tengan capacidad económica.*

*Reference Ibáñez y Ariznavarreta 1992 p.3*

**English principle of generality**

**principio de igualdad**

*Definition Dentro el ámbito que nos ocupa, la igualdad ha de cuantificarse en función de la capacidad económica o de pago de quienes han de contribuir al sostenimiento del gasto público.*

*Reference Ibáñez y Ariznavarreta 1992 p.3*

**English principle of equality**

**principio de justicia**

*Context ...la equitativa distribución de la carga tributaria.*

*Reference LGT Art 3*

**English principle of justice**

**principio de legalidad**

*Definition (1) Sólo podrán establecerse prestaciones personales o patrimoniales de carácter público con arreglo a la ley*

*Reference CE Art 31.3*

*Definition (2) La potestad originaria para establecer los tributos corresponde exclusivamente al Estado, mediante ley.*

*Reference CE Art 133.1*

*Definition (3) La facultad originaria de establecer tributos es exclusiva del Estado y se ejercerá mediante Ley votada en Cortes*

*Reference LGT Art 2*

**English principle of legality**

**principio de progresividad**

*Context ... la progresividad tributaria implica que a medida que aumenta la renta y riqueza de cada sujeto, la aportación contributiva se incrementa en mayor proporción que dicho aumento.*

*Reference Ibáñez y Ariznavarreta 1992 p.4*

**English principle of progressivity**

**principio de seguridad jurídica**

*Definition En el artículo 93.3 de la CE se recoge expresamente el principio de seguridad jurídica que, en el ámbito de los tributos, descarta la arbitrariedad en la regulación y aplicación de los mismos.*

*Reference Ibáñez y Ariznavarreta 1992 p.5*

**English principle of legal security**

**R****recaudación**

**English tax collection**

**Régimen Histórico Foral de Navarra**

**English Economic Agreement between the Spanish central government and Navarre**

**Reglamento**

*Definition Los Reglamentos son normas de aplicación general, obligatorios en su totalidad y aplicables directamente en todos los Estados miembros. Han de estar publicados en el Diario Oficial de la Comunidad, entrando en vigor en la fecha especificada en los mismos, o en ausencia de tal fecha, veinte días después de su publicación.*

*Reference Ibáñez y Ariznavarreta 1992 p.9*

**English Ruling****Reglamento General de la Inspección de Tributos**

*Context ...aprobado por el Real Decreto 939/1986, de 25 de abril, ha significado un importante avance al establecer, en su artículo 31, la regla de que las actuaciones inspectoras se considerarán interrumpidas cuando la suspensión de las mismas se prolongue por más de seis meses de forma injustificada.*

*Reference Ibáñez y Ariznavarreta 1992 p.28*

**English Legislation governing tax inspection in Spain**

**Abbreviation RGIT**

**Reglamento General de Recaudación  
English Legislation governing tax collection in Spain**

**Abbreviation RGR**

**renta de aduanas**

*Definition Incluyen toda una serie de exacciones en frontera sobre productos importados. A partir del 1 de enero de 1993, los derechos serán los mismos que en los otros once países de la Comunidad*

*Reference Tamames 1990 p.694*

**English customs duties**

**responsable**

*Definition La Ley podrá declarar responsables de la deuda tributaria, junto a los sujetos pasivos, a otras personas, solidaria o subsidiariamente.*

*Reference LGT Art 37.1*

**English individual**

**English entity liable for taxation**

**S****Sistema Fiscal**

**English Tax system**

**sistema tributaria**

*Context El sistema tributario lo compone el conjunto de medios con que cuenta la*

*Hacienda Pública para recaudar de los contribuyentes el dinero que precisa para hacer frente a sus fines.*

*Reference Tamames 1990 p.679*

**English tax system**

**sujeto pasivo**

*Definition (1) ...es la persona natural o jurídica a la que la Ley obliga al cumplimiento de las prestaciones tributarias sea como contribuyente, o como sustituto del mismo.*

*Reference LGT Art 30*

*Definition (2) El sujeto pasivo del IRPF es siempre una persona física, individualmente considerada, que obtenga rentas sujetas al impuesto, forme o no parte de una unidad familiar y tribute de forma individual o conjunta; en este último caso, todas las personas físicas integradas en la unidad familiar son sujetos pasivos solidarios, sin perjuicio del derecho a prorratear entre ellos la deuda tributaria, según la parte de renta sujeta que corresponda a cada uno de ellos.*

*Reference Ibáñez y Ariznavarreta 1992 p.76*

**English taxpayer**

**T****tasa**

*Definition Las tasas, como aquellos tributos cuyo hecho imponible consiste en la prestación de servicios a la realización de actividades en régimen de Derecho público que se refieran, afecten o beneficien a los sujetos pasivos cuando concurren dos circunstancias: 1. Que sean de solicitud o recepción obligatoria por los administrados y 2. Que no puedan prestarse o realizarse por el sector privado, por cuanto impliquen intervención en la actuación de los particulares o cualquier otra manifestación del ejercicio de la autoridad o porque, en relación a dichos servicios está establecida su reserva a favor del*

*sector público conforme a la normativa vigente.*

*Reference Ibáñez y Ariznavarreta 1992*

*p.1*

**English tax**

**English rate**

**tipo de gravamen**

*Definition LGT Art 54: << Tendrán la consideración de tipo de gravamen los de carácter proporcional o progresivo que corresponda aplicar sobre la respectiva base liquidable para determinar la << cuota >> De acuerdo con este concepto, el tipo de gravamen es el porcentaje o alícuota aplicable a la base para calcular la cuota...*

*Reference Ibáñez y Ariznavarreta 1992*

*p.22*

**English rate of taxation**

**Tratado de doble imposición**

**English double taxation treaty**

**Tribunal Constitucional**

**English Constitutional Court**

**tributo**

*Context ...la LGT no establece expresamente el concepto de tributo, no obstante, es posible aproximar una definición el Esta (...) una prestación pecuniaria de carácter coactivo establecida por do u otro ente público, de acuerdo con los procedimientos establecidos en el ordenamiento jurídico y con la finalidad u objetivo primordial de financiar los gastos públicos.*

*Reference Ibáñez y Ariznavarreta 1992*

*p.2*

**English tax**

**V**

**vacaciones fiscales**

**English tax holiday**

**Z**

**Zona Especial Canaria**

**English Canary Islands Tax area**

**Abbreviation ZEC**

## INDEX OF SPANISH TERMS

### Term

#### A

abonar  
ajuste fiscal  
aportación contributiva  
armonización  
Ayuntamiento

#### B

banca al por mayor  
base imponible  
base liquidable

#### C

carga fiscal  
carga tributaria  
código penal  
Comité Fiscal y Financiero  
compensación  
Comunidad Autónoma  
Concierto Económico  
Constitución Española  
contribución especial  
contribuyente  
Convenio Económico  
Corporación Local

#### D

Decisión  
defraudación  
desgravación  
deuda tributaria  
devengo  
Diputación  
Directiva  
doble contabilidad  
doble imposición  
dumping fiscal

#### E

ecotasa  
El Fisco  
elusión fiscal

escisión  
Estatuo de Autonomía del País Vasco  
evasión fiscal  
elusión fiscal  
exención tributaria  
**F**

fiscalidad  
Fondo de Compensación Interterritorial  
fraude fiscal  
fusión  
**G**

gasto público  
gravar(se)  
**H**

Hacienda Pública  
hecho imponible  
**I**

impuesto  
impuesto de sucesiones  
impuesto directo  
impuesto indirecto  
impuestos en cascada  
impuestos especiales  
impuesto sobre actividades económicas  
impuesto sobre bienes inmuebles  
impuesto sobre construcciones  
instalaciones y obras  
impuesto sobre el incremento del valor de  
los terrenos de naturaleza urbana  
impuesto sobre el patrimonio  
impuesto sobre el valor añadido  
impuesto sobre la renta de las personas  
físicas  
impuesto sobre sociedades  
impuesto sobre sucesiones y donaciones  
impuesto sobre transmisiones  
patrimoniales y actos jurídicos  
documentados  
impuesto sobre vehículos de tracción  
mecánica  
impuestos personales  
inspección

**L**

Ley de Medidas Urgentes de Reforma  
Fiscal

Ley de Regulación de las Haciendas  
Locales

Ley General Tributaria

Ley Orgánica

Ley Orgánica de Financiación de las  
Comunidades Autónomas

licencia fiscal

**M**

malversación

monopolio fiscal

**N**

naturaleza económica

naturaleza jurídica

número de identificación fiscal

**P**

patrimonio

persona física

persona jurídica

presión fiscal

principio de capacidad económica

principio de generalidad

principio de igualdad

principio de justicia

principio de legalidad

principio de progresividad

principio de seguridad jurídica

**R**

recaudación

Régimen Histórico Foral de Navarra

Reglamento

Reglamento General de la Inspección de  
Tributos

Reglamento General de Recaudación

renta de aduanas

responsable

**S**

Sistema Fiscal

sistema tributaria

sujeto pasivo

**T**

tasa

tipo de gravamen

Tratado de doble imposición

Tribunal Constitucional

tributo

**V**

vacaciones fiscales

**Z**

Zona Especial Canaria



## INDEX OF ENGLISH TERMS

### Term

#### A

Agreement between Navarre and Spanish government on autonomous economic policies.  
Agreement between the Basque Country and the Spanish government governing autonomy  
assessment base  
Autonomous Community

#### C

Canary Islands Tax area  
casacade tax  
commercial banking  
company  
compensation  
Constitutional Court  
Constitutional Law  
corporation tax  
customs duties

#### D

Decision  
Directive  
direct tax  
double accounting  
double taxation  
double taxation treaty

#### E

economic activities tax  
Economic Agreement between Spanish Central government and Navarre  
economic identity  
ecotax  
Emergency Taxation Legislation  
entity liable for taxation  
excise duty

#### F

Fiscal and Financial Committee  
fiscal dumping

fiscal licence tax

fiscal monopoly

## **G**

General Taxation Legislation

## **H**

harmonization

## **I**

incentive

indirect tax

individual

individual income tax

individual liable for tax

inheritance tax

inheritance and gift tax

## **L**

legal identity

Legislation governing tax collection in

Spain

Legislation governing tax inspection in

Spain

## **M**

mechanically powered vehicles tax

merger

misappropriation

## **P**

penal code

personal income tax

personal taxation

principle of economic capacity

principle of equality

principle of generality

principle of justice

principle of legality

principle of legal security

principle of progressivity

public expenditure

public spending

## **R**

rate

rate of taxation

real estate tax

Ruling

**S**

Spanish Constitution

Spanish legislation governing

Autonomous Communities' Finance

Spanish Local Government Body

Spanish Local Government Body which  
has no legislative powers

Spanish government department.

Incorporates taxation.

Spanish tax identification number

split

**T**

tax

taxable event

Taxable income after deduction of  
allowances

tax adjustment

taxation

tax avoidance

tax burden

tax collection

tax contribution

tax debt

tax exemption

tax fraud

tax holiday

tax inspection

Tax on capital transfers and documented  
legal acts

tax on construction installation and  
works

tax on the increase of urban land

taxpayer

tax relief

tax revenue

Tax system

tax system

"the Taxman"

to be taxed

to pay tax

Town Hall

**V**

Value Added Tax

**W**

wealth  
wealth tax