

DIFFICULTIES OF THE IMPOSITION MECHANISM OF WEALTH TAX**PhD. Student Roman VIERU***State Tax Service of the Republic of Moldova
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liliana.lazari@ase.md***Abstract**

This article examines the emergence and evolution of wealth tax, as well as the issues related to the applicability of this taxation mechanism. At the same time, we will make an association of the application of this taxation instrument in the Republic of Moldova with the best-known practices of other countries, as well as the tendency to harmonize and adapt the need for this mechanism to nowadays realities. The importance of studying the application of the imposition mechanism of wealth tax in the Republic of Moldova results from the act of signing of the European Union Association Agreement and the tendency to align the country with international standards and practices. In the context of the above mentioned, tax legislation requires a revision and adjustment to international practices, taking into account the varied and long experience of applying this tax instrument by countries that have gone through the same stages leading to the harmonization of imposition system that today is applied in fiscal system of the Republic of Moldova. The research on wealth tax in the Republic of Moldova in terms of its evolution and application is to be carried out through the combined application of classical research methods: the method of deduction and analysis, as well as the historical research method, necessary to investigate the historical background that may be the basis for explaining current decisions, can provide information to facilitate understanding of taxation mechanism. In the final part of the research, the opportunity and the need of taking into consideration international practices in order to continue the harmonization of the fiscal legislation of the Republic of Moldova regarding the imposition of wealth tax, its analysis from the perspective of two criteria: the efficiency and the ethical criteria, is established.

Key words: *subject of taxation; tax rate; object of taxation; taxpayer; wealth tax; luxury tax*

JEL Classification: *H21; H25; M41*

I. INTRODUCTION

The financing of the state budget by collecting taxes, fees and other contributions, is the pecuniary burden placed on individuals to support the proper functioning of the state, in all its aspects: socio-cultural (education, health, culture, art, national defence, public order), the economic sector (scientific research, transport, communications, energy), etc. Public goods and services supplying is the main role of the state for the entire society, and taxation is a way to achieve the state objectives, that is why the state is entitled to obtain financing from those who take advantage of specific public goods and services.

Tax is seen as a phenomenon of importance to society, it is a benefit of society created by sharing individual wealth, establishing social equity and ensuring personal economic interests that stimulate the society progress. The tax shows the need of humanity to sacrifice for all, especially for those who need protection and social assistance (Caprian & Djugostran, 2012).

Regarding the wealth tax, we can mention that this tax is established in close connection with the property right of different persons over movable or immovable estate. At the same time, income, as source of taxation, includes salary, profit, dividends, etc., while wealth is presented in the form of capital or movable or immovable property. The object of income tax coincides with its source, which is not as a rule, the case of the wealth tax, which is levied, in most cases, on the income made by the subjects of taxation from their wealth or other revenues. As a result, by "preserving" the substance of the property, the object of wealth tax does not coincide with the source.

The trend of aligning tax legislation with international standards presents a new challenge to the Republic of Moldova, and the imposition of wealth tax is the main element of reforming the tax system, the importance of which is becoming increasingly evident during its evolution.

II. THE IMPOSITION MECHANISM OF THE WEALTH TAX IN TERMS OF EFFICIENCY AND ETHICS

Taxation is considered the system of distribution of income among individuals or legal entities and the state. Taxes, being that instrument of redistribution, which are meant to regulate deviations in the redistribution system and to stimulate citizens to practise their activity, providing them with an economic and budgetary regulation system.

According to scholars, the tax has an important role in the life of a society, this being the price paid by each citizen for services provided by the state, such as security and prosperity of wealth, public order protection, and others. Starting with the role of taxes in a society, such as the financial role of securing financial resources to cover public spendings, the social role of ensuring equity in the process of tax redistribution and the economic role of regulating the level and structure of taxes to encourage or discourage certain sectors of activity, we have established that the existence of taxes is imposed by the existence of the state.

According to the tax legislation in force, the wealth tax is the tax applied on the taxpayer's property as real estate for residential use, including holiday homes (except land), if they meet the conditions specified in Title VI¹ of the Tax Code of the Republic of Moldova (RM). The provisions of the Tax Code do not establish any definition regarding the luxury tax, excepting a separate category of goods called "*luxury car*", which is subject to an additional fiscal obligation regarding the payment of excise duty (Tax Code of the Republic of Moldova).

The income tax dates back to ancient Rome, when restrictions were placed on displaying wealth by interdicting women who wore more than two hundred grams of gold jewellery to go out into the streets, or the number of guests participating to parties was limited to no more than 100 people.

The application of this tax was already widespread in the Middle Ages. Great Britain was among the first countries to apply this tax, and among the first objects to this taxation were racehorses, hunting dogs, powder decorative cosmetics.

During the evolution of this type of tax, widely applied in different stages of states development and in various countries, it has evolved so that, for example, in Thailand, the Internet is object to this tax, China levies this tax on the use of certain goods considered luxury such as wine, expensive watches, electronics, clothes, perfumes and other, in many European countries, the luxury tax was introduced into the tax system as an anti-crisis measure, in the US it was introduced in 1900, and the object of the tax were yachts, planes, expensive cars, watches, jewellery and fur products. In 2006 in Italy, on the island of Sardinia, the luxury tax on yachts, villas, private jets was introduced, at the same time, its calculation for houses and yachts was determined by their size. This practice has been applied in other taxation systems of different countries (Колесникова, 2012).

Analyzing the emergence and evolution of this type of tax, we consider that the terms wealth tax and luxury tax have much more similarities than divergences, that is why we consider it appropriate for the present research to cover specially wealth tax. At the same time, even if this tax was recently introduced in the tax legislation of the Republic of Moldova, having an application of only 4 years, since its introduction in 2016, we can make a certain analysis of every year evolution of budget revenues due to this tax comparing to other taxes, the dynamics of changes of tax legislation and proposals to adjust this type of tax according to international practices, as well as other research focusing on its importance, necessity and opportunity for society.

The purpose of this article is to investigate the issues related to the imposition mechanism of the wealth tax *in terms of efficiency and ethics*.

The dilemma of this mechanism refers to the equity between the owners of goods and /or services considered "luxury" in terms of contribution to the state budget, on the one hand, and on the other hand, people who earn much more than the level considered "median". This aspect comes in the context when the owners of "luxury" goods can be heirs, goods considered "luxury" could be purchased on credit, mortgage, leasing, etc., while the level of their real income is considered "moderate".

According to American economists Richard and Peggy Musgrave, one of the three important functions of financial-budgetary policy is the distribution function, accomplished due to public taxes and expenditures, becomes necessary to the extent that the distribution of income and wealth among individuals and legal entities (influenced by the distribution of factors of production and forms of ownership) is not in accordance with social needs and justice (Dimișcă & Moșteau, 2003).

Regarding the principle of fiscal equity in the context of "luxury" tax and the function of distributing wealth due to taxes, it is important to note that fiscal equity should mean social justice in terms of taxes. This being one of the basic pillars of the three fundamental principles of taxation, tax equity is meant to ensure tax equality before the law, which means that taxation must be differentiated in accordance of the amount of wealth and income of each taxpayer.

Thus, analyzing the aspect of fiscal equity in the taxation of personal income from two perspectives, namely: the taxation of income obtained by individuals whose amounts are considered "high income" and taxation of "luxury consumption", which can be considered as overconsumption or consumption in excess of needs, creates doubt about respecting the mentioned principle concerning taxpayers, potential subjects to taxation.

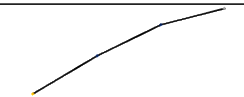
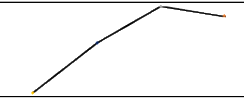
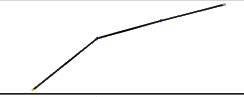
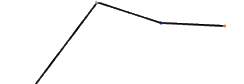
At the same time, the regulation of new forms of taxation under different aspects is analyzed by the legislator, including that of efficiency and ethics which are often contradictory. In the context of efficiency and ethical criteria, this would mean that, in terms of efficiency, the tax should generate maximum revenue to the state budget, and in terms of ethics, the personal situation of each taxpayer should be taken into account in the process of distribution of the public burden, thus ensuring fiscal equity.

Another aspect, certainly, no less important, is the classification of this tax according to certain specific characteristics that determine it to have different implications in socio-economic life, depending on the position it was analysed, for example: the impact on the taxpayer, its neutrality, the object of taxation, the purpose and frequency of tax collection, and others. In the case of the luxury tax, the neutrality classifies this type of tax in the category of real taxes, which by their nature ignore the personal situation of the tax - payer. Thus, in the context of the previous examples, the subject of imposition of luxury tax may be the person who inherited a good considered luxury, but he/she gets a modest income, the amount of which does not allow him/her to pay this tax, that creates this ambiguity about the neutrality regarding the taxpayer.

The classification of this tax according to the purpose of its introduction criterion would mean that this tax must be considered as a fiscal one, i.e. pursuing the purpose of accumulating additional revenues to the state budget, or the purpose is to offer orderly character to tax, respectively, to make order to some extent on a given segment.

Examining the share of this tax in the total budget revenues, including in comparison with the amount of individual revenues payments, we have established that this revenue to the budget is insignificant.

Table 1. Comparative evolution of revenues to the state budget vs the wealth tax (thousand lei)

Period	2016	2017	2018	2019	Total	Graphical presentation of the evolution of revenues
Type of revenue	(lei)	(lei)	(lei)	(lei)		
Total revenues collected for the National Public Budget	27 622 079	32 714 162	36 903 173	39 135 053	136 374 468	
Income tax withheld on wages	3 109 336	3 540 693	3 847 931	3 759 432	14 257 393	
Real estate tax collected from individuals, including the estimated value of real estate	116 946	143 645	152 916	161 446	574 953	
Wealth tax collected to the state budget	34 813	43 551	41 449	41 090	160 903	

Source: elaborated by authors based on the information of the Government Portal:

<https://date.gov.md/ckan/ru/organization/1164-serviciul-fiscal-de-stat>

The information presented in Table 1 shows that the share of the wealth tax to total budget revenues for the fiscal periods 2016-2019 is in a permanent decrease from 0.13% in 2016 to 0.10% in 2019, in the situation where the trend of total revenues to the National Public Budget for the period 2016-2019 is in permanent increase, which constitutes a total amount of 11513 million lei or an increase of about 42%.

At the same time, compared to the revenues to the state budget of the income tax from salary, which has a positive and continuous dynamics, namely from 3109 mil. lei in 2016 to 3759 mil. lei in 2019 or an increase of 21% and the tax on real estate of individuals, the estimated value of real estate included, which also has a positive and continuous dynamics, namely from 116.9 mil. lei in 2016 to 161.4 mil. lei in 2019 or an increase of 38%, the wealth tax collected in the state budget demonstrated an increase of 25% in 2017 compared to 2016, i.e. in the following year after the introduction of this type of tax, and then this indicator decreased continuously so that in 2019 it reached only 18% more revenues compared to 2016.

The emergence of wealth tax in the Republic of Moldova was related to the taxation of goods considered luxury, namely real estate that meets certain criteria. Thus, starting with 01.01.2016, the provisions of Law no. 138 of 17.06.2016 came into force, which supplemented the Tax Code of the Republic of Moldova no. 1163-XIII of 24.04.1997 with Title VI¹ *Wealth Tax* (art. 287¹-287⁷) (4).

For the first time in the history of the tax system of the Republic of Moldova the notion of "wealth tax" is introduced, which has the form of a tax levied on the taxpayer's property, namely real estate for residential use, including holiday homes (except land).

This tax is considered a "luxury" tax and respectively, has an application on certain goods that, according to the provisions of law, meet certain conditions. Thus, all the person's assets must cumulatively meet the following:

- a) the total estimated value is 1.5 million lei and more;
- b) the total area is 120 m² and more.

At the same time, analysing which objects of taxation have to be considered goods in the "luxury" category, we are not sure to confirm that the "order" character is the purpose of its introduction in the category of taxes and, respectively, the motivation of its application in practice. However, the existence of a well-planned long-term strategy, a tendency of a broader application of this tax by introducing some goods and services from a much wider range of products into the category of 'wealth' or 'luxury' and the wealth tax mechanism should finally get much closer to reality approach, that would generate a well-defined purpose by positioning itself well between the two criteria, of efficiency and ethics.

The subjects who are obliged to pay this tax to the state budget are the natural persons who own the above-mentioned real estate. At the same time, the indicated goods can be jointly owned ownership (in use) of several persons, thus, in such cases the legislator establishes that, subject to taxation is considered each of these persons, in the proportion of his/her share.

For situations when real estate is part of the category of "luxury" and is in common ownership in a condominium, the provisions of the law stipulate that subject to taxation is considered, under the common agreement, one of the owners (co-owners), at the same time, the responsibility for the fulfilment of the fiscal obligations lies on all the owners (co-owners).

Residential real estate, according to the classification established for taxation purposes by Government Decision no. 1303 of 24.11.2004, include the constructions and isolated rooms intended primarily for permanent housing and its complementary activities, as well as the lands on which such constructions are located or are to be located, with the following subcategories:

- apartments and isolated rooms in multi-storey buildings;
- apartments in individual houses;
- individual houses, including related land and ancillary buildings in urban and rural areas;
- land for residential construction.

Holiday home, according to the classification established for taxation purposes by Government Decision no. 1303 of 24.11.2004, is a small house located on the orchard lot (villa). Respectively, ancillary constructions related to individual dwellings are subject to taxation and are parts in the estimation of the taxable base.

In the initial version, in force since 01.01.2016, in accordance with the provisions of paragraph (2) art. 287³ of the Tax Code, real estate loan (mortgage) or financial leasing contract are in the category of goods that could be attributed to the luxury ones and to be objects to wealth tax. However, it was subject to taxation only if the difference between the estimated value of the property and the amount remaining until the total repayment of the loan or the obligations of the finance lease is a *positive* one. Starting with 01.01.2018, due to the entry into force of Law no. 288 of 15.12.2017, the paragraph (2) art. 287³ of the Tax Code was repealed.

The modest evolution of this new type of tax was debated within a draft law, so that, as a result of public consultations, a series of proposals were submitted to complete and amend the fiscal policy for the year 2018 in accordance with international practices. Thus, the revision of the wealth tax was on the list of the main measures that constituted the target of the fiscal policy for 2018. The purpose of these amendments was to extend the wealth taxation over the other components of wealth, for which the following proposals were submitted (8):

- *Extension of the wealth taxation for other components of the wealth, namely on cars with a value of more than 1.5 million lei.*

- *Exclusion of the possibility to deduct the value of the real estate loan (mortgage) in order to reduce the risk of tax optimization and simplify tax administration. We mention that the wealth tax is levied only on the property that exceeds a certain value, being considered luxury property.*

- *Exclusion of the area of 120 m² as a criterion for determining the taxable subject. The emphasis is to be on the value of people's wealth.*

The approval and application in practice of the proposed amendments had to establish the taxable base of the wealth tax consisting of the following two components:

- the totality of real estate that a person owns;
- the value of the cars owned (unit value > 1.5 million lei).

Thus, according to the submitted amendments, the subjects of the wealth tax are the persons who own goods (real estate + cars) in an amount exceeding 1.5 million lei.

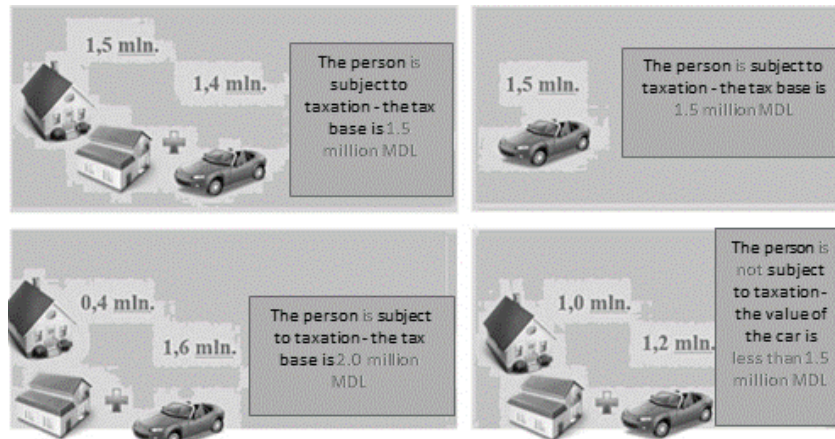


Figure 1 – Exemplification of taxation situations of wealth
Source: Periodical publication "FISC.MD Fiscal Monitor"

Based on the above example, the authors of the draft law demonstrated, as shown in Figure 1, how to determine and attribute the wealth tax according to the amendments proposed by them. Thus, according to situation 1 in the example, it is established that if the natural person owns real estate in the amount of 1.5 mil. lei and a car of 1.4 mil. lei, it is considered subject to the imposition of wealth tax. Situation 2 indicates that if an individual owns a car worth 1.5 million lei without owning any real estate, it will also be considered subject of wealth tax imposition. If a natural person owns real estate whose value is 0.4 million lei and a car worth 1.6 million lei as exemplified in situation 3, he/she will also be considered subject to wealth taxation. If an individual owns real estate worth is 1 million lei and a car worth is 1.2 million lei, as illustrated in situation 4, in accordance with the provisions of the draft law the person will not be considered subject to imposition of wealth tax.

The difficulty of this taxation instrument consists in the a priori delimitation of the real estate in that of residential and non-residential use.

At the same time, their delimitation according to a set surface area of 120 m2 as a criterion for determining the taxable subject also generates arguments on fiscal equity among taxpayers. One of the confusing aspects of this issue is the fact that the taxpayer seen as a subject of taxation *is not analysed in terms of his/her dependents* or in other words, in terms of tenants who de facto live on the housing area which is one of the basic criteria to determine the property attribution to the category of objects of wealth tax imposition.

Revenues to the state budget from wealth tax payments made in the Republic of Moldova in the period 2016-2017 is in a significant increase of about 25% compared to the previous year, but, starting with 2017, we notice a gradually decreasing trend of revenues, which in 2019 reaches about 6% compared to 2017. The trend of the new tax to state budget revenues shows a situation similar to the experience of other states that have used this instrument of taxation of income in the form of wealth (5).

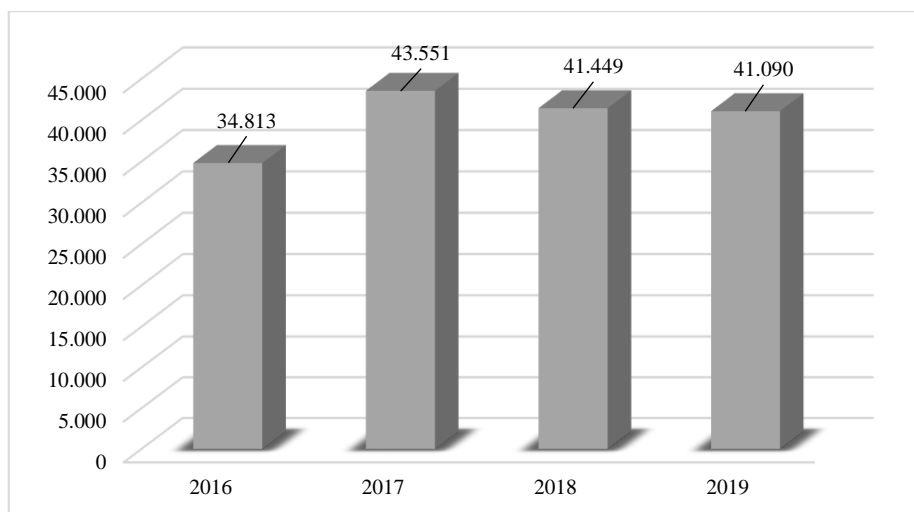


Figure 2 – Evolution of wealth tax revenues to the state budget (thousand lei)
Source: elaborated by authors based on the information of the Government Portal <https://date.gov.md/ckan/ru/organization/1164-serviciul-fiscal-de-stat>

At the same time, starting with 01.01.2018, the amendments to the Tax Code no. 1163-XIII of 24.04.1997, approved by the Law on Amending and Supplementing Some Legislative Acts no.288 of 15.12.2017, by which article 123 of the Tax Code is completed with paragraph (10) having the following content: “(10) For luxury cars, excise duty shall be calculated as the sum of the excise duty determined according to the rate of excise duty established according to the operation term and cylinder capacity and the excise duty in the amount of 2% of the customs value of the imported car. By luxury car is considered the car which customs value is 1.5 million lei and more.” At the same time, a new position has been introduced in Annex 2 of Title IV, as follows:

Table 2. Excise duty rates for means of transport

Tariff position	Name of the goods	Excise duty rate according to the term of operation of the mean of transport, lei
8703	Luxury car	Amount of excise duty according to the term of operation and cylinder capacity and excise duty in the amount of 2% of the customs value

Source: Tax Code of the Republic of Moldova no. 1163-XIII of 24.04.1997 (1).

Thus, starting with 2018, a separate category of goods called “luxury car” was introduced in the Excise section of Title IV of the Tax Code. According to the new provisions the cars whose customs value is 1.5 million lei and more are included in the category of luxury cars.

The taxation of this category of goods establishes that when they are imported into the Republic of Moldova, the subject of taxation is obliged to pay a state tax called excise on the mentioned consumer goods. The tax rate is set ad valorem as a percentage of the customs value of the imported car and was initially set at 2% of the customs value of the imported car, respectively, if the minimum value of this good is 1.5 million lei, it results that the minimum amount of this tax would be 30 thousand lei (2% x 1.5 million lei).

At the same time, it should be mentioned that the application of this tax is an additional one applied to the amount of excise duty paid on the import of excisable in the Republic of Moldova goods generally established for the specific categories of goods.

Starting with 01.01.2020, the Parliament of the Republic of Moldova adopted the Law on amending some legislative acts no. 171 of 19.12.2019, which introduced amendments to art.123 of the Tax Code, so that the text “in the amount of 2% of” is replaced by the words “additional applied to”, and the text “1.5 million” is replaced by the text “600 thousand”. At the same time, Annex 2 of Title IV was amended, namely:

Table 3. Excise duty rate for means of transport

Tariff position	Name of the goods	Amount of the additional excise duty rate applied to the customs value:		
		Customs value of cars (lei)		Additional excise duty quota (%)
		Minimum	Maximum	
8703	Luxury car	600000	700000	2%
		700001	800000	3%
		800001	900000	4%
		900001	1000000	5%
		1000001	1200000	6%
		1200001	1400000	7%
		1400001	1600000	8%
		1600001	1800000	9%
		1800001		10%

Source: Tax Code of the Republic of Moldova no. 1163-XIII of 24.04.1997 (1).

As a result of examining the historical evolution of the wealth tax applied in the Republic of Moldova during 4 fiscal periods, it was determined that the wealth tax was a matter of certain changes, including the object of taxation in 2018, as well as supplementing or complementing the fiscal legislation with a property tax similar to wealth tax, namely excise duty on luxury cars, which has also been applied since 2018, reviewing the object of taxation and the applied excise duty rate mentioned for 2020. The analysis shows that the amount of levied wealth tax is a source of income of insignificant importance as a contribution to the state budget, but as an application and improvement of the long-term taxation mechanism is of particular importance especially for its social character and the highlighted aspects of fiscal equity, fact that generated the need to examine the practices of other countries regarding its application.

It is important to mention that the experience of other states regarding the taxation system with "luxury" or "wealth" tax in different periods of time so far is associated with different forms and methods that are today

differently applied from country to country, such examples are: *taxation of goods, indirect taxation, progressive taxation of income, autonomous luxury tax, etc.*

Wealth tax or otherwise called luxury tax is a way of taxing the assets of an individual. At the same time, the category of these goods or services, appreciated as luxury, partly constitutes part of real estate, the taxation of which, at the same time, takes place on the basis of another type of tax, namely the tax on real estate.

The real estate tax is met in about 130 countries of the world, and the budget revenues from these payments constitute about 1-10% of total revenues (Анимица, 2013). The importance of this tax in different countries varies, but for those in the Anglo-Saxon group of countries, this tax has a much more important contribution.

Wealth tax, as a way of taxing individuals, is historically known as being present in the taxation system of European states during the seventeenth and eighteenth centuries. The current fiscal systems of the European states have more or less preserved this form of taxation, we can mention some example: French Republic, Great Britain, Republic of Croatia, Italian Republic, Hellenic Republic, and others. However, a single position on the suitability of applying special tax instruments to individuals in the category of rich has not been determined.

For example, in *French Republic*, the luxury tax, called "L'impôt de solidarité sur la fortune", has a history of over 30 years. This tax arose from the former wealth tax introduced in 1989, the subjects of taxation being individuals and couples holding assets whose value at 1 January of the current year exceeded the pre-established threshold for taxation. On January 1st, 2018, being replaced by the wealth tax, that progressive tax specified for taxation all assets such as: real estate, securities, property rights and money in accounts above a defined threshold. Budget revenues from wealth tax in France for the period 2007-2018 compared to total budget revenues are shown in Figure 3. At the same time, it should be mentioned that the share of wealth tax revenues in total budget revenues varies from 6.8% to 9.9%, and only in 2018 they significantly decreased to 3.6% (Анимица, 2013).

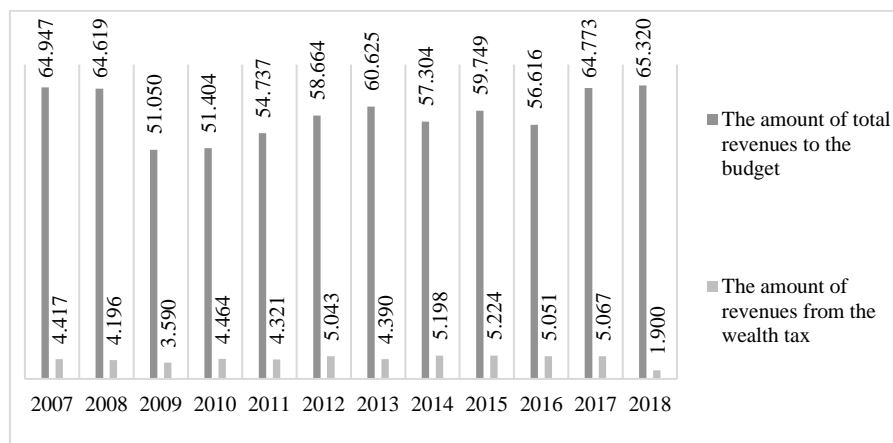


Figure 3 - Information on wealth tax revenues

Source: elaborated by authors based on the information <https://fr.statista.com/statistiques/477214/revenu-collecte-impot-sur-fortune-france/>, <https://fr.statista.com/statistiques/477279/revenu-total-impot-societes-france/>

In the *United Kingdom*, a tax similar to "luxury" is the so-called "Stamp duty" which is levied on the purchased real estate and land, as well as the purchase of shares, bonds and other investment instruments. This specific tax falls within the category of those applied by the compulsory use of special paper with State Mark printed or by the application on plain paper of a special stamp purchased from the State. In some cases this tax is paid in a much higher amount than the real value of the good.

This tax, considering the object of taxation, is a real estate and land tax. The tax rate depends on the value of the real estate or land. If until 4 December 2014, that tax was calculated using several standard rates, then a progressive rate (rates for England, Wales and Northern Ireland) emerged on 4 December 2014 (7).

Table 4. "Stamp duty" tax applied in Great Britain

No.	The value of the good	Standard rate	Second purchase and investment in housing
1.	Up to £125.000	0%	3%
2.	from £125.000 to £250.000	2%	5%
3.	from £250.001 to £925.000	5%	8%
4.	from £925,001 to £1.500.000	10%	13%
5.	over £1,500.000	12%	15%

Source: Taxation in the United Kingdom (7)

For example, when buying an apartment in Liverpool worth £ 600,000:

- no tax is paid for the first £ 125,000,
- for 125,000 - 250,000 pounds, 2% is paid,
- 5% is paid for the sum of over £ 250,000.

Respectively, the tax for to be levied will be: (250,000 pounds x 0.02) + (600,000 pounds - 250,000 pounds) x 0.05 = 2,500 pounds + 17,500 pounds = 20,000 pounds.

In general, many European countries have established the luxury tax, whose object of taxation is real estate with a value above a set limit, considered expensive goods. Today, taking into account various changes, a luxury tax still exists in many countries, such as France, Great Britain, Croatia, Italy, Greece (Шакирова, 2016). In Thailand, for example, the use of the Internet is considered a luxury, respectively, being taxed at a luxury fee of about 30 dollars per month (Сазонова).

The foreign experience on the way of collecting this tax knows various forms of imposing luxury tax applied in practice. Having appeared in Europe in XVII-XVIII centuries, the existence of this type of tax has undergone through various changes during its history and is applied in different parts of the world nowadays.

Table 5. Forms of luxury tax imposition

Country	Tax type
Taxation of goods	
Great Britain	Stamp duty for real estate: 2% - for real estate worth 125-250 thousand pounds; 5% - for properties worth 250-925 thousand pounds; 10% - for properties worth 925-1500 thousand pounds; 12% - for properties worth over 1.5 million pounds.
United States of America	Real estate tax: annually, 1-2% of market value. Inheritance tax in progressive installments: 18% for low-value real estate; up to 55% of real estate worth more than \$ 3 million
French Republic	Property tax for couples, whose cumulative value exceeds 750 thousand euros: the progressive tax rate applies
Italian Republic	Tax on yacht owners exceeding 14 meters in length (introduced in Sardinia).
Republic of China	Real estate tax, home sales tax bought less than two years before: 10-15% of the transaction amount
Indirect taxation	
United States of America	Increased VAT rate on "luxury" goods
Republic of China	VAT: up to 17%; consumption tax: up to 10%. Import duties have been introduced
Progressive taxation of income	
Republic of China	Minimum income tax rate: 5%; maximum: 45%
Japan	If the annual income is below 1.3 million yen, tax is not levied on this income. The majority of the population is taxed at the rate of 30–35%
Autonomous luxury tax	
French Republic	Solidarity tax on wealth: 0.25% of assets worth 1.3 to 3 million euros; 0.5% - related to properties with a value of over 3 million euros. Additional income tax: 1% on income over 1 million euros per year
Sweden	Wealth tax: until 2007 - 1.5% on savings of over 1.5 million Swedish kronor (214 thousand US dollars) for single people; 1.5% - for savings of over 3 million crooners for married couples

Source: elaborated by authors based on sources (Шакирова, 2016)

At the same time, the background of implementing the luxury tax in many countries has experienced unsuccessful developments. In Sardinia, for example, between 2006 and 2009, owners of expensive yachts and private jets were also subject to luxury tax, respectively, for each take-off or landing of a private plane the owner was taxed with an amount, depending on the type of aircraft, from 200 to 1000 euro. Soon, the authorities had to repeal the tax provisions due to the fact that millionaires started to park their ships away from the island (Шакирова, 2016).

The causes of the failures to implement the luxury tax were of different nature, not only of an economic one, but sometimes political or social. For example, up to 2007, Sweden cancelled the taxation of large assets, which amount until then was of 1.5% on savings exceeding 1.5 mil. Swedish kronor (around 214 thousand US dollars) for single people and the same percentage on couple's savings exceeding 3 mil. Swedish kronor. As a result of those measures, 500 million euros were accumulated in the state budget, which represented 2.5% of the total tax collected during the year 2005. However, the Swedish government established that it had caused the mass

outflow of capital outside the country economy, leading to a decrease in investment activity and a slowdown in entrepreneurship. As a result, the Swedish state estimated a loss of non-payment of luxury tax in the amount of 53 million euros considering that wealthy individuals were not willing to pay the tax for their luxury. All that led Sweden to give up the luxury tax in 2007, and even to reduce the real estate tax in 2008 (Шакирова, 2016).

We can also argue about the unsuccessful implementation of the "luxury" tax in the context of the United States of America or Japan experience that after some time from the implementation of this taxation instrument, its inopportune and inefficiency were recognized (Колесникова & Непьянова, 2012).

The "luxury" tax was also repealed in Ireland, Austria, Finland, Germany, Denmark and Luxembourg. Taking into account the imperfection of this instrument, the tendency of developed countries is directed to refrain from using the "luxury" tax to the detriment of other more efficient tax instruments (Анимица, 2013).

III. RESULT AND CONCLUSIONS

The facts reported in the present research confirm that the imposition mechanism of wealth or luxury tax has a long and diverse application in international practice. At the same time, analyzing the experience of practice in applying wealth/luxury tax of other countries, we have established that the tendency to harmonize this tax instrument in compliance with the principle of fiscal equity in taxing the individuals' property has not generated an universal mechanism, widely applied in most countries, being considered unfair to taxpayers, potential subjects of taxation.

At the same time, the different, from country to country, application of this tax, the failures of implementing the luxury tax in the tax systems of many countries, a large part of them eventually gave up this tax mechanism to the detriment of other tax instruments, recognizing it as inopportune and inefficient, raise several questions about this type of tax. Based on the realized research we can establish its effectiveness in certain stages of countries development, especially developing countries, where there is a significant difference between individuals with highly-rated properties and those with median incomes and properties, but when a certain level of economic development of the country that eliminates this social inequity is reached, its application can be repealed.

At the same time, the wealth tax regulations recently implemented in the tax system of the Republic of Moldova are to be adjusted in accordance with successful international practices, and the trend of harmonization of tax legislation to align with international standards may be the most successful chance to create an efficient tax system, with maximum revenues to the state budget and based on the principle of fiscal equity.

The paper in question, by achieving the purpose of investigating the problems of the wealth tax mechanism in both terms of efficiency and ethics, highlighted the existing imperfections of the tax legislation on the imposition wealth tax within the process of harmonization of the taxation system with international standards and practices.

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