

THE INFLUENCE OF FISCAL PRESSURE ON PERFORMANCE ADMINISTRATION OF THE FISCAL SYSTEM IN ROMANIA

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Abstract

In both, literature and practice, the terms of competitiveness, modernization, coherence and efficiency are increasingly used when it comes about the tax system in general, with its components, and especially with the first component, the tax system. In this regard, it is envisaged to set fiscal policy on a normality by targeting a competitive, coherent and efficient tax system that maximizes efficiency for a nation's economic and social life under controlled fiscal pressure. Thus, we believe that the problem of efficient administration of the entire fiscal system and not only of the fiscal activity had to be posed, which would lead to a fiscal optimum, which all states, including Romania, are looking for.

Keywords: *fiscal pressure, fiscal system, tax, competitiveness*

JEL Classification: H24, H25, H27

1. Fiscal revenues- the main component of the fiscal system.

In a market economy, taxes and duties as part of the tax system are one of the most important fiscal policy instruments that the state uses in social and economic activities. From the analysis of the budgetary laws in Romania, between 2008 and 2017, it can be noticed that the public financial revenues come from 92-95% of fiscal revenues (taxes, duties and other fiscal contributions), so fiscal pressure plays an important role in achieving the fiscal optimum.

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Table no. 1 Main components of the fiscal system

Year	State Budget	Corporate tax	Income tax	VAT	Excise duties	Custom duties
2008	95305,3	13039,9	18413,9	40873,6	13660,5	970,7
2009	86883,8	10617,1	18551,4	34322,4	15518,6	679,4
2010	95937,6	10090,9	17858,3	39246,0	17247,1	592,3
2011	106357,7	10289,2	18849,4	47917,4	19025,7	669,3
2012	113952,6	10824,7	20732,4	50516,0	20171,6	707,5
2013	117688,6	10893,2	22514,0	51827,0	21016,5	620,0
2014	123145,7	12190,3	23441,7	50878,5	24000,6	643,0
2015	137461,3	13772,7	26337,9	57132,2	25918,0	816,0
2016	137467,7	15394,7	27454,0	51675,1	26854,9	882,7
2017	142404,3	14691,3	29930,2	53543,7	26491,1	933,3

Source: 2008-2017 reports, www.anaf.ro

In the period 2008-2017, the structure of tax revenues reveals that the highest share is the VAT followed by the Income Tax. The lowest contribution to fiscal revenues is recorded in the corporate tax and customs duties. If, in the case of customs duties, there is an explanation regarding the low volume of revenues paid to BGCS due to the fact that Romania's main trading partner is the EU countries, in the case of the corporate tax this evolution is difficult to explain from the point of view of the tax authorities.

Table no. 2 Fiscal revenues by category

Year	Direct taxes	Indirect taxes
2008	35140,3	56467,1
2009	32935,3	51176,0
2010	35739,2	57659,3
2011	36743,6	68286,4
2012	42335,1	72102,1
2013	45302,1	74083,5
2014	49051,0	76165,0
2015	53974,5	84639,2
2016	58055,0	79412,7
2017	61436,2	80968,1

Source: 2008-2017 reports, www.anaf.ro

As we can see in table no. 2, both direct and indirect taxes have an ascending evolution, but, indirect taxes with a higher share in the total revenues. This unfavorable evolution of the direct taxes is explained by the fact that in the real economy there was no actual real economic growth that supports the increase of the profitability of the economic actors and implicitly of the employees. Thus, the tax base related to corporate tax and income tax had a continuous degradation and implicitly there was a decrease in the direct tax participation in the constitution of the public financial resources of BGCS. In the case of indirect taxes, this upward trend is due to the increase in the VAT rate towards the end of the analysis period and the change in the level of excise duties on a series of products with an increased share in the consumption of economic actors and the population.

2. The influence of fiscal pressure on the formation and administration of public financial resources

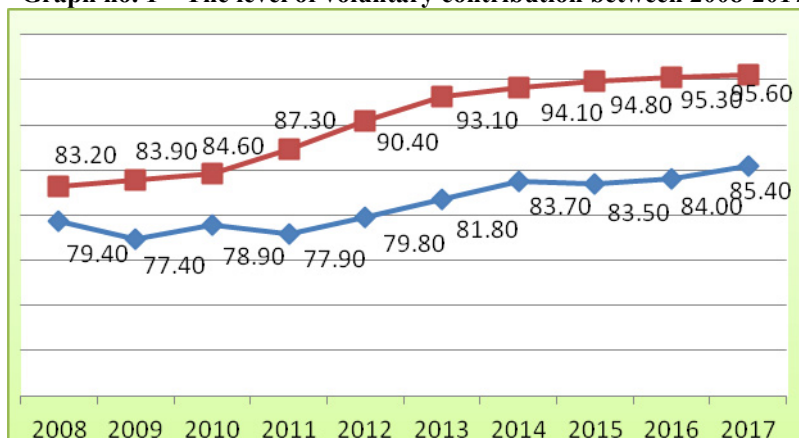
The fiscal pressure implies certain limits of taxpayers' supportability. These limits are imposed by the responses of taxpayers who can resist the increase in mandatory levies by reacting through evasion, fraud, production cutbacks, or even riots. If, up to a certain point in time, the tax is paid voluntarily by the taxpayer, at some point when taxes exceed certain limits of supportability, phenomena are created that seriously impose the state's resources in terms of collecting revenues.

Thus, fiscal pressure is defined by [Brezeanu P. (2009)] as the "relative expression of the tax burden borne by the taxpayer". Also, some authors [Talpos I, Enache C. (2001)] appreciate that the pressure "signifies how overwhelming the taxes are, or, in other words, how big the tax burden is on the taxpayer's shoulders."

Regardless of the way of defining, [Ungureanu M.A. (2013)] consider that the fiscal pressure can be interpreted from the perspective of taxpayer and state:

- *“From the perspective of the taxpayer.* Tax pressure expresses the degree of taxpayer's submission to the tax burden imposed by law. The magnitude of the fiscal pressure, in this case, shows what percentage of the income, which is the taxable matter, will be taken away for the general needs of society. The increase in the fiscal pressure coefficient indicates an increase in levies to the state budget and, respectively, a reduction in the revenue left to the taxpayer.
- *From the perspective of the state receiving the tax.* The magnitude of fiscal pressure indicates what part of the national income created by taxpayers is to be formed in tax revenue. For the state, the increase in fiscal pressure means an improvement in the public expenditure financing mechanism, while a fall in fiscal pressure influences the level of the budget deficit.”

Graph no. 1 – The level of voluntary contribution between 2008-2017



Legend:

Voluntary compliance to payment

Voluntary compliance to filling tax declarations

Source: 2008-2017 reports, www.anaf.ro

Fiscal pressure is burdening, taxpayers are trying to circumvent the law and the state put pressure on them through new taxes or increasing existing ones plus excessive bureaucracy. However, as we can see in Graph no. 1, in the analyzed period, the level of both voluntary compliance to payment and to filling tax declaration grows. But is interest to notice that the level of voluntary compliance to filing tax declaration is higher than the voluntary compliance to payment and the difference is about 10%.

In the view of many specialists, the main cause of the increase in fiscal pressure is the continuous increase of public expenditures, the evolution of which is subject to certain economic, social and political "laws". Any significant increase in the level of taxation and, implicitly, in binding levies can bring competitiveness risks, ie price increases, declining self-financing, investment, and modernization.

Fiscal pressure on its optimal level particularly preoccupied the american economist A. Laffer, who plotted (Laffer curve), based on an idea by A. Smith - tax rates, which, if too high, could destroy the basis on which taxation is based.

Laffer estimates that there is a threshold for fiscal pressure, which can generate a reduction in tax revenue if it is overcome and may lead to taxpayer discouragement from investing, producing, working, saving.

According to the Laffer curve, the sum of mandatory withdrawals is an increasing function of the tax rate (the tax pressure rate), only up to a maximum threshold corresponding to the maximum level of the curve, after which it becomes a decreasing function of this rate, going until the cancellation if the rate reaches the theoretical level of 100%.

Laffer's curve, however, remains a purely theoretical representation of the facts presented, which does not allow for accurately identifying the measure of this tax threshold M, at which fiscal pressure can be considered excessive. This threshold varies depending on territorial and economic circumstances, so that the tax system in a particular country will be left or right on the M point [Mara E.R. (2009)]. Also, this threshold differs not only from one tax system to another, but also from one tax to another and according to taxpayers and its ability to bear the fiscal pressure.

Laffer's curve can be divided into two areas: zone I: the left area (normal or permissible area) in which the increase in the tax rate ensures the increase of receipts and zone II: the area on the right of the M point considered optimum point (the inadmissible area) where any increase in the tax rate has the effect of reducing the revenues and the correlation between the two becomes indirect.

Laffer estimates that when the maximum level is exceeded, through a reduction in fiscal pressure, it is possible to increase the yield of mandatory levies, thus re-investing the economy.

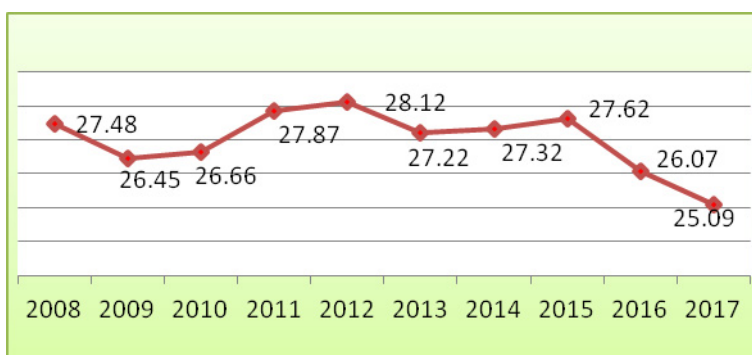
In fiscal practice fiscal revenues are mainly identified with taxes and duties, which represent the oldest and most traditional means of financing available to the state for the fulfillment of its functions and tasks, while at the same time constantly evolving. In addition, the public authority also calls for the introduction of special levies, called contributions, to ensure adequate social protection for people in difficulty.

Public finance theorists who consider social contributions as tax levy are based on the inclusion in the BGCS of the public budgets fed by the mandatory collection of these contributions, ie the state social security budget, the national health insurance budget, the

unemployment fund and other special budgets. Although social contributions are burdensome for subjects they incur as are required by law.

In view of the above, we consider it necessary to use two concepts, namely: the comprehensive concept of *mandatory levies* that includes all taxes, duties and contributions that determine the general consolidated budget; the concept of tax levy, which relates only to taxes and duties that determine state budget revenues and local budgets.

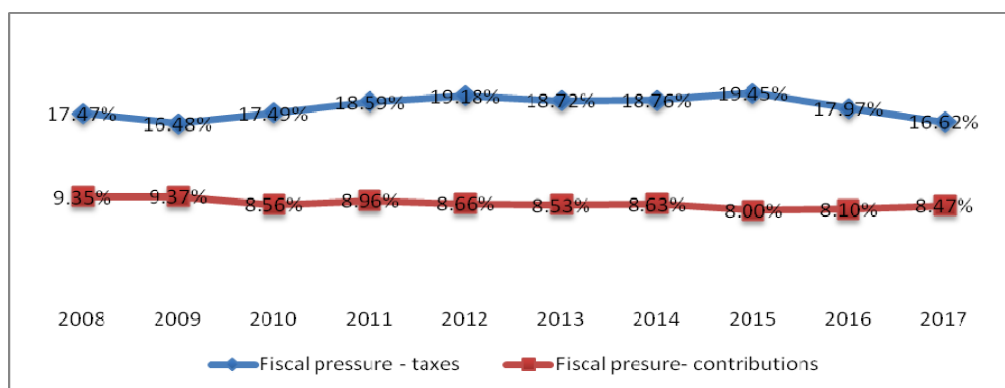
Graph no. 2 Evolution of fiscal rate



Source: 2008-2017 reports, www.anaf.ro

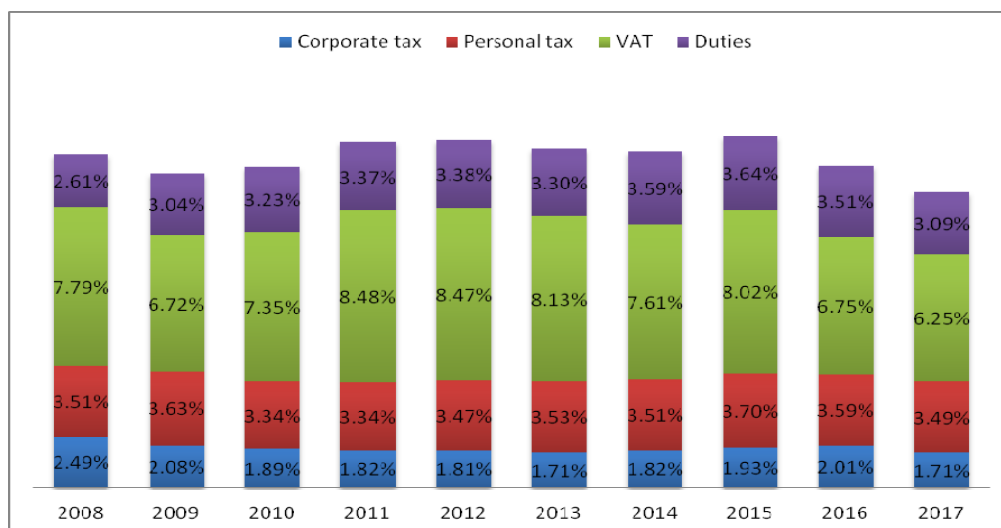
Graph no. 2 shows that in analyzed period (2008-2017) the evolution of fiscal rate, calculated by report between total fiscal revenues and GDP it's relatively constant, with an average of 26,99%, a minimum of 25,09% in 2017 and a maxim of 28,12% in 2012.

Graph no. 3 – Fiscal pressure based on taxes and contributions



Source: 2008-2017 reports, www.anaf.ro

From graph no. 3 we can observe that the evolution of fiscal pressure in both cases is constant. Thus, the fiscal pressure based on taxes is higher than based on contributions, the level is double.

Graph no 4 – Fiscal pressure based on corporate tax, personal tax, VAT and duties

Source: 2008-2017 reports, www.anaf.ro

Graph no 4 shows that in the analyzed period (2008-2015) the fiscal pressure, calculated on the main types of taxes contributing to the constitution of the public financial resources of BGCS, present the following evolution:

- the highest rates of fiscal pressure (6.25-8.48%) are registered in the case of VAT because it is the main tax contributing to the constitution of the public financial resources (the weight of VAT in the total fiscal revenues in 2008-2017 is of 29%);
- at the opposite end, there is corporate tax that shows the lowest tax pressure (1.17-2.49%) on the taxpayers (the share of the corporate tax in the total tax revenues in the period 2008-2017 is 7%).

3. Conclusions

As a result, we can state that a tax system can be managed in a performance-efficient manner under fiscal efficiency, if all three of its components tend towards harmonization, competitiveness and consistency.

Therefore, in the philosophy of efficient tax administration, we must take into account the limited nature of public financial resources, which still have a growth trend, this tendency being conditioned by the increase in public expenditures due to the general social needs of the ever-increasing society.

In conclusion, the main strategic objectives of public institutions with attributions in the efficient management of public financial resources should be structured as follows:

- reducing the volume of arrears, especially preventing the creation of new arrears;
- introduction of quality standards for the services provided;
- initiating the process of dematerialization of the fiscal file;
- stimulate on-line submission of electronic declarations and payments;
- establishment of electronic attachment to third parties;
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- communication of administrative documents to taxpayers via e-mail.
- increasing the effectiveness of administrative sanctions (ensuring a unitary treatment of taxpayers, depending on the degree of voluntary compliance);
- implementation of electronic commerce control;
- the expansion of IT and the improvement of the computer systems used in the fiscal inspection activity (updating and updating of the database with special fiscal cases identified, implementation of the IT security policy);
- cooperation with the national structures with attributions in the fight against fiscal fraud;
- improving the control act;
- prevention of tax evasion at the collection stage; to increase enforcement measures, with emphasis on the application of seizures.

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