

## ANTI-CRISIS MEASURES OF A FISCAL NATURE – INTERNAL SOLUTIONS ADOPTED TO ATTENUATION THE EFFECTS OF THE FINANCIAL CRISIS

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**Abstract:** *Achieving the goals of the Government tax policy is not possible without a corresponding tax administration fitness without a modernization in relation to the requirements of Romania integration in the European Union. Achievement of the objectives and satisfying the requirements of European Union integration can be satisfied by a reformed tax administration on at least two ways: increasing the efficiency of collection of revenue by raising collection, reducing the expenditure necessary to finance this process and taxpayers confidence in the ability of the tax authority to manage the implementation of tax legislation.*

**Key words:** *tax system, crisis measures, fiscal policy, taxation*

In Romania anti-crisis measures, undertaken expeditiously in 2009 by the Government, supported by the IMF, the EU and the World Bank contributed to the normalization of financial conditions. Despite these measures, the conditions have proved more difficult than anticipated. Economic activity continued to be marked by recession in the last months, due to internal growth, and the slow return of key trading partners, which will cause the economic recovery of our country to be visible later.

Fiscal policy was considered to be part of the national macroeconomic policy mix marked the highest level of uncertainty, given the delay to improve the budgetary revenues and adjustments necessary on the current expenditure of the public sector. Thus, for the purpose of budgetary incomes whose level was deeply affected by the economic and financial crisis and to achieve a balance between income levels and expenditure, in line with the objectives of macroeconomic measures have been taken to widen the tax base.

The medium-term objectives of fiscal policy are:

- Providing a stimulating environment and non-discriminatory;
- Improving the sustainability of public finances by increasing the budgetary revenues;
- Improving efficiency and accountability in the use of public resources that will lead to effects increase the quality of public finances;
- Clarity, cohesion and correlation in the development of fiscal legislation through adaptation to the requirements of the business environment.

Implemented measures are well targeted, well-defined in nature over time and are coordinated with the European Economic Recovery Plan. Their effect is relatively difficult to quantify in terms of quantity while the links between the various economic policy instruments and macroeconomic volatility is uncertain due to unprecedented macroeconomic. Most likely, however, had it not been implemented this program, the pace of contraction of gross domestic product and side effects on the labor market, more specifically the employment and unemployment were higher implying a higher opportunity cost economy and society as a whole.

Passing over the inevitable short-term costs, the crisis should be seen a major opportunity to implement budgetary and structural form measures to increase long-term capacity of the Romanian economy to face global competitive pressures, to attract foreign direct investment and create jobs.

An important component of fiscal consolidation but that also will support economic recovery and partially offset there duction in private sector activity is to maximize with drawals from structural funds to finance public investment. The level of public investment will be maintained due to positive impaction economic growth potential but their funding will be driven by European funds.

Economic and fiscal objectives at national level have been adjuste of response to the current economic crisis, but still key priorities are to ensure the sustainability of public finances in the medium and long term and equitable distribution of tax burden between generations and expenses and short-term monetary support, in particular symmetric operation of automatic stabilizers to limit the volatility of the economy and supporting the fur the reduction of inflation. Macroeconomic policy coordination, especially the income tax and them one is needed to correct macroeconomic imbalances.

Significant deterioration of the macroeconomic context requires the necessity for a flexible fiscal policy, efficiency and performance oriented, built on sectoral priorities that correspond to sections of reform and be consistent with the budget deficit criterion.

The major challenge in a time when the Romanian economy is in recession is the implementation of structural reform measures of austerity urgent nature to correct structural in balances.

Figure no. 1

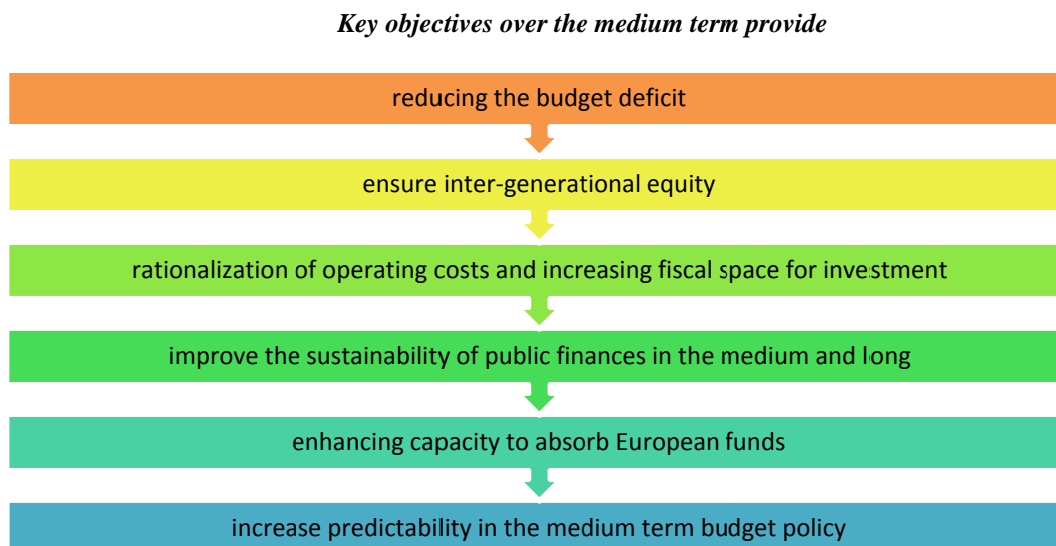
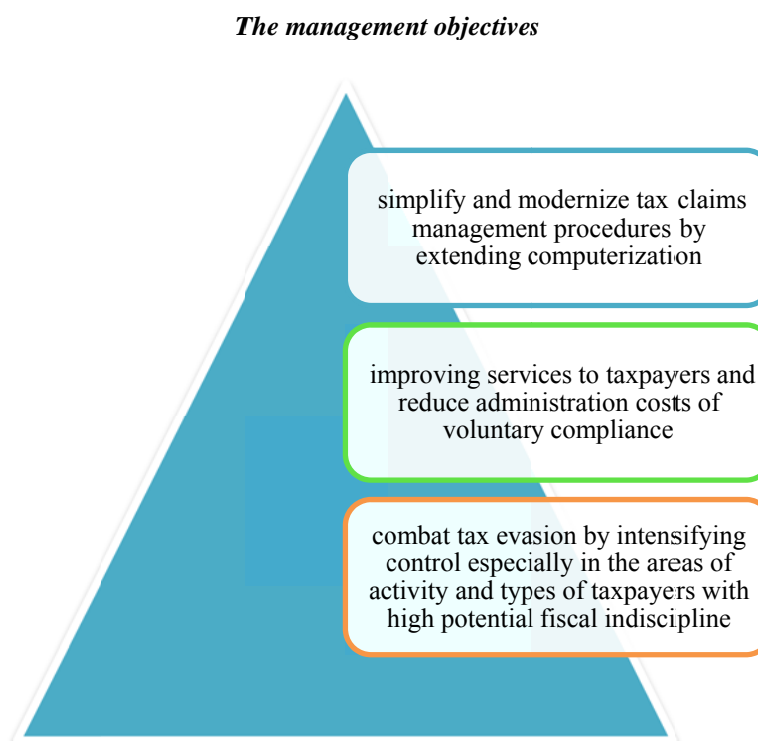


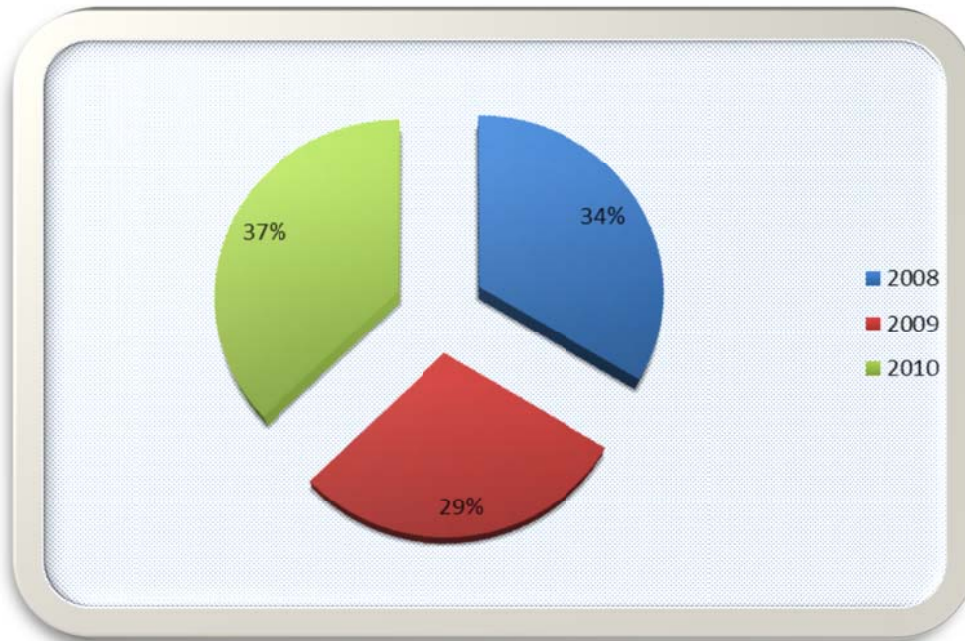
Figure no. 2



Global economic activity has seen a revival in the last quarter of 2010 and basic indicators show accelerating economic recovery. The global economy has exceeded the critical point of crisis, recorded in 2010 a recovery in demand in many advanced economy and developing countries.

Year 2010 was characterized by a very good evolution of the Romanian foreign trade. The achievements are even higher than those recorded before the crisis, bringing exports and an important contribution to reducing economic down turn (figure no. 3).

Figure no. 3



Source: [www.mfinante.ro](http://www.mfinante.ro)

Taking into consideration the world economic growth to streng then in the next period as a result of over coming the economic and financial crisis in the period 2012-2014 is estimated average annual growth of 13.6% of goods exports and imports of 11.6 %.

EU anti-crisis measures adopted are:

- ▶ direct support of the household power consumption byreducingthe income tax;
- ▶ temporary reduction of value added tax;
- ▶ reduction of the profit tax;
- ▶ measures focused on energy sector (Italy reduced excise gas used for industrial purposes) or tourism (low taxation Cyprus tourism).

Romania does not excel in fiscal measures compared to those of European countries, mainly due to financial inability to respond to such measures.

Fiscal policy pursued in 2011 is a prudent policy, which envisages the continuation of restrictive fiscal consolidation efforts to achieve a target budget deficit (in cash) of 4.4% of Gross Domestic Product (PIB).

Estimating revenues was based on:

- maintaining unchanged tax rates for incometax, incometax and value added tax;
- supplement revenues by combating tax evasion;
- improve tax collection and administration.

Expenditure policy promoted spending for 2011 is the main challenge to ensure continuity adjustments, maintaining budgetary constraints and structural reforms.

Investment costs are expected to have a share of 6,5% of Gross Domestic Product (PIB) and approximately 17% of total budgetary expenditures, thus helping to stimulate economic growth. Another priority in budgetary policy is the acceleration of European funds absorption. Moving the center of gravity of financing public investment on internal resources to the EU will facilitate the adjustment process and achieve the specific objective in the medium term.

Achieving a high level of absorption of European funds in the period 2011-2013 is one of Romania's strategic objectives and at the same time, taking advantage of a major benefit of membership. This goal requires focus of substantial efforts to ensure an efficient system of access and deployment of funds and eliminating/limiting any barriers that may affect the absorption process.

The financial crisis has put in front of the Governments of a number of challenges, of which the most important:

- a new approach to budget fiscal policies by Governments, which must make rational choices and smart spending, to analyse the costs of the actions undertaken and to design again costs to get the maximum effect in conditions of limited resources;
- a coordinated global response of the authorities of the affected countries to focus on a better recognition of all actors, including and developing countries;
- the need for recognition to improve public services and their reform, the need to do more with fewer resources, that is, a partnership between Governments, business, labour and civil society.

In order for Romania to be competitive on the world market, in terms of taxation, is necessary to reduce the fiscal burden. We need investment capital, Romanian and foreign, to create jobs and for the rapid growth of the life of Romanians.

Measures to strengthen social protection focused on pension programmes, assistance and alleviating the impact of the current financial crisis, and the problems of an economic nature, improving the efficiency and viability of these programmes for the future. In the financial sector, reform measures supported by this operation falls into two broad categories — contingency planning and reforms to improve governance and to oversee the financial sector, to strengthen the resilience of the sector's stability, and functionality.

### **Conclusions:**

The main objective of fiscal policy is to reduction of the budget deficit below 3% of GDP in 2012 according to commitments under the Agreement with the IMF and the EU.

Increasing the quality of public finances by further streamlining operating expenses and promotion of sustainable policies to enhance revenues by improving collection and reduction of evasion is essential in order to continue the consolidation of public finances while maintaining a high level of investment public and accelerating the absorption of European funds.

These objectives will be facilitated by the existence of a favorable macroeconomic environment, both national and European manifested by a gradual resumption of economic growth and sustainable.

States must assess the impact of the crisis and them easures will have on the economy and end the crisis. The effect of the crisis is felt best by international consensus on the tax effect of foreign investment.

In recent years, in Romania there is increasing pressure for tax purposes what causes the following risks:

- risk reduction in productive effort, represented by deterring by high taxes and fees;
- the risk of fraud and tax evasion;
- the risk of inflation through taxation.

The problem of fiscal pressure in Romania is more present than ever, due to the following considerations:

- ▶ first, because we are in the phase of the modernization of the Romanian tax system;
- ▶ secondly, our country's economy felt the lack of capital available to be invested, which requires practicing a special fiscal policies;
- ▶ thirdly, because of the situation actule the economy, the income of all categories of taxpayers is inadequate to be encumbered by a tax too high without give rise to unwanted traces.

Romania has adopted fiscal measures designed to reduce the impact of the crisis, a financial framework to mobilize international supported mainly by the IMF and World Bank, EU, and to resume implementation of the structural reform agenda. The World Bank Group intends to complete and support this program by helping the Government to implement structural reforms, so as to reduce the impact of the crisis by reducing the social and economic vulnerability, as well as through the establishment of a database necessary for sustainable economic growth.

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