

CONSIDERATIONS ON FISCAL POLICY AS A TOOL OF ECONOMIC RECOVERY

Stoichin Elena Mădălina

PhD student, "Constantin Brâncuși" University, Târgu Jiu, Romania

dascalumada@yahoo.com

Chirculescu Felicia-Maria

Teaching Assistant, PhD Student, "Constantin Brâncuși" University, Târgu Jiu, Romania,

chirculescu_felicia@yahoo.com

Abstract: One of the most important components of social and economic life is the public finances, with direct implications on the formation and distribution of gross domestic product. State, in order to establish their own funds to set up the concept according to which, any natural or legal person carrying out an income or owns a dime in the category of those taxable in the State due to tax or duty.

Starting from these considerations, the paper analyses, on the one side, the influencing factors and effects of increasing fiscal pressure, and, on the other side, the role of fiscal policy in the economic relaunch.

Key words: domestic economy, tax, budgetary, fiscal code, gross domestic product.

1. Introduction

One of the most important components of social and economic life is the public finances, with direct implications on the formation and distribution of gross domestic product. State, in order to establish their own funds to set up the concept according to which, any natural or legal person carrying out an income or owns a dime in the category of those taxable in the State due to tax or duty. "

It is very normal for a State to secure the necessary revenue generally anything that moves, profits, labor, land, and especially consumption. The state not to make a goal to raise money in any unduly increasing the cost to the budget and getting rid of taxes and fees to the decisive contribution of taxes just to increase work efficiency and increase national competitiveness.

In this context, it is obvious the role of taxes, fees and compulsory contributions to the formation of public financial resources required to meet the needs of the public. As a result, you cannot discuss the existence of a State without all these samples required. But a widely debated issue is the proportion that the distribution of a set in the value of the newly created national economy level. This forms the basis for determining the fiscal pressure which represents tax indicator indicating the extent to which taxpayers bear in their wealth and income from taxes and duties, as compulsory levies imposed and charged by legal coercion by the State in a fiscal year. [.....].

Fiscal policy decisions influence not only on the structure and behavior but are part of fiscal stabilization policy. Therefore, the purpose of the tax system is to achieve its objectives of a financial nature (financing of the budget), economic (acting on distribution system welfare). An element of finality to quantify the tax system is fiscal pressure).

Fiscal pressure as the size the amount of compulsory levies (taxes plus social security contributions) and gross domestic product. This approach should be supplemented with the psychological perception of taxpayers on the level of tax liabilities. From this point of view, fiscal pressure reflects the ratio between the total levies incurred by the taxpayer and the total revenue earned by him before tax [... ..]. It is however sufficient consideration of the relation between the amount of the levy and that of income or GDP? We believe that it is necessary and an analysis of the factors that have influenced the amount of the two elements underlying the determination of this indicator.

In tax practice derived using other indicators to measure the tax burden of which:

- Rate consolidated taxation, remove some redundant samplings of character in order to better express the income level for financing. Administration building activity is to eliminate social security contributions and taxes paid by public administrations and the second level building is obtained by removing all self-financed compulsory levies.
- Net taxation rate is obtained by eliminating the mandatory levies trader straight redistributed especially for families as social benefits and subsidies to enterprises.
- The rate of taxation results from taking into account extended to certain sources of financing public expenditure, other than compulsory levies.

The importance of this level is reflected in the indicator of the need to establish an optimal distribution of the income earned for the General needs of the future and the development of the economy. Any further liability or even of any change in the percentage of the existing tax liabilities may adversely affect the economic development will be passed, on the future of any actor in the economic plan running economic or social.

2. Influencing factors and effects of increasing fiscal pressure

As I noted above, the level of taxation must not be interpreted stricto-senso indicator, but a starting point in an analysis that would highlight the factors that you. The level of taxation is determined and influenced by many factors, among which may be entered:

- the economy's capacity to create added value;
- efficient use of resources obtained from taxes;
- the disproportion between the public and private property; -
- the size of the public needs to be priority in coverage with financial resources at the level of the budget year;
- the degree of acceptance by the contributors of budgetary needs and tolerance of mandatory levies;
- the type of social organization registered in a given period or another.

This influence makes between tax level and the base represented by gross domestic product (GDP) that there is a correlation with due care.

Effects caused by the increasing fiscal pressure are manifold. Of these the most important are: the possibility to register a decrease in productive efforts due to avoid some obligations that would generate additional mandatory levies; the imposing, stimulated as tax rates are higher (record the orientation towards the black economy or capital to countries of migration with a much more lenient fiscal legislation and with a reduced level of taxation); a process of growth of prices (it's well-known tendency of economic operators to recover tax liabilities incurred on account of the selling price of goods delivered or services rendered, work done) and the default rate of inflation; affecting the level of competitiveness of the economy in plan international (increasing the tax burdens on economic operators may be reflected in the prices of products but also in reducing economic entities of assimilation of technical progress and future development).

3. The role of fiscal policy in the economic relaunch

Fiscal policy may be considered as a series of measures and regulations governing the size and the categories of tax liabilities, the procedures for determining, collecting and checking the budget resources available through taxes and fees, provision of specialist nurse at the level of taxpayers for the correct application of tax legislation. This fundamental component of General State policy provides a set of levers which influencing processes processes conducted at the economy as a whole.

In order to obtain favorable results, resulting in a process of economic growth, public authorities shall establish strategic objectives with specific actions and measures intended to ensure the necessary financial resources. In our country, the fiscal measures adopted in the plan after the transition to as were passed in a gradual process of setting up a tax system and thus on the level of fiscal pressure borne by taxpayers.

Since 1990, and so far the level of taxation has changed constantly, both in terms of gross domestic product variation and depending on the variation of income tax. In this sense can be identified four significant periods in economic development, as follows:

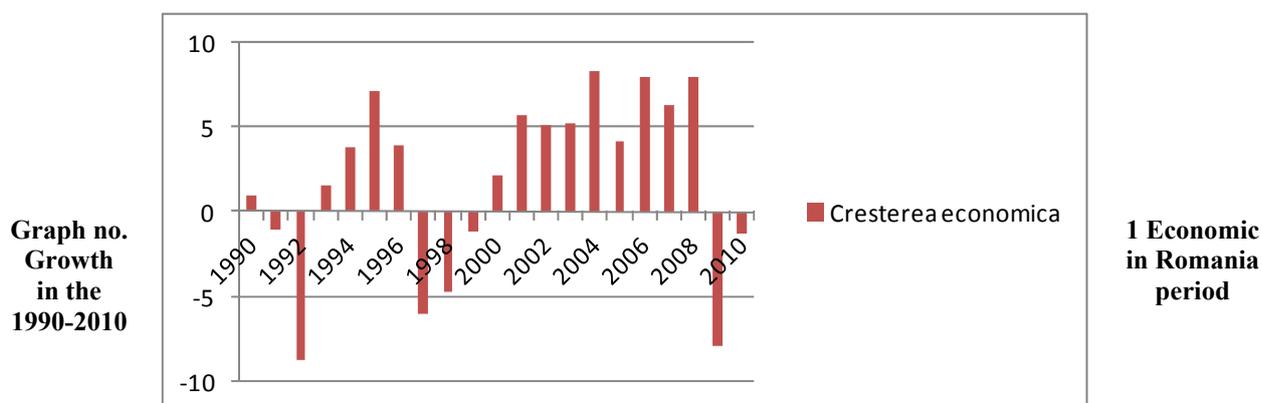
- 1990-1992, considered to be a stage of decline, in which there has been a reduction from 40.8 billion. \$ to 19.6 billion \$;
- the period 1993-1999, in which there is a moderate growth of GDP, with 16-billion-dollar;
- 2000-2008 period, marked by a boom "of the gross domestic product which raised from 40,2 billion. euro at 136,8 billion. euro; in 2000, GDP grew in real terms by 1.6%, compared to the previous year; 2008 was the last in which Romania's GDP grew at a rate of 7.1%, reaching 503,9 billion. lei (136,8 billion);
- the fourth stage is the period after 2010 and until now, considering that Romania, from the technical point of view, has entered into recession in 2009, when gross domestic product has fallen for two consecutive quarters, from 503,9 billion lei in 2008 to 491,2 billion lei in 2009; economic growth was negative in 2009 with a high level, 8%, while in 2010 the find of-1.3%; the only positive aspect for 2009 was the reduction of imports (-11.1%) and increased exports (2.9%), but not necessarily as a result of a friendly policies but especially as a result of the phenomenon of reduction in demand worldwide.

Table No. 1 Evolution of GDP in Romania in the period 1990-2010

| Year | Gross domestic product (million lei) | Deflator GDP (compared to n-1) - % - | Real GDP |
|------|---|---|----------|
| 1990 | 85,80 | 113,6 | 755,19 |
| 1991 | 220,00 | 295,1 | 746,83 |
| 1992 | 600,00 | 300,0 | 681,03 |
| 1993 | 2000,00 | 327,4 | 691,25 |
| 1994 | 4970,00 | 239,1 | 718,20 |
| 1995 | 7210,00 | 135,3 | 769,31 |
| 1996 | 10900,00 | 145,3 | 799,45 |

| | | | |
|------|-----------|--------|----------|
| 1997 | 25200,00 | 247,3 | 750,68 |
| 1998 | 33800,00 | 154,2 | 719,48 |
| 1999 | 54500,00 | 148,7 | 706,39 |
| 2000 | 70654,10 | 145,4 | 715,55 |
| 2001 | 116768,10 | 137,4 | 756,27 |
| 2002 | 151475,00 | 123,5 | 794,68 |
| 2003 | 197600,00 | 119,4 | 867,47 |
| 2004 | 246372,00 | 115,8 | 938,60 |
| 2005 | 287186,00 | 110,8 | 989,20 |
| 2006 | 344650,00 | 106,5 | 1.249,18 |
| 2007 | 416006,80 | 104,8 | 1.438,25 |
| 2008 | 514700,00 | 107,8 | 1.649,80 |
| 2009 | 491000,00 | 105,59 | 1.534,71 |
| 2010 | 513600,00 | 106,09 | 1469,86 |

Source: inse, own calculations



During the period under review, there have been changes to the tax revenue both in terms of volume and structure, as a direct result of the evolution of economic and fiscal measures adopted. Thus, fiscal policy always promoted did not bring the stability required to develop a harmonious and sustainable economic environment and no increase in real incomes of the State budget tax revenues. evolution during the analysis period is presented in table 2 and chart number in the nr. 2.

Table No. 2 evolution of income tax in Romania in the period 1990-2010

| Year | Income tax | Direct taxes mld. Lei | Indirect taxes mld. lei |
|------|------------|-----------------------|-------------------------|
| 1991 | 479,4 | 278,9 | 200,5 |
| 1992 | 1291,8 | 789,4 | 502,4 |
| 1993 | 3654,4 | 1.880,5 | 1.773,9 |
| 1994 | 8318,8 | 4.550,4 | 3.768,4 |
| 1995 | 12454,5 | 6.340,6 | 6.113,9 |
| 1996 | 17523 | 8.532,6 | 8.990,4 |
| 1997 | 40051 | 20.516,7 | 19.534,3 |
| 1998 | 60677,9 | 22.714,2 | 37.963,7 |
| 1999 | 85019 | 26.560,8 | 58.458,2 |
| 2000 | 114394,5 | 31.472,5 | 82.922 |
| 2001 | 137277,1 | 41.146,3 | 96.124,7 |
| 2002 | 167752,4 | 41.851,2 | 125.901,2 |
| 2003 | 236022,7 | 50.193 | 185.829,7 |
| 2004 | 302527 | 75.854 | 226.673 |
| 2005 | 345312 | 89.625 | 255.687 |
| 2006 | 379002 | 118.493 | 260.509 |
| 2007 | 448242 | 149.316 | 298.926 |
| 2008 | 551336 | 190.174 | 361.162 |
| 2009 | 481529 | 167.967 | 317.898 |

Source: inse

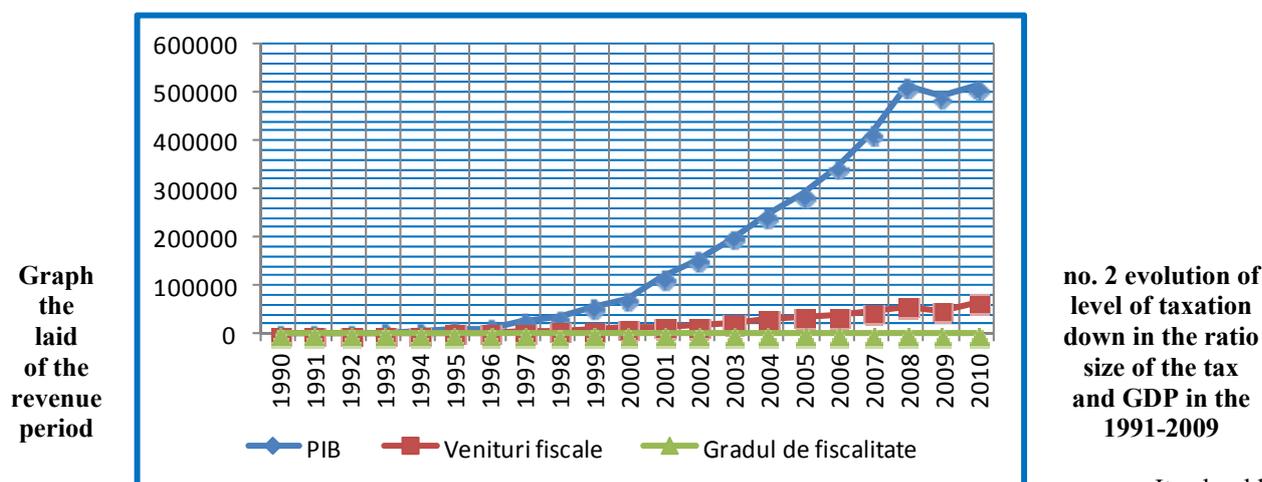
From information submitted it appears that the increased tax revenue permanently since 1990 to 2008, when the effects of the economic crisis began to feed through to the full year 2009 was marked by a decrease in tax receipts visible. Many companies have either ceased or were unable to honour its tax obligations.

Change in gross domestic product, and not only led to changes in the terms of the level of taxation in Romania, because as we know the degree of tax shall be calculated by reporting all revenue collected tax from the State budget to the gross domestic product.

Using data corresponding to the income tax and gross domestic product in the period under review have determined the appropriate level of taxation in table 3.

Table No. 3 the level of taxation in Romania in the period 1990-2010

| Year | Actual income tax | Real gross domestic product | Level of taxation (%) |
|------|-------------------|-----------------------------|-----------------------|
| 1991 | 162,45 | 746,83 | 21,75 |
| 1992 | 145,92 | 681,03 | 21,43 |
| 1993 | 126,08 | 691,25 | 18,24 |
| 1994 | 120,04 | 718,20 | 16,71 |
| 1995 | 132,82 | 769,31 | 17,27 |
| 1996 | 128,62 | 799,45 | 16,09 |
| 1997 | 118,87 | 750,68 | 15,84 |
| 1998 | 116,79 | 719,48 | 16,23 |
| 1999 | 110,05 | 706,39 | 15,58 |
| 2000 | 101,84 | 715,55 | 14,23 |
| 2001 | 88,94 | 756,27 | 11,76 |
| 2002 | 88,01 | 794,68 | 11,07 |
| 2003 | 103,71 | 867,47 | 11,95 |
| 2004 | 114,79 | 938,60 | 12,23 |
| 2005 | 118,21 | 989,20 | 11,95 |
| 2006 | 137,37 | 1.249,18 | 11,00 |
| 2007 | 154,97 | 1.438,25 | 10,77 |
| 2008 | 176,74 | 1.649,80 | 10,71 |
| 2009 | 149,99 | 1.534,71 | 9,77 |



Graph the laid of the revenue period

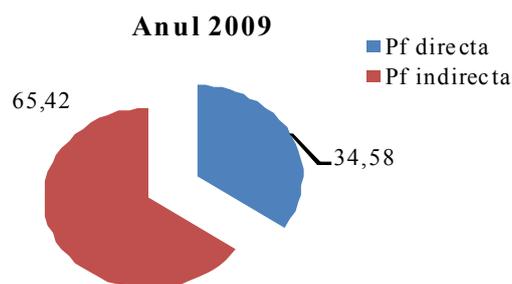
no. 2 evolution of level of taxation down in the ratio size of the tax and GDP in the 1991-2009

It should be noted, however, that the tax revenue they knew the changes, the reversals of the ratio between the income generated by the direct and indirect taxes. If during the period 1991-1995 the main direct taxes in the purchase of the place owned incomes to the State budget, in the period ahead, in particular in the period 1998-2000, the State's tax revenue were formed mainly on the basis of indirect taxes.

That is the high level of revenue from indirect taxes to offset lower revenue from direct taxes, explainable by the growth in consumption, but also by increasing the size of the mandatory contributions in GDP due to measures of increasing fiscal pressure on labour. A highlight of this report, we consider meaningful plot the direct and indirect tax pressure, in 1991 and 2009:



Graph no. 3 the share of direct fiscal pressure vs. the share of indirect tax pressure, in 1991



Graph no. 4 share of direct fiscal pressure vs. the share of indirect tax pressure in 2009

4. Conclusions

Research has shown that the political economists worldwide have expressed interest in establishing a threshold of fiscal pressure and optimal range established in theory does not have endangered the functioning capitalist economy, but its burden was felt by the honest taxpayer who has not been removed from the payment of all amounts owed by the State (natural or legal person).

We appreciate that the pressure of large amounts of compulsory levies, tax payers, they discourage both the the desire to invest, save, and then to work, to produce as much. We believe that a compulsory sampling pressure may be carried out in Romania on the basis of the development of the real economy, gross domestic product growth that can support the increase of income from taxes, which would otherwise be achieved by increasing the existing tax rates or by introducing new taxes.

Reference

1. Bistriceanu, Gh. D., Popescu, Gh. H., *Bugetul de stat al României*, ed. Universitară, București, 2007
2. Brezeanu, *Taxation: Concepts, theories, policies and practical approaches*, Wolters Kluwer Publishing House, Bucharest, 2009
3. Coman, C., Bălașa, G., *Fiscalitatea în România*, ed. All Beck, București, 2005
4. Dobrotă, G., Ungureanu D., Chirculescu M.F., *Tax policy and economic development*, IECS 2010, The Economic world's destiny: crisis and globalisation?, Sibiu, 2010;
5. Dobrotă, G., Direct taxation in Romania and European Union, *Analele UCB, Seria Economie*, nr. 3/2010, pag. 21-30;
6. Talpoș Ioan, Enache Cosmin, *Applied taxation*, Horizons Educational Publishing House, Timișoara, 2001
7. Văcărel I., Bistriceanu Gh. D., and others *Public Finance, Sixth Edition* - Didactic and Pedagogic Publishing House, Bucharest, 2008
8. ***www.mfinante.ro
9. ***www.taxeimpozite.ro
10. ***www.eurostat.com
11. ***www.insse.ro