

FACETS OF FISCAL FACILITIES IN ROMANIAN TOURIST ACTIVITIES

MIHAELA POPA

PH. D. STUDENT, UNIVERSITY OF CRAIOVA, FACULTY OF ECONOMICS AND BUSINESS
ADMINISTRATION, ROMANIA

Abstract

The State's granting the tourism industry certain fiscal facilities means an important tool to improve the tourist performance in Romania. The fiscal advantages designed to encourage the growth of tourist activities have an influence upon a fiscal cost by reducing the taxable base and implicitly lowering companies' fiscal spending. Fiscal costs are a representative element of any business' or transaction's costs. Reducing a company's fiscal costs allows the amounts saved thereof to be reoriented to new growth opportunities. In the current international context where tourist markets' competition is increasing and prices are going down, allowing fiscal facilities for the profile industry in our country leads to the emergence of more favourable rates and, consequently, more incoming tourists. In conclusion, the growth of tourist activities in Romania is encouraged by various fiscal facilities meant to generate profitable business and low tourist rates.

Keywords: *fiscal facilities, tourist activities, value added tax, revenue tax, excises*

JEL Classification: *M21, M41*

1. Introduction

Tourism by its contents and role means a phenomenon typical of the current civilization, one of the major components of economic and social life which is attracting the concern of more and more countries.

The role of tourism in various countries' national economies is highly important due to the complexity of this phenomenon, the wide scope of activities generated by its emergence, maintenance and growth. The growth of tourism at world level leads to the conclusion that such a sector is a main recovery source of the national economies in all the countries which are rich in significant tourist resources.

To Romania, tourism is one of the priority sectors which, by the resources it implies and the interconnections with the other national economy branches, means an important factor in economic progress.

Romania, as it is known, has a rich natural and anthropic potential which is highly available for tourism. The efficient capitalization of this potential to the national economy's concern may represent a development chance for our country in the beginning of the third millennium.

2. The economic importance of tourism

The world economic recession has affected most economy's structures starting from the monetary sector with effects upon the real economy: financing costs have gone up, rising unemployment and decreased economic performance level have influenced the level of incomes, companies' profits have dramatically plummeted and many of them have gone bankrupt. With the global recession and the need to surpass the minimum point called economic crisis, smaller states must do their best to find new ways of attracting foreign investment, namely they should use all their available means to go beyond the times of economic recession. Among these means for economic recovery, supporting the development of tourist services plays an important role thanks to their impact potential upon the regional endogenous growth.

In the end of this century and millennium, the tourism industry is at world level the most dynamic activity sector and also the most important job generator. From the economic perspective, tourism is also the main source of national economies' recovery in the countries which have significant tourist resources and exploit them accordingly.

Regarded in relation with the entire national economy, tourism acts as a dynamizing element of the global system. Tourism performance involves a specific demand for goods and services which leads to an increase in their production. Tourist demand generates the supply adjustment which among other things substantiates into the development of the technical-material base of this sector and indirectly into encouraging the participating branches to: build and endow accommodation and food service units, modernize road networks, make transportation means, recreation facilities etc.

In this context, the main arguments leading to the need for tourism growth ensue from the following aspects:

- the development of tourist activities in local communities bring about jobs and encourage local economy by the improvement of infrastructure and tourist services (accommodation, food services, transport, recreation facilities, hand-made products, guidance, souvenirs) and by the increase in products supply needed to provide tourist services;
- since the tourist resources are ever-lasting, tourism is one of the economic sectors having true growth prospects on long term;
- the tourist activities help a region's economic growth by the investment they bring about. In addition, they generate great cultural benefits: the increase in community cohesion in multicultural regions and the reclaim of local traditions and patrimony which become attractions to visitors. Moreover, they have an impact upon the environment and enhance the need to use natural resources in a sustainable way. Enlarging the scope of traditional economic activities thus becomes a growth factor contributing in making local economy's dependence on external changes and influences smaller;
- the complex exploitation and capitalization of tourist resources along with their effective promotion on foreign markets may be a source of augmenting the State's foreign currency stock and thus help equilibrate the foreign payment balance;
- tourism is a certain market for the labour force and to redistribute the unemployed coming from other economic sectors which have been largely reformed;
- the harmonious growth of tourism all throughout the territory contributes in economic and social improvement, and in relaxing the imbalances among various areas, at the same time being an important source to raise the population's incomes;
- adopting a sustainable tourist growth strategy and imposing various steps for environment preservation and fundamental human values (water, air, flora, fauna, ecosystems etc.) mean that tourism also has an ecological significance;
- at social level, tourism takes place as an active means for educating and raising people's awareness and training, and plays a special role in the population's way of spending their leisure;
- the promotion of exports is conditioned by the Romanian industry's improved ability to export on foreign markets.

Analyzing tourism as a distinct economic sector, it can be seen that it includes a wide range of services such as advertising, promotion, information, accommodation, food service, balneary cures, recreation and rich entertainment.

Although it significantly contributes in the GDP, tourism also plays its part in setting the value added tax. As it is characterized by high levels of human work, intelligence and creativity, tourism helps set the value added tax to a larger extent than other similarly developed branches do. Additionally, tourism involves and encourages production in other fields. Specialized surveys have shown that certain branches' performance is largely conditioned by tourism needs.

Tourism is also a way to diversify a country's economic structure. Thus, the need to adapt tourist performance to the ever-changing, increasingly complex requirements of tourists leads to the emergence of typical recreation or cable transport activities.

Furthermore, tourism is a way of superior capitalization of all resource categories, especially natural: the beauty of landscapes, the healing properties of mineral or thermal waters, climate conditions.

To our country – during the present stage, as a consequence of existing unexploited tourist resources which have been insufficiently capitalized, tourism means a branch with major growth opportunities and therefore remains an activity field which can attract some of the unemployed labour force after the economic reorganization.

It should also be mentioned that tourism is able to ensure the wealth of an under-privileged area and can be a remedy to deindustrialized regions. That may happen by improving the areas which do not have too many highly economic resources but significant and attractive natural and anthropic ones. Consequently, tourism is regarded as a method to reduce interregional imbalances.

The increasing amount and complexity of tourist services supply have led to the creation of a true industry which justifies approaching the tourist phenomenon as a distinct, fully developing branch of the national economy and a component of the tertiary sector. By its nature, the tourist phenomenon is specially complex, with deep social, political, cultural and economic facets. The intermingledness of its heterogenous components makes up its unique, genuine type which does not identify with any traditional branch of national economies and this is the entire reason for its being treated autonomously. Yet, it should be stated that unlike other service-providing sectors, the tourism industry is however a consequence branch whose growth is at all stages closely related to the growth levels and paces in the other branches of a national economy.

From the economic perspective, a tourist is a goods consumer and a services beneficiary; of their spending and implicitly of the financial means ensuing from economic units' performance in the tourism industry (transport, accommodation, food service, recreation etc.), a share is directly oriented to these units in the form of profits and

money stocks used to pay the workers employed thereat, another share goes to the State or local budget in the form of taxes, fees etc., and a third share is directly absorbed into other economy branches for the payment of delivered products and goods, and services provided by these sectors for the needs of the tourism industry.

The economic effects of tourist consumption should also be assessed from the perspective of the incomes raised by the labour force directly or indirectly employed in the tourism industry: providing services to tourists involves numerous workers with various qualification profiles whose consumption expenses also go up as a result of increased living standards precisely due to the more rational and complete use of the labour force in accordance with tourism growth.

When a tourist site has been built, it exerts a positive influence upon the economy of the respective region, area, resort where it is located and to a larger extent upon the entire national economy by the revenues ensuing from the site's exploitation for domestic and foreign tourism, by the consumption of goods and services, and by the incomes raised by the employed manpower.

Romania, with its expertise of more than 2,000 years in tourist activities, is currently improving the way it performs tourism, tourism infrastructure, and is about to adopt a strategy related to tourist performance, namely it takes account of developed countries' expertise and great university and academic centres' scientific surveys. Romania has universal, specific, unique opportunities for tourism growth. Romania cannot and must not follow a pattern set and used in other countries of the world as it has its own scientific and practical potential to underlie its own, completely genuine strategy.

The tourist activities in Romania rely on a series of criteria: compliance with the requests of the current technical, scientific revolution, capitalization of the country's positive events all throughout its existence, assumption and implementation of other countries' and peoples' only positive experiences which match Romania's tourism specificity. Romania's tourist practice has a national trait and bears the Romanians' own hallmarks which is why it can be included within the context of world events with lively contribution in the growth of international tourism.

3. Fiscal facilities granted in the Romanian tourism industry

Under the present economic circumstances where competition among tourist markets is growing, Romania's Government must grant our country's profile industry various fiscal facilities. The legislation in force provides the following fiscal advantages to Romania's companies performing in the tourism field:

3.1 Facilities related to personnel's employment and training

The employers that give jobs to unemployed people and keep them employed at least six months after employment date are provided with 2.5% decrease in their unemployment insurance levies.

The employers that employ education institutions' graduates for unstated periods of time are exonerated from unemployment insurance levies for twelve months for each of the graduates they have employed and during this entire period they monthly receive for each of the latter:

- an amount equal to the level of the reference social indicator in force on the date of employment for those having graduated from secondary or vocational schools;
- an amount equal to 1.2 times the value of the reference social indicator in force on the date of employment for the graduates from highschools or postgraduation schools;
- an amount equal to 1.5 times the value of the reference social indicator in force on the date of employment for higher education graduates.

The employers that hire handicapped graduates for unstated durations monthly receive an amount equal to the reference social indicator's value in force for each employee of the kind during a period of twelve months. They are also granted:

- in the calculation of taxable profit, the deduction of amounts needed to adapt protected work places and to acquire equipment and machinery used in the manufacturing process by handicapped people;
- in the calculation of taxable profit, the deduction of expenses for handicapped people's transportation from home to work, and of expenses for raw materials' and finished products' transportation to and from the residence of a handicapped person employed to work at home;
- from the unemployment insurance budget, the discount of expenses for vocational training, coaching and counselling as well as employment of handicapped people;
- State subsidy in compliance with Law 76/2002.

The employers that hire for unstated durations unemployed people aged 45 and older or unemployed people who are single parents and providers for their families are freed from their levies to the unemployment insurance budget during twelve months, according to the people of such categories and they monthly receive all throughout the time an amount equal to the value of the reference social indicator in force for each such employee with the obligation to keep work reports for at least two years.

The employers that hire unemployed people who within three years after employment date meet the requests to get partial pension in advance or pension for age limit monthly receive during the employment period until fulfilling the respective requirements an amount equal to the value of the reference social indicator in force.

3.2 Facilities in the field of profit tax

Subsequent to the EU accession requirements and taking account of the new framework generated by ”Europe 2020 Strategy”, all fiscal facilities regarded as harmful to the business environment and competition have been revoked and Romania has undertaken to implement only fiscal steps compliant with the ”Conduct Code for Business Taxation”.

Under this circumstance and in accordance with Title 2 of Law no.571/2003 regarding the Fiscal Code, all taxpayers benefit from fiscal incentives for research and development activities such as:

- additional 20% deductions from the eligible spending for such activities during the calculation of taxable profit;
- applying the accelerated depreciation method to the machinery and equipment meant for research-development activities.

Moreover, there are development programmes for SME’s stated by Law 346/2004 regarding the support to set up and improve SME’s, involving the return of amounts paid as profit taxes for the investment in technological equipment (machines, tools, appliances) and in computers and their offline equipment – a mechanism managed by the Ministry of Economy, Commerce and Business Environment.

On the 1st of January 2011, there was a possibility presented for choosing the simplified taxation system in favour of Romanian businesses whose turnovers are less than 100,000 euro, and the system involves the use of 3% tax rate on revenues regulated by the Law.

3.3 Facilities in the field of local fees and taxes

According to Title 9 of Law no. 571/2003 for the Fiscal Code with its subsequent amendments and addenda, economic agents are freed from the payment of:

- taxes for the buildings and lands in industrial, scientific and technological areas;
- taxes for passenger river ships and boats used to transport the individuals living in the Danube Delta, Braila’s Great Island and Balta Ialomitei Island;
- taxes for businesses’ means of transport which are used for public passenger transport services in towns or suburbs, including passenger transportation outside towns if transport tariffs are set according to public transport conditions;
- fees when issuing urban planning certificates or building authorizations for constructions of public county or local concern;
- fees when issuing construction authorizations for highways and railroads granted by leasing according to the law.

The Fiscal Code also provides the 50% discount of building taxes and land taxes for related buildings and lands owned by businesses and which are exclusively used for rendering tourist services for up to six months during a calendar year.

Since the 1st of January 2012, according to the Fiscal Code’s latest amendments, they have set the 50% discount of building taxes and land taxes for the buildings and lands situated along the Black Seaside and which are owned by businesses and used for providing tourist services for at least six months during a calendar year. Additionally, the building tax is deducted by 50% for the newly-built constructions owned by consumption or manufacturing units but only for the first five years from the date of building acquisition.

3.4 Facilities in the field of value added tax

The national legislation in the VAT field provides a fiscal facility regulated in Article 152 of Law no. 571/2003 regarding the Fiscal Code with its subsequent amendments and addenda, namely a special VAT discount regime for taxable people whose annual stated or achieved turnovers are below the limit of 35,000 Euros (119,000 Lei), irrespective of their activity branch.

This regime can also be applied by the economic operators performing in tourism and they can deliver products or provide services within the VAT discount framework without a deduction right if the total amounts of product deliveries or service provisions done by taxable people during a calendar year, subject to taxation if not performed by a small enterprise, are below the 35,000 Euros (119,000 Lei) discount limit.

Since the 1st of January 2007, Romania has been applying a special VAT regime for the services provided by travel agencies. Implementing this special regime is provided by Directive 2006/112/EC regarding the single VAT system, the main component of the Community Acquis in terms of VAT and it is mandatory for all member states.

This regime mainly consists in regarding the services provided by a travel agency to a traveller as single. Thus, a travel agency does not separately impose a VAT on each service helping to provide the respective single service, namely accommodation in hotels, guest houses, hostels, holiday houses and other accommodation locations, air, land or sea transportation, organized trips and other tourist services, but it applies the VAT (24% standard rate) on

its profit margin. Therefore, the taxable base of the single service is made up of profit margin, excluding fees, calculated as the difference between the total amount without fees to be paid by a traveller and a travel agency's costs including fees related to goods deliveries and service provisions to the direct advantage of travellers.

This special regime is regarded as a reduction of VAT application usual norms because with no such derogatory steps from the usual VAT regime, Romania's travel agencies should register in all member states where they provide accommodation services since they are generally taxed in the place where the accommodation unit lies.

Another advantage of this special regime to travel agencies is the fact they collect VAT only on their achieved profit margin, namely the difference between the package tour price charged from a customer and the spending amount caused by the service provision, not on the entire value of the service provided.

It is stated that there are cases when a travel agency may choose the application of the usual VAT regime if it is of great help. The reason why a travel agency might choose the application of the usual VAT regime is that the latter would bring forth the right to deduct the VAT from the spending related to service provisions whereas the special regime does not grant such a deduction right.

Another facility in the field of value added tax is the 9% lower VAT rate on the accommodation services in hotels or similar sectors, including on the rent of lands used as camping sites. The service providers of this type collect the low 9% VAT rate for accommodation services (and breakfast, if it is included in the accommodation price), but they deduct the fees in the acquisition invoices they receive from suppliers which are usually a rate of 24%.

3.5 Facilities in the field of excises

Title 7, "Excises and Other Special Fees" of Law no. 571/2003 regarding the Fiscal Code stipulates two exemptions from excise payments which are quite attractive to tour operators:

- exemption from the payment of excises on the energetic products delivered as fuel for tourist air transport. This exemption is granted directly (the delivery of energetic products has a price which does not include excises) on condition the supplies should come only from a fiscal storehouse;
- exemption from the payment of excises on the energetic products delivered as fuel for navigation on community waters and inferior navigable ways including fishing purposes and excluding those for the navigation of private boats. Additionally, the electricity produced on board the ships is freed from excise payment, too. This exemption is granted directly (the delivery of energetic products has a price that does not include excises) on condition the supplies should come from a fiscal storehouse or from an economic operator authorized as navigation fuel supplier.

4. Conclusions

Tourism is in Romania an economic sector having a valuable development potential which has not been sufficiently exploited yet, but can become an attraction source both to foreign investors and tourists, which might likely lead to the country's economic revival.

Romania's great advantage is its natural and cultural potential, highly diversified and harmoniously distributed on the territory, making it possible to practise various forms of tourism. Yet, without the optimum quantitative and qualitative development of hosting, improvement and recreation structures, these tourist resources cannot be capitalized, the number of tourists cannot increase, the stay duration, accommodation and profits cannot be better.

Romania could implement a strategy for economic revival where tourism and adjacent economic activities could support local economic growth with significant effects spreading at regional level.

In this context, the fiscal facilities granted by the State have an essential role to develop and support the tourist activities in our country. In order for tourism to grow in Romania, it is necessary to apply a policy for tourist activities' taxation so that they should turn into profitable business to investors.

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