THE IMPACT OF FISCALITY ON THE BEHAVIOUR OF TAXPAYER. ANALYSIS ON THE EXAMPLE OF ROMANIA

TUDOSE MIHAELA BRÎNDUŞA
ASSOCIATE PROFESSOR Ph.D., TECHNICAL UNIVERSITY "GH. ASACHI", IAŞI,
e-mail:brindusatudose@gmail.com

STRĂPUCC CONSTANTIN
PH.D. STUDENT, "ȘTEFAN CEL MARE" UNIVERSITY, SUCEAVA,
e-mail: strapuc@gmail.com

Abstract
The structure and functioning of the tax system bears the imprint of fiscal policy promoted by the state in a certain period of time. The tax systems of the world countries can be classified into two patterns: antagonist and synergistic. The aim of the paper was to examine the behavioural coordinates of tax subjects in Romania having as a starting point the tensions between taxpayers on the one hand, and the tax system, on the other hand. The study reveals that while in Romania the tax elements pressed and are pressing overwhelmingly on taxpayers, their behaviour was shaped and folded on a negative pattern. This type of behaviour associated with the conduct of tax authority set on the distrust and anti-tax fraud virulent strategies generated a fiscal climate strained, antagonist.

Keywords: fiscal system; tax subjects, fiscal behaviour, compliance, non-compliance, antagonism, synergism.

JEL Classification: H30

Introduction
The starting point of researches on tax subjects’ behaviour is the tax system itself. Summarizing the developments found in the specialized literature can be identified two approaches. First took shape the restrictive approach in which the tax system is either interpreted in the light of all of the legal acts regulating tax elements [5], or through the combination of taxes collected from taxpayers [11]; this approach focuses only on an interim target of the tax system (regulation, respectively the collection of tax obligations and financial resources feeding the public budget). Later it was admitted that the tax system is more than a compendium of arid tax laws and economic data, it represents an expression of intra relations between individuals, between taxpayers and their governments [6]. In this new approach, the tax system aims: a) all the requirements and principles regarding the size, location and collection of taxes; b) social-economic objectives pursued by fiscal policy; c) the tax subjects (the tax authority and taxpayers) and the interactions between them [7; 15; 4].

The primary objective of the study was to identify the impact of different fiscal policies on the behaviour of taxpayers. To achieve this goal, the paper is structured as follows: the first section presents details of taxation; the second section identifies the behavioural aspects of tax subjects and the interactions between them; the third section characterizes the behaviour of tax subjects form Romania and identify the influencing factors; the last section summarizes the conclusions and shows the limitations and future directions of research.

1. Taxation - factor with major impact on taxpayers' behaviour

The behaviourist approach defines taxation in terms of relations between the state authorities, on the one hand, and taxpayers as individuals or legal person, on the other hand. Tax elements, understood as mandatory payments (transfers) that taxpayers must make in the amount, the terms and conditions covered by the legislation in force, is practiced in a great diversity. From the perspective we are concerned, the relevant criterion is the one that takes into account the characteristics of substance and form (the settlement and collection) and classifies the tax elements into direct and indirect.

The elements of direct taxation are charged nominate on individuals or/and legal entities according to their income or wealth, taking account on the contributory power and the size of taxable matter, have a nominative character (the taxpayers are clearly identified, sure) have a good determined amount and payment period.
The elements of indirect taxation reflect the amounts that are levied to the budget during the sale of goods or provision of services, ranging in selling prices and tariffs; they are transferred to the public budget by manufacturers, traders or service providers and are borne by the final consumers of taxable goods and services. By comparison with the elements of direct taxation, indirect taxation elements have the following features: regressive character of the tax burden (press more on low-income taxpayers), are unfair (do not take into account the contributory power), have a high fiscal yield (depending on the sales volume) and have a somewhat benevolent character (those who support them appear in the position of taxpayers only to the extent that are purchasing goods and services in whose prices are included indirect tax elements).

In order not to influence negatively, the taxation should be designed in such a way as to satisfy the following requirements: to ensure economic efficiency and social equity; to help improve macroeconomic imbalances; to simplify tax, contributions and taxes collection operations; to create the necessary framework to avoid fraud and tax evasion.

2. Behaviour coordinates of tax subjects

The behaviour of tax subjects should be analysed based on existing tensions between the state, on the one hand, and the taxpayers, on the other hand. For example, indirect tax elements are approved by the state because they can be collected quickly, involve low collecting costs and ensures a high fiscal yield. The same elements of indirect taxation are disavowed by tax payers, being considered unfair (especially by applying to consumption) and blamed for the burden they carry particularly on those with low incomes intended only for consumption. To harmonize interests was adopted a compromise solution, namely, applying lower rates to products of first necessity (the case of value added tax on food, bread in the case of Romania).

Although direct taxation elements should be approved because they take account of personal circumstances, they are supported with caution by the taxpayers because they support hem overtly and discourages them in obtaining additional revenue; in the line of authority, the inconveniences of these taxes are arising from their slow collection, the complexity of imposing and higher costs of tracking the accuracy of taxation.

The fiscal behaviour of taxpayers reflects how people, under the influence of endogenous and exogenous factors, choose to act against tax obligations, to react against fiscal policy and to interact with other taxpayers and tax authorities [3]. When a taxpayer is related to the tax obligations established through fiscal policy, may result two types of fiscal behaviour: tax compliance and noncompliance. Compliance may be [13]: a) voluntary (when tax obligations was paid on the grounds of moral motivations, the performance of a civic duty) and b) forced (the payment of tax obligations is made only not to suffer the negative consequences associated to not paying). According to studies [16; 17], the mobile triggering voluntary compliance is trust in authorities and the mobile triggering forced compliance is the perception that authorities use their power to exercise control, to detect fraudsters and to sanction them. Relatively recent studies [10] reveals that in achieving the tax compliance there are required four cumulative conditions: a) reporting of all income; b) correct determination of tax obligations; c) the timely submission of tax declarations; d) realizing the payment in the period stipulated by the legislation. The violation of any of these conditions generates a behaviour of noncompliance which predetermines tax evasion. In this approach, tax evasion appears to be the response of taxpayers to tax burden, when it exceeds a certain threshold considered acceptable for initiating, maintaining and developing a business or related to fortune or their current income [9].

In its turn, the non-compliance presents two forms: a) the lawful noncompliance materialized in lawful tax evasion (consisting in exploitation of tax legislation gaps in order to diminish the obligations owed to public budgets) and b) unlawful noncompliance materialized in fiscal fraud, respectively, conscious violation of normative acts by omission acts (such as not declaring all revenues) or commissive (as the reimbursement of VAT on the basis of fictitious invoices) [12].

The behaviour of fiscal authorities takes shape as the tax authority is prioritizing its objectives: creating a cooperative environment in which all taxpayers meet their tax obligations (by facilitating the payment of tax obligations for taxpayers and reducing the possible options of evading from payment obligations) or collecting with maximum efficiency the taxes [3]. Although they are presented as separate options, the two goals are mutually implied.

Due to various cultural, economic and political profiles (which individualize each state) there is not a set of standard rules on the behaviour of the authorities. Instead, universally, it was admitted that there is a set of principles that authorities should respect and from which should not deviate.

The intensity of interaction between taxpayers and authorities place the states of the world in two patterns:

a) antagonist, fingerprinted by mutual distrust between taxpayers and the tax authority; the authorities suspect the taxpayers of tax evasion, treating them as potential escapers; the taxpayers associate tax authority with a "gendarme" working constantly to search "criminals"; In such a climate the taxpayer become uncooperative and refractor being bothered by the fact that the tax authority uses its power coercively; the studies have revealed the lack of support/collaboration and in the presence of persecution and coercion it is born "the constraint paradigm" [1], many taxpayers being tempted to become fiscal fraudster;

b) synergistic, based on mutual respect and trust; the tax authority "puts itself" available to taxpayers which it consider to be "customers" and to which it shows the availability to provide tax advisory services; the taxpayers see tax
authority as a partner who advises them to avoid tax violations; therefore they perceive positively (to be justified) the control activities and sanctions. In this climate it is developed voluntary taxpayer compliance.

3. The behaviour of the subjects of Romanian tax system

A Deloitte report published in March 2012 [8] on the uncertainty of the tax systems falls the Romanian climate into the pattern “cop-criminal” and places Romania in the group of the most uncertain states of EMEA (Europe, Middle East, and Africa). Among the causes that led to this situation we notice: the frequency of legislative changes and improper relationship between taxpayers and authorities, generated by lack of transparency, availability and inadequate training of staff.

The main factors influencing the taxpayer behaviour can be grouped according to their nature: economic factors, political and legislative factors, socio-psychological factors, moral factors, neurological factors.

Economic factors include the probability of fiscal control, fines, tax rates, the size of income etc. The main activities checked also by NAFA (National Agency of Tax Administration) in 2014 were: transport related activities; production and commercialization of energy products; production and exploitation of alcohol and alcoholic beverages; production and commercialization of tobacco products; production and commercialization of agrifood goods; construction and construction materials; harvesting and processing of wood material; other areas [2]. In 2013, 46481 of general and partial fiscal inspections were carried out (of which 30771 to corporate taxpayers and 15710 to individual taxpayers). In 2014 were conducted 70912 inspections and controls (18.4% less than in 2013), due to which were fixed total additional amounts (liabilities and accessories) of 13991.1 million Lei (by 50.7% more than in 2013) and tax loss was reduced by the amount of 1575.5 million lei (compared to 1156.2 million lei in 2013). There is observed an increasing trend in the number of tax inspections carried out, which makes Romania to remain assigned to the “cop-criminal” system. As postulated in the specialized literature, in the presence of persecution and coercion it is born “the constraint paradigm”, many taxpayers being tempted to become fiscal fraudster.

The behaviour of taxpayers has been severely affected by the evolution of tax rates and the size of income. The coordinates of taxation in Romania are shown in figure no. 1. Although Romania has the lowest income levels (minimum and average per economy), the tax burden is very high compared to other Member States of the European Union. The figure no. 2 renders the impact of taxation on low incomes in Romania.

The political and legislative factors influencing the behaviour of Romanian taxpayers are: the complexity of tax laws, the instability of legislative regulations and excessive regulation. Even the most experienced specialists in tax policy hardly cope in legal chaos in Romania. Most often, the executive’s intention to simplify/correct the taxation system resulted in a sharp reaction from taxpayers (because this new tax measures have increased the volume of fiscal legislative regulations). Romania needs a clear and flexible tax legislation to encourage voluntary compliance.

The socio-psychological factors (attitudes, norms, perceptions, motivational posts, confidence in the tax authorities, tax authorities’ power) had and continues to have a major impact on fiscal behaviour. Empirical studies carried out for four countries (Austria, Hungary, Romania and Russia) shows that the highest level of tax compliance and the lowest level of tax evasion is found in countries where the tax authority enjoys high trust and expanded power [14]. Information on the degree of tax compliance of Romanian taxpayers are given in Table 1.
4. Conclusions

The organization and creation of a modern tax system is the result of a long process in which the relations between tax authorities and taxpayers were constantly revised, supervising their settlement on a set of moral values and fiscal education of taxpayers which will ensure the proper functioning and compliance of laws on tax matter and more.

Frequent changes of the organization of the Romanian state have affected the consolidation of a modern tax system, based on research and educational-cultural accumulations in tax matter. The taxpayers' fiscal behaviour was manifested differently from one stage to another, fact that did not allow modelling of the genetic determinants of taxpayers, especially in the perception and voluntary tax compliance.

The main conclusions emerging from the economy the paper are: a) taxpayers' behaviour is determined by specific factors such as the level and structure of taxation, the degree of opening, communication and transparency of the tax authority, the level of culture and education etc.; b) the behaviour of tax authority depends on cultural, economic and political profiles of each state; c) the interactions between tax subjects can be classified into two patterns: antagonist and synergistic; d) the fiscal climate in Romania is tense, marked by a lack of mutual trust from the tax subjects, being included in the antagonist pattern.

To improve the interaction of tax subjects in Romania are necessary actions aimed at: simplifying the legal framework and consistency in tax administration procedures, reducing the number of tax obligations and changing the attitude of tax authorities (which should become more cooperative, more transparent and to respond promptly to the requests of taxpayers).

Limitations and future directions of research. This study represents a starting point in the development of a future research which will be wider and will aim to identify and quantify the impact of the determinants of the behaviour of the tax subjects in Romania.

References


