

CONTRIBUTION OF INDIRECT TAXES TOWARDS CREATION OF STATE REVENUES IN ROMANIA

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Abstract:

The work is based on the fact that at any time and in any society, taxation is regarded as undesirable for all taxpayers. The existence and its manifestation is justified, because the operation of any company involves costs that must be covered by sufficient resources. Since ancient times, each state has adopted its own tax system, more or less perfected, as the state has experienced a greater or lesser economic and military power. At the base of this work stays the fact that tax systems are a key factor influencing the overall efficiency of the economy. They determine the size tendency to save, invest and work, influencing the increase in production and employment, which is essential to the integral economic strategy, making tax reform an important component of economic reform. This paper aims to analyze the indirect taxes and their contribution to the public revenues in Romania, the purpose of the paper contains an analysis based on statistical series as indirect taxation is where tax harmonization was possible. Through analyzes, the paper aims to provide answers to the problem of the contradiction between the growing need for budgetary revenues, which entails a continuous amplification and diversification of taxation, on the one hand, and the need to stimulate economic development, on the other hand. The harmonization of indirect taxation had been achieved since this touches the free movement of goods and the freedom to supply services, not being able to say the same thing about direct taxation, which is why the European Community Treaty does not specify expressly the alignment of direct taxation, considering that direct taxation is a matter of Internal Policies that, for a country free option.

Keywords: indirect taxes, public revenues

JEL Classification: H2, H3, H6

1. Introduction

A quick and effective tax reform in Romania was an essential condition for economic restructuring, and this involved the organization of a modern tax system. The first step in this direction has been made by introducing modern forms of indirect taxation - value added tax that replaced the tax on movement of goods. The objectives that were traced to the introduction of this tax were, first, harmonization of tax laws with the Community, under the European Communities Association Agreement signed on 1 February 1993 and secondly, achieving at least the level of tax receipts that on the field.

The harmonization of Romanian legislation with European Commission directives on indirect taxation was an express condition for Romania's accession to the European Union. The idea of tax harmonization was first mentioned in the EEC Treaty of Rome signed on 25 March 1957. In the literature it is estimated that to create a framework for carrying out financial flows of capital and labor savings modern necessities rather a harmonization of tax systems rather a deepening of competition between them.

The importance of indirect taxes is presented as disadvantages academician in his calling attention they require a short period of time since the decision imposing quotas increased by an enactment and to become operational and settlement expenses, collection and tracking is modest [10].

The objectives of this work are the importance of indirect taxes in the procurement of revenue to the state budget because the country's economic and social development is necessary for the state budget and the budget of the municipality to be systematically fed with adequate incomes, but also by attention to be given special ways in which tax policy affects resource allocation and growth.

As a result of restrictions on the free movement of persons, goods, services and capital and the integration of the national economy, the European Union Member States must ensure that their VAT systems do not discriminate in terms of the origin of goods and services. Eventually, this will become an internal market. From this perspective, the VAT system is defined by several characteristics, and aims: nondiscriminatory clearly define the concepts and stability.

Regarding the general objectives of the VAT system envisaged when harmonizing Romanian legislation with European Commission Directives were the VAT system and achieve increased efficiency standard EU VAT.

In terms of simplification of VAT collection system, the measures that were taken, were aimed at short-term, easily imposition features and ease VAT compliance monitoring system and the medium and long term, achieving effective control the incomes of economic agents, their training responsibilities.

Regarding the improvement of VAT administration, short-term restoration of integrity VAT was intended, legislative stability, and the medium and long term, it was intended to enforce VAT by most informal activities.

Also, within the overall objective to regulate and achieve non-discriminatory nature of VAT, namely the avoidance of discrimination amongst investors. All the measures that have been introduced in the VAT tax law after Romania's accession to the European Union were set out in the timetable for harmonizing the VAT legislation to the EU rules set out in the position paper of Romania.

To achieve effective control over revenues of economic agents aims pursued and individual responsibility performance training. Improving administration of the VAT system requires a change of mentality because there are modern developments oriented technologies while reducing headcount. Also, tax authorities in Romania must treat tax collection as a business, identifying the relationship between cost and revenue control activity

Concerning excise duties they were introduced in Romania beginning with the 1st of December 1991, including their scope at that time a total of 14 products or product groups. In fact, when the introduction of excise duties on products imported or manufactured in the country occurred simultaneously with tax rectification movement of goods. In the scope of excise duties were introduced goods deemed harmful or luxury. As of July the 1st 1993, the date when Romania was introduced in value added tax, excise tax calculation methodology was amended to align the methodology for calculating the value added tax, by the entry into effect of Law no. 42/1993.

The concepts of export and import in the relationship between EU Member States have disappeared, being replaced in national practice widespread use of new concepts, such as intra-Community supply (instead of export) and intra (instead of import). Any shipment of goods from Romania to another Member State, even in the absence of a commercial transaction is treated as a transfer of goods or nontransfer that are entirely new concepts in our legislation and are specific relationships between the Member States.

Following the abolition of customs barriers, control the movement of goods between Member States is provided through the electronic system VIES (VAT International Exchange System). Within the European Union there are a number of regulations which stipulate the conditions under which Member States will exchange information and multilateral controls in order to prevent tax evasion on VAT.

Even if after a period of fiscal harmonization has been regarded with some hostility invoking the fiscal sovereignty of each state, it has proved to be essential to remove tax obstacles to the smooth functioning of the single market.

2. Analysis of the contribution of indirect taxes to the state budget revenues in Romania

In developed countries, the contribution of indirect taxes to the state's tax revenue is lower, which they achieve the maximum being up to 40% than that of direct taxes, which in developing countries this ratio is reversed. In Romania, this report has changed since 1994 in favor of indirect taxes, currently reaching approximately 80% threshold. This is explained by the low level of revenues, profits and assets owned by persons or bodies in these developing countries, on account of which could collect more taxes.

From the point of view of taxpayers, indirect taxes have a profoundly immoral, since it applies to all those who purchase and without discrimination, regardless of personal circumstances of the taxpayer, while direct taxes apply only to the wealthy who can pay for income, profits or possess fortunes.

As provided in Law 571/2003 with subsequent amendments and updates [11], shares used to establish indirect taxes are differentiated according to income, wealth or personal situation of those who buy goods which are of objects of indirect taxation. These measures prevăzue the legislation creating the impression that they would affect all consumers equally revenue products, services and works. In fact, indirect taxes affecting particularly those with low incomes, because indirect taxes are perceived, usually selling consumer goods, whose value has a much higher share in the budgets of those who have a level of income low, in fact, indirect taxes do not take into account the principle of tax equity, making it difficult situation of taxpayers with low payment and those favoring him on the opposite side.

Table no.1

The structure of indirect taxes constituted to the state budget in the period 2010-2014

- million lei -

Indirect taxes	2010	2011	2012	2013	2014
VAT	24.263,6	34.742	35.586,3	36.610,3	31.587,7
Excise	16.212,3	17.805,9	18.910,8	19.794	22.755,4
Custom duties	574	673,7	707,3	620	643,0
Other indirect taxes	746,5	680,1	1.688,1	3.040,8	1.844,5
Total indirect taxes	41.796,4	53.901,7	56.892,5	60.065,1	56.830,7

Source: www.mfinance.ro

According to data from Table. 1 is observed that in total the highest percentage of indirect taxes is held by VAT, it recorded a growth in 2010-2013 12346.7 million lei, which meant relative size increased by 66.27% and the 2013-2014 period there was a decrease of 5022.6 million, while revenues from excises established throughout the range registered an upward trend even higher growth in 2013-2014.

The graphical representation of the structure of indirect taxes on the timeframe 2010-2014 is as follows:

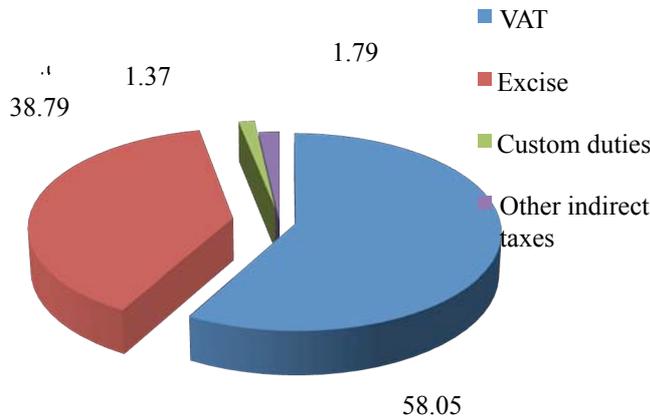


Chart. 1 Structure of indirect taxes in 2010

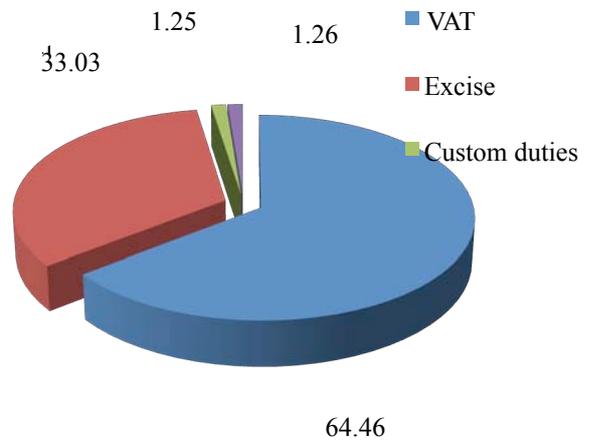


Chart. 2 Structure of indirect taxes in 2011

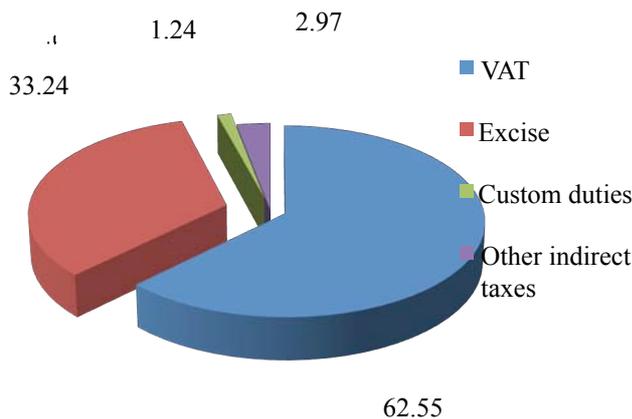


Chart. 3 Structure of indirect taxes in 2012

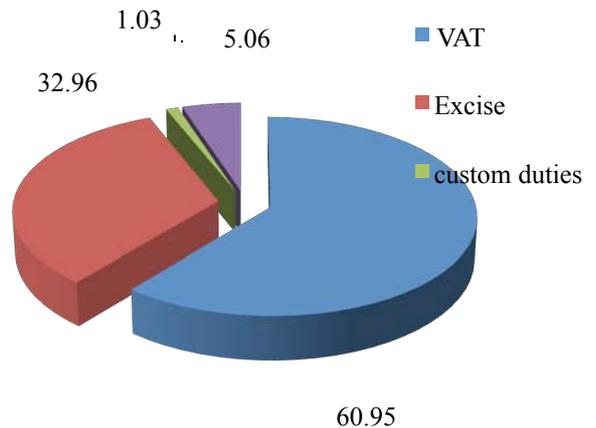


Chart. 4 Structure of indirect taxes in 2013

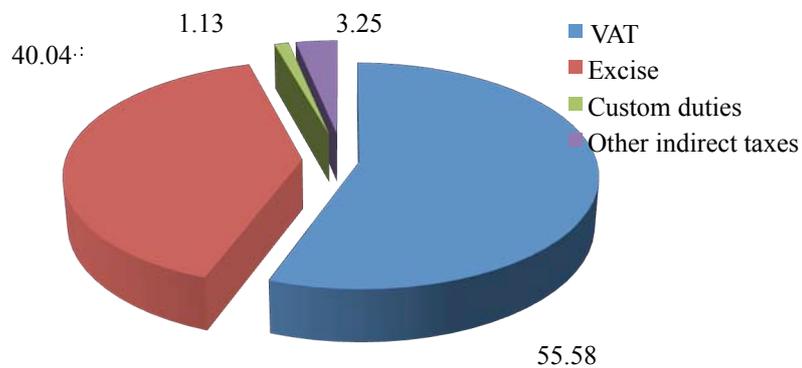


Chart. 5 Structure of indirect taxes in 2014

Analyzing graphs. 1-5 we can notice that the largest share of indirect taxes in VAT has considered real money making machine for Romanian budget [1]. Value Added Tax attorney most resources of all indirect taxes and increased ascending 2010-2013 timeframe, noting that in 2014 its share in total indirect taxes decreased compared to 2013 by 5.37 percentage points .

The time interval analyzed changes were present not only in the structure of indirect taxes, but also in terms of the structure of tax revenues. For example, in 2014 tax revenues up to the state budget were 80538.1 million lei [11], indirect taxes accounted for 56830.7 million lei [11], which means a share relative size of 70.64% (Table no. 2). Fluctuations structure was registered in tax revenue shows put emphasis on indirect taxes. The maximum recorded length of time 2010-2014 was recorded in 2011 when revenue collected from indirect taxes represented 81.83% of state tax revenue.

Table no.2

Years \ Indicators	Indirect taxes (mil. Lei)	Income tax (mil. lei)	%
2010	41.796,4	56.305,1	74,23
2011	56.892,5	69.527,7	81,83
2012	56.830,7	75.615,8	75,16
2013	41.796,4	80.175,2	52,13
2014	56.892,5	80.538,1	70,64

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In chart. 6 it is showed the evolution of indirect taxes and income tax range from 2010 to 2014:

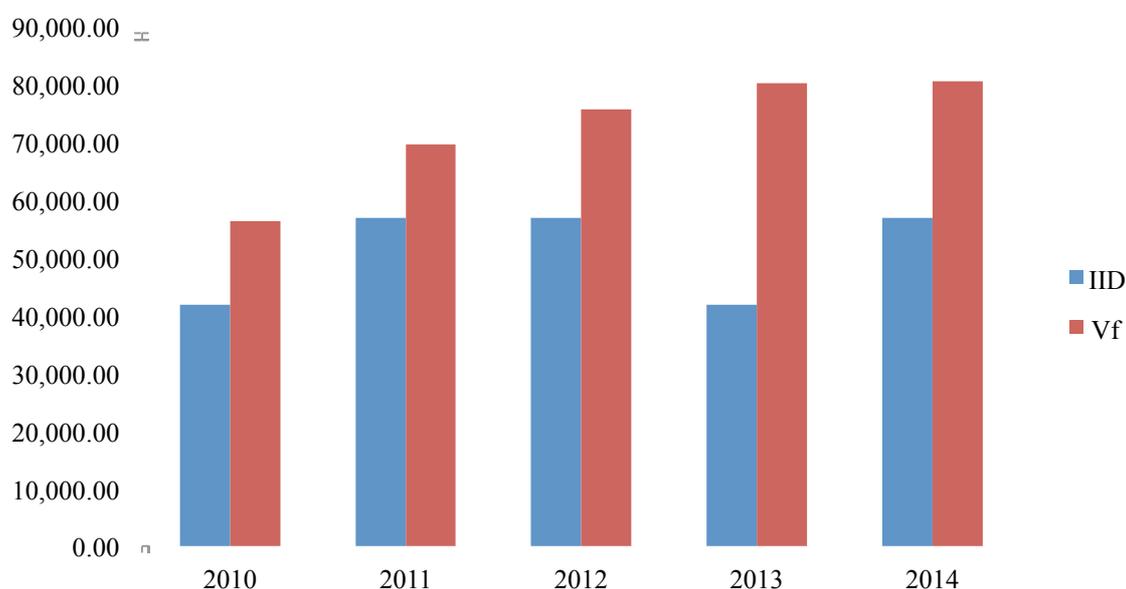


Chart. 6 Evolution of indirect taxes and tax revenues from 2010 to 2014 timeframe

The report quantifies indirect taxes to GDP is in fact the tax burden related to indirect taxes. Basically, to fulfill the purposes for fiscal policy, tax burden imposed by the public powers must reconcile two opposite trends: on the one hand the State, which wants to have it growing to cover public expenditure under increasing and, on the other hand the citizen who wants a tax burden as low as possible. These two trends have been supported over the years by a number of economists and financial specialists. Proponents of Keynesian theory believe that the idea of limitations imposed tax levy would be linked to some confusion because it does not take account of the benefits that the taxpayer would have from public spending financed by taxes.

In theory a strong taxation, the current macroeconomic Keynesian prioritize schemes that dominated after the Second World War, while the opposing release a microeconomic perspective, focusing on the individual and trader

The evolution of gross domestic product, according to records of the Ministry of Public Finance ballots, according to data presented in the table no.3.

Table no. 3
- million lei -

Years	2010	2011	2012	2013	2014
GDP	511.581	547.829	585.200	625.617	674.300

Sursa: www.mfinance.ro

The analysis of statistics from Romania on the tax burden related to indirect taxes (Tables no. 4-5) calculated by taking into account all indirect taxes relative to GDP, increased the time from 2010 to 2012 with 1.83 percentage points, and the 2013-2014 period decreased by 1.17 percentage points. These fluctuations are due to the size of gross domestic product growth in the last years of the time period analyzed in a much higher rate than indirect taxes.

Table no. 4

Evolution of indirect taxes as a ratio to gross domestic product

Indicatori Anii	UM	VAT	Excise	Custom duties	Others indirect taxes	Total indirect taxes
2010	mil.lei	24.263,6	16.212, 3	574	746,5	41.796,4
	% PIB	4,74	3,16	0,11	0,14	7,88
2011	mil.lei	35.586,3	18.910,8	707,3	1.688,1	56.892,5
	% PIB	6,34	3,25	0,12	0,12	9,83
2012	mil.lei	31.587,7	22.755,4	643,0	1.844,5	56.830,7
	% PIB	6,08	3,23	0,12	0,28	9,71
2013	mil.lei	24.263,6	16.212, 3	574	746,5	41.796,4
	% PIB	5,85	3,16	0,09	0,48	9,58
2014	mil.lei	35.586,3	18.910,8	707,3	1.688,1	56.892,5
	% PIB	4,68	3,37	0,09	0,27	8,41

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3. Conclusions

Analysis of indirect taxes shows a high degree of importance by the fact that they do not act directly on revenues of economic agents, but through prices and tariffs. Not being adjusted, indirect taxes that acts wherever they occur conomic (economical operation) falls under the law, subject to indirect taxation.

When referring to the impact of indirect taxes on the state budget, their main impact is to ensure budget revenues that fund budget expenditures incurred by government.

The consequences of indirect taxes have on the budget depends directly, the indirect taxation tax return. The analyzes carried out in the paper, there is not any tax increase has the effect of increasing budget revenue, that as a result of decreasing tax base as a result of consumer behavior and reaction to the Institution manufacturer or raising taxes.

Tax practice that in times of crisis underproduction, as is currently the case of Romania, is preferably a relaxing fiscal policy, ie a low taxation level to encourage demand, increasing the tax base and, by default, budget revenues . In practice this can be achieved through differentiation of indirect taxes, so that certain activities be encouraged and others to be discouraged.

We believe that indirect taxes have not only a purely technical, revenue collection channels, but an instrument of fiscal policy.

The overall objective of Romania in the medium term in terms of tax policy is reorganizing the entire tax system, uses and so it becomes a tool for achieving macro stabilization and sustainable economic development. Among the measures that can be taken include: improving revenue collection, including monitoring of state enterprises generating losses; simplify and increase the transparency of the tax system; improving the tax administration system; strengthening monitoring of debts; combating tax evasion; capacity building for decentralized management of budget revenues and other measures.

If the first impact to any increase in taxes is negative, the decision on the terms of fulfillment of priorities related to achieving macroeconomic indicators may arise as a remedy, even if it leads to inhibition economic development. This should be considered taking into account the Government's fiscal policy and budget deficit, but most have noticed percent of budget revenues to the budget.

The fact is that any measure to increase taxes and indirect taxes particularly affects citizens, particularly those with low incomes

Fiscal policy promoted in an underdeveloped country, as is the case in Romania, should be the main ally for reviving and strengthening the economy a relaxing fiscal policy, with precise targets, which must simultaneously ensure some fundamental objectives, namely : stimulating growth in production, boosting investment, stimulate growth of interest in the use of labor in terms of efficiency; stimulating domestic capital and attracting foreign capital etc.

Romania's tendency, and other countries in transition, was to implement tax laws in western European, but bear in mind that unlike these countries with relatively stable economic situation, good or very good, they operate in generally less favorable conditions, such as lower growth, unemployment, inflation etc. Any harmonization with western European legislation requires the assessment of the social costs of the measures envisaged.

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