

THEORETICAL CONSIDERATIONS ON THE EFFECTS OF THE FINANCIAL CRISIS ON BUDGETARY REVENUES IN ROMANIA

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Abstract:

The global economy entered into the greatest economic crisis after the great recession, which affected both developed countries and emerging countries, demonstrating the degree of interdependence of world economies. The financial crisis has put in front of the Governments of a number of challenges, the most important of which are: a new approach to budgetary fiscal policies by Governments, a global coordinated response of the authorities in the affected countries, the need to improve recognition of public services and their reform, the need to do more with fewer resources. The crisis represents an opportunity to redefine the economy and to reform public finances. The recession is proving slow because the fiscal space for stimulating the economy is small. Budgetary correction involves painful measures, austere fiscal measures to be applied, however, because internal financial equilibrium and ensure the financing of the deficit by maintaining international agreements, legislative projects difficult, and treating the root causes of the structural deficit.

Key words: fiscal policy, corporate tax, excise tax, monetary policy, budget

JEL Classification: H26, H61

1. Introduction

Recent years have brought the harmonized tax system a slight slowdown. Countries more or less affected by the crisis, have adopted measures and sometimes extreme in order to avoid or at least minimize the negative impact on national economies. Each Member, old or new, and has adapted to the needs of its own tax system, trying to maintain the line taken with the accession to the European Union.

2. Body text

For Romania the proposals could have a positive effect on the efficiency of the tax system and to achieve the objectives laid down for the period 2012-2014 are:

- improvement of the predictability and the performance of fiscal policy over the medium term, maximizing the efficient use of funds from the European Union;
- ensuring the long-term sustainability of public finances;
- streamline bureaucratic apparatus that operates the cumbersome mechanism having failed to give an exact picture of the situation of taxpayers in real time;
- reduction of social security contributions in parallel with an increase in the minimum wage, with a positive impact on the State budget as a result of increased revenue from taxes on consumption, in particular, due to the fact that higher wages would have a positive effect on consumption;
- reforming the pension system by bridging the gap between retirement age and average life expectancy, providing incentives for prolonging the life of the assets, the removal of early retirement schemes and the promotion of effective systems of public/private pensions;
- keep the flat tax because it is a necessary condition for ensuring the stability of the tax in the context of the economic turbulence.

Collection of revenue to the State budget can be achieved through the following processes (Figure no. 1):

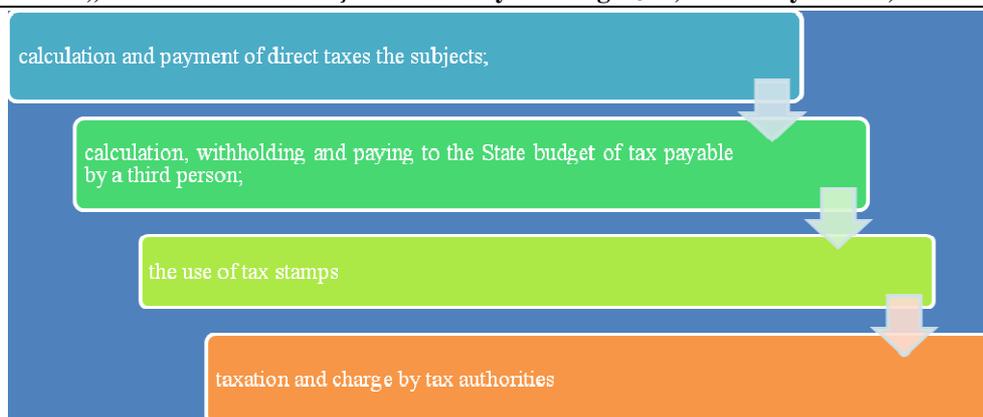


Figure no. 1, „Technical procedures collection of budgetary incomes”

Correction of the budget deficit is more difficult in a recession. A rational, prudent politicăbugetară can bring rigor in spending public money, efficiency and productivity. Budgetary correction causes a program budget expenditure adjustment, because Romania has no room for manoeuvre for fiscal relaxation, exhausted cyclical policies of previous years. Correction of the budget and tax measures undertaken by changing the tax code are necessary and unavoidable because the funding of a larger fiscal deficit leads to rapid growth of the public debt, interest rates and financial expenditures of the budget. The necessity of adjusting the volume and structure of government expenditure will put short-term pressure indirectly on the financial system. Fiscal consolidation is imperative in character but an intolerance conditions international financial markets to significant levels of budgetary deficits and rapid growth of the stock of government debt.

The operations involved in the tax authorities in connection with the implementation of the revenue can be grouped into the following stages: settlement; liquidation; the issue of perception; proper collection, shown in Figure no. 2.

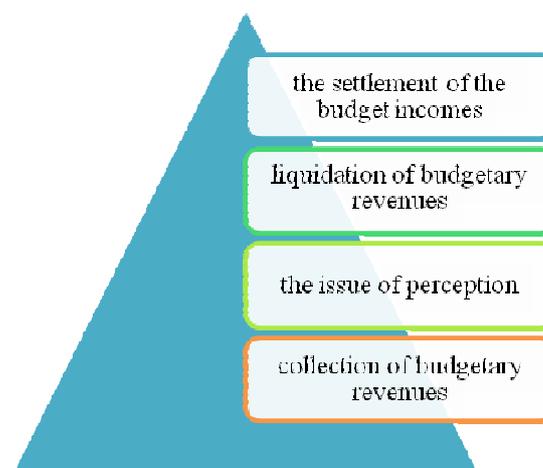


Figure no. 2. „The stages of execution budgetary revenues”

- The incidence of transmission channels of budgetary incomes can be identified (Lazăr S., 2009):
- ◆ the differential tax treatment of dividends and interest from the dividends from capital gains;
 - ◆ the character to be deducted in the calculation of depreciation of the taxable profit;
 - ◆ can tax loss carry-over in a future period;
 - ◆ differentiated taxation of enterprises depending on the size or structure of the legal person;
 - ◆ the use of complementary forms of compensation of employees, which has tax advantages.

Monitoring and control of the budget incomes implies the existence of methods, techniques and procedures to check the items in the records about the settlement and their perception. The objectives of the audit are:



To exercise control over matters of budgetary revenue presumes some *stages*:

- ✚ the preparation of the action, on the basis of tax records and other information on the taxpayer and has taxable matter;
- ✚ the actual deployment of the control, with the pursuit of concrete operations to verify that your request: information on obligations; conduct other activities than those notified; association with other partners; the changes of organizational structure, etc.;
- ✚ the conclusion of the verification carried out control;
- ✚ capitalizing on the findings-with an emphasis on the monitoring of the budget is laid down in the acts of control.

The importance of increasing indirect taxes has direct implications for the European Union and for Romania. This is because most of the indirect taxes, as a result of the impact immediately on the functioning of the single market, are approximated, as opposed to direct taxes. The growth rates of Value Added Tax made in the fight against fraud and pressing need and also emphasizes the need to address the biases of the Value Added Tax.

Evolution of general consolidated budget revenues in first semester of the year 2012 compared to first semester of the previous year, size scale according to the Directorate-General for Economic and Financial Policy Review as follows:

- ✚ general consolidated budget semester of the year 2012 totalled 92.9 billion, which represents 15.3 % of the GDP, with a nominal increase of 8.9 % compared with the same period of 2011.
- ✚ there have been following evoluții (semester I 2012 / semester I 2011) with respect to increasing share in the GDP for the revenue from the income tax and receipts from VAT: increasing the share in GDP of VAT receipts by 0.2 percentage points and income tax 0.1 percentage points and maintaining the share of GDP for revenue from income tax, excise tax, customs duty, insurance contributions and fiscal revenue;
- ✚ the total proceeds from the tax on the profit recorded an increase of 7.7% in the first semester 2012 compared with the first semester of the previous year;
- ✚ revenue from income tax totaled 10.4 billion, up 15.5% in the first semester 2012 compared with the first semester of the previous year;
- ✚ proceeds from the tax on the value added increased by 9.5% in the first semester 2012 compared with the first semester of the previous year;
- ✚ the proceeds of the duty have registered an increase of 6.6%;
- ✚ non-fiscal revenues increased by 10.2%;
- ✚ the proceeds of the revenue of the local budgets have registered an increase of 7.7%
- ✚ social insurance contributions collected at the consolidated general budget increased by 5.4%

All types of duty have had increases in recent years in an attempt to align to European standards.

The implications of changes in the area of direct taxes on EU policies are less direct, due to the fact that they are not yet harmonised. In recent years the general trend in this area has been to reduce taxes on labour, which generated positive effects as a result of the fact that, in general, high rates of taxation on labour have resulted in an increase in the unemployment rate.

In Romania, the share of income tax of 16 percent, the same as in the case of profit.

Fiscal policy measures adopted in recent years in response to the financial and economic crisis that has plagued Romania have had a significant impact on the fiscal pressure which, together with the oscillations in the GDP led to a sinuoasă of the evolution of the budget incomes.

In Romania are still struggling towards a more equitable redistribution of taxation through a more efficient tax collection and supporting sustainable growth and development of a fiscal policy to continue the fight against tax evasion.

The conclusion could be that the crisis did not how to control revenues, but at least you can try to control spending

3. Conclusions:

In the current economic context characterized by instability and uncertainty, taxation plays an important role especially in the States where it tries to accelerate fiscal consolidation efforts. Attention is now the efforts to increase budgetary receipts, while avoiding affecting economic growth in already fragile economies. Furthermore, changes in national fiscal policies are intended both to try resolving the problems they faced but, at the same time, leading to the attainment of the objectives of the national policy.

In the context of the global financial crisis, some EU Member States have announced additional measures on fiscal policies, to ensure that the objectives of fiscal consolidation and to reinforce the legal basis of the national tax rules.

Efforts to increase tax revenues must be an objective in the medium term. From this point of view, we have retained a few *aspects*:

- improve fiscal balances is more pronounced in the advanced economies, where the impact was higher tax, followed by emerging economies and, to a lesser extent, countries with low income;

- efforts in the direction of reducing public debt will take longer than the initial estimates and the situation will not stabilize before 2013-2015, at least in the advanced economies. Slow progress is due to the magnitude of the shock and încetinelii with which the process of economic recovery. In some cases more involved and factors such as high rates of interest, political uncertainties and the fragility of the banking system;

- most countries have tried to focus on measures that would have the least negative impact on economic growth;

- the measures taken both on the expenditure and revenue side have an important degree of employment of the workforce;

- an appropriate degree of progresivitate in the field of taxation, it is imperative to limit the negative social effects of adjustment packages.

The European Union affects the fiscal policies of the Member States in order to contribute to the achievement of its objectives, through the coordination. Such coordination between the various countries may prove to be extremely difficult, highlighting different national interests. In these circumstances, it was necessary to implement an agreement between Member States to ensure that every State has this objective.

Generally, fiscal policy is regarded as a component of national sovereignty. Specific fiscal policy at EU level is derived from the fact that the tax systems of the Member States differ substantially, primarily due to differences in economic, social, historical, cultural and political, but also from the point of view of how they are defined and designed the national tax systems.

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