

COMPARATIVE ASPECTS OF THE FISCAL ADMINISTRATION IN ROMANIA COMPARED TO BULGARIA, POLAND AND HUNGARY

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Abstract

The role of the tax authorities is to collect sufficient revenue to cover expenditure and to ensure that all taxpayers contribute to the government's funds in accordance with the provisions of the Tax Code. The aim of this paper is oriented towards a comprehensive and comparative assessment of the tax administration in Romania and that of Bulgaria, Poland and Hungary, as well as the positioning of Romania within the European Union in terms of the effects of tax policies. The present analysis is largely based on statistical data made public by eurostate.com. Regarding our country, in the medium and long term, a greater fiscal/budgetary adjustment is needed to ensure fiscal/budgetary sustainability and to face new challenges. It is clear that a large share of this large adjustment must come through measures that generate tax and budget revenue growth, with budget expenditure on an upward trend.

Keywords: tax administration, direct taxes, indirect taxes, social contributions, digitisation, European Union

JEL classification: H30, H21

1. Introduction

Coordination of economic policies at the level of the European Union is a necessary condition, the fulfilment of which must not undermine the capacity of governments to provide an enabling environment for development [5].

The diversity of European tax systems has been analysed by researchers in particular in terms of tax structures, but also in terms of convergence of tax burdens or public revenues [5].

In the case of developing countries there is a preference for indirect taxation, as highlighted by Văcărel et al [6], but "the choice for this taxation must be related to the level of income and the level of wealth held by individuals and legal entities, therefore direct taxes will have a lower yield than in developed countries". This explains the choice of indirect over direct taxation in emerging countries.

Obviously, in developing countries, budgetary capacity tends to be low [2] and in a dependent market economy such as Romania, tax collection is more difficult.

In terms of the total tax burden (including social contributions paid by employees and employers), there are significant differences between EU Member States. In 2021, total tax revenues ranged from 48.1%GDP in Denmark to 21.1%GDP in Ireland. The EU average of total tax revenue as a share of GDP in 2021 was 40.7%.

Romania's total tax revenue (including social contributions) in 2021 (126.5% of GDP) was below the EU27 average, placing Romania second last in the ranking. This result in tax revenue collection is also the result of an insufficiently modernised tax administration apparatus, with slow and often only partially implemented reforms.

The reform of the National Agency for Tax Administration through digitisation, foreseen in the Recovery and Resilience Programme, is based on the recognition that, in order to correct the budget deficit, there is a need to rapidly streamline public revenue collection and improve the relationship with taxpayers.

Increasing tax collection is absolutely necessary given that Romania ranks second last in the EU (after Ireland) in terms of tax revenue as a share of GDP, with less than 27% of GDP in 2021, compared to a European average of more than 40% of GDP.

2. Positioning of Romania's tax administration compared to Bulgaria, Poland and Hungary

Over time, it has been shown that tax changes do not have the desired effects in terms of increasing revenue collection and reducing tax evasion as long as they are not accompanied by computerisation and digitalisation of the tax administration.

Among the determinants of improved tax collection are [8]:

- Digitising the economy;
- Apariția new business models;
- Utilizarea new technologies, data sources and analysis tools;
- Creșterea international cooperation and information exchange.

As regards the digitisation of the tax administration, from the taxpayer's point of view, it aims to encourage positive attitudes in the declaration and payment of tax obligations at taxpayer level.

In terms of digital public services, according to the Digital Economy and Society Index (DESI) 31 at EU Member State level for 2021, Romania ranks last in terms of digital public services for citizens and businesses, users of e-government services and pre-filled forms.

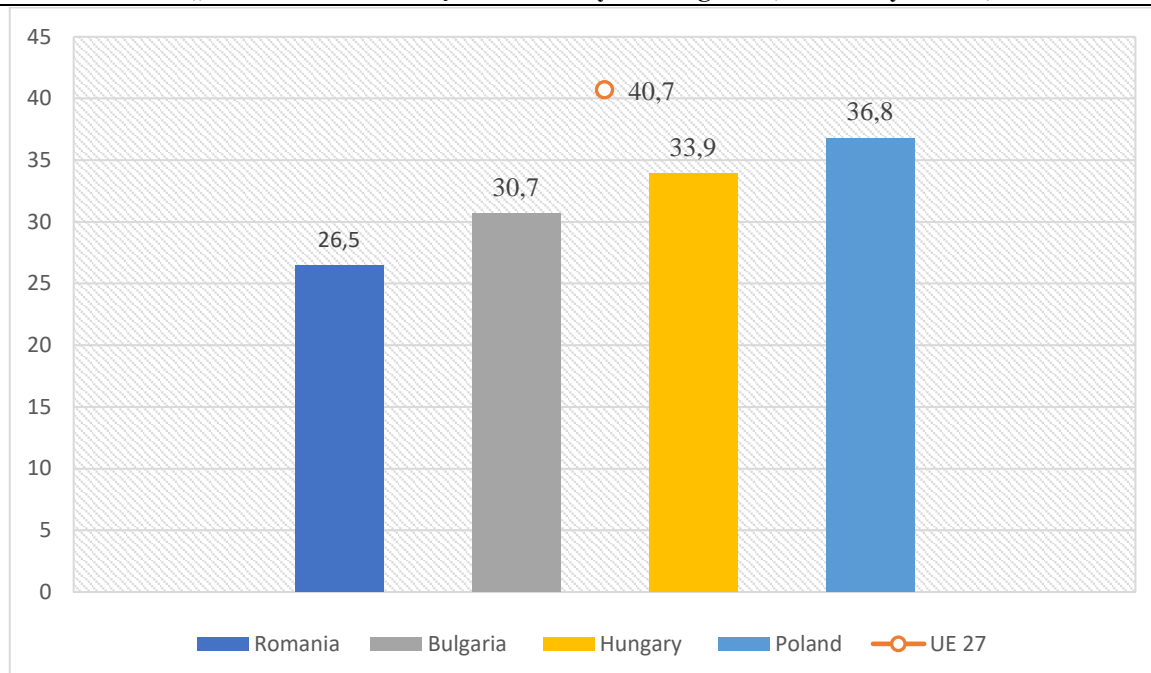
The revenue collection rate in Romania in 2021, compared to the other EU Member States surveyed, is shown in Table 1.

Table no. 1 **Total taxes (including compulsory actual social contributions) as % of GDP 2021**

Crt. no.	Member States of the European Union Indicators	Romania	EU 27	Bulgaria	Hungary	Poland
1.	Total income including contributions in GBP (%)	26,5	40,7	30,7	33,9	36,8
2.	Total income excluding contributions in GBP (%)	16,0	27,5	21,9	23,4	23,8

Source: www.europa.eu

Romania's position compared to the European Union average and to the other countries analysed together with Romania, in terms of total tax revenue as a share of GDP, is shown in Chart 1:



Source: Table no. 1

Chart no.1 Total revenue including contributions in GBP (%), Romania vs Bulgaria, Hungary, Poland and EU27, 2021

As regards the structure of tax revenues as a share of GDP in 2021, both in Romania and in the countries analysed, compared to the EU27 average, the situation is shown in Table 2.

Table 2 Structure of tax revenues as a share of GDP in 2021

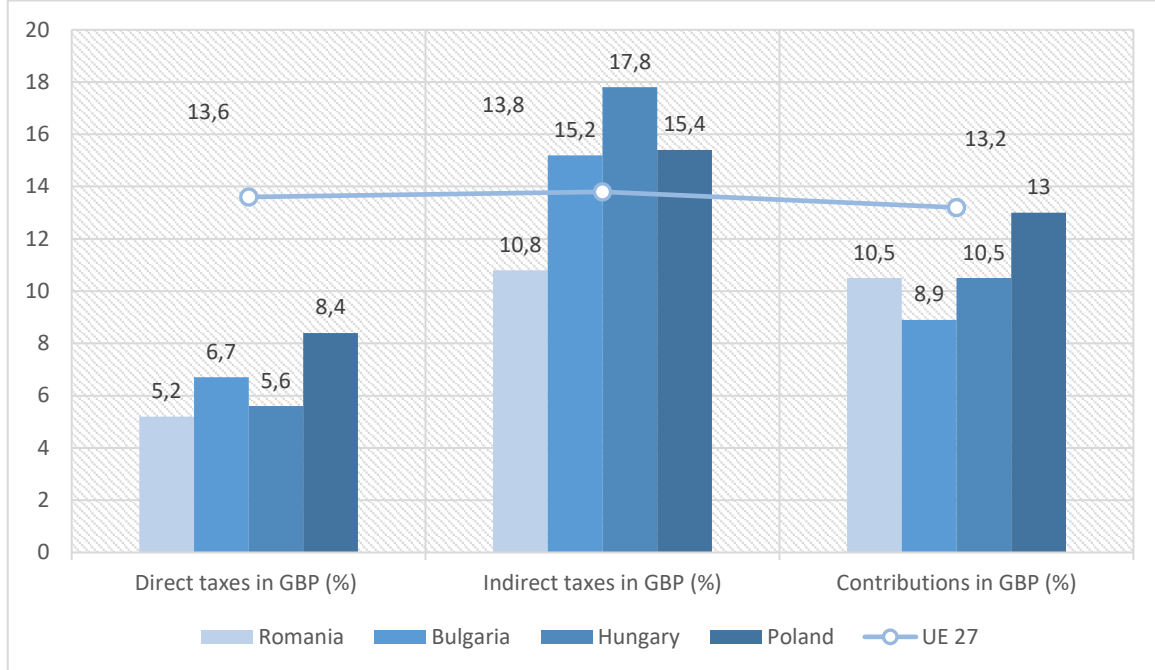
Crt. no.	Member States of the European Union Indicators	Romania	EU 27	Bulgaria	Hungary	Poland
1.	Direct taxes in GBP (%)	5,2	13,6	6,7	5,6	8,4
2.	Indirect taxes in GBP (%)	10,8	13,8	15,2	17,8	15,4
3.	Contributions in GBP (%)	10,5	13,2	8,9	10,5	13,0

Source: www.europa.eu

According to the data in Table 2, Romania shows a major gap compared to the EU27 average in terms of direct tax revenues (-8.4%). Poland showed a gap of 5.2% compared to the EU27 average.

Both Romania and the other countries analysed in this paper recorded a level below the EU27 average for both direct tax revenue and social contributions revenue.

The structure of national tax revenues compared with Bulgaria, Poland, Hungary and the EU27 average in 2021 is shown in Figure 2:



Source: Table no. 2

Figure 2 Structure of national tax revenues compared with Bulgaria, Poland, Hungary and the EU27 average in 2021

At the Romanian level, the Romanian Digitisation Authority (RDA) launched in December 2020 a broad project to create a national strategic framework for the adoption of innovative technologies in public administration 2021-2027.

Relevant initiatives launched by the RDA in the period 2020-2021 include [8]:

- improvement of the national electronic online payment system (ghiseul.ro);
- launch of the implementation of the Centralised Software Platform for Digital Identification (PSCID) project;
- conducting an analysis and finalising the document on barriers to digitisation of the public and private sector in Romania;
- finalisation of the public policy on eGovernment, which is the action plan for the next 10 years, establishing a programme of measures for the digitisation of public administration;
- launch an inventory of existing digital public services offered by central government authorities.

The benefits of digitisation can be seen in Austria, Estonia, Finland, Sweden, etc., where projects to digitise tax systems are effectively implemented with notable results. For example, in the above-mentioned countries, the tax revenue collection rate as a share of GDP in 2021 is 43.3% in Austria, 43.0% in Finland and 42.8% in Sweden.

3. Conclusions

With a level of 26.5% of GDP tax revenue (including insurance contributions) collected in 2021, Romania is far behind the countries at a similar level of development, Poland (36.8% of GDP), Hungary (33.9% of GDP) and even behind a country with a lower level of development, Bulgaria (30.7% of GDP).

The main reasons for Romania's second last place in the European Union in terms of total tax revenue collected as a share of GDP are: low collection of taxes due; very low tax rates compared to Central and Eastern European countries.

One solution to change Romania's position in the EU tax revenue collection map is to reform Romania's tax administration in order to increase tax collection, while increasing voluntary compliance and substantially reducing tax evasion.

The process of reforming the tax administration must aim at a modern approach to the problem of interaction between the tax administration and its taxpayers.

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