

SOME COORDINATES REGARDING THE ROMANIAN TAXPAYERS' BEHAVIOR

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Abstract

The issue of taxpayers' behavior is considered to be as old as taxes. In this framework, the interdependence between fiscal policy measures and taxpayers' behavior should not be ignored. Starting from the attributes of tax administration in Romania, an institution that simplifies taxpayers' life, an institution that respects the taxpayer and his rights, an equitable institution, we believe that an analysis of taxpayers' behavior is always opportune. Through this article, we try to surprise essential coordinates of taxpayers' behavior from Romania, taking into account the main factors that influence fiscal behavior and possible measures that can contribute to its improvement.

Keywords: *taxpayer, the fiscal behavior, voluntary tax compliance, ethics and morality*

JEL classification: *E62, H2, H3*

1. Introduction

The specialized literature provides many studies and research relating to the behavior of taxpayers, most referring to the concept of fiscal behavior, the typology of fiscal behavior and factors influencing the fiscal behavior.

In this framework, theoretical and experimental analyzes have highlighted: the link between tax compliance and tax morale (Torgler, 2007); the interdependence between ethics and tax compliance (Alm and Torgler, 2011); changes in the fiscal behavior in relation to the tax rate (Swenson, 1988) and the instability of the tax system (Alm, 2014a); the confidence of

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taxpayers in fiscal institutions and the power of these institutions to change the fiscal behavior (Gangl, Hofmann and Kirchler, 2015); the influence of social norms on the behavior of taxpayer (Bobek, Hagemen and Kelliher, 2013); similarities and differences between the fiscal behavior of an individual and the fiscal behavior of a group of taxpayers (Alm, 2014b); the impact of tax returns (Bhattacharjee, Moreno and Salbador, 2014) and information systems (Brink and Lee, 2014) on the fiscal behavior; ratio between the gross result and the net result and its impact on the fiscal behavior of legal persons (Goldin, Listokin, 2014); the fiscal behavior in relation to the way of use public financial resources (Barone and Mocetti, 2011); the relationship between the voluntary compliance and the constraint (Kirchler, Hoelzl, and Wahl, 2008); the influence of neuroeconomics on the fiscal behavior (Chorvat, 2007).

Taking into account the current situation of the fiscal behavior from Romania and the factors that determine this behavior, in this article we will try to identify possible actions that can act to improve the behavior of taxpayers.

2. Findings on the current behavior of taxpayers from Romania

Compliance with the fiscal law is one of the essential civic duties in Romania, so the partnership between taxpayers and the tax administration takes into account three relationships, namely: an administration that simplifies taxpayers' life - a citizen taxpayer; an administration that respects the taxpayer and his rights - a cooperative taxpayer; an equitable administration - a loyal contributor (NAAF, 2010).

Thus, Charter of taxpayer from Romania specifies attributes for: (i) the citizen taxpayer, respectively the individual who: recognizes the legitimacy of the principle of taxation and complies the tax legislation; participates in the public interest generated by taxation system; not evade from the declaration and payment of the tax obligations; adhere to the timetable of tax obligations; timely communicates the changes which influence his fiscal situation; always knows the tax obligations; contributes to the procedures modernization; recognizes and accepts the act of control; (ii) the cooperating taxpayer, respectively the individual who: manifests fairness, responsibility and courtesy towards the tax inspector; contributes to the proper conduct of control operations; shall assume the responsibilities; (iii) the loyal taxpayer, respectively the individual who: demonstrates seriousness, reality

and completeness towards tax returns; positively participates in all activities involving fiscal issues (NAAF, 2010).

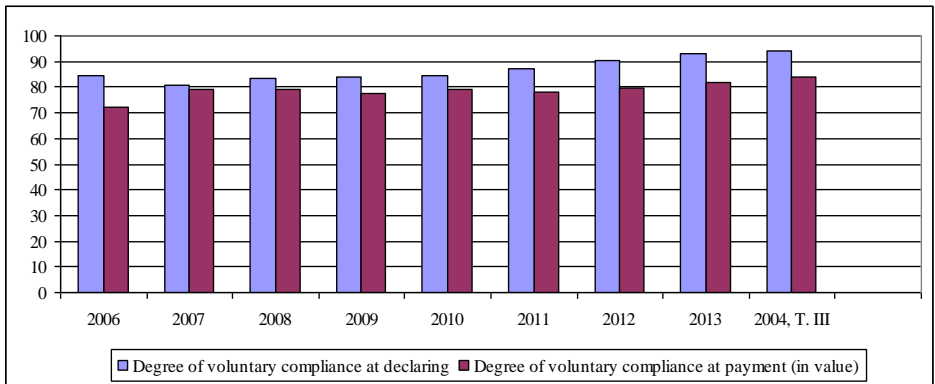
The Romanian taxpayer corresponds to these attributes? The issues presented below will allow a response to this question, being contoured the profile of Romanian taxpayer.

2.1 Voluntary Compliance

The issue of voluntary tax compliance is as old as taxes, for which reason tax authorities in each state always have in mind the solutions for its growth (Andreoni, Erard and Feinstein, 1998).

In Romania, the degree of voluntary compliance is an indicator of the performance of the tax administration (NAFA, 2015a), with reference both to the declaring (share of tax returns filed by the deadline in total tax returns that would be made, based on information from the evidence of taxpayers and the fiscal vector) and payment (share of amounts voluntarily paid by taxpayers by the deadline in total tax obligations).

Figure 1: Evolution of voluntary compliance in Romania



(Source: NAFA - Activity Reports, <https://www.anaf.ro/anaf>)

Even if in the period 2006 - 2014 in Romania there is an increase in the degree of voluntary compliance, the voluntary compliance at payment of fiscal obligations is relatively low, with impact on the formation of public financial resources and accumulation of arrears.

Thus, according to data presented by the Council Fiscal (Council Fiscal, 2014): (i) the level of public revenues from taxes, including social security contributions as % of GDP in 2013 was 27.5%, by 13 percentage points lower than the EU27 average and significantly lower than the level recorded in similar economies (Hungary - 38.6%, Slovenia - 37.6%, Czech Republic - 35.3%, Poland - 31.8%); (ii) arrears as % of GDP recorded a spectacularly decrease in the period 2000 - 2008 (from 34.8% to 13.7%), but after this period the values were between 20.6% in 2011 and 18% in 2013.

Through the aspects presented on the level of voluntary compliance it can be affirmed that for the attribute the citizen taxpayer this level has negative implications.

2.2 The structure of the fiscal system and method of payment of tax liabilities

During 2008-2014 Romania has made significant progress in terms of ease of paying taxes.

According to studies performed by PwC and the World Bank Group, in the ranking regarding ease of paying taxes, Romania was on 146 position (out of 181 economies analyzed) in 2008 (PwC and World Bank Group, 2009) and on 52 position (from 189 economies analyzed) in the year 2014 (PwC and World Bank Group, 2015).

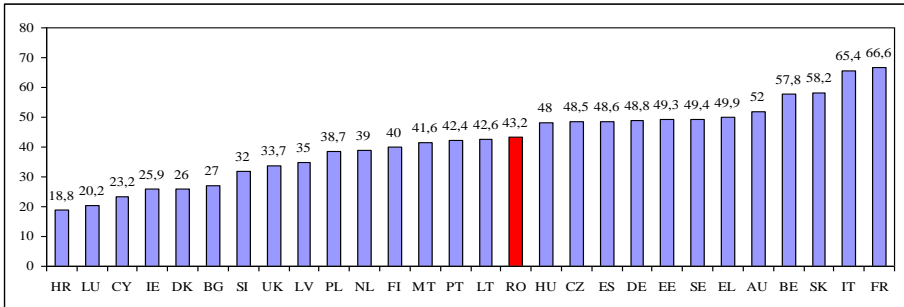
Thus, micro and macro fiscal decisions adopted during the period 2008-2014 resulted in: reducing the number of tax payments from 113 to 14; reducing the tax time from 202 hours to 159 hours; reducing the total tax rate from 48.0% to 43.2%.

With a total tax rate of 43.2% for the year 2014, Romania is ranked 16th among EU Member States, with +1.4 percentage points from the average EU28 (PwC and World Bank Group, 2015).

Although Romania's position in this ranking should be reflected positively in Romanian taxpayer behavior, often the taxation from Romania is considered to be excessive. Without taking into account all the elements that confers this appreciation the excessiveness, we emphasize the following: (i) the share of indirect taxes in total fiscal revenues, which according to the budgetary law for 2015 is 72.05% of total fiscal revenues (Act 186, 2014); (ii) a high level of the standard VAT rate and the lack of reduced rates on basic foods, ranks Romania among EU Member States with a high levels of taxation; (iii) significant changes in the method of determining the excise duty

with significant impact on the consumption of energy products; (iv) high level of taxation on labor, which in the year 2014 represented 72.72% of the total tax rate (PwC and World Bank Group, 2015).

Figure 2: Total tax rates in EU Member States in 2014



(Source: Paying taxes 2015, <http://www.pwc.com/gx/en/paying-taxes>)

Even if the progress has been achieved regarding the system of declaration and payment of tax obligations, the reporting system make it difficult the taxpayers' activity, in terms of: the number of tax returns, the fiscal calendar, the system of filing and validation of tax returns; changes in the form and content of tax returns. According to legal provisions, in the year 2015 the tax forms existing in reporting system from Romania are in number of 310, from which 91 with identification number. The tax forms with identification number are relating to: tax registration - 24 tax forms; declaring tax liabilities - 57 tax forms; fiscal record - 9 tax forms; corrections - 1 tax form (NAFA, 2015b). Filing these tax forms requires compliance with a fiscal calendar, which for 2015 sets a total of 55 days (6 days - in April, 5 days - in March, June, July, September, October, December, 4 days - in January, May, August, November, 3 days - in February (NAFA, 2015c).

Based on the aspects mentioned above, we consider that unstable tax legislation, which sometimes gives rise to misinterpretations and discrimination, the fiscal changes aimed at only a certain category of taxpayers, a high tax burden, especially on the final consumer, a declarative system unstable are reasons that cause major changes in taxpayer behavior from Romania, both in terms of organization and functioning form, and in terms of compliance with tax laws

2.3 The confidence in fiscal institutions

In 2004 Romanian taxpayers' confidence in National Agency for Fiscal Administration was at a fairly high level, respectively 60.9% of taxpayers had enough confidence and 18.2% of taxpayers had great confidence (NAFA, 2004). After 10 years, the confidence in fiscal institutions has decreased, due to the level of taxation, the fiscal uncertainty, the bureaucracy, disregard for the rights taxpayers, often abusive actions from fiscal inspectors. As shown in Romanian Entrepreneurship Barometer 2013, 43% of entrepreneurs were dissatisfied with the tax area, over 90% of them claiming the need for simplification taxes and tax regulations, as well as increasing predictability for fiscal environment and fiscal regulations (Ernst & Young Romania, 2013).

These considerations lead us to affirm that through its actions the tax administration has neglected aspects of sustainability of public finances, so the quality of activities carried out having a significant impact on fiscal policy volatility (Albuquerque, 2011).

Since in EU Member States there is a significant increase in the number of independent fiscal institutions, to increase fiscal discipline, to improve fiscal control, to promote transparency and accountability in fiscal and budgetary field (Von Trapp, 2011), we consider that activity carried out by the Fiscal Council from Romania must become more visible, and the views expressed by this institution to be considered for the creation and strengthening a culture of fiscal and budgetary responsibility with beneficial impact on taxpayer behavior.

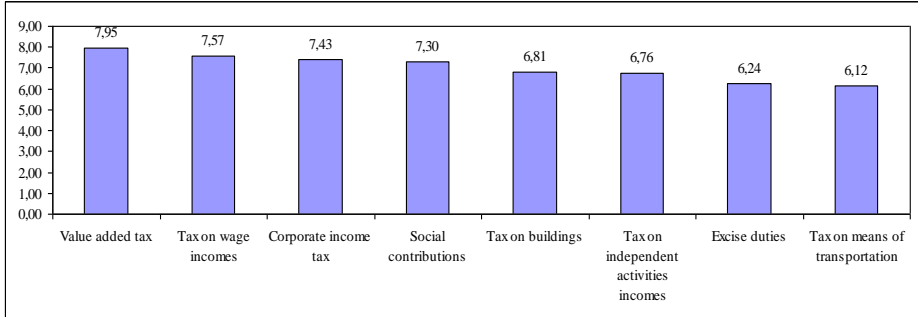
2.4 The importance tax obligations for young people

Through a selective survey conducted among students of economic profile of the "Lucian Blaga" University of Sibiu, Romania, held from February to March 2015, we wanted to highlight which taxes have relevance for young people, asking students to assign a number from 1 to 10, according to the importance attached to certain taxes, as an individual taxpayer (1 - not important ... 10 - very important). The study recruited 250 respondents, with ages between 21 and 24, from which 85% having only the student status and 15% having both the student status and the employee status on a full-time or part-time.

Although the majority of respondents felt that taxation contributes significantly to the development of a nation (62.5% - very much and 35% -

far), the average importance score of eight tax liabilities recorded values between 6.12 and 7.95, being achieved the following hierarchy:

Figure 3: The importance attached to fiscal obligations by young people



(Source: processing author, on the basis of selective research results)

The way in which young people have appreciated the importance of taxes highlights the following: (i) although indirect taxes are considered to be very important, taking into account their repercussions on the final consumer, the positions occupied by the VAT and excise duties demonstrates relatively low level of knowledge regarding the excisable products and the impact of excise duties on prices; (ii) although a small percentage of respondents have the status of employee, being directly involved in practical work, the importance given to corporate tax is relatively high; (iii) for the assessments relating to tax on buildings and means of transport, we believe that the young people did not take into account the issues related to ownership of such goods; (iv) the ranking made by young people does not correspond to the way in which the public financial resources in Romania are formed.

Such a ranking made by young people who however have some knowledge in economics, demonstrated a low level of fiscal education among the Romanian taxpayers. The lack of understanding the purpose and the role of each tax induces the taxpayer to consider taxation as a damage brought to income or property and thus to evade from taxation by whatever means.

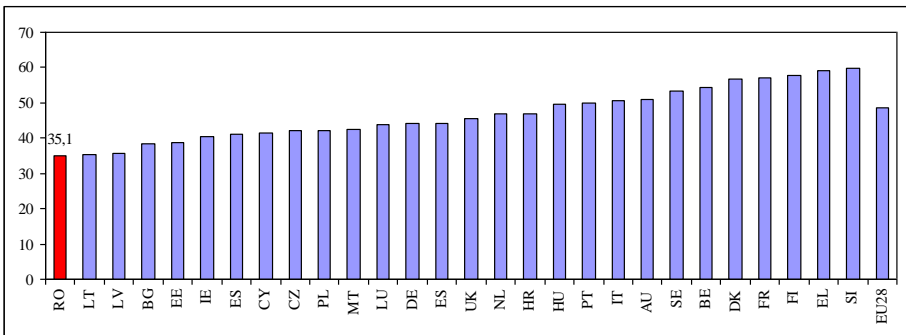
2.5 The efficiency of using public financial resources

According to the principles of taxation, taxes should contribute to the development of the personality of each individual, the overall development of the nation. A taxpayer feels this development through appropriate action of the public finances function, by the way it the public necessities are covered, by the level of growth and development.

Each taxpayer expects a relevant response from public authorities to the question: Why people have to pay taxes? In this context, the level of public expenditure, the structure of public expenditure depending on the social and economic priorities, the efficiency and effectiveness of public expenditure are factors with significant impact on taxpayer behavior.

In the year 2013 Romania recorded the lowest level of public expenditure as % of GDP among EU Member States, with a value of 35.1%, by 13,4 percentage points lower than the average UE28 (Eurostat, 2015).

Figure: 4 Total general government expenditure as % of GDP, in 2013



(Source: Eurostat, 2015)

It is clear that a low level of public expenditures entail the impossibility of ensuring the public financial resources needed to develop the economy. In these circumstances any public money wasted or misused produces changes in taxpayer behavior.

From this perspective, the situation in Romania regarding the legality, regularity, economy, efficiency and effectiveness in terms of the formation, administration and use of financial resources of the state and public sector is a dramatic one. Thus, according to data presented by the Romanian Court of Accounts, in 2014 through 2,723 control actions have been identified 25,529

cases of irregularities (with additional income and damages amounting to 1,146.8 mil. EUR), which shows that, performance in using the public funds is not a priority criterion for public entities from Romania (Romanian Court of Accounts, 2005).

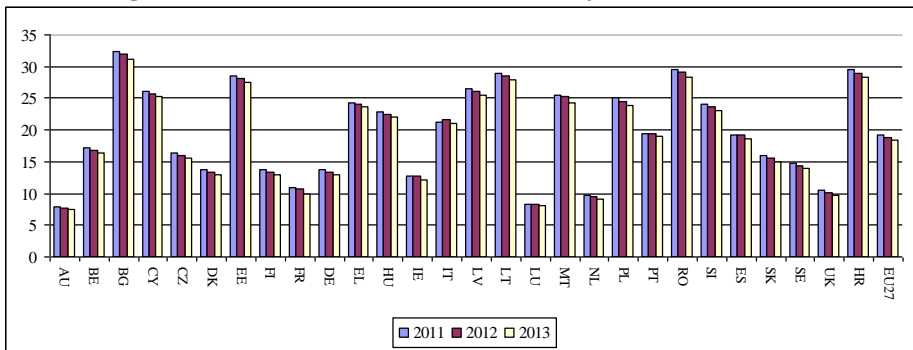
2.6 The size of tax evasion and shadow economy

The size of tax evasion and shadow economy are the main risks for fiscal and budgetary sustainability in Romania.

According to data presented by the Fiscal Council, tax evasion in Romania has reached in 2013 to 16.23% of GDP, which represents an increase of 7.12 percentage points from the level recorded in 2000, about 75% of which is generated by VAT (Fiscal Council, 2014).

Based on recent studies, Romania has a very high level of shadow economy, representing in 2013 28.4% of GDP, occupying an un-honored 2nd place in the EU states (ATKearney, V. I. S. A., Schneider, .2013).

Figure 5: The evolution of shadow economy in EU (% of GDP)



(Source: ATKearney, V. I. S. A., & Schneider, F., *The Shadow Economy in Europe*, 2013)

Taking into account the acts and facts of legal evasion (sheltered by law) and tax fraud, taxpayer from Romania is often labeled as "escapist."

3. Conclusions

A real partnership between the state and the taxpayer it establishes to the extent that both sides considers taxation an essential component in the life of

the nation, and keywords taken into account are ethics, predictability, transparency, efficiency and effectiveness.

Based on the issues outlined in this article are required major changes both in terms of the mode of settlement and collection of tax obligations and in terms of the methods to combat tax evasion.

Regarding the settlement of tax liabilities, the envisaged amendments from 2016 in the two pieces of legislation of the Romanian fiscal system (Fiscal Code and the Fiscal Procedure Code) especially aims to fiscal relaxation. In this context, without a full presentation, the envisaged amendments make reference to the following: (a) reduce the standard VAT rate from 24% to 20% from 1 January 2016 and to 18% from 1 January 2018; (b) the introduction of a reduced rate of VAT on basic foodstuffs; (c) introducing the obligation for payment of social security contributions and health insurance contributions for all individuals who receive income; (d) reduction of social security contributions starting with 1 January 2017, for employed from 10.5% to 7.5% and for employer from 15.8% to 13.5%; (e) differential taxation for microenterprises according to the number of employees; (f) reducing the corporate tax rate from 16% to 14% starting with 1 January 2019; (g) removing dividend tax and tax on special constructions from 1 January 2016; h) reduction of excise duty on major energy products (petrol, diesel); (i) interpretation of tax law in the favor of the taxpayer if occurs doubt about tax rules; (j) the introduction of penalty for undeclared tax obligations (MPF, 2014).

From the perspective of tax evasion, the multitude of negative effects that this one generates (encouraging informal economy, corruption, decline in GDP, decreased stability of the national economy, declining purchasing power of the currency, creating social inequities, favoring the development of mafia networks) requires zero tolerance to this scourge.

We believe that implementation of these measures, along with transparency and efficiency of public expenditure will radically change the Romanian taxpayer behavior, so this behavior can be capable of responding to the attributes, the citizen taxpayer, the cooperating taxpayer, the loyal taxpayer.

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