

THE INFLUENCE OF FISCAL PRESSURE ON THE TAXPAYERS BEHAVIOR

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Abstract

Taxpayer behavior is investigated, discussed and analyzed in the literature of exclusively rational perspective devoid of any emotion or feeling, being interdisciplinary approach. Compliance behavior or noncompliance behavior results from the combination of several factors: economic, psychological, religious, cultural, etc. The decisive role in the conduct of the taxpayer's fiscal and tax burden it has confidence in state authorities, namely public spending transparency and the performances that the government can achieve at this moment. Although it is considered as defining what the taxpayer is a scientific approach easy to achieve in reality it contributes to defining a number of factors mentioned above. This applies whether you are talking about taxpayer as individuals or entity he is forced to turn to the state budget a portion of the amount recieved because of their work. Criteria that must be satisfied: to enter the sphere of taxpayers vary from state to state.

Key words: factors of influence taxpayer behavior, fiscal pressure, confidence in state authorities, authorities power.

1. INTRODUCTION

In the literature are numerous definitions of fiscal pressure but most concluded that this indicator is calculated as a ratio between income from taxes in a time and GDP (Gross Domestic Product) achieved in the same period. Fiscal pressure can be established to individuals or to the companies operating in the state. This process of determining the tax burden seems simple enough but in reality we should take into account other key factors,

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namely: living standards, demographic structure, the structure of compulsory levies, the degree of perception of tax liability by taxpayers as a support meeting public needs and not the tax burden, the welfare system and especially the budget deficit. Fiscal pressure has certain limits to the taxpayer that can be supported whether it is personal or entity, thus framing the tax burden as the main factor in determining taxpayer behavior. These limits can latch reaction of the taxpayer who can resist increasing tax burden. Resistance can take many forms such as tax evasion, reduce productive activity, declaring the entire taxable amounts or at worst riots. Thus taxpayer behavior becomes abnormal trying to avoid through various forms the tax obligations. Up to a certain limit point, payment of taxes is made voluntarily by the taxpayer, when this limit is exceeded resulting reactions that affect revenues mentioned above. Increasing taxation will discourage saving, consumption and investment.

In this paper *main objective of the research* is to analyze the tax burden on categories of taxes and contributions compared with the EU average and over a period of time (greater than 10 years) to understand their evolution and to identify whether law measures that were taken over time in Romania had the expected effects.

The main reason for choosing this theme is that economy of a state is very strongly influenced by the structure of the tax system and how it performs its function of collecting. Most tax systems have undergone significant changes over the past few years, we will analyze whether changes had a positive or negative influence. *Research methodology* is analyzing the latest report provided by Eurostat, "Taxation trends in the European Union" at the 2014 edition of the fiscal pressure and Romania compared to other EU member states.

2. COMPLEXITY OF TAX LEGISLATION AND IT'S IMPACT TOGETHER WITH OTHER FACTORS ON THE TAXPAYER'S BEHAVIOR

The political determinants of tax compliance behavior are the complexity of tax law, the complexity of tax system, and the fiscal policy. Before taking the decision to comply, one of the first elements taxpayers are confronted with is the tax law. Its level of complexity can turn a well intentioned taxpayer into an avoider or evader. The structure of tax system can also hinder taxpayers' willingness to comply, if they perceive the system as

being too bureaucratic, with a high tax burden, and a high number of taxes. In the same vein, an inefficient fiscal policy mirrored in squandering of public funds and low quality of public goods make taxpayers think twice before paying the entire share of their tax liabilities.

Tax legislation is not always very clear and explicit although this represents the boundary line between tax avoidance and tax evasion lawful. In practice this line is imprecise. Concern for legislation increased in recent years with the expansion of business globalization, migration obligatiilot by initiating tax offshore business. Tax legislation is very complex, very difficult to understand by individual taxpayers these having the necessary studies in the field, finding in recent years an increase in the complexity of tax law. If tax legislation is too heavy and too complex and large enterprises of taxpayers hires experts to analyze legislative breaches, small taxpayers or individuals come to believe unjust law and a disregard conclusion. If you do not have control over the correctness of their behavior and do not understand the laws end up living a feeling of powerlessness and ill will in any case. Even if the tax obligation does not seem to be a topic of interest in usual conversations, people seek a sense of their contributions to the community especially when tax obligations become due, when public spending is challenged or when introducing new tax obligations. Taxation was and will be an important factor in the development of an economic activity regardless of the field in which they operate..

The taxpayer is the component on which the tax system reflects the fiscal policy implemented and amendments whether it is company or a person. Under the law the taxpayer is obliged to transfer the state budget some of the value it creates because of their work. Each country has its own criteria for delimiting the notion of taxpayer. There are two types of fiscal behavior : tax compliance reporting the entire timely submission of tax liability for companies, timely payment of amounts due. The second type of tax compliance behavior is when the taxpayer avoids paying taxes by different methods. In establishing his fiscal behavior, taxpayers take in consideration the confidence they have in authorities, in the state and the power it has through organs control if they comply imposed or forced when the taxpayer react to risk, fines and in serious cases even detention .Most countries are struggling to control the economy and especially tax fraud. Very effective control with obvious results are based on surveys and relevant statistics realized profile potential suspects involved in the underground economy.

Most countries try to control the expansion of the underground economy and tax evasion. If tax legislation is so difficult to understand and generate different interpretations control is very difficult especially since there is currently no clear means of detection and quantification of tax evasion and the underground economy, making it just guesses. Taxpayer behavior is influenced by a number of factors that are found in literature, proving once again interpenetration between psychology and economics. A real impact factors are likely: economic: fines, tax rates etc; politico-legal: lack of regulation or their instability, lack of trust in Governing; socio-psychological: norms, habits, confidence in the tax authorities; moral: motivation to pay tax obligations; neurological: physical states, hormones etc.

3. ROMANIA'S FISCAL PRESSURE LEVEL COMPARED TO EU MEMBER STATES

The Structure and the evolution of taxation in Romania

The overall tax-to-GDP ratio of Romania was 28.3 % in 2012, more than ten percentage points lower than the EU-28 weighted average (39.4 %). The overall tax-to-GDP level in Romania continues to be the fourth lowest in the EU at a comparable level to that of Latvia (27.9 %) and Bulgaria (27.9 %). The tax structure of Romania stands out in several respects. Romania continues to have the second highest reliance on indirect taxes in the EU. In 2012, indirect taxes accounted for 47.2 % of total tax revenue compared with 34.5 % for the EU-28 average, while the share of social contributions accounted for 31.2 % (EU-28 32.4 %) and direct taxes for only 21.6 % (EU-28 33.4 %). Central government revenue forms more than half of the total (63.5 %), while local government revenues are marginal, consisting of only 3.6 %. The revenue received by social security funds accounts for 32.2 %, just above the EU-28 average (32.0 %). As a percentage of GDP, the revenues of the social security funds are 3.5 percentage points below the EU average, 9.1 % versus 12.6 %. In 2013 the Romanian economy grew by 2.2 %, while for 2014 a 2.1 % growth rate is forecast. However, the fall in revenues in the first three quarters of 2013 prompted the Romanian government to increase the rate for certain existing taxes (mainly excises) and introduce a few new taxes.

Table 1. Structure and evolution of taxation in Romania

Romania	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Ranking(1)	Cbn
A. Structure of revenues	% of GDP														
Indirect taxes	12.2	11.3	11.6	12.3	11.7	12.9	12.8	12.6	12	11	12.1	13.2	13.4	16	17.6
VAT	6.5	6.2	7.1	7.2	6.7	8.1	7.9	8.1	7.9	6.6	7.6	8.7	8.5	9	11.2
Excise duties and consumption taxes	3	2.8	2.6	3.5	3.6	3.3	3.2	3	2.7	3.2	3.3	3.5	3.5	10	4.6
Other taxes on products (incl. import duties)	2.2	1.6	1.3	1	1	1	1.2	0.7	0.6	0.4	0.4	0.4	0.7	18	1
Other taxes on production	0.5	0.6	0.6	0.6	0.5	0.5	0.6	0.8	0.8	0.7	0.7	0.6	0.6	23	0.8
Direct taxes	7	6.4	5.8	6	6.4	5.3	6	6.7	6.7	6.5	6.1	6.2	6.1	25	8
Personal income	3.5	3.3	2.7	2.8	2.9	2.3	2.8	3.3	3.4	3.5	3.3	3.3	3.5	26	4.6
Corporate income	3	2.5	2.6	2.8	3.2	2.7	2.8	3.1	3	2.7	2.3	2.4	2.2	17	2.9
Other	0.6	0.5	0.4	0.3	0.3	0.3	0.3	0.4	0.3	0.4	0.5	0.5	0.5	21	0.6
Social contributions	11.1	10.9	10.7	9.4	9.1	9.6	9.7	9.7	9.3	9.4	8.6	9	8.8	21	11.6
Employers	8.1	7.1	6.5	6.2	5.9	6.4	6.3	6.2	6	5.9	5.5	5.7	5.7	18	7.5
Employees	3	3.8	4.2	3.1	3	3	3.3	3.3	3.2	3.3	2.9	2.9	2.9	16	3.8
Self and non-employed	0	0	0.1	0.2	0.2	0.2	0.1	0.2	0.1	0.2	0.2	0.4	0.3	21	0.4
Less: amounts as assessed but unlikely to be collected	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Total	30.2	28.6	28.1	27.7	27.2	27.8	28.5	29	28	26.9	26.8	28.4	28.3	25	37.3
B. Structure by level of government	% of total taxation														
Central government	59.5	59.7	60.1	62.8	63.4	63	63	62.2	62.9	61.1	63.5	64	63.5	12	23.7
State government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local government	3.9	3.8	3.1	3.5	3.4	3.1	3.4	4	3.2	3.5	4	3.8	3.6	23	1.3
Social security funds	36.6	36.5	36.8	33.7	33.2	33.9	33.6	33	32.9	34.5	31.9	31.5	32.2	11	12
EU institutions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.9	0.9	0.8	0.7	0.7	0.7	n.a.	n.a.
function	% of GDP														
Consumption	11.5	10.6	10.9	11.5	11.1	12.3	12.1	11.8	11.2	10.3	11.3	12.6	12.8	10	16.8
Labour	13.2	12.9	12.3	11.1	10.7	11	11.6	11.8	11.6	11.8	11.1	11.2	11.3	27	14.9
Employed	13.2	12.8	12.3	11.1	10.7	11	11.5	11.8	11.5	11.6	10.9	11	11.1	26	14.6
Paid by employers	8.1	7.1	6.5	6.2	5.9	6.4	6.3	6.2	6	5.9	5.5	5.7	5.7	18	7.5
Paid by employees	5.2	5.7	5.9	4.9	4.8	4.6	5.2	5.6	5.4	5.7	5.4	5.3	5.4	26	7.1
Non-employed	0	0	0	0	0	0	0	0.1	0.1	0.2	0.2	0.2	0.2	22	0.3
Capital	5.5	5.1	4.8	5	5.4	4.5	4.9	5.4	5.2	4.8	4.3	4.7	4.2	22	5.6
Capital and business income	4.3	3.9	3.8	4	4.5	3.6	3.9	4.2	4.2	3.8	3.2	3.6	3.3	21	4.3
Income of corporations	3	2.7	2.6	2.8	3.2	2.7	2.8	3.1	3	2.7	2.3	2.4	2.2	17	2.9
Income of house holds	1.2	1.1	1	0.9	1	0.6	0.7	0.8	0.9	0.9	0.6	0.7	0.7	13	0.9
Income of self-employed incl SSC	0.1	0.2	0.2	0.3	0.4	0.3	0.3	0.4	0.3	0.3	0.3	0.6	0.4	25	0.6
Stocks of capital wealth	1.2	1.2	1.1	1	0.9	0.9	1	1.1	1	1	1.1	1	1	23	1.3
D. Environmental taxes % of GDP	% of GDP														
Environmental taxes	3.4	2.4	2.1	2.4	2.4	2	1.9	2.1	1.8	1.9	2	1.9	1.9	24	2.6
Energy	3.2	1.9	1.7	2	2.1	1.8	1.7	1.7	1.4	1.6	1.8	1.7	1.7	19	2.3
of which transport fuel taxes	:	:	:	:	:	:	:	1.3	1.3	1.6	1.6	1.4	1.5	17	
Transport (excl. fuel)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.4	0.3	0.2	0.2	0.2	24	0.2
Pollution/resources	0.15	0.36	0.34	0.28	0.16	0.11	0.09	0.02	0.01	0.01	0.01	0.01	0.06	16	0.1
E. Property taxes	% of GDP														
Property taxes	0.7	0.7	0.7	0.7	0.7	0.7	0.8	1	0.8	0.8	0.8	0.8	0.8	19	1
Recurrent taxes on immovable property	0.5	0.6	0.5	0.5	0.5	0.5	0.6	0.7	0.6	0.6	0.7	0.7	0.6	15	0.8
Other property taxes	0.2	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.2	0.2	0.2	0.1	0.1	24	0.2
F. Implicit tax rates	%														
Consumption	17	15.6	16.2	17.7	16.4	17.9	17.8	18	17.7	16.9	18.1	20.3	20.9	15	
Labour employed	33.6	31.2	31.2	29.7	29.1	28.1	30.1	30.2	27.3	28.6	30	33	30.4	21	
Capital	:	:	:	:	:	:	:	:	:	:	:	:	:		
Capital and business income	:	:	:	:	:	:	:	:	:	:	:	:	:		
Corporations	:	:	:	:	:	:	:	:	:	:	:	:	:		
Households	:	:	:	:	:	:	:	:	:	:	:	:	:		
Real GDP growth (annual rate)	2.4	5.7	5.1	5.2	8.5	4.2	7.9	6.3	7.3	-6.6	-1.1	2.2	0.7		

Source: Own processing upon the data available on the OECD database.

For legal entities, the tax burden is felt and because indirect taxes (VAT and excise duties) not supported directly by the enterprises but particularly affect sales volume and price competitiveness due to which it applies. The more profitable the enterprises is much higher tax burden, tax debt to be paid at certain dates that are due and any delay being penalized. Also it has a big impact on competition, labor productivity of employees, duties, contributions to the unemployment fund, pension, health insurance paid all employees.

Table 2: Total Taxes (including SSC) as % of GDP

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Diff.(1) 2000to2012	Ranking 2012	Revenue(2) 2012
Belgium	45.1	45.1	45.2	44.7	44.8	44.8	44.4	43.9	44.2	43.4	43.8	44.2	45.4	0.3	2	170.619
Bulgaria	31.5	30.8	28.5	31	32.5	31.3	30.7	33.3	32.3	29	27.5	27.3	27.9	-3.6	27	1170
Czech	33.8	33.7	34.6	35.4	35.9	35.7	35.3	35.9	34.4	33.4	33.6	34.6	35	1.2	16	53540
Denmark	49.4	48.5	47.9	48	49	50.8	49.6	48.9	47.8	47.8	47.5	47.7	48.1	-1.2	1	110864
Germany	41.3	39.4	38.9	39.1	38.3	38.3	38.6	38.7	38.9	39.4	38	38.5	39.1	-2.2	10	1 042 990
Estonia	31	30.2	31	30.8	30.6	30.6	30.7	31.4	31.9	35.3	34	32.3	32.5	1.5	21	5 659
Ireland	31.5	29.7	28.3	28.8	30.1	30.6	32.1	31.5	29.5	28.1	28	28.2	28.7	-2.8	23	47 034
Greece	34.6	33.2	33.7	32.1	31.3	32.2	31.7	32.5	32.1	30.5	31.7	32.4	33.7	-0.8	17	65 348
Spain	34.1	33.7	34.1	33.9	34.8	35.9	36.8	37.1	32.9	30.7	32.2	31.8	32.5	-1.6	19	334 796
France	44.2	43.8	43.3	43.1	43.3	43.8	44.1	43.4	43.2	42.1	42.5	43.7	45	0.8	3	913 542
Croatia	:	:	37.9	37.5	36.7	36.6	37.1	37.4	37.1	36.5	36.4	35.3	35.7	:	13	15 684
Italy	41.5	41.1	40.5	41	40.4	40.1	41.7	42.7	42.7	42.9	42.5	42.4	44	2.5	6	689 289
Cyprus	30	30.7	30.9	32.2	33	35	35.8	40.1	38.6	35.3	35.6	35.3	35.3	5.3	15	6 250
Latvia	29.7	28.9	28.6	28.6	28.6	29.2	30.6	30.6	29.2	26.6	27.2	27.6	27.9	-1.8	26	6 216
Lithuania	30.9	29.4	29.1	28.8	28.9	29.1	30	30.2	30.7	30.4	28.5	27.4	27.2	-3.7	28	8 962
Luxembourg	39.2	39.8	39.3	38.1	37.3	37.6	35.9	35.6	37.5	39.8	38.1	38.2	39.3	0.1	8	16 846
Hungary	39.8	38.7	38	38	37.7	37.4	37.3	40.4	40.3	40.1	38.1	37.3	39.2	-0.6	9	38 008
Malta	27.3	28.9	30	30.4	31.3	32.9	33	33.9	33	33.4	32.2	33	33.6	6.3	18	2 304
Netherlands	39.9	38.3	37.7	37.4	37.5	37.6	39	38.7	39.2	38.2	38.9	38.6	39	-0.9	11	233 808
Austria	43	44.9	43.6	43.4	43	42.1	41.5	41.7	42.7	42.4	42.1	42.2	43.1	0.1	7	132 334
Poland	32.6	32.2	32.7	32.2	31.5	32.8	33.8	34.8	34.3	31.8	31.8	32.3	32.5	-0.1	20	123 933
Portugal	31.1	30.8	31.4	31.6	30.5	31.4	32.1	32.8	32.8	31	31.5	33.2	32.4	1.3	22	53 433
Romania	30.2	28.6	28.1	27.7	27.2	27.8	28.5	29	28	26.9	26.8	28.4	28.3	-1.9	25	37 297
Slovenia	37.3	37.5	37.8	38	38.1	38.6	38.3	37.7	37.3	37.2	37.7	37.2	37.6	0.3	12	13 276
Slovakia	34.1	33.1	33	32.9	31.5	31.3	29.3	29.3	29.1	28.7	28.1	28.6	28.3	-5.8	24	20 134
Finland	47.2	44.8	44.7	44.1	43.5	43.9	43.8	43	42.9	42.8	42.5	43.7	44.1	-3.1	5	84 878
Sweden	51.5	49.4	47.5	47.8	48	48.9	48.3	47.3	46.4	46.5	45.4	44.4	44.2	-7.3	4	180 292
United Kingdom	36.3	36.1	34.8	34.4	34.9	35.4	36.1	35.7	37.1	34.3	35	35.8	35.4	-0.9	14	683 841
Iceland	37.1	35.3	35.2	36.7	37.8	40.6	41.4	40.5	36.6	33.8	35	35.9	36.8	-0.4	3	8 886
Norway	42.6	42.9	43.1	42.3	43	43.2	43.5	42.9	42.1	42	42.6	42.7	42.2	-0.4		164 259
EU-28averages																
															Total	5 109 446
weighted	:	:	38.8	38.8	38.6	38.9	39.4	39.3	39.2	38.3	38.3	38.8	39.4	:		
arithmetic	:	:	36.1	36.1	36.1	36.5	36.6	37.1	36.7	35.9	35.6	35.8	36.3	:		
EU-27averages																
weighted	40.3	39.4	38.8	38.8	38.6	38.9	39.4	39.3	39.2	38.3	38.3	38.8	39.4	-0.9		
arithmetic	37	36.3	36	36.1	36.1	36.5	36.6	37	36.6	35.9	35.6	35.8	36.3	-0.7		
EA-18averages																
															Total	3 838 757
weighted	40.9	40	39.5	39.5	39.2	39.4	40	40	39.6	39.1	39	39.5	40.4	-0.5		
arithmetic	36.8	36.3	36.2	36.1	36	36.4	36.6	36.9	36.5	36	35.9	36.2	36.7	0		

Source: Own processing upon the data available on the OECD database.

In European Union countries, fiscal policy is far from being unitary of all because no state is willing to give up the right to collect taxes from their citizens in the way he wants. Indirect taxes have in their structure: VAT, excise duties and consumption taxes, other taxes on products and other taxes on production. The most important part is represented by the VAT. Member States may apply the following VAT rates: a normal charge and one or two lower. Normal VAT tax must not be less than 15% and reduced rates are not more than 5%. The principle of charging VAT is the consumption (destination of goods), the tax will be levied on supplies of goods and services that are consumed in the state. The imports are subject to VAT. We have to take in consideration that the evolution of the VAT in Romania dependent also of the economic situation, in the crises period the VAT was 24% but during the last two years we have implemented a different tax strategy by having two different VAT. One for food and non-alcoholic drinks of 9 % and one for the rest of the services of 20% starting 2016

In the tables below we can see the % represented by indirect taxes in every country of the European Union but also the ranking and the revenue in amounts

Table 3: Indirect Taxes as % of GDP

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Diff. 2000to2012	Rank 2012	Revenue 2012
Belgium	13,6	13,2	13,2	13,2	13,4	13,5	13,6	13,3	13,1	13	13,3	13,1	13,4	-0,3	17	50 239
Bulgaria	13,8	13,4	12,6	14,5	16,3	16,6	17,2	17	17,8	15,4	15,1	14,8	15,4	1,6	6	6 125
Czech	10,8	10,5	10,3	10,6	11,3	11,3	10,8	11,1	10,9	11,3	11,4	11,9	12,3	1,4	21	18 748
Denmark	17,2	17,4	17,5	17,4	17,6	18	18,1	17,9	17,2	17	16,8	17	16,9	-0,4	4	41 334
Germany	11,3	11,1	11	11,2	10,8	10,8	10,8	11,3	11,2	11,8	11,3	11,5	11,4	0,2	24	304 660
Estonia	12,3	12,3	12,5	12,1	12,3	13,4	13,5	13,5	12,3	14,8	14,2	13,9	14,2	1,9	12	2 475
Ireland	13,5	12,5	12,4	12,6	13,2	13,7	14,1	13,6	12,5	11,4	11,6	11,1	11,2	-2,3	26	18 393
Greece	14,2	13,8	13,3	12,4	12	12,1	12,7	13	12,7	11,6	12,5	13	12,7	-1,5	20	24 603
Spain	12	11,6	11,6	11,8	12,2	12,7	12,8	11,9	10,1	9,1	10,7	10,3	10,7	-1,3	27	110 246
France	15,8	15,4	15,4	15,3	15,6	15,7	15,6	15,4	15,2	15,3	15,1	15,5	15,7	-0,1	5	318 940
Croatia	:	:	19,8	19,5	18,8	18,6	18,6	18,3	18	17,1	18	17,4	18,2	:	3	7 970
Italy	15,1	14,6	14,6	14,2	14,3	14,4	15	14,9	14	13,8	14,3	14,3	15,2	0,1	7	238 138
Cyprus	12,2	12,6	12,9	15,4	16,4	16,5	17,2	18,7	17,9	15,4	15,6	14,8	15	2,9	8	2 667
Latvia	12,4	11,9	11,3	12,1	11,9	12,8	13,2	12,6	11,2	10,9	11,5	11,6	11,8	-0,6	23	2 625
Lithuania	12,6	12,2	12,4	11,7	11,2	11,3	11,4	11,9	11,9	11,8	12	11,8	11,4	-1,1	25	3 757
Luxembourg	14	13,6	13	12,6	13,5	13,4	12,8	12,6	12,6	13	12,4	12,5	13	-1,1	19	5 563
Hungary	16,6	15,5	15	15,8	16,3	15,8	15,3	16,3	16	16,9	17,3	17,1	18,5	1,8	2	17 894
Malta	12	12,7	12,6	12,6	14	15	15	14,8	14,4	14	13,5	14	13,7	1,7	14	939
Netherlands	12,5	12,9	12,7	12,7	12,9	12,9	13,1	13	12,7	12,2	12,5	12	11,9	-0,7	22	71 056
Austria	15,2	15,2	15,3	15,2	15	14,8	14,3	14,2	14,4	14,8	14,8	14,7	14,8	-0,4	9	45 580
Poland	12,6	12,5	13,2	13,2	13,1	13,9	14,5	14,4	14,4	13,1	13,8	14	13,1	0,5	18	50 034
Portugal	13,5	13,5	14	14,6	13,9	14,7	15,1	14,8	14,3	13	13,6	14	13,9	0,4	13	22 932
Romania	12,2	11,3	11,6	12,3	11,7	12,9	12,8	12,6	12	11	12,1	13,2	13,4	1,2	16	17 612
Slovenia	15,7	15,5	15,8	16	15,8	15,8	15,2	14,9	14,4	14	14,3	14,3	14,6	-1,2	11	5 133
Slovakia	12,5	11,3	11,4	11,9	12,3	12,6	11,5	11,4	10,8	10,7	10,4	10,9	10,2	-2,3	28	7 259
Finland	13,9	13,4	13,7	14,2	14	14,1	13,9	13,3	13,1	13,7	13,6	14,5	14,7	0,7	10	28 253
Sweden	16,4	16,4	16,6	16,7	16,5	16,6	16,8	16,7	18,1	18,8	18	18,8	18,7	2,3	1	76 351
UnitedKingdom	13,7	13,4	13,3	13,1	13,1	12,7	12,7	12,6	12,2	11,9	13	13,5	13,7	-0,1	15	263 556
Iceland	18,2	15,9	15,9	16,7	17,8	19,1	19,4	18,6	15,6	14	14,3	14,3	15	-3,2	1	1 585
Norway	13,6	13,4	13,4	13	12,7	12,2	12,2	12,5	11,1	12	12	11,6	11,4	-2,2	44	44 482
EU-28 averages															Total	1 763 102
weighted	:	:	13,4	13,3	13,3	13,4	13,5	13,4	13,1	12,9	13,2	13,4	13,6	:		
arithmeti	:	:	13,5	13,8	13,9	14,2	14,2	14,2	13,8	13,5	13,7	13,8	13,9	:		

Source: Own processing upon the data available on the OECD database.

As of 2010 until this year 2016, the standard VAT was 24 %. Starting this year from January is 20%. A reduced rate of 9 % applies to goods such as pharmaceutical products, medical equipment for disabled persons, books, newspapers, school manuals, admission to cultural services and accommodation and assimilated services and as of 1 September 2013 to bread, bakery products, bakery flour, wheat and rye. VAT exemptions without right of deduction apply to, among others, medical treatments, some educational and cultural activities, public postal services, certain banking and financial transactions, insurance and reinsurance. Romania applies harmonised excise duties on alcohol, tobacco, energy products and electricity, and is levying un-

harmonised excises on coffee, beer and fermented beverages. From 1 September 2013 un-harmonised excises also apply to the purchase and sale of luxury products such as jewellery, cars with cylindrical capacity in excess of 3 000 cm³, yachts and other ships, sporting rifles and natural fur coats.

Personal income tax and corporate taxation

The Fiscal Code establishes a personal tax on salaries, income from independent activities, lease operations, dividends and interest each of which are currently levied at a rate of 16 %. The 16 % tax rate applies to the gains of individuals from: transfer of securities, currency sale purchase operations; income from the liquidation of a legal person; pension income; agricultural activities, forestry and pisciculture

income; income from prizes; and income from other sources. For gambling income a 25 % tax rate applies. In case of transfer of immovable property different tax rates apply depending on the period for which the property has been held and on the value of the immovable property (either 1 %, 2 % or 3 %). The tax incentives for collective savings for housing were cancelled. Romanian corporate income tax follows the classical system: corporate profits are taxed at the company level and distributed profits are taxed again, by way of withholding, at the level of both corporate and individual shareholders, certain exceptions being applicable as regards corporate shareholders. The standard flat-tax rate is 16 % (it was 25 % before 2005). As of 1 February 2013, a reduced tax rate of 3 % of gross income applies on a mandatory basis to all microenterprises. Capital gains are generally treated as ordinary business income and subject to the same rate.

Expenses incurred for business purposes are generally deductible, with all connected expenses for company vehicles used for both private and business purposes being deductible at 50 % of their amount if their weight is below 3 500 kg, they have fewer than nine seats and are used only for passenger transport. However, all connected expenses for vehicles used for transportation of staff to and from work, such as courier services or car driving school services, are fully deductible from CIT. The same rules apply to self-employed individuals. For 2011 and 2012 the advance payment system is used where CIT is paid in advance by a trimester, adjusted by the consumer price index, on an annual basis. However, from 1 January 2013, most companies may opt to declare corporate income tax on an annual basis and pay advanced payments on a quarterly basis. Such an option must be maintained for at least two consecutive years. Previously suspended since April 2011, the

certification of the annual tax returns by tax consultants became mandatory as of 1 January 2014. Early 2014, this obligation was turned into an option for the taxpayers.

Non-resident legal entities obtaining capital gains are allowed to consolidate the tax results of all their yearly transactions. Taxpayers can now opt for a tax year different from the calendar year. An ordinary tax credit is available for foreign-source income derived by a permanent establishment in Romania of a non-resident company situated in an EU or EEA country. A special tax regime applies

as of 1 January 2014 for holding companies, exempting from taxation certain items of income such as dividends, capital gains on the sale of shares or income from the liquidation of a company. As of 1 January 2014, a new tax of 1.5 % applies on the book value of special constructions that were not already subject to local (property) taxes.

Table 4: Direct Taxes as % of GDP

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Diff 2000 to 2012	Rank 2012	Revenue 2012
Belgium	17,5	17,8	17,6	17,2	17,5	17,6	17,3	17	17,2	15,9	16,4	16,8	17,4	-0,2	3	65370
Bulgaria	6,9	7,5	6,4	6,2	6	4,9	5,2	8,2	6,7	5,9	5,4	5,2	5,3	-1,7	27	2084
Czech	7,9	8,3	8,8	9,2	9,2	8,9	8,9	9	8	7,2	6,9	7,2	7,2	-0,8	22	10972
Denmark	30,5	29,5	29,3	29,6	30,4	31,9	30,7	30,1	29,7	30	29,9	29,9	30,6	0,1	1	75031
Germany	13	11,4	11	11	10,8	11,1	11,9	12,2	12,4	11,8	11,2	11,7	12,1	-0,8	12	323700
Estonia	7,7	7,2	7,5	8	7,9	7	7,1	7,4	7,9	7,5	6,8	6,5	6,8	-1	23	1184
Ireland	13,6	12,7	11,6	11,9	12,4	12,3	13,2	12,9	11,7	10,9	10,6	12,3	13,1	-0,5	10	21456
Greece	10	8,8	8,8	8	8,2	8,8	8,3	8,3	8,3	8,5	8	8,8	10,2	0,2	16	19773
Spain	10,6	10,5	11	10,4	10,8	11,5	12,3	13,5	11,1	10	10	10	10,6	0	15	109279
France	12,5	12,6	11,8	11,4	11,7	11,9	12,2	12	12	10,3	11	11,7	12,4	-0,1	11	253004
Croatia	:	:	6,1	6	6	6,2	6,9	7,4	7,2	7,2	6,5	6,2	6,1	:	24	2683
Italy	14,4	14,7	14	14,7	13,9	13,3	14,3	15	15,2	15,4	14,8	14,8	15,2	0,8	5	238966
Cyprus	11,2	11,3	11,3	9,7	8,8	10,2	10,8	13,8	12,9	11,2	11,1	11,7	11,1	-0,1	14	1964
Latvia	7,3	7,6	7,9	7,6	7,9	7,9	8,5	9,2	9,8	7,2	7,4	7,4	7,7	0,4	19	1713
Lithuania	8,4	7,8	7,4	7,9	8,7	9	9,5	9,2	9,3	6	4,7	4,4	4,9	-3,5	28	1 609
Luxembourg	15	15,3	15,4	14,8	13,1	13,7	13,2	13,2	14,2	15	14,7	14,5	14,8	-0,2	7	6355
Hungary	9,9	10,2	10,2	9,6	9,1	9,1	9,5	10,4	10,6	10	8,6	7	7,5	-2,4	20	7281
Malta	9	9,7	11	11,5	11	11,7	12	13,3	12,7	13,6	12,9	13	13,9	4,9	8	951
Netherlands	12	11,7	11,8	11	10,7	11,7	11,9	12,2	12	12,1	12,2	11,7	11,2	-0,8	13	66972
Austria	13,2	15	13,8	13,7	13,5	12,8	12,9	13,4	14	12,8	12,8	13	13,4	0,3	9	41191
Poland	7,2	6,7	6,9	6,6	6,4	7	7,5	8,6	8,6	7,5	7	7	7,2	0,1	21	27588
Portugal	9,6	9,1	9,1	8,5	8,3	8,3	8,6	9,5	9,7	9	8,9	9,9	9,4	-0,2	17	15536
Romania	7	6,4	5,8	6	6,4	5,3	6	6,7	6,7	6,5	6,1	6,2	6,1	-0,9	25	8043
Slovenia	7,4	7,6	7,8	8	8,2	8,7	9,1	9,2	8,9	8,3	8,2	8	7,8	0,4	18	2759
Slovakia	7,4	7,5	7,1	7,1	6,1	6	6,1	6,2	6,5	5,5	5,4	5,5	5,6	-1,9	26	3967
Finland	21,4	19,3	19,1	18,1	17,8	17,8	17,6	17,8	17,8	16,4	16,2	16,6	16,3	-5,1	4	31368
Sweden	22,6	20,8	19,6	20,2	20,9	22	22,2	21,2	19,8	19,6	19,2	18,5	18,3	-4,3	2	74708
UnitedKingdom	16,5	16,7	15,6	15	15,2	16	16,8	16,5	18,2	15,8	15,5	15,6	15,1	-1,4	6	291908
Iceland	16,1	16,5	16,5	16,8	16,9	18,3	18,8	18,9	18,2	16,7	16,6	17,5	18	1,9		1897
Norway	20,1	20,2	19,8	19,5	21	22,2	22,7	21,5	22,1	20,2	21	21,6	21,2	1,1		82 507
EU-28averages															Total	1 707 414
weighted	:	:	13	12,8	12,8	13,1	13,6	13,8	13,7	12,7	12,6	12,8	13,2	:		
arithmetic	:	:	11,6	11,4	11,3	11,5	11,8	12,3	12,1	11,3	11	11,1	11,3	:		

Source: Own processing upon the data available on the OECD database.

Social contributions

Are payable at a combined rate for the employer and the employee. As of 1 February 2009, employees with normal working conditions must contribute at a rate of 10.5 %, and employers at a rate of 20.8 %. Higher rates for employers may apply in certain cases. In addition, employees and

employers both contribute to the health insurance fund at 5.5 % and 5.2 % respectively and to the national unemployment fund at 0.5 %. All social contributions are deductible for income tax purposes. The taxable base for statutory health insurance contributions was broadened by the inclusion of rental income, as of 1 January 2014.

Table 5. Table 22: Social Contributions as % of GDP

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Diff. 2000to 2012	Rank 2012	Revenue 2012
Belgium	13,9	14,1	14,4	14,3	13,9	13,7	13,5	13,6	13,9	14,5	14,2	14,3	14,6	0,7	7	55011
Bulgaria	10,8	9,8	9,6	10,3	10,2	9,7	8,3	8,1	7,8	7,7	7	7,3	7,2	-3,6	23	2861
Czech	15	14,9	15,4	15,6	15,4	15,4	15,6	15,7	15,5	14,8	15,2	15,5	15,6	0,6	3	23820
Denmark	1,8	1,7	1,2	1,2	1,2	1,1	1	1	1	1	1	1	0,9	-0,9	28	2226
Germany	17,1	16,9	16,9	17	16,7	16,4	16	15,2	15,2	15,9	15,5	15,4	15,6	-1,5	4	414630
Estonia	10,9	10,7	11	10,6	10,3	10,3	10,1	10,5	11,6	13	13,1	11,9	11,5	0,6	15	2000
Ireland	4,4	4,5	4,4	4,4	4,6	4,7	4,8	5	5,4	5,7	5,7	4,8	4,4	0	27	7186
Greece	10,5	10,6	11,6	11,7	11,2	11,3	10,7	11,2	11,1	10,5	11,1	10,6	10,8	0,3	18	20972
Spain	12	12,2	12,1	12,2	12,1	12,1	12,1	12,2	12,3	12,4	12,4	12,3	12	-0,1	13	123206
France	16,1	16,1	16,2	16,4	16,2	16,4	16,5	16,3	16,3	16,8	16,7	16,8	17	0,9	1	346376
Croatia	:	:	12,1	12	11,9	11,7	11,6	11,7	11,9	12,2	12	11,7	11,5	:	16	5032
Italy	11,9	11,8	11,9	12,1	12,3	12,3	12,3	12,8	13,4	13,7	13,4	13,4	13,5	1,6	8	212185
Cyprus	6,6	6,8	6,8	7,1	7,8	8,3	7,8	7,5	7,8	8,7	8,9	8,8	9,1	2,5	19	1620
Latvia	10	9,3	9,4	8,9	8,7	8,4	8,8	8,7	8,3	8,5	8,4	8,6	8,4	-1,5	22	1878
Lithuania	10,2	9,7	9,4	9,2	9,1	8,9	9,1	9,2	9,6	12,8	11,9	11,2	11	0,7	17	3610
Luxembourg	10,1	10,9	10,9	10,8	10,7	10,4	9,9	9,9	10,6	11,9	11	11,2	11,5	1,4	14	4 928
Hungary	13,3	13	12,9	12,6	12,3	12,5	12,6	13,8	13,7	13,2	12,1	13,2	13,2	0	9	12832
Malta	6,3	6,5	6,4	6,3	6,3	6,2	6	5,8	5,9	5,9	5,8	6	6	-0,2	26	414
Netherlands	15,4	13,7	13,3	13,8	13,9	12,9	14	13,5	14,5	13,8	14,2	14,8	16	0,6	2	95780
Austria	14,7	14,8	14,6	14,6	14,6	14,5	14,3	14,1	14,3	14,8	14,7	14,6	14,9	0,2	6	45800
Poland	12,9	13,4	12,9	12,8	12,3	12,3	12,2	12	11,3	11,3	11,1	11,4	12,3	-0,7	12	46764
Portugal	8	8,2	8,3	8,6	8,3	8,4	8,4	8,5	8,8	9	9,1	9,4	9,1	1,1	20	14965
Romania	11,1	10,9	10,7	9,4	9,1	9,6	9,7	9,7	9,3	9,4	8,6	9	8,8	-2,2	21	11641
Slovenia	14,2	14,4	14,2	14,2	14,2	14,2	14	13,7	14,1	14,9	15,2	15	15,2	1	5	5380
Slovakia	14,1	14,3	14,6	13,8	13,1	12,6	11,7	11,7	11,8	12,5	12,3	12,3	12,5	-1,6	11	8907
Finland	11,9	12	11,9	11,8	11,7	12	12,2	11,9	12	12,8	12,7	12,6	13,1	1,2	10	25257
Sweden	12,5	12,2	11,3	10,9	10,6	10,3	9,3	9,3	8,4	8,1	8,2	7,1	7,2	-5,3	24	29233
United Kingdom	6,1	6,1	5,9	6,2	6,5	6,6	6,6	6,5	6,7	6,7	6,6	6,6	6,7	0,6	25	128651
Iceland	2,9	2,8	2,9	3,1	3	3,2	3,3	3	2,8	3,1	4,1	4,1	3,8	0,9		404
Norway	8,9	9,2	9,9	9,8	9,3	8,8	8,6	8,9	8,8	9,8	9,6	9,5	9,6	0,7		37 270
EU-28 averages															Total	1 653 166
weighted	:	:	12,5	12,7	12,5	12,4	12,3	12,2	12,5	12,8	12,6	12,7	12,7	:		
arithmetic	:	:	11,1	11	10,9	10,8	10,7	10,7	10,8	11,2	11	11	11,1	:		

Source: Own processing upon the data available on the OECD database.

Then, now and future forecastss

Romania has recently implemented a new balance of payments precautionary assistance programme with the EU that runs from July 2013 until the end of September 2015. In the second half of 2013 the tax administration was re-organised. The former National Customs Authority and the Financial Guard (with specific control and inspection competencies) were absorbed by the National Authority for Fiscal Administration, and eight regional directorates and a specialised Anti-Fraud department were created. The main objective is to boost the efficiency and effectiveness of the tax collection in the medium term. As of 1 January 2013, the collection of the VAT is done upon payment, the new system involving delaying VAT chargeability and the right to deduct VAT. As of 1 September 2013, a reduced VAT rate of 9 % is applied to bread, bakery products, bakery flour, wheat and rye, with the intention of combating tax evasion and fraud. Reverse charge mechanisms were introduced in 2013 in several sectors with a relatively high risk of VAT evasion and fraud (supply of energy to taxable persons, transactions with green certificates, purchase and sale of intermediate wood products). As of 1 January 2014, the cash accounting system became optional. As of 1 February 2013, several amendments to the Tax Code were adopted: the previously optional reduced tax rate of 3 % on the gross income applicable to certain microenterprises became mandatory for any eligible microenterprise; a general anti-abuse rule was introduced; for the interest deductibility rules, a definition of a credit/loan was provided; expenses proved to be connected to corruption acts are not deductible, and the taxable base for individuals was extended by including items of previously nontaxable income.

As of 1 January 2014, unused tax credits for sponsorship and patronage expenses can be carried-forward for seven years. Tax incentives for R&D costs have increased from 20 % to 50 %. The modification of the tax code in early 2013 aligned the excise duties for beer and fermented beverages with the alcohol concentration as well as the production process and increased them for beer. Total excise duties on cigarettes will be increased yearly on 1 April until 2018. In 2018, the EU-minimum excise duty level will be reached. In order to avoid a possible loss of revenues, in November 2013 the government decided to adjust upwards the value in RON of excise duties with the consumer price index as of 1 January 2014. In addition, a further increase in excise duties of 7eurocents/litre for unleaded petrol, leaded petrol, diesel

and kerosene — used as motor fuel — foreseen for 1 January 2014, was postponed to 1 April 2014.

In the medium-term, several job-creation-oriented amendments are planned to be adopted among which: it is planned to replace the current flat rate system applied to salary income by a three-bracket system (8 %; 12 % and 16 %) accompanied by tax deductions; a 5 percentage points cut of the social contribution paid by the employer (as of 1 July 2014) in the future it is envisaged to broaden the base for social contributions paid by persons who derive income from independent activities; employers are to be exempt from the social contribution for a one year period if they create and maintain new job opportunities or exempt from tax on certain reinvested dividends. Also, a lump sum corporate tax was announced for income derived from activities defined by the law, mainly in certain services. Regarding environmental taxes, since 15 March 2013 a new ‘environmental stamp’ was introduced in order to differentiate car taxation based on CO2 emissions. It shall be paid only once for the whole lifetime of the vehicle.

4. CONCLUSIONS

The article above is developed on two dimensions, a static one concerning the conceptual framework, terminology and principles of the relationship between taxpayers and tax authorities, the fiscal legislation and her evolution along the time, the influence that some factors have upon taxpayers and a dynamic one concerning the way fiscal policies affect the economic environment in which taxpayers activate (on one hand) and the way taxpayers react to the fiscal policies through perceptions, attitudes and actions.

I have used the Eurostat database and the last report from 2014 „Taxation trends in UE” so we can have a transparent view upon all the countries from European Union and also to compare the evolution of taxation and the main methods that can improve the collection rate but also the tax system in our country. Over the years, many governments have tried to increase the level of tax compliance by adopting an intransigent attitude towards all taxpayers and by applying laws and regulations to sanction and find tax evasion among the taxpayers by different studies or increasing the checking of the companies by the authorities. These means of enforcement proved to be without a significant success after a lot of tentative to increase the collections of taxes. At the end of the 20th century, UE governments,

especially from developing countries have realized that a change is needed in order to increase the amount of taxes collected. Thus, using adequate strategies based on understanding the reasons which drive compliance decisions is of greater help than strictly applying laws and regulations. The present study tries to reveal the different reasons, factors, or determinants which shape taxpayers' behavior and to underline the idea that tax authorities have to be aware of and understand these determinants if their aim is increasing the level of tax compliance.

Before making a decision any government should analyze their legislation, if it's a transparent one and every citizen can understand it or not. Taxpayers confront the tax law before deciding to comply, so it is very important that they can understand it and understand that is fair and equal for every citizen. Ironically, tax law is difficult to understand and gives birth to uncertainty not only for ordinary citizens but also for tax authorities. So the first step that Romania has to do it is to assure that the fiscal legislation is very clear and to follow the examples of countries with a high degree of collection in the European Union. After a clear legislation it is submit and there are no more uncertain aspects the next step is decreasing taxes and contributions at the enterprise level to stimulate employment but also deductible expenses including research and innovation. This thing has also begun in Romania with the a 5 percentage points cut of the social contribution paid by the employer (as of 1 July 2014)

It is also recommended to apply other tax strategies to increase the collection of taxes but also to stimulate economic growth and sustainable development of economy. VAT policy suffered positive changes in recent years to encourage the consumption of food and non-alcoholic beverages and to and discourage any vice. Fiscal policy can never achieve perfection but of course if it is understood by both parties can contribute to a high collection and a compliance. It is very important that the state authorities to be aware that it takes a minimum income for survival, minimum income should not be taxed from my point of view. There should be some level from where the salary and profits of companies over which the tax applies.

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