

## **LEGISLATIVE FRAMEWORK OF THE TAXATION SYSTEM - “THE MAIN PILLAR OF BUDGET REVENUES”**

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### **Abstract**

*In the context of a market economy, a direct intervention of that State is not possible, which is why leverage is used to facilitate the state influence on the economy. The purpose of the study will be based, mainly, on shaping the fiscal policies adopted in the European Union and Romania's alignment with it. The fiscal policy of the Member States of the European Union is an important point of the general policies at EU level. In order to achieve a climate of economic and financial stability, the fiscal sovereignty of the Member States needs to be aligned with the convergence criteria at European level. As tax revenues contribute significantly to the shape of the state budget, their change would have both positive and negative influences on the socio-economic situation in the country. In order to understand the formation of the state budget, the research methodology will require a qualitative research. This will be done by highlighting the tax legislation applied at European level and by delimiting the main features of the tax system. The preliminary results of this study refer to the provision of a general framework on how to effectively manage the tax system by tax authorities, so that the fight against tax fraud, tax evasion can lead to economic and fiscal union. It was concluded that the main function of the European Union with regard to the tax system is different from that of national tax laws. It is intended to develop rules and principles that curb and limit the power of national systems, without providing alternative taxation models.*

**Keywords:** *taxation, tax system, fiscal policy, legislation, European Union.*

**JEL classification:** *E61, E62, H20*

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## **1. Introduction**

The need for fiscal integration within the European Union is reinforced by the intensification of the financial and economic crisis, adding a momentum to the legislative debates on states' fiscal policies. In order to achieve economic and financial stability, the fiscal sovereignty of the Member States needs to be aligned with the convergence criteria at European level. The main fiscal policy measures, stipulated in the Treaty of Rome and the Maastricht Treaty, aimed at establishing convergence criteria and are designed to ensure fiscal discipline and a climate of economic stability in European countries.

The fact that taxes, fees and fiscal policy have influences on the economic behavior of individuals, but also of nations, is an indisputable fact, an idea reinforced by the works of Wagner, Quesnay and Keynes (Pressman, 1994). However, if at the end of the 19th century, fiscal ideas were limited to the regulation of distribution and consumption, now it includes social, political and economic objectives (Alesina et al, 2008; Cristea and Grabara, 2019; Vodă et al, 2020; Bonvecchi et al, 2020).

The purpose of the study is mainly based on shaping the fiscal policy adopted in the European Union and aligning Romania with it. In order to understand the formation of the state budget, the research methodology will involve a qualitative research, through which the theoretical frameworks will be analyzed. The objective of the study is to analyze the legislative framework, from the perspective of fiscal policy, but also of taxation, at the level of the European Union. In order to achieve this objective, it will be necessary to highlight the tax legislation applied at European level and the main features of the tax system. The preliminary results of this study refer to the provision of a general framework on how to effectively manage the tax system by tax authorities, so that the fight against tax fraud, tax evasion can lead to economic and fiscal union.

This research is structured in four defining sections, namely: the first section comprising the introductory part, the second section, which presents the main legislative regulations on EU fiscal policy, the third section, which highlights the legislative regulations on taxation and the last section in which the conclusions of this research are presented.

## **2. The regulation of fiscal policy at the level of the European Union**

The taxation system is the main source of formation of the state budget, a budget without which the existence of a state is inconceivable. And depending on these additions to the state budget, also depends the standard of living of all citizens, which materializes in the current state economy. The constant concerns for streamlining and optimizing the taxation system, both nationally and internationally, have given rise to several economic and financial studies, which have sought to provide solutions and models of action on the fiscal policy of states, given the economic transformations over time.

### **Chart 1: Main components of government revenue, 2019 (% of total revenue)**

Source: made by the author based on data provided by Eurostat

As previously stated, the fact that the state cannot exist without taxes is a well-known and independent thing. As can be seen in Chart no. 1, which presents the structure of government revenues in the European Union, in 2019, tax revenues have significant role in the sustainability of the economy, in emerging and developed countries, being the main source of government revenue, which helps to provide public goods and services and meet the social needs of taxpayers. This chart highlights and strengthens the statement that *tax revenues are the pillar of government revenues and the existence of the state is dependent on them.*

The fiscal policy of the Member States of the European Union is an important point of the general policy at EU level. In order to foster a climate

of economic and financial stability, the fiscal sovereignty of the Member States needs to be aligned with the convergence criteria at European level. These criteria are limits to avoiding excessive government deficits, in terms of budgetary developments and the level of public debt in the Member States. This framework, embodied in the two important fiscal rules of Protocol No. 12 on the procedure for excessive deficits in the Maastricht Treaty, is a key element, the observance of which will lead to the proper functioning of Economic and Monetary Union, from the point of view of achieving a stable economy. The two tax rules, addressed to all EU Member States, concern compliance with the following thresholds, namely:

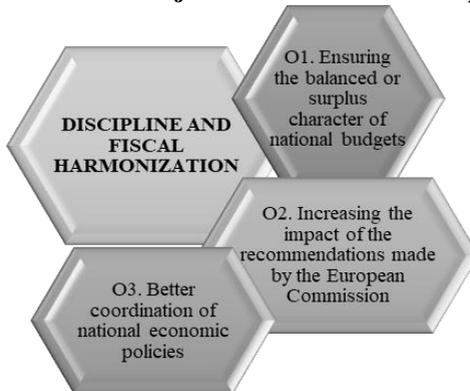
- maximum 3% of the gross domestic product, for the share of the public deficit provided or achieved;
- maximum 60% for the share of public debt in the gross domestic product.

### **2.1. Stability and Growth Pact**

The two fiscal criteria are found both in the Maastricht Treaty and, in a strengthened form, in the Stability and Growth Pact (SGP), which entered into force in 2008 and had been strengthened by the Treaty on Stability, Coordination and Governance in the European Economic and Monetary Union in 2013 (TSCG, known as the Fiscal Compact). This major move, materialized by the Fiscal Compact, was made to ensure fiscal discipline at European level and aims in addition to the two fiscal rules mentioned above, a "golden rule" of budget balance, according to the European Commission, namely the compliance with the minimum threshold of 0.5% of GDP of the structural deficit, without exceeding the limit of maximum 1% in exceptional cases, respectively in the situation where the public debt is below the limit of 60% of GDP (Smeets and Beach, 2020).

The acceptance of the amendments imposed by the Fiscal Compact and the achievement of the objectives pursued by the stability programs (euro area Member States) and the convergence programs (non-euro area Member States) are achieved in order to achieve fiscal discipline and tax harmonization, through the three main objectives of this intergovernmental agreement presented in Figure 1.

**Figure 1: The main objectives of the Fiscal Compact (TSCG)**



Source: made by the authors on the basis of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union

These treaties and intergovernmental agreements have taken important steps towards streamlining fiscal policy at European level. To this end, the Commission and the European Council shall monitor, examine and evaluate the implementation of the two programs (stability and convergence) so that their purpose is in line with the medium-term budgetary objective, namely the achievement of a national budgetary position in balance or even surplus. Thus, a real effort has been made to make European fiscal policy more efficient.

Currently, the tax harmonization means the acquisition and adaptation of the rules at European level in national rules, so the EU Member States taxation fall between the minimum and maximum set of tax rates (Macsim and Oprea, 2016).

The rules set out in the Maastricht Treaty and the Stability and Growth Pact have led to the implementation in EU Member States of fiscal policy strategies based on correcting imbalances and reducing current levels of public spending or increasing public revenues, so that deficits to be within the accepted limits. In Romania, the Treaty on Stability, Coordination and Governance within the Economic and Monetary Union (TSCG) was signed and ratified by Law no. 82 of 2012, and the provisions of the Fiscal Pact and of Directive 85/2011 were included in the national legislation by the Law on fiscal-budgetary responsibility no. 69/2010, republished pursuant to art. III of Law no. 377/2013 for its amendment and completion. Thus, in the case of

Romania, the application of the golden rule of the Fiscal Pact was established, so that the medium-term planning is carried out in accordance with it.

## **2.2. Fiscalis and Customs Programmes**

Assuming that fiscal policy is the way in which the government manages the economy, by instrumenting government revenue and expenditure, each Member State, in compliance with the rules imposed at Union level, can establish its fiscal policies in accordance with the tax regime appropriate to its social, economic and legal needs.

As mentioned earlier, in the field of taxation, the policy of the European Union is limited, because the fiscal powers belong to the Member States, and the fiscal policy focuses with priority on the harmonization of indirect taxation, compared to direct taxation. Thus, as regards tax regulations, the first harmonization measures were carried out mainly in the context of indirect taxes, namely value added tax, customs duties and excise duties, in order to ensure the optimal functioning of the four principles, on which the European Union was established. The existence of a common single market is possible by achieving and maintaining the four principles mentioned in Figure 2.

**Figure 2: Principles of the European Union - single market**



Source: made by the author on the basis of the Treaty on the Functioning of the Economic Union

In order to encourage co-operation in the field of indirect taxation and the creation of good governance at EU level, the European Commission has proposed two important instruments to achieve this goal, namely the "Fiscalis"

and "Customs" strategic programs. These programs provide a grant to finance projects needed to prevent fraud at the level of indirect taxes and to support a customs environment in which the exchange of information takes place in real time. Ensuring these objectives can be achieved by introducing trans-European IT systems.

➤ *Fiscalis Programme*

An important regulation, necessary due to the coexistence of tax systems, which raises issues of double taxation, but also issues related to tax evasion, aims to ensure the implementation of effective measures by EU states to solve this inherent problem. This is the Fiscalis Programme, which started in 1998, by Decision 888/98 / EC, when it was wanted to lay the foundations for achieving a good fiscal governance. It helps tax administrations to find solutions to these past and future challenges. The main objective of the program was, is and will be to consolidate and improve the mechanism of indirect taxation systems in the internal market, by strengthening cooperation between states and between their fiscal apparatuses, all achieved in a well-managed and harmonized framework, at the level of the European Union.

According to Regulation (EU) no. 1286/2013, the Fiscalis Program aims the “improving taxation systems in the internal market, the exchange of information through administrative cooperation of participating countries, as well as the exchange of expertise between tax apparatuses, to reduce the administrative burden of tax authorities and compliance costs applicable to taxpayers”. To ensure the achievement of the main objective and to continue the fight against tax fraud, tax evasion and aggressive tax planning, the Fiscalis 2020 program has the following operational objectives and priorities, according to Figure 3.

**Figure 3: Objectives and priorities of the Fiscalis 2020 Program**



Source: made by the author based on Regulation (EU) no. 1286/2013

All these objectives are expected to be achieved by:

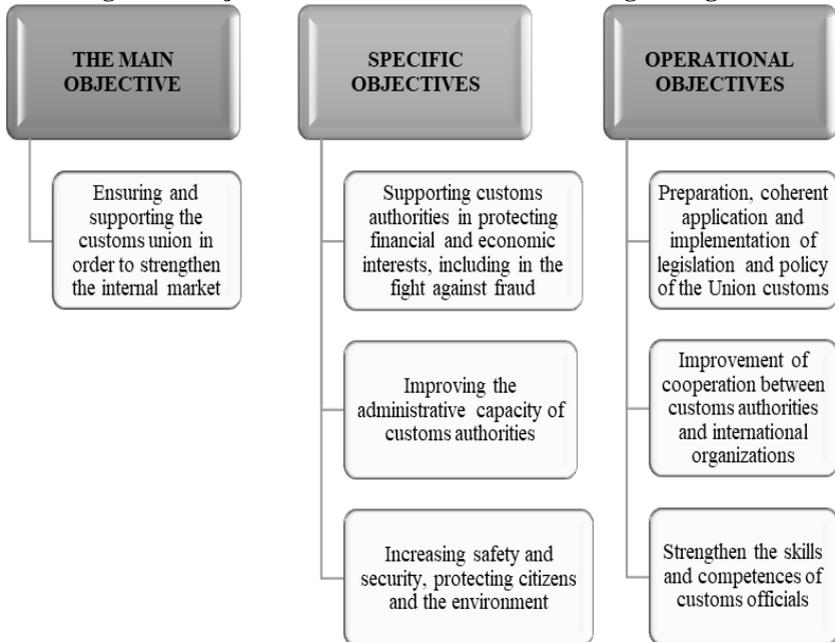
- joint actions within the participating States, such as working visits, studies, seminars, workshops, support actions, all in order to support the achievement of the above-mentioned objectives and priorities;
- actions on the development and implementation of European Information Systems, allowing the exchange and access to common data between the tax administrations of the EU Member States, thus promoting fiscal transparency;
- training activities so that officials could benefit from the development and acquisition of new knowledge in the field of taxation.

➤ *Customs Programme*

The customs union is an important pillar of the European Union, necessary for the proper functioning of the single market. Thus, the Customs or Customs Programme has been implemented for over 20 years by Decision 210/97 / EC, in order to facilitate and strengthen cooperation between national administrations.

The Customs 2020 programme was established by Regulation (EU) no. 1294/2013 and its main purpose is to ensure and support the customs union (in particular with regard to the implementation of the procedures established by the Union Customs Code, which in itself has as its main objective the creation of a computerized environment for customs and trade), through cooperation participating States, their customs authorities and officials. In order to achieve the main objective of the program, there are some specific and operational objectives, presented in Figure 4.

Figure 4: Objectives of the Customs 2020 Strategic Program



Source: [https://ec.europa.eu/taxation\\_customs/business/customs-cooperation-programmes/customs-2020-programme\\_en](https://ec.europa.eu/taxation_customs/business/customs-cooperation-programmes/customs-2020-programme_en)

As for the general and specific objectives of the two programs mentioned above, they differ significantly. The Customs 2020 Programme aims to ensure unity within administrations, by protecting the financial and economic interests of EU Member States, protecting citizens and the environment and improving customs administrations, while the Fiscalis 2020 programme aims at the optimal functioning of taxation systems and strengthening cooperation between participating countries, through the fight against tax fraud, tax evasion and aggressive tax planning. However, the operational objectives of these two programs are somewhat similar, as both aim to:

- developing, improving and supporting European information systems;
- strengthening the skills and competences of tax officials and customs officials;

- identifying, developing, sharing and applying best working practices and administrative procedures.

### **3. The regulation of taxation at the level of the European Union**

As regards the regulation of the tax system, with regard to direct and indirect taxes, this is an adjustment of directives and legal acts at European Union level. In the following, we will briefly present the most important directives and regulations in this area of approach, focusing mainly on regulations in the area of indirect taxes, which compared to the direct ones have been more intensely subject to the harmonization process in EU policies.

#### **3.1 The main European regulations on indirect taxes**

- **Value Added Tax**

Starting from the main objective of the Treaty of Rome, namely the establishment of a common market, it was concluded that a reduction in fiscal imbalances is needed with an impact on the prices of goods and services circulating in the European market. Thus, by Directive (EEC) no. 227 of 1967, the Member States had to replace the current turnover tax with a new general consumption tax, namely value added tax.

According to Article 2 of Directive (EEC)/ 67/227, each Member State should apply in a harmonized manner to "goods and services, a general tax on consumption, exactly in proportion to their price, regardless of the number of transactions taking place in the production process or in the distribution process, before the taxation stage".

The process of harmonization of value added tax has undergone a number of subsequent regulations, which are currently being carried out in accordance with Directive (EC)/ 2006/112 on the common system of value added tax. European legislation stipulates that the threshold of the standard quota should not be below the level of 15% (paragraph 29), and the existence of at most two reduced quotas (art. 98) should not be below the ceiling of 5% (art. 99). In order to increase the flexibility of this indirect tax, by adopting proposal COM / 2018/20 it was allowed to apply reduced rates or even zero VAT rates, for certain product categories.

**Table 1: VAT rates within the Member States of the European Union**

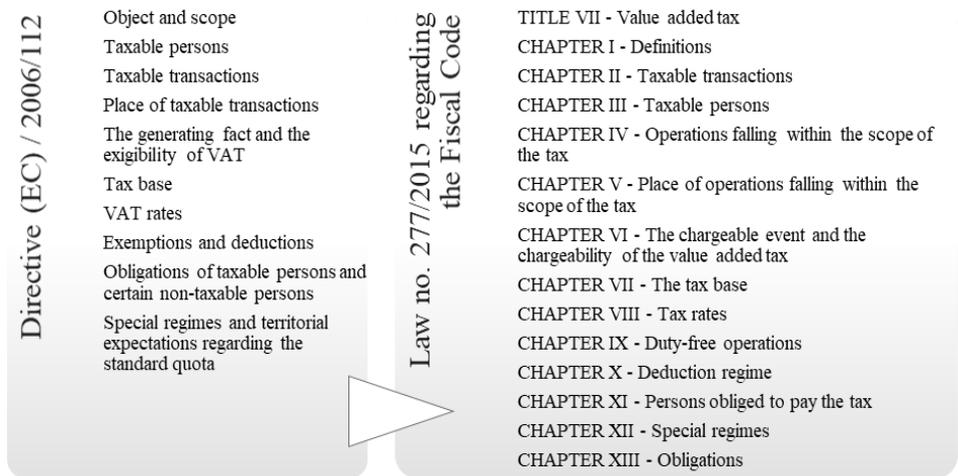
<b>Member states of EU</b>	<b>Reduced quota</b>	<b>Standard quota</b>	<b>Member states of EU</b>	<b>Reduced quota</b>	<b>Standard quota</b>
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<b>Belgium</b>	6 / 12	21	<b>Lithuania</b>	5 / 9	21
<b>Bulgaria</b>	9	20	<b>Luxembourg</b>	8	17
<b>Czech Republic</b>	10 / 15	21	<b>Hungary</b>	5 / 18	27
<b>Denmark</b>	-	25	<b>Malta</b>	5 / 7	18
<b>Germany</b>	7	19	<b>Netherlands</b>	9	21
<b>Estonia</b>	9	20	<b>Austria</b>	10 / 13	20
<b>Ireland</b>	9 / 13.5	23	<b>Poland</b>	5 / 8	23
<b>Greece</b>	6 / 13	24	<b>Portugal</b>	6 / 13	23
<b>Spain</b>	10	21	<b>Romania</b>	5 / 9	19
<b>France</b>	5.5 / 10	20	<b>Slovenia</b>	9.5	22
<b>Croatia</b>	5 / 13	25	<b>Slovakia</b>	10	20
<b>Italy</b>	5 / 10	22	<b>Finland</b>	10 / 14	24
<b>Cyprus</b>	5 / 9	19	<b>Sweden</b>	6 / 12	25
<b>Latvia</b>	5 / 12	21	<b>UK</b>	5	20

Source: [https://europa.eu/youreurope/business/taxation/vat/vat-rules-rates/index\\_ro.htm](https://europa.eu/youreurope/business/taxation/vat/vat-rules-rates/index_ro.htm)

Despite Community actions to regulate VAT-related taxation and its tax harmonization, according to Table 1, it can be seen that the achievement of a unitary system in terms of tax rates is still far from being achieved. This leads to the difficulty of the optimal functioning of the single market. In Romania, the value added tax was introduced starting with 1993 and replaced the tax on the movement of goods, as a result of the Government Ordinance no. 3/1992, in order to align with European fiscal practices.

**Figure 5: Transposition of the VAT Directive into Romanian legislation**



Source: Law no. 277/2015 regarding Fiscal Code and Directive (EC)/ 2006/112

The aspects reached within the VAT Directive are presented in figure no. 5, and in Romania, its requirements have been fully transposed within Law no. 277/2015 regarding Fiscal Code, Title VII. Thus, our country has come an important path in terms of fiscal harmonization and alignment with the requirements of Community regulations.

The implementation of VAT in 1970, within the EU, replaced the previous tax regime for commercial transactions, bringing an air of novelty and simplicity, being levied on consumption. From our perspective, value added tax can be defined as *an indirect tax, a hidden form of taxation, imposed at every stage of the production and distribution process, which, when applied at national level, is designed to tax and influence the final consumption of the household.*

- **Customs duties**

Facilitating and creating a single market at Union level has as its first instrument the elimination of customs barriers and the creation of an area of free movement of goods. Due to the harmonization process, customs duties are currently applied only to goods coming from outside the European territories and once they cross the border with the EU, they move to the single market without any additional tax burden.

Starting from the idea that the Customs Program aims to support the customs unit, it is important to know that with the eradication of customs duties between the Member States of the Union, respectively from 1968, the Common Customs Tariff was established. Its aim was to use the same customs duties across the EU, regardless of the point of entry, which led to the strengthening of the single internal market. At present, the role of the customs authorities is to encourage and facilitate legitimate economic activities and to stop illegal trade, by supervising international trade, under Regulation (EEC) No 2454/93 establishing the Community Customs Code, consolidated version.

With Romania's accession to the European Union in 2007, by signing the Treaty of Accession of the Republic of Bulgaria and Romania in 2005, the customs territory of our country became an integral part of the customs territory of the European Union. This led to the elimination of customs formalities and the cessation of customs control for goods traded by persons with EU status, between Romania and the Member States.

The harmonization of customs duties by applying the same tariffs to goods imported from non-EU premises, in accordance with the Common Customs Tariff and the Community Customs Code, strengthens the customs unit at European Union level by not applying customs tariffs within it and facilitating trade between its territory. Regarding this category of indirect taxes, the Romanian customs authorities are considering compliance with Law no. 86/2006 on the Customs Code, in order to ensure the application of Regulation (EEC) no. 2913/92 establishing the Community Customs Code, as subsequently amended, and Regulation (EEC) No 2454/93 on the tariff and statistical nomenclature and on the Common Customs Tariff.

- **Excise duty**

The harmonization of indirect taxes in the field of excise duties has followed a difficult path, caused by the opposition of the Member States to transfer parts of their fiscal independence with regard to this form of taxation. This difficulty stemmed from an important consideration, namely the ease of obtaining a substantial income, with little effort, given the minimum resilience of the taxpayer.

Achieving a common tax structure at the level of all Member States, but at the same time maintaining national sovereignty over taxation, has necessitated a process of national harmonization of excise duties so that the movement of goods on the common market at European community level to not be hampered.

Excise duty is an indirect tax, respectively a consumption tax due to the state budget, affecting the production, manufacture or consumption of products, imported or from within the EU. According to the European Commission, it is are imposed on goods that harm the health of consumers or pollute the environment, increasing the price paid by the consumer, so as to discourage the consumption or waste of the products concerned. Excise duty is payable only on release for consumption, even if the product is excisable. For example, if the product is imported into an EU country but transported and supplied to another EU country, excise duties are due in the EU country where the products will eventually be consumed or used.

In order to eliminate and avoid unfair competition between the Member States of the European Union, by applying different rates for the same category of products and to facilitate the free movement of goods and services in the European single market, a general framework for excise duties has been implemented. A general framework for this type of tax was introduced by Directive (EC) No 12 of 1992. The Directive was given the foundation out how the rates of excise duty to be standardized, as well as how to apply their national laws.

Currently, common provisions apply to all products subject to excise duty are set out in Directive (EC) No. 118 of 2008. Large differences between taxes on one type of product can lead to lower revenues, fraud, but also to hampering fair competition within the EU. Thus, harmonization involves a limited number of products subject to excise duty.

According to Article 1 of Directive (EC) No 118/2008, the products on which excise duty is levied are the following:

- „ (a) energy products and electricity covered by Directive 2003/96/ EC;
- (b) alcohol and alcoholic beverages covered by Directives 92/83/ EEC and 92/84 / EEC;
- (c) processed tobacco covered by Directives 95/59/EC, 92/79/ EEC and 92/80 / EEC.”

However, in addition to these, according to Article 2, Member States may have other categories of goods or services subject to excise duty, which are not included in the harmonization process, and are governed by national law.

In Romania, compliance with this directive is achieved by Law no. 277/2015 on the Fiscal Code, Title VIII Excises and other special taxes. In Chapters I and II of Title VIII, Romanian legislation describes the

characteristics of the categories of products subject to excise duty and distinguishes harmonized excise goods, which are those mentioned above, from non-harmonized excise goods, namely: nicotine-containing liquids and heated tobacco products, which can release an inhalable aerosol ("electronic cigarettes") by heat.

### **3.2. The main European regulations on direct taxes**

As mentioned earlier, the regulation of direct taxes in the European Union has not been as intense as that of indirect taxes. Thus, EU directives and rules have a secondary role in this category, as they do not influence the structural aspects of the tax system.

**Figure 6: The main European directives on direct taxation**

#### **EU regulations on corporate and individual taxation**

- Directive 90/434 / EEC on the Merger Directive (currently 2009/133 / EC)
- Directive 90/435 / EEC on the Parent-Subsidiary Directive (currently 2011/96 / EU)
- Directive 90/436 / EEC on the Convention on the Elimination of Double Taxation (reinforced by 2003/49 / EC)
- Directive 2003/48 / EC "Savings Directive" (currently 2015/2060 / EU and 2014/107 / EU)
- Directive 2011/16 / EU "Information Exchange Directive" (currently 2014/107/EU)

Source: <https://www.europarl.europa.eu/factsheets/en/sheet/80/direct-taxation-personal-and-company-taxation>

Direct taxation is not stipulated in the Treaty on the Functioning of the European Union, so its harmonization is limited, and the main directives, selected from this tax sector, refer to the taxation of enterprises and individuals, according to figure no.6. The purpose of these measures is to:

- regulating situations involving cross-border mergers and divisions, in order to ensure that the profit realized on the difference between the transfer values of assets and liabilities will not be taxed, all in order to protect the interests of the State in which the transferring or acquired company takes place (Directive 2009/133 / EC);
- regulation of specific situations between companies belonging to the same group, namely to ensure that subsidiaries which have their registered office in the territory of a Member State other than that of

the parent company are protected from double taxation of income at the level of the parent State (Directive 2011/96 / EU);

- regulating the situations in which two or more Member States of the European Union tax the same income or capital generated by an undertaking and establishing double taxation agreements (Directive 90/436 / EEC). In order to comply with this directive, our country has also signed a series of double taxation conventions with countries around the world, applying the provisions of the convention;
- the increasing movement of taxpayers from one Member State to other leads to a greater overlap of national direct taxation systems, which may give rise to new problems which the individual actions of the Member State could not approach. Thus, it is necessary to regulate the situations in which the provision of information on interest income, obtained by individuals domiciled in a state other than that of savings deposited (Directive 2015/2060 / EU).

All these directives listed above are transposed and implemented in Romania by Law no. 277/2015 on the Fiscal Code, with subsequent amendments and completions.

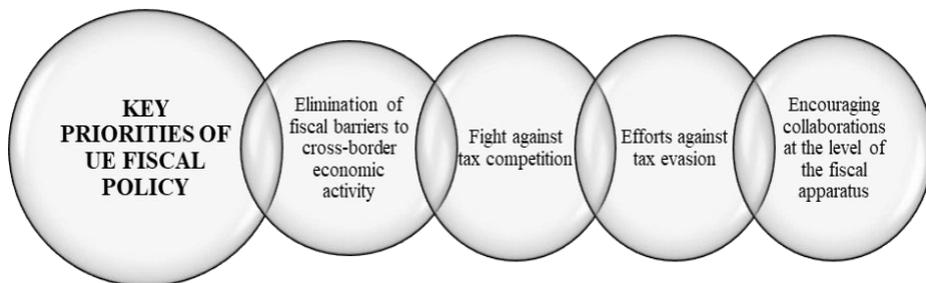
According to the European Parliament, in the field of direct taxation, two objectives are pursued: namely, to avoid tax evasion and to eliminate double taxation. In order to fulfill them, at European level there are regulations on the automatic and mandatory exchange of information in the tax field, on individuals, respectively Directive 2014/107 / EU (this is transposed in Romania by Law no. 207/2015 on Fiscal Procedure Code, art. 291), as well as Directive 2013/34 / EU which involves the provision by certain companies of information regarding the annual financial statements (this is transposed in Romania by Law no. 82/1991 on accounting law).

### **3.3. Fiscal policy of Romania**

According to the European Commission, the tax system of the EU member states must comply with tax rules at Union level. Starting from the priorities of the Community fiscal policy at the level of the European Union, presented in figure no. 7, from the differences between the objectives of the fiscal policy of the Member States and the objectives of the fiscal policy at EU level, it leads to obstacles in aligning policies. For example, at European level, the aim is to achieve economic and monetary union and the development of interstate relations in good conditions. And, at the level of the member

countries, it is envisaged to ensure the financial resources, in order to fulfill the basic functions, in order to obtain a budgetary balance, by covering the governmental expenditures. All these are meant to have favorable effects on the economy as a whole, avoiding the waste of public money.

**Figure 7: European fiscal policy priorities**



Source: <https://www.europarl.europa.eu/factsheets/ro/sheet/92/politica-fiscala-general>

Taking into account Romania's fiscal policy, within the Fiscal-Budgetary Strategy for the period 2020 - 2022, the medium-term fiscal strategy aims to continue the process of harmonizing national legislation with Community legislation and improving it to the detriment of evasionist phenomena, so that the business environment to be encouraged and the existence of sustainable economic growth to be possible and supported by the existence of improved and simplified legislation. A significant emphasis is also placed on the state-taxpayer relationship, respectively fiscal-citizen apparatus, and the basic principles of this relationship are based on: increasing voluntary compliance and increasing collection efficiency, all in order to reduce tax evasion and increase government revenues.

As ways to increase payment compliance, but also to stop evasion phenomena would be: the existence of a stable tax system, by creating improvements in fiscal policies, control bodies, to act by example, but also to the level of public services provided to taxpayers; as well as the existence of national programs to fight corruption, by increasing professionalism and transparency at the governmental level. As much as the staff of the tax administration institutions and of the state management institutions will adopt a correct, transparent, taxpayer-oriented behavior and without traces of

corruption, the more the citizens' trust in the control bodies, as well as in those power will increase. This will only lead to the encouragement of lawful activities, free of tax evasion, which will lead to increases in state revenues (Cristea et al, 2020; Ungureanu et al, 2017).

#### **4. Conclusions**

As presented above, we can conclude that the institutions of the European Union coordinate the context of fiscal policies, but nevertheless, there isn't a harmonized tax system at Union level, because the EU does not have a direct impact in collecting and setting taxes, nor in the way of rescheduling expenditures. The waiving of fiscal independence by EU Member States is the main obstacle to achieving fiscal unity at Union level, an obstacle that must be approached and overcome with caution. As a result, compliance with tax rules is currently monitored in order to ensure the free movement of goods and services within the EU, without unfair competition between Member States' companies, without traces of tax evasion and fraud and without a discriminatory taxation, regards double taxation.

With regard to the Fiscalis Programme, with its help, the fiscal policy of the European Union makes a significant contribution in the fight against fraud and in supporting the collection of revenues to the state budget, as well as in the development of fiscal apparatuses, especially for their education and compliance of taxpayers with the payment of taxes. All this is needed to meet the future fiscal challenges. In summary, these two programmes, respectively Customs 2020 and Fiscalis 2020 involve strengthening the functioning of the single market and the customs union, by supporting activities that promote and improve the administrative capacity of the fiscal and customs apparatus, through cooperation between the participating countries. These objectives, together with the implementation and modernization of IT systems in the field of taxation and customs, through technical and technological progress, can lead to a fiscal policy capable of contributing to smart and sustainable growth at European level.

By addressing indirect taxes, we can define value added tax as an indirect tax, which can be a lever of fiscal policy during economic crises, to increase state revenues and reduce budget deficits, and the adoption of a common system of consumption taxation can facilitates the interest of the single market. As regards the process of harmonization of excise duties, although significant progress has been made over the years, it has not yet

reached a final stage, and fiscal discipline is still needed to standardize the methods of applying taxes and their rates, so that the general architecture of European taxation to ensure the optimal functionality of the internal market.

In order to achieve the aim of this research, namely to provide a general framework for the efficient management of the tax system by the tax authorities, it was concluded that in the case of the direct taxation system, the European Union acts to ensure fiscal discipline and not to change the structure of the system at national level. The starting point in ensuring this discipline is the transposition of EU legislation into national law, respectively compliance with the European legislative framework, to ensure the single market.

As can be seen from the above research, we conclude that tax harmonization at Union level is difficult, both in terms of indirect taxation, but especially in terms of direct taxation. We consider that the function of the European Union with regard to the tax system is different from that of national tax laws. The European Union function is intended to develop rules and principles that curb and limit the power of national fiscal systems, without providing alternative taxation models, as these regulations are made with respect for the fiscal sovereignty of the Member States. Basically, thresholds, criteria, limits, directions, recommendations are established, all of which are made in order to correct the imperfections of the national taxation systems and not in order to establish a new fiscal system.

Thus, in order for the income of the population to be upward, without being affected by inflation, actions to make public or private investment should be encouraged, in short, to ensure long-term economic and social well-being by reducing poverty and promoting optimal business environment, changes in fiscal and budgetary policies are needed at the level of the affected Member States. And, through considerable efforts made to relaunch economic activity, it is necessary that the increase in budget revenues to be able to cover budget expenditures and to lead to a reduction in public debt.

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