THE POSSIBLE CAUSES OF TAX EVASION IN ROMANIA

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Abstract: Only a thorough and systematic analysis of mechanisms escapist phenomenon may lead to the choice of methods, techniques and measures capable of predictable and combat tax evasion. What causes that generate tax evasion phenomenon? and What are the possibilities to combat tax evasion? Here are two questions dependency. If the answer to first question is complete and relevant, response is obtained for the second question, because it can be discovered ways to combat and eradicate the phenomenon escapist. Through this article, we will try to enumerate the possible causes of tax evasion in Romania, while specifying the possible solutions for their elimination.

Key-Words: causes of tax evasion, tax legislation, misunderstanding, high tax pressure, ineffective and inefficient, fiscal control, tax education

1 Introduction
When burdens are too high and push too much on the material taxable, taxpayers tend is to "escape". Human nature always put first individual interests to the detriment of general interest. In this regard, taxpayers tried and tried to evade tax payment, using various means, as yet be considered mandatory levies bring damage to property and earnings. Although escapist phenomenon can not be stopped completely, there are techniques and methods of control and mitigation, so, the injury of public money to be minimized. The phenomenon of tax evasion is treated mostly from the problematization of the concept, continuing with forms of manifestation and implementation mechanisms. Taxpayers desire to be sheltered from tax obligations there have been since established for the first time taxes and there, as long as the purpose and role of taxation is not understood, and action is not reflected in measures to establish a optimal tax system.

Decrease tax evasion phenomenon can be achieved only under conditions which take into account the existence of interdependencies among elements characterizes tax evasion (definition of tax evasion, manifestations, causes of tax evasion, effects of tax evasion, measures to prevent and combat tax evasion) and can anticipate the action of the active and ingenious in the scope of coverage.

2 Problem Formulation
Only a thorough and systematic analysis of mechanisms escapist phenomenon in Romania may lead to the choice of methods, techniques and measures capable of predictable and combat tax evasion.

Taxpayers tend to escape the tax burden, there is and sometimes acquire large scale, by the circumvention of tax laws, reason to have always sought solutions to remove this phenomenon, primarily due to effects generated.

Evasion of tax payment existed, exists and will exist. Only forms and procedures for commission change over time. Fiscal fraud, manifested in deliberate circumvention of tax liabilities, is as aggravating circumventio, being studied, analyzed, legislated and punished whhewver it is detected.

What causes that generate tax evasion phenomenon in Romania? and What are the possibilities to combat tax evasion in Romania? Here are two questions dependency. If the answer to first question is complete and relevant, response is obtained for the second question, because it can be discovered ways to combat and eradicate the phenomenon escapist. It is true that tax evasion will not disappear entirely, but techniques, tools and methods used by the tax unit will lead to a restriction of this phenomenon, not allowing his development, both horizontally and vertically.

The tax evasion causes are multiple, resulting in reduced taxable material and entirely escape taxation. We will try to enumerate the possible causes of tax evasion in Romania, while specifying the possible solutions for their elimination:

• The existence of tax legislation with gaps, inconsistencies, ambiguities, flaws and repeated changes. One of the basic principles of taxation
refers to provisions in tax legislation. In this context, tax law must be clear, concise, do not give rise to any arbitrary and known in advance by taxpayers. Failure to observe this principle entails the ability of the taxpayer, so, it seeks in the tax law the shall agree on matters of taxation. A tax law on which there hung qualities such as clarity, relevance, appropriateness, etc., will be difficult to enforce both by taxpayers and by organizations concerned with the supervision of tax payment obligations.

Line separating areas of tax evasion is difficult to draw, starting from simple mistakes and knowingly breach reaching tax provisions. At the risk of incurring sanctions, such penalties, increases and fines, taxpayers using all means which may attract a reduced payment of tax liabilities.[1]

Taking advantage of loopholes in the tax system, taxpayers seeking items masking taxable material. From this perspective, an incomplete declaration can be classified as income tax evasion. Also, income from financial activities held abroad and unreported to national tax authorities fall into the category of acts of tax evasion. The examples could continue, this is why it takes "skill" of the tax authority to detect what acts lead to real tax fraud.[2]

In Romania, in a given period of time, number of fiscal normative acts is very high (for example for the period 23.06.2010 to 20.08.2010 were issued 34 tax laws [3]), resulting impossibility of appropriate applying from taxpayers. Basic Law of the Romanian tax is Tax Code, published in the Official Gazette. 927/23.12.2003. From publication and until 14.07.2010, it has undergone many changes, through 71 acts. [4] Also, through the Government Emergency Ordinance amending Law 571/2003 regarding the Fiscal Code, valid from 1 july 2010, the 32 points of order make amendments to 17 articles of the Tax Code. [5]

These are just some of the reasons that led us to consider the Romanian tax legislation as a cause of tax evasion. Responsible for elimination of this tax evasion case is the legislature.

- Misunderstanding of the tax authorities of the reasons that determine the taxpayer to evade the tax system. Taxpayer behavior before taxes must be analyzed in terms of social and psychological variables.

Knowledge and understanding of this behavior for authority with responsibilities in tax will generate optimal solutions, for change, modification and improvement behavior of all "actors on tax stage ", so, place and role of taxation to be fully understood.

Variables considered by psychologists in terms of taxpayer behavior are stigma, reputation and social norms. For this reason, tax authorities must find a correlation between the threat of punishment for acts of tax evasion and the taxpayer's intention to tax evasion, so this leads to discourage taxpayers to behave properly and establish a sense of guilt. Recourse to the conscience and civic education, if properly targeted, can positively change the five positions of the taxpayer's motivation, namely: commitment, capitulation, resistance, non commitment and play.[6]

Number, size and major changes of taxes, will always cause taxpayers to choose or to migrate to that legal form, assumed in their point of view, the best option tax. In this respect, requires that any micro or macro decision must to consider the structure of tax payers, because is possible that a measure of fiscal policy that aimed to increase tax revenues, leading to a reduction in their.

In this respect, an example is the introduction in Romania the minimum tax, since 1 may 2009, according to the portion of total income corresponding previous fiscal year. The reaction of politicians, analysts and business to that tax change came immediately after approving the Emergency Ordinance, particularly on the legal form of organization for taxpayers. Thus, on 16.04.2009, stated that "at least 20% of the total number of 478.173 registered microenterprises in the year 2007 will turn in authorized individuals, to escape the flat tax" [7]. In July 2009, details were as follows: "Following the introduction of the minimum tax, the number of authorized individuals registered at the first five months was 26.254, up 32.6% over the same period last year ... This increase was due mainly to the introduction of the minimum tax, because many businesses were closed, preferring to become authorized individuals ... Number of firms that entered into insolvency in the first five months of this year increased by 60.5% from 6.035 to 9.687. Meanwhile, the number of registrations during january to may was 54.225, down 12% from 66.124 companies in the same period last year and canceled number rose to 21.345". [8]

Increasing the number of authorized individuals and legal entities decrease from may 2009, is mainly due to introducing flat tax, because, while companies with legal personality required to pay the standard rate, whether done or not income, individuals pay tax depending on income, in real system or by the rule of income. Underline again, the need for prior approval of an amendment in the tax system, to undertake analysis of the impact of that changes to the structure of taxpayer.

- The existence of high tax pressure. Ratio of all taxes and social contributions actually received
by government and gross domestic product is compulsory levies or tax burden rate broadly. [9]

In light of the tax burden, it can be addressed both in terms of flow and in terms of indices. In terms of flow, fiscal pressure is the amount of tax liability on that income support, both at the individual level and at sectoral and global level. [10]

In terms of indices, fiscal pressure reflecting flow ratio of tax revenue and creating economic flows, in the monetary expression. [11]

In the contributor language, term fiscal pressure is associated with term fiscal burden, which includes many tax obligations, tax rates and high taxation, tax laws doubt, pressures on the taxpayer, differences in tax, etc.

The large number of acts and deeds of tax evasion can be explained starting from the classical definition of fiscal pressure and taking into account what is perceived by the taxpayer through this term.

Often a simple enumeration and summation of its tax rates leading some taxpayers to believe that there is a high level of fiscal pressure and act within the scope of tax evasion.

According to the fourth study conducted by World Bank experts and representatives of PricewaterhouseCooper, to the taxation of 183 states, in the year 2009, the situation for Romania is as follows: Depending on the number of payments made by a company, at 2009, Romania ranks 182, with 113 payments. Biggest deviation from EU average in terms of total payments of tax liabilities recorded in Romania. If the EU average is 18 payments of duty, their number in Romania is 6,28 higher. Within the European Union, Romania ranks 14, with an average number of hours per year required for tax obligations of 202 hours. [12]

Presentation of these studies (achieved either nationally or internationally) highlights the need to refine the work done at institutions with tasks tax, because, state placement of one of the last positions, in terms of taxation, may entail, decrease trust in unit tax and the existence of escapist behavior from taxpayers.

Applying a tax system based on equity and efficiency will lead to understanding the role of taxes and contributions to the budget revenues. Although at first sight, implies a tax rate increase to attract additional resources from state budget, whether this increase is not fully justified will generate increased tax evasion.

Most significant factors influencing the tax burden are: performance of the economy at a time; reduced efficiency in the use of public financial resources obtained on account of taxes and contributions; the low level of understanding of taxpayers on budget needs; level of democracy achieved by the population, etc.

Based on these factors, we consider the relationship between taxation and fiscal policy should be based on economic and social normality and reasoning.

- **Ineffective and inefficient in use of public financial resources.** To combat tax evasion, the authorities must consider how public goods and services are offered, quantitatively but also qualitatively.

Taxpayer behavior is often inadequate because does not receive the expected benefit and even promised, in return for taxes paid. In this context, public authorities must show the interdependence between fiscal policy and budget policy, showing where the taxpayer's money are. [13]

To support that inefficient use of public money becomes an issue of tax evasion in Romania, we will proceed to identify negative examples: a) Legislation on public procurement offers many wickets for targeted transfer of money from the public to the private, and authorities have not yet required to reduce the effectiveness of the phenomenon. [14]; b) From 1 January to 31 October 2009, were completed 1,924 actions by Romanian Court of Accounts, which: 1,267 financial audits, 246 performance audits and 411 control action. The result of these activities have resulted in providing a number of 225 certificates of compliance; issuing a number of 1,177 decision; arrangement a number of 6,021 measures to remove irregularities and deficiencies noted. [15] The data presented are a significant number of large deviations, which means that there is inefficiency in use resource in the public institutions, institutions have to provide quality services to all citizens.

- **Existence precarious financial status among taxpayers.** In the case of a financial jam, taxpayers among legal persons found how hard it is to work without cash, the amount theoretically available on paper, under any contract, but which can not be used to pay suppliers, employees and taxes.

For this reason, companies choose their priorities and challenges that make such payments, taxes and duties remain the last.

Extending financial blockade in the economy is another factor that increases the escapist phenomenon, because it represents the total of all debts recorded between public institutions and firms, between firms and suppliers or between companies and banks.

Economic specialists claim that the State would be the first actor should act to settle the economic and financial deadlock, regardless of political color, but using the system of taxes as the main economic and financial leverage.
- Inefficiency guidance and assistance to taxpayers. Guidance and assistance to taxpayers is to provide general information about the way in which taxpayers must do to qualify for a tax law or to comply with a duty. Scope of guidance and assistance activities include taxes, social contributions and other revenues administered by the tax administration. [16]

Sometimes, the lack of professionalism of the tax authorities representatives and differences in tax laws lead in providing information to taxpayers likely to induce the latter to choose the path that requires the lowest payment of taxes and fees.

- Inefficiency of fiscal control. Effectiveness of fiscal control subjects must be considered control techniques and procedures, normative-legal means or how to recover tax revenues are found to be evading the payment.

From the theoretical point of view, effectiveness of fiscal supervision must continually reported in its mission to encourage voluntary tax compliance of taxpayers and tax compliance. [17] If at implementing this goal does not exist, we face a series of "small or large arrangements" between taxpayers and inspectors, leading to increased tax evasion.

Analyzing the data presented by the National Agency for Fiscal Administration in late 2009, it is enough negative aspects regarding the degree of budgetary revenue collection and degree of voluntary compliance in paying taxes and contributions. Regarding the degree of compliance of taxpayers to declare and pay tax obligations, in the year 2009 have given less encouraging, especially for payment of taxes and contributions, namely: degree of voluntary compliance for declaration - 83.9%; degree of voluntary compliance for payment (number) - 64.3%; degree of voluntary compliance for payment (value) - 77.4%. [18]

High fines and imprisonment no longer scare taxpayers, because the number of crimes of tax evasion is high, injury was significantly, and the number of sectors with high rates of tax evasion is increasing. In Romania, in the year 2009, Romanian Police found 9.293 acts of tax evasion, in that 7.514 people were investigated which produced a loss estimated at 1.754.663.040 lei. [19] At EU level, for 2009, Romania has ranked second in the tax evasion top (with 42.7% of unreported taxable income), being surpassed by Italy (51%), followed by Bulgaria (39,2%) Estonia (37,6%), Slovakia (34,1%). [20]

Control is the key element in managing any socio-economic system and exercise preventive fiscal control function is a clear way to prevent tax evasion.

- The existence of a low fiscal education. Taxation is the essential component of social and economic life of a nation. In order to understand this appearance, requires an fiscal education, in that, tax is not considered injury to a income or wealth of the taxpayer, but a tool through which to develop the personality of each citizen.

Fiscal education must be made with regard to age groups, so, the information submitted must be understood and over time deepen the role of taxation.

Fiscal education must be considered an essential part of education for review. Thus, for children of primary school, penetrate into the mysteries of taxes should be done with fables, such "King's Artax and taxes" or "Tax evasion, a temptation as old as the world". Pupils are able to assimilate knowledge about contribution in terms of capacity, report income - tax, income characteristics. For students, information submitted relating to the tax area may include characteristics of the tax system and tax policy, components of the tax system, tax returns, role and functions of the fiscal system, etc. [21]

3 Problem Solution

Through direct or indirect effects of tax evasion, fight against it must continue to exist, because the damage of this phenomenon are immense.

At first glance, tax evasion prejudice only to the state, taxpayers are are those who earn. In fact, those who feel or will feel the effect of tax evasion (on short or long term) are, equally, fraudsters and non-fraudsters. Effects of tax evasion directly reflected on the levels of tax revenues, lead to distortions in the market mechanism and can contribute to social inequity.

Willful theft of tax obligations for a certain period, bring benefits for fraudsters, in the same period, for non-escapist, this removal leads to the increased fiscal pressure. Thus, by redistributing the tax burden, the inevitable will happen, taxpayers morale will destroy.

Measures taken by public authorities for combating escapist will have indirect effects on all taxpayers, starting from the increasing of tax law complexity and reaching potential erosion of civil rights or legal professional privilege.

The direct effect of tax evasion for the economy, having regard to the reduction of budget revenues, will be reflected in unemployment, rising inflation, increasing interest rates, non-financing sectors of national interest. In this context, nation as a whole will be "sick" and suffering will be for all taxpayers. [22]
4 Conclusion

In the current period, Romanian tax system needs improvement.

Identifying opportunities for improvement in the tax area in Romania, requires consideration of the following issues: establish a optimal correlation between the structure of taxpayers and changes in tax system; tax return analysis; strengthening the role of fiscal management to achieve fiscal activity performance; increase voluntary compliance; improve the image of romanian taxation; appropriate use of numerical fiscal rules; efficient use of an Integrated Financial Management System.

The benefit of these training opportunities will be felt, only insofar as, will diminish the acts and deeds of tax evasion.

"The vicious circle of taxation" creates "pain". State "complain" frequently for low level of public resources, and taxpayers "complain" for the extent of tax liability and the way is spent public money. It can break this vicious circle? The answer is yes, provided that, the rationality level of taxation offers better responsiveness to the taxpayer burden.

Fără a avea pretenŃia că au fost epuizate toate cauzele ce generează apariŃia evaziunii fiscale, considerăm demn de luat în seamă, eliminarea cauzelor specificate, pentru a reuşi distrugerea cercului vicios al fiscalităŃii din românia.

Without claiming that have been exhausted all causes that generate the appearance of tax evasion, we consider that is required to eliminate the causes specified, to succeed destroy the "vicious circle" of taxation in Romania.

References: