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**TAX SYSTEM OF ROMANIA IN THE  
PERSPECTIVE OF THE INTEGRATION IN  
THE EUROPEAN STRUCTURES**

Abstract of doctoral thesis

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Accession to the European Union and integration into the structures, and effects, have been a challenge for me, so I stopped in my research on this vast field due to timeliness grounds, that rests in the importance of the taxation for the development economic conditions in the country in which the Romanian tax system has undergone numerous changes in the context of accession to the Community. From the perspective of the European Union as a group of states that have a policy and objectives through taxation exercised a strong influence on many economic processes taking place within this structure and in each Member State. In first step but we considered it imposes a rigorous argumentation elements that provide the resistance.

We could show in the paper that tax reform in Romania has emerged as a result of the changes that have occurred worldwide in the 90s of the last century, and as a necessity of harmonization of European tax systems, which involved numerous legislative changes and structure. I could not that structural relief, the tax system in Romania put great emphasis on indirect taxes, contrary to developments in space where only the stock of fixed capital investments have allowed the charge to be not particularly on consumption, but the accumulation . The process of reform in Romania after 1990 was influenced to a large extent on the scenario of technical negotiations with the EU requirements and the adoption of the *acquis communautaire*.

After joining the European Union on 1 January 2007, Romania entered a complex process of integrating the tax reform is well underway. The main goal is to remove inconsistencies of the previous reforms, and the reconciliation of objectives, efficiency, effectiveness and equity that characterized an optimal tax system. These issues conferring legal research on a chosen to be further exploited as practical, but theoretically, with new scientific investigations, the complexity of tax issues addressed in this analysis.

In the paper we pursued research opportunities to improve the tax system of Romania's integration process and realization of estimates of the effects of Contributory the tax revenue in state formation, as a result of tax reforms occurred. During the investigation we have gone from general to particular and from the theoretical to the practical. We started the analysis by defining the main concepts related to the tax system, I followed its genesis in a European context and we have identified the need to develop a modern tax system is Romanian, I had the mutations produced in the EU Member States for the correlation of tax laws , especially as regards indirect taxes, where we put spotlight changes in the Romanian tax system closer to European requirements, the implications of the results and consequences, while trying to make a series of projections on future developments regarding the taxation in Romania.

Subject research covers a broad spectrum of issues relating to taxation, revenue budget implications of economic reforms and fiscal policy on economic development in the context of integration into the European Union. Such a comprehensive approach to identify the fundamental elements in the research database. In my opinion, the taxes can be considered a crucial element of research to determine its impact on the stability and economic development. The tax factor for the economic situation has forced the application of system analysis in the research in this field.

In the first chapter - *"Fiscal policy - essential component of financial policy"* - in 73 pages is bold concept of fiscal policy, defining the relationships and links that appear in the revenue mobilization of the state. I considered that a good understanding of how a properly functioning tax system should be left to the theoretical approaches that have formed over a period time, following those of the main current schools of thought and, most concerning taxation as a factor relevant to influence socio-economic processes. I tried a definition of the concept of the tax system through the main views that have been made about it, emphasizing the components and its essential attributes.

Penetration depth of nature in the concept of tax system forced me to both a chronological and evolutionary approach to major economic doctrine and an analysis of their structure. Thinkers of reference of the economy have sought to explain the need for taxes, the optimal level and to identify opportunities for collecting. Both authors foreign and Romanian and have expressed opinions about the tax. The work of surprising ideas renowned specialists such as Adam Smith, David Ricardo, JM Keynes, Iulian Văcărel, Carmen Corduneanu. This involved presenting in-depth coverage of public financial resources, the classification of taxes and their constituents.

Rationality of any financial policy can not be judged only according to the purposes for which it was built and its purpose. In general, developing a budget, who needs to ensure optimal public financial resources that the State need to be able to bring out the powers and functions, should point sizing optimal expenditure necessary in order to achieve the strategic objectives set for that stage. As its basic component of general state policy, financial policy is intended to contribute primarily to increase the economic potential of society as a whole and, from this, to satisfy social needs of the population.

Naturally, the emphasis has been placed at the end of the first chapter on the analysis of the fiscal policy strategy from the three functions listed by Richard Musgrave that overlap with the three roles of the state: the allocation, distribution and function of the stabilization. This analysis led me to conclude that the doctrines and economic theories have been in a permanent process of maturation consistent with economic and social developments and the current context of world crisis is necessary for a new approach that takes into account the current conditions.

From page 76 in the second chapter - *"Genesis and the need for modern Romanian tax system"* - taking into account that the work is to watch how they built the current tax system is Romania's where I joined the European Union, I considered it necessary to brief relief and the way it appeared and developed in time, Romanian tax system in a European context, where this development was done independently

but in close connection with economic changes, political and social conduct that old continent.

I also made a presentation of the changes occurring in the Romanian tax system in the command economy, when virtually the tax system was to ensure the creation, distribution and planned use of cash funds of the society, to contribute to developing the national plan and the unique to ensure proper functioning of economic and social mechanism and to exercise control over the general conduct of social production.

To have an overview of tax reform undertaken in Romania since 1989, we considered it necessary to start the analysis, starting with page 89, from the organization of public finances and the existing tax system until December 1989 when the duties of public finances were achieved largely through the state budget, it has a particular role in the economic and social development, but different role of state finance in a market economy, in that order was redistribution of resources among the various branches of activity plan based on five. In essence, the state budget, extra budgetary funds and the industrial branch ministries were planning tools whose purpose was the transfer of resources between firms. Following this, I could highlight the need of profound restructuring of the tax system between Romanian pages 94 and 97.

In the third chapter - *"Tax Harmonization in the European Union between hope and fulfillment"* - we started the analysis of the concept of tax harmonization, then watching how it is done within the European Union. During the 30 pages were considered traits European tax system, the principles underlying the harmonization of the main methods and techniques of harmonization and the implications and results of these processes.

The main tool used by the European Union in order to influence fiscal policies of the 27 countries is the method of tax coordination, based on two principles being established in European integration:

- respect the principle of fiscal policies of all countries provided that they meet the objectives and operational requirements of the single market, and while it does not create major discrepancies within the EU;
- subsidiary principle by maintaining a dependency caused by the existence of vertical information flows between European institutions and national governments.

Regarding the extent that should be the harmonization process, the analysis started from an obvious observation: the harmonization and standardization are significant differences and the effects induced by each type of approach are quite high.

We appreciated that the 27 different tax systems in the European Union coexist alongside a barrier to a normal functioning single market, presenting a number of disadvantages such as the emergence of additional costs in the trade and business transactions on administrative, slow restructuring of the firms, reducing the competitiveness of the single space before the competition in the world. Decision of the Community authorities in the collection of budgetary resources in the European Union is that regardless of how the system will be built the Union's own resources, the basis should be established principles of fiscal sovereignty and

neutrality of the tax imposition of any tax at the Community directive on tax changes at national level to benefit directly in the European Union are now only an option whose implementation will depend only unanimity as regards such a decision. With all its disadvantages, we could demonstrate that tax competition in the single has generated and generates as the economic benefits throughout the Union by defining a framework to enable dynamic development, but at the same time requires the creation of an adequate fiscal coordination between the Member States although it aims to harmonize tax rates, the benefits may contribute to its distribution on a larger scale of the benefits of tax competition on businesses, employees and end consumers.

The fourth chapter - *"New developments in the tax system in terms of integration into the financial structures of the European Union"* - was centered between 127 and 213 pages of analysis on how they evolved in recent years the main components of the Romanian tax system in terms of the normative, outlining the many legislative changes that had a negative impact on society walking, and results from these macroeconomic measures that reflect the aims steps up now and realize that Romanian fiscal system has become coherent and viable one, adapted to new conditions.

Romania's EU accession on 1 January 2007 and its implications, and steps taken on the line in order to harmonize the integration in the EU have tried to follow in this chapter. Also, I tried to emphasize that joining the European Union did not automatically mean integration and, ultimately concluding that although there are a number of legislative changes and measures taken in recent years to close the European requirements, will be necessary steps to go to a real integration in the "big family" of the European Union.

In the analysis, emphasis was placed on changes occurring in relation to indirect taxes. Aquis taxation is presented and structured in two fundamental objectives of the two corresponding types of taxes applied: indirect taxes, which lend more to harmonize and direct taxes, which the possibilities of harmonization are lower, at least in the short term .

As concerns the harmonization of indirect taxes all the measures necessary to ensure the functioning of the Internal Market, with an emphasis on preventing distortion of competition and removing obstacles to free movement of goods and services, I stopped in particular on the evolution of value added tax and duty, presenting them with the accession and the challenges associated with their adoption, identifying with this occasion a number of new circuits escapist published in Romania after 2007.

In the field of direct taxes under European law has no influence, given that currently only has five directives that cover only the essential aspects of the imposition. As regards this tax, we insisted in particular on the transformations in the imposition of micro-and the implications and consequences of adopting flat in 2005.

As regards the tax system by a single rate, we investigated the need for it, whether the moment, theoretical approaches, the main advantages and disadvantages that this system is compared with progresivity based system, concluding that the new system of additional tax revenues to the budget but affects the principle of tax equity.

The objective of the Romanian authorities in the field of taxation is not the only implementation and compliance with the *acquis communautaire* by the transposition of Community legislation in the relevant field, but also creating a business environment development company that performs real investment in Romania. Creating such an attractive environment for business depends on many issues. It is not sufficient for transposition of directives acts, but the application of a particular tax treatment, encouraging, for a range of sensitive issues or interest to investors in Europe, such as the tax treatment of the lease, depreciation, loss recovery, provisioning claims impossible to recover the value of inventory goods etc..

Within the fifth chapter - *"The implications of new approaches to fiscal policy and economic development in the Romanian society"* - has focused attention on the main consequences of fiscal policies promoted being covered issues such as the interdependence between fiscal policy and inflation, how it is formed in Romania and the European Union fiscal pressure, and in particular Romania both in terms of taxation of firms and population, changes in arrears and the implications of tax policy on income of a wage.

Between pages 214 and 222 have shown that an effective coordinated actions involves both plans, and tax money. If the National Bank of Romania is left alone to fight against inflation will result in an increase in interest rates, which will affect the share of investment in gross domestic product and thus the prospects for economic growth. Therefore, appropriate policy response of the Central Bank, which may include new increase of interest rates must be supported by a restrictive fiscal policy and wage policy in the public sector prudent, given both the objective of reducing inflation and promote economic growth.

In the analysis of fiscal pressure from page 222, we found that only by reporting revenue collected from the primary contributors to the revenue produced by them does not obtain a good quantification of the effects of taxation and tax real pressure. This calculation provides useful information for States with developed economies and stable. In countries such as Romania this report should be coordinated with the purchasing power of net monetary income and expenditures with the individual. In my opinion, I can not speak of equality of the tax wedge between a country in the euro area in which most of the income is accumulated in the form of savings and a country where most of the income is spent within the household things of strict necessity. Even if the percentage in Romania is about the same as in other European countries, in reality the real fiscal pressure pressing on each taxpayer is much higher, and in such a situation it is obvious that the temptation of avoiding legal framework for reporting the correctly determined all revenue from the tax is increasing. We also stressed the importance of reducing the number of taxes that the taxpayer owed the Romanian budget.

We considered that the interdependence between fiscal and monetary policy to fight inflation and can be enlarged to include developments that influence salary level in their first two. Besides the fact that Romania is currently in wage incomes are still very small compared with the European Union, a very serious phenomenon that can be associated with tax evasion is that there is a widespread practice for reporting the income level minimum wage on the economy, in order to avoid the

payment of mandatory contributions, showing fluctuations and the effects generated. I also followed developments with regard to the main macroeconomic indicators on wage income and the number of employees and their implications on income tax and the economy as a whole.

At the end of this chapter, from page 251, the investigation followed a thorny problem of the Romanian economy over the past 18 years and the arrears, highlighting the trend of reduction shown in recent years and continued after joining the European Union, which is evidence that the Romanian economy began the process of modernization, and businesses are much better adapted to market requirements in the new economic conjuncture.

Cases were presented their occurrence and development of key indicators. Delayed restructuring of the energy sector and weak capacity to collect the tax administration were two other important cases that have allowed the accumulation of arrears and financing structural inefficiency of state enterprises. State-owned enterprises have accumulated arrears through default, and by the accumulation of losses. It was thus that in 2000 the stock of arrears represent about 40% of gross domestic product. Arrears have reached the end of 2005 at 6.4% of GDP and 3% in 2007, the strong reduction compared to previous years.

In the last chapter - *"Fiscal and budgetary developments in Romania as a result of tax reform in the accession to the European Union"* - have been pursued through the mechanism that held the coagulation of a tax system is integrated into the 1990-2008 period and its evolution and positive results of Romania's fiscal policy and rising trend in the collection of tax revenues. Between pages 258 and 285, the analysis took into account the developments in budgetary revenues as both size and structure, trying to report me to the other EU countries and make some comparisons, such as the share of income budget in the gross domestic product. He was tracked developments main categories of taxes and how they have evolved in recent years and the causes that led to the changes. We could find that, if not included in the analysis social contributions, the share of indirect taxes in total revenue budget of Romania is 42.3%, which is high compared to average in the European Union. Therefore believe that this situation tax fairness ensured by our system of taxation is quite low. Among indirect taxes, value added tax has been among the highest values, placing Romania ranks second among EU Member States with a share of 29%. A positive aspect in terms of tax system, in this view, is that the collection rate in Romania has remained stable over the past five years, with only small oscillations.

Evaluation from more perspectives allowed me to prove that the approximation of taxes indirect existing EU could be achieved only when the degree of economic development would achieve a much higher level so as to allow accumulation of fixed capital, by an increase in direct taxes formation by increasing tax revenue tax base, stimulating economic growth through the use of reduced VAT rates for certain categories of goods and services and by reducing tax evasion. Concerning the size tax, we could find that there is some consistency between the construction of the Romanian tax system and in this moment in Eastern Europe, excluding tax on labor, where the level is much higher due to contributions highly social. If in 2007, Romania is situated at the middle ranking among states of the



European Union with the burdensome costs of social security since 2008 has climbed to third place after France and Belgium, due to the increase of the calculation of social contributions. I believe that city tax on labor is among the highest in the European Union by a high level of social contributions and by broadening the base of their calculation, applied from 1 January 2008 and continued by raising rates in early 2009.

Romanian fiscal policy, following integration into the European Union should provide a stimulating role of taxes in order to strengthen economic growth and development of fiscal consolidation.

I tried to present the structure and orientation of the principal instrument of economic policies and the general consolidated budget, which is formed from a unitary system of budgets as the state budget, the budget management of local budgets, the state social insurance budget insurance unemployment, budget fund single national health insurance, budget, external grant funds, highlighting a number of their current developments.

In the end this approach, we tried to some relief of action of the Romanian fiscal policy in the coming years. Background macroeconomic policies, fiscal and budgetary default, must be carried out in conjunction with existing trends in the economy and should ensure a rapid adjustment to the requirements of the European Union. Budgetary and fiscal policy in the context of Romania's integration into the single should be designed and implemented so as to ensure and strengthen sources of funding that contribute to compliance with commitments from other Member States. However, the budget should be focused more towards the investment plan to ensure sustainable development is a key incentive for attracting and absorption of EU funds and direct investments in the economy, enabling the maintenance of a performance-oriented policies and area priorities for ensuring the continuity and strengthening macroeconomic balances and the process of disinflation. In order to ensure macroeconomic stability, budgetary policy should consider a budget deficit to below the limit of 3% of gross domestic product, which should be respected throughout the 2009-2011 period, to contribute to limiting demand aggregates and excessive disinflation process and to ensure sustainable growth through long-term policies.

I appreciate that a profound change in the fiscal area was the introduction of the Fiscal Code of Romania. It was first published in 2003, then was changed by about 35 normative acts, of which at least four were major. Tax Code was republished in full in the years 2006 and 2007 and will be republished in the course of 2009 due to changes in the economy from global financial crisis. I believe that simplifying the tax law does not necessarily help the big companies, which have all necessary tools for tracking legislation. Instead, small firms will benefit from this republication because not have the support of accounting, legal and tax companies. In my opinion, the next step after republishing the Fiscal Code should be inventory and restructuring charges and local taxes, taking into account that in Romania there are currently over 400 from taxes and duties.

The main objective of fiscal-budgetary policy is to increase the absorption capacity of the Romanian economy of resources available both from taxes collected from the budget and funds from grants that we receive from the European Union. Budgetary policy will support the economic reform macrostabilization and

maintaining the budget deficit at a prudent level, improving revenue collection and increase the budget. The main objective of fiscal-budgetary policy is to support the process of real and nominal convergence, increasing investment in physical infrastructure, and in the human and institutional and improve correlations between resources and the use of the major objectives of economic policy. Long-term fiscal policy objective is to strengthen public finances in order to increase the stabilizing role by reducing the structural deficit and creating the conditions necessary for the operation of automatic stabilizers symmetrical.

Tax reform legislation in the next period will give priority to strengthening the competitiveness gains achieved by the introduction of flat and continuing process of adjustment to the *acquis communautaire*. The additional reduction in social security contributions will continue in the medium term in parallel with the increase to the flat rate charge for other sources of earnings. The main objective is to increase transparency and predictability of fiscal policy and a non-discriminatory business environment.

In my opinion, the fiscal reform carried out in Romania should not stop at the achievements so far, following a reevaluation of the national tax system with a view to a new qualitative and quantitative structure of it. I hope that through this work I make a contribution to an assessment of the ability to adapt to the requirements of European integration. I tried to show on the one hand the weaknesses of the system, and on the other to identify strengths and to provide solutions to harmonize the tax system of Romania. I consider that the Romanian tax system has reached that level of maturity as the other tax systems in the European Union, but there are a number of necessary changes to harmonize with European Union legislation and to eliminate some of the deficiencies in order to say that the integration process has been completed.