
SOME CONSIDERATIONS FOR IMPROVEMENT ROMANIAN TAXATION

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Abstract:

The two terms, improvement and modernization are increasingly used to analyze tax issues, because the trend is towards ensuring optimal in terms of taxation and tax settlement to the criteria of normality, so that it becomes a key component of economic and social life of any nation. Through this article, we try to address some aspects to be taken into account when it comes to improving a tax system or tax activity, especially for the situation in Romania.

Keywords: *improvement, optimal taxation, efficiency, fiscal management, fiscal rules*

Optimal approach to taxation can not be achieved unless it is satisfied at the optimum level of each component of the tax system and tax work.

It is difficult to specify in which nation is established an optimal tax system. Whether this would meet, we believe that the model should be taken over by other states.

For romanian fiscal system, we can not yet speak about of optimal taxation, because of the many changes that it has in post-communist period, so we will focus on opportunities for improvement and modernization of its, both in territorial and national level.

A first step in ensuring the improvement of tax system is the action of factors, called the "4E", respectively: Efficiency, Effectiveness, Ethics, Education.

The first question that may come after the establishment of the "4E" is: Why was considered that interdependent action of these factors is that can ensure optimal taxation?

To give answer to this question, must be taken into account:

- the fundamental coordinates of taxation;
- the concepts of efficiency and effectiveness in the fiscal area;
- the factors influencing the effectiveness and efficiency of taxation;
- the place and role of human factor in the increase of tax efficiency;
- meaning participation in fiscal management;
- moral values in tax process.

All activities and processes consumed work, material and financial resources, the aim being to achieve expected results, always be analyzed in terms of performance. Addressing performance in terms of fiscal activity involves identifying the relationship between costs, returns and risks of the proposed action alternative ways to achieve goals.

Most times, the approach of the efficiency and effectiveness was envisaged private sector activity, the emphasis in the public sector is to cover the requests. Efficiency is an essential requirement, a fundamental coordinated fiscal, an expression and an optimal condition for its implementation.

For optimal taxation we must consider following elements: yield (a simple tax is more understandable by the taxpayer and easier to administer the tax authorities); flexibility (a tax with a flexible tax base is more easily adapted to the economic and social terms); stability (tax legislation clear and stable for a longer period of time, causes a higher level in terms of compliance from the taxpayer and making decisions in conditions with low risk). [1]

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.

Establish a optimal correlation between the structure of taxpayers and changes in tax system

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" [2]. 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" [3].

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.

Tax return analysis

In Romania, at the end of 2005, outstanding obligations of the state budget recorded by 413 large taxpayers were 3.189.525.630 lei, decreasing by the end of 2008 with 796.590.094 lei (300 large taxpayers accounting for outstanding obligations budget of 2.392.935.536 lei), but accounting for growth in late 2009, both the large number of taxpayers with outstanding obligations to the state budget (respectively, 448 large taxpayers) and the amount (outstanding obligations 4.274.694.880 lei). [4]

The highest share in the remaining obligations have an interest and default charges, followed by value added tax.

Even if the remaining obligations of the income tax from salaries have decreased in 2005-2009, it is worrying that they are on the list of debts, since the income tax requires withholding.

To remove this unfavorable situation, determines the action of tax authorities through:

- issuing and mass communication the payment notices and injunctions to the debtors;
- issuing and communication the addresses for establishment of attachment the availability of bank accounts to banks;
- enforcement seizures of movable and immovable property owned by debtors, and the onset or continuation of recovery procedure to tender such goods;
 - identify all taxpayers who meet the legal requirements for initiating actions to the reorganization and bankruptcy procedures, in accordance with Law no. 64/1995, republished with subsequent amendments;
 - increased activity registration of state budget claims, which have been issued writs of execution, to the Electronic Archive for Secured Furnishing.

Following the measures taken, there is a significant increase beginning enforcement procedures. If the year 2005 this measure was applied to 46,73% of all large taxpayers with overdue obligations to the state budget, for the year 2009 to

65,85% of large taxpayers with outstanding obligations began foreclosure proceedings. Is this the best solution to recover obligations? Legal professionals believe that judicial reorganization and mediation are the best solutions for these taxpayers, in the current conjuncture. Enforcement procedure is costly and risky, due to asset impairment resulting from the effects of economic and financial crisis.

According to the principle of taxation aimed at "economy and efficiency" state should be concerned about the reduction, on the one hand of the tax burden, and on the other side of the tax arrears.

Tax arrears is a "disease" difficult for the romanian economy. Agreement with FMI sets as an indicator of performance "target arrears", respectively freezing government arrears for the year 2008 and a further reduction to 150 million lei to the end of 2009 and another 150 million lei to the end of 2010. Ministry of Finance managed to reduce arrears state to the 205 million lei in the period june to september 2009, but the accumulation of other debts in the period january to june 2009 has been impossible to meet the targets contained in the FMI agreement. [5]

For tax revenue collection may not be a burden for tax authorities, and budgetary resources can be formed in accordance with the tax reform is necessary:

- continuing publication on the website of the Ministry of Finance of taxpayers who recorded outstanding obligations to the state budget;
- eliminating, where possible, the practice of providing payment facilities;
- continue enforcement procedures with high efficiency or to find other measures to recover arrears (judicial reorganization);
- severely punish those who willfully evade the tax obligations;
- issuance of new registration procedures for the prevention of outstanding tax liabilities;
- education for taxpayers in order to obtain favorable results, the profit being the primary test for a firm's performance.

If these obligations are not paid, public decision-makers will have to find new ways to cover budget expenditures and tax burden will push as hard on those who understand and respect the rules and principles of taxation. Here's how the tax liability is not keeping that tax burden and the formation of public financial resources can not meet the principles of efficiency, effectiveness and equity.

Strengthening the role of fiscal management to achieve fiscal activity performance

Richard Farmer's assertion that "management explains why a country is rich or poor" [6] is inextricably linked to the fiscal management practices, from the fact that this is based on relationship the taxpayer - the state, for training and efficient use of public financial resources.

Management is present today in all economic and social fields, so implicit in the tax area, improvement of the main factor increasing the efficiency of tax.

Multiple meanings of the concept of management, have led experts to define this concept, to determine the contents and special features. Specificity tax area,

identifies fiscal management as the art and science of applying methods and procedures as a basis for programs, for organize and coordinate the processes of collecting tax revenue and the effective use of public funds.

Existence of fiscal management determines its essential details, namely: [7]

⇒ *primary objective* (understanding and deepening the role that taxation plays in socio-economic life of a nation, to establish a real partnership between the state and taxpayers, for training and use of public financial resources);

⇒ *the scope* (fiscal analysis must be conducted taking into account the local, national and international, for which mutations occurring in fiscal management should provide details of real tax reform, resting on values and principles);

⇒ *main functions* (forecasting, organization, coordination, training, evaluation and control are the main functions of fiscal management, with content, requirements and ways of achieving specific for fiscal activity);

⇒ *fundamental values* (core values are arranged according to the membership - the internal values and external values and degree of generality - the universal and particular values, is widely recognized and accepted values such as ethics, morality and democracy);

⇒ *essential features* (specific tax obligations, the general principles of taxation, fiscal and budgetary specific activity, duties and functions of the fiscal authority, rights and obligations of individual taxpayers and corporations);

⇒ *principles and laws* (definition and application management unit, according to environmental influence, participatory management, legality, motivating all stakeholders involved in tax activity, efficiency).

Essential coordinates for fiscal management should be found in the guidelines for tax administration, from the idea that an effective organization, an changing administration, the shaping of modern strategy, identifying new value at the level of fiscal authority and strategic targets, may lead to increased efficiency and effectiveness of tax administration.

Consistent with the general coordinator of fiscal management, medium strategic objectives for National Tax Administration Agency of Romania are oriented on: [8]

- ⇒ stimulate voluntary compliance;
- ⇒ preventing and combating tax evasion and financial indiscipline;
- ⇒ modernize and improve the functioning of tax administration.

Table 1. Indicators for Plan performance of tax administration [9]

Year 2007	Year 2008
<ul style="list-style-type: none"> • The implementation of the program budget revenue receipts • The recovery of arrears from corporate • The collection of arrears from large/medium taxpayers 	<ul style="list-style-type: none"> • The implementation of the program budget revenue receipts (gross value) • The implementation of the program budget revenue receipts (net value) • The recovery of arrears from corporate

<ul style="list-style-type: none"> • Rates budgetary revenue collected by the enforcement procedure • The voluntary compliance payment (number) • The voluntary compliance payment (value) • Number of inspections conducted by an inspector • Attracted additional amounts (net) by an inspector • The ratio of the number of appeals filed by taxpayers in the tax number of decisions issued • Number of complaints on failure to support the work of taxpayers • The number of resolved addresses in legally within • Degree in term of tax returns • The voluntary filing of tax returns by type of tax • The resolution within the returns with negative amounts of VAT refund option • Rates amounts allowed by the court for which data were invalidated solutions prior procedure • Share solutions admission and ending in all the solutions given by the bodies responsible for resolving disputes in National Tax Administration Agency of Romania and County General Directorates of Public Finances 	<ul style="list-style-type: none"> • The collection of arrears from large / medium taxpayers • Rates budgetary revenue collected through enforcement procedure • The voluntary compliance payment (number) • The voluntary compliance payment (value) • Number of inspections conducted by an inspector • Attracted additional amounts (net) by an inspector • The ratio of the number of appeals filed by taxpayers in the number of tax decisions issued • Number of complaints on failure to support the work of taxpayers • The number of resolved addresses in legally within • Unresolved complaints within the statutory share in the total processing petitions • Degree in term of tax returns • The voluntary filing of tax returns by type of tax • The resolution within the returns with negative amounts of VAT refund option • The resolution within the returns with negative amounts of VAT refund option, in category tax returns with low or medium risk (resolved after inspection) • Rates of amounts allowed by the court in total amount of court dispute • Share solutions admission and ending in all the solutions given by the bodies responsible for resolving disputes in National Tax Administration Agency of Romania NAFA and County General Directorates of Public Finances
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Source: Appendix 1 of "Medium term strategy of National Tax Administration Agency", static.anaf.ro/static/10/Anaf/strategie_ANAF.pdf

List of indicators for Plan performance of tax administration for 2008 has changed from that for 2007. So: degree of achievement of budgetary revenue program was established, both gross and the net value; was introduced the indicator unresolved complaints within the statutory share in the total petitions; to resolve returns with negative amounts of VAT refund option was considered, the degree of resolution within all returns and the degree of settling tax returns with low or medium risk, which require

further scrutiny; indicator rate for amounts allowed by the court that the procedure was canceled prior solutions has changed in rate amounts permitted by the court in total amounts disputed by the court.

Changes highlight the need to adjust the directions of improvement in tax area, first in the way of tax activity, and second, in the mode of action of taxpayers.

Increase voluntary compliance

National Tax Administration Agency wanted through assessments made by participants in various surveys taxpayers to improve their work, on: [10] increased collection of taxes and contributions; increasing voluntary compliance of taxpayers to pay tax liabilities; improving information and communication activities for taxpayers; conduct a modern activities for assistance the taxpayers.

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.

Achieving budget revenues in the 2005-2009 period is as follows [11]:

Table 2. Achievement of budget revenues, 2005-2009			Figure 1. Completion rate of budget revenues, 2005-2009
Year	Revenues achieved (mil. lei)	Rate over the previous year (%)	
2005	79.306	15,0	
2006	96.671	22,0	
2007	116.407	20,4	
2008	143.145	23,0	
2009	133.915	-6,4	

Source: Ministry of Public Finance, National Agency for Fiscal Administration, "Performance Report 2009", p.40

Reducing the achievement of budgetary revenues in 2009 primarily due to the effects of economic and financial crisis. Taking into account the structure of budget revenues, to the total planned budget revenues (133.948,3 mil. lei), achievements were 99,97% (respectively 133.914,5 mil. lei). If the State Budget, State Social Insurance Budget and Unemployment Budget there is a degree of achievement over 100%, for Single National Fund for Health Insurance, level of achievement was 95.6%. Also, the tax revenue from direct and indirect taxes is found to achieve a degree less than 100%, respectively 93.7% for income tax and 96.9% for VAT. [12]

In Romania, the budget revenues in GDP is already low, so that an additional reduction of the budget deficit without serious improvement of collection rate will lead to a reduction in expenditures with negative consequences for institutional infrastructure, human capital and the country. This claim is based and high level of

outstanding arrears to be recovered, which, in the year 2007 represented 2.9% of GDP (respectively 11861.9 million lei) and for the year 2009 represented 3.4% of GDP (respectively 17.231 million lei). [13]

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:

Table 3. Evolution of the degree of voluntary compliance				Table 4. Voluntary compliance rate of degree, in 2009		
Year	Degree of voluntary compliance for:			Performance Indicators	Level planned 2009	Level achieved 2009
	Declaration	Payment (numbers)	Payment (value)			
2004	82	73	...	Voluntary submission of tax returns	92%	83,86%
2005	84	69	...	Voluntary compliance to tax obligations (number)	78%	64,30%
2006	84,5	72,8	72,1	Voluntary compliance to tax obligations (value)	85%	77,43%
2007	80,7	70,6	79,0			
2008	83,2	67,9	79,4			
2009	83,9	64,3	77,4			

Source: Ministry of Public Finance, National Agency for Fiscal Administration, "Performance Report 2009", p. 45-46

Even with a large number of enforcement actions (9.474.438 shares of enforcement, of which: 7.541.831 injunctions - 79,60%; 1.813.391 sequestrated bank accounts - 19,14%; 119.216 forbid others - 1,26%) [14], proceeds by way of enforcement had a negative rate in 2009 compared to 2008 of -0.5%. Highest yield was recorded by using the method of attachment of income from third parties (tax debts collected by 304,5 million lei - a rate of 34,8% since 2008), and the lowest by using the method of attachment of movable (tax claims received by 12,4 million lei - a rate of -64,6% since 2008). [15]

There is a decrease in failures in activity for assistance to taxpayers, because at their planned level for 2009 of 8% of all complaints filed by taxpayers, 3,33% are achieved in all complaints filed by taxpayers. Regarding the degree of resolution of fiscal matters, the issues are as follows: [16]

Table 5. The level of performance indicators for the resolution of tax issues, in the year 2009

Indicators	Planned level 2009	Level achieved in 2009
The degree of resolution in terms of address	100 %	99,76 %
Degree of processing of tax returns within	100 %	94,09 %
The degree of resolution within the VAT returns with negative amounts, with repayment option	95%	57,33%
The degree of resolution within the VAT returns with negative amounts, with options for repayment in category finally returns with low or medium risk (resolved after inspection)	100 %	72,65 %

Source: Ministry of Public Finance, National Agency for Fiscal Administration, "Performance Report 2009", p. 46-47

Thanks or discontents of taxpayers led the National Tax Administration Agency (NTAA) to recognize the important role of external communication in tax policy, to establish a coherent framework of institution relations with taxpayers, based on a clear partnership.

In this respect, elements contained in "External Communication Charter for National Tax Administration Agency " should not remain the status of commitments, but they must be implemented by: [17]

- ✓ information free and open to all taxpayers;
- ✓ use transparency in providing information to taxpayers and ensure privacy for personal information;
- ✓ disclosure consideration of the qualities of clarity, accuracy and completeness;
- ✓ establish a relationship between NTAA and contributors based on respect, mutual consideration, courtesy and cooperation;
- ✓ adapt NTAA to the needs of the taxpayer, in order to increase voluntary compliance to tax obligations.

Keywords external communication for the success of NTAA are:

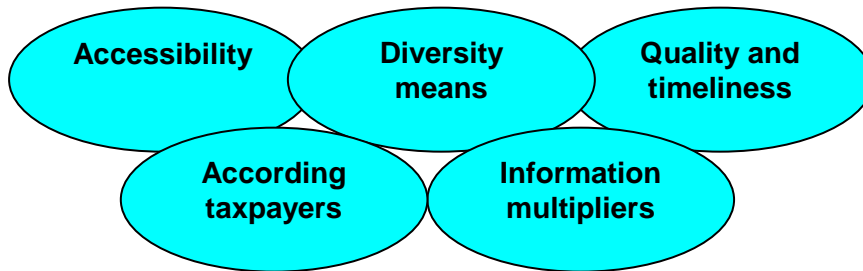


Figure 2. Means of improving external communication NTAAs

Source: Ministry of Finance, National Tax Administration Agency, "External Communication Charter NTAAs"

Improve the image of Romanian international taxation

Elements of fiscal policy in each nation, must take into account the international dimension of taxation, to allow adjustments to the tax system to international requirements.

Indicators that can be considered to have a picture of taxation and said in what state is "easier" or "hard" to bear the tax burden is: the number of payments of tax obligations; the time needed to pay obligations tax; total tax rate.

According to the fourth study conducted by World Bank experts and representatives of PricewaterhouseCoopers, to the taxation of 183 states, in the year 2009, the situation is as follows: [18]

⇒ Total number of payments that a company must perform an annual average fall in values between 1 and 147, the distribution for the 183 jurisdictions were analyzed as follows:

Table 6. Number of payments for tax liabilities, in the year 2009

Number of payments	Country
1-10	Afghanistan, Argentina, Brazil, Canada, China, Denmark, Dominica, Ecuador, Estonia, Finland, France, Greece, Hong Kong, Ireland, Kazakhstan, Kiribati, Latvia, Maldives, Mauritius, Mexico, Netherlands, New Zealand, Norway, Peru, Portugal, Qatar, Singapore, South Africa, Spain, Sweden, Timor Leste, United Kingdom, United States
11-30	Amman, Arabic Syria, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Belgium, Bhutan, Botswana, Brunei, Bulgaria, Colombia, Comoros, Croatia, Cyprus, Egypt, Eritrea, Ethiopia, Gabon,

	Gaza, Georgia, Germany, Grenada, Guatemala, Hungary, Iran, Iraq, Italy, Japan, Jordan, Korea, Kuwait, Lebanon, Lesotho, Lithuania, Luxembourg, Madagascar, Malawi, Malaysia, Marshall Islands, Micronesia, Morocco, Palau, Puerto Rico, Russia, Saudi Arabia, Seychelles, Sierra Leone, Slovenia, St. Kitts and Nevis, Suriname, Switzerland, Taiwan, Thailand, Tonga, Tunisia, Turkey, United Arab Emirates,
31-50	Albania, Algeria, Angola, Armenia, Belize, Bolivia, Burkina, Burundi, Cambodia, Cameroon, Congo, Costa Rica, Djibouti, Dominica, Guinea, Fiji, Gambia, Ghana, Guinea Bissau, Guyana, Haiti, Honduras, Iceland Israel, Kenya, Kosovo, Lao, Liberia, Macedonia, Mauritania, Moldova, Mongolia, Mozambique, Namibia, Nepal, Niger, Nigeria, Pakistan, Papua, Paraguay, Philippines, Poland, Rwanda, Samoa, Sao Tome, Slovakia, Solomon Islands, St. Lucia, St. Vincent and the Grenadines, Sudan, Swaziland, Tanzania, Trinidad and Tobago, Uganda, Vanuatu, Vietnam, Yemen, Zambia
51-70	Antigua and Barbuda, Benin, Bosnia and Herzegovina, Cape Verde, Central Africa, Chad, Chile, Côte d' Azur, El Savior, Guinea, India, Indonesia, Mali, Nicaragua, Panama, Senegal, Serbia, Sri Lanka, Tajikistan, Togo, Uruguay, Zimbabwe
71-90	Jamaica, Kyrgyz, Montenegro, Venezuela
91-110	Belarus, Uzbekistan
111-120	<u>Romania</u>
121-150	Ukraine

Source: processing author, according to the site, <http://www.doingbusiness.org/.../2010/Paying-Taxes-2010.pdf>, pp. 80-82

States with the lowest number and highest paying tax obligations that a company must make it during a fiscal year are:

Table 7. "Top" states made by the number of payments made by a company, in the year 2009

Country	No. payment	Contry	No. payment
Maldives, Qatar	1	Ivory Coast, Serbia	66
Sweden	2	Venezuela	71
Hong Kong, Norway	4	Jamaica	72
Singapore	5	Kyrgyz Republic	75
Mexico, East Timor	6	Montenegro	89
Kiribati, Mauritius, France, Latvia	7	Uzbekistan	106
Ecuador, Finland, New Zealand,	8	Belarus	107

Portugal, Spain, United Kingdom			
Argentina, Canada, Denmark, Rep.. Dominican, Ireland, Kazakhstan, Netherlands, Peru, South Africa	9	<u>Romania</u>	113
Brazil, Chile, Estonia, Greece, USA	10	Ukraine	147

Source: <http://www.doingbusiness.org/.../2010/Paying-Taxes-2010.pdf>

⇒ Total number of hours required during the year for tax obligations lies with values between 0 and 2600 hours per year, distribution to the 183 jurisdictions were analyzed as follows:

Table 8. Time spent on tax obligations, for the year 2009

No. hours / year	Contry
0-100	Bahamas, Bahrain, Cape Verde, Comoros, Estonia, Hong Kong, Ireland, Luxembourg, Macedonia, Maldives, New Zealand, Norway, Amman, Qatar, Saudi Arabia, Seychelles, Singapore, Solomon Islands, St. Lucia, Switzerland, United Arab Emirates
101-200	Australia, Austria, Belgium, Belize, Botswana, Brunei, Burundi, Cambodia, Canada, Chad, Croatia, Cyprus, Denmark, Djibouti, Dominica, Ethiopia, Fiji, France, Germany, Grenada, Haiti, Iceland, Jordan, Kiribati, Kosovo Kuwait, Lebanon, Liberia, Lithuania, Malawi, Malaysia, Marshall Island, Mauritius, Micronesia, Mongolia, Netherlands, Palau, Papau New Guinea, Philippines, Rwanda, South Africa, St. Kitts and Nevis, St. Vincent and the Grenadines, Sudan, Suriname, Swaziland, Sweden, Tanzania, Tonga, Trinidad and Tobago, Uganda, UK, USA, Vanuatu, Gaza, Zambia
201-300	Afghanistan, Albania, Angola, Antigua and Barbuda, Benin, Bhutan, Burkina, Colombia, Costa Rica, Côte d'Azur, Equatorial Guinea, Eritrea, Finland, Gabon, Ghana, Greece, Guinea Bissau, Guyana, Honduras, India, Indonesia, Israel, Kazakhstan, Rep. Korea, Kyrgyz, Latvia, Madagascar, Mali, Moldova, Mozambique, Nicaragua, Niger, Puerto Rico, <u>Romania</u> , Samoa, Serbia, Slovakia, Solvents, Spain, Sri Lanka, Taiwan, Tajikistan, Thailand, Timor Leste, Togo, Tunisia, Turkey, Yemen, Zimbabwe
301-400	Azerbaijan, Bangladesh, Chile, Rep.. Dem. Congo, Rep. Dominica, El Salvador, Gambia, Georgia, Guatemala, Hungary, Iran, Iraq, Italy, Japan, Lao, Lesotho, Montenegro, Morocco, Namibia, Nepal, Paraguay, Peru, Poland, Portugal, Russia, Sierra Leone Rep.. Syrian Arab Uruguay,

	Uzbekistan
401-500	Algeria, Argentina, Bosnia and Herzegovina, Egypt, Guinea, Jamaica, Kenya, Panama, Sao Tome
501-600	Central Africa, China, Ecuador, Mexico, Pakistan
601-700	Bulgaria, Rep.. Congo, Czech Republic, Mauritania, Senegal
701-800	Ukraine
801-900	Belarus, Venezuela
901-1000	Armenia, Nigeria
1001-1100	Bolivia, Vietnam
1301-1400	Cameroon
2501-2600	Brazil

Source: <http://www.doingusiness.org/.../2010/Paying-Taxes-2010.pdf>, "Paying taxes 2010, pp 83-85

If a taxpayer in Brazil it required 2600 hours per year for tax obligations, the time required for this activity is reduced significantly in other countries, reaching 36 hours per year in Qatar, 12 hours per year in United Arab Emirates and under an hour / year in the Maldives.

⇒ Total tax rate (summing tax rates to income taxes, taxes on employment and other tax obligations) for the 183 countries under review lies with values between 0.2% and 322%, distribution is as follows:

Table 9. Distribution of states according to total tax rate

The total tax rate	States
0% - 20%	Bahrain, Botswana, Georgia, Kuwait, Lesotho, Macedonia, Maldives, Namibia, Qatar, Samoa, Saudi Arabia, Tiomor Leste, United Arab Emirates, Vanuatu, Gaza Zambia
21% - 30%	Belize, Bosnia and Herzegovina, Brunei, Cambodia, Chile, Cyprus, Denmark, Hong Kong, Iceland, Iraq, Ireland, Kosovo, Lebanon, Luxembourg, Malawi, Mauritius, Mongolia, Montenegro, Amman, Singapore, South Africa, Suriname, Switzerland , Tonga
31% - 40%	Afghanistan, Armenia, Bangladesh, Bulgaria, Croatia, Djibouti, Dominica, Rep.. Dominica, Ecuador, El Salvador, Ethiopia, Ghana, Guyana, Haiti, Indonesia, Israel, Jordan, Kazakhstan, Kiribati, Rep. Korean, Lao, Latvia, Madagascar, Malaysia, Moldova, Mozambique, Nepal, Netherlands, New Zealand, Nigeria, Pakistan, Paraguay, Peru, Rwanda, Serbia, Slovenia, Solomin Islands St. Lucia, Sudan, Swaziland, Taiwan, Thailand, Trinidad and Tobago, Uganda, United

	Kingdom, Vietnam, Zimbabwe
41% - 50%	Albania, Antigua and Barbuda, Australia, Azerbaijan, Bahamas, Bhutan, Burkina, Canada, Cape Verde, Comoros, Côte d'Azur, Czech Republic, Egypt, Estonia, Fiji, Finland, Gabon, Germany, Greece, Grenada, Guatemala, Guinea, Guinea Bissau, Honduras, Iran, Kenya, Liberia, Lithuania, Morocco, Niger, Norway, Panama, Papua New Guinea, Philippines, Poland, Portugal, Romania , Russia, Sao Tome, Senegal, Seychelles, Slovakia, St.. Vincent and the Grenadines, Rep.. Syrian Arab Tanzania, Turkey, USA, Uruguay, Yemen
51% - 60%	Angola, Austria, Belgium, Cameroon, Costa Rica, Equatorial Guinea, Hungary, Jamaica, Japan, Kyrgyz, Mali, Mexico, Micronesia, Spain, St. Kitts and Nevis, Sweden, Togo, Ukraine
61% -70%	Brazil, Chad, China, Rep.. Congo, France, India, Italy, Marshall Islands, Nicaragua, Puerto Rico, Sri Lanka, Tunisia, Venezuela
71% -80%	Algeria, Benin, Bolivia, Colombia, Palau
81% - 90%	Eritrea, Mauritania, Tajikistan
91% - 100%	Belarus, Uzbekistan
101% - 110%	Argentina
201% - 210%	Central Africa
231% - 240%	Sierra Leone
271%- 280%	Burundi
291% - 300%	Gambia
321% - 330%	Rep. Dem. Congo

Source: <http://www.doingusiness.org/.../2010/Paying-Taxes-2010.pdf>, "Paying taxes 2010, pp 86-88

Highest tax rate across all 183 countries under review can be found in Rep. Dom. Congo (322%) and lowest in Timor-Lester (0.2%).

⇒ To learn how easy or difficult it is in terms of taxation, in addition to the three indicators examined (number of payment of duty, time to pay the tax liability and tax rate), taxpayers of the 183 countries were surveyed also for general issues of taxation and tax administration, namely: availability of tax laws; complexity of the tax system; clarity and stability of tax legislation; taxpayer assistance; aspects of centralization and decentralization of the tax system; state fiscal documents; refund of taxes; methodology for selecting taxpayers entering into tax audit procedures; during fiscal control; conduct of fiscal control; positive and negative aspects of the tax system.

Considering all these factors, was conducted among the 183 countries, taking into account the ease or weight they bear the tax obligations. From this perspective, the top ten positions were occupied by the following countries:

Table 10. "Top" states according to "ease" or "burden" for tax obligations

"Easy" for tax obligations		"Burden" on the tax obligations	
Rank	State	Rank	State
1	Maldives	183	Belarus
2	Qatar	182	Venezuela
3	Hong Kong	181	Ukraine
4	United Arab Emirates	180	Rep. Congo
5	Singapore	179	Rep. Central Africa
6	Ireland	178	Uzbekistan
7	Saudi Arabia	177	Bolivia
8	Aman	176	Gambia
9	New Zealand	175	Mauritania
10	Kiribati	174	Jamaica

Source: <http://www.doingbusiness.org/.../2010/Paying-Taxes-2010.pdf>

Of the 183 countries surveyed, except Malta, all EU Member States were analyzed, the situation presented is as follows

- The lowest number of payments of tax liability is found in Sweden (2) and Latvia (7) and highest in Poland (40) and Romania (113).

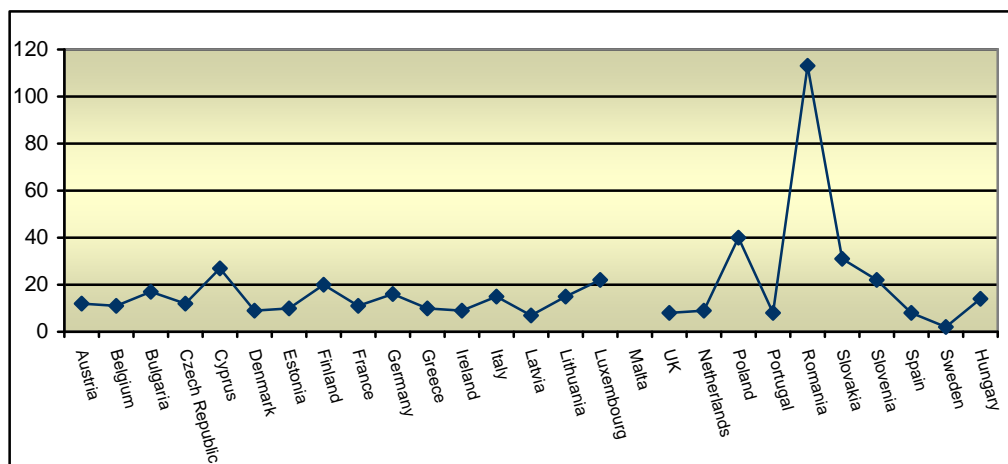


Figure 3. Number of payment of duty, the EU member states in 2009

Source: Author processing, after data published on the website <http://www.doingbusiness.org/.../2010/Paying-Taxes-2010.pdf>

- 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.
- Most time required payment of tax obligations, the EU Member States is found in Bulgaria (616 hours / year) and lowest in Luxembourg (59 hours / year). The average European taxpayers pay taxes and contributions related to a financial year to 231.15 hours. Within the European Union, Romania ranks 14, with an average number of hours per year required for tax obligations of 202 hours.

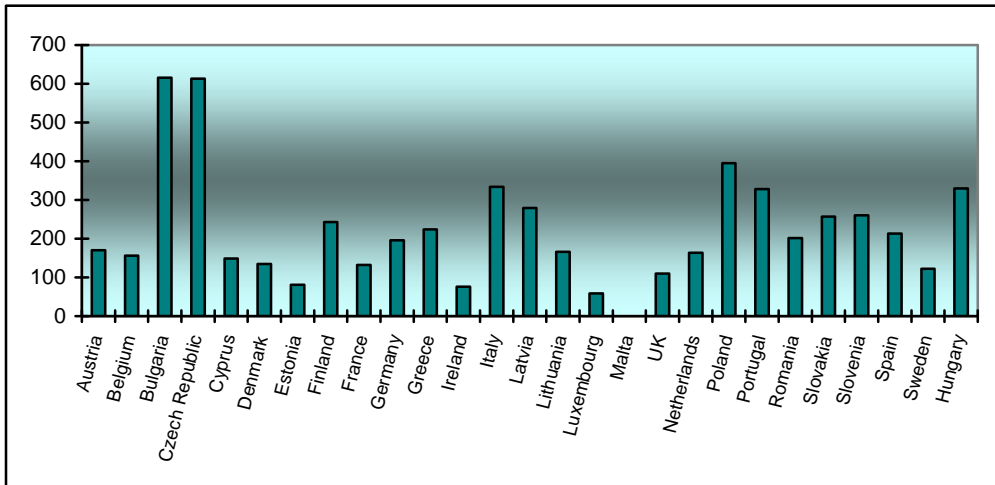


Figure 4. Average number of hours per year required for tax obligations in 2009, in the EU Member States

Source: Author processing, after data published on the website <http://www.doingbusiness.org/.../2010/Paying-Taxes-2010.pdf>

According to the study, in the year 2009, in the European Union, the total tax rate was highest in Italy (73.3%) and lowest in Luxembourg (21.0%). A total of 15 EU Member States in the year 2009 showed a total tax rate above the EU average (of 46.03%), namely: Austria, Belgium, Czech Republic, Estonia, Finland, France, Germany, Greece, Italy, Lithuania, Romania, Slovakia, Spain, Sweden, Hungary.

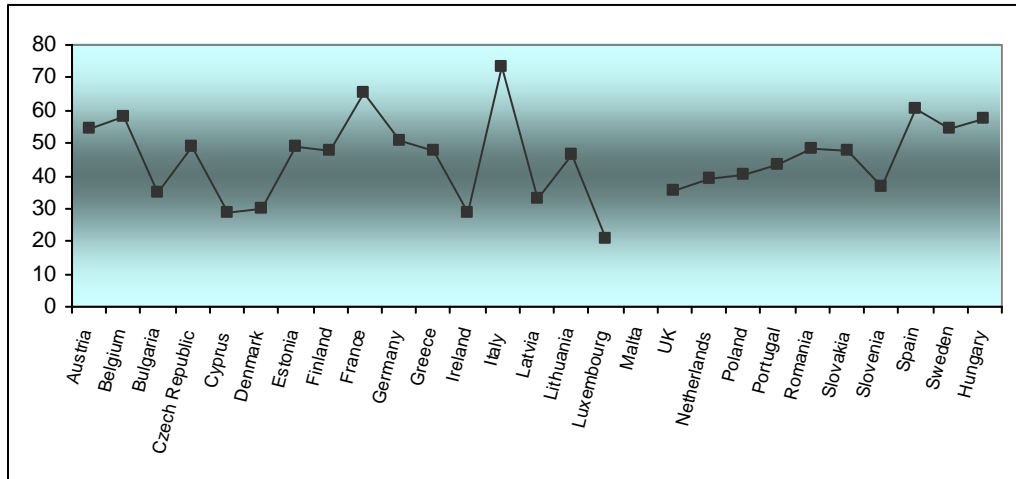


Figure 5. Total tax rate, the EU member states, in year 2009

Source: Author processing, after data published on the website <http://www.doingbusiness.org/.../2010/Paying-Taxes-2010.pdf>

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.

Proper use of numerical fiscal rules

Theory of optimal taxation designed using models acting on the following lines:

[19]

- Each model identifies a specific set of feasible tax liability, that taxes on consumption and government revenue. Standard models are based on fiscal rules such as part-whole which does not lead to economic imbalances.
- Each model specific differential response of taxpayers to tax liabilities. In this respect, different reactions are identified corporate taxpayers and individual taxpayers.
- Governments should be based on clear objectives to achieve fiscal configurations. Simple models relate to minimizing income tax burden by increasing public, while complex models take into account issues of fairness.

Whatever the model chosen to achieve an optimal tax system, fiscal policy should be based on clearly defined rules and principles and government fiscal strategy must seek how these rules are followed.

A particularly important role to build a tax system to allow proper action functions of public finances is numerical fiscal rules, respectively identification of minimum and maximum limits in respect of the establishment and use of public resources.

Based on research conducted by tax and financial professionals can be identified the following *types of numerical fiscal rules*: [20] numerical fiscal rules

relating to the budget balance; numerical fiscal rules related to budget revenues; numerical fiscal rules related expenditures; numerical fiscal rules related debt.

If the main objective of numerical fiscal rules is to strengthen budgetary discipline, they can promote policy coordination between different levels of government, thus helping to reduce uncertainty about future fiscal policy developments. Successful application of numerical fiscal rules can be achieved, provided that there is adequate enforcement and monitoring of authorized institutions and strong political commitment [21].

If in 1990 only 16 numerical fiscal rules were applied across the EU Member States, in 2008 their number increased to 66, this proves its importance in reducing budgetary imbalances. Evolution of numerical fiscal rules in the EU Member States in the period 1990-2008 is as follows: [22]

Table 11. Numerical fiscal rules in EU Member States during 1990-2008

EU	1990				1995				2000				2005				2008			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Austria											*				*				*	
Belgium			*		*	*	*		*		*		*		*	*	*		*	
			*		*		*				*			*		*		*		*
Bulgaria																*				*
Czech Republic											*	*			*	*				*
Cyprus																				
Denmark					*		*		*		*	*	*		*	*	*		*	*
Estonia						*			*	*			*	*	*	*		*	*	*
Finland						*	*	*	*	*		*	*	*	*	*	*	*	*	*
France			*			*		*	*	*	*	*	*	*	*	*	*	*	*	*
								*				*				*			*	*
Germany	*		*	*	*		*	*	*	*	*	*	*	*	*	*	*	*	*	*
			*			*		*		*	*	*	*	*	*	*	*	*	*	*
			*			*		*		*	*	*	*	*	*	*	*	*	*	*
Greece																				
Ireland								*				*	*	*	*	*	*	*	*	*
Italy								*				*	*	*	*	*	*	*	*	*
											*	*	*	*	*	*	*	*	*	*
Latvia					*		*		*		*		*		*		*		*	*
Lithuania			*			*			*	*		*	*	*	*	*	*	*	*	*
Luxembourg	*		*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Malta																				
Great Britain									*	*			*	*			*	*	*	*
Netherlands					*	*		*	*		*	*	*	*	*	*	*	*	*	*
Poland											*				*					*
Portugal													*	*	*	*	*	*	*	*
													*	*	*	*	*	*	*	*
Romania			*			*			*	*		*	*	*	*	*	*	*	*	*
Slovakia											*		*	*	*	*	*	*	*	*
Slovenia				*			*		*	*		*	*	*	*	*	*	*	*	*
							*		*	*		*	*	*	*	*	*	*	*	*
Spain				*			*		*	*	*	*	*	*	*	*	*	*	*	*

				*				*				*				*			*	
Sweden								*		*		*		*	*	*		*		
Hungary										*					*				*	
Total	2	0	9	5	6	3	13	7	11	3	18	15	15	4	24	18	17	6	25	18
General Total	16				29				47				61				66			

Note: 1 - numerical rules related tax expenditures;
 2 - numerical fiscal rules related budget revenues;
 3 - numerical fiscal rules relating to the budget balance;
 4 - numerical fiscal rules relating to the budget deficit.

Source: processing author as "Number of numerical fiscal Rules in force in the EU Member States by the nerve of rule, 1990 to 2008", http://ec.europa.eu/economy_finance

The information contained in the above table reveal that most Member States focus on the existence of these numerical fiscal rules. France and Lithuania are the only countries which tax rules apply to all four categories, and in Cyprus, Greece and Malta are not applied numerical fiscal rules.

Most states (16 - Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Ireland, Italy, Lithuania, Luxembourg, Britain, Portugal, Romania, Spain, Sweden) applied numerical related fiscal budget balance rules, while, numerical fiscal rules apply to budget the income received in a smaller number of states (6 - Denmark, Finland, France, Latvia, Lithuania, Netherlands).

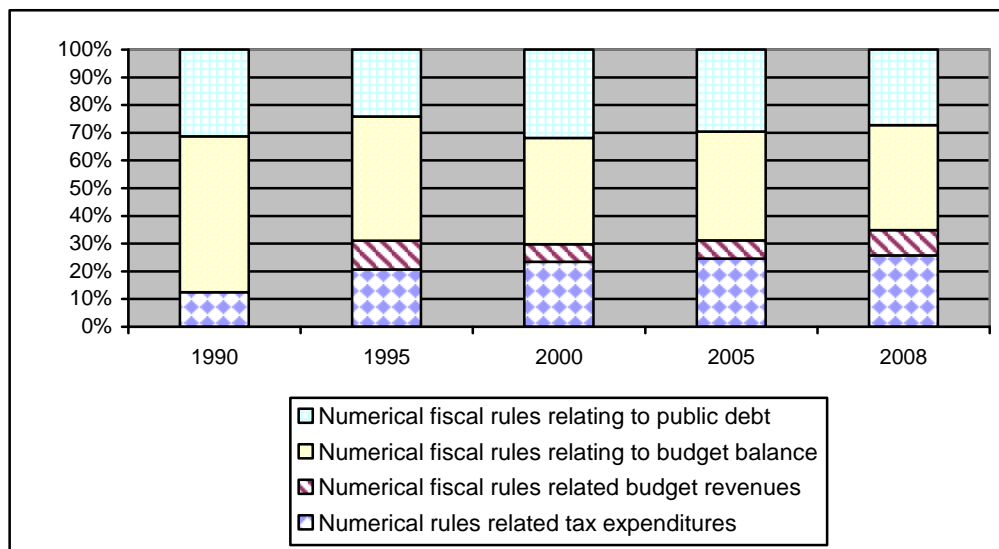


Figure 6. Structure of numerical fiscal rules applied by EU Member States, from 1990 to 2008

Source: processing author as "Number of numerical fiscal Rules in force in the EU Member States by the nerve of rule, 1990 to 2008", http://ec.europa.eu/economy_finance

To be effective in reducing budgetary imbalances, fiscal rules should be equipped with corresponding characteristics of the institutional framework of fiscal policy.

To capture the influence of these characteristics, The European Commission has developed a resistance index of numerical fiscal rules, using information on: legal basis for the application of numerical fiscal rules; authority responsible for monitoring compliance with rules and tax number; authority responsible for implementation of numerical fiscal rules; mechanisms for implementing the numerical fiscal rules; visibility in the media of numerical fiscal rules.

Table 12. Criteria and resistance indices of numerical fiscal rules [23]

Criteria	Resistance indices of numerical fiscal rules	
1. The legal basis for the application of numerical fiscal rules	<i>Legal basis</i>	
	4	applying the rule is constitutional basis
	3	rule is based on a legal act
	2	rule is based on a coalition agreement
	1	rule based on political commitment of an authority
	<i>Setting and reviewing targets</i>	
	3	no haircut objectives
	1	there is complete freedom in setting objectives
2. Nature of the authority responsible for monitoring fiscal numerical rules	3	monitoring is done by an independent authority (Tax Council, other national authority)
	2	monitoring is done by the Ministry of Finance or other public institution
	1	there is not a public institution for monitoring
3. Nature of the organism responsible for the implementation of numerical fiscal rules	3	implementation is done by an independent authority (Tax Council , other national authority)
	2	implementation is done by the Ministry of Finance or other public institution
	1	no specific enforcement structures
4. Mechanisms for implementing the numerical fiscal rules	4	exist automatic correction mechanisms and mechanisms to sanction non-compliance
	3	exist automatic correction mechanisms and the possibility to impose sanctions in case of failure
	2	authority with responsibility is required to submit corrective action
	1	no pre-defined actions in case of failure
5. Media visibility numerical fiscal rules	3	the rules is monitored closely by the media and in case of non-compliance, is able to trigger public

		debate
	2	the rules is monitored by the media and in case of failure, is unlikely to trigger public debate
	1	the media is no interest or at a modest level, in respect of rules

Source: European Commission - DG ECFIN (2006), *Public Finances in EMU - 2006, European Economy 3 / 2006*

EU Member States' experience proved that the rules of tax numbers in close correlation with major economic objectives may refer to: budget balance as a percentage of GDP; actual rate of growth of public expenditure; nominal rate of growth of public expenditure; nominal increase in tax revenue in relation to nominal GDP growth; budget balance in nominal terms; nominal income ceiling; debt limit; level of debt in nominal terms; debt limit as a percentage of government revenue; the limit of nominal public expenditure; public debt in nominal terms; real public spending limit; public debt in nominal terms; real public spending limit; limits on tax rates; allocation of surplus public revenue; limits the volume and rate of health spending; threshold proportional to ability to pay debts; automatic allocation of expenses to the National Pension System.

Efficient use of an Integrated Financial Management

In public sector, financial management has dealt more than legal compliance, but the increased role of government and depletion of financial resources, there was a change in the importance of financial management functions.

Importance of management of funds, including the management of debt, noted because: existence of an uncontrolled external economic influences; existence of an lower income fuses traditional resources; existence an application of more and more public services; growing role of government in the economy.

Every government needs a philosophy of proper financial management and a clear definition of financial management functions, to provide leadership to the administration of professionally competent. For this reason it is necessary *integrating the basic functions of financial management in a single coordinated system*, composed of a set of interrelated subsystems that planning, process and report on existing resources, quantifying them in financial terms. Subsystems are usually basic accounting, budgeting, fund management, debt management and related internal costs. [24]

Accounting subsystem is the core of an integrated financial management because: provide information necessary for decisions documented; strengthens confidence in the capacity to make financial transactions on a proper organization of the relevant documentation; is possible to report results in terms of financial and cost reporting; allows control of execution for the budget year as the carrying costs and preparing the draft budget for next year based on costs already incurred; provides

periodic financial reporting and facilitates audit operations, giving credibility and strengthening accountability of government documents.

Budgeting should be integrated with other areas of financial management, even if it is conducted by an independent public institution, outside the Ministry of Finance, because data on budget implementation should be derived from the accounting system and not recorded and processed separately.

Uniform administration of cash (sometimes called "single bank account") is required for a modern and efficient financial management, because it required complex cash-flow prediction and preparation of plans that contain, where necessary, short-term loans, to achieve budget objectives, without jeopardizing their lack of liquidity.

Debt planning is as important as planning cash, reason for these two subsystems must be treated together as interdependent relationships. Public sector loans have become the main financial factor in budgetary stability. Normal action of debt management will lead to: alternative based on a political decision not to raise taxes or reduce expenditure below a certain level; side regular seasonal fluctuations and use of training resources. Rational finance government programs and their goals often depends on the combination of a well defined management of cash and credit.

Internal control, synonymous with management control, is of great importance in each subsystem as: protecting resources; promote accuracy and order of financial and operating information; promote efficiency of operations; foster compliance with legal provisions, policies and standards; achieve program goals and objectives.

The above statements require the use, in order to optimize the Romanian fiscal policy, an integrated Public Financial Management.

Conclusions

Through this article, we tried to emphasize issues that may lead to an improvement in the fiscal area, being discarded as negative elements.

Construction of the general public budget must consider best practices found at Community level. In this respect, it requires an analysis of the evolution of income and expenditure, deficit and surplus and the tax burden in all Member States and strategies that led to progress and development in each country.

Modeling budgetary and fiscal policies are recommended based models which take into account the three sectors (households, businesses, public domain) without neglecting the international capital market and trade in goods and services.

A particularly important role in optimal functioning of fiscal policy is to the independent institutions, so, by exploiting appropriate tax information, to ensure economic development and fiscal awareness.

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