1. Considerations regarding the concept of taxation and of fiscal pressure

The notions regarding taxation and the “fiscal system” and “the revenue authority” have appeared on a certain scale of the society to respond to some financial, economic and social objectives of the state.

In “Le petit Larousse” dictionary the” taxation" is defined as levy, “the body of economic laws related to”, and the notion of “revenue authority" is defined as an “administrative activity charged with calculating and levy".

According to the definition of the Romanian Encyclopedic Dictionary, “taxation" is a system of levy and taxes by the “revenue authority”, and “revenue authority” a state institution ,which establishes and collects the contributions to the state, and prosecutes the people who did not pay in due time these contributions.”

The judicial meaning of taxation is indispensable but not enough to understand the fiscal phenomenon in all its complexity. Taxes have ceased to be only collecting instruments of the state’s revenue, by having a strong social and economic impact. That is why the judicial interpretation of taxation should be obligatorily doubled by the signaling of its economic meaning.

In its economic meaning it is not only the set of regulations regarding settling and levy, but also a characteristic of the state’s policy concerning taxes and an expression of fiscal charges to different categories of tax payers. Actually, in current language but also in the specialized publications, especially when we talk about the hardening of taxation, it identifies with fiscal pressure which means however, the level of taxation.

In more recent studies the notion of taxation covers the notion of tax. Taxation consists, by definition, as according to M. Lauré, in the tax bites imposed to a country by a public authority, which from its side assures protection and provides services. This clearly concerns a definition of taxes. Other authors proceed in the same manner, by comparing taxation with parataxes, or with other facultative or obligatory tax bites, they compare, in fact, taxes with parafiscal taxes, with social dues or loans.

Starting with the definition of taxes as a form of tax bite of a part of the income and wealth of the private and judicial individual at state's disposal, with regard to the covering of the public expenses, some authors view taxation as a “connection between the state and the private and judicial individuals”.

Trying a relational, systemic approach, some authors define the fiscal system as “the totality of taxes instituted by the state, which assures it a overwhelming part of the budget revenue, every tax having a specific contribution and an economic regulator” or as a “set of concepts, principles, methods, processes regarding a multitude of elements (chargeable material, quotas, fiscal subscriptions) amongst which, relations that appear as a sequel to the projection, legislation, settling and levy and administered according to the fiscal legislation, in the purpose of accomplishing the system objectives”.

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The society cannot exist in the absence of taxes, whose necessity is established by the Constitution, and on the other hand, proved by the historic reality. The natural consequence of instituting taxes is feeling the fiscal pressure by all tax payers.

Fiscal pressure is generally given by all the obligatory tax bites, which are calculated by relating the total sum of obligatory tax bites (taxes, direct taxes, the contribution to social insurances) from a certain period, usually a year, to the size of the raw internal product made by a national economy in the same period. Making a distinction between the obligatory cashing tax bites, reflected by the right to debt of the state over the tax payers and the obligatory cashed tax bites we can distinguish between two types of fiscal pressure:
- an imposed fiscal pressure given by the report rates, taxes, cashed contributions and PIB
- an accepted fiscal pressure given by the report rates, taxes, cashed contributions and PIB.

Besides this technical determined fiscal objective, there is a psychological fiscal pressure which measures the threshold of tax tolerance to every tax payer, and which most often, takes the form of individual fiscal pressure determined as a report between the total of obligatory tax bites bared by a tax payer and the total of gained income before taxation.

\[
\text{Fiscal pressure rate - } 0 \quad T1 \quad T2 \quad T3 \quad X
\]

where:
- T1, T2, T3 represent rates of the fiscal pressure;
- M, N represent collections of the obligatory tax bites.

\[
Y \quad \text{the amount of obligatory tax bites}
\]

\[
\text{LAFFER CURVE}
\]

\[
M \quad \text{Maximal collections}
\]

The board of the taxation beard by the tax payers was permanently raised by the theoreticians, and the practice seems to exceed it every time. The idea the “one too high tax kills the tax” strongly manifested in the reflection of many economists. Therefore, in 1952, Laferviere and Waline claimed that “high tax produce, where it is not impossible, a diminution of the taxing material, by restraining the consumptions that are not indispensable or by hiding or fiscal evasion.”

The specific problem of the fiscal pressure generated a series of attempts of the American theoreticians, and not only, to rethink the problem of the fiscal optimum. Therefore, in 1974, Arthur Laffer graphically transposed an idea expressed in 1776 by Adam Smith, according to which, too high taxation rates destroy the basis upon which the
taxation is acting. Laffer estimates that there is a board of maximum fiscal pressure on which every increase generates a diminution of the fiscal efficiency because too high fiscal pressure will discourage the tax payer to invest, to save up, to produce and to work. Arthur Laffer presented a link between the tax rate and the level of the revenue coming from taxes as a chart named “Laffer curve” illustrated in Chart no.1. According to Laffer curve, the amount of obligatory tax bites is a increasing function of the fiscal pressure rate, but only until a certain maximal board, marked by M, which corresponds to the maximal level of the curve, then it becomes an decreasing function of this rate, going until the annulment if the rate would reach the theoretical level of 100%.

The ratio constituted the theoretical argument for showing the opportunity of the reduction of the marginal taxing rates which had arrived at very high levels during the application of the keynesist economic policies and of the development of the welfare state. An important diminution of the direct taxes and an attenuation of their progress are to be wanted also because those with larger incomes are those who invest and economize more. The diminution of the taxation must come along with the public consumptions diminution, in order to liberate the necessary resources for restarting the production.

2. Evolutions of the fiscal pressure in the member states of the European Union

For the achievement of a strict study concerning the fiscal pressure in the member states of the European Union we must start from a series of observations concerning the origin of the inflation differences between the member states, on the consistency of the budgetary policies in these states, being able to draw considerations on the connection between the diminution of taxes, the economic growth and the stability of the pact, with all its constraints.

A fiscal policy plays an important role in the economic cycles therefore the countries which registered a modest PIB grow rate in a certain period should try to reduce the fiscal pressure. A classification of the countries which need the most a diminution of the tax degree may be deduced from OECD estimations concerning the European countries between 2004-2008 only by comparing the differences between the individual incomes and the average of the considered country.

For the last two years the bent in the European Union was for reducing the taxes, especially those on companies’ profits. The reason is the competition between the countries to attract foreign investments which bring along new jobs and well-being. All states try to create a competitive business environment, fact shown by the diminution of the total balance of the taxes in companies’ profit, whose average lowered from 50,6% in 2004 to 49,3% in 2008.

In European Union countries the average fiscal pressure restarted its increasing trend in 2005 reaching the record level in 2000, after registering a short term diminution between 2001 and 2004. The fiscal pressure, calculated by relating the collected amounts from taxes at PIB, reached 36,2% in 2005 compared to 35,5% in 2004. in 2005 and 2006, the fiscal pressure increased in 14 of 26 countries and diminished in 11 of them. In France the fiscal pressure increased from 43,5% in 2004 to 44,5% in 2006, while in Switzerland it registered in 2006 the highest taxation rate – over 50,1%. In 2007, Romania had the lowest taxation balance in PIB, only 27,6%, followed by Lithuania – 28,9%, Latvia – 29,4%, Ireland – 30,8% and Estonia – 30,9%. The highest rates of fiscal pressure were registered in Sweden – 51,3%, Denmark – 50,3%, Belgium – 45% and France – 44%.

Very few member states of the European Union fulfill the two essential
demands: reducing the fiscal pressure and holding appropriate funds. Essentially, in the conditions of the Stability Pact, which supposes a structural diminution of the budgetary deficiencies, only Netherlands, Belgium and Finland are on the position to guarantee the necessary system for their economy. It should also be pointed out that only four states can afford significant diminution of the taxes. The limits imposed by the Stability Pact are extremely penalizing for the economies of two countries – Italy and Germany.

3. The fiscal pressure in Romania where to?

In Romania the fiscal pressure indicator is not followed statistically or fiscally by the Ministry of Finances. Some specialists in fiscal pressure calculations take into consideration the fiscal tax bites on the level of the consolidated budget of the state. In Romania the problem of the fiscal pressure became of greater actuality after 1989 together with the emergency of the first signs that the Romanian economy will become a market one, in the case where the modernization of the fiscal system was strongly imposing, modernization which still continuous after 18 years of transition. An analysis of the fiscal pressure in our country at a short period after the adherence to the unique space must take into account certain particularities, as:

- The insufficient development of the economy, so that it can face the European competition with difficulty;
- The large gap between the individual incomes in Romania and those in the communitary space.
- The promotion of a fiscal policy whose unique objective is the collection of budgetary revenue.
- The existence, still, of many revenue obtained from the subsurface economy and whose imposition could fill in the existent gaps in the budget and which are covered only by the increase of the fiscal pressure.

The length of the rate of fiscal pressure is influenced by many factors among which we enumerate:

- The performances of the economy;
- The structure and the forms of the propriety;
- The constant public necessities of governmental policy through the level of public consumptions;
- The efficiency in which the public consumptions funded by taxes are used;
- The degree of adhesion of the population to government’s policy and of consent on paying the tax;
- The size of the public debt;
- The stage of democracy, etc.

In the vision of many specialists, the main cause of increase of the fiscal pressure is constituted by the continuous increase of the public consumptions, whose evolution is submitted to certain economic, social, political “legities”.

Using the reference formula for the general consolidated budget revenue at PIB we may observe that the fiscal pressure rate is in a slight diminution from over 30% at the beginning of the 90’s to approximately 27.6% in 2007, a level enough diminished comparatively to the rest of the states in the Union, evolution reflected in Chart no.2.
On macroeconomic level, the fiscal consolidated revenue present during the period 1990-2007 an averaged balance in PIB of approximately 30%, and the non fiscal consolidated revenue present an average of 3%, situation underlined in Chart no.3, that showing the particular importance of the financial function of the taxation.

The global fiscal pressure is sustained by direct taxes which, along with the three large groups of obligatory contributions and with the local taxes have a balance of 57,7% in the total revenue of the budget in 2007, and also by the indirect taxes which represent 42,3%. Among the direct taxes, the contributions to the social insurances represented approximately 37,18% of the direct tax bites, followed by the taxes on income and salaries with 17,66%, and among the indirect taxes the TVA assured 54,18% of the total of indirect tax bites, the excises taxes 26,08%, the rest coming from customs taxes and other direct or indirect taxes. If the obligatory taxes would not be taken into account when calculating the direct tax bites, but only the taxes on profit and on income and salaries, those, in 2007 would represent only 19,1% of the revenue, much under the European Union average.
At microeconomic level also the fiscal pressure influences the fiscal policy, strategy and decision. At company level, the taxation represents an important section which influences the managerial and strategical decisions for its development.

A correct approach of the fiscal pressure at microeconomic level supposes relating it to the accomplishment of the development, funding and production functions of the companies. The large number of taxes and the high level of imposition quotas discourage the interest of the investors in accomplishing activities that generate profit and in making investments.

Knowing the economic situation of Romania, a low degree of taxation is good because that way a part of the capitals from the countries with a high taxation could be attracted. By a reduced taxation we try to stimulate the economic growth, the goods and services demand and, very important, the investments. A high taxation in a suffering economy as the one of Romania cannot have, on mid or long term, nothing but negative consequences, affecting the goods demand, diminishing the interest for economization and investments which make impossible the economic dynamism.

Even though the percentual level of the fiscal pressure in Romania is close and even inferior to that of other European countries, in reality the real fiscal pressure that presses every tax payer is much higher because of the low level of the incomes, and in such a situation is obvious that the temptation of avoiding the legal framework concerning the declaration of all correctly determined incomes from a fiscal point of view is getting bigger.

The effective fiscal pressure, that presses the tax payers, private and judicial persons and which they really resent is much higher than the degree of taxation expressed by the taxation rate, calculated as a ratio between the budgetary revenue and that component of the gross internal product which is taxed. For instance, in the structure of the gross internal product in 2007, approximately 22% is represented by the contribution of the subsurface economy and almost 5% by the contribution of the industrial production in households (natural economy), which shows that the taxed PIB is of only 73% of the official one. That leads us to the conclusion that the fiscal pressure produced over a correct tax payer is much higher than the result obtained by the reference of the fiscal revenue to the gross internal product.

In Romania the taxation is not incentive for the economic activity, in many industrial sections the fiscal pressure exceeding 45%. Any investment made in Romania has a cost that represents 55% of its final value, the rest being represented by taxes.

The policy concerning the tax on added value in our country was not and it is not an incentive one for the development of the economy. The objective of this tax not being sufficiently defined, it was used both to move the fiscal pressure from the producer to the client, and as a fiscal stimulant. In this context, the TVA objective of insuring budgetary revenue superposed the objective of supporting some economic activities by delaying from the payment of the fiscal obligations.

I consider that in the quantification of the fiscal pressure, besides the classical analysis methods by the reference of the revenue of fiscal nature to the gross internal product, the identification of the number of taxes that a tax payer must pay should be done too, the effort and time he passes for this, which essentially represent opportunity costs, trying to make a comparison with the situation existent at the present in the European Union. I appreciate that the main obstacles for the business environment in Romania are represented by the taxation level and the fiscal legislation. The World Bank identified in Romania almost 100 taxes which the autochthonous companies pay, more than double comparing to any country in
the European Union. More than a half of these taxes are in the section of taxing the labor force. Besides the encumbering taxation, another factor with negative impact is represented by the regularity in which these taxes are paid.

In 2008, according to the evaluations of the Council for small and middle companies, the real number of para-fiscal taxes increased to 540, a third of all these can be removed because not legitimate, while the number presented by the Ministry of Finances in August 2008 is of 115. A coherent tax system, which has a positive finality both for the state and for the tax payers, must be developed qualitatively and quantitatively. Schematically, the main categories of taxes were underlined in Chart no.4.

**Chart no. 4**

![Pie chart showing the distribution of various taxes.](image)


Besides the large number of taxes that the private and judicial persons owe in Romania, they are forced to spend enough time to pay them, with a relatively big frequency (usually monthly) and in pretty inadequate conditions for such activities (lines because of the small number of counters rudimentary technique for the present moment).

However, the same study of the World Bank points out the time a Romanian tax payer gives, in average, for paying the obligations to the state, level considered moderated compared to the European average and very small if we refer to homologues as Bulgaria or the Czech Republic.

In Romania we can identify a lot of situations when there is the obligation to pay two times for the same thing, which means double tax. An example for that can be constituted by the rovignette paid annually by the drivers, which is nothing but the duplication of the road tax included in fuel’s price. Moreover, the price at the pump includes the excise for gasoline and gas oil.

Besides the double tax, the companies are forced to pay a fee for services they don’t benefit by, for example, the tax radio-tv which is obligatory for every company either it has or not these receivers radio or tv. In the same register of taxation is included the tax for the rainwater, named “tax for the transport and the cleaning of the meteoric waters”, which is paid both by the judicial and the private persons. The local authorities declare that this is actually a service paid for collection and transporting the rainwater through the drainage system of the localities and that in its absence the level of inundation of the localities would grow. Following the logic of this tax, we could wonder why the payment of this tax is it necessary during
the sunny days or the rainless periods also.

The most important taxes paid by the private persons are the tax on added value, the excises (cigarettes, alcohol, fuels, coffee), those on income, contributions at social budgets, on proprieties (immobiliary, cars) and also different other payments for services. Apparently insignificant, being in the category “other taxes”, those are the biggest consumer of time and money. For example, at the simple acquisition of a vehicle are to be paid: the registration tax, city hall tax, first registration tax, temporary registration mark from the dealer tax, coupon tax, and if the vehicle is produced in the interior of the country, the tax for securitization of the identity card at RAR is to be paid too.

For the taxation, the local authorities show a particular interest but also a rich imagination which together produce a negative image of the Romanian fiscal system. Therefore, the barrier tax of Mamaia is well-known; in Sibiu, even though the municipality does not have any lakes or navigable rivers, there is a tax for high power ships and trackers; at Poiana Mare in Dolj county, the authorities imposed a barrier tax on the national road to pass trough that locality, and in Bechet, as it is situated on the board of Danube there is a tax of transiting the port.

According to the presented data, a slight tendency of diminution the degree of taxation is manifested. Despite these statistical realities, the economic agents and the population resent however the aggressiveness of the taxation. Starting from this contradiction, between the moderated level of the taxation and the way it is perceived by the tax payers, I consider that the following aspects should be underlined:

- In comparison with the level of taxation in the developed countries in the European Union, the level in Romania is situated between reasonable limits. But a relative approach of the taxation does not have a pragmatic relevance without a correlation with its approach in real, material terms. A sustainable comparison between the taxation rates in Romania and those in other countries cannot be made because the reference basis is different;
- There was never a clear definition of a certain objective of the taxation, in the sense that in any fiscal mechanism we must know where to start, how much we can take so that the natural evolution of the relations on the market does not be inhibited and a certain dimension of the consumption can be also assured.

4. Conclusions

In Romania, between 1990-2008, the fiscal task pressed especially upon the private persons, by the high level of taxation of the labor force but also by the increase of the incomes from indirect taxes, that determined a significant diminution of the fiscal conformity degree of this category of tax payers.

The analysis of the international practices and trends manifested in the fiscal policy allow us to formulate some conclusions and some points of view regarding the complex problem of the fiscal pressure:

- From the analysis of the level evolution and taxation structure we conclude that its level varies depending on the functions the state assumes especially concerning the social protection;
- After the fiscal reform developed in the European countries in the 90’s (the last decade), it started a process of diminution of the marginal quotas of imposition in most of the countries, being observed that high values of these ones negatively modifies the economic activity and encourages the fiscal evasion, even the concept of passing from the method of using the taxes as economic and social pusher for neutralizing the taxes, getting proportions;
- After the adhesion of the new states at the European Union, a alignment of the taxation level and of the redistribution to the values registered in the countries
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with a more reduced taxation will be registered;
- the Romanian fiscal system reached that maturity level as other fiscal systems in the European Union, but there is still necessary a series of modifications for the harmonization with the legislation of the European Union and also for the removal of some of its deficiencies;
- the fiscal pressure and the degree of taxation in Romania is only apparently a low one, because, in fact, because of the reduced level of the gross internal product, of an unequal repartition of the taxation and of the high number of taxes, for a great part of the tax payers the taxation is a pressuring one;
- it is necessary a more equitable distribution of the taxation by a better collection of the taxes and the diminution of their level, and also the sustaining of the stimulation of the investments and of the economic development to improve the level of income per inhabitant and of general well-being;
- it is necessary to reevaluate the level and the forms of the social protection in Romania, and also the taxes on the labor force, because the achievement of a fully social protection has a negative impact on the economic development.

The fiscal reform developed in Romania must not stop at the accomplishment obtained until the present moment, following a resettlement of the national fiscal system for the establishment of a new qualitative and quantitative structure of it.

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