

# **COMPARATIVE ANALYSIS CONCERNING THE FIELD DISTRIBUTION OF THE COMPANIES WITH LIABILITIES TO THE STATE BUDGET IN 2010<sup>18</sup>**

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**Abstract:** The purpose of this study is to conduct a comparative analysis regarding the field distribution of Romanian companies that have liabilities to the state budget at the end of 2010. In our approach, we have studied all the companies with debts to the state of the category of large companies in Romania. The database comprises 558 large companies, involved in the following activity fields: agriculture, processing industry, electricity and heat production and supply, gas, hot water and air conditioning, water distribution, sanitation, waste management, decontamination activities, civil engineering, commerce, transport and storage, brokerage, and insurance. We can notice an increase in the residual amounts owed to the state budget in comparison to the year 2009, as well as an increase in the number of indebted companies. The largest amount of liabilities comes from the value-added tax, interests and penalties, each having a different share depending on the activity field.

**JEL classification:** G38, M38

**Key words:** budgetary overdue debts, liabilities, large companies, descriptive analysis, state budget.

## **1. Introduction**

This material aims to be a warning signal that records the disastrous economic balance of the year 2010, as well as a imperative claim to commute from Sein's field to Sollen's field as regards to the value-added tax reimbursement to the righteous firms.

The business environment is characterized by economic and legislative instability, as well as uncertainty and disbelief. The financial and economic crisis has led to the increase of debtor companies, but also to a rise of the liabilities to the state budget.

The budgetary arrears analysis is the first step towards the embracement of

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efficient measures that would stop the economic fall. At the same time, although The Fiscal Council strongly recommends the expedient payment of the arrears owed to the private business environment, even with priority to other expenses, the practice proves the contrary.

## **2. Research Methodology**

The purpose of this study is to conduct an analysis through dynamics and structure of the state liabilities of large companies registered at the end of 2010. For the population description, we have determined the indicators for the central bias, the dispersion and the distribution of the analyzed variables. Following this research, we wish to obtain data regarding the structure of state liabilities of large Romanian firms, from different activity fields.

In our approach, we have studied all the Romanian firms with state liabilities that are included in the category of large companies. Thus, we have included in our study 588 large companies, from the following fields: agriculture, manufacture, production, and the delivery of electricity and thermal energy, gas, hot water and air condition, water distribution, sanitation, waste management, decontamination activities, civil engineering, commerce, transport and storage, financial brokerage, and insurances. From the initial list published by the National Agency for Fiscal Administration, we have eliminated 54 large companies, from other activity fields.

The database contains information regarding the state budget liabilities from previous years, the ones from the current year, the structure of these liabilities at 12/31/2010, as well as the condition of the analyzed firms at the end of 2010 (there are adjustment claims in settlement, the repo procedure is in course, and the company is under special administration, according to the 137/2002 law).

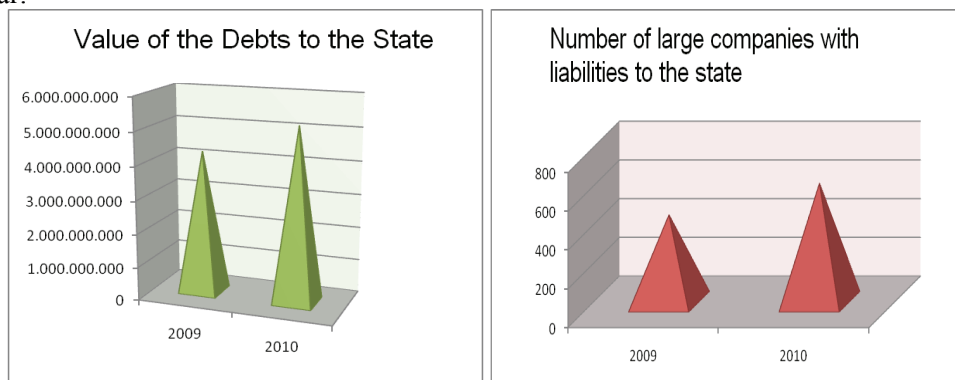
The debts to the state budget include: the income tax, the value-added tax, the wage tax, duties and other taxes, interests and penalties.

## **3. The research results**

The results of the dynamics analysis of the liabilities to the state budget may represent the basis of the evaluation of the efficiency of the governmental measures for countering the effects of the economic crisis. In order to recover the overdue debts, the fiscal administration bodies may apply all the collection methods provided in the Fiscal Procedure Code, namely: payment calls, account attachments, third party revenue attachments, distraint on personal and immovable goods, or attracting the combined accountability of the administrators, associates, and shareholders. However, the companies entitled to request VAT reimbursement are forced to wait for excessively long amounts of time, the payment terms being overdue by months in a row. Hence, considering that companies that have to pay the VAT for every issued invoice, although undrawn, plus delay interests, but cannot force the state to reimburse the VAT, their liquidity, as well as the premise for the continuity of their activity become blind spots.

According to a study conducted by The National Forecast Commission, the residual payments in Romanian economy have frozen, after 2001, at around 60 billion lei, with a highest peak in 2003, when the debts reached a total of 63.5 billion lei, and a lowest peak in 2006, with 53.1 billion Lei. 2008 was the year with the most pronounced increase of the overdue debts (by approximately 22% compared to 2007). Thus, at the end of 2008, the overdue debts have reached the value of 70.4 billion lei, compared to 57.8 billion lei at the end of 2007.

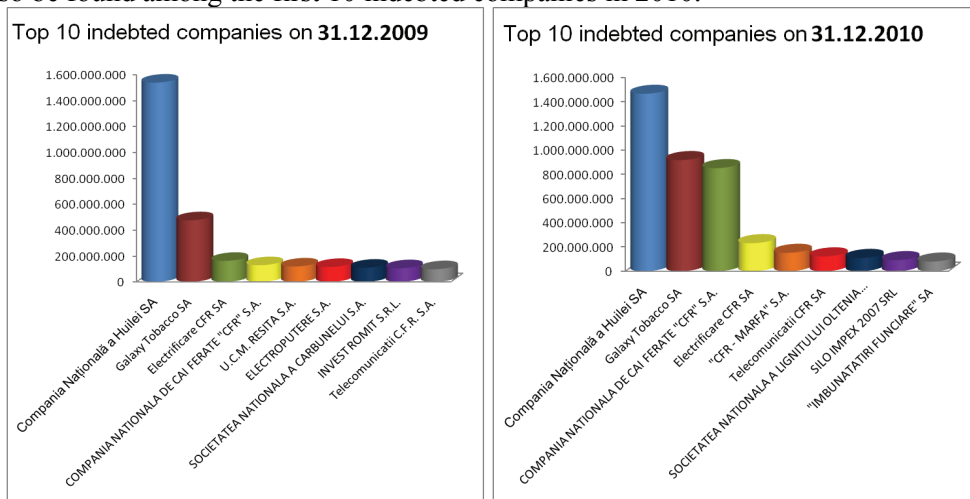
In 2010, the number of large companies with liabilities to the state budget has raised by 36.30% compared to 2009, while the value of the residual amounts has not increased in the same pace, the debts increasing by only 21.88%. On December 31, 2010, 612 companies registered as large taxpayers recorded debts to the state budget. At the end of 2009, the number of debtors on the NAFA list was of only 449 companies. In relation to the amounts due, the liabilities of the large companies raised at 5,209,912,334 lei at the end of 2010, from 4,274,694,929 lei at the end of the previous year.



**Figure no. 1 The evolution of indebted companies and the value of the liabilities to the state budget in the period 2009-2010**

The company with the highest debts to the state budget is the National Coal Company, with a total debt of 1,467,081,653 lei.

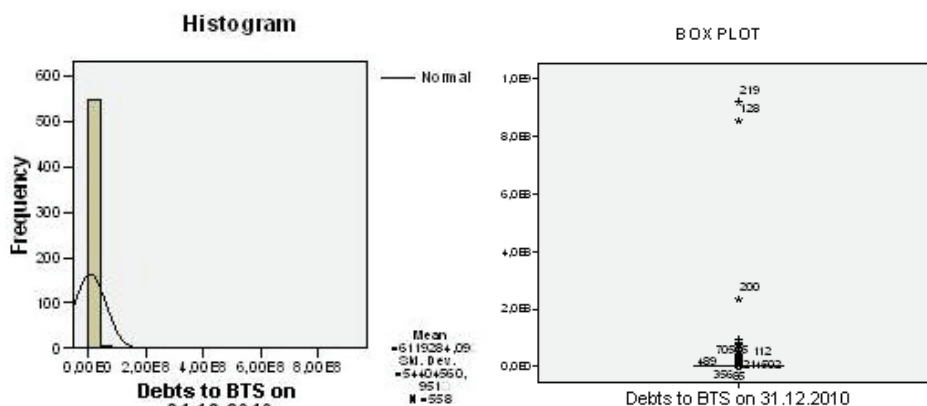
It is also important to know that the first 10 firms in the top record the highest part of the liabilities to the state budget. In 2009, they held 78.69% of the total debts, meaning 2,926,871,024 lei, and in 2010 this amount has decreased by 10.22%, reaching 68.47%, that is 4,099,579,683 Lei. The first two positions were occupied by the same companies in 2010 and in 2009. Five of the companies with state liabilities in 2009 can also be found among the first 10 indebted companies in 2010.



**Figure no. 2 Top 10 companies indebted to the state budget at the end of 2009 and 2010**

The average value of the liabilities to the state budget at the end of 2010 for large companies is 6,119,284 lei. Following the analysis, it is noticeable that there are

two extreme values that determine the asymmetry to the right of the distribution of large Romanian companies that record debts to the state budget at the end of 2010. This asymmetry can be observed both in total debts and in each of the seven categories in which the total state liabilities are structured.



**Figure no. 3 The graphic representation of the distribution of the debts to the state budget at the end of 2010 for large companies, in the eight activity fields**

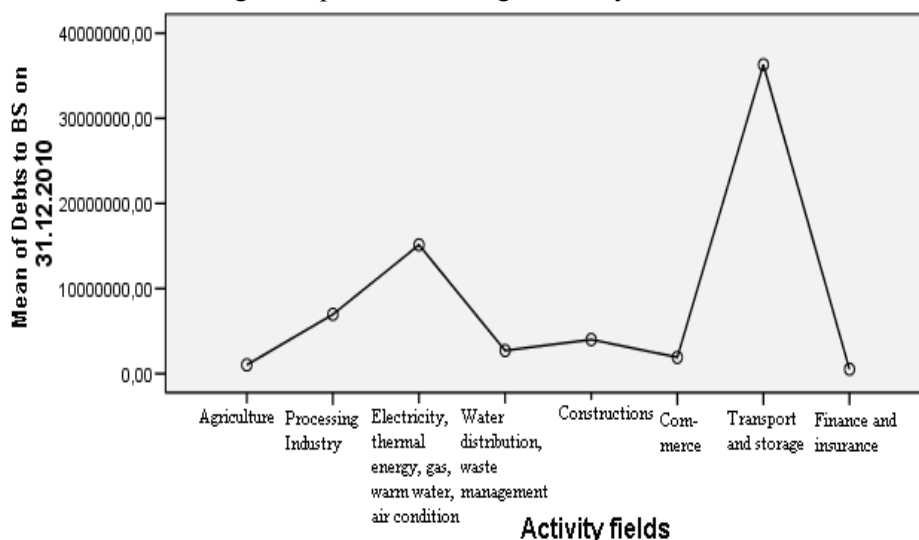
In figure no. 3, we can notice that the extreme values are recorded on the positions 128 and 219. Therefore, the firms with the largest debts to the state budget are GALAXY TOBACCO CO., with liabilities of 919,016,683.00 lei, and the National Railway Company “CFR” SA with liabilities of 852,520,055.00 lei. The first company activates in the field of “processing industry”, while the activity field of the National Railway Company “CFR” CO. is represented by services associated with land transport, being included in the “Transport and storage” activity field. For both companies, the repo procedure has started. For the other activity fields, the companies with the highest debts to the state budget are presented in table no.1.

**Table no. 1 The companies with the highest debts to the state budget, according to activity fields**

No.	Company name	Activity field	Liabilities to the state budget on 12.31.2010	Remarks
1.	INTERAGRO SRL	Agriculture	7,768,467.00	The repo procedure has started
2.	Electrificare C.F.R. SA	The production and supply of electricity and heat, gas, hot water and air conditioning	231,786,219.00	The repo procedure has started
3.	URBAN SA	Water distribution, sanitation, waste management, decontamination activities	47,748,815.00	The repo procedure has started
4.	THE NATIONAL COMPANY “IMBUNATATIRI FUNCiare” SA	Civil engineering	73,272,320.00	The company is under special administration, according to Law 137/2002
5.	SILO IMPEX 2007 SRL	Commerce	91,818,406.00	The repo procedure has started
6.	MIDAL LEASING-IFN-SA	Brokerage and insurance	5,406,216.00	The repo procedure has started

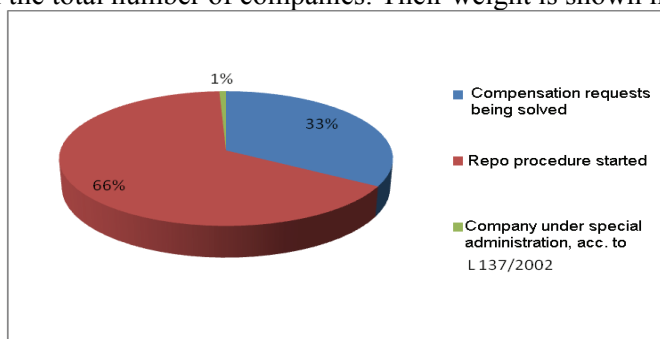
Source: NAFI /liabilities to the state budget on December 31, 2010

In order to compare the average values of the liabilities to the state budget at the end of 2010 for large companies, in each of the eight activity fields, we have applied the One-Way ANOVA model using the SPSS program. As figure no. 4 shows, there are significant differences between the average values of the liabilities to the state at the end of 2010 for large companies in the eight activity fields.



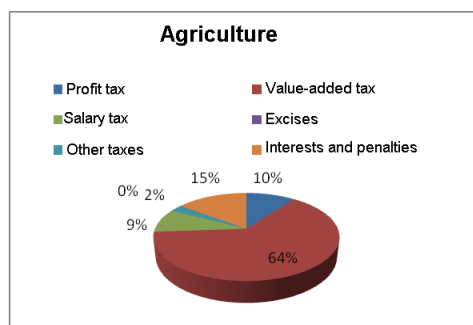
**Figure no. 4 The average values of the debts to the state budget at the end of 2010 for large companies, for each of the eight activity fields**

The existence of significant differences in the eight activity fields between the average values of the liabilities to the state at the end of 2010, for large companies, can be explained by the different proportions of the number of large companies in each activity field in the total number of companies. Their weight is shown in figure no. 5.

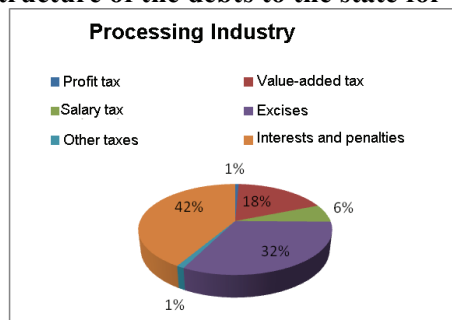


**Fig. 6 The ratio of large companies with liabilities to the state budget at the end of 2010, for the eight activity fields**

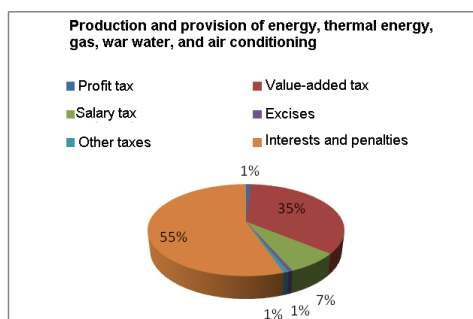
Following our analysis, the results that highlight the structure of the debts to the state for all of the eight activity fields are presented in figures 7-14. It can be seen that for the fields of agriculture, water distribution, sanitation, waste management, decontamination activities, civil engineering, commerce, brokerage, and insurance, the first place is taken by the value-added tax, while for the processing industry, the production and supply of electricity and heat, gas, hot water and air conditioning, transport and storage, the most liabilities to the state budget are those from the category of interests and penalties.



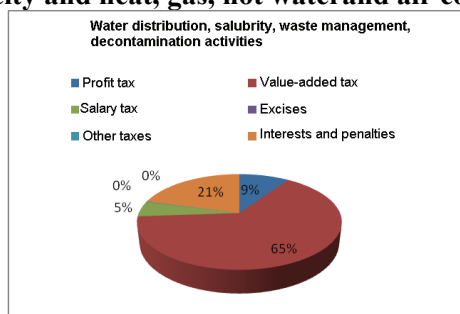
**Figure no. 7 The structure of the debts to the state for the agriculture field**



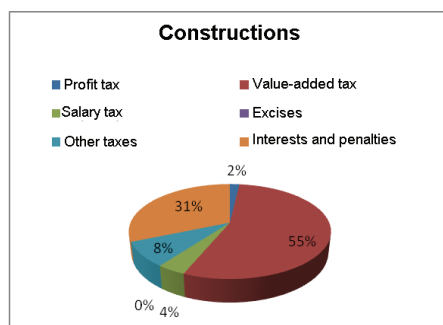
**Figure no. 8 The structure of the debts to the state for the processing industry field**



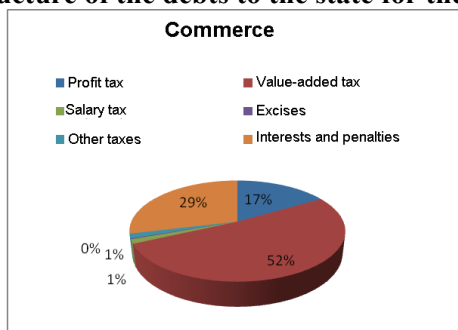
**Figure no. 9 The structure of the debts to the state for the production and supply of electricity and heat, gas, hot water and air conditioning**



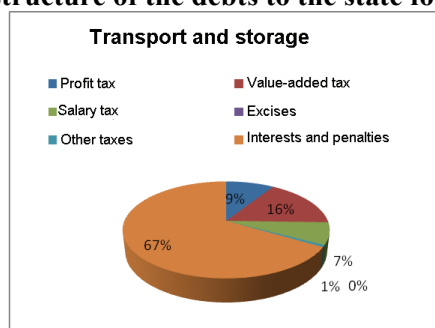
**Figure no. 10 The structure of the debts to the state for the water distribution, sanitation, waste management, and decontamination activities field**



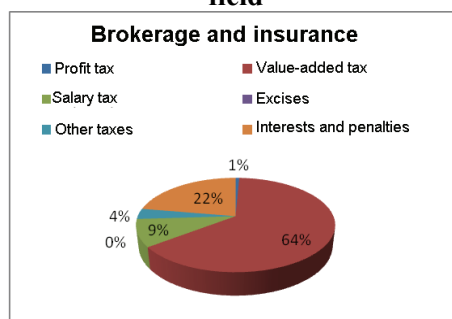
**Figure no. 11 The structure of the debts to the state for the civil engineering field**



**Figure no. 12 The structure of the debts to the state for the commerce field**



**Figure no. 13 The structure of the debts to the state for the transport and storage field**



**Figure no. 14 The structure of the debts to the state for the financial intermediation and insurance field**

#### **4. Conclusions**

The perpetuation of the budgetary overdue debts has a negative role on the real economy and it delays the economic regeneration. The non-recovery of the VAT from the state budget may paralyze a company's activity and, as a result of the domino effect, the activity of several other companies.

As an extended effect of the economic crisis, an increase of the amounts owed to the state budget takes place, as well as an increase in the number of the indebted companies. The largest amount of liabilities derives from the value-added tax and from interests and penalties, each having a different weight for every activity field.

The solutions to the economic crisis should not be searched by monitoring the companies that have liabilities to the state, but in the payment of the state debts to the private environment and in the privatization of the state companies, large resource consumers, especially if we consider the fact that the overdue debts of state companies represent 5% of the GDP, according to the conclusions of the seventh evaluation of the stand-by agreement.

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