

THE ROUMANIAN FISCAL POLICIES BETWEEN RELAXATION AND HARMONIZATION

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Abstract:The 27 member of the European Union benefit from the possibility to chose their own fiscal policy therefore there are 27 different fiscal systems in the European Union.The harmonization of the fiscal policies is a desideratum especially for the companies that activate in many states, considering that the harmonized fiscal systems will lead to a growth of the economic convergence and the erasing of discrepancies at continental level.On the other hand, the right fiscal policies can contribute to the encouragement of direct foreign investments, an increased competitiveness and a better allocation of resources.The paper's purpose is an analysis of the fiscal policies having for starting point the progresses made in regard to the harmonization of the Europe fiscal systems and the impact the extreme differences of taxation have on the different types of taxes between the member states.

Keywords: fiscal policy, Budgetary deficit, convergence, fiscal competition, fiscal harmonization.

JEL Classification:F42, G28

Introduction

The public decision taker in the economy follows a entire series of objectives when he choose the right fiscal policy through finances the participative role of the economic agents to the forming of the state budget is covered, depending on their economic force and capacity and the recognized financial rules, in order to finance some public expenses related to human resources, life quality, culture, art, social aids, social assurances and social protection, public order, defense etc.

The fiscal policy finalities are influenced by the evolution of the state's role, determined by political elements, by the permanent transformation of the social environment, the change of public environment and the state's obligation assumed on the international plan, like the case of the integration in the European Union.

The financial finality is preponderant, being unanimously accepted like a side of the fiscal policy and fiscal system because taxes, imposts, the whole fiscal system, represent 80% of the public budget's money resources.

The economic-social finality also controversial, can not be ignored, in spite of the differences of opinion, and the economic-social impact is an important one. Two currents of thinking can be individualized and be object for debates:

- a) the imposts' neutrality;
 - b) the acceptable limit of the fiscal pressure.
- This are added to the problems of the fiscal fluxes.

The main conceptions about the fiscal policy have evolved along the time as follows:

the classic doctrine of public finances (Adam Smith, D. Ricardo etc.) - has sustained the imposts' neutrality and rejected the states interfering in the economy's regulation. The classics considered the state's role is limited to the expenses financing. The idea of neutrality has known the following approaches:

- elimination of some fiscal privileges and the pass to the universality of the taxes;
- the influence of taxes and fiscal techniques on the capital and sparing.

B) thinking currents which recognize that state must not be left outside the economy (*Keynes – the interventionist economic school*). The impact of the imposts on the governmental decision is taken in consideration (they can be used for the state's intervention upon economy). The *Neokeynes adepts* (Hansen, Paul Samuelson), the representatives of *the prosperity economy* (A. Pigou) and the representatives of *public economy* (Richard Musgrave, H. Brochier, P.Tabatoni, A. Barrer) are supporters of the necessity to correct economic balance lacks by public decisions.

C) the modern doctrine defines the providential state and interventionist state, which use the fiscal policies to acquire the established finalities. In this doctrine the influence of imposts on the following aspects is maintained:

- modification of the resources' distribution in the society;
- incomes' repartition;
- regulation of the conjectural fluctuations.

To international level the fiscal policy has known two approaches:

the European continental approach, according to which the fiscal takings are formed from imposts, taxes and contributions, existing some conceptual differences regarding the contents;

- the Anglo-Saxon approach, according to which the compulsory fiscal takings include all the elements of fiscal nature, known as taxes, their role being to assure the largest part of the public budgets' incomes, a conceptual differentiation of those from the contents' point of view non existing.
- If in the Anglo-Saxon approach, the compulsory fiscal takings, nonrefundable and without counter-performance from the state, are included, in the European continental approach, the fiscal system includes besides the imposts the taxes acknowledged as payment made by physical and juridical entities for the services given to them by the public institutions, but also the contributions acknowledged as a value transfer, compulsory at the state's disposition without equivalent, with definitive title and with a strictly defined destination.

From the point of view of fiscal policy's impact on the macroeconomic balances, there are many types of fiscal policies:

- very relaxed fiscal policy or with strong expansion;
- relaxed fiscal policy or with moderate expansion;
- neutral fiscal policy;
- restrictive fiscal policy or with moderate adjustments;
- very restrictive fiscal policy or with strong adjustments.

The fiscal policy will integrate in the assembly of macro economical policies, being subordinated to the general targets aiming the lasting relaunch of the internal production, its growth of international competitiveness and the apparition of a favorable business environment, stimulating the private sector and foreign investments. The approach of the fiscal balance lacks will facilitate the consolidation of the economic liberalization and structural reforms, reducing the budget's addiction to measures which bring distortion effects.

The policy will be elaborated respecting the following principles, meant to assure the fiscal policy integration within the other economic polices:

- promoting the measures that will maximize the social welfare on long term and not these measures that tend to minimize the social costs of the reform on short term;
- reducing the state's intervention in the economy;

- resizing the report between long term and short term objectives of the economic policy in favor of the last ones.

Medium Term Objectives

From the perspective of competitive economy consolidation, the fiscal policy will harmonize the strictness of the macroeconomic stability with the objective of a lasting relaunch of the economic growth. The fiscal policy will contribute to the encouragement of saving and investments. The priorities of the medium term fiscal policy are:

- the control of the budgetary deficit;
- the consolidation of the taxes system reformation;
- the increase of operational and allocative efficiency of budgetary expenses;
- the amplification of the fiscal transparency.

Budgetary Deficit

Romania comparison with other countries regarding the size of the budgetary deficit is mainly irrelevant. From the perspective of reducing inflation, what really matters is not the size of the budgetary deficit but the possibility of financing it noninflationary. The deficit must be limited to 3 % at most from the gross internal product in conformity with the strictness of the macroeconomic stability.

The budgetary deficit will be controlled by measures aiming at:

sizing the budgetary expenses in report with the income sources and noninflationary financing sources from the governmental sector;
 using the incomes provided by the privatization for compensating the public debt;
 consolidating the capacity of financial management in the Finance Minister;
 improving the process of taxes collection.

Consolidation of the taxes system reformation

The reform of the taxes system will be strengthened based on the requirements of maximization of the base of taxing and rationalization of the taxing marginal rates. The main measures concerning the reform of the taxes system include:

improvement of the global income;
 accepting business expenses for normal business costs;
 direct taxes, value added tax and excises will be aligned to the exigencies of the integration in the

Unique Market.

The increase of operational and allocative efficiency of budgetary expenses

From the fiscal-budgetary point of view, considering the Romanian necessities in the macro economical plan, the stimulative and orientation role of the imposts and taxes can not be ignored.

If we take into account that the main target of the decision taker at macro economical level- in this phase- is the economic growth and development, fiscal consolidation and a stronger middle class, it is necessary to increase the efficiency of budget allocations, based on priorities, public expenses transparency, assuring the multiplicative effect of public expenses on the real economy. Our opinion is that the governmental fiscal policy must be mostly in the service of taxes producers than taxes collectors and must rely on a true partnership between the state and the tax payer.

Like we already know, the fiscality's efficiency is obvious in the manner in which the taxes and charges collected to the state budget are represented under the form of public services quality, as well as in the way they assure the preservation and extension of taxing bases. The reform of fiscal legislation imposes the continuous reducing of exemptions given to the payment of taxes and charges, in order to increase the business environment transparency, competitiveness improvement and extension of the taxing base. The main features of the fiscal-budgetary policy in the 2005-2009 period are subordinated to the objectives of supporting the economic growth and reducing the inflation and are referring to:

- establishing the general consolidated budget deficit to a level correlated with the macro economic objectives, as well as diminishing the semi fiscal deficits, so to sustain the efforts of reducing the inflation in concordance with the nominal convergence criteria;
- support for the convergence process of Romanian economy with European economies;
- the profound reform of fiscal administration so to improve the collection of budgetary obligations;
- acceleration of the fiscal decentralization process in order to have a more active involvement of the local communities in the process of collecting and allocating public resources;
- relaxation of the fiscalty on work, income and capital;
- diminished contribution rates to social assurances so to eliminate the disadvantage of fiscal competitiveness, of reducing the underground economy;
- growth of the public expenses transparency;
- growth of the absorption capacity of adhesion funds and of structural funds from 2007;
- continuity in the harmonization of the fiscal-budgetary policy with the European Union normative.

The fiscal policy will be created and implemented on the basis of the following principles:

- the fiscal neutrality principle: the fiscal norm should not produce (by its introduction, modification or elimination) asymmetrical shocks at the level of economic entities; the fiscal neutrality will be limited only in the conditions when, for the achievement of government program objectives, acceptance for short periods of time of some asymmetrical shocks is compelling (asymmetrical fiscal impulse);
- the fiscal efficacy (performance) principle: the fiscal norm must have an impact on the desired fiscal behavior (economic in general); a fiscal norm that do not produce a modification (induction, alteration, elimination) on fiscal behavior is inadmissible;
- equality of fiscal treatment principle: the economic entities having similar economic function during a time frame well established will be treated identically from the fiscal point of view, independently of other criteria of differencing them;
- the fiscal norm sustainability principle: the taxing process will be designed in such a manner to stimulate the taxed good by the mean of the tax itself, under the aspect of the specified taxed good extension, stability and transparency.

Budgetary policy will be designed and implemented on the basis of the following principles:

- the principle of cost minimization for the collection of budgetary incomes: improvement of the fiscal administration regarding the professionalism and logistics, therefore reducing the financial control expenses and the budgetary obligations collection, taking in consideration that those are the only expenses with no direct impact on the real economy;
- the principle of the public expenses implementation: public incomes must be collected on the basis of public programs generating priority degrees for the public expenses as well as quantum in their allocations;
- the public expense performance principle: the public expense must be allocated in such a way to generate a over unit impact on the PIB in report with every spent currency unit, thus to have a multiplicative effect on the real economy;
- the public money assignment principle: any expense must offer transparent information on which the route of using the public money, the responsibility links in this spending, as well as the possibilities of recovery in case of fraud or neglect can be identified;
- the equality principle of public funds treatment: the internal and European public funds will be under the same institutional efficacy, saving and efficiency exigencies as well as procedures of their safety assurance and recovery in case of fraud or neglect.
- the multi annual budget: considering the manner in which the general consolidated budget is elaborated and monitored, process (multi annual) budgets will be elaborated based on

relevant socio-economic processes in the economy attempt to assure the real and nominal convergence with the European economies.

Fiscal Relaxation

The vault key of the fiscal policy is the fiscal relaxation as a method of eliminating the tension from the business environment, stimulating the private initiative and supporting the underground economy to become official. The fiscal relaxation will assure at the same time the sustainability of the economic growth by extending the taxing base consequent to the official economic activities extension (at the entrepreneurial level, but also the manpower level). The fiscal relaxation will offer to Romanian business environment flexibility, predictability and elasticity. The important reason behind the fiscal relaxation is that a hard fiscal policy raises a number of threats on the real economy:

- the internal offer evolution and transformation becomes rigid;
- it hides a part of the economic activity from the national accounting system.

In the taxes domain are taking in consideration the following:

Direct taxes

There will be only a tax rate on the income tax as well as on profit tax. The tax rate will be competitive in report with the ones in the states with which Romania is in competition in order to attract direct foreign investments.

Social contributions

The contributions to the social public funds (pension, health, unemployment) have diminished step by step, starting from 2005, in 2008 being set at 39,5 % from 49,5 % in 2004. The reduction of the contributions will be relatively higher regarding the employer than the one concerning the employee.

Indirect taxes

They will represent the main source of income at the state budget. For a certain period the regulations about VAT will be maintained. The positive effects of the fiscal relaxation on income and profit will allow in time the VAT alignment to the 16% level recommended by the community acquis.

Taxes on fortune and luxury products

The products considered to be luxury goods and can damage the health and the environment will have excises growths. There will be also measures imposed for the taxing of real estate properties at the market value.

Implementation of a direct financing system of the non governmental organizations

In order to enhance the functional capacity of the non governmental organizations, it is necessary to support a direct financing system of those, focused on the performance criterion. In this sense, by the modifications brought to the Fiscal Code the share that persons can give to registered non governmental organizations will be raised from 1% to 2%. In regard to the commercial societies financing the non governmental organizations, it is necessary to change the legal frame regarding sponsoring, targeting a real interest of the payers in supporting the activity of non governmental organizations.

The Growth of the fiscal administration capacity

Fiscal relaxation will be accompanied by a strategy focused on the growth of fiscal administration capacity through:

- separation of the fiscal administration from the fiscal policy;
- elimination of the debts' exemption or sampling practices to the public budgets;
- consideration of the fiscal evasion as economic-financial crime and its punishment accordingly;
- modification practices elimination of the fiscal regulations by low rank legal acts;
- the increase in the institutions' administrative capacity of collecting taxes;
- evaluation of the fiscal control procedures and setting strict ethical rules in the fiscal control activity, by the cooperation of the public authorities with the business environment.

The Conformity of the Fiscal-Budgetary Policy with the Monetary Policy

In the following period the executive authority will activate to assure the conformity and convergence of the fiscal-budgetary policy's objectives and options with the ones of monetary policy designed and implemented by the Romanian National Bank. The fiscal-budgetary policy will support in this direction:

achievement of the directly targeting inflation objective through measures limiting the pressings on the monetary mass;

the balanced administration of unemployment, inclusively by unemployment indemnity, assuring the projected life standards without generating artificial growth of aggregated request;

orientation of the budgetary expenses towards directions and objectives with multiplicative effect on the aggregated request.

Designing and implementing of public policies for internal liability in order to avoid banks decapitation and the growth of bank's interest rates, both with a negative consequence on the investments and inflation.

For achieving this goal, the executive factor must impose the development and maintaining of permanent and systematic consultations with the Romanian National Bank to harmonize the two great policies of macro economical adjustments: the fiscal-budgetary policy and the monetary policy. It is necessary the design of an efficient mixture of financial-monetary policies for this.

Conclusions

The Maturity Process of the Economic and Monetary Unions, the continuity of the real convergence process will lead us in the future to what the specialized literature defines as fiscal federalism, meaning „the manner of competences distribution in the fiscal domain between the different levels of administration (national, regional municipality), though the European Union has not reached the federative stage in which the economic competences are shared by the Community in the member states, and the Community's budget is used for the achievement of the central objectives. The recent high meeting Lisbon may represent the positive signal of the continuation of the European integration seriously damaged by the referendum's results from France and Denmark, that rejected the European Constitution, and in regard of the budgetary federalism, the possibility that in the future European Union to become a federative state with absolute competence in any domain of activity in the implementation of the fiscal federalism depends mostly in the achievement of political union of all member states. We all witness this days the influence on everyday life of a long term process named globalization. It generates social and economic changes, affecting by interconnections created between the countries, institutions, people etc, the worldwide social order and bringing profound changes in the most various domains. The economic growth is necessary for an economy left behind like in Romania's case, recently admitted in the European Union select clubs. Real convergence signifies for us a lasting growth first, continued by the modernization of economic and social structures aiming to reduce the delays that still separate us from the developed west part of Europe. The question of the fiscal policy can support the process of economic-social development in Romania is a very important one and many answers are expected to it, related to the Government's capacity to find the most adequate answers, but also to the maturity of the civil society and the possibilities of the Romanian society. A reduction in the fiscality, started in 2005 by the introduction of the unique taxing rate of 16%, may represent a positive answer, meaning that a large volume of available incomes remain at the disposition of the companies and physical persons and they can produce an increase in consuming (considered the base for the growth of the aggregated offer and thus for economic growth too), saving or investments. It was observed that a growth of the available incomes was directly to the acquisition of imported goods, so the impulse for economic growth was drawn in a secondary plan, being more visible the influence on the deficit of current account. It is also true that an entire set of budgetary expenses can directly contribute to economic growth throw the expenses with education and scientific research, health, capital, transfers, defense system. The two tendencies (of reducing the taxing degree and increase of the budgetary expanses) are of contrary nature and when we want to put both of them in practice,

the danger of budgetary deficits becoming permanent is around the corner and their covering brings about serious problems for the contemporary economies.

It is true that the Romania's foreign debt is low in comparison with European Union member states, but we appreciate that a growth of this debt, though contributing decisively to the economic growth would mean to compel the future generations to big efforts for repayment or reduction of the public debt, or it is known that lasting development is the one meeting the present's needs without compromising the future generations ability to fulfill their own needs. On the other hand, Romania's integration in the European Union brings along the obligation to respect the assumed engagement and align the economic, monetary and fiscal policies to the ones applicable in the European Union and the other member states, where the fiscal competition is targeting to attracting the investors by a lower level tax system and maintaining the population active by the mean of adequate social and development policies.

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