

CAUSES, FACTORS AND WAYS OF COMBAT TAX EVASION

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Abstract: Tax evasion is a complex phenomenon faced by all member economies, regardless of geographic position. Committing this crime and related crimes they attract undesirable economic consequences. The temptation circumvention of the law is becoming bigger for taxpayers whose taxes are imposed increasingly higher. Fiscal bodies faced a growing phenomenon as a snowball.

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1. INTRODUCTION

When the question arises about tax evasion must think of fraud, traders attempting to evade payment of taxes or their attempt to address the the "easy" way. All these attempts to circumvent the law lead to one result - economic crime - and automatically emergence underground economy which in this way tends to take alarming proportions.

2. CAUSES OF TAX EVASION

The legislature of Romania, tax evasion is defined as stealing, by any means, the imposition or payment of taxes, contributions and other amounts owed to the state budget, local budgets, state social insurance budget and special funds, by individuals and legal persons Romanian or foreign taxpayers' the content of the law.

In order to fully understand the phenomenon of tax evasion must know its main causes:

- The large number of taxes that taxpayers - businesses - has to pay. The efficiency of a tax system is measured by the degree of willingness of taxpayers to pay taxes;

- Lack of education of the tax payers and their avoidance of compliance. Moreover, to these reasons are sometimes added excessive number of taxes imposed by tax authorities. As some laws are not perfect, fraudsters leaves a larger space in an attempt to evade tax obligations;

- Eliminate competitors who have a proper conduct of both the tax system and their competition;

- Lack of clear legal provisions and stricter sanctions. The possibility of circumvention of the law differs from one category to another taxpayer, depending on the nature of income and proper way for calculating charges.

The charge is more transparent, easier to fill in forms (computerization of tax system is crucial) and the system perceived as fair taxpayers, the temptation to evade taxes is lower.

Of course, there will always be people who will try to not pay what is due (it is impossible to eliminate fraud at the company level), but as the charging system is perceived as burdensome and unfair, the honest taxpayers will pass fraudulent camp.

From the statistical point of view, the phenomenon seems aggravated by the economic crisis: by reducing the gross domestic product, even if the gray economy remains constant, it increases the percentage. From here, the first perception of fraud growth in the economy.

How do taxpayers make the level of tax evasion to grow up? With some creative accounting. The information they expose in those documents that are available to the tax authority control seem to be real, but in fact, they show a very different reality. In periods of economic expansion, corporate profits are usually increasing, and shareholders and managers tend to weigh more responsibility risks posed to evading taxes, so the gray economy percentage decreases.

In times of crisis, more and more companies are trying by all means to reduce costs, thus avoiding taxes. If the tax system is too complicated and tracking how bad payers cumbersome, delinquency rise.

How Romania has to pass through the economic crisis, the only way to limit the economic boom delinquency is to simplify the tax system.

3. GENERATING FACTORS OF TAX EVASION

"Smuggling and tax evasion types of organized crime are best developed in Romania. Were identified active authors gangs in their predetermined roles, following huge profits and power through violence, fraud and corruption.

By smuggling and tax evasion is maintaining and developing economy, in such illicit activities being attracted politicians, government officials and civil servants from different areas influencers"⁵⁵.

Among the causes of tax evasion may be listed:

- permissive tax legislation - requires the adoption of more stringent laws and regulations, both at national and at European level against individuals and businesses that make a habit circumvent rules

- legislative permissiveness towards the creation and disposal of companies and the sale of shares - is well known commercial company shareholders tendency that when entering into a financial collapse, to take the easy option, which is to transfer the shares. Moreover phenomenon is growing as people who are transferring are generally

⁵⁵ Iacob, A., Drăghici, C.V. – Police cooperation between countries in the field of organized crime, Sitech Publishing House, Craiova, 2009, page. 25

unavailable by the tax authorities, they did not have a home. For such a tiny amount of people are easily persuaded to take over the shares of a company.

- location of the seats taxpayers fictitious addresses or law firms, where the company does not carry out actual work - not to be found by tax authorities for sending checks or tax documents, many shareholders arising from this kind of subterfuge. Thus, for a short period of time changing the headquarters to a law firm or an address that can not be found factually finally managed to lose track.

- possibility offered by Law no. 31/1990 to authorize the establishment and operation of companies, with many activities in the business, without checking in advance facilities and the actual conditions of their deployment within the legal framework - in general, because the law is permissive, when setting up a company, shareholders chose to introduce in the document of association of a large number of activities. In this way it is possible to juggle with these business objects without being authorized by the competent authorities;

- investing a portion of the profits made by traders in the purchase of technical equipment for State grants some tax exemptions -

- establishment of reserve funds in an amount greater than that, which is justified financially, thus decreasing the taxable income.

4. PROFILE OF GHOST COMPANIES PARTICIPATING IN OPERATIONS FRAUD

Tax evasion implies, most often, the existence of ghost companies. This will prove the following:

- limited working,
- minimum share capital,
- significant operations as value in a relatively short period,
- income and expenses much higher than the share capital,
- sales mark-insignificant or below the purchase price,
- significant concurrent receipts and payments through bank accounts,
- significant cash withdrawals from bank accounts,
- short period of submission of statements of taxes,
- registered office said - a room or apartment, which usually are made and other companies,
- lack of fixed assets - machinery and equipment working, transportation, buildings, land,
- transfer of shares after completion fraud, hardly identifiable or unidentifiable citizens,
- relatively small number of customers and suppliers,
- small number of employees, based on turnover.

5. LOCATING PREJUDICE – THE FINAL BENEFICIARIES OF ECONOMIC OPERATIONS

Profile of final beneficiaries of the operations of tax evasion by VAT fraud:

- Directly or indirectly controls the activity of companies interposed chain of successive transactions,

- Benefit from intra-EU goods purchased by successive billing, while the purchases could be made directly from suppliers Community
- Receive VAT refunds as a result of intra-Community supplies or exports from the Community acquisitions of goods,
- Afford to sell goods at prices lower than those on the free market, the difference being compensated by evading VAT amounts due to state budget
- Leading accounting to date, submitted statements, pay obligations to the state budget insignificant relative to turnover,
- Have significant turnover,
- Hold significant assets (stocks, capital goods, buildings, land)
- They've not relatively large number of suppliers and customers.

6. COMBATING TAX EVASION – A GLOBAL AND STEADY ISSUE

The beginning of the XXI century is characterized by the globalization of trade, financial markets, environmental protection, human rights, etc., which actually led to two simultaneous results: on the one hand disappeared boundaries between national, regional and international levels, and the the other political, economic and social were intertwined, becoming impossible to separate.

Combating tax evasion must take place from national level to globally.

For a better budget consolidation at national level, should consider the following targets:

- Developing a strategy to combat tax evasion;
- Use of information received from third parties
- Efforts to reduce the size of the underground economy
- Tax penalties, and criminal sanctions.

European Committee on Crime Problems noted that: "One of the most important findings of this committee is the fact that business crime is generally very little followed, investigated and researched. However, much less than traditional crime, where there is immediate interest of the citizen and micro-communities to protect its fundamental values (life, health, property etc.). Consequently, it is impossible to quantify, to measure exactly, size of business crime, especially in its international component.

But not only the international component of this phenomenon is difficult to quantify. This component can supply not about fair or even quantified, as long as the national component, the inner, business crime is itself a great unknown, an approximate total far from reality"⁵⁶.

The most profitable side of the display mechanism of the phenomenon of organized crime is the crime of business. "It is an axiom that criminal activity is not conducted in business and completes the view. Throughout the world there is an impressive amount of illegal acts, combinations and construction in the criminal

⁵⁶ Voicu, C. - Money laundering, Publishing House Sylvi, București, 1999, page 15

underground society, an area where intelligence penetrate very hard to grasp and observe what's really happening"⁵⁷.

Globalization creates great opportunities and lead to progress in some areas:

• financial markets and trade passed the stage of integration of work and their operation;

- internationalized production thanks to companies with global activity;
- privatization gained global proportions;
- new technologies are more easily assimilated;
- communications eliminates physical distance and approaching people;
- global issues are now part of our consciousness.

There are,also phenomena as:

- fragmentation and weakening of social cohesion;
- growth in inequality both domestically and between countries;
- exacerbation of attachment in terms of the local community or national

identity;

- destruction of the classical hierarchy of values;
- weapons proliferation and transnational crime.

Unfortunately negative effects of globalization are not identified (wanted or not) early or are not aware extent that leave no space for expression of hostile forces and global security.

Funds available to the authors of tax evasion are huge. With the economic recovery and reintroduction extra circuit in the legal system, the normal economic life, the result will be immediate budgetary and tax policy reassessment of government ultimately will benefit the end user - the citizen.

„Traditionally, depriving offenders of freedom has always been the main goal of all criminal justice systems. But in the last 20 years, has been increasingly recognized that the pursuit of more money or other illicit goods of criminals and their groups are an important means to affect them and their operations. Also effective systems to seize assets may significantly increase public confidence in the criminal justice system, efficiently and effectively demonstrating that the offense does not bode well"⁵⁸. In order to combat tax evasion, it is not necessary to impose some severe penalties, but should be made a viable legal system, fiscal control and effective debt recovery, and not least, a tax education of citizens.

Tax laws should be simple, clear, precise and relatively stable, to make a distinction between cases where laws are violated intentionally violated when fraud or negligence, negligent, or for reasons beyond the control of the taxpayer.

It is necessary to reorganize control and fiscal checks, to be developed by the Romanian National Bank clear rules on the conditions to be met and the documents to be submitted by individuals.

⁵⁷ Voicu, C. – idem., page 15

⁵⁸ Ilincuța, D. – Drug trafficking - component underground economy in PhD Research in Economics, vol. I, Universitaria Publishing House, Craiova, 2012, page 160

For an effective prevention and combating tax evasion, it would be desirable to implement the following measures:

- Amendments to existing legislation on the sale of goods seized or confiscated in the sense that they can be executed before the emergence of a final and conclusive judgment,

- Amendments to existing legislation on the establishment of companies,

- Amendments to existing legislation on how to make transfers between members of shares and unlisted shares,

- Introduction of reverse charge VAT on goods food, especially vegetables and fruits (as is currently the grain)

- Granting access on-line control of the prosecution and databases managed by National Agency for Fiscal Administration, especially on tax records and information (ex. VIES statements, Traffic control, 300 - VAT 390 - intra-Community transactions, 394 - internal transactions)

- Amendment of Law no. 51/1995 on the organization and the profession of lawyer, because there is an increasing trend of Registration of the company premises ghost type law firms.

5. CONCLUSIONS

Tax evasion is a complex phenomenon, facing all economies, no matter where on the globe. Committing this crime and related crimes they attract unwanted economic consequences. The temptation circumvention of the law is increasingly higher for taxpayers whose taxes are imposed increasingly higher. Fiscal bodies thus faced with a growing phenomenon as a snowball.

In those circumstances, there is need for better collaboration between tax inspectors and judicial bodies. It requires a thorough knowledge of the authorities in the field of legislation, and the legislation in general, to better understand the economic mechanisms used by organizations and individuals who commit economic crimes and to address new methods of prevention and control. It must use the parallel notions of law and economic ones by authorities.

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