

# **ISSUES CONCERNING THE ROLE OF PROMOTION FOR TAX AUTHORITIES**

**Prof. Carmen Comaniciu Ph. D**  
**Lucian Blaga University of Sibiu**  
**Faculty of Economics**  
**Sibiu, Romania**

**Assist. Liliana Bunescu Ph. D Student**  
**Lucian Blaga University of Sibiu**  
**Faculty of Economics**  
**Sibiu, Romania**

**Abstract:** Tax administration having as general objectives fighting against tax evasion, business support, modernization and improvement of procedures, prevention of tax evasion during collection, improving the collection of budgetary debts wants to be a modern administration that rely on principles of efficiency, transparency and responsibility. How the objectives of tax administration are known? Does everyone understand the objectives of tax administration? Do taxpayers know that major strategic orientation of the tax administration is the attention to expectations of citizens and businesses? What are the actions that can improve and stimulate the relationship taxpayer – tax administration? Through this article we intend to present a number of aspects of marketing policy that can be implemented by the institutions with attributions in tax administration to promote the image among taxpayers and thus provide the answer to the above questions.

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**Key words: tax administration , promotion policy, public marketing, taxation, taxpayers**

## **1. INTRODUCTION**

Starting from the place and role of tax administration in an economy, from the interdisciplinary relationship between marketing and taxation and from the private sector marketing slogan, respectively "customer satisfaction and value" we can say that marketing slogan for tax administration should be "satisfaction and value for the taxpayer". For private sector, promotion is the activity that communicates the merits of the product and convince the customer to buy the product. For the field of taxation, promoting can represent the activity to communicate the role of tax liabilities, the mode of public funds' administration, by convincing taxpayers to consider taxes as a means of dimensioning, control and adjustment, as major financial and economic levers. Using appropriate means of promotion, developing channels of communication with taxpayers, tax authorities will succeed beyond to provide information about services they offer, to make known and promote its values

In marketing, a good product or service, with a suitable distribution channel, with a corresponding price is not always impose itself and it is needed to raise another force to sensitize potential customers, to influence buying and consumption behavior of customers. In the fiscal area, things are relatively similar. A good and necessary tax, easy to determine from the perspective of calculation methodology, can not turn into an understood and payed tax without institutions' activity to put it to the attention of taxpayers, without to

convince taxpayers about priorities and effective use of public money resulted from collecting this tax.

Tax administration institutions are currently facing with different problems. Many of these problems are due to a poor communication with the environment in which they evolve. Therefore, the objectives of fiscal policy in Romania can not be conceived without paying attention on communication between taxpayers and government institutions. Reality shows that many taxpayers have difficulties in understanding the role and attributions of tax administration institutions. Moreover, it is found an incorrect transposition into practice of relationship between taxpayers and tax authorities. Taxpayer is always available to public institutions, although, in fact, tax administration institutions should unconditionally be available to taxpayers. In the present conditions of economic dynamism, international tax competition becomes more intense, so tax administration institutions should be familiar with taxpayers for surviving.

It is vital that tax administration should communicate with taxpayers, it must inform them about its existence and mission. Communication between the two sides is done in a double sense, from taxpayers to tax administration and from tax administration to taxpayers in order to permanently improve their own activities. Promotion activities in the field of taxation illustrate the principle of transparency, aiming not only large information of taxpayers on tax administration activities, but also aiming an increase in the prestige of institution.

This paper is divided into five parts, as follows: the first part includes a series of introductory issues, the second one points out the research objective and methodology, in the third one it is emphasized the importance of promotional activity in tax administration, the fourth part contains a detailed description of the promotion mix applicable in the field of taxation, while the last part highlights some conclusions and personal views.

## **2. OBJECTIVES AND METHODOLOGY**

Through this article we will try to emphasize one of the coordinates of the relationship between taxation and marketing, relying on promotion policy mix. Our intention is to present a number of aspects of marketing policy that can be implemented by the institutions with attributions in tax administration to promote their image among taxpayers. Specifically, we propose an overview of the components of the marketing promotion policy that can be adapted and applied to the tax administration.

The research methodology involves using a series of research methods, such as: deductive reasoning, logic, analysis, synthesis, transpositions, identifying correlations and interdependences. Using these research methods derives from interdisciplinary approach of the topic.

## **3. COMMUNICATION AND/OR PROMOTION – A NEED OF TAX AUTHORITIES**

Communication and promotion are two concepts that are closely related, the promotion is actually communication. The starting point for the development of partnerships between tax administration and taxpayers is communication. Communication is, in essence, about how human beings interconnect with each other. (Wodak R., Koller V., De Gruyter W., 2009, p. 22) Both private economic entities, and tax administration, use several forms of internal, external, formal and informal communication, but none of these forms is not perfect. We can think of perfect communication as we would think of perfect parenting: a lofty goal to pursue, but probably not fully achievable in the real world. (Dozier D., Grunig L., Grunig J., 1995, p. 7) Our purpose in communicating in taxation

field is to establish something in common between tax administration and taxpayers. They do this by distributing information, knowledge, thoughts, and opinions on those with whom they wish to establish the relationship. Communication takes place when those with whom we are attempting to communicate attach a meaning to the message that is similar to the meaning we are trying to convey. (Dewan J.M., Sudarshan K.N., 1996, p. 184)

A promotion policy in taxation field assumes a complex and permanent communication between state representatives and taxpayers, business and institutional system. This type of communication is materialized into permanent information of existing and potential taxpayers. The role of promotion activities is to influence fiscal behavior of taxpayers. Fiscal policy promotion involves a set of actions to boost a free consent of taxpayers to pay tax liabilities. Promotion comes to satisfy the desire to influence citizens who pay taxes, to increase their interest on tax liabilities, to create a favorable attitude of taxpayers towards taxes.

Promotion activities in the field of taxation must meet requirements such as providing information about taxes to taxpayers, taxes' content, methods of calculation, tax reporting, tax payments, taxes' need; an increase in the awareness of collective needs that can be met only through taxes, the differentiation of tax system, its individualisation relative to other European countries to attract EU community contributors, a periodic warning of taxpayers on certain procedural issues, to combat unfavorable information about tax administration spread by the media, to influence public attitudes through campaigns of public interest against tax evasion habits, bribery, etc.

#### **4. TAX ADMINISTRATION INSTITUTIONS AND PROMOTIONAL MIX**

Promotional marketing mix is known by four components: advertising, sales promotion, public relations and direct marketing. Further we suggest a review of the promotional mix in terms of tax administration

*a) Advertising.* Adversiting frequently sells something, but ofen does not as with much political, public services and charities advertising. Advertising is conventionally regarded as one element of the promotional mix, a management tool defined by its explicitly promotional, mediated and paid-for character, and differentiated from other marketing communicatons disciplines. (Hackley C., 2005, p. 7) Many people are irritated not by advertising in general but by what they see as its excesses. Taxes' advertising is a genre that has informed the public on tax issues and in some cases could change behaviour. Many public services use advertising campaigns to try to promote their causes or to change social behavior with respect to alcohol consumption, safer driving, domestic violence. Advertising acquires meaning not only by its content but also its context. (Hackley C., 2005, p. 41) Consumer advertising played a key part in expanding and also shaping the new public communication institutions. (McQuail D., 1992, p. 7) Advertising in taxation filed can not be understood only as the activity of using social media for tax purposes, i.e. the use of mass information actions in order to influence the taxpayer's fiscal behavior.

In marketing, advertising can be used to build up a long-term image for a product. (Kotler P., 2000, p. 278) In taxation, advertising can be used to build up a long-term image for tax administration. Advertisers include not only business firms but also museums, charitable organizations, and government agencies that direct messages to target publics. (Kotler P., 2000, p. 281) In developing an advertising program, tax administration start by identifying the target taxpayers and taxpayers' motives. Then they can make five critical decisions, known as the five Ms in marketing: (Mission) What are the advertising

objectives in taxation field?; (Money) How much public money can be spent?; (Message) What message about taxes and tax administration should be sent?; (Media) What media should be used by tax administration?; (Measurement) How should the results of tax advertising be evaluated?. After implementing the promotional plan, the tax administration must measure its impact. Members of the target audience are asked whether they recognize or recall the tax message, how many times they saw it, what points they recall, how they felt about the tax message, and their previous and current attitudes toward taxes and institutions. In marketing, the communicator should also collect behavioral measures of audience response, such as how many people bought the product, liked it, and talked to others about it. (Kotler P., 2000, p. 279) By analogy, tax administration should also collect behavioral measures of taxpayers' response, such as how many persons have paid taxes, they agree, and talked to others about it.

Public institutions with responsibilities in taxation cannot spend public money via classic advertising on TV, but one way to do this effectively is via video messages on social responsibility. Tax institutions must seek for new opportunities to promote their activities and their services to citizens in a cost effective way as a company use sales techniques to do so. All types of public promotion contribute to organisational success. As marketing focuses on the need to create exchanges with customers and consumers, National Tax Administration Agency should focus on strengthening of exchanges with taxpayers.

Tax administration institutions can appeal to a wide and heterogeneous range of advertising techniques. Developing a tasteful and meaningful advert for a public institution is a real challenge. In our opinion adverts of fiscal authorities should focus on promotion of public services that are provided to citizens or on mass information campaigns such as one against fiscal evasion. Careful targeting and clever advertising tax messages and execution may have a better contribution than increasing tax punishment of non-taxpayers. Fiscal message should be designed by thinking to different types of taxpayers, those who will be primarily affected, although many taxpayers will receive the message. In general, good messages create powerful and memorable images. In marketing, advertising message can do that if it follows the A.I.D.A. principle, i.e. A = attracting customers' attention, I = interest incitement on product, D = desire's challenge, A = acquisition, to determine the purchase of product. In a fiscal approach the principle A.I.D.A. would turn in principle A.I.N.P. where A = attracting taxpayers' attention, I = inciting interest on taxes and social contributions, N = awareness of taxes' necessity, P = to determine the payment of taxes.

*Written papers advertising* can be a way to transmit tax messages due to some benefits such as territorial diffusion, release date, the access to different socio-professional categories of taxpayers, depending on the specific of journal and its circulation (daily, monthly, etc.). Tax administration institutions may use this technique to transmit impulses to the taxpayer with a repetition effect on taxpayer-readers. This promotion includes newspapers, journals, magazines and free media, and flyers, brochures, diaries, calendars emblazoned with public institutions' emblem or a message to taxpayers. The success of an advertisement in print media depends on the size of the space, the location on the page, by frequency of occurrence and by the topic of written paper.

*Radio advertising* is a mean of public promotion covering a large part of the taxpayers. A radio message gives to tax administration institutions the benefit of a direct message, without selecting target taxpayers. *TV advertising* has the largest and fastest expansion, it combines image, sound, and motion, it is attractive, it stimulates the senses, although the exposure to tax message containing is very short and with a very poor

selectivity. The price of tax advertising broadcast on different TV channels can be offset by not collecting a portion of the companies' income tax.

*Outdoor advertising* is a technique successfully used in electoral campaigns and for promotion in the private sector, but it can also be used to promote the responsibilities and role of institutions in the field of taxation. This technique refers to the use of panels placed in well-chosen places, large banners on buildings, vehicles or in underpasses.

*Internet advertising* requires certain technical and computer knowledge, knowledge that is inaccessible to certain categories of taxpayers. Banner ads are the dominant form of online advertising. Most importantly, they are "clickable," and take a viewer to tax administration institutions' websites when chosen. These banners can be used to achieve inter-institutional promotion, to promote institutions under the Ministry of Finance or institutions in the field of social protection. For an internet user can turn into an opposite-advertising due to discomfort caused by its instant and unexpected appearance.

*Web sites* content qualitative and vital information. The official website should provide the facility for taxpayers to subscribe to alerts and newsletters on particular tax topics - however, most public institutions are not very good at delivering regular, short information that is specific to a public service provider. The complexity of these sites has diversified so that taxpayers are able to develop on-line tax calculators (car tax), to file statements online, they are able to see the balance of taxes' amounts, to see the settlement of the VAT refund applications, to request information by e-mail. We believe that a well made website could turn into a visit card of tax administration and it presents a taxpayers-orientation.

*Newsletters* Even if for some taxpayers newsletters have no value, there is so much fiscal public information available for them on internet, that it will be difficult to differentiate an official newsletter. Furthermore, newsletters are usually addressing the broad needs of many different taxpayers and the most effective tax newsletter will be that which really focuses on the specific needs of a particular taxpayer. These newsletters can be used by tax administration to promote its performance and statistic reports.

*Seminars/conferences/public debate/open door days* They are a popular and successful tool for marketing and they may be a successful tool in promotion of taxation activity and of its goals. It is well known that sometimes companies and freelancers or individuals cannot justify a couple of hours to spend at a tax seminar, but they do not take in consideration some potential benefits for both sides. Taxpayers have the opportunity to get answers to their tax problems. Public authorities have the opportunity to become closer and to cultivate trust of their source of money, to understand taxpayers' problems and needs. This type of a free of charge tax seminar could be seen as an open door for any taxpayer. However, offering a range of different speakers on vague and unclear tax law problems or procedural issues will increase the attractiveness of a public institution with responsibilities in collecting different types of taxes. Seminars may be a good way to create a mutual cooperation or a team work between taxpayers and public institutions.

**b) Promotion of tax liabilities receipts.** One of the sales promotion techniques often seen in the company is giving discounts. Such a tax measure was introduced in Romania in 2008, but it was quickly removed, although such a tangible benefit may motivate an honest taxpayer. Decision to reduce the amount of payable taxes has a positive psychological effect when it is considered as an act of benevolence of the state, effect proved by taxpayers' tails to pay local taxes. This technique should be extended to companies' tax duties.

*c) Direct promotion.* Although there are many forms of promotion of tax administration institutions' image, values or specific services, most effective and cheapest form of promotion is often ignored. Direct promotion is available to all public servants. It supposes constantly display of positive aspects of the institution they belong, by personal and professional contacts. Every public servant is a communicator. His message is centered on the reliability, efficiency and quality of its institution. This means that public servants know many tax problems, they believe in what they do and want to talk about the institution they work for. Among communicational barriers in the direct promotion: are found: taxpayer's emotional state and civil servant's emotional state, routine, inattention, difficulty in speaking, difficulty in understanding, inappropriately context, etc. We think it is the easiest and affordable way to promote tax administration institutions given that a taxpayer wants to always be listened to and understood the problems they have.

*d) Public relations.* Tax institutions need to communicate effectively and efficiently with public or audiences. Every organization engages in some form of public relations. In essence, every form of communication emitted by an organization both internally and externally is perceived by various publics. These publics form attitudes and opinions about that organization, which affect their behaviors. (Burnett J., 2008, p. 207) Public relations practice is the art of social science in analyzing trends, predicting their consequences, counseling organization leaders and implementing planned programs of action, which serve both the organizations and the public interest. (Public Relations Society of America, 1989, p.18-30)

Public institutions' promotion certainly depends on public relations department activity within it. Public relations have to maintain positive relations with the public, providing a favorable image of tax administration and participating in the neutralization of negative information and attitudes.

The main objective of public relations is to establish among citizens a climate of confidence in institution and in its capacity to meet the needs of different categories of taxpayers. It was recently established as a separate activity and involves the cultivation of consistent and systematic direct contact with different audiences. The role of public relations department in the tax administration institutions is crucial in building trust and understanding of those who are addressed, it addresses to various categories of taxpayers, and the public in general, in order to win the affection and sympathy of taxpayers.

## **5. CONCLUSIONS**

Developing communication channels and / or promotion becomes increasingly important for both tax administration and taxpayers. We appreciate that from a fiscal standpoint, the authorities need to think a strategy to expand and improve the image they have already, mostly negative, which should divide in a strategy for informing the taxpayers and in a stabilization strategy of tax revenue receipts.

A company is always a source of messages through it wants to increase prestige and image, but also it is a recipient of messages. Analog, any institution of tax administration is a credible source of fiscal messages for strengthening its public image. The information that National Agency of Tax Administration and subordinate units have always posed should be harmonized and selected to not cause reactions to adversity or confusion among taxpayers. Any positive or negative feedback perceived by the taxpayers should be carefully treated at institutional level and it leads to revision of fiscal policy decisions.

Promotional tools, that tax administration can use in order to achieve the objective of increasing voluntary compliance of taxpayers, include: special magazines for different types of taxpayers, performance reports, statistical statements, publications during certain anniversaries, inaugurations, conferences seminars, organizing mobilities in other countries, creating and disseminating TV spots, leaflets, brochures, billboards, banners, interviews, conferences, press releases, etc. We believe that more important is the response of receiver (taxpayers' feedback) which is basically the reaction of taxpayers to tax message form and content, reaction that may materialize in changing attitude of paying taxes, in anger, ignorance or rejection. In other words, in order to achieve objectives established in the medium-term strategy, tax administration can use all advertising forms to lead to educational promotion. From our perspective tax administration promotion is carried out as a mean of taxpayers' fiscal education. The tax message's impact depends not only upon what is said but also on how it is said. Formation of public opinion to create a tax consciousness is a task that tax administration has assumed and it is expected to grow in the future.

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