

## THE STATE AND THE TAX EVASION

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### 1. Introduction

Man is fallible. He was born free but with a serious baggage burden. Being free means also the accountability of your own facts. The triad: respect for self - respect for others - responsibility for their acts is the foundation of the civilized development, free of mankind. Any structure built on lies, the lie crumbles like sand castles. There is no glue, no triad to support, to maintain and to develop intellectual construction or of any other human nature. One of the human constructions is the state. But the State needs resources for services offered to its members to finance the costs of public services available to the population.

However, in rare cases, appears the question of reducing or optimizing the cost of public services (defense, security, health, education, justice, equity, etc.). Most often the resort is to increase tax levers and using fiscal instruments. Expensive services for the benefit of the population, provided by the state, has the effect of increasing taxation by new taxes or by enhancing the existing ones. And so appears the contradiction between the state and the subjects of taxation, represented by individuals or companies, organizations, institutions creating value. Some claim that there are not enough taxes and other that taxes put a pressure on their welfare and the value created is too high. It is when respect for others disappear. It is the moment when a part of the population wants to cheat by running for state taxes.

It is the time when everyone is asking or wondering how to cheat the state, to pay taxes as low as they can or

even none. Nobody gives tax revenue for redistribution with love, some part of income. Therefore they seek to avoid the imposition of natural, normalized, forgetting the meant of man, to say not to hurt the others (the minimum attitude of "doing good of others"). People should not forget that by what they do, they do for mankind in the long term. Not to fool the state or the other, but to create welfare of others should be the goal of everyone including the state. Government should not behave as a consumer of income but should be seen as a source of generating wealth, for the comfort of its members.

### 2. Romanian research in tax evasion

Romanian literature devoted to tax evasion, emphasizes the causes and effects, but to a lesser extent manifestations tools, resources, directions for the reduction, mitigation of tax evasion. Lately we can observe a multiplication of research facilities and policies relating to reducing the level of tax evasion and effects involved. John P. Botea in "Models and fiscal techniques", 2000, Satu Mare, has a chapter on tax evasion, entitled "General considerations on the phenomenon of tax evasion, pages 171-184, and another chapter regarding the functions, forms of manifestation and measurement of tax evasion (pages 187-208).

The author states on page 172 of the book that "in the literature there have been given many interpretations of the concept of tax evasion. One of these defines the phenomenon of tax evasion as total or partial theft by some contributors - individuals or legal entities -

by various forms of payment obligations to the budget". The same author states that: "For avoidance, the taxpayer is trying to put in as favorable position to benefit as much advantage of tax regulations in force. Otherwise said, escapist usually uses legal procedures, even using the open doors of the legislature. " A review is required: Evasion is a condemnable act. It is not possible a combination of legal processes to achieve maximum benefits of regulations, but is a reprehensible act, aware of the harm of others. Especially since the phenomenon of tax evasion is a phenomenon condemned worldwide. The same author states that: "Neglect of combating tax evasion event can lead to escalation of the phenomenon to the tax evasion or fiscal and economic crime" (page 173).

Another researcher of the tax evasion phenomenon is Dr. Nicholas Hoanță which, in his book, "Tax evasion", Tribune publisher, Bucharest, 1996, page 229 summarizes: "Trying to conclude the diversity of views across the concepts of avoidance legal and illegal tax, legal and illegal tax evasion, we consider (says the author) that there is a single phenomenon affecting the tax revenues of the state budget, that of tax evasion, according to these rights tax evasion may be lawful (ie implicitly allowed by law) and legal tax avoidance (because, as DEX, there are legal means or is under a law that is provided by law, is under law) and illegal tax evasion (illegal) which is synonymous with tax fraud. Remark: It follows the author's conception Hoanță, N., that evasion has two facets: a lawful and unlawful, tax fraud. Such treatment generates confusion: the same act every other time is lawful and unlawful (fraud). It creates confusion and voluntarism in interpretation. We consider that the new law does not allow evasion, but rather helps get not subject to tax in the area of tax evasion through measures to reduce the tax burden on taxable material

(income, wealth, capital expenditure), the advantages and facilities provided by law, at sight, transparently.

Our approach is closer to spelling out tax evasion by the academician Văcărel Iulian (in "Public Finance - Theory and Practice", Scientific and Encyclopaedic Publishing House, Bucharest, 1981) by having been removed from imposing a tax cuts matter. But the author continues with how there is committed tax evasion, namely the housing law (legal) and outside the law (fraudulent). Note: For those that played theft, and escape tax may be lawful under the law, tax law and other illegal, fraudulent. Avoiding legal but not a theft but a string or a list of discounts, reductions, tax benefits recognized to reach taxable basis for charging material, as determined by law. Remember the state tax policy.

In Section 8: Duties of tax evasion, the author cited work Hoanță N. It, page 287 states: "Tax evasion, as integral and important part of the" crime "is one of the" big industry "in the proportion of its income they reach and the number of authors involved. " Note: Therefore, avoidance is presented as a crime. No tie is made to distinguish the (legal) lawful and (illegal) unlawful or fraud. Evasion, the acceptance our escape falls under the tax law, willfully, consciously, in order not to pay or pay as little of what, actually, because someone, in terms of tax, budget or special funds.

And Brezeanu, P., in "Taxation - Concepts, Methods, Practices", Economic Publishing House, Bucharest, 1999, paragraph 2.4. Problems caused by the increased tax burden, paragraph 3. "Tax evasion and fraud" (page 134) states: "So fraud is a violation of tax law by reducing voluntary income sales without invoices, etc., Avoidance is to circumvent the mandatory levy a clever use tax law or to take advantage of the territorial nature of tax and social laws to locate activities, income or assets in foreign countries where they will be or

will be less taxed. Note: In this passage we meet a dead heat between the net tax fraud and evasion as a result of the taxpayer's ability to use the facilities, benefits and even tax laws leakage. If tax evasion is a crime, a fraud, then the natural question arises: Why is the law to fight tax evasion? How to combat, if everything is legal? In the article "flight tax" Dr. Help, C., published in the journal "Finance. Future challenges", since I Nr.1/2002, Universitaria Publishing House, Craiova, 2002, page 19, paragraph 1. "Delimitation terminological and conceptual" meet several formulations: "Seen in its most general meaning, evasion means escape, one way or another, from paying taxes or as someone said, it is the art of fall and attraction field of tax law. Broad sense of the term is found and by M. Duverger, says the author, then a generic term designating all manifestările de fled before taxes "(page 19). Note: The author is a tier of character and techniques of flight: "legal or shelter law" or lawful and "unlawful" unlawful, fraudulent.

Making a reference to the author Carmen Corduneanu ("The tax system in science finances, Codes Publishing, 1998) the author states:" Carmen Corduneanu notes in this respect, the definition of Romanian literature and Mihaela Eugenia Dan Saguna Drasu tobacconist, then tax evasion is defined as all lawful or unlawful procedures by which those interested in full or in part evade their tax obligations matter established by tax laws "( page 19). Notes: The play that passage may be lawful and unlawful escape and evasion therefore we have a lawful and an unlawful allowed, disallowed, punishable. The permitted to be assigned and defined by the tax authority. The author states that expression (it is evasion) was and remains controversial, especially when it comes to the circumstances in which it appears to circumvent the

payment and the forms that takes evasion. From this point of view meet: avoidance or evasion of the law to shelter lawful and unlawful evasion or fraudulent. "(page 19). Notes: And here we are dealing with the interpretation of employment, depending on the circumstances and forms. It creates not only confusion but also the corridor for corruption. Carmen Corduneanu in her doctoral thesis but also in the work: "The tax system in science finances", Ed Codes, Bucharest, 1998, states: "Tax evasion is theft from taxpayers' tax obligations incumbent upon the partial or total using legal loopholes or by means of ingenious maneuvers to hide taxable material. "(page 347). Note: The definition does not explicitly distinguish the legality or illegality is removed, but the content formulation resulting possible tie. Radu Buziernescu in the paper: "Tax evasion in Romania" Published by Universitaria, Craiova, 2001, in subparagraph 1.3.1."Contradictions notions of legal tax avoidance (tolerance) and illegal tax evasion (tax evasion) , states: "Although no law against tax evasion does not refer to a legal tax avoidance, the term is common in the literature of the country and abroad, and in practice is more common respectivă." (page 54). And the author continues on page 55, position: "Staff feel escapist behavior as intentional binding, even deliberately, since the subject escapist as tax evasion resulting from Law no. 87/1994, shall be exempt from payment of sums due state and that removal can not be otherwise than intended. Hence my belief that tax evasion can not be legal, but tax avoidance, so necessarily committed intentionally. I think the definition of tax evasion Law no. 87/1994 does not contain the word "intent" as already containing the word 'removal by any means "which presupposes intention." (page 55).

Notes: A different positioning of the dual, is a trenchant on tax evasion. The same author maintains: "I do not

accept the word of legal tax avoidance as its component words themselves contradict each other. Thus, avoidance requires the removal by any means a tax, a law violation, it may not be so legal. Or violates a law-abiding taxpayer. He owes taxes or not, it pays or not, there are no half measures. "(page 55). The author recalled is wrapped in employment tax evasion, but slipped on the slope or default of payment of tax due as appears in the former law on combating tax evasion, no. 87/1994 namely: tax evasion is theft by any means, in whole or in part from taxes, fees and other amounts owed to the state budget, local budgets, social security and extrabudgetary funds, by Romanian natural and legal persons and foreign. "The definition of law that the means are not lawful, particularly as it is a law on combating tax evasion. Evading taxes, fees and other sums is also unclear. If theft is a reprehensible act, then it cancels or legal tender. But we can discuss a fortuitous character, fleeting, and not avoiding payment, but a voluntary postponement or a delay due to the lack of immediate liquidity to the taxpayer or by a shortage of cash. This is not tax avoidance. The same means that payment is to circumvent the effect of the theft, concealment of a part of, or taxable materials namely that of avoiding the payment. Such an arrangement makes sense definition of the law on combating tax evasion and illegal acts relating to the outside perimeter of tax law, taken over by the new Law no. 241 of 2005. Tax Law for the prevention and combating tax evasion in its path provides technology to reach the tax base to tax base. Size to be obtained based on law. What is unlawful is something hidden, something forbidden, something not allowed by tax law, is something voluntarily from the taxpayer to pay as little or not at all. It is something reprehensible, punishable by law. When tax laws are explicit on benefits, fiscal cuts, the effect is the reduction in taxable legal matter, that the tax base or the size of the tax due,

embezzlements not fraudulent, not represent a evazionare. But what happens when taxpayers are certain techniques, ways of operating their own benefit of legislative failure, thereby avoiding the legal, in whole or in part from taxes, just because the legislative failure? Acting in such a manner, taxpayers are not only their rights to use, without fault on their part. State may only be a law clear, precise, durable and stable. After some research, only guilty of tax evasion laws is only the legislature (we refer to those who think something legitimate tax avoidance, as opposed to tax evasion). A particular point of view, we meet at Dr. Sole, I., in the paper: "Finances of Romania", vol I, Ed Sedona, 1995, showing that there is so-called tax evasion, as they are in fact using the law to ease the tax burden borne by taxpayers. "Tax evasion is theft legal matter part through the use of tax by taxpayers, the legislative gaps in their favor. Actually there is something reprehensible but is a natural human behavior. " Notes: Man taxpayer uses any means, any way, either legally or illegally to fool the IRS, to evazona, to deceive the IRS. Many opportunities to reduce material, that the tax base are provided by the tax law: tax incentives in the form of exceptions, exemptions, reductions, exemptions time, options for taxation regime, overstatement of expenses (depreciation), etc.. But they are legal and their use is not something reprobabil. Din the results presented definitions of diversity on tax evasion. Proponents of tax evasion are accepted as something natural, normal, under the protection of the law and evading tax as a tax fraud punishable by law. Others accept the existence of two types of tax evasion: a legal or lawful or protected by law and other illegal, illicit, unlawful called tax avoidance and tax evasion by those who understand only illegal acts, but they embrace tax fraud.

### 3. The influence of foreign tax laws on the extent and forms of manifestation of tax evasion

#### 3.1. European law and tax evasion in Romania

Tax evasion has no borders. Combating tax fraud is part of the EU fiscal policy. EU legislation to prevent tax evasion and theft is a separate component of the chapter on taxation. Tax evasion is treated under the directives included in the collection of methods defining equity, arising from VAT, taxes on production and imports. Evading the payment of taxes and social security contribuțiilor fund is defined as submission to the tax authorities, containing data to be counterfeit omissions and failure to pay taxes but mandatory. EU exemption from the link information by tax authorities, a minimum threshold for compulsory registration of certain activities or transactions. Exemptions under EU legislation on certain people or certain activities related to level a ceiling of income tax exemptions are not considered violations of the tax rules. In a lecture of PhD, the doctoral student Anna-Maria Tatoi, under the scientific coordination of Professor Dr. Dorin Cosma, Department of Finance Faculty of Economics and Business Administration from West University of Timisoara, and entitled "Elements of Romanian fiscal policy harmonization in the context of EU accession ", 2004, Chapter 4" Implementation of the *acquis communautaire* on tax evasion in Romania ", on page 79 and following, a description of EU regulations" on tax evasion " , taken from the book "Impact of Pre-Accession - Study 12 - The requirements for acquisition of EU legislation on combating economic and financial crime, in 2002.

- Council Directive 77/779/CEE of 19 December 1977, bilateral assistance

to the competent authorities of Member States in the field of direct taxation;

- 89/1553/CEE Council Directive on integrated rules for their fundraising results from VAT;

- Council Directive 93/454/CEE on the definition of taxes on production and imports;

- Council Directive 94/168/CEE on the treatment of VAT fraud in the national accounts purposes (discrepancies between theoretical and actual invoices VAT)

- Council Resolution of 10 February 1975 on Community measures to combat tax evasion and fraud;

- Council resolution and the representatives of the Governments of Member States, meeting within the Council of 13 November 1991 on the protection of EU financial interests.

EU legislation is in its contents, a collaboration, in various forms, in order to detect and prevent tax fraud and risk analysis. Also, it aims to Improve indirect tax system in a single market and cooperation between Member States towards improving administrative practice.

Major part of the overall indirect tax evasion and generate the biggest losses came in EU countries. Therefore prevention became an important objective of EU policies daughter, înființându into the European Commission, European Anti-Fraud Office. In the foreground lies about the fraud prevention efforts, particularly in the VAT field, through administrative cooperation, by clear and binding rules, of cooperation between Member States. Are specific activities to achieve a specific information system appropriate to help prevent tax evasion, fraud detection and elimination of VAT. European Council Regulation No content. 218/92 of 27 January 1992 on administrative cooperation in the area of indirect taxes, namely VAT, the way of cooperation between national authorities and between them and the Commission.

### **3.2. Acquisition and implementation of the Community Acquis on tax evasion**

Romania, as EU member country has been and is concerned with improving the national legislation to combat tax evasion. Thus, in 1994, Law was promulgated. 87 on combating tax evasion as an extension of the Accounting Law 82/1991, but Ordinances 26/1993 and no. 70/1994 on tax evasion.

In Article 1 of Law no. 87/1994, tax evasion was defined as when Romanian citizens or foreign individuals or legal, is sutrag by any means, wholly or partly from taxes or any amounts owed to the state social insurance budget, local budgets and other special funds of the state. Law enumerate facts falling tax evasion: not completing timely statements of income and taxable assets or incorrect completion of their failure to complete timely accounting records of income taxpayers, accounting law, miscalculation of taxes and contributions, paying taxes and contributions due neînregistrării economic activities, unpaid tax liability by withholding income or assets, failure to register the actual revenue and expenditure records and other legal documents. Law 87/1994 criminalize not only tax evasion but also other laws and ordinances, including the Fiscal Code and Fiscal Procedure Code with effect from 01.01.2004 and Law 241 of 205 on tax evasion. Causes that led to the development of escapist phenomenon in Romania are varied, including lack of clear tax laws involving different interpretations of aceluiași phenomenon. Too many opportunities arise disregard of tax law. No fiscal control is not in such circumstances, effective, efficient, especially when full necomputerizării taxpayers. These issues generate full withholding tax (basic component of GDP) which attached to income tax evasion have resulted in a substantial part of the economy. With all weights start, Romania has made,

especially in the years 2000 - 2004, progress in detecting and limiting tax evasion and fraud. Law 78/2000, concerning the prevention, detection and punishment of corruption, is a positive step.

In Romania, the phenomenon of tax evasion is criminalized in: Criminal Code, Law 87/1994 on combating tax evasion, the Accounting Law 82/1981, Law 78/2000 on preventing, detecting and punishing corruption, Customs Code, Law 161 / 2002, Law 241/2005 on preventing and combating tax evasion.

Avoidance of the offending acts are, as I stated, various and include: avoidance of payment by an incorrect registration of economic operations in accounting, the creation of phantom companies in order to manage nature escapist activities, destruction of documents and accounting records ; use of double records, preparation and submission of data to balance conatbile unreal, business or withholding of tax sources, subsistence economic activities without declaring subsidiaries, working points and warehouses, presenting false documents for import operations - Export, etc.

According to program negotiating EU membership, Romania was expected to adhere to 01.01.2007. This meant that the acquis communautaire, by its objectives, to influence legal and institutional framework of the fight against tax evasion. Romanian legislation be adapted to EU objectives. Basic provisions are found in Position Paper of Romania, Chapter 10 - Taxation, Chapter 12 - Statistics, Chapter 29 - Financial and budgetary provisions. Romania, like any state, moreover, have legislative takeover target correlation executive implementation framework specific to each chapter. Romania, like any state willing to join the EU must apply to the whole EU standards on combating tax evasion and theft. For this, Romania has worked in several directions on:

- Tax collection and the fight against fraud and corruption;
- Tax Procedures (taxable weight control and registration);
- One Fiscal compatible with EU standards.

Romanian Government, aware of the importance of increasing efficiency in fighting tax evasion worked out as part of a strategy for developing a functioning market economy in Romania, for improving the business environment and to align with EU standards. Thus, measures taken or to be taken, with direct impact on combating tax evasion relating to: Strengthen tax system (emergence Tax Code with effect from 2004); Harmonization of national accounting system with international accounting standards;

- liquidation of insolvent companies and generating large losses;
- Financial control;
- System administration and monitoring of activities with impact on tax evasion and theft;
- Improving tax collection;
- Preventing and reducing tax evasion;
- Implementation of the Fiscal Code and Fiscal Procedure Code;
- Increase the harmonization of national tax legislation with EU standards.

Lack of adequate legislation and insufficient capacity control valve is tax evasion and development, promote the economy, while severe reduction of budget revenues. Romania understood the importance of the international dimension of fiscal policy in direct and indirect taxation. Economic development is also based on a set of rules to guide governments and business, a favorable tax climate to promote free and fair competition, ensuring neerodarea Member States' tax revenue, elimination of double taxation of income from abroad and harmonization of components of corporate taxation on:

the rate of taxation, the tax collection and administration system. But the Committee's recommendations are difficult not only to Romania but also of other Member States. A lot of obstacles master eliminate double taxation of profits such as transfer pricing, tax treatment of losses across the border, the network of bilateral double taxation. Elimination of double taxation provides real tax, effective, preventing tax evasion. Protecting fair competition between Member States is supported by the Code of Conduct for business taxation, under which Member States agreed not to introduce new tax measures to be considered harmful in content and eliminating the effect.

#### **4. The effects and consequences of the forms of manifestation of tax evasion**

Sizing the consequences of the forms of manifestation of the phenomenon is based on statistical analysis of data from control operations. Tax evasion is a problem not only quantitative but also the effects of a social, economic, financial and policy driven. Social effects relate to redistribution of income involved, creating inequities between taxpayers identical contributivădar unequal capacity on payment of tax obligations, resulting inequality on individual living standards generate social tensions. Economic forms of tax evasion affect fair competition, distorts it. Entering new market segments is achieved by charging lower prices to those who evazionează tax obligations, to those who comply with the IRS. Tax evasion is a way of accumulation of capital higher than normal, natural, with the inferiority incorrect accumulated capital in a fair, quantitative implications of investments in domestic or international financial circuits.

Tax evasion has profoundly negative effect for the purposes of removal under the control of a significant amount of endangering the economic and social policies but also its openness to corruption lane highest levels. Thus tax evasion is considered a manifestation of anti-democratic.

## **5. Control and limit tax evasion. Specific legislation**

### **5.1 By reorganizing the tax system**

Tax evasion is not only a consequence of voluntary decision but also a misinterpretation of tax legislation. Evasion as a result of a dedicated process reducing tax levies required, we can integrate the component structure of a state tax system. There is no tax system that is not accompanied by tax evasion. It's something natural, natural subjects pertaining to the behavior assessment.

The population of taxable subjects shall always find in fewer or more, those who voluntarily evade, willfully, deliberately, in full payment of levies due, tax law, the state budget or budgets or special funds communities.

An alternating direction control and tax evasion is linked to increasing the efficiency of the tax system. This implies that the subsystems that make up the tax system to act in accordance with the regularities of a system and the subsystem for command, control and regulation have a single principal structure containing two types of links between system management and system connections resulted in the system, namely a direct connection - the system of controls led, and a reverse (feedback) control with information from the system led by the management to adjust system behavior in order to achieve proposed goals.

Tax system includes in its entirety, several subsystems aimed at working towards achieving its objectives

as (specific) and those for the system as a whole, namely subsystem taxes (public funds provider), sub-procedure (all methods, techniques, processes and tools), managing taxes, institutional subsystem (network tax, which has an important role the national tax administration), sub-assembly legislative fiscal rules and having a character of the regulator system as a whole, but also the tax system and subsystems.

Fiscal Code of Romania with effect from 01.01.2004 brings news and a number of ways modern trends consistent with the requirements of harmonization in the EU (EEC) on the basis of a set of principles (Law no. 571/2003, published in Gazette of Romania, PI, no. 927 of 23.12.2003): neutrality, certainty of taxation, tax equity, efficiency assessment.

Since 1990, our country has gone through transformations to the tax system and its components, aimed to modernize and harmonize the tax systems of EU Member States. Although improvements in the tax system is suffering its effectiveness compared with that of countries admitted into the EU on 01.05.2004, for example. This can be explained by the set of exemptions, exemptions, delays in payment of taxes charged by the national tax authority, but also by inappropriate structure of GDP, more oriented towards self-consumption. Tax evasion practiced in an environment of corruption, influence and power it on tax flows of funds.

Influence of new structures to prevent and reduce the incidence of tax evasion is a way of discouraging escapist behavior. Were improved and improving institutions in field work: Ministry of Finance, NCA, MIA, National Tax Administration Agency, NIA, and others.

Ministry of Finance, the tax authority in the field, aims at achieving, simultaneously carrying out two missions, namely a permanent and other criteria to achieve specific EU legislation. Directions close to the objective of:



linking tax policy - with other budgetary social policies - economic, tax reform consistent with the principle of autonomy (sub) systems, institutional development and its modernization, establishment of partnership state - taxpayers.

Institutional fiscal stabilization is an important objective for the tax authority. Appearance fiscal record as a support structure is functional in preventing and combating tax evasion through better management of state taxes owed and clear evidence and rigorous financial discipline to taxpayers.

### 5.2 By improvement tax audit (fiscal control)

Tax Procedure Code establishes rules, principles and methods of carrying out the inspection (control). Purpose and role is to eliminate control failures of the tax system, tax system to maintain a normal operating environment and by removing or blocking material default of tax evasion.

Fiscal rules, specific tax warehouse, are also a tool to control and limit tax evasion. Improving the organization and functioning of the tax control: efficiency, computerized processing of tax file, the application of uniform, consistent and stable tax law provisions, discipline benefits taxpayers in terms of voluntary compliance, promotion of modern instruments in operational planning, risk management and the management efficiency empowered by the structures of MPF (National Agency for Fiscal Administration). In the sphere of control and entered declaring activities, establishment, control, collection and settlement of disputes concerning contributions to special funds (fiscal control unit).

An instrument that refers to taxable individuals is the "net assets" comparable dynamic and declared income. Equation is the balance between

net wealth plus personal spending and income sources away said:

$$\sum_{i=1}^n B_i - \sum_{i=1}^n D = AN(PN) \quad (1)$$

Where:

B = property (the money at home, car, pictures, etc.)

D = debt (mortgages, bank loans)

i = 1 ÷ n kinds, types,

NA = NP = the net assets

Personal expenditure which are justified by documents (bills, receipts, invoices, etc..) are added to the net wealth achieving total revenue potential:

$$VTp = PN + Cp \quad (2)$$

Where:

VTp = total income possible

PN = net assets,

Cp = personal expenses (justified)

Calculated as total revenue compared to income from sources declared (Vsd), three situations can arise:

a) One of equality:

$$VTp = Vsd \quad (3)$$

Which shows that all income was declared, there are no undeclared income, hidden or stolen and received various forms assessment. It is normal situation.

b) The inequality:

$$1. VTp > vsd \quad (4)$$

Resulting difference expressing undeclared income sources:

$$Vsn = VTp - Vsd \quad (5)$$

Where:

Vsn = income from undeclared sources.

We find in the undeclared income.

$$2. VTp < vsd \quad (6)$$

It is an unnatural inequality due to either unregistered heritage elements, or duplicative reporting of income. Analytical verification is required.

Achieve the same result by relying on dynamic net assets when

determining the size of unreported income:

$$V_{sn} = (\Delta PN + PN_{n-1} + Cp_n) - Vd_n \quad (7)$$

Where:

$V_{sn}$  = unreported income sources;

$\Delta PN$  = change in net assets as the algebraic difference ( $PN_n - PN_{n-1}$ );

$PN_{n-1}$  = previous net assets;

$Cp_n$  = personal expenses documented in n time;

$Vd_n$  = income declared in n time.

Therefore:

$$V_{sn} = PN_n + Cp_n - Vsd = (\Delta PN + PN_{n-1} + Cp_n) - Vsd \quad (8)$$

When  $V_{sn} > 0$ , resulting undeclared income, come into the tax evasion. Numerical calculations support the equations presented. Past earnings are reported in all sources generating.

Control and tax audit has no finality, effectiveness if the mentality and

award those which apply does not change, not constitute true scale of budget income protection because they reach the structure and size provided that the state revenue.

A tax and its administration generates costs. Fiscal management is necessary to ensure surplus. This means streamlining and control. Than a large number of tax inspectors underpaid, unmotivated to achieve results, rather a reasonable number of inspectors but well remunerated, motivated to achieve results in the removal of surface mass taxable, or by designing instruments and means of disclosure mass and unreported taxable income, non-transparent (Table 1 reflects flows determine tax status of a subject taxable):

Nr.	Computing elements	Exercise 1	Exercise 2	Exercise 3
0	1	2	3	4
1	Money	50.000	70.000	90.000
2	Saving accounts	50.000	80.000	100.000
3	Cash	240.000	240.000	240.000
4	Apartment	-	200.000	200.000
5	Car	80.000	80.000	80.000
6	Luxury car	-	100.000	100.000
7	Paintings	-	96.000	106.000
8	TOTAL ASSETS (1÷7)=A	420.000	866.000	916.000
9	Mortgage 1	240.000	200.000	0
10	Mortgage 2	0	200.000	160.000
11	Bank loans	40.000	60.000	250.000
12	TOTAL LIABILITIES (9÷11) = B	280.000	460.000	410.000
13	NET ASSETS (A - B) = C	140.000	406.000	506.000
14	PERSONAL EXPENDITURE = D	100.000	114.000	140.000
15	TOTAL POSSIBLE INCOME = C+D = E	240.000	520.000	646.000
16	DECLARED INCOME SOURCES = F	220.000	320.000	370.000
17	UNDECLARED INCOME SOURCES (15 - 16) = G	+ 20.000	+200.000	276.000
H	VARIATION OF NET ASSETS	140.000	266.000	100.000
I	PREVIOUS NET ASSETS (+)	0	140.000	406.000
J	PERSONAL EXPENDITURE (+)	100.000	114.000	140.000
K	TOTAL POSSIBLE INCOME (H+I+J)	240.000	520.000	646.000
L	DECLARED INCOME (-)	-220.000	320.000	370.000
M	UNDECLARED INCOME	20.000	200.000	276.000

Rendered scheme shows the escapist position of the subject taxable. Even if there are complaints of clarity, they do not argue. The scheme shall include all sources including donations, sponsorships, legacies. If the interest on loans they appear to group personal expenses (direct).

### **5.3 Legal coercive measures, temporary and another way to reduce tax evasion**

Evasion is a result of several factors related to the real economy and its development, legislative and institutional component, the mentality and civic education, the tax burden or tax level, practical application of tax principles.

Evolving tax law after 1989 was sometimes characterized by confusion, instability, ambiguity, and enrichment of fostering tax evasion by evasion. In the course of tax reform, an important moment is the Law no. 87/1994 on combating tax evasion, as security for the obligation of all state budget that have income to help with some of them as a tax. The law establishes severe penalties for acts and punish acts of tax evasion.

The law defines tax evasion as "theft by any means, entirely or partly from taxes, fees and other amounts owed the state budget, local budgets, state social insurance budget and special extra-budgetary funds by individuals and Romanian or foreign".

Also Law. 241/2005 on preventing and combating tax evasion offenses and penalties attached to their states. Even where the law explicitly defines tax evasion as the former Law 87/1994, by painting tax offenses leads to coverage of tax evasion as it is depicted in the law. Article 9, for example, reads (1) The crime of tax evasion and is punishable by imprisonment for 2-8 years following acts committed disqualifications for avoiding the tax obligations: a) ÷ g).

So to circumvent the tax obligations is synonymous with tax evasion. Are regulated by law penalties applicable for infringement of the law. State authority in tax matters has continued to modernize the tax laws. Procedure Code provides for sanctions in the form of interest and penalties for late payment of taxes due. Late interest tax laws provide for fines offenses, forfeiture, foreclosure. All are measures of deterrence and reduced tax evasion phenomenon.

An active role in fighting tax evasion and it has been the Financial Guard (especially in the movement of goods and services). A major role in mitigating significant tax avoidance tax authority they have and Romanian authorities - National Tax Administration Agency, the Central Fiscal Commission - that the decisions and guidelines aimed at combating tax evasion, but not education and tax payers.

## **6. Conclusions**

It is difficult to accept and understand evasion as something legitimate and that it encourages some countries, to national capital formation, the rapid accumulation of capital. But it exists and is manifested by reducing tax levies, by reducing the supply of public funds. Effect of tax evasion is, in this view, negative.

Evasion of state supervision remove significant amounts, is regarded as a manifestation of anti-democratic, by academics and politicians. Contains germ tax evasion disorder with repercussions on the surplus or deficit in the negative. Unlawful tax evasion, illegitimate, is to circumvent tax laws delibrată to hide illegal, partially or wholly taxable matter, to reduce or eliminate tax liability, is punishable by law.

Tax evasion as a social phenomenon is the taxpayer's response to the tax burden imposed by the state as guarantor of social life. Reducing the

taxable base on which tax act outside the rules governing tax is tax evasion. Effect: stealing from the tax on all or part of an amount corresponding hidden base, intentionally illegal, unlawful.

Failure to pay all or part of amounts due as a tax, not because of a shortage of cash, but as a result of the unlawful concealment of taxable mass, the size of the tax base, is avoidance. Provisions and legal rules are permissive in correcting the decrease in tax base. This decrease is actually a feature offered by tax law to achieve a policy objective, not tax evasion is not even legal, as it gives some of the authors.

Statutory contributions arrangement possible, of facilities, facilities for law are rather a manifestation of the tax consultant, individual intelligence, based on knowledge of tax laws or refer a matter of engineering fiscale.este tax, in its positive meaning, computer processing technology tax laws, in order to maximize the tax advantage for the individual or organization.

Who didn't know the law and didn't use its benefit means that he isn't an escapist, and who uses it is an escapist legal? And when the two can become hidden, escape from the taxable amount, escapist illegal. Stick to the claim that tax evasion is an illegal deed, sanctioned by law. Moreover, the law on combating evasion laws, nr. 87/1994, does not refer to the legal evasion, or Law 241/2005.

When referring to the definition as oo escape evasion from taxes, then the question is whether running: one legal and another illegal (illegal). We extend to the other definition: reducing weight, the tax base, which may be a different legal and illegal. These interpretations of the phenomenon can lead to abuses escapist legal or voluntary interpretations border, border, boundary between legal and illegal.

Some blame tax heavens while others support them. And some others, a

wise man might say, are correct. That truth is somewhere in between. It is not easy to be cut in tax evasion. But stick to the conclusion that it takes human nature to steal, against the law, from a tax or the actual amount of taxes legally due and the state. The state, through its tax policy based on principles imposed, may promote some fiscal measures to generate reducing escapist phenomenon.

The phenomenon of tax evasion is as old as the tax system. Stopping this phenomenon is not possible, but can be taken to reduce and deter its escapist phenomenon. In the fiscal area, preventive measures aimed at: developing a comprehensive and clear tax legislation to be characterized by permanence and stability as compared spatially and temporally (the best is the oldest tax, taxpayers have a rejection reaction when introducing a new tax). It also requires the elimination or reduction of certain deductions, exemptions, giving rise to interpretations and even inequities. Administratively preventive measures aimed at training and development of specialties in this field to observe and apply its code: "Code of Ethics tax inspector".

Formation of a tax education population (most of the acts covered by tax evasion committed through ignorance of tax laws in force) is the control of state institutions which have departments specializing in advising taxpayers, but most subjects do not know or I know little of the existence of these offices for assistance and tax advice.

Good management of escapist phenomenon is the path that leads to a better identification, prevention and evaluation in order to achieve the projected budget revenues and to ensure completion of public services and social programs by state funding.

Increasing welfare is not an issue but part of all taxpayers. Understand the positive effects that taxpayers resfrâng respecting tax laws is a path to wealth and a very important observance

accompanied by principles of taxation and taxes.

Changing attitudes not by coercion but by education and civic values is how the tax reduction or enrichment theft by tax evasion. It is true that fear of sanctions has its purpose of slowing the acts of evasion.

Do not forget: "The death and tax not miss anyone", or otherwise escapes the tax authorities said the man at death. But the man wants to live as long and as well. Yes, but not by fiscal crimes and thefts.

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