

"BABEȘ-BOLYAI" UNIVERSITY
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PhD THESIS

-SUMMARY-

TITLE OF THE THESIS: TAXPAYER'S ATTITUDE TOWARDS
TAXES

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TABLE OF CONTENTS OF SUMMARY

Table of Contents of PhD Thesis	3
KEY WORDS	6
INTRODUCTION	6
MOTIVATION FOR CHOOSING THE RESEARCH OPIC	6
STRUCTURE OF THE DOCTORAL THESIS	7
SUMMARY OF CHAPTER 1	8
SUMMARY OF CHAPTER 2	13
SUMMARY OF CHAPTER 3	18
SUMMARY OF CHAPTER 4	27
CONCLUSIONS AND RECOMMENDATIONS	32
REFERENCES. ..	35

Table of Contents of PhD Thesis

INTRODUCING.....	6
Chapter I TAXPAYER BEHAVIOR - INFLUENCE FACTORS, BEHAVIORAL MODELS.....	8
1.1. Relevant Data of Knowledge in the Field	8
1.2. Key Factors Influencing Taxpayer Behavior	11
1.2.1. Economic Factors	11
1.2.2. Political Factors	15
1.2.3. Social Factors (Demographics).....	17
1.3. Fiscal Ethics - Tax Morality.....	20
1.3.1. Theological Perspective	20
1.3.2. Philosophical Perspective.....	23
1.3.3. Economic and Social Perspective.....	26
1.3.4. Psychological Perspective.....	32
1.3.5. Conclusions Regarding the Behavior of Taxpayers.....	39
CHAPTER II. THE ROLE AND FUNCTIONS OF THE FISCAL SYSTEM	
2.1. Definition, Evolution, Concepts, The Role of the Fiscal System.....	41
2.2. Functions of the Tax System.....	44
2.3. Taxes and Fees - The Basic Component of the Tax System.....	45
2.4. Tax classification.....	48
2.5. The Romanian Fiscal System, Definition And Concepts.....	49
2.6. Organization and Functioning of NAFA	52
2.7. General Principles in the Tax Administration	56
CHAPTER III. STUDY ON TAX ARREARS OF LEGAL ENTITIES IN ROMA- NIA.....	60
3.1. Analysis of Revenues Administered by NAFA.....	61
3.2. Analysis of Arrears Registered at NAFA Level.....	73
3.2.1. Total Arrears.....	78
3.2.2. Arrears Registered During The Current Year.....	83
3.2.3. Total Regional Level Arrears.....	86
3.2.4 Arrears Registered During The Year At Regional Level.....	90

3.3. Analysis of Arrears on Management Structures.....	94
3.3.1 Arrears Representing Payment By Installments.....	96
3.3.2. Arrears For Which Enforcement Is Suspended	101
3.3.3. Arrears Under Special Laws.....	104
3.3.4. Budget Arrears Of Insolvent Taxpayers Who Have No Income Or Goods To Follow.....	108
3.3.5. Arrears Recovered By Enforcement.....	112
3.4. Revenue from arrears.....	117
3.4.1. Total Revenues from Recoverable Arrears	118
3.4.2. Receipts From Arrears Representing Payment By Installments.....	122
3.4.3. Receipts From Arrears In Enforcement.....	124
3.4.4. Revenue From Arrears For Which Enforcement Has Not Begun.....	126
3.5. Arrears Registered During The Year.....	128
3.5.1. Arrears in Payment Facilities Registered During the Year.....	130
3.5.2. Arrears Suspended For Enforcement Registered During the Year	131
3.5.3. Budgetary Arrears Under Special Laws and Arrears of Insolvent Taxpayers Registered During the Year	132
3.5.4. Arrears Recovered By Enforcement Registered During The Year.....	133
3.6. Revenue from Recoverable Arrears During the Year	136
3.6.1. Total Recoverable Arrears Received Recorded During the Year.....	136
3.6.2. Receipts From Arrears Representing Payment by Installments Recorded During The Year.....	140
3.6.3. Total Receipts From Arrears In Enforcement During The Year.....	141
3.6.4. Total Arrears Received For which Enforcement Has Not Begun During The Year.....	142
3.7. Arrears Remaining Recoverable	145
3.7.1. Total Arrears Remaining Recovered.....	147
3.7.2. Remaining Arrears Under Enforced.....	149
3.7.3. Remaining Arrears For Which Enforcement Has Not Begun	151
3.7.4. Arrears Remaining Recoverable From Non-Recoverable Arrears	152
3.8. Conclusions Derived From The Study Regarding The Fiscal Arrears	

Of The Romanian Legal Taxpayers	155
CHAPTER IV. EMPIRICAL ANALYSIS OF INFLUENCE AND COMPLIANCE FAC- TORS IN TAX DECLARATION AND PAYMENT BY TAXPAYERS.....	164
4.1. Purpose of the Research	164
4.2. Methodology used	164
4.3. Objectives Considered In Research	164
4.4. Analysis and Processing of Data Obtained After Questionnaire Processing	166
4.4.1. Performance of NAFA Services.....	166
4.4.2. Factors Influencing The Increase Compliance of Tax Payer	169
4.4.3. Identifying and Building an Index on the Causes That Discourage Taxpayers' Behavior and Compliance.....	174
4.4.4. Validation of Influencing Factors through a New Survey.....	178
4.4.5. Conclusions Regarding Empirical Analysis.....	186
CONCLUSIONS AND RECOMENDATION	188
ANNEXES NO. 1-14 Database Collection Capacity At December 31 From Year 2006- to Year 2019.....	198
ANNEX NO. 15 QUESTIONNAIRE	212
A NNEXES NO. 16-19 SEMI-STRUCTURED INTERVIEW SHEET REGARDING THE OPINION OF SOME SPECIALTIES FROM NAFA REGARDING ARREARS REGIS- TERED AT NAFA LEVEL.....	219
REFERENCES	234

KEYWORDS

arrears, arrear collections, taxes, fiscal obligations, voluntary compliance with tax payments, enforcement, payments by instalments, taxpayer, tax revenue, taxation principles, factors of tax compliance, trust in authorities, tax systems, morality, tax legislation, special laws, planned behavior.

INTRODUCTION

The field of finance has always attracted a particular interest among both specialists and researchers in the fields of finance, economics, psychology, legal, sociology, as well as among the governances (politicians) and the population.

Thus, the study of the taxpayer's fiscal behavior, in recent times, has become a topic of interest among these specialists, so we could say that at this time it has actually acquired a characteristic of scientific research in its own right, based on its own concepts and approaches.

The problem of tax collection by states and increasing voluntary compliance with taxes is one of the main objectives of each tax administration. A large tax collection percentage provides the financial resources needed for any government to be able to sustain spending to meet society's overall needs. Along with measures for combating and preventing tax evasion, the collection of taxes due contributes greatly to ensuring these resources.

MOTIVATION FOR CHOOSING THE RESEARCH TOPIC

The choice of the topic is motivated by the increasing importance of the collection of amounts owed by taxpayers and by the objectives assumed by the National Agency for

Fiscal Administration's (NAFA) annual strategies on increasing voluntary compliance with taxes. In the current context, there is an increasing need to ensure budgetary stability and to the same extent it is desired to create an institutional framework and a favorable business climate, which necessarily implies simplified tax procedures, which requires a program to reform the tax administration system. The payment of taxes on time and in full must be both a civic obligation of each taxpayer and a priority of each fiscal body. Any change in tax reduction or increase should be taken into account only after the current collection rate increases as a share of GDP and has a reasonable level comparable to those recorded in the other member states of the European Union. Based on these considerations, we concluded that a research regarding the amounts, declared and documented in the tax records, as well as how they are collected by the Romanian tax administration would be useful. Also, to identify the causes and factors that influence the tax collection degree, a valorical analysis of the amounts that end up as arrears, has to be made. Analyzing these arrers from a valoric point of view, I consider that in order to increase compliance with the payment of taxes it is very important that the Romanian tax authority takes into account the variety of factors influencing tax compliance and how some theoretical studies in the field could be implemented. At the same time, I considered it useful to capture the importance and the role of that side of the tax administration whose ultimate purpose is to collect the amounts owed by taxpayers on the basis of their statements.

STRUCTURE OF THE PhD THESIS

The PhD thesis entitled "Taxpayer's Attitude toward Taxes" is structured in 4 chapters, in which I wanted to capture the theoretical aspects and studies on factors that can influence the behavior of taxpayers regarding voluntary compliance, the Romanian tax

system, an analysis of the volume and structure of these arrears recorded at NAFA level, related to the tax debts of taxpayers legal persons and the validation of indicators on factors and causes that can influence the pro-active behavior of taxpayers by transmitting and processing a questionnaire in this regard.

SUMMARY OF CHAPTER I - TAXPAYER BEHAVIOR - INFLUENCE FACTORS, TYPOLOGIES OF BEHAVIOR

The first more relevant research has emerged in 1972 – Allingham, M.G., and Sandmo, A - which consider that "a penalty based on the level of undeclared income must be imposed to increase tax compliance". Understanding the taxpayer's behavior was the subject of a study by the Ireland tax department "Understanding Taxpayer Behavior – New Opportunities for Tax Administration" *The Economic and Social Review*, Vol. 43, No. 3, Autumn, 2012, pp. 451–475, which emphasizes that “in addition to the legal (tax) rules that influence the taxpayer's tax behavior, other factors that may influence taxpayers’ tax behavior must be taken into account, including trust in the tax administration that is very important”.

The understanding and methods of influencing the taxpayer's tax compliance behavior has also shown interest in the Organization for Economic Cooperation and Development (OECD) "Forum On Tax Administration – Understanding and Influencing Taxpayers Compliance Behavior, November 2010", a study showing that research on taxpayer behavior is a new and necessary area to establish strategies for lifting and strengthening voluntary taxpayer compliance.

A great deal of attention is paid in Australia to the analysis of taxpayer behavior and factors that may lead to increased voluntary compliance of taxpayers, including by

concluding a "psychological contract" between tax authorities and taxpayers whereby both partners have obligations and rights. (Feld, L.P. & Frey, B.S 2005). The theory-inspired model adopted by the Australian Tax Authority is evidence that theory can combine with practice.

In Romania there is less research in this area of compliance, but the topic was addressed by several authors among whom we mention: Bătrâncea, L.M., Nechita, R.A. "Understanding the determinants of tax compliance behavior as a prerequisite for increasing public levies"; (2012); Leonida, I. (2013) "Aspects on combating the behavior of tax non-compliance through ways of making the interaction between tax authorities and taxpayers more efficient" with reference and analysis, in particular, to the audit mechanisms' impacts on the taxpayers' behavior; Voicu, M. "Attitude towards taxes in Romania during the transition period" (2000); David, D. "Psychology of the Romanian People. Psychological profile of Romanians in a cognitive – experimental monograph", Polirom Publishing House (2015). The Ministry of Public Finance and NAFA have not taken into consideration yet an analysis based on theoretical findings on the taxpayer's behavior; the only approaches are those of applying sanctions or penalties and surcharges for late payment, i.e. by imposing legal rules in this area.

The main factors influencing the behavior of taxpayers dealt with in the thesis are those of economic nature, namely measures concerning the likelihood of taxpayers being subject to a tax audit, of being sanctioned by the application of fines and penalties provided for by the relevant legislation. Particularly bushy legislation with many strict and ambiguous rules, exceptions that often cause malfunctions, which is also confirmed by the questionnaires submitted. According to Leventă, G.S. (1980) "What should be done with equity theory?", the procedures are considered correct if they are consistent, error-free, representative, ethical.

Tyler, T.R. & Lind, E.A. (1992) "A Relational model of authority in groups" adds other criteria to the concept of procedural fairness, such as respectful treatment by the authorities, the voice of the authorities and neutrality.

Economic factors play an important role in tax compliance. A general conclusion is that factors that are positive for economic growth also tend to promote tax compliance. Economic factors comprise an astonishing amount of different very tangible variables that are in one way or another related to compliance.

In terms of the likelihood of being audited, previous studies (e.g. Allingham, M.G. and Sandmo, A 1972; Jackson, B & Jaouen, P, 1989; Shanmugam, S. 2003; Dubin, J.A. 2004; Riahi-Belkaoui, A. 2004; Richardson, G. 2006; Andreoni, J. et Al., 1998; Bergman, M. 1998; Verboon, P. & Van Dijke, M. 2007; Eisenhauer, J. G, 2008) note that a higher likelihood of being audited or detected by tax authorities will encourage taxpayers towards high compliance.

However, some studies find conflicting results, concluding that a high level of the likelihood of being audited may decrease compliance (e.g. Young, 1994; Slemrod, J. et al., 2001; Braithwaite, V. et al., 2009).

Political affiliation with certain political parties affects a person's opinion in decision-making. Cullen. J. B. et al. (2018) argued that when a large proportion of taxpayers has a positive view of the Government, a smaller share of income tax is evaded. Social (demographic) factors such as age, gender and education are major demographic factors (Tittle, C. (1980), Wärneryd, K. (1982, Wahlund, R. (1992) postulate a negative association between taxpayer compliance and age, indicating that older people are less compliant.

Studies by Hasseldine, J.& Hite. P.A. (2003) and Tittle, C. (1980) have found that female taxpayers have a higher degree of compliance than men. In contradiction,

Richardson, G. (2006), Amina & Sniy (2015) and Niway,A.W. (2016) stressed that gender does not have a significant impact on taxpayers' compliance attitudes.

Education is another demographic factor. This refers to the ability to understand the importance and role of taxpayers to declare and pay taxes and respect the rules. Bhatie, H.L. (1976), Chan, C.W. Troutman and O'Bryan (2000), Jackson, B.R. and Milliron, V.C. (1986), Kirchler,E. (2007) and Niway, A.W. (2016) also suggested that the level of education is directly related to compliance.

Tax Ethics – Tax Morality from a Theological point of view gives us a justification regarding the obligation to tax compliance through the New Testament which refers to the necessity of paying taxes through, probably the most well-known parable of Jesus, taken up in the Gospel of Matthew – chapter 22, verses 17 and 21, when asked, "Is it appropriate to pay Caesar or not?" The answer was, " Give to Caesar what is Caesar's, and to God what is God's"

The justification for the religious aspect of tax payment or tax evasion cannot be a factor in arguing that there is a possible non-payment. On the contrary, religion recognizing the importance of the state and respecting its obligations, comes up with arguments for paying taxes.

From a philosophical perspective this topic has been debated in philosophical texts since antiquity. Thus, Socrates said: "When there is an income tax, a just man will pay more, and the unjust one will pay less for the same gain; and even if there is something to receive one gets nothing and the other much" (Platon – "Republica", Cartea 1, Editura Științifică și Enciclopedică, București, 1986).

Philosopher Adam Smith believes that a healthy tax policy must follow four principles: "fairness, certainty, convenience of taxation and be cost-effective".

In order to ensure the amounts necessary to finance the public expenditure of the State, it was necessary to impose a system whereby the State perceived the collection of certain amounts of money from natural persons or different legal persons according to their income, wealth, earnings and which over time has taken on various forms and methods known and defined in the literature as taxes.

In order to be able to respect tax fairness, several conditions are required to be met: (Tulai, C., Inceu, A., Lazar, D.T.) to have a non-taxable minimum, „to be universal, general” to be established „based on the contributory power” which it holds and to have a „comparability of the tax burden” vertically and horizontally. In order to be effective, a tax, in addition, it should have a stable character, have the lowest cost of administration and be elastic. Last but not least, we must also remember the role of taxes from a social perspective by which the state intervenes in the economy to implement different public policies. Thus, through tax policy, taxes are given a role of tax leverage. The use of tax as a tax lever differs from country to country and this is strictly related to the public policies of each government.

From the psychological perspective Listhaug ,O. and Miller,A. (1985) show that the attitude towards taxes knows two different types of explanations, related to each other. One type of explanation emphasizes the "rational" component, while the second type of explanation concerns the political or symbolic factors involved. The morality of the taxpayer has been the subject of numerous researches in the field of psychology, especially in studies on the behavior of the taxpayer towards declaring and paying taxes.

A series of researches on the theory of the reasoned action of Ajzen,I. and Fishbein,M. (1980) have shown that the behavior is determined by behavioral intent. There are two important factors that determine behavioral intentions: a personal or attitudinal element and a social or normative one.

According to this theory, behavior is determined by behavioral intent. There are two important factors that determine behavioral intentions: a personal or "attitudinal" element and a social or "normative" element. As many researches have revealed, individuals play an active role in the influence that some have on others (Swan, W.B. 1985). Concepts relating to behavioral dispositions, such as social attitude and personality traits, have played an important role in these attempts to anticipate and explain human behavior. Icek Ajzen addresses cognitive self-regulation in the context of the mood perspective on behavioral prediction.

The theory of planned behavior is an extension of the theory of reasoned action (Ajzen,I. & Fishbein,M. 1980; Fishbein, M& Ajzen,I. 1975), which was imposed by the limitations of the original model in terms of behaviors over which humans have incomplete volitional control. Ajzen I. presents the theory in the form of a structural diagram.

The theory of planned behavior, in the sense of Icek Ajzen, postulates three independent conceptual determinants of intent. The first is the "attitude towards behavior", the second factor is a social factor called the "subjective norm", and the third premise of intention is the "perceived degree of behavioral control".

Understanding the taxpayer's behavior must not only be limited to non-compliance, but must take into account all the factors influencing the conduct and last but not least, how this behavior can be strengthened. Deterrence used fairly and rationally can be an effective tool to support existing social norms in favor of compliance, but it must be correlated with the message sent to taxpayers.

SUMMARY OF CHAPTER II - ROLE AND FUNCTIONS OF THE FISCAL SYSTEM

Within the national economy, the purpose of the tax system is to ensure that the national budget is supplied by tax collection, together with other means, to cover public needs. In the contemporary era, tax collection is achieved with the help of taxes.

The Tax System is defined by Carmen Corduneanu as: "a set of concepts, principles, methods, processes, with respect to a lot of elements (taxable matter, quotas, tax subjects), between which there are relationships that arise as a result of the design, regulation, settlement and collection of taxes and which are managed according to tax legislation, in order to achieve the objectives of the system" *Sistemul Fiscal în știința finanțelor* Ed Codecs, 1998, p.22.

It follows from the perspective of this definition that in defining the tax system we envisage a system of taxes, contributions, within a national economy, a set of methods, rules, procedures, which make up the tax system and which allow the establishment, administration and collection of revenue due to the State. This whole mechanism takes into account the fact that on the one hand we have the tax payer, and on the other hand we are talking about the authority of the state, more simply called the 'NAFA' which creates the framework by which this tax becomes an obligation to pay by citizens as well as the way of collection.

The main functions of the tax system are the incentive function, the social function, the control function.

Taxes as the basic component of the tax system are generally defined in the literature as "a form of tax levy at the disposal of the State, without direct, immediate and non-refundable counter performance, of a part of the income or wealth of natural and/or legal persons, with a view to covering public needs (Lazar, D.T. "Finance and public budgets", p. 156 op. cit.).

Among the main fundamental characteristics of the tax we can recall the pecuniary, forced, universal, definitive, judicial, financial character, the lack of direct and immediate consideration on the part of the State, the quality of fiscal leverage which taxes increasingly fulfil.

It is also mentioned the interpretation of Maurice Allais, winner of the Nobel Prize in Economics, according to which the general principles of taxation should be the following: "individuality, non-discrimination, impersonality of taxes, tax neutrality. The role of taxes is manifested in financial, economic and social terms, and is all the more significant because the part of gross domestic product redistributed through taxes is more important. As economic and social life became more complex, the growing role of economic taxes was noted. The interventionist function is found in at least two directions:

- to "facilitate" (some activities, development of sectors of activity through exemptions, reductions, granting of tax refunds, etc.;

- to "discourage" (by rates of taxes or consumption taxes levied on certain consumable goods, over taxation of services which may have an evasions' character, activities harmful to the environment, etc.) by various or additional taxes;

On a social level, the role of taxes is reflected in the function of revenue redistribution.

In Romania the tax system can be defined as one specific to a unitary state, with a centrally established tax system. Thus, all taxes are established on the basis of normative acts issued by the legislative power by laws adopted by parliament or by the executive power by government ordinances or emergency ordinances and are applicable to the whole country without any distinction in their application.

Locally, authorities have the possibility to intervene on local taxes also established at central level by increasing or reducing these local taxes but only within certain margins established by law at central level.

In Romania, since 2003, all these regulations concerning the tax system and fiscality have been contained in a single law under the name of the Tax Code, a normative act expected with great interest and especially accepted by all taxpayers.

In Romania, the task of managing and administering the tax system lies with the Ministry of Public Finance (MFP) through the National Agency of Fiscal Administration (NAFA).

Among the main functions of NAFA we exemplify:

- the administration of taxes that taxpayers are obliged to pay and declare to the budget;
- the control and the verification of the way in which taxpayers declare their tax obligations under tax regulations;
- the responsibility of tax collection by performing that function of "collector" on behalf of the State;
- the assistance services by guiding taxpayers on the tax line;
- the adoption of measures leading to the prevention and combating of tax and customs evasion and fraud;
- the coordination and verification of the structures under his command located throughout the country;

Under the direct subordination of NAFA operates at the level of each county in the country the County Directorates of Public Finance, and at the level of Bucharest, the General Directorate of Bucharest Municipality. The main role and mission of these County Di-

rectorates is to administer taxpayers who have their registered office/tax domicile within the range of those counties.

Since 2013, 8 Regional General Directorates of Public Finance registered in Ploiești, Timișoara, Cluj-Napoca, Iași, Brașov, Craiova, Galați and Bucharest have been established. These Regional Directorates have the role of monitoring, reporting, guiding and verifying the County Administrations at the level of each county under the regional Directorate and includes 4-6 County Tax Administrations, organized according to the model of the Regions of Development.

Also, under NAFA, a specialized structure has been operating since 2005 to manage the large taxpayers in Romania at central level. This structure, without legal personality at the beginning, was created with the aim and with a view to a more optimal and unified administration of these taxpayers.

“Taxation is, in fact, the most difficult function of government and that against which their citizens are most apt to be refractory” (Thomas Jefferson, 1743-1826).

The general principles in the administration of taxes in Romania are laid down in the Tax Code and the Tax Procedure Code as follows:

- neutrality of tax measures;
- the certainty of taxation, by drawing up clear legal rules that do not lead to arbitrary interpretations;
- tax fairness or fiscal equity;
- the principle of legality;
- unitary application of legislation on the territory of Romania, aiming at the correct determination of tax claims;
- exercise of the right of assessment;
- active role and other rules of conduct for the tax body;

- good faith;
- fiscal secrecy.

The tax claim is defined in the Code of Fiscal Procedure as "being the right to collect any amount due to the consolidated general budget, representing the principal tax claim and the ancillary tax claim", i.e. the right of the tax body to collect taxes and social contributions, interest, penalties or increases relating to such tax claims, and "the right to collect taxes, duties and social contributions as well as the right of the taxpayer to the refund of the amounts paid without being owed and to the reimbursement of the amounts due". (Law No 207/2005)

In conclusion, I would like to point out that everything that the tax administration part means is an important part and constitutes a fairly complex process, and the purpose and way in which this process is managed is reflected in the amount of revenue received by NAFA and the amount of this revenue depends on how the amounts necessary to finance public expenditure can be allocated, which will implicitly generate the well-being of the population. A good strategy of NAFA must be based on stability, competence in the tax field, a well developed IT system, a management based on clear long-term objectives that also have continuity and not least on a collaborative relationship with all taxpayers based on mutual trust.

SUMMARY OF CHAPTER III – STUDY ON FISCAL ARREARS OF JURIDICAL PERSONS IN ROMANIA

In this chapter, a study was carried out on the tax arrears of legal entities in Romania on the basis of data provided by the Directorate for Monitoring and Accounting of Claims within NAFA. The database comprises the evolution of tax debits declared by corporate taxpayers or established by the competent bodies within NAFA, and which are not paid or

extinguished by payment until the legal maturity date, so that these tax debits automatically become tax claims or arrears receivable. Centralized data are extracted from the analytical record of each taxpayer legal person from all over the country which is then reported and centralized at NAFA level. The Directorate of Monitoring and Recording of Claims is known within the tax authorities as the "Collection Capacity". The objective of this research was to capture how tax debts declared by corporate taxpayers, not paid at the legal deadline, are administered at the level of the tax authorities and to make a value analysis of these arrears. Thus we analyzed the annual revenues received by NAFA from its inception until the end of 2018, then moving on to the analysis of arrears according to the state in which they are highlighted according to the procedures for collecting tax allowances. Following this analysis, the main conclusions that emerge from this study are:

- The revenues received by NAFA in the period 2004-2018 had an increasing trend with one exception, in 2009, with a decrease in revenues of 6,3% compared to 2008. Compared to the evolution of GDP broadly we have the same upward trend, and an average of the period 2004-2018 shows us that the average percentage of GDP growth was 10,37% and the NAFA's income was 9,79%. The share of NAFA revenues in GDP oscillated around an average of 27,27% with the mention that the highest share was recorded in 2007 by 28,78% and in 2017 this percentage decreased to 25,74%, so that at the end of 2018 the percentage was 25,71%. With this percentage, Romania, according to Eurostat data, occupied the last three places in the EU in the share of tax revenues in GDP, with the average of EU countries (excluding the UK) being 41,1%. Regarding the structure of NAFA's revenues, it is noted that the share of state budget revenues, on average for the period 2004-2018, represents a percentage of 66,4%, of the Health Insurance Budget 10,48%, of the Social Insurance Budget of 21,72%, and that of the Unemployment Fund Budget of

1,37% . Within the state budget the largest share is indirect tax, VAT and excise revenues, which account for more than 55% of the state budget's revenue. The issue of the amount of VAT income is still a problem for the tax body in Romania, because according to a press release of the European Commission the non-collection deficit of VAT in Romania is estimated at 35%.

- The total tax arrears in the tax authorities' records representing: taxes declared by the statements filed by taxpayers as well as the amounts additionally determined by tax inspections on the basis of tax rulings, at year level is between 66.443,48 million lei and 163.567,32 million lei at the end of 2019.

Their value in euro is 34.470,06 million at the end of 2019, and on average for the period under review their value was 29.695,98 million euros. On average, these arrears increased by 10% over the period under review. The highest volume of arrears recorded during a year is recorded in 2009 in the amount of 66.793,44 million lei and also compared to 2008 we have the largest year-round increase in the period, of 55,53% compared to the previous year. The value of these arrears relative to GDP in those periods shows us an average percentage of 19,39% and 72,23% average share of the NAFA revenues in the same periods. A simple calculation made by me whereby if 10% of these arrears had been received each year, the tax revenues in GDP would have been at least 2% higher. All these amounts must give thought and the causes leading to such a level of arrears must be analyzed and measures to reduce these arrears must be made in advance.

- The situation at the level of regions is not very conclusive on the grounds of the organization of the management structures within NAFA, however we can see that the structure of Large Taxpayers at central level and the Bucharest Region amounts to between 45-50% of the volume of these arrears, also explainable by the fact that it

manages the most and largest companies in the country. The lowest share of these arrears is recorded at the level of the Region of Craiova (south-west) with an average share of 5.42%, while the other regions have an approximately equal share around 7-8%.

- The highest volume of arrears as a share in total arrears represents arrears recoverable by enforcement. They have a share, on average over the period considered, of 50,67% of the total arrears at country level. The period's average of these arrears is 62.710,64 million lei, with an average increase of approx. 12% in the period under review. The year 2009 has the highest volume of these arrears, i.e. 83.471,84 million lei, the highest in the period, and the lowest value is recorded in 2006 with 44.247,24 million lei and 2017 with 47.854,84 million lei.

The average share of these arrears relative to NAFA revenues is 38,76 %.

These arrears from the point of view of the tax authorities are considered recoverable arrears and are most likely to be collected. Depending on the state of these recoverable arrears, we have arrears in enforcement and arrears for which enforcement has not been commenced.

-Arrears in enforcement represent on average 41,82% of the volume of recoverable arrears, and compared to total arrears they represent 21,19% of total arrears per country. The average value of these arrears in the period considered was 38.081,09 million lei, 2012 with 27.939,02 million lei has the highest value, and 2018 with 17.589,06 million lei the lowest value. The share of these enforced arrears relative to NAFA revenues on average was 15,77%.

-Arrears for which enforcement has not been commenced represent the largest share in total recoverable arrears, i.e. 58,2%, and compared to total arrears at country level, they represent 29,49%. During the period analysed, on average, the value of these

arrears was 38.081,09 million lei, and the highest value is found in 2009 with 56.735,62 million lei, where the largest annual increase of 167,8% is recorded compared to 2008. The lowest value is recorded in 2008 with 21.185,50 million lei. Compared to NAFA revenues on average the value of these arrears was 21%.

- The arrears representing payment by installments are also arrears which are recoverable because in these cases there are agreements concluded between the taxpayers and the tax bodies and thus ensure the payment on time of both the rates in the payment charts and the payment of the current tax debts, and in case of automatic non-payment these arrears fall into the category of those executable by the enforcement procedures provided for by the Code of Fiscal Procedure. These amounts should not actually be considered arrears but, because they are not yet collected and depend on the exact observance of the agreements concluded, they are reflected in the records of the tax authorities and in the analytical file of each payer in this situation as recoverable arrears. The evolution of these arrears depends very much on the legal rules adopted in this regard. Thus it can be observed that in the period 2006-2019 they represent a very small share in total arrears. If in 2006 their value was 1.460,94 million lei and related to ongoing conventions as a result of a provision on the possibility of granting instalments, their volume by the end of 2009 decreased to 59,26 million lei, this decrease came against the background of the lack of provision for the granting of instalments for payment. With the advent of the first regulation allowing payment instalments from 2010 onwards, their volume increased year by year, and at the end of 2019 their volume was 5.849,44 million lei, and their share in total arrears reached 3,58%. In practice, this procedure on payment instalments is not well seen by taxpayers with a high spirit of fiscal compliance since, in their view, it is a way of encouraging non-payment of tax obligations on

time and more over so of offering facilities such as reduction of penalties or late increases, since those with 100% compliance do not receive any benefit from the State. On the other hand, NAFA considers it a safe way to recover tax arrears, prevent large debt firms from entering insolvency and ensure that all current obligations arising after the instalments are met. Another argument of NAFA is that it is a way to increase revenue to the budget, but these arguments unfortunately have a momentary effect and not a long-term one on increasing the level of collection and compliance with payment.

- Insolvency taxpayers' arrears are generally arrears which usually cannot be collected or have a very low almost insignificant degree of collection. However, we are talking about an average volume of the period analyzed of 2.846,77 million lei amounts that are not in principle collected or have a chance of being recovered well below 1%. The problem of these arrears is for the tax bodies to prevent such situations and to take strict and firm measures over time. I must also mention that in practice there are cases where the tax inspection bodies conclude control acts by establishing additional amounts either only on the basis of information received from other research bodies or by taxpayers who have neither good nor activity and often cannot be found at their head offices.
- Arrears suspended from enforcement under special laws have an insignificant share in total arrears. They had a higher share only in the first years of the analysis, and as there were no longer provisions to cut off some state-owned companies that were subject to privatization programs their share fell below 0,5%. The purpose of these postponements for exemption was to create a more attractive picture of the various state-owned companies covered by different privatization programs. During the period under review we have an average value of 979 million lei related to these

arrears with the indication that at the end of 2019 their value was 29,48 million lei. The last increase in these arrears was in 2015 when it was the last regulation on a set of state-owned companies put up for sale, and in order to provide a more attractive framework for these companies all with debts lower or higher to the budget, the legal framework for exemption from part of the accumulated debts was created. As a rule, these amounts are also amounts that have not been collected by NAFA.

- Arrears suspended from enforcement are another important category in budgetary arrears and also pose a rather high risk in terms of their receipt. The evolution of these arrears in the period 2006-2019 shows us that they had an increasing year-on-year trend with an average year of growth of 15,10%, with the largest annual increase recorded in 2009 compared to 2008 and an increase of 40,91%, and the smallest increase in 2016 compared to 2015 with an increase of only 2,36%. The average value of the period is 59.195,98 million lei, and if at the beginning of the period analyzed their value was 17.100,02 million lei at the end of 2019 their value reached 100.821,83 million lei. The share of these arrears in total recorded arrears is 44% and relative to NAFA revenues their share is 31,74% on average over the period considered. The suspended enforcement arrears recorded during the year have a share of 18,26% in total arrears suspended at the year level, the years 2013 and 2015 with a share of more than 25%. This increased level of these arrears should be a wake-up call for tax bodies to analyse the causes that lead to such a level of these arrears and to find factors that could influence the reduction of these arrears, especially since we often have a very low rate of collection from these arrears. The problem of insolvency is one of the most common problems contributing to this high level of these arrears, but the attention of NAFA should turn to prevent such a situation.

- Revenue from recoverable arrears in relation to NAFA revenues for the period represent an average of 20,83%, which basically shows that only 80% of NAFA's revenue represent payments related to debits within the legal maturity, but the percentage may be even lower if we also take into account the revenue from the other arrears. On average in the period considered the amount of collections for recoverable arrears was 33.481,63 million lei, and an average annual increase of the period is around 8,5%. The percentage of collection of recoverable arrears is on average 56,22%. Since according to the Tax Procedure Code the liquidation of tax debts, called the settlement of tax debts, can be done either in cash or by means of payment methods other than bank accounts, if at the receipts we also collect these arrears in other ways we have an average annual settlement of these recoverable arrears of 77%. The highest amount of receipts in this period shall be recorded at the level of 2009 both in total receipts and in terms of receipts relating to recoverable arrears recorded during the current year. Regarding the state of recoverable arrears, i.e. those in enforcement or those for which enforcement has not commenced, their receipts shall be presented as follows:

- Receipts related to arrears in enforcement during the period under review have an average of 10.095,51 million lei, and those in other ways of 2.702,20 million lei, which represents total settlements of arrears in enforcement amounting to 12.801,71 million lei. Compared to the total arrears in enforcement, these receipts mean a liquidation of 51, 92% of these arrears.
- Receipts relating to recoverable arrears for which enforcement has not been started, on average record a value of 22.648,61 million lei, and the average value of extinguishments by other payment methods was in the amount of 6.613,38 million lei, (excluding year 2018) so that the total value of the settlements of these arrears

for which the enforcement has not started was 29.064,11 million lei. The share of these settlements in total recoverable arrears for which enforcement has not begun has an average of 92,48%. The share of settlements related to arrears recorded in the current year represents approx. 90%. The year 2009 has the highest value in terms of both receipts from these arrears for which enforcement has not been started and settlements by other means of staining. These data show that still quite a large volume of tax obligations are "pushed" to the maximum payment limit given that more than 90% of arrears recorded in the current year are extinguished in the current year.

- Arrears recorded in the current year record an average annual value of 55.666,45 million lei (excluding 2018) and represent about 44% of the total arrears at year level. Year 2009, with a value of 66.793,44 million lei represents the highest value. In general, these arrears have the same evolution as total year-level arrears.
- The remaining arrears to be recovered from the non-recoverable arrears represent on average for the period analyzed an amount of 54.520,96 million lei and 12.463,12 million euros respectively. The average annual recovery percentage for these arrears is 13, 4%. The evolution of these arrears during the period under review shows us the trend of growth year after year which makes the value of these arrears at the end of 2019 to be 91.688,87 million lei and 19.322,45 million euros respectively.

An overview shows us that the volume of arrears is quite high with the indication that those who are suspended from enforcement have had a rapid pace of growth. Thus, a closer analysis of these arrears is required as well as a risk management of the early identification of potential taxpayers who have a lower degree of compliance. The high values of these arrears show us that through better management and analysis there are still sufficient resources through which the level of NAFA revenue could be increased.

Budgetary arrears representing taxes and fees payable on payment in accordance with legal provisions but not paid by taxpayers legal entities should be a permanent problem of the tax bodies, in that any reduction of these arrears automatically leads to an increase in tax revenues.

The issue of fiscal civism and accountability regarding the role and importance of full and timely payment of taxes is still far from being at an appropriate level.

SUMMARY OF CHAPTER IV - EMPIRIC ANALYSIS ON THE LEVEL OF PARTNERS IMPLICATED IN THE PROCEDURE FOR DECLARATION AND PAYMENT OF FISCAL DEBITS TO NAFA

The proposed objective was to validate influence factors in measuring the performance of NAFA services in achieving its objectives of stimulating the pro-active fiscal behavior of taxpayers and the factors that may influence this behavior.

The measuring instrument used was the closed, open and mixed question questionnaire, in order to obtain as much information as possible from respondents and to provide the possibility that their answers would best cover the proposed objectives with as complex information as possible. These responses were analyzed and processed exactly as formulated by respondents.

Following the transmission of these questionnaires in the online environment, 265 responses were received from all over the country.

The main objectives pursued were:

1. Measuring the level of satisfaction of taxpayers with the services provided by NAFA;
2. Identification of the main factors that may influence the increase in taxpayers' voluntary compliance with the payment of taxes;

3. Identification of the causes that discourage the pro-active behavior of taxpayers in voluntary compliance, as well as the causes that lead to a lower degree of voluntary compliance.

Following the processing of the data in the questionnaire, we must take into account the following more relevant aspects:

- the level of satisfaction of taxpayers for the services offered is low, 53.2% of the total respondents expressed their opinion as "very dissatisfied or dissatisfied", also finding a link with the function and domicile of those questioned (Table no. 21);

Table no. 21 How satisfied are you generally with NAFA services?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very dissatisfied 1	60	22.6	22.6
	Dissatisfied 2	81	30.6	53.2
	Neither dissatisfied, or satisfied 3	94	35.5	88.7
	Satisfied 4	27	10.2	98.9
	Very satisfied 5	3	1.1	100.0
	Total	265	100.0	100.0

Source: author processing

- in order to verify the effectiveness of the communication and information services provided by NAFA, the following question was formulated in the questionnaire "To what extent do you agree with the following statement: Are NAFA's information and communication services effective? Do they achieve their goal?"

Following the processing of the data, the following responses were obtained (Table 23):

Table No. 23 To what extent are NAFA's information and communication services effective

	Occupation					Total
	Other freelancers	Private sector employee	Public sector employee	Employer/business owner	Tax consultants/accountants/financial auditors	
To what extent do you agree with the following statement: NAFA's						
Total disagreement 1	19	8	0	3	45	75
Disagreement 2	15	8	1	3	56	83

information and communication services are effective (achieve their objectives)	Undecided		15	8	1	1	47	72
	Agreement	4	4	6	0	0	14	24
	Total agreement	5	0	0	2	1	8	11
Total			53	30	4	8	170	265

Source: author processing

As noted, 60% of respondents consider that NAFA's information and communication services are not effective and do not achieve their goal, 28% of which have expressed total disagreement. Only 13% considered NAFA services to be effective, of which only 4% expressed a total agreement. The percentage of those who expressed a neutral agreement was 27%. The average of the responses on the grid from 1 to 5, in which 1 is total disagreement and 5 total agreement, is 2.29.

In view of the above, I believe it is important to approach a new strategy whereby confidence increases, and with increased confidence, the level of voluntary compliance will also automatically increase, as theoretical research has shown. It is important that the messages that NAFA sends, through various channels, have a tone of awareness of the importance of paying these taxes in full and on time, and these messages must come from both central and local level, given that NAFA is represented throughout the country.

As regards the factors which may influence the increase in compliance with the payment of taxes taken into account in the survey, as well as the averages of these factors according to the frequency of variables, are presented in Table No. 24.

Tabelul nr. 24 Factors that may influence voluntary compliance

Factors	Average
Providing tax facilities in the event of full and timely tax reporting and payment would also lead to increased voluntary compliance	4.52
The existence of a partnership (assumed contract) between the tax authority and taxpayers, whereby both partners have clearly specified rights and duties, would lead to an increase in voluntary compliance	4.31
Simplification of procedures	4.28
Online filing and payment of tax obligations also leads to an increase in the voluntary compliance of taxpayers	4.23
NAFA infrastructure/electronic applications	3.90
Legislation	3.54

NAFA regulations	3.28
The probability of triggering checks and controls by NAFA is a factor influencing the taxpayer's behavior with regard to voluntary compliance	3.17
Transmission of a letter on the destination and use of amounts collected from taxes and charges	3.01
Behavior of NAFA employees	2.98
The immediate initiation of enforcement procedures (blocking of accounts, applying seizures to assets, etc.) would lead to greater compliance with the payment/declaration of tax obligations	2.79
Penalties for non-payment stimulate behaviour on timely payment of taxes and charges	2.77

Source: author processing

As it can be seen, the influence on a higher degree of payment compliance is the granting of a facility of any kind for those who declare and pay taxes in full, with an average of 4.52. The percentage of those who consider that this factor has a very large impact on payment compliance is 67.55% and 21.89%, to a large extent, agree. The percentage of those who consider that this measure has little and very little influence on compliance is only 3.14%. The influence factors used in the study, which discourage voluntary compliance behavior in taxes and charges, as well as the percentages of responses received, are presented in Table No. 27.

Table No. 27 Processing data on factors discouraging payment compliance

		To a very small extent	To a small extent	Neither in small nor large extent	To a large extent	To a very large extent
Too frequent change in tax legislation and tax procedures	frequency	3	3	17,	47	195
	%	1,1	1,1	6,4	17,7	73,7
The lack of a partnership climate leads to a lack of interest in compliance with	frequency	11	17	36	70	131
	%	4,15	6,42	13,58	26,42	49,43
Communication and behaviour of NAFA employees	frequency	16	28	40	74	107
	%	6,04	10,57	15,09	27,92	40,38
The cause of tax evasion to large taxpayers is due to corruption	frequency	21	33	59	62	90
	%	7,9	12,5	22,3	23,4	34
The cause of evasion to small taxpayers is due to the	frequency	29	39	61	45	91

influence of the	%	10,9	14,7	23	17,1	34,3
Current level of penalties	frequency	24	38	98	67	38
	%	9,1	14,3	37	25,3	14,3
Tax level too high	frequency	30	46	69	53	67
	%	11,3	17,4	26	20	25,3
Penalties for failure to pay on time	frequency	63	43	94	40	25
	%	23,8	16,2	35,5	15,1	9,4
Sanctioning tax evasion	frequency	100	54	57	29	15
	%	41,5	20,4	21,5	10,9	5,7

Source: author processing

According to the data from the processing, it is noted that the problem of too often changing tax legislation has an influence on the reduction of compliance with the payment of taxes. A significant percentage of respondents, 91.4%, consider this factor to be very large and highly non-compliant, and only 2.2% consider the effect to be small and very small, a deterrent.

This shows us that the importance that fiscal stability has on tax compliance is one that those who are entitled to legislate in the area of tax legislation should take very much account of.

The lowest average, depending on the frequency of variables, is found in the way respondents consider tax evasion to be properly sanctioned.

The average of this influence factor is 2.19 on a scale of 1 to 5, in which 1 is total disagreement and 5, total agreement. 61.9% of respondents believe that the phenomenon of tax evasion is not properly sanctioned, and only 16.6% consider this phenomenon to be correctly sanctioned.

Respondents also identified a number of factors that cause the phenomenon of non-reporting of state income, such as:

- large firms have political support;

- influence peddling;
- infiltrating politicians with their mercantilist interests in the regulatory structures of economic and financial activities;
- the sale of the integrity of senior officials for small sums;
- high taxation;
- the complicated way of calculating taxes; the countless declarations to be submitted are the main causes of non-declaration of income;
- the legislation does not apply uniformly to all taxpayers, which also causes small taxpayers to postpone voluntary compliance or encourage them to stop practicing it at all.

This analysis shows that one of the main problems of increasing voluntary compliance starts with the fact that the taxpayer-NAFA relationship is not based on a trust partnership, but rather on one based on the power conferred on state authority. The level of satisfaction with the services offered by NAFA is still relatively low, which shows us that this should be in the attention of NAFA.

Another relevant aspect after data processing is that a significant percentage of taxpayers consider too frequent changes in tax legislation to be a factor leading to a degree of non-compliance shared by a significant number of respondents.

I could say that, in principle, the factors that have an influence on taxpayers' attitudes towards tax compliance, which have been found in theory through various studies or researches in the field, are also found in the replies received following the processing of the data in the questionnaire. Thus, I could say that, although the problems are known, it remains the will of the decision-makers to translate the findings from theory into practice.

CONCLUSIONS AND RECOMMENDATIONS

Each time, NAFA strategies are discussed, two issues are foreseen as of a primary necessity:

→ one concerns the issue of NAFA computerization, both on the equipment line and in the case of computer applications;

→ the other, is the efficiency of revenue collection.

I wanted to stress this because most taxpayers cite the poor performance of the IT system in NAFA, which is also noted by the questionnaire applied.

Studies have shown that, in addition to measures of coercion towards a high degree of voluntary compliance, the message that the state authority conveys to the taxpayer is very important, but unfortunately the message sent, by which the Ministry of Public Finance has abandoned an NAFA modernization program, does nothing but have a negative effect on voluntary compliance.

The issue of tax legislation and procedures raises a problem among taxpayers, also confirmed by the answers received from the questionnaire applied. The frequent changes in tax legislation send a new negative signal to taxpayers, reinforced by the fact that, although any amendment to the Tax Code should be published 6 months before its entry into force, this principle of the Tax Code is few times respected.

New Tax Code - Law No. 227/2015, from its appearance until June 2020, has already had a number of 98 changes through various regulatory acts, and the old Tax Code, during its period of validity, has been amended 158 times. The adaptation of the tax provisions to the Directives adopted in the EU or of decisions of the European Court of Justice, in this regard, are very late, sometimes even against the background of possible sanctions that may arise as a result of the non-translation of these Directives. This often leads to divergences in tax matters that the representatives of the tax authorities do not take into account,

and so, in addition to a negative message from the tax system, there are also additional expenses arising from the disputes that arise.

The share of total arrears that are recorded in NAFA records must necessarily constitute a careful analysis by NAFA, with a view to identifying methods and possible measures, which could limit their value. It is necessary to find ways for enforcement to intervene on time in order to avoid the insolvency of some taxpayers, given that the rate of collection of unrecoverable arrears at the end of 2017 was about 6.86%, and in the first 8 months of 2018, the recovery rate of claims in the credit order was only 0.28% of the consolidated general budget revenue collected by NAFA.

In view of the above, I believe that the financial administration must move on to a more careful inventory of these arrears and to the coercive measures imposed by the power of the law, also to use the mechanisms by which the taxpayer's conduct can be influenced, in the sense of awareness of the payment of taxes. Also, in this respect, psychological studies or models already experienced (see Australian and New Zealand model) should necessarily be considered and put into practice.

By the aspects captured during this thesis, I believe that, by combining theoretical and practical aspects, methods could be found to influence the taxpayer's attitude towards a higher degree of voluntary compliance.

This paper is an attempt to demonstrate the existence of resources that could lead to a greater degree of voluntary compliance, and the information in the database used can at any time be a starting point for further analysis and research in this regard. Any studies may be used and carried out for the benefit of the academic community and the authorities, with a view to adapting measures and rules to raising awareness of taxpayers' attitudes towards timely payment of taxes.

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ANAF - Bază de date;

EUROSTAT - bază de date statistică a UE.

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LIST OF ABBREVIATIONS

ANAF –NAFA -National Agency for Fiscal Administration;
MFP - Ministry of Public Finance;
UE-EU - European Union;
OECD – Organisation for Economic Cooperation and Development (
O.P.A.N.A.F. – Ordin al Preşedintelui Agenţiei Naţionale de Administrare Fiscală;
SA Organization for Economic Cooperation and Development;
PIB -GDP - Gross Domestic Product;
FMI- IMF - International Monetary Fund;
BM -WB - World Bank;
BS - State Budget;
BGC - Consolidated General Budget;
BAS - Social Insurance Budget;
BASS - Social Health Insurance Budget;
TVA- VAT - Value Added Tax;
VAT GAP - Value Added Tax Non-Collection Goal;
O.U.G. - Government Emergency Ordinance;
O.G. - Government Ordinance;
O.P.A.N.A.F. - Order of the President of the National Agency for Fiscal Administration;
SAF-T - Standard Audit File - TaxF-T – Standard Audit File - Tax