

„BABEȘ-BOLYAI” UNIVERSITY CLUJ-NAPOCA

FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION

PHD THESIS

STUDY ON TAX EVASION IN ROMANIA AND WITHIN THE EUROPEAN CONTEXT

~ SUMMARY ~

SCIENTIFIC COORDINATOR:

Prof.dr. Ioan BĂTRÂNCEA

PHD CANDIDATE:

Nicolae-Aron PETRIC

CLUJ-NAPOCA

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KEY WORDS: tax evasion; corruption; shadow economy; tax heavens; fiscal pressure.

INTRODUCTION

The doctoral thesis titled „**Study on tax evasion in Romania and within the European context**” addresses an extremely current topic for national tax theory and practice. Knowing the issue of tax evasion involves a complex and difficult approach due to the multitude of studies, reports, opinions or attempts existing in the specialized literature that aim to contribute in mitigating its negative effects, experienced by the entire society.

The originality of the thesis consists in the fact that it proposes a unitary approach to theoretical aspects, combined with the need for a practical approach to eliminate potential confusions. The research purpose is to identify and present in detail the situations involving genuine evasion, which subsequently facilitates possibilities of mitigating the phenomenon, since the total eradication of tax evasion is practically impossible.

The doctoral thesis was structured on two components:

- One part of *theoretical* substantiation of concepts and the semantic content of some specialized terms used throughout the research;
- One *practical* part, which highlights dimensions of the phenomenon, developments and practical examples.

In developing theoretical and practical foundations, I emphasized the logic of arguments, keeping in mind what generally proves to be valid in opinions expressed by specialized literature. Regarding the conceptual dimensions that did not express the essence of evasion, the approach of the thesis is a critical one, as they are considered the result of an insufficient understanding of the essence of evasion. I have emphasized the delimitation of tax evasion from other causes triggering decreases in budget revenues because not all of them represent tax fraud.

Literature review

The research topic is extremely engaging, complex and interesting as it allows for interdisciplinary studies. Thus, the phenomenon of tax evasion has been intensively addressed in the national and international specialized literature by economists, financiers, lawyers, sociologists, etc. (Abdixhiku et al., 2017; Bag & Wang, 2021; Bethencourt & Kunze, 2020; Blesse, 2023; Casi, Spengel, & Stage, 2020; Chiarini, Ferrara, & Marzano, 2022; D'Avino, 2023; Dell'Anno & Davidescu, 2019; Di Nola et al., 2021; Goerke, 2013; Gupta & Makena, 2020; Harju, Kosonen, & Slemrod, 2020; Ishak & Farzanegan, 2020; Kamm, Koch & Nikiforakis, 2021; Levaggi & Menoncin, 2016; Menkhoff & Miethe, 2019; Maslet et al., 2019; Raikov, 2021;

Sacco, Arenas, & De Domenico, 2023; Skenderi & Skenderi, 2022; Uyar et al., 2021a, 2021b; Yamen et al., 2018).

Throughout the work and in the reference list, I highlighted the most relevant sources from the literature that deal with the phenomenon of tax evasion, namely books and book chapters, monographs, treatises, scientific articles, reports and yearbooks from certain international bodies, official statistics and recognized databases, important legislative landmarks.

Research methodology

Research methodology includes data collection techniques from international databases such as the World Bank, Eurostat, Freedom House, the Basel Institute for Governance or the National Institute of Statistics (INS). The quantitative approach involves econometric studies on the connection between tax evasion and the phenomenon of economic growth, the synchronicity of factors with respect to corruption and shadow economy and, above all, the impact of an expanding fiscal pressure on social welfare, while financial crises are registered across economies. In this sense, I used descriptive statistics, correlations and panel data regression.

While conducting this research, in addition to documentation, I have also used comparative analysis on a sample of 27 states from the European Union (including Romania). In order to estimate the econometric models, I used the statistical program Eviews version 12.

CHAPTER 1. ANALYSIS OF TAX EVASION AND TAX FRAUD2

The chapter highlights several aspects regarding the relationship between tax evasion and tax dodging because there are frequent opinions that put the sign of equality between these notions. I first tackled the whole, namely tax dodging, defined as *avoiding the payment of obligations to the state or the bearing of it through various acts and deeds, which violate or not the legal provisions*. Based on this, I established the place and essence of tax evasion within the framework of tax dodging.

The doctoral thesis presents the main categories of tax evasion. According to the Romanian specialized literature, there are two categories:

- illegal or illicit;
- legal or licit.

Although this delimitation of tax evasion is not new, it was not highlighted in the literature before the 1990s. In my personal opinion, the delimitation criterion regarding the *reference to legal provisions* cannot be taken into account because it would mean the existence of references in the law that justify the existence of legal evasion. Therefore, I consider that any tax evasion, no matter how it occurs, implies the dodging of tax obligations and it represents a violation of legal provisions, so **evasion can only be illegal**.

However, why would the legality of evasion be supported in certain situations? The examples given as arguments in favor of the so-called legal evasion are divided into two categories. The first category includes fiscal facilities. The fact that they are provided in the law as tax exemptions or reductions, fees and contributions does not represent a logical argument according to which they are forms of evasion. These do not represent payment dodging, but “exemptions and discounts”. And deductions and exemptions are not synonymous terms.

The second category includes various legislative loopholes, namely those opportunities to not pay or to pay less taxes and fees by “skillful use of the possibilities provided by the law”. Due to the fact that laws cannot be perfect, they cannot capture all the situations of obtaining a taxable matter, nor all the situations in which tax subjects may find themselves, it cannot be said about taxpayers that they evade legal provisions. As the saying goes, “what is not prohibited by law is permitted”. On the other hand, the practice of tax evasion by exploiting legal loopholes is *not the result of the legislator’s will*, therefore, it also constitutes a violation of the law. Thus, this doctoral thesis does not consider legal tax evasion occurring “under the cover of the law” because it violates the will of the legislator. This is a non-fraudulent tax evasion but it is illegal tax evasion.

The impact of the phenomenon of tax fraud on the economy is a relevant topic. In my personal opinion, tax fraud impacts all taxpayers, whether they voluntarily comply or not. There are also numerous situations in which the acts of tax fraud are not identified or certain aspects are intentionally omitted so that some economic entities remain unsanctioned. Until now, this phenomenon has been categorized by many specialists as very difficult to eliminate. However, fiscal authorities (especially ANAF) make considerable efforts to reduce the phenomenon and systematically identify deviations.

Although tax evasion and tax fraud are encountered globally, I will refer to the manifestations of this phenomenon in Romania and the European Union. The studies that I carried out highlighted the fact that in Romania the GDP per capita was positively influenced by the level of education and the phenomenon of money laundering. According to the results, as the level of formal training increases, the GDP per capita registers an upward trend, a particularly important aspect in the long run. Money laundering also had an impact on GDP per capita. From an economic point of view, although the phenomenon of money laundering is a negative one, its contribution to the increase of GDP per capita could translate into the fact that a large part of the sums obtained from money laundering can return to the economy and the social environment through investments in residential buildings, durable goods, housing modernization, manufacturing and trade companies (Voicu, 1999).

I also found that an increase in economic crime generated a decrease in GDP per capita. From an economic point of view, an increase in the number of economic crimes is highlighted by an increase in tax evasion through nonpayment of taxes and fees to the state budget, human trafficking, smuggling activities with various goods. This negative phenomenon causes a reduction of budget resources, negatively influences the investments in the economy, the financing of budget deficit and public expenses (Afonso & Alves, 2023; Surrey, 1973; Trachanas & Katrakilidis, 2013).

Last but not least, I analyzed the extent to which money laundering was influenced by the level of education and economic crime in Romania. Results showed that the level of education positively influenced the phenomenon of money laundering. Thus, the less educated taxpayers are, the more they are tempted by various tax evasion methods (Seligman, 2018).

Following the analysis undertaken at the level of the regions in Romania, I noticed the following aspects. Thus, GDP per capita was positively influenced by the level of education and the phenomenon of money laundering in regions such as Center, North-West, South-East, South-Muntenia, South-West Oltenia and West. In addition, according to estimates, in the Northeast region, money laundering did not significantly influence GDP per capita.

Also, results indicated that an increase in economic crime generated a decrease in GDP per capita in all regions of Romania. The variable that captured the phenomenon of money laundering was influenced by the level of education and economic crime. In the case of the North-West, Center, North-East, South-Muntenia and West regions, the link between the level of education and the phenomenon of money laundering was positive. On the other hand, for the counties in the South-East and South-West Oltenia regions, an increase in the level of education would decrease the tendency of taxpayers to get involved in money laundering. In addition, according to results, an increase in economic crime led to a decrease in the phenomenon of money laundering in regions such as the North-West, Center, North-East and West. In the case of the South-East and South-West Oltenia regions, the number of economic crimes negatively influenced the phenomenon of money laundering.

CHAPTER 2. SHADOW ECONOMY, CORRUPTION AND TAX EVASION

Chapter two highlights the fact that the fiscal system in Romania is very dense, unstable and incoherent. The fiscal instability in our country can be easily ascertained. Since the revolution of 1989 and until now, more than 32,000 normative acts have been adopted. Because of this, economic agents are unable to plan their long-term business development. At the same time, the excessive number of constantly changing normative acts (some annulled, others only partially annulled) makes it impossible for taxpayers to know exactly the legislation in force. In order to understand a law, application rules, instructions, clarifications of fiscal commissions must be developed.

The high level of taxes and duties, as well as the large number of fiscal obligations, is also due to government policies that grant numerous tax and duty exemptions, tax debt rescheduling to companies with majority state capital or even to private companies. These tax facilities granted to commercial companies tend to create tax inequities (Scheve & Stasavage, 2016). Therefore, there is a violation of a fundamental principle of taxation, namely fiscal equality. In fact, it can be said that we are even witnessing tax discrimination because not all taxpayers can benefit from such facilities. As Voltaire said, “*in matters of taxation, every privilege is an injustice*”. By excluding some important budgetary resources, the same amount of revenues collected by the state will have to be borne by a smaller number of taxpayers. Consequently, the fiscal pressure will increase and will cause other taxpayers to operate in the underground economy. Although the state, by granting fiscal facilities, aims to strengthen a healthy economy, the effect is that of increasing the underground economy.

Fraudulent tax evasion refers to acts committed intentionally by some taxpayers in order not to pay the tax obligations owed to the state and to make a profit from violating the state’s provisions (Viandier & Lauzengheim, 1993). All these acts represent **forms of fraud, theft** at the expense of the state and are practiced by some taxpayers for their own benefit, respectively for the rounding of profits. **Fraudulent tax evasion is always illegal, illicit.**

Following the reports of the bodies empowered to prevent and combat tax evasion, I noticed that tax fraud is carried out through numerous methods, which are constantly adapted to the tax legislation and the economic situation of the country, violating the tax code (Saavedra & Romero, 2021; Vidrean & Ioan, 2019).

The forms of manifestation of fraudulent tax evasion are presented in the doctoral thesis depending on the concrete methods of tax fraud. Based on official reports from the competent

control bodies in the field, released following the monitoring activity carried out in our country, fraudulent tax evasion manifests itself in the form of:

- traditional evasion;
- legal evasion;
- accounting evasion;
- evasion by assessment.

In addition to grouping the types of tax fraud, the doctoral thesis highlights particular forms in which tax fraud manifests itself. These primarily refer to activities carried out in the so-called “shadow economy”, which generate income undeclared to the tax administrations, so they are not subject to taxation (Nguyen, 2022; Nguyen & Nguyen, 2023; Psychoyios, Missiou, & Dergiades, 2021). Thus, a “dodging of tax payments” takes place, as tax evasion is defined from the standpoint of the law (Bashlakova & Bashlakov, 2021; Canh et al., 2021; Marshall et al., 2023).

The most important part of the underground economy in Romania includes “moonlighting”, i.e., working without drawing up an individual employment contract and without its remuneration being based on a payroll. Official sources (e.g., INS, National Bank of Romania) estimate that this work without legal forms represents approximately 30% of the national shadow economy.

Shadow economy also includes activities such as: drug distribution and consumption, prostitution, human trafficking, corruption, arms trafficking, smuggling, etc. All these activities belong to the sphere of criminal activities. Unlike other activities in the shadow economy (Schneider & Enste, 2000), those mentioned above have a destructive character and aim to obtain illicit profits from illicit activities, which are “laundered” through tax havens and then re-introduced into the economy. Such activities violate legal provisions and, through them, revenues are evaded from taxation. So, in these cases, one refers to fraudulent tax evasion, which is a crime and must be punished accordingly (Savić et al., 2022; Shi et al., 2023; Uyar et al. al., 2021a).

Non-fraudulent tax evasion boils down to exploiting loopholes in the law. I noticed that these methods are not reduced in terms of weight and absolute amount that is missing from the state budget, and taxpayers’ imagination is flourishing in the attempt to identify new legislative loopholes. It is obvious that laws cannot be perfect, they cannot capture absolutely all situations of generating the tax basis or all circumstances of taxpayers. Therefore, taxpayers will systematically look for legislative loopholes to avoid paying taxes. However, this assumes perfect knowledge of the law, so this form of tax evasion is not within everyone’s reach and has a temporary character: sooner or later, the legislator amends loopholes identified by control bodies. However, until certain corrections are implemented, many taxpayers may practice tax evasion without being able to demonstrate this.

As an actual form of manifestation for non-fraudulent tax evasion, I tackled the use of so-called “tax heavens”, territories that grant offshore companies total or partial exemptions on direct taxes to attract funds (Aruoba, 2021; Leenders et al., 2017; Wheelwright, 2018).

The practice of using tax havens as shelters from paying taxes has developed over time, has been perfected and multiplied (Popa, 2002; Şerban, 2000; Wagner & Diehl, 2018). Tax havens are aggressively promoted in mass media and such messages cater to both entrepreneurs interested in evading taxes and those who carry out illegal activities. Currently, tax havens attract a lot of income that, under normal conditions, should be taxed. These jurisdictions are among the most known and used methods of evading taxes due in the country of residence.

In the last part of this chapter, I presented the results of a study that I carried out on corruption in the European Union. The direct and significant relationship between the Basel AMLI index, current expenditure on tertiary education (EDUEXPTER) and public expenditure (GOVEXP) indicates that the AMLI index (which measures white-collar crime in the banking sector) is on an upward trend if the level of education and government expenditure increase. On the other hand, the negative impact of the variables current expenditures for education (EDUEXP) and public revenues (GOVREV) on the AMLI index is explained as follows: the more is invested in education and the more state budget expenditures increase, the less is the level of population’s perception regarding corruption.

I identified a direct link between GDP per capita (PIBC) and the predictors EDUEXPTER and the degree of using internet services (INTERNET). Thus, with an increase in current expenditures for tertiary education and the number of people using the internet, the GDP per capita will also increase. According to results, the AMLI index positively influenced the growth of GDP per capita, which means that part of the money from criminal activities has been returned to the taxed economy.

At the same time, I found that the variables current expenditures for education (EDUCEXP) and public expenditures (GOVEXP) negatively influenced GDP per capita. Thus, if the volume of current expenditure on education in the total expenditure of public institutions and government expenditure increases, GDP per capita decreases. In other words, these expenses do not return to the economy under the form of increasing the population’s income through various social investment programs.

CHAPTER 3. FISCAL PRESSURE – EVASION CAUSE IN THE EUROPEAN UNION

The third chapter aims to identify the main causes of the emergence and proliferation of tax evasion in Romania, namely causes related to the national context (i.e., endogenous) and the international context (i.e., exogenous), but also their analysis as elements generating the effects of tax evasion.

I believe that the main cause of tax evasion is *fiscal pressure*. To support this opinion, I analyzed the level of fiscal pressure in our country in the last two decades. During the first years analyzed, the level of fiscal pressure exceeded 35%, and currently it has reached a level of approximately 27%. Compared to the level of fiscal pressure in other EU member states, the fiscal pressure of approximately 30% places Romania in the category of countries with a medium level of taxation. However, I believe that the fiscal pressure in our country is much higher because the income yielded in the shadow economy and arrears are not included in the calculation of this indicator. By including these revenues in the determination of fiscal pressure, it would register a level of over 40%.

The impact of tax relaxation on tax evasion can be seen from the official data on revenues collected for the state budget. In the period immediately following the introduction of the flat rate, the revenues collected from the payroll tax decreased and labor costs remained high (Dezsó, Alm, & Kirchler, 2022). According to Laffer's theory, fiscal relaxation determined an increase in the revenues collected for the budget and it stimulated taxpayers' voluntary compliance. I also believe that the mitigation of income tax rates unraveled a part of the underground economy, i.e. "moonlighting". This can also be seen from an increase in the number of newly concluded contracts, which were registered in the archives of the territorial labor inspectorates, as well as from the decrease in the number of unemployed people.

An increase in fiscal pressure will cause an increase in tax evasion, while a reduction in fiscal pressure will have the effect of reducing tax evasion and increasing revenues collected for the state budget (Hogye, 2002; Lepădatu, 2007).

Another cause of tax evasion, often mentioned in the literature, is the **legislative cause**. This is because legislation is a basic element of the fiscal system. The efficiency of a fiscal system consists in its stability, equity, simplicity, transparency, coherence and compatibility at international level.

The legislative system in our country proved to be:

- unstable due to numerous and frequent changes in the tax legislation;

➤ interpretable, a fact recognized by the Government through the adoption of the HG 2164/2004 regarding the approval of the criteria and documents for obtaining the anticipated individual solution, repealed by the HG 529/2007 regarding the procedure for issuing the anticipated individual fiscal solution and the advance price agreement. According to this ruling, taxpayers can request fiscal authorities to issue a fiscal solution for a future state of facts, with the aim of avoiding different interpretations of provisions from the text of the law.

In addition to internal causes for the existence and proliferation of tax evasion, this research also deals with exogenous causes of the phenomenon. Among these causes, the most important are: the maintenance and development of tax heavens; the lack of legislative measures to stop the registration of fictitious companies on national territory. **Tax heavens**, as a manifestation of non-fraudulent tax evasion, represent the legal solution by which certain economic entities, which carry out economic activities in countries with higher taxation, minimize their tax obligations without being sanctioned or criminalized (Menkhoff & Miethe, 2019; Zucman, 2015).

Due to the huge losses caused by using the facilities of tax heavens, there is a permanent concern for competent bodies to reduce these losses through: international collaborations; information exchanges between states in relation to income from bank deposits obtained by non-residents; intensifying the monitoring of entities with units registered in territories considered tax heavens.

“Ghost”-type commercial entities represent a fraudulent way of evading the payment of tax obligations. These companies cannot be controlled by tax authorities because they do not correctly report their headquarter and do not fulfill their obligations to fill in periodic tax returns. The biggest fiscal damages were represented by illegal VAT refunds (Buettner, Madzharova, & Zaddach, 2023; Guo & Shi, 2021; Li et al., 2021).

In addition to the previously mentioned endogenous and exogenous causes, the research facilitated the identification of other causes generating tax evasion, such as:

- The existence of disadvantaged areas;
- The level of organization and preparation of the fiscal apparatus;
- State intervention in certain areas by granting subsidies, tax exemptions, rescheduling for fiscal debts;
- Failure to regulate the avoidance of double taxation.

Apart from taxes, fees and other financial obligations toward the state, fiscal pressure also increases due to other causes such as:

- **Inadequate collection of tax revenues.** A reduction in taxation would also trigger an improvement of revenue collection;
- **The existence of a tax system not adapted** to the current and prospective context;

- **The existence of an imperfect tax legislation**, with numerous loopholes and ambiguities, which changes continuously at extremely short intervals, even every few months;
- The granting by the state of fiscal facilities to certain categories of taxpayers with a specific purpose. These facilities reduce budget revenues, and, in order to compensate, the other taxpayers will have to bear a higher taxation.

From the analysis undertaken at the level of companies in the European Union for the period 2011–2022, I found that fiscal pressure significantly influenced the level of performance indicators return on equity (ROE), return on capital employed (ROCE) and profit per share (PPS). Therefore, I noticed the following aspects:

a. **The debt-to-profit ratio** significantly influenced the evolution of ROE, ROCE and PPS. In Europe, there has been an increase in accelerated corporate indebtedness. Therefore, this negatively influenced the economic performance indicators of companies, as well as the behavior of investors on the European capital market. At the same time, **return on capital employed** decreased as a result of cyclical crises in the economy, which led to an increase in **bank debts and other debts relative to gross profit**. The over-indebtedness of European companies will have a negative impact by decreasing GDP, increasing the budget deficit and public debt, having negative consequences on the business environment and the population's quality of life.

b. Another aspect analyzed was the impact of fiscal pressure on the **earnings of investors in the capital market**. The analysis highlighted the fact that there was an increase in the over-indebtedness of companies, which generated a decrease in the stock market quotations of European companies. At the same time, I found that investors on the capital market positively appreciated the companies' investments. Therefore, investors bought company shares that increased the volume of investments and that constitute a guarantee of placements on the capital market.

CONCLUZII, OPINII ȘI CONTRIBUȚII PERSONALE

The doctoral thesis titled “**Study on tax evasion in Romania and within the European context**” focused on clarifying the concepts and forms of tax dodging and tax evasion encountered in the Romanian and European business environment, based on a rich bibliographic documentation that highlighted several aspects presented in the following.

Both in theory and practice, there are two ways of dodging taxes: dodging by avoiding the payment of taxes, a situation in which one can talk about **tax evasion**; dodging by avoiding the bearing of financial obligations, a situation in which one can talk about **fiscal repercussion**. Both forms of tax dodging are based on taxpayer’s intention of not paying what he owes according to the law. The effect on state revenues is different: in the case of tax evasion the state loses, but in the case of fiscal repercussion the state registers no loss.

Due to the fact that evading the payment of tax obligations through willful evasion has the negative effect of reducing the amount of revenues collected for the budget, *tax evasion* is considered as the main form of tax dodging. Most definitions of tax evasion, although they do not use identical wording, mention its essence, namely the **evasion from paying obligations to the state**. I mentioned the fact that the scope of evasion sometimes includes acts and facts that have nothing to do with “evasion” from paying financial obligations, such as tax facilities or abstinence, an opinion that I do not share at all. Starting from the specialized literature, I argued that fiscal facilities are benefits granted to certain categories of taxpayers by the state (e.g., discounts, tax exemptions and other financial obligations), therefore they do not represent tax evasion or acts of tax evasion. I also emphasized that refraining from consuming or producing taxable goods, with the aim of not paying taxes, does not represent an attempt of fiscal non-compliance.

Throughout the doctoral thesis, I presented modern and current examples of defrauding the state such as the “*carousel-like fraud* and the *intra-community fraud through “ghost” companies*. These methods are still possible because: intra-community transactions are difficult to trace and are vulnerable to abuse due to the current VAT transitional system, which is very complex; companies involved may be assigned to hard-to-identify persons or “ghost” companies; there is no monitoring of the veracity of data provided by natural and legal persons regarding the activities carried out and the premises declared as work points.

In order to reduce the possibilities of practicing these types of frauds, I propose to **change the taxation system at destination with the taxation system at origin**. Such a taxation system based on the “principle of the country of origin” would make unnecessary the VAT exemption of goods sold on the domestic market and the subsequent taxation in the country of destination, but it could be the ideal long-term solution for effectively combating tax fraud. For the VAT system based on

the “principle of the country of origin” to work, a convergence of fiscal regimes and the establishment of a compensation system are necessary, so as to avoid fiscal competition between member states.

According to specialized literature, the reason often cited in tax evasion acts is the **legislation**. The efficiency of a country’s fiscal system emerges from its **stability, equity, simplicity, transparency, coherence, international compatibility** of legal regulations (Stiglitz, 2000; 2013).

The analysis of Romania’s tax system highlighted the following aspects:

- The tax system is characterized by instability due to numerous and frequent changes in tax laws;
- Tax legislation is interpretable, a fact recognized even by the Government through the adoption of decisions (HG 2164/2004; HG 529/2007) that allow taxpayers to request that tax authorities issue a tax solution for a future state of facts, with the aim of avoiding different interpretations of some legal provisions.

I argued that through the existence, maintenance and development of tax heavens, a legal framework was created through which certain economic entities, which carry out economic activities in countries with high taxation, minimize their tax obligations without being sanctioned or incriminated.

This doctoral research emphasizes the fact that entities that erroneously declare their headquarters or operate in the shadow economy are not detected by the tax authorities. As a rule, illegal VAT refunds took place through such companies, and one of the factors favoring this phenomenon is the lack of legal regulations regarding the transfer of corporate shares.

I believe that the main financial effect of tax evasion is the *reduction of revenues collected for the budget* while fiscal pressure is high. In this context, the deliberate inclusion by control bodies of evading companies in the category of companies with late payments of tax debts generates a perpetuation of tax evasion. The reduction of tax revenues because of the existence and expansion of tax evasion will produce effects in the structure of the country’s consolidated budget, with long-term implications for the state’s financial plan. The manner of redistributing budget revenues is also influenced by the existence of tax evasion.

The doctoral thesis details the main *economic effects* of tax evasion, namely:

- undermining the initiative and stimulation of entrepreneurs;
- decrease in national production;
- increase in prices of goods and rates of executed works;
- procrastination and non-fulfilment of public utilities necessary for the proper development of economic activities (e.g., irrigation works; construction of new railway routes; construction, modernization and maintenance of roads and bridges).

In the content of the doctoral thesis, I argued that a series of political effects of tax evasion appear due to the feeling of social and economic inequality. This feeling causes a decrease in taxpayers' trust in the public authority and implemented policies. Therefore, the existence of tax evasion leads to a decrease in state revenues, which will determine the underfunding of the state's political, social, economic and financial programs. Therefore, the multiple negative effects of tax evasion have as starting point the non-collection of the amount of tax revenues necessary to fulfill the functions and tasks of the state.

The multitude of effects (mainly negative) of tax evasion call for *firm measures* to prevent and fight this phenomenon. The fiscal apparatus in Romania is well represented by institutions and financial bodies empowered to prevent and fight tax evasion (Barbureanu, 2008; Pantea et al., 2022). However, I believe that the financial-fiscal control system in our country must be further improved and adapted to the practice of the EU member states. Since the activity of financial-fiscal control is regulated by numerous normative acts, separately for the control exercised by the Court of Accounts and separately for that exercised by the Ministry of Finance, presenting control procedures in a distinct and different way, as well as the manner of organizing and capitalizing results, these regulations reduce the efficiency of institutions empowered to prevent and fight tax evasion. At the same time, I noticed overlaps regarding the control attributions of these institutions. For example, the Court of Accounts and territorial fiscal bodies can act in the case of establishing, declaring, tracking and collecting local taxes and fees.

As the first way to prevent, fight and mitigate tax evasion in Romania, improving tax control is possible through:

- streamlining the control and creating an organizational framework that outlines the attributions and responsibilities of control bodies;
- tax legislation as complete, simple and elastic, as possible;
- qualified and motivated staff;
- staff remuneration depending on the quality of work performed, regardless of the amount of sanctions applied to taxpayers;
- sanctioning of personnel on the grounds of disciplinary violations;
- the creation of an informational system accessible by ANAF and the National Trade Register Office, which can identify at any time the people who have led their own businesses to bankruptcy, prohibiting them from registering as a shareholder, associate or administrator in new companies;
- modern technical equipment, an interconnected computer system between all public institutions, which allows quick access to taxpayers' tax information.

Following the research undertaken, a **first proposal** aims at a **system of relevant indicators** that could quantify presumptive tax evasion:

➤ **Share of associated creditors in company turnover.** The context according to which a company that registers very high turnover figures, has a profit return rate of 1–2% and has very large sums highlighted in the associated creditors account, suggests a possible tax evasion: large sums coming from associates could be generated in the business circuit, but also from sales of goods not registered in the accounting records. The associates are not obliged to declare the origin of those amounts.

➤ **Turnover attributable to one employee.** If companies have a very high turnover and a very small number of employees (one person or two), this can suggest two things: either the entity focuses on intermediaries, or it commits a possible tax evasion, which should be verified by -an account unexpected role;

➤ **Expenses related to turnover.** Obtaining small and very small profits compared to the achieved turnover can raise suspicions regarding the veracity of expenses recorded in the accounting;

➤ **The level of assets** held by a company can indicate possible tax evasion when the company's turnover is high, profitability is low, and the company has no assets registered in its records.

The **second proposal** is to determine the creditworthiness indicators (liquidity, solvency, profitability) which, with the help of a specially designed computer program, would test the sincerity degree of the economic agent, highlight mistakes and non-correlations in the activity of the economic agent. Through such a computer program, possible inconsistencies between values registered by taxpayers and certain average values considered normal can be detected. Any inconsistency will be analyzed through the lens of the possibility of the existence of tax evasion acts.

To improve the tax system, competent bodies must act in the direction of improving fiscal and budgetary policies for the implementation of a stable, simple, transparent, coherent, internationally compatible fiscal system, which ensures maximum revenues with the lowest possible costs and satisfies the needs of the country's economic policy.

The **third proposal** consists in the **taxation of displayed wealth**. Through this taxation system, taxpayers who own wealth, although their income does not justify the wealth possessed, will be taxed by using **wealth re-taxing**. Thus, regardless of the method of obtaining those assets, they will be taxed. This does not mean that tax evasion would be stopped, but it would be substantially reduced. Through a computer program interconnected with all public institutions, which would connect certain information revealed by the income declaration system (tax

declaration) and declarations of movable and immovable assets (which are the prerogative of local authorities) one could identify via personal numerical code those taxpayers who reported discrepancies between declared income and displayed wealth, allowing tax authorities to re-tax the identified difference.

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