CONSIDERATIONS REGARDING THE TAX BURDEN EFFECTS AND ITS MITIGATION MEASURES

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ABSTRACT: Taxation need not be questioned. In the context of social development, the existence of public institutions is essential and intangible nature of their work, and thus unable to obtain the necessary revenue to cover its expenses necessarily determined, taking some parts of the results in the material sphere through taxation. However, one important issue is represented by the size of the tax burden borne by taxpayers. Tax burden is a widely debated issue considered at all times. It is important number taxes and mandatory contributions or greater tax burden borne by all taxpayers? For tax burden can be determined with sufficient accuracy is tolerable limits sizing math? What are the effects generated by the tax burden? These are questions to which answers can be drawn not always make full satisfaction truth. The work reflected a number of issues relating to fiscal pressure sizing customization for Romania and its effects and measures to be taken to reduce it.

KEY WORDS: tax pressure, current tax income, fiscal policy, nominal revenue

1. THE TAX BURDEN AND ITS EFFECTS

The importance of the tax burden of economically point of view can not be challenged because it not only manifests the extent to which income tax payers may be affected but the degree of budget revenues up by compulsory levy income taxpayers in the form of taxes and contributions. Viewed in this context, the tax burden should harmonize the contradictory relationship between the desire to increase the state tax burden in order to obtain high income needed to carry out its functions and duties of taxpayers and aimed at as low a tax burden.

Acceptable level of tax burden can not be determined precisely because it acts on a number of external factors, resulted in the a variety of samples, the possibility of recovery through price tax burden, the size of utility enjoyed by taxpayers or subjective factors. An important aspect of the analysis of tax burden is reflected in the revenue

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remaining after payment to the taxpayers tax liability related to the level of life needs and desire of saving or investment (it is not enough a mathematical sizing level of tax burden).

The level of tax burden can generate both economic effects and social nature. Thus, an increased tax burden is reflected in the reduction of aggregate demand for private property and vice versa. Therefore, the purpose of a government action to minimize the effects of an economic crisis and to help economic recovery should aim to reduce the tax burden. Socially highly taxation may materialize in reduced ability to purchase suitable real income.

Meanwhile, a high degree of fiscal pressure may cause different behaviours of taxpayers to reduce or even avoid performing an active duty generators or consumption of products subject to multiple taxation. Also, the event risk of tax evasion is more striking in the case of a high tax burden and the increased taxation by inflation and the reducing the competitiveness of their products on international markets are secondary effects.

2. DETERMINATION OF TAX BURDEN

Tax burden has a great economic relevance as indicated on the one hand the measure that nominal income taxpayers are adjusted through taxation, and the second indicates the degree to which the state budget gathers revenues through tax levy. Thus, the tax burden must to reconcile two diametrically opposite trends: the state which wants the tax burden is growing to cover public expenditure and the growing population who wants a pressure as small as possible in order to achieve its goal in fiscal policy. Fiscal policy works particularly on tax producers rather than the service tax picker, so relying on a real partnership between the state and taxpayers.

Tax burden carried (\(Pf_r\)) is reflected by the ratio of tax achieved nominal revenue and value of gross domestic product (GDP=PIB) recorded in the same period in the national economy. On the mathematical relationship of calculation can be written as:

\[
\text{Tax burden carried}\left(\%\right) = \frac{\text{Nominal tax revenues}}{\text{GDP}} \times 100
\]

(1)

Tax revenues underlying the calculation of tax burden are part of total revenue. By the state budget law is made up the budget revenues taking into account taxes, contributions and all other payments collected from citizens and/or legal entities. So, the revenues are structured in the state budget in current revenues (tax revenues and no tax revenues), income from capital and proceeds from repayment of loans.

The category of tax revenues included direct and indirect taxes such as income tax, payroll and income taxes, property taxes, other direct taxes, contributions for additional pension for the disabled, value added tax, excise duties and other indirect taxes. An analysis of the structure of tax revenues show a decline while the share of direct taxes in total tax revenue and an increase in the indirect taxes. This is
preferred because of higher efficiency shown by indirect taxes, including in less prosperous economically periods, but is deeply unfair to individual taxpayers.

As specified relationship (1), we determined the tax burden for the period 1992-2008 in our country (table 1).

**Table 1. Evolution of taxation burden, in Romania, during 1992-2008**

| Year | Gross domestic product - millions ron - | Current tax income - millions ron - | Tax burden -%-
|------|----------------------------------------|-------------------------------------|----------------
| 1992 | 602.9                                  | 129.1                               | 21.43          
| 1993 | 2,003.6                                | 365.4                               | 18.24          
| 1994 | 4,977.3                                | 831.8                               | 16.71          
| 1995 | 7,213.5                                | 1,245.4                              | 17.27          
| 1996 | 10,891.9                               | 1,752.3                              | 16.09          
| 1997 | 25,292.5                               | 4,005.1                              | 15.84          
| 1998 | 37,379.8                               | 6,067.7                              | 16.23          
| 1999 | 54,573.0                               | 8,501.9                              | 15.58          
| 2000 | 80,377.3                               | 11,439.4                             | 14.23          
| 2001 | 116,768.7                              | 13,727.1                             | 11.76          
| 2002 | 151,475.0                              | 16,775.3                             | 11.07          
| 2003 | 197,564.8                              | 23,602.3                             | 11.95          
| 2004 | 246,468.8                              | 30,252.7                             | 12.27          
| 2005 | 288,047.8                              | 34,531.2                             | 11.99          
| 2006 | 344,535.5                              | 40,486.6                             | 11.75          
| 2007 | 404,708.8                              | 52,185.9                             | 12.89          
| 2008 | 503958.7                               | 60175.5                              | 11.94          

* Nominal tax revenues realized (It was considered the tax burden carried by the state budget and not to the general consolidated budget level).

Source: Statistical Yearbook of the INS2, Laws state budgets, Own calculations based on sources listed

Analyzing the data in table 1 there is a significant increase in gross domestic product since, in particular, during 2000 (an increase of 503.51% in 2007 compared to 2000) and an oscillation of the tax burden carried by a peak of 21.43% in 1992 to 12.89% in 2007, reaching but in this period also a minimum of 11.07% in 2002. Evolution of GDP and fiscal pressure achieved within the 2002-2008 time are reflected in figure 1.

As shown in figure 2 tax burden is a continuous downward trend, albeit on certain times it is slow, which are justified by the continuous growth of GDP at a rate more alert than the nominal tax revenue growth achieved.

Reducing tax level in the period 1990-1997, can be estimated to be caused by the decline in the real economy, easing further, the expression real gross domestic product and, therefore, to reduce the tax base. Also, changes in the level of taxation are determined by the evolution of mandatory levies collection level, in conjunction with voluntary compliance of taxpayers to pay them. Evolution of decreasing the tax burden recorded after 1999, given that domestic product began to grow with high values can be assessed as a result of the general trend of fiscal relaxation.
Figure 1. Evolution of nominal tax revenues made accordingly to the tax burden

Figure 2. Development of the tax burden and GDP achieved during the time 1992-2008
Thus, for example, this may indicate the reduction from January 1, 2000 the profit tax rate from 38% to 25%, and then from January 1, 2005 to 16%, reducing the general rate of value determination added from 22% to 19% all from January 1, 2000, and reducing the tax burden carried by the contributions.

Measures required to reduce the tax burden, are in the form:

- significantly reducing public expenditure;
- achieve budgetary resources through the budget deficits that are well managed;
- reducing tax evasion, by appropriate legislation, with as few gaps, namely the possibility of reduced tax evasion.

Instead, it is considered that a high tax burden is an increasing tax rate is done with certain risks, namely:

- the risk of reducing productive effort, that high taxes discourage the incentive to work, savings and even investment;
- the risk of fraud and tax evasion;
- the risk of inflation through taxation reflected by direct action of taxation on prices and wages, elements generating inflation.

However long term policy with a high tax increases state income provided that initiate certain actions to stimulate growth or improve some social problems temporarily.

Reduce the tax wedge has a direct influence on employment force as interest moves to work "black" in the legally area, since taxpayers will lose interest in finding new methods and practices for the reduction of taxes. Romanian fiscal system tolerance to fiscal indiscipline led to the aggregation of capital in the hidden economy and is added also the general tendency to see the levies required a confiscation of part of the receipts and not a method of financing public expenditure.

Decrease tax burden gives taxpayers the opportunity to use proceeds from tax cuts for economic development and thus increase future revenues.

If the policy adopted by the Government aims to reduce this tax must be made on a tax reform aimed at increasing the tax base while reducing tax rates, but without result in the state budget to reduce revenue he needs.

When a repeat change in the tax laws occurs in order to fill some gaps of budgetary revenues, due the actions and political commitments taken, they do nothing only to increase the tax burden in Romania and thus deepen the distrust of business area, and the predictable nature of the tax system is just a constant target difficult to achieve.

The volume of tax revenues in our country and the tax burden carried by them were influenced first by fiscal policy pursued by the tax authorities but also by other factors such as quality management of state tax claims and the degree of voluntary tax compliance. Government's vision of tax policy focuses on ensuring a stimulating role of taxes indication as to increase the economic development and fiscal consolidation. But, year 2010 will bring changes in the Tax Code, local taxes will increase by 20% (it is considered that this increase corresponds to inflation in the period 2006-2009).

It can be concluded that increasing the tax burden does not necessarily determine the appropriate increase of tax revenues, but instead, lowering the tax burden
create conditions conducive to increased earnings. Also, the international financial crisis, should maintain a low tax burden. Fiscal loosening can provide to business community in Romania flexibility and predictability. It may cause economic growth by expanding the tax base, following the development of official economic activities. In our country, it must reduce the number of tax obligations by waiving some fees parafiscal.

Also, for economic recovery may be taken the following measures:

- reduction or exemption of tax in case of investment in less developed areas;
- reducing social contributions for health;
- tax incentives for accelerated depreciation of investments during the crisis;
- improving collection degree of taxes;
- the adoption of fiscal measures in order to stimulate labour.

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