

Tax Evasion- Corrosive Factor for the National Economy

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Abstract

In order for the state to function in optimal conditions and to provide a reasonable balance both on an economic terms, as well as on a social terms for its citizen financial resources are needed. The most important source is represented by the taxes, duties and the contributions charged by the fiscal apparatus as a component of the fiscal system. The budgetary income is classified as direct, indirect taxes and contributions. Its evolution, its level, its degree of collection, the ease of its administration, the pressure exerted on the taxpayers determines the level of the fiscal income and it present an importance for the state's authorities in view of applying the fiscal policies. This article proposes to analyse the manner in which the fiscal policies influence the state's taxes collection and, at the same time, the impact they have upon the economic increases and stoppages, through the means of the tax evasion, both on a national level, as well as on a European one. One of the objectives of this study is to determine how friendly the structure of the budgetary income is with the Romanian economy and which are the weak points of this structure.

It is also known that the underground economy decreases the potential for constituting public income. It is difficult to estimate the level of the underground economy, but it is known that it leads to a drastic decrease of the public income and, implicitly, it has an impact upon the economic growth. Having in view the impact of tax avoidance and evasion, parts of the underground economy, upon these important sources of income to the state budget and, implicitly, upon the economy of our country, the act of reducing these harmful factors, reducing the weight of the underground economy in the GDP as a matter of priority and as efficiently as possible through measures that determine the voluntary compliance of the taxpayers is a priority.

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1. Introduction

Tax evasion, a high-complexity social-economic phenomenon, which, through its magnitude affects all the states of the world, represents one of the biggest challenges both for the theoreticians, as well as for the practitioners in the field in what regards the attempt to understand it and to limit it. Tax evasion considerably limits the incomes and, implicitly, the possibility of the governments to ensure the economic and the social policy (Di Gioacchino and Fichera, 2020).

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Particularizing on a European level, Romania being a part of the European Union, the phenomenon has extremely serious consequences both upon the budgets of the European Union state, as well as upon the resources of the union. The negative effects of the phenomenon are reflected upon the functionality and the transparency of the unique market by the distortion of the competition and by affecting fair taxation, so that one of the major concerns of the states must be the adoption of efficient measures that can prevent and combat the phenomenon, which, most certainly, will not be able to be eradicated.

The research pursues the conceptual aspects concerning tax evasion, starting from the generalities and the intrinsic need to clearly and completely perceive this phenomenon in order to develop new mechanisms through which evasion can be prevented and combated in a systematic and efficient manner, to as a great extent as possible. All these come as an effect of the fact that the mechanisms for combating tax evasion are almost inefficient on the one hand, because this phenomenon is not understood in its complexity, and on the other hand, due to the fact that the authorities do not yet estimate, on a large scale, the magnitude of this phenomenon, the only elements that could lead to the dimensioning of tax evasion in Romania being extracted from the prejudices noted by NAFA.

Having in view the aspects presented previously, this study approaches, in section 2, the main concepts concerning the notions of tax evasion and fiscal fraud and the clarification of certain ambiguities and confusions detected within the specialized doctrine with the purpose of coming to the aid of the practitioners in the field, but also to open new horizons of research.

In section 3, we analyse the factors that determine tax evasion and fiscal fraud, with an emphasis on the most important one of these matters, namely the fiscal pressure, after which, under section 4, we take a deeper look into the manner in which corruption generates evasion.

The conclusions are presented in section 5, according to which tax evasion is mainly influenced by the degree of taxation, which represents the main instrument that the governments have at their disposal in order to stimulate the innovative spirit of the entrepreneurs, a corrective leverage of the market's imperfection.

2. The Conceptual Framework Concerning Tax Evasion and Fiscal Fraud

Grammatically, the notion of "evasion" is part of the same lexical family as the term "evasive", whose connotations are: unclear, inconclusive, diffuse, uncertain (Hoanță, 1997).

From the perspective of the legal framework, from the perspective of the terminology, tax evasion was defined under Law no. 87/1994 (adjourned) as being "*the circumvention, by any means, in full or in part, of the payment of taxes and other amounts owed to the state budget and the special extra-budgetary funds, by the natural or legal persons, Romanian or foreign, hereinafter known as taxpayers*", the notion encompassing "*both the circumvention of taxation, as well as the circumvention of the payment of taxes, duties and contributions*" (Cârlescu, 2015). At present, the tax evasion is no longer defined by Law 241/2005 for the prevention and combat of tax evasion, the criminally sanctioned offenses being the ones that arise from the circumvention of the taxation without any exception.

The definition of tax evasion in the international law is presented as following:

The French criminal code defines tax evasion as being an illegal act of circumventing the taxes by hiding the income, which was obtained legally or illegally, without being detected and collected by the fiscal authorities, and, according to the IRS (The Internal Revenue Service), evasion is a federal crime which implies an offense committed knowingly, the circumvention or defeat of a tax or its payment. In the category of evasion, the following are included: "scam", "subterfuge", "camouflage", "hiding", the attempts to dissimulate reality, or hiding certain events / operations that generate income. The usual typologies of evasion include the intentional under-evaluation or omission of the income, the attribution of fictitious or erroneous deductions, the fictitious allocation of income, credits or the benefit of undue exemption and the hiding of the taxable object/ assets.

In Holland, it is considered as tax evasion the preparation, in full knowledge, of an inaccurate statement, the presentation of false documents or the breach of the legal obligation to provide to the tax administration data and documents or information in view of verifying the tax.

The specialized literature gives tax evasion a series of definitions, from the most succinct ones to the most complex ones, the first dating back to the inter-war period and it belongs to Laroque (1938) and Piatier (1938). The fundamental definition of tax evasion was given by de Brie and Charpentier (1973) as being the "*art of avoiding the falling into the field of attraction of the fiscal law*". We consider that this definition is based on a psychological component, the departure point of the evader's behaviour being the one represented psychologically by the moral attitude of the taxable person, which consists in the shirking away from the payment of certain amounts, be they insignificant, representing payable fiscal obligations that are granted to the state, with the purpose of not harming one's own assets.

In the Romanian doctrine, tax evasion was succinctly defined as such: "*The circumvention of the taxation of a part of the taxable matter*" (Văcărel, 1981), the same author considering the tax evasion as being an ensemble of actions consisting in the "*totality of the licit and illicit procedures with the help of which the interested parties circumvent, fully or partially, their taxable matter against the obligations established by way of the fiscal laws*" (Văcărel et al., 2008; Rădulescu, 2007).

One of the most recent and revolutionary explanations of the term of tax evasion is given by C. Gliga (cited in Șanta, 2017), being described as representing a "*creation of the state based on certain obligations imposed also by the state*", inoculating the idea that the state is the one that has the "bread and the knife" in hand in what concerns tax evasion, an idea to which the authors Hoanță (1997) and Șaguna (2001) also acquiesce, who consider that the "*fiscal law provides itself the evasion by way of a fiscal regime of favor*", demonstrating that all the levers for fading the phenomenon are in the hands of the state.

In the specialized literature, the term of "legal evasion" is also used, being, however, an unfortunate form, possibly the most inadequate term, used in an erroneous manner in the fiscal field. The practitioners and the authorities, the erudite of this filed, use this right quite infrequently, replacing it with "fiscal scam" or "tax avoidance" or "escaping from taxes". (Kimani, 2018) This term is used mainly due to the context in which it can be used and to general lack of understanding of the significance and of the concept of tax avoidance. The terminological confusion is given mainly by the fact that the notion has different senses from one author to another and by the distinct approach between the francophone countries and the Anglo-Saxon ones (Trif, 2016). In the Anglo-Saxon sense "tax evasion" represents

fraud, and the notion of tax avoidance is tax evasion. In the francophone countries, often the notion of legal fraud is used.

The distinction between the legal fiscal evasion and the illegal one was made for the first time in the inter-war period, when the concept of tax evasion was launched, in the shelter of the law and the one of fraudulent, illegal, illicit tax evasion (Codrescu, 1936). In the specialized literature, we encounter the use of the term of legal and illegal tax evasion due to the means used for the purpose pursued by the taxpayer, that of circumventing the fiscal obligations, having different shapes, divided into two categories: illicit (fraudulent tax evasion), and licit (tolerated tax evasion) (Trif, 2016).

From the perspective of many practitioners, such a classification is a semantic inadequacy, joining terms with opposing connotations, since evasion means to bypass, to elude, therefore, the connotation is a negative one, thus creating the impossibility to adjoin it with the term “legal”. This formulation is criticized and categorically rejected by N. Cârlescu (2015) in his work, referring to the text of the Law 241/2005 for the prevention and the combating tax evasion, which does not make a distinction between “legal or illegal or the limit between criminal and contraventional” (Cârlescu, 2015) or by the authors Crişan *et al.*(2015) who consider that “legal tax evasion” is an intelligent and clever action of the taxpayer, that should not fall under the incidence of the law neither as crime, neither as pertaining to the sphere of the contravention. The taxpayers use the existing legislation and its imperfections by ingeniously capitalizing upon the inconsistencies, imperfections, contradictions or the gaps in the law, with the purpose to decrease or to avoid taxes. This action requires specialized assistance on the part of the accountants, legal counselors or attorneys that are specialized in taxation. Of course, these actions generate costs, the so-called avoidance costs for the companies that can assume such costs, while the other entities that have a lower income cannot afford the consultancy expenses and they will resort to the fiscal fraud.

The terminological confusions are due to the very fine and volatile line, the area of interference, which delimits the legal from the illegal, favoured by the legislation and which is often difficult to notice event by the control bodies, not being identified a breakage between the two actions, but a continuity, the taxpayer being progressively drawn from the use of the fiscal options permitted by the law towards illegal behaviours.

According to the French authors, in an antithesis with the use of the concept of legal evasion, which highlights the legal methods of avoiding the fiscal obligations, the action of “fiscal fraud” is explained as being the legal misuse of the fiscal system, in order to avoid the fiscal laws by not paying the mandatory contributions (Martinez, 1990). Fiscal fraud encompasses an accumulation of illegal actions undertaken by the taxpayers in order to circumvent the payment of duties and taxes owed to the state, under the conditions in which the operations that generate taxes and duties have occurred. Fiscal fraud implies the provision of false information, the illegal hiding in full or in part of the taxable matter, being punished by the criminal law, being an aggravating form of eluding the law.

3. Determinant Factors of Tax Evasion

Tax evasion is the main cause for the reduction of the tax collections, being a negative economic phenomenon meant to reduce the incidence of taxation, present in all of the

economies in the world, in variable proportions, however, high ones, determined by a multitude of factors, including psychological ones.

If we try to look from the perspective of the purpose for which one resorts to the circumvention of the laws, respectively at the protection of the fortune from the path of taxation, then this seems to be the fundamental cause of fiscal fraud. At the same time, the degree of risk assumption directly influences the level of the profit for each taxpayer who resorts to evasion, having as a result precisely the protection of the income. Based on this reasoning, the X-raying and diagnosing the process of evasion is possible depending on which certain plans for combat and prevention are applied.

The causes of tax evasion are multiple, since they depend directly on the economic and fiscal structures, of size and the type of income and, last but not least, on the social attitudes. The classification of tax evasion can be realized depending on several objective and subjective criteria. As opposed to establishing its level, the causes of tax evasion are identifiable, therefore, evasion is produced due to certain causes that are: psycho-social, philosophical or ethical, economical, legislative or administrative, political, physiological.

Of all the causes that stand at the basis of the motivation to commit evasion, we consider that the most complex ones, the ones that are actually standing at the basis of all the other ones are the psychological ones. In providing a reasoning for the above matters, we start from the premise that, by his nature, man is built so as to protect his fortune and to let go of it as little as possible, especially when we talk about the state. *“There is a psychology of the taxpayer of not ever paying anything else than that which he cannot not pay. The human nature always has the tendency to put the general interest after the particular interest: it is included to consider the taxes more like a prejudice, than a legitimate contribution to the public expenses and to always regard the one that wants to shrink his assets with an evil eye”* (Martinez, 1990).

Thus, the basic idea that dominates the attitude of some of the taxpayers is this: to give to the state is just like giving to one's enemy. The fiscal consciousness, culture and morale are the ones that change more or less the perception of the taxpayers in what concerns the debts towards the state and the correctness to honour them, as well. As Clotfelter (1983) affirmed *“the basic theoretical model of tax evasion is a simple application of the individual choice under uncertainty and the problem with which a person is faced is whether he will circumvent his legal fiscal obligation or not, given the fact that there is a possibility to be caught is he decides to circumvent it.”* Thus, we conclude, similar to Allingham and Sandomo (1972), that the decision concerning the correctness and the accuracy of the fiscal statement lies under the sign of uncertainty, the taxpayer either chooses to declare the real turnover, or makes the decision of not declaring his/her real income and to pay less. Nevertheless, he/she subjects himself/herself to the risk of being investigated by the fiscal bodies and to bear the consequences, respectively the payment of real taxes and the contraventional or criminal consequences. If he chooses not to declare the income in its entirety and he is not verified by the fiscal bodies, it is proven for himself and the ones from the environment in which he activates that he made the right choice, adopted the best strategy, a factor that influences, of course, the tax morale of the competitive environment in which the taxpayer carries out his activity.

Tightly connected to this behaviour is the tax morale. In its turn, the tax morale of the taxpayer is determined by various variables. In what concerns the tax morale, we note that the attitude of the taxpayer towards the payment of the taxes is proportional with their behaviour. The specialty literature studied the connection between the tax morale and the behaviour of the individuals, the results revealing the fact that at the level of certain

educated populations, with a high tax morale, the degree of evasion is higher as opposed to the areas where the tax morale is lower (Guerra and Harrington, 2018).

The study performed by Guerra and Harrington (2018) in order to demonstrate which is the effect of the morale and culture upon compliance, compared the fiscal behaviour between the groups of subjects from Denmark and Italy, concluding that the former have a higher predisposition to circumvent taxation in comparison with the Italians, whose tax morale is lower, so that the attitudes of the individuals towards the fiscal system do not accurately foresee the predisposition for evasion, since the relationship between the attitude and the effective behaviour of the taxpayer was not very strong (LaPierre, 1934). According to Halla (2012) the moral considerations are tightly connected to compliance, since they serve as motivation for the action of the taxpayers.

The role of the tax morale and the fiscal reputation in the behaviour of the taxpayer is a major one, the taxpayer's psychology being influenced by also by the interaction with the other taxpayers, by their approach, in this sense there being large scale studies and inquiries. This reveals the fact that the attitude and the behaviour for complying with the taxes are significantly improved and even determined after they consult other taxpayers concerning the tax (Onu, 2016). The communication between the taxpayers is related to non-compliance, to the deviating from the fiscal laws.

The strategies for fiscal compliance which the taxpayers adopt are the result of certain compliance factors identified and state within the specialized literature:

- The level of the sanctions and the approach of the verifications (Allingham and Sandomo, 1972). It is important to know that the frequency of the controls and the application of certain higher sanctions are not the only weapons for reducing tax evasion. Their increase can have as an effect the creation of a suitable framework for corruption and bribing, these having repercussions in the degree of confidence in the public institutions, as well, but, according to Torgler (2011), the issue of combating tax evasion is *“not only a matter of applying the sanctions and/or the increase in the frequency of audits”*;
- The value scale, the education and the personal attitudes of each taxpayer (Cummings *et al.*, 2006);
- The general models of behaviour, reputation. In this sense, we note that the decision whether to be good payers or to circumvent the compliance with the laws and the payment of taxes is influenced by the ratio between the monetary cost and the benefit of evasion, both theirs, as well as of that of the group they are a part of, by the subjective cost and the cost of reputation. The growth of the subjective cost form tax evasion determines the increase of the tax morale;
- The principles of equity and fairness so important in the behavioural literature (Braithwaite, 2009);
- The level of knowledge of the fiscal norms;
- The social and cultural norms (Cummings *et al.*, 2006);
- The degree of acceptability of the controls;
- The degree of technologization in the administration of the taxes;
- Bureaucracy and the degree of corruption perception.

As a result of many researches, the phenomenon of evasion is generated by two major causes, the first of which being the level of taxation, which is too high. The second fundamental cause for generating underground economy and, implicitly, to avoid taxation is, the excessive and bureaucratic rigidity of the legal framework, but also of the control in the ranks of the public administration representatives.

From the matters described previously, the behavioural level reflected in the decisions of compliance of the taxpayer is determined by an accumulation of factors. The field of fiscal conformity is a vast one, offering, due to ample studies, a complex view of the taxpayers' behaviour. For an in depth understanding of the compliance decisions that the taxpayers adopt in the fiscal field, it is necessary to approach the psychological theory, the study of the psychological factors encountered in the Braithwaite (2009), who noted that the rationale is a tempered one and it is influenced by emotions, and the individuals' own judgments are shadowed by the social relations and by the behaviour of the network/group they are part of.

The communication between the taxpayers affects the fiscal compliance attitude and behaviour because it stands at the basis of identifying the legal framework on the matter of taxation by the taxpayers and, of course, furthermore, it has a major influence upon the method and power of perception of the fiscal regulations, a theory which is applicable in the case of the social norms that combat evasion, as well. The communication is the means through which the taxpayer becomes receptive towards the way it complies, towards correctness, taking as example the way other taxpayers benefit from or, on the contrary, are disadvantaged by the fiscal policy or the policy of the fiscal administration.

Analysing all the above, we ask ourselves, however, what is it that determines some individuals to comply with the fiscal legislation and others to elude it? Considering a series of methods of constraint, but also reciprocities of the state - mainly discouraging results of the constraint or the risk of being caught and punished by the fiscal bodies - inquiries were realized which demonstrated that these "levers" are not enough in order to provide a minimal level of good payers, of persons with a good fiscal behaviour. The answer comes from the study of morality and moral psychology of the taxpayers, the attitude of compliance with the taxes being influenced by the moral imperatives and the moral alignment (Robbins and Kiser, 2020).

Legal causes

The negative effects of the fiscal fraud are felt at all levels of an economy, so that it is imperiously necessary to follow and to control this phenomenon. Both the theory and the practice in the field showed that a functional market economy is based upon the implementation of certain efficient policies and a stable and clear legislation.

The economic environment being in a permanent, active, dynamic movement imposes upon the players from the market to permanently seek methods for cost reductions, including the fiscal costs, the participants in the market economy often identifying loopholes that allow them to fully or partially avoid taxation.

The legal causes of evasion are determined by the legislative lacunae, certain omissions of taxes from the legislation, as well as by those regarded from the perspective of the degree of taxpayer's perception in the sense that, depending on the level of correctness which the taxpayers perceive concerning the procedures through which the authorities exercise their authority, to the same extent the fiscal regulations will be regarded as being legitimate. (Tyler, 2006; Rothstein, 1998). The taxpayers must perceive the legislation as being equitable in order to react positively to taxation. The legal provisions must be equitable for all the taxpayers of a state, the concept of justice must be observed, ignoring this causes imbalances in society and in the economy and it affects the state subject to the rule of law.

In Romania, the phenomenon of evasion must be perceived correctly for it to be limited, and the correct perception thereof can be realized only in the conditions in which it is investigated in its depth and a correct sizing is also realized. At the same time, it must be

taken into account that through the Romania's Constitution, article 74, par. 2, the fiscal issues cannot make the object of the legislative initiatives, therefore the taxpayers cannot intervene upon the fiscal legislation.

A legal framework that leaves room for interpretation, which is ambiguous, imprecise, creates an adequate environment for the tax evader for committing the crime. The lack of the legislative stability, the repeated amendments of the legal framework, the Tax Code suffering tens of modifications in the past years creates the opportunity for those who want to elude the law, to cleverly take advantage of the minuses in the legislation.

From the same category of the legislative causes the ambiguity with which certain taxes and duties are regulated is also a part of, often leaving room for interpretation. Here, the lawmaker's inability to anticipate the possible problems that appear on the background of the arbitrary matter which occurs in such situation can also be seen.

Moreover, an important problem of our country from the legislative perspective is the lack of correlation between the fiscal laws. At the same time, on the matter of fiscal regulations, the legislation is ambiguous in what regards the norms for application and the instructions for implementation. Consequently, both the taxpayers and the control bodies can take into account the several variants in what concerns the avoidance of taxation and the payment of the fiscal obligations.

We consider that the implementation and the application of a legal framework that is realistic, current, modern and transparent, in parallel with a motivating approach of the officials from the fiscal administrations will have as an effect the decreasing of the effects of the phenomenon of evasion. At the same time, a framework for the regulation on the fiscal matter, which is clear and unequivocal, shall be able to establish a good cooperation between the fiscal bodies and the taxpayers and, implicitly, it would lead to the increase of the tax morale and it would contribute to raising awareness about the civic duty of the taxpayer in what regards his compliance with the fiscal laws.

Economic causes

In the states of the European Union, the foundation that stands at the basis of a good fiscal administration, upon the establishment, respectively upon the writing within the titles of fiscal receivables of the amounts of the tax is represented by the fiscal obligations that are willingly stated by the taxpayer, considered as a subject of good faith. It is not always that good faith comes first, there being situations when the taxpayers choose to adopt another position towards the fiscal laws and to circumvent them by not fulfilling his duties in a correct manner. The choice of the taxpayer is determined in some cases by the economic factors, by the business environment in which the taxpayer activates.

It is known the fact that the tax evasion phenomenon is circumscribed to the economic and business economy. Thus, the factors that cause the fiscal fraud are subject, in their turn, to the specific causality. The most important economic cause which generates evasion is the fiscal pressure.

The taxpayers' decision to circumvent the fiscal taxation arises when, on his segment of activity, the fiscal pressure reaches a high level. The circumvention can be partial (the tax evasion that he practices does not take a hold of his entire activity) or total (when the activity is moved into, the underground economy).

The level of the taxes and duties owed by a taxpayer put a fiscal pressure upon him. The higher the fiscal pressure, the more the limits of its affordability, the more it determines the taxable person to oppose resistance to the mandatory collections, resorting to solutions of

fiscal optimization or even tax evasion. At an optimal level of the fiscal pressure, the taxpayer shall voluntarily comply with declaring and payment, but when the level of the taxes and duties reaches the limits of affordability, certain phenomena appear that negatively influence the behaviour of the taxable persons and, implicitly, the amounts that should be collected by the fiscal authorities. Thus, if the fiscal pressure is high, when a new increase of the taxes and duties occurs, they do not generate an improvement in the collections of the mandatory obligations, being influenced by the behaviour of the taxpayer in his fight to make profit, by reducing the costs and, implicitly, the fiscal obligations.

The fiscal pressure on a macro-economic level is defined by the specialized literature as being the ratio between the income from taxes obtained within a certain time interval and the gross domestic product calculated for the same period. Applying this ratio, either generally, as the totality of the taxes and duties, or in a particularized manner, at the level of a tax or duty, enables the analysis of the evolution of the fiscal pressure level under the macroeconomic aspect. In the interpretation of this indicator, we know that a its tendency to grow signifies an increase of the financing mechanism for the public expenses, while the decrease of the fiscal pressure determines the decrease of the mandatory collection.

The formula for determining the fiscal pressure on a national level is:

$$R = \frac{I + T + C}{GDP} \times 100 \quad (1)$$

Where

- R- the fiscal pressure rate on a national level;
- I- the volume of the taxes collected;
- T- the total amount of the taxes collected;
- C- the contribution to the state social insurances.
- GDP= the volume of the gross domestic product

Thus, the fiscal pressure determined on a macroeconomic level whose applicability requires a certain degree of precaution, since the calculation does not provide information concerning the management of the fiscal pressure on an individual level, the fiscal burden being different for each taxpayer in part. With a large number of participants in the economy, the real fiscal pressure felt on an individual level is different from the ratio of medium pressure at the level of the entire economy.

At this level, the fiscal pressure can be determined and individualized according to type of tax, it constitutes a secondary indicatory of the fiscal pressure, being, of course, determined as a percentual ratio between each tax in part a macroeconomic indicator. An increased level of the indicator resulted signifies an increased taxation, bringing a series of investment disadvantages, reducing the appetite of the investors in the country or abroad, reason for which each EU state must improve its own fiscal system in view of providing a stable and equitable economic environment.

To determine the fiscal pressure according to types of taxes in Romania in the period 2008-2019, we used statistical data about the volume of the taxes collected, direct and indirect taxes, the total amount of the taxes collected; the contribution to the state social insurances and GDP= the volume of the gross domestic product. The results are reflected in *Table 1*.

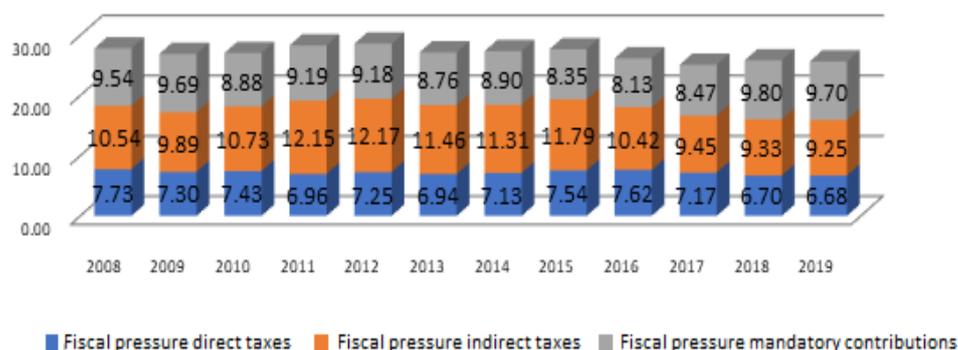
Table 1. Fiscal pressure according to types of taxes in Romania 2008-2019

BUDGETARY INCOME ADMINISTRATED BY NAFA - mil lei-	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Direct taxes	39,800.50	36,363.40	38,852.30	38,745.30	42,557.40	44,225.00	47,623.60	53,595.10	58,055.00	61,436.20	63,036.10	70,765.90
Indirect taxes	54,226.80	49,273.90	56,050.60	67,612.40	71,395.20	73,064.50	75,522.10	83,866.20	79,412.70	80,968.10	87,743.60	98,043.80
Mandatory social contributions	49,118.60	48,276.80	46,385.20	51,144.90	53,850.60	55,864.90	59,400.40	59,346.20	61,990.60	72,564.60	92,151.00	102,825.80
Total -mil lei-	143,145.90	133,914.10	141,290.11	157,504.80	167,805.35	173,156.46	182,548.21	196,809.74	199,460.33	214,970.98	242,932.81	271,637.74
GDP -mil lei-	514,700.00	498,007.50	522,561.10	556,708.40	586,749.90	637,583.10	667,577.40	711,102.70	762,341.80	856,726.60	940,477.50	1,059,803.20
Fiscal pressure direct taxes	7.73%	7.30%	7.43%	6.96%	7.25%	6.94%	7.13%	7.54%	7.62%	7.17%	6.70%	6.68%
Fiscal pressure indirect taxes	10.54%	9.89%	10.73%	12.15%	12.17%	11.46%	11.31%	11.79%	10.42%	9.45%	9.33%	9.25%
Fiscal pressure mandatory contributions	9.54%	9.69%	8.88%	9.19%	9.18%	8.76%	8.90%	8.35%	8.13%	8.47%	9.80%	9.70%
Total fiscal pressure	27.81%	26.89%	27.04%	28.29%	28.60%	27.16%	27.34%	27.68%	26.16%	25.09%	25.83%	25.63%
The evolution of the total fiscal pressure in comparison with the previous year		-0.92%	0.15%	1.25%	0.31%	-1.44%	0.19%	0.33%	-1.51%	-1.07%	0.74%	-0.20%

Data source: Romanian National Agency of Fiscal Administration (NAFA)

From the study of the data presented within *Table 1* and *Figure 1*, it is noted that the trend in the past 4 years is a decreasing one for the fiscal pressure. If the highest degree of fiscal pressure from the period subjected to analysis 2008-2019, was recorded in the year 2012, in the year 2017-2019, percentage-wise, the total fiscal pressure is located around the value of 25 percent. The direct taxes are the ones that hand the slightest on the shoulders of the taxpayers, the indirect taxes and the mandatory contributions being the ones that have higher percentages of the total fiscal pressure.

Figure 1. The evolution of the fiscal pressure in Romania 2008-2019 (%)



According to *Table 1*, the fiscal pressure generated by the mandatory social contributions is increasing, in the year 2018 recording the highest level, that of 9.8%, maintaining constantly similar shares in the year 2019 sensibly lower values being recorded at the beginning of the economic crisis, in 2008-2009. In what regards the trend of the direct taxes, it is noted that they are decreasing, the year 2019 being friendlier with the taxpayers, reaching a rate of 9.25%, the lowest in the past 12 years, the year with the highest rate of taxation for this type of taxes being 2012, with a rate of 12.17% owed probably to the high rates of the VAT practiced in that period, respectively that of 24%. The inflation is another cause that determines the taxpayer to resort to evasion, the modification of the prices for certain products and services generates the desire of the taxpayer to elude the law.

The structure of the countries' own fiscal system, through its role to fulfil the need for financial resources of the state, is in itself a factor that generates fiscal fraud since "*the fiscal context produces a quite unique behavioural framework*", which requires, without a doubt, different theoretical approaches" (Graetz and Wilde, 1985).

Granting fiscal facilities to the taxpayers, of fiscal incentives, generates among the ranks of the taxpayer certain expectations in the sense that they predict the future of the business by taking into account larger and larger facilities and exemptions, and, when the expectations are not satisfied, they choose the variant of the tax evasion. There is the presence on the market of the multi-national companies that often choose to practice an aggressive fiscal planning which generates the avoidance of taxation.

4. Corruption and Evasion – Mutual Coordinates

Tax evasion is present in all the economic field that generate income both on a national level, as well as the level of the European Union, the extension of the phenomenon upon all of the economic activities, offering it the character of universality. When we talk about evasion, we take into account the factors that stand at the basis of the taxpayers' decision

to pay or not to pay the taxes they owe to the state. The strategy of the taxpayers regarding the payment of the taxes is influenced by their confidence in the institutions of the state administration, of the perception of the corruption phenomenon and, of course, the degree of satisfaction concerning the public services. It seems that the phenomenon of evasion coexists with that of the corruption.

The common element of the two phenomena, the one of evasion and the one of corruption is precisely their oldness. Both were born together with the apparition of money, Plato himself mentioned them in his writings. Even from old times, corruption had a powerful negative impact, blurring the economic growths (Gupta, 2002) since the existence of the phenomenon has negative effects upon the investments, either by discouraging them, according to Brunetti (1998), or by decreasing them, according to Wei (2000) and determining the increase of the underground economy (Schneider *et al.*, 2010).

The institutional framework of a state influences the phenomenon of corruption, in the sense of its increase or decrease. In order to measure the perception of the taxpayers concerning the phenomenon of corruption, on a global scale the Corruption Perceptions Index is used, calculated by Transparency International, using a scale from 0 to 100 where 0 signifies the highest level of corruption and 100 the cleanest.

The Corruption Perceptions Index (CPI) reveals the perception of the business environment about the level of corruption in the public sector. The last report concerning the Corruption Perceptions Index was published in January 2020 and it systematizes the data from 2019, its conclusion highlighting the fact that the fight with corruption had either stalled, or it regressed in the last period in over two thirds from the states, Romania being still situated under the average value of the European Union.

Table 2. Corruption Perceptions Index (2012 – 2019)

EU member state	2012	2013	2014	2015	2016	2017	2018	2019
Denmark	90	91	92	91	90	88	88	87
Finland	90	89	89	90	89	85	85	86
Switzerland	86	85	86	86	86	85	85	85
Sweden	88	89	87	89	88	84	85	85
Norway	85	86	86	88	85	85	84	84
Netherlands	84	83	83	84	83	82	82	82
Luxembourg	80	80	82	85	81	82	81	80
Germany	79	78	79	81	81	81	80	80
Iceland	82	78	79	79	78	77	76	78
United Kingdom	74	76	78	81	81	82	80	77
Austria	69	69	72	76	75	75	76	77
Belgium	75	75	76	77	77	75	75	75
Ireland	69	72	74	75	73	74	73	74
Estonia	64	68	69	70	70	71	73	74
France	71	71	69	70	69	70	72	69
Portugal	63	62	63	64	62	63	64	62
Spain	65	59	60	58	58	57	58	62
Slovenia	61	57	58	60	61	61	60	60
Lithuania	54	57	58	59	59	59	59	60

Data source: Transparency International

According to *Table 2*, in the European Union, the states with the lowest perceived level of corruption are Denmark, a country that in 2019 reached 87 points, at a difference of a single point as opposed to the previous year when it registered 88 points, and Finland at a difference of one point, respectively 86 points. This country registered, however, an improvement by one point, as opposed to the previous year, growing by one point as opposed to 2018. Sweden occupies the third position with 85 points, it being maintained under the same level as in the year 2018. Among the best performers, we can find Germany with 84 points, the European average dropping in 2019 as opposed to 2018 from 66 reaching 64 points.

At the end of the European ranking, the following are positioned: Bulgaria with 43 points, followed by Hungary and Romania (the two being in a tie with a score of 44 points). Romania is located in the lower part of the CPI indicator classification, a position that it seems unable to overcome, the explanation, according to Braşoveanu being the following: *“The increased corruption is, in its turn, a permanence of the Romanian society. Corruption has a powerful social and cultural determination. This negative phenomenon, almost generalized at all the levels of the public administration and the financial control bodies leads to one of the highest levels from the EU in what concerns tax evasion and the fiscal arrears.”* (Braşoveanu, 2010).

According to Transparency International “although some progresses were also recorded, the majority of the states do not succeed in efficiently combating the corruption from the public sector”. Only 59 states from a total 180 obtained score of over 50 points, the global average value being the same as the one in the previous years, that of 43 points.

We note the fact that the countries with a developed economy have a high score of corruption perception, which means a reduced level of corruption, while in the emerging countries, with a less developed economy, it is perceived by the business environment and the analysts as countries that have a higher degree of corruption.

Having in view the period subjected to the study 2012-2019, we note that Romania accomplished an improvement of its image in what concerns corruption in the period 2015-2017, in comparison with the period 2012-2014, followed by a degradation thereof in the immediately following period, a fact that can be noted from the graph below, as well (*Figure 2*).

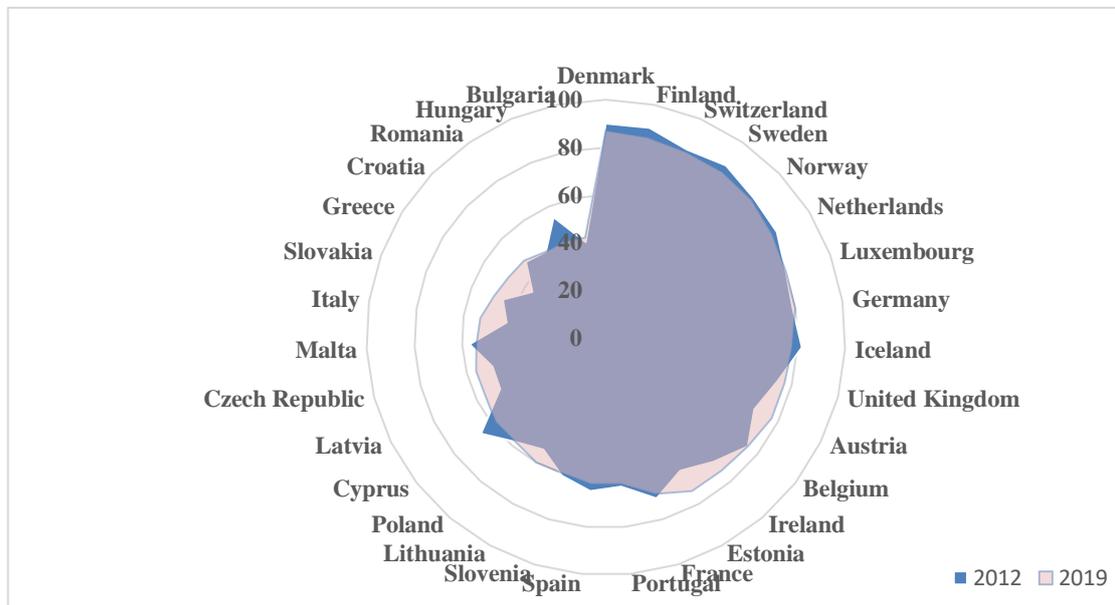
Figure 2. Romania-Corruption perception index 2012-2019



Data source: Transparency International

However, the same trend of image erosion in what concerns the corruption can be noted also in the case of several EU countries, superimposing the data of the corruption perceptions index from the year 2012 over those from the year 2019.

Figure 3. Evolution of the Corruption Perceptions Index in the EU countries 2012 vs 2019



Data source: Transparency International

Transparency International defines corruption as being the abuse of entrusted power for private gain”. The effects of the phenomenon are extremely serious, and they reach all levels. Corruption affects the confidence in the state institutions in a very serious manner and, thus, it weakens the tax morale, decreasing the degree of voluntary compliance. Corruption erodes the welfare of society, accentuating the inequalities and the poverty. At the same time, this plague makes the economic development more difficult, and it facilitates the development of other negative phenomena, such as tax evasion or money laundering. In order to efficiently combat corruption and in order to hold accountable the ones who fell into this shadow of integrity, it is absolutely necessary to understand which are the mechanisms by which it functions and the factors that facilitates it.

According to the general definitions used, corruption is strongly related to the public officials and the institutional mechanisms, the Oxford English dictionary defines corruption as being “*the perversion or the destruction of integrity or fidelity in the fulfilment of the public duties by bribery and favors*”. The most frequently encountered definition of this term makes reference to the public sector, corruption being considered an abuse of one’s position of the public authority with the purpose to obtain material advantages, own gains, by accepting, soliciting or giving bribes, and these illegal practicing do not necessarily take the shape of a pecuniary benefit, but it can occur by way of employment based on nepotism, by embezzlement of public funds, political support, theft of goods belonging to the state Braşoveanu (2010).

Braşoveanu (2010) highlights a difference between corruption and tax evasion, and not form the perspective in which evasion is a phenomenon generated by corruption, but from the perspective of the involvement of the public institutions in the two phenomena. Thus, is the realization of tax evasion can sometimes be a result of the corruption of a public

official, the phenomenon of tax evasion is strictly related to the economic agent and it does not necessarily involve any act of corruption. From the matters shown, it is noted that the fiscal fraud is tightly related to corruption, it being one of the generating causes.

Of the forms of corruption, the most meaningful ones that have the most serious influences in the economic sphere are: soliciting and/or receiving advantages and favours by the public officials in exchange for certain services; the abusive use of the public financial resources or the facilitation of employments according to criteria or kinship, granting tenders and public contracts to persons with whom they are in a conflict of interests, giving bribes to the officials by the large corporations, with the purpose of obtaining profitable offers, corrupt lawmakers serving the interests of certain groups, facilitating tax evasion through legislative ambiguities.

The studies show that there is a strong relation between corruption, tax evasion and public duty. In this sense, a study belonging to the authors Halkos *et al.* (2020) is relevant, which shows that evasion, in a sequential manner, is directly proportional with corruption by limiting the government's ability to collect income by embezzling them for individual benefits, between the two there being an interaction in both directions of causality, according to the author Cooray *et al.* (2017). The dimensions of fiscal fraud are related to the antipathy of the individual households towards the illegal activities and the manner in which competence is perceived, the correctness, the efficiency and the performances of the authorities. The lack of trust is accentuated in the institutions of the state, in the performance of the government, generating the increase of corruption and evasion. Within an economic, social, and institutional framework dominated by the prevalence of certain forms of corrupt norms' "legitimation", it is required to put an effort to consolidate the morale, with the purpose of attenuating the effects of complementarity. Improving the society's morale of society opened the horizon for a more efficient application of the standard policies for discouragement practiced by the authorities. Litina and Palivos (2016). On a macro level, the increased rates of corruption have certain effects upon the public duty, since they generate the increase of the public expenses, a mutual support of these expenses with corruption being certified within a study by the author Dzhumanshev (2014). Determining the increase of the public expenses through corruption is not a singular effect of this phenomenon, while on this level, the existence of corruption sometimes modifies the structure of these expenses, generating a migration thereof from important sectors such as health, into opaque sectors that imply certain degrees of confidentiality, such as defence, intelligence and the secret services, where the expenses are no longer able to be fully monitored.

Being a generalized and perpetual problem on a European Union level, the measures that are imposed concern to the greatest extent the increase of the level of integrity on a political level, the lack of integrity on this front having one of the most nefarious repercussions, since it maintains a high degree of corruption on an institutional level. Transparency International Romania shows that Romania will be able to sustain the battle against the acts of corruption by creating a stable and powerful institutional framework, supported both by the political leaders, as well as by the individuals of society (Transparency International, 2020).

Raising the population's awareness regarding the importance of each individual in monitoring and sanctioning the acts of corruption, and the importance of the best protection for the whistle-blowers and the journalists should be one of the main concerns. We consider that, in this regard, the establishment of certain specialized bodies in investigating the acts of corruption, which are to act through the means of specialized personnel, based on certain

rigorous and stable guides and protocols, and the establishment of certain procedural manuals which can guide the prompt and efficient intervention of the empowered institutions represents a priority.

Also, the inter-institutional cooperation through common actions and through the activation of certain programs to which multi-disciplinary teams can participate, having an extremely high degree of specialty, represents the key for the efficient fight against tax evasion. At the same time, the necessity of promoting a good international cooperation and the exchange of information, be it upon request or without a prior request settled in the shortest amount of time, as well as the consolidation of the mutual assistance agreements between the EU states are noted.

5. Conclusion

The fiscal legislation from Romania suffered multiple modifications both in view of adapting the legislation in the business environment, an environment which is in a continuous modification, as well as in view of the fiscal harmonization from the unique market. At the same time, these modifications left room for uncertainties and interpretations both from the perspective of the taxpayers, as well as that of the control body. Of course, the major fault for these legislative lacunae and lacks is that of the law maker, both from his inability to fully anticipate the legislative loopholes found by the very inventive economic agents, corrections that should be performed immediately, as well as by the willing creation of certain legislative gaps that are conceived in such manner that they favour certain groups of interests.

We conclude that a careful analysis of the legislative ambiguities and breaches would facilitate the improvement of the omissions from the legislation and the elaboration of certain clear and coherent norms having as a result the considerable diminishing of the practices for the avoidance of taxes, be it by fraud, be it by fiscal optimization, the state being capable of reaching its objectives so necessary for supporting the investments of the country, in order to provide the social services or the realization of a solid infrastructure.

In what concerns the importance of a healthy tax system with a clear and unequivocal legislation, we conclude that the paradox from the fiscal legislation puts a brake on the economic development due to the fiscal inequities, of the fraudulent income to the state budget. At the same time, a gapped fiscal legislation, serving certain political groups or certain groups of interests leads to the increase of tax evasion and, implicitly, to a vicious circle, they lead to the increase of the fiscal burden for those who are correct, since the budget is not enough. It is not desirable for the state, lead transiently, directly or indirectly by groups of interests, to act in the detriment of those who are correct and to favour those who are illegitimate and who act fraudulently.

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