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GENERAL CONCERNS REGARDING THE FISCAL POLICY IN ROMANIA

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Abstract:
The fiscal policy represents an incentive and also an inhibition factor for certain activities with special impact over the development policy, as well as the taxation system plays a major role in investment decisions. In the present context, a reform of the taxation and billing system is required, due to the low efficiency of the system. In order to increase Romania`s competitiveness in the world hierarchy, it is necessary to implement a reduction in the number of taxes and the amount of the existing taxes, to encourage investments, create an honest and competitive taxation system, and properly computerize its entire fiscal management system.

Key words: *fiscal policy, taxation, budgetary revenues, tax obligations;*

Introduction

The fiscal policy represents the sum of all fiscal nature decisions, taken by the political decision-maker factor, for the purpose of insuring the necessary resources to finance the public necessities and the achievement of economical and social output, in conditions under which various factors act (C.I. Gliga, 2007).

The fiscal policy is in fact the policy of establishing the public financial resources. It also sums up all the ideas and strategies translated in legal regulations in order to achieve the most efficient modalities of establishing and collecting of budgetary revenues.

The fiscal policy according to the government`s options in matter of taxes and bills, sets the instruments and the procedures with fiscal character in order to determine the structure, level and the regime of the fiscal facilities.

The fiscal policy represents all the decisions with fiscal character adopted by the government in order to secure the financial resources necessary in realizing its attributions (Paul Zai, 2008; Musgrave & Musgrave, 1984).

Regarding the fiscal policy, Dan Grosu Saguna described it as follows: "the largest and the most prudent science of taxation and billing promoted by the government in order to assure revenues for the state and for the society, without it being a burden or a serious damage to the interests and the patrimony of private persons or legal entities" (Saguna, 1996).

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Over time, in Romania the tax policy suffered many changes mostly regarding the fiscal sustainability of the public sector. With reference to this aspect, it is underlined that " In our country were registered constantly and continuously small budgetary revenues, the predominant part in the revenues in the PIB being much lower the EU average (Vintila N., Filipescu M.O., Lazar P., 2013).

Through the measures of tax policy it is intended to establish the volume and origin of public financial resources, methods of drawing fiscal revenues, and modalities for providing tax benefits (if provided, under what form and to which sector of activities) (Avram M., Avram A., 2012).

Today at the level of the European Union, there is not an integrated taxation system, instead a gathering of various national taxation systems. As a result of the diversity of these systems, appeared the backgrounds of a fiscal competition.

This fiscal competition generates responsible taxation policies, which can contribute to the increase in the mobility of capital and the liberalization of economies (Mitchell, 2002).

Also, there are many opinions regarding the effects of the fiscal competition on the mobility of capital and labor force internationally, in correlation with the volume of tax revenues at regional and national level (Bretschger and Hettich, 2002).

In the context of the existence of these differences between the taxation conditions and the levels of the imposed contributions among the EU member countries, the main objective of the EU`s taxation and billing policy is to avoid distorting the competition on its single market and to control and reduce tax evasion.

In this sense each member state can opt for the most suitable fiscal system, in compliance with the EU standards.

According to some authors, the EU should have the power to establish and gather taxes regarding the measures of the taxation policy (Trovato, 2007).

The fiscal policy in the European Union interval suffered in the last years major transformations mainly in realizing a stabilized taxation and in reducing on medium and long term the public depts.

In the fiscal policy of the EU member states, 2008 was a turning point. In this way, as a result of the economical and financial crises, came a drastic drawback in the tax revenues in all member states along with an increase of the debt degrees and the budgetary deficits. In this context, all EU member states were forced to adopt measures for diminishing budgetary deficit by increasing some of the taxes and reducing the public costs.

In the same time were adopted also a series of fiscal measures through which was intended to stimulate economical activities by granting some tax exemptions and fiscal benefits, thus the fiscal policy being situated seemingly between two opposite directions, with different objectives very difficult to achieve.

The period after the financial crises of 2008 was marked by the adoption by each member state of the EU, of most radical fiscal measures. After 2008 came a change in the architecture of the taxation in the sense of replacing and consolidating of the fiscal policies on new foundations of stability, by implementing measures for increasing indirect taxation, as well as modifications regarding direct taxation and social contributions.

The measures taken were imposed by the transformation of the financial and economical crises into a taxation crises expressed in the increase of budgetary deficits leading to a crises of sovereign debts.

The situation created after the economical crises, was the subject of many themes approached by studies authored by Tatiana Mosteanu (2008), Nickel, et al. (2010), Walker (2011), Thornton (2011), Molanescu & Aceleanu (2011).

From the analysis of the fiscal reforms unfolded in the European Union, it can be observed the fact that there is much effort put into modifying the taxation systems of member state with an accent on creating new jobs, economic growth and insuring correctness.

Also it was and still is put a special accent on fighting the tax evasion, many EU member states concentrating on fiscal reforms through which the competitiveness can be stimulated.

The activity reports in the fiscal field published by the European Committee, present the achievements of EU in this field along the fiscal aspects that have to be adopted further on.

As a result, the system of public resources in Romania is independent of the EU public resource system, this independence being materialized through the inputs and outputs of cash flow in and out Romania`s government budget, in favor of the EU`s budget.

1. Fiscal policy and discipline

The government`s fiscal policy is associated with the power of collecting bills and taxes. The fiscal policy was defined as being “the art of determining general characteristics of taxation considering the economic and psychological data offered by the society”.

The fiscal policy represents “the use of budgetary expenses and taxes in a manner that influences the national economy” (Horton Mark, 2009).

The fiscal policy designates “the concept, measures and the actions of the government regarding taxes and their role in forming the budget revenues, and the financing of budgetary expenses, types of taxes, their collection and use as encouraging instrument for economical growth” (Dobrota, Nita, 1999).

As integrated part of the states economical policy, the fiscal policy establishes according to the choice of each state, the proportions between the direct and indirect taxes, the share of taxes and bills in revenues, in order to affect the economic growth. The fiscal policy includes the ensemble of ideas and strategies translated in legal rules of establishing and collecting budgetary revenues.

The fiscal policy aims to realize the imposed objectives, influencing also the development policy. At the same time, the fiscal policy is an act of decision through which it is intended the reduction of fluctuations and the instability of the economy, the stimulation of growth and also the protection of the economies and incomes of the consumers.

In a market economy, the taxation system represents “one of the most important instruments of fiscal policy used by the government in all its social and economical activities” (Ioneci M., Marcu N., 2007).

Modern society can`t survive in the lack of tax liabilities and their payment. Taxation defines a system of principals, rules and legal standards regarding the correct appliance of taxation legislation. In every society taxation is necessary, as it is a governments intervening instrument in economy.

Taxation represents a complex domain, also very dense, precise, legal by excellence, because the problem of taxation relies on the legislation adopted in this field, and also opened towards other law branches (M.S. Minea & C.F. Costas, 2008). It is considered by the tax payer as a constraint exerted by the predatory government which – throughout special methods – pulls out of the citizens pockets various sums of hard earned money, so well deserved by them (M.S. Minea & C.F. Costas, 2001).

In the last two decades, in Romania the taxation system suffered the most changes, the Romanian fiscal society being perceived by the tax payers as a factor of instability the development of the local economy.

The fiscal discipline is an essential component of the financial discipline, which defines the behavior through which are respected a set of rules of financial conduct. The fiscal discipline and the financial stability must become a state of normality in Romania (Mugur Isarescu, Governor of the National Bank, July 2015).

The fiscal policy and its modifications affect the tax payers which represent the main component of the taxation system. The degree of compliance by the tax payer is influenced by the number of bills and taxes (Paying Taxes 2008, The Global Picture, World Bank and Price Waterhouse Coopers).

The degree of compliance by the tax payer is influenced also by the inexistence of reduced taxes and the lack of a non bureaucratic and simplified taxation system. In this sense, the taxation system must be based on a state – tax payer partnership. An important instrument in consolidating this partner-ship, is the correct and stimulating taxation of global incomes.

2. Particularities of taxation policy in Romania

In our country, as a result of the necessity to adapt to the needs of the market economy, a series of changes were registered at taxation legislation level. After 1990, Romanian taxation system achieved serious developments as a result of joining the European Union.

The taxation system in Romania is characterized as a low degree of tax collection, an inefficient management of taxes, an excessive bureaucracy and high tax evasion. Also the taxation base is relatively low but with many exceptions and legal benefits.

Regarding the payment of bills and taxes towards the state, in 2013 Romania was situated 134-th from 189 nations and in terms of regulating the business environment situated on 73-d place. As bills and taxes, a company in Romania does a number of 39 payments, for which looses almost 200 man hours (Report “Doing Business” of the World Bank, 2013).

Regarding the competitiveness ranking, in 2013 Romania was placed 146-th among 148 nations measuring the effect of tax collection on the work environment and as 136-th concerning the effects of tax payments on investment motivation (World Economic Forum, 2013).

In 2014 respect the rest of the East European countries, Romania climbed in the global competitiveness ranking made by the World Economic Forum, from the 76-th to the 59-th place among a total of 144 countries (Ziarul Financiar, 2014).

Concerning the bills and taxes, Romania can`t be compared with none of the Western European countries, as their fiscal policy is based on increasing taxes and less on the rationalization of public expenses. In 2012, Romania had the lowest taxation burden in the EU, along Lithuania, Bulgaria, Latvia, Slovakia and Ireland (Eurostat, 2012).

In 2014, in our country were collected no less than 39 various bills and taxes, among which 4 taxes on profit and 12 taxes over work. Meantime in other member states of the Union the number of taxes didn`t exceed 10, while for example in Sweden and Norway, in both the countries the investors were paying no more than 4 taxes / year. In France business men who own companies pay only a number of 7 annual taxes, and in Denmark only 10.

In 2015, the number of payments descended considerably to 14, and that of necessary hours dedicated to tax payments has been reduced to 159 hours/year, but the total amount of taxation reached the level of 43.2% (Paying Taxes 2015, The Global Picture, World Bank and Price Waterhouse Coopers).

According to the same reports in the 2006-2015 period the values of the total taxation level, the number of payments done, as well as the number of hours necessary in order to comply to the fiscal legislation in state, had been reduced significantly, especially the number of payments required, from 113 (in the 2008-2012 interval) to 41 payments (in 2013), 39 payments (in 2014) and finally to 14 (in 2015) (Paying Taxes 2006-2015, The Global Picture, World Bank and Price Waterhouse Coopers).

The number of work hours necessary to carrying out the tax obligations also descended from 222 hours/year which was the highest level reached in 2010-2012 period, to 159 hours/year in 2015. These diminishes came also as a result of introducing of a new electronic system which permits along side the depositing of documents also the payments.

Between the years 2006-2015 the share of taxes over work from a total of taxes supported by a legal entity stayed over 70%, with the lowest rate registered in 2013 – 71.27%, and the highest level being reached in 2009 when it was situated at 80%. (Paying Taxes 2006-2015, The Global Picture, World Bank and Price Waterhouse Coopers)

In 2013 Romania registered the lowest rates of fiscal and non fiscal revenues in its GDP that year representing only 32.7% when the level of taxes and health insurance contribution were at 27.5%, lower even that of Hungary (38.6%), Slovenia (37.6%), Czech Republic (35.3%) and Poland (31.8%) (Fiscal Committee, Annual report 2013).

Regarding the taxation of profit, Romania was situated 7-th among the 10 Central and East European countries, registering a slight increase in the collection rate of taxes respect the precedent year. The rate of efficiency in health insurance contribution taxes was at 72%, Romania being ranked between the last among the east European countries (Fiscal Council, Annual report 2013).

Particularly Romania`s taxation system compared to other EU countries stands at a low level.

Regarding the flat tax on income which is 16%, Romania is situated after Bulgaria with a level of taxation of 10% and Lithuania which has a level of flat tax of 15%, and considering the level of taxation on profits (also 16%), Romania at European level the situation is the same, being situated after Bulgaria (10%), Lithuania (15%) and also Hungary (16%).

But the VAT quote in Romania is one of highest at European level (third after Hungary with 27%, Sweden and Denmark both with 25%), and regarding the rate of the social security contribution, our country is situated in 8-th place in Europe. In consequence, Romania`s taxation quotes on VAT and health insurance, but very low on profit and income in comparison with other European countries.

Romania sits on the lowest ranking among central and east European countries concerning tax payments ("Doing Business" report of World Bank, 2013).

The number of tax related payments/year that a company in Romania has to do is 39, which is a very high level comparing to other central and east European countries. Therefore, a Romanian company makes 12 payments/year for VAT taxes and same for social security taxes, when in most of the central and east European countries according to the World Bank methods, these two payments are done at the same time once, electronically by almost all the middle sized companies.

If Romania would ensure the declaration and electronic payment of these taxes (health insurance, tax on profit and VAT), the number of payments would go down from 39 to 14.

Although at first glance the level of taxation in Romania can be competitive at European level – from flat tax point of view – the economical practice demonstrates the opposite. According to statistics published by the European Committee, in case of VAT the level of collection barely exceeds 50% from the sums owed.

The degree of efficiency in VAT taxation in 2012 – 57%, is significantly inferior of that of Estonia (84%), Slovenia (71%) or Bulgaria (71%). Romania collected in 2012 8.5% of its GDP from VAT taxes (excepting ESA95), in comparison to 8.32% of GDP in Slovenia, 8.73% of GDP in Estonia and 9.15% of GDP in Bulgaria, given that in these countries the VAT rate was at the time 20% (respect 24% in Romania at the same period) (Fiscal Council annual report, 2013).

The data of finance ministry reveals a reduction of collection of VAT from 8.1% of GDP in 2008 to 7% in 20009 and to 7.5% in 2014. The results achieved in 2011 show a rate of VAT and excises collection to 12% from GDP, also due to the increase of excise levels as part of the alignment calendar to usual rates of EU. In 2013 – 2014 period VAT collections took a descending trajectory, the level being close to that recorded in 2010 (Ministry of Public Finances, 2014).

Table no.1 – The evolution of VAT revenue and excise duties (% of GDP)

Year	2008	2009	2010	2011	2012	2013	2014
VAT	8.1	7.0	7.6	8.6	8.6	8.1	7.5
Excise	2.7	3.2	3.4	3.4	3.4	3.3	3.6
Total	10.8	10.2	11.0	12.0	12.0	11.4	11.1

Source: http://cursdeguvernare.ro/wp-content/uploads/2015/02/tabel-11.png

Romania has one of the lowest rate of budgetary revenues in GDP (fiscal and non fiscal collection), this rate being at only 33.5% in 2012, 11.9% (GDP pp) lower than the European average (Fiscal Council, Annual report, 2012).

Concerning the fiscal the share of fiscal collection and health insurance contributions in Romania`s GDP, from the data selected for 2012 presented in table no. 2 results that the gap between Romania and other EU countries is not recorded at the level of the production and product taxes, in this case Romania being situated closer to the EU average even then Germany and Poland. The same time, the level of collection from the taxation of income is half that of Germany, which is also under the EU average. Regarding the health insurance contributions, we are situated under the European practice in this matter, it being at 30% (Eurostat, 2012).

Table no.2 – Fiscal revenue structure and health insurance contribution in the European Union and few of the member state (% of GDP) in 2012:

	UE 28	Romania	Germany	Poland
Taxes on production and imports	13.6	13.4	11.4	13.1
Product tax	11.3	12.8	10.7	11.6
- VAT	7.2	8.5	7.3	7.3
- Custom duties	0.4	0.5	0.8	0.4
- Other taxes on products	3.7	3.8	2.6	3.9
Taxes on production	2.3	0.6	0.7	1.5
Taxes on income and fortune	12.9	6.1	12.0	7.2
-Income tax	12.0	5.8	11.7	6.7
-Fortune tax, etc	0.9	0.3	0.3	0.5
CAS	13.0	9.0	15.8	12.3
-Employers	7.4	5.7	6.8	4.9
-Employees	4.0	2.9	6.4	4.9
-Freelansers and unemployable	1.6	0.4	2.7	2.5

Source: http://cursdeguvernare.ro/wp-content/uploads/2014/11/tabvel-3.png

The current structure of taxation in Romania is based on greater proportion on indirect taxes vs. direct taxes. Thus, over 47% of the taxes in Romania come from indirect taxation (comparing to the EU average of 34.5%), and only 21.6% from direct taxes (where the EU average stands at 33.4%) (AMECO, Fiscal Council).

The indirect taxes remain the main component of fiscal collection in Romania, their share in total being significantly above the EU average.

The taxation system in Romania is characterized by a faulty collection of taxes, with an inefficient management and an excessive bureaucracy, a relatively low base of taxation with lots of exceptions and legal benefits and a high rate of tax evasion (Fiscal Council, Annual Report 2012).

According to the calculations of Fiscal Council based on data from the National Statistics Institute, the tax evasion has a very high dimension in Romania, representing 16.2% from GDP in 2013 (Fiscal Council, Annual Report 2013).

If Romania would collect its bills and taxes at a maximum rate, it would have budgetary revenues as percentage in GDP, above the European average. Approximately 75% of the tax evasion is generated at VAT (12.21% of GDP) (Fiscal Council, Annual Report 2013).

According to the calculations of Fiscal Council based on data from the National Statistics Institute, presented in table no. 3, the degree of collection in case of the income taxes, taxes on profit, health insurance contributions and excises is around 80%, while in the case of VAT it is approximately 40%. Now then in 2010, when the legal rate of VAT was increased from 19% to 24%, the tax evasion on VAT collection grew from 8% of GDP in 2009 to 9.6% of GDP in 2010, maintaining itself at a growing trend also in next years (Fiscal Council, Annual Report 2013).

Table no. 3 – Degree of collection of revenues to budget

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Income tax	80	84	85	86	87	81	78	80	82	83
Profit Tax	85	81	79	77	76	79	74	77	79	80
CAS	85	86	85	85	86	79	76	77	78	79
Excise and sin tax	79	75	75	63	74	72	68	80	82	81
VAT	47	55	65	53	53	45	44	46	41	40
Total	66	70	74	67	66	61	57	58	55	56
The fiscal evasion (% GDP)	6.4	9.5	7.9	11.2	11.0	12.9	15.1	15.1	16.7	16.2
of which										
VAT	3.0	6.2	4.4	7.2	7.4	8.0	9.6	10.3	12.3	12.2
CAS	1.75	1.74	1.82	1.93	1.82	2.80	3.13	2.87	2.66	2.43

Sursa: http://cursdeguvernare.ro/wp-content/uploads/2014/11/tabel-19.png

As such there is an approximately 13% difference to the EU average, which generates a 40% deficit in collection respect the present collection rate. The low level of taxation efficiency in our country is influenced by the self-consumption and the rural market which hold an important share.

A profound reform of the taxes and bills management in Romania aimed at raising the degree of tax collection is absolutely necessary, being capable to create the necessary fiscal interval for the reduction of fiscal burden on employment which is a the very high level at the moment. A more efficient fiscal policy is realized through the reduction of bureaucracy in terms of fiscal obligations and increase of the importance of direct taxation.

3. Aspects concerning the fiscal reform in Romania

The fiscal reform, is a component of social and economic reform, aiming to create an efficient, coherent and balanced fiscal system.

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In Romania, the fiscal policy has been aligned to the EU fiscal system in the matter of indirect taxation as well as in terms of their share (pp in GDP) in budgetary revenues obtained. In exchange, the share of revenues from direct taxation is situated below the minimum registered in the European Union as result of a relatively low rates of flat tax on profit and income.

In 2004, the basic characteristic of the Romanian taxation system was given by the applying of differentiated rates of calculating the income taxes for private persons. The reform proposed by the 2004 government had as objectives a fair distribution of gains obtained as a result of the economical growth, the strengthening of Romania`s position in terms of competitiveness and improvement of business environment. Also, the fiscal reform watched the increasing of the predictability in the fiscal field, the reduction of tax related costs and a reduction of work taxation.

The process of reforming the fiscal policy continued at the end of 2004 through the introduction of the flat tax of 16% over salary. Beginning 2005, the government introduced the flat tax also taxation of profit of legal entities. This new fiscal reform of 2005 aimed the encouraging of big affairs and large companies with great financial power, increase of revenues, multiplication of direct investments, the decrease of underground economy and the creation of jobs.

From 2006, this tax rate extended also over investments income, revenues from dividends and interests.

These measures led to growing foreign investments (9.1 billion euro in 2006) and an economical growth of 7.7% in 2006, other objectives remaining unachieved. This way, the level of industrial production, work productivity in the industry, deficit of current account and so on, were situated under the level of performances reached in 2004.

The reform of the fiscal system promoted by the post 2005 administration did not manage to assure the increase of budgetary revenue rates in GDP. The stimulation of consume in this period had a negative effect over the economical balance deficit, which deepen from year to year.

Unlike Romanian authorities, which consider that the implementation of flat taxes brought revenues to budget, the International Monetary Fund specialists consider that this measure "determined a loss of revenues from income and profit taxation of approximately 1% of GDP in 2005 (International Monetary Fund, 2006).

From January 1-st 2005, another aspect regulated was that of establishing the level of debt degree for which is permitted the deductibility of interests, and also it`s calculation as relation between average value of loaned capital with larger than 12 month due term and the average value of own capital.

Regarding the indirect taxation occurred modifications in the name of harmonization with the European Unions taxation system. In this sense were imposed compulsory measures for all member states regarding the stability of VAT rate in the 15 – 25% range.

Beginning January 1-st 2007, the fiscal code suffered modifications throughout the coming in effect of long discussed amendments, and the implementation of flat tax of 16% over incomes and a VAT rate of 19%.

In 2010 at 1-st July as part of a pack of measures for the balancing between levels of revenues and levels of expenses, correlated with macro-economical objectives and the process of the harmonization of national legislation and European Union legislation in the domain, as a member state, Romania registered an increase of VAT from 19% to 24%.

In regional context, according to data provided Fiscal Council, the fiscal policy of Romania presents itself as follows :

Table no. 4 Romanian taxation in regional context

	Romania	Poland	Czech Republic	Slovakia	Hungary	Bulgaria	UE
Profit tax	16%	19%	19%	23%	20.6%	10%	23.2%
Income tax	16%	32%	22%	25%	16%	10%	38.9%
VAT	24%	23%	21%	20%	27%	20%	21.3%
Social Contributions	39.95%	41.19%	45%	49.4%	45.5%	30.3%	33.2%

Source: Fiscal Council

One of the concerns of Romanian authorities is simplifying as much as possible the VAT system and trying to diminish the administrative tasks for the companies.

At the level of tax on profit, fiscal policy in Romania watched its alignment to international rules in the field concerning transfer costs and costs for legal headquarter. The rules of taxation over profit realized by the resident companies still remained up to the Romanian authorities.

As a result of these changes it was achieved a uniformity from the point of view of taxation of dividends, received by resident companies from EU companies. It was also assured the fiscal neutrality in the situation of fusion between a Romanian legal entity with a foreign legal entity from the European Union (Dobrota G., Chirculescu M.A., 2011).

In the 2008 – 2010 period, through the applied fiscal policy, Romania`s government intended the creation of a non-discriminatory environment, the reduction of contribution rates to the social security and consolidating the public finance.

After the measures implemented in 2014 consisting in reduction of health insurance contributions for the employer and also the reduction of VAT for the food products, in 2015 were applied reductions of the main taxes – VAT, health insurance contribution, flat tax – as well as a series of penalty measures for micro-enterprises, and the introduction of compulsory payment of social security and health insurance contribution for every private person realizing revenues.

Romania took another bold measure consisting in the introduction of “holding type” legislation in 2014, which permits to Romanian legal entities to establish this type of companies without being taxed for distributed dividends and neither for capital profits, in conditions in which it would have been desired for some branches to be sold.

In 2015, Romania came up with a extensive reform of fiscal relaxation, by approving in march 2015 the new Fiscal Code. This new law brings new important modifications regarding the tax on profit, VAT, micro-enterprises, tax on income, social security contributions and local bills and taxes.

In 2015, the government changed the strategy regarding taxes, as such in june the VAT was diminished from 24% to 9% for food and non-alcoholic beverages.

According to the budgetary fiscal strategy for 2015 – 2017 period elaborated by the government, the fiscal policy is subordinated to the fundamental objective of economical development, being oriented towards stimulating and promoting investments, entrepreneurial initiatives and efficient spending of public resources.

On medium term, the government proposed to go on with the measures aimed to increase the efficiency of the taxation system, reduction of fiscal burden on the low income working class by implementation of a new system for social security contributions, extending their calculus base over the entire sector of private persons realizing incomes from independent activities, no matter if they have also other incomes.

The most important budgetary fiscal measures on the 2015 – 2017 horizon stipulated by the Law nr.227/2015 regarding the fiscal code are as follows:

-“The tax on dividends is established by applying a rate of taxation of 16% over gross dividends paid to a Romania legal entity. From 01 January 2017, the rate of taxation fro dividends will be 5% (Law 227/2015, art. 43(6), Official Gazette of Romania - M.O..688/2015).

- The effects of this law doesn`t apply in case of Romania legal entities paying dividend to othe Romania legal entities, if the legal entity that receives the dividends, holds at that moment a minimum of 10% from the shares of the vending legal entity, on a period of a full year till the date of the payment of these dividends. (Law 227/2015 art.23(a), Official Gazette of Romania -M.O. 688/2015)

- For the determination of fiscal result there are taken into count the deductible expenses, social expenses being deductible in a rate of max. 5% applied on the value of expenses with employees salaries. (Law 227/2015 art.25(3), Official Gazette of Romania-M.O. 688/2015)

- The profit invested in technological equipment, electronic computers and peripheral equipment, cashiers appliances for control and billing purposes, as well as investment in informational software, produced or purchased, including those based on financial leasing contracts, started up, used in the economical activities, are tax-free. Corporate assets which are tax-free are those provided in the subcategories 2.1 and 2.2.9 from the Catalogue for the classification and normal durations of functioning for these assets (Law 227/2015 art.22(1), Official Gazette of Romania -M.O. 688/2015).

- The rate of taxation for the revenues of micro-enterprises is 3%. By exception for Romanian newly established legal entities, which have at least one employee and are established for at least 48 months, and the share holders/associates of the company did not yet owned shares or quotes in other legal entities, the taxation rate is 1% for the first 24 months from the date of establishment, according to the law. This tax rate is applied till the end of the trimester in which ends the 24 month period (Law 227/2015 art.51(1,2), Official Gazette of Romania - M.O. 688/2015).

- If throughout a fiscal year a micro-enterprise realizes incomes that exceed 65.000 euro, or the share of income made from consultancy and management is over 20% from total income, this micro-enterprise has to pay tax on profit, starting with the trimester in which the mentioned limits were exceeded (Law 227/2015, art.51(1) Official Gazette of Romania -M.O. 688/2015).

- Modification of the list regarding tax free incomes (Law 227/2015 art.62, M.O. 688/2015).

- The net income resulting from cession of use over goods is established by deducting from the gross income the expenses determined through application of the 40% share over the gross income (art.84 align.3).

- The rate of social security contributions are as follows:

a) 26.3% for normal working conditions, from which 10.5% for individual contribution and 15.8% for the contribution owed by the employer;

b) 31.3% for special working conditions, from which 10.5% for individual contribution and 20.8% for the contribution of the employer;

c) 36.3% for special working conditions and conditions as specified in Law 263/2010 regarding the unitary public pension system, with its ulterior modifications and add-ons, form which 10.5% individual contributions and the rest of 25.8% for the contribution owed by the employer (Law 227/2015 art.138, Official Gazette of Romania M.O. 688/2015).

- For the incomes realized beginning 01 January 2017, in the situation in which the basic income for calculation exceeds the value of five times the average gross salary specified at Art. 139 align. (3), the individual contribution for social security is calculated in the margins of this limit (Law 227/2015 art. 161(2), Official Gazette of Romania - M.O. 688/2015).

- The standard VAT rate is applied upon the base for taxation for taxed operations which are not tax free or which are not subjected to reduced rates, and its level is:

a) 20% beginning 01 January 2016 till 31 December 2016;

b) 19% beginning 01 January 2017 (Law 227/2015 art.291(1), Official Gazette of Romania- M.O. 688/2015).

- The lowered VAT rate of 5% is applied over the base of taxation for the following deliveries of goods and provisions of services:

a) school books, books, newspapers and magazines, with the exception of those destined exclusively and mainly for publicity;

b) services consisting in allowing access to castles, museums, memorial homes, historical monuments, architectural and archeological monuments, zoological and botanic gardens, fares, expositions and cultural events, sporting events, movie theatres, and others apart from those tax free according to art. 292 align. (1) let. m);

- Expression of level of excises in Romanian currency. Thus, beginning with 01 January 2015 the level of excises will be expressed in local currency on the measuring unit using the level in Romanian currency practiced in 2014. The level of excises established is updated annually with the increase of consumer prices in the last 12 months, calculated in September of precedent year , in comparison with the October 2014 – September 2015 period, communicated officially by the National Statistics Institute by 15 October (Law 227/2015 art,342 (2), Official Gazette of Romania - M.O. 688/2015).

- For residential buildings and annex buildings, property of private persons, the building tax is calculated by applying a rate between 0.08 – 0.2%, upon the taxable value of the building. The rate of the building tax is established by decree of the local council (Law 227/2015 art 457(1), Official Gazette of Romania - M.O. 688/2015)."

4. Conclusions:

The fiscal system has an important role in achieving social and economical objectives by the state.

The re-projecting of the fiscal system is imposed, in a manner in which it would be possible to put a strong accent on creating new jobs, economical development and increasing exports, but essentially a system that insures correctness.

At the level of Romania economy, it`s needed a real financial reform, so, at the same time with the reduction of bills and taxes, also must be reformed the system of the expenses of public resources , as well as reforming the system of collection, financial control and the fight against tax evasion.

A profound reform of tax administration in Romania oriented towards increasing the degree of tax collection is imperative, this being realizable by combined efforts for upraising the voluntary conformation and essentially reduced tax evasion.

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