

TAX EVASION AND CORRUPTION IN THE DEVELOPMENT OF ROMANIA

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Abstract: *Tax evasion is one of economic phenomena - social complex of most importance that states face today and unintended consequences which seeks to limit as much as possible, eradication is impossible. She has a direct effect on levels of tax revenues and immediately, which leads directly to imbalances in market mechanisms and the enrichment, unlawfully and practitioners of this method of fraud affecting the state and ultimately each of us, honest tax payers. Fraud produced at the expense of public budgets amid corruption, at the lower level to the higher level, where we already discuss government officials, politicians or even trust the media that influence important decisions based on interests, is a reality of which passed on the economy should not be neglected.*

Key words: *tax evasion, corruption, tax policy.*

1. Introduction

Everywhere and always has been convicted of tax evasion. However, the outlook for this phenomenon have not changed over time. He persists in all countries and all periods, despite sanctions.

As the deepening international economic cooperation and development of relations between states with different tax systems and different levels of taxation, tax evasion is no longer present only as a national phenomenon, but has become one international.

Tax authorities are facing a phenomenon that has a mass scale tax evasion, because the tendency to be removed from under the law as substantial income. The proliferation of illegal acts, especially those of economic and financial, is a logical result of the defects and imperfect and inadequacies of legislation similar imperfect and evil, and how faulty

methods of application and also because of non specifications and unobediance excessive taxation which the legislature is just as guilty as those that cause them thereby to evasion. Legislative gaps dimensions are shown as multiplication of cases of smuggling, financial impropriety, etc.

Multitude of obligations which impose tax laws as taxpayers, and especially the burden of these obligations were to foster, at all times, the ingenuity of taxpayers who sought to reduce tax liabilities, using the most varied and ingenious methods for circumventing obligations tax. Human nature has always tended to put the public concern from private one, it is more inclined to consider tax as a legitimate injury and not as a contribution to public expenditure and eyes always see evil one who wants to reduce heritage.

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Experience of many countries shows that in severe crisis, as is the case of Romania, the biggest danger is the introduction of new taxes or increase existing ones. Moreover, countries such as Austria, Hungary, Slovenia, Lithuania, the Czech Republic have resorted to reducing the profit tax as a means to stimulate the economy hit by the global crisis.

Euro area governments have demonstrated their ability in quick action and coordination to support the financial system and stimulate economic activity. At European level, and therefore in Romania, fiscal consolidation should be guided by rules set by the Stability and Growth Pact. This means, first, setting realistic deadlines and at the same time challenging enough to correct excessive deficits.

Taking into account the expected increase in consumption in the euro area governments should focus on fiscal consolidation based on expenditure. In the past, this measure proved to be more effective than increasing taxes on the successful implementation of fiscal consolidation. The effectiveness of these inducements depends on expectations and reactions of economic agents, most of them as small and medium enterprises.

2. Tax evasion

Compared with these countries, EU, tax burden in Romania has a touch of confiscation for the taxpayer due to low purchasing power, of income for most taxpayers and assets due to inflation. Tax burden in our country has made, from revolution to the present high and even increasing trend due to high and increasing amount of public spending.

The state must be concerned with systematically and effectively prevent and limit tax evasion. State by public authorities, perhaps to incite tax evasion, following mainly two purposes: one purpose „positive” arguments by the desire

to stimulate capital formation and purpose „negative” reflected in the supporting interest groups often mafia, with all the consequences procession.

One of the effects that contribute to the decrease of revenues from the state budget and proves that the control bodies fall, the masked, businesses find that producing evasion, among those with late payment of tax liabilities which generates a perpetuation of the entity's tax evasion. Thus, the phenomenon is prevented in the fight to reduce tax evasion by the authorized bodies of state even in this area (Customs, Financial Guard). Although such a classification of fraudsters in the category of late payment of taxes involves the application of delay increases and penalties to the state budget receives small share of these increases and penalties applied.

Tax fines it will not cause the taxpayer to report income that is exactly, but it will cause a number of precautions to take more minute, to evade its obligations to the state. It outlines the psychology of even a taxpayer to never pay than what can not pay.

Tax evasion under the cover of law can be avoided by correcting, perfecting and improving the legal framework made it possible. Fraudulent tax evasion: he sees a much larger scale than lawful avoidance and is carried out in breach of the law, based on fraud and bad faith. Consequently, this phenomenon must be combated antisocial strong because the state budget avoids a significant amount of financial resources that could be used to cover costs of social or economic.

Money laundering is not new, tend to conceal the illicit origin or only questionable amounts of and give them an apparent legality and honesty and respectability default holders of these amounts with ancient origins.

Money laundering is the worst part of the economy and includes the production, distribution and consumption of drugs, arms trafficking, nuclear smuggling, car theft, prostitution, human trafficking, corruption, blackmail, counterfeiting or other values, smuggling etc.

Illegal activities such as drug trafficking, weapons, nuclear material, are a reality that often grasp through sensational news, but behind these activities are generating large amounts of economic and financial flows.

Tax havens are also a way by which the legal tax evasion. In their office and residence is established both the individuals and of the legal and tax havens to those directing their profits in other countries, without resorting to financial authorities. An example of tax evasion under the protection of the law is the imposition of income of certain categories of individuals based on average income rules, which creates conditions for tax payers who have an income higher than the average do not pay tax on that difference.

Tax evasion in Romania occurred in most of the profit tax and VAT, in fact, have important contribution to revenues.

Currently trying to reduce the size of this phenomenon by increasing controls especially on areas with high taxation.

Identification of cases of tax evasion led to sanctions, as delay penalties, the fines and confiscations.

Work of the Financial Guard, the last period is considered to be positive and in line with the tasks set by the Ministry of Finance to combat tax evasion and currency of financial discipline and rules of trade.

The CSAT meeting was reported on the activities and results in the prevention and combating tax evasion, following which the authorities have received 14 million euro fine for tax evasion, have applied to offenses amounting to over 25 million and

were ordered more than 1,500 suspension of activity during March-May 2011.

Also were imposed additional tax liability amounting to 863.5 million euros, prosecution has been ordered in over 3,000 criminal cases in relation to tax evasion and seized goods estimated 15 million euros and precautionary measures were instituted to goods worth over 1 billion lei.

Economic reality and the Financial Guard reports have shown that the existence of evasion, tax can not be regarded as a positive economic phenomenon, the efforts of the competent bodies moving towards managing and limiting the negative effects of this phenomenon that causes dysfunction and level of development/growth economic.

3. Corruption

Corruption is a global phenomenon which is found in all levels of society and in all fields. But it is of a relatively quite in terms of office: what a society is corrupt, the other can be accepted and allowed. Thus corruption is not universal, but they differ from one society to another. However, in recent years this has become increasingly disturbing and difficult to control, it developing and specializing permanently.

There is almost no area of activity without corruption, whether it is less corruption, or the vast corruption. Corrupt practices, improper accounting and hiding the truth about the country's finances have already forced Greece, Latvia and Hungary to seek external financial support, but judging politicians senior and punishment for corruption remains a rare phenomenon in the entire bloc.

The most important in the fight against corruption is the existence of discrepancies between the legal definition of sensitive corruption and social perception of public opinion on this phenomenon.

The general opinion about corruption is negative, it is perceived as a social evil. However, corruption is a phenomenon condemned unconditionally. Some citizens consider that individual problems are resolved through corruption. It is proof that people can deviate from their principles when confronted with problems in everyday life. Unfortunately, there is a high degree of willingness of citizens to take part in acts of corruption.

European Commission argues that regardless of the nature and extent of corruption, it affects all Members and European Union as a whole by reducing investment, the negative impact on fair functioning of the internal market and reducing the public finances.

Four out of five UE citizens consider corruption as a major problem in the Member State to which they belong. Estimated that corruption produces annual injury UE economy 120 billion. This figure is derived from estimates made by specialized institutions and organizations such as the International Chamber of Commerce, Transparency International, the UN Global Compact, the World Economic Forum, Clean Business is Good Business 2009, according to which corruption is 5% of global PIB.

European Commission in this regard, proposed a set of measures to combat serious damage caused by corruption in the economic, social and political among European companies and adopted a decision for the first time, establish a mechanism to assess anti-corruption measures in all UE countries, and a report against corruption which will be issued by the CE since 2013, will highlight the failures and vulnerabilities in the 27 member countries.

According to the CE, the UE anti-corruption report will identify trends and weaknesses that need a solution and at the same time, will stimulate the exchange of

experience between the parties and exchange of best practices.

The report will be issued by the Commission every two years since 2013, and will be based on information received from various sources, including existing monitoring mechanisms (the Council of Europe, OECD and UN), the independent experts, stakeholders and civil society.

In parallel, the UE should negotiate its participation in the Group of States against Corruption of the Council of Europe (GRECO), to create synergies between the two mechanisms.

To address more effectively the problems of corruption, Member States should improve the implementation of legal instruments to combat corruption at European level and internationally.

Therefore, the Commission will propose UE upgraded rules to confiscate assets derived from crime, a strategy to improve financial crime investigations in the Member States in 2012, and an action plan to improve statistical data on crime.

The Commission and UE agencies such as Europol, Eurojust, CEPOL and OLAF, will intensify the actions of police and judicial cooperation and improve the training of officials who have responsibility for law enforcement.

Commission will work to modernize UE rules on public procurement, accounting standards and audit rules for UE companies.

This year the Commission adopted a strategy for combating fraud affecting UE financial interests.

In parallel, the Commission will put more emphasis on fighting corruption issues in the process of UE enlargement and, together with the High Representative in our Neighbourhood Policy. The CE cooperation and development politics will be used more in compliance.

In Romania, corruption spread in all areas and all branches of activity. Thus we

can speak about economic corruption (illegal actions of economic entities or persons involved, consisting of management fraud, deception, abuse of power, the fake documents, etc.), professional corruption (immoral and illegal actions of public officials or other employees who fulfill their duties in preference service or condition) or political corruption (the use of influence and power by politicians for personal purposes).

In Romania, high-level corruption and low corruption are mutually reinforcing. The first institutionalizes illegal practices, and the second uses these practices.

Currently, most people believe that corruption is the most serious problem facing our country. It began to grow once the revolution of 1989, when socio-economic changes have brought a state of anomie, an imbalance between the needs of individuals and opportunities offered by the society in transition. Thus, rising prices, insecurity, difficulty finding a job or housing, etc. led to the adoption of illegitimate practices to satisfy the needs.

Dominant image of the population is that, at present, virtually, any no industry sector or activity that is not affected to a lesser or greater extent, the perception of corruption leading to its quasi generalized throughout socioeconomic and political mechanism of Romanian society.

This perception is fueled by the discovery of both sensitive and revealing corruption, the legal instrument by specialized bodies with the role of prevention and social control, especially in productive economic sectors, banking and administrative and advertising through media mass of corruption cases involving persons in the sphere of political power (Members of Parliament, ministers, prefects, etc.).

This fact is recognized even by the parliament that the difficult economical, financial and social situation is generated

very close connection between politics and corruption (perceived as the opposite of morality).

Corruption has a strong political dimension due to the possibility of including in the manifestation of the phenomenon of senior state officials, political leaders and political parties.

Political corruption, specific political systems based on private property, inherent bureaucratic organization of social institutions and political relationships of domination by the minority of most exploitative antagonism between state power and the masses indicate a state of decay, of corruption, the disintegration of public morals, political parties, both in electoral struggles to reach government and to maintain power, frequently and widely used various means of corruption, which highlights their criminal nature, a moral-political profile dehumanized.

Corruption in politics and institutions in the field of power, although intensely perceived by the population, is difficult to estimate like magnitude and intensity. This type of corruption is the effect of the crisis of authority and power of the fundamental institutions of the state, so that certain segments of the population could challenge the current government's ability to lead the society as long as it can tolerate and encourage either suspected corruption or that is unable to stop or at least try to reduce this phenomenon, with serious consequences in terms of objectives macropolitics.

Romania faces a serious corruption in the management of funds, resulting in a vulnerability to national security.

Complaints about the management of European funds have come to Brussels because of the attitude of officials in charge of these funds to the beneficiaries. The latter got exasperated by the European Commission as European Commissioner for Agriculture as Dacian Cioloș said, the

most recent visit to the country, bureaucracy, incompetence and corruption. He said that the most are related to how officials apply the selection and contracting procedures developed at national level. Complaints were related to changing conditions of eligibility after publication of the projects, requests for clarification from county offices APDRP unanswered and the behavior of officials deters beneficiaries to submit projects that they do not work with some consulting firms. Cioloş even said that some beneficiaries are required to contribute financially to the administrative processing of projects not be too long.

At the same time, FMI mission chief, Jeffrey Franks, said that Romania may be required to return the European Union to 1.5 billion euros, amounts already paid, if a series of pre-accession projects will be completed by the end this year.

FMI is not the first warning about the disastrous situation of European funds. Fund representatives have been several times concerned about the absorption and showed that Romania risks losing 20 billion because it fails to attract European funds.

But lately, according to the report the European Commission on Cooperation and Verification Mechanism in justice Romania DNA praise for fighting corruption, highlighting the progress made this last time, referring especially to the actions of customs, but also Parliament to block criticism of corruption cases.

CE President spokesman, Pia Ahrenkilde, said that „Romania, the last report, responded in a constructive manner to the problems raised by the Commission”.

However, the report MAI, 13% of the Romanian said they paid a bribe last year. On average, each of the 2.3 million Romanian who gave the previous 12 months, out of pocket 570 lei. Estimated

total value of rapot 1.32 billion lei stands, over 300 million euros.

In addition, three quarters of Romanians believe that you can not succeed in our country without resorting to bribes.

According to representatives of the General Anticorruption Directorate (DGA), the Traffic policemen are the most vulnerable employees of the Ministry of Interior regarding corruption. Gabriel Constantin Chief Commissioner stated that „the risks and vulnerabilities to corruption are present in each institution, but because these attributions, which is subject to the mission structure, we considered that the risks are higher in the Traffic Police to other structures of the Romanian Police”.

Although the Traffic Police is set aside as „visibility” of corruption, Gabriel Constantin recognizes that it is not as „visible” when quantifying the damage, the highest amounts claimed by the country being policemen investigated around 30 000 euros.

Meanwhile, according to the DGA officer, much of the blame belongs to the citizens who want to escape from the problems offering money to the policemen.

Each of us have to put aside indifference and take action, report acts of corruption that is aware. It's possible to do something, but not only commenting on the corners, not keeping silence, and especially not encouraging this.

In the future, bear in mind that several legislative changes have led to discourage investors and difficult application of tax law at the level of economic and fiscal apparatus and to develop clear rules, precise and consistent to eliminate interpretations, prohibit tax evasion.

4. Conclusions

The fight against tax evasion and corruption, reduce it by a successful public administration reform is a topic that has

been a constant priority in the relationship between Romania and the UE.

Since we could not get out of crisis and while we are threatened by a new wave, the Romanian Government's priorities should be focused on correcting, perfecting and improving the legal framework for combating tax evasion and corruption, and location of the level of fees the threshold acceptable and supportable by the population and businesses, in conjunction with improved employment and labor structure.

However, the fight against corruption is not limited to indictments and convictions. It requires rather an awareness campaign and leading to the change of the mentality.

Grand corruption is slurring and is very hard to prove, in practice.

Bodies should be concerned with combat tax evasion and corruption are, unfortunately, made precisely the category of those who practice. Without the direct intervention of citizens who decided to oppose such practices may be limited. It will be inspired individual courage, will, determination not to let themselves be robbed of some parasitical elements, which are actually paid by the state to provide some services.

Should begin by final conviction of public figures and political importance. This should give everyone the feeling that nobody is above the law and end the idea of immunity.

Other methods that can help to prevent tax evasion and corruption include: surveillance of cash flow in banking, banks, knowing that covers fiscal crime, profiting also from illegal gains, more efficient operation and role of the Financial Guard, better absorption of UE funds in all areas, especially in agriculture and infrastructure, surveillance of freight traffic transiting the Romanian territory, the transparency of public procurement

and in terms of wealth persons in public office.

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