

PERFORMANCE IN TAX ADMINISTRATION - KEY ELEMENT TO ENSURING OPTIMAL TAXATION IN ROMANIA

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Abstract: Fiscal legislation, fiscal mechanism and fiscal institutions are the components that must be taken into account for the construction and the corresponding action of any tax system. The specificity of taxation confers some particularities for the management of this area, with a great impact in substantiating, organization and coordination of processes necessary for the collection of tax revenues, in order to obtain resources to cover the public needs. Since fiscal apparatus includes institutions involved in the tax area that put in motion the fiscal mechanism, the performance approach for tax administration is necessary because it is a key factor in ensuring the optimal taxation. Through this article we will try to provide answers to questions such as: What is the performance in tax administration? How to measure the performance in tax administration? What factors influence the performance in tax administration? How to improve the performance in tax administration? Without claiming a comprehensive approach, we try to provide all the answers based on relevant analysis, taking into account of local, national and international dimension of taxation in Romania, on identifying relationships between costs, yields and risks in tax administration.

Keywords: fiscal administration, performance, performance indicators, fiscal management, optimal taxation.

1. Introduction

To analyze the optimality of a tax system, the issues that should be considered are: the yield (so that, taxes be more easily understood by taxpayers and be easier to administer by the fiscal institutions); the flexibility (so that, taxes be easily adapted to the social and economic conditions); the stability (to ensure an appropriate degree of voluntary compliance and in order to adopt appropriate and relevant tax decisions). Thus, the essential coordinates of fiscal management must be found in the guidelines that govern the tax administration activity. An efficient organization, an administration rapidly changing, the shaping of a modern strategy, the identification of new value in the fiscal institutions and setting strategic objectives may lead to increased efficiency and effectiveness of tax administration.

Along with a proper tax law, integrity and efficiency of tax administration confers effectiveness for the entire tax system. In order for fiscal reforms to be carried out successfully is required permanent improvement for methods and techniques of management practiced in the tax administration. Thus, improving tax administration must take into account simplification of tax structure, determining an appropriate strategy, training the personnel, provision of support services taxpayers, reducing the cost for collecting tax revenues, identifying methods to combat and stop tax evasion (Bejaković, 2000).

How the public administration can be improved? Here's a question to which many specialists have sought response by analyzing micromanagement, procedural rules, motivation system and performance indicators (Kirlin, 1996).

The implementation of fiscal reforms involving multiple information and new methodologies, sometimes enough sophisticated. In this context it is necessary a pertinent analysis of values and management actions, so that the results reinforce the partnership that must exist between fiscal institutions and taxpayers (Walker and Gareth, 2004).

Through this article, we try to surprise some aspects of tax administration performance in Romania through the measuring methods, influencing factors and possibilities for growth.

2. Measuring the performance of Romanian's tax administration

Measuring performance in public institutions is often mentioned by many specialists. Before being identified indicators that can measure the performance of fiscal institutions should be specified purposes of this measurement, respectively: the importance of periodic evaluation of the institution; identification of the way in which the employees of the institution operates;_establishment of the programs and projects that can be undertaken to enhance the performance of the institution; determining the methods of motivation of its staff and taxpayers that are directly related to the institution; promoting activity performed by institution and the services offered by this; achieving a SWOT analysis of the institution; identifying factors which influence activity of the institution to promote those positive and eliminate those negative (Behn, 2003).

Performance of tax administration should be found in all the activities that are involved in collecting and managing tax obligations. In this framework, the vision, the mission, the values and general objectives of institutions in the field of taxation should be based on some keywords (such as those specified in Fig. no. 1) with no negative deviations from them. This assertion derives from the fact that an effective tax administration must take particular account of economic and social factors, without ignoring the connection that exists between the tax administration and political power, as evidenced by empirical data (Esteller-Moré, 2005).

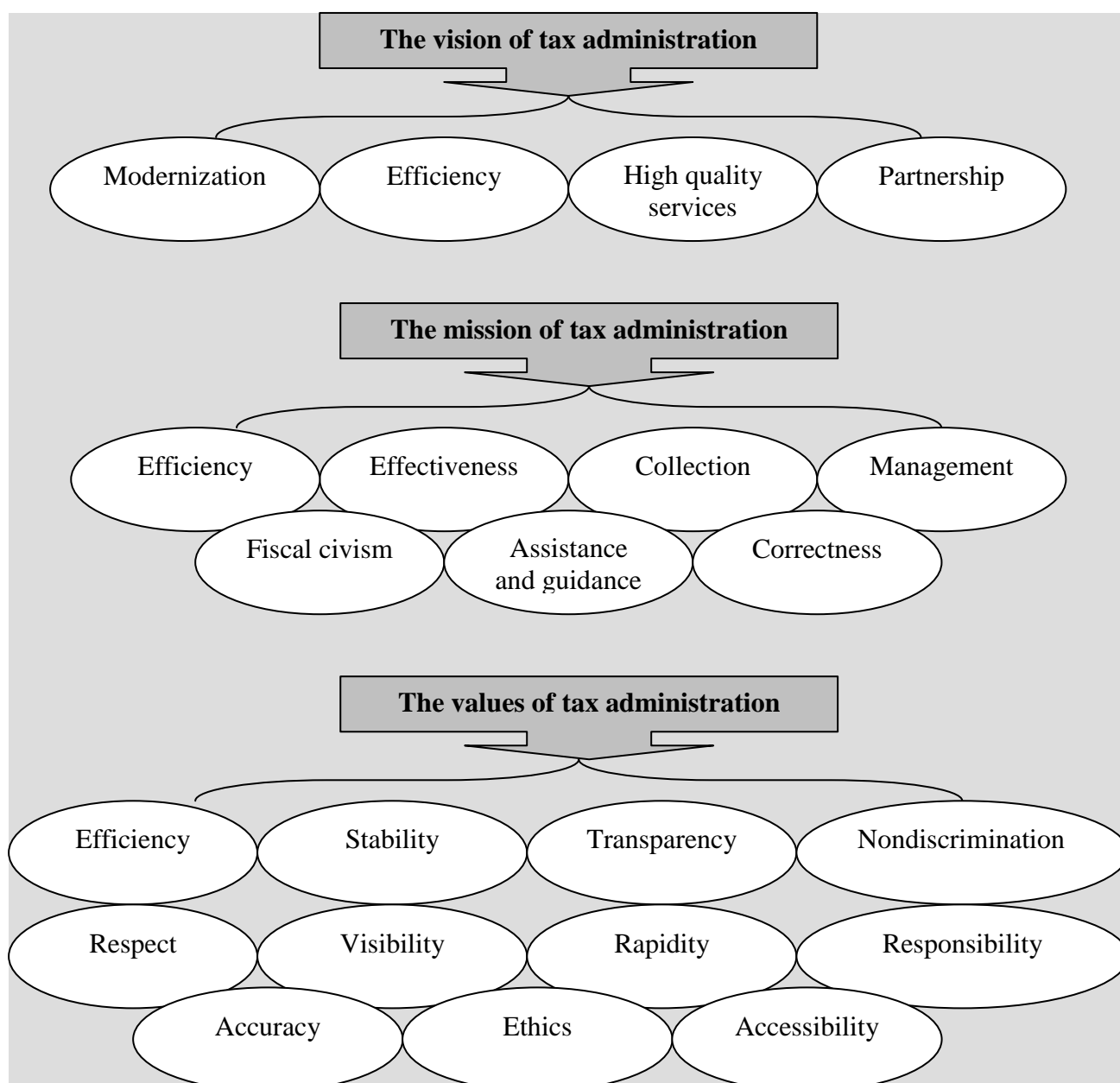


Fig. no. 1 Keywords for vision, mission and values of tax administration

(Source: author processing based on the information published on the official website of the National Agency for Fiscal Administration from Romania)

In order to achieve the overall objectives, respectively combating tax evasion, supporting the business environment, modernization of services and improving procedures, tax evasion prevention during collection and improvement of the budgetary debts, tax administration from Romania must always be concerned for ensuring performance, because of the significant impact that has on budgetary balance. In this framework was created a set of indicators to measure the activity of tax administration in general and the performance in this area in particular.

Periodically, the National Tax Administration Agency of Romania presents Activity Reports / Performance Reports which normally include: overall presentation of the institution; the synthesis of achievements in the reference period; comparative statements on the achievements of the reference period and the previous periods regarding the activity of collecting, taxpayers assistance, fiscal procedures, external communication, combating tax

evasion, the activity of fiscal inspection, the activity of tax information; premises for the development of the institution by setting and achieving the strategic and operational objectives, improvement of human resources management, strengthening international cooperation; future commitments of the institution regarding the organizational actions, the management of fiscal revenues, the activity of fiscal inspection, the activity of tax information and financial control.

The analyzes undertaken on the basis of indicators which measures the performance of tax administration highlight positive and negative aspects in the field of taxation, because so is obtained response to questions such as: Are identified all taxable activities and all taxable persons? Are respected and properly applied the legal regulations in the collection of tax debts? The actions undertaken have determined preventing and combating tax evasion? Through the actions was reduced the degree of financial indiscipline? It performs a real support of the business environment? Conditions are ensured to increase voluntary compliance? It is ensured improvement of assistance services and guidance for the taxpayers? The procedures are being upgraded and improved? There are concerns for improving internal coordination?

Grouping of performance indicators for tax administration from Romania should allow: identify ways in which was improved the activity of collecting budget revenues; determining the level of civism fiscal; specifying the actions with positive results that have been taken to combat tax evasion; identify how to improve control act; identify elements that allow the improvement of the settlement of disputes; determining the functions and dysfunctions from taxpayer assistance activity. These aspects can not be fully achieved because the system of performance indicators has undergone many changes over time, both in structure and content. Also, some of the indicators were specify only to the level achieved without a target, which makes it impossible to measure the performance in its real sense.

If in 2007 the performance of tax administration from Romania is measured by 16 indicators, in the year 2013 their number increased to 24, the structure evolution of fiscal administration performance indicators from Romania in the period 2007-2013 is shown in Table no. 1. (NATA, 2007-2013). It is noted that only 5 indicators (degree of voluntary compliance to fiscal obligations payment - value terms; degree of timely processing of tax returns; degree of voluntary deposition of tax returns by type of tax; rate amounts admitted by the court in total amounts disputed in court; share of amounts for which they were issued admission and ending solutions in total solutions delivered by authorities competent in the determination of appeals from National Agency for Fiscal Administration and fiscal institutions at county level) have not been amended in 2007-2013.

Tab. No. 1 The structure of performance indicators for fiscal administration from Romania during 2007-2013

<i>Performance Indicators</i>	2007	2008	2009	2010	2011	2012	2013
Degree of achievement the program for collection budgetary revenues	2	2	2	2	2	2	2
Degree of achievement the program for collection budgetary revenues (gross values)	2	2	2	2	2	2	2
Degree of achievement the program for collection budgetary revenues (net values)	0	0	0	0	0	0	0
Degree of recovery the arrears from legal persons	0	0	0	1	1	1	1
Level of recoverable arrears at the end of reporting year	7	8	9	0	1	2	3
Diminishing recoverable outstanding arrears at the end of previous	-	-	-	-	-	-	-

reporting year							
Collection level of arrears from large taxpayers / medium taxpayers					-	-	-
Degree of collection / extinguishing the arrears by judicial enforcement for legal persons	-	-	-	-	-		
Degree of collection the recoverable arrears from legal persons	-	-	-	-	-		
Rate of budgetary revenues collected through judicial enforcement procedure					-	-	-
Share of revenues collected by applying the judicial enforcement measures in total revenue collected	-	-	-	-			
Degree of voluntary compliance to fiscal obligations payment (value terms)							
Degree of voluntary compliance to fiscal obligations payment (numeric terms)					-	-	-
Rate of collecting tax liabilities which were established additional by fiscal inspection for legal persons	-	-	-	-			
Rate of collecting tax liabilities which were established additional by fiscal inspection for natural persons	-	-	-	-			
Number of inspections carried out by an inspector			-	-	-	-	-
Number of inspections carried out by an inspector (legal persons)	-	-					
Number of inspections carried out by an inspector (natural persons)	-	-					
Number of inspections carried out by an inspector to nonresidents	-	-	-	-			
Amounts attracted additional by an inspector			-	-	-	-	-
Amounts attracted additional (net values) by an inspector (legal persons)	-	-					
Amounts attracted additional (net values) by an inspector (natural persons)	-	-					
Amounts attracted additional (net values) by an inspector (nonresidents)	-	-	-	-			
Share of the number for complaints submitted by taxpayers in the total tax decision emitted			-	-	-	-	-
Share of the number for complaints submitted by taxpayers in the total tax decision emitted (legal persons)	-	-			-	-	-
Share of the number for complaints submitted by taxpayers in the total tax decision emitted (natural persons)	-	-			-	-	-
Share of the number of taxation decisions in total fiscal inspection reports concluded at corporate taxpayers	-	-	-	-			
Share of the number of taxation decisions in total fiscal inspection reports concluded at nonresidents	-	-	-	-			
Degree to ensure the collection of fiscal debts in terms of precautionary measures instituted by the fiscal inspection	-	-	-	-			
Diminishing tax loss on an inspector as a result of fiscal inspections carried out for legal persons	-	-	-	-			
Average number of control acts concluded on a financial controller	-	-	-	-		-	-
Budgetary, financial and fiscal differences resulting from control acts, on average by an financial control act	-	-	-	-		-	-
Budgetary, financial and fiscal differences resulting from control acts, on average by a financial controller	-	-	-	-		-	-
Number of complaints regarding dysfunctions in taxpayers assistance			-	-	-	-	-
Share of complaints that confirms dysfunctions in taxpayers assistance in total complaints	-	-			-	-	-
Number of addresses solved within the legal term			-	-	-	-	-

Share of petitions unresolved within the legal term in total petitions	-		-	-	-	-	-
Degree of resolution of the addresses within the legal term	-	-			-	-	-
Degree of timely processing of tax returns;							
Degree of voluntary deposition of tax returns by type of tax							
Degree of resolution within the legal term of VAT returns with negative amounts with repayment option					-	-	-
Degree of resolution within the legal term of VAT returns with negative amounts with repayment option, classified as fiscal returns with low or medium risk (solved with subsequent control)	-				-	-	-
The evolution of the stock of VAT returns with negative amounts with the refund option which, at the end of the period have the legal term of solving delayed, compared to stock returns at the end of previous year	-	-	-	-	-		
The evolution of the stock of VAT returns with negative amounts with the refund option which, at the end of month have the legal term of solving delayed more than 180 days, compared to stock returns at the end of previous year	-	-	-	-	-		
Rate amounts admitted by the court in total amounts disputed in court							
Share of amounts for which they were issued admission and ending solutions in total solutions delivered by authorities competent in the determination of appeals from National Agency for Fiscal Administration and fiscal institutions at county level							

	indicators with achieved level		indicators with planned level and achieved level
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(Source: author processing based on the information published on the official website of the National Agency for Fiscal Administration from Romania, <http://www.anaf.ro>)

In the last period is found that independent fiscal institutions have an important role in improving fiscal performance. Empirical evidence and experience of the states where there are properly functioning the independent fiscal institutions argues the link with fiscal performance, on the basis of analyzes, studies and researches undertaken by them (Hagemann, 2010). Through opinions provided, independent fiscal institutions are able to establish macroeconomic consequences of fiscal and budgetary field and help to strengthen public finances (Kopits, 2011). Alongside these fiscal institutions independent organizations that perform audits of fiscal institutions have a significant role to improve fiscal performance through the opinions expressed by them.

These aspects are observed also in Romania, where the Fiscal Council and the Court of Auditors through analyzes, opinions and recommendations made by them, based on transparency and objectivity can ensure the strengthening of fiscal discipline. Thus, in the last annual report of the Fiscal Council from Romania are found appreciation and opinions concerning the efficiency of the tax system, the collection efficiency, the level and structure of arrears, the degree of voluntary compliance, the size and manifestation forms of tax evasion (Fiscal Council, 2013), while in the audit reports undertaken by the Court of Auditors are specified the vulnerabilities in the tax collection system (Court of Auditors from Romania, 2012a) and in the administration and control system (Court of Auditors from Romania, 2012b).

3. The evolution of performance indicators of the tax administration from Romania

Without perform an analysis of all indicators measuring the performance from tax administration from Romania, in what follows we present the key issues that can highlight the functionalities and the shortcomings in tax administration.

Evolution of the degree of achievement the program for collection budgetary revenues, both in gross and net values, in the period 2007-2013 demonstrates concern of fiscal institutions to improve this indicator, but the values recorded did not achieve in any year the proposed target.

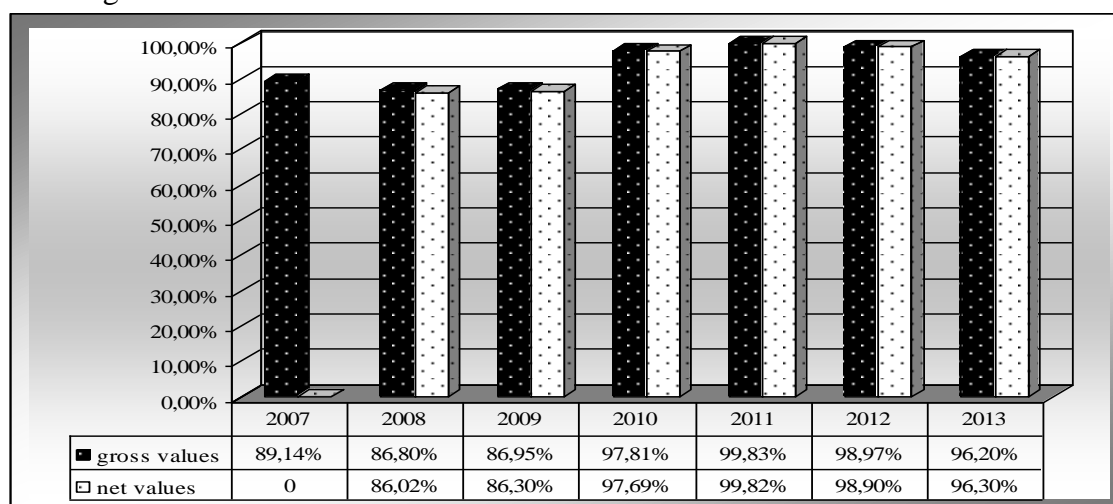


Fig. no. 2 Evolution of the degree of achievement the program for collection budgetary revenues

(Source: author processing based on the information published on the official website of the National Agency for Fiscal Administration from Romania, <http://www.anaf.ro>)

Differences between the planned level and the realized level for the budget revenues, with impact on the budget deficit, reveals weaknesses in assessing estimated income or reduced performance in the institutions involved in collecting.

In the period subjected to analysis, the negative aspects regarding the collection are also found to the recovery of arrears. If there is an improvement in degree of collecting the arrears (degree of recovery the arrears from legal persons was in 2007 to the level of 42.04%, with a target of 25%, while degree of collection the recoverable arrears from legal persons was in 2013 to the level of 73.0%, with a target of 70.0%) we can not say the same for the indicator diminishing recoverable outstanding arrears at the end of previous reporting year, because the degree of achievement compared to the planned level recorded in 2012 and 2013 values less than 50%. In order to improve these indicators, it is recommended to issue clear procedures to allow the appropriate application of judicial enforcement methods and effective involvement of persons competent in collection these arrears. The mission and the objectives of public institutions have direct and indirect influence on work motivation (Wright, 2007). A meaningful analysis of these influences can determine the link between employees' work motivation of fiscal institution and the performance of fiscal institution.

Two significant indicators in measuring the performance of tax administration are the degree of voluntary deposition of tax returns by type of tax and the degree of voluntary compliance to fiscal obligations payment.

In Romania, there is an improvement in the degree of voluntary compliance, but this indicator exceeded the proposed target only for the degree of submitting tax returns and only in 2013.

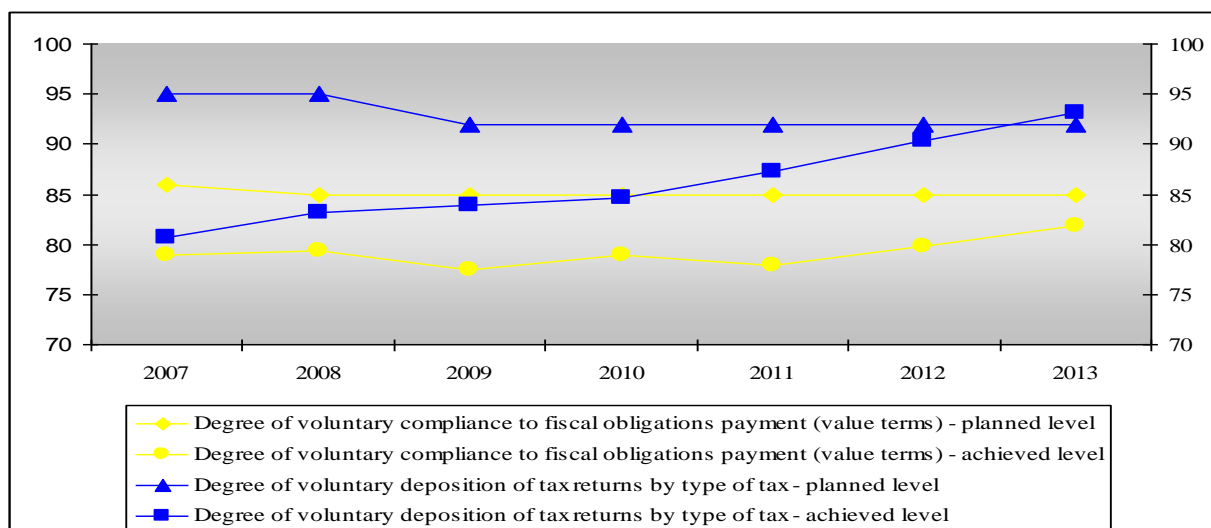


Fig. no. 3 Evolution of voluntary compliance to the declaration and payment

(Source: author processing based on the information published on the official website of the National Agency for Fiscal Administration from Romania, <http://www.anaf.ro>)

When taxpayers consider that tax administration is not functioning properly, greatly decreases the confidence in fiscal institutions and therefore decreases trust in government (Van de Walle and Geert, 2003). The performance in the field of taxation can not be approached without considering the trust level of taxpayers in fiscal institutions and the way of involvement of all stakeholders in fiscal activity (Mizrahi, Eran and Nissim, 2009). The decrease of trust in fiscal institution is found both in the degree of voluntary compliance in reporting and payment, and in the level of tax evasion.

We believe that the level for financial indiscipline has improved through intensifying taxation actions from office and actions for passing the taxpayers in the category of inactive, based on the lack of tax returns.

The management of tax returns, the degree of processing tax returns within the legal term, resolving addresses within legal term and resolving applications within legal term concerning repayment of sums from the public budget are aspects that characterize an important side from tax administration activity. In the period 2007-2013 for almost all indicators which measures the management of tax returns, the target was 100%, but this target was achieved only in 2013 for the indicator degree of processing tax returns within legal term. In the same period, the degree of resolution of VAT returns with negative amounts and repayment option, within the legal term, remains relatively low (NAFA, 2014c).

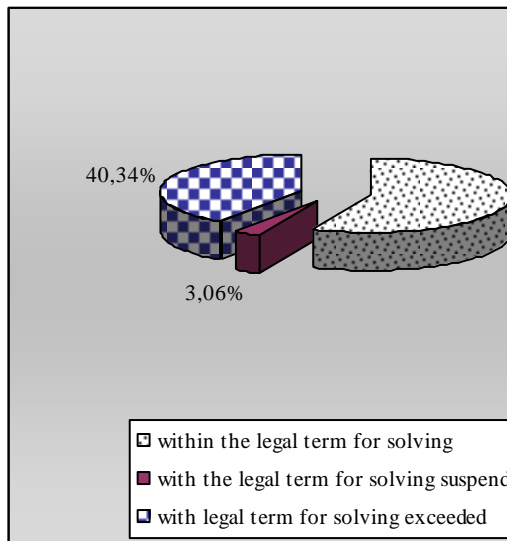


Fig. no. 4 The situation returns with negative amounts of VAT subject to refund option, pending of solving on 03/31/2014

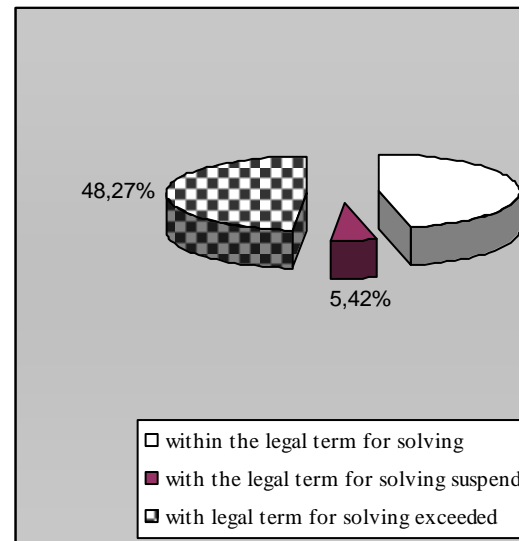


Fig. no 5 The situation returns with negative amounts of VAT subject to refund option, pending of solving on 03/31/2014

(Source: author processing based on the information published on the official website of the National Agency for Fiscal Administration from Romania, <http://www.anaf.ro>)

In analyzing the performance of tax administration the fiscal inspection activity occupies an important place. In Romania, the performance indicators for fiscal inspection refers to: the number of fiscal inspections by an inspector; additional amounts attracted by an inspector as a result of tax inspections, the collection level of tax claims from the perspective of precautionary measures imposed by the fiscal inspection and the share of taxation decisions in the total number of fiscal inspection reports. Even for most of these indicators are not set targets, we consider that they do not actually measure the performance of tax administration, but they present only aspects regarding the achievements of fiscal inspection. In this respect, we consider relevant for tax administration performance indicators such as: the number of fiscal inspections performed compared with the number of taxpayers in administration (to highlight how the control actions have considered all taxpayers); the number of fiscal inspections depending on control procedures compared with the results of control (to highlight the effectiveness of fiscal control methods and techniques); the number of tax evasion cases detected compared with the decrease of tax evasion as a percentage of GDP (to highlight the effectiveness of measures for prevent and combat tax evasion); the share of reports without penalties in total fiscal inspections performed (to highlight how fiscal discipline is respected, not being necessary in fiscal inspection the application of sanctions and the establishment of additional amounts).

For the reasons mentioned, we consider it appropriate for the performance of tax administration from Romania reconsidering the performance indicators.

4. Conclusions

Tax evasion ways of manifestation and the low level for degree of voluntary compliance of payment are the phenomena with a negative influence on the performance of tax administration in Romania (Court of Auditors from Romania, 2012a). The high level of tax evasion limits the ability of a state to implement economic policies, and is also a big challenge for fairness and equity in taxation and budgetary field. In this respect, systematic actions are required that leads to combating tax evasion, reduce the informal economy and ensuring effectiveness of tax administrations (European Commission, 2013). The low degree of voluntary compliance to fiscal obligations payment causes a high level of arrears, with

negative repercussions on the efficiency and effectiveness of public financial resources, on the public needs.

Based on this information and considering how it is quantified performance of tax administration in Romania, we consider that some measures should be taken, such as: establishing a set of performance indicators which can be long term applied and analyzed and for which can be established relevant target, indicators which must be specific to the performance concept and not present aspects of the way of performing the activity; grouping performance indicators based on the priority axes which can provide efficiency and effectiveness in tax administration; regular monitoring of performance indicators, both at national level and in territorial profile, meaning to elimination of dysfunctions during the whole fiscal period; regularly informing of the taxpayers on the place and role of taxation in everyone's life to ensure public needs, in order to increase the level of fiscal education and to increase the degree of voluntary compliance; simplification and modernization of declarative system; increasing the quality of the control acts, by the establishing clear control objectives, by efficient use of methods and techniques of control, by the professionalism and the objectivity of inspectors, by the existence of some optimal internal control procedures; establishing severe penalties for taxpayers who performs acts of tax evasion; publicizing the special cases of tax evasion; timely valorization of fiscal inspection findings.

Ensuring the tax administration performance can be achieved only if all the measures taken are based on efficiency, effectiveness, ethics and team.

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