

THE PRINCIPLES OF FISCAL MANAGEMENT - REQUIREMENTS FOR EFFICIENT FISCAL ADMINISTRATION

Carmen Comaniciu

Prof., PhD, "Lucian Blaga" University of Sibiu

Abstract: With a presence today in all areas, so by default in the fiscal area, management can be considered an art, a science and a state of mind. The specificity of the taxation area confers particularities for the management practiced in this field, with implications on substantiation, organization and coordination of all processes necessary for the collection of tax revenues, in order to obtain resources needed to coverage of public needs. The essential coordinates of fiscal management must be found in the guidelines that govern the activity of tax administration, taking into consideration that an efficient organization, an administration rapidly changing, the existence of a modern strategy, the identification of new values in fiscal institutions and the establishment of strategic objectives can lead to increased efficiency and effectiveness in fiscal activity. In this context, through this article we will identify the principles of fiscal management, taking into account aspects concerning procedural and systemic approach, orientation towards taxpayer, coordination and involvement in the field of taxation, continuous improvement.

Keywords: fiscal management, functions and principles, fiscal efficiency, fiscal equity

1. Introduction

The influence of taxation on every individual, every entity and society in general, from economic and social perspective is often found in the scientific literature, so that the studies and researches providing relevant solutions for using taxes as a real economic instrument, for strengthening the partnership between the state and taxpayers.

In this context, an important role belongs of fiscal management, which through its principles, relationships, methods, techniques and procedures can ensure the efficient organization and functioning of the vast field of taxation. Thus, it is noted: the impact of fiscal management on good governance, maximizing welfare and the effective tax revenue collection (Shah, 2005); the role of fiscal management in promoting fiscal discipline (Kumar and Ter-Minassian, 2007) and improving

fiscal transparency (Parry, 2007); the use of methods and techniques of fiscal management to manage risks (Polackova Brixi, Shatalov and Zlaoui, 2000), for the credibility of the budget deficit (De Mendonça and Auel, 2015) and the strengthening of fiscal responsibility (Silva, Faroni, Baeta and Araujo, 2016); the relationship between fiscal management, tax policy and corruption (Martinez-Vazquez, Boex and Arze del Granado, 2007); macroeconomic aspects of fiscal management in supporting developing countries (Bulir and Lane, 2002); the limits of fiscal management under conditions of austerity (Hlepas, 2015); the role of fiscal management in increasing fiscal performance (Takahashi and Shimada, 2015).

These aspects have led us to approach through this article the principles of fiscal management as the main requirements for an efficient fiscal administration, taking into account, on the one hand, the four pillars of the taxation area, respectively fiscal legislation, fiscal mechanism, fiscal institutions and taxpayers, and on the other hand, the relation of interdependency between the science of taxation and other fields, whereas analysis of the taxation can not be achieved in isolation and tax administration should always be adapted to the progress made in all areas.

2. General coordinates for fiscal management principles

The relationship between taxation, fiscal system and fiscal policy reveals complexity of the field. As an essential component in the life of any nation, the action of taxation suppose establishment of public funds at the disposal of state, the mobilization of fiscal public resources and control how public fiscal revenues are made, so it will have a stimulating factor in economic and social development (Comaniciu, Mihaiu and Bunescu, 2010).

In determining fiscal management principles have been considered: (i) the requirements which must respect any rational tax system, namely the fundamental principles of taxation; (ii) guidelines designed to confer appropriate action of fiscal and budgetary policy; (iii) the link of taxation with other sciences and discipline to identify elements that can contribute to improvement fiscal administration.

In this context, it notes that:

The fundamental principles of taxation were formulated for the first time by Adam Smith, through the four directions (Smith, 1965), with reference to: equity in fiscal obligations; clear and concise nature of the tax legislation; arrangements for payment of taxes; the rationality of tax burdens; efficiency in tax collection. Considering that taxation must contribute to the personal development of each citizen and the development of economy, Maurice Allais has formulated the principles of taxation, referring

to individuality, non-discrimination, impersonality, neutrality, legitimacy and lack of arbitrariness (Allais, 1989).

The coverage of public finances, respectively the social and economic relations by means of which the public persons constitutes and use funds of financial resources, require the existence of fiscal and budgetary policy at the level of any nation. Thus, in Romania according to the Fiscal Responsibility Law, appropriate action on fiscal and budgetary policy is based on the principle of transparency, the principle of stability, the principle of prudence, the principle of fairness, the principle of efficiency (Law 69, 2010).

Management as science, art and state of mind conferred by its functions, principles, methods and techniques the necessary elements for efficient conduct for any activity, for optimal use of all resources. Thus, the five functions of general management (forecasting, organization, coordination, training and control-assessment) are also found at the level of fiscal management, with content, requirements and ways of achieving specific for fiscal activities. Some of the 14 management principles issued by Henri Fayol (1916), respectively division of work, authority and responsibility, discipline, unity of command, unity of direction, subordination of individual interest to the general interest, remuneration of personnel, the degree of centralization, scalar chain, order, equity, stability of tenure of personnel, initiative and esprit de corps are found even today in the organizations, so implicitly in taxation area.

Success of any organization is given of how are identified, anticipated and satisfied the customer requirements in terms of profitability, responsible for this management process being marketing (Verstage, 2005). Takeover by the fiscal authority of some techniques and marketing methods could provide solutions to increasing confidence in fiscal institutions, to increasing voluntary compliance, to increasing taxpayer satisfaction regarding the services offered.

The basic principles of public management (unit leadership, autonomous leadership, continuous improvement, effective administration, legality) adapted to the taxation area can achieve cohesion between conception, decision and action (Androniceanu, 2004).

3. Requirements of an efficient fiscal administration

Based on the topics specified above, without claiming an exhaustive approach, we believe that effective fiscal management can be performed using the following principles: (i) orientation towards taxpayer; (ii) processual approach and systemic approach; (iii) employee involvement; (iv) unitary leadership and autonomous leadership; (v) continuous performance improvement.

Orientation towards taxpayer

Often, the success of an organization is given by the extent to which it manages to develop good relationships with its customers, having regard, on the one hand the expressed and real needs, and on the other hand, the objectives pursued. If the organizations depend on their customers, the activity of fiscal administration depends on the taxpayers, on their behavior towards taxes. In this context, without understanding the present and future needs of taxpayers, without satisfies the requirements of taxpayers in full compliance with fiscal policy objectives, without worrying constantly to exceed the expectations of taxpayers, without analyzing the factors that determine the behavior of taxpayers, the work done by fiscal institutions will always be ineffective and underperforming.

Usually, the basis of relationship between tax authorities and taxpayers is the Constitution. Thus, by article 56 of the Romanian Constitution is stipulated obligation of citizens to contribute to public expenditure through taxes and it specifies that the taxation system must ensure a fair distribution of the tax burden (Romanian Constitution, 2003). Based on these provisions, National Agency for Fiscal Administration from Romania synthesized the rights and obligations, both for taxpayers and for fiscal administration, based on three relationships: a citizen taxpayer – an administration that simplifies the life of the taxpayer; a cooperating taxpayer - an administration that respects the taxpayer and his rights; a loyal taxpayer - a equitable administration (RNAFA, 2016).

Analyzing the link between fiscal institutions and taxpayers, based on the relationship between power and trust, Gangl, Hofmann and Kirchler (2015) have identified three types of climate, namely: antagonistic climate (coercive power = forced compliance); service climate (legitimate power + reason-based trust = voluntary cooperation); confidence climate (implicit trust = committed cooperation).

Since compliance with tax law is one of the essential civic duties and voluntary fiscal compliance is as old as taxes, all activities in the field of taxation must put the taxpayer in their center. In this context, micro and macro fiscal decisions are those that can give a real partnership between the State and the taxpayer, based on trust (Gangl, Hofmann and Kirchler, 2015), on optimal tax rate (Swenson, 1988), on interdependence between ethics and tax compliance (Alm and Torgler, 2011), on an efficient use of public financial resources (Barone and Mocetti, 2011).

Processual approach and systemic approach

A desired result in fiscal is obtained in a more efficient manner when all activities and resources involved are managed in the form of interacting processes. From this perspective, a processual

approach in fiscal management will enable decision-makers from this area to treat each process very seriously, and adoption of the fiscal decisions always be based on their impact on short and long term. The realism, continuity experience, the heterogeneous reality, positive and negative aspects, the presence or absence of an influence factor, induction and deduction, general and particular, truth and lies, decision and power, trust and distrust, discovering and concealing (Nayak, 2008) ... here are a series of elements that must be considered, so that the processual approach in fiscal management contribute to the improvement of fiscal administration.

The public finances fulfill their economic and social mission through the functions performed (distribution function and control function), but their appropriate action will be achieved through taking into account their systemic approach, because between the distribution function and control function there are no relationship of subordination, so each function providing to the other a manifestation field (Comaniciu and Bunescu, 2010).

The systemic approach resides in the fact that the methods and techniques used for determining and collecting taxes are coherently treated, in close connection to the whole system of fiscal management.

We believe that the processual and systemic approach in fiscal management will enable to the fiscal administration to achieve its strategic objectives, respectively firmly combating tax evasion, improving voluntary compliance and increase collection efficiency for fiscal revenue (RNAFA, 2013).

Employee involvement

The essence of any institutions in the fiscal area is human resource, and the full involvement of staff makes his skills to help achieving an efficient fiscal administration.

Integrity, objectivity, legality, confidentiality and competence are fundamental principles on which all persons working in the field of taxation must comply to achieve the objectives of fiscal administration, because engagement is not a simple attitude, engagement is the degree to which the duties and functions are fulfilled (Saks, 2006).

Considering that the involvement and integration occupies an important place among the fundamental values of participative management, and at the present stage participative management is not just a style of management, but a characteristic of worldwide entities (Kamesh and Devi, 2014), we consider that the implementation of participative management methods and techniques in the field of taxation contributes to: improving the process of adopting fiscal micro-decisions; achieving creative thinking for effective fiscal management; increase the level of information in tax institutions and for taxpayers; changing the attitude of fiscal inspectors towards the institution and towards the taxpayers; changing

the attitude of taxpayers towards fiscal institutions and increasing confidence in them; increasing the level of training for fiscal inspectors; increasing the level of fiscal education among taxpayers; increasing the fiscal institution's performance indicators; increasing compliance voluntary for declaration and payment; increasing job satisfaction for fiscal inspectors; appropriate action of the partnership between the state and the taxpayer (Comanicu, 2015).

Unitary leadership and autonomous leadership

All decision makers in the field of taxation must have a common and unified vision about the place and role of taxation for economic growth and development, such that the fiscal and budgetary policy decisions to determine full compliance for fundamental principles of taxation and public spending to be achieved with transparency, efficiency and effectiveness.

For satisfying the general and specific public interests should be given an appropriate degree of managerial and financial autonomy to the institutions with attributions in the field of taxation.

Thus, in Romania through Management Charter of National Agency for Fiscal Administration was established the framework in which every manager from the fiscal administration at all levels, register and engage its managerial action. Management by objectives, including establishing clear priorities, accountability and subsequent control of fulfillment of the tasks is management method that allows an efficient tax administration, being respected principles relating to streamlining and stabilizing the organization, proper involvement of managers at all levels, existence of an annual goals plan, adaptation of management tools to changes, continuous improvement of managers (RNAFA, 2005).

Continuous performance improvement

The mission (effective tax collection and tax management) and strategic objectives (the fight against tax evasion, improving voluntary compliance, collection efficiency) of fiscal administration are those that require continuous improvement.

In this context, actions taken by fiscal institutions must be directed to: strengthening the organizational structure; increasing the quality of services provided to taxpayers by expanding communication and improving guidance and assistance activities; combating the risks of voluntary compliance; increased share of revenue collected in GDP and raising productivity for main taxes; increasing voluntary compliance at declaration and payment; reducing tax arrears; reducing tax returns time preparation and increasing the degree of theirs processing on time; reducing the cost of collection; preventing and combating tax evasion (RNAFA, 2013). The success of these actions will be visible to the extent that fiscal institutions will consider the methods, techniques and procedures of

total quality management and fiscal management system will be addressed in a permanent dynamics, according to the local, national and international dimension of taxation, to the general and specific public interests (Androniceanu, 2004).

4. Conclusion

Ensuring optimum in the fiscal area can not be achieved only to the extent that, rationality is found at each component of the fiscal system, fiscal mechanism and fiscal activity. We consider that, compliance with fundamental principles of taxation, principles of fiscal and budgetary policy and principles of fiscal management by all those involved in fiscal and budgetary field is the foundation for taxation to be a stimulating factor.

5. References

- Alm, J., Torgler, B. (2011). *Do ethics matter? Tax compliance and morality*. Journal of Business Ethics, 101(4), pp. 635-651.
- Allais, M. (1989). *L'impôt sur le capital et la reforme monetaire*, Hermann Editeurs des Sciences et des Arts, Paris, pp. 36-43.
- Androniceanu, A. (2004). *Noutăți în managementul public*. (News in Public Management). Universitară Publishing House, Bucharest.
- Barone, G., Mocetti, S. (2011). *Tax morale and public spending inefficiency*. International Taxation Public Finance, 18, pp. 724-749.
- Bulir, A., Lane, T.D. (2002). *Aid and fiscal management* (No. 2002-2112). International Monetary Fund.
- Comaniciu, C. (2015). *General coordinates of the relationship between taxation and management*, Sibiu - Alma Mater University Journals, Series A. Economic Sciences, Volume VIII, no. 1, pp. 34-39.
- Comaniciu, C., Mihaiu, D.M., Bunescu, L. (2010). *Fiscalitate: idei de bază și noțiuni fundamentale pe înțelesul tuturor* (Taxation: basic ideas and fundamental concepts in everybody's language). Publisher "Lucian Blaga" University of Sibiu, pp. 13-22.
- Comaniciu, C., Bunescu, L. (2010). *Systemic approach to the functions of public finances - a necessity for the Romanian economy*, The Annals of the "Ștefan cel Mare" University of Suceava, Fascicle of the Faculty of Economics and Public Administration, Volume 10, No. 2(12), pp. 228-234.
- De Mendonça, H.F., Auel, G.E. (2015). *The effect of monetary and fiscal credibility on public debt: empirical evidence from the Brazilian economy*. Applied Economics Letters, 1-6.
- Fayol, H. (1916). *General principles of management*. Classics of organization theory, 2.

- Gangl, K., Hofmann, E., Kirchler, E. (2015). *Tax authorities' interaction with taxpayers: A conception of compliance in social dilemmas by power and trust*. *New ideas in psychology*, 37, 13-23.
- Hlepas, N.K. (2015). *Is it the twilight of decentralization? Testing the limits of functional reforms in the era of austerity*. *International Review of Administrative Sciences*, 0020852315581994.
- Kamesh, A.V.S., Devi, B.S., (2014). *Impact of participative management on organizational performance: a conceptual examination*. In: Two Day National Seminar at Emerging Trends on Industrial Relations, available online at <http://www.researchgate.net/publication/>
- Kumar, M.M.S., Ter-Minassian, M.T. (2007). *Promoting fiscal discipline*. International Monetary Fund.
- Law no. 69 (2010). *Legea responsabilității fiscal-bugetare* (Fiscal Responsibility Law). Republished in the Romanian Official Gazette, Part I, no. 330 of 14 May, 2015.
- Martinez-Vazquez, J., Boex, J., Arze del Granado, J. (2007). *Corruption, fiscal policy, and fiscal management*. *Fighting Corruption in the Public Sector (Contributions to Economic Analysis, Volume 284)* Emerald Group Publishing Limited, 284, 1-10.
- Nayak, A. (2008). *On the way to theory: A processual approach*. *Organization Studies*, 29(2), 173-190.
- Parry, T. (2007). *The role of fiscal transparency in sustaining growth and stability in Latin America* (No. 07/220). International Monetary Fund.
- Polackova Brixi, H., Shatalov, S., Zlaoui, L. (2000). *Managing fiscal risk in Bulgaria*. (No. 2282). The World Bank.
- RNAFA (2015) *Romanian National Agency for Fiscal Administration. Management Charter*, available online at <https://static.anaf.ro>
- RNAFA (2013). *Romanian National Agency for Fiscal Administration, Strategy 2013-2017*, available online at <https://static.anaf.ro>
- RNAFA (2016) *Romanian National Agency for Fiscal Administration, The Charter of the taxpayer*, available online at <https://www.anaf.ro>
- Romanian Constitution (2003), published in the Official Gazette, Part I no. 767/31 October 2003, available online at http://www.dreptonline.ro/legislatie/constitutia_romaniei.php
- Saks, A.M. (2006). *Antecedents and consequences of employee engagement*. *Journal of managerial psychology*, 21(7), 600-619.
- Shah, A. (2005). *Fiscal management*. World Bank Publications.

- Silva, M.L.G., Faroni, W., Baeta, O.V., Araujo, D.C. (2016). *Fiscal Responsibility Law and Life Quality: Public Health Analysis*. Public Administration Research, 5(1), 11.
- Smith, A. (1965). *Avuția națiunilor* (The Wealth of Nations). Vol. II, Romanian Academy Publishing House, Bucharest, pp. 242-244.
- Swenson, C.W. (1988). *Taxpayer behavior in response to taxation: An experimental analysis*. Journal of Accounting and Public Policy 7.1, pp. 1-28.
- Takahashi, M., Shimada, T. (2015). *5 Explaining Japan's Fiscal Performance*. Deficits and Debt in Industrialized Democracies, 63, 93.
- Verstage, J. (2005). *Marketing*, London: ICSA Publishing Ltd.