

THE IMPACT OF FISCAL EDUCATION ON TAXPAYERS' BEHAVIOR

Carmen Comaniciu

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

Abstract: The structure of the tax system, the level of tax burden, the organization and functioning of the tax administration, as well as the use of the public financial resources are the main factors which can modify the behavior of taxpayers. Is fully understood the purpose and role of taxation? Why do people have to pay taxes? How taxes can develop the personality of each citizen? We consider that an appropriate response to these questions can be provided taking into account the level of fiscal education, whereas insufficiency of fiscal education often destroy the partnership between the state and the taxpayer, causing damages both parties. Based on these considerations, through this article we will surprise on the one hand the principles, best practices and responsibilities for ensuring an adequate level of fiscal education and secondly, we will identify the changes in taxpayers' behavior according to their level of fiscal education.

Keywords: fiscal education, taxpayers' behavior, voluntary compliance, fiscal responsibility, fiscal improvement

1. Introduction

Fiscal education relates to the knowledge and understanding of the importance of taxation in the life of every individual, in economic and social life of any nation, providing answer to the question How taxes contributes to progress and development? In this regard, specialized literature provides multiple research studies that highlight the role of taxation, which identify: the link between taxation and welfare (Bibi, Duclos and Araar, 2014); the impact of taxation on equitable economic development (Tanzi, 2014); the redistribution of income and wealth through taxes (Bird and Zolt, 2014); the impact of taxation on direct investment (Owens, 2005); the relationship between taxation and social benefits (Koettl and Weber, 2014).

The behavior of taxpayers towards taxes is very different. Sometimes moving from intention to pay taxes at tax avoidance is fast without being taken into account the economic and social impact (Brizi, Giacomantonio, Schumpe and Mannetti, 2015). In this context, we believe that an inadequate fiscal education along with a high tax burden, the distrust in the fiscal institutions, the lack of transparency and the waste in the use of public financial resources, significantly contribute to the change of taxpayers' behavior.

So, through the issues highlighted in this article we will identify the principles, practices and responsibilities that must be considered to achieve an appropriate level of fiscal education. Theoretical and pragmatic aspects presented will make reference both at the national dimension (the case of Romania), as well as the international dimension.

2. The fiscal education principles

So, how financial education is essential for any individual in finding the resources necessary to achieve the objectives for balancing its own budget (OECD, 2006), we believe that also fiscal education must become essential, on the basis of direct and indirect repercussions of taxes on everyone.

In terms of taxation, the partnership between the state and citizens is identified through the relationship between taxpayers and tax administration. As shown in Fig. no. 1, efficiency, effectiveness, respect and clarity are the key words that must be found in the activity of any tax administration, so that taxation should not be considered a destabilizing factor, and taxpayers positively participate in all activities involving fiscal issues (RNAFA, 2010).

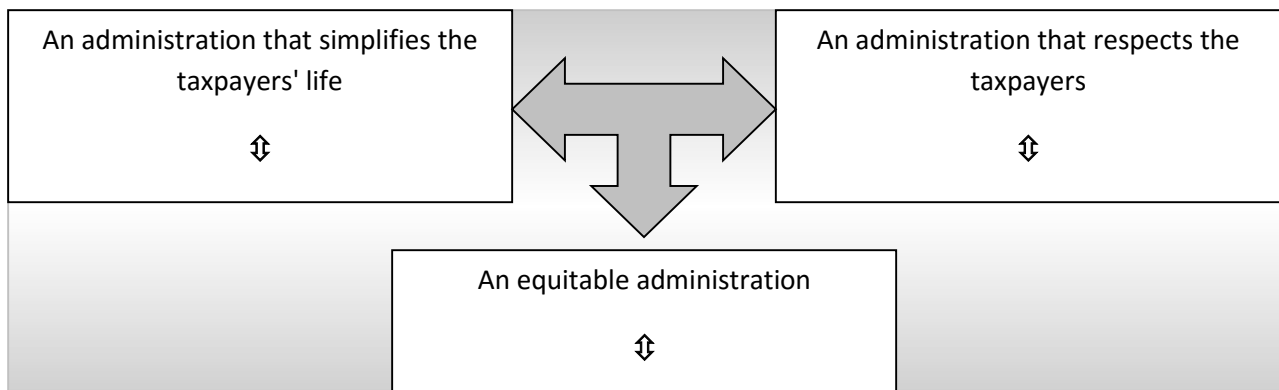


Fig. no. 1 Tax administration goals

(Source: RNAFA (2010), Charter of taxpayer)

Starting from the OECD recommendations for financial education (OECD, 2005) and taking into account the particularities of taxation and tax administration objectives, we believe that can be identified the following principles of fiscal education:

(a) Fiscal education should not be limited only to providing information about the manner of establishing taxes, but rather it must develop the confidence in the fiscal system, in the taxes role as economic and financial leverage.

(b) Fiscal education must be based on the existence of programs promoted and periodically implemented, that focuses on key issues of the national fiscal framework, on the impact of taxes on every citizen.

(c) Fiscal education must allow of taxpayers the understanding of fiscal and budgetary policy measures, so that they can perceive the impact of taxation on economic growth.

(d) The fiscal education programs should be designed so that the accessibility should not be difficult, and the language used to provide a full understanding of the information provided, regardless of the complexity of the issue.

(e) The institutions from the field of taxation should raise awareness of citizens regarding the need to increase the level of fiscal education, in order to avoid negative deviations from the law.

(f) Fiscal education should start in the early years of school, be adapted to perceived levels of participants and be consistently provided.

(g) Fiscal education must make a clear distinction between the provision of information from areas of taxation and fiscal consulting, so its impact to be visible in the behavior of taxpayers.

(h) Institutions from the field of taxation must be permanently concerned with increasing the level of fiscal education among staff, so that to increase the confidence in fiscal institutions and to have a real partnership between the taxpayer and the fiscal institution.

(i) Based on well-defined criteria, should be an official recognition if the fiscal education programs, that should be promoted and whose results should be periodically disseminated.

(j) Fiscal education must be based on the taxation relationship with other sciences and disciplines (such as finance, marketing, management, logic, ethics, sociology, and more) so that the methods, techniques and procedures should be easily adapted and implemented.

(k) Fiscal education must take account of the local, national and international taxation framework, so that the positive effect should be perceived regardless of the context in which the taxpayer carries on business.

Without claiming an exhaustive approach, we believe that compliance with these principles of fiscal education in Romania will increase the level of voluntary compliance, will lead to lower tax evasion and underground economy.

3. Practices for increased the voluntary tax compliance

According to the legal provisions, the four major obligations of a taxpayer are calculation, registration, declaration and payment of taxes. For all these obligations, the tax legislation specifies procedures and in case of deviations are established penalties. Even if the application of sanctions entail additional amounts from the public budget, we believe that the actions taken to increase the voluntary tax compliance and combating tax evasion should not target only to control aspect and the sanctions imposed for deviations, but rather be identified those actions by which the taxpayer understand the importance of taxes.

In Romania, during 2006-2014, as shown in Fig. no. 2, was recorded an increase in the level of voluntary compliance (RNAFA, 2015a), both at the declaring (an increase by 9.6 percentage points), and also for payment (an increase by 11.6 percentage points).

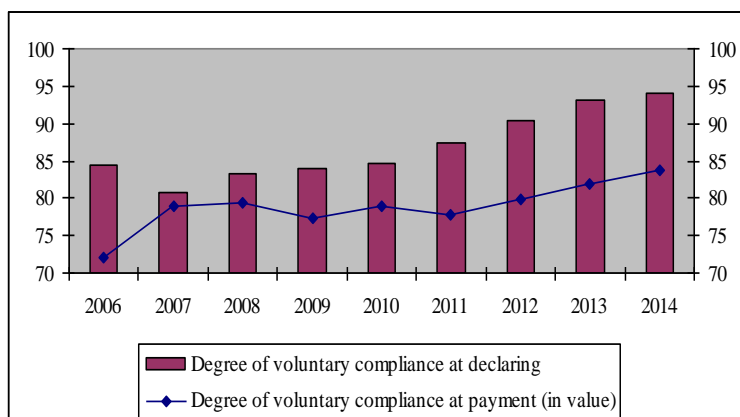


Fig no. 2 Degree of voluntary compliance in Romania

(Source: author processing based on data from activity reports of RNAFA)

Although in general we see a breakthrough for this indicator, the degree of voluntary compliance at payment is relatively low.

In order to increase the voluntary tax compliance is noted the actions taken by the Romanian National Agency for Fiscal Administration in 2014, namely: the presence of antifraud inspectors in certain areas; monitoring of the activities presenting a high fiscal risk; implementation of the strategy for tax compliance on the basis of risk management; performing campaigns for notification concerning the income derived by individuals abroad in the past 2 years; checking the manner of declaration and payment for individuals who derive income abroad; the introduction in the list of performance indicators of the indicators concerning the degree of voluntary compliance from VAT for non-resident taxpayers registered for VAT and the degree of voluntary compliance payment for diplomatic missions and representations (RNAFA, 2015b).

Along with these measures, Romania must take into account international trends concerning the automatic exchange of information on international personal income and the use of modern methods to encourage voluntary tax compliance. Currently, Romania does not have a special regime of voluntary compliance as it is encountered in many states, in order to highlight measures such as: reducing penalties depending on the circumstances; providing temporal facilities followed by gradual increase of the penalties; possibility of using retroactive declaring; minimization of penal risk (Oprescu, 2015).

To increase the level of fiscal education, alongside the measures taken directly by the fiscal institutions are found actions carried out by the educational environment, by the firms of professional services, by the nonprofit organizations, as well as developing partnerships between the tax administration and services beneficiaries offered by it.

At international level, is distinguished more often the involvement of university environment with support from nonprofit foundations in the teaching of young pupils of some courses concerning fiscal responsibility for the knowledge and understanding the construction of public budget, the tax practices, the policies and national priorities, the current and future fiscal challenges, the budget deficit and its impact on the whole nation (Columbia University, 2010).

From this perspective, in Romania it is noted: national conferences on taxation, organized by the University of Bucharest for students from the law faculties, where are discussed in detail issues of fiscal law, as well as novelty items concerning the offenses in the field of taxation (University of Bucharest, 2015); the conference organized by ARSIT Association and the Academy of Economic Studies from Bucharest, with the theme "Taxation as superjob!", addressed to the students of economics, where in addition to lectures has been launched a competition concerning ideas for fiscal reform (ARSIT, 2015).

Based on the principle that fiscal education should begin in earliest school years, in many countries in the high school curricula were introduced notions of general fiscal policy, respectively defining elements of the budget revenues, the budget expenditures, public debt and the budget deficit (Smirnova, 2014). In this framework, to improve the level of financial education in the pre- university national school, Ministry of Education and Research and the Financial Supervisory Authority from Romania signed a cooperation protocol which aims at achieving a medium-term and long term institutional partnership, with action focusing on presentations, educational seminars and training activities in the financial area (MERR, 2015).

Through annual conferences, the professional services firms by means of top specialists in the field of tax advice, bring to debate the impact of legislative changes in the field of taxation and performs interactive seminars on the evolution of fiscal practice, so that errors in fiscal matters to be as rarely met (Ernst & Young Romania, 2015).

In May 2015, the European Commission has sent to Romania some budgetary and fiscal recommendations, for the purpose of public finance sustainability and maintaining in the agreed

limits of fiscal and budgetary discipline, namely: maintaining the structural deficit to a maximum of 1.25% of GDP; application of an appropriate strategy for tax compliance; strengthening of control systems to combat tax evasion and undeclared work; strengthening of labor market measures; improving the supply and quality of education services; the continuation of health reform; reforming corporate governance of state enterprises (Anghel, 2015).

In this context and on the basis of European and international best practices, European Commission representation in Romania has organized a public debate between public authorities, business people and civil society in order to identify effective ways for improving tax compliance in Romania (European Commission, 2015).

Through the aspects described above is observed Romania's preoccupation for awareness of the role and place of taxation at economic and social level. The success of these actions will be visible provided that we shall witness also at an increase in confidence in the tax administration, to the existence of a real partnership between the state and taxpayers.

4. Conclusions

No matter how many programs and projects that support fiscal education are made, increase tax compliance can be adequately ensured only by the existence of a rational fiscal system which fully respect the principles of taxation (Hora, 2004) and a way of fiscal administration based on efficiency, effectiveness and transparency (Tehou and Sharaf, 2015).

Although, in the Romanian National Tax Administration Agency's strategy for the period 2013-2017 are outlined vision, mission, values, strategic goals (firmly combating tax evasion, improve voluntary compliance, increase collection efficiency) and the institution commitments (RNAFA, 2013a), and, in the strategy regarding the services provided to taxpayer is recognized improving voluntary compliance as the best, easy and efficient way for collecting of budget revenues (RNAFA, 2013b), does not exist a major trust of the Romanian taxpayer in the fiscal institutions. This aspect is supported by the last survey conducted by INSCOP Research in April May 2015 concerning the trust in public institutions, in which RNAFA is enjoys the trust of only 37.9% of the Romanian citizens (INSCOP Research, 2015).

Currently, Romania is faced with a very high level of tax evasion and the underground economy. According to recent data, in the year 2013, tax evasion in Romania has represented 16.23% of GDP (Romanian Fiscal Council, 2014) and the underground economy has represented

28.4% of GDP (ATKearney, V.I.S.A., Schneider, 2013). These values have determined ample actions by the fiscal institutions to prevent and combat, but abuses and the excessive zeal from fiscal inspectors had the effect of burdening business environment and changing their behavior towards taxes. Also, business cycle fluctuations and imbalances accumulated in the economy are a consequence of the strong pro-cyclical fiscal policy practiced by Romania in the last 10 years, which annulled the action of automatic stabilizers cyclical deficit (Romanian Fiscal Council, 2015).

In this context, without claiming an exhaustive approach, we believe that we will see an improvement in the level of fiscal education in Romania, only to the extent that the tax administration will be concerned with: diversification of communication channels with taxpayers and ensure appropriate professional assistance; making available to the taxpayers of tax information in a timely manner; monitoring the level of satisfaction for services offered and taking into account the views of taxpayers; strengthening the treatment of taxpayers in a fair and non-discriminatory way; supporting the business development; creating an consultative decision-making mechanism for the tax administration activity; implementation of quality standards for services provided to taxpayers; preventing and combating corruption in the tax area; increasing the integrity of fiscal inspectors; improving international cooperation to combat tax evasion.

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