

Influences in the Tax Behaviour of the Economic Agent

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Abstract: *Study of the impact of taxation on the behaviour of taxpayers is a widely debated topic, the results of these studies indicate a number of factors with a significant fiscal pressures influence: the intensity of the legislative regulations, restrictions, corruption and bureaucracy. A high tax pressure, exceeding a certain "threshold" has negative consequences on the economic, social and psychological society, without additional resources public budgets. Taxation leads to exaggerated slowed economic activity, reducing the taxable base, bringing in revenue to the Government. At the same time, it stimulates the work and development of underground economy. The main form of resistance of taxpayers to increase taxes is tax evasion, whose magnitude is proportional to the size of the tax burden. In Romania, a few of the reasons that tax law is a cause of tax evasion are the various changes and additions to the legislation, the correlation between the regulations issued for certain taxes and fees, law which give rise to interpretations and disparities between the normative acts. Combating tax evasion is a goal towards which the authorities of all the Member States tend. But this cannot be obtained, that is why the fight against tax evasion must have the goal not the eradication, but fall into an acceptable percentage for the company at a time.*

Keywords: *fiscal behaviour; taxes, tax avoidance, fiscal pressure.*

Introduction

Fiscality was and still is a major obstacle to the structural evolutions of the economic agent. Each enterprise is affected, in its structure and objectives, in a direct way, by the tax pressure, which produces a series of distortions in its behaviour. But influences are not exercised only by the administrative rules, and also by the burden of the financial tasks, which, without a relaxation of them, under the conditions of a generalized economic and financial blockage and of a sub-capitalization, can lead to the paralysis of the activity of the present enterprises and to prohibition for the foundation of new commercial companies in fields needing important capital investments.

1. Fiscality and the Tax Behaviour of the Economic Agent

The tax payer's attitude embraces a psychological aspect, the tax effect depending on more variables:

- the real amount of the tax;
- the taxpayer's capacity to assess the real tax burden;
- his attitude towards state and towards fiscality;
- the capacity to use the administrative rules in favour of the taxpayer;
- the usage degree to the taxes charged.

The taxes which are striking the economic agents influence differently upon the stake holders regarding enterprises. Thus, the most exposed to this are the shareholders, who after the takeover from the state of a part of the economic agent's profit, under the form of the tax on profit, see their incomes from dividends as diminished. Because of the interests' deductibility from fiscal point of view, many managers appeal to external finance instead own financing, through debts, which can create conflicts of interests between shareholders and managers, and between shareholders and creditors.

The problem of the tax pressure in Romania is more present than ever, on one hand being the fact that the Romanian economy feels acutely the lack of capitals available to be invested, on the other hand, because of the precarious economic situation, the incomes realized by taxpayers are inadequate in order to be taxed by a too heavy fiscality, which determines unwished effects.

The explanations of the tax pressure evolution, in the sense of its increase, must be looked for in the huge increase of public expenses, which, at their turn, are submitted to some economic, social and political regulations.

The fiscal level is influenced and determined by more factors: the performances of the economy at a certain moment, the efficiency of the use of public expenses financed from taxes, the public needs established through the governmental policy and approved by the Parliament, the degree of understanding by the taxpayer of the budgetary needs and those of adhesion to the government's policy, the stage of democracy in a country etc.

By its simple existence, tax can modify the economic and social behaviour of the taxpayer through the influence upon his consumption and degree of saving. From this point of view it must be taken into consideration also the notion of *marginal tax pressure*, which results from the application of the tax rate upon supplementary incomes and which is connected to the existence of the tax progressiveness.

The growth of the tax pressure will determine the taxpayer to make option between the needs he has to satisfy and will choose those which have the greatest marginal utility. The tax incidence is all tributary to the elasticity of needs, it varies in function of the tax nature. The income tax negatively influences both the saving capacity, and the consumption intentions in different ratios in function of the social categories.

The taxes charged by the state from the economic agents are elements of tax pressure, which is more pronounced as their share in the value added realized by taxpayers is higher. The tax pressure is felt and amplified also from part of indirect taxes (VAT and excises) which, although they are not supported by enterprises, affect the volume of sales and their competitiveness through.

According to the tax legislation the profit and salaries are the most taxed elements. Under these conditions, the more profitable an enterprise, the higher is the tax pressure supported by the economic agent. From the point of view of the financing at the economic agent level, the profit, together with the redemption, is the main self financing element. The more affected is the gross profit by the gross tax, the more reduced is the self financing capacity of the enterprise. But the size of the budget prelevations from the gross profit of the exercise does not affect only the self financing activity, but also the capacity for payment of the economic agent-the payment of the tax on profit is a negative financial flow.

Because the economic agent is not so interested in the size of the value added, than the realized profit mass, the tax pressure directly felt is that given especially by the profit on tax rate. Also, as profitability of the economic agent and the absolute size of the profit increase, the tax pressure to which the enterprise is submitted to increases, this fact being due to the linear taxation of the profit. In the case of the Romanian enterprises, besides the too much 'exigent' taxation, we have to mention the fact that these must face some too high needs for financing their current activity as result of a generalized decapitalisation and of an incipient capital market.

Under the lack of some adequate measures of fiscal policy at governmental level we will continue to assist to the worsening of the financial situation of the Romanian enterprises, to the maintaining at sub-mediocre quotas of the internal capital, to new and serious cases of tax evasions at the economic agent level

The present tax system comprises in its structure a plenty of taxes, charges and contributions which the enterprise must pay at certain due dates, in function of exigibility, leading, often, to disfunctionalities in its economic activity and in that of the treasury (cash flows).

The taxes owed by the taxpayer are in general: tax on profit/income, tax on dividends, VAT, excises, customs taxes, contributions to social securities, the unemployment fund, tax on buildings, taxes on the auto means, the stamp tax. To these there add also taxes specific for some activities (taxes on fortune games, tourism tax, advertising tax etc), as well as annual taxes for authorizations, licences, fees, penalties and increases(interests) for the delay of the due payment of taxes. The big number of

taxes and charges which must be paid creates a high tax pressure upon the enterprise. Having in view the other factors which act upon the economic agent's activity: the level of demand and supply, competition, the sales level, the cashing term, the population's living standard, labour productivity, etc many taxpayers hardly cope with the tax pressure, leading to its bankruptcy or to practicing of the tax evasion in order to survive.

Frauding the taxes and charges by a part of the taxpayers creates unloyal competition among producers. Having in view the competitive system of the economy and the population's living standard, the price level is the essential economic element for the realization of an enterprise activity. In this case the firm which does not pay the taxes to the state can sell at lower prices than those who pay all taxes.

For example:

In the case of the producers who produce with different production costs, the State intervenes through the application of taxes and charges upon each of them, the cost being the sum between the production cost and taxes and charges. In the case in which the enterprise avoids taxes, the firm with the smallest cost will pay the most taxes because it conforms fiscally.

The inclination towards the avoiding tax payment and the talent in the production field are closely connected. The most efficient producers are as a rule those who evade less, and the taxes increase will favour the evasionists' survival, which will push the efficient producers out the market.

2. The Tax Resistance, a Consequence of the Tax Impact Upon the Economic Agent

The concept of "*tax resistance*" presuppose the individual or collective behaviours which tend to reduce or even suppress the tax obligation in the burden of a person or a group. Tax resistance manifestation can produce itself in different stages of the taxation process. By adopting a regressive approach we could say that the resistance is exercised both in the settlement stage, in that of depositing, payment and control of the tax. Such a resistance is multiple, in the sense that it can be occasional or common, occult, discreet or even provoking, spontaneous and anarchical, but, also, organized and institutionalized.

The tax resistance cannot be defined only in terms of material, objective behaviours against the tax phenomenon, which could tend to reduce the importance of prelevation or even anihilate it. It represents, also, an appeal and, in this sense, it carries the proof of a question posing as regards the principle or intensity of the prelevation. Even if his attitude is passive and his refusal is not openly proclaimed, the one resisting to tax carries the proof of this denial, the goal of whom is that of defending his patrimony interests. From this point of view, we can admit that the tax fraud can be a form of resistance to tax. Reverse, the resistance does not manifest itself necessarily through fraud and not even through legal evasion. The resistance consists in limiting the activity and profit, in reducing the expenses, in a word in the abstinency from producing certain goods or to consume them.

The taxes resistance can have various forms:

- a) fiscal abstinancy, that is to avoid making some operations in the goal of getting rid of the taxes they give way to; it can concretize in decrease of the economic activity if it is accentuatedly reduced the incitation to work, saving and investment. By the heavy taxation of incomes, goods and services domestic economy is encouraged or the services selfsupply.
- b) political resistances at the obligatory prelevations-there are manifested especially the categorial claims in favour of lowering some taxes or social contributions. The taxpayer can orient himself either towards more direct procedures for appealing the taxes, having in view the law respect, or using its dispositions in his favour, that is the tax evasion, or encroaching it, that is committing the tax fraud.
- c) the fraud and tax evasion are means to run from an excessive tax pressure. Among the main forms of evasion used in different countries we can enumerate: the in kind advantages given by the employers to the salary workers best paid in order to get rid of the high rates of income taxes, the domiciles outside the country, in fiscal paradises, of the physical persons and of commercial companies. The fiscal fraud means different fraudulent procedures for the diminution of incomes or benefits.

d) the repercussion processes or ‘inflation by fiscality’, represents the impulse given to inflation through the increase of taxes and social contributions. Any increase of the tax pressure has the tendency to pass upon the processes of price and salaries determination and to feed inflation.

3. The Tax Pressure, a Determinative of the Economic Agent Behaviour

The main factor which influences upon the fiscal behaviour of the economic agent represents the multitude of tax prelevation of the economic agent, more concretely, the tax pressure.

The tax pressure is felt directly by the tax payers, that is by the payers of taxes and charges. The honest taxpayer and with civic spirit sees in taxes, a necessary evil’ and consents to their payment.

But, what happens when taxes exceed certain supportable limits, when they inhibit the initiative or when they even determine fiscal riots? Then tax payers feel the burden of the tax pressure oppressing them, paralysing their normal behaviour in economy and society.

The honest tax payer, mainly the physical person, consents to the tax payment and submits himself willingly to this burden, but at a certain moment, when taxes exceed certain limits of supportability serious phenomena take place which bring unwanted facts for the wish and possibility of the State to collect these incomes. The taxpayer’s behaviour becomes abnormal, he trying on any way to elude from pay in the tax hoping a diminution of the tax pressure which often becomes suffocating.

The taxpayers’ wish to ensure their incomes before the tax pressure increase, without any supplementary effort contributes to the development of the parallel economy, which step by step replaces the activities in the real-official economy, making place to the emergence of the parallel economy, the underground economy. The consequences of this fact are the decrease of the taxpayers’ number, the diminishing of the matter and tax basis and the inefficiency of the macro-economic policies in the field.

3.1. The Influence of the Social Contributions Upon the Tax Pressure

Romania is on the second place in the top of countries in South East Europe where the employees are paying the highest taxes to the State afferent to labour contract, after Hungary, which is on first place.

In order to compare the value of the taxes due to the state in the case of the individual labour contracts, in all countries analysed, it was taken into account a net salary of 1.000 de euro. Compared to this value, Hungary is the country, where there are paid the highest contributions– for an employee with a net salary of a thousand euros, the total costs supported by the employer(which go to the state and to the employee) are of over 2.000 de euro (207%). Hungary is followed, with close values, by (182% of the net salary), Czech Republic (181%) and Slovakia (180%). A substantially smaller volume of contributions (is paid in case of Poland (168%) and Bulgaria (143%).

The first three countries with the highest contributions on behalf of the employee are: Hungary (60.82%), Romania (42.57%) and Poland (41.40%), while the first three countries with the highest contributions on behalf of the employer are: Czech Republic (46.58%), Hungary (45.83%) and Slovakia (45.78%).

3.2. The Present Situation In Romania

We calculate as follows the fiscal cost of labour, in the case of a gross salary of 1000 lei.

LABOUR’S FISCAL COST:

Gross salary = 1.000 RON

The basis function (has the right to deductions) = Yes

Persons under his care (children and others) = 0

Contributions employee TOTAL = 259

Contributions to social securities CAS 10.5% = 105

Contribution to unemployment relief 0.5% = 5

Contribution to health insurances CASS 5.5% = 55

Deductions = 250

Income tax 16% = 94

The net salary = 741

Contributions employer TOTAL = 281

Contribution to social securities 20.8% = 208

Contribution to FNUASS 0.85% = 9

Contribution to unemployment relief 0.5% = 5

Contribution to salary outstanding debts 0.25% = 3

Contribution to health insurances CASS 5,2% = 52

Contribution to insurances for working accidents minimum 0.4% = 4

FISCAL TOTAL COST = 259 + 281 = 540

EMPLOYEE TOTAL COST = 540 + 741 = 1.281

FISCAL COST (%) = total fiscal cost / total employer cost * 100 = 540 / 1.281 = 42.15%

As result:

- the employer must pay to the State from the gross income given to the employee a total percentage of **28.75%** which includes: contribution to social securities (**20.8%**), contribution to the unemployment relief (**0.5%**), contribution to FNUASS (**0.85%**), the salary guarantee fund (**0.25%**), contribution to health insurances (5.2%), accidents fund (**0,4%** – here it depends on the activity field) and the commission to the Labour Chamber (**075%**).
- the employee must pay to the State from the gross income a **total percentage of 32.5% made of:** contribution to social securities (**10.5%**), contribution to unemployment relief (**0.5%**), contribution to health insurances (**5.5%**) and income tax (**16%**).

At a simple calculation, we can see that what an employee gets from his gross salary is **much lower than** the State gets from this salary. **The State for each working place cashes a hard percentage of 45.25% and the employee remains only with 54.75%.** This percentage is an **obstacle on the way of private business development in Romania, where labour force is overtaxed in a suffocating manner.**

In this context, the pressure which is put by **any minimum salary per economy raise on the entrepreneurs** is a very high one, generating unemployment, unauthorised labour and tax evasion. The reduction of the securities paid indirectly by the employees by the retention at source can have, except the psychological effect of the tax relaxation also a beneficial effect upon the final consumption of the society, bringing on short term benefits to the national economy by the increase of the available national income.

Contribution CAS in Other Countries

Table 1

No. crt.	COUNTRY	EMPLOYEE'S CAS	EMPLOYER'S CAS	TOTAL - % -
1	BULGARY	14,00	14,00	28,00
2	HUNGARY	2,00	24,00	26,00
3	ITALY	8,89	23,81	33,00
4	GREECE	8,87	14,00	23,00
5	FRANCE	6,65	8,20	15,00
6	LUXEBURG	8,00	8,00	16,00
7	AUSTRIA	10,25	12,55	23,00
8	SWEDEN	12,00	12,00	24,00

The reduction of CAS (Contribution to social securities) is a measure which obviously will have positive effects on middle and long term, but on short term will produce a sudden fall of the budget cashings. Thus, a reduction by 3% will cost the budget around 80-100 million euros per month, the amount decreasing on the way economy will generate new working places. But the problem is that the

positive effects will not be visible earlier than 12-18 months, while the reduction of the cashings will be observed immediately.

Conclusions

The big economies of Europe did not wish to increase fiscality during recession, operating only some adjustments in the sense of enlarging the basis for taxation for the tax on profit (category of incomes which anyhow decreased much during crisis and is strongly correlated with the economic cycle) or of increasing the maximum quotas for the income tax for the big incomes taxpayers (France, Spain, Italy, Finland, Luxembourg, to which are added the overrowing Greece and Portugal). In exchange, these countries tried to stimulate fiscally the economy by reduction of labour taxation and of social contributions. The social European pattern is based on a high productivity, but also on a considerable taxation of the labour, over the level of other big economies in OECD. The reduction of labour taxation by reduction of social contributions had as a first objective the protection of the present jobs. Countries as Austria, Sweden, Belgium, Germany, Poland or Spain used such measures. Even the Hungarian and Bulgarian neighbours made diminutions in labour taxation in their trial to give an oxygen mouth to the private environment. But it is known that a sustainable redress of the European economies will need not only the protection of the present jobs, but also the creation of new jobs, in sectors with a high value added, which should restart the cycle employment-incomes-expenses.

At European level there is a tendency for reorientation towards the incomes from indirect taxes and taxes on environment and to reduce the social contributions. According to an analysis made by the European Commission, indirect taxes have the advantage to be less distortionative for the competitiveness of a country and less friendly for capital accumulation, including human capital. In addition both VAT' regime, and the excises are more harmonized at community level than the direct income and profit taxes.

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