„LUCIAN BLAGA" UNIVERSITY OF SIBIU

FACULTY OF ECONOMICS

DOCTORAL THESIS

EFFICIENCY OF REVENUE COLLECTION TO THE GENERAL CONSOLIDATED BUDGET OF ROMANIA, A MEMBER STATE OF THE EUROPEAN UNION

- Summary -

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SUMMARY

Improving the tax collection process for the General Consolidated Budget of Romania, with the aim of increasing the tax-revenue-to-GDP ratio, can only be achieved through a set of measures related to the legal framework, development and implementation of the applicable procedures, of the institutional setting, as well as of the resources allocated for this activity. The global financial and economic crisis in the past has strongly affected Romania as well, bringing back into discussion the role that the state should play in the economy. A measure within the reach of the state is creating a more efficient collection, without appealing to tax increases.

The current context calls for ensuring budgetary stability by creating a favorable institutional framework and business environment, which involves simplified tax procedures. State's intervention in the economy is achieved through its economic policies and mainly through its fiscal policies, but it is equally important that a plan for reforming the system, dealing with tax revenue administration is put into place. Tax payment methods must represent a priority for the state. Tax increases or decreases must be reviewed only after the tax collection rate will reach a reasonable level which is comparable to the results from other EU member states.

These are some of the reasons which lead to our decision to pick as our research topic *Efficiency of revenue collection to the General Consolidated Budget of Romania, a member state of the European Union,* as it is a much debated issue, presenting a great interest both at a national and European level. To this end, we have decided to further build upon a comparative study of the basic concepts surrounding the tax policies implemented in the European Union, in connection with our countries' tax administration system.

The aim of this research is actually to identify solutions, techniques and methods to improve the tax revenue collection to Romania's General Consolidated Budget, in the context of European Union's requirements. Therefore, our research had in mind three structural directions:

a) Highlighting the tax policy from the point of view of the applicable legal framework at the European and global level

b) Implementing the tax policies related to revenue collection in the case of Romania, as a European Union Member State

c) Providing details on the tax administration's main functions

Various specialists in this field have approached the topic of modernizing Romania's tax administration. Despite an extensive project implemented in collaboration with the World Bank, we can state that to this day, no notable changes have occurred. Benefiting from the 27 years of experience, out of which 23 have been in the fiscal system, I have approached the research from the perspective of the weaknesses I have identified, and I aimed to treat them according to their vulnerability rate.

The main objectives of this PhD thesis are presented below:

O1. Operational definition of the concepts: tax policy, fiscality, tax administration system, tax revenue collection and presenting the links between them;

O2. Describing the legal framework and the tax institutions, the methods and techniques related to the collection mechanism in tax matters;

O3. Analysis of the tax revenue collection for the Romanian General Consolidated Budget, based on widely-recognized performance indicators;

O4. Listing the processes used for managing tax liabilities and classifying into massive and investigative processes;

O5. Identifying the requirements for developing the tools and procedures used in recovering the tax liabilities;

O6. Developing a set of recommendations and new tools and procedures which can contribute to increasing the performance of the tax recovery activity for the tax liabilities;

O7. Assessing the proposed recommendations, tools and procedures by using specific performance indicators related to the activity of collecting tax liabilities.

In this context, creating a more efficient tax revenue collection gains further importance, which is why we will analyze this measure in the following five chapters of this PhD thesis.

First chapter, named *Tax policy - a necessary tool for collecting revenues to the General Consolidated Budget,* presents the fiscal role of the state in the economy, the main components of the tax policy, as well as some general principles in the field of tax revenue management and the significance of tax policies for the society. As such, the main elements which form the tax policy are discussed, together with the general principles of tax revenue management. In this chapter I have described the fiscal role of the state in the economy, the history and the development of tax policies, as well as the main trends.

The issue of tax procedures, although less covered, constitutes a simpler solution to raising tax revenues. This measure, complemented by expanding   the administrative capacity, can contribute, on the medium term, to achieving the objective of improving the revenue

collection.

Our view is that the temporal priority in the field of harmonization of the fiscal system is represented by the components of the fiscal mechanism and the fiscal authority apparatus, with medium-term effects on the harmonization of the tax system which can bring long-term results.

Listing and distinguishing the administration processes used in the fiscal activities which are quantitative in nature from those which are qualitative is an essential step in changing the operational procedures, enhancing the available tools, as well as improving the use of resources available within the tax administration.

Extending the massive processes used for handling, generating and communicating the tax-related documents can contribute, on one hand, to diminishing the processing time, to reducing the costs, as well as freeing a part of the human resource engaged with a considerable amount of work which is quantitative in nature. Thus, the conditions for labor relocation in the benefit of qualitative operations are created, after going through several stages of training.

Implementation of these measures is expected to generate the following benefits: increasing the voluntary compliance rate for reporting tax liabilities; increasing the voluntary compliance rate for payment of tax liabilities; increase in undeclared tax revenue which is collected; reducing the costs of tax collection; improving the quality of the services provided to the taxpayers and building a friendlier image for N.A.F.A.

Quantifying the effects generated by the proposed measures will be done via performance indicators and through the indicators measuring the efficiency and effectiveness of the tax administration.

In order to achieve the proposed objective, the main performance indicators which define the tax administration system will be analyzed based on reported numbers at the starting of this research, as well as on their aggregation methodology. In this way, we can identify new indicators assessing the tax collection rate, influencing its level and if the aggregation methodology of the indicators takes into account all the variables. Moreover, we will analyze the need for vertical and horizontal development of the performance indicators used for recovery of the tax liabilities.

The structural study of the way in which the performance indicators currently used by the Tax Administration System were created, will underline both the factors influencing its level as well as, the elements which need to be changed during the improvement measures. Aside from the goal of extending the massive processes for generating the tax decision

documents, improving the tax collection involves implementing risk analysis, in regards to creating taxpayer profiles, but also the way the administration operations and processes are carried on.

Moreover, we would like to strengthen the point that the broad analysis of the tax administration at the European level highlights a low tax-revenue-to-GDP percentage of approximately 27%. This percentage has been relatively constant for the past 10 year, significantly lower than the weight of tax revenues in relation to the GDP in countries with a similar development level, such as Poland (32,9%), Czech Republic (34%), Slovenia (36,7%), Hungary (38,5%).

Chapter two, named *Tax collection in Romania. Specific foreclosure procedures and techniques,* describes the legal and institutional framework regarding the collection of tax liabilities in our country. In the given context, we have highlighted the main methods, techniques and tools related to the fiscal mechanism. The following will also be presented:

- Stages in the process of tax administration;
- Efficiency of the foreclosure procedures;
- Specific performance indicators;
- Risk analysis of the debtors to the General Consolidated Budget;
- Foreclosure of the tax liabilities such as damages and confiscations that are related to tax crimes.

We propose that the most efficient foreclosure method should be chosen based on risk analysis. Therefore, the steps for undertaking such a risk analysis are the following:

Step 1: Identifying the risk = risk criteria

Step 2: Assessing the risks based on the standard criteria

Step 3: Assigning weights to the two risk categories

Step 4: Deciding the tax risk categories for the foreclosure

Step 5: Assigning the debtors into the suitable risk category

Step 6: Selecting the foreclosure method.

Risk identification and deciding upon the eight standardized criteria represent the first stage in performing the risk analysis. The proposed risk analysis model takes into consideration two types of risks: tax related and regarding the creditworthiness of the taxpayer.

Tax related criteria are those through which the tax behavior of the taxpayer is assessed

based on fulfilling/not fulfilling the following requirements:

a) Submitting all the tax forms;

b) Clean tax records;

c) Was not the subject of a joint and several liability;

d) Administrators and/or associates did not hold, for the previous 5 years, similar positions in liquidated companies with unpaid tax liabilities;

e) Did not report losses for the past three years.

With regard to the criteria assessing the creditworthiness of the taxpayers, these contain financial indicators used for the purpose of carrying out a risk analysis of the tax enforcement of the tax liabilities:

a) Global liquidity, defined as the ratio between liquid assets and financial obligations that come due within one year;

b) Solvency, defined as the ratio between total assets and total liabilities;

c) Debt rate, calculated as the ratio between total debts and turnover.

The second step of the risk analysis modeling for the foreclosure activity consists of determining certain value ranges within which a risk can be assessed based on the standard criteria.

In the third stage we have assigned the weight the two categories hold in the calculation of the final score. Therefore, criteria related to the tax behavior weights a maximum of 60 points, representing 60% of the final score, and the financial criteria can weight a maximum of 40 points, which represents 40% of the final score.

Assigning debtors to the risk category resulting from the final score, obtained as a result of assessing the eight risk criteria, will be done in the fourth stage of the analysis process. To this end, we have proposed the classification of the debtors into three tax risk categories, in sight of the foreclosure procedures:

- Low tax risk, received a score in the range of 0 – 30 points;

- Moderate tax risk, received a score in the range of 31 – 50 points;

- High tax risk, received a score in the range of 51 – 100 points.

Assigning the debtors to one of the three tax risk categories has direct consequences on the selection of the foreclosure methods for each particular case.

Risk analysis carried out for the purpose of foreclosure of the debtors represents the process of identifying the payment risk (failure to pay on time the amounts owed). These can be assessed and handled in order to select the most efficient tax enforcement methods. The most important objectives of the proposed procedure are the reducing of the tax arrears and

the elimination of potential impediments in the activity of taxpayers exhibiting an adequate tax behavior, but coping with a temporary shortage of liquidities. Not the least, a differentiated approach to debtors, based on their tax payment risk ((failure to pay on time the amounts owed), can contribute to diminishing the administration costs and, implicitly, increase the collection. Once implemented, the risk analysis can determine a proper allocation of the resources available for investigative activities, which need to be carried out for the taxpayer presenting a high tax risk of failure to pay the tax liabilities.

The proposed risk analysis model represents a development in the field of tax procedures. In order to check the working scenarios we have carried out a series of simulations. The results are presented below:

- 30% of the analyzed cases fit in the low risk category;
- 50% in the moderate risk category;
- 20% in the high risk category.

In addition to the simulations carried out, we have performed an analysis of how old are the debts registered by the companies classified as large taxpayers. The following results were recorded with regards to the 440 debtors which are large taxpayers:

- 48% of the debtors have unpaid tax liabilities that do not exceed 30 days. This categories accounts for 7,25% of the total arrears.

- 13% of the debtors have unpaid tax liabilities that do not exceed 90 days, amounting to 13,12% of the total arrears.

- 10% of the debtors have unpaid tax liabilities that are between 91 and 180 days. This category of debtors is responsible for 3% of the arrears.

- 29% of the debtors reported unpaid tax liabilities that exceed 180 days. This debtors' category accounts for 76% of the arrears.

- 87% of the total arrears are caused by 39% of the debtors to the General Consolidated Budget.

Therefore, the recommendations for improving the tax collection activity are the following:

a) Prioritizing the foreclosure actions and applying it in the case of taxpayers with high risk of accumulating tax liabilities;

b) Implementing a risk analysis based on the most efficient methods and the best timing for the foreclosure procedures;

c) Developing the investigative activities related to the foreclosure procedure, verification of the settlement mechanism, which categories of revenues and payments do the

debtors record, the order in which these are distributed with the aim of prioritizing the payments to the tax budget;

d) Speeding up the monetization of confiscated goods in the case of high risk debtors. A solution could be the hiring of own evaluators within the tax administration, with the aim of protecting the legitimate interests of the state as a creditor;

e) Signing collaboration protocols between the National Agency for the Management of Seized Assets and the Directorate for Tax Enforcement Special Cases, in order to ensure an efficient communication between the two structures, to establish an optimum relationship, meant to increase the level of tax collected in the cases of tax crimes;

f) Amending the fiscal procedure with the aim of providing regulations for the risk analysis of debtors to the General Consolidated Budget;

g) Organizing courses aimed at tax enforcers, with the aim of training them;

h) Drafting a new normative act, in the field of seized assets, which should meet the requirements for a quick, efficient and transparent tax collection for the seized assets, taking into consideration that the current legal framework is outdated;

i) Creating new performance indicators aimed at measuring the performance in the field of foreclosure procedures;

j) Monitoring the results of risk analysis carried out by the foreclosure activities for a period of 3 months.

In the third chapter - *Methods for improving tax collection*, we have approached fiscality from the perspective of procedures, legal and institutional frameworks specific to the mechanisms of tax administration. As such, I have presented the main administration processes, listed and classified them into massive processes and investigative processes, and the need for developing tools and procedures for tax collection activities. Moreover, I presented the elements regarding tax evasion, collection of tax liabilities through foreclosure mechanisms in collaboration with member states of the European Union and aspects regarding the mutual assistance in collecting tax liabilities in Romania.

In order to underline the importance of rethinking the inventory of the main tax administration processes, specific to collecting tax liabilities, we have proceeded with classifying them in two main categories: massive and investigative.

Massive tax administration processes consist of processing and consolidation of information and primary data, achieved through a series of repetitive operations which relate to the entire population, transforming those into tax documents and tax decisions as well as

procedural documents, using the templates of the forms provided in the field of tax revenue collection, automatically generating operations from the IT applications of the tax administration regarding liabilities, carried out based on the formalized procedures specific to the activities within the National Agency for Fiscal Administration.

The investigative processes consist of the activities carried out by examining documents, registers, accounting records, factual findings for identifying goods, income and taxable amounts, analyzing the data and information from the National Agency for Fiscal Administration, from taxpayers, as well as from the management of other natural and legal persons, in order to verify the fiscal status of the taxpayers and to substantiate the administrative - fiscal and procedural acts.

Methods to improve the tax collection to the General Consolidated Budget can be, in our opinion, classified into four categories: preventive measures; measures for risk identification; tax audit measures and sanctioning measures for tax non-compliance.

With regards to the preventive measures, these contain the following elements:

a) Legal amendments aiming for tax compliance;

b) Consultations with the representatives of the business environment, audit and accounting professional associations, on tax related matters;

c) Creating electronic tools for on-line submission of statements as well as electronic communication between the taxpayer and the tax administration;

d) Notifying taxpayers of deadlines for declaring and paying taxes and charges: by phone, by e-mail, text message and letters;

e) Communicating the news and the steps to be followed in tax matters through the media;

f) Promoting the theme of the audit controls to be conducted by the tax authorities and sanctions that can be applied in cases of non-compliance;

g) Carrying out assistance meetings with taxpayers;

h) Publication of reports containing information and the promotion of case studies on the reports of tax audits carried out;

i) Making Tax Guidance visits at the taxpayer's premises;

j) Promotion of materials, brochures, guides, aimed at educating the taxpayers.

Measures for risk identification involve defining the characteristics of the taxpayer segment with the potential for non-reporting, criteria and indicators defining the risk profile, methods of collecting the data and information necessary to establish the fiscal risk profile.

Tax investigation measures relate to the two aspects of non-compliance, non-reporting and failure to pay the amount due for the tax liabilities. Based on the two sides of tax non-compliance, the investigation instruments used are the audits carried out by the fiscal inspection or the tax anti-fraud unit, or the audits carried out by the tax enforcement unit.

Sanctioning measures for non-compliance are specific to the detected type of non-compliance:

a) Non-compliance through non-reporting leads to pecuniary fines, estimating the damages, filing criminal complaints for tax evasion;

b) Non-compliance through failure to pay the tax liabilities leads to applying the foreclosure procedures for the debtors, resulting in the seizure of the goods, the capitalization of the seized assets, the application of the insolvency procedures and declaring insolvency of the debtors, subject to evasion of tax obligations, filing criminal complaints for tax evasion for avoiding to pay the owed amount in tax liabilities.

Regarding the methods of preventing and combating tax evasion, the tax has much to do in the field of guidance, taxpayers' assistance and the field of services provided for a correct collection of taxes and duties. In this context, we emphasize the importance of carrying out preventive fiscal controls, also having the role of advising taxpayers in the application of tax legislation. We therefore emphasize the following:

▪ Preventive control missions may be exercised by certain departments within the General Directorate for Fiscal Anti-Fraud (G.D.F.A.).

▪ Redefinition of the role and tasks of G.D.F.A. must be done as soon as possible.

▪ The activity of the G.D.F.A. must be regulated in line with the economic realities and the state's need to attract additional tax revenue to the General Consolidated Budget.

▪ Appropriate revenue collection methods should be applied according to the taxpayer's risk profile and tax treatment must be appropriate to the taxpayer's behavior.

Clearer definition of the duties of G.D.F.A. as a tax structure rather than a criminal investigation UNIT, the tax audit operative body, which has the right and responsibility to individualize tax receivables, would have positive effects on state revenues. In this way, the control body specialized in the prevention and identification of tax fraud can become more effective, applying the rules established by the fiscal procedure only in cases where the criminal procedure is required. This process would also result in greater accountability of anti-fraud inspectors in substantiating findings and preventing abuse; a new law on tax evasion would be developed, comprising of three parts: contraventions and sanctions applied, offenses and punishments imposed on them, as well as the responsibility of law enforcement

bodies that can be punished, sanctioned according to the seriousness of the act (error, intent, excess of zeal).

If we take into account the cost of collecting the damages set by G.D.F.A., taking into account only personnel costs, the situation becomes even more worrying. We also take into account the expenses incurred by other institutions in the criminal proceedings in order to investigate, prove and establish the certainty and liquidity of the fiscal damages, as well as the long duration of this procedure. Thus, we appreciate that the activity of G.D.F.A. must be reengineered and organized on the principle of differentiation based on taxpayers' wrongdoing according to their severity and the degree of social danger posed and the principle of efficiency.

With regard to the mutual assistance procedures in recovering the tax receivables, our analysis has brought to light the following elements:

▪ For the 1st January 2014 – 31st December 2016 period, Romanian tax administration has received, due to the application of the mutual assistance procedure for collecting, tax liabilities amounting to 1.922.092 euro and have transferred to other states of the European Union the amount of 3.706.051 euro.

▪ Sums recovered represent 53.75% of the amount Romania transferred to the other tax authorities in the European Union;

▪ Revenue obtained due to the mutual assistance for recovery represents 0.04% of the total recoverable tax arrears registered, the total arrears to the General Consolidated Budget at 31st December 2016 amounted to EUR 4,857 million.

▪ Reduced usage of the mutual assistance on recovery legal instruments by the tax administration in Romania can offer an explanation for the reduced tax collection level, which is reflected in the high level of arrears to the General Consolidated Budget.

The lack of efficiency of the Romanian tax authorities in using the mutual assistance for recovering tax liabilities can be explained through the lack of experience of Romanian tax authorities and through the allocation of limited personnel on this task. As a result, in light of improving the usage of mutual assistance for recovery of tax receivables generated in Romania, we consider it is necessary:

▪ To analyze the efficiency of different types of foreclosure procedures applied in Romania, aimed at the main debtors to the General Consolidated Budget, which have associates, administrators or substantial partners which are foreign natural or legal persons;

▪ To immediately initiate the measures stipulated by the mutual assistance for recovery procedures in the cases where the sums recovered through foreclosure procedure do not cover

the entire value of the liabilities;

- To allocate an adequate staffing, taking into consideration the debtors and the complexity of the cases;

- To train specialized personnel in the field of mutual assistance for the recovery of tax liabilities.

In the fourth chapter, *Indicators used to analyze the performance of the National Agency for Fiscal Administration*, we are presenting an estimation of the revenue collection to the General Consolidated Budget. Therefore, we proposed a set of recommendations, new tools and procedures that would contribute to efficiency assessment of the revenue collection activity.

Our analysis has emphasized that, during 2010 – 2014, the net revenue collected to the budget raised by 49,5%. The fiscal performance in Romania is assessed through a set of indicators. In our opinion, the main indicators can be classified by their subject matter in 6 categories:

a) Revenue program is assessed by the degree of completion of the revenue program (gross values, net values and customs revenue).

b) The arrears are assessed by the collection rate.

c) Foreclosure activity is evaluated by the share of the collected revenue in the total value of revenue fixed through foreclosure procedures.

d) Fiscal inspection is assessed by the average of additional revenue attracted per inspector, calculated separately for individuals, companies and non-resident subjects.

e) Voluntary compliance regarding the payment of arrears is evaluated through the voluntary compliancy rate.

f) Voluntary compliance regarding the tax declaration – assessed by the compliance rate in terms of filling the tax declarations, as well as the rate of processing them in time.

The efficiency and efficacy of revenue collection are measured by using the cost of the collection, associated with the following indicators: lei spent per 1 million lei in net revenues to the budget; personnel expenditures per 1 million lei in net revenues to the budget; net revenues to the budget collected per employee and net revenues to the budget per tax payer.

By analyzing the manner of determining the indicators associated to the revenue collection rate, we see that, in contrast to the performance indicators, The National Agency for Fiscal Administration does not measure the efficiency and efficacy from the point of view of the internal processes, calculating only general level. In our opinion, it is absolutely

necessary to measure the efficiency and efficacy of the core activities, by systematically examining the attributions of the Agency.

Therefore, it is required to carry on a critical analysis of the manner in which different components of the tax activity fulfill their functions. This approach takes into account the such elements as deadlines, quality and costs, in order to be able to make an analysis at general level, as well as a detailed analysis of the individual value attributed to the main activities.

A proper measurement of the tax collection cost implies an efficiency and efficacy assessment for every main activity (collection, fiscal inspection, customs activity, tax antifraud activity), therefore we aim to build new indicators that would respond to this need, indicators that are presented below:

A. The collection cost of fiscal inspection activity

- Total cost of collecting additional amounts set by the fiscal inspection (a1) - spent lei per 1 million budget revenue set as a result of fiscal inspections.

- Personnel expenditures implied by the fiscal inspection activity per 1 million lei additionally set (a2).

B. The collection cost for the compulsory enforcement activities

- Total cost of collecting the amounts through the foreclosure procedures - lei spent for 1 million lei in budget revenues collected by compulsory enforcement (g1).

- Personnel expenditures implied by the foreclosure activity per 1 million lei collected by foreclosure procedures (g2).

The efficiency and efficacy of budget revenue collection by the fiscal authorities do not imply only increasing the revenues to the General Consolidated Budget in absolute terms. The efficiency of the internal processes has to be measured throughout the entire operational flow, thus requiring building and implementing a new set of indicators that give a greater importance for the collection cost of the main activities of the fiscal administration.

- Our choice of fiscal inspection and the foreclosure activities as components covered by the new proposed indicators was determined by the fact that these activities imply qualitative work, qualitative operations, based on investigative processes. The new proposed indicators can be implemented at national level, as well as at regional and local levels (county fiscal authorities, urban fiscal services etc.).

- Using these indicators can ensure both the analysis of the dynamic of the registered values, as well as the possibility to compare the efficiency and the efficacy of different fiscal bodies, separately for the fiscal inspection and foreclosure activities.

■ We consider that, apart from the variables we have identified in building these indicators, there can also be found other elements of influence that can contribute to the improvement of the way in which is measured the efficiency of the fiscal inspection and foreclosure activities. Therefore, it becomes possible to measure efficiency and efficacy in such a manner that is more analytical, more transparent and that can offer the possibility to reduce the cost of fiscal administration by identifying the relevant levers of influence.

The global collection cost is 11.061 lei expenditures per 1 million net budget revenues and 9.889 lei personnel expenditures per 1 million lei net budget revenues. The evolution in time of the collection cost is shown in Figure a. and Figure b.

**Figure a. Level of collection cost - lei expenditure per
1 million lei net budget revenues (lei)**
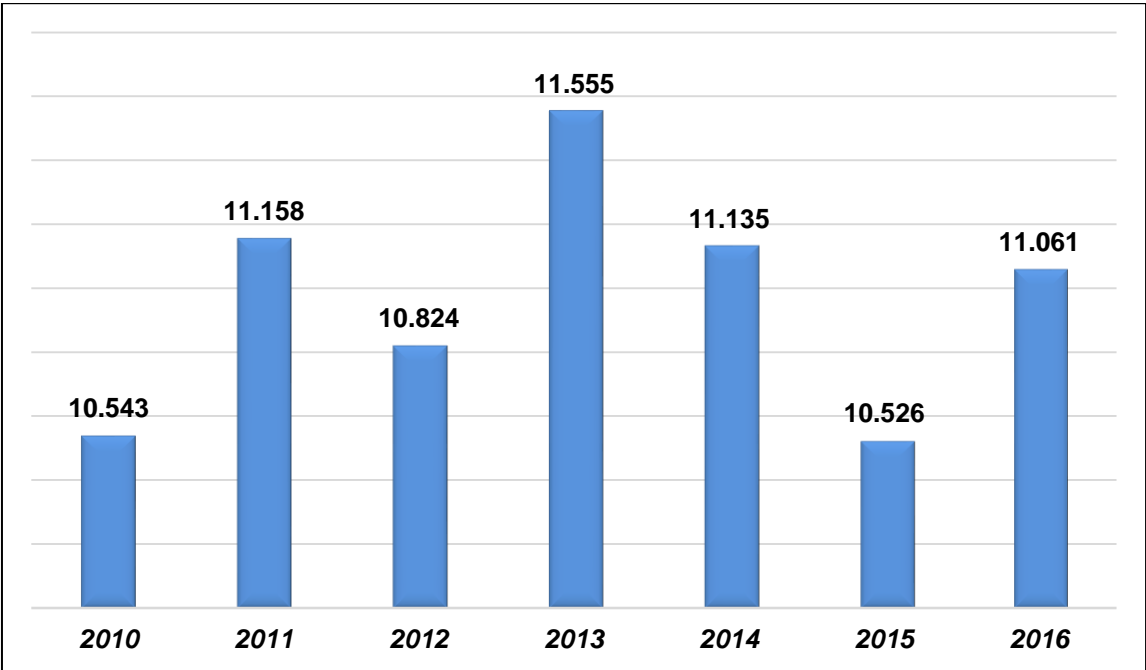
Source: author's data, based on NAFA records

**Figure b. Level of collection cost - personnel expenditures per
1 million lei net budget revenues (lei)**

Source: author's data, based on NAFA records

By comparison, we have calculated the following indicators regarding the efficiency and efficacy for each core activity:
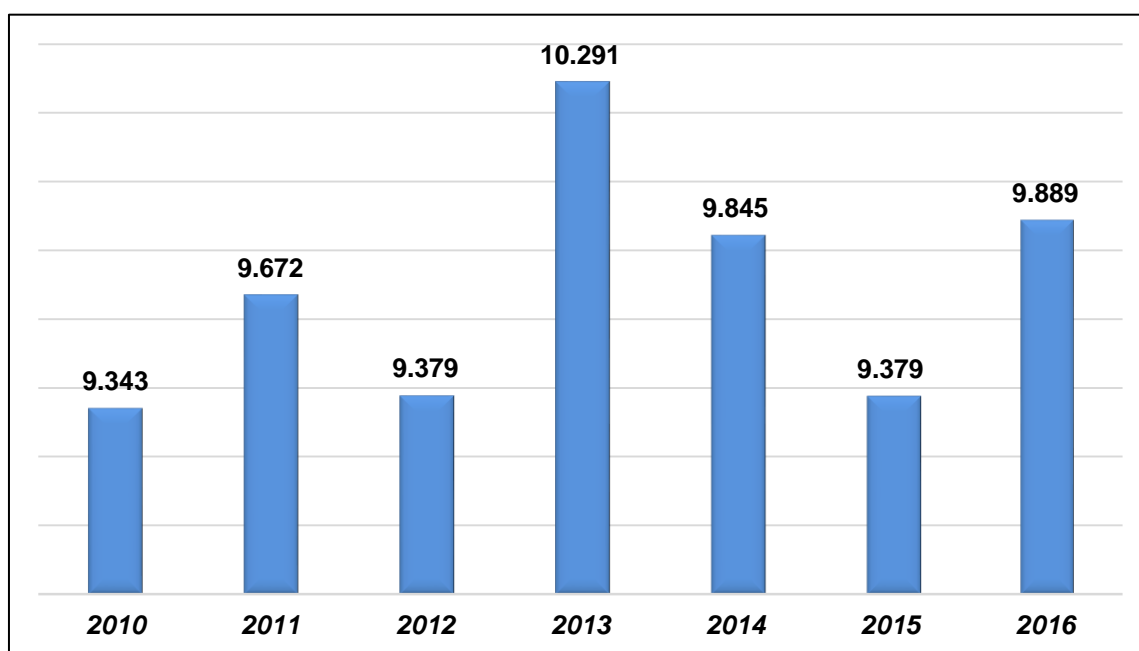
▪ The total cost of collecting additional amounts set by the fiscal inspection (a1) is 25.119,45 lei.

▪ The personnel expenditures implied by the fiscal inspection activity per 1 million lei additionally set (a2) are 22.208,55 lei.

▪ The total cost of collecting additional amounts through foreclosure procedures (g1) is 10.913,64 lei.

▪ The personnel expenditures implied by foreclosure procedures per 1 million lei collected within the same activity (g2) are 9.648,94 lei.

Our analysis shows that the two fiscal structures, The Directorate General for Large Taxpayers Administration and The Regional Directorate General of Public Finance of Bucharest, that attract 62,5% from the total revenues collect to the budget, were given, in terms of human resources, only 16,76% of the total. The rest of the fiscal structures contributed with 37,5% in the total revenue collected and is assigned 83,3% of the human resources employed by the Agency. Therefore, we have identified the following conclusions:

a) From this point of view, the fiscal authority is confronted with a serious problem, issue that will become even more acute in the context of informatization.

b) Reengineering the internal processes of fiscal administration and transforming an important part of them into massive processes will highlight the oversized number of personnel, and implicitly the oversized collection cost.

c) Taking into consideration the social effects that could be generated by the right allocation of personnel within the National Agency for Fiscal Administration, the government officials should already initiate an action plan with measures on short and long term.

Starting from the importance of the main performance indicator that is measured by the National Agency for Fiscal Administration - collected fiscal revenues and their ratio to GDP, we have made an estimation for the 2017 - 2019 period. This estimation is based on the functional relationships between two variables: voluntary conformation rate as regards to the paying of the fiscal liabilities and the collection rate of the arrears, as well as the their relationship with the total revenue collected to the General Consolidated Budget.

When estimating the revenues that are to be collected during the 2017-2019 period, we took into account the following working hypotheses:

▪ The two variables influence the level of the collected revenues, therefore raising the voluntary conformation rate in terms of paying the fiscal liabilities, as well as increasing the share of the collected arrears in total registered arrears will determine an increase of the revenues collected to the General Consolidated Budget.

▪ Collecting arrears is influenced by a variable ratio, respectively the share of revenue collected from foreclosure procedures in the total collected arrears.

As a result of our estimation, it turned out that in the 2017-2019 period, as compared with the 2015-2016 period, the level of revenue collected can record an important increase, from 196,81 billion lei in 2015, to 268,30 billion lei in 2019, the growth ratio being 36,23%. The evolution of the collected/estimated budget revenues is shown in the below presented figure. In terms of the collected revenue as percentage of GDP, it registers an upward trend, from 27,71% in 2015, to 29,38% in the year 2019.

Also, the degree of realizing the collecting potential, determined by summing up the declared fiscal liabilities and the total arrears at the beginning of the period, registers a significant growth, from 89,68% in 2015, to 94,74% in 2019.

Figure c. The evolution of the collected/estimated budget revenues
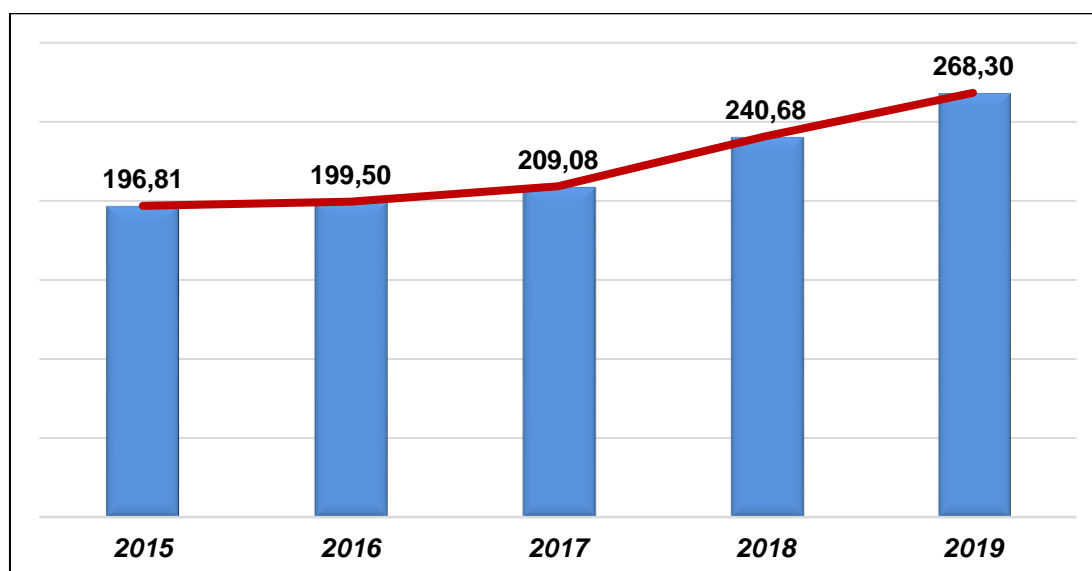
Source: author's data, based on NAFA records

The estimation of the revenues to the General Consolidated Budget for the 2017-2019 period highlights the influence that the voluntary compliance rate in terms of paying the fiscal obligations, collecting arrears, as well as the revenues collected through foreclosure procedures, have on the dynamics of this indicator.

Also, we have proved the working hypothesis that the economic growth, reflected in the GDP raise, determines a growth of the declared taxes. Nonetheless, in order to efficiently collect the revenues to the General Consolidate Budget, it is necessary to improve both, the conformation in terms of paying the fiscal liabilities, as well as improving the foreclosure mechanisms.

The final chapter of our research, named *Final conclusions, personal contributions and recent developments*, emphasizes the way in which the fiscal mechanisms determine the amount of taxes collected. Also, we presented our conclusions as regards to the issue of *Efficiency of revenue collection to the General Consolidated Budget of Romania, a member state of the European Union*, insisting on the way in which the risk analysis of General Consolidated Budget debtors influence the value of fiscal arrears.

As the current fiscal role of the state is not to regulate and practice an excessive taxation, that is repressive and burdening for the business environment, that generates revenues and implicitly taxes, it is required to ensure the budget stability by creating a favorable business

climate and institutional framework, as well as simplified procedures in tax matters. State's intervention in economy is made through economic policies and mainly, through fiscal policies, but at the same time, it is important to implement a reform program for the tax administration system.

By corroborating the available data, results that in 2017 Romania has one the lowest tax burden in terms of tax levels, with low tax rates, both for direct and indirect taxes.

In this context, the efficiency of revenue collection to the General Consolidated Budget of Romania can be achieved by modernizing the tax administration system. This process, as it results from our research, implies major changes as regards to the approach and implementation of the European and international best practices. Reducing bureaucracy and simplifying the procedures may contribute to the growth of tax conformation. But, there are also necessary changes in the approach regarding collection processes from the perspective of specific actions of the tax authorities in the field of declaration and payment non-compliance.

Improving tax collection requires interventions on tax regulations, collection and resource allocation methods, so as to ensure a more realistic identification of the taxable amount and therefore the duties owed to the General Consolidated Budget. In conclusion, we propose the following measures:

1. Developing a new law for fighting tax evasion.

2. Conducting preventive tax control missions.

3. Extending the massive activities of processing, generating and communicating the tax administrative acts.

4. Implementing an integrated IT system in order to support the operational functions of the National Agency for Fiscal Administration.

5. Organizing the foreclosure activity according to the tax payer's risk profile.

6. Starting urgently the measures implied by the mutual assistance procedures for recovery for the cases where the amount collected in Romania through the foreclosure activities do not ensure the full collection of the tax liabilities.

7. Promoting the rescheduling mechanism for paying tax liabilities.

8. Creating an inventory of companies from the perspective of their financial situation.

In conclusion, these measures could contribute to streamlining the financial flows and to reducing the blockages, as well as to the increase of the revenues collected to the General Consolidated Budget. Therefore, this creates the premises for the development of a healthy economy and a competitive macroeconomic environment.

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99	***	Dicţionarul Explicativ al limbii române

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