

THE EVOLUTION OF THE GOVERNMENTAL REVENUE COLLECTION IN ARGEȘ COUNTY- THE IMPACT OF THE LEGISLATIVE CHANGES IN THE FISCAL FIELD

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Abstract: *The accurate and realistic planning and monitoring of the governmental revenues are essential for a proper budgetary execution. The current concerns on stimulating the budget revenue collection are closely linked to the Government's concerns to achieve the objectives of the Governance Program. This paper presents the evolution of the governmental revenues collection in the period 2016-2017 and the estimates for the year 2018 in Argeș county. There is also an analysis of the impact that the fiscal legislative changes have had on the respective revenues.*

Keywords: Governmental revenue, Fiscal legislation, Collection activity.

JEL Classification Codes: H30, H61.

1. INTRODUCTION

The role of taxes in the formation of governmental revenues is indisputable, regardless of the degree of development of an economy. Therefore, one of the objectives of any government is to implement fiscal policy measures, proper to the stages and the level of economic development. Unfortunately, some insufficiently substantiated and poorly rooted in economic reality measures have caused disruptions in the economic environment and have stimulated tax evasion, especially in the developing countries. Romania has not been an exception in this sense, but rather an example of inefficiency in the use of cyclical policies. In practice, the fiscal policy may become a useful tool in the overall policy promoted by the state, as long as the response to the adopted measures is favorable. Highlighting the level and structure of tax revenues to the general consolidated budget, could be of support to substantiate an appropriate strategy in taxation.

The effectiveness of tax policies implemented in our country has been analyzed by various authors, since they should be approached along with the budgetary policies, because the level of economic development influences the degree of taxation, while the achievement of the economic objectives is ensured by the resources allocated from the consolidated budget (Croitoru and Tarhoacă, 1999; Dumitru and Stanca, 2010; Enache, 2009; Oprea et al., 2013; Moșteanu, 2015; Roșoiu, 2015; Dobrotă, 2016; Ialomișteanu et al., 2016). Many studies have shown a correlation between the economic development and the fiscal revenues, respectively the budget expenditures.

In the period 2016-2017, Romania registered numerous legislative amendments in the taxation field, regarding both the increasing purchasing power of population, and the stimulation of the business environment, as well as increasing public revenues.



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During that period, the implementation of the general consolidated budget ended with a cash deficit of less than 3% of GDP. The Fiscal Code, the basic legislative act of Romania in the field of fiscal policy, was substantially modified in 2016, and 2017 brought additional measures emphasizing the fiscal relaxation started in the previous years in order to stimulate the economic growth. This paper presents the main legislative changes in the fiscal field and, through a case study conducted in Argeș county, the impact of these changes on the revenues generated by the general consolidated budget.

2. THE MAIN LEGISLATIVE CHANGES IN THE FISCAL FIELD, IN THE PERIOD 2016-2018

Law no. 227/2015 regarding the Tax Code, Law no. 358/2015 and GEO no. 79/2017 for amending and completing Law no. 227/2015 amended and supplemented the issues regarding the income tax, the social contributions for salary income and the value added tax, as follows:

- the tax rate on dividends has fallen from 16% to 5% since January 1, 2017;
- a 1% reduced tax rate of turnover has been introduced, subject to certain conditions regarding the number of employees and the employment period;
- the incomes from independent activities and dividends have been included in the category on which the social insurance contribution is applied, even if there are also salary incomes;
- the standard VAT rate fell from 24% to 20% since January 1, 2016, and it has dropped to 19% since January 1, 2017;
- the hotel tax and the provisions according to which individuals who own two or more buildings owe a higher building tax have been removed;
- tax exemption for the electric-powered vehicles and for the vehicles used exclusively for emergency interventions;
- personal recovery rates have increased along with the increase of the gross minimum salary per economy;
- the income tax rate has been reduced from 16% to 10% since January 1, 2017;
- the social contributions have been transferred to the employees since January 1, 2017, changing the employees' social security contribution to 25% (previously, the employees' social security contribution was 10.5%, while the employers' social security contribution was 15.8%) and the employees' contribution rate for the social health insurance increased from 5.5% to 10%;
- the individuals receiving incomes from sources other than salaries, have the option to pay the social security contributions based on the minimum gross salary per economy;
- the insurance contribution of 2,25%, for the work due by the individuals and legal persons who have the status of employers, has been introduced since January 1, 2017 and this quota is applied to the sum of the gross earnings from salaries;
- the following mandatory social contributions were removed: the contribution for holidays and health insurance due by the employer to the budget of the National Health Insurance Fund; the unemployment insurance contributions due to the unemployment insurance budget; the insurance contribution for accidents at work and occupational diseases due by the employer to the state social insurance budget; the contribution to the Guarantee Fund for the payment of salaries due by individuals and legal persons;
- the introduction of the VAT split payment mechanism;
- the companies that registered in the previous year a turnover of maximum 1 million Euros have been included in the category of micro-enterprises.

The above mentioned changes have had a significant social and economic impact.

The government intended to change the behavior of the business environment, by extending the tax base and increasing the voluntary compliance with the payment of budgetary obligations.

At the same time, it focused on the incentive role of reducing direct taxes on labor and capital and on the fact that the transfer of resources from the budget to the population and companies would generate a multiplier effect in the economy. Thus, the Government expects a higher net collection of budget revenues and higher governmental revenues from other taxes and duties.

3. DATA PRESENTATION AND ANALYSIS

In order to find out whether the Government's expectations regarding the amendments of the Tax Code were founded, we analyzed the evolution and structure of the main revenues collected to the general consolidated budget of Argeş county. Argeş county has a well-developed and diversified economy, as the result of the local authorities' efforts of development and performance, including ensuring an attractive business climate. This has attracted a substantial flow of investment, both from domestic and foreign private sectors, directed to industry, agriculture and services, too. In terms of economic growth, Argeş county ranked the fourth place nationally, in 2014.

Our analysis shows the main revenues collected to the general consolidated budget in Argeş County for the period 2016-2018. The data were collected from Argeş County Administration of Public Finance (AJFP Argeş). As Table 1 shows, the revenue receipts available for the general consolidated budget increased in the period 2016-2018, both in current prices and constant prices. The real increase of the revenues collected to the general consolidated budget in Argeş County was about 2% in 2017 compared to 2016, and about 22% in 2018, compared to 2017.

Table 1. The revenue collection program of main taxes and duties by budgets and by state budget

<i>AJFP Argeş</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
State budget (excluding customs receipts), out of which:	989,719,893	951,457,647	1,073,571,349
- Profit tax	120,276,297	94,837,658	79,107,606
- Income tax	398,495,022	420,631,391	345,441,800
- VAT (excluding receipts for goods imports)	350,278,005	330,834,931	422,190,370
- Excise duty (excluding customs receipts)	1,696,197	145,414	2,805,955
- Other incomes (excluding customs receipts)	118,974,372	105,008,253	224,025,618
The budget of state social insurance	597,521,169	701,755,022	973,735,393
The unemployment insurance budget	24,526,131	28,244,073	33,173,705
The budget of the single national health insurance fund	309,394,571	343,521,062	473,939,456
TOTAL Consolidated general budget - current prices	1,921,161,764	2,024,977,804	2,554,419,903
IPC	-	103.32%	106.69%
TOTAL Consolidated general budget - constant prices	1,921,161,764	1,959,908,831	2,394,244,918

Source: Argeş County Administration of Public Finance

One may notice the decrease of the profit tax revenues due to the change of the income ceiling for taxpayers on micro-enterprises. These led to a reduction of the collected profit tax and a rise of the collected income tax from the micro-enterprises. The decrease in collected income tax is mainly due to the diminishing of the share of the tax rate on salary income and assimilated to salaries incomes, from 16% to 10%, starting with 2018. The decrease of the collected income tax is mainly due to the diminishing of the tax rate on salary incomes from 16% to 10%, starting with 2018.

The decrease of the VAT rate from 20% to 19% since January 1, 2017 has implicitly led to a decrease of the collected tax. At the same time, applying different tax rates (5% or 9%) in different areas (houses and buildings, food, medicines and prostheses, accommodation) has influenced negatively the collected revenues. The significant increase of the VAT collected in Argeș county, in 2018, is due to the takeover of medium taxpayers, the contribution being about 90 million RON. The revenue increase in the chapter entitled "Other incomes" is due to the revenues collected from the income tax for micro-enterprises and the state budget alimentation from the insurance contribution for labor, introduced since 2018. The increase of social insurance budget revenues is due to the increase of the employees' incomes from the budgetary sector, of the pensions and of the gross minimum salary per country.

The executed revenues were higher than the planned revenues throughout the analyzed period (Figure 1). The gap between the executed and the planned revenues became insignificant towards the end of 2018.

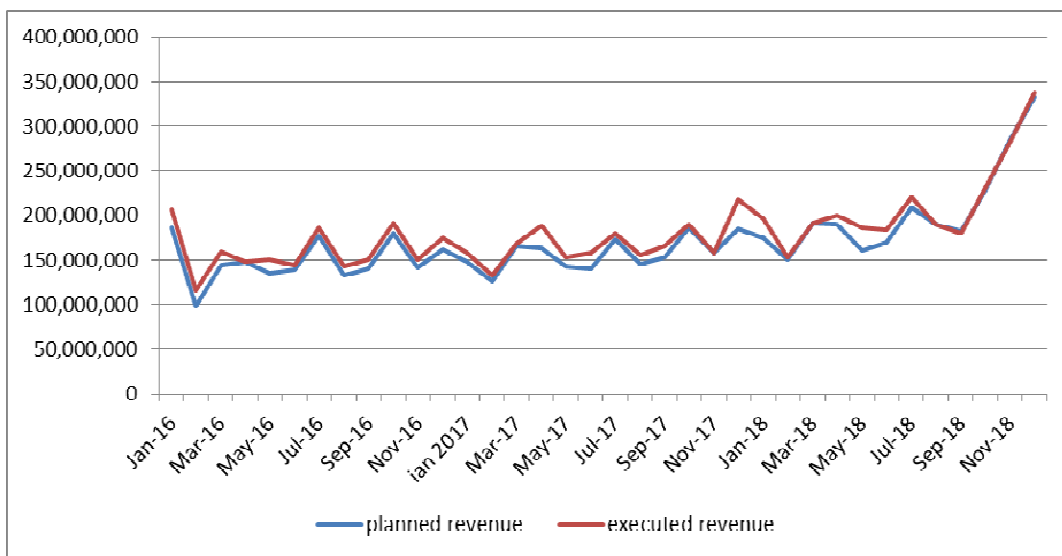


Figure 1. The evolution of executed and planned revenues, in the period 2016-2018

An evolution similar to that observed in Argeș county was recorded by the governmental revenues collected by the National Agency for Fiscal Administration of Romania.

The National Agency for Fiscal Administration collected 201.5 billion RON from governmental revenues in the first 10 months of 2018, an amount representing:

- 14,1% nominal value exceed, respectively 24.9 billion RON, more than the similar period of 2017 (176.6 billion RON);
- an achievement rate of 99.3% from the receipt program established by the rectified annual budget laws (less by 1.3 billion RON compared to the program announced by the Ministry of Public Finance, respectively 202.8 billion RON).

A correct analysis of the results of the collection activity carried out by the National Agency for Fiscal Administration in 2018 requires the following clarifications:

- the collection program resulted from the annual budget laws for the first eight months of 2018 was 154.1 billion RON, and it was achieved in a proportion of 102.8%. The National Agency for Fiscal Administration collected 158.5 billion RON, with 4.4 billion RON more than the announced program;
- after the first budget adjustment for the last year was approved, the program for the first eight months was re-established at the level of actual receipts and the program for September-December 2018 was supplemented by 7.3 billion RON (of which 1.1 billion RON, an additional amount for September);
- comparing the achievements of the first ten months with the program resulting from the initial annual budget laws (195.9 billion RON), it results a 102.8% achievement and an excess of 5.6 billion RON in absolute figures;
- the rate of GDP in the governmental revenues collected by the National Agency for Fiscal Administration increased, from 20.6% in the first ten months of 2017 to 21.3% in 2018, even given the significant GDP growth in 2018 (110%).

The collection activity during the first ten months of 2018 recorded the following:

- a historical monthly maximum of budget revenues was recorded in July, 26.8 billion RON;
- July also exceeded the monthly revenue collection budget program, since the establishment of the National Agency for Fiscal Administration, respectively by 2.9 billion RON;
- July exceeded, in absolute terms, the achievements of the same month of the previous year. Thus, 26.8 billion RON were collected in July 2018, 5 billion more than in July 2017;
- October recorded the highest volume of receipts in one working day; the amount of 8.4 billion RON was collected on October, 25th;
- the largest volume of VAT was collected from domestic and imported goods (respectively 61.8 billion RON, compared to 61.3 billion RON from the previous level recorded in 2015, the year in which the standard tax rate was...), but the largest amount of value added tax was returned (14.3 billion RON);
- the highest amount of excise duties was collected, namely 22.6 billion RON, compared to the maximum level of 21.5 billion RON, recorded in 2016.

In the first nine months of 2018, the voluntary compliance rate increased from 85.44% in 2017 to 86.48% (National Agency for Fiscal Administration - Activity Report, 2018).

At national level, the evolution of consolidated general government revenue showed a growth trend (Table 2). The increase of the revenues collected to the general consolidated budget was higher in 2018, and the state budget revenues had the largest contribution.

Table 2. The evolution of consolidated general government revenue, in current prices, for the period 2016-2018 (million RON)

<i>Revenues</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
State budget	101,476.4	113,021.9	144,012.0
The centralized budget of the territorial administrative units	68,315.2	74,653.6	73,496.1
The budget of state social insurance	52,428.3	58,018.1	63,800.5
The unemployment insurance budget	1,900.9	2,216.7	2,609.0
The budget of the single national health insurance fund	4,950.2	28,760.9	35,651.3
TOTAL Consolidated general budget	223,721.9	251,819.7	295,118.2

Source: Ministry of Public Finance, Budget Executions

The consolidated general government revenues increased mainly on account of stimulating consumption through fiscal relaxation and salary increase.

4. DISCUSSIONS

The data on revenues achieved by AJFP Argeș between 2016 and 2018, show a fluctuating monthly evolution of the revenues collected to the general consolidated budget, determined by the tax payment deadlines. These revenues have recorded a sustained growth since the end of 2017, as the effect of:

- the legislative amendments to the Fiscal Code through the Government Emergency Ordinance no. 79/2017, put into practice in early 2018 and referring to:
 - the increase of the gross salary for the basic position, from 1,500 RON / respectively 3,000 RON monthly to 1,950 RON / respectively 3,600 RON monthly;
 - the transfer of social contributions from the employer's to the employee's duty;
 - the increase of the income limit from 500,000 Euros to 1,000,000 Euros, for the taxpayers of micro-enterprises.
- applying the provisions of Law no. 153/2017 on staff remuneration from public funds. Changing the salary scale for the staff in public institutions has led, in most cases, to an increase of their incomes and, implicitly, an increase of the income tax and contributions collected to social insurance budgets. In 2018, the revenues collected from the social insurance budgets were about 30% higher than in 2017, mainly due to the above-mentioned provisions of that law.
- applying the provisions of Government Ordinance no. 23/2017 on the disbursed VAT payment according to which as from January 1, 2018, the application of the VAT deduction mechanism becomes mandatory for VAT registered persons who record overdue tax liabilities, representing VAT above a certain amount or are subject to the legislation national procedures on insolvency and insolvency prevention. This constituted a mechanism for coercing taxpayers to pay tax liabilities representing VAT on the payment in order to avoid the application of the VAT split payment mechanism.
- the strategic positioning of Arges county, allowing a continuous development of the business environment.

By the end of 2018, this sustained revenue growth was due to the take-up of 512 medium-sized taxpayers since November 1, 2018, which until now have been managed by the Middle Taxpayers' Administration of the Regional General Directorate of Public Finance Ploieşti. They brought an extra income of about 85-90 million RON per month.

According to the activity report of Argeş County Administration of Public Finance, other factors that have positively influenced the collected revenues are:

- the voluntary compliance rate of tax liabilities during the analyzed period increased by over 2 percentage points, from 82.4% in 2016 to 85.1 in 2018. The awareness of the necessity to pay tax liabilities has been an objective of ANAF strategy, since 2016;
- granting facilities for the payment of tax obligations in accordance with the provisions of the Fiscal Procedure Code. Starting with 2016, ANAF has made a priority in recovering overdue receivables by granting salary payments. This has reduced the arrears and has consequently increased the incomes. The number of inmates granted by AJFP Argeş increased from about 300 in 2016 to nearly 1,000 at the end of 2018.

5. CONCLUSION

The analysis of the evolution and structure of revenues collected to the general budget consolidated by the fiscal administration of Argeş county shows the high impact that the legislative amendments in the fiscal field had on public finances, in the period 2016-2018. The amendments of fiscal legislation on tax rates, tax base, granting exemptions to stimulate certain activities, etc. affect the fiscal revenues significantly. In order to offset the effects of the revenue cuts resulting from the amendments of the Fiscal Code implemented since 2016, measures have been implemented at ANAF, to improve the level of voluntary compliance with taxpayers' obligations to declare and pay tax liabilities. Due to the stimulation of consumption by fiscal relaxation and wage increases, the budget revenues accelerated in 2018, demonstrating that economic progress is visible in the volume and structure of state revenues, with a certain gap.

We should note that the pro-cyclical policy, implemented in recent years in our country, characterized by an increasing consumption, by fiscal relaxation and by salary increase during the economic growth period, was criticized by the international financial institutions and the European Commission. The situation of Romanian public finances has worsened by increasing the budget deficit and the public debt.

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