

Contents

Abstract.....	1
Puzzle	2
Path dependencies	3
Initial choices	4
Welfare state and inequality	8
Data analysis of the Romanian experiments	9
Discussion	11
Preliminary conclusions.....	14
Bibliography.....	15
Annex I.....	16

Willing to pay? The politics of trapping down faith in the tax system in post-communist Romania

TODOR ARPAD

National School for Political Science and Public Administration, Bucharest

Draft paper written for “The leap of faith: the historical and institutional roots of tax compliance” workshop, European University Institute, 8-10 October, 2015

- Second version -

Abstract

Despite the fact that Romania has the lowest tax revenues as GDP percentage in the EU, the highest levels of tax evasion, and one of the worst performing tax collection systems, a recent experimental study on the willingness of subjects to comply with their tax obligations under various incentive structures found that, on average, Romanian subjects were highly cooperative and less likely to cheat, above the level identified in similar experiments in Italy and UK.¹ This chapter explains these puzzling findings by investigating the process of post-communist *de novo* creation of an extensive and comprehensive tax systems, and its failure to motivate its citizens to actually pay their taxes. I argue that the structure of incentives’ created for both those paying mainly personal income taxes and entrepreneurs paying corporate income taxes made it very rational to avoid paying taxes: the instability and low quality of the legal framework in combination with the absence of political debate on fiscal issues, the high level of taxation combined with a widespread tax evasion, high tolerance for debts of SOEs (State Owned Enterprises) to state budget and constant erasing their debts, high level of corruption, low spending on infrastructure, low provision of public service and dismal social expenditures except the area of pensions – area with a broken connection between contribution and pension benefits – gave the impression that the

¹ Research conducted within the “Willing to pay? Testing Institutional Theory with Experiments” ERC Grant agreement no. 295675, coordinated by Prof. Sven Steinmo. I gratefully acknowledge the assistance of Andrei Vlăducu, Sebastian Țoc, Andrada Nimu, Dinu Guțu, Alexandra Diaconescu in organizing the experiments in Bucharest at the National School for Political Science and Public Administration. The experiments were organized under the direct coordination of Prof. Sven Steinmo. Following their suggestion Andrei Vlăducu and Sebastian Țoc have organized a series of focus-groups with some of the participants.

average citizen does not receive too much from the state for his taxes, in an even and moral manner. Thus, the constant failure to create an adequate legitimacy for the tax system slowly decreased its capacity to directly tax citizens and companies and continuously increased its reliance on indirect taxes.

Puzzle

By all metrics, Romania experienced significant changes in the last quarter of the 20th century since the fall of the communist regimes and achieved significant improvements in many areas of institutional quality, quality of the political process and transformed transition to a market economy, all which allowed it to access the European Union in 2007. Yet, taxation constantly represents the area where it's the constant laggard compared with the other post-communist countries that moved toward the Western Europe and joined the EU. Today, Romania has the lowest tax revenues as GDP percentage² in the EU, the highest levels of tax evasion, and one of the worst performing tax collection systems. The tax collection system is constantly poorly perceived, and, as an anecdotal evidence even Mugur Isărescu³, the Governor of the National Bank of Romania for the last 25 years, who is also an entrepreneur, owning a small vineyard, declared in 2011 "I believe, if each entrepreneur paid taxes with conscientiousness, then they would go bankrupt in one year."

Nevertheless, a recent experimental study on the willingness of subjects to comply with their tax obligations under various incentive structures found that, on average, Romanian subjects were highly cooperative and less likely to cheat, above the level identified in similar experiments in Italy and UK. This finding comes in stark contrast with the opinion survey in the last 25 years that constantly revealed that Romania is a low-level trust society and with the observation that the Romanian tax system has the poorest performance among the EU countries. Is this finding really a puzzle, or does this situation rationally make sense if we look into details at the constants and changes of the Romanian reforms in the tax system and the other areas? To explain these findings I synthetically analyze⁴ some of the constants of the post-communist Romanian tax system reforms that explain citizens' low incentives to pay taxes and kept Romania's collection system at the bottom of the EU countries. After presenting the main findings from the experiments, I review the relevant literature on tax compliance, tax morale with focus on the debate between the Quality of Government argument advanced by Rothstein (2004, 2005) and the argument put forward by Uslaner and Bădescu (2004, 2007) regarding the causal link between generalized trust, people's incentive to pay taxes, and the quality of governance.

I argue that some constants of the structure of incentives' created for both those paying mainly personal income taxes and entrepreneurs paying corporate income taxes made it very rational to avoid paying taxes: the instability and low quality of the legal framework in combination with the absence of political debate on fiscal issues, the high level of taxation combined with an widespread tax evasion, high tolerance for debts of SOEs (State Owned Enterprises) to state budget and constant erasing their debts, high level of corruption, low

² I use data from Eurostat throughout this article

³ Also one of the public figures with the highest and most constant levels of public trust.

⁴ These synthesis is based on several in details analysis in my Phd Thesis and several articles.

spending on infrastructure, low provision of public service and dismal social expenditures except the area of pensions – area with a broken connection between contribution and pension benefits – gave the impression that the average citizen does not receive too much from the state for his taxes, in a coherent and rational manner. The constant failure to create an adequate legitimacy for the tax system slowly decreased its capacity to directly tax citizens and companies and continuously increased its reliance on indirect taxes. The article is structured as it follows. First, I discuss some features of the communist tax systems and their effect on society and the legacy of those effects. Second, I analyze the most important characteristics of the Romanian tax system regulations and the evolution of their capacity in terms of revenues in the post-communist period. Third, I analyze some aspects regarding state expenditures, especially the absence of significant welfare policies and their implication on inequality. Fourth, I present some of the findings of the experiments, as well as some other recent studies. In the last section, I engage with the relevant academic literature, analyze the findings from the previous sections, and draw some preliminary conclusions.

Path dependencies

Understanding post-communist initial choices requires understanding the influence of some institutional elements from the communist era. During the communist times, most economic actors were state owned and the exact level of taxation of their profit was established through negotiations between the Ministry of Finances and the SOEs. Also, workers were mainly taxed through payroll taxes, directly retained by the SOEs, and thus, they were not aware of being taxed. As the Communist regimes started to transform the economy and eliminate private property and private economic actors, a new set of regulations were elaborated with the Decree nr. 202/1953 regarding the modification of the *Penal Code*. This law introduced a Chapter on Offence against the economic system that defined tax evasion with sabotage. While this regulation was eliminated from the 1969 Penal code, Law no. 18/1968 regarding the control of goods owned by natural persons who had obtained them illegally introduced State's right to evaluate persons' wealth and to compare it with the existing means of income.⁵ According to that regulation, any unsubstantiated wealth was taxed at a rate of 80%.⁶ Given the high level of shadow economy, especially in the agricultural sector, and the capacity of fiscal authorities to apply arbitrary formulas to evaluate income and expenditures, this law was used as a tool of repression. While no official data on how widespread the application of this regulation was exist, this created such a climate of insecurity that the 1991 Constitution included a special formulation in Art 44 (8): the (8) *Legally acquired assets shall not be confiscated. Legality of acquirement shall be presumed.*⁷ Basically, this Constitutional provision limited the possibility to enact laws that

⁵ Bogdan Vîrjan, "Infrațiunile de Evaziune Fiscală" (Universitatea din București, 2011), 7.

⁶ "Legea ilicitului" – Legea 18/1968. Art. 2 prevedea: *Valoarea bunurilor a cărei proveniență nu se justifică este supusă unui impozit de 80%. Prin justificarea provenienței bunurilor se înțelege obligația persoanei de a dovedi caracterul licit al mijloacelor folosite pentru dobândirea sau sporirea bunurilor ("illicit law" – Law no. 18/ 1968. Article 2 provisioned: The value of asset whose origin is not substantiated is subject to 80% tax. Substantiating the origin of assets means the obligation of the person to prove the licit character of means used for acquiring or increasing the assets.).* From: <https://cristidanilet.wordpress.com/2011/06/23/opinie-despre-prezumtia-liceitatii-dobandirii-averii/>

⁷ http://www.cdep.ro/pls/dic/site.page?den=act2_2&par1=2#t2c2s0sba44 (8) *Averea dobândită licit nu poate fi confiscată. Caracterul licit al dobândirii se prezumă.*

would require the obligation to prove the source of someone's wealth, a limitation that was confirmed by a 1996 decision of the Constitutional Court that declared unconstitutional the still un-abolished 1968 law.

The high prevalence of shadow economy that indirectly affected Romanian's propensity to pay taxes developed as a coping mechanism for the inefficiency of the official production and distribution of goods, especially food. To justify the limited capacity of the state system to produce enough quantities of food, the Communist regimes imposed a *program of rational nutrition* that forecasted a strict food quota for each person, a quota that covered only basic types of food. Combined with a chronic undersupply of the official groceries, and the severe limitations of imported food (this was caused by the political decision to pay Romania's external debt), all the conditions for the development of an omnipresent parallel system of food production and distribution developed. Thus, basically the entire population was using that alternative system, a factor that implicitly meant that they participated in a tax evasion activity, and were liable of harsh punishments.

Despite their limited development, independent activities had detailed tax regulation since 1968 when Decree no. 65 introduced a steep taxation system with rates starting from 10% and increased to 45%⁸; subsequently Romania increased the progressivity of its independent activities taxation with rates from 5% to 77%, but this generated only insignificant revenues as the state's interest and capacity to control was limited.

Initial choices

As in most other communist countries, after the fall of the communist regimes the new authorities had to construct taxation system, from scratch to certain extent. From a technical point of view, taxation systems in most post-communist countries were path-dependent free given that they had been built from zero considering that the communist revenue collection systems worked significantly differently than in Western Europe. The post-communist authorities faced significant dilemmas regarding the construction of a new tax system: the industrial system was highly inefficient and needed significant restructuring, and as hard budgetary constrains started to affect big SOEs, they started to proactively avoid paying taxes. Also, absence of an indirect taxation system and a widespread lack of trust in most state institutions (except the army and the church) made it difficult to rapidly implement the new rules. Under those conditions, they chose to imitate the taxation system of Western Europe, with complex regulations in most areas, a steep Personal Income Tax system and high consumption taxes (VAT) (Todor 2013 12-13). Nevertheless, given the lack of experience of tax authorities, and the presence of a rapidly expanding private sector based exclusively on small firms, their ability to extract revenue was limited and the tax code needed continuous adjustments, even several times per year. It's worth stressing that the initial choices were made under conditions of economic downturn and rapidly decreasing state revenues (but with a 0% external debt), the new government has chosen to enact a

⁸ Constantin Rotaru, "SISTEMUL FISCAL DIN ROMÂNIA ANILOR 1945-1989 |," accessed September 24, 2015, <http://www.constantinrotaru.ro/2009/10/10/sistemul-fiscal-din-romania-anilor-1945-1989/>.

Corporate Income Tax system that borrowed many of the features of the communist system for taxing independent activities.

The first tax reforms began in early 1991 with the introduction of a Corporate Income Tax (CIT) based on 67 steps scale starting from 5% (for income between 25,001 RON and 50,000 RON) and 77% (above 955 million RON), taxation rates that were among the highest in the world. Instead, foreign investors were given a special status, where corporations with full foreign ownership paid no taxes for the first two years after they started to gain profit from their investments. Subsequently the Ministry of Finance could further offer them a 50% tax cut on their CIT. Also, the mixed ownership corporations were granted a permanent 50% CIT tax cut. It's worth mentioning that at that time Romania had basically no Foreign Direct Investments (FDI)⁹ and these regulations did not trigger any relevant FDI influx, but were used as means of tax evasion and by immigrants from Middle-East countries that opened various import-export businesses. Also, Law no. 82 from 1991 (*Accounting law*) incriminated the introduction of inexact data in the companies' books and the omission of *those entries* was punished with imprisonment from 6 months to 5 years. Nevertheless, in practice the chance that small mistakes would occur was very high, an aspect that generated a significant discretionary power for the taxing authorities and high incentives for tax evasion – basically, the widespread norm was that all companies would be given small fines and would also pay some bribery to the tax inspectors. The system was so poorly designed that by the end of 1991 the progressive taxing of CIT was scrapped and a system with just two levels was introduced, while the system changed again in 1995 to a unique 38% rate.¹⁰ The first comprehensive regulation concerning the tax evasions came through Government Ordinance no. 17 of August 1993 that defined the *contraventions* from financial and fiscal regulation. Subsequently, according to Law 87 from 1994, tax evasion was defined as any *avoidance* from paying taxes to any of the State budgets or funds by natural or legal Romanian or foreign persons.¹¹ The other two important milestones came in 2005 with Law nr. 241/ 2005 and Cabinet Decree nr. 873/ July 28, 2005. They modified the fiscal regulation with new measures of fighting tax evasion in the area of alcohol and oil.¹² The most important institutional consolidation was enacted in 2004 when the National Agency for Fiscal Administration was created with the aim to collect state income form taxes and other fiscal duties; it became a nation fiscal policeman.

All in all, the initial choices have created a locked-in effect that propelled the Romanian tax system in one of the worst in the region, situation that combined with a very limited state capacity and high levels of corruption aggravated the situation even further. While the Ministry of Finance constantly attempted to clarify the Tax Code with the aim to increase state's collection capacity by decreasing tax evasion and limiting the tax burden of honest taxpayers, whether natural or legal persons, the lack of minimal foresight transformed the process of tax adjustment in an almost continuous reform. In 25 years, there were more

⁹ It reached 5 \$/capita in 1992 and 9 in 1993 according to the IMF data. Romania ranked the last throughout the entire post-communist period in terms of FDI/capita among the 10 post-communist EU New Member States

¹⁰ The next major development came in 2000 when the CIT was cut to 25% and the tax on profits from exports decreased to 5%. Nicolae Sfetcu, "Reforma Impozitelor Directe în România, 1990 – 2005," *Aluzii - Cărți Online*, accessed September 24, 2015, <http://www.aluzii.ro/reforma-impozitelor-directe-in-romania-1990-2005/>.

¹¹ Vîrjan, "Infrațiunile de Evaziune Fiscală," 3.

¹² *Ibid.*, 8.

than 1000 modifications of the legislation with countless situations where a new modification of the Tax Code in the Parliament was modified by a Government Emergency Ordinance in several days after it came into force. For example, considering the 2003 Fiscal Code, from 2004 and 2013 there have been 100 modifications, the number of words tripled to 190,000 and only 25 articles out of the initial 298 remained unchanged.¹³ Also, the implementation of the Flat tax regime in 2004 was done through a Government Emergency Ordinance, and it was modified several times in the following months. Even if Romania implemented a Flat tax regime in 2004, which reform was presumed to simplify its tax system too, the system remained similarly complicated.

It is worth mentioning that the representatives of the business sector constantly complain about the limited predictability of the fiscal legislation, lack of clarity that allows for various interpretations, and the abusive behavior of tax authorities. For example, The National Council of Small and Medium Enterprise indicated that in 2003 a Small or Medium Enterprise (SME) had to pay an average of 225 fiscal obligations, a thing that did not improve in the last decade.¹⁴ Despite the implementation of the Flat tax in 2004, Romania still has one of the most inefficient and complex tax systems, with one of the highest numbers of tax payments/year – 113 (World Bank 2010). Only recently Romania achieved some sensible progress in the area of compliance cost, according to the World Bank data. Despite the still high number of payments (39), the total time necessary to prepare, file and pay taxes has decreased to 200 and got closer to the EU average (166), better than in Italy (269). It's worth stressing that in the area of Social Security Taxes and Personal Income Tax, the effort from the employees is minimal given that most taxes are withheld, and thus it is not a factor that increases incentives to avoid paying those taxes.

In the area of revenues, despite significant evolutions since the fall of the communist regime in 1989, Romania still ranks bottom, alongside Bulgaria in almost all relevant indicators of institutional capacity and outputs. According to the 2013 Report of the Romanian Fiscal Council, Romania's budget revenues (fiscal and non-fiscal) are among the lowest in the EU, just 32.7%/PIB – with the fiscal income representing just 27.5% PIB, a percentage that has remained relatively stable since 2009, down from 34,2% in 1992, and relatively stable since 1995. By comparison, other post-communist countries are performing significantly better on this dimension: Hungary (38.6%), Slovenia (37.6%), the Czech Republic (35.3%) or Poland (31.8%). According to Pană¹⁵, Romania's tax/GDP collection is 11% under the EU average, 28.3% to 39.4%.

Unlike the older EU member states where the distribution of income from direct and indirect taxes is balanced, tax revenues in Romania is skewed toward indirect taxes like VAT and excises. Thus, revenues from Personal Income Taxes decreased 5,3% of GDP in 1995 to just 2,7% in 2002 and then hovered around 3,3% while revenues from Corporate Income Tax decreased from 5,3% of GDP to a minimum of 2,3 in 2005 and then recovered to 3,3% of

¹³ "10 Ani de Cod Fiscal: 100 de Modificări Legislative și Un Text de Trei Ori Mai Lung | Ziarul Financiar," accessed September 27, 2015, <http://www.zf.ro//zf-24/10-ani-de-cod-fiscal-100-de-modificari-legislative-si-un-text-de-trei-ori-mai-lung-11718563>.

¹⁴ "Acuzele IMM-Urilor 225 de Obligații Fiscale Stabilite Prin Acte Normative În Vigoare La 1 Ianuarie 2003," (SMEs accuse - 225 Tax obligations set out by normative acts in force on January 1, 2003) *Adevărul Economic*, February 2003, 4(562) edition.

¹⁵ Pană, "Cum și Cât Taxează România în Raport Cu Media Europeană."

GDP. Instead, tax revenues from Indirect taxes (VAT and excises) from the total tax revenues increased from 33,7% in 1997 to 45,2 by 2010, above the average of the other post-communist countries (42,3%) or the old EU member states (36,2%).¹⁶ The only area of taxation where the % of GDP slightly increased represents the Social Security Contributions, where revenues as % of GDP increased from 7,6 in 1995 to 8,8 in 2010. While this % is under the 11,1% EU average, the SSC and the total taxation of work have remained constantly very high (48,6% in 2013) well above the average EU level throughout the entire post-communist period.

The 2015 Paying taxes ranked the total taxing rate on at 43,2%, above the average EU level at 41%.¹⁷ Instead, social contributions are at levels above the EU average.¹⁸ In the Ease of Paying Taxes top, Romania ranked 134 out of 170 countries that were evaluated, worst in the EU. It's worst ranking was in the area of number of payments, with 96 taxes to be paid each year. The total tax rate was estimated at 46,9 for the gross profit¹⁹. While the level of taxes is relatively high, with one of the highest VAT rate in the EU (24%), the fiscal evasion remained in the last quarter of century among the highest in the EU, estimated for 2013 at 16.2 % of GDP, 75% in the area of VAT²⁰ (12.21% of GDP) and 15% in unpaid social insurances from workers without employment contract or partially paid outside the legal contract (estimated at 1.57 million persons – 27.7% of the total persons active on the labor force.)²¹ Thus, Romania is among the worst performers in the area of VAT collection capacity, with only 56% of the income extracted (83% in Estonia or 71% in the Czech Republic). Also, in the area of Social Contribution, the collection capacity reaches only 72%, among the worst in the EU.²²

Atypically, despite the continuous and obvious malfunction of the tax system, as well as the widespread frustration it caused, unlike in consolidated democracies, but also in most other East-European post-communist countries, tax reforms have rarely represented the subject of intense political debate or confrontation²³, irrespective the coalition in power. The constant modifications of the Tax Codes were most of the times caused by finding various mistakes, incoherence or attempts to close some broadly used loopholes. Also, political parties did not bother to detail their proposal for tax reforms in their electoral programs beyond generalities and also the Government's governing programs contained just general aims, like reducing tax evasions and revenue targets, but did not detail plans to achieve these goals.

¹⁶ Eurostat: Indirect Taxes as % of Total Taxation - Total

¹⁷ Emilia Iolescu, "Tara Noastra Se Afla Pe Ultimul Loc in UE, ca Procent de Colectare a TVA. Interviu Cu Roxana Popel, Head of Tax CMS Romania," *BURSA*, 09.03.2015 edition, accessed September 25, 2015, http://www.bursa.ro/tara-noastra-se-afla-pe-ultimul-loc-in-ue-ca-procent-de-colectare-a-tva-263425&s=print&sr=articol&id_articol=263425.html.

¹⁸ Reforms in 2014 decreased these levels.

¹⁹ Girouard, N. and C. Andre (2005) 'Measuring Cyclically-Adjusted Budget Balances for OECD-Countries', OECD Economic Department Working Paper No. 434,

²⁰ The low VAT collection capacity is a constant of the entire post-communist period, Romania ranked bottom in it's capacity to collect VAT (Value Added Tax), and by 2014 the VAT rate of evasion reaching 44%.

²¹ "Raport anual 2013 Consiliul Fiscal," September 11, 2014, 18, <http://www.consiliulfiscal.ro/ra-2013.pdf>.

²² *Raport anual 2013 Consiliul Fiscal (2013 Annual Report of the Tax Council)*, September 11, 2014, 15, <http://www.consiliulfiscal.ro/ra-2013.pdf>.

²³ Sven Steinmo, *Taxation and Democracy: Swedish, British, and American Approaches to Financing the Modern State* (Yale University Press, 1996), <http://scholar.google.com/scholar?cluster=9211810558333947258&hl=en&oi=scholar>.

No wonder that Romania was one of the countries where the neo-liberal Flat tax reform was put on the political agenda by the Ministry of Finance of the Social Democratic Party and got the support of its Prime-Minister. Thus, while given the opposition of the Romanian president and ex-leader of the Social Democratic Party, the party abandoned the reform; it was assumed by the right-wing named Truth and Justice Alliance as a major electoral theme and later implemented through a Government Emergency Ordinance. Also, the 2015 new Tax Code has been adopted through general political consensus, after the president sent it back to the Parliament based on objections regarding the reliability of the revenue streams given the forecasted tax cuts (especially the decrease of VAT from 24% to 19%).

Welfare state and inequality

A direct effect of its low budgetary revenues is that Romania also has one of the lowest rates of public investments and the worst infrastructure in the EU, a fact that proves that the efficiency of those expenditures is rather low given the high levels of corruption, especially in the area of public procurements.²⁴ Even if Romania became member of the European Union in 2007, its socio-economic development level lags the EU average in almost all areas. On one hand, as some other post-communist countries, Romania is facing demographic pressures, especially the declining population, high emigration, and a pensioners to employees ratio that is worst than in many developed EU member countries and is forecasted to dramatically worsen in the following decades.²⁵ Thus, the capacity of the Romanian state to ensure a rhythm of economic development that will keep the economic convergence aims within the horizon of several decades, while maintaining an adequate level of spending on welfare and educational policies, is very limited.

As many other communist countries, Romania started as a country that despite its low levels of interpersonal trust, had a low level of economic inequality. During the transition, the GINI coefficient steadily increased, both given the transition to capitalism and given the limited effect of transfer policies. According to the World Bank data²⁶, the GINI increased from 23.3 in 1989 to 29.4 in 1998, ranged between 29.5 and 20.6 by 2006, and decreased to 27.3 by 2011. It's worth mentioning that the decrease had nothing to do with Romanian state's social policies but with massive 3 million (15% of the total population) emigration after the EU accession, emigration that significantly increased remittances and thus alleviated poverty, especially in the rural regions. In fact, the 2011 austerity program implemented in Romania is the harshest implemented in any of the EU countries (and probably in the world) (a detailed analysis is presented in Todor, Comparative evolution of Europe's social assistance programs during the economic crisis, forthcoming 2015). All in all, despite this huge emigration, Romania continues to rank worst in terms of inequality and risk of poverty.²⁷

²⁴ "Raport anual 2013 Consiliul Fiscal," 16.

²⁵ http://expertforum.ro/wp-content/uploads/2012/11/Cartea-alba-a-pensiilor-RO_11nov.pdf

²⁶ <http://data.worldbank.org/indicator/SI.POV.GINI/countries?page=3&display=default>

²⁷ Eurostat data indicate that around 22,5% of the population is still in risk of poverty after social transfers.

Table 1: At-risk-of-poverty rate after social transfers, 2011–13. Source: http://ec.europa.eu/eurostat/statistics-explained/index.php/Income_distribution_statistics#Database

One of the most important reasons/incentives for citizen to trust the state with their money is that they receive in return good public service or support social cohesion through an adequate redistribution. Despite the fact that the Social expenditure as percentage of the total expenditures reached a high level in Romania, when data are analyzed into categories of social expenditures it can be noticed that the Pensions is the only of the 9 categories used by Eurostat that generates most costs. Because of the rapid increase in unemployment during the harsh economic adjustments of the 1990s, the mass pensioning programs as well as the implementation of special pension programs for those that worked in military, police, justice, or secret services, the link between social contribution and the level of pension became highly distorted, significantly decreasing taxpayer's incentive to report high real wages. For example, the special pension system offers an average pension that is 3 times higher than the regular pension and continuously generates public outrage. Overall, while "data from Eurostat reflects an increase of the spending on Social protection benefits from 378.7 Euro/inhabitant in 2002 to 916.57 Euro/inhabitant in 2009 but despite the 2.4 time increase, it is still very far from the 7823.13 Euro/inhabitant, the average spending in the EU-15 (the old EU member states)." (Todor 2015, forthcoming) On the other hand, the budgetary pressure triggered by the post-2007 economic crisis justified the situation where starting with May 2010, "Romania enacted one of the most aggressive and regressive fiscal retrenchment programs. While the scale of this retrenchment can be partially explained through the conditionality from foreign lenders, the regressive nature of all measures is a function of the ideological choice of the core artisans of this austerity package." (Todor, 2013:15) Most important, the Boc Cabinet committed itself to the goal to cut the costs of social security from 2.9% to 2% (the EU average is 5%) as mentioned in the *Social Assistance Reform Strategy*.²⁸

Data analysis of the Romanian experiments

Given the existent situation, the initial expectations regarding the experiments organized in Romania pointed toward the identification of a behavior pattern that would explain the observed low performance of the Romanian tax system, namely the prevalence of non-cooperative behavior. Instead, the results from the 5 Romanian experimental rounds²⁹ showed a compliance rate ranging from 70% to 82%. These results are significantly above the Italian average, and especially above the results from the 3 locations in the UK (Oxford, London, and Exeter). Especially given that Romania has one of the lowest collection rates among the EU members, such results could indicate that Romanians' tax morale is very high compared with the low quality of the institutional environment they find themselves in.

²⁸ Strategia privind reforma în domeniul asistenței sociale 2011–2013 (National Strategy for reform in the area of social services). Accessed at: <http://www.mmuncii.ro/pub/img/site/files/58bd6ffc9844fbc4a8a639672450872b.pdf>

²⁹ The experiments were organized in 5 rounds in Bucharest in May 2014 and involved a total of 135 subjects. Participants were selected randomly from an electronic database created for the purpose of that experiment. While most of the pool contained undergraduate students from the National School for Political Science and Public Administration, around 35% of persons have been recruited following the dissemination of some posters in downtown Bucharest.

When one analyzes the variation of compliance by session, it can be seen that the highest compliance rate has been achieved in Round 3, where the subjects would have gained an income that was a fraction of the total collected taxes multiplied by 2. The second rate of compliance was obtained in Round 9, where the instructions mentioned that the tax collected as % of the reported income would be donated to the Red Cross: “In this round, however, the money collected in the general fund would be multiplied by 2 and the proceeds would be donated to the Red Cross.” Instead, the lowest compliance rate was obtained in round 6, where a 50% income tax was applied. Those results are relatively similar with those in Italy and the UK, in the sense that they met among the lowest compliance rates 0.512 and 0.483. Nevertheless, the 20% difference is a surprising fact, especially given that since 2004 Romania introduced a flat 16% Personal Income Tax, while both Italy and the UK have steep progressive tax systems.

Table 1: Compliance Gap: Italy and UK and Romania (Based on Table 3: Compliance Gap: Italy and UK p. 12 in Zhang, Andrighetto, Ponzano, Ottone, Steinmo (2014, 12)

	Compliance Rate 0 < Compliance < 1		
	(7) Italy	(8) UK	Ro
Round 1: No Pot	0.586	0.474	.7205914
Round 2: Pot	0.520	0.484	.761572
Round 3: 2 x Pot	0.507	0.546	.828973
Round 4: Tax 10	0.599	0.488	.7741318
Round 5: Tax 30	0.545	0.488	.7187473
Round 6: Tax 50	0.512	0.483	.7004414
Round 7: Progress1	0.497	0.472	.7513877
Round 8: Progress2	0.501	0.492	.7311487
Round 9: Charity	0.552	0.531	.8016372

When analyzing the variation of compliance rate in round 6 by gender, one observes a 13% difference between women (75%) and men (62%). Also when one splits the data by the frequency of church attendance, some variation can be observed but not according to a specific pattern. Instead, when analyzing the compliance rate in round 6 according to the self-reported income, one can observe that those persons placing themselves above the average income have a significantly lower compliance rate as against the other two categories (average and below average) of 59% to 70% rate. This finding is consistent with

the general impression of the people in Romania that rich persons manage to avoid paying their taxes.

Table 3. Your earnings compared to those of other persons

	Mean	Std. Dev.	Freq.
Above ave	.54971114	.44824806	12
Average	.71185252	.35953126	69
Below ave	.7202381	.39737195	24
Total	.69523878	.3787637	105

Discussion

In this last section, I interpret the highlights from the previous sections in relation to other recent research with similar focus: the causal link between the extractive capacity of the taxation system – its efficiency – the welfare state – the trust in government – generalized trust and willingness to take the leap of faith and the estimation of the worth of paying taxes in terms of benefits and efficiency of public spending. I present the debate between Rothstein and Uslaner and Bădescu, then present findings from recent experimental studies on the factors that determine tax compliance by Alm, Martinez-Vazquez and Schneider³⁰ Kogler et. all.³¹ and McGee.³²

The evolution of the Romanian tax system clearly does not represent a success story, but the contrary. More than any other EU citizens, Romanian workers or entrepreneurs avoid paying taxes for a higher share of their income. While Romania is both a low-trust society but also with comparatively lower level institutional quality, identifying the public policy solutions to exit such social traps³³ requires an in-depth understanding of causal links among relevant variables as well as how they can be altered through various government policies.

On one hand, the only significant variables that can be altered by government policies, at least not on the long term appears to the level of interpersonal trust since it appears to be formed by the time people become adults (see the synthetic analysis by Uslaner³⁴). On the other hand, Mungiu-Pippidi³⁵ argues that while Romania is a low-trust society, the main

³⁰ James Alm, Jorge Martinez-Vazquez, and Friedrich Schneider, "Sizing' the Problem of the Hard-to-Tax," *Contributions to Economic Analysis* 268 (December 2004): 11–75.

³¹ Christoph Kogler et al., "Trust and Power as Determinants of Tax Compliance: Testing the Assumptions of the Slippery Slope Framework in Austria, Hungary, Romania and Russia," *Journal of Economic Psychology* 34, no. C (2013): 169.

³² Robert W. McGee, "The Ethics of Tax Evasion: A Survey of Romanian Business Students and Faculty," September 2005, 21, <http://ssrn.com/abstract=813345>.

³³ Bo Rothstein, *Social Traps and the Problem of Trust* (Cambridge University Press, 2005), <http://www.cambridge.org/gb/academic/subjects/politics-and-international-relations/political-theory/social-traps-and-problem-trust?format=PB>.

³⁴ Eric M. Uslaner, *The Moral Foundations of Trust* (Cambridge University Press, 2002).

³⁵ Alina Mungiu-Pippidi, *Politica După Comunism: Structură, Cultură și Psihologie Politică* (București: Humanitas, 2002), 84.

structural reason is its historical backwardness. Thus, Romanians living in more developed areas and having higher income and education tend to have higher levels of generalized trust. Thus, the historically low level of interpersonal trust might change as Romania becomes more economically developed and Romanians become more educated.

Even under the condition of a low-trust society, Rothstein voices that the institutionalization of universal and impartial institutions that implement public policies that foster reducing economic inequalities generate social capital of the type necessary to support economic development. Also, “by introducing the theory of collective memory into the discussion, Rothstein makes an empirical and theoretical claim for how universal institutions can be established.”³⁶ Instead, Uslaner and Bădescu argue that “the impact of corruption on trust in both other people and government systems is greatest when there isn’t much dishonesty (as in Sweden). When corruption is rampant, as in Romania, people become inured to it. They don’t think worse of their fellow citizens, who must get by in any way they can in a system that seems rigged toward those at the top. People are disturbed by corruption in government, but they may feel powerless to do much about it.”³⁷ Thus, Uslaner and Bădescu stress that the causal link goes from economic equality to social trust. Also, while generalized trust does not lead to higher levels of personal tax compliance, it influences people’s propensity to accept higher levels of PIT.³⁸ In a subsequent article, Bădescu argues that trust, perception on state capacity and tax compliance are linked through three causal mechanisms: (1) if there is a generalized perception that most people avoid paying taxes, it is rational to try the same strategy; (2) perceiving that the mechanism for spending taxes is inefficient and rigged by corruption stimulates noncompliance; (3) those that believe that poverty is caused by lack of work and individual merit, would be more prone to avoid paying taxes.³⁹ Based on opinion pool data from various years, Bădescu concludes that for the average Romanian, the most important ability of the state is to fight corruption,⁴⁰ fight with direct effect on limiting the big tax evaders. Another finding reported by Bădescu using a 2004 survey is that most Romanians favor a limited state percentage of taxes from GDP, especially given the high level of perceived corruption.⁴¹ Also, by 2007 the percentage of persons arguing that PIT should be paid and had preferences for a tax structure with a heavier debt burden increased. The author voices that the opinion poll data reveal that

³⁶ Bo Rothstein, “Social Trust and Honesty in Government: A Causal Mechanisms Approach,” in *Creating Social Trust in Post-Socialist Transition*, ed. János Kornai, Bo Rothstein, and Susan Rose-Ackerman (Palgrave Macmillan, 2004), 13–31.

³⁷ Eric M. Uslaner and Gabriel Bădescu, “Honesty, Trust and Legal Norms in the Transition to Democracy. Why Bo Rothstein Is Better Able to Explain Sweden Than Romania,” in *Creating Social Trust in Post-Socialist Transition*, ed. János Kornai, Bo Rothstein, and Susan Rose-Ackerman (Palgrave Macmillan, 2004), 35.

³⁸ Gabriel Bădescu, “Trust, Corruption and Tax Evasion in Romania,” in *Tax Evasion, Trust and State Capacities*, ed. Nicolas Hayoz and Simon Hug (Peter Lang, 2007), 319, <https://books.google.ro/books?id=OKA71IjfwA8C&pg=PA307&lpg=PA307&dq=Romania+trust+tax+authorities&source=bl&ots=QGalHWk1ZS&sig=BNQ2VAXLgfOff8p64eEq8wJD-ms&hl=ro&sa=X&ved=0CCkQ6AEwAWoVChMI1YfprdGPyAlVyrUCh2x4Q8O#v=onepage&q=Romania%20trust%20tax%20authorities&f=false>.

³⁹ *Ibid.*, 308.

⁴⁰ *Ibid.*, 319.

⁴¹ *Ibid.*

many Romanians cannot correctly evaluate the link between the structure of taxation and its impact on inequality.⁴²

The findings from the *Willing to pay* experiments appear at a first glance to also contradict findings from other recent studies. For example, *Alm, Martinez-Vazquez and Schneider*⁴³ aim to reveal the parameters in which tax policies reforms could be more or less successful given the micro-level reactions to various structures of incentives. Of course, the idiosyncrasies created by the specific moment in history in which each country finds itself have to be taken into consideration and factored in any reform. The authors *analyze the situation of the "tax gap"* in several countries and conclude that this "is more accentuated in Romania, a situation that has been revealed also by previous studies"

Another revealing approach is by Kogler et. all.⁴⁴ who analyzes tax compliance employing the *slippery slope framework*, an approach that "integrates different determinants of tax compliance and assigns them to one of two major dimensions. According to them, tax compliance depends on the factors perceived, such as trust in the authorities and perceived power of the authorities, but trust on the one hand fosters voluntary compliance whereas power on the other hand leads to enforced compliance." In their study 1319⁴⁵ full-time students (95% in Economics or Business Administration) from four countries, Romania, Austria, Russia, and Hungary participated in an experimental study designed to test some of the assumptions of the Slippery slope framework⁴⁶. The authors found that higher levels of tax compliance can be obtained under conditions of high power of authorities combined with a high level of trust⁴⁷. Also, trust and power of authorities tend to be correlated, an aspect that indicates that these parameters can influence each other. Also, as expected, participants from Romania and Russia tended to identify low-trust scenarios as being more representative for the situation in their countries. The authors argue that "If participants from these countries perceive a scenario as similar to their home country they show: (i) a significantly lower intended tax compliance, (ii) a significantly lower voluntary compliance, and (iii) a significantly higher level of tax evasion. Thus, the differences in perceived trust in the authorities among the participating countries and the resulting impact of low trust on tax compliance are additionally confirmed by these results."⁴⁸ Also, Frey and Torgler⁴⁹ employ opinion poll data to investigate the relationship between the perceived level of tax evasion and people's tax morale. As expected, they found a high correlation between the quality of the institutions that collect taxes and persons' tax morale.

⁴² Ibid., 312.

⁴³ Alm, Martinez-Vazquez, and Schneider, "'Sizing'the Problem of the Hard-to-Tax."

⁴⁴ Kogler et al., "Trust and Power as Determinants of Tax Compliance," 169.

⁴⁵ "from the University of Vienna in Austria, the University of Debrecen in Hungary, the Babes_-Bolyai University in Cluj-Napoca, Romania, and the National Research University and the Academy of National Economy in Moscow, Russia participated ...329 students participated in Austria (57.8% females; mean age 22.0, SD = 3.4), 280 students in Hungary (68.6% females, mean age 21.1, SD = 2.1), 400 students were recruited in Romania (62.5% females; mean age = 21.7, SD = 1.4), and 341 students participated in Russia (52.8% females; mean age = 18.82, SD = 1.9)."

⁴⁶ Kogler et al., "Trust and Power as Determinants of Tax Compliance," 172.

⁴⁷ Ibid., 176.

⁴⁸ Ibid.

⁴⁹ Bruno S. Frey and Benno Torgler, "Tax Morale and Conditional Cooperation," *Journal of Comparative Economics* 35, no. 1 (March 2007): 136, doi:10.1016/j.jce.2006.10.006.

In a similar note, McGee⁵⁰ conducted a study on the ethics of tax payment on Romanian business students and concluded that “...most Romanian business students subscribe to the third view, that tax evasion is ethical in some cases and unethical in others. Although some moral arguments for tax evasion were stronger than others, none of the arguments that have been made over the last 500 years proved to be very persuasive, as evidenced by the scores. But the responses and the accompanying comments suggest that the general view is that tax evasion can be justified, a finding that agrees with much of the theological and philosophical literature of the last 500 years.” On the other hand, respondents had a general positive view on the government, above the average in other countries where the author has conducted similar studies.

All in all, these studies focus on people’s perception and behavior in relationship to the perceived institutional structure in Romania at the time of the study. They consistently show that Romanians do not have faith on tax authorities in particular and state institutions in general to adequately spend their taxes. But, would it be possible that a change in the quality of the taxation system and in combination with limiting corruption could increase the propensity to pay taxes? The research design developed within the *Willing to pay?* experiments focus on people’s behavior and perception regarding a hypothetic institutional structure that is fully efficient. These findings strongly support the conclusion that Romanians might exhibit highly cooperative behavior under ideal institutions, but have a low tax morale given their perception towards the existing tax institutions and observed patterns of behavior is not contradictory. Accordingly, reforms that would increase the fairness of taxation, especially the fight against high-level corruption – directly linked with high level tax evasion could generate a virtuous circle that could change the way people relate to institutions, even in the absence of an increase level of interpersonal trust.

Preliminary conclusions

In this paper, I investigate the most relevant explanatory factors that account for the observed patterns of behavior of participants from a recent experiment within the *Willing to pay?* project in Romania. Zhang, Andrighetto, Ponzano, Ottone and Steinmo (2014,1), based on similar experiments in the UK and Italy, *argue that in comparison with the British participants*, the Italian subjects would have a lower degree of tax compliance under the same structure of incentives, a situation that would parallel the overall limited effectiveness of the Italian tax system (2014,2). Thus, the main difference between the experimental situations created within the *Willing to pay?* project and other studies refers to the nature of institutions that were tested. Yes, Romanians are willing to pay if they face transparent and fully functional institutions, but when they recognize a low trust low compliance scenario they defect.⁵¹ This brief review of some of the most important historical evolutions shows that based on historical events, rational institutions would have a low level of tax compliance given that taxes have been usually used inefficiently.

⁵⁰ McGee, “The Ethics of Tax Evasion: A Survey of Romanian Business Students and Faculty,” 21.

⁵¹ Kogler et al., “Trust and Power as Determinants of Tax Compliance,” 176; Frey and Torgler, “Tax Morale and Conditional Cooperation,” 136.

Bibliography

- “10 Ani de Cod Fiscal: 100 de Modificări Legislative și Un Text de Trei Ori Mai Lung | Ziarul Financiar.” Accessed September 27, 2015. <http://www.zf.ro//zf-24/10-ani-de-cod-fiscal-100-de-modificari-legislative-si-un-text-de-trei-ori-mai-lung-11718563>.
- “Acuzele IMM-Urilor 225 de Obligații Fiscale Stabilite Prin Acte Normative în Vigoare La 1 Ianuarie 2003.” *Adevărul Economic*. February 2003, 4(562) edition.
- Alm, James, Jorge Martinez-Vazquez, and Friedrich Schmeider. “Sizing’the Problem of the Hard-to-Tax.” *Contributions to Economic Analysis* 268 (December 2004): 11–75.
- Bădescu, Gabriel. “Trust, Corruption and Tax Evasion in Romania.” In *Tax Evasion, Trust and State Capacities*, edited by Nicolas Hayoz and Simon Hug. Peter Lang, 2007. <https://books.google.ro/books?id=OKA71ljfwA8C&pg=PA307&lpg=PA307&dq=Romania+trust+tax+authorities&source=bl&ots=QGAlHWk1ZS&sig=BNQ2VAXLgFOF8p64eEq8wJD-ms&hl=ro&sa=X&ved=0CCKQ6AEwAWoVChMI1YfprdGPyAIVyrcUCh2x4Q8O#v=onepage&q=Romania%20trust%20tax%20authorities&f=false>.
- Frey, Bruno S., and Benno Torgler. “Tax Morale and Conditional Cooperation.” *Journal of Comparative Economics* 35, no. 1 (March 2007): 136–59. doi:10.1016/j.jce.2006.10.006.
- Iolescu, Emilia. “Tara Noastra Se Afla Pe Ultimul Loc in UE, ca Procent de Colectare a TVA. Interviu Cu Roxana Popel, Head of Tax CMS Romania.” *BURSA*, 09.03.2015 edition. Accessed September 25, 2015. http://www.bursa.ro/tara-noastra-se-afla-pe-ultimul-loc-in-ue-ca-procent-de-colectare-a-tva-263425&s=print&sr=articol&id_articol=263425.html.
- Kogler, Christoph, Larissa Batrancea, Anca Nichita, Jozsef Pantya, Alexis Belianin, and Erich Kirchler. “Trust and Power as Determinants of Tax Compliance: Testing the Assumptions of the Slippery Slope Framework in Austria, Hungary, Romania and Russia.” *Journal of Economic Psychology* 34, no. C (2013): 169–80.
- McGee, Robert W. “The Ethics of Tax Evasion: A Survey of Romanian Business Students and Faculty,” September 2005. <http://ssrn.com/abstract=813345>.
- Mungiu-Pippidi, Alina. *Politica După Comunism: Structură, Cultură și Psihologie Politică*. București: Humanitas, 2002.
- Pana, Marin. “Cum și Cât Taxează România în Raport Cu Media Europeană.” *Curs de Guvernare*, n.d. <http://cursdeguvernare.ro/taxarea-in-romania-raportata-la-media-europeana.html>.
- “Raport anual 2013 Consiliul Fiscal,” September 11, 2014. <http://www.consiliulfiscal.ro/ra-2013.pdf>.
- Rotaru, Constantin. “SISTEMUL FISCAL DIN ROMÂNIA ANILOR 1945-1989 |.” Accessed September 24, 2015. <http://www.constantinrotaru.ro/2009/10/10/sistemul-fiscal-din-romania-anilor-1945-1989/>.
- Rothstein, Bo. *Social Traps and the Problem of Trust*. Cambridge University Press, 2005. <http://www.cambridge.org/gb/academic/subjects/politics-and-international-relations/political-theory/social-traps-and-problem-trust?format=PB>.
- . “Social Trust and Honesty in Government: A Causal Mechanisms Approach.” In *Creating Social Trust in Post-Socialist Transition*, edited by János Kornai, Bo Rothstein, and Susan Rose-Ackerman, 13–31. Palgrave Macmillan, 2004.

Sfetcu, Nicolae. "Reforma Impozitelor Directe în România, 1990 – 2005." *Aluzii - Cărți Online*. Accessed September 24, 2015. <http://www.aluzii.ro/reforma-impozitelor-directe-in-romania-1990-2005/>.

Steinmo, Sven. *Taxation and Democracy: Swedish, British, and American Approaches to Financing the Modern State*. Yale University Press, 1996. <http://scholar.google.com/scholar?cluster=9211810558333947258&hl=en&oi=scholar>

The World Bank. "World Development Indicators 2014 Time to Prepare and Pay Taxes," n.d. <http://wdi.worldbank.org/table/5.6#>.

Uslaner, Eric M. *The Moral Foundations of Trust*. Cambridge University Press, 2002.

Uslaner, Eric M., and Gabriel Bădescu. "Honesty, Trust and Legal Norms in the Transition to Democracy. Why Bo Rothstein Is Better Able to Explain Sweden Than Romania." In *Creating Social Trust in Post-Socialist Transition*, edited by János Kornai, Bo Rothstein, and Susan Rose-Ackerman, 31–53. Palgrave Macmillan, 2004.

Vîrjan, Bogdan. "Infrațiunile de Evaziune Fiscală." Universitatea din București, 2011.

Annex I

Tabelul 4: Evoluția cheltuielilor și veniturilor bugetare după standarde ESA95							
	2009	2010	2011	2012	2013	Modificări 2013 față de 2012	Modificări 2013 față de 2009
Total venituri (% din PIB)	32,1	33,3	33,9	33,7	32,7	-1,0	0,6
Venituri fiscale	17,3	18,0	19,2	19,3	18,6	-0,7	1,4
Impozite indirecte, din care:	10,7	11,9	13,0	13,2	12,7	-0,4	2,0
TVA	6,6	7,7	8,7	8,5	8,4	-0,2	1,7
Accize*	3,1	3,0	3,1	3,1	:	:	0
Impozite directe, din care:	6,5	6,1	6,2	6,1	5,9	-0,2	-0,7
impozit pe venit	3,7	3,4	3,5	3,6	3,6	-0,1	-0,1
impozit pe profit	2,4	1,8	1,9	1,7	1,7	0,0	-0,7
Contribuții asigurări sociale	10,2	9,5	9,1	9,0	8,8	-0,2	-1,4
Alte venituri curente	1,7	2,7	2,2	2,5	2,7	0,2	1,0
Total cheltuieli (% din PIB)	41,1	40,1	39,4	36,7	35,0	-1,7	-6,2
Consum intermediar	6,5	5,8	6,1	5,9	5,3	-0,7	-1,2

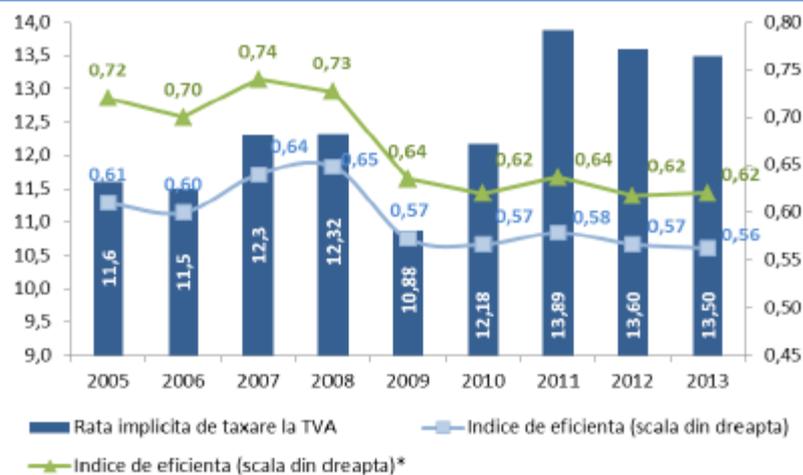
Remunerarea salariaților	10,9	9,7	7,9	7,8	8,1	0,3	-2,8
Dobânzi	1,5	1,5	1,6	1,8	1,8	0,0	0,2
Asistență socială	13,8	14,1	13,4	12,7	12,3	-0,3	-1,4
Subvenții	0,7	0,6	0,4	0,4	0,3	0,0	-0,4
Alte cheltuieli curente	1,4	1,9	2,0	2,3	1,8	-0,5	0,4
Formarea brută de capital fix	5,9	5,7	5,5	4,7	4,5	-0,3	-1,5
Sold bugetar	-9,0	-6,8	-5,5	-3,0	-2,3	0,7	6,8

Sursa: Eurostat

Notă: *cifrele aferente anului 2013 nu sunt încă disponibile, iar diferența 2009-2013 se referă la 2009-2012.

⁵² "Raport anual 2013 Consiliul Fiscal," 33.

Graficul 5: Evoluția cotei implicite de impozitare și a indicelui de eficiență a colectării aferente TVA în România



Sursa: calcule Consiliul fiscal, * ajustat cu componenta de autoconsum și piață țărăneasă

53

Tabelul 6: Eficiența taxării - TVA

Țara	Cota standard a TVA*			Rata de taxare implicită**			Indice de eficiență a taxării***			Poziție		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
BG	20,0	20,0	20,0	14,0	14,3	14,6	0,70	0,71	0,73	3	4	4
CZ	20,0	20,0	21,0	14,0	14,7	15,4	0,70	0,74	0,73	4	2	3
EE	20,0	20,0	20,0	16,6	16,9	16,2	0,83	0,85	0,81	1	1	1
LV	22,0	21,5	21,0	10,9	11,4	11,6	0,49	0,53	0,55	10	8	9
LT	21,0	21,0	21,0	12,6	12,1	11,8	0,60	0,58	0,56	6	6	6
HU	25,0	27,0	27,0	16,2	17,1	17,2	0,65	0,63	0,64	5	5	5
PL	23,0	23,0	23,0	13,2	11,9	12,0	0,57	0,52	0,52	9	10	10
RO	24,0	24,0	24,0	13,9	13,6	13,5	0,58	0,57	0,56	8	7	7
SI	20,0	20,0	20,0	14,4	14,4	15,4	0,72	0,72	0,77	2	3	2
SK	20,0	20,0	20,0	11,9	10,5	11,2	0,59	0,53	0,56	7	9	8

Sursa: Comisia Europeană, Eurostat, MFP, calcule Consiliul fiscal

54

Tax revenue collected by central government

% of GDP

Taxes payable by businesses

Number of payments

% of GDP

Time to prepare, file and pay taxes
hours

Profit tax
% of commercial

Labor tax and contributions
% of commerci

Other taxes
% of comme

Total tax rate
% of commerc

⁵³ Ibid., 38.S

⁵⁴ Ibid., 39.

	2005	2012	2013	2013	profits 2013	al profits 2013	rcial profits 2013	ial profits 2013
Croatia	19,8	19,6	19	196	11,3	19,4	1,6	19,6
Czech Republic	14,3	13,4	8	413	7,5	38,4	2,6	48
Estonia	15,9	16,3	7	81	8	39,4	1,9	49,6
Italy	20,3	22,4	15	269	22,9	43,4	2	65,8
Hungary	20	22,9	12	277	12,3	34,5	1,8	49,3
Latvia	15,1	13,8	7	224	4,8	27,3	2,9	35
Lithuania	17,2	13,4	11	175	5,9	35,1	1,3	42,9
Poland	16,6	16	18	286	17,4	23,8	1	38,5
Slovak Republic	14,6	12,2	20	207	6,8	39,6	0,4	47
Slovenia	20,2	17,5	11	260	14,1	18,2	1,4	32,4
United Kingdom	25,8	25,3	8	110	22,2	10,2	1,5	34,6
Euro area	17,4	17,1	12	166	12,3	28,6	1,7	43,7
Romania	12,2	18,8	39	200	10,5	31,5	1	43,2

Most Recent Value (MRV) if data for the specified year or full period are not available; or growth rate is calculated for less than the full period.

World Development Indicators 2014, THE WORLD BANK⁵⁵

⁵⁵ The World Bank, "World Development Indicators 2014 Time to Prepare and Pay Taxes," n.d., <http://wdi.worldbank.org/table/5.6#>.