

Single Fiscal Statement of the Individuals – A Solution of Simplifying Bureaucracy in Fiscal Field ?

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Abstract

Reducing bureaucracy and corruption are aspects of tax compliance of taxpayers. Simplifying tax fiscal statement obligations of the individuals by merging the 7 fiscal statement addressed to this category of taxpayers in a single statement seems a suitable solution for both individual taxpayers and tax administration staff.

Key words: single statement, reducing bureaucracy, fiscal simplification.

J.E.L. classification: H21, H26.

1. Introduction

Although it does not have a significant weight in the consolidated state budget, the level of tax liabilities of the individuals in Romania could increase by reducing bureaucracy and simplifying their fiscal statement and payment procedures and implicitly would increase tax compliance for this category of taxpayers.

Simplifying the procedures for declaring and paying taxpayers' obligations is also a problem in Romania that requires changes / updates or even fundamental restructuring of the tax compliance modalities.

The purpose of this article, based on this recital, is an analysis of the perception of both individual taxpayers and employees in the tax administration in implementation of the single form.

Form 600 "Fiscal statement of income on which is due to social security contributions and, regarding its revenues in the minimum threshold for determining the contribution of health insurance" raised controversy in the first months of 2018 as required of the individuals performs employed social insurance contributions and health insurance, regardless of income derived from these sources this year, the condition being that last year's income exceeded the ceiling of 22.800 lei per year.

The numerous promises of the fiscal statement submission, the protests organized by some disgruntled taxpayers (we mention the organization of the flashmob to the 600 paper airplane fiscal statement launched at the Ministry of Public Finance by nearly 300 artists - singers, actors, photographers, choreographers, writers, etc.), the obligation to pay the contributions on a still non-existent and uncertain income (as there are no provisions regarding the restitution of the contributions in the case of non-payment of the ceiling in the current year) imposed a permanent solution to the submission of a single form by self-employed.

2. Theoretical background

At international level, the reduction of bureaucracy and the controllable level of corruption are issues of tax compliance. A strong incentive factor is to create a moral fiscal climate in which citizens are protected from corruption and bureaucracy (Picur *et al*, 2006, pp. 174-180).

At the same time, financial and fiscal bureaucracy has undergone fundamental changes over the last decades globally and especially in the Nordic and Baltic regions. In theory, these changes should also revert to policy making and implementation. Following a study carried out during the

January 2014 - April 2017 called Project of Understanding policy change: Financial and fiscal bureaucracy in the Baltic Sea Region (Estonia, Latvia, Norway and Sweden), the main outcomes achieved included the extensive review of relevant literature, including adaptation to country-specific contexts.

The European Union, irrespective of previous elections, must allow its institutions the flexibility in choosing policies that are tailored to the context, taking account also of policy coordination traditions of Central and Eastern Europe (Erkki *et al*, 2015).

However, the greatest change seems to be the reinforcement of the bureaucratic capacity of the control bodies, whether fiscal or those responsible for complying with the rules and procedures (Souza, 2015).

In order to clarify the behavior of tax revenue impact factor with the existence and avoidance of the fiscal sensitivity impact factor, analyzing the quantification of sensitivity of the fiscal system to bureaucracy (Challoumis, 2017) shows that the decrease in bureaucracy could rapidly increase tax revenues from a global perspective.

3. The new fiscal tax mechanism of income tax, social insurance contribution and social health insurance contribution

With the Order of the President of the National Agency for Fiscal Administration no. 888/27.03.2018 for the approval of the model, content, manner of submission and administration of the single fiscal statement on income tax and social contributions due by the individuals regulated the manner of declaring the income realized in 2017, as well as the fiscal statement of the estimated income tax and statutory social contributions payable by the individuals starting in 2018.

The objectives pursued by this order are:

1. simplification of declaratory obligations (single fiscal statement);
2. a single payment deadline (March 15 next year);
3. immediate knowledge of the obligations (self-imposition);
4. possibility to make early payments;
5. Social Insurance Contributions (CAS) and Health Insurance Contributions (CASS) according to the estimated income of the current year.

The single D212 fiscal statement is made by merging 7 existing fiscal statements at the level of 2017:

- D200 - income from Romania;
- D201 - earnings from abroad;
- D220 – estimated income / income norm;
- D221 - income rules - agriculture;
- D600 - base revenue for CAS;
- D604 - Establishment of CASS without income;
- D605 - stop CASS people without income.

The deadline for submission in 2018 will be July 15th, 2018 (to complete the fiscal year 2017 and estimate 2018), and from 2019 onwards March 15th (to complete the previous fiscal year and current year estimate). The four payment deadlines set by the tax assessment decisions of the National Agency for Fiscal Administration (March 25th, June 25th, September 25th and December 21st) are merged into a single payment deadline (March 15th of the year following the income); which will lead to better planning in order to pay tax liabilities by taxpayers but also to collect a higher amount at the beginning of the fiscal year for carrying out the fiscal reforms needed for the economy and a better record of the bad-payers in order to take the necessary measures combating this phenomenon.

It encourages on-line submission of statements, which can only be received on paper in 2018, and from 2019 onwards it will be possible to send them only on-line.

Providing taxpayer's assistance to their tax education plays a key role in implementing this measure but the allotted time may be quite short given the low level of tax literacy of some taxpayers and internet access for many of them.

In addition to meetings organized with taxpayers at the premises of public institutions and / or city halls, the procedure for electronic distance communication between the National Agency for Tax Administration and the individuals offers them the possibility to use two new communication services, namely "Virtual private space" and "Tax Newsletter".

The Virtual Private Space service is to provide individuals with a virtual space on the servers of the Ministry of Public Finance / National Agency for Fiscal Administration through which the electronic communication of information and documents between the National Agency for Fiscal Administration and the natural person related to its own tax situation. The order of the Ministry of Public Finance no. 1154/2014 regarding the procedure for communication by electronic means of distance transmission between the National Agency for Fiscal Administration and the individuals provides the option to access this service and allows the individuals to choose the electronic communication of the administrative documents tax forms issued in electronic form by tax authorities within the National Agency for Fiscal Administration and the individuals may submit requests, documents or documents to the fiscal body.

The "Fiscal Information Bulletin" service is a remote computer information service provided by the National Agency for Fiscal Administration, which consists in providing public entities with fiscal information in order to guide them in fulfilling their tax obligations. The information transmitted through "Tax Newsletter" service is informative, not replacing the user's obligation to know and fulfill the tax obligations and does not generate any rights and obligations other than those provided by the fiscal legislation.

The provision of electronic communication services is carried out through the centralized information system of the Ministry of Public Finance on the portal of the National Agency for Fiscal Administration. These e-mail communication services provided by the National Agency for Tax Administration are free of charge and are available 24 hours a day, which is a powerful stimulus for taxpayers who want to comply but whose time is limited and did not fit during the working hours of the tax offices for the filling and payment of tax obligations.

Thus, the new system implies the submission of the single fiscal statement through the following possibilities:

1. by electronic transmission systems - virtual public space (user and password identification system is used);
2. by electronic means - e-government (electronic signature based on a qualified certificate);
3. completing the single intelligent form with the assistance of the National Agency for Fiscal Administration and the City Hall and submitting it to the National Agency for Fiscal Administration on the city council or the National Agency for Fiscal Administration (either through the virtual private space or via e-government);
4. on paper (only for 2018).

The success of the implementation of a fiscal policy must also take into account the determinants of the taxpayer's behavior (in our case, the individuals). An Professor Univ. Dr. (Brezeanu, 2017) showed that the taxpayer's (physical or legal person) determinant is the tax pressure, calculated in the literature as the ratio between the tax revenues obtained over a certain period of time and the gross domestic product of the same period.

Until the payment deadline (March 15th 2019) the taxpayer can make payments at any time and in any amount given the estimated obligations. It's freeing you from the pressure of pay when you approach payouts can lead to a beneficial relaxation of taxpayers.

In order to encourage on-line and on-time submission of the single statement as well as the full payment within the legal term, the following bonuses are granted for the year 2018:

- 5% of estimated tax liabilities if they are fully paid by December 15th 2018.
- 5% of the final tax obligations if they are fully paid up to 15th March 2019, and if the single fiscal statement is submitted online and on time.

The submission of the annual fiscal statement is intended to ease the burden on taxpayers as well as tax administration staff on tax returns.

4. The obligation to pay the social insurance contribution and the social health insurance contribution

The social insurance contribution (CAS) is due to:

- _ earnings from salaries;
- _ income from self-employment;
- _ income from intellectual property rights;
- _ unemployment benefits;
- _ sickness insurance benefits.

The individuals who earn income from independent activities and rights of intellectual property owes CAS if it estimates for the current year net earnings whose cumulative value is at least equal to 12 minimum wages gross in the country (22.800 lei).

Table no. 1 Individuals who owe CAS and obtain income from self-employment and intellectual property rights

Under-ceiling estimated	Made under the ceiling; Do not choose	It does not owe CAS
Under-ceiling estimated	Made under the ceiling; Choose	Uses CAS 25% * (at least 22.800)
Under-ceiling estimated	Made over the ceiling	Uses CAS 25% * (at least 22.800)
Estimate Over Ceiling	Made over the ceiling	Uses CAS 25% * (at least 22.800)
Estimate Over Ceiling	Made under the ceiling	It does not owe CAS (any paid payments will not be refunded)

Source: own processing of the Order of the President of the National Agency for Fiscal Administration no. 888/27.03.2018 for the approval of the model, content, manner of submission and administration of the single fiscal statement on income tax and social contributions due by the individuals.

For the individuals earning net income from intellectual property rights higher than 22.800 lei from a single payer, CAS will be retained by the payer (25% * at least 22.800 lei).

Pensioners do not owe CAS for incomes from self-employment and intellectual property rights.

Employees do not owe the CAS for intellectual property rights.

The social health insurance contribution (CASS) is due to:

- _ earnings from salaries;
- _ income from self-employment;
- _ income from intellectual property rights;
- _ income from association with legal entities;
- _ rental income;
- _ income from agricultural and forestry activities;
- _ investment income;
- _ income from other sources.

The individuals who earn income from one or more sources and / or income categories, owes CASS if it estimates for the current year revenues whose cumulative value is at least equal to 12 gross national salaries (22.800 lei).

Table no. 2 Individuals who owe CASS and obtain income from self-employment and intellectual property rights

Under-ceiling estimated	Made under the ceiling; Do not choose	It does not owe CASS
Under-ceiling estimated	Made under the ceiling; Choose Statement in time	It's CASS 10% * 11,400 lei (6 months)
Under-ceiling estimated	Made under the ceiling; Choose The statement is not in time	It's CASS 10% * 1,900 * nr. of months left

Under-ceiling estimated	Made over the ceiling	It's CASS 10% * 22.800 lei (12 months)
Estimate Over Ceiling	Made over the ceiling	It's CASS 10% * 22.800 lei
Estimate Over Ceiling	Made under the ceiling; He's an employee	It does not owe CASS
Estimate Over Ceiling	Made under the ceiling; He is not an employee	It's CASS 10% * 11,400 lei

Source: own processing of the Order of the President of the National Agency for Fiscal Administration no. 888/27.03.2018 for the approval of the model, content, manner of submission and administration of the single fiscal statement on income tax and social contributions due by the individuals.

Employees and retirees do not owe CASS for intellectual property income.

Income-free individuals can opt to secure, due to CASS, for 12 months, on a basis of calculation equal to 6 gross national minimum wages irrespective of the date of filling the fiscal statement.

The tax burden, ie the ratio between the amount of taxes paid by an employee and the total cost of workforce for the employer is above European Union average for low-income people, and for people with high incomes it is below. Thus, the tax burden for people who earn 50% of the average wage was 36,8%, and for those who earn 167% of the average salary amounted to 39,5% in 2016, compared to the European Union average of 32,2% and 44,4%, respectively (European Commission, 2018 Country Report on Romania accompanying the document Communication from the Commission to the European Parliament and the Eurogroup European Semester 2018: Assessment of progress in structural reforms, prevention and correction of macroeconomic imbalances and balance sheet results under Regulation (EU) No. 1176/2011).

5. Collaboration with municipalities

The local tax body in cooperation with the central fiscal body provides assistance in completing and / or filling the single fiscal statement for taxpayers who have their tax domicile in the locality where the local tax office has its headquarters and there is no territorial unit of the National Agency for Fiscal Administration.

The fiscal statement thus completed shall be sent to the central fiscal body competent in the taxpayer's administration by electronic means of distance transmission either by the taxpayer or by the local tax authority.

Collaboration between local tax authorities and municipalities should prove to be an aid to the individuals with difficulties in completing the tax fiscal statement or filling it (lack of the Internet).

I believe that during this transition period from the possibility of submitting on paper to mandatory submission only on-line from 2019, local meetings (possibly at the level of each city hall) of taxpayers with tax representatives, but also with those of the mayoralties for informing and guiding them.

Townhouse support and collaboration between public institutions should be key features for effectively starting the process of completing and submitting a single fiscal statement for individual taxpayers.

6. Conclusions

Completing a single fiscal statement (by merging seven existing fiscal statements in year 2017) is not necessarily easy for the purposes of completing the single fiscal statement. For taxpayers' education from a tax point of view, taxpayers' assistance and frequent meetings with taxpayers to answer their many questions are important steps that need to be implemented in order of correct completion of taxpayer fiscal statements and avoidance of making corrective statements.

Taxpayers' internet access is imperative for the implementation of this measure. Good collaboration between the National Agency for Fiscal Administration and municipalities is a first major step and the allocation of resources needed to solve IT deficiencies and needs is necessary for each specific issue. Beneficial effects at a national level can only be felt by an important and so

necessary investment in the modernization of servers, technological equipment and computing supporting the main organizational processes.

The lack of notifications sent to taxpayers by the National Agency for Fiscal Administration could lead to delays and even omissions in the payment of their tax obligations without a regular impulse from the tax administration specialists. Also, responsibility for calculating payment obligations by taxpayers without prior consultation with tax administration specialists could lead to errors in completing tax returns and computing taxpayers' obligations. I believe that, at least until accommodating the new system, notifications on payment obligations should be made both before the fiscal statement deadline and after the analysis of the statements received to overcome these deficiencies.

Simplifying the system of taxing individuals' incomes by using on-line applications will benefit both taxpayers and tax administrations employees under the conditions of working procedures, the modernization of tax administration activity and good collaboration between the taxpayer and the public institutions.

Thus, its encouraging on-line submission of fiscal statements taxpayer individuals is an important step in the reorganization of the National Agency for Fiscal Administration, with positive effects in the collection of revenues and therefore on the functioning of other areas of activity (education, health, national security etc.).

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