

The Influence of the Variation of Taxes and Duties on the National Economy in the Context of Ensuring the Need for Revenues to the State Budget

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Abstract

The article aims to make an x-ray of the main taxes in Romania during the post-crisis period and to identify the interdependence between their evolution and the economic growth against the need to overcome the economic crisis from 2008-2009.

The fiscal burden influenced the evolution of the Romanian economy in the period following the economic crisis, the changes in tax rates bringing also pluses and minuses to the economy of the country.

The poor efficiency of collecting taxes to the state budget but also the evolution of the evasion phenomenon slowed down economic growth rate of Romania during the post-crisis period, generating very difficult skids to correct.

Key words: fiscal burden, taxes and duties, post-crisis period, economic recovery

J.E.L. classification: E63, H260, O16

1. Introduction

Much stronger than the economic downturn of the 1980s, the recession from 2008-2009 drastically affected the business sector and the final consumer, both "camps" taking the measure of spending reduction. The causes and effects of the global economic crisis have long been debated by the financial experts. However, Romania, an emerging country, has followed its fiscal consolidation and economic growth program in a sinuous way, based either on consumption or tax increases. The X-ray of the last 10 years of the evolution of the main taxes shows how they were part of the basic instruments used by the governments in the economic recovery of the country, post-crisis.

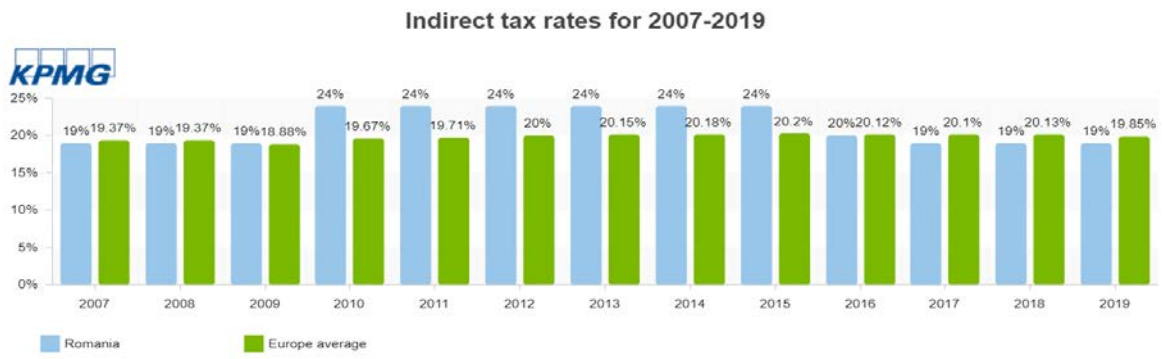
The value added tax in Romania was introduced from July 1, 1993 to the present time with the following quotas: 0%; 5%; 9%; 11%; 18%; 19%; 20%; 22% and 24%. In Romania, between July 1, 2010 - December 31, 2015 (post-crisis period), the VAT rate applied was 24%. This is among the highest standard rates of value added tax in the European Union, after Hungary with 27%, followed by Denmark and Sweden with 25%, while the average standard VAT rates applied in EU member countries were between 18% - 21%.

Frequent changes in the VAT rate are subject to the tax policy of each country and in the case of EU member states, changes are also required by the fiscal policy of the European Union. The changes in the field of VAT at EU level aim to harmonize fiscal policies in the field of this tax (standard rates, reduced rates, taxable matter, exemptions, facilities, etc.).

The evolution of the standard VAT rate in Romania compared to the European average, from the pre-crisis period to the present, can be seen in the Figure no.1. Thus, it can be observed that in Romania the standard VAT rate is at a value substantially equal to the European average before the

economic crisis and at the time of its outbreak, detaching itself from the average European percentage by about four percentage points from 2010 to 2015. This fact was due to the corrective measures taken by the Romanian Governments by which they tried to determine the positive evolution of the budget revenues (evolution initially based on an expected economic growth but that did not take place at the level of expectations), thus reducing the budget deficits generated by the poor performances regarding the receipts.

Figure no. 1 The evolution of the standard VAT rate in the period 2007-2019



Source: KPMG data

2. Literature review

Starting from the idea that the public economy is not an end in itself like the private one, in 1930 in the paper *Elements of financial science*, Leon, G. 1 concluded that the attraction of income to the state budget has the final aim to satisfy the collective needs, the public economy being an important tool that "cannot leave needs unmet, due to the lack of sufficient provisions". In the Romanian specialized literature, the public finances are assigned a series of control functions, respectively control, of which the most important is the control over the economic and social activities. Thus, budgets have an important role in the evolution of society through the function of distribution of GDP, through the control of economic and social activities and not lastly through the function of determining the economic stability or regulating the economy. The latter is based on a concept based on Keynesian doctrine, which supports the influence of the state, when appropriate, of the different economic-social activities through the help of economic-financial levers, between which the public budget plays the major role.

A review of the specialized literature on this topic was made by Oprea, F. 2 in the paper *Public Budgeting Systems - Theory and Practice*.

3. Research methodology

For the brief realization of the radiography of the evolution of taxes and duties in the period after the financial economic crisis of 2008-2009, in the context of the urgent need for revenues to the state budget, at the same time of the desire for economic growth in Romania, we used statistical research methods such as static comparative analysis and dynamics, trend analysis, graphical representation of the investigated events and phenomena based on data from the Annual Reports of the Fiscal Council or databases of the European Commission and the National Office of the Trade Register.

4. Findings

4.1. The share of taxes and duties in GDP before and after the crisis and the influence of dynamics on the Romanian business environment

The global crisis of 2008-2009 was characterized by a pronounced instability, economic, political, ideological, military contradictions as well as increasing volatility and uncertainty. The economic crisis is that phase of the economic cycle in which a relative surplus of goods forms in

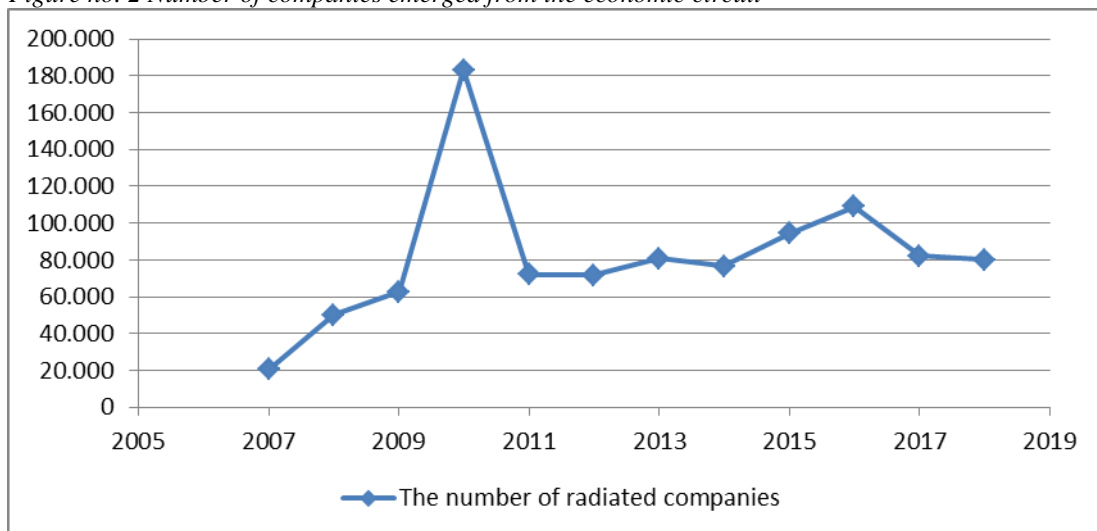
relation to the limited purchasing power of the population, which leads to a decrease in production, bankruptcy, unemployment followed by a depression or even an economic collapse.

The National Bureau of Economic Research (NBER) defines the crisis as "a significant decrease in economic activity for several months reflected in the decrease of GDP, the decrease of individual incomes, the reduction of the level of employment, the decrease of industrial production and consumption".

In making the gross domestic product, small and medium-sized enterprises have a substantial contribution. Thus, at the level of direct and indirect taxes, fiscal pressure plays a major role in maintaining or exiting the market. Also, the role of SMEs is also important in creating new jobs, in the formation of the gross added value in the economy, stimulating the competition in the market. In Romania, since the beginning of the crisis, hundreds of thousands of companies suspended their activity or they were deleted.

Beginning with 2010, the number of the companies deleted has increased significantly, according to the data from the Trade Register. Thus, following Table no. 2, we observe that the highest level of companies emerged from the economic circuit was registered in 2010. The outputs of the SMEs from the economic system had as a first cause the policy of the government of increasing the level of revenue collection to the state budget by introducing the minimum tax, but also of the differentiations in the VAT treatment, measures that made the SMEs react protectively, the economic agents in this category being already in economic difficulty.

Figure no. 2 Number of companies emerged from the economic circuit



Source: Authors' calculation on National Office of the Trade Register data - Statistical Summaries

One of the solutions to overcome the crisis was to even support the development of the SME sector, being a good way to revive the economic growth. In order to fulfill this desideratum, the governments acted through economic-social levers, in which the preponderance of the fiscal-budgetary ones is noted. As a result, fiscal policy has contributed to stimulating or stopping economic growth through significant changes such as combating negative trends in the economy, increasing tax rates to increase the amount of public spending or lowering tax rates to reduce the value of resources to the public budget or reducing the budget deficit.

Due to the economic crisis from 2008-2009, the European states resorted to the modification of the fiscal systems in order to stimulate the economic growth. Thus, it was tried, in the short term, the positive influence of the demand by reducing the tax burden. Due to the way in which the economy responded to the reduction of the fiscal burden, respectively the level of budgetary revenues was not achieved at the expected level, in the medium and long term, the fiscal recovery strategy led to the increase of the fiscal burden. Considering the importance of the fiscal burden for the economic growth and for the exit from the crisis it is necessary to analyse the share of taxes in GDP in the post crisis period as presented in Table no. 1.

Table no. 1 The share of taxes in GDP in the post crisis period

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
28,6%	27%	26,9%	28%	27,8%	27,3%	27,4%	28,1%	26,1%	25,4%	25,4%

Source: The European Commission database

According to the existing data in the above table, we can observe the evolution of the share of taxes and duties in the GDP of Romania, starting with the year of the outbreak of the crisis until present. Thus, we note that by 2016 the share of taxes and duties in GDP was around 27-28 percent, then decreasing to 25 percent, the value remaining constant over the last two years.

4.2. Evolutionary X-ray of the main budgetary sources in the post-crisis recovery period, as well as the measures adopted to ensure their optimal level

Year 2009. The evolution of the Romanian economy and the fiscal measures adopted determined that the Romanian fiscal system is based to a greater extent on indirect taxes, with a weight of 41% (with 7% higher than the EU average) than the direct ones that generated a mass of tax revenues of 24% (with 8% lower than the EU average).

Thus, in 2009, the level of tax revenues related to GDP (taxes and social contributions) in Romania was 27.1%, while the average value of EU 27 was 38.8%.

At the same time, the share of tax revenues in GDP places Romania on the penultimate place in the EU, below the level registered in Bulgaria (28.9%), Hungary (39.5%) and Slovakia (28.8%).

The share of direct taxes within the tax revenues decreased from 50% in the 1990s to 24% in 2009, the same tendency also manifesting itself at the level of the direct taxes in the total budget revenues.

In 2009, the year of economic crisis, the level of collection of tax revenues in Romania was reduced, due to the inefficiency in the administration of fiscal obligations, the underground economy reaching significant values. The year 2009 marked a decrease of VAT revenues by 1.3% of GDP compared to 2008.

The decrease in both total and fiscal revenues is explained by the effects of the economic-financial crisis on the results of the economic agents but also of the measures adopted by the government, which were not able to stimulate the private sector, especially considering the minimum tax introduced in 2009. The minimum tax was introduced from May 2009, the incidental provisions can be found in GEO no. 34/2009 and the Fiscal Code.

According to the reports of the Fiscal Council in 2009, the efficiency of taxation in the case of social contributions and VAT - calculated as a ratio between the implicit tax rate and the legal one - was among the lowest compared to the other European states - 64% in the case of social contributions, respectively 58% in the case of VAT, only Estonia and Bulgaria having a lower taxation efficiency, in Estonia being 90%, and in Bulgaria 71%, in the case of VAT.

Under these conditions, Romania can reduce the gap compared to the rest of the European states, increasing the level of budgetary revenues by reducing the tax evasion, which according to the data provided by the National Institute of Statistics in 2009 amounts to VAT at 3.8% of GDP, over time which in the case of social insurance contribution reached the percentage of 3.3%, and in the case of income tax it reached the quota of 1%.

Year 2010. Although initially the budgetary projection of 2010 was based on an economic growth of 1.3% in real terms, forecasting revenues to the consolidated general budget in the amount of 168.8 billion lei, in the first part of the fiscal year the situation deteriorated significantly partly because of the low level of revenue collection. Following this poor performance regarding the level of revenues, the government was forced to take a series of corrective measures to reduce the deficit by 2.3% of GDP by:

- temporary reduction by 25 percent of salaries in the public sector and reduction by the same percentage (25%) of social expenses;
- increasing the VAT rate by 5 percentage points from 19 to 24%.

As a result of these measures, the budget revenues evolved beyond expectations in the second part of the year. It is thus observed that the fiscal consolidation program was largely based on the increase of the VAT rate. VAT revenues increased by 14.3% compared to 2009, and excise duties increased by 11.5% in 2010 compared to the previous year. Thus, the indirect tax receipts were the

main factors that generated the positive evolution of the budget revenues. This evolution reflects the result of the increase of the VAT rate, as well as the materialization of the efforts of the government to combat the evasion phenomenon. The revenues from VAT and excise duties exceeded by 0.5% the approved budget program.

Year 2011. In 2011, according to the Fiscal Council, in Romania the share of tax revenues in GDP was 27.2% one of the lowest shares in the GDP of the EU countries, with 12.4% of the GDP lower than the European average.

Thus, in 2011, the degree of efficiency of taxation in the case of value added tax and social contributions was among the lowest in the countries of Eastern Europe, 54% in the case of value added tax, compared with 82% in the case of Estonia or 71% for Bulgaria. In the case of social contributions, the efficiency level of the taxation was 61%.

Romania collected in 2011 from VAT revenues, 8.1% of GDP. In 2011 compared to 2010, VAT receipts increased by 17.75%, more exactly 6.9 billion lei, taking into account the impact of the increase of the standard VAT rate in 2010. At the same time, this increase was due to the return of the individual consumption of the population before the economic crisis as well as the increase of prices.

Year 2012. Romania registered an almost insensible economic growth of only 0.2% in 2012, almost confusable with the margin of error that could be the result of the exchange rate. In the absence of an economic growth engine, Romania lost economically in 2012, although at the end of 2011 an increase of 3.5% - 4% was estimated for the following year. As a result of the increase of fiscal pressure, in the medium term, the level of tax evasion increased, thus, in 2012, according to National Institute of Statistics data, the Fiscal Council estimated the size of tax evasion in Romania, at high rates representing 13.8% of GDP.

If in Romania the level of collection of taxes and duties would be realized to the maximum, the budgetary revenues as a percentage of the GDP would exceed the European average, but in 2012 about 60% of the tax evasion comes from VAT, while about 24% to total tax evasion is due to social contributions, a phenomenon due to the employees in the unseen economy, undeclared work.

In the year 2012, in Romania there were about 1.45 million undeclared employees, representing about 23% of the total employees in the economy. Regarding the evasion with excise duties and the "tax on vice" on alcohol and cigarettes, according to the Fiscal Council, the main share is the illicit trade with cigarettes, which is on average about 20% of the market in the period 2003-2012. Thus, due to the low degree of collection of taxes and duties, the deep reform of the administration of taxes and duties in Romania was imposed with priority. This year marked the first visible positive evolution since the beginning of the crisis, regarding the development of the labour market, with an increase of 1.9% of the average number of employees, compared to 2011. In 2012, gross average earning increased by 5% compared to 2011, and net average earning was 1,547 lei, increasing by 4.9%. Given the average inflation of 3.3%, the level of real earnings increased by about 1.5%

The reduced excise revenues were offset by the additional VAT revenues, the VAT revenues reaching 50.51 billion lei. The increase compared to 2011 was due in large part to the additional revenues generated by the evolution over expectations of private consumption and the increase in prices. From the point of view of the efficiency of tax collection the degree of efficiency of the taxation for VAT decreased substantially in 2012 in Romania compared to the period before the economic crisis, but a common phenomenon at the level of the group of the new EU member states of Central and Eastern Europe.

The budget execution at the end of 2012 suggests maintaining the efficiency of the taxation at the same level compared to the previous year. A degree of efficiency of the unmodified collection suggests the lack of a special surplus of income possible to be achieved by reducing the tax evasion. Overall the efficiency of collection has deteriorated in 2012 compared to 2011.

The efficiency of the 57% VAT taxation is much lower than that of Estonia of 84% and much lower than that registered in Slovenia and Bulgaria 71%. Romania collected from VAT revenues in 2012, 8.5% of GDP, compared with 8.32% of GDP in Slovenia, in Estonia 8.73% and 9.15% in Bulgaria, considering the standard VAT rate in these states it was 20% in Romania it was of 24 percent.

Year 2013. In 2013, Romania registered the highest GDP after 1989, of 148 billion euros. The GDP is thus higher even compared to the level of 2008, 139.8 billion euros, the year of the crisis. The achievement of this historical level was due, on the one hand, to the investment flow and, on the other hand, to the upward trend of collection. Compared to the previous year, there is a 3.67% increase in the revenue program. The structure of the tax revenues in Romania, remained almost identical to 2012, with the revenues from indirect taxes having a high share, respectively of 46.18% of the total tax revenues, the EU average being 33.08%. At the same time, the share of income from social contributions was below the EU average respectively 32% compared to 34.56%. Direct taxes represented 21.81% of GDP in 2013, the EU average being 32.34%. Indirect taxes thus remain the main source of tax revenues, a percentage that significantly exceeds the EU average, given that the fiscal consolidation of 2010 had as main component the VAT increase. In this year, Romania was also overtaken by Estonia and Bulgaria in the efficiency of collecting VAT revenues, collecting 8.5% of GDP VAT revenues, the standard share being 24%, while Estonia collected the same percentage but the 20% standard VAT rate. In addition, Bulgaria received VAT revenues in 2013, 9.2% of GDP, having a similar structure to the economy as Romania and a standard VAT rate of less than 4 percent. In order to stimulate the individual consumption and to reduce the level of tax evasion in the milling and bakery field, in 2013 the VAT rate for the bakery products was reduced (9%).

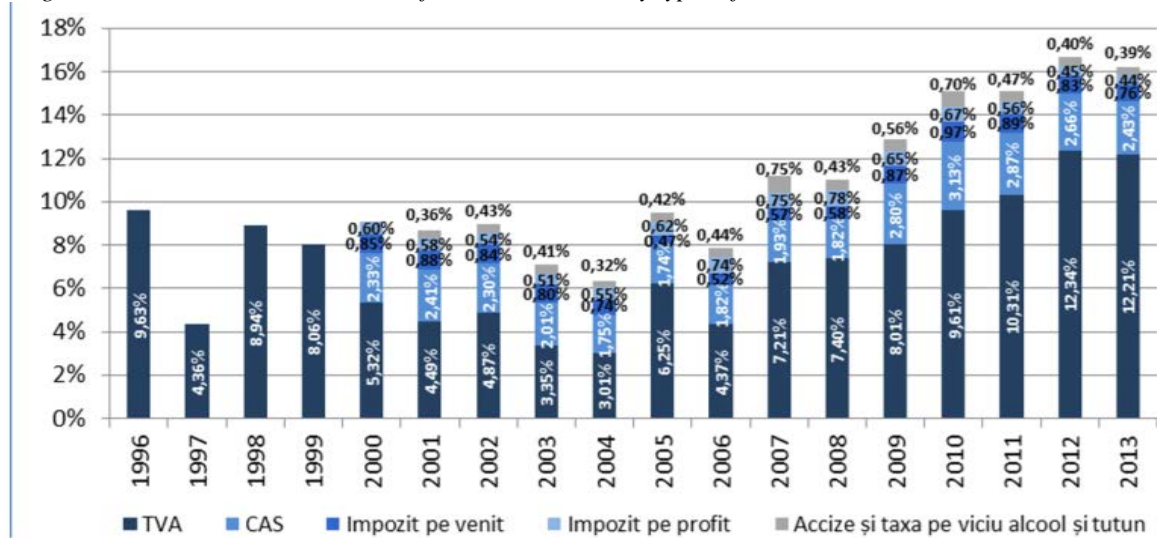
Although in 2007 the year preceding the crisis - 2013 the amount of excise duties increased at an alert rate (from 550 euro / hl pure alcohol in the case of ethyl alcohol and distilled products in 2007 to 750 euro / hl pure alcohol in 2010, and in 2013 to 1,000 euros / hl pure alcohol), the revenues collected from the excise had a very slow growth rate with only 8.7%. In the field of alcohol, evasion was 45.9% of the market in 2013, the highest share being registered in ethyl alcohol, intermediate products and distilled products being significantly lower in beer.

According to the World Bank - Paying taxes 2014 report, Romania ranks 134th out of 189 countries in the world in terms of ease of payment of taxes, the number of payments / year which a taxpayer from Romania has to make to pay taxes and duties is 39 compared to 2012 when their number was 41, but much higher than other countries analysed.

The year 2013 will remain in the history of the Romanian economy as the year of the reorganization of ANAF, a precondition imposed by the World Bank. Thus, Romania started a process of reforming the tax collection system, with the aim of increasing the collected revenues and reducing the administrative costs. The program was supported by the World Bank, on April 26, 2013 the World Bank approved the project, in partnership with Romania, "Modernization of the Fiscal Administration in Romania", which worth 70 million euros. The objectives were aimed at increasing the efficiency and effectiveness in collecting taxes and social contributions, increasing the degree of compliance and reducing the administrative burden for taxpayers, in order to comply with the declarative and fiscal obligations. According to NIS, the fiscal evasion in Romania in 2013 represented 16.2% of GDP. Tax evasion is generated by VAT, which reached in 2013 the share of 12.21% of GDP, slightly decreasing from the maximum of 12.34% of GDP in 2012.

Figure no. 3 shows that the highest share of tax evasion in GDP is the value added tax, the historical minimum being recorded in the years 2003-2004, years preceding the crisis, its share in GDP increasing considerably in the years following the crisis .

Figure no. 3 Tax evasion in Romania from 1996 to 2013 by types of taxes



Source: Report of the Fiscal Council - Romania 2013

Year 2014. Romania registered an economic growth above expectations in 2014, but not at the same rate as the one recorded in the previous year. The level of real GDP registered in 2014 was very close to that of 2008, which marked the beginning of the economic and financial crisis in Romania. The degree of compliance with the fiscal norms remained low in Romania, registering the biggest deficit of VAT collection in the EU in 2014. The VAT gap, the difference between the expected VAT revenues to be collected and the VAT actually collected, increased by 3.4% in 2014, despite the reorganization of ANAF and the introduction of anti-fraud measures (setting up an anti-fraud structure by reorganizing the operational control in the framework of the own apparatus of the National Agency for Fiscal Administration, called the General Directorate for Tax Fraud), but also of an economic environment favourable to the economic growth and payment compliance.

Romania has the lowest share in GDP of budgetary revenues (fiscal and non-fiscal revenues), it was 33.4% of GDP in 2014, below the European average, while the level of fiscal revenues related to GDP (taxes and social contributions) was 27.6%, significantly lower than in Hungary (38.5%), Slovenia (36.7%), the Czech Republic (34.0%) and Poland (32.9%), countries with similar economies. The efficiency of the taxation decreased sharply in the case of VAT, but increased in the case of social insurance contributions, the income tax and the income tax. Revenues related to VAT receipts amounting to 50.4 billion lei, down from 2013, showed negative evolutions from the perspective of the share in GDP, 7.56%.

Regarding the number of taxpayers affected by the VAT reduction on breads and bakery products, we note a decrease of VAT deductions by 1.1% in 2014 compared to the previous year, which indicates a decrease in the number of economic agents in the taxed economy, and not an increase of them as expected in the case of the effects of increasing compliance with the payment of taxes.

Starting with October 1, 2014, the impact of reducing the share of social contributions to the employer was felt by 5%, which generated a gross impact on the level of social contributions collected valued at -1 billion lei, corresponding to its incidence during two months of execution in cash based.

Year 2015. The year 2015 registered for the Romanian economy the highest annual rate of post-crisis economic growth since then. According to the Fiscal Council, the level of real GDP registered in 2015 was higher than in 2008, which marked the beginning of the economic and financial crisis in Romania, exceeding it by 3.68%. The share of GDP in the budgetary revenues placed Romania on the penultimate place in the EU (10.2% lower than the European average) - fiscal and non-fiscal revenues, reaching in 2015 only 34.8% of GDP. The level of tax revenues related to GDP (taxes and social contributions) was 28%, which is much lower than in many European states with similar economies.

In 2015, Romania again approached the expansionary fiscal policy, trying to stimulate the economy by adopting fiscal relaxation measures. In September 2015, the new Fiscal Code – Law no. 227/2015 entered into force, with changes to the variants adopted by the Government in March and to the one adopted by the Parliament in June 2015 (with the postponement of fiscal relaxation measures from 2016 in 2017, of which the elimination of the construction tax less in the case of agricultural constructions, the elimination of the fuel surcharge, the reduction of the tax on dividends to 5%; following the reduction of the VAT rate from 24% to 20% from 1 January 2016, and from 1 January 2017 to become 19%).

These measures carry the risk of deteriorating the position of public finances if no coherent measures are taken to offset the significant loss of revenues due to tax reductions. At the same time, the emergency ordinance aimed at covering the scope of the reduced VAT rate of 9% of all food and restaurant and catering services starting with June 1, 2015, whose budgetary impact in 2015 should be compensated by the amounts collected in addition to the program by ANAF. The degree of taxation efficiency, in 2015, increased in the case of VAT, social insurance contributions (CAS), the corporate income tax and the income tax, while the budgetary execution related to the excise revenue indicates a decrease. Even under the conditions in which the reduction of the standard VAT rate for food and restaurant services came into force from June 1, 2015, substantial increases in the efficiency of VAT taxation in Romania were recorded in 2015 compared to the post crisis period.

The level of revenues collected from excise duties exceeded in 2015 by 8.0% (1.9 billion lei) the level of the previous year, due to a favourable evolution of private consumption, and the fact that, in 2014, the excise duty increased on fuel by introducing the tax of 7 eurocents / liter was applied only from April 1, 2014, later with 3 months, and in 2015 it was applied throughout the year, having a positive impact. At the same time, the effect of the increase in the excise duty on cigarettes has contributed to exceeding the level of excise revenue compared to the previous year.

Year 2016. Economic growth saw an upward trend in 2016, due to expansionary fiscal-budgetary policies. In 2016, real GDP growth reached 4.9%, a new high in the post-crisis period. The increase of the GDP was mainly determined by the increase of the private consumption, supported by the wage increases, the reduction of the quotas of the indirect taxes and the decrease of the interest rates. The modification of the Fiscal Code imposed the application of the 5% quota on the income from dividends for natural and legal persons from January 1, 2016, the differentiation of the tax rates applicable to the turnover of micro-enterprises, the extension of the applicability of the reduced VAT rate of 9% in the case of drinking water and the one for irrigation in agriculture.

The fiscal-budgetary policy in 2016 became pro-cyclical, envisaging an increase in the public deficit. In 2016, the authorities enacted a series of tax reductions, including VAT rates and excise duties and eliminated the special construction tax. Also this year, the legislation regarding the registration and cancellation of taxpayers for VAT purposes was modified, and the procedures for VAT refunds were adjusted in order to combat VAT evasion and fraud.

Year 2017. The standard rate of VAT has decreased by 1 percent from As January 2017. The impact of these successive VAT reductions on global inflation has so far counteracted the pressures of rising prices exerted by rising domestic demand and rising wages. At the same time, from 2017, the turnover level for applying the tax regime for micro-enterprises has increased five times, and the tax rate has been reduced, thus extending the scope of the deviation from the standard tax regime, which can contribute even more to avoid tax obligations. The revenues collected in 2017 from excise duties amounted to 26.6 billion lei, representing 3.1% of GDP, which means a higher level than the estimates.

In 2017, two budgetary adjustments were made, which increased the projections for this budgetary aggregate. The corrections were due to the two-stage reintroduction of the fuel excise duty (on September 15 and October 1, 2017). Compared to 2016, the revenues collected from excise duties were lower by 1.3% due to the temporary reduction of excise duty on fuels. From the point of view of the efficiency of the excise collection, the revenues have remained at a relatively constant level.

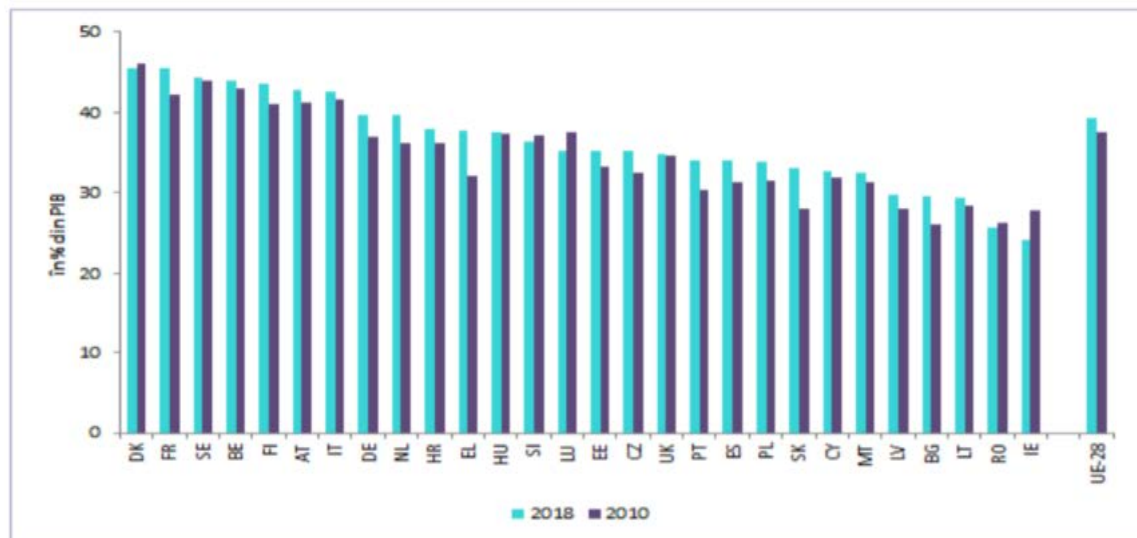
The negative evolution of the income tax receipts recorded in 2017 is typical in the context of the consistent economic growth of 2017, as well as on the basis of the initial estimates regarding the income tax receipts. With the first budgetary rectification, the Fiscal Council has highlighted a factor that has contributed to this poor performance, namely the possible underestimation of the budgetary impact of modifying the micro-enterprises regime (increasing the level until a company is considered a micro-enterprise from 100,000 euros in 2016 to 500,000 euros in January 1, 2017). Alongside this factor are the wage increases throughout the economy with possible negative effects on the profit of companies, as well as applying from January 1, 2017 the specific tax for tourism and food companies that replaced the tax on profit. The year 2017 marked a share in the GDP of the budgetary revenues (fiscal and non-fiscal revenues) of 30.5%, with 14.4% below the European average which was 44.9% of the GDP. The share of tax revenues (taxes and social contributions) in GDP was 25.7% of GDP in 2017, placing Romania on the penultimate place in the EU at a considerable difference from the EU average, which stands at 39.9% of GDP.

Year 2018. In 2018, the tax revenues had the worst evolution, in the context of the fiscal relaxation measures introduced from 2018, more precisely:

- revenues from income tax decreased by 1.1% of GDP, as a result of introducing the income tax rate of 10% on January 1, 2018 instead of 16%;
- excise revenues decreased by 0.1% of GDP, as a result of legislative changes regarding the reduction of excise duties for energy products in certain categories of activities;
- as a result of the changes regarding the tax regime of microenterprises, the effect was a decrease of the income tax revenues by 0.05% of GDP.
- the incomes from social insurance contributions increased by 2.04% of GDP as a result of changing the social contributions regime, being transferred from the employer to the employee.

There is no solid evidence regarding the impact of the general level of taxation on economic growth so far. However, the fact that each one of the components of the fiscal regime influences the economic growth is self-evident. Thus, we note that the share of taxes in GDP registered, at EU level, significant variations from almost 30% percentages to maximum over 45 percent from 2010 to 2018. In Figure no. 4 it is observed that in the case of Romania, the share of taxes in GDP in 2018 exceeds the value of the same indicator at the level of 2010, like Denmark and Luxembourg, but it is below the European average although the vast majority of the states of the European Union have chosen to decrease this percentage in 2018 compared to 2010.

Figure no. 4 Total fiscal burden in EU countries, as a percentage of GDP



Source: European Commission, AMECO

5. Conclusions

From the study of the specialized literature we find that the opinions are contradictory regarding the impact of the fiscal policy on the economic growth. From the point of view of the tax on the profit and the one on the income, the impact on the economic growth and of the investments is significant. The tax on profit influences both the choice of the place of establishment of the companies - the method of territorial jurisdiction, but also the national and foreign direct investments. The most important factors underpinning the economic effects of taxation are the tax rates, the period of their application, the way in which the legislation defines the tax base and the degree of tax compliance, as well as the anti-tax measures.

In Romania, before the onset of the financial crisis, there was a period of strong economic growth with a positive fiscal momentum that contributed to the overheating of the economy but at the same time led to the accentuation of the imbalances in the economy. At the same time, the pro-cyclical fiscal policy adopted during the pre-crisis economic boom period, led to the depletion of the fiscal space so necessary to stimulate the economy during the ensuing recession. Romania maintained in the period after the crisis until 2015 a strongly pro-cyclical fiscal policy, stimulating intensely and counterproductively the economy during the periods of expansion (2008) and making it difficult for the economy to evolve even during the periods with potential (2010-2015). This policy was generated by the need to provide for the short term budgetary revenues necessary for the functioning of the state in the short term, contributing to the amplification of the fluctuations of the economic cycle and to the deepening of the existing economic imbalances.

Viewed as a whole, the post-crisis period gives us a picture of the indicators that have maintained a negative effect on the GDP growth rate. The relatively constant maintenance of direct tax quotas demonstrates the consistency of the desire to maintain direct taxation at the same level, quotas specified in the Convergence Programs. The economic growth of Romania is rather a morgana girl. A new crisis is approaching vertiginous according to extensive research conducted this year, which is based on the opinions of business people from 450 companies. According to the "Barometer on the state of the economy" - the 2019 edition, made by the consulting company Frames, the increase of inflation, the prospects of the depreciation of the national currency and the extension of the financial blockade are the main alarm signals for the Romanian economy. Although in the first part of 2019 the economy registered a growth of about 5 percent according to the NIS, in the second semester this evolution is strongly restrained. The economic reality in Romania outlines the picture of the pre-crisis period, a period of so-called economic boom from a statistical perspective, but visibly unsustainable, which is about to fall and into recession.

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