

## SUMMARY

**Chapter 1** presents "Reference of Public Financial Resources" and it approaches the necessity of the public financial resources, the role, functions, characteristics and elements of the taxes.

The development of the communities demands financial resources that may be public or private. The public financial resources are administrated by the public authority with a view to accomplishing the functions and tasks that are their responsibility and are used in order to satisfy the needs of the public consumption. The main public financial resource both by proportion and by area of manifestation and oldness is represented by taxes and duties.

The taxes have the following functions:

- repartition of the gross domestic product ;
- control ;
- regulation(stabilization of the economy) .

The taxation represents a complex of measures and operations that have as purpose the establishment of the tax that is the duty of a natural or legal person. The taxation has a political character and a technical character. From the political point of view, it is seen that the taxation meet some requirements, be in agreement with certain principles. These principles are:

- the principle of fiscal equity;
- principles of financial (fiscal) policy;
- principles of economic policy;
- socio-political principles.

The enumerated principles are many times interpreted from the position of those that have the political power and are applied in agreement with their interests. The fiscality analysis in Romania is treated in the **second chapter** of the thesis and comprises the main taxes from the period of the Greek colonists up to the issue of the Fiscal Code.

The apparition of the taxes in our country was a complex and long process that started together with the ending of the primitive communal system, the apparition of the private property and the division of the society in social classes, the development of the production forces, of the relations merchandise-money, the apparition of the state and the creation of the state apparatus.

On the territory of our country the slave system appeared in the 8<sup>th</sup> century BC in Dobrogea, in the Greek colonies on the territory of the Black Sea. The political power in these citadels

belonged to all the citizens enjoying all rights, but there were special colleges made by economists, cashiers, dividers that dealt with the administration of the public finances.

In Dacia, the slave system appeared in the 1<sup>st</sup> century BC, but their development took place after the Roman conquest. The Roman Dacia was administrated by the procurator who also had the attribution of collecting the taxes.

As a result of the making of more unitary political organizations, the fiscal organization is developed. Thus, those representing the supreme authority in political organizations assumed a series of attributions in the fiscal domain such as: the settlement of the taxes, the control of the employees' activity, the setting of their attributions, their appointment, the granting of reductions or exemptions.

By 1830 when The Organic Regulation appeared, the main sources of income in Moldavia and Tara Romaneasca were:

- repartition taxes, consisting in a tax paid in installments;
- Share taxes -made of the tax on the beehives, the tax on swine and sheep ("obstina" in Moldavia), tax on wine, the tax on the chimneys, the tax on cows and bulls and horses, the tax on grazing.

The taxes that the Romanian peasants had to pay were many; some disappeared, others appeared. The collection of the taxes was many times made arbitrarily, causing many complaints towards the rulers. The rulers tried to stop the conflicts between the tax payers and the collectors, but most of the times they solved them in favor of the state.

In Transylvania, the main taxes were those on gates, on the support of the army, capitation in kind and money and the public work. In 1754, the empress Maria Theresa established the following taxes to the state:

- the tax on the estate: real and movable estate (bulls, horses, goats, pigs);
- the tax on the head-also called the tax on capitis, which was differently applied on categories of tax payers: for the peasants it was small, for the city dwellers it was big, while the nobles did not pay taxes at all.

The fiscality between 1945-1989 based on the nationalization of the properties, the disappearance of the private property and the extension of the state property.

The state incomes during 1945-1989 were made from the deposits from benefits, the tax on the merchandise circulation, tax on retributions (salaries) and local taxes.

The majority of the taxes of the state budget were deposited by the enterprises to the bank in the account of the Ministry of Finances. The deposit of the benefits made by the state enterprises was realized differently by the enterprises with republican interest from the ones of local interest.

The income of the population submitted to taxation were those made by workers, clerks, men of letters, artists and scientists, freelancers, tradesmen, sellers, persons that made income from renting, agricultural sources, mill owners.

Soon after the revolution in December 1989 the installed political power annulled the old normative acts that instituted the fiscality in the socialist communist Romania and passed new normative acts inspired from the western fiscality.

Beginning with 1990 up to 2007 the Romanian fiscal system was inspired by the fiscality of many western countries such as France, Spain, Holland, Germany. Inspired by the western fiscality, the Romanian fiscal system knew a great instability. At the beginning of each year, up to 2003 when the fiscal code appeared, the fiscality kept changing, causing instability on the economic and social plan. Though the appearance of the Fiscal Code in 2003 should have led to a certain stability of the fiscal system, this did not happen, the Law 571 regarding the Fiscal Code was modified by different decisions or emergency decrees even at the end of the year for the next year, although these modifications had to be made 6 months before, so that the economic environment should know the fiscal policy of the government.

Before the appearance of the Fiscal Code in 2003, when the majority of the normative documents regarding the taxes and duties were reunited in one law, more normative documents were issued for each tax thus their application was difficult both for the state fiscal apparatus and for the economic agents.

The taxes applied in the European Union countries are mentioned in the **third chapter**. In the first part of the chapter we treated a methodological and technical synthesis regarding taxation in the European countries and in the second part we focused on the methodology and taxation shares for the tax on profit and the value added tax in 14 European countries.

The taxes in Europe are not much different from those in Romania. More substantial differences are registered on the taxation shares that apply to the 26 taxes in the European Union but also to those outside the European Union.

The fiscal tasks that a society in the European area has to pay are classified in two big categories:

1. Fiscal tasks regarding the benefits realized ;

## 2. Fiscal tasks independent from the economic results of the unit.

In some countries members of the European Union more reform measures in the fiscal domain were taken such as: the reduction of the social contributions, the diminishing of the VAT in the sectors with intensive labor, the introduction and growth of the ecological themes.

The fourth chapter comprises the main taxes and contributions which are applied to Romanian agriculture, treating the methodological aspects, the technical aspects and the taxation shares.

The main taxes comprised in the Romanian fiscal code that are calculated and supported by the economic agents in agriculture are:

- the tax on profit;
- the tax on the income of the micro-entreprises;
- the value added tax;
- the tax on the agricultural income;
- the tax on buildings;
- the tax on land.

The fiscal incidence concerning Vaslui's county agricultural facilities is treated in **fifth chapter**.

In Vaslui county the main branch of occupation of the population is agriculture, where 51,2 % of the population develop their activity. Also the population of the county lives mainly in the rural environment, respectively 58,7% compared to 41,3% in the towns.

The agricultural area of Vaslui county occupies 75,4% of the total surface. Although Vaslui County is mainly agricultural, the average productions obtained are small because of the defaced as a result of the soil erosion or of the unreasonable exploitation.

Fiscality in Romania after 1990, granted influenced the agricultural sector granting the following fiscal facilities:

- the exemption from the tax on profit for a period of 5 years;
- the application of the reduced share for the agricultural units;
- the exemption from taxation for the reinvested profit;
- the exemption from increases and penalties for the tax payers that requested the payment in installments of the debts to the state consolidated budget;
- the lack of taxation in certain periods of the agricultural lands and production;

From these advantages benefited the tax payers in agriculture that:

- appeared in the period 1990-1996, had private capital and functioned at least 5 years from the date of the appearance;
- made profit at the end of the fiscal year and reinvested the profit in order to develop the business by means of buying constructions, equipment, land, etc;
- requested the payment in installments of the debts to the consolidated budget of the state and if they paid the debts they were exempted from penalties and increases;
- after the appearance of the law 18/1991 regarding the land and the reconstitution of the right to property on lands, the owners of the lands did not pay taxes to the state budget or to the budget of the territorial administrative unit until 2005;
- the production obtained from the agricultural land has not been taxed until this date.

The economic agents from the agricultural sector with private capital benefited in the period 1990-1996 from the exemption from the tax on profit on a period of five years from the date of creation. The exemption was applied with the condition that the economic agent should function for a minimum of 5 years after the date of the expiration of the period for which the exemption from the tax is applied.

The economic agents that benefited from this exemption were obliged to calculate the tax for the profit realized and to communicate it to the fiscal organs to be acknowledged.

In the period 1991-2000, the economic agents communicated to the fiscal agents in Vaslui county total exemptions from the tax on profit of a total amount of 3.388 thousand lei.

#### **Total exemptions of the tax on profit**

Year	The exempted sum lei( the sum comparable on 1.01.2008)
1991	784.560
1992	112.868
1993	184.026
1994	401.465
1995	508.360
1996	442.639
1997	324.538
1998	386.540
1999	221.520
2000	121.634
<b>Total</b>	<b>3.388.150</b>

Source: Data taken from D.G.F.P. Vaslui reports

The sum of 3.388.150 lei was actualized the basis of the inflation factor to the gross sums communicated monthly in the period analyzed by the economic agents to the fiscal organisms.

It should be noticed that for the economic agents that benefited from the exemption from the tax on profit and did not function five years after the period of exemption the fiscal bodies calculated the tax on profit for the period of exemption in a total sum of 82.161 lei (actualized rate of inflation being) obliged at the payment of this sum. In this category were comprised the agricultural societies that, because of the lack of the financial resources could no longer function.

In the period 1995-1999, the economic agents of agriculture benefited from a reduced share of the tax on profit from 30-38% to 25%. This reduction was applied only to the economic agents that made at least 80% from the incomes in agriculture. As a result of the controls made by the fiscal organs resulted that in the period 1995-1999 the economic agents from agriculture benefited as a result of this facility, from an exemption of 345 thousand lei (actualized.01.01.2008).

#### **Exemptions from the tax as a result of the application of the reduced share**

##### **Thousands lei actualized on 1.01.2008**

	1995	1996	1997	1998	1999
Tax owed in conformity with the normal share	67	52	107	151	161
Tax owed in conformity with the reduced share	35	34	71	99	106

Source: Data taken from D.G.F.P. Vaslui reports

In the period 1997-2002 the economic agents in the agriculture of Vaslui County that reinvested the profit, benefited from the exemption of the tax on profit. After 1/01/2003 there have not been granted exemptions for the reinvested profit. As a result of the controls made by the fiscal organs that confirmed the exemption from the tax on profit as a result of the investment of the profit in real and natural goods resulted that the economic agents from the agricultural sector benefited from exemption from the tax in the total amount of 1.207 thousand lei on a period of 6 years.

#### **Exemption from the tax on profit of which took advantage the economic agents**

##### **Thousands lei actualized on 01.01.2008**

	1997	1998	1999	2000	2001	2002
Total profit made	84	184	265	683	2910	3650
Total profit reinvested	58	78	123	260	2012	2160
Total tax exempted from payment	22	30	47	65	503	540

Source: data taken from the reports of D.G.F.P. Vaslui

We analyzed 28 economic agents that benefited from the exemption from the tax for the profit reinvested and we noticed that the respective sums were spent on:

- the buying of equipment for agriculture 182 thousand lei;
- the purchase of buildings and constructions destined to the development of the activity 615 thousand lei;
- the modernization of the buildings and existing constructions 165 thousands lei.

At the level of Vaslui County in the period 1998-2006 benefited from the payment in installments of the debt to the state consolidated budget 125 economic agents that develop their activity in the agricultural sector. As some of the economic agents respected the installments approved and paid the installments at the established dates benefited from exemptions of the increases and penalties of 2.951 thousand lei. These sums were registered in the accountancy evidence of the economic agents as exceptional income from operations of administration that influenced positively the income and profit of the firms.

**Exemption from increases and penalties of which benefited the economic agents from the agriculture of Vaslui county in the period 1998-2006**

**Thousands lei actualized on 01.01.2008**

Exemptions from increases and penalties	1998	1999	2000	2001	2002	2003	2004	2005	2006
	84	196	218	129	312	926	785	203	118

Source: data taken from the reports of D.G.F.P. Vaslui

The level of exemption in the analyzed period was influenced by the normative acts in force at that time.

As the normative documents did not state the obligation of the economic agents of using these sums to a certain purpose, the fiscal organs did not have such a theme of control. However, from the experience of the application of the normative acts regarding the payment of installments, we may appreciate that many economic agents were exempted from debts at the consolidated budget of the state, avoiding bankruptcy, and due to the lack of debts to the consolidated budget of the state, they could benefit from bank credits for the development of the activity.

Although the application of Law 18/1991, regarding the funciary fund, began since 1992, the lands of the new owners were not taxed and nor were the incomes from the production made.

The first taxes of agriculture appeared in 2000 when they comprised the incomes obtained as a result of the leasing of the agricultural lands. However this type of taxation is only realized in a percentage of 10-15% from the rented surfaces from the following reasons:

- there is not a centralized situation at the county level regarding the owners that leased the land;
- the taxation is made on the basis of the declaration of the owner;
- the land agent does not have the obligation to inform the fiscal organs about the owners from whom he leased the land or on the sum or quantity of products given to the owner.

The material and main research methods used in general and within the doctor's degree thesis are:

- the economic analysis;
- the direct observation;
- the inquiry based on questionnaires.

Although the synthetic indicators analysis upon fiscality wasn't edifying for the researched area, it was attained a punctual analysis on fiscality in Vaslui County, based on a selective investigation that involves a questionnaire. The work technique, the questionnaire is recognized as a new standard method for gathering specific data for a certain domain of activity. The questionnaire main purpose was to attain information in a systematic manner, using a set of questions and recording of the subjects answer.

The questionnaire was conceived in order to attain the data direct from the main source, the economic agent representatives or the economic agents in agriculture, familial association representatives or authorized person.

The questionnaire used in research (annex 1) involved 17 punctual questions with 92 answers from 240 subjects.

The selection implied:

- the economic agents selection based on the main activity domain as domestic animals breeding, wheat and technical plants growing, viticulture, fruits and vegetables growing, agriculture services;
- the subjects were numbered from 1 to 240;
- a number of 92 subjects were elected.

Based on the subjects answers at 17 questions, the final conclusions were:

- most subjects knew the main taxes to be paid;

- most subjects (80,4 %) were unsatisfied by the fiscal level in Romania;
- when the legislation permitted the fiscal facilities, the economic agents took advantage of it;
- the frequent changing of legislation affected the economic agents main activity;
- the frequency of fiscal legislation changes should be at least 3 years;
- the most frequent quotas proposed by the economic agents representative were:
  - the tax on profit = 15%
  - VTA level = 16%
  - pension contribution = 16%
  - unemployment contribution = 1%
  - health contribution = 5 %

The involvement of the state in the economy and the way it protects agriculture are presented in **the sixth chapter** of the thesis. Thus the share of public expenses for agriculture in Romania reduced from 26,2% in 1990 to 12,7% in 2002. The normative documents issued after 1990 did not have as result the development of the agriculture, the exploitation on big surfaces disappearing.

Thus the number of the exploitations in Vaslui County is 133.815, which exploit 15.422 thousand hectares, on the average 3, 41 hectares occupying the 25<sup>th</sup> place in the counties in Romania from 42 positions.

**The seventh chapter** comprises conclusions and proposals that emphasize the conclusion resulted after the research made as well as the proposals of the author with a view to the improvement of the fiscal contribution in the domain of agriculture development.

Fiscality in Romania after 1990 has granted some fiscal facilities for all local economic agents, including those agents from agricultural sector. Those fiscal facilities were:

- the exemption from the tax on profit for a period of 5 years, calculated from appearance date, applied between 1991 and 2000;
- the application of the reduced share for the agricultural units;
- the exemption from taxation for the reinvested profit;
- the exemption from increases and penalties;
- the lack of taxation in certain periods of the agricultural lands and production.

Fiscal facilities mentioned above, at a low level, had determined the agricultural growth, due:

- the reduced number of organizational structures involved in agricultural sector;

- the organizational structures from agricultural sector had no strong technical and material foundation for growing and proper functionality;

- the new individual owners lack of trust in different associations forms.

Even European Union has different opinions according to some fiscal facilities, those are used in many countries from the EU. That way fiscality may substantially contribute developing agriculture by adopting the following measures:

The support for building and consolidation of agricultural societies were attained by:

- the exemption from the tax on profit for a period of 5 years from appearance date, if the profit was used for business development. Among EU countries that use such exemptions are: France, Germany, Greece, Italy, Luxembourg, Poland and Portugal;

- the exemption from the tax on agricultural income for a period of 5 years from leasing date, in order to encourage the leasing activity and to increase the agricultural surface with the condition of maintaining the leasing at least 5 years;

-the lack of excise for petroleum products, energy and natural gases for agricultural purpose;

-the appliance of maximum 5% VTA over agricultural inputs for all supplies and agricultural services. Such VTA taxes can be reached in EU countries as Belgium, France, Germany, and Holland.

- the decrease of taxation shares at the following categories:

- the tax on profit = from 16% at the moment, to 15%;

- VTA = from 19% at present, to 16%;

- pension contribution = from 19,5% to 16%;

- health contribution = from 5,5% to 3%.

- in order to accelerate the decentralization process I suggest that a share of main taxes of the consolidated budget of the state to be distributed to local communities as follows:

**-tax on profit:** 15% whom - 12% for the consolidated budget of the state ;

- 3% for local communities;

**-VTA :** 16 % whom - 14% for the consolidated budget of the state ;

- 2% for local communities ;

**-the tax on the income of the micro-enterprises** - 3% whom :

-1,5% for the consolidated budget of the state ;

- 1,5% for local communities.

Such distributions apply in countries as follows: Austria, Denmark, Finland, USA, Canada.

In conceiving of the paper I wished to accentuate the fiscal role in development of agriculture in Vaslui County, a poor region with low industry, where the main economic branch, agriculture, is affected by climate, soil and water supplies problem.

During this thesis I used my experience in fiscal field as an inner person. In order to attain the opinion from “the outsiders”, the economic agents, I realized an investigation based upon a questionnaire which result has edified me in the way of practical fiscal, the economic agent’s side.

This thesis is based upon 4 of my publications in different national and international scientific meetings, as follows:

- ✓ Pavăl, I., Study regarding the agricultural development of Vaslui County, Scientific papers, vol. 50, University of Agricultural Sciences and Veterinary Medicine “ Ion Ionescu de la Brad” Iasi 2007
- ✓ Pavăl, I.,Aspects regarding the agricultural fiscal in Vaslui County, Scientific papers, vol 50, University of Agricultural Sciences and Veterinary Medicine “Ion Ionescu de la Brad” Iași 2007.
- ✓ Pavăl, I.,Changing of structure and property in Vaslui County’s agriculture - Scientific papers– International Conference – Modern Technology, quality, restructuring - MTQR, 2008.
- ✓ Pavăl,I.,Study regarding the Vaslui County’s agricultural exploitations and their sizes– Scientific papers – International Conference – Modern Technology, quality, restructuring - MTQR, 2008.