

TAX EVASION, A CURRENT PROBLEM OF THE ROMANIAN AGRICULTURE

Venig Aurora*

*University of Oradea, Faculty of Environmental Protection, 26 Gen. Magheru St., 410048, Oradea, Romania, e-mail: venig_aurora@yahoo.com

Abstract

This paper resembles a mainly important problem of the Romanian agriculture: tax evasion. This phenomenon reduces the development of the agriculture. The main problems limiting the development of the system are: the high fragmentation of agricultural holdings, which results in many small and very small farms, lacking the economic resources needed to re-start the irrigation systems, the design of irrigation systems for large farms, which currently has a very high degree of fragmentation of agricultural holdings, obsolete irrigation infrastructure and equipment. Romania is behind the other EU Member States in terms of farmers' expenditure on plant protection products, which is still a factor affecting agricultural returns. Romania is on the penultimate spot in the EU from the perspective of spending from the state budget for agriculture. This statistic does not tell the complete story because much of the investment in agriculture in Romania comes from programs such as the National Rural Development Program or the Common Agricultural Policy that are largely funded by European money.

Key words: tax evasion, agricultural sector, differentiated tax, tax system

INTRODUCTION

Tax evasion is an illegal practice where a person, organization or corporation intentionally avoids paying his true tax liability. Those caught evading taxes are generally subject to criminal charges and substantial penalties. (Won, 2005).

As a phenomenon, tax evasion occurs both nationally and internationally, representing one of the most widespread economic crimes. (Penson, 2009). Frequently, fraudulent tax evasion occurs in various forms, such as: keeping unreal accounting records; the deliberate destruction of documents that can help to find out the truth about deliveries of goods, the prices charged, commissions paid or paid, etc .; drawing up fictitious payment documents; unjustified change in supply and transportation, handling and storage costs; making false customs declarations importing or exporting goods; drawing up false tax statements, when knowingly only part of the income is mentioned. (Drummon, 2013)

The agricultural sector has the second largest share of total tax evasion in Romania, 9% or about 1.7 billion Euros, according to the fiscal council. In parallel, Romania is on the penultimate spot in the European Union from the perspective of capitalization of agricultural holdings. (Alec, 2013) The segment in agriculture where this kind of tax evasion is most pronounced is

the sale of primary agricultural products, especially cereals and fruit-vegetables. The producer sells production directly from the field and it reaches the final consumers at a price several times higher, and the undeclared amounts between the purchase by the intermediary and the final sale go into evasion

Agriculture is also strongly affected by the phenomenon of "black work", but this is harder to quantify, as subsistence agriculture and unpaid family labor are widely practiced. (Dornean, 2013)

The low degree of capitalization is caused by the high level of fragmentation (lack of scale economies and the possibility of easily obtaining funding), low farm income and lack of farmer training.

The symptoms of low capitalization in agriculture are numerous and significantly affect yields. For example, technological facilities on agricultural holdings are rudimentary. For example, less than 2% of holdings in Romania own at least one tractor.

The main obstacle to the technological endowment of the Romanian farmers is the small size of the agricultural holdings, which does not allow the efficient use of the modern technological means and does not justify the investment in them due to the harvests obtained.

MATERIAL AND METHOD

Fiscalising an area where evasion reaches two billion Euros is a test stone for the government. Finance tried to collect more money to the state budget through flat tax, but this proved to be a failure. Specialists come up with new proposals for the Executive: agricultural land tax or differentiated tax, but to pay from the principle of stimulating productivity farm. Practically, the authorities wanted to tax income earned by individuals doing farming. Until now, farmers paid for the state, but it was a fixed amount, which was multiplied by the number of hectares of land with the value of each hectare. Now every farmer would have to pay tax for all the animals and the land he owned.

Romanian farmers have not rushed to respond to the authorities' call to declare all their goods, so neither the state did not cash as expected, nor the tax evasion has diminished.

Only 120,000 farmers out of 600,000 have filed their income statement, that is, no quarter of government estimates. The taxation system thought by finance specialists has been harshly challenged by players in agriculture even before implementation.

Three conditions that led to the failure of the flat tax system.

Lack of information to farmers - As the collection of the money to the state budget was sought as quickly as possible, the measure was quickly implemented. Farmers have not been informed or helped by the authorities

to understand the system. They have not clearly explained what they have to do.

It was a false premise. In addition, the authorities have started from a false premise, as tax evasion in agriculture does not come from small farmers. The large sums estimated as coming from tax evasion come from bakery and VAT returns, not from small farmers.

RESULTS AND DISCUSSION

Solutions for taxing agriculture

Authorities should consider a measure that does not burden them with bureaucratic formalities. The agricultural land tax paid at the state mayoral system could be a viable solution that farmers will respect.

However, it is important to have an electronic system for registering farmers, which would allow the authorities to send the afferent tax through the post, without having to go to the city hall. In fact, the more the system is easier, the more chances for the authorities to collect more money to the state budget.

Differentiated Tax - there is a need for a differentiated tax, but to move away from the principle of stimulating agricultural productivity. Actually, a system to support small farmers, and not to pursue the collection at any cost of revenues to the state budget. (Popescu G., 2013).

CONCLUSIONS

A phenomenon that hinders the development of the Romanian economy is tax evasion, what consists in forcing taxpayers from paying their tax obligations in part or total, using legislative loopholes or resorting to ingenious maneuvers to hide taxable material.

The causes of the escapist phenomenon are:

- fiscal pressure;
- legislative inconsistency and instability;
- economic instability;
- High predilection of risk taking by the taxpayer to avoid taxes;
- deficiencies found in tax citizenship and in the degree of voluntary compliance of taxpayers;
- Some weaknesses in the fiscal control apparatus.

The fiscal pressure expresses the intensity with which taxes, duties and taxes are levied contributions from economic agents in agricultural domain. This indicates the extent to which the nominal earnings of the population are diminished through taxation and, at the same time, reveals the extent to which the state's consolidated budget earns its income through tax collection. A pressure high tax evasion leads to high tax evasion, large

evasion translates into low incomes the state budget, and insufficient incomes impose an increase in fiscal pressure, which means that we are in a "vicious circle," at least theoretically. The evasive phenomenon has consequences at the macroeconomic level, such as the state's deprivation of the appropriate financial income, a circumstance which limits its possibilities for intervention and financing of economic and social activities. At microeconomic level, economic operators are to avoid paying taxes and charges, allowing them to set lower costs, and obviously the possibility of unfair competition to those who work honestly, thus distorting the free market mechanisms. The existence of tax evasion in agriculture leads to a decrease in the tax revenue received, which will be as the effect of increasing the budget deficit. Using this reasoning, we can claim that existence tax evasion in agriculture has a negative effect on the overall balance of the economy through growth budget deficits due to the state's failure to collect the estimated tax revenue.

On the other hand, besides the phenomena of corporation and tax evasion, Romania's economy is affected by the global and national economic and financial crisis. (Zahiu L., 2006)

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