TAXATION IN THE CONTEXT OF EUROPEAN ECONOMIC GOVERNANCE

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Abstract: *Through taxes, a significant proportion of gross domestic product is collected and concentrates to the state for financing public spending, giving direct expression of taxation as a set of processes for redistributing GDP. Thus, both in the political and economic, financial and social level it gains a particular importance the issue of dimensioning the part of GDP taken in the form of tax, for the state disposal and, implicitly, for its proportions of fiscal levies, which shows the relative level of taxation also called level of taxation. The amount of income tax, respectively of taxes collected don't only result in taxable mass and its tax rate, but are also influenced by behavioral factors. In other words, tax revenues to the budget depend on the proportions propensity to evasion or tax for fiscal civism and some studies show that, generally, the greater the tax burden is, the more the tax will decrease fiscal civism (even if only in the spirit of conservation) and increase the propensity to evasion.*

Keywords: tax, tax levy; level of taxation; gross domestic product; tax evasion; fiscal civism; tax evasion; public expenses

Introduction

The presence and the issue of tax, and implicitly of taxation in the life of humanity, generated by the need of public finance expenditure was and remains a controversial area, going down from a challenge to accepting them as a necessary evil and their involvement with major impact as variables in models / mechanisms of functioning of modern socio-economic systems. Consecration of these concepts from the compulsory charging tax content of the product created by the subjects of the state, without equivalence or counterpart and subsequently forfeited, thus having a fiscal nature typical organic falls in the evolution of human society being inextricably linked with the functioning of state institutions consumers, but uncreative, directly, new value from early forms to modern institutions and public bodies with specific tasks and contemporary complex duties.

Upon developments in this area a major impact had the mutations regarding the state's role in the economic and social life of human communities, which were amplified with the growing complexity of life and work of organizations such as

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state by assuming new tasks and providing public goods and services freely or partially subsidizing their costs.

But, more generally, costs for public consumption, either in its traditional areas, concerning defense, public order, functioning public administration, education, health, culture, art, social security, or in newer ones such as social protection , scientific research, environmental protection, etc., including the realization of economic activities, especially for cyclical smoothing of the economy is based on performing tax levies and tax implicitly. Objectively, the growth of public utilities provided free or subsidized increases the need for financial resources whose purchase leads inevitably to an increase in tax levies in various forms of taxes equated expressed often by the concept of taxation.

Thus, the issue of taxes is at the same time, also one of the taxation, namely the structure and functioning of the tax system, designed also as normative-regulatory framework as a practice of taxes to finance activities whose costs are recoverable from users or from income obtainable in these activities, considered to be principled, value uncreative.

1. Classical and modern approaches to the concept of taxation

In a broad, habitual sense, in the "Le Petit Larousse" dictionary, taxation is explained as a system of collection of taxes, as well as all laws to which it relates and treasury management activity is seen as responsible for determining and collecting taxes. By comparison, while remaining some of the previous meanings, in the encyclopedic dictionary of the Romanian language, taxation is presented as a system of levying of taxes by tax authorities, and tax authorities as a state institution in charge of establishing and levying taxes or watching those who have not paid within these contributions.

On the other hand, starting from the definition of taxes that can be considered as classic, meaning "sampling a portion of the income or wealth of natural and legal persons available to the state to cover public expenditure", some authors reduce taxation to a "relation between the state and individuals or legal entities "(Tatu, *et al*., 2004, p.1), while others consider it as "a system of principles, rules and norms enacted on: recording and management of taxpayers, establishing, highlighting and settling tax obligations, control and resolution of complaints, providing tax assistance to taxpayers for correct knowledge and application of tax laws "(Florescu, *et al*., 2005a, p.49).

We also note the fact that the approaches of differentiated taxation are in correspondence with the tax system. This is defined, in turn, in certain sources, as "all taxes imposed by the state which ensures an overwhelming part of its budget revenues, each having a specific contribution tax and a regulatory role in the economy" (Corduneanu, 1998, p.21). In other sources, the tax system is considered "a set of concepts, principles, methods, processes regarding a lot of items such as taxable matters, quotas, tax subscriptions, among which there are manifested relationships that arise from design, legislating, settlement and tax collection and are managed according to tax law in order to achieve the objective of the system"

(Hoanta, 2002, p.169), leading usually to the substitution of the two terms. Most often, especially the Western literature deals with the concept of taxation especially legally, giving it the meanings of a set of rules concerning the system of taxes and, generally, the tax contributions to the state or a system of levying of taxes by public authorities in order to achieve socio-economic functions of the state (Saguna, 2003, p.345) or of a "system of incorporation state revenues by redistributing national income contribution taxes covered as legal rules "(Condor, 1996, p.147).

Economically, the tax is a set of economic processes of redistribution of value, from individuals and legal entities available to the state, and from there to the satisfaction of public needs, which necessarily includes tax levies to public financial funds, as processes of getting resources with their allocation to finance public expenditure.

By comparison, we note that in previous approaches, the concept of taxation is grafted only on processes of sampling parts of income or wealth of individuals and businesses available to the state under tax forms, according to the provisions concerning mandatory tax levies achievement. Thus remain uninvolved the processes of resource allocation and utilization of accumulated state, although they are only usable to provide free services and, in general, public utilities for the benefit of members of local governments. Or, in terms of economic and reasoning of its existence as a social phenomenon, taxation is justified to be approached, both in terms of fiscal resource mobilization processes and the processes of allocation and use of these resources to meet the needs that are deemed to be public and involving relationships between public authorities and members of local and state type.

As the existence of taxes, the presence of taxation is due to the origins of the manifestation of public or social needs. They are delimited by the individual ones which are paid directly to each person and the concern for their satisfaction leads to the purchase of goods and services on the market in question by the price paid by their suppliers according to their own choices and possibilities. In contrast, the public needs are more difficult to be acknowledged (Done, 2002, pp. 182-186), and it is sometimes even difficult to realize the benefit of certain goods or services offered by community such as national security, public order etc. In fact, any community, rich or poor, has tosolve the problem of procuring the resources needed to ensure its members to provide common goods and services, social and public fundssize required depends on the purposes for which they are established by area activities to be finance or state obligations, proportions involving taxation.

It is obvious, therefore, that states can conceive phenomenon of taxation at both large and small scale, as it admits the possibility of meeting the total need more or less through public services. In correspondence with this option it is accepted, implicitly, both large and small utilities in meeting the total need about private insurance, which means that their costs occurs in the ofindividuals and businesses on account of their private income.

Incidence of taxation and its dimensions, reflected through the fiscal pressure rate

Therefore, sizes of taxation can be given synthetically through taxation rate(t_r), calculated at the national level, as the ratio of the total amount of taxes and mandatory contributions collected by tax authorities or tax levies ($\sum T_l$) and the size of gross domestic product (GDP), according to the following relationship:

$$\mathbf{t_r = \frac{\sum T_l}{GDP} \times 100} \qquad (1)$$

Expressed as a percentage, taxation rate shows what percentage of GDP carried out is available to the state by focusing procurement forms of taxes and mandatory contributions and its level relatively gives an overview of fiscal pressure exerted on the country by incurring taxes, charges and mandatory contributions by taxpayers, highlighting the differentiation of political views on proportions of taxes and involvement in financing public expenditure.

The necessity of collecting taxes from taxpayers to finance public expenditure and taxation prints an objective, but the latter is attached also a psychological component, the fiscal pressure (Florescu, *et al*., 2005b, p.74) aimed at tolerance from the taxpayer to the tax liabilities incurred.

From the perspective of the taxpayer, the tax pressure rate expresses the extent that the income is deprived of much of its use constituted a deterrent to the taxpayer, which also has psychological effects and reactions of the most diverse, pushed to the use of brutalforms ignoring the legislation and practice of evasion or tax fraud.

In this respect, the incidence of taxation is marked both by the processes of redistribution of income and wealth, and as a factor of pressure on taxpayers and the tax burden rate is considered of major importance in all states more or less developed, with deep solutions adopted having economic and social implications.

Approached at the level of person or individual, the taxation rate implies tax individualisation with the corresponding calculation base and can be determined at its level, as the ratio between the amount paid and the amount of related income taxes, taking into account the tax base as the following relationship:

$$\mathbf{t_{rp} = \frac{\sum T_{nk}}{\sum I_{nk}} \times 100} \qquad (2)$$

where t_{rp} – tax rate for one person, taxpayer; T_{nk} – taxes supported by person k; I_{nk} - the amount of incomes obtained by person k.

It is thus justified the emerging concerns tax for the determination and analysis of the tax ratio, not only as a share of GDP fiscal levies but also of social categories, namely the taxpayers or groups of individuals (Filip, 2002, p.83). In this case it is aimed the size of the tax burden, reflected in the share of fiscal total revenue for those taxpayers, enabling comparisons and assessments bearing on the possibilities of this tax burden. For this purpose it can also be used family budgets as sources of information for determining the size of both the revenues and the taxes borne by the respective families. The calculation formula applied in this case is the following:

$$\mathbf{t_{rj}} = \frac{\sum \mathbf{T_{lj}}}{\mathbf{GDP}} \times \mathbf{100} \qquad (3)$$

in which: t_{rj} - tax rate borne by a sector of the population; T_{lj} - tax levy borne by population category "j" corresponding to each category of population.

The determination of the tax rate on taxpayers' categories also allows the analysis of tax characteristics of different choices practiced, and offers support, both in terms of efficient taxation system structure adopted at a time, social stability and steady supplier of office and election quotas and ways of determining the percentage of tax payment. In this context, we can notice its usefulness to the structuring of taxable income on installment for progressive taxation, so as to ensure the requirements of tax fairness.

It may also be of interest the knowledge of fiscal pressure expressed by tax rate for each tax separately quantified, but especially for major taxes, prompting it as a ratio between the amount of tax or other levies related to a tax or another and the indicator GDP at national level, according to the following relationship:

$$\mathbf{T_{rt}} = \frac{\sum \mathbf{T_{lt}}}{\mathbf{GDP}} \times \mathbf{100} \qquad (4)$$

where T_{rt} – tax ratio generated by analysed tax; T_{lt} - the amount of tax levy corresponding to a specific tax.

The determination of the tax rate for each type of tax (payroll tax, to value added, excise, etc.) can be conceived as a ratio between the amounts collected and bases of calculation: gross salary, profit, turnover of the company, etc. (Vascu 1997, p. 94), including the case of property tax, taking into account specific calculation bases. In particular, modern enterprises make such calculations for determining tax expense ratios and taxation in their evolution in order to develop their decisions, especially in the sphere of investments.

From a short term perspective, it may be noted that taxes collected by the state from economic agents shall be constituted, in their view, in elements of fiscal pressure.

This is especially pronounced as the share in value added tax made by companies is greater, taking into account indirect taxes such as excises and the VAT, although they are not actually incurred by companies, but the argument that they affect sales volume and competitiveness through the increased level of prices.

Therefore, in a global vision, the fiscal pressure that confronts the company tax rate can be expressed by the following relationship:

$$\mathbf{t_{rc}} = \frac{\sum \mathbf{T_{dc}}}{\mathbf{AV}} \times \mathbf{100} \quad (5)$$

or

$$\mathbf{t_{rc}} = \frac{\sum \mathbf{T_{dc}}}{\mathbf{T}} \times \mathbf{100} \quad (6)$$

in which t_{rc} - tax rate at company level; AV - the added value achieved at company level; T - turnover at the company level, which is less relevant.

A more rigorous alternative of expression to the company tax rate would be determined by excluding those taxes paid by the company only as intermediary, but in fact supported by others, such as indirect taxes, payroll taxes, CAS, etc., from the total amount of tax levies performed (Filip, 2007, p.112), the calculation being the following relationship:

$$\mathbf{t_{rc}} = \frac{\sum \mathbf{T_{lt}} - \sum \mathbf{A_{tb}}}{\mathbf{AV(T)}} \times \mathbf{100} \quad (7)$$

in which: $\sum T_{lt}$ - the total amount of tax levies made by company; $\sum A_{tb}$- the amount of taxes (including indirect ones) borne by other persons (from own revenues).

It is obvious that the tax burden by buyers or consumers of products sold or by the company's employees can not be attributed to companies, raising unjustified taxation rate considered at their level, although there is the tendency of such an interpretation.

A less realistic representation of the dimensions of taxation is considered to be the number of "confiscated hours of professional life" (Lefebvre, 2003a, p.668) by payment of tax liabilities, taxes. Thus, starting from individual life cycle of an employee expressed in "n" hours, it can be accepted that for compulsory taxes, each taxpayer is confiscated a number of hours of professional life and the rate is proportional to the share of hours linked to taxes. Thus, in a professional life of "n" hours worked, the number of hours of work needed to cover the various forms of tax paid varies by socio-professional category, but also by the social, personal situation, especially considering indirect taxes. Although arguable as approach, calculations of this "confiscation of professional life" through taxes show that it is 20 years for senior manager and 17 years and 2 months for taxpayer with average wage. In turn, taxing the car confiscates ffrom the professional life 2 years for a senior manager, but three years and five months for taxpayer with minimum wage and social contributions only seven years of life; almost as for taxpayer with the minimum wage and for senior managers, as for general health contributions, and VAT respectively 1 year and 2 years of professional life (Lefebvre, 2003b, p. 669).

On the other hand, there are several angles of interpretation of the tax burden, and the most frequently mentioned are considering either tax payer's perspective or that of the state, the role of tax collector or economics, respectively public finance.

Seen in the light of the tax payer, the tax burden expresses the degree of subjecting the taxpayer to bear the tax burden established by the law. Even the name of fiscal pressure is likely to suggest that it signifies, for the payer, an obligation. Therefore, the size of the tax burden shows what percentage share of taxable income that constitutes the taxable matter will be taken for the general needs of society. By default, increasing fiscal pressure coefficient indicates a relative increase in the levy to the state budget, meaning a relative reduction in available income, while a reduction means keeping a greater portion of income earned by the individual at his disposal.

Consequently, any change to the marginal rate of taxation, respectively of fiscal pressure means, if an increase, a penalty of the work effort and increase of income and, if prices fall, an encouragement to this effort.

If the interpretation is done from the perspective of the state, with the role of tax collector, tax burden size indicates how much of the national income created in the economic activity is to be considered as budget revenue in the way of taxation and public spending to provide funding. For the state, increasing the burden favors increasing budget revenue receipts and financing higher budget spending, while a decrease warns them of the possible tensions to their coverage and the occurrence or increase of the budget deficit.

2. Decisive factors of tax size and their influence in the relations between taxation and development

In light of quantitative side of levies as taxes or fiscal redistribution processes, evolution in time and space of the proportions of taxation highlights various trends particularities, especially in terms of economic and social development level of each country. Thus, recognizing that the scale of fiscal redistribution reflects the level of taxation or tax burden genericaly expressed through taxation rate, there are striking differences, to increase or reduce it at different times, in the same country or in different countries. Such differences are determined by various factors, reflected through economic and social policy objectives pursued by governments within programs, marked not only by political options of the groups represented in the government, but also by manifestation of conjunctural situation in the real economy or considerations subjectively, etc.

It is interesting to analyze changes in the level of taxation, the behavior of the factors involved in quantifying tax burden, firstly, the size of taxes, in the sense of the overall amount collected from the total taxable material associated with the size and structure percentage rates of taxation on the one hand and the amount of taxable material made of income, wealth, on the other hand. Thus, if an increase in the tax rate while taxable matter remained at the previous level, it means that there has been a change in individual tax rates, for example, portions of income or revenue categories, which can discourage economic activity. Conversely, if there is a decrease or maintain of the tax rate while the volume of taxable increased, it can be appreciated that the size of tax rates is stimulating for economic development.

It appears, moreover, that for the evolution of contemporary society, it appears characteristic the tendency of assuming by governments, in addition to the traditional tasks, the concern to promote actions aimed interventionist involvement based on tax system, along with other tools to influence economic and social life, and that, overall, is a general tendency to increase taxation. This does not exclude that in periods when governments are moving towards supporting private initiative in the economy, to be promoted a certain relaxation of the tax burden. But usually such periods alternate with those in which the state assumes greater tasks including intervention in economy, which makes the tax rate increase on the whole.

In the same context, the finding appears significant that in developed countries, direct taxes paid by individuals and legal entities hold an important place in overall revenue tax being deducted at source and easier to control, based on the declaration of taxpayers by bodies tax, while income tax or consumption-type VAT taxes, including excise and customs duties are applied widely, but their contribution is reduced by tax evasion. In contrast, in less developed countries, fiscal resources are lower primarily due to lower levels of income and principal place comes to indirect tax.

Another factor having a major impact on overall tax ratios proves to be the economic situation as it affects the size of financial income as a result of the influences acting on tax yields. In this regard, it notes that the sensitivity of financial-fiscal efficiency to economic circumstances may be determined by two special factors (Onofrei, 2000, p. 60): taxable material and technical tax.

In relation to the first specific factor, it is observed that if the taxable matter is generated by the economic activity itself, as in the case relating to turnover taxes, fiscal efficiency sensitivity is very high, although their size varies depending on the nature of the product charged. For example, consumption taxes on luxury goods are more sensitive to economic conditions than the same charges applied to goods of basic necessities.

On the contrary, state tax charged for purchases for investment is very sensitive to the economic situation, since these acquisitions increase or diminish according to changes in the evolution of the economic environment, which causes changes in the volume of investments.

In contrast, if the taxable material is the income, sensitivity varies according to the nature of the obtained income. The tax is extremely sensitive to the economic situation, while tax revenue of employees from public sector does not change at all, depending on the circumstances.

Finally, if the taxable matter is the capital, the sensitivity of tax yield is very low excluding the value added tax on the estate - which changes during periods of economic expansion and follows closely the conjuncture, causing significant changes in the level of taxation plan or tax pressure.

On the second specific factor called generic taxing technique, it should be noted that taxable valuation methods are reflected in the tax yield more sensitive to economic conditions. Thus, the assessment rate or the one based on external signs of wealth are sensitive not only to a limited extent to cyclical developments of the economic environment. In comparison, the way of determining the amount of tax in variants known as fixed amount per unit, proportional or progressive rate percentage rates, etc. influence the sensitivity of the tax efficiency, but differently. Thus, the application of progressive taxation percentage rate increases to proportional taxation tax return, which does not affect equally the volume of accumulated earnings in taxes globally.

In the same framework, we find that the level of economic development also exerts influence over public expenditure, particularly on the volume and nature of the investment. Especially in less developed countries, investment needs are to justify the sacrifices supported by public effort, given the low volume of private spending. In contrast, in developed countries, investment spending emergencies have another connotation, they often aim at improving the technical development for large companies to withstand fierce competition specific to competitive economy.

Economic conjuncture also affects the size of public expenditure and, in this sense, recessions usually lead to increased amounts spent on social action, social assistance and unemployment allowance, through which the state should financially support the affected population by lack of a job. In addition, the price increase causes the state to resort to increasing operating costs of public institutions and amending budget operations, which equates to authorize those expenses increase, although making decisions regarding the size and structure of public expenditure, the government's will remains predominant, including opposing, in a more or less obvious way, the trend of increasing their volume, risking social unrest or political cause among citizens. But typically, volume variations cause variations in the size of public expenditures covering financial resources and therefore taxation.

It appears more and more evident that fiscal policy decisions of government authorities reflected in the evolution of taxation are directed towards influencing economic and social development processes. In this respect, econometric models were developed which highlight the fact that both changing the proportions of tax levies and those related to public expenditure as investment or transfers can have beneficial effects on economic growth, although deviations from a level considered "optimal" can generate them contrary effects to those desired.

Naturally, the approach of econometric models with the integration of taxes involves their concretization through specific variables or processes of tax levy, reflecting the impact on economic activity of private companies, pointing out that, in principle, the level of growth slows down economic growth, while their reduction is likely to spur this growth.

In the same context it is worth noting the fact that taxation and the fiscal policy that is reflected by the two fundamental variables, consisting of the amount of public spending and tax levies, whose changes appear determined as well as decisive, in relation with the main indicators of socio -economic development.

3. Economic governance and strengthening fiscal coordination and harmonization processes in the European Union

Economic and financial crisis has caused many shocks difficult to remove from the economies of EU countries without taking tax measures in the tax system of each member country. In the way to mobilize states to resist macroeconomic imbalances and in the current context of the general policy of the Union, it is becoming increasingly imperative the promotion by governments, of fiscal policy as a lever of public policy. Within the European Union there has not been a single European tax system, which has lead to tax competition between different tax systems belonging to components countries.

The harmonization of Member States' tax regimes was a major and permanent concern since the establishment of this organization, and simultaneously, a prerequisite of accomplishment in terms of fundamental freedom: free movement of persons, goods, services and capital within the European single market. The scope and purpose of tax harmonization process at Community level, is to achieve a "unification tax" toward standardizing procedures as well as the tax bases and tax rates to arrive at a "tax coordination" of tax systems in Member States.

The desire to maintain sovereignty in tax policy from Community countries had result in a heavy development of the whole process of tax harmonization and long overdue changes have not occurred but have only been limited to certain types of taxes, namely to indirect such as VAT and excise duties. In the area of direct taxes, tax harmonization measures were much lower and have focused on avoiding double taxation, reducing tax evasion and achieve free market competition. The perpetuation and deepening the effects of economic and financial crisis and debt in recent years has achieved equally both old villages EU economies and the new member countries, causing numerous social and economic imbalances. These phenomena have forced governments assuming new priority objectives such as reducing budget deficits and public debt and concomitant the recovery in activity with positive effect on the sustainability of public finances.

The achievement of these objectives in the fiscal policy of EU countries imposed them a new orientation, which consisted in a direction toward fiscal coordination and governance. During this period, fiscal policy measures taken by Member States in order to increase tax revenues have been reflected in government policies in various forms such as: reducing public spending, lowering taxation on labor, reduction of tax on capital, increasing VAT tax rates. Convergence of tax measures applied mainly by increasing tax rates on consumption and property had in mind in most European countries, moving tax burden from labor to consumption and property sphere. These changes occurred also in the tax system in Romania and concluded in particular in promoting changes by the government in tax laws, in particular the VAT uniform reduction of wages, eliminating special pensions of certain categories of pensioners and the introduction of new taxes on property, especially on the estate.

Fiscal governance at the level of EU has been marked in recent years, less than the tax harmonization process and more by fiscal coordination action which aims specifically the achievement of fiscal stability and public debt reduction of states.

Conclusions

The relative level of a country, reflected in the rateoftaxation is based on the general policy guidelines promoted by the government and shows the real financial and economic status of those involved, meaning that the lower level of GDP in less developed countries is decisive in meeting themuchlower need for social utility. In this regard it is worth noting the lower tax rate in less developed countries compared to the one from developed countries. The phenomenon cannot be assessed as favorable in less developed countries, given the fact that a lower tax rate existing in less developed countries coresponds a standard of living much lower than that from developed countries. This phenomenon occurs today in the economies of the EU countries where fiscal policies pursued by their governments, have led to significant differences in the structure of taxes in total tax revenues. It is clear that developed countries have tax systems based on direct taxes while countries with less developed economy promote tax systems which are based on indirect taxes.

Without ignoring the action of other factors of influence, it is admitted that the economic situation or GDP per inhabitant marks both on the formation of public financial resources and financing public spending and thus on taxation. In this regard it is noted in the first place, that the size and structure of collected revenues available to the state especially in the form of taxes are determined both by the size of public spending meaning common consumption and the level of economic development of each country plus tax receivables management and quality of the state, the degree of voluntary compliance in paying taxes and contributions due from taxpayers, was in connection with tax evasion and fraud dimensions in each country.

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