



Munich Personal RePEc Archive

# **Considerations regarding the Romanian fiscal and budgetary reform in accordance with the E.U. requirements**

Carmen Comaniciu

Lucian Blaga University of Sibiu

23. November 2006

Online at <http://mpra.ub.uni-muenchen.de/3430/>  
MPRA Paper No. 3430, posted 7. June 2007

# Considerations regarding the Romanian fiscal and budgetary reform in accordance with the E.U. requirements

Carmen **COMANICIU**<sup>1</sup>

**Abstract:** *The paper starts with the role of the Romanian fiscal and budgetary reform in the development and economical growth and has as purpose to emphasize the essential problems: the harmonization and fiscal coordination from the E.U. perspective; the Romanian fiscal and budgetary perspectives for period 2007-2009.*

**Key words:** fiscal, budgetary, reform, period transition, harmonization, coordination

**JEL Classification:** E6, H2, H6

The strategy of fiscal and budgetary politics does not have to neglect the previews of the European directives regarding the coordination and fiscal harmonization. The measures took and those which aim the next period materialize in modifications of the fiscal legislative framework which should lead to the settling of the direct and indirect taxes on principles of efficiency and efficacy.

## **A. Harmonization and fiscal coordination from the E.U. perspective**

Romania was accepted the communitarian acquis on the whole regarding chapter 10 – Taxation, in force on the 30 of December 1999. Having in view the problem of harmonization and fiscal coordination from the European Union perspective, the negotiation chapter comprises the following:

- ⇒ adopting and implementing the communitarian acquis in the field of tax on the added value;
- ⇒ adopting and implementing the communitarian acquis in the field of excises;
- ⇒ adopting and implementing the communitarian acquis in the field of direct taxation;
- ⇒ adopting and implementing the communitarian acquis in the field of administrative cooperation and reciprocal assistance;
- ⇒ adopting and implementing the communitarian acquis in the field administrative capacity.

## ***Adopting and implementing the communitarian acquis in the field of VAT***

The legislative framework in the field of tax on the added value (indirect taxes applied in Romania beginning with the first of July 1993) has encountered multiple modifications which had as effect, on one hand, the improvement of the transparency and coherence, and on the other hand, harmonizing it with the communitarian provisions in the field.

In this sense, the Romanian legislation regarding the VAT comprises aspects related to: the application sphere, taxable persons, territoriality; the generator fact eligibility; the taxation basis; taxation shares (quota); exempted operations; the system of deductions, the special system; reimbursement; fraud calculus.

---

<sup>1</sup> e-mail:carmen\_comaniciu@yahoo.com

Establishing the technical elements of this taxation applied on the transactions of each stage of the economical circuit, in the conditions of harmonizing had on the basis the previews from Directive VI, 77/388/CEE.

The operations comprised in the harmonization schedule regarding the tax on the added value are the following:

❖ **General operations of harmonizing VAT**

The modifications brought in the legislation regarding the tax on the added value have been carried out and will be carried out this way:

✓ up to 01.01.2002 it was introduced the reduced quota of VAT regarding the provisions of Annex H to Directive VI of the European Union;

✓ up to 31.12.2002 we proceeded to: introducing the notion of taxable person; reviewing the provisions referred to the VAT exemption (exempting the operations and not the units, including the zero quota of VAT and replacing the exemption with the right of deduction);

✓ up to 31.12.2005 the modifications was: the provisions referred to the intra communitarian deliveries with applicability from the date of Romania joining the E.U.; telecommunications is taxable where is the social head office of the beneficiary introducing special conditions in the national legislation for: agriculture producers, small entrepreneur and art objects, collections and antiquities; provisions referred to the reimbursement of VAT regarding the operations carried out in Romania by taxable persons from abroad applicable in the moment of joining the European Union; there have been eliminated the provisions from the Romanian legislation through the VAT reimbursements are limited to the level of tax resulted from the invoices paid to the suppliers;

✓ up to 31.12.2006 the measures was for: provisions referred to the adjusting the deduction right; aligning the operations referred to the zero quota of VAT according to the communitarian provisions.

❖ **Eliminating some exemptions from VAT payment**

A part of the provisions which aim the exemptions from the tax payment of added value have been eliminated from the Romanian legislation, as follows:

✓ by the Law regarding the taxation on added value entered in force up to the 31.12.2001, there have been eliminated the provisions referred to: not comprising in the sphere of applying the VAT of delivering supplies and carrying out services resulted from the authorized specific activity, made by The Autonomous Administration "The National administration of Roads" from Romania; exempting VAT for the raw materials and imported materials, destined exclusively to realizing the finite products which are exported within 45 days from the date of executing the import; exempting the VAT for incomes carried out from own activities by parties; exempting the VAT from the railway public infrastructure, inclusively the lands they are placed as well as the lands destined to this purpose; exempting the VAT from the commercial societies with private major capital, Romanian juridical persons as well as the private entrepreneurs or familial associations, authorized according to the Decree – law no. 54/1990 regarding the organization and carrying on some economical activities on the basis of free initiative which have the head office and carry on the activity in the disfavored area, for tools, devices, installations, equipment, means of transport, other depreciable supplies, produces in the country, in order to make investments in the area; exempting the VAT from the Ministry of Youth and Sport, The Olympic Romanian Committee and the national sport federations for the acquisitions from the internal market from sportive equipment and sportive material and equipment component to the national and Olympic sportive lots to the international official competitions: Olympic games, championships and world cups and European cups.

✓ up to the 31.12.2002 were eliminated the provisions referred to: cashing (collecting) from the taxes of entering the castles, museums, exhibitions, fairs, zoos,

botanical gardens, libraries; editing, typing and selling handbooks and books; prosthesis of any kind, their accessories, as well as orthopedic products (except the dental prosthesis).

✓ up to the 31.12.2003 were eliminated the provisions referred to: tax payers juridical and natural persons which carry on tourists activities and benefit of zero quota of tax on the added value for services in the country or abroad for the foreign beneficiaries, natural or juridical persons whose equivalent is paid in currency.

✓ up to the 31.12.2005 were eliminated the provisions referred to: VAT exemption for individual agricultural farms; exemption VAT for the import of licenses for movies and programmers, subscription to the external news agencies and others of this kind, destined to radio and TV activities.

✓ up to the 31.12.2006 the provisions which were eliminated refers to: film production broadcast through TV; uniforms for children from primary and preschool education, clothing and shoes for children up to one year old, the fluvial transport of the inhabitants from Danube Delta and on the relations Orsova – Moldova Noua, Braila-Harsova, Galati-Grindu; exemption of VAT for the import of goods in public institutions, directly of by commissioners, financed by loans contracted from the external market with state guarantee; exemption of VAT for the technical documentation and materials for constructions destined to the state institute and the private accredited one, and also buying devices, tools, equipment, publications and endowments for the didactically process; VAT exemption, of the transfer operations of the property right from the debtor to the Office of recovering the Bank Debts as an effect of giving them for payment; VAT exemption for diesel oil for fishing activities.

#### ❖ **Aligning some operations liable to zero quota of VAT**

Eliminating some provisions regarding the operations liable to zero quota of VAT acknowledged the following calendar:

✓ by the law regarding the tax on the added value in force up to 31.12.2001 were eliminated the provisions referred to: zero quota of VAT for buildings constructions, rehabilitating the existing dwellings.

✓ up to 31.12.2003 were eliminated the provision referred to the exemption with deduction right for equipment as well as the services due to the investment objective: "Developing and modernizing the International Airport Bucharest –Otopeni".

✓ up to 31.12.2004 was eliminated the provision regarding the VAT exemption with deduction right for delivering equipment and services related to the petrol operations made by the assigned of the petrol agreements, foreign juridical persons, on the basis of the petrol Law no. 134/1995.

✓ the provision regarding the exemption with deduction right of the construction of religious cult places was eliminated up to 31.12.2006.

#### ❖ **Introduction of some exemption from the added value tax**

The list with goods and operations which aim to exempt the added value was completed up to 31.12.2006 with the following: carrying on services and delivering goods accessories to them, with the exception of telecommunications delivered by public postal services; delivery of buildings or part of a building and the due land, with the exception of construction land; delivery of properties not built; delivery of properties which have been executed exclusively through an activity exempted on the basis of the present article, if these properties were not deducted as well as the deliveries of goods whose acquisition was the object of exemption of the deduction right, not being destined to a professional activity; services offered by autonomous groups exercising an activity exempted or for which they do not have the juridical person quality in order to offer to their members direct services related to the carrying on of this activity, when these groups limit themselves to ask to their members the reimbursement of the part which come from the commune expenses, on the condition that this exemption not to be susceptible to produce contestable distortions.

Up to 31.12.2002 there were exempted from the added value tax the organs deliveries of blood and human milk.

In the field of added value tax Romania solicited a transition period of 5 years, up to 31 of December 2011 from the application of articles of Directive 77/388/EEC (art. 12, art. 13, art.24) by bringing good reasons for this solicitation

**Table no. 1 Soliciting a transition period from applying some articles of Directive 77/388/EEC**

<b>Article and content</b>	<b>The reason for soliciting the transition period</b>
Art. 12 paragraph 3 – applying a reduced quota of VAT for preparing the food in units which trade prepared food	<ul style="list-style-type: none"> <li>• developing and refreshing the tourist services as Romania's priority;</li> <li>• the existence of a reduced VAT quota for this kind of products in the neighboring villages, what would lead to disfavored positions from the competitiveness point of view.</li> </ul>
Art. 13 - exemption of VAT tax for the research - development activity and innovation for the units which execute programmers, subprograms themes, projects, as well as actions of the National Programme of Scientific Research and Technological Development or of the Research National Plan, the research - development activity and innovation financed in international partnership with E.U.	<ul style="list-style-type: none"> <li>• the economic growth need research-development activities;</li> <li>• the facilities in this domain will permit to supporting the process of convergence of the Romanian economy with the European economy.</li> </ul>
Art. 24 (2) - the special regime applicable to the small entrepreneurs regarding maintaining the taxation threshold to 20000 Euro annual rate of turnover for the VAT payers under the conditions where in the directive the threshold of taxation is 5000 Euro	<ul style="list-style-type: none"> <li>• the incomes cashed from VAT from the payers with a rate of turnover of 20000 Euro, does not justify administration expenses necessary to record and follow them;</li> <li>• the expenses of the small entrepreneurs are considerable enlarged by the accounting and declaration requests imposed by VAT regime .</li> </ul>

### **Adopting and implementing the communitarian acquis in the field of excises**

The fiscal harmonization in the excises field (special taxes of consumption) has on the basis the Directives: 92/12/CEE;92/79/CEE;92/81/CEE; 92/82/CEE; 92/83/CEE; 92/84/CEE.

When we accepted the communitary acquis in the excises field, in the Romanian legislation there were transposed provisions of the directive regarding the general regime, storing, circulation and control of products supposed to special directives and excises, the final transposition will be achieved according to the aligning calendar.

The aligning calendar comprises:

⇒ the general harmonization in general sense of the national legislation with the communitarian acquis in the excise field.

The problem aimed in this sense has followed : introducing up to 31.12.2002 a system of marking the fuel, experimented in 3 counties; adopting the legislation regarding the system of warehouse up to 31.12.2003; general marking the fuels up to 31.12.2004; implementing the warehouse system 31.12.2005.

Most of the excises level to some products will be achieved up to 31.12.2006 with 40% from the existent difference presently towards the minimum level imposed by the Directive 92/79/CEE, in cigarettes case; 50% from the existent difference towards the minimum level imposed by the Directive 92/84/CEE in alcohol case.

The complete harmonizing of the excises level to cigarettes, alcohol and petrol products will be achieved up to 31.12.2011.

⇒ aligning the exemptions excises payment according to the provisions of the communitarian directives.

We aimed to eliminate some provisions which aim to exempt from the payment of excises for: commercialized products through the authorized shops, according to the law, to commercialize goods in duty free regime; black oil, gas, diesel fuel destined to fishing activity.

The transition period asked by Romania of 5 years namely up to 31.12.2011, regarding the attaining of minimal level of excise previewed in the communitarian directives had good reasons on the basis as in case of added tax value.

**Table no. 2 Soliciting a transition period regarding reaching the minimum level of excises**

<b><i>The requested solicitation</i></b>	<b><i>The reason for soliciting the transition period</i></b>
Reaching the minimum level of excises to cigarettes	<ul style="list-style-type: none"> <li>• the incidence of excise in the selling retail prize of the most sold Romania cigarettes brand "Carpati";</li> <li>• negative effects upon the labor market from the cigarettes industry;</li> <li>• we realized that the Romanian market knows a reduction of smuggling with cigarettes and a diminishing of tax evasion;</li> <li>• increasing the level of excises will have a negative effect upon the way of collecting;</li> <li>• increasing the level of excises step by step will lead to the increasing of the budgetary incomes.</li> </ul>
Reaching the minimum level of fuel excises	<ul style="list-style-type: none"> <li>• a big difference between the level imposes by directives and the level practiced in Romania;</li> <li>• a sudden increasing of excises will determine a considerable increasing of prices , in a bigger rhythm than the rhythm of increasing the buying power of consumers;</li> <li>• there already exist high taxes for these products.</li> </ul>
Reaching the minimum level of excises for alcohol and drinks	<ul style="list-style-type: none"> <li>• establishing a high quota of taxation determine the increasing of tax evasion phenomenon;</li> <li>• the sudden growth of excises will determine a considerable rising of process, in a bigger rhythm than the rhythm of increasing the consumers power of buying</li> <li>• growing the minimum level of excises would lead to closing of some factories which produce alcohol and drinks, reducing the number of persons which work in this field and unemployment growth;</li> <li>• increasing the blackmail phenomenon would lead to the</li> </ul>

	increasing the administration expenses of this type of tax especially in tax field.
--	---

***Adopting and implementing the communitarian acquis in the field of direct taxes, administrative cooperation, reciprocal assistance, administrative capacity***

***In the field of direct tax***, adopting and implementing the communitarian acquis have on the basis the provisions of the directives which aim the tax co-ordination namely: Directive 90/434/CEE regarding the fusion; Directive 90/435/CEE regarding the branches, Directive 90/436/CEE regarding the convention.

In the Romanian tax legislation are previewed a part of the regulations imposed by these directives namely: determining the taxable profit within the suppliers, divisions; not imposing incomes of dividends nature received from abroad from branches eliminating the double imposing regarding the tax on income and on capital on the basis of conventions signed between Romania and the E.U. member states.

According to the aligning calendar, up to 31.12.2006 there was introduced in the national legislation previews regarding:

- ⇒ not imposing the provisions, losses and reserves transferred related to these options;
- ⇒ the active's transfer of a permanent head office;
- ⇒ defining the relation of subordination; the income on dividends for the profits transferred by the society's branches – foreign mothers.

All these aspects determine the commitment of Romania to come to agreement with the provisions of The Conduct Code for taxation of affairs.

***The administrative cooperation and reciprocal assistance*** take care of direct tax field and indirect tax field.

From the perspective of direct tax the harmonization of legislation aimed the existence of agreements of avoiding the double imposition of taxes and capital signed with the member states of the E.U.

In the field of indirect taxes, the administrative cooperation imposes the drawing up of legal provisions and the internal norms necessary in order to create conditions for joining of the Ministry of Public Finances to the Convention for reciprocal administrative assistance.

The E.U. is preoccupied of tax systems for the internal market. Within this framework the member states of Central and Eastern Europe in the conditions of European Agreement are participants of the communitarian program FISCALIS, adopted by the Decision 888/98/CE and Decision 2235/2002/CE from 3 of December 2002.

The main objective of Fiscalis program is an amelioration of the tax systems, having on the basis the cooperation between the countries which took part. From the strategic objective point of view, Fiscalis was conceived for simplifying and modernizing the legislation for administrative modernization, for applying the communitarian legislation, for fighting the fiscal fraud. Fiscalis program which replaces Matthaueus -Tax has the following formal objectives: offering a high level of understanding the communitarian right in general and indirect taxes in special of the clerks; assuring an efficient co-operation between the member states; assuring the amelioration of the administrative procedures to take into account the administration requests and the tax payers requests in order to elaborate and deliver administrative practices.

By Decision no.2/2002 of the Association Committee UE – Romania, from 14 of May 2002 were adopted the conditions and modalities of Romania's participation to the framework programs, specific programs, projects and other commune actions on the basis of the following conditions and modalities: communication systems information exchange, handbooks and guides admitted according to the measures and commune

dispositions related to indirect taxation; control activities are not admitted than on the basis of the directives of the communitarian provisions and are applicable only for E.U. member states; Romania must contribute to the E.U. budget with a financial contribution for the beginning of each participation stage at this program in order to cover the cost resulted from the participation. The financial contribution is according to the numbers of participation to seminars and information exchanges, namely 15 seminars and 25 exchanges every year (in this sense, the contribution will be 109638 Euro for each participation year).

Fiscalis program offer to the participants the possibility of adopting some new working and cooperation methods with other fiscal administrations, having in view the fact that it is considered an indispensable element of supporting the budgetary policy of E.U.

Adopting new practices in the administrative field allows for all the fiscal administrations to ameliorate and control of the tax dodger activities.

Adopting and implementing the communitarian acquis in the field of administrative capacity has on the basis the provisions of "The reform and modernization reform of taxation" and "The management plan for exchanging the affair".

The main objectives of these programs aim the strategy of perfecting and modernizing the fiscal administration .

### **B. Fiscal and budgetary perspectives for period 2007-2009**

Romania has accepted the acquis regarding the Chapter 29: "Financial and budgetary provisions", in force from 31 of December 2000.

Harmonizing the national legislation with the acquis and developing the institutional infrastructure necessary to its implementing, are the main objectives followed by Romania so that when we join the E.U, the budgetary procedures used in E.U. to be applicable in our country.

The provisions from the Constitution, the Law regarding the public finances, the budgetary annual law and other documents elaborated by the Ministry of Public Finance are solid basis for the budgetary construction which should follow:

- ⇒ perfecting the management of public expenses through the budget's extension on programming basis;
- ⇒ simplifying the budgetary procedures;
- ⇒ increasing the transparency of the budgetary procedures;
- ⇒ increasing the local autonomy and enhancing the financial decentralization;
- ⇒ respecting some principles and rules well defined in elaborating and presenting the public budget of the project, which should offer interdependencies between the modalities of training and using the public resources according to the social economical processes;
- ⇒ elaborating the budget of the project according to the budgetary political lines on medium term;
- ⇒ assuring an optimum system of monitoring the public acquisitions;
- ⇒ establishing some procedures well defined and scientifically substantiated for financing the investments projects;
- ⇒ restructuring and perfecting the budgetary accountancy.

By the Law 379 from 15 of December regarding the state budget for 2006, the provisions regarding the incomes' volume, their structure on chapters, the expenses volume, their structure on destinations and credit officers have respected a new functional classification of budgetary incomes and expenses which enter in force starting with 1 of January 2006.

The main characteristics of fiscal and budgetary policy for year 2006 refer to:



⇒ the fiscal policy – continuation of legislative harmonization with E.U.; transparency and simplifying the taxes system; the reform of fiscal administration and customs; decreasing the rates of contributions to the social insurance aiming to eliminate the disadvantage of fiscal competitiveness

⇒ the budgetary policy – management reform of public finances; making public policies a priority and consolidating the expenses framework on medium term; improving the efficiency of the budgetary allotting to domains determined by the joining necessity; assuring the national co financing for projects financed from pre joining funds.

These characteristics should have an effect upon the projection of a target of budgetary deficit financed in an inflationist conditions, correlated to the economical and social objectives of the country.

The estimations which have been done for the fiscal incomes were based on: increasing the cashing from the tax income and wages as a result increasing the medium wage and increasing the number of the remunerated; belonging a high share of social insurance contributions in the gross natural product; increasing the cashing from the added value tax as a result of increasing the economical activity; decreasing the share of excises in the gross natural product as a result of appreciation of national currency and a smaller estimation of imports; decreasing the cashing from the profit tax as a result of fiscal relaxation measures.

The structural modifications of the budget's expenses have on the basis: the tendency of decreasing the expenses with subvention from the budget, which reveals the redrew of the state from the economy; maintaining the same share of staff expenses in the gross natural product in the conditions of inclusions and expense sin kind, reclassification from material expenses; reducing the share in the gross natural product of the goods, services and interests; increasing the share of expenses of capital in the gross natural product by directing the public funds for supporting the economical increasing.

The financed actions through the budget of 2006 were followed:

⇒ in the justice domain – the existence of an independent and functional judicial system, the transparency and improving the justice act, the free access to justice of any person; the protection of minor's rights; consolidating the affair medium; consolidating the institutional and legislative framework in the field of international juridical cooperation; the reform of penitentiary system; preventing and fighting corruption from the judicial system.

⇒ in defense domain – optimizing the capacity of defense of the country, taking part to the European Policy of Security and Defense; respecting the engagement within the North-Atlantic Alliance; promoting the stability in the Balkans; the Black Sea area; fight against terrorism.

⇒ in the field of public order and national insurance – implementing the integrated system for National Security; extending the special communication networks; the physical protection and antiterrorist of Romanian and foreign dignitaries.

⇒ in the education field – giving stationers and handbooks in order to prevent school abandonment and equality of chances through the access to education ameliorating the education activities by creating facilities for the pupil's transport from the rural disfavored medium; endowing the schools with furniture and IT equipment; reconstruction of the education system from the rural medium through edifying some school campuses.

⇒ in health field- national health programs for ameliorating the indicators of infantile mortality, maternal and the increasing of birth rate; rehabilitating the medical services addressed to mother and child; minimal package of free medical services for the insured or not assured persons.

⇒ in the field if insurance and social welfare – awarding help for heating the dwelling in winter; increasing the familial incomes; reducing the violence phenomenon in the family; protection of maternity, birth rate increasing, reducing children abandonment;

giving financial support to the family; recalculation pension increasing; introducing the compulsory pensions funds; stimulating job occupation; financing social and professional; protection programs for the persons with disabilities; financing the programs for sustaining the child protection system.

⇒ in the field of fundamental research and development research – creating a national system of research – development which should sustain the Romanian society; increasing the research investments; respecting the engagement assumed through the position document chapter "Science and research"; aligning the recent orientations of the E.U. politics.

⇒ in the agriculture, sylviculture, pisciculture and hunting – stimulating the peasant's houses in agricultural farms; the efficient allotting of the budgetary resources for supporting the producers in agriculture; the institutional reform and assuring a specific framework ; managing the woods and extending the forests surfaces.

⇒ in the industrial field – eliminating the administrative and bureaucratic boundaries, improving the juridical framework and regulation by adopting the communitarian acquis the field of industrial products, modernizing the economical agents with competitiveness potential; the nuclear program; developing the energetic system of conventional sources; assuring the solid fuel for thermo-electric power station.

⇒ in the field of transports, constructions and truism – rehabilitation and development the infrastructure and means of transport, improving the comfort and safe travelers; constructing dwellings for young; rehabilitating and developing the town infrastructures; asphaltting the communal roads; promoting the Romanian tourist offer; developing and modernizing the infrastructure and the tourist products.

The budget project for 2006 reveals the fact that from the total of the state budget expenses, a relatively high percentage (respectively 67%) was allotted to programs.

The public finances must assure in the future the budgetary resources necessary to finance the expenses related to modernizing of infrastructure and European integration. The preoccupation for obtaining some budgetary incomes in a bigger quantum does not have to aim the increasing of fiscal pressure.

The estimations of the main macroeconomics indicators for the period 2007-2009 are the following:

**Table no.3 The evolution of the main macroeconomics indicators in the period 2007-2009 (percentage modifications in comparison to the last year)**

<b>Indicators</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Gross natural product	6,3	6,5	6,0
Industrial production	5,5	5,5	5,3
Agriculture production	2,9	3,1	3,2
Export goods	14,3	13,6	12,6
Import goods	13,5	12,6	11,2
Inflation rate (dec. /dec. previous year)	4,0	3,0	3,0
Unemployment rate -%	5,8	5,6	5,5
Internal request from which:	6,7	7,1	6,4
Effective individual consume of houses	5,3	5,7	4,9
Collective effective consume of the public administration	3,0	4,2	3,0
Forming on fix capital	12,5	12,7	12,0

The estimations presented in the table below have the following on the basis:

❖ increasing the gross natural product (in medium with 6,3%) will determine a reduction of delays regarding the life standards in Romania, with the one in the European Union;

❖ increasing the production of producing industrial branches will determine an increasing of the industrial production, in medium 5,43%;

❖ the productive potential of the agriculture land, the modification of the agricultural politics will determine a rise of the agricultural production with 3,1%;

❖ reducing the inflation rate reaching in 2009 to 3%, which means a level comparable to the level met in the member states from U.E.;

❖ the economical rise will determine an increasing of the civil population with 0,2 % every year, which determines a reduction of unemployment rate.

For the period 2007-2009 the fiscal policy will harmonies with the communitarian requirements and implementing the fiscal administration reform.

In this sense the preoccupation will aim:

⇒ simplifying calculus and payment system of the income on profit;

⇒ awarding deductions from the taxable profit in order to stimulate the investments in the human capital and medical infrastructure;

⇒ eliminating from the fiscal system the tax on the micro-entreprises profit;

⇒ exemption from the taxes of the incomes from interests realized in Romania by natural resident persons of the E.U. members;

⇒ reimbursement of the added value tax for taxable persons not established in the country;

⇒ introducing a new system of taxation of the real estates which should better reflect the value on the market;

⇒ continuing the fiscal harmonization in the field of excises with the provisions of the communitarian provisions;

⇒ adopting the customs tariff and the customs commune code;

⇒ developing the institutional capacity;

⇒ simplifying the payment procedures of the fiscal obligations;

⇒ perfecting the management of the human resources in the fiscal domain;

⇒ promoting the techniques and methods which lead to the increasing the efficiency of collecting the fiscal incomes;

⇒ elaborating and implementing some procedures of risk analyses regarding the register of intercom Unitarian operators and for the informational exchange;

⇒ perfecting the fiscal control aiming to prevent and fight against the blackmail, tax evasion and money washing.

The coordinates of the budgetary policy in the period 2007-2009 will have in attention:

✓ the economic growth;

✓ supporting the disinflation;

✓ supporting the process of convergence of the Romanian economy with the European economy

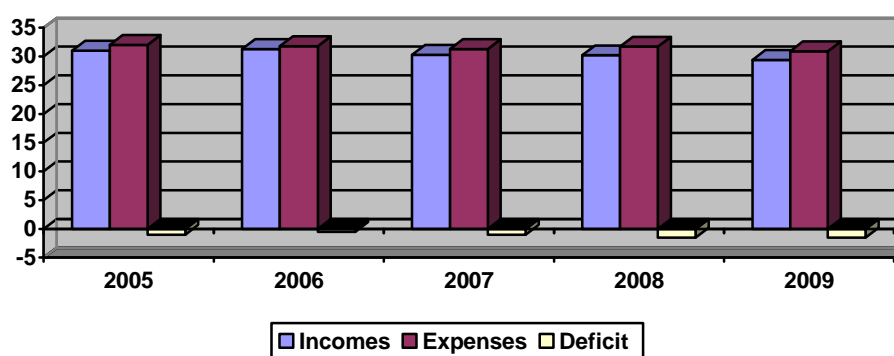
✓ increasing the transparency of the public expenses;

✓ increasing the capacity of absorption of the communitarian funds.

The estimations regarding the indicators of the general consolidated budget are:

**Table no. 4 The projection of the general consolidated budget , in the period 2005-2009 ( % from the gross natural product)**

<i>Indicators</i>	<i>2005 program</i>	<i>2006 proposals</i>	<i>2007 estimates</i>	<i>2008 estimates</i>	<i>2009 estimates</i>
Incomes	31,0	31,3	30,3	30,2	29,4
Expenses	32,0	31,8	31,3	31,7	30,9
Deficit	- 1,0	-0,5	-1,0	-1,5	-1,5



**Fig.no.1 The evolution of the indicators of the general consolidated budget, in the period 2005-2009**

As we can notice from the table and graphic above, the tendency will be to maintain the budgetary deficit to a share from the gross natural product which should assure development and economical growth. The financing of the budgetary deficit will be achieved mainly on the basis of the internal resources, but in case of external financing this will follow the launching of new emissions on the external market in order to benefit of the external favorable conjuncture from the external market of capital.

The standards imposed by E.U. in the field of environment protection, transport infrastructure, economical and social cohesion, rural development will determine the involvement of budgetary politics in order to achieve the standards, by assuring the co financing for the communitarian funds.

The quality of E.U. member state will impose for Romania the participation to the union's budget, within the proper resources system, which determined the preoccupation to a better managing of the public financial resources. The estimated sums to be paid by Romania will be approximately 1.343 million Euro ( for the year 2007), 1.525 million Euro ( for the year 2008) and 1.563 million Euro ( for the year 2009).

## Conclusions

In order to achieve all the objectives, the fiscal and budgetary policy will have to take into account that the public budget should not be considered only a document which must be elaborated and approved according to some terms which must be respected, it must be used as the main instrument of economical and social politics on one hand, and as a system of financial fluxes on the other hand.

## References:

- Blejer I.M., Ter-Minassian T. - *"Microeconomics dimensions of public finance. Essays in honour of Vito Tanzi"*, Ed. Routledge, London, 1997
- Boulescu M., Cadâr F., Borună V. - *"Administrarea impozitelor și taxelor"*, Ed. Economică, Bucharest, 2003
- Corduneanu C. - *"Sistemul fiscal în știința finanțelor"*, Ed. Codecs, Bucharest, 1998
- Moșteanu T. (coord.) Stroe R., Alexandru F., Moșteanu R., Armeanu D., Țățu L., Câmpeanu E. - *"Politici fiscale și bugetare pentru reformarea economiei și relansarea creșterii economice"*, Ed. Economică, Bucharest, 2003
- Slemrod J. - *"Tax policy in the real world"*, Cambridge University Press, U.S.A., 1999
- Stolojan T., Tartacan R. - *"Integrarea și politica fiscală europeană"*, Ed. Burg, Sibiu, 2002
- *"Structures of the taxation systems in the European Union, data 1995-2002"*, Luxemburg: Office for Official Publications of the European Communities, 2004
- *"Structures of the taxation systems in the European Union, data 1995-2003"*, Luxemburg: Office for Official Publications of the European Communities, 2005
- *"Situația macroeconomică pentru anul 2006 și proiecția acesteia pe anii 2007-2009"*, Ministry of Public Finance
- <http://www.euroactiv.com>
- [http://www.europa.eu.int/comm/taxation\\_customs](http://www.europa.eu.int/comm/taxation_customs)
- <http://www.europa.eu.int/scadplus/leg/en>
- <http://www.euro-info.ccir.ro/programe/fiscalis.htm>