

EVOLUTION OF TAXATION AT MICROECONOMIC LEVEL IN THE PERIOD 2003-2014

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Abstract

In this article we have proposed to make a presentation of the main tax regulations in the period 2003-2014, regulations that have had significant effects on small and medium enterprises' sector in Romania (especially during the economic crisis). Therefore, we shall use a descriptive methodology in order to outline the multitude of tax changes of the Tax Code, aspect that actually determines the tax unpredictability, a feature of our tax legislation. For a friendly fiscal environment is needed predictability and stability, and this variety of tax changes produced in a short period of time causes tax uncertainty, which implicitly brings new costs for companies, decrease of financial results or tax evasion.

Keywords: taxation, fiscal regulations, SMEs, economic crisis

JEL Classification: H25, H32

1. Introduction

Taxation is one of the areas that has passed through the most important changes in recent years; these changes have occurred either too slow or too sudden, determining the taxpayer's certainty to interpret tax legislation as a factor of instability in the development of the Romanian economy.

Adam Smith proposed in 1776 four principles for tax imposition. Taxation principles formulated below must be fulfilled by all rational tax systems, respectively:

1. maximum for justice (social justice in terms of taxes, all citizens contribute to fiscal resources in conjunction with their revenues);
2. Maximum for certainty (laws on taxpayer's tax obligations must be concise, clear and anticipated by contributors);

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3. Maximum for convenience, refers to methods of compliance for tax obligations payment that should be convenient and easy and the costs generated by them should be minimal;

4. Maximum of economy and efficiency (involves charging a lower tax burden for all taxpayers, but they should be fully collected)

The structure of the tax system should be a coherent, well defined one, based on economic and applied principles, in which the components are integrated and the system's deformations must be minimized. The Tax Code changes in the period 2003- 2014 did not provide long-term stability, stability so much desired by investors, the representatives of the Ministry of Finance even declaring that stable taxation and increased predictability are more important to reduce uncertainty for taxpayers than any discussion of "distributive effects" of taxation.

Therefore, along with no less important problem of high fiscal pressure, a serious problem in Romania is the complexity of taxation and fiscal policy unpredictability. If we want long-term results, it is required both a reduction in taxation, as well as simplifying and stabilizing the tax system.

2. Economic agent's fiscal obligations

According to the Fiscal Code, the tax liabilities of the entity are: corporate tax, wage tax, dividend tax, value added tax, excise duty, contribution to social security, unemployment insurance, health insurance, accident and occupational diseases insurances, guarantee fund to pay salary receivables, stamp tax, buildings and auto taxes. Among these, taxes for certain activities are added: taxes on gambling, the contribution for tourism, advertising taxes, annual different taxes for authorization, licenses, fines, penalties, and delay increases for failure to pay them in time.

According to Law no. 571/2003 regarding the Fiscal Code, as amended and supplemented, we briefly present the entity's tax obligations:

- *Income tax* (16%);

- *dividend tax*. Dividends paid by a Romanian company to another Romanian company are taxed with 16% on dividends. These dividends are not taxable if the dividends beneficiary holds, at their payment date, minimum of 10% of the other legal

persons' shareholdings for a period of two years by the date of their payment inclusively.

- *income tax*, is 16% and is applied on taxable income corresponding to each source in each category to determine the income tax from: independent activities, salaries, investments, pension, agricultural activities, awards or other sources.

- *enterprises' income tax* . Starting with 1 January 2014, it has been established a maximum threshold of 20% on income from consulting and management for application of the taxation of micro-enterprises. Thus, if the share of revenues from these activities in total income does not exceed this threshold, these companies can apply the income tax regime of microenterprises' revenues. Startups are required to pay tax on microenterprises income starting from the first fiscal year. The tax rate for enterprises' income is 3%.

- *local taxes and other taxes*, which include the following: building tax, land tax, tax on means of transport, registration and vehicle registration fees, taxes for the issuance of certificates, permits and licenses, the tax for use of means of promotion and advertising, tax on entertainment, the hotel tax.

We mention here the case of *contruction tax* due to the introduction from 1 January 2014 of the tax for special constructions, set out in Group 1 of the catalog for the classification and the normal operational periods of fixed assets, other than those for which the building tax is due. Starting with 2015, the constructions tax is calculated by applying a rate of 1% on the buildings' value which exist in the heritage of taxpayers at December 31 the year before. Previously, the construction's tax rate was 1.5% .

- *the VAT* standard rate is 24%; the reduced rate of 9% applies to the tax base for certain services and / or supplies of goods; the reduced rate of 5% is applied to the tax base for the delivery of housing as part of social policy, including the land on which they are built. The land on which the house is built include the footprint of the house.

- *Contributions to the State Social Insurance Budget*

In Romania, all employers and employees, and other individuals, are included in the category of contributors to the the state social insurance system.

Employee contributions

Contributions to the state social insurance (SIC): 10.5%

Contributions to unemployment: 0.5%;

Contributions to social health: 5.5%.

Employers' contributions

Till October 1, 2014, the employers' contributions were:

Contributions for social insurance contribution: 20.8%; 25.8%; 30.8%, depending on working conditions (capped);

The contribution to health insurance: 5.2%;

Contribution for holidays and health insurance benefits: 0.85% (capped);

Contribution to the guarantee fund for payment of wage claims: 0.25%;

Contributions to unemployment: 0.5%;

Contribution for of insurance against accidents at work and occupational diseases: 0.15% - 0.85%, differentiated according to the working conditions.

Starting with October 2014, the employers' social contributions were reduced by 5 percentage points, becoming, depending on the working conditions, 15.8%, 20.8%, 25.8%.

3. Evolution of taxation at the microeconomic level, in the period 2003 – 2014

The evolution of taxation at the microeconomic level is achieved by using a few indicators: labor taxation dynamics, dynamics of profit tax and dividends, the number of taxes and duties.

Table 1

	Labor taxation dynamics
2003	34% for normal work conditions, of which 24.5% employer and 9.5% employee; - 39% for special work conditions, of which 29.5% employer and 9.5% employee; - 44% for particular work conditions, of which 34.5% employer and 9.5% employee. It was envisaged the reduction of social security contributions by 5 percentage points, starting with January 2003, which were added to the reduced 3 percentage points in 2002, given their very high level.

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Labor taxation dynamics	
2004	31,5% for normal work conditions, of which 22% employer and 9.5% employee; - 36.5% for special work conditions, of which 29.5% employer and 9.5% employee; - 41.5% for particular work conditions, of which 32% employer and 9.5% employee. It is noted an important reduction of the social security contributions for the employer.
2005	31,5% for normal work conditions, of which 22% employer and 9.5% employee; - 36.5% for special work conditions, of which 29.5% employer and 9.5% employee; - 41.5% for particular work conditions, of which 32% employer and 9.5% employee.
2006	<p>29,15% for normal work conditions, of which 19.65% employer and 9.5% employee; - 34.15% for special work conditions, of which 24.65% employer and 9.5% employee; - 39.15% for particular work conditions, of which 29.65% employer and 9.5% employee. The employers' contributions to the unemployment insurance fund decreases by 0.5%, the contribution of insured persons based on a contract for unemployment insurance is reduced by 0.5% and also the contributions to the state social insurance is decreased by 0.75%.</p> <p>By Emergency Ordinance 158 / November 2005, regarding holidays and allowances for health insurance, was introduced, starting with 1 January 2006, the contribution rate for holidays and allowances, designed exclusively to finance expenditures payment of the rights stipulated by the emergency ordinance, by 0.75%. It can thus be appreciated that taxation on labor decreased on average by 0-1%.</p>
2007	<p>29% for normal work conditions, of which 19.5% employer and 9.5% employee; - 34.5% for special work conditions, of which 24.5% employer and 9.5% employee; - 39% for particular work conditions, of which 29.5% employer and 9.5% employee. The employer's contributions to health insurance decreased at 6%.</p> <p>Contribution to the unique national health insurance fund increased to 0.85%. It was introduced the contribution to the National Guarantee Fund for payment of wage claims of 0,25% applied to the total fund of monthly gross salaries realized by employees.</p> <p>Contribution to the unemployment fund fell to 2% In these circumstances, we can appreciate that taxation on labor decreased by 0.9%.</p>

Labor taxation dynamics	
2008	<p>Beginning with decembre 2008, according to the law 387/2007, the social contributions were:</p> <p>27.5% for normal work conditions, of which 18% employer and 9.5% employee; - 32.5% for special work conditions, of which 23% employer and 9.5% employee; - 37.5% for particular work conditions, of which 28% employer and 9.5% employee. The employer's contributions to health insurance decreased at 5.2%.</p> <p><i>Employee's contribution increased to 6.5%; The employer's contribution to the unemployment fund rose to 0.5% and the employee's increased to 0.5%.</i></p> <p><i>The employer's contribution to the fund for work accidents increased to 0.4% and is applied on monthly gross income. Taxation on labor decreased by 6.9% (employer's contributions decreased by 3.1% and the contributions paid by employee by 0.5%).</i></p>
2009	<p><i>Taxation on labor has increased by 2-3% in 2009, compared to 2008.. According to GEO 226/2008, from January 2009 the social security contributions are:</i></p> <p>33% for special work conditions, of which 23.5% employer and 9.5% employee; - 38% for particular work conditions, of which 28.5% employer and 9.5% employee. From February, by the Law 19/2009, the contributions to social insurance become as follows:</p> <p>31.3% for normal work conditions, of which 20.8% employer and 10.5% employee; - 36.3% for special work conditions, of which 25.8% employer and 10.5% employee; - 41.3% for particular work conditions, of which 30.8% employer and 10.5% employee.</p> <p>Also:</p> <ul style="list-style-type: none"> - at health insurance, in the period 01.07.2009- 31.12.2009, the contribution is of 5.2%, compared to the value of 5.5% from the interval 01.07.2008 – 30.11.2008 and 5.2% in decembre 2008 - to the National Guarantee Fund for payment of wage claims the contribution is 0.25% - the same as last year; - to the unemployment fund, contribution is of 0.5% in July - December 2009, compared to 1% in the period 01.07.2008 - 30.11.2008 and 0.5% since December 2008 - at Insurance fund for accidents at work and occupational diseases, contribution is from 0.15% to 0.85% in the second half of 2009, depending on the risk category, compared to 0.4% to 2% in 2008.

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Labor taxation dynamics	
	<ul style="list-style-type: none"> - ITM fee - the same 0.75% - contribution for health insurance is of 0.85%, the same as 2008 <p>Employees' contributions are:</p> <ul style="list-style-type: none"> - <i>at social insurance is 10.5% in the period july- decembre 2009, compared to 9.5% in 2008</i> - <i>at health insurance in 5.5% in the second semestre of 2009, the same as the second semestre of 2008</i> - <i>at unemployment fund, the rate is of 0.5% in the second semestre of 2009, the same as the second semestre of 2008</i>
2010	<i>Labor taxation remained constant</i>
2011	The labor taxation reduced, as the ITM commission of 0.75% being eliminated
2012	Labor taxation remained constant
2013	<p>Labor taxation remained constant</p> <p><i>Employees contributions:</i></p> <p>Contributions to the state social insurance (SIC): 10.5%</p> <p>Contributions to unemployment: 0.5%;</p> <p>Contributions to social health: 5.5%.</p> <p><i>Employers contributions:</i></p> <p>Contributions for social insurance contribution: 20.8%; 25.8%; 30.8%, depending on working conditions (capped);</p> <p>The contribution to health insurance: 5.2%;</p> <p>Contribution for holidays and health insurance benefits: 0.85% (capped);</p> <p>Contribution to the guarantee fund for payment of wage claims: 0.25%;</p> <p>Contributions to unemployment: 0.5%;</p> <p>Contribution for of insurance against accidents at work and occupational diseases: 0.15% - 0.85%, differentiated according to the working conditions.</p>

Labor taxation dynamics	
2014	<p>The labor taxation reduced, because of the decreasing with 5 pp of employer's social contributions:</p> <p><i>Employees contributions</i></p> <p>Contributions to the state social insurance (SIC): 10.5%</p> <p>Contributions to unemployment: 0.5%;</p> <p>Contributions to social health: 5.5%.</p> <p><i>Employers contributions:</i></p> <p>Contributions for social insurance contribution: 15.8%; 20.8%; 25.8%, depending on working conditions (capped);</p> <p>The contribution to health insurance: 5.2%;</p> <p>Contribution for holidays and health insurance benefits: 0.85% (capped);</p> <p>Contribution to the guarantee fund for payment of wage claims: 0.25%;</p> <p>Contributions to unemployment: 0.5%;</p> <p>Contribution for of insurance against accidents at work and occupational diseases: 0.15% - 0.85%, differentiated according to the working conditions.</p>

Source: Assessment of the general situation of SMEs in Romania, NCSMER Report, 2004-2014

If during the period 2004- 2008 taxation on labor decreased, in 2009 it has increased, especially due to the increase in social security contributions, both to the employer and employee. The year 2014 brings a labor taxation reduction by 5 percentage points, due to the decrease of the employer's social security contributions.

Table 2

Profit tax dynamics	
2003	<p>25%</p> <p>Taxpayers engaged in night bars, clubs, nightclubs, discotheques, casinos or sports betting and the profit tax due for nightclubs activities referred to in this Article is lower than 5% of those revenues are required to pay a tax of 5% of such revenues earned.</p>
2004	25%
2005	Introduction of the flat tax of 16%

Profit tax dynamics	
2006	16%
2007	16%
2008	16%
2009	16% In 2009 the minimum income tax was introduced (companies will continue to pay a tax of 16%, but not less than the minimum limit). Enterprises' income tax rate is 3% in 2009 compared to 2.5% in 2008. If the microenterprise's tax due is less than the annual minimum tax they are obliged to pay the tax at the level of this amount.
2010	16%
2011	16%
2012	16%
2013	16%
2014	16%; we mention that firms may opt for a fiscal year different from the calendar year

Source: Assessment of the general situation of SMEs in Romania, NCSMER Report, 2004-2014

It notes, according to the table, that the 16% profit tax has remained constantly throughout the period 2005-2013, but in 2009 is introduced the minimum tax, which will be removed a year later, but had a negative impact on the sector SMEs. To mention that in 2014 it is introduced the regulation for exempting tax on reinvested profit. Exemption from profit tax related to investments is granted in the limit of the profit tax due in that period.

Table 3

Dividend taxation in the period 2003-2014	
2003	5% for individuals; 10% for legal entities
2004	10%
2005	10%
2006	10%
2007	10%
2008	10% or 16%

Dividend taxation in the period 2003-2014	
2009	10% or 16%. Reinvested dividends beginning with 2009 for the purpose of maintaining and creating new jobs for the development of the activity of Romanian legal entities who distribute dividends, according to their object of activity registered at the National Trade Register, are exempted from tax on dividends. Are exempted from the tax on dividends and dividends reinvested in the social capital of another Romanian legal entities, in order to create new jobs, to develop its business, according to the activity object enrolled at the Trade Register Office.
2010	10% or 16%
2011	10% or 16%
2012	Constant
2013	16%
2014	16%

Source: Assessment of the general situation of SMEs in Romania, NCSMER Report, 2004-2014

The dividend tax remains constantly during the analyzed period (10% -16%), excluding reinvested dividends starting with 2009, in order to maintain and increase new jobs for the activities development of the Romanian legal entities who distribute dividends, which are exempted from its payment. Starting with 2014, dividends received from a Romanian firm or from a resident company in a state with which Romania has concluded a convention for avoiding double taxation are not taxable, if the beneficiary owns at the time of their payment 10% of equity securities of the other legal entity for a period of one year, accomplished by the date of their payment inclusive. (PWC, 2015, "Taxation in Romania. Pocket edition").

Table 4

Dynamics of taxes and dues	
2003	It was intended to gradually reduce the tax burden and especially the labor taxation, namely the reduction of social security contributions by 5 percentage points starting with January 2003; reducing the development tax included in electricity tariff by one percentage point, in order to reduce production costs in that sector; gradually increasing the the profit tax rate for profit related to the

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Dynamics of taxes and dues	
	export revenues, towards the standard rate; increasing the excise duty according to the schedule to achieve the tax rates gradually, towards EU standards.
2004	It was intended to further reduce labor costs, by decreasing rates of social insurance contributions; 9% VAT reduction for some products and services, from 2004; applying the standard rate and the profit related to the export activity; gradual increase of excise duties on petroleum products, tobacco and alcoholic products based on the schedule in the process of accession negotiating to the European Union;
2005	<p>The number of taxes rises by increasing taxes, introducing new taxes, growing excise, energy price increases, increasing the tax base. Tax on interest increased to 10%; there are introduced new excise: for electricity, natural gas, fuel oil; tax for real estate transactions made by individuals; tax for agricultural land; tax on income from agricultural activities increased from 15% to 16%; normal VAT for medicines; there are introduced special VAT schemes for farmers, tourism, works of art, antiques, second hand goods, goods sold on consignment and pawn system; VAT is introduced for individual farms; is introduced VAT for the sale of licenses for films; it is removed the exemption with deductibility for the construction of churches;</p> <p>Is introduced VAT on the supplies of goods and services made by detainees; VAT is introduced for research activities and development</p>
2006	The number of the most important taxes paid to the state budget remained unchanged
2007	It increased the amount in the case of taxes (excise duty on beer, cigarettes, fuel oil, leaded petrol, taxes on vehicles, etc.) or declined for other taxes (excise on green coffee, roasted coffee, etc. to). In terms of the number of taxes, it grew, new taxes being introduced, such as special tax for cars and motor vehicles.
2008	The number of taxes of the Fiscal Code has remained constant. There are no definitive official statistical data on the number of non-tax levies
2009	According to the information provided by the government, that have been reduced, canceled or merged 119 taxes and tariffs,

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	Dynamics of taxes and dues
	thereby the number reaching 300
2010	<p>Starting with 1 July 2010 there are introduced new taxes:</p> <ul style="list-style-type: none"> - income as interest on deposits / current accounts, as well as customer deposits are taxed with 16% of their value. <p>The following revenues are taxed at a rate of 16%:</p> <ul style="list-style-type: none"> - present tickets - nursery tickets, granted by law - holiday vouchers granted by law; - amounts representing compensatory payments calculated on the basis of average net salaries per unit, received by people whose individual employment contracts were terminated as a result of collective redundancies according to the law and the amounts representing compensatory payments, calculated on the average net wage per economy, received by civilian staff of the national Defence, public order and national security on termination of labor or service, as a result of reductions and restructuring needs, granted by law; - amounts representing compensatory payments calculated on the basis of net monthly salaries, granted to military personnel passed into reserve, or whose contract is terminated as a result of reductions and restructuring and aids determined in relation to the monthly net salary, accorded to him to transition in reserve or directly in retiring with pension entitlement or who do not qualify for pension and benefits or compensation received by police officers in similar situations, whose amount is determined in relation to the basic monthly net salary net, granted under the relevant legislation, become taxable beginning with the rights corresponding to July 2010. <p>Also, from 1 October 2010, the minimum tax is eliminated.</p>
2011	Number of taxes and fees still remains increased with 5 (those introduced in July 2010)
2012	It remained constant
2013	Increased, by introducing new taxes and dues
2014	Increased, by introducing the special construction tax („pole tax”) and the increased level by 7 eurocents for excise duties and implicitly changing the formula used to calculate them

Source: Assessment of the general situation of SMEs in Romania, NCSMER Report, 2004-2014

The number of taxes and fees has declined significantly in recent years, reaching a figure of 14, according to the Doing Business 2015 report, prepared by the World Bank and PriceWaterhouse. We hold the position 52, compared with the previous year, when we placed on position 128 of 189 countries surveyed. The biggest problem continues to be the labor taxation. Of the 159 hours required to pay taxes, 80 hours are consumed for social security contributions and 54 for VAT. At the same time, social contributions represent 23.5% of total tax rate of a company, which is about 43.2%.

4. Small and medium enterprises in the period 2008-2014

In the period 2008-2011 of economic crisis, SMEs recorded an accelerated decrease, fact that determined the tax regime instability, changing social environment, rising inflation, enhancing the activity of underground economy, the existence of a banking system reticent to lending to small firms etc.

Below, it is presented the comparative evolutions on the registrations (R), suspensions (S), deletions (DL), dissolutions (DS) and total exits (E), for SMEs, in 2008- 2014 (see Table 5).

Table 5

SMEs situation during 2008- 2014

Year	(DL)	(R)	(S)	(DS)	(E)	Dynamics (R – E)/R (%)
2008	17676	144239	12019	3762	33457	+76.8
2009	43713	111832	134441	30105	208259	-86.2
2010	186144	119048	66420	8191	260080	-118.5
2011	73244	132069	21086	11660	106125	+19.6
2012	71746	125603	24078	22500	118324	-5.8
2013	80786	124816	22079	23208	126073	-1.0
2014	63798	88103	13471	15344	92613	-5.1

Source: Trade Registry Office Reports, 2008-2014

Therefore, the population dynamics of enterprises in 2008-2013 was marked by a series of turbulence, caused mainly by installing of the economic crisis, with extended effect up to the present moment. The series of successive positive increases in the number of registrations of new companies, which occurred until 2008, stopped abruptly in 2009, as the effect of economic and financial

crisis, and the values recorded subsequently did not enrolled on a clear development trend.

The dynamics of registrations in the period 2008-2013 is marked by several inflection points: in 2008, when from the maximum number of 144.239 firms registered, it has dropped to a minimum of 111.832 in 2009, followed by resumption of growth of registrations till 2011 to a number of 132.069 and again to successive decreases in 2012 and 2013, up to 124.816 registrations.

This fluctuating dynamics, with negative tendencies, in the number of startups registered, within a relatively short reference interval, suggests the instability of the business environment, at least in the segment of startups in the initial stage of entrepreneurial activity. As shown in the table above, the downward trend in new firms registrations has doubled, simultaneously with the cumulative increase in the number of suspensions, dissolutions and deletions, according to the to NTC statistics from 2009-2014.

The evolution of population growth calculated every year (2008-2014) gives a revealing indication about the evolution way of enterprises population legally registered in Romania. Thus: from an increase of + 76% in 2008, the values decreased to a very minimum of -118.4% in 2010, being slightly improved in favor of new registrations in 2011 (19.6%) and then regressing successively in 2012 and 2013 and the first 10 months of 2014, up to - 5%.

The negative effects of this extended phenomenon and amplified in the first 10 months of 2014 seriously affected on long-term SMEs population and jobs in Romania, but also the innovative and creative potential of startups, which was generated by them in any economy.

The impact of the crisis could explain up to a point the paradigm shift of perceptions and attitudes against the entrepreneurship manifested in the Romanian society in recent years. But opportunity factors, as free access to the single market, to cooperation networks and to the European Union resources and especially the large number of programs and projects with related financial allocations, addressed to the objective of promoting the culture and entrepreneurial education, should have been in counterweight.

5. The main obstacles faced by entrepreneurs and tax proposals for the development of business

According to the report prepared by Ernst & Young, "Entrepreneurs speak. Romanian entrepreneurship Barometer 2015", the most important obstacles in starting and developing a business in Romania are the aspects of fiscal nature: unpredictability of regulations, complicated system of fiscal requirements and regulation, the level of taxes, bureaucracy, the attitude of the local or central fiscal authorities against the taxpayer.

Also, entrepreneurs mention among the shortcomings they're facing with: lack of fiscal predictability, lack of qualified human resources, lack of interest for entrepreneurs within the local and central administrations, the public policies lack of vision, lack of business incubators, of financial resources or entrepreneurial education.

Basically, the authorities is necessary to focus more deeply on the tax system to help development of entrepreneurship in Romania through measures as reducing administrative costs and corporate compliance, simplify complexity of the legislation, especially for small enterprises, with poor resources, and lowering the tax burden, especially for start-ups.

Other targeted measures in taxation and bureaucracy concerns: reducing VAT, a better tax collection, fiscal facilities for start-ups, a tax code that would not change for 5 years, simplifying the SMEs accounting, reducing the number of fiscal controls, adopting an entrepreneurial law, the correlation of the provisions of various normative acts, state administration officials to be penalized in the event of obstruction the business activity, a single office for starting a new business, e-government.

A solution, especially for young entrepreneurs, consists of online information and educational resources of the entrepreneurs in complying with the requirements of the Romanian state. These online resources, as the single office online for the creation of firms, would further simplify the processes of opening and managing start-ups, leaving more time to shareholders to focus on defining products and services, winning their first customers and optimize business processes.

Many times, when discussing about taxes, the conversation is focused on the tax level, but the most pressing problem for entrepreneurs is the their complexity. According to a survey

conducted by Thumbtack, owners of small companies in United States consider the level of the taxes complexity and of compliance costs a better indicator for measuring how friendly the state is with entrepreneurs, than the level itself of the paid taxes . The 159 hours / year that a new company must spend in Romania, according to Doing Business report, to navigate through the tax system, is actually a decrease in productivity for that company.

Also in the United States, according to the Small Business Administration, compliance costs for a small firm are 206% higher than for a large firm, which has significant resources to comply with the Tax Code. Such a calculation, in Romania, has not yet been realized.

Regarding tax simplification in Romania, we refer to the the payment of VAT, which may create administrative difficulties and cash problems to small and growing firms. Therefore, some countries have taken steps in this regard, including Romania, where VAT may be paid to the state to receivment.

Starting with 1 January 2014, companies with turnover below 2.250.000 Ron (500,000 euro) have the possibility to opt for this scheme or normal system, depending on how they want to operate. Also, we have a real VAT on receipt and not a deferred one, being removed the 90 days period after which the VAT becomes chargeable, whether or not the amounts are received.

Also, the firms with turnover of less than 35.000 euro per year in Romania is applicable a simplified accounting system, with a reported structure more easily to drawn.

6. Conclusion

The purpose of this article was to highlight the multitude of tax provisions in the period 2003-2014, emphasizing the aspect that contributed to fiscal unpredictability in Romania. The frequency with which changes of Tax Code were undertaken demonstrated the lack of predictability and stability of the fiscal framework, investors being often placed in the position to reconsider their plans in the medium and long term, literally for fiscal reasons, rather than business .

Moreover, for many of these changes there was a very short time between the moment of publication and the entry into force of the new provisions. The direct consequence was an increase in the tax system complexity and compliance costs for fair taxpayers.

Essential components in terms of the attractiveness of the business environment, predictability and fiscal stability, were affected by the multitude of changes in the legislation. It is well known that the interest of foreign investors for the development of local business is closely related to ensuring a favorable investment climate and implicitly to modernize the tax administration and the relationship between tax authorities and taxpayers.

Strengthening the taxes and duties in Romanian tax system should be the main concern for the authorities to ensure predictability for any business and the economy as a whole. If things are simple and focused on income and not on the modality of its achieving, it will increase firms voluntary compliance. We believe that one way that may be used is simplifying the system of taxes based on a ranking of "costs involved versus collection made".

Also, lately the trend has been to move the tax burden from direct taxes towards indirect taxes, especially VAT. This may be balanced somehow by reducing the VAT to products "Made in Romania", so as to be sustained domestic production and consumption. For example, the import of vegetables and fruits has a considerable weight, therefore a reduction in VAT to domestic goods would result in a price competitive for them and to be preferred by consumers, with all the benefits that follow for the economy, the private sector and, not least, the population health.

In conclusion, we need a radical reform of the taxes system, through programs that provide simultaneously significant increasing of revenue to the state budget, decrease of administrative costs and stimulating the economic growth by supporting the business environment.

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