FISCAL IMPACT OF ROMANIA'S ACCESSION TO THE EUROPEAN UNION - ADVANTAGES AND DISADVANTAGES

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Abstract: *In this paper we present the main fiscal incidences manifested on the Romanian fiscal system, analyzed in terms of their realization in possible advantages or disadvantages, 15 years after Romania's accession to the European Union. We aim to highlight the advantages anticipated at that time, perceived as opportunities to reform and create a fiscal system stimulating economic development and their confirmation or possible transformation into certain disadvantages over the Romanian fiscal and economic system. We refer to the evolution of some indicators, of some tax rates and their translation in the fiscal and economic dynamics, in the period 2007 - 2021.*
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1. An overview of fiscal policy - at Community and national level

In the process of forming and consolidating the European Union (EU) as an economic, social and political space, a series of structural transformations took place which resulted in the gradual takeover of the coordination of the main macroeconomic adjustment policies from the national level to the community. These have been accompanied by a number of other measures / processes that favor the creation of the single market and the free movement of capital and labor, such as: customs union, harmonization of social policies, increased economic cohesion, strengthening of Community institutions and perhaps the most important creation. , the single European currency, namely the Eurozone and, in a process of formation (affected by the COVID-19 pandemic), the fiscal union.

The EU's common economic policy is based on three main pillars: the monetary pillar, the fiscal pillar and the structural pillar. At the current stage of the economic integration process, the monetary pillar is the most advanced, being strongly coordinated at Community level, a process accompanied by a replacement of national monetary policies and those of the exchange rate with Community policies. The second is the fiscal pillar, which aims at a process of fiscal discipline and consolidation, consisting in particular in reducing budget deficits, public debt and the coordination of fiscal policies, mainly due to the lack of a common fiscal regulation. poor coordination and poor performance in the joint application of such provisions and rules.

Fiscal-budgetary policy, along with monetary policy, is one of the main tools for adjusting the economy, especially at the national level. Sometimes the effectiveness of fiscal policy in combating short-term economic fluctuations is limited as it must comply with the provisions of the Stability and Growth Pact (SGP), which consist of medium- and long-term commitments, and effective combination with flexible short-term measures is a real challenge, which affects fiscal efficiency, at national level, but also, at large, at Community level.

Budgetary policy is also very heterogeneous among member states, being the strongest form of manifestation of national sovereignty from an economic point of view, being subject to constraints related to the avoidance of excessive government deficits, the prohibition of financing public deficits by any type of credit. facilitated by the central bank, the prohibition of establishing privileges for public authorities and financial institutions, etc. The most important of these is the one on the excessive deficit, being regularly monitored and examined, through institutional mechanisms, under two aspects:

- the share of the current or planned budget deficit so that it does not exceed the reference value (3% of GDP), except in cases where there is a permanent decrease in the excess deficit, which falls close to the established value, or when the deficit increases it is temporary and exceptional and remains close to the reference value;
- the share of government debt so as not to exceed the reference value (60% of GDP), unless there is a decrease in the difference from the reference value at a rate fast enough to reach close to the reference value. reference.

If a Member State does not meet one or both of the above criteria, the Commission shall prepare a report setting out all relevant issues, in particular those relating to the medium-term economic and budgetary position of the country concerned.

One of the major objectives of European fiscal policy, in order to achieve the goal of fiscal consolidation, is to stabilize tax revenues at the level of member countries, by counteracting the negative effects of globalization on tax systems, on tax competition (reorientation towards tax systems in other countries) as well as to facilitate the development of the underground economy.

Negative effects that arise as a result of tax competition are translated into national fiscal policy measures that affect the tax base of other countries, consisting of: the adoption of reduced rates of taxation of the main incomes, the application of advantageous tax regimes for certain sectors of activity, lack of transparency at the level of tax authorities. Thus, the competitiveness of modern tax systems, aimed at achieving these measures, tends to affect their internal tax situation, shifting the tax burden to other tax bases, in an attempt to accumulate revenue for the provision of public goods and services, for the system. social security affected by the aging and migration of the population, to support the trend registered in the unemployment system.

In this context, increasing fiscal competitiveness between tax systems seems to be a way of stimulating tax competition with negative effects, and the tax systems of modern EU member states must rather undergo a process of deeper tax harmonization in order to create a framework for the flow of capital, labor and goods, without affecting the tax revenues of these countries.

Fiscal coordination, as a Community attribute, could be achieved more effectively through fiscal harmonization, which involves replacing different national rules with a single tax system aimed in particular at unifying the tax base and not standardizing tax rates, and identifying tax obstacles to the free movement of goods, services, labor and capital and removing them through tax cooperation.

2. Romania's accession to the EU - expected fiscal advantages

The process of Romania's accession to the EU involved a period characterized by profound changes in the economic system, namely the internal transition from a centralized economy to a market economy and in terms of meeting the accession criteria. To this end, the EU has provided a model for economic policy-making to enable it to be made compatible with specific standards and criteria (acquis communautaire). Its implementation was able to generate a relatively rapid convergence from a structural point of view, but also in terms of ensuring a real convergence (income, productivity, employment, education). In fact, EU accession does not represent an immediate and permanent guarantee of the process of economic convergence, but depending on the degree of development, requiring external and internal support of the process of economic growth. For this reason, the architecture of fiscal policies at Member State level also takes on different forms and nuances.

With Romania's accession to the EU, national fiscal policy has entered a process of assimilating specific fiscal standards and criteria (the acquis communautaire) and then a process of harmonizing existing tax systems at EU level, from the point of view of of direct and indirect taxation. In the field of indirect taxation, the already member countries (old members) had made some progress, taken over by the new acceding countries, so that the harmonization in the field of indirect taxation progressed relatively quickly, the countries being motivated to implement this process quickly.

We present below some possible advantages for Romania, of economic nature, which were translated into potential advantages of fiscal nature, at that moment, consisting in:

- access to the single market - facilitating the opening of the economy - increasing economic, capital and trade flows, all of which constitute the development of tax bases and, implicitly, the dynamics of the tax revenues generated by them;
- increasing fiscal discipline by limiting the budget deficit and public debt - issues that generate fiscal consolidation and sustainability in the medium and long term;
- streamlining the tax administration, materializing in the increase of voluntary tax compliance, by reducing the share of tax evasion and, in general, the underground economy;
- access to financial resources provided by the various European funds, at various stages of the accession and integration process, which requires (after formal accession to the EU) a contribution to the European budget;
- institutional harmonization - the creation of an independent fiscal institution to monitor the fiscal-budgetary process, in accordance with the fiscal rules of the European fiscal framework at national level and the notification of deviations and consequences regarding possible deviations;
- access to a permanent common EU fiscal capacity through which the effects of external shocks can be mitigated, a common fiscal capacity to be financed by the EU's own budgetary resources, by issuing common bonds, and assistance to a Member State may be conditional on compliance with tax rules;
- a certain fiscal homogenization with the countries of the Union or the region in order to avoid harmful effects of the fiscal competition, but also a certain stability to shocks of economic and social nature.

These fiscal and economic benefits, expected at the time of accession, were obviously not guaranteed, but their confirmation requires the involvement of national authorities, cooperation with European authorities, the implementation of economic and fiscal measures in line with European fiscal guidelines and the improvement of alternative factors. (infrastructure, quality of institutions, corruption, legislative instability, etc.), which are important elements in terms of the flow of foreign direct investment, economic development and fiscal multiplication.

3. About the evolution and confirmation or non-confirmation of the expected fiscal advantages for Romania

Next, we analyze the expected advantages, mentioned above, from the perspective of their confirmation and their transformation into certain advantages of fiscal / economic nature or disadvantages for the Romanian economy.

Access to the single market is a facilitator for opening up the economy, for increasing economic, capital and trade flows, all of which constitute the development and expansion of tax bases and, implicitly, a positive dynamic of tax revenues generated by them. After a relatively difficult start, specific to each start, requiring accommodation from several points of view (legislative, fiscal, economic, political etc.), this expected advantage has materialized, moreover, in a market for Romania. Specifically, the Romanian market has entered the "center-periphery" model which describes the relationship between the central economy (self-sufficient, prosperous) and peripheral economies, isolated from each other, vulnerable and uncompetitive, gradually becoming economically dependent, in which production and resources some countries are conditioned by the development and economic conditions of other dominant countries.

Increasing fiscal discipline by limiting the budget deficit and public debt - issues that generate fiscal consolidation and sustainability in the medium and long term - has apparently made progress for Romania after overcoming the financial and economic crisis of 2008-2010, more precisely in 2013-2016 , but in fact the consolidation of the deficit has been transferred to the increase of public debt, and since 2017 it has entered a process of degradation, being on the verge of opening the excessive deficit procedure in March 2020, a situation suspended due to the COVID - 19 pandemic. the two indicators deteriorated sharply (debt reached about 50% of GDP in 2021). This unfavorable course was the effect of several aspects developed in the 15 years since Romania's accession to the EU, respectively: the appearance of the two "black swans", consisting of the two major crises that affected the global economy and, implicitly, national economies - the crisis financial and economic crisis from 2008-2010 and the health and social crisis that began in 2020, with signs of manifestation even today, especially on the economic and fiscal-budgetary environment. On the other hand, the national political and fiscal-budgetary culture did not evolve much on the discipline line, but remained in the traditional habits manifested in the pre-election campaigns to increase the administrative expenses of the state (salaries, pensions, fiscal facilities), but take fiscal measures to balance these increases in expenditure, respectively fiscal measures to increase tax revenues. These increases in expenditure, premeditated or conjunctural, not covered by the current tax revenues of each year, have gradually accumulated in the public debt, which increases from approx. 12% in 2007, at approx. 50% in 2021.

Streamlining tax administration by reducing the share of tax evasion and the underground economy. On the background of an administrative institution - the National Agency for Fiscal Administration - inflexible to change the strategy of interaction with taxpayers, to digitization, behavioral typologies have emerged among taxpayers with tendencies to practice tax evasion and, lately, methods have been perpetuated and developed ingenious to erode the profits of multinational companies.

This last situation is not only manifested in Romania, but is a problem at community and global level. To this end, both at European and international level, the OECD has taken a number of steps in legislative progress, in particular at EU level as regards VAT, and partly at OECD level.

At European level, regulatory progress has been made especially in the field of VAT, but the effects of these measures in Romania are not yet felt, Romania being in first place in the EU in losses from non-collection of VAT, respectively 35% of planned revenues. The situation is far-reaching across the EU, with VAT estimated at EUR 134 billion in 2019 due to VAT fraud and tax evasion through VAT avoidance and optimization practices, bankruptcies and insolvencies, as well as incorrect calculations and administrative errors. Administrative efforts at national level to increase VAT revenue collection are also supported by significant EU efforts to improve the way VAT is collected through the creation of the Eurofisc network, which provides for the possibility of cooperation between Member States through national staff. 27 Member States and Norway. Since 2019, network members have been actively using the EU-funded "Transaction Network Analysis" tool for the rapid exchange and joint processing of VAT data, which allows them to automatically detect cross-border VAT fraud at a much earlier stage. early, and from 2022, the EC announces that it will further modernize the VAT system, including the consolidation of Eurofisc, a situation that can also help Romania in its efforts to increase revenue collection from this source.

Access to financial resources through European funds, which also requires a contribution to the European budget, but which can be constituted in investment flows and, consequently, in fiscal multiplication effects - from this perspective, the financial balance between Romania and the EU indicates a net profit of approx. 41 billion euros for Romania (cumulative 2007 - 2021), this amount being found in various tax bases, with fiscal multiplication effects. One observation is that the financial resources attracted from the EU are not found in large infrastructure investment projects, in improving the quality of institutions, aspects that, together with the progress made in other areas under analysis, contribute to improving the economic and fiscal environment. from Romania.

Access to a permanent common EU fiscal capacity through which the effects of external shocks can be cushioned, a common fiscal capacity to be financed by the EU's own budgetary resources, by issuing common bonds, and assistance to a Member State may be conditional on compliance with tax rules. This capacity has not been developed by the EU, and its budget remains a rigid instrument in terms of its ability to (pre) cushion economic and social shocks, being balanced by the norm.

A certain tax homogenization with the countries of the Union or the region by which to limit tax evasion, to avoid certain harmful effects of tax competition and to create an area of tax cooperation for the benefit of each country. This expected homogenization has only been achieved with regard to the Community's constraints on the transposition of certain tax regulations from Community law into national law. However, for the most part, the neighboring tax systems, or those in certain regions, are in competition with each other, a situation that is manifested by the reduction of tax rates, especially on mobile tax bases - capital, labor, issues that have affected, at least Romania, from the point of view of the collected tax revenues.

4. Conclusions

The coordination of fiscal policy has not been translated into a certain homogenization of the national fiscal systems, and the targeted fiscal competitiveness seems to amplify the fiscal competition, with negative effects, Romania being one of the countries significantly affected by this situation.

The fiscal attractiveness created by the Romanian fiscal system by reducing tax rates, granting fiscal facilities, given the current level of economic development, seems a less successful fiscal strategy, due to the poor development of alternative factors (infrastructure, quality of institutions, corruption, legislative instability etc.), which continue to be important elements that limit the flow of foreign direct investment and anticipated fiscal multiplication by reducing tax rates.

The anticipated advantages presented and analyzed, for the most part, were not confirmed at the expected level or turned into certain disadvantages for the national economy. The two crises that humanity has gone through during the 15 years since Romania's accession to the EU, have mobilized international institutions and organizations in order to remedy some deficiencies of the tax systems or to limit the economic, competitive effects on them. In this approach, a series of actions are being implemented that can help the Romanian tax system in the future (limiting the erosion of tax bases, strategies to improve the administration of tax systems).

The effects of fiscal failures are somewhat cumulated in the two indicators - budget deficit and public debt, but especially in the latter, whose dynamics will increase the medium-term fiscal pressure and limit the fiscal resources available for investment and public goods, through the cost of the service, public debt, in the situation where fiscal consolidation measures are not implemented, especially on the side of increasing fiscal revenues, moderating the growth rate of public expenditures and their orientation towards infrastructure investment projects, improving the quality of institutions, etc.

At European level, it seems that the main purpose of fiscal policy measures is to reduce the levels of tax rates and not because this is the will of the EU, but because this is the effect of the market, of fiscal competition. In this context, a more transparent and predictable taxation, with a single tax base, subject to fiscal harmonization rather than increasing the competitiveness between them, seems to be a more appropriate solution to create a framework for capital flows. employment and economic development in general, with positive tax consequences for Member States.

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