

# Organization and Modernization of Management within the National Fiscal Administration Agency in View of Preventing and Fighting Tax Evasion

Sorin Adrian Ciupitu

*Faculty of Finance, Banking and Accountancy, Dimitrie Cantemir Christian University, Bucharest, Romania, E-mail: [ciupitu.sorin@yahoo.com](mailto:ciupitu.sorin@yahoo.com)*

---

**Abstract** *Modernization of the fiscal administration was necessary for the growth of consumers' trust in this institution. This trust can be won only when the population, who pays taxes and fees in this country, will remark that an institution as ANAF spends less every year regarding tax collection and cuts tax evasion. Both natural persons and legal entities desire to see transparency regarding income administration, service development and simplification of the means to file fiscal statements. The services offered to tax payers have to be of high quality and professionalism with equal and indiscriminate treatment.*

**Key words** Management, public administration, taxes, fees, collection, budget

**JEL Codes:** H26, E62

---

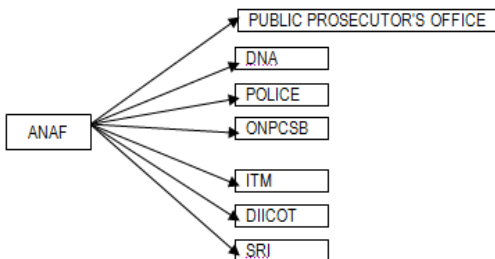
## 1. Introduction

The modernization of ANAF (National Agency against Fraud) could not be done without its reorganization. This decision was made starting 2013 and it was mainly designed to increase efficiency in collecting income for the consolidated general budget, to fight tax evasion and to improve willingness for tax payment.

By reorganizing itself, ANAF subordinates institutions such as the Financial Squad, The Department of Control and Supervision of Excise and Duty Operations within the National Duty Agency and the Department of Fiscal Investigation and turned all these institutions into a sole structure called The General Department of Fiscal Antifraud which is not a legal entity and whose responsibility is to fight corruption acts, fraud and tax evasion. This division together with ANAF and the Romanian Intelligence Service will fight against tax evasion as a joint force.

Regarding legal entities, one tries to fight VAT fraud. For natural persons ANAF, together with the Territorial Labour Inspectorate does an excruciating work against underground labour and undeclared income which is not charged for tax and unemployment fees. Before 2013 the law against criminal actions was very permissive for those breaking it but after the passage of law 50/2013 which altered law 241/2005 regarding the prevention and fight against underground economy,

things have changed for the better. In order to prevent and fight tax evasion, ANAF collaborates with public institutions in order to obtain information and enforce the law (Figure 1).



Source: Own vision

Where:

DNA (National Department against Corruption);

ONPCSB (National Office for Prevention and Fight Money Laundry);

ITM (Territorial Labour Inspectorate);

DIICOT (Department of Organized Crime and Terrorism Investigation);

SRI (Romanian Intelligence Service).

*Figure 1. Collaboration with other public institutions*

Internationally, ANAF made itself remarked because it became a member of the Intra-European Organization of Tax Administration (IOTA) and organized reunions in Bucharest regarding collaboration with the neighbouring countries.

## **2. Literature review**

Neculai Cârlescu (2015) has written and given a series of examples about tax fight. Tax evasion and fiscal fraud crimes regarding income tax, VAT, excise products and other taxes and fees due to the state budget and local budgets by legal entities has been largely debated and analysed in the volume *Tax Evasion* (Florescu *et al.*, 2013). Professor Lucian-Liviu Albu presents another structure of the underground economy based on the commerce of certain actions such as:

1. *Criminal actions* include transfers (thefts, charges of undue compensations from insurance companies, money forgery etc.), goods production and distribution (drugs, pornography etc.), services production and distribution (pandering, illegal gambling etc.) and crimes against the human being;
2. *Fraud* includes fiscal fraud and underground labour (including illegal emigration);
3. *Non-tradable actions* comprise household labour (food preparation, dwelling maintenance, gardening, proximity services etc.) and volunteering (for the associations' or persons' benefit).

A similar classification is suggested by Pierre Rosanvallon (cited by Craiu Nicolae) who divides underground economy into *autonomous and black*. *Autonomous economy* comprises the economic trades done for non commercial purposes (aid services between relatives and neighbours, volunteer work and community service). These are alternatives to official economy and generate negative effects on it. *Black economy* regards trade economic activities: the output of illicit enterprises, incomplete reports done by official enterprises, payed but undeclared salaries or statements of lower salaries etc. (the unstated feature of black economy), gambling, prostitution and pandering, corruption, bribery, loan sharking etc. (criminal feature), underground labour, fiscal fraud (criminal feature).

The growth of underground economy is mainly due to the growth of the compulsory income taxes and indirect taxes which can generate a mass reduction of taxable mass and a growth of the budget deficit which, in the end, will generate a reduction of the taxes. This, in turn, will lead to a new growth of fees and taxes resulting in a highly developed underground economy (Yair and Zinnes, 2000).

Also, the strict regulations of the labour market, the labour restrictions for foreigners, the commercial barriers all lead to the growth of labour costs in the formal sector. "The informal labour market includes all cases in which employees and employers or both occupy a certain place in the underground economy relative to the effective regulations" (Enste and Friedrich, 1998).

### 3. Methodology of research

Research combines theoretical investigation with statistical analysis and interpretation of norms which regulate the good functioning of public institutions in Romania.

The research is based on eloquent elements such as the relation between the efficiency of the organization structures and the quality of the decision-making processes, the impact of communication over the level of organization performance, and the possibility to prevent/fight underground economy.

The interest for investigating this subject is determined by the fact that the efficiency of fighting underground economy depends both on the regulations and laws in this field and on the way these are applied and structured within the institutions certified to fight this negative phenomenon.

The main hypotheses which were the grounds of the research are the following: in order to efficiently fight economic fraud, it is not enough to have a modern and adequate legislation, although this is an absolutely necessary condition in order to fight or eradicate the above-mentioned phenomena. The sufficient condition is represented by the fact that it is necessary to have adequately organized and coordinated institutions in order to implement the anti-fraud legislation.

#### 4. Results and discussions

The budget income charged by ANAF between 2010-2014 as well as the first four months of 2015 has been growing. This year there has been charged a sum of 65.87 billion lei representing a rise of 10.81% than the same period of 2014 (59.45 billion lei).



Source: ANAF Performance report

Figure 2. Budget income charged by ANAF

Table 1. Budget income charged by ANAF

Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
142,323	157,503	167,803.2	173,154.4	182,546.1

Source: ANAF Performance Report

By reference to the year 2010, the extent of the income charged by ANAF as reflected in GDP was growing in 2011 and 2012, levelled off in 2013 and fell by 2014. But in 2015, during the first semester, there was recorded a rise by comparison to trimester I of 2014 from 8.87% to 9.34%.



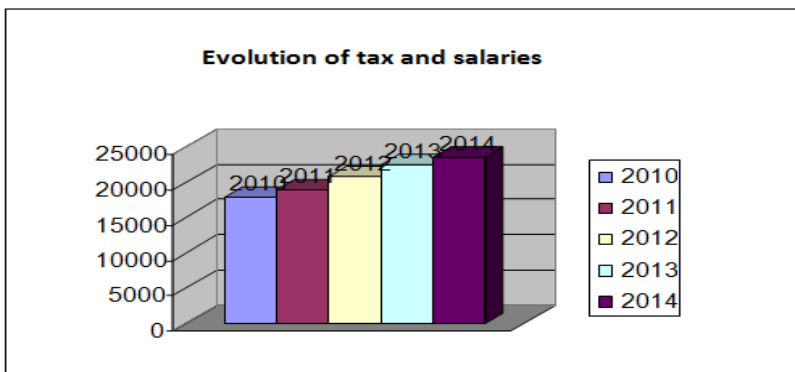
Table 3. Income tax evolution

Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
10,091	10,289	10,824.7	10,893.2	12,190.3

Source: ANAF Performance Report

The evolution of the charges derived from income taxes was growing. In the first semester of 2015 there was charged 9.79% more income than in the first trimester of 2014, the percentage of accomplishment being 106.36%.

The income tax and the corporate tax are direct taxes.



Source: ANAF performance report

Figure 5. Evolution of income tax and salaries

Table 4. Evolution of income tax and salaries

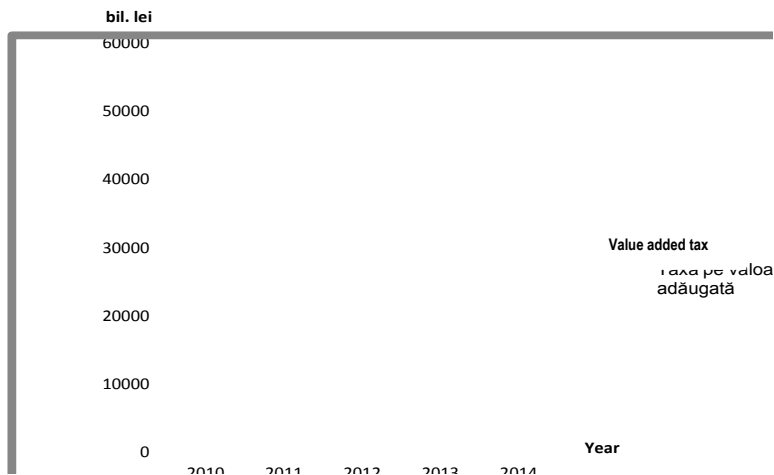
Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
17,858	18,849	20,732.4	22,513.9	23,441.7

Source: ANAF Performance Report

For this tax we can also remark the growth recorded between 2010-2014. Nevertheless, in 2015 the first semester records a growth of 14.24% by report to the same period of 2014 and the fulfilment degree reaches 104.78%.

The value added tax is an indirect tax owed to the state budget and is collected according to the Fiscal Code provisions. As all national taxes, VAT is also applied

on the territory of a state regardless its organization. In Romania, there is a classic organization: small, undivided, uniformly displayed territory.



Source: ANAF Performance Report

Figure 6. Evolution of value added tax

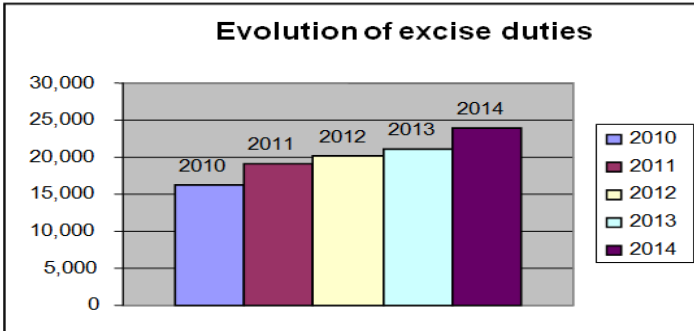
Table 5. Evolution of value added tax

Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
39,246	47,917	50,516	51,428.0	50,878.5

Source: ANAF Performance Report

The income charged from the value-added tax was growing between 2010-2013 and in 2014 a decline was recorded due to the fact that the sums returned from VAT were higher in 2014 (by 20%) than in 2013. In the first semester of 2015 the VAT income rose by 20.01% than the first semester of 2014, the degree of fulfilment being 112.32%.

The excise duties are part of indirect taxes and represent special taxes applied on consumer products derived from domestic output or imports which are due to the state budget.



Source: ANAF Performance Report

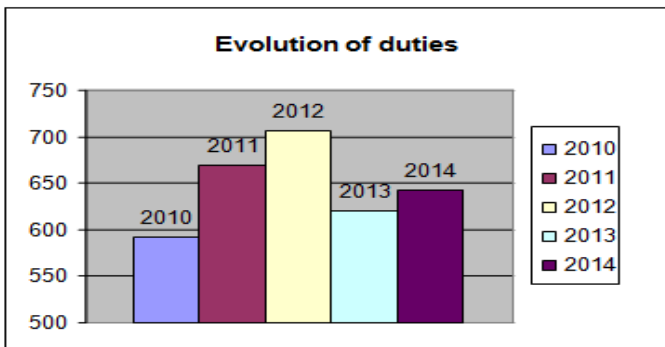
Figure 7. Evolution of excise duties

Table 6. Evolution of excise duties

Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
16,212	19,026	20,172	21,016.5	24,000.6

Source: ANAF Performance Report

The evolution of the excise duties in the analysed period was rising in the first trimester of 2015 by report to the similar period of 2014 thus charging 6.99% more taxes reaching fulfilment degree of 94.75%. Customs are indirect taxes and represent a sum of money charged by the state budget for the goods import, export or transit done by natural persons or legal entities.



Source: ANAF Performance Report

Figure 8. Evolution of duties



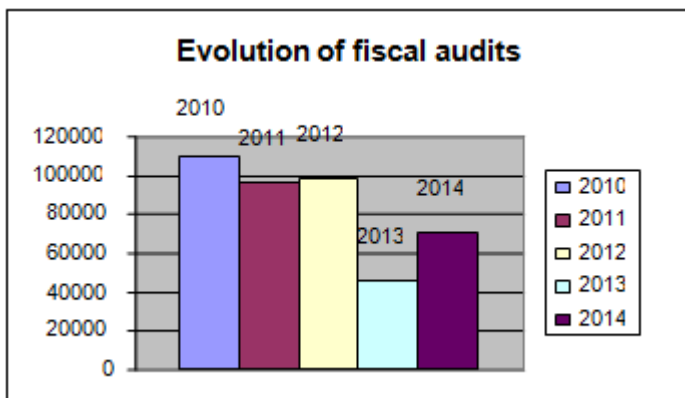
Table 7. Evolution of duties

Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
592	669	707.5	620	643

Source: ANAF Performance Report

Between 2010–2012 the taxes collected from duties rose while between 2013-2014 they fell. In the first semester of 2015, 185 million lei were charged, that is 151.8 million lei more, representing a 121.9% rise.

The number of fiscal inspections rose by 2010–2013 and law 50/2013 regarding tax evasion crimes played a major role. In the first trimester of 2015 there was recorded a number of 16,087 audits done by difference to the same period when 19,487 were done, thus representing a significant decline.



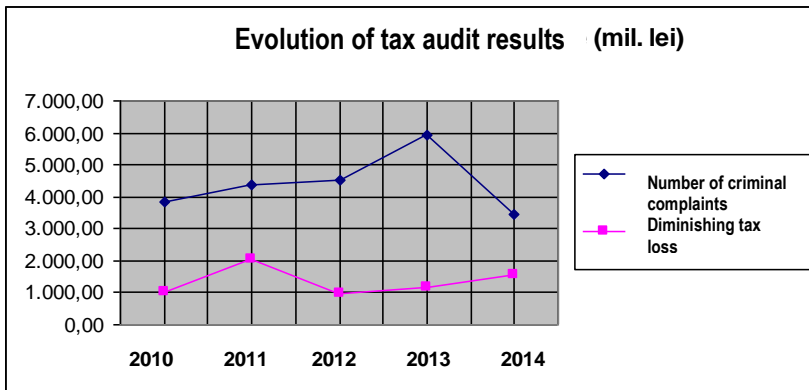
Source: ANAF Performance Report

Figure 9. Evolution of the fiscal inspection number

Table 8. Evolution of fiscal inspections

Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
109,286	96,835	98,625	46,481	70,912

Source: ANAF Performance Report



Source: ANAF Performance Report

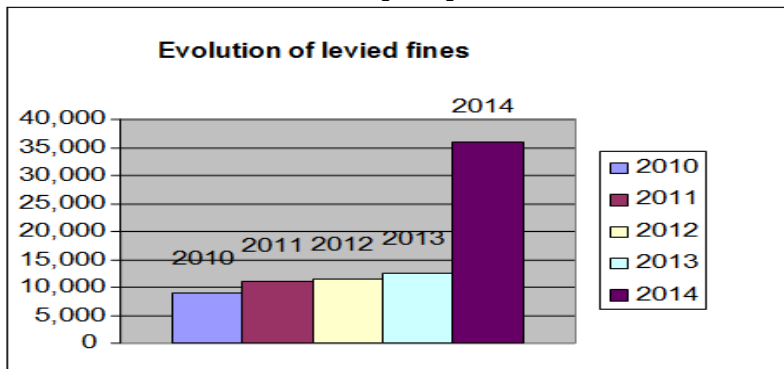
Figure 10. Evolution of tax audit results

Table 9. Evolution of tax audit results

Indicator's name/Year	2010	2011	2012	2013	2014
Number of indictable (damages)	3,857.4	4,376.6	4,502.1	5,928.1	3,465.6
Diminution of tax loss	1,015.4	2,028.6	991.1	1,156.2	1,575.5

Source: ANAF Performance Report

The number of indictable grew between 2010-2013 and fell by 2014 due to the law 50/2013. The diminution of tax loss was growing between 2012-2014.



Source: ANAF Performance Report

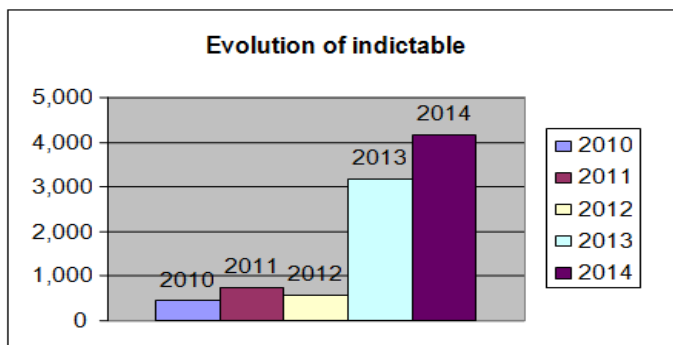
Figure 11. Evolution of levied fines

Table 10. Evolution of levied fines

Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
8,858	11,074	11,389	12,318	35,814

Source: ANAF Performance Report

In 2014 the number of levied fines grew by 4.04 times. Here one can notice the difference between the old Financial Squad and the new organization of the General Department for Fight against Fiscal Fraud.



Source: ANAF Performance Report

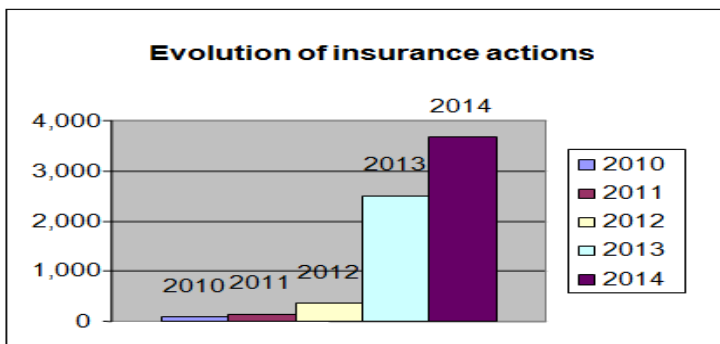
Figure 12. Evolution of indictables

Table 11. Evolution of indictables

Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
444	735	588	3,192	4,159

Source: ANAF Performance Report

The number of indictable and insurances rose significantly in 2013 and 2014 after the reorganization of ANAF. In the first trimester of 2015, 885 indictable have been issued in the following fields: food supply trade, retail and construction.



Source: ANAF Performance Report

Figure 13. Evolution of insurance actions

Table 12. Evolution of insurance measures

Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
69	144	357	2,495	3,677

Source: ANAF Performance Report

In 2015 the value of damages reached 2.6 billion lei and the value of insurance actions reached 877 million lei as revealed by the Finance Ministry in the first trimester. The development of the informatics system will play an important role regarding the modernization of the institution management if it is genuinely designed to prevent and fight underground economy.

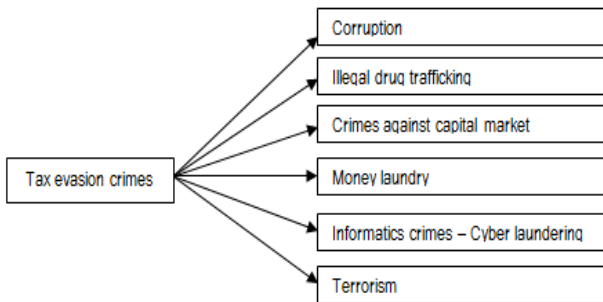
This development stage of the information management must comprise the collection, storage, processing, access, communication and use of information received from different state institutions. The exchange of information between the institutions and their implementation by DNA and the Prosecutor's Office are actions that will diminish underground economy.

The development of short, medium and long-term strategies for tracking down tax evasion phenomena and establishing and fulfilling of objectives will turn ANAF into a force in Romania. Nevertheless, one has to pay attention not to become politically manipulated.

For the modern management, performance represents a key element and this is reflected by the yearly reports done by ANAF. In 2015 the institution really started to obtain tangible results and politicians of the haute monde have gone behind bars for tax evasion, thus increasing the trust of the population in the public institution.

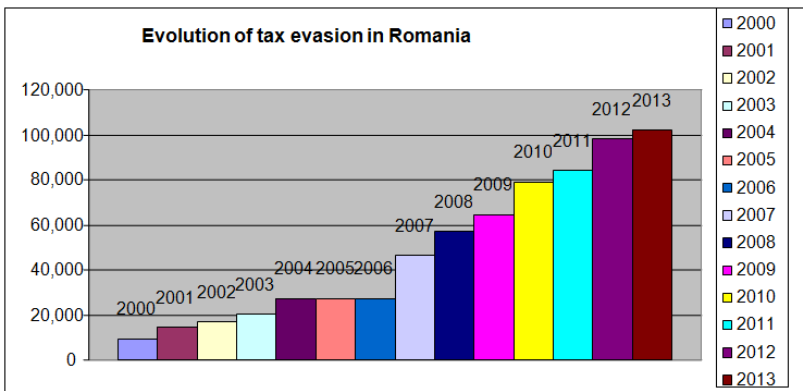
Transparency is another key element regarding human resources recruitment. Until now, this transparency was only apparent, and I state this because I notice it and I do not believe I am the sole person who believes that the majority of the admitted candidates obtain low marks for the written examination while the candidates with high marks fail the final interview examination. ANAF needs professional and well-trained employees who do not send tax payers from one counter to the other as they cannot provide answers as they are not aware of the law, especially the Fiscal Code and the Fiscal Procedure Code.

The tax evasion crimes are related to other crimes as presented in figure 14.



Source: Own vision

*Figure 14.* Correlation of tax evasion with other types of crimes



Source: ANAF Performance Report

*Figure 15.* Evolution of tax evasion in Romania

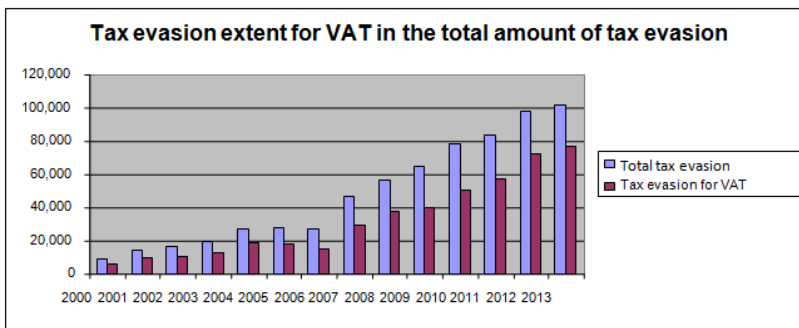
Table 13. Evolution of tax evasion in Romania

<b>Evolution of tax evasion in Romania</b>	<b>2000</b>	9,265	<b>2007</b>	46,650
	<b>2001</b>	14,448	<b>2008</b>	56,638
	<b>2002</b>	16,957	<b>2009</b>	64,615
	<b>2003</b>	20,127	<b>2010</b>	79,008
	<b>2004</b>	26,975	<b>2011</b>	84,175
	<b>2005</b>	27,439	<b>2012</b>	97,816
	<b>2006</b>	27,192	<b>2013</b>	102,013

Source: ANAF Performance Report

In 2007 one can notice a significant growth in tax evasion from 27,192 mil. lei in 2006 to 46,650 mil. lei in 2007. A first reason for this is the application of the flaw tax by Decebal Traian Remeş and a second reason is the rise of excise duties for cigarettes and alcohol. VAT evasion is the greatest part of the tax evasion total, namely 75%, followed by social insurance taxes which represent 15% of taxes. The decision made in 2010 regarding the rise of the VAT quota from 19% to 24% had an even worse effect on the budget as the evasion for this tax constantly grew in the following years. In 2015 the Government took the decision to repair this mistake and lowered the tax back to 19%.

In 2014-2015 after the intensification of the controls done by DGAF, the activity of 1,628 economic agents and 592 tax payers were suspended. In 2014 only this department brought 3,838.7 mil.lei (872.4 mil. euro) to the budget, the extent of the duties as extra calculated from VAT being of 62%.



Source: ANAF Performance Report

Figure 16. Extent of tax evasion of VAT in the total amount of VAT evasion

Table 14. Extent of tax evasion of VAT in the total amount of evasion

Year	Total tax evasion	Tax evasion at VAT	Extent (%)
2000	9,265	6,198	66.90%
2001	14,448	9,468	65.53%
2002	16,957	10,712	63.17%
2003	20,127	12,763	63.41%
2004	26,975	18,683	69.26%
2005	27,439	18,050	65.78%
2006	27,192	15,067	55.41%
2007	46,650	29,982	64.27%
2008	56,638	38,085	67.24%
2009	64,615	40,156	62.15%
2010	79,008	50,347	63.72%
2011	84,175	57,476	68.28%
2012	97,816	72,399	74.02%
2013	102,013	76,747	75.23%

Source: ANAF Performance Report

The measure to cut the VAT quota for bread taken on 1 September 2013 from 24% to 9% was a good decision. Thus, tax evasion fell in this field due to the fact that a series of traders became legal and due to the audits done by the General Department for Fighting Fiscal Fraud. In 2015 the same cut is applied to all food supplies. Also for cutting tax evasion, the lottery of fiscal bills has been implemented starting 2016. The tax evasion recorded at the National House of Health Insurance is due to underground labour. Some employers make deals with the employees in order to record the minimum salary allowed by the law on the payrolls and the rest of the money up to the real salary to be paid down while others do not record their employees at the Labour Territorial Inspectorate at all.

## 5. Conclusions

A first conclusion is that the income collected by ANAF from natural persons and legal entities tax payers should be used for investment in infrastructure, health, education and other fields of national importance. Otherwise, one will not have any growth in the field of conformity to the laws. A second conclusion would be to reform the fiscal code which is a strategic reform aimed at guaranteeing stability at macroeconomic level and sustainable economic growth.

A third conclusion is to cut bureaucracy and budgetary expenses and also a reform of the collection system in order to grow the trust of the population and collection degree. These actions will have results in the demarches done by ANAF.

## **6. Suggestions**

For the management development within the National Agency for Fiscal Administration I suggest to do the following:

1. Continue the process of cutting tax evasion for VAT and the Health Insurance House.
2. Simplify the system of VAT in order to rise the degree of payment willingness amongst tax payers.
3. Simplify the means to pay taxes and fees for natural persons and legal entities- here I refer to online payment or card payment - which means that the fiscal administrations should be provided with POS services.
4. Facilitate new commercial traders with exemption from profit tax payment for a period of 6 months.
5. Create facilities for commercial traders who make employments.
6. Create facilities for commercial traders which work legally and comply with the law.
7. Create facilities for poor or in financial difficulties natural persons.
8. Recruits visionary and skilled professional public workers as we are tired of bribers.
9. Diminuate fiscal pressure both for natural persons and legal entities by growing the degree of collection.
10. Increase the quality of services offered to natural persons and legal entities by implementing distance services and call-centres with professionally skilled recipients.
11. E-mail or SMS facilitated collaboration between the fiscal inspector responsible for the area where the trader is based and the legal person for transmitting information which will increase the degree of trust, willingness to pay, cut administration costs and fight underground economy.
12. Better collaboration between the public institutions.
13. Information exchange between Romania and other countries in order to cut underground economy.
14. Collaboration between SRI and ANAF regarding the incoming money brought by Syrian migrants for illegal use.

## **References**

- Albu, L.-L. (1998). Economy or economics transition?, Expert Printing House, Bucharest, 1998, pp. 89-90.
- Cârlescu, N. (2015). Tax evasion. Comments and exemplifications. Third edition, C.H. Beck Printing House.



Craiu, N. (2004). Underground economy between "Yes" and "No", Economic Printing House, Bucharest, pp. 24-25, cites Pierre Rosanvallon (1996), L'économie sauttraine, Revue française de finances publiques, 1996.

Enste, D., Schneider, F. (1998). Increasing Shadow Economies All Over the World – Fiction or Reality? A Survey of the Global Evidence of their Size and of their Impact from 1970 to 1995, IZA Discussion Paper No.26, December 1998, p. 26.

Florescu, D.A.P., Mrejeru, T., Bucur D., Pantea M., Vasile M., Martinescu, A. (2013), Tax Evasion, Universul Juridic Printing House

Yair, E., Zinnes, C. (2000). The Evolution of the Shadow Economy in Transition Countries: Consequences for Economic Growth and Donor Assistance, CAER II Discussion Paper No. 83, September 2000, pp.43-45.

\*\*\* ANAF Performance Report

\*\*\* [www.anaf.ro](http://www.anaf.ro)