ENSURING ECONOMICAL AND FINANCIAL SUSTAINABILITY: STATE FISCAL CONTROL - A WAY TO PREVENT AND REDUCE TAX AVOIDANCE

Constantin Iațco1*, Marius Vorniceanu1, Stejărel Brezuleanu1, Carmen Sandu2
1University of Agricultural Sciences and Veterinary Medicine, Iași
2„Alexandru Ioan Cuza” University, Iași

Abstract

Human nature constantly tends to place personal interest first, to the detriment of general interest. In this respect, tax and duty payers have always attempted to evade payments on their tax liabilities, resorting to various tactics, as they view such compulsory payments as detrimental to their wealth and income. On the other hand, the state seeks to maximise its receipts from taxes, duties, excises etc.

In Romania, after 1990, an entire range of anti-tax reactions occurred in the sphere of public finance as part of the transition towards democracy, therefore determined action is required to address the phenomenon of tax avoidance, by managing, identifying, forecasting, controlling and exploiting it, in order to secure the projected government budget revenues.

The national revenue service, as the state’s agency specialised in controlling the revenues of legal and natural persons and collecting taxes, tends to interpret legal provisions in such a way as to support its own purposes. Nevertheless, no matter how clever the tax policy makers may be, laws may also be construed to the taxpayer’s own advantage. When this is not possible, the taxpayer will resort to unlawful actions to avoid paying taxes, excises or duties. Thus emerges one of the most widely spread phenomena affecting business activity, i.e. tax evasion.

This paper analyzes how tax avoidance, which is the subtraction from taxation of a larger or smaller share of the taxable amount, can be a phenomenon and how it can be prevented or reduced. Also it is shown that tax avoidance is equally observed at the national level and the international level.

Key words: black area, direct tax, grey area, indirect tax, tax avoidance, tax evasion, white area

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* Author to whom all correspondence should be addressed: e-mail: iatco_constantin@yahoo.com