



CONCEPTUAL APPROACHES REGARDING THE IMPACT OF FISCAL SYSTEM ON
ECONOMIC GROWTH IN THE CASE OF CENTRAL AND EASTERN EUROPE

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Abstract

The main objective of this research article is to consolidate a conceptual perspective based on the impact of fiscal systems on economic growth. The conceptual analysis aims to achieve an overview of the concept of the fiscal system as an essential pillar in the architecture of sustainable economies. Thus, the concept, functions, main characteristics and primary role of the fiscal system are presented in an argumentative manner, from the point of view of a complex radiography of the specialized literature in the field. Also, in this article are developed fundamental theoretical and practical aspects regarding taxation and its multidimensional implications especially in the context of globalization.

Keywords: fiscal systems, economic growth, sustainable development, globalization

I. INTRODUCTION

Sustainable development in European countries, including Central and Eastern European states, offers a balance between the needs of social systems and natural systems, between the needs of present and future generations, in accordance with the conservation of the natural environment, considering that it is an unequal distribution of resources globally. In addition, the systemic risk caused by the increase in the deficit of natural resources must also be considered in the context of long time horizons due to the negative impact caused by the depletion of natural resources. The global implications of sustainability in developing countries are extremely important. Sustainable development and its implications are, first and foremost, a great challenge of the modern world, an altruistic alternative and a beneficial solution in the many problems of the present.

The global problems regarding the evolution of the environment and the irrational consumption of the limited resources are very clear in the case of the European countries, so that the sustainable development plays an essential role. Economic and social conditions differ in a considerable proportion from one state to another, the discrepancies between the level of sustainable development being evident. In this sense, the concept of financial sustainability reaches different meanings, taking into account the heterogeneity that characterizes the



statistical results regarding the registered level of economic growth. Future generations are largely dependent on the effective implementation of sustainable development measures. In recent years, the relationship between limited natural resources and economic development has become extremely strong, with significant implications for current and future generations.

II. THEORETICAL CONSIDERATIONS REGARDING THE FISCAL SYSTEM

The development of the fiscal system is a problem of great current interest due to the fact that this mechanism represents the most effective tool for improving the distribution of welfare, as well as the quality of life at the society level. The need to improve the tax system derives mainly from the accelerated propagation of the phenomenon of tax evasion. Moreover, tax evasion is a complex economic-social phenomenon, which has become a real affliction that negatively influences the level of tax revenues, by generating disturbances of market mechanisms, distortions of the competitive phenomenon and the perpetuation of social inequities. Aspects regarding the consolidation of sustainable fiscal systems are a topic of great interest today, in the context of "the capacity of the governments of the different states to ensure the repayment of public debt, limited by the slight economic growth and the rejection by the civil society of the idea of raising taxes" (Fugaru, 2017).

The fiscal system contributes significantly to the performance of certain functions at central authority level. Also, tax systems have developed a multitude of forms in the context of intensifying economic relations. The state, irrespective of the form of organization, has carried out from the earliest times activities to follow the way of carrying out the financial obligations of the population towards its institutions. It is also very important to mention that the specialized literature of Anglo-Saxon origin assigns different meanings to the terms "fiscal policy" and "fiscal reform", compared to the Latin literature specialty literature. Thus, these expressions are used in the sense of fiscal policy which includes, on the one hand, the objectives regarding taxes, taxes and contributions, and on the other hand the purpose regarding public expenses, the state budget, including the ratio between the incomes and the expenses provided therein. Etymologically, the term "fiscal" comes from the Latin word "fiscus" which means the basket or even basket in which the coins from taxpayers representing taxes were collected. Consequently, in the case of the states of Latin origin, the state policy regarding taxes, respectively the fiscal policy, does not coincide with the policy regarding the public expenses, respectively the financial policy (Văcărel, 2001).

Public financial resources are classified according to the economic content, in the following main categories: compulsory withdrawals, public loans, treasury resources, financing obtained through a non-hedging monetary issue. The most important category is the income obtained from the application of fiscal policy measures. In this sense, concept of fiscal system plays a central role because it includes all the taxes imposed on the basis of legal regulations within a state, constituting the way by which the majority proportion of the budgetary revenues is collected. The fiscal system has a significant contribution in determining the level of state revenues, which directly influences the ability to finance budgetary expenditures.

In the specialized literature there is no generally accepted definition regarding the concept of fiscal system. However, there are a multitude of relevant conceptual opinions and approaches



that have over time contributed to the crystallization of a highly diversified theoretical framework. According to Dascălu (2006), the fiscal system is defined as representing: "the concretization of the political will of an organized human community, established on a given territory and having sufficient autonomy to be able, through the bodies that represent it, to establish a series of legal rules regarding the law to get their own income". An important aspect to be emphasized is the fact that the imposition of taxes is the expression of the fiscal sovereignty of each state, because the competence regarding the settlement and collection of taxes rests with the legislative power of the respective state, except in the cases that fall under the conventions to avoid double taxation. The fiscal system aims to achieve the objectives of the economic and social policy of the state. In addition, the role of each tax established within a state, is rigorously and balanced, in the context of fulfilling the regulatory role in the economy.

An elaborate theoretical approach supports the fact that "the fiscal system comprises a set of concepts, principles, methods, processes regarding a lot of elements (taxable matter, quotas, tax subjects) between which are manifested relations that appear as a result of designing, legislating, the settlement and collection of taxes and which are managed according to the tax legislation, in order to achieve the objectives of the system" (Corduneanu, 1998). Over the years, there have been opinions that the political economy should treat taxes as a given fact, and not as a right that it should qualify as to who has the quality to impose bureaus, and a positive approach is appropriate. taxes in the economy because "all the resources collected based on the application of taxes can make a significant contribution to the increase of national wealth" (Say, 1855).

In order to achieve the fiscal policy main objectives regarding the economic growth, it is necessary to reform the economic and financial mechanisms and levers. Thus, by means of a fiscal reform it is envisaged a more equitable participation of the natural and legal persons in the constitution of the public funds, a better collecting process of the taxes and contributions established by the authorized bodies, the realization of a structure of the budgetary income able to ensure the increase of levies on public funds as the gross domestic product increases. However, Moşteanu (2003) suggested that a process of fiscal reform must be based on principles that stimulate labor, savings, investments and equity.

According to Antonescu (2008) the tax system performs certain functions, such as :

- The function of mobilizing financial resources at the disposal of the state represented by the fiscal propagation channels in the economy;
- The incentive function that is characterized by the facilities provided to investors to stimulate economic growth and development, investment and export activities, as well as for creating new jobs and improving the standard of living.
- The social function that is manifested by supporting social protection measures regarding certain disadvantaged categories, respectively the low-income taxpayers or special social tasks, while encouraging, through fiscal policy measures, the employment of certain social categories, such as the unemployed, people with disabilities or young people.
- The control function which refers to the fact that, under the conditions of the market economy, the state has the possibility to use the levers of the fiscal system to exercise, within the limits provided by the legal framework in force, the control over the evolution of the economy as a whole.



The role of efficient tax systems as an essential element in mobilizing internal resources has been increasing significantly in the last period. The concept of "fiscal economy" was defined as representing that part of the economy in which the state is both a resource collector through taxes, but also a producer of goods and services, both for its internal use and to serve the nation, ie the purpose for which he exists. The increase of the fiscal corresponds corresponds to a certain increase of the public expenses. The fiscal system stimulates the economy and social protection measures, while at the same time exercising effective control over the economy.

Despite the fact that taxes are often considered "a necessary evil", they represent the way to finance the state and government programs. In the literature there are opinions that consider it appropriate for the state, represented by the political power, as coordinator and beneficiary of the fiscal policy, to achieve a harmonization with the interests of the taxpayers, in the sense of having a minimum consent to the payment of taxes. From the etymological point of view, the term tax has its genesis in the Latin word "taxation", which has the sense to establish with force, to impose. Tax is a form of levying part of the income and wealth of taxpayers, natural and legal persons, as the case may be, at the disposal of the state in order to satisfy the need for financial resources to cover public expenses. The tax has certain characteristic features, namely: it represents a levy which is carried out obligatory, with definitive title (non-refundable) and without direct consideration from the state.

Bird (2015) argued that the standard economic approach to the taxation process is to "ignore, in most cases, essential administrative issues such as tax evasion and avoidance of tax payments, administrative costs and voluntary compliance of taxpayers, as well as how which taxpayers and civil servants with fiscal attributions conceptualize and carry out the process of tax assessment, collection and taxation can profoundly modify the effects of the mechanisms of the tax system".

Depending on the background and form, the taxes are classified in:

- direct taxes
- indirect taxes.

Direct taxes are defined by Stroe and Armeanu (2014) as representing a category of taxes classified according to the criteria of substantive and form features, presenting a series of advantages resulting from features that meet the requirements of many taxation principles: they are nominative, they are related to economic power and the personal situation of the taxpayer, are made known to the payer in advance of the payment, both in terms of the payment amount and the deadlines. As regards the amplitude of the tax burden, in the case of direct deposits, this is proportional to the economic power of the taxpayer, while, in the case of indirect taxes, the fiscal burden is inversely proportional to the economic power of the payer.

Indirect taxes are differentiated from direct taxes by a series of characteristic features, respectively:

- a) have the character of taxes on consumption being collected at the sale of certain products or the provision of certain works.
- b) it does not have a nominative character, being realized independent of the level of the income or wealth of the taxpayer.



III. CONCLUSIONS

Recently, a major challenge for modern finance has been the dynamics of tax systems and the impact of fiscal policies on economic growth. The implementation of active public policy measures in order to combat tax evasion phenomenon, increase the degree of voluntary compliance with payment, and harmonize the tax legislation in the countries of Central and Eastern Europe require the application of coordinated and oriented strategies to achieve the assumed objectives. The peculiarity of this research perspective derives from the fact that the countries of Central and Eastern Europe do not have a unitary fiscal approach, since some are members of the European Union, while other states are non-members. Combating tax evasion is a very complex task, because the vulnerability of a tax system to tax evasion also depends on systemic factors such as credit institutions and labor market integration. The increased probability and the increased risk of detection decrease the number of tax evasion cases, but the effective controls of the tax authorities ensure a very high degree of prevention.

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