

FISCAL POLICIES REGARDING LOCAL TAXES AND FEES

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ABSTRACT: *The economic and financial indicators are considered essential in assessing financial performance of the territorial administrative units and not only. However, they depend on a number of well-managed factors that extend their ascertaining character with the possibility of positively influencing the results. Among these factors, we decided to tackle fiscal policies regarding local taxes and fees, as choice margins available to local public authorities to improve their capacity to respond to citizens' needs by properly financing public services that were provided and by sustaining financial autonomy locally, even if these sources cover to a small extent the need for financial resources locally.*

KEY WORDS: *territorial administrative units, fiscal policies, local taxes and fees, management*

JEL CLASSIFICATIONS: *E62, E64, H21*

1. INTRODUCTION

Dualism implies the existence of two opposite and irreducible elements, the double-sided approach of a phenomenon, activity segment, etc. From fiscal perspective and using as a benchmark the legal framework in this field (at present, Law no. 227/2015, the implementing regulations) the specialty literature deals with this issues in terms of essential theoretical coordinates, with practical aspects regarding the way of establishing, declaring and "paying" according to structural components, being oriented, although more formally, especially to the contributing creditor, a taxpayer/payer of tax obligations, even if the amount and their realization affect both sides of the debtor-creditor tandem. One possible explanation arises from the obligation of the judicial persons to calculate their local taxes and fees.

On the other hand, from the perspective of territorial administrative units (TAUs) as tax debtors, taxes and local fees are subject to multiple approaches from the point of view of public finances, respectively: of their place in the budgetary process (Boloș, 2006; Văcărel, et.al., 2007; Turcin, 2015), budgetaty transparency (György, et.

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al., 2009; Pinteă, et. al., 2013), financial autonomy (Dogariu, 2010; Matei & Manole, 2012; Cigu Rusu, 2013; Andronic Brătulescu, 2016), local revenue mobilization (Moldovan, 2016), analysis of the financial performance (Tudose, 2013) etc.

In such circumstances, it is outlined an argument for the opportunity of undertaking an action which addresses the local taxes and fees from the perspective of the other side of the coin, of the territorial-administrative unit, producing tax revenues. For a good management of the public money it is necessary to know and use efficiently the possibilities concerning fiscal options, so that the collection degree regarding fiscal revenues is as high as possible (in the year 2016 the achievement rate of the fiscal revenues in relation to the final budgetary provisions was 89.2%).

Our approach is all the more necessary as local public administration "continues to exhibit a number of shortcomings, mainly in terms of efficiency, effectiveness and image, which are primarily reflected in a conservative organizational culture, more focused on the formal side of the administration's activity, but also a reduced concern over the real impact of its results on society" (<http://www.dpfbldrap.ro/>).

The importance of studying the fiscal policies aspects and accounting handling is amplified by the size of this sector nation-wide, respectively 3222 territorial administrative units, to which we add the 6 sectors in Bucharest, which through their fiscal and accounting policies can contribute to achieve the public sector's desiderata.

2. MANAGEMENT AND FINANCIAL AUTONOMY

The local public administration authorities have "the right and the effective capacity to solve and manage, on behalf and in the interest of local communities they represent, public affairs, under the law" (<http://www.dictionar1web.ro/>) and based on the principle of local autonomy that "cannot exist if it is based on real financial autonomy" (Marinescu & Todor, 2014), based on providing the necessary resources for local territorial communities, in relation to the competences and responsibilities assigned to them by law.

An important source of these resources is represented by local taxes and fees.

"In order to achieve financial autonomy, local communities must:

- prompt enough intrinsic resources to deal with responsibilities that they have to accomplish;

- be able to determine freely their income and their expenses;

- be subjected only to a posteriori control regarding their financial decisions (P. Lalumiere taking over after Profiroiu & Profiroiu, 2007).

A good management of their activities, including of the local taxes, means "a conscious process to coordinate actions to achieve the objectives [entities], in a way that is favorable for a large part of society" (Dijmărescu, 1996).

Among the leverages that can be used for quality management are the fiscal policies to accomplish a high degree of tax receivables collection as well as the proper use of accounting information.

The evolution of local taxes and fees collected by the local budgets in the period 2012 - 2016 is presented in the table below:

Table 1. Evolution of local taxes and fees received by local budgets in 2012-2017

- thousand lei -

| Year | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|----------------|----------------|----------------|----------------|----------------|
| Name of the indicator | | | | | |
| Fiscal income | 34460.9 | 35915.3 | 40672.6 | 44835.4 | 45206.5 |
| Taxes and fees for properties | 4060.0 | 4352.2 | 4499.8 | 4567.5 | 4846.8 |
| Taxes and fees for buildings | 2823.4 | 2991.0 | 3158.1 | 3215.7 | 3229.4 |
| Taxes and fees for land | 946.7 | 1093.7 | 1139.6 | 1158.4 | 1408.5 |
| Judicial stamp duty and other duty samps | 239.1 | 218.5 | 148.3 | 139.9 | 147.8 |
| Other taxes and fees for property | 50.8 | 49.0 | 53.8 | 53.5 | 61.1 |
| Taxes and fees for assets and services* | 16168.4 | 16520.3 | 20635.1 | 22620.0 | 21919.5 |
| Taxes and fees on goods and services exclusively fragmentary amounts deducted from the value-added tax | 1360.3 | 1443.6 | 1491.1 | 1563.7 | 1562.6 |
| Other general taxes and fees for assets and services | 12.3 | 10.6 | 15.8 | 19.9 | 7.5 |
| Taxes for specific services | 22.1 | 25.8 | 30.3 | 33.2 | 36.5 |
| Taxes for using assets, authorization of using the assets or activity development | 1197.2 | 1244.0 | 1278.9 | 1340.9 | 1355.0 |
| Other fiscal taxes and fees | 128.7 | 163.2 | 166.1 | 169.7 | 163.6 |

*The difference is represented by the split sums from the added value tax

Source: National Institute of Statistics

For the year 2017, the amount of collected taxes and fees on property, according to the data provided by the National Institute of Statistics, was 5267 million lei.

A constant evolution can be noted in the sense of an increase in nominal terms, between the extremes of the time lapse taken into consideration, the amount collected for taxes and fees on buildings (406 thousand lei), the taxes and fees on land (461,8 lei), the tax on the use of goods, authorization of the use of goods or carrying out activities (157.8 lei), as well as the tax on specific services (14.4 thousand lei).

The contribution of taxes and local fees for acquiring tax revenues nation-wide is revealed as follows (table 2).

The data presented above reveal once again the necessity to use fiscal policies meant to contribute at increasing taxes and local fees in order to achieve financial resources for the local communities.

“Financial policies influence the the financial decisions, lead to the development of some strategies for reaching the objectives and, furthermore, provide the standards for assessing and monitoring the performances of the financial management system of local government” (Dănuțiu, 2010).

Table 2. The contribution of local taxes and fees for acquiring fiscal revenues (%)

| Indicators \ Year | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|--------------|--------------|--------------|--------------|--------------|
| Share of taxes and fees on property within the framework of fiscal revenues | 11.78 | 12.11 | 11.06 | 10.18 | 10.72 |
| Share of taxes and fees on goods and services within the framework of fiscal revenues | 3.94 | 4.02 | 3.66 | 3.48 | 3.45 |
| Total | 15.72 | 16.13 | 14.72 | 13.66 | 14.17 |

Source: National Institute of Statistics

3. FISCAL POLICIES REGARDING LOCAL TAXES AND FEES

For the administrative-territorial units, under the scepter of management, the accounting is intertwined with taxation, because the public institution under the appearance of the territorial administrative unit is a fiscal local unit that manages tax receivables represented by (and) the revenues constituted from taxes and local fees. The proper way of processing and valorifying them depends on the established attributes of accounting in the decision-making process.

„Tax is linked to the state and the public money, an expression of the tax duties of individuals and legal entities and a feature of the state’s policy regarding taxes and fees. From a practical point of view, it includes all the regulations, methods, techniques and operations regarding the establishment and collection of taxes and fees” (Beju, 2002).

Table 3. Fiscal policies regarding taxes and fees for property

| The nature of the tax/fee | Description | Fiscal options |
|--|---|---|
| The taxes for buildings and the fees for buildings | Residential buildings – individuals | 0.08% - 0.2% |
| | Non-residential buildings – judicial people | 0.2% - 1.3% |
| | Mixt buildings | According to the area designated for each of the two destinations |
| The taxes for land and the fees for land | Within incorporated area, land used for constructions | Minimum level – maximum, level differentiated according to the range and the area of the locality |
| | Uncared for incorporated area | Increase possibility up to 500% |
| | Agricultural area uncultivated for two years in a row | Increase possibility up to 500% |
| Up to 10% bonuses for paying the taxes and local fees until 31st | | |

Source: The author’s projection based on Law no. 227/2015 regarding the fiscal code with the subsequent amendments

The intrinsic revenues of the administrative-territorial units influence a series of economic and financial indicators regarding the budgetary execution among which we can identify the degree of decisional autonomy, the degree of self-financing, being desirable that their share in the total revenues is as big as possible.

The main leverage used by the local public administration authorities is the fiscal policies and their ability to efficiently exploit the variability margins offered by the legal framework in setting the quotas/levels for imposing the properties, respectively, the assets and services.

The following chart will present the fiscal policies regarding taxes and fees for property that can be used by the decision makers from the administrative-territorial units.

Non-residential buildings with an outdated value in the last 5 years owned by physical persons, respectively in the last 3 years for those belonging to legal entities, are imposed with 2% and 5%, respectively, but the fiscal option in this case belongs to the taxpayer.

The amount of the tax on the area depends on the following factors: the area, the rank of the place where the area is located (0-V), the area (A, B, C, D) and the land use category: constructions, cultivable, grazing land, meadow-land, vineyard, forest or other forest land, land with water, roads and railways, non-productive land, with constructions (Law no. 227/2015, art. 465).

The hierarchy of localities in rankings is as follows: rank 0 – Romania's capital, municipality of European importance; rank I - 11 municipalities of national importance, with potential influence in Europe; rank II - 81 municipalities of inter-county importance, county or with a balance role importance in the network of localities; rank III - 172 cities; rank IV - 2861 villages which are a townships' residence; rank V - over 10,500 villages, parts of villages and villages belonging to municipalities and towns (Law no. 351/2001, <https://ro.wikipedia.org/>, <http://satul.net/>).

It should be mentioned that the change of the owner or the amount of the tax due to the change of the area classification, depending on the rank of the locality and the area it does not change the amount of the tax due in the fiscal year referred to.

Is it ethical?

Tax exemptions or reductions may be granted by local councils for land belonging to associations and foundations used exclusively for non-lucrative activities for land used for the provision of social services by non-governmental organizations and social enterprises as social service providers or for land destroyed by natural disasters, for those returned to whom public interest is kept etc.

Concerning fiscal policies for taxes and fees on goods and services, they are presented in table 4.

There is a variety of possibilities for taxation of goods and services, as well as the existence of some generous intervention intervals by the local public administration authorities in order to achieve a balance between taxes and fees and the taxpayers' satisfaction.

Being anchored to the human needs, taxes and fees on goods and services are susceptible to be realized (meaning that their level does not inhibit the request of

actions for which permits, authorizations, use of advertising and advertising means, etc. are required).

Table 4. Fiscal policies regarding taxes and fees on goods and services

| The nature of the tax/ fee | Description | Fiscal options |
|--|--|--|
| Taxes on means of transport | Hybrid means of transport | Tax diminishing with minimum 50% |
| Fees for urban certificate release, the construction authorizations and other permissions and authorizations | Release of the urban certificate Prolongation of the urban certificate Approval of the urban certificate | Variable for each surface area up to 1,000 m ² 30% from the amount of the fee for the issue of the original certificate or authorization Up to 15 lei |
| | Fee for permitting the drilling or excavation necessary for land research and prospecting | 0-15 lei/m ² |
| | Tax for authorizing the placement of kiosks, containers, tones, booths, exhibition spaces, displays and panels, businesses and commercials on public roads and public spaces | 0-8 lei/m ² occupied construction surface |
| | Issuing an authorization for the works of linkage and connections to public water, sewage, gas, heating, electricity, telephony and cable networks | 0-13 lei/linkage, connection |
| | Issue the street nomenclature certificate and address | 0 - 9 lei |
| | Issue of operating sanitary authorizations | Up to 20 lei |
| | Issuing the producer attestation, issuing the marketing certificate for agricultural products | Up to 80 lei |
| | Annual issuing / licensing of authorizations regarding activities in restaurants, bars and other serving activities, other recreational and entertaining activities | Up to 4.000 lei for an area up to 500 m ² Up to 8.000 lei for an area bigger than 500 m ² |
| | Maintenance, repair, preservation, consolidation, restoration, redevelopment of historical monuments; works designed to preserve physical integrity and the built or natural frame of historical monuments; reducing the seismic risk of existing constructions; urban regeneration works coordinated by UAT | Exemption or reduction of taxes |
| | Tax for the | Advertising and publicity services |

| The nature of the tax/ fee | Description | Fiscal options |
|----------------------------------|--|--|
| use of advertising and publicity | Display for advertising and publicity purposes: - a display located in the place where the person carries out an economic activity - another panel, display, or other display structure for advertising and publicity | Up to 32 lei Up to 23 lei |
| Taxes on shows | Theater, ballet, opera, operetta, philharmonic or other musical performance, movie show, circus show or any internal or international sporting competition | Up to 2% |
| | Other artistic performances | Up to 5% |
| Special fees | The operation of local public services created in the interest of physical persons and legal entities Touristic promotion of the locality | At the discretion of local councils |
| Other local fees | Temporary use of public places, visiting museums, memorial houses, historical monuments of architecture and archeology, and others Owning or using revenue-generating equipment and equipment using the local public infrastructure Activities with an impact on the environment | At the discretion of local councils |
| | Issue of heliographic copies on cadastral plans or other similar plans | Up to 32 lei |
| | Divorce | It can be increased by up to 50% of the value set by law |

Source: Author's projection based on the Law no. 227/2015 regarding the fiscal code with the subsequent amendments

However, “a professional administrative system should take into account the perceptions of the target groups, the beneficiaries’ level of confidence” (Hosu, et.al., 2012).

4. CONCLUSIONS

Local government authorities have in some cases the option to opt for a tax rate or an amount of taxes and fees between the minimum and maximum limits established by the legal framework.

The option is not a simple one, it must ensure the balance between their level, on the one hand, the contributing power, the investments, the degree of comfort offered to the taxpayers on the other hand.

The decision implies a rational combination of experience and creativity. The experience permits assessing the effects of different possible solutions compared to the results recorded in previous decision cycles and creativity making it possible to imagine new alternatives for which the previous experience cannot provide information concerning consequences of their application (Ion – Trifoi & Dinte, 2006).

The practice of some territorial administrative units of granting some tax incentives at the end of the year (exemption from payment of late increment, cancellation of overdue tax receivables in the balance on December 31st, less than 40 lei, according to the provisions of article 266 paragraph (6) and (7) of Law no. 207 / 2015 on the Fiscal Procedure Code) may generate an increase in the number of taxpayers who fail to pay taxes and local fees in due dates, with negative effects on the correlation between resources and usage.

According to the current legal framework, the tax on means of transport is calculated taking into account: the cylindrical capacity of the means of transport, the type of means of transport (car, van, etc.), the maximum authorized mass and the number of axles in the case of motor vehicles of more than 12 tonnes. Since the abolition of the environmental tax, it increased alarmingly the number of cars imported from abroad, very old and with a high degree of pollution, we consider that the tax on the means of transport should be influenced by the following variables: the age of the means of transport; its pollution degree (Euro 1, Euro 2, etc.).

We support the idea of active and permanent collaboration between citizens and local public administration authorities. For this, it is necessary to identify the needs of the community, to educate it for a participatory management.

The issue of fiscal policies in the administrative - territorial units is likely to be completed with the investigation of the correlations between the fiscal options and the degree of achieving the tax revenues, the method of collecting and the degree of realization of tax revenues, the evaluation of the effects of fiscal policies on the budgetary and financial performances of the territorial administrative units.

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