

## SUMMARY

The paper “**The effects of taxation on the economic and financial indicators of companies**” proposes an analysis of the fiscal policies and of the Romanian fiscal system in the context of Romania being a member of the European Union. The paper also looks into the way in which companies are affected by the fiscal policies both from the point of view of the adaptation of the Romanian fiscal system to the European normative and from the point of view of the national fiscal policies.

The subject of research approaches major aspects which affect the Romanian fiscal system and the impact these have on the trade companies. Starting from the current situation of Romania in the context of the economic and financial global crisis, which affects many of the member states and so the European Union as a whole, the paper proposes to look into and to emphasize the positive and negative aspects connected to the stability of the Romanian fiscal system as well as possible measures which can lead to its improvement.

**The importance of the subject** comes from the significance the taxation system has in the economic system of every state. At the same time, the importance of the subject of research is rendered by the present situation of the European Union, especially by the fact that the member states have different levels of taxation despite the fact that there is a process of convergence of the national fiscal policies within the Union. The relevance of the research is also rendered by the emphasis of the effects of taxation on trade companies closely connected to the fiscal measures implemented following Romania’s membership in the European Union, as well as with types of taxation which proved to be a success in other member states, countries with a similar economic development to Romania.

**The theme has a big importance nowadays** because of Romania’s economic situation in the context of the economic and financial crisis; the paper also looks into some aspects connected to the internal fiscal measures, as well as the intention to unify the fiscal policies within the European Union. At the same time, the subject is of present relevance because of the pressure felt by companies as a consequence of the harshness of the fiscal policies, a direct result of the global economic and financial crisis. Throughout the paper a series of recommendations are made regarding the fiscal policies and the types of taxation which can be changed or applied in Romania starting from statistic data and from examples of success from other member states. On the other hand, the fiscal measures adopted in Romania have to be in accordance with the obligation taken within the European Union, but, at the same time, they have to support the economic development. The improvement of the fiscal system and the creation of a system of taxation meant to encourage the trade companies and the economic development are necessary for a long lasting development and for ensuring the resources of the national budget.

This paper is structured in five chapters and the other components: the introduction, the conclusions, the bibliography and the appendix. The final chapter is a research on the trade societies in Alba County.

In the first chapter, **“The role of taxes in the economy of a country. Systems and types of taxation”**, I approached, from a historical and theoretical point of view, the importance of taxes and of fiscal policies in a market economy. I identified difficult and recession times in the history of some states and I analyzed the type of economic and financial policies implemented with positive effects on companies. I also identified and explained the role played by taxes in feeding the budget of a state and I exemplified the way in which the taxes are divided according to different criteria as well as the way in which they affect the economy.

In the second chapter, **“The analysis of the fiscal and budgetary policies of Romania”**, I analyzed the evolution of the Romanian fiscal system following Romania’s joining the European Union. I started from the first fiscal systems introduced in Romania and I followed their evolution up to present when Romania is in the situation to impose new fiscal measures in order to attenuate the effects of the global crisis and to re-launch the economy which contracted severely in the last few years after a longer period of constant increasing. I talked about the changes of the fiscal and budgetary system as a result of the convergence of the national legislation with the communitarian legislation and I also presented the problems which Romania faced in different periods and the legal measures taken in order to attenuate these problems. I also indicated the possible sources from which to attract funds to state budget and the way in which Romania acted and can act in order to attract those resources. I also analyzed the way in which taxation is affected not only by the conditions of the communitarian fiscal policies but also by the relationship with the international organizations such as The World Bank, the European Commission or the Central Bank of Europe and the way in which the conditions coming along with the various financings influence the fiscal and budgetary system of Romania. In the end, I presented the measures which can be found in the intended governmental programs and the way in which they are to affect the fiscal budgetary system, presenting various measures to be impose in the future so that the fiscal budgetary system to be adapted to the current reality of Romania and to the challenges from the global economic situation and the evolution of the European Union.

In the third chapter, **“Theories and methods regarding the income taxes”**, my research kept in view different types and methods of taxation, I also made a comparative study of the positive and negative effects of each on trade companies, the business environment, the tax payers and the economy. I presented the evolution of the taxing systems and I analyzed the different methods of taxation. I also determined the strong and the weak points of the type of progressive taxation and by a unique quota, along with their particularities and according to the level of economic development of the state in which it is applied.

In the fourth chapter, **“The analysis of the impact of changing the form of taxation on the trade companies in Alba County”** I made a study, based on statistic data and information from the Ministry of Finance and The Financial Direction of the county, in which I looked at the way the unique quota of taxation from 2004 affected a number of over 150 trade companies in the county, companies chosen at random. In my wish to present even more profoundly the changes provoked by the introduction of the unique quota of 16%, I followed the entire process and the changes at a microeconomic level. I followed, from a mere statistic point of view, by the measurement of liquidity, efficiency, profit rate of these companies and I wanted to show the way in which the unique quota had an impact both when it was applied and at some other crucial points afterwards such as the year 2007, the year before the financial crisis began, or 2011, the first year after the coming out of recession. In this way, by operating with the statistic data of over 150 trade companies over a longer period of time and analyzing three key moments regarding the correlation between the economic situation and the type of taxation, that is the years 2004-2007 and 2007 we succeeded in showing the way in which fiscal policies affect, on a micro-economic level, the trade companies according to the national economic situation, correlated with the special situations and the high and low points of the world economy.

In the fifth chapter **“The income tax in Romania. Comparative analysis with the income tax from countries of The European Union”**, I presented the evolution of the income tax in Romania along its historical periods, from the procommunist era to the socialist economy, followed by the pre-joining period to the European Union and then having the statute of a member state. I described the main features of the income taxation systems of the member states, with the particularity of each and I emphasized the differences or resemblances with the Romanian system, pointing out the weak and strong points of the taxation model from Romania comparative with the other member states, as well as the way in which the taxation system affects the budget of the state.

The research based on the study, bibliography and experience of other states and the study of some companies in our country allowed me to formulate the following conclusions and personal opinions:

- there is no such thing as the perfect system of taxation, only a system of taxation suitable to an existing economic situation
- the level to which a state sets the taxes is a complex challenge in which the need for resources to feed the State Budget has to be satisfied, but at the same time a level of supportability for the tax payer has to be kept
- the system of taxation is the main instrument by the means of which the government intervenes in the economy and the main way to stimulate the economy to push or slow down the economic development of some fields

- in the real economy, the growing up of a tax does not automatically mean an increase of the resources at the disposal of the state, as well as the decrease of the level of taxation can mean an increase of the total incomes of the state, these measures being able to modify directly, in an increasing or decreasing way, the level of the basis of taxation
- a coherent fiscal policy and, most of all, a joint fiscal policy in the European Union creates a high level of predictability and allows fiscal approaches on a long term, even though, regarding some aspects reduces the possibility of the government to act directly in the economy
- every state tends to create an acceptable system of taxation for the economic environment, so as the level of evasion, of the underground economy to be at the lowest level
- besides the level of taxation, a very important role is held by the institutions through which the taxes are collected, as well as the legislative measures through which the punishments for the situations in the case of not paying the taxes are established. As well as the case of the level of taxation, there has to be a balance between the desire not to pay taxes of each tax payer and the risk he takes by not paying the taxes
- taxes are a “necessary evil”, they are the essence on the basis on which a state functions. The taxes are the mediator of the relationship between the government and the tax payer, they are the instrument through which the government ensures the best conditions of the “playground” for all the actors of a society

If the income, as defined by Michel Didier, is something which can be consumed, without leading to the increasing or decreasing of the patrimony, then the tax is the necessary evil through which the vicious circle of the need to spend dependent on the need to produce is realized, fact which leads to the surplus available for spending. Because the state, in a free market economy is, by excellence, a consumer and not a producer - not bearing in mind certain fields of the economy on which a governmental monopoly is set, but which in the whole context of the government incomes and expenses represents a very small amount- the taxes represent the main source of income for the government. Thus, the entire process of establishing the fiscal policies is a genuine ballet with figures by which the government has to impose taxes high enough so as to finance its activity, but low enough so as to allow the commercial dealers to support their economic activity and to make profit which can be later taxed.

At the same time, the establishing of a fiscal policy has to take into account not only the desire of the government to gather as many resources, correlated with the ability of the

commercial dealers or of the employee to pay taxes, but also with the macroeconomic situation of the national, regional or even global economy.

The market economy reacts very quickly to any change of fiscal policy, to any modification of the type or degree of taxation, and the reaction is as quick as the impact on the tax payers is a negative one. In other words the effects of a harshness of fiscal policies will be seen more rapidly than the ones of a fiscal relaxation. That is exactly why any measure imposed in the field of taxation must be attentively analyzed.

Although the effects of the introduction or annulment of a type of taxation are not always predictable, an attentive study of the history of a certain type of tax or taxation correlated with the existing conditions on the market as well as with the examples of a similar implementation or annulment in another similar economy, may constitute an advantage in establishing of certain predictions or expectances of the results which would have happened. We must, though, start from the assumption that no tax is perfect and a fiscal system is, with no exception, a compromise. It is a compromise within a sufficient collection which can allow at the same time an increasing efficiency but which can also ensure the element of righteousness. It is, at the same time, a compromise between the minimal limit on which the state can function and the maximal limit of enduring which the tax payer can handle, limit which, once surpassed, does not produce incomes anymore. And, not in the end, it is a compromise between the desire of the commercial dealer to keep the entire profit for him and the desire of the government to redistribute it, ensuring, simultaneously, both its functioning and an acceptable level of social righteousness. Thus, taxation and taxes, by any alteration, no matter how small, affects directly or indirectly, but immediately any trade company or commercial dealer.