

DIGITALIZATION OF THE TAX SYSTEM - AN IMPORTANT STEP TOWARDS TAX EFFICIENCY

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Abstract

Against the background of a rapid technological evolution, the challenges currently facing the real economy and implicitly the fiscal system through its component the fiscal apparatus, are varied and in order to face them it is necessary to implement innovative solutions such as digitalization. The digital transformation of the fiscal apparatus both centrally and territorially, in a world where business activities mean anytime and anywhere requires innovation, robustness, security, optimized processes and immediate availability to meet the expectations of taxpayers, whether natural or legal persons or of the state itself. Thus, the component public institutions of the fiscal apparatus must be prepared to accept that digitalization is everywhere and represents a continuous challenge.

Keywords: fiscal system, digital transformation, optimized processes, digitalization

1. General aspects regarding the structure of the fiscal system and the fiscal apparatus

The fiscal system represents a set of concepts such as: system of taxes and duties, fiscal mechanism, fiscal apparatus to which are added the relations between them, as well as the objectives of this system and their realization in order to ensure public financial resources. In other words, the following components take place in the structure of the fiscal system:

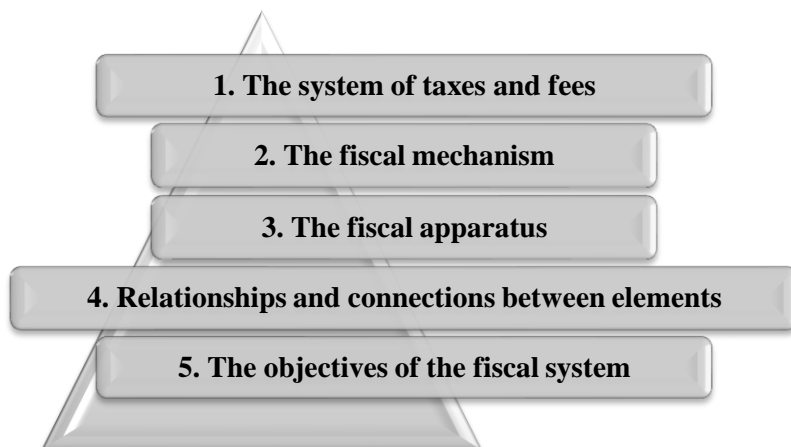
- ✓ the totality of taxes, fees and contributions collected by the fiscal bodies based on the legal regulations;
- ✓ the fiscal mechanism that refers to the trim of the tax system and that includes the methods, techniques and fiscal instruments that ensure ascertainment, sizing, registration and tracking of receipts, taxes, fees and other contributions due to the State Budget;
- ✓ the fiscal apparatus which presupposes the fiscal administration and the fiscal control / fiscal inspection.

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Thus, the fiscal system schematically includes in its structure:



The financial policy of the state involves the establishment, pursuit and collection of taxes and duties, control of the correct application and observance of the fiscal legislation. Carrying out these tasks involves a vast activity of organization, guidance, and control, carried out both centrally and territorially, this being done through the fiscal apparatus.

The fiscal apparatus includes the set of financial and control bodies of the state that are charged by law to ensure the implementation of taxation, monitoring and collection of taxes and fees, as well as the control of compliance with the specialized legislation in force.

The fiscal apparatus through its central and local bodies carries out the following types of activities: monitoring and controlling the observance of the legislation and the fulfillment of the fiscal obligations; as well as the actual collection of taxes and fees, their collection and recording in the budgetary accounts. The activity with the most concrete role is the collection of taxes, fees and other fiscal revenues, and the control activity drives the way in which these fiscal revenues are collected from the state budget.

Also, the fiscal activities carried out by the fiscal bodies of the state are closely related and, therefore, they must be seen as a unitary whole, thus resulting that the bodies that perform them are part of a common apparatus, the fiscal apparatus. In this sense, the collection of taxes and duties (the final purpose of the fiscal activity) is conditioned by the characteristics of the legislation, by the quality of the guidance and by the exigency of the control.

The fiscal apparatus is represented by the Ministry of Public Finance, which includes the central and territorial bodies in the fiscal field and ensures the unitary coordination of these fiscal activities. Also, under the subordination of the Ministry of Public Finance there are a number of bodies, of which the National Agency for Fiscal Administration (ANAF) plays the most important role in collecting the state's public financial resources.

2. The role of ANAF in the structure of the fiscal apparatus

The National Agency for Fiscal Administration (ANAF), a specialized body of the public administration, with attributions in the application of the fiscal administration policy, carries out its activity in the field of budgetary resources administration, through the procedures of management, collection analysis and fiscal control.

The mission of ANAF is to ensure the resources for the public expenditures of the society by efficient collection of taxes, fees, contributions and other amounts due to the state budget, as well as to provide the information necessary to outline the economic policy of the Government.

ANAF, in the current context, fulfills its mission acting in three main directions.⁶⁸

1. Preventing and combating tax evasion and fraud by promoting standardized and quality tax control, which involves:

- ✓ intensifying the cyber monitoring of the domains with high fiscal risk (strengthening the surveillance of the movement of excisable products, of fiscal warehouses and of other operators with excisable products, monitoring of intra-community transactions);
- ✓ extension of computerization and improvement of information systems used in the tax inspection activity (improvement and updating of databases; implementation of IT security policy; connection to interoperable trans-European IT systems);
- ✓ implementation of e-commerce control;
- ✓ strengthening the customs control through a series of dedicated measures according to the European norms as well as the digitalization of the General Directorate of Customs (DGV) and of its territorial structures;
- ✓ the creation of a unique system for monitoring the notifications regarding the facts of the nature of the crimes transmitted to the investigation and criminal investigation bodies;
- ✓ cooperation with the competent structures in combating tax fraud and evasion; improving the control act;
- ✓ prevention of tax evasion in the collection phase; dynamization of enforcement measures, with emphasis on the application of seizures.
- ✓ detecting unregistered taxpayers who carry out commercial activities.

2. Increasing the efficiency and dynamics of collecting taxes, fees and contributions by:

- ✓ reducing the volume of arrears, especially preventing the formation of new arrears;
- ✓ accelerating the process of digitalization of the fiscal file;
- ✓ stimulating the online submission of electronic declarations and payments;
- ✓ setting up electronic seizure on third parties;
- ✓ conducting auctions of seized real estate of debtors online;

⁶⁸ Ministry of Public Finance, National Budget Fiscal Strategy, mfinante.ro

- ✓ standardization and computerization of the forced execution activity.

3. Encouraging voluntary compliance to prevent tax fraud, by diversifying and increasing the quality of services and ensuring simplified procedures:

- ✓ stimulating the online submission of declarations and the making of electronic payments;
- ✓ communication of administrative documents to taxpayers using the online environment.

3. Aspects regarding the digitization of the fiscal apparatus

Digitalization is the process by which we replace the classic working methods with direct interpersonal action with the use of innovative technologies, in order to carry out our daily activities more safely and efficiently. This means that in the current activity we use several means / compatible technical solutions to bring added value to the work performed. Plus value refers to greater efficiency in time and accuracy, consolidated data, effectively coordinated reporting at both individual and business level.

Digitalization is also the first step towards transforming data into technical solutions, as we use them today, underlying modern technology. Digitalization is represented by the phenomenon of transposing information on a physical, fixed or mobile memory medium, or on a virtual medium (cloud). Nowadays, communication and the ways of transmitting information have developed a lot, using different digital devices that have an interface built according to the user-friendly concept. Digitalization means fast operation. That is, access to information with a high degree of accuracy, in real time, in a way that is as transparent and secure as possible in terms of confidentiality and all data that takes place between the applicant and the holder of the information, in order to produce a effect, which, from a fiscal point of view, can mean the definition of a new financial-fiscal relationship between the state and the taxpayer.

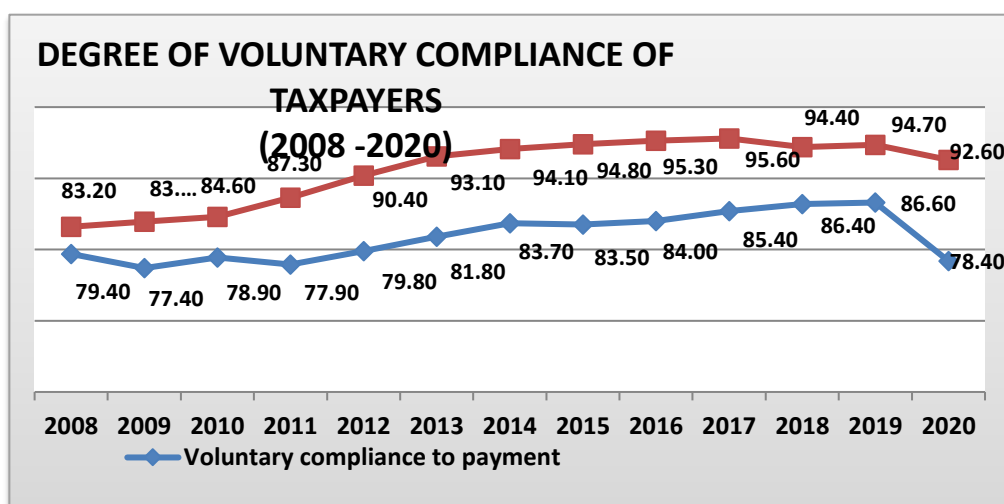
Technological transformations, the pressure generated by the need to align with the new financial-accounting reports as well as the obligation to apply IFRS standards have accelerated the digitalization process of institutions in the financial area (private companies, tax system). At the same time, the role of the fiscal function became more and more important, investments in technology for fiscal use became an attribute of risk reduction and optimization of information provided by financial-accounting institutions, customers in the situation of fiscal controls, on the background of communication efficiency, between authorities and taxpayers.⁶⁹

⁶⁹ Cașu A., Constantin G., Digitalization - a new step on the scale towards fiscal efficiency and not only, May 19, 2021, https://www.ey.com/ro_ro/news/2021/5/digitalizarea---o-nou-treapt-pe-scara-tre-eficientizarea-fiscal.

When we talk about the digitalization of the fiscal system, in terms of efficiency, in fact we should talk about the digitalization of the fiscal apparatus, as a component of the fiscal system. In other words, if we now want to achieve a high degree of fiscal efficiency, this goal can only be achieved through a reform of the fiscal system. Thus, one of the methods of reforming the fiscal system can be the digitalization of the state fiscal apparatus.

At present, the process of accelerating digitalization has become necessary throughout society amid the restrictions imposed by the COVID-19 pandemic to limit the spread of the virus, including in public administration.

Thus, the authorities need to pay more attention to the relationship with taxpayers by simplifying the relationship with the tax authorities so as to encourage voluntary compliance with taxes.



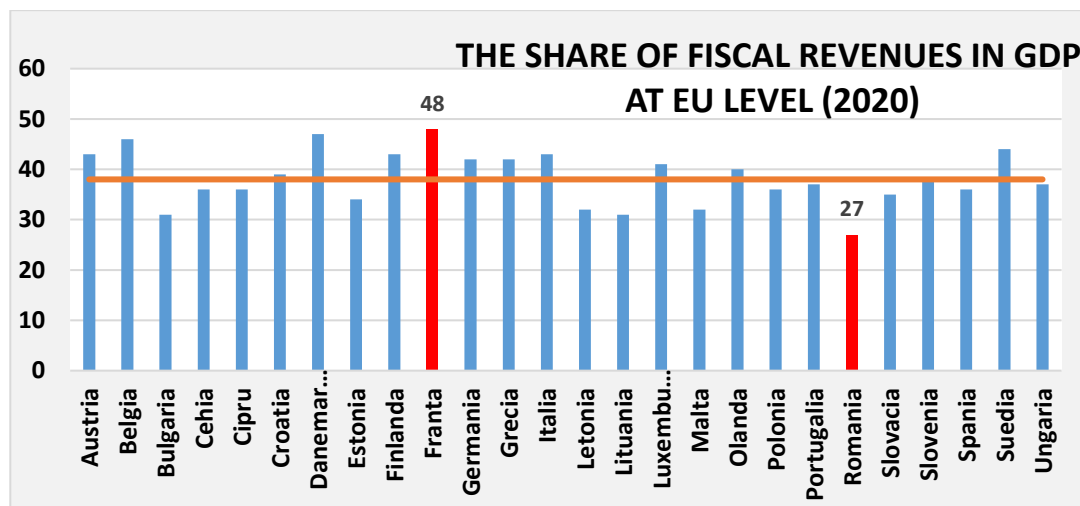
Source: Made on the basis of data from the ANAF Performance Reports 2008-2020

However, as we can see in the chart above in the analyzed period, the level of both voluntary compliance to payment and to submitting tax declaration grows. But is interest to notice that the level of voluntary compliance to submitting tax declaration is higher than the voluntary compliance to payment and the difference is about 10%.

According to the National Recovery and Resilience Plan (PNRR), the tax authorities must ensure the increase of the level of collection of tax obligations through a “digitalization plan of the fiscal apparatus and a permanent mechanism for assessing taxpayers' satisfaction with ANAF services”.⁷⁰

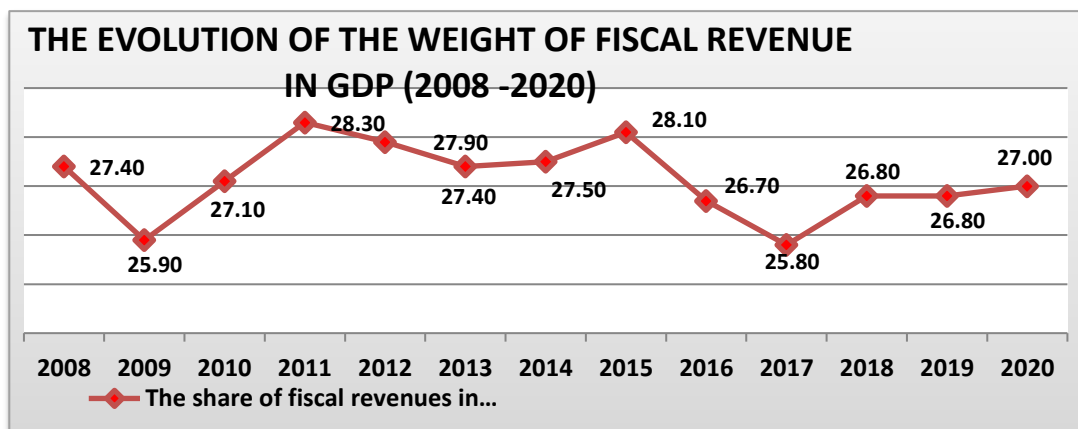
⁷⁰ Boeriu V., Digitization of ANAF, essential for the protection of taxpayers and for reducing the pressure on the state budget, Deloitte Romania, April 21, 2021, Pag. 227 / 309

The current context no longer allows for delays in implementing effective measures to increase budget revenue collection, given that the business environment needs incentives to overcome the financial difficulties caused by the COVID-19 pandemic.



Source: Made on the basis of data provided by Eurostat

Thus, increasing the collection of tax liabilities is absolutely necessary given that Romania is on the penultimate place in the EU depending on the share of tax revenues in GDP (27% of GDP compared to the European average of 40% of GDP).



Source: Made on the basis of data from the ANAF Performance Reports 2008-2020

The chart above shows that in analyzed period the evolution of fiscal rate, calculated by report between total fiscal revenues and GDP it's relatively constant, with an average of 27,13%, a minimum of 25,80% in 2017 and a maxim of 28,30% in 2011.

It has also been shown that an increase in the degree of fiscal pressure does not generate the expected effects in terms of increasing the collection of revenue from the budget and reducing tax evasion, as long as they are not accompanied by computerization and digitalization of the tax administration.⁷¹

4. Digitalization of ANAF, essential for the fiscal system and taxpayers

As for the process of digitalization of the domestic tax system, it has dragged on, but has resumed at a faster pace since 2020. According to the "Digital Strategy 2021-2025", digitalization is more than ever necessary to serve taxpayers more efficiently and to ensure the coordination of the fiscal apparatus's efforts with the way taxpayers use digital technology, to increase the performance of tax administration services and to facilitate communication between ANAF and taxpayers.⁷²

According to the official statements of ANAF, so far, the authorities have adopted several measures to digitize and debureaucratize the fiscal apparatus, measures that mainly aim at:⁷³

- ✓ implementation of the SAF-T system (Standard Audit File for Taxation) created by the Organization for Economic Cooperation and Development (OECD) and which ensures the electronic transfer of financial-accounting data from taxpayers to legal entities, for more than 15 years at European level and which should have started operating in Romania at the end of 2020. This standard control file contributes to improving the quality of the administrative act, supports voluntary tax compliance of taxpayers, ensures the reduction of tax fraud and evasion and allows a risk analysis more efficient;
- ✓ digital transformation of the fiscal apparatus by connecting the fiscal electronic cash registers used by the economic operators to the ANAF servers. Thus, the financial-fiscal information will be received in real time, and the data will be used in the process of analysis, forecasting and administration of financial-fiscal information;
- ✓ development of an electronic seizure system in order to streamline the process of recovering outstanding tax obligations;

⁷¹ Bâldea R., Zipiș M., Digitization of the Romanian tax administration, on the right track. What measures are we waiting for in 2021?, January 12, 2021, <https://www2.deloitte.com/ro/ro/pages/tax/articles/digitalizarea-administratiei-fiscale-din-romania-pe-calea-cea-buna-ce-masuri-asteptam-in-2021.html>

⁷² National Agency for Fiscal Administration, Digital Strategy 2021-2025, www.anaf.ro

⁷³ Oncu M., Digitization of the fiscal system - connecting cash registers, SAF-T, simpler payments, new sites at ANAF and finance, July 1, 2020, <https://www.profit.ro/taxe-si-consultanta/digitalizarea-sistemului-fiscal-conectarea-caselor-de-marcate-saf-t-plati-mai-simple-sitre-uri-noi-la-anaf-si-finante-19408337>.

- ✓ simplifying the payment of fiscal obligations by facilitating the making of payments with the bank card on the ghiseul.ro portal and by interconnecting the Virtual Private Space (SPV) with the ghiseul.ro portal;
- ✓ modernization of the mfinante.gov.ro and anaf.ro platforms by creating interfaces according to the use friendly concept;
- ✓ online programming for taxpayer assistance at the headquarters of the tax administration units as well as the digital transformation of the tax administration by eliminating travel and queues at physical counters which will lead to a simpler interaction of taxpayers with the authorities. The results of digitization will translate into a high degree of transparency, an efficient collection of tax obligations, a low rate of tax evasion, as well as the efficiency and debureaucratization of the tax system.

Given the experience of other European countries, the introduction of the SAF-T system could increase voluntary compliance with payment, being beneficial both for taxpayers (simpler control procedures, automation of data preparation for declaration and control, reduction of unfair competition), and for tax administration (permanent access to all transactions carried out by taxpayers, reduction of tax evasion due to the rapid identification of transactions with a high risk of fraud). Therefore, analyzing the impact generated by the implementation of SAF-T in the economies of other states, its introduction can be considered a first step in digitizing the Romanian tax system, which will increase state budget revenues.⁷⁴

The SAF-T system has undoubtedly contributed to a better collection of tax obligations in the countries where it was implemented, but this was not the only tool used to improve the situation of public finances. Thus, some EU Member States currently use: electronic reporting of documents, carry out online tax audits and have implemented electronic cash registers. The transition of these administrative-fiscal procedures in the online environment leads to the increase of the mutual trust between the fiscal administration and taxpayers, ensuring a high level of transparency between the parties, as well as the simplification of the bureaucratic process of preparing the necessary documents for a fiscal control.⁷⁵

The digitization process of ANAF, provided in PNRR, starts from the awareness that, in order to reduce the budget deficit, there is a need to streamline revenue collection and improve the relationship with taxpayers. Thus, the reform plan must ensure increased voluntary compliance through the development of digital services (priority digital interaction, through VPS and the use of pre-completed forms; creation of the mechanism for assessing taxpayer satisfaction in relation to NAFA) and improving the processes of managing fiscal obligations, including by implementing integrated risk management by

⁷⁴ Bâldea R., Zipiș M., Digitization of the Romanian tax administration, on the right track. What measures are we waiting for in 2021?, January 12, 2021, <https://www2.deloitte.com/ro/ro/pages/tax/articles/digitalizarea-administratiei-fiscale-din-romania-pe-calea-cea-buna-ce-masuri-asteptam-in-2021.html>

⁷⁵ Ibidem.

interconnecting the IT systems of NAFA with those of the European Commission and the Member States (SAF-T).⁷⁶

Regarding the impact, the digitization process on taxpayers we can say that new technologies allow taxpayers legal entities to identify a number of ways to streamline certain operations with fiscal impact. In other words, the digitalization process offers legal taxpayers the opportunity to improve certain financial and fiscal indicators.

Digitalization is a critical element for corporate taxpayers because strict and rigorous financial-accounting and fiscal reporting pushes them towards the development and use of new innovative technologies.

Accounting standards (IFRS) also require such alignment. They require companies to coordinate their financial, risk and business data by implementing digitized processes.

From a fiscal point of view, a new reporting is to be implemented - the standard SAF-T audit file, which ensures the real-time access of the tax authorities to the transactions carried out by the taxpayer.

It should also be noted that, in the current context, the tax function is outlining an increasingly important profile in the business structure of companies, and the role of specialized staff in the tax area is becoming increasingly important and complex. The factors that led to this "status quo" are: the need to standardize processes in order to streamline them, and the automation of these processes. Thus, the decision-making role regarding the fiscal function, as well as the one regarding the assessment and mitigation of fiscal risks have become more and more important lately.⁷⁷

5. Conclusions

The transition to a predominantly digital institution will allow ANAF to adapt much more efficiently and quickly to socio-economic and legislative changes, and the modernization and computerization of its activities will contribute to improving the processing of financial and fiscal information, to allow fair and transparent approaches. concerns the collection of fiscal revenues to the state budget.

We can certainly say that digitalization, including taxation, will be on the rise in the coming period, and the success of a business will be largely based on the use of advanced

⁷⁶ Boeriu V., Digitization of ANAF, essential for the protection of taxpayers and for reducing the pressure on the state budget, Deloitte Romania, April 21, 2021, <https://www2.deloitte.com/ro/ro/pages/tax/articles/digitalizarea-anaf-esentiala-pentru-protejarea-contribuabililor-si-pentru-reducerea-presiunii-pe-bugetul-de-stat.html>

⁷⁷ Cașu A., Constantin G., Digitalization - a new step on the scale towards fiscal efficiency and not only, May 19, 2021, https://www.ey.com/ro_ro/news/2021/5/digitalizarea---o-nou-treapt-pe-scaractre-eficientizarea-fiscal.

technology and the creation of a digital ecosystem that reduces the costs of operation and to offer customers the most optimized and customized products and services. On the other hand, an in-depth analysis of the evolution of tax regulations will help both to standardize and streamline tax reporting, but also to strengthen the relationship of taxpayers with tax authorities.

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