

THE SELECTION OF OBJECTIVES BY FISCAL POLITICS

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Summary: The multitude of fiscal politics` objectives supposes a rational and a well-informed selection of them. Fiscal politics handle specific instruments and levers , producing effects which are hard enough to be quantified and reactions, which most of the time are unforeseen by the payers in their quality as productive or final consumers. The perfection of the proposed alternatives is necessary on the one hand , but hard to be realized on the other hand.

The substantiation of fiscal politics aims two types of decisions, irrespective of the time horizon for which the politics promote the objective. Namely, it refers to the changes inside the fiscal system and, on the other hand , to the changes that are produced in payers` behavior.

The changes inside the fiscal system on their turn , will be materialized in legislative adjustments and in adjustments of fiscal procedures.

Fiscal legislation based especially on Fiscal Code (Law 571/ 2003) also contains other secondary normative acts, such as orders, government decisions, methodological norms and fiscal law` s application instructions.

Taxes settled on the settlements specific to the domain generate different and sometimes even opposite conditions of senses, but they also influence the environment, which is the social and economic one , especially and the payers` behavior particularly.

Influences on the behalf of taxes will also manifest on fiscal system , on budgetary one in extension and on institutional system in general.

The most important reactions , from the fiscal politics point of view , are those that proceed from economic agents.

Taxes, the functionality of fiscal system, its relations with the payers and influences looked on economy are settled by juridical laws, specific subjective laws.

The functionality of fiscal system alters depending on the functionality of each undermechanism for each tax partly.

As any mechanism , the taxes mechanism too can be burden by the influences from economic environment. Some of these , such as repeated updates of fiscal legislation , fiscal dodge , measures of fiscal harmonization , reconciliation of accounting evidence with the fiscal one, the system of transfer prices, and others are some actual issues of the present fiscality.

- 1) Too thick adjustments of fiscal legislation produce incoherence in the activity of office workers in the fiscal domain and in the same time produce difficulties for payers who, on their turn, spend an important part of their precious time for maintaining their relation with fiscal organ.
- 2) Different fiscal pressure for physical persons and for the juridical ones generates different effects on payers , influencing their decisions regarding the kind of tax and the chosen contributions to be owed.

If tax benefit payers who owe proportional quotation benefited by a huge decrease of fiscality degree, just as economic agents of microindustrial units type , not the same thing can be said about payers, physical persons , even in the conditions in which proportional quotation took place of the progressive quotations in trance starting with the year 2005. It cannot be said the same thing because the incomes of physical persons , especially those realized by work, are liable to contributions to social insurances budget, to health insurances budget, to unemployment insurances budget and also to special

funds , of risks and accidents , of insurance of salary lacks and others, specific to some domains of activity.

- 3) Fiscal advantages and fiscal constraints , in the 3rd place, present a specific and direct influence on payers.

It is known from daily life that tax payer is interested first of all by avoiding the fiscal law and by acceptance of the possible advantages offered by it.

Fiscal advantages are grouped in two components , namely fiscal deductions and decreases of taxes. Fiscal deductions are parts of taxed basis , incomes , property , expenses, activities, exonerated from imposition, sometimes conditioned or other times unconditioned.

Fiscal deduce riles from imposable base as incomes are found in fiscal practice as scot free income, as personal decreases, as monthly fixed sums, or conditioned by the existence in payer`s intersidereal of other persons without incomes, as well as contributions and social dues, syndicate dues or parts of monthly or annual incomes conditioned by the expense of these incomes, these being justified with payment documents of different kinds.

Decreases to taxes payment represent parts of calculated taxes which, according to fiscal law, are not paid. If the deductions are 100% , we talk about the exemption from taxes, even if it was calculated depending on legislative settlements.

Iffiscaldeductions are handled with a view to a selective encouraging of consumption, fiscal decreases are destined to encouraging of offer.

Encouraging the consumption on fiscal ways aims especially the tax on physical persons` incomes , actually aims the unproductive consumption , but also the productive one by warming up of the demand.

Global and familial imposition of physical persons` incomes offers multiple possibilities of encouraging the expense of incomes and sometimes of saving.

Decreases on tax payment are most of the time conditioned by the benefit reinvestment , by the sale of the production at export or other similar conditions.

In the same category is included the external fiscal credit which actually aims paid tax abroad and which will be recognized till the tax level that would have been paid in the country, actually an usual credit (the procedure of usual credit).

Such a fiscal measure regarding the exemption from taxes on reinvested benefitis settled by Law 329/ 2009 , witha well- established aim, that of encouraging the production of offer by sustaining the productive consumption. This fiscal measure with an effect of lever , otherwise salutary, must be looked at by the viewpoint of evolution of production structure in the next few years, period that will pick up all the results of the politics promoted in this way.

But the next question is put, namely, if and for how long, the initial structure of production will not suffer modifications at consumers` demand. On what period of time will resist the same structure of raising the production as a result of tax` reinvestment.

The main issue is that of perfection of fiscal politics alternatives and of choosing of its orientation to consumatory fiscal politics or to that which aims the offer.

Most of the time fiscal politics end with unexpected results, different from the initial intentions. For example, we do not know without a projective documentation , if still after an year or more , consumers will buy objects of domestic use with current facilities , or simpler, we do not know if the next year too, the sales of beer –xxl- will raise. The most exposed domains to such a dissolution are the high-tech ones. Sometimes the simpler measures can be more efficient than decreasing or increasing of fiscal charge.

We have to emphasize that in this context another problem appears , undetached by fiscal politics , namely the problem of fiscal equity, a large issue which from quantitative reasons, we put it off for another study of specialization.

Also, the issue of budgetary finance is bound up directly with the evolution of budgetary returns as a result of changes in fiscal politics. The budgetary deficit at which it comes to as a result of increasing the expenses and / or reducing the taxes ` level can lead to a rapid increase of public debt.

Credits for financing the budgetary deficit can determine the increasing of interest rate , fact which determines the economic agents (sellers and buyers) to loan less and, at the same time, to spend less than they have planned to , thus fiscal politics directed to offer will cancel the measures directed to consumption.

More than that, the issue of rate interest comes to light, without which fiscal politics cannot be promoted , no matter of its orientation. Influences from and to rate interest are known especially from the context of keinesian politics.

The most important aim would be maintaining under control the report between offer and demand , and if we have in mind a macroeconomic model of a closed economy, with a public sector included in it, than the equilibrium on properties and services market takes place , when the aggregate demand is equal to the aggregate offer.

If the fiscality increases , that the state `s incomes increase too, and also increase the productive and unproductive expenses. Through the mediation of consumption, the aggregate expenses (G) will be influenced directly.

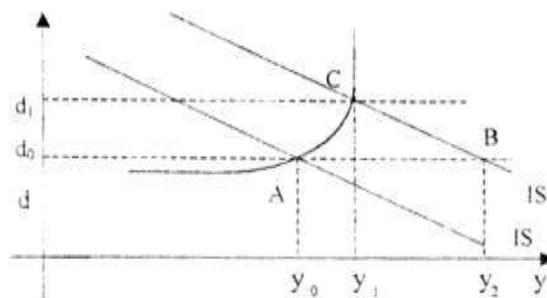
$$\Delta Y = \Delta G \left(\frac{1}{1-m} \right)$$

In which $\left(\frac{1}{1-m} \right)$ is the multiplier of government expenses.

But if the taxes decline, the aggregate expenses will be decreased and the multiplier of taxes will have a negative sign , because by the increase of taxes the intern product is decreased and conversely, so it is a conversely proportional relation .

Y = I.G.P. (internal gross product)

D = the interest rate



If the fiscality rate grows, the IS curve will move towards left with the value of taxes ` increase multiplied with the fiscal multiplier. The effects will be reverse, leading to a reduction of economic activity. Fiscal politics can be such conceived that the action of fiscal multipliers and of public expenses to generate the least negative effects and the most searched ones. Of the tax as instrument of random regulation of some given economic situations or of some social reports and it has secondary consequences of the followed aim, namely, that of complication of the fiscal

system and of rendering more difficult of fiscal activity or appears the risk of reverse or belated effect, which once released cannot be controlled or eliminated.

The modifications of fiscal laws suppose a certain time and the rhythm of changes in fiscal politics is not always the wanted one . that is why when it is decided a choice of a variable in fiscal part, it is necessary an analysis of effort as well as of this change effect on short time or in the future. These decisions are marked by the permanent and acute need of resources at the state budget, fact which generate difficulties and conditions in the most efficient choice of modalityways of financing the public needs and the state budget especially.

There are three possibilities of financing them : from taxes, public credits and currency emission. It seems that financing from taxes is the most efficient modality of counteract the random effects, but with results on long time , because fiscal laws remain operative on longer periods of time usually.

In an economy lacked of economic increase and of an absolute unutilisation of labor , with a temperate fiscality (fiscal neutrality) , the only possibility to relaunch the economy is to increase the public expenses, followed by an increase of global demand and of consumption.

Not all the time the effects of government politics are the expected ones and at least the following two reasons have to be referred to,for whichfiscal politics could have unexpected and unwanted effects, namely, allowing the govern to have a deficit the constraints on expenses and the politic responsibility of those who take decisions regarding the budget are modified (that leads to huge and successive deficits , as well as to rapid increase of public debt) , in order to cover the expenses that outrun the incomes fromtaxes , state has to borrow money. This credit for financing the budgetary deficit can determine the increase of interest rate, fact which willbe felt in the activity of economic agents.

They will ask less credits and will spend less than they would have wanted to.

The system of budgetary expenses and incomes makes up the basis of a detailed analysis of a country ` s social –economic situation , following to be established the imposed measures for macroeconomic regulation.

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