

## THE INFLUENCES OF CHANGES IN TAX LEGISLATION

**Morar Ioan Dan**

*Department of Finance Accounting*

*Faculty of Economics*

*University of Oradea*

*morar\_id@yahoo.com*

**Abstract:** *Taxation is a fairly important field in the relationship between tax payers and tax authorities, especially given the frequent changes in specific legislation.*

*Legislative changes affect the patrimonial position of the tax payers, but also their behavior, therefore this phenomenon is important to advise those interested and also to analyze the changes resulting from changes in tax legislation.*

*This paper aims to meaningfully present the latest legislative changes and to analyze the influences on tax payers and on budget revenues from taxes subject to change.*

*The research methodology is based on comparison and inference, based on previous analyzes for such studies on the tax system.*

*In the literature there are known ways and methods of increasing the tax burden and, based on the variables, in the present paper we will highlight the particular influences on the tax payer's, loaded by weight imposed by the official distribution of the tax burden.*

*The implications of legislative changes in tax matters should be sought in the innermost chord of tax payers and also in the increasingly large and patched pockets of the modern state.*

*In the first place, we will point out the implications on changing tax procedures, in terms of the workload for the tax payer and the tax collectors.*

*By accurately and relevantly analyzing the influences generated by such changes, the author aims to demonstrate the harmful influences of some changes in terms of discouraging investments and honest labor.*

**Keywords:** *corporate tax, budget revenues, social contribution, deductibility;*

**JEL classification:** *H30, G18;*

Tax legislation reflects the doctrinal orientation of the executives even in conditions of economic crisis when fiscal measures some times seem to be saving enslaving. The substantial changes as well as those related to conjuncture directly generate influences on budget revenues, and indirectly through their pressure on the taxpayers, which in turn will adjust the fiscal behavior.

Our legislation has been amended and this year by GO.6/2013 with direct influence on corporate tax, on the tax on the microenterprises' income, also there are changes on personal income tax, non-residents' income tax, then there are changes of VAT, and some small additions to the tax base of compulsory social contributions.

In terms of corporate tax there are some changes in the preparation of the Tax Audit Register in connection with research and development expenses, in connection with the depreciation rules and for certain non-deductible expenses, then, in terms of tax on the microenterprises' income, there was a change in the definition of microenterprises and, also, the right to choose to be a microenterprise was eliminated.

A spectacular and debatable, in the same time, change is that on imposing personal income made from agricultural activities. The personal income tax changes also in terms of deductibility of some expenses.

VAT amends the definition of liability of registered tax payers to register in terms of VAT with some adjustments referring to the harmonization with Directive 112/2006/EEC.

The influences of the legislative changes are measurable on a postoperative way, still we have available some time projection models based on changes in the tax base, with indirect effects on budget revenues.

We will follow the changes in legislation in the following points depending on the tax that affects it, as follows:

a) The corporate income tax. First, since February this year we can speak of the implementation of the obligation of income tax payers to explicitly maintain the Tax Audit Register, for each income and expense in turn.

Regarding the deductions from the tax base, the R&D spending deduction ceiling is increased from 20% to 50%, thereby beneficially influencing the research.

Regarding the non-deductibility of expenses, there are additions to the legislation in force for the introduction of non-deductible expenses in the calculation of expense taxes later found to be associated with acts of corruption.

Also in the same context, it is better defined the notion of borrowed capital for determining the indebtedness in the calculation of the ceiling for deducting interest expenses and foreign exchange rate differences.

The deductibility of depreciation of commercial means of transport is limited to a level of 1500 lei/month.

Another change in determining the taxable base at corporate tax refers to the intangible assets with indefinite recovery period, which will be considered current expenses, so a simplification measure of exceptions when conciliating the net income result with the fiscal law.

b) The tax on microenterprises' income, the main change of this tax is the obligation to pay it, eliminating the right to choose the option between being the payer of this tax or the payer of the income tax. This change negatively affects businesses with activity based on prices with low added value, such as, for example, mall middlemen who rely on minimum margins, disadvantaged in favor of large networks. This measure is completed with the reduction of the turnover ceiling from 100,000 Euro to 65,000 Euro, the exchange rate at the date of the accession to the EU and the measure to eliminate the mandatory use of work force, (from 1 to 9 employees).

The changes regarding this tax are officially justified by the need to reduce fiscal evasion in the field of microenterprises with activity in agriculture, tourism, constructions and other services, but it seems that the negative influence is felt on the intermediaries as we have outlined above and another limitation on these businesses is the result of the reduction of the turnover limit.

c) The tax on personal income. The changes to this tax concern tax payers who have incomes from non-agricultural activities and non-resident individuals that have income from various sources in our country.

Regarding the taxation of the individuals' incomes which derive from crop farming, animal husbandry, beekeeping, the exploitation of forests and other such activities,

they will be taxed starting with February this year in fixed taxes on the cultivated surface for what exceeds the limit surface according to the crops obtained, in fixed amounts per animal for what exceeds a certain threshold on animal species, the number of bee families, etc., the introduction of this tax being justified by the elimination of this tax evasion in agriculture. I, however, believe that tax evasion should not be sought in the peasant households that carry out a subsistence farming, but in large farms and large tenants, some being in the state's ownership.

These people will also owe the mandatory social contributions for income from agriculture, forestry and fisheries.

The taxation of income of non-residents is in the country where they obtain these incomes, following that based on the conventions of the avoidance of international double taxation, the tax residency certificate and the tax certificate from the country where they obtain the incomes. The changes on the jurisdiction of this tax target the incomes of non-residents in Romania, but also abroad, regardless of the place of supply, less the international transport services and its complementary services. Also, we introduce a new tax rate of 50% for revenues obtained in Romania and destined to a country with which Romania has signed an international double taxation convention.

d) The Value Added Tax. It is known that the consumption taxes are the object of the harmonization with EU regulations, namely Directive 112/EEC/2006, and this harmonization process is a continuous process.

In this context, the GO No 6/2013 clarifies the submission to taxation of the operations carried out at the market value between related parties, and also clarifies the lack of management and taxation of goods that are subsequently charged as stolen, being subject to taxation.

Regarding the VAT-collection system, there are provisions on granting the right to deduct VAT on purchases conducted by the beneficiary that do not enforce the collection of VAT from taxable persons applying this system.

Also there are changes and clarifications related to VAT payers registered in the Register of Intra-Community Operators (RIO), meaning that people in that register will be required to submit to the fiscal district body of the new administrators or associates within 30 days after the change, and, otherwise, take a tough measure namely, the payer will be removed from this register.

### **Conclusions:**

The changes to the fiscal code are officially justified as being necessary in the context of harmonization of consumption taxes to European directives and the need to reduce the level of tax evasion, but the explanations should be extended also to the effect of changes on the budget revenues in future periods and on the patrimonial influences and on the taxpayer's fiscal behavior.

In terms of budget revenues, it seems that the changes will not bring major budget solutions in terms of stability and elasticity of the tax system; such measures appear to be minor repairs to a mechanism burdened by the overweight of the load.

A real reform of the tax system would mean changes related to the alignment of the labor taxation to capital taxation, an adjustment of social security contribution in order to optimally distribute the tax burden between income taxation and income

taxation with the se contributions and social contributions.

Then, it would be necessary to set back again the distribution of amounts between the central budget and the local budgets, according to simple and transparent criteria regarding such redistribution.

Last but not least, it would be required adjustments on granting tax deductions for individuals' expenses made in certain useful tax purposes to encourage and select the consumption.

The author of this work has set the objective of summarizing the changes in tax legislation and presenting them in a form accessible to the analysis of the overall tax system, an analysis needed to understand the mediate effects in the fiscal procedure and, also, the structure effects of the tax system.

**Bibliography:**

1. Fiscal Code, Law 571/2003, republished, including GONo 6/2013;
2. Directive 112 /EEC/2006, regarding VAT;