

**A BRIEF ANALYSIS OF THE METHODS TO DETERMINE THE EFFICIENCY OF
FINANCIAL FISCAL CONTROL****PhD. Student Olga COVALI***Ștefan cel Mare University of Suceava, 720229, Romania***Assistant professor PhD Cristina Gabriela COSMULESE***Ștefan cel Mare University of Suceava, 720229, Romania**gabriela.cosmulese@usm.ro***Professor PhD Veronica GROSU***Ștefan cel Mare University of Suceava, 720229, Romania**veronica.grosu@usm.ro***Abstract**

In order to give effectiveness and efficiency to measures to combat tax evasion, the causes that produce or favor this phenomenon should be removed, causes that, as we presented in the paper, are multiple and complex. The purpose of this article is focused on identifying ways, methods and means to streamline fiscal financial control, referring to the legislation of the Republic of Moldova.

Key words: *fiscal financial control; taxpayers; tax evasion; budget revenues; efficiency*

JEL Classification: *M41; H3; H26; H30*

I. INTRODUCTION

The process of financial-accounting harmonization has also led to a harmonization of fiscal legislation among European countries. We consider that it is important to know the functioning ways and the attributions of the Bodies involved in the fiscal harmonization process at the level of the European Union.

The European Communities aimed to establish permanent and stronger contacts between their members than those resulting from cooperation organizations. The European Union is the result of the efforts made since the 1950s by the promoters of the European Community. The European Communities currently has 27 Member States.

The European Union is the most advanced multilateral integration organization, with the possibility of action in the economic, social, political and human rights and external relations of the 27 Member States. The unification of Europe is not an artificial work, conceived only by technocrats; it is the fruit of a political decision and is based on long intellectual, moral and spiritual traditions (Șaguna, 2003:541).

The Community legal order, in a broad sense, is made up of all the rules governing the relations in which the European Communities find themselves; and in a narrow sense it consists of all the rules governing relations between the European Communities and the Member States, relations between natural and legal persons belonging or not to the Member States, and relations between the European Communities and other international organizations. The legal system of each Member State of the European Union has two legal components, which complement each other: Community law and domestic law. The Treaty establishing the European Community has established its own legal order, integrated into the legal system of the Member States, since the entry into force of the Treaty and which is imposed on their jurisdictions. Community law shall apply in the national legal order as adopted, without it being necessary to transpose it into national law. The rules of Community law are integrated into the national law of the Member States.

In the opinion of some authors (Mineia & Costăș, 2006: 310-311), Community tax law is considered to be the coherent set of legal rules issued by the European Union institutions with the triple to ensure Community control over the national taxation of Member States (and those in the process of accession), to implement the policy of fiscal harmonization at the level of all community countries and to implement the contentious mechanisms related to these aspects.

In other words, fiscal harmonization presupposes and first demands a political will clearly and firmly affirmed by the Community authorities, which must then be adopted by all Member States through their representatives in the Council of the European Union. Tax law harmonization in fact covers all types and forms

of taxation practiced in the Member States. The same authors (Minea & Costas, 2006) argue that this broad activity cannot be carried out uniformly and smoothly, without recording any unwanted consequences, for several reasons:

- First, because there is no clear idea at Community level of the systematic adoption of Community rules on the harmonization and gradual unification of national tax laws; such an idea was not clearly outlined because the differences between national tax regulations were considered insignificant as long as the circumstance did not imply the further European construction and the proper functioning of the single market;
- Second, the differences in the legal regime between some of the taxes are greater, while among others they can barely be noticed; this state of affairs is likely not to worry the leaders of the European Union too much yet;
- Finally, thirdly, while some national legal norms (such as those concerning, in general, direct taxes: on corporations, on personal income, etc.) are more difficult to adapt to change that is approaching a level considered reasonable, throughout the Community, the regulations on indirect taxes (value added tax, excise duties, etc.) being newer in all European countries and based on the same principles of establishment and application, are already close, making this possible faster, better and therefore more efficient harmonization (Minea & Costas, 2006: 313-314).

At Community level, the main bodies involved in the tax harmonization process are: the European Commission and the European Court of Justice. The European Commission is the executive body of the European Union. It proposes new Community regulations and deals with the day-to-day management of the implementation of European policies and how European Union funds are spent. Representing the interests of Europe as a whole, the Commission ensures that European treaties and legislation are respected by all Member States (see <http://ec.europa.eu>). The European Commission has four main functions: to propose draft legislation to Parliament and the Council; manage and implement European Union policies and the budget; to ensure compliance with European Union law (together with the Court of Justice); to represent the European Union at international level, for example by negotiating agreements between the European Union and other countries. The Commission acts as the "guardian of the treaties". The Commission, together with the Court of Justice, has a responsibility to ensure that European Union law is properly applied in all Member States. If it finds that a Member State of the European Union is not applying Community law, the Commission will initiate a process called "community law infringement procedure". In the first stage, a formal letter is sent to the government, informing the Commission of the breach of European Union law, stating the reasons why it considers that European Union law has been infringed and setting a deadline for submitting a detailed explanation.

If the Member State does not provide a satisfactory explanation or does not remedy the situation, the Commission will send another letter confirming the breach of Community law in that State and setting a deadline for remedying the situation. If the Member State does not take action to remedy the situation, the Commission shall refer the case to the Court of Justice for a decision. Judgments of the Court are binding on the Member States and the institutions of the European Union. If Member States do not comply with a judgment, the Court may impose financial penalties.

The European Court of Justice was established under the ECSC Treaty in 1952. The Court's mission is to ensure that European Union law is interpreted and applied uniformly in all Member States of the European Union, so that the laws apply equally to all citizens. For example, the Court ensures that national courts do not rule differently in the same case. The Court also ensures that the Member States and the institutions of the European Union apply the legislative provisions. It has the power to resolve disputes that arise between Member States, institutions of the European Union, economic operators and individuals.

Returning to the role of fiscal control in the context of the economic context, it represents for the government, through its legal representatives, the main "weapon" in the fight and combating tax evasion. The degree of collection of budget revenues and the reduction of tax fraud and evasion depend on the organization and efficiency of financial control. The diversity and complexity of economic phenomena, as well as financial ones, which necessarily arise from the issue of transaction to the free economy, is of particular importance to strengthen the role and prompt intervention of state bodies and of the civil society, of the organizational and functional structures of the apparatus specialized in control on all economic and social sides.

The improvement of the fiscal control system at national level can be carried out in the following directions:

- Implementation of information technologies in tax inspectorates;
- Using statistical methods to select taxpayers to perform fiscal control;
- Improving control procedures and collecting arrears.

Improving fiscal control, as a lever to combat tax evasion, must aim primarily at: organizing tax control structures, planning and strategy of the control program; specialization of fiscal control staff; elimination of corruption.

The organization of fiscal control structures has been part of the goal of fiscal reforms in several countries. And our country, with the transition to a market economy, moved to the reorganization of control in view of the

new conditions. In order to analyze the current economic, legal and social context, we considered it opportune to explore the legislation in force both at a national and European level to identify how possibilities can be found to improve financial-fiscal control measures.

II. THE MAIN EUROPEAN DIRECTIVES AND REGULATIONS ON TAX HARMONIZATION

After the reduction of barriers between states, materialized both in the regulation of free movement of goods, labor, services and capital, and in the waiver of customs duties for cross-border trade, the natural course of integration has led to the desire for harmonization economic development, one aspect of this harmonization being largely focused on the fiscal line. From a fiscal perspective, the aim of the European institutions is to achieve the integration of principles, in particular in the field of indirect taxation, as Member States are now entitled to set the applicable tax rates, without exceeding certain minimum thresholds, and remain entitled to continue to do so, at least in the foreseeable future.

In this context, a series of regulatory acts are issued every year by the various competent authorities of the European Union. If the European Parliament and the Council of Europe are the main authorities deciding on the legislative acts to be adopted, it should be noted that in recent years the role of the European Commission as an institution with responsibilities in the process of proposing legislative acts has increased, making important proposals regarding the regulation of fiscal economic fields. By acting at the level of each Member State through the implementation of harmonized tax guidelines, the aim is to achieve a beneficial effect in terms of compliance with principles such as proportionality and fairness of tax behavior and efficient distribution of tax resources from taxpayers to the states and the European Union and back from the European Union and the Member States to taxpayers.

The directives which are binding on all Member States have a special role to play for the participants to the economic activity. These include principles that must be adopted by the Member States by issuing normative acts transposing the content of European directives. However, in addition to their role of recommending a framework to be implemented in the Member States, it is important to know that failure to implement a directive, in whole or in part, in the national legislative framework leads to the possibility for citizens of a Member State to invoke the provisions of the directive in any dispute against the authorities of that State.

The European Directive sets the objectives to be achieved by the Member States, Member States are free to choose the methods and ways of implementation in national law, leaving the choice of means to the national authorities. It is addressed to one, more or all of the Member States. In order for the principles set out in the Directive to take effect at the level of the citizen, the national legislature must adopt an act transposing into national law the national law adapting it to the objectives set out in the Directive (Minea & Costas, 2006). The directive provides for a deadline for transposition into national law: Member States have a margin of maneuver that allows them to take into account national specificities. Transposition must take place within the time limit set by the directive. The directive serves to harmonize national laws.

The most important directives in the field of taxation are:

Council Directive 2008/8/EC amending Directive 2006/112/EC as regards the place of supply of services. According to the new regulations, when the provider and the beneficiary are not established in the same state, the following rules will apply:

- a) services provided by a taxable person to another taxable person shall take place or be taxed at the place where the beneficiary is established, whether he is a taxable person established within the Community or outside the Community;
- b) the services provided by a taxable person to a non-taxable person will take place, respectively will be taxed, where the provider is established.

From these general rules there are exceptions expressly established by the European directive, among which we mention: the services related to real estate, which will be taxed at the place where the real estate is located; restaurant and catering services that will be taxed at the place of actual provision.

The same directive establishes that recapitulative statements will be lodged for services provided to taxable persons established in the Community, similar to those currently lodged for intra - Community supplies and purchases of goods.

Another important regulation is that Council Directive 2008/9 / EC laying down detailed rules on the refund of value added tax provided in Directive 2006/112 / EC on taxable persons established in a Member State other than the Member State of refund, replaces Directive 79/1072 / EEC, on the basis of which VAT refunds are currently made to taxable persons in other Member States. According to the new rules, the Romanian tax authority will receive through an electronic portal the requests for reimbursement of taxable persons in Romania and will send them electronically in each Member State from which the Romanian economic operators request the reimbursement of the tax paid for various purchases. Also, through the same electronic portal will be received the

reimbursement requests sent by the tax authorities from other member states and which were submitted by the economic operators established in the Community for the purchases made in Romania. The exchange of information and documents necessary for the refund of value added tax shall be carried out mainly also electronically. It also sets precise deadlines for settling claims for reimbursement and payment of interest in the event that these deadlines are not met. From the VAT point of view, the draft law also provides for the adoption of measures to avoid the infringement procedure due to the existence in the Fiscal Code of some provisions governing the entry in invoices of additional information to those provided by European legislation in the field.

Council Directive 2008/117/EC of 16 December 2008 amending Directive 2006/112/EC to combat tax evasion connected with intra - Community transactions. Directive 2008/117/EC amending Directive 2006/112 / EC on the common system of value added tax, in order to combat tax evasion connected with intra-Community transactions which is transposed into draft law, covers the period for lodging recapitulative statements . Starting with 2010, the recapitulative statements will be submitted monthly both for the intra-community deliveries/acquisitions of goods, and for the services provided intra-community.

Council Directive 2008/118 / EC of 16 December 2008. The purpose of this Directive is to harmonize at Community level the general rules for products subject to excise duty in order to ensure their free movement. The introduction of the computerized system for tracking the movement of excisable products in suspensive regime (EMCS - Excise Movement Control System) is the main challenge addressed to operators with excisable products, the purpose stated in the explanatory memorandum being to simplify existing procedures. It tends towards a commercial environment with simplified administrative procedures, which allows the authorities to control faster and more risk-oriented. The legislator used the occasion to update the language used in the old directive, according to the new legislative standards and rethought the logical structure of the text, while giving up those provisions that have lost relevance over time.

Council Directive 2010/24 / EU of 16 March 2010 on mutual assistance for the recovery of claims relating to taxes, duties and other measures. This Directive constitutes the common Community law in this field. This Directive should be without prejudice to the competence of the Member States to determine the recovery measures available under their national law. However, it is necessary to ensure that neither disparities between national laws nor a lack of coordination between competent authorities jeopardize the proper functioning of the system of mutual assistance established by this Directive.

Mutual assistance may take the following form: the requested authority may provide the requesting authority with the information it needs to recover claims arising in the requesting Member State and may notify the debtor of all documents relating to such claims issued by the requesting Member State. The requested authority may also, at the request of the requesting authority, recover claims arising in the requesting Member State or take precautionary measures to ensure the recovery of such claims.

According to Article 2 of the Directive, it applies to claims relating to the following: all taxes and duties of any kind levied by or on behalf of a Member State or by its territorial or administrative subdivisions, including local authorities, or on their behalf. , or on behalf of the Union, reimbursements, interventions and other measures forming part of the system of full or partial financing of the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD), including amounts received under these actions, levies and other charges provided for in the common organization of the sugar sector market (Directive 2010/24/EU). This Directive is without prejudice to the fulfillment of any obligation to provide more extensive assistance arising from bilateral or multilateral agreements or arrangements, including in the field of service of judicial or extrajudicial documents.

EU Regulation no. Council Regulation (EC) No 407/2010 of 11 May 2010 establishing a European financial stabilization mechanism. In order to maintain financial stability in the European Union, this Regulation lays down the conditions and procedures under which Union financial assistance may be granted to a Member State which is affected or seriously threatened by serious economic or financial disturbances caused by exceptional events beyond its control. Having regard to the possible application of the existing medium - term financial assistance mechanism for balances of payments of non - euro area Member States, as provided for in EC Regulation No. 332/2002. For the purposes of this Regulation, Union financial assistance shall take the form of a loan or line of credit granted to the Member State concerned.

Of course, tax evasion is always stimulated by the amount of taxes and duties set by the state, which is why it is interesting to know the tax rates imposed on profit or income, and of course the VAT rate in major EU countries.

In Table 1 we presented the most important taxes in the European Union, for each country: profit tax, maximum income tax and value added tax.

Table 1. Taxes in the European Union

Country	Income tax	Maximum income tax	Value added tax
Austria	25%	50%	20%
Belgium	33.99%	50%	21%
Bulgaria	10%	10%	20%
Cyprus	10%	30%	15%
Czech Republic	21%	15%	20% (10% for goods and services)
Denmark	25%	58%	25% (VAT on private jets)
Estonia	20%	21%	20% (9% for goods and services)
Finland	26%	53%	22% (23% from 01.07.2010)
France	33.33%	41%	19.6% (2.1% medicines, newspapers, theaters), (5.5% raw foods and books)
Germany	15,825 % (federal) + 14,35 % to 17,5 % (local)	45%	19% (7% for goods and services)
Greece	25%	40%	21% (11% for goods and services). 23% from 01.07.2010
Ireland	12.50%	41%	21% (0%, 4.8%, 5.2% și 13.5% for goods and services).
Italy	37.25%	45%	20% (10% și 4% for goods and services).
Latvia	15%	23%	21% (10% certain goods and services)
Lithuania	20%	21%	21%
Luxembourg	29.63%	38.95%	15%
Malta	35%	35%	18% (0% for food and medicine)
Netheerlands	25.50%	52%	19% (6% for certain goods)
Poland	19%	32%	22% (some food 7%)
Portugal	27.50%	42%	20%
Romania	16%	16%	19% (24% from 01.07.2010)
Slovakia	19%	19%	19%
Slovenia	22%	41%	20%
Spain	30%	45%	16% (7% și 4% for goods and services) 18% from 01.07.2010
Sweden	26.30%	55%	25% (12% to 6% for certain goods and services)
UK	21%-28%	50%	17.5% (certain products to 5%, more 0%). 20% from 01.01.2011

Source: http://en.wikipedia.org/wiki/Tax_rates_of_Europe

Thus, it can be seen from the data presented in the table above that the establishment of the nature and size of tax levies follows the direction of thinking of neoliberal doctrine and the need for harmonization of policies of European Union countries. Along with the harmonization of taxation techniques, the fiscal pressure exerted by each tax is important, in order to reduce the global or synthetic fiscal pressure (Mihu, 2006: 94).

III. EVALUATION OF TAX EVASION THROUGH THE PRISM OF FISCAL CONTROL

As previously mentioned, the existence of the phenomenon of tax evasion necessarily leads to a decrease in the volume of state revenues and, as a result of the acute lack of financial funds to fulfill the tasks set, the state has no choice but to apply the only effective and with immediate result measure - increasing the quotas of existing taxes and fees or even the introduction of new taxes and fees. This measure leads to an increase in the tax burden and, as a natural consequence, an increase in the opposition to taxation and, of course, in the phenomenon of tax evasion. That is, a "vicious demand" is created, from which one can only get out if the phenomenon of tax evasion is significantly reduced, and consequently the volume of revenues that evade the budget will be reduced (Kirchler, 2007). Once this occurs, the volume of budget revenues increases, the needs of the state and society are met and it is even possible to proceed to reduce tax rates by intervening in this case fiscal relaxation.

Tax evasion is a real threat to the process of achieving public revenues, thus influencing the evolution of the budget balance. Through its action in the direction of decreasing budget revenues, tax evasion contributes to reducing the state's maneuverability in the economy and in the social field (Путилин, 2009). Therefore, tax evasion negatively affects the volume of state revenues in two ways:

1. by the acts of tax evasion, a part of the incomes that would legally belong to the state is stolen;
2. another indirect way requires the public authorities in the state to increase the tax burden through increased tax rates or new taxes, which results in the resistance of taxpayers and the increase in the share of tax evasion and, consequently, a lower volume than expected of the state revenue.

Also, a negative influence on state revenues has the failure to pay taxes on time, because it creates distortions in the budget execution, i.e. the budget deficit (or imbalance in the execution of the budget at home), and requires the state to resort to contracting domestic loans or external loans.

In order to highlight how tax evasion affects the state budget revenues at national level, as well as its social implications, the data from the "Report on the results of fiscal controls performed by the Tax Service" in the period 2014-2019 were used. This report contains information centralized by republic on the actions taken by the Fiscal Control Departments of the Fiscal Inspectorates during a year, namely the number of taxpayers registered, the number of those subject to fiscal controls, the violations detected during the fiscal controls performed, as well as the differentiation of fiscal controls. In the following, we will try to analyze the situation of the Republic of Moldova regarding the fiscal discipline.

A first indicator that characterizes the fiscal discipline is the share of fiscal controls within which violations were detected in the total of fiscal controls performed. This indicator was calculated based on the data presented in the table below.

Table 2. Report on the results of the control activity in the years 2014-2019, carried out by the Directorate for Control and Detection of Crimes Violations detected in the total fiscal controls performed (%)

Indicator	2014	2015	2016	2017	2018	2019
Checks performed	33350	25009	26711	33501	46272	69821
Tax evasion	21166	11775	14044	19339	34211	48469
% of infringements detected as a result of controls performed	63,47	47,08	52,58	57,73	73,93	69,42

Source: Prepared by the author

Specifically, the results of the controls carried out highlighted the following:

- if in 2015 and 2016 the number of controls showed a decreasing trend compared to 2014, in the last three years there is an obvious increase in controls performed by the Tax Service, with 12771 controls in 2018 compared to 2017 (or 1.38 times), and with 23549 controls in 2019 compared to 2018 (or 1.51 times). This is a favorable one, and indicates an improvement in the activity of the control bodies;
- at the same time, there is an increase in tax evasion during the analyzed period, in the last four years violations were detected in more than half of the total controls performed;
- however, a fact that is pleasing is the decrease in the number of violations detected in 2019 compared to 2018, simultaneously with the increase in controls performed. Thus, in 2019 were found with 4.51% more violations than in 2018.

According to the situation of 31.12.2019, according to the data of the Main State Fiscal Inspectorate, a total of 658682 taxpayers are registered at national level, of which 79473 legal entities, 521312 households and 57607 individual enterprises. Of these, 62058 taxpayers were subject to fiscal controls. (19998 legal entities and 42060 individuals). During the respective controls, violations of the fiscal legislation were established in 45102 cases, or in 72.68% (including 11805 legal entities and 33297 natural persons). In the management period of 2019, the total amount calculated following the fiscal controls performed is 349180.9 thousand lei, including sanctions 139148.4 thousand lei or 39.8 percent. Compared to the period of 2018 (321437 thousand lei, including sanctions 135047.5) more taxes and sanctions were calculated by 27743.9 thousand lei.

The share of legal entities subject to fiscal controls from the total of the legal entities recorded for the period analyzed in this paper is presented in Table 3.

Table 3. The share of legal entities subject to fiscal controls

Indicator	2014	2015	2016	2017	2018	2019
Legal entities registered	56393	60195	66976	72208	74330	79973
Legal entities subject to fiscal controls	15291	11756	12809	13764	13194	19998
The share of legal entities subject to fiscal controls	27,12	19,53	19,12	19,06	17,75	25,01

Source: Report on the results of the control activity in the years 2014-2019, carried out by the Directorate for Control and Detection of Crimes

Thus, from the data of the table it is observed that the share of legal entities that were subject to fiscal controls decreased from 27.12% in 2014 to 17.75% in 2018. This dynamic is largely explained by the essential increase in the number of legal entities in these years (from 56393 to 74330) which, in fact, speaks of practically decreasing twice the probability of being detected in tax evasion for legal entities. However, in 2019, with the increase in the number of legal entities by 5643 compared to the previous year, there is also a jump in the share of legal entities subject to tax controls to 25.01%, compared to 17.75% in 2018. This speaks to the intention fiscal controls namely on legal persons. Graphically, the analyzed indicator looks like this:

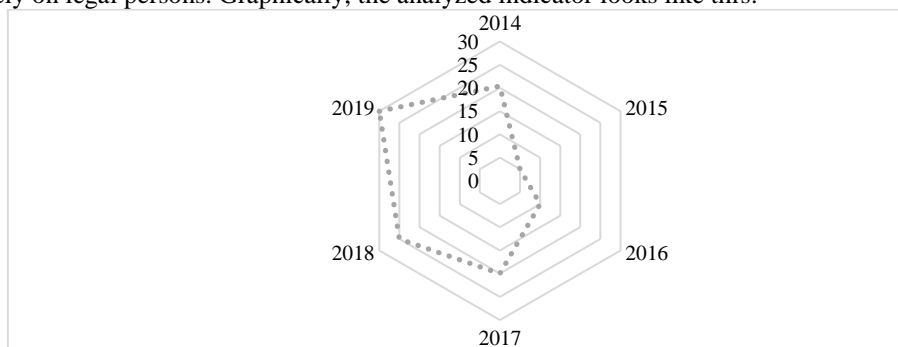


Figure 1 – The share of legal entities subject to fiscal controls in the total of those registered

Source: Report on the results of the control activity in the years 2014-2019, carried out by the Crime Control and Detection Department

The number of taxpayers has increased even more (from 519573 in 2014 to 579482 taxpayers in 2019, or 59909 more), but both their contribution to budget revenues and tax evasion are lower, so the focus of this study is mainly on legal entities. If it is considered that the number of those verified represents well below half of the number of those who should be verified, it results that through the tax evasion practiced, both natural and legal persons, the state budget and the State Social Insurance Budget did not receive many tens of thousands of lei. Here it is necessary to calculate the evolution of tax evasion in relation to the revenues of the state budget of the Republic of Moldova, which can be seen in Table 4.

Table 4. Tax evasion rate in the Consolidated Budget revenues (%)

Indicator	2014	2015	2016	2017	2018	2019
State budget (thousand lei)	4324,8	5084,4	6619,9	7521,5	14694,9	13740,8
Tax evasion (thousand lei)	98,9	141,1	222,7	219,9	186,4	210
Share (%)	2,29	2,78	3,36	2,92	1,27	1,53

Source: Main State Fiscal Inspectorate. Crime Control and Detection Department, National Bureau of Statistics of the Republic of Moldova

From the data of the table it is observed that, although until 2016 there is an increase in the percentage of tax evasion in the State Budget, constituting 3.36% compared to 2.29% in 2014, in 2017 there is a visible decrease, until at 1.93%, due not so much to the decrease of tax evasion (only by 2.8 million lei compared to 2016), but in the essence of the almost double increase of the revenues of the State Budget (by 4787.7 million lei). Likewise, in 2018 we see again a decrease in the share of tax evasion in the revenues of the State Budget, constituting 1.27%. Thus, it can be stated that tax evasion during the years 2014-2019 registered a rather differentiated evolution in relation to the revenues of the State Budget of the Republic of Moldova, an evolution that is represented graphically in the following:

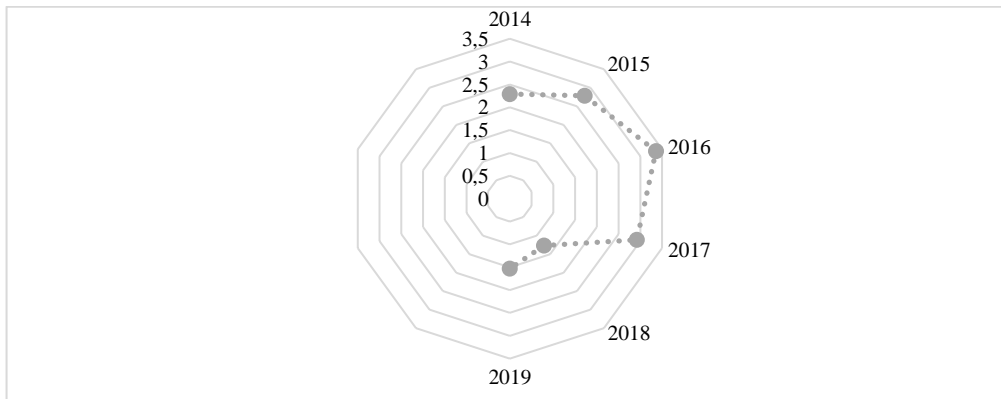


Figure 2 – Evolution of tax evasion in relation to state budget revenues (%)

Source: Report on the results of the control activity in the years 2014-2019, carried out by Crime Control and Detection Department, National Bureau of Statistics of the Republic of Moldova

There is a note of optimism regarding tax evasion in recent years, noting a real decrease in tax evasion compared to state budget revenues. It is all too well known that sanctions are also an important source of state revenue. The fiscal bodies, together with other competent bodies, fight every day with the phenomenon of violation of the fiscal legislation, trying to stop it, or, at least, to limit it by granting fines, sanctions to those who defy the law. By identifying cases of tax evasion, attracting additional revenue to the budget is quantified by the amount of sanctions applied. Table 2.6 shows the total value of the sanctions applied, following the identification of tax evasion cases, both in absolute and relative terms, in the form of the penalty rate.

$$R_p = (V_{ts} / V_{te}) * 100 \tag{1}$$

where:

R_p - Penalty rate;

V_{ts} - The total value of the sanctions applied;

V_{te} - The total amount of tax evasion identified.

In the Republic of Moldova, during the years 2014-2019, the following amounts were collected from the state budget, in the form of sanctions:

Table 5. Sanctions applied following the identification of tax evasion cases

Years	Sanctions applied (thousand lei)	Penalty rate (%)
2014	19661	19,25
2015	30414,3	24,29
2016	26762,6	13,20
2017	75890,2	40,15
2018	116668,8	69,62
2019	121002,6	63,81

Source: Report on the results of the control activity in the years 2014-2019, carried out by the Crime Control and Detection Department

As is well highlighted in Table 5, the amounts of sanctions collected from the state budget increased from 19661 thousand lei in 2014 to 120999.9 thousand lei in 2019, which shows that during the entire period analyzed, the Main Fiscal Inspectorate of The state, from year to year, has made a greater effort to collect sources in the budget. In this way, relatively large sums were collected for state revenues, which, not essential, but covered some gaps caused by the phenomenon of tax evasion. For a better highlighting of those calculated and stated above, we graphically represented the value of the sanctions applied, as well as the level of the penalty rate in the following Figure.



Figure 3 – Sanctions applied and the penalty rate in the period 2014-2019

Source: Report on the results of the control activity in the years 2014-2019, carried out by the Crime Control and Detection Department

It can be interesting to see to what extent the annual variation of the applied sanctions kept pace with the annual variation of the identified tax evasion. Thus, we can conclude the following:

- if in the first part of the analyzed period, 2014-2015, the control bodies had a balanced attitude towards the phenomenon of tax evasion, the change in one direction of the value of the identified evasion being followed by a change in the same direction of the value of sanctions applied;
- in the second part of the period, the years 2016-2017, the decrease of the value of the identified tax evasion was accompanied by an accentuated increase of the applied sanctions, and vice versa. If we talk through figures, then in 2016 compared to 2015 there is an essential increase in tax evasion (by 61.9%) accompanied by a decrease in sanctions (by 12%). This unfortunate phenomenon is explained by the decrease in the work efficiency of tax inspectors. Unlike 2016, in 2017 there is a decrease in the value of evasion identified by 6.7%, while the amount of sanctions collected in the state budget practically triples (increases by 1.83 times). Likewise, in 2018 tax evasion decreases by 11.35% compared to the previous year, simultaneously with the increase in the value of sanctions applied by 53.7% compared to 2017. This may indicate an excessive repressive character, in case of identifying evasion, which, in a corrupt environment cannot have the expected effect, these measures can only lead to the encouragement of corruption;
- in 2019, there is an increase in the phenomenon of tax evasion, which registers a higher level by 13.16% compared to 2018, at the same time with the increase and the value of sanctions collected by only 3.7% compared to the previous year. Thus, the same balanced character of the fiscal bodies is denoted in front of the phenomenon of non-payment of taxes existing two years ago.

Table 6. Annual variation of the value of the identified tax evasion and of the sanctions applied, during the years 2014-2019

Indicator	Annual variation of the identified tax evasion		Annual variation of applied sanctions	
	Absolute real change (thousand lei)	Relative actual change (%)	Absolute real change (thousand lei)	Relative actual change (%)
2015/2014	+23105,7	+ 22,6	+10753,3	+54,7
2016/2015	+77544	+61,9	-3651,7	- 1,2
2017/2016	- 13723,2	- 6,7	+49127,6	+183,5
2018/2017	- 21459,7	-11,35	+40778,6	+ 53,7
2019 /2018	+22056,4	+13,16	+4333,8	+3,7

Source: Report on the results of the control activity in the years 2014-2019, carried out by the Crime Control and Detection Department

In the following, we will try to make a systematization of the above, namely by performing some conclusive calculations regarding the assessment of total tax evasion in our country. The evaluation of total tax evasion in the Republic of Moldova, during 2014-2019, is an essential step for analyzing the impact of tax evasion on the formation of state revenues, because the amounts we will reflect below and materialize this negative influence of the phenomenon of evasion from payment of taxes. These figures will speak for themselves namely

how frustrated the state budget has been due to "skilled" evaders. As mentioned above, the sources of information were the "Reports on the results of fiscal controls performed by the Fiscal Service" for the years 2014-2019.

Table 7. Evaluation of total tax evasion

Indicator	2014	2015	2016	2017	2018	2019
Number of legal entities	56393	60195	66976	72208	74330	79973
Number of individuals	519573	532824	551208	569494	571141	579482
Flare frequency. pers. legal (%)	68	51	53	51	57	59
Flare frequency. pers. physical (%)	73	52	62	77	83	79
Average evasion pers. legal (thousand lei)	8,84	22,10	31,39	28.96	22,18	15,80
Average personal evasion (thousand lei)	0,72	1,85	1,31	1,36	0,84	0,71
Total evasion pers. legal (million lei)	91,85	131,89	214,31	204,03	165,40	186,46
Total evasion- pers. physical (million lei)	7,09	9,24	8,41	15,86	20,99	23,57
TOTAL EVASIONS (million lei)	98,94	141,13	222,72	219,89	186,39	210,03

Source: Report on the results of the control activity in the years 2014-2019, carried out by the Crime Control and Detection Department

We would like to point out that the results set out above are far from illustrating the real picture of detecting tax evasion activities, but still offer the opportunity to see the picture of tax evasion. Thus, these amounts have decreased annually the state revenues, amounts that in reality are much higher. This is possible due to the lack of material motivation of tax controllers and in general, of all civil servants in the financial-taxable system, which also creates another very complex state in our sense, with possible implications in the proliferation of tax evasion.

Following a survey conducted by Transparency International - Moldova, this was confirmed to some extent. Entrepreneurs were asked how tax inspectors behave when they detect tax evasion. The results showed that if in 2013, only in 19% of the total number of violations, inspectors registered them according to the law without resorting to bribery, then in 2015 their share was already 35%. So, maybe, at first glance, it was an improvement in the situation. On the other hand, the entrepreneurs stated that in order to "get rid" of the payment of the fine, in 2013, it was enough to pay a bribe that constituted 34.22% of the amount owed to the state, and in 2015, it already constituted 37.8%.

IV. CONCLUSIONS

Finally, we mention that a special role in combating tax crimes belongs to the cooperation of the law enforcement agencies of the Republic of Moldova with other countries. Considering the fact that the international interpolation world has noticed the "excessive transparency" of the country's borders, the problems of demarcating the eastern borders, the imperfection of the legislation, the corruption in the control and law enforcement bodies. Only a simple synthesis of the import of ethyl alcohol at the national level confirms that it remained about 20% of the total imported volume, as the other 80% is re-exported to other countries, using the code of other non-excise goods.

We can say that the adoption of measures in order to prevent and combat the evasion phenomenon such as: the introduction as urgent as possible and in a wider area of the electronic register of cash registers; introduction of the European Trade Register and the European criminal record; fiscal education among the population regarding the unitary interpretation of the normative framework in the fiscal field; measures/campaigns in order to make citizens aware of the economic and social danger of the evasion phenomenon and its consequences, information on the consequences of non-compliance with tax legislation could significantly contribute to the effectiveness of large-scale fiscal control.

The avoidance of the tax evasion getting out of control during the evolution of our society imposes, significantly, the continuation of the actions having as objective the improvement of the control system of the economic subjects regarding the observance of the fiscal legislation. It is necessary for the evasionist phenomenon to be penetrated in all its complexity, taking into account, along with its negative economic and social effects and the impact it can have on credibility in terms of relations with European partners.

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