



Fiscal Control Instrument for Quantifying Tax Evasion

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Abstract: The current conditions in our country, when the budget revenues become more and more insufficient to support public spending, strictly require the analysis and cessation of tax evasion, as a brake on achieving budget balance. Through its forms, expressed by the phrase legal / illegal, tax evasion is a daily reality, a component of the underground economy present throughout the world, connected with globalization regardless of the level of development of areas and states where it manifests itself. It is already known that tax evasion is an economic scourge linked to and dependent on the system of permissive taxation and regulation of economic activities, which has made, makes and will be the subject of all authorities involved in sizing, accounting and reducing / eliminating it. As tax control is an instrument of coercion to attract tax revenues, to find deviations from the normal tax collection, its results can generate a method of sizing the effects of tax evasion, implicitly estimating it at various levels of research including level national and / or international. Fiscal control, like accounting, is based on accounting information, which provides the first clues about the operation it describes, linking its potential to be hidden and to indicating a certain value of it. As a method of estimating tax evasion, the use of tax control can be described briefly, in stages, as follows:

- analysis of the public database;
- identifying the possible source of extracting the accounting information, which in our opinion is the ANAF website, this being the state body that collects, supervises and controls the public revenues;
- extracting the documentary material that provides pertinent information regarding the fiscal control, the most indicated being the annual performance report;
- centralization of the necessary information (no. controls, value of taxes and stolen taxes, analytical and synthetic);

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- designing a model of data connection, quantification, estimation and extrapolation at analytical and synthetic level. The results of this method, if possible, can be correlated with other information by making certain adjustments which ultimately give the possibility of their normal credibility.

Keywords: deviations; accounting; fiscal control; quantification; evasion; estimation; accounting information; instrument; method; public revenues

JEL Classification: E01; E26; H26; M41

1. Introduction

Fiscal control is a very broad and complex notion, part of the financial control performed by the fiscal bodies, comprising, according to the Fiscal Procedure Code, in principle the fiscal inspection, the unexpected control and the anti-fraud control, to which are added the documentary verifications. All these components are a basic tool in the supervision of public finances resulting in the quantification in value form of the effects of the forms of manifestation of the underground economy, using various techniques and methods allowed by law applicable in the field of tax evasion.

In this sense, fiscal control is a set of activities, carried out by certain state bodies, which seek the contribution of the economy in setting up public finances, which in turn generate the necessary resources for the economy at the macro level. In terms of tax control, tax evasion is its main objective, in the sense that, firstly, the aim is to prevent it and secondly to identify and ascertain the forms, methods, ways, procedures and effects of this scourge. Specific to the capitalist economy.

The results of fiscal control, expressed in value form, by estimating and reporting to the whole can identify and quantify, for accounting purposes, that part of the financial resources of the real economy, but circulating in less legal ways related to tax evasion.

2. Data Analysis. Theoretical Fundamentals

It is very important to eradicate tax evasion and quantify and account for it, in order to identify the influence on macroeconomic indicators at national level, primarily in GDP.

Because ANAF, through its bodies, permanently interacts with the economic environment, in two ways, we will choose one of them that we consider to best reflect the characteristics of tax evasion:

during the normal activity, to highlight the manner of declaring and accounting for the payment of tax obligations by taxpayers who voluntarily comply with the legislation in the field in which they operate;

during the verification and control activity, the result of which is the identification, measurement and taxation of that part of the economy that is to be achieved, the so-called tax evasion.

In terms of tax evasion - as a form of manifestation of the hidden economy, very important is the second way, which should provide sufficient and relevant information for such a work.

In choosing the methods of measuring tax evasion, the two forms of its manifestation must be taken into account, namely:

- non-declaration of the taxable mass;
- erroneous, distorted declaration of the taxable mass, more or less deliberately.

In practice there is no exact standardization of methods of measuring tax evasion, they range from an approximate, speculative area, specific to the political factor for populist impression, to mathematical, statistical methods, based on information extracted from various sources, with a degree more or less substantiated credibility.

In this case, we opted to measure tax evasion using the results of the public interest tax control.

As a method of estimating tax evasion, the use of tax control requires the staging of steps and their algorithmization, as follows:

analysis of the public database: the public database is apparently very rich in information, but it must also be related to the researched field. There are many institutions involved in the elaboration of analysis indicators: the Government and its institutions, the ministries (more indicated finance and justice), agencies subordinated to the ministries, BNR, INS, etc.

identification of the source from the database: the most probable and possible source for extracting the supporting information for accounting, is the ANAF website, this being the state body that collects, supervises and controls the public revenues.

extracting the documentary material that provides pertinent information regarding the fiscal control, the most indicated being the annual performance report and the fiscal statistical bulletin.

On the ANAF website we identified the site on which the quarterly statistical bulletins were published, which summarize a series of relevant information on the activity of this institution: gross domestic product, number of registered taxpayers, budgeting revenues, arrears, receipts, and the results of the agency on 3 types of fiscal control activities:

- inspection;
- antifraud;

- customs.

choosing and centralizing the information we consider necessary to best reflect the proposed purpose.

In terms of quantifying tax evasion, the conclusive and necessary information extracted from the amount of information is that which mainly concerns the damage to state finances, namely:

- gross domestic product;
- nr. registered taxpayers, both active and inactive, because a large part of the inactive are actors of the underground economy, the state of inactivity being in many cases a cover of their hidden activity;
- nr. criminal notifications;
- value value related to these notifications.

Table 1.1. Indicators Extracted from the Statistical Bulletin for 2021

Relevant indicators	control activity		
	inspection	antifraud	customs
Nr. verified economic agents	32.889	26.200	39.833
Nr. criminal notices	347	301	4.488
Damage value (thousand lei)	783.400,0	794.100,0	226.600,0

Source: ANAF

Design of a data connection model, quantification, estimation and extrapolation at analytical and synthetic level, of an analysis function, in which the above indicators constitute the variables taken into account:

- damage calculation / verified economic agent by type of activity;
- calculation of average damage / verified economic agent using the weighted average:

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$$m_p = \frac{p_1 \cdot a_1 + p_2 \cdot a_2 + \dots + p_n \cdot a_n}{p_1 + p_2 + \dots + p_n}$$

Table 1.2. Average / Taxpayer Damage Calculation

Relevant indicators	control activity			Total
	inspection	antifraud	customs	
Weight no. verified economic agents (p_i)	0,45	0,36	0,55	1,36
Damage / taxpayer value (a_i /mii. lei)	23,8	30,3	5,7	59,8
Weighted average taxpayer / taxpayer damage (Pm_p /mii lei)	10,77	10,92	3,12	18,24

Source: Own Conception

Total evasion estimate no. taxpayers according to the formula:

$Pt = \text{No. taxpayers} \times Pmp = 2,213,265 \times 18.24 \text{ thousand lei} = 40,364,365 \text{ thousand lei}$
equivalent in euros at the crusade of 31.12.2021, the value of 8.16 million euros.

applying corrective adjustments to the estimated value.

Naturally, being an estimate, this value can withstand a series of plus or minus adjustments, depending on the identification of variables that can influence the estimated damage.

One of the adjustments concerns the statistical error, which can take various forms: registration, representativeness, modeling, etc.

Another adjustment can be made taking into account that in 2021, the inflation index increased towards the end of the year, which requires the calculation in real terms compared to the end of the year or to the time of estimation or comparison, taking into account the inflation index or lei / euro exchange rate, depending on their relevance.

extrapolation of these calculations in analytics.

Based on the above estimated values, various estimates, allocations and correlations can be made, depending on the interest granted and the need for the study, as follows:

- by reporting to GDP. According to the statistical bulletin, Romania's GDP in 2021 was 1,181,917.9 million lei, so the estimated influence on GDP would be 3.41%.
- by reporting to the macroeconomic indicators on GDP composition (industry, internal trade, foreign trade, services, constructions), presented in the fiscal statistical bulletin.
- by reporting to the macroeconomic indicators on GDP composition presented by the National Institute of Statistics for 2021.
- by allocating on the sources of fiscal obligations, taking as weighting keys the realized budget revenues, presented in the same fiscal bulletin (VAT, profit tax, income, excises, customs duties, salaries, etc.). For example, according to the ANAF Performance Report for 2021, the share of VAT in

total realized budget revenues was 62.2%, which applied to the value of the damage estimated above results in the value of 25,106,635 thousand lei.

- by allocating by types of taxpayers natural persons and legal entities, small, medium and large taxpayers, etc., taking as weighting keys the realized budget revenues, presented in the same fiscal bulletin (VAT, profit tax, income, excises, customs duties, wages, etc.).

Conclusions

Since tax evasion is a phenomenon that affects the economy in general but especially the capitalist economy in particular, the problem of estimating it is as important as it is necessary. The estimation methodology, such as economics, can go from low to high at the microeconomic level or at the macroeconomic level, as in the present case, using the fiscal discrepancy as a quantification criterion.

The estimation technique presented above was limited as a period of time only to 2021, but in order to be as efficient as possible, the information based on which it is calculated can be dynamic for a longer period, usually 3-5 years. The estimated result of tax evasion by this method, falls within the margin circulated in the media (between 6 and 20 million euros), this value being credible, of course with the degree of confidence appropriate to each source of comparison.

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