



Tax Rules, Voluntary Compliance and Evasion: Between Power, Trust and Budget Sustainability

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ABSTRACT: The article examines the phenomenon of tax evasion in Romania, compared to the member states of the European Union, focusing on behavioral determinants: trust in authorities, coercive power, tax knowledge, attitudes and social norms. The role of digitalization in Romania, the impact of VAT and the structure of tax revenues are analyzed. The results show that reducing the tax gap requires an integrated strategy that combines digitalization, institutional reform and strengthening taxpayer trust. Tax compliance is a complex process, influenced by the interaction between institutional, psychological and social factors. The reduced rates applied by the Romanian state for certain goods and services generate a negative distributive impact, influencing the consumption decisions and tax behavior of taxpayers. Increasing tax revenues as a share of GDP can be achieved through more efficient tax administration, reducing the VAT gap and stimulating voluntary compliance, supported by tax assistance and collection measures. Studies show that most taxpayers are willing to pay taxes, which highlights the need for tax policies based on trust, predictability and balance in tax levels.

KEYWORDS: tax compliance, tax evasion, fairness, power of authorities, Romania, European Union

1.DETERMINANTS OF TAX COMPLIANCE

The literature identifies two essential determinants of tax behavior: trust in authorities and their power to enforce the law. The article analyzes the main variables associated with tax compliance – tax rate, audit probability, sanctions, level of tax knowledge, attitudes and social norms – and highlights Romania's particularities in relation to the European Union. The results show that simply strengthening coercive power is not enough to reduce evasion; a combination of technical, educational and institutional measures is needed, designed to increase taxpayers' trust and the transparency of the tax administration.

Tax compliance is one of the most important topics in the field of public finance and institutional economics, with direct implications for budgetary sustainability. Compliance with tax obligations depends on both legal constraints and psychological and social factors.

The "slippery slope" model proposed by Kircher et al. (2008) emphasizes that the relationship between taxpayers and tax authorities is based on two dimensions: trust and coercive power. The balance between these determines the level of voluntary or forced compliance, as well as the degree of non-compliance.

The literature has formulated the following major hypotheses:

1.1 Tax rate

The level of taxes influences the perception of tax fairness. Laffer (1980) argues, through his famous "curve", that excessive taxation reduces the tax base by stimulating evasion. In conditions of low trust in authorities, a high tax rate may be perceived as a violation of taxpayers' property rights, generating non-compliance Rata de impozitare

1.2 Audit Probability

The impact of objective audit probability on compliance has often been found to be limited (McBarnet, 2001). However, subjective perception of control risk functions as an indicator of the strength of tax institutions and is influenced by individual risk aversion (Kircher et al., 2008).

1.3 Sanctions and Fines

Fines indirectly influence compliance through perceptions of fairness. Low sanctions may signal institutional weakness, while excessive sanctions may be considered abusive, generating resistance and evasive behavior (Baldry, 1987). Sanțiunile și amenzile

1.4 Tax literacy

A high level of tax literacy stimulates voluntary compliance and trust in authorities (Fülöp et al., 2022). Conversely, lack of knowledge encourages non-compliance and fuels distrust. Educational and information policies implemented by the tax administration thus become essential factors for increasing voluntary compliance. Nivelul de cunoștințe fiscale

1.5 Attitudes and Social Norms

Individual attitudes and social norms directly influence tax decisions. If evasion is perceived as socially acceptable, the likelihood of non-compliance increases significantly (Tyler, 2006). Personal norms, such as moral reasoning or attachment to ethical values, complete this explanatory framework.

In summary:

Tax rate	High levels may be perceived as abusive and reduce compliance (Laffer, 1980)
Audit probability	Small direct effect, but influences the perception of the power of institutions
Fines	Too small → weakness, too large → perceived abuse (Baldry, 1987)
Tax knowledge	High level → increased voluntary compliance; low level → distrust and evasion
Attitudes and social norms	Evasion perceived as accepted → increased non-compliance

The general conclusion is that tax education, when it highlights the role of taxes for the functioning of society, increases voluntary compliance and reduces the budget deficit.

2. TAX EVASION IN THE EUROPEAN UNION AND ROMANIA

At the European level, tax evasion, especially in the field of VAT, generates major budgetary losses. Heinemann and Stiller (2023) have shown that the application of the reverse charge mechanism can reduce significant VAT losses and increase the collection rate.

The issue of tax revenue collection and voluntary compliance of taxpayers is a central topic in the specialized literature and in the public policies of the member states of the European Union.

In Romania, the degree of collection of budgetary revenues continues to be significantly lower than the European average, despite the passage of almost two decades since accession to the European Union. The ANAF strategy for the period 2021–2024 aims to increase voluntary compliance by simplifying administrative procedures, supporting the compliance process in paying obligations and applying differentiated treatment depending on the fiscal behavior of taxpayers.

The purpose of this research is to analyze the evolution of tax revenues in Romania during the period 2013–2023, with a focus on their structure relative to GDP, as well as comparing Romania's fiscal performance with the other member states of the European Union.

2.1 Methodological framework

The analysis is based on statistical data provided by Eurostat and processed by the author for the period 2013–2023. The indicators used include:

- total tax revenues as a share of GDP;
- the structure of tax revenues (direct taxes, indirect taxes and social contributions);
- Romania's position in the EU rankings based on these indicators.

The method applied consists of the comparative analysis of national data reported to the European Union average and to the individual performances of the Member States.

2.2 Results

The data for the first quarter of 2024 show receipts of 97,127.2 million lei to the Consolidated General Budget, representing an increase of 16.3% (13,594.2 million lei) compared to the same period of the previous year. These results suggest a positive trend towards increasing voluntary compliance.

However, the analysis of the structure of tax revenues highlights Romania's unfavorable positioning within the European Union. According to Table no. 1, Romania ranks last in terms of direct and indirect taxes, recording values considerably lower than the European average. In 2023, total tax revenues represented only 27% of GDP, compared to the European average of 40.6% (Table no. 2).

Table no. 1 – Structure by types of taxes % of GDP in Romania

Type of tax	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Rankin UE
Indirect taxes	12,9	12,8	13,4	11,6	10,5	10,4	10,6	10,4	10,8	10,7	10,5	25
Direct taxes	6	6,2	6,6	6,5	6,1	4,9	4,8	4,7	5,1	6,1	6,5	27
Social contributions	8,7	8,5	8,1	8,1	8,5	10,5	10,5	11	10,5	10	10	19

Source: author's calculations/Eurostat data

In table no. 2, we can analyze the level of taxes and duties (%) of GDP in Romania compared to other EU countries.

Table no.2- Tax Revenue-total as % of GDP

Countries	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Austria	42,8	43,2	41,8	41,9	42,3	42,7	42,2	43,4	43,2	43,5
Belgium	45,7	45	44,2	44,7	44,8	43,5	43,4	43,2	43,3	44,8
Bulgaria	28,4	28,9	29,2	29,8	29,7	30,4	30,5	30,8	31,1	29,9
Czech Republic	34,1	34,3	35,1	35,4	36	35,9	35,9	35,9	35,3	34,1
Cyprus	33,6	33,1	32,2	32,8	33,1	34,2	33,7	34,8	36,5	38,8
Croatia	37,4	37,7	38	37,9	38,4	38,4	37,7	36,7	37	37,3
Denmark	48,9	46,4	45,7	45,7	44,4	47,1	47,4	47,6	41,9	44,1
Estonia	32,1	33,3	33,5	32,8	32,9	33,3	33,3	33,8	32,9	34
Finland	43,5	43,5	43,7	42,9	42,4	42,3	41,8	43,2	43,1	42,7
France	45,7	45,7	45,7	46,4	46,3	45,3	45,4	45,1	46,2	45,6
Germany	38,3	38,8	39,2	39,3	39,9	40,1	39,6	40,9	40,8	40,3
Greece	36,7	36,9	39,2	39,7	40,3	39,5	39,5	40	41,2	40,7
Ireland	28,8	23,2	23,7	22,5	22,3	21,9	19,8	20,7	20,9	22,7
Italy	42,9	42,8	42,1	41,8	41,6	42,2	42,5	42,5	42,7	41,7
Latvia	29,7	29,8	30,7	31,1	31	30,7	31	30,7	30,3	33,4
Lithuania	27,5	28,9	29,7	29,4	30	30,2	31,2	31,9	31,6	32,4
Luxembourg	36,2	34,9	35,5	36,8	39,5	39,6	38,3	38,3	38,4	42,8
Malta	31,5	29,6	30,6	30,2	30,3	29,5	29	29,3	28,6	27,1
Poland	32,3	32,5	33,6	34,2	35,1	35,2	35,6	36,7	34,5	36
Portugal	34,2	34,4	34,1	34,1	34,7	34,5	35,2	35,2	36	37,6
Romania	27,5	28	26,3	25,1	25,8	25,9	26,1	26,4	26,9	27
Slovakia	31,7	32,4	32,9	33,8	33,9	34,4	34,6	35,2	34,8	35,5
Slovenia	37,4	37,6	37,6	37,3	37,4	37,7	37,8	38,4	37,5	36,9
Spain	33,9	33,9	33,7	33,9	34,7	34,8	37	37,9	37,7	37
Sweden	42,2	42,6	44,1	44,1	43,8	42,8	42,4	42,6	41,8	42,1
Netherlands	37	36,9	38,4	38,7	38,8	39,3	39,9	39,2	38,5	39,1
Hungary	38,4	38,7	39,1	37,9	36,9	36,3	36	33,9	35,1	35,1

Source: author's calculations based on data provided by Eurostat

The structure of budget revenues in Romania highlights a strong dependence on indirect taxes and social contributions, which account for 82.6% of tax revenues – the highest level among EU member states.

2.3 Discussions

The difference of approximately 13 percentage points between Romania and the European average in terms of tax revenues reported to GDP can be explained by a series of factors:

Low level of digitalization of the tax administration – although the process has progressed in recent years, the impact on collection is still limited.

1. Unbalanced structure of tax revenues – unlike the EU, where the share of direct, indirect taxes and social contributions is relatively balanced (32.3%, 33% and 34.7%), Romania shows excessive dependence on indirect taxes and social contributions.
 2. Complexity and lack of predictability of the tax system – the tax legislative framework in Romania is perceived as excessively complex and unfair, which reduces taxpayers' trust and affects voluntary compliance.
 3. Low degree of voluntary compliance – taxpayers' tax behavior is influenced by the perception of the efficiency of the tax administration and the fairness of the system.
- 2.4. European policies and institutional reforms

The European Union has implemented measures such as the automatic exchange of tax information, country-by-country reporting and the extension of the Directive on Administrative Cooperation (Vighova, 2022).

For Romania, reform priorities include:

- digitalization of ANAF;
- simplification and predictability of the tax framework;
- increasing transparency and tax education. Uniunea Europeană a implementat măsuri precum schimbul automat de informații fiscale, raportarea „country-by-country” și extinderea Directivei pentru Cooperare Administrativă (Vighova, 2022).

2.5 Study conclusion

Romania continues to be among the countries with the lowest tax revenues relative to GDP in the European Union, despite recent progress in the digitalization process and the increase in budget revenues. The structure of tax revenues, strongly oriented towards indirect taxes and social contributions, contrasts with the European trend of balancing revenue sources.

Reducing the gap with the European average requires accelerating the digitalization process of ANAF, simplifying and clarifying tax legislation, as well as concrete measures to stimulate voluntary compliance. Only through a coherent combination of institutional reforms and tax policies adapted to the current economic context, Romania can ensure sustainable growth of public revenues and strengthen fiscal discipline.

3. THE IMPORTANCE OF DIGITALIZATION

Digital transformation is a key factor in modernizing public administrations and increasing the efficiency of tax revenue collection. In the European Union, this process is monitored through the Digital Economy and Society Index (DESI), which reflects the degree of digital development of the member states. Romania, although an integral part of this effort, continues to register significant gaps compared to the European average.

The objective of this study is to analyze Romania's performance based on DESI indicators and to highlight the limited impact of the digitalization process on tax compliance and public revenue collectiv

3.1 Conceptual and methodological framework

The DESI index summarizes the digital performance of the European Union member states through four main dimensions:

1. Human capital – the digital skills of the population and the workforce;
2. Connectivity – the electronic communications infrastructure and its accessibility;
3. Integration of digital technologies – the adoption of digital solutions by the business environment;
4. Digitalization of public services – the degree of use and quality of electronic services offered by the public administration.

In the present analysis, the focus is on human capital and the digitalization of public services, factors directly correlated with the performance of the tax administration and the degree of voluntary compliance.

3.2 Result

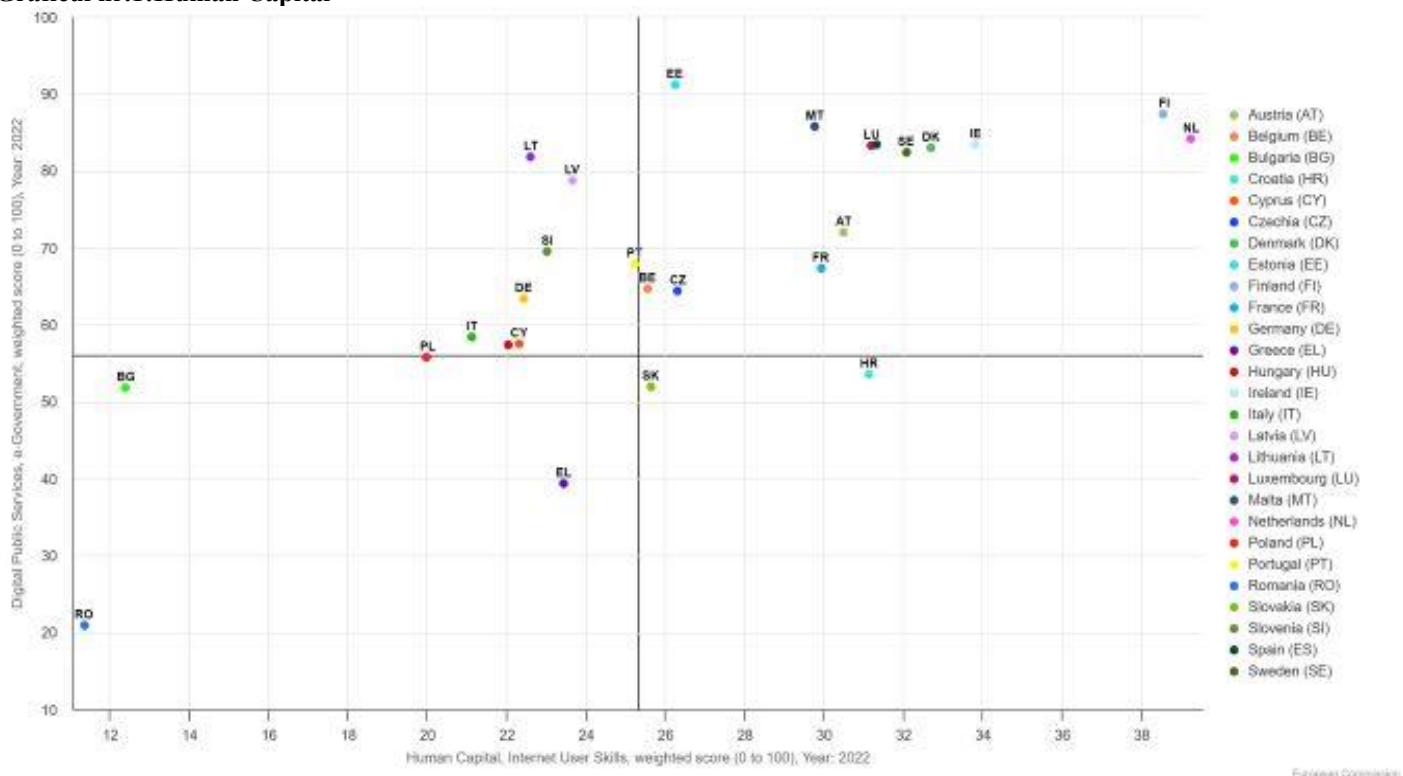
The European Commission's DESI 2021 report highlighted significant gaps in Romania's digital performance. All specific indicators were well below the European average, and the results confirmed the persistence of a structural gap.

- Only 16% of Romanian internet users actively interacted with e-government services, compared to the European average of 64%.
- In the case of the "pre-filled forms" indicator, Romania recorded a score of 6 points, significantly lower than other Member States.
- For digital public services intended for taxpayers, Romania obtained 44 points (compared to the EU average of 75), and for those intended for commercial companies 49% (compared to the EU average of 84%).

The report highlighted that the lack of interoperability of IT systems in public administration is a chronic problem, despite the specific progress achieved during the pandemic.

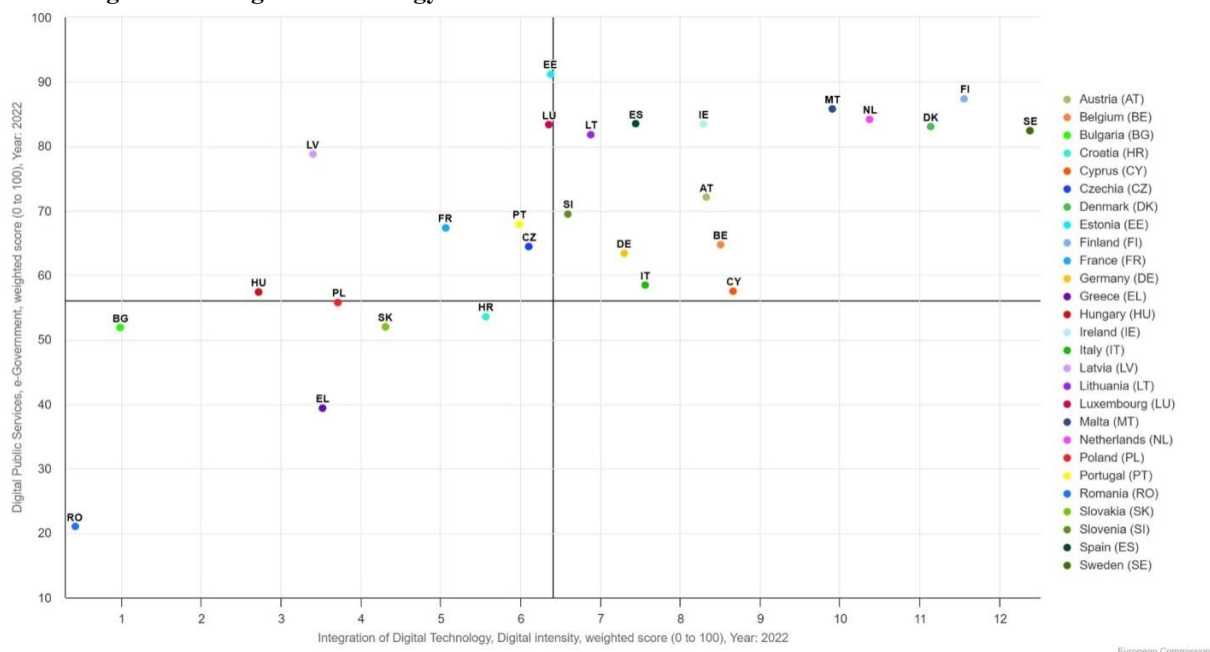
In 2022, Romania continued to record very low scores, ranking at the bottom of the European rankings, with values between 21 and 23 for relevant indicators regarding human capital and digitalization of public services.

Graficul nr.1: Human Capital



Source: European Commission-DESI

Graphe no.2 Integration of Digital Technology



Source: European Commission-DESI

3.3 Discussions

The results obtained confirm a series of major challenges for Romania in the digital transformation process:

1. Digital skills deficit – low human capital limits the use of electronic services.
2. Fragmentation and lack of interoperability of IT infrastructures – lead to difficulties in the integration and coherent use of digital public services.
3. Modest performance of e-government services – scores well below the EU average reduce the attractiveness and trust of taxpayers.
4. Impact on tax compliance – low level of digitalization and electronic interaction affects the degree of voluntary compliance, perpetuating problems in tax revenue collection.

The experience of OECD member states confirms that the digitalization of tax administrations generates direct benefits: modernizing the regulatory framework, more accurate assessment of tax risks and strengthening taxpayer confidence. The lack of these advances in Romania accentuates the gaps compared to the European average

3.4 Study conclusion

The analysis based on DESI indicators reveals that Romania remains at the bottom of the European Union in terms of digital transformation. The critical dimensions for tax revenue collection — human capital and the digitalization of public services — continue to score well below the European average.

Reducing the gap requires:

- sustained investments in the development of the population's digital skills;
- accelerating the interoperability of IT systems in public administration;
- expanding and improving the quality of e-government services;
- implementing modern tax administration mechanisms, similar to those in OECD countries.

Only by adopting coherent policies and intensifying the digitalization process will Romania be able to improve tax compliance and the efficiency of public revenue collection, thus reducing the structural gap with the European Union average.

4. CONCLUSION

In Romania, the National Agency for Fiscal Administration (ANAF) occupies a central position in managing the tax collection process, while also playing a decisive role in influencing taxpayer behavior, by reducing tax avoidance practices and stimulating voluntary compliance. Given the strategic relevance of efficient public revenue collection for budgetary balance, there is a need for structural and operational reforms within the institution, aimed at strengthening administrative efficiency, increasing transparency and improving collection capacity.

Increasing tax revenues as a share of GDP can be achieved through modernized tax administration, correlated with measures to stimulate voluntary compliance, including: expanding tax assistance services, reducing the duration and complexity of tax inspections, and optimizing control procedures.

The ANAF reform, carried out within the National Recovery and Resilience Plan (PNRR), has as its central pillar the digitalization process, through the implementation of advanced IT tools, such as: OSS (One Stop Shop), RO e-Factura, VIES_RO and AEOI (Automatic Exchange of Information). These digital solutions integrate more efficient collection mechanisms, contributing to increasing voluntary compliance and reducing tax evasion phenomena.

In addition, the use of digital technologies in the tax administration process strengthens transparency and reduces institutional vulnerabilities, diminishing the risks associated with corruption in the public sector. Thus, the digitalization of ANAF is not just a technological measure, but a structural transformation, with direct implications for the efficiency of budget revenue collection and taxpayers' trust in tax institutions

Tax compliance is the result of the interaction between legal constraints, institutional trust and social norms. Romania is facing a significant structural gap compared to the European Union average, which calls for integrated public policies. Increasing compliance cannot be achieved exclusively through sanctions, but through a combination of coercive, educational and institutional measures, designed to increase transparency and trust in the tax system.

Reducing the tax gap in Romania requires an integrated strategy: digitalization, institutional reform and strengthening taxpayer trust. Efficient collection and voluntary compliance are essential for budgetary sustainability, public investment and economic convergence with the EU average.

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