



Tax Amnesty, A Determinant of Increasing the Degree of Voluntary Compliance in Paying Taxes and Reducing Tax Evasion

Marian-Romeo Guiu

Alexandru Ioan Cuza University of Iași, Romania

ABSTRACT: Romanian policymakers have repeatedly resorted to tax amnesties and concessions, pursuing a dual objective: the rapid generation of budgetary revenues and the cancellation of tax receivables considered irrecoverable, but although this type of fiscal intervention can be characterized as a strategy to combat tax evasion, from the perspective of the behavior of honest taxpayers who have honored their tax contributions on time, this amnesty can generate a feeling of frustration. Since the latter ask themselves the question "what is the point of paying my tax obligations on time while other bad taxpayers benefit from a favorable tax treatment".

Taken as a whole, this phenomenon of tax concession analyzed for a consistent period of time, can highlight a negative effect on the fiscal behavior of taxpayers, confirming the conclusion highlighted by the specialized literature according to which tax amnesties applied without complementary measures to strengthen compliance can have counterproductive effects. The lack of firm actions to control and sanction tax evasion reduces the long-term effectiveness of the amnesty and encourages the persistence of non-compliance behaviors.

KEYWORDS: Tax Amnesty, Tax Compliance, Tax Evasion, Voluntary Tax Compliance, Fiscal Policy

JEL Classification:H21, H26, H30

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**Corresponding Author:* Marian-Romeo Guiu

1. INTRODUCTION

Tax amnesty is a fiscal policy instrument through which state authorities grant taxpayers the opportunity to regularize their fiscal situation by fully or partially canceling penalties, interest and/or outstanding tax obligations. This measure has as its main purpose increasing the degree of voluntary compliance with taxes and duties, as well as reducing tax evasion, which is a persistent problem for national budgets.

In the current economic context, in which the efficient collection of tax revenues is becoming increasingly important for financing public services and maintaining budgetary stability, tax amnesty can be considered a strategic tool, as it not only offers taxpayers an opportunity to regularize their situation without severe sanctions, but can also create a positive psychological effect on tax behavior, stimulating voluntary payment and compliance with tax obligations in the long term. However, the success of a tax amnesty depends on how it is designed and implemented, as international studies show that well-structured tax amnesties can lead to increased tax collection and reduced evasion, while superficial or frequently repeated measures can diminish tax discipline and taxpayers' trust in the tax system.

In the specialized literature, their efficiency is controversial, although they can generate additional revenues in the short term, there is a risk of encouraging the expectation of new tax facilities (Luitel and Sobel, 2007), or that such measures are perceived by the taxpayer as a signal of institutional weakness, affecting the credibility of the tax administration (Alm & Beck, 1990).

The perception of the fairness of the tax system is closely linked to the level of trust in the authorities, therefore, a fair treatment of taxpayers contributes to strengthening institutional trust and stimulates voluntary compliance, while excessive or abusive use of coercive instruments can generate negative perceptions of the tax system and reduce the level of compliance.

McBarnet (2001) identifies three main forms of tax compliance: committed compliance, compliance by capitulation and creative compliance. While committed compliance reflects a voluntary acceptance of tax obligations, compliance by capitulation occurs as a result of pressure exerted by the authorities, creative compliance involves the use of legal mechanisms to optimize the tax burden.

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In a complementary perspective, Tyler (2006) highlights the role of procedural justice and psychological mechanisms in stimulating compliance with rules. The author argues that strategies based exclusively on sanctions may have limited effects in the long term, being preferable approaches that stimulate the internalization of social norms and the development of self-regulation of behavior.

In the same vein, Baldry (1987) emphasizes that the perception of tax inequity favors the emergence of non-compliance behaviors, while the perception of the fairness of the tax system contributes to strengthening trust and stimulating voluntary compliance.

Therefore, empirical studies have shown that the Tax Compliance indicator is influenced by economic and behavioral factors, while the classic Allingham-Sandmo model (1972) explains tax evasion as a rational decision under conditions of uncertainty, in which the taxpayer compares the benefits of evasion with the associated risks, namely the probability of control and the level of sanctions.

According to this model:

- increasing the probability of control determines increased compliance;
- increasing penalties discourage evasion;
- the taxpayer maximizes expected utility.

In addition to this economic model, modern literature highlights the role of behavioral factors, such as:

- tax morality;
- trust in institutions;

However, the main theoretical foundations started from the hypothesis that taxpayers prefer to voluntarily comply when there is an immediate incentive and a reduction in legal risks, thus the economic literature has identified two main effects:

- the immediate fiscal effect: increasing budget revenues by recovering uncollected amounts.
- behavioral effect: influencing tax discipline, which can be positive (increased compliance) or negative (expectation of future amnesties).

Below is a comparative table of the main types of tax amnesty.

Table no. 1: types of tax amnesty

| Amnesty type | What it entails | Advantages | Disadvantage | Example |
|---------------------------|---|---|--|--|
| Total | Erasure of all ancillary obligations and sometimes part of the principal | Stimulates rapid regularization, "cleans" tax records | Higher budget loss, may encourage irresponsible behavior | Full payment of the principal without interest or penalties for historical debts |
| Partial | Only penalties or interest are deducted, the principal remains payable | Maintains budget revenues, encourages debt payment | Does not completely solve the debt problem | Payment of the principal without penalties for unpaid tax obligations |
| Historical debts | Applies to older tax liabilities, accrued before a certain | Cleans up old records, reduces bureaucracy | May be perceived as "unfair" by taxpayers who have paid on time | Regularization of tax debts older than 5 years |
| Conditional | Benefits are granted only if certain conditions are met (voluntary declaration, full payment, etc.) | Encourages voluntary compliance | Requires control and verification, more administratively complicated | Payment of the principal and voluntary declaration of undeclared income |
| Sectoral | Applies only to certain industries or categories of taxpayers | Supports vulnerable economic sectors | Can be perceived as discrimination | SMEs or agricultural companies benefit from penalty exemption |
| Temporary (window period) | Applies only for a limited period of time | Creates urgency and encourages quick payment | If the period is too short, taxpayers may be excluded | Payment of tax debts between January 1 and March 31 with interest exemption |

Source: author data collection

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Therefore, the study aims to analyze the role of tax amnesty from a dual perspective, firstly as a determinant of increasing the degree of voluntary compliance with taxes and duties and secondly as a tool for reducing tax evasion. Given the mechanisms through which tax amnesty influences taxpayer behavior, I will begin with an analysis of relevant international examples in order to highlight the conditions that ensure the efficiency of this measure in strengthening fiscal discipline and budget revenues.

1.1 Tax Amnesty Romania

In Romania, tax amnesty was regulated by OUG no. 107/2024 and had as its main objective, stimulating taxpayers' voluntary compliance by canceling accessories related to tax obligations and, under certain conditions, reducing principal debts. This measure, unlike previous similar programs that had a more limited impact (OUG 44/2015 and OUG 69/2020), targeted both legal entities and individuals.

This analysis is based on official data published by the National Agency for Fiscal Administration (ANAF, 2024), respectively, the estimates and reports of the Ministry of Finance (2024).

The method used is descriptive-comparative analysis, targeting:

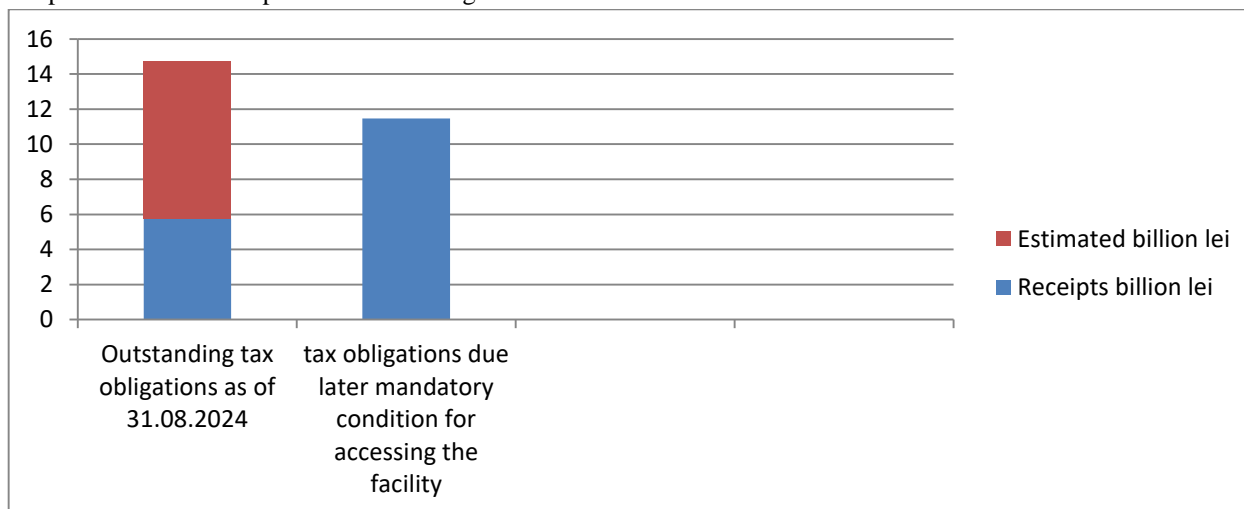
- additional revenues achieved;
- degree of compliance (number of participating taxpayers, settlement rate);
- Implications on the budget deficit

According to the reported data, the preliminary financial results as of December 16, 2024 showed total revenues to the state budget in the amount of 17.46 billion lei, of which:

- 5.76 billion lei from outstanding tax obligations as of August 31, 2024;
- 11.46 billion lei from obligations due later, the payment of which was a mandatory condition for accessing the facility.

By comparison, the Ministry of Finance had initially estimated a budgetary impact of about 9 billion lei, but interim data indicate a significant exceedance of this forecast.

Graph no. 1. Total receipts to the state budget



Source: author's calculation

Taxpayers who expressed their option:

According to data provided by the Ministry of Finance, the total number of participating taxpayers who submitted notifications/requests was 203,638, of which:

- 135,188 individuals;
- 68,450 legal entities.

Resolution rate: 95% as of December 16, 2024.

The methods of informing taxpayers were varied, thus a number of approximately 1,470,000 taxpayers were contacted, of which 605,500 through the Virtual Private Space (SPV) and 863,842 through the Romanian National Post Company.

- Features of the facilities
 - Legal entities can benefit exclusively from the cancellation of accessories related to tax obligations (interest and penalties);
 - Individuals: benefit from the cancellation of accessories, as well as the reduction of the principal debt in the proportion of 25% or 50%, depending on the level of the outstanding tax obligation.
- Regulatory framework and implementation calendar

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Initially, the deadline for the application of the tax amnesty was set at November 25, 2024 for the submission of notifications. Subsequently, by decision of the Ministry of Finance, the application period was extended until December 20, 2024, but the previous deadline for the transmission of notifications of intent was maintained.

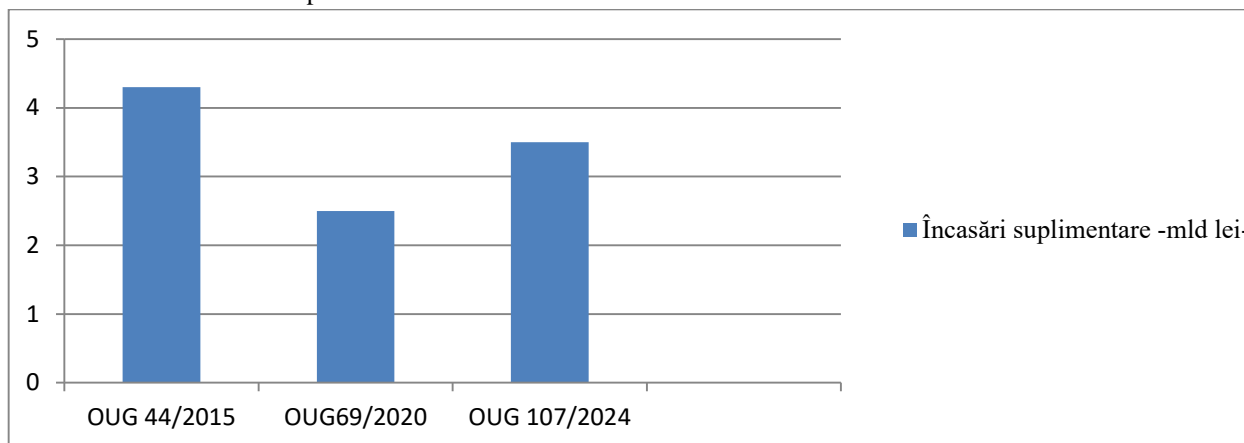
1.2 Comparison with previous tax amnesties

-OUG 44/2015 (2015–2016): additional receipts of 1.44 billion lei;

-OUG 69/2020 (2020–2022): additional receipts of 1.15 billion lei;

-GEO 107/2024 (2024): receipts of 5.76 billion lei only from outstanding obligations, i.e. 4–5 times more than in previous programs.

Chart no. 2 Additional receipts



Source: author's calculation

Thus, the substantial increase is explained by:

- extension of the area of applicability to individuals,
- application of more efficient communication mechanisms (including notifications by mail).
- Budgetary and fiscal implications

The revenues obtained (17.46 billion lei) exceed the range estimated by the Ministry of Finance for November (5.5–6 billion lei), however, the difference from the initial forecast of 9 billion lei (September 2024) can be explained by the reconfiguration of the application deadlines and the dynamics of resolving applications.

In addition to the actual revenues, the amnesty also implies future costs for the budget, generated by the bonus applied to compliant companies (initially 3% of the profit and income tax of micro-enterprises, later increased to 5%), this mechanism could generate a decrease in budget revenues of over 1.8 billion lei in 2025.

Therefore, the tax amnesty implemented in 2024 emerged as the most efficient measure of this type applied in Romania in the last decade, with a budgetary impact of approximately 17.5 billion lei and a resolution rate of 95% by the end of December 2024. However, the net impact on the budget deficit remains conditioned by the costs generated by the tax bonuses granted to correct taxpayers, an aspect that required careful monitoring within the framework of the budget execution for 2025.

1.3 Tax amnesty in Europe

In Europe, tax amnesties were applied especially in the context of economic crises and the need to increase budget revenues, thus the use of this instrument has generated both short-term benefits for public budgets and debates on fiscal fairness and taxpayer discipline.

They are seen as a "window of opportunity" for taxpayers, but also as a short-term fiscal consolidation tool, however, their long-term implications remain controversial.

Italy

There have been several "scudo fiscale" tax amnesties, the last of which in 2009 aimed at the repatriation of capital from abroad. Although it brought significant revenues to the Italian state, it has been criticized for stimulating evasion in the long term.

Greece

The Greek state introduced several amnesty programs after the 2009 crisis, but their effectiveness has proven to be limited due to the high level of evasion and distrust in institutions.

Spain

In 2012, a tax amnesty was implemented considering undeclared income, which however generated lower than expected revenues and sparked numerous legal controversies.

Belgium

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It has carried out several voluntary tax amnesties, correlated with the improvement of the automatic exchange of financial information at European level.

Comparative table of tax amnesties in Europe no.2

| Country | year | Objective | Results |
|---------|-----------|----------------------------------|---|
| Italy | 2009 | Capital repatriation | High revenues, but criticism regarding tax evasion |
| Greece | 2010+ | Deficit reduction | Modest results, high distrust |
| Spain | 2012 | Declaration of undeclared income | Revenues below expectations, legal criticism |
| Belgium | 2004-2016 | Voluntary declaration | Modest revenues, correlated with information exchange |

Source: author's calculation

2. COMPARISON OF STATES WITH AMNESTY VS. WITHOUT AMNESTY IN THE SAME PERIOD.

In Table no. 3, we can see that although in Romania and Bulgaria, the tax rates are almost similar, there is a difference of 4 percentage points between the tax revenues collected by Bulgaria compared to Romania, even if the latter implemented the tax amnesty in 2024.

Table 3: Tax and duty collection in Romania vs Bulgaria

| Tax categories/fees | (% of GDP-2024) | | Tax rates,(%) -2024 | |
|-------------------------------|-----------------|----------|---------------------|----------|
| | Romania | Bulgaria | Romania | Bulgaria |
| Tax revenues | 27,1 | 31,1 | | |
| VAT | 6,6 | 9,1 | 19 | 20 |
| Excise duties | 2,4 | 5,7 | | |
| Personal income tax | 2,6 | 3,1 | | |
| Corporate profit tax | 4,7 | 2,9 | 10 | 10 |
| Social security contributions | 10 | 8,3 | 39,96 | 32,7 |
| Non-tax revenues | 2,7 | 2 | - | - |

Source: Eurostat, European Commission, author's calculation

Table no. 4: VAT not collected at the state level Romania vs Bulgaria

| Year | Year VAT not collected at the budget % of the total VAT payment obligation | |
|------|--|----------|
| | România | Bulgaria |
| 2024 | 35,7% | 4,9% |

Source: author's calculation

As for the effects of the digitalization of ANAF on the degree of collection of taxes and duties to the state budget, according to statistical data, it resulted that in the first 3 months of 2025, net VAT receipts amounted to 28.57 billion lei, down 2.7 percent compared to the same period in 2024, but this decrease can be justified by VAT refunds in the first quarter, which recorded an increasing trend of approximately 21% compared to the quarter. I of 2024 and which were postponed by the government to the end of the year in order to meet the budget deficit target. As for the other taxes, they recorded substantial increases in revenues, namely Insurance Contributions +10.4% (49.80 billion lei), excise duties +12.3% (12.35 billion lei), taxes on salaries and income +31.3% (15.11 billion lei), but here the dynamics of dividends distributed in 2024 with the withholding tax of 8% comes into question, while non-tax revenues were around the amount of 12.35 billion lei, increasing by 12.3%.

This comparative analysis between Romania and Bulgaria, neighboring states, with apparently similar tax systems, but with radically different performances, demonstrates that Romania's problem is not the level of taxation, but the capacity for administration and compliance.

The results of the comparative analysis of fiscal performance between the two states suggest that an increase in state budget revenues does not lie in new taxes, but in eliminating evasion through digitalization and integrity.

Regarding the assessment of the impact of digitalization in the first quarter of 2025, the net decrease in VAT (-2.7%) is not a failure of e-Invoice but a manipulation of cash flows (refunds postponed from 2024, being practically an administrative limitation not a technical one. The increase in receipts from salaries and income (+31.3%), reflects the success of digitalization in monitoring income and dividends and indicates that where control is automated (withholding at source and digital reporting), compliance will increase.

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2.1 Amnesty vs Compliance

Bulgaria has not resorted to repeated tax amnesties in the style of OUG 107/2024, preferring constant investment in interoperable IT systems and risk analysis, which suggests that the 30 percentage point difference in the VAT GAP between the two countries shows that the amnesty in Romania is a temporary recurring measure for a system that fails to implement the firm digital control that Bulgaria has succeeded in.

Regarding the effect of digitalization, the difference in collection reveals the fact that Romania has the data: e-Invoice, but does not yet have the result, also such a high VAT GAP suggests that the barriers to corruption or non-compliance are much more evident, as well as the fact that while Bulgaria has invested in digital auditing while Romania is facing a shortage of specialized personnel.

In terms of fiscal and economic implications, the tax amnesty has generated both positive effects, such as increasing budget revenues in the short term, broadening the tax base by including previously evasive taxpayers, improving tax transparency in the context of European integration, but also negative effects consisting of undermining fiscal discipline in the long term (taxpayers can expect new amnesties), social injustice, because honest taxpayers do not benefit from preferential treatment, limited impact if not correlated with structural measures (digitalization, effective controls, international cooperation).

Tax amnesties in Europe have proven to be useful tools in times of crisis, but with controversial effects on fiscal discipline. They can only be effective if accompanied by structural reforms and firm measures against evasion. Without these, there is a risk that the tax amnesty will be perceived as a reward for non-compliance, undermining taxpayers' confidence in the fairness of the tax system.

As mentioned above, amnesty can generate frustration among honest taxpayers, practically from an empirical perspective this translates into a deterioration of fiscal morale, since:

- repeated amnesties (2015, 2020, 2024) can be interpreted as a signal of weakness of the state in the face of evasion. If the control system is not digitized and firm, amnesty becomes a method of "subsidizing" non-compliance;
- the harshness of digital controls is still in its early stages, causing taxpayers to prefer regularization now for fear of future automatic risk analyses (e-Invoice), which justifies the success of the collections of approximately 17.5 billion Lei due to the application of GEO 107/2024

Amnesty without complementary measures is counterproductive, this is where digitalization comes in, below I will make a brief presentation of Romania's digital performance in the European context and the digital transformation of ANAF.

The Digital Economy and Society Index (DESI) is the index that summarizes the main indicators relating to Europe's digital performance. It monitors the progress of the European Union member states in four essential areas: human capital, connectivity, integration of digital technologies and digitalization of public services. The experience of developed OECD member countries in the digital transformation process of tax administrations highlights multiple advantages, namely modern and efficient tax treatments suitable for increasing compliance with tax obligations, identifying the most suitable tax solutions adaptable to the compliance process accompanied by a correct risk assessment, increasing taxpayer confidence that will result in reducing the risks of tax non-compliance.

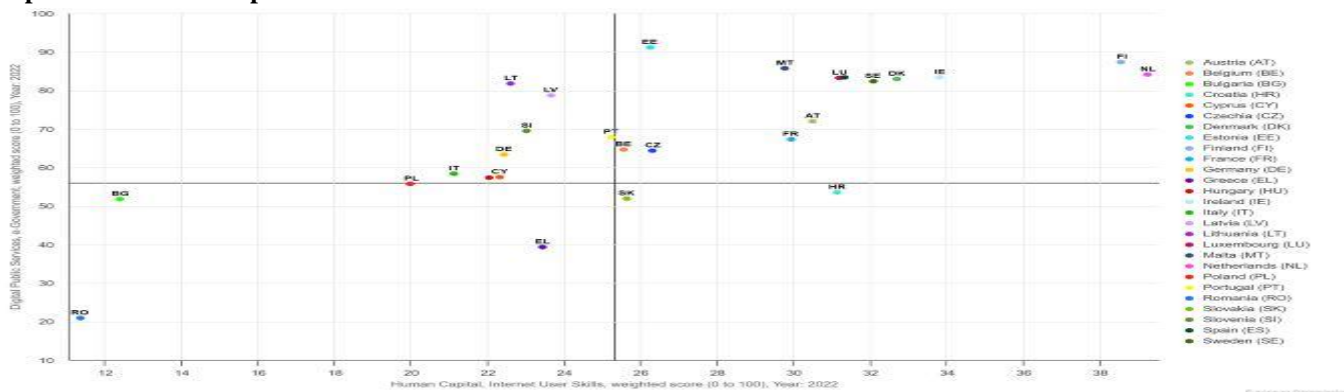
The DESI report prepared by the European Commission for 2021 highlighted the gaps recorded by Romania following the analysis of the 4 DESI indicators in comparison with the states of the European Union.

The analysis of the axis on digital public services highlights that Romania consistently performs poorly compared to other EU Member States, with all specific indicators significantly below the European average. As for Romanian internet users, only 16% of them actively interact with e-government services, compared to the EU average of around 64%. Regarding the indicator entitled "pre-filled forms", Romania scores only 6 points, compared to the EU average of 63.

In the case of digital public services, the score for taxpayers is 44 points compared to the EU average of 75, and for commercial companies it is 49% compared to the EU average of 84%. The report highlights that the lack of interoperability of IT systems in public administration remains a chronic problem, despite the sporadic progress recorded during the pandemic. Even in 2022, Romania is not making progress in the field of digitalization, so if we analyze the 2 indicators considered essential for improving the degree of tax collection (human capital and digitalization of public services), we can see, as shown in graphs no. 1 and 2, that Romania with a score between 21 and 23 still occupies the last position, far from the average of EU countries.

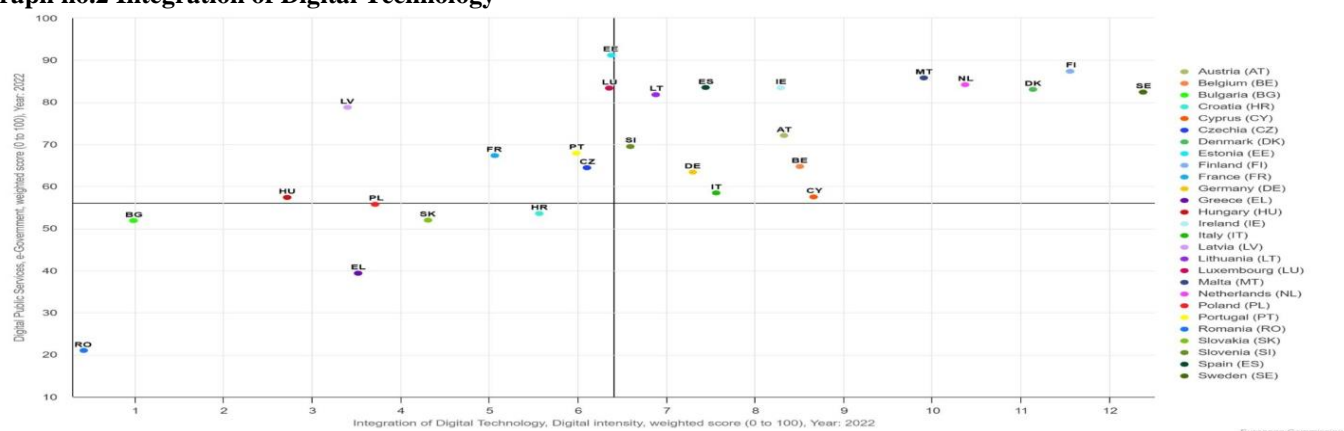
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Graph no.1: Human Capital



Source: European Commission-DESI

Graph no.2 Integration of Digital Technology



Source: European Commission-DESI

Outdated technologies within the Ministry allowed insufficient use of data and information held by the various fiscal structures subordinate to the central structure, this situation was caused by the lack of an integrated IT application that would allow the efficient management and exploitation of all data and information available both at the level of territorial fiscal structures and from external sources.

It should be noted that from January 1, 2025, electronic invoicing between companies and final consumers (B2C) has become mandatory. Ensuring the sustainability of the SAF-T system (Standard Fiscal Control File) and its extension to medium-sized taxpayers, and through various updates to the application, it was ensured that SAF-T declarations contain correct and complete data. The AEOI_RO (Automatic Exchange of Information) information system was also updated and expanded, which ensures the exchange of tax information (accounts held by individuals, corporations, trusts and other information about account holders) between international tax authorities, with the main objective of reducing tax evasion and tax transparency.

Therefore, the 2024 amnesty should be the last of its kind, since with the full implementation of the e-Invoice and SAF-T systems, the state will have digital vision to detect evasion in real time, making the amnesty useless and unfair. Also, the record revenues of 17.46 billion lei could have provided the financial resources necessary to invest in hiring BIG DATA data analysis specialists for ANAF, in order to increase the level of revenue collection to the budget, but unfortunately these additional funds had another destination.

The 4-5 times increase in receipts in 2024 compared to previous periods suggests either a massive accumulation of arrears in the post-pandemic period or greater efficiency of digital communication channels (SPV).

CONCLUSIONS

The 2024 amnesty benefited from better digital support than the previous ones (notifications via SPV), therefore the tax amnesty should represent the 'zero boundary' of digitalization. Once the e-Invoice and SAF-T systems become fully operational, the argument of 'historical unrecoverable debts' disappears, because the state will have the ability to identify and execute receivables in real time, eliminating the need for such concessions that weaken fiscal morale.

In conclusion, we can argue that the tax amnesty was a quantitative success through the revenues achieved (17.5 billion lei) which demonstrates the state's need for liquidity and the taxpayers' desire to improve their balance sheets, but also a potential

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qualitative failure from the future perspective of voluntary compliance, since if a taxpayer knows that an amnesty occurs every 4-5 years, voluntary compliance will become optional, not structural.

The success of the conditional amnesty depends directly on the Digitalization factor for automatic verification of eligibility and the personnel factor for managing the massive flow of applications. If the amnesty is not backed by strict post-event digital monitoring, the risk of regress in compliance remains high. The analysis of OUG 107/2024 confirms that although technically the measure was effective, it remains a reactive solution. In order for the amnesty not to become an incentive for future evasion, it must be accompanied by an operational response transformed by investments in specialized personnel who will use the data collected during the amnesty period for future risk analyses.

The results of the study suggest the following recommendations:

- Conditionality of future amnesties: If such measures are still used, they should be conditioned by the mandatory adoption of digital reporting systems for beneficiaries.
- Digital monitoring: If the amnesty is not backed by strict post-event digital monitoring, the risk of regress in compliance remains high.
- Compliance Bonus: Increase the bonus from 3% to 5% for compliant firms as a way to reward integrity.

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