

## **THEORIES ON THE TAX SYSTEM AND THE IMPACT OF MANAGERIAL ADMINISTRATION IN THE REPUBLIC OF MOLDOVA**

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**Abstract:** This article describes the importance of the fiscal system and the impact of managerial administration in the Republic of Moldova. The authors describe theories formulated by classical and contemporary researchers and formulate their own definition regarding the tax system. The author also evaluates the impact of the tax administration directed by the managers of the tax service in the Republic of Moldova. According to this analytical study, the authors make conclusions and recommendations regarding the improvement of managerial administration and the efficient functioning of the respective sector. This article will be useful for teachers, students and researchers in the field of fiscal and financial system management, as well as taxpayer compliance with the rules of this system.

**Key words:** Fiscal system, tax, public authorities, taxation, budget, fiscal managers, apparatus.

**JEL Codes:** E62, E63, H25, H30.

### **Introduction**

The Fiscal System is a structure of the national public authority that has the task of administering taxes, fees and other payments that ensure and contribute to the formation of the national public budget.

The Fiscal System also represents the body that leads, organizes and administers taxation, the main objective being the execution of the control regarding compliance with fiscal legislation.

The basic mission of the tax system is to ensure an active process of verification, service and tax administration that creates conditions for taxpayers to comply with the legislation in force and ensure the level of financial resources necessary for the state.

The vision is to represent a modern and efficient, efficient and innovative tax authority that offers high quality services, by implementing simple and transparent processes, based on risk-based planning information technology solutions, aimed at optimizing the costs of fiscal administration, as well as to ensure the increase of voluntary compliance, by improving the relations of collaboration and respect for mutual commitments between the SFS and taxpayers<sup>1</sup>.

By the fiscal system is meant a unique strategy of the financial system that includes the following important components as represented in the figure 1.



**Figure 1. The main components of the tax system**

*Source: Elaborated by the author (Ristea, 1995).*

These components of the fiscal system combine some financial instruments whose appearance is in connection with the existence of the state and financial resources that are directed by the structures of the fiscal apparatus, based on some legal norms. Economic theory approaches us with various formulations that define the justification of taxes, fees and other taxes. Therefore, tax represents an element of welfare, security and social justice, through which the state ensures the proper functioning and protection of society with needs.

The evolution of this system is closely related to the process of satisfying human needs and the existence of the social organization of humanity.

<sup>1</sup>Activity report for the year 2021-2023.

<https://sfs.md/uploads/files/Rapoarte%20anuale/Raport%20de%20activitate%20SFS%202023.pdf>. [online][ ACCESSIBLE: 28.02.2024; 29.02.2024].

### **Applied methods and procedures**

The methodology of the scientific research of the tax system is based on the conceptual approaches and the method of knowledge of the matter, of the processes of organization, structuring, service and tax administration that create conditions for the compliance of taxpayers, as well as the analysis of data and information from statistical reports, formulating conclusions based on the study carried out. Various scientific materials regarding the tax system were used in the study. The knowledge of these theoretical approaches allowed a detailed analysis of the exposition of the own vision related to the definition and development of the fiscal system in the Republic of Moldova.

The purpose of the research is to study the importance of the tax system in the Republic of Moldova and the impact of managerial administration in the contemporary era.

The object of the research consists in studying the theories about the fiscal system, as well as the authors' point of view regarding the impact of managerial administration in the days of the given period.

### **Theories formulated by classic and contemporary researchers regarding the tax system**

Classical and contemporary economic researchers have directed their efforts to study and describe the importance of principles, functions and managerial structure in the tax system. Through the theoretical approaches and disclosures of these principles and functions of the fiscal system, managers are to understand the fundamental requirements on the formation and improvement of the fiscal management system.

This research is an impetus to the justification and development of the process of managerial organization and fiscal responsibility by taxpayers.

The process of the evolution of the theoretical and practical science of the tax system stood out in the last decade of the 20th century, the beginning of the 21st century. Gradually, the role of the tax system grew and simultaneously the responsibility of respecting the principles and fiscal functions of the contemporary state, which manages and provides services to citizens, also grew.

The scientific basis of the conceptual approaches regarding the tax system, which the theoreticians in this field also recognized, is the theory of taxation. The founder of this theory is considered to be the philosopher and economist Adam Smith.

Smith described in his work "The Wealth of Nations" the four principles that are the basis of the conception of various theories of taxation.

A researcher in the field of economics, and in the taxation system was John Maynard Keynes, who referred to taxation and the influence of taxes, to the distribution through taxation of wealth and income between individuals, who demonstrated to us that the reduction of taxes would lead to an increase in consumption and demand for goods.

The romanian author Creangă D.Gh. in his work "Finance Course" he set out a series of principles that, in his view, should be the basis of taxation, namely: equity of taxes, generality, proportionality and legality, and he describes the definition of fiscal taxes, as they are gifts that are levied from individuals by a public authority, i.e. the state, on the basis of its sovereignty, in a forced, normative and unilateral way, to cover the expenses of the state, necessary for its purpose" (Creangă, Burduja, 1971).

A vision found in the work of the romanian theoretician Condor I., shows us that the fiscal system is a totality of taxes and fees from individuals and legal entities that feed public budgets (Condor, 1991).

Another definition of the fiscal system is presented by the authors L.Mehl and P. Beltrame, they believe that the fiscal system represents the totality of taxes in which the components are in dynamic relation with each other, like the economic system and the socio-political instruments<sup>2</sup>.

The fiscal management system represents a set of measures of managerial bodies with responsible functions, empowered to achieve the objectives planned in the process of fiscal organization and administration.

Studying the bibliographic sources, following the research of the concepts formulated by classical and contemporary researchers regarding the tax system, the authors present their opinion regarding the definition of the tax system.

The fiscal system represents a managerial structure created by the state with the purpose of administering and collecting taxes, fees, state social insurance contributions and other compulsory taxes, which serve to form the budget according to a legal framework.

### **Assessment of the impact of tax administration directed by the managers of the tax service in the Republic of Moldova**

The State Fiscal Service of the Republic of Moldova represents a unique system formed in evolution that has gone through several stages of development, the provisions of which change according to the needs and requirements of society. Any state institution represents a basic cell of public finance management and tends towards the organization and transparent operation of the planned mission.

Therefore, the State Fiscal Service is a public authority, empowered to administer taxes, fees and other payments in the interest of the state by creating the conditions for taxpayers in order to comply and comply with the legislation, the uniform application of policy and regulations in the tax field. The achievement of this set of objectives depends not only on the will and the adopted legislative framework, but also requires a multidimensional effort by the Tax Service officials for the continuous optimization of the tax administration process, as well as controlling the correct calculation method and full and timely payment of tax obligations.

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<sup>2</sup> <https://www.scribd.com/doc/21988033/>.

Among the functions of the State Fiscal Service are: conducting fiscal control; ensuring the forced execution of fiscal obligations; resolving taxpayers' complaints and issuing legal norms of a fiscal nature (Scutari, 2020).

The fiscal bodies represent authorities of the State Fiscal Service, respectively the Main State Fiscal Inspectorate attached to the Ministry of Finance, the territorial state fiscal inspectorate and/or the specialized state fiscal inspectorate subordinated to the Main State Fiscal Inspectorate attached to the Ministry of Finance. That institution began its activity as a unitary fiscal administration entity, capable of achieving the most ambitious objectives determined by macroeconomic developments and national interests.

To achieve this goal, the Fiscal Service ensures an efficient process of tax administration and service by creating conditions for taxpayers to comply with the legislation, the uniform application of policy and regulations in the tax field, ensuring the level of resources necessary for the state to finance social projects and good development of society as a whole<sup>3</sup>.

Along with the changes taking place in society, it becomes increasingly important to develop a contemporary fiscal management system that can react to the multiple transformations of the market, at the same time having some well-defined and easily adjustable processes in the accumulation and administration of the resources necessary to finance public needs. In order to ensure a transparent administration in taxation, the tax administration bodies must ensure a link between the organizational, structural and informational processes that allow the provision of services to taxpayers who interact with the tax system at the highest level.

Next, we will examine and evaluate the impact of the main commitments of the tax administration that were planned and were to be implemented in accordance with the provisions planned by the managers of the State Fiscal Service for the years 2021-2023.

Tabel 1. Dynamics of the number of registered taxpayers, by types of organizational-legal forms, during the period 2021-2023

<b>Indicators</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Individual Enterprise</b>	33030	31751	28318
<b>Limited liability company</b>	101601	104679	108600
<b>Peasant households</b>	112068	105664	18298
<b>Public association</b>	14147	14477	14707

<sup>3</sup> <https://sfs.md/ro/istoria-sfs>

<b>Independent activity</b>	1888	1897	6150
<b>Professional activity</b>	3816	3743	3778
<b>Other organizational and legal forms</b>	22241	22216	22028
<b>Total:</b>	288791	284427	201879

Source: Elaborated by the author<sup>4</sup>.

The analysis of the data in table 1. indicates that, during the years 2021-2023, the number of registered taxpayers, by types of organizational-legal forms in the State Fiscal Register, constituted 288,791 taxpayers, as of December 31, 2021 2022 - 284427 taxpayers and as of December 31, 2023 - 201879 taxpayers. Compared to the year 2021-2023, the number of taxpayers decreased by 86,912 taxpayers.

**Tabel 2. The dynamics of receipts to the National Public Budget administered by the State Fiscal Service for the years 2021-2023**

<b>Indicator \ Years</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Task set (billion lei)</b>	45,80	54,41	62,06
<b>Accumulated Revenue (billion lei)</b>	47,30	55,00	63,99
<b>Deviations from the current year (+, -)</b>	1,5	0,59	1,93
<b>In % compared to the current year</b>	1,03	1,1	1,02
<b>Deviations from the previous year (+, -)</b>	6,77	7,7	8,98
<b>In % compared to the previous year</b>	16,7%	16,4%	16,3%

Source: Elaborated by the author based on [6].

<sup>4</sup> <https://sfs.md/uploads/files/Rapoarte%20anuale/Raport%20de%20activitate%20SFS%202023.pdf>

The research of the taxes administered by the State Fiscal Service according to the data in table 2 during the years 2021-2023 indicates that the receipts to the national public budget administered by the SFS have been increasing. Therefore, during the year 2021, the revenues administered by the State Fiscal Service amounted to 47.30 billion lei, or more by 6.77 billion lei, which is 16.7% more than in 2020.

The burden established for the respective year was 45.80 billion lei, thus revenues were accumulated to the national public budget with 1.49 billion lei more.

In 2022, revenues administered by the State Fiscal Service were accumulated in the national public budget in the amount of 55.00 billion lei, more by 7.7 billion lei, which is 16.7% more compared to the year 2021.

Analyzing in comparison with the task that was established in the amount of 54.41 billion lei, we see that, at the national public budget, revenues were accumulated by 0.59 billion lei, more, or by 1.1%.

During 2023, revenues were accumulated in the amount of 63.99 billion lei, or more by 8.98 billion lei, which is 16.3% compared to the previous year.

Compared to the task established in the amount of 62.06 billion lei, revenues were accumulated at BPN by 1.93 billion lei more, or by 1.02%.

From the information in table 1, we will separate the receipts to the national public budget administered by the State Fiscal Service by budget levels as follows in table 3.

***Tabel 3. The dynamics of receipts administered by the state fiscal service at the level of the state budget, local budgets, the state social insurance budget and the mandatory medical assistance insurance funds over the years 2021-2023.***

<b>Indicator \ Years</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>The average weight of receipts per years 2021-2022 in %</b>
Total (billion lei)	47,20	55,00	63,99	100
State budget- BS (billion lei)	20,10	23,8	27,48	
State budget % in total income	42,6	43,3	43,0	42,96
The budgets of territorial administrative units- BUAT	5,20	5,9	7,03	

The budgets of territorial administrative units % in total income (billion lei)	11,1	10,7	11,0	10,93
The state social insurance budget-BASS	16,40	18,9	22,03	
The state social insurance budget % in total income (billion lei)	34,7	34,4	34,4	34,51
Mandatory health care insurance funds- FAOAM	5,50	6,4	7,45	
Mandatory health care insurance funds % in total income (billion lei)	11,6	11,6	11,6	11,6

Source: Elaborated by the author based on [6]

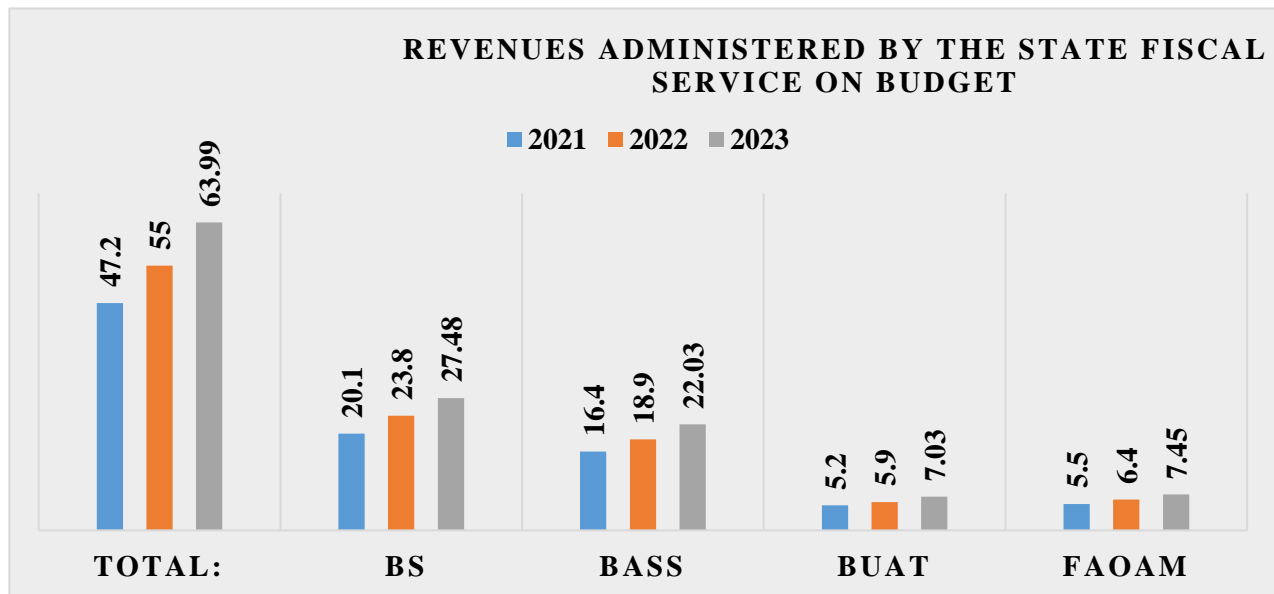


Diagram 1. Revenue dynamics at the level of State Budget- BS, The Budgets of Territorial Administrative Units - BUAT, The State Social Insurance Budget - BASS and Mandatory Health Care Insurance Funds FAOAM administered by the State Fiscal Service for the years 2021-2023

Source: Elaborated by the author<sup>5</sup>.

From the analysis of the data in table 3 and diagram 1, we notice that the largest share of the revenues administered by the State Fiscal Service for the years 2021-2023 is the receipts at the State Budget- BS level, which represents on average over three years 42.96%, then The State Social Insurance Budget-BASS with an average weight of 34.51%, and respectively Mandatory Health care Insurance Funds- FAOAM with 11.6% and The Budgets of Territorial Administrative units- BUAT with a weight of 10.93%.

## **Conclusions**

The managerial leadership of the State Fiscal Service of the Republic of Moldova is a state body responsible for the development and administration of fiscal policies, the application of the general principles of taxation in the Republic of Moldova, the development and advancement of the legal status of taxpayers, the object of taxation, liability for violation of legislation, etc.

The actuality and role of research on the respective subject is determined by the study and generalization of the fundamental trends in the context of the contemporary sciences of managerial administration with the advancement of rigorous measures to improve the current situation.

Following the analysis of the impact of the managerial administration of fiscal obligations in the contemporary era, the authors established that the State Fiscal Service honored its fiscal obligations through voluntary compliance and the efficiency of control activity in order to administer revenues at a satisfactory level, which after the analysis presented in the tables above, the volume of receipts still turned out to be increasing, due to the fulfillment of the tasks of the managers of the State Fiscal Service and the realization of the receipts on time and in full volume against the budget, which ensured a significant contribution to its formation.

This fact requires the application of more contemporary and effective control methods in order to be able to determine the factors that cause some risks in tax administration.

The respective methods will lead to the detection and analysis of the causes that cause irregularities in the fiscal system.

Finally, it is important to increase the development of new tax policies and methodological norms of taxation, thus we will increase the quality of tax administration and we will tend to assimilate the positive experience of advanced countries.

For the correct administration of taxes, fees and contributions, the authors are of the opinion that fiscal managers should practice performing several preventive fiscal controls on compliance with legal

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<sup>5</sup> <https://sfs.md/uploads/files/Rapoarte%20anuale/Raport%20de%20activitate%20SFS%202023.pdf>

norms. In this context, the performance of these preventive controls is a measure to promote the voluntary compliance of economic agents, where no sanctions are involved.

Because the formation of the budget depends on the volume of tax payments paid by economic agents, and in the case of insufficient revenues in the budget, this may condition assumptions that the approved tax rules do not conform to current changes and will lead to the formation of a budget deficit.

At the same time, a particularly important measure in 2023 was the implementation of taxpayer services in digital format and ensuring the provision of high-quality services and increased efficiency. In the context of the above, the need to adjust the professional training process in the tax field and the exchange of experience to the new international and national media trends also becomes of major importance.

Taking into account the study carried out in the respective article regarding the assessment of the impact of fiscal administration directed by the managers of the fiscal service in the Republic of Moldova, we can conclude that in order to solve the tasks in this field it is necessary to establish concerted groups practically on the managers of several state institutions with an experience in several branches to ensure a substantial progress in this field that will contribute to the formation of a sufficient budget for the financing of public institutions.

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