

The Effects of Fiscal Pressure on the Tourism Industry

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Abstract

This article is a study on fiscal pressure, which, like any other economic phenomenon, involves a number of limits of tolerance on the part of taxpayers. This topic is of particular interest to the Romanian economy, which has faced a deep crisis manifested by numerous macroeconomic imbalances. Fiscal theories argue for increasing fiscal pressure by introducing new taxes and duties, or by increasing the size of existing taxes. The taxpayer agrees to pay the tax, but at some point, when they exceed certain limits of affordability, there are phenomena that bring serious disservice to the state's ability to collect this revenue. Out of a desire to oppose this phenomenon, the taxpayer tries in every way to evade the tax, hoping for a reduction in fiscal pressure. The increase of the fiscal pressure is related both to the economic and social role that the state has, and to its intervention in order to ensure the necessary sources to cover public expenditures.

Currently, tourism companies apply two taxation systems: (i) either the 3% income taxation system applied to taxable income, in the case of those entities that obtain revenues of up to 65,000 euros; (ii) either the profit taxation system at the rate of 16% of the tax profit, for the other taxpayers. For economic and fiscal reasons, it is intended to introduce the third taxation system, namely the tax specific to certain activities. We have chosen its analysis because any company paying profit / income tax must analyze at the end of the financial year before the entry into force of the new regulation the conditions imposed by the legislator and decide which is the taxation system for the next year,

Keywords: Fiscal policy, fiscal pressure, taxation system, economic agent.

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Introduction

The study of fiscal pressure has been of particular interest to many established theorists of economics, so there are several definitions in the literature given the term fiscal pressure. Academician Tulai Constantin claims that the fiscal pressure means how oppressive the taxes are or, in other words, how big is the fiscal burden that presses on the shoulders of the taxpayers. The entrepreneurial sector is not sufficiently developed to determine the increase of the taxable mass and of the fiscal incomes, the modest incomes of the population being those that ensure the increase of the taxation. In view of this recital, which will influence the level of taxation for a long period of time, as well as the negative consequences left by the Great World Financial Crisis, it is inevitable that the fiscal burden on taxpayers will increase gradually but continuously, until a balance is registered, also highlighted by a sustainable economic stability. In order to achieve its role in fiscal policy, it is necessary for the fiscal pressure to harmonize two opposite perspectives: from the state's perspective, it must be as high as possible in order to cover public spending, and from the citizen's perspective the fiscal pressure as low as possible.

According to some economists, a high degree of fiscal pressure has negative effects on the saving and investment process, as income tax affects registered savings, but also income from investments. So, Arthur Laffer stated that lower tax rates may be confronted with revenues from constant taxes or higher revenues than primary revenues. Around 1980 he reproduced in graphic form under the name "Laffer curve" the idea given by Adam Smith in 1776, according to which an exaggerated share of taxation can have negative effects on taxation. Arthur Laffer, in his attempts to determine the fiscal optimum, stressed that an increase in the tax burden does not mean at the same time an increase in tax revenues, the population considering taxes a withholding of their income and how a means of financing public spending. However, a decrease in the tax burden leads to a higher volume of tax revenues,

Review of the scientific literature

Taxation (Brezeanu, 2009) is the system of collecting taxes and fees through taxation, and the tax office is the state institution that establishes and collects contributions to the state, checking and tracking frequently those who have not paid these contributions. Thus, we can define taxation as the system of establishing the financial resources of the state, being considered by taxpayers as a form of coercion. In the literature there are several definitions given to the term fiscal pressure, its study being of special interest to several economists concerned with macroeconomic issues. Academician Tulai Constantin argues that "fiscal pressure means how burdensome taxes are or, in other words, how big is the fiscal burden that presses on the shoulders of taxpayers" (Tulai and Șerbu, 2005). In another approach, the tax burden is seen as a relative expression of the tax burden borne by the taxpayer. Another author, Professor Nicolae Hoanță, appreciates "the fiscal pressure is generally given by the tax rate, which is calculated as the ratio between the tax revenues (central level and that of local authorities) including the contribution to state social insurance in a certain period, usually one year, and the value of the gross domestic product, realized in the same period, by a national economy" (Hoanta, 2010).

Regardless of the terminology used, or the way it is defined, the fiscal pressure must be seen from two diametrically opposed perspectives, namely from the perspective of the state that wants it to be growing in order to cover ever-increasing public spending, but also from the perspective of the taxpayer who wants the fiscal pressure to be as low as possible (Văcărel, et al., 2008).

The term fiscal pressure is widely used in the literature and in fiscal policy to designate the extent of redistribution of national income (gross domestic product or even gross national product) through the payment/collection of taxes (Mosteanu, 2001). Sometimes the quality of taxpayers is disregarded (individual households, private private companies, state-owned companies, joint ventures). At other times, the fiscal pressure is limited only to individual taxpayers, payers of direct taxes. There are situations when in the appreciation of this pressure all kinds of state revenues, all sources of budgetary revenues (direct and indirect taxes, excises, taxes of all kinds) are taken into account.

In Romania, the problem of fiscal pressure is particularly current due to the fact that, on the one hand, we are still in the phase of modernizing the fiscal system, and on the other hand, because the Romanian economy feels the lack of available capital to be invested. Due to the situation of the economy, the incomes realized by the taxpayers are relatively low in order to be easily burdened by a taxation of the dimensions of the current one.

In the United States, for example, the federal tax burden is determined by taking into account the following: individual income taxes, sales taxes and excise taxes, social security taxes, corporate taxes, value added taxes (Samuelson and Nordhaus, 2000).

In order to calculate the fiscal pressure, in general, including at the level of the federal states, the taxes and fees paid to them are taken into account, such as: property taxes, inheritance taxes, certain taxes on the sale of goods, taxes on "vices", etc. (Yaple, 2015). In fiscal practice and statistics in some Western European countries, the fiscal coefficient or fiscal pressure is used by taking into account state tax revenues and local authorities from: taxes related to production and import, taxes on income and wealth, taxes on capital. Consequently, the fiscal pressure expresses and measures the share of taxes paid/collected in relation to the mass of gross value added in the country in a time horizon, usually one year (Fiscal pressure = Fiscal revenues / GDP).

In France, a distinction is made between this indicator and the more general indicator, which also includes social security contributions. The latter indicator measures the part of national income that is used socially or for social purposes. It is calculated by relating taxes and social contributions to the gross domestic product, expressing the percentage of compulsory levies in the broadest sense (by law), levies intended to cover the social needs of the population. In recent years, the tax burden in France has been about 25%, and social security contributions have accounted for almost 20% of gross domestic product.

In a general sense, fiscal pressure is a specialized term that expresses the average intensity of the burden or obligation of all taxpayers to pay taxes to the central government and to local authorities (Dictionary of Economics, 2001).

This relationship is also called the fiscal coefficient, which is calculated as a percentage ratio between tax payments / receipts and gross domestic product or a ratio of another macroeconomic indicator of results (gross national product, gross domestic product, national income).

The magnitude and dynamics of the fiscal pressure are measured and assessed by the tax rate. The size of this rate shows the share of the national income taken over by the state, an amount established by laws or fiscal regulations. A special form of this rate is the marginal tax rate, which consists in the ratio between the increase of tax obligations of taxpayers and the increase of national income. This can be higher, equal or lower than the previous average tax rate.

Both the average tax rate and the marginal tax rate are of great importance (Nouzille, 2000). Their dimensions and dynamics are integrated in the substantiation of the strategy of economic growth and social development, in the policies of ensuring economic stability and promoting social justice. In relation, the averages of these relatively long-term rates in a given country or group of countries, as well as the average rates existing at a given time (in a given period) in the countries at the top of the world economy, may exist. You can practice: low (low) rates, high rates and optimal rates.

The low tax rate implies a low pressure on taxpayers, so relatively low revenues to the state budget and local government budgets (Popa, 2009). According to some neoliberal authors, such a tax rate can stimulate the overall effort to achieve a stability of national disposable income, to accelerate economic growth and, therefore, to increase fiscal revenues to the budget.

The high tax rate, especially a rising marginal tax rate, could lead to tax evasion, tax fraud, a decrease in gross domestic product, and therefore, ultimately, a decrease in tax revenues to the state budget.

The optimal rate of taxation or tax pressure consists of that tax threshold to which and beyond which tax revenues are lower.

The analytical tool with which the optimal rate of taxation is presented is the Laffer Curve, after the name of the American professor who explained the optimal relationship between the tax rate and the size of revenues collected from the state budget (The MIT Dictionary of Modern Economics, 1992). American professor Arthur Laffer insisted that a rate that exceeds the optimal level has a discouraging effect on investors and employees.

Research methodology

A fiscal pressure over certain limits can create some dangers on the following levels: i) socially: general dissatisfaction, social disturbances; ii) on the economic-social level: the phenomenon of “undeclared work”, tax evasion and fraud, economic crime; iii) economically: it does not stimulate work, investments and savings, it does not achieve the intended increase of tax revenues.

According to some economists, a high degree of fiscal pressure has negative effects on the saving and investment process, as income tax affects registered savings, but also income from investments.

We conclude that the reduction of taxation must be made on the basis of a fiscal reform that must seek to increase the tax base, while reducing tax rates, but without limiting the revenues that the state budget needs.

In conducting the study, the following methods were used: analysis of data and information from a series of books and specialized materials in the field of taxation and finance, comparison between the tax doctrines of international and Romanian economic schools and deduction, formulating conclusions in the basis of the study.

Results and discussion

Tourism is an important economic activity, with an extremely positive impact on growth and employment in Europe. It also occupies an increasing percentage of the lives of European citizens, with the number of people traveling for personal or professional purposes becoming higher and higher. Tourism is an activity related to the cultural and natural heritage, as well as to the contemporary traditions and cultures of the European Union; it exemplifies the need to reconcile economic growth with sustainable development, including its ethical dimension. Tourism also plays an important role in strengthening Europe's image in the world, in protecting our values and in promoting the attractiveness of the European model, which is the result of centuries of cultural exchange,

Analysis of the fiscal pressure on types of levies in the field of tourism in Romania

The analysis of the fiscal pressure on the main components in the field of tourism in Romania brings us more information on the share of the main types of taxes in GDP. For a start, we analyzed the evolution of the fiscal pressure on direct taxes, indirect taxes and social contributions. The shares that direct taxes, indirect taxes and social contributions obtained in relation to gross domestic product are a reflection of the values that these taxes recorded in the years under analysis.

Table no. 1 (% GDP) - Comparative analysis between direct, indirect taxes and social contributions as a share of GDP in the field of tourism in Romania

The year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Until 30.04.2020
Direct taxes	17.8	17.1	17.6	16.8	16.8	16.8	5.7	6.7	6.4	6.3	5.7	2
Indirect taxes	11.7	11.2	11.3	11.2	11.1	11.2	11.7	11.8	11	10.3	11.6	3.8
Social contributions	10.9	10.8	11.6	10.5	10.4	10.4	9.8	9.9	9.4	9.5	8.9	2.9

Source: Ministry of Public Finance website

Direct taxes have a share in the gross domestic product, during the analyzed years, around 16-17%. In 2015, reaching approximately 5.7%, the lowest value on the analyzed interval, after which direct taxes enter a slightly upward trend.

In 2018 compared to 2017, the share of direct taxes in total budget revenues in the field of tourism decreased by 1.5%, registering a share of 26.34%. Compared to 2016, in 2018 the share of direct taxes in the total budget revenues in the field of tourism increased by 1.21%. In 2019, compared to 2018, the share of direct taxes in the total budget revenues in the field of tourism increased by only 0.21%, registering a percentage of 26.55%.

In the case of indirect fiscal pressure during the analyzed period, they enter a slightly downward slope, in the period 2009-2014, after which they are relaunched on a slightly upward slope, and in 2018 will decrease, registering the lowest value of indirect taxes. After this year, in 2019 the upward trend begins to appear again registering a value of 11.6%, a value close to that of 2016.

Regarding the situation of social contributions, their share is decreasing from 11% to 10%, as a result of the reduction of their quotas. In the period 2009-2014, the social contributions mobilized from the incomes of the presented tourism workers are approximately close, and the highest value registered in

2011 being 11.6% of GDP. In the following years, the social contribution will enter a slightly downward trend, the lowest value being 8.9% in 2019.

The detailing of the fiscal pressure on types of taxes shows which of them presses the most on the shoulders of taxpayers.

Table no. 2. (% GDP) - Analysis of VAT, excise duties and other taxes mobilized in the field of tourism

The year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Until 30.04. 2020
VAT	6.3	6.4	6.2	6.7	6.3	6.1	8.3	8	8	6.8	7.7	2.6
Excise	2.6	2.4	2.6	2.5	2.8	3.3	3.2	3.2	2.6	3.1	3.4	1.0
Other taxes	1.1	0.8	0.6	0.4	0.4	0.4	0.1	0.1	0.4	0.4	0	0

Source: Ministry of Public Finance website

Table no. 3. (% GDP) - Analysis of income and profit tax in the field of tourism

The year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Until 30.04. 2020
Income tax	3.4	3.2	3	3.2	3.2	3.5	2.9	3.7	2.8	3.7	3.5	1.1
Tax	2.6	1.9	2.2	2.1	2.2	2.2	2.4	2.7	2.5	2.4	2.0	0.9

Source: Ministry of Public Finance website

It can be seen during the analyzed period that the share of VAT increased from 6.3% to 8.3% in 2017, followed by a downward trend, so that in 2019 it will rise again to 7, 7%, growth driven by the 2010 tax reform, which has the effect of increasing consumption.

Excise duties have a lower share, being around 2-3% of GDP during the analyzed period, having a slight increase where the highest value was in 2019 with a percentage of 3.4% of GDP.

As we can see, the most insignificant decrease is registered in the case of other taxes. They have a subunit value in the analyzed period, except for the year 2009 where the value exceeds 1% of GDP.

A slight downward trend can be observed in the case of changes that have taken place at the level of direct taxes; the year 2014 and 2019 represent a turning point being the years with the most important decrease of the fiscal pressure, of the profit tax as well as of the income tax. In the next period, the profit tax has a slight relaunch, after which, starting with 2017, there are decreases again.

In the case of income taxes, they fluctuate very much during the same year. The highest value was registered in 2016 (2.7% of GDP) as we can see from the graph.



Figure no. 1. The evolution of the fiscal pressure in the case of direct taxes mobilized in the field of tourism

Source: Author's calculations based on data provided by the Ministry of Public Finance

Also based on direct and indirect taxes we can make an analysis of the absolute amounts as a comparison with the tax revenues presented in the following table.

Table no. 4. Absolute amounts of direct, indirect taxes and tax revenues mobilized in the field of tourism

The year	Tax revenues (thousand lei)	Direct taxes (thousand lei)	Indirect taxes (thousand lei)
2009	235,048.20	141,970	93,079
2010	144,688.00	44,294	100,374
2011	168,008.00	45,685	122,323
2012	523,968.00	313,941	210
2013	269,335.60	58,431	210,904
2014	49,748.40	8,688	31,101
2015	104,004.00	63,792	39,448
2016	76,365.80	26,319	46,061
2017	94,044.40	19,857	56,363
2018	88,324.30	31,830	52,072
2019	93,060.10	28,926	59,359
Until 30.04.2020	33,965.90	10,720	20,790

Source: Ministry of Public Finance website

From the analysis of the figures presented in the table we can conclude that the revenues brought to the fiscal revenues from direct and indirect taxes are different, most of them being offered by indirect taxes.

The percentages obtained from direct taxes and indirect taxes, related to tax revenues, reflect the value that taxes recorded in the analyzed period.

The amounts collected for these two taxes are easier to analyze when calculating their share in the amount of tax revenue. In the situation when we analyze the weights held by them, we notice that the highest weights are given by the direct taxes.

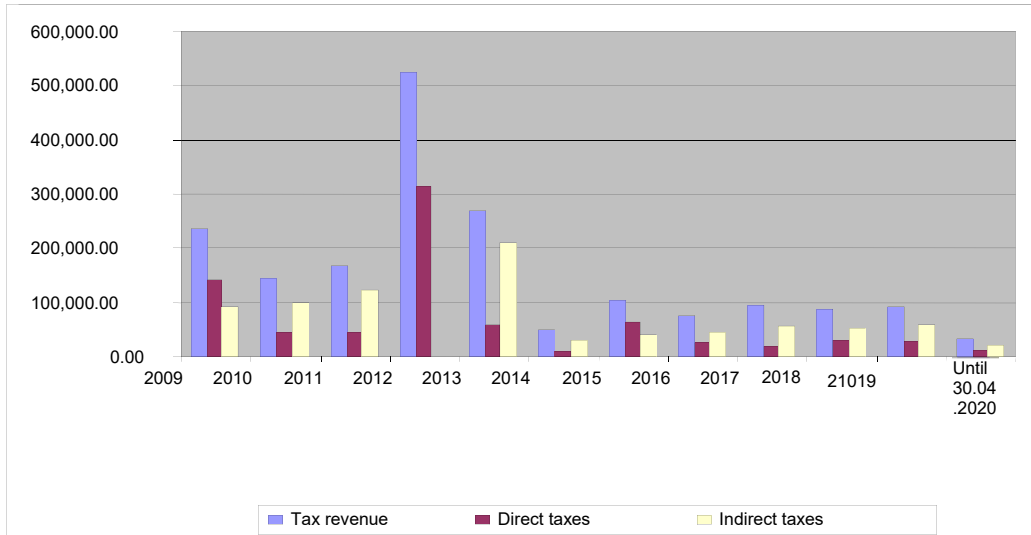


Figure no. 2. Share of direct and indirect taxes in total tax revenues

Source: Ministry of Public Finance website

The year 2012 is the one in which we find the lowest share of indirect taxes, and the highest share being found in 2013 (0.78%). The highest share of direct taxes is encountered in 2017 (4.74%), and the lowest being in 2015 below 2%. These fluctuations continued in the next period.

Increasing fiscal pressure is a source of conflict and does not generate a normal motivation for work. In the last year, tourism has worsened its negative balance, which fuels Romania's external balance of payments deficit. Tourism remains the weak link of Romanian services again this year, and the relevant ministry should act, because the lack of an internal promotion of tourism programs and high taxation are the main problems facing Romanian tourism.

Because we do not have an education system suitable for tourism, with several vocational training centers, because the work in this field is not supported fiscally, with facilities for seasonal workers, with the stimulation of the second part-time job, etc. , the private tourism business environment no longer finds the labor force to operate the existing units, as well as the new ones. The Ministry of Regional Development and Tourism claims that it will continue the actions of development and promotion of tourism, given that they have proved effective, but the data provided by the representatives of travel agencies do not show a way out of the crisis of Romanian tourism.

Conclusions

An essential role in the fiscal compliance of the enterprise has the fiscal pressure, ie the totality of the fiscal obligations (taxes and social contributions) that the agent has to pay. The fiscal pressure decreases depending on the level of taxation, the deductible expenses, the method of calculating the taxable income.

The existing fiscal pressure in a state must ensure a balance between the desire of the state, which wants the highest possible level to cover the need for financial resources, and the desire of the taxpayer who seeks to keep the level of fiscal pressure as low as possible. Low individual income levels, also accompanied by heavy tax pressure, do not provide taxpayers with the opportunity to save or the state the financial resources needed to cover public spending.

We conclude that the main causes of a suffocating tax pressure for taxpayers, individuals or legal entities, are due to the following situations: i) Romania's tax system is not very well developed, so there are not many loopholes to combat tax evasion ; ii) the need for fiscal resources determines the state to practice a rather oppressive fiscal policy; iii) recording a high level of collected revenues; iiiii) the formulation of long-term financial policies, which will ensure a stability of the business environment.

The causes of a suffocating fiscal pressure for the average taxpayer, natural or legal person, must be sought in the following realities:

- the need for constant fiscal resources from governments on the background of maintaining a challengingly high level of bureaucracy and an economy in a deep crisis (of structure, competitiveness, management, etc.);
- the existence of important revenues obtained either from the underground economy or from the surface economy whose products and revenues do not escape the authorities, but which, for various reasons, are not included by the tax authorities, in the mass of taxable revenues;
- the existence of a fiscal system, of a fiscal legislation and of a fiscal apparatus not yet developed, not adapted to the real situation of the current and perspective Romanian economy;
- smuggling and tax evasion in Romania, and the measures taken to limit this development were timid and did not have the intended purpose.

These economic and social phenomena have eroded and are eroding the real potential of the state budget, which is therefore "rehabilitated" through high taxation.

The taxes collected by the state from the economic agents in the field of tourism are constituted, from their point of view, in elements of fiscal pressure. This is all the more pronounced as their share in the value added achieved by taxpayers - economic agents - is higher. The fiscal pressure is also felt and amplified by indirect taxes (excise and VAT) which, although not borne by tourism companies, affect the volume of outflows (sales) and competitiveness through prices.

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