Analysis of the Activity of Fiscal Control Carried out by the General Directorate of Public Financem Maramures

Constantin Cucosel
Technical University of Cluj-Napoca - North University Center of Baia Mare, “Vasile Goldis”
Western University of Arad, Romania

Abstract: Presently, Fiscal control activities are carried out by the bodies of fiscal control within the Ministry of Public Finance and its territorial units called fiscal control bodies, and by the specialized services of the local administrative authorities in order to handle local duties and taxes. The fiscal control includes a set of activities whose purpose is to verify the authenticity, legitimacy and sincerity of the tax statements, to verify that the taxpayers comply with their budget obligations and activities of investigation and finding tax evasion. The taxpayers – physical persons or legal entities, foreign and domestic, and associations with no legal entity status are subject to fiscal control if they have budget obligations.

Keywords: Fiscal control, Fiscal procedure, Tax inspection, Inspectors, Penalties

1. Presentation of the General Directorate of Public Finance of Maramures

The General Directorate of Public Finance Maramures is a territorial unit of the Ministry of Public Finance that implements independently the strategy and the program of the government in the area of public finance; when conducting its activity, it applies the fiscal policy of the state according to the law, the government regulations, the orders and instructions issued by the Ministry of Public Finance.

According to its rules of organization and functioning, the General Directorate of Public Finance Maramures is responsible for:
- The methodology and the activity of administrating the income of the state;
- The activity of fiscal inspection;
- The treasury and public accounting;
- Independent services.

The General Directorate of Public Finance of Maramures County has as subordinated structures the public administrations of the city finance - units through which it conducts its prerogatives at territorial level.

Therefore, the General Directorate of Public Finance of Maramures County includes an administration of public finance with the county headquarter located in the city Baia Mare, an administration of public city finance located in Sighetu Marmatiei and 9 public finance administrations located in Baia Sprie, Borsa, Cavnic, Seini, Targu Lapus, Viseu de Sus, Dragomiresti, Somcuta Mare and Ulmeni.
As per the records of the General Directorate of Public Finance of Maramures County, the number of tax payers as of December 31, 2011 amounted to 46,021 entities, out of which:

- Legal persons: 20,869, out of which:
  - active: 16,719
  - inactive: 4,150
- Natural persons: 10,953
- Family associations: 9,397
- Others: 4,802

The general directorate employs a total of 592 people, out of which 226 are men (amounting to 38.17% of all employees) and 366 are women (61.83%). Among them, 570 people are civil servants (96.28%) and 22 people are contractual appointees (3.78%). A total of 75 people are employed in senior positions (12.66% of the total number of employees), whereas the rest of 495 people hold executive positions.

2. Activity of Tax control and Anti-Tax Evasion Measures carried out between 2006 and 2011

The Year 2006

5,993 economic agents were verified in 2006 representing 32.83% of all the legal entities registered in the records of the General Directorate of Public Finance Maramures as payers of taxes and duties to the state budget.

An amount of 16,338,37 thousand lei was attracted to the state budget representing:

- A difference of 10,358,56 thousand lei compared to the records of the economic agents;
- Interests and penalties of 3,799,71 thousand lei;
- Penalties applied - 2,143,63 thousand lei;
- Other income - 36.47 thousand lei.

As a result of the measures that were implemented during the financial controls, the amount of 17,197,51 thousand lei was collected by the state budget, representing revenues cashed in as taxes and duties from the taxpayers, duties that were not settled in the due term.

8,502,98 thousand lei were cashed in from the total of additionally calculated 16,338,7 thousand lei, representing 52.04%. The structure of the funds attracted by the state budget by types of income is presented below:

Profit tax - 4,788,4 thousand lei;
Income tax – 660.85 thousand lei;  
Excise duties – 100.80 thousand lei;  
Value added tax - 9.410,53 thousand lei;  
Other income - 1.377,79 thousand lei.

4.807 verifications were carried out in 2006 concerning the social contributions owed by the economic agents; an amount of 823.9 thousand lei was collected by the consolidated state budget representing:

- Contributions to social insurances of the state - 430 thousand lei;
- Contributions to the health insurance budget - 341 thousand lei;
- Contributions to the unemployment insurance budget – 52.9 thousand lei.

The amount of 24.712,4 thousand lei was collected by the consolidated state budget from other sources (social contributions recorded by the taxpayers in their accounting that were not paid in the due term).

The fiscal control was mainly carried out (80.21%) by the bodies of fiscal control from the Department of Fiscal Control Maramures that conducted 4.807 controls in 2006 out of which 4.720 (98.19%) at private capital trading companies.

As a result of the fiscal inspections carried out by the Department of Fiscal Control Maramures in 2006, the amount of 15.663 thousand lei was collected out of which:

- A difference of 9.953,6 thousand lei compared to the records of the economic agents;
- Interests and penalties of 3.610,10 thousand lei;
- Penalties applied - 2.067,7 thousand lei;
- Other income 31.6 thousand lei.

In the process of centralizing the results on tax evasion, the Department of Fiscal Control from the Directorate of Public Finance Maramures identified in 2006 a number of 995 cases of tax evasion, representing 20.07% from a total of 4.807 conducted verifications.

Most of the cases of tax evasion identified by the Department of Fiscal Control were related to the category of private capital trading companies – 979 cases (93.39%) – a category of taxpayers that registered an increasing tendency for cases of tax evasion during the previous years as well.

The Department of Fiscal Control Maramures imposed a number of 3.137 fines with a total amount of 2.067,7 thousand lei.
The Year 2007

6.072 economic agents were verified in 2007 with a number of 6.410 fiscal inspection documents concluded, representing 17.11% from the total number of taxpayers, physical persons or legal entities registered in the records of the General Directorate of Public Finance Maramures as payers of duties and taxes to the general consolidated state budget.

The amount of 23.503 thousand lei was collected as a result of the fiscal controls, namely:

- A difference of 17.558 thousand lei compared to the records of the economic agents;
- Late penalties of 3.106 thousand lei;
- Fines applied - 2.067.7 thousand lei;

An income of 9.920 thousand lei out of the initially calculated 23.503 was collected, representing 42.20%. The structure of the amounts cashed in by the state budget by types of income is presented in that which follows:

- Profit tax – 66.834 thousand lei;
- Income tax – 1.796 thousand lei;
- Excise duties – 21.000 thousand lei;
- Value added tax – 12.704 thousand lei;
- Other income - 2.299 thousand lei.

4.612 verifications were carried out in 2007 concerning the social contributions owed by the economic agents; the amount of 316 thousand lei was collected by the general consolidated budget from this source, representing:

- Contributions to social insurances of the state - 210 thousand lei;
- Contributions to the health insurance budget - 84 thousand lei;
- Contributions to the unemployment insurance budget – 22 thousand lei.

The Year 2008

A number of 4.812 economic agents were verified in 2008 and 5.968 reports of tax inspection were concluded, representing 14% of all the taxpayers, physical persons or legal entities registered in the records of the General Directorate of Public Finance Maramures as payers of duties and taxes to the general consolidated state budget.

As a result of the fiscal inspection carried out during this year, the amount of 43.565 thousand lei was collected, namely:

- A difference of 34.199 thousand lei (78.50%) compared to the records of the economic agents;
- Late penalties of 5.848 thousand lei (13.42%);
- Fines applied - 3.518 thousand lei (8.08%);
The amount of 17.208 thousand lei out of the additionally calculated total of 43.565 thousand lei was levied, representing 39.50%.

The structure of the funds attracted by the state budget by types of income is presented below:
- Profit tax – 12.748 thousand lei (29.26%);
- Income tax – 5.694 thousand lei (13.07%);
- Value added tax – 22.836 thousand lei (52.42%);
- Other income - 2.287 thousand lei (5.25%).

The Year 2009

The main objectives of the bodies of fiscal inspection within and subordinated to the General Directorate of Public Finance of Maramures County were to carry out their duties according to the competences set by the laws concerning the fiscal inspection, to prevent and fight against the tax evasion.

The selection of taxpayers for the general tax inspections was conducted based on the risk analyses and based on the information existing in the databases of the financial administrations, such as: reported turnover, owed debits to the general consolidated budget, late submittal of the statements, losses registered during the last 5 fiscal years, companies that were not verified in the last 3 years, areas of activity, requests from the Fraud Squad or other institutions of the state, and as a result of extended unexpected controls; partial fiscal inspections or analyses of the requests received from the taxpayers.

In 2009 the structures of fiscal control within and subordinated to the General Directorate of Public Finance of Maramures County conducted 4.388 operations of fiscal control. As a result of the tax inspections and the conducted verifications 64.874 thousand lei were attracted, namely:
- A difference of 45.321 thousand lei compared to the records of the economic agents;
- Calculated late penalties of 16.625 thousand lei;
- Fines applied - 2.928 thousand lei.

The structure of the funds attracted by the state budget by types of income is presented below:
- Profit tax – 14.132 thousand lei;
- Value added tax – 40.840 thousand lei;
- Salary income tax – 1.232 thousand lei;
- Other duties and taxes – 7.940 thousand lei;
- Social contributions – 730 thousand lei.

The amount of 6.110 thousand lei was collected as a result of the measures implemented during the controls, representing an income cashed in as taxes and duties that were not paid in the due term by the taxpayers. 8.816 fines were imposed with the amount of 2.928 thousand lei, 553 out of which were collected, generating an income of 441 thousand lei.
The fiscal inspection of the value added tax also analyzed the refund requests expressed by the taxpayers; therefore 1.466 negative deductions of VAT were solved as a result of the fiscal controls.

46 official reports drawn up as a result of the controls, with a total estimated value of the damage of 1.530 thousand lei, were passed on to the bodies of criminal prosecution in order to continue the verifications and to establish the persons responsible and the degree of their involvement in the crime.

The main cause of the additionally calculated fiscal obligations was the fact that the taxpayers did not respect the laws that regulate the taxes, duties and contributions, thus generating a number of offences such as:

- The modification of the taxation base with certain fiscally non-deductible expenses;
- Partial recording in the accounting of the taxable income;
- Incorrect calculation of the taxation base for excise duties and VAT;
- The erroneous calculation and registration in the accounting records of certain duties, taxes and contributions owed to the general consolidated budget.

The Year 2010

Throughout the year 2010 the number of business entities subjected to verifications was of 1,754, which translated in a total of 2,271 tax inspection reports being signed; these numbers amount to approximately 6% of all tax payers, both natural persons and legal persons, as recorded in the files of the General Directorate of Public Finance Maramures as contributors, through the payment of various taxes and fees, to the consolidated state budget.

Following the completion of tax inspections, an amount of RON 101,910 thousands was attracted to the state budget, representing:

- Differences relative to the records kept by business entities: RON 70,334 thousands (69%);
- Calculated late payment penalties: RON 28,837 thousands (28%);
- Applied fines: RON 2,739 thousands (3%).

The total sum that was calculated additionally was of RON 101,910 thousands, out of which only an amount of RON 10,721 thousands was actually paid, representing 10.52%.

The contributions calculated were broken down by main types of payments to the state budget as follows:

- Corporate tax: RON 30,216 thousands (30%);
- V.A.T.: RON 63,936 thousands (63%);
Income tax: RON 3,895 thousands (4%);
Other taxes: RON 3,863 thousands (3%).

Following the verifications carried out in 2010 with regards to the payment of social contributions owed by business entities, the consolidated state budget was supplemented, from this source, with an amount of RON 2,563 thousands, representing:
- Contributions to state social insurance: RON 1,693 thousands (66%);
- Contributions to the sole national fund for health insurance: RON 599 thousands (23%);
- Contributions to the unemployment insurance budget: RON 271 thousands (11%).

The Year 2011

Throughout the year 2011 the number of business entities subjected to verifications was of 2,795, which translated in a total of 3,207 tax inspection reports being signed; these numbers amount to approximately 12.05 % of all tax payers, both natural persons and legal persons, as recorded in the files of the General Directorate of Public Finance Maramures as contributors, through the payment of various taxes and fees, to the consolidated state budget.

Following the completion of tax inspections, an amount of RON 79,838 thousands was attracted to the state budget, representing:
- Differences relative to the records kept by business entities: RON 58,072 thousands,
- Calculated late payment penalties: RON 20,058 thousands,
- Applied fines: RON 1,708 thousands.

The total sum that was calculated additionally was of RON 79,838 thousands, out of which only an amount of RON 16,576 thousands was actually paid, representing 20.76 %.

The contributions calculated were broken down by main types of payments to the state budget as follows:
- Corporate tax: RON 20,964 thousands,
- Income tax: RON 5,370 thousands.
- V.A.T.: RON 53,044 thousands,
- Other taxes: RON 460 thousands.

Following the 2,795 verifications carried out in 2011 with regards to the payment of social contributions owed by business entities, the consolidated state budget was supplemented, from this source, with an amount of RON 1,859 thousands, representing:
- Contributions to state social insurance: RON 1,331 thousands,
* Contributions to the sole national fund for health insurance: RON 477 thousands,
* Contributions to the unemployment insurance budget: RON 51 thousands.

Out of the 3,207 tax inspection reports that were signed in 2011, the highest number, 2,555 (79.67%), targeted private capital companies, whereas a number of 652 (20.33%) tax inspection reports were signed following verifications carried out with natural persons registered as business entities.
3. Conclusion

An analysis of the data provided by the General Directorate of Public Finance Maramures for the period between 2006 and 2011 shows an increase both in terms of quality and quantity with regards to the activity carried out by control bodies, and the outstanding amounts that were thus calculated, representing money owed to the state budget that said entities had failed to pay, displayed an ascendant trend, year after year.

The effectiveness of the control activities that were carried out may be measured through the amounts collected towards the state budget.

Following these verifications, the control bodies were able to attract towards the state budget some significant amounts of money representing differences in taxes, established in addition to the taxes recorded by the business entities, as well as any increased amounts due to the late payment and any associated late payment interest and penalties, plus any fines applied and other revenues representing forfeited assets and price differences (Table 1. and Fig. 1.).

Table 1: Status of amounts attracted to the state budget following the verifications carried out between 2006 and 2011

<table>
<thead>
<tr>
<th>Item / year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additionally calculated differences</td>
<td>10,358.56</td>
<td>17,558</td>
<td>34,199</td>
<td>45,321</td>
<td>70,334</td>
<td>58,072</td>
</tr>
<tr>
<td>Increases, interests and penalties</td>
<td>3,799.71</td>
<td>3,106</td>
<td>5,848</td>
<td>16,625</td>
<td>28,837</td>
<td>20,058</td>
</tr>
<tr>
<td>Fines applied</td>
<td>2,143.63</td>
<td>2,839</td>
<td>3,518</td>
<td>2,928</td>
<td>2,739</td>
<td>1,708</td>
</tr>
<tr>
<td>Other revenues</td>
<td>36.47</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>16,338.37</td>
<td>23,503</td>
<td>43,565</td>
<td>64,874</td>
<td>101,910</td>
<td>79,838</td>
</tr>
</tbody>
</table>

[Source: Activity report of the General Directorate of Public Finance Maramures].

Figure 1. presents the structure of the amounts attracted to the state budget following the verifications carried out by tax inspectors.

An analysis of the amounts attracted to the state budget following the tax verifications carried out between 2006 and 2011 shows that, in 2006, these amounts were approximately 40% higher than in 2005. The same ascendant trend was continued in 2007, which saw a 44% increase relative to the previous year. The year 2008 brought a significant increase, specifically of 85%, relative to 2007, with very large amounts being cashed in from differences relative to the amounts recorded by the business entities (95%). The increase in the amounts attracted following such verifications was also continued in 2009 (49%). The most significant increase was
observed in 2010, when the amounts attracted to the state budget saw a 57.09% increase relative to 2009. In 2011 the amounts attracted to the state budget following verifications actually decreased by 21.66% relative to 2010.

**Figure 2.** presents the progress of the sources attracted, following tax verifications, broken down by main types of revenues to the state budget, for the period between 2006 and 2011.

---

**Fig. 1:** Structure of the amounts attracted to the state budget following verifications carried out between 2006 and 2011

[Source: Activity report of the General Directorate of Public Finance Maramures].

**Fig. 2:** Progress of the main revenues attracted to the state budget following the tax control carried out between 2006 and 2011
Following the control activity carried out by tax inspectors between 2006 and 2011 there have been significant increases in the amounts attracted to the state budget by main revenues (corporate tax, value added tax, income tax). A spectacular increase became apparent in 2007, when the main sources of revenue to the state budget attracted, following tax verifications, amounts that represented a 447% increase relative to the previous year, with the highest increase observed with regards to revenues from corporate tax. However, the highest increase took place in 2010, when the total revenues attracted to the state budget were 20.55% higher than in 2007 (the year with the highest volume of money attracted, before 2010), 137.53% higher than 2008 and 74.45% higher than 2009. As a consequence of the effects of the economic recession, the amounts attracted in 2011 were lower than those of 2010 for all types of revenues, in terms of both actual amounts and percentages.

References