

## **THEORETICAL CONSIDERATIONS TAX SYSTEM**

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**Abstract:** Tax mechanism is established as a component of the financial mechanism; It uses domain-specific methods and techniques designed to identify subjects of taxation tax, taxable materials to evaluate and determine and quantify the state charged the correct rights in taxes and contributions.

Fiscal process can be defined as a sequence of operations and techniques through which the operation is performed (request required) to impose taxes for taxpayers with income and wealth according to their and their collection and for the adoption of technical bad payers and tracking procedures enforced.

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### **1. INTRODUCTION**

The tax system is a set of principles, measures and actions taken by state, based on an appropriate fiscal policy, governing size, layout, charging and collection of taxes and other similar obligations. Basically, the tax system is materialized through regulations promulgated by the state to collect revenue and to regulate their spending.

Any tax system has two characteristics:

- Exclusivity application that involves the application of a geographical determined, the only collector of fiscal resources to a budget or budgets system.

- Technical autonomy, that is a complete tax system, which means that it contains all the rules of settlement, liquidation and collection of taxes necessary for its implementation.

Thus, if a tax system showing these two features, was developed by planning authorities as they apply, we talk about fiscal sovereignty. This sovereignty means that each sovereign state has complete freedom in choosing the tax system which it establishes, in defining its component taxes, taxpayers in determining the taxable mass delineation in setting tax rates, in setting payment terms, in providing facilities and to establish penalties for violation of tax provisions.

### **2. PRINCIPLES OF TAXATION**

Each state, from ancient times until today, adopted its own tax system, more or less perfected as it experienced a greater or less depending on civilization and economic power. Naturally, in history these tax systems have been evolving, with the society that

created them and imposed. It can be said that the state's fiscal system is determined by the value system of that company. Most modern democracies derive general notions of what constitutes a good tax system from the principles enshrined in the eighteenth century the British economist Adam Smith in "An Enquiry into the Nature and Causes of the Wealth of Nations". He suggested four principles of taxation:

- **Equity**, citizens of a state must contribute according to the income taxes that they get and what they get in return, in other words, taxes should be levied according to ability to contribute to each payer and "benefits received" .

- **Certainty** refers to the legality of imposing size and assumes that taxes owed by each person to be certain and not arbitrary and time, for the collection of taxes, payment amounts must be clear and known to each payer, this principle is considered important to Smith is often underestimated in modern tax systems, which leads to lower taxpayer confidence in them.

- **Convenience** refers to the fact that taxes must be collected at a time and place convenient to the taxpayer. In other words, the means of payment and payment terms must satisfy the taxpayer.

- **Efficiency**, that is a good tax system should be designed in such a way that it can be managed effectively and economically. Here should be taken into account both aspects of tax administration and tax losses that can result in excessive tax evasion or unwanted migration of capital.

In the twentieth century, Frenchman Maurice Allais, appreciates his capital "L'impôt et sur le reforms monétaire" that general principles of taxation in a free society are:

- **Individuality**, that taxation must be a means of ensuring full development of personality of every citizen according to his own aspirations;

- **Non-discrimination**, rules that is necessary to promote accurate, consistent, valid for all, so that taxes are set and levied without discrimination, regardless of their subjects;

- **Impersonality**, is the fact that taxes are preferred analytical placed on each item or on each operation, compared to the synthetic, which are placed on general aspects of business taxpayers (turnover, capital, income, etc.).

- **Tax neutrality**, that taxes must be favorable to achieve a more efficient economy and to not hinder its optimal management;

- **Legitimacy** refers to the adoption of tax depending on the nature of income taxation (legitimate or illegitimate);

- **No arbitrary** means placed collection of taxes based on clear principles, simple and clear, not occasional appearance of arbitrariness.

In a modern economy prompted economists and other principles for an effective tax system: stabilization (assumes that taxes be effective in terms of their use in regulating the level of aggregate demand in the economy), the incentive effect (the degree to which a particular tax is non-stimulating stimulus or for work, saving, investing), flexibility (is the speed with which tax laws are subject to change, implementing these changes and their sustainability over time), redistribution of income (the tax system efficiency to create an equal distribution income and wealth in society).

In Romania, the specific tax policy that consists of both executive and legislature set the tax system that we practice and the strategy followed in the tax administration. But the tax system efficiency depends on both the realism of fiscal policy and the will of the state and taxpayers together to achieve overall economic system reform.

In order to accomplish economic reform was necessary to reorganize the tax system, implementing innovative programs of financial management, credit and monetary circulation.

Thus, tax reform aimed at: improving distribution relationships necessary capital to ensure accomplishment of the reform, promoting pluralist economy, free enterprise, competitiveness, efficiency and profitability in all fields of economy, the introduction of indirect taxes we (tax value added, excise, etc.) change the system of taxation of wages and other forms of income from employment, local taxes and reconsider their role in local communities, improving the corporate tax, dividends and other income, the introduction of tax global income, reconsidering the role of accounting in terms of providing information necessary to determine the tax liability of businesses, etc..

The tax system is set up as a complex mechanism that includes: tax law, that all legal regulations of a fiscal nature (laws, decisions of the government, ordinances, etc..) Tax unit, represented by specialized state bodies designed to achieve fiscal policy, tools, techniques, methods and principles by which tax device into practice tax law.

### 3. TECHNICAL ELEMENTS TRANSPOSING IN PLACE THE TAX SYSTEM ARE:

a) **Imposing** aimed at identifying the categories of persons, natural and legal persons carrying out taxable income or taxable goods hold and the assessment base for tax liability and its amount.

b) the item is **taxable object** underlying the settlement of tax or fee, such as income, profit, act, deed, etc. good. Income subject to tax in case of salaries tax, property rental, income from self-employed, etc.. Profit is the object of taxation for entities established by the legislature when their revenues exceed expenditures. The acts and deeds are used as the object of imposing the fees for: legalization of documents, the settlement of disputes, authentication, etc. Property taxes are subject to: buildings, land, vehicles, etc..

c) **The subject of tax** is the natural or legal person is obliged by law to bear and pay a tax or a tax. In most of cases is subject to tax and its payer. There are cases when the subject is not the tax payer, for example, dividend tax, salaries tax, partly contributing to social security, unemployment fund, health insurance, etc..

d) **The tax rate or unit amount of tax** is determined by the base and can take different forms depending on the technical possibilities of the subject taxable assessment: a percentage, fixed amount, etc..

e) **payment period** indicate day, month, year to fiscal obligations must be paid. As a rule, is established as a time period: monthly, quarterly, annually, determining a date that taxes be paid the state budget or local budgets, as appropriate.

f) **tax facilities** may be in the form of incentives established by legislation (discounts, exemptions, scheduling, deferred payment of budgetary obligations, etc.).

g) **The sanctions** appear as delay penalties, fines or a criminal when tax liabilities are not paid on time or the amount due is determined incorrectly.

#### **Characteristics and objectives of fiscal management**

Levying taxes is based on explicit rules, determined by: the tax structures of each country, international environmental, fiscal and doctrine development experience in the field.

In these circumstances it is necessary to an entity level tax management, commercial and social appropriate to enable development and growth.

We often doubt that there could be a good fiscal management in name because some reject fatalism tax evasion confused with others, and most competent practice. They are neither fatalistic nor, but simply that good administrators.

In work situations in which entities appear business decisions are strongly influenced by fiscal regulations, which requires delineation of fiscal management as a separate component of the activity.

During fiscal management, a proper management of taxes does not mean breaking the law, but on the contrary, can lead to avoidance of tax evasion.

As noted French economist Ch Collette, "managing taxes means first accepting that they, even if they are an undeniable obligation of the company, can be used in its interests and their transformation into a genuine strategy".

Although in principle the tax has no reason to judge the quality of internal management of the entity or its results, some cases could be considered outside of legality, namely:

- Expenses incurred interest unrelated to the enterprise;
- Whose size is exaggerated expenses (generally embodied advantages granted to administrators or members of society);
- Remuneration of production factors unrequited or without justification;
- Transfer the tax burden to other taxpayers;
- Broad interpretation of accounting principles (eg independence exercises);
- Advances granted between enterprises, which may be true inter-company loan interest ;
- Abandoned the claims within the group.

In such situations, fiscal control, if done in good faith, can provide useful information not only state but also investors or managers of an entity related to the efficiency with which they made decisions or have conducted events and transactions .

There are at least two criteria for assessing the quality of actions and decisions taken in the fiscal management of the enterprise:

- Efficiency is evident when earnings results in a positive state treasury;
- Confirmation of the legality of the tax measures taken by the entity that generates fiscal implications.

From above, the conclusion that fiscal management entity has the following objectives:

- Consideration of fiscal management as a component of the overall management of the entity;
- Proper administration of fiscal legislation in order to ensure compliance with fiscal and management;
- Cost-minimizing tax by tax reporting and incorporating the entity's management decisions, the desire be considered as tax efficiency;
- Economic entities, taking tax risk by searching for and identifying those solutions which agree best interest manager, resulted in minimizing the amount paid as taxes, fees and other similar obligations;
- Possible full-delay time for payment of tax obligations, end-to regulate its turn in their time, so as to be delayed affecting treasury, without falling into the net of tax evasion;
- Accepted accounting error that could intervene from omission or inaccuracies in the interpretation of events, transactions or legal texts by taxpayers.

Achieving these objectives depends on the overall direction of development policy, the actions and decisions taken in order to optimize the tax burden within the meaning of its decline or delay in compliance with relevant legislation by conducting activities to justify their efforts to efficiency and profitability the economic entity.

#### 4. TAX MECHANISM

Economic mechanism is a set of methods, procedures and management tools and / or adjusting its overall functioning of the national economy, one of the components of the economic mechanism is the financial mechanism; It consists of all structures, forms, methods, principles and economic levers financial, by which it is managing and using state funds public money necessary to perform its functions and tasks.

Tax mechanism is established as a component of the financial mechanism; It uses domain-specific methods and techniques designed to identify subjects of taxation tax, taxable materials to evaluate and determine and quantify correctly received rights of the State taxes and contribution.

Fiscal mechanism, as well as financial, to ensure and effective way to stimulate economic activity of all subjects, producers of goods and services and on this basis to create added value, national income, public financial resources abundant.

Therefore, proper functioning of the tax mechanism is its ability to ensure the normal flow of public financial flows necessary amount of society.

The role of fiscal and taxation mechanism in general is that state intervention in the economy through which the state protects national interest tax and inhibits the activities of economic subjects in other branches where national interest is of lesser importance, especially those who manufacturing or importing luxury goods company or harmful.

Tax as the financial mechanism and the economy is not given once and for all, on the contrary, is the perfect time, He must be dynamic and have a structure flexible enough to meet the time and period of time of economic realities and challenges and society.

Also, it should be noted that some of the financial mechanism components have a greater fiscal stability such as the tax system as a whole, the structure of the tax authorities, while others are more mobile as appropriate fiscal and budgetary levers in general the fiscal and legal regulations. Fiscal mechanism must be designed to provide financial resources to the extent required by the state needs at a time and whose size is given in the last resort of the GDP, on the one hand and the degree of taxation, on the other part.

Sizing, placement and collection of taxes can only be achieved through the use and operation of a complex tax mechanism, the methods, techniques and specific instruments whose application to be made by a tax professional device that to meet the minimum rules and principles, so that it can be considered rational.

A tax mechanism may be considered reasonable if it meets several conditions cumulatively:

- sufficient financial resources to ensure that the state needs at that time;
- by its specific levers can positively influence the country's economic and social activity;
- to ensure social justice (universality, uniqueness taxes);
- to be elastic, so that it can be easily adapted to the needs of the economy;
- to be stable over time, not to jeopardize the business plans of economic agents.

In terms of institutional and organizational, fiscal mechanism corresponds to certain institutions and bodies carrying out the work of such tax laws (the legislative and executive), establish methods and techniques and put them on these taxes in place (and

executive bodies specialized MPF). Methods, techniques and instruments of taxation and therefore the entire set of tax mechanism is designed to find receivable rights of the state, to collect. Financial and fiscal policy objectives be defined so that the public finances through they promote economic progress, to regulate the tax situation and investment and to make tax justice by taking into account the possibility that contributory leave each a minimum.

## 5. CONCLUSIONS

The study "**tax process**" includes identifying and defining the following elements:

- perimeter delimitation tax process;
- establishment of infrastructure (technical basis);
- identifying and investigating applicable tax laws and regulations;
- nomination of participants in tax;
- fiscal management organization of participants in the tax;
- technology setting issuing of specific activities;
- description of the actual flow of facts and documents ongoing fiscal management within each participant, as well as external flows of these participants;
- design and implementation of information systems and accounting for the tax.

To design and implement an information system to support its efforts to streamline the process of settlement and tax debt collection budget is necessary to undertake a project pre-development tax technical process that is specified and described all the elements specified above .

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