

BUCHAREST ACADEMY OF ECONOMIC STUDIES



Doctoral School International Business and Economics

PhD thesis

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Fiscal policy optimisation in Romania. The taxation of capital, labour and consumption. A comparative analysis at European Union level

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Bucharest, June 2024

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June 2024

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Keywords:

Tax policy, tax system, value added tax, corporate income tax, property tax, pensions, demography, labour market

PhD thesis summary

Through this doctoral thesis I have set myself several objectives, namely: (i) to understand how Romania's fiscal policy interacts with the economic and business environment, (ii) to point out the problems Romania is facing or will face in the coming decades in terms of fiscal consolidation, and (iii) to perform a comparative analysis of the tax system in Romania versus the tax system of other Member States of the European Union, with the aim of identifying differences and similarities and proposing the adoption of best practices from other countries, if they already exist.

From the point of view of the research theme, the doctoral thesis covers the three main areas of taxation: capital, i.e. direct taxes, consumption, i.e. indirect taxation and labour – i.e. taxation of the human factor. However, I believe that, regarding taxation, an overview is very important in order to understand how the three major elements of taxation come together, both statically and dynamically, because, depending on the position at a given point in the economic cycle, a fine-tuning of the three elements is needed. In addition, fiscal policy can attract or, on the contrary,

disturb, through its components, foreign direct investment, a determining factor of macro-economic development.

My personal contribution to this topic of major importance from a macro-economic point of view consists of (i) a clear and unequivocal pointing out of the fiscal problems Romania is currently facing and the future potential issues in case the current fiscal policy trends remain in place, (ii) a comparative analysis of the Romanian fiscal environment against other Member States of the European Union situated at the same point in the economic cycle and similar development stage and (iii) a proposal of a set of solutions to the identified problems, based on country, industry or sector analyses.

Certainly, any proposed amendment must also take into account the fact that Romania, as a Member State of the European Union, must adopt all tax regulations approved by European directives. However, at the level of local fiscal policy, Member States have, at least in the short and medium term, the right to set their own rules and impose taxes. The thesis also briefly discusses the impact of anticipated legislative changes (e.g., the minimum tax of 15%), but also issues related less to legislation and more to administration – for example, tax collection.

Based on the analyses carried out, the main conclusions of the thesis are the following: (i) the human factor is the most important asset to be protected and encouraged, taking into account labour taxation, but also social protection for retirement age – these being also the biggest drawbacks of Romania's current fiscal policy, (ii) there is an optimal tax rate in terms of indirect taxation, and, in this respect, too, we need to align tax policy with an objective of achieving this optimal level and (iii) direct taxation can be adjusted on a sustainable basis so as to address the needs of large companies and small businesses alike.

Undoubtedly, several sub-themes emerge from this thesis that deserve further development and analysis. A relatively new field is that of carbon taxation based on the theory of externalities, and a downright futuristic one refers to the taxation of robots and automated processes in general, to protect the human factor from obsolescence, but also to ensure, possibly, a minimum subsistence income. These are topics that are still debated worldwide, but it would be important for Romania to understand at this stage the impact of such fiscal policy decisions.