

THE IMPORTANCE OF INFORMING OLDER PEOPLE ABOUT TAX FACILITIES AND INCREASING THEIR VOLUNTARY COMPLIANCE

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Abstract

This article presents the strengths, weaknesses, opportunities and threats of measures taken by the STS through the Taxpayers Service Strategy for the years 2021-2026, for the tax compliance / non-compliance of individuals / legal entities. Following the analysis, it succeeded to identify the challenges faced by all taxpayers in the Republic of Moldova at this stage, maintaining and developing an increasing level of voluntary tax compliance, through a system of tax incentives for taxpayers, especially the elderly, on the income/wealth obtained/held by them, as well as the elaboration of proposals to mitigate the impact generated by the fiscal pressure on the level of net income of this category of taxpayers.

Keywords: tax policy, seniors, tax facility, voluntary tax compliance, tax exemptions, tax reductions, tax exemptions

1. Introduction

According to the Constitution of the Republic of Moldova, everyone has the right to work, free choice of employment, just and favorable conditions of work and protection against unemployment.

At the same time, the payment of taxes, fees and other mandatory payments established by law is the duty and obligation of every citizen.

Fiscal obligation – the obligation of the taxpayer to pay to the budget a certain amount such as tax, fee, increase of delay (penalty) and/or fine.

The tax is a mandatory and free payment, made by citizens on the resources or goods of individuals or communities and paid in cash. The principles imposed by the state on every citizen by paying taxes represent the benefit of welfare tomorrow.

Why do we pay taxes?

- **The tax** is a source of financing the expenses of general interest of the state and the local administration;
- **Taxes** are a major source of state budget revenue formation and public expenditure financing;
- **Taxes and fees** are insurance premiums for the life and wealth of citizens;
- It is an **instrument of economic policy**, through which a part of the income is redistributed, in order to stimulate investments and to lead to the revival of the economic conjuncture.

We pay taxes to benefit from modern schools, parks and recreational areas, high-performance medical system, developed infrastructure and a decent pension.

2. Methodology

The methodological support of the research includes a series of methods. General empirical research methods were applied, such as statistical method, analytical method, which allowed to elucidate the problem, quantitative analysis method, which was applied to quantify the degree of voluntary compliance of taxpayers, qualitative analysis method, through which it was possible to interpret the evolution of the analyzed indicators, the method of comparative analysis, graphic illustration, etc. The theoretical foundation of the examined concepts was created by researching the literature. At the same time, it was considered necessary that each process and phenomenon underlying the researched subject be subjected to analysis, the findings of which were summarized.

3. Results and discussions

3.1. The real situation in the labor market in the Republic of Moldova

A phenomenon present throughout the human life cycle is aging. Recently, due to the high degree of migration of young people, the labor market in the Republic of Moldova has a profound lack of skilled, professional labor. Many people who reach retirement age do not give up their job, remaining taxpayers, and active individuals. In addition, all reaching this age are taxed of certain taxable objects (houses, cars, land, income from bank deposits, as well as other income categories taxable), at the same time many carry out an entrepreneurial activity, having a different legal status (Peasant Household, Individual Enterprise, Limited Liability Company, etc.). So, it feels more and more acute and the support of the authorities is requested in the application of friendly incentive mechanisms for this category of taxpayers.

Most states use fiscal facilities as a measure of economic and social stimulation.

The importance of knowing the tax facilities has a number of benefits, the most important being to deter tax evasion and improve tax compliance, to help increase the level of compliance with this category of taxpayers, so that forced intervention, control actions are reduced to a minimum.

National tax authorities adopt several tax measures in their national tax legislation, including an important role for tax facilities, designed to help taxpayers to overcome the financial difficulties they currently face, as well as to prevent the accumulation of debt to the state, at the same time aiming to increase the degree of voluntary compliance of taxpayers. Taxpayers are therefore in a position to currently have a very diverse range of tax facilities available, and the choice of the optimal route requires an analysis of these options.

3.2. Tax facilities in national tax legislation

According to Article 6 (9) letter g), of the Fiscal Code - **Fiscal facilities (facilities)** - elements that are taken into account when estimating the taxable object, when determining the amount of tax or levy, as well as when collecting it, in the form of:

- partial or total exemption from tax or fee;
- partial or total exemption from the payment of taxes or fees;
- reduced rates of taxes or fees;
- reduction of the taxable object;
- postponements of the term for payment of taxes or fees;

- staggering of the tax liability, which in theory can be divided into three broad groups, namely: exemptions, deductions and the tax credit (Fiscal Code nr. 1163/ 24.04.1997 Official Gazette of the Republic of Moldova no.62/522 din 18.09.1997, as amended).

Fiscal facilities can be examined broadly and narrowly. In a broad sense, they include all fiscal facilities: fiscal amnesty, refund of the amount of taxes previously paid, fiscal vacation, reduction of the tax rate, fiscal credits, etc. In a narrow sense, tax incentives include tax deductions and tax credits.

Regarding tax exemptions, we mention that they provide for the release of the taxpayer from the payment of mandatory payments to the budget. It highlights: tax amnesty, facilities in the form of total tax exemption, refund of previously paid taxes, include advance payments, surplus exceeding the amount of tax paid in connection with technical calculation errors, tax holiday, reduction of tax rate, and so on (Maxim et al, 2018, 315-327).

According to the purpose, the tax facilities can be grouped into facilities designed to stimulate entrepreneurship, they firstly refer to income taxation, and secondly are related to solving social problems, they are largely related to indirect taxes, which are ultimately paid by consumers.

The taxpayer has the right to benefit from the fiscal facilities, according to the provisions of the fiscal legislation, during the fiscal period in which he met all the established conditions, to obtain the deferral, staggering, taking into account the taxes in the manner and conditions provided by the Fiscal Code.

According to a study and to the findings of the Court of Accounts, following the compliance audit associated with the performance audit of the system of fiscal and customs facilities, the system of fiscal facilities in the Republic of Moldova is deficient, due to the existence of an impressive number of fiscal and customs facilities. They have not achieved their established fiscal efficiency target. For this reason, and in view of the harmonization of fiscal legislation, as well as in order to achieve the recommendations of the International Monetary Fund and the Court of Accounts, the aim is to review the inefficient fiscal and customs facilities.

At the current moment, the tax legislation provides for a number of approximately 300 facilities in the form of exemptions, reductions, postponements of the payment term, etc. Some of them have already been consumed given the circumstances and needs for which they were introduced, others still have an impact on economic activity, but also on budget revenues. The existence of fiscal and customs facilities is important for a developing economy, but they must be targeted and aligned with economic policies, or the dispersion of fiscal facilities has only the effect of reducing budget revenues without a subsequent benefit.

At the same time, the existence of a large number of facilities distorts the fiscal system, having the effect of generating fiscal optimizations in order to reduce the fiscal obligation towards the budget.

A first step in this regard was the approval of the Order of the Minister of Finance on the approval of the Single Register of Tax and Customs Facilities, which includes the list of all tax and customs facilities, their codification, legal basis, priority in monitoring and the authority administering the facility.

The facilities offered by the state through the fiscal policy are a stimulus for investments, as the chance is given to obtain additional sources for the extension of the activity.

The State Tax Service places considerable emphasis on the awareness of citizens of the obligation to pay taxes and duties, on the voluntary compliance of individuals.

Each system of taxes is facilitated by exemptions for a period of time. In this study we aim to analyze the situation regarding the position of the taxpayer, elderly person from the Republic of Moldova, in relation to knowledge and compliance with tax legislation, use of tax facilities provided in the Tax Code of the Republic of Moldova, which would increase compliance of these taxpayers.

Every citizen has the right to these benefits according to the law.

Thus, according to the Fiscal Code, the income tax rate for individuals is 12%.

Personal exemptions as well as other deductions are stipulated in Chapter 4 of the Fiscal Code: "Exemptions and other deductions". At the same time, we would like to mention that according to the provisions of the Fiscal Code, the exemptions indicated in art. 33, 34 and 35, the reduced share of V.A.T. and exemption from V.A.T. with the right of deduction are not considered fiscal facilities (facilities).

Article 33 of the Fiscal Code stipulates that each taxpayer (resident natural person) who has an annual taxable income of less than 360000 lei, is entitled to a personal exemption in the amount of 27000 lei per year. Any person can benefit of a major personal exemption in the amount of 31500 lei per year if this person:

a) became ill and suffered from actinic disease caused by the consequences of the C.A.E. Chernobyl;

b) is a person with disabilities and it has been established that his disability is causally related to the damage from the C.A.E. Chernobyl;

c) is the parent or spouse of a fallen or missing participant in the actions for the defense of the territorial integrity and independence of the Republic of Moldova, as well as in the actions of the Republic of Afghanistan;

d) is a person with disabilities as a result of participating in combat actions for the defense of the territorial integrity and independence of the Republic of Moldova, as well as in combat actions in the Republic of Afghanistan;

e) is a person with disabilities as a result of the war, a person with disabilities as a result of a congenital or childhood illness, a person with severe and accentuated disabilities;

f) is a pensioner-victim of political repression, subsequently rehabilitated.

The spouse of the persons specified above may be entitled to an additional exemption in the amount of 19800 lei per year, provided that the spouse does not benefit from a personal exemption.

According to the provisions of Article 35 of the Fiscal Code, taxpayers can benefit from exemptions for dependents in the amount of 9000 lei per year for each dependent, except for persons with disabilities due to a congenital or childhood illness, persons with severe and severe disabilities, for which the exemption is 19800 lei annually.

A dependent is a person who meets all of the following requirements:

a) is an ascendant or descendant of the taxpayer or of the taxpayer's spouse (parents or children, including infants and foster children) or a person with disabilities as a result of a congenital or childhood second degree relative in a collateral line;

b) has an income that does not exceed the amount of 11280 lei annually. The calculation of income does not include the number of allowances paid from the state budget for people with disabilities due to a congenital or childhood illness and for people with severe and severe disabilities.

However, although they do not frame into the category of tax facilities, they directly contribute to reducing the calculation base of income tax related to salary payments and will

therefore ultimately influence the amount of tax owed by taxpayers. Also, the low rates of V.A.T. and exemption from V.A.T. with the right of deduction influences the price of the products consumed by the taxpayers and respectively the amount of indirect taxes borne by them.

Next, we would like to emphasize that part of the income obtained hypothetically, most often, by the elderly is included in the list of non-taxable income according to the provisions of Article 20 of the CF, which is still a reason to increase taxpayers' compliance. We have extracted some categories of income from this article, keeping the letters:

a) annuities in the form of social insurance rights paid from the state social insurance budget and social assistance rights paid from the state budget, specified by the legislation in force, including received on the basis of international treaties to which the Republic of Moldova is a party; the amounts and indemnities of insurance, received on the basis of insurance and co-insurance contracts, exclusively received in case of forced replacement of the property according to art.22;

b) the single compensations and indemnities received, according to the legislation, following a work accident or following an occupational disease, by employees or by their legal heirs;

c) payments, as well as other forms of compensation granted in case of illness, trauma, or in other cases of temporary incapacity for work, according to the health insurance contracts;

r) the material aid obtained by the natural persons from the reserve funds of the Government, of the local public administration authorities, from the means of the Social Support Fund, as well as from the means of the trade unions, in accordance with the regulations providing such aid. In the case of material aid granted through trade unions, the non-taxable limit is an average monthly salary per economy, forecast and approved annually by the Government, per employee per year, except for aid granted in case of death and / or illness of the employee or relatives and / or his first-degree in-laws;

u) the national prize of the Republic of Moldova in the field of literature, art, architecture, science and technology, as well as the prizes of students and animating teachers awarded, in sizes established in the normative acts in force, for performances obtained in district, city, municipal Olympics and competitions, zonal, republican, regional and international;

y³) the incomes obtained by the resident natural persons (citizens of the Republic of Moldova and stateless persons) from the alienation of the basic dwelling;

z¹¹) income in the form of royalties of individuals aged 60 and over in the field of literature, art and science, etc.

In the part related to the real estate tax, we mention that the limits of the real estate tax quotas for residential purposes in municipalities and cities, including the localities in their composition, except for villages (communes) that are not in Chisinau and Bălți; for the garages and the lands on which they are located, the lots of fruit trees with or without constructions located on them, are from **0,05%** (minimum quota) to **0,4%** (maximum quota) (art.280 of the CF). **The actual tax rate** is set annually by the representative authority of the LPA. We would like to mention that from the list of facilities that most elderly people benefit from, being very responsible, but also from the category of people who know how to manage their financial means correctly, the bonus was excluded in the form of 15% of the real estate tax. for those who honored their obligation in full until June 30.

At the same time, the pensioners benefit from the real estate tax exemption for the objects of taxation for residential use, where they registered their domicile (in the absence of domicile - residence), within the value (cost) established by the local public administration authority, and also for lands not assessed by the territorial cadastral bodies that are occupied by dwellings that constitute the person's domicile (in the absence of domicile - residence), for plots of land near the person's domicile (in the absence of domicile - residence) (including lands assigned by the administration authorities local public as plots of land near the person's home (in the absence of home - residence) and distributed outside the city due to insufficient land in the city).

Another facility provided by the CF relates to local taxes. They are exempt from paying the land use tax - the founders of peasant (farmer) households who have reached retirement age.

From the analyzed, we can deduce that older people are seen by the state as a safe category of taxpayers, which attests to a high degree of tax compliance, with high potential for contribution to the formation of public revenues, who do not need tax incentives and the multitude tax facilities provided for by national tax law they benefit from and appear as subjects of a very small number of facilities.

In the process of voluntary compliance of taxpayers, an important role is also played by their efficient service. The effective use of all tools to serve taxpayers ensures their desire to contribute on time and in full, which will facilitate the collection of budget revenues and the prevention of tax evasion.

Advantages / consequences of payment / non-payment of taxes:

Benefits

- Quality services
- Medical insurance
- Higher pensions
- Quality education

Result

- Expensive medical services
- Elderly without the bare minimum of existence
- Gifted schools / kindergartens
- Lack of services

3.3. Increasing the degree of voluntary compliance

Some people try not to pay the taxes and duties they owe. This is called tax fraud or tax evasion; the money is lost from public budgets.

This happens when an individual or a company:

- intentionally provides false information in an income statement or pays less than the full amount;
- keeps money in bank accounts abroad without declaring or paying tax for them;
- goods and services are paid in cash without a receipt or receipt, and the person who collects the money does not declare them for taxation. When you buy something from the store and you do not receive a tax receipt, the store owner may not declare the entire profit.

What are the consequences?

Tax evasion limits a country's ability to raise money and carry out development projects. This could lead to a reduction in funding for public services such as health or education.

If there were no taxes and duties, we would have less security and culture, less roads, hospitals, schools, museums, public libraries and buses, less clean water, etc.

When everyone pays taxes, everyone has something to gain.

The increase in revenues to the National Public Budget is also due to raising taxpayers' awareness of voluntary compliance with tax obligations and improving the quality of SFS communication with taxpayers.

Every taxpayer must be aware of their rights, obligations and consequences that will result from actions in breach of applicable law. It is extremely important for the taxpayer to understand the tax burdens he has, to be aware of the importance of correctly declaring and paying in full the taxes and duties due to the National Public Budget so that the state, in turn, can provide quality services to citizens.

The strategic objective for the STS is the continuous promotion of the spirit of voluntary compliance of the taxpayers of the Republic of Moldova with the provisions of the tax legislation, using for this purpose a wide range of tools aimed primarily at a proper service and treatment of taxpayers.

One of the objectives of the SPS Strategic Development Program for 2021-2023 is to streamline tax administration and improve tax collection capacities by assessing the effectiveness of existing facilities and introducing new types of subsidies to stimulate sustainable economic development and increase budget revenues (the facilities must justify the payment of taxes and the increase in value-added). Another aim of increasing the voluntary compliance of taxpayers is to expand and improve tax services, with an increased focus on the development of electronic services by adapting physical infrastructure and public services to the needs of vulnerable groups, especially people with disabilities and the elderly.

Efficient collection of taxes and fees is a cornerstone of a fair tax system.

Qualitative taxpayer service is the basic pillar of tax administration that encourages compliance and reduces taxpayer costs.

The State Fiscal Service tends to obtain a high degree of voluntary compliance of taxpayers, offering them quality services, optimal and competent solutions that correspond to the latest achievements in the field of information technologies.

In order to optimize the tax administration activity and reduce the risk of incorrect interpretation of tax legislation, the STS regularly organizes seminars for all categories of taxpayers.

At the same time, the official position of the State Fiscal Service presented in questions and answers, regarding the correct way of applying the fiscal legislation in concrete situations, is exposed in the Generalized Base of the fiscal practice.

The State Tax Service promotes the spirit of voluntary compliance of taxpayers, improving fiscal citizenship by establishing a unitary framework of partnership relations with business and citizens, based on mutual trust and support, while harmonizing the tax legislation of the Republic of Moldova to international standards fiscal administration, in the process of building a prosperous, civilized society, in continuous development.

4. Conclusions

In the contemporary stage of development, a special emphasis must be placed on the protection of contributory rights. With the multiple attempts at perfection, at the legislative level, the relations between the fiscal and taxable bodies are not fulfilled in full with the insurance of the last's interests protection. However, in recent years, the tax authorities have adopted a number of standards and regulations that aim to improve the interaction with taxpayers, the latest tax burden on the tax authorities.

In this order of ideas, it is necessary to systematize and harmonize the fiscal legislation by elaborating and adopting new legislation that will ensure transparency, security, and fiscal clarity. At the same time, the reduction of the fiscal burden will contribute to the increase of the revenues of the fiscal incomes and the increase of the investments in the economy.

All taxpayers, regardless of their role in the socio-economic and political life of the country, must know their rights, obligations and consequences, which will result from inactions or actions guilty of non-compliance with the tax legislation in force. The civic task of each taxpayer consists in fulfilling the tax obligations in relation to the state. This obligation must be fulfilled conscientiously and voluntarily.

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