

SUSTAINABILITY PLANNING POLICY COLLECTING THE REVENUES OF THE TAX ADMINISTRATION

Prof. Marius HERBEI, PhD
Gheorghe MOCAN, PhD
West University, Timișoara

I. Introduction

The tax administration is considered a subordinate structure General Direction of Public Finances (GDPF) Satu Mare and in the period under review (2007-2010) obtained the worst results in terms of the main performance indicator "degree of achievement of budgetary revenue collection" to the plan imposed by management, new way regarded as incorrect based.

In our opinion, this method returns the subordinate structures planning NAFA and then G.D.P.F. - County sites do not provide a proper allocation, planning more revenue arrears to take account of the conditions under which the arrears is provided a separate indicator. Also taking into account current obligations as stated in the county and territorial units, which primarily are not

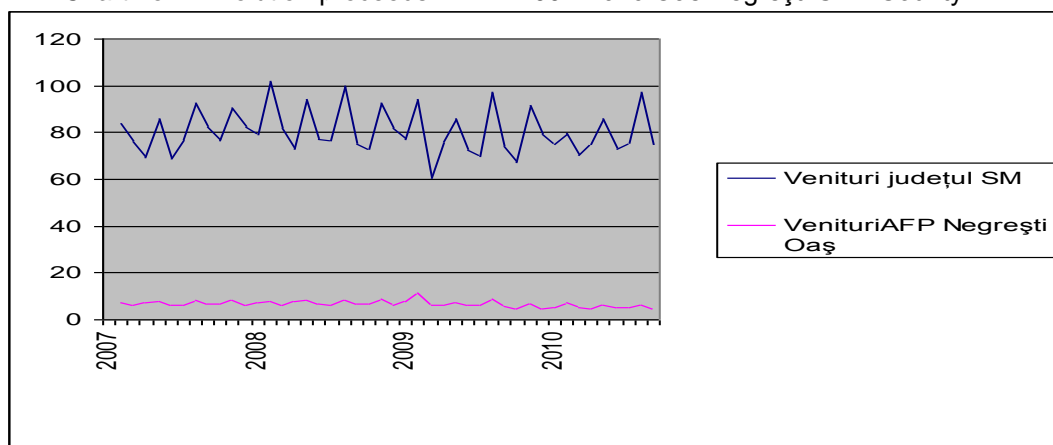
reliable data, but only a promise of payment which is not usually paid in full, and secondly it is known that degree of voluntary compliance in paying the county is considered below the national average 71.14%, which is 78.5 in the first half of 2010.

As a result of this planning is that some administrations are subordinate tax-advantaged at the expense of others, thus creating a gap for the intervention of political factors.

II. The analysis of revenue collection in the county budget and tax administration analyzed

In our approach we started by analyzing the evolution of budget revenues during 2007-2010 from AFP Compared with earnings Negrești Oas Satu Mare on the basis of the Annex 1:

Chart no.1. Evolution proceeds A.F.P. 2007-2010 Oas Negrești S.M. County



Analyzing the evolution proceeds from the chart no. 6 we see that revenue from A.F.P. Oas Negrești are constantly evolving without large fluctuations that affect the indicator "degree of realization of revenues" in our opinion, as I said, just too much of the revenue allocated by the

management plan GDPF negative influences this indicator.

Next, we analyze the evolution of earnings required to plan, the proposed plan and the annual average earnings AFP Oas Negrești:

Chart no. 2. Evolution proceeds required to plan, the proposed plan and actual receipts

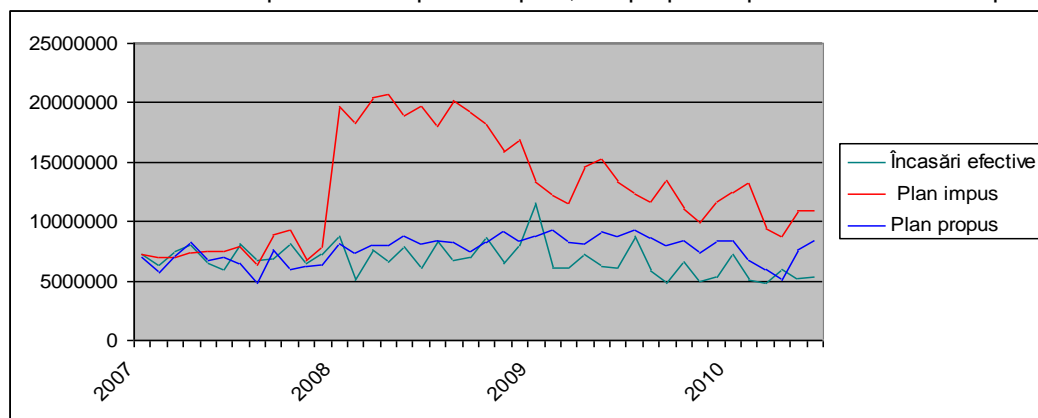


Chart no. 2 that the plan would be required to be a non-stationary series and series of revenue receipts and any proposed plan to be a stationary series. But these observations should be confirmed by tests of stationarity (Appendix 1).

a) Theoretical stationarity planning on budgetary revenue

Conditions to be satisfied for stationary time series are to:

- Average time to be constant or in other words, the observations should fluctuate around the average;
- Series variance is constant.

From an economic perspective, a series is stationary if the series is a temporary shock (is absorbed over time) and not permanent. It can recall examples of stationary series such as real GDP growth rate, inflation rate (excluding periods of hyperinflation), as are non-stationary series as the nominal exchange rate, consumer price index, real GDP.

If the series is not stationary, through differentiation, we obtain a

stationary series. Thus the order of integration of the series is the number of successive differentiations required to achieve a stationary series (or the number of unit roots of the series). In economics, the most common non-stationary series are integrated of order one (that requires only one difference, have a unit root).

Stationarity analysis of data sets revealed that media does not depend on the time variable, and the dispersion is constant throughout the period. If the data series is stationary, then it is considered that the time is a random movement and dispersion increases with time variable. Also, for a no stationary series can not make anticipations (forecasting) on the evolution of considerable variability in subsequent periods.

As a conclusion we can say that stationarity analysis plan required receipts, the actual revenue receipts and the proposed plan, may reveal whether they have a random motion that can not be predicted or whether, over the period

analyzed, the deviation from medium is constant in time. A planning proceeds for which there is no stationarity, relevant, practical planning policies promote unsustainable earnings.

b) *stationarity tests* - the most used are the ADF (Augmented Dikey-Fuller) and PP (Phillips-Perron), using the Eviuvs 7.1.

Available options are:

- Test type: type unit root test (Augmented Dikey-Fuller and Phillips-PP Perron);
- unit root test in: level - level series, 1st Diference - first difference of series, 2nd Diference - Second difference series.
- Include in the test equation:
 - Intercept - if the test includes a constant term;
 - Trend and intercept - where the series shows a trend;
 - None - if the series fluctuates around 0.

The first part of the test provides information on the type of test (ADF, introduced exogenous variables -

constant, trend) and includes test results, critical values for each level of relevance (1, 5 and 10%) and the probability, p, associated test result .

The second part of the test shows the estimated equation, which was calculated based on the test.

2. The purpose of testing is to determine, as will appear from Chart 2 that required plan earnings during the period 2007-2010 was not sustainable given the level of earnings in the same period and that future planning is required to change the way income reviewed the county budget.

3. Check the strings stationarity: plan required, actual receipts and proposed plan

To test the unit root level of the series we used the software required Eviuvs 7.

3.1. *Analysis series represented stationarity planning imposed* from January 2007 - June 2010 (see annex table. 1). Source data used is earnings records in the database has DGFP Satu Mare.

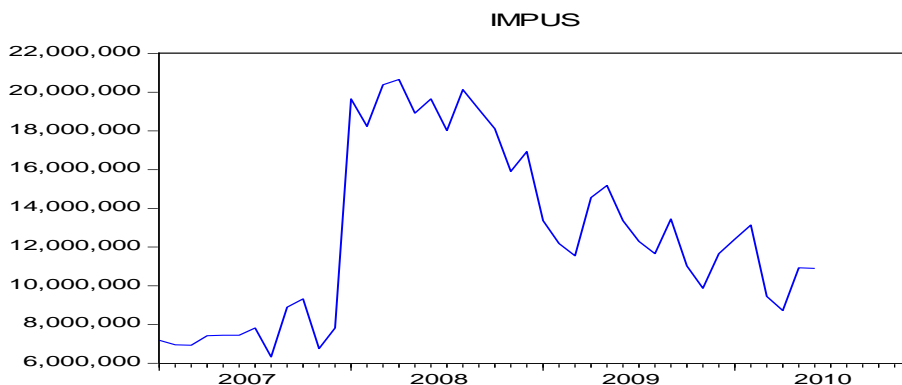


Chart. no. 3 Evolution of budgetary revenue planning - plan required

The chart shows that the series should be the nonstationary analysis, observation will be confirmed by tests of stationarity. Thus, the ADF test results,

Level option - effective range for the series of values required management plan for AFP Negrești Oas, with a total of 41 statistical observations are:

Test No.1

Null Hypothesis: IMPUS has a unit root

Exogenous: Constant, Linear Trend

Lag Length: 0 (Automatic based on SIC, MAXLAG=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-1.788613	0.6920
Test critical values:		
1% level	-4.198503	
5% level	-3.523623	
10% level	-3.192902	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(IMPUS)

Method: Least Squares

Date: 10/08/10 Time: 09:27

Sample (adjusted): 2007M02 2010M06

Included observations: 41 after adjustments

	Coefficient	Std. Error	t-Statistic	Prob.
IMPUS(-1)	-0.151302	0.084592	-1.788613	0.0817
C	2305107.	1204639.	1.913525	0.0632
@TREND(2007M01)	-13927.96	32658.75	-0.426470	0.6722
R-squared	0.092812	Mean dependent var		90575.32
Adjusted R-squared	0.045065	S.D. dependent var		2472998.
S.E. of regression	2416633.	Akaike info criterion		32.30400
Sum squared resid	2.22E+14	Schwarz criterion		32.42939
Log likelihood	-659.2321	Hannan-Quinn criter.		32.34966
F-statistic	1.943830	Durbin-Watson stat		2.073959
Prob(F-statistic)	0.157128			

Indeed, the critical values (MacKinnon) of the test for significance levels 1%, 5% and 10% are larger than the mode ADF test mode, implying the existence of an order unit roots, confirming the existence a unit-root (root of order one), so the series analyzed is nonstationary.

The same conclusion is supported by the hypothesis probability value stationarity not determine with a high value of 69.20%.

The correlation coefficient value (R-squared) of 9.2812% indicates a bad connection between the absolute values of revenues from one period to another (lag. = 9).

3.2. *Analysis series stationarity planning represented by the actual earnings* in the period January 2007 - June 2010, having also a number of 41 statistical observations:

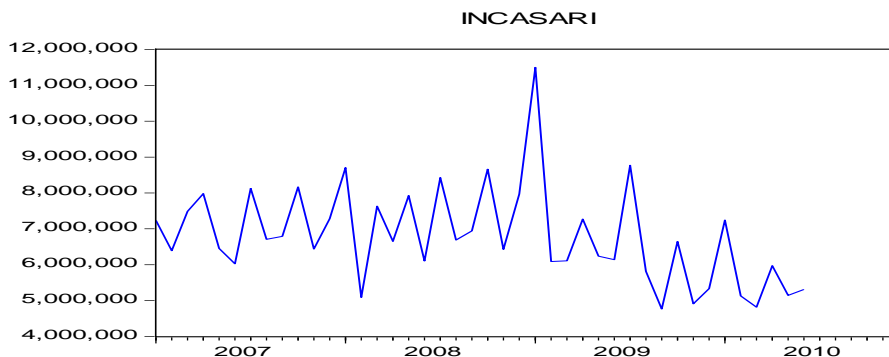


Chart. no. 4 Evolution of actual receipts

The chart shows that the series should be considered a stationary observation will be confirmed by tests of stationarity. Thus, the ADF test results,

Level option - effective range for the series of actual receipts AFP values Negrești Oas, with a total of 41 statistical observations are:

Test No.2

Null Hypothesis: INCASARI has a unit root

Exogenous: Constant, Linear Trend

Lag Length: 0 (Automatic based on SIC, MAXLAG=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-6.800706	0.0000
Test critical values:		
1% level	-4.198503	
5% level	-3.523623	
10% level	-3.192902	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(INCASARI)

Method: Least Squares

Date: 10/08/10 Time: 09:32

Sample (adjusted): 2007M02 2010M06

Included observations: 41 after adjustments

	Coefficient	Std. Error	t-Statistic	Prob.
INCASARI(-1)	-1.099897	0.161733	-6.800706	0.0000
C	8458633.	1305271.	6.480368	0.0000
@TREND(2007M01)	-47073.79	18203.66	-2.585952	0.0137
R-squared	0.549231	Mean dependent var	-46960.44	

Adjusted R-squared	0.525506	S.D. dependent var	1876127.
S.E. of regression	1292342.	Akaike info criterion	31.05217
Sum squared resid	6.35E+13	Schwarz criterion	31.17755
Log likelihood	-633.5694	Hannan-Quinn criter.	31.09782
F-statistic	23.15020	Durbin-Watson stat	2.001362
Prob(F-statistic)	0.000000		

Critical values (MacKinnon) of the test for significance levels 1%, 5% and 10% lower than the value in the way how the ADF test, which shows that there is an order of a unit root, thus confirming that series considered is stationary.

The same conclusion is supported by the probability value stationarity not verify if that is null (0.00%).

The correlation coefficient value adjusted (Adjusted R-squared) of 54.92% indicates a significant link between the

string values from one period to another (lag = 9).

Regarding the Durbin-Watson test, close to the critical threshold value 2 indicates that residual values are not autocorelate.

3.3. Analysis series stationarity represented by the proposed plan of January 2007 - June 2010 (see annex table. 1). Source data used is item D.G.F.P. Satu Mare.

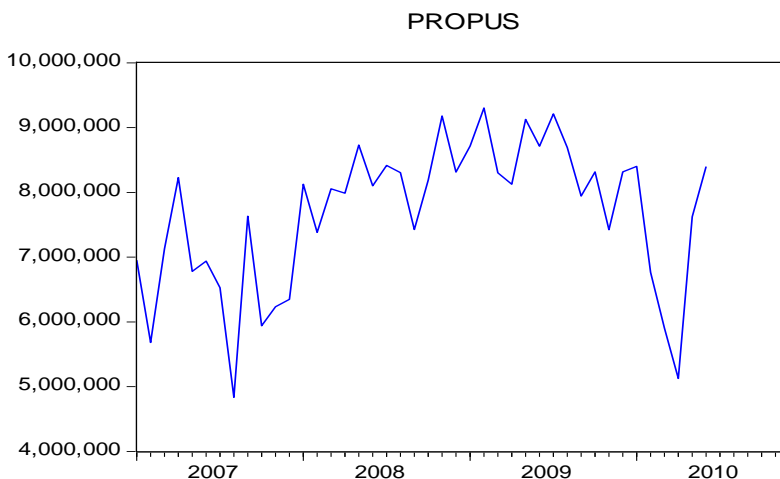


Chart. no. 5 Evolution of budget revenues planning - plan proposed

The chart shows that the series could be considered a stationary observation will be confirmed by tests of stationarity. Thus, the ADF test results,

Level option - effective range for the series of values proposed plan to AFP Negrești Oas, with a total of 41 statistical observations are:

Test No.3

Null Hypothesis: PROPUS has a unit root

Exogenous: Constant, Linear Trend

Lag Length: 0 (Automatic based on SIC, MAXLAG=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-3.519663	0.0504
Test critical values: 1% level	-4.198503	
5% level	-3.523623	
10% level	-3.192902	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(PROPUS)

Method: Least Squares

Date: 10/08/10 Time: 09:33

Sample (adjusted): 2007M02 2010M06

Included observations: 41 after adjustments

	Coefficient	Std. Error	t-Statistic	Prob.
PROPUS(-1)	-0.491780	0.139724	-3.519663	0.0011
C	3489306.	1027498.	3.395923	0.0016
@TREND(2007M01)	14545.28	13200.79	1.101849	0.2775
R-squared	0.245854	Mean dependent var		35243.20
Adjusted R-squared	0.206162	S.D. dependent var		1066910.
S.E. of regression	950591.6	Akaike info criterion		30.43791
Sum squared resid	3.43E+13	Schwarz criterion		30.56330
Log likelihood	-620.9772	Hannan-Quinn criter.		30.48357
F-statistic	6.194047	Durbin-Watson stat		2.062782
Prob(F-statistic)	0.004695			

The analysis suggests that the probability is less than 10%, so the null hypothesis is rejected, so the series is stationary and has no random trend. We know that "where the probability is 0.00 or less than 5% or 10%, the null hypothesis is rejected, so the series is stationary and has no random trend.

3.4. Extraction of residue with the option New-Object-Equation Given the

test result we can say that the series is closer PROPOSED PROCEEDS series because somehow evolve together, which must be demonstrated by extracting the residue with the option New-Object-Equation, the equation: c Receipts Proposed where we get an equation like Proceeds variable = constant + a * Proposed as seen from the test below:

Test No.4
 Null Hypothesis: RESID01 has a unit root
 Exogenous: Constant, Linear Trend
 Lag Length: 0 (Automatic based on SIC, MAXLAG=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-7.403388	0.0000
Test critical values: 1% level	-4.198503	
5% level	-3.523623	
10% level	-3.192902	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
 Dependent Variable: D(RESID01)
 Method: Least Squares
 Date: 10/26/10 Time: 08:02
 Sample (adjusted): 2007M02 2010M06
 Included observations: 41 after adjustments

	Coefficient	Std. Error	t-Statistic	Prob.
RESID01(-1)	-1.183876	0.159910	-7.403388	0.0000
C	1221431.	417020.1	2.928950	0.0057
@TREND(2007M01)	-58508.70	17576.14	-3.328871	0.0019

R-squared	0.590821	Mean dependent var	-55182.02
Adjusted R-squared	0.569286	S.D. dependent var	1841460.
S.E. of regression	1208529.	Akaike info criterion	30.91806
Sum squared resid	5.55E+13	Schwarz criterion	31.04344
Log likelihood	-630.8203	Hannan-Quinn criter.	30.96372
F-statistic	27.43448	Durbin-Watson stat	2.058932
Prob(F-statistic)	0.000000		

The analysis of test results shows that null hypothesis is rejected (calculated T < T critical and the probability is 0.00), which means that the residue series is stationary and therefore the proposed variables are PROCEEDS cointegrate, they have a common stochastic trend.

If variable PROCEEDS imposed and can not extract the residue series variable required is stationary only after first differentiation, so it has the same

order as the variable cointegration PROCEEDS.

Phillips-Perron test - works on the same principle as the Augmented Dickey-Fuller test, the result is similar.

III. Conclusion

Making an analysis of the data above, that a schedule of receipts for which there is no stationarity, relevant, practical planning policies promote

unsustainable earnings. Instead planning new proposed budget revenue collection is a sustainable planning, as seen in the demonstration made.

The difference was "the pen" by sharing a plane over the possibilities of collecting and without any explanation of the nature of the economic climate, increasing voluntary tax evasion or noncompliance that would adversely affect the collectability of the Negrești Oas.

Must be made clear that results on the progress of the plan proposed by us are much more credible, the margin is very tight this fall, which is normal considering the fact that:

- Working conditions, provision of computers and operating procedures are similar, at least at the county level analysis;

- Software used to track taxpayers, payments, and coordination are similar methodology, given that there are centrally, county and even at NAFA;

- Personnel selection and training conditions and training of officials of similar structures are analyzed, considering the fact that these activities are the management responsibilities of the county;

- In the county in question, ie areas where tax administrations operate shown, individual taxpayers and legal work in the same legal and regulatory framework, with no differences in this regard.

If we take into account the foregoing, it follows that there are real reasons, as one of the structures to achieve results so weak, if Negrești Oas, outside the fact that the distribution plan was not well grounded structures.

Appendix no. 1 Comparative evolution of the actual earnings of the required plan and the proposed plan

Year		Actual earnings	Required plan	Proposed plan
2007	January	7.235.331	7.186.404	6.954.389
	February	6.389.002	6.950.004	5.680.291
	March	7.487.312	6.925.003	7.128.683
	April	7.980.765	7.422.805	8.228.487
	Mai	6.453.091	7.447.303	6.780.095
	June	6.025.784	7.447.905	6.939.489
	July	8.126.774	7.821.522	6.527.479
	August	6.709.165	6.321.490	4.835.219
	September	6.790.441	8.890.992	7.632.541
	October	8.167.009	9.321.554	5.940.281
	November	6.436.996	6.752.052	6.233.880
	December	7.285.217	7.821.521	6.348.962
2008	January	8.705.687	19.653.000	8.125.439
	February	5.090.848	18.240.666	7.381.496
	March	7.631.979	20.386.121	8.055.400
	April	6.652.602	20.653.000	7.985.361
	Mai	7.924.706	18.919.879	8.729.304
	June	6.105.340	19.653.333	81.00.053
	July	8.425.086	18.020.665	8.415.328
	August	6.686.621	20.132.438	8.302.867
	September	6.943.331	19.114.369	7.426.758
	October	8.663.421	18.112.443	8.190.406
	November	6.430.270	15.908.894	9.178.976
	December	7.967.418	16.926.963	8.312.768

2009	January	11.500.272	13.366.667	8.713.956
	February	6.090.426	12.180.238	9.302.441
	March	6.106.765	11.549.480	8.301.419
	April	7.271.253	14.553.096	8.125.471
	Mai	6.236.258	15.183.854	9.126.493
	June	6.141.521	13.365.765	8.711.965
	July	8.773.049	12.292.394	9.210.664
	August	5.815.716	11.660.000	8.690.892
	September	4.763.890	13.449.323	7.941.890
	October	6.646.677	11.027.606	8.316.391
	November	4.909.930	9.870.677	7.422.118
	December	5.331.936	11.659.001	8.315.389
2010	January	7.242.670	12.409.722	8.401.333
	February	5.129.203	13.139.611	6.763.948
	March	4.815.285	9.450.278	5.904.902
	April	5.970.802	8.720.389	5.126.563
	Mai	5.147.100	10.930.000	7.622.994
	June	5.309.953	10.899.992	8.399.360

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*****	GO 92/2003 regarding the Fiscal Procedure Code, as supplemented and amended;
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