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**IGOR ȚURCANU**

**MANAGEMENT OF TAX ADMINISTRATION THROUGH  
VOLUNTARY COMPLIANCE**

**521.03 – ECONOMY AND MANAGEMENT IN THE FIELD OF ACTIVITY**

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**Doctoral scientific supervisor:**

**PLATON Nicolae**, PhD habilitate, associate profesor, Academy of Economic Studies of Moldova

**Composition of the Public Support Commission**

**PERCIUN Rodica**, PhD habilitate, asociate researcher, AESM - president

**PLATON Nicolae**, PhD habilitate, associate profesor, AESM, scientific leader, secretary

**ULIAN Galina**, PhD habilitate, university profesor, SUM – official referent

**BOTNARI Nadejda**, PhD, associate profesor, AESM – official referent

**ZAVAŢKI Tatiana**, PhD, associate profesor, CCUM – official referent

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**President of the Public Support Commission**

of the doctoral thesis in economic sciences

PhD habilitate, asociate researcher,

**PERCIUN Rodica**

**Scientific leader**

of the Public Support Commission

PhD habilitate, assoc., prof.

**PLATON Nicolae**

**Author:**

**ŢURCANU Igor**

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## CONCEPTUAL MARKINGS OF THE RESEARCH

### **The relevance and importance of the research topic**

For decades, the state's right to collect financial contributions from taxpayers on its territory constituted a prerogative, a constant activity, a concern both for the realization of its social needs and for overall economic development.

The tax collection is carried out for functionality of the state, because it needs to be able to finance its projects of a social, economic, political nature and, last but not least, those for the defense of the integrity and sovereignty of the state. In order to honor these obligations as a state, it became necessary to create a mechanism to ensure the collection of taxes.

In order to collect taxes and fees in the required amount, the state through its institutions, must carry out three important activities to be feasible: to create a coherent financial mechanism, to approve a rational tax policy and to implement an efficient management of tax administration.

In this context, the organizational tools of tax administration management must be found in an operational tax system, focused on organizing the process of collecting taxes and fees established by the state, as well as collecting social and medical contributions established by the state, all these activities being within the legal and regulatory framework.

However, in order to achieve this objective, it is important to know how the management of the tax administration has evolved in terms of tax levies, what are the trends in this field, how taxpayers can be motivated to comply voluntarily, how the state honors its obligations towards by honest taxpayers, how does the tax policy influence the way of collection of revenues to the budget?

In order to answer all these questions, it is necessary to carry out a complex and in-depth study on the management of tax administration through the prism of voluntary compliance, which would add value to current science and complement the research of scientists focused on the issue of tax management.

In this doctoral thesis we will carry out a complex and multilateral scientific research, we will investigate the results of scientific studies carried out by various scientists in the field of tax administration management, we will analyze the suggestions of national and foreign experts, we will review the provisions of the European Union directives, we will study the recommendations of development partners of the Republic of Moldova.

### **The degree of study of the research topic.**

The subject of taxpayers' voluntary compliance is a fairly important and current topic for tax administrations in most European countries. If it will be possible to achieve optimal voluntary compliance among taxpayers, then the process of tax administration will be much more efficient and less costly.

For a better understanding of the situation in the researched field, we mention that in the last 6 years some authors have tangentially tried to reflect the issue of taxpayers' voluntary compliance. These works include:

➤ *"The role of tax instruments in building a functional market economy in the Republic of Moldova"*, developed by Petru GRICIUC in 2017, which consists of: assessing the impact of tax instruments on the functionality of the national economy by identifying, presenting, analyzing macroeconomic and structural factors and parameters, as well as arguing for solutions to rationalize the administration of tax instruments through the implementation of the tax audit.

➤ *"Improving tax administration in the Republic of Moldova in the context of harmonization with European Union standards"*, developed by Veronica SIREȚEANU in 2019, which consists in performing an analysis of the domestic tax administration and identifying operational and behavioral gaps, in order to propose a comprehensive managerial operational model by structuring the functioning of the entire tax administration in the Republic of Moldova.

➤ *"Improving public finances at the level of administrative-territorial units in the Republic of Moldova through tax potential assessment"*, elaborated by Nadejda BERGHE in 2019, which consists in developing the concept of tax potential, tax capacity and tax effort, the purpose of the research being to identify the perspectives of streamlining the system of collecting local taxes and fees.

➤ *"Economic effects of tax pressure in the wine sector"*, elaborated by Corina BULGAC in 2019, which consists in elucidating the effects of tax pressure on the economy and society, identifying the economic effects of tax pressure on the financial result, on profitability and on the financial stability of enterprises in the wine sector.

➤ *"Theoretical and practical approaches to fiscal consolidation: The experience of Romania"*, research carried out by Leonida IONEL in 2018, published in the scientific journal with economic profile Econstor.eu.

➤ *"Design of two-stage experiments with an application to spillovers in tax compliance"*, research carried out by the group of authors Guillermo Cruces, Dario Tortarolo and Gonzalo Vazquez-Bare, published in August 2022 in Working Paper.

The incomplete elucidation of the issue of taxpayers' voluntary compliance, led the author to channel his research efforts in this field, thus establishing the purpose of the research.

**The purpose of the research** consists in the theoretical-applicative and methodological substantiation of the management of tax administration through voluntary compliance, the identification and evaluation of the causes and problems that generate a faulty management of the process of taxpayers' voluntary compliance, the initiation and implementation of concrete actions and measures, which will lead consequently to the increase of fiscal citizenship.

To achieve the purpose of the research, the following objectives were formulated:

1. Study and elucidation of conceptual approaches regarding the theoretical-methodological bases of tax administration management.

2. Researching the degree of interaction of the management of the TAX administration with the ways and mechanisms of collection of financial obligations.

3. Elucidation of tax administration management as an applied science in the process of voluntary taxpayer compliance.

4. Investigating risks related to voluntary compliance processes.

5. Determining the tools and methods to combat tax evasion in order to increase the degree of voluntary compliance of taxpayers.

6. Analysis of the particularities of the taxpayers' voluntary compliance process.

7. Establishing rational tax administration policies to increase taxpayers' interest in voluntary compliance.

8. Examining good European practices that can be taken over upon launching the taxpayers' voluntary compliance process.

9. Identification of advanced IT technologies capable of increasing the taxpayers' degree of compliance.

10. Formulation of recommendations regarding the creation and implementation of a new mechanism to increase taxpayers' compliance.

**The novelty and scientific originality of the obtained results** emerges from the proposed research topic and from the fact that, for the first time, the management of the tax administration related to voluntary compliance was analyzed complex, unitary and systemic, using a wide range of methods, which allowed both the theoretical foundation of it, as well as the practical highlighting of the particularities related to the mechanism of taxpayers' voluntary compliance, identifying at the same time the weaknesses and constraints related to this process, which need to be removed based on the recommendations proposed by the author, in order to achieve certain organizational performances.

Among **the elements of novelty and originality** we mention: the substantiation of the theoretical and methodological aspects of the mechanism of taxpayers' voluntary compliance as an integral part of the management of the tax administration; introducing the meaning of the term tax administration management into the economic thesaurus; the operational and organizational resizing of the voluntary compliance process with the aim of combating tax evasion; the identification of three operational levels of managerial management of the tax system, which would benefit the State Tax Service of the Republic of Moldova in the process of voluntary taxpayer compliance; the development of the econometric model that provides for the taxation in simple and compound progression of the incomes of individuals; taking over, adjusting and putting into practice the experience of EU member countries regarding voluntary taxpayer compliance mechanisms.

**The important scientific problem solved in the doctoral thesis resides in:** highlighting and substantiating from a scientific-practical and methodological point of view a varied range of solutions to increase the degree of taxpayers' voluntary compliance by means of three operational instruments; introducing an operational program to identify, monitor and manage the risks of tax non-compliance; the application of differentiated tax treatment depending on the nature of the taxpayer; the use of integrated digital solutions that facilitate tax compliance. With the implementation of these operational tools, it will be necessary to review certain processes within the STS, which would consequently reduce: tax evasion, tax fraud and the tax gap, would decrease tax arrears and increase the degree of tax civility among taxpayers.

**The new principal results for science and practice** consist in the development of a new direction of scientific research in the management of tax administration, which includes the complex and systemic approach to the voluntary compliance process of taxpayers, as an integral part of the Strategy for the Development and Institutional Modernization of the State Tax Service, having identified real opportunities, capable of ensuring the reduction of tax evasion and fraud as an eminent danger in securing revenues to the National Public Budget. This research led to fundamentally new results for science and practice. As a consequence of the scientific research carried out, the author obtained the following results:

- the conceptual-methodological basis of tax administration management was developed through voluntary compliance;
- the effectiveness of the major components of institutional management was estimated;
- the notion of tax fraud was formulated, which, being omnipresent in the economic thesaurus of the country, is not found in any normative act of the Republic of Moldova;
- the most effective and efficient treatments for increasing the degree of compliance of taxpayers were identified;
- the interdependence between the level of tax pressure and the degree of taxpayers' voluntary compliance was scientifically argued.
- the major deficiencies faced by the institutional management in carrying out the taxpayers' voluntary compliance process were identified and viable solutions were proposed to overcome these obstacles;
- the distinctive characteristic between tax havens and offshore financial centers was realized, areas that contribute to tax evasion, thus diminishing the taxpayers' voluntary compliance process;
- the risk management stages of voluntary compliance to combat tax non-compliance were reflected;
- the reliability of the voluntary compliance process was demonstrated, as a consequence of which was the increase in revenues to the National Public Budget.

The main problems submitted for research, as working hypotheses, are the following:

**Hypothesis I.** *Ensuring a predictable, balanced and equidistant tax administration can lead to the development of tax citizenship.* Orienting the management of the tax administration towards predictability and equidistant treatment in relation to taxpayers, can generate notorious results in the collection of fees and taxes related to the National Public Budget.

**Hypothesis II.** *Voluntary compliance can only be achieved through coercion.* The use of law enforcement can speed up the process of taxpayers' voluntary compliance for a short period, but in the long term it can demotivate them.

**Hypothesis III.** *The increased level of tax pressure slows down the taxpayers' voluntary compliance.* A balanced tax pressure can speed up the process of voluntary compliance.

**Hypothesis IV.** *Widespread tax evasion may discourage voluntary compliance by honest taxpayers.* If tax evasion is not countered, it is expected that the state will recover its lost sums by increasing the future tax burden that honest taxpayers will have to bear.

**Hypothesis V.** *Information technologies can accelerate the process of voluntary compliance.* Simplified and remote tax reporting can lead taxpayers to move into voluntary compliance.

During the doctoral work, the researcher solved the problem of hypotheses by validating or combating them.

### **The theoretical importance and the applied value of the work**

The given research represents an essential contribution to the development of science regarding the management of tax administration through voluntary compliance. The basic purpose of the research is aimed at finding solutions to improve the techniques and tactics of tax administration, aimed at increasing the receipts of the National Public Budget, as a result of taxpayers' voluntary compliance.

The theoretical significance of the thesis resides in the systemic and complex approach to the tax administration process, which will be based on a deep scientific study. The results of the research can create opportunities for obtaining much better results in the field of tax administration, if the State Tax Service will take into account the recommendations and proposals made by the author.

### **Synthesis of methodology and justification of chosen research methods**

The methodology within the conducted research was used with reference to the efforts dedicated to documentation, comparative analysis, the development of solutions and models by investigating the reality and forecasting tax events. The research methodology involved the study, analysis and characteristic of an important sector of taxation such as the voluntary compliance of taxpayers, various principles and rules of conducting investigations were applied, working tools were used for data collection, generation and interpretation, were used analytical treatment and approach strategies.

The present scientific approach included five stages, carried out in a logical and reasoned sequence. Different research methods, techniques and tools were applied at each stage of the research.

**Stage I.** *Identification of the research problem.* The theoretical, methodological and practical foundations regarding the management of the tax administration at the contemporary stage were elucidated. The role of taxation in the formation of public finances was also determined.

**Stage II.** *Establishing the purpose, objectives and hypotheses of the research.* Starting from the main research question, the aim and objectives of the research were established. In turn, the research objectives led to the formulation of **5 hypotheses** necessary for testing and validating the theoretical and empirical approaches presented in the doctoral thesis.

**Stage III.** *Identifying variables for quantitative research.* This stage allowed us to establish the complete set of concepts and terms related to the management of voluntary compliance in relation to the business environment of the Republic of Moldova.

*Stage IV. Validation of hypotheses and achievement of research objectives.* The results obtained from the quantitative research of the respective topic allowed us to validate the hypotheses and fulfill the research objectives.

*Stage V. Formulation of conclusions, proposals and recommendations.* As a result of the research, certain conclusions were formulated, which were transposed into concrete proposals and recommendations, these being able to beneficially influence taxpayers' voluntary compliance in relation to the tax entity.

#### **Approval of work results**

The fundamental ideas and the approval of the scientific results obtained by the author within the research theme, were exposed and partially implemented in **12 published scientific papers: an article** in the Annales of the Ovidius University in Constanța, Romania, category B+; **three single-authored articles and one co-authored article** in journals from the National Register of professional journals, category B; **five co-authored articles and one single-authored article** in the proceedings of conferences and other scientific events, included in the Register of materials published on the basis of scientific events organized in the Republic of Moldova; **a co-authored article** in Scientific Studies and Documentary Editions. Also, the author participated in various working groups related to taxpayers' voluntary compliance within the State Tax Service.

**The informational support of the research is represented by:** scientific publications on the subject of the thesis, the use of a varied range of specialized literature in Romanian, English, French and Russian; materials presented by the Ministry of Finance of the Republic of Moldova, the State Tax Service and the National Bureau of Statistics; national and European legislation; own investigations; informational resources accessible on the Internet.

**The volume and structure of the thesis.** The thesis has a classic structure consisting of: annotations in Romanian, Russian and English, list of abbreviations, list of tables, list of figures, introduction, three chapters, general conclusions, proposals and recommendations, bibliography from 157 sources. The content is presented on 146 pages of basic text, contains 24 tables, 16 figures, 5 formulas and 10 appendices.

**Key words:** management, tax administration, tax management, voluntary tax compliance, tax levies, tax risks, tax fraud, tax evasion, tax strategy, tax havens, offshore centers, IT technologies.

## **THESIS CONTENT**

In the *Introduction*, the topicality and importance of the research theme for the Republic of Moldova is argued, the purpose and objectives of the research are reflected, the subject and the object of the research are elucidated, the scientific research methods chosen are justified, the degree of study of the theme is presented, the hypotheses that were based on the basis of that research are reflected. Also here is described the scientific novelty and originality of the obtained results, new results for science and practice, the approval of the results of the work, the informational support of the research, the summary of the sections of the thesis.

The first chapter "*Theoretical foundations regarding the management of tax administration at the contemporary stage*", described the evolution of tax relations from various periods of humanity, being analyzed the works of various authors such as: T. Hobbes, F. Locke, A. Smith and G. Akerlof. Hobbes and Locke were the first to base the power of the state on the intrinsic principles of human nature.

Another follower of economic philosophy, Adam Smith, in his work "The Theory of Moral Sentiments", mentions the connection between morality and the economic component. He claims that the "natural order" is established "through the free play of human passions, assuming that the authority public does not pose obstacles" [33, page 62].



The illustrious scientist V. Pareto is of the opinion that economic thinking is guided by the interest of knowledge regarding the uniformity of economic phenomena. He believes that one of the most important contributions to the development of economic science is the statement of two criteria regarding the optimal allocation of resources. These criteria are: the relative criterion and the absolute criterion. Both are based on the distribution of goods between individuals, so that any new change in allocation leads to the achievement of an optimum of collective well-being [24].

Extending the line of argument, our exploration continues by familiarizing with neoclassical equilibrium theories, highlighting the Keynesian model. The study carried out by John Maynard Keynes was motivated by the economic crisis installed in the period 1929-1933, determining a need to reform economic thinking since then. In this framework, the theories developed by Keynes emphasize the importance and role of state intervention in the economy.

In Keynes' view *"the use of a discretionary tax policy will directly affect current incomes when the market is faced with price rigidity, excess capacity and the existence of a liquidity constraint of economic entities, but also of households"* [17] , [18].

Keynes used the tools of tax and budgetary policy to build his theories and models. He believed that taxes, public spending, and the budget deficit have a direct influence on saving, investment, and unemployment.

Some authors indicate that the studies carried out by Keynes were deepened by the American professor Paul Anthony Samuelson, laureate of the Nobel Prize for Economics in 1970.

In his research P.A. Samuelson also emphasizes the role of the public budget in ensuring the stability of economic and social activities of the modern period"[32].

Samuelson states that *"taxes provide the state with the resources needed to purchase public goods. Taxes also serve to finance transfer expenses, i.e. expenses intended for social assistance, which change the distribution of national income"* [32]. Consequently, the manner in which tax obligations are established influences the final distribution of individuals' incomes.

In the context of his research, the system of automatic tax stabilizers has a particular relevance. According to Samuelson, the action of automatic stabilizers "contributes to the consolidation of the budget, but does not represent the solution to the absolute resolution of imbalances" [32].

Depending on the phases of the economic cycle, the level of taxes and public expenditures can lead to the following situations, described in **Table 1**.

**Table 1. Phases of the economic cycle**

Nr/o	Economic cycle phases	Characteristics
1.	Achieving a budget surplus	This situation can be recorded in the growth phase of the economic cycle
2.	Achieving a budget deficit	This situation can be recorded in the recession phase of the economic cycle
3.	Increasing the cash stock of citizens	It is recorded in periods of economic prosperity
4.	Decreasing the cash stock of citizens	It is recorded in periods of economic decline
5.	Politician intervention	Influencing the tax budget policy, emerging from the context of decisions of a political nature.

**Source:** Adapted by the author from Paul Anthony Samuelson

Since taxes, duties, contributions represent the main channels through which the overwhelming part of public financial resources is procured, it can be stated that the phases of the

economic cycle, which are attested in the business environment, are included in the coverage area of public finances, thus completing the NPB .

Thus, within a complex ensemble, the economic cycle has the most important place through its contribution to the formation of budget revenues and the revenues of special funds of the economic-social macrosystem, social contributions being also taken into account as tax levies.

As economic and social life has become increasingly complex, an emphasis on the role of the economic cycle in establishing an efficient and balanced budget strategy can be noted.

Along with certain budget strategies consisting in fluctuating public expenditures in the opposite direction to the fluctuations of the economic cycle, tax policy can be used as a means of relaunching the economy in periods of recession. In the work of Blanchard O., Perotti R. reference is made to the aspect of relaunching the economy in the short term [3].

The authors, R. Musgrave and P. Musgrave describe the analysis of public revenues and expenditures, provides a clear picture related to the reaction of taxpayers as well as the effects of taxes in a market economy [22].

The theory and practice of tax policy shows that to be effective and reduce economic instability, it must be countercyclical, i.e. stimulate the economy during recessions and restrain it during expansions of inflation.

Management experts believe that *"the management of an organization or an institution determines a certain level of economic performance, directly or indirectly, through managerial performance, which, in most cases, is fully involved"* [5], [6 ], [7], [9], [30], [31], [36].

**The author of this paper** considers that *"tax administration management represents the planning of the process of efficient collection of taxes and fees related to the National Public Budget within the tax institution, using organization as an operational management mechanism, coordination as a process of harmonizing employees' decisions, training as an element of attribution of the tasks of tax officials, taking into account the motivational factors, control and evaluation as a way of causal detection of deviations from the established objectives"*.

The determining element of tax administration management is that **"tax optimum"**, which can be borne by taxpayers. If the "tax optimum" will be established by decision-makers in a reasoned way, without any major pressures on the business environment, then taxpayers will no longer look for ways to avoid paying taxes and fees.

The current taxation mechanism is outdated and surpassed. The conclusion emerges from the fact that all taxpayers are treated practically identically. There are no clear differentiation criteria for those taxpayers who have a higher rate of voluntary compliance.

As a continuation of what has been stated, the state as a public authority, in the opinion of the author, has the task of carrying out five important activities in order to be functional, namely:

- to approve a rational and balanced tax policy;
- to create an efficient tax administration mechanism;
- to keep a strict record of taxpayers liable for tax evasion;
- not to impose additional pressure on honest taxpayers with a high degree of voluntary compliance;
- to optimize the expenditure-tax administration ratio.

For a state to be functional, it aims to finance its social, economic and political projects, along with those to defend the integrity and sovereignty of this state. Under these conditions, the state participates in the formation, distribution and redistribution of public finances [28, page 763].

From the point of view of economic analysis, the development of public finances is closely related to an individualistic conception of society, according to which the state is an institution created by individuals, in order to satisfy needs that they cannot satisfy individually. For this reason, public finance constitutes an extension in the sphere of the public sector of the economic theory elaborated on the market [14, 382].

A country's economy can only function when it has two important components: the revenue component and the expenditure component, and this mechanism can only be achieved through the country's tax policy.

In turn, the tax policy can be implemented only through taxes and fees collected, as well as through non-tax revenues, thus forming PNB.

Taxation expert Alina-Georgiana Solomon is of the opinion that PNB, "*can be considered an instrument for programming, execution and control of the company's funds, as well as the way of distribution and execution of public expenses*" [34, page 33 ].

The Law on Public Finances and Budgetary-Tax Responsibility stipulates that, PNB "*represents all the revenues and expenses of the state budget, local budgets, the state social insurance budget and the mandatory medical assistance insurance funds*"[19]. It represents a synthesis of the budgets established within the budgetary system, excluding interbudgetary transfers.

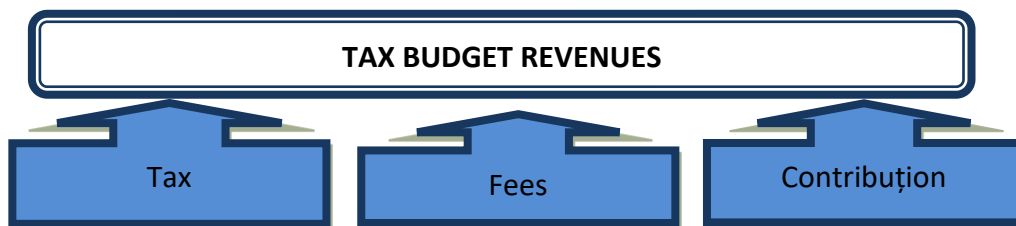
As mentioned in the law, the PNB of the Republic of Moldova consists of 4 components: the State Budget (SB), the State Social Insurance Budget (SSIB), the Mandatory Healthcare Insurance Funds (MHIF), the Budgets of Territorial Administrative Units (BTAU) .

According to the legislation in force, in the Republic of Moldova, the state budget, the state social insurance budget and the mandatory healthcare insurance funds form the central consolidated budget, and the budget of territorial administrative units such as: first-level local budgets (budgets of villages/municipalities, cities/municipalities, with the exception of Chişinău and Bălţi municipalities) and second-level local budgets (district budgets, UTAG central budget, Bălţi and Chişinău municipal budgets), as a result together forming the consolidated local budget.

From an economic point of view, the PNB reflects the set of documents from the public sector, which contribute to the achievement of the objectives of the socio-economic policy in a certain period of time.

The types and rates of taxes, charges and other budget revenues, the manner of their administration, as well as their delimitation between the PNB components are established and regulated by the Tax Code and other legislative acts" [19].

The elements related to the establishment, formation and collection of budgetary revenues of a tax nature are brought together under the name of taxes, fees and contributions, which are reflected in **Figure 1**.



**Figure 1. Structure of tax revenues [35, page 76]**

*Source: Prepared by the author*

We must record, that the foundations of optimal taxation must aim at selecting those taxation rules and ways of distributing the burden between taxpayers, so as to respond to one or more predetermined criteria.

In this context, as a result of research, we have identified two criteria that dominate the literature dedicated to the optimal tax: allocation efficiency and inter-individual equity. These criteria always lead to conflicting tax options. For this reason, choosing an optimal taxation is inevitably faced with an "equity-efficiency dilemma", but an ideal tax system can also be attributed other characteristics.

If we look only through the prism of economic efficiency, the optimal taxation does not distort the system of relative prices between goods and factors, between the current prices of goods and factors and their future prices. This fact, consequently, can lead to the taxpayers' voluntary compliance of on voluntary principles.

The second chapter, "*Efficiency of tax administration through the phased transition to taxpayers' voluntary compliance*", presents the synthesis of information regarding the consolidation of institutional management in order to reduce risks and increase the degree of taxpayers' voluntary compliance.

In an ideal society, all individuals, legal entities or entities without legal personality, obliged to contribute to the general consolidated budget, should fulfill their tax duties with conviction, assuming the words of Montesquieu, according to which "taxes represent the part from everyone's wealth, paid so that you can enjoy the remaining part" [21, page 28]. Thus, society only works when those who enjoy its benefits pay at the same time their share of the costs for maintaining society.

However, the reality is different. Contemporary society is far from perfect, facing many cases where taxpayers avoid, in various ways, the payment of taxes and duties. It is especially about the countries that are going through intense processes of political, social and economic transformation, among which is the Republic of Moldova. They face multiple problems related to tax evasion and tax fraud.

We are of the opinion that all taxpayers, regardless of who they are and what their role is in the socio-economic and political life of the country, should know their rights, obligations and the consequences that may arise from their inaction or actions that violate the tax legislation. The civic responsibility of each taxpayer consists in honoring the tax obligations towards the state. This responsibility must be performed conscientiously and willingly, without the need to apply coercive measures.

But if taxpayers are not inclined to voluntarily pay taxes and fees, the tax administration must channel all its efforts to inform them about the need to honor tax obligations and most importantly - to avoid tax evasion and comply voluntarily.

In economic terms, *tax evasion* represents the ways, means, or procedures that taxpayers use to avoid paying tax obligations, aiming to protect their own income or wealth from taxation as much as possible.

According to the expert in taxation, Vasile Bîrle, "*tax evasion is a way of avoiding, ignoring or intentionally circumventing the payment of the tax burden by those to whom it has been established*" [2, page 13].

Thus, evasion implies the intentional character of the act of circumvention, avoidance, evasion, etc. from paying taxes or bearing them.

It is crucial that those who pay taxes and fees are aware of the tax burdens they bear, understand the importance of correctly declaring and fully paying taxes and fees to the National Public Budget, so that the state is able to fulfill its obligations to by its citizens.

The author of the research is of the opinion that by raising the level of taxpayers' voluntary compliance and performed management in terms of tax perception, the State Tax Service can achieve good results. Only through an efficient tax management, which has services and assistance based on advanced information technologies, built on the basis of respect and trust of taxpayers, as a result of a high-performance automated service, the professionalism of employees and the observance of high ethical standards, will promote voluntary compliance.

In this sense, the implementation of simple and transparent operational management processes is necessary to improve the services offered to taxpayers, with the aim of ensuring a timely and complete fulfillment of tax obligations.

Global experience shows that voluntary compliance is the most effective and simple way to collect budget revenues. This process assumes that taxpayers, whether individuals or legal entities, voluntarily declare and fully pay their tax obligations to the national public budget.

It is natural to ask the question about the content of voluntary taxpayer compliance and how this approach should be implemented? In Table 2, we suggest several ways to comply, highlighting the consequences associated with each.

**Table 2. Types of compliance**

N/ o	<i>Types of compliance</i>	<i>Characteristics</i>
1.	Voluntary tax compliance	Correct calculation, full and timely payment and reporting to the National Public Budget of tax obligations by taxpayers voluntarily.
2.	Forced tax compliance	Tax compliance of the taxpayer will occur as a result of the application by the State Tax Service of legal coercion measures regarding the calculation and payment of tax obligations.
3.	Risk of tax non-compliance	Causing financial damage to the National Public Budget as a result of the actions undertaken by individuals and legal persons who avoid paying taxes, fees and other financial obligations.

**Source: Developed by the author based on SFS data**

The voluntary compliance program should include policies to support and assist taxpayers who meet their tax obligations full and timely, together with policies to detect and deter those who knowingly avoid paying taxes, duties and other obligations by applying penalties in these cases. For this purpose, it is necessary to establish a procedure for monitoring taxpayers, considering the use of differentiated treatments between voluntary and forced compliance, depending on specific circumstances or situations.

The method of voluntary compliance proposed by the author provides "the following actions: [25, page 297]

- ensuring quality service to taxpayers by establishing a constructive dialogue based on trust;
- reducing the pressure on honest taxpayers;
- educating and training taxpayers in the spirit of voluntary compliance;
- ensuring the increase in the level of voluntary compliance."

In order to implement the mentioned actions, the STS must initiate complex measures to reduce the risks of tax non-compliance. These measures include the development of risk reports in various areas.

The development of risk reports by domain requires the use of information provided by taxpayers, such as statements and tax registers, but also by third parties, including entities such as the Ministry of Finance, the Customs Service, the National Bureau of Statistics (NBS), financial institutions, other state organizations and other sources of information to which the State Tax Service has access.

In order to properly supervise the compliance of all taxpayers in the territories it administers, the State Tax Service must promote voluntary compliance with tax obligations in all areas of activity, including those most susceptible to risk, using all available tools and focusing its efforts on identifying potential risks in the managed sector.

Taxpayers who will continue to be unwilling to comply and will do so knowingly, assuming the risk of tax evasion and fraud deliberately, then in relation to them, it will be necessary to apply forced compliance treatments, such as:

- performing tax controls;
- application of enforcement measures;
- establishment of tax posts.

The author of this scientific research believes that *risk management must be a systematic process, in which the STS is to make deliberate choices on the compliance treatment*. The compliance treatment must be based on knowledge of the behavior of each individual taxpayer, each branch of economic activity, be it a individual or a legal entity, which could be used to effectively stimulate voluntary compliance and prevent evasion of calculation and payment of taxes, duties and other mandatory payments, including through the trend of continuous reduction of the phenomenon of tax evasion.

We consider it appropriate that for honest taxpayers the treatment by voluntary compliance should be used, and for taxpayers who practice tax evasion and fraud, the treatment by forced compliance should be used.

In order for the voluntary compliance to have its intended effect and bring the desired results, it is necessary, in our opinion, to create an econometric model regarding the taxation in simple progression and in compound progression of the incomes of individuals. This fact will be realized in the form of a mathematical simulation, using the annual taxable installments in lei.

Determine the income tax (IT) owed by taxpayers X and Y – individuals, as well as the borne average tax pressures (BATP), in the case of taxation in simple progression (SP) and in compound progression (CP), taking into account the following hypothetical data for tax year 2023.

1. The monthly taxable income (TI) is **15,000 lei**, in the case of taxpayer X, and **20,000 lei**, in the case of taxpayer Y.

2. The legal tax grid, valid for the considered tax year, is presented in *Table 3*.

**Table 3. Tax grid**

<i>Nr. crt.</i>	<i>Annual taxable income installments, in lei</i>	<i>Tax rate in %</i>
1.	Up to 4500 lei	0
2.	Between 4500 lei and 10000 lei	5
3.	Between 10,001 lei and 15,000 lei	7
4.	Between 15001 lei and 20000 lei	12
5.	Between 20001 lei and 30000 lei	18
6.	Over 30,000 lei	25

*Source: Proposed by the author*

The purpose of the simulation through the econometric method is to carry out the comparative analysis of taxation, regarding the appropriate taxation method, and to choose the most convenient tax rate for individuals, in order to have the motivation of voluntary compliance, and at the same time to calculate the levies to the state budget, which is also necessary to ensure its expected revenues.

### **The progress of the simulation by econometric method**

#### **1. Income taxes due are determined, according to the simple progression method:**

$$ITSP = Vi \times \frac{Tr}{100} \quad (2.1)$$

$$ITSPX = 15000 \times \frac{7}{100} = 1,050 \text{ lei}$$

$$ITSPY = 20000 \times \frac{12}{100} = 2,400 \text{ lei}$$

The average tax pressures borne are those related to the tax rates (Tr) considered, i.e.: 7% and 12%, respectively.

If we are to total up the calculations using the simple progression method, then we deduce that for an increase of 60,000 lei in the annual taxable income, (5,000 lei monthly) the average tax pressure borne by taxpayer Y will increase by **5 percentage points**.

## 2. The results of taxation are interpreted in simple progression:

The indices of taxable income and taxes due are determined and compared:

$$ITi = \frac{TiY}{TiX} = \frac{20000}{15000} = 1.33;$$

$$IITPs = \frac{ITSPY}{ITSPX} = \frac{2400}{1050} = 2.28;$$

$IITPs > ITi \Rightarrow$  the dynamics of the income tax is much more pronounced compared to the dynamics of the taxable income, *which means that the income tax registered a greater increase compared to the increase in the size of the taxable matter ( $T_m$ )*, with the **consequence of reducing the size of the net income obtained by taxpayer Y**.

These aspects result from the following calculations, carried out in absolute terms:

$$\Delta Ti = \Delta Tm = TmY - TmX = 20,000 - 150,000 = + 5,000 \text{ lei}$$

$$\Delta ITSP = ITSPY - ITSPX = 2,400 - 1,050 = + 1,350 \text{ lei}$$

$$\Delta ITSP > \Delta Tm \Rightarrow \ln Y < \ln X$$

$$\ln X = IT - ITSP$$

$$\ln X = 15,000 - 1,050 = 13,950 \text{ lei}$$

$$\ln Y = 20,000 - 2,400 = 17,600 \text{ lei.}$$

$$\Delta \ln = \ln Y - \ln X = 17,600 - 13,950 = 3,650 \text{ lei}$$

$$(3,650 = \Delta Tm - \Delta ITSP = 5,000 - 1,350 = 3,650 \text{ lei})$$

Obviously, the method of simple progressive taxation disadvantages taxpayers who obtain income above the **7%** limit of the previous taxable income bracket, in conditions of a significant increase in the tax rate from one taxable income bracket to another.

## 3. The income taxes due are determined, according to the complex progression method, as well as the borne average tax pressure.

$$ITCP = \sum_{j=1}^m Tij \times \frac{Trj}{100} \quad (2.2)$$

$$\begin{aligned} ITCPX &= 4.500 \times \frac{0}{100} + (10000 - 4.500) \times \frac{5}{100} + (15000 - 10000) \times \frac{7}{100} \\ &\quad + (20000 - 15000) \times \frac{12}{100} = 0 + 275 + 350 = 625 \text{ lei} \end{aligned}$$

(compared to **1,050 lei**, under the conditions of simple progression).

$$BATP = \frac{ITCPX}{TiX} \times 100 = \frac{625}{15000} \times 100 = 4.2 \%$$

(compared to **7%**, in the version of simple progression).

$$\begin{aligned} ITCPY &= 4,500 \times \frac{0}{100} + (10,000 - 4,500) \times \frac{5}{100} + (15,000 - 10,000) \times \frac{7}{100} \\ &\quad + (20000 - 15000) \times \frac{12}{100} = 1,225 \text{ lei} \end{aligned}$$

(compared to **2,400 lei**, under the conditions of simple progression).

$$BATP = \frac{ITCPY}{TiY} \times 100 = \frac{1,225}{20,000} \times 100 = 6.1 \%$$

(compared to **12%**, in the simple progression version).

#### 4. The results of compound progression taxation are interpreted

The index of taxes due is calculated and compared with the index of taxable matter (taxable income):

$$\text{IITCP} = \frac{\text{ITCPY}}{\text{ITCPX}} = \frac{1,225}{625} = 1.96 \quad (2.3)$$

$\text{IITCP} > \text{ITi}$  ( $1.96 > 1.33$ )

it is normal to be like this, **as it is a progressive imposition!**

In the case of compound progressive taxation, due to the close levels of the dynamics of taxes and taxable incomes, **the disadvantage of the reduction in the net income of taxpayer Y is eliminated** - which was registered in the case of simple progressive taxation, **and the net incomes increase in the case of both taxpayers**, as it follows from the following calculations:

$\text{InX} = 15,000 - 625 = 14,375$  lei

(compared to  $15,000 - 1,050 = \mathbf{13,950}$  lei in the version of taxation in simple progression)

$\text{InY} = 20,000 - 1,225 = 18,775$  lei

(compared to  $20,000 - 2,400 = \mathbf{17,600}$  lei in the simple progressive taxation option)

The income tax owed by taxpayer Y increased by **1,350** lei (2,400 lei - 1,050 lei), compared to that owed by taxpayer X, due to the 5,000 lei increase in the size of the taxable item, based on simple progressive taxation. In the case of taxation in compound progression, the net income of taxpayer Y increases by **600** lei (1,225 lei - 625 lei), compared to that of taxpayer X, which denotes the fact that taxation in compound progression is more convenient for taxpayers.

#### 5. Conclusion

Taxation in compound progression is more convenient for taxpayers (and more disadvantageous for the state budget) - since its purpose is to **reduce the tax amounts due to the state budget and the average tax pressure borne**, which in the case of the considered practical application is as follows:

- For taxpayer X,  $\text{ITCP} = 625$  lei, compared to 1,050 lei

$\text{BATP} = 4.2\%$ , versus 7%;

- For taxpayer Y,  $\text{ITCP} = 1,225$  lei against 2,400 lei

$\text{BATP} = 6.1\%$ , compared to 12%;

**As a summation of what has been exposed**, we believe that the principles of voluntary compliance must be based on:

a) **the requirements** to be met by any tax must correspond to:

- a high tax yield;
- reasonable stability;
- acceptable elasticity.

b) **the type and number of taxes** levied by the state for the formation of its budget revenues to be proportional to the possibilities of the taxpayers.

The respective chapter continues with the reflection of the role of offshore financial centers on tax evasion, being analyzed the methods of tax optimization, which are the basis of the motivation of legal entities to operate with tax havens.

Undoubtedly, it is a reality that advantageous and flexible taxation, together with permissive legislation and the preservation of banking confidentiality, are significant reasons for attracting individuals and economic entities who wish to benefit from the services of tax havens and offshore financial centers.

Professor Roger Brunet, an expert in international taxation, presents a definition of tax havens: "*territories where individuals and commercial companies consider themselves to be less tax-aggressed than elsewhere*" [4, page 528].

Starting from this definition, we distinguish the following characteristics of the tax haven:



a) The existence of tax advantages, which investors cannot enjoy in the countries of tax residence. By becoming residents of the tax haven or fixing their premises or place of work of the company or any other legal entity, they benefit from the friendly tax system of the respective jurisdiction. Consequently, incomes will be taxed at a much lower level than in their home states, and tax havens provide the necessary sources of capital for economic expansion and social balance.

b) The existence of a real opportunity, protected by law, related to the commercial and financial operations carried out in these jurisdictions, by the persons or companies participating in these operations.

c) The financial - banking system is developed, allowing delicate, easy and fast operations with foreign countries, without any legal or infrastructure restrictions.

d) Non-existence of exchange control, both with regard to non-residents and operations in foreign currencies.

e) The existence of well-developed means of communication (high-speed internet, telephony, air services, etc.);

f) Signing and implementing bilateral treaties to avoid double taxation of income between tax havens and other industrialized states, treaties that reduce the fees and taxes normally applied to foreign investors in the signatory states.

At the same time, the experts and analysts of the Organization for Economic Cooperation and Development (OECD), consider that tax havens are territories that have the following four characteristics, described in *Table 4*.

**Table 4. Characteristics of tax havens**

Nr.	Specification	Characteristics
1.	There are no taxes or only nominal taxes applied to the relevant income.	Through this way of carrying out the activity, it is assumed that the revenues generated by these activities are characterized by a wide geographical mobility and are mainly associated with banking and financial services.
2.	There is no actual exchange of information.	Due to the fact that in tax havens there is legislation or administrative practice that allows both companies and individuals to enjoy strict banking secrecy rules, the activity of these legal entities and individuals is exempt from the investigation of the tax authorities of the country of origin .
3.	Lack of transparency	This aspect can become evident in the implementation of legal, administrative, tax and banking regulations.
4.	There are no substantial economic activities	The essence is that a territory aims to attract investment or transactions, focusing exclusively on the tax aspect.

**Source: OECD**

With reference to international practice and in support of what has been reported, in my capacity as a researcher I have deduced **two opinions** in this regard [1], [14], [15], [23].

**In the first opinion,** "a tax haven is a state that creates legislation intended to help individuals or legal entities to avoid the mandatory regulations imposed on them in the states of origin, where they essentially carry out their economic transactions" [27, page 303] . According to this perception, a defining element of a tax haven is the ability to create and implement its own legislation, which is an essential, but not sufficient, criterion to classify a state as a tax haven.

However, it is important to emphasize that a tax haven does not need to have full political sovereignty, but can develop its own tax laws. This can be illustrated by examples such as British overseas territories such as Bermuda, British Virgin Islands, Cayman, etc. [26, page 117].

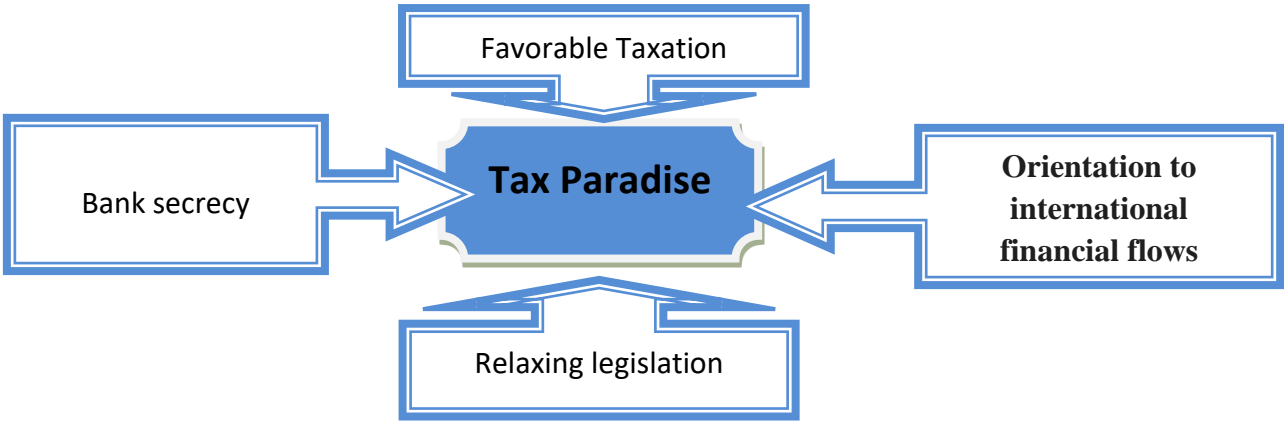
Therefore, it can be argued that certain states create a normative and legislative framework that gives legal entities the opportunity to avoid paying taxes in the countries where they actually operate. This helps to avoid voluntary compliance with the tax regulations of these countries.

Although many tax havens offer the protection of banking secrecy, it is important to point out that in many cases, residents do not have access to the financial services offered, and in particular do not benefit from the advantages of banking secrecy. An example of this is the state of Liechtenstein, where residents pay low taxes and are not encouraged to transfer their income to a foundation (this state's main form of offshore company), but do not enjoy banking secrecy, being obliged to declare the source of income (money) [8].

**In a second opinion**, regarding the definition of tax havens, the premises and conditions are similar as in the first opinion, in the sense that "tax havens are states that deliberately develop tax legislation favorable to foreign investors, but a positive connotation is attributed to this" [27, page 303]. It is assumed that the reasons for the adoption of relaxed tax legislation and policies relate to international tax competition and the need to stimulate the economic development of the respective country.

Why do legal entities choose to resort to tax havens? According to the liberal doctrine, the existence of restrictive tax and bureaucratic regulations causes international commercial companies to look for states with low taxes and more flexible legislation, in order to increase profits and eliminate obstacles that may intervene in the conduct of economic operations.

The specifics of the activity of tax havens according to this opinion, are reflected by the author, *in Figure 2*.



**Figure 2. The specifics of the activity of tax havens**

Source: Prepared by the author

Analyzing these characteristics more closely, we notice that the advantages offered by tax havens become quite attractive for legal entities, considering the tax, legislative and banking context. Details on the characteristics of tax havens are set out in **Table 5**.

**Table 5. Reflections on tax havens**

Nr.	Characteristics	Reflections
1.	Favorable taxation	It assumes very low tax rates.
2.	Towards international financial movements	States that adopt permissive legislation in this area obtain significant benefits, as commercial transactions are carried out exclusively by non-residents.

3.	Relaxing legislation	States that host such activities minimize the supervision exercised over legal entities by state institutions.
4.	Bank secrecy	Banking secrecy is guaranteed by the provisions of the fundamental laws of the host countries.

*Source: Prepared by the author [27, page 303]*

It is important to note that not only legal entities are interested in resorting to tax havens for the purpose of tax optimization. These practices are also adopted by individuals who wish to avoid estate taxes. Thus, it is found that the attraction towards tax havens is significant.

The chapter ends with the characteristics of the operational levels of managerial management of the tax system, which, in the author's opinion, would benefit the State Tax Service in the process of taxpayers' voluntary compliance.

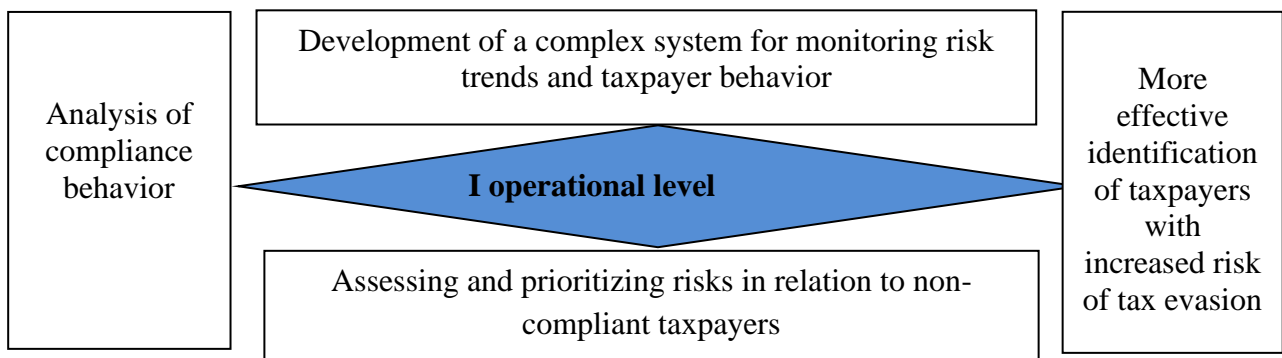
At the moment, the mechanism of managerial management within the STS focuses on the slogan "In the service of the taxpayer". Starting from this slogan, the well-known, even traditional models of change management, such as: institutional strategic planning, the option for the quality of services provided, the active popularization of tax legislation, the taxpayers' voluntary compliance with increased activity risk, must represent tasks priorities of the STS, which must be finalized and implemented.

In all cases of interventions on institutional processes, it starts from the premise that it is very important to plan the managerial management mechanism, which depends on the use of a wide variety of techniques and models made available by the science of organizational management.

Another fundamental premise in the approach to the managerial management mechanism, consists in the fact that the start of the activity at a certain institutional level affects the other fields from other levels, from which the conclusion arises that, in essence, managerial management must be conceived in the complex, and not on certain segments or dimensions.

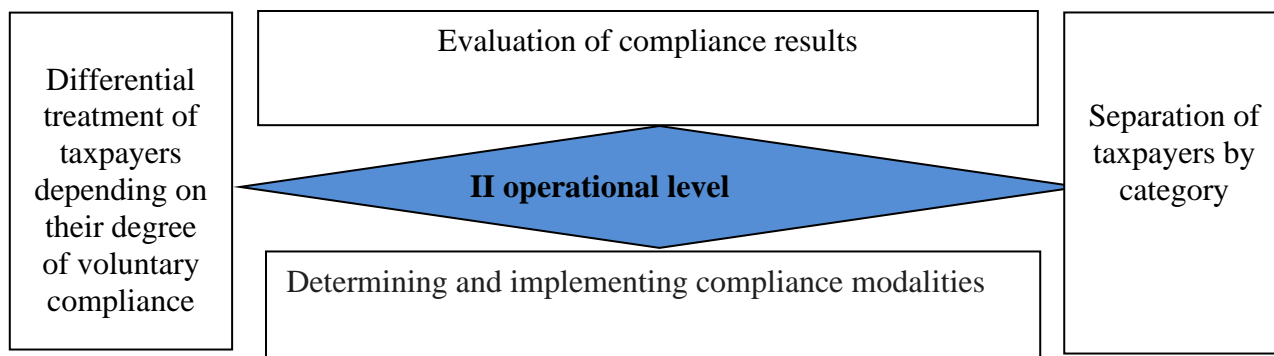
In this context, we consider it appropriate to implement three operational levels of managerial management of the tax system, which would benefit the State Tax Service of the Republic of Moldova in the process of voluntary taxpayer compliance.

The operational levels are presented in *Figures 3, 4, 5*.

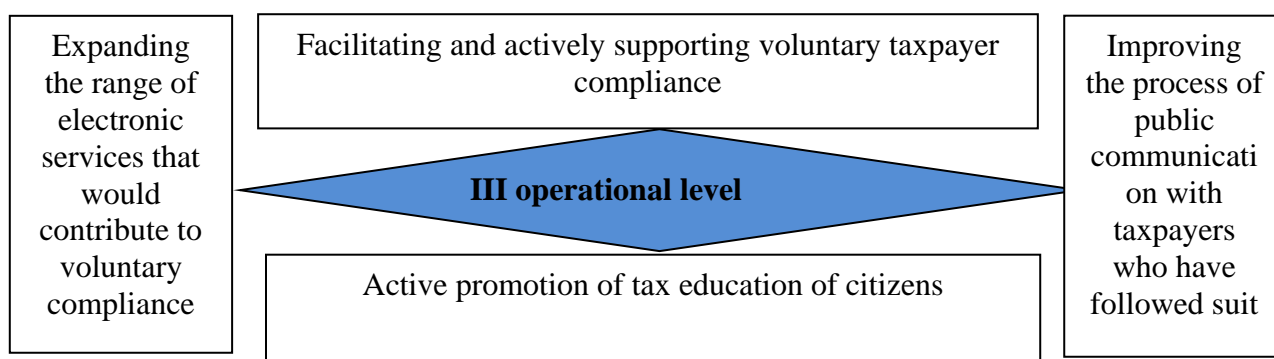


*Figure 3. The first operational level of managerial management of the tax system*

*Source: Developed by the author*



**Figure 4. The second operational level of managerial management of the tax system**  
*Source: Developed by the author*



**Figure 5. The third operational level of managerial management of the TAX system**  
*Source: Developed by the author*

We emphasize that the application of tax rules, the taxpayers' voluntary compliance, the collection of taxes and fees cannot be achieved without: the existence of a well-regulated tax mechanism, the existence of modern tax methods, techniques and instruments, the existence of integrity specialists with an increased level of tax training.

Also, the STS must propose as its objective the establishment of a climate based on trust and respect in the relationship with taxpayers, to permanently inform economic agents regarding the policy and development strategy of the institution, to establish well-defined rules regarding the determination of tax obligations, to declare zero tolerance for tax evasion.

In this sense, in order to be efficient and rational and to respond to the management of institutional changes, the STS is to:

- be receptive to the changes, which can be seen in the business environment, according to the imperative of time;
- perform the tax administration functions efficiently;
- incorporate the necessary qualifications and appropriate experience for a professional activity;
- ensure equal treatment to all taxpayers, without discrimination, by respecting the principles of objectivity, impartiality and legality.

At the moment, the national normative framework in tax matters has two dimensions:

- the tax code as a legislative legal basis;
- the legislation related to it.

These legislative acts regulate the legal relations of tax law between taxpayers and the State Tax Service, in an economic, financial and procedural sense.

The legal report, which is established by the national legislative framework, regarding tax imposition, regulates the mechanism for the formation and payment of tax obligations on the part of taxpayers. This mechanism is reflected in the Tax Code, which regulates the common elements of tax revenues, described in *Table 6*.

**Table 6. Determination of taxes and fees by means of elements tax revenues**

Nr. crt.	Elements of tax revenues	Characteristic
1.	The object of the taxation	It represents the taxable matter
2.	The subject of taxation	The taxpayer who, according to tax legislation, is obliged to calculate and/or pay to the budget any taxes and fees, penalties and fines
3.	The source of payment of the tax or fees	It constitutes the source from which the tax and fee are paid
4.	The unit of taxation	It represents the unit of measure that expresses the size of the taxable object
5.	Tax quota(s).	It is the unit amount of the tax or fee in relation to the taxable object
6.	The deadline for payment of taxes or fees	The period during which the taxpayer is obliged to pay the tax or fees in the form of a time interval or fixed day of payment
7.	Tax facilities	There are elements that are taken into account when estimating the taxable object, when determining the amount of the tax or fee, as well as when collecting it, in the form of: partial or total exemption from paying taxes or fees; reduced rates of taxes or fees; reduction of the taxable object; postponements of the deadline for payment of taxes or fees; installments of the tax obligation.

*Source: developed by the author based on the CF of the Republic of Moldova*

In order to respond to the desired "State Tax Service - at the service of the taxpayer", the tax authority must interact daily with the citizens and legal entities of the Republic of Moldova in order to make them responsible in order to increase tax civility and voluntary compliance. In this context, the tax administration has the obligation to facilitate the activity of business circles by establishing a clear and comprehensive reporting procedure, modernizing tax control procedures by reducing their number and increasing efficiency, as well as ensuring adequate transparency of the tax institution's activity.

In the third chapter, "**Strategic restructuring of institutional procedures and tactics regarding voluntary compliance**", the issue of determining the optimal level of tax pressure as a mandatory condition for taxpayers' voluntary compliance is addressed, at the same time the status indicators and effect indicators of taxation.

The notion of tax pressure reveals the fact regarding the intervention of the state in the activity of legal entities in order to collect certain fees and taxes. Since taxes represent "*a form of taking a part of the income or wealth of individuals or legal entities at the disposal of the state, in order to cover advanced expenses*" [20, page 285], it is normal to admit the idea of quantifying this felt taking by taxpayers as a tax burden.

*Thus, the tax pressure at the national level* represents the ratio between the revenues collected from taxes, fees and state social insurance contributions and the GDP achieved in a certain period, usually one year [29, page 62].

*National Tax Pressure* (NTP) can be calculated according to the formula below:

$$NTP = \frac{\text{Taxex} + \text{Fees} + \text{SSSC}}{GDP} \quad (3.1)$$

*Source: Adapted by the author after Alina Solomon [34]*

Tax pressure is a fluctuating one, depending on the tax policy adopted by the state, but it can also be influenced by political and economic events.

In an article, dedicated to the level of taxation, Professor Gheorghe Filip reveals: *"the distortion of the image of taxation, which results from reporting only on the size of resource withdrawals in favor of the state, is amplified by the way of determining and perceiving its relatively known level and under the name of degree of taxation or tax pressure"* [12].

It is well known that, in any state, legal entities are concerned about the severity of tax pressure. In the situation where the tax pressure is relatively high, *"any taxpayer will be able to choose to evade the obligations to the Budget, either in whole or in part, practicing tax evasion"* [10, page 14].

The explanations for the evolution of tax pressure, in the sense of their increase, must be sought, in our opinion, in the galloping increase of public expenditures, which in turn are subject to certain economic, social and political laws.

The level of tax pressure is influenced and determined by several factors, including:

- the performance of the national economy;
- the efficiency of the use of public expenditures financed from taxes;
- property structure;
- public needs established by the government act;
- the degree of taxpayers' voluntary compliance of;
- the degree of understanding by taxpayers of budgetary needs and adherence to government

policy.

As a result of the analysis of the respective factors, we must emphasize that the tax pressure indicator obtained by reporting the mandatory levies to the NPB, although it allows comparisons in space and time, measuring the importance of the funds intended to be allocated publicly, does not constitute a reliable and precise index of the tasks imposed by to public authorities on economic activity. At the same time, we must note that the tax pressure indicator can give sufficient indications on the degree of state interference in the economy.

As the author, I believe that the tax pressure must be analyzed not only from a mathematical point of view, as a ratio between the payments taken from taxpayers and the revenues obtained by the state. In our view, the tax pressure must reflect the state of affairs in the national economy. You cannot burden legal entities to make exorbitant payments to the budget, if the economic, political and social situation does not allow this. As an example, the effects of the COVID-19 pandemic and the war in Ukraine, which strongly affected the national economy of the Republic of Moldova, can serve.

Consequently, taxes and fees collected by the state from taxpayers are formed, from their point of view, in elements of tax pressure, which is all the more pronounced the higher their share in the added value.

Tax pressure is also felt and amplified by indirect taxes (excise duty and VAT) which, although not borne by legal entities, affect the volume of sales and the competitiveness of products through prices.

The level of tax pressure to which an enterprise is subjected can be calculated according to the following formula:

$$TP = \frac{\text{Income tax +SSSC+other taxes}}{\text{The added value achieved by the enterprise}} \quad (3.2)$$

*Source: Adapted by the author from [34, page 33]*

- **other taxes** - all direct and indirect taxes and fees borne by the company, with the exception of income tax and State Social Security Contributions.

Since SSSC is an obligation that the enterprise cannot avoid, this levy is included in the numerator of the fraction that determines the tax pressure.

The elements of withdrawals from the numerator of the fraction contribute in different proportions to the size of the value added by the enterprise, i.e. to the denominator of the fraction. It therefore follows that the size of the tax pressure depends on the weight of these levy elements in the formation of added value.

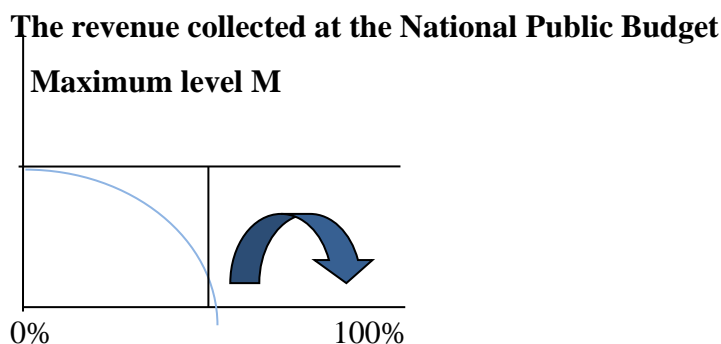
A certain, rather qualitative assessment of the tax pressure can be made based on the Laffer curve model.

The Laffer curve is a graph that depicts the relationship between tax rates and total tax revenue. The Laffer model captures the dynamics of tax revenues (Tr) of the state budget, depending on the average tax pressure (ATP) in the economy of that state. It also shows that when tax rates rise a lot, an increase in the tax rate causes a decrease in tax revenues collected by the budget. Similarly, in certain circumstances, a decrease in the rate of taxes and fees may actually generate additional economic activity, leading to increased tax revenue.

To be more explicit and render the evasive practice dependent on tax pressure, we present the simplified form of Laffer's curve in *Figure 6*.

According to this curve, the amount of compulsory levies is an increasing function of the tax rate, but only up to a certain maximum threshold M.

The explanation is found in the effect that the level of tax rates has on the behavior of taxpayers. Low tax rates stimulate work, saving and investment, leading to a broadening of the tax base and, implicitly, to voluntary compliance. In this case, the tax pressure on taxpayers is bearable and they are not tempted to practice tax evasion.



*Figure 6. Taxation rate according to Laffer's curve*

*Source: Adapted by the author from [13, page 134-135]*

According to the chart, if the tax rate will increase from 0 to 100%, the income from taxes and fees will increase from 0 to the maximum level M and will trend downward from there. Tax revenue falls beyond this point, because the increase in tax pressure generated by the increase in the tax rate will discourage economic activity and consequently reduce the tax base.

Consequently, the higher the tax pressure increases, the more the consolidated budget revenues decrease their share, since a high tax pressure automatically leads to various forms of tax evasion and, therefore, to the reduction of NPB receipts.

So, the Laffer chart demonstrates that the reduction in revenues to the National Public Budget appears as a consequence of tax pressure, not just as a result of tax evasion.

Finding it impossible to identify the optimal level of scientifically based tax pressure, researchers focused on discovering the limits of variability of tax pressure, identified to be psychological, political and economic. In *Table 7*, the limits of variability of the tax pressure are analyzed.

**Table 7. Limits of tax pressure variability**

Nr. o	Limits of variability	The characteristic of the limits of variability
1.	Of a psychological nature	They are imposed by tax resistance and taxpayers' reaction to the increase in tax pressure, which can take various forms: tax evasion and fraud, tax abstinence by reducing productive effort, riots against excessive taxation.
2.	Of a political order	It is concerned with the competence and ability with which public authorities know how to justify additional taxation to taxpayers by promoting public policies and projects designed to offer new advantages to citizens and the seriousness with which political parties keep their promises made during the pre-election periods.
3.	Economic	It is aware of the fact that compulsory levies can have the effect of: discouraging the inclination to organize a business, reducing investment, inhibiting private initiative.

*Source: Adapted by the author from [11, page 62-63]*

The limits to the variability of the tax burden are also influenced by offsets induced by the tax burden through tax reversibility. This explains why where benefits are provided to citizens through tax reversibility, voluntary taxpayer compliance is possible.

Concluding on what has been reported, we can affirm that voluntary compliance through the voluntary payment of taxes is possible up to a certain level of tax pressure, beyond which the evasive behavior of taxpayers intervenes.

An important aspect that must be taken into account in order to reduce the level of tax pressure and increase the degree of compliance of taxpayers concerns the rationalization of strategic tax administration policies.

The basic task of a modern tax institution is to develop relations with the business environment by improving the tax environment. Equidistant, fair and fair treatment will help increase taxpayers' confidence in this institution. To achieve this task, the state tax administration must be in a permanent process of modernization and institutional change, implementing strategies at the level of communication with the business environment, development programs, voluntary compliance campaigns, adoption of digital solutions.

We consider it appropriate to propose a strategic operational plan for the institutional modernization of the STS, which contains 5 important directions:

1. Creation of the National Revenue Administration Agency (NRAA).
2. Developing the partnership with the business environment, through a more efficient administration;
3. Taxpayers' voluntary compliance, by implementing viable and transparent compliance programs;
4. The adoption of integrated digital solutions, by automating voluntary compliance processes and techniques;
5. Preventing and combating tax evasion, including through actions to popularize the actions undertaken.



The proposed plan aims to intensify actions to overcome the negative effects in terms of tax perception, through the lens of a sustainable and effective dialogue partnership with the business environment.

The respective chapter continues with a reflection of the international practice of European countries, which have achieved certain performances in the taxpayers' voluntary compliance. Based on the Netherlands, Sweden, Poland, Denmark, Italy and Romania, the best practices of tax administration in terms of voluntary compliance were described.

The main conclusion that emerges from this chapter refers to advanced IT technologies, which can facilitate and motivate taxpayers to comply with taxes, thanks to the simplification of reporting procedures.

Information technologies through their IT components, along with all the managerial processes, are used by numerous branches of activity, and the effects of this synergistic approach can only be constructive on a strategic, administrative or technological level.

One of the most common approaches, elucidated in the specialized literature, defines information technologies as a set of components, which act based on causal relationships, in order to collect and process data and information, necessary at a decision-making and operational level.

Complex processing components include both data that have only a simple transit regime (data communicated by other interconnected systems) and data stored in databases, which are to be managed.

In the opinion of university professor V. Poleacov *"the main properties of information technologies that predetermine the effectiveness of their use are: their opportunity and usefulness, interaction with the external environment, their reference value and development over time"* [37, page 75].

The author of this study believes that the advanced IT technologies, which would be implemented in the future by the STS in the process of voluntary compliance, must focus on *"a high-performance integrated IT system, based on artificial intelligence and specialized software programs, where the human factor to be minimized"*.

The author is of the opinion that a high-performance computer system must be characterized by a series of elements, such as:

- ❖ flexible architecture, allowing the integration of all institutions interested in cooperation with STS through a common information platform;
- ❖ integration with other IT products and calculation and analysis applications, through the existence of data import and export facilities;
- ❖ the transparency of the complexity of the IT solution, for easy operation by taxpayers;
- ❖ the existence of information security policies, able to fully protect the personal data of taxpayers.

Within the architecture of the integrated IT system, a set of logical elements must be highlighted, which are to operate interrelated on different levels.

The author also believes that two important particularities must be attributed to the IT technologies of the tax entity:

1. ***The degree of relevance of the information***, which would generate the attribute of a progress factor. By maintaining the quality of the IT system, a correct operation of the STS will be ensured, opening up a series of strategic directions for the respective entity.

2. ***The complexity of the information system***, which highlights the connection between: the decision-making and the operational process, the certain and the unknown variables, the formal and informal aspect. In this sense, we appreciate that information management must identify the real needs of taxpayers in terms of voluntary compliance, as well as the objective establishment of an order of priorities in satisfying them, which will prevail when introducing information technologies.

Expanding digital services and ensuring the interoperability of IT systems will contribute to reducing tax non-compliance through the intelligent use of available data and information, as well as improving the efficiency and organizational effectiveness of the State Tax Service.

## GENERAL CONCLUSIONS AND RECOMMENDATIONS

The socio-economic environment and the degree of development of the Republic of Moldova depend mainly on how the country's tax-budgetary policy is managed and how the receipts at the National Public Budget are ensured.

Through budget planning, the amount of receipts that must be ensured by the State Tax Service is determined, the distribution periods of approved revenues and expenditures are established, as well as the minimum limits to be achieved - in the case of revenues, respectively the maximum level of expenditures. Thus, through this method, the balanced execution of the National Public Budget and its component links can be ensured.

We are of the opinion that general balance can be achieved only when there is uniformity of economic and social phenomena. But in order to achieve this goal, it is necessary for the country's tax-budgetary policy to be designed in such a way as to ensure the consolidation of public finances through: government consumption, public investments, transfers and taxes on consumption, salary and capital income, imports and exports.

Also, in relation to the business environment, a pragmatic unitary framework must be established, which provides for the application of a fair treatment to all taxpayers, without discrimination, by respecting the principles of objectivity, impartiality and legality. For this, the tax administration institution must be in a constant state of change and development, adapting to the social and economic requirements of the country, to the needs and convenience of taxpayers, to finding and implementing new solutions to increase the tax yield, to optimizing expenses operational by facilitating and strengthening voluntary tax compliance.

In turn, voluntary tax compliance must be achieved by simplifying the operational procedures of tax administration, by avoiding excessive tax constraints and pressure, through integrated digital solutions, through effective communication, through information programs and popularizing tax citizenship, through tax education, increasing thus, the taxpayer's trust towards the State Tax Service.

However, in order to develop an adequate operational management system for voluntary compliance risks, it is necessary for the tax administration institution to have complete, truthful and reliable data on the tax situation of taxpayers. Without this data, the State Tax Service will only partially achieve the goal of voluntary compliance and will not fully achieve the task of reducing the tax gap.

Therefore, an important aspect in the formation of the correct opinion on the way of tax administration through voluntary compliance, must be reflected through a complex scientific research, which proves that the topic is current and requires the solution of a problem of major importance for the country's tax system.

During the development of the doctoral thesis, the following **conclusions** were drawn:

1. The main objective of the State Tax Service must be focused on transforming the institution into an innovative organization that responds to the challenges of the external environment.

2. The institutional reform must aim at reducing the tax gap and tax arrears, which, according to foreign experts, would stabilize the revenue collection capacity of the consolidated budget of the Republic of Moldova.

3. Combating tax evasion and tax fraud must be based on ensuring compliance with the law, but also on strengthening trust between taxpayers and the tax institution.

4. The digitalization process of the tax institution must be carried out with faster steps to avoid the difficult processing of operational data.

5. Development of human resources skills through continuous training of tax institution employees.

Taking into account the conclusions of the study, the favorable aspects, the limits and perspectives of the research, we consider it appropriate to propose certain **proposals and recommendations** to the state institutions for the efficiency of the tax administration process.

### **I. For the Government of the Republic of Moldova**

1. Creation of the National Revenue Administration Agency (NRAA) as a specialized body of the central public administration, formed on the basis of the merger of the State Tax Service and the Customs Service, which will deal with the administration of tax and customs collections. NRAA will have the role of ensuring the resources for the state's public expenses through the effective and efficient collection and administration of taxes, fees, contributions and other amounts due to the general consolidated budget.

2. Harmonization of tax legislation according to European directives in the context of the designation of the Republic of Moldova as a candidate country.

### **II. For the Ministry of Finance of the Republic of Moldova**

3. The tax policy of the state should be developed and approved in accordance with the needs of the state, while not neglecting the real possibilities of the business environment.

4. Dimensioning and balanced assignment of tax burdens on the tax institution and on taxpayers by collecting budget revenues in the most correct way possible.

5. Implementation of an annual mechanism for analysis and evaluation of the tax institution, in order to adapt to new trends and requirements expressed by external partners.

6. Tightening of tax legislation for preventing and combating tax evasion.

7. Expanding digital services and ensuring the interoperability of tax administration computer systems with the computer systems of other state institutions, which hold and can provide useful information in the activity of collecting taxes and fees.

8. Intensification of collaboration with external partners in order to reform and modernize the State Tax Service.

9. The introduction of the term tax fraud in the national tax legislation, a notion elucidated by the author in this work.

### **III. For the Ministry of Education and Research of the Republic of Moldova**

10. The introduction of an optional discipline in high school education institutions regarding tax education, which would infiltrate tax citizenship from the school years.

### **IV. For the State Tax Service**

11. Ensuring lasting institutional resilience in terms of voluntary compliance.

12. Restructuring and rationalization of tax administration processes through the conjunctural prism existing in the business environment.

13. Adjusting the normative legal framework to initiate the pilot launch of horizontal monitoring for ten large taxpayers, selected on voluntary principles, for a minimum period of two years.

14. Development of a complex of measures regarding the monitoring of trends, risks and behavior of taxpayers with regard to taxpayers' voluntary compliance.

15. Reorganizing and reforming the management of the risk of tax non-compliance through the complete operationalization of risk management, through the development of action and compliance plans for each type of tax.

16. Establishing a fair and transparent relationship with taxpayers, knowing that most taxpayers are in good faith and willing to comply.

17. Streamlining the collection of revenues at the National Public Budget, resulting in the voluntary compliance of taxpayers, thus achieving the goal of increasing the share of revenues collected in the Gross Domestic Product.

18. Simplification of tax forms, returns and other documents to support voluntary taxpayer compliance.

19. Specialization of the tax administration activity of large taxpayers by activity sectors to ensure an interaction adapted to the requirements of voluntary compliance.

20. The provision of digitized electronic services, with the aim of improving the voluntary compliance of taxpayers, combating tax evasion and increasing the efficiency of tax collections.

21. Adoption of integrated digital solutions to ensure quality tax services to taxpayers. In this context, it is necessary to amplify the institutional development programs, which foresee the introduction of information technology and artificial intelligence.

22. Professional training of STS employees for appropriate adaptation to taxpayers' requirements in terms of increasing the quality of service.

23. Modeling the new Tax Lottery concept with the aim of obtaining the maximum results of voluntary compliance.

24. Adjusting the strategic lines aimed at the optimal functioning of the processes and procedures used by the STS in relation to taxpayers.

25. Developing and implementing an effective communication strategy to support taxpayers to adopt tax citizenship behavior.

26. Ensuring quality assistance to taxpayers based on modern tax practices in the EU community bloc.

27. Implementation of good European practices in the matter of taxpayers' voluntary compliance.

These proposals and recommendations reflect to a good extent the gradual approach to fulfilling the strategic objectives of the state institutions, which will consequently lead to an increase in managerial performance.

Considering the global development of businesses, as well as their complexity, it is necessary for the State Tax Service of the Republic of Moldova to develop and identify solutions in order to successfully adapt to the trends of global challenges.

Therefore, in this way certain solutions are synthesized that can be the basis of the activity of the State Tax Service, based on an inductive type of research, which is not a coherent theory, but a synthesis of the best European practices.

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## ADNOTARE

**ȚURCANU Igor. Managementul administrării fiscale prin prisma conformării voluntare. Teză de doctor în științe economice. Chișinău, 2024.**

**Structura tezei:** introducere, trei capitole, concluzii și recomandări, bibliografie din *157 surse*, conținutul fiind expus pe *146 de pagini* text de bază, conține *24 de tabele*, *16 figuri*, *5 formule* și *10 anexe*. Rezultatele obținute sunt publicate în *12 lucrări științifice*.

**Cuvinte – cheie:** management, administrare fiscală, gestiune fiscală, conformare fiscală voluntară, prelevări fiscale, riscuri fiscale, fraudă fiscală, evaziune fiscală, strategie fiscală, paradisuri fiscale, centre offshore, tehnologii informatice.

**Domeniu de studiu:** managementul administrării fiscale, managementul finanțelor publice.

**Scopul cercetării** constă în fundamentarea teoretico-aplicativă și metodologică a managementului administrării fiscale prin prisma conformării voluntare, identificarea și evaluarea cauzelor și problemelor care generează un management defectuos al procesului de conformare voluntară a contribuabililor, inițierea și implementarea unor acțiuni și măsuri concrete, care vor duce în consecință la creșterea civismului fiscal.

**Obiectivele cercetării:** studierea și elucidarea abordărilor conceptuale privind bazele teoretico-metodologice ale managementului administrării fiscale; cercetarea gradului de interacțiune a managementului administrării fiscale cu modalitățile și mecanismele de prelevare a obligațiilor financiare; specializarea managementului administrării fiscale ca știință aplicativă în proces de conformare voluntară a contribuabililor; investigarea riscurilor aferente proceselor de conformare voluntară; determinarea instrumentelor și metodelor de combatere a evaziunii fiscale pentru a spori gradul de conformare voluntară a contribuabililor; analiza particularităților ce țin de procesul de conformare voluntară a contribuabililor; stabilirea unor politici raționale de administrare fiscală pentru a crește interesul contribuabililor pentru a se conforma voluntar; examinarea bunelor practici europene care pot fi preluate la demararea procesului de conformare voluntară a contribuabililor; identificarea tehnologiilor informatice avansate capabile să amplifice gradul de conformare a contribuabililor; formularea recomandărilor privind crearea și implementarea unui nou mecanism de sporire a gradului de conformare a contribuabililor.

**Noutatea și originalitatea științifică** constă în explorarea managementului administrării fiscale prin prisma conformării voluntare într-un mod complex, unitar și sistematic, fiind utilizate o gamă largă de metode, care au permis atât fundamentarea teoretică a acestui domeniu, cât și evidențierea practică a particularităților ce țin de mecanismul de conformare voluntară a contribuabililor.

**Problema științifică soluționată în teză** constă în dezvoltarea unei noi direcții de cercetare științifică a managementului administrării fiscale, care include abordarea complexă și sistemică a procesului de conformare voluntară a contribuabililor, ca parte integrantă a Strategiei de Dezvoltare și Modernizare Instituțională a SFS, fiind identificate oportunități reale, capabile să asigure diminuarea evaziunii și fraudei fiscale ca pericol eminent în asigurarea veniturilor la BPN.

**Semnificația teoretică a tezei** rezidă în sistematizarea și sintetizarea abordărilor teoretice privind managementul administrării fiscale prin prisma conformării voluntare, ajustarea practicilor internaționale privind utilizarea acestora în proces de activitate a SFS.

**Valoarea aplicativă a tezei** este conferită de posibilitatea de a utiliza rezultatele tezei de doctorat pentru creșterea performanței Serviciului Fiscal de Stat în materie de conformare voluntară a contribuabililor. Soluțiile propuse pot contribui la accelerarea acestui proces, iar rezultatul scontat va fi majorarea încasărilor la BPN.

**Implementarea rezultatelor științifice:** rezultatele au fost diseminate în cadrul conferințelor naționale și internaționale și în publicațiile revistelor de profil. O parte din recomandările sugerate, au fost valorificate și implementate de către Serviciul Fiscal de Stat.



## ANNOTATION

**Igor ȚURCANU. Management of tax administration through voluntary compliance.**

**Doctoral Thesis in Economic Sciences. Chisinau, 2024.**

**Structure of the thesis:** introduction, three chapters, conclusions and recommendations, bibliography of *157 titles, 146 pages of basic text, 24 tables, 16 figures, 5 formulas, 10 appendices*. The obtained results are published in *12 scientific* papers.

**Keywords:** management, tax administration, tax system, voluntary tax compliance taxation, taxes, institutional strategies, tax fraud, tax evasion, tax havens, offshore centers, IT technologies.

**Field of study:** management of tax administration, public finance management.

**The purpose of the research:** the theoretical-applicative and methodological substantiation of the management of tax administration through voluntary compliance, the identification and evaluation of the causes and problems that generate a faulty management of the process of taxpayers' voluntary compliance, the initiation and implementation of concrete actions and measures, which will lead consequently to the increase of fiscal citizenship.

**Research objectives:** studying and elucidating conceptual approaches regarding the theoretical-methodological bases of the management of tax administration; research of the degree of interaction of the management of tax administration with the ways and mechanisms of collection of financial obligations; the specialization of tax administration management as an applied science in the process of voluntary taxpayer compliance; investigating the risks related to voluntary compliance processes; determining the tools and methods to combat tax evasion in order to increase the degree of taxpayers' voluntary compliance; analysis of the particularities related to the taxpayers' voluntary compliance process; establishing rational tax administration policies to increase taxpayers' interest in voluntary compliance; the examination of good European practices that can be taken over upon launching the taxpayers' voluntary compliance process; the identification of advanced IT technologies capable of increasing the taxpayers' degree of compliance; formulating recommendations regarding the creation and implementation of a new mechanism to increase taxpayers' compliance.

**Scientific novelty and originality:** for the first time, the management of tax administration through voluntary compliance was analyzed complexly, unitarily and systematically, a wide range of methods being used, which allowed both the theoretical foundation of the management of tax administration, and the practical highlighting of the particularities related to the mechanism of taxpayers' voluntary compliance.

**The results obtained that contribute to solving an important scientific problem:** the development of a new direction of scientific research in the management of tax administration, which includes the complex and systemic approach to taxpayers' voluntary compliance process, as an integral part of the Development and Institutional Modernization Strategy of the STS, real opportunities being identified, capable of ensuring the reduction tax evasion and fraud as an eminent danger in securing income at the NPB.

**Theoretical significance:** the systematization and synthesis of theoretical approaches regarding the management of tax administration through voluntary compliance, the adjustment of international practices regarding their use in the STS activity process.

**The applicative value of the thesis:** the possibility of using the results of the doctoral thesis to increase the performance of the State Tax Service in terms of taxpayers' voluntary compliance. The proposed solutions can contribute to the acceleration of this process, and the expected result will be an increase of revenues to the NPB.

**Implementation of scientific results:** the results were disseminated at national and international conferences and in the publications of professional journals. The suggested recommendations were appreciated and implemented by the State Tax Service.

## АННОТАЦИЯ

**Цуркану Игор. Менеджмент налогового администрирования посредством добровольной конформации.** Докторская диссертация на соискание степени доктора экономических наук. Кишинэу, 2024

**Структура диссертации:** введение, три главы, выводы и рекомендации, библиография из *157 наименований*, содержание отражено на *146 страниц* основного текста, *24 таблиц*, *16 рисунков*, *5 формул*, *10 приложений*. Полученные результаты опубликованы в *12 научных работах*.

**Ключевые слова:** менеджмент, налоговое администрирование, налоговое управление, добровольная налоговая конформация, налоговые сборы, налоговые риски, налоговое мошенничество, уклонение от уплаты налогов, налоговая стратегия, налоговый рай, оффшорные центры, ИТ-технологии.

**Область исследования:** менеджмент налогового администрирования, менеджмент публичных финансов.

**Цель исследования:** обеспечить научно-прикладную и методологическую основу менеджмента налогового администрирования посредством добровольной конформации, выявить и оценить причины и проблемы, порождающие дефектное управление процесса добровольной конформации налогоплательщиков, инициировать и реализовать конкретные действия и меры, которые впоследствии приведут к повышению налоговой гражданственности.

**Задачи исследования:** изучение и выяснение концептуальных подходов к теоретическим и методологическим основам менеджмента налогового администрирования; исследование взаимодействия менеджмента с методами и механизмами взимания финансовых обязательств; специализация менеджмента налогового администрирования как прикладной науки; исследование рисков, связанных с процессами добровольной конформации; определение инструментов и методов борьбы с уклонением от уплаты налогов; формирование рациональной политики налогового администрирования для повышения добровольной конформации; изучение и внедрение передового европейского опыта по добровольной конформации; выявление передовых ИТ-технологий, способных повысить уровень соблюдения налогового законодательства; формулирование рекомендаций по созданию и внедрению нового механизма повышения уровня добровольной конформации.

**Научная новизна и оригинальность** состоит в комплексном изучении менеджмента налогового администрирования посредством добровольной конформации налогоплательщиков, который изучен и проанализирован комплексно, единообразно и системно, с использованием широкого спектра методов и подходов к управлению.

**Полученные результаты, которые способствуют решению важной научной проблемы** заключаются в разработке нового направления научных исследований по менеджменту налогового администрирования, включающего комплексный и системный подход к процессу добровольной конформации, как составной части Стратегии институционального развития и модернизации Государственной Налоговой Службы (ГНС).

**Теоретическая значимость** состоит в систематизации и синтеза теоретических подходов к менеджменту налогово-бюджетного администрирования посредством добровольной конформации, адаптация международной практики для ее использования в процессе деятельности ГНС.

**Прикладное значение диссертации:** возможность использования результатов докторской диссертации для повышения эффективности деятельности ГНС в части добровольной конформации налогоплательщиков.

**Внедрение научных результатов:** результаты исследования были отражены на национальных и международных конференциях и в специализированных публикациях. Часть предложенных рекомендаций были оценены и внедрены ГНС.

**TURCANU IGOR**

**MANAGEMENT OF TAX ADMINISTRATION THROUGH  
VOLUNTARY COMPLIANCE**

**521.03 – ECONOMY AND MANAGEMENT IN THE FIELD OF ACTIVITY**

Summary of the doctoral thesis in economic sciences

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