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INCREASING COMPLIANCE THROUGH EFFICIENT PUBLIC CAMPAIGNS

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Abstract

This paper starts from the assumption that the degree of compliance of the taxpayer increases in direct proportion to the effectiveness of public campaigns carried out by the tax device.

Information campaigns with a view to increase voluntary compliance can be carried out in various ways. They can emphasize either the potential benefits that taxpayers would receive if the compliance were full, or the potential losses when the degree of compliance is reduced. In theory, these campaigns are effective when intersecting with the promotion or warning of taxpayers about certain fiscal aspects. Following the presentation of campaigns carried out in other states, we propose the initiation of a campaign in Romania as well. Corporate taxpayers will choose out of several campaigns and in the end we will present the results of the research based on the methods of the questionnaire and of the interview.

1. INTRODUCTION

This paper starts from the assumption that the degree of compliance of the taxpayer increases in direct proportion to the effectiveness of public campaigns carried out by the tax authorities.

Information campaigns with a view to increase voluntary compliance can be carried out in various ways. They can emphasize either the potential benefits that taxpayers would receive if the compliance were full, or the potential losses when the degree of compliance is reduced. In theory, these campaigns are effective when intersecting with the promotion or warning of taxpayers about certain fiscal aspects. Following the presentation of campaigns carried out in other states, we propose the initiation of a campaign in Romania as well. Corporate taxpayers will choose out of several campaigns and in the end we will present the results of the research based on the methods of the questionnaire and of the interview.

1.1 STATE OF ART

The normal functioning of contemporary society is unthinkable without media, without collective information, having a tremendous power of broadcasting messages. Hundreds of millions of people who do not know each other and have never seen each other simultaneously attend the same show and share the same reactions and emotions, come into contact with the same information and opinions.

The media is all around us. To live a day without this type of communication has become impossible for most people. The media not only accompanies the message but it also structures it (Chiru, 2003).

Through the media, we can talk about a main aspect of communication in public institutions: institutional communication, or the external communication of a public

institution.

Institutional communication is the kind of communication through which the institution seeks to strengthen its image, to create a climate of trust and sympathy on the part of the citizens (Coman, 1999).

The main function of the process of external communication of the public institution, the administrative-territorial units and, implicitly, the public services offered to citizens or taxpayers.

In the definition of communication, of his nature two features are evoked: the contents of the communication activity and the procedural character of communication (Hollera, 2010).

If we recall that, in the context of interactions, any behaviour bears the value of a message, i.e. it represents communication, it follows that whether we want to or not, we can not communicate (Medrega, 2012).

Lasswell aimed to understand communication based on the analysis of the answers to a few questions: who says? What? To whom? Through what media channel? With what effects? Charles Wright and Harold Lasswell are among the first scientists who have seriously considered the functions and the role of mass media within society. From their point of view, the media fulfills the following functions: surveillance, selection, interpretation, connection, and entertainment. The first would be the supervision function: it informs and provides news. Through this function the media warns us of possible dangers and transmits essential information to the economy, society, etc. It is the function which has a great importance to our case, too, that of raising awareness through media campaigns regarding the importance of taxpayers' liabilities (Panisoara, 2004).

Information campaigns with a view to increase voluntary compliance can be carried out in various ways. They can emphasize either the potential benefits for taxpayers if their

compliance was at a maximum level, or the potential losses when the degree of compliance is reduced. In theory, these campaigns are effective when intersecting with the promotion or prevention regarding certain fiscal aspects.

Field studies confirm this hypothesis of combining tax regulations with the sufficient information of tax payers. The information should consider the possible effects on taxpayers (Zemor, 2003). In the next part of the paper, we will present a few examples of real communication campaigns, implemented and promoted on an international level, aiming to raise awareness of the importance of paying tax liabilities.

2. EXAMPLES OF EFFECTIVE CAMPAIGNS



Figure 1 – Campaign in the U.S. regarding budgetary constraints in the education system

This campaign seeks to raise awareness about the importance of paying tax liabilities entirely in order to be able to save 160,000 teachers in the education system and reduce the motivation of teachers that educated tax payers' children. We think this type of messages may motivate tax payers who have children to pay their tax liabilities conscientiously. However, this situation does not apply to all tax payers, that's why we offer various campaigns addressing as wide a range of contributors as possible.

The next campaign we present (Figure 2) informs the audience in the USA by using accessible language, that the expenditure is \$1 trillion higher than the revenue. These deficits are turning into public debt, which is roughly 16 trillion, and over the next 10 years the purpose is

to have it reduced to 4 trillion. To achieve this, it is necessary to make taxpayers realize the importance of a high degree of collection.

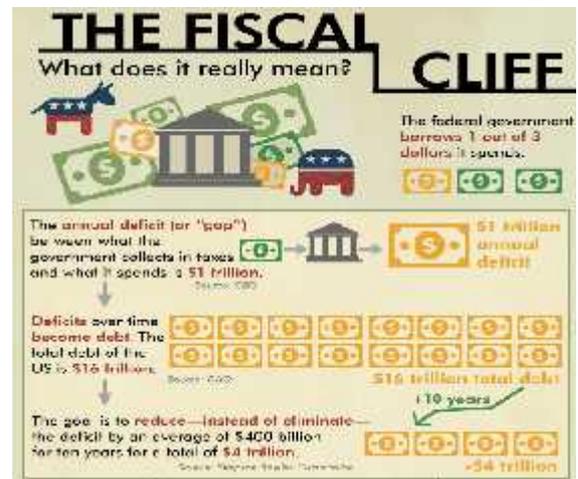


Figure 2 – Awareness campaign on the "brink" generated by rolling over public debt

The campaign presented in Figure 2 supports taxpayers in order to familiarize them with the public debt, as well as to provide macroeconomic figures relating to the public debt and the Government's intention to reduce it to sustainable levels.



Figure 3 – Information campaign on the companies that avoid paying fees and taxes in the country of residence

Such a campaign can generate negative effects on the firms present in this ranking. Taxpayers can be encouraged to take a hostile attitude towards the companies that prefer to obtain profits in that country, but

avoid the payment of fees and taxes that would otherwise be the return of a part of the profit to the taxpayers, in this case the loyal consumers of that brand.

We suggest the realization of such charts in our country as well, where there are numerous companies that avoid paying fees and taxes by registering the companies in tax havens or by using other methods in the gray area of tax evasion,

which bring important prejudices to the State budget. This would deter companies that move their offices in countries like Bulgaria, Cyprus, Belize, Cayman, Delaware (USA), Isle of Man (UK), Liechtenstein, the Marshall Islands, Seychelles.

Table 1 – Tax systems which are more "accessible" than the Romanian one

Jurisdiction	Profit tax	Dividend tax	Set up costs (Euros)	Functioning costs (Euro)
Romania	16%	16%	250	700
Belize	80 Euros	0	800	700
Bulgaria	10%	5%	550	variable
Cyprus	10%	0	1,000	800
Cayman	400 euro 400 Euros	0	1,250	1,150
Delaware (USA)	min. 50 Euros	0	550	750
Isle of Man (UK)	0% + 380	0	1,900	1,600
Marshall Islands	0	0	800	800
Liechtenstein	0.1% of the capital (min. 700 Euros)	4%	3,500	4,200
Seychelles	80 Euros	0	700	650

Considering that on an international level very many effective communication campaigns are implemented, we are trying to prove that a communication campaign meant to increase the level of budgetary revenue collection can be effective in Romania as well.

3. MEDIA CAMPAIGNS PROPOSAL FOR ROMANIAN FISCAL POLICY-MAKERS

Obviously, it is difficult to implement a media campaign with the purpose of increasing the degree of revenue collection. In recent years, despite the declared efforts of fiscal authorities, collection has remained constant, at a level close to 33%, while on a European level the average is around 40%.

A campaign is difficult to implement since the biggest debtors to the State budget are State-owned companies. Of the

10 biggest debtors to the State budget, 7 companies are State-owned. Even more serious is that in 2012 alone the 10 biggest debtors to the State budget have had arrears of 3.3 billion Euros, while the top 10 contributors to the budget paid 6.7 billion Euros⁸.

Therefore, the gap recorded by Romania regarding the extent of collection can be corrected only through the privatization of State-controlled enterprises because of their the losses (or restructuring and bringing profit to them, where privatization is not possible), without the need for additional measures. We do not say, however, that there is no need for other measures as well.

A first step towards implementing awareness campaigns in order to improve the degree of voluntary compliance must aim at the removal of state companies from the debtors list.

After taking concrete measures in this

direction, tax authorities can prepare awareness campaigns for tax payers regarding the importance of paying their tax liabilities.

Given our intention to implement such a communication campaign, we will analyze the reactions and opinions of taxpayers in Sibiu County. Thus we will send a questionnaire to people representing financial and accounting departments of companies operating within the County. Through this survey, we will measure the current presence of campaigns and we will also propose several variants of campaigns that can be applied locally or nationally.

3.1 CASE STUDY - STUDYING THE NEED TO APPLY SUCH CAMPAIGNS IN SIBIU COUNTY

By using the questionnaire in Annex 1 on a sample of 200 companies in Sibiu County, we got 65 completed questionnaires of which 40 were validated.

The questionnaires were filled out by people in finance and accounting departments or by executive managers of the companies.

Table 2 – Centralizing the answers to the question: To what extent do you feel there are sufficient campaigns raising awareness of the importance of paying fiscal liabilities we have centralized the following answers

	I strongly agree	I agree	I neither agree, nor disagree	I disagree	I strongly disagree
There are sufficient campaigns raising awareness of the importance of paying tax liabilities (taxes, charges, contributions)					
1. on a local level?	3	10	11	12	4
2. on a national level?	2	12	11	11	4
3. Do they impact your decisions?	4	15	15	4	2

Among the centralized answers in table 1, a percentage of 28% of the respondents have no opinion on this, and about 40% at both national and local level consider that there are insufficient such campaigns.

We thus propose the intensification of campaigns raising awareness in order to improve the degree of compliance with the payment of tax liabilities.

Table 3 – Which of the following campaigns do you consider being the most effective?

	I strongly agree	I agree	I neither agree nor disagree	I disagree	I strongly disagree
A. Pay your taxes in full and we can reduce the social contributions and stimulate the creation of new businesses by young people!	12	11	14	3	0
B. Pay your full tax liabilities in time and we will be able to improve road infrastructure faster!	9	18	9	2	2
C. We encourage the development of firms investing in Romania and are socially involved!	12	15	10	2	1
D. Ask for your bills and encourage real economy for larger budgets for education, health, and research on local/national levels	13	17	8	2	0
E. To improve the public services offered by public institutions in Romania, pay your taxes in full!	8	12	10	7	3
F. For a healthier community, for a cleaner environment, and for a modern education, eliminate tax evasion!	15	11	11	3	0

The campaign with the highest percentage of “I strongly agree” and “I agree” responses is option D with 75%, followed by option B and C with 68%, F with 65%, and A with 58%.

For question 3 of the questionnaire, a proposal offered is “respecting the payment deadlines of taxes should reduce

interest rates and delay penalties, which could be calculated in the case of payment delays.”

Question number 4 aimed to receive legal person’s taxpayers’ opinion at the level of Sibiu County in terms of the effectiveness of the promotion of such campaigns.

Table 4 – What channel do you think is the most effective for promoting such campaigns?

	I strongly agree	I agree	I neither agree nor disagree	I disagree	I strongly disagree
The online environment	13	19	8	0	0
TV	20	17	3	0	0
Radio	16	20	4	0	0
Printed press	12	15	10	3	0
Outdoor (flyers, posters, billboards)	12	17	7	4	0

The research done leads us to believe that the most effective way of promotion is the TV, as 93% of the respondents said they agreed or strongly agreed with this way of promotion, followed by the radio with 90%, the online environment with 80%, the outdoor environment with 73%, and in last place printed press with 68%.

4. CONCLUSIONS

In order to increase compliance fiscal campaigns should be effective and according to theory there are most when intersecting with the promotion or warning of taxpayers about certain fiscal aspects. The conclusion to our survey stated that the most efficient campaigns are: C. We encourage the development of firms investing in Romania and are socially involved and D. Ask for your bills and encourage real economy for larger budgets for education, health, and research on local/national levels. Other campaigns mentioned should be integrated into others in order to obtain maximum results.

Speaking about the best solution to promote these campaigns we suggest an online approach because of the low cost comparing with TV and radio which are also mentioned as effective by the taxpayers.

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