

IMPACT OF TAXATION ON AGRICULTURAL REVENUE OF FARMERS

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Abstract

Taxation is involved in all areas of life, economic, social and cultural. These sides are permanently correlated, interconnecting each other, inducing specific behaviors, each at the level of the other. The importance of the studied theme lies in this interdependence of the areas of control. The fiscal measures do not determine strictly economic characteristics, but they produce more or less profound social and cultural changes. Human actions, in general, take place with a certain direction, duration and intensity. The direction is established, most of the times, according to the objectives pursued, and the other two instruments, the duration and the intensity are relatively clear. The same aspects are also within the framework of taxation, the objectives are intensively pursued and are foreseen with certain periods of time. These, the objectives, are different from one period to another, changing both in intensity and duration. This is why it is very important to know what their effects are on the economic and social field, because they are created by the public power in order to positively affect both subjects, the state budget and the taxpayers.

Keywords: *taxation, income, farmers, Romania*

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Introduction

The change of system from 1990 brought in the Romanian society and the change of perception on the property. In agriculture, through the Law of the Land Fund 19/1991, the reconstitution of the property right was instituted, but it was delayed both the issuance of the definitive property titles and the elaboration of a fiscal system, which would contribute to the consolidation of the newly emerged properties. Property taxes have both fiscal effects, through the income generated to the state budget, representing a source of financing for local administrations, as well as non-fiscal effects, through the elements related to the opportunity, economically and socially, of protecting the owners. Taxation, through its ability to form a beneficial budgetary framework for both parties, both for the taxpayer, but especially for the beneficiary, has the role, at the same time, of making the owner accountable for the resource he owns, by offering them indirectly, a higher degree of utility, a fact that is reflected in the functionality of the existing property relationship at a given moment within the branch. Limiting the tax action to a technical perspective, repeatedly and compulsorily collecting a sum of money – from taxpayers to the state budget – does nothing but restrict taxation to a moral aspect. Thus, besides the necessity, the taxation is the one that gives added value to the actions of the public institutions involved in collecting taxes and taxes, consolidating and making responsible the property relation in a free market. 30 years after the change of the system, we consider that it is very important to understand the "purpose of the property", which is perhaps even more important than its object, because, behind any successful economic phenomenon, it is the man himself, who, by knowing the realities and the power its moral, it is above any article of law or theory.

In the sphere of economic practice, the attributes of the land are relatively little known by most landowners, the effects being visible today and will certainly last a long time! The creation of a critical mass of landowners aware of the role of their resource and the importance of its control, is one of the important levers that will lead to the consolidation of the property in Romania tomorrow.

1. Literature review

The subject of study is in the interest of economists, who are trying to find the best compliance between taxation and the taxpayer. These conformities can be found even from the principles of taxation, which, according to the author Horia Lupan, in tax matters there are four basic principles:

- i) The tax must be placed on the income and it must not strike the capital, taking into account the theory of the impact and the incidence of the tax (Jeze, 1932) ;
- ii) The tax rate should not affect the productive power of the taxpayer. Thus, the farm should not be affected by taxation, neither in its existence nor in its progress;
- iii) The taxpayer, in this case the farmer, must participate in the public tasks, to the extent of his economic potential;
- iv) The tax must not be arbitrary, neither from a legal point of view nor from an administrative point of view;

The finding of the citizen's contribution power is presented in three systems, namely:

- The expenses system. This is considered by the author Horia Lupan a criterion with defects, uncertain and incomplete;
- The capital system. This criterion is also uncertain, as capital productivity varies by the nature of the taxpayers and by the individual. There is no absolute relationship between capital and contributory power or contributory faculty;
- The income system. This is a more general criterion of appreciation, because every individual must have a source of gain. In a generic sense, incomes are safer and easier to determine (Georgescu, 1935) ;

Income is also a sure criterion in determining the value of capital, being the fairest way of establishing it (Vasiliu, 1932) . Indeed, income forms the real taxable matter, not capital.

The contributory faculty of the individual, being determined by income, can be calculated more precisely, thus realizing the fiscal justice in the matter of taxation (Asian, 1925) . Fair taxation should apply to net income and not to gross income.

2. Impact of taxes on the income of the taxpayer in agriculture

The impact of income taxes, land taxes and social contributions on the financial capacity of farmers can be explained through the farmers' perception of taxpayers.

The perception of taxpayers cannot be completed without an analysis of the impact of taxation on their financial capacity. In this regard, farmers from 28 counties were questioned, regarding their monthly income and the area of land cultivated with cereals. Both household income and land area are tools that help in determination of the amounts they pay to both, local budget and national budget for their agricultural activities. The results obtained will be

balanced with the incomes of the peasant households participating in the survey, to determine their financial capacity.

According to the legislative framework, a farmer has the following obligations to the state budget (national and local) and to the social insurance budget: the income tax – which is calculated according to the county agricultural norms and the number of hectares or animals; land tax – which is calculated according to the area of land, the category of use and the rank of the locality; social contributions – which are calculated on the basis of the income established by the county norms and paid only insofar as it exceeds twelve minimum gross wages in the country. Social contributions are not compulsory for taxpayers whose income is less than 24,960 lei (which means twelve minimum gross salaries of 2,080 lei – the amount for the year 2019), but if they want, they can choose to pay for the social contributions.

From the data of the questionnaire mentioned above results the following values regarding the three main taxes: the income tax, the land tax and the social contributions tax that the 28 farmers had to pay. Also, in the Table 1 is specified the monthly income of every farmer and the share of the taxes in this income, in order to determinate the influence of the agricultural taxes in the monthly income.

Table 1. Impact of taxes and social contributions on the income of the taxpayer in agriculture

No.	County	Monthly income (lei/ ha)	Total taxes and contributions (lei/ ha)	How much is the value of taxes and contributions in the monthly income of farmer – per hectare (%)
1	Buzău	350	207,44	59,27
2	Salaş	312,00	167,75	53,77
3	Maramureş	387,34	200,04	51,64
4	Sibiu	415,38	213,25	51,34
5	Călăraşi	514,29	263,66	51,27
6	Olt	426,92	217,20	50,88
7	Neamţ	414,55	210,24	50,72
8	Iaşi	436,36	217,58	49,86
9	Bacău	466,67	229,01	49,07
10	Alba	494,12	240,78	48,73
11	Teleorman	551,72	262,26	47,54
12	Ialomiţa	654,55	310,95	47,51
13	Vrancea	600,00	276,56	46,09
14	Prahova	600,00	275,70	45,95
15	Galaţi	600,00	273,35	45,56
16	Satu Mare	688,89	312,63	45,38
17	Cluj	750,00	329,22	43,90
18	Timiş	720,00	312,70	43,43

No.	County	Monthly income (lei/ ha)	Total taxes and contributions (lei/ ha)	How much is the value of taxes and contributions in the monthly income of farmer – per hectare (%)
19	Brăila	975,00	422,55	43,34
20	Bihor	830,77	358,78	43,19
21	Mureș	758,82	327,71	43,19
22	Giurgiu	825,00	350,75	42,51
23	Ilfov	864,00	365,15	42,26
24	Dambovița	6000,00	2160,92	36,02
25	Dolj	7200,00	2578,80	35,82
26	Vaslui	240,00	66,78	27,83
27	Argeș	432	65,40	15,14
28	Tulcea	545,45	56,51	10,36

Source: Author processing based on data provided by the farmers participating in the survey

In order to balance and efficiently analyze the impact of taxation on the taxpayers' income, the amounts were transposed on the unit of measure lei / hectare. The fiscal burden thus resulted from the calculation is between 15.14% (in the case of a farmer from Argeș county, who makes an annual income of 21,600 lei) and 59.27% (in the case of a farmer from Buzău county, who makes an annual income of 42,000 lei). It should be noted that the situations presented cannot be considered as general cases for a county.

Also, in the context of the analysis of the impact of taxes and social contributions on the financial capacity of the taxpayers, aspects related to income, culture, the area of cultivated land and / or the heads of animals were kept, for another 16 farmers, 8 peasant households in Teleorman county and 8 in Timiș county. At the base of the election of these counties were located the statistics of the Ministry of Regional Development, which ranks the two territorial administrative units by extreme development levels. On the one hand, according to the "Report on the state of the territory", Teleorman county is ranked in the last places, in terms of Gross Domestic Product per capita, next to Botosani and Vaslui. On the other hand, Timiș County is in the top of the counties, in terms of Gross Domestic Product per capita, along with Ilfov, Arad, Cluj, Sibiu, Brașov, Prahova and Constanța. (Figure 1)

According to the available data, GDP per capita is the indicator that highlights significant territorial discrepancies. Thus, Teleorman is different from the other counties in South Muntenia; Timiș vis-à-vis Caraș-Severin, Bihor and Hunedoara; Brașov to Covasna and Harghita etc. These discrepancies are accentuated or maintained in recent years, according to figure 1. However, it should be noted that most of the counties registered upward trends of GDP per capita, especially after 2011.

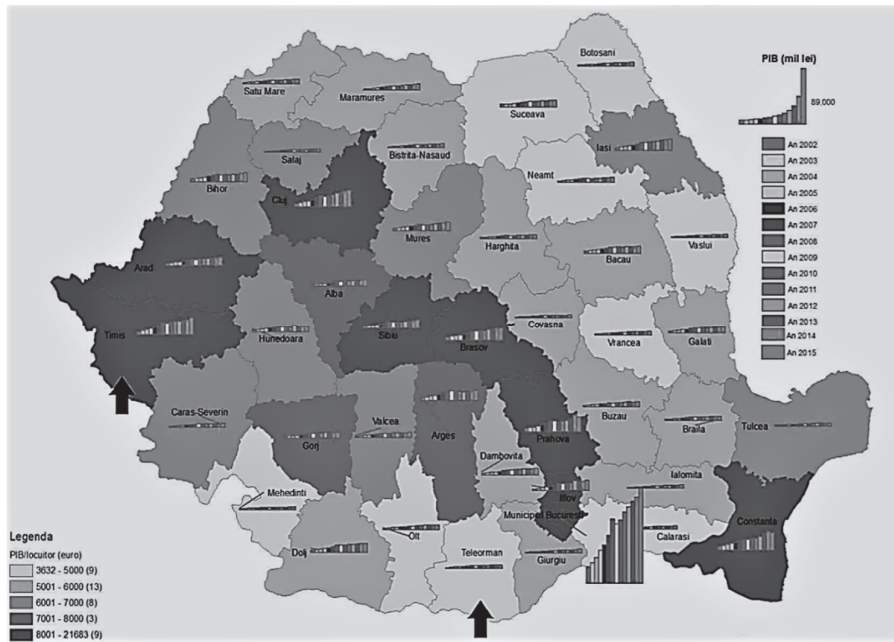


Figure 1. The gross domestic product per inhabitant, by counties

Source: Processing based on data provided by INS

The results of the analysis of the impact of taxes on peasant households in Teleorman and Timiș counties show that the fiscal burden is felt more in the less developed areas, against the background of lower incomes. In this context, a fiscal burden of over 90% is observed in three of the eight peasant households analyzed in Teleorman county, a burden felt especially by taxpayers whose only source of income is agriculture (especially the cultivation of cereals and oil plants, but and vegetables in protected areas and legumes for grains).

For taxpayers who make money from both agriculture and salaries, the social contributions will be paid only once, in order to avoid double taxation. In this case, the social insurance contributions for the farmers obtaining income and salaries were eliminated, assuming that they will already be paid. (Table 2)

Regarding the fiscal burden felt or experienced by the eight peasant households in Timiș County, its upper limit (about 80%) is found in the case of a farmer with 91 hectares cultivated with cereals and 45 hectares cultivated with oil plants. The lower limit of the fiscal burden felt by the eight peasant households in Timiș county is about 24% and is applied to a peasant household that deals with the raising of 19 cows.

Table 2. Impact of taxes and social contributions on the incomes of peasant households in Teleorman (TR) and Timiș (TM) counties

ID	County	Income source	Monthly family income lei	Annual income lei	Income tax Euro/year	CASS Euro / year	CASS Euro / year	Land tax Euro/year	Total taxes Euro/year	Total taxes in total income %
1	TR	Agriculture	4800	57600	17963	5760	14400	3402	41525	72,09
2		Salary and agriculture	2750	33000	9720			8148	17868	54,15
3		Agriculture	4100	49200	21955	4920	12300	4116	43291	87,99
4		Salary and agriculture	5500	66000	31792			5880	37672	57,08
5		Salary and agriculture	1550	18600	5301			798	6099	32,79
6		Agriculture	6000	72000	35459	7200	18000	6552	67211	93,35
7		Agriculture	6800	81600	43571	8160	20400	6510	78641	96,37
8		Agriculture	5400	64800	32452	6480	16200	6006	61138	94,35
9	TM	Salariu	9000	108000	42990			5964	48954	45,33
10		Agriculture	5700	68400	24960	6840	17100	5712	54612	79,84
11		Agriculture	5000	60000	12750	6000	15000	3654	37404	62,34
12		Salary and agriculture	6100	73200	28830			6258	35088	47,93
13		Salary and agriculture	4950	59400	24180			4788	28968	48,77
14		Salary and agriculture	1500	18000	4250				4250	23,61
15		Agriculture	4000	48000	5550	4800	12000	1554	23904	49,80
16		Salary	3400	40800	10890			2478	13368	32,76

Source: Processing based on the data provided by the farmers participating in the survey

From the 8 cases analyzed in Timiș county, an influence of the size of the peasant households on the degree of control is distinguished, but also an influence of the sources of income of the farmers.

Conclusions

Throughout history, humanity has faced three drastic problems: war, famine and epidemics. Although each of these problems have been solved, over time, they have not been overcome, but have been masked by various conjunctions. Without having the same power of destruction, the war is now replaced by suicides, problems of the individual, which, although not as violent, lead to the destruction of nations. It is the first time in the world that obesity exceeds the number of people suffering from hunger. Over 821 million people, respectively 10% of the world's population, are directly attacked by economic conflicts, attacks

manifested by hunger and poverty. Agriculture can help overcome social difficulties, being a sector that, through its crucial element – food – can help meet food needs.

In this context, it is particularly important to focus attention on each instrument correlated with the efficiency of the agricultural sector, but especially on the three poles of power in the Romanian agriculture: family, property and production. The social efficiency in agriculture is correlated with the demand, and in Romania, for the most part, the agricultural system being a traditional one, the production is destined mainly to the self-consumption. In this sense, the efficiency of a traditional agricultural household is measured in the capacity to satisfy the consumption needs of the family and less is based on economic arguments. Social efficiency is also valid for large agricultural holdings, insofar as they exceed the family's food needs and satisfy the demand from outside it.

From the economic point of view, starting from the fact that the income is the one that helps to measure the profitability, both in small households and in large farms, this is not the absolute indicator for efficiency, but rather, for carrying out analyzes and evaluations. of the respective structures. Thus, for the applicability of valuations, it is necessary to know the use of accounting and taxation.

Agriculture, from the point of view of taxation, has a main feature, namely, that, since ancient times, taxation was done on the factor and not on the result. Subsequently, with the launch and development of the industrial revolution, taxation was made even on the labor factor, and then on the result, with the mention that, at present, the taxation in agriculture differs depending on the traditional or industrial production system.

In the traditional system, where costs and results are not accounted for, the system of taxation on the factor, respectively on the land, is perpetuated.

In the intensive and super-intensive culture system, with special reference to the industrial and ecological systems, present in Romania, the taxation on the land is doubled by that on the result. However, taxation is not the only instrument that applies to the factor, but also the subsidy, it is realized on the factor, from 2003.

At a small size of the farm, the fiscal burden is strongly felt by farmers, being a restrictive factor, both in the process of financing and developing the productive capacity, but especially in the financing capacity of the family's standard of living.

In fact, undifferentiated financing, depending on the size of the farm, disadvantages small farmers and benefits the big ones. This is the formula that directly distorts the effects of land reforms, which occurred on the vector from sea to small, thus, when the land was translated from small to large farm.

The progressive taxation would create a moral, ethical effect, a balanced balance between the small and the big farm, but the moral effect is insignificant, considering that it restricts the process of consolidation of the big farms, much needed today in the structural architecture of agriculture. Romanian, when the competition in the market is important.

In the relations between the subjects of the fiscal system it is necessary to develop the promotion of equity, efficiency, certainty and responsibility for actions for collecting and distributing financial resources. According to the author Margaret Levi (2015), the payment of taxes is a "quasi-voluntary" act, which is not realized only because there is a fear of sanctions applied by the tax authorities, but because, from a moral and cultural point of view, the taxpayers must be responsible for the creation of the respective resource, giving the latter a higher degree of (public) ownership and, therefore, of use.

A coherent fiscal system, understood by each participating actor, can lead to maintaining the stability of the agricultural sector, giving rise to indispensable awareness. It is about awareness, because it is essential for each farmer to know, legally, and then practically, what side he will incline his activity, but also what decisions to make with regard to his farm. In

this context, Chapter Six of this paper deals with a case study, through which it is desired to create an overview of the ways in which farmers perceive their taxation, fiscal system and its applicability in the agricultural sector. The perception that the 120 respondent taxpayers showed through the survey is a politicized, mediocre one. It may seem a paradox, but the solutions to the problems given by the farmers through the questionnaire are purely political in nature. "The farmer knows how to work the land, has no knowledge and time for taxation", is the opinion of a farmer participating in the elaborated questionnaire, and despite the fact that farmers know very little about taxation, they do not think they should know more information, but it would be natural for someone to calculate their contributions to the state budget. The most important conclusion of the present paper, moreover, is that the existence of a fiscal consultant for each locality or commune would improve the situation of the Romanian farmers in terms of both the good approach of the current activities and the efficiency of the future decisions related to the agricultural exploitation.

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