

STUDY CONCERNING THE EXECUTION OF LOCAL BUDGETS REVENUES

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Abstract:

Implementation of local budget revenues is a very important sub-phase of the local budgetary process its correct accomplishment ensures regularity and efficiency in revenue collection, which will cover the local budget expenditures. Through this scientific approach we intended to achieve an analysis of the implementation of revenues mobilized to the local budgets in Romania. The study started with fixing the concept of execution of budget revenues and defining its phases, and followed with the analysis of the implementation of local budget revenues in three levels, namely: the overall local budgets in Romania, at the city level and at the community level. We have to mention that the analysis of the execution of local budgets was done in 2011, based on existing data in the last occurrence of the Romanian Statistical Yearbook for 2012. The paper concluded with some considerations regarding the execution of local budgets revenues and some proposals for improving the collection of local income.

Key words: local budget, transfers from the state budget, tax, state budget

JEL classification: H 72, G 32

INTRODUCTION

The local budgets adoption is followed by their execution in order to collect the revenues and expenditures carried on through territorial units of the state treasury.

The budgetary execution of local revenues is a very important sub-phase, whereas its correct implementation ensures regularity and efficiency in revenue collection which will cover the local budget expenditures.

The implementation of local budget revenues is the activity of collecting taxes, contributions and other income of this budget, and is conducted on the following principles:

- No tax, fee or other obligations of the same nature can be budgeted and collected, if they were not established by law;
- The annual budget law approves for each year a list of taxes and their amount, as well as other income of state and administrative territorial units that are to be collected;
- Their levying is prohibited in any way and under any name such as direct or indirect contributions, others than those established by law.

Budget execution falls strictly within the financial year, which has the same duration as the budgetary year for both local authorities and economic agents.

All rights acquired on the collection of revenues, rights derived directly or indirectly from the local budget during the budgetary year in question, belong to its corresponding year. So, the unearned revenues until December 31st of the year will be charged on the account of the following year's budget.

THE EXECUTION OF LOCAL BUDGETS REVENUES

The execution of the part of budgetary revenues is based on the principle that for these revenues the provisions in the approved budget represent the minimum limits of revenues, and tax collection is its main component. The implementation of the part of revenues involves several operations staggered in time, namely: settlement, liquidation, issuance of collection notice, actual levying (collecting) of the income.

The assessment of duty, as a specific taxes operation, involves identifying and evaluating taxable matter and determining the amount of tax charged on categories of taxes, according to the tax legislation.

The liquidation of duty is focused on determining the amounts receivable from various payment terms that have to be communicated to taxpayers and opening tax records for each payer who becomes a debtor of the local budget. By opening records on payment obligations, imposed on the taxpayer, it is monitored each tax collection by the tax system and is anticipated the following operation, namely the issuance of collection notice (Filip, 2002).

The issuance of collection notice (taxation) refers to the preparation of an act (document) authorizing the collection of revenue in question for the local budget, which takes various forms. Documents used by the tax system are diverse, from declaration for establishing tax or property tax, declaration of tax assessment for transportation, up to the minute-payment notice. Documents issued have a decisive role in collecting tax debts as they are under the law enforcements. Therefore, this stage involves the assessment of duty based on documents, local government revenues and also tax receivables, whose collection will provide the cash needed for the local budget.

The levying (collecting) tax is the final operation in the implementation of the budget revenues, and involves the effective disposal of the amount from the taxpayer to the local authorities, either in cash or by bank transfer. A collection operation requires tracking the timeliness of payment by taxpayers, and tax authorities can impose sanctions or enforcement measures to borrowers who do not pay tax obligations. (Breach the terms of tax payment by taxpayers)

Compared to the other three types of tax administration transactions (assessment, liquidation, issuance of collection notice) that are made by specialized tax authorities, their actual collection represents a management operation of public money, which might carry on , in principle, by accountants or fiscal agents.

THE ANALYSIS OF THE BUDGETARY EXECUTION OF LOCAL REVENUES AT THE NATIONAL LEVEL

The analysis of the budgetary execution of the local revenues at the national level starts from its proportion in the national public budget revenues for a period of five years, namely from 2007 to 2011, compared with the state budget and the state social insurance budget.

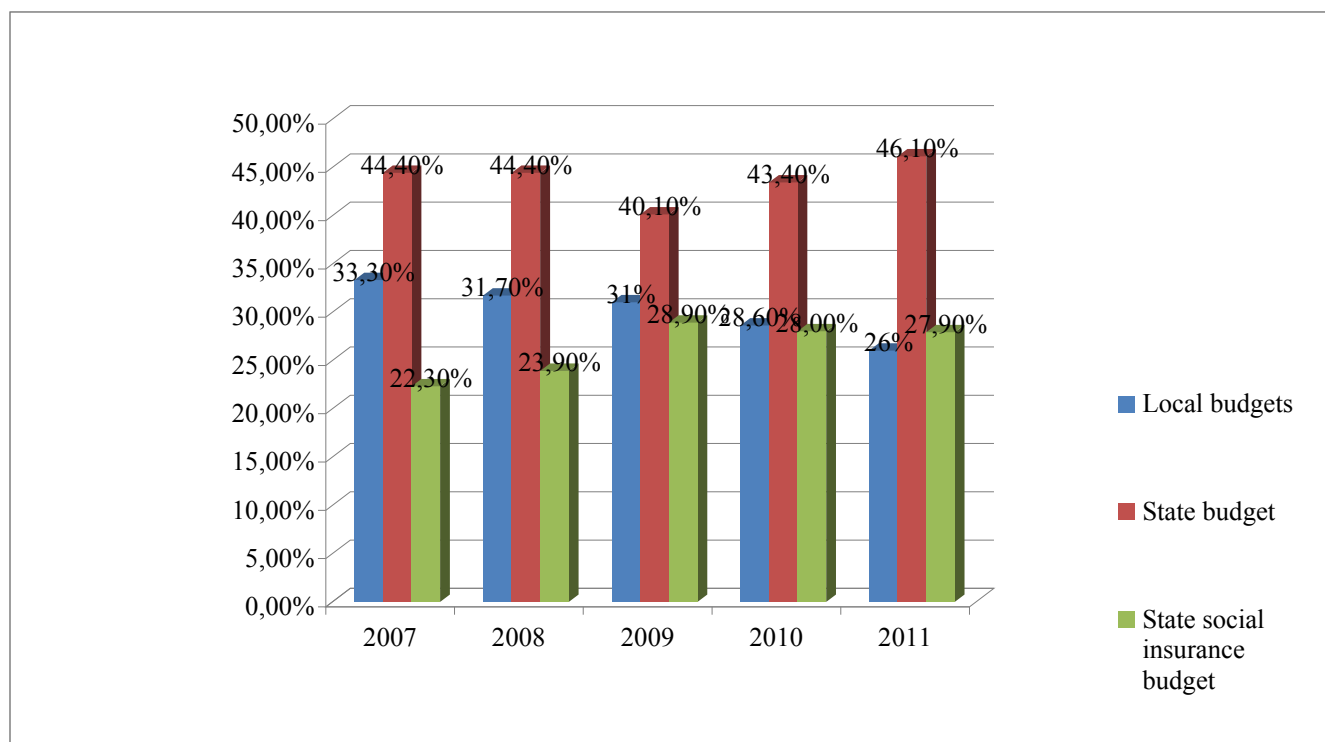


Figure 1 The share of the local budget income in the national budget revenues

Source: processed data from The Statistical Yearbook of Romania 2007-2012

The above figure shows that from 2007 to 2011 the percentage of the local budget revenues in the national budget income had a descending trend; their proportion in the national public budget diminished considerably, from 33,3% in 2007 to 26% in 2011, decreasing by nearly 2% every year.

The fact that the percentage of local budgets in the national budget was reduced from 33.30% in 2007 to 26% in 2011, while the weight of the state social insurance budget in the national budget increased significantly during this period, is not likely to be appreciated as positive, on the contrary, is worrying, since there is a request for local development. We cannot talk of progress at local and national level as long as their income grows very slowly and the local authorities do not enjoy real autonomy, and a significant amount of revenues is directed towards the social assistance.

The table below shows the amount of revenues received from local budgets overall during 2007-2011 and allows us to formulate opinions on their development.

Table1. Evolution of local budget revenues from Romania during 2007-2011

Year	2007	2008	2009	2010	2011
Total revenues received	36,805.2	43,629.1	43,526.1	43,922.2	44,803.9

Source: processed data from The Statistical Yearbook of Romania for 2007-2012

The table shows that during that period, the revenues received on local budgets had unimportant increases. The most significant revenue growth occurred during 2007-2008, when local budgets revenues grew by almost 7,000 million lei. We can say that this development arrived because until 2009 Romania was in a process of growth. With the emergence of economic recession from 2009, it is noted that local budget revenues remained at the same level of 43,000 million lei until 2011, and recorded small increases, which is the result of having many companies and businesses closed, generating unemployment and thus, fewer resources for state treasury and local budgets.

In 2011 there was a slight increase in revenues from 43,922.2 million lei in 2010 to 44,803.9 million lei, a sign that Romania registered a slight out of recession.

The graphical representation is also suggestive for those shown above.

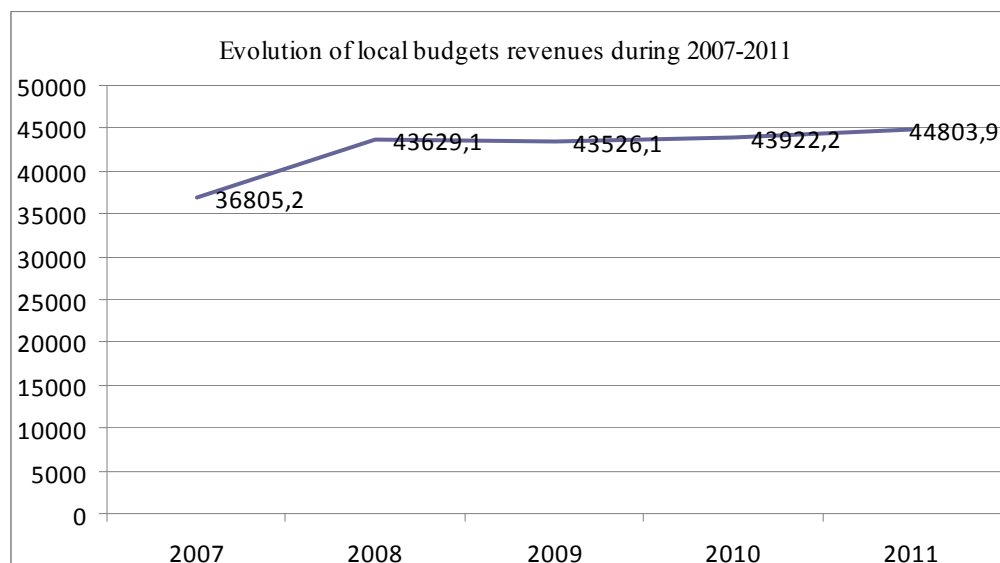


Figure 2 Evolution of local budget revenues during 2007-2011

Source: processed data from The Statistical Yearbook of Romania for 2007-2012

To get a complete picture of revenues that were collected for municipal budgets from Romania during 2007-2011 we must also analyze them in their structure.

Table 2. Evolution of the structure of local budget revenues from Romania during 2007-2011 (%)

Year	Current revenues from which:		Financial transactions	Capital revenues	Subsidies	Money from the EU
	Tax revenues	Non-tax revenues				
2007	81,80	3,54	0,0005	1,67	12,98	0,00
2008	85,59	2,96	0,0077	1,46	9,95	0,00
2009	84,38	3,08	0,0071	0,82	10,06	1,62
2010	78,64	3,52	0,0070	0,65	12,05	5,11
2011	73,69	4,84	0,0044	0,87	12,54	8,03

Source: processed data from The Statistical Yearbook of Romania for 2007-2012

The processed data in Table 2 shows that the largest share in the total local budget revenues is held by current revenues. Therefore, tax revenues had a share ranged between 73% and 85% during 2007-2011. These revenues consist mainly of amounts deducted from the value added tax which shows that local budgets depend largely on the state budget. Also, the table shows that the financial transactions had the lowest proportion and are in constant depreciation; they had a percentage of 0.0077% in 2008, reaching a weight of 0.0044% in 2011. This means that local budgets received very little income from financial transactions. Capital revenues also declined in 2011, they had a proportion of 0.87% compared to 1.67% as recorded in 2007. During 2007-2011, they had an average weight of about 1%. From 2007 to 2008, local budgets did not receive money from the European Union, thereby during that period they recorded a percentage of 0%.

THE ANALYSIS OF EXECUTION OF LOCAL BUDGET REVENUES WITHIN SUCEAVA MUNICIPALITY

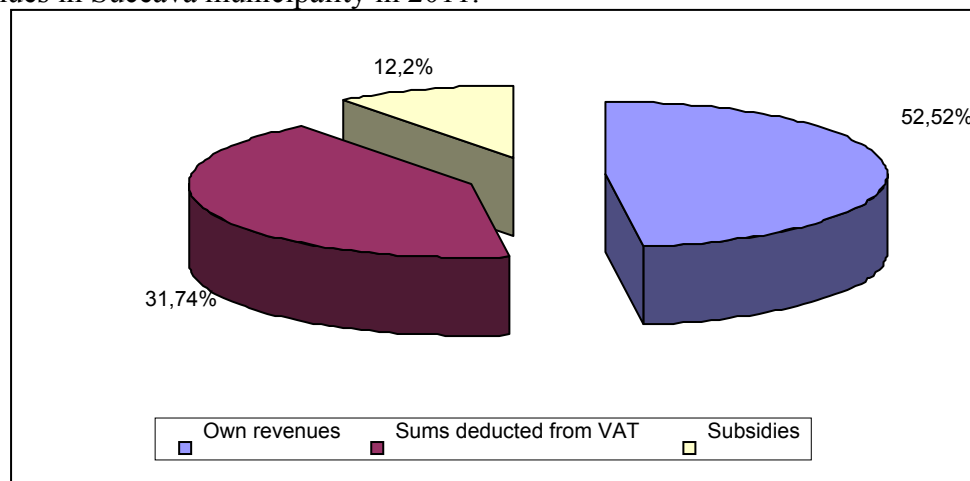
In the case of Suceava municipality, the level of the execution of local budget revenues amounted 86.02% because the income collected in 2011 up to December 31st totalized 214,366,058 lei instead of 249,186,457 lei.

Table3. The level of achievement of revenues and their structure within local budget of Suceava municipality in 2011

Financial indicators	Final budgetary provisions (RON)	Collected revenues (RON)	The proportion of revenues in total income (%)	Achieved (%)
Total revenues	249186457	214366058	100	86,02
Own revenues	117578811	112598674	52,52	95,76
I. Current revenues	184185383	178371580	83,20	96,84
A. Tax revenues	159134087	155194892	72,39	97,52
A.1. Income taxes, profits and capital gain tax	53227387	50825212	23,70	95,48
A.1.2 Income taxes, profits and capital gain tax from individuals	52384515	49981922	23,31	95,41
A.2 Payroll taxes	0	0	0	0
A.3 Property taxes	27997191	27533676	12,84	98,34
A.4 Goods and services taxes	77909509	76836004	35,84	98,62
Amounts deducted from the value added tax(VAT)	68515709	68050627	31,74	99,32
C. Non-tax revenues	25051296	23176688	10,81	92,51
C.1 Property income	12567663	11640218	5,43	92,62
C.2 Sales and services income	12483633	11536470	5,38	92,41
Fines, penalties, seizures	2085497	2116294	0,98	101,47
II. Capital income	1914237	2282821	1,06	119,25
III. Subsidies	30957100	26172007	12,20	84,54

Source: data processed after the annual budget execution account of Suceava municipality in 2011

In 2011 the budget of Suceava municipality collected tax revenues totaling 112,598,674 lei, which means 52, 52% of total income. From the structure of revenues mentioned in the table above it is observed that tax revenues has the largest share of total income, in an amount of 155,194,892 lei , representing a percentage of 72,39% in total revenues, but it must point out that the amounts deducted from VAT totalize 68,050,627 lei that means 43,84% of tax revenues. If we put together the amounts deducted from Vat and subsidies, we notice that they represent a percentage of 43, 94% of total revenues in Suceava municipality in 2011.

**Figure3 Structure of budget revenues in Suceava municipality in 2011**

The proportion of property tax in the amount of tax revenues is 17, 74% respectively 12, 84 % within total incomes, collected revenues totaling 27,533,676 lei. It must be noticed that this category of collected revenues was achieved in a proportion of 98, 34 % compared to the budget provisions amounted to 27,997,191 lei.

THE ANALYSIS OF EXECUTION OF LOCAL BUDGET REVENUES IN FÂNTÂNELE, SUCEAVA COUNTY

In the local budget of Fântânele, in 2011 (Table 4), the final annual budget provisions amounted 3,159,164 lei while collected revenues represented 3,087,715 lei, which means 97,73%. It must be noticed that many of the income indicators exceeded the provisions made, compared to collected amount from subsidies that were smaller than budgetary provisions (56, 58%).

In terms of the structure of the local budget revenues collected in Fântânele in 2009, we notice the very high percentage of sums deducted from VAT (71,83%), well above the national average, and the weight of quotas and deducted amounts from income tax within own revenues (54,30%).

Table4. The level of achievement of revenues and their structure within the budget of Fântânele in 2011

Financial indicators	Final budgetary provisions (RON)	Collected revenues (RON)	The proportion of revenues in total income (%)	Achieved (%)
Total revenues	3159164	3087715	100	97,73
Own revenues	650617	745162	24,13	114,53
A. Fiscal revenues	2894852	2903954	94,04	100,31
A.1. Income tax, profits and capital gain tax	407403	411500	13,32	101,00
A.1.1 Income tax, profits and capital gain tax from legal persons	0	0	0	0
A.1.2 Income tax, profits and capital gain tax from individuals	407403	411500	13,32	101,00
Quotas and sums deducted from income tax	407403	404664	13,10	99,32
A.3 Property taxes	144602	218301	7,06	150,96
A.4 Goods and services taxes	2342847	2274153	73,65	97,06
Sums deducted from VAT	2288547	2218076	71,83	96,92
C. Non-tax revenues	44312	59284	1,91	133,78
C.1 Property income	5600	6417	0,20	114,58
C.2 Sales and services income	38712	52876	1,71	136,58
Fines, penalties, seizures	23112	28126	0,91	121,69
II. Capital income	0	0	0	0
III. Subsidies	220000	124477	4,03	56,58

Source: data processed after the annual budget execution account of Fântânele in 2011

The very small weight of own revenues in the local budget of Fântânele proves its dependence of central authorities, highlighting the low level of economic development.

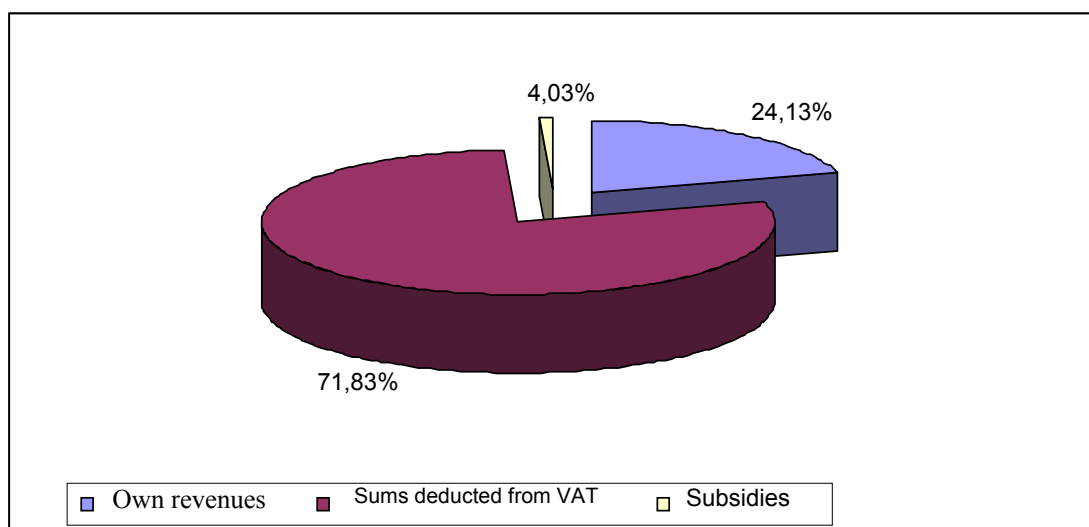


Figure 4 Structure of budgetary revenues of Fântânele in 2011

CONCLUSIONS

The analysis of the execution of local budget revenues shows that the degree of self-financing while elaborating local budgets is bigger, and the execution is less, because local government failed to collect own revenues in a higher rate than its failure to achieve revenues from the state budget. The analysis performed above notes that similar to the budget of Suceava municipality, tax revenues have the highest percentage, in an amount of 2,903,954 lei from the total revenues that totalize 3,087,715 lei, representing a proportion of 94.04% of the total income of Fântânele in 2011.

The analysis concludes that, both at nationally and local levels, the largest shares of revenues to local budgets is hold by the transfers from the state budget, with almost equal weights, and own revenues are insufficient for the normal functioning of local public administration.

In order to improve the execution of local budget revenues we consider that should be undertaken the following:

- Continuous monitoring and accurate substantiating of revenues with a significant percentage;
- Elaborating own tax policy for certain categories of own revenues;
- Correlating the local tax policy with economic and social development policy of local communities;
- A better monitoring of revenues from concession assets belonging to local communities;
- Monitoring of capital incomes;
- Increasing business tax audit for checking individual taxpayers and legal persons;
- Stimulating employment and reducing undeclared work.

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