

## THEORETICAL AND PRACTICAL CONSIDERATIONS REGARDING TAX PRESSURE AND ITS ROLE IN ENSURING THE SUSTAINABILITY OF THE STATE BUDGET- A CASE STUDY ON ROMANIA

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### Abstract

*Fiscal pressure is the level of taxes and fees levied by the state on the entire economy and its citizens. This has a significant impact on the economic environment and on the behavior of economic agents. The purpose of this research is the analysis of some aspects related to fiscal pressure at the macroeconomic level and its impact on the economy, emphasizing its impact on a company listed on the Bucharest Stock Exchange. In this sense, to achieve the purpose of the research and to better understand the notion of fiscal pressure and its impact, we calculated and analyzed indicators regarding the fiscal pressure at the level of Romania in the period 2017-2022, so that later, the research will be focused at the microeconomic level by studying the fiscal pressure at SC BERMAS SA Suceava. In this sense, the paper proposes that, by capitalizing on the financial-accounting information, it is possible to identify the fiscal pressure within this entity and then to analyze the fiscal pressure from the perspective of the fiscal risk profile. As a research method, the work uses a quantitative analysis of the indicators from the balance sheet, the indicators from the profit and loss account, the analysis of liquidity and solvency, analysis that allowed us to create the tax evasion risk profile for the taxpayer.*

**Keywords:** *fiscal pressure; financial-accounting information; risk profile; fiscal policy.*

**JEL Classification:** B17, B27, F65, M41

### I. INTRODUCTION

At the macroeconomic level, fiscal pressure can influence a country's investment, consumption, productivity, and competitiveness. A high level of fiscal pressure can negatively affect economic growth, innovation and business development, as it reduces the availability of financial resources of economic agents.

On the other hand, fiscal pressure is necessary to finance public spending and services provided by the state, such as infrastructure, health, education or national defense. An adequate level of fiscal pressure can help ensure the financial stability of a state and create a favorable environment for sustainable economic development.

However, excessive tax pressure can lead to negative effects such as tax evasion, decreased investment, increased underground economy and slower economic growth. That is why it is important that the fiscal policy is balanced, so that it provides sufficient resources to finance essential public services, but is also stimulating for the business environment and encourages economic development.

In this work we set out to achieve three main objectives, namely: Objective 1: Deepening the concept of fiscal pressure carried out as a result of the specialized literature review; Objective 2: Quantification of fiscal pressure at macroeconomic level and Objective 3: Identification of the effects of fiscal pressure on SC BERMAS SA.

### II. LITERATURE REVIEW

Fiscal pressure is translated by the degree of taxation, i.e. the extent to which taxpayers (individuals or legal entities) obligatorily give up a part of their income in favor of the state, in the form of taxes, paying these amounts to the state budget, the social insurance budget state, local budgets and public funds. Fiscal pressure expresses the intensity with which revenues are taken from individuals and legal entities, or at the level of the entire society through taxation.

The problem of fiscal pressure is becoming more and more relevant for the following reasons: due to the modernization of the Romanian fiscal system; our country's economy currently suffers from a lack of capital available for investment, which requires a special fiscal policy; due to the economic crisis, the incomes made by all categories of taxpayers are inadequate to support excessive taxation without having undesirable consequences.

The fiscal pressure imposed by the public authorities must reconcile two diametrically opposed trends: on the one hand, the state wants the fiscal pressure to be higher and higher to cover the continuously increasing public

expenses, on the other hand, the citizen wants the fiscal pressure to be as low as possible possible to achieve its fiscal policy goals.

In specialized literature, the term fiscal pressure can also be found in other forms such as fiscal coefficient, fiscal tension, etc., precisely to avoid the negative connotations of the word pressure. However, these terms still express the same idea of obligation to the state through tax. The interpretation of this indicator requires attention, as it should not be considered only a pressure exerted by the state on the economy. This is explained by the fact that part of the fiscal obligations return to the economic circuit through public spending.

According to the study carried out by Străpuc (2019), the most important factors favoring tax non-compliance (in descending order according to the importance assigned by tax inspectors) are: the complexity of accounting and tax legislation; the instability and ambiguities of the legislative framework; lack of a real-time electronic tax reporting system of transactions to the tax administration; the lack of a standard audit file for tax system, for the electronic transmission of financial-accounting and tax data between the taxpayer and the tax authority; insufficient assistance/guidance given to the taxpayer by the tax administration; the adoption of a coercive-punitive system in favor of a partnership-stimulative system in the tax administration-taxpayer relationship; fiscal pressure on the entity; the intention to avoid tax burdens; running the activity in the rural area.

Haralambie (2014) points out that the success of fiscal policy depends on the ability of the Government to determine an optimal threshold of fiscal pressure in order to ensure the maximization of revenues obtained from the budget, because excessive taxation will deter taxpayers from carrying out businesses that generate taxable income and implicitly these aspects will lead to an increase in tax evasion.

Todor et al. (2016) believe that the decisive role in carrying out the tax burden of the taxpayer is trust in the state authorities, both in the transparency of public expenditures, but also in the performances that the government can achieve at this moment.

In this context, the research undertaken by Molina-Morales et al. (2011), focused on the analysis of the economic and institutional factors determining the fiscal pressure in a group of European countries with different levels of economic development, concludes that the purely economic model improves when geopolitical and institutional variables are included, observing from the analysis that countries governed by the left, belonging to the euro zone or those that were members of the Soviet bloc and that have economic freedom, are more likely to increase fiscal pressure. At the same time, Zhang et al. (2023) states in the research focused on the analysis of the impact of local government fiscal pressure on public health, the fact that local government fiscal pressure can be harmful to public health through three main mechanisms: reducing fiscal expenditures for public health, preventing the modernization of the industrial structure and exacerbating pollution the environment.

In another view, Bai et al. (2019) mention that China's fiscal pressure encourages local governments to actively promote local economic development when making fiscal spending decisions. In the research carried out by Xue et al. (2023), the authors mention that the increase in fiscal pressure leads to the increase in carbon intensity by reducing government environmental concerns, increasing energy consumption, modernizing the industrial structure and weakening innovation in ecological technology. In agreement with the previous study is the study carried out by Lin and Zhou (2021) which states that fiscal imbalances due to increased fiscal pressure lead to the exacerbation of energy use and carbon intensity.

Another relevant study is carried out by Trachanas and Katrakilidis (2013), which empirically re-evaluates the issue of fiscal sustainability, but which also focuses on the link between government expenditures and revenues for three southern European economies, namely Italy, Greece and Spain, which are under pressure from the financial market and insolvency. So the authors conclude that fiscal bodies should address fiscal problems "at source", by adjusting those elements of the government budget that have led to the accumulation of unsustainable public finances, namely government spending. The authors also believe that possible suggestions for improving fiscal imbalances may involve fiscal reforms and reductions in government spending.

Also, Nedelescu and Croitoru (2018) believe that the problem of the efficient administration of the entire fiscal system and not just the fiscal activity, with beneficial effects on fiscal optimization, which is sought in all states, including Romania, had to be mastered.

The main conclusions drawn from the study carried out by Bucur et al. (2019) show that taxes and fees influence the financial positions of companies through changes in the level of profit or loss, the volume and structure of the capital used, but also the financial balance, both at the level solvency and liquidity. At the same time, the research carried out by Vodă et al. (2020) focused on identifying the way in which the fiscal rules in our country limit the application of fiscal policy, concludes that fiscal rules restrict fiscal policy, identifying a state of instability of the fiscal system in Romania.

Therefore, in an economic world with a dynamic competitive environment, the imperatives of competitiveness represent one of the main economic concerns of public authorities. In this context, businesses have a major interest in being affected as little as possible by fiscal and social burdens.

### III. RESEARCH METHODOLOGY

To fulfill the purpose of the research, we resorted to a qualitative and quantitative analysis. The qualitative analysis focused on the study of the concept of fiscal pressure at the international and national level, through the lens of studying the relevant specialized literature on the chosen topic, as well as a quantitative analysis of the fiscal pressure in Romania, in the period 2017-2022, after which the impact will be analyzed it on the SC company. BERMAS SA, by calling for the financial analysis of the indicators released by the financial reports.

### IV. RESULTS AND DISCUSSIONS

The next section is dedicated to the results of the research, with a preliminary analysis of the analysis of the fiscal pressure in Romania, in the period 2017-2022, in order to be able to consolidate a pertinent opinion on it from the perspective of the fiscal legislation, and derived from the analysis of the macro-economic indicators with the more important impact on the state budget, so that we can then carry out an analysis of the fiscal pressure within SC.BERMAS SA, by referring to the relevant financial indicators derived from the financial reports. These aspects are presented in detail in the following sections.

#### 4.1. Analysis of fiscal pressure in romania in the period 2017-2022

In this section I proposed to carry out, first of all, an analysis of the total tax pressure, determined as a ratio between tax revenues and gross domestic product. We then calculated the fiscal pressure at the national level generated by profit tax, payroll tax, VAT and excise duties.

Celikay (2020) believes that in the current economic environment, the main source of income for the state has become taxes, which affect several socio-economic components. Tax burden calculations are the main means used in the specialized literature to determine the effects created by national taxes and international approaches. The fiscal burden can be defined as the ratio of taxes collected in a certain period in relation to the total product. In theory, the tax burden can rise sharply when tax revenue growth is greater than income growth. Tables 1 and 2 summarize data from reports on budget executions.

**Table 1. Calculation of fiscal pressure indicators for the period 2017-2019 in relation to total revenues**

INDICATOR / YEAR (MILLION LEI)	2017	% GDP	2018	% GDP	2019	% GDP
GDP	858332,80		952396,80		1059803,20	
TAX REVENUES	140241,80	<b>16,34%</b>	142510,00	<b>14,96%</b>	156361,70	<b>14,75%</b>
TAX	14732,10	<b>1,72%</b>	15652,50	<b>1,64%</b>	17720,20	<b>1,67%</b>
TAX ON WAGES AND INCOME	30143,10	<b>3,51%</b>	22679,00	<b>2,38%</b>	23201,40	<b>2,19%</b>
VAT	53543,70	<b>6,24%</b>	59609,00	<b>6,26%</b>	65420,60	<b>6,17%</b>
EXCISE	26604,10	<b>3,10%</b>	28518,10	<b>2,99%</b>	31463,30	<b>2,97%</b>

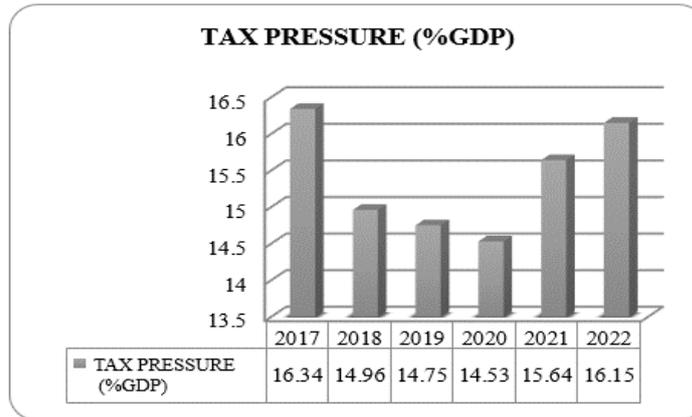
Source: Prepared by the author based on the data provided by <https://mfinante.gov.ro/domenii/bugetul-de-stat/informatii-executie-bugetara>

**Table 2. Calculation of fiscal pressure indicators for the period 2020-2022 relative to total revenues**

INDICATOR / YEAR (MILLION LEI)	2020	% GDP	2021	% GDP	2022	% GDP
GDP	1040800,00		1190300,00		1427300,00	
TAX REVENUES	151279,20	<b>14,53%</b>	186105,70	<b>15,64%</b>	230464,40	<b>16,15%</b>
TAX	15988,10	<b>1,54%</b>	20044,60	<b>1,68%</b>	26664,80	<b>1,87%</b>
TAX ON WAGES AND INCOME	24333,80	<b>2,34%</b>	28017,10	<b>2,35%</b>	33707,60	<b>2,36%</b>
VAT	60816,90	<b>5,84%</b>	79350,90	<b>6,67%</b>	94090,60	<b>6,59%</b>
EXCISE	30715,30	<b>2,95%</b>	34484,80	<b>2,90%</b>	35312,80	<b>2,47%</b>

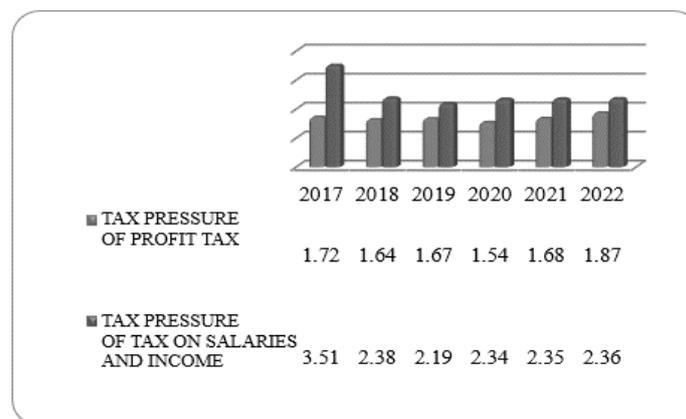
Source: Prepared by the author based on the data provided by <https://mfinante.gov.ro/domenii/bugetul-de-stat/informatii-executie-bugetara>

For a better representation of the fiscal pressure at the national level, we will resort in the following to a graphic presentation of them, in the following figures, at a general level and in detail for each tax category. Thus, in figure 1, the fiscal pressure is represented at a general level, expressed as a percentage of GDP, followed by the representation of the fiscal pressure on direct and indirect taxes.



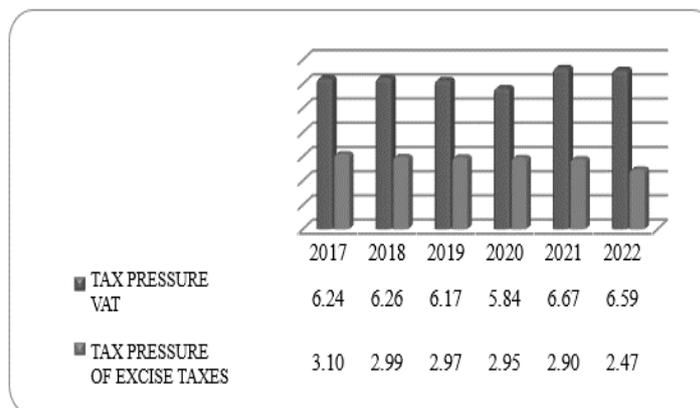
**Figure 1. Fiscal pressure (% GDP)**

Source: Prepared by the author based on the data provided by <https://mfinante.gov.ro/domenii/bugetul-de-stat/informatii-executie-bugetara>



**Figure 2. Fiscal pressure values related to direct taxes**

Source: Prepared by the author based on the data provided by <https://mfinante.gov.ro/domenii/bugetul-de-stat/informatii-executie-bugetara>



**Figure 3. Fiscal pressure values related to indirect taxes**

Source: Prepared by the author based on the data provided by <https://mfinante.gov.ro/domenii/bugetul-de-stat/informatii-executie-bugetara>

As we can see from the figures above, the interpretation of these data shows that the fiscal pressure, general and related to certain types of taxes, had minor variations in the last six years.

Some of the fiscal measures that influenced the value of fiscal pressure indicators were felt in 2018 when new measures were implemented regarding the fiscal framework related to direct taxes and social security contributions. Among them can be mentioned:

- an important change is the reduction of the income tax rate from 16% to 10%, a measure previously announced through the Government Program.

- with regard to social insurance contributions, the tax burden related to the employer was transferred to the employee in order to ensure a better collection of income to the social insurance budgets and to rebalance the State

Social Insurance Budget. The transfer of contributions to the employee was preceded by the increase of salaries in the budgetary sector by 25% so that the net income was not influenced by this transfer.

- starting from January 1, 2018, the transfer rate to pillar II of pensions was reduced from a rate of 5.1% to 3.75%, the measure was taken to ensure the same transfer to pillar II in 2018 compared to 2017 of approximately 7 billion lei, under the conditions of the transfer of contributions and the increase of gross salaries.

- a series of measures were adopted to ensure better collection and additional budget revenues.

- in order to improve the collection of VAT revenues, the broken down payment of VAT mechanism was implemented, optional starting from October 2017 and mandatory from 2018 for companies in insolvency and for those with VAT payment debts.

- additional revenues were also obtained as a result of the increase in excise duties for fuels that took place in two stages in 2017 (from September 15 and October 1, 2017, respectively).

- to improve voluntary compliance, the aim is to create the technical and procedural conditions for the payment of all fiscal obligations through all banking instruments.

- in the field of reducing tax evasion and the underground economy, actions are continued such as: the introduction of the program of random compliance testing, the development of the structure that deals with natural persons with large assets, the fight against customs fraud. In the field of anti-tax fraud, the aim is to increase the weight of controls dedicated to the destruction of evasive chains, the elimination of ghost companies from the system, the review of anti-fraud procedures in accordance with the European risk management model, the introduction of electronic invoicing, electronic cash registers with online reporting and electronic information of taxpayers.

Leonida (2021) states that in Romania it can be observed that the fiscal attractiveness acquired by reducing tax rates, as well as the granting of fiscal facilities, taking into account the current level of economic development, does not lead to the expected results, due to the poor development of alternative factors, such as infrastructure, quality of institutions, corruption, legislative instability and others, which are still significant elements to take into account and which limit the flow of investments. In addition, this fiscal strategy affects the level of taxation of fiscal revenues, with immediate consequences on the level of expenditure available for investment, with the aim of improving alternative factors, for the provision of public goods and services at a satisfactory level, in terms of quantity and qualitative.

#### 4.2. Tax pressure and its effects at SC BERMAS SA

The fiscal pressure at the level of a company, such as SC BERMAS SA Suceava, represents the level of taxes and fees that it bears in carrying out its activities and is determined by the fiscal policy of the state in which it operates, as well as by the applicable fiscal legislation. The Company is subject to income tax, payroll taxes, excise duties and other taxes and duties specific to its business.

This fiscal pressure can significantly affect the company's performance and profitability. A high level of fiscal pressure can influence the company's production costs, profitability and investment capacity. This can affect market competitiveness and the ability to meet the demands and challenges of the business environment. Managing the fiscal pressure is an important concern for company managers, requiring rigorous fiscal planning and compliance with current fiscal legislation. The company can use tax strategies and optimizations to reduce the impact of tax pressure on financial results and maximize tax efficiency.

The study on the fiscal pressure at SC BERMAS SA Suceava aims to, by capitalizing on the financial-accounting information, identify the fiscal pressure on this economic entity and analyze it from the perspective of the fiscal risk profile. The analysis of indicators from the balance sheet, the indicators from the profit and loss account, the analysis of liquidity and solvency allows us to create the tax evasion risk profile for the taxpayer.

In carrying out this study, we used quantitative analysis, based on information collected from secondary sources (annual financial statements submitted to the Bucharest Stock Exchange). In what follows, we aim to identify the effect of fiscal pressure on taxpayer behavior regarding the risk of tax evasion, taking into account the following indicators: Fiscal pressure determined by payments to the state budget, Fiscal pressure determined by the profit tax, Fiscal pressure determined by excise duties.

**Table 3. Calculation of fiscal pressure indicators for the period 2017-2019 relative to total revenues**

INDICATOR / YEAR	2017	% GDP	2018	% GDP	2019	% GDP
TOTAL INCOME	32.670.563		35.253.493		38.774.126	
PAYMENTS TO THE STATE BUDGET	7.680.488	<b>23,51%</b>	9.343.284	<b>26,50%</b>	9.871.836	<b>25,46%</b>
TAX	325.206	<b>1,00%</b>	280.737	<b>0,80%</b>	332.005	<b>0,86%</b>
EXCISE	2.641.887	<b>8,09%</b>	2.863.641	<b>8,12%</b>	2.828.602	<b>7,30%</b>

Source: <https://bermas.ro/financiar/>

**Table 4. Calculation of fiscal pressure indicators for the period 2020-2022 relative to total revenues**

INDICATOR / YEAR	2020	% GDP	2021	% GDP	2022	% GDP
TOTAL INCOME	33.415.715		35.594.862		41.696.084	
PAYMENTS TO THE STATE BUDGET	11.424.969	<b>34,19%</b>	10.167.162	<b>28,56%</b>	10.754.804	<b>25,79%</b>
TAX	320.824	<b>0,96%</b>	354.922	<b>1,00%</b>	70.588	<b>0,17%</b>
EXCISE	2.500.904	<b>7,48%</b>	2.482.543	<b>6,97%</b>	2.345.747	<b>5,63%</b>

Source: <https://bermas.ro/financiar/>

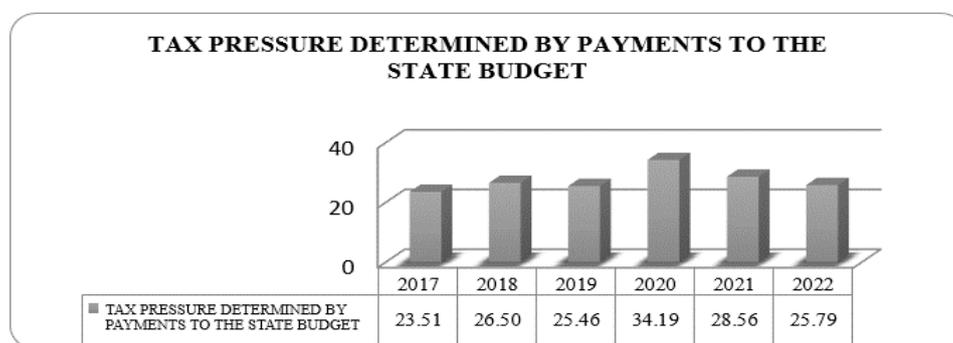
From the tables presented previously, we can deduce the fact that in the analyzed period, i.e. 2017-2022, the fiscal pressure registered a slight decrease, due to the relaxation of taxation, especially for profit tax and excise duties, correlated with better collection at the state budget of these amounts. This indicates that the relaxation of taxation in Romania had the expected effect, by increasing the collection rate of these tax revenues.

For a more detailed analysis of the impact of the fiscal pressure on the state budget, we will present in the following sections its impact on each indicator, namely: the fiscal pressure determined by payments to the state budget, the fiscal pressure determined by the profit tax and respectively the fiscal pressure determined of excise taxes.

- **Fiscal pressure determined by payments to the state budget**

Analyzing the data on the fiscal pressure determined by the payment to the state budget in the period 2017-2022, we observe the following trends:

- the tax burden has seen a significant increase, going from 23.51% in 2017 to 26.50% in 2018. This indicates an increase in company income and economic activity in general.
- the fiscal pressure registered a slight decrease, reaching 25.46% in 2019. This trend reflected fiscal adjustments.
- fiscal pressure has seen a considerable increase, reaching 34.19% in 2020. This significant increase is attributed to the impact of the COVID-19 pandemic on the economy and the need to generate additional revenue for the state budget to meet additional expenses and support affected sectors.
- the fiscal pressure decreased to 28.56% in 2021 and to 25.79% in 2022. This decrease is the result of economic stimulus measures to support the economic recovery following the crisis caused by the pandemic.



**Figure 4. Fiscal pressure determined by payments to the state budget**

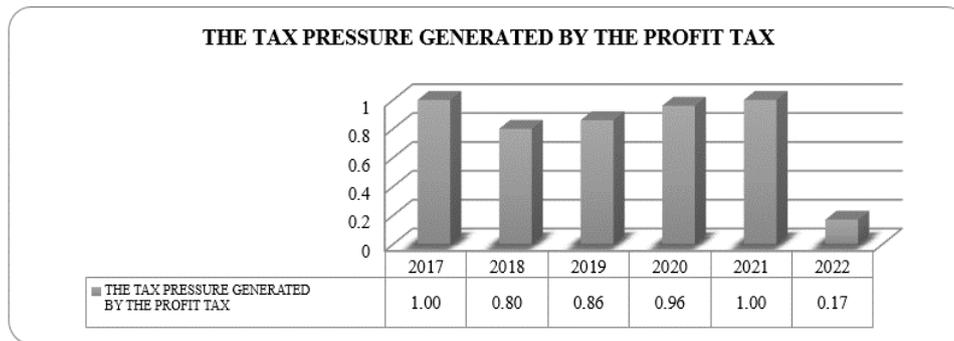
Source: Developed by the author based on data provided by <https://bermas.ro/financiar/>

- **The fiscal pressure determined by the profit tax**

Profit represents a type of income generated by carrying out an economic activity, as a result of the investment of capital. In order for the generated income to be considered profit, it is necessary that the economic activity is carried out with the aim of obtaining a benefit. This condition is particularly important because there are entities that generate income from activities, but which are not qualified as profit because there is no intention to obtain a benefit, but to support other own activities of that entity.

In general, the taxpayers of the profit tax are Romanian legal entities, foreign legal entities with a permanent seat in Romania or that obtain income from real estate in Romania, as well as the associations between them, without legal personality.

The profit tax is a tax directly applied on the benefit obtained from an economic activity and represents one of the main sources of income for the state budget. Income tax plays an important role in the tax system for the following reasons: it is a stable source of income for the state budget and leads to an increase in the share of direct taxes in the Romanian tax system. However, the fiscal yield of corporate tax is generally low, as there are multiple ways of tax evasion. The profit tax is not only a source of income for the state budget, but also a tool for intervention and influence on the performance of a company. Corporate tax can play a decisive role in decision-making at the enterprise level, having an impact on economic and financial performance.



**Figure 5. Fiscal pressure determined by the profit tax**

Source: Developed by the author based on data provided by <https://bermas.ro/financiar/>

Analyzing the data on the fiscal pressure determined by the payment of the company's profit tax in the period 2017-2022, we observe the following trends:

- stability: The fiscal pressure remained relatively stable in the period 2017-2019, fluctuating between 0.8% and 1%. This stability indicates a consistency in the state's fiscal policy regarding corporate income tax.
- the fiscal pressure registered a slight increase in 2020, reaching 0.96%. This increase can be attributed to the impact of the COVID-19 pandemic on the economy.
- the fiscal pressure returned to the level of 1% in 2021, again indicating a stabilization of fiscal policy in terms of corporate income tax.
- the fiscal pressure registered a significant decrease in 2022, reaching 0.17%. This decrease is the result of economic stimulus measures to support the economic recovery.

The fiscal pressure determined by the payment of corporate profit tax remained relatively stable during the analyzed period, with small annual variations.

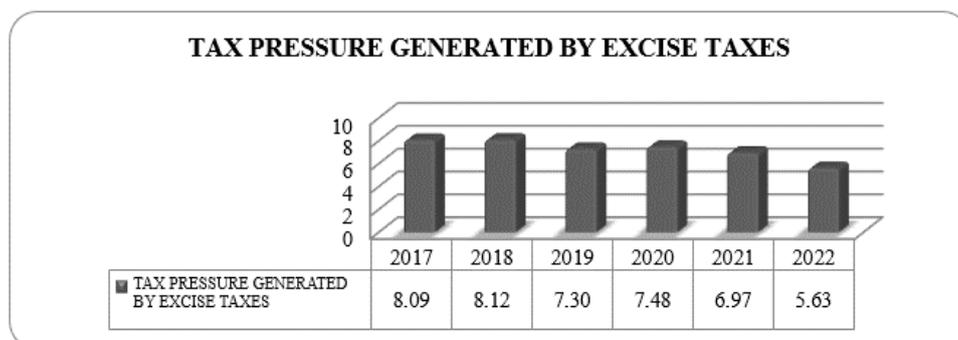
These data can also be interpreted as an effort by the state to create a more attractive environment for investment and for the development of the private sector, by reducing the fiscal pressure on businesses. This can encourage economic growth and stimulate business activity, thereby generating additional revenue for the state through other forms of taxation, such as excise taxes.

• **Fiscal pressure determined by excise duties**

Excise taxes are special consumption taxes, being applied to the consumption of certain goods. They represent a cost to the end consumer. The legal person taxpayer is responsible for the effective payment of excise duties to the budget at the time of release of the respective goods for consumption.

For the production of natural alcoholic beverages, wines and other products intended for the food industry or consumption, which contain ethyl alcohol, SC BERMAS SA.Suceava owes the state budget a specific excise duty. SC BERMAS SA is authorized as a fiscal warehouse at the registered office starting from April 1, 2014, having been assigned the Excise Code RO0056000XX00 ([www.mfinante.gov.ro](http://www.mfinante.gov.ro)).

According to the law, the company has commitments to banks consisting of contracts concluded for the issuance of bank guarantee letters in favor of third parties such as those issued by Raiffeisen Bank in favor of the Ministry of Public Finance for the guarantee of the fiscal warehouse according to the legislation in force regulating the guarantee of the payment of excise duties on beer (<https://bermas.ro/financiar/>).



**Figure 6. Fiscal pressure determined by excise duties**

Source: Developed by the author based on data provided by <https://bermas.ro/financiar/>

Analyzing the data on the fiscal pressure determined by the payment of beer excises in the period 2017-2022, in the context in which they increased almost annually, and beer production decreased after the pandemic, we can identify some important aspects:

- every year, between 2017 and 2022, the fiscal pressure determined by the payment of excise duties on beer registered a decrease.

- in the context of the COVID-19 pandemic, beer production has decreased significantly. This phenomenon has been seen throughout the industry as restrictions, temporary closures and changes in consumer behavior have had a negative impact on beer demand and production. So, the volume of excise duties paid also decreased.

Following the analyzes carried out regarding the fiscal pressure determined by the payment of the company's profit tax and the fiscal pressure determined by the payment of excise duties at SC BERMAS SA, the following conclusions can be drawn:

- the fiscal pressure determined by the payment of the company's profit tax recorded relatively stable values during the analyzed period, fluctuating between 0.8% and 1%. These low levels of taxation have been able to boost business profitability and can be considered favorable to the business environment.

- the fiscal pressure determined by the payment of excise duties on beer decreased year by year in the analyzed period, indicating that beer production registered a significant decrease, although the value of the excise duty increased.

- the decrease in beer production can be mainly attributed to the impact of the pandemic, which led to restrictions and temporary closures, affecting the demand and consumption of beer. Also, price sensitivity and competition with other large manufacturing companies influenced consumer behavior and purchasing decisions.

## V. CONCLUSIONS

We believe that one of the main factors influencing the fiscal behavior of the economic agent is the diversity of taxes and fees charged, more specifically the fiscal pressure. This is felt directly by the taxpayers, i.e. by the tax and tax payers. The honest and responsible taxpayer perceives taxes as a necessary evil and agrees to pay them.

In the situation where taxes and duties exceed the bearable limits, taxpayers feel the burden of fiscal pressure, which affects their normal behavior in the economy and in society. The honest taxpayer agrees to pay the tax and voluntarily submits to this effort, but there are times when the taxes exceed the limits of bearability, which leads to the appearance of phenomena that seriously affect the desire and ability of the state to collect the respective revenues. The behavior of the taxpayer becomes abnormal, trying to avoid the tax by any means, hoping to reduce the suffocating tax pressure.

The desire of taxpayers to secure their earned income before the increase in tax pressure, without additional effort, contributes to the development of the informal economy, which gradually replaces the activities of the real official economy, thus creating the underground economy. The consequences of this fact include the decrease in the number of taxpayers, the decrease in the tax base and the inefficiency of macroeconomic policies in the field.

It is important to recognize that tax pressure plays a significant role in both cause and effect of tax evasion. Increasing the tax burden may lead to increased tax evasion, but at the same time, tax evasion may lead to increased tax burden to compensate for revenue losses. This association between tax pressure and tax evasion underlines the importance of a balanced and well-grounded approach to tax decision-making, which takes into account the impact on the evasion phenomenon.

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