

THE ROLE AND PLACE OF TAX ON MEANS OF TRANSPORTATION WITHIN LOCAL PUBLIC BUDGETS. THE CASE OF SUCEAVA MUNICIPALITY

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Abstract:

Through this paper we propose the study of the place and the role it has within the local budgets “tax on means of transport”. In the first part of the article we presented the basic theoretical aspects that relate to the technical elements of the tax on means of transport: subject of taxation, taxable possessions, calculation and payment of tax.

In the second part of the paper, we conducted a quantitative analysis of the amounts collected to the local budget of Suceava from the tax on the means of transport in the period 2016-2021 in order to highlight the place that these revenues share within the local public revenues. Our scientific approach was based on the data from the annual execution accounts of the local budget of Suceava. The research carried out in the second part of the Article shows that the tax on means of transport occupies a small share in the total revenues of local budgets, this leads us to consider that a rethinking of the current system of taxation in regard to means of transport established by the tax code in force is necessary.

Key words: local budget, income tax, means of transport, share, financial resources, local revenues

JEL Classification: H 71, H 83

I. INTRODUCTION

The revenues of local budgets have a complex structure and in this context, their own revenues are of particular importance because they reflect the capacity of the local public administration authorities to cover the expenses provided in the local budget without resorting to transfers from the state budget. Increasing own revenues should therefore be the main concern of local authorities (Ichim, 2019). Local taxes and income tax are the category of income that holds a significant share in the own revenues of local budgets. According to Article 454 of the fiscal Code, the list of local taxes and duties that can be collected by administrative-territorial units in Romania includes: The tax and the income tax on buildings; tax and income tax on land; tax on means of transport; fees for issuing certificates, endorsements and authorizations; the fee for the use of advertising and advertising means; tax on shows; category of special taxes; category where other local taxes are included. An older local tax, namely the hotel tax, is no longer found in the new tax code.

In our study we focused on the tax on means of transport with the purpose of research to identify the place and role it has within the local budgets in Romania with particularizing in Suceava.

II. THEORETICAL ASPECTS OF THE TAX ON MEANS OF TRANSPORT

Owners of vehicles and other means of transportation, whether natural persons or legal persons, must pay annually a tax to local budgets and indirectly to the state as a contribution to the development of the public road system and to the payment of various services that ensure the quality and safety aspects of traffic. The amount of the tax is set annually, ranging from relatively small amounts to significant amounts depending on the cylinder capacity of the engine installed in the car, the total authorized mass, the number of axles and the type of suspension system or the load capacity.

II. 1. Subjects of taxation

This fiscal obligation, initially misnamed the tax on means of transport (Costaş, 2016, p. 426), is usually made to the local budget of the administrative-territorial unit where the owners of the means of transport, the lessee, have their residence or headquarters/work place (in the case of the means of transport subject to a leasing contract) or the fiduciary (if the means of transport is part of a fiduciary patrimony). Also, the owners of river passenger ships, boats

and boats used for purposes other than for the transport of individuals residing in the administrative-territorial units of the Danube Delta, the Insula Mare of Braila and the island of Balta Ialomitei owe this tax on December 31 of the previous fiscal year. (Romanian Parliament, 2015, art. 468)

The object of taxation is the value of the means of transport established according to the law. The value shall be determined according to the cylinder capacity and a variable amount stipulated by the tax code.

Art. 469 para.(1) of the tax code lists the means of transport for which no tax is due. Below are the exemptions that cause interest. Thus, no tax is due for:

- means of transport owned or co-owned by war veterans, war widows or unmarried widows of war veterans, for a single means of transport, at the choice of the taxpayer;
- means of transport owned or co-owned by persons with severe or accentuated disabilities and persons in the first degree of disability, respectively legal representatives, during the period in which they are in care and supervision of persons with severe or accentuated disabilities and persons in the first degree of disability, for a single means of transport, at the choice of the taxpayer;
- means of transport of public institutions;
- means of transport used exclusively for emergency interventions;
- electrically operated vehicles;
- means of transport of institutions or units operating under the coordination of the Ministry of Education and Scientific Research or the Ministry of Youth and Sports;
- historical vehicles defined according to the legal provisions in force.

Local councils may grant exemptions or reductions in the payment of tax on agricultural means of transport actually used in the agricultural field (starting with 1st January of the fiscal year following the one in which supporting documents are submitted). The tax on means of transport shall be reduced by 50% for natural persons residing in the localities provided by:

A) H.G. no. 323/1996 on the approval of the special program for supporting the economic and social development of some localities in the Apuseni Mountains, with subsequent amendments;

B) H.G. no. 395/1996 for the approval of the special program on relieving measures in order to support the economic and social development of Tulcea County and of the Biosphere Reserve “Danube Delta”, with subsequent amendments.

II. 2. Calculation and payment of the tax on means of transport

For the calculation of the tax on means of transport, certain elements are taken into account. Thus, according to a grouping of means of transport into several categories (Costaş, 2016, pp. 426-427), the tax is calculated as follows:

a) for the category of common vehicles (passenger cars, buses, minibuses, registered tractors): Other vehicles with mechanical traction with a total authorized mass of up to and including 12 tons), provided for in Article 470 para. (2) of the Fiscal Code, the tax shall be fixed by the local councils as a fixed amount per reference unit - the fraction of 200 cm³ or less. It should be noted that in the case of hybrid means of transport, the tax is reduced by at least 50%, according to the decision taken by the local councils.

b) for the category of heavy-duty vehicles (with a total authorized mass of more than 12 tons), the tax is fixed at central level and shall not be increased by local councils in the form of a fixed amount for each motor vehicle, taking into account the total authorized mass of the number of axles and the type of suspension system (Article 470 para. (5) and para. (6) fiscal Code).

c) for trailers, semi-trailers and caravans, the tax on means of transport shall be fixed in the form of a fixed amount for each motor vehicle in relation to its total authorized mass, in accordance with the corresponding table in Article 470 para. (7) of the Fiscal Code. The determination of the tax referred to in Article 470 para. (7) of the Fiscal Code is made by the local councils, starting from the minimum level established by the Fiscal Code.

d) for means of transport by water, the tax shall be set by the local councils in the form of a fixed amount for each means of transport, depending on the type of transport, the cylindrical capacity or the load capacity (Article 470 para. 8 of the fiscal Code).

The maximum authorized total capacity or mass of a means of transport shall be determined by the registration of the means of transport, by the purchase invoice or by another similar document.

The law (Romanian Parliament, 2015, art. 471) states that *“the tax on the means of transport is due for the entire fiscal year by the person who owns the right of ownership of a means of transport registered in Romania on December 31 of the previous fiscal year. In case of acquisition of a means of transport, its owner is obliged to file a declaration with the local tax authority in whose territorial jurisdiction he has his residence, headquarters or working place, as the case may be, within 30 days from the date of acquisition and shall owe tax on means of transport as from January 1st of the year following the registration or registration of the means of transport.*

Also, if the means of transport is acquired in a country other than Romania, its owner is obliged to submit a declaration to the local tax authority in whose territorial jurisdiction he has his residence, headquarters or working place, as the case may be, within 30 days from the date of issuance of the vehicle identity card (CIV) by the Romanian Auto Registry and owes tax on means of transport starting with January 1st of the year following its registration in Romania.

In the event of the removal from circulation of a means of transport, the owner has the obligation to submit a declaration to the tax authority in whose territorial jurisdiction he has his residence, headquarters or working place, as the case may be, within 30 days from the date of the cancellation, and ceases to owe the tax as of January 1st of the following year.

In the event of any situation leading to the change in the tax on means of transport, including the change of residence, place of business or place of work, the taxpayer is required to submit the tax return on the means of transport to the local tax authority in whose territorial area he has his residence/headquarters/place of work, within 30 days, including, from the change, and shall owe the tax on means of transport established under the new conditions from January 1st of the following year.

A certain aspect from the point of view of declaring and owing the tax is the means of transport which is the subject of a financial leasing contract, to which the following rules apply:

a) the tax on the means of transport is due by the lessee from January 1st of the year following the conclusion of the financial leasing contract, until the end of the year during which the financial leasing contract ends;

b) the lessee has the obligation to submit the tax return to the local tax authority in whose jurisdiction the means of transport is registered, within 30 days from the date of receiving the delivery receipt of the good or other similar documents certifying the possession of the good to the lessee, accompanied by a copy of these documents;

c) upon termination of the lease agreement, both the lessee and the lessor have the obligation to submit the tax return to the competent local council, within 30 days from the date of terminating the delivery receipt of the good or other similar documents attesting the possession of the good to the lessor, accompanied by a copy of these documents.

We emphasize that the filing of tax returns is also an obligation for persons who benefit from exemptions or reductions from the payment of tax on means of transport.

II. 3. Payment of tax on means of transport

The fiscal code (Romanian Parliament, 2015, art. 472) establishes that the tax on means of transport is paid annually, in two equal installments, until March 31 and September 30 including. For the advance payment of the tax on the means of transport, due for the entire year by the taxpayers, until March 31 of the respective year inclusive, a bonus of up to 10% is granted, established by decision of the local council. At the level of Bucharest, this task is attributed to the General Council of Bucharest Municipality.

The annual tax on means of transport, due to the same local budget by taxpayers, natural and legal persons, up to 50 lei including, is paid in full until the first payment term. If the taxpayer owns several means of transport, for which the tax is due to the local budget of the same administrative-territorial unit, the amount of 50 lei refers to the tax on their cumulative means of transport.

III. THE ROLE AND PLACE OF THE TAX ON MEANS OF TRANSPORT WITHIN THE LOCAL BUDGET OF SUCEAVA

In order to highlight the place and importance of the financial resources from the tax on means of transport within the local budgets in Romania, we will carry out an analysis of the evolution of the revenues as well as of the shares that these resources occupy within the revenues of the local budget of Suceava. This scientific approach will be carried out on the basis of the annual accounts of execution of the local budget of Suceava available on the website of the Suceava City Hall. In the table below we centralized the total revenues, fiscal revenues and tax on means of transport and quantified to the local budget of Suceava in the period 2016-2021.

Table 1 Total revenues, fiscal revenues and revenues from the tax on means of transport collected to the local budget of Suceava during the period 2016-2021

Indicator	2016	2017	2018	2019	2020	2021
Total revenues	239.875.180	272.259.591	211.091.455	247.362.141	335.283.110	350.794.173
Fiscal revenues	206.378.893	235.739.726	157.897.712	199.956.473	209.705.831	258.248.027
Tax on means of transport	6.977.772	7.562.023	9.996.104	10.188.270	9.151.273	11.418.274
Tax on means of transport owned by natural persons	4.126.148	4.628.632	6.330.441	6.449.708	5.565.550	7.175.152
Tax on means of transport owned by legal persons	2.851.624	2.933.391	3.665.663	3.738.562	3.585.723	4.243.122

Source: http://evp.primariasv.ro/dm_suceava/site.nsf/pagini/buget+local-000016E2

The data in the table show that in the period 2016-2021 the total revenues (in nominal expression) received to the local budget of Suceava increased from 239.875.180 lei in 2016 to 350.794.173 lei in 2021, except in 2018 when they decreased. In the same period, the revenues to the local budget of Suceava from the tax on means of transport almost doubled from 6.977.772 lei in 2016 to 11.418.274 lei in 2021. We note a decrease in these in 2020 as a result of the health crisis generated by the COVID-19 pandemic that started at the beginning of the year and caused a decrease in population incomes.

The chart below shows how the revenues from the tax on means of transport have evolved compared to the total revenues of the local budget of Suceava.

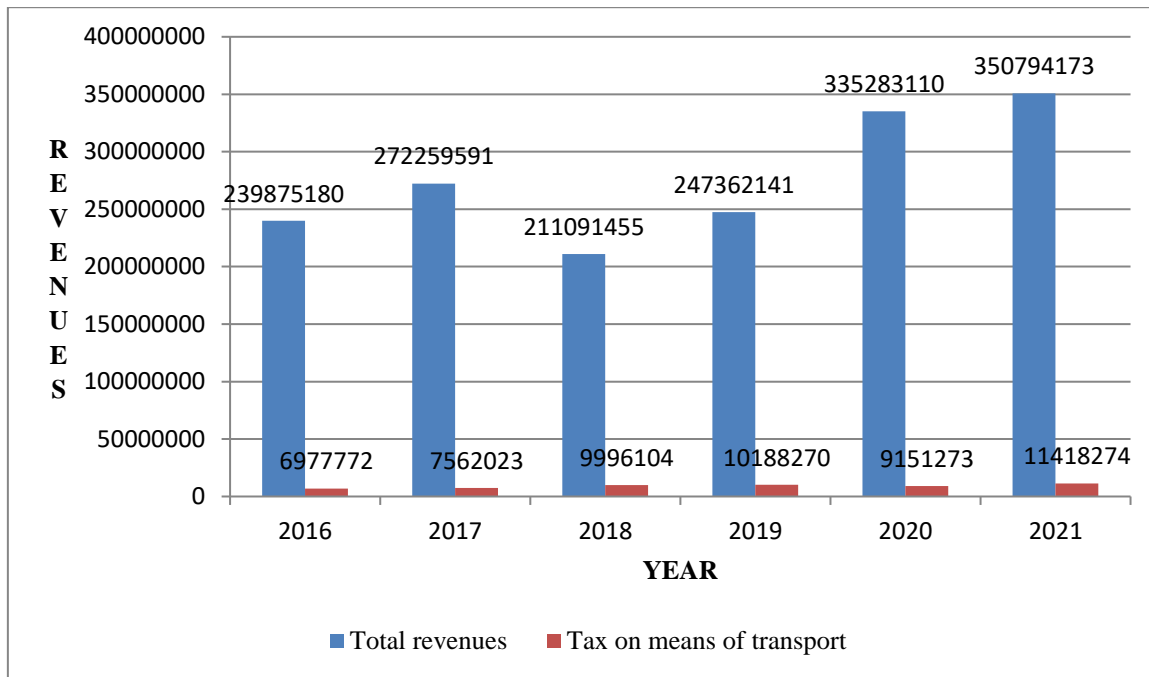


Figure 1 The evolution of the total revenues and the tax on means of transport in the period 2016-2021 collected to the local budget of Suceava

In order to demonstrate the role and place of the tax on means of transport within the local budgets, we consider it useful also to analyze the share of this category of income in the fiscal revenues and in the total revenues of the local budget of Suceava over the five years analyzed.

Table 2 Evolution of the share of the tax on means of transport in the total revenues and fiscal revenues from the local budget of Suceava during the period 2016-2021

Indicator	2016	2017	2018	2019	2020	2021
Share of tax on means of transport within total revenues(%)	2,90	2,77	4,73	4,11	2,72	3,25
Share of tax on means of transport within fiscal revenues(%)	3,38	3,20	6,33	5,09	4,36	4,42

Source: Own analysis of the data from Table 1

We highlight that the share of the tax on means of transport in the total revenues of the local budget of Suceava had a sinusoidal evolution with an important increase in 2018 (4,73%), after which a sharp decrease in 2020 (2,72%) follows. The share of revenues from the tax on means of transport in fiscal revenues has the same evolution, but the gap in growth in 2018 is much higher from 3,20% in 2017 to 6,33%. The increase in the volume of revenues from the tax on means of transport in 2018 is explained by the increase in the number of registrations of cars following the repeal of the normative act regulating the environmental stamp for motor vehicles (Romanian Government, 2013) by Law no. 1/2017 on the elimination of some taxes and tariffs, as well as for amending and supplementing certain normative acts with entry into force on February 1st.

The graphical representation of the evolution of these shares is suggestive in order to highlight the role and place of the tax on means of transport within the local budgets in Romania.

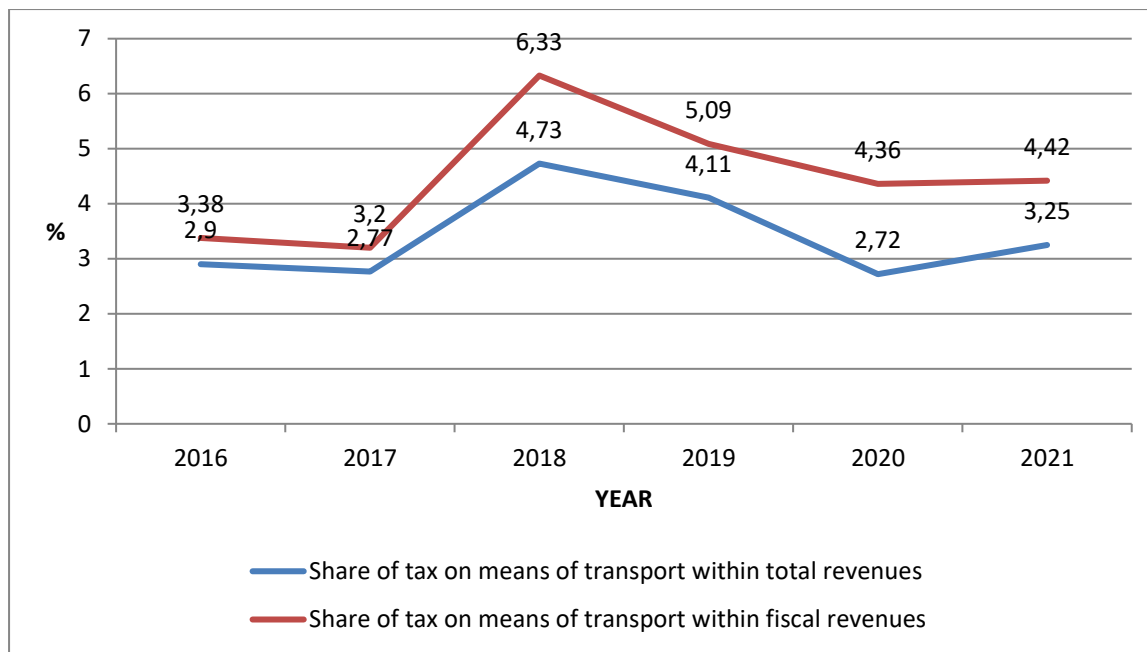


Figure 2 The dynamics of the share of the tax on means of transport within the local budget of Suceava in the period 2016-2021

We highlight that the share of the tax on means of transport in the total revenues of the local budget of Suceava is very small with values ranging from a minimum 2,72% in 2020 and a maximum 4,73% in 2018. These values are recorded in a county residence municipality with a population of about 100000 inhabitants in which the number of cars outweighs the parking capacity of the city.

On the other hand, I support the idea that the system of taxation of means of transport based on cylinder capacity must be changed with the system of annual taxation of passenger cars, which also takes into account the level of CO2 emissions and pollution rules. We need to think of taxation in line with the recommendations of the European Commission, which focuses on polluting emissions of cars and the Euro rules of their engines, instead of charging according to the power or the cylinder capacity of the car. The direction agreed by the Commission is to tax according

to the degree of pollution, the impact on the environment. Such an amendment must be introduced with a reasonable period of grace and only applicable to motor vehicles registered after the date of entry into force of the new legal provisions.

Romania quickly needs an efficient car tax strategy to stimulate the renewal of the car fleet, after the abolition of environmental stamp in January 2017 accelerated the growth of used car imports.

IV. CONCLUSION

The scientific approach initiated and carried out in this article has allowed the creation of the basis for formulating conclusions and proposals.

Any person who owns a means of transport that is registered in Romania owes an annual tax on the means of transport. The tax on means of transport shall be paid to the local budget of the administrative-territorial unit where the person has his residence, headquarters or work place, as the case may be. In the case of a means of transport subject to a financial leasing contract, for the entire duration of the contract, the tax on the means of transport shall be due to the lessee. The Fiscal Code provides for certain situations in which the tax on means of transport is not due or may be applied a reduction or even exemption from its payment. The tax on means of transport shall be calculated according to the type of means of transport and shall be paid annually, in two equal installments, until 31 March and 30 September inclusive.

We note that the share of the tax on means of transport in the total revenues of the local budget of Suceava in the period 2016-2018 had a sinusoidal evolution with a significant increase in 2018 (4,73%), followed by a sharp decrease in 2020 (2,72%). The share of revenues from the tax on means of transport in tax revenues has the same evolution, but the gap in growth in 2018 is much higher from 3,20% in 2017 to 6,33%. We are of the opinion that the share of the tax on means of transport in the total revenues of the local budget of Suceava is very small in relation to the population of Suceava.

We also consider that the system of taxation of means of transport based on cylinder capacity must be changed with the system of annual taxation of passenger cars, which also takes into account the level of CO2 emissions and pollution rules to stimulate the renewal of the fleet, after the abolition of environmental stamp in January 2017 accelerated the growth of imports of used cars.

V. REFERENCES

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