The financial crisis in Romania and tax incentives to overcome it: an overview

Sebastian Lazăr
Faculty of Economics and Business Administration
University Al. I. Cuza of Iasi, Romania
slazar@uaic.ro

Abstract
Even if some couple of years ago, Romania seemed not to be in the way of the global financial crisis, last year evolutions strongly contradicted this thesis. Hardly hit by an economic downturn, Romania confronted itself with huge public deficits and a shortfall of financial resources which determined public authorities to look for financial support at International Monetary Fund and European Commission. Simultaneously, Romania had adopted a series of fiscal measures in order to support the economic recovery. These measures are the main topic of the paper.
First section focused on the origin of the crisis, trying to answer the question whether this crisis was caused primarily by economic factors or by financial factors. Which of the two stroked first? The crisis was generated by the fall of financial sector or by the fall of economic activity independently of the financial sector difficulties? Second section summarizes the fiscal measures adopted by Romania in order to overcome the crisis, mainly in the field of tax incentives related to corporate income tax and social contributions. Finally, paper concludes on the impact of such measures and on future fiscal incentives which may be appropriate for surpassing the crisis.

Keywords: crisis, tax incentives, corporate income tax, social contributions

JEL Classifications: H32, E62

Introduction

The financial crisis that affected the global economy did not pass by any country. Romania, which initially seemed to be in a very good position, was stroked in a very profound manner, causing it many difficulties which are not yet surpassed. Romania's authorities have implemented some measures in order to overcome the crisis, among which the most privileged are, in our opinion, those of fiscal nature. But, before discussing them, it is necessary to take a look on the origin of the crisis, trying to answer the question whether this crisis was caused primarily by economic factors or by financial factors and also by domestic or external factors. After analyzing the mechanism of transmitting through Romania's economy, one can conclude that the crisis was generated primarily by external financial factors. Secondly, after reviewing the most important fiscal incentives granted to companies, it is necessary to evaluate their impact on economic activity and also on budgetary revenues collected by authorities. So, a couple of indicators are analyzed such the number of new registered companies and new registered sole proprietorships, the rate of unemployment and also the budgetary revenues collected through taxes. One can conclude that (i) the fiscal incentives were not the most appropriate and (ii) the crisis is far to be surpassed.

The origin of the crisis in Romania

The global crisis which strikes the global economy did not avoid Romania. In spite of optimistic declarations of Romanian officials, which have not the eyes to see it coming, the crisis began to show its perverse effects at the end of 2008 and beginning of 2009. Being more an economic than a financial one, the crisis affected Romania mainly by a slowdown of internal economic activity due to the decrease of external demand for indigenous products and services.

In financial terms, the international liquidity crisis cause the subsidiaries of international banks which operate in Romania (approximately 87% of total assets of credit institutions are held by foreign banks and credit institutions) to "export" liquidities to their parent companies located in Austria, Greece, France and other EU countries. This migration of capital denominated in euro led to the depreciation on the national currency from 3.5204 RON/EUR on September 1st 2008 to 3.9852 RON/EUR on December 31st 2008, only to fluctuate from 4.2 to 4.3 in for the most part of 2009.

In terms of economic activity the dynamics of GDP reflects the economic downturn which took place on the second trimester of 2009, when the GDP shrinked both in nominal and real terms comparative by the same trimester of previous year.

Table 1: The dynamics of GDP in Romania, 2007 – 2009 (mil. RON)

Year	1st trimester	2nd trimester	3rd trimester	4th trimester	Total by year	Real dynamics(%)
2007	73268.9	92080.5	111652.8	135759.3	416006.8	6.3
2008	91130.3	115074.3	138323.7	159430.4	503958.7	7.1
2009	96616.7	112073	130288.7	152295.3	491273.7	-7.1

Source: Monthly Statistical Bulletin No. 1/2010, No. 1/ 2009, No. 12/2009 available at: http://www.insse.ro/cms/files%5Carhiva_buletine2010/bsl_1.pdf; http://www.insse.ro/cms/files/arhiva_buletine2009/bsl_1.pdf; http://www.insse.ro/cms/files/arhiva_buletine2009/bsl_12.pdf.

The year 2009 ended with a global decrease of GDP in real terms of 7.1 percents which equals the relative real growth of the previous year. In terms of GDP formation, the most important factor of GDP decrease was the services sector which counted for almost 3.3 percents of the total 7.1 percents of shrinkage, followed by construction sector and net taxes on products (both with 1.4 percents) and industry with 1 percent. In terms of GDP use, the national accounts system points out an important decrease of domestic demand (-12.8%) and also a decrease of households actual individual final consumption (-9.2%). The decline of gross fixed capital formation (-25.3%) in 2009 was determined by the diminish of investments (13,8% in new construction and 45.5% in equipment) . Also, the decrease in international trade of goods and services (-5.5% for exports and -20.6% for imports) caused the balance of payments deficit to be, in real terms, by 55.9% lower than in 2008. Thus, the analysis of factors that contributed to the 7.1% decrease of gross domestic product, shows significant contribution of households actual individual final consumption (-6.8%) and gross fixed capital formation (-8.1%).

The fall of individual final consumption and of gross fixed capital formation was triggered by the scarcity of financial resources. Money became rare and thus interest rates began to increase during 2008. In their struggle for liquidity, banks offered continuously increased interest rates for deposits, simultaneously raising the interest rates for loans in order to diminish the indigenous appetite for loans. The dynamics of active and passive interest rates during 2008 and 2009 is presented in the table 2.

Table 2: The dynamics of active and passive interest rates during 2008 and 2009 (%) for loans and deposits denominated in RON (Romania New Currency)

		Ongoing loans to		New loans to		Ongoing deposits of		New deposits of	
Year	Month	population	companies	population	companies	population	companies	population	companies
2007	dec	14.23	11.84	11.94	11.62	6.79	6.76	6.94	7.27
2008	jan	14.17	12.15	12.49	11.97	6.83	7.14	7.01	7.78
	feb	14.27	12.72	12.55	12.51	7.05	7.67	7.38	8.55
	mar	14.41	13.11	12.59	13.43	7.34	8.09	8.17	8.85
	apr	14.9	13.85	12.38	14.15	7.80	9.03	9.00	10.17
	may	14.95	13.88	13.06	14.11	8.20	9.43	9.37	10.37
	jun	14.89	13.94	13.21	14.31	8.77	9.74	10.03	10.73
	jul	15.05	14.17	13.23	14.64	9.10	10.06	10.34	11.16
	aug	15.17	14.64	13.70	15.20	9.55	10.45	10.67	11.62
	sep	15.38	15.20	14.36	15.68	9.79	10.95	11.15	12.02
	oct	16.05	17.27	14.98	19.60	10.27	12.23	11.86	14.15
	nov	16.34	18.53	17.45	20.49	11.11	13.46	14.13	15.24
	dec	16.59	18.34	17.64	19.51	12.12	14.81	15.27	16.01
2009	jan	17.00	18.73	19.07	**21.19**	13.27	15.42	16.06	16.68
	feb	17.07	**19.13**	18.63	20.68	13.75	**15.71**	**16.31**	**17.12**
	mar	17.18	19.11	18.86	20.58	**14.08**	15.47	16.21	16.21
	apr	17.39	18.76	19.02	19.28	14.01	14.69	15.76	14.61
	may	17.46	18.01	**19.69**	17.56	13.66	13.21	14.98	13.3
	jun	**17.47**	17.46	19.19	17.12	12.89	12.09	13.58	12.21
	jul	17.37	16.63	18.20	16.00	11.87	10.68	11.91	10.60
	aug	17.23	16.11	17.95	15.69	10.84	9.76	10.68	9.60
	sep	17.16	15.84	17.83	14.89	10.21	9.26	10.26	9.40
	oct	17.14	16.05	17.45	16.19	9.86	9.06	9.91	9.39
	nov	17.11	16.03	17.18	15.74	9.70	9.01	9.86	9.38
	dec	17.11	16.06	16.58	15.40	9.57	9.07	9.93	9.57
	MAX	17.47	19.13	19.69	21.19	14.08	15.71	16.31	17.12

Source: NBR Monthly Bulletin No. 12/2008, 12/2009 available at: http://www.bnro.ro/Publicatii-periodice-204.aspx.
Bold data represents the maximum of the period.

Acting in such a manner, banks have managed to absorb disposable liquidities from Romanian economy in order to direct them to their parent companies which were confronted with an imperious need of liquid money. As result, there was a shortfall of liquidities on Romanian economy, which determine the Romanian Government to settle, at the beginning of 2009, a stand-by arrangement with IMF of 12.95 billions EUR for 24 months along with a financial support of 5 billions EUR from European Commission and 2 billions EUR from EBRD and IBRD. Previously, in 2008, two of the main rating agencies downgraded the marks awarded for long-term debt below investment grade (Standard & Poor's to BBB- from BB+ in October and Fitch from BBB to BB+ in

November), Romania being the only EU member state in this situation. Throughout 2008, Moody's and JCRA continued to place Romania to an investment grade rating category. The start of financial situation of Romania was the fourth trimester of 2008, when interest rates have risen sharply. The maximum of active and passive interest rates was attained during the first 6 months of 2009, as the table 2 shows.

More over, the depreciation of national currency (RON) triggered by the transfer of liquidities beyond national borders to the parent companies, led to a supplementary blow in households and companies budgets which are denominated in RON. One can add the perverse effect of an extended practice of commercial banks from previous years of granting loans with reduced interest for the first 1 or 2 years.

Thus, one can appreciate that the cause of the crisis in Romania was the fall of households' final consumption and of gross fixed capital formation (as showed above) and, to a much lesser extent, the fall of external demand for indigenous products. The decrease of households' final consumption and gross fixed capital formation was triggered by the sharp increase of interest rates as shown in table 2 and also by the depreciation of national currency (RON). So, the crisis in Romania was primarily generated by a series of **external financial factors**, which led to a decrease of indigenous economic activity through the sharp decrease of internal demand and internal investments and a smooth decrease of external demand.

The fall of economic activity led to a decrease of budgetary revenues, the public authorities being confronted with difficulties in financing the public expenditures. As result, they introduced a series of fiscal measures meant to overcome this obstacle, but their effects were controversial. These fiscal measures are the subject of debate in following section.

Fiscal measures to overcome the crisis

The fiscal measures taken by Romanian authorities to fight the crisis were focused mainly on corporate income tax, social contributions and value added tax. One of the first actions was the introduction of an alternative minimum tax for companies, which had to pay the maximum of the regular corporate profit tax (16%) and the alternative minimum tax assessed as a lump sum depending on annual turnover as table 3 shows.

Table 3: The alternative minimum tax in Romania

Annual turnover (RON)	Alternative minimum tax (RON)
0-52.000	2.200
52.001-215.000	4.300
215.001-430.000	6.500
430.001-4.300.000	8.600
4.300.001-21.500.000	11.000
21.500.001-129.000.000	22.000
over 129.000.001	43.000

Source: Emergency Ordinance No. 34 of 2009 published in Official Monitor No. 249, 11th April 2009.

This new method of taxation, which was meant to provide government with a constant flow of revenues from corporate taxation, was very inappropriate for companies, especially for the small and medium enterprises (SME), which now have to pay tax regardless of their profitability. In order to minimize the fiscal burden, companies were incited to report as minimum turnover as possible by any means available to them.

Other fiscal measures taken were:
- setting limited deductibility of expenses for operation, maintenance and repair of cars;
- nondeductibility of fuel expenses for small passenger vehicles that are not used in order to generate income accordingly to the company object of activity;
- taxation of reserves resulted from fixed assets revaluation, that are deductible at taxable profit computation;
- nondeductibilty of VAT for acquisition of small passenger vehicles that are not used in order to generate income accordingly to the company object of activity;

These measures were meant to increase the fiscal awareness of companies, especially of the small ones, which many times adopted a fiscal behavior that could push them to the limit of bankruptcy, by making some acquisitions that will not generate income, just for the sake of reducing the fiscal burden of corporate income tax (especially passenger cars). By setting limited deductibility and nondeductibility for some expenses related to passenger cars, the taxable profits increase and so did the ordinary profit tax set at 16 percents. This new increased level of profit tax is compared with the alternative minimum tax and the company will pay the maximum of the two amounts. So, if the corporate income tax before adoption of fiscal measures related to deductibility is CIT_0, the corporate income tax after the adoption of fiscal measures related to deductibility is CIT_1 ($CIT_1 > CIT_0$), and the alternative minimum tax is AMT, the worst situation for a company is when $CIT_1 > AMT$. If $CIT_1 < AMT$, the fiscal measures related to deductibility have no effect on the fiscal burden of company, which have to pay the AMT.

Another set of measures was focused on lessening the fiscal burden induced by social contributions that companies have to pay to the social insurances budget. Romania’s social insurance system consists in three main pillars: pensions, unemployment and healthcare schemes, all of them financed by contributions paid both by employers and employees.

Table no. 4. Social contributions rates in Romania during 2009 (%)

<table>
<tr><td colspan="2"></td><td>normal working conditions</td><td>specific working conditions</td><td>special working conditions</td></tr>
<tr><td rowspan="2">Social contribution rates for pensions</td><td>Employers</td><td>20.08</td><td>25.08</td><td>30.08</td></tr>
<tr><td>Employees</td><td colspan="3">10.05</td></tr>
<tr><td rowspan="2">Social contribution rates for unemployment benefits</td><td>Employers</td><td colspan="3">0.5</td></tr>
<tr><td>Employees</td><td colspan="3">0.5</td></tr>
<tr><td rowspan="2">Social contribution rates for healthcare</td><td>Employers</td><td colspan="3">5.2</td></tr>
<tr><td>Employees</td><td colspan="3">5.5</td></tr>
</table>

Source: fiscal legislation

Apart from these, social contributions include other components (of smaller magnitude) such: the contribution for work accidents and occupational diseases (0.15% – 0.85%), the contribution to the guarantee fund for salary liabilities (0.25%), contributions for social insurance allowances and health vacation (0.85%). All these contributions are supported only by employers.

As we can see, Romania has one of the biggest rates of social contributions that put a significant fiscal pressure on companies. In order to reduce it, authorities provide some fiscal relief on social contributions rates. The main feature of the fiscal relief consists in exemption of all social contributions both for employers and employees for a limited period of time (three months during the fiscal year) if the employer ceased operations temporarily, putting the employees into technical unemployment. During the maximum three months of technical unemployment, the employees receive an allowance of minimum 75% of their gross monthly salary, which is not taxable under the personal income tax of 16 percents. Also, they do not lose any of their rights related to pension and unemployment benefits, but these are computed taking into account the national minimum gross salary.

One can compute the fiscal savings determined by such a measure:
Gross monthly salary of employee: W_g;
Net monthly salary of employee: $(1-c_a)(1-t_s)\ W_g$;
Monthly allowance of employee during technical unemployment: $0.75\ W_g$;
Personnel expenses for employer: $(1+c_A)\ W_g$, where:
c_a = contributions supported by the employee (10.5 + 0.5 + 5.5 = 16.5 percents);
t_s = personal income tax rate (flat tax of 16 percents);
c_A = contributions supported by the employer (20.8 + 0.5 + 5.2 + 0.15 + 0.25 + 0.85 = 27.75 minimum);

Thus, the tax savings for the employer are $(1+c_A)\ W_g - W_g = c_A W_g$, briefly a minimum of 27.75 percents of the total wages paid to the employees. The employee gains only if the difference between his monthly allowance during technical unemployment $0.75\ W_g$ and his net monthly salary $(1-c_a)(1-t_s)\ W_g$ is positive, which is the case of actual fiscal framework, in which the gain for employer is approximately 5 percents of his gross monthly salary - $(1-c_a)(1-t_s) \approx 0.70 < 0.75$.

Another fiscal incentive consisted in the deferral of payment of the tax liabilities which were due by companies affected by the crisis. In order to get the deferral of payment, companies have to fulfil a series of conditions, among which: the company had to have no tax arrears at September 30th 2008 (later repealed) and the company had to have no fiscal record and had completed all fiscal statements. At the specific request of companies, which have to provide satisfactory guarantees, the deferral is granted only once in a fiscal year, for a period of maximum 6 months and can not overdue December 20th of the fiscal year, which in Romania is the same as the calendar year. Also, all along the period of deferral, delay penalties are reduced from 0.1% per day to 0.05% per day. Thus, in practice, this measure meant only a temporary reduction of delay penalties from 0.1% per day to 0.05% per day, making it rather useless for companies, which had to provide satisfactory guarantees in order to beneficiate from it.

When it comes to evaluate the impact of such tax incentives, it is interesting to see the number of new registered companies and sole proprietorships, and also the number of liquidations and removals from official records. These data are presented in table 5.

Table no. 5. Registration of companies and sole proprietor ships and liquidations during 2007 (last trimester) - 2009

		New registered companies	Subscribed capital	Registered sole proprietorships	Removals	Subscribed capital /company	Liquidations
2007	oct	9634	144362.80	3711	2555	14.98	2320
	nov	8926	235415.50	3443	3912	26.37	1050
	dec	6452	786292.00	2945	3324	121.87	46909
2008	jan	7675	145579.20	2155	3839	18.97	n.a.
	feb	10963	349645.00	4267	3838	31.89	n.a.
	mar	10325	433195.10	4921	3854	41.96	n.a.
	apr	8964	365488.90	4361	3377	40.77	2496
	may	8398	109966.10	4084	3007	13.09	n.a.
	jun	8472	488922.90	3417	3391	57.71	n.a.
	jul	9174	569363.10	3594	4049	62.06	1369
	aug	7533	185870.70	3021	3320	24.67	49884
	sep	8519	196139.50	3185	3176	23.02	4594
	oct	8902	189317.60	3539	5130	21.27	5582
	nov	7035	494509.60	3119	4511	70.29	6225
	dec	5482	210518.90	2921	4757	38.40	3262
2009	jan	5459	316414.20	4416	4109	57.96	1818
	feb	6531	181876.10	7088	4131	27.85	2030
	mar	6851	330924.90	5855	4823	48.30	3901
	apr	4972	184613.80	4152	3942	37.13	2470
	may	4118	303178.90	4743	4340	73.62	3299
	jun	4242	150217.00	4444	5526	35.41	n.a.
	jul	4397	150217.00	5091	6822	34.16	3465
	aug	3763	196273.20	6393	6416	52.16	n.a.
	sep	2396	544610.50	4590	5920	227.30	n.a.
	oct	6186	902955.80	4555	8256	145.97	n.a.
	nov	4575	138223.00	4283	5956	30.21	n.a.
	dec	3489	1556162.80	3171	5956	446.02	n.a.

Source: http://www.onrc.ro/romana/statistici.php;

One can notice the constant fall of new registered companies as well as the increase of sole proprietorship that started businesses. The apparent contradictory evolution is determined by the adoption of the corporate alternative minimum tax that put a supplementary fiscal burden especially on SME's which decided to change their fiscal status by adopting the legal form of sole proprietorship. Also, the removals from official registers increased constantly. These data suggested that the tax incentives did not have the effect intended by authorities, more over, they determine a dramatic change in the legal status of businesses, which are more and more conducted as sole proprietorships, with negative implications on capitalization, risks and future developments.

Also, the dynamics of budgetary revenues reflects the impact of such tax incentives on public revenues as table 6 shows.

Table 6. Public revenues during 2007 – 2009 (mil RON)

Revenues	Year	1.01-31.03	1.01-30.06	1.01-30.09	1.01-31.12
Total revenues	2007	25915.1	58584.3	91997.3	127108.2
	2008	40269.9	81391.8	124041.7	165546.6
	2009	38061.4	77275.6	115770.1	156624.9
Current revenues	2007	25378.8	57122.5	89280.6	123298.9
	2008	38653	78746.7	120136.1	159743.7
	2009	37332	74986.1	112091.4	151086.4
Fiscal revenues	2007	14638.1	33796.7	53760.1	76365.8
	2008	22749.4	46196.7	71400.6	94846.8
	2009	21701.8	43841.1	65359.8	88324.3
Profit tax, wages, revenues and capital gains taxes	2007	5425.1	12272.4	18663.5	26319
	2008	6971.9	15847	24531.7	32948.9
	2009	7490.8	16082.2	23472.2	31829.9
Profit tax	2007	2038	5122.7	7654.4	10558.3
	2008	2469.5	6530.4	10043.6	13059.4
	2009	2132.5	6009.2	8440.8	11893
Wages and revenues tax	2007	3039.3	6442.1	10015.8	14374.9
	2008	4198.3	8690.9	13445.3	18500.4
	2009	4993.9	9400.7	13951	18551.4
Other wages, revenues and capital gains taxes	2007	347.8	707.6	993.3	1385.8
	2008	304.1	625.7	1042.7	1389.1
	2009	364.4	672.2	1080.4	1385.5
Property taxes	2007	1062	1652.6	2230.1	2944.9
	2008	1335.5	1834.1	2664.1	3253.9
	2009	1499.2	1999.5	2824	3377.7
Goods and services taxes	2007	7911.6	19388	32102.3	46061.2
	2008	14016.3	27794.3	43143.2	57249
	2009	12401.9	25232	38257.7	52072.1
VAT	2007	4874.5	12889.2	21734.3	31243.2
	2008	10264.2	20227.9	31306.7	40873.6
	2009	8535.5	17059.2	25324.9	34322.4
Excises	2007	2493.9	5484	8787.3	12511.8
	2008	3002.4	6267.5	9904.8	13646
	2009	3099.3	6940.3	11306.5	15579.2
Other goods and services taxes	2007	59.1	81.8	99.7	242.6
	2008	18.3	52	70	87.1
	2009	12.9	26.6	40.6	55.7
Taxes on use of goods and activities	2007	484.1	933.1	1481.1	2063.5
	2008	731.3	1246.8	1861.7	2642.4
	2009	754.1	1205.9	1585.6	2114.7
Customs duties	2007	194.1	397.6	631.9	855.7
	2008	250.1	477.7	722.2	962.3
	2009	153.6	299	507.8	655.5
Other taxes	2007	45.3	86.1	132.2	185
	2008	175.6	243.7	339.4	432.6
	2009	156.4	228.5	298.1	389.1
Social contributions	2007	8819.5	18178.2	27877.5	38843
	2008	12184.9	24442.8	36613.9	49007.8
	2009	12276.4	24367.1	36297.8	47872
Nonfiscal revenues	2007	1921.2	5147.6	7643	8090.1
	2008	3718.7	8107.2	12121.5	15889.1
	2009	3353.8	6777.9	10433.8	14890.2
Capital revenues	2007	168.5	391	586.7	904.6
	2008	340.6	554	758.5	1075.8
	2009	121.8	235.2	356.5	547
Donations	2007	354.6	1046.9	2100.1	2869.5
	2008	490.8	935.7	1820.7	3020.7
	2009	856.9	1443.7	2178.4	2959.1
Amounts received from the EU on account of payments made	2007	0	0	0	0
	2008	0	0	0	0
	2009	0	763.3	1263.5	2099
Financial operations	2007	13.2	24	29.9	35.1
	2008	8	12.7	17.8	25.2
	2009	6	8.8	11.5	15.3
Other amounts collected	2007	0	0	0	0
	2008	777.5	1142.8	1308.6	1681.2
	2009	-255.4	-161.4	-131.2	-82

Source: Monthly Bulletins of Public Finance Ministry

During 2009, one can notice the dramatic fall of revenues from value added tax and from customs duties, which signals the fall of internal consumption, but also the fall of corporate income tax revenues that signals the difficulties encountered by companies. Faced with this dramatic collapse of public revenues, Romania's authorities introduced the above mentioned alternative minimum tax, which proved itself as being inefficient in combating the effects of the crisis. Such a tax incentive was meant to provide government with a constant flow of revenues during crisis, while creating constraints for companies to adopt a more responsible management. The effects were far from these envisaged, as many companies changed their legal status to sole proprietorships as we showed above.

Other indicators such the number of employees, the number of unemployed and the rate of unemployment are suggestive in order to appreciate the efficiency of tax incentives related to social contributions. From this point of view, the dynamics of these indicators is shown in table 7.

Table 7 The number of unemployed, the rate of unemployment and the number of employees in Romania during 2008-2009

		Number of unemployed (thou)	Rate of unemployment (%)	Number of employees (thou)
2007	dec	367,8	4,1	4717,2
2008	jan	384	4,3	4765,2
	feb	379,8	4,3	4775,5
	mar	374,1	4,2	4803,6
	apr	352,5	3,9	4820
	may	338,3	**3,8**	4829,2
	jun	**337,1**	**3,8**	4827,4
	jul	340,5	**3,8**	4833,2
	aug	345,5	3,9	4828,9
	sep	352,9	3,9	**4834,6**
	oct	364,2	4	4825,1
	nov	377	4,1	4791,2
	dec	403,4	4,4	4738,6
2009	jan	444,9	4,9	4736,7
	feb	477,9	5,3	4692,3
	mar	513,6	5,6	4654,4
	apr	517,7	5,7	4623,9
	may	526,8	5,8	4589,7
	jun	548,9	6	4556,7
	jul	572,6	6,3	4519,5
	aug	601,7	6,6	4480,7
	sep	625,1	6,9	4448,9
	oct	653,9	7,1	4408,6
	nov	683,1	7,5	4364,9
	dec	709,4	7,8	4367,7

Source: Monthly Statistical Bulletin, National Institute of Statistics available at:
http://www.insse.ro/cms/rw/pages/arhivaBuletine2009.ro.do
http://www.insse.ro/cms/rw/pages/arhivabuletine2008.ro.do

As one can notice, the minimum rate of unemployment was attained during mid 2008, while for the entire year of 2008 the rate varies up to 4.3 percents. The unemployment began to increase all along the year 2009, in spite of the tax incentives related to technical unemployment adopted by authorities.

Conclusion

Through our analysis we come to a series of conclusions that can be summarizes as follows.

(i) The crisis in Romania was generated primarily by external financial factors which led to an increase of interest rates and a steep depreciation of a national currency which further have generated the fall of households' final consumption and of gross fixed capital formation. The decrease of external plays a marginal role.

(ii) The major tax incentives adopted by Romanian authorities in order to overcome the crisis had focused on corporate income tax and social contributions, which also represented the budget revenues with the biggest drop during 2009 as compared to 2008. The deferral of tax payment plays an insignificant role, as in practice, it means only a reduction of penalty delays from 0.1% per day to 0.05% per day, as companies must provide satisfactory guarantees.

(iii) The incentives were almost inefficient as they intended to provide stability in budgetary revenues (alternative minimum tax) during a crisis period. The moment of adoption was badly chosen.

(iv) The social contributions related incentives seem to be more appropriate as they generate significant tax savings for employers ($c_A W_g$). Though, the unemployment continues to rise all along 2009.

These are some of the actions adopted in order to overcome the crisis. Their efficiency was poor and the crisis is far from being surpassed. There is still a need for increased responsibility in public spending and tax policy, as well as a monetary policy oriented to stimulate the financing of Romanian companies.

References

Lazăr, Sebastian – Incidenta bugetelor publice asupra gestiunii financiare a întreprinderii, Editura Universității Al. I. Cuza, Iasi, 2009;
Ministry of Public Finance of Romania – Monthly Bulletins available at http://www.mfinante.ro/execbug.html?pagina=buletin;
National Bank of Romania – Monthly Reports, Annual Reports, available at http://www.bnro.ro/Publicatii-4.aspx;
National Statistic Institute – Monthly Bulletins available at http://www.insse.ro/cms/rw/pages/arhivaBuletine2009.ro.do;
Specific fiscal legislation