

KEY INSTRUMENTS IN THE FIGHT AGAINST FRAUD: THE IMPORTANCE OF FISCAL EDUCATION

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Abstract: *This article is not about changing laws, many of which are sound and necessary; it is about understanding 'why', as humans, we look for easy ways out, and also how we can rise to the challenge and really keep fraud and corruption by making more room for morals. Tax revenues are the key to maintaining the State sustainability and wellness. In a moment of crisis like the current one, it is transcendental to deepen in the fight against fraud, as a fundamental tool for achieving this goal. However, it is worth asking: is that possible, based on greater tax education, detailed and transparent with information on the different tax measures implemented, as well as the responsible use of resources by their managers, to improve the attitude of the population before paying taxes? In this article, we try to respond to the importance of these aspects to end the fraudulent actions and improve the collection efficiency of the Public Administration.*

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JEL Classification: *G2, G18*

Introduction

In a crisis environment, such as the current one, we believe that how we deal with fraud and corruption, needs to be re-thought and the need to increase tax collection is one of the main objectives to manage the return to growth and of course a correct redistribution of income that provides the maximum welfare to the population.

The fight against tax fraud, within a framework of increased communication and information to the population, will contribute to their awareness and will reduce the tolerance with actions, which ultimately harm the citizens themselves, diminishing the Welfare State.

We believe that business people need to acknowledge moral responsibility for their decisions and conduct, which, after all, can have widespread social consequences. It is therefore important to find practical and constructive measures to counter corruption.

As a solution for this to end, in addition to the objectives of transparency in the management of resources and transmission of knowledge on the importance of the tax system, a message of non-impunity must be given to offenders, confronting the behavior of those who they evade their responsibility towards the rest of the population. It must be clear that, not contributing, according to its capacity, with the income of the State, is equivalent to reducing resources available to manage public services and carry out the social actions that could eradicate social exclusion in favor of a more just and solidary society.

1. Fiscal conscience

The concept of „conscience” encompasses different definitions, being able to consider it as: «*The moral knowledge that the human being has about himself, his existence and his relationship with the world* » (Stanford Encyclopedia of Philosophy, 2003), or as:« *The ability to discern between good and evil from the which behaviors can be judged* ».

An ancient view, still popular today, is that moral knowledge must ultimately be based on the will or commandments of the Creator. This view faces two major problems. First, there is the obvious difficulty that skepticism about God’s existence is at least as difficult to lay to rest as skepticism about moral knowledge. Second, there is the further difficulty that even if we are confident about God’s existence, it is not clear how we can interpret the will

or commandments of God without first having moral knowledge, thus making this reply to the skeptic question-begging.

It is evident that, the perception that citizens have about the tax system and public spending, is influenced by the evaluation they make about the management of these taxes. An increase in trust in public institutions reverts to a greater fiscal awareness of the individual.

When the individual is aware that the rights he holds are intimately linked to his duties and that thanks to the existence of a tax system can benefit from a series of goods and services that otherwise could not exist, increases the positive aptitude towards payment of taxes, becoming actively involved in the effectiveness of the tax system.

The greater degree of understanding and knowledge made the operation of income and public expenditures undoubtedly result in a greater willingness to pay taxes.

An argument of David Hume (1740) provides a more direct threat to the possibility of moral knowledge based on the fact that morals excite our passions and motivate us to act. If morals are based on reason so that they consist in true or false ideas, they would have to be in themselves incapable of having this direct influence on our actions.

Of course, when citizens consider that the use of their taxes leads to greater social welfare, confirming their knowledge about the functioning of the public income and expenditure system, they immediately increase their fiscal awareness, both individually and collectively, since society tends to internalize the experiences of each of its members, especially when they are, in some way, made public. In this sense, we can not forget that the work of the media is also of great importance, since they provide information on the functioning of the institutions and, therefore, on the way in which public managers act.

2. Objectives of the Administration

It is becoming increasingly clear to many people that today's wealth of rules and regulations and checklist box-ticking is not having a real impact on the root cause of fraud and corruption. On the contrary, probably the more copious and confusing the rules become, the more opportunities are created for the fraudster.

Therefore, what are the objectives that the administration faces in order to make citizens aware of the need to fight against fraud and the underground economy?

There is a „main strategic objective”, which is to increase the level of fiscal awareness of citizens, for whose achievement it is necessary to follow up on certain lines of action as :

1. Improve individual awareness (civic-tax education).
2. Change behaviors of social tolerance to fraud (need to be measured through periodic surveys, fiscal barometer conducted annually by the Institute of Fiscal Studies).
3. Modify the perception of taxes and their social acceptance.
4. Modify the perception of inefficiency and inefficiency in public spending.

In order to improve individual awareness and following the line of the above, a series of „general approaches” must be followed, which inevitably pass, and in the first place, by the increase of citizen awareness of the efficiency and effectiveness in public spending. On the one hand, there is a need to raise to be able to subsequently invest in public spending: productive spending, public services and social expenditure (pensions, health, education and social services) and, on the other hand, measures must be promoted that improve efficiency in spending, using it responsibly the resources withdrawn. Second, the previous actions should be linked to an adequate communication strategy, aimed at strengthening tax awareness. That’s it important to speed up and facilitate the relationship with the taxpayer through electronic means. It is essential at present, to highlight the relevance of TIC (internet) in communication to the citizen in a reciprocal sense and the positive externalities generated by the adaptation of these to the needs of the population.

Finally, and due to the current situation, all measures must be adapted to the new circumstances of the economic scenario. The current crisis and the environment of budgetary austerity, make tax fraud even more reprehensible if fits. We can not forget that, at this moment, we are moving in a scenario of economic crisis, that will affect to a greater or lesser extent all economies, due to the growing globalization and the interrelation existing among all international markets. This situation among many other circumstances, has led in the past to a notable increase in the phenomenon of poverty, increasing the number of people who are below the so-called „poverty threshold” (Martinez and Miquel, 2011). For this reason, it is more necessary than ever to perform a correct redistribution of wealth with the objective of assisting the most disadvantaged, which, consequently, increases the need for citizenship be aware of the importance of the tax system.

3. Civic-Tax education

Situations encountered and role models in formative years are likely to affect the level of moral dissonance a person experiences.

Closely related to the objectives set, and as we saw earlier, the importance of civic-tax education should be emphasized. On the one hand, it is essential to promote awareness from the earliest educational levels, both through the training of teachers, and the inclusion of a tax education program in the curricula of the teachings socks and baccalaureate.

Greater education helps to change the social behavior of social tolerance against fraud and offenders. To evaluate the success or failure of these plans the following aspects should be taken into account:

- Social perception of tax fraud and changes in tax behaviors tolerance towards it.
- Measurement of said behaviors through periodic surveys:
- Fiscal Barometer performed annually by the Institute of Fiscal Studies in which diverse issues are analyzed about fraud and estimation of fiscal compliance costs and the opinions of citizens in relation to basic public services (health, education, social services) are facilitated.
- Opinion polls from the Center for Sociological Research: where evaluates the opinion of citizens about compliance with obligations tributaries and their perception of fraudulent behavior, as well as the quality of public services.
- Promote various qualitative and quantitative studies that, through analysis of the possible variables correlated with the attitude of taxpayers against fraud, allow to alter the degree of fiscal awareness of citizens.

4. Fight against fraud

Traditional moral philosophy has addressed the topic of freedom and determinism in order to assess the extent to which people can be held morally responsible for their decisions and actions. How far are individuals free to choose between different courses of action? To what degree are events decided in advance and outside our own sphere of influence? Strawson believes that the practice of holding people morally responsible for their actions does not have

to rest on a theoretical platform, which, once and for all, proves that people have freedom and are not determined by external forces. We consider people to be morally responsible for what they do, unless we receive information that they did not possess the normal capacity to reason.

Today, businesses are bombarded with rules and regulations from all sides. Almost half of the companies around the world surveyed by PriceWaterhouseCoopers (PwC, 2018) reported that they suffered one or more instance of economic crimes.

"Small businesses tend to be very informal in nature. A lot of times they're either formed with friends or family members, and all the formalities are not in place as they would be in a larger business," (www.lougoboop.com) says Elena N. Lougovskaia, co-founder of Lougovskaia Boop, LLC, a law practice in Cleveland, Ohio, focused on business law and commercial litigation. "Employees wear many different hats and perhaps decision makers should be separated from people who sign the checks or one person should be responsible for signing check and a separate person should be responsible for accounting, processing invoices, and purchasing."

The types of fraud can vary wildly, from accounting scams carried out by employees to fraudulent returns from customers to data theft by outsiders. Businesses have less protection than the consumer and, in some cases, can be held responsible in a business fraud scheme, owing liability to banks, shareholders, insurers, credit card processors and other entities. New laws also hold businesses accountable for liability in the event of some types of fraud perpetrated by third parties, such as data breaches.

In order to understand the types of fraud that your business may be vulnerable to, you must first understand the different sources of these crimes.

Most professionals agree that the top sources of business fraud, ranked in the order of frequency and cost, are as follows:

- Employees and Officers
- Customers
- Contractors
- Third-Party Attacks (by electronic means).

There are ways to deter fraud. One of the most important steps a business can take is to create a system of awareness at the top level of management. Internal controls are one of the great fraud deterrents. Internal controls involve the processes by which a business operates and goals are achieved.

In accounting, it refers to the reliability of financial reporting and compliance with laws and regulations. Setting up good controls is important for a business to detect and deter fraud.

Opinion on how well we are doing as a whole in the war against fraud, bribery and corruption is bound to vary from person to person but there is, we submit, a broad consensus that a lot more needs to be done and that if we continue in the same vein the situation will probably deteriorate. True change will happen more readily if we recognise a well of discontent around us rather than try to ignore it. In other words, we should allow ourselves to experience our own dissonance, not try to neutralise it as quickly as possible.

Conclusions

In order to increase tax collection, as a step prior to a better redistribution of income and sustainability of the Welfare State, it is necessary to fight against fraudulent actions in the payment of taxes. For this, a first step should be an adequate regulation that increases the sanctions of fraudsters, as well as a greater fiscal inspection with a clear message of impunity.

Likewise, the behavior of citizens in the face of tax fraud becomes a tool for great relevance to increase the fiscal awareness of citizens and the degree of fiscal awareness requires a true communication strategy, which on the one hand show the importance of the correct payment of taxes in the operation of the system and the financing of public services and that, on the other, increase the information of citizens on the responsible management of public resources by those responsible for it and sanction attitudes of little rigor. Therefore, the main points that should be highlighted as a conclusion of the above are:

- The citizen must be aware that the main victim of fraud is the own taxpayer, as well as society as a whole. In this sense, we must consider that the fall of the tax collection as well as an inefficient management of it, affect the level of social welfare.
- For this, it is essential to increase the communication strategy and information to the taxpayers. An equitable application of standards is a key issue in improving the degree of fiscal awareness. Therefore, compliance with the principles of equity, justice, contributory capacity, progressivity and non-confiscation, must be guaranteed and respected.
- The best tool to combat tolerance against tax fraud, in addition of the fight against mime itself, is the deepening of tax education, the which

should be promoted from the average educational levels. It is necessary that public institutions initiate actions aimed at improving information and make citizens trust public administrations.

- It is essential to boost the efficiency of public spending through improvement in the management and in the quality of services, since the degree of fiscal tolerance of fraud is influenced by the efficiency and quality of public services, as well as in the correct evaluation of the managers.
- Improve the fight against fraud by increasing the penalties applied to fraudsters in an equitable manner.

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