

## **REPORTING OF INCOME TAXES OF INDIVIDUALS IN THE REPUBLIC OF MOLDOVA**

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**ABSTRACT:***The article presents an analysis of the normative framework of the Republic of Moldova regarding the process of declaration of income tax by individuals. At the same time, the article describes the evolution of the ways of presenting the Personal Income Tax Return, as well as the historical development of the model form based on which the natural persons honor their fiscal obligation with respect with the income tax declaration. The research was based on the study of the tax legislation on the regulation of the presentation of the income tax return as well as the statistical data on the number of persons who submitted the respective return for the analyzed tax periods. This study aimed to identify the correlation of the number of declarations submitted in dynamics with the variety of ways of presenting and submitting the personal income tax return in the context of adjusting tax legislation to the evolution of economic processes. This research aims to examine whether the increase in the level of voluntary compliance of individuals with respect to the tax obligation to file the Personal Income Tax Return is directly related to the level of efficiency of the reporting process for individuals, and whether, raising the level of clear legislation could be a plausible solution to ensure an increase in the voluntary compliance of the individual..*

**KEYWORDS:** *income tax, personal income tax return, taxpayer, natural person.*

### **I. INTRODUCTION**

Taxes are the most important financial resource of the state and the oldest in the order of public revenues. These payments are made definitively and non-refundable. Respectively, the definitive character of the tax represents the lack of the obligation to reimburse the amount collected directly to the payer. In return, payers cannot request from the state a counter-service of equal or close value.

According to the principle of fairness of taxation and fiscal fairness, treated by Adam Smith and expressed in *The Wealth of Nations* (1776), "the subjects of each state should contribute, as much as possible, to supporting the state in relation to their possibilities, the income generated by them", and according to the principle of convenience of tax collection, a principle that would take into account the interests of taxpayers, mentioned in the same paper, the economist and philosopher Smith states that "taxes must be collected on time and in the most convenient way for the taxpayer." [1]

Thus, it is noteworthy that each stage of development of the society corresponds to a certain degree of taxes, which is in direct connection with the evolution of society, which is why, in the postwar period there is a tendency to increase taxes in absolute and relative terms.

The tax collection mechanism has evolved over time, so taxation without tax reporting cannot take place. Income tax reporting involves the submission of a return provided for by the tax legislation on the basis of which the subjects of taxation declare their income and determine the obligation to the budget. The reporting of income tax in general and of individuals in particular is subject to tax regulations, which requires compliance with and application of these provisions. On the other hand, there is the question of the extent to which individuals are aware of the importance of this report, their willingness to do so, understanding the content subjected to filling in, but also the opening of the State Tax Service in providing appropriate assistance, including information on this topic.

In the Republic of Moldova such detailed studies have not been conducted, which motivated the elaboration of this research.

At the same time, it is worth mentioning that the need for tax advice has increased because both the activities and the tax systems have become more complex, as the digitalization of the economy changes business models and increases globalization.

The way taxpayers, tax authorities and tax service providers work together is changing as technology evolves. Tax authorities strive for direct communication with taxpayers.

## II. LITERATURE REVIEW

### 1. Normative acts regulating the reporting of personal income tax in the Republic of Moldova

The reporting of personal income tax is regulated by a series of legislative and normative acts to be observed, which are:

- a) Tax Code of the Republic of Moldova no.1163-XIII dated 24.04.1997, which establishes the general principles of taxation in the Republic of Moldova, the legal status of taxpayers, the principles of determining the object of taxation, the general principles of determining and collecting taxes, including personal income tax;
- b) Decision of the Government of the Republic of Moldova no.693 dated July 11, 2018, according to which is approved the Regulation on determining the tax obligations related to the income tax of resident individuals citizens of the Republic of Moldova and the Regulation on the income tax of non-residents;
- c) Decision of the Government of the Republic of Moldova no.697 dated August 22, 2014, approving the Regulation on withholding of income tax from salary and other payments made by the employer for the benefit of the employee, as well as from payments paid for the benefit of individuals who do not carry out business activity for the services provided and / or performing works;
- d) Order of the Ministry of Finance of the Republic of Moldova no.150 dated September 5, 2018, according to which the Regulation on the manner of filling in of the Personal Income Tax Return, Form CET18, is approved.

### 2. Studying the income tax reporting of individuals

We would like to mention that studies and research on the given topic in scientific publications from the Republic of Moldova have not been conducted. However, there have been various studies related to this research, which will be further elucidated. In 2018, multiple changes were included in the tax regulations of the Republic of Moldova, especially regarding the income tax, reason for which various studies were carried out. Thus, the Analysis of the contribution of income tax to the formation of national public budget revenues in the Republic of Moldova (Burlea and Balan, 2018) shows that the amount of personal income tax was 4.75% of the national public budget in 2016 and 4,63% for 2017, and for 2018 being planned at 7%. This argues the importance of personal income tax for the national public budget (its share after the changes in 2018 as planned is set to increase) and that its correct reporting is an important element for both individuals and for the national systematization of information regarding it. Ghedrovici (2017) emphasizes the importance of adjustments made in the field of taxation in order to transpose the European Union Directives into the regulations of the Republic of Moldova to comply with the commitments assumed by the Association Agreement between the Republic of Moldova and the European Union Atomic Energy and their Member States dated 27.06.2014. Other researches often provide a description of how to fill in the tax returns technically, mostly for legal entities and not for individuals.

This study aims at proving the importance of presenting tax returns in order to collect information at national level, and is focused on large segments of persons.

## III. METHODS

The research in question is to be carried out with the application of methods of analysis and synthesis of information sources such as: legislative and normative acts of the Republic of Moldova (hereinafter RM), especially those in the field of taxation, data and information officially declared by public institutions, scientific papers in this field, analysis and research studies, including the application of methods of comparison, induction and deduction, which will provide the opportunity to highlight the essence of income tax reporting of individuals.

## IV. RESULTS AND DISCUSSION

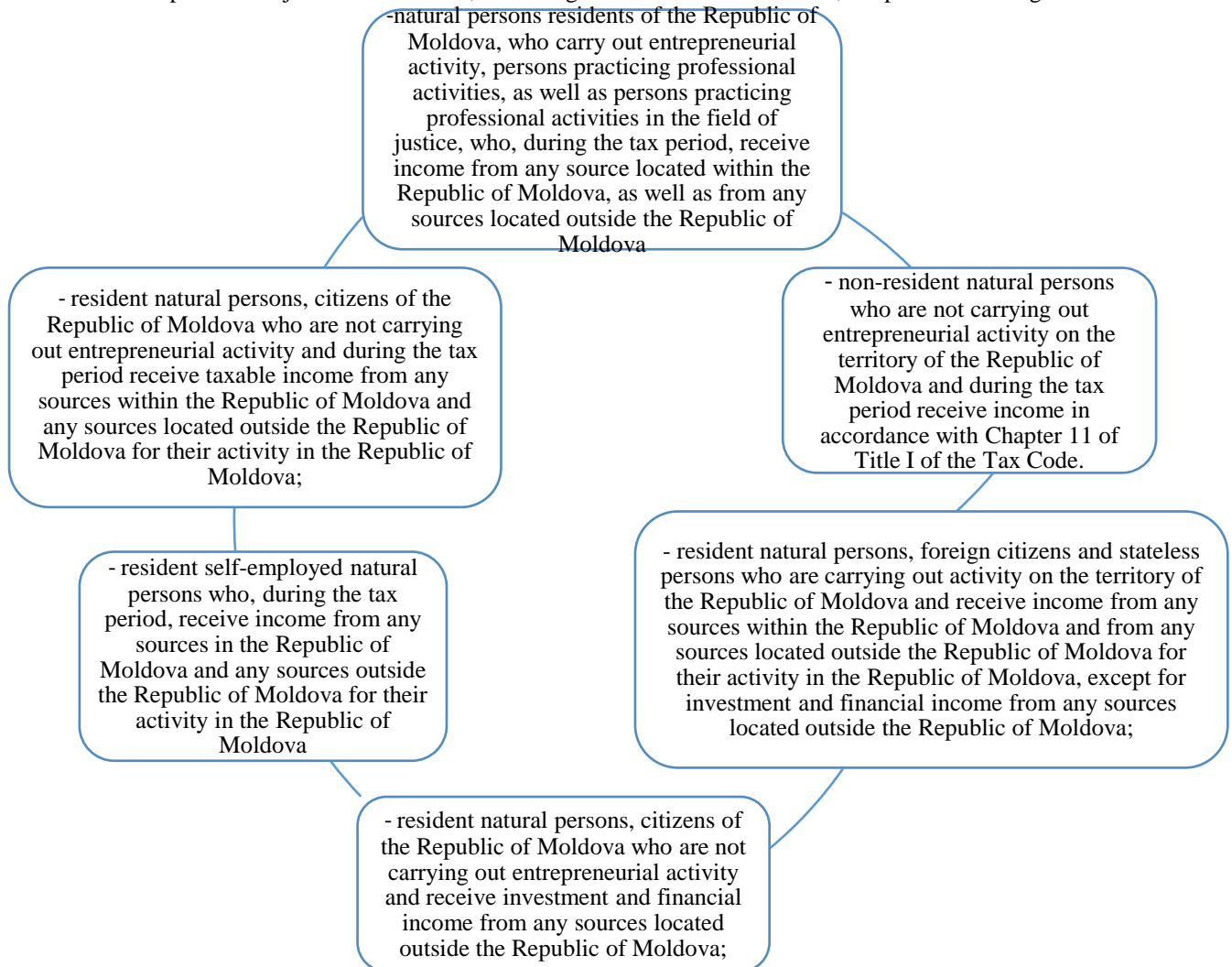
### 4.1 CATEGORIES OF INDIVIDUALS - SUBJECTS OF INCOME TAXATION

It is known that the declaration of taxes by the payer is based on certain tax returns, so-called tax reports. According to art.129 of the Tax Code, a tax report is any declaration, information, calculation, information note or other document on the calculation, payment, withholding of taxes, fees, mandatory health insurance premiums and mandatory social insurance contributions, late payment (penalties) and / or fines or other facts related to the occurrence, modification or extinguishment of the tax liability, submitted or to be submitted to the State Tax Service. [2, art.129]

According to the provisions of Chapter 7 of Title V of the Tax Code, the tax report is an officially approved form containing a number of mandatory elements, based on which the taxpayer honors his obligation to declare taxes to the state budget.

All the taxpayers are entitled to submit the income tax return. [2, art.83 para. (1)] In accordance with the general notions provided in the general provisions of Title I of the Tax Code, *the taxpayer*, the so-called subject of taxation is a person who, according to the tax legislation, is obliged to calculate and / or to pay to the budget any respective taxes and fees, penalties and fines; person who, under tax law, is required to withhold or collect from another person and pay the indicated payments to the budget. At the same time, it is stipulated that a person is any natural or legal person. [2, art.5 pt.2]

Natural persons subjects of income tax, according to art. 13 of the Tax Code, are presented in Figure1:



**Figure 1. Individuals subjects of taxation on income tax**

Source: Tax Code of the Republic of Moldova no.1163-XIII of 24.04.1997 [2]

Taking into account the above, we conclude that not every natural person has the right, or, in certain situations, the obligation to submit the personal income tax return, only if it is the subject of income taxation.

**4.2 INCOME OF INDIVIDUALS TAXABLE WITH INCOME TAX**

At the same time, it is important to mention that the subject of taxation - the natural person submits the respective return if they obtain income from income sources that according to the fiscal legislation are established as taxable. Thus, the provisions of art. 14 of the Tax Code establish which income obtained by the taxpayer- natural person may be subjected to income tax, please see Figure 2.

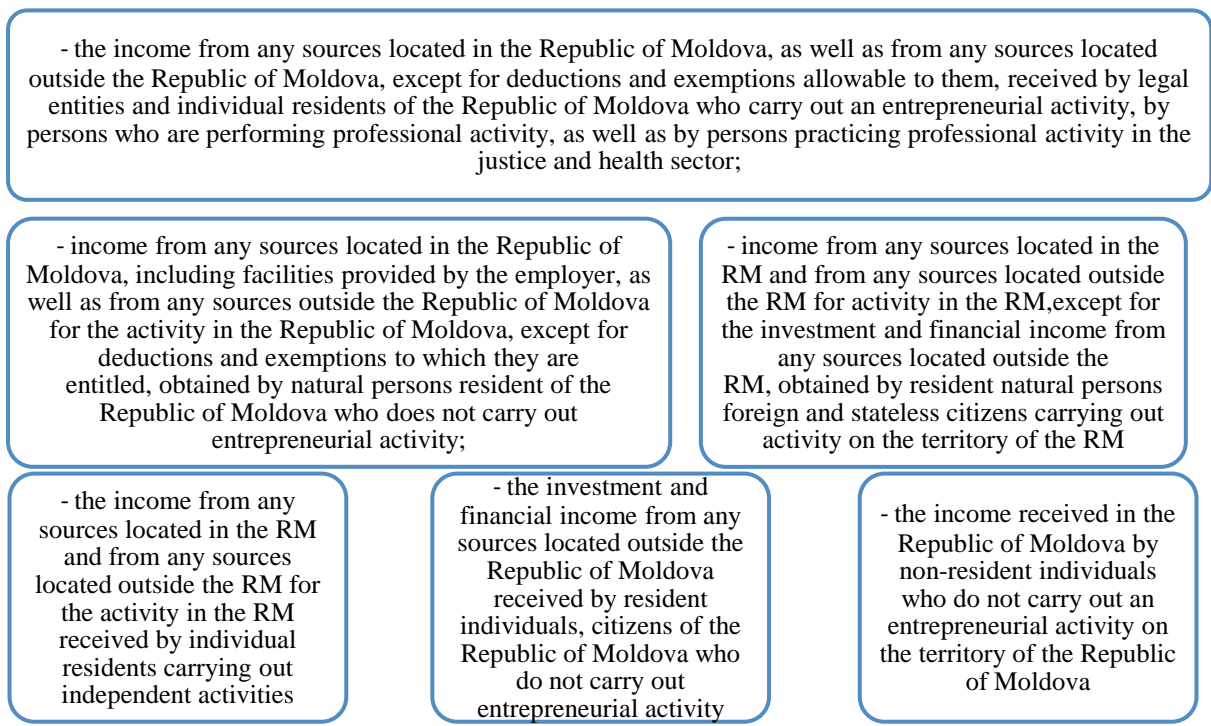


Figure 2: Presentation of taxable income

Source: Tax Code of the Republic of Moldova no. 1163-XIII of 24.04.1997, Chapter 1 General provisions [2]

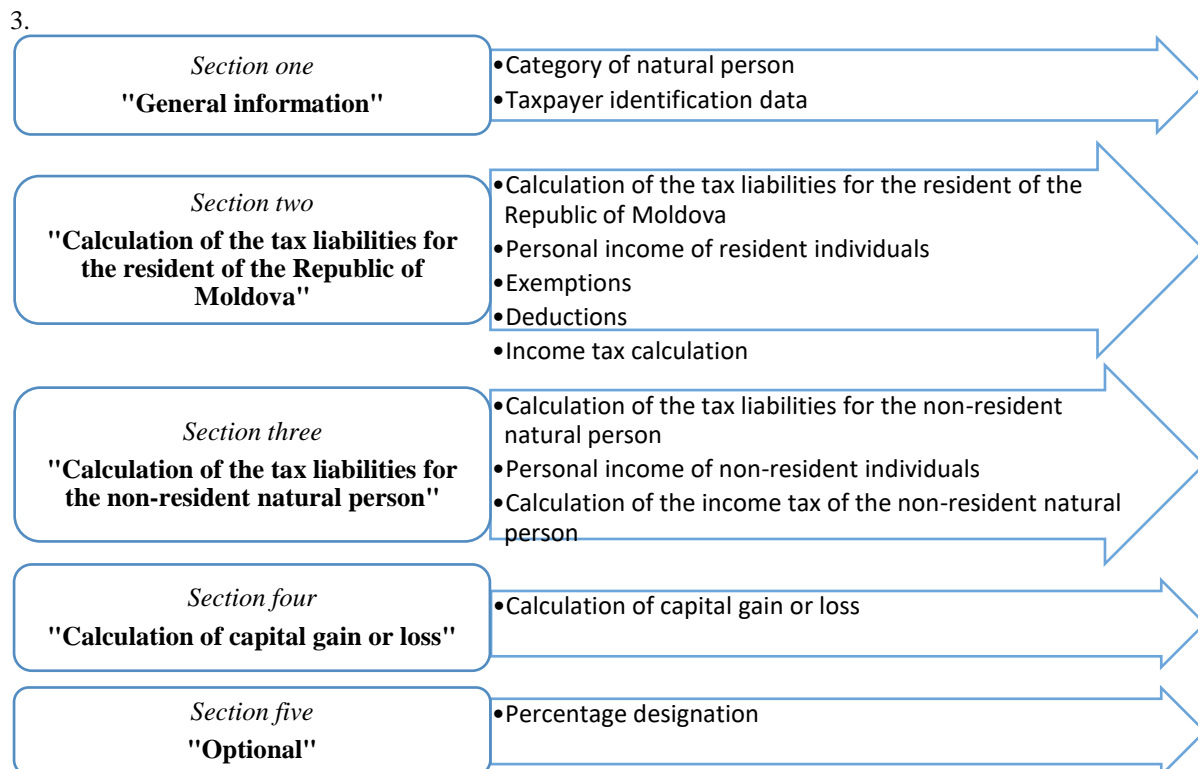
The determination of fiscal obligations, in accordance with the provisions of Title I of the Tax Code, is carried out in the manner established by the Government. [11, art.15<sup>1</sup>] Thus, the regulation of the method of calculation and payment of income tax by individuals is approved according to the Regulation on determining the tax obligations related to income tax of legal entities and individuals carrying out entrepreneurial activity, the Regulation on the determination of the tax obligations related to the income tax of resident natural persons citizens of the Republic of Moldova and the Regulation on the income tax of non-residents [4, Annexes 1, 2 and 3].

#### 4.3 CONTENT OF THE PERSONAL INCOME TAX RETURN

The natural person must submit the declaration regarding the income tax if: they have the obligation regarding the payment of the tax; they used the personal exemption and obtained annual taxable incomes over 360000 lei during the fiscal declaration period, except for the incomes provided in art.90<sup>1</sup> of the Fiscal Code; or they direct a percentage of the income tax calculated annually to the budget.

According to those regulations, the natural person is entitled to file the income tax return in other cases, such as if they wish to use the exemptions to which they are entitled under tax law, if this has not been done at the main workplace, or at the part time workplace. The method of granting exemptions at work is set out in the Regulation on withholding of income tax from salary and other payments made by the employer for the benefit of the employee, as well as from payments paid for the benefit of individuals who do not carry out business activity for the services provided and / or performing works. [5, Annex 2, point 21]

The template of the Personal Income Tax Return (form CET18) is approved based on the order of the Ministry of Finance (September 05, 2018), which also establishes the methods of filling in the respective tax return [3, annex 1 and 2]. The personal income tax return form (CET18) consists of 5 sections, please see Figure



**Figure 3:** Presentation of the structure of the Personal Income Tax Return (CET18 form)

Source: Order of the Ministry of Finance no. 150 dated September 5, 2018 [3]

The method or instruction that provides clarity to individuals on how to fill in the tax return in order to exclude any errors or omissions in completing it is presented by the Regulation on the completion of the Personal Income Tax Return (Form CET18), approved by the Order of the Ministry of Finance no.150 dated September 5, 2018. [3, Annex no.2]

With respect to the presentation of the Personal Income Tax Return (Form CET18), it should be mentioned that it is predestined to be filled in by the taxpayers who have the obligation to submit it, based on the fact that they obtain the income that constitutes subject to taxation under tax law. The amount of income is indicated in the Return in lei and bani (Moldovan coins), according to the model: XXX, YY, where XXX is the whole part (in lei) of the value, and YY - the decimal part (bani, up to hundreds of units). The fiscal period is indicated by the codification of the fiscal period for which the Return is presented - the code ZZZZ, where ZZZZ is the calendar year for which the Return is presented.

According to the methodology of completing the Return, the first section regarding the general information, is proposed to be filled in by ticking the box with the sign "V" correspondingly to the category of natural person who submits the declaration, namely: citizen of Moldova, citizen of Moldova who intends to change the domicile from the Republic of Moldova to another country, foreign citizen who is established, for tax purposes, as a non-resident person of the Republic of Moldova / stateless, foreign citizen who considers himself resident for tax purposes (art.5 point 5 of the Tax Code), ie the person who is in the Republic of Moldova for at least 183 days during the fiscal year or has his permanent residence in the Republic of Moldova.

At the same time, the respective provides for the identification data of the taxpayer, certain boxes of which are not mandatory to complete, for instance the box "Dissemination of (tax) messages" is ticked if the individual wants to subscribe to messages, issued by the State Tax Service.

The calculation of the tax obligation for the resident of the Republic of Moldova is provided in the second section of the Return. The Personal Income Tax Return (Form CET18) contains several compartments, namely: personal income of resident individuals, which includes income in the form of salary, income in the form of capital gain, income obtained from sources outside the Republic of Moldova and other taxable income.

The taxable income obtained during the fiscal year is subject to declaration regardless of whether or not it is confirmed by the respective documents. At the same time, for certain types of obtained income, the information issued by the income payers is used, which contain data on the income obtained by the taxpayer and the amount of tax withheld, or other documents confirming the receipt of income or withholding of income tax. For other income, information from various sources is used, documents confirming the amount of income obtained, for example in the form of a capital gain, in the form of royalty, dividends or interest, etc.

The abovementioned compartment contains 4 columns, two of which are precompleted and reflect in column 1 the information on the name of the sources of income and in column 2 the information on the code of the source of income. Columns 3 and 4 are destined to be supplemented with information on the amount of gross income obtained (indicating the total amount before deductions) and the amount of income tax that was withheld at the source of payment.

Similar to the section regarding *the income of the resident individuals*, the following three: exemptions, deductions and income tax calculation, contain both default columns and columns to be filled in. However, in column 1 the indicators are provided, and in column 2 the information on the code is reflected, and only column 3 is supposed to be completed by the taxpayer. Respectively, in the *exemptions* section the types of exemptions to which the individual taxpayer may be entitled according to legal provisions of the Republic of Moldova are indicated, in the *deductions* section the types of deductions to which the individual taxpayer may be entitled according to legal provisions of the Republic of Moldova are indicated, as well as the section regarding *the calculation of the tax liability* is destined for determining the taxable income, taking into account the information previously reflected, namely: the amount of exemptions, deductions and other types of facilities to which the taxpayer is entitled according to the provisions of the legislation. [3]

According to the Regulation on the filling in of the Personal Income Tax Return (September 05, 2018), section three - the calculation of the tax liability for non-resident natural person, is intended for estimating the income tax obligations obtained by non-resident individuals. Similar to the second section, it contains two types of compartments. The first refers to the personal income of the non-resident natural person, which contains 4 columns, two of which are precompleted and reflect in column 1 the information on the name of the sources of income and in column 2 the information on the code of that source. Columns 3 and 4 are intended to be supplemented with information on the amount of gross income obtained (indicating the total amount before deductions) and the amount of income tax that was withheld at the source of payment. Compartment 2, named *the calculation of income tax*, is intended for determining the calculated taxable income based on the information reflected in the previous section on the *personal income of non-resident individuals*, which results in determining the income tax of the non-resident individuals, in other words, determining the tax liability of non-resident natural persons. The fact that the Return form is designed for both resident and non-resident individuals is an advantage, as it reduces the number of existing tax reports. However, the fact that the Return which requires data from residents and non-residents makes it more sophisticated.

The fourth section is aimed at the calculation of the capital gain or loss. According to art.37 of the Tax Code, the subjects of capital gain or loss are taxpayers resident and non-residents of the Republic of Moldova who do not carry out entrepreneurial activity and who sell, exchange or otherwise alienate capital assets. According to the methodology of filling in the Return, the respective section is composed of the table on the calculation of the capital gain or loss and two informative tables that establish the codes of the capital asset and the code of the types of alienation. According to art.39 of the Tax Code, capital assets are shares, bonds, other property titles in entrepreneurial activity, private property not used in entrepreneurial activity, land, the option to purchase or sell capital assets. Thus, the taxable amount of the capital gain is determined in the fourth section, which is equal to 50% of the excess amount of the capital gain recognized above the level of any capital losses incurred during the tax period. [2, art.40 para (7)]

The last section is optional and refers to the percentage designation. According to art.15<sup>2</sup> para (1) of the Tax Code, resident individuals who have no debts to the tax income for previous fiscal periods are entitled to designate 2% of the amount of income tax calculated annually in the budget to one of the beneficiaries of the percentage designation. The beneficiaries of the percentage designation are: a) public associations, foundations and private institutions registered in the Republic of Moldova that carry out public utility activities in accordance with Law no.86/2020 on non-commercial organizations, provided that they carry out their activity for at least one year until the request for registration in the list referred to in paragraph (4) and have no debts to the national public budget for previous fiscal periods and b) religious cults and their component parts registered in the Republic of Moldova carrying out social, moral, cultural activities, provided that they carry out their activity for at least one year until the application for registration in the list referred to in paragraph (4) and have no debts to the national public budget for previous fiscal periods. The Regulation on the percentage designation mechanism is approved by Government Decision no. 1286 dated November 30, 2016.

After completing the entire procedure for filling in the return, the taxpayer signs the return and indicates the date of its submission. The receipt of the declaration is confirmed by the fiscal body by the letterhead and by the signature of the official who received the declaration or the receipt issued in the generally established manner. [3]

According to the methodology of the filling in of the Return, the tax report must be submitted in two copies by resident or non-resident individuals, one of which remains with the tax authority, and the copy with the letterhead and the official's signature is held by the individual. As previously mentioned, the declaration is

submitted for the income that is subject to taxation based on the tax legislation of the Republic of Moldova, and in the case of non-resident individuals for the income obtained by them on the territory of the Republic of Moldova.

#### **4.4 PROCEDURE FOR SUBMITTING THE PERSONAL INCOME TAX RETURN**

The legislation in force offers several options for submitting the Personal Income Tax Return, thus, the return can be submitted both on paper and electronically. The return presented on paper is completed in ink or pen the data provided being written with capital letters, legibly and correctly. It can be presented at any unit of the State Tax Service, regardless of the taxpayer's domicile. Regarding the electronically submitted return, we mention that it is filled in using the information resources available in the Information System of the State Tax Service, in the manner provided by the instructions prepared by it. The information on how to fill in and submit the Personal Income Tax Return can be accessed on the official page of the State Tax Service [www.sfs.md](http://www.sfs.md), the information on tax returns and how to submit them, including the electronic return for individuals, the pre-completed return, the rapid return is available at the page "Services". [13]

The electronic return ("Declarația electronică") is a free service that offers individual taxpayers the opportunity to file a personal income tax return in the interests of maximum convenience. Anyone can benefit from the stated service after obtaining the electronic or mobile tax authentication signature. "Declarația electronică" was launched by the Electronic Governance Center at the end of 2014 [16]. This service provides for the exclusion of additional expenses for time, money, transportation expenses, etc. At the same time, it allows the automatic completion of all data in the Return as well as their modification if necessary, which allows the preview, modification and transmission of the Return with the application of mobile and electronic signature, accessing the portal [www.servicii.fisc.md](http://www.servicii.fisc.md) [13]. "Declarația electronică" service was first applied to the reporting of income tax for fiscal year 2014 based on the Personal Income Tax Return (Form CET08) [8].

Subsequently, after the electronic return service was implemented, a new service was created for the submission of the respective tax report, a new opportunity for taxpayers that offers the possibility to facilitate the process of using this service, thus, it was created and implemented "Pre-completed return" module. That service is a solution to streamline the reporting process for individuals, it allows the generation of a tax report that already contains the information available in the Information System of the tax authority at the date of generation. This functionality of this service provides for the option to modify the data stipulated in the "Pre-completed return", as well as the generation of bank requisites for which the tax due is to be paid, but also offers the possibility to pay the tax through the "MPay" system.

It should be mentioned that the launch of the "Pre-completed return" service, as a new way aimed at facilitating the process of filing the report on income tax by individuals, took place on 20.02.2014 during a press-briefing, organized by the State Tax Service. The main advantages offered by this service at the implementation stage were the following:

- extraction of taxpayer data from information notes submitted by employers,
- preparation of a report that would allow the presentation of data extracted from the reports submitted by employers
- reduction of the time required for the filing of the income tax return by taxpayers natural persons. [11]

Along the way, this service has been and is in a continuous modernization and adaptation to new realities in order to offer the taxpayers a much more useful and convenient service so that they can honor their tax liability by excluding any impediments that may affect this process, including for those wishing to submit the return in order to benefit from percentage designation, or other cases.

According to the information presented by the State Tax Service, in 2015 the second phase of this instrument was implemented, which allows the generation of a fiscal statement based on the data available in the information system of the State Tax Service. This instrument is taken from European practices, especially from the Scandinavian countries, being a premiere for the states of Eastern Europe and the post-Soviet space. Analyzing the positive aspects of this service, it was established that the pre-completed return considerably reduced the time of the employees of the State Tax Service reserved for serving taxpayers in the part related to the filing of the Personal Income Tax Return. At the same time, it was established that this instrument has contributed considerably to increasing the level of voluntary compliance. Additionally, it was found that in 2015 compared to 2014, the number of returns submitted on time by taxpayers increased by about 20 percent, and at the same time, with an increase of 24 thousand returns compared to the previous period. Taking into account the fact that the pre-completed returns contain QR code, their subsequent processing time decreased 3 times, from 79 seconds for a declaration to 25 seconds. [13]

#### **4.5 EXAMINATION OF THE SUBMISSION OF THE PERSONAL INCOME TAX RETURN**

Currently, when submitting the Personal Income Tax Return to the tax service departments, regardless of their place of residence or domicile, the taxpayers can request the pre-completed version of the Return based on the identity document or by submitting the Rapid Return ("Declarația rapidă"). Thus, we mention that, currently, the submission of the income tax return by the individual by accessing the "Pre-completed return"

service, allows the generation of a pre-filled return with the data available in the Information System of the tax authority on the date of generation. If the data submitted by the system is complete and does not need to be supplemented, the taxpayer signs it and then sends it to the State Tax Service electronically through the said electronic service. If there is a need to modify the data in the pre-completed declaration, the taxpayer must access the "Modify" button of the mentioned service and make the necessary changes in the Return. Thus, individuals who are required to file the income tax return obtained in a given tax period or want to designate a percentage of 2%, they have the opportunity to submit the return to the State Tax Service, using the pre-completed return module within the automatic informational system "Electronic Return".

Regarding the Rapid Return service, we mention the following: the specificity of this service at the initial moment of its implementation is that the program generates a bar code, which has all the information included in the report, and which is then scanned by the tax auditor and introduced in the database. This is an easier way to complete and then process the data on income and taxes paid, so that any overpayment is easier to recover.

Another advantage of this method is that, by electronic scanning, the possible mistakes of the operator when introducing the information in the database in case of presentation of the declaration on paper completed in ink or pen are avoided. According to statistical data provided by the analysis and reporting section of the state authority "Fiscservinform", during the first period of implementation of this service, within the years 2009-2011, over 9 thousand individuals chose to submit their returns to the State Tax Service through the service "Rapid return", so over 10,000 people used the "Rapid return" service, as shown in Figure 4.

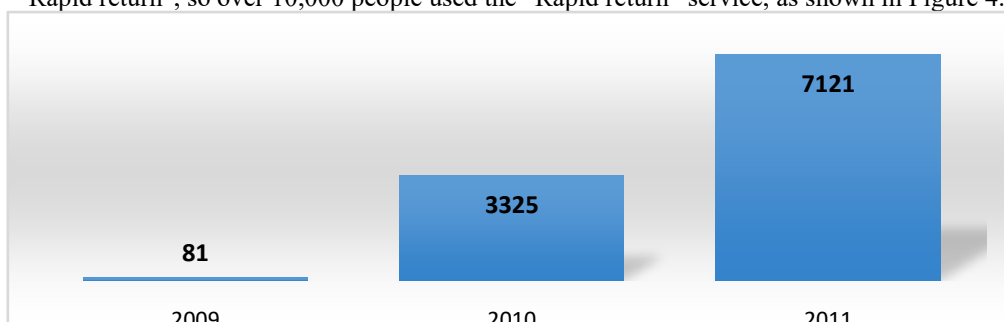


Figure 4. Number of taxpayers who submitted returns using the "Rapid Return" service

Source: Useful information on filing the Personal Income Tax Return CET08, PP "Fiscal Monitor FISC.MD", [https://monitorul.fisc.md/monitorul/informaii\\_utile\\_privind\\_depunerea\\_declaratiei\\_pe\\_venitul\\_persoanelor\\_fizice\\_cet08.html](https://monitorul.fisc.md/monitorul/informaii_utile_privind_depunerea_declaratiei_pe_venitul_persoanelor_fizice_cet08.html)[12]

Regarding the number of returns, submitted by taxpayers natural persons, during the first periods since the launch of the service, their number amounts to 13473 units. Thus, we establish that the popularity of this way of submitting the returns increases exponentially starting with the first year of implementation of this service, in which only 96 reports were presented, then in 2010 the number of the tax reports already exceeded 4 thousand, and in 2011 doubled, as shown in Figure 5.

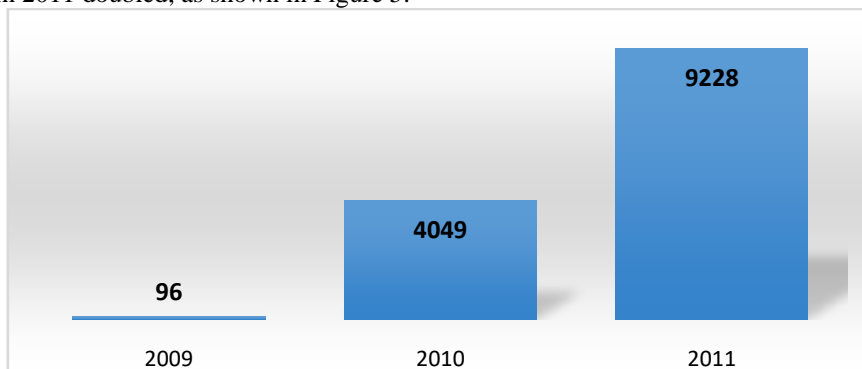


Figure 5. Dynamics of the number of reports submitted by individuals through the "Rapid Report" service

Source: Useful information on filing the personal income tax return CET08, PP "Fiscal Monitor FISC.MD", [https://monitorul.fisc.md/monitorul/informaii\\_utile\\_privind\\_depunerea\\_declaratiei\\_pe\\_venitul\\_persoanelor\\_fizice\\_cet08.html](https://monitorul.fisc.md/monitorul/informaii_utile_privind_depunerea_declaratiei_pe_venitul_persoanelor_fizice_cet08.html)[12]

Studying the dynamics of filing tax returns through electronic tax services allows us to say with certainty that they are making continuous progress. For example, the results of the presentation of the Personal Income Tax Return for 2015, presented by the State Tax Service on its official website, establish that the



number of income tax returns made through the service "Electronic Return" in 2016 increased, recording the figure of 33337 returns, including 4204 returns completed by natural persons-citizens. Through the "Rapid Return" service (including the pre-completed return) 111,403 returns were submitted, including 104840 returns completed by individuals-citizens (more by 31380 returns than in the same period of the previous year or by 39.2%). These data demonstrate that electronic tax services gain the trust of taxpayers, and citizens, in turn, opt for the quality and efficiency of data processing. At the same time, we mention that the number of income returns submitted by individuals-citizens is 169451 returns, increasing by 5004 returns compared to the similar period of 2015 or by 3%. [9]

If we analyze the evolution over time of the indicator on the submission of income tax returns from individuals, we note that this start is present even in the reporting year 2019. Thus, according to data published by the State Tax Service on receipt of the Personal Income Tax Returns from individuals engaged in entrepreneurial activity, for the fiscal period 2019, this indicator indicates a number of 101587 returns filed, which is 46174 fewer returns compared to those filed in 2018. This decrease is caused by the fact that for the period of 2018, individuals, who carry out entrepreneurial activity, were required to submit two income tax returns for the two distinct stages in the context of the reform of 1 October 2018 by which it was established a single rate of income tax of 12% which replaced the two shares of 7% and 18%. Of the total number of returns submitted for the fiscal period 2019, 52.5% were submitted electronically, on paper - 47.5%, compared to 2018, the share of returns submitted in electronic format increased by 6.5%. [13]

At the same time, in 2020, the State Tax Service received 162694 Personal Income Tax Returns filed by taxpayers - individuals who do not carry out entrepreneurial activity for the fiscal period 2019, which is a lower indicator compared to the number of returns filed in 2019. The cause of the decrease of this indicator is the application of a single income tax rate of 12%, which excludes the obligation to submit income tax returns for some categories of individuals.

If we are to make a classification according to the way of submitting the return, then:

- 87% of the total number of returns submitted by natural persons constituted the electronic returns (Rapid Return, AIS Electronic Return);
- 13% - on paper. [10]

## V. CONCLUSIONS

Concluding the above, we draw attention to the fact that the trend of requesting and applying the new methods of filing the Personal Income Tax Return is constantly increasing, which reflects a positive result on the evolution of these instruments. Respectively, there can be no doubt that the increase in the number of returns submitted by individual taxpayers is also due to the modernization and adaptation of electronic tax services to the needs of the taxpayer. At the same time, it was established that electronic reporting services also contributed considerably to increasing the level of voluntary compliance of individuals with the submission of that return. It is also appreciated that certain mechanisms are implemented, such as the percentage designation, which facilitates the process of filing returns, including online, given that the percentage designation can be made only with the submission of the return by the individual. Regardless of the fact that the Return on income tax tends to be more and more complex, taking into account all types of income generated by individuals, the diversity of which increases with the evolution of society, the correctness of its completion with true data it is the most important aspect.

At the same time, the effort made to promote and modernize electronic services is appreciated, especially in the pandemic situation, when the requirements of the situation impose a certain behavior of individuals to avoid as much contact between people as possible. Thus, the possibility of filing the Personal Income Tax Return online, in a fair, efficient and fast manner, is now more than a necessity.

No actor - whether we are talking about authorities, legislators, accountants, lawyers or taxpayers - is solely responsible for the current shortcomings in tax systems and no actor can rectify these shortcomings alone. Instead, all actors should accept collective responsibility for improving tax systems.

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