

Addendum to the Fiscal Council's opinion on the State Budget Law, the Social Insurance Budget Law for 2015 and the Fiscal Strategy for 2015-2017

On December 11th, 2014, the Fiscal Council (FC) received from the Ministry of Public Finances (MPF) the letter no. 56371, dated 10 December 2014, requesting, under art. 40, paragraph (2) of the Law no. 69/2010 as amended and supplemented (FRL), the opinions on the draft Budget Law for 2015, the Report on the macroeconomic situation for 2015 and the projections for the years 2016-2018, the draft of the Social Insurance Budget Law for 2015 and the corresponding explanatory note, and also the Fiscal Strategy for 2015-2017, the explanatory note and the associated ceilings law of certain indicators specified in the fiscal framework. Given the insufficient time available to assess the relevant documents and the absence of the complete set of documents necessary for the Fiscal Council's opinion preparation (namely the Fiscal Strategy for the period 2015-2017) and of the requested additional clarifications, the FC issued a preliminary view on the draft budget on 11th December, 2014. This document is intended to complement the preliminary assessment mentioned above.

The construction of the budget for the next year aims to achieve a cash deficit of 1.83% of GDP, which would have a corresponding ESA2010 deficit of 1.45% of GDP. This level of the ESA deficit would ensure the fulfillment of Romania's obligations under the preventive arm of the Stability and Growth Pact and the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (the Fiscal Compact), namely achieving a structural deficit measured according to the methodology of the European Commission of 1% of GDP (the so-called "medium-term objective"), with the inclusion of an adjuster (an allowed temporary deviation) of 0.25% of GDP for co-financing expenditures related to the projects funded from post-accession structural funds. According to the information received by the Fiscal Council so far, the realization of a such unusual gap both in terms of dimension and sign – given the historical patterns - between the budget balances under the national methodology (cash) and the one according to ESA2010 is explained by the fact that the projection of spending in according to the national methodology includes in 2015 consistent payments related to certain salary rights earned in court that were already reflected in the previous years' budgetary expenditures according to ESA2010 and also by the advances paid for the purchase of military equipment which will be reflected in the budgetary expenditure according to ESA2010 later, respectively at the time of their receipt. The Fiscal Council requests publicly to the Ministry of Public Finances, in accordance with the principle of transparency stated by the Law no. 69/2010 as amended and supplemented, the inclusion in the Report on the macroeconomic situation for 2015 and the projections for the years 2016 to 2018 of a separate subsection detailing the transition from the cash balance to the ESA2010 based budgetary balance, all the more that this explanation will be included in the context of the notification to Eurostat under the excessive deficit procedure in the spring of the next year.

According to the draft budget, the fiscal consolidation from an estimated cash deficit for 2014 of 2.2% of GDP (in line with the recently approved third budget revision for 2014) to 1.8% of GDP in 2015, is realized in the conditions of a revenue reduction as a percentage of GDP (-0.47% of GDP) surpassed by the decrease in the projected budget level of budgetary expenditures (-0.82% of GDP). The Fiscal Council will comment on the dynamics of the individual categories of revenues and expenditures corrected for the impact of the compensation schemes for clearing outstanding budgetary obligations implemented in 2014 and projected for 2015. It is to be mentioned that if we exclude the temporary expenditures and revenues for 2014 and 2015¹, the cash-based budget deficit adjustment planned for 2015 amounts only to 0.13% of GDP (from a deficit of 1.55% of GDP in 2014² to 1.42% of GDP in 2015).

The descendent dynamics of the budgetary revenue/GDP ratio is determined almost entirely by the impact of the employer's social security contributions reduction (the social security contributions /GDP ratio is being reduced as a result of this measure by 0.7 pp of GDP) to which is added a fall in the non-tax revenue/GDP ratio, as the revenue estimate for the year 2014 includes some temporary income (in amount of 726 million lei) from the sale of greenhouse gas emissions certificates; an opposite influence is recorded in the personal income tax revenues given a greater growth of the tax base than the projected nominal GDP dynamics, due to an increase in the number of employees and in the average wage, in the latter case based on the legislated increases of the minimum wages and those from education and health. Also, the post-accession EU grants estimate considers a considerable absorption improvement, from 14.8 billion lei in 2014³ up to 18.8 billion lei in 2015 (+0.46% of GDP).

At the level of budgetary spending, consistent reductions will occur at the level of personnel spending (by 0.67% of GDP) and of the goods and services spending (by 0.56% of GDP). In the first case, the reduction in budgetary spending, amounting to 2.09 billion lei follows the estimated execution for 2014 that includes temporary spending of 5.137 billion lei⁴, while the programmed budget for 2015 includes only temporary spending of 2.6 billion lei due to the payment of the enforceable titles, and also the employer's social security contribution reduction implies personnel costs savings of 1.62 billion lei⁵, offsetting the projected impact on the level of the public sector wage bill (1.4 billion lei) determined by the increase of the minimum wage and of the salaries in

¹ The personal expenses related to the enforceable titles paid in 2014 and 2015, the elections expenses and the equipment for police officers, the ANRP compensations for 2014 and 2015 and a number of social security contributions in 2014.

² The actual deficit in 2014 could be even less than 2.2% of GDP given the underachievement of investment expenses planned for the last 2 months of the year according to the third budget amendment.

³ The Fiscal Council has already expressed serious reservations about this estimate in its opinions regarding the second and the third budget amendment.

⁴ The enforceable titles in amount of 4.7 billion lei (2.4 billion related to the instalment initially scheduled for 2014 and 2.3 billion related to the advance payment of the instalment initially scheduled for 2015), temporary expenditure for the policemen equipment of 270.5 million lei and temporary expenses related to the presidential election of 167 million lei.

⁵ It is related to the difference between the annualized impact of 1.89 billion lei and the impact already produced in 2014 as a result of application for two months according to the cash execution (270 million lei).

health and education. In the second case, the reduction of expenditures represents 1.8 billion lei, partly explained by the fact that the execution for the year 2014 included temporary spending of 440 million lei occasioned by to the implementation of EU Directive no 7/2011 on combating late payments for commercial transactions.

The draft budget for 2015 includes again a compensation scheme for clearing the outstanding payments to the budget (swap scheme) with symmetric impact on the budgetary revenue and expenditure, in amount of 850 million lei. This swap scheme is persistent: beginning with 2011, the cumulative amounts for 2011-2014 are around 7.6 billion lei. It is difficult to understand the rationale behind the perpetuation of this procedure, which reflects, in the Fiscal Council's opinion, leaving unresolved structural problems (particularly the inefficiency of the state owned enterprises) that causes an abnormal behavior in terms of financial discipline. The Fiscal Council asks to the public authorities to disclose the specific details on the manner in which these compensation schemes are reflected in the financial statements of the entities involved, and their explicit identification, together with an action plan to halt this practice and to solve the underlying problem – mainly, the inefficiency of the state owned enterprises and their financial indiscipline.

According to its initial opinion, the Fiscal Council expressed preliminary reservations on the projected evolution for certain categories of budgetary revenue. Following the review of revenue projections and the additional information received from the Ministry of Public Finances, the Fiscal Council validates the MPF estimates for the discretionary measures' impact, but maintains its prior formulated reservations regarding the projected levels of the budgetary revenue aggregates, as follows (see Appendix III):

- The corporate income tax - the Fiscal Council considers that the projected level is over-estimated by about 300 million lei. The Fiscal Council admits that this revenue aggregate is usually very difficult to be accurately predicted, but the difference in question occurs even under the assumption that we admit an entirely reflection in the firms gross profit of the increased revenue determined by reducing the employer's social security contributions (an unlikely event, however). The Fiscal Council maintains also a much higher estimate compared to the MPF regarding the budgetary revenue loss due to the temporary profit tax exemption for reinvested profits: the resumption of the estimation algorithm presented in its opinion of May 2014, using the data available from the companies' balance sheets at the end of 2013 and the data on gross fixed capital formation for 2014, determine a downward re-evaluation of the minimum loss by about 400 million lei (up to 1.6 billion lei), but even this is superior by 1 billion lei to the estimated revenue loss calculated by MPF (550 million lei).
- Personal income tax – even given an upward revision of the estimated revenues for 2014 included in the third budget amendment (about 600 million lei), the extrapolation of the income aggregate with the relevant macroeconomic basis (number of employees and average wage according to the National Commission of Prognosis' projection from

November 2014) to which is added the impact of the minimum wage increase and also the wage growth from education and health, indicates a minus of revenues compared to the estimated from the draft budget for 2015 of about 280 million lei.

- Property taxes - even if the Report on the macroeconomic situation for 2015 and its projections for the years 2015-2017 has explicitly mentioned a negative impact of 550 million lei corresponding to a tax rate reduction on special constructions from 1.5% to 1%, the impact of this measure does not seem to be reflected in the actual projection of this revenue aggregate. This is projected to increase by 103 million lei, while the differentiated determination of the property tax owed by individuals, according to the destination (residential or non-residential), would produce additional revenues estimated at 132 million lei. Consequently, the Fiscal Council considers that at the level of this category it is identifiable a revenue minus compared to the budget projection in an amount equal to the impact of the above mentioned measure, namely 550 million lei.
- VAT – Starting from a level of VAT revenues estimated at 51.6 billion lei in 2014, by about 1 billion lower than the level from the third budget revision, a level which appears to be more plausible in light of the budgetary execution so far (the Fiscal Council has already expressed twice its reservations about the projected VAT revenues for 2014) and extrapolating it with the nominal consumption projected evolution, the Fiscal Council considers that the level of this revenue category is overestimated by about 630 million lei.
- Social security contributions – The Fiscal Council’s calculations, using as a starting point the estimation for this category from the third budget revision, extrapolated to the relevant macroeconomic basis dynamics and adjusted with the impact of the adopted fiscal measures, indicate revenue minus of about 420 million lei.

At an aggregate level, the fiscal revenues appear as potentially overvalued by about 2.35 billion lei (0.33% of GDP), given that the MPF probably takes into account in the revenue projection the favorable impact of an improved revenue collection. The Fiscal Council reiterates its earlier opinion according to which the earnings of an improved revenue collection are impossible to be assessed *ex ante* and a cautious approach, otherwise specifically required by the Fiscal Responsibility Law, requires the consideration of any income pluses only *ex post*.

According to its preliminary opinion, the Fiscal Council has expressed reservations about the projected of the following expenditure aggregates: goods and services, personal and social costs, but considering the additional information received, it withdraws those related to the last two categories. In terms of expenditure on goods and services, their reduction is the main adjustment instrument towards the convergence to the structural deficit target. The Fiscal Council considers, in principle, that this manner of adjustment has a low distortionary potential, as far as the projected reduction of the intermediate consumption amount should be based on eliminating some unproductive expenditure. However, determining the nature of these spending reductions is impossible given that none of the explanatory documents related to the draft budget contains

relevant information regarding the specific sources that would generate savings in this expenditure category in 2015. Furthermore, historically, the aggregate expense on goods and services appears to be one that is by excellence extremely difficult to control: thus, in the period 2011-2014, the amount of spending on goods and services recorded constantly in the execution higher levels than those originally budgeted or even those already upward revised during the budgetary adjustments, beyond what could be explained by the impact of the compensation schemes or by the additional receipts from the clawback⁶ tax, and that given that the initial budgets from these years contained higher allocations (in nominal terms) compared to the previous year execution, which is not the case in the current budget draft.

The investment expenses are projected to grow consistently in 2015 (+8.6 billion lei), both at the level of the component related to projects funded by European post accession grants (+6.2 billion lei), but also at the level of the exclusively domestic funding component (+2.3 billion lei). Note that the above increases are compared to the estimates of budgetary expenditure from the third supplementary budget for 2014 which, in the Fiscal Council's opinion, are extremely unlikely to materialize at the indicated level. As in the case of goods and services expenses, the past budget executions constantly recorded considerable deviations from the initial budgeted amounts in the case of investment expenditure, but of opposite sign, meaning that the execution results are invariably lower than the estimates from the initial and supplementary budgets, recording even reductions in nominal terms from one budget execution to another (see *Figure 1*). Regarding the projected amount of EU funds absorption, it is understandable taking into account in the initial budget such a steep increase of performance, given that 2015 is the last year of contracting funds for the financial exercise 2007-2013 and the budget allocations must prevent the disengagement of funds.

Considering the above, the Fiscal Council has serious reservations regarding the possibility of meeting the deficit target while maintaining the budgetary expenditure within the parameters of the draft budget, given the identified significant overestimation of the tax revenues. Moreover, in the Fiscal Council's opinion, framing in the envelope of good and services expenditure – which is the main factor of the programmed structural adjustment – appears as uncertain in terms of historical evolutions, especially since it is not clear which are the specific sources of the planned expenditure savings.

Regarding the 2015-2017 Fiscal Strategy, the Fiscal Council can only note again that the manner of elaborating it at the end of the year, simultaneously with the draft budget, is not at all consistent not only with the legal terms but also with the objective of anchoring economic agents' expectations by providing a predictable fiscal framework. As in the previous years, the authorities

⁶ Compared to the original approved budget, the amount of spending on goods and services (net of the impact of so-called swaps) was higher by 3 billion lei in 2011, 2.3 billion lei in 2012, 1.05 billion lei in 2013 and, respectively, 1.9 billion lei in 2014 (the third budget amendment compared to the initial budget).

attention appears to be exclusively focused on the short term (the next year), ignoring to focus on the medium-term budgetary projections.

Illustrative in this respect is the incomprehensible manner in which the deficit decreases from the programmed level of 1.8% of GDP in 2015 to the level of 1.1% of GDP envisaged for 2016: the adjustment occurs almost exclusively on behalf of a massive increase of post - accession EU funds inflows (+7.3 billion lei or by 0.83% of GDP), while the expenditure related to projects funded by external grants decrease by 788 million lei (by 0.29% of GDP). Moreover, the same trend from a qualitative point of view was presented as an adjustment source for the year 2015 compared to 2014 in the previous version of the Fiscal Strategy, in sharp contrast with the concrete manner in which the deficit reduction is projected to occur in the current version of the draft budget for 2015.

The Fiscal Council considers that an appropriate strategy to anchor the fiscal policy's coordinates in the medium term should not be limited only to announce deficit targets and simple fiscal measures objectives, but to include a coherent and realistic projection of the revenue and expenditure aggregates, that should contain a transparent presentation of the underlying assumptions, whether we refer to Tax Code changes with the related impact analysis or to the underlying parameters for the expenditure development (such as, the evolution of the number of employees and of the average wages in the public sector).

The above opinions and recommendations of the Fiscal Council were approved by the Chairman of the Fiscal Council, according to article 43, paragraph (2), letter d) of Law no. 69/2010, as amended and supplemented, after being approved by the Council members through vote, on the 19th of December, 2014.

19th of December, 2014

Chairman of the Fiscal Council

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ANNEX I		
	Budgetary impact	Revenue item
Fiscal policy measures - Revenue	-4226,7	- million lei
The 5 pp reduction of the employer's social security contributions	-6.600,0	Social security contributions
The reduction of special construction tax (awaiting approval in Parliament) from 1,5% to 1%	-549,8	Property tax
The exemption of reinvested profit *	-550,0	Profit tax
Extension of the period of charging the tax on additional revenue due to the deregulation of natural gas prices and electricity	1.103,0	Other taxes on goods and services
The increase of the minimum wage by 75 lei/semester (from 900 lei to 1050 lei)	549,0	Total impact on revenue, of which:
	140,0	Personal income
	409,0	Social security contributions
The payment of certain salary rights of public sector personnel, earned in court	1.507,8	Total impact on revenue, of which:
	350,7	Personal income
	1.157,1	Social security contributions
The increase of the base salaries of the personnel from the public health system and the public social assistance system	114,8	Total impact on revenue, of which:
	28,5	Personal income
	86,3	Social security contributions
The increase in salaries of employees in education by 5% from March 1 st , 2015 and by another 5% from September 1 st , 2015	198,5	Total impact on revenue, of which:
	50,0	Personal income
	148,5	Social security contributions
	Budgetary impact	Expenditure item
Fiscal policy measures - Expenditure	4944,9	- million lei
The increase of the allowance for institutionalized children	253,5	Social assistance
The increase of the allowance for family support	244,8	Social assistance
The increase of the social allowance for pensioners	171,0	Social assistance
The increase of the allowance for disabled persons	281,0	Social assistance
The increase in salaries of employees in education by 5% from March 1 st , 2015 and by another 5% from September 1 st , 2015	470,6	Personnel expenditure
The increase of the base salaries of personnel from the public health system and the public social assistance system	269,7	Personnel expenditure
The increase of the minimum wage by 75 lei/semester (from 900 lei to 1050 lei)	654,3	Personnel expenditure
The payment of certain salary rights of public sector personnel, earned in court	2600,0	Personnel expenditure

* According to Fiscal Council's estimations, the impact of the tax exemption for reinvested profit is -1,6 bn. lei.

Source: the Ministry of Public Finances

ANNEX II	Third rectification 2014 (R3)	The influence of the compensation scheme 2014	R3 without swap	Budget 2015	Swap planned for 2015	Budget 2015 without swap	Budget 2015-R3	Budget 2015 - R3	Budget 2015/R3	Budget 2015/R3	R3	Budget 2015	Budget 2015 - R3
	1	2	3=1-2	4	5	6=4-5	7=4-1	withput swap	9=4/1	without swap	without swap % PIB		
								8=6-3		10=6/3	11	12	13=12-11
TOTAL REVENUE	218.827,0	1.407,9	217.419,1	226.360,5	850,0	225.510,5	7.533,5	8.091,4	3,44%	3,72%	32,24%	31,78%	-0,47%
Current revenue	202.316,2	1.407,9	200.908,3	206.732,3	850,0	205.882,3	4.416,0	4.973,9	2,18%	2,48%	29,80%	29,01%	-0,79%
Tax revenue	127.111,7	1.407,9	125.703,8	133.391,8	850,0	132.541,8	6.280,1	6.838,0	4,94%	5,44%	18,64%	18,68%	0,03%
Corporate income tax	36.371,3		36.371,3	39.567,7		39.567,7	3.196,4	3.196,4	8,79%	8,79%	5,39%	5,58%	0,18%
Profit	11.991,0		11.991,0	12.670,0		12.670,0	679,0	679,0	5,66%	5,66%	1,78%	1,79%	0,01%
Wages and income tax	23.034,2		23.034,2	25.314,7		25.314,7	2.280,5	2.280,5	9,90%	9,90%	3,42%	3,57%	0,15%
Other taxes on income, profit and capital gains	1.346,0		1.346,0	1.583,0		1.583,0	237,0	237,0	17,60%	17,60%	0,20%	0,22%	0,02%
Property tax	6.251,0		6.251,0	6.354,0		6.354,0	103,0	103,0	1,65%	1,65%	0,93%	0,90%	-0,03%
Taxes on goods and services	83.480,5	1.352,2	82.128,3	86.402,1	850,0	85.552,1	2.921,6	3.423,8	3,50%	4,17%	12,18%	12,05%	-0,13%
VAT	53.917,0	1.352,2	52.564,8	55.537,2	850,0	54.687,2	1.620,2	2.122,4	3,00%	4,04%	7,80%	7,71%	-0,09%
Excises	24.114,0		24.114,0	25.531,0		25.531,0	1.417,0	1.417,0	5,88%	5,88%	3,58%	3,60%	0,02%
Other taxes on goods and services	2.665,0		2.665,0	2.738,4		2.738,4	73,4	73,4	2,75%	2,75%	0,40%	0,39%	-0,01%
Taxes on using goods, authorizing the use of goods or on carrying activities	2.784,5		2.784,5	2.595,5		2.595,5	- 189,0	- 189,0	-6,79%	-6,79%	0,41%	0,37%	-0,05%
Tax on foreign trade and international transactions	626,0		626,0	675,0		675,0	49,0	49,0	7,83%	7,83%	0,09%	0,10%	0,00%
Other tax revenue	383,0		383,0	393,0		393,0	10,1	10,1	2,62%	2,62%	0,06%	0,06%	0,00%
Social security contributions	57.413,0	55,8	57.357,3	55.311,0		55.311,0	- 2.102,1	-2.046,3	-3,66%	-3,57%	8,51%	7,79%	-0,71%
Non-tax revenue	17.791,5		17.791,5	18.029,5		18.029,5	238,0	238,0	1,34%	1,34%	2,64%	2,54%	-0,10%
Capital revenue	1.701,2		1.701,2	853,8		853,8	- 847,4	- 847,4	-49,81%	-49,81%	0,25%	0,12%	-0,13%
Grants	43,4		43,4	2,3		2,3	- 41,1	- 41,1	-94,70%	-94,70%	0,01%	0,00%	-0,01%
Amounts received from EU	14.766,2		14.766,2	18.772,1		18.772,1	4.005,9	4.005,9	27,13%	27,13%	2,19%	2,65%	0,46%

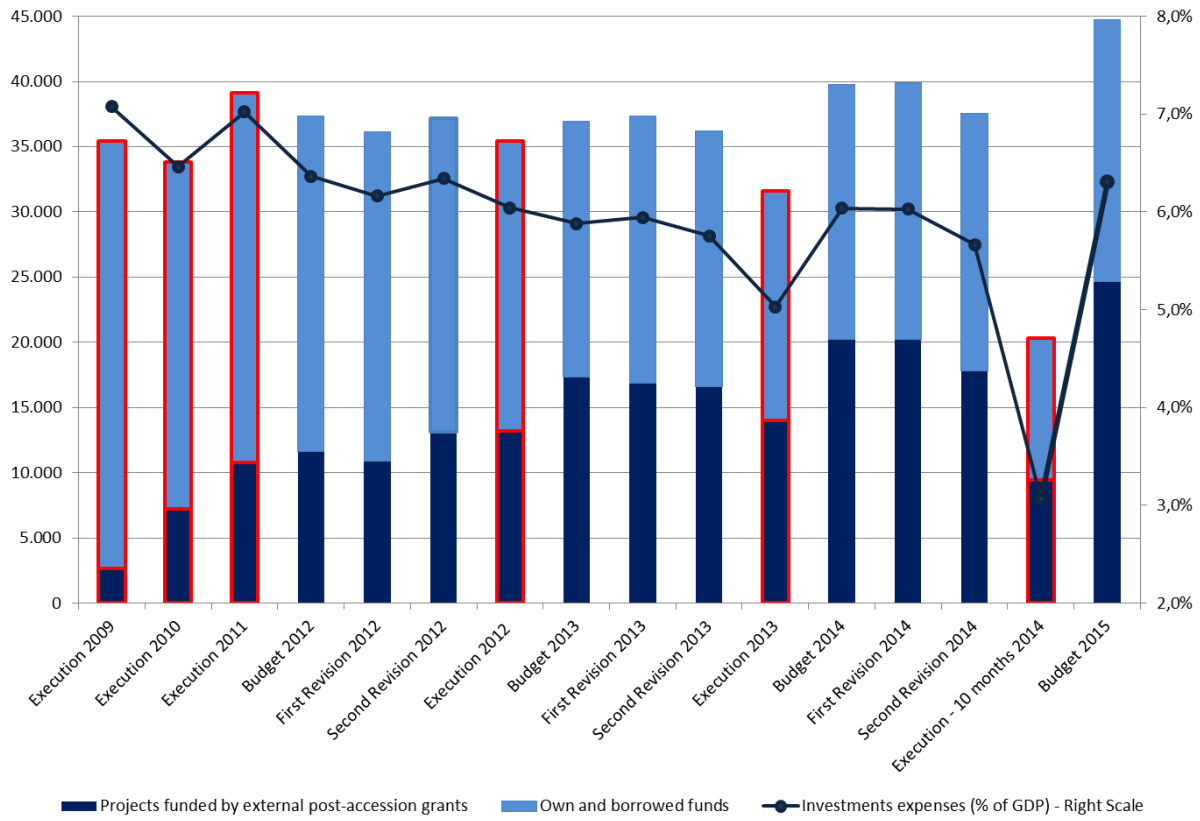
Financial operations	-		-	-		-	-	-	-	-	-	-	-
Amounts collected from the state budget	-		-	-		-	-	-	-	-	-	-	-
TOTAL EXPENDITURE	233.539,9	1.407,9	232.132,0	239.364,4	850,0	238.514,4	5.824,5	6.382,4	2,49%	2,75%	34,43%	33,61%	-0,82%
Current expenditure	217.011,4	1.007,9	216.003,5	220.978,1	850,0	220.128,1	3.966,6	4.124,5	1,83%	1,91%	32,03%	31,02%	-1,02%
Personnel	50.474,2	14,8	50.459,4	48.373,4		48.373,4	- 2.100,8	-2.086,0	-4,16%	-4,13%	7,48%	6,82%	-0,67%
Goods and services	41.786,4	283,8	41.502,6	39.714,6		39.714,6	- 2.071,8	-1.788,0	-4,96%	-4,31%	6,15%	5,60%	-0,56%
Interest	10.325,3		10.325,3	10.715,2		10.715,2	389,9	389,9	3,78%	3,78%	1,53%	1,51%	-0,02%
Subsidies	5.708,2		5.708,2	5.337,6		5.337,6	- 370,6	- 370,6	-6,49%	-6,49%	0,85%	0,75%	-0,09%
Total transfers	107.920,7	709,3	107.211,4	116.032,3	850,0	115.182,3	8.111,6	7.970,9	7,52%	7,43%	15,90%	16,23%	0,33%
Transfers for public entities	2.071,9	600,0	1.471,9	1.358,5	850,0	508,5	- 713,4	- 963,4	-34,43%	-65,45%	0,22%	0,07%	-0,15%
Other transfers	12.261,4	68,4	12.193,0	12.410,3		12.410,3	148,9	217,3	1,21%	1,78%	1,81%	1,75%	-0,06%
Projects funded by external post-accession grants	18.193,2		18.193,2	23.836,7		23.836,7	5.643,5	5.643,5	31,02%	31,02%	2,70%	3,36%	0,66%
Social assistance	71.543,7	41,0	71.502,7	74.262,3		74.262,3	2.718,6	2.759,6	3,80%	3,86%	10,60%	10,46%	-0,14%
Projects funded by external post-accession grants 2014-2020	64,5		64,5	800,0		800,0	735,5	735,5	1141,20%	1141,20%	0,01%	0,11%	0,10%
Other expenditure	3.850,6		3.850,6	3.364,5		3.364,5	- 486,1	- 486,1	-12,62%	-12,62%	0,57%	0,47%	-0,10%
Reserve fund	155,4		155,4	8,6		8,6	- 146,8	- 146,8	-94,47%	-94,47%	0,02%	0,00%	-0,02%
Expenditure funded from reimbursable funds	576,8		576,8	796,4		796,4	219,6	219,6	38,08%	38,08%	0,09%	0,11%	0,03%
Capital expenditure	16.528,5	400,0	16.128,5	18.386,4		18.386,4	1.857,9	2.257,9	11,24%	14,00%	2,39%	2,59%	0,20%
Financial operations	-		-	-		-	-	-	-	-	0,00%	0,00%	0,00%
Payments made in previous years and recovered during current year	-		-	-		-	-	-	-	-	0,00%	0,00%	0,00%
EXCEDENT(+)/ DEFICIT(-)	- 14.713,0		- 14.713,0	- 13.004,0		- 13.004,0	1.709,0	1.709,0	-11,62%	-11,62%	-2,18%	-1,83%	0,35%

Annex III	2014			2015					
	2014 Budget after the third rectification	The influence of the compensation schemes in 2014	2014 Budget after the third rectification excluding schemes effect	The influence of the compensation schemes in 2015	Explanations	The growth of the relevant macroeconomic basis	The revenue projection 2015 of the Fiscal Council	CGB revenues according to the 2015 budget draft	Differences
TOTAL REVENUE	218.827,0	1.407,9	217.419,1	850			224.117,7	226.360,5	-2.242,8
Current revenue	202.316,2	1.407,9	200.908,3	850			204.541,9	206.732,3	-2.190,4
Tax revenue	127.111,7	1.407,9	125.703,8	850			131.622,6	133.391,8	-1.769,2
Corporate income tax	12.867,3		12.867,3				13.275,6	13.708,0	-432,4
Profit	11.991,0		11.991,0		(The starting point of extrapolation is represented by the level projected in the third budget revision)*The growth of the macroeconomic base; the result is adjusted by the impact difference between FC's estimates and the ones of MPF regarding the tax exemption on reinvested profits (estimated at about -1000 million RON), plus the estimated positive impact of the 5 pp employer's social security contribution reduction on the corporate income tax (approximately 732.8 million lei).	Nominal GDP (+5.25%)	12.353,3	12.670,0	-316,7
Other corporate taxes on profits, income and capital gains	876,3		876,3			Nominal GDP (+5.25%)	922,3	1.038,0	-115,7
Personal income tax	23.504,0		23.504,0				25.525,7	25.859,7	-334,0
Wage and income tax	23.034,2		23.034,2		(The starting point of extrapolation – represented by the projection of the Fiscal Council given the budget execution at 10 months and the other information available – eliminating the additional revenues from the payment of certain salary rights earned in court in 2014, estimated at 494.6 million RON)*The growth of relevant macroeconomic basis, plus additional revenues from the payment of certain salary rights earned in court in 2015 (estimated at 283.6 million lei) and from the fiscal measures implemented in 2015 (about 218.5 million RON).	The average number of employees (+1.42%) Average gross earnings (+4.52%)	25.031,3	25.314,7	-283,4
Other taxes on income, profits and capital gains	469,7		469,7			Nominal GDP (+5.25%)	494,4	545,0	-50,6
Property tax	6.251,0		6.251,0		The special structures tax reduction from 1.5% to 1% is estimated to have a negative impact on revenue of approximately 550 million RON.		5.804,0	6.354,0	-550,0
Taxes on goods and services	83.480,5	1.352,2	82.128,3	850			85.950,0	86.402,1	-452,1
VAT	53.917,0	1.352,2	52.564,8	850	(The starting point of extrapolation – represented by the projection of the Fiscal Council given the budget execution at 10 months and the other information available – excluding swap schemes effect for 2014)*The growth of macroeconomic base, plus the swap for 2015 and the negative impact of VAT decrease on “all inclusive” services from 24% to 9% (estimated at around 300 million RON in 2015, and the positive impact on 3 months in 2015 of the 7 eurocents excise on fuel (estimated at about 110 million RON)	Household's final consumption expenditure excluding self-consumption and related market (+5.21%)	54.909,5	55.537,2	-627,7

Excises	24.114,0		24.114,0		(The starting point of extrapolation is represented by the level projected in the third budget revision, plus the impact of the 3 months application of the 7 eurocents excise, of about 342.33 million RON)*The growth of macroeconomic base, plus the impact of higher excise duty on cigarettes according to the schedule.	Household's final consumption expenditure excluding self-consumption and related market in real terms (+2.72%)	25.382,7	25.531,0	-148,3
Other taxes on goods and services	2.665,0		2.665,0			Household's final consumption expenditure excluding self-consumption and related market (+5.21%)	2.803,8	2.738,4	65,4
Taxes on using goods, authorizing the use of goods or on carrying activities	2.784,5		2.784,5			Real GDP (+2.5%)	2.854,1	2.595,5	258,6
Taxes on foreign trade and international transactions	626,0		626,0			Imports of goods and services (+6.1%)	664,2	675,0	-10,8
Other tax revenue	383,0		383,0			Nominal GDP (+5.25%)	403,1	393,0	10,1
Social security contributions	57.413,0	55,8	57.357,3		(The starting point of extrapolation is represented by the level projected in the third budget revision, plus the amounts estimated to be transferred to the Second Pension Pillar in 2014, minus the impact of social security contributions derived from the payment of certain salary rights earned in court in 2014 (total=initial rectification III) of 1,508.6 million RON and the impact of the 5 pp employer's social security contribution reduction in 2014 estimated at 1,120 million RON by the MPF)*The growth of macroeconomic basis minus the amounts estimated to be transferred to the Second Pension Pillar in 2015 and the impact of the 5 pp employer's social security contribution reduction in 2015 estimated at 6,480 million RON by the MPF, and adding the impact of social security contributions derived from the payment of certain salary rights earned in court in 2015 of about 827.8 million RON and) and the impact of the fiscal measures implemented in 2015 (643.8 million RON).	The average number of employees (+1.42%) Average gross earnings (+4.52%)	54.889,8	55.311,0	-421,2
Nontax revenue	17.791,5		17.791,5		According to the projection of the Ministry of Public Finances		18.029,5	18.029,5	0,0
Capital revenue	1.701,2		1.701,2		It is eliminated the impact of the state reserve amounting to 917 million RON in 2014 (one-off).	The average rate of inflation forecasted for 2015 (2.2%)	801,5	853,8	-52,4
Grants	43,4		43,4		According to the projection of the Ministry of Public Finances		2,3	2,3	0,0
Amounts received from EU	14.766,2		14.766,2		According to the projection of the Ministry of Public Finances		18.772,1	18.772,1	0,0
Financial operations	0,0		0,0				0,0	0,0	0,0
Amounts collected for the state budget	0,0		0,0				0,0	0,0	0,0

Source: the Ministry of Public Finances, Fiscal Council's calculations

Figure 1: The evolution of investment expenses between 2009-2015 – planned level vs. execution (million lei)



Source: Ministry of Public Finances