

The pandemic as an economic turning point: reconfiguring the national system through digitalisation and expanded fiscal compliance

PhD. Student Sorina Ancuța PUȘCAȘ

Affiliation: "1 Decembrie 1918" University of Alba Iulia, Faculty of Economic Sciences, Doctoral School of Accounting, Gabriel Bethlen Street, no. 5, Zip Code 510009, Alba Iulia, Romania

E-mail: office@ankacont.ro

Abstract: The Covid-19 pandemic had a significant impact on Romanian society across all sectors, including the economic sector. This crisis came as a profound shock, leading to a restructuring of economic priorities and development strategies. Along with these transformations, digitalisation and the expansion of tax compliance have become key points in strengthening the resilience of the national economic system. This article examines the shift in economic policy in Romania resulting from the COVID-19 crisis, with a focus on enhancing the digitalisation of the tax administration and implementing more robust tax compliance mechanisms. In particular, it highlights the role of innovative measures adopted at the national level (SAF-T, e-Invoice, and the transformation of ANAF) in ensuring revenue collection, enhancing administrative efficiency, and combating tax evasion. In addition, the article examines the measures implemented in response to the pandemic's shock and their long-term implications for the business environment, financial stability, and the ability to respond to future similar shocks. It also presents the evolution of two companies in the context of the pandemic, highlighting the necessity and importance of digitalisation and tax compliance.

Keywords: digitalization, pandemic, Covid-19, tax compliance, digital economy.

JEL classification: H26, H83, O33, E62.

Introduction

At the global level, the stability of economic structures was challenged by the COVID-19 crisis, which affected companies, workers, and authorities alike. As a result of this shock, there was a need to reassess priorities and implement long-postponed reforms or adopt innovative solutions in order to improve the capacity to cope with new challenges. In the case of Romania, which was in the process of modernising its administrative framework at the onset of the pandemic and faced a low level of tax compliance, two significant challenges had to be addressed: mitigating the immediate effects of the pandemic and improving tax administration mechanisms through their long-term transformation. Reforms such as the digitalisation of the tax apparatus, the expansion of tax compliance, and the streamlining of administrative processes were driven by the need to ensure the budgetary resources required to support healthcare expenses, social assistance, and business support.

The main body of the work

Before the shock generated by the pandemic, Romania's economic framework was characterised by a low level of tax compliance and a high level of the shadow economy. At the same time, the administrative

capacity of the Tax Authority (National Agency for Fiscal Administration – ANAF) was deficient in monitoring transactions and combating tax evasion. From an IT perspective, the systems were outdated, insufficiently integrated, or incomplete, which affected both the efficiency of revenue collection and the ability to detect fraud or track payment obligations. Additionally, the degree of digitalisation in operations conducted between taxpayers, the Tax Authority, or banks was low, falling below the European Union average.

All these vulnerabilities of the Romanian economic system were also highlighted by the European Commission, which repeatedly warned the Romanian authorities and called for the implementation of reforms to bring the level of tax compliance in line with the EU average.

According to the OECD (2019), tax digitalisation is defined as "the use of technology tools – such as data analytics, e-invoicing, and standardised audit files – to enhance the ability of tax administrations to prevent fraud, simplify compliance, and increase the efficiency of tax collection."

"Tax compliance is defined as the extent to which taxpayers comply with tax laws by correctly and fully declaring income and paying tax obligations on time, influenced by institutional, technological, and behavioral factors." (Trifan et al., 2023)

The pandemic represented a turning point in Romania's digital transformation, highlighting and amplifying pre-existing national vulnerabilities and creating the social context and political will necessary for implementing large-scale reforms. The government was compelled to implement several expedient measures to secure sufficient budgetary resources without increasing the tax burden. Digitalisation thus became an essential tool for enhancing voluntary compliance, combating fraud, and streamlining tax administration.

The implementation of the SAF-T (Standard Audit File for Tax) is the most complex reform, as it involves reporting accounting data in a standard format that enables authorities to perform automated checks and comparisons between the information provided by taxpayers, thereby more efficiently identifying irregularities.

Additionally, the implementation of the e-Invoice system and the expansion of the Virtual Private Space (SPV) have had a positive impact on the digitalisation of the Romanian economy and tax compliance. The e-Invoice system requires companies to send their issued invoices in real time through the SPV within five days of the date of issuance, thereby increasing the level of taxpayer compliance. Moreover, the expansion of the SPV contributes to the digitalisation of the national economic system, allowing taxpayers to perform various operations online-such as submitting tax returns or making payments-thus eliminating the need for physical presence at tax offices.

Starting in 2022, large companies have been required to prepare and submit the SAF-T file, an obligation that has been gradually extended to medium-sized and small companies as well. This declaration includes standardised accounting data, including information on inventories or fixed assets, enabling authorities to conduct detailed analyses of this data. The implementation of SAF-T required considerable effort from companies to adapt and update their accounting software, ensuring the accurate preparation of this declaration

without validation errors. Furthermore, with the implementation of the SAF-T file, authorities can carry out tax inspections more easily, eliminating the need for inspectors to travel on-site.

The e-Invoice system is a crucial tool in promoting fiscal discipline. This system was tested as early as 2021, initially becoming mandatory for invoices containing products considered to have a high fiscal risk, and is now required for all companies regardless of the invoice content. The outcome of transmitting invoices in digital format to ANAF is the reduction of risks related to tax evasion, false invoices, or invoices declared with values lower than the actual value of the goods or services. Thus, the implementation of the e-Invoice system aims both to increase the level of tax compliance and to provide real-time data on transaction volume, business partners, VAT rates, or other elements that may present fiscal risks.

Additionally, the expansion of the Virtual Private Space (SPV) functionalities contributes positively to the process of improving tax compliance. It allows taxpayers to conduct online operations, such as submitting tax returns or making payments. At the same time, measures have been implemented to encourage online payments and limit cash transactions, aiming to reduce tax evasion.

At the national level, the digital transformation of the Tax Authority has a positive impact on tax compliance, facilitating the collection of VAT and other taxes. It also enables easier control of supply chains through cross-checks of data reported by taxpayers, allowing for faster identification of irregularities such as tax evasion or money laundering. Moreover, by combining digital transformation with proper resource management, a clear legal framework, the involvement of the business sector, and political will, significant effects can be achieved in a short period.

To illustrate the impact of the pandemic and the measures related to digitalisation and tax compliance on companies, two case studies are presented, analysing the evolution of two companies over the period 2015–2023. These studies highlight the level at which the companies operated before the pandemic (2015–2019), the immediate outcomes during the onset of the pandemic (2020–2021), and the effects of implementing digitalisation and tax compliance measures during the post-pandemic recovery period (2022–2023).

Case Study: Gusto SRL

This first case study focuses on analysing the adaptation of Gusto SRL to macroeconomic and digital changes in the post-pandemic period. The company operates in the field of retail trade in non-specialised stores (NACE 4719), with an average of 7 employees in recent years. It also shows a consistently positive evolution of its turnover, even during the post-pandemic period, indicating a strong capacity to adapt in times of crisis. Table 1 presents the evolution of the company's key financial indicators from 2015 to 2023.

Table no. 1. Evolution of the leading financial indicators of Gusto SRL company during the period 2015–2023

Year	Revenue (RON)	Total Revenues (RON)	Total Expenses (RON)	Net Income net (RON)	Employees
2015	824,905	836,556	829,691	3,906	5
2016	1,368,329	1,375,279	1,364,379	2,887	5
2017	1,958,185	1,967,554	1,854,053	97,065	6
2018	2,219,494	2,236,892	1,893,735	320,788	6
2019	2,784,573	2,820,748	2,723,381	74,327	8
2020	3,192,901	3,224,000	3,106,701	90,586	7
2021	3,059,420	3,654,553	3,611,844	13,513	7
2022	3,673,443	3,728,386	3,699,044	10,506	7
2023	5,070,089	5,158,929	5,075,704	57,518	7

Source: author's design

The onset of the pandemic in 2020-2021 led to dramatic declines in the HoReCa sector, impacting the activities of many companies. However, Gusto SRL, which operates in the retail trade of food and non-food products, as shown in Table 1, was not negatively impacted by the pandemic in terms of turnover. On the contrary, in 2020, the company's turnover was 15% higher compared to 2019. However, in 2021, profit recorded a significant decrease (13,513 RON) due to increased expenses, especially sanitary and logistical costs. It is noteworthy that revenues were maintained in 2021.

After 2021, post-pandemic adaptation began across all companies alongside fiscal digitalisation through the implementation of digital tax measures such as e-Invoice and SAF-T. In the case of Gusto SRL, the company achieved:

- Increased transparency and better tax compliance;
- Optimisation of financial accounting document flows and reduction of human errors;
- An increase in net profit to 57,518 RON in 2023, which is 5.5 times higher compared to 2022.

Table no. 2. Analysis of the financial indicators of Gusto SRL company in the year 2023

Indicator	Value
Revenue	5,070,089 RON
Total revenues	5,158,929 RON
Total expenses	5,075,704 RON
Net income	57,518 RON
Employees	7
Revenue evolution compared to 2022	+38.0%
Income evolution compared to 2022	+447.4%

Source: author's design

Analysing the 2023 indicators of Gusto SRL (Table 2), we can conclude that the company successfully overcame the pandemic period without significant losses and maintained a steady number of employees. The implementation of digital tax measures positively contributed to revitalising financial performance and operational efficiency. Thus, the case of Gusto SRL demonstrates that digital restructuring, combined with entrepreneurial resilience, can transform a major crisis into a genuine opportunity for sustainable growth.

Case Study: Bavaria Turism SRL

The second case study focuses on analysing the adaptation of Bavaria Turism SRL to macroeconomic and digital changes in the post-pandemic period. This company operates in the HoReCa sector (NACE 5510 – Hotels and other similar accommodation facilities), and Table 3 presents the evolution of its primary financial indicators from 2015 to 2023.

Table no. 3. Evolution of the leading financial indicators of Bavaria Turism SRL during the period 2015–2023

Year	Revenue (RON)	Total Revenues (RON)	Total Expenses (RON)	Net Income net (RON)	Employees
2015	1,418,993	1,435,837	1,420,572	3,484	17
2016	1,036,129	1,164,344	1,241,137	-76,793	16
2017	1,057,504	1,210,752	1,077,504	23,002	13

2018	1,069,183	1,781,291	1,632.811	130,690	11
2019	1,085,304	1,693.766	1,617,518	59,804	15
2020	645,009	809,147	1,030,662	-227,764	14
2021	476,977	729,339	788,593	-64,024	14
2022	1,108,285	1,164,719	1,020,309	133,327	10
2023	1,734,985	1,840,685	905,231	918,104	5

Source: author's design

The pre-pandemic period, from 2015 to 2019, appears relatively stable when analysing the turnover, which shows a decrease from 1,418,993 RON (2015) to 1,085,304 RON (2019). Regarding net profit, it fluctuated, including negative values (2016), but peaked in 2018 at 130,690 RON. The number of employees indicates stability in operations, ranging from 11 to 17 employees.

The pandemic period, spanning 2020-2021, affected both the company's revenues and expenses. In 2020, revenues dropped significantly while expenses remained high, resulting in a net loss of 227,764 RON and a roughly 40% decrease in turnover compared to 2019. The number of employees remained at 14, indicating no immediate restructuring is planned.

Table no. 4. Analysis of the financial indicators of Bavaria Turism SRL in the year 2023

Indicator	Value
Revenue	1,734,985 RON
Total revenues	1,840,685 RON
Total expenses	905,231 RON
Net income	918,104 RON
Employees	5
Revenue evolution compared to 2022	+56.5%
Income evolution compared to 2022	+588.66%

Source: author's design

The years 2022–2023 represented the post-pandemic recovery period. In 2022, the company began its comeback, recording a net profit of 133,327 RON, with turnover exceeding 1.1 million RON. The year 2023

reflects a historic performance, with turnover increasing by 56.5% compared to 2022 (1,734,985 RON) and net profit soaring by 588.66% (918,104 RON). Additionally, revenues showed a slight increase in 2023, while expenses were significantly lower compared to 2022, indicating clear optimisation. The drastic reduction in the number of employees to 5 reflects efficient restructuring and massive digitalisation of the company's activities.

The case of Bavaria Turism SRL highlights the importance of digitalising operational and fiscal processes, which allowed the company to maintain competitiveness despite the reduced workforce. Although a severe crisis was underway nationally and globally in 2020, the company demonstrated a strong capacity for reinvention and resilience, achieving record profits in 2023. Thus, the adaptation strategies implemented in the post-pandemic period resulted in operational efficiency, cost reduction, and outsourcing of services.

Companies in the HoReCa sector were strongly affected by the crisis caused by the Covid-19 pandemic, and their survival and market presence were possible due to several key factors:

- Investments in technology, such as the implementation of modern hotel management software, which allowed automation and increased efficiency of operational processes;
- Flexibility in human resource management through the use of solutions like freelancing, outsourcing certain services, or establishing strategic partnerships;
- Optimisation of financial flows by adjusting costs according to demand dynamics and market requirements.

Based on the two case studies presented, the resilience of a company during crisis periods depends heavily on both its field of activity and its capacity to adopt digital transformations and efficiently manage its resources.

Thus, the case of Gusto SRL highlights that maintaining activity in the retail sector can be supported through digital restructuring and rigorous fiscal compliance. On the other hand, Bavaria Turism SRL demonstrated a strong capacity for recovery and development, registering a significant increase in net profit after a severe crisis, thanks to an efficient model of restructuring and digitalisation.

In conclusion, the evolution of both companies confirms that digitalisation and fiscal compliance are not mere options but essential elements for short-term survival and long-term sustainable development, especially in the context of major crises such as the one generated by the COVID-19 pandemic.

Conclusions

In conclusion, the COVID-19 pandemic had a profound impact on Romanian society across all sectors; this crisis generated a significant shock and led to a restructuring of economic priorities and development strategies. Digitalisation and the expansion of tax compliance have become key points for strengthening the resilience of the national economic system. This article analysed the shift in economic policy in Romania caused by the Covid-19 crisis, highlighting aspects such as the digitalisation of tax administration, tax

compliance mechanisms, and innovative measures adopted at the national level (SAF-T, e-Invoice, the transformation of ANAF) aimed at ensuring revenue collection, increasing administrative efficiency, and combating tax evasion. The article also analyses the measures adopted in response to the shock generated by the pandemic and their long-term implications in terms of the business environment, financial stability, and the capacity to respond to future similar shocks. In the final part of the article, two case studies were carried out based on the evolution of two companies in the pandemic context, highlighting the necessity and importance of digitalisation and tax compliance.

Bibliography

Bolcu, L.D., Savu, A.-C. & Boharu, M.-R., 2021. *Digitalisation of the Tax Administration and Combating Tax Evasion*. Hyperion Economic Journal, 8(2), pp.34–44.

Cașu, A., 2021. *Romania: Optimising Tax Collection – A Digital Approach*. International Tax Review, 29 June.

Ionescu, C.M. & Haralambie, G.A., 2024. *Analysis of the Economic Entities' Perception Over the Implementation of the SAF-T*. In: A.M. Dima & S. Vâlcea, eds. *Reshaping Power Dynamics Between Sustainable Growth and Technical Disrupture*. Cham: Springer, pp.113–129.

Negrescu, A. & Comănescu, A., 2021. *How Will SAF-T Reporting Change the Fiscal Landscape in Romania?* International Tax Review, 18 August.

OECD, 2019. *Technology Tools to Tackle Tax Evasion and Fraud*. Paris: OECD Publishing.

Popoviciu, A.S. et al., 2021. *Taxing the Digital Economy – Rethinking Romania's Prospects*. Proceedings of the International Conference on Business Excellence, 15(1), pp.338–351.

PwC Romania, 2021. *SAF-T and e-Invoicing Implementation in Romania*. Bucharest: PwC Romania.

Enache Miruna, 2024. *Romania's tax reforms: a step towards modernisation and equity*, <https://www.internationaltaxreview.com/article/2dd20gt8eyhjtaw311c0/sponsored/romantias-tax-reforms-a-step-towards-modernisation-and-equity>

Trifan, V.A., Szentesi, S.G., Cuc, L.D. & Pantea, M.F., 2023. *Assessing Tax Compliance Behavior Among Romanian Taxpayers: An Empirical Case Study*. SAGE Open, 13, pp.1–16.

Vrabie, C., 2024. *Smart-optimism: Uncovering the Resilience of Romanian City Halls in Online Service Delivery*. arXiv [Preprint] 19 October.

World Bank, 2021. *Using Digital Tools to Improve Tax Compliance and Raise Revenue*. Washington, D.C.: World Bank Group.

Zamfir (Stancu) Daniela, 2023. *The digital economy and new business models*, Volume 12, Issue 2, <https://www.economic-debates.ro/Art%202%20DSE%2012%20vol%202.pdf>

Zamfir (Stancu) Daniela, 2023. *Efficient design for new businesses in the digital economy*, Volume 12, Issue 2, <https://www.economic-debates.ro/Art%203%20DSE%2012%20vol%202.pdf>