

THE PROPORTIONALITY OF FISCAL SANCTIONS AND THEIR IMPACT ON COMPLIANCE: BETWEEN TAX LAW AND FISCAL ETHICS

UDC: [336.221.24+336.225.6](478)

DOI: <https://doi.org/10.53486/mfsne2025.07>

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Abstract: *The concept of proportionality in fiscal sanctions constitutes an essential element of fairness and efficiency in the modern tax system. In the context of the Republic of Moldova—where the sanctioning regime has evolved within a framework situated at the intersection of tax law, public ethics principles, and budgetary imperatives - this study examines how the proportionality of fines and penalties influences taxpayers' level of voluntary compliance. The paper advances an integrated approach, combining legal-normative analysis with a behavioural perspective, in order to identify the optimal balance between the coercive function and the preventive-educational function of sanctions. Through a comparative analysis of national and European tax legislation, the criteria of proportionality, predictability, and procedural fairness are assessed. In parallel, the research explores taxpayers' perceptions of tax justice and the role of ethics in the relationship between the state and the taxpayer. Preliminary findings suggest that a sanctioning system perceived as disproportionate diminishes compliance and public trust in the tax administration, whereas a framework grounded in proportionality and transparency strengthens tax discipline and the legitimacy of authority. The paper's conclusions provide recommendations for recalibrating tax policies towards a compliance model based on trust, tax education, and moral responsibility.*

Keywords: *proportionality of tax sanctions, tax ethics, tax law, voluntary compliance, procedural fairness, institutional trust*

JEL Classification : H20, H25

INTRODUCTION

The tax sanction constitutes an essential instrument through which the state ensures compliance with tax rules and maintains budgetary balance, having a dual nature - legal and economic. In legal terms, a tax sanction is defined as a coercive measure applied to taxpayers who breach obligations prescribed by tax legislation, its purpose being both punitive and preventive. From an economic perspective, the sanction is understood as a mechanism for correcting deviant behaviours that undermine the collection of public revenues and distort the principles of tax equity (Musgrave, 1959; Tanzi, 2017).

Contemporary tax doctrine emphasizes that the role of sanctions is not merely to punish non-compliance, but also to contribute to shaping responsible taxpayer behaviour, thereby strengthening the relationship of trust between the state and society (Kirchler, 2007). In this regard, the tax sanction cannot be analysed in isolation from the moral and institutional context of the tax system. An effective tax administration does not rely exclusively on coercion, but rather on a balanced mix of enforcement and cooperation, in line with the "slippery slope framework," which argues that voluntary compliance depends on the interplay between the authority's power and taxpayers' trust (Kirchler, Hoelzl & Wahl, 2008).

In the Republic of Moldova, the tax sanctions regime is grounded in a set of legal norms aimed at ensuring compliance with tax obligations, safeguarding the interests of the national public budget, and strengthening tax discipline. This regulatory framework is governed primarily by the Tax Code of the Republic of Moldova, the Contravention Code, and the Criminal Code, each assigning distinct competences depending on the nature and severity of the violation (Ciobanu, 2020).

From a legal standpoint, tax sanctions derive from the principle of legality, according to which no penalty may be imposed in the absence of a clear legal basis. Such sanctions may be: pecuniary in nature - fines, penalties, and late-payment surcharges - typically applied for failure to submit tax returns, delays in settling liabilities, or understatement of the taxable base (Tax Code, Arts. 260–264); administrative in nature - such as the suspension of certain tax-related rights or denial of access to budgetary incentives - applied for procedural breaches or contraventions of medium severity, regulated by the Contravention Code, Arts. 293–301, and taking the form of warnings, fines, and, in serious cases, suspension of the taxpayer's activity; and, lastly, criminal in nature - reserved for particularly serious misconduct, such as large-scale tax evasion or falsification of accounting documents (Criminal Code, Arts. 241–244). These may entail custodial sentences, confiscation of assets, or bans on engaging in certain economic activities.

In national doctrine, tax sanctions are often classified also according to their *functional* purpose:

1. *compensatory sanctions*, which aim to recover the budgetary loss;
2. *coercive sanctions*, which pursue punitive and preventive objectives.

In practice, these two functions often converge, which calls for a more refined assessment of proportionality, as well as of the cumulative use of the measures involved (Bîrsan, 2016).

From an economic standpoint, it is widely acknowledged that the effectiveness of tax sanctions is closely linked to their proportionality and predictability. Sanctions that are excessively severe may, paradoxically, produce undesirable outcomes, including the expansion of tax evasion or informal economic activities. On the other hand, sanctions that are proportionate, clearly defined, and aligned with the seriousness of the offence tend to support higher levels of compliance and contribute to strengthening fiscal discipline (Alm & Torgler, 2011). In this light, proportionality can be regarded as a cornerstone for both the fairness of sanctioning practices and the legitimacy of the tax system as a whole (OECD, 2022).

At the same time, the literature points to the educational dimension of tax sanctions, highlighting their role in fostering a culture of compliance and in discouraging repeated non-compliant behaviour (James & Alley, 2009). In countries where tax morale is relatively high and fiscal institutions are well developed, sanctions are typically embedded within a broader framework that also includes communication, guidance, and preventive measures. This integrated approach reduces the reliance on strictly punitive interventions. Therefore, tax sanctions should not be seen exclusively as coercive tools, but rather as part of a wider system of fiscal governance oriented toward fairness, transparency, and social responsibility.

The responsibility for applying tax sanctions lies with the State Tax Service, which operates under the principles of administrative autonomy and individual accountability of its officials. Sanctioning decisions are required to be issued in written form, supported by appropriate reasoning, and communicated to the taxpayer within a maximum of five working days from the date of their adoption. At the same time, taxpayers are entitled to challenge such decisions either through administrative review procedures or before the competent courts, in accordance with the Law on Administrative Litigation (No. 793-XIV of 10 February 2000).

Where the amount of the tax liability does not exceed MDL 500 (for an individual taxpayer who does not carry out entrepreneurial activity) or MDL 5.000 (for a legal entity or an individual taxpayer who carries out entrepreneurial activity), the breach of tax legislation is considered minor, and the tax authorities apply a sanction in the form of a warning - a preventive measure with an informational role. When a violation exceeds the statutory threshold, it is regarded as significant and is sanctioned through the imposition of a fine. This type of sanction consists in obliging the person

who committed a breach of the law to pay a sum of money. In this context, the fine becomes part of the tax liability and is collected in accordance with the procedure established for tax assessment and collection.

Violations sanctioned by fines (in a fixed amount or as a percentage) include, inter alia:

- obstructing the activity of the State Tax Service;
- failure to use cash register and control equipment;
- failure to submit information regarding the registered office;
- non-compliance with taxpayer registration rules, with the procedures for preparing and submitting tax returns and tax invoices, and with the rules governing the enforced collection of tax liabilities;
- breaches of accounting and tax record-keeping rules, as well as rules on the calculation and payment of tax liabilities and the use of excise stamps;
- breaches by banks (branches) and/or payment institutions and other payment service providers of settlement procedures;
- etc.

A tax sanction does not have a definitive character, and where the person held liable submits evidence confirming the lawfulness of all actions (omissions) - or of certain actions (omissions) previously deemed unlawful - the sanction is considered annulled. At the same time, where a person has committed two or more breaches of the legislation, a tax sanction is applied for each breach and for each tax period separately.

The current system, although grounded in modern principles, is frequently criticised for a lack of uniformity in the application of sanctions, as well as for a low degree of predictability in administrative decisions (Ciobanu, 2020). The OECD assessment report (2022) indicates that inconsistent enforcement contributes to the erosion of taxpayers' trust and discourages voluntary compliance, thereby highlighting the need to reform the sanctioning framework towards a more transparent and proportionate administration.

The preceding discussion suggests that the Republic of Moldova has developed a relatively sophisticated and tiered legal framework governing the use of tax sanctions. However, the performance of this framework cannot be assessed solely in formal terms. Its real effectiveness is largely determined by the consistency of enforcement practices and by the extent to which administrative action incorporates behavioural and ethical considerations. From a policy perspective, a sanctioning regime that is proportionate, predictable, and perceived as fair plays a critical role in sustaining tax discipline and reinforcing trust in public institutions (Tănăsescu, 2014; Frey & Torgler, 2007; OECD, 2022).

Equally important is the institutional dimension. The overall credibility and functionality of the sanctioning system depend on how effectively fiscal and judicial authorities interact, particularly in ensuring the consistent application of proportionality and safeguarding procedural fairness. In Moldova, this coordination primarily involves the State Tax Service (STS), the court system, and the Constitutional Court. In more complex cases - especially those involving large-scale tax evasion - additional actors such as the National Anti-Corruption Centre (NAC) and the Prosecutor's Office for Combating Organized Crime and Special Cases (PCCOCS) become engaged, reflecting the multi-agency nature of enforcement in high-risk areas (Ciobanu, 2020).

Within this architecture, the State Tax Service functions as the key operational authority. It is responsible for detecting non-compliance, quantifying the associated fiscal impact, and issuing sanctioning decisions. Its mandate is framed by principles such as efficiency, proportionality, and transparency, as provided for in the Law on the State Tax Service (No. 157 of 8 July 2021). Notably, recent institutional developments indicate a gradual reorientation of the STS away from a predominantly punitive approach toward a compliance-oriented model. This shift aligns with broader international trends emphasizing assisted compliance, where prevention and taxpayer engagement are prioritized over ex post enforcement.

In line with this transition, several digital and procedural instruments have been introduced, including early-stage notifications, the taxpayer's Personal Account interface, and electronic reporting systems such as e-Declaration and e-Invoice. These tools are designed to facilitate self-correction and reduce the immediate reliance on sanctions. Empirical evidence highlighted in OECD reports (2022) indicates that such measures contribute to lowering administrative costs while improving voluntary compliance rates. This supports a growing consensus in the economic literature that preventive and facilitative approaches tend to be more cost-effective and sustainable than enforcement strategies based predominantly on coercion (Alm & Torgler, 2011).

The fiscal sanctioning system of the Republic of Moldova is based on a set of fundamental principles derived from European tax and administrative law: legality, proportionality, individualisation, and transparency (Tănăsescu, 2014):

1. *The principle of legality*, which entails that no sanction may be imposed in the absence of an explicit legal provision, and that extensive interpretation to the detriment of the taxpayer is prohibited (Bîrsan, 2016);

2. *The principle of proportionality*, which requires that the sanction be commensurate with the gravity of the act, the degree of culpability, and its effects on the public budget, avoiding excessive measures that could lead to the taxpayer's insolvency (Alexandru, 2018);

3. *The principle of individualisation*, which obliges the tax administration to assess the specific circumstances of each case, including the taxpayer's compliance history and whether the breach was intentional or unintentional (Frey & Torgler, 2007);

4. *The principle of transparency*, which refers to the obligation of tax authorities to clearly communicate the legal basis, the calculation method, and the available appeal rights related to the imposed sanction (OECD, 2022).

The need to comply with these principles is indispensable; nevertheless, practice shows that the STS's sanctioning decisions are often challenged on grounds of disproportionality or insufficient reasoning. Although the *норматив* framework provides for the possibility to individualise sanctions, the application of this principle sometimes remains formal, due to the lack of standardised criteria for assessing intentionality and the severity of the breach (Ciobanu, 2020).

The proportionate application of tax sanctions presupposes effective cooperation among fiscal, judicial, and supervisory institutions. At present, the Republic of Moldova faces difficulties in ensuring the consistency of inter-institutional decisions and in maintaining effective information exchange between tax authorities and judicial bodies (OECD, 2022). The absence of a unified database on taxpayers' infringements and the sanctions imposed generates uncertainty and divergent interpretations.

At the same time, judicial reform and the digitalisation of tax processes create opportunities to implement an intelligent sanctioning system based on behavioural risk assessment and the differentiated application of corrective measures. In this direction, the Republic of Moldova could draw on good practices from Estonia and Lithuania, where inter-institutional cooperation and database interoperability have increased transparency and reduced administrative disputes (European Commission, 2023).

CONCEPTUAL AND THEORETICAL FRAMEWORK OF THE PROPORTIONALITY OF TAX SANCTIONS

In a setting where tax sanctions are increasingly regarded as key instruments for ensuring compliance and maintaining fiscal discipline, it becomes essential to examine more closely the boundaries and conditions governing their use. While earlier discussions have focused on the multifaceted nature of tax sanctions - namely their punitive, preventive, and educational roles - the emphasis here shifts toward a critical aspect of their design: the alignment between the intensity of the sanction and the policy objective pursued by the tax authorities. In the absence of a coherent regulatory framework capable of balancing the state's revenue interests with the protection of

taxpayers' rights, sanctions may become excessive and, ultimately, undermine their intended purpose (James & Alley, 2009; Tănăsescu, 2014). Within this analytical framework, the principle of proportionality can be understood as a natural continuation of the doctrinal evolution in the field, offering both legal and economic benchmarks for calibrating state intervention in a manner consistent with tax fairness and institutional credibility (Alexandru, 2018; Alm & Torgler, 2011).

The principle of proportionality occupies a central position in modern tax law, serving as a constraint on the exercise of public authority while ensuring an appropriate balance between fiscal objectives and individual rights (Alexandru, 2018). Its conceptual foundations are rooted in European legal doctrine, where the Court of Justice of the European Union (CJEU), through its jurisprudence, has established the requirement that tax measures adopted by Member States must be proportionate to the aims they pursue, thereby excluding the use of excessive or arbitrary sanctions (Craig & de Búrca, 2021).

At the domestic level, this principle is reflected in the requirement that sanctions be tailored to the seriousness of the offence, the specific circumstances under which it occurred, and its impact on public finances (Tănăsescu, 2014). Accordingly, the effectiveness of a sanction should not be equated with its severity, but rather with its capacity to preserve a reasonable balance between the damage inflicted on the public interest and the burden imposed on the taxpayer (Şova, 2017). This reasoning underpins the broader concept of tax justice, which implies that taxpayers should be treated in a fair and differentiated manner, with sanctions calibrated according to both the intent and the magnitude of the violation (James & Alley, 2009).

Modern legal doctrine highlights three dimensions of the principle of proportionality in tax matters:

1. *proportionality in the strict sense*, which requires a direct relationship between the gravity of the act and the sanction imposed;
2. *necessity*, which entails choosing the least intrusive measure capable of achieving the lawful objective;
3. *appropriateness*, which concerns the compatibility between the means employed and the objectives of tax policy (Tridimas, 2015).

The proportionality of tax sanctions is assessed by courts (including the CJEU and the European Court of Human Rights - ECtHR) through the proportionality test, also known as the three-step test (Table 1). The proportionality test is grounded in the provisions of the Treaty on European Union, which stipulate that EU measures must:

- be suitable for achieving the intended objective;
- be necessary to achieve the intended objective;
- not impose an excessive burden on the taxpayer in relation to the objective pursued (proportionality *stricto sensu*).

From this perspective, the stages of the test comprise suitability (relevance), necessity (subsidiarity), and proportionality *stricto sensu*.

In European case-law, the CJEU has emphasized that tax measures may not go beyond what is necessary to protect the state's financial interests, even where the taxpayer has committed a serious infringement. For instance, in *Bonda (C-489/10)*¹, the Court held that the cumulative application of criminal and administrative sanctions for the same conduct may breach the principle of proportionality and the right to a fair trial (Craig & de Búrca, 2021).

Accordingly, a tax sanction is considered disproportionate where the amount of penalties corresponds to the value of the deductible tax (or even exceeds it), which would effectively deprive

¹ In *Bonda (C-489/10)*, the Court of Justice of the European Union held that administrative sanctions of a punitive nature fall within the scope of the *ne bis in idem* principle, and that the cumulative application of administrative and criminal sanctions for the same conduct is permissible only insofar as it respects the principle of proportionality and does not exceed what is necessary to protect the Union's financial interests.

the taxpayer of the right to deduct. The authorities may refuse the right of deduction (in the case of value added tax) only if they demonstrate fraud or complicity in fraud, and the refusal measure must be proportionate. At the same time, the use of enforcement measures that would fully paralyse the taxpayer's economic activity in order to recover a minor claim is prohibited.

In this way, the application of the proportionality test by the courts is mandatory in order to ensure that tax sanctions are assessed in a fair and equitable manner vis-à-vis taxpayers.

Table 1. Proportionality Test (Three-Step Test) Applied to Tax Sanctions

Stage of the test	Assessment criterion	Objective pursued in tax law
Proportionality	The measure must not impose a disproportionate and excessive burden on the taxpayer. A balance must be maintained between the severity of the measure and the public benefit obtained	The individual burden imposed (the amount of the sanction) must not be excessive in relation to the public interest (the value of the fiscal harm)
Necessity	The measure must be the least intrusive among all possible measures capable of achieving the same objective	If a measure exists that is less burdensome for the taxpayer yet equally effective, the state must choose that measure
Appropriateness	The measure must be suitable for achieving the legitimate objective	The tax sanction must contribute to achieving the intended objective (reducing the gap between assessed tax liabilities and collected revenues)

Source: compiled by the author

From an economic perspective, the proportionality of tax sanctions is analysed through the lens of the utilitarian theory of optimal deterrence, according to which the level of the sanction should be calibrated so that the expected benefit of tax evasion is lower than the perceived cost of the sanction (Allingham & Sandmo, 1972). However, recent research in behavioural economics shows that perceived disproportionality of sanctions generates distrust and reduces voluntary compliance; taxpayers are more willing to cooperate when the system is perceived as fair and predictable (Kirchler, 2007; Alm & Torgler, 2011).

ANALYSIS OF THE RELATIONSHIP BETWEEN THE SEVERITY OF SANCTIONS AND VOLUNTARY COMPLIANCE

The analysis of the relationship between the severity of tax sanctions and the level of voluntary compliance is a central topic in contemporary behavioural economics, as it challenges the limits of coercion-based effectiveness and highlights the role of non-financial motivations in taxpayers' decisions (Alm & Torgler, 2011). The classical compliance theory, derived from the model developed by Allingham and Sandmo (1972), assumes that the decision to report income accurately results from a rational utility calculation, in which the taxpayer compares the gains from evasion with the probability of detection and the level of the sanction. In other words, compliance is driven by fear of punishment and by the anticipated economic cost of non-compliance (Becker, 1968).

Building on the specialised literature in behavioural economics and European tax law, the present study approaches the proportionality of tax sanctions as a functional relationship between the severity of the sanction and the taxpayer's behavioural response, expressed through the level of tax compliance. This perspective goes beyond the classical deterrence model based on coercion and

incorporates dimensions such as perceptions of fairness, institutional legitimacy, and compliance history, in line with the approaches developed by Kirchler, Frey, and Torgler.

In this context, a conceptual model for assessing the proportionality of tax sanctions is proposed, tailored to the specificities of the Republic of Moldova and analysed dynamically for the period 2022-2024.

The model begins by defining the severity of the tax sanction (S) as a relative indicator, calculated as the ratio between the totality of sanction-related consequences and the principal tax liability assessed, according to the following relationship:

$$S = \frac{A+P+D}{B} \quad (1)$$

where:

A – the fine imposed;

P – penalties and late-payment surcharges;

D – other quantifiable administrative consequences;

B – the principal tax liability.

This formulation enables an assessment of the proportionality of sanctions beyond absolute amounts and ensures comparability across different categories of taxpayers and tax periods.

The degree of tax compliance (C) is introduced as an essential explanatory variable of the model and is defined as the ratio between voluntarily declared revenues and total estimated revenues:

$$C = \frac{Vd}{Vt} \quad (2)$$

where:

Vd – voluntarily declared revenues;

Vt – total estimated revenues.

Given the limited access to official estimates of the tax gap in the Republic of Moldova, this indicator is approximated using operational proxies employed in OECD and TADAT assessments, such as the timely filing rate of tax returns, the share of voluntary corrections, and the effectiveness of tax audits.

To incorporate the behavioural dimension and to ensure an individualised analysis, the model introduces a taxpayer behaviour coefficient (Bc), which reflects the intentionality of the breach and the compliance history. This coefficient ranges from 1 (consistent compliance) to values close to zero in cases of tax fraud, in line with the proportionality principle as established in the case-law of the Court of Justice of the European Union, including Bonda (C-489/10).

On the basis of these variables, the Fiscal Proportionality Indicator (FPI) is constructed, expressed by the following relationship:

$$IPF = \frac{S}{(1-C)*Bc} \quad (3)$$

The indicator makes it possible to assess the extent to which the applied sanction is proportionate to the level of non-compliance and to the taxpayer's behaviour. FPI values close to one indicate an optimal level of sanctioning, whereas markedly above-one values reflect excessive sanctions with the potential to erode voluntary compliance; conversely, persistently below-one values may signal a risk of incentivising non-compliance.

To test the practical relevance of the proposed proportionality model, the empirical analysis is grounded in official data from the State Tax Service regarding the outcomes of tax audits, collection efficiency, and the evolution of revenues from fines and sanctions over the period 2022–2024.

For each year analysed, these components are aggregated into a synthetic compliance indicator with values ranging from 0 to 1, where higher values denote a higher level of compliance. Over the analysed period, the resulting values are 0,58 for 2022, 0,63 for 2023, and 0,68 for 2024, reflecting a gradual improvement in compliance behaviour, against the background of digitalisation and increased audit selectivity.

Table 2. Primary indicators of tax audits in the Republic of Moldova (2022–2024) and the estimation of the compliance level (C) and the severity of sanctions (S)

Year	Fines and sanctions (million MDL)	Assessed liabilities (million MDL)	Recovery rate (%)	Compliance level (C)	Severity index (S)
2022	360,77	800	25	0,58	1,20
2023	385,39	850	27	0,63	0,90
2024	402,90	968,30	22	0,68	0,85

Source: compiled by the author based on data published on the State Tax Service website (www.sfs.md).

The severity of tax sanctions is expressed in relative terms, as the ratio between the volume of sanctions imposed and the tax base assessed following audits, in order to avoid distortions generated by absolute values. Based on official data, the resulting values for relative severity are 1.20 in 2022, 0.90 in 2023, and 0.85 in 2024, indicating a gradual reduction in sanctioning pressure, alongside improvements in selection mechanisms and assisted compliance.

Table 3. Calculation of the Fiscal Proportionality Indicator (FPI)

Year	Compliance level (C)	Severity index (S)	Behavioural coefficient (B_n)	$(1 - C) \times B_n$	Fiscal Proportionality Indicator (FPI)
2022	0,58	1,20	0,75	0,315	3,81
2023	0,63	0,90	0,75	0,2775	3,24
2024	0,68	0,85	0,75	0,2400	3,54

Source: compiled by the author

This approach enables a direct correlation between the severity of sanctions and tax compliance indicators, as well as the effectiveness of revenue collection mechanisms.

The data show that, over the analysed period, audit effectiveness increased from 65% in 2020 to 75% in 2024, indicating an improved capacity to identify non-compliance. However, the ratio between assessed amounts and amounts actually collected deteriorated significantly, with the recovery rate falling from 47% in 2020 to only 22% in 2024. This discrepancy suggests a moderate level of effective tax compliance, despite intensified audit activity.

To incorporate the behavioural dimension, the author applied an aggregated taxpayer behaviour coefficient that reflects the dominant profile of tax infringements. Given the structure of infringements identified in the Republic of Moldova - predominantly characterised by errors, negligence, and unintentional breaches- the behavioural coefficient is set at $B_n = 0.75$ for the entire period analysed. This value corresponds to imperfect yet predominantly cooperative tax conduct and allows the maintenance of intertemporal comparability of results.

The application of the model yields FPI values of 3.81 for 2022, 3.24 for 2023, and 3.54 for 2024, indicating a structurally disproportionate sanctioning regime, despite the gradual reduction in severity and the improvement in tax compliance.

Applying the proportionality model of tax sanctions to the Republic of Moldova for the period 2022–2024 allows for the formulation of conclusions that are relevant both from a theoretical perspective and from the standpoint of tax administration practice. The results confirm that the

effectiveness of the sanctioning regime cannot be assessed solely by the intensity of sanctions or the volume of assessed liabilities; rather, it must be analysed in relation to the actual level of tax compliance and the behavioural profile of taxpayers.

First, the consistently high values of the Fiscal Proportionality Indicator across all three years analysed highlight the existence of a structural gap between the severity of sanctions and the real capacity for compliance. In 2022, an FPI of 3.81 points to a strongly disproportionate sanctioning regime characterised by heightened coercive pressure, in a context of low recovery of assessed tax liabilities. This situation suggests that increasing the severity of sanctions was not accompanied by a corresponding increase in voluntary compliance, which limits the effectiveness of the deterrence mechanism and generates high administrative costs.

Second, the reduction in the FPI value in 2023 to 3.24 reflects a partial improvement in the calibration of sanctions, in the context of a lower number of audits and increased audit selectivity. Nevertheless, the indicator's persistence at a markedly above-one level demonstrates the continuation of an excessive sanctioning regime relative to the aggregated level of compliance. This finding confirms the hypothesis that a purely quantitative adjustment of sanctions is insufficient to optimise tax discipline in the absence of institutional mechanisms oriented towards cooperation and prevention.

Third, the evolution of the FPI in 2024, although reflecting a slight improvement in relative proportionality, keeps the indicator at 3.54, suggesting that the transition towards an assisted compliance model remains incomplete. Despite progress in digitalisation, risk analysis, and assisted compliance, the severity of sanctions remains structurally high relative to the level of compliance achieved. This situation points to a degree of institutional inertia within the sanctioning architecture, which constrains the full potential of reforms oriented towards cooperation and trust.

From a theoretical perspective, the results confirm the validity of behavioural approaches according to which the effectiveness of tax discipline does not stem from maximising sanctions, but from optimising the relationship between control, sanctioning, and voluntary compliance. The proposed model demonstrates that excessive sanctions may generate saturation and demotivation effects, reducing institutional legitimacy and eroding taxpayers' trust in the tax system.

From a methodological perspective, the fiscal proportionality indicator proves to be a useful tool for the dynamic assessment of the sanctioning regime, enabling the identification of situations of excessive sanctioning and supporting evidence-based fiscal policy decisions. Integrating sanction severity, compliance level, and behavioural profile into a unified analytical framework represents an original contribution with potential for comparative application in other jurisdictions.

From an applied perspective, the findings suggest the need for a structural recalibration of the sanctioning regime in the Republic of Moldova, aimed at strengthening voluntary compliance and reducing reliance on punitive mechanisms. In this regard, fiscal policies should prioritise prevention, assisted compliance, transparency, and the predictability of sanctions, alongside the development of risk-analysis tools and mechanisms for inter-institutional cooperation.

In conclusion, the proposed proportionality model highlights that the transition from a coercive regime to a cooperative one is not merely a fiscal policy option, but an essential condition for the sustainability of tax discipline and for strengthening the state's legitimacy. The results obtained provide solid empirical support for reforms oriented towards balance, proportionality, and fiscal responsibility.

THE PROPORTIONALITY OF TAX SANCTIONS THROUGH THE LENS OF ETHICS AND BEHAVIOURAL ECONOMICS. EFFECTS ON TAXPAYER COMPLIANCE.

Therefore, the proportionate application of tax sanctions depends not only on the normative framework, but above all on the institutional quality of control and justice mechanisms. The State Tax Service, the courts, and the Constitutional Court play complementary roles in ensuring tax fairness; however, their collective effectiveness is contingent upon professionalism, transparency,

and cooperation. Strengthening institutional capacity and integrating digital technologies into the sanctioning process can transform the tax administration from a coercive actor into a trusted partner of the taxpayer (Kirchler, 2007; OECD, 2022; Ciobanu, 2020).

The applicability of the proportionality principle becomes increasingly relevant in the context of the digitalisation of tax administration, where the automation of detecting and sanctioning breaches may reduce or eliminate the human element of judgement. Accordingly, the strictly algorithmic application of sanctions without consideration of individual circumstances may violate procedural fairness and the principle of proportionality (OECD, 2022). A balanced tax system should combine technological efficiency with contextual analysis in order to preserve the legitimacy of sanctions in the eyes of taxpayers.

The ethical dimension of tax sanctions occupies a central place in contemporary debates on justice and the legitimacy of state action in taxation. While the legal approach explains sanctions through the necessity of enforcing the rule, and the economic approach justifies them through efficiency and deterrence of unlawful behaviour, the ethical perspective focuses on the moral legitimacy of fiscal coercion and on the extent to which it reflects values of fairness and public responsibility (Rawls, 1971; Torgler, 2007).

From a normative perspective, tax fairness presupposes that sanctions are applied in a proportionate and non-discriminatory manner, within a framework that is sufficiently transparent to be understood and accepted by taxpayers. In practice, however, the acceptance of sanctions is not determined exclusively by their deterrent effect. Rather, it is closely linked to how taxpayers perceive the fairness and legitimacy of the system itself (Kirchler, 2007). Where such perceptions are fragile or inconsistent, sanctions tend to lose part of their preventive capacity and may instead generate scepticism, or even resistance, at the societal level (Alm & Torgler, 2011). In this respect, tax ethics cannot be reduced to the individual conduct of taxpayers alone; it also reflects the behaviour of public institutions, which are expected to act in a manner that is coherent, responsible, and credible (Bovi & Cerqueti, 2014).

At the same time, public morality - understood in its collective dimension - has a visible influence on the degree of voluntary compliance and on the broader social acceptance of sanctioning practices. When citizens perceive that public resources are managed with a reasonable degree of efficiency and fairness, a certain sense of reciprocity tends to emerge, reinforcing civic responsibility (Frey & Torgler, 2007). By contrast, in contexts marked by corruption, unequal treatment, or limited transparency, sanctions - even when legally justified - are often perceived in a more critical light, sometimes as expressions of institutional arbitrariness rather than legitimate enforcement (Alasfour, 2017).

In this line of reasoning, the ethical dimension of tax sanctions cannot be examined in isolation from the cultural and institutional environment in which they operate. The legitimacy of the tax system is shaped not only by the strict application of legal rules, but also by the consistency and moral credibility of public action. Fairness, proportionality, and public morality thus appear as defining elements of what is often described as the modern fiscal contract - a tacit arrangement between the state and taxpayers, where compliance is supported, to a significant extent, by trust rather than by coercion alone (Feld & Frey, 2007; Torgler, 2011).

Ultimately, tax sanctions may be interpreted not only as instruments designed to enforce fiscal discipline, but also as indicators of a society's level of institutional maturity. They reflect, in a broader sense, both the development of tax culture and the quality of interaction between public authorities and citizens. To the extent that the state manages to act in a manner perceived as fair and responsible, sanctions are more likely to achieve their role through guidance and reinforcement, rather than through pressure or constraint (Rawls, 1971; Sen, 2009; Kirchler, 2007).

However, subsequent research has shown that a mechanical increase in the severity of sanctions does not automatically lead to higher compliance. In many cases, excessive penalties may generate adverse effects - reducing trust in authorities and increasing avoidance behaviours (Kirchler, 2007). Behavioural economics incorporates psychological variables into this analysis, such as

perceptions of fairness, loyalty to the state, and internalised moral norms, which help explain why individuals often choose to comply even in the absence of a significant risk of sanction (Frey & Torgler, 2007).

A key element of this perspective is the theory of institutional trust, according to which voluntary compliance is grounded in the reciprocal relationship between the taxpayer and the tax administration. Kirchler (2007) formulates the *slippery slope framework*, according to which tax compliance increases when the tax authority combines legitimate coercive power with a high level of trust and fair treatment. Thus, fear of sanctions is only one component of compliance, whereas perceptions of fairness and respect for state institutions become essential determinants of fiscal cooperation (Wahl, Kastlunger & Kirchler, 2010).

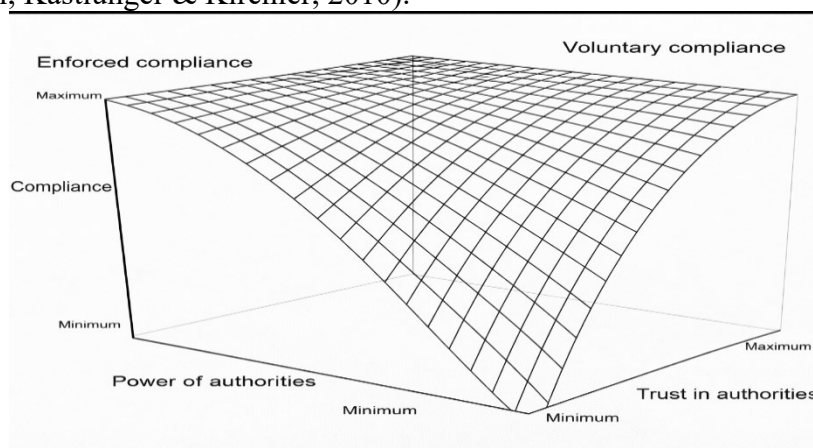


Figure 1. The “Slippery Slope” Model

Source: adapted by the author after Kirchler, Hoelzl & Wahl, 2008, p. 212

Increasing voluntary compliance is based on optimising the balance between the tax authority and the taxpayer’s responsibility. This balance is captured by the behavioural model of taxpayer behaviour. Proposed by Kirchler, Hoelzl, and Wahl, the *slippery slope framework* (Figure 1) explains fiscal behaviour through two dimensions: trust in the authorities and the authorities’ power.

According to the model, the relationship between taxpayers and tax authorities may be characterised by antagonism or synergy. In an antagonistic climate, tax authorities perceive taxpayers as rational individuals seeking to maximise benefits and willing to evade tax obligations whenever an opportunity arises. Consequently, tax authorities behave like “police officers” and treat taxpayers as potential “offenders”. In turn, taxpayers feel persecuted and reject the actions of the tax authorities. By contrast, in a climate based on synergy, mutual respect and trust prevail, and tax authorities adopt a “service–client” attitude towards taxpayers. Taxpayers, in turn, are less inclined towards tax fraud and comply voluntarily with the payment of tax obligations.

Accordingly, taxpayer education and training, high-quality service delivery through the establishment of a constructive dialogue based on trust, as well as reducing pressure on honest taxpayers, contribute to the creation of a synergistic climate and, implicitly, to an increase in voluntary compliance.

From an empirical perspective, OECD studies show that in countries with a mature tax culture - such as Sweden, Estonia, or the Netherlands - voluntary compliance reaches high levels even under moderate sanctions, due to a fiscal climate grounded in transparency and mutual respect. By contrast, in emerging economies, where perceptions of corruption and the arbitrariness of fiscal decisions persist, taxpayers tend to react defensively, and the severity of sanctions is perceived as abusive (Alasfour, F., Samy, M., & Bampton, R., 2017).

Furthermore, behavioural experiments confirm the existence of a saturation point in the deterrence effect: beyond a certain threshold, increasing the severity of punishment no longer generates additional compliance, but rather resistance and distrust (Feld & Frey, 2007). This dynamic

highlights the need to rethink the sanctions paradigm from the perspective of "tax cooperation" rather than a strictly punitive logic.

Thus, the severity of tax sanctions should be understood as part of a broader behavioural ecosystem in which perceptions of fairness, institutional legitimacy, and public morality play a decisive role. An effective tax system does not maximise sanctions; instead, it optimises the relationship between control and trust, moving towards a model of voluntary compliance grounded in mutual respect and civic responsibility (Kirchler, 2007; Frey & Torgler, 2007; OECD, 2022).

Consequently, the behavioural and ethical principles of tax compliance must be aligned with the normative framework that operationalises them. Any modern tax system bases its effectiveness not only on the legal rationality of sanctions, but also on the extent to which they reflect values such as fairness, proportionality, and institutional legitimacy. Hence, there is an interdependent relationship between the behavioural architecture of compliance and the legal structure of sanctions: the law provides the formal foundation of tax discipline, while ethics and taxpayers' perceptions provide its moral content and practical effectiveness. In this context, analysing the sanctioning framework of the Republic of Moldova becomes indispensable for understanding how the theoretical principles of proportionality and trust materialise in legal and administrative practice.

At the national level, the efforts of the State Tax Service are reflected in the "Taxpayer Compliance Programme", approved and updated annually. By annually identifying five priority segments of the national economy and monitoring taxpayers within these sectors, the STS succeeded in increasing tax liabilities paid to the National Public Budget by up to 21% in 2024, 17% in 2023, and 23% in 2022, compared to previous years.

EUROPEAN PRACTICES AND RELEVANT COMPARISONS

Comparing the fiscal sanctioning regimes of the Republic of Moldova with those of European Union Member States provides an essential perspective on the degree of legislative convergence and the level of institutional maturity in the field of tax compliance. The comparative analysis shows that, although core principles - legality, proportionality, and transparency - are shared, the modalities of enforcement and the intensity of sanctions differ significantly, reflecting legal traditions, tax culture, and the level of digitalisation of public administration (OECD, 2022).

Romania places strong emphasis on the individualisation of sanctions and on tax prevention. Accordingly, Romania's tax system, regulated by the Fiscal Procedure Code (Law No. 207/2015), is based on a balanced approach combining punitive measures with preventive mechanisms. Romanian tax authorities prioritise the tailoring of sanctions to the specifics of each case, taking into account the taxpayer's individual circumstances and the degree of cooperation displayed during the tax audit (Tănăsescu, 2014). For example, unintentional errors are often addressed through warnings rather than fines, in accordance with the proportionality principle. Romania has also introduced assisted compliance mechanisms - such as tax good-practice guidelines and prior notification - aimed at reducing minor infringements and promoting tax education.

Lithuania prioritises digitalisation and automated, proportionate sanctions and is widely regarded as a good-practice example in digital enforcement due to the full integration of its tax administration into a unified digital system (i.MAS – Intelligent Tax Administration System). This model enables the automated application of sanctions proportionate to the gravity of the breach by using risk algorithms and the taxpayer's behavioural history (OECD, 2022). Pecuniary sanctions are moderate, but the probability of detection is high, which supports strong voluntary compliance. A distinctive feature is that Lithuanian authorities typically apply a sanction only after issuing a voluntary compliance notice, thus giving the taxpayer an opportunity to correct the error before being penalised.

In Poland, sanctions are firm but graduated according to intentionality. In this respect, Poland maintains a more stringent sanctioning regime, yet one that is adjusted to the intentional nature of the offence and to the value of the harm inflicted on the public budget. Polish tax legislation provides for

distinct administrative-offence and criminal sanctions, while also introducing the concept of tax self-correction, whereby taxpayers may avoid penalties if they voluntarily rectify their returns prior to the initiation of an audit (Wysocki, 2020). This mechanism encourages individual responsibility and reduces the administrative burden on control institutions. Moreover, Poland has introduced a tax rating system that classifies taxpayers according to their compliance history, enabling the differentiated application of sanctions (OECD, 2022).

Estonia represents a benchmark model in terms of a sanctioning philosophy grounded in cooperation and trust. Rather than relying on a punitive logic, the Estonian tax administration promotes trust-based compliance, whereby severe sanctions are reserved only for cases of intentional fraud (Torgler, 2011). The Estonian tax system transparently integrates financial and accounting data through the X-Road platform, thereby narrowing the scope for evasion and errors. Voluntary compliance reaches levels above 95%, despite moderate financial sanctions. This supports the thesis that transparency and fairness can substitute excessive coercion as a means of ensuring tax discipline (Kirchler, 2007; Feld & Frey, 2007).

The comparative analysis highlights a clear tendency towards the Europeanisation of the Republic of Moldova's sanctioning policies, oriented towards proportionality, prevention, and accountability. While traditional models (such as the Polish one) retain a pronounced coercive dimension, modern trends - reflected in Lithuania and Estonia - promote a balance between sanctioning and cooperation, between fear of punishment and institutional trust.

Therefore, for the Republic of Moldova, convergence towards European standards entails a shift from a predominantly coercive sanctioning model to a behavioural and educational one, grounded in digitalisation, predictability, and procedural fairness. Such a transformation would contribute to strengthening tax culture and increasing the level of voluntary compliance (OECD, 2022; Alm & Torgler, 2011).

CONCLUSIONS

The efficiency of the tax system is an essential criterion for the proper functioning of the state and for the optimal exercise of its responsibilities. However, such efficiency does not depend exclusively on the severity of coercive measures, but rather on the balance between the state's public interest and the protection of taxpayers' rights. Modern tax law, anchored in the general principles of European law, requires that any intervention by tax authorities be proportionate to the gravity of the conduct and necessary to achieve the legitimate objective of preventing and correcting tax violations.

The analysis of the impact of tax sanctions on voluntary compliance has shown that, in the context of the Republic of Moldova, the effectiveness of the tax system depends not only on the severity of penalties, but above all on how taxpayers perceive the fairness, transparency, and predictability of the tax administration. The study highlights that sanctions play a key role in deterring tax evasion; nevertheless, a lasting impact on compliance is achieved through a balance between coercive measures and behavioural instruments, such as tax education, transparent communication, and the digitalisation of services.

Tax sanctions are an indispensable instrument for maintaining tax discipline, yet their effectiveness is achieved only when they are applied in accordance with the principle of proportionality. By applying this principle, authorities are required to identify a reasonable relationship between the objective pursued and the means employed, avoiding excessive or arbitrary measures. In this regard, the proportionality test - based on the criteria of suitability, necessity, and proportionality *stricto sensu* - constitutes an essential benchmark for assessing the legality and fairness of tax sanctions.

In practical terms, compliance with proportionality has direct implications for the level of tax compliance. A tax system perceived as fair and predictable fosters voluntary compliance, as taxpayers are more willing to fulfil their obligations when sanctions are viewed as just and transparent. By contrast, excessive, disproportionate, or unpredictable measures generate distrust, resistance, and evasive behaviour, thereby reducing the effectiveness of tax collection and undermining social cohesion.

Moreover, the ethical dimension of tax sanctions is indispensable for strengthening tax culture and public trust. Within this framework, the state must avoid turning sanctions into an excessively punitive instrument or a source of budgetary revenue and should instead orient them towards educating the taxpayer and reinforcing civic responsibility.

Accordingly, the principle of proportionality acquires a dual significance: a legal one, by guaranteeing legality and limiting abuses of power, and a moral one, by strengthening mutual trust between the state and the taxpayer. Only through a balanced application of tax sanctions - grounded in transparency, fairness, and administrative rationality - can a sustainable fiscal climate be achieved, in which financial discipline coexists with respect for citizens' fundamental rights.

In conclusion, the proportionality of tax sanctions is not merely an abstract legal principle, but an essential pillar of a modern, ethical, and efficient tax system that promotes voluntary compliance and strengthens the relationship of trust between the taxpayer and the tax authority.

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