

FISCAL STRATEGIES FOR THE DEVELOPMENT AND MODERNIZATION OF INDUSTRY

Oana CHINDRIȘ-VĂSIOIU⁶

Institute for World Economy, Romanian Academy

Cristian PANĂ⁷

Faculty of Financial Management, Ecological University of Bucharest

ABSTRACT: *The paper analyzes the role of fiscal policy as a key instrument in fostering economic growth and enhancing the competitiveness of the industrial sector. The study highlights the ways in which fiscal measures - such as tax incentives, exemptions, accelerated depreciation, and investment support - can contribute to the modernization of equipment, the digitalization of industrial processes, and job creation within industry. This research examines the impact of fiscal policies on the development and modernization of the industrial sector, with a particular focus on recent data. The analysis is grounded in the integration of national and international data sources, including those from the National Institute of Statistics, the OECD and Eurostat. The paper concludes with a set of policy recommendations aimed at promoting a sustainable and competitive industrial taxation framework: expanding fiscal incentives for digitalization, introducing super-deductions for green technologies, simplifying administrative procedures and aligning fiscal policy with vocational training initiatives.*

Keywords: *Fiscal Policy, Industrial policy, Industrialization, Sustainable Development.*

JEL Classification: *E62, L52; O14.*

1. INTRODUCTION

In the context of the current global economy, characterized by accelerated technological change, the transition toward sustainability, and multiple geopolitical challenges, the development and modernization of national industry represent a strategic priority for any state aiming for sustainable economic growth. Industry remains one of the most dynamic sectors of the economy, playing a vital role in generating added value, fostering innovation, creating employment opportunities, and enhancing competitiveness on international markets.

Fiscal policy, as a core instrument of state intervention in the economy, plays a central role in supporting the industrial sector. Through well-designed fiscal strategies, public authorities can stimulate private investment, encourage research and technological development, reduce regional disparities, and facilitate the transition toward a green and digitalized industrial base.

⁶ Ph.D. Scientific Researcher III, oana.vasioiu@gmail.com

⁷ Ph.D. Lecturer, cristi.pana@gmail.com

Fiscal policy constitutes a key tool for driving industrial modernization and competitiveness. In the current economic environment, shaped by green and digital transitions, an increasing number of countries are adopting targeted fiscal support schemes to attract investments, promote innovation, and create jobs. This paper examines the most recent data on international fiscal strategies and evaluates their applicability in the Romanian context.

2. THE IMPACT OF TAXATION ON INDUSTRIAL PRODUCTIVITY

Taxation is a determining factor in the dynamics of industrial performance, directly influencing investment decisions, innovation, and resource allocation within enterprises. In particular, the level and structure of taxation can have a significant impact on labour and capital productivity, as well as on the competitiveness of industrial firms at both national and international levels. [1]

Industrial productivity is essential for sustaining a country's economic competitiveness, and taxation plays a dual role, both as a cost factor and as a tool that can either stimulate or hinder economic efficiency. In the industrial environment, the influence of taxation is reflected in how firms respond to the tax treatment of income, profit, labor and capital, as well as to the structure of existing fiscal incentives.

Globally, fiscal policy is considered one of the key levers through which governments can influence the behavior of industrial firms, contributing directly or indirectly to productivity growth. The relationship between taxation and productivity is complex and varies depending on the economic structure, the level of development, institutional stability and integration into the global economy. In economies with a high tax burden on labor and capital, industrial firms tend to adopt defensive behaviors such as minimizing investments in advanced technologies, reducing research and development (R&D) expenditures, or outsourcing production to more tax-favorable jurisdictions. These decisions directly affect modernization capacity and, consequently, medium and long-term productivity. [1]

Industrial taxation differs significantly between developed and emerging economies. Countries in the Organisation for Economic Co-operation and Development (OECD) have generally implemented sophisticated tax systems that combine moderate levels of direct taxation with deduction schemes and incentives that encourage innovation and technological upgrading. [2]

In emerging economies, such as Romania, the high fiscal burden on capital and labour discourages profit reinvestment and hinders the modernization of production processes. For example, high payroll taxes and income tax rates can lead to increased production costs, undermining long-term competitiveness. [2]

On the other hand, the implementation of stimulus-oriented fiscal policies - such as tax incentives for investments in modern equipment, R&D deductions, or accelerated depreciation - can enhance industrial productivity by fostering automation, innovation, and digitalization. These measures have been successfully adopted in several EU Member States, yielding positive outcomes in strategic industrial sectors. [3]

Moreover, the stability and predictability of the fiscal framework are essential for the long-term planning of industrial firms. Legislative volatility in taxation often leads to investment delays and underutilization of capital, thereby reducing overall economic returns.

According to the OECD, a total of 667 active fiscal incentives supporting industry were identified across 70 economies. The average number of incentives per country increased from 8.1 in 2022 to 10 in 2024. The most common measures include tax relief for investments, R&D, and the green transition. [4]

Table no.1. The global distribution of fiscal incentives in 2024

Incentive type	Share	Remarks
Environmental sustainability	66%	Incentives for energy efficiency and decarbonization
Employment	44%	Tax reductions for employers
Professional training	36%	Training tax credits

Source: OECD Tax Incentives for Investment and Development (2024)

Taxation directly influences investment decisions and, by extension, industrial productivity. Fiscal incentives geared toward modernization encourage firms to adopt more efficient technologies, digitalize production processes, and reduce operational costs. According to OECD data (2024), economies that offer accelerated depreciation and exemptions for R&D report an average annual increase of 3.5% in industrial productivity over the past five years. [4]

It is essential to emphasize that taxation does not operate in isolation. The effectiveness of fiscal strategies is strongly influenced by economic infrastructure, access to finance, the quality of human capital, and complementary industrial policies. In the absence of a supportive ecosystem, even the most well-intentioned fiscal incentives may have a limited impact.

The impact of taxation on industrial productivity is multidimensional. A smart fiscal system, investment-oriented, predictable, and aligned with current technological realities, can become a catalyst for industrial modernization. Romania needs a strategic tax reform aligned with industrial and innovation policies to transform its industrial sector into a genuine driver of economic growth.

3. FISCAL STRATEGIES AND INDUSTRIAL INVESTMENTS IN ROMANIA

In the 2024–2025 period, Romania faces a series of economic challenges and opportunities amid regional geopolitical tensions, the transition toward a green and digital economy, and increasing domestic budgetary pressures driven by the need for fiscal consolidation. In this context, fiscal policy plays a critical role in stimulating industrial investment, attracting private capital, and accelerating the modernization of productive infrastructure.

To maintain budgetary balance and comply with the requirements of the EU Stability and Growth Pact, the Romanian government has announced a set of fiscal measures for 2024–2025. These measures aim both to broaden the tax base and to introduce targeted incentives designed to attract investment in strategic sectors such as manufacturing, green energy, and technology. [5]

Among the relevant fiscal measures for the Romanian industrial sector during the analysed period are: [6]

- Corporate tax exemption for investments in state-of-the-art production equipment, provided that such equipment is used in high-tech sectors or in activities with high energy efficiency.
- Additional deductions for research and development activities, including those in the automated industrial sector.
- Expansion of fiscal incentives for disadvantaged industrial zones, aimed at reducing regional disparities and promoting economic reconversion.
- Accelerated depreciation for industrial fixed assets acquired during the 2024–2025 period.

- Local tax exemptions for investors who create a significant number of jobs and contribute to the development of local infrastructure.

These measures are aimed at stimulating medium-term productive investments, with a focus on high value-added industries and integration into European value chains. In Romania, in 2024, a state aid scheme totalling 450 million euro was launched to support investment in the industrial sector. Announced investments in the manufacturing sector reached 1.7 billion euro in 2024, leading to the creation of over 8,900 new jobs. [7]

Table no.2. Government support scheme for industry (2024)

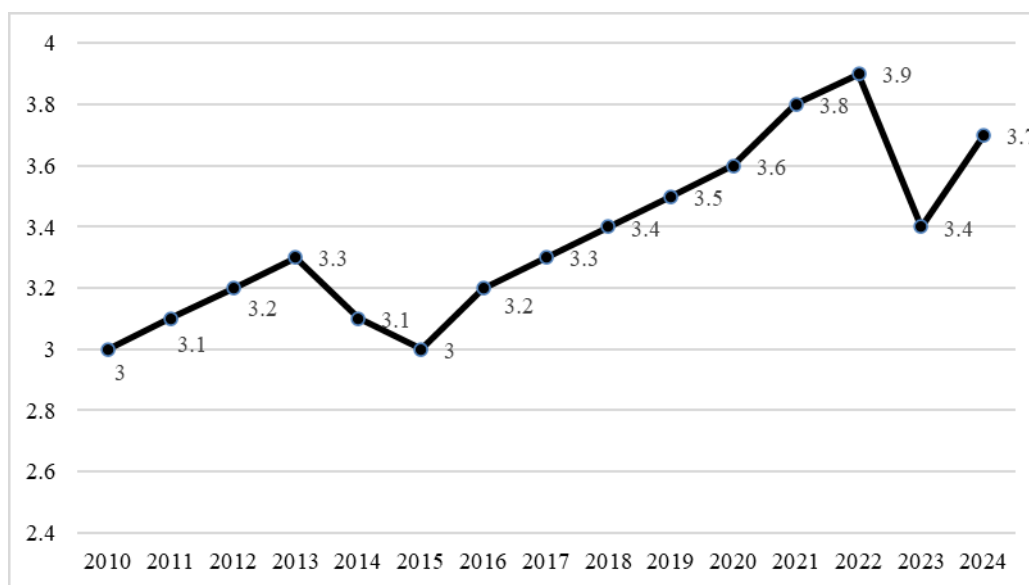
Component	Value / Characteristics	Remarks
Total budget	450 million euro	Funding available until 2026
Minimum company contribution	25%	Maximum non-reimbursable aid: 75%
Eligible sectors	Industry, pharmaceuticals, waste	Bucharest excluded

Source: Ministry of Economy, Digitalization, Entrepreneurship and Tourism (2024)

In 2024, Romania recorded a modest increase in industrial investment, particularly in the renewable energy, automotive, and electrical equipment sectors. According to Eurostat data, gross investments in industry rose compared to the previous year, with a significant contribution from non-reimbursable European funds. [8]

Figure no.1. Industrial investments in Romania

- percentage of GDP –



Source: Author owns processing based on Eurostat data (2025)

Eurostat data for the period 2010–2024 on industrial investments as a share of GDP in Romania indicate a generally upward trend, with a period average of approximately 3.37% of GDP. The lowest value was recorded in 2010 and 2015 (3.0%) and 3.7% in 2024.

During the 2010–2015 period, industrial investments remained relatively stable, fluctuating between 3.0% and 3.3%, suggesting that the industrial sector maintained a moderate level of development in the post-financial crisis context. Beginning in 2016, an upward trend

is observed, which consolidated in 2018–2019, likely due to economic stability and the implementation of industrial support programs.

The 2020–2024 period marks a visible acceleration of industrial investment, reaching 3.9% in 2022 and 3.7% of GDP in 2024. This development can be linked to the response to the 2020 health crisis, increased investment in digitalization and green energy, as well as funding provided through the National Recovery and Resilience Plan. [9]

The volatility of annual values is relatively low (standard deviation of 0.28%), suggesting stability in public policies related to industrial investment and a strong alignment with sustainable economic development objectives.

In conclusion, industrial investments in Romania during the analyzed period reflect a positive trajectory, marking a shift from post-crisis stagnation toward accelerated dynamics in recent years, in line with the structural and technological transformations of the national economy.

In parallel, several international companies (e.g., Nokian Tyres, Bosch, Varta) have announced the expansion or construction of new industrial facilities in Romania, in the context of the ongoing repositioning of global supply chains. These decisions were also influenced by Romania's relatively competitive fiscal framework, particularly in industrial regions such as Transylvania and Southern Oltenia.

Despite these advances, several obstacles continue to undermine Romania's fiscal attractiveness. These include: legislative instability and frequent amendments to the Fiscal Code, sometimes enacted without public consultation or impact assessments; excessive bureaucracy in the process of accessing fiscal incentives or state aid; deficiencies in the digitalization of the tax administration, leading to delays in reimbursements and inconsistent interpretation of legislation; high indirect fiscal pressure, particularly through VAT and social contributions, which increases labor costs in industry.

For Romania to become a sustainable and competitive destination for industrial investment, the following strategic directions must be adopted: establishing a predictable fiscal framework for at least five years, with clear and transparent incentives for industry; simplifying administrative procedures for accessing tax exemptions and deductions; creating a national fiscal incentive fund for industrial innovation, complementary to EU funding; introducing tax reductions for companies that meet sustainability and digitalization targets; ensuring interoperability between the National Agency for Fiscal Administration and the business environment through advanced digital systems.

Romania is at a critical juncture in shaping its industrial development model. Fiscal strategies can become a powerful tool for attracting productive capital and accelerating technological modernization. However, the success of these policies depends on their long-term coherence, institutional implementation capacity, and continuous dialogue between the state and the private sector.

4. FUTURE PERSPECTIVES FOR INDUSTRIAL FISCAL POLICY IN ROMANIA (2025-2030)

Fiscal policy is increasingly becoming a strategic instrument in shaping the long-term industrial structure of an economy. In a global context marked by climate change, accelerated digitalization, supply chain relocation, and geopolitical tensions, industrial fiscal policy is no longer confined to the collection of budgetary revenues. It now plays a crucial role in enhancing productivity, fostering technological modernization, and promoting economic sustainability.

Between 2025 and 2030, fiscal policies will need to strike a balance between budgetary discipline and investment incentives, support the green and digital transitions, and align with

international fiscal regulatory frameworks, such as the OECD's Pillar II (the global minimum corporate tax).

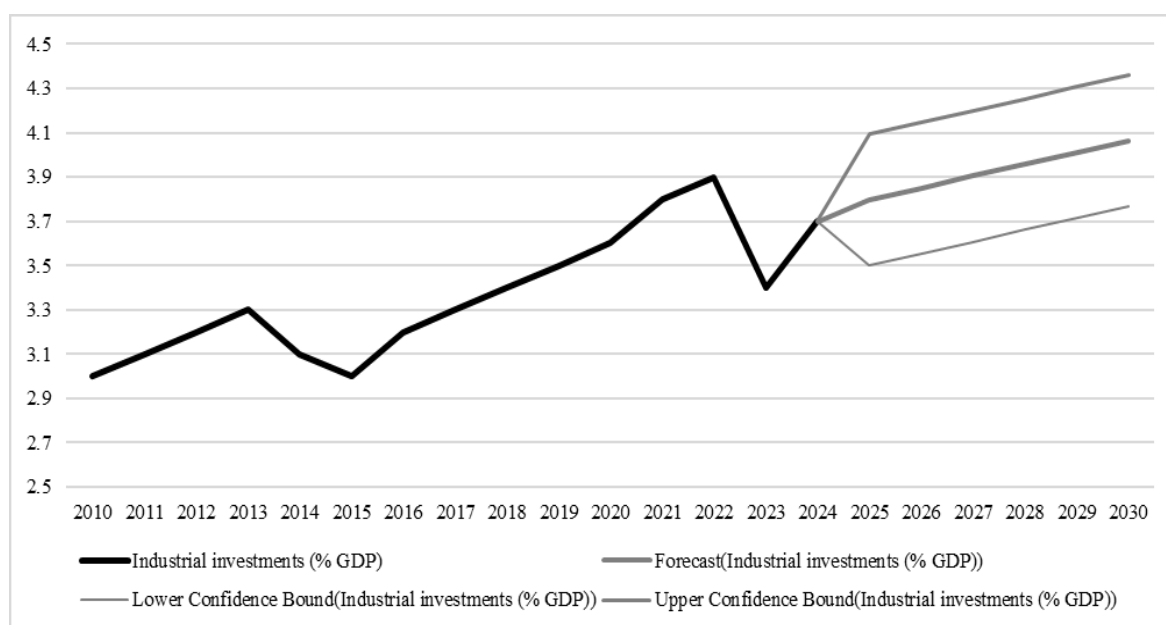
The 2025–2030 period will be decisive for Romania's industrial future, as the global economy undergoes a profound transformation characterized by rapid digitalization, the energy transition, demographic pressures, and the reconfiguration of global supply chains. In this context, national fiscal strategies must shift from a reactive and administrative logic to a strategic, anticipatory, and competitiveness-oriented approach.

During this period, Romania will continue to benefit from access to European funding through the Multiannual Financial Framework and the Just Transition Mechanism. It is essential for the national fiscal strategy to complement these funds through fiscal co-financing and the creation of blended instruments (grants combined with fiscal incentives). [10]

Between 2025 and 2030, Romania faces the major challenge of building a competitive, sustainable, and industry-responsive fiscal system, adapted to the evolving needs of a dynamic industrial landscape.

The strategic directions of industrial fiscal policy must aim to stimulate investment, enhance productivity, foster innovation, and reduce the environmental impact of industrial activities. Achieving these objectives requires a coherent, predictable approach, fully aligned with European policies on competitiveness and sustainability. [5]

Figure no.2. Forecast of industrial investment in Romania for the period 2025–2030
- percentage of GDP –



Source: Author owns processing based on Eurostat data (2025)

Industrial investment in Romania is projected to resume growth starting in 2025, returning to an upward trend. This suggests a potential recovery of the industrial sector, possibly driven by government support measures, the absorption of European funds, or a renewed focus on domestic production.

Investments are expected to stabilize between 3.7% and 4.3% of GDP by 2030, according to the projected confidence interval. This range reflects both macroeconomic uncertainties and the potential for industrial sector expansion in Romania.

The industrial investment forecast for 2025–2030 is generally optimistic, indicating a clear rebound following the temporary downturn in 2023–2024. However, reaching the upper

bound of the forecast will depend on the state's ability to support industrial modernization, attract foreign direct investment (FDI), and accelerate the transition toward green and digital technologies.

A key pillar of future fiscal policy must be the promotion of investments in clean technologies and industrial digitalization. It is recommended that additional tax deductions be introduced for investments in high energy-efficiency equipment, as well as for the implementation of advanced digital systems (e.g., automation, artificial intelligence, Internet of Things).

To address territorial disparities in industrial development, fiscal policy should incorporate differentiated measures tailored to the potential and specific needs of various regions. The establishment of Special Fiscal Zones (SFZs) is proposed, offering incentives to investors who choose to operate in economically less developed counties. These zones could benefit from temporary corporate income tax exemptions, reduced social security contributions, and financial support for industrial infrastructure. The implementation of these measures must be subject to strict monitoring to prevent misuse and ensure economic efficiency.

Another essential component is the fiscal support of R&D activities. Romania must align its fiscal strategy with the European model by expanding tax deductions for R&D expenditures, as well as for prototyping and applied innovation activities. [3]

It is recommended that a national innovation incentive fund be established to co-finance investments in emerging technologies through partnerships with universities, research institutes, and private companies.

The success of any fiscal policy largely depends on the business community's confidence in the stability of the legal framework. For the 2025–2030 period, it is imperative to adopt a fiscal stability pact for industry, ensuring the preservation of key incentives over the medium term.

Reducing the frequency of amendments to the Fiscal Code and introducing clear transition periods for any legislative changes would significantly contribute to creating a more attractive investment environment.

The digitalization of the National Agency for Fiscal Administration and the interconnection of fiscal reporting systems (e-Invoice, e-Transport, SAF-T) must become a strategic priority. Automating these processes will reduce bureaucracy, improve revenue collection, and enhance voluntary tax compliance.

In parallel, digitalization efforts should also include the development of user-friendly platforms for accessing tax incentives, particularly for SMEs, which often lack the resources for specialized tax consultancy.

Romania's industrial fiscal policy for the 2025–2030 period must evolve into an active instrument of economic transformation. Through well-calibrated incentives, fiscal equity, digitalization, and predictability, the state can contribute to attracting investment, boosting productivity, and facilitating the transition to a modern, green, and competitive industrial sector. [10]

To capitalize on the opportunities offered by the global economic transition, Romania requires a clear, predictable fiscal strategy focused on productive investment. Between 2025 and 2030, fiscal policy must support not only revenue collection but also the competitiveness, innovation, and sustainability of the Romanian industrial economy.

5. CONCLUSIONS

This paper highlights that well-calibrated fiscal policies can serve as a key driver of industrial development and modernization. The data analyzed confirms that fiscal incentives,

particularly those aimed at sustainability, digitalization and R&D, have a positive impact on investment and productivity.

In Romania's case, the support scheme launched in 2024 generated a favorable response from the business environment, contributing to a visible increase in industrial investment. However, barriers such as excessive bureaucracy, legislative instability, and lack of fiscal predictability continue to undermine the effectiveness of these policies. Compared to other countries in the region, Romania exhibits a significant gap in the intensity of state aid and the speed of implementation.

The paper emphasized the critical role that fiscal policy plays in the process of industrial development and modernization, particularly in an economic context marked by technological transformation, energy transition, and global competitiveness pressures. The analysis reveals that taxation is not merely a revenue collection mechanism, but a strategic tool of economic intervention, capable of either stimulating or discouraging industrial investment.

One of the central conclusions of this paper is the direct and bidirectional relationship between the quality of fiscal policy and the performance of the industrial sector. Coherent, predictable fiscal measures that foster innovation, research, and investment decisively contribute to productivity growth, production diversification, and value-added creation. Conversely, legislative instability, excessive tax burdens, or the absence of appropriate incentives may lead to technological stagnation and the relocation of investment.

In Romania, fiscal policies implemented over the past decade have shown notable progress - such as the reinvestment profit tax exemption and R&D-related tax incentives - as well as structural shortcomings. These include regulatory volatility, bureaucratic access to tax benefits, and a low degree of alignment between fiscal measures and national industrial strategies.

To consolidate a favorable environment for industrial development, the following strategic directions are recommended:

- The establishment of a stable and predictable fiscal framework, with a clearly defined multiannual perspective and the adoption of a fiscal stability pact for industrial investors.
- Strategically targeted fiscal incentives, particularly for emerging industries, digitalization, robotics, green energy, and advanced technological infrastructure.
- The simplification and digitalization of tax administration, ensuring efficiency, transparency and rapid access to incentives, especially for SMEs.
- The harmonization of industrial taxation with European and international policies, particularly considering the OECD's new rules on the global minimum tax.
- Fiscal support for less-developed regions, through the creation of fiscal compensation instruments in areas with untapped industrial potential.

In the long term, the modernization of Romanian industry fundamentally depends on the existence of an intelligent, equitable, and competitive fiscal system, capable of attracting capital, encouraging innovation, and supporting the transition toward a green and digital economy. From this perspective, fiscal strategy should not be conceived in isolation, but rather integrated into a sustainable development model, where the state plays the role of an active and predictable facilitator.

Therefore, fiscal strategies for industrial development and modernization should not be viewed as merely technical measures, but as fundamental levers of national economic policy, with a structural impact on Romania's economic future.

In conclusion, industrial taxation should be regarded as a proactive, adaptable, and transparent public policy instrument, capable of driving the structural transformation of the Romanian economy and supporting sustainable and competitive development in the European and global context.

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