

Landmarks Concerning the Interaction of Accounting with Fiscality at National Level

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Abstract

Both accounting and taxation have the principal scope identifying the results obtained by economical entity, which are in fact the objectives set by each of them, after the financial and fiscal accounting principles are similar for many reasons.

The debates regarding the relation between accounting and fiscality, over the time were approached both at micro-economic and macro-economic level, national and international context, distinction being made between the two accounting systems, European- continental and Anglo-Saxon.

The approaches have been focused on independence or dependence of accounting rules on fiscal rules, taking in consideration that the independence between them leads to permanent an important difference between accounting and fiscal profit.

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Introduction

Accounting dependence implications of fiscality or the influence that seems the taxation has on the accounting in certain economical environments, were discussed and examined in a variety of fundamental or empirical studies in time, which proves that the subject interest remained the same over the time.

In Romania, is interesting to discuss about this subject of research taking in consideration that the post-communist past have the capacity to print the durable trends, as the similar economies studies have demonstrated. Also, all trends regarding the economies which are in transition revealed a series of interesting aspects often derive from the specific cultural influence and cannot be propagated in other economic environments.

A big influence on accounting can have the director environment such us the state, with the conditions that the whole range of legal regulations can restrict or constrict professional reasoning.

The state influence can be felt by tax regulations that have the power to significantly influence the economic behaviors and also, to affect the relation between economical entity and interested parts.

Accounting and fiscality treated in connection range represented and represent an area which is extremely researched with multiple valences and many future directions to

examine. The complexity of the researched area occurs also as a result of interdisciplinary, but especially as a result of active implications in economic life.

The complexity of the subject many times can result from insufficiency of explanation about the associated terminology. So, delimitations of terminology is desirable to clarify as first step of the researched process, especially since the discussed subject has multiple valences and a scientific background extremely rich. Come under the concerns of the present study, so the financial accounting governed by legislation and present accounting standards.

The impact of taxation on economic activity

If on informational and decisional plan, accounting request to the problem of balance active elements, than the fiscal interest is satisfied by fiscal administration, it became an area of practical interest.

It is known that the commercial societies carry out the activity to have profit and for this they are motivated to develop mechanisms of fiscal management leading to payment of some lower taxes by respecting the legislation. The management of taxes and optimize them are determined by the fact that its register an increasing of fiscal impact on economic activity, with the development and diversity of businesses, but also are determined by the impact of evaluation made as a result of applying some accounting regulations which are in continuous dynamic.

In practice, all economic transactions have attached a fiscal treatment and taking in consideration that the multiple types of transactions which carries tax, the enterprise must apply a big number of fiscal rules but to do an harmonization of accounting with taxation.

Companies should follow the optimization of reports between the accounting interest and fiscal, and between micro-economic and macro-economic level by informing, knowing, researching or applying all possibilities offered by legislation to receive fiscal facilities, delays, use of fiscal credits.

Besides of these present economic transactions of an enterprise for which exist clear fiscal regulations can occur some particular operations such as capital operations which requires fiscal treatments that the enterprise doesn't have until that moment or are not clear named in legislation (for example, how the reserves that increase the social capital impose, imposing of reserves which are not directly or indirectly distributed, in case of reorganization the enterprises, imposing the result of report from revaluation surplus).

If the financial statements offer information about financial position and performance of enterprise at a time, with some updates of information in notes (subsequent events of balance sheet), a good fiscal management means both lower taxes by respecting law, and seize all possibilities to minimize these in the future by the options that can be made under the existing laws.

Disconnecting the fiscality by accounting and the multitude of fiscal rules, like continuous modification of these impose the necessity of creating an informational system that manage fiscal rules at micro-economic level.

This informational system must be dynamic, have preventive character and assure the security of entity in relations with state institutions. To assure the fiscal security, the entity must respect principles and background and formal rules from fiscal law.

In conditions of disconnecting the fiscality by accounting and existing some different fiscal rules of accounting regulation, appear as a necessity establishment of some mechanisms for an efficient fiscal management. Taking in consideration disconnecting

fiscality by accounting, continuing exist a dependence relation of fiscality on accounting. This relation result from the fact that accounting information process for tax purpose to calculate taxes. Maybe for a significant period of time fiscality will base on accounting information but not exclusively.

Knowing on one hand, the existing difference between the accounting and fiscal interest and different rules of these, but also the alternatives and opportunities that are today offered by fiscal legislation, the enterprise fiscal management becomes maybe the most interesting and actual part of accounting job.

On entity, this informational system must manage the fiscal rules of imposing, database, tax rate, terms, fiscal facilities and penalties for not respecting fiscal laws.

Fiscal management has the responsibility to evaluate and calculate fiscal obligations and taxes, in the relation with the state.

Elements underling this objective are:

- Subject of impose, which represent the fiscal structure that represents taxes, income, profit, price or fee;

- Database or taxes, which usually represent the value of the imposed subject. For example, income tax is calculated by the method of Fiscal Code, as in case of value add tax, database is given by the value of delivered goods or services, the method is more complex made by the same Fiscal Code.

- Tax rate represent the amount of tax, which applies on database to determine the amount payable. The tax rate can be fixed or percentage;

- Fiscal facilities are given to motivate some activities or some areas. They are given under the law as discounts of tax rates, allowances, delays, rescheduling.

- Sanctions as a consequence of not respecting the fiscal law. This can be penalties, interest, late interest, the name being different in the previous period, but having the same character of sanction.

- The subject of tax, identify by the physical or judicial person, which make the income, profit or is the owner of assets, in case of taxes and local fees;

- The tax payer usually coincides with the subject of tax. There are some exceptions, especially for taxes with stopping at source, like personal income tax, where the subject of tax is the employee, but the withholding and the payment of taxes are made by employer.

Fiscal management's main purpose is to minimize the fiscal cost by optimizing the management decisions of the enterprise. Fiscal efficacy requires defining and including fiscal management as a component of enterprise management.

For the multitude of ways that can be realized the fiscal efficacy at entity level, we can mention:

- Use of help measures achieved by Government for limited periods to satisfy some strategic interests like:

- directly investment measure of motivation by providing additional tax deductions;

- export measures of motivation by requiring a reduce share of the profit from export operations.

- Application of liberalism to "manipulate". In fact, this concept means the entity between certain limits generating fiscal facilities and the established limits for fiscal deduction of some incomes and expenses and fiscal losses recorded in the previous years.

Accounting regulation- fiscal regulation

By adopting International Financial Reporting Standards (IFRS) and International Audit Standards (IAS), but also by elaborating accounting rules conform European Directives, Romanian entities have the possibility to prepare and present financial statements which can be understood by a big number of users interested in taking an efficient economical decision.

One of the most important achievements consists in delimiting the fiscal rules from accounting rules and elaborating a stable fiscal legislation. This delimitation of rules was determined because of different necessities of accounting and fiscal information for users and recipients. Finally, delimitation of fiscal rules from accounting rules was hurried up by taking some rules of accounting legislation, concepts and principles from IAS- IFRS, but also applying, even partially, of some International Accounting Standards.

Similarities between accounting and fiscality are generated by the fact that, for many times, fiscality has as sources accounting information. Differences between accounting and fiscality are determined by rules of accounting system, which does not overlap with those involved in fiscality, usually beneficiaries of accounting and fiscal information are different.

At the same time, accounting is characterized by stability. For example, when there are developments and adoptions of new accounting rules, these supplement the existing one.

Unlike accounting, fiscality does not followed in permanently the adopted fiscal rules at one moment, characterized by more flexibility.

According to IAS 1 "Presentation of financial statements", the financial statements are a structured financial representation of financial position and financial performances of an enterprise and of its transactions.

The objective of general financial statements is to present information about the financial position, performance and cash flows of an entity, as an accessible way for a wide range of users, helping them to take an economic decision.

In Romania, is specified in legislation the maximum period to prepare and publish the annual financial statements.

Also, for entities with real property which are traded on a regulated market, the National Securities Commission (NSC) required a maximum period of four months for annual financial statements and two months for financial statements prepared for first semester in which they were published.

Relevance of accounting information from fiscal point of view

Taxes and fees that an entity should pay to the state can significantly influence decisions made by the information users.

Considering that the information built in accounting underlying dates which are proceed by certain fiscal statements (regarding profit tax, local taxes and fees), the problem is accounting reconciliation with fiscality.

The principal motivation for the necessity of reconciliation between accounting and fiscality is generated by the fact that accounting principles which underlying the preparation of financial statement and the effects of the application are not convergent with the fiscal legislation.

There are a lot of differences between accounting principles and fiscal laws, but the most important refers to some different rules of recognition and evaluation and assets and liabilities, because rules used in accounting are subordinated to general concept of obtaining a fair image, and fiscal rules can follow the requirements of certain politics and interests of the state at a specific time.

Accounting and fiscality represent two elements of information users' interest in financial statements of the company. Besides the interest for information regarding financial position and the company performance, it is essential the interest for efficient management of economical and financial resources of the company.

International Financial Reporting Standards can be seen as a set of accounting and reporting rules which should be possible to provide investors a fairly view of financial position, performance and changes of the financial position of an entity at some time.

Conclusions

Financial accounting and fiscal rules answer to some different purposes have different objectives and different principles. Although both sets of rules are used to evaluate the annual results of companies, differences identified between the accounting results and fiscal results or between applied methods to obtain the two categories of results must be accepted.

Considering the speed and direction of development process for financial accounting and financial reporting in terms of transparency, market evaluation, performance situation, the convergence of accounting standards, the differences between the accounting results and fiscal results will become evident in future.

Fiscal authorities should proceed to establish some fiscal rules defined by accounting rules, so that by the way of collecting taxes to avoid decapitalisation of the companies.

In the same time, fiscality will continue to rely on information given by accounting, as a starting point for a generally evaluation regarding the entity potential to pay taxes and fees, but also to calculate taxes and fees due by them.

In Romania both accounting and fiscal rules are develop by the Ministry of Finance, and the interdependence between accounting and fiscality is still quite close.

Accounting continues to be a tool for the state interest through fiscal levers.

In this content, we consider relevant the study made in the next chapter of this document, regarding the analysis of convergences and divergences between accounting and fiscality in representative economic area in terms of such issues.

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