PERSPECTIVES REGARDING THE TAXATION SYSTEM IN ROMANIA

SORIN BERINDE

ABSTRACT. Regarding the perspectives for the accounting-taxation ratio in Romania, it was mentioned that they are according to the international tendencies regarding the disconnection. Taking into account some of the recent evolutions (adopting the IV Directive of the European Economic Communities) we can say that the seeds that lead (at least theoretically in the beginning) to the possibility of gradually opening the road towards an efficient accounting system, where accountancy and taxation work independently from one another, exist. This tendency becomes more certain if we take into consideration Romanian's opportunity to join the European Union. This event implies also joining the official position of the Union, regarding the acknowledgement and utilization of the international accounting norms, and at the same time the disconnection between accountancy and taxation

Keywords: disconnection, taxation, inflationary phenomenon, creative accounting

Introduction

Some researchers describe the research activity in the accounting field as being in a close relation with the research activity in other fields. Even though there are some people who disagree, we have to admit that these statements are based on some well argumented ideas:

- the research activity in the accounting field is based to some extent on the accounting theory, but to some other not in the least more meaningful extent, it is also based on such sources as the theory characteristic to economy, finances, psychology, sociology and to the organizational behaviour;
- the research methods do not necessarily belong to accountancy, being borrowed from the natural and social sciences field;
- the instruments that belong to accountancy are also to some significant extent borrowed or adapted from the organizational behaviour literature, which has, in some people’s opinion, a greater capacity to improve these instruments than accountancy. The research activity for establishing some theories and for verifying

1Lecturer, PhD, Faculty of Business, Babes-Bolyai University, Cluj-Napoca, Romania, sorin.berinde@tbs.ubbcluj.ro.
the capacity of implementing them can be generally classified according to the reference point, in two large categories:

- deductive research (from theory to practice);
- inductive research (from practice to theory).

**Material and methods**

Regarding these aspects, we referred to the existence of a connection between the research typology and the accounting – taxation ratio. It is known that the inductive research starts from practical facts and ends with expressing theories. This approach implies the analysis of the accounting practice, of the way in which a certain theoretical fact is reflected from an accounting point of view, when the norms are short or they lack. Therefore, on this basis, the best solutions are synthesized underlaying the evaluation of the new accounting norms that will influence the practice. A practical example of accounting inductivism mentioned by the specialists is the accounting plan, its origin being the continental accounting system, which implies its relation with the accounting system connected to taxation. It is a known fact that the preferential receiver of the accounting information is in this situation the state institution. Therefore we can underline that there is a bondage relation between the accounting inductivism and the connection between accountancy and taxation.

On the other hand, the deductive research implies the enunciation of some accounting theories that would have as a result the improvement of the accounting practice. The initial theoretical basis will be verified afterwards every time when a practical fact implies the implementing of the theory emitted initially. Such an example of implementing deductivism in accountancy is the elaboration of the accounting conceptual frame, with a high level of generality. A conceptual frame well elaborated is characteristic to the accounting systems of Anglo-Saxon origin, disconnected from taxation. The preferential users of the accounting information are in this case the investors and the creditors.
Therefore we can emphasise that there is a bondage relation between the accounting deductivism and the connection between accountancy and taxation.

\[ \text{Accounting deductivism} \rightarrow \text{Conceptual frame} \rightarrow \text{Disconnection of accountancy from taxation} \rightarrow \text{The preferential receivers of the accounting information (investors and creditors)} \]

Referring to these aspects, the content of this paper work will be based on a deductive research, starting from theory to practice, with some tendencies towards inductive research which consist of some practical case study elaborated in order to verify the extent to which certain theoretical aspects, mentioned before, are validated from a practical point of view. This type of research that consists in combining the deductive tendency with the inductive tendency is known by the specialty literature as composite research.

From an utility point of view, the accounting result is at the boundary of two disciplines: accountancy and taxation and it serves the interests of a large diversity of users, among the most important are the investors and the state institutions. There is a great level of difficulty in setting up the right balance between the two categories mainly because the accounting and fiscal regulations are continuously changing. In order that a capital market should evolve in a close connection with the economy, a dimension of the factors is to be determined, in this case we refer to the profit level that will reflect objectively the result of the activity of the enterprise from the point of view of the potential investors’ interest, without neglecting its utility for the taxing necessities of the state.

These details imply the necessity of a disconnection tendency between accountancy and taxation, which will be a change for the Romanian accounting system that will be achieved in time, at least from a practical point of view. From this point of view we intended to emphasise some risks that appear at this level, from the perspective of:

- creative accountancy (an expression of the disconnection between accountancy and taxation). The risks consist in some less ethical tendencies of artificially oversizing and undersizing the accounting and the tax profit according to certain objectives. It was considered that these risks can be controlled through a better activity of accounting reglementation;
taxation (an expression of connecting accountancy to taxation). The risks consist of some tendencies of artificial diminishing of the accounting and tax profit in order to achieve a tax economy towards the state institutions. This phenomenon is against potential investors’ interest that do not have the possibility of seeing the efficiency of the activity of an enterprise to its real dimension. The risks can be diminished through extraccounting determining of the size of the profit tax on the basis of the taxable profit determined on the taxing principles and regulations, with minimal influences on accountancy. We consider that regardless of the size of the profit tax due at the end of the financial period (superior or inferior), the accounting profit has to reflect the economical reality so that the investors can get some correct information.

Inflationary phenomenon which shows, even in the case of a reduced rate of inflation, the risk of calculating and paying the tax on some artificial fiscal profit with serious consequences for the enterprise decapitalization when the tax and dividends are paid.

The research method on which the study is based is the deductive one, starting from the fact that the theoretical aspects are initially presented, and afterwards the way of practically implementing them. We must focus, for disconnection, on the activity of large enterprises and less on the activity of middle size and small enterprises, (in the large enterprises it can be taken into consideration the disconnection between accountancy and taxation, some scepticism related to the accounting creativity or the determination of the dimension of the artificial profit, that comes more from inflation and less from the growing of the activity efficiency) because they represent a greater interest for a great number of investors since they are quoted on the capital market.

Accountancy may be sometimes a privileged information source for the fiscal authorities, in this case the majority of the fiscal obligations being established based on the accounting data. „Several attempts were made and are still made in order to establish an arrangement relation between accountancy and taxation to determine which one has a greater impact on the other. Taking into consideration the statements made by different Romanian such C. Istrate (2000) and foreign authors, the following situations can be identified:

- accountancy is influenced by taxation at different intervention levels;
- accountancy is independent of taxation (the two of them are disconnected);
- accountancy influences taxation.”

Looking back in time, the present-day state of the accounting-taxation ratio has been influenced in its development by a lot of factors and, starting from this point, there are many causes that explain the reason why countries have developed in time different variations of the accountancy – taxation relations. In order to explain the causes that lead to different situations of the national accounting practices and of the accounting-taxation ratio, these factors could be classified according to the following categories:
Results & discussions

Taking into account the things mentioned above, we can consider that the disconnection between accountancy and taxation is generally assimilated in those countries where:

- the political system is a liberal democratic one (associated with the capitalist economic system);
- the priority is that the third parties, the shareholders and the financial markets to be generally informed according to the reality, as a consequence of a predominant positive attitude towards business;
- the accounting system is based on the unwritten law. The accounting norm is the product of repeated and improved in time practice, unforced on anybody by the state institutions and therefore there is no question about it not being accepted by practice, the latter being the one that generates the norm;
- there is a tendency towards the financing by resorting to their own capital growth;
- the evolution of the accounting profession can be observed in the increasing of the members’ number, on the one hand, and on the other in the importance of its role in the accounting regulation process. This thing explains the priority on the normalization.

The connection between accountancy and taxation is generally specific to those countries where:

- the political system is an egalitarian – authoritative one (trends to co-exist with an economic central planned system), or to a little less extent with a liberal democratic one (associated with the economic capitalist system);
- the priority consists of the reports sent to the fiscal institution, which are excessively cautious, as a precaution for creditors. Accountancy thus seems to be more like a credit element between partners and a basis for tax estimation than as a information source for the financial market;
- the accounting system is based on the statute law. In these cases there can often appear rejection phenomena from practice side, the way in which the accounting balances are presented being influenced by taxation;
- there is a predilection towards the financing by recourse to the constant capitals growth (of debts).
The evolution of the accounting profession is not primarily characterized by the growth of the members’ number, on the one hand, and on the other by the increasing level of its involving in the accounting regulation process. The tendency is, in this situation, to normalize the accountancy by the state. The perspectives of the disconnection related to joining the European Union are promoted by the importance of a favourable regular report that depends on the taxation level, such as:

Conclusions

The conclusion is that a disconnection ratio between accountancy and taxation would be associated with a low level of taxation. The consequence is the decreasing of the country risk and at the same time a favourable Regular Report on Romania. As regarding the actual typology of the accounting-taxation ratio in Romania (connection) we consider that accounting information influenced by taxation is not very credible as regarding the possibility to ensure the faithful image and also the essential objective of accountancy.

Contextually the questions that can arise are: Wouldn’t an independency ratio between the two sciences be more appropriate? Is the idea of the accounting principles being influenced by the fiscal principle or the other way around justified, taking into account the fact that their essential objectives: the faithful image and the maximization of budgetary income can be affected? To what extent would accountancy and taxation carry out their objectives, independently from one another? And, finally, what is our opinion? Do we choose connection or disconnection?

We believe that the objectives of both sciences can be achieved, their principles being respected, but we cannot forget the fact that the information source for both of them is accountancy. Therefore the idea of total disconnection between accountancy and taxation is not completely achievable. But we can refer to an interaction relation between accountancy and taxation. The beneficiaries of the disconnection between accountancy and taxation would be first of all the investors and, second, the state itself. This hypothesis is provided by the following causality relation described in the next diagram:
Therefore the disconnection between accountancy and taxation creates the premises for a better apprising of the investors. The consequence of them disposing of real accounting information, would be the increasing of their trust in the information provided by the financial statements and the investment, as a disadvantage for saving. The increasing of the profits is assimilated to the increasing of investments and at the same time to the increasing of the budgetary receivings that refer generally to taxes and especially to profit tax, this thing leading to the state’s enrichment.

The perspectives of disconnection between accountancy and taxation reveal some disadvantages. Contextually the risks that the creative accountancy represents for an accountancy disconnected from taxation, were mentioned, they being materialized in some technics that have as a result:

- the real financial administration of the accounting result (increasing it);
- the increasing of its own capitals;
- the reducing of the debt rate.

The premises of using the accounting creativity technics in the disconnected accounting systems are ensured by:

- the determination of managers’ salaries taking into account the dimension of the accounting result. The consequences would be the adopting of the creative tricks that would lead to the increasing of the accounting result in order to increase their own benefits. On the other hand there is a tendency of increasing the losses for crisis periods in order to better emphasize the next possible profits.
- the high level of interpretability and inconsistency of laws;
- the pressure of certain users categories (especially investors);
- the evaluation of the immaterial investments is sometimes difficult

The creative account techniques with direct impact on the dimension of the accounting result are:
- the lease-back operations;
- selling-rebuying the investments titles;
- circular transactions with high price stocks;
- production assets without real utilization.

To conclude the matters discussed we can say that the accounting result can be influenced in the case of a taxation connected ratio (decreasing it). On the other hand, the accounting result is subject to an increasing risk due to the creative accountancy.

Under these circumstances, a question arises: Which risk is better to be assumed taking into account the dimension of the accounting result?

We believe that the accounting result should keep an equal distance towards the risk of taxation decreasing and the risk of accounting creativity increasing. True information would be provided this way both for the investors and the state’s institutions.

REFERENCES

Beltrame P. (1979), Les systèmes fiscaux, Presse Universitaire de France, Paris
Pop A., Berinde S. (2005), The European Union’s position on the international accounting regulations, Conferința „The impact of European integration on the national economy”, Ed. Risoprint, Cluj-Napoca