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Fiscal Cost Management: Means of Using Financial and Accounting Information

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Abstract

The connection between taxation and accounting created by the functionality of the financial and accounting information system of the economic entity can be studied using multiple approach possibilities, of which the most relevant are, in our opinion: the independent operation of taxation vs. accounting; the dependent operation of taxation vs. accounting. Fiscal cost management as means of using the financial and accounting information should expressly respond to the interests of the economic entity under the conditions imposed by the fiscal policies of the state. From a conceptual perspective, fiscal cost management fits within the category of the basic model of an open system, being in direct connection with the environment the economic entity is working in, thus being obtained the feedback, which is a requirement of essence for operation. Such alternative way of representing fiscal cost management within an open system allows the superior use of financial and accounting, and fiscal information while solving issues of an economic nature with a higher complexity degree.

Keywords

Fiscal cost, optimisation, management, accounting, result, fiscal decision, economic entity

JEL Codes: M41, H21, G32

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1. Introduction

The way Management has been defined by Parker (2019) as "the art of doing something along with other people" the same is applicable in a multitude of areas. *Fiscal cost management* may be deemed a derivative of the management of the economic entity generally, but is also associated with financial management as a result of the needs of such economic entity. By integrating *fiscal cost management* to the management strategy of an economic entity is obtained in fact an efficiency of the expenses associated with contributions, either those of employees, or the liabilities of a fiscal nature of such economic entity. Within a competitive market economy undergoing a continuous process of globalisation the management of any economic entity should keep in mind the paradigm according to which taxation is playing a fundamental role in creating an equitable society and in establishing a strong economy.

Fiscal cost management should expressly respond to the interests of the economic entity under the conditions imposed by the fiscal policies of the state. Within such context fiscal cost management, on the level of an economic entity, should draw its own management directions to follow the directions of the fiscal policies of the state, taking into account the following:

- both profit tax and income tax are significantly influencing upon investment increasing, and implicitly upon the economic growth of the economic entity;
- taxation rates are a major direction in analysing fiscal cost management, and are focused on the dimensioning of the fiscal basis such as financing sources, assets major investments are made in, etc.;
- the influencing of the actual marginal taxation rate by means of decisions impacting the increasing or decreasing of the same, with the creation of a fiscal treatment favourable to investments being possible by reducing the actual marginal taxation rate;
- the keeping under control of the labour cost under the conditions of keeping and hiring skilled and performing human resources, in which situation the fiscal burden associated with labour is calculated as the difference of the cost generated by the employee for the economic entity and the net salary of the same.

2. Literature review

One of the main informational interests met by accounting is the *fiscal* one. From this point of view there was also the issue of reconciling accounting and taxation. The permanent cause of such issue was generated by the fact that not in all cases the accounting principles are convergent up to congruence with the fiscal ones. Unlike the accounting rules, the fiscal rules are not subordinated to the showing of an accurate image of the transaction of the entity, and they are as a principle

intended for the stimulation or inhibition of certain activities (an example is the stimulation of investments by means of various fiscal levers such as, for example: accelerated depreciation, tax exemption for the reinvested profit, etc).

Stephano Marchese (chairman of the Work Group of the Federation of European Chartered Accountants) specifies that within the European Union there are three types of relations between accounting and taxation (CECCAR, 2015):

- 1) *independence or light dependence* (for example, Denmark and Netherlands);
- 2) *dependence of taxation on accounting* (in most of the countries, such as, for example, Austria, Belgium, Germany, France, Italy, Spain);
- 3) *dependence of accounting on taxation* (for example Greece).

By the 4th Directive of the European Union was established the interconnectivity between accounting law and fiscal law. This is achieved by the fiscal management of the enterprise. *The subject of fiscal management is the analysis of the distortions or deviations generated by the incompatibility between the fiscal rule and the accounting one, the convergence between the same, and also the determining, based on analysing the same, the strategy, the fiscal risk, and the fiscal efficiency of the enterprise* (Stoian, 2001). Currently it is possible to talk about the reconciliation between taxation and an IFRS-based accounting. Morariu *et al.* (2005) are saying that *the reconciliation between accounting and taxation can be achieved by a managing manner that would have for main goals both to provide fiscal security, which refers to the observance by the enterprise of the general fiscal prescriptions, and to provide fiscal efficiency by going towards a fiscal cost that is closely consistent with the strategy aimed by the enterprise*. From the positions taken by various Romanian and foreign authors the following possibilities can be identified (Tulvinschi, 2005): accounting is influenced by taxation; accounting is dependent on taxation; accounting influences taxation. In all such cases there is a unanimously accepted opinion that an enhanced interdependence exists between taxation and accounting. Feleagă *et al.*, (2002) feel that the independence of accounting from taxation can be represented by starting from two principles: the principle of the autonomy of accounting in relation to taxation, and the principle of determining the taxable result in an extra-accounting manner.

In the United Kingdom of Great Britain and Northern Ireland fiscal laws have little effect on the accounting methods. British companies may operate fiscal deductions authorised by the law without entering them to the accounting records. This leads to the accounting balance being different from the fiscal one. The accurate image, as a governing principle of Anglo-Saxon accounting, guarantees a certain freedom for the accounting professional in preparing the accounts. Accounting depreciations should be reintegrated in order to determine the fiscal result. Collette & Richard (2000) are saying that the net accounting result is being calculated without taking into account the influence of fiscal rules. The latter are only applied in order to determine the profit tax. As regards direct taxation, the *acquis communautaire* regarded especially the profit tax (for companies) and the capital tax. Tirard (2010) said that *during the implementing of the economic integration within the common market the economic, technological, and institutional barriers kept fading out, while the fiscal barriers did nothing but increase*. The harmonising of direct taxes within the European Union was aimed to:

- creating a common taxation system applicable to mergers, splits, transfers of assets, and exchanges of shares between companies belonging to the different member states of the European Union;
- creating a common taxation system for profits between affiliates and their parent company;
- creating a common taxation system applicable to the payment of interests and dividends between affiliated entities.

3. Methodology of research

We designed the scientific research by a methodological process so that the same can contribute in improving personal theoretical and practical knowledge, and also those of whoever is concerned with the area subject to research, namely the one of accounting and taxation focused on the possibilities to *optimise the fiscal cost*. We ensured the quality of the scientific research by creating our own research strategy based on a mix of methods, techniques, instruments adequate to the purpose of the research, which is to identify possibilities to *optimise the fiscal cost* within the context created by the interaction of the two large areas, the one of accounting and the one of taxation. Thus, we chose the research strategy that combines comparison, application, and the quality component. To ensure the success of this scientific approach we aimed to provide personal conclusions, considerations, and opinions, and, why not, empirical methods for optimising the fiscal cost for economic entities.

The elements of the scientific research I directed my whole scientific approach by were those highlighted by Howard & Sharp (1983), namely: (1) the research area; (2) the purpose of the scientific research; (3) the scientific research method; (4) the nature of the research.

4. Integrating Fiscal Cost Management to the Management System of the Economic Entity

From the conceptual perspective *fiscal cost management* fits within the category of the basic model of an open system as result of the fact that the same is in direct connection with the environment the economic entity is working in, thus being obtained the feedback, which is a requirement of essence for operation, with the architecture of the said system as shown in Figure 1:

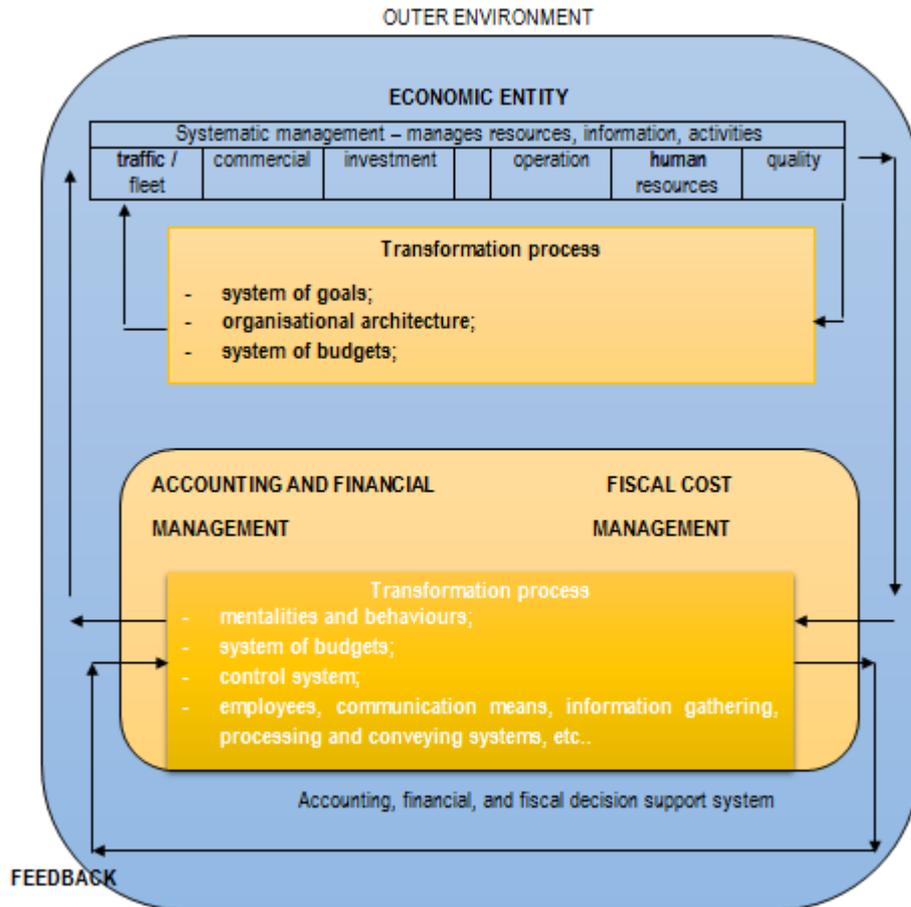


Figure 1. The fitting of fiscal management cost within an open system management model

Source: own conception

Such alternative way of representing *fiscal cost management* within an open system allows the superior use of financial and accounting and fiscal information while solving issues of an economic manner with a higher complexity degree. In our opinion fiscal cost management is also consistent with the open system model as it has a “dynamic behaviour which means that as time goes by [...] the variability we are measuring their state with varies significantly” (Alecsandru et al., 1998). Any management decision within the systemic management, such as the one of human resources, quality, commercial, investments, traffic, operation, is reflected into the economic and financial condition of the economic entity, the dimensioning area of expenses and income, the managing and recording of the financial resources by means of a complex transformation process formed of mentalities, behaviours, systems of budgets, control, informational system, etc..

Any decision of a financial, accounting, or fiscal nature implies the undertaking of risks by the decision-maker, for which reason we intend to answer the question: *How can we use the financial and accounting or fiscal information to obtain an optimisation of the fiscal cost?* To answer such question we are referring to the financial and accounting statements with emphasis on the profit and loss account, with an increased interest for the fiscal result, by using a full set of methods, techniques, assessments, and not least financial and fiscal calculations.

5. Using the Financial and Accounting and Fiscal Information by Means of Fiscal Cost Management, and Reflecting the Influence of the Same on the Profit and Loss Account of the Economic Entity

The using of the information of a financial and accounting and fiscal nature by applying a management of the fiscal cost is reflected into the profit and loss account of the economic entity, for which reason we intend to systematically show several

decisions of a fiscal nature and the influence of the same, from the economic and financial perspective, on the result of the economic activity. The importance of the fiscal decision, and implicitly of the applying of a fiscal cost management, was highlighted by using the SAGA accounting software, which is accessible for any professional involved with activities of an economic, financial, and fiscal nature being carried on within any economic entity, without implying a financial cost since the same is available for free online and is also a “solution that allows the computerisation of the accounting activity for small and medium-sized companies, accounting practices, or independent accountants.” (www.sagasoft.ro/saga-c.php, 2020). Moreover, the SAGA program we used for the purposes of this scientific research comes with a full set of advantages such as: it is quickly updated with the legislation changes and completions, can be accessed simultaneously by users by means of the network, reliability, quickness, interactivity, etc.

We used the fiscal decision by simulations on the profit and loss account of the economic entity for which we kept the same values of Total Expenses and Total Income, with the variables being the expenses that can be fit as fully deductible, partly deductible, or non-deductible. Within such context we created several practical cases, based on which we provided our personal opinions and considerations:

5.1. Calculation of the profit tax, gross profit, and net profit without the existence of non-deductible expenses

Total expenses: RON 5,940,361.71

Total Income: RON 8,404,593.69

Cont cheltuieli	Denumire	Rulaj	Suma nedeductibila	Suma impozabila
628.1	ALTE SERV EX DE TERTI NEDEDUCTIBILE	295.05	0.00	295.05
635	CHELT. CU ALTE IMPOZITE, TAXE SI VARSAMINTE A	7 421.00	0.00	7 421.00
641	CHELT. CU SALARIILE PERSONALULUI	1 252 459.00	0.00	1 252 459.00
6451	CHELT. PRIVIND CONTRIBUTIA UNITATII LA ASIGUR.	880.00	0.00	880.00
6458	ALTE CHELT. PRIVIND ASIGURARILE SI PROTECTIA	8 042.03	0.00	8 042.03
646	CHELT. CU CONTR. ASIGURATORIE DE MUNCA	28 179.00	0.00	28 179.00
6581	DESPAGUBIRI, AMENZI SI PENALITATI	1 517.00	0.00	1 517.00
Total:		5 940 361.71	0.00	5 940 361.71

Cont venituri	Denumire	Rulaj	Suma neimpozabila	Suma impozabila
704	VEN. DIN SERVICII PRESTATE	8 310 643.34	0.00	8 310 643.34
706	VEN. DIN REDEVENTE SI CHIRII	70 692.86	0.00	70 692.86
707	VEN. DIN VANZARI DE MARFURI	18 970.76	0.00	18 970.76
708	VEN. DIN ACTIVITATI DIVERSE	3 299.00	0.00	3 299.00
709	REDUCERI COMERCIALE ACORDATE	-2 453.80	0.00	-2 453.80
7583	VEN. DIN CEDAREA ACTIVELOR	3 000.00	0.00	3 000.00
7651	VEN. DIN DIFERENTE FAVORABILE DE CURS VALUT	35.59	0.00	35.59
Total:		8 404 593.69	0.00	8 404 593.69

Profit brut	2 464 231.98	Pierdere din anii / perioada prec.		Rezerva legala	
Profit impozabil	2 464 231.98	Impozit pe profit	394 277.12	Impozit pe profit contabilizat	272 534.00
Imp. profit reinvestit		Ch. cu sponsorizari deductibile	0.00	Impozit pe profit de înregistrat	121 743.00

Figure 2. Calculation of the profit tax, gross profit, and net profit without the existence of non-deductible expenses

Source: author's processing

Gross profit: RON 2,773,526.94

Taxable profit: RON 2,464,231.98

Profit tax: RON 394,277.12

Also, the economic entity had expenses for protocol amounting to RON 54,821.55, and for sponsorships amounting to RON 56,181.87.

Net profit: RON 2,069,954.86

Comment: In the case of the economic entity entering to its accounting records the expenses without deeming them non-deductible, with Total Expenses amounting to RON 5,940,361.71 and Total Income amounting to RON 8,404,593.69, the result is taxable profit amounting to RON 2,464,231.98 to which corresponds the profit tax amounting to RON 394,277.12 and the net profit amounting to RON 2,069,954.86. Under such conditions the economic entity has the possibility to enter expenses for protocol amounting to RON 54,821.55, and for sponsorships amounting to RON 56,181.87.

5.2. Calculation of the profit tax, gross profit, and net profit within the context of the influence of making the decision to reinvest the profit (without non-deductible expenses)

Total expenses: RON 5,940,361.71

Total income: RON 8,404,593.69

Inchidere luna

Decembrie 2019

Inchidere luna Impozit pe profit Declaratia 100 Declaratia 101 Declaratia 094/392 Calcul diferente de curs

Data de la care incepe calcularea impozitului pe profit: 01.01.2019 ...

Cont cheltuieli	Denumire	Rulaj	Suma nedeductibila	Suma impozabila
628.1	ALTE SERV EX DE TERTI NEDEDUCTIBILE	295.05	0.00	295.05
635	CHELT. CU ALTE IMPOZITE, TAXE SI VARSAMINTE A	7 421.00	0.00	7 421.00
641	CHELT. CU SALARIILE PERSONALULUI	1 252 459.00	0.00	1 252 459.00
6451	CHELT. PRIVIND CONTRIBUTIA UNITATII LA ASIGUR.	880.00	0.00	880.00
6458	ALTE CHELT. PRIVIND ASIGURARILE SI PROTECTIA	8 042.03	0.00	8 042.03
646	CHELT. CU CONTR. ASIGURATORIE DE MUNCA	28 179.00	0.00	28 179.00
6581	DESPAGUBIRI, AMENZI SI PENALITATI	1 517.00	0.00	1 517.00
Total:		5 940 361.71	0.00	5 940 361.71

Cont venituri	Denumire	Rulaj	Suma neimpozabila	Suma impozabila
704	VEN. DIN SERVICII PRESTATE	8 310 643.34	0.00	8 310 643.34
706	VEN. DIN REDEVENTE SI CHIRII	70 692.86	0.00	70 692.86
707	VEN. DIN VANZARI DE MARFURI	18 970.76	0.00	18 970.76
708	VEN. DIN ACTIVITATI DIVERSE	3 299.00	0.00	3 299.00
709	REDUCERI COMERCIALE ACORDATE	-2 453.80	0.00	-2 453.80
7583	VEN. DIN CEDAREA ACTIVEI	3 000.00	0.00	3 000.00
7651	VEN. DIN DIFERENTE FAVORABILE DE CURS VALUT	35.59	0.00	35.59
Total:		8 404 593.69	0.00	8 404 593.69

Profit brut: 2 464 231.98 Pierdere din anii / perioada prec.: Rezerva legala:

Profit impozabil: 2 464 231.98 Impozit pe profit: 394 277.12 Impozit pe profit contabilizat: 272 534.00

Imp. profit reinvestit: 2 000 000.00 Ch. cu sponsorizari deductibile: 0.00 Impozit pe profit de inregistrat: -272 534.00

Validez Registru... N.C... Devalidez Inesire

Figure 3. Calculation of the profit tax, gross profit, and net profit within the context of the influence of making the decision to reinvest the profit

Source: author's processing

Comment: The profit is only allowed to be reinvested "in technological equipment, electronic computers and peripheral equipment, cash desk, control, and invoicing machinery and devices, in computer programs, and also for the right to use computer programs, produced and/or purchased, including based on financial leasing agreements, and commissioned, used for the purpose of carrying on the economic activity" (Law no. 227/2015 regarding the Fiscal Code, updated, Title II, article 22) and is tax exempt.

The tax exemption for the situation where the decision is made to reinvest the profit for the investments as stated by the Fiscal Code, updated, is granted up to the limit of the profit tax owed for the relevant period.

Taxable profit: RON 2,464,231.98

Reinvested profit: RON 2,000,000

Taxable profit: RON 464,231.98

Related tax: RON 74,277.12

Net profit: RON 389,954.86

By comparing the results of the economic entity in the cases 1 and 2 it can be noticed that the liability of the same towards the state budget is reduced from RON 394,277.12 to RON 74,277.12, namely the economic entity has a payment liability lower by RON 300,000 than the one related to case 1.

Also, the decision to reinvest may determine in subsidiary, along with the increasing of the production/services and of the quality of the same, a reduction of labour expenses.

5.3. Calculation of the profit tax, gross profit, and net profit, with non-deductible expenses except for the expenses regarding fuels entered to the account 6022 “Expenses for fuels” and expenses regarding spare parts, entered to the account 6024 “Expenses for spare parts”, which are deductible with a limit of 50%.

Total expenses: RON 5,940,361.71

6022 “Expenses for fuels”**: RON 21,937.24

6024 “Expenses for spare parts”**: RON 1,143.78

Note**: the expenses are deductible with a limit of 50% = RON 48,745.90

6028 “Expenses for other consumable materials”: RON 109.28

604 “Expenses for materials not on stock”: RON 355.94

611 “Expenses for maintenance and repairs”: RON 3,650.16

613 “Expenses for insurance premiums”: RON 1,257.34

624 “Expenses for the transport of goods and personnel”: RON 55.59

625 “Expenses for travels, relocations, and transfers”: RON 292.67

628 “Other expenses for services provided by third parties”: RON 714.56

6458 “Other expenses for social insurances and protection”: RON 33.95

6581 “Compensations, fines, and penalties”: RON 1,517

6588 “Other expenses for operation”: RON 17,678.39

Total income: RON 8,404,593.69

The screenshot shows the 'Inchidere luna' software interface for December 2019. It displays the calculation of profit tax, gross profit, and net profit. The interface includes several tables and summary boxes.

Cont cheltuieli	Denumire	Rulaj	Suma nedeductibila	Suma impozabila
6588	ALTE CHELTUIELI DE EXPLOATARE	17 678.39	17 678.39	0.00
665	CHELT. DIN DIFERENTE DE CURS VALUTAR	28.79	0.00	28.79
6651	DIFERENTE NEFAVORABILE DE CURS VALUTAR	912.68	0.00	912.68
666	CHELT. PRIVIND DOBANZILE	2.05	0.00	2.05
6811	CHELT. DE EXPLOATARE CU AMORTIZAREA IMOBIL	79 363.83	0.00	79 363.83
691	CHELT. CU IMPOZITUL PE PROFIT	272 534.00	272 534.00	0.00
Total:		5 940 361.71	321 279.90	5 619 081.81

Cont venituri	Denumire	Rulaj	Suma neimpozabila	Suma impozabila
704	VEN. DIN SERVICII PRESTATE	8 310 643.34	0.00	8 310 643.34
706	VEN. DIN REDEVENTE SI CHIRII	70 692.86	0.00	70 692.86
707	VEN. DIN VANZARI DE MARFURI	18 970.76	0.00	18 970.76
708	VEN. DIN ACTIVITATI DIVERSE	3 299.00	0.00	3 299.00
709	REDUCERI COMERCIALE ACORDATE	-2 453.80	0.00	-2 453.80
7583	VEN. DIN CEDAREA ACTIVELOR	3 000.00	0.00	3 000.00
7651	VEN. DIN DIFERENTE FAVORABILE DE CURS VALUT	35.59	0.00	35.59
Total:		8 404 593.69	0.00	8 404 593.69

Profit brut	2 785 511.88	Pierdere din anii / perioada prec.		Rezerva legala	
Profit impozabil	2 785 511.88	Impozit pe profit	445 681.90	Impozit pe profit contabilizat	272 534.00
Imp. profit reinvestit	0.00	Ch. cu sponsorizari deductibile	0.00	Impozit pe profit de inregistrat	173 148.00

Figure 4. Calculation of the profit tax, gross profit, and net profit

Source: author's processing

Taxable profit: RON 2,785,511.88

Profit tax: RON 445,681.90

Net profit: RON 2,339,829.98

Comment: In the situation where a 50% limited deductibility is applied on the expenses entered to the accounts 6022 “Expenses for fuels” and 6024 “Expenses for spare parts” with a total amount of RON 48,745.90 the result is that the economic entity obtains a taxable profit amounting to RON 2,785,511.88, a profit tax amounting to RON 445,681.90, and a net profit amounting to RON 2,339,829.98, and by comparison with the case no. 1 we notice that the value of the profit tax has increased by RON 51,404.78, but the net profit sees a significant increase in relation to the tax to be paid additionally, thus the net profit is higher by RON 269,875.12.

5.4. Calculation of the profit tax, gross profit, and net profit in the situation where non-deductible expenses** were entered, except for the expenses entered to the accounts 6022 “Expenses for fuels” and 6024 “Expenses for spare parts” which are 100% deductible

Total expenses: RON 5,940,361.71

6022 “Expenses for fuels”: RON 298,225.84

6024 “Expenses for spare parts”: RON 149,445.34

*Note**:* the other expenses are with the values as shown for the case no. 3

Total income: RON 8,404,593.69

The screenshot displays the 'Inchidere luna' (Monthly Closing) window for December 2019. The interface is divided into several sections:

- Navigation:** Includes tabs for 'Inchidere luna', 'Impozit pe profit', 'Declaratia 100', 'Declaratia 101', 'Declaratia 094/392', and 'Calcul diferente de curs'. A date selector is set to '01.01.2019'.
- Expenses Table (Cheltuieli):**

Cont cheltuieli	Denumire	Rulaj	Suma nedeductibila	Suma impozabila
6022	CHELT. PRIVIND COMBUSTIBILUL	298 225.84	0.00	298 225.84
6024	CHELT. CU PIESELE DE SCHIMB	149 445.34	0.00	149 445.34
6028	CHELT.CU ALTE MAT.CONSUMABILE	1 980 867.52	109.28	1 980 758.24
603	CHELT. CU OBIECTE DE INVENTAR	34 809.40	0.00	34 809.40
604	CHELT. CU MAT.NESTOCATE	15 365.11	355.94	15 009.17
605	CHELT. CU ENERGIA SI APA	7 559.59	0.00	7 559.59
607	CHELT. PRIVIND MARFURILE	18 515.17	0.00	18 515.17
Total:		5 940 361.71	298 198.88	5 642 162.83
- Revenues Table (Venituri):**

Cont venituri	Denumire	Rulaj	Suma neimpozabila	Suma impozabila
704	VEN. DIN SERVICII PRESTATE	8 310 643.34	0.00	8 310 643.34
706	VEN. DIN REDEVENTE SI CHIRII	70 692.86	0.00	70 692.86
707	VEN. DIN VANZARI DE MARFURI	18 970.76	0.00	18 970.76
708	VEN. DIN ACTIVITATI DIVERSE	3 299.00	0.00	3 299.00
709	REDUCERI COMERCIALE ACORDATE	-2 453.80	0.00	-2 453.80
7583	VEN. DIN CEDAREA ACTIVELOR	3 000.00	0.00	3 000.00
7651	VEN. DIN DIFERENTE FAVORABILE DE CURS VALUT	35.59	0.00	35.59
Total:		8 404 593.69	0.00	8 404 593.69
- Summary Boxes:**
 - Cheltuieli pt. protocol:** Suma maxima deductibila: 54 821.55; Cheltuieli inregistrate: 4 311.45; Cheltuieli nedeductibile: [empty]
 - Suma maxima deductibila din impozit cu cheltuieli de sponsorizare:** 56 181.87
- Profit and Tax Summary:**

Profit brut	2 762 430.86	Pierdere din anii / perioada prec.	[empty]	Rezerva legala	[empty]
Profit impozabil	2 762 430.86	Impozit pe profit	441 988.94	Impozit pe profit contabilizat	272 534.00
Imp. profit reinvestit	0.00	Ch. cu sponsorizari deductibile	0.00	Impozit pe profit de inregistrat	169 455.00
- Buttons:** Validez, Registru..., N.C..., Devalidez, and Jesire.

Figure 5. Calculation of the profit tax, gross profit, and net profit in the situation where non-deductible expenses

Source: author's processing

The impact is RON 25,664.88

Taxable profit: RON 2,762,430.86

Profit tax: RON 441,988.94

Net profit: RON 2,320,441.92

Comment: In the case where the decision is made for all the expenses entered to the accounts 6022 “Expenses for fuels” and 6024 “Expenses for spare parts” amounting on aggregate to RON 447,671.18 to be deductible the profit tax is lower when compared to the case no. 4 by the amount of RON 3,692.96, while the net profit is lower by RON 19,388.06.

5.5. Calculation of the profit tax, the gross profit, and the net profit in the situation where all expense types are non-deductible

Total expenses: RON 5,940,361.71

6022 "Expenses for fuels": RON 298,225.84

6024 "Expenses for spare parts": RON 149,445.34

Total income: RON 8,404,593.69

The screenshot shows the 'Inchidere luna' software interface for December 2019. The main window displays the calculation of profit tax, gross profit, and net profit. The interface includes a table of expenses and revenues, and a summary of financial results.

Cont cheltuieli	Denumire	Rulaj	Suma nedeductibila	Suma impozabila
6022	CHELT. PRIVIND COMBUSTIBILUL	298 225.84	298 225.84	0.00
6024	CHELT. CU PIESELE DE SCHIMB	149 445.34	149 445.34	0.00
6028	CHELT.CU ALTE MAT.CONSUMABILE	1 980 867.52	109.28	1 980 758.24
603	CHELT. CU OBIECTE DE INVENTAR	34 809.40	0.00	34 809.40
604	CHELT. CU MAT.NESTOCATE	15 365.11	355.94	15 009.17
605	CHELT. CU ENERGIA SI APA	7 559.59	0.00	7 559.59
607	CHELT. PRIVIND MARFURILE	18 515.17	0.00	18 515.17
Total:		5 940 361.71	745 870.06	5 194 491.65

Cont venituri	Denumire	Rulaj	Suma neimpozabila	Suma impozabila
704	VEN. DIN SERVICII PRESTATE	8 310 643.34	0.00	8 310 643.34
706	VEN. DIN REDEVENTE SI CHIRII	70 692.86	0.00	70 692.86
707	VEN. DIN VANZARI DE MARFURI	18 970.76	0.00	18 970.76
708	VEN. DIN ACTIVITATI DIVERSE	3 299.00	0.00	3 299.00
709	REDUCERI COMERCIALE ACORDATE	-2 453.80	0.00	-2 453.80
7583	VEN. DIN CEDAREA ACTVELOR	3 000.00	0.00	3 000.00
7651	VEN. DIN DIFERENTE FAVORABILE DE CURS VALUT	35.59	0.00	35.59
Total:		8 404 593.69	0.00	8 404 593.69

Profit brut	3 210 102.04	Pierdere din anii / perioada prec.		Rezerva legala	
Profit impozabil	3 210 102.04	Impozit pe profit	513 616.33	Impozit pe profit contabilizat	272 534.00
Imp. profit reinvestit	0.00	Ch. cu sponsorizari deductibile	0.00	Impozit pe profit de înregistrat	241 082.00

Summary values on the right side of the interface:

- Suma maxima deductibila: 54 821.55
- Cheltuieli înregistrate: 4 311.45
- Cheltuieli nedeductibile: [Empty field]
- Suma maxima deductibila din impozit cu cheltuieli de sponsorizare: 56 181.87

Figure 6. Calculation of the profit tax, the gross profit, and the net profit in the situation where all expense types are non-deductible

Source: author's processing

Total non-deductible expenses: RON 473,336.06, with the remainder of the expenses having the values as shown for the case no. 3.

Taxable profit: RON 3,210,102.04

Profit tax: RON 513,616.33

Net profit: RON 2,696,485.71

Comment: By comparison with the elements taken into account for the case no. 3, except for the fact that here we deemed all the expenses fiscally non-deductible, all the elements resulting from the profit and loss account are sensibly higher than in the case where we considered a 50% limited deductibility for the expenses entered to the accounts 6022 "Expenses for fuels" and 6024 "Expenses for spare parts" amounting on aggregate to RON 48,745.90. Result: an increase to the taxable profit by the amount of RON 424,590.16, the increasing of the profit tax by the amount of RON 67,934.43, and the increasing of the net profit by the amount of RON 356,655.73.

5.6. Calculation of the profit tax, gross profit, and net profit in the situation where other operation expenses (account 6588) amounting to RON 17,678.39 are deductible as they were made for own interest by the director (travels, stays, purchases of goods and services required for the signing of an agreement for the interest of the economic entity).

The expenses are entered in the same way as those in case no. 3, and *other operation expenses* amounting to RON 17,678.39 resulting from the difference between the total non-deductible expenses amounting to RON 48,745.90 and RON 31,067.51 are non-deductible expenses.

The screenshot shows the 'Inchidere luna' software interface for December 2019. The main window displays the calculation of profit tax, gross profit, and net profit. The interface includes a menu bar with options like 'Inchidere luna', 'Impozit pe profit', 'Declaratia 100', 'Declaratia 101', 'Declaratia 094/392', and 'Calcul diferente de curs'. The date is set to 'Decembrie 2019'. The start date for profit calculation is '01.01.2019'. The main table shows expenses (Cont cheltuieli) and revenues (Cont venituri) with columns for 'Rulaj', 'Suma nedeductibila', and 'Suma impozabila'. The total expense is 5,940,361.71, with 303,601.51 non-deductible and 5,636,760.20 deductible. The total revenue is 8,404,593.69. The profit before tax is 2,767,833.49. The profit tax is 442,853.36. The net profit is 2,324,980.13. The interface also shows a summary of profit tax and net profit at the bottom.

Cont cheltuieli	Denumire	Rulaj	Suma nedeductibila	Suma impozabila
6451	CHELT. PRIVIND CONTRIBUTIA UNITATII LA ASIGUR.	880.00	0.00	880.00
6458	ALTE CHELT. PRIVIND ASIGURARILE SI PROTECTIA	8 042.03	33.95	8 008.08
646	CHELT. CU CONTR. ASIGURATORIE DE MUNCA	28 179.00	0.00	28 179.00
6581	DESPAGUBIRI, AMENZI SI PENALITATI	1 517.00	1 517.00	0.00
6583	CHELT. ACTIVELE CEDATE SI ALTE OPERATIUNI DE	20 141.93	0.00	20 141.93
6588	ALTE CHELTUIELI DE EXPLOATARE	17 678.39	0.00	17 678.39
665	CHELT. DIN DIFERENTE DE CURS VALUTAR	28.79	0.00	28.79
Total:		5 940 361.71	303 601.51	5 636 760.20

Cont venituri	Denumire	Rulaj	Suma neimpozabila	Suma impozabila
704	VEN. DIN SERVICII PRESTATE	8 310 643.34	0.00	8 310 643.34
706	VEN. DIN REDEVENTE SI CHIRII	70 692.86	0.00	70 692.86
707	VEN. DIN VANZARI DE MARFURI	18 970.76	0.00	18 970.76
708	VEN. DIN ACTIVITATI DIVERSE	3 299.00	0.00	3 299.00
709	REDUCERI COMERCIALE ACORDATE	-2 453.80	0.00	-2 453.80
7583	VEN. DIN CEDAREA ACTIVEI	3 000.00	0.00	3 000.00
7651	VEN. DIN DIFERENTE FAVORABILE DE CURS VALUT	35.59	0.00	35.59
Total:		8 404 593.69	0.00	8 404 593.69

Profit brut: 2 767 833.49
 Profit impozabil: 2 767 833.49
 Imp. profit reinvestit: 0.00
 Pierdere din anii / perioada prec.:
 Rezerva legala:
 Impozit pe profit: 442 853.36
 Impozit pe profit contabilizat: 272 534.00
 Ch. cu sponsorizari deductibile: 0.00
 Impozit pe profit de inregistrat: 170 319.00

Figure 7. Calculation of the profit tax, gross profit, and net profit in the situation where *other operation expenses*

Source: author's processing

Gross profit: RON 2,767,833.49

Taxable profit: RON 2,767,833.49

Profit tax: RON 442,853.36

Net profit: RON 2,324,980.13

Advantage for the economic entity: RON 2,828.54

Comment: In the situation where the financial and fiscal decision is to grant deductibility for the expenses made for own interest by the director such as those for travels, stays, purchases of goods and services required for the signing of an agreement for the interest of the economic entity, we are simulating on the values in case no. 3 and entering to the account 6588 "Other operation expenses" the amount of RON 17,678.39 as a deductible expense, and the amount of RON 31,067.51 as non-deductible expenses. Within such context the economic entity has to pay a profit tax lower than in case no. 3, namely amounting to RON 2,828.54.

6. Conclusions

The connection between, but also the independence of, accounting vs. taxation are showing most strongly in the calculations for the taxable result, the profit tax, and the net result, thus being highlighted the difference between the accounting result calculated before taxation and the fiscal result calculated as taxable profit or fiscal loss for the financial year, which is an element of essence when determining the volume of the taxes due. *Fiscal cost management* is directly connected with the culture the economic entity has to observe its fiscal liabilities.

The use of information of a financial, accounting, and fiscal nature by applying fiscal cost management is reflected in the profit and loss account of the economic entity, and the results of the empirical cases are facilitating the systematic presentation of several possibilities when making decisions of a fiscal nature that influence the economic and financial

perspective of the economic entity. Such use of the fiscal decision was done by means of simulations on the profit and loss account of the economic entity for which the same value of the Total Expenses and of the Total Income was kept, with the variables being the expenses that may fit as fully deductible, partly deductible, or non-deductible.

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