

CONNECTION, INTERCONNECTION AND DISCONNECTION BETWEEN ACCOUNTING AND FISCALITY

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ABSTRACT

As a result of the occurrence of phenomena and processes of economic nature at the level of the economic entity and their recording in the accounting records, a series of connection, disconnection or interconnection relations are created in accounting. The connection report is created between accounting and taxation through the items recorded in the accounting records and presented in the annual financial statements, especially those items through which direct and indirect taxes are recorded, or VAT is registered. Furthermore, between these two fields of study at a global level, interconnection and disconnection relations are created, all of which has been put to good use in this chapter, but also throughout the whole research. Interconnection is usually the most visible between the elements of income taxes in accounting operations, and disconnection of accounting from taxation is usually made visible when making settlements.

KEYWORDS: *accounting, tax, connection, interconnection, disconnection, conciliation.*

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1. INTRODUCTION

The economic globalization, its excessive dynamics and the powerful need for financial, accounting and fiscal information have led to the international legal normalization of distinct legal fields of accounting and taxation through accounting law and tax law. The independence of the two types of law, allowed accounting law to provide accounting with its own accounting rules for valuing, recognizing and presenting items in the annual financial statements; while tax law supports the identification and implementation of all possibilities for financing the economy through tax deductions, generating controllable currency flows.

The autonomy of the accounting law, as well as of the fiscal law, have determined at national level their distinct regulation, so that:

- in accounting the main regulations are *Law 82/1991 - Accounting (republished) with subsequent amendments* ¹ and *Order 1.802 / 2014 on the presentation of the annual financial statements with subsequent amendments* ²;

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- in taxation, the basic legal regulation is the *Law 227/2015 - the new Fiscal Code* with its subsequent amendments, and its implementation was achieved by the application rules issued by the responsible public authority, MFP, and the legislation related to the two legislative pillars: accounting and taxation³.

Over time, practice has demonstrated, as we also present during this study, that there are convergence points between fiscal law and accounting law, but there are also areas of divergence that often make it difficult for managers of reporting entities to select an efficient financial decision, according to the economic circumstances associated with the fiscal ones, analyzing the risks to which the entity is exposed, the degree of materialization and their consequences.

The tax can be defined as a mandatory tax imposed by law to the legal and physical persons without offering it a consideration and at the same time it is unreserved, paid by the taxpayer to the responsible public administrations and to the state budget, in order to ensure the useful sources of income in meeting the needs of public interest, in consolidating and developing the national economy.

According to the provisions of point 341, *OMFP no. 1802/2014*⁴, the tax accounting approach is acknowledged from the perspective of the settlements made with the state budget and the special contribution funds, and also from the perspective of the accounting - taxation relation, achieved through a series of linking elements, such as: tax profit, the income tax, VAT, income tax of salary and salary equivalents, taxes, fees, subsidies to be received (if applicable) and other assimilated payments.

2. ADDRESSING THE *PROFIT / INCOME TAX* IN THE ACCOUNTING AND TAX PLAN

2.1. Profit tax through IAS / IFRS regulated through OMFP no. 1802/2014

IAS 12 "Income Tax" describes the accounting treatment for income taxes and seeks to clarify the accounting treatment of "*current and future tax consequences*"⁵ for the recognition in the financial statements of the amount of the asset (liability) to be recovered in the future, but also other transactions and economic events realized in the current period and recognized in the annual financial statements.

The Standard applies to all foreign and domestic taxes related to the taxable profits and not only to them but also to the withheld taxes paid by the associate or subsidiary entities of the reporting entity.

¹ Law no. 82/1991 republished and updated - of accounting, Official Gazette no. Part I, no. 454 of 18 June 2008

² Order no. 1.802 of December 29, 2014 "*for the approval of the Accounting Regulations regarding the individual annual financial statements and the consolidated annual financial statements*", MO nr. 963 of December 30, 2014

³ *Legea 227/2015 - Noul Cod Fiscal*, Publicată în Monitorul Oficial nr. 688 din 10 septembrie 2015

⁴ Ordinul nr. 1.802 din 29 decembrie 2014 "*pentru aprobarea Reglementărilor contabile privind situațiile financiare anuale individuale și situațiile financiare anuale consolidate*", MO nr. 963 din 30 decembrie 2014

⁵ IFRS, Partea A, *Cadrul general conceptual și dispoziții*, Editura CEECAR, București, 2015, pg. 845

Although, the Standard does not contain provisions on the treatment of government grants and tax credits dedicated to investment activities, nevertheless it deals with the temporary differences. More accurately, the temporary difference is the result of the difference between a liability presented in the financial position of the reporting entity and the tax base of that liability, in which temporary differences take two forms: taxable and deductible.

Taxable temporary differences have an effect on taxable profit or tax loss for the next financial year in which the debt has been received while the deductible temporary differences refer to the deductible differences resulting from the determination of taxable profit or tax loss in the financial year in which the liability was recovered. The Standard also defines and clarifies the terms used in the computation of corporate income tax and more than shows the ways of recognizing debts and receivables, the treatment of tax losses and unused tax receivables, items recognized in or out of profit or loss etc. The main terms used in the calculation of the income tax are as follows:

- *accounting profit* represents the profit or loss relevant to a financial year before the deduction of tax expense;
- *taxable profit or tax loss* is the profit or loss attributable to a tax period, "on the basis of which (it) is (recoverable) profit tax";
- *tax expense (tax income)* reflects the aggregate amount of current tax or deferred tax included in the calculation of profit or loss in the course of a financial year, coinciding with the tax year;
- *current tax* is the payable or recoverable amount of corporation tax related to the taxable profit or tax loss of a financial year in a tax year;
- *deferred tax liabilities* refer to the amount of the corporation tax to be paid in future financial years as a result of the treatment of temporary differences in tax;
- *deferred tax assets* refer to the corporation tax to be recovered in future years from deductible temporary differences, reporting of unused tax /losses;
- *temporary differences* are the result of the difference between the carrying amount of the asset (the liability) included in the statement of financial position and the related tax base;
- *the tax base* of an asset or liability is the value associated with that asset or liability to meet tax purposes.

The tax base of an asset is the deductible amount of the taxable economic benefit actually incurred when the asset is recovered. If the economic benefits are not subject to taxation it results that the tax base of the asset is in fact the book/ accounting value.

The tax base of a liability is determined by the difference between its carrying amount and the deductible amount of the liability in the accounting period of the following financial year.

Recognition of current income tax liabilities (receivables) is made as follows: recognizing as debt of the current tax liability and the one for past periods is made within the limit of the unpaid amount, and the economic benefit resulting from a tax loss relocated for the purpose of recovering the tax from a previous period is recognized as a claim.

Recognition of deferred income tax liabilities (receivables) is made through temporary differences that are subject to taxation so that for all temporary differences a single liability is recognized excluding the circumstances in which the liability was a consequence of the recognition of goodwill or recognition of combinations of economic entities.

Recognition of a deferred tax asset is made when it is estimated that a taxable profit will be available in the future with the use of unused tax losses and tax credits.

Recognition of debts, timing of collection and their nature in terms of their deductibility / non-deductibility highlights the fact that there is a direct connection between accounting and taxation in a relationship of interdependence created by the moment of debt recognition and the timing of receipts conditioned by the applied accounting treatment corresponding to its deductibility / non-deductibility.

The main expenses related to the tax / income tax are structured as follows: current tax expense; current tax revenue; adjustments recognized in the current year for previous periods; deferred tax expense for resuming temporary differences; deferred tax income to resume temporary differences; benefits resulting from tax losses related to previous years; deferred tax expense; expenses or income generated by changes in accounting policies.

According to the accounting regulations promoted through OMFP no. 1.802 / 2014, corporation/profit tax and payable income tax are recognized as debt up to the limit of unpaid debt. At the same time, the taxes, which are paid in advance, are clearly highlighted in accounting, on the account of debts and expenses.

Payments to the state budget that are not shown as debt should be created as provisions. They are created for reserves resulted following the application of tax incentives but also for contingencies that may have consequences of generating or accumulating tax-related liabilities. Please note that provisions can only be deducted from expenses related to the purpose for which they were established and should be valued only before determining the tax on profit.

Accounting result / Profit before tax = Total Income - Total Expenses

In the calculation of the accounting result, all benefits are considered, regardless of their sources of origin, namely financial, commercial, operating, etc., with the indication that the revenues from leasing contracts or payment in installments are taken into account at the specified maturity dates in contracts.

The total costs to be taken into account when determining the accounting result are the operating, financial, extraordinary operating expenses incurred by the entity within a financial year, which are usually the same as those used for the calculation of the taxable income, except for specific deductible expenses, the latter being deducted from the tax result.

Income tax is calculated as the product of Taxable Profit and Tax Rate, and if from the Gross Result of the financial year we deduct Income tax we will have the Profit or Loss highlighted in the final balance of the 121 account " Profit and loss". If the entity records profit, it is subject to taxation in accordance with the tax provisions in force, stating that the bookkeeping of deductible expenses is kept on a monthly basis on a non-accounting basis, while the taxable profit is calculated monthly and accumulates over a financial year.

2.2. Tax regulations. Calculation of tax result

The approach of *Profit Tax fiscally* is achieved by the separate provisions provided by *Law 227/2015 - The New Fiscal Code* and its incidence legislation, which explicitly sets out the categories of taxpayers, scope, rules and tax rates.

In accordance with the Fiscal Code, those who are obligated to the calculation of the fiscal result and the profit tax, are Romanian and foreign legal entities, the latter having its permanent headquarters in Romania and foreign legal persons who earn income. Exceptions to the calculation of the tax result are religious cults, accredited / authorized private education institutions, owners' associations with legal personality, trade unions, non-profit organizations.

Currently in Romania, the fiscal year coincides with the calendar year and the financial year, and the tax rate is usually 16%. For activities in bars, casinos, nightclubs, discos, the Tax Code regulates separately the way of calculating the Tax Profit.

The Tax Code sets out distinct general and fiscal rules for the calculation of the fiscal result, the definition of which is "*as a difference between the income and expense accrued under the applicable accounting regulations, less the taxable incomes and tax deductions, plus non-deductible expenses*"¹. In addition, when calculating the tax result we take into account the elements assimilated to tax revenues, expenses and losses as set out in the implementing rules of the Fiscal Code.

The tax result is calculated either quarterly or annually, and its positive value is the taxable profit, while the negative value of the tax result is the tax loss.

*Article 19, point (3)*² states that the way of correcting the accounting errors when calculating the tax result. Thus, the treatment of errors is regulated on the basis of the accounting rules under account 117 "*Retained earnings*" by adjusting it and drawing up the corrective statement according to tax provisions. If error correction is made to account 121 "*Profit or loss*", these are taken into account in the fiscal year in which the error correction is made at the time of calculating the tax result. Also, when calculating the tax result, it is intended to recognize the outputs of inventories as established by the accounting regulations.

The tax outcome is treated differently for categories of taxpayers performing international service activities and transactions between affiliated persons.

Taxpayers are required to record in the *Tax Ledger* all taxable income and expenses related to the economic activity of the reporting entity within a fiscal year.

For the purpose of calculating the tax result, the events and transactions related to the research and development are regulated separately by granting tax incentives aiming at consolidating and developing the innovation activity and research - development, so that the eligible expenditures related to the activity in question are 50% additional deductibles, and

¹ Măndoiu, N., Title II" *Profit Tax* ", "*Comparative Tax Code* ", Con Fisc Publishing House, Bucharest, 2015, pag. 36

² Măndoiu, N., Title II" *Profit Tax* ", "*Comparative Tax Code* ", Con Fisc Publishing House, Bucharest, 2015, pag. 36

if the reporting entity makes a tax loss, it is recovered from the taxable profits obtained in the next seven consecutive fiscal years. Also, in research and development, accelerated depreciation is allowed for all equipment used in the activity. It is worth mentioning that the tax incentives are granted separately to each implemented project but, if the objectives of the project are not met, tax incentives are not granted and deductions are not recalculated. In this context, the tax loss calculation relationship is presented as follows:

Fiscal result = Accounting result – Fiscal deductions + Non-deductible fiscal items

Given that the subject of the thesis revolves around the reporting entity, we present the following tax provisions applicable to taxpayers applying IFRSs. In this context, the main tax rules derive from the tax treatment of the:

- amounts corrected on the basis of the retained earnings arising from the inflation index update shall be made taking into account the following:
 - ✓ the amounts resulting from the update of the relevant inflation index for land and fixed assets are shown in a separate account on the account credit 117 "*Retained earnings*" and treated as reserves;
 - ✓ if the amounts referred to in the above paragraph are not retained in the credit of account 117 "*Retained earnings*", then they are taxed as follows: tax deducted at the time of use; amounts subsequently deducted on account of tax depreciation or expense related to the disposal or assets cession are taxed in parallel with the deduction of tax depreciation at the time of disposal of fixed assets and land;
 - ✓ the amounts resulting from the update of the asset inflation index excluding the fixed asset inflation index updates and recorded in the credit of account 117 "*Retained earnings*" are not assimilated to income;
 - ✓ the amounts recorded in the debit of account 117 "*Retained earnings*" from the update of the liability inflation index excluding the amount related to the update of the fixed assets depreciation index, are not assimilated to expenses;
- the accounting treatment applied to amounts resulting from other adjustments except for those against which the inflation index occurred, recorded in account 117 "*Retained earnings*" is carried out as follows:
 - ✓ the amounts resulting from the cancellation of expenses to which deductions have been applied are amounts assimilated to income;
 - ✓ items of income nature are treated as income except for dividends, equity investments, recoveries and reversals of expenses, revaluation gains, etc.;
 - ✓ expenditure items are assimilated to expenses only if they are tax deductible (expenses related to the conduct of business, taxes, contributions and dues, wage and salary costs, limited deductibility expenses);
 - ✓ the amounts resulting from cancellation of non-deductible expenses are not assimilated to income;
 - ✓ the amounts resulting from the cancellation of non-taxable income are not assimilated to expenses;
 - ✓ amounts arising from the restatement of provisions and which are non-deductible expenses are not elements of revenue.

The Fiscal Code explicitly regulates the tax exemptions applicable to reinvested profits, technical and computer equipment, machinery, etc., which are used for the purpose of carrying out the activity of the economic entity and obtaining economic benefits. The reinvested earnings are shown in the balance of account 121 "*Profit and loss*" representing the accounting profit for which the tax exemption is granted within the profit margin due for the reported period.

If the taxpayer has to pay the profit tax for each quarter within a fiscal year, investments are made for the previous quarters, then the gross profit is reduced by the previously invested profit for which the facility was applied.

There are no incidents of profit tax exemption for a number of situations, of which the most relevant are those of the nature of equipment, software, machines, etc.; participants in obtaining the economic benefits transferred during the reorganization, alienated in case of bankruptcy or liquidation, destroyed, lost, stolen, whose treatment is performed according to the specific legal provisions.

In accordance with the tax provisions, the income tax is recognized and paid for each of the first three quarters of the fiscal year until the 25th of the month following the quarter for which the income tax return is compiled, and for the fourth quarter the declaration shall be submitted no later than 25 March of the fiscal year for which the declaration in question was made. Exceptions to this tax procedure are the economic entities that are dissolved by liquidation for the period of the first day of the fiscal year following the one in which the liquidation procedure was initiated.

2.3. Income Tax - Accounting Dimension vs. the fiscal dimension

OMFP no. 1.802 / 2014 regulates the treatment of the income tax highlighting its manifestation in the settlements of the economic entity reporting to the state budget whose recognition as a debt is made within the limit of the unpaid amount, highlighted in the accounting of the entity, on account of the expenses in the analytical accounts.

As a peculiarity of income taxes, we pay attention to taxes on salary incomes whose value is obtained by summing up all taxes and individual contributions regulated by the specific tax provisions.

The record of settlement with the two budget categories (state and local) of the income tax is kept with the account 441 "*Profit / Income Tax*", which is a liability account in the credit of which are registered amounts due by the entity for taxes on income and amounts from corrections for previous financial years carried over through retained earnings, while in debit are recorded the amounts related to the taxes on income transferred to the state budget and the local budgets, or amounts prescribed or canceled in accordance with the legal provisions in force. Thus, if the balance of the account is debtor it results that additional amounts have been paid for income taxes, and if the account balance is creditor, it reflects the amounts owed by the entity for income taxes.

Another account with which the income tax is kept is Account 444 "*Income tax of salary nature*" through which are reflected the taxes due to the state budget related to the salary and similar income. This account is passive in its credit it records the taxes deducted from the employees' incomes, taxes related to the payments made to the employee, and in the

debit of the account are recorded the amounts related to the taxes on the salary and assimilated rights and last but not least the taxes related to the salaries canceled according to with the legislation in force, stating that the balance of the account represents amounts from the withheld taxes on the salary and assimilated income, which must be transferred to the state budget.

In accounting, we also use account 446 "*Other taxes and similar payments*", in addition to which the income tax is also recorded with the state budget or local budgets related to excises, dividend taxes and other taxes. The account in question is a passive account which registers in its credit the value of other taxes and similar payments due to the state or local budget and the tax on dividends payable, while the debit records payments made to the state or local budget on other taxes and similar payments, other taxes, fees and dues assimilated, prescribed, exempt or canceled in accordance with the legal provisions in force, and the balance of this account represents the amounts owed to the state budget or local budgets.

Fiscal dimension of income tax

From a tax perspective, income tax is structured on the following directions:

- | | | |
|------------|---|--|
| Income tax | } | <ul style="list-style-type: none"> - microenterprises; - obtained from Romania by non-residents; - obtained from independent activities; - derived from salaries and assimilated salaries; - resulting from the disposal of the use of the goods; - from investments; - agricultural, fisheries and forestry activities; - gambling and prizes; - from other sources. |
|------------|---|--|

The tax on the income of microenterprises is regulated by Law 227/2015 on the Fiscal Code modified and amended by Ordinance no. 3/2017 which has the effect of stimulating the development and setting up of microenterprises, encouraging innovation, research, activating domestic capital, attracting investment, reducing unemployment by creating new paid jobs, all of which contribute to sustainable economic growth.

Furthermore, the Ordinance in question pursued: the development of the field of construction in order to encourage housing acquisitions, as well as the limitation of labor migration; ensuring equity in terms of waiving the health and social security thresholds; obtaining a stable employment relationship for seasonal workers with an individual employment contract and their loyalty, which is why the income tax exemption was used. By Ordinance 3/2017, the Turnover ceiling increased to 500,000 euros from 100,000 euros in 2016, the income tax for micro-enterprises being calculated as follows:

- without employees, the micro enterprise tax is 3% of the Turnover;
- at least one employee, the micro-enterprise tax is 1% of the Turnover.

2.4. The fiscal impact on the economic entity from the perspective of executive and managerial inactivity

Through the practical case presented below we would like to highlight the fiscal influence on the result of an economic entity of penalties for non-payment of the obligations within the term of payment and the limitation period, as well as the connection between accounting and taxation.

A. Describing the circumstances in which the economic operation took place

Company β has entered into an access contract on the transport infrastructure of another company for which it pays monthly the consideration for the services calculated on the basis of the agreed fee. In 2012 with the occasion of an internal economic and financial control, the analysis of the account balance 411 "Clients" identifies invoices that were not collected in by company β , older than 3 years, the company was not calculating late payment penalties and not taking further steps in order to collect the invoices relating to the benefits. On that occasion, the remedial measure of the control bodies was formulated for the purpose of calculating the late payment penalties for all the services performed and not received within the terms of payment assumed by the contract.

The access agreement between the two companies α and β is concluded for 12 months starting with 01.01 of each calendar year. The exception was made in 2009, when the contract was concluded on May 28, and for the period January - May, the invoices for benefits were recognized by the β company. It is worth mentioning that the duration of the contract is set as a period of validity in 2009, which would induce the idea that the contract might also produce retrospective effect, which contradicts the legal provisions.

B. Entities' actions taken to recover the value of a penalty invoice

In order to implement the remedial action taken by the control bodies, company α calculated late payment penalties for all outstanding payments three years ago, including for the period January - May 2009, issuing a single penalty invoice in the total amount of 52.806.814 lei.

Through the legal assistance structure, company β was summoned to conciliation for the amount of 52,806,814 lei representing equivalent penalties for late payment according to the tax invoice, in which case company β does not recognize the penalties invoiced considering that they are undue amounts, as the invoice was issued including the period January - May 2009, when no contract was signed between the parties and was subsequently signed only on May 28, 2009. At the same time, we mention that the fiscal invoice amounting to 52,806,814 lei represents delayed penalties related to the infrastructure use fee and was issued globally for several principal debit invoices which were paid by company β through partial payments by compensation orders.

Moreover, the economic sector calls for a point of view on the structure of legal assistance relating to the establishment and recovery of the invoiced amount and to the reality and the soundness of the penalty invoice, for which it receives an opinion in the sense that *„the late payment penalties become applicable throughout the contractual relationship, so that by issuing the invoice the company β owes the amount provided in the invoice representing penalties for delay and in case of non-payment by any means of*

payment (actual payment, compensation, etc.) it is for the company α to bring an action in court to recover the amount in question”.

As a result of the legal opinion above, the economic sector vested the legal assistance structure to initiate the recovery of the penalty invoice by court order. Along with this approach, there is a large managerial change at the level of the legal structure, and the concept of the case in question is totally different from the way it was previously managed, which is why it does not carry out the recovery efforts due to the fact that for January - May 2009 there is no legal basis for calculating the penalties for non-payment but for calculating the legal interest rate. Because penalties have been initiated late, the limitation period of 3 years has elapsed since the creation of the debit.

C. The liability for the deficiency described above belongs only to the employees of company α for the following reasons:

- employees from the economic sector of the company α , who calculated default penalties for a period when there was no legal basis for calculating and invoicing them, and no contract was concluded between the two companies between January and May 2009;
- legal sector employees who drafted the text of art. 34 of the contract on access to railway infrastructure with violation of the legal provisions regarding the principles underlying the conclusion of contracts where the duration of the contract sets the year 2009, although the respective contract was concluded on 28 May; employees who gave their opinion without legal support and who had to communicate to the accounting department within the 5-day procedural period the answer to the request for delayed invoicing;
- the employees involved in the annual inventory of the accounts and, last but not least, in charge of following the contract;
- economic management that did not act in time for the recovery of the legal sums and the signatories of the financial statements.

D. Proposals to mitigate the impact on the entity

As more than three years have elapsed since the invoice was issued and so far no recovery has been made of its value from company β , all responsibility lies with the employees of the company α . Thus, it can be observed that in the financial year in which the invoice was issued, a corporation tax was linked to the invoice amount in the amount of 8.449.000 lei, as it can be seen in the summary in the table below.

Table 1.

Profit impozabil/Pierdere fiscală, de recuperat în anii următori (rd.35 + rd.36 + rd.37 - rd.38 - rd.39)	40	52.806.814
Total impozit pe profit (rd.41.1 + rd.41.2), din care:	41	8.440.090
Impozit aferent profitului ce se impune cu cota de 16%	41.1	8.440.090
Impozit de 5% aplicat veniturilor din activități de natura barurilor de noapte, cluburilor de noapte, discotecilor sau cazinourilor	41.2	
Total credit fiscal (rd.42.1 + rd.42.2 + rd.42.3)	42	0
Credit fiscal extern	42.1	
Impozit pe profit scutit, din care:	42.2	
Impozit pe profitul scutit, potrivit art.22 din Codul fiscal	42.2.1	
Scutiri și reduceri de impozit pe profit calculate potrivit legislației în vigoare	42.3	
Impozit pe profit înalinta de scăderea sumelor reprezentând sponsorizare și/sau mecenat și burse private (rd. 43 - rd. 42) >=0	43	8.440.090
Suma reprezentând sponsorizare și/sau mecenat, burse private, în limita prevăzută de lege, din care:	44	
- din anul curent	44.1	
- raportate din perioada precedentă	44.2	
Impozit pe profit anual (rd. 43 - rd. 44) >=0	45	8.440.090
Impozit pe profit stabilit în urma inspecției fiscale pentru anul fiscal de raportare și care se regăsește în indicatorii din formular	46	
Impozit pe profit declarat pentru anul de raportare prin formularul 100 / Impozit reținut la sursă în anul de raportare	47	
Diferența de impozit pe profit datorat (rd.45 - rd.46 - rd.47)>=0	48	8.440.090

Because, in the absence of service contracts, default penalties cannot be calculated in case of non-payment, there is an alternative to calculating the statutory interest, but this is not mandatory. Currently, the invoice can only be canceled with ANAF's approval because more than 5 years have elapsed since the issuance, leaving only the amount for the January-May 2009 period to be calculated according to the table below.

Table 2. Extracting from the tax invoice the amount of the legal interest reversal

No. crt	Company name	Invoice	Data	Value	Penalty miscalculated January-May 2009
1	α	1628	09,01,2009	59,087,070	1,980,222
2		1482	12,02,2009	59,087,070	3,156,061
3		1356	28,02,2009	1,709,184	84,674
4		1378	12,03,2009	59,087,070	3,446,320
5		1505	04,04,2009	59,087,070	4,183,779
6		1547	24,04,2009	2,036,038	139,469
7		1309	08,05,2009	59,087,070	4,459,686
Total period January-May 2009					17,450,210
Total unpaid penalty calculation					35,356,605
Total general invoice 2009					52,806,815

Initial accounting treatment:

411.1 "Clients"	=	7581 "Income from damages, fines, penalties"	52.806.814
411.8 "Clients uncertain or in dispute"	=	411.1 "Clients"	52.806.814
6814 "Operating Expenses on Impairment of Current Assets"	=	491 "Adjustments for impairment of receivables - clients"	52.806.814
491 "Adjustments for impairment of receivables - clients"	=	7814 "Income from adjustments for depreciation of current assets"	52.806.814

Reversal of value for legal interest or passage on company costs

a) Storno miscalculated penalties:

411.8 "Clients uncertain or in dispute"	=	7581 "Income from damages, fines, penalties"	(-) 17.450.210
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b) Passing on penalties miscalculated:

654 "Losses from receivables and various debtors"	=	411.8 "Clients uncertain or in dispute"	17.450.210
411.8 "Clients uncertain or in dispute"	=	117 "Reported result"	17.450.210

Correct record of the amount to be recovered:

411.1 "Clients"	=	7581 "Income from damages, fines, penalties"	35.356.604
411.8 "Clients uncertain or in dispute"	=	411.1 "Clients"	35.356.604
6814 "Operating Expenses on Impairment of Current Assets"	=	491 "Adjustments for impairment of receivables - clients"	35.356.604**

Note: Creating a provision for the amount for which a criminal file will be drawn, as in legal terms the prescription period has been fulfilled.

Depending on the resolution obtained as a result of the criminal complaint, we have the following possibilities and the following accounting operations:

a) Cancellation of a provision in the event of an unfavorable judgment to the company α , thus the change in the costs of the economic entity for which the accounting treatment is:

491 "Adjustments for impairment of receivables - clients"	=	7814 "Income from adjustments for depreciation of current assets"	35.356.604
654 "Losses from receivables and various debtors"	=	411.8 "Clients uncertain or in dispute"	35.356.604
121 "Profit and loss"	=	654 "Losses from receivables and various debtors"	35.356.604

Note: We should remember that if the sentence will be unfavorable to company α , it is no longer possible to recover the amount of the corporate income tax paid in 2011 as the limitation period of the tax receivables is 5.

b) Debt recovery and provision for cancellation in the case of a company α favorable sentence, for which the accounting treatment is:

491 " Adjustments for impairment of receivables - clients "	=	7814 " Income from adjustments for depreciation of current assets "	35.356.604
%	=	451.1 " Internal settlements within the group "	0
411.8 " Clients uncertain or in dispute "			(-) 35.356.604
461 " Different debtors "			35.356.604

Flow rate debit recovery

5121 " Accounts with banks in lei "	=	461 " Different debtors "	35.356.604
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Preliminary conclusions:

The failure of the employees to fulfill their responsibilities and duties, or their misconduct, generated a number of shortcomings of both economic nature and of a fiscal nature:

- in 2011, a profit tax was paid in the amount of RON 8,449,000 resulting from an unpaid income in the next six years;
- the impossibility of recovering the sums corresponding to the penalties calculated for outstanding debts within the contractual terms in the sum of 35.356.605 lei;
- litigation between the company α and its employees as a result of the damage falling within their responsibility ;
- the major risk of non-collection of the amount of 35,356,605 lei as a result of obtaining an order for the dismissal of the case.

General Conclusions:

- From the practical application presented, it is noted that between accounting and taxation is a complementary relationship although these as study disciplines are independent, but as a subject of practical analysis and interpretation the two areas of accounting and taxation are complementary.
- In order to better manage the economic resources available to the economic entity and implicitly the efficient use of its budgetary resources on the one hand and on the other hand to support the state budget through taxation we consider that it is necessary to develop the accounting and fiscal system, in both the connection and the disconnection relationship, thus ensuring both the taxpayers and the management of the entity that it acts in the direction of simplifying and democratizing institutions, maintaining the criteria of proportionality and subsidiarity, and last but not least introducing control over the degree of performance and economy of budget execution.

3. CONCLUSIONS

Harmonization and convergence of accounting with European legislation contributes to the construction of an accounting system that responds to the most significant areas of interest in providing financial and accounting information to meet the needs of all categories of users, while fiscal instability does not allow a realistic forecast through to which the decision-making process makes use of economic information provided by an information base created by the complementarity of accounting with taxation in order to reduce or eliminate the risks associated with insolvency and bankruptcy.

The manner of recognizing debts by the time of collection and their nature in terms of deductibility, highlights the fact that there is a direct connection between the accounting and the tax/fiscal system, resulting from a relationship of interdependence created between the moment of recognizing the debt and the moment of its collection conditioned by the corresponding accounting treatment applied to its deductibility / non-deductibility.

The accounting interference is observed throughout the application of the accounting treatment for the profit tax calculation in which there are identified divergences in the nature of the current and future tax consequences for the recognition in the financial statements of the value of the asset items to be recovered in the future, but also other transactions and economic events achieved in the current period and recognized in the annual financial statements.

The connection between taxation and accounting is highlighted by the accounting treatments applicable for the purposes of determining the tax treatment of benefits, taxes and duties, VAT contributions etc.

The disconnection of taxation from accounting is revealed by the suppression of the connection between them in terms of the result of the economic activity and its treatment. Thus, although taxation is integrated into accounting, the latter is the principal supplier of financial, accounting, economic or fiscal information used exclusively for fiscal purposes, the disconnection occurring when the result of the activity of a reporting economic entity is established, the company having a different presentation for obtaining the accounting result and the fiscal result, assuming the application of different economic and managerial treatments.

The relationship between accounting and taxation is in a direct connection generated by the influence of VAT, which is accounted for when the economic entity registers its economic activity, economic phenomena associated with settling with suppliers and customers, this is when VAT is taxed differently from payment, recoverable, deductible, collected, non-refundable VAT, but each time impacting on the exercise and implicitly on the financial performance of the economic entity. VAT is part of the indirect taxes category and is the largest share of the revenues from the state budget. Thus, the connection between accounting and taxation takes place in the course of the economic phenomena related to the delivery of goods, the provision of services, import / export of goods and services, the transfer of immovable property between taxpayers (physical and / or legal persons) through VAT accounting.

From the accounting treatments applied to the accounting records of the settlements with the employees, we consider that the accounting - taxation report in this situation as well as

that of the settlements with social insurance and social protection is realized as an interconnection report, revealed from the connection of multiple phenomena created in the area of direct taxes and the area of compulsory contributions established by the Fiscal Code and the incidental legislation, respectively the contributions related to the salaries determined both by the employee and by the employer.

The disconnection between accounting and taxation is generated by the incompatibility between the accounting rule and the tax rule, the latter being respected without departing from the objectives of the entity's general accounts and financial statements, that of presenting a clear, real and complete picture of the patrimony of the reporting entity, respectively the financial position including the results / economic performance.

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