

## ***Accounting and Fiscal Aspects Regarding Contributions and Fees according to EU's Directives***

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***Abstract:*** Based on the efforts of the EU incorporation put by Republic of Moldova, the development of the tax legislation and policy in Moldova within the EU standards was agreed in The Partnership and Cooperation Agreement and in The Actions Plan regarding the European Neighbor Policy. The general approach manner is giving the attention to the instauration of a positive business environment (including the development of a modern tax administration with an equitable intent), that appeals the disposal of all types of obstacles from accountancy's way. This positive medium refers also to the establishment, the investment and, eventually, to the alignment of the national tax procedures and norms to the ones adopted commonly in European Union. This modernization and transformation process offers coherent benefits to the business environment and to the contributors from Moldova, either on short term or on long term.

***Keywords:*** Tax Code, contributions, taxes, The Agreement of the Fathom and Ample Free Exchange

### **Introduction**

Accountancy and taxation treaded under the connection spectrum has been representing an extremely researched area with multiple bonds and numerous future directions of examination and interpretation. The complexity of the researched area supervenes not only as a result of interdisciplinarity, but also of the active implications within the economical life.

Regarding the taxation, we circumscribe under its influence spectrum, only the aspects that strictly refer to the influence that taxation can have over the financial accounting and not to the other general items of taxation. A confinement would sight out the best of the accounting terminology of contribution, fees and their influence over accountancy, associated with fiscal legislation.

Approaching the following connected items – accounting harmonization, fiscal harmonization, comparison, faithful image, caution and others, the research becomes more and more complex, where its good refinement assumes a careful examination.

Accounting harmonization implies the movement of a national accountant representative to an international one, while the fiscal harmonization sights out the elimination of differences and inconsistencies that exist between fiscal systems of several jurisdictions. If the elimination is not possible, then a process called compatibility appears between these differences and inconsistencies.

### **1. Associated Research Directions: Accounting and Fiscal Domains**

The contribution role on economic and social plan gathers away through the state's instauration and perception and determines a significant redistribution of the gross internal product. In the neoteric financial practice, an accession of the economic contributions role appears, these contributions being used as an arm of the economic politics through the way in which they are institutionalized and perceived. In the same time, they can be displayed as brake or stimulation instruments of some activities, domains and zones, or of some products consumption.

As a result of accomplishing the retrievable clusters' taxonomy within the accounting's fiscal research, the following research areas have been identified:

- Costs reference associated with the contribution within financial situations;
- Contribution influence over the financial reference and conformity level;

- Comparative international studies, that approaches distinct contribution bases and consequences of the respective decisional processes;
- Implicit economic consequences;
- Relationship between accountancy and taxation;
- Implications of fiscal regulations;
- Organization and the management of fiscal practices;
- Planning and the fiscal compliance;
- Fiscal education;
- Fiscal influence over the corporative or individual behavior.

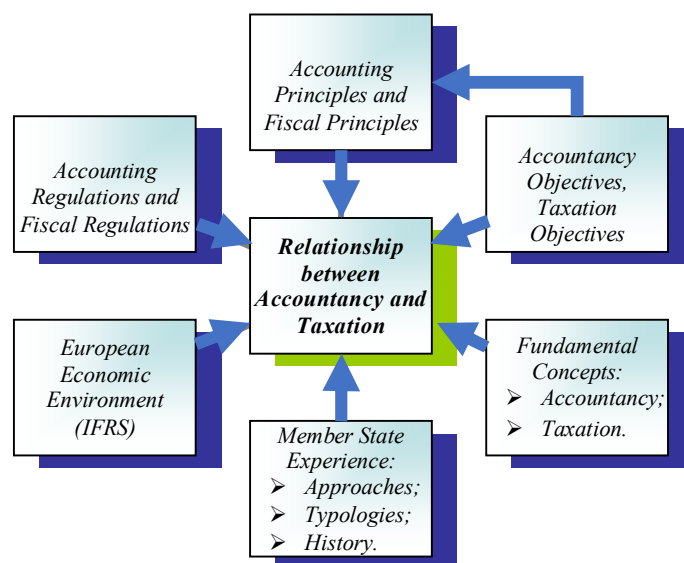
## **2. Deep and Comprehensive Free Trade Area (DCFTA) Provisions according to Republic of Moldova's Accountancy and Taxation**

The connection between accountancy and taxation has as main attributes, not only complexity, but also dynamism. As complex it is, as inevitable it becomes in some economic environments. Due to this connection, the introduction of International Financial Reporting Standards (IFRS) in Europe generated a whole set of accounting standard that needs to be analyzed not only by national fiscal authorities but also by other institutions.

In the process of approaching this connection, the following aspects need to be mentioned: fiscal and accounting regulations; fiscal and accounting fundamental concepts; European economic environment under IFRS influence; accounting principles, fiscal principles; accountancy objectives and taxation objectives; relationship between accountancy and taxation as for the experiences of the member states (approaches, typologies, and history). Therefore, Figure 1 suggests in this manner a reference frame for an integrated approach of the relationship between accountancy and taxation [1, 46-47].

According to the Republic of Moldova's Tax Code, there are some general contribution and fees perceived and collected by the state, as well as local contributions and fees. The main general contributions are the taxation on income, VAT, excises, taxation on privatisation, rate of duty and road tax. The local contributions and fees system includes: taxation on movable properties, taxation on natural resources, taxation for country planning, taxation of auctions and lotteries' organization in the administrative-territorial branch, taxation for the right of using local symbolism, taxation for commercial branches and/or services supplies for social purposes, market taxation, accommodation taxation, balneary taxation, taxation for automotive services supplies on public routes, taxation for automobiles parking, taxation from the dog owners and taxation for village settlement of the customs zone (that own passing customs offices of the customs house) [6].

Concerning the 52<sup>nd</sup> Article of the "Deep and Comprehensive Free Trade Area" (DCFTA) the parties admit and take responsibility to follow out the governor's principles within the fiscal domain, namely, the transparency principle, of information exchange and of loyal competition, where at the member states of EU adhered to. In this way, without interfering with EU's competencies, the parties develop the international cooperation within the fiscal domain, facilitate the legal fiscal incomes getting in and elaborate measurements regarding the efficient implementation of the previously mentioned principles [7].



**Figure no. 1 Connection between Accountancy and Taxation**

Through the State Main Fiscal Inspectorate (SMFI) letter no 26-12/1-17-431/1415 from 21.02.2014, addressed to the Ministry of Finance, the draft act of modifying and augmenting the fiscal legislation regarding the 2015's fiscal politics, in order to facilitate the fiscal administration, has been handed over. During the year, the following decisions have been approved:

- Government's Decision no 461 from 16<sup>th</sup> June 2014, that sights out the alternation and the adjunction of the Government's Decision no 294 from 17<sup>th</sup> March 1998 regarding some aspects that refer to the primary documents with special regime [3];
- Government's Decision no 697 from 22<sup>nd</sup> August 2014 for approving the Regulation of retaining the income taxation form the salary and from other fees made by the owner in the employee's behalf, as well as from the paid fees in the physical people' advantage that do not practice entrepreneur activities for the supplies services and/or development implementation (Official Monitor no 256 – 260/745 from 29<sup>th</sup> August 2014) [4];
- SMFI Decision no 152 from 13<sup>th</sup> February 2014 “Regarding the adoption of the standard form of the income taxation Computation of the people who practice professional activities of attorney or executor and regarding the adjunction way of the given Computation” (CNOTAR 14);
- SMFI Decision no 995 from 7<sup>th</sup> July 2014 regarding the way of approving the series and the number scope for implementing the forms of primary documents with special regime on paper without other signs of protection but the bill, the fiscal bill and its annexes;
- SMFI Decision no 1170 from 1<sup>st</sup> August 2014 regarding the resident approbation and the income taxation paid by the non-residents of Republic of Moldova;
- SMFI Decision no 562 from the 4<sup>th</sup> April 2014 “Regarding the adoption of Regulation over the automatized informational system of creation and circulation of the bills and fiscal and electronic bills – Bill”;
- Government's Decision no 304 form 29<sup>th</sup> of April 2014 “In order to change the Regulation of VAT reimbursement” (5).

*The Chapter 36* of the Actions Plan of the European Neighbourhood Policy (AP ENP) EU – Moldova approaches the development and the implementation of the Republic of Moldova's fiscal system and its institution, based on the European and international standard. Especially, regarding the direct contribution, AP ENP provides:

- ◆ Adoption and conformation of the EU Code of Conduct principles regarding the Business Contribution, due to the fact that Moldova approaches the internal market;
- ◆ Completion, if needed, of a bilateral approval series between Republic of Moldova and EU's Member States over the avoidance of double assertion. These commitments are attenuated, in every case, by qualificative phrases. Thus, the adoption and the conformation with the EU Code of Conduct

principles regarding the Business Contribution are bounded by Moldova which is getting closer of the EU's internal market. The denotation of this phrase is not clear, apart from the fact that it is not an immediate request. A reasonable interpretation could be that this might be an expectance in the context of a more advanced boundless interchange agreement with EU.

*The Article 53* of the Cooperation and Partnership Agreement (CPA), which approaches the cooperation in the promotion and protection domain of investment and includes specific purposes of (1) creating favourable terms for attracting foreign investors in the Republic of Moldova's economy and (2) closure, if needed, of the agreements between EU's State Members and Republic of Moldova over the avoidance of double assertion. Some provisions are the basis of the AP ENP requests regarding the development of Republic of Moldova's fiscal administration and the closure of the bilateral Double Assertion Agreement (DAA) series between Republic of Moldova and the EU's State Members [7].

*The Article 54.* The parties develop and consolidate the cooperation that follows the improvement and the development of the Republic of Moldova's fiscal regime and administration, including the consolidation of the control and collection capacities, highlighting the fact that the drawback procedures of the Value Added Tax (VAT), in order to avoid arrears accumulation, for assuring the efficient acquisition of the contribution and to enhance the combating fraud and the tax evasion. The parties are at pains in order to enhance the cooperation and the experience exchanges in combating fraud, especially the roundabout fraud [7].

### **3. Harmonization of Accounting and Fiscal Legislations**

In the context of legislation and fiscal politics harmonization in Moldova, it is important to mark out that this is a complex process on medium term, which implies politics harmonization, accurate harmonization/ transposition of the relevant laws (if their actualization is the right one), creating and offering resources (through new organizations or via other methods) of the necessary institutional structures. Also, it implies the implementation following and the credible and verified execution, from the objectives perspectives. Therefore, the simple elaboration of the laws in UE style for Moldova (laws "transposition" or "harmonization") is a very illiberal concept that does not realize the wanted advantages or the commitment implementations, which refer to the legislation harmonization in a particular domain. From this analysis, the following facts are clear:

- In the context of efforts made by Moldova to a better integration, the legislation and fiscal systems harmonization is very important. This follows two stages – the elimination of all barriers from the marketing way, creating, investigating, and, eventually, harmonizing all rules and national fiscal procedures with the ones adopted by EU. This stages represent a progressive development of a modern and impartial fiscal administration. This particular logic sustains the Republic of Moldova's commitments in the fiscal domain regarding EU;

- Based on actual research, it is clear that the general contribution levels from Moldova (at a 34% level of GDP) are not, in particular, high, but also not low accordingly to the international standards. Moldova's contribution at a 17% level of GDP does not represent a fiscal liability, especially, heavy, in compliance with the international standards. Moreover, the highest interest on the natural people income (18%) is under the international standards of a 30% medium interest, and the juridical people income (nowadays, at 0 interest) is, in particular, attractive in relation to the international mediums. The VAT interest of 20% is a little bit higher than the international one, and the contributions applied to the Moldova's labor market, at a 22% level, are only a drop higher than the international medium percentage;

- The Moldova's fiscal administration reform realized, up until now, a specific important progress, but there are still significant challenges left for the following years;

- While Moldova has a coherent and reasonable fiscal system, and the base for the direct and indirect contribution is compatible with EU' target. The subsequently progress, based on the target and from the main 182 problems solution over the present commitments towards EU has been clogged due to limited political desire and lack of responsibilities for these commitments on behalf of Finance Ministry. The agenda continues with the EU approximation regarding the legislation and the fiscal politics that remain important for the Moldova's economy, the local investors and the business environment. While the plenary development of the fiscal administration meets the modern standard, it

would need some time and forward efforts (including international assertion), some points, as an example, VAT reimbursement, may be realized fast enough. Furthermore, some fiscal problems of EU are planned for a late stage of the EU integration process;

➤ In terms of EU's legislation, while it has some power for producing laws and unify the indirect contribution system, as for the direct contribution, the rights of organizing fiscal system, picking rates, using of remissions etc. are given, in general, to the exclusive national sovereignty and to the member state laws of EU;

➤ The most important law at EU level, in relation to the direct contribution has been elaborated through different significant decision in the European Court of Justice's jurisprudence, which refers to the interpretation of the "four liberties" of the European Community Treaty;

➤ The harmonization process of the legislation and the fiscal politics within non-EU countries must be based on the main legal and institutional principles regarding the candidate countries for the EU member quality, due to the fact that these determine compared analysis relevant for an advanced stage of the EU integration process;

➤ The base requests for the harmonization of the non-EU countries have been initially defined in terms of creating compatible VAT and excises systems and in terms of developing fiscal administrations to the promptness of effective participation in administrative cooperation and activities of offering reciprocal assistance regarding the solution of problems connected with customs tax evasion through collecting and information exchange.

The approximation of the EU's Acquis most delicate details in the fiscal domain (including harmonization of the minimum interests of the indirect and main direct contributions from Directives) is, in general, left for the last stages of the integration process. The detailed development of the modern fiscal administrations (based on the elaboration process of fiscal plan), and, afterwards, the establishment of the VAT and excises minimum interests in EU, have proved out to be the most challenging aspects of the integration process within EU concerning its Acquis of the politics and the fiscal legislation [2].

According to Chapter 3 "The Right of the Commercial Societies, Accountancy and Audit and Corporate Governance", it has been planned that in the 4<sup>th</sup> trimester of 2016, The Finance Minister to elaborate the following laws:

- The law regarding audit activity, as for the Directive provisions 2006/43/EC of the European Parliament and Council from 17<sup>th</sup> May 2006 in terms of the annual and consolidated accounts' legal audit;

- The accountancy law, as for the Directive provisions 2013/34/UE of the European Parliament and Council from 26<sup>th</sup> June 2013 in terms of the annual and consolidated financial situations and the connected reports of some enterprises types.

The new laws will have as purpose the introduction of some international standards relevant at national level and a gradual approach between Republic of Moldova and EU's norms in the accountancy and audit domain.

In the same time, according to the Chapter 8 "Taxation", it has been planned that in the 4<sup>th</sup> trimester of 2015 and 2016, the Finance Minister and the Main State Fiscal Inspectorate to elaborate changes in the fiscal legislation, regarding the international cooperation improvement in the fiscal domain, the easing of the legal fiscal income's collection and the elaboration of measurements concerning the previously mentioned principles' implementation.

The mentioned institutions will have the following objectives:

- The proposals elaboration associated with the fiscal legislation modification and adjunction, concerning the procedures' efficiency of fiscal administration, for excluding the barriers that block the ease of collecting contributions and fees;

- The elaboration and the approval of the Development Plan of the State Fiscal Service for 2016 – 2020, accordingly to the best international practice;

- The revision and the elaboration of the collaboration agreements with the EU's member states in terms of information exchange concerning the heritage and incomes, not only of the resident contributors, but also of the non-resident ones;
- The simplification of the emancipation mechanism regarding the resident certificates and the sums of the obtained incomes in Republic of Moldova and paid contributions;
- The elaboration of a fiscal conformation risks asset based on the obtained data from the Customs Service;
- The legislation change towards the investment in the State Fiscal Service with the investigation attributes and the prosecution;
- The unification and the increment of the State Fiscal Service's independence;
- The improvement of the mechanisms and the software instruments towards a fast track down of the tax frauds and the controls planning based on risk assessment;
- The elaboration and the implementation of the automatic international system "The Management of Cases", that will contain the 1<sup>st</sup> modules, "The VAT Reimbursement", "The Fiscal Control", "Contestations" and "Legal Assistance";
- The harmonization of the legal cadre and the reimbursement terms, regulated by the Fiscal Code, at the EU's utilized space norms (according to annex 6 from the Association Agreement), regarding the reduction of the late effect at the VAT reimbursement execution;
- The change and the adjunction of the Fiscal Code no 1163-XIII from 24<sup>th</sup> April 1997;
- The change and the adjunction of the Law no 1417-XIII from 17<sup>th</sup> December 1997 for the implementation of the 3<sup>rd</sup> title of the fiscal Code;
- The change and the adjunction of the Law no 1054-XIV from 16<sup>th</sup> June 2000 for the implementation of the 4<sup>th</sup> title of the fiscal Code;
- The progressive harmonization of the excises interest at the tobacco products, provided in the Fiscal Code no 1163-XIII from 24<sup>th</sup> April 1997, with the structure and the excises rates applied to the worked tobacco, towards Directive 2011/64/UE of the Council from 21<sup>st</sup> June 2011.

### **Conclusions**

***In conclusion***, the closure of the Association agreement with European Union implies the change of national fiscal legislation, aspect that brings supplementary costs of implementation and implies a bigger effort not only from the state, but also from the business.

Based on the analysis and the evaluation of the legislation harmonization process from Republic of Moldova in the politics and fiscal legislation domain, the opinion is that the subsequently efforts from the following years need to rely, in particular, on the following principles: budgetary establishment; recognition of the business environment's requirements (particularly, the fiscal establishment and anticipation); indemnification that the Republic of Moldova's fiscal system remains competitive in terms of direct assertion level; legislation closure concerning the indirect assertion in order to include the adequate EU norms that refer to the current stage of the Moldova's integration process in EU and the efficient and effective performance of the indirect contribution systems; abidance and acceleration of the fiscal administration modernization from Moldova; international cooperation – abidance of the elaboration process of afterwards DAA and creating new agreements for assistance offered by the international and bilateral donors in the strategic reforms domain of the Republic of Moldova's fiscal system.

Finally, we conclude that between accountancy and taxation should exist only neutral reports, the accounting information cleared by the accountancy to not be fiscally contaminated. This accounting information must be effective for everyone interested, including the state. Due to this fact, the discrepancies can be solved without accountancy by keeping separated a record in fiscal purpose and that can be exploited in the entity's financial reports.

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