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THE FUTURE OF THE CORRELATION BETWEEN TAXATION AND ACCOUNTING IN THE ERA OF GLOBALIZATION

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Abstract *Accounting-taxation correlation can outline - for the next period - by the regulation framework. From this point of view is well known that for accounting exists and is functional an international regulatory framework. International Accounting Standards represents professional obligatory standards and generally applicable to all countries that have adopted them. Taxation remains instead, even under the conditions of globalization and regionalization processes, in the national space.*

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1. Introduction

Member countries of the European Union have in the list of powers drafting their own tax system taking account of Community legislation on indirect taxes. Decision making factor concerning the accounting and tax rules is paramount. For accounting is shaping up more and more of a decision-making role of professional bodies in drawing up the rules.

Taxation will be further regulated by public power authorities. Unfortunately the civil society has only an observer role in the elaboration and implementation of fiscal rules. The most important differentiation between taxation and accounting concernes the background and it does not appear to be altered in the era of globalization: accounting is a part of the regulatory system while private taxation is part of the normative public system, being applicable to its own rules, lack of regulations imported from systems to which they belong.

From the above it follows different dynamics for taxation and accounting in the era of globalization. "Engines" of these dynamics are the authorities that regulate and their references. Vision unit failure will linger between taxation and accounting. They appeared at different moments of time, have developed their own after a cycle and each will have different mechanisms of evolution in the age of globalization.

2. Correlation of accounting-taxation

One of the directions in which can manifest correlation accounting-taxation is that of mutual adjustments of its own courses and interconnection works. Can take place at enterprise level in the era of globalization, an adaptation of the accounting cycle in fiscal management needs.

The first stage of the accounting cycle is the referral, ranking and registering in the monetary expression of data relating to an entity's assets. The entity in question is subject of tax law: has registered and paid the taxes and fees shall be entitled to claims against consolidated public budget. One of the accounting tasks is to provide, after appropriate processing, a series of information in accordance with the needs of various users. Tax authorities are privileged users of the financial statements, as identified in this capacity through normative acts. They have no longer, however, the quality of the main user of accounting information.

Basically, the way it takes to collect the data and to provide information by the accounting is the accounting cycle. It is, therefore, all the successive stages of processing accounting data in order to obtain the information necessary for a given user. In the course of the accounting cycle are done processing and sorting of general interest, as well as the management of tax information.

Accounting cycle steps are:

a) the economic operations identification from documents and theit accounting analysis, in order to prepare appropriate accounting items;

b) chronological record in the Journal of Accountancy register of the articles from the review of accounting operations; chronological order of recording transactions is equally important in taxation as in accounting;

c) systematization of synthetic and analytical accounts (if any) in the ledger, of the initial situation and the changes sustained, according to the accounting records of journal articles, as well as the processing of such data; tax accounts, with original balances, changes, and the final balance is part of the accounting firm;

(d) the accuracy of the verification processing by issuing periodic checking balance based on the data of the big book and the balance of the previous verification; checking the processing required by the taxation is effected also with instruments of manage–ment and accounting;

e) patrimony inventorying and Inventory-Register preparation at the end of the year; for some taxes and fees the list of inventory is the base for taxable mass;

f) registration in accounting the settlement operations in order to put together the script (from accounts) with the factual situation, ascertained through the inventory and recorded in the inventory;

g) to browse other prior works to the preparation of the financial statements, namely: determining the outcome accountant, tax, the result of corporation tax and the registration of the latter as well as the allocation of net profit or loss carryover, as appropriate, the accounts of assets and liabilities, the balance of the final verification preparation; this stage is a jumble between accounting and processing of the tax;

h) data systematization of the final check in the form of information in the annual accounts;

i) harnessing information form annual financial statements.

The system of automatic data processing is increa–singly a key element for the processing of information from both the accounting and fiscal management. Such a common tool increases the interference of the two disciplines.

An important aspect of the correlation between the taxation and accounting in the era of globalization is the economic reference of each of the disciplines. The information in the accounting firms helps many macro-economic analysis but the micro-economy is the area where accounting has the most connections. Without understanding the value creation processes and management within the enterprise, the accounts cannot meet any of its goals.

Taxation should start from the ability of the entities to contribute to the public budget. With all the pressures of the business environment in fiscal strategy in most cases starts from macroeconomic correlations. To the extent that there is a possibility of a permissive tax targeting, liberal governments are willing to adopt measures that take into account the interests of the companies. Such a practice will not likely be the majority. The main reference of taxation will still remain the macroeconomy. From this, in different economic zones, the dynamics of taxation and accounting will likely have different speeds.

3. Models of analytical accounts organization according to the tax requirements

Tax rules impose some rules on the organisation of the analytical accounts.

Rule number one is *separate registration tax costs for each tax and fee*. In accordance with this rule enterprises will have a synthetic or analytic account for each tax or fee basis. Even if more taxes are paid to the same public authority, or even the same treasury account firms are required to record the obligation in question separately.

Rule two is *the obligation to manage the taxation of each fiscal period of payment for tax liabilities.* Payment deadlines will be distinct for each tax and fee in part. May also include management systems which cumulates all taxes at a certain time to pay but with highlighting of each tax in part. Aggregation on time limits is especially useful for each Treasury management firms. The profit tax payment deadlines with negative value (tax on profits paid in addition) are irrelevant for tax purposes: either to be deducted in a specific order of payment amounts.

Rule three requires that *in the case of taxes and levies with withholding to be managed separately the contributions for each subject of taxation*. As a rule it's about taxes and taxes withheld from the gross salary. In such cases, the tax administration is at the level of the employee. So, fiscal management connection with the procedures for calculation of costs is made at the job level (j-costing).

The fourth rule requires that *elements for the calculation of taxes and levies to be easily identified*. These items can be identified by the analytical accounts, transactions, special reports, or other filters specific to the information system. No fiscal rule cannot enforce the procedure by which they can be identified the elements for the calculation of taxes and fees. Depending on the complexity of the information system and power system will find appropriate solutions on a case by case basis.

Rule five requires *separate management of the elements to be taken into the calculation of deductions from taxes and fees*. The deductions represent deroga–tions from the common framework and must be substantiated. Tax law imposes restrictions pursuant to common deductions that must be met by taxpayers. If a firm does not fall within the letter and spirit of the law concerning tax deductions will not be able to use them in the calculation of taxes or fees owed.

Rule number six introduces *the obligation of the management of special exception cases of the General rules*. Cases of transactions that fall within the derogating rules shall be identifiable and reportable at any time. For example, if an operation is not included within the scope of VAT must be readily identifiable. Also exempt operations with or without the right to deduction of VAT must be separated from the common net. With regard to VAT must be managed as distinct transactions that are attached to the purchases or sales at different rates.

4. Tax consolidation at group level

One of the specific accounting operations of groups of companies is strengthening. In the field of taxation have not yet appeared distinct rules in this direction. It is the practice to introduce rules and usage for fiscal consolidation.

Through the broad *fiscal consolidation* can understand the process of combining fiscal bodies towards the position of the entities that are part of the same group regardless of the criteria used, framing analysis of reciprocal transactions generating obligations or claims against the same tax bodies relating to the same obligations, adjusting the policies concerning reciprocal transactions depending on your relationship with tax bodies.

From the definition given results the stages to be completed in order to achieve fiscal consolidation in the broad sense. The first stage consists in combining the positions of each group entities in tax bodies and relative to each of the obligations or tax claims in force. As a result of the consolidation of operations stage one results a situation of entity relations of the group with tax bodies as if they were a single entity. This phase is only possible after careful verification of reciprocal disbursements that have been used the same principles of accounting and tax legally valid and applicable to the transaction.

The second stage consists in analyzing transactions between group entities for tax purposes. The transactions give rise to the position of each entity in proportion to the tax authorities. An entity's position is determined by both sales and services which it carried out and purchases or services you receive. In the case of entities that manage the portfolio of holdings fiscal position is complex, since it is a weighted sum of transactions of the entire group.

The third stage contains a set of simulation to optimize transactions or at least to improve the fiscal position of the group. This stage can be satisfied only if it has not expired for submitting tax reporting covered by optimizing.

The fourth stage has as its objective the establishment of a new group and fiscal positions of each component entity of the advantages, disadvantages and risks associated with this new positions.

Stage five seeks contract elaboration of the commercial enabling optimized variant operations both for the current year and for the future.

The sixth stage concerned identification of minority interests that are affected by fiscal consolidation. In case of any such interests have found ways to compensate them by the entity that owns or controls a majority and which benefit most from fiscal consolidation.

Fiscal consolidation is carried out in strict compliance with restrictions and very severe conditions. First of all it is good to note that in principle the tax bodies do not support operations for fiscal consolidation. For this reason the calculations and simulations related to fiscal consolidation are strictly confidential.

A second restriction concerns the "time factor". All operations relating to fiscal consolidation must fall within the period for the submission of tax reports for the reference period.

The third limitation relates to the consistency of the transactions relating to fiscal consolidation. It is mandatory to be managed properly in order to meet the principle forms of registration in chronological order. This principle represents a significant restriction in applying procedures for fiscal consolidation. Virtually no transactions may be recorded in the month following the month of reference until the mid term and subsequently be registered for the end of the reference period in accordance with the results of consolidation algorithm.

Another important requirement is the use of a powerful and reliable information system. Without the ability to accomplish complex processing in very short time cannot meet the requirement of their classification in terms of tax reporting.

The fifth restriction concerns the compatibility of tax systems applicable to entities in the group if they are subject to different tax jurisdictions. The fiscal impact for companies that belong to different tax jurisdictions cannot be summed up or centralized without preliminary operations committed. Such operations are necessary in the case of different tax systems for the same judicial system except that it is much easier. A reality of the world today is functioning great corporations with subsidiaries across the globe. Tax law has largely remained in the national framework, with strong local impact. As elements that help globalisation fiscal rules can enumerate the conven–tions to avoid double taxation, regionalization and integration processes. Still remains a major proportion of national operations particularly difficult fiscal consoli–dation made for entities in different states.

5. Conclusions

Often there may be a flexible link between costs and level of performance indicators. Particularly in public and nonprofit organizations should be considered such an analysis. Such a method requires the beginning of a fiscal year performance objectives of each responsi–bility center. Also takes place cost allocation in the budget breakdown. Between the two components is established such a correlation. Achievement of performance entitles the use of fully budgeted costs. Overcoming performance indicators justify the extra cost to those articles which are in direct dependence on the volume of activity. Deviations from the performance indicators budget officer gives the right to block certain costs allocated to the responsibility centre.

Fiscal administration is required to be organized at the payer of taxes and duties level. According to the fiscal procedure may be payer a legal entity or a secondary location "stocked" with tax personality. Location of secondary category with tax personality (which have separate tax code) is divided into two groups:

- secondary offices for which tax legislation establishes the obligation to use a fiscal figures; they are divided in their turn into secondary offices with tax personality for certain categories of taxes and secondary offices with tax personality for all taxes due; an example of tax time headquarters legal personality under the law is secondary to that of the secondary premises with more than 5 employees, for which it is obligatory to declare and pay tax on income from wages to the tax body on whose territorial field side is situated;
- secondary offices for which the legal person has ordered the establishment of legal tax personality.

Fiscal management sub-unit level is consistent with the fiscal reporting system by authorities. Firms have leeway to organise such a breakdown and information needs and decision management.

At the economic analysis centres (centres de profit, cost, income, liability, etc.) can arrange fiscal management to drill results and causes that have led to a specific course or a particular parameter. In a situation where these centers are under a tax payer, cost breakdown of tax can be made only on the basis of criteria of internal management or administration. Be sure to use the following key: the total for each tax and fee (according to centralized payer of taxes and charges) must be equal to the amount broken down by each analysis centre established. It is recommended to be used only over such breakdowns all activity (cost breakdown of total's tax centre) and avoidance of segmentation for a special analysis (analysis of tax costs at the Centre of any kind taken separately).

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