



PROJECTIONS OF TAXES AND FEES IN ESTABLISHING THE FINANCIAL INDICATORS REGARDING THE SUSTAINABILITY AND VIABILITY OF THE "IULITA'S ROSES GARDEN" INVESTMENT

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Abstract The "*Iulita's Roses Garden*" project is a project geared to meeting the development criteria in the rural area. Its impact is on short and long term, materialized in: financial aspects, institutional aspects and issues related to local policies. Financial aspects of the financing arrangements are envisaged and will be achieved after the end of the non-reimbursable financing. Aspects of institutional nature are those that aim at the functionality of the structures that allow the implementation of the activities at the end of this project. With regard to rural local policies, the project will have an impact on methodologies and on improving the outcomes.

Key words:
project, development,
financing, European
financing, total
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fees, impact on local
policies

JEL Codes:
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H25, H29

I. CURRENT SITUATION AND PRODUCTION BASES OF THE PROJECT APPLICANT

In order to draw up the business plan for the project entitled "*Iulita's Roses Garden*", the administrator of the company and the project manager set up the following aspects:

1. development of the agricultural farm according to the criteria and the requirements imposed by the financing authority:

- towards the market;
- for rural development.

2. the potential beneficiary will develop the project on its own;

3. the potential beneficiary will not use the services of an authorized consultant and the related amount will not be included in the business plan;

4. the potential project beneficiary benefited from the following benefits:

- free counselling services;
- counselling services;
- farm management services;
- replacement services within the farm.

Given that the company's development through the investment called "*Iulita's Roses Garden*" is market oriented, the potential project beneficiary will meet the criteria and requirements imposed by the financing authority.

With regard to the initiation and preparation of the potential beneficiary of European funds, together with the project manager, they benefited of another measure from European funds for free training and formation, counselling in the field of project writing, replacement services and project management services.

By not appealing to authorized consultancy and fund management services, the consultancy costs will not be included in the financing request, neither *in the business plan of the farm for the production of roses*.

In order to ensure the viability of the proposed investment for the preparation of the business plan for the project entitled "***Iulita's Roses Garden***", the potential beneficiary must answer:

- on the one hand, to the mandatory objectives of the project;
- on the other hand, to the additional objectives of the project.

Mandatory objectives are materialized according to the table below:

Table 1. Mandatory objectives of the "Iulita's Roses Garden" project

| No. of crit. | Mandatory objectives imposed by the project donor | Estimated production taking into account the harvesting of the rose plant production | Estimated value of the harvesting of rose plant production |
|--------------|---|---|---|
| 1. | The volume of the estimated production to be marketed according to the funding criteria, up to the second tranche of financial support granted by the funding authority. | According to Annex 1 | According to Annex 2 |
| 2. | Various arrangement of the ground (if necessary). | From the held land, it is necessary to set up the land for an area of 0.5 ha | After arranging the surface of 0.5 ha, the whole area will be occupied by roses |
| 3. | Where appropriate, establishing and maintaining of: - the domicile; - the registered office; - the applicant's place of work. It is imperative that the above mentioned elements be found in the area where the holding is registered for support. Also, the farmer's domicile must be located in the locality where the holding is registered for support. | Depending on the establishment criteria, settlement will be ensured in the locality where the holding belongs | According to the criteria for establishment, the location of the holding will be maintained |
| 4. | Maintaining the number of employees | 4 | 4 |
| 5. | TOTAL: | x | x |

Source: Developed by authors.

Table 2. Additional objectives of the “Iulita’s Roses Garden” project

| No. of crit. | Additional objectives established in the business plan by the potential beneficiary | Specification of actions needed to achieve the goal | Surface/ Number/ Capacity |
|--------------|--|--|---------------------------|
| 1. | Building a good management of the farm | Appealing to specialists in the field | |
| 2. | In relation to the fulfilment of the condition of marketing of the obtained production | Marketing through the project, in an amount of over 20% of the value of the first tranche of support | |
| 3. | Producing advertising material and campaigns to promote products obtained through the project on the market | Applying questionnaires | |
| 4. | Respecting and adapting to: - sanitary standards; - veterinary standards, - phytosanitary standards imposed by the European Union | | |
| 5. | Maintaining the number of employees | 4 | |
| 6. | Continuous improvement of farm’s management | | |
| 7. | TOTAL: | | |

Source: Developed by authors.

Production planning starts from the confrontation of all sales and expenditures forecasts, in relation to some internal constraints linked to production, such as:

- production capacities of the project are considered to be unchangeable in the short term;
- human resources available through the project are limited;
- eligible costs of the project are imposed and require the greatest attention to compliance within their limits;
- certain production costs should not be exceeded;
- deadlines have to be respected when drawing up and submitting statements to the funding authority.

Table 3. Agricultural land held in the first phase (YEAR 0)

| No. of crit. | Type of land | Total agricultural area (ha) | |
|--------------------------------|--------------|---|---|
| | | The agricultural area in use of the ownership of the potential project beneficiary (ha) | The agricultural area in use and acquired by the potential beneficiary of the project by lease (ha) |
| 1. | Arable | 2 | 2 |
| 2. | Meadows | 0,5 | |
| 3. | TOTAL | 2,5 | 2 |
| TOTAL agricultural land | | 4,5 ha | |

Source: Developed by authors.

According to Table 3, the project beneficiary holds the following categories of land in year 0:

1. Arable land with a total area of 4 ha;
2. Meadow land with a total area of 0.5 ha;

We should note that 2.5 ha of land are the property of the potential beneficiary and 2 ha are acquired by lease from a natural person according to the lease agreement concluded with it.

The production potential of arable land and meadows is expressed by the average creditworthiness marks per territorial-administrative unit, which has been included in three potential classes:

- Low (under 20);
- Average (between 20 and 40);
- High (over 40).

The used methodology calculates the creditworthiness marks according to the most important environmental conditions of the soil, climate and land, which take into account:

- average annual temperature;
- average annual rainfall;

- gleization;
- pseudo-gleization
- salinization;
- alkalizing;
- texture in the surface soil horizon;
- slope;
- landslides;
- depth of groundwater;
- flooding;
- total porosity in the restrictive horizon;
- total calcium carbonate content on 0-50 cm;
- reaction in the surface soil horizon;
- degree of saturation in bases in the soil horizon at the surface;
- edafic volume;
- humus reserve in the 0-50 cm layer;
- surface moisture excess.

Aggregation of the information obtained in this way is done by calculating the average of the creditworthiness marks for each crop.

Table 4. endowments of the exploitation in the year 0

| No. of crit. | Detailing | Number | Surface (sq. m.) | Capacity | Acquisition method |
|---|-----------------|----------|--------------------|----------|--------------------|
| I. Machinery (tools) | | | | | |
| 1. | Moto-cultivator | 1 | | | Buying |
| 2. | Scythe | 3 | | | Buying |
| | Brush cutter | 3 | | | Buying |
| | Hoe | 10 | | | Buying |
| II. Buildings and Arrangements for Agricultural Production | | | | | |
| 1. | Greenhouse | 1 | 1500 sq. m. | | Buying |
| 2. | Greenhouse | 1 | 1500 sq. m. | | Buying |
| 3. | TOTAL: | 2 | 3000 sq. m. | | Buying |

Source: Developed by authors.

ANNEX 1. Estimated production for the “Iulita’s Roses Garden” project

| | | year 0 | year 1 | year 2 | year 3 | year 4 | year 5 |
|-----------------------|----|--------|--------|--------|--------|--------|--------|
| Rose petals | kg | 200 | 200 | 200 | 200 | 200 | 200 |
| Flowers to the basket | b | 140 | 275 | 280 | 300 | 310 | 140 |
| Floral arrangements | b | 91 | 190 | 640 | 700 | 800 | 91 |
| Room and bath aromas | b | 245 | 365 | 400 | 500 | 600 | 245 |

Source: Developed by authors.

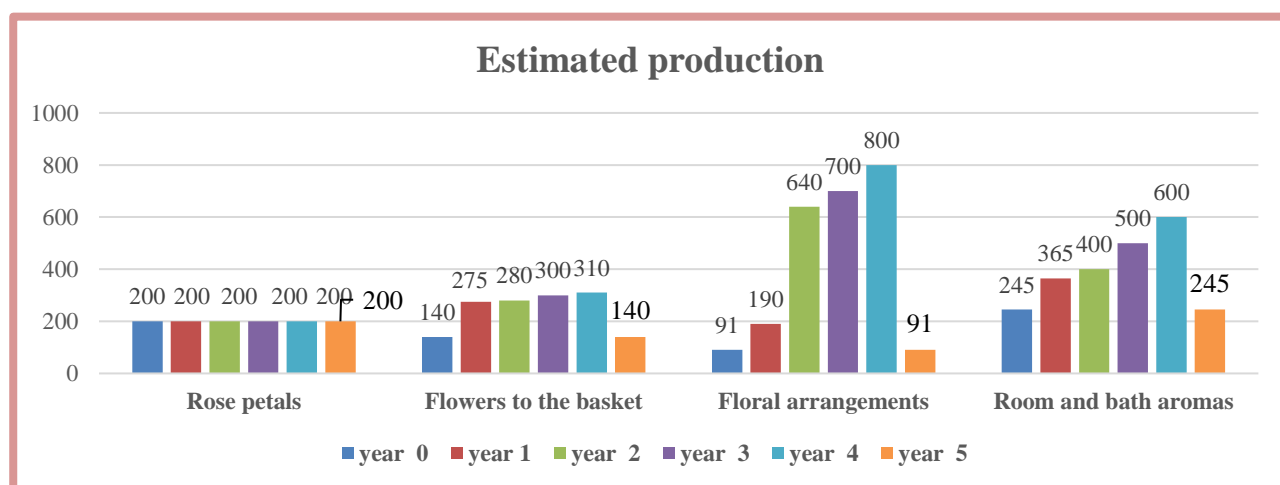


Figure 1. Estimated production
 Source: Developed by authors.

ANNEX 2. Estimated value of production for the “Iulita’s Roses Garden” project

| | | year 0 | year 1 | year 2 | year 3 | year 4 | year 5 |
|-----------------------|-----|---------------|---------------|----------------|----------------|----------------|----------------|
| Rose petals | lei | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Flowers to the basket | lei | 14,000 | 14,000 | 27,500 | 28,000 | 30,000 | 31,000 |
| Floral arrangements | lei | 10,000 | 10,920 | 22,800 | 76,800 | 84,000 | 96,000 |
| Room and bath aromas | lei | 20,000 | 49,000 | 73,000 | 80,000 | 100,000 | 120,000 |
| TOTAL: | lei | 54,000 | 83,920 | 133,300 | 194,800 | 224,000 | 257,000 |

Source: Developed by authors.

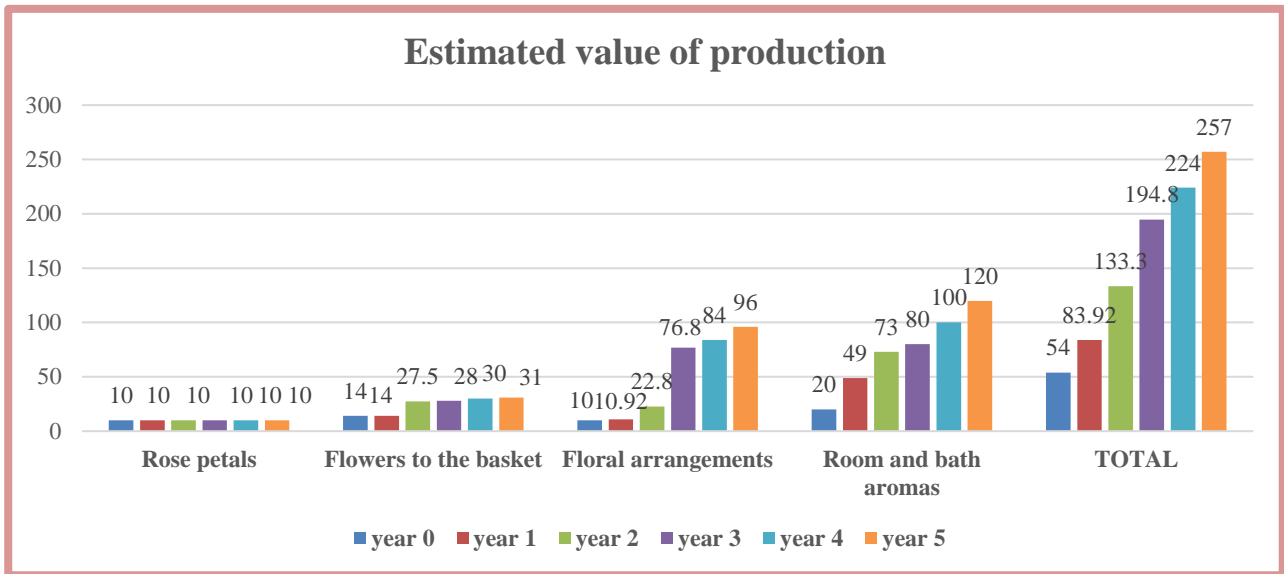


Figure 2. Estimated value of production
 Source: Developed by authors.

II. PROJECTIONS OF INCOME, EXPENSES, GROSS RESULT, TAXES AND FEES

Table 5. Total revenue projection

| No crt. | Indicators | year 0 | year 1 | year 2 | year 3 | year 4 | year 5 |
|---------|---------------|--------|--------|---------|---------|---------|---------|
| 1. | Total revenue | 5300 | 83,920 | 133,300 | 194,800 | 224,000 | 257,000 |

Source: Developed by authors.

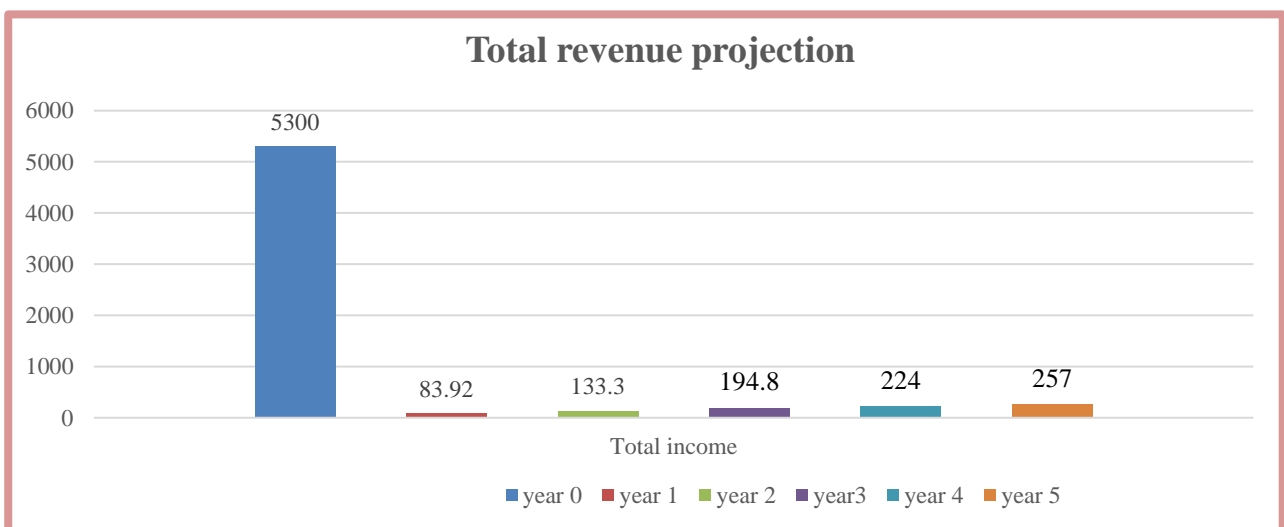


Figure 3. Total revenue projection
 Source: Developed by authors.

Table 6. Projection of total expenditures and expenditures including taxes and fees

| No. of crit. | Indicators | year 0 | year 1 | year 2 | year 3 | year 4 | year 5 |
|--------------|------------------------------------|--------|--------|--------|--------|--------|--------|
| 1. | Total expenditure of which: | 21000 | 65300 | 89560 | 165200 | 175600 | 212200 |
| 2. | wages | 10000 | 10000 | 10000 | 10000 | 10000 | 10000 |
| 3. | Taxes and taxes | 6200 | 6200 | 8200 | 12200 | 23200 | 26200 |
| 4. | Micro tax | 759 | 2518 | 3999 | 5844 | 6720 | 7710 |

Source: Developed by authors.

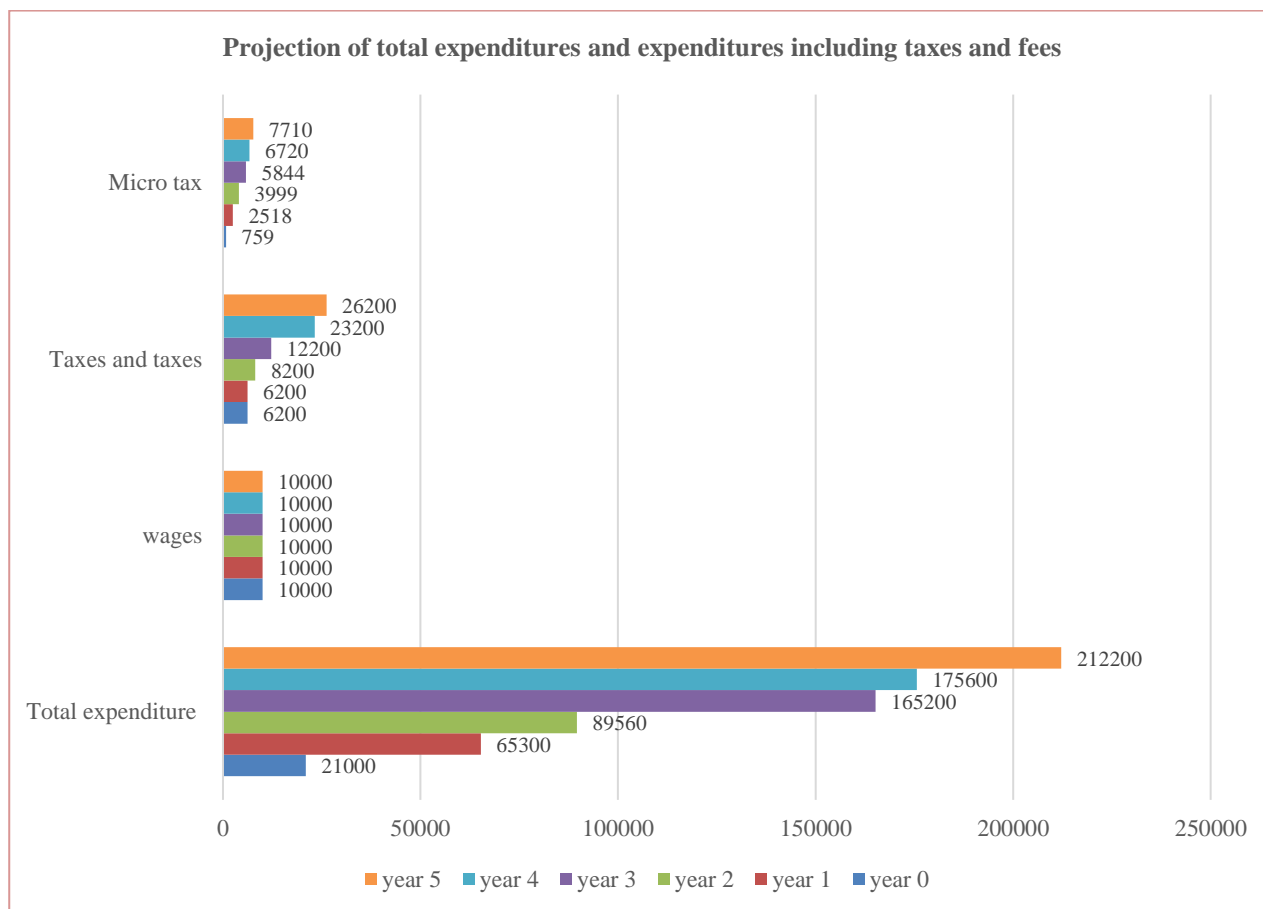


Figure 4. Projection of total expenditures and expenditures including taxes and fees
 Source: Developed by authors.

Table 7. Projection of gross results

| No. of crit. | Indicators | year 0 | year 1 | year 2 | year 3 | year 4 | year 5 |
|--------------|----------------------|--------|--------|--------|--------|--------|--------|
| 1. | Gross results | 4300 | 18620 | 43740 | 29600 | 48400 | 44800 |

Source: Developed by authors.

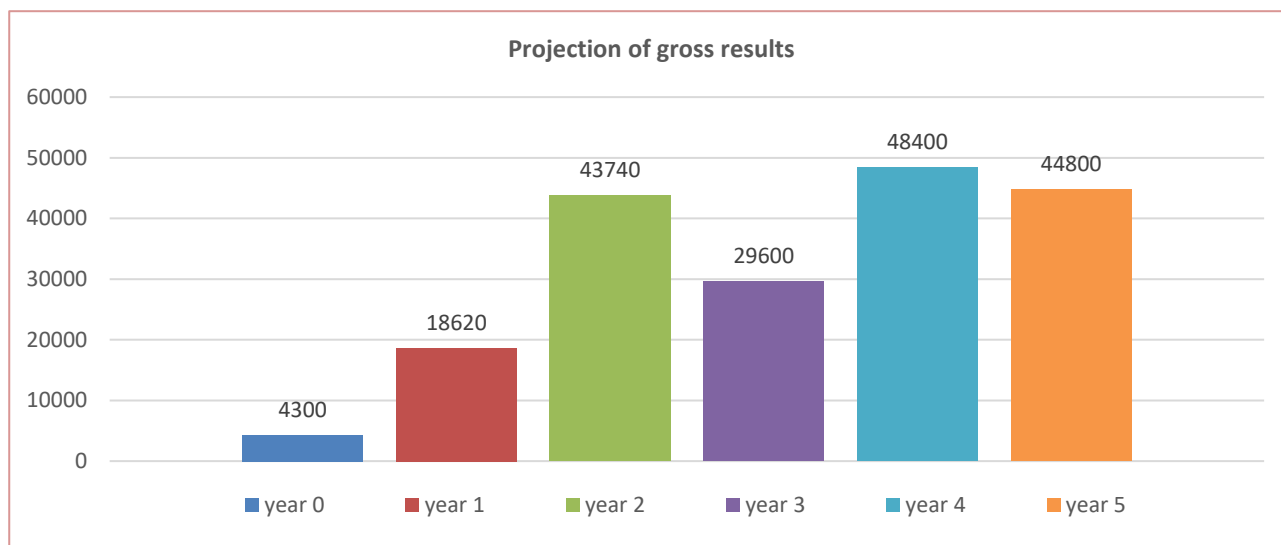


Figure 5. Projection of gross results
 Source: Developed by authors.

Table 8. Projection of the number of personnel at the project level

| No. of crit. | Indicators | year 0 | year 1 | year 2 | year 3 | year 4 | year 5 |
|--------------|---------------|--------|--------|--------|--------|--------|--------|
| 1. | Gross results | 2 | 4 | 4 | 4 | 4 | 4 |

Source: Developed by authors.

III. PROJECTIONS OF TAXES AND FEES IN ESTABLISHING THE FINANCIAL INDICATORS FOR THE “IULITA’S ROSES GARDEN” PROJECT

Regarding the budgetary procedure for the projection of taxes and fees related to the “Iulita’s Roses Garden” project, it can be presented as follows:

- on the basis of setting the objectives of the project for the next year of the operational plan regarding:
 - estimated sales;
 - estimated costs;
 - expected profits;
 - information on the business environment;
 - market evolution;

- expected inflation;
- social policy;
- currency exchange rate;
- price policy;
- information on product absorption;

- developing some of the pre-budgets;
- performing scenarios;
- choosing the desirable option;
- verification of consistency regarding the obligations towards:
 - state budget;
 - social insurance budget;
 - local budget.
- testing the consistency between different components of budget projections.

Table 9. Projection of taxes and fees

| Nr. crt. | Indicators | year 0 | year 1 | year 2 | year 3 | year 4 | year 5 |
|----------|--------------------------------|--------|--------|--------|--------|--------|--------|
| 1. | Taxes and fees | 6200 | 6200 | 8200 | 12200 | 23200 | 26200 |
| 2. | Micro tax | 759 | 2518 | 3999 | 5844 | 6720 | 7710 |
| 3. | TOTAL: | 6959 | 8718 | 10199 | 12044 | 12920 | 13910 |
| 4. | Share in total expenses | 3,14 | 13,35 | 11,38 | 13,39 | 13,21 | 12,29 |

Source: Developed by authors.

Projection of taxes and fees related to the project has been set for a six-year period starting from estimates of sales and projected expenditures for the same period of time.

We note that taxes and fees have increased since the first year as a result of the fact that:

- the number of staff employed doubles;
- sales volume is registering an increasing dynamics.

Thus, the share of expenditures together with taxes and fees in total expenditures for the projected period is as follows:

- for year 0-3,14%;
- for the year 1-13,35%;
- for the year 2-11,38%;
- for the year 3-13,39%;
- for the year 4-13,21%;
- for the year 5-12,29%.

Thus, we notice for year two a slight decrease and a sensitive decrease at the level of the fourth year.

Valorically, taxes and fees in the projected years are as follows:

- for year 0-6.959 lei
- for the year 1-8.718 lei
- for the year 2-10.199 lei
- for the year 3-12.044 lei
- for the year 4-12,920 lei
- for the year 5-13.910 lei

Taxes and fees at the level of the projected years represent the contributions to the single consolidated state budget, respectively:

- state budget;
- social insurance budget;
- local budget.

From a graphical perspective, the taxes and fees projected for the project's horizon time are as follows:

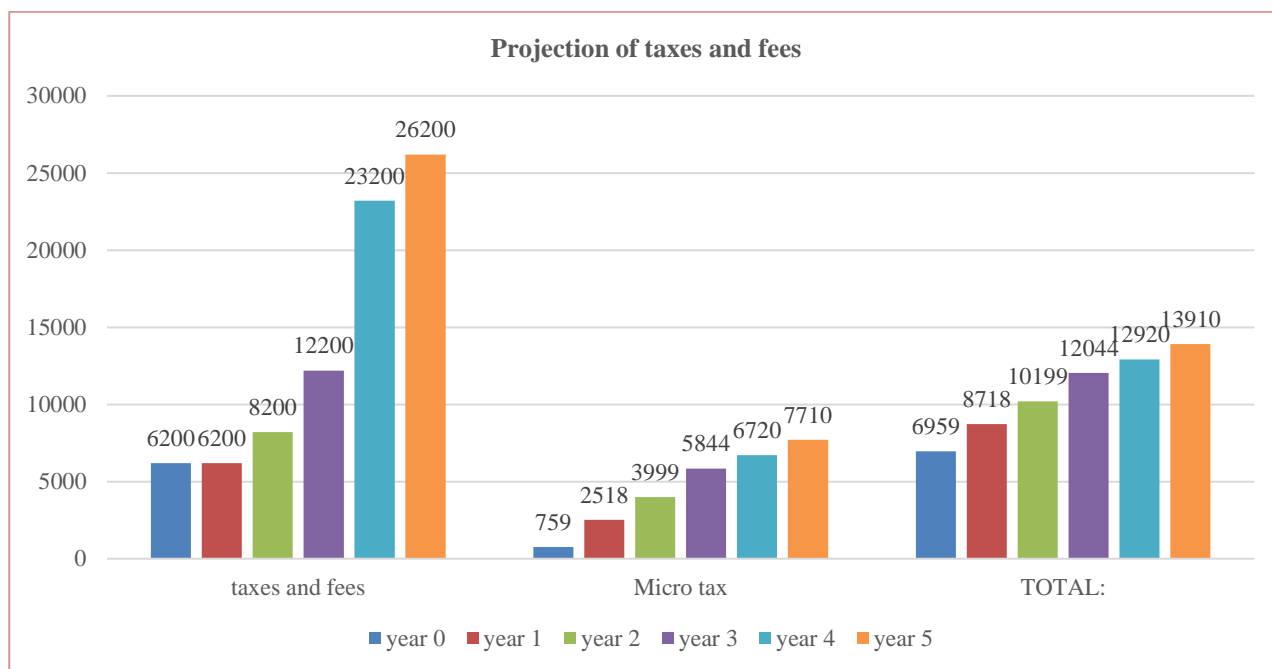


Figure 6. Projection of taxes and fees
 Source: Developed by authors.

IV. CONCLUSIONS:

The aspects related to the projections of the project were designed in such a way that:

1. to cover all eligible project costs.
2. the financing authority's contribution will also be taken into account.
3. the budget lines involve activities:
 - breakdowns into separate components;
 - individual breakdowns.
4. the number of units per each component must be specified.
5. the project budget will be made in euro and in lei.

The applied method is the scenario method that considers the following:

- a) conclusions of the pre-feasibility study;
- b) conclusions of the detailed investment plan for six years as it was developed;

c) presentation of the current situation for year 0;

d) aspects regarding the need to promote the investment;

e) aspects regarding the opportunity to promote the investment;

f) the achieved economic scenario;

b) technical-economic scenarios where the objectives of the investment project can be achieved (if, prior to the feasibility study, no pre-feasibility study or detailed long-term investment plan has been prepared);

- proposed scenarios (minimum two);
- scenario recommended by the developer;
- advantages of the recommended scenario.

With regard to taxes and fees at the level of the projected years, they represent the contributions to the single consolidated state budget, respectively to:

- state budget;
- social insurance budget;
- local budget.

These contributions as taxes and fees at the local level will have the following effects:

- contribution to local development;
- creating new job places.

REFERENCES:

- ❖ Regulation (EU) No 808/2014 of 17 July 2014 laying down rules for the application of Regulation (EU) No 1305/2013 of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), with further amendments
- ❖ Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005, with further amendments
- ❖ Regulation (EU) No 1303/2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development
- ❖ Commission Implementing Regulation (EU) No 385/2012 of 30 April 2012 on the farm return to be used for determining the incomes of agricultural holdings and analysing the business operation of such holdings