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## THE TRANSPORT, SERVICE WITH SPECIFIC CHARACTERISTICS – ACCOUNTING AND FISCAL PECULIARITIES

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**Abstract:** *In studying the relation accounting – taxation system it is difficult to establish a priority relation, both are conditioning each other. On the one side, the accounting offers the subject for taxation system in the phase of determination the fiscal duties and, on the other side the taxation system influences the accounting by specific regulations. Transport companies, whose business decisions are influenced, at a large extent, by fiscal rules, need to define the fiscal management as a distinctive component of activity. The peculiarities of transport system impose the treatment of problems in a specific manner, the main objective of fiscal management in a company being that of fiscal effectiveness, as component of the general management of the transport companies' activities.*

**Key words:** transport, accounting, fiscal, tax, duty

### INTRODUCTION

The transport, being a kind of special type service, besides the technical aspects which involve it, pointing out the economical processes, the generated financial flows, accountancy of implied elements in this process are essential elements in analysis if transportation process.

Large numbers of cases in which business decisions are affected by the fiscal regulations impose the delimitation of the fiscal administration as a distinctive component in activity of transport firms.

Fiscal implications in accounting of capitals, assessment of specific inventories in transportation companies, taxes, charges and contributions of transporters for public budgets are some relevant aspects.

Their analysis is beneficial in optimization approach of fiscal pressure level, realized for growing efficiency and profitableness of transportation companies.

Activity of transport companies aims the achievement of some essential objectives: to realise profit and to satisfy the requirements of a certain group of customers for a special kind of

services, respectively the transport services. Not realizing, quite temporary, of one of these objectives, leads to insolvency and to the disappearance of companies from the market. More, for associates or shareholders, the company represents an investment and the expected result from this is to maintain or to grow the value of their investments.

It has to take in account, also, that transport companies operate in an accounting system connected or disconnected to taxation system, which can influence the management decisions. The different treatment of trusty image is determined also by the relation between accounting and fiscal systems. Thus, in countries where they are disconnected, the only reason for synthesis documents is to offer a trusty image, according to reality, of the financial situation and of the patrimony. In the most countries from continental Europe, the financial accounting is in a strong relation with fiscal system. In present conditions, by financial statements, the companies will try to benefit from the fiscal advantages, many times in the detriment of economical reality.

## ACCOUNTING AND FISCAL ASPECTS IN TRANSPORT COMPANIES

An economic system based on international norms supposes to disconnect the accounting from fiscal system. In such a system, the accounting has as object to inform the different users, from the investors to public authorities and from the banking financier to population, as well as to assist their future decisions. In the same time, taxation system is concentrated on conceiving rules regarding taxes and duties, as well as on control the compliance by the economic agents with their field of competences and prerogatives, consciously being that can't be cover the economic reality by rules with accounting value.

Fiscal policy of an economic entity envisages fiscal management operations of taxes and duties paid by company, as well as financing and operating strategy, while accounting policies, by the accounting principles, norms and techniques, serve to their application to different interests related to offer an image regarding the company's accounts and to handle the financial statements.

Regarding the taxation system, it can be put in evidence a series of fiscal implications in company's accounting.

In establishing the accounting policy, the option for one or other method is determined by the "need of truth" and it can't be neglected the management interests of company as object of accounting reflection and fiscal levy. Thus, while the trusty image supposes rendering the real situation of the patrimony and the financial result, taking in account the reversible and irreversible depreciations of different assets, company has to oversee its management interest in realizing the right structure of costs, which makes it competitive, but also its fiscal interest to minimize the paid duties.

Related to capital accounting, the fiscal implications are generated, first of all, by the initially contributions, by the options of transport companies to appeal to one of contributions categories, which are intersecting with taxation policy. These can play an important role by the influence on the cost of resources and by the incidence of different decisions on taxable result [Mates, 2003].

Concerning the registered capital increasing, the fiscal consequences are materializing in taxes paid at trade registry, notary offices and official gazette, these diminishing the company's

treasury. Emission or procurement of capital instruments generates registering costs, commissions and taxes paid to advisers from different fields: accounting, legislation and other professional domains, as well as a series of internal costs. The costs of capital transactions have to be registered as deductions from the own capital, diminishing any corresponding income tax, with the mention that in the case of failed transactions, they will be go to expenses, without changes in capital employed.

The effects of taxation system on capitals are supplemented by the dividend tax, which increases the financing cost by employed capitals.

The financing by internal sources of the company and, in particular, by amortization, imposes an approach in tight correlation with depreciation policies and fiscal variable. The constituted amounts by amortization are not at the origin of the future treasury expenses. Regarding this financing source, the direct taxation system doesn't have effects due to the deductibility of amortization expenses, but on the contrary, by to the income tax stimulates the use of this source with the less reduced fiscal cost [Diaconu, 2003]. As result, for investments with random profit it is recommended this financing source.

In addition, in what it concerns, for example, the Romanian transport companies, especially for small companies, in case of difficulties to procure external financial resources, it can be considered, as financial sources, the monetary resources of the associates and stockholders, highlighted in a distinctive account "Amounts due to associates", crediting modality, otherwise, not forbidden from fiscal viewpoint.

Loan capital is differently treated by the taxation system comparative with capital growths from own sources. The corresponding interests are considered expenses deductible from taxation basis, while distributes dividends are not treated as expenses, representing a use of profits after taxation. The specific cost of these financing modalities is equal with interest for contracted loan.

For its future revenues, the company will be authorized to deduce the paid interests, which means that it will avoid a proportional duty. Therefore the cost for loans will not be given by the interest corresponding to used interest rate, but a value diminished with income taxation rate. As results, such a taxation system can determine a company to choose a borrowing policy or to

resort to unassigned benefits, for ensuring investments activities. The studies made by Modigliani and Miller had highlighted the financial advantages for an economic agent to resort to loans and which are materialized in duty saving [Modigliani & Miller, 1958].

Also, an important problem is represented by the implications of corporal assets revaluations, in accordance with International Accounting Standard 16, reflected in a distinctive account "Revaluation reserves". This revaluation does not involve any increase in cash resources, but increase the "Reserves" figures in the balance sheet, affecting the gearing of the business without increasing the cash resources [Smith, 2007]. The surplus from revaluation included in own capitals can be transferred directly in result carried forward, when this surplus is realized. It is considering that the entire surplus is realized at asset cassation or disposal, in the same time a part from surplus being possible to be realized as the good is used by the company. In this case, the realized surplus is given by the difference between the amortization calculated on revalued accounting value and the amortization determined on the initial cost of the asset [Ristea, 2002].

Regarding the investments and operation subsidies, they are given, generally, to passengers transport companies which operates in public transport, both urban and long routes (i.e. rail, air transport, subway). The subventions for assets are been recognized in balance sheet as deferred revenue, receiving subsidies being for company a gain that can be registered immediately as income, but is should determine as a part of resources received as subventions to go back to state as income tax.

In the case of subsidies for company operating, their aim is to cover some losses, these don't generate profit at their receiving and, in consequence, it's no risk that the state to retain a part of a received subsidy.

The subsidies are materializing, generally, in investments whose effects on expenses will be take place in the future at the time of registration their amortization. Because amortization expenses corresponding to received assets are not related to a real effort of company, it is necessary to annul the amortization effects of the asset financed by subventions on the result of financial period when there are registered these expenses. The annulment is realized by registration in an income account of a part of received subvention proportional with the amortization recorded on

expenses. This will determine the neutrality of subsidies registration in what it concerns the fiscal result [Istrate, 2000].

The main aspects which it is necessary to be taken in account in establishing the subventions to cover the needed costs to insure transport services are:

- Minimization of social costs;
- Insurance of an equitable accessibility for all inhabitants to transport services.

Regarding the subventions in air transport, they take the form of governmental subsidies or amounts granted by organisms that administrate public funds in aviation sector. Governmental subsidies for air companies can be given also for additional air transport activities, as personnel training, duty-free commercialization, airport facilities, franchises, airport taxes, but don't include the state assistance for airships production. In return, the aids given to air companies to promote the purchase and use of different airships enter under the incidence of this scope.

Fiscal and social facilities aren't governmental subsidies, being a general measure while they don't confer a competition advantage for transport companies.

In what it concerns the fiscal implications in immobilized assets, it is necessary to take in account the type of these assets. In transport companies, there are represented, principally, by constructions, equipments and means of transport. Between accounting and fiscal categories of immobilizations appear, also, elements without trade value, whose presence in balance sheet is justified by the applying of some accounting principles, especially the independence of financial periods and the acceptance by the fiscal taxation. As result, for example, the development expenses are fictive assets and, the fact that they don't appear in balance sheet has as justification their allocation on several exercises through amortization. Also, this has as consequence that the entire group of intangible assets can't be transformed in liquidities only in extraordinary conditions.

For tangible fixed assets, which represent the most important part in transport companies, the entry value is represented by the acquisition or market price, in this value being preferred to include only reduced amount of expenses related to acquisition and settlement of the fixed asset. Whether these expenses are included in accounting period, their deductibility will be

deferred, being effective only at amortization registering.

The fiscal connotations of inventories assessment at the entry, in case of transport companies, are less obvious due to the fact that entry value is represented by the acquisition cost. Inventories should be stated, in the balance sheet at the lower of cost and net realizable value (i.e. market value less all costs incurred to the point of sale).

The inclusion in accounting value of a smaller part of the expenses occasioned by the inventories entrance offers fiscal advantage, postponing in time the payment of the income tax, to the moment of their sale or consume. Prices evolution in time, from one entry to another, for the same stock element, because of the inflation or the relation between supply and demand, determine, regarding the inventories exit the use of conventional methods for their assessment.

To assess the inventories at their exit, for items that are interchangeable, International Accounting Standard 2 allows the weighted average cost and FIFO formulas. From the fiscal viewpoint, the higher are the expenses related to the consumed inventories, the smaller are the profit and income tax. Taxation system and profitability are the main factors that are conditioning the choice of one of these methods, because the evaluation of stocks quantities at the end of financial period determines the overvaluation or undervaluation of the profit and, on this base, the observance or not of the prudence principle in accounting.

Any overvaluation of goods remained in stock, at the end of the period, leads to the growing of the result liable to taxation and dividends distribution, being indirectly affected the keeping of recorded capital.

The problems of inventories evaluation in accounting, unavoidably, intersect the fiscal scope, the most significant and obvious fiscal implications being identified at the evaluation of inventories exits by sale, when are recorded expenses with direct effects on bookkeeping result.

For the relation bookkeeping – fiscal field related to inventories, in transport companies, a particularly importance presents the moment of payments regarding purchased stocks, this generating expenses that influences the financial result and the treasury level.

The claims and debts create a significant impact on the management of transport

companies, by the evaluation mode, but also by their allocation to the corresponding financial periods. Because, between the moment of the claim or debt recording and that of its collection, respectively of the payment appear some time gaps, these will generate in bookkeeping fiscal implications, materialized in advantages for one part and disadvantages for the other part.

In what it concerns the duties and taxes, in the field of transport it can be highlighted a series of peculiarities, derived from the taxation system of each countries or economical region.

The most important part of taxes levied on transport companies are related to their vehicles and operation, which take the form of vehicle and infrastructure tax, tolls and fuel tax.

Regarding the rail sector, in most countries rail infrastructure has been separated from rail services, at least at an accounting level. In order to avoid double counting of rail revenues from rail access charges and ticket revenues, track and station charges, which are paid by operators, have been excluded from supplier operating costs.

In the field of road transport, the tax for infrastructure use and other transport specific taxes, such as fuel tax and vehicle ownerships taxes are dependant on the every country taxation and charging structure. Congestion charging and road tolls are direct forms of tax aimed at reducing congestion on busy stretches of road.

In maritime transport, an alternative method of calculating corporation tax on company profits is gross tonnage tax based on operating revenues.

But, in general, the air transport is the mode with the highest taxes and charges which relate directly to the use of a specific service. Charges and taxes for the use of infrastructure (airports, Air Traffic Management services) form the major part of taxation scope in this area.

In what it concerns the fiscal harmonization in the transport field at European level there are a series of documents related to taxation of transport activities. This has as objective the elimination of distortions in competition environment between transport operators through the harmonisation of taxation systems and the introduction of some fairly mechanisms to be applied for the use of infrastructure.

## CONCLUSIONS

According to general opinion, to obtain a trusty image in financial statements, the accounting has to be disconnected from taxation system. In transport companies, due the large number of

interactions between these two fields, it is necessary to analyze the implications of taxation system in accounting problems.

The peculiarities of transport system impose the treatment of problems in a specific manner, the main objective of fiscal management in a company being that of fiscal effectiveness, as component of the general management of the transport companies' activities.

It can be conclusion that the taxation system has to be interested in companies' stability, about their future, because its revenues depend on their existence. In what it concerns the fiscal management at company's level, this has as objective the harmonization of management and fiscal interests, in identifying the divergences, in the own benefit of company, for a trusty and real image required by all the users.

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## ТРАНСПОРТЪТ, УСЛУГА СЪС СПЕЦИФИЧНИ ХАРАКТЕРИСТИКИ – СЧЕТОВОДНИ И ФИНАНСОВИ ОСОБЕНОСТИ

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**Резюме:** При изучаване на отношението счетоводство – данъчна система е трудно да се установи приоритет, тъй като и двете се обуславят взаимно. От една страна счетоводството е обект на данъчната система във фазата на определяне на фискалните задължения, а от друга – данъчната система влияе върху счетоводството чрез специфични закони. Транспортните компании, чиито бизнес решения са повлияни до голяма степен от финансовите правила, трябва да определят финансовия мениджмънт като а характерен компонент на дейността си. Особеностите на транспортната система налагат специфична трактовка на проблемите, като основната цел на финансовия мениджмънт в компанията е финансовата ефективност като компонент на общото управление на дейностите на транспортните компании.

**Ключови думи:** транспорт, счетоводство, финансов, данъци, , accounting, tax, задължение.