

FISCAL IMPLICATIONS IN THE ACCOUNTING OF TRANSPORT COMPANIES

Senior lect. Mihaela Şteţ,

West University “Vasile Goldis” of Arad, subsidiary Baia Mare

Abstract: *In transport companies, due the large number of interactions between accounting and fiscal system, 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.*

On the other side, the fiscal harmonization in the transport field at European level 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

INTRODUCTION

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 (Mates, 2004).

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.

The world economy at this moment is characterized by the influences induced by the globalization phenomenon. Regarding this, it can be highlighted the importance of the transport systems. The evolution of transport system has important effects on the extension of globalization process, but, in the same time, the transportation is strongly influenced by the globalization processes. The strategic alliances offer the possibility of a better connectivity for networks of the transport systems, generating new demand for transport services. In what it concerns the influences of transportation on global trade, the existence of a reliable infrastructure and advanced transport and logistics systems are conditions for the development of globalization phenomenon.

Transport within the EU area, in terms of either networks or the services provided on those networks, is by definition a sector in which responsibilities are shared between the European Union, Member States, local authorities, and public and private operators.

Supranational organizations such as the EU are gaining competences. These developments are expected to have large impacts on patterns of location and international trade. And these have obvious transport implications. Four main research questions have been identified:

- ✓ impacts of reduction of trade restrictions on international trade, where from a sustainability perspective both favorable (higher efficiencies in transport) and unfavorable effects (volumes increase) can be distinguished;
- ✓ the stronger position of the EU in international transport matters may have far reaching effects on regulatory regimes and hence on the structure of sectors such as aviation;
- ✓ interoperability of transport networks (for example lack of standardization of railway operations in Europe) and ways to improve this;
- ✓ the shift of power away from national to regional and local authorities may have important implications for transport systems at these levels.

Besides the other economical aspects related to transport, the generated financial flows, accountancy of implied elements in this process are essential elements in analysis of 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 the activity of transport firms.

Globalization is accompanied, in the same time, by costs and advantages. This situation can be highlighted also in what it concern the taxation system. For companies, the evolution to a non-boundaries

world, offers the possibility to reduce their charges and duties, being known that a fiscal planning is necessary for their costs reduction strategy. On the other hand, this opened the way to a creative accounting, many times this leading to a lack of fiscal discipline.

2. PECULIARITIES IN RELATION ACCOUNTING - FISCAL SYSTEM IN TRANSPORT COMPANIES

In the accounting field, in conditions of the globalization, the accounting norms and financial information know a process of harmonization, while, regarding the taxation system, every country has its own taxes and duties and, in consequence, it can't be expected a similar harmonization in this field. The accounting and fiscal rules have different objectives and they are based on different principles. While from accounting viewpoint the company is perceived as an economic entity, for the taxation system this is perceived as an autonomous entity. As result, the different rules used by accounting and taxation system leads to results that can't be reasonable compared.

A most important part of European continental countries, for determination of fiscal results, rely on subordination principle, in other words, the accounting records being the base for taxation. On the other hand, the countries with Anglo-saxon accounting tradition apply two series of distinctive rules, one for commercial results and the other for fiscal results.

The rules related to financial accounting are based on the principle of reliable image. The companies have as objective to give as exact as possible image to investors and other economic actors on the financial situation of their economic entity at a given time: financial position, results and cash-flow. On the other side, the taxation rules have as objective to define the fiscal debt of the company, but these can be used also for other than fiscal objectives.

These rules have to be conceived to maintain the economic neutrality, aiming that different commercial decisions not being influenced by fiscal measures. More, the state is interested in long term profitability of the economic entities. By different fiscal measures, for example in the transport field, the authorities aim to influence the behavior of transport companies regarding the environment problems.

In an economy with the accounting dominated by fiscal system, the companies, to pay fewer taxes, have the interest to choose accounting methods that minimize the result of financial period. As result, it can be observed in their activities practices like digressive amortization or shortening the amortization period. When the fiscal considerations are missing, the companies choose, for consolidated accounts, less conservative methods to give closer results to trusty image.

Regarding the accounting treatment of fixed assets, as general rule, the historical cost is taken as reference, but it can be identified, in the same time, a tendency to get closer to fair value for some assets. The principle of fair value is preferred because it offers an image of company as objective as possible.

In fiscal field, the evaluation rules and depreciation methods of corporal assets are different from one country to another. The reevaluations are possible only for particular categories of assets and only in certain conditions, the surplus value being levied when they occur. The amortization is authorized according to the standardized methods.

The accounting treatment recognizes interest related to inventories purchased with deferred settlement terms as expense over financing period. From taxation point of view, for entered inventories cost is represented by the invoice price less trade and other discounts, respectively the net invoice price. To this price should be added transportation and other charges occurred by the acquisition of stocks.

Regarding the inventories valuation, the accounting treatment allowed by International Accounting Standard 2 highlights that for items that are interchangeable the cost of inventories shall be assigned by using the first-in, first-out or weighted average cost formula, formula used for all inventories with similar nature and use to the entity. For income tax purpose, the Romanian transport companies can use for this type of inventories first-in, first-out (FIFO), last-in, first-out (LIFO) and weighted average cost formula.

From the accounting point of view the losses of inventories and the write-off of them to net realizable value shall be recognized as expenses in the period when they occur. In what it concern the fiscal implications the write-off is not deducted for tax purpose, while losses due to normal business operations are deductible.

In public transport companies an important role have the investments and operation subsidies. 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.

For example, the governmental subsidies in maritime transport have as objectives improving the safety and quality as to technical standards and to the vessel operation, keeping the vessel under Romanian flag, staff training, enhancing the competitiveness and developing maritime skills.

In what it concerns the direct aids aimed to cover operating losses, they should be exceptional, temporary and digressive, being possible to be granted only if they contribute at the rectification, renewal and development of the Romanian commercial fleet and their level is proportional with the losses they seek to alleviate.

In maritime transport, companies can benefit by the fiscal measures aimed to improve competitiveness. One of them is related to investments in new ships as part of companies' patrimony, for which it can be used the accelerated depreciation. Regarding the taxation system, Romanian companies have the possibility to replace the normal taxation system with a net tonnage operated tax, payable irrespective of the company's actual earnings, profits or losses. For companies that reinvest the profit in getting new ships can be practiced a tax free basis on profits made on the sale of ships.

The state intercession by partial or total repayment of contributions on salaries to maritime company generally is being considered as the equivalent of a low taxation system, providing that it is linked to the provisioned taxes, without any over-compensation component.

The state aids for investments are allowed, for Romanian maritime companies, only if they meet the safety rules on sea. These grants are offered for improving equipments from the board of the vessels or for promoting the use of safe vessels.

Regarding the VAT for services, many countries commonly use VAT at a time when services involve the physical presence of the supplier, the main rules being that services are taxable at the place of the supplier of the service. In the same time, it can be put in evidence a growing number of exceptions to this rule, which reflect developments in business environment. Differences in rules regarding the place of service may lead to situations where the cross-border service is either not taxed or taxed in both country, that of the supplier and that of the costumer. Even within the EU, where the Sixth VAT Directive has set harmonized rules for the place of service, Member States have not implemented these rules identical in their national VAT legislation.

Related to the preferential VAT taxation, there can be put in evidence different taxation schemes for different transportation modes. For example, in Columbia, the standard VAT is 16 %, while for air commercial transport is applied a reduce tax 10 %. On the other side, for pleasure boats and some categories of vehicles higher values are applied, respectively between 20 and 25 %.

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 harmonization of taxation systems and the introduction of some fairly mechanisms to be applied for the use of infrastructure.

3. TAXATION SYSTEM IN TRANSPORTATION FIELD

At European level, the European Transport Ministers established the reform policy of taxation in transport by two CEMT resolutions: the Resolution 2000/3 regarding the taxes and duties related to transport and, in particular, to international road transportation and the Resolution 1998/1 regarding the public strategy related to internalization of external transport costs (CEMT, 2005).

These resolutions foresee the gradual reform of taxes and dues aimed to improve the transports efficiency, to avoid the competition discrimination and distortion as well as to supply challenges for reduction the transports impacts on the environment and for managing the congestion. It is necessary to adopt a global treatment, related to all transport taxes ad charges, including also fuel taxation. Of these types of instruments, the fuel taxes are probably the most appropriate to correct the external costs. On the other side, fixed taxes have the advantage that they can be made dependent on the emission characteristics of the vehicles.

Regarding the problem of potential discrimination and distortion of competition, this can be avoided using taxes and dues on transportation based on territoriality, not nationality, electronically collected, like kilometeric toll road or charges as Euro-vignettes, abolishing the transit charges. Tolls and user charges may not discriminate, directly or indirectly, on the grounds of the nationality of the hauler or the origin or destination of the vehicle.

To stimulate the reduction of transports impacts on the environment, it needs to differentiate taxes and charges to encourage the technological developments and behavioral changes. These have to be modulated in time and space, taking in accounts the type of vehicles.

There are numerous vehicle types that pay motor vehicle taxes: light vehicles, trailers, heavy vehicles and special mobile vehicles. Not all vehicles of the same type pay the same taxes or fees because many taxes and fees are based on multiple criteria such as age, weight, length, ownership or use.

In many countries the taxes on the purchase and ownership of cars are differentiated according to the environmental characteristics of the vehicles.

The current trend is to discourage the purchase of new diesel cars, this being as one of the most important environmental measures that can be taken in the transport sector.

There are countries that have taken into account the introduction of a kilometre charge on trucks for the vehicles in transit, to improve the drawbacks of Euro-vignette, which was conceived only for highways, covering infrastructure costs and not external costs. Some European countries have already introduced a toll on truck transport that is related to the number of kilometres driven, besides other characteristics of the vehicle (eg, Switzerland has introduced a toll on the complete network and Austria charges a toll on highways and expressways).

To eliminate distortions of competition between transport undertakings in the Member States of European Union, Romania needs to harmonize the levy systems and the establishment of fair mechanisms for charging heavy goods vehicles for the use of certain infrastructures.

In what it concerns the congestion problem, it needs to use, also, a space and time differentiation for taxes and charges, being possible to use in urban areas a zone related pricing scheme applicable at peak hours. However, it is more difficult to differentiate taxes in function of time and place of travel. Fuel taxes do not allow for this, and therefore are not an appropriate instrument to correct for congestion. Also, parking charges can make an important contribution to solving urban transport problems.

Congestion charging in major urban areas is a controversial subject, as it levies large amounts of money against frequent users of vehicles in these areas (Rowbotham, 2007).

For the short to medium run there are used the following measures to reduce the environmental impact: the taxation of cars in function of their environmental damage, parking charges, public transport fares, a cordon toll around cities and a kilometre charge on trucks. For the long run it is necessary to analyse the introduction of the more sophisticated tolls and their effects on transport companies.

In air transport, related to the environmental protection, the tax on air transport noise pollution is payable by all aircraft operators or owners, on account of the taking off of aircrafts whose MTOW (Maximum Taking off Weight) is greater than or equal to two tons from the airports concerned. The companies liable to pay the tax (aircrafts' operators or aircrafts' owners) must declare the details necessary to set the tax on a monthly or quarterly basis, when the amount of the payable sums for the first month of the quarter is lower than 1000 Euros.

Aviation taxation is an indirect tax paid by the provider of airline services to the authorities, but the incidence of the taxation is borne more widely, as part of the burden is passed to travelers and shippers. The amount passed on depends on the conditions of supply and demand in the relevant transport markets.

In maritime transport, tonnage tax represents an alternative method of taxing profit. The tonnage tax method allows shipping companies to calculate their profits on the basis of a specified notional profit per day depending on the tonnage of the ship concerned. The profit established to each ship for the accounting period may be calculated in one of two ways, depending on the circumstances.

One method is that the daily profit is simply multiplied by the number of days in the accounting period. Alternatively, where the ship was operated by the company as a qualifying ship for only part of the period, the daily profit should be multiplied by the number of days in that part of the accounting period.

The tonnage tax profits for a company should be calculated with reference to the net tonnage of each qualifying ship operated by the company. There are additional provisions governing the calculation of the company's shipping profits, like as gains on foreign currency transactions. On the other side, for example, income from investments should not be construed as relevant shipping income.

Related to the environmental problems and congestion, at European level it is necessary to place a key focus on measures to facilitate the shift to the alternative modes, such as rail or shipping, or towards multimodality. Shift in transport can be achieved with appropriate economic signals such as regulatory, pricing and fiscal measures. Although fiscal incentives can be applied to encourage the cleanest light duty vehicles classes.

Regarding European inland shipping, a solution can be the development of plans to increase capacity at seaports by eliminating some of the lengthy administrative procedures, including documentary checks and physical inspections by customs, health, veterinary and immigration control officials, that continue to apply to shipments between European ports, in the same way they do for shipments to third countries.

In what it concerns the shift to rail sector solutions can be:

➤ Improved interoperability of systems which can be facilitated by a Community support to the establishment of technical specifications. Progress in the introduction of interoperable systems can be accelerated by a specific support to infrastructure investments;

➤ Rail undertakings should receive incentives for the use of rail infrastructure by a reduction in the fees charged, corresponding to the estimated external costs saved by the shift of transport volumes to railways.

➤ Fiscal incentives or exemptions granted to companies or transport operators providing rail freight and combined transport services;

➤ Policy on infrastructure investment, regional and local infrastructure subsidies;

➤ Road tax and tolls in congested corridors;

➤ Increase technical unit efficiency of rail;

➤ Fuel tax.

Besides measures regarding the shift to another means of transport, it can be used a series of other measures:

✓ ICT applications to the transport system (real time travel information, travel planning);

✓ Strategies for improving driving behaviour, energy-efficiency and traffic safety among drivers;

✓ Ecological driving (speed limits);

✓ Increased load factor;

✓ Fiscal policy to promote ecologically sustainable activities via economic incentives.

Besides taxes and tolls, fiscal harmonization at European level supposes also the use of a standard and permanent accounting system for expenditure on infrastructure in respect of transport by rail, road and inland waterway, with a view to the development of a system for charging the use of infrastructure.

4. CONCLUSIONS

In a global economy, based on international norms it can be relieved the tendency of disconnection the accounting from fiscal system. Related to 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. The peculiarities of transport system impose the treatment of fiscal management problems in a specific manner, one of the objectives being that of fiscal effectiveness, as component of the general management of the transport companies’ activities.

In what it concerns the fiscal harmonization in the transport field, at European level, taken over also by the Romanian regulations, that 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.

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