INTERFERENCE OF ACCOUNTING POLICIES WITH FISCAL POLICIES IN THE CONTEXT OF THE APPLICATION OF IFRSS

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Abstract: *Specialists in the field of economics, technology and knowledge of the activity of the reporting economic entity must be involved in the development of accounting policies. Accounting policies must also be developed in connection with the specifics of the entity's activities and strategies, in accordance with the legal provisions in force (currently OMFP 1.802 / 2014 harmonized with European Directives and IFRSs). In the current context, the accounting policies of the reporting economic entity should take into account the tax effects generated as a result of the correction of errors from other prior periods and are treated in accordance with the provisions of IAS 12 "Income Taxes".*

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1. Introduction

IAS 12 outlines the approaches to accounting treatment used to highlight corporate income tax based on current and future tax impact on the future recovery of the carrying amount of assets and the events and transactions of the current period recognized in financial statements of the reporting economic entity.

2. Accounting policies and fiscal policies

The provisions of IAS 12 use a number of terms, the definition of which is absolutely necessary and which we will set out below:

• accounting profit, represents the calculated profit or loss without applying the deductions of the expenses related to the tax. The destination of the accounting profit is registered in the accounting records of the reporting economic entity according to its distribution approved by the governing bodies of the GMS and CA, amounts materialized in dividends, reserves or other destinations;

• the taxable profit or the fiscal loss, is calculated in relation to the existing regulations in fiscal matter by which the method of determining the payment or recovery of the profit tax is established;

• tax expense (tax revenue), “the aggregate amount of current and deferred tax included in determining profit or loss”;

• the current tax, is the value of the tax payable or recoverable in relation to the taxable profit of the period or its fiscal loss;

• the deferred tax receivables reside in the recoverable amount of the profit tax determined by some differences related to the deductibility, the reported and unused tax losses, the reported and unused tax credits;

• temporary differences, resulting from the difference between the carrying amount of the assets or liabilities included in the financial statements and the related tax base;

• the tax base of an asset or liability represents the amount given for tax purposes to that asset or liability.

The tax base of an asset is the amount that is deducted for tax purposes related to any economic benefit subject to taxation produced by the economic entity in the event of its recovery of the carrying amount of the asset. The tax base is determined as follows,

• for debts,
tax base = book value - the total tax deductible amounts of future periods;
• for income,
tax base = book value - the value of non-taxable income for future periods.

Other significant provisions in accordance with the subject of scientific research are contained in IAS 12 which deals with "the recognition of current tax liabilities and receivables" and "the recognition of deferred tax liabilities and receivables". So,

• on "recognition of current tax liabilities and claims",
the direct tax for the current and previous periods must be recognized as a debt calculated in the amount of the unpaid amount, and if the value of the tax paid for both the current and the previous period is higher than the amount due, the difference must be recognized as debt. It may also be recognized as a claim the benefit of a tax loss for which it is permitted to move to an earlier period in order to recover the current tax relating to an earlier period;

• on "recognition of deferred tax liabilities and claims",
any deferred tax liability is required to be recognized for any taxable temporary difference. Exceptions to this recognition are differences related to the initial recognition of goodwill or those that relate to the initial recognition of an asset or liability resulting from combinations of economic entities or at the time of the economic event do not affect the accounting profit or tax loss.

Deductible temporary differences refer to those differences whose result is deductible in the calculation of the tax loss for the future period if the value of the asset or debt is subject to recovery or settlement.

Reporting economic entities are required to recognize a deferred tax liability related to taxable temporary differences in the case of investments in subsidiaries or associates under joint commitments unless two cumulative requirements are met, as follows: joint ventures have the capacity to exercising control over the timing of temporary differences and creating the possibility of not recognizing the temporary difference in the foreseeable future.

The recognition of a deferred tax asset that relates to all deductible temporary differences arising entirely from investments in associated economic entities shall be made by the reporting economic entity only when the preconditions for resuming the temporary difference in the immediate future are created. with which to use the temporary difference.

The assessment of debts and receivables related to the current tax for the current period but also of previous periods must be performed at the value at which the payment or recovery is estimated to be made, or from the tax authorities using tax rates established by the tax regulations issued during the reporting period. financial.

The measurement of deferred tax assets and liabilities is measured at the estimated tax rate to be applied to the period in which the asset or liability was realized, relative to the tax rates established during the reporting period by the tax regulations.

The assessment of deferred tax liabilities and receivables requires highlighting the tax consequences arising from the way in which at the end of the reporting period the economic entity estimates the possibilities of recovering or settling the carrying amount of assets and liabilities. It should be noted that the revision of the carrying amount Deferred tax receivables are recognized at the end of each reporting period.

In accordance with the provisions of IAS 12, the amount of deferred tax, including profit or loss for the reporting period, is required to be recognized as income or expense except in the following cases:

• a transaction or event that is recognized, at the same time or at a different time, outside profit or loss, either in other comprehensive income or directly in equity […]; or

• a business combination […]”.

In addition to profit or loss, current and deferred tax is obligatorily recognized if it is connected to items already recognized either in the same period or in a different period.

The offsetting of current tax receivables and liabilities is carried out only if the following conditions are cumulatively met:

• has the right to exercise legally acquired in order to compensate the recognized values;

• has in perspective the settlement of the debt related to a net basis, or to settle the debt at the same time as the capitalization of the asset.

Furthermore, the reporting entity is obliged to offset the deferred tax assets and liabilities subject to the following conditions:

• the reporting entity has the legal right to offset receivables from current tax liabilities;

• deferred tax assets and liabilities are associated with corporate income taxes levied by the same public tax authority.

Tax expenditures or tax revenues include a number of items that are as follows:

• has in perspective the settlement of the debt related to a net basis, or to settle the debt at the same time as the capitalization of the asset.

Furthermore, the reporting entity is obliged to offset the deferred tax assets and liabilities subject to the following conditions:

• the reporting entity has the legal right to offset receivables from current tax liabilities;

• deferred tax assets and liabilities are associated with corporate income taxes levied by the same public tax authority.

Tax expenditures or tax revenues include a number of items that are as follows:

• the amount related to current tax expenses;

• the amount related to current tax revenues;

• the amount of adjustments recognized in the reporting period for current tax in past periods;

• the amount related to the expenses associated with the deferred tax and the income from the deferred tax associated with the events initially recorded in the accounting records and the resumption of the temporary differences;

• the amount of the benefit determined by a tax loss related to a previous period, or from the use in order to reduce an expense with the current tax of a tax credit or a temporary difference from the previous period;

• the value of the benefit occasioned by the reduction of the deferred tax expenses either by credit of fiscal nature, or by temporary difference or fiscal loss;

• the amount related to the deferred tax expense determined by the reduction or resumption of a reduction related to a previous period belonging to a deferred tax receivable;

• the amount of either the tax expense or the tax revenue caused by changes in the reporting entity's accounting policies.

In addition to the components of tax expenditure and tax revenue, the reporting entity is required to provide the following information separately:

• “current and deferred aggregate tax related to items that are debited or credited directly to equity”;

• the value of the distinct profit tax for each separate element included in the global result;

• explanations regarding the determining causes of changes in tax rates;

• the aggregate value given the temporary differences related to investments between associated economic entities whose deferred tax liabilities have not been recognized;

• information on each category of loss and type of tax credit is presented separately, on which occasion it is specified: the amount of deferred tax assets and liabilities, recognized in each period in the financial statements of the reporting economic entity; the amount related to deferred tax or deferred tax expense recognized in profit or loss;

• information on the impact on corporate income tax of dividends granted to shareholders, declared before the approval of the financial statements, etc.

3. Conclusion

There is a complementary relationship between the accounting policies and the fiscal policy of a reporting economic entity, but also a reciprocal causal link. These phenomena are visible from the stage of registration in the accounting records of the economic entity of any event economic or transactions. Moreover, the provisions of IFRS require the management of economic entities to take into account the development of accounting policies and the tax aspect associated with each event or transaction.

An efficient management of the economic entity's resources presupposes an increased attention both on the economic-financial operations carried out in order to obtain profit and on the fiscal dimension of the economic activity.

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