

ASPECTS ON THE IMPORTANCE OF ELECTRONIC PROCESSING OF INFORMATION IN CALCULATING THE PROFIT TAX

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***Abstract:** The profit, according to the definition given in the Explanatory Dictionary of the Romanian language (Dex), represents a "gain" obtained in a given period of time by taxpayers, legal entities and individuals, while the total revenue achieved by economic activities performed in order to obtain income, are greater than the costs incurred to obtain the respective income. According to the regulations in effect, this gain is subject to taxation by applying a rate of 16% on the tax base. The resulted amount, represents the income tax, sum which once listed and submitted with a tax return to the tax institution, becomes a tax receivable which the state is entitled to collect.*

A special importance in determining the tax base for income tax calculation, it represented by a correct electronic processing of accounting data for obtaining information in order to determine the correct amounts owed to the state and the electronic preparation and submission of tax returns.

Keywords: information, income, expenses, taxable profit, net profit.

1. Introduction

From the literature we drew some definitions related to the data and information.

The word information - taken from Latin (informatio) via French (information) - is multifaceted and can get more meanings (sometimes totally different or even contradictory), which are determined by the very different areas and contexts in which it is used. Besides the meanings in the ordinary language, it also has other meanings assigned either by defining it as a term (scientific or technical) or as a concept in some branches of philosophy or of science and technology whose object of study information it is. The term "information" is also related to an informational process (sequence of actions that inform) but it is also the result of this process (volume, variety of information obtained) as well as of some specific phenomena (phenomenon of information, information explosion, etc.) [8]

"Information" is one of the most commonly used words, very often abusively. Different scientific disciplines give different meanings to this term or associates it incorrect homonyms. Although a few decades ago mankind stepped into the information age, and society passed from the information society to the knowledge society, the word has often been used without giving the worthy attention to the different significances it can get. Although they are not synonymous, the words *knowledge*, *information* and *data* are often used interchangeably, causing confusion. [8]

Information, s.f. 1. communication, word, news that update someone about a situation. 2. edification on someone or about something; totality of information and documentary material; origins, sources. 3. Each of the new elements, in relation to prior knowledge, contained in the meaning

of a symbol or group of symbols (written text, spoken message, plastic images, indication of an instrument, etc.). Information theory = mathematical theory of the general properties of information sources, transmission channels, storage facilities and information processing. [9]

Information is a central component, constitutive for the human life, inherent for interpersonal, economic or other relationships. Information, information products, as well as the costs and benefits of information play an increasingly greater role in contemporary society. [1]

The transformations and meanings that information may receive from processing, can be represented by: [2]

Information → Data → Processing → Data → Information

Information is leading almost every area of modern Western civilization and almost nothing happens without adequate information. [3].

There are few things that do not involve the collection, distribution, generation and access to information.

Data are facts or conditions, obtained, observed, counted, measured, etc. which are recorded. Often they are called basic data are often recorded in the daily transactional activities of an organization. [4]

2. Income tax scope and calculation method

According to the Tax Code in force, "the income tax is applied as follows:

- a) a) to Romanian legal persons and legal entities with headquarters in Romania, established according to European legislation, on taxable profit derived from any source, both from Romania and abroad;
- b) in the case of foreign legal entities carrying on business through a permanent establishment /more permanent establishments in Romania, on the taxable profit attributable to the permanent establishment or the taxable profit determined in the permanent establishment designated to fulfil tax

obligations; (effective from 1 of July 2013)

- c) in the case of foreign legal entities and non-resident individuals that operate in Romania in association with or without legal personality, on the part of the taxable profit of the association that is assigned to each person;
- d) in the case of foreign legal entities income attaining from / or in connection with real estate located in Romania or from the sale / disposal of shares held in a Romanian legal entity, on the taxable profit related to these incomes;
- e) e) in the case of resident individuals associated with Romanian legal persons achieving income both in Romania and abroad, in unincorporated associations, on the proportion of the taxable profit of the association attributable to the resident individual." [5]

3. Profit tax calculation method

Theory and Practice present three ways of calculating profit: gross profit, taxable profit, net profit.

The gross profit represents the difference between total revenue and total costs of achieving these revenues over a period of time, month, quarter, and year.

Determining the gross profit needs information on revenues and expenditures accounted for, namely: operating revenues; financial revenues; exceptional revenues, operating expenses; financial expenses and exceptional expenses.

The taxable profit represents a part of the gross profit that results after deducting the legally regulated non-taxable income and adding the non-deductible expenses according to the methodology.

When determining the taxable profit one will take into account the deductible expenses related to achieving the profit and limits of the law.

The net income represents a part of the taxable profit remaining after deduction of income tax.

The income taxes represent a sum owed to

the state's budget, without obtaining an equivalent in return.

The income tax is an indirect tax, which is on the one hand a source of income for the state's budget and for the taxpayer it represents a deductible expense.

The quantification of the income tax in amounts owed to the state's budget is realized based on the data of primary documents, entered in the accounts monthly and involves applying a rate of 16% on the taxable income.

The calculation is done monthly, cumulative from the beginning of the calendar year.

The payment of the profit tax may be done monthly until the 25th of the next month or quarterly by the 25th of the first month of the following quarter and for the fourth quarter, payment is due for the 25th of January, the next year.

The general rules on calculating taxable profits are set out in Article 19 of the Tax Code and they stipulate the following:

- the taxable income must be calculated as a difference between revenues relieved of non-taxable income deducting expenses and adding the non-deductible expenses incurred to obtain this income, but also taking into account other similar items of income and expenses.
- accounting methods aiming at stocks being pulled out of inventory are not changed during the fiscal year in order to be recognized when we are calculating the taxable income. The exception is only represented by

instalments sales under paragraph 3 of article 19 of the Tax Code;

- taxpayers who under the law opted until the 30th of April 2005 inclusive, enjoy the facility of taxation during the contracts of sale with payment in instalments, as the instalments are paid; corresponding expenses are considered deductible at the same deadlines that have been set for the instalments, proportional to the value of the instalment recorded in the total contract value ;
- for taxpayers engaged in international services, based on conventions where Romania is a party, determining taxable profit will be achieved according to specific rules, jointly established, in accordance with the regulations of the conventions;
- transactions between related parties are based on the free market price principle and is carried out under the trade conditions found appropriate or imposed between independent enterprises. In determining the profits of affiliated persons, transfer pricing principles must be considered;
- taxpayers are required to highlight taxable income from any source, in the register of tax, in a fiscal year, and the expenses performed in order to achieve these revenues, governed by the legislative measures in force.

As an example we present the following situation on the method of determining the income tax:

Table no. 1: Example: Profit tax calculation method

	Indicators	Year 2014
A.	REVENUES	
1	Sold production	8.112.300
2	Sold goods	
3	Subsidies revenues	
4	Revenues related to production costs	
5	Production for own purposes	
6	Other operating revenues	12.366
	Turnover	8.112.300
A1	Total operating revenues	8.124.666

	Indicators	Year 2014
A2	Total financial revenues	562.169
A3	Total extraordinary revenues	
A4	Total revenues	8.686.835
B	EXPENSES	
1	Raw materials and consumables expenses	156.300
2	Other expenses	86.297
3	Electricity and water expenses	255
4	COST OF GOODS	
5	Received commercial discounts	
8	<i>Salaries expenses</i>	<i>367.120</i>
9	<i>Social insurance expenses</i>	<i>55.300</i>
10	Total employee expenses	422.420
11	Adjustments on tangible assets	0
12	Adjustments on current assets	5.000
13	Other operating expenses(rd.28 la 31)	6.361.721
14	Expenses with external performances	652
15	Expenses on duties and taxes	1.235
16	Other expenses	7.723
17	Expenses on compensations, gifts, disposal assets	
18	Provision adjustments	6.352.111
B1	Total operating expenses	7.031.993
14	Operating profit (A1-B1)	1.092.673
15	Interest on long term loans	
16	Interest on short term loans	24.179
B2	Total financial expenses	379.323
B3	Total extraordinary expenses	0
B4	Total expenses	7.411.316
C1	Gross profit	1.275.519
C2	Profit tax	204.083
C3	Net profit (C1-C2out of which:	1.071.436
C4	Paid off dividends	10.503

Source: Țirlea., M., R., *Taxation. Practical applications handbook, 2015. Financial statements at 31.12.2014. Calculating the profit tax*

The taxable profit is calculated as the difference between income from any source and the expenses incurred in order to achieve revenue in a fiscal year, deducting the non-taxable income and adding the deductible expenses. In determining the taxable income we also take into account other elements similar to income and expenses, according to the application rules. According to the presented situation the determined income tax is 204.083 lei, with payment deadline on the 25th of January 2015.

For delayed payments taxpayers are

sanctioned by the application of delay penalties until the settlement date.

4. Conclusions

In order to determine the appropriate income tax one is required to correctly delineate the following concepts and issues related to:

- taxpayers;
- the scope of the tax;
- exemption from income tax;
- calculating taxable income;
- deductions for research and development expenses;
- exemption for the reinvested profits;

- tax rules for the taxpayers who comply with the International Financial Reporting Standards accounting regulations;
- tax incentives;
- non-taxable revenues;
- tax regime of dividends received from the European Union states;
- expenses;
- provisions and reserves;
- expenses with interest and exchange rates;
- tax losses.

Data can be considered as the raw material of information [4].

This corollary leads to the following conclusions:

It requires a correct reception of data from the primary accounting documents generating revenues and expenditures;

It requires an examination of how the data was processed and got to be entered in: a) income statement, b) analytic trial balance, synthetic trial balance, accounting journal, general ledger, income tax statement.

The correct setting of these issues will ensure the correct determination of the tax base and in consequence of the amounts owed by the entities by way of income tax.

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