

TAX TREATMENT OF COMMON COSTS

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Abstract

Accounting provides information on financial performance of an entity. For companies who owns profit tax, it is important to establish the right amount of deductible expenses. According to the current Romanian fiscal law, the taxable profit of a company is calculated as a difference between revenues and expenses registered according to the applicable accounting regulations, adjusted by deducting non-taxable revenues and tax deductions and by adding non-deductible expenses. Also, elements similar to revenues and expenses are taken into account when calculating the taxable profit. The purpose of the paper is to analyze how the common costs can influence the profit tax amount a company has to pay, and to describe the manner how this kind of costs is allocated in the tax calculation process.

Key words: taxation, company tax, profit tax, specific tax, deductible expenses, common costs

JEL codes: H25, K34, M40

1. Introduction

One of the objectives of accounting is to provide information about the situation of assets, liabilities, equity, expenses and income. Subtracting from the income the expenses registered at a certain moment, we obtain information about the result of the company, i.e. its profit or loss. Normally, this result is taxed. The way in which the result of the company is taxed divides the accounting systems into two categories: accounting systems in which the accounting is connected with the taxation, and accounting systems in which the accounting is disconnected from the taxation. In the case of a system in which the accounting is connected to taxation, for the calculation of the fiscal result and implicitly of the profit tax it is started from the result determined as the difference between the incomes and expenses recognized in the accounting. This result is adjusted according to tax regulations. Where accounting is disconnected from taxation, the accounting and tax rules for the recognition of expenditure and revenue shall be applied in parallel. Thus, an accounting result is calculated separately and a fiscal result separately. The differences between the two calculation algorithms are subsequently reconciled [1].

The Romanian accounting system is connected with the taxation. In the calculation of the profit tax we start from the accounting result, we reach the fiscal result, then a profit tax rate is applied to this value. This determines the amount of tax to be paid to the state.

The present scientific paper analyses the tax treatment of common costs within the Romanian companies. We have proposed ourselves to describe the manner how the common costs are allocated in the tax calculation process. Our paper is structured as follows: first we discussed on general taxation and company tax, and then we continued with a research on the tax deductibility of common costs. At the end, we formulated the conclusions regarding tax treatment of common costs after the conducted research and analysis.

2. Taxation

In general, taxation is defined, in Encyclopaedia Britannica, as "imposition of compulsory levies on individuals or entities by governments. Taxes are levied in almost every country of the world, primarily to raise revenue for government expenditures, although they serve other purposes as well" [4]. For Kagan (2020), taxation is a "term for when a taxing authority, usually a

government, levies or imposes a tax. The term «taxation» applies to all types of involuntary levies, from income to capital gains to estate taxes. Though taxation can be a noun or verb, it is usually referred to as an act; the resulting revenue is usually called «taxes»" [3].

Taxation is "by and large the most important source in nearly all countries. According to the most recent estimates from the International Centre for Tax and Development, total tax revenues account for more than 80% of total government revenue in about half of the countries in the world – and more than 50% in almost every country. (...) Taxation patterns around the world today reveal large cross-country differences, especially between developed and developing countries. In particular, developed countries today collect a much larger share of their national output in taxes than do developing countries; and they tend to rely more on income taxation to do so. Developing countries, in contrast, rely more heavily on trade taxes, as well as taxes on consumption" [5].

Stephen Quest, Director-General at Directorate-General for Taxation and Customs Union, considers that taxation "has always been a topic of heated debate. Although opinions on tax policies differ sometimes strongly, taxes are critical for the sustainability of public finances and are an important policy lever for transforming society" [12]. The most basic function of taxation is to fund government expenditures. Varying justifications and explanations for taxes have been offered throughout history. Early taxes were used to support ruling classes, raise armies and build defenses. Later justifications have been offered across utilitarian, economic or moral considerations. Proponents of progressive levels of taxation on high-income earners argue that taxes encourage a more equitable society. Higher taxes on specific products and services, such as tobacco or gasoline, have been justified as a deterrent on consumption [3].

For Angel Gurría, the Secretary-General of the Organisation for Economic Co-operation and Development (OECD), "tax is at the heart of our societies. A well-functioning tax system is the foundation stone of the citizen-state relationship, establishing powerful links based on accountability and responsibility. It is also critical for inclusive growth and for sustainable development, providing governments with the resources to invest in infrastructure, education, health, and social protection systems. Across the whole range of policy issues facing governments today, tax finds itself playing a central role, whether it is about collecting sufficient resources to fund the infrastructure of a society or acting as a policy lever to reflect attitudes and choices about such diverse areas as climate change, gender equality, education, health" [16]. "Tax systems have varied considerably across jurisdictions and time. In most modern systems, taxation occurs on both physical assets, such as property and specific events, such as a sales transaction. The formulation of tax policies is one of the most critical and contentious issues in modern politics" [3]. Today, tax is "attracting attention like never before – among governments and citizens, in boardrooms and the C suite, and across businesses and their supply chains. Tax is at the forefront of negotiation and debate, and it is driving decisions on policy, trade, strategy and business transformation" [14]. The decision-making process in the field of taxation, at local, national or regional level, is a complex one, the authorities realizing that they must respect both the interest of taxpayers to maintain the propensity to consume, save and invest, and the public interest to collect sufficient resources to cover the assumed expenses [2].

Fiscal policy within the European Union (EU) consists of two components: direct taxation, which remains the exclusive competence of the Member States, and indirect taxation, which affects the free movement of goods and the freedom to provide services in the single market. Regarding direct taxation, the EU has set harmonized standards for corporate and individual taxation, and Member States have taken common steps to prevent tax evasion and double taxation. In the field of indirect taxation, the EU coordinates and harmonises value added tax (VAT) and excise legislation. This avoids distortions of competition in the internal market as a result of variations in indirect tax rates and systems that would give firms in a specific country an unfair advantage over others [28]. National governments have the task of collecting taxes and setting tax rates. The EU coordinates

some national tax rules and tax rates, where differences may discourage citizens from buying and selling in other EU countries. The EU also promotes cooperation between Member States on combating tax fraud and evasion, eliminating discrimination and reducing the costs of compliance tasks [10].

Unlike the exact sciences, which have a range of tools that allow direct observation and measurement of the phenomenon studied, taxation is largely subjective, being influenced by economic and political doctrine of the government, as well as taxpayers' perceptions of its effectiveness. Therefore, in the absence of the experiment, the results of the fiscal policy can be anticipated with an approximation that ultimately affects the economic and financial performance at the micro and macro economic level. It then becomes increasingly clear that there is a need to build an appropriate framework for fiscal governance, focused on transparency and accountability, as the foundation of confidence in the effectiveness of the collection and use of public money [2].

Taxation applies to all different types of levies. These can include (but are not limited to) [3]:

- income tax: governments impose income taxes on financial income generated by all entities within their jurisdiction, including individuals and businesses;
- corporate tax: this type of tax is imposed on the profit of a business;
- capital gains: a tax on capital gains is imposed on any capital gains or profits made by people or businesses from the sale of certain assets including stocks, bonds, or real estate;
- property tax: a property tax is assessed by a local government and paid for by the owner of a property. This tax is calculated based on the property and land values;
- sales tax: a consumption tax imposed by a government on the sale of goods and services. This can take the form of a value-added tax (VAT), a goods and services tax (GST), a state or provincial sales tax or an excise tax.

There are several taxes and contributions payable by each company incorporated in Romania. Branches or subsidiaries of foreign companies that operate on Romanian territory will also have to comply with the tax laws and the requirements for accounting and auditing. The most important taxes for companies in Romania include [20]:

- the profit tax: 16% applicable on the Romanian-source profits; a minimum 5% rate can apply for certain business activities;
- the micro-enterprise income tax (for registered incomes of EUR 1 million);
- the Value Added Tax: with a newly reduced rate of 9% for all foodstuffs and a standard rate of 19% since 2017;
- the real estate property tax: between 0.25%-1.5% of the entry value of the building - a tax levied at a local level for owned buildings and land.

3. Company Tax

Company tax, also referred to as corporation tax, should be paid by various types of companies, clubs, co-operatives and unincorporated associations on profits from doing business. The rules are set by national authorities and can be different for each member state [30].

On business taxation in EU [29], in October 2001, the Commission presented its new plans for the coming years for company taxation in the EU in a Communication based on a detailed study. The Communication identified several steps which could be taken to remove individual tax obstacles to cross-border trade in the Internal Market and the Commission and Member States are currently discussing these. However, the Commission also concluded that in the longer term Member States should agree to allow EU companies to use a single consolidated base for computing tax on their EU-wide profits. The Commission has since been engaged in intensive follow-up work both on various individual measures to address specific problems in the company tax field and on its long-term proposals for a common tax base. The Commission presented a

follow-up Company tax Communication in November 2003 confirming the commitment taken in the 2001 strategy, reviewing its efforts to remove obstacles affecting businesses operating within the Internal Market and presenting ideas for a pilot scheme that would allow small and medium-sized enterprises to use the tax rules of their home state for computing their EU-wide taxable profits. In 2005 the Commission proposed a re-launching of the Lisbon strategy, with the focus on growth and jobs. As far as corporate taxation is concerned, the Commission confirmed its policy to provide companies operating in the single market with a common tax base.

Now, in Romania, there are three companies or corporations' taxes. Two of them, i.e. the profit tax and tax on micro-enterprises revenues, are regulated by the Law no. 227/2015 on the Fiscal Code. The third one, named specific tax, is approved by the Law no. 170/2016 regarding the tax specific to certain activities.

Under the current law [22], in Romania are required to pay corporate tax the Romanian legal persons, foreign legal entities that carry out activities through a permanent establishment in Romania. Foreign legal entities and non-resident individuals who operate in Romania in an association without legal personality and foreign legal persons who derive income from or in connection with real estate located in Romania or income from the sale / disposal of shares held in a Romanian legal entity must pay the corporate tax. When individuals associated with Romanian resident legal person, for income obtained both in Romania and abroad from associations without legal personality, the individual tax due is calculated, withheld and paid by the Romanian legal entity [18].

A company is considered as resident in Romania if it is set-up under Romanian law, has its legal seat or its place of effective management in Romania. Resident companies are taxable on their worldwide income unless a double tax treaty stipulates otherwise. The taxable profit of a company is calculated as a difference between the revenues and expenses registered according to the applicable accounting regulations, adjusted by deducting non-taxable revenues and tax deductions and by adding non-deductible expenses. Also, elements similar to revenues and expenses are taken into account when calculating the taxable profit. Non-resident companies that are carrying on activities in Romania through a permanent establishment are required to pay corporate income tax for the taxable profit attributable to the permanent establishment [6].

In Romania, there are certain exemptions from the corporate tax payment, for several categories of taxpayers [22], such as: State Treasury, public institutions, Romanian legal persons who pay income tax on microenterprises, Romanian foundations formed as a result of a legacy, accredited private educational institutions, homeowners associations constituted as legal entities and residents associations recognized as owners associations, Deposit Guarantee Fund in the Banking System, Investor Compensation Fund, the National Bank of Romania, private pension guarantee fund [18].

The tax year is generally the same as the calendar year. However, companies can opt for a different fiscal year if it corresponds to their financial accounting year. The corporate income tax is payable on a quarterly basis and payments must be made until the 25th day of the month following the month when the quarter ends. Advanced payments on a quarterly basis are also possible. Failure to comply with the filing requirements results in penalties: late payment is taxed at 0.03% for each day of delay [20].

The standard profit tax rate is 16% for Romanian companies and foreign companies operating through a permanent establishment in Romania. Resident companies are taxed on their worldwide income, unless a double tax treaty stipulates otherwise. Non-resident companies are taxed on all income derived from Romanian taxpayers, regardless of whether the services are rendered in Romania or abroad. The profit tax due for nightclubs and gambling operations is either 5% of the revenue obtained from such activities or 16% of the taxable profit, whichever is higher [17], [22].

Micro-enterprises are subject to a mandatory revenue tax rate in lieu of the standard profit tax. The condition for a company to be considered a micro-enterprise is to have a maximum revenue at the end of the previous year of 1 million euros (EUR). The tax rates used for micro-company income tax are: 1% for micro-enterprises with one or more employees, or 3% for micro-enterprises with no employees. Newly established companies are required to follow the micro-enterprise tax regime starting with the first fiscal year. Micro-enterprises can opt once for applying profits tax if they fulfil both of the following conditions: have a subscribed share capital of at least 45,000 Romanian lei (RON), and have at least two employees. The calculation and payment of tax for micro-companies shall be performed carried out quarterly, by the 25th day (inclusive) of the month following the quarter for which the tax is calculated [17].

On January 1, 2017, the Law no. 170/2016 regarding the tax specific to certain activities entered into force. By derogation from the provisions of title II - Profit tax, from Law no. 227/2015 on the Fiscal Code, with subsequent amendments and additions, this law regulates the specific tax for Romanian legal entities carrying out activities corresponding to the NACE (National Classification for the Economic Activities) codes: 5510 - "Hotels and other similar accommodation facilities", 5520 - "Accommodation facilities for holidays and short periods of time", 5530 - "Caravan parks, campgrounds and camps", 5590 - "Other accommodation services", 5610 - "Restaurants", 5621 - "Catering activities for events", 5629 - "Other food services", 5630 - "Bars and other beverage serving activities".

4. Common Costs. Tax Treatment

All companies, no matter what they make or what products they sell, have expenses or costs related the operational and financial activities. According to the Accounting Law no. 82/1991, expenditure accounting is kept by type of expenditure, according to their nature or destination, as the case may be [21]. Financial accounting is responsible for recording the expenses by nature, and management accounting is dealing with recording the expenses by destination. Management accounting makes distinguish between direct cost and indirect cost, variable cost and fixed cost.

The Organisation for Economic Co-operation and Development (OECD) has a glossary of tax terms [15] where we have found the following definitions of cost terms:

- cost - purchase price paid for property or the value of the exchange for which property is given;
- direct cost - cost identified with a particular transaction, such as raw materials, components and goods, wages and other processing expenses;
- indirect cost - costs that cannot be identified in relation to a particular activity but that, nevertheless, are related to the direct costs (e.g. overhead expenses, costs of supporting departments, and a proper share of research and development (R&D) costs);
- overhead expenses - the general expenses of a business as opposed to the direct cost of producing a good or service. "Overhead costs" is a term which may, in tax matters, also be used for costs incurred by the head office of a concern for the benefit of branches or subsidiaries.
- administrative expenses - expenses that are not as easily associated with a specific function as are the direct costs of manufacturing and selling. It typically includes expenses of the headquarters office and accounting expenses.

According to Romanian accounting regulations [25], [26], the cost of production or processing of inventories, as well as the cost of production of fixed assets, include direct production costs, namely: direct materials, energy consumed for technological purposes, direct labor and other direct production costs, and the share of indirect production costs allocated rationally as being related to their manufacture. The full cost includes the cost of production plus general administrative and selling expenses.

For the calculation of the costs of goods, works, services and costs for the period, the expenditure recorded in the financial accounting by their nature shall be grouped in the management accounting as follows: direct expenses, indirect expenses, sales expenses, and general administration expenses. Direct expenses are those expenses that are identified on a certain calculation object (product, service, work, order, phase, activity, function, center, etc.) from the moment they are performed and as such are included directly in the cost of those objects. Direct costs include: the cost of purchasing raw materials and direct materials consumed, energy consumed for technological purposes, direct labor (wages, insurance and social protection, etc.), other direct costs. Indirect expenses are those expenses that cannot be identified and attributed directly to a certain calculation object but concern the entire production of a section or of the legal person.

But what is a common cost? In an accounting dictionary, we read this definition: "A common cost is an expense associated with operating a facility, product, or segment that is shared between two or more departments or users. In other words, it's a shared expense of creating a product or providing a service that can't be attributed to a single department or user" [32]. A common cost is "a cost that is not attributable to a specific cost object, such as a product or process. For example, the cost of rent for a production facility is not directly associated with any single unit of production that is manufactured within that facility, and so is considered a common cost. When a common cost is associated with the manufacturing process, it is included in factory overhead and allocated to the units produced. When a common cost is associated with administrative functions, it is charged to expense as incurred" [31].

Common costs must be allocated "equitably to all of the users that share the expense based on the cost object. This treatment is far better for each department involved because their shared costs are much lower than the total expense associated with the activity if they were required to pay for it individually. Common costs are typically assigned or allocated to joint products, processes, and activities, so the company can accurately determine the cost of each activity and adjust prices accordingly" [32].

In the following we are presenting three issues on tax treatment of common costs. First one is based on tax rules approved by the Law no. 227/2015 on the Fiscal Code, and the Government Decision no. 1/2016 on the approval of the Methodological Norms regarding the Law no. 227/2015 on the Fiscal Code. The other two are based on the Law no. 170/2016 regarding the tax specific to certain activities, and the Order no. 246/464/2017 of the Minister of Tourism and of the Minister of Public Finance for the approval of the Methodological Norms for the application of Law no. 170/2016 regarding the tax specific to certain activities. Besides legislation, we used as references other publications [9] in the field on the subject analysed.

Issue #1

We know that the taxable profit is to be computed as the difference between incomes realized from any source and expenses effected for the purpose of the realization of incomes, in a fiscal year, from which non-taxable incomes are deducted and to which non-deductible expenses are added. In determining the taxable profit, other elements similar to incomes and expenses are also to be taken into account according to norms of application.

In general, are considered deductible expenses those expenses which are incurred for the purpose of carrying on the business activity, unless they are specifically mentioned by law as limited deductibility expenses or non-deductible expenses [6].

For calculation of the taxable profit, expenses are deductible only if the expenses are affected for the purpose of the realization of taxable incomes, including those that are regulated by normative acts in force. There are expenses with limited deductibility and expenses that are not deductible. In the last-mentioned category are included the expenses related to non-taxable income.

As the article 25 paragraph (4) letter e) of the Fiscal Code says, if the accounting records do not provide the information necessary to identify these expenses, the calculation of the tax result takes into account the management and administration expenses, as well as other common expenses of the taxpayer, by using a rational method of allocating them or proportionally to the share of non-taxable income in the total income recorded by the taxpayer [22], [24].

Example: At the end of a fiscal year, a company presents the following financial statement:

- revenues from the sale of goods – 3,750,000 lei
- revenues from services – 2,500,000 lei
- income from dividends received from a Romanian legal entity – 1,500,000 lei
- income from the cancellation of provisions for which no deduction was granted – 400,000

lei

Total income – 8,150,000 lei

- expenses regarding the goods – 1,875,000 lei
- expenses with the salaries of the management staff – 625,000 lei

Total expenses – 2,500,000 lei

The company does not have a separate accounting record to ensure the information necessary to identify the expenses for the administration of the participation titles held in another Romanian legal entity. Therefore, according to the provisions of article 25 paragraph (4) letter e) of the Fiscal Code, the company must allocate a part of the management expenses as related to dividend income, by using a rational method of allocating them or proportionally to the share of the respective non-taxable income in the total income recorded by the taxpayer. For the income from the cancellation of the provisions for which no deduction was granted, no management expenses are allocated.

To determine the share of management expenses as related to dividend income, in this example, the allocation rule "the share of non-taxable income in total taxable income" is used.

Thus, in order to determine the part of the expenses with the salaries of the management staff as related to the income from dividends, the following steps are followed:

- determining the share of dividend income received from a Romanian legal entity in total income: $1,500,000 / 8,150,000 = 18.40\%$
- determination of the part of the expenses with the salaries of the management staff as related to the income from dividends: $625,000 \times 18.40\% = 115,000$ lei

Therefore, out of the total expenses with the salaries of the management staff of 625,000 lei, 115,000 lei represent non-deductible expenses when calculating the fiscal result.

The first issue that we have just presented is based on information of Title II – Profit Tax of the Law no. 227/2015 on the Fiscal Code. Before we present the next two issues it is necessary to give the readers some explanations of how the new company tax, approved by the Law no. 170/2016, applies.

As of 1 January 2017, by way of derogation from the provisions of title II of Law no. 227/2015 on the Fiscal Code, companies that meet certain conditions (i.e. they have particular NACE codes as their principal or secondary activity and they are not undergoing a process of liquidation, as defined by law) will be required to pay a specific tax on the activities they perform [19].

If during the fiscal year a taxpayer also derives revenues from other types of activities not subject to Law no. 170/2016, then this will require the simultaneous application of the following:

- the specific tax rules for those activities that fall under Law no. 170/2016, and
- the corporate income tax rules for those activities not subject to Law no. 170/2016 [23].

In this case, taxpayers should prepare their accounting records according to Romanian accounting regulations such that they are able to determine an appropriate allocation of revenues and expenses relating to those activities that are subject to corporate income tax, either by applying an allocation method or through a proportional distribution of expenses based on the revenues

obtained from each type of activity [19].

In addition, we mention that, in 2017, during an online assistance and guidance session on the tax specific to certain activities, a taxpayer asked the next question: "How can the common expenses be distributed to make sure that there will be no reclassifications in case of a control (utilities, car repairs, cleaning supplies, fuel, salaries, contributions, etc.)?" The answer from the authorities was: "We consider that the distribution of common expenses between activities is done according to the approved accounting policies and procedures" [8].

Issue #2

According to paragraph 1 of article 9 of Order no. 246/464/2017 of the Minister of Tourism and of the Minister of Public Finance for the approval of the Methodological Norms for the application of Law no. 170/2016 regarding the tax specific to certain activities, in order to establish the common expenses that will be taken into account when determining the fiscal result, a rational allocation method is used, according to the applicable accounting regulations, or by distributing proportionally to the share of revenues obtained from the activities concerned in the total revenues realized by the taxpayer [27], [7].

Example: During a fiscal year, a taxpayer generates incomes from other activities, apart from those corresponding to the NACE codes provided in art. 1 of the Law no. 170/2016, and for these apply the profit tax. The common expenses of the taxpayer are distributed proportionally with the share of the incomes obtained from other activities in the total incomes generated by the taxpayer.

Total revenue generated by the taxpayer – 300,000 lei

Total expenses – 250,000 lei, of which: direct 170,000 lei and common 80,000 lei

Revenues obtained from other activities – 100,000 lei

Direct expenses related to income from other activities – 50,000 lei

Share of revenues of other activities in total revenues: $(100,000 / 300,000) \times 100 = 30\%$

The common expenses that will be taken into account when determining the fiscal result from other activities are: $80,000 \text{ lei} \times 30\% = 24,000 \text{ lei}$.

When determining the profit tax, according to title II of Law no. 227/2015 on the Fiscal Code, including subsequent amendments and additions, shall take into account the income and expenses related to activities carried out outside those corresponding to the NACE codes provided in art. 1 of the Law no. 170/2016, as follows:

- income from other activities in the amount of 100,000 lei;

- expenses related to incomes from other activities in the amount of 74,000 lei, of which: direct expenses 50,000 lei and common ones 24,000 lei.

Issue #3

According to paragraph 5 of article 9 of Order no. 246/464/2017 of the Minister of Tourism and of the Minister of Public Finance for the approval of the Methodological Norms for the application of Law no. 170/2016 regarding the tax specific to certain activities, taxpayers who carry out activities through a hotel complex and generate income from rental or association contracts to / with other companies regulated by the Companies Law no. 31/1990, republished, including subsequent amendments and additions, for these incomes applies the system of declaration and payment of the profit tax according to title II of Law no. 227/2015 on the Fiscal Code, including subsequent amendments and additions [27].

Example: A taxpayer operates through the five-star hotel complex located in Sinaia, which has in its structure two restaurants - Alpha and Beta. The accommodation capacity of the hotel complex is 250 seats. For the activity carried out through the hotel complex, the legal entity owes a specific tax according to table no. 3 of the annex no. 3 of the Law no. 170/2016, as follows:

The value of the specific annual tax is: $448 \text{ lei/seat} \times 250 \text{ seats} = 112,000 \text{ lei}$.

The legal entity rents restaurant Alpha with an area of 100 sq m to a legal entity that carries out activity corresponding to the CAEN code 5610 - Restaurants. The monthly income from this contract is 7,500 lei/month. The common expenses/year allocated to this activity are in the amount of 12,000 lei.

For the incomes realized from the rent of restaurant Alpha, the legal person will owe a calculated profit tax, according to title II of Law no. 227/2015 on the Fiscal Code, including subsequent amendments and additions, on the taxable profit determined on the basis of the annual income from the lease, from which are deducted the expenses related to that income, including the common expenses allocated to the rental activity.

5. Conclusions

All businesses must pay taxes. Taxation is "the basis for providing public goods and services. Efficient taxation systems facilitate the redistribution of income in a growth-enhancing manner. They also address negative externalities and channel scarce resources into a specific direction, for example, as part of a wider industrial policy" [13]. All businesses must pay tax on their income. This means that a business must pay tax on the profit of the business.

Corporate income tax influences both the choice of place of establishment, and domestic and foreign direct investment. Tax rates, the way in which the tax base is defined, and the issues related to tax compliance are determinants of the economic effects of taxation. The tax treatment of various sources of financing, the development of tax incentives and the time spent by companies on tax compliance can influence productive investments. Profit tax differences can cause multinational companies to shift profits from high-tax to low-tax countries [11].

All businesses cause costs to generate revenues. It is the only way a firm can make profit. Profit which will be taxed. All companies have common costs. These common costs can influence the profit tax that companies must pay. How the common costs are allocated in the tax calculation process? As we have seen in the issues above, in order to establish the common costs that will be taken into account when determining the fiscal result, a rational allocation method is used, according to the applicable accounting regulations, or by distributing proportionally to the share of revenues obtained from the activities concerned in the total revenues realized by the taxpayer.

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