THE ANALYSIS OF THE ADAPTATION METHODS OF ECONOMIC AGENTS IN AGRICULTURE TO TAXATION SYSTEM REQUIREMENTS IN THE REPUBLIC OF MOLDOVA

MARIANA COLESNIC

1State Agrarian University of Moldova, Chisinau, Republic of Moldova, e-mail: marianacoesnic@mail.ru

Abstract: It would seem that the old English saying “The tax tail should not wag the dog” is right, because ideally, taxes should not lead the entire activity of an enterprise but change significantly business philosophy. But this idea is only a theory. In practice, the taxes are the most powerful instrument of economic regulation that invades the strategic decision domain, often forcing leaders to change radically their tactics of activity organization. Therefore, if Moldova wants to be a modern state, taxpayers need to adapt their businesses to a modern system of taxation. In this context, we have considered the main directions of adapting agricultural enterprises to tax system according to the Tax Code of the Republic of Moldova, and we propose a new direction, which will certainly help enhance taxes competitiveness and increase the value of heritage of economic agents in agriculture.

Key words: adaptation, economic agent, fiscal relations

INTRODUCTION

The impact of modern tax conditions on the activities of agricultural entities and their current interpretation enable us to formulate an important methodological principle, which would contribute to the efficiency improvement of agricultural production. It states that we need to adapt agricultural producers’ activity to the terms of tax legislation, so as to facilitate at maximum the achievement of final goal. There is a reason to believe that in current economic conditions the most promising forms of agricultural enterprises’ adaptability to external environment is to adapt the participants to the system of financial relations and to frequent changes in tax legislation and tax system contradictions.

The relevance of this problem is that taxation holds one of the most important positions of all the relations hips in the market economy and is a key element of the economic mechanism of the production process management.

MATERIALS AND METHODS

Research studies are very important in supporting agricultural producers in the Republic of Moldova (hereafter RM), they are based on the regulations of state fiscal policy in agriculture. To validate the provisions of this article preference was given to the method of describing the ways of adapting agricultural entities under the Tax Code of the RM, applying elements of analysis, synthesis, induction and deduction.

RESEARCH RESULTS

In order to analyze the adaptation of agricultural businesses to the requirements of the tax system, first of all, it is necessary to reveal the content, priorities and basic features of „adaptation system” that should be placed at the base of the formation and research of this problem as a component part of the system of economic relations.

The adaptability to the changing economic environment is a fundamental objective for every economic unit. Merriam-Webster Online dictionary [8] defines adaptation as the fundamental property of an organism to modify the functions and structures according to quantitative and qualitative changes of the environment. If we look up the explanation in the dictionary of the Romanian language [7], we find the following definition: „to transform to meet certain requirements; to make it suitable for use in certain circumstances; to make it fit”. According to this definition the behavior of entrepreneurs
changes in such a way so as to „fit” new environmental requirements, although this „matching / transformation” is not always easy for them. Scientists Ferreira, Dan Li and Fernando Serra say in „Adapting to global business environment: Perspective advantageous resource” that the possibility of organizations to adapt to various environmental conditions, is called adaptability [2].

Thus, the term „adaptation” is extremely widespread and used in various fields of science. In entrepreneurial activity financial, fiscal and social adaptation is highlighted, and production process can also be included in the adaptation in agriculture. These types of adaptation don’t have only one application field, to some extent they intersect with each other: the example is tax activity which includes financial calculations, production calculations and social issues. As we have seen, for an effective management of business activity in the current conditions fiscal adaptation raises the largest interest. This type of adaptation is one of the main tools in solving such problems as forming the results of financial activity and increasing salary level. Therefore, in accordance with national development strategies in the field of Agricultural and Rural development the relevance of the problem „tax adaptation” is even more actual.

Adapting business entities from agriculture to modern conditions of taxation as an object of research means to identify the relevant characteristics such as: goal, main characteristics, priorities and the essence and principles of fiscal relations formation.

The purpose of adaptation is maximum satisfaction of the interests of agricultural entrepreneurs. And this interest has individual character, as each economic agent has a special motivation concerning the amplification of agricultural production. Therefore, the approach to the content of economic interest must be attached to one of the methodological principles of forming fiscal relations.

The process of scientific cognition of adaptation as a form of economic relations is linked to the analysis of the interests of all parties involved. This stems from the fact that in fiscal relations the main players are the State through its tax bodies entrusted with specific tasks to achieve tax revenue and taxpayers with specific objectives according to the interests, needs and duties of each of the participants. [1].

The concerns of each taxable subject consist in the creation of such fiscal relations, so that the tax - budget dimension should not affect its financial situation, but should reduce the tax burden (which marks prominently the structure and economic objectives specific to these categories of economic agents) which is the result of fiscal relations formation. While the State’s aspirations are to prevent the reduction of tax levies in the budget in order to ensure a favorable solvency and operation of various levels of state bodies.

The essence of fiscal relations adaptation to modern requirements is realized by recognizing the right of every taxpayer to use in his interest, according to the Tax Code (hereinafter TC) and other regulations specific to the field, the elements of the tax, whose tax incidences offer materialized advantages. Therefore, the information contained in the laws governing tax imposition include characteristic elements of each tax introduced in the current fiscal practice of the country, which are subject, object and tax rate, calculation base, fiscal incentives etc.

So far the adaptation of economic agents’ activity in agriculture according to the requirements of the tax system was understood as an intentional activity fully oriented to the use of fiscal instruments under the laws in force in order to mitigate the tax burden [3,4,5]. It should be noted that this directive doesn’t orient to breaking the laws, but to the legitimate use of tax incentives and distinctive features of the tax laws in favor of farmers.

From our point of view, for the adaptation of economic units’ activities in agriculture to a modern system of taxation, it is necessary to have a clear idea of the field of business activity, mainly oriented towards creating a favorable climate of production development and financial activity that will exclude unjustified over-taxation and the
increase of delay. We agree with the provisions of the Tax Code, which highlight two main directions of adaptation of agricultural enterprises to tax system.

The first direction is to decrease the amount of tax to be paid in the budget. In this case, the value of tax payments decreases in absolute values. Unfortunately, we must admit that more than 90% of tax payers in the formation of fiscal relations generally focus on reducing tax payments. Instead we must recognize that indirect taxation in agricultural enterprises excluded those situations when minimizing tax increased financial performance.

In our opinion, the first direction of the adaptation of economic units from agriculture to a modern tax system is very actual. One of the important tax issues that contribute to reducing the amount of tax involves assessing tax deductibility of various expenses recorded by the entity. According to TC, when determining taxable income, from gross income there are deducted the costs for manufacturing (execution, rendering) and for production selling (works, services), production and marketing of goods, fixed assets and other assets, and the expenses related to obtaining other taxable income, which are determined according to the National Accounting Standards (hereinafter NAS) or Financial Statements Information Service (FSIS), taking into account the provisions of TC. In the composition of deductions there are included, in accordance with the provisions of article 24 (1) of the Fiscal Code, ordinary and necessary expenses, paid by the taxpayer during the taxable year, exclusively for entrepreneurial activity. However, according to point 39 in Annex 1 to Government Decision No. 77 of 30 January 2008, ordinary and necessary expenses represent those expenses, characteristic for the management of certain business activities, without which it is impossible to do business, which are defined through both qualitative and quantitative indices. Tax practice recognizes three (conventional) groups of expenses incurred by economic agents: expenses that are allowed to be deducted at the total amount; expenses allowed to be deducted at limited amount; expenses not allowed to be deducted [6].

An alternative to reduce the amount of tax also occurs as a result of the use of tax incentives on real estate tax and land tax. According to art.282 (2) of TC, in case the taxpayer pays the full amount of tax for the current fiscal year up to June 30 of this year, then he can have a 15% reduction to the amount of tax he follows to pay.

The second direction is the postponing of the settlement of tax liabilities, which is an opportunity for legal business entity to extend the deadline for the fulfillment of tax obligations to the budget. Changing the term of settlement of tax liabilities is the legal possibility that the taxpayer owns in order to change the legal term established and required by law to honor tax obligations to the budget. According to the provisions stipulated by art. 180 of the Tax Code [6], the taxpayer may benefit from modifying the term of paying tax liabilities. The advantage of this direction is that economic agents can postpone the tax prepayment.

We will try to propose the third direction of the adaptation of agricultural enterprises to the modern system of taxation, and namely to increase the amount of taxes to the budget by introducing a simplified system of taxation, which will help increase the tax competitiveness and the economic value of economic agents’ heritage in agriculture. It is necessary not only to pay taxes, but to simplify them. The merits of this scheme lie not only in reducing the complexity of formalities concerning reports, accounting records of businesses, it also works at macroeconomic level by increasing the tax levy to the budget because of simultaneous increase in sales volume and financial performances due to the third direction of adaptation (see Figure 1).
The adaptation of economic entities in agriculture to the requirements of a modern tax system

DIRECTIONS

Reducing tax amount to be paid in the budget
Postponing the settlement of tax obligations
Increasing the tax amount (introduction of a simplified tax regime)

ELEMENTS

Taxable base
Tax facilities
Term of payment
Taxable base

USED STRATEGIES

The level of responsibility of the decision factors that serve as the basis for business
The selection of an efficient price strategy
The selection of a tax system
Using or rejecting tax incentives under the legislation in force
Consolidation and unification of some taxes

Objective

Increasing the efficiency of financial and economic activity

Figure 1. The mechanism of increasing the efficiency and adaptation of agricultural enterprises to modern conditions of taxation.
Source: Elaborated by the author
To achieve this directive an essential and decisive role belongs to non-fiscal factors. We must recognize that a business is not run for the sake of taxes, the main purpose being another one - profit. For example, there are certain types of activities such as agriculture, small business and other strategic sectors of the economy that benefit from tax incentives with the aim of creating privileged activity.

In this case, since the taxpayers decide to start a business, they do not focus so much on tax incentives granted by the State under tax law, as on the influence of other factors such as the level of responsibility of the decision factors that serve as the basis for business expansion, market demand for a certain foodstuff, forming the behavior regarding the conditions of sale that they anticipate in the future, availability of production units, etc. In order to prove the above said the entity must develop a strategy that takes into account explicitly and implicitly the achievement of the set goals specified as proposed tasks and objectives. However we should note that fiscal activities must meet the “golden rule of economics”: increased incomes from sales growing at a rate higher than cost is the main condition for ensuring the efficiency of production.

The decision on the establishment and application of the rationalization proposals to the taxation mechanism in agriculture orients us toward practical tax legislation of the Russian Federation (implementation of the single agricultural tax = substitution of profit tax, land tax, tax on immovable property and VAT) and France (taxable income is determined from the annual accounting results as the difference between revenues and expenditures).

The proposed mechanism is revolutionary and only manufacturers of agricultural products enjoy it. The amount of tax is determined by applying the tax rate to the tax base.

\[
\text{Income tax payable} = \text{tax rate} \times \text{tax base (total revenues - total expenses)}
\]

Surely substituting these taxes will ease directly the tax burden on farmers.

**CONCLUSIONS**

Proper understanding of the practices from agriculture is not possible without taking into account the specific features of taxation and tax administration, development and growth characteristics of agrarian economy, the mentality of participants in tax relations.

Today switching to an efficient tax mechanism involves modification of methodological and practical approaches to the formation of fiscal relations, the implementation of measures to enhance their effectiveness. A prerequisite for the formation of an effective mechanism of taxation is the optimum combination of interests of the state and taxpayers, which will popularize the tax law, will explain the rights and obligations of taxpayers and will take into account their needs and wishes. Their outcome may create synergistic effects that lead to better outcomes of taxation, promotes growth of the tax base and increases tax payments course.
REFERENCES


