

Chapter 3

Tax Advice: An Essential Element in the Success of an E-Business

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ABSTRACT

This chapter investigates the impact of taxation on the online business environment in Romania. In the last 30 to 35 years, the world economy has been marked by a rapid development of the services sector, especially in economically-developed countries, with the degree of internationalization being a major feature of no doubt. The contribution of tax consultancy to the development of the economy has been remarkable in most areas of activity. The results asserted the research hypothesis: Romanian firms' strategies were influenced by the phenomenon of corruption reported, in particular, to tax evasion. Governments around the world are trying to respond to growing budgetary pressures by trying to introduce measures to combat tax evasion. Among them is Romania, which has lately changed its legislation on identifying undeclared revenues to tax. Continuous improvement of the strategy to identify and develop new processes leads to increased performance, efficiency of skills, and harmonization of results.

INTRODUCTION

In the context of a transition process that Romania has proposed, from the Communist economy to a modern economy, commonly referred to as a “market economy”, the economic analysis of the application of economic policy efficiency can provide a guide for political decision-makers and leaders public administration. In this regard, two main objectives, namely the design of economic policies based on efficiency criteria and the creation of management systems for these economic policies that meet the

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minimum criteria such as: optimal size, low consumption of resources, small time response, and disturbance protection (Ahmed, Neel & Wang, 2013; Dennis, 2014; Florou & Pope, 2012).

The management of modern economies is based on a combination of economic policy instruments to achieve the desired results (Caylor, 2010; Ozkan, Singer & You, 2012). They can be cited as the main instruments of economic policy: taxes (internal taxation), budget allocations (subsidies), customs duties, public investment, and interest rate (Damayant, 2013). By using them, according to the public choice (choice of society), the structure and objectives of the national economic system inevitably change (Jackson & Liu, 2010).

Many of the reported deficiencies were corrected during the reform (Barth, Landsman & Lang, 2008; Cahan & Sun, 2015; Lukka, 2010). Moreover, the principle “nothing is perfect, everything is perfect” also works in accounting. In our opinion, any accounting system, however modern, converging with International Financial Reporting Standards, will never be perfect, because the world economy and, implicitly, the national economy is constantly changing (Richardson, 2011). New trends, new informational needs are emerging, and they pose a challenge to the accounting system and an invitation to reflection for accountants (Chen, Qu & Sun, 2017).

On the other hand, given that companies can choose their accounting policies within certain limits, the results obtained reflect their objectives and not the reality (Baker & Bettner, 1997; Soltani, 2014). In this situation, is the outcome credible and relevant? The objectives of accounting policies differ according to the size of the enterprise and the economic environment in which it operates (Ahrens, 2008; Bettner & Kate, 2013). As an example, it is possible to mention the reduction of the published losses, the decrease of the taxable profit, the increase or decrease of the current result, the increase or the decrease of the profit to be distributed, the temporary arrangement of the accounting results in order to reduce the risk perceived by the financial environment.

Thus, this chapter investigates the impact of taxation on business environment in Romania, by reference to the development of the tax consultancy sector. We will propose innovative methods as well as personalized and customized systems tailored to the needs of its clients in order to attract the interest of the potential clients but especially to serve the current clients as best as possible, developing communication relations that ultimately determine the success of the business developed by the firm.

BACKGROUND

Given the recent history of scandals involving accounting conduct, the credibility of the public accounting profession has dropped significantly, losing one of the core responsibilities of the professional accountant (Doukakis, 2014). According to specialty studies, the share of services in world trade has increased significantly over the last period, with “invisible” exchanges currently accounting for 30% of total world goods and services flows (Byard, Li & Yu, 2011; He, Pan & Tian, 2017). An important place for this is tax consultancy.

At the same time, the population evolves both quantitatively and qualitatively, which leads to a continuous increase and diversification of requirements (Ramanna, 2008). The level of training, increasing for every person as well as for social groups and nations, leads to a significant diversification of the requirements for the basic characteristics of products and services, as well as the inclusion of new requirements for social, safety, prestige needs. Therefore, Brown (2010) supports the importance of increasing demands on reliability, maintainability, technical level, etc. In this context, the success of a tax consultancy firm

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