

STUDY ON THE IMPLICATIONS OF THE APPLICATION OF THE SPECIFIC TAX ON THE PROFITABILITY OF ECONOMIC ENTITIES IN TOURISM AND PUBLIC FOOD

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Abstract

In this article we aim to present how the application of the specific tax in tourism and food influences the profitability of economic entities in this field. The research methodology involved the study of the literature, the accounting regulations regarding the specific tax and the analysis performed for a number of 10 economic entities that apply these regulations. The study was based on quantitative and qualitative research that involved the collection of information provided by the financial statements, but also other information obtained based on a questionnaire applied to the entities in the study sample. The calculation methodology provided in Law 170/2016 on the establishment of the specific tax was also used. Following this research, we aimed to highlight both the way of applying the specific taxation within the entities in the field subject to analysis, but also the way in which this system influences the registered financial performance. At the same time, there were identified the advantages and disadvantages of its application. Based on the results obtained during the research, the conclusions were formulated regarding the efficiency of the application of the calculation system of the specific tax in the units with tourist and food profile.

Key words: specific tax, tourism, public catering, profitability

INTRODUCTION

Tourism is one of the most important sectors of activity in the field of services within a country, contributing on the one hand to their development and on the other hand to the development of the entire economy, both due to jobs and income generated, but also due to contribution to the state budget [7]. The development of this sector of activity is influenced by the possibility of making investments, the existence of infrastructure, etc. so that the quality of the services offered can ensure the satisfaction of the needs of consumers of tourist products [14].

At the level of Romania, given that GDP has grown continuously from 2015 to 2019 (the increase being about 48%), the contribution of tourism to GDP formation was over 2.7% for the period 2016-2019 (Figure 1). The decline in 2020 was due to the impact that the Covid-19 pandemic had on this sector of activity [3]. Therefore, tourism can be one of the

important sources of income growth and contribution to GDP formation [8].

Over time, solutions have been sought to encourage, on the one hand, the achievement of these objectives, and, on the other hand, the promotion of the activity of collecting taxes and taxes resulting from the activity in this sector. Fiscal measures are one such example. In 2016, Law 170/2016 introduced the specific tax in tourism and food, the applicability of which came into force starting with 2017 and which partially replaced the profit tax for some of the categories of taxpayers. The specific tax can be applied in parallel with the profit taxation system, in the situation where the economic entity carries out other categories of activities that do not fall under the specific tax [2, 12]. Also, for those entities that, although they have registered in the articles of incorporation the activities mentioned in the law, but which do not carry them out, there is no obligation to apply this taxation system [13].

“The NCEA codes for which Law 170/2016 establishes the obligation to apply the specific tax are the following: 5510 - Hotels and other similar accommodation facilities”; “5520 - Accommodation facilities for holidays and short periods;” “5530 - Caravan parks, campsites and camps;” “5590 - Other accommodation services;” “5610 - Restaurant;” “5621 - Event catering activities;” “5629 - Other catering services;” “5630 - Bars and other beverage service activities” [1].

If the specific tax is related to several activities carried out by the same legal entity,

either in the same unit or through several units, then it is determined by adding the tax specific to each activity, and then for each of those units in part [4, 6]. Only in terms of hotel complexes, a single tax is calculated regardless of the number of activities carried out.

If there are companies that pay profit tax, which carry out both activities for which they owe specific tax, but also other categories of activities, then they will pay both profit tax and specific tax [9].

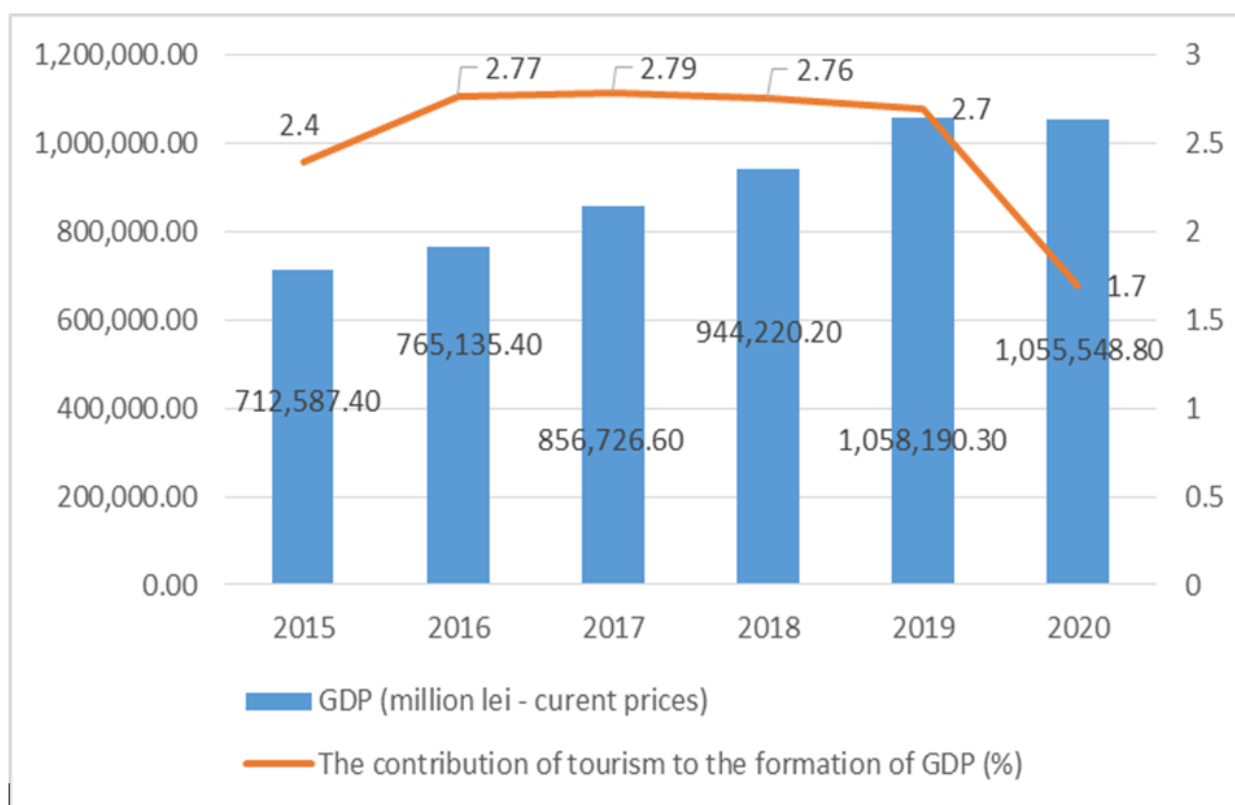


Fig. 1. The contribution of tourism to GDP formation
 Source: own processing [10, 11].

MATERIALS AND METHODS

According to Law 170/2016, the method of calculating the specific tax is influenced by a series of variables, which depend on the NCEA. These variables refer to: the value of the standard tax, the variable referring to the locality line; variable related to the usable area; seasonality coefficient; technical space adjustment coefficient.

“The determination of the specific tax is made as follows [5]:

$$\text{Annual specific tax / unit} = k \times (x + y \times q) \times z$$

where:

- k - the value of the standard tax;
- x - variable depending on the rank of the locality;
- y - variable depending on the commercial / service / business area;
- z - coefficient of seasonality;

q - 0.9 and represents an adjustment coefficient for ethnic space".

“The value of the standard tax is 1,400 lei for the NCEA codes 5610 - Restaurants; 5621 - Event catering activities and 5629 - Other catering services. For the NCEA code 5630 - Bars and other beverage service activities, the value of the standard tax is 900 lei”.

“For NCEA codes 5510 - Hotels and other accommodation facilities, 5520 - Accommodation facilities for holidays and short periods, 5530 - Caravan parks, campsites and camps and 5590 - Other accommodation services, the calculation formula of the specific tax is as follows:

$$\text{Annual specific tax/unit} = k \times \text{number of accommodation places} \quad [5]$$

where:

k - standard specific tax (lei/accommodation/year)”.

“The seasonality coefficient refers to the period of functionality of an accommodation unit of one year and has the value 0.45 for Bucharest and the 8 poles, 0.35 for municipalities and cities, 0.30 for tourist resorts of national interest and 0.10 for tourist resorts of local interest, villages and communes.

The variable depending on the rank of the locality varies between 0.4 in the case of communes and 16, in the case of zone A in Bucharest”.

The variable depending on the surface has values between 2 (for entities with usable

areas up to 30 m) and 105 (for entities with usable areas larger than 801 m) [12].

Starting from the methodology of calculation of the specific tax and based on the information taken from the financial statements, as well as other information regarding the activity carried out by the tourist entities, both the value of the specific tax due by the companies applying this system and the value of the profit tax were calculated which would have been due in the absence of the adoption of Law 170/2016.

RESULTS AND DISCUSSIONS

The case study analyzes the size of the specific tax paid by a number of 10 Romanian companies for 2019. We mention that the years 2020 and 2021 were years in which companies in the field of HoReCa benefited from various tax facilities given the impact that the Covid-19 pandemic had it on business in this area.

The 10 companies are located in different areas of the country, meet the condition of falling into the category of economic entities paying specific tax and have calculated and transferred to the state budget the tax resulting from activities in the field of tourism and public catering (Table 1).

The data underlying the calculations were collected based on the information resulting from the financial statements of the entities, as well as those from the management accounting.

Table 1. Data on the sampled companies

Company	City	NCEA Codes
Company 1	Bucharest	5510; 5610; 5630
Company 2	Bucharest	5510; 5610; 5630
Company 3	Brasov	5510; 5610; 5630
Company 4	Constanta	5510; 5610
Company 5	Targoviste	5510; 5610
Company 6	Bucharest	5610
Company 7	Brasov	5610
Company 8	Bucharest	5610
Company 9	Constanta	5630
Company 10	Sibiu	5630

Source: Own calculation.

Of the 10 companies analyzed, 5 of them carry out several activities included in the category of those for which the specific tax is determined. Thus, 3 of them have 3 NCEA codes that fall into this category, 2 of them each have two NCEA codes specific to the flat tax, and the remaining 5 carry out public

catering activities through restaurants and bars.

Starting from the values recorded by the variables “x”, “y” and “z”, as well as from the values of the two coefficients “k” and “q”, the tax specific to the activities carried out was calculated, and the results were centralized in the Table 2.

Table 2. Specific tax

Company	NCEA Code	K	x Variable	y Variable	z Variable	q	Area / No. accommodation places	Accommodation days	Specific tax
Company 1	5510	513					438	360	221,616
	5610	1,400	16	75	0.45	0.9	342	360	51,884
	5630	900		10	0.45	0.9	120	360	3,595
Total									277,095
Company 2	5510	308					972		287,073
	5610	1,400	14	80	0.45	0.9	422	350	51,953
	5630	900		14	0.45	0.9	136	350	4,893
Total									343,920
Company 3	5510	308					268		80,283
	5610	1,400	13.5	38	0.45	0.9	184	355	29,228
	5630	900		10	0.45	0.9	98	350	3,495
Total									113,005
Company 4	5510	513					148	220	45,762
	5610	1,400	14	38	0.45	0.9	194	220	18,303
Total									64,065
Company 5	5510	224					162	360	35,791
	5610	1,400	9	29	0.35	0.9	135	360	16,963
Total									52,754
Company 6	5610	1,400	17	38	0.45	0.9	186	350	30,930
Company 7	5610	1,400	13	47	0.45	0.9	224	360	34,362
Company 8	5610	1,400	15	47	0.45	0.9	208	360	35,604
Company 9	5630	900	17	16	0.45	0.9	186	180	6,271
Company 10	5630	900	15	14	0.45	0.9	124	360	11,025

Source: own processing.

Of the 10 companies analyzed, the highest specific tax is the one calculated for company no. 2, which carries out both accommodation and catering activities through its own restaurant and a bar. The company is located in Bucharest and has a number of 972 accommodation places. The usable area of the restaurant is 422 m², and that of the bar is 136 m². Thus, we find that the high value of the specific tax is directly proportional to the

large number of accommodation and the area, therefore to the volume of activity that the entity can carry out. On the 2nd place is also a company located in Bucharest, which carries out all 3 types of activities and which is on the 2nd place and in terms of the values of the variables according to which the specific tax is determined.

The lowest specific tax was registered by the company no. 9, located in Constanta, which

has a single NCEA code, being a bar. The usable area is 180 m².

We find that both the location of the business at the locality level, but also in the region influences the size of the calculated specific tax.

The profitability of an economic entity is influenced on the one hand by the value of the

profit obtained, and on the other hand by the size of the expenses with the specific profit/tax. Therefore, the size of the specific tax is one of the elements that are taken into account when determining how to optimize a business, but also how to optimize its tax.

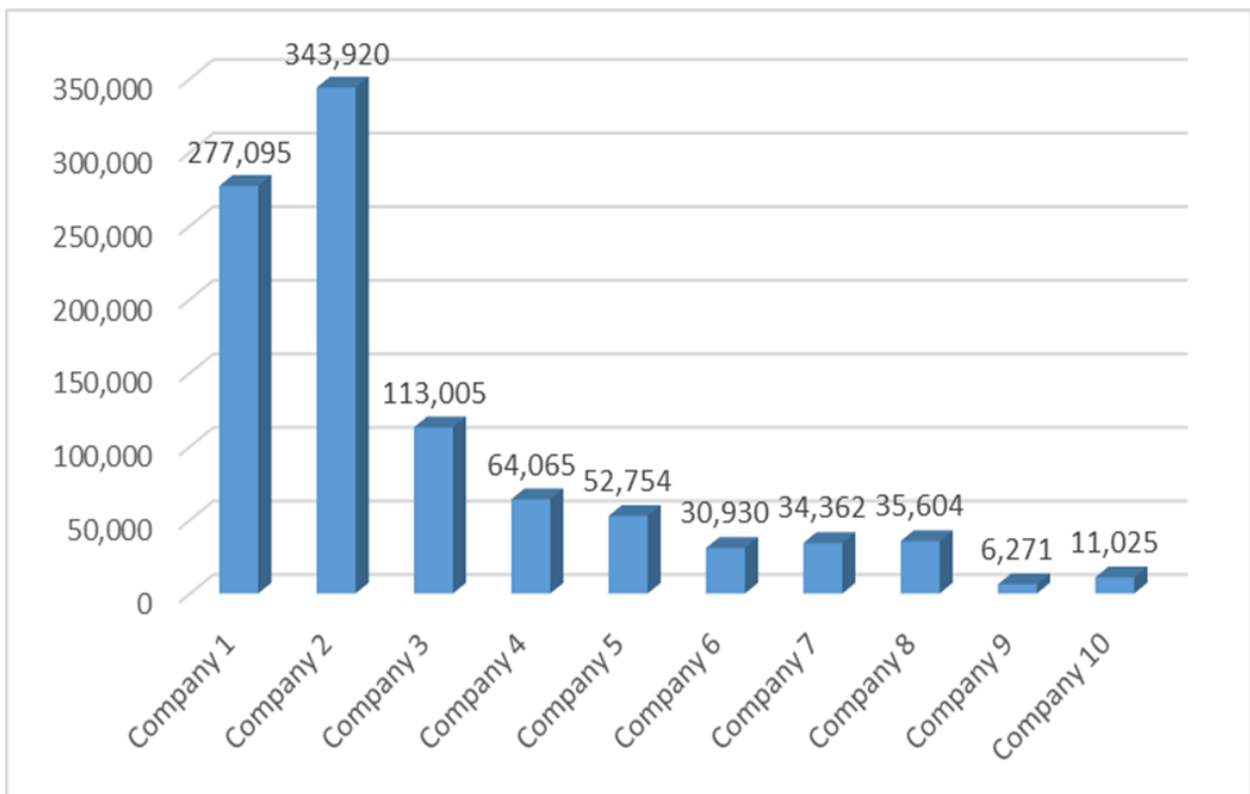


Fig. 2. The situation of the specific tax for the entities in the sample, in 2019
 Source: own processing.

The ranking of the analyzed companies, in relation to the size of the specific tax calculated, according to the type of activity carried out, is presented in Figure 2.

Thus, we find that the size of this tax is influenced not only by the volume of the activity carried out, but also by the seasonality or the rank of the locality.

CONCLUSIONS

The analyzed information showed that for those companies that have serving spaces such as restaurants, the specific tax/m² is higher in terms of percentage, for those of them that have smaller areas, compared to those that have larger areas.

In the case of companies that carry out activities through bars, the value of the specific tax decreases with the decrease of the owned area. It is observed that this value decreases even more as the rank of the locality decreases.

We find that the tax specific to the accommodation activity increases in direct proportion to the increase in the number of accommodation places. In the case of those accommodation units that practice seasonal tourism, the value of the tax is adjusted according to the number of days of accommodation.

It is found that those tourist units that carry out several categories of activities are advantageous, that is, those that offer both

accommodation and bar and restaurant services.

In practice, however, there are many particular cases that complicate the way of calculating and taxing the income registered by the entities in this field of activity.

The introduction of the specific tax aimed at applying a flat tax for companies in the field of tourism and public catering, this measure being part of the legislative changes in the fiscal field. At the same time, there were increases in the turnover ceiling, which led to an expansion of the number of companies in the field of micro-enterprises. The applied system has an impact both on the taxation of companies' revenues, but also on budgetary revenues and on the added value created by the activity carried out.

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