

FISCAL OPTIMIZATION BY OUTSOURCING PROCESSES AND SERVICES WITHIN AN ENTERPRISE

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Abstract: *To face the keen competition, companies must be more efficient, must launch their products on the market on time and meet a low budget. This paper aims to discuss the fiscal optimization of an enterprise by outsourcing processes and services. The problem of the evidence of taxes is to determine who actually bears the tax burden, who is burdened if the tax volume rises. Over time, it has been proven that, if a tax aims to affect well determined tax payers, they often have the possibility to rebound their fiscal obligation to someone else, even if the latter are not targeted by the fiscal law. One way of doing this is by outsourcing processes and services.*

Key words: *outsourcing, fiscal optimization, enterprise*

1. INTRODUCTION

Competition forces companies to find more efficient ways to develop, in order to gain competitive advantages and increase their performances.

Economical activities of any kind, regardless of their nature, generate costs in order to obtain the effects desired. The operating activity has the highest costs, because this activity entails the relating of departments so as not to interrupt the production process, a high number of personnel (wage-related costs), competitive technical capital such as fixed assets (new and expensive technologies).

Companies now want to give up on activities that can be managed more efficiently in an outsourced activity.

The decision to outsource is generally taken in order to minimize the cost, to use time more efficiently, or to use handwork, technology, capital, and resources more efficiently.

Knowing that the total production cost includes duties and taxes as well as salary contributions, this paper shall focus on reducing the product or service cost by efficiently managing the fiscal system.

Outsourcing has become a common and well-spread form of organization in all economical sectors. Outsourcing refers to delegating some duties or objectives to organizational segments belonging to external entities, which offer a better price/quality ratio or have expertise in specialized fields and thus offer the producers the opportunity to manufacture better products.

The agreement defines the processes or services being transferred; the producer acquires the production means by transferring people, goods and other resources from the external supplier.

In other words, a service previously carried out internally, by directly hired workers, is transferred to an external organization.

But we shall look at outsourcing solely from a fiscal point of view and from the point of view of deducting certain expenses since, lately, everybody wants „a fiscal optimization” that would allow the business enterprise to more easily bear the fiscal pressure brought about by the high number and quantum of taxes, duties and contributions to the State Budget.

2. THE OBJECTIVES OF AN ENTERPRISE'S FISCAL MANAGEMENT

Taxes and duties are paid in compliance with specific regulations determined by the structures of each country, the international environment, the evolution of fiscal doctrines and the experience accumulated.

A proper financial, commercial and social management is necessary in order to make the economical development and growth possible. We often do not trust an actual good financial management. Some reject it in the name of fiscal fatalism, others confuse it with tax avoidance, and the most experienced ones practice it. These are neither fatalists, nor escapists, but good administrators. Sometimes, within the activity of an enterprise, situations occur when business decisions are strongly influenced by fiscal regulations, which require that fiscal management be considered a distinct activity component. A proper management of taxes and duties does not mean breaking the law, but can lead to avoiding the troubles caused by tax avoidance.

As the French economist, Collet, said: “to manage taxes is to accept that even if they are an obligation of the enterprise, they can be used in its interest by transforming them in a genuine strategy.”

In such situations, fiscal verification, if carried out with good faith, can offer useful information not just to the enterprise, and the state, but also to investors or even to the administrators of a company, in what regards the efficiency of certain decisions or operations, since a company has at least two criteria based on which they can estimate the quality of their actions and decisions regarding the company's fiscal management:

- Efficiency, when the profit is obvious and shown by a positive treasury status;
- The Fiscal Administration confirms the lawfulness of the measures taken by the enterprises and those with fiscal implications.

From the above we can deduce the objectives of fiscal management:

1. to properly manage the fiscal legislation, so that it ensures compliance with the fiscal and management regulations
2. to minimize the fiscal cost by relating and integrating the fiscal area into the enterprise's management decisions, aimed to ensure fiscal efficiency
3. the Fiscal Administration accepts a certain ability of the entrepreneur to interpret fiscal regulations
4. the business operators undertake the fiscal risk by looking for and identifying those solutions that best agree with the management interest of minimizing the amounts of taxes, duties and other similar obligations
5. to postpone for as long as possible the payment of the enterprise's fiscal obligations, aiming to regularize them in time so that the treasury appropriation be delayed but without leading to tax avoidance

Achieving these objectives depends on the general politics of development, on the actions and decisions made, so that they optimize the level of tax burden with a view of reducing or postponing it while complying with the field legislation by conducting activities that justify the efforts made, the aim being to increase efficiency and profitability.

3. FISCAL EFFICIENCY FOLLOWING OUTSOURCING

One of the important desiderata of fiscal management is efficiency. This entails the minimization of the fiscal cost by maintaining a balance between a sometimes excessive tax system and a, most of the times justified fiscal ability of the entrepreneur.

Optimizing the relation between the excessive tax system and the entrepreneur's ability is the key to efficiently manage the activities of a business.

Part of the fiscal management, efficiency is a tool used to incite the activity of an enterprise, characterized by a dynamic behaviour in relation to the fiscal parameters dominated by the efficiency criterion in bearing taxes and duties, aiming to ensure the efficiency and the fiscal security of the business operator.

In order to ensure fiscal security you have to know the enterprise in detail, but also on a more general level, based on an information system that highlights:

- norms and principles
- fiscal regulations
- consequences of failing to comply with the fiscal regulations

Fiscal efficiency entails searching for solutions that would lead to recording a minimum fiscal cost, including capitalizing all the fiscal facilities offered by the law. It must not be understood as a purpose in itself, but as an objective aiming to define fiscal management as a component of the general enterprise management, taking into account the imperative nature of the tax system. Fiscal efficiency, regardless of the tax categories and the duties targeted, also highlights that taxation based mainly on deduction at source determines costs for the enterprise.

The administration cost is determined by the obligation of the enterprise to keep a thorough accounting and elaborate enough to timely dispose of the information necessary to fill in the taxes and duties statement, as well as to pay the fiscal obligations. To this we add the different taxation criterion (different taxes), as well as the cohabitation of the general taxation regime and the particular taxation regime, of fiscal facilities and fiscal sanctions. All these generate not so inessential costs for the business operators.

The treasury cost determined by the fact that almost all taxes and duties are analyzed in what regards payment without being conditioned by collection output or by the existence of liquidities generated by the tax obligations bearing fluxes. The regulating mechanism generates taxes and duties to be paid or returned which generates fiscal receivables-debts being regulated over the following periods. In all cases, fiscal receivables are generated by the treasury cost.

4. CONCLUSIONS

In conclusion, we can say that aiming to optimize the total cost by reducing the fiscal cost is an efficient way of managing a business.

There is no point in insisting on the other advantages of outsourcing (the increase in flexibility, the efficient management of the supply chain, the definition of quality levels, the re-establishment of the price, the renegotiation, the cost restructuring, the increase in productivity and profitability, etc.); suffice it to mention in this paper the fiscal benefits obtained by the enterprise.

First of all, the fixed costs determined by the salaries and the salary contributions afferent to the employees involved in the operating activity become variable costs. Therefore, the outsourcing changes the relation between these two types of costs, by creating a more predictable cost.

We could even state that by outsourcing, we eliminate the risks faced by the enterprise in an instable fiscal system. It is a well-known fact that the taxation of enterprises has been the subject of consistent modifications in the Decisional Chamber of the Parliament. If we follow the evolution of the salary contributions, we notice they have changed on a yearly basis, and even worse, sometimes several times a year.

Not only that this cannot offer enterprises the possibility to establish a strategic plan of development, but it also generates additional management and bookkeeping costs.

Appealing to a wide variety of specialists, especially in the scientific and engineering field actually means access to the best operational practices which would normally be too difficult or time-consuming to be carried out in unity. The current tendency of most of the companies is to appeal to outsourcing in order to minimize the development costs and those of attracting highly qualified specialists.

The second solution to fight the tax increase as a result of legislative modifications is for several companies to acquire a property right over their assets, so that upon selling, their incomes would be minimum.

An additional advantage of the measure suggested is that the difference between the initial price paid by the enterprise for an asset and that of selling it at the market price is a profit that can return to the associates much faster.

Also, if we consider the demandable nature of the debts to the State budget and that of the obligations to suppliers, we can draw the following conclusions:

- the payment deadline of a debt towards the supplier is negotiable and, in exceptional situations, can even be extended without pecuniary repercussions;

- the deadline for the debts towards the State is regulated by law and cannot be missed without generating additional costs with penalties and interests.

We have not discussed the deductibility of expenses in either situation (outsourcing or own activity), because, in both situations, the value of expenses are fully deductible from the profit. Eliminating the obligations towards the State budget is practically impossible, but reducing them and, implicitly, the fiscal cost, lies in the manager's ability to find the optimum variant.

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