

IMPACT OF TAX OBLIGATIONS ON THE ECONOMIC AND FINANCIAL SITUATION OF ECONOMIC AGENTS OF THE REPUBLIC OF MOLDOVA

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Abstract: *Taxes have a significant impact on the financial position of a business entity. In this case, not only the value of tax rates is important, but also such conditions as the timing of tax payment, the tax payment procedure, the availability of tax benefits, and others.*

Current economic conditions are characterized by the desire of any company to achieve high financial results. Profit, as the main financial indicator, is the priority goal of the company. At the same time, the economic result can be maximized both by increasing income and reducing expenses, which include the payment of mandatory payments to the budget and special funds. Therefore, the financial condition of the enterprise depends on the size of the tax burden.

In addition to the direct impact of individual taxes on the financial position of enterprises, the tax system as a whole also affects the activities of business entities. One of the main disadvantages of the tax system of the Republic of Moldova is the frequent changes made to tax legislation, which impedes the process of planning business activities, and also creates the problem of lack of confidence in the duration of tax benefits.

Despite the fact that in general the tax system of the Republic of Moldova is quite liberal in comparison with other countries, the tax collection system often has a negative impact on the financial position of enterprises, which, along with fairly open borders and strong competition from imported goods, leads to growth inhibition production and economic activity. Therefore, in our opinion, the state needs to ease the tax burden and simplify tax legislation for enterprises and support domestic producers in every possible way, including through the tax mechanism.

Keywords: *taxation, financial condition, tax burden, tax administration.*

JEL Classification: *H25.*

INTRODUCTION

The current economic conditions are characterized by the desire of any company to achieve high financial results. Profit, as the main financial indicator, is the priority goal of the company's activities. At the same time, it is possible to improve the financial situation by both increasing income and reducing expenses, which include the payment of mandatory payments to the budget and special funds. Therefore, the financial condition of the enterprise depends on the size of the tax burden.

Taxes have a significant impact on both the financial position of an economic entity and the overall economic situation in the country. At the same time, not only the amount of tax rates is important, but also conditions such as the timing of tax payments, the procedure for paying taxes, the availability of tax benefits, and others.

HEADINGS

Modern economic conditions are characterized by the desire of any company to achieve a high level of profitability. Obtaining high financial results is the main goal of each business entity. All aspects of the company's activities are directly reflected in the financial results: the effectiveness of the organization of production and management system, control of the level of costs and the level of sales prices, features of the economic mechanism and state regulation of the development of certain industries important for the development of the country's economy. The study of the problem of financial results during the economic crisis becomes even more relevant, since the level of wages, the dynamics of funds flow to budgets of different levels, the saturation of the market with products, etc. depend on the profit received by the enterprise.

Profit is the final financial result. Based on this indicator, an assessment of the financial and economic activities of the enterprise is given. Profit is calculated by reducing the amount of income by the amount of expenses incurred in all categories. In order to expand production, meet the material and other needs of the enterprise, it is necessary to find opportunities to increase the financial result. Profit indicators allow you to determine the revenue structure, evaluate the processes of production and sales. When conducting a comprehensive assessment of financial results, it is taken into account that the profit of the enterprise is formed due to the activities of the enterprise for the sale of finished products, due to other transactions, due to the execution of transactions with securities.

The positive value of the financial result is an important indicator of the growth of equity capital, ensuring solvency, financial independence, business reputation and the growth of the company's value in the market. So, we can conclude that the financial result is the determining criterion for the efficiency of management, and the positive value of the financial result determines the possibility of further development of the enterprise and creates a reserve of financial stability, which gives the enterprise the opportunity to respond promptly to changes in market conditions. Taking into account the main goal of the company's activities to maximize profits, we can talk about the importance of planning financial results and profits. Therefore, in order to increase the competitiveness of the enterprise, it is advisable to analyze changes in the profit indicator very carefully.

At the same time, it is possible to maximize the economic result by both increasing income and reducing expenses, which include the payment of mandatory payments to the budget and special funds. Therefore, the financial condition of the enterprise depends on the size of the tax burden. The company, as a taxpayer, is interested in ensuring that the difference between the calculated tax burden and the real one is minimal. The main purpose of any financial performance management methodology is to calculate financial opportunities and compare them with the amount of financing to meet needs.

A direct impact on the financial results of an enterprise is provided by the corporate income tax (in the Republic of Moldova – income tax on legal entities). In our country, for many years, the rate of this tax has remained unchanged at a fairly low level - 12%. At the same time, the share of profitable enterprises in the Republic of Moldova is approximately 50% of the total number of enterprises (the authors' calculations are based on data from the National Bureau of Statistics). At the same time, the share of this tax in the revenues of the national public budget of the country is insignificant – 9.2% in 2023 (the authors' calculations are based on data from the Ministry of Finance on the execution of the national public budget in 2023). A significant incentive for entrepreneurs would be the complete abolition of this tax, but in this case the state loses significant financial resources to carry out its activities, therefore we believe that the rate of 12% on income tax from legal entities is optimal and its further reduction is not rational.

In our opinion, VAT has a more significant impact on the financial condition of enterprises, as due to the value of the tax rate on most goods – 20%, which leads to an increase in the cost of local products and loss of their competitiveness (in the Republic of Moldova there is also a reduced VAT rate – 8%, but for a limited list of goods and services), and by virtue of the established rules for the collection of this tax.

A significant negative impact on the financial situation of enterprises is the need to pay VAT on imported raw materials and supplies before they are imported into the country. This diverts a significant part of the working capital of enterprises from turnover for a fairly long period of time. Enterprises are forced to compensate for the shortage of working capital with bank loans, the rates for which are quite high, especially at present due to the high level of inflation. Therefore, in our opinion, deferring VAT on imported raw materials and supplies would significantly improve the financial situation of business entities.

Another important aspect of the impact of VAT on the financial condition of an enterprise is compliance with the procedure for VAT reimbursement from the budget. According to the Tax Code of the Republic of Moldova, business entities carrying out exempt supplies with the right to deduct and supply at a reduced rate are entitled to refund VAT amounts previously paid to suppliers for inventory purchased for the production of goods and services. But there are also problems in this matter, which are associated with delays in transferring funds from the budget or a complete refusal to reimburse many taxpayers. This is the result of both problems with finding funds in the budget and the fact that cases of abuse of this benefit by taxpayers are being identified, which makes the tax service suspicious of all taxpayers.

Moldovan legislation provides for a list of necessary conditions for obtaining the right to VAT refund. There are many of them and they are very difficult for those who may try to get compensation illegally, but they can be overcome. The inconsistency of the current procedure is that it is as complicated as possible for a law-abiding taxpayer. A Moldovan entrepreneur who has applied for reimbursement of previously paid VAT and submitted the entire list of documents confirming the authenticity of the delivery, first undergoes verification, then waits a long time for a final decision on reimbursement. The positive decision provides for VAT refund first to repay the debts of the business entity to the state budget and other budgets. The taxpayer must receive the remaining amount directly to the bank account, but, unfortunately, the reimbursement procedure stretches for many months, instead of the 45 days provided for by the Tax Code.

For small businesses, a very negative factor is the need to pay VAT on a monthly basis. Taking into account the rather difficult economic situation in the country, the legislative obligation to pay four main tax payments monthly (regardless of the financial situation of the enterprise) – VAT, personal income tax, as well as contributions to the state social insurance budget and mandatory medical insurance funds, have an extremely negative impact both on the liquidity of the enterprise and on the overall economic situation.

In addition to the direct impact of individual taxes on the financial situation of enterprises, the tax system as a whole also affects the activities of business entities. One of the main disadvantages of the tax system of the Republic of Moldova is the frequent changes made to the tax legislation, which hinders the process of planning and forecasting business activities, as well as creates the problem of lack of confidence in the duration of the benefits provided.

CONCLUSIONS

Summarizing the above, we consider it necessary to make some proposals for making changes to the tax system, which, in our opinion, can lead to an improvement in the financial situation of enterprises and, therefore, will contribute to the development of the economy as a whole. We consider it rational to provide in the tax legislation provisions that:

- it is not allowed to make changes to the tax system during the reporting tax year;
- planned changes should become known to the public for discussion and familiarization long before their adoption (we consider the optimal period to be at least six months);
- the adopted amendments must enter into force no earlier than 3 months after their official publication;

- for small enterprises, provide for the possibility of paying basic taxes and mandatory payments once a quarter.

In conclusion, I would like to emphasize that, despite the fact that, in general, the tax system of the Republic of Moldova is quite liberal in comparison with other countries (low direct tax rates, a large number of benefits), but the tax collection system often has a negative impact on the financial situation of enterprises, which, along with fairly open borders and strong competition on the part of imported goods, it leads to a restraint in the growth of production of Moldovan goods and services, and in some industries even to a reduction in production. Therefore, in our opinion, the state needs to ease the tax burden and simplify tax production for Moldovan enterprises and support domestic producers in every possible way, including through the tax mechanism.

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