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THE PROCESS OF CAPITAL MIGRATION OF GROUPS OF COMPANIES ON A NATIONAL AND INTERNATIONAL LEVEL – ACCOUNTIND AND FISCAL ASPECTS

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Abstract: *Developments in accounting systems at national and international level are largely influenced by the interconnection of economies and the globalization of financial markets. There is a complex relationship between globalization processes and development indicators. All factors of globalization - financial cooperation, trade, investment, scientific and technological progress and migration - have socio-economic and environmental implications and influence policy design and implementation at national, regional and global levels. Important among these impacts are the limitation of state autonomy in policy-making and, consequently, the need for national policy-making to be more responsive to international obligations, commitments and imperatives. Achieving development goals requires strengthening global partnership. The purpose of the proposed investigation is based on the analysis of the historical migration of financial, material and human resources of groups of companies, which has led to the creation and strengthening of new market relationships, markets where groups of enterprises dominate, which by diversifying their activities are now able to generate impressive financial results. The research was based on methods and techniques for aggregating migrated capital by specifying the links between economic agents within the group, describing the essence of international capital migration, the causes of international capital migration of enterprise groups, etc. The authors, studying the processes of migration of capitals of entities, personnel of groups of companies at national and international level, established the forms of migration of capitals internationally, focusing on consolidated accounts and tax aspects in terms of problematic moments and put forward proposals for solutions in the context of globalization and migration of capitals and activities of groups of companies, demonstrating the influence of migration of capitals of entities within groups on the development of the world economy.*

Keywords: *migration of capital, investments, consolidation techniques, group of companies, equity capital, goodwill, minority interest, income, financial results.*

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Introduction

The important vector of globalization is the international movements of capital and direct and indirect investments abroad, made by multinational companies, which currently require study, including in terms of how to prepare the consolidated financial statements of groups of entities.

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The consolidated financial statements must ensure a homogeneous presentation of the group of companies included in the consolidation perimeter. For this reason, before carrying out consolidation operations, a series of operations are required to standardize the indicators of the entities at group level, which eliminates the differences between the accounting rules used to prepare the individual financial statements and those applicable to the consolidated accounts.

Also it was necessary to study what is the essence of international capital migration, what are the reasons of international capital migration, what are the forms of international capital migration, procedures of accounting of capital migration and establishment of correct exceptions of inter-group operations at consolidation of capital of groups of enterprises, revealing of problems and offers of solutions on taxation of financial results of groups of enterprises, arising as a result of application of the tax legislation, inclusive.

The applied methods of research: study of the content of economic processes on the topic, scientific observation, explanation of such economic phenomenon as international migration of capital affects the world economy, formulation and verification of scientific hypotheses and conclusions on the topic.

The results of the study are aimed at ways of determining the accounting and control procedures related to the definition of the essence of international migration of capital, how capital migration occurs in the countries that are able to organize foreign production through investment and gain an increase in economic efficiency from foreign trade, services, etc.

The results of the study are also based on the analysis of the migration procedures of specific activities of enterprises and working personnel within groups of companies and the consequences of these migrations at the national and international level, the impact of international migration of capital on the global economy, the increased activity of transactions in the world stock and currency exchanges in recent years, the consequence of international capital market development.

1. Literature review

The processes of migration of capital, activities and employable personnel within groups of companies are studied by various authors, with a focus on the process of globalisation.

The contemporary configuration of economies covers a wide variety of processes. First, it corresponds to the opening up of economies to international transactions and the development of trade in goods and services (international dimension).

Secondly, the international mobility of factors of production, especially capital, is what we mean by globalisation. The most important vector of the latter development is the international movement of capital and, in particular, direct investment abroad by multinational companies (multinational dimension). Lastly, developments seem to mean a process of increasing interpretation of national economies, resulting in a relative progressive erasure of borders, a reduction in national regulations and a deterritorialisation

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of economic activities. More than an internationalisation of the economy, it is a supranational perspective on production processes and markets, with integrated markets and enterprises becoming global players for whom decisions and behaviour seem to detach themselves from any national considerations and dictate their law to national policy makers (Feleaga, 2007, p. 12).

In this area of finance, the globalisation of capital markets is increasingly becoming a challenge and a reality with seamless mobility of financial flows on a global scale.

According to Article 4 of the National Accounting Standard (NAS) "Equity and Debt", Equity is the amount remaining in the entity's assets after deducting liabilities. The equity of an investee is the total value of the shares of the owners of the investee, who have purchased the shares usually through financial markets.

Developments in accounting systems at European and international level are largely influenced by the interconnection of economies and the globalisation of financial markets.

Faced with any company deciding to expand, there is the following alternative: either it buys directly the long-term and current assets necessary for its growth and hires staff to run it, or it takes over a company which already owns the necessary assets.

The first route is called internal growth and leads to the growth of the company's intangible and tangible assets. It is often driven by spontaneous growth in the company's markets and its operating and non-operating revenues, and is the result of a proactive policy by the company to better position itself in the market by diversifying production or creating new products.

The second path is called external growth. In this case, the firm does not directly acquire the production goods needed for its development but establishes links with the firm that already owns these goods, looking for the possibility of using them. This results in an increase in financial fixed assets. External growth is preferable to internal growth because it has a number of advantages: the cost of external growth is lower than that of internal growth and it allows the firm to speculate on all purchasing opportunities. This is the form underlying the formation of groups (Bogdan, 2011, p. 15).

According to Article 3 of the Law on Accounting and Financial Reporting No. 287 of 15.12.2017, the group of companies means the parent entity and all entities - subsidiaries, entities wholly or partially controlled by the parent entity.

According to the author Bogdan, the Group is a set of companies linked together by a relationship of economic dependence (this relationship may be institutionalised or provided for by a contract or statute, or determined by simple economic relations) and having a single decision-making centre, called the parent company. A group of companies is a dominant economic entity comprising several independent legal entities, one of which directs (controls) the others. This common (or single) decision necessarily implies relations of dependence between the other companies and the decision-making company (Bogdan, 2011, p. 19).

The practice of commercial and production activity, which has become established, shows that entities operate in the active market of goods and services by implementing not only their own operations, but also transactions that have acquired the name of "corporate actions" and as a result create or suspend the activity of the legal entity.

Corporate actions are based on the sale (purchase) of net assets of subsidiaries and lead to changes in the capital or ownership structure. However, their realisation is possible only if the entity has internal or external sources for their development. Internal sources are formed within the framework of operational and financial activities, while external sources depend on the structure of the entity and its branch membership. (Golocialova & Turcanu, 2019, p.7)

In contemporary economies, including the one in our country, groups of companies play a dominant role. This explains the interest shown by various economic and social partners of groups of companies in the information presented in their consolidated accounts (financial statements) (Sacarin, 2012, p. 5).

The parent company - a separate legal entity within a group of companies - prepares its own financial statements. However, its individual financial statements do not provide users with the information needed to assess the financial position and performance of the whole group. Thus, in order to improve external financial reporting and to facilitate management decisions, the parent company prepares and publishes the consolidated accounts of the group it represents as if it were a single entity (Teterleva, 2016, p. 52).

Currently, large groups of companies listed on major stock exchanges use either US standards (USGAAP – US Generally Accepted Accounting Principles) or International Financial Reporting Standards (IFRS – International Financial Reporting Standards) developed by the International Accounting Standards Board (IASB – International Accounting Standards Board).

The organisation of the procedures for aggregating information at the level of groups of undertakings, which draw up consolidated financial statements, is due to and based on the fact of the migration of capital at national and international level that are on the books of the groups of undertakings.

Capital export is the process by which part of the capital is withdrawn from circulation in the country where it was originally created and subsequently moved to another country in the form of goods or money to generate additional income. Because of the fact that capital is not only exported abroad from a country, but is also transferred there from other countries, we can talk about the existence of cross-investments, and the process of such movement is called international migration of capital (Alisenov, 2023, p. 206).

Financial investments, which underlie the migration of capital, are assets in the form of securities, equity interests in other entities and other investments held by the entity for the purpose of exercising control, obtaining income or other economic benefits (Grigoroi et al., 2021, p. 193).

International capital migration is the process of moving investment from one country or region to another. This process can be driven by various factors, such as the level of return on investment, political stability, availability of infrastructure, and access to markets (Agreeva, 2019, p. 106).

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2. Data and Methodology

The research method is based on the analysis of theoretical and practical material concerning the problematic aspects of the procedures for the migration of capital of groups of companies, which are the basis for the application of consolidation techniques and also the problems of migration of the working population at national and international level, the accounting aspects of the elimination of capital subject to consolidation of subsidiaries and the tax aspects of the taxation of the financial results of groups of companies, procedures which are unavoidable in the case of groups of companies, whose capital has migrated to different countries, where it is also tax resident.

The theoretical foundations of the study are based on analysis, synthesis, deduction and the inductive method, which is used to provide a clear and representative interpretation. The importance of the present article's research lies in achieving the nominated aim and objectives, including on definition of the essence of international capital migration, forms of international capital migration, identifying the causes of international capital migration, the impact of international capital migration on the global economy, by examining the provisions of national and international accounting regulations, as well as the works, researches and opinions of local and non-resident authors, scholars and researchers, in order to solve the concerned issue.

In addition, we used a qualitative method to synthesize the most relevant studies in order to highlight the valence of the concept of capital migration, which lies as the basis for the creation of enterprise groups.

3. The Model and Findings

The confrontation between groups of companies of different countries on the world market generates the penetration of large companies of one country into the national territory of competitors from other countries, in order to create there their entities, branches, subdivisions, as a result of migration of capital, migration of the core activities of groups of entities in order to protect and broaden the interests of generating large economic advantages of the groups internationally, including with the aim of minimizing the costs of acquiring raw materials and expanding markets.

Since the 1970s, transnational companies (TNCs) have emerged, which have generally stopped exporting their production across national borders, expanding their positions in the world economy only from production manufactured in other countries. The first such company was the food industry giant - the Swiss company "Nestle". The emergence of foreign entities in an already segmented market has led to a sharpening of the competitive confrontation.

Thus, inter-branch competition at national level evolves into international competition, which in turn leads to even stronger international competition. Competition gives rise to financial industrial groups (FIGs) and TNCs, and these lead to global competition - the general rule leading to the emergence of FIGs and their increasing role in the internationalisation of the economy.

International migration of capital is the movement of capital between states in the form of exports, imports, as well as its work abroad.

Capital migration is an objectively existing economic process in which funds move between states, providing their owners the opportunity to obtain additional income in the country of destination.

Studying the impact of capital migration today is especially relevant, as the volume of international trade, interbank lending, intergovernmental loans are demonstrating rapid growth, the activity of transactions in the world stock and currency exchanges in recent years is also increasing, followed by the development of the international capital market.

The impact of international capital migration on the global economy is truly enormous. Firstly, it is expressed in the positive effect of international capital transfers, which contributes to the growth of the world economy. This happens because a country rich in capital-intensive goods or capital is able, through investment, to organize foreign production and obtain an increase in economic efficiency from foreign trade. This phenomenon can be connected with low cost of labor and raw materials in a recipient country, as well as with a milder investment climate, which implies a free economic zone regime, lower standards in environmental legislation, etc.

For the global economy today the increase of the scale of capital migration between countries is becoming a trend. The international capital market is becoming increasingly important as a liquidity provider of financial resources for the economy. Migration of certain factors of production between states evens out their prices. The movement of factors from countries with a surplus of them at a low price to regions with a deficit and correspondingly higher prices leads to the benefit of both exchanging parties.

The privileged place of international migration of capital in economic relations at the global level, the importance of its impact on the world economy is due to the fact that this process:

1. Positive effect on the growth rate of the world economy;
2. Contributes to the further deepening of the division of labor between countries and, accordingly, strengthens cooperation;
3. Strengthens the exchange of goods between countries, branches of corporations, including intermediate goods, which also leads to the development of world trade (Ageeva, 2019, p. 121).

The main subjects of the world capital market are states, international financial organizations (World Bank, International Monetary Fund), private business.

In today's complex and complexly organized world economy, regardless of the level of development of the country, none of them can boast the presence of all types of factors of production on its territory, nor the production of all types of goods. It is through international interaction that the effective exchange of goods and factors of production between national economies can be ensured, which is in the interests of all participants in the process and helps them to achieve their goals.

Centuries ago, trade was the first form of international cooperation. In the following centuries, in the process of strengthening and complicating economic ties between states, in addition to markets for goods and services, a capital market was formed. At the initial stage, the direction of capital migration was one-way, from the developed countries of Europe to their colonies. However, in the process of intensification and expansion of the geography of capital migration almost all countries acted as exporters and importers of capital, and as a rule in both capacities simultaneously. Since the second half of the 20th century, the volume of international migration of capital has been growing steadily. And the rate of growth in the export of capital was significantly higher than that of commodity exports or GDP of developed economies. Today, the level of development of the capital market is at an unprecedented height, from acting as the main driver of economic globalization.

The global capital market, which is part of the global financial market, is divided into two markets: the money market and the capital market.

The money market trades financial assets (currencies, credits, loans, securities) with a maturity of up to one year. The task of the money market is to meet the current (short-term) need for loans and credits. Market participants use them primarily to pay for services and to buy goods. Also, a large part of money market operations is speculative in nature, the main instrument in this case being currency.

For projects with a long-time horizon, there is a long-term oriented capital market.

Participants in this market are central and commercial banks, non-banking financial institutions, public authorities, as well as private legal entities and individuals.

There is a certain interrelation between global trade and migration of factors of production, there is a possibility of complementing and replacing each other. So, if a country has a shortage of labor, it can be overcome in two ways: both by importing labor-intensive goods and by facilitating migration of labor from countries with a surplus of labor.

Large entities form the core of the economy in many developed countries. As a rule, they go a long way in development, including processes of horizontal and vertical integration of production combined with diversification. Large entities successfully solve the problems of inter-branch, territorial and macroeconomic management.

In the practice of corporate governance in recent years, there has been an increasing combination of three governance models: American, Japanese and Western. This is reflected in the process of internationalisation not only of their own production but also of management - a review of the management structures of large companies along the lines of replacing rigid centralised management with a small degree of decentralisation, which can be explained by the tendency to make use of accumulated knowledge, skills and creative potential in the work process. These development directions correspond to a large extent to the ideology of creating and developing industrial-financial groups.

Labour migration is currently evolving beyond the traditional procedure of seasonal workers, who are the active and employable population migrating into or travelling to a destination country along a designated migration corridor.

In recent years, the complexity and diversity of the migration process has evolved at a high speed and in different directions, due to a multitude of economic, environmental and political challenges facing many countries on the continents concerned.

The COVID-19 pandemic has aggravated this migration phenomenon. The combination of growing skills shortages in destination countries increases the relevance and importance of global competition to exploit the benefits of labour migration.

Despite its complexity, the benefits of labour migration can be shared by sending and receiving countries, as well as between national and migrant workers, ensuring access to decent and productive jobs.

Employers have a strong, moderate interest in the type and extent of labour migration, as the expansion of international labour migration within clusters brings much needed diversity and skills, particularly in sectors where employers have difficulty finding suitable staff for cluster jobs and/or in sectors where employers have difficulty retaining or accessing local skills.

In this context, employers can benefit from specialists, professionals, with acquired skills in the field of recruitment of executives, who provide access to qualified staff, who follow established procedures required by employers, ensure compliance in supplying recruited staff, including from other countries, a model usually practised by groups of companies in developed countries, including economically, which have a shortage of qualified staff and despite the fact that the activities carried out are expanding in terms of geographical areas.

In this context, it is important that employers' and entrepreneurs' organisations and their members engage in dialogue with their respective governments (ministries and other government bodies responsible for migration) so that migration policies benefit all parties involved (Sacarin, 2021, p. 274).

Migration is possible in the form of loan capital or entrepreneurial capital.

Loan capital is money that is directly or indirectly invested in real production in order to obtain income in the form of interest from its use in the recipient country. The main form of migration in this case becomes international credit (public and private).

Entrepreneurial capital is amounts also invested in production, but in this case the goal is to make a profit. The migration of this form of capital takes place through international investment. The sources of funds in this case can be individuals, states and enterprises owned by them.

Depending on the source of origin, capital is usually divided into private and official capital.

Official (state) capital includes budgetary money migrating in the form of loans, loans, aid. The decision to migrate in this case is made by governments and intergovernmental organizations.

Private (non-state) capital is the aggregate of funds that belong to private companies, banks, and other non-state organizations. The decision to organize their movement is made by governing bodies and their associations. It is important that the resource for private capital is the funds of companies not related to the budgets of countries and regions, for example, investments in the development of production abroad, export credits to banks. Although private companies are relatively autonomous in their decisions to migrate their own capital out of the country, the governments of the states, whose residents they are, have the right and possibility to regulate and control such operations (Teterleva, 2016, p. 139).

Depending on the purpose of international investment of capital can be distinguished direct and portfolio investment:

- Foreign direct investment has as its goal to generate income in the recipient country of capital, where it is invested, on a long-term basis. In this case, the investor gets the opportunity to manage the object of investment. An example of such investments is the organization of a branch of a domestic firm in the recipient country, the acquisition of a controlling stake in a foreign company. At carrying out direct foreign investments private business capital which is taken out of the country is almost always involved. At the same time, real investments are directed to the fixed assets, such as enterprises, land.
- Portfolio foreign investment is a purely financial operation, in which capital is invested in securities issued by other states, with the possibility of direct control over the investor does not get. At the expense of portfolio investment is a diversification of assets and risk reduction. This type of investment involves mainly private business capital, but the state also participates in the purchase and sale of foreign securities, issues its own bonds.

J. Dunning has developed the concept of the "electric paradigm" according to which the movement of capital abroad within TNCs is primarily conditioned by the ownership advantages of TNCs - advanced technologies (know-how) economies of scale and economies of scope, secondly - the effect of internationalisation (internalisation advantages), which is explained by the reduction in the transaction costs of exporting and the risk of technology transfer and, thirdly, by the fact that it benefits from cheaper inputs in the country where the TNC operates (Sacarin, 2012, p. 187).

In contemporary economic literature, the role of TNCs in the internationalisation of economic relations is examined primarily in terms of technology transmission.

At the same time, countries that receive TNCs on their territory need to know in advance their potential, which lies in the combination of fundamental knowledge - generally accessible - with the highly specific, non-encrypted technologies that represent the know-how of the given transnational company and that are formed over several years of its evolution.

Parent entities, which hold equity interests in subsidiaries, are sometimes also referred to as holding companies. These entities whose sole function is to hold equity securities and which do not have an operational activity are referred to as pure holding companies. The contents of the balance sheet (individual accounts) of the pure holding company are, on the assets side, equity securities and loans granted to subsidiaries and, on the liabilities side, equity and long-term and short-term liabilities. The profit and loss statement includes dividend and interest income, interest expense and, possibly, reserves for impairment of investment securities.

Capital ties between entities are the basis for the existence of groups of companies. But corporate groups can also exist in the absence of capital ties. In this situation, cohesion between companies belonging to the same group is due to the fact that:

- The main shareholder of each entity is the same natural person or the main shareholders are several natural persons belonging to the same family;
- The group entities are placed under common management, even if there is a multiplicity of owners or shareholders;
- Entities have very close contractual relationships, which generate the behaviour of integral enterprises;
- Entities are linked by profit-sharing agreements.

Groups of companies can also be characterized according to the activity carried out. Thus, some groups carry out a single activity, while others, on the contrary, carry out several sectors of activity between which there is no link. Groups in the latter category are called conglomerate groups.

Some groups may be geographically concentrated and limit their activities to one country or one region within a country. On the contrary, some groups are present in several countries, even worldwide, such as, for example, The Coca-Cola Company, Starbucks Coffee Company, etc. Despite their multinational character, these groups have a home country where they are based and where decisions are made for all the entities of the group under analysis.

The work carried out by groups by geographical area can be structured as:

1. ***Subsidiaries which, within a country, are dependent on a sub-holding*** (figure 1). Depending on the group management needs, this way of structuring the group allows to obtain information on the activity of the sub-holding. Often, to avoid certain risks, this information is not published. These risks, which are higher in the beneficiary geographical areas, are of various kinds: demand for wage increases, customer demand for price reductions, tax administration findings on transfer pricing, etc.
2. ***Subsidiaries located in the same geographical area but dependent on the parent entity*** (figure 2).

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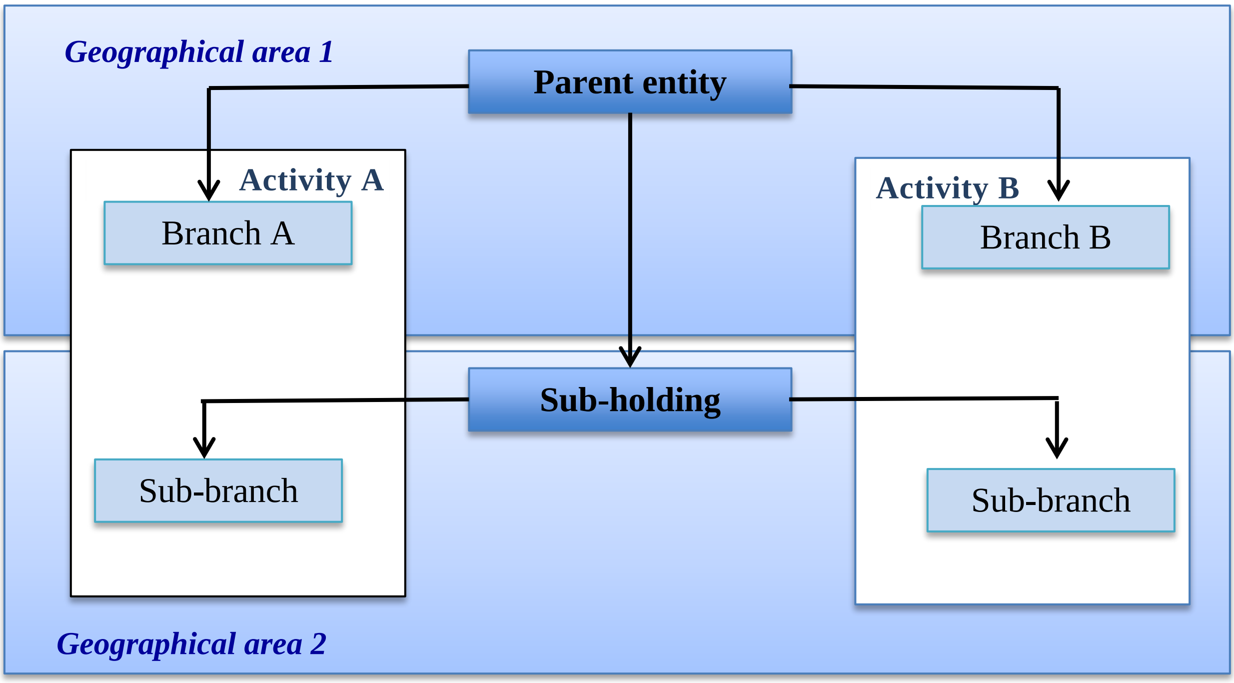

Figure 1. Subsidiaries dependent on a sub-holding
Source: *Elaborated by the author*

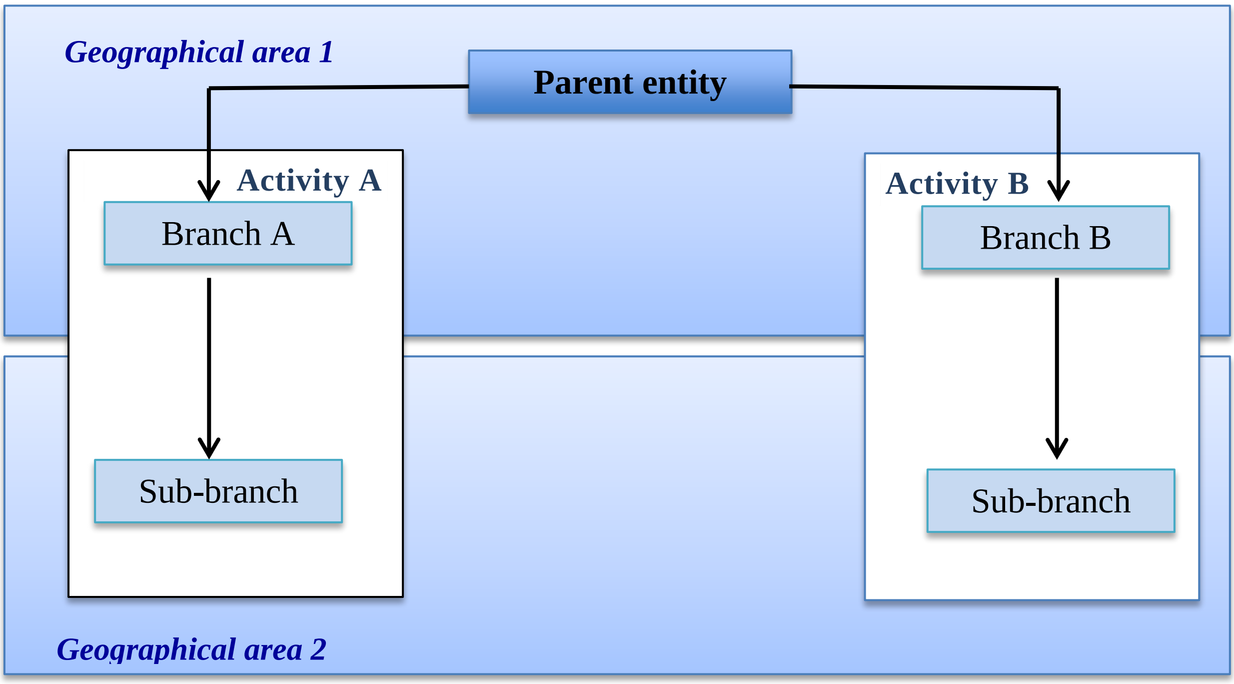

Figure 2. Subsidiaries dependent on the parent entity
Source: *Elaborated by the author*

The characteristic elements of the group based on the examined procedures are:

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- A group of entities is first characterized by the existence of legally independent entities. The principle of legal independence is one of the factors which makes group structures flexible and facilitates various strategies aimed at concentrating, diversifying or reorganizing activities.
- The second element is the existence of a central unit - the 'parent entity' - to which other group entities are subject. The existence of a decision-making power is also a source of conflict or tension between the entity exercising power and subordinate entities. This power must be organised in two ways: defining the scope of competence between the parent entity and other entities and organizing control by the parent entity over other undertakings.
- By defining the areas of competence between the parent entity and other undertakings, it is possible to achieve a concentration of decision-making power by the parent entity or a greater decentralization of power and responsibilities to other undertakings.
- Whatever the definition of the area of competence, the parent entity must exercise control not only to assess the performance of subsidiaries, but above all to ensure that decisions taken by subsidiaries are in line with the overall strategy defined by it for the group as a whole, even if there is decentralization of decisions.
- The final element is that the main objective of the decision-making unit must be to achieve a common development strategy for all group entities. The group's performance depends to a large extent on the subsidiaries' adherence to the common strategic objectives and their integration into the information and decision-making process.
- Therefore, group entities should not only be subject to a decision-making unit, but they should also participate in a common group policy.

Consolidation of accounts may be carried out by listed or unlisted economic agents, as well as autonomous enterprises, public institutions, carrying out industrial or commercial activities, if they control one or more entities or exercise significant influence over them, and the group exceeds during two successive accounting periods a certain size of financial result, balance sheet value, or number of employees, etc.

According to Article 4 of the International Financial Reporting Standard "Consolidated Financial Statements" an entity that is a parent company must present consolidated financial statements.

According to Article 5 of the National Accounting Standard "Presentation of Consolidated Financial Statements", the parent entity is required to prepare consolidated financial statements if it has control over subsidiaries that are characterised by:

- a majority of the voting rights of the shareholders or associates in another entity;
- the right to appoint or remove a majority of the members of the board, executive body or supervisory body, as the case may be, of the other entity and is simultaneously a shareholder or member of the other entity;

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- the right to exercise significant influence over an entity of which it is a shareholder or member by virtue of a contract entered into with that entity or a provision in the instrument of incorporation or statutes of that entity;
- being a shareholder or member of an entity and alone controlling a majority of the voting rights of the shareholders or members of that entity as a result of an agreement with other shareholders or members of that entity.

The consolidation process can be achieved by different methods, depending on the existence of control over the activities of the subsidiaries and the value of the investment. According to the purchase method of consolidation (full consolidation method) the aggregation procedure involves substituting the item "Long-term financial investments in related parties" in the financial statements of the parent company with the amount of net assets of the subsidiary at the date of consolidation and reflecting the value of Goodwill at the date of acquisition, also, if the parent company owns only a major share of the subsidiary's equity, it is necessary to reflect the share of the other shareholders who are in the minority by recording the non-controlling interest in the net assets of the subsidiaries at the date of consolidation.

The basic ways of combining the capital of entities within a group of undertakings to produce the Consolidated Accounts are as follows:

1) Elimination of the parent entity's investment against the equity items of the subsidiaries subject to the consolidation process depending on the share held by the parent entity, which must be between 50% and 100% for the Comprehensive Integration Method and the existence of sole control:

Debit account Share capital of subsidiaries
Debit account Retained earnings of subsidiaries
Debit account Other equity of entities - subsidiaries
Credit account Financial investments of parent entity

2) Recording of Goodwill at the value established at the date of acquisition of the subsidiary entities, as the difference between the value of the investment of the parent entity and the value of the net assets of the subsidiary entities at the date of acquisition or investment of capital:

Debit account Goodwill recorded at the level of the parent entity
Credit account Financial investments of parent entity

3) Recording of non-controlling interests at the date of consolidation, if the parent entity does not own 100% of the equity of the subsidiaries participating in the consolidation:

Debit account Share capital of the subsidiary entities
Debit account Retained earnings of subsidiaries
Debit account Other equity of subsidiaries
Credit account Non-controlling interest (minority interest)

The procedures for consolidating information at the level of the group of enterprises are very complex and are well defined, used in practice and regulated by

National and International Financial Reporting Standards, including the elimination of inter-group economic transactions, dividends calculated for payment by the subsidiary companies to the parent company and other transactions specific to the activities of the companies belonging to an industrial-financial group of enterprises.

Once the consolidated accounts have been prepared under the responsibility of the heads of the undertakings subject to consolidation, they are audited by the auditors and then brought to the attention of the shareholders or members, so that they can make informed decisions at the general meeting on decisions falling within its competence and can express their opinion on the management and activities of the parent entity. It should be noted that they are not subject to the approval of the general meeting because these consolidated accounts do not (unlike the annual financial statements) determine the rights of shareholders or associates in the distribution of the financial result in the form of profit.

In the Republic of Moldova, under the "Law on financial-industrial groups" no. 1418-XIV, 14.12.2000, in force since 06.03.2001, the existence of groups of companies is regulated and therefore recognised in commercial law.

These legal regulations have become increasingly necessary as a result of the accelerated development of several state-owned companies and autonomous regions with group functional characteristics and strong territorial influence.

From the point of view of tax law, the concept of the group is not ignored at international level, as it is required by a careful monitoring of how dividends are distributed between group companies and how profits are offset against losses at group level (Bucur, 2016, p. 10).

In developed countries, tax law takes care not to disadvantage entities operating within the group. In the Republic of Moldova, where consolidation of accounts is feasible, tax law is not prepared to meet these requirements.

Taxation takes into account the existence of group entities, and various measures have been successively adopted to establish group taxation in the countries of the European Union, either to correct various methodologies that are normally applied or to combat tax evasion that could be carried out through the system of multinational groups. These measures can be summarised as intended:

- Ensuring the neutralisation of taxes set on groups;
- Favouring foreign investment;
- Encouraging the regrouping of enterprises;
- Combating tax avoidance between companies belonging to the same group;
- To combat international tax evasion.

The special regime for parent companies and subsidiaries consists of:

1. Income of subsidiaries distributed to parent entities shall not be subject to any withholding tax;
2. Income of subsidiaries is exempt from tax on the parent entity; a flat-rate expense apportionment is applied to the parent entity;

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3. In practice, the 50% imputation of tax assets allows the parent entity to redistribute income to subsidiaries (subsidiaries being defined as entities in which the parent entity owns 100% or less of the shares) without having to pay an advance payment.

The group company tax integration regime is defined as the legal regime encountered by the group's head entities subject to taxation, whatever the nature of their activity. However, there is a limitation to groups formed by the parent entity and one or more entities in which it holds 100% or less of the capital, directly or indirectly, if the intermediate enterprises are themselves members of the group. The parent entity is solely liable to tax on the result of the group of undertakings. However, each member of the group is jointly and severally liable for this tax.

The dividend distribution tax regime aims to avoid the cascading of corporate tax for companies that have adopted the strategy of expanding or diversifying their business through external growth in relation to various other entities.

Under tax law, all enterprises liable to corporate tax (in the case of the Republic of Moldova, corporate income tax) must include dividends received from other enterprises in their taxable income.

The parent undertaking and subsidiary undertakings are considered legal persons. According to Article 18 of the Tax Code "Dividends obtained from a non-resident economic agent shall be taxed, i.e. added to the taxable income at the end of the reporting period under review, i.e. at the end of the calendar year".

Therefore, if the subsidiary companies are legal entities and operate in the territory of other states, when transferring dividends to the parent company, they are not subject to taxation, since the dividend is calculated and paid out of the net profit.

We believe that it would be more reasonable that in the case of groups of companies, dividends received by parent companies established (considered) as income in financial accounting should not be subject to taxation, in order not to hinder the development of their activity on the territory of the Republic of Moldova.

Consequently, income received by the parent company from its subsidiaries will be subject to double taxation. In order to avoid double taxation, the net income, related to shares or shares-quotas received during the reporting period under review by the parent company should be deducted from its total profit.

The tax deduction system is justified by the fact that the parent company normally has to incur expenses for the management of the participants whose income is exempt. The corresponding expenses are not deductible. Since they are deducted at the level of the parent company, the income must be returned to the subsidiaries. At the same time, the amount of these shares may not exceed the amount of expenses actually incurred by the parent company.

Concerning the offsetting of profits and losses within the group, this tax regime is imposed when taxing the profits of a group, resulting in two deviations from the rule, namely:

- From the principle of territoriality: corporate income tax is calculated on all the financial results of operating and non-operating activities, whether they are realised at home or abroad;
- From the principle of legal personality, in which case the personality of subsidiaries is disregarded.

In the case of the worldwide profit regime, enterprises may add to the domestic financial result the financial results from the operational activity of branches, offices, permanent facilities, without their own legal personality.

In the case of the consolidated profit regime, both the direct results of establishments (branches, offices, etc.) abroad and the financial results from the activity of domestic or foreign subsidiaries are added to the domestic financial result.

For example, suppose the parent entity controls three subsidiaries, the parent entity's investment in their equity is major, which at the end of the reporting year had the following financial results:

- The entity - parent - recorded profits before tax - 8,260,000.00 monetary units;
- Entity - daughter 1 (parent entity's investment in the equity of the entity - daughter being 95%) - recorded profits before tax - 984,000.00 monetary units;
- Entity - daughter 2 (parent entity's investment in the equity of the entity - daughter being 82%) - recorded losses as financial result - 1,675,000.00 monetary units;
- Entity - daughter 3 (the parent entity's investment in the equity of the entity - daughter being 100%) - recorded profits before tax - 2,620,000.00 monetary units.

According to Art. 15, letter b) of the Tax Code 1163-XIII of 24.04.1997, the total amount of income tax is determined for legal entities in the amount of 12% of the taxable income for the Republic of Moldova. Thus, if it were legally allowed for groups of companies having their tax residence in the territory of the Republic of Moldova, together with the parent entity, to be taxed the overall financial result of the group, the income tax would be calculated as follows:

1. Tax base determined at group level = 8,260,000.00 + 984,000.00 - 1,675,000.00 + 2,620,000.00 = 10,189,000.00 (monetary units);
2. Overall income tax on group = 10,189,000.00 * 12% / 100% = 1,222,680.00 (monetary units);
3. Recording the income tax liability to the budget at the level of the parent entity, with cash contributions also made by the entities - subsidiaries:

Debit account Income tax expenses - 1,222,680.00

Credit account Payable to the budget, sub-account Payable on income tax on entrepreneurial and professional activity - 1,222,680.00

The application of the group taxation of the financial result does not reduce the tax burden, but the State would also favour the activity of the group of companies from a tax

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point of view in the country of residence of the group of companies, which usually contributes to the import of capital.

In general, the two regimes have made it possible to establish tax integration which is applied without prior control, on an optional basis, to enterprises or economic agents which pay income tax and which operate on a continuous basis, i.e. the principle of permanence of methods (i.e. the accounting policies accepted by the enterprises analysed are applied by them consistently from one accounting period to the next (The National Accounting Standard "Accounting Policies") throughout the year, directly or indirectly) is observed.

In the end, we can emphasize that the already enormous impact of international capital migration on the global economy continues to increase as its scale grows. International capital migration makes finite resources more efficiently distributed in the global economy, pushing up its development.

Among the main effects of capital migration are:

- the acceleration of global economic growth by selecting the most promising areas of capital investment when migrating;
- deepening of the division of labor and growth of cooperation between countries;
- increase in the volume of commodity exchange between regions and acceleration of global trade development due to the growth of activity of international corporations;
- strengthening of global cooperation at the expense of mutual migration of capital between regions.

Conclusions

Based on the study carried out, the authors found that the reason for the migration of capital from the country is primarily its relative surplus. As a result, there is a discrepancy between supply and demand on the capital market in terms of industries and states, and as a consequence, money is transferred abroad, where it is possible to receive higher profits or interest from their investment.

Among the reasons for the migration of capital from the country are the following:

1. The visible possibility of establishing a monopoly in the market of the recipient country;
2. Access to cheaper resources (labor and raw materials) in countries receiving the capital;
3. Existence of political stability in recipient country;
4. Relatively low environmental standards;
5. The favorable "investment climate" in the receiving country.

By the "investment climate" is meant a set of the following parameters:

1. economic conditions: the situation in the economy in general (rise, recession or stagnation), the state of the currency, financial and credit national systems, conditions for the use of labor, the level of domestic taxes, the customs regime.

2. the state policy in the field of foreign investments: respect for international legislation and implementation of international agreements, quality and stability of state institutions, continuity of power.

A characteristic phenomenon of the current stage in international capital migration is that a growing number of countries are involved in cross-border movement of direct and portfolio investments and loan capital. While previously some countries acted only as importers or exporters of international capital, today they act in both capacities, i.e. they both import and export capital.

Plus, the global experience of economic development speaks to the fact that:

1. In the present conditions of development, the most successful form of business promotion is the financial-industrial group, as the organisational basis for the development of contemporary productive forces, the creation of which has been influenced by the international migration of capital;
2. The main advantage of the financial-industrial group is the transnationalisation of industrial development, the attraction of foreign investment and technical expertise, and the expansion of the market;
3. The formation of core companies within the financial-industrial group means the creation of a system-generating link that enables the maintenance and appropriation of new market segments, the expansion of infrastructure through the organisation of new entities and, above all, the stimulation of the development of small and medium-sized businesses;
4. The group company tax integration regime is defined as the legal regime encountered by group-holding entities subject to taxation, whatever the nature of their activity;
5. The participation of the financial-industrial group in the competitive struggle to create advanced technologies requires them to initiate large investment projects, which largely determines technical and scientific progress.

At the same time, the world practice of creating a financial-industrial group applicable to the conditions of reforming the economy of weakly developing European countries should not be limited to the experience of a particular country, such as the USA, Japan, South Korea or any other country that is mechanically transferred to their territory. The question is to use this experience not in an abstract way, but by conceiving the main trends in the progress of world economic relations and finding our own forms of implementing these trends, which correspond to the concrete needs of the specific stage of economic and social development.

Thus, for European countries with developing economies such as the Republic of Moldova, it has been shown that the role of TNCs in attracting foreign direct investment is of particular importance.

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