

VALUING THE FINANCIAL AND ACCOUNTING INFORMATION IN THE CONCEPTUALIZATION OF THE COSTS DIMENSION WITH POSTING FROM ROMANIA TO EUROPEAN UNION

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Abstract

Posting generates at least two types of conflicts: accounting versus fiscal and national versus European, because a confusion has arisen between posting and European mobility and many disagreements stem from the structure of the minimum wage, which is different from one state to another.

Due to the fact that posting is a phenomenon that has become increasingly large, there is very discussed topic in the field of accounting, especially from the perspective of the dimensioning the wage costs, contributions and taxes.

The debates regarding the reflection in accounting of the human resources aspects, generally, and posting, particularly, have not reached a widely accepted point of view, but there is a continuation of the interest in this field by lighting some discussions on the essential issues of accounting (especially regarding the extent of the accounting representation of reality – including or not the “observation” of employee) or the definition of the social responsibility of the economic entity by providing information on social benefits and costs.

What is the role of accounting information in decisions regarding posting cost sizing? What are the costs of posting at national level? These are some of the questions that will be answered in this research.

Key words: *Accounting information, Daily allowance, Posting, Posting cost, Transnational mobility.*

JEL Classification: *O15, J62*

I. INTRODUCTION

The posting of workers in the European Union is defined by the legislation of each Member State, the legislation in which the European Directives are transposed. The mobility of the labor force in the European Union in order to provide a service is possible at any time without the economic agent having to face accounting, fiscal or administrative barriers. However, the employer must take into account a number of accounting issues such as: the minimum wage of the posted worker, the remuneration structure (the minimum wage for which the daylight is added, or the gross minimum wage) so that the accounting standards of the host Member State should also be respected.

In the light of the European legislative framework, the taxes and contributions corresponding to the wage income of the posted worker are paid in the origin Member State of the economic entity, despite the fact that the services are provided in another Member State, a situation with a significant financial impact. This exception is mainly motivated to encourage mobility within the European Union and economic interpenetration and avoid an additional administrative burden, objectives that have been achieved.

Thus, if in 2016 about 2.3 million posted workers were registered at EU level, which represents 0.4% of the total number of workers in the Community area (<https://ec.europa.eu/social/BlobServlet?docId=21417&langId=en>), in 2017 there is a tendency to increase their number up to 2.8 million. The situation in countries regarding the number of employees seconded in another Member State or received from another Member State is as we can see in Table 1.

So, Germany is the country where most employees are posted in another Member State (427.175 employees), followed by France (241.363 employees) and Belgium (167.335 employees). The main exporting countries of posted workers are Poland (573.358 employees), Germany (399.745 employees) and Spain (191.148 employees). Regarding Romania, the number of employees posted in other Member States is 84.743 (3,06% of the total posting), which ranks our country in the middle of the ranking regarding posting in other Member States (11th out of 28). On the other hand, in Romania are posted 12.036 employees (which represents 0,78% of the total number of posted workers registered at EU level), ranking 19th out of 28.

Table 1 Ranking of EU member countries on the export and import of posted workers in 2017

Posting in European Union					
In Member State	No. workers	Ranking	Form Member State	No. workers	Ranking
Germany	427.175	1	Poland	573.358	1
France	241.363	2	Germany	399.745	2
Belgium	167.335	3	Spain	191.148	3
Austria	141.046	4	Slovenia	190.976	4
Netherlands	111.522	5	Italy	152.528	5
Italy	64.669	6	Belgium	134.398	6
Spain	60.488	7	Slovakia	112.978	7
UK	59.587	8	France	111.659	8
Sweden	44.005	9	Netherlands	103.738	9
Luxembourg	32.664	10	Portugal	85.074	10
Czech Republic	24.227	11	Romania	84.743	11
Portugal	22.639	12	Hungary	82.881	12
Finland	22.252	13	Luxembourg	73.875	13
Poland	20.620	14	Lithuania	70.180	14
Denmark	15.592	15	Austria	68.956	15
Slovakia	13.759	16	Czech Republic	67.933	16
Hungary	12.924	17	Croatia	60.026	17
Croatia	12.791	18	UK	49.496	18
Romania	12.036	19	Denmark	37.848	19
Greece	8.109	20	Bulgaria	36.220	20
Slovenia	6.357	21	Latvia	20.689	21
Ireland	6.171	22	Estonia	18.977	22
Bulgaria	3.508	23	Sweden	10.710	23
Estonia	3.025	24	Finland	8.061	24
Malta	2.513	25	Ireland	7.745	25
Lithuania	2.261	26	Greece	7.204	26
Latvia	1.356	27	Cyprus	4.040	27
Cyprus	1.256	28	Malta	1.388	28
TOTAL	1.541.250	-	TOTAL	2.766.574	-

Source: processed after European Commission, (2018), *Posting of workers. Report on AI Portable Documents issued in 2017*, p. 17

The increasing dimension of posting in the European Union increasing the interest in the field of accounting and taxation because the organization of the operational records and the preparation of the legal reports regarding the employees, as well as the accounting of the economic activities performed and the presentation of the tax declarations regarding the obligations and the payments related to it is the employer who, for this purpose, takes into account the general national regulations of financial and accounting nature in accordance with the European directives.

II.ACCOUNTING INFORMATION AND ACCOUNTING FINANCIAL REALITY REGARDING POSTING AT EUROPEAN UNION LEVEL

Given the development of economic-financial relations and the amplification of posting at European Union level, the synchronization of accounting with the taxation of the economic agents that post workers tends towards elaborating an accounting methodology (Feleagă and Ionașcu, 1998) through which it will be as far as possible reduced and even eliminated distorted accounting representations of reality and to express equity in the preparation of financial - accounting reports (Oprean and Oprean, 2012).

As a “participant” at the economic activity, the state is “remunerated” with social contributions and taxes calculated in accordance with Law 227/2015 on the Fiscal Code, as subsequently amended and supplemented. And how these contributions and taxes are calculated on the basis of accounting information, is emphasized, once again, the importance of the financial - accounting system in fiscal management. This is because among the objectives of accounting are also the reflection of the rights and obligations of natural and legal persons, in money expression, which represents the legal essence (Oprean and Oprean, 2012) of the approach of the employer relations with the workers seconded.

Accounting represents the informational system that underlies the determination of contributions and taxes, and the production of this information is the responsibility of the accounting professionals. Oprean and Oprean (2012) identify in their work three types of accounting: management accounting, financial accounting and fiscal accounting, specifying that between financial and fiscal accounting there is, simultaneously, a connection and a disconnection: the financial-accounting information system achieves the accounting and fiscal purposes, but there are notable differences between the accounting and fiscal rules and principles (Oprean and Oprean, 2012).

However, there are also situations in which economic entities apply accounting policies in the area of “creative accounting” in order to “cosmetic” the accounting information in the documents that reflect the expenses generated by posting, or to “fiscal optimization” the financial situation. As long as these accounting procedures do not violate the accounting and fiscal legislation, but they represent “gates” of the legislative framework, they are not fraudulent, which delimits the concept of “creative accounting” from that of “intent accounting” (Străpuc, 2019).

For employers’ with are posting workers in the European Union, the decision to establish the remuneration system of the posted worker is strongly influenced by the concern of minimizing the costs but also of the methods of taxation of each component of the remuneration system. The daily allowance taxation methods are the basis for establishing the remuneration of the posted worker and can create distortions regarding the satisfaction of the regulations regarding the minimum wage of the posted worker in the host state.

The financial - accounting information regarding posting in the European Union are involved in a process of adaptation to the current requirements and in the light of the accounting-tax relations. The reality has shown that the system of contributions and taxes has its own dynamics and the accounting and fiscal policies are becoming more and more a reality based on the harmonization of the interests of the employer with the social ones, via taxes.

In this context, the employer assumes a “fiscal risk”, being put in a difficult situation, between choosing to pay taxes and contributions as small as possible (paying the posted worker with the minimum wage in Romania to which he adds the daily allowance, within the non-taxable limit), or to pay a minimum gross wage equal to the specific one in the host country where the worker is posted (as the tax authorities interpret the national law on cross-border mobility). On the other hand, the institutions empowered to control can confirm the correct calculation and retention of taxes and contributions or they can establish errors, which the employer is obliged to either correct or to demonstrate that his interpretation of the legislative framework related to the cross-border mobility of the force. work is the right one. The errors that may occur are either accounting (omissions or inaccuracies) or fiscal (when the employer is faced with several possible solutions and chooses the one that is not in compliance with the tax regulations, for example partial declaration of the remuneration granted to the worker detached).

“In essence, the tax authorities must recognize that the vast majority of taxpayers and their advisers have honest tax behavior, really seeking to fulfill their obligations. As a result of the complexity of the tax systems, errors appear, and the tax authorities should not automatically assume that any non-compliance is deliberate and fraudulent. A correct calculation implies clear fiscal rules” (Șova, Dobre et al., 2017), which does not happen, at the moment of the present research, in the field of human resources mobility in the European Union.

The employer calculates, withholds and pays contributions and taxes, thus attributing to the accounting a “new social function” (Oprean and Oprean, 2012), therefore the financial - accounting information is the basis starting from establishing the amount of the expenses generated by the mobility of posted workers, contributions and taxes withheld.

An example of an approach that has a negative impact and in which accounting is directly involved is the procedure for determining the remuneration of the posted worker. The current legislation states that this must be at the level of the minimum wage in the host state, but the case law of the European Court (Directive (EU) 2018/957 of the European Parliament and of the Council of 28 June 2018 amending Directive 96/71/EC on posting of workers) in the framework of the provision of services published in the Official Journal of the European Union L173/16 of June 28, 2018, Case C - 396/13 Sähkölojen v Elektrobudowa Spolka Akcyjna [2015], ECLI: EU: C - 2015: 86, Judgment of the European Court of 12 February 2015, Repertory of the Jurisprudence 2015, Case C-341/02 Commission v. Germany, EU: C: 2005: 220, European Court decision of 14 April 2005, Repertory of the Jurisprudence 2005) lists the following items as part of the posted worker's minimum wage:

- daily allowance, only if it does not represent actual expenses with the posting (transport, accommodation and meal);
- allowance for daily commuting, provided that the duration of the daily commute to and from work is longer than one hour
- the first representing the thirteenth or fourteenth salary.

The other elements that represent the remuneration of the posted worker such as: the value of overtime hours, meal tickets or accommodation expenses, for example, are not recognized by the European Court case law (Case C-341/02 Commission v. Germany, EU: C: 2005: 220, Judgment of the European Court of 14 April 2005, Repertory of the Jurisprudence 2005 and Case C-396/13 Sähkölojen v Elektrobudowa Spolka Akcyjna [2015], ECLI: EU: C - 2015: 86, Judgment of the European Court of 12 February 2015, Repertory of the Jurisprudence 2015) as part of the structure of the gross minimum wage of the posted worker.

The information regarding the costs with human resources is provided first, internally, by the payment state (in the form of the gross remuneration granted to the posted workers and of the expenses with the related contributions and taxes, both on the total economic agent and individually on each worker in part), the payment

provisions or the statements of account (in the form of the amount of the day granted). The document that provides information about the costs with human resource to both internal and external users is the profit and loss account, specifying that the information provided is centralized on a total staff basis, the information refers only to gross remuneration and to the level of contributions and taxes calculated. and retained, and the note on the financial statements regarding the personnel expenses does not require the presentation of the detailed information regarding the employees of an economic agent. This is also the main cause that requires, at the level of Romania, the drawing up of a social balance, respectively the implementation of SA Standard 8000: 2014 Social responsibility at the level of all organizations, through which to provide users with information such as:

- expenditure on gross remuneration by category of personnel;
- expenses related to contributions and taxes;
- staff training expenses;
- expenditure on hygiene and labor protection;
- expenses for transport and staff table;
- daytime expenses;
- expenses incurred with human resources and which are classified by their nature, without thus falling under the category "personnel costs".

If accounting is regarded as a tool for obtaining pure and objective information, then ... the intervention of taxation in the accounting methodology is unacceptable; tax authorities should accept the accounting reality without reservation (Oprean and Oprean, 2012) especially if we refer to the establishment of the fiscal tasks of the posted workers.

III. MACROECONOMIC IMPACT OF POSTING FROM ROMANIA TO EUROPEAN UNION IN THE LIGHT OF COSTS WITH SALARIES, CONTRIBUTIONS AND RELATED TAXES

In order to estimate the monthly costs at national level with labor mobility, as well as the contributions and taxes that are made at the macroeconomic level, I will use the following two calculation formulas (processed after De Wispelaere and Pacolet, 2015):

$$(1) \text{ Total costs with posting} = = \frac{\sum V_{bi} \times Nr_{A1i}}{30} \times P_d$$

- V_{bi} – the gross monthly minimum wage in the host state;
- Nr_{A1i} – the number of forms A1 issued for the respective state;
- P_d – average posting period.

$$(2) \text{ Value of contributions and taxes} = \text{Total costs for posted worker} \times \text{Contribution and tax rate}$$

Given that the posted average gross monthly income of the posted worker is not known, I will therefore use Eurostat statistics to highlight the gross monthly average income (single person without children, 67% of average salary). With regard to contributions and tax, I will apply the quotas in accordance with the current rules. The average monthly taxation income (by type of tax) has been multiplied by the number of PD A1 issued by Romania in the European Union. This will give us an idea about the costs at national level with the cross-border mobility of human resources, with the level of contributions and income tax. This could also be multiplied by the average registration period. The average posting period taken into account is 30 days, given that, for Romania, it is not known (<https://www.etk.fi/wp-content/uploads/Komissio-tilastoraportti-Posting-of-Workers-2017.pdf>).

This methodology also applies to the calculation of an alternative scenario in the Member State of employment and derives from the Member States.

Based on the calculations made in Table 2, according to the rules of 2017, Romania would have received approximately 33,3 million euros from the taxes related to salaries for posted workers, in a single month.

Also the payment of posted workers with the minimum wage on the economy would have meant for the Romanian employers' total expenses in the amount of 65,47 million euros (of which 53,32 million euro expenses with the salaries and 12,15 million euro social contributions).

Table 2. Labor costs, their taxes and fees for one month

Member State	A1 Forms	Gross monthly average income	Labor costs	Employer's Social Contributions	Employee's Contributions	Tax
Austria	1.142	0	0	0	0	0
Belgium	6.767	1.532	10.367.044	2.362.649	3.369.289	741.617
Bulgaria	253	276	69.828	15.914	22.694	4.995
Czech Republic	384	386	148.224	33.780	48.173	10.603
Cyprus	28	0	0	0	0	0
Croatia	25	424	10.600	2.416	3.445	758
Denmark	97	0	0	0	0	0
Estonia	219	450	98.550	22.460	32.029	7.050
Finland	327	0	0	0	0	0
France	7.096	1.474	10.459.504	2.383.721	3.399.339	748.231
Germany	16.941	1.469	24.886.329	5.671.594	8.088.057	1.780.268
Greece	164	684	112.176	25.565	36.457	8.025
Ireland	33	1.555	51.315	11.695	16.677	3.671
Italy	6.025	0	0	0	0	0
Lithuania	5	380	1.900	433	618	136
Luxembourg	166	1.961	325.526	74.187	105.796	23.287
Malta	19	732	13.908	3.170	4.520	995
UK	1.263	1.418	1.790.934	408.154	582.054	128.116
Netherlands	2.591	1.545	4.003.095	912.305	1.301.006	286.365
Poland	178	435	77.430	17.646	25.165	5.539
Portugal	34	634	21.556	4.913	7.006	1.542
Slovakia	882	420	370.440	84.423	120.393	26.500
Slovenia	60	798	47.880	10.912	15.561	3.425
Spain	379	795	301.305	68.667	97.924	21.554
Sweden	586	0	0	0	0	0
Hungary	437	381	166.497	37.945	54.112	11.911
Total	46.101	-	53.324.041	12.152.549	17.330.313	3.814.589

Source: our calculation based on Eurostat ([earn_mw_cur]), European Commission, (2018), *Posting of workers. Report on A1Portable Documents issued in 2017*, p. 24

These significant differences derive from the fact that posted workers must be remunerated at the wage level of the host Member State. In Romania, however, in practice, the employer enjoys the derogation regarding the maximum deductible daily allowance and employs posted workers with the minimum wage on the economy plus daily allowance, up to the maximum tax deductible limit.

Table 3. Comparative level of expenses, contributions and tax related to posted workers with the minimum wage in Romania vs. the minimum wage in the host country (euro)

Area	Gross monthly salary	Monthly expenses	Employer social contributions	Employee social contributions	Tax	Daily allowance	Total costs
Ro	317	12.059.686	2.748.402	3.919.398	862.702	99.731.625	114.539.713
EU	-	53.324.041	12.152.549	17.330.313	3.814.589	0	65.476.590

Source: our calculation based on Eurostat ([earn_mw_cur]), and European Commission, (2018), *Posting of workers. Report on A1Portable Documents issued in 2017*, p. 24, on line on <https://www.etk.fi/wp-content/uploads/Komissio-tilastoraportti-Posting-of-workers-2017.pdf>

At the level of 2017 (Table 3), posting workers with the minimum gross monthly wage in the economy and the granting of a daily allowance equal to the maximum allowed limit (87,5 euro/ day) does not represent an advantage for the employer, in terms of expenditure recorded with labor mobility. According to the table no. 3 it can be observed that in this situation the total monthly expenses of the employer are with 74,97% higher than if the employees with the minimum wage in the host state were employed.

This solution is an advantage for the employer, given that the daily allowance is less than 44 euros.

In contrast to the employer, the state's tax revenues, according to the classification of posted workers with the minimum gross wage per day plus economy, are 77,39% lower.

IV.CONCLUSION

The rules on posted workers have been transposed into the legislation of the Member States, which is why the national legislative framework in each country in this field is quite similar. However, transposing European regulations in the individual European Union countries have an important impact. The cause of such a different

impact is justified by the fact that although the harmonization of the national legislation with the European regulations has been achieved, there is a normative framework according to the industry in which the worker is employed (Hlaciuc and Rață, 2019).

In order to obtain all the financial accounting information regarding posting at European Union level, the national accounting regulations applying the European Directive in the field, specifying that the employer must establish his own analytical procedures to ensure a rigorous delimitation of their face. of those regarding other activities that it carries out.

The modern accountant is involved not only in keeping the records (accounting records), but also in a series of activities that involve planning, solving problems, controlling, orienting actions, evaluating, verifying and auditing. Today's accountant takes into account the fundamental needs of users of accounting information, either internal or external, and accounting is an information system that quantifies, processes and communicates (transmits) financial information about an identifiable economic entity (Diaconu, 2015).

Based on the calculations made, I have highlighted the actual effective impact of the posting of workers for 1 month because we cannot speak of an annual impact considering that the average dating period, at the level of the European Union is 98 days. Thus, the annual financial impact of the posting from the total expenses and the value of the contributions and taxes on the income from the wages is reduced.

The limits of the research carried out are represented by the following aspects:

- only A1 forms issued for posted workers based on Article no. 12 of Regulation (EC) NO. 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems, published in J.O. L 166, 30.4.2004 were included on the study;

- A1 forms issued for posted workers to Member States that do not have a minimum gross wage per defined economy (Austria, Cyprus, Denmark, Finland, Italy and Sweden) have not been taken into account so the impact of posting in EU is bigger than our estimations;

- the results are sensitive to the structure of posting, which is why it is recommended that each employer should make these calculations according to the structure of posted workers in the Member States;

- also, the calculations made must be customized for each employer because the structure of the income of posted workers may differ, so accounting information plays a very important role, because decisions on fiscal optimization are made based on accounting information;

- the decision to hire an employee with the minimum daily allowance plus the minimum wage in the Member State must be made not only as a result of the accounting calculations but must also take into account the taxation that governs the rules regarding the minimum wage of posted workers.

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