

DOI: 10.5281/zenodo.3766810

UDC: 658:005:336.22

JEL: H2, M49

USE OF ALTERNATIVE ELEMENTS OF THE ENTERPRISE ACCOUNTING POLICY IN TAX PLANNING

ВИКОРИСТАННЯ АЛЬТЕРНАТИВНИХ ЕЛЕМЕНТІВ ОБЛІКОВОЇ ПОЛІТИКИ ПІДПРИЄМСТВА В ПОДАТКОВОМУ ПЛАНУВАННІ

Anatoliy G. Zahorodniy, PhD in Economics, Professor
Lviv Polytechnic National University, Lviv, Ukraine
ORCID: 0000-0002-2332-4214
Email: zagorodniy@polynet.lviv.ua

Volodymyr Ya. Olikhovskiy, PhD in Economics
Lviv Polytechnic National University, Lviv, Ukraine
ORCID: 0000-0002-4651-3835
Email: olihovskiy@ukr.net

Galina I. Homin
Lviv Polytechnic National University, Lviv, Ukraine
ORCID: 0000-0002-1058-7904

Received 24.09.19

*Загородній А.Г., Оліховський В.Я., Хомін Г.І.
Використання альтернативних елементів облікової політики
підприємства в податковому плануванні. Науково-методична
стаття.*

В основі податкового планування лежить пошук багатоваріантності та прийняття альтернативних рішень, що виокремлює його від податкового бюджетування. Альтернативність є фундаментальною умовою реалізації концепції податкового планування на підприємстві з метою оптимізації витрат, збільшення доходів та фінансових результатів підприємства. У статті розглянуто альтернативні варіанти елементів облікової політики підприємства, передбачені чинними законодавчо-нормативними актами, обґрунтовано можливість використання елементів облікової політики у податковому плануванні з метою зниження податкового навантаження на суб'єкт господарювання, а також розроблено методику використання альтернативних елементів облікової політики в реалізації цими суб'єктами концепції податкового планування.

Ключові слова: податкове планування, альтернативність, варіантність обліку, податкова політика.

*Zahorodniy A.G., Olikhovskiy V.Ya., Homin G.I. Use of
alternative elements of the enterprise accounting policy in tax
planning. Scientific and methodical article.*

Tax planning is based on the search for multivariate and alternative decision making, which separates it from tax budgeting. Alternativeness is a fundamental condition for implementing the concept of tax planning at the enterprise in order to optimize costs, increase revenues and financial results of the enterprise. The article considers alternative variants of the accounting elements of the enterprise, provided by the current legislative and regulatory acts, substantiates the possibility of using the elements of accounting policies in tax planning in order to reduce the tax burden on the entity, and develops a method of using alternative elements of accounting policies in the implementation of these tax planning concepts.

Keywords: tax planning, alternatives, accounting options, tax policy.

Micro-level tax planning is a system of measures planned, reasoned and implemented by a business entity to reduce its tax burden. Such planning, which is a basis for the formation of the enterprise tax policy, is carried out in the legal field, which is in accordance with the current legislation, and is based on specific principles and methods and involves the development and use of certain tools and schemes. The basis of tax planning is a choice between various options for the implementation of enterprise financial and economic activities and the placement of its assets in order to minimize tax liabilities that arise. In the light of this, the study of possible variants of alternative decisions that business entities can use to implement their tax planning concept is relevant and requires scientific research and justification.

Analysis of recent research and publications

The problem of tax management, including tax planning, is the subject of scientific researches by many Ukrainian and foreign scholars. Hundreds of monographs and scientific articles are devoted to it. In particular, only in Ukraine the theoretical and applied aspects of tax planning have become the subject of the dissertation research of Butenko K.V., Halkin I.H., Hlushchenko Ya.I., Yelisieiev A.V., Zabarenko Yu.A., Karpova V.V., Mihunova M.I., Musiienko O.I., Olikhovskiy V.Ia., Tkachyk L.P. and Fedyshyn N.I. Some of these studies concern the issues of alternativeness in tax planning. In addition, these issues are considered in the scientific works of Adamyk O.V., Horbunov A.R., Desiatniuk O.M., Ivanov Yu.B., Kirsh O.V., Kozhynov V.Ia., Krysovatyi A.I., Petrosiants K.V., Pidluzhnyi M.P., Slavinska M.O. and other scientists.

Unsolved aspects of the problem

Although scientists pay much attention to the issues of a choice of alternative elements of the enterprise accounting policy in order to reduce tax burden and the procedure for their use in tax planning are the ones that need solving.

The aim of the article is to investigate the alternative elements of the enterprise accounting policy and their use in tax planning.

The main part

To implement the enterprise tax planning concept, the principles on the basis of which the methodology for such planning is developed and which are divided into general and special ones are of particular importance. The general ones include the principles typical of the enterprise internal corporate planning as a whole and tax planning as its component (principles of unity (systemicity), participation, continuity, flexibility, accuracy), and special ones include the principles that are inherent only in tax planning (principles of legality, complexity, the optimal risk and benefit ratio, prospects, alternativeness and naturalness) [1].

Among special principles of tax planning, the principle of alternativeness is particularly important for its implementation which means that the selection and development of payment minimization schemes should be carried out on an alternative basis, by different variants for a business transaction processing. The availability of alternatives allows extending the scope of the analysis of possible tax options in order to choose the one with optimal indicators and thereby increase the efficiency of the results of tax planning measures [1]. This principle is also referred to as the principle of multi-variance or the principle of diversification in the works of other authors.

At the same time, alternativeness as the choice of a better or optimum option of two or more variants is a fundamental condition for the implementation of the

enterprise tax planning. Tax planning alternativeness can be implemented both at the stages of the enterprise creation and operation and in the process of its liquidation, and is conditioned by the possibilities of the choice of:

- elements of taxes, the significance of which depends on types of activity, types of products, conditions of production, etc. – first of all tax rates and tax benefits;
- a tax system, where alternative tax systems are provided for by the legislation in addition to the main system;
- the place of the enterprise registration, in particular in free (special) economic zones or offshore territories with preferential tax regimes;
- the organizational and legal form of an entity;
- types of activities, types of works and services according to the criterion of their tax capacity;
- the mechanism of income and profit distribution;
- other alternatives.

However, most tax planning alternatives are due to the possibility of accounting alternativeness. In the monograph "Accounting Multi-Variance: Historical and Theoretical Aspects" Professor S.F. Lehenchuk scientifically substantiates that the means of accounting regulation include: firstly, rules (imperatives) of accounting, which unambiguously regulate the order of accounting representation of the consequences of the enterprise economic life and prevent any deviations from it; secondly, accounting alternatives are a set of equivalent imperatives, the availability of which allows choosing one of them. The mechanisms for their implementation correspond to these means: the imperative behavior – to the first one and an accounting choice – to the second one, that is, a choice of one of the possible alternatives by the accounting entity [2].

There are five types of accounting variance concepts, the differences between which are presented in tab. 1.

Table 1. Concepts of variance in accounting

Concept Type	Concept Essence
Concept of absolute mono-variance	Absence of any accounting alternative options
Concept of mono-variance extension	In the vast majority of cases, accounting is regulated by setting clear imperatives, but in some cases, alternative accounting variants are provided in corresponding documents
Concept of limited multi-variance	Provides simultaneous application of accounting imperatives and a set of alternatives to reflect the consequences of economic life
Concept of partially limited multi-variance	Accounting is governed solely by the use of sets of alternatives and involves a choice of one particular alternative from each set and taking into account restrictions provided by accounting principles.
Concept of absolute unlimited multi-variance	Accounting is regulated only by the use of sets of alternatives, the choice of which does not imply any restrictions

Source: compiled by the authors on the materials [2]

In Ukraine, after the declaration of independence in 1991, the process of forming a new accounting system began, which consisted in regulating its principles and methods and moving from the Soviet model of extended accounting mono-variance to the model used in the United States and in many

developed countries, namely, to the market model of limited multi-variance, which is realized through accounting policy formation by each enterprise.

In the accounting practice in many developed countries of the world, the term "accounting policy", as a set of ways of accounting has been used by

enterprises for a long time. In our country, this term was officially introduced in 1999 after the adoption of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" of July 16, 1999 № 996-XIV [3] and Accounting Regulation (Standard) 1 "General Requirements to Financial Reporting", approved by the Decree of the Ministry of Finance of Ukraine of 31.03.1999 № 87 [4]. According to these documents, an accounting policy is a set of principles, methods and procedures used by an enterprise to prepare and submit financial statements. International Accounting Standard 8 "Accounting Policies, Changes in

Accounting Estimates and Errors" interprets an accounting policy as "specific principles, fundamentals, arrangements, rules and practices that a business entity applies in the preparation and presentation of financial statements" [5]. As Professor M.S. Pushkar points out "An accounting policy is the constitution of financial accounting" [6].

The elements of the enterprise accounting policy cover almost all components of assets, coverage, income and expenses, and other accounting objects. The main objects and elements of the enterprise accounting policy are given in tab. 2.

Table 2. Objects and elements of the enterprise accounting policy

Accounting Policy Objects	Accounting Policy Elements
Share capital	Procedure for increasing the share capital
Reserve capital	Order of the formation and use of the reserve capital
Additional capital	Determination of the share of the additional capital belonging to participants
Fixed assets, non-current tangible assets of low cost, intangible assets	Distinguishing fixed assets from the other related types of assets; terms of useful use; methods of depreciation calculation; procedure for the revaluation of fixed assets; procedure for accounting the costs for fixed assets maintenance and repair
Financial instruments (financial assets, financial liabilities, etc.)	Procedure for crediting the balance; initial estimation and representation in the balance sheet; methods of accounting, valuation, depreciation (discounts, premiums)
Investment real estate	Procedure for identifying and evaluating investment real estate
Stocks	Order of the distribution of storage and procurement costs; methods of the valuation of disposable assets; order of the valuation of goods in trade organizations
Current receivables	Order of the evaluation and representation in the balance sheet; method of the formation of doubtful debt reserve
Coverage	Composition, procedure of the formation and use of reserves of future expenses and payments
Income and expenses for the reporting period	Object of accounting production costs; composition of the expenses that form the cost of production; estimation of the expenses that are accounted for by the object of accounting; method of accounting production costs; allocation of costs for fixed and variable ones, by cost elements, by costing items; staff remuneration system; procedure for the exchange and distribution of overhead costs; distribution of transport and procurement costs; method of the estimation of performed works in calculations with the customer; method of allocating the cost of production to its realized part and the part in work in progress; method of estimating work in progress; composition of the costs of future periods and the procedure for writing them off for production costs; method of estimating liabilities; method of determining receipts and the financial result from the sale, in particular to determine the tax base
Currency	Order of accounting for exchange differences
Special purpose funds	Composition, procedure of the formation and use of special purpose funds
Construction contracts	Method of determining the level of completion of works under a construction contract

Source: compiled by the authors on the regulatory documents

The information given in tab. 2 indicates that the enterprise accounting policy due to the alternativeness of its elements is multivariate and can significantly affect its costs and financial results. O.A. Lahovska, having applied the basic principles of combinatorics to the accounting policy elements, which are provided by the alternative variants of accounting under the P(S)BO [National Accounting Regulation (Standard)], found that there are 622080 (!) variants of the financial result of the enterprise activity [7]. According to T. A. Bondar "the availability of permitted alternative variants of valuation, as well as their modification, allows varying factors that affect financial performance indicators within the accounting policy". The existence of such variance provides for the organization of the accounting of individual nature, taking into account the interests of the owner and the enterprise management system"

[8]. Given that "the accountant today has been given the opportunity to freely choose accounting policy elements, the methods of the valuation of assets and liabilities" [9], a real opportunity to use these elements in tax planning has arisen.

Enterprises which use the International Financial Reporting Standards to prepare financial statements may also use an accounting policy for tax planning, as these standards contain many alternative elements, while reports are "more based on estimates, judgments and models, rather than accurate descriptions" [10].

The procedure for choosing alternative elements of the accounting policy in the process of implementing the concept of the enterprise tax planning and their inclusion in the accounting policy Order is shown in fig. 1.

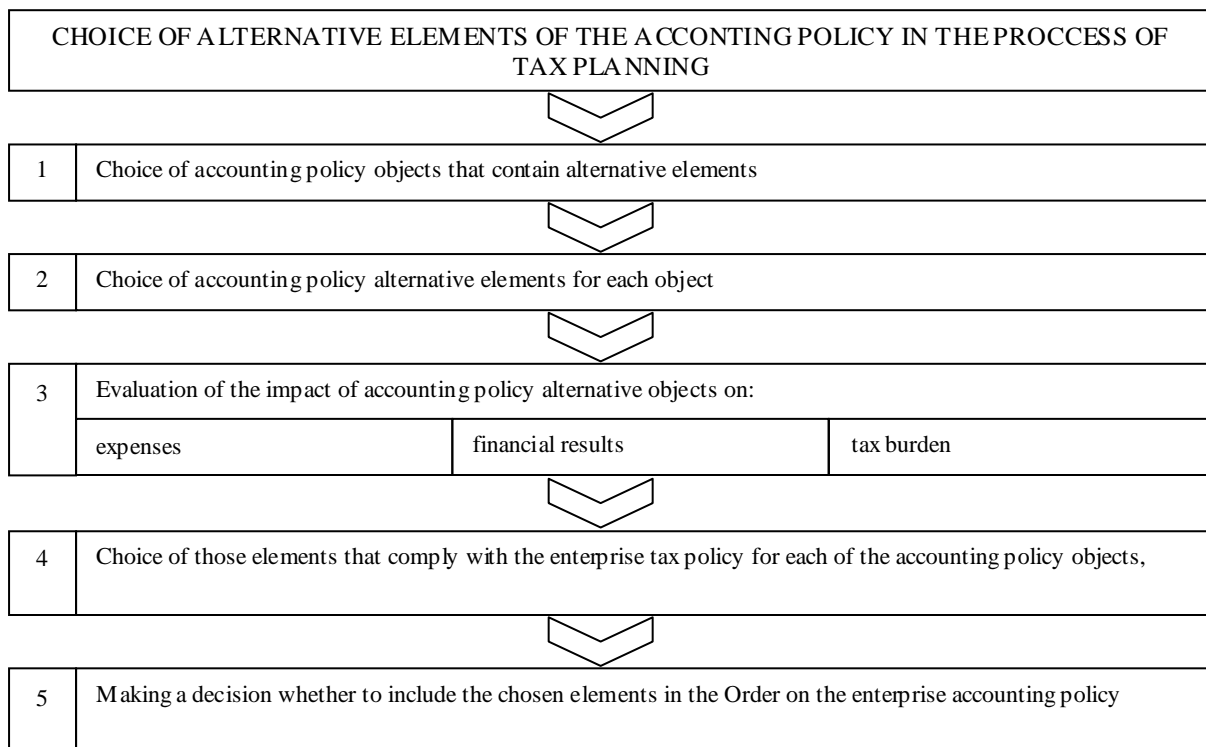


Fig. 1. Sequence of the choice of the accounting policy alternative elements in the process of tax planning.

Source: own elaboration.

In view of fig. 1, the choice of alternative elements of the enterprise accounting policy involves five stages:

- at the first stage, accountants choose those accounting objects that the enterprise uses and which are to be disclosed in its accounting policy;
- the second step involves choosing possible alternative elements for each accounting policy object;
- the third step is to economically evaluate the impact of alternative elements on costs, financial results (primarily on profit) and tax burden on the enterprise, and involves calculations related to a rotating paired comparison of the elements for each accounting object;
- at the fourth stage, accountants make the choice of those elements that correspond to the enterprise tax policy, which is an integral part of its financial strategy and is to choose the best way to make tax payments in the presence of alternative variants of its financial and economic activity, and in this

study – the alternative elements of the accounting policy;

- the last fifth stage involves deciding whether to include the elements chosen at the previous stage in the Order on the enterprise accounting policy. This decision may be taken by the accounting staff together with the employees of the financial, economic and legal services of the enterprise.

Conclusions

The alternative elements of the enterprise accounting policy affect its costs, financial results, and tax burden. Because of this, they are a tax-planning tool that aims to minimize tax burden on the enterprise. The choice of the alternative elements of the accounting policy in the tax planning process should follow the procedure described in the article. The prospect of further research is to develop methods for quantifying the impact of the alternative elements of the accounting policy on the tax burden of the enterprise.

Abstract

The article considers the essence of tax planning as a system of reasoned, planned and implemented measures by a business entity to reduce its tax burden. Tax planning is based on the search for multi-variance and alternative decision making, which separates it from tax budgeting. Alternativeness as a choice of a better or optimum option of two or more variants is a fundamental condition for the realization of the concept of the enterprise tax planning and can be realized both at the stages of the enterprise creation and operation and in the process of its liquidation in order to optimize expenses, increase the income and financial results of the enterprise. Alternativeness is caused by the possibility of choosing the elements of taxes (primarily tax rates and tax benefits), a tax system, the place of the enterprise registration, the organizational and legal form of an entity, types of activities and types of works and services (according to the criterion of their tax capacity), the

mechanism of income and profit distribution, other alternatives. However, most tax planning alternatives are due to the possibility of accounting alternativeness. The five types of accounting variance concepts are identified and the differences between them are given in the article. Based on the study of the objects and elements of the enterprise accounting policy, which cover virtually all components of assets, coverage, income and expenses, other accounting objects, it is substantiated that the enterprise accounting policy due to the alternativeness of its elements is multivariate and can significantly influence its costs and financial results. The article considers the alternative variants of the enterprise accounting elements, provided by the current legislative and regulatory acts, substantiates the possibility of using accounting policy elements in tax planning in order to reduce tax burden on the entity, and develops the methodology of using accounting policy alternative elements in the implementation of tax planning concepts.

Список літератури:

1. Іванов Ю.Б. Проблеми податкового регулювання і планування податкових платежів: наукове видання / Ю.Б. Іванов, О.М. Тищенко, К.В. Давискіба, В.В. Карпова, Л.М. Карпов, І.А. Серова; за заг. ред. докт. екон. наук, проф. Ю.Б. Іванова. – Харків: ХНЕУ, 2006. – 240 с.
2. Легенчук С.Ф. Багатоваріантність в бухгалтерському обліку: історико-теоретичні аспекти: монографія / С.Ф. Легенчук. – Житомир: ЖДТУ, 2017. – 204 с.
3. Закон України «Про бухгалтерський облік та фінансову звітність» від 16 липня 1999 року № 996-XIV. URL: <https://zakon.rada.gov.ua/laws/show/996-14>.
4. Положення (стандарт) бухгалтерського обліку 1 «Загальні вимоги до фінансової звітності» затверджене наказом Міністерства фінансів України від 31.03.1999 р. № 87 // Загородній А.Г. Бухгалтерський облік: основи теорії та практики: навч. посіб. / А.Г. Загородній, Г.О. Партин – 2-ге вид., перероб. і доп. – К.: Т-во «Знання», КОО, 2003 – С. 159-163.
5. Міжнародний стандарт бухгалтерського обліку 8 «Облікові політики, зміни в облікових оцінках і помилки». URL: https://zakon.rada.gov.ua/laws/show/929_020.
6. Пушкар М.С. Облікова політика і звітність: навч. посібник / М.С. Пушкар. – Тернопіль: Карт-бланш, 2003. – 141 с.
7. Лаговська О.А. Бухгалтерський облік розподілу доходів в умовах соціально орієнтованої економіки / О.А. Лаговська – Автореф. дис... на здобуття наукового ступеня к.е.н. зі спеціальності 08.00.09 – бухгалтерський облік, аналіз та аудит (за видами економічної діяльності). – К.: ДАСОА, 2007. – 20 с.
8. Бондар Т.А. Професійне судження в контексті облікової політики підприємства / Т.А. Бондар // Роль і місце бухгалтерського обліку, контролю й аналізу в розвитку економічної науки і практики: зб. матеріалів II Міжнар. наук.-практ. конф. – К.: ХНЕУ, 2012. – 344 с.
9. Шигун М.М. Розвиток моделювання системи бухгалтерського обліку: теорія і методологія: монографія / М.М. Шигун. – Житомир: ЖДТУ, 2009. – 632 с.
10. Каменська Т. Міжнародні стандарти фінансової звітності в Україні: сучасний стан, практика і проблеми впровадження / Т. Каменська // Бухгалтерський облік і аудит. – 2012. – № 12. – С. 39-43.

References:

1. Ivanov, Yu., Tishchenko, O.M., Daviskiba, K.V., Karpova, V.V., Karpov, L.M., Serova, I.A. (2006). Problems of tax regulation and planning of tax payments. Kharkiv: KhNEU [in Ukrainian].
2. Legenchuk, S.F. (2017). Multivariate Accounting: Historical-Theoretical Aspects. Zhytomyr: ZhSTU [in Ukrainian].
3. Law of Ukraine "On Accounting and Financial Reporting" of July 16, 1999 No. 996-XIV. URL: <https://zakon.rada.gov.ua/laws/show/996-14> [in Ukrainian].
4. Zagorodniy, A.G. Partin, G.O. (2003). Regulation (standard) of accounting 1 "General requirements for financial statements" approved by the order of the Ministry of Finance of Ukraine from March 31, 1999 № 87. Accounting: Fundamentals of Theory and Practice: Educ. tool. K.: Tv "Knowledge", 159-163 [in Ukrainian].
5. International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". URL: https://zakon.rada.gov.ua/laws/show/929_020 [in Ukrainian].
6. Pushkar, M.S. (2003). Accounting Policies and Reporting. Ternopil: Carte Blanche [in Ukrainian].
7. Lagovskaya, O.A. (2007). Accounting for the distribution of income in a socially oriented economy. Authors abstract. K.: DASOA [in Ukrainian].

8. Bondar, T.A. (2012). Professional judgment in the context of accounting policies of the enterprise. The role and place of accounting, control and analysis in the development of economic science and practice: Coll. materials of II International. Research Practice Conf. K.: KNEU [in Ukrainian].
9. Shigun, M.M. (2009). Development of modeling of accounting system: theory and methodology. Zhytomyr: ZhSTU [in Ukrainian].
10. Kamenska, T. (2012). International Financial Reporting Standards in Ukraine: Current State, Practice and Implementation Problems. Accounting and Auditing, 12, 39-43 [in Ukrainian].

Посилання на статтю:

Zahorodny A. G. Use of alternative elements of the enterprise accounting policy in tax planning / A. G. Zahorodny, V. Ya. Olikhovskiy, G.I. Homin // *Економіка: реалії часу. Науковий журнал.* – 2019. – № 5 (45). – С. 32-37. – Режим доступу до журн.: <https://economics.opu.ua/files/archive/2019/No5/32.pdf>.
DOI: 10.5281/zenodo.3766810

Reference a Journal Article:

Zahorodny A.G. Use of alternative elements of the enterprise accounting policy in tax planning / A. G. Zahorodny, V. Ya. Olikhovskiy, G.I. Homin // *Economics: time realities. Scientific journal.* – 2019. – № 5 (45). – P. 32-37. – Retrieved from <https://economics.opu.ua/files/archive/2019/No5/32.pdf>.
DOI: 10.5281/zenodo.3766810

