THE ACCOUNTANT AND FISCAL POINT OF VIEW ON THE DEPRECIATION AND THE ADJUSTMENTS FOR THE DEPRECIATION OF TANGIBLE ASSETS

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Abstract: A special issue that is raised in the case of accountant system connected to fiscality is that of drawing the true image of the financial position and the entity’s performances by converging the accountant rules with the fiscal ones, of the regularity and correctness of the financial periodical reports. There are some issues that lead to conflicts between accountancy and fiscality regarding the true image of the financial position of the entity and they are met when using different depreciation systems, when constituting the risk and expenses provisions, when establishing and registering the adjustments of depreciation and value losses, that, as it is well known, only in few cases they are fiscally educible, when determining the taxable profit and, implicitly the profit taxation. The accountant depreciation is different from the fiscal depreciation. It doesn't reflect, in all cases, the effective loss of value of the tangible assets, but only the allocation of its cost for a period of time.

JEL classification: M 40, M 41

Key words: tangible assets, depreciation, fiscal depreciation, adjustments for depreciation of assets

1. INTRODUCTION

In what follows, we brought into discussion the main aspects relating to adjustments for depreciation and impairment losses from lack of coherence and correlation with the tax accounting rules in our country.

Under applicable accounting rules (Order 3055/2009, Section 4, paragraph 28), presentation of assets as long term assets or current assets depends on the purpose for which they are intended, according to accounting policies approved by the directors or persons who manage the entity. Long term assets are purchased to be used for a long time in the entity and generate future economic benefits. As stated in section 65, the order of 3055 / 2009, long term assets include those assets for use on a continuing basis for a period exceeding one year during the entity’s activity.

In terms of concept, definition of intangible fixed long term assets, respectively, current assets given by the International Standards body by IAS 16 "Tangible assets" and IAS 38 "Intangible assets" also adopted by accounting regulations applied in our country, with some differences. According to section 92, section 8.2.3. of Order 3055, relating to recognition of the tangible assets, they are assets that: (a) are held by an entity for use in the production of goods or services to be
leased to third parties or used for administrative purposes; and (b) are used for a period longer than one year.

Tax Code (art. 24, para. 2), uses the notion of depreciable fixed assets, which is defined as any tangible asset satisfying the following conditions: (a) is owned and used in the production, supply of goods or providing services, to be leased to third parties or for administrative purposes, (b) has a tax value higher than the limit set by Government decision, at the entry date in the assets of the taxpayer (currently, 1,800 lei), (c) has a normal duration of use more than one year.

Accounting and tax issues that are important in relation to long term assets (especially those tangible and intangible) refer mainly to the depreciation evaluation, as a form of irreversible impairment, evaluating them at different times, methods of depreciation and establishment and regulation adjustments for depreciation.

2. GENERAL ITEMS REGARDING THE DEPRECIATION OF LONG TERM ASSETS

It is known that tangible and intangible assets depreciate, meaning that they lose value on the extent of their use.

Regarding the depreciation of value, irreversible or reversible, it becomes significant when the economic benefits evolve more than originally projected.

Generally, depreciation is the process by which an asset, tangible or intangible, decreases in value in time, based on technical, economic, external environment, and fiscal management reasons.

Depending on the recognition or non-accounting depreciation, it may be of two kinds:

- reversible, which is not final, a situation in which, at the end of the year, adjustments for impairment of property are recorded, known as adjustments for impairment. In terms of accounting, the reversible adjustment for depreciation of property, increase operating expenses and under the tax aspect, they are not tax deductible in calculating income tax.

- irreversible, permanent, specific to intangible and tangible assets, in which case depreciation is calculated and recorded such assets.

Apparently, the depreciation of value of assets, that is, depreciation and adjustments for depreciation and loss of value of assets seem to have the same meaning. While both refer to reducing the value of an asset, means of computing and economic, accounting and tax effects are different. As a result, they have to be correctly analyzed because they have specific causes and implications, both in handling accounting and in calculation of financial indicators of various fixed assets.

In terms of international accounting standards, depreciation is the process by which the asset value falls below its baseline recovery as compared to the initial value. Thus, according to international accounting standards, depreciation is not considered impairment and impairment of assets is treated as an adjustment of value. It is the loss of value occurred during the period of use of the asset, due to specific factors which determine the net selling price or replacement cost to be less than book value (net book value).

Both depreciation and adjustments for impairment of assets generate charges which, in fact, influence the final outcome of accounting / fiscal year. In this context, the effect of impairment imposed a correct evaluation in order to find proper accounting mechanisms able to reduce distortion of historical cost. Maintaining historical cost for the evaluation of assets some corrective alternatives were found.
Specifically, the correctives materialized as assets depreciation and adjustments for depreciation and loss of value, and the alternatives found their expression in their revaluation.

Determination of depreciation of tangible / intangible assets is considering the following indicators:
- book value of tangible input into the management entity (depreciable value);
- duration of depreciation;
- depreciation regime used (or methods of calculating depreciation).

According to IAS 16 "Tangible Assets" (paragraph 6), depreciation is the systematic allocation of the depreciable value of an asset over its useful life. Accounting regulations in our country, define the depreciation of value of fixed assets with limited economic use period as the systematic allocation of the depreciable amount of an asset for the duration of economic use. In this context, it is neither a means of adjusting the fixed assets at their fair market value, nor a source of funding for the replacement of assets subject to amortization.

Therefore, unlike the international accounting rules, which do not recognize depreciation other than as cost allocation strategy, in the specialty literature, there are many ideas on depreciation, of which presents are important:
- depreciation as a source of funding for renewal of fixed assets;
- amortization of the cost sharing process between fixed assets on expenditure year (coinciding with IAS 16, paragraph 6);
- depreciation as a process to correct the value of fixed assets.

By damping, resources are constituted for the entity to maintain the future production potential; international accounting practices record various depreciation systems, each with its own particularities, from one country to another. Regarding the recovery of invested capital in fixed assets to finance new assets, one should keep in mind that the process is subject to at least the following elements: the time in which the initial capital recovery through depreciation, the total value of recoveries.

The recovery of initial capital invested is done over a long period of time, the incidence of factors such as inflation, technical progress, lead to increasing reduction of resources destined to finance assets, in addition, if the rate of benefit consumption is made, for example, according to linear method over a longer period, the total value of available resources is far exceeded by actual market conditions, and such entity will not have sufficient resources to recover their initial investments.

In most cases, the initial capital recovery is not provided by depreciation, the size of available resources compete on several factors, among which are retained:
- the depreciation method used;
- the pace of getting the expected economic benefits;
- residual value of asset size;
- whether or not an inflationary economic environment exists;
- the entity's policy on the allocation of benefits, etc. incidence of which make it impossible to levy property reconstruction assets.

Impairment of fixed asset value is not "covered" by its depreciation. As a result, assets are not depreciated based on the loss of value, but the systematic distribution of their input costs over several years, until his full recovery.

Accounting depreciation, as a result of the operation of the fixed cost allocation to exercise expenses, shall be done according to the principle of independence of
exercises to connect the economic benefits generated by those assets, their efforts to have the assets and not an asset valuation. Depreciation expense regarding the recorded depreciation in each exercise should affect profit or loss while the economic benefits of the asset is used (unless prescribed by IAS 38 "Intangible Assets", in which it is incorporated in the carrying amount of another asset, such as depreciation of tangible assets used for development activity may be included in the cost of acquired intangible assets accounted for under IAS 38). However, calculating and recording depreciation of property, arising also from prudent requirements for the entity not to overestimate the asset side and the result.

Once with the entry into force of provisions of the Tax Code (January 2004), attempted tax accounting separation. Since the first year of the Tax Code tax depreciation was imposed. In this context, the notion of tax value of assets and liabilities, so that currently, the tax on fixed assets is the cost of acquisition, production or market value for land acquired for free or provided as input, at the entry date in the taxpayer property, used to calculate tax depreciation, as appropriate. The value includes tax and accounting revaluations made under the law.

In terms of taxation, expenditure adjustments for impairment of assets is non-deductible expenses, but it should be noted that when resuming their income is not taxable income (this statement is not expressly found in Title II, Income tax, because there were not agreed fiscal rules with new names for the accounts, but only micro taxation, Article 112 §, The Tax Code).

Accounting depreciation is different from the tax and is determined by the period of time they are useful and depreciation methods chosen by the entity, according to the strategy, rules and economic policies adopted by it. It does not reflect in all cases, the actual loss of value of fixed assets, but its cost allocation for a period of time.

Tax depreciation is equivalent in terms of value to final depreciation of property, which affects apart from accounting, operating expenses, which are tax deductible in determining taxable income. It occurs as a result of applying the directives of the Tax Code and its methodological regulations of implementation affecting the delay in payment of income tax that is due the state budget.

Important: We believe that it should be noted that Law no. 15/1994, the amortization of capital immobilized in tangible and intangible assets, does not apply in terms of taxation, except for the minimum duration of input and of normal operating conditions. However, many stipulations of Law 15/1994 were taken in the Order 3055/2009.

As in the IAS-specific assets, we consider improper definition of an asset's book value, in the accounting rules, as the value at which it is recognized after deducting the accumulated depreciation for depreciable assets and accumulated adjustments from depreciation or loss of value. This definition leads to confusion, because in reality it is the net book value.

Regarding the duration of the applicable accounting regulations (OMPF no. 1752/2005, which was operational up to 31 December 2009 and, respectively, order no. 3055/2009) states that depreciation of tangible assets is calculated on the basis of a depreciation plan from the date of their activation until the full recovery of input value, according to economic use and to the terms and conditions of their use.
3. NEW REGULATIONS ON DEPRECIATION OF TANGIBLE AND INTANGIBLE ASSETS INTRODUCED BY ORDER No. 3055/2009

Applicable accounting regulations explain and exemplify in detail the factors indicating impairment of tangible and intangible assets. These are new elements to the previous regulations to which we refer below.

Correction value of tangible and intangible assets and bringing them to the value of inventory is performed, depending on the type of impairment, either by recording an additional depreciation, if there is an irreversible impairment or by creating or adding adjustments for impairment, where there is a reversible impairment of them.

In the case of tangible and intangible assets, the determination of impairment losses may be considered by independent evaluators or entity personnel, and other evaluation methods (eg methods based on cash flows).

To determine whether there is impairment of tangible and intangible assets, except during inventory factual finding, there can be considered external and internal sources of information.

The external sources of information are issues such as:
- during the period, the market value of the asset has declined significantly more than would be expected as a result of the passing time or of their use;
- took place during significant changes, with negative effect on the entity, and such changes will occur in the near future on technological commercial, economic or legal environment, in which the entity is operating or the market to which the asset is dedicated etc. .

Internal sources of information exemplify the following elements:
- there are signs of natural or moral wear of the asset;
- during the period significant changes took place, with negative effect on the entity, and such changes will occur in the near future, regarding the extent or manner in which the asset is used or expected to be used. Such changes include situations where the asset becomes unproductive, restructuring plans or business interruption that is dedicated as well as the disposal of the asset plan before the estimated time previously;
- internal reporting shall provide evidence of the fact that the economic results of an asset are or will be worse than expected.

Indication of impairment of property provided by internal reporting, include:
- cash flow necessary to purchase a similar property for the operation or maintenance of the asset is significantly higher than originally planned in the budget;
- the operating result generated by immobilization is visible below the budgeted;
- a significant decrease in budgeted operating profit, that is a significant increase in budgeted loss, etc. resulting from immobilization.

Decisions on the resumption of depreciation recorded in depreciation accounts are based on the Commission's findings of inventory.

There may be some indications that an impairment loss recognized in prior periods for an intangible or tangible asset no longer exists or has decreased. This evaluation takes into account external and internal sources of information.

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1 See Order 3055, Section 8.1.2. section 56.
In the category of **external sources of information** can fit the following:
- market value of the asset has increased significantly during the period;
- took place during significant changes favorable effect on the entity and it is estimated that such changes will occur in the near future, in the technological commercial, economic or legal environment, where the entity is operating or the market to which the asset is dedicated etc.

**Among the internal sources of information** exemplifies the following:
- during the period significant changes took place, with favorable effects on the entity, and such changes will occur in the near future regarding the degree or manner in which the asset is used or expected to be used. These changes include costs incurred during the period to improve and increase asset performance or restructure the business to which the immobilization belongs;
- internal reports show that the economic performance of an asset is or will be better than expected so.

4. **DEPRECIABLE AMOUNT, DEPRECIATION DURATION AND METHODS OF DEPRECIATION**

An aspect of the assessment of depreciation, is the **depreciable value**. A new accept gets the depreciable value, the concept of IAS, which is determined by reducing the carrying amount to the value estimated residual value\(^2\).

If we appeal to the International Accounting Standard and regulations is to be kept in mind as follows:
- according to IAS 16 is the cost of a depreciable asset value or any value substituted to the cost of which has low residual value.
- according to the Order 3055/2009, the depreciable value is the cost or other value that substitutes the cost (eg revalued amount).

All accounting regulations in our country (we refer to the order 306/2002, 1752/2005, and 3055/2009, except Order 94/2001, which took the concept of residual value) do not provide the value of depreciable tangible assets to be reduced with the residual value.

We appreciate that in terms of practical work accounting, entities shall not estimate the residual value of depreciable assets and determining the amount, depending on its level, because:
- estimating the residual value is not easy, this operation requires, in fact, an additional cost;
- not even the tax and accounting legislation does not regulate such a way of determining the depreciable amount, and in addition;
- entities have no interest to apply such a basis of depreciation, because undersized depreciation value would lead to results with higher taxes and, respectively, debts to state budget increased income tax, also accounting complicated to satisfy tax requirements.

\(^2\) The residual value of an asset (tangible assets) is estimated that an entity would obtain from disposal of an asset, after deducting the estimated costs of disposal, if the assets have already provided under age and the end of its use.
In this issue, also other authors in our country, believe that such a method cannot be applied but in Anglo-Saxon countries applying the system, where tax and accounting rules are not established, like in our country by the Ministry of Finance.

Entities will find themselves constantly in a dilemma - depreciation level optimization to ensure on the one hand the rational allocation of asset cost on expenditure of the period, with implications for future financing of assets, respectively, on the other hand, include the cost of the work products and services of a reasonable size of depreciation, to remain competitiveness of the entities on the market.

**Regarding the amortization period** shall be retained an inadvertence in accounting regulations in our country. Thus, in the sense of Romanian legislation, concerning the depreciation of property, the concept of normal operating period was adopted that is defined as the *life of an asset, which brings its operating profit, respectively, revenues are higher than necessary costs for operation, maintenance and repair*. Law no. 15/1994, art. 11. states that the *depreciation of fixed assets is calculated from the date of their operation until the full recovery of input value, according to normal operating duration and conditions for their use*.

In order 3055/2009 the term economic use duration is used. So the art. 110, paragraph. 2 states *"in determining depreciation of tangible assets are considered economic use duration and conditions of use"*.

IAS 16 uses the concept of **useful life duration**, which is estimated by the enterprise, based on professional reasoning both the early "life" of an asset and will be required along the life review in accordance with how the consumer benefits in the future.

The choice of amortization period is a matter of optimization ranging from competitive decision of the entity in the competitive environment and the financing of property to be replaced. In our country, for tax reasons to use fixed asset durations are set centrally by government decision.

To establish the duration of depreciation shall be noted two methods:

- decentralized method according to which the periods are estimated by entities, using for this purpose, professional reasoning, depending on concrete conditions of use and maintenance, and depending on the conditions of competition in the commercial market. They are subject to approval by the fiscal body empowered to counter the tendency of small entities to determine short duration of use. Given the too short period of use of tangible assets, even though favorable to the entity (in this context by paying a lower tax), while allowing a more rapid recovery of invested resources, leading to increased costs of goods and services, and hence, the difficulties that may occur on the competitive market. Disadvantages appear to be determined if the duration too long, especially under conditions of inflation, because it has implications for financial resources (being reduced) necessary for technological equipment replacement.

- centralized method, the damping periods that is set at the macroeconomic level. This method is used at present in our country; periods are determined by technical means, taking into account the physical and moral wear. They are approved by government decision, are reviewed periodically (every five years) and are registered in

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the catalogue of classification of assets and normal duration of use developed by the Ministry of Finance.

As a result, the practice of free estimation useful life duration of fixed assets is characteristic to economies without inflation, but especially where tax accounting is disconnected from taxation. In countries with inflationary economies, such as our country, the centralized establishing of the method for useful lives is adopted, amortization times that are established by decisions of government at macroeconomic level and may be revised only periodically throughout the legislation.

On normal operating times of fixed assets, the Catalog includes a minimum and a maximum of these times expressed in years. According to this regulation, the normal life of the operation is recovering from fiscal point of view the input value of the assets via depreciation. Accordingly, during normal operation is lower than the physical life of the asset in question.

For each new asset purchased using the system for years beaches between minimum and maximum value, thus there is a choice between the normal operating limits. Thus established the normal operation of the asset remains unchanged until full recovery of its input value or its removal from the post.

In such situation, there is no difference between accounting depreciation and tax depreciation, the same asset life of the asset is used both for accounting purposes and tax purposes.

It is estimated that the minimum duration of normal operation of the fixed assets provided in the catalog approved in 2004, in the intervals (beaches) of time within which entities can establish the period they consider best, depending on their economic needs, does not correspond to reality.

In the same order of ideas, to consider that an entity has the freedom to choose duration is a false impression, because in this order it is stated that if during the usage period, the company found that the duration is inadequate it is not possible to make changes. It is understandable that the legislature has imposed this restriction for two reasons: (a) to counteract the tendency of small entities to determine the duration of use, (b) of reasoning according to which freedom in choosing the life of the body requires a control from the fiscal agent.

Although the entity may choose to establish a useful life in accordance with its own accounting estimates as a result of its experience in previous periods, but also of the actual conditions of use of that property and a tax depreciation period (according to the tax provisions), very few entities use the application of this treatment. Option legislature in our country, for this method, considered centralized setting the duration of depreciation is justified because of the difficulties faced by tax administrative organs territorial entities during the tracking activity, which tend to adopt low-use periods of the assets they hold.

It should be noted that adoption of different accounting periods different of the tax depreciation is allowed to entities, subject to disclosure in the notes on accounting policies section.

**Important**: Order 3055/2009, specifies the conditions for the revision of depreciation period of fixed assets.

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4 By G.D. no. 2139/2004 the catalog which includes classification of fixed assets used in the economy and their normal operating times was approved, which correspond with periods expressed in years depreciation, amortization related to linear system.
- a significant change in the terms of use or aging may justify revision of a tangible payback period;
- where tangible assets are placed in storage, their use is discontinued for a long time, can be justified revision of amortization period.
- where tangible assets are placed in storage, according to the accounting policy adopted accounting entity recorded in depreciation expense or adjustment to depreciation expense found appropriate.

In exceptional circumstances, including when a fully depreciated tangible assets that can be used and at reassessment, and shall be a new period of economic use, corresponding to the appropriate period to use the estimated duration of depreciation can be initially set, this re estimation leading to a new depreciation expense for the remainder period of use.

Relating to the depreciation method used or computing depreciation method, which reflects the rate at which future economic benefits are consumed as a result of tangible assets use.

Entities are able to choose different methods of depreciation, leading to different results, and thus each of these influences differently, financial performance, taxable income, respectively, the income tax.

Regarding this issue we consider that there is need for greater consistency in accounting and tax regulations in our country.

Following arguments:
- Law. 15/1994 provides three depreciation methods (linear, degressive and accelerated);
- G.D. no. 2139/2004 is not a simple classification catalog of assets and normal duration of use, but states that depreciation of public transport can be determined depending on the miles, age or number of operating hours provided in technical books to those acquired after 1 January 2004 (thus covered four methods). This regulation took provisions of Law no. 15/1994 and is considered a complement to it. Also in this bill, expressly states that the rules are applicable only for determining depreciation.

Now we ask the question: how to determine accounting depreciation.

- Order 3055/2009 (Section 8.2.3, Section 112) defines first damping regimes (linear, degressive and accelerated).

Accelerated depreciation on specification is: because depreciation calculated to be correlated with the way of use of assets and, in rare cases as tangible fixed assets are consumed in the first year rate of up to 50%, it results that accelerated depreciation that is less used for accounting purposes.

And this rule completed by the fourth method, namely depreciation calculated per unit of product or service, when the nature of the asset justifies the use of such methods of depreciation.

In connection with the method of depreciation, Order 3055/2009 makes some clarifications:
- the depreciation method used should reflect how an asset's future economic benefits expected to be consumed by the entity.
- depreciation method applies a consistent manner for all assets of the same nature and having identical terms of use, depending on the accounting policy adopted. Depreciation method can be changed only when it is caused by an error in the estimation of the consumption of that tangible asset.
Also as a novelty, Order 3055/2009 makes clarification on the amendment on destination of assets held, implicitly fixed assets (Article 153, paragraph 1 - Article 3).

- When there is a tangible change in use of the assets, meaning that it will be improved with a view to sale, at the time a decision on the change of destination, accounting records to transfer tangible asset category in the stocks. The transfer is recorded at depreciated value of the asset (inventory accounts 3xx, 281 = Accounts of property 2xx).

If tangible assets was reassessed, along with the reclassification of the reserve account closure for its revaluation reserves (105 revaluation reserves = 1065 revaluation reserves representing surplus from the revaluation reserve).

- If an asset was initially recognized that land is later used for the construction of homes for sale, depending on how the negotiation of contracts for the sale of goods subject to the construction and sale, the land is included in built asset value or nature shows distinct stocks of goods, the accounting record value.

- If the land was reviewed, along with changing the nature of duties shall be to account for its revaluation reserves (105 = 1065).

Note: Revaluation reserves are taxed, while changing nature of the asset.

- If the nature of the assets of assemblies or housing complexes that were originally intended for sale and then change their destination, the entity will be used for a long time or be leased to third parties in the accounting records is a transfer from stocks to tangible assets. Transfer is made on a change of destination, the value at which assets were recorded in the accounts (represented by the cost).

Regarding the tax depreciation (Law 571/2003, art. 24)

At art. 7, section 33, letter c, is defined tax value for depreciable fixed assets and land as the cost of acquisition, production, or the market value of assets acquired free of charge or provided as input, the entry in the property taxpayer, used to calculate tax depreciation, as appropriate. The value includes tax and accounting revaluations made under the law. If the review is made of depreciable fixed assets causing a decrease in their value below the acquisition cost of production or the market value of assets acquired free of charge or provided as input, where appropriate, the depreciated value of the remaining tax depreciable assets to be recalculated based on the cost of acquisition, production or market value of assets acquired free of charge or provided as input, as appropriate. If the reassessment results in a decrease in the land of their value below the acquisition cost or below market value of the acquired free of charge or provided as input, where appropriate, the tax value is acquisition cost or market value of the acquired free of charge or provided as input, as appropriate;

Article 24, para. 1: The costs of purchasing, production, construction, assembly, installation or improvement of depreciable fixed assets is recovered in terms of tax by deducting depreciation, according to law.

At art. 24, para. 6, the damping regimes are defined by assets categories, as follows:

(a) for construction it applies linear depreciation method;

(b) in case of technological equipment, respectively machines, tools and plants, as well as computers and peripherals, the taxpayer may opt for straight-line depreciation method, degressive or accelerated;

(c) if any depreciable asset, the taxpayer may choose linear or degressive depreciation method.
**Depreciation on intangible assets.** Expenses related to acquisition of patents, copyrights, licenses, trademarks and other intangible assets and plant recognized for accounting purposes, except for formation expenses and goodwill and development expenditure, which in accounting terms represents intangible assets is recovered through depreciation deductions linear contract period or during use, as appropriate.

Acquisition or production costs of software are recovered through depreciation deductions over a linear period of 3 years. For patents can also be used degressive or accelerated depreciation method.

Tax depreciation is calculated as follows:

a) from the month following the depreciable fixed asset is put into operation;

b) for expenditure on investments in fixed assets from its own sources in the public domain during normal use, during normal use period that has not been used yet or during the remaining lease or rental agreement, if any;

c) for expenditure on investments in fixed assets leased, rented or leased by the management who made the investment, during the contract or during normal use, as appropriate;

d) for costs of investments made for land planning, linear over a period of 10 years;

e) depreciation of buildings and construction of mines, mines with extraction solution through wells, quarries, mining to date for solid minerals and oil extraction industry, whose period of use is limited by the duration of the reserves and can not receive other uses after the exhaustion of reserves and investments for stripping are calculated per unit of product, depending on the exploitable reserve of useful mineral substance.

**Disclaimer:** The content standard IAS 16 (paragraph 47), are given the following depreciation methods: straight-line method, skimmed figures, summation method. Note that depreciation is not based, necessarily, duration in years of use. Annual depreciation is calculated taking into account either the useful life, or some physical indicators such as number of pieces, that is, products produced, number of miles to go, this method is recommended, especially for those assets which are depreciating more by use than by the years and their aging, and for those assets for which the rate of use is irregular, method of accelerated depreciation is not recognized by standard IAS 16.

5. CONCLUZION

From the above it should be noted that in this paper we tried first to emphasize some inconsistencies in the conceptual boundaries arising from accounting legislation in our country, versus the tax laws and specific IAS.

In general, the applicable accounting regulations in our country (Order 3055/2009) adopted, (almost copy paste), the provisions of European directives, but often they are difficult to apply because: estimating certain values is problematic in terms of determining their level and, in addition, the entity must pay some tax costs.

In another train of ideas, if is supported with tax accounting rules, it does not follow a clear distinction between accounting depreciation and tax depreciation. In this context, we may say that tax rules do not make a clear distinction between book and tax depreciation. If the entity does not benefit certain facilities, the two depreciation tipes coincide.
In accounting terms, depreciation methods above are: linear depreciation, accelerated amortization and degressive depreciation. For certain categories of assets, duration of use is replaced with the workload scheduled to be done through their use.

Tax law states that with tax depreciation: *depreciation deduction is determined without taking into account depreciation accounting*. More specifically explained, this tax provision, means that tax depreciation is calculated and declared in the declaration extra accounting 101, at tax deductions and accounting depreciation is declared tax non deductible items. Many economists in this field have made this calculation taking into account the difference between the two depreciation methods.

It is known that the tax depreciation presents an advantage for the entity delaying (temporary) income tax payment.

Applying one method of calculating depreciation or another one has a particular importance because it presents interest, not only for each entity, but also for the state. Thus, the entity is concerned that by the amortization method to provide the resources necessary for reconstruction of fixed long term assets. Since the level of depreciation influences the size of the tax depreciation outcome, the state, through its fiscal body, is concerned that the entity would not overstate depreciation. In practice, in most cases the depreciation regime, regulated for accounting purposes, coincides with the fiscal regulated one so that the effect of tax depreciation is zero.

An example of application and of advantages of tax depreciation was represented by the additional deduction of 20% from input value in the first month of use for those entities that did not use accelerated depreciation and also received financial incentives from January 1, 2004 and by 30 April 2005. A tax implications, but negative for the entity, is represented by the surplus reserve from revaluation for fixed assets, including land, re-evaluated after 1 January 2004, according to GEO 34/2009 from May 2009, is taxed (as considered to be assimilated to income, line. 11 of statement 101).

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