"Impact of Tax Policy on Financial Resources of a Manufacturing Enterprise"

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Abstract – This paper presents the impact of the tax policy on the enterprises decisions about the location of investment in the context of globalization. One of the most important financial instruments is the tax policy.

Keywords: Globalization, Taxation, Enterprise, Investment, Investment

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INTRODUCTION

The concept of investment decision and the influence of the tax policy and the investment decision can be considered one of the most important decisions taken by financial managers, if not the most important one. The investment decision making process influence the enterprise affirmation in the business environment and increase its market share. Investment decision concerns the issue of capital allocation for fixed assets or financial assets; central place returns to fixed assets, acquired as a result of capital investment. By this decision, financial resources at its disposal are allocated efficiently to the acquisition, construction, modernization of fixed assets and the accumulation of material stocks, in the appropriate volume and adequate structure for its function at the highest parameters. Also, the available liquidities may be placed respecting the efficiency criteria on the capital market, to purchase financial assets. Regardless of the selected variants, the investment decision should be subordinated to accomplish the performance objectives at long-term, established by the general policy of the enterprise.

In another approach [Bucataru, 2002], investment decisions are those concerning the conversion of capital money in material form such as machinery, equipment, buildings, through operations of acquisition of these assets. Financial decisions, such as the investment decision, and the decision making process is influenced by a number of internal and external factors

- Internal factors: the enterprise interests and objectives; the involvement of the managers and employees in the submission of a maximum effort in order to achieve the Objectives; the nature of the products or services offered by the enterprise; the technical characteristics of the enterprise units; the unit's interdependence in achieving objectives
- External factors: the distributors of products or services; the suppliers of materials, equipment and labour; the competitors to customers and suppliers; the tax legislation; the improvement or creation of new products through the introduction of new technology.

REVIEW OF LITERATURE:

Professor Gheorghe Filip defines fiscal policy as "all activities, methods, forms, techniques, tools, and specific institutions through which are purchased the tax resources available to state and, in general, to public authorities and also their distribution for the public needs" [Filip, Onofrei, 2000]. Thus, fiscal policy includes aspects regarding taxes and also regarding public expenditures. But although we agree with the last approach, our study focuses on the impact of fiscal policy, seen in the restricted sense of tax policy, on the enterprise investment decisions.

According to the European Commissioner for the fiscal and customs field, Laszlo Kovacs [Laszlo Kovacs,2005] the persistent significant disparities between the direct taxation systems of the member states raise the danger of creating barriers against the integration process of the market in the disfavor of the European economy's competitiveness.

The effect of corporate taxes on investment and entrepreneurship is one of the central questions in both public finance and development. This effect matters not only for the evaluation and design of tax policy, but also for thinking about economic growth (Barro 1991, DeLong and Summers 1991, and Baumol, Litan, and Schramm 2007). A small selection of important studies includes Summers (1981), Auerbach (2002), Gordon and Hines (2002), Hasset and Hubbard (2002), and Hines (2005) survey aspects of this literature. Generally speaking, this research finds adverse effects of corporate income taxes on investment, although studies offer different estimates of magnitudes.

IMPACT OF POLICY REFORM:

In the 1990s greater attention has been given to assessing the impact of economic reforms on smaller enterprises introduced as part of World Bank structural adjustment programmes. Overall views concerning the likely impact of these reforms on small enterprise development have varied. Whereas some claim structural adjustment has brought considerable benefits to small scale enterprises, others stress wide ranging constraints has frequently prevented such effects from reaching small scale enterprises. Empirical evidence in support of these claims is briefly examined in this section in relation to the array of economic and financial reforms that have been implemented in low income countries during the past decade and a half.

INDUSTRIAL POLICY REFORMS

Industrial policy reforms which facilitate the access of small-scale enterprises to production and markets previously monopolized by large-scale enterprises are intended to promote competition and improve efficiency. Similarly, the privatization and 'break-up' options of large-scale public enterprises are also seen to offer increased scope for small-scale enterprise production. The removal of subsidies, protection and long-term support to parastatals is seen to assist this process. It is also anticipated that links between large- scale and small-scale enterprises will be encouraged, particularly where large-scale direct foreign investment increases the use of subcontracting arrangements with small-scale enterprises. In turn, these are expected to increase skills training, and encourage technological improvement and increased production.

CONCLUSION:

In this paper we found that finance used by small and medium-sized enterprises and made available by lending institutions and investors. In particular, a clear picture is required of the financing differences between firms of different sizes and the differences in financing in relation to types of ownership structures. Cross country and regional differences may also exist in these respects.

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