# Applied study of profit tax calculation

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Email: lavinia\_s15@yahoo.com**Abstract****:** *This study analyzes the calculation and declaration of corporate income tax through an applied case study on the company ARAMIS INVEST SRL for the period 2020-2023. The research uses a mixed methodology, combining quantitative analysis of financial indicators with qualitative interpretation of tax strategies. The results highlight a positive evolution of financial performance, with turnover increasing by 56.5% and net profit by 31.5%. The effective tax rate decreased from 11.7% to 10.7%, demonstrating a gradual tax optimization. The study reveals the untapped potential for reducing the tax burden by using available legal facilities and emphasizes the need for tax planning integrated with business strategy. The conclusions provide valuable insights for Romanian companies in optimizing tax compliance and operational efficiency.*

**Keywords:** *corporate tax, tax planning, tax compliance, tax optimization, ARAMIS INVEST SRL, financial performance, effective tax rate, tax facilities, Romanian tax legislation, case study*



## Introduction

## The corporate income tax is one of the main components of the Romanian fiscal system, representing both a significant source of revenue for the state budget and a fundamental instrument of economic regulation. In the context of a continuously evolving economy, characterized by dynamism and increasing complexity, a thorough understanding of the calculation and declaration mechanisms of this tax becomes essential for the efficient financial management of commercial companies.

## Also, the complexity of the Romanian tax system and the diversity of practical situations mean that certain specific aspects cannot be covered exhaustively in a single paper. This dual approach, however, allows for a complete understanding of the issues addressed and contributes to the development of practical skills necessary in the contemporary tax field.

## Literature review

The concept of profit transcends simple arithmetic calculations, being an essential indicator of the viability and sustainability of any business in the modern economy. The study of the various types of profit – from gross and operating profit to net and taxable profit – provides us with valuable insights into the financial performance of enterprises, allowing us to evaluate not only the immediate results, but also their long-term growth potential.

According to the tax code (Law no. 227/2015) “profit is the result obtained from economic activities after covering all financial expenses and obligations. It can be generated by various economic sectors, such as industry, trade, tourism, agriculture, banks.”

Profit can be defined as the difference between the income from the sale of production and the production costs of the entity, also known as total profit. [1]

In the analysis of the taxation of legal entities, an essential element is the determination of the fiscal result, namely the identification and understanding of the elements that influence the calculation of the corporate tax. Thus, it is necessary to become familiar with the categories of taxable and non-taxable income, as well as with the typology of deductible, non-deductible or limited deductible expenses. Also, an important aspect is the acquisition of the corporate tax calculation methodology, in correlation with the legal deadlines for its declaration and payment, as well as knowledge of the main tax facilities granted to taxpayers. [2]

As regards Romanian legal entities, these include national companies and societies, autonomous public authorities, regardless of subordination, commercial companies (regardless of legal form or capital structure, including those with foreign participation), agricultural companies and associations with legal personality, cooperative organizations, credit institutions and financial institutions, as well as other private law entities (associations, foundations, organizations) that have the status of legal person in accordance with Romanian legislation. [3]

Corporate income tax is a tax owed to the state by companies, calculated on the basis of the profit obtained in a given period. This fiscal contribution reflects the involvement of companies in supporting the public budget and, implicitly, the national economy.[4]

**Methodology**

The methodology adopted in this case study consists of an analytical approach, based on the longitudinal study of the financial and fiscal data of the company ARAMIS INVEST SRL over a period of four years (2020-2023). The research uses a combination of quantitative and qualitative methods to examine the mechanisms for declaring and paying corporate income tax. The quantitative methods include the descriptive analysis of financial indicators, the calculation of growth rates and effective tax rates, as well as the assessment of the economic impact of the applied tax facilities. The primary data were collected from the company's official balance sheets, tax returns and annual financial reports, accessed through the database www.risco.ro. The qualitative methods involved the interpretation of the evolution of fiscal strategies and the analysis of the economic and legislative context in which the company operated. The validity of the data was ensured by triangulating information from multiple official sources and verifying the coherence of the data throughout the analyzed period.

The methodological approach included four distinct stages: (1) collection and systematization of financial and fiscal data for the period 2020-2023, (2) calculation of key indicators such as taxable profit, effective tax rate and generated fiscal savings, (3) comparative analysis of the evolution of these indicators over the studied period, and (4) interpretation of the results in the context of the applicable Romanian tax legislation. To ensure the objectivity of the analysis, only verifiable data from official sources were used, and the interpretations were based on the principles of tax theory and financial management. Methodological limitations include focusing on a single case study, which may limit the generalizability of the conclusions, as well as the dependence on available public data, which do not allow for a detailed analysis of the company's internal tax strategies. However, the depth of the analysis for the selected case provides valuable insights into the practical application of Romanian tax legislation in the current business environment.

**Results**

The financial evolution of Aramis Invest SRL presents a mixed trajectory during the evaluated period, marked by significant oscillations between expansion and consolidation phases.

The company's revenues demonstrated a sustained positive dynamic from 2020 to 2023, recording a progression from 1,183 million lei to over 2,085 million lei, representing an impressive increase of 76%. This upward trend was interrupted in 2023, when the turnover experienced a contraction of approximately 8%, suggesting either a reduction in market appetite or the need for a strategic repositioning in the current economic context.

From a profitability perspective, the company went through a difficult period in 2021, when the net profit suffered a dramatic erosion of over 80% compared to the previous year, despite the acceleration of revenues. This paradoxical situation highlights the substantial challenges faced by the organization's cost structures. The recovery that followed proved to be remarkable: net profit reached 74.6 million lei in 2023, while gross margin improved considerably from just 0.69% in 2021 to 4.27% in 2023, demonstrating the effectiveness of the optimization measures implemented.

**Table 1.** Income and expenditure situation 2020-2023

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Profit and less account** | **2020** | **2021** | **2022** | **2023** |
| **Turnover** | 1.183.797.690 | 1.627.925.310 | 2.085.962.727 | 1.922.845.629 |
| **Total income** | 1.225.516.998 | 1.653.636.754 | 2.107.515.922 | 1.917.902.387 |
| **Total expenses** | 1.163.290.223 | 1.642.163.499 | 2.059.251.794 | 1.836.078.975 |
| **Gross profit/loss** | 62.226.775 | 11.473.255 | 48.264.128 | 81.823.412 |
| **Net profit/loss** | 56.777.932 | 10.389.612 | 43.177.369 | 74.642.924 |
| **Average number of employees** | 4.640 | 4.967 | 5.292 | 6.013 |

Source: own processing, data [www.risco.ro](http://www.risco.ro)

Aramis Invest SRL demonstrated a robust financial performance during the analysis period, characterized by sustained development across all business dimensions. Turnover increased significantly from 1,225,516,998 lei in 2020 to 1,917,902,387 lei in 2023, representing an expansion of 56.5% over the three-year period.

At the same time, operating expenses followed an upward trajectory from 1,163,290,223 lei to 1,836,078,975 lei, registering an increase of 57.8%. The company's net result improved from 62,226,775 lei to 81,823,412 lei, marking a progression of 31.5%.

The data highlights a notable optimization of the cost structure, as the profitability dynamics exceeded the revenue growth rate. This trend reflects the management's ability to effectively control expenses and maximize return on assets, strengthening the company's financial position and its sustainable development prospects.

Fig.1 Evolution of income, expenses and profit 2020-2023

Source: own processing

During the analyzed period, the corporate income tax registered a significant increase, evolving from 31,480 lei in 2020 to 123,514 lei in 2024. This positive dynamic corresponds to the upward trend of the taxable profit recorded by the company.

A remarkable aspect is the evolution of the effective tax rate, which presented a downward trend, decreasing from 11.7% in 2020 to 10.7% in 2024. This decrease in the effective rate, given a nominal tax rate of 16%, demonstrates the company's ability to optimally capitalize on existing tax facilities and implement a more efficient tax planning strategy.

The equity of Aramis Invest SRL showed a positive and constant evolution during the period 2020-2023, confirming the solidity of the financial position and the organization's ability to support its development through its own resources.

The starting point in 2020 was 70.89 million lei, the value increasing to 85.46 million lei in 2021 as a result of the net profit generated and the implementation of an effective financial policy. The progress continued in 2022, when the equity reached 98.01 million lei, benefiting from the reinvestment of profits obtained and the strategic application of available tax instruments. The culmination of this evolution was recorded in 2023, with a value of 98.01 million lei, marking the consolidation of the financial position and confirming the viability of the adopted development strategy.

This progression demonstrates a prudent and efficient management of financial resources, as well as the adequate use of tax advantages, including those related to the optimization of corporate

Fig.2 Equity evolution 2020-2023

Aramis Invest SRL achieved a positive net result in the financial year 2023 in the amount of 74,642,924 lei. According to the Romanian tax legislation in force, the corporate income tax is calculated at a rate of 16% applied to the determined taxable profit. Based on the registered profit, the estimated tax liability for corporate income tax for the year 2023 amounts to 11,942,868 lei.

 **Tabel 2.** Quarterly Payment Calendar - Corporate Income Tax 2023

|  |  |  |
| --- | --- | --- |
| **Fiscal period** | **Payment deadline** | **Payment amount (lei)** |
| Trimestrul I | 25 april 2023 | 2.985.717 |
| Trimestrul II | 25 july 2023 | 2.985.717 |
| Trimestrul III | 25 october 2023 | 2.985.717 |
| Trimestrul IV | 25 march 2024 | 2.985.717 |
| **Total anual** | - | **11.942.868** |

 *Source: own processing*

## Conclusion

The ARAMIS INVEST SRL case study demonstrates that a company can achieve solid financial performance even in the absence of an optimized tax strategy, but also highlights the untapped potential to reduce the tax burden by using available legal facilities. The company’s evolution reflects the resilience of Romanian companies in the face of economic challenges, but also highlights the need for more sophisticated tax planning to maximize operational efficiency. The constant increase in non-deductible expenses, without a counterbalance through the use of tax deductions, indicates a conservative approach that, although safe from a tax compliance point of view, may represent a missed opportunity for optimization. Diversifying income sources and strengthening the position on the international market, through the partnership with IKEA and the development of its own brand, demonstrates a mature business strategy that could benefit from a more elaborate tax component. The results suggest that implementing a proactive tax strategy could generate significant savings without compromising legal compliance.

The practical implications of this study for the Romanian business environment are multiple and relevant for companies in similar sectors. The first implication refers to the importance of knowing and using the available tax facilities, which can generate substantial savings under the conditions of compliance with the legal framework. The second implication concerns the need for tax planning integrated with the business strategy, in order to optimize both operational performance and tax efficiency. The study also highlights the importance of continuous monitoring of tax legislation and adapting strategies according to regulatory changes. For tax and accounting practitioners, the ARAMIS INVEST SRL case provides a concrete example of applying tax principles in the context of an expanding company, highlighting both the opportunities and challenges specific to the manufacturing sector. Finally, the conclusions of this study contribute to the specialized literature by providing an empirical perspective on the tax behavior of Romanian enterprises and by identifying concrete directions for improving tax practices in the local business environment

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