

**OPPORTUNITIES AND THREATS UPON APPLYING THE SCHEME
OF VAT UPON COLLECTION**

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Abstract.

Significant amendments were brought lately to the Tax Code, regulations that target both procedural aspects referring to the input and output in relation to the new VAT scheme, and rules concerning the VAT scheme (receipt and payment of VAT). The rules concerning the scheme of VAT upon collection were completed by the authorities, some of the changes being adopted within less than one week, as is the case of the last urgency ordinance. Having in view this unwanted productivity in changing the fundamental taxation law, the Ministry of Finance declared that they would write during this summer a new Tax Code (CF), and a new Tax Procedure Code. The companies will be faced with new taxes and charges, and the money obtained by the Government from the collection thereof will be used for social protection, investments or covering shortfalls. The reduced predictability does nothing else but discourage the entrepreneurs, and also generate distrust and encourage corruption.

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1. Introduction

The tax policy within the European Union has two components: direct taxation, which lies solely within the competence of the Member States, and indirect taxation, which influences the free movement of goods and free provision of services. VAT is a tax collected in cascade by each economic agent participating to the economic cycle of achieving a product or supplying a service subjected to taxation, being an indirect tax borne by the end consumer of the respective good/service.

The new scheme of VAT upon collection is compulsory as of 1st January for all the companies, taxable persons registered for VAT purposes, with a taxable turnover not exceeding Ron 2,250,000. Being aware of the characteristics of this tax is important and necessary, the payer having the obligation to know both the rate of this tax and the operations in respect of which VAT is due, as well as the exempted ones. After having exerted their right to deduct, the taxable economic agents which have participated to the economic cycle have to transfer the VAT balance to the State budget.

2. Literature Review

The value added tax was introduced in Romania by the Government Ordinance no. 3/1992, approved by the Law no.130 of December 1992, applicable as of 1 January 1993.

Three VAT rates were concomitantly applied between 1993 and 1998, a standard rate (18%), a reduced rate (9%), and a zero rate. In the period 1998 – 2000 the standard rate was increased to 22%, and the reduced rate (11%) and zero rate were maintained. Several special laws were passed during this period, which changed the number and structure of the exemptions and exceptions from the VAT payment.

As of 1 January 2000, the new VAT scheme was subjected to the following changes as compared to the previous one: a standard rate of 19% was applied; the reduced rate was eliminated, whilst maintaining the zero rate; the incentives related to the VAT payment were restricted, and the classes of products subjected to VAT payment reliefs were revised.

Being a tax paid by the natural and legal persons as well, VAT gained large significance, and in 2003 the Law 571 harmonized the domestic

legislation with the European Union one. As of 1 January 2008 the provisions of the Government Urgency Ordinance no. 106/2007, amending the Law no. 571/2003 concerning the Tax Code became applicable, whereby references to the 6th Directive (77/388/EEC) were replaced by references to Directive 112/2006.

The new legislative package on VAT passed by the EU in 2008 mainly approaches two major aspects of the VAT legislation, being the rules referring to the place of taxation in respect of the supply of services, and the procedures related to the VAT refund, but also aspects concerning the collaboration and exchange of information between the tax authorities of the Member States. The amendments were intended to simplify the procedure in terms of a uniform application of the European VAT scheme, and ensure a non-discriminatory European market in terms of VAT costs applicable to all the participants, companies established in the Member States. The provisions of the Directives passed by the EU Council, that is, Council DIRECTIVE 2008/8/EC of 12 February 2008 amending Directive 2006/112/EC as regards the place of supply of service, and Council DIRECTIVE 2008/9/CE of 12 February 2008 laying down detailed rules for the refund of value added tax, provided for in Directive 2006/112/EC, to taxable persons not established in the Member State of refund but established in another Member State, were applied to a large extent as of 1 January 2010 (those referring to the supply of services of business to business type), whilst others were passed starting with 1 January 2015 (those referring to the supply of services of business to consumers type).

“The tax and budgetary policy in the pre-crisis Romania was a pro-cyclical one, characterized by the dominance of short term political considerations, while not placing too much emphasis on the consequences on the medium and long term sustainability of public finances. The restoration of sustainability of public finances requires a considerable effort of tax consolidation, doubled by profound structural reforms, in order to create the conditions favorable to a sustainable economic growth.” (Ciobănașu, M. & Postole, M.A. 2012)

The scheme of VAT payment upon collection is applicable as of 1 January 2013. The Tax Code was initially amended as such by the Government Ordinance no. 15/2012 amending and completing the Law no. 571/2003 concerning the Tax Code, published in the Official Journal of Romania no. 621.

Subsequently, the Ordinance no. 15/2012 was approved with amendments by the Law no. 208/2012 published in the Official Journal of Romania no. 772 of 15 November 2012. The rules for the implementation of the Tax Code were amended in the sense of the application of the legal provisions by the Government Decision no. 1.071 amending and completing the Methodological Rules for implementing the Tax Code, approved by the Government Decision no. 44/2004, published in the Official Journal no. 753 of 8 November 2012.

The last amendments, applicable as of 1 February 2013, are regulated by the Government Ordinance no. 8 of 23 January 2013 amending and completing the Law no. 571/2003 concerning the Tax Code, published in the Official Journal no. 54 of 23 January 2013, applicable as of 1 February 2013.

”Specialists in this field are of the opinion that the public institutions should make increased efforts to apply the benchmarking with a view to improving the quality and performance of the services supplied by the public sector to its clients. The mere copying of an indicator or policy cannot lead to the intended performance. That is why the European knowledge and models should be drawn on, and improved practices of management of these institutions should be adopted.” (Gherghina, R., Ciobănașu, M. & Postole, M.A., 2010)

3. Provisions concerning the persons applying the scheme of „VAT upon collection”

The scheme of VAT upon collection affects the taxpayers whether or not they have a turnover beyond or below Ron 2,250,000, as follows:

3.1.) In respect of Romanian VAT taxpayers with a turnover exceeding Ron 2,250,000

a) they should not be registered in the Register of taxable persons applying the scheme of VAT upon collection;

b) they will deduct the VAT related to the purchases of goods and services:

- either at the tax chargeability date (if the purchases are made from suppliers not applying the scheme of „VAT upon collection” – just as before 01.01.2013);

- or at the invoice payment date (if the respective suppliers apply the scheme of VAT upon collection);
- c) they will collect the VAT upon the tax chargeability (just as before 01.01.2013);

3.2.) In respect of Romanian VAT taxpayers with a turnover below Ron 2,250,000

- a) they should be registered in the Register of taxable persons applying the scheme of VAT upon collection;
- b) they will deduct the VAT related to the purchases of goods and services at the payment date;
- c) they will collect the VAT upon the invoice collection, however not later than the 90th calendar day from the invoice date;
- d) their invoices will carry the mention „VAT upon collection” in respect of the operations with VAT territoriality in Romania, except for certain operations specifically provided for by the law.

In respect of the taxable person who has applied the exemption regime provided for by art. 152 of the Tax Code and who is registered for VAT purposes in pursuance of art. 153 of the Tax Code, there are not taken into the calculation of the turnover the delivery of goods/supply of services achieved during the period whilst the taxable person did not have a registration code for VAT purposes as understood under art. 153 of the Tax Code.

The persons obligated to apply the scheme of „VAT upon collection” are registered in the Register of taxable persons applying the scheme of VAT upon collection provided for by art. 156 index 3 para (13) of the Tax Code.

This register is public, and is posted on the site of the National Agency for Tax Administration. The registration in the Register of taxable persons applying the scheme of VAT upon collection of the taxable persons applying the scheme of „VAT upon collection” is made by the relevant tax bodies, in one of the following cases:

- on the basis of notifications lodged by the taxable persons;
- or ex officio where the taxable person is not obligated to lodge this notification.

3.2.1) Ex officio by the relevant tax bodies – According to art. 156 index 3 para (11) of the Tax Code, where the taxable person provided for by art.134 index 2 para (3) point a), who has to apply the scheme of VAT upon collection, fails to lodge the NOTIFICATION indicating the turnover in the previous calendar year (N-1), this will be ex officio registered by the relevant tax bodies in the Register of taxable persons applying the scheme of VAT upon collection set forth at para (13) therein.

3.2.2.) On the basis of the Notification lodged with the tax body – These persons have, in pursuance of art. 156 index 3 para (11) of the Tax Code, the obligation to file with the relevant tax bodies by 25 January inclusive (N) a NOTIFICATION (Form 097) indicating that the turnover in the previous calendar year (N-1), determined in accordance with the provisions of art.134 index 2 para (3) does not exceed the threshold of Ron 2,250,000.

ATTENTION: The taxable person who applied the scheme of „VAT upon collection” in the previous calendar year and who has to apply the scheme of „VAT upon collection” pursuant to the fact that its turnover did not exceed in the previous calendar year (N-1) the threshold of Ron 2,250,000 does not have the obligation to lodge the NOTIFICATION provided for by art. 156 index 3 para (11) of the Tax Code.

In accordance with art. 156 index 3 para (13) of the Tax Code the registration and deregistration in/from the Register of taxable persons applying the scheme of VAT upon collection is made by the relevant tax body, on the basis of the NOTIFICATIONS lodged by the taxable persons according to paras (11) and (12) until the 1st day of the tax period subsequent to that when the notification was lodged.

According to art.134 index 2 para (3) lit a) of the Tax Code these persons APPLY the scheme of VAT upon collection as of the first day of the second tax period of the year (Our note: in our case the previous year was „N-1”, the following year is „N”) following that when the turnover did not exceed the threshold of Ron 2,250,000.

Since the tax period can be the month/quarter/semester/year, in accordance with art. 156 index 1 of the Tax Code the scheme of „VAT

upon collection” will apply as of: 1 February N (if the tax period is the MONTH); 1 April N (if the tax period is the QUARTER); 1 July N (if the tax period is the SEMESTER); 1 January N+1 (if the tax period is the YEAR).

4. Provisions concerning the cases when the scheme of „VAT upon collection” is not applicable

In accordance with art.134 index 2 para (6) of the Tax Code, the provisions of the scheme of VAT upon collection **are compulsorily** applicable by the taxable persons laid down in para (3), however these **are not applicable** by the taxable persons part of **a single tax group** as understood under art. 127 para (8) therein.

Furthermore, point 162 para (2) of the methodological rules implementing the art.134 index 2 of the Tax Code sets forth that the following persons will not apply the scheme of VAT upon collection provided for by art.134 index 2 paras (3) - (8) of the Tax Code:

- taxable persons established in Romania part of a single tax group as understood under art. 127 para (8) of the Tax Code;
- taxable persons not established in Romania who are registered for VAT purposes in accordance with art. 153 of the Tax Code, directly or through a tax representative;
- taxable persons having the seat of economic activity outside Romania, but established in Romania via a fixed established as understood under art. 125 index 1 para (2) point b) of the Tax Code.

The scheme of „VAT upon collection” **applies only** to operations in respect of which the place of delivery, as understood under art. 132, or **the place of supply**, as understood under art. 133, is deemed to be Romania.

Thus, the scheme of VAT upon collection does not apply:

- in respect of the delivery of goods/supply of services where the recipient is the person obligated to pay the tax;
- in respect of the delivery of goods/supply of services not exempted from VAT;

- in the case of the operations subjected to special regimes in relation to travel agencies, second-hand goods, art works, collection and antiquity objects and investment gold;

- in respect of the delivery of goods/supply of services whose equivalent value is collected, wholly or partially, in cash by the taxable person eligible for the application of the scheme of VAT upon collection until the date of the invoice from recipients who are legal persons, natural persons registered for VAT purpose, sole proprietorship (PFA), freelance professionals and associations without legal personality.

5. Chargeability of tax

In accordance with art.134 index 2 para (3) of the Tax Code, by way of exception from the provisions of para (1) and para (2) point a), the scheme of VAT upon collection applies, respectively the chargeability of tax occurs, at the date of collection of the full or partial equivalent value of the delivery of goods or supply of services (in respect of collection through the bank of transfer-credit type, the date of collection of the total/partial equivalent value of the delivery of goods/supply of service by the person applying the scheme of VAT upon collection is the date written on the account statement or another document assimilated thereto or, when the payment is made with debit or credit cards by the buyer, is the date written on the account statement or another document assimilated thereto).

According to art.134 index 2 para (5) of the Tax Code, where the taxable persons obligated to apply the scheme of VAT upon collection do not collect the full or partial equivalent value of the delivery of goods or supply of services within 90 calendar days from the invoice date, calculated in accordance with the Civil Procedure Code provisions the, the chargeability of tax related to the non-collected equivalent value occurs in the 90th calendar day from the invoice date.

If the invoice is not issued within the legal time limit, the chargeability of the tax related to the equivalent value not collected occurs in the 90th calendar day from the deadline stipulated by the law for the invoice

raising, calculated in accordance with the provisions of the Civil Procedure Code.

Note: In pursuance of art. 155 para (15) of the Tax Code (valid as of 01.01.2013), the taxable person is obligated to raise an invoice the latest by the 15th day of the month following the event having generated the tax, unless the invoice has already been raised.

At the same time, the taxable person has to raise an invoice for the amounts of the advance money collected in connection with a delivery of goods/supply of services, the latest by the 15th day of the month following that when said person collected the respective advance money, unless the invoice has already been raised.

Example: AAA SRL entity, registered in the „Register of taxable persons applying the scheme of VAT upon collection”, enters into an agreement for the delivery of goods on the territory of Romania, with settlement solely by bank transfer within 10 days.

Case 1: At 15.01.2013 the entity delivers and raises an invoice for goods to BBB SRL entity, registered for VAT purposes (and registered, in its turn, in the „Register of taxable persons applying the scheme of VAT upon collection”), amounting in total to Ron 12,400, of which VAT 2,400, and the settlement is made in accordance with the contractual provisions.

Since the full settlement by transfer is made on 25.01.2013, the chargeability of tax occurs on the collection date (25.01.2013), and not at the date of the delivery of goods and invoice raising.

Case 2: At 15.01.2013 AAA SRL entity delivers goods and raises an invoice to CCC SRL entity, not registered for VAT purposes, amounting in total to Ron 12,400, of which VAT 2,400. Since CCC SRL entity is facing serious financial difficulties, the settlement in full by transfer occurs only on 05.05.2013.

In that case, the chargeability of tax occurs on 14.04.2013 (that is, within the legal time limit of 90 calendar days from the invoice date).

Therefore, in the case no. 2 the chargeability of tax occurs neither at the date of delivery of goods and invoice raising of 15.01.2013, nor at the date of the collection by transfer (05.05.2013). AAA SRL entity must mention on the invoices raised by it „VAT upon collection” both in the case 1 and in the case 2.

6. Rate of exchange used when applying the VAT upon collection

In accordance with art. 139 section 1 para (2) of the Tax Code, the **rate of exchange** applicable in respect of operations subjected to the scheme of VAT upon collection provided for by art.134 index 2 para (3) - (8) is the last rate of exchange announced by the National Bank of Romania (BNR), or the last rate of exchange published by the Central European Bank, or the rate of exchange used by the bank via which the settlements are made, valid at the date when the chargeability of VAT would have occurred in relation to the respective operation had it not been subjected to the scheme of VAT upon collection.

Point 22 para (2) of the methodological rules implementing art. 139 section 1 para (2) of the Tax Code stipulates that as understood under art. 139 index 1 para (2) of the Tax Code, where an invoice is raised prior to the delivery of goods or supply of services or collection of an advance, the rate of exchange used to determine the taxation base of the value added tax at these invoices raising date **will remain unchanged** at the operation completion date, respectively at the operation adjustment date, including in respect of operations subjected to the application of the scheme of VAT upon collection. Where advance payments are collected for which an invoice is raised after the collection of such advance payment, the rate of exchange used to determine the base of taxation of the value added tax at the advance payment collection date will remain unchanged at the operation completion date, respectively upon the adjustment of the collected advance money.

Example: A shirt manufacturer, AAA SRL, which applies the scheme of „VAT upon collection”, delivers at 20 February 2013 certain goods to a non-affiliated client, amounting to Euro 7,000, VAT 24%. According to the contractual provisions the delivery of goods is contracted in foreign currency

(Eur 8,680) and settled in Ron at the BNR rate of exchange from the payment date. The invoice is raised on 10 March 2013. At 15 May 2013 AAA SRL collects by transfer the invoice from its client.

Table 1:Further on below is presented the evolution of BNR during this period

No.	Transaction / Event	Date of event	Valid BNR rate of exchange	Ron value of receivable	Balance in Ron
1.	Delivery of goods	20 February 2013	4.50 Ron/€	39,060 Ron	-
2.	Receivable updating	28 February 2013	4.55 Ron/€	39,494 Ron	+434 Ron
3.	Invoice raising for the goods	10 March 2013	4.70 Ron/€	40,796 Ron	-
4.	Receivable updating	31 March 2013	4.35 Ron/€	37,758 Ron	-1,736 Ron
5.	Receivable updating	30 April 2013	4.20 Ron/€	36,456 Ron	- 1,302 Ron
6	Collection of invoice	15 May 2013	4.40 Ron/€	38,192 Ron	+ 1,736 Ron

The presentation of the evolution of the rate of exchange between the delivery date and the supply date is absolutely necessary, since the **accounting regulations** provide for (i) the obligation to register both in foreign currency and in Ron the receivables and payables expressed in Ron,

which are to be settled contingent upon the rate of exchange of a given foreign currency; as well as (ii) the obligation to monthly update these receivables/payables where these are not settled by the end of the month when these occurred.

The obligation to regularly update the receivables and payables recorded on the basis of the agreement entered into the two parties occurs pursuant to the fact that these are assimilated to items expressed in foreign currency (see point 184 para (1) in conjunction with point 185 para (1), para (4) and para (9) of the Appendix 1 to Order 3055/2009). Since the receivable/payable expressed in Ron will be settled depending on the euro rate of exchange of May 2013, the accounting adjustment imposes for the balance to be recognized both at the end of February, March and April 2013, as well as at the date of actual collection in May 2013. The balance is determined taking into account the rate of exchange used upon the delivery, respectively last update.

a) *recording of goods on the basis of the delivery note dated 20.02.2013:*

418	=	%	<u>39,060 Ron</u>
„Customers – invoices to be issued”		701	
		„Sales of finished goods”	31,500 Ron
		4428	7,560 Ron
		„VAT under settlement”	

Note 1) Both the income (taxable base of VAT) and the tax under settlement related to delivery are assessed at the BNR rate of exchange valid for the date when the chargeability of tax occurs if the scheme of „VAT upon collection” would not apply, being the date when the delivery of goods occurs (transfer of all risks and benefits) since the invoice has not been raised as yet (date of generating event).

Note 2) The posting in the account 418 „ Customers – invoices to be issued” will be made on the basis of the provisions of point 180 para (1) of the Appendix 1 to the Order 3055/2009.

b) *recording at 28.02.2013 of the balance of Ron 434 (updated receivable of Ron 39,494 minus Ron 39,060 the initial receivable):*

418	=	768	434 Ron
„Customers – invoices to be issued”		„Other financial income”	

c) records of 10.03.2013

c1) recording of invoice raised on 10.03.2013:

Explanation	Quantity	Unit Price	Amount	VAT
Shirts 70 eur/piece * 4.5 Ron, BNR rate of exchange at delivery date „VAT upon collection” according to art. 134 section 2 para (3) of the Tax Code.	100	315	31,500	7,560
Total			31,500	7,560
Total payable			39,060 Ron	

411	=	418	39,060
„Customers”		„Customers – invoices to be issued”	Ron

Attention: The invoices raised having regard to art. 155 paras (11), (12) and (20) of the Tax Code are supporting documents for deducting the tax only provided that **they comprise as well the recipient’s code of registration for VAT purposes**. If the original invoice is lost, stolen or destroyed, the recipient will request the issuer a duplicate of the invoice, where on the later will mention that it replaces the initial invoice.

Having in view that the goods were delivered on 20 February 2013, however the related invoice was raised on 10 March 2013, the company raised the invoice using the BNR rate of exchange from the delivery date, and not the BNR rate of exchange from the invoice date, in accordance with the tax regulations. Since the entity applies the scheme of „VAT upon collection”, and since the chargeability of tax occurs at the collection date, this entity will not collect the VAT at the invoice date.

c2) recording of balance takeover:

4111		418	
„Customers”		„ Customers	– 43
		invoices to be issued”	4 Ron

d) at 31.03.2013 the balance minus Ron 1,376 (updated receivable of Ron 37,758 minus Ron 39,494 receivable since last update) is recorded:

668	=	4111	1,376 Ron
„Other financial expenditure”		„Customers”	

e) update as of 30.04.2013:

668	=	4111	1,302 Ron
„Other financial expenditure”		„Customers”	

f) records of 15.05.2013

f1) collection of receivable:

5121	=	%	<u>38,192</u> Ron
„Bank accounts in Ron”		4111	36,456 Ron
		„Customers”	
		768	1,736 Ron
		„Other financial income”	

Note: The balance between the rate of exchange mentioned on the invoice raised on 10.03.2013 and the rate of exchange used at the collection date is not deemed a price difference, and no invoice is raised as such.

f2) recording of VAT collection at the rate of exchange from the delivery date:

4428	=	4427	7.560 lei
„VAT under settlement”		„VAT collected”	

7. Case not provided for by the regulations of the Tax Code and methodological rules

An entity has at the end of December 2012 a credit balance of the account 401 „Suppliers” of Ron 1,860, of which deductible VAT of Ron 360, representing a debt to a supplier applying the scheme of „VAT upon collection” as of 01.01.2013.

At 15 January 2013 the entity buys goods from the same supplier amounting in total to Ron 2,480, of which VAT under settlement of Ron 480. At 20 February 2013 the entity pays Ron 3,000 to its supplier.

What part of this debt is cleared? What is the order in which the entity will deduct the VAT? Will the entity deduct the VAT related to the invoice for January 2013 wholly or only partially?

For the avoidance of any tax risks, and for a uniform commercial treatment by the two partners, we propose the insertion of a **written mention in the payment document** referring to the invoice in respect of which the debt is cleared.

For example, if the payment document mentions that the invoice from 2012 is fully settled, and the invoice from January 2013 is partially settled, the entity will deduct the VAT related to the payment in February 2013, amounting only to Ron 220.65, according to the calculation below:

- debt paid on 20.02.20133,000 Ron
- (-) payment in full of invoice 20121,860 Ron
- = partial payment of invoice 15.01.2013.....1,140 Ron

Deductible VAT: 1,140 Ron * 24/124 = 220.65 Ron.

Therefore, at the payment date the VAT under settlement is reduced by Ron 220,65, and the balance of the VAT under settlement at 28.02.2013 becomes Ron 259.35 (Ron 480 minus Ron 220.65).

8. Declaration obligations

The taxable persons registered for VAT purposes who apply the scheme of VAT upon collection have the obligation to mention in the sales/purchases journals the invoices raised/received for the delivery of goods/supply of services in respect of which the application of the scheme of VAT upon collection is compulsory, even if the chargeability of the tax does not occur in the tax period when the invoice was raised.

The following information referring to these operations will be written down in the sales/purchases journals:

- a) number and date of collection/payment document;
- b) expiry date of the 90-day deadline for collection provided for in art.134 index 2 para (5) of the Tax Code (in the sales journal);
- b) full equivalent value of the delivery/supply of goods/services, VAT inclusive;
- c) taxable base and related value added tax;
- d) collected/paid amount, VAT inclusive, as well as the taxable base and payable VAT corresponding to the collected/paid amount;
- e) balance representing the taxable base and VAT under settlement.

Attention: Since the recording documents are not template forms established by the Ministry of Public Finance, each taxable person may establish the model of its documents used to determine the collected VAT and deductible VAT according to its own businesses, however these must comprise the legal minimal information, and ensure the preparation of the VAT 300 settlement form.

9. Conclusions

The scheme of „VAT upon collection” affects all the taxpayers registered for VAT purposes in Romania, since each transaction/event/economic operation entering the VAT domain has to be rethought and reaccounted, for the following reasons:

- VAT is the most complex tax worldwide, therefore its regulation and implementation requires exceptional professional skills both in

respect of the lawmakers and its users (business environment, control bodies, etc.);

- VAT taxation is based almost solely on accounting (measures are required aimed at establishing the primary documents, preparing the document circulation schedule);

The perception of accounting as an information system is first of all determined by the elements ensuring the receipt, recording, processing, storing and reporting of data and information to the decision-makers.

- the practical organization of accounting and establishment of the most appropriate options are influenced by a series of factors such as: nature and volume of business, frequency of economic and financial operations, organizational structure of the economic entity, technology and organization of the operation cycle, availability of computer technology (usage of software built such as to meet the minimal requirements imposed by the classic VAT schemes), etc.;

- the large majority of the data required for the preparation of the sales and purchases journals were taken over from the sale and purchase invoices, very few entities actually using the concept of tax under settlement. Furthermore, each transaction is encoded and recorded thus as to be passed on by the automated accounting to the accounting ledgers (day book, general ledger, register of suppliers and customers, etc.), and thus to allow at any time the correlation with the existing data in the purchases and sales journals.

- in respect of the purchases of goods and services, in certain cases only the account 4426 „Deductible VAT” will be used, whilst in others the assets account 4428 „VAT under settlement” will be used, showing the tax that is to be deemed deductible upon the clearance of trade payables (by any existing settlement method);

- in respect of the purchases of goods and services, in certain cases only the account 4427 „Collected VAT” will be used, whilst in others the liabilities account 4428 „VAT under settlement” will be used, showing the tax that is to be deemed collected upon the clearance of the receivable through collection or any other clearance methods, or in the 90th day from the invoice raising/invoice raising deadline);

- the mechanism of the VAT upon collection is difficult and controversial, since certain sale and purchase transactions are subjected to this scheme, whilst others are excepted (in which case the classic VAT scheme is applicable: for example, in respect of the purchases of goods where the VAT

deduction is partially or wholly limited in relation to amounts settled in cash prior to the delivery of goods, or to transactions between affiliated parties, etc.);

- these cases will entail the existence of certain hybrid sales and purchases journals, that will present the payable VAT related to the tax period in several places. Therefore, the information to be passed on to the VAT settlement form will be collected mistakenly or with great difficulty.

The VAT payers having a taxable turnover beyond Ron 2,250,000 will apply **two schemes for the taxation** of their operations, inasmuch as they also purchase goods/services from the taxpayers registered in the Register of taxable persons applying the scheme of VAT upon collection.

Even in the presence of certain models standardized nationwide, the correct and uniform transposition will require a rethinking of the process of collection and processing of all the data and, as a consequence, will require time and costs related to:

- adapting the software to each individual taxpayer;
- implementing the software;
- and the correct usage thereof by all the departments of an economic entity.

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