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30 May 2006

Online at <https://mpra.ub.uni-muenchen.de/16278/>
MPRA Paper No. 16278, posted 15 Jul 2009 13:42 UTC

Value added tax – Coordinates and Modern Perspectives (Romanian: Taxa pe Valoarea Adaugata – Coordonate Moderne si Perspective)

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ABSTRACT

The Adherence of Romanian to the European Union imposed the introduction of value added tax as an essential request, because its application facilitates the commercial boundaries between member countries.

During the last years there is a tendency to generalize value added tax. Starting with 1st of January 2007, Romanian fiscal legislation must coincide with the European Union requests. Therefore, a series of settlements was adopted. This paper presents the modern coordinates and perspectives of value added tax.

Keywords: value added tax, coordinates, perspectives, Adherence to European Union

Value added tax is an indirect tax applied in every stage of the production cycle of the finite product, upon the value added achieved by intermediary producers and final producer. It is a general consumption fee including all the phases of the economic circuit, production, services and distribution respectively up to the sales to final consumers.

Being a state budget income in the category of indirect taxes, value added tax is established in natural share upon the operations regarding mobile goods delivery, real estate transfer, goods import, providing of services as well as related operations.

Irrespective of the nature of the activity performed, the fields respectively: production, services, distribution, taxpayers, natural persons and legal entities, registered as valued added tax payers have to consider several categories of operations, namely:

- Mobile goods deliveries and/or services performed within the exercise of professional activity;
- Transfer of real estate between taxpayers as well as between them and natural persons;
- Import of goods;
- Services performed by providers headquartered or residing abroad for whom the provision place is considered Romania in accordance with the territoriality criteria.

A significant role in the correct application of this tax and in the monitoring of legal compliance in this matter by control bodies is the tax place or as regulated by law “territoriality”, which is Romania for mobile goods and real estate.

Deep transformations in the Romanian economy, first of all transition from the command type socialist economy to a Western market economy have caused the reorganization of state enterprises and gave up absolute control upon prices and wages.

Beginning with 1993, value added tax was introduced, considering also the perspective of Romania's Adherence to the European Union, because the introduction of value added tax is an essential requirement, its application facilitating commercial relations between member states.

So far, certain alterations have been made as far as value added tax is concerned beginning with the tax rate to application fields.

Considering that Romania will be a member of the European Union, it is necessary not just for us to introduce and apply value added tax, but permanently improve this mechanism as well.

Therefore, certain measures have been taken with special effects on decreasing tax evasion and getting close to the member states of the European Union from fiscal point of view.

In order to avoid illegal value added tax return from the state budget, the lawmaker has taken amendment measures of the fiscal code, by introducing certain measures for simplifying certain goods, namely:

- Waste and ferrous and non-ferrous metals remainders, as well as auxiliary raw materials resulted from their processing
- Fields of any kind
- Buildings of any kind or parts of the building. A building is any legal construction directly to the ground;
- Wood material.

This simplification measures have to be applied when both the supplier and the beneficiary are registered as value added taxpayers.

For the deliveries of the aforementioned goods, on issued invoices, suppliers have to indicate the mention "reverse taxation". Because suppliers and beneficiaries reveal these deliveries related value added tax, both as collected tax and as deductible tax, it is thus avoided to request the return of these sums from the state budget. There have been sums, representing value added tax, that have been returned to beneficiaries although the "supplier" is not recorded in the database of the Ministry of Public Finances and thus it has not collected value added tax for transferring it to the state.

We think that "reverse taxation" makes taxpayers not demand the return of certain amounts that have not reached the budget, the effects being positive and immediate upon budgetary resources, thus avoiding the occurrence of possible cases of corruption by officials in the field.

For the simplification of the procedure regarding value added tax negative settlement of accounts, with return option, a new methodology has been adopted.

This methodology increases the liability of value added tax payers and reduces the number of tax inspections for returns.

Therefore, for taxpayers with small fiscal risk settlements of accounts, return shall occur automatically and the fiscal inspection will be performed later, within maximum 2 years.

For high fiscal risk settlements of accounts, value added tax returns shall be performed after the fiscal inspection.

Through the application of this methodology for solving negative value added tax settlements of accounts, with return option, taxpayers who comply with tax legislation immediately benefit from these sums, the other taxpayers having to undergo fiscal inspection that shall establish the accurate amount of the value added tax to be returned.

All the countries of the European Union change information regarding value added tax and duties, from the following reasons:

- Globalization;
- Generalized access to new technologies of communications and information
- Liberalization of trade and financial markets.

Exchange of information causes the limitation of fiscal fraud which contradicts with the principle of fiscal justice; may cause distortions in capital movements; distorts competition and alters common market operation.

In Romania, like in any other member state of the communitarian European Union, the “Central Relations Office” was established within the National Agency of Tax Administration, and after the Adherence to the European Union the “Local Relations Department” shall be established.

The main duties of the “Central Relations Office” are: providing exchange of intra-communitarian information; developing operative controls based on the risk analysis; updating and analyzing databases.

For the harmonization of the Romanian legislation to the European one, it is necessary, that beginning with 1st of January 2007, the 6th Directive shall be applied regarding value added tax, thus regulating the following aspects:

- The way in which value added tax is applied in case of goods traveling from Romania and another member state at their delivery;
- The way in which value added tax is applied if a service takes place (or is considered to take place) in Romania, but the provider or beneficiary of that service is not residing in Romania.

From Romania’s Adherence to the European Union, imports and exports performed by our country, from and into the member states will become intra-communitarian purchases and deliveries, and value added tax shall be treated in a specific way. Also, intra-communitarian operators have to hold an identification number regarding value added tax.

For making the exchange of information regarding value added tax, “VIES” computer program will be used as it includes a database of intra-communitarian operators and intra-communitarian transactions performed by them.

Quarterly, Romanian intra-communitarian operators will have to submit recapitulative statements in which they will record exempted intra-communitarian transactions, they have performed with member states.

Through the “Central Bookbinders Office”, an exchange of information is performed among member states, as follows:

- With previous demand
- Automatic exchange
- Spontaneous exchange, based on reciprocity

We think a tight cooperation is necessary between administrative authorities in every member state in order to fight against fraud and tax evasion, regarding value added tax, because they go beyond the borders of member states and lead to budget losses.

This is why, harmonization measures taken for achieving internal market have to include a new common mutual system for exchanging information between member states.

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