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Reflecting in Accounting the Leasing Operations under the Fiscal Code

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Abstract:

For some activities, where some agents do not have permanent funding, it is necessary to resort to leasing. External leasing operations have to be billed by the beneficiaries in Romania, registered as payers of value added tax. This operation is made on the date fixed by contract for payment of lease rates and/or the date of payment amounts in advance. The main operations on the operational leasing are shown in this work.

Keyword: leasing operations in accounting, leasing contract, self bill

In order to develop the activity when some economical agents do not have permanent funds, it is necessary to resort to the leasing.

According to the valid legislation, the leasing contract has two types, defined as:

- **The financial leasing contract** – any leasing contract that accomplishes at least one of the following conditions:
 - The risks and the benefits of the property right over the good that makes the leasing object are transferred to the user when the leasing object produces effects;
 - The leasing contract foresees expressly the transfer of the property right over the good that makes the leasing object to the user when the contract expires;
 - The leasing period crosses 75% of the normal utilization time of the good that makes the leasing object; in this definition's sense, the leasing period includes any period for which the leasing contract may be prolonged;
- **The operational leasing contract** - any leasing contract contracted between locator and lodger, that does not accomplish the conditions of the financial leasing contract's conditions.

In case of financial leasing, the user is treated as a owner from the tax point of view while, in the case of operational leasing, the locator is the one who has this quality.

The liquidation of the good that makes the object of a leasing contract is made by the user in case of financial leasing and by the locator in case of

operational leasing, the spending being deductible from the tax point of view.

In case of financial leasing, the user deducts the interest and, in case of operational leasing, the lodger is the one who deducts the rent (the leasing installment).

The external leasing operations are billed by the beneficiaries in Romania, registered as payers of value added tax, at the date established by contract for the payment of the leasing installments and/or at the date of the payment of the advance sum.

The persons who are not registered as payers of the value added tax, who are beneficiaries of the external leasing operation, must accomplish a special deduction of the value add tax, according to the model established by the Public Finances Ministry, that they have to lay down at the competent tax organ only when they accomplish such operations. The deduction is laid down until the 25th of the month that comes after the one when it was paid the bill of the man who performs or when it was accomplished the payment to the man who performs, in case of the payments without bill. For the external leasing operations, the special deduction has to be laid down until the 25th of the month that comes after the one established by contract for the payments of the leasing installments and/or after the one when the advanced payments were accomplished.

Only the persons registered as payers of the value added tax are forced to emit tax bills. According to the stipulations of the Fiscal code , the emitted tax bills have a special tax system and do not generate incomes in the emitting person's book-keeping. The tax bill is emitted only if the respective operations are taxable and only in purpose of the value added tax. The completion of these bills derogated from the legal norms regarding the circulation and the completion way of the tax bills, being compulsory the mentioning of the following information:

- The number of the bill will be the same as the number of the bill of the man who performs or it is attributed an own number if it is about a bill emitted for payments to the man who performs, for which we did not receive any bill;
- The date when the bill was emitted;
- The name and the address of the person established abroad, at the supplier heading;
- The name, the address and the tax identification code by the payer of the values added tax of the beneficiary, at the buyer heading;
- The name of the performed services;

- The values of the services, exclusively the value added tax, obtained by converting in lei the foreign currency depending on the valid rate of exchange at the date foreseen by the law in order to emit the tax bill;
- The share of the value added tax
- The information in the emitted tax bill are also registered in the shopping journals and in the sales journals and they are assumed correspondingly in the respective deduction of the value added tax, both as a collected tax and as a deductible tax.

Across the tax period, the persons registered as payers of the value added tax who are beneficiaries of the leasing operations reflect the value added tax afferent to these operations basing on the emitted bills by the tax registration:

$$\begin{array}{rcl}
 4426 & = & 4427 \\
 \text{“deductible VAT”} & & \text{“collected TVA”}
 \end{array}$$

If the competent tax organs, with the occasion of the accomplished checking, find that these obligations were not accomplished, these obligations will order the appliance of these stipulations in the tax period of time when the control was finished.

The main operations regarding the operational leasing are reflected in book-keeping like this:

1. In the book-keeping of the leasing societies (locator)

- The achievement of tangible Lock-ups that are to be delivered in leasing system are registered basing on the bills emitted by the internal suppliers, by the tax article:

$$\begin{array}{rcl}
 \% & = & 404 \\
 212 \text{ “Steady means”} & & \text{“Lock-ups supplier”} \\
 4426 \text{ “deductible VAT”} & &
 \end{array}$$

- The achievement of mobile goods of the nature of the tangible Lock-ups from the external suppliers that are to be delivered in leasing system:

$$\begin{array}{rcl}
 212 \text{ “Steady means”} & = & 404 \\
 & & \text{“Lock-ups suppliers”}
 \end{array}$$

- The liquidation of the achieved tangible Lock-ups that are delivered to the users according to the leasing contracts, according to the legal and valid normal periods of time of functioning:

681 “Exploitation regarding spending regarding the liquidation of the tangible Lock-ups ” = 281 “Liquidations the tangible Lock-ups ”

- The registration of the bill emitted by the locator representing the installments to be cashed:

411 “Clients” = % 706 “Dues incomes, Administration locations and rent” 4427 “Collected VAT”

- The registration of the property right’s transfer to the residual value established between parties if it is foreseen in the contract

461 “Debtors” = % 7721 “Incomes from the actives’ yielding” 4427 “Collected VAT”

- Getting out of the patrimony the goods that only represented the object of the leasing contract:

% = 212 “Steady means” 281 “Liquidations regarding the Lock-ups ” 6721 “Spending regarding the yielded actives”

2. In the book-keeping of the user (lodger) the following registrations are accomplished:

446 “Other taxes and banks similar payments” = 5121 “Accounts to the banks in lei”

The due tax will be calculated by applying the tax share foreseen in the convention for the avoidance of the double taxation contracted by Romania with other states or according to the legal stipulations.

If there are some rate of exchange differences when the due is paid, these are registered as incomes or financial spending, depending on the case.

- The registration of the property right’s transfer for goods acquired in the country (when there is the option to buy the goods), at the residual value of the good acquired from a Romanian juridical person, basing on the sales contract and on the bill:

% = 404 “Lock-up suppliers”
212 “Steady means”
4426 “Deductible VAT”

- The registration of the property right’s transfer for goods acquired abroad (when there is the option to buy the goods), at the residual value of the good acquired from a Romanian juridical person, basing on the sales contract and on the bill:

% = 404 “Lock-up suppliers”
212 “Steady means”
4426 “Deductible VAT”

and

- The registration and the payment of the custom tax by the user according to the legal stipulations:

446 “Other taxes and similar payments” = 5121 “Accounts to banks in lei”

respectively

212 “Steady means” = 446 “Other taxes and similar payments”

- The registration of the property right's transfer for (when there is the option to buy the goods), at the residual value of the good acquired from a foreign juridical person, basing on the sales contract and on the bill:

**212 “Steady means” = 404 “Lock-ups
suppliers”**
and

- The registration and the payment of the custom tax by the user according to the legal stipulations:

**446 “Other taxes = 5121 “Accounts to banks
in
and similar payments” lei”**
respectively

**212 “Steady means” = 446 “Other taxes and
similar payments”**

In case of a fluctuating rate of exchange, the leasing contract in currency may determine negative effects, forcing the economical agents to suffer on the spending bigger sums comparing to the date of the contract's accomplishment. That is why, in these conditions, it is normal that the economical agents want to choose the leasing contracts in lei.

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