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Paliu-Popa, Lucia

"Constantin Brancusi" University of Targu Jiu

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SPECIFICITY OF ACCOUNTING AND TAX TREATMENTS RELATED TO TRIANGULAR FOREIGN TRADE TRANSACTIONS

LUCIA PALIU – POPA

"Constantin Brancusi" University of Targu Jiu, Romania

School of Economics and Business Administration

univers_cont@yahoo.com

ABSTRACT

Considering the purpose of conducting any foreign trade transaction, which is generally limited to obtaining a commercial advantage by attracting foreign contribution with the smallest costs and considering the role of the accounting information and the need to involve it in decision-making due to its increased credibility and relevance in the eyes of internal and external users, in what follows we intend to develop accounting models specific to triangular foreign trade transactions in relation to the transport contractual relations established between the partners involved in such operations, but only after we shall first analyze the fiscal issues that influence the entries into accounts of such commercial businesses.

Thus, in order to achieve the goals set through the scientific approach that targeted the accounting information and management of triangular foreign trade transactions, the research methods used were based both on general and specific approaches, using in particular documentation, case study or benchmarking, an aspect that allowed us to conclude that the study made has also acquired an empirical nature, in addition to the descriptive one, materialized in the analysis carried out on tax and accounting information from the entities performing foreign trade, a research whose information support is based, in addition to the studied literature related to the investigated field, on the tax, customs and accounting laws specific to triangular foreign trade transactions, but also on the data collected from the entities under study.

Keywords: foreign trade, triangular transactions, accounting treatments, tax procedures.

INTRODUCTION

In the context of the economic, financial and legal changes manifested particularly in the international markets over the last two decades and in the international trade diversification showing the constant concern of entities operating in this area to provide new ways of promoting foreign trade transactions that would contribute to the increase of profit made by such companies, the research carried out aimed at improving the quality and involvement of accounting information in the process of permanent and effective management of foreign trade transactions, namely triangular transactions, so that its specific tools and procedures should facilitate both the economic decision making and risk management.

Initially oriented to theoretical debates, particularly the conceptual and methodological ones, specific to the subject tackled, the scientific research was characterized by presentation in a personal manner, but based on specific substantiation, stated a priori, both of the defining aspects concerning the complexity and difficulty of the accounting policies specific to foreign trade transactions and of the way they allow ensuring a high quality of the accounting information that they generate, thus contributing to greater credibility and hence greater utility in decision making.

Thus, starting from the purpose of combined trade transactions which, in fact, as with the simple operations of foreign trade, is the production of multiple positive direct and indirect effects, both at micro and macro level, we considered that the conduct of combined foreign trade transactions requires, first of all, knowledge of the specific trade mechanisms and processes, which is why the approach of accounting models specific to triangular foreign trade transactions was carried out in accordance with their content, but also with the requirements of managerial work of the companies involved in performing such business without omitting the fiscal features which are reflected in the accounting methodology. (Paliu-Popa, 2009).

CONCEPTUAL AND STRUCTURAL BOUNDARIES REGARDING THE TRIANGULAR FOREIGN TRADE TRANSACTIONS

Although most foreign trade transactions take place between two entities located in different countries, there are situations where such commercial business is conducted between partners from three states, known as triangular or re-export transactions.

Therefore, re-export, as a foreign trade operation, consists in the purchase of goods from one country and their resale in another country in order to obtain a difference between the purchase and the selling price, difference that must cover the expenses incurred with the conduct of such operation and provide a business profit.

Therefore, looking from this perspective, the triangular foreign trade transactions are initiated by an entity called buyer-reseller and require the existence of two distinct sale and purchase contracts, legally independent from each other. Hence, the re-exporter buys the goods on its own and becomes the owner of such goods, including all the related risks, in order to achieve a maximum profit or a significant contribution in freely convertible currency by selling the goods later on a profitable market from another state.

Considering the purpose of conducting triangular foreign trade transactions and joining the specialist opinion (Burciu et al., 2010; Popa, 1997; Puiu 1992), including in our opinion, re-export operations may be identified in:

✚ Re-export conducted in order to obtain commercial profit: by exploiting differences arising between the prices on different markets, set by the time and space factor, case in which the re-exporter shall conclude two separate contracts: an import contract with the exporter and an export one with the importer, both of them (exporter and importer) do not know they are unable to set direct relationship, for various reasons, and sometimes they resort to circuits through free ports or zones so that the goods may be exempt from customs duties and other fiscal obligations.

✚ Re-export conducted in order to promote mutual trade relations: when one of the partners in a clearing agreement (compensation cashless payment system) needs the merchandise of country A but has no currency or merchandise to be capitalized on the domestic market of country A. In these conditions, the partner in country A will make the delivery and will take a lot of goods that he is not interested in, but shall obtain the agreement of re-exporting it to a third market, if a potential customer is found.

✚ Re-export based on the import of completion of production manufactured for export: when the final product is exported to a country other than that from which the import of parts was made (in general: machinery, plant, equipment etc.).

✚ Re-export in order to test the market: later there will be exported goods coming from the re-exporter's country and/or the country of origin.

The analysis of methods of achieving re-export operations shows that they are characterized by a higher degree of complexity than the traditional foreign trade business.

In this context, a prerequisite in the conduct of triangular foreign trade transactions refers to knowledge of the international market, which is why the buyer, who is as reseller (re-exporter) must have an improved and operational information system in order to benefit, if any, of the rapid changes taking place in the global trade. Thus, it must have networks of representation, information offices and have permanent information on the commodity exchange in order to use it to its advantage and interest, studying, on the one hand, the market segment from which it must import, and on the other hand, the one that it intends to address in order to re-export the products purchased. (Caraiani et al., 2008).

Looking from this perspective, we believe that the organizational system implemented for these transactions should be based on a flexible schedule, sized according to the type of operation, the difficulty of the transaction and the size of the contribution rate, providing simplification of administrative activities prior the conclusion of contracts, in order to allow prompt re-export performance. Therefore, for efficient triangular foreign trade operations, in addition to a proper external organizational structure, the companies involved must meet certain conditions, including: skilled personnel that know how to conduct such business, operative information system, ensuring timely knowledge of foreign markets and products subject to re-export and, last

but not least, sufficient funds, necessary for performing the re-export operations at the optimal time, in economic terms.

After the completion of re-export operations, many advantages may result (Caraiani et al., 2008) such as:

- ✚ profit in freely convertible currency, without export of goods, due to the difference between the price for the imported and re-exported goods;
- ✚ the possibility of selling goods produced in the country, if such delivery is subject to taking on import some products uninteresting for the national economy, which however can be re-exported;
- ✚ increase in the total volume of foreign trade of that country, thus changing the place held by the state in the world economic circuit;
- ✚ broadening the geographical area of trade, increased trade partners and increased volume of trade with partner countries;
- ✚ export of goods difficult to sell through re-exports of goods received in exchange;
- ✚ attracting foreign contribution at small expense, as the triangular foreign trade transactions represent invisible export operations, i.e. intelligence materialized in multiple combinations.

Given the conceptual and structural characteristics of triangular foreign trade transactions and taking into account the position of the entity initiating these operations that, in the scientific approach undertaken is located in Romania, compared to the partners involved in such business, in relation to their membership to the Community, triangular foreign trade transactions can be classified into three categories, a delimitation underlying the development of accounting model specific to them, namely:

- intra-Community triangular transactions;
- extra-Community triangular transactions;
- mixed triangular transactions.

ACCOUNTING MODELS AND TAX REQUIREMENTS SPECIFIC TO INTRA-COMMUNITY TRIANGULAR TRANSACTIONS

The intra-Community triangular transactions, known as tripartite transactions, take place between entities located in countries belonging to the European Union, consisting in the delivery of goods purchased from a supplier in an EU country to a customer in another EU country, in order to obtain additional income from the difference between the purchase price of the goods and their resale price.

The triangular operation is possible only if the transaction involves three taxable persons registered for value added tax (VAT) in three different Member States among which two deliveries and one transport of goods take place, according to the scheme shown in Fig. 1.

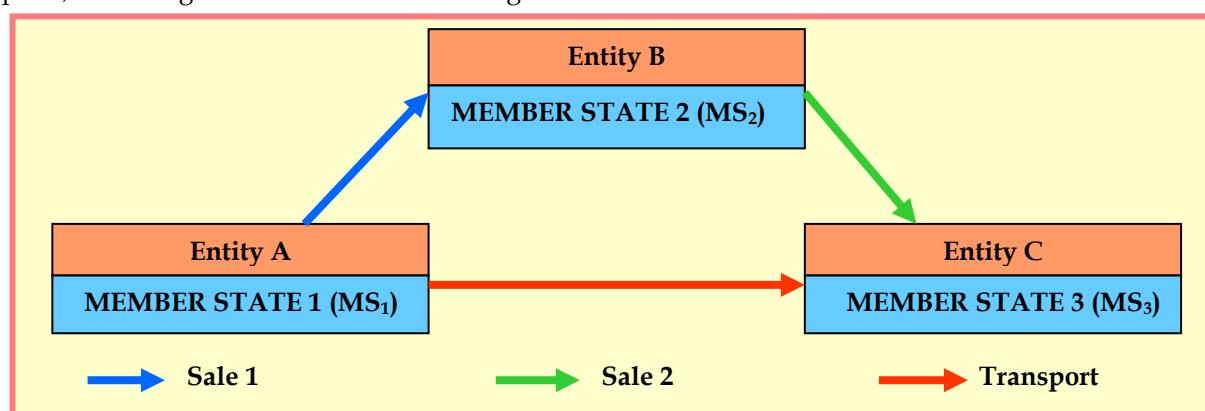


Figure no. 1. Mechanism of carrying out the intra-Community triangular transaction

Considering the mechanism of carrying out these businesses, we appreciate that the accounting features related to triangular transactions, occurring between entities located in different countries of the Community, are determined both by the manner of establishing the contractual relations concerning the transport of goods and by the tax treatment specific to the intra-Community purchase and delivery of goods.

Thus, from the point of view of establishing contractual relations for the transport of goods between partners, we distinguish two cases:

- the contractual relationship concerning the transport of goods takes place between the seller (entity A from MS₁) and the buyer-reseller (entity B from MS₂);
- the contractual relationship concerning the transport of goods takes place between the buyer-reseller (entity B from MS₂) and the recipient of goods (entity C from MS₃).

1. The contractual transport relationship is between the seller and the buyer-reseller

In this situation, the fiscal characteristics specific to the intra-Community triangular transaction which determine the entries into accounts refer to:

- seller (A) carries out an intra-Community transport of goods, the place of supply is where the goods are located at the beginning of transport. If the buyer-reseller (B) notifies the seller its valid registration code for VAT purposes from the other Member State and provides evidence for the transport from the seller's country to that of the recipient, then such delivery is handled by the seller as a transaction exempt from the value added tax with deduction option.

- in turn, the buyer-reseller (B) shall perform an intra-Community acquisition at the destination place of goods, namely the Member State of the recipient (C), which is why the intra-Community acquisition of goods is not taxable in Romania. Subsequently, the entity B invoices the goods purchased by the buyer (C), the intra-Community supply fits in the category of exempt transactions, as it is a supply without transport (place of supply is where the goods are located when they are provided to the recipient), in which case the buyer-reseller does not have to register for VAT purposes in the beneficiary state as the simplification measures are applied.¹

- the recipient (C) reflects the goods purchased as a taxable intra-Community acquisition, applying the reverse charge mechanism (the value added tax is simultaneously reflected as output VAT and input VAT).

Given the tax treatment of intra-Community triangular transactions, if the transport contractual relationship is established between the seller and the recipient and taking into account the Romanian entity under review, in its capacity as a buyer-reseller buying goods from a company in Netherlands, on 09/20/2011, at the acquisition cost of 9,000.00 euros, goods delivered to an entity in Italy, at a sale value of 12,000 euros, then the accounting models specific to this transaction are:

- reflection of the intra-Community acquisition made by the company located in the Netherlands, which has been communicated the valid registration code for VAT purposes by the Romanian company (EUR 9,000 x RON/EUR 4.2843 = RON 38,558.70):

<hr/> 371 "Goods"	*	<hr/> 401 "Suppliers"	38.558,70
<hr/> *	=	<hr/> *	

As the simplification measures are applied for this acquisition, which is reported as a triangular transaction, the reverse charge mechanism shall not apply.

- reflection of the intra-Community supply made to the company in Italy, paying value added tax, which provided the entity in Romania with its valid registration code for VAT purposes (EUR 12,000 x RON/EUR 4.2843 = RON 51,411.60):

<hr/> 4111 "Customers"	*	<hr/> 707 "Income from sales of goods"	51.411,60
<hr/> *	=	<hr/> *	

If the company in our country was a supplier, then the delivery would be done without value added tax and the transaction would be exempt, and if the entity in Romania was the recipient of goods, then it made the intra-Community acquisition paying the value added tax by return and selling the goods on the domestic market through local deliveries with value added tax at the rate of 24%.

But if the simplification measures were not applied, the entity in Romania would have had to register for VAT in Italy, where, for tax purposes, it made a taxable intra-Community acquisition, and the tax would have been paid through the reverse charge mechanism, followed by subsequent local deliveries, the sale of which is taxable with the value added tax in Italy, at a rate of 20%.

2. The contractual transport relationship is between the buyer-reseller and the recipient

This time, the tax features, affecting the accounting registration of triangular foreign trade transactions that take place between entities located in the Community when the contractual relationship regarding the transport of goods is established between the buyer-reseller and the recipient of goods, are: as follows

- seller (A) treats the delivery made as a local delivery, because the condition regarding the transport of goods is not fulfilled, and they are provided to entity B, in the Member State of the supplier (MS₁);
- the buyer-reseller (B) may deduct VAT invoiced by the supplier only if the former is registered for VAT in the supplier's country (MS₁), a mandatory situation if we consider that it makes an intra-Community delivery in MS₁;
- the delivery performed by the buyer-reseller (B) to the final recipient (C) is an intra-Community supply with transport, which takes place in MS₁, where the transport begins, exempt from value added tax if the final recipient (C) holds a valid registration code for VAT purposes and provides it to entity B, and the goods are delivered outside the MS₁;
- the final recipient of goods (C) makes an intra-Community acquisition in MS₃, where transport ends, having to pay VAT through the tax return, applying the reverse charge mechanism;
- if the final beneficiary of the transaction (C) is not registered for VAT purposes, then the buyer-reseller (B) prepares the invoice with the related share of VAT from the Member State 1 to the final recipient (C).

Looking from this fiscal perspective and taking into account the intra-Community triangular transaction set out in paragraph 1, when all three entities involved are taxable, payers of value added tax and the buyer-reseller (entity in Romania) purchases goods under the same conditions, goods that are resold, except that the contractual transport relationship is established between the entity in Romania and that in Italy, which is why the buyer-reseller registers for VAT purposes in the Netherlands, then the accounting methodology specific to this transaction generates the following entries for the buyer-reseller:

- the purchase of goods by the entity in Romania, registered for VAT in the Netherlands, requires reflection, in addition to the acquisition cost of the goods (EUR 9,000 x RON/EUR 4.2843 = RON 38,558.70) and of the VAT invoiced by the company in Netherlands (VAT: EUR 9,000 x 19% = EUR 1,710), which corresponds to an amount of 7,326.15 (EUR 1,710 x RON/EUR 4.2843 = RON 7,326.15):

*	*	
%	=	401 "Suppliers"
371 "Goods"		45.884,85
4426 "Input value-added tax"		38.558,70
		7.326,15

Because the company in Romania was registered for VAT in the Netherlands, it may deduct the value added tax for the local purchase made in the supplier's country.

- the supply of goods to the company in Italy, company that provided its valid VAT code to the buyer-reseller registered in the supplier's country where transport begins, which is why the intra-Community supply is exempt from the value added tax:

*	*	
4111 "Customers"	=	707 "Income from sales
		of goods"

If we look from a fiscal standpoint, the two situations above, it follows that when the contractual relationship is established between the buyer-reseller and the final recipient, at the buyer-reseller (in our case, the entity in Romania) an immobilization of financial resources occurs, coming from the VAT payment to the supplier (RON 7,326.15), amount that shall be recovered later, because the company in our country is registered in Netherlands for VAT purposes.

However, if we focus attention on the supplier, we can also note an immobilization of funds derived from the payment of duty to the state budget regarding the value added tax invoiced for a period equal to the number of days elapsed between the time of payment of tax liability and the date of receipt of the value of goods sold by the partner in Romania.

Referring to the final recipient registered for VAT, we can see that, in terms of taxation, the contractual transport relationship established in order to conduct the intra-Community triangular transaction has no effect, and the reverse charge mechanism is applied in both cases.

If the recipient of this transaction is not a taxable person registered for VAT, then the buyer-reseller must issue the delivery invoice with value added tax in Romania ($\text{RON } 51,411.60 \times 24\% = \text{RON } 12,338.74$) and the sale made generates the accounting formula:

4111 "Customers"	*		63.750,34
	=	%	
		707 "Income from sales of goods"	51.411,60
		4427 "Output value-added tax"	12.338,74

Thus, this time, the buyer-reseller located in Romania must pay to the Romanian state the value added tax invoiced, on the first payment period, and then this amount is recovered from the final recipient when the goods delivered are collected, time when an immobilization of financial resources also occurs. We believe it is useful to recall that in conducting foreign trade transactions there may be encountered situations when the delivery of goods is made between three different entities, but these businesses do not fall within the "normal" triangular operations category, as one of those taxable persons is established outside the European Union, which is why they are known as "apparently" triangular or "false" operations. In this context, the supplier of goods (A) and the final recipient (C) are in two different countries belonging to the European community and a merchant (B) is interposed between them, a merchant located outside the EU, and the transport of goods is made directly between the community entities, according to the scheme shown in Fig. 2.

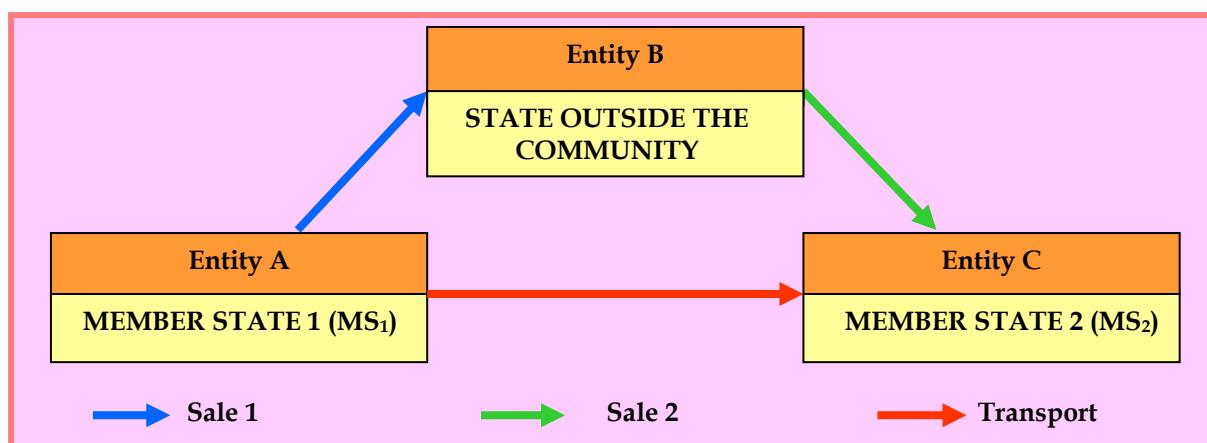


Figure no. 2. How to conduct the "false" triangular transaction

Analyzing this situation, it appears that the operation shown may not be included in the category of triangular operations, as one of the three entities involved in the business is located outside the Community, therefore it can not be an approach on the possible implementation of simplification measures in terms of value added tax. However, we believe that this time as well, the contractual relationship relating to the transport of goods plays an important role in determining the tax characteristics of the transaction affecting the accounting records.

Commenting on this situation, we must point out that, according to the person responsible for the transport and where it takes place, entity B, located outside the Community, must register in at least one of the Member States involved in the "false" triangular transaction, as follows:

a) If the transport contractual relationship is between entity A and entity C, then the operation has the following tax treatment:

- the trader (B), located outside the Community, must register for VAT in Member State 2, from where it provides the supplier with its valid registration tax code belonging to the European Union, which is why it makes an intra-Community acquisition exempt from value added tax in MS₂, for which the reverse charge is applied;
- the seller (A) carries out an intra-Community supply of goods from MS₁ to MS₂, exempt from VAT, since the exemption-related conditions are met, covering the registration of both entities for VAT purposes within

the Community (entity A in MS₁ and entity B in MS₂), the transmission of tax registration code and the existence of evidence for the transport of goods;

- the trader (B) sells the goods in MS₂ through a local delivery to the final recipient (C) with value added tax in that state;
- the final recipient (C) performs a local acquisition in the Member State 2.

Thus, if the entity under review, situated in Romania, enters the "false" triangular transaction from the position of entity A, then the supply made to entity C through company B generates in accounting the same accounting model as that presented in the triangular transactions in Section 1 for the buyer-reseller, namely:

4111 "Customers"	*	707 "Income from sales of goods"	51.411,60
	*		

b) If the transport contractual relationship is established between entity B and entity C, then the transaction has the following tax treatment:

- trader (B), located outside the community, must register for VAT, but this time in MS₁ where it makes a local acquisition, with value added tax in the Netherlands, 19% in the given situation;
- the supplier (A) makes a local supply with value added tax of 19%;
- the trader (B) delivers the goods to the final recipient (C) in tax-exempt treatment if the latter provides its valid registration code for VAT purposes and the proof for the transport made;
- the final recipient (C), located in MS₂, makes an intra-Community acquisition of goods for which it pays the tax liability related to the value added tax through the tax return, using the reverse charge.

In this contractual and hence fiscal context, regarding the entity analyzed, from the perspective outlined above, the accounting model on the purchase of goods can be found in triangular transactions, item 2, namely:

%	*	401 "Suppliers"	45.884,85
371 "Goods"	=		38.558,70
4426 "Input value-added tax"	*		7.326,15

Other types of "so-called" triangular transactions may be created on the scheme of "false" triangular transactions, when the supplier (A) or the final recipient (B) are or not taxable persons located outside the Community, options requiring differentiated tax and accounting treatment and consisting in combining accounting techniques and tax requirements typical to intra-Community commercial transactions with those specific to international commercial transactions, namely, those relating to imports and exports, transactions that fall in the class of mixed triangular transactions and are addressed separately.

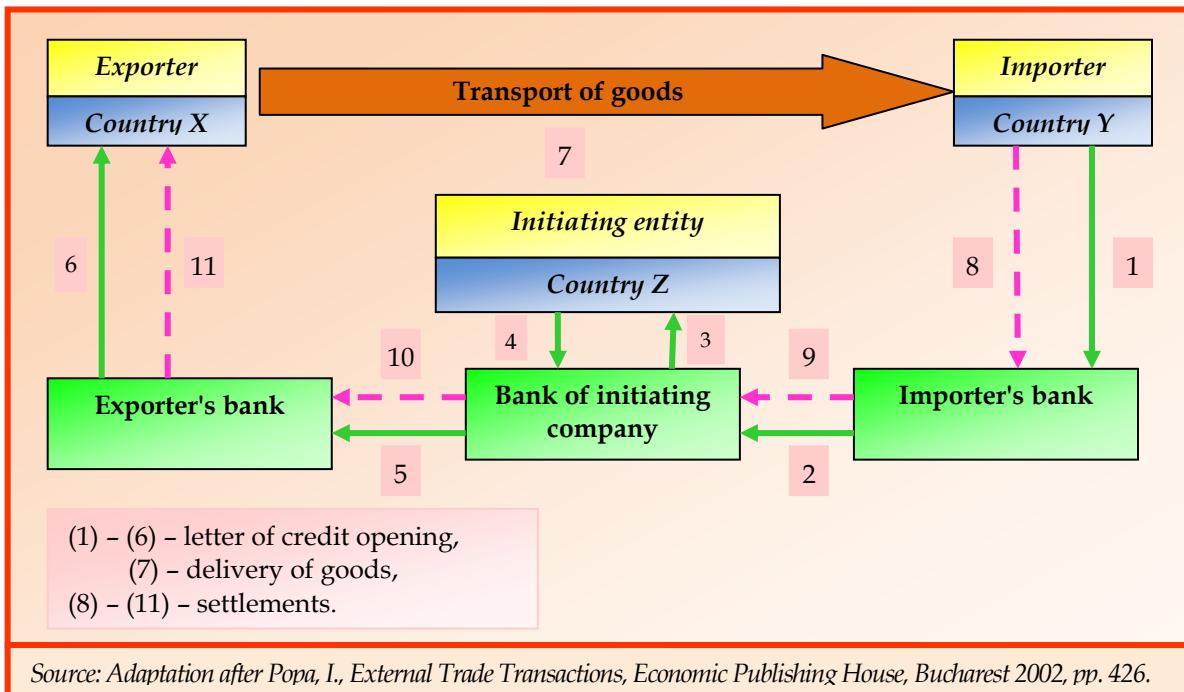
ACCOUNTING AND TAX METHODOLOGY RELATED TO EXTRA-COMMUNITY TRIANGULAR TRANSACTIONS

The extra-Community triangular transactions take place between three entities located in different countries outside the Community and consist in the delivery of goods imported from a third country without undergoing any processing to a client located in another country, being also known as direct or proper re-exports.

The mechanism for conducting such operations legally requires the existence of two contracts of sale concluded by the company initiating the export, one for import with the exporter of goods (supplier) and another for export, made with the importer, that is, in fact, the final recipient of the extra-Community triangular transaction.

But if we consider the incidental risks involved in this operation, especially the foreign exchange risk, then the initiating company must take protective measures, for which purpose it uses the documentary letter of credit, open both by the promoter entity for the exporting company, and by the importing company for the business of foreign trade, initiating the transaction.

Considering these details, the performance of extra-Community triangular trade transactions (direct re-export) is shown in Fig. 3.



Source: Adaptation after Popa, I., External Trade Transactions, Economic Publishing House, Bucharest 2002, pp. 426.

Figure no. 3. Technique of carrying out the extra-Community triangular transaction

Looking from this perspective, we consider that the reflection in accounting of direct re-export comes to registering, at the initiating entity, an import of goods followed by the export of the same goods, with their direct transportation from supplier to the final recipient, with the specification that the features derive from the way in which these operations are financed.

Referring to the tax treatment of this foreign trade transaction, we note that:

- ✚ the exporting company (supplier of goods) makes the delivery without value added tax because the transaction falls under the category of exempt transactions;
- ✚ the initiating entity does not pay import duties or VAT because the goods do not cross the country in which the company is located, and invoicing the re-exported goods is done without value added tax, as re-export is exempt;
- ✚ the final recipient makes a proper import, invoiced from the extra-Community area without value added tax, paying in its country the import duties and the value-added tax related to import.

Because these commercial transactions take place between entities located in countries outside the European community, we believe that the initiating entity is in Romania, a country that say, in the circumstances, does not belong to the European community and it imports goods from China, on 10/24/2011, worth USD 15,000.00, for which a letter of was opened for the supplier, on 10/20/2011. The goods are re-exported to a company in the Republic of Moldova, and transport is made from the supplier to the final recipient, which in turn, opens a letter of credit for the company in our country on 10/21/2011, entity that invoices the goods on 10/26/2011, at a sales value of USD 23,000.00 and receives them on 10/31/2011.

The accounting entries of direct re-export of goods at the company of our country, that initiated this transaction, requires the following records:

- opening a letter of credit, on 10/20/2011 for the supplier, in the amount of USD 15,000.00 (USD 15,000.00 x RON/USD 3.1371 = RON 47,056.50):

581 "Internal transfers"	*	5124 "Cash at bank in currencies"	47.056,50
	*		
- and, at the same time:			
5412 "Letters of credit in foreign currencies"	*	581 "Internal transfers"	47.056,50
	*		

- the import of goods from China, re-exported directly to the customer in Moldova, at the purchase value of USD 15,000.00 (USD 15,000.00 x RON/USD 3.1181 = RON 46,771.50):

357 "Goods for resale at third parties"	*	401 "Suppliers"	46.771,50
	*		

- debt payment to the supplier by the letter of credit opened for this purpose:

401 "Suppliers"	*	5412 "Letters of credit in foreign currencies"	46.771,50
	*		

- closing the account 5412 "Letters of credit in foreign currencies", corresponding to the credit balance which reflects the exchange rate difference related to the debt paid, in the amount of RON 285:

5412 "Letters of credit in foreign currencies"	*	765 "Foreign exchange gains"	285,00
	*		

- invoicing of re-exported goods to the customer from the Republic of Moldova in the amount of USD 26,000.00 (USD 26,000.00 x RON/USD 3.1035 = RON 71,380.50):

4111 "Customers"	*	707 "Income from sales of goods"	71.380,50
	*		

- simultaneously the cost of the goods sold is reflected, amounting to RON 46,771.50:

607 "Commodities"	*	357 "Goods for resale at third parties"	46.771,50
	*		

- the collection of foreign debt, amounting to RON 71,044.70 on 10/31/2011 (USD 23,000.00 x RON/USD 3.0889 = RON 71,044.70), with unfavorable exchange rate difference amounting to RON 335.50 (RON 71,380.50 - RON 71,044.70 = RON 335.80)

5124 "Cash at bank in currencies"	*	4111 "Customers"	71.380,50
	*		
665 "Foreign exchange losses"	*		335,80

If the export contract ends in FOB (FOB of the exporting country) and the import contract includes the delivery CIF term (FOB of the importing country), then the value of transport on the distance between the border of the Republic of China and the border of Moldova is the responsibility of the initiating entity.

In order to determine the effectiveness of the direct re-export done, we believe that the value of the invoice issued by the external transport provider on 10/24/2011 amounts to USD 1,500.00, and the resulting obligation is paid on the same day, which requires the entries:

- reflection of the transportation invoiced (USD 1,500.00 x RON/USD 3.1181 = RON 4677.15):

624 "Transport of goods and personnel"	*	401 "Suppliers"	4.677,15
	*		

- payment of the service provider on international routes:

401 "Suppliers"	*	5124 "Cash at bank in foreign currencies"	4.677,15
	*		

Therefore, the effectiveness of the direct re-export also depends on the amount of costs incurred in transporting the goods on international routes; therefore, an important role in increasing the profitability of

extra-Community triangular transaction is held by the Incoterms 2010 delivery terms negotiated by the entity initiating the re-export, in compliance with the two contracts concluded.

ACCOUNTING TECHNIQUES AND TAX PROCEDURES REGARDING THE MIXED TRIANGULAR TRANSACTIONS

In carrying out foreign trade transactions taking place between three entities in different states, situations may arise in which one of the partners of the buyer-reseller established in Romania is located outside the Community, which is why these businesses are called mixed triangular transactions.

Regarded from the perspective of the originator of this operation, located in our country, mixed triangular transactions can be found in the following forms:

- ✚ import followed by an intra-Community supply of goods;
- ✚ intra-Community acquisition of goods followed by an export.

1. Mixed triangular transactions where the buyer-reseller performs an import followed by an intra-Community supply of goods

As with previous approaches, in order to identify the accounting features, we first need to consider the appropriate tax treatment of such transactions, as it influences the entries in the accounts, namely:

- the import done by the buyer-reseller is exempt from value added tax because it is followed by an intra-Community supply exempt from tax, the final recipient and the buyer-reseller are taxable persons registered for VAT, and the recipient provided its counterparty with its valid registration code, and there is also evidence of transport of the goods to the final recipient's country;
- the intra-Community supply made by the buyer-reseller is exempt from the value added tax, as the place of supply is Romania, where transport starts and the recipient communicated its valid registration code for VAT purposes. Schematically, the method for conducting the mixed triangular transaction, where the seller of goods is outside the Community, unlike the other two, which are located in European Union countries, is shown in Fig. 4.

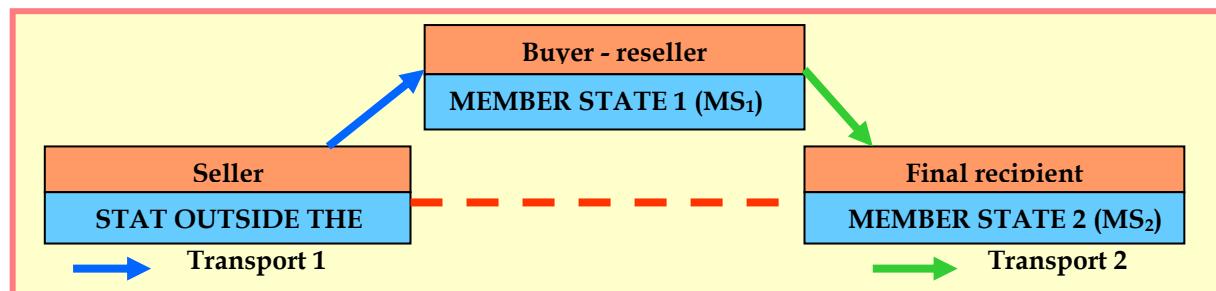


Figure no. 4. The procedure for conducting the mixed triangular transaction with import

Based on the taxation of these exchanges and considering the mechanism of conduct of mixed triangular transactions, we focus on the entity under study and assume that on 11/14/2011, it made an import of goods from Moldova, invoiced by the external partner and transported to the headquarters in Romania, in the amount of EUR 3,500.00, import that was followed by delivery to a taxpayer in Italy, that provided the buyer-reseller with its valid registration code for VAT purposes, goods that were invoiced on 11/18/2011, at the sales value of EUR 4,900.00 and for which there is evidence of transport to the final recipient.

The accounting operations for this situation, from the standpoint of the buyer-reseller, are as follows:

- reflection of imported goods that are subsequently sold to an entity in a country belonging to the European community, import exempt from value added tax ($\text{EUR } 3,500.00 \times \text{RON/EUR } 4.3448 = \text{RON } 15,206.80$):

371 "Goods"	*	= 401 "Suppliers"	15.206,80
	*		

- delivery of goods from Romania to Italy without value added tax, the transaction is exempt due to meeting the three conditions covering the exemption, relating to: registration of both partners for value added tax, valid registration code transmission by the final recipient and evidence of transport of goods from Romania to Italy ($\text{EUR } 4,900.00 - \text{RON/EUR } 4.2960 = \text{RON } 21,050.40$):

4111 "Customers"	*	707 "Income from sales of goods"	21.050,40
	*		

If the import is followed by distance selling to a company from a country situated in the Community, which is part of the "Group of 4", please note that, this time too, the import is exempt from value added tax, but distance selling is subject to VAT because the recipient can not provide the seller-buyer with its valid registration code for tax purposes. In accounting, distance selling requires the following accounting formula (consider the situation described above), for which VAT from Romania is used ($\text{RON } 21,050.40 \times 24\% = \text{RON } 5,052.10$):

4111 "Customers"	*	%	26.102,50
		704 "Income from sales of goods"	21.050,40
		4427 "Output value-added tax"	5.052,10
	*		

However, we should not overlook the fact that distance sales should be analyzed according to their classification in the annual ceiling set for each Member State of the European Union in which the final recipient is located. Thus, if the distance selling ceiling is not exceeded, the delivery is invoiced with value added tax, but if its value is exceeded, the recipient has to register for VAT purposes in the country of the buyer-seller, that will be provided with its valid registration code for tax purposes, so that in these conditions, the distance delivery becomes a usual intra-Community delivery, as all the conditions are fulfilled for this purpose (the buyer-seller and the recipient are taxable persons registered for VAT, the recipient provides its valid registration code to the entity in our country, and there is evidence of transport of goods between the two Member States, transport made by the supplier or by any other person on its behalf, but never by the buyer).

2. Mixed triangular transactions where the buyer-reseller performs an intra-Community acquisition of goods followed by their export

Because in this position, the supplier and the buyer-reseller are entities located in countries belonging to the European community and the final recipient belongs to a state outside the European Union, the mechanism of conduct of this transaction, where the Community acquisition of goods is followed by an export, is shown in Fig. 5.

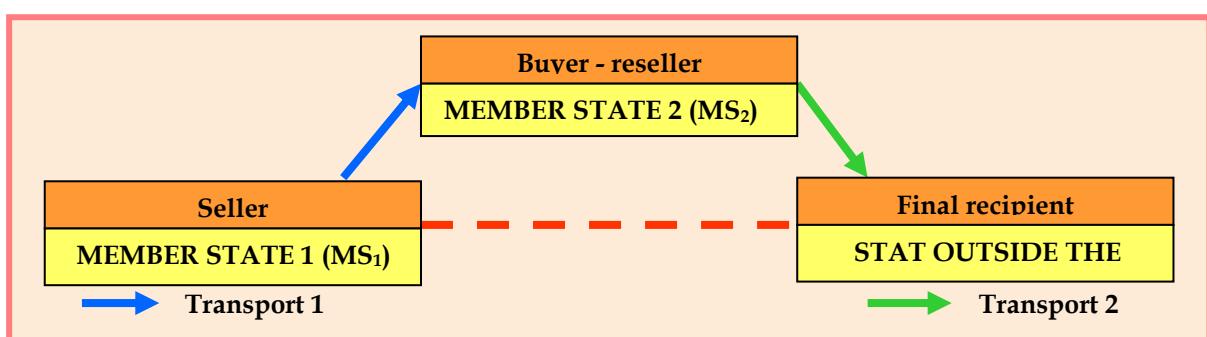


Figure no. 5. Mechanism for the conduct of mixed triangular transaction with export

Analyzing this transaction, in terms of the applicable tax treatment, we estimate that the transaction is subject to both the multiple tax treatment of intra-Community acquisitions, for the transaction conducted between the seller and the buyer-reseller, and to the tax requirements related to exports of goods, for the transaction conducted between the buyer-reseller, an entity located in Romania and the final recipient, which is geographically situated outside the Community.

Therefore, the tax features are generally limited to:

- the seller performs an intra-Community supply exempt from value added tax, if the three conditions requiring exemption are met. Otherwise, the intra-Community supply must be considered from a fiscal standpoint, after which the accounting record of the operation is made.
- the buyer-reseller performs, under these conditions, both a taxable intra-Community acquisition, paying the VAT through the tax return, using to this end the reverse charge mechanism and an export of goods exempt from tax.
- the final recipient makes an import of goods, taxable in the country of destination, according to the tax and customs legislation of that extra-Community state.

Taking into account the position of the entity in our country, the buyer-reseller and starting from the application made in triangular import transactions, we believe that the same business was carried out, but reversely, so that the entity in our country made an intra-Community acquisition from a company in Italy, worth EUR 3,500.00, followed by an export to the Republic of Moldova in the amount of EUR 4,900.00.

In this context, the accounting features related to the mixed triangular transaction with for export are linked to those specific to the intra-Community acquisition and export of goods, namely:

- purchase of goods in Italy, without invoicing the value added tax:

371 "Goods"	*	401 "Suppliers"	15.206,80
	*		

- simultaneously, the value added tax related to the acquisition is reflected through the reverse charge ($15,206.80 \times 24\% = \text{RON } 3,649.63$)

4426 "Input value-added tax"	*	4427 "Output value-added tax"	3.649,63
	*		

- export of goods purchased from the Community to the Republic of Moldova:

4111 "Customers"	*	707 "Income from sales of goods"	21.050,40
	*		

As for the intra-Community and international commercial transactions, the accounting models specific to combined foreign trade transactions are completed with joint accounting records, which include: settlement of liabilities and receivables in domestic and/or foreign currency with appropriate reflection of exchange differences arising, both at the settlement and at the end of each month, when assessing cash, liabilities and receivables in foreign currency, depending on the exchange rate provided by the National Bank of Romania, the payment of bank fees related to settlements or other services (letters of credit opening, etc.), discharge from administration of the goods sold, close of the value added tax accounts at the end of the fiscal period, close of the income and expenditure accounts etc.

CONCLUSIONS

The scientific approach that focused on the accounting information and management of foreign trade triangular transactions led us to conclude that the accounting models for such business can be achieved only closely related, on the one hand, to the preliminary analysis of the contractual relationship of transport of goods between entities in different countries and, on the other hand, to the previous approach of the related tax treatment.

Consequently, the tax and accounting analysis of triangular transactions carried out between entities located in the Community, in the perspective of buyer-reseller, led us to believe that they are advantageous when between the VAT registered companies in three states of the Community, a contractual transport relationship is established between the buyer-reseller and the final recipient and the simplification measures are applied, whereby it is no longer necessary to register the buyer-reseller for value added tax in the final recipient's country.

If the simplification measures do not apply, regardless of the contractual relationship relating to transport, the buyer-reseller must register for VAT purposes, either in the final recipient's Member State, in the event of a

transport relationship established by agreement between the seller and the buyer-reseller, or in the seller's Member State when the contractual transport relationship is established between the buyer-reseller and the final recipient, cases that change the tax treatment, as we have noted, and thus the accounting methodology related to the intra-Community triangular transactions.

Therefore, the correct determination of tax treatments has of major importance in establishing the payment and reporting obligations in terms of the value added tax, for the entities that are part of the Community and conduct such transactions.

But the method of reflection in the accounts and the efficiency of foreign trade triangular transactions, regardless of the place where are located the entities entering into contractual relations, depend not only on the related tax treatments in terms of the value added tax, but also on the delivery terms Incoterms 2010, which significantly influences the invoiced value and the statistical value needed to complete the Intrastat Statistical Statement.

Thus, in the event of a mixed triangular transactions, if for the buyer-reseller, it is advisable to use the CIF delivery term in both contracts, for the final recipient, in the import contract, it is appropriate to use terms of group C (CIF) and for the supplier, in the export contract it is preferable to use delivery terms of goods in group F (FOB) or group C, which are negotiated by the counterparties in relation to the nature and quantity of the goods covered by the contracts concluded, to the distance between the final recipient and the supplier, the method of transport and its conditions, etc. (Paliu-Popa, 2012)

Consequently, the range of cases of commercial transactions involving in their development entities from or outside the Community, as well as the differential tax treatment of each category hinder the analysis of business operations that take place between companies located in different customs and tax places, requiring apparently simple and similar accounting techniques, but, as we have noted, different and even complicated, if looked from a fiscal perspective.

We appreciate that in addition to obtaining a commercial profit, the foreign trade triangular transactions are also carried out and to promote trade relations with certain partners or to test a particular outlet, thereby increasing foreign trade and retail area for goods or increasing the number of external partners, with a certain promotional role in these situations.

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¹ In the process of simplification, the entity A issues an invoice without value added tax to company B and enter in the invoice the registration code for tax purposes of company B, considered to be from Romania. Entity A must record this delivery in the VAT return of MS₁ and in the summary Statement regarding the intra-Community supplies/acquisitions /services, as an intra-Community supply made by the entity B, a company registering the intra-Community supply in the VAT return without input and output value added tax and without reporting the purchase in the summary Statement regarding the intra-Community supplies/acquisitions /services. It also registers the delivery made in MS₃ in the VAT return, in the row "Exempt intra-Community supplies" and in the summary Statement it indicates the registration code for value added tax of the recipient from MS₃, the T code in the box corresponding to triangular transactions and the value of delivery, and the delivery invoice includes at least the following data: the registration code of the buyer-reseller (B) from Romania, the name, address and registration code for value added tax of the recipient from MS₃and the indication in the invoice that the recipient of the delivery (C) is the person liable for payment of VAT for the supply of goods in another Member State, also mentioning a reference to Art. 28c (E) (3) of the Sixth Directive. The recipient of the delivery (C) registers the acquisition in the VAT Return, applying the reverse charge mechanism and also in the summary Statement of intra-Community supplies/acquisitions/services.