

VAT Cash Accounting System

Who applies and when applicable?

Starting with January 1st 2013 the VAT cash accounting system is mandatory applicable by VAT registered entities that are compliant the following conditions:

- The turnover in the previous year is lower than 2,250,000 lei (the turnover is calculated considering all the transactions reported in the VAT statements regardless if sales or down payments).
- The place of business is situated in Romania.

Consequences

Entities that applies the "System"

- *VAT is payable* when the invoice is cashed, but no longer than 90 days after the invoices was issued, or supposed to be issued, upon the situation.;
- *VAT deductible*: the right to deduct VAT is delayed until invoices are paid. The payment document is the supporting document for the payment date.
- *"TVA la încasare"* (*VAT deductible/payable when invoice is paid*) *to be written in the invoice*: It is mandatory that the sellers in the system will indicate on the invoice "TVA la încasare". If this is not indicated it does not mean the beneficiary has the right to deduct VAT before payment of invoices, as being obligated to double check the seller in the electronic ledger provided on the site of the tax authorities.

Entities that do not apply the system

- For purchases from persons applying the system the *VAT is deductible only when the invoice is paid* and the moment of payment must be proved with the payment document.
- It is mandatory that both the seller and the costumer to apply the system when applicable, even if the indication "TVA la încasare" is not on the invoice. The persons in the system will be registered in a special ledger to be published on the web site of the Public Financer Minister.

The sales and purchases reports of the persons in the system and the purchases reports of the persons outside the system will be designed to show the differences of the VAT to be collected/deducted when the invoice is paid.

To decrease the risk that sellers in the system are not identified we recommend entities to send a questionnaire to the usual sellers.