

VAT OUTSIDE THE PRICE STRUCTURE

CLAUDIA ȘÎRBULESCU¹, LUMINIȚA PÎRVULESCU¹, MONICA OCNEAN¹, IULIANA MERCE¹, ANA MARIANA DINCU¹

¹*Banat's University of Agricultural Sciences and Veterinary Medicine "King Michael I of România" from Timisoara, Faculty of Agricultural Management; claudiasirbulescu@usab-tm.ro, luminita_pirvulescu@usab-tm.ro, monicaocnean@usab-tm.ro, iulianamerce@usab-tm.ro, maridincu2004@yahoo.com*

Abstract: *The paper includes aspects of value added tax is a new tax, regulated for the first time in France during the years 1954 to 1955 tax reform. Proving its efficiency, value-added tax was introduced in the European Union in 1970, when they were first issued two directives on value added tax , aimed at replacing taxes on consumption and production applied to the on the Member States of the European Union
Value added tax is an indirect tax that covers all phases of the economic circuit, namely manufacturing, services and distribution chain to the final consumer sales (inclusive). From the point of view of the state budget is an indirect tax, which is set over the operations of the transfer of goods and the provision of services. It is a fee that is charged but the split, corresponding to the value added at each stage of the economic circuit.*

Key words: *Value added tax, price, indirect tax, and budget*

INTRODUCTION

Value added tax is a new tax, regulated for the first time in France during the year's 1954 to 1955 tax reform. Proving its efficiency , value added tax was introduced in the European Union in 1970, when they were first issued two directives on value added tax , aimed at replacing taxes on consumption and production applied to the on the Member States of the European Union.

In the European Union, the 11 April 1967 the first two directives were issued by the various taxes on turnover were replaced by a common system of value added tax. On May 17, 1977, adopt the Sixth Directive on VAT, harmonizing the scope of VAT in the European Community. Since 1993, with the formation of the single market, move to a transitional system of VAT. Under this system, the general rule is that taxation to make the place where their good or service provider is established.

In Romania, VAT was introduced on 1 January 1993, and is currently regulated by Law no. 571/2003 regarding the Fiscal Code, Title VI. With the accession of Romania to the European Union were abolished customs barriers between our country and other Member States, so that classical regimes import / export not apply to commercial transactions , being replaced by a new system of value added tax, based on concepts , intra-community 'and intra-Community acquisitions. In our country VAT was introduced a few years ago for the following reasons:

- The need to replace the former tax formula anachronistic movement of goods;
- To increase state resources;
- For reasons of compatibility with the systems in European countries.

You need products that benefit from this reduction to have an elastic demand to prices, which would mean lower prices to be reflected in an increase in demand. According community concepts, value added tax was introduced in our state as the main modern method developed indirect taxation. In this sense, the document that contains general provisions for the calculation and payment of tax states that it “shall apply to every stage of the economic circuit “and “value added is equivalent to the difference between sales and purchases in the same stage of economic circuit ”.

VALUE ADDED TAX, TAX DECISION STRUCTURAL EXPRESSION

The introduction of value added tax (form in harmony), the destination principle, billing method (or lending) allowed Full exemption from export tax incurred on goods and services exported. Being single and multistage tax, pay fractional, it applies to the added value achieved in each stage of the economic circuit, regardless of its length. The collection is made that the operators performing taxable transactions. Incidence is done on consumers who are real payers.

VAT contributed liberalization with economic relations, to eliminate distortions in the structure of production and consumption. Originally taxable transactions and exempt the option were extremely low. Along zero practiced a flat 18%. These structural issues have contributed to a high degree of fiscal neutrality. But he later dropped due to the introduction of a reduced rate of 9%, the multiplication operations and the suspension of payment of tax exempt for some economic goods taxable.

Achieving financial ends, is the sole reason it was decided in 1998, the growth rate reduced from 9% to 11% and the standard rate from 18 % to 22 %. In the scope of all economic transactions basically get paid and the assimilated, which generates a transfer of ownership, plus service charges. So it is immaterial whether the transfer of proprietary occurs as a result of a sale , surrender charge, exchange of goods , rental property over the transition clause after payment of the last installment or on a certain date , the products made are used to work own economic agents . Regardless of the number of transactions, each transaction generates a transfer of the ownership of a movable or immovable, is imposed separately.

Under the destination principle goods and services are taxable in the country where they are consumed. So, whether they were produced in Romania or are imported, are taxable if consumed in the country and the foreign consumer are exempt. This principle is accepted and applied by European countries VAT on consumption, as it allows boost exports by exemption. Although GATT rules are followed, this principle is critical for countries not subject to VAT. It is considered that imports are penalized in countries VAT. But in turn, countries that apply the turnover tax exemption resort to export refunds of tax included in the price, along with customs duties and import quantities and values of quantities.

Some economic transactions are not included in the scope of either exempt or benefit from the suspension of payment, or zero. In their determination to have a view of either technical reasons or nature of the operations or economic or social end.

The taxable base is represented by the value of the goods delivered and services exclusively to value added. Determination influences its economic characteristics of taxable transactions. Taxable base is either at the customs value plus other fees and excise, either prices or negotiated prices or costs of goods carried, etc.

Operations included in the scope of normal quota imposed either by or through reduced rate. They give tax deductibility, unlike operations not included in the scope. In terms of right of deduction, exempt operations are divided into two categories. In the first category are economic operations which apply zero billing. They give the right to deduct value added tax on goods and services purchased or made in their units. So the tax on the entire economic cycle to delivery reflected in the final price or fee is deducted. In second category are exempted operations to suppliers or providers are not entitled to deduct exempt goods or services.

Consequently, the tax throughout the economic cycle for the goods or services exempt will be reflected in their cost. Prices and charges exempted goods and services that include a share of the value added tax lower compared to the other included in the scope.

Value added tax is an indirect tax that covers all phases of the economic circuit, namely manufacturing, services and distribution chain to the final consumer sales (inclusive).

From the point of view of the state budget is an indirect tax, which is set over the operations of the transfer of goods and the provision of services. It is a fee that is charged but way split, according to the value added at each stage of the economic circuit.

Operations subject to VAT are divided into two categories:

a) *Operations that have the effect of transferring ownership of the assets regardless of the legal form that realize the transfer of ownership;*

b) *Operation consisting in the provision of services.*

Considering the origin of the goods subject to VAT operations are divided according to the law to:

a) *Delivery of goods;*

b) *Transfer of ownership of real estate between operators and between them and the institutions or individuals;*

c) *Provision of services;*

d) *The importation of goods and services.*

The main rule by which to determine whether or not an operation is subject to VAT refers to the destination of products and services supplied. According to this principle, goods and services subject to VAT in the country where the consumer and not the one in which they occur, so that:

a) *Goods and services in the country or imported are subject to VAT, if intended beneficiaries in Romania;*

b) *The goods and services exported do not support VAT.*

VAT is not included in prices and tariffs negotiated between operators and therefore are not included in the tax base, as evidenced distinct invoice.

In these circumstances in mind that traders negotiate prices and tariffs for services without impacting VAT which is charged separately. As an exception to the above rule, the supply of goods and services to the public made by retail and consigner through catering, retail prices and tariffs include VAT.

There are **many notions about VAT**:

- *VAT collected contained in the documents for the sale of goods and services;*

VAT collected = Selling price x VAT rate

- *VAT deductible contained in the documents of purchase of raw materials, electricity, heat, rent, places, goods and services;*

Deductible VAT = Purchase price x VAT rate

- *VAT payment calculated as the difference between the VAT collected and VAT deductible when collected VAT > VAT deductible*

VAT payment = output VAT - VAT deductible

Or

VAT payable = value added x VAT rate

- *VAT receivable is calculated as the difference between the VAT deductible and VAT collected when deductible VAT > VAT collected;*

Recovered VAT = VAT deductible - VAT collected

Or

Recoverable VAT = value added x VAT rate

- *The non-payable VAT* - VAT is enrolled in invoices for goods or services to be paid collected in rates and VAT included in the price of retail units which have the object of retail taking goods out of the warehouse at this price. VAT non-payable keep track merchandise stock to sell it, when transformed VAT collected.

Value added tax to the state budget can be determined in two ways:

1) applying the rate of tax on the value added at each stage that you browse the product from the producer to the final consumer added value that can be calculated by summing the constituent elements (salaries, depreciation, profit) or the difference between the outputs from that stage and the value of acquisitions;;

2) the difference between the amount obtained by applying the tax rate on the volume of sales in the prior question valor (VAT collected) and the amount obtained by applying the tax rate on the volume of purchases from the prior value (value added tax deductible). This option is used mainly because VAT is payable for the entire taxable activity of a subject in a while and not every product shipped , which would require complicated operations exact identification and value added tax for each product achieved .

Chargeability of tax is the date the tax authority may require payment to persons liable to pay the tax, even if the fee could be delayed. Chargeability of tax payment is the date on which a person is liable to pay tax to the budget. TVA paid based VAT statement, prepared monthly or quarterly to 25, inclusive, of the month following the month in which that fiscal period ends. People who are not registered for VAT performing acquisitions or operations for which they are obliged to pay the tax must file a special tax return.

On the incidence of VAT on the price structure are the following *aspects*:

- *VAT element of the price is negotiated;*
- *VAT is part of the invoice price;*
- *VAT is part of the commodity price.*

VAT is a consumption tax and is incorporated in the price arising in consumer products or services. If it is considered a product and that it goes through phases during the process of production and distribution to the final consumer, the tax is charged every time the same rate calculated on the value added and divided to all economic agents are involved in the process. Each payer calculates VAT and does not support only to the extent that it adds value to the product.

Value added tax is calculated by applying the statutory tax base.

In Romania have applied the following tax rates for VAT until 2012:

- **24 % share;**
- **Reduced rate of 9%;**
- **Zero.**

Share of 24 % applies to the following types of transactions:

- Supplies of movable and immovable property ownership transfers made in the country by businesses registered for value added tax to beneficiary's resident in Romania;
- Sales of goods by non-residents in Romania;
- Services for which the place of taxation is in Romania;
- Import of goods.

Reduced rate (9%) applies to the tax base for the following supplies disadvantages and / or supplies:

- The right of entry to castles, museums, memorials, historical, architectural and archaeological, zoological and botanical gardens, fairs and exhibitions;
- The supply of textbooks, books, newspapers and magazines, except those exclusively for publicity;
- Any prosthetic supplies and accessories, excluding dentures;
- The supply of orthopedic products,

- Human and veterinary drugs;
- Accommodation in the hotel sector or similar sectors, including renting land for camping purposes.

Zero applies to following strictly defined by law:

- Exports of goods, transport and services directly related to the export of goods made by taxpayers based in Romania provided their value cashing in foreign currency bank accounts with banks authorized by the National Bank of Romania;
- International transport of passengers to and from abroad by taxpayers authorized by scheduled, and services related directly to it.

In this context it defines **two price categories**:

- VAT rates;
- Prices without VAT.

VAT prices are used to determine the turnover of entrepreneurs - they are market prices, negotiate or establish marketing and presenting the tax base for VAT. VAT size calculated according to the selling price each time cumulative value added taxes paid by upstream operators, each representing a stage that you browse the product from the producer to the final consumer.

For products listed in Law 42/1993, the economic, legal, family and freelancers - producing, importing, selling such products, must pay state budget special consumption tax called excise.

Excise taxes are included in the prices at which goods are supplied by domestic producers or import of certain categories of products: alcoholic beverages, tobacco, coffee, fur clothing, carved furniture etc.

Excise taxes are included in prices and a wholesale price trading their obligation to pay the budget is calculated by applying a percentage as follows:

- For products from domestic production - the value of the goods supplied excluding excise taxes;
- Products that are imported - the customs value established by law, plus customs duties and other special duties established by law on product categories.

The customs value is determined from the external price ex - lei at the border turned into force;

- For goods brought into the country unregistered individuals as economic agents but marketed by operators (products sold on consignment) - the consideration to be paid to the depositor for the goods sold.

Determining the absolute magnitude excise is done by applying the formula:

$$A = \text{Price} \times \text{rate} A / (100 + A \text{ share})$$

Are exempt from excise duty products are delivered to the State Reserve and the products are exported directly or through traders who work on commission and imported goods in transit or temporary importation. The businesses that export products manufactured from raw materials domestic producers may, in the following month based on documents, refund of excise duty payable for the supply.

Excise taxes are part of the structure of the wholesale price or commodity price ; products imported duty free external add - border price converted to USD at the rate in force.

CHANGES IN VAT

With the introduction of VAT payment collection were changed and provisions of the Tax Code relating to value added tax rates.

Changes were introduced on 1 January 2013, pursuant to the provisions of the Government Ordinance no. 15/2012, published in Official Gazette no. 621 of 29 August 2012.

General regulation is contained in art. 140 of the Tax Code and provides for the standard rate of 24% on the tax base of taxable transactions that are not exempt or not subject to reduced rates.

Reduced rate of 9% applies to the tax base for the following provision of services and / or supplies:

- Services consisting of admission to castles, museums, memorials, historical, architectural and archaeological, zoological and botanical gardens, fairs, exhibitions and cultural events, theaters, other than those exempted under art. 141 Par. (1). m);
- Delivery of textbooks, books, newspapers and magazines, except for use solely or principally advertising;
- Supply of prostheses and accessories there of, except dentures;
- Delivery of orthopedic products;
- Supply of medicines for human and veterinary use;
- Accommodation in the hotel sector or similar sectors, including renting land for camping purposes.

Reduced rate of 5% is applied to the tax base for the delivery of housing as part of social policy, including the land on which they are built. The land on which the house is built includes the footprint of the house. For the purposes of this title, home delivered as part of social policy means:

- Delivery of buildings, including the land on which they are built to be used as homes for the elderly and pensioners;
- Delivery of buildings, including the land on which they are built to be used as orphanages and rehabilitation centers and rehabilitation for children with disabilities;
- Delivery of homes with a floor area not exceeding 120 m² , excluding household annexes , whose value , including the land on which it stands, does not exceed 380,000 , excluding VAT , purchased by any single person or family . Living area is defined by the Housing Law no. 114/1996, republished, with subsequent amendments. Annexes are defined by Law no. 50/1991 on the authorization of construction works, republished, with subsequent amendments. The reduced rate applies only if the dwellings are occupied when sold as such and if the land on which the house is built not exceeds 250 m² surfaces, including the footprint of the home, where individual houses. For buildings with more than two dwellings, each undivided share of the land for housing may not exceed 250 m² surfaces, including footprint related to each flat. Any single person or family can purchase a single house with the reduced rate of 5 % , i.e.: if unmarried persons should not be detained and has no home in the property that they purchased at a rate of 5 %; for families, the spouse may not have owned and do not have singly or together, no home ownership that has / have purchased it at a rate of 5%;
- Delivery of buildings, including the land on which they are built by municipalities to award the rent subsidy they individuals or families whose economic situation does not allow them access to housing owned or rented housing market conditions.

The rate applicable is that in force on the date the event occurs, except as provided in Art. 1342 par. (2) for which the rate in effect on the date the tax becomes chargeable Recall that by O.G. No. 15/2012 will be amended from 1 January 2013, and these regulations so that levying the tax due date occurs

- a) The date an invoice is issued before the date on which the event occurs ;
- b) The date on which it receives advance for advance payments made before the date on which the event occurs;

c) Draw on cash, supplies of goods or services made by automatic machines for sale, games or other similar machines.

Also with effect from 1 January 2013, applies to a new provision provides that if transactions subject to VAT collection rate applicable shall be that in force on the date on which the event occurs, unless it is issued a invoice or charged an advance before the delivery or provision, for which the rate in force on the date on which the invoice was issued or the date the advance was charged.

Regularization. If a change of rate regulation is to apply quotas in force on the date of delivery of goods or services for cases referred to in art. 1342 par. (2) - which I mentioned above, as to be amended - and - from 1 January 2013 - in the case of transactions subject to VAT collection system, where the rate applicable shall be that in force on the date on which event occurs, unless it is billed or charged an advance before the delivery date or the date of supply, to which the rate in force on the date on which the invoice was issued or the date on which it was received advance.

The rate applicable to the importation of goods is the rate applicable in Romania to deliver the same good.

The rate applicable to intra-Community acquisition of goods shall be applied in Romania to deliver the same good and is in force on the date when the tax becomes chargeable.

Changes occurred in the Official Gazette of VAT which applies from January 2014. First change the input or output of the system of VAT collection , during which situations are cleared when a taxpayer applied the 2013 VAT system the collection , and wants either to apply still be out of VAT collection system this year. The second refers to the notification in Official Gazette 014 to amend the fiscal year for companies that have a financial year other than the calendar year.

Like last year, the system can be applied to taxable persons registered for VAT purposes in Romania, which achieved a turnover of less than 2,250,000. Exceeded this threshold is passed compulsory VAT chargeability system normal.

Where a taxable person applying VAT collection system and exceeded business above mentioned, will be submitted by the 25th of the month following notification of termination form (097) "Notice on the application / expiry of VAT collection system." This form is also used by people applying VAT chargeability system will apply the normal VAT collection system; they have not exceeded the turnover threshold of 2,250,000.

Absolute novelty Form 097 may be used by any taxable person has chosen to apply VAT collection system which does not exceed the ceiling of 2,250,000 lei a year may waive the application of that system at any time during the year by filing this notification to the tax between 1st and 25th of the month, except the first year that opted to apply the system.

What transitional measures provided for by law for persons who have applied VAT collection system last year and in 2014 is seeking to apply the system or to leave the VAT collection system?

These operators have the following possibilities:

- Continuous application of the VAT collection if they wish and if they do not exceed the threshold of 2,250,000 lei. They do not file Form 097 notification to NAFA. In the absence of notification of termination shall be presumed to apply the same system.

- People who are registered for VAT in 2014 may apply VAT collection system, if interested, since the VAT registration by submitting the notification form 097.

- From the point of view of form, the person concerned has the opportunity to submit either NAFA registration or by mail. Authorities provided that it is completed in capital letters and answer all entries contained therein.

CONCLUSIONS

The introduction of VAT turnover tax instead represented a turning point in improving the tax system and at the same time the first step on the line tax reform in our country. However it was a requirement to transition to market economy and alignment with European standards. But the introduction of VAT had taken a series of measures on the line turnover tax to be replaced. Before the implementation of VAT has sought to expand the scope of the turnover tax on some products and services such as agricultural products, the work of post and telecommunications, transport of passengers and goods. Also the implementation of value added tax then require a good knowledge of its operation mechanism , staff had thoroughly prepared and trained to ensure the initiation of economic and personnel economics on this line and last line of computers and the forms necessary to highlight the collection and her of settlement from the state budget . As has been established, this tax is an indirect tax which unlike turnover tax is applied throughout the economic cycle, to the end user of the goods or services, but only to the value added in each phase of this circuit. VAT has great elasticity from economic processes in the sense that if doings develop and VAT collected, namely VAT payment will be higher. If stagnant sales and the VAT amount will be lower accordingly and state revenues will be lower.

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