



KMLZ VAT NEWSLETTER

Romania: split payment system to be introduced as of 1 January 2018

Romania is taking further measures to combat VAT fraud and now plans to implement a split payment system for VAT. The draft law was recently published by the Ministry of Finance.

1. Function of the split payment system

Split payment means that customers must split the gross invoice amount. The net invoice amount and the reported VAT amount must be transferred to separate accounts. Therefore, suppliers will have to provide their customers with two bank accounts, a specific tax account and a regular business account.

The amounts paid to the tax account may only be used to satisfy tax liabilities with the Romanian tax authorities or to pay VAT amounts into a supplier's tax account. Transfers to one's own business account are only possible after prior approval from the tax authorities. The formalities, which must be fulfilled for this purpose, are to be published soon.

Division of invoice amount

The upcoming introduction of a split payment system by the Romanian tax authorities will enable them to control future payment transactions between taxpayers. It is expected that, as of 1 January 2018, it will be mandatory for customers to transfer invoiced VAT amounts to a special tax account of the supplier. The regulation will also be applicable for taxpayers not established in Romania but registered for VAT purposes there.

2. Period of application

The split payment system was intended to be implemented as from 1 September 2017. According to the current draft law, it will become mandatory for all sales as from 1 January 2018. However, companies may voluntarily participate in a test phase as from 1 October 2017.

3. Penalties for violations

Violations against the requirements of the split payment system will be punishable by penalties of up to 50% of the tax amount that was not paid to the tax account.

4. Recommendations

Companies invoicing Romanian VAT should shortly open a corresponding VAT account at the Treasury Office or a participating Romanian credit institution and communicate the bank account details to their customers. Furthermore, references to two bank accounts and some information about the split payment will have to be added to the invoice templates. This requires an adjustment of the ERP systems in due time.