

ACCOUNTING MODELS SPECIFIC TO INTRA-COMMUNITY ACQUISITIONS AND SUPPLIES OF NEW MEANS OF TRANSPORT

LUCIA PALIU – POPA

“CONSTANTIN BRÂNCUȘI” UNIVERSITY OF TÂRGU JIU, 30, CALEA EROILOR STREET,
GORJ COUNTY

univers_cont@yahoo.com

Abstract

Romania's accession to the European Union has imposed changes in many areas, the most significant occurring in the tax system that became harmonized with the European legislation and which, in turn, affects the registration procedure in accounting of economic operations taking place in the entities. Because most legislative changes affected Romania's commercial transactions with EU Member countries, next I shall address the accounting models specific to intra-Community acquisitions and supplies of new means of transport.

To this end I shall consider several specific cases that arise in trade relations between EU Member States, examples that will allow us to draw some conclusions on how to register in the accounts intra-Community commercial transactions made with new means of transport, considering all the time the fiscal matters.

Key words: *intra-Community acquisitions, intra-Community supplies, means of transport, accounting models, fiscal*

JEL classification: *H32, H87, M40, M41, M49, Q56*

1. Introduction

The legislative changes that occurred in the fiscal level when Romania accessed to the European Union have also left their mark on the registration in the accounts of commercial transactions that take place between the Members States of the Community, registration made after having previously conducted an analysis on the tax treatment of the value added tax applicable to those transactions.

The entry in accounting of intra-Community acquisitions and supplies of new means of transport is generally similar to the recording of intra-Community acquisitions and supplies of goods, with the following **differences**:

- intra-Community acquisitions of new means of transport are always subject to VAT in the State of destination, regardless of the supplier's or purchaser's quality (therefore, the transmission from recipient to provider of the registration code for value added tax is not mandatory);
- the persons not registered for value added tax and those specifically registered only for intra-Community acquisitions shall actually pay the VAT;
- intra-Community supplies of new means of transport are always exempted from VAT if evidence of transportation is provided, regardless of the purchaser's quality and it is not necessary to communicate a valid registration code for value added tax from the other Member State.

Due to the complexity of intra-Community commercial transactions and their taxation, we shall address below the intra-Community trade in goods, with reference to accounting models specific to intra-Community acquisitions and supplies with new means of transport. To this end I shall consider several specific cases that arise in trade relations between EU Member States, examples that will allow us to draw some

conclusions on how to register in the accounts intra-Community commercial transactions made with new means of transport, clarifying first, the tax issues affecting the proper registration in the accounts of such transactions.

2. Accounting models specific to intra-community acquisitions and supplies of new means of transport

The entry in the accounts of intra-Community acquisitions and supplies of new means of transport is carried out only after the tax issues are first clarified. To this end we shall start from a few specific cases of entities.

a) Intra-Community acquisitions of new means of transport

a₁) A Romanian taxable person registered for VAT purposes purchases a new means of transport from France, amounting to EUR 15.000 (at the rate of 4,2 RON/EUR), which is invoiced on delivery and sent to the headquarters of the purchaser from Romania.

In terms of taxation, as the condition for transportation is met, the French supplier shall invoice the car without VAT, as the delivery is VAT-exempted and the purchaser pays the tax by return (reverse charge).

This case involves the following *entries*:

- purchase of the new means of transport from France (RON 15.000 x 4,2 RON/EUR = RON 63.000):

2133 “Means of transport”	*	404 “Assets suppliers”	63.000
	=		
	*		

- the input value-added tax is reflected in the same time, which is also an output tax (RON 63.000 x 19% = RON 11.970):

4426 “Input value-added tax”	*	4427 “Output value-added tax”	11.970
	=		
	*		

a₂) A Romanian taxable person registered for VAT purposes purchases a new means of transport from Germany, invoiced on delivery at EUR 20.000 (at the rate of 4,2 RON/EUR), for which evidence of transportation from Germany to Romania can not be made.

In terms of taxation, because the condition for transportation is not met, the supplier shall invoice the new means of transport with German VAT (19%). The Romanian recipient shall pay VAT invoiced by the German supplier and shall make the tax payment by VAT return, in Romania.

This case generates the following *entries*:

- purchase of a new means of transport from Germany (EUR 20.000 x 4,2 RON/EUR x 1,19 = RON 99.960):

2133 “Means of transport”	*	404 “Assets suppliers”	99.960
	=		
	*		

- reflection of the VAT due to the Romanian state (RON 99.960 x 19% = RON 18.992,40):

4426 “Input value-added tax”	*	4427 “Output value-added tax”	18.992,40
	=		
	*		

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a₃) A Romanian legal person not registered for VAT purposes purchases a new means of transport from Italy, which is invoiced on delivery at EUR 14.000 (at the rate of 4,2 RON/EUR), for which there is evidence of transportation from Italy to Romania.

In terms of taxation, as the condition for transportation is met, the supplier shall make the invoice without VAT, as the transaction is VAT-exempted, but the Romanian legal person shall calculate and pay the VAT in Romania.

This case involves the following **entries**:

- purchase of the new means of transport from Italy (EUR 14.000 x 4,2 RON/EUR = RON 58.800):

2133 “Means of transport”	=	404 “Assets suppliers”	58.800
		*	

- reflection of the VAT due to the Romanian state (RON 58.800 x 19% = RON 11.172):

2133 “Means of transport”	=	446 “Other taxes, duties and similar expenses” - <i>analytical distinct</i>	11.172
		*	

- debt payment to the state budget from the bank account available, in RON:

446 “Other taxes, duties and similar expenses” - <i>analytical distinct</i>	=	5121 “Cash at bank in lei”	11.172
		*	

b) Intra-Community supplies of new means of transport

b₁) A Romanian taxable person registered for VAT purposes sells a new car to an Italian company, this car that transported in the other Member State. It is known that the means of transport price is EUR 10.000 (at the rate of 4,2 RON/EUR), and the good is invoiced with the delivery.

In terms of taxation the condition on the evidence of transport is met, therefore the delivery is tax-exempted.

This case involves the **entry**:

- delivery of the new means of transport to the Italian partner (EUR 10.000 x 4,2 RON/EUR = RON 4.200):

4111 “Customers”	=	707 “Income from sales of goods”	4.200
		*	

b₂) A Romanian taxable person registered for VAT purposes sells a new car to a company in Greece at a price of EUR 10.000 which is invoiced without evidence of transportation.

In terms of taxation the condition on evidence of the car transportation from Romania to Greece is not met, therefore the delivery is invoiced with value added tax.

This case generates the **entry**:

- delivery of the car to the Greek company (EUR 10.000 x 4,2 RON/EUR = RON 42.000; RON 42.000 lei x 19% = RON 7.980):

4111 “Customers”	=	%	49.980
			42.000
			7.980

Along with the delivery of goods, *the goods sold are discharged from administration* after calculating in advance the average coefficient of mark-up distribution with data gathered from the beginning of the year.

c) Intra-Community acquisitions of new means of transport following the special limitation of the deduction right¹

In terms of taxation, for intra-Community acquisitions of motorized road vehicles, if VAT is fully non-deductible, then it is all non-recoverable and becomes part of the purchase cost.

This case generates the following *entries in accounting*:

c₁) if VAT becomes chargeable in the same month in which the vehicle reception is made:

- registration of input and output VAT:

4426 “Input value-added tax”	=	%	4427 “Output value-added tax”
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- in the same time the non-recoverable value added tax gets in the purchase cost of the vehicle on its reception:

2133 “Means of transport”	=	%	4426 “Input value-added tax”
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- registration of the means of transport received from the supplier and checked-in:

2133 “Means of transport”	=	%	404 “Assets suppliers”
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c₂) if the chargeability of VAT for the intra-Community acquisition and the vehicle reception occur in different months:

c₂₁) entries made in the month in which occurred the chargeability of the VAT related to the intra-Community acquisition:

- registration of the input value added tax as an output value added tax:

4426 “Input value-added tax”	=	%	4427 “Output value-added tax”
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¹ Government Emergency Ordinance no. 34/2009 on the 2009 budget rectification and regulation of financial and fiscal measures, Article 145¹

	*	tax”
	*	
➤ in the same time the non-recoverable value added tax is registered in the purchase cost of the means of transport, which is not checked-in:		
	*	
231 “Tangible assets in progress”	=	4426 “Input value-added tax”
	*	
<i>c₂₂) entries made in the month in which occurred the reception of the good (after the month when the intra-Community acquisition was declared):</i>		
➤ registration in the vehicle purchase cost of the amount previously reflected in the account 231 "Tangible assets in progress":		
	*	
2133 “Means of transport”	=	231 “Tangible assets in progress”
	*	
➤ registration of the means of transport checked-in:		
	*	
2133 “Means of transport”	=	404 “Assets suppliers”
	*	
<i>c₃) if the vehicle reception and the chargeability of VAT occur in different months:</i>		
<i>c₃₁) entries made in the month in which takes place the reception of the good:</i>		
➤ registration of the means of transport received:		
	*	
2133 “Means of transport”	=	404 “Assets suppliers”
	*	
<i>c₃₂) entries made in the month in which the chargeability of the VAT related to the intra-Community acquisition occurred (subsequent to the month when the VAT became chargeable):</i>		
➤ registration of the input value added tax as an output value added tax:		
	*	
4426 “Input value-added tax”	=	4427 “Output value-added tax”
	*	
➤ in the same time the non-recoverable value added tax gets in the purchase cost of the vehicle on its reception:		
	*	
2133 “Means of transport”	=	4426 “Input value-added tax”
	*	

Note:

We believe that the entries relating to intra-Community acquisitions of new means of transport due to the special limitation of the deduction right must be made in the following order:

- if VAT becomes non-chargeable in the same month in which the vehicle reception is made:
 - reception of the means of transport;
 - VAT registration as an input and output VAT;
 - the non-recoverable value added tax gets in the purchase cost of the vehicle on its reception.
- if the chargeability of VAT and the vehicle reception occur in different months (VAT is chargeable in the month before the reception):
 - registration of the input value added tax as an output value added tax;
 - the non-recoverable value added tax gets in the purchase cost of the vehicle, which is not checked-in;
 - reception of the means of transport;
 - increase of the purchase cost with non-recoverable value added tax.

3. Conclusions

In conclusion, we can say that the registration in the accounts of intra-Community acquisitions and supplies of new means of transport is generally similar with the entry in the accounts of intra-Community acquisitions and supplies of goods (merchandise) except the input VAT related to new means of transport which is entirely non-deductible as of 01/05/2009 and which, in compliance with the law in force, increases their purchase cost. Given that in the Annex to the Order of Public Finance no. 3055/2009 for approval of accounting regulations consistent with the European directives, in the account 4426 “Input value added tax” there is no correlation where it is credited in correspondence with the debit of an asset account, we think it is necessary that the input value added tax, become non-deductible, should not increase the purchase cost, but register in relation to the debit of the account 635 “Other taxes, duties and similar expenses”, using the accounting formula:

	*	
635 “Other taxes, duties and similar expenses”	=	4426 “Input value-added tax”
	*	

Thus, entities, although they would pay the value added tax related to the intra-Community acquisition following the full tax non-deductibility, they could benefit from reduced tax base of the income tax with that amount which increases the deductible expenses. As, following our country's accession to the European Union, customs barriers between Member States have disappeared, intra-Community transactions could be treated with supplies and acquisitions made between different regions of a country, regions where tax regulations have become uniform. For this reason we can say that the entry in the accounts of intra-Community acquisitions and supplies is the same as that for similar transactions carried out internally with differentiations resulting from specific tax treatments.

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