

# Amendments to the Methodological Norms with respect to VAT

12 June 2017

## In brief

Government Decision no. 284/2017 was published on 4 May 2017, amending and completing the Methodological Norms for the application of Law no. 227/2015 regarding the Fiscal Code, approved through Government Decision no. 1/2016.

## In detail

### *Special rules on the application of VAT for taxable persons whose VAT numbers have been cancelled and re-register for VAT purposes as of 1 January 2017*

- Taxable persons whose VAT numbers were cancelled and then re-register for VAT purposes may exercise their deduction right for purchases performed during the period in which they had no VAT number, even if the invoice does not include the beneficiary's VAT number. The right may be exercised through a VAT return submitted after a taxable person re-registers for VAT purposes.
- After re-registration for VAT purposes, suppliers of goods and services should issue invoices clearly indicating the VAT amount for the supplies of goods / services performed during the period in which they did not have a VAT number;

- The special rules detail the steps to be taken by a taxable person re-registered for VAT purposes in relation to issuing invoices, VAT reporting and payment, depending on the circumstances in which the person acted during the deregistered period;
- Taxable persons that made acquisitions from suppliers with cancelled VAT numbers may deduct the input VAT for such acquisitions based on the corrected invoices issued by suppliers after re-registration.
- The new provisions apply if the taxable person re-registers for VAT purposes as of 1 January 2017.

### *Special scheme for farmers*

- The application of the new special flat-rate scheme for farmers has been clarified. The scheme entered into force as of 1 January 2017;
- Taxable persons fulfilling the conditions can apply the special scheme for farmers, even if they have not notified the authorities in this respect, unless they

opt for the normal VAT regime;

- Submission of the notification is mandatory in order to benefit from the lump sum amount for the issued invoices.

### *Amendment of the input VAT adjustment system for capital goods*

- The provisions in force as of 1 January 2017 regarding the method of adjusting deductible input VAT for capital goods have been clarified. Based on these provisions, the adjustment of VAT for capital goods is performed annually, during the adjustment period any time an event provided by the law takes place which entails an adjustment, takes into account only the remaining period of the adjustment period, starting with the date of the chargeable event for adjustment. The adjustment period is 20 years for immovable property and five years for other capital goods, with the adjustment per year being 1/5 or 1/20 of the

initially deducted input VAT.

### *Other amendments regarding value added tax*

- In the case of immovable goods detained in joint property, all VAT obligations for the sale of such goods, including the registration for VAT purposes, have to be carried out by one of the spouses.
- For establishing the place of supply of services from a VAT perspective related to immovable property, a definition of real estate in terms of VAT perspective has been introduced in line with the European provisions as laid down by art. 13b of Regulation (EU) No. 282/2011 implementing VAT Directive no. 2006/112 / EC.
- The VAT taxable base adjustment period has been established for cases where the value of the goods or services supplied cannot be recovered as a result of beneficiary bankruptcy or following implementation of a reorganisation plan admitted and confirmed by a court order, through which the creditor's claim is amended or cancelled. In such cases the adjustment has to be made within five years as of 1 January of the year following that in which the court decided in favour of the reorganisation plan through the court order closing the insolvency proceedings provided by insolvency law, under the sanction of cancellation;
- The equivalent value of works / valuations carried out prior to import on tangible movable property supplied to a taxable person established in Romania or to a non-taxable legal person registered for VAT purposes in Romania is excluded from the taxable base for VAT at import, regardless of whether the services are carried out in or outside the European Union. The place of supply of these services is established as being on the beneficiary's premises.
- Certain seeds, oily fruits, various other fruits, industrial or medicinal plants, straw and fodder falling within the CN number 1207 classification are excluded from the application of the reduced VAT rate of 9% if they are intended for sowing purposes.
- A provision allowing VAT reimbursement for purchases made in Romania by taxable persons not established in the European Union who have provided electronic, telecommunication, broadcasting or television services to non-taxable persons established in Romania has been introduced. Such persons are not obliged to designate a fiscal representative in Romania for the purpose of VAT reimbursement.
- The specific situations where adjustment of the right to deduct input VAT on goods other than capital

goods is required have been clarified.

[Source: Official Gazette no. 319/04.05.2017]

### *The takeaway*

The main amendments to the Methodological Norms relate to:

- The possibility of input VAT deduction for transactions with taxable persons whose VAT number was cancelled and have re-registered for VAT purposes;
- Adjustment of deductible input VAT in the case of capital and non-capital goods;
- VAT reimbursement for taxable persons not established in the European Union which carry out acquisitions in Romania and perform electronic, telecommunication, broadcasting or television services to non-taxable persons established in Romania;
- Application of the new special flat-rate scheme for farmers applicable as of 1 January 2017. Norms limiting the scope of this regime have been introduced.

***Let's talk***

For a deeper discussion of how this issue might affect your business, please contact:



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