

## **E-Invoicing and Pre-Filled VAT Returns**

### **Global Adoption of Electronic Invoicing**

The global adoption of electronic invoicing has led to an increased number of requirements from various Tax Administrations. These bodies aim to collect extensive data from taxpayers to generate pre-populated Tax Returns, particularly for VAT.

### **Timeline for Pre-Filled VAT Returns**

The timeline for Tax Administrations to start providing taxpayers with pre-filled VAT returns using electronic invoicing data is influenced by each country's vision, adoption, and needs for enhancing tax compliance and revenue.

### **Romania's Implementation**

Romania recently announced the introduction of pre-filled VAT returns, effective from August 1st, 2024, for operations performed since July 1st, 2024. Taxable persons registered for VAT will still need to submit their own tax returns each fiscal period and then do the reconciliation.

### **Objectives of Romania's Pre-Populated VAT Return**

An official report from the Romanian Ministry of Finance outlines the goals of utilizing data from the RO e-TVA National Information System:

- **Reduce the VAT fiscal gap**
- **Increase voluntary compliance and ensure VAT collection**
- **Mitigate tax evasion linked to VAT specific taxable activities**
- **Enhance the National Fiscal Administration Agency's capacity to collect taxes through digitization**

## **Data Sources for VAT Returns**

The data that will populate VAT return fields will be derived from several sources:

- **Ro- e-invoice**
- **RO- e- Sigi**
- **RO e- transport**
- **RO e-SAF-T**
- **Ro- e-Electronic cash registers**
- **Integrated Customs Computer System**

## **Mandate for Electronic Invoicing**

As of July 1st, 2024, electronic invoicing for B2B transactions starting becoming mandatory in Romania, for B2C it will be mandatory from January 1st 2025.

## **Compliance Requirements**

Despite the introduction of pre-filled VAT returns, companies must still prepare and submit their VAT returns by deadlines set by the Tax Administrations. This dual requirement may result in inefficiencies, higher costs, and increased time consumption, as taxpayers need to reconcile their data with the data provided by the Tax Administration.

Significant discrepancies in VAT returns, defined as differences of at least 20% or an absolute value of 1,000 lei, must be explained in an electronic form to the Tax Administration, potentially leading to audits if information is lacking.

## **Premature Implementation Concerns**

The introduction of pre-filled VAT returns in Romania appears premature since electronic invoicing becomes mandatory only starting July 1st, 2024. This leaves insufficient time for the Tax Administration to assess data quality, make necessary adjustments, and allow taxpayers to adapt to the new way of interacting with the Tax Administration.

## **Case Study: Chile (14 years after implementing e-invoicing, the Tax Administration introduced the proposed VAT return)**

Chile offers a contrasting example. E-invoicing was implemented there in 2003, and it wasn't until August 2017 that the Tax Administration introduced the first pre-populated VAT returns. This system, based on data from approximately 40 million monthly e-invoices, marked an evolution in taxpayer interaction with the administration and eliminated the need to maintain Purchase and Sales Ledgers.

Chilean taxpayers now benefit from pre-filled VAT returns prepared using data from electronic tax documents and can supplement this with additional transaction information in other formats. Instead of imposing new requirements, the Chilean Tax Administration has streamlined processes, enhancing both efficiency and compliance.

### **Conclusion**

In conclusion, the global adoption of electronic invoicing is driving Tax Administrations worldwide to collect extensive data for generating pre-filled VAT returns.

Romania's recent initiative to introduce such returns from August 1st, 2024, highlights their goals to reduce the VAT fiscal gap, increase voluntary compliance, and mitigate tax evasion.

However, the early introduction of the pre-filled VAT return poses several challenges. Romania must ensure, well in advance, that the data collected from the electronic invoicing is high quality, verify the data against various sources and give enough time for taxpayers to adapt. Premature implementation without sufficient adaptation time may lead to inefficiencies, higher costs, increased time consumption for taxpayers and potential reputational risks.

To improve the process, Romania could draw valuable insights from Chile's experience. Chile implemented e-invoicing in 2003 and only introduced pre-filled VAT returns in 2017, allowing ample time to streamline interactions, reduce administrative burdens, and enhance compliance.

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