

## Documents and forms used in the tax audit of individuals

### Services

- VAT, customs and excise duties review and planning aimed at enhancing the VAT cashflow;
- VAT review and health checks aimed at identifying exposure to VAT risks and potential penalties;
- Advice on VAT treatment of specific transactions;
- VAT assistance during tax audits conducted by the tax authorities;
- Advice on VAT, customs and excise duties planning strategies;
- VAT implications arising from business restructuring (e.g. mergers and acquisitions, transfer pricing policies, commissionaire structures);
- VAT registration in Romania and other EU countries, as well as compliance services;
- Preparation and filing of VAT refund claims.

*The Ministry of Public Finances has recently published in Official Gazette no. 591 dated 26 August 2009, Order no. 1415 for approval of the model and content of certain documents and forms used in the tax audit of individuals. Below are some of the most important VAT related provisions set forth in the above mentioned Order.*

### Assessment of VAT payer status

As part of the VAT assessment of individuals, tax inspectors will examine the supporting documents attesting the individual's registration for VAT purposes, if the case, and the documents attesting whether VAT registration was an individual option or was due to the individual's exceeding the registration threshold.

If the individual has not registered as a VAT payer, although the activity carried out was subject to VAT, the tax authorities will check the following:

- documents certifying the revenues generated from taxable operations;
- the date when the threshold was exceeded;

- taxable operations (for assessing the fiscal treatment) performed after the date when the individual was obliged to register for VAT purposes.

### Period audited

The tax audit will cover the period between the date of the previous tax audit (if the individual was subject to such tax audit) or the inception date of the taxpayer's activity and the end of the last period for which the VAT return was due or was submitted.

### Auditing VAT returns

During tax audits, the authorities will check the following:

- the method of preparing the VAT return, i.e. whether the amounts declared in the Sales and Purchase Ledgers reconcile with the amounts declared in the VAT returns;
- whether the individual has included in the VAT return the correct VAT amount payable to the State Budget;

- whether the pro-rata was computed and applied correctly, i.e. if during the audited period the individual performed both operations exempt with credit and operations exempt without credit.

#### **Assessment of taxable base and related VAT**

When verifying the input and output VAT, tax inspectors will audit all the supporting documents based on which the taxpayer has registered the supply and acquisition of goods and services in the Sales and Purchase Ledgers, taking into account the existence and accuracy of operations carried out by the individual.

If tax inspections have suspicions with respect to the existence or lawfulness of certain transactions carried out by the individual, they can propose a cross-check tax audit.

#### **Assessment of additional tax liabilities**

Additional tax liabilities assessed by tax authorities shall be subject to penalties starting from the date immediately following the date when the tax liability was due for payment until its payment, if the case, or until the date specified in the tax audit report.

Also, besides VAT, individuals shall be subject to tax audits for assessing the accuracy of the income tax computation method.

#### **About us**

Our team consists of more than 100 Romanian and international consultants, with command of local and international legislation, organized to be able to react at short notice to requests for tax assistance covering a wide range of issues.

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