



VAT group in Romania

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Romanian tax law allows several taxable persons resident in Romania to join together to form a VAT group.

Requirements for taxpayers

The tax group members must be legally independent but closely linked financially, economically and organizationally. This close connection exists if more than 50% of the capital of these taxable persons is held directly or indirectly by the same shareholders. The fulfillment of this condition is proven by certificates issued by the commercial register (*Certificat Constatator*) or by other evidence.

Conditions for the tax group

In order for the group of independent persons to be treated as a single tax group, the following conditions must be met:

- a taxable person can only be a member of a tax group;
- the option must relate to a period of at least 2 years. This option applies to the tax group and not to each individual member;
- all taxable persons in the tax group must use the same reporting period for VAT returns.

Competence, procedure

The central tax authority, designated for this purpose in accordance with the provisions of Art. 30 (5) of Act no. 207/2015 on the Tax Procedure Code, is responsible for the administration of taxpayers belonging to a tax group.

To form the tax group, an application signed by the legal representatives of all members of the tax group must be submitted to the tax authority mentioned in the previous paragraph, which must contain the following information:

- Name, address, business purpose and VAT identification number of each member;
- proof of the close relationship between the members of the tax group;
- name of the member appointed as representative of the tax group (controlling company).

The competent tax authority must make a formal decision on the approval or rejection of the formation of the tax group within 60 days of receiving the complete documentation and notify the applicant of this decision.

Function of the tax group

Depending on the reporting period of the tax group members, the tax group begins to function as follows:

- on the first day of the month following the date of notification of the above resolution if the reporting period of the members of the tax group is one calendar month;
- otherwise on the first day of the reporting period following notification of this decision.

Reporting requirements

During the existence of the tax group, a number of events may occur that must be reported to the competent tax authority by the parent company:

- the termination of the option for the existence of the tax group must be notified at least 30 days before the event occurs;
- the non-fulfillment of the above three conditions for the tax group, which leads to the termination of the treatment of the taxpayers as a tax group or of a person as a member of the tax group, must be reported within 15 days of the occurrence of the event giving rise to this situation;
- the appointment of another controlling company must be notified at least 30 days before the event;
- the withdrawal of a member from the tax group must be communicated at least 30 days before the event;
- the entry of a new member into the tax group must be announced at least 30 days before the event.

How it works

From the time the VAT group is established, each member of the group, with the exception of its representative, completes the VAT return for the transactions carried out and sends it to the representative. It neither pays the individual VAT, nor applies for a refund.

The tax group parent prepares its own return for its own activities, receives the returns prepared by the other members and also prepares a consolidated return showing the aggregated results of all VAT returns received from the other members of the tax group for the tax period. The representative then submits all the members' tax returns and the consolidated VAT return to the competent tax authority and pays the tax resulting from the consolidated tax return or, if applicable, applies for a refund.

Conclusion

The formation of a VAT group may offer advantages in Romania, but this must be assessed on a case-by-case basis. The decision of taxpayers to form a VAT group should be carefully examined, especially with regard to the transmission of information from the members to their representative and the preparation of the consolidated VAT return, in order to determine whether this solution is advisable.

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