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# Fiscal Bulletin



## Summary:

1. The Romanian National Agency for Fiscal Administration ("NAFA") has published the performance report for the year 2019

## Performance report published by NAFA for 2019. Relevant aspects regarding the relationship between tax authorities and taxpayers

As every year, NAFA published the performance report for 2019 (i.e. the "Report") which provides to the public several types of information such as the amount of collected revenues the degree of collection of budget revenues, measures taken to improve the relationship with taxpayers or to increase efficiency in collection as well as considerations on reducing tax evasion. The Report prepared by NAFA can be consulted on the institution's website in the Reports and Studies section or accessed at the following link: [https://static.anaf.ro/static/10/Anaf/Informatii\\_R/Raport\\_performanta\\_07072020.pdf](https://static.anaf.ro/static/10/Anaf/Informatii_R/Raport_performanta_07072020.pdf)

Further on, we shall present certain aspects which we consider relevant from the relationship between tax authorities and taxpayers point of view, and we invite you to consult the Report if you are interested in certain specific topics which are presented in detail by NAFA in the 65 pages of the Report.

### 1. Digitalization

One of the topics discussed in the Report, which we consider to be of significant importance in terms of the relationship with taxpayers, refers to the *computerization process of NAFA*. As the institution itself acknowledges, it is undeniable that computerization must be the key part of modernizing the tax administration, both the massive computerization of work processes and the use of complex IT tools are likely to increase the efficiency of the tax administration, with direct and immediate effect on revenues collected to the state budget. Therefore, throughout the Report, the progress made by the institution in this respect is presented, among which we mention:

- Completion of an IT Strategy for the period October 1, 2019 - December 31, 2020;
- Simplification of tax administration procedures in order to reduce the number and frequency of filing forms (for example, merging certain tax returns into a single form "Single return on income tax and social contributions due by individuals");
- The electronic submission of as many tax returns as possible is gradually implemented, in order to achieve the objective of communicating with taxpayer exclusively electronic in what regards general relations with the tax administration (the possibility of electronic submission of forms 209, 222, 224 has been implemented);
- Implementation of the electronic system for garnishment of bank accounts;
- Development of the functionalities of the Virtual Private Space.

It should also be mentioned that, at the beginning of 2019, the implementation of the project *"Strengthening the capacity of the National Agency for Fiscal Administration to support modernization initiatives"* started by implementing an international standard audit file for all economic operators ("SAF-T "). SAF-T is a standardized structure of information relevant to tax controls in order to reduce the cost of compliance for companies. The deadline for completion of this project is June 14, 2021.

The Report concludes that it is clear that the efforts undertaken so far by NAFA, as well as the initiatives considered in the coming period, will have a limited impact on improving efficiency, if they are not supported by the development of complex information systems that address both to the automation of current work processes (repetitive, for which no human intervention is necessary), and to complex analytical work tasks (which require an extremely large volume of information, from various sources, structured or unstructured and which must be massively processed in limited time intervals).

## 2. Reduction of tax evasion

As a result of the tax inspection activity, during 2019, the controls performed on taxpayers, legal entities and individuals, had the following results compared to those related to 2018:

Results	2019	2018
<b>Number of tax inspections (general and partial)</b>	27.023 (out of which: 18.375 on legal entities and 8.648 on individuals)	25.719 (out of which: 17.675 on legal entities and 8.044 on individuals)
<b>Amount of additional obligations established</b> (VAT: 48.4%, Profit tax 29.6%, social contributions 9.9%, other taxes 12.1%)	4.948,8 mil. lei (out of which: 4.707,1 mil. RON for legal entities and 241,7 mil. RON for individuals)	5.997,2 mil. lei (out of which: 5.702,2 mil. RON for legal entities and 294,9 mil. RON for individuals)

<b>Number of precautionary measures instituted</b>	1.016 amounting to 849 mil. RON	1.624 amounting to 1.296,02 mil. RON
<b>Reductions of tax loss</b>	2,669 mil. RON	2.874,9 mil. RON

Regarding the particular subject of transfer pricing, the tax inspections carried out at the taxpayers which performed transactions with affiliates in which the transfer prices charged were verified, the additional tax obligations established (profit tax and accessories) were in total of 67.2 million RON, thus diminishing the fiscal loss for the taxpayers in question in a total amount of 547.5 million RON. In 2019, the tax base additionally established for the taxpayers verified from a transfer prices perspective was of 830.2 million RON. The Report also mentions that steps have been taken to initiate tax inspections in accordance with the BEPS (Base Erosion Profit Shifting) plan and the ATAD Directive - European and international regulations on preventing and combating tax evasion such as: approval of the model and content of the form "Country-by-country report", data from the spontaneous exchange of information related to Actions 5 and 13 of the BEPS-OECD Package are capitalized in the context of risk analyzes specific to transfer pricing, a Working Group has been set up which aims to develop ways to identify taxpayers with fiscal risk associated with transfer pricing, training has been organized in the field of transfer pricing.

Regarding the activity of the General Directorate for Fiscal Antifraud, the evolution of the level of result indicators in 2019, compared to those in 2018, indicates:

- Increase by 24.6% of the total value of the applied contravention sanctions (fines and confiscations);
- Increase by 38.0% of the value of the decisions of the precautionary measures instituted;
- Increase by 105.2% of the total value of the confiscations performed (cash, illicit income, goods).

Another important aspect to be mentioned refers to the activity of resolving administrative appeals. In this regard, the NAFA Report states that, out of a total of 7,070 appeals resolved (compared to 9,050 in 2018), the Decisions for rejecting administrative appeals increased by 11.4% compared to 2018. It is also stated that at the end year 2019, there are a number of 5,965 pending administrative appeals, significantly more than those related to 2018 (2,246).

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## Editors

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Our team comprises tax consultants previously working in management positions with Big Four companies and the Ministry of Finance. The group cooperates closely with the firm's lawyers specialising in administrative law, as well as contentious-administrative disputes.

Țuca Zbârcea & Asociații and Țuca Zbârcea & Asociații Tax S.R.L. are collaborating with **Andersen Global** in Romania.



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