
Digitization of Business Relations in Romania by using Electronic Invoices

Valentin RADU, PhD
Valahia University of Târgoviște, Romania
E-mail: valu_radu@yahoo.com

Andreea Cristina SAVU, PhD student
Valahia University of Târgoviște, Romania
E-mail: andreea_savu@ymail.com

XIAOYU ZHAN, PhD student
Valahia University of Târgoviște, Romania
E-mail: xiao@xiao.ro

Abstract: In times of digitization, automated and digitized billing processes are indispensable. Switching to electronic invoicing saves up to 80% of costs compared to paper invoices. In addition, it saves resources such as staff, time, and raw materials and reduces errors. In accordance with Directive 2014/55 / EU of the European Parliament, which entered into force in May 2014, more and more countries make electronic invoicing a legal obligation. An electronic invoice is issued, sent, and received by a third party using an electronic format. An electronic invoice has the same content and validity as a paper invoice. An electronic invoice can be reproduced and sent in different data formats. In our globalized and digitalized world, the transmission of data in electronic format has become normality without which we cannot function. To support the globalized market from a commercial, logistical, and fiscal point of view, solutions have been found to simplify the management processes related to these conditions. Thus, the main objective of this article is to show the importance of electronic invoicing at all levels of business.

Keywords: SAF-T, RO e-Invoice, electronic invoice, digitization, automation

Introduction

The electronic invoice is defined as an invoice issued, transmitted, and received in a structured electronic format of XML type, which allows its electronic and automatic processing by both the sender and the recipient. The structure of the electronic invoice and its main elements, such as information on the issuer and consignee, payment instructions, or VAT distribution, are also provided.

It should be noted that the electronic invoice is sent by the issuer in the national RO e-Invoice system. If the invoice conforms to the structure provided for in the order, the electronic signature of the Ministry of Finance shall apply and shall be immediately communicated to the recipient. The recipient has the obligation to receive and download the electronic invoice through the national system, to verify the legality, conformity, and regularity of the electronic invoice in accordance with the Romanian legislation.

If there are objections to the content of the electronic invoice, the recipient will immediately inform the issuer of this by sending a message to that effect, including in the national RO e-Invoice system. Any corrections will be made in accordance with the specific provisions provided by the Romanian Fiscal Code on this aspect and the corrected electronic invoice will be sent to the recipient through the same RO e-Invoice system. The original electronic invoice is the XML file accompanied by the electronic signature of the Ministry of Finance and the date of communication of the electronic invoice to the recipient is the date on which the electronic invoice is available for download from the national RO e-Invoice system.

Due to this legislation in Romania, an important step was taken in the direction of digitizing business relations in the commercial field, relations between economic operators, as well as their relations with public institutions. Digitization is a phenomenon with strong economic implications and thus lays the foundations for an increased connection and interaction between participants in trade relations. Romania emphasized once again that its understanding and implementation in the new digital age and in the context of e-commerce has put it at the forefront of this type of development (Lorena, I.P., Florin, R. et altera, 2011). Emergency Ordinance 120/2021 on the administration, operation, and implementation of the national electronic invoicing system RO e-Invoicing and electronic invoicing in Romania.

The ordinance aims the implementation of electronic invoicing, administration, operation, and management of the National Electronic Invoicing System. This system applies, by option, both to public procurement and in relations between economic operators. The invoice is defined as the invoice issued, transmitted, and received in electronic format of XML type and complies with the European standard SR EN 16931-1, which allows its electronic and automated processing. It is important to mention that once the application of this system has been chosen, all invoices in relation to the state, respectively to other economic operators, must be issued through RO e-Factura.

Analytic approaches to the concepts

Directive 2010/45 / EC regulates the legal framework for electronic invoicing in the European Union. However, each Member State regulates its own accounting rules, resulting in country-specific differences (Radu, V. and Tabirca, A.I., 2019). We help you keep track of why we've compiled a list of countries for electronic invoicing. Romania implements a digitization strategy using electronic invoicing for the entire economic activity by adopting GEO no. 120 of October 4, 2021. The ordinance regulates electronic invoicing in the field of public procurement and Romanian companies. The ordinance describes how the national electronic invoicing system will be used and requires that both the seller and the buyer be registered in the RO e-Invoices register. Non-resident taxpayers can also use the RO e-Invoice system.

As a result of this legislation, a step has been taken toward the digitalization of business relations in the commercial field. Digitization is a phenomenon with strong economic implications and thus lays the foundations for increased exchanges between the parties.

The answers to the question “Why has electronic invoicing been regulated?” can be: The originality and origin of electronic invoices must be verified, business-to-business e-commerce needs to be simplified and e-government systems should be modernized and collection times reduced.

B2G electronic invoicing in Romania

Electronic invoicing for B2G transactions will become officially mandatory from July 1, 2022, as specified in Law 139/2022 (of May 17, 2022). Thus, all public contracts in Romania will have to be invoiced through the RO e-Factura invoicing system, in UBL 2.1 format. The RO E-Invoice platform has been available since November 2021. Its use can be used to exchange invoices with public administrations (B2G) or between private companies (B2B). This platform is available for sending and downloading invoices. Recipients have 60 days to download their invoices.

Currently, to use the RO E-Invoice platform, the issuer and the recipient of the invoices must register there. However, in the case of companies affected by the July 2022 obligation, recipients will not have to be registered on the platform. These issuers must make their invoices available to the recipients in accordance with the provisions of the art. 319 of Law 227/2015 of the Fiscal Code, with subsequent amendments.

Invoices must be generated in a predefined UBL format, according to the RO_CIUS standard. Once the invoice has been sent electronically, the platform will assign an identification number to this invoice. The national system will perform various validations on documents, both syntactic and semantic (Radu, F., Giju, C. et altera, 2016).

Once the invoice is validated, the system will generate an automatic response and, if the validation is confirmed, a signature of the Ministry of Finance will be applied, which guarantees that no changes have been made to the content of the invoice. Issuers and recipients are required to keep electronic invoices for at least 10 years.

VAT reporting through SAF-T in Romania

From 2022, all Romanian companies and all foreign companies registered for tax purposes in Romania must present their tax and accounting information in SAF-T format. The EDICOM platform simplifies the reporting processes with the tax authorities in international contexts, through a multi-standard and multi-protocol solution that adapts to the main ERP systems on the market.

Romania's new electronic invoicing system was introduced in 2020 by the Ministry of Finance and the National Agency for Financial Administration. On December 17 of that year, the Romanian government issued EMERGENCY ORDINANCE no. 130 and clarified the details of the new electronic invoicing regime, including the areas and deadlines. During the development of this project, the B2B (business to Government) and B2B (business to business) electronic invoicing system of Italy was analyzed (Tabirca, A.I., Radu, F. et altera, 2020).

Although the implementation of the electronic invoicing system RO (called e-Invoice) was considered, the obligation to declare SAF-T RO (standard tax audit file) started in January 2022. The new system will contain both the implementation of Business to Business (B2B) and Business to Government (B2G) transactions. It will first be integrated with the electronic transfer system. The most important goal is to prevent tax evasion and smuggling. Excluding suppliers of high tax risk products, B2B transactions are still optional, but B2G transactions have no product limitations.

Research methodology

The subject of our paper refers to the challenges and perspectives of using electronic invoicing, with special emphasis on the factors that influence the quality of financial information. The added value of our research aims to highlight the impact of using electronic invoicing, showing how they contribute to filling the gap in the perception of the public interest in professional responsibilities in the financial-accounting field. Basic research focuses on debates about billing as a fundamental concept. Our approach tries to formulate an objective perception of reality in a rationalist, structured and determined positivist way. The interpretive paradigm we appeal to follows the effects of a permanent reconstruction of the ways of exploiting financial information by observing the reality of the facts seen as a sum of actions by their participation in interaction and interconnectivity. The study will be constructed using qualitative research methods designed to provide a fundamental understanding through an in-depth analysis of the benefits of using electronic invoicing, in a sensitive socio-economic context.

The research methodology used is based on qualitative methods and on the review of the literature, using an exhaustive analysis of the reports dealing with the subject. The legal basis and the general framework for the regulation and operationalization of the electronic invoice in Romania were analyzed and the most significant aspects of it were presented, in addition to the analysis of specialized articles and participation in events presented by professionals in the field. Above all, we try to offer a fundamental understanding through an in-depth analysis of this phenomenon in the economic field, with a rapid evolution that brings new opportunities to the business environment.

Result

Digitizing electronic invoicing has several advantages. The main advantage is undoubtedly the cost savings for the company. Manual invoicing is very cumbersome, expensive, and tedious. Companies can save up to 80% by sending electronic invoices instead of paper invoices.

With digital outbound invoices, you save materials, printing, and mail costs. Moreover, you can save on personal skills and use them more efficiently. Sources of manual error can be reduced, and invoices can be

distributed faster. Prompt distribution of invoices allows them to be settled faster, which increases liquidity (Tăbîrcă, A.I., Tănase, L.C. et altera, 2021).

Advantages of using electronic invoicing

- Cost savings - conversion to electronic invoice delivery saves up to 80% of process costs compared to paper processes.
- Security - simple and secure exchange of digital data with the legal transmission in over 60 countries.
- Resource-saving - save resources such as time, staff, and raw materials. Digitize and automate your electronic invoicing process and become more efficient.
- Flexibility - transfer not only electronic invoices but also payment information, accounting records, electronic transport documents, and much more.
- Acceleration of the process and thus a better observance of payment terms.
- Increased traceability due to the sharing of processing states, thus facilitating the obtaining of a reliable audit trail (PAF).
- New cash management possibilities (advance payments, refinancing, forecasting, dynamic updating).
- Compliance with tax regulations.

Romania is moving towards the digitalization of its fiscal system

Since taking office, the Romanian Finance Minister said that one of his most important objectives is the digital transformation of the relationship between the private sector and the tax administration. "Digitization is as much about technology as it is about people. We expect public service agents to take this step and respond quickly to the current demands of citizens. We propose a paradigm shift to ensure a proactive approach to the relationship between public institutions and citizens in tax matters. The electronic invoicing system of the Ministry of Finance is the catalyst for the paradigm shift in public administration. Transparency in spending public funds and digitizing interactions between the private sector and the state are goals we have been pursuing since we came to power. The launch of the new system is proof that we are reaching them". Romania has decided to take a further step in modernizing its tax administration, through a set of measures aimed at digitizing tax reporting processes. Among the ANAF projects is the implementation of the SAF-T system, the implementation of the electronic invoice, as well as the electronic declaration of receipts.

All these measures are part of the project "strengthening the capacity of the National Agency for Fiscal Administration to support modernization initiatives" undertaken by the National Agency for Fiscal Administration - ANAF. Of all the steps envisaged at the national level, the adoption of the SAF-T standard in the context of tax and accounting returns is particularly noteworthy. To anticipate the adoption of these new procedures, ANAF analyzed the existing system in various European countries that have already opted for this

standard (in Portugal or Poland, for example). In a press release, the administration expressed its desire to complete the development of its IT system for SAF-T in July 2021.

According to ANAF, the development of SAF-T "will contribute to ensuring the fairness of the country's economic life, while reducing the material and human costs borne by stakeholders (administration and taxpayers)". The government has shown a real interest in implementing a B2B, B2G, and B2C electronic invoicing system. On the other hand, the electronic receipt declaration (e-Reporting Point of Sale) will enter into force on June 30 for the largest companies and November 30 for the rest of the companies.

Preparing for future regulatory obligations for electronic invoicing and electronic reporting

As regards the tax authorities, the invoice is a fundamental document that justifies the collection of VAT for the supplier and its deductibility for the customer. By fulfilling the obligations to archive invoices and related supporting documents, the transition to electronic invoicing is often synonymous with compliance with both current and future tax regulations. This will require, from 2024, a generalization of electronic invoicing between companies, as well as the real-time, or even prior, declaration of the associated data to be transmitted to the tax authorities.

The main legislative changes in January 2022

1. The list of products with high fiscal risk, marketed in the B2B relationship, for which the electronic invoice is mandatory

In the Official Gazette no. 27 of January 10, 2022, the Order of the President of ANAF no. 12/2022 on the establishment of products with high fiscal risk, marketed in the B2B relationship. It defines the product categories and CN codes for which suppliers will be obliged, from 1 July 2022, to submit invoices issued in the national electronic invoicing system RO e-Invoice, regardless of whether the recipients are electronically registered.

The categories of products with high fiscal risk are:

- edible vegetables, fruits, roots, and tubers, as well as other edible plants.
- alcoholic beverages.
- new constructions.
- mineral products (natural mineral water, sand, and gravel).
- clothes and shoes.

2. Amendments to taxpayers administered by DGAMC

In the Official Gazette no. 95 of January 31, 2022, the ANAF Order no. 83/2022 was published for the amendment and completion of Order no. 1721/2021 on the organization of the activity of administration of large taxpayers, as well as some declaratory obligations. This normative act removes from the administration of the General Directorate for Administration of Large Taxpayers (DGAMC) the large taxpayers who were previously selected according to the continuity criterion but registered a decrease in turnover observed in the financial statements of 2020, compared to 2019, in a percentage higher than 50%, or declared in the financial statements related to these years a negative turnover. Taxpayers removed from the list of major taxpayers are required to submit information return D406 (SAF-T) within the deadlines for the category of taxpayers to which they belong after re-employment.

3. Approval of the terms and conditions for the recovery of budgetary debts representing VAT

In the Official Gazette no. 27 of January 10, 2022, ANAF Order no. 10/2022 for the approval of the procedures for recovering the budget receivables representing VAT due to the taxpayers who apply the special regimes. This normative act approves the modalities of identification and payment of the representative amounts for VAT due, as well as the procedure of reimbursement of the representative amounts for VAT paid in addition, modalities applicable to taxpayers applying the following special regimes:

- the special scheme for services provided by taxable persons not established in the European Union.
- special arrangements for intra-Community distance sales of goods.
- deliveries of national goods through electronic interfaces that facilitate such services and services provided by taxable persons established in the European Union, but not in the Member State of consumption and distance sales of goods.
- special arrangements for the distance selling of goods imported from third territories or third countries.

4. VAT exemption for the armed forces of other EU Member States and extension of the deadline for restructuring outstanding budget obligations

In the Official Gazette no. 92 of January 28, 2022, Government Ordinance no. 4/2022 for amending and supplementing Law no. 227/2015 on the Fiscal Code, as well as for extending a mandate. By this normative act, from July 1, 2022, the VAT exemption is applied for:

- The import of goods by the armed forces of other Member States carried out in Romania within a defense action carried out to implement a European Union action within the common security and defense.
- Delivery of goods not transported outside Romania and/or provision of services performed in Romania intended to be provided in case of participation in an action of the European Union within the common security and defense policy,

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- Delivery of goods and/or services in a Member State other than Romania, destined for the armed forces of any Member State, other than the Member State of destination, for the purpose of the European Union's action in the framework of joint security and defense.

This normative act also extends the period until which taxpayers can request the restructuring of outstanding budgetary obligations on December 31, 2020, based on Government Ordinance no. 6/2019 on the establishment of fiscal facilities, until July 31, 2022.

5. Ratification of the Multilateral Convention for the Application in Tax Treaties of Measures to Prevent Base Erosion and Profit Transfer

In the Official Gazette no. 28 of January 10, 2022, Law no. 5/2022 for the ratification of the Multilateral Convention for the implementation in the fiscal treaties of the measures related to the prevention of the erosion of the tax base and the transfer of profits was published in the Journal Official no. 28 bis of January 10, 2022. The European digitization strategy and fiscal policies and the use of electronic invoicing in all economic activity as a strategic element for economic transactions imposed the adoption of GEO no. 120 of October 4, 2021, on the administration, operation, and implementation of the national system of electronic invoicing RO e-Invoice and electronic invoicing in Romania.

The ordinance regulates Romania's national system of electronic invoicing (RO e-Invoice System) which will eventually be applicable both in the field of public procurement (B2G - Business to Government) and in transactions between economic operators (B2B - Business to Business). The ordinance describes the conditions of use of the National Electronic Invoicing System by describing the general rules for sending, receiving, and processing electronic invoices. It should be noted that this national system will become operational in November 2021, and the procedure for its use will be approved soon by the order of the Romanian Minister of Finance.

It should be mentioned that to use the National Electronic Invoice System in Romania in B2B commercial relations, the sender and the recipient must be registered in the RO e-Invoice register. This register is public and will be posted on the website of the National Agency for Fiscal Administration. In addition, electronic invoicing in the field of public procurement will also apply in the case of a B2G relationship if the economic operator opts for the use of the national electronic invoicing system RO e-Invoice. In addition, non-resident taxpayers can also use the national RO e-Invoice system in B2B or B2G business relationships.

The integration of the electronic invoice will take place in two stages. The electronic invoice can be submitted in the national electronic invoicing system, RO e-Invoice, between April 1 and June 30, 2022, voluntarily. The obligation will start on July 1, 2022, and suppliers will have to issue invoices in the RO e-Invoice system for B2B transactions involving high-risk products. This obligation will be initiated regardless of whether the buyers are registered in the RO e-invoices register.

Electronic invoices must be drawn up in XML format. Before submitting them, taxpayers must have access to Romania's electronic invoicing system. The national electronic invoicing system is accessible via the Virtual Private Space (SPV) website and via the shared API (application programming interface).

To use the SPV, commercial entities will need to be registered in their own name or under the name of a designated legal representative. Subsequently, taxpayers can submit their electronic invoices in the RO e-Invoice system and the same methods (API and SPV) can be used to upload them to the system.

Conclusions

Electronic invoices are invoices in digital format that come in various formats. They make it possible to eliminate paper at every stage of the invoice life cycle: issuance, receipt, analysis, and archiving. Simply sending a PDF invoice to a supplier is not technically an electronic invoice. An electronic invoice contains a data file that can be automatically extracted by different participants and thus avoids manual entry into accounting systems.

In recent years, the dematerialization of invoices has become increasingly popular. Companies that have achieved spectacular results by digitizing the entire process of invoice processing: savings, paper-reduction, more efficient processes...Governments around the world recognize the value that the global digitization of invoices can bring.

Until now, most of these regulations only targeted B2G transactions (Business and Government) and focused on reducing fraud. For companies, therefore, there is no doubt about the benefits of implementing electronic invoicing: increasing the productivity of accounting departments, better quality, and availability of information, reducing risks and litigation, or even reducing paper costs (postal, archiving etc.).

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