

## EXECUTIVE SUMMARY

### ON THE DRAFT-LAW ON INVOICES AND THE SYSTEM FOR MONITORING TRANSACTIONS

*August 2019*

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On July 31<sup>st</sup>, 2019, on the Electronic Register for Notifications and Public Consultations has been published *the Draft-law “On Invoicing and Monitoring of Turnover System” (“Draft-law”)* accompanied by the relevant Rationale and Report on Impact Assessment, attached to this Summary.

Given the importance of fiscalization reform and the interest for a broader consultation with all stakeholders involved in the implementation of the provisions of this draft-law, the IC Chair on the basis of DCM No. 294 dated 08.04.2015 “On the Establishing of the Investment Council” (as amended) and Internal Regulation convened the IC Meeting No.17.

This Summary provides a synthetic overview of some of the key elements of the draft-law that may be subject of questions, comments, suggestions or debates at the IC meeting on 28 August 2019.

- (1) *The intended purposes of the draft-law inter-alia:* (a) To reduce the level of informality in the economy; (b) Improving tax administration for the purpose of efficient tax collection; (c) To combat unfair competition; (d) Simplify tax control procedures and more efficient tax monitoring of risk taxpayers. (e) Have a better control of commercial transactions between taxpayers; (f) Have better control and monitoring of payment deadlines among taxpayers, speeding up and automating business processes.
- (2) *Subject of the Law:* The law regulates the obligation to: (a) issue invoices for the supply of goods and services, (b) taxpayers who issue invoices, (c) content of the invoice, (d) invoice issuance procedures, (e) obligation to issue electronic invoice in cash transactions between taxpayers, between taxpayers and public authorities; (f) implementation of invoice fiscalization procedures; (h) the procedure for obtaining cash payment information for invoices issued, (i) and overseeing the implementation of this draft-law.
- (3) *Approximated directives:* (a) European Parliament and Council Directive 2014/55/EC of 16 April 2014, “On Electronic Invoicing in Public Procurement”, CELEX Number 32014L0055, Official Journal of the European Union, Series L, No. 133/1, dated 6.5.2014, pages 1–11. (b) Directive 2006/112 / EC of 28 November 2006 “On a Common System of Value-Added Tax”.

- (4) *Draft-law Novelties*: (a) Creates a register of taxpayers issuing invoices, enabling real-time control of the content of invoices and their monitoring whether these invoices are paid promptly, in cash or non-cash; (b) Transactions included in this regime are transactions between Business-Consumer (B2C), Business to Business (B2B) and Business to Government (B2G) taxpayers; (c) Obligation to enforce electronic invoice and registration of the non-cash invoice payments<sup>1</sup>.
- (5) *Applicable models followed*<sup>2</sup>: Technological solutions followed by the draft-law that will enable the above innovations to be implemented are based on the models applied in Croatia, Slovenia, Czech Republic etc.
- (6) *Elements of the new fiscal system*: Must enable any taxpayer to apply any technology chosen by them according to the principle of *neutral technology* and that contain: (a) fiscal device (hardware with memory for issuing invoices; printer any other electronic equipment such as a computer, mobile phone used for compiling and issuing invoices, etc.); (b) software solution that enables the procedure of fiscalization and real-time transmission of data; (c) the system of communication between the taxpayer and the tax administration.
- (7) *By-laws*: Implementation of the time-terms, procedures, rules and technical specifications of the electronic solution for issuing and fiscalizing invoices requires a number of bylaws. Specifically, according to the draft-law, it is foreseen that within 30 days from the date of publication of the law in the Official Journal, to be adopted: *1 DCM, 13 Instructions of the Minister of Finance, 4 Joint Orders of the General Director of AKSHI and the General Director of Taxes*.
- (8) *Sanctions/other*: Although the draft-law is conceived as a specific law, in many respects such as (taxpayer categories, applicable sanctions, procedures followed, etc.) it does not provide a definitive answer but it makes references to other laws such as: Law No.9920 “On Tax Procedures” (as amended), Law No. 92/2014 “On VAT” (as amended) and their bylaws.
- (9) *Entry into Force*: The provisions of the draft-law are envisaged to enter into force in a scalable manner as follows:
  - Fiscalisation of cash and non-cash (B2C) invoices, as well as associated invoices, from 1.1.2020.
  - Mandatory e-Invoice in transactions with public agencies (B2G) from 1.1.2021.
  - Mandatory e-Invoice in Business to Business (B2B) transactions and registration of e-Invoice payment as of 1.7.2021.

Full and detailed information about specific objectives, goals, and specifics provisions for taxpayers’ categories can be found inside the draft-law and its attachments. We would like to emphasize the importance of the reform for the country, including whether this reform would have any additional costs, especially for small businesses.

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<sup>1</sup> Issuance of electronic invoices until now has been only an alternative for the taxpayer.

<sup>2</sup> <https://en.wikipedia.org/wiki/Fiscalization>