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Implementation of the SAF-T Fiscal Audit Standard, Angel and / or Demon for Accounting?

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Abstract: One of the current priorities at national and EU level is real-time tax reporting and the exchange of information between the taxpayer and the tax authority, in order to identify in a timely manner possible evasion slippages and apply the most effective measures to sanction and eliminate them. In the last period of time, there is a very ambitious attitude of Romania to continue the process of digitization of Romania, characterized, in addition to the limited application of electronic invoicing RO e-invoice⁴ and monitoring RO-eTransport⁵, SAF-T⁶ reporting required for fiscal audit. The SAF-T file provides auditors with information extracted from taxpayers' accounts regarding any tax liability based on the accounting record, in a standardized and standardized format, for computer-assisted audits, based on software owner audit.

Keywords: computer; digitization; file; digital infrastructure; fiscal audit; optimization; software; control standard

JEL Classification: E26; E62; H26; M41; M42

1. Introduction

SAF-T is an international standard that pursues the exchange of financial-accounting data between economic entities/organizations and tax authorities carried out in the digital sphere, specific to the fourth industrial revolution (Schwab, 2017).

It was born at the initiative of the OECD⁷, regarding the implementation of a reporting and accounting declaration standard with fiscal connotation, electronically, uniformly for multinational companies, for which fiscal monitoring is difficult to achieve, aiming in principle to limit and reduce tax evasion, in principle in the field of VAT and transfer pricing.

Historically speaking, the first version of this standard adopted by the OECD in 2005 has undergone various changes continuously updated over time, the last codified version 2.0 being a recommendation.

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⁴ [https://www.anaf.ro/anaf/internet/ANAF/despre_anaf/strategii_anaf/proiecte_digitalizare/e.factura!/ut/p/a0/04_Sj9CPykssy0xPLMnMz0vMAfGjzOI9DD3MPIwsjLws3AKdDQKDDH1cHb0NDAz8jfQLsh0VAUH07u4!/.](https://www.anaf.ro/anaf/internet/ANAF/despre_anaf/strategii_anaf/proiecte_digitalizare/e.factura!/ut/p/a0/04_Sj9CPykssy0xPLMnMz0vMAfGjzOI9DD3MPIwsjLws3AKdDQKDDH1cHb0NDAz8jfQLsh0VAUH07u4!/)

⁵ <https://mfinante.gov.ro/ro/web/etransport>;

⁶ https://static.anaf.ro/static/10/Anaf/Informatii_R/SAF_T_Ghidul_D406_1712021.pdf.

⁷ Organization for Economic Co-operation and Development.

Over time, states with different jurisdictions on the world map have implemented this OECD model reporting each in their own style, according to the national interest, the obligation has not been established everywhere as the more or less extended form.

As an example, Poland instituted some mandatory deadlines from July 2016, similar to Portugal, and Lithuania and Norway only request the submission of this report when required, and combined variants are applicable in France, Germany, Luxembourg, the Netherlands, Austria, Finland or Slovenia.

Instead of SAFT, some countries opted for other electronic forms of communication with tax authorities, with similar purpose and effects, such as centralized real-time reporting of transactions, online, as in Hungary and Italy, or slightly delayed (Spain), and Greece has implemented electronic invoicing.

In Poland, the effects of such a digitalized fiscal policy were seen in terms of VAT collection, the deficit from 2016 to 2020 reducing year by year, the cumulative percentage being around 15%.

Hungary, which in addition to SAFT reporting, since 2018 has also implemented real-time communication of the accounting of transactions and economic operations, the VAT collected being increased by percentages between 5-10%.

2. Data Analysis. Theoretical Fundamentals

In the OECD's view, the SAF-T reporting process involves a data control (Auksztol & Chomuszko, 2020, pp. 13-40), cumulating and emphasizing risk management and internal accounting control.

In this context of information technology, Romania very quickly directed and focused on the digitized declaration of financial-accounting information with a fiscal component, starting from 2022, implementing chronologically, gradually and sequentially, by types of taxpayers, the SAF-T system.

Through this method of reporting, the performance of tax inspections is greatly facilitated, because it reduces the physical presence of tax inspectors and preserves the documents and information that represent the evidence, respectively the documentary support for the analysis of the tax situation of taxpayers.

Technically, SAF-T aims at collecting accounting data and communicate it to ANAF in xml format, which concentrates the accounting information mapped according to the requirements established by the standard file, for this purpose a procedural order¹ and an application guide have been issued².

Therefore, the SAF-T model applied in Romania is identified according to the updated version of the OECD, structured on five modules: the journal, receivables (AR), liabilities (AP), assets and stocks.

The first three modules, according to the scheme above, are reported continuously and rperiodically (in line with the monthly/quarterly VAT declarations, or quarterly for entities without a VAT code.

The assets will be communicated annually, at the same time as the financial statements, and the other accounting information (inventories) once only at the request of the tax authorities.

¹ Order of the ANAF President no. 1783/2021.

² https://static.anaf.ro/static/10/Anaf/Informatii_R/SAF_T_Ghidul_D406_1712021.pdf.

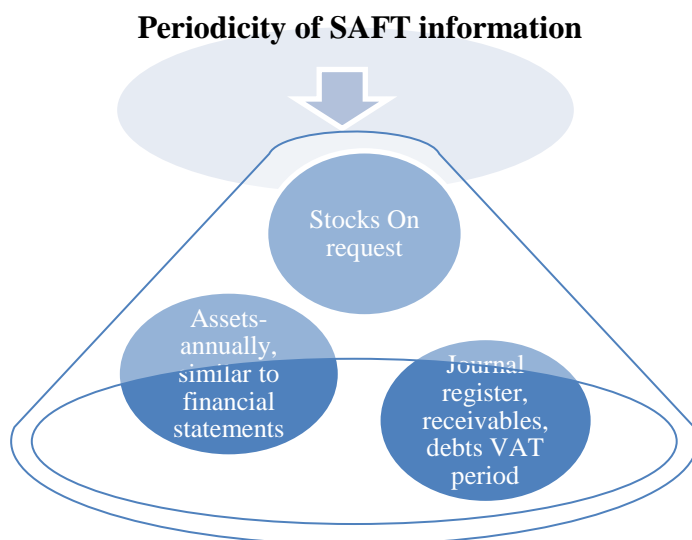


Figure 1. Periodicity of SAFT information

Seen from an accounting point of view, the 406-SAFT declaration is somewhat similar to the preparation and declaration of annual financial statements, the comparison being through the prism of the degree of complexity, and in terms of periodicity also with the VAT information statements.

In terms of the area of application, it was thought out over time, by types of taxpayers, according to their importance as follows:

from 01.01.2022/01.01.2022	•For high tax payers registered on 31.12.2021/01.01.2022
from 01.01.2023	•For medium taxpayers registered on 31.12.2022
from 01.01.2025	•For small taxpayers registered on 31.12.2022

Figure 2. High, medium and small tax payers registered on 31.12.2021

The introduction of SAF-T greatly simplifies the taxpayer/tax authority relationship, because:

- simplification of compliance processes for taxpayers;
- the physical interaction between the taxpayer's representatives and the tax inspectors is eliminated;
- field controls to obtain accounting information are reduced;
- the information requested by the fiscal audit is standardized;
- the analysis is improved, for ANAF;
- securing the electronic exchange of accounting data;
- increases the effectiveness and productivity of controls, the transparency of access;
- checks are done quickly, dead times are eliminated, documentary control is easy, thorough and efficient;
- taxpayer/fiscal authority response times are considerably reduced;

increasing tax compliance, identifying inconsistencies and evasions from declaring and paying tax obligations, reducing the hidden economy market;
the gradual improvement of tax receipts to the state budget.

As is natural, the applicability of SAF-T also has disadvantages, among which we list:

difficulties in identifying the information requested by the file, registered in different accounting systems, the link between the available and the detailed requested;
a multitude of information and the complex structure of the file makes it impossible to fill out the report manually, which requires accounting computerization and software adapted to this type of reporting, at the moment this is a major impediment;
the accounting staff as well as the tax inspectors must rebrand themselves to meet the SAF-T requirements, accounting professionals considering that for a good period of time this immaterialization will constitute a nightmare for the profession;
the introduction of SAF-T requires the adaptation of the digital infrastructure, which, at least in the case of the tax authority, we do not know to what extent it will cope when from 2025 the implementation of this type of reporting will be generalized.

The experience of the EU member states that have adopted such a modernization program through digitization reveals an increase in the degree of VAT collection and the degree of transparency of the informal economy.

3. Conclusions

Introduction SAF-T aims to reduce the gap recorded by Romania regarding the collection of VAT, which in 2019, before the pandemic was over 33%, more than 3 times the EU average, as well as disciplining economic agents and identifying those with fiscal behavior incorrect.

As things currently stand, the conclusions are not favorable to the economic environment, as they reduce the administrative burden and ease the control and inspection of the tax authority, but redistribute on the shoulders of taxpayers.

If intelligent and well-thought-out measures are not taken, it will end up as a current paradox whereby the same fiscal obligation is reported through several declarations, which instead of making the taxpayer's life easier will turn it into an ordeal, an illustrative example being the VAT for which draw up and declare several documents, as follows:

declaration 406/SAF-T;

VAT statement;

informative statement 390;

informative statement 394.

As a final conclusion, it must be understood that the diversity and complexity of tax regulation only discourages taxpayers who are in good faith, those with bad intentions will find ways to adapt to this bureaucratic system, and the complexity of reporting, the inaccessibility of the digital system in the moments cutting edge, opaque, often counterintuitive way of doing things will have an adverse impact on compliance.

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