

Accounting and VAT in INCOTERMS 2010

Ing. Ľubomír Kmec, MBA
University of Presov in Presov
Konstantinova ul, 16, 080 01 Presov, Slovakia
lubomir.kmec@gmail.com

PaedDr. Terézia Horná
University of Presov in Presov
Konstantinova ul, 16, 080 01 Presov, Slovakia
terezia.horana@gmail.com

Abstract: The proposition of concluding contracts is an integral part of the daily practice of private-law and public-legal entities nowadays. With a globalization trends, trade between entities from different countries is becoming increasingly important. In the issue of smaller countries, including Slovakia, the impact of international trade is key. The aim of this article is with a descriptive method to analyze the accounting page of the tax entity and how the individual parity of INCOTERMS 2010 will be reflected in the accounts and in the VAT return, highlighting the issue of tax documents.

Keywords: Tax documents, INCOTERMS 2010, grant to VAT, summary statement, accounting in Incoterms 2010

DROVE classification: C22; C51 Q11 Q13

1. Theoretical background

1.1 Tax documents on export in INCOTERMS 2010

Tax documents for the export regime differ from normal domestic tax documents. It is not a specific foreign invoice, but a decision to release the goods under the relevant customs procedure. The tax document on export of goods is according to § 30 para. 4 VAT written decision of the customs authority on the export of goods to a third country to which the output of goods from the EU territory is confirmed. Most often, this decision is given in the form of SAA, but the SAA is also not a precondition. The payer may prove the export of the goods in any other way if the output of the goods is not confirmed by the customs authority. The means of proof in this case may be, for example, Transport documents, delivery notes or import customs declaration showing that the goods have been released for free circulation in the third country. (www.financnasprava.sk) Under the INCOTERMS clauses, we also deal with customs clearance in the export and import arrangements. The export mode to the Slovak seller allows its goods to leave the territory of the community and includes export formalities for commercial policy measures and any export duties. The Customs office shall be given an export declaration and shall be released for the export procedure if it leaves the territory of the community in the same state as it was at the time when the export declaration was accepted. (Janatka 2004, 159)

1.2 Tax documents on delivery to another Member State in INCOTERMS 2010

A tax document on delivery to another Member State to a person registered for tax in another Member State shall be issued by the payer who supplies the goods to another Member State within 15 days of the date of the taxable or receipt of the payment. (§ 69 VAT) The particulars of this tax document are almost identical to the domestic document. In addition, there must be a notice that this is a tax-exempt transaction with reference to the relevant VAT provisions, or a reference to Directive 2006/112/EU and the document must bear the VAT number of the customer who is registered to tax in another Member State. (Galočík and Paikert 2009, 99)

In the case of delivery of goods to another Member State, customs clearance shall be discharged. As already mentioned in the first chapter, Slovakia is part of the single internal market and goods that are transported to other Member States will not be subject to customs control. In the issue of value added tax, the obligation to grant tax shifts to the customer-this is the so-called. "Reverse charge". This principle means that the obligation to grant tax is transferred from the domestic to another member.

1.3 Return to VAT in INCOTERMS

If the Slovak vendor exports the goods and exempts it from VAT under § 47 VAT, it must demonstrate compliance with the conditions laid down in that provision. The export is under § 47 (2). 1 VAT effected where the goods were placed under the customs procedure of export, outward processing or external transit or has been placed under a customs-approved treatment for re-exportation of goods from the customs territory of the European Community. The placing or delivery of goods in a free zone or free warehouse in the national territory shall also be deemed to be exported. This fact is evidenced by the presentation of an export SAA or a decision on the placing of goods in a free warehouse or zone. Furthermore, it is necessary to demonstrate that the goods have been ascended to a third country. This serves the SAA again, confirmed by the competent Customs office. Following the § 47 para. (2) It is necessary to demonstrate that the shipment or dispatch was made by the exporter or buyer, or by their authorized persons. An appropriate endorsement is the transport documents and, where applicable, the purchase agreement, where it is determined who should transport the goods. (Fitříková 2007, 88)

On exportation, a taxable transaction is made on the day on which the output from the EU territory is confirmed by the customs authorities and the day of placing in a free zone or warehouse validated by the customs authority. (Soul 2011, 174) state to the person to whom the goods are delivered (Galočík and Jelínek, 2009, 13)

Table 1. Line No 30 in THE VAT declaration for deduction of the goods export tax

If it is supplied by the Slovak seller to the EU, the necessary condition for the exemption of VAT is, pursuant to § 47 VAT, that the person to whom the goods are delivered is registered for tax in another Member State. The goods delivered will then be subject to tax in that other Member State. Another condition is the dispatch or transport of goods from the domestic to another Member State. (Pitner and Benda 2010, 199) To verify that the customer's TAX is valid, whether the VAT customer is really registered, the Slovak supplier can validate it in VIES.

Table 2. VIES TIN Verification

If the VAT is valid, the Slovak payer shall indicate the amount of the supply (in €) to the VAT return to row 9 and complete the summary reports. In time, the obligation of the payer to grant the taxable transaction effected under § 69 VAT to the fifteenth day of the month following the month in which the goods were dispatched or transported to another Member State. However, where a tax document has been issued before that date, the payer may grant the payment of that delivery at the date of issue of that document.

In cases where the seller cannot demonstrate that the goods have been exported or delivered to another Member State, it may not proceed under § 47. This means that this supply is not exempt from VAT with a claim for deduction

and appears to be a domestic transaction, i.e. the supply of goods in the national territory. This transaction is written to Line 1.

Table 3. Line No 1 in the VAT declaration**1.4 Summary Report**

The supply of goods to another Member State arises from the taxable person's obligation to complete a summary statement. This obligation arises from § 7 or § 7 a VAT. A summary statement is a form. The summary statement of Value Added tax (hereinafter referred to as the "summary Report") is an electronic form (a model established by a measure issued by the MF SR and declared in the SLOVAK Law Gazette), which must be submitted by the person supplying the goods to another Member State and from 1.1. 2010 The person supplying the service to another Member State. This is provided for in section 80 of Act No 222/204 Z. O. On value added tax as amended.

The data on the value of the goods delivered shall be broken down by individual entity (listed below their VAT number under which they are registered) and in cash units €. The summary report shall be lodged by electronic means within 25 days of the end of the period for which the summary statement is payable. If the end of the time limit for filing the summary statement falls on a Saturday, Sunday or a non-working day, the last day of the period shall be the nearest working day. For payers who only carry out services with a place of performance in another Member State, the deadline for filing the summary statement is identical to the deadline for filing the VAT return, i.e. by 25. Day following the end of the tax period to which it is either the calendar month or the quarter.

The summary statement shall be made exclusively by electronic means, never in documentary form. A summary statement by electronic means must be signed by a guaranteed electronic signature or an electronic mark provided by the tax authority on the basis of a closed written agreement containing the particulars of electronic delivery. Details can be found on the website of the SLOVAK Financial Directorate in the tab: ELECTRONIC COMMUNICATION. (www.financnasprava.sk)

Table 4. Example of filling in the VAT summary report

1.4 Accounting in INCOTERMS 2010

When you sell items in terms of posting, it is not important where the items were shipped. This is the market for goods sold or the market for own products, as in the case of both domestic and foreign, or of escape transactions. A minor difference may occur if an entity establishes an internal regulation that distinguishes these sales from a territorial point of view and keeps an analytical record of those sales. Commitments can also be distinguished in an analytical way. Such as:

- Account 311.001 - subscribers to the domestic, account 601.001-turnover for own products from the domestic, account 604.001 –Sales goods from the domestic,
- Account 311.002 - EU subscribers, account 601.002-Sales for own products from the EU, account 604.002 turnover of goods from EU
- Account 311.003 - third country subscribers, 601.003-turnover for own products from a third country, account 604.003 - Sales goods from a third country.

Another situation occurs when the posting date and the date of the taxable transaction are different. According to § 3 (1 of Law no 431/2002 ECR on accounting, as amended (hereinafter referred to as the Sis), will charge the entity for a period to which it is linked in time and in substance. In contrast, VAT provides, in § 19, the obligation on the payer to award the tax on the exit at the date of execution of the taxable transaction or on the date of receipt of the payment (namely the date which occurs earlier) and in § 49 stipulates that the tax entity is entitled to claim the deduction of the tax first For the tax period in which the conditions under (a) are fulfilled. 1 (i.e. in the period when the payer receives the tax document). Practically this means that, for example, the purchase of goods with the date of execution of the taxable transaction will occur 31. 5.2015, to which we have completed the tax document at Date 2. 6.2015, we post according to ZoU K 31. 5.2015, but we can claim VAT only in the period June 2015. A similar situation may occur on delivery when the customer 31. 5. The 2015 shall pay the advance on the goods to which the supplier, on the same day, issues the tax receipt of the payment received. According to VAT, this obligation arises on the exit tax in the month of May. But the goods are delivered 2. 6.2015, and this day is also subject to invoice and the supplier shall, on that date, post the proceeds of the goods sold. (Galoutenant and Louša 2011, 38)

In relation to the different accounting and VAT dates, the conversion of foreign currency to € is also linked. The accounts shall be kept in monetary units of the Slovak currency and, in the cases provided for in § 4 (6 law at the same time as in foreign currency. At the same time, it is also charged in foreign currency if the original by is expressed in foreign currency for claims, liabilities, equity shares in companies, securities, derivatives, valuations and funds, corrective items. Reserves and technical grandfathering if they relate to property which is expressed in foreign currency. There is a clear obligation for accounting units to keep accounts and also to compile financial statements in

the State language. An Accounting document drawn up in a national language must comply with the condition of clarity according to § 8. Clarity is adjusted as an ability to individually, reliably and unequivocally determine the content of the accounting case following the accounting methods used and accounting policies.

Furthermore, according to section 24 of the Sis, an entity recalculates liabilities denominated in foreign currency at the date of creation and on the date of compilation of the accounts. It is therefore necessary to mention that the course for accounting purposes will be different than the VAT rate, since the statistical value of the goods is indicated on the tax document (SAA) and the rate of conversion to the Slovak currency has been used. (Galočík and Louša, 201, 100)

For accounting purposes, the entity uses the rates of NBS, either a daily course or a fixed rate. The decision on the use of which course is fully in the responsibility of the entity and is provided in the internal regulation. According to the full text of Law no 222/2004 Coll. on value added tax, as amended by Law no 350/2004 Coll. and the Law 651/2004 Coll. fixed course for accounting purposes, we understand under § 26 the rate established by the internal rules of the entity on the basis of the exchange rate market Established by NBS, used by the accounting unit for a predetermined period. The fixed period may not exceed the accounting period. As a course of the foreign exchange market on the basis of which the fixed rate is fixed, the entity shall use the foreign exchange market rate declared by NBS on the first day of the period for which the fixed rate is used. (Fitřiková 2007, 89)

Thus, if an entity uses a daily rate of NBS for the conversion of foreign currency liabilities, it will also be used to award intracommunity transactions for VAT purposes. The accounting and tax price in € are likely to be different if the date of the taxable transaction is not identical to the date of posting. By contrast, when determining the fixed rate, it can be assumed that both the book and the tax price will be identical if the transaction is within the period for which the rate applies.

For the purposes of importation, as indicated above, the customs rate shall be applied. This is determined in accordance with Commission Regulation (EEC) No 2454/93 of 2. July 1993, Implementing Council Regulations (EEC) No 2913/92 establishing the Community Customs Code. Article 169 provides the following: where the facts which serve to determine the customs value of goods expressed in a currency other than the currency of the Member State in which the customs value is determined, the exchange rate shall be used in determining that value on behalf of the Member State concerned. Recorded on the prefinal Wednesday of the calendar month, duly published on the same or the following day. The rate recorded on the prefinal Wednesday of the month shall be used during the following calendar month, unless it is replaced by the rate referred to in article 171. Current courses we find on the website of the Customs Administration. (www.ekrcis.financnasprava.sk)

The issue of courses for the correct determination of the tax liability is only current in the case of imports or acquisitions of goods from another Member State. When exporting and supplying goods to another Member State, we do not address VAT because the shipment is exempt from VAT. However, if an entity exposes an invoice in a currency other than €, the conversion rate shall be used by the accounting course, i.e. as mentioned above, by the relevant NBS course.

Conclusion

This article analyzes and describes the tax perspective on foreign trade. It highlights the complexity of the issue in the appearance of several specific situations, exemptions and administrative burdens for individual parties to trade. The Slovak exporter must thus know not only the issue of contractual relations at international level, but also the tax regulations, both domestic and national regulations of the countries in which they sell their goods, as there may be a situation in which the country concerned to register VAT.

The application of the INCOTERMS delivery clauses provides the tax entity with unambiguous information on the application, derivative and exemption of VAT. This issue was key. After a thorough analysis of the individual parties from the VAT perspective, the place of performance can be determined, in this respect and use the relevant legislation, to demonstrate the necessary facts and then to correctly complete the tax return.

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