

IMPACT OF FISCALIZATION AT THE HEIGHT OF CALCULATED VALUE ADDED TAX

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Abstract

Public revenues are funds (money) which states meet public needs in their jurisdiction. The development of public revenue is related to the development of the state, a form of public- private planning and economic development.

This article discusses the types of public revenues, and analyzes the impact of the legislation on Fiscalization traffic cash reserves on the amount of value added tax. Furthermore, the paper carried analyzes for the first nine months of three years of calculated value added tax on the Croatian territory. The analyses include the introduction of new rates of value added tax from 1 January, 2013. Also, the changes in the Law on Personal Income Tax are analysed, and its impact on the Ordinance of flat taxation of self-employed and the impact of this on the level of reserves in the value added tax.

JEL Classification: H71

Keywords: public revenues, taxes, fiscalization, The Republic of Croatia

1 Introduction

The process of implementation of the Fiscalization Law in cash circulation is shown through the analysis of the first nine months in the period of three years. The study includes the impact of the Ordinance on flat taxation of self-employed and the impact of this on the level of reserves in the value added tax. The application of the new rate of value added tax and its impact on the level of reserves in the value added tax will also be displayed.

2 Definition and classification of public revenue

Characteristics of public revenues are in collecting the money, levying periodic collection of revenue, income and exceptional property, and they serve to meet public needs. Public revenues can be divided into seven categories, and in this paper, the seventh category of division in public revenue belonging to the budget will be explained. According to the affiliation in public budget revenues are divided on fiscal and non-fiscal.

The fiscal revenues include taxes, duties, fees, contributions and par fiscals.

2.1 *Law on Value Added Tax*

Value added tax is one of the most important revenue for the national budget. Taxpayer for Value Added Tax is a businessman who supplied goods or services, or the issuer of the account that is required to provide an account for goods delivered or services performed separately which is indicated by the VAT. An entrepreneur, who during the current year, delivers goods that would have been taxable in value over 230.000,00 HRK becomes taxpayer from 1 January of next year and shall notify the competent Tax Administration office filing for registration in the Register of Value Added Tax. The taxing period on the value added tax is the calendar year and the accounting period are from the first till the last day of the month.¹

The taxpayer calculates value-added tax invoices issued by the supplied goods and services over the relevant period and is calculated as the tax required to disclose the tax return and pay within the time limits prescribed for the filing of an application or the final tax calculation. The taxpayer has the right to use tax stated on invoices for goods and services that are performed by other entrepreneurs' taxpayer in entrepreneurial purposes - prepayment that a taxpayer may use under certain conditions. A taxpayer, who in the accounting period, shall be entitled to deduct input tax, the amount of which is greater than its tax liability is entitled to a refund of the difference. Tax administration is obliged to refund the difference within 30 days from the date of submission of application.²

From 1 January, 2013. changes re-occurred in the taxation of value added tax in the part which refers to the threshold of delivery and the amount of the tax rate. According to the amendments to the Law on Value Added Tax (Official Gazette

¹ Jerković; 2011., 44

² Jerković; 2011., 29

22/12), 1 January, 2013. applies a reduced rate of 10% on food preparation and meals in restaurants, and preparing and serving alcoholic drinks, wine and beer at these facilities. Law amendments on the Law on Value Added Tax (Official Gazette 136/12) which comes into force on 1 January, 2013. provides an increase in the rate of VAT on certain products from 0% to 5%. Also, there is a regulation in the rate of 5%, which is applicable to vessels for sport and leisure when they are placed under the customs procedure of release for free circulation by 31 May, 2013, and by then they were in the temporary importation procedure.³

According to the Law Amendments on the Law on VAT in 1 January, 2013. tax rate of 0% is replaced by a rate of 5% on the listed products, given that the RH required VAT rate to align with the Directive 2006/112/EC, where in the article. 98 provides that the general tax rate cannot be lower than 15% and that the EU member states may apply a maximum of two reduced rates that cannot be lower than 5%. The reduced rate of VAT can only be applied to goods and services listed in Annex III. Council Directive 2006/112/EC and therefore these amendments in the provisions of the VAT amount rate are completely aligned. Taxpayers who sell products which they are taxed at different rates of VAT turnover on 1 January, 2013. must be classified according to the tax rates on products taxable at the rate of 5, 10 and 25%. According to the change of Article 38 paragraph 2, paragraph g of the Law on Amendments to the Law on Value Added Tax from 1 January, 2014 from the 10% rate increases to 13%.⁴

2.2. The impact of the application of the Fiscalization on public revenues through the process of introducing individual phases of fiscalization, concerning the activities of NKD2007 5

Application of the Fiscalization Law in circulation of cash (Official Gazette 133/12) started on 1 January, 2013. and is being implemented in phases as follows:⁶

- 1 For large and medium taxpayers, basically all the activities of providing accommodation and food preparation and serving (mark I-NACE 2007) from 1 January, 2013.

³ Kalčić; 2013., 54

⁴ http://narodne-novine.nn.hr/clanci/sluzbeni/2013_12_148_3138.html (16.11.2013.)

⁵ <http://www.dzs.hr/Hrv/important/Nomen/nkd2007/nkd2007.pdf> (13.12.2013.)

⁶ Matković; 2013.,36

2 For people as one of the activities carried out by wholesale trade and retail trade, repair of motor vehicles and motorcycles (NACE G label in 2007) and those engaged in independent professions (Article 18 paragraph 2 of the Law on Business Companies-a) started from 1 April, 2013.

3 For the rest from 1 July, 2013.

The obligation to adhere to the Fiscalization Law is determined by the Accounting Act, which provides:

1 natural person is a subject to income tax on the basis of self-employment by art. 18 from the Law on Personal Income Tax and 2 legal and natural persons that are considered to be subject to income tax under Art.

2 the Law on Corporate Income Tax, and under special regulations are obliged to issue an invoice for the supply of goods or services, in any activity for which, in accordance with special regulations, subject to issuance of the invoice for the delivery of goods or services.

3 Comparative analysis of calculated value added tax before and after the introduction of the Law on Fiscalization

The chapter analyzes the results of the implementation and impact of the Law on Fiscalization in light of changes to the Law on Value Added Tax and the implementation of the Ordinance on flat tax. In the analyses are the first nine months of the 2013, in relation to the previous two years. Ones are monitoring the large and medium taxpayers, which are all in the activities of providing accommodation and preparing and serving food (NACE mark I- 2007) in the system of fiscalization from 1 January, 2013. It analyzes the effects of these factors on the Croatian territory. The results of fiscalization are influenced by a number of factors: changes in the rate of value added tax for caterers from 25% to 10 %, the increase for the threshold from HRK 85,000.00 to 230,000.00 KN for entry into the system of value added tax, amended provisions of Article 44 for Law on income tax and a new condition for the possibility of determining income and income taxes in a flat taxation which resulted in the application of the Ordinance of flat taxation of self-employed.

3.1. Analysis of calculated VAT in the first nine months of 2013 compared to the first nine of 2012, and 2011, in Croatian territory

Below analyzed data are for large and medium taxpayers, and for all the activities of providing accommodation and food preparation and serving (mark I-NACE 2007) from the 1 January, 2013.

Table no. 1 Analysis of the value of shipments and the calculated tax in January 2011, 2012, and 2013, in the Croatia, Group I

ITEM DESCRIPTION:	Delivery value 1/2013	Delivery value 1/2012	Delivery value 1/2011
	8,36%	11,74%	100,00%
TAXABLE TOTAL (1+2+3+4)	646.636.309,39	592.604.765,08	523.044.811,91
I. Is invoices 5% and 10%	461.990.312,97	111.624.217,93	89.694.326,51
II. Is invoices 22% and 23%	-396.503,14	481.017.605,28	44.926,96
III. Is invoices 25%	185.061.714,80	0	436.315.716,73
IV. Subsequent exports liberation	-19.215,24	-37.058,13	-10.155,29

Source: Made by author

With the application of the Fiscal Law and the fiscalization obligation with cash accounts, and despite the decrease in the rate of value added tax from 25% to 10% in January 2013, there was a significant increase in the calculated value of shipments and value added tax for 8,36 compared to January 2012. The increase was evident despite the fact that by the increase in the threshold for entering into the system of value added tax payers, a considerable number came from a system of value added tax and the rest of the income tax system, and the results of fiscalization for these taxpayers will be visible when registered upon submission of registration tax receipts for the 2014.

Table No. 2, in section IV. subsequent to the liberation of exports within the passenger transport refers to the delivery of goods, excluding oil products, which passengers under passenger traffic ship individually or are transported from the Republic of Croatia or somebody has done that on their behalf, are exempt from value added tax. Liberation is achieved when a taxpayer who delivers goods receives proof of exported goods. The customer, that purchased goods within the passenger traffic and in the country, shall be entitled to a claim of a refund for the value added tax for the goods taken out if the following conditions are met:

a) that the passenger has a domicile or habitual residence in the territory of the Republic of Croatia, which proves the passport or identity card,

b) the total value of goods purchased from the VAT shown on the invoice exceeds 740.00 KN,

c) that the customer or on behalf of the transported goods purchased in Croatia abroad before the expiration of three months from the date indicated on the invoice for the goods delivered. The property can be derived from the Republic of Croatia and by mail or in any other appropriate manner.

d) that there is no proof of export, the original account and PDV-P form endorsed by the customs office in the territory of which the goods involved from the Republic of Croatia. The customs office, after the inspection and the customs treatment certify it with a stamp and signature of the authorized customs officer facsimile form PDV-P and enters the number of records of the customs office and the date when the goods crossed the Croatian border.

Since this paper analyzes the impact of fiscalization on the height of the calculated tax on the value added in providing accommodation and preparing and serving food (mark I-NACE 2007), and point IV. is talking about the subsequent liberation of export goods, it has no effect on taxable supplies (no subsequent liberation of the export of services).

Table no. 2 Analysis of the value of shipments and the calculated tax in February 2011, 2012, and 2013, in the Croatia, Group I

ITEM DESCRIPTION:	Delivery value 2/2013	Delivery value 2/2012	Delivery value 2/2011
	9,81%	3,60%	100,00%
TAXABLE TOTAL (1+2+3+4)	693.622.313,91	625.572.109,03	603.037.163,48
I. Is invoices 5% and 10%	520.595.795,03	165.054.985,68	145.307.163,48
II. Is invoices 22% and 23%	133.090,21	460.535.153,42	-178.454,28
III. Is invoices 25%	172.913.031,55	0	457.926.736,84
IV. Subsequent exports liberation	-19.602,88	-18.030,07	-16.380,56

Source: Made by author

February brought a growth of 3.60% in the 2012, and in 2013, in relation to the 2012 by 9.81%. Achieving results in the application of this Law would not be possible without a tax audit that has no compromise in implementing its provisions.

In tables 1, 2, 3, 4, 5, 6, 7, 8 and 9 in which we analyze fiscalization at the Republic of Croatia, appears a negligible amounts of subsequent liberation of exports in passenger traffic and it represent an impairment delivery and VAT. The reason is that taxpayers in one tax form, are displaying all taxable supplies for all activities performed and for this reason they are appearing in the tables.

Table 3, looks at the impact of fiscalization on February 2011, 2012. and 2013

Table no. 3 Analysis of the value of shipments and the calculated tax in March 2011, 2012, and 2013, in the Croatia, Group I

ITEM DESCRIPTION:	Delivery value 3/2013	Delivery value 3/2012	Delivery value 3/2011
	14,67%	8,31%	100,00%
TAXABLE TOTAL (1+2+3+4)	943.895.086,55	805.441.671,68	738.512.691,34
I. Is invoices 5% and 10%	725.306.953,64	282.204.075,40	211.039.234,36
II. Is invoices 22% and 23%	589.032,94	-4.418.815,07	-64.418,35
III. Is invoices 25%	218.008.105,17	527.584.443,77	527.552.413,26
IV. Subsequent exports liberation	-9.005,20	69.967.58	-14.537,92

Source: Made by author

The number of surveillance provisions of the Fiscalization Law was increasing from month to month, as shown in Table no. 3. In March 2012, value of taxable supplies increased by 8.31% while in 2013 one may notice an increase in taxable supplies by 14,67%. The most important role in achieving results in the application of this Law, has a tax audit, which must have no compromise in implementing its provisions, since any deviation will result in not issuing bills or without fiscalizing cash accounts.

Table no. 4 Analysis of the value of shipments and the calculated tax in April 2011, 2012, and 2013, in the Croatia, Group I

ITEM DESCRIPTION:	Delivery value 4/2013	Delivery value 4/2012	Delivery value 4/2011
	14,36%	0,64%	100,00%
TAXABLE TOTAL (1+2+3+4)	1.250.745.716,99	1.071.187.913,08	1.064.353.021,48
I. Is invoices 5% and 10%	1.010.613.499,27	465.688.627,90	438.158.093,84
II. Is invoices 22% and 23%	-380.832,60	2.693.985,50	-221.757,88
III. Is invoices 25%	239.347.186,04	602.799.989,06	626.432.241,62
IV. Subsequent exports liberation	1.165.864,28	5.311,62	-15.556,10

Source: Made by author

Table no. 4 shows an increase of 0.64% in 2012, in relation to the 2011, and in 2013, for 14.36% in relation to 2012. In addition to the facts stated above, and tables, and that affected the beneficial effects of fiscalization citizens play a significant role in the implementation of this Law. They can best contribute to changing perceptions about how important it is for the very citizens that gets the bill for the purchased goods or services, because there is a developed sense that if you do not get the bill for the purchased goods or services tax calculated at the amount one had bought, the benefits go to the owners, at the expense of the state budget and on the citizen as a service user which are financed from the budget.

Table no. 5 Analysis of the value of shipments and the calculated tax for May 2011, 2012, and 2013, level of Croatia, Group I

ITEM DESCRIPTION:	Delivery value 5/2013	Delivery value 5/2012	Delivery value 5/2011
	21,11%	2,88%	100,00%
TAXABLE TOTAL (1+2+3+4)	1.789.694.823,01	1.411.973.621,73	1.371.359.556,50
I. Is invoices 5% and 10%	1.468.708.048,90	654.254.210,40	600.079.339,81
II. Is invoices 22% and 23%	0,00	-716.811,10	771.355.618,11
III. Is invoices 25%	320.710.477,81	758.495.163,19	0,00
IV. Subsequent exports liberation	276.296,30	-58.940,76	-75.401,55

Source: Made by author

From Table no. 5 is seen an increase in the value of the delivery of 2.88%, in 2012, compared to 2011, and an increase of 21.11% in 2013 compared to 2012.

Table no. 6 Analysis of the value of shipments and the calculated tax in June 2011, 2012, and 2013, in the Croatia, Group I

ITEM DESCRIPTION:	Delivery value 6/2013	Delivery value 6/2012	Delivery value 6/2011
	12,99%	5,18%	100,00%
TAXABLE TOTAL (1+2+3+4)	2.195.773.310,19	1.910.580.964,00	1.811.693.123,97
I. Is invoices 5% and 10%	1.838.578.260,30	971.070.101,40	882.125.642,60
II. Is invoices 22% and 23%	0,00	-2.081.738,56	929.579.062,83
III. Is invoices 25%	357.281.533,08	940.749.791,71	0,00
IV. Subsequent exports liberation	-86.483,19	842.809,45	-11.581,46

Source: Made by author

Table no. 6 shows the increase of the value of the delivery of 5.18%, in 2012, compared to 2011, and an increase of 12.99% in 2013 compared to 2012. If you look at the increase of taxable supplies since the beginning of the year and application of the new Law can be seen a continuous growth of taxable supplies.

Table no. 7 Analysis of the value of shipments and the calculated tax in July 2011, 2012, and 2013, in the Croatia, Group I

ITEM DESCRIPTION:	Delivery value 7/2013	Delivery value 7/2012	Delivery value 7/2011
	17,34%	6,15%	100,00%
TAXABLE TOTAL (1+2+3+4)	3.421.715.643,18	2.828.255.270,84	2.654.458.352,78
I. Is invoices 5% and 10%	2.947.067.196,63	1.530.003.106,80	1.427.445.040,49
II. Is invoices 22% and 23%	0,00	2.888.699,55	1.225.136.717,28
III. Is invoices 25%	474.699.824,15	1.295.468,23	0,00
IV. Subsequent exports liberation	-51.377,60	-104.995,74	-123.404,99

Source: Made by author

From Table no. 7 is visible is an increase of the value of taxable supplies of 6.15%, in 2012, compared to 2011, and an increase of 17.34% in 2013 compared to 2012. In 2013, was abolished the rate of 23% which can be seen in the tables that are used for analysis of taxable supplies. It should take into account the fact that the summer season began and it has also affected the results of the analysis in Table 7, 8 and 9.

Table no. 8 Analysis of the value of shipments and the calculated tax in August 2011, 2012, and 2013, in the Croatia, Group I

ITEM DESCRIPTION:	Delivery value 8/2013	Delivery value 8/2012	Delivery value 8/2011
	19,26%	7,49%	100,00%
TAXABLE TOTAL (1+2+3+4)	3.933.861.675,88	3.176.268.519,65	2.938.414.563,80
I. Is invoices 5% and 10%	3.452.342.129,59	1.834.991.743,59	1.710.520.764,30
II. Is invoices 22% and 23%	0,00	3.622.195,73	1.227.908.294,00
III. Is invoices 25%	481.589.357,49	1.337.797.996,18	0,00
IV. Subsequent exports liberation	-69.811,20	-143.415,85	-14.494,50

Source: Made by author

The analysis of taxable supplies in the table no. 8 shows the increase in the value of the delivery of 7.49% 2012, compared to 2011, and an increase of 19.26% in 2013, compared to 2012. At the beginning of the summer season, in July, started a significant increase in taxable supplies in comparison to other months of the 2013.

Table no. 9 Analysis of the value of shipments and the calculated tax in September 2011, 2012, and 2013, in the Republic of Croatia, Group I

ITEM DESCRIPTION:	Delivery value 9/2013	Delivery value 9/2012	Delivery value 9/2011
	16,93%	3,69%	100,00%
TAXABLE TOTAL (1+2+3+4)	2.244.961.465,73	1.864.810.189,40	1.796.070.212,91
I. Is invoices 5% and 10%	1.923.320.263,66	967.138.232,10	910.380.387,92
II. Is invoices 22% and 23%	0	337.305,29	885.958.109,54
III. Is invoices 25%	321.641.202,07	897.587.742,41	0
IV. Subsequent exports liberation	0,00	-253.090,40	-268.284,55

Source: Made by author

From Table no. 9 is seen an increase in the value of the delivery of 3.69% in 2012, compared to 2011, and an increase of 16,93% in 2013 compared to 2012, which follow the trend of increasing taxable supplies through other months of applying Law on Fiscalization.

4 Conclusions

By analyzing the first nine months through the three years it can be concluded that the application of the Fiscalization Law resulted in an increase in taxable deliveries. The level of taxable supplies will depend primarily on Tax Administration, specifically on the department of supervision which is in charge of the laws specified in the work carried out, and to implement sanctions which are in the Law and are prescribed. The significant importance in the implementation of the Law, and in particular the Law on Fiscalization in cash transactions have citizens who are required to receive an invoice for the purchased goods or services and businesses to report if the same is not observed. The campaign called If no account it does not count is not sufficient to raise awareness of Croatian citizens, therefore, the tax administration should respond quickly so that issuers of bills would relax and find a new way of tax evasion which is the crux of the Law on Fiscalization traffic or cash therefore reducing the gray economy.

According to the presented analysis, by looking at the total income per year (i.e. the first nine months), it is evident that in the 2013, is an increase compared to the 2012, amounts of KN 2,834,211,320.34, or KN 3.619.962.846.66 compared to year 2011 on the Republic of Croatia territory.

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