

## Romania repeals controversial VAT split payment mechanism

**On 1 February 2020, Romania's VAT split payment was cancelled according to a repeal order contained in Government Emergency Ordinance no. 78/2019 that was published in the Official Gazette on 23 December 2019.**

Within ten days from the cancellation of the VAT split payment, the balance of VAT bank accounts will be automatically transferred to the holders' current accounts opened with the same unit of the State Treasury. For holders with no such accounts, the transfers will be made to current accounts opened with credit institutions specified by holders.

The VAT split payment mechanism was introduced on 1 October 2017 with an optional application until 31 December 2017. It was compulsory from 1 January 2018 for taxpayers having VAT debts not paid on time or taxpayers under insolvency proceedings.

This mechanism proved to be a major administrative burden to honest companies. As a result, in November 2018 the European Commission requested that Romania end the VAT split payment because the measure run against both EU VAT rules and the freedom to provide services. This request was the impetus for the repeal measure approved at the end of last year.

*For more information on this amendment and VAT payments in Romania, please contact CMS experts Roxana Popel, Partner, Bucharest Head of Tax and Andrei Tercu, Senior Tax Manager.*