

VAT AND TAX COMPLIANCE IN E-COMMERCE: AN ACCOUNTING APPROACH

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Abstract: *The development of e-commerce has led to changes in the field of accounting, requiring adaptation to new methods of financial recording and reporting. This paper analyzes the specific aspects of accounting in e-commerce, focusing on revenue recognition, tax reporting, and VAT application. Through a practical case study, product prices with and without VAT are compared, highlighting the fiscal effects on consumers and businesses. An essential aspect is the VAT applicable to products and services sold online, especially in the context of European legislation and the One Stop Shop (OSS) mechanism. The study examines the impact of VAT on the final product price, the differences between standard and reduced VAT rates, and how VAT influences the profitability of e-commerce businesses. Additionally, the paper highlights accounting challenges related to managing returns, adjusting VAT, and accurately declaring tax obligations. The conclusions emphasize the importance of effective VAT management and tax compliance in e-commerce to ensure transparency and cost optimization. A clear understanding of these aspects enables companies to avoid tax risks and improve their pricing and profitability strategies.*

Keywords: *accounting, fiscal impact, online transactions, E-commerce, One Stop Shop.*

JEL Classification: *M41, H25, L81, F15, K34.*

1. Introduction

Technological advances in recent decades have fundamentally reshaped the architecture of international trade, particularly through the development of e-commerce. (Agrawal et al. 2020). This article analyzes the implications of these transformations for tax systems, from both a theoretical and an applied perspective. Starting from classic models of tax competition and integrating recent developments such as the South Dakota V. Wayfair decision and the effects of the COVID-19 pandemic, the study explores the differential impact on tax jurisdictions, new compliance challenges and tax policy options, including the taxation of personal data. The conclusions highlight the need to adapt tax regimes to new digital realities, in parallel with international coordination efforts.

The digitalization of the economy has generated significant mutations in the way goods and services are produced, distributed and consumed. (Einav, 2014) E-commerce has become a major component of the global economy, and this process has been accelerated by recent events such as the COVID-19 pandemic. These changes challenge traditional tax systems, which are based on concepts such as physical presence and location of production.

2. E-commerce and tax competition: a review of theoretical models

Kanbur and Keen's (1993) seminal model looks at tax competition between two countries of different sizes, demonstrating that smaller countries tend to reduce taxes to attract economic activity, which can lead to revenue losses in larger countries. Nielsen (2001) expands this framework to include e-commerce, highlighting how destination taxation can mitigate the effects of tax competition in the context of online transactions.

Reducing online trading costs favors smaller jurisdictions, allowing them to attract additional tax revenue, while larger jurisdictions may experience base erosion. This dynamic suggests the need for international tax coordination to prevent a "race to zero" in setting tax rates. In the case of *South Dakota v. Wayfair*, the U.S. Supreme Court ruled that states may impose sales tax collection obligations on suppliers without a physical presence.

3. Case study

Within the European Union, Member States are free to set their own VAT and excise duty rates, provided that they comply with the minimum limits provided for by European legislation. The comparative analysis of Romania, Spain, Italy and Greece highlights the differences in terms of the level of indirect taxation, differences adapted to the economic and social particularities of each country. Standard VAT rates vary, with Romania applying the lowest level (19%), while Greece imposes one of the highest rates in the EU (24%). Italy and Spain are in the middle range, with 22% and 21% respectively.

These differences in VAT rates indicate the tax strategies of national governments. Romania aims to stimulate consumption through more moderate taxation, while Greece uses higher VAT to cover budget imbalances. With regard to reduced VAT rates, all four countries apply preferential rates for basic products and services.

Romania

SAF-T D406: Starting with January 2022, large taxpayers in Romania are required to file the SAF-T return (D406). Medium-sized taxpayers have been included in this obligation since January 2023, and small and non-resident taxpayers will have to comply by January 2025

e-Invoice: From January 1, 2024, all companies, both resident and non-resident, must report invoices issued within 5 working days. Failure to comply with this obligation may result in fines between 1,000 and 10,000 LEI.

OSS: Romania allows registration in the OSS scheme, making it easier for companies to declare and pay VAT on cross-border sales to consumers in the EU through a single quarterly declaration.

Greece

e-Invoicing: Greece has received approval from the Council of the European Union to introduce mandatory e-invoicing in B2B transactions. This measure is scheduled to enter into force from July 1, 2025 and will be valid until June 30, 2026. The implementation aims to support the myDATA platform, which requires full reporting of electronic invoices and registers to tax authorities.

OSS: Greece participates in the OSS scheme, allowing companies to manage VAT on cross-border sales to consumers in the EU through a single quarterly declaration.

Greece has not adopted SAF-T according to OECD standards, but has introduced the myDATA (My Digital Accounting & Tax Application) platform for the digitization of tax and accounting information. From 2020 onwards, taxpayers are obliged to submit transactional and accounting data to the Greek Tax Authority (IAPR) either in real time or periodically. This initiative aims to improve compliance

Italy

OSS: Italy participates in the OSS scheme, allowing companies to register and manage VAT on B2C sales in other EU member states through a single declaration.

OSS declarations must be submitted quarterly, with deadlines of 30 April, 31 July, 31 October and 31 January. Italy has not so far implemented SAF-T according to OECD standards. Instead, Italy uses its own electronic reporting system, mainly focused on mandatory electronic invoicing (FatturaPA) and the reporting of tax data through the Data Exchange System (SDI).

Spain

Spain: e-Invoice: Spain has planned to implement mandatory e-invoicing in B2B transactions. According to the draft regulation, companies with an annual turnover of more than €8 million will be obliged to use e-invoicing from 2024, and the other companies will follow until 2026. Invoices issued must include an identification code and QR code to facilitate digital tracking.

OSS: Spain participates in the OSS scheme, making it easier for businesses to declare and pay VAT on cross-border sales to consumers in the EU through a single declaration.

Table: Comparison of VAT and excise duties in Romania, Spain, Italy and Greece

Country	VAT standard (%)	VAT reduced 1 (%)	VAT reduced 2 (%)	Tobacco excise duties (€/1000 Tobacco)	Alcohol excise duties (€/hl pure alcohol)	Gasoline excise taxes (€/1000 liter)	Diesel excise duties (€/1000 liter)
Romania	19	9% (food, medicine, accommodation)	5% (textbooks, housing)	~94	1000	373	330
Spain	21	10% (food, transportation, hotel)	4% (basic food, books)	~123	950	400	379
Italy	22	10% (food, hotel)	5% & 4% (special products, books)	~119	800	728	617
Greece	24	13% (food, energy, hotel)	6% (books, medicines)	~156	1100	700	410

The table above highlights the significant differences between the four countries in terms of the level of indirect taxation, reflected in the VAT rates and the level of excise duties. Greece has the highest standard VAT rate (24%), while Romania has the lowest (19%). This reflects different tax strategies, with Greece seeking to maximise indirect tax revenues, while Romania maintains a relatively low VAT policy to boost domestic consumption. Regarding the reduced VAT rates, all the countries analyzed apply discounts for goods considered essential (food, medicines, accommodation, transport). However, the extent and applicability of these quotas vary. For example, Romania applies 5% for textbooks and housing, while Italy uses differentiated rates of 4% and 5% for special products and books. Greece, on the other hand, applies 6% for medicines and books, but has a reduced 1 higher rate (13%).

In terms of excise duties, Greece stands out for the highest levels of excise duties on tobacco (~156 EUR/1000 cigarettes) and alcohol (1100 EUR/hl pure alcohol), which suggests an effort to discourage harmful consumption, but also a strategy to increase tax revenues. In contrast, Romania has the lowest excise duties on tobacco (~94 EUR) and moderate levels for alcohol (1000 EUR), gasoline and diesel. Italy imposes the highest excise duties on fuels (€728 for petrol and €617 for diesel), which may indicate an eco-oriented tax strategy or a greater dependence on transport tax revenues. Spain applies intermediate levels to all types of excise duties, highlighting a balanced approach.

In conclusion, the differences in the tax regime reflect the economic, social and political particularities of each state. Romania maintains lower levels to support domestic consumption and ease the tax burden on the population, while Greece and Italy use extensive indirect taxation to offset fiscal constraints. Spain is in a medium position, with a moderate approach to indirect taxation.

Recommendations

Expanding the range of products eligible for reduced VAT rates in Romania, especially for consumer goods and organic products. Simplification of tax procedures related to VAT, including through the complete digitization of the system (e-Invoice, SAF-T).

Increasing voluntary compliance through tax information campaigns and incentives for small businesses to apply VAT correctly.

Harmonisation of VAT policies at EU level, in order to reduce differences between Member States and prevent distortions of competition

Continuous monitoring of the impact of VAT rates on vulnerable consumers and adaptation of policies according to social and economic needs.

4. Conclusions

VAT is one of the most important sources of budget revenue in all the countries analyzed, having a significant impact on consumption and competitiveness of products. Although the standard VAT rate is relatively similar (between 19% and 24%), the reduced rates vary considerably depending on the social and economic policies of each country. Countries such as Spain and Italy apply multiple reduced rates for essential goods (food, medicines, public transport, etc.), while Romania applies only two reduced rates (9% and 5%). Differences in the application of reduced rates can affect the competitiveness of products within the European Single Market and create tax misalignment.

Digitalisation has amplified tax competition, eroded traditional tax bases and created new challenges for compliance. To respond to these changes, tax systems need to be more flexible, technological, and equity-oriented. Data taxation and the reform of VAT and sales tax regimes need to be addressed in a coordinated manner at international level.

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