

# Safeguarding tax deductibility of technological and inventory losses

KPMG in Romania

Preparing the documentation file, including the consumption norm, in order to support technological and inventory losses, requires an approach that looks beyond fiscal or accounting tasks and also involves knowledge related to the manufacturing function of the company.

That is why our services seek to add value and to provide you with an integrated methodology in order to comply with fiscal requirements.



It is a fact that technological and inventory losses are inherent to production. It is also a fact that Romanian tax legislation still imposes limitations on deducting these business costs for corporate income tax and value added tax purposes.

## **A bureaucratic fiscal environment**

The Romanian fiscal environment is currently based on a bureaucratic approach which requires the taxpayer to keep records of the functions of the company through formal procedures/ documentation files in order to demonstrate, in the case of a tax audit, the reality, the nature or the substance of a function/transaction.

## **Tax compliance challenge relating to technological and inventory losses**

According to Romanian tax legislation, technological losses or other inventory losses are deductible **only if they fall within limits established internally or by law**. Any excess may be non-deductible. In addition, VAT could also be due.

## **Better safe than sorry – Hire the best expertise!**

The advantage of preparing the documentation file and procedures for technological and inventory losses,

including the consumption norm (mentioned specifically by the Fiscal Code), is that the company may use this documentation for **multiple purposes**: firstly, for internal use, but more importantly, as support documentation to be presented to the tax authorities.

With more than 200 tax and legal professionals, with a significant knowledge base, as well as extensive experience in many industries, including the **manufacturing industry**, our team aims to provide **high quality services** tailored to meet your needs and also bring added value. Furthermore, we have an excellent understanding of the current practice of the Romanian tax authorities, gained from assisting a large number of clients during their compliance initiatives or during tax inspections, but also later in any litigation phases. Experienced legal and fiscal advisors, to which we will add auditors and accounting experts, will be part of the team in charge of these engagements.

# We provide services that fit your needs

Our **scope of work** is tailored to address your specific needs and industry and may involve:

**(i) Review of the current procedures and norms** and **(ii) Preparing the documentation file and procedures.**



Understanding your activity  
DESK RESEARCH AND  
DISCUSSIONS WITH YOU

We have an integrated and mixed team that includes specialists both in finance/tax and several industry sectors, who understand the specifics and requirements of each industry.



Analyzing the  
manufacturing process  
INTERVIEWS

We will analyze the manufacturing processes and we will discuss with staff both from finance and production in order to understand technological and inventory losses.



Recording the processes  
and standards  
KPMG ANALYSIS

We are able to review your internal processes and procedures, in order to identify potential issues or opportunities and make recommendations.



Recording the processes  
and standards  
KPMG ANALYSIS

We will corroborate the information obtained from the production department and finance/tax department in order to help to organize records of the production processes both for previous years and for future periods.

## Your benefits

- Avoiding unnecessary tax costs that could arise from corporate income tax and value added tax adjustments.
- Mitigating risks of litigation in relation to tax audits.
- Avoiding time consuming activities during a tax audit, which could significantly delay the closing.
- All these also contribute to increasing the effectiveness of inventory control.

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