

## Tax system in Rumaenien

### TAX CONCESSIONS

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#### Direct

Additional tax deduction for research and development: 50% of eligible expenses (certain conditions and criteria apply).

Accelerated depreciation of plant and equipment used in R&D activities.

#### Indirect

##### Income tax concessions, e.g.

Income tax exemptions applicable for some categories of taxpayers e.g. disabled persons (e.g. for salary income, income from intellectual property, pensions), employees working in the IT sector, R&D sector, constructions and agriculture; certain requirements apply for granting the exemption.

Taxable income is generally subject to an income tax of 10% (including investment income, interest income and income from cryptocurrency).

##### Tax credits

##### Family Bonus Plan:

N/A

##### Children Surplus:

N/A

##### Sole earner deduction pa.:

N/A

##### Single parent deduction pa.:

N/A

##### Child deduction:

An additional monthly deduction amounting to RON 100 is granted for each child enrolled in an educational system, regardless of the taxpayer's monthly gross salary. The additional deduction may be claimed only by one parent.

##### Alimony deduction:

N/A

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### **If in employment / pension income p.a.:**

An additional deduction of 15% of the minimum gross salary (RON 3,300, i.e. EUR 660 per month) is available for employees younger than 26, who earn a salary of max. RON 5,300.

### **Allowances and exemptions**

#### **Profit allowance:**

Sponsorship allowance amounting to the minimum between 0.75% turnover and 20% corporate income tax in case of corporate income tax payers, respectively 20% of the tax for companies subject to microenterprise tax; certain conditions are applicable.

Allowance for deducting the cost of cash registers from the microenterprise tax due by a taxpayer.

Corporate income tax exemption has been introduced for taxpayers that exclusively perform innovation, research and development activities, as well as closely related activities. This exemption from corporate income tax is applicable during the first 10 years of activity of newly established companies; currently no application norms for the facility are available.

Taxpayers subject to corporate income tax and microenterprise tax benefit from certain tax reductions in case the equity is positive and increases as compared to prior years.

#### **Investment allowance:**

Exemption from corporate income tax for profit reinvested in new plant, equipment, acquisition of assets for technology improvements, computers and peripheral equipment, software and software rights used for business purposes (acquired under straightforward sale or under financial leasing agreements). Taxpayers benefitting from this exemption cannot apply the accelerated tax depreciation regime for the equipment in question

## **Government subsidies**

Government subsidies available for home loans granted to individuals

Certain amounts related to the employees medical leave are supported by the National Fund of Health Insurance, e.g. sick leave days exceeding 5 days, pregnancy risk medical leave, medical leave for taking care of the sick child

Unemployment subsidy and trainings granted by the National / Regional Employment Agency

Subsidies for the renewal of national car park and acquisition of electric cars

Subsidies for utilities (e.g. gas, electricity) provided towards individuals

Agricultural subsidies

## **DOUBLE TAXATION AGREEMENTS**

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### **Double taxation agreements**

The right to taxation in the event of a sale of interests in property companies is subject to differing provisions. In accordance with the OECD Model Agreement, for those countries for which there is a "yes" in the real estate clause column, the right to taxation lies generally not with the country of residence of the seller but with the country in which the property is situated.

As regards withholding tax rates, a possible reduction must be taken into account when EU Directives (Parent-Subsidiary Directive, Interest and Royalties Directive) are applicable.

Under some existing Romanian DTAs, for dividends to qualify for a reduced withholding tax rate, the recipient must be a corporation that controls a specified percentage of the voting power of the distributing corporation. And under some existing Romanian DTAs, a lower withholding tax rate on interest applies to government debt or government-assisted debt.

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Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Albania	01.01.1996	no	10/15	10	15
Algeria	01.01.1997	no	15	15	15
Armenia	01.01.1998	yes	5/10	10	10
Australia	01.01.2002	yes	5/15	10	10
Austria	01.01.2007	yes	0/5	0*/3	3
Azerbaijan	01.01.2005	yes	5/10	8	10
Bangladesh	01.01.1989	yes	10/15	10	10
Belarus	01.01.1999	no	10	10	15
Belgium	01.01.1999	no	5/15	10	5

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Bosnia and Herzegovina	01.01.2019	yes	5/10	7	5
Bulgaria	01.01.2017	yes	5	5	5
Canada	01.01.2005	yes (includes only rental property)	5/15	0/10	5/10
China (P.R.C.)	01.01.2018	yes	3	3	3
Costa Rica	12.07.1991 (date of conclusion) not in force	no	5/15	10	10
Croatia	01.01.1997	yes	5	10	10
Cyprus	01.01.1983	no	10	10	5
Czech Republic	01.01.1995	no	10	7	10
Denmark	01.01.1974	no	10/15	10	10

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Ecuador	01.01.1997	no	15	10	10
Egypt	01.01.1982	no	10	15	15
Estonia	01.01.2006	yes	10	10	10
Ethiopia	06.01.2009	no	10	15	15
Finland	01.01.2001	yes	5	5	2.5/5
France	01.01.1975	yes	10	10	10
Georgia	01.01.2000	yes	8	10	5
Germany	01.01.2004	yes	5/15	0*/3	3
Greece	01.01.1996	no	20	10	5/7

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Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Hong Kong	01.01.2017	yes	0/3/5	0/3	3
Hungary	01.01.1996	no	5/15	15	10
Iceland	01.01.2009	yes	5/10	3	5
India	01.01.2014	yes	10	10	10
Indonesia	01.01.2000	no	12.5/15	12.5	12.5/15
Iran	01.01.2008	yes	10	8	10
Ireland	01.01.2001	yes	3	0/3	0/3
Israel	01.01.1999	yes	15	5/10	10
Italy	01.01.2018	yes	0/5	5	5

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Japan	01.01.1978	no	10	10	10/15
Jordan	01.01.1985	no	15	12.5	15
Kazakhstan	01.01.2001	yes	10	10	10
Korea (D.P.R.K.)	01.01.2001	yes	10	10	10
Korea (R.O.K.)	01.01.1995	no	7/10	10	7/10
Kuwait	01.01.1992	no	0/1	0/1	20
Latvia	01.01.2003	yes	10	10	10
Lebanon	01.01.1998	no	5	5	5
Lithuania	01.01.2003	yes	10	10	10

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Luxembourg	01.01.1996	no	5/15	0/10	10
Macedonia	01.01.2003	yes	5	10	10
Malaysia	01.01.1985	no	10	15	12
Malta	01.01.1997	yes	5	5	5
Mexico	01.01.2002	yes	10	15	15
Moldova	01.01.1997	no	10	10	10/15
Montenegro	01.01.1998	no	10	10	10
Morocco	01.01.2007	yes	10	10	10
Namibia	01.01.2000	yes	15	15	15

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Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Netherlands	01.01.2000	no	0/5/15	0*/3	0*/3
Nigeria	01.01.1994	yes	12.5	12.5	12.5
Norway	01.01.2017	no	0/5/10	5	5
Pakistan	01.01.2002	yes	10	10	12.5
Philippines	01.01.1998	yes	10/15	10/15	10/15/25
Poland	01.01.1996	no	5/15	10	10
Portugal	01.01.2000	yes	10/15	10	10
Qatar	01.01.2004	yes	3	3	3
Russia	01.01.1996	no	15	15	10

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
San Marino	01.01.2009	yes	0/5/10	3	3
Saudi Arabia	01.01.2013	no	5	5	10
Serbia	01.01.1998	no	10	10	10
Singapore	01.01.2003	no	5	5	5
Slovakia	01.01.1996	no	10	10	10/15
Slovenia	01.01.2004	yes	5	5	5
South Africa	01.01.1996	no	15	15	15
Spain	01.01.2022	yes	5	3	3
Sri Lanka	01.01.1986	no	12.5	10	10

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Sudan	01.01.2010	no	5/10	5	5
Sweden	01.01.1978	yes	10	10	10
Switzerland	01.01.1994	no	0/15	0/5	0*/10
Syria	01.01.2010	yes	5/15	10	12
Tajikistan	01.01.2010	yes	5/10	10	10
Thailand	01.01.1998	no	15/20	10/20/25	15
Tunisia	01.01.1990	no	12	10	12
Turkey	01.01.1989	no	15	10	10
Turkmenistan	01.01.2010	yes	10	10	15

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Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Ukraine	01.01.1998	yes	10/15	10	10/15
United Arab Emirates	01.01.2017	no	0/3	0/3	3
United Kingdom	04.01.1976	no	10/15	10	10/15
United States	01.01.1974	no	10	10	10/15
Uruguay	01.01.2015	yes	5/10	0/10	10
Uzbekistan	01.01.1998	yes	10	10	10
Vietnam	01.01.1997	yes	15	10	15
Zambia	01.01.1993	no	10	10	15

## TYPES OF ORGANISATIONS

### Types of organisation

	Name in local language	Registrable in commercial register / legal entity	Minimum capital	Sole shareholder company
<b>Limited liability company</b>	Societate cu raspundere limitata (SRL)	yes / yes	RON 1 (approx. EUR 0.20); at least 1 RON per share maximum of 50 shareholders	Yes; an individual or a legal entity may be sole shareholder in more than one limited liability company.
<b>Joint-Stock Company</b>	Societate pe actiuni (SA)	yes / yes	RON 90,000* (approx. EUR 18,180)	no (at least 2 shareholders)
<b>Cooperative</b>	Societate cooperativa	yes / yes	RON 500 (approx. EUR 101) at least RON 10 per share; each shareholder may hold maximum 20% of the share capital	no (at least 5 shareholders)
<b>General partnership</b>	Societate in nume colectiv (SNC)	yes / yes	no	no
<b>Limited partnership</b>	Societate in comandita simpla (SCS)	yes / yes	no	no
<b>Partnership limited by shares</b>	Societate in comandita pe actiuni (SCA)	yes / yes	RON 90,000* (approx. EUR 18,470)	no
<b>Registered branch office</b>	Sucursala	yes / no	n / a	n / a
<b>Permanent establishment</b>	Sediu permanent	no / no	n / a	n / a

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	Capital tax / registration fees	Written form / notarisation	Tax transparency	Registration with tax authorities	Statutory audit (revenues more than EUR 10 million, total assets more than EUR 5 million, more than 50 employees)
<b>Limited liability company</b>	no / registration in commercial register	yes / no**	no	yes	if at least two of the thresholds are exceeded
<b>Joint-Stock Company</b>	no / registration in commercial register	yes / no***	no	yes	mandatory if at least two of the thresholds are exceeded or if the shareholders opt for a dualist management system (directorate and supervisory board)
<b>Cooperative</b>	no / registration in commercial register	yes / no**	no	yes	if at least two of the thresholds are exceeded
<b>General partnership</b>	no / registration in commercial register	yes / yes	no	yes	if at least two of the thresholds are exceeded
<b>Limited partnership</b>	no / registration in commercial register	yes / yes	no	yes	if at least two of the thresholds are exceeded
<b>Partnership limited by shares</b>	no / registration in commercial register	yes / yes	no	yes	if at least two of the thresholds are exceeded
<b>Registered branch office</b>	n / a / registration in commercial register	n / a	n / a	yes	as part of any audit of the parent company
<b>Permanent establishment</b>	n / a	n / a	n / a	yes	as part of any audit of the parent company

\* The Romanian government is entitled to alter the minimum capital requirement by statutory order every second year so that it represents the equivalent of EUR 25,000.

Exchange rate: EUR 1 = RON 4.9315 (average)

\*\* If real estate property forms part of the capital contributed to the company (this applies for all types of organisations).

\*\*\* If the company is formed by public subscription.

## MERGERS & ACQUISITIONS

### Financing

#### Financial assistance by the subsidiary

Loans provided to a parent company by the subsidiary are not advisable, as such may be reconsidered as repayment of capital.

#### Subordinate debt (mezzanine capital)

Not specifically regulated.

#### Interest expenses for acquisition financing

No specific regulations; however, there is a significant risk of non-deductibility, as they are incurred for obtaining non taxable revenues (i.e. dividends).

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#### **Interest expense on subordinate debt**

No special provisions exist.

### **EU interest barrier**

Financing costs may be deducted up to a limit of EUR 1,000,000 per fiscal year. The deductibility of the amounts exceeding this threshold is limited to 30% of the borrower's gross profit, adjusted for certain items (minus non-taxable income, add back financing costs and tax depreciation).

### **Squeeze-out options**

#### **Buy-out of minority shareholders (squeeze-out)**

In Romania, a shareholder can be excluded if he does not fulfill the legal requirements expressly stipulated by the Company Law. The squeeze out is performed in court, based on the decision of a judge.

### **Capital gains - corporations and partnerships**

#### **Sale of shares in a joint stock corporation**

The gain of legal entities on the sale of shares in a joint stock corporation is taxable income. Gains derived by a Romanian company or by a company residing in a country with which Romania has concluded a DTA from the sale of shares in a Romanian company or in a company residing in a country with which Romania has concluded a DTA are non-taxable, provided that the seller has held at least 10% of the shares for an uninterrupted period of at least 1 year.

#### **Sale of shares in a limited liability company**

See above, "Sale of shares in a joint stock corporation"

#### **Sale of interest in a partnership**

The gain on the sale of ownership interest in a general partnership and a limited partnership is taxable.

#### **International participation exemption**

See above, "Sale of shares in a joint stock corporation"

### **Sale of business**

#### **Definition**

The sale of the business involves the transfer of tangible and intangible assets, liabilities and employees. The transfer of all the assets or a portion of the assets could be VAT neutral provided, inter alia, that the business is transferred as a going concern.

#### **Valuation**

In the sale of a business, the transferred assets are either recorded by the buyer at the fair value determined by an expert's opinion or at the original seller's book value of these assets while recognizing a separate total revaluation adjustment (difference in valuation of acquired assets), depending on the structure of the transaction.

#### **Goodwill**

If the purchase price of the company exceeds the fair value of individually valued assets, goodwill is created. The goodwill cannot be amortised from a fiscal perspective.

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## Mergers and demergers

### Types of mergers described by commercial law

Merger by acquisition, merger by the formation of a new company; total or partial spin-off (de-merger) of the company, which transfers its business in whole or in part to existing or newly created companies.

### Valuation

Revaluation to fair market value of the assets and liabilities of companies involved in mergers and spin-offs is generally performed by authorized independent valuers.

### Valuation in financial accounting

The difference between fair value and book value is recorded as goodwill.

### Goodwill amortization

Goodwill cannot be amortized for tax purposes. For financial accounting purposes, goodwill can be amortized over a maximum period of 5 years taking into consideration the economic useful life of the asset.

### Tax treatment of revaluation

Mergers and de-mergers may be corporate tax neutral under certain circumstances, such as: they involve the transfer of assets and liabilities constituting a (line of) business, they are not tax-driven and have sought business rationale, the tax value of the transferred items is maintained in the books of the transferee etc.

Tax losses and financial costs available to be carried forward may be transferred to the beneficiaries during mergers or de-mergers (pro-rata transfer applies in the case of partial de-mergers).

Generally, mergers and de-mergers are VAT neutral.

## Contributions (transfer of assets into the capital of a company)

### Contributions in kind

Contribution in kind into the registered capital of the company is allowed, however, Company Law stipulates several rules in this respect:

1. The value of the assets contributed in kind must be evaluated by authorised experts. Apart from the in-kind participation, in-cash contributions are mandatory in all types of Romanian legal entities.
2. The value of such assets, the evaluation method, and the number of shares issued in exchange must be described in the corporate charter after the value has been established by the experts.
3. The valuation methods vary depending on the nature of the assets and on the scope of the valuation. Fair market value is the most common method, discounted cash-flow analysis is another method (based on future earnings, e.g. for real estate); the third method is used only for buildings (not for land) that can be valued at the cost of reproduction (for tax purposes only).

### Tax treatment

For domestic reorganization processes, the provisions regarding the neutrality of the contribution in kind to a company's equity have been eliminated except for cases when a transfer as a going concern, in exchange of shares, takes place.

### Goodwill amortisation

Goodwill cannot be amortized for tax purposes. For financial accounting purposes goodwill can be amortized over a maximum period of 5 years.

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## VAT

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### Tax rates

Standard VAT rate: 19%

Reduced rate: 9%, e.g. for:

- pharmaceuticals for human and veterinarian use
- food and beverages for human and animal consumption (with the exception of alcohol, non-alcoholic beverages falling under CN 2202 and food with added sugar whose total sugar content is 10g per 100g of product or higher)
- water used for consumption and for agricultural irrigation
- fertilizers and pesticides, seeds and other agricultural products for seeding and planting, as well as certain agricultural services
- accommodation within the hotel sector or sectors with a similar function
- restaurant and food delivery services (with the exception of alcoholic beverages, as well as non-alcoholic beverages falling under CN code 2202)
- admission to cinemas, trade fairs and exhibitions (previous 5%)
- supplies of residential properties to individuals, under certain conditions (previous 5%)
- delivery and installation of photovoltaic panels to individuals or public entities (previous 5%)

Reduced rate: 5% for:

- books, newspapers, periodicals etc.
- admission to castles, museums, memorial houses, historical monuments, architectural and archaeological monuments, zoos, and botanical gardens
- supply of firewood
- supply of thermal energy during the cold season to the population and other categories of consumer (i.e. public and private hospitals, non-governmental organisations and suppliers of social services)

### Supply of goods

Supply of goods and withdrawal for private use (self supply) are taxable.

#### Place of supply of goods

Principally the place where the item is located at the time when the right to dispose of it is transferred (static supply).

In the case of dispatch/transportation by the supplier or purchaser: the place where dispatch/ transportation begins (moving supply).

In the case of transportation by ship, airplane, railroad within the EU: the place of dispatch.

If installation / assembly of the goods by the supplier is required: the place where the installation is performed (supply of goods with installation).

Import from third countries: If supplier is liable for import VAT, in importing country

### Supply of services

Supply of services and use of services for private use (self-supply) are taxable.

#### Place of supply of services

A differentiation is made between services rendered

- to taxable persons ("Business to Business", "B2B") or

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- to non-taxable persons ("Business to Customer", "B2C").

For the purpose of determining the place of the supply of services:

- taxable persons (within the EU holding a VAT registration number) and
- non-taxable legal entities holding a VAT registration number will be considered as "taxable persons".

#### Basic rule

B2B	B2C
Place of recipient (The place where the recipient of services has established his business)	Place of supplier (The place where the supplier of services has established his business)

#### Special cases

	B2B	B2C
Supplies of services by intermediaries	Place of recipient (Basic rule)	Place of the underlying transaction
Property services	Place of the property	Place of the property
Cultural, artistic, scientific, educational, sports, entertainment or similar services, like services in connection with fairs and exhibitions including services of the respective organizers	Place of recipient (Basic rule)	Where the services are physically carried out
Other services concerning the right of admission and related other services for events like fairs and exhibitions	Place of the event	Where the services are physically carried out
Passenger transport	Distances covered	Distances covered
Transportation of goods (without intra-community portion)	Place of recipient (basic rule)	Distances covered
Intra-community goods transportation	Place of recipient (basic rule)	Place of departure of the transport
Ancillary transport services	Place of recipient (basic rule)	Where the services are physically carried out

	B2B	B2C
Appraisal and processing of movable tangible objects	Place of recipient (basic rule)	Where the services are physically carried out
Restaurant and catering services	Where the services are physically carried out	Where the services are physically carried out
Restaurant and catering services in connection with intra-community passenger transport	Place of departure	Place of departure
Renting of means of conveyance for up to 30 days	Where the means of transport is actually put at the disposal of the customer	Where the means of transport is actually put at the disposal of the customer
Renting of means of conveyance for over 30 days	Place of recipient (basic rule)	Where non-taxable person is established Special regulations for hiring boats
"Listed services" to third country customers	Place of recipient (basic rule)	Where non-taxable person is established
"Listed services" to customers in the EU	Place of recipient (basic rule)	Where the non-taxable person is established

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## Mini-One-Stop-Shop (MOSS) / One-Stop-Shop (OSS)

As of July 2021, the One-Stop-Shop ("OSS") VAT schemes have been implemented. The system already existed in the Romanian Fiscal Code under the name "Mini One Stop Shop" (MOSS), but only for electronic services (telecom, radio and TV services) provided by taxable persons from an EU member state or third country to consumers within the EU.

As compared to the MOSS system, this enlarged OSS covers three special regimes:

1. the special regime for certain services provided by taxable persons not established in European Union towards non-taxable persons (B2C services);
2. the special regime for intra-community distance sales of goods between member states, for deliveries of domestic goods made by electronic interfaces facilitating such deliveries and for certain services provided by taxable persons established in EU towards non-taxable persons but not in the Member State of consumption;
3. the special regime for the distance sale of goods imported from outside EU to EU consumers with value up to EUR 150.

The OSS scheme enables suppliers of goods and services to EU consumers in a B2C (business-to-consumer) context to fulfill their VAT obligations across all Member States by reporting and paying VAT in the Member State in which they registered for the OSS. This eliminates the need for registration for VAT purposes in multiple EU states.

## Reverse Charge (reversal of tax liability)

For: (i) acquisitions of services by Romanian taxable persons from providers not established in Romania; (ii) acquisitions of goods by Romanian taxable persons from non-Romanian suppliers, under certain conditions.

As special regulations, for the following transactions between Romanian entities: supply of waste, wood, cereals, greenhouse gas emissions certificates, green certificates, electricity supplied to taxable energy traders, natural gas supplied to a taxable person trader, buildings and land taxable by law or by option, mobile phones, laptops, PC tablets and other similar components.

For cereals, energy, green certificates, mobile phones, laptops, PC tablets and other similar components the reverse charge mechanism is applicable until 31 December 2026.

### Requirements

Both supplier and recipient should be VAT registered.

In case of services acquired by Romanian taxable persons from non-Romanian entities, the providers, should not have in Romania a place of business or a fix establishment involved in the provision of the services.

### Consequences

Invoice without VAT, indication of the reverse charge, VAT registration numbers of the supplier and the recipient.

The recipient evidences the VAT as both input and output VAT, without the recipient effectively paying the VAT to the supplier.

### Application also

The reverse charge mechanism is applicable in case of supplies of mobile phones, devices with integrated circuits, such as microprocessors and central processing units and gaming consoles, PCs and laptops only if the value of the goods included in an invoice, VAT exclusive, is higher than RON 22,500.

## Tax reliefs

### Exemption (Input VAT deductible even though no VAT chargeable on supply of goods and services)

- Exports of goods
- Passenger transport via cross-border transportation

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- Intra-community supplies
- Certain services rendered within free trade zones
- Supply of goods in duty free warehouses and similar services
- Construction, rehabilitation, and modernization services for hospital units provided to non-profit entities registered with the public register run by the fiscal administration in certain conditions (an indirect exemption, through VAT refunds)
- Supplies of medical equipment, appliances, devices, articles, accessories, and protective equipment, sanitary materials and consumables normally intended for use in the field of healthcare or for use by persons with disabilities, and goods essential for coping with and overcoming disabilities other than those mentioned below, as well as the adaptation, repair, rental, and leasing of such goods, made to non-profit entities registered with the public register run by the ANAF in certain conditions (an indirect exemption, through VAT refunds)
- Supplies of dentures and related accessories, except for tax-exempt dentures (servicing and supplies of dentures carried out as part of their profession by dentists and dental technicians)
- Delivery of orthopedic products.

#### **Zero rates ("non-genuine" tax exemption) (Input VAT is not deductible)**

- services rendered by banks, insurance companies and pension funds
- postal services
- medical, welfare, and teaching services
- leasing of property (the landlord can opt for tax liability)
- supply of used buildings and land not zoned for building (the seller can opt for tax liability).

## **Deductible input VAT**

Taxable persons have the right to deduct VAT related to purchases provided that (i) the acquisitions are made for the purpose of carrying out VAT taxable operations or other operations allowing the deduction of input VAT, such as exports or intra-community supplies and that (ii) the taxable persons possess invoices issued in accordance with the legal requirements.

Generally, no deduction of input VAT may be claimed with respect to supplies which are exempt without deduction right or are not used for the purpose of taxable / exempt with credit operations. Only 50% VAT may be deducted on acquisitions related to cars not used exclusively for business purposes (e.g. vehicles other than the ones used for emergency services, sale agents, transport of persons, taxis etc.).

Starting with 30 April 2024, it is no longer possible to deduct the input value-added tax stated on invoices issued in the name of employees or administrators while on business trips and relating to transport and/or accommodation services paid for during these trips

## **Input VAT correction**

Input VAT corrections occur in cases such as:

- the deduction is higher or lower than the one that the taxable person had the right to operate
- there are changes to the elements taken into account for the determination of the deductible amount, made after the submission of the tax statement.

Input VAT corrections occur for capital goods over a period of 5 years, while for land and buildings the period is extended to 20 years.

## **Real estate**

### **Rentals**

Renting of immovable property is VAT exempt without credit; the lessor can opt to charge VAT.

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### Sales

The sale of old real estate property and land not zoned for building is VAT exempt without credit (seller may opt to charge VAT); the sale of new buildings and land zoned for building is subject to VAT. Buildings are considered to be new if sold in the year of commissioning or by 31 December of the following year. However, the sale of buildings and land between taxable persons registered for VAT purposes in Romania is subject to reverse charge.

## Foreign taxable persons

Taxable persons without domicile or permanent establishment in Romania.

### Registration

Registration required under the following terms:

- prior to an intra-community acquisition/supply in Romania
- for local supplies towards non-taxable/ non- VAT registered beneficiaries

### Refund of input VAT for taxable persons domiciled in the EU

The deadline for VAT refund application is 30 September of the following year.

If no sales are made in Romania, electronic application at the competent tax office in the EU member state (originating country) of the taxable person.

### Refund of input VAT for taxable persons not domiciled in the EU

If no sales are made in Romania, refund must be requested by 30 September of the following year.

This is done by submitting a request to the Romanian tax authorities. The non-EU established taxable person will appoint a fiscal representative in Romania for VAT reimbursement, provided the input VAT amount exceeds EUR 50.

## E-invoicing

Starting 1 January 2024, the electronic invoicing system is mandatory for:

- Supplies of goods / services with place of supply/provision in Romania, carried out in B2B transactions or in relation to public institutions (other than B2G) by taxable persons established in Romania (i.e. Romanian legal entities or Romanian fixed establishments of foreign companies), regardless of whether they are registered for VAT purposes in Romania.
- Supplies of goods / services with place of supply / provision in Romania carried out in B2B transactions by non-residents registered for VAT purposes in Romania.

The following are exempt from the above:

- exports of goods carried out by the supplier or another person on his behalf;
- intra-Community supplies of goods with the place of departure in Romania
- the supply of goods/services to taxable persons not established nor registered for VAT purposes in Romania;
- invoices for simplified invoices;
- services for which the issuance of invoices is not subject to the invoicing rules applicable in Romania;

Starting from July 1, 2024, amendments are made to the Fiscal Code, according to which, in the case of B2B business relationships between legal entities established in Romania, only invoices transmitted through the RO e-Invoice system will be recognized as valid tax documents and will be acceptable with a view to exercising VAT deduction rights.

As of July 2024, the use of the electronic invoicing system will be extended to transactions between economic operators, taxable persons established in Romania, regardless of their VAT registration status, and final consumers (B2C). This extension will be optional from 1 July 2024 to 31 December 2024, and mandatory starting from 1 January 2025.

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B2C transactions are defined as deliveries of goods or services to individuals who either do not provide a tax identification code or choose to identify themselves with a personal numeric code. In cases where no tax identification code is supplied, invoices are issued using a code of 13 zeros as the beneficiary's tax ID.

Starting 2025, the submission of electronic invoices will no longer be mandatory for two categories of B2B transactions:

- invoices for the supply of goods and provision of services where the place of supply or provision is not in Romania;
- invoices for intra-community supplies of goods, where the beneficiary established in Romania communicates a VAT number from another member state.

Simplified invoices issued in B2B and B2C relationships must be submitted in the RO e-Invoice system, with the exception of fiscal receipts that meet the conditions of a simplified invoice (until 31.12.2024, simplified invoices were not required to be submitted in the RO e-Invoice system).

## RO e-Transport

Originally, the RO e-Transport system through which identification of shipments and generation of Unique Transport Codes is made applied in case of road transport of goods with high fiscal risk within Romanian national territory (these goods are included on a list that should be constantly monitored). The penalties for non-compliance with the system are in force starting January 2023. Subject to the monitoring were only the road transport of goods with high fiscal risk within Romanian national territory – performed by road vehicles with a maximum authorized mass of at least 2,5 tones and which transport goods with a total gross mass exceeding 500 kg or a total value of at least 10.000 RON.

Starting with 15 December 2023, the applicability of the RO e-Transport system was extended to cover, in addition to the road transport of goods with high fiscal risk, the international road transport of goods.

Currently, irrespective of the goods transported, the RO e-Transport system aims to monitor in real time the:

- intra-Community acquisitions and imports in Romania;
- intra-Community deliveries and exports from Romania;
- various non-transfers from or to Romania;
- goods transported under the call-off stock regime either to Romania or from Romania;
- intra-Community transit of goods, both for goods unloaded on Romanian territory for storage or for the settling of a new transport of one or more categories of goods, as well as for goods loaded after storage or after the settling of a new transport on national territory of one or more categories of goods.

In addition to the above operations, in the case of goods with high fiscal risk, there are also various transports for which the RO e-Transport system applies, such as: transactions within Romanian national territory (such as a local sale of high fiscal risk goods), goods transferred between different locations of the same company located within Romanian national territory etc.

The entity liable to report the transport of the goods and obtain the UIT code is to be established depending on the transaction performed, thus a thorough analysis of each case is required to properly determine the obligations of each party involved.

The legislation also provides for several exceptions from reporting under the RO e-Transport System:

- the transport of goods intended for diplomatic missions and consular offices, as well as international organizations, NATO member states' armed forces, the European Union, member states of the Partnership for Peace, or states with which Romania has concluded agreements in the field, or as a result of executing classified contracts according to the law or executing public procurement contracts that require the imposition of special security measures according to legal provisions to protect essential state security interests;
- the transport of excise goods circulating under excise suspension arrangements or with excise paid in the Member State of dispatch, by using the systems for monitoring the movement of excise goods (EMCS), for issuing the electronic administrative document (e-DA) or for issuing the simplified electronic administrative document (e-DAS);
- the transport of goods by postal service providers in postal parcels, under certain conditions.

As part of the RO e-Transport system, the road transport operator is required to equip its transport vehicles with telecommunication terminal devices that use satellite positioning and data transmission technologies to ensure the provision of real-time positioning data for the transport vehicle for the entire duration of the shipment of goods subject to monitoring through the RO e-Transport System (these provisions do not apply if

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the positioning data of the transport vehicle is already transmitted by its own devices).

From the beginning of November 2024, the application of penalties was postponed until 31 March 2025 in case of: i) road transport operators non-complying with the above mentioned requirements, and with the obligation of transmitting the UIT code to the driver and ii) the offences for international road transport of non high-fiscal risk goods, committed by authorized economic operators (AEO) according to Article 38 of Regulation (EU) 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code.

Since September-October 2024, the following are also applicable:

- part of the information reported in the RO e-Transport system may be updated after the expiration of the code, but only for a limited period;
- the incremental penalties system was introduced for certain offences (the penalties are applied considering the number of offences and the period in which they were committed);
- the complementary penalty of confiscation of the value of the goods for failure to declare information in RO e-Transport system will no longer apply where verifications are performed after the road transport of goods has been completed and the goods in question have been recorded in the supporting documents for the accounting entries or in users' accounts, as the case may be, for the period to which the respective operations refer;
- a digital register of penalties imposed will be set up, to which the competent authorities will have access.

## GENERAL MANAGERS

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### Civil law

Employment contract, management/mandate contract etc.

### Social insurance

General managers contributions: pension insurance (standard working conditions): 25% not capped; health insurance: 10% not capped.

Employer's contributions: Work insurance contribution: 2.25%

### Income tax

10%

### VAT

Employee, management/mandate contract: no VAT

### Work permit

Citizens of Economic European Area countries and Switzerland may work in Romania without the need for a work permit.

### Residence permit / Settlement permit

Right of residence and settlement for EU/EEA citizens

### Liability

Personal liability for negligence in the execution of duties.

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## Minimum remuneration

Employment contract: Minimum gross salary

December 2023: 3,300 RON/month, i.e. around EUR 665, with exceptions in the construction sector (4,582 RON/month i.e. around EUR 920) and agriculture and food industry (3,436 RON/month i.e. around EUR 690).

## SOCIAL INSURANCE AND NON-WAGE LABOR COST

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### Social insurance

Statutory health and pension insurance for all gainfully employed persons.

### Contribution rates and maximum contributions

None.

### Self-employed persons

#### Health insurance

Self-employed persons declare and pay health insurance on an annual basis, at 10% of the taxable income, capped at 60 gross minimum salaries (RON 3,300 per month, i.e., around EUR 665 – gross minimum salary valid for December 2023), depending on the total annual income received by the individual.

Starting in January 2024, a minimum health insurance contribution will be introduced, amounting to 10% of the value of 6 minimum gross salaries (1980 RON/year – approximately EUR 400 – based on the minimum gross salary of 3,300 RON/month valid for December 2023), except in cases where the self-employed person has earned income from wages and assimilated to wages in the previous year at a level at least equal to 6 gross minimum salaries

#### Pension insurance

Self-employed persons declare and pay pension insurance on an annual basis, at 25% of the annual taxable income, capped at 12 or 24 gross minimum salaries (RON 3,300 per month, i.e., around EUR 665 – the gross minimum salary valid for December 2023), depending on the total annual income received by the individual. Individuals may choose to pay a higher pension insurance amount.

#### Obligatory pension fund

N/A

#### Accident insurance

N/A

#### Maximum contribution

10% of 60 gross minimum salaries for health insurance (RON 19,800 per year, around EUR 3,985 – based on the December 2023 gross minimum salary).

25% of 24 gross minimum salaries for pension contributions. (RON 19,800 per year, approximately EUR 3,985 - based on December 2023), or more if opted for by the individual.

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## Employed persons

### Health and accident insurance

Employee: 10%, uncapped

### Pension insurance

Employee: 25%, uncapped

An additional pension insurance contribution of 4% / 8% is due by the employers for particular, respectively special work conditions.

### Maximum contribution

N/A

### Others

Work insurance contribution: due by employer - 2.25 % of the gross salary.

### Severance fund

N/A

### Non-wage labor cost

n/a

## IMMOVABLE PROPERTY

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### Tax depreciation

#### Straight-line

For accounting and tax purposes: buildings are subject to straight-line depreciation over expected useful life of the asset within the below-mentioned spread of years.

#### Additional

N/A

### Depreciation categories

#### Land

No depreciation

#### Buildings

Established according to the Government Decision no. 2139/2004, different depreciation categories depending on the destination of the building; industrial buildings, office buildings, hotels - 40 - 60 years; warehouses - 32 - 48 years; lightweight constructions - 16 - 24 years;

#### Tax base for buildings

Generally the acquisition costs of the building. In case of subsequent investment for improving the initial technical parameters, the investment is recovered through depreciation over the remaining useful life. If the investments are performed on fully depreciated buildings, the fiscal depreciation is determined based on a new useful life computed by a technical expert.

In case of mixed business and private use, depreciation is calculated on the proportionate share of acquisition or construction costs.

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## Special depreciation

For mines, quarries and oil fields, depreciation is based on the amount recoverable which is revaluated every 5 years.

For salt mines: depreciation is based on the amount recoverable, which is revaluated every 10 years. Land improvements are depreciated over a period of 10 years.

## Write-ups

Not permitted

## Real estate income tax

### Object of taxation

Immovable property transfers performed by legal entities are subject to income or corporate income tax.

Revenues obtained by individuals from the sale of real estate properties are subject to income tax on the value of the real estate.

### Tax rate

For companies: 16% corporate income tax applicable on the taxable gains realized from the transaction (difference between the selling price and the fiscal value - e.g. the acquisition price) or 1% microenterprise tax applicable on the income.

For individuals: 3% income tax on the sale value if the real estate was owned for a period under 3 years and 1% income tax on the sale value otherwise.

### Tax collection

For companies: self-assessment.

For individuals: by the notary public, upon authenticating the sale-purchase agreement.

### Exemptions

The following immovable property transfers are exempted from income taxation: (i) donations between close relatives and between husband and wife; (ii) restitution of property rights according to special laws; (iii) inheritances, if the testamentary provisions are executed or the legal succession is debated within 2 years. Otherwise, a 1% income tax is due on the value of the inheritance.

## Property transfer tax

### Object of taxation

Sale or other type of transfers of real estate is subject to notary fees and Real Estate book fees.

### Basis of assessment

The notary fees are generally based on the sale price of the real estate. In cases where the sale price is lower than the value of the public notary expertise, the expertise price would be used for determining the property taxes.

Fees for registration in the real estate book are determined on the value of the transfer.

### Tax rate

Generally 0.5% (but may vary depending on certain circumstances).

Fees for registration in the real estate book are generally computed considering the following rates:

- in case of transfers to companies: 0.5% of the value of the property
- in case of transfers to individuals: 0.15% of the value of the property.

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## Property tax

### Objects of taxation

The land tax is computed on the basis of area (square metres), location and category of use (local authority classification).

The building tax is differentiated depending on the buildings destination, as follows:

- residential buildings – the tax rate is between 0.08% – 0.2% of the taxable value of the building. The taxable value is determined for individuals based on the built area multiplied with the taxable value per sqm provided by law
- non-residential buildings – the tax rate is between 0.2% – 1.3% applicable to the taxable base.

For individuals, the taxable base for non-residential buildings may be:

- a) the amount resulting from an evaluation report prepared by an authorized valuator in the past 5 years;
- b) the value of the construction works for buildings constructed in the past 5 years;
- c) the purchase value for buildings acquired in the past 5 years.

In case the taxable value of the building cannot be determined according to the above rules, the tax is calculated by applying the rate of 2% on the taxable value determined as for residential buildings.

For legal entities, the taxable base is the value as at 31 December of the year preceding the year for which the tax is due and can be:

- a) the last taxable value recorded with the local tax authorities;
- b) the amount resulting from an evaluation report prepared by an authorized valuator;
- c) the final value of the construction works – for new buildings (constructed during the previous fiscal year);
- d) the purchase value for buildings purchased during the previous fiscal year;
- e) in case of buildings that are funded under a finance lease, the amount resulting from an evaluation report drawn up by an authorized valuator;
- f) in the case of buildings publicly or privately owned by the state / the administrative-territorial units that are leased to a legal entity, the value registered by the owner in its accounting records.

Legal entities should update the taxable value of the buildings every 5 years based on an evaluation report, otherwise an increased tax rate of 5% is applicable.

For non-residential buildings used for agricultural purposes the tax rate is of 0.4%.

In certain circumstances, the local public authorities may establish land and building taxes increased with up to 50% considering criteria such as e.g. economical, social and geographical factors, local budget necessities etc.

Starting 1 January 2024, a special tax will be applied to immovable / movable assets of high value, as follows:

- 3% – for individuals who on 31 December of the previous year owned residential buildings located in Romania whose taxable value exceeded RON 2.5 million. The tax will be levied on the difference between the taxable value of the building, communicated by the local fiscal body, and the above-mentioned threshold, and is to be paid by 30 September of the current fiscal year. The local tax authority will notify on an annual basis individual taxpayers who own residential buildings with a taxable value in excess of RON 2.5 million.
- 3% – for individuals and legal persons who own cars registered in Romania whose individual purchase price exceeds RON 375 thousand. The tax is levied on the difference between the purchase value and the corresponding threshold and is to be paid by 31 December of the current fiscal year. This tax is due for 5 years, starting with the fiscal year in which the car was received (or for the remaining number of years until expiry of the 5-year period, if the car was purchased before 2024).

Starting in 2025, a new construction tax has been introduced. The applicable construction tax rates are as follows:

- 0.5% – applied to the net book value of constructions recorded in the taxpayer's assets as at 31 December of the previous year (or the last day of the modified fiscal year preceding the year for which the construction tax is due).
- 0.25% – applied to the value of constructions covered by contracts, agreements, or other legal instruments granting rights of administration, concession, free use, or lease, in the case of constructions belonging to the public or private domain of the state or local

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authorities, as at the same reference date.

The law provides for specific exclusions, as follows:

- Constructions located within Romania's territorial sea;
- Constructions that are exempt from local building tax under the applicable legislation;
- Investments made by taxpayers in constructions used based on contracts, agreements, or other legal instruments (such as administration, concession, free use, or lease agreements), or — where applicable — based on lease agreements, management contracts, joint ventures, or similar arrangements, provided that such investments had not materialized into constructions by 31 December of the previous year (or the last day of the modified fiscal year preceding the year for which the tax is due).

The construction tax is payable in two equal instalments, due by 30 June and 31 October, respectively.

## Real estate funds

### Owner of the fund assets

Real estate funds may be set-up as entities with or without legal personality. Similar to commercial companies, real estate funds set up as legal entities may be owned by both individuals or other legal entities (Romanian or non-resident). The investment funds are regulated and monitored by the National Securities Committee and the Financial Supervisory Authority.

### Annual valuation

In certain cases, the Financial Supervisory Authority can request that the assets evaluation and the financial statements' audit of the companies in which the real estate funds invest be carried out more frequently than on an annual basis.

### Borrowing

No specific requirements regarding borrowing, however the real estate funds may provide loans only up to certain limits.

### Diversification of risk

Limitations (as % of the assets value, varying depending on the real estate fund type) apply for assets allocated to one single real estate investment. Investments, other than real estate, can be made up to a percentage of the fund's assets.

### Tax liability

No specific rules apply. Real estate funds' administrators need to compute, withhold, declare and pay the tax due by individual investors with respect to their investments, as well as to provide the information related to the taxable gain/loss incurred by each investor and the tax withheld (if any).

## OTHER TAXES

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### Business tax

No

### Wealth tax

No

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## Inheritance and gift tax

Generally no. Please refer to "Immovable property" for more details.

## Property transfer tax

See below, under "Immovable property"

## Capital duties and fees

### Contract duties

No

### Registration fees

Particularly for the transfer of "immovable property".

### Capital duty

No

## FILING DATES AND DEADLINES

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### Annual tax returns

Typically, the corporate income tax return must be filed by March 25 of the following year for which the corporate income tax is due if the fiscal year aligns with the calendar year. Should the fiscal year deviate from the calendar year, the annual corporate income tax return must be submitted by the 25th day of the third month following the conclusion of its fiscal year.

Between 2021 and 2025, taxpayers subject to OMF 1802/2014 are required to submit their annual corporate income tax returns and settle the associated corporate income tax by June 25 of the subsequent year, or by the 25th day of the sixth month following the conclusion of the adjusted fiscal year.

Annual individual income tax and social contributions return is due by 25 May of the following year, for income such as: freelancing activities, investment income, lease transactions, intellectual property rights etc.

### VAT interim returns

Quarterly for annual turnover of up to EUR 100,000, otherwise monthly; by the 25th day of the month following the assessment period.

### European Sales Listing

By the 25th day of the month following the months when intra-Community transactions are performed.

## INCOME TAXES

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### Tax rate

10 % – standard rate;

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From 2023 onward, personal allowances consist of both a base personal deduction and an additional personal deduction, provided up to the limit of the monthly taxable salary.

The base personal deduction is granted to employees with a gross monthly income up to RON 2,000 above the minimum gross salary (max RON 5,300, app. EUR 1,060). The base personal deduction fluctuates from 0% to 45%, depending on both the salary level and the number of persons under employee's care.

Additional personal deductions are available monthly, in 2024, as follows: (i) 15% of the minimum gross salary per economy (RON 3,300, i.e., EUR 660 per month) - for employees under 26 years old, earning a maximum salary of RON 5,300; (ii) RON 100 for each child up to 18 years old enrolled in an educational system, granted to one of the parents.

In addition to the above, the facility whereby the amount of RON 200/month is not included in the computation base for income tax and mandatory social contributions, in the case of employees who meet the conditions set out in Emergency Ordinance no. 115/2023, is also to be maintained during 2024.

Certain types of salary benefits are non-taxable up to a monthly threshold of 33% on the base salary: cost of food provided by employers, voluntary pension contributions (capped at EUR 400/year), voluntary medical insurance or subscription (capped at EUR 400/year).

In addition to the above, starting January 1, 2024, the exemption of up to RON 400, which was previously non-taxable for employees working remotely, will be removed. Moreover, the non-taxable limit for sports and fitness subscriptions paid for by the employer for its own employees will be reduced, as of 1 January 2024, to EUR 100 per year for each person, provided that this value falls within the monthly limit of a maximum of 33% of the base salary (the value of subscriptions paid for by employees can be deducted from the salary tax base up to 100 euros annually).

Adding to the previous point, amounts paid by an employer or directly by employees for the placement of employees' children in early education units, in keeping with the law, within the limit established by the employer but not exceeding RON 1,500/month for each child, are to be included in the monthly limit of a maximum of 33% of the base salary (applicable as of 1 January 2024).

Certain types of salary income are exempt: salary income of software developers, constructions workers, agricultural workers and employees in R&D; allowances etc.

As of November 2023, several amendments have come into effect:

- Employees working in the information technology (IT) will receive an income tax exemption limited to a monthly salary or salary-assimilated amount of RON 10,000. However, any portion of the gross monthly salary or salary-equivalent income exceeding RON 10,000 will not qualify for this tax exemption. Moreover, this tax incentive will be accessible only until December 31, 2028.
- The income tax exemption for salary income in IT, construction, agriculture, and food industries are restricted to the primary workplace under a single employment agreement or specific authorized work arrangements.
- Employees in the agriculture, construction, food, and IT sectors will benefit from a reduced pension contribution (CAS) rate aligned with the Pillar II Pension contribution set by Law 41/2004, rising to 4.75% starting January 1, 2024. Employees maintain the option to contribute to Pillar II.
- The 10% health insurance contribution obligation is reinstated for construction, agriculture, and food industry employees, regardless of income levels.

Starting in January 2024, employees earning salary income in the fields of computer software development, construction, agriculture and the food industry may choose to opt out of the payment of contributions to privately managed pension funds starting with income earned during the month following submission of an application to this end, with the rules regarding the option/withdrawal from contribution payments being established by the employer in the form of internal regulations or other internal documents.

Moreover, starting in January 2024, the 10% health insurance contribution will apply to the nominal value of meal vouchers and holiday vouchers provided by employers to their employees. Additionally, tourist or treatment services offered by employers to their employees and their families cannot qualify for exemptions from income tax and social contributions if these employees also receive holiday vouchers.

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## Special tax rates

10% for dividend income

1% or 3% for income from the transfer of immovable property

Tax rates of 3% - 40% for gambling income, depending on income thresholds

## Tax liability

### Unlimited

On global income of persons resident in Romania for tax purposes. An individual is classified as a resident if they meet any of the following criteria:

- place of residence in Romania
- primary interests or vital connections are in Romania
- presence in Romania for over 183 days within any 12-month consecutive period.

Foreign individuals with their primary interests in Romania or who spend more than 183 days within any consecutive 12-month period in Romania are liable to pay taxes in Romania on their global income.

### Limited

For non-resident individuals, on their Romanian source income.

## Tax assessment period

Calendar year

## Income categories

Income from:

1. Employment
2. Self-employment (no personal allowance)
3. Transfer of rights to use assets
4. Pensions in excess of RON 2,000 (approx. EUR 400).
5. Agriculture, forestry and fish farming
6. Prizes and income obtained from gambling activities
7. Investments
8. Real estate transactions
9. Intellectual property
10. Other (including income earned from the transfer of cryptocurrencies)

## Accounting

Generally, cash-based accounting as provided in Accounting Act. Freelancers may also opt to apply the double-entry bookkeeping system.

## Loss set-offs

Within individual income categories.

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## Loss carryback

Not possible

## Loss carryforward

Losses from self-employment, transfer of rights to use assets, agricultural activities, forestry and fish farming can be carried forward and set off for 7 years.

There is no limit to the amounts that may be carried forward and set off.

## Operating expenses

Expenses incurred to procure, secure or maintain business income.

## Tax allowable expenses

Operating expenses, interest

## Lump sum option

Lump sum deduction of 40% of income from intellectual property rights (including income from creating monumental art works).

For certain types of self-employment commercial activities (e.g. supply of certain IT services), the tax may be computed based on an annual lump sum income, as provided by law.

## Motor vehicles

Depreciation over 4-6 years.

Acquisition cost: no ceiling.

Expenses (including non-deductible VAT) incurred for vehicles that have a maximum weight of 3,500 kg and no more than nine seats, that are used exclusively for business purposes or for certain types of activities (e.g. emergency services, cab services, driving schools etc.) are fully deductible for income tax purposes. Other- wise, these expenses are only 50 % deductible for income tax purposes.

## Social insurance

Deductible for salary income.

## Withholding tax

Generally 10% income tax (including dividends).

### Interest

Generally 10%; exception: 0% for interest on savings of natural persons domiciled in EU countries with which Romania concluded information exchange agreements.

In case of foreign tax resident individuals, the domestic tax rate may be reduced under DTA.

### Royalties

Generally 10%. In case of foreign tax resident individuals, the domestic tax rate may be reduced under DTA.

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### Dividends

Typically 10% (DTAs can provide for lower rates in case of foreign tax resident individuals).

## CORPORATE INCOME TAXES

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### Object of taxation

Profit - for corporate tax payers / Income - for microenterprise tax payers

### Tax rate

Corporate tax: 16%; exceptions: night clubs, bars, discos, casinos pay the higher of 16% of the net profit and 5% of revenues.

Minimum turnover tax: Starting 1 January 2024, taxpayers who during the previous year record a turnover higher than EUR 50 million will be subject to the minimum turnover tax. In cases where the corporate tax calculated by taxpayers for a given year is lower than the minimum turnover tax, the corporate tax due by these taxpayers will be equal to the minimum turnover tax.

The minimum turnover tax is calculated by applying a 1% rate to the amount of turnover, which is determined as follows: total revenues *minus* exempted revenues (i.e. non-taxable revenue, revenue relating to the cost of stocks of goods/services in progress, revenue from subsidies, etc.) *minus* the accounting depreciation of assets acquired or produced as of 1 January 2024. The minimum turnover tax is determined before recovering any tax losses available from previous years.

Special rules are provided for tax groups and taxpayers who apply the prepayment corporate tax system.

Additional tax on credit institutions: From 1 January 2024, credit institutions (Romanian companies and branches of foreign companies) will be subject to a 2% turnover tax in addition to the corporate tax. Starting with 2026, the additional tax rate will be 1%. This tax will be a non-deductible expense for corporate tax purposes.

Additional tax on oil & gas companies: Companies operating in the oil and gas sectors with a turnover of more than EUR 50 million in the previous year will pay an additional 0.5% tax on turnover. This tax is a non-deductible expense for corporate tax purposes. Taxpayers regulated / licensed by the National Energy Regulatory Authority who derive more than 95% of their total revenue from the distribution / supply / transmission of electricity and natural gas, minus exempted revenues included in the Vs indicator, are exempted from applying the minimum turnover tax.

Microenterprise tax regime: (i) 1%, if the revenues do not exceed EUR 60,000 and where the activities do not correspond to certain NACE codes in the IT, HoReCa, legal, medical and dental sectors, or (ii) 3%, if the revenues exceed EUR 60,000 or if the activities correspond to certain NACE codes in the IT, HoReCa, legal, medical or dental care sectors.

Starting January 2025, microenterprise tax applies for Romanian companies which fulfil the following conditions:

- annual turnover of maximum EUR 250,000 and at least 1 employee
- the company is not being liquidated
- the company has submitted its annual financial statements on time.
- the share capital is held by entities other than the state or local authorities
- an entity holds (directly or indirectly) more than 25% of the shares or voting rights of one company that qualifies as microenterprise for tax purposes.

The EUR 250,000 threshold is verified by taking into account the income recorded by the Romanian legal entity cumulated with (i) the income of its linked undertakings and (ii) one quarter of the annual income quota (norm) established for the current tax year of the authorised individuals / sole proprietors / family businesses / other organisational forms carrying out economic activities without legal personality, authorised according to the laws in force, who calculate their income tax based on the annual income quota (norm). The elements to be taken into account when determining the EUR 250,000 threshold are the same as those which constitute the taxable base of the micro-enterprise tax.

Starting January 2026, the threshold for the annual turnover decreases to EUR 100,000.

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For the purposes of applying the micro-enterprise tax regime, a Romanian legal entity is considered to be linked with another person if any of the following relationships exist between them:

- The Romanian legal entity holds (directly or indirectly) in another Romanian legal entity more than 25% of the shares or voting rights or has the right to appoint or dismiss the majority of the members of the Romanian legal entity's administrative / management / supervisory board;
- Another Romanian legal entity holds (directly or indirectly) more than 25% of the shares / voting rights of the Romanian legal entity which qualifies as a linked undertaking or has the right to appoint or dismiss the majority of the members of the administrative / management / supervisory board of the Romanian legal entity which qualifies as a linked undertaking;
- Two Romanian legal entities are considered to be linked if another person holds (directly or indirectly) more than 25% in both companies. If the shareholder of the two companies is a Romanian legal entity, then the verification of the EUR 500,000 threshold will also take into account the revenues booked by the shareholder;
- The Romanian legal entity meets the condition of a linked undertaking if one or more of its shareholders holds (directly or indirectly) at least 25% of its shares / voting rights and also carries out economic activities through an authorised individual / sole proprietor / family business / other organisational form carrying economic activities without legal personality, authorised in accordance with the legal provisions in force. In this case, the revenues of the shareholders booked as per the applicable accounting regulations or, as the case may be, the annual income quota (norm), are cumulated with the income booked by the Romanian legal entity and other linked undertakings.

The microenterprise tax regime is optional; once a microenterprise switches to the corporate income tax regime, this latter regime will permanently apply.

## Tax liability

### Unlimited

Romanian legal entities, legal entities established according to European legislation, having their headquarters in Romania and foreign legal entities with the place of effective management in Romania on their worldwide income.

### Limited

Branches and permanent establishments of foreign companies: on their Romanian-sourced income. Non-resident taxpayers carrying out activities in Romania through one or more permanent establishments are required to designate a permanent establishment to fulfill their corporate income tax obligations.

## Financial year

Calendar year. By exception, all Romanian companies and branches of foreign companies (except for credit institutions, non-banking financial institutions etc.) may choose a financial year that is different from the calendar year. Taxpayers that choose a financial year different from the calendar year can also opt for the fiscal year to correspond with the financial year.

## Accounting

Romanian listed companies and banks are required to apply IFRSs.

All other companies – generally double entry bookkeeping, as specified in Romanian Accounting Act (in line with EU Directives).

## Loss carryback

N/A

## Loss carryforward

Possible: as of 2024, tax losses are recoverable from taxable profits up to a limit of 70%.

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Time limit: 5 consecutive years. Tax losses carried forward from periods prior to 31 December 2023 are recoverable from subsequent taxable profits up to a limit of 70% for the remaining period of the 7 years.

## Shell company purchase

Likely to be scrutinized based on substance over form principle; risks of the transaction being considered artificial.

## Operating expenses

Expenses incurred to procure, secure, or maintain the business.

### Transfer prices

For tax purposes, where a person has a direct or indirect interest of at least 25% in the share capital or the voting rights of one or more legal persons, then the parties involved are all associated parties.

Romanian legislation follows OECD transfer pricing guidelines. Prices charged in related-party transactions should be established on market terms (arm's length basis). The following methods may be used in determining market prices for transactions between associated companies:

- price comparisons with independent companies
- cost plus method
- resale price method
- other methods specified in the OECD's transfer pricing guidelines.

Special rules apply depending on the size of taxpayers (i.e. large, medium or small). Materiality thresholds are defined for three groups of entities and these will affect the deadline for the preparation of transfer pricing documentation and its content, as follows:

(i) Large taxpayers must prepare the transfer pricing file by the date of filing the annual corporate tax return (e.g. 25 June 2024 for the year 2023, unless they opted for a fiscal year different than the calendar year), if the value of related party transactions performed exceeds the following thresholds:

- EUR 200,000 (ex. VAT) – for interest collected/paid on financial services
- EUR 250,000 (ex. VAT) – for the value of services rendered/acquired
- EUR 350,000 (ex. VAT) – for the value of goods sold/purchased.

(ii) Large taxpayers whose related-party transactions fall below the upper thresholds and small and medium-sized taxpayers are required to prepare the transfer pricing file at the request of the tax authorities made during a tax audit and within the deadline established by the tax inspectors (i.e. 30-60 days, with a single 30-day extension), if the value of related party transactions performed exceeds the following thresholds:

- EUR 50,000 (ex. VAT) – for interest collected/paid on financial services
- EUR 50,000 (ex. VAT) – for services rendered/acquired
- EUR 100,000 (ex. VAT) – for goods sold/purchased.

(iii) If the values of transactions fall below these thresholds, the taxpayers will need to document the arm's length nature of their transactions during a tax audit, in line with the general accounting and tax provisions in force.

Each member of a fiscal group for profit tax purposes should prepare transfer pricing documentation.

Multinational groups of companies with consolidated revenues in excess of EUR 750 million are required to submit a Country-by-Country (CbC) Report. The obligation to file the CbC Report pertains to the ultimate parent company or designated reporting entity which resides in Romania for tax purposes.

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Submission obligations:

- the CbC Report is to be drawn up for the fiscal year of the multinational group
- the report must be submitted to the tax authorities within maximum 12 months after the year-end.

Where a Romanian company is part of a multinational group but is not the parent company or designated reporting entity of the group, it is still required to notify the tax authorities in respect of its position within the group and the group's reporting entity and tax jurisdiction. This notification is to be prepared by using the template provided in the legislation and submitted until the last day of the financial year of the group, but no later than the last day when the company is required to submit its corporate income tax return for the previous year.

Local entities that are part of a multinational group having a consolidated turnover of above EUR 750 million, will be subject to supplementary obligations as introduced by the Public CbC Reporting.

The entities which have to comply with the provisions of the Public CbC reporting are the following:

- The ultimate parent undertakings / standalone undertakings residing in one of the Member States and having the consolidated revenue of over RON 3.7 billion (app. EUR 750 million) for each of the last two consecutive financial years;
- Medium-sized and large subsidiaries, as well as branches that are part of multinational groups registering a consolidated revenue exceeding RON 3.7 billion (app. EUR 750 million) and are controlled by parent companies which are not based in a Member State.

For reporting purposes, entities based in countries which are part of the European Economic Area are considered to be based in a Member State, and not in a third country.

The qualified entities are required to publish a report that contains a range of details, including a list of all subsidiary undertakings consolidated in the financial statements of the ultimate parent undertaking, a brief description of their activities and also a series of indicators (for each undertaking / branch) such as the total income (with a series of exclusions), the total accumulated income tax during the fiscal year, the gross amount of profit or loss, the number of employees, the amount of accumulated earnings at the end of the relevant financial year, etc.

Companies for which the fiscal year corresponds with the calendar year have the obligation to publish the report for the year 2023 until 31 December 2024.

**Interest on debt financing of acquisition of shares**

Financing costs subject to deductibility restrictions include a wide area of costs, such as: interest on financial leases, payments under profit participating loans, interest capitalized in the book value of an asset or the depreciation of capitalized interest, notional interest under derivative financial instruments, financing related commissions, foreign exchange variations etc. These financing costs represent net amounts, i.e. financial expenses less interest income and other similar income.

Financing costs may be deducted up to a limit of EUR 1,000,000 per fiscal year. The deductibility of the amounts exceeding this threshold is limited to 30% of the borrower's gross profit, adjusted for certain items (minus non-taxable income, add back financing costs and tax depreciation).

Starting 2024, excess borrowing costs resulting from transactions/operations that do not finance the acquisition/production of assets in progress/assets with affiliated parties are deductible up to an annual threshold of EUR 500,000.

The ratio of the non-deductible exceeding borrowing cost related to transactions with third parties and / or affiliates financing the acquisition / production of construction in progress / eligible assets in the total non-deductible exceeding borrowing costs is determined prior to applying the 30% deductibility threshold.

Total excess borrowing costs incurred in a fiscal period from transactions carried out with affiliated and non-affiliated persons should not exceed the deduction threshold of EUR 1,000,000.

These deductibility restrictions do not apply for taxpayers which are not part of a group and have no affiliates or permanent establishments.

Interest arising from the acquisition of shares might be subject to the below financing costs deductibility or is fully non-deductible if the income obtained from the shares (i.e. dividends or capital gains) is non-taxable.

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### **Debt / equity**

No legally defined limits.

### **Tax depreciation**

Depreciation for accounting and tax purposes: straight-line, accelerated, or reducing balance method, depending on the type of asset (e.g. straight-line for buildings).

Annual depreciation: Depreciation is spread over a period of years (the enterprise chooses the depreciation period within the specified range, which depends on the category of the asset). Depreciation is claimed on a monthly basis, starting the month following the month of first use in the business (including in the first and in the last year of the useful life). Examples of assets subject to depreciation:

- group 1 - buildings
- group 2 - machinery, vehicles, animals and plantations
- group 3 - furniture, safety equipment, office equipment and other assets.

Non-depreciable assets:

- land, works of art, goodwill
- artificial lakes and ponds
- publicly financed public goods
- other assets not subject to loss of value in normal use due to the passage of time
- private sector rest homes, lodgings, ships, aircraft, yachts.

### **Provisions**

Examples of tax allowable provisions include:

Bad debt provisions of up to 100% are allowable, provided certain conditions are met (one of the conditions to qualify for maximum allowance is that the bankruptcy/insolvency procedure of the client was opened).

Provisions for customer guarantees are allowable.

Provisions for impairment of depreciable fixed assets are allowable in the following situations:

1. assets which are destroyed as a result of natural disasters or other causes of force majeure
2. assets for which insurance contracts were concluded.

### **Motor vehicle expenses**

Depreciation over 4-6 years

Acquisition cost: no ceiling

Expenses (including non-deductible VAT) related to vehicles that have a maximum weight of 3,500 kg and no more than nine seats, that are used exclusively for business purposes or for certain types of activities (e.g. emergency services, cab services, driving schools, vehicles used by sales / acquisition agents etc.), are fully deductible for profit tax purposes.

Otherwise, these expenses (excluding depreciation) are only 50% deductible for profit tax purposes.

The VAT deduction right related to the acquisition of such vehicles and for other car related expenses (e.g. fuel, spare parts) of these vehicles is also limited to 50%, under the same conditions.

Depreciation expenses are deductible up to the limit of RON 1,500/month, unless the vehicle falls under one of the categories for which car related expenses are fully deductible (e.g. vehicles used for emergency services, sales agents etc.).

The provisions also apply in the case of rental/leasing of vehicles.

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## Non-deductible expenses

Expenses which are not incurred for business purposes.

Interest/penalties for delay, fines, penalty surcharges due to Romanian/foreign public authorities.

Expenses not adequately documented.

Expenses generated by transactions performed with persons resident in a state included on the list of non-cooperative jurisdictions.

Expenses relating to the depreciation of cash registers for which a tax credit is obtained are non-deductible, expenses incurred for the benefit of the shareholders, expenses related to non taxable income, withholding taxes borne by Romanian taxpayers for the benefit of non-residents, 50% non-deductibility for expenses with bad debt allowances.

Sponsorship expenses are not deductible for tax purposes, but under certain conditions taxpayers may use them as tax credits from sponsorship within the following limits:

- 0.75% from turnover
- 20% of corporate income tax liability.

Starting January 2022, if the sponsorship tax credit available during a tax year exceeds the profit tax due for that fiscal period, the remaining amount may be redirected by the taxpayer towards sponsorships up until the submission deadline for their annual corporate tax return.

The carrying forward of sponsorship expenses is no longer allowed starting with sponsorships performed as of January 2022. The carrying forward method is allowed only for sponsorship expenses incurred but not used by 31 December 2021 (valid up to and including 2028).

Expenses related to consultancy, management and other services provided by a person established in a country with which Romania has not concluded a legal instrument for exchange of information, in case the tax authorities assess the transaction as being artificial for tax purposes.

## Interest barrier

Financing costs are deductible up to 30% of the fiscal EBITDA and EUR 1 million (financing costs incurred from related parties are limited to EUR 500 thousand). Interest rates should observe the arm's length principle.

## Interest and royalties to intra-group companies

General deductibility rules apply

## Withholding taxes

Withholding tax rate is generally set at 16% (8% for dividends; starting 2025, the dividend tax rate increases to 10%).

Payments to non-residents established in a state with which Romania has not concluded a juridical instrument for exchange of information are subject to 50% withholding tax, if transactions are qualified as being artificial.

Double Taxation Agreements ("DTAs") and EU Directives can provide lower rates of withholding tax. Relief is granted in the form of a tax credit or tax exemption (detailed documentation required for DTA relief).

### Interest

The withholding tax rate is 0%, provided the beneficiary is a legal entity residing in an EU Member State, with a minimum shareholding of 25% in the Romanian company held for at least 2 years (on the basis of the EU Interest & Royalty Directive); otherwise, the domestic rate is 16% (0% for interest on savings of natural persons domiciled in EU countries with which Romania concluded information exchange agreements).

The domestic 16% withholding tax rate may be reduced or even eliminated by virtue of DTAs.

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### **Royalties**

The withholding tax rate is 0%, provided the beneficiary is a legal entity residing in an EU Member State, with a minimum shareholding of 25% in the Romanian company held for at least 2 years (on the basis of the EU Interest & Royalty Directive; other conditions also apply); otherwise, the domestic rate is 16%.

The domestic 16% withholding tax rate may be reduced or even eliminated by virtue of DTAs.

### **Dividends**

No withholding tax, provided the recipient is a legal entity resident of Romania or of an EU Member State, and has held a minimum 10% interest for at least 1 year (on the basis of the EU Parent-Subsidiary Directive). Otherwise, the withholding tax is of 10% as from 1 January 2025.

DTAs can provide for lower rates of tax or may eliminate Romanian withholding tax.

## **Controlled foreign corporation (CFC) rules**

Taxation of certain income of foreign corporations/permanent establishments at the level of the controlling Romanian corporation. The CFC rules will not apply if the CFC performs substantial economic activity.

Requirements:

- control of the foreign entity
- specific categories of income (e.g. interest, royalties, dividends, insurance/banking income, certain transactions with related parties) account for more than 1/3 of the foreign corporation's income.

## **Hybrid mismatches**

Mismatches which, due to differing fiscal recognition methods, lead to a different tax treatment in different countries and may, under certain circumstances, lead to profit shifting or profit reduction must be neutralized, i.e. as a rule, the related expenses are treated as non-tax-deductible.

## **National parent- subsidiary exemption**

Dividends paid between Romanian legal entities are tax-free, provided the minimum holding conditions are met (min. 10%, min. 1 year).

Capital gains may be tax-free under the same holding conditions (min. 10% of shares in the company whose shares are being sold, min. 1 year).

## **International investments**

Dividends paid to non-EU entities are subject to 8% tax (may be reduced based on DTA). Starting 2025, the dividend tax rate increases to 10%.

Capital gains earned by a non-EU entity residing in a country with which Romania has concluded a DTA may be tax free, provided minimum holding conditions are met (10% holding, 1 year).

## **International parent- subsidiary exemption and portfolio investments**

Dividends paid to entities residing in a EU member state are tax free, subject to fulfilling the conditions provided by EU parent-subsidiary directive (e.g. 10% holding, 1 year etc.)

Capital gains are tax free, provided minimum holding conditions are met (10%, 1 year) and a DTA is in place.

## **Goodwill amortisation**

Not deductible for tax purposes.

### **TPA Steuerberatung GmbH**

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## Group taxation / pooling

In place starting with 2021.

### Tax groups

The corporate tax group generally includes Romanian tax resident companies under common control (permanent establishments may be included in certain limited cases). For this purpose, the control threshold is 75% of the shares or voting rights. The system is optional and has an initial application period of 5 fiscal years.

One of the members is designated to calculate, declare, and pay the corporate tax for the group, whose members should perform their own tax calculations.

### Pooling

Only current tax losses are allowed in determining the group tax liability.

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