



# *Eurofast*

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**ROMANIA TAX CARD**

**2017**

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# TAX CARD 2017 – ROMANIA

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## Table of Contents

### **1. Individuals**

- 1.1 Personal Income Tax
  - 1.1.1 Tax Rates
  - 1.1.2 Taxable Income
  - 1.1.3 Exempt Income
  - 1.1.4 Deductible Expenses/Allowances
- 1.2 Social Security Contribution
  - 1.2.1 Tax Payers
  - 1.2.2 SIC Rates
  - 1.2.3 SIC Rates for Self-employed Persons
  - 1.2.4 SIC Rates for Income Gained from Intellectual Property Rights/Civil Conventions
  - 1.2.5 SIC Rates for Income Gained from Independent Activities
- 1.3 Capital Gains Tax

### **2. Corporate Taxation**

- 2.1 Corporate Income Tax
  - 2.1.1 Residency
  - 2.1.2 Tax Rates
  - 2.1.3 Exempt Income
  - 2.1.4 Deductible Expenses
  - 2.1.5 Non-deductible Expenses
- 2.2 Micro Enterprises
- 2.3 Tax Incentives
- 2.4 Withholding Taxes
- 2.5 Losses Carried Forward

### **3. Indirect Taxation**

- 3.1 Value Added Tax (VAT)
  - 3.1.1 Taxable Persons
  - 3.1.2 VAT Registration
  - 3.1.3 Cash Accounting VAT Scheme (CAVS)
  - 3.1.4 VAT Refund
- 3.2 Custom Duties
- 3.3 Excise Duties

### **4. Local & Other Taxes, Fees**

- 4.1 Property Taxes

### **5. Tax Calendar**

### **6. Administrative Penalties**

# I. Individuals

## 1.1 Personal Income Tax

Personal income tax applies to all incomes obtained by Romanian residents from sources within or outside Romania. Non-residents are taxable on their income derived from Romania.

### 1.1.1 Tax Rates

Standard tax rate	16%
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### 1.1.2 Taxable Income

Salaries
Income from independent activities
Rental income
Investment income
Pension income
Prizes
Other incomes

### 1.1.3 Exempt Income

Allowances for maternity leave, maternity risk and for child care leave paid from the health fund
Salaries obtained by severely disabled individuals
Salary income obtained from employment activities performed abroad
Stock option plan advantages, at the moment of being granted and exercised
Amounts received for transportation and accommodation expenses incurred during delegation or secondment, limited to 2.5 times the level set for employees of public institutions
Salary income derived from software development and design, if meeting certain criteria
Income from the sale of movable assets from personal patrimony
Sponsorship and donations
Inheritance
Taxable incomes from pension

### 1.1.4 Deductible Expenses/Allowances

Obligatory social security contributions
Personal deductions
Contributions to voluntary pension funds
Trade union membership fees
At their request, taxpayers may redirect up to 2% of their annual income tax to charitable purposes

## 1.2 Social Security Contributions (SIC)

### 1.2.1 Taxpayers

- Resident and non-resident individuals that are employed in Romania, self-employed individuals, freelancers and others;
- Retired persons with retirement allowances above RON 1,100;
- Employers (including public entities).

### 1.2.2 SIC Rates

Type of Contribution	Paid by the Employee	Paid by the Employer
Social Security	10.5%	20.8 / 25.8 / 30.8% (depending on working conditions)
Health Fund Contribution	5.5%	5.2%
Unemployment Fund Contribution	0.5%	0.5%
Contribution for Vacation and Sick Leave Allowances	-	0.85%
National Insurance Fund for work accidents and professional diseases	-	from 0.15% to 0.85% (depending on CAEN Code)
Contribution to the Guarantee Fund for payment of salary debts	-	0.25%

### 1.2.3 SIC Rates for Self-employed Persons

Type of Contribution	
Social security fund (Note 1)	31.3 %
Health fund	5.5%
Unemployment fund (Note 3)	1%

#### Notes

1. Since 2011, the computation basis for social security fund is capped between a minimum of 35% from the average gross salary and a maximum value of 5 average gross salaries established by law.
2. For the year 2016, the national average gross salary was 2,681 Lei (approx. 595 Euro). The minimum gross salary on a national level is 1,450 Lei starting from 1 February 2017.
3. The contributions to the unemployment fund are optional.

### 1.2.4 SIC for Income Gained from Intellectual Property Rights / Civil Conventions

Type of Contribution	
Social security fund	10.5%
Health fund	5.5%

Starting from 1 February 2017, individuals who derive income from intellectual property rights, for which the tax is withheld at source, continue to owe individual contribution to social health insurance starting with incomes related to January 2017, even if they have other categories of incomes.

### 1.2.5 SIC for Income Gained from Independent Activities

Type of Contribution	
Social security contributions (pension)	31.3%
Individual health insurance contributions	5.5%

The calculation base for SIC can be chosen by the individual within the minimum and maximum limits provided by the tax legislation, but the insured amount cannot be lower than 35% of the average gross salary or higher than five times the average gross salary that applies in the respective year.

If individuals already have an individual labour agreement and they also conduct independent activities they do not have to pay social security contributions (pension).

## 1.3 Capital Gains Tax

Gains by individuals from private movable property are not subject to tax. Gains by individuals from immovable property are also not subject to tax; however, proceeds from the sale of immovable property are subject to a transfer tax which ranges from 1% to 3%.

Capital gains of companies and individuals from disposal of securities and other financial instruments (specified by the law) are taxed at 16%.

## II. Corporate Taxation

### 2.1 Corporate Income Tax

Resident entities are subject to taxation on their worldwide income. Foreign income of Romanian entities is included in the taxable income. This includes passive income as well as capital gains. However, a credit is allowed for foreign taxes paid up to the level of the Romanian tax on that income.

Non-resident companies are tax liable only for their Romanian-sourced incomes.

#### 2.1.1 Residency

A legal entity is considered to be “resident” if:

- It is incorporated under the Romanian law;
- It has its place of effective management in Romania; or
- It has its registered office in Romania but is incorporated under European law, e.g. European companies (SEs), European cooperative societies (SCEs).

#### 2.1.2 Tax Rates

Corporate income tax	16%
Tax for nightclubs and gambling venues	5% of the total revenue or 16% of profit, whichever is higher

#### 2.1.3 Exempt Income

Dividends received by resident companies from other resident legal entities if the recipient company has held at least 10% of the distributing company's share capital for at least 1 year. In other cases, such dividends are subject to a final withholding tax of 5%.
Qualifying EU dividends (foreign source dividends paid by an EU subsidiary to its Romanian parent company are exempt from tax in Romania if the parent company meets certain criteria)
Profits reinvested in the production and/or acquisition of technological equipment that is used for obtaining taxable income (in force until 31 December 2016)
Revenues from the cancellation of non-deductible expenses, as well as refund of non-deductible expenses
Revenues from reduction or cancellation of non-deductible provisions
Income expressly exempt by the law

#### 2.1.4 Deductible Expenses

Deductible expenses shall be considered only those carried out to obtain taxable income, including expenses provided by the legislation in force. All expenses must be documented.

Deductible expenses specifically provided by the law such as:	<ul style="list-style-type: none"> <li>•Mandatory SIC</li> <li>•Business promotion expenses, advertising</li> <li>•Expenses of business trips</li> <li>•Professional training expenses of employees</li> <li>•Marketing &amp; market research expenses</li> <li>•Other</li> </ul>
Expenses with limited deductibility (subject to conditions) such as:	<ul style="list-style-type: none"> <li>•Interests from non-financial institutions</li> <li>•Private health insurance</li> <li>•Bed debts provisions</li> <li>•Social expenses</li> <li>•Other</li> </ul>

### 2.1.5 Non-deductible Expenses

Fines or penalties
Inventory losses
Expenses on behalf of shareholders
Management or consulting expenses without contracts and supporting documentation
Other

## 2.2 Micro Enterprises

Starting from 1 February 2017 the definition of microenterprise has changed.

A microenterprise is a Romanian legal entity which fulfills the following conditions on 31 December of the previous fiscal year:

- a. achieved revenues, other than those derived from performing activities, mentioned in article 48 para. (6);
- b. achieved revenues, other than those from consulting and management, in proportion of over 80% of total revenues;
- c. achieved revenues that did not exceed the LEI equivalent of EUR 500,000 (as opposed to EUR 100,000 provided in the past). The exchange rate for determining the equivalent in Euro is the one available at the end of the fiscal year in which there were recorded revenues;
- d. the share capital is held by entities, other than the state and territorial administrative units;
- e. it is not in dissolution or liquidation, registered with the Trade Registry or the courts, according to the law.

Legal entities that carry out the below activities cannot opt for this type of legal system:

- Banking activities;
- Activities in the field of insurance and reinsurance, capital market, except for legal entities that carry out intermediation activities in these domains of activity;
- Activities related to gambling, consultancy, and management.

### 2.2.1 Tax Rates

Starting from 1 February 2017, the tax rates for microenterprises are:

- a. 1% for microenterprises that have one or more employees;
- b. 3% for microenterprises that have no employees.

## 2.3 Tax Incentives

Accelerated depreciation. According to the Fiscal Code, machinery and equipment, computers and their peripherals, as well as patents, may be depreciated using the accelerated method, under which a maximum of 50% of the asset's fiscal value may be deducted during the first year of usage, while the rest of the asset's value can be depreciated using the straight line method over the remaining useful life.

Expenses for research and development activities. Companies can benefit from an additional deduction of 50% of the eligible expenses for research and development activities.

Dividend tax exemption for reinvestments. Distributed dividends are exempted from taxation if they are invested in the same or in another Romanian company's share capital.

Reduced VAT rate of 5% for sale of buildings under certain requirements.

Local tax exemptions for businesses located in industrial parks and science technology parks under certain requirements.

Employment incentives for special categories of employees. Employers can apply for a monthly grant for 12 months period if they hire recent graduates of recognised institutions. Employers benefit from the same incentives if they hire recent graduates with disabilities, but in this case the monthly grant is extended to 18 months. Employers can also apply for monthly grants (for 12 months period) for each unemployed person that they hire with an age exceeding 45 years, or for each such person who is the sole family supporter. Employers benefiting from this incentive have the obligation to keep this employment relationship for at least two years.



## 2.4 Withholding Taxes

WHT is generally applicable on income derived by non-residents of Romania as:

- Dividends;
- Interest;
- Royalties;
- Commission fees;
- Income derived from the supply of services on Romanian territory as well as abroad (except for international transport services);
- Income derived from fiduciary operations.

The provisions of the EU Interest and Royalties Directive and the EU Parent-Subsidiary Directive are fully applicable in Romania.

However, as from 1 January 2014, the provisions of the EU Parent-Subsidiary Directive and the EU Interest and Royalties Directive ceased to be applicable in respect of payments to and from resident companies in Iceland, Liechtenstein and Norway.

### 2.4.1 Withholding Tax Rates

Standard WHT rate	<b>16%</b>  Dividends distributed by a Romanian company to a company that has a legal form listed in the Parent-Subsidiary Directive are exempt from Romanian WHT if the recipient company has held at least 10% of the share capital of the Romanian company for at least one year.  50% (if the income is paid to a State with which Romania has not concluded a treaty for exchange of information, irrespective of the beneficiary's tax residency).
Interest / Royalties	<b>16%</b>  0% (under the EU Interest and Royalties Directive, subject to the conditions of direct ownership of at least 25% for an uninterrupted period of at least 2 years).  50% (if the income is paid to a State with which Romania has not concluded a treaty for exchange of information, irrespective of the beneficiary's tax residency).

## 2.5 Losses Carried Forward

Tax losses may be carried forward for five years (seven years for losses recorded after 1 January 2009).

Losses incurred by a company can be transferred within a merger or spin-off operation and can be recovered by the successors, in proportion to the assets and liabilities transferred. Previously, such losses could not be recovered by the newly formed taxpayer.

## III. Indirect Taxation

### 3.1 Value Added Tax

#### 3.1.1 Taxable Persons

All persons carrying out economic activities independently, including manufacturers, traders, service providers, etc. irrespective of the place or purpose of results of such activities, are treated as taxable persons.

#### 3.1.2 VAT Registration Threshold

Registration as a taxable person is compulsory for all businesses with an annual turnover exceeding EUR 65,000 (220,000 RON). Businesses with a lower turnover may register voluntarily. As a general rule, taxable persons who are liable to pay VAT in Romania must register with the tax authorities either directly or through a VAT representative.

Taxable persons not established in Romania and not registered for VAT purposes in Romania may apply for VAT registration if they carry out the following operations in Romania:

- Imports of goods;
- Certain VAT exempted operations without the right to deduct.

For supply of goods/services by a taxable person which is not established or registered for VAT purposes in Romania, the person liable for the payment of VAT through the reverse-charge mechanism is the beneficiary that is VAT registered in Romania.

### 3.1.3 Cash Accounting VAT Scheme (CAVS)

The CAVS is optional for taxpayers with a turnover lower than RON 2,250,000 registered in the previous calendar year and for new companies.

The system does not apply for taxpayers which are part of a fiscal group, for transactions performed between affiliated parties, for cash payments or for taxpayers whose turnover exceeds the threshold of RON 2,250,000.

### 3.1.4 Rates

Standard VAT Rate	Starting from 1 January 2017, standard VAT Rate 19%: Applies to all supplies of goods and rendering of services, including imports, not qualifying for an exemption (with or without credit) or for VAT reduced rate.
Reduced VAT Rate	<b>9%:</b> <ul style="list-style-type: none"><li>• Museums, historical monuments, castles, zoological and botanical gardens access;</li><li>• School manuals;</li><li>• Books and newspapers;</li><li>• Medicine, food, drinking water; and</li><li>• Hotel accommodations, etc.</li></ul>
Reduced VAT Rate	<b>5%:</b> Supply of buildings and lands destined to be used as a hostel for the elderly and/or children or to individuals and families whose economic situation does not allow them to access a home in the current market conditions and are awarded subsidies by the City Halls.
Exempt from VAT	<ul style="list-style-type: none"><li>• Health care services;</li><li>• Education, science, culture, sport institutions within general education, higher education, vocational training, as well as private lessons taught by residents;</li><li>• Banks, mutual funds, credit companies, exchange offices;</li><li>• Securities agencies trading shares, debentures, bonds and securities, as well as other financial instruments;</li><li>• Other legal persons authorised to perform financial transactions with financial instruments; and</li><li>• Insurance and reinsurance institutions, including those who mediate such activities.</li></ul>

### 3.1.5 VAT refund

If the company is in a refundable position of VAT, the application for a VAT refund is made by ticking the VAT refund box on the VAT return.

Taxpayers established in other EU Member States or outside the EU are also entitled to claim VAT refunds in Romania, under the 8th and 13th EC VAT Directives, if certain conditions are met.

## 3.2 Custom Duties

The general customs policies enforced by the European Union apply to the goods imported from non-EU countries. There are no custom duties applicable to goods traded between Romania and the EU.

## 3.3 Excise Duties

The EU Directives setting the general framework for taxation of products subject to excise duties have been incorporated into the Tax Code. The harmonised excise duties are imposed on alcoholic beverages and other alcoholic products, tobacco products, energy and electricity.

## IV. Local & Other Taxes, Fees

### 4.1 Property Taxes

#### 4.1.1 Tax on Buildings

For individuals, building tax amounts to 0.1% on the taxable value of the building, by taking into consideration factors such as floor area, nature or age of the building, location, and the purpose of its use. The taxable value shall be reduced depending on the age of the building.

Building tax is applied depending on the purpose of use, either residential or non-residential. Tax rates range between 0.2% and 1.3% of the accounting value.

The rate of tax on buildings, in case of buildings that have not been revaluated in the past three years, varies from 10% to 20%, while for buildings that have not been revaluated in the past five years varies from 30% to 40%.

According to Article 252 of the Fiscal Code, individuals who own more than one building must pay an increased annual tax on those buildings as follows:

- a. increased by 65% for the first building besides the one from the address of domicile;
- b. increased by 150% for the second building besides the one from the address of domicile;
- c. increased by 300% for the third building and the next ones besides the one from the address of domicile.

Individuals who own a building obtained following a legal succession are exempted from the payment of increased tax on buildings.

#### *4.1.2 Tax on Land*

Owners of land are subject to land tax which is established at a fixed amount per square meter, depending on location. Land located outside the urban areas will be subject to a tax of approximately 0.25 EUR/ha, irrespective of its category of usage and area.

Both tax on land and tax on buildings shall be paid in two equal instalments, until 31st of March and 30th September each year.

#### *4.1.3 Tax on Construction*

As of 1 January 2014 a tax on constructions was introduced. Taxpayers are resident companies, foreign companies that carry on activities through a permanent establishment in Romania and companies that have their registered office in Romania. The tax rate imposed is 1%.

## V. Tax Calendar

Generally, the 25th date of each month is the most important term for both the previous month and for the previous quarter or, where appropriate, the next quarter. For example, March 25 is important for reports related to February, but also for the first quarter or, anticipatory, for the second quarter of each year.

As a general rule, the most important due dates for submission and payment of tax obligations (depending on the fiscal period for which the company opted, namely monthly or quarterly) are the following:

<p>Corporate income tax:</p>	<p>Those who apply the system of quarterly payments, have to declare and pay any resulting tax quarterly by the 25th date of the month following each quarter for the I-III quarters. The payments are calculated based on income actually earned. Final tax liability must be settled by 25 March of the following year.</p> <p>Those who apply the anticipated/advanced payment system, have to pay and declare advanced payments by the 25th date of the month following each quarter. Adjustments must be made and final tax liability must be settled by 25 March of the following year. The advance tax payments are based on the corporate income tax due for the preceding year, adjusted by the consumer price index.</p> <p>Non- profit organisations and agricultural companies declare and pay corporate income tax once a year by the February 25 of the next year.</p> <p><b>Note:</b> If 25<sup>th</sup> is in a non-working day the payment will be made in the first working day of the next week.</p>
<p>Tax for independent activities:</p>	<p>For those who carry out independent activities which the tax base is determined by the net income in real system must make anticipated/advance quarterly payments based on the estimated income statement filed until the January 31 or within 15 days from the start of the activity. The payments shall be made on March 25, June 25, September 25, and December 19.</p> <p>Form 200 shall be submitted by May 25 of the next year and the difference of payment shall be made within 60 days from receiving the decision for the difference of payment.</p> <p>For those who carry out independent activities which the tax base is determined by the net income based on the income norms must make quarterly (March 25, June 25, September 25, December 19) payments on the estimated income statement or the income norms must be submitted until January 31 or within 15 days from the set up.</p> <p>Form 200 no longer needs to be submitted.</p>
<p>Salary tax:</p>	<p>The salary tax shall be declared and paid by the taxpayer (Form 112) by the 25th date of the following month for which the salary payment was made.</p> <p>If the taxpayer has maximum two employees and a turnover of below 100,000 Euro, it can choose to pay the quarterly salary tax by the 25th date of the next month following the quarter.</p> <p>Until the last day of February of the next year the taxpayer shall submit Form 205 in which it will include the summary of the tax withheld for each salary tax beneficiary.</p>

Tax on income from leasing of goods:	<p>The beneficiaries of such income must pay the tax in two equal installments on July 25 and November 25, applying a rate of 16% on the contract value from which a flat rate of 25% will be deducted. The Form shall be filed within 15 days from conclusion of the contract.</p> <p>If the number of rental agreements is more than five during a year, then the taxation shall be made according to the incomes from independent activities.</p>
Tax on investments income:	<p>The tax on dividends and interests related to deposits on term shall be paid and declared by the taxpayer by the 25th date of the next month following the payment of withholding taxes.</p> <p>Tax on gains from the transfer of securities of privately held companies listed in the stock market shall be paid and declared by the 25th of the next month for each transaction.</p> <p>Tax on gains from currency sale-purchase operations shall be paid and declared by the 25th of the next month following the transaction by the intermediary.</p> <p>The income obtained from the transfers of securities of public companies shall be declared by May 25 of the following year and the tax shall be paid within 60 days from the date of issuing the decision by the tax authority.</p>
Tax on agricultural income:	Taxpayer submits the statement for establishing the income norm until May 25 and must pay the resulting tax in two equal installments on October 25 and December 15.
Tax for micro-enterprises:	The Form 100 must be declared and paid quarterly by the 25th day of the next month following the quarter by applying 3% on obtained revenues.
Tax for non-residents income:	<p>The Form 100 must be declared and paid by the 25th date of the next month following the payment of withholding taxes by applying the appropriate rate: either from the Convention in force if the beneficiary shows a tax residency certificate or at the general rate of 16% if the beneficiary fails to show a tax residency certificate.</p> <p>On the last day of February of the following year, the taxpayer shall submit an informative form regarding the withholding taxes of non-residents during the previous year.</p>
VAT:	<p>The taxpayers registered for VAT purposes declare (Form 300) and pay monthly VAT if their turnover exceeds 65,000 Euro or quarterly if their turnover was below 65,000 Euro during the previous year.</p> <p>Those who perform intra-community acquisitions declare and pay VAT monthly irrespective of their turnover. Taxpayers registered for VAT purposes must submit the following statements:</p> <ul style="list-style-type: none"> <li>• Form 390 VIES to be submitted if during a month they performed intra-community operations (by the 25th of the month following the performance of intra-community operations);</li> <li>• Form 394 to be submitted if they performed operations in Romania with other taxpayers that are registered for VAT purposes (same term as for Form 300);</li> <li>• Form 097 to be completed in the case of any change in the status of VAT payer applying VAT at collection date/at receipts (the 25th of the next month following the exceeding of the threshold for applying the VAT collection system).</li> <li>• Form 094 is obligatory for VAT payer if the VAT must be paid quarterly and there are no intra-community acquisitions of goods performed by the VAT payer (by January 25 of each year).</li> <li>• Form 088 for the registration for VAT purposes has been eliminated starting from 1 February 2017</li> </ul>

Tax on special constructions:	The taxpayer shall file each year by May 25 the statement containing the value of special constructions they held during the previous year and shall pay a quota of 1.5% calculated on the value registered on December 31 of the previous year. The payment shall be made in two equal installments on May 25 and September 25.
Taxes for local budgets:	<p>Transfer taxes on lands and buildings shall be paid in two equal installments on March 31 and September 30. Tax on lands shall be calculated depending on the surface and tax on buildings shall be calculated depending on the surface for individual taxpayers and depending on the accounting value for legal entities. The declaration shall be made only upon acquisition, increase of value or disposal of the lands and buildings, within 30 days from the event.</p> <p>Tax on vehicles shall be paid in two equal installments on March 31 and September 30 and shall be calculated depending on the engine capacity for cars or depending on load capacity for cargo transportation vehicles. The declaration shall be made only upon acquisition or disposal of the vehicle within 30 days from the date of the event.</p>

## VI. Administrative Penalties

Late payment: Individual & Corporate	<ul style="list-style-type: none"> <li>• 0.02% per day - interest per day of delay</li> <li>• 0.01% per day-penalty for late payments</li> <li>• 0.8% per day -penalty for undeclared tax liability</li> </ul>
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