Romania
Tax overview
2024

bakertilly

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I. Substance over form

Romanian tax legislation has a "substance over form" principle, according to which the tax authorities may reclassify a transaction to reflect its true economic nature or may not take into consideration a transaction which does not have an economic purpose. In principle, a transaction without economic substance is deemed as any transaction which is not intended to bring economic benefit, and it is used artificially to obtain a fiscal advantage

II. Fiscal status of a Romanian company

- Romanian companies are taxed from profit tax perspective in principle in two ways: profit tax or turnover tax due by microenterprises.

II.1 Profit tax

II.1.1 General overview

- The standard corporate income tax (CIT) rate is **16%** for e.g.:

  – Romanian companies, except for taxpayers subject to micro-enterprise tax

  – Foreign companies operating through a permanent establishment (PE) in Romania

  – Foreign companies that are tax resident in Romania due to place of effective management.

- The **fiscal year** generally follows the calendar year. Taxpayers which have opted for a financial year that is different from the calendar year, according to accounting legislation, may also choose to have a tax year which corresponds to the financial year.

- ***Returns/payments***

  – quarterly (for quarters I-III) by the 25th of the month following the relevant quarter;

  – annually, in generally, by the 25th of the third month after the end of the fiscal year (25 March of the following year if the fiscal year follows the calendar year). A current extension of the deadline is applicable (including for fiscal year 2025) and the annual CIT return may be submitted by 25 June of the following year (for the calendar fiscal year) / 25th of the sixth month after the end of the amended fiscal year.

- ***Advance payments***

- Banks are required to make quarterly advance payments based on the previous year's results.

- For regular taxpayers, the advance payment system is optional. They may opt to declare and pay the annual corporate income tax by making quarterly advance payments. The anticipated quarterly advance payments are computed as ¼ of the previous annual corporate income tax updated by the consumer price index and are due by the 25th of the month following the end of the quarter. By exception, the quarterly advance payments related to fourth quarter are due by December 25th, respectively until the 25th of the last month of the changed fiscal year.

II.1.2 Computation of the fiscal result

- The fiscal result should be computed, in principle, on a quarterly, basis, cumulated, as the difference between the income and expense registered according to the applicable accounting regulations, adjusted for fiscal purposes (excluding the non-taxable incomes and tax deductions and adding non-deductible expenses). When determining the tax result, items similar to revenues and expenses should also be taken into account.

- ***Non-taxable revenues***

  – dividends received from a Romanian company;

- dividends received from a foreign company from a country with which Romania has concluded a Double Tax Treaty (DTT), based on 10% minimum shareholding for at least 1 uninterrupted year;
- revenues from reversal of provisions which were treated as non-deductible at the set-up moment;
- revenues from the valuation/ revaluation/ sale/ assignment of the participation titles held in a Romanian company or in a foreign company located in a state with which Romania has concluded a DTT, if at the date of the valuation/revaluation/sale/assignment inclusively the taxpayer holds for an uninterrupted period of one year minimum 10% of the share capital of the company where it holds the participation titles;
- revenues from the liquidation of another Romanian legal person or of a foreign legal person located in another state with which Romania has concluded a DTT, if at the starting date of the liquidation process, the taxpayer holds for an uninterrupted period of one year at least 10% of the share capital of the company subject to the liquidation process;
- amounts received as a result of refunding a percentage from the shareholders'/associates' contributions, as a result of the share capital reduction.

- ***Tax deductions***
- ***Legal reserves***
- The legal reserves are deductible up to 5% of the gross accounting profit of the period (calculated and recorded until the reserves reach 20% of the share capital).
- Buildings can only be depreciated using the straight-line method; for technological equipment and computers, the taxpayer can opt between any of the three methods. Any other fixed asset can be depreciated using the straight-line or reducing-balance method.
- Intangible assets (e.g. patents, licenses, copyrights, trademarks) should be depreciated using the straight-line method over the period of the contract or the period of use, as appropriate;
- Patents can also be depreciated through the accelerated or reducing-balance method and software (acquired or produced) can be depreciated using the straight-line method for a period of 3 years. Expenses related to acquisition of customer contracts, recognized as intangible assets under the applicable accounting regulations, must be depreciated for the duration of these contracts.

- ***Deductibility of expenses***
- As a general rule, the expenses are deductible if incurred for business purposes. unless they are specifically mentioned by fiscal law as expenses with limited deductibility or non-deductible expenses.
- **Expenses with limited deductibility**

- **Protocol expenses** are allowed within a limit of 2% of the gross accounting profit to which protocol expenses are added.
- **Social expenses** are allowed within a limit of 5% applied to salary expenses (without bonuses or holiday accruals).
- **Expenses with meal vouchers and holiday vouchers** given by the employers, according to the law.
- **Car related expenses** – a 50% deductibility limit applies for expenditure (acquisition, functioning, maintenance, repairs, including leasing and rental, fuel) relating to cars that are not used exclusively for business purpose.
- The **tax depreciation** of cars is limited to a monthly amount **of RON 1,500/car.**

- **Provisions for depreciation of specific receivables** – are deductible up to 30% if specific conditions are simultaneously met.
- **Expenses related to the headquarter owned by individuals, if not used exclusively for business purposes:**
- 50% deductible if the headquarter is located in the personal residence of an individual or if the headquarter is in a residential building or individual residential building from a residential complex;
- 100% non-deductible if the headquarter is used for personal purposes by the shareholders.
- **Taxes and fees paid to non-government organisations or professional associations** related to the taxpayers' activity are deductible up to EUR 4,000/year.
- **Technological losses** within the internal consumtion norm required for the production of a good or provision of services.

- ***Allowances for doubtful debts***

- For receivables that are not guaranteed by a third party and are not due by related parties, allowances are deductible up to:

- Starting with 2024, 50% of the receivables, if the due date has been exceeded by more than 270 days;
- 100%, if the debtor is subject to bankruptcy (companies) or insolvency (individuals).

- ***Non-deductible expenses***

Corporate income tax expenses, including profit taxes or income taxes paid abroad;
Accounting depreciation;
The expenses relating to taxes which are not withheld at source on behalf of non-residents, for the incomes obtained from Romania;
Late payment interest, fines, seizures and delayed penalty charges, owed to Romanian or foreign authorities, except for those related to contracts concluded with these authorities;
Expenses made on behalf of the shareholders, other than those generated by payments for the goods or services supplied to the taxpayer, at the market price for such goods or services;
Expenses relating to non-taxable revenues (e.g. expenses incurred by a holding company for obtaining dividends from its subsidiary). If per the accounting books these expenses cannot be identified, when determining the fiscal result, a taxpayer must consider the management and administration expenses, as well as other general expenses of the taxpayer, by using a corresponding allocation key or on a pro-rata base, based on the value of the non-taxable revenues in the total value of the revenues recorded by the tax payer;
Expenses with management services, consultancy, assistance and other services, charged by a person from a state with which Romania has not concluded a treaty for the exchange of information and the payment is deemed to be related to an artificial transaction;
Insurance premiums which do not directly relate to the activity of the tax payer, except for those concerning the assets representing bank guarantee for the credits used in the activity for which the taxpayer is authorized or used under some rental or leasing contracts, according to the contractual clauses.
Expenses registered in the accounting records, based on a document issued by an inactive taxpayer;
Expenses related to transactions with persons located in a state from the EU list of non-cooperative jurisdictions for tax purposes where the expenses are incurred in respect of transactions without economic substance.

Sponsorship, patronage, and private scholarships expenses. Taxpayers are, however, granted a fiscal credit of up to 0.75% of turnover and 20% of the CIT due, whichever is lower. If the sponsorships are granted to non-profit legal entities, the amounts are deducted from the CIT due, only if the beneficiary is registered in the Register of Entities/religious organizations for which tax deductions are granted.

- **Tax losses:** Starting with the 2024, the tax losses can be carried forward for a 5-year period up to the limit of 70% of the registered taxable profits. The tax losses carried forward from periods prior to 2024 can be utilised within the same 70% limit of registered taxable profits, for a 7-year period. No option for tax losses to be carried back is available.

II.1.3 Interest deductibility rules

- Starting with 1 January 2024, a threshold of **EUR 500,000** was introduced for the full deductibility of excess costs related to the loans from related parties that do not finance the acquisition/production of assets under construction.
- The EUR 500,000 threshold for excess debt costs with affiliated parties does not apply to credit institutions - Romanian legal entities, Romanian branches of foreign credit institutions, non-banking financial institutions, branches in Romania of non-banking financial institutions and investment entities.
- The total excess debt costs resulting from transactions with both related and non-related parties are limited to **EUR 1 million**.
- The excess debt costs above this EUR 1 million threshold may benefit from an extra deduction limited up to the limit of **30% of the calculation base** (EBITDA adjusted for fiscal purposes) determined as gross accounting profit, minus non-taxable revenues, plus corporate income tax, exceeding borrowing costs and deductible tax depreciation.
- The non-deductible exceeding borrowing costs can be carried forward indefinitely. The limitation also applies to any debt-related costs in connection with loans granted by financial institutions.
- These interest deductibility rules also apply to financial institutions, but not to independent entities (i.e. entities that are not part of a consolidated group for financial accounting purposes and do not have related parties and permanent establisments), which can fully deduct exceeding borrowing costs.

II.1.4 Domestic dividend tax

- The tax rate for the dividend distribution between Romanian companies is 8%. The dividend tax could be reduced to 0% if there is a shareholding percentage of a minimum of 10% for an uninterrupted period of at least one year.

II.1.5 Capital gain tax

- Income from transfer of shares of Romanian companies by non-resident companies is non-taxable in Romania as long as Romania has concluded a DTT with the country of residence of the company recieving the income. Also, the non-resident company should have owned at least 10% for an uninterrupted period of 1 year at the date of the transfer.

II.1.6 Fiscal consolidation for CIT puposes

- A CIT tax group may consist only of Romanian legal entities and/or persons with their registered office in Romania, established in accordance with European legislation, and may include, in certain cases, the Romanian PE of a non-resident.
- Members of a CIT group may offset the taxable profits of companies in the group against the tax losses of other jointly owned firms, directly or indirectly, if the member of the group which benefits from the offset holds a proportion of at least 75 % of the value/number of shareholdings or voting rights in the entity which incurs the tax losses, for an uninterrupted period of one year prior to the start of consolidation.

- Members of the group must be CIT payers (micro-enterprises cannot be part of the group) that apply the same CIT payment system and have the same fiscal year, are not part of another CIT group, and are not in dissolution/liquidation.
- The period of application of the system is five fiscal years. The system is optional. Requests for the application of the system should be submitted at least 60 days before the beginning of the period for which the application of fiscal consolidation is requested, with the system being applied as of the fiscal year following that in which the request was submitted. In order to maintain the group after five years, the option can be renewed.
- One of the members is designated as the responsible legal entity that will calculate, declare, and pay the CIT for the group, with the tax determined by summing the individual calculations of each member (thus giving the opportunity to offset the tax profits of companies within the group with the tax losses of others).
- Tax losses recorded by a member of the group before the application of the system cannot be compensated for at the group level.
- If the group is disbanded after five years, the losses recorded and not recovered during the consolidation period should be recovered by the responsible person.
- Each member has to prepare a transfer pricing file, which will include transactions with group members.
- If one of the members no longer meets the conditions, that member and the responsible legal person recalculate the CIT due individually/for the group, including late-payment interest and penalties, if the case.
- The tax is not recalculated in the following situations: sale of participation titles held in one of the group members if the holding falls below 25%; dissolution of a member; or a member leaving as a result of reorganisation operations (merger, spin-off, transfer of assets, and exchange of shares).
- The provisions on consolidation do not apply if they are put in place for tax fraud and tax evasion purposes.

II.1.7 Controlled foreign companies (CFC)

- A company is considered a CFC if the following conditions are both met:
  - the taxpayer by itself, or together with its associated enterprises, holds a direct or indirect participation of more than 50% of the voting rights, or owns directly or indirectly more than 50% of the capital or is entitled to receive more than 50% of the profits of that company.
  - the actual CIT paid on its profits by the company or PE is lower than the difference between the CIT that would have been charged for the company or PE under the applicable Romanian CIT provisions and the actual CIT paid on its profits by the company or PE.
  - Under the Romanian CFC rules, a taxpayer should include in its taxable base for its tax period (during which the tax period of the foreign controlled entity/permanent establishment closes) in proportion to the ownership of the taxpayer in the entity, the following undistributed revenues of the entity:
    - interest or any other income generated by financial assets;
    - royalties or any other income generated from intellectual property;
    - dividends and income from the disposal of shares;
    - income from financial leasing;
    - income from insurance, banking, and other financial activities;
    - income from invoicing companies that earn sales and services income from goods and services purchased from and sold to associated enterprises and add no or low economic value.

II.1.8 Exit taxation

- A taxpayer will be subject to CIT (at 16% tax rate) for transfer of business carried out by a PE, transfer of assets, or transfer of residence. The taxable base should be calculated as the difference between the market value of the assets and their fiscal value.

II.1.9 Hybrid mismatch

- A hybrid mismatch represents a situation involving a taxpayer or an entity that leads to deduction without inclusion or double deduction.

- If a hybrid mismatch results in a double deduction, the deduction of the payment/ expense will be denied; or, the amount of the payment will be included in the taxable income.

II.1.10 Minimum turnover tax

- Starting with the 2024 fiscal year (or the amended fiscal year 2024), a minimum **1% tax on turnover** has been introduced for companies paying corporate income tax with turnover exceeding **EUR 50 million for previous year**.

- Companies with a corporate income tax lower than the minimum turnover tax, are required to pay the corporate income tax at the level of the minimum turnover tax. Companies registering fiscal losses are also required to pay the minimum turnover tax.

II.1.11 Additional tax for the oil and natural gas sector

- A specific **0.5% turnover tax is introduced starting with 2024**, in addition to the profit tax, for legal entities that carry out activities in the oil and natural gas sectors and that register a turnover of over **EUR 50,000,000 in the previous year**.

II.1.12 Additional tax for credit institutions

- Starting with 2024, credit institutions (Romanian companies and branches of foreign companies) owe a turnover tax in addition to the profit tax, in the amount of:

  - **2% for the period 1 January 2024 – 31 December 2025;**
  - **1% starting with 1 January 2026.**

II.2 Microenterprise tax

- Starting **with 2023**, the **micro-entity tax** regime become optional for Romanian companies with turnover not exceeding **EUR 500,000.**

- Starting with **1 January 2024 the turnover limit of EUR 500,000** is computing considering the income of the Romanian legal entity and its associated enterprises.

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- A Romanian company may opt for the application of microenterprise tax on income if it meets the following conditions:
  - the revenues derived did not exceed **EUR 500,000**;
  - the share capital is owned by persons other than the state and administrative-territorial units;
  - it is not under dissolution, followed by liquidation;
  - **at least 80%** of its total revenues are generated from other than consulting and management activities, except tax consultancy;
  - has at least one full time employee;
  - has shareholders that hold **more than 25% of the shares** in the Romanian entity and is the only microenterprise entity set-up by the shareholders;
  - is not in dissolution, followed by liquidation;
  - has submitted the annual financial statements in due time.
- The microenterprise tax regime cannot be applied by Romanian companies conducting activities in banking; insurance and reinsurance of the capital market, including intermediation activities in those fields; gambling; or exploration, development, or exploitation of oil and natural gas deposits.
- The tax rates are:
  - **1% of turnover** for micro-enterprises with revenues not exceeding **EUR 60,000** which do not carry out IT, HoReCa, legal services and medical services activities.
  - **3% of turnover** for micro-enterprises with revenues exceeding **EUR 60,000** or carrying out the IT, HoReCa, legal services and medical services activities.

III. Transfer pricing

Transfer pricing requirements are applicable to transactions between Romanian related parties as well as foreign related parties.

Related parties are defined as:

a) An individual is affiliated with another individual if such person is spouse or relative up to the third degree, inclusive.

b) An individual is affiliated with a company if the individual owns, directly or indirectly, including holdings of affiliated persons, a **minimum of 25% from the value**/number of shares or from the voting rights in the company, or effectively controls the company.

c) A company is affiliated with another company if at least:

- The first company owns, directly or indirectly, including holdings of affiliated persons, **a minimum of 25% of the value**/number of shares or voting rights in the other company, or if it controls the company;
- The second company owns, directly or indirectly, including holdings of affiliated persons, **a minimum of 25% from the value**/number of shares or voting rights in the first company;
- A third company owns, directly or indirectly, including holdings of affiliated persons, a **minimum of 25% by the value**/number of shares or voting rights both in the first and in the second company.

Transactions between related parties should be carried out considering the arm's-length principle. If transfer prices are not set at arm's length, the Romanian tax authorities have the right to adjust the taxpayer's revenue or expenses in order to reflect the market value.

Traditional transfer pricing methods (i.e. comparable uncontrolled prices, cost plus, and resale price methods), as well as any other methods that are in line with the OECD Transfer Pricing Guidelines (i.e. transactional net margin and profit split methods), may be used for setting transfer prices.

III.1 Transfer pricing documentation

Taxpayers engaged in related party transactions must prepare and provide their transfer pricing documentation file to the Romanian tax authorities upon the latter's request.

The content of the transfer pricing documentation file has been approved by order of the president of the National Agency for Tax Administration. The Order is supplemented by the Transfer Pricing Guidelines issued by the OECD and the Code of Conduct on transfer pricing documentation for associated enterprises in the European Union Transfer Pricing Document.

III.1.1 Taxpayers categories, thresholds and deadlines

Large taxpayers are required to prepare, by the deadline of submission of the annual CIT return for that specific year (25 March of the following year / 25 June considering the current extension for the submission of the CIT return) the transfer pricing documentation if they carry out transactions with related parties exceeding the following thresholds:

- EUR 200,000 cashed in/paid interest for financial services;
- EUR 250,000 services rendered/received towards/from related parties;
- EUR 350,000 acquisitions/sales of tangible/intangible assets.

These taxpayers should present the transfer pricing documentation within 10 days of the tax authorities' request.

Large taxpayers that do not meet the above thresholds or medium or small taxpayers are required to prepare the transfer pricing documentation, at the request of the tax authorities, if they carry out transactions with related parties exceeding the following thresholds:

- EUR 50,000 cashed in/paid interest for financial services;
- EUR 50,000 services rendered/received towards/from related parties;
- EUR 100,000 acquisitions/sales of tangible/intangible assets.

The other taxpayers who do not fall in any of the above-mentioned categories are not required to prepare the transfer pricing documentation, however they should document that the arm's length principle is observed in dealings with the related parties in line with financial and tax applicable principles.

These taxpayers should present the Transfer Pricing documentation within 30-60 days of the tax authorities' request. The taxpayers may ask for maximum 30-day postponement.

III.1.2 Penalties

For non-compliance regarding the preparation and presentation of the Transfer Pricing documentation, the following penalties may be applied:

- For large and medium taxpayers – RON 12,000-14,000
- Smal taxpayers and individuals – RON 2,000-3,500

III.2 Advance pricing agreement (APA)

Taxpayers performing transactions with related parties may apply for an APA.

The APAs can be issued for a period up to five years with the possibility of extension in case of long-term contracts.

The request for an APA is filed together with the relevant documentation and payment proof of the fee (ranging between EUR 10,000 and EUR 20,000).

The deadline provided by the Fiscal Procedure Code for issuing APAs is 12 months for unilateral APAs and 18 months for bilateral or multilateral APAs.

APAs are opposable and binding on the tax authorities as long as there are no material changes in the critical assumptions. Thus, the beneficiaries are obligated to submit an annual report regarding compliance with the terms and conditions of the agreement.

If taxpayers do not agree with the content of the APA, they can notify the Romanian Tax Authority **within 15 days** from the communication date. Consequently, in this case, the agreement does not produce any legal effects.

III.3 Country by Country report and notification

Country by Country report (CbC Report) and notification obligations are applicable, relating to the identity and fiscal residence of the reporting entity, for companies that are part of a Multinational Enterprise (MNE) Group which has a total consolidated group revenue of at least EUR 750 million.

III.3.1 CbC Report

An entity with tax residence in Romania is required to file a CbC Report with respect to its reporting fiscal year if the entity is:

(i) the ultimate parent entity of the MNE Group
(ii) the surrogate parent entity, being appointed by the MNE Group as a sole substitute for the ultimate parent entity or
(iii) a constituent entity of the MNE Group, having the obligation under certain conditions of filing the CbCR in Romania on behalf of such MNE Group (e.g. the CbC Report for the MNE Group is submitted in a non-EU jurisdiction).

The filing term of the CbC Report is **within 12 months** since the last day of the reporting fiscal year of the MNE Group.

III.3.2 CbC Notification

The Romanian resident entity that does not fulfill the criteria mentioned above (i.e. not being the final parent entity or the surrogate parent entity or the designated constituent entity), but is part of a MNE Group that has consolidated group revenue over **EUR 750 million** during the fiscal year preceding the reporting fiscal year, has the obligation to notify the relevant Romanian authorities with regard to the identity and residence of the reporting entity until the last day of the reporting fiscal year of the MNE Group at the latest, but not later than the submission deadline of the tax statement of the respective constituent entity for the previous year.

The fine for late submission or transmission of incorrect or incomplete information of the CbC Report is ranging between **RON 30,000 – RON 50,000**. The lack of submission of the CbC Report is subject to a fine ranging between **RON 70,000 – RON 100,000**.

IV. Mandatory Disclosure Requirements

- The EU Directive on Mandatory Disclosure Rules (MDR or DAC6) was implemented into Romanian law.
- Under DAC6, cross-border arrangements are defined as arrangements concerning more than one Member State or a Member State and a third country.
- The reporting should be done within **30 days** of the day after the reportable cross-border arrangement (i) is made available for implementation, (ii) is ready for implementation or (iii) when the first step in its implementation has been made, whichever occurs first.
- Romanian intermediaries and taxpayers are required to disclose to the Romanian tax authorities information on reportable cross-border transactions which fulfill the hallmarks mentioned by the DAC6 Directive. The Romanian tax authorities will subsequently exchange this information through automatic exchange of information with the tax authorities in the countries involved in each transaction.
- An intermediary is only required to report to the tax authorities if it has a presence in Romania and has the obligation to maintain professional secrecy. An intermediary can be exempt from its reporting obligation if it obtains proof that the same information related to a certain reportable cross-border arrangement has already been reported by another intermediary.

The applicable penalties are the following:

– Between **RON 20,000 and RON 100,000** applicable to both intermediaries and taxpayers, if the information is not disclosed or it is disclosed after the relevant deadline.

– Between **RON 5,000 and RON 30,000** for intermediaries covered by legal professional privilege which are exempt from the reporting obligation, if the intermediary does not notify other intermediaries involved or the taxpayer itself that no information will be disclosed and that the reporting obligation reverts to the other intermediaries or the taxpayer.

V. Withholding tax (WHT) for non-residents

Income obtained by non-residents from Romanian taxpayers for the provision of services rendered in Romania or for management and consultancy services (irrespective of the rendering place) are subject to 16% withholding tax (WHT) in Romania.

V.1 WHT rates

The following WHT rates are applicable in case of income derived by non-residents from Romania:

– 16% standard WHT rate;

– 10% for the income obtained by individuals' resident in an EU Member State or in a state with which Romania has concluded a Double Tax Treaty;

– 8% for dividends;

– 50% for payments made by Romanian residents (e.g. for interest, royalties, commissions, services) to non-residents in countries that do not have an exchange of information agreement concluded with Romania. This WHT is applicable only to the extent such payments result from artificial transaction.

V.2 EU Directives

The provisions of the EU Directives are fully applicable.

Dividends paid by Romanian companies to companies' resident in one of the EU member states are exempt from WHT if the dividend beneficiary has held, at the time of distribution, a minimum of 10% of the shares of the Romanian company for an uninterrupted period of at least one year. This rule is applicable also to EEA state members (Iceland, Liechtenstein, and Norway).

- **Interest and royalties** payments made by a Romanian company to another company resident in an EU member state are tax exempt from WHT if the non-resident company held, for an uninterrupted period of at least two years, **at least 25%** of the share capital of the Romanian company prior to the time of payment.
- In order to apply the exemptions under the EU Directives, the non-resident recipient of the income is required to present a certificate of tax residence and a declaration attesting the compliance with the necessary requirements provided by the EU Directives.

V.3 Double Tax Treaties

- For applying the provisions of the relevant Double Tax Treaty, the non-resident recipient of the income should provide to the Romanian payer a tax residence certificate attesting its tax residency for the purpose of the Double Tax Treaty.
- In case the tax rates mentioned in the domestic legislation differ from the rates mentioned in the applicable Double Tax Treaty, then the most favourable rate will apply.

VI. Payroll taxes and social security contributions

The employers withhold, on a monthly basis, the mandatory personal income tax and the employee's social security contributions from the employee's gross salary and transfer the amounts to the Romanian tax authorities.

VI.1 Personal income tax

Currently, **personal income tax rate of 10%** is generally in place.

We list below the tax rates applicable to certain types of incomes obtained by individuals:

- ***8% tax rate for dividends***;
- ***10% tax rate for capital gains*** in the case of transfers/operations carried out through intermediaries who are not Romanian tax residents or non-residents who do not have a Romanian PE that acts as an intermediary;
- ***10% tax rate for rental income***.

In the case of transfers/operations carried out through intermediaries who are Romanian tax residents or non-residents who have a Romanian PE that has the status of an intermediary:

- ***3% tax rate for capital gains*** for holding less than 365 days;
- ***1% tax rate for capital gains*** for holding more than 365 days.

Sale of real estate:

- ***3% tax rate for properties*** owned for up to and including 3 years;
- ***1% for properties owned*** for more than 3 years.

Gambling and prizes:

- ***3% for income up*** to RON 10,000;
- ***RON 300 + 20% on income*** exceeding RON 10,000;
- **RON 11,650 + 40% on income** exceeding RON 66,750;
- Income ***from prizes under 600 RON*** and income from casinos, poker clubs, slot-machines and lottery tickets under 66,750 RON is non-taxable.

VI.2 Social contributions

Social contributions due by employers and employees on salary income derived from dependent activities are applied to a certain computation base.

The general social contributions rates are currently generally applicable on salary income:

- pension insurance contribution: 25%;
- health insurance contribution: 10%;
- work insurance contribution: 2.25%.

VII. Value added tax

VII.1 Value added tax (VAT) rates

- The **standard VAT rate is 19%.** The standard VAT rate is applied to all supplies of goods and services (including imports) that neither qualify for an exemption (with or without credit) nor for a reduced VAT rate.

- The **reduced VAT rate of 9%** is applicable for:

– food (with certain limitations related to products with added sugar);

– medicines for human and veterinary use, water for irrigation in agriculture, water supply and sewerage, fertilizers and pesticides supply used in agriculture, seeds and other agricultural products for sowing or planting, as well as specific categories of services in connection with agriculture;

– accommodation, restaurants and catering services;

– supplies of real estate (certain limitations are applicable);

– supply and installation of solar panels, supply and installation of highly efficient low emissions heating systems for housing including installation kits, components or full solutions;

– access to fairs, amusement parks, recreational parks;

– exhibitions, cinemas.

The **5% reduced VAT** is applicable for:

– supplies of schoolbooks, newspapers and magazines;

– supply of wood for heating, supply of thermal energy during the cold season for specific types of consumer;

– access to castles, museums, memorial houses, historical monuments, architectural and archaeological monuments, zoological and botanical gardens.

VAT exemption without credit applies to a range of activities, including the supply of services in relation to banking, finance, and insurance. However, some financial services are subject to the standard VAT rate of 19% (e.g. factoring, debt collection, managing and safekeeping certain equity papers).

There are also operations exempt with credit (i.e. deduction right for the related input VAT), such as:

– supply of goods shipped or transported outside the European Union, and related services.

– intra-Community supply of goods.

– international transport of passengers.

– goods placed into free trade zones and free warehouses.

– supply of goods to a bonded warehouse, a VAT warehouse, and related services.

– supply of goods that are placed under suspensive customs regimes.

– supply of services in connection with goods placed under suspensive customs regimes or goods placed into free trade zones.

– supply of goods and services to diplomatic missions, international organisations, and North Atlantic Treaty Organization (NATO) forces.

VII.2 VAT consolidation

- Companies established in Romania that are legally independent but are closely related in terms of financial, economic, and organisational purposes may choose to form a tax group, as long as they apply the same fiscal period. However, transactions between the members of the group fall within the scope of VAT.

VII.3 Place of VAT taxation

- Services provided by non-resident entities to Romanian companies with deemed place of supply in Romania are subject to Romanian VAT under the reverse-charge mechanism, provided that no VAT exemption is applicable.

VII.4 Reverse-charge mechanism

- Under the VAT reverse-charge mechanism, VAT is not actually paid, but only shown in the VAT return as both input and output tax, provided that both the beneficiary and the supplier are registered for VAT purposes.

- The reverse-charge mechanism applies either for intra-Community acquisitions of goods performed in Romania or for services performed by non-resident entities that are not established, nor have a fixed establishment, in Romania. Under the general rule, the place of supply of services is where the beneficiary is established or has a fixed establishment.

- The reverse-charge mechanism is applicable for the supply of buildings, parts of buildings, and plots of land, mobile phones, games consoles, laptops (subject to certain conditions). Also, the reverse-charge mechanism is applicable for the supply of energy under certain conditions.

VII.5 Tax period

- monthly, if the annual turnover is higher than EUR 100,000 or if intra-community acquisitions of goods have taken place;
- quarterly, if the annual turnover is lower than EUR 100,000 or if intra-community acquisitions of goods have not taken place;
- twice per year/annually, with the approval of the tax authority.

VII.6 VAT compliance

- Submission of the VAT return (**D300**) - electronic submission by the 25th of the month following the reporting period. No returns are required if no transactions.
- Submission of Recapitulative return (**D390)** - electronic submission by the 25th of the month following the reporting period. No returns if no transactions.
- Submission of informative return (**D394**) - electronic submission by the 30th of the month following the reporting period. No returns are required if no transactions.
- **Intrastat** - monthly, by 15th of the month following the month when the movement of goods took place. Submission is required if the volume of intra-Community arrivals of goods exceeds RON 1 million and/or the volume of intra-Community dispatches of goods exceeds RON 1 million.
- **Small enterprises** - VAT registration is optional for entities with a turnover lower than RON 300,000 (EUR 88,500 based on the exchange rate on the date of Romania's accession to the EU).

VII.7 Other compliance aspects - SAF-T requirements

- Starting with 2022, SAF-T has been implemented in Romania.
- The large taxpayers have the obligation to comply with the SAF-T reporting obligations starting with 2022. Also, medium taxpayers are required to fulfil SAF-T obligations starting with 2023.
- Small taxpayers and non-resident taxpayers registered only for VAT purposes in Romania will have the obligation to submit the declaration starting from 1 January 2025.

VII.8 Other VAT aspects

VII.8.1 Limitation of deduction rights

The VAT deduction right related to the acquisition of road vehicles used for the transport of passengers and vehicles that meet certain characteristics, as well as the acquisition of fuel and all related services used for the respective vehicles, is limited to 50%, if the vehicles are not exclusevely used for business purposes, except for some specific exceptions (e.g. vehicles used by sales agents, taxis, transport services).

VII.8.2 Non-deductible VAT

The non-deductible VAT is applicable for alcohol and tobacco products, except when used for business purposes.

VII.8.3 Adjustment for capital goods

Input VAT adjustments related to capital goods should be made annually within the period of adjustment, for 1/5 or 1/20 of the input VAT deducted on the purchase/construction of the goods, for each year when there is a change of purpose for which the goods are used. In cases where capital goods are supplied under VAT exemption, the adjustment should be made one-off for the full remaining adjustment period.

VII.8.4 Cash accounting

Resident companies which obtain a **turnover lower than RON 4,500,000** during the calendar year may opt for the application of the VAT cash accounting system (i.e. deduction/collection of input/output VAT at the time of payment/cashing of consideration to/from suppliers/ customers).

VII.8.5 Invoicing

Starting with **1 July 2024**, transactions carried out between taxable persons established in Romania should be carried out only on the basis of electronic invoices. Registration of other types of invoices than electronic ones will be penalised with a fine of 15% of the invoice value.

Also starting with 1 July 2024, the use of the electronic invoicing system is extended for B2C (business to customer) transactions carried out by suppliers who are taxable persons established in Romania to customers who are non-taxable persons:

- 1 July 2024 – 31 December 2024, B2C e-invoice reporting is optional;
- Starting with **1 January 2025**, B2C e-invoice reporting becoming mandatory, within the deadline of 5 calendar days from the issuance date of the invoice.

VII.8.6 RO e-VAT return

Starting with 1 July 2024, in the pre-filled RO e-VAT return, there are details and information regarding economic operations declared by taxable persons and transmitted to various information systems managed by the Ministry of Finance and National Agency for Fiscal Administration (ANAF).

These systems include: RO e-Invoice, RO e-Transport, RO e-Seal, RO e-SAF-T, RO e-Electronic Cash Register, the integrated customs information system, and other information systems of these institutions.

The implementation of the **RO e-VAT** system is applicable since **1 August 2024**, covering transactions carried out from **1 July 2024**, by taxpayers registered for VAT purposes.

The Tax Authorities will compare the information presented in the VAT return (which was submitted by the taxpayers) with the information included in the pre-filled RO e-VAT return. As a result of this, if there are significant discrepancies, a notification (RO e-VAT Compliance Notification) will be sent to the taxpayers by the 5th day of the month following the legal deadline for submission of the VAT return.

Within 20 days from the date of receiving the RO e-VAT Compliance Notification, taxable persons are required to respond electronically. This obligation will have effects starting with 1 January 2025.

Non-compliance or partial compliance with the requested requirements represents a fiscal risk indicator, which could give rise to starting of a tax inspection by the authorities.

In case of VAT payers on the cash accounting system, these provisions will be applicable from 1 August 2025.

Taxable persons can electronically request reports regarding the data and information from the data sources used.

VII.8.7 RO e-Transport

RO e-Transport obligations are mandatory for specific categories of goods deemed by the Tax Authorities high fiscal risk goods (fruits, vegetables, alcoholic/non-alcoholic beverages) that are transported on the Romanian territory as well as for international transport.

Requirement to report shipments for some categories of transactions. Failure to report may attract a fine equal to the value of the transported goods.

The generation of the unique UIT codes in the RO e-Transport system is mandatory for the types of transport mentioned above.

VII.8.8 Inactive taxpayers

Taxpayers acquiring goods/services from inactive taxpayers may exercise the VAT deduction right after the supplier re-activates its registration.

Inactive taxpayers carrying-out economic activities during their inactivity period may exercise their deduction right for the incurred VAT upon their reactivation.

VII.8.9 Adjustment of the taxable base

The taxable base can be adjusted / reduced if the invoiced value cannot be recovered as a result of:

- an opening of bankruptcy procedures against the client or
- an implementation of a reorganization plan permitted and confirmed by a court order, through which the claim of the creditor has been changed or eliminated.

Starting from 2021, the adjustment of the tax base is also possible for open invoices issued to individuals under certain conditions.

VII.8.10 Interest for late VAT refunds

If a VAT refund is delayed by the tax authorities, taxpayers are entitled to apply for late payment interest.

VIII. Property taxes

VIII.1 Tax on building

The building tax calculation method differentiates between buildings depending on their destination usage:

- **residential buildings**: applicable tax rate vary between 0.08% and 0.2% (to the taxable value as per the specific table provided by the law for individuals and the value resulted from the evaluation report for legal entities);
- **non-residential buildings**: applicable tax rate vary between 0.2% and 1.3%. In the case of a building used for agricultural purposes, the applicable tax rate is 0.4%;
- **mixed use** – sum of the tax calculated for the area that is used for residential purposes and the tax calculated for the area used for non-residential purposes.

The increased tax rate for tax on building due by legal entities is 5% (if no revaluation was performed during the last five years).

If a building was acquired during a fiscal year, the building tax for the entire year is due by the seller. The buyer is liable to pay the tax starting with the next year.

The tax on building is paid annually, in two equal instalments, by 31 March and by 30 September. For the payment of the entire annual tax by 31 March, a reduction of up to 10% is granted by the Local Council.

VIII.2 Tax on land

Owners of land are subject to this tax established at a fixed amount per square metre, depending on the rank of the area where the land is located and the area or category of land use, in accordance with the classification made by the Local Council.

Similar to tax on building, tax on land is paid annually, in two equal instalments, by 31 March and by 30 September. A 10% reduction is granted for full advance payment of this tax by 31 March.

VIII.3 Transfer taxes

The transfer of real estate properties (e.g. land and buildings) by companies is not subject to transfer taxes. Notary fees and taxes for registration with the Real Estate Book are applicable.

IX. Investment incentives

IX.1 Research and Development (R&D)

Companies can benefit from an additional **deduction of 50%** of the eligible expenses for their R&D activities. Furthermore, accelerated depreciation for devices and equipment used in the R&D activities may be applied.

The 50% additional deduction from the R&D expenses will not be recomputed in case the objectives of the project are not met.

In order to benefit from these incentives, the eligible R&D activities should be from the applicative research categories and/or technological development relevant to the company activity and the activities should be performed in Romania, as well as in the European Union or in other states – member states of the European Economic Area.

Incentives are granted separately for R&D activities of each project.

In addition, companies that carry out only innovation, research and development activities are exempt from tax payment **in the first 10 years** of activity.

Starting from **1 January 2023**, large taxpayers are required to obtain a certification of the R&D activity from an expert registered with the National Register of Experts for the certification of research and development activity.

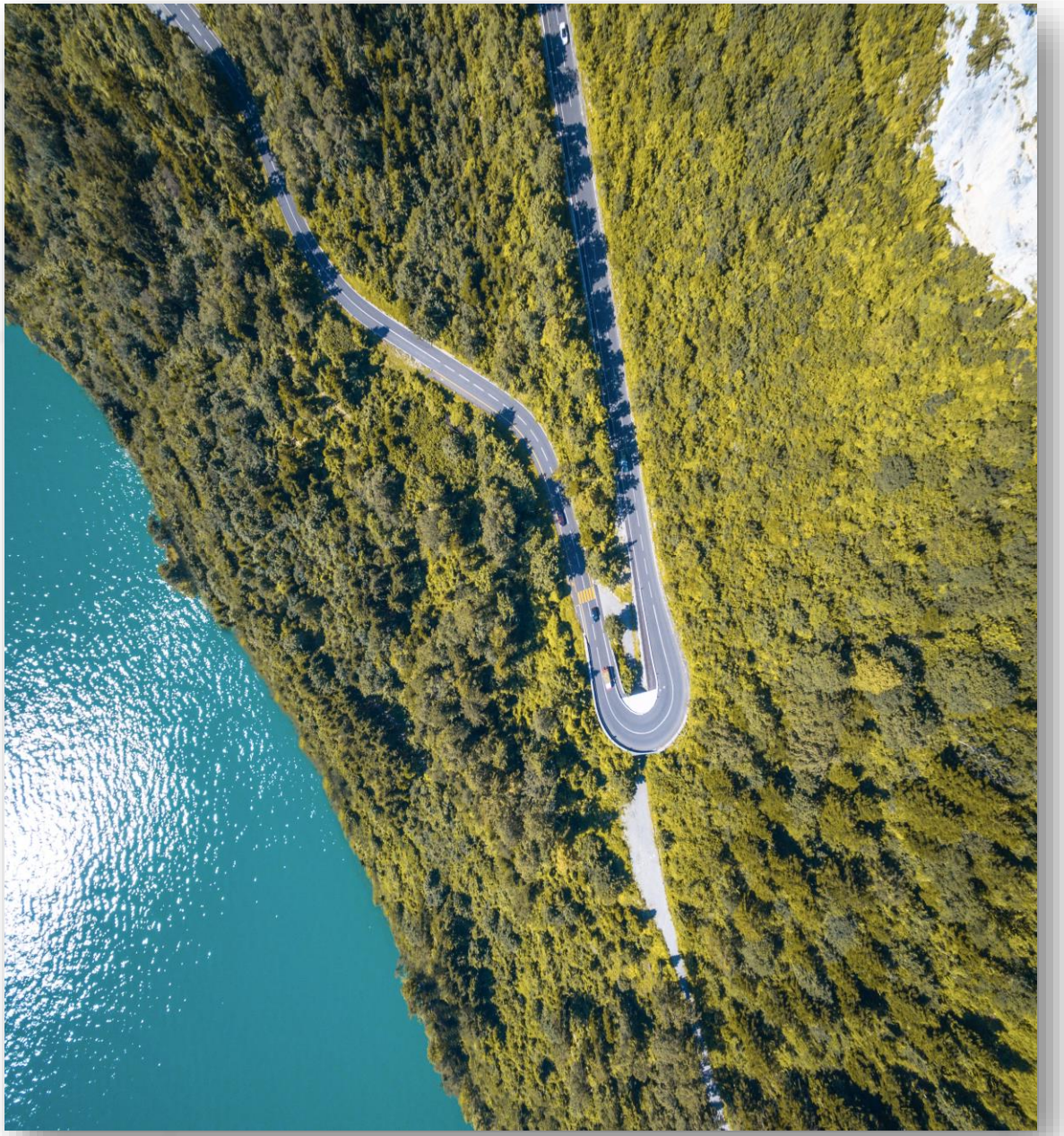
Employees, part of teams which carry out R&D and innovation projects, are exempt from paying personal income tax for the salary income earned from carrying out R&D and innovation activities in these projects.

IX.2 Reinvested profit

The profit reinvested in technological equipment, in assets used in production and processing activities, assets used for retooling, computers and peripheral equipment, machines and appliances, registers, control and invoicing devices and software, including the rights to use the software, produced/purchased and put into use in the relevant fiscal period is exempt from income tax.

In order to benefit from this incentive, the equipment/assets should be used by the company for the purpose of carrying on the business activity for more than half of its useful life, but for no longer than five years. The companies benefiting from this incentive cannot use the accelerated depreciation method for the respective equipment.

It is also exempt from corporate income tax, the profit invested in supporting vocational-dual education by ensuring the practical training and quality training of students.



The information contained herein is of a general nature and is not intended to address the circumstances of any individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that this information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

About Baker Tilly International

We are proud to be a member of the Baker Tilly network, where our membership provides a global reach to our national presence.

Our members of staff make it their business to know and understand their clients' long-term ambitions, anticipating and responding to challenges as their clients pursue opportunities.

All 125 independent firms come together across four geographic areas to share their knowledge, where this business approach allows us to deliver exceptional results to clients globally.

Now, for tomorrow for our clients

We create meaningful experiences with our clients to solve their most pressing problems and seize new opportunities.

Our relationships with clients are genuine. We understand their world today and provide insights that shape their tomorrow.

Network members collaborate seamlessly to serve our clients across the globe.

The Baker Tilly network has a total combined fee income of US$4,36bn for the year ending 31 December 2020, representing a year-on-year growth of 4.5%.

Global headcount has increased to 38.600 people working out of 706 offices worldwide.

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