

## EXCISES

Harmonized excisable goods: alcohol and alcoholic beverages, processed tobacco, energy products (e.g. leaded and unleaded gasoline, diesel, kerosene, liquefied petroleum gas, natural gas etc.) and electricity.

Production of excisable goods is subject to fiscal warehouse authorization. No retail sales are allowed in the fiscal warehouse for production (except for the cases provided by law). Establishment of storage tax warehouses is possible for energy products, processed tobacco as well as for ethyl alcohol and alcoholic beverages.

In addition to the harmonized excise duties mentioned above, Romania also applies excise duties on green, roasted and soluble coffee, on beer included in mixtures with non-alcoholic beverages, on fermented beverages and on luxury products (e.g. gold and/or platinum jewelry; natural fur garments; cars of 3,000 cc or over; weapons and ammunition; yachts and other pleasure craft, with or without an engine; engines exceeding 100 bhp for yachts and other pleasure craft).

Excise duties are generally payable by the 25th of the month following that when they become chargeable. However, the supply of energy products like diesel gas, petrol, kerosene and liquefied petroleum gas can only be made if the supplier holds a document confirming the payment by the buyer, on the supplier's behalf, of the excise duties related to the goods that will be dispatched.

Exemptions from excise duties are available for specific excisable products intended for particular uses, for instance energy products used in mineralogical processes or used to produce, in cogeneration, combined heat and electricity etc.

## CUSTOMS DUTIES

There are no customs controls and no customs charges inside the EU, so Community goods may be moved freely between Romania and other EU Member States.

As an EU member state, Romania applies Community Customs Legislation, as well as the Common Customs Tariff and the EU commercial measures on imports and exports.

Except for certain agricultural products, for which specific duties apply, customs duties are established as a percentage, generally ranging between 0 and 22%.

The customs value is determined according to the principles set out in the Community Regulations, the main method used being the "transaction value method" (i.e. the price paid or payable for the goods).

The economic customs regimes applied within the European Union (such as inward processing relief, processing under customs control, outward processing or temporary importation) are also available in Romania.

## PROPERTY TAXES

### Local taxes

The most common property taxes payable to the local authorities are on buildings, land and vehicles. They are assessed annually and must be paid in two equal instalments per year, by 31 March and 30 September. If paid in advance before 31 March, a reduction of up to 10% may be granted on the annual tax payable (the exact percentage is established by each local council).

Any transfer of ownership of buildings, land or vehicles can be made only after settlement by the owner of all its local tax obligations.

Tax on buildings (for legal entities)	<ul style="list-style-type: none"><li>• 0.25% - 1.5% of the gross book value.</li><li>• 10%-20%, if not re-valued in the previous 3 years.</li><li>• 30%-40%, if not re-valued in the previous 5 years.</li></ul> The tax base is reduced by 15% for fully depreciated buildings.
Tax on land	Fixed amount per sqm, depending on the area where the land is located.
Tax on vehicles	Taxed on a rising scale for every 200cc with varying rates depending on the vehicle type.

### Tax on constructions

Since 1 January 2014, in addition to local taxes, a property tax has been payable to the state budget by companies owning constructions (other than buildings for which local taxes are due). For 2015, the tax rate has been reduced to 1% (from 1.5% in 2014) and applies to the book value of constructions as at 31 December of the previous year (the exact definition of a "construction" is the subject of detailed legislation). The tax must be calculated and declared no later than 25 May for the year to which it is related and the payment must be made in two equal instalments, no later than 25 May and 25 September.

## Transfer duties

According to Romanian legislation, transfer of real estate properties (e.g. land and buildings) is not subject to transfer taxes, except for notary fees and taxes for registration with the Real Estate Book. These fees are approximately 1% of the value of the property.

## ENVIRONMENTAL TAXES

The most common environmental taxes due in Romania are in relation to:

- Packaging materials and tires placed on the Romanian market (i.e. produced, imported or acquired from another EU Member State), for the difference between the quantities collected/recycled and the collection/recycling targets set by law.
  - Oil introduced on to the Romanian market (0.3 RON per Kg).
  - Emissions of pollutants from fixed sources (e.g. factories, energy plants), which depend on the type of pollutant.
  - Carrier bags made of non-biodegradable materials, supplied to customers (0.1 RON per bag).
  - Hazardous substances (2% of the value of the hazardous substances placed on the Romanian market).
- Companies placing EEE (electrical and electronic equipment), batteries and accumulators on the Romanian market are required to finance collection and recovery of the related waste.

## TAX INCENTIVES FOR COMPANIES

Sponsorship & private scholarships	Corporate income tax credit for sponsorship expenses (including private scholarships) may be granted, up to the lesser of: <ul style="list-style-type: none"><li>• 0.3% of net turnover; or</li><li>• 20% of the corporate income tax due.</li></ul> When sponsorship expenses exceed these limits, the unused tax credit can be carried forward over the next 7 consecutive years and recovered under the same conditions.
Corporate tax relief on reinvested profit	<ul style="list-style-type: none"><li>• Corporate tax relief is available for profit reinvested in technical equipment (subgroup 2.1 of the Catalogue of the Classification and the Normal Useful Life of Fixed Assets) produced/acquired and commissioned in the period 1 July 2014 – 31 December 2016.</li><li>• The accelerated depreciation method cannot be applied for these assets. Equipment must also be kept for at least half its normal useful economic life in accordance with the applicable accounting rules, but for no more than 5 years. Otherwise, corporate tax is recalculated accordingly and late payment interest and penalties are imposed.</li></ul>
R&D costs	<ul style="list-style-type: none"><li>• 50% additional CIT deduction for all eligible R&amp;D costs.</li><li>• Accelerated depreciation for equipment used in R&amp;D activity.</li></ul>
Reinvested dividends	Dividend tax exemption if dividends are: <ul style="list-style-type: none"><li>• Invested to create new jobs or to develop activities of the Romanian legal entities distributing the dividends.</li><li>• Invested in the share capital of another Romanian legal entity, to create new jobs, or develop its activities.</li></ul> Although available as from 1 January 2009, no further norms have been issued with regard to the application of this incentive.
Employment	Unemployment contribution incentives for hiring unemployed people; specific incentives for hiring unemployed people from certain social categories (e.g. recent graduates, single parents, older people, disabled people and students hired during summer vacations). The incentives are granted subject to the fulfilment of certain conditions imposed by law.
Software development income	Personal income tax exemption for software development employees. The incentive is granted subject to the fulfilment of certain conditions imposed by law.
Local tax	Exemption from the payment of land and building tax can be granted by local councils.

## TRANSFER PRICING

- Transactions which take place between related parties (including those between domestic group companies) are required to be carried out on arm's length (i.e. market) terms.
- The criteria for companies to be considered related parties under Romanian legislation is a minimum 25% direct or indirect shareholding and/or economic control.
- Even though Romania is not part of the OECD yet, the OECD Transfer Pricing Guidelines are generally recognized by Romanian transfer pricing legislation, which nevertheless also contains specific national elements.

- In terms of documentation, the EU Masterfile and Countryfile concept has been implemented into Romanian law.

- Advance Pricing Agreements (APAs) and the Mutual Agreement Procedure (MAP) are also possible under Romanian legislation. These aim to reduce the risk of transfer pricing adjustments. However, their implementation in practice is quite difficult, for several reasons, such as procedural problems. Many Romanian taxpayers are reluctant to apply for an APA/MAP because the process can be very long and the authorities frequently request a significant volume of information and documents from the taxpayer, presenting a major disincentive.

## FISCAL PROCEDURES / ADMINISTRATION

### Rulings

The legal deadline for obtaining a non-binding ruling from the Romanian tax authorities is within 45 days of the submission of documentation.

Advance tax rulings (ATRs) and advance pricing agreements (APAs) are also available. The legal deadline for issuing an ATR is 3 months from the date of application, while the deadline for issuing an APA is 12 months for unilateral APAs and 18 months for bilateral or multilateral APAs.

### Statute of limitations

The statute of limitations period is 5 years, starting from 1 January of the year following the year when the tax obligation arose. However, in the case of fraud, the statute of limitations can be extended to 10 years, starting from the date when the criminal offence occurred. The statute of limitations is suspended during a fiscal inspection period.

### Interest and late-payment penalties

A combined system of late-payment interest and penalties is currently applicable:

- Interest of 0.03% per day of late-payment.
- Penalties of 0.02% per day of late-payment.

### Certification of tax returns

Certification of tax returns by a certified tax consultant (a member of the Romanian Chamber of Fiscal Consultants) is optional. However, certification could present some advantages for businesses, as it constitutes a criterion in the risk analysis performed by the tax authorities when they select taxpayers for tax audits.

## ACCOUNTING REGULATIONS

Romanian accounting regulations are compliant with the EU accounting and audit directives. New regulations became applicable as from 1 January 2015, following the implementation of Directive 2013/34/UE.

Romanian GAAP draws many of its principles and rules from International Financial Reporting Standards (IFRS). However, differences remain and their impact on the financial statements of companies varies from one industry to another.

Credit institutions carrying out activities in Romania, including Romanian branches of foreign credit institutions and foreign branches of Romanian credit institutions, as well as listed companies, are required to apply International Financial Reporting Standards (IFRS) as a basis for accounting and reporting of financial statements.

The financial year generally corresponds to the calendar year. However, both Romanian entities and branches of a foreign company (except for credit institutions, non-banking financial institutions, as well as entities operating under the supervision of the Authority for Financial Supervision) may opt for a different financial year.

Companies are required to have their financial statements audited (statutory audit) if they meet at least two of the three size criteria below for two consecutive years:

- Total assets > EUR 3,650,000.
- Net turnover > EUR 7,300,000.
- Average number of employees during the financial year > 50.

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This card was prepared based on tax legislation applicable as at 31 January 2015, as a quick-reference tool for the most common tax rates and rules.

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2015

TAX CARD

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## CORPORATE INCOME TAX

Corporate income tax rate	16%
Special regime for micro-enterprises	3% of turnover. The turnover tax is compulsory, instead of corporate income tax, for Romanian legal entities with a turnover of maximum 65,000 EUR and income from consultancy and management of maximum 20% of turnover. Taxpayers carrying out banking, insurance and reassurance, capital markets or gambling activities do not apply the tax on micro-enterprises, and must pay normal corporate income tax in all cases.
Fiscal year	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.
Tax losses	<ul style="list-style-type: none"><li>Losses may be carried forward for 7 years.</li> <li>There is no carry back of losses.</li> <li>Changes in ownership do not affect carrying forward tax losses.</li> <li>Tax losses recorded by taxpayers which cease to exist as a result of reorganizations are transferred to the taxpayers which are the beneficiaries of these reorganizations.</li></ul>
Returns / payment	<ul style="list-style-type: none"><li>Quarterly (for quarters I-III) – by the 25th of the month following the relevant quarter.</li> <li>Annually – by 25 March of the following year.</li></ul>
Advance payments	<ul style="list-style-type: none"><li>Banks are required to make quarterly advance payments based on the previous year's results.</li> <li>For regular taxpayers, the advance payment system is optional.</li></ul>

### Depreciation and amortization

Calculation methods	<ul style="list-style-type: none"><li>Straight-line.</li> <li>Reducing-balance.</li> <li>Accelerated depreciation (up to 50% in the first year).</li></ul>
Tangible assets	<ul style="list-style-type: none"><li>Buildings – only the straight-line method.</li> <li>Technological equipment and computers – accelerated, straight-line or reducing-balance method.</li> <li>Any other fixed asset – straight-line or reducing-balance method.</li> <li>Deductibility of depreciation expenses incurred for vehicles with a maximum of 9 seats, which are not used exclusively for business purposes, is limited to 1,500 lei/month.</li></ul>
Intangible assets	<ul style="list-style-type: none"><li>Intangible assets (e.g. patents, licences, copyrights, trademarks) – straight-line method over the period of the contract or the period of use, as appropriate.</li> <li>Patents may be amortized through the accelerated or the reducing-balance method.</li> <li>Software acquisition or production – straight-line method, over a period of 3 years.</li> <li>Goodwill is not a depreciable asset (amortization is not tax deductible).</li></ul>

### Thin capitalization rules

Interest expenses for loans from financial institutions	<ul style="list-style-type: none"><li>Fully deductible.</li></ul>
Interest expenses for loans from non-financial institutions	<ul style="list-style-type: none"><li>Interest rate limitation – 6% for loans denominated in foreign currency / the reference interest rate published by the National Bank of Romania for loans denominated in RON. Interest expenses exceeding these limits are permanently non-deductible.</li> <li>Debt-to equity limitation – if debt-to-equity ratio is greater than 3:1 or equity is negative – interest expenses and net foreign exchange losses related to loans are non-deductible, but can be carried forward indefinitely and deducted when the conditions are met.</li></ul>

### Participation exemption rules

The following types of income are non-taxable as from 1 January 2014:

- Dividends** received by a Romanian company from subsidiaries located in Romania, EU Member States or states with which Romania has concluded Double Tax Treaties, provided that the receiving company has a minimum holding of 10% in the share capital of the distributing company, for an uninterrupted period of at least 1 year.

- Revenues from the sale of shares and liquidation proceeds**, whether the legal entities in which the company holds shares are Romanian or foreign entities from states with which Romania has concluded Double Tax Treaties (including those outside the EU). In order for these revenues to be non-taxable, the company receiving the income must have owned at least 10% of the share capital of the company which is sold/liquidated for an uninterrupted period of 1 year at the time of the sale/transfer transaction or at the time when the liquidation process starts.

**Note:** Dividends may be paid only out of profits reflected in annual financial statements, which must be approved by shareholders (no interim dividends may be paid by Romanian companies).

### WITHHOLDING TAX

Withholding tax is generally applicable on income derived by non-residents from Romania, such 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)

Standard WHT rate	16%
Special WHT rate	50% <sup>1</sup>

The Interest & Royalties and the Parent-Subsidiary EU Directives are fully applicable in Romania:

Interest / Royalties	Exempt under the EU Interest and Royalties Directive, subject to the condition of direct ownership of at least 25% for an uninterrupted period of at least 2 years.
Dividends	Exempt under the EU Parent-Subsidiary Directive, subject to the condition of ownership of at least 10% for an uninterrupted period of at least 1 year. (Before 1 January 2014, the period was at least 2 years).

### TAX TREATIES

A wide network of Double Taxation Avoidance Treaties concluded by Romania may allow non-residents to be taxed at a reduced rate, or to be exempt, subject to certain conditions being fulfilled (e.g. presenting a certificate of tax residence). The following countries have concluded tax treaties with Romania.

Albania	France	Macedonia	Slovenia
Algeria	Georgia	Malaysia	South Africa
Armenia	Germany	Malta	Spain
Australia	Greece	Mexico	Sri Lanka
Austria	Hungary	Moldova	Sudan
Azerbaijan	Iceland	Montenegro <sup>3</sup>	Sweden
Bangladesh	India	Morocco	Switzerland
Belarus	Indonesia	Namibia	Syria
Belgium	Iran	Netherlands	Tajikistan
Bosnia-Herzegovina <sup>2</sup>	Ireland	Nigeria	Thailand
Bulgaria	Israel	Norway	Tunisia
Canada	Italy	Pakistan	Turkey
China	Japan	Philippines	Turkmenistan
Croatia	Jordan	Portugal	Ukraine
Cyprus	Kazakhstan	Qatar	United Arab Emirates
Czech Republic	North Korea	Russian Federation	United Kingdom
Denmark	South Korea	Russia	United States
Ecuador	Kuwait	San Marino	Uruguay
Egypt	Latvia	Saudi Arabia	Uzbekistan
Estonia	Lebanon	Serbia <sup>3</sup>	Vietnam
Ethiopia	Lithuania	Singapore	Zambia
Finland	Luxembourg	Slovakia	

### PERSONAL INCOME TAX

Standard tax rate	16%
The 16% tax rate applies to the following types of income	

- Salaries
- Income from independent activities
- Rental income
- Investment income
- Pension income
- Agriculture (agricultural activities, forestry and fishing)
- Prizes
- Other income

Income from transfer of immovable property (real estate)

If sold < 3 years < RON 200,000	3% of sale price
If sold > 3 years < RON 200,000	2% of sale price
If sold < 3 years > RON 200,000	RON 6,000+2%*(sale price – 200,000)
If sold > 3 years > RON 200,000	RON 4,000+1% * (sale price – 200,000)

## SOCIAL SECURITY CONTRIBUTIONS

Contribution Type	EMPLOYEE	EMPLOYER
Social security	10.5% <sup>4</sup>	15.8% <sup>5</sup>
Social health insurance	5.5%	5.2%
Unemployment fund	0.5%	0.5%
Medical leave and allowances insurance	-	0.85% <sup>6</sup>
Salaries guarantee fund	-	0.25%
Accidents at work and professional disease insurance	-	0.15% - 0.85% <sup>7</sup>

2Treaty concluded with F.S.R. Yugoslavia, in force since 1989, applies to Bosnia-Herzegovina

3Treaty concluded with F.R. Yugoslavia, in force since 1998, applies to Serbia and Montenegro

4Capped at 5 times the average gross salary (RON 2,415 for 2015); it includes a 5% contribution to the private pension fund chosen by the employee

5Decreased from 20.8% as of October 2014; capped at 5 times the average gross salary (RON 2,415 for 2015), multiplied by the number of employees

6 Cannot exceed the number of insured persons multiplied by 12 times the value of the national minimum gross wage (RON 975 as of 1 January 2015 and RON 1,050 as of 1 July 2015)

7 Depending on the Romanian CAEN Code

VAT rates	<ul style="list-style-type: none"><li>Standard VAT rate: 24%.</li> <li>Reduced VAT rate: 5% for sale of real estate, as part of social policy, under certain conditions.</li> <li>Reduced VAT rate: 9% for certain goods and services, e.g. bread, bakery products, wheat and rye, school books, magazines, orthopedic products, medicines suitable to both human and animal use, accommodation, admission to shows, theatres, circuses, fairs, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities.</li></ul>
Filing of VAT return	<ul style="list-style-type: none"><li>Monthly, if annual turnover &gt; EUR 100,000 (for 2015, the threshold converted into RON is 448,210).</li> <li>Quarterly, if annual turnover &lt; EUR 100,000, with no intra-Community acquisitions of goods.</li> <li>Bi-annually/annually, under certain conditions (approval of relevant tax authorities is required).</li></ul>
Filing of Recapitulative Statements	Monthly, by 25th of the month following the month in which eligible transactions took place.
Filing of Informative Statement	Monthly/quarterly (similar to the VAT return), by 25th of the month following the period in which the invoices were issued.
Filing of Intrastat return	Monthly, by 15th of the month following the month when the movement of goods took place. The submission is required only if the volume of intra-Community arrivals of goods is > RON 500,000 and/or the volume of intra-Community dispatches of goods is > RON 900,000. Starting from 2015, providers of statistical information are required to include for "dispatches": (1) the fiscal identification number of the commercial partner to which the goods are physically dispatched and (2) the country of origin of the respective goods.
Small enterprises	Annual turnover threshold < EUR 65,000 (i.e. RON 220.000).
Distance selling	Annual threshold = EUR 35,000 (i.e. RON 118.000).
Non-taxable legal entities, businesses which perform VAT exempt without credit operations, small businesses	Volume of intra-Community acquisitions of goods > EUR 10,000 (VAT registration required).
Limited VAT deduction right for vehicle expenditure	The VAT deduction right is limited to 50% for expenditure related to acquisition, functioning, maintenance and repairs of vehicles (including leasing and rental), if the vehicles are not used exclusively for business purposes.
Non-deductible VAT	Alcohol and tobacco products.
VAT cash accounting system	The VAT cash accounting system entered into force from 1 January 2013. Consequently, resident economic operators which obtain a turnover lower than RON 2,250,000 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).
Invoicing	Council Directive 2010/45/EC on invoicing rules has been transposed into Romanian VAT law, according to which, any documents or messages on paper or in electronic format, if in compliance with Art. 155 of the Fiscal Code, are to be considered invoices.
<b>Other aspects to be taken into account:</b>	
Transfer of business as a going concern	The transfer of all or of a part of an entity's assets and/or liabilities, as a result of sale, or as per operations such as a de-merger or merger, or as a contribution in-kind to the share capital of a company, is not deemed to be a supply of goods for VAT purposes (under certain circumstances).

No payment of VAT on import of goods

In Romania, for imports, VAT must be paid to the customs authorities , and then recovered via a VAT return. Companies established and registered for VAT purposes in Romania for more than 1 year, which do not have any outstanding liabilities to the tax and customs authorities, and which have performed, in the previous 12 consecutive months, imports of goods from non-EU countries with a value of more than RON 100 million (approximately EUR 24 million) may apply to obtain a certificate for the suspension of payment of VAT in customs.

In addition to the taxable persons mentioned above, an import VAT deferralment payment certificate can be granted to authorized economic operators which are registered for VAT purposes in Romania and which have obtained an AEO certificate, in accordance with customs legislation, as well as to taxable persons which are registered for VAT purposes in Romania and which have obtained an on-site customs clearance procedure authorization. In this case no VAT is paid to the customs authorities, which can help improve a company's VAT cash flow.

VAT groups	VAT grouping system rules do not exclude from the scope of VAT (or exempt) transactions performed between the members of the group, instead, the system simply allows the consolidation of the VAT returns of all members", possibly leading to a reduction in the amount of any VAT payable.
VAT registration	The VAT registration process has become more complicated for taxpayers established in Romania. They must submit additional documents to the relevant tax office (i.e. appendix to the amendments registration form under which the taxpayer's intention and ability to perform economic activities is assessed, notarized copies of the identity documents of the taxpayer's directors etc.). Also, starting from 1 February 2015, if the assessment criteria are partially fulfilled, the taxpayers' legal representatives are invited to the premises of the relevant tax office to provide more details so that the tax authorities may make a decision. Moreover, Romanian VAT payers performing intra-Community transactions are also required to register in the Registry of Intra-Community Operators (RIO). A non-resident taxable person may opt to request a VAT registration if it carries out one of the following operations in Romania: <ul style="list-style-type: none"><li>Import of goods.</li> <li>Rental and leasing of immovable property, with certain exceptions, if the taxpayer has chosen to tax these operations.</li> <li>Supplies of buildings / parts of buildings and the land they are built on, if the taxpayer has chosen to tax these operations.</li></ul>
Interest*	If a VAT refund is delayed by the tax authorities, taxpayers may request late payment interest.
Reverse charge	For supplies of goods or services made by a taxable person which is neither established in Romania nor registered for VAT purposes in Romania, to a taxable person or non-taxable legal entity whether or not it is established in Romania, but registered for VAT purposes in Romania, irrespective of whether it is registered via a fiscal representative or directly, the beneficiary must account for the related VAT in Romania via the reverse charge mechanism.
Cancellation of VAT registration	In specific situations, the tax authorities may cancel VAT registrations, e.g. if the VAT returns filed for 6 consecutive months during a six month period (for taxpayers that have the calendar month as their VAT period), or for two consecutive quarters (for taxpayers that have the calendar quarter as their VAT period) submitted by the taxpayer, did not include any acquisitions / supplies of goods / services, i.e. if the taxpayer did not carry out taxable transactions during the reporting periods.
Registration into the MOSS	Starting from 1 January 2015, the place of supply of telecommunication services, radio and television broadcasting services, as well as electronically supplied services to non-taxable persons is considered to be the place where the beneficiary is established or usually resides. More specifically, taxable persons established outside Romania who supply such services to non-taxable persons which have their permanent address in Romania or who usually reside in Romania are required to collect and pay 24% VAT for these supplies. Taxable persons established in Romania which supply these services to non-taxable persons which have their permanent address outside Romania or who usually reside outside Romania are required to collect and pay VAT in the Member State where the beneficiary is established. The mini-one stop shop is an optional special scheme specifically aimed at the providers of telecommunication services, radio and television broadcasting services and electronically supplied services which allows the registration for VAT purposes only in one Member State (of identification). Hence there is no requirement to register in each Member State where the services are supplied.

<sup>[1]</sup> Taxpayers entitled to claim interest for late VAT refunds

<sup>[2]</sup> Starting 1 January 2017 taxpayers registered for VAT purposes in Romania will not pay VAT at customs, but will simply register the tax as both output and input VAT (using the so called reverse charge mechanism).

<sup>[3]</sup> Fiscal groups can be formed only of taxable persons administered by the same fiscal authority.