



# Investing in Romania

An overview of the current  
tax system | 2016



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### Investing in Romania. An overview of the current tax system.

The current developments within Central and Eastern European countries are accompanied by ongoing changes in tax systems: For investors, this means numerous new developments to take into account.

TPA's CEE Country Series covers 11 Central and South Eastern European countries, and gives an overview of the business environment and the most important new developments, including:

- Different types of business organisations, and their most important features
- Key details of corporate and personal income tax and VAT in each country
- Current tax allowances, reliefs and concessions
- Core provisions of double taxation agreements

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The information in these folders is based on the present legal situation and current administrative practice, and is therefore subject to change. The information is general in nature, and of necessity abridged: the booklets are not a substitute for individual, specific advice.

Our CEE experts will be happy to answer your questions in more detail.

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## Types of organisation

	<i>Name in local language</i>	<i>Registrable in commercial register / legal entity</i>	<i>Minimum capital</i>	<i>Sole shareholder company</i>
<b>Limited liability company</b>	Societate cu raspundere limitata (SRL)	yes / yes	RON 200 (approx. EUR 45) at least RON 10 per share maximum of 50 shareholders	Yes; an individual or a legal entity may be sole shareholder in no more than one limited liability company. An SRL may not be the sole shareholder of another Romanian SRL if it itself has only one shareholder.
<b>Joint-Stock Company</b>	Societate pe actiuni (SA)	yes / yes	RON 90,000* (approx. EUR 19,850)	no (at least 2 shareholders)
<b>Cooperative</b>	n / a	n / a	n / a	n / a
<b>General partnership</b>	Societate in nume colectiv (SNC)	yes / yes	no	no
<b>Limited partnership</b>	Societate in comandita simpla (SCS)	yes / yes	no	no
<b>Partnership limited by shares</b>	Societate in comandita pe actiuni (SCA)	yes / yes	RON 90,000* (approx. EUR 19,850)	no
<b>Registered branch office</b>	Sucursala	yes / no	n / a	n / a
<b>Permanent establishment</b>	Sediu permanent	no / no	n / a	n / a

	<i>Capital tax / registration fees</i>	<i>Written form / notarisation</i>	<i>Tax transparency</i>	<i>Registration with tax authorities</i>	<i>Statutory audit (revenues in excess of EUR 7.3 million, total assets in excess of EUR 3.65 million, more than 50 employees)</i>
<b>Limited liability company</b>	no / registration in commercial register	yes / no**	no	yes	if at least two of the thresholds are exceeded
<b>Joint-Stock Company</b>	no / registration in commercial register	yes / no***	no	yes	mandatory
<b>Cooperative</b>	n / a	n / a	n / a	n / a	n / a
<b>General partnership</b>	no / registration in commercial register	yes / yes	no	yes	if at least two of the thresholds are exceeded
<b>Limited partnership</b>	no / registration in commercial register	yes / yes	no	yes	if at least two of the thresholds are exceeded
<b>Partnership limited by shares</b>	no / registration in commercial register	yes / yes	no	yes	if at least two of the thresholds are exceeded
<b>Registered branch office</b>	n / a / registration in commercial register	n / a	n / a	yes	as part of any audit of the parent company
<b>Permanent establishment</b>	n / a	n / a	n / a	yes	as part of any audit of the parent company

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

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

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

Exchange rate: EUR 1 = RON 4,5381 (rounded)

## Corporate income tax

General tax rate	16%  Exceptions: Night clubs, bars, discos, casinos: the higher of 16% of the net profit and 5% of revenues
Microenterprise tax rate	Tax on revenues for Romanian companies qualifying as microenterprises as a result of fulfilling the following conditions: <ul style="list-style-type: none"> <li>yearly turnover less than EUR 100,000 (starting 1 January 2016);</li> <li>revenues from activities other than banking, insurance and reinsurance, gambling, exploration activities, development, exploitation of oil and natural gas deposits</li> <li>revenues from activities other than consultancy and management activities in proportion of more than 80% of total income;</li> <li>not being liquidated;</li> <li>share capital is held by entities other than the state or local authorities</li> </ul> <p>Starting January 2016, the microenterprise tax rates are as follows:</p> <ul style="list-style-type: none"> <li>1% for microenterprises that have two or more employees;</li> <li>2% for microenterprises having one employee;</li> <li>3% for microenterprises that have no employees.</li> </ul> <p>By exception, newly incorporated companies that have at least one employee and are constituted for a period exceeding 48 months, and the shareholders have not held any participation titles in other legal entities, will apply a tax rate of 1% in the first two years from registration of the legal entity.</p>
Tax liability	
Unlimited	Romanian legal entities, legal entities established according to European legislation, having their headquarters in Romania and foreign legal entities with the place of effective management in Romania, on their worldwide income.
Limited	Branches and permanent establishments of foreign companies: on their Romanian income. Starting 1 July 2013, non-resident taxpayers carrying out activities in Romania through one or more permanent establishments are required to designate a permanent establishment to fulfill their corporate income tax obligations.
Fiscal year	Calendar year. By exception, as of 1 January 2015, all Romanian companies and branches of foreign companies (except for credit institutions, non-banking financial institutions etc.) may choose a financial year that is different from the calendar year. Taxpayers that choose a financial year different from the calendar year can also opt for the fiscal year to correspond with the financial year.
Corporate income tax payment	Corporate income tax liabilities are payable quarterly, either (i) based on the quarterly computation of actual corporate income tax liabilities or (ii) based on last year's corporate income tax

	liability (increased by an inflation surcharge); taxpayers may opt for either of these two payment mechanisms.
Accounting	Romanian listed companies and banks are required to apply IFRSs. All other companies – generally double entry bookkeeping, as specified in Romanian Accounting Act (in line with EU Directives).
Loss set-offs / carryforwards	Possible: no limits to amounts of loss carryforwards, deductible immediately in full or in part from future profits (100%).  Time limit: 7 years No loss carry-backs.
Associated parties	For tax purposes, where a person has a direct or indirect interest of at least 25% in the share capital or the voting rights of one or more legal persons, then the parties involved are all associated parties.
Operating expenses	Expenses incurred to procure, secure, or maintain the business.
Transfer prices	Romanian legislation follows OECD transfer pricing guidelines. Prices charged in related-party transactions should be established on market terms (arm's length basis)  The following methods may be used in determining market prices for transactions between associated companies: <ul style="list-style-type: none"> <li>Price comparisons with independent companies</li> <li>Cost plus method</li> <li>Resale price method</li> <li>Other methods specified in the OECD's transfer pricing guidelines.</li> </ul> <p>Transfer pricing documentation must be prepared and has to be presented to the tax authorities upon request. Further clarifications and instructions on the amount of the transactions which should be documented, deadlines and content of the transfer file applicable starting 2016 are still to be drafted and released by the tax authorities.</p>
Interest on financing the acquisition of investments	Deductible, provided the investment constitutes assets of the business; otherwise it can only be offset against future gains on disposal.
Interest deductibility	Interest on loans other than loans from banks and leasing companies is only fully deductible if: <ul style="list-style-type: none"> <li>the interest on foreign currency loans does not exceed 4% (starting 1 January 2016) and on loans in Romanian currency does not exceed the Romanian National Bank's benchmark rate for the last month of the last quarter (May 2015: 1,75%), and</li> <li>the company's debt/equity ratio does not exceed 3:1, and its equity is not negative</li> </ul>

## Corporate income tax

<p>Tax depreciation</p>	<p>Depreciation for accounting and tax purposes: straight-line, accelerated, or reducing balance method, depending on the type of asset (e.g. straight-line for buildings).</p> <p>Annual depreciation</p> <p>Depreciation is spread over a period of years (the enterprise chooses the depreciation period within the specified range, which depends on the category of the asset). Depreciation is claimed on a monthly basis, starting the month following the month of first use in the business (including in the first and in the last year of the useful life). Examples of assets subject to depreciation:</p> <ul style="list-style-type: none"> <li>▪ Group 1 Buildings</li> <li>▪ Group 2 Machinery, vehicles, animals and plantations</li> <li>▪ Group 3 Furniture, safety equipment, office equipment and other assets</li> </ul> <p>Non-depreciable assets:</p> <ul style="list-style-type: none"> <li>▪ land</li> <li>▪ works of art</li> <li>▪ goodwill</li> <li>▪ artificial lakes and ponds</li> <li>▪ publicly financed public goods</li> <li>▪ other assets not subject to loss of value in normal use due to the passage of time</li> <li>▪ private sector rest homes, lodgings, ships, aircraft, yachts</li> </ul>
<p>Provisions</p>	<p>Provisions of 30% against debts recorded after 1 January 2006 are allowable, provided certain conditions are met.</p> <p>Provisions of up to 100% against debts arising after 1 January 2007 are allowable, provided certain conditions are met (one of the conditions is that the bankruptcy procedure of the respective client was opened).</p> <p>Provisions for customer guarantees are allowable.</p> <p>Provisions for impairment of bad debts taken from credit institutions are deductible within certain limits and conditions.</p> <p>Starting 2016, provisions for impairment of depreciable fixed assets are allowable in the following situations:</p> <ol style="list-style-type: none"> <li>1. assets which are destroyed as a result of natural disasters or other causes of force majeure;</li> <li>2. assets for which insurance contracts were concluded.</li> </ol> <p>Other provisions are not tax deductible.</p>

<p>Motor vehicle expenses</p>	<p>Depreciation over 4–6 years</p> <p>Acquisition cost: no ceiling</p> <p>Expenses (including non-deductible VAT) related to vehicles that have a maximum weight of 3,500 kg and no more than nine seats, that are used exclusively for business purposes or for certain types of activities (e.g. emergency services, cab services, driving schools, vehicles used by sales / acquisition agents etc.) are fully deductible for profit tax purposes. Otherwise, these expenses (excluding depreciation) are only 50% deductible for profit tax purposes.</p> <p>The VAT deduction right related to the acquisition of such vehicles and for other car related expenses (e.g. fuel, spare parts) of these vehicles is also limited to 50%, under the same conditions.</p> <p>Depreciation expenses are deductible up to the limit of RON 1,500 / month, unless the vehicle falls under one of the categories for which car related expenses are fully deductible (e.g. vehicles used for emergency services, sales agents etc.).</p> <p>The provisions also apply in the case of rental and leasing operations related to vehicles that meet the requirements mentioned above.</p>
<p>Non-deductible expenses</p>	<p>Expenses which are not incurred for business purposes.</p> <p>Interest/ penalties for delay, fines, penalty surcharges due to Romanian/ foreign public authorities</p> <p>Expenses not adequately documented</p> <p>Expenses incurred for the benefit of the shareholders, except those related to the supply of goods or services to the taxpayer at market value.</p> <p>Expenses related to non taxable income</p> <p>Withholding taxes borne by Romanian taxpayers for the benefit of non-residents</p> <p>Sponsorship expenses are not deductible for tax purposes, but under certain conditions taxpayers may use them as tax credits from sponsorship within the following limits:</p> <ul style="list-style-type: none"> <li>▪ 0,5% from turnover;</li> <li>▪ 20% of corporate income tax liability</li> </ul> <p>The tax credit that cannot be enjoyed in the current year may be carried forward in the next 7 years in order to be deducted from future profit tax liabilities, under similar conditions.</p> <p>Expenses related to Consultancy, management and other services provided by a person established in a country with which Romania has not concluded a legal instrument for exchange of information. These provisions are applicable provided that the tax inspectors qualify the transactions as being artificial.</p>

## Corporate income tax

Withholding taxes	<p>Withholding tax is generally at 16%.</p> <p>For payments to non-residents, established in a state with which Romania has not concluded a juridical instrument for exchange of information, withholding tax rate is 50% if such transactions are qualified as being artificial.</p> <p>Double Taxation Agreements ("DTAs") can provide lower rates of withholding tax. Relief is granted in the form of a tax credit or tax exemption (detailed documentation required for DTA relief).</p>
Interest	<p>Starting 1 January 2011, the rate of withholding tax is 0%, provided the beneficiary is a legal entity residing in an EU Member State, with a minimum shareholding of 25% in the Romanian company held for at least 2 years; otherwise, the domestic rate is 16% (0% for interest on savings of natural persons domiciled in EU countries with which Romania concluded information exchange agreements).</p> <p>The domestic 16% withholding tax rate may be reduced or even eliminated by virtue of DTAs.</p>
Royalties	<p>Starting 1 January 2011, the rate of withholding tax is 0%, provided the beneficiary is a legal entity residing in an EU Member State, with a minimum shareholding of 25% in the Romanian company held for at least 2 years; otherwise, the domestic rate is 16%.</p> <p>The domestic 16% withholding tax rate may be reduced or even eliminated by virtue of DTAs.</p>
Dividends	<p>No withholding tax, provided the recipient is a Romanian legal entity or an organization resident of an EU Member State, and has held a minimum 10% interest for at least 1 year. Otherwise, the withholding tax is of 5% (starting January 2016).</p> <p>DTAs can provide for lower rates of tax or may eliminate Romanian withholding tax.</p>
Direct collection	Apart from withholding tax, none.
Romanian parent-subsidiary exemption	<p>Dividends received from a Romanian legal entity are tax-free.</p> <p>Gains on disposal may be exempt, starting 1 January 2014, provided the taxpayer holds at least 10% of the shares for an uninterrupted period of at least 1 year.</p>
International parent-subsidiary exemption	<p>Minimum holding period – 1 year, starting 1 January 2014</p> <p>Minimum holding – 10%</p> <p>Income payer is a company residing in a country with which Romania has concluded a DTA.</p> <p>Dividends received from the respective foreign legal entity are tax-free.</p> <p>Gains on disposal may be exempt, provided the seller is a company (residing in a country with which Romania has concluded a DTA) which has held at least 10% of the shares for an un-interrupted period of at least 1 year.</p>

Goodwill amortisation	Not deductible for tax purposes.
Group taxation / pooling	Not possible, except for VAT.

## Income tax

Tax rate	<p>5% for dividend income (starting with 1 January 2016); 16%; 25% for income higher than Euro 100 thousand, derived from gambling.</p> <p>Personal allowances for persons with gross income from employment of up to RON 1,500 (approx. EUR 330):</p> <ul style="list-style-type: none"> <li>▪ Person with no dependents: RON 300 (approx. EUR 65)</li> <li>▪ Person with 1 dependent: RON 400 (approx. EUR 90)</li> <li>▪ Person with 2 dependents: RON 500 (approx. EUR 110)</li> <li>▪ Person with 3 dependents: RON 600 (approx. EUR 130);</li> <li>▪ Person with 4 or more dependents: RON 800 (approx. EUR 175)</li> </ul> <p>For persons with gross income between RON 1,501 (approx. EUR 330) and RON 3,000 (approx. EUR 660) there are reduced deductions, which are established by Ministry of Finance Order.</p> <p>There are no deductions for gross salaries of more than RON 3,000 (approx. EUR 660).</p>
Tax-exempt income	Certain types of income are exempt (e.g. allowances, official state indemnities, pensions for war invalids, statutory subsidies, salary income obtained by individuals creating software etc.).
Tax liability	
Unlimited	<p>On worldwide income of persons resident in Romania for tax purposes. Any person satisfying one of the following conditions is considered a resident:</p> <ul style="list-style-type: none"> <li>▪ Place of residence in Romania</li> <li>▪ Centre of vital interests in Romania</li> <li>▪ Presence in Romania for more than 183 days during any period of 12 consecutive months.</li> </ul> <p>Foreign individuals with the center of vital interests in Romania, or present in Romania for more than 183 days during any period of 12 consecutive months, will become subject to tax in Romania on worldwide income starting from the date when residence was obtained.</p>
Limited	For non-resident individuals, on their Romanian source income.
Tax assessment period	Calendar year

## Income tax

Income categories	<p>Income from:</p> <ol style="list-style-type: none"> <li>1. Employment</li> <li>2. Self-employment (no personal allowance)</li> <li>3. Transfer of rights to use assets</li> <li>4. Pensions in excess of RON 1,050 (approx. EUR 230) The non-taxable amount of RON 1,050 shall be increased by RON 50 each fiscal year, until the taxable income ceiling value reaches RON 1,200/ month.</li> <li>5. Agriculture and forestry</li> <li>6. Prizes and betting winnings (except casinos)</li> <li>7. Investments</li> <li>8. Real estate transactions</li> <li>9. Betting winnings in casinos</li> <li>10. Other</li> </ol>
Bookkeeping	Generally, cash-based accounting as provided in Accounting Act. As of January 2015, freelancers may also opt to apply the double-entry bookkeeping system.
Loss set-offs	Within individual income categories.
Loss carryforwards	<p>Losses from self-employment, transfer of rights to use assets, and agricultural activities can be carried forward and set off for 7 years.</p> <p>There is no limit to the amounts that may be carried forward and set off.</p>
Business expenses	Expenses incurred to procure, secure or maintain business income.
Lump sum option	<p>For operating expenses of self-employed persons flat-rate options are available as follows:</p> <ul style="list-style-type: none"> <li>▪ 40% of income from intellectual property rights</li> <li>▪ 40% of income from rental</li> <li>▪ 40% of income from creating monumental art works</li> </ul> <p>For certain types of self-employment commercial activities (e.g. supply of certain IT services), the tax may be computed based on an annual lump sum income, as provided by law.</p>
Motor vehicles	<p>Depreciation over 4–6 years.</p> <p>Acquisition cost: no ceiling.</p> <p>Expenses (including non-deductible VAT) incurred for vehicles that have a maximum weight of 3,500 kg and no more than nine seats, that are used exclusively for business purposes or for certain types of activities (e.g. emergency services, cab services, driving schools etc.) are fully deductible for income tax purposes. Otherwise, these expenses are only 50% deductible for income tax purposes.</p>

Withholding tax	<p>Withholding tax is 5%, 10% or 16%, depending on income category. Starting January 2016, the tax rate applicable for dividend income is decreased at 5%. The legal entity paying the dividends is liable to calculate and withhold the tax.</p> <p>The 10% rate of withholding tax applies for example to income from intellectual property. Any additional tax up to 16% of taxable income – paid by the individual.</p> <p>The 16% rate applies for all other income (except for gambling).</p> <p>Romanian interest income from term deposits, current deposits / accounts and other savings instruments is subject to 16% Romanian withholding tax.</p>
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## Filing dates and deadlines

Annual returns	<p>The date for filing and payment of the corporate income tax is 25 March of the following year. Tax-payers that choose to apply a fiscal year different from the calendar year are liable to file and pay the annual corporate income tax by 25th of the third month following the closing of the fiscal year.</p> <p>Individual income tax return due by 25 May of the following year. No return is required for salaries and similar income, investment income, pensions, income from agriculture and forestry, real estate transfers and other income.</p>
VAT returns	Quarterly for annual revenues of up to EUR 100,000, otherwise monthly. Filing deadline: 25 <sup>th</sup> of the following month / 25 <sup>th</sup> of the month following the end of the quarter.
Property transfer tax	Please refer to "Immovable Property" section below.
Property tax	Payable on land and buildings, bi-annually by 31 March and 30 September.
Tax on constructions	Payable bi-annually, by 25 May and 25 September.

## Other taxes

Business tax	no
Wealth tax	no
Capital transfer tax and fees	no
Excise duties	Payable on production/import of: beer, wines, other fermented beverages, intermediary products, ethyl alcohol, processed tobacco, fuels, and electricity. Starting 1 January 2016 excise duties for luxury products, coffee, weapons and ammunition have been eliminated.

## Other taxes

Notarial fees	Particularly for the transfer of "immovable property".
Land tax	See below, under "immovable property"
Buildings tax	See below, under "immovable property"

## Tax Regulations

Advance rulings	<p>Taxpayers engaged in transactions with related parties may apply for an Advance Pricing Agreement. Advance Pricing Agreements are issued for a fixed period and are binding on the tax authorities if the taxpayer respects the initial conditions.</p> <p>Taxpayers envisioning to perform certain transactions may also apply for binding rulings from the National Agency for Fiscal Administration. The ruling is binding on the tax authorities only if its terms and conditions have been observed by the taxpayer.</p>
Penalties for late payment	<p>For every full or partial day's delay, late payment interest of 0.02% (starting January 2016) of tax liability is applied.</p> <p>Also, late payment penalties of 0.01% (starting January 2016) for each day of delay will be imposed as of the first day following the maturity date up to and including the date of settlement.</p> <p>In addition, for tax obligations incorrectly declared or not declared by the taxpayer and established by the tax inspectors during a tax audit, a new penalty of 0.08% has been introduced. The non-declaration penalty cannot exceed the level of the main tax obligation except in cases of tax evasion ascertained by the judicial bodies according to the law.</p>
Criminal provisions	<p>Fiscal Penalties Act</p> <p>Penalties for negligent tax evasion: fines</p> <p>Penalties for deliberate tax evasion: imprisonment</p>

## Tax reliefs

Direct	none
Indirect	<p>Income tax concessions e.g. certain gains on disposal</p> <p>Allowances and deductions</p> <p>Personal allowances: from RON 300 (approx. EUR 65) to RON 800 (approx. EUR 175), depending on income and the number of dependents.</p> <p>Private pension insurance: maximum allowable premium EUR 400 / per year for each employee.</p>

	<p>Health insurance premiums: maximum allowable premium EUR 400 / per year for each employee.</p>
Grants	<p>EU Funds</p> <p>There are various programs available for Romania, the most significant being:</p> <ul style="list-style-type: none"> <li>▪ Sectorial Operational Programme "Increase of Economic Competitiveness" (POS CCE)</li> <li>▪ Regional Operational Programme (POR)</li> <li>▪ Sectorial Operational Programme "Human Resources Development" (POS DRU)</li> <li>▪ Operational Programme "Technical Assistance".</li> </ul> <p>More information at: <a href="http://ec.europa.eu/contracts_grants/index_en.htm">ec.europa.eu/contracts_grants/index_en.htm</a>, <a href="http://www.mfinante.ro">www.mfinante.ro</a> (Finance Ministry), <a href="http://www.fonduri-ue.ro">www.fonduri-ue.ro</a></p>
Additional tax concessions	<ul style="list-style-type: none"> <li>▪ For R&amp;D activities: additional allowances equivalent to 50% of deductible R&amp;D expenses (under certain conditions); accelerated depreciation of plant and equipment used in R&amp;D activities. Starting January 2016, a new provision has been introduced, according to which the additional allowance for R&amp;D activities is not recalculated if the objectives of the R&amp;D project are not met.</li> <li>▪ Exemption from corporate income tax for profit re-invested in new plant and equipment (acquired under straightforward sale or under financial leasing agreements). Taxpayers benefitting from this exemption cannot apply the accelerated tax depreciation regime for the equipment in question. Starting with 1 January 2016, this exemption is also applicable for computers and peripheral equipment. These provisions are applicable to profits reinvested in new plant, equipment, computers and peripheral equipment that are produced/purchased and put into operation until 31 December 2016.</li> </ul>

## Immovable property

Tax depreciation	For accounting and tax purposes: buildings are subject to straight-line depreciation over expected useful life of the asset within the below-mentioned spread of years.
Depreciation categories and rates	
Land	No depreciation
Industrial buildings, office buildings, hotels	40–60 years
Warehouses etc.	32–48 years
Lightweight construction	16–24 years



## Immovable property

Tax base for buildings	In case of mixed business and private use, depreciation is calculated on the proportionate share of acquisition or construction costs.
Accelerated depreciation	For certain new plant and equipment acquired: accelerated depreciation of up to 50% in the first year.
Special depreciation	For mines, quarries and oil fields, depreciation is based on the amount recoverable which is revaluated every 5 years.  For salt mines: depreciation is based on the amount recoverable, which is revaluated every 10 years.
Write-ups	Not permitted
Property transfer tax	Immovable property transfers are subject to income or corporate income tax.  The following immovable property transfers are exempted from income taxation: <ul style="list-style-type: none"> <li>donations between close relatives and between husband and wife;</li> <li>restitution of property rights according to special laws;</li> <li>inheritances, if the testamentary provisions are executed or the legal succession is debated within 2 years. Otherwise, a 1% income tax is due on the value of the inheritance.</li> <li>Also, transfer (sale or other type of transfers) of ownership right over real estate properties is subject to fees for registration in the Real Estate book, as follows: <ul style="list-style-type: none"> <li>transfers to companies: 0.5% of the value of the property</li> <li>transfers to individuals: 0.15% of the value of the property.</li> </ul> </li> </ul> Notary fees may also apply on the transfer of real estate properties.
Income tax rate	Sale of immovable property by individuals: <ul style="list-style-type: none"> <li>Ownership for less than 3 years: 3% on amounts up to RON 200,000 (approx. EUR 44,100) plus 2% on amounts exceeding RON 200,000.</li> <li>Ownership for more than 3 years: 2% on amounts up to RON 200,000 plus 1% on amounts exceeding RON 200,000.</li> </ul> The tax payable must be remitted to the Romanian fiscal authorities by the 25 <sup>th</sup> of the month following the month of the transaction.  Sale of immovable property by legal entities: 16% corporate income tax applicable to the taxable gains realized from the transaction (difference between the selling price and the acquisition price)
Property tax	
Land tax	Is computed on the basis of area (square metres), location and category of use (local authority classification).

Building tax	<p>Starting with 1 January 2016, the building tax is differentiated depending on the buildings destination, as follows:</p> <ul style="list-style-type: none"> <li>residential buildings - the tax rate is between 0.08% - 0.2% to the taxable value of the building. The taxable value is determined for individuals based on the built area multiplied with the taxable value per sqm provided by law.</li> <li>non-residential buildings - the tax rate is between 0.2% - 1.3% applicable to the taxable base.</li> </ul> <p>For individuals, the taxable base for non-residential buildings may be:</p> <ol style="list-style-type: none"> <li>the amount resulting from an evaluation report prepared by an authorized valuator in the past 5 years;</li> <li>the value of the construction works for buildings constructed in the past 5 years;</li> <li>the purchase value for buildings acquired in the past 5 years.</li> </ol> <p>In case the taxable value of the building cannot be determined according to the above rules, the tax is calculated by applying the rate of 2% on the taxable value determined as for residential buildings.</p> <p>For legal entities, the taxable base is the value as at 31 December of the year preceding the year for which the tax is due and can be:</p> <ol style="list-style-type: none"> <li>the last taxable value recorded with the local tax authorities;</li> <li>the amount resulting from an evaluation report prepared by an authorized valuator;</li> <li>the final value of the construction works - for new buildings (constructed during the previous fiscal year);</li> <li>the purchase value for buildings purchased during the previous fiscal year;</li> <li>in case of buildings that are funded under a finance lease, the amount resulting from an evaluation report drawn up by an authorized valuator.</li> </ol> <p>Legal entities should update the taxable value of the buildings every 3 years based on an evaluation report, otherwise an increased tax rate of 5% is applicable.</p> <p>For non-residential buildings used for agricultural purposes, the tax rate is of 0.4%.</p>
Constructions tax (i.e. assets included in Group 1 of the Catalogue of fixed assets, except buildings)	Legal entities: 1% of the value recorded in the debit balance of the construction accounts as at 31 December of the previous year. Certain constructions are exempt from tax (e.g. buildings located in industrial, science or technology parks that are not exempt from local tax on buildings, constructions for agricultural purposes). The construction tax is applicable until 31 December 2016.
Investment funds	Regulated and monitored by the National Securities Committee.

## Social insurance

Social insurance	Statutory health, unemployment and pension insurance for all gainfully employed persons
Contribution rates / contribution ceilings	The basis of calculation for contributions to pension insurance is capped at five times the average gross salary (5 * RON 2,681, or approx. 5 * EUR 590, in 2016). Starting with 1 January 2017, the basis of calculation for contributions to health insurance will be also capped at five times the average gross salary.
Self-employed persons	
Health insurance	5.5% - the monthly taxable base cannot be less than the minimum gross salary. For earnings as of 1 January 2017, the monthly taxable basis is capped at 5 times the average gross salary.
Pension insurance	10.5% or 26.3%, according to the option exercised by the self-employed person, applicable on the net income (the monthly taxable base for pension insurance contribution should be minimum 35% of the average wage and maximum (5 times the average wage)
Unemployment insurance (optional)	0.5% (uncapped)
Employed persons	
Basis of assessment	gross income
Health insurance	Employee: 5.5%, uncapped Employer 5.2%, uncapped For salaries earned as of 1 January 2017, the basis of calculation for contributions to health insurance will be also capped at five times the average gross salary.
Pension insurance	Employee: 10.5% Employer: 15.8% (for standard working conditions), 20.8% (for particular working conditions) and 25.8% (for special working conditions), capped at five times the average official wage
Contribution to national unemployment Fund	Employee 0.5%, uncapped Employer 0.5%, uncapped
Accident insurance	Employer approximately 0.15 – 0.85% (different rates depending on the risk class of the employer's activity), uncapped
Guarantee fund	employer 0.25%, uncapped
Contributions to Sickness Fund	0.85% of payroll, with a ceiling of 12 times the minimum wage (RON 1,050 approx. EUR 230) multiplied with the number of employees.  For employers with more than 50 employees, persons with disabilities must make up 4% of the total number employed. If this threshold is not achieved, employers pay a monthly amount of 50% of the minimum wage on the difference between the number of persons with disabilities actually employed and the quota mentioned earlier.

## General managers

Social insurance – General managers contributions	
Pension insurance (standard working conditions)	10.5% The basis of calculation for contributions is capped at five times the average gross salary (5 * RON 2,681, or approx. 5 * EUR 590, in 2016).
Health insurance	5.5%; For income obtained as of 1 January 2017, the monthly taxable base is capped at five times the average gross salary.
Social insurance – Employer's contributions	
Pension insurance (standard working conditions)	15.8%, contribution base is capped at 5 times the average gross salary (i.e. RON 13,405, or approx. EUR 2,950) multiplied with the number of insured persons during the month
Health insurance	5.2%; For income obtained as of 1 January 2017, the monthly taxable base is capped at five times the average gross salary.
Contributions to Sickness Fund	0.85%, contribution base cannot exceed the equivalent of RON 12 * 1,050 = RON 12,600 (EUR 2,770) multiplied with the number of insured persons during the month.
Income tax	16%
VAT	
Employee	No VAT
Self-employed	VAT registration is compulsory if revenues are above RON 220,000 (EUR 65,000). Otherwise, VAT registration is optional. VAT registration is also required prior to performing intra-community acquisitions.
Work permit	Citizens of Economic European Area countries and Switzerland may work in Romania without the need for a work permit.
Liability	Personal liability for negligence in the execution of duties
Minimum remuneration	none

## VAT

Tax rates	Standard VAT rate: 20% (starting with January 2016) 19% (starting with January 2017)  Reduced rate: 9%, e.g. for <ul style="list-style-type: none"> <li>▪ pharmaceuticals for human and veterinarian use</li> <li>▪ hotel accommodation</li> <li>▪ prostheses and orthopedic products</li> </ul>
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	<ul style="list-style-type: none"> <li>bread and related bakery products, as well as raw materials for the production of bread (e.g. flour, wheat; starting 1 September 2013)</li> <li>food and beverages (with the exception of alcohol) for human and animal consumption (starting 1 June 2015)</li> <li>water used for consumption and for agricultural irrigation (starting 1 January 2016)</li> </ul> <p>Reduced rate: 5% for social buildings under certain conditions</p> <ul style="list-style-type: none"> <li>books, newspapers, periodicals etc. (starting 1 January 2016)</li> <li>admission to cinemas, museums, historical monuments, trade fairs and exhibitions (starting 1 January 2016)</li> </ul>	
Supply of goods	Supply of goods and withdrawal for private use (self supply) are taxable.	
Place of supply of goods	<p>Principally the place where the item is located at the time when the right to dispose of it is transferred (static supply).</p> <p>In the case of dispatch/transportation by the supplier or purchaser: the place where dispatch/transportation begins (moving supply).</p> <p>In the case of transportation by ship, airplane, railroad within the EU: the place of dispatch</p> <p>If installation / assembly of the goods by the supplier is required: the place where the installation is performed (supply of goods with installation)</p>	
Supply of services	Supply of services and use of services for private use (self-supply) are taxable	
Place of supply of services	<p>A differentiation is made between services rendered</p> <ul style="list-style-type: none"> <li>to taxable persons</li> <li>("Business to Business", "B2B") or</li> <li>to non-taxable persons</li> <li>("Business to Customer", "B2C").</li> </ul> <p>For the purpose of determining the place of the supply of services,</p> <ul style="list-style-type: none"> <li>taxable persons (within the EU holding a VAT registration number) and</li> <li>non-taxable legal entities holding a VAT registration number</li> </ul> <p>will be considered as "taxable persons".</p>	
Basic rule	<b>B2B</b>	<b>B2C</b>
	Place of recipient (The place where the recipient of services has established his business)	Place of supplier (The place where the supplier of services has established his business)

Special cases	<b>B2B</b>	<b>B2C</b>
Supplies of services by intermediaries	Place of recipient (Basic rule)	Place of the underlying transaction
Property services	Place of the property	Place of the property
Cultural, artistic, scientific, educational, sports, entertainment or similar services, like services in connection with fairs and exhibitions including services of the respective organizers	Place of recipient (Basic rule)	Where the services are physically carried out
Other services concerning the right of admission and related other services for events like fairs and exhibitions	Place of the event	Where the services are physically carried out
Passenger transport	Distances covered	Distances covered
Transportation of goods (without intra-community portion)	Place of recipient (basic rule)	Distances covered
Intra-community goods transportation	Place of recipient (basic rule)	Place of departure of the transport
Ancillary transport services	Place of recipient (basic rule)	Where the services are physically carried out
Appraisal and processing of movable tangible objects	Place of recipient (basic rule)	Where the services are physically carried out
Restaurant and catering services	Where the services are physically carried out	Where the services are physically carried out
Restaurant and catering services in connection with intra-community passenger transport	Place of departure	Place of departure
Hiring of means of conveyance for up to 30 days	Where the means of transport is actually put at the disposal of the customer	Where the means of transport is actually put at the disposal of the customer
Hiring of means of conveyance for over 30 days	Place of recipient (basic rule)	Where non-taxable person is established  Special regulations for hiring boats
"Listed services" to third country customers	Place of recipient (basic rule)	Where non-taxable person is established
Telecommunication, broadcasting and electronically supplied services	Place of recipient (basic rule)	Where the non-taxable person is established

**VAT**

Reverse Charge (reversal of tax liability)	For: (i) acquisitions of services by Romanian taxable persons from providers not established in Romania; (ii) acquisitions of goods by Romanian taxable persons from non-Romanian suppliers, under certain conditions.  As special regulations, for the following transactions between Romanian entities: supply of waste, wood, cereals, greenhouse gas emissions certificates, green certificates, electricity supplied to taxable energy traders, buildings and land taxable by law or by option, mobile phones, laptops, PC tablets and other similar components (for cereals, energy, green certificates, mobile phones, laptops, PC tablets and other similar components: until 31 December 2018).
Consequences	Invoice without VAT, indication of the reverse charge, VAT registration numbers of the supplier and the recipient  The recipient evidences the VAT as both input and output VAT, without the recipient effectively paying the VAT to the supplier.
VAT exemption	Important differentiation concerning input VAT deduction
Exemption with credit  (Input VAT deduction is applicable in spite of VAT-free supply of goods and services)	<ul style="list-style-type: none"> <li>▪ Exports of goods</li> <li>▪ Passenger transport via cross-border transportation</li> <li>▪ Intra-community supplies</li> <li>▪ Certain services rendered within free trade zones</li> <li>▪ Supply of goods in duty free warehouses and similar services</li> </ul>
Exemption without credit  (Input VAT deduction is not applicable)	<ul style="list-style-type: none"> <li>▪ Services rendered by banks, insurance companies and pension funds</li> <li>▪ Postal services</li> <li>▪ Medical, welfare, and teaching services</li> <li>▪ Leasing of property (the landlord can opt for tax liability)</li> <li>▪ Supply of used buildings and land not zoned for building (the seller can opt for tax liability)</li> <li>▪ Transactions performed by small businesses (net ceiling EUR 65,000 per year)</li> </ul>
Real Estate	
Rent	Renting of immovable property is VAT exempt without credit; the lessor can opt to charge VAT.
Sale	The sale of old real estate property and land not zoned for building is VAT exempt without credit (seller may opt to charge VAT); the sale of new buildings and land zoned for building is subject to VAT. Buildings are considered to be new if sold in the year of commissioning or by 31 December of the following year. However, starting with 1 January 2016, the sale of buildings and land between taxable persons registered for VAT purposes in Romania is subject to reverse charge.

Leasing	
Financial leasing	Supply of services
Operational Leasing	Supply of services
Input VAT refund to Romanian taxable persons within the EU	Electronic application to be made by the Romanian taxable person at its competent Romanian tax office at the latest by 30 September of the following year. Separate applications are required for each member state.  Filing of original invoices is only necessary if required by fiscal authorities of the respective member state.  Minimum amount of refundable input VAT is of EUR 50.
Foreign taxable persons	Taxable persons without domicile or permanent establishment in Romania.
Registration	Registration required under the following terms: <ul style="list-style-type: none"> <li>▪ prior to an intra-community acquisition/supply in Romania</li> <li>▪ for local supplies towards non-taxable/ non-VAT registered beneficiaries</li> </ul>
Input VAT refund to taxable persons domiciled in the EU	The deadline for VAT refund application is 30 September of the following year.  If no sales are made in Romania, electronic application at the competent tax office in the EU member state (originating country) of the taxable person.
Input VAT refund for taxable persons not domiciled in the EU	If no sales are made in Romania, refund must be requested by 30 September of the following year.  This is done by submitting a request to the Romanian tax authorities. The non-EU established taxable person will appoint a fiscal representative in Romania for VAT reimbursement, provided the input VAT amount exceeds EUR 50.
VAT Chargeability	General rule: upon supply of goods or services, issue of the invoice or collection of advance payments (whichever occurs first). Romanian taxable persons registered for VAT purposes q turnover in the previous year did not exceed RON 2,250,000 (approx. EUR 495,800) may opt to apply the VAT cash accounting system. Under this regime, the collection and deduction of VAT only takes place upon payment of the value of the transactions for the supply of goods and services performed in Romania.  The VAT cash accounting system cannot be applied for VAT exempted transactions, for transactions subject to special regulations (e.g. regulations for travel agencies, second-hand goods, works of art), for taxpayers who apply for the reverse charge mechanism or for transactions carried out between related parties.

## Mergers & Acquisitions

Financing	
Financial assistance by the subsidiary	Loans provided to a parent company by the subsidiary are not advisable, as such may be reconsidered as repayment of capital.  Therefore, it is suggested to distribute dividends for the purpose of financing.
Subordinate debt (mezzanine capital)	The use of subordinate debt is not allowed.
Interest expenses for acquisition financing	No specific regulations; however, there is a significant risk of non-deductibility, as they are incurred for obtaining non taxable revenues (i.e. dividends)
Interest expense on subordinate debt (mezzanine capital)	No special provisions exist.
Acquisition debt push down (the debt is transferred to the subsidiary after the acquisition)	No specific regulations exist. Should be tax deductible (if in compliance with the thin capitalization rules). If the loan is pushed down to an operational company, interest expenses might be considered incurred for obtaining taxable revenues. However, the tax authorities might take an aggressive approach and might not allow the deductibility of the respective interest expenses.
Squeeze-out options	
Possibility to exclude minority shareholders	In Romania, a shareholder can be excluded if he does not fulfill the legal requirements expressly stipulated by the Company Law. The squeeze out is performed in court, based on the decision of a judge.
Capital gains – corporations and partnerships	
Sale of shares in a joint stock corporation or in a limited liability company	The gain of legal entities on the sale of shares in a joint stock corporation is taxable income. Starting 1 January 2014, gains derived by a Romanian company or by a company residing in a country with which Romania has concluded a DTA from the sale of shares in a Romanian company or in a company residing in a country with which Romania has concluded a DTA are non-taxable, provided that the seller has held at least 10% of the shares for an uninterrupted period of at least 1 year.
Sale of interest in a partnership	The gain on the sale of ownership interest in a general partnership and a limited partnership is taxable income.
Reorganisations	Mergers, transfer of assets and exchange of shares between Romanian companies or between Romanian and EU companies do not trigger Romanian capital gains tax (under certain conditions).
Sale of business (enterprise)	
Definition	The sale of the business involves the transfer of tangible and intangible assets, liabilities and employees.

Accounting and tax treatment	In the sale of a business, the transferred assets are either recorded by the buyer at the fair value determined by an expert's opinion or at the original seller's book value of these assets while recognizing a separate total revaluation adjustment (difference in valuation of acquired assets), depending on the structure of the transaction.
Goodwill	If the purchase price of the company exceeds the fair value of individually valued assets, goodwill is created.
Goodwill amortization	The goodwill cannot be amortized from a fiscal perspective.
Mergers and spin-offs	
Types of mergers and spin-offs	Merger by acquisition, merger by the formation of a new company; total or partial spin-off (de-merger) of the company, which transfers its business in whole or in part to existing or newly created companies.
Valuation	Revaluation to fair market value of the assets and liabilities of companies involved in mergers and spin-offs is generally performed by authorized independent valuers.
Valuation in financial accounting	The difference between fair value and book value is recorded as goodwill.
Goodwill amortization	Goodwill cannot be amortized for tax purposes. For financial accounting purposes, goodwill can be amortized over a maximum period of 5 years taking into consideration the economic useful life of the asset.
Tax value of transferred items	The acquiring company has to take over the tax value of the transferred assets and liabilities. If such tax values are unknown, they will be considered to be zero.
Set-off of losses	Tax losses recorded by a taxpayer who ceases to exist following a merger or spin-off can be proportionally set-off by the newly established taxpayer or the acquiring taxpayer, depending on the value of the assets and liabilities transferred to the beneficiary, as established in the merger or spin-off plan. In the case of cross-border restructuring operations, fiscal losses can be set-off by the permanent establishment of the beneficiary (legal entity) in Romania.
Deferral of deduction right for interest expenses and net foreign exchange losses	The deferred deduction right for non-deductible interest expenses and foreign exchange losses (resulting from the thin-capitalization rules) may be transferred following a merger or spin-off process to the legal entities that benefit from the process in proportion with the assets and liabilities being transferred (as per the spin-off or merger plan).

## Mergers & Acquisitions

Contributions (transfer of assets into the capital of a company)	
Contribution in kind	<p>Contribution in kind into the registered capital of the company is allowed, however, Company Law stipulates several rules in this respect:</p> <ol style="list-style-type: none"> <li>The value of the assets contributed in kind must be evaluated by authorised experts.</li> </ol> <p>Apart from the in-kind participation, in-cash contributions are mandatory in all types of Romanian legal entities.</p> <ol style="list-style-type: none"> <li>The value of such assets, the evaluation method, and the number of shares issued in exchange must be described in the corporate charter after the value has been established by the experts.</li> <li>The valuation methods vary depending on the nature of the assets and on the scope of the valuation. Fair market value is the most common method, discounted cash-flow analysis is another method (based on future earnings, e.g. for real estate); the third method is used only for buildings (not for land) that can be valued at the cost of reproduction (for tax purposes only).</li> </ol>
Tax treatment	Starting with 1 January 2016, in respect of domestic reorganization processes, the provisions regarding the neutrality of the contribution in kind to a Company's equity have been eliminated except for cases when a transfer as a going concern takes place.
Goodwill amortization	Goodwill cannot be amortized for tax purposes. For financial accounting purposes goodwill can be amortized over a maximum period of 5 years.

## Double taxation agreements

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

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Albania	01.01.1995	no	10/15	10	15
Algeria	01.01.1997	no	15	15	15
Armenia	01.01.1998	yes	5/10	10	10
Australia	01.01.2002	yes	5/15	10	10
Austria	01.01.2007	yes	0/5	0*/3	3
Azerbaijan	01.01.2005	yes	5/10	8	10
Bangladesh	01.01.1989	yes	10/15	10	10
Belarus	01.01.1999	no	10	10	15
Belgium	01.01.1999	no	5/15	10	5

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Bosnia and Herzegovina	01.01.1989	no	5	7,5	10
Bulgaria	01.01.1996	no	10/15	15	15
Canada	01.01.2005	yes (includes only rental property)	5/15	0/10	5/10
China (P.R.C.)	01.01.1993	yes	10	10	7
Costa Rica	12.07.1991 (date of conclusion) not yet in force	no	5/15	10	10
Croatia	01.01.1997	yes	5	10	10
Cyprus	01.01.1983	no	10	10	5
Czech Republic	01.01.1995	no	10	7	10
Denmark	01.01.1974	no	10/15	10	10
Ecuador	01.01.1997	no	15	10	10
Egypt	01.01.1982	no	10	15	15
Estonia	01.01.2006	yes	10	10	10
Ethiopia	01.06.2009	no	10	15	15
Finland	01.01.2001	yes	5	5	2.5/5
France	01.01.1975	yes	10	10	10
Georgia	01.01.2000	yes	8	10	5
Germany	01.01.2004	yes	5/15	0*/3	3
Greece	01.01.1996	no	20	10	5/7
Hong Kong	18.11.2015 (date of conclusion) not yet in force	yes	3/5	3	3
Hungary	01.01.1996	no	5/15	15	10
Iceland	01.01.2009	yes	5/10	3	5
India	01.01.2014	yes	10	10	10
Indonesia	01.01.2000	no	12.5/15	12.5	12.5/15
Iran	01.01.2008	yes	10	8	10
Ireland	01.01.2001	yes	3	0/3	0/3
Israel	01.01.1999	yes	15	5/10	10
Italy	01.01.1979	no	10	10	10
Japan	01.01.1978	no	10	10	10/15
Jordan	01.01.1985	no	15	12.5	15
Kazakhstan	01.01.2001	yes	10	10	10
Korea (D.P.R.K.)	01.01.2001	yes	10	10	10
Korea (R.O.K.)	01.01.1995	no	7/10	10	7/10
Kuwait	01.01.1992	no	0/1	0/1	20
Latvia	01.01.2003	yes	10	10	10
Lebanon	01.01.1998	no	5	5	5
Lithuania	01.01.2003	yes	10	10	10
Luxembourg	01.01.1996	no	5/15	0/10	10
Macedonia	01.01.2003	yes	5	10	10
Malaysia	01.01.1985	no	10	15	12
Malta	01.01.1997	yes	5	5	5

## Double taxation agreements

## Notes

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Mexico	01.01.2002	yes	10	15	15
Moldova	01.01.1997	no	10	10	10/15
Montenegro	01.01.1998	no	10	10	10
Morocco	01.01.2007	yes	10	10	10
Namibia	01.01.2000	yes	15	15	15
Netherlands	01.01.2000	no	0/5/15	0*/3	0*/3
Nigeria	01.01.1994	yes	12.5	12.5	12.5
Norway	01.01.1982	no	10	10	10
Pakistan	01.01.2002	yes	10	10	12.5
Philippines	01.01.1998	yes	10/15	10/15	10/15/25
Poland	01.01.1996	no	5/15	10	10
Portugal	01.01.2000	yes	10/15	10	10
Qatar	01.01.2004	yes	3	3	5
Russia	01.01.1996	no	15	15	10
San Marino	01.01.2009	yes	0/5/10	3	3
Saudi Arabia	01.01.2013	no	5	5	10
Serbia	01.01.1998	no	10	10	10
Singapore	01.01.2003	no	5	5	5
Slovakia	01.01.1996	no	10	10	10/15
Slovenia	01.01.2004	yes	5	5	5
South Africa	01.01.1996	no	15	15	15
Spain	01.01.1980	no	10/15	10	10
Sri Lanka	01.01.1986	no	12.5	10	10
Sudan	01.01.2010	no	5/10	5	5
Sweden	01.01.1978	yes	10	10	10
Switzerland	01.01.1994	no	0/15	0/5	0*/10
Syria	01.01.2010	yes	5/15	10	12
Tajikistan	01.01.2010	yes	5/10	10	10
Thailand	01.01.1998	no	15/20	10/20/25	15
Tunisia	01.01.1990	no	12	10	12
Turkey	01.01.1989	no	15	10	10
Turkmenistan	01.01.2010	yes	10	10	15
Ukraine	01.01.1998	yes	10/15	10	10/15
United Arab Emirates	01.01.1997	no	0/3	3	3
United Kingdom	01.04.1976	no	10/15	10	10/15
United States	01.01.1974	no	10	10	10/15
Uruguay	01.01.2015	yes	5/10	0/10	10
Uzbekistan	01.01.1998	yes	10	10	10
Vietnam	01.01.1997	yes	15	10	15
Zambia	01.01.1993	no	10	10	15

\* if the national legislation of the respective Member State levies no withholding tax on the respective type of income

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