

A structural and sustainable approach is needed to reduce the fiscal deficit

The latest projections show a significantly higher fiscal deficit than budgeted or agreed in the excessive debt procedure with the European Union. Therefore, the Netherlands Romanian Chamber of Commerce (NRCC) understands the need for swift governmental actions aiming to reduce the deficit.

However, due to the lack of a proper impact assessment, and several measures entering into force very quickly, the NRCC is concerned that the proposed fiscal measures will negatively impact the business climate as well as the broader society. This could especially impact micro companies and SMEs disproportionately, which are the backbone of the Romanian economy, while changes to the sponsorship regime jeopardize the funding of many non-governmental organizations that are providing critical services to vulnerable groups in society for which no alternatives are readily available.

In the context of these announced fiscal measures, and given our serious concerns, the NRCC would like to take this opportunity to highlight several of our recommendations:

- **A stable and predictable legislation** is a prerequisite to having a strong business and investment climate. Changes of a magnitude as currently proposed should not be taken without a thorough consultation process involving relevant stakeholders and supported by a comprehensive impact assessment. The NRCC recommends to still properly assessing the impact of the proposed measures, both on the short and long-term, adjust any that have unintended negative consequences, and allow at least 6 months of implementation time.
- The NRCC acknowledges the ongoing efforts to digitalize ANAF to reduce the administrative burden on companies and **improve tax collection**, as well as recent proposals to simplify the fiscal code. Nevertheless, Romania continues to have a relatively large informal economy and faces the largest VAT gap (around 35%) in Europe. This represents a significant amount of missed revenues for the government which should be tackled with the highest priority.
- Next to the fiscal measures, the government announced actions to reduce **government spending**. The NRCC welcomes this initiative, and looks forward to the estimated budgetary savings, but suggests safeguarding planned public investments and the necessary administrative capacity to fully benefit from available EU funds. Otherwise, this will hurt the competitive position of the Romanian economy in the long-term.

The NRCC is available for an open and constructive dialogue with representatives of the public and private sectors how to address the fiscal deficit in a sustainable and structural manner while continuing to stimulate a strong business climate that promotes investments, economic growth, and a fair contribution to the state budget.