

Fuel, sponsorship and private insurance expenses, partially deductible in Romania. What is the situation in the region?

Bucharest, September 17, 2014 – At regional level, Romania is among the countries with the highest limitation of deductions for some expenses, such as those for fuel, sponsorship or private insurance for employees, while states such as Hungary, the Czech Republic and Slovakia grant higher or even total deductions for these types of expenses.

The biggest difference between Romania and the other states in the region refers to private insurance for employees. In our country, health insurance is deductible within the limit of 250 euro / employee / year, and private pension insurance can be deductible within the limit of 400 euro / employee / year. In comparison, these expenses are entirely deductible in Poland, Hungary and the Czech Republic, if specifically agreed and covered by an agreement concluded between the employee and the employer or by an internal guideline of the employer, while in Ukraine the private insurance expenses are entirely non-deductible.

Regarding sponsorship, patronage expenses and expenses for private scholarships, these are not deductible in most countries in the region, except Hungary, where they are partially deductible, and Romania, where companies can provide sponsorships within the limit of 0.3% of turnover. In both cases, in order to be considered deductible, expenses must qualify as a donation or serve the interests of the taxpayer. At the same time, expenses regarding private scholarships are deductible if they are rendered to an employee of the taxpayer, and the scholarship is in connection with the business activity of the taxpayer.

„The elimination of such limitations for deductions, besides simplifying accounting records that companies have to file, would also encourage employers to provide higher insurances, which would render the further development of the insurance industry in Romania. The same thing could happen to sponsorships and private scholarships”, said **Adrian Soltan, Accounting Manager Accace in Romania.**

Fuel expenses, only half deductible in Romania

Another difference refers to the expenses for company vehicles of under 3.5 tons and a maximum of 9 passenger seats, which are 50% deductible in Romania, while in Hungary they benefit from full deductions. In the case of Poland and Slovakia, expenses for car maintenance, as well as fuel expenses, are fully deductible provided that the vehicle is used for the benefit of the company.

In the Czech Republic, all car-related expenses are considered deductible, except those for fuel, if the employee is using the vehicle in question for free for personal interests, in which case 1% of the vehicle's price is considered part of the employee's income during each month of use.

“The fact that private companies in Romania can deduct only 50% of the fuel cost can affect the way they operate and even their regional competitiveness, in the context of an increasingly globalized economy”, **Adrian Soltan** added.

According to him, Romania is one of the states in the region that has a comprehensive direct and indirect tax system, as well as rules of application, but despite the fact that all these regulations are designed to streamline the way companies hold accounting records, most of the times the high complexity of expenditure categories makes this process more difficult.

###

About Accace

With a vast experience in outsourcing and advisory in Central and Eastern Europe, Accace currently offers these services globally, both through offices in Romania, the Czech Republic, Germany, Hungary, Poland, Slovakia, Ukraine and the UK, as well as in other 12 countries through its established partners, namely in Austria, Brazil, Bulgaria, Croatia, China, India, Luxemburg, the Netherlands, Russia, Serbia, Slovenia and USA.

Accace offers a wide range of services, including accounting, financial reporting, corporate and secretarial services, payroll, human resources management, as well as tax and business advisory. Furthermore, Accace offers new technological solutions to support and improve these services, solutions that were developed globally and adapted according to the needs of local clients.

With an annual turnover of over 9 mil. euro at group level, Accace managed to attract renowned clients from the real estate domain, such as CBRE or GE Capital Real Estate, the financial industry, such as Allianz and ING, global manufacturers - Pirelli, Goodyear, Yamaha, Scania, ASUS, Sharp, Olympus and Orsay, as well as companies in the service industry, such as Grafton Recruitment or Falck Fire Services.

###