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News Flash

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**The impact of the new Tax Code on
gift vouchers in Romania**

The impact of the new Tax Code on gift vouchers

It's been 5 years since it was introduced the fiscal measure to tax 16% of the value of gift vouchers provided by employers. From 1 July 2010, the gift vouchers have become taxable income regardless of destination and amount.

For example, currently, if the employer wants to offer to employees for the benefit of their minor children, for Christmas, a gift of 150 lei / child then the employer's choice would certainly be to offer gifts in cash or in kind, being the most tax advantageous (does not apply income tax nor social contributions), contrast to the situation in which would grant gift vouchers, in which case it would be applicable the income tax rate of 16%.

This tax treatment applied to gifts offered by the employer to employees is maintained until the end of this year. From 1 January 2016, according to Law no. 227/2015 - new Fiscal Code, if the gift vouchers are issued as intended and in the amount provided by law, will not be considered wage related benefits therefore their value will no longer be taxed.

In accordance with Law no. 193/2006, for events falling within social expenses, employers can give to employees gift vouchers issued by authorized units. Destinations and events that fall into this category, the criteria for granting gift vouchers, their monthly value and other issues are set by the employer, together with trade unions or employees representatives, where appropriate, through internal rules for granting gift vouchers.

Gift vouchers are granted in the amount foreseen in the budget of revenue and expenditure in a distinct position called "Gift vouchers" for social expenses.

From 1 January 2016, the equivalent value of gift vouchers representing social expenses it is deductible for corporate income tax within the limit of up to 5% on the amount of employee's wages cost, compared to 2% as it is now.

Also from this date, the new Fiscal Code regulates that gift vouchers offered to employees as well as those offered for their minor children at Easter, June 1st, Christmas and similar holidays of other religions and gift vouchers granted to female employees on the occasion of March 8th are not benefit in kind, respectively are not taxable, to the extent that their value to each person, on each occasion of the above, does not exceed 150 lei.

Thus we notice that, starting with year 2016, employers will be able to grant gift vouchers to all employees, regardless of whether or not they have minor children, the tax advantage being that values up to 150 lei / person are exempt from both tax and social contribution.

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