2018 TAX GUIDELINE

Romania
# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>General information about Romania</td>
<td>4</td>
</tr>
<tr>
<td>Legal forms of business</td>
<td>5</td>
</tr>
<tr>
<td>General rules on purchasing of real estate</td>
<td>5</td>
</tr>
<tr>
<td>Legal forms of business</td>
<td>5</td>
</tr>
<tr>
<td>Social security and labor law aspects</td>
<td>7</td>
</tr>
<tr>
<td>General social and health security</td>
<td>7</td>
</tr>
<tr>
<td>General comments on labour law</td>
<td>7</td>
</tr>
<tr>
<td>Taxes on corporate income</td>
<td>9</td>
</tr>
<tr>
<td>Corporate income tax (&quot;CIT&quot;) – rates</td>
<td>9</td>
</tr>
<tr>
<td>Corporate income tax – general information</td>
<td>9</td>
</tr>
<tr>
<td>Research and Development (R&amp;D)</td>
<td>10</td>
</tr>
<tr>
<td>Tax exemptions for reinvested profit</td>
<td>11</td>
</tr>
<tr>
<td>Withholding tax</td>
<td>11</td>
</tr>
<tr>
<td>Anti-avoidance rules</td>
<td>12</td>
</tr>
<tr>
<td>International aspects - double tax treaties</td>
<td>13</td>
</tr>
<tr>
<td>Taxes on individual income</td>
<td>14</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>14</td>
</tr>
<tr>
<td>Deductions</td>
<td>14</td>
</tr>
<tr>
<td>Allowances</td>
<td>15</td>
</tr>
<tr>
<td>International aspects - residence</td>
<td>15</td>
</tr>
<tr>
<td>Value added tax</td>
<td>16</td>
</tr>
<tr>
<td>Value added tax - rates</td>
<td>16</td>
</tr>
<tr>
<td>Value added tax – general information</td>
<td>16</td>
</tr>
<tr>
<td>VAT registration</td>
<td>18</td>
</tr>
<tr>
<td>Other taxes</td>
<td>19</td>
</tr>
<tr>
<td>Micro-enterprise tax</td>
<td>19</td>
</tr>
<tr>
<td>Property taxes</td>
<td>20</td>
</tr>
<tr>
<td>Tax on transportation means</td>
<td>20</td>
</tr>
<tr>
<td>Other business-related taxes</td>
<td>20</td>
</tr>
<tr>
<td>Investment incentives</td>
<td>21</td>
</tr>
<tr>
<td>ABOUT ACCACE</td>
<td>22</td>
</tr>
</tbody>
</table>
INTRODUCTION

With a marketplace of 20 million, 37 million acres of arable land, breathtaking landscapes, an expanding economy, a well-educated workforce with more than 50,000 specialists in information technology, access to the Black Sea and Asia, Romania offers significant opportunities to foreign businesses.

After joining the European Union in January 2007, Romania went through a series of government reforms in order to satisfy the conditions of EU membership. Nowadays, the requirements of membership – including EU directives – are one of the driving forces in Romania’s program of reform, modernization and investment in infrastructure. More significantly, these directives are accompanied by funding from the EU in the form of Structural Adjustment Funds and other programs, which enable the new members to align their economies with the rest of the EU.

Romania is a market with excellent potential, a strategic location, and an increasingly solid business climate. While careful evaluation of the market is needed in order to seize business opportunities, exporting to or investing in Romania is gradually becoming less challenging than in previous years in terms of business environment predictability.

Its economy is among the EU’s fastest growing members, with a 2.8% growth in real GDP in 2014, 3.8% growth for 2015, a near 4% GDP growth in 2016 and an impressive 8.6% for 2017, primarily driven by consumption and investment.
Location: Romania is located in Central Europe, bordered by Hungary, Serbia, Bulgaria, Black Sea, Ukraine and Moldova.

Capital: Bucharest

Area: 92,043 sq. miles (238,391 sq. km)

Population: 19,870,000 (January 2015)

Official language: Romanian

Official currency: Leu (RON)

The head of state: President

Membership:

- European Union (2007)
- UN (1955)
- GATT/WTO (1971)
- NATO (2004) and some other international organisations
LEGAL FORMS OF BUSINESS

General rules on purchasing of real estate

EU and EEA citizens can buy real estate properties (land and buildings) in the same conditions as Romanian citizens.

Non-UE/EEA citizens may acquire buildings in Romania, while land may be acquired only if there is an international agreement in place which also allows Romanian citizens to acquire land in the respective countries.

Legal forms of business

Before starting the investment in the Romanian market, the investors have to decide upon the legal form of business which will be used.

The types of business forms are stipulated by Law no.31/1990 as republished and subsequently modified and completed, and there are compiled in the next table with specific information: the minimum share capital, the liability of the shareholders/stockholders, the minimum number of shareholders/stockholders.

The most common forms of business used in Romania are the Limited Liability Company along with the Joint Stock Company and Branches.

<table>
<thead>
<tr>
<th>The form of business</th>
<th>Minimum capital (approx. in EUR)</th>
<th>Shareholders’ liability</th>
<th>Number of shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Partnership</td>
<td>N/A</td>
<td>The shareholders have unlimited and joint liability for social contributions.</td>
<td>No less than 2</td>
</tr>
<tr>
<td>Societate in nume colectiv (S.N.C.)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>English</th>
<th>Romanian</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Partnership</td>
<td>Societate in nume colectiv (S.N.C.)</td>
</tr>
<tr>
<td>The form of business</td>
<td>Minimum capital (approx. in EUR)</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>----------------------------------</td>
</tr>
</tbody>
</table>
| **Limited Partnership**              | **Societate in comandita simpla (S.C.S.)** | **EUR 45**  
The limited partners have no management authority and they are not responsible for the debts of the partnership. They respond in the limit of the subscribed shares.  
The general partners have management control and they have joint and several liabilities. | At least one limited partner and at least one general partner. |
| **Limited Liability Company**        | **Societate cu raspundere limitata (S.R.L.)** | **EUR 45**  
The shareholders respond in the limit of the contribution to the share capital.                                                                                                                                      | **1 - 50**             |
| **Joint Stock Company**              | **Societate pe actiuni (S.A.)**    | No less than **EUR 20,000**  
The stockholders respond in the limit of the subscribed shares.                                                                                                                                                   | No less than **2**     |
| Company limited by shares            | **Societate in comandita pe actiuni (S.C.A.)** | No less than **EUR 20,000**  
The limited partners have no management authority and they are not responsible for the debts of the partnership. They respond in the limit of the subscribed shares.  
The general partners have management control and they have joint and several liabilities. | No less than **2**     |
| Branch                               | Sucretsala                        | **N/A**  
The Mother Company is liable for its branch.                                                                                                                                                                    | **N/A**                |
| Sole entrepreneur                    | Persoana fizica autorizata (P.F.A.) | **N/A**  
The sole entrepreneur is also the sole responsible.                                                                                                                                                             | **N/A**                |
General social and health security

Social security and health insurance assessment base of an employee in Romania is derived from salary income.

<table>
<thead>
<tr>
<th>Payrolls and Contribution</th>
<th>Employee</th>
<th>Employer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax</td>
<td>10%</td>
<td>N/A</td>
</tr>
<tr>
<td>Health insurance contribution</td>
<td>10%</td>
<td>N/A</td>
</tr>
<tr>
<td>Social (Pension) insurance contribution</td>
<td>25%</td>
<td>N/A</td>
</tr>
<tr>
<td>Work insurance contribution</td>
<td>N/A</td>
<td>2.25%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>45 %</td>
<td>2.25 %</td>
</tr>
</tbody>
</table>

Residents of the EU are covered by the provisions of EC Regulation 883/2004 regulating social security and health insurance rules in case of cross-border activities.

General comments on labour law

<table>
<thead>
<tr>
<th>Main features of employment relationship in Romania</th>
<th>Applicable law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract type</td>
<td></td>
</tr>
<tr>
<td>• Individual labour agreement for definite period, indefinite period, home-based work, part time work, temporary staffing</td>
<td>Act No.</td>
</tr>
</tbody>
</table>
### Contract must include
- Parties, duration of the contract if the contract is a definite type or if is concluded by means of temporary staffing agent, date of the contract conclusion, work and remuneration conditions, the place where the work is performed, evaluation criteria of the employee, the occupation, the risks of the job, number of vacation days, number of days applicable for the notice, number of working hours per day and per week, probationary period, the date of commencement of work

(The contract must be concluded in writing)

### Working time
- Full time employees - 40 hours per week (8 hours/day)
- Part time employees - the working time is determined by the daily norm thus weekly norm represents daily norm * no. of working days (5 days)

### Holiday entitlement per year
- Minimum 20 working days per year

### Trial period
- **For indefinite labour agreements** depending on the nature of the position:
  - Executions position: maximum trial period is 90 calendar days
  - Management position: maximum trial period is 120 calendar days

- **For definite labour agreements**:
  - Depending on the period:
    - < 3 months: maximum 5 working days
    - 3 - 6 months: maximum 15 working days
  - Depending of the nature of position:
    - Execution position > 6 months: maximum 30 working days
    - Management position > 6 months: maximum 45 working days

### Notice Period
- Parties agreement: no notice period required
- Dismissal: Minimum 20 working days
- Resignation, depending on the nature of the position:
  - Maximum 20 working days for execution position
  - Maximum 45 working days for management position

---


Act No. 53/2003 Labour Code
Corporate income tax (“CIT”) – rates

The standard corporate income tax rate is 16%.

Taxpayers that are carrying on activities such as gambling and nightclubs are either subject to 5% rate of the revenue obtained from such activities or to 16% of the taxable profit, depending on which is higher.

Corporate income tax – general information

Residence – A company is considered as resident in Romania if it is set-up under Romanian law, has its legal seat or its place of effective management in Romania.

Taxable income – Resident companies are taxable on their worldwide income, unless a double tax treaty stipulates otherwise.

The taxable profit of a company is calculated as a difference between the revenues and expenses registered according to the applicable accounting regulations, adjusted by deducting non-taxable revenues and tax deductions and by adding non-deductible expenses. Also, elements similar to revenues and expenses are taken into account when calculating the taxable profit.

Non-resident companies that are carrying on activities in Romania through a permanent establishment are required to pay corporate income tax for the taxable profit attributable to the permanent establishment.

Tax period – The calendar year or the fiscal year for the companies that have chosen, according to the applicable accounting regulations, to apply a fiscal year different from the calendar year.

Tax returns and assessment – As a general rule, the corporate income tax is calculated quarterly. For the first three quarters the filing and the payment of the corporate income tax
is performed quarterly, until 25\textsuperscript{th} of the first month following the end of the quarters. The final computation and payment of the corporate income tax for the whole calendar year is to be performed until March 25\textsuperscript{th} of the following year.

There are exemptions from the above general rule that apply to companies such as:

- Companies that have chosen the fiscal year different from the calendar year have to declare and pay the annual corporate income tax until 25\textsuperscript{th} of third month after the ending of the fiscal year changed.
- Non-profit organizations, companies that obtain revenues mainly from agricultural activities, educational units, religious cults and other taxpayers specifically mentioned by law have to declare and pay the annual corporate income tax by February 25\textsuperscript{th} of the following year.
- Credit institutions and branches of foreign credit institutions in Romania are required to apply the system of quarterly advance payments.

**Advance payments** — Taxpayers, except those who are specifically mentioned by law, may opt to declare and pay the annual corporate income tax by making quarterly advance payments. The anticipated quarterly advance payments are computed as \( \frac{1}{4} \) of the previous annual corporate income tax updated by the consumer price index and are due by the 25\textsuperscript{th} of the month following the end of the quarter. By exception, the quarterly advance payments related to fourth quarter are due by December 25\textsuperscript{th}, respectively until the 25\textsuperscript{th} of the last month of the changed fiscal year.

**Deductions** — As a general rule, are considered deductible expenses those expenses which are incurred for the purpose of carrying on the business activity, unless they are specifically mentioned by law as limited deductibility expenses or non-deductible expenses.

**Carryforward of losses** — Companies are allowed to carry forward fiscal loses declared in the annual corporate income tax statement for a period of seven years. Recovery of the losses shall be performed in the sequence of their recording.

**Research and Development (R&D)**

Companies can benefit from an additional deduction of 50\% of the eligible expenses for their Research and Development (R&D) activities. Furthermore, accelerated depreciation for devices and equipment used in the R&D activities may be applied.

The 50\% additional deduction from the R&D expenses will not be recomputed in case the objectives of the project are not met.

In order to benefit from these incentives, the eligible R&D activities should be from the applicative research categories and/or technological development relevant to the company activity and the activities should be performed in Romania, as well as in the European Union or in other states - member states of the European Economic Area.

Incentives are granted separately for R&D activities of each project.
Tax exemptions for reinvested profit

The profit invested in new and specific technological equipment manufactured and/or purchased released for use is exempt from income tax. In order to benefit from this incentive, the technological equipment should be used by the company for the purpose of carrying on the business activity for more than half of its useful life, but for no longer than five years. The companies benefiting from this incentive cannot use the accelerated depreciation method for the respective technological equipment.

Withholding tax

Domestic dividend tax

As a general rule, dividends paid by a Romanian company to another Romanian company are subject to 5% tax. However, the dividends paid are non-taxable if the beneficiary of the dividend has held, at the time of the distribution, a minimum of 10% of the Romanian company for an uninterrupted period of at least one year.

WHT for non-resident companies

The applicable WHT rates in relation with non-resident companies are:

- 1 % for the revenues obtained from gambling activities
- 5 % for the revenues obtained from dividends
- 50 % for payments made by Romanian companies into non-resident companies bank accounts that are open in countries that do not have an information exchange agreement concluded with Romania and only if such payments result from artificial transactions
- 16 % in case of any other revenues obtain from Romania

Dividends paid

As a general rule, dividends paid to non-resident companies are subject to 5 % withholding tax.

However, as Romania is an EU member state, the EU Parent-Subsidiary directive can be applied. Therefore, dividends paid by Romanian companies to companies resident in one of the EU member states are exempt from taxation if the beneficiary of the dividend has held, at the time of distribution, a minimum of 10% of the shares of the Romanian company for an uninterrupted period of at least one year.

Interest

As a general rule, the interest paid to non-resident companies is subject to 16 % withholding tax.

However, as Romania is an EU member state, the EU Interest and Royalties Directive can be applied. Therefore, interest paid by Romanian companies to companies resident in one of the EU member states are exempt from taxation if the beneficiary of the interest has held, prior to the time of payment, at least 25% of the share capital of the Romanian company for an uninterrupted period of at least two years.
Royalties

As a general rule, royalties paid to non-resident companies are subject to 16% withholding tax.

However, as Romania is an EU member state, the EU Interest and Royalties Directive can be applied. Therefore, royalties paid by Romanian companies to companies resident in one of the EU member states are exempt from taxation if the beneficiary of the interest has held, prior to payment time, at least 25% of the Romanian company’s share capital for an uninterrupted period of at least two years.

Anti-avoidance rules

Thin capitalization applicable to deductibility of interest expenses rules have been repealed starting with 2018. Therefore, starting with January 1st, 2018, the Tax Code introduces a new concept “the excess debt cost” defined as the difference between the debt costs incurred and the interest revenues and other assimilated revenues incurred by the Company. The excess debt costs are deductible within a threshold of EUR 200,000/year. The excess debt costs above this EUR 200,000 threshold may benefit from an extra deduction limited to 10% of the accounting profit adjusted downwards with the non-taxable revenues and upwards with the corporate income tax expenses, the excess debt costs and deductible tax depreciation. If the base computed as described before is zero or negative, the excess debt costs are non-deductible in the current period, but they can be carried forward for unlimited period of time and they can be deducted in the next periods applying the same mechanism described above.

Interest expenses brought forward from 2017 or older periods will be deducted starting with 2018 under these new rules.

Controlled foreign company – There are no CFC rules under Romanian legislation.

Transfer pricing – Transactions performed between two Romanian related persons, as well as between related Romanian persons and non-resident persons, are subject to transfer pricing rules. A legal entity is related with another legal entity if at least one of the cases below is applicable:

- The first legal entity holds, directly or indirectly, a minimum of 25% of the participation titles or voting rights at the other legal entity or if it effectively controls the legal entity.
- The second legal entity holds, directly or indirectly, a minimum of 25% of the participation titles or voting rights at the first legal entity.
- A third party legal entity holds, directly or indirectly, a minimum of 25% of the participation titles or voting rights at both the first and the second legal entity.

Transactions between related parties should use the arm’s-length principle. In case the transfer prices are not set at arm’s length, the fiscal authorities have the right to adjust the amount of revenue and expense in order to reflect the market value.
International aspects – double tax treaties

In order to apply the provisions of the relevant Double Taxation Treaty (DTT), the non-resident recipient of the income should provide to the Romanian payer a tax residence certificate attesting its tax residency for the purpose of the DTT.

In case the tax rates mentioned in the domestic legislation differ from the rates mentioned in the applicable DTT, then the most favourable rate will apply.
TAXES ON INDIVIDUAL INCOME

Personal income tax
Personal income tax regarding incomes from salaries is governed by the Fiscal Code (Law 227/2015). Recently updated, the income tax is decreased at 10% as compared to 16% in 2017. Also, the personal income taxation has suffered significant changes in 2018, as most of the social contributions are borne now by the individual as compared to a shared responsibility between employee and employer in 2017.

Exemption from the taxation
Romanian State established as income tax free several categories of employees:

- **IT specialists** - the tax exemption is a highly documented process and must respect a certain strict set of provisions.
- **Employees with disabilities** - the tax exemption is granted only under strict conditions verified by Romanian medical system.
- **Employees who work in Research and Development (R&D) or Technological Development field** - the tax exemption is granted if certain conditions are met as per law provisions.

Tax period — Calendar year

Deductions

**Personal deduction** — The Fiscal Code is bringing new rules for personal deduction calculation methodology. The gross monthly income for personal deduction has been increased to RON 1,950. The personal deduction levels have also been increased, being established between RON 510 (for persons who do not have dependents) and RON 1,310 (for persons with four or more dependents). Personal deductions are applicable for persons obtaining gross monthly income up to RON 3,600.
Other deductible amounts – The voluntary health insurance and private pension premiums incurred by employees will be deductible for salary tax purposes within the limit of EUR 400 annually per each category.

Allowances

Per Diem – Using daily allowance for employees makes reimbursement of personal employee meal no longer acceptable. Daily allowance is granted when employees are travelling outside their home town or country, on a distance exceeding 5 KM from the city where the permanent working place is established. Permanent working place should be mentioned in employee’s individual labour agreement.

Limits for daily allowance – The maximum deductible limit applicable for daily allowances granted by the Company, inside Romania or abroad represents 2.5* daily allowance value. Values that exceed the maximum limit mentioned above are considered to be benefit in kind and will be included in the payroll income category (liable for income tax and social contributions, for both Company and employee).

### Daily allowance in EU countries (with some exceptions)

<table>
<thead>
<tr>
<th>Interval</th>
<th>Minimum</th>
<th>Maximum tax deductible up to</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.12.2012 - present</td>
<td>EUR 35.00</td>
<td>EUR 87.50</td>
</tr>
</tbody>
</table>

### Daily allowance in Romania

<table>
<thead>
<tr>
<th>Interval</th>
<th>Minimum</th>
<th>Maximum tax deductible up to</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.02.2015 - present</td>
<td>RON 17.00</td>
<td>RON 42.50</td>
</tr>
</tbody>
</table>

International aspects – residence

Individuals, who have their permanent residence or habitual residence in Romania, are treated as Romanian tax residents. An individual is considered to be tax resident in Romania if he/she is present in the Romania for at least 183 days (in aggregate) in a calendar year. All other individuals are treated as Romanian tax non-residents.

Residents of the EU are covered by the provisions of EC Regulation 883/2004 regulating social security and health insurance rules in case of cross-border activities.
Value added tax – rates
The standard VAT rate in Romania is 19%. A reduced rate of 9% applies to food & beverage industry, medical treatments and prosthesis, accommodation etc. Extra-reduced rate 5% applies to supplies of social housing under certain conditions and to school books, newspapers, magazines, admission fees to castles, museums, sport events, cinemas etc.

Value added tax – general information


Taxable person – Legal entities and individuals that carry on independently an economic activity.

Taxable event:
- The supply of goods and services in relation with an economic activity within the territory of Romania
- The intra-Community acquisition of goods/services having the place of supply within the territory of Romania
- The import of goods into Romania

Taxable amount – Total consideration charged for the supply, excluding VAT but including any excise duties or other taxes and fees. In some cases, between related parties, the taxable amount consists of the market value.

Tax period – The standard fiscal period is the calendar month. For taxable persons whose previous year-end turnover is lower than EUR 100,000 and did not perform intra-Community acquisitions of goods, the fiscal period is the calendar quarter.
**Tax assessment** – Periodical VAT returns (monthly or quarterly, by the 25th day of the following month) and the Local Sales and Purchases List (monthly, by the 25th day of the following month). The payable VAT liability consists of the output VAT, due on supply of goods and services carried out, less the input VAT of the same period (monthly or quarterly, by the 25th day of the following month). The refundable VAT (when input VAT is higher than output VAT) can be requested for refund or carried forward until the statute of limitation period expires (5 years).

In addition, taxable persons carrying out intra-Community operations with goods or services with the place of supply according to the basic rule for “business to business” services have to file an EC Sales List (that shows the VAT identification numbers of his business partners and the total value of all the supplies of goods and services performed by the entrepreneur) on a monthly basis depending on the situation.

Submission through electronic means is available.

All above tax statements are to be prepared based on the information presented in the VAT Sales and Purchase Ledgers.

**Reverse charge** – Reverse charge applies for the intra-Community acquisitions, where both parties are registered for VAT purposes. Local reverse charge is applicable in some cases between two Romanian VAT payers, for example:

- Corn and industrial crops, including oilseeds and sugar beets
- Certain waste and recyclable materials
- Wood and alike materials
- Gas emission and “green” certificates
- Electric energy to traders
- Land and buildings
- Investment gold, under certain conditions
- Mobile phones
- Integrated circuits such as microprocessors and central processing units
- Portable automatic data processing devices (such as laptops, tablets etc.)
- Video game consoles

**VAT cash accounting system** – The system is optional for taxpayers with a previous year turnover lower than EUR 500,000 and for the newly set-up companies. The right to deduct the input VAT for the acquisitions of goods/services from companies applying the system is deferred until the payment is performed.

**VAT split system** – in an attempt to decrease the VAT fraud, the tax authorities have introduced a new VAT split system applicable starting with January 1st 2018. This system implies the clients will split the payment the goods / services into separate bank accounts: the value of the “base” in the regular bank account, while the value of the VAT in the special VAT bank account.

The VAT split systems will be mandatory only for VAT registered entities in Romania (non-registered VAT entities and individuals will be exempt) if:
as at December 31st, 2017, they have outstanding VAT liabilities towards the state budget amounting to: (i) RON 15,000 (~ EUR 3,250) for large tax payers; (ii) RON 10,000 (~ EUR 2,200) for medium tax payers; (iii) RON 5,000 (~ EUR 1,100) for small tax payers. The liabilities due as at 31 December 2017 should be settled until January 31st, 2018 at the latest in order not to be apply VAT split system;

companies are subject to insolvency procedures

The VAT split system will be mandatory also for any entities that any time after 1 January 2018 will record outstanding VAT liabilities which will not be settled within 60 working days exceeding the above-mentioned thresholds: (i) RON 15,000 (~ EUR 3,250) for large tax payers; (ii) RON 10,000 (~ EUR 2,200) for medium tax payers; (iii) RON 5,000 (~ EUR 1,100) for small tax payers.

Entities that opt to apply the VAT split systems may benefit from a 5% reduction on the corporate tax / microenterprise tax due for the period that they apply optionally the system.

VAT registration

Normal VAT registration – The mandatory VAT registration for taxable persons having the place of business activity in Romania should be performed when the annual turnover of EUR 46,000 (RON 220,000) is exceeded. Voluntary VAT registration before the threshold is exceeded is also possible.

Non-resident taxable persons established in Romania through fixed establishments and non-residents having no actual presence in Romania can register without observing the above threshold. However, a VAT number must be in place before the commencement of the economic activity.

A foreign taxable person that makes long-distance sales (mail order business) to any non-taxable person or that is not registered for VAT in Romania must register for VAT in Romania if the total annual value of the goods/supplies reaches EUR 25,000 (EUR 118,000).

Identified person – Taxable person not registered for normal VAT purposes in Romania and not required to register are liable to register as an identified person (special VAT registration) in the following situations:

- Purchase of services from persons established outside Romania having the place of supply in Romania
- Supply of services with place of supply in another EU Member State
- Intra-Community acquisitions of goods from another EU Member State cumulatively exceeding the annual threshold of EUR 10,000.

VAT group registration – Companies that are legally independent but are closely related financially, economically and from an organisational point of view may form a tax group, if administered by the same tax office and having the same tax period. Transactions between the members of the group will still fall within the scope of VAT.
**Micro-enterprise tax**

Starting with 2018, the applicability of the microenterprise regime will extend and more companies will be subject to this taxation regime. As such, the microenterprise tax will be mandatory for all companies obtaining revenues below the threshold of EUR 1,000,000 (as opposed to EUR 500,000 in 2017) computed at the NBR exchange rate valid for the last day of the financial year. Companies will no longer have available the possibility to opt to be corporate income tax payers irrespective of the level of the share capital.

Newly set up companies are required to follow the micro-enterprise tax regime starting with the first fiscal year.

**Tax period** – The calendar year

**Tax returns and assessment** – Payment of the tax and filing of the returns is made quarterly, by the 25th day of the month following the end of the quarter for which the tax is calculated.

**Micro-enterprise tax rates**

- 1% for micro-enterprises with at least one employee
- 3% for micro-enterprises with no employees

A reduced rate of 1% is applicable for the newly set up Romanian companies having at least one employee and being incorporated for a minimum period of 48 months and whose shareholders/associates did not hold participation titles in other legal entities. This reduced tax rate is only applied to the first 24 months since the registration date of the legal entity.
Property taxes

Building tax
For buildings owned by companies, the Local Council set the following tax rates:

- Between 0.08% and 0.2% of the buildings tax value for residential buildings
- Between 0.2% and 1.3% of the buildings tax value for non-residential buildings

Building tax is paid annually in two equal instalments, until March 31\textsuperscript{st} and September 30\textsuperscript{th}.

The building tax is due for the entire tax year by the person who owns the building as of December 31\textsuperscript{st} of the prior tax year.

Land tax
The owners of land are subject to land tax. The Local Council establishes a fixed amount per square metre, depending on the rank of the area where the land is located and the category of land use.

Land tax is paid annually in two equal instalments, until March 31\textsuperscript{st} and September 30\textsuperscript{th}.

The land tax is due for the entire tax year by the person who owns the land as of December 31\textsuperscript{st} of the prior tax year.

Tax on transportation means
The tax on transportation means in Romania is paid by any person that owns a mean of transportation. The tax rate varies from 8 RON to 290 RON depending on the cylindrical capacity of each vehicle, for each 200 cm\textsuperscript{3} or a fraction thereof.

The tax on transportation means is paid annually in two equal instalments, until March 31\textsuperscript{st} and September 30\textsuperscript{th}.

The tax on transportation means is due for the entire tax year by the person who owns the mean of transportation as of December 31\textsuperscript{st} of the prior tax year.

Other business-related taxes

Excise duties – The following products are subject to excise duties: alcohol and alcoholic beverages, manufactured tobacco products, energy products and electricity.

Customs duties – Goods imported from non-EU countries are subject to import customs clearance.
INVESTMENT INCENTIVES

Individuals working as **IT specialists** or in the **Research & Development field** may benefit from an exemption from the standard 10% income tax, under certain conditions expressly mentioned in the Romanian domestic legislation.

**Companies doing business in Romania could benefit from the following incentives:**

- **Tax facilities regarding R&D expenses**
  Companies may benefit of an extra 50% tax depreciation for the eligible R&D expenses and also may apply the accelerated depreciation for these expenses.

- **Tax exemption on reinvested profit**
  The facility refers to the exemption of corporate tax of the profit re-invested in certain types of assets.

- **EU grants**
  Companies creating new jobs which are maintained for at least 5 years by large companies and for at least 3 years by SMEs, may benefit of a state aid consisting in a refund of 15% of the eligible salary expenses for 2 years (the percentage varies according to the region, 15% for Bucharest, 35% for West and Ilfov, 50% for the other regions).

*For more details please see: [Taxes on corporate income/Research and development (R&D)](#)  
**For more details please see: [Taxes on corporate income/Tax exemption on reinvested profit](#)  

**Disclaimer**

Please note that our materials have been prepared for general guidance on the matter and it does not represent a customized professional advice. Furthermore, because the legislation is changing continuously, some of the information may have been modified after the material has been released and Accace does not take any responsibility and is not liable for any potential risks or damages caused by taking actions based on the information provided herein.
ABOUT ACCACE

With more than 550 professionals and branches in 13 countries, Accace counts as one of the leading outsourcing and advisory services providers in Central and Eastern Europe. During the past years, while having more than 2,000 international companies as customers, Accace set in motion its strategic expansion outside CEE to become a provider with truly global reach.

Accace offices are located in the Czech Republic, Hungary, Poland, Romania, Slovakia, Ukraine, Bosnia and Herzegovina, Croatia, Germany, Macedonia, Montenegro, Serbia and Slovenia. Locations in other European countries and globally are covered via Accace’s trusted network of partners.

More about us: www.accace.com | www.accace.ro

Subscribe to our newsletter!

CONTACT US!

Tel.: +40 314 050 440
E-mail: romania.office@accace.com