

Sponsorship

March 2017



To benefit from tax credit, sponsorship expenses must meet certain conditions, which are set out in Law no. 32/1994 on sponsorship, as amended.

Tax benefits of sponsorship

The tax treatment of sponsorship expenses is set out in the Fiscal Code.

Legal entities registered as corporate income tax payers that record sponsorship expenses in accordance with the relevant legislation may benefit from tax credit (deduction from the corporate income tax due) for sponsorship, which means that part of the tax due to the state budget is redirected towards the recipients of the sponsorships granted by the company.

Generally, tax credit for sponsorship expenses is granted up to the lesser of:

- 0.5% of net turnover; or
- 20% of the corporate income tax due.

When sponsorship expenses exceed these limits, the unused tax credit can be carried forward over the next 7 consecutive years and recovered under the same conditions. Consequently, benefitting from

this tax incentive is not conditional on obtaining a profit in the year when the sponsorship is granted. Nevertheless, to benefit from tax credit in a certain year, sponsorship must be granted in that year.

From a VAT perspective, sponsorships granted in cash are not subject to tax. Goods offered or services rendered free of charge, as sponsorship, are not considered operations with payment, subject to VAT, if their total value in a year is within a limit of 0.3% of annual turnover, as per the VAT returns submitted in the relevant year (not taking into account sponsorship in cash and goods/services for which VAT has not been deducted). For any part which exceeds this limit, VAT is collected and is included in the VAT return for the last tax period of that year.

Conditions for granting sponsorship

To qualify for the tax credit, sponsorship must fulfill the conditions set out in Law no. 32/1994 on sponsorship, as further amended, and it must be supported by a sponsorship contract which should be made available to the fiscal authorities in the event of a tax audit.

Sponsorship can be granted to:

- a. Non-profit legal entities, engaged or planning to engage in an activity in Romania in the following fields: culture, art, education, science (fundamental and applied research), humanitarian aid, religion, charity, sports, human rights protection, healthcare, social services and assistance, environmental protection, social and community activities, professional association representation, as well as maintenance, restoration, conservation and enhancement of historic monuments.
- b. Public institutions and authorities, including



public administration bodies for the activities mentioned above in letter a).

- c. Broadcasts or shows broadcast by television or radio organizations, as well as books or publications relating to the categories set out in subparagraph a).
- d. Any individual residing in Romania who carries out activity in one of the fields described in subparagraph a) and is recognized by a non-profit legal entity or by a public institution that operates in the field for which the sponsorship is required.

The following are not permitted:

- a. Mutual sponsorship between individuals or legal entities.
- b. Sponsorships of relatives or in-laws up to the fourth degree.
- c. Sponsorship of non-profit entities managed or directly controlled by the sponsor.

Tax relief is also not available for sponsors that seek to coordinate the activity of the recipient of the sponsorship directly or indirectly.

Contacts

Ramona Jurubiță

Partner, Head of Tax & Legal Services

rjurubita@kpmg.com

KPMG Tax SRL

Victoria Business Park, DN1 București-Ploiești, nr. 69-71 Sector 1, București

013685, România, P.O. Box 18 – 191

Tel: +40 741 800 800, Fax: +40 741 800 700

E-mail: kpmgro@kpmg.ro, Internet: www.kpmg.ro

kpmg.com/socialmedia

kpmg.com/app

