



2017

TAX GUIDE



Contact



Ramona Jurubiță

Partner
Head of Tax and Legal
Email: rjurubita@kpmg.com



Nicolae Done

Partner
Tax
Email: ndone@kpmg.com



Mădălina Racovițan

Partner
Head of Global Mobility Services
Email: mracovitan@kpmg.com



René Schöb

Partner
Head of German Desk
Email: rschob@kpmg.com

Corporate income tax

Corporate income tax rate	16%
Taxpayers	<ul style="list-style-type: none"> - Romanian legal entities, except for taxpayers subject to the micro-enterprises tax or specific tax¹, tax-transparent entities and certain institutions specifically defined in the Fiscal Code (Law no. 227/2015 as further amended). - Non-Romanian legal entities that carry out activities through one or more permanent establishments in Romania. - Non-Romanian legal entities which have their place of effective management in Romania. - Non-Romanian legal entities which obtain income from the transfer of ownership or any other rights related to immovable property located in Romania. - Legal entities established according to European legislation that have their registered office in Romania.
Fiscal year	<p>The fiscal year generally follows the calendar year.</p> <p>Taxpayers which have opted for a financial year that is different from the calendar year, according to accounting legislation, may also choose to have a tax year which corresponds to the financial year.</p>

1) Starting from 1 January 2017, companies carrying out hospitality activities (e.g. hotels, restaurants, catering) are subject to a "specific tax", determined based on the size and location of the activities, in accordance with Law no. 170/2016.

Returns / payment	<ul style="list-style-type: none"> - Quarterly (for quarters I-III) – by the 25th of the month following the relevant quarter. - Annually: <ul style="list-style-type: none"> - In general, by the 25th of the third month after the end of the tax year (25 March of the following year, if the fiscal year follows the calendar year). - By the 25th of the second month after the end of the tax year (25 February of the following year, if the fiscal year follows the calendar year), for not-for-profit organisations that record taxable income and for taxpayers that obtain the majority of their income from growing cereals, technical plants and potatoes, orchards and viticulture.
Advance payments	<ul style="list-style-type: none"> - Banks are required to make quarterly advance payments based on the previous year's results. - For regular taxpayers, the advance payment system is optional.
Tax losses	<ul style="list-style-type: none"> - Losses may be carried forward for 7 years. - There is no carry back of losses. - Changes in ownership do not affect carrying forward tax losses. - Tax losses recorded by taxpayers which cease to exist as a result of reorganisations are transferred to the taxpayers which are the beneficiaries of these reorganisations.
Deductibility of expenses	<p>As a general rule, expenses are deductible only if they are incurred for the purpose of carrying out economic activity.</p> <p>Certain types of expenses are specifically provided under the Fiscal Code as being non-deductible or having limited deductibility.</p>

Limited deductibility expenses

Social expenses	Up to 5% of total salary expenses.
Protocol expenses	Up to 2% of the gross accounting profit to which protocol expenses are added.
Vehicle expenditure	50% for expenditure related to acquisition, functioning, maintenance and repairs of vehicles (including leasing and rental), if the vehicles are not used exclusively for business purposes.

Provisions and reserves

Legal reserves	Deductible up to 5% of the gross accounting profit of the period (calculated and recorded until the reserves reach one fifth of the share capital).
Provisions for guarantees granted to clients	Deductible, only for deliveries of goods and services within the relevant tax period, as provided in contracts concluded with clients.
Allowances for doubtful debts	For receivables that are not guaranteed by a third party and are not due by related parties, allowances are deductible up to: <ul style="list-style-type: none"> - 30% of the receivables, if the due date has been exceeded by more than 270 days. - 100%, if the debtor is subject to bankruptcy (companies) or insolvency (individuals).

Allowances for impairment of tangible assets	Impairment allowances are deductible if: <ul style="list-style-type: none"> - The tangible assets have been destroyed as a result of a natural disaster or force majeure, as detailed in application norms. - An insurance contract has been concluded for the event.
Specific provisions and reserves	Provision expenses and reserves recorded in accordance with legislation specific to certain activities are deductible, e.g. credit institutions, non-banking financial institutions, insurance and reinsurance companies, private pension funds and private pension funds' administrators, airlines, companies in the natural resources or waste storage sectors etc.

Depreciation and amortisation

Calculation methods	<ul style="list-style-type: none"> - Straight-line. - Reducing-balance. - Accelerated depreciation (up to 50% in the first year).
Tangible assets	<ul style="list-style-type: none"> - Buildings – only the straight-line method. - Technological equipment and computers – accelerated, straight-line or reducing-balance method. - Any other fixed asset – straight-line or reducing-balance method. - Deductibility of depreciation expenses incurred for vehicles with a maximum of 9 seats, which are not used exclusively for business purposes, is limited to 1,500 lei/month.

Intangible assets	<ul style="list-style-type: none"> - Intangible assets (e.g. patents, licenses, copyrights, trademarks) – straight-line method over the period of the contract or the period of use, as appropriate. - Patents may be amortised through the accelerated or the reducing-balance method. - Software acquisition or production – straight-line method, over a period of 3 years. - Goodwill is not a depreciable asset (amortisation is not tax deductible).
-------------------	--

Thin capitalisation rules

Interest expenses for loans from financial institutions	<ul style="list-style-type: none"> - Fully deductible.
Interest expenses for loans from non-financial institutions	<ul style="list-style-type: none"> - Interest rate limitation – 4% for loans denominated in foreign currency / the reference interest rate published by the National Bank of Romania for loans denominated in RON. Interest expenses exceeding these limits are permanently non-deductible. - Debt-to equity limitation – if the debt-to-equity ratio is greater than 3:1 or equity is negative – interest expenses and net foreign exchange losses related to loans are non-deductible, but can be carried forward indefinitely and deducted when the conditions are met.

Participation exemption rules

The following types of income are non-taxable for corporate tax purposes:

- Dividends received from a Romanian company.
- Dividends received from foreign subsidiaries which are subject to corporate income tax or a similar tax, located in a state with which Romania has concluded a Double Tax Treaty, provided that the receiving company has had a minimum holding of 10% in the share capital of the distributing company, for an uninterrupted period of at least 1 year.
- Income from valuation/revaluation/sale/transfer of shares and liquidation proceeds, whether the legal entities in which the company holds shares are Romanian or foreign entities from states with which Romania has concluded Double Tax Treaties (including those outside the EU). In order for this income to be non-taxable, the company receiving the income must have owned at least 10% of the share capital of the company in which a participation is held, for an uninterrupted period of 1 year on the date of the valuation/revaluation/sale/transfer or on the date when the liquidation process starts.

Note: Dividends may be paid only out of profits reflected in annual financial statements, which must be approved by shareholders (no interim dividends may be paid by Romanian companies).

Micro-enterprises

Turnover tax is compulsory, instead of corporate income tax, for Romanian legal entities with a turnover of maximum 500,000 EUR and income from consultancy and management of maximum 20% of turnover ("micro-enterprises").

Companies carrying out banking, insurance and reinsurance, capital markets, gambling or upstream oil & gas activities do not apply the tax on micro-enterprises, and must pay normal corporate income tax in all cases.

Micro-enterprises with a share capital of 45,000 lei or more may opt to pay corporate income tax.

Tax rates are:

- 1% for companies that have at least 1 employee.
- 3% for companies with no employees.

Withholding tax

Withholding tax is generally applicable on income derived by non-residents from Romania, such as:

- Dividends.
- Interest.
- Royalties.
- Commission fees.
- Management or consulting fees (irrespective of where the services are supplied).

- Income from services supplied in Romania, except for international transport and related services.
- Income derived from the supply of professional services in Romania, other than through a permanent establishment (e.g. by lawyers, engineers, doctors, dentists, architects, auditors).
- Income derived from sports or entertainment activities carried out in Romania².
- Prizes granted as a result of competitions organized in Romania.
- Gambling income.

Tax rates

- 16% - the standard tax rate.
- 5% for dividends.
- 1% for gambling income, with certain exceptions.
- 50% - special tax rate.³

2) Non-residents (companies or individuals) deriving income from sports or entertainment activities carried out in Romania have the option of registering for corporate/personal income tax purposes in Romania and paying tax on a net basis, by deducting expenses related to the carrying out of activities; otherwise, withholding tax is applicable on the gross income from these activities.

3) If the income is paid in a state with which Romania has not concluded a treaty for the exchange of information and the payment is deemed to be related to an artificial transaction.

EU Directives

The Interest & Royalties and the Parent-Subsidiary EU Directives are fully applicable in Romania:

Dividends	- Exempt under the EU Parent-Subsidiary Directive, subject to the condition of ownership of at least 10% for an uninterrupted period of at least 1 year
Interest / Royalties	- Exempt under the EU Interest and Royalties Directive, subject to the condition of direct ownership of at least 25% for an uninterrupted period of at least 2 years.

Tax treaties

A wide network of Double Taxation Avoidance Treaties concluded by Romania may allow non-residents to be taxed at a reduced rate, or to be exempt, subject to certain conditions being fulfilled (e.g. presenting a certificate of tax residence). The following countries have concluded tax treaties with Romania.

4) Treaty concluded with F.S.R. Yugoslavia, in force since 1989, applies to Bosnia-Herzegovina.

5) Treaty concluded with F.R. Yugoslavia, in force since 1998, applies to Serbia and Montenegro.

Albania	Egypt	Jordan	Nigeria	Sweden
Algeria	Estonia	Kazakhstan	Norway	Switzerland
Armenia	Ethiopia	North Korea	Pakistan	Syria
Australia	Finland	South Korea	Philippines	Tajikistan
Austria	France	Kuwait	Poland	Thailand
Azerbaijan	Georgia	Latvia	Portugal	Tunisia
Bangladesh	Germany	Lebanon	Qatar	Turkey
Belarus	Greece	Lithuania	Russian Federation	Turkmenistan
Belgium	Hong Kong	Luxembourg	San Marino	Ukraine
Bosnia-Herzegovina ⁴	Hungary	Macedonia	Saudi Arabia	United Arab Emirates
Bulgaria	Iceland	Malaysia	Serbia	United Kingdom
Canada	India	Malta	Singapore	United States
China	Indonesia	Mexico	Slovakia	Uruguay
Croatia	Iran	Moldova	Slovenia	Uzbekistan
Cyprus	Ireland	Montenegro ⁵	South Africa	Vietnam
Czech Republic	Israel	Morocco	Spain	Zambia
Denmark	Italy	Namibia	Sri Lanka	
Ecuador	Japan	Netherlands	Sudan	

Personal income tax

Dividends	5%	Taxable income = gross income
Sale of real estate	3%	Non-taxable amount: RON 450,000 Taxable income = gross income - RON 450,000
Gambling and prizes	Progressive rates	<ul style="list-style-type: none"> - 1% for the income below RON 66,750. - 667.5 RON + 16% on the income between RON 66,750 and RON 445,000. - 61,187.5 RON + 25% on the income exceeding RON 445,000⁶.
Independent activities (including agriculture, forestry and fisheries)	16%	Income from liberal professions is taxed based on gross income minus deductible expenses. Income from trade/services is taxed based on notional income quotas or, optionally, based on gross income minus deductible expenses ⁷ .
Intellectual property rights		Taxable income = gross income – 40% of gross income – social security contributions.

6) Income from prizes under RON 600 and income from casinos, poker clubs, slot-machines and lottery tickets under RON 66,750 are non-taxable

7) Certain amounts earned from agriculture, forestry and fisheries are non-taxable, depending on the number of livestock/land area.

8) Certain amounts (e.g. per-diems, indemnities granted according to the law, business expenses, etc.) are not included in the gross income.

Salary income		Taxable income = gross income ⁸ , less: <ul style="list-style-type: none"> - Mandatory social security contributions. - Personal deduction granted for the respective month⁹. - Trade union fees paid for the respective month. - Contributions to private pension funds, paid according to the law, within the limit of EUR 400/year/individual, borne by employees. - Voluntary medical insurance fees and expenses for subscriptions for medical services, paid according to the law, within the limit of EUR 400/year/individual, borne by employees.
Rental income	16%	Taxable income = gross income - 40% of gross income - social security contributions ¹⁰
Pensions		<ul style="list-style-type: none"> - Non-taxable amount: RON 2.000 - Taxable income = gross income - RON 2.000
Investment (except dividends)		Taxable income = gross income ¹¹
Other sources		Taxable income = gross income ¹²

9) The personal deduction is granted to individuals with a gross monthly salary of up to RON 1,500, depending on the number of dependents (between RON 300 if they have no dependents, and RON 800 for four or more dependents). If the monthly gross salary income is between RON 1,501 and RON 3,000, personal deductions are established on a decreasing basis, by order of the Ministry of Public Finance.

Social security contributions

Salary income

Social Security Contributions	Employee	Employer
Health insurance	5.5%	5.2%
Pension insurance	10.5%	15.8% ¹³
Unemployment insurance	0.5%	0.5%
Accidents at work and professional diseases	-	0.15-0.85% ¹⁴
Medical leave and indemnities	-	0.85% ¹⁵
Salary guarantee fund	-	0.25%

10) If the number of contracts/rooms exceeds 5, the taxable income is determined based on gross income minus deductible expenses.

11) For capital gains, the bank/broker charges may be deducted if supported by documents.

12) In the case of sale of receivables, the expenses incurred for all operations carried out during the year are deductible.

13) For more difficult working conditions, the employer's rate is 20.8% and for special working conditions, the employer's rate is 25.8%.

14) Depending on the employer's CAEN code.

15) The calculation basis is the sum of the gross amounts earned by the employees, but not greater than the number of employees times 12 gross minimum wages (RON 1,450 starting February 2017).

Other types of income

	Health insurance	Pension insurance
Independent activities (including agriculture, forestry and fisheries) ¹⁶	5.5%	10.5% ^{17, 18}
Intellectual property rights	5.5%	10.5% ¹⁷
Rental income	5.5% ¹⁷	-
Investment (including dividends)	5.5% ¹⁹	-
Sale of real estate	-	-
Gambling and prizes	-	-
Pensions	-	-
Other sources	5.5% ¹⁹	-

16) Contributions for accidents at work and professional diseases, medical leave and indemnities as well as the salary guarantee fund are optional, at the rates applicable to the employer in the case of salary income.

17) Capped at 5 times the average gross salary/month (RON 3,131 as of February 2017).

18) Optionally, the individual may pay the full rate of 26.3%.

19) Only due if the individual does not earn at the same time salary income, income from independent activities, agricultural income, pension income, etc.

Value Added Tax

VAT rates	<ul style="list-style-type: none"> - 19% - the standard VAT rate. - 9% reduced VAT rate for certain goods and services, e.g. accommodation, foodstuffs, restaurant and catering services, water, orthopaedic products, medicines suitable to both human and animal use, supply of fertilizers and pesticides used in agriculture, seeds and other agricultural products intended for sowing or planting, and also for specific supplies of types of services employed in agriculture²⁰. - 5% reduced VAT rate for school books, magazines, admission to shows, theatres, circuses, fairs, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities, sale of real estate, as part of social policy²¹, under certain conditions.
-----------	---

Filing of VAT return	<ul style="list-style-type: none"> - Monthly, if annual turnover > EUR 100,000²². - Quarterly, if annual turnover < EUR 100,000, with no intra-Community acquisitions of goods. - Bi-annually/annually, under certain conditions (approval of relevant tax authorities is required).
----------------------	--

Filing of Recapitulative Statement	Monthly, by 25th of the month following the month in which eligible transactions took place.
------------------------------------	--

Filing of Informative Statement	<p>Monthly/quarterly (as per the fiscal period), by 30th of the month / quarter following the period in which the invoices were issued / received.</p> <p>The statement must be submitted, regardless of whether during this period, any transactions took place.</p> <p>Since January 2017, it has been compulsory for all invoices issued to individuals to be declared, regardless of their value.</p>
---------------------------------	---

20) As per the categories set out by the Ministry of Public Finance and the Ministry of Agriculture and Rural Development.

21) The threshold for applying the reduced 5% VAT rate for supplies of social housing is 450,000 lei (previously 380,000 lei).

22) The equivalent in lei is determined on the basis of the exchange rate communicated by the NBR as valid on 31 December of the previous year.

Filing of Intrastat return	Monthly, by 15th of the month following the month when the movement of goods took place. Submission is required only if the volume of intra-Community arrivals of goods is > RON 900,000 and/or the volume of intra-Community dispatches of goods is > RON 900,000.
Small enterprises	Annual turnover threshold < EUR 65,000 (i.e. RON 220.000).
Distance selling	Annual threshold = EUR 35,000 (i.e. RON 118.000).
Non-taxable legal entities, businesses which carry out VAT exempt without credit operations, small businesses	Volume of intra-Community acquisitions of goods > EUR 10,000 (VAT registration required).
Limited VAT deduction right for vehicle expenditure	The VAT deduction right is limited to 50% for expenditure related to acquisition, functioning, maintenance and repairs of vehicles (including leasing and rental), if the vehicles are not used exclusively for business purposes.
Non-deductible VAT	Alcohol and tobacco products.

VAT cash accounting system	Resident companies which obtain a turnover lower than RON 2,250,000 during the calendar year may opt for the application of the VAT cash accounting system (i.e. deduction/ collection of input/output VAT at the time of payment/cashing of consideration to/from suppliers/customers).
Invoicing	Council Directive 2010/45/EC on invoicing rules has been transposed into Romanian VAT law. This states that any documents or messages on paper or in electronic format, if in compliance with Art. 319 of the Fiscal Code, are to be considered invoices.

Other issues to be taken into account:

Transfer of business as a going concern	<p>Transfers of assets as part of spin-offs/mergers, fall outside the scope of VAT without being subject to the restrictions specific to transfers of assets as part of transactions other than spin-offs/mergers. The recipient of the assets must also be established in Romania. In the case of spin-offs, payable/refundable VAT amounts or the related VAT refund right are taken over, as per the quotas allocated from the divided entity's assets and liabilities.</p>	Input VAT adjustments related to capital goods	<p>Input VAT adjustments related to capital goods should be made annually within the period of adjustment, for 1/5 or 1/20 of the input VAT deducted on the purchase / construction of the goods, for each year when there is a change of purpose for which the goods are used. However, when taxpayers switch from the general taxation regime to the special scheme for small enterprises and in cases where capital goods are supplied under VAT exemption, the adjustment should be made only once for the entire remaining adjustment period.</p>
VAT deduction right	<p>Taxpayers declared inactive / which have had their VAT registration number cancelled, which carry out economic activities during this period, have the right to deduct the input VAT related to the acquisitions of goods / services carried out during this period, after their re-registration for VAT purposes. With respect to the supplies of goods / services made during this period, after VAT re-registration, taxpayers are entitled to issue invoices, mentioning separately the related output VAT; these invoices are not declared in the VAT returns.</p> <p>Taxable persons which carry out acquisitions of goods / services from inactive suppliers / suppliers which have had their VAT registration number cancelled, have the right to deduct the input VAT related to the acquisitions of goods / services made during this period, based on the invoice issued by the relevant suppliers, after the re-registration.</p>	The adjustment of the VAT taxable base	<p>The adjustment of the VAT taxable base is allowed in the case of non-payment as a consequence of initiating a reorganisation plan, accepted and confirmed by a court ruling, according to which the creditor's receivables are modified or eliminated.</p>
		The special scheme for farmers	<p>On 1 January 2017, the special scheme for farmers, individuals, sole proprietorships or family enterprises, which carry out agricultural activities / services, was introduced. Farmers do not now deduct input VAT, nor collect output VAT, regardless of turnover. Instead, they receive compensation, subject to a flat rate of 1% in 2017, 4% in 2018 and 8% in 2019, so that no VAT will be borne in relation to purchases of agricultural products / services. The special scheme is optional for farmers, who might opt to apply the general VAT regime.</p>

No payment of VAT on import of goods	<p>Generally, VAT on imports must be paid to the customs authorities²³, and then recovered via a VAT return.</p> <p>However, certain categories of taxpayer are not required to pay VAT to the customs authorities, thus improving the company's VAT cash flow:</p> <ul style="list-style-type: none"> - Taxpayers which hold an AEO certificate. - Taxpayers which hold an on-site customs clearance procedure authorisation²⁴. - Taxpayers which have imported more than RON 100 million worth of goods/service from non-EU countries for the last 12 calendar months.
VAT groups	<p>VAT grouping system rules do not exclude from the scope of VAT (or exempt) transactions carried out between the members of the group. Instead, the system simply allows the consolidation of the VAT returns of all members, possibly leading to a reduction in the amount of any VAT payable.</p>

23) Order of the Minister of Public Finance no. 4121/2015 for approving the Norms concerning the procedure for granting the certificate for deferment of VAT payment in customs and for issuing the guarantee for imports of goods.

24) From 1 May 2016, the on-site customs clearance procedure authorisation was replaced with the "entry in the declarator's records" procedure.

VAT registration

Although the VAT registration process was simplified in February 2017, taxpayers are still required to submit many documents to the relevant tax office (fiscal records of directors and associates, affidavits for the fiscal records of foreign administrators / associations, statements on activities carried out at and outside the headquarters, if any, and any other documents that the tax authorities consider necessary for assessing the taxpayer's intention and ability to carry out economic activities).

Before rejecting a VAT registration request the tax authorities are required to allow the taxpayer to present its case.

The deadline for settling VAT registration requests is 45 days from the date of submission.

Since 1 January 2017, taxpayers carrying out intra-Community transactions have no longer been required to register in the Registry of Intra-Community Operators.

A non-resident taxable person may opt to request a VAT registration if it carries out one of the following operations in Romania: import of goods, rental and leasing of immovable property, with certain exceptions, if the taxpayer has chosen to tax these operations and supplies of buildings / parts of buildings and the land they are built on, if the taxpayer has chosen to tax these operations.

Cancellation of VAT registration	In specific situations, the tax authorities may cancel VAT registrations, e.g. if the VAT returns filed for 6 consecutive months (for taxpayers that have the month as their fiscal period), or for two consecutive quarters (for taxpayers that have the quarter as their fiscal period) submitted by the taxpayer, did not include any acquisitions / supplies of goods / services, i.e. if the taxpayer did not carry out taxable transactions during the reporting periods.
Taxpayers entitled to claim interest for late VAT refunds	If a VAT refund is delayed by the tax authorities, taxpayers are entitled to ask for late payment interest.
Reverse charge	For supplies of goods or services made by a taxable person which is neither established in Romania nor registered for VAT purposes in Romania, to a taxable person or non-taxable legal entity whether or not it is established in Romania, but registered for VAT purposes in Romania, irrespective of whether it is registered via a fiscal representative or directly, the beneficiary must account for the related VAT in Romania via the reverse charge mechanism.

Simplification measures	Simplification measures (the reverse charge mechanism) apply to supplies of: <ul style="list-style-type: none"> - Ferrous and non-ferrous waste - Raw wood. - Cereals and technical plants. - Transfers of emissions of greenhouse gases. - Supplies of energy made to taxable persons (electricity traders). - Transfers of green certificates. - Investment gold, if taxable by option. - Buildings, parts thereof and any type of land, if taxable, either by law or by option.
	Temporary simplification measures (until 31 December 2018) apply to supplies of: <ul style="list-style-type: none"> - Mobile phones. - Integrated circuit devices. - Games consoles, PC tablets and laptops.

Excises

Harmonised excisable goods:

- Alcohol and alcoholic beverages.
- Processed tobacco.
- Energy products (e.g. leaded and unleaded gasoline, diesel, kerosene, liquefied petroleum gas, natural gas, etc.) and electricity.

Excisable products are subject to excise duties at the time of their production/extraction on EU territory or at the time of import into the EU. The chargeability of the excise duties occurs at the time of their release for consumption.

Production of excisable goods is subject to fiscal warehouse authorisation. No retail sales are allowed in the fiscal warehouse for production (except in cases permitted by law).

Establishment of storage tax warehouses is possible for energy products, processed tobacco as well as for ethyl alcohol and alcoholic beverages.

Traders which sell energy products either in the wholesale or retail system – gasoline, diesel, kerosene, liquefied petroleum gas and biofuels – as well as those which distribute and sell alcoholic beverages and/or manufactured tobacco, in wholesale, but which do not own a warehouse, may carry out these operations only after the receipt of a certificate for distribution and sale in the wholesale/retail system for the products mentioned above.

In addition to the harmonised excise duties mentioned above, Romania also applies excise duties on liquids containing nicotine for inhalation by means of an electronic device (“electronic cigarettes”) and heated tobacco products which, by heat, release an aerosol that can be inhaled, without the combustion of tobacco blend.

Excise duties are generally payable by the 25th of the month following that when they become chargeable. However, the supply of energy products like diesel gas, gasoline, kerosene and liquefied petroleum gas can only be made if the supplier holds a document confirming the payment by the buyer, on the supplier’s behalf, of the excise duties related to the goods that will be dispatched.

Exemptions from excise duties are available for specific excisable products intended for particular uses, for instance energy products used in mineralogical processes or used to produce, in cogeneration, combined heat and electricity etc.

Customs duties

There are no customs controls and no customs charges inside the EU, so union goods may be moved freely between Romania and other EU Member States.

As an EU member state, Romania applies Union Customs Legislation, as well as the Common Customs Tariff and EU commercial measures on imports and exports.

Except for certain agricultural products, for which specific duties apply, customs duties are established as a percentage, generally ranging between 0 and 22%.

The customs value is determined according to the principles set out in the Community Regulations, the main method used being the “transaction value method” (i.e. the price paid or payable for the goods).

Special customs regimes applied within the European Union (such as inward processing relief, outward processing, internal transit, external transit, free trade zones, customs warehousing, end-use or temporary admission) are also available in Romania.

At present, the applicable legislation on customs duties is the Union Customs Code (Regulation (EU) No 952/2013 of the European Parliament and of the Council), which entered into force on 1 May 2016 along with related acts: the Implementing Act (The Implementing Regulation (EU) 2015/2447 of the Commission), the Delegated Act of the EU Customs Code (The Delegated Regulation (EU) 2016/341 of the Commission) and the UCC Transitional Delegated Act establishing the transitional rules for operators and customs authorities pending the upgrading or the development of the relevant IT systems to create a fully electronic customs environment (Commission Delegated Regulation No 2016/341).

The most important amendments made by the EU Customs Code include the following:

- Introducing new concepts and definitions such as permanent establishment, holder of the goods, self-assessment procedure consisting of the possibility for the customs authorities to transfer some of their attributes to importers or exporters, for example certain verifications/ checks or the calculation of customs duties, the definition of the exporter of record, etc.
- The customs regimes are as follows: release for free circulation, export and special regimes such as transit, storage (bonded warehouses and free zones), special usage (temporary admission and end use) and processing (inward processing and outward processing).
- Communication between importers/exporters and customs authorities, including the submission of documents and declarations, will be made exclusively by electronic means.
- Even though AEO authorisation is not mandatory, the Union Customs Code provides some situations in which the fulfilment of the criteria/conditions for obtaining AEO authorisation, or even holding AEO certification, are needed; for instance to obtain authorisation to apply simplified customs clearance procedures.
- Criteria and supplementary requirements have been imposed for obtaining AEO authorisation, i.e. on practical standards of competence and professional qualifications.

In addition to the EU regulations mentioned above, Romanian legislation is still applicable, i.e. Law no. 86/2006 on the Romanian Customs Code, H.G. no. 707/2006 approving the regulation implementing the Customs Code of Romania, as well as the Orders issued by the ANAF President.

Property taxes

Local taxes

The most common property taxes payable to the local authorities are on buildings, land and vehicles. These are assessed annually for assets held as at 31 December of the previous year and must be paid in two equal instalments per year, by 31 March and 30 September. If paid in advance before 31 March, a reduction of up to 10% may be granted on the annual tax payable (the exact percentage is established by each local council).

Tax on buildings (for legal entities)	<ul style="list-style-type: none"> - Residential buildings - 0.08% - 0.2% of the taxable value. - Non-residential buildings - 0.2%-1.3%, of the taxable value. - Mixed use – sum of the tax calculated for the area that is used for residential purposes and the tax calculated for the area used for non-residential buildings. <p>For buildings used in agriculture, the tax rate is 0.4% of the taxable value.</p> <p>The taxable value is generally determined by valuation for tax purposes (carried out by an authorised valuator, at the owner's expense).</p> <p>If the taxable value of buildings has not been updated in the 3 previous years, the building tax rate is 5%.</p>
Tax on land	Fixed amount per sqm, depending on factors such as: type of settlement; the land's location within the settlement (downtown / uptown / out of the town); the land's use (e.g. for constructions, agriculture, fields, orchards, forests).
Tax on vehicles	Taxed on a rising scale for every 200cc with varying rates depending on the vehicle type.

Transfer duties

According to Romanian legislation, transfer of real estate properties (e.g. land and buildings) is not subject to transfer taxes, except for notary fees and taxes for registration with the Real Estate Book. These fees are approximately 1% of the value of the property.

Environmental taxes

The most common environmental taxes due in Romania are in relation to:

- Packaging materials and tires placed on the Romanian market (i.e. produced, imported or acquired from another EU Member State), for the difference between the quantities collected/ recycled and the collection/recycling targets set by law.
- Oil introduced on to the Romanian market (0.3 RON per Kg).
- Emissions of pollutants from fixed sources (e.g. factories, energy plants), depending on the type of pollutant.
- Shopping bags made of non-renewable materials - 0.1 RON per bag.
- Hazardous substances (2% of the value of the hazardous substances placed on the Romanian market).
- The sale of scrap metal (3% of the income obtained from sales, by withholding) – no tax is payable for the sale of goods designated for dismantling.
- The administration of deposits for inert and non-hazardous waste assigned by third parties for final elimination through the deposit system (RON 80 /ton in 2017, RON 120 /ton starting from 2018).

- Starting from 1 January 2017, a tax is payable for the difference between the amounts of electrical and electronic equipment (EEE) and batteries and portable accumulators reported as placed on the market by traders and the amounts identified by the Environmental Fund Administration as being introduced on to the national market. Furthermore, starting from 1 January 2018, a tax will be payable for the difference between the quantities related to the minimum collection rates and the quantities actually collected. Moreover, companies placing EEE and B&A on the Romanian market are required to finance collection and recovery of the related waste.

Tax incentives for companies

Sponsorship & private scholarships

Corporate income tax credit for sponsorship expenses (including private scholarships) may be 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.

Incentives for supporting vocational and technical education

Expenses incurred in relation to theoretical and/or practical training of students in vocational and technical education, including depreciation of fixed assets or investments used for this purpose, are specifically defined as being deductible for corporate tax purposes.

Tax incentives for companies (cont.)

Corporate tax relief on reinvested profit

- Corporate tax relief is available for profit reinvested in technical equipment (subgroup 2.1 or class 2.2.9 of the Catalogue of the Classification and the Normal Useful Life of Fixed Assets) and software property or license rights produced/acquired and commissioned during the relevant tax period.
- The accelerated depreciation method cannot be applied for these assets. Equipment must also be kept for at least half its normal useful economic life in accordance with the applicable accounting rules, but for no more than 5 years. Otherwise, corporate tax is recalculated accordingly and late payment interest and penalties are imposed.

Innovation, research and development – corporate tax exemption

Taxpayers carrying out exclusively innovation, research and development activities (as defined by Government Ordinance no. 57/2002 on scientific research and technological development, as further amended) and closely related activities are exempt from corporate income tax for the first 10 years of operation (in force from January 2017, although no application norms have yet been issued).

R&D costs – additional deduction

- 50% additional CIT deduction for all eligible R&D costs. The deduction is available even if fiscal loss is recorded.
- Accelerated depreciation for equipment used in R&D activity.

Tax exemption for salary income – applied research and/or technological development activities

Salary income obtained as a result of carrying out applied research and/or technological development activities is exempt from personal income tax, subject to the fulfilment of certain conditions set out by joint order of ministers of: education and research; economy and commerce; public finance; labour, family and social protection; agriculture and rural development.

Software development income

Exemption from personal income tax for software development employees. The incentive is granted subject to the fulfilment of certain conditions set out by law.

Salary income exemption for seasonal activities

Exemption from personal income tax may be granted for salary income gained as a result of seasonal activities, under a 12-month employment contract concluded with an employer carrying out activities set out in Article 1 of Law no. 170/2016 on the tax specific to certain activities (e.g. hotels, restaurants) on a seasonal basis.

Gifts, Gift tickets	Exemption from personal income tax and social security contributions for gifts and gift tickets offered by employers to their employees and to their minor children for the Easter holidays, 1 June, Christmas, as well as gifts and gifts tickets offered to female employees on 8 March, up to RON 150 for each individual and occasion.	Optional pension funds	Exemption from personal income tax and social security contributions for contributions to optional pension funds in accordance with Law no. 204/2006 paid by employers for their employees (or paid for the personal benefit of the taxpayer, in the case of independent activities), up to the limit of EUR 400 per year.
Meal tickets, holiday vouchers and nursery vouchers	Exemption from personal income tax and social security contributions for meal tickets, holiday vouchers and nursery vouchers granted in accordance with specific legislation.	Voluntary health insurance premiums	Exemption from personal income tax and social security contributions for voluntary health insurance premiums in accordance with Law no. 95/2006 paid by employers for their employees (or paid for the personal benefit of the taxpayer, in the case of independent activities), up to a limit of EUR 400 per year.
Tourist and/or medical treatment services during holidays	Payments made during holidays for tourist and/or medical treatment services, including transport, covered by an employer for its employees and their family members (as provided in the employment contract), are not taxable for personal income tax purposes and are not included in the taxable basis of social security contributions. Expenses incurred by the employer are deductible for corporate tax purposes within the limit for social expenses (i.e. up to 5% of the total salary expenses).	Employment	Unemployment contribution incentives for hiring unemployed people; specific incentives for hiring unemployed people from certain social categories (e.g. recent graduates, single parents, older people, disabled people and students hired during summer vacations). The incentives are granted subject to the fulfilment of certain conditions set out by law.
		Local tax	Exemption from the payment of land and building tax can be granted by local councils, subject to state aid legislation.

Transfer pricing

- The criteria for companies to be considered related parties under Romanian legislation is a minimum 25% direct or indirect shareholding and/or economic control.
- Transactions which take place between related parties (including those between domestic group companies) are required to be carried out on arm's length (i.e. market) terms.
- Since January 2016, large taxpayers which carry out transactions with related parties over certain significance thresholds have been required to prepare their transfer pricing documentation files on an annual basis, no later than the legal deadline for submitting the annual corporate tax return, for each fiscal year. In this case, the deadline provided by law for presenting the transfer pricing documentation file to the Romanian tax authorities is a maximum of 10 days. Large taxpayers carrying out transactions with related parties below the thresholds mentioned above, and all other taxpayers which carry out transactions with related parties over certain (different) significance thresholds, are required to provide their transfer pricing documentation files to the Romanian tax authorities in the event of a tax audit. In this case, the deadline for presenting the transfer pricing documentation file to the Romanian tax authorities is between 30 and 60 days, with the possibility of extension by another 30 days maximum.
- Even though Romania is not part of the OECD yet, the OECD Transfer Pricing Guidelines are, in principle, recognised by Romanian transfer pricing legislation. Nevertheless, the Romanian legislation also contains a number of specific national elements related to transfer pricing, which prevail and which are carefully verified by the tax authorities during transfer pricing tax audits.

- In terms of documentation, the EU Masterfile and Countryfile concept has been broadly implemented into Romanian law.
- Advance Pricing Agreements (APAs) and the Mutual Agreement Procedure (MAP) are also possible under Romanian legislation. These aim to reduce the risk of transfer pricing adjustments. However, their implementation in practice is quite difficult.

Fiscal Procedures / Administration

Rulings

The legal deadline for obtaining a non-binding ruling from the Romanian tax authorities is within 45 days of the submission of documentation. This term can be extended to up to 6 months in special situations.

Advance tax rulings (ATRs) and advance pricing agreements (APAs) are also available. The legal deadline for issuing an ATR is 3 months from the date of application, while the deadline for issuing an APA is 12 months for unilateral APAs and 18 months for bilateral or multilateral APAs.

Statute of limitations

The statute of limitations period is 5 years, starting from 1 July of the year following that to which the tax obligation is related. However, in the case of fraud, the statute of limitations can be extended to 10 years, starting from the date when the criminal offence occurred. The statute of limitations is suspended during a fiscal inspection period.

Interest and late-payment penalties

A combined system of late-payment interest and penalties is currently applicable:

- Interest of 0.02% per day of late-payment.
- Penalties of 0.01% per day of late-payment.

For tax obligations arising as from 1 January 2016, undeclared or under-declared by taxpayers and imposed by a decision resulting from a tax audit, non-compliance penalties of 0.08% per day are due, instead of the 0.01 % late payment penalties and the potential fines for failure to file tax returns. (This does not eliminate late payment interest of 0.02% per day).

Certification of tax returns

Certification of tax returns by a certified tax consultant (a member of the Romanian Chamber of Fiscal Consultants) is optional. However, certification could present some advantages for businesses, as it constitutes a criterion in the risk analysis carried out by the tax authorities when they select taxpayers for tax audits.

Accounting regulations

Romanian accounting regulations are compliant with EU accounting and audit directives (regulations approved by Order of the Ministry of Public Finance no. 1802/2014 implementing the provisions of Directive 2013/34/EU).

Romanian GAAP draws many of its principles and rules from International Financial Reporting Standards (IFRS). However, differences remain and their impact on the financial statements of companies varies from one industry to another.

Credit institutions carrying out activities in Romania, including Romanian branches of foreign credit institutions and foreign branches of Romanian credit institutions, as well as listed companies, are required to apply International Financial Reporting Standards (IFRS) as a basis for accounting and reporting of financial statements.

The financial year generally corresponds to the calendar year. However, both Romanian entities and branches of a foreign company (except for credit institutions, non-banking financial institutions, as well as entities operating under the supervision of the Authority for Financial Supervision) may opt for a different financial year.

Companies are required to have their financial statements audited (statutory audit) if they are public interest entities or if they meet at least two of the three size criteria below for two consecutive years:

- Total assets > RON 16,000,000 (the equivalent of EUR 3,650,000).
- Net turnover > RON 32,000,000 (the equivalent of EUR 7,300,000).
- Average number of employees during the financial year > 50.

This card was prepared based on tax legislation applicable as at 31 May 2017, as a quick-reference tool for the most common tax rates and rules.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that this information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

KPMG Romania SRL

Bucharest Office

Victoria Business Park,
DN1, Bucuresti - Ploiesti Road
no. 69-71, Sector 1, Bucharest
013685, Romania
P.O. Box 18-191
T: +40 (372) 377 800
F: +40 (372) 377 700
E: kpmgro@kpmg.ro

www.kpmg.ro

Cluj Napoca Office

Liberty Technology Park
Gării Street no 21, Cluj-Napoca,
Cluj, Romania
T: +40 (372) 377 900
F: +40 (753) 333 800
E: kpmgro@kpmg.ro

Constanta Office

Mamaia blv., no. 208,
4th Floor, Constanta,
900540, Romania
T: +40 (756) 070 044
F: +40 (752) 710 044
E: kpmgro@kpmg.ro

Iasi Office

Ideo Business Center,
Pacurari Road, no. 138,
1st Floor, Office B 105
Iasi, 700521, Romania
T: +40 (756) 070 048
F: +40 (752) 710 048
E: kpmgro@kpmg.ro

Timisoara Office

Mihai Viteazul blv., no. 30B,
Timisoara, 300222
Timis, Romania
T: +40 (256) 221 365
F: +40 (256) 499 361
E: kpmgro@kpmg.ro

KPMG Moldova SRL

Chisinau Office

171/1 Stefan cel Mare blv.,
8th floor, MD-2004, Chisinau
Republic of Moldova
T: + 373 (22) 580 580
F: + 373 (22) 540 499
E: kpmg@kpmg.md

www.kpmg.md

kpmg.com/socialmedia



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. The KPMG name and logo are registered trademarks or trademarks of KPMG International.

© 2017 KPMG Romania S.R.L., a Romanian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Romania.