

# Romania Country Profile

EU Tax Centre

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Key tax factors for efficient cross-border business and investment involving Romania

**EU Member State** Yes

**Double Tax Treaties** With:

Albania	Denmark	Italy	Netherlands	Sudan
Algeria	Ecuador	Japan	Nigeria	Sweden
Armenia	Egypt	Jordan	Norway	Switzerland
Australia	Estonia	Kazakhstan	Pakistan	Syria
Austria	Ethiopia	Rep. of Korea	Philippines	Tajikistan
Azerbaijan	Finland	Kuwait	Poland	Thailand
Bangladesh	France	Latvia	Portugal	Tunisia
Belarus	Georgia	Lebanon	Qatar	Turkey
Belgium	Germany	Lithuania	Russia	Turkmenistan
Bosnia & Herzegovina	Greece	Luxembourg	San Marino	UAE
Bulgaria	Hungary	Macedonia	Saudi Arabia	Uruguay
Canada	Iceland	Malaysia	Serbia	UK
China	India	Malta	Singapore	Ukraine
Costa Rica	Indonesia	Mexico	Slovakia	US
Croatia	Iran	Moldova	Slovenia	Uzbekistan
Cyprus	Rep. of	Montenegro	South Africa	Vietnam
Czech Rep.	Ireland	Morocco	Spain	Zambia
	Israel	Namibia	Sri Lanka	

**Forms of doing business**

Limited liability company (societate cu răspundere limitată - S.R.L.), Joint stock company (societate pe acțiuni - S.A.), General partnership (societate în nume colectiv - SNC), Limited partnership (societate în comandită simplă - SCS), Limited partnership by shares (societate în comandită pe acțiuni - SCA), Societas Europea (SE).

**Legal entity capital requirements**

The share capital of an S.R.L. may not be less than RON 200, representing the equivalent of approximately EUR 45 at an exchange rate of EUR 1 = RON 4.43



and it is divided into shares ("părți sociale") with a registered value of at least RON 10 each.

The share capital of an S.A. may not be less than RON 90,000. Every 2 years, the Government can change the minimum value of the share capital with reference to the exchange rate, so as to keep this amount at the RON equivalent of EUR 25,000. The share capital is divided into shares ("acțiuni"), each with a value of at least RON 0.1.

**Residence and tax system**

A company is tax resident in Romania if it is incorporated under Romanian law or has its place of effective management in Romania. Resident companies are taxed on their worldwide income.

**Compliance requirements for CIT purposes**

As a general rule, fiscal year is the calendar year. Starting January 1, 2014, taxpayers that have opted for a financial year that is different from the calendar year, according to accounting legislation, may also choose to have a fiscal year which corresponds to the financial year.

Romanian resident companies are required to submit quarterly tax returns for the first three quarters, by the 25th of the month following the quarter for which the liability is due. In addition, an annual corporate tax return must be submitted by March 25 of the year following the year for which the annual corporate income tax is due (or by the 25th of the third month following the closure of the fiscal year, for taxpayers that choose to have the fiscal year other than the calendar year).

**Tax rate**

The standard corporate income tax rate is 16 percent.

**Withholding tax rates**

**On dividends paid to non-resident companies**

Generally 5 percent, unless a lower tax treaty rate applies.

Exemption is available under the EU Parent-Subsidiary Directive (subject to certain conditions being met - shareholding of at least 10 percent for an uninterrupted period of one year).

**On interest paid to non-resident companies**

Generally 16 percent, unless a lower tax treaty rate applies.

Exemption is available under the EU Interest and Royalties Directive (subject to certain conditions being met - shareholding of at least 25 percent for an uninterrupted period of two years).

A 50 percent tax rate may apply if interest is paid to a country with which Romania has not concluded a tax treaty (irrespective of the residence of the company receiving such amounts) and if the transactions are deemed artificial under Romanian legislation.



## On patent royalties and certain copyright royalties paid to non-resident companies

Generally 16 percent, unless a lower tax treaty rate applies.

Exemption is available under the EU Interest and Royalties Directive (subject to certain conditions being met - shareholding of at least 25 percent for an uninterrupted period of two years).

A 50 percent tax rate may apply (under the same conditions as for interest - please see above).

## On fees for technical services

Generally 16 percent. However, a 50 percent tax rate may apply (under the same conditions as for interest - please see above).

## On other payments

Generally 16 percent. However, 50 percent tax rate may apply (under the same conditions as for interest - please see above).

## Branch withholding tax

No.

## Holding rules

### Dividend received from resident/non-resident subsidiaries

#### *General rule*

Exemption is available for dividends received from Romanian and EU subsidiaries in accordance with the EU Parent-Subsidiary Directive, provided that the following conditions are met:

- Participation requirement: 10 percent;
- Minimum holding period: an uninterrupted one-year holding period (if paid earlier, subject to 16 percent or reduced rate but, if the condition is met after the payment was made, excess tax paid can be reclaimed).

As of January 1, 2014, dividends received from companies resident in the EU or in a third country with which Romania has concluded a DTT are non-taxable in Romania for corporate income tax purposes, provided the above conditions are met.

As of January 1, 2017, amendments made to the EU Parent-Subsidiary-Directive with respect to hybrid instruments and GAAR have been transposed into domestic legislation.

### Capital gains obtained from resident/non-resident subsidiaries

Generally subject to the 16 percent standard rate. Capital gains derived from the sale of shares in a Romanian subsidiary / subsidiary resident in a country with which Romania has concluded a DTT are non-taxable in Romania for corporate income tax purposes if the above conditions (shareholding of at least 10 percent for an uninterrupted period of 1 year) are met.



<b>Tax losses</b>	Losses may be carried forward for seven years. No carry back of losses.
<b>Tax consolidation rules/Group relief rules</b>	There is no group taxation in Romania.
<b>Registration duties</b>	No <i>ad valorem</i> capital duty. Fixed registration fees applicable (small amounts)
<b>Transfer duties</b>	<p><b>On the transfer of shares</b></p> <p>No transfer duties upon the transfer of shares.</p> <p><b>On the transfer of land and buildings</b></p> <p>According to Romanian legislation, transfers of real estate properties (e.g. land and buildings) are not subject to transfer taxes except for notary fees and taxes for registration with the Real Estate Book. Such fees would be in the range of 1 percent of the value of the asset.</p> <p><b>Stamp duties</b></p> <p>No.</p> <p><b>Real estate taxes</b></p> <p>No, except for those mentioned above.</p>
<b>Controlled Foreign Company rules</b>	No
<b>Transfer pricing rules</b>	<p><b>General transfer pricing rules</b></p> <p>The arm's length principle applies to related companies (including domestic payments).</p> <p><b>Documentation requirement</b></p> <p>Romanian companies which carry out transactions with affiliated companies are required to prepare the relevant documentation - the transfer pricing file, which is mostly a compilation of a comprehensive set of documents, including all supporting information justifying the arm's length nature of transfer prices used for intra-group transactions.</p> <p>Generally, Romanian legislation on transfer pricing documentation follows the principles of EU regulations on transfer pricing (e.g. the EU Code of Conduct on Transfer Pricing).</p>
<b>Thin capitalization rules</b>	A debt-to-equity ratio of 3:1 applies to both domestic and cross-border long term loans from related as well as non-related parties (loans from credit institutions and leasing operations are not subject to thin capitalization restrictions).



<b>General Anti-Avoidance rules (GAAR)</b>	The tax treatment of certain items is generally determined with reference to the substance over form principle.
<b>Specific Anti-Avoidance rules/Anti-Treaty Shopping Provisions</b>	Under the Romanian Fiscal Code, tax authorities may requalify a transaction in order to reflect its economic substance. Moreover, artificial transactions are defined as those not carried out in the normal course of business, solely for the purpose of obtaining undue fiscal advantages. Such transactions are denied the application of DTTs.
<b>Advance Ruling system</b>	Romanian taxpayers may apply to the tax authorities in order to obtain an Advance Tax Ruling with regard to technical matters; also, taxpayers who carry out transactions with related parties may apply for an Advance Pricing Agreement.
<b>IP / R&amp;D incentives</b>	Romanian taxpayers are entitled to deduct an additional 50 percent of R&D expenses for corporate tax purposes. Such extra deduction should be computed quarterly/annually.  Starting 2017, taxpayers performing only innovation, research and development activities (as defined by Romanian legislation) and closely related activities are exempt from corporate tax for the first 10 years of operation. Individuals carrying out R&D activities are exempt from personal income tax on income derived from those activities (starting from August 2016).
<b>Other incentives</b>	Profit reinvested in technical equipment (machines, equipment and work installations) and software used for carrying out economic activities is exempt for corporate income tax purposes.
<b>VAT</b>	The standard rate is 19 percent, and the reduced rates are 9 percent, 5 percent and 0 percent.
<b>Other relevant points of attention</b>	No.

Source: Romanian tax law and local tax administration guidelines, updated 2017.



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