

GMS Flash Alert

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Romania - Simplified Filing and Payment Procedures

Emergency Ordinance no.18/2018¹ was published in the Official Journal of Romania on 23 March 2018, establishing simplification measures for declaring and paying income tax and social security contributions. The new law introduces a unique tax return intended to simplify the declaration and payment process for individuals, including those who are not tax residents. The new provisions will apply as of 2018 for income derived during 2017 and for income estimated to be derived during 2018.

WHY THIS MATTERS

The unique tax return is intended to merge and replace seven separate tax returns. Through the unique tax return individuals will declare personal income obtained from Romania or from outside Romania and can reconcile salary income, when appropriate.

The changes apply to Romanian tax residents for income obtained from Romania and abroad, as well as to Romanian tax non-residents for income obtained from Romania.

As of 2019 the unique tax return will be submitted exclusively online. A specific registration procedure will have to be performed to file the unique tax return online. In 2018 taxpayers can opt for either paper filing or electronic filing.

Highlights of Ordinance 18/2018

The unique tax return replaces seven other tax returns and will be used to declare the income tax and social security contributions due on non-salary income (income from independent activities, intellectual property rights, rental, capital gains, gambling, farming or other sources) or to reconcile income tax due on salary income.

The income tax and social security contributions due will be paid based on an independent and transparent assessment made by the taxpayer and not based on tax assessments issued by the tax authorities (as was formerly the case).

However, for income derived during 2017, the fiscal authorities will still assess the annual income tax through the issuance of annual tax assessments.

For income derived during 2017, the filing deadline is 15 July 2018 (instead of 25 May 2018). Starting 2019, the unique tax return will need to be submitted by 15 March in order to reconcile the income derived during the previous year and to estimate the income obtained during the current year.

The deadline for payment is 15 March of the following year. However, individuals can choose to make advance payments anytime during the year by estimating income.

The new law introduces a bonus system for 2018. For example, a credit of 5% of the estimated annual income tax will be granted to individuals who pay the entire amount due by 15 December 2018. Also, a credit of 5% is granted if the unique tax return is filed online. As of 2019, the bonus will be decided on an annual basis.

KPMG NOTE

The 15 March filing deadline may create difficulties for taxpayers who are subject to double taxation and are entitled to a foreign tax credit in Romania, as most of these taxpayers will not be able to provide proof of the income tax due and paid outside Romania within this deadline (most of the countries have filing and payment deadlines set after 15 March).

Since the unique tax return also must be filed for estimated income (for certain categories of income and taxpayers), a more careful analysis of income derived or estimated to be derived should be performed. Also, as the payment will be made based on a self-assessment, the burden of properly assessing the income tax and social security contributions due lies exclusively with the taxpayer.

FOOTNOTE:

1 *Ordonata de Urgenta nr. 18/2018 din 15 martie 2018 privind adoptarea unor m[asuri fiscale-bugetare ;/l pentru modificarea ;/l completarea unor acte normative* (Emergency Ordinance no. 18/2018 as of 15 March 2018 for the implementation of certain fiscal measures and for change and completion of certain pieces of legislation) was published in *Monitorul Oficial* (Official Journal of Romania) no. 260 of 23 March 2018. To see *Monitorul Oficial*, [click here](#).

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