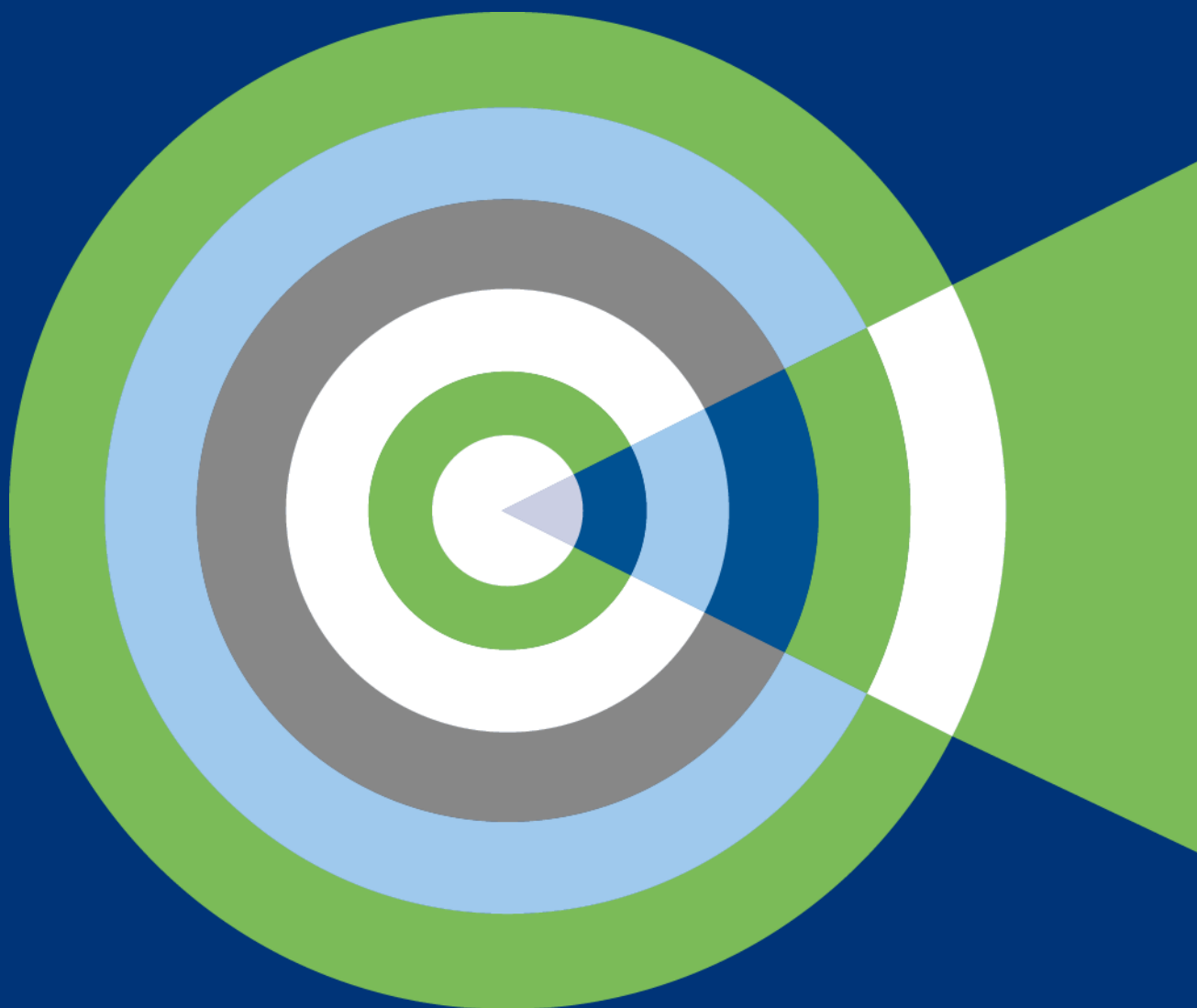


DOING BUSINESS

IN ROMANIA



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 100 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Romania has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in Romania can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at June 2023.

We look forward to helping you do business in Romania.

2 – BUSINESS ENVIRONMENT

COUNTRY BACKGROUND

THE ROMANIAN CONSTITUTION AND GOVERNMENT

According to the Romanian constitution of 21 November 1991, Romania is a republic and has a parliamentary-type democracy. The president is elected for five years and the bicameral parliament, composed of the senate and the chamber of deputies, is elected for four years.

The last elections took place in December 2020.

GEOGRAPHY

Romania is situated in south-eastern Europe and with an area of 238,391 kilometres square, it is the second largest country in central and Eastern Europe. Romania's neighbours are Ukraine and Moldavia to the north and north-east, Bulgaria to the south, Serbia to the south-west and Hungary to the north-west, with the Black Sea to the east.

The Danube Delta is the main natural attraction.

POPULATION, EDUCATION AND LANGUAGE

According to the latest available information, as at 1 January 2023 Romania's population was around 21.9 million (decrease with 0.4% compared with January 2022). Ethnic Romanians account for 89% of the population, followed by Hungarians at 6.6%.

Most of the population is Orthodox Christian.

Education is mandatory from the age of six to 15. The Romanian state education system includes primary, secondary and higher education institutions.

The official language is Romanian, using a Latin alphabet. In addition, many Romanians speak English, French, Italian or German.

CURRENCY

Transactions between residents must be carried out in RON, with few exceptions. The exchange rate at 31 December 2022 was:

- EUR 1 = RON 4.9474
- USD 1 = RON 4.6346

Any foreigner coming into Romania has to declare cash amounts that exceed EUR 10,000 at customs.

PUBLIC HOLIDAYS

Romania's public holidays are:

- New Year – 1 and 2 January
- The 24th of January – The Union of the Romanian Kingdoms
- The Friday before the Easter, the first and second day of Easter
- Labour Day – 1 May
- The first and second day of Pentecost – the seventh Sunday after Easter and the following day
- 1st June – Children's Day
- St Mary – 15 August
- St Andrew – 30 November
- National Day – 1 December
- The first and second day of Christmas – 25 and 26 December
- Two days for each of the main annual religious holidays declared by legal religious faiths (other than Christian ones) for persons belonging to those faiths.

3 – FOREIGN INVESTMENT

According to the information published by the National Bank of Romania (NBR), foreign direct investment in Romania was of 10.698 million euros (EUR) in the period January 2022 through December 2022 (compared with EUR 8.940 million in the period January 2021 through December 2021), of which equity participations (including estimated net reinvestment profit) totalled a net value of EUR 7.924 million and intra-group loans recorded a net value of EUR 2.774 million.

DIRECT FOREIGN INVESTMENT

From a legal point of view, the most common form of investment in Romania is the acquisition of a Romanian company or establishing a new one with foreign or mixed participation.

Branches and subsidiaries are frequently used, as well as representative offices.

REAL ESTATE INVESTMENT

In the last few years, foreign investments have become important in the real estate field.

Romanian individuals and legal entities, regardless of the citizenship or nationality of shareholders, are free to buy land.

Starting with year 2012, Romanian legislation enables European nationals EU/ SEE to acquire ownership under the same terms as Romanian citizens and entities, but the purpose of the property must be secondary residence.

Foreign nationals from outside the European Union (EU) and the European Economic Area (EEA) are allowed to acquire land under the terms of international treaties and based on reciprocity.

4 – SETTING UP A BUSINESS

LEGAL FRAMEWORK

Three laws constitute the main legal framework for businesses in Romania:

- The Company Law governs certain forms of business organisation. The law covers registration procedures and documentation, capital and shares, administration, mergers and liquidation.
- The Commercial Register Law stipulates the procedures required to bring an entry into operation and any subsequent changes.
- Competition Law stipulates the rules for maintaining a competitive market.

FORMS OF BUSINESS ORGANISATION

The Company law (Law No. 31/1990) stipulates the following types of business organisation:

- Limited liability company (*societate cu raspundere limitata* – SRL)
- Joint stock company (*societate pe actiuni* – SA)
- General partnership (*societate in nume colectiv* – SNC)
- Limited partnership (*societate in comandita simpla* – SCS)
- Limited partnership on shares (*societate in comandita pe actiuni* – SCA)
- Branches and subsidiaries of a foreign company.

The most commonly used business organisations are the limited liability company (SRL) and joint stock company (SA).

COMPANY FORMATION

GENERAL RULES OF REGISTRATION AND CAPITAL

Registration procedures are similar for the SA and SRL. The deed of association must be signed by the shareholders. In the case of an SRL, the subscribed capital must be paid upon submission of the incorporation documents. In the case of an SA, the shareholders have to pay at least 30% of the subscribed capital upon submission of the incorporation documents. The Trade Register provides a registration certificate and a registration code. A separate VAT registration is then required.

During the registration procedure, the company has a limited legal capacity, only for registration purposes.

The registration procedure takes between five and seven days from the day when the relevant file was submitted to the Trade Register.

The minimum capital required for an SRL is RON 200 (about 40 EUR) divided into shares, with at least RON 10 for each share. The minimum capital required for an SA is the equivalent of RON 90,000 (approx. 18000 EUR) divided into shares, with at least RON 0.1 for each share.

Limited companies require at least one shareholder, while a joint stock company requires at least two shareholders.

ADMINISTRATION OF COMPANIES

Both SRLs and SAs must have one or more administrator(s) (Romanian and foreign citizens), who are appointed by the general meeting of the shareholders.

For the administration of SAs, the Law No. 31/1990 stipulates two different administration systems:

- A unitary system (the management is entrusted to a single corporate body – a sole director or a board of directors), or
- A dual system (the management is entrusted to a directorate and to a supervisory board).

CENSORS AND AUDITORS

If a limited liability company has more than 15 shareholders, it has the obligation to appoint censors.

Joint stock companies are under the obligation to appoint either censors or auditors. The appointment of auditors is mandatory for joint stock companies which have implemented the dual system of administration.

BRANCHES

The branch registration procedure is in general similar to the registration of a Romanian company.

Branches must have a general manager (appointed by the parent company), who will represent the branch in dealings with third parties in Romania.

Branches are not allowed to include in their objectives other activities than those of the parent company.

REPRESENTATIVE OFFICES

Representative offices often represent the first step in starting a business in Romania, performing activities in the parent company's name. Representative offices are subject to an annual tax of approx. EUR 3,600 paid in Romanian currency, which means Ron 18,000.

5 – LABOUR

LEGAL FRAMEWORK

Conditions of labour and employment are affected by:

- The Romanian Labour Code – Law No. 53/2003, republished in 2011 and last updated in 2023;
- The National Collective Agreement.

DURATION

THE INDIVIDUAL EMPLOYMENT CONTRACT CONCLUDED FOR AN INDEFINITE PERIOD

This type of contract is regulated by art. 12 para. 1 of the Labour Code and represents the rule regarding the duration for which the individual employment contracts are concluded. This assumption is regulated by the Romanian law as a means of employee protection.

INDIVIDUAL EMPLOYMENT CONTRACT CONCLUDED FOR A FIXED PERIOD

In accordance with the provisions of art. 82-87 of the Labor Code, the individual fixed-term employment contract will be concluded in writing and will expressly contain the period for which the contract is concluded, a period that cannot exceed 36 months (3 years). Between the same parties, no more than 3 individual fixed-term employment contracts can be concluded successively. Individual fixed-term employment contracts concluded within 3 months of the termination of a previous fixed-term employment contract are considered successive contracts and cannot have a duration greater than 12 months each.

WORKING CONDITIONS

In Romania, the only contract agreed for labour relations is the labour contract.

From 1 January 2023, the **minimum national gross salary** is RON 3000 per month for full-time work.

PLACE OF ACTIVITY

ON-SITE

An employment contract is considered concluded for *on-site* work if the employee must perform his activity either at the employer's headquarters or one of its workstations.

WORK-FROM-HOME

The work-from-home contract implies that the employees must perform their duties at their domicile or place of residence. In this case, the employee sets his own work schedule, observing the deadlines and the number of hours provided in the contract.

TELEWORKING

Telework is the type of work organization through which the employee, on a regular and voluntary basis, fulfils the duties required by their position, occupation or job they hold in a place other than the workplace organized by the employer, using information and communication technology.

In Romania, there is also the **apprenticeship contract**. According to this contract, the employer will pay the employee a salary, but will also undertake to provide him with the necessary training for the job qualification, for a certain period.

In Romania it is provided also the **work through a temporary work agent**, according to which the work is performed by a temporary employee who performs the work for a final beneficiary, following the disposition of the temporary work agent.

WORKING HOURS

The standard working week is five days, eight hours per day. The maximum working time, including overtime, cannot exceed 48 hours per week. Overtime can be remunerated by free time or extra pay – at 75% of the gross salary.

In addition to the statutory holidays, employees are entitled to additional paid leave for special occasions and a minimum of 20 days annual paid vacation.

DISMISSAL

Clauses and grounds for termination are classified by the following:

- Termination by operation of the law;
- Agreement between parties on the agreed date;
- Unilaterally by either party, in certain cases and under restrictive terms and under the law;
- Dismissal;
- Resignation.

Resigning employees are required to give no more than 20 calendar days' notice (for non-managerial positions) and 45 calendar days' notice for managerial positions.

In cases of dismissal, the employer is required to give at least 20 calendar days' notice.

Non-Romanian citizens (from the European Union) are entitled to the minimum rights stipulated by the Romanian law concerning working hours at least, rest hours, minimum wage and labour protection.

TAXES AND SOCIAL SECURITY SYSTEM

In Romania, all employers and employees (as well as other categories of taxpayer) must contribute to the state's social, health and unemployment security system.

The employers have the obligation to calculate and withhold the tax related to the health insurance contribution owed by natural person who obtains income from salary and incomes assimilated to salary.

Social contributions to be paid by the employees; employees' contributions as a percentage of gross salary are:

- Social security (pension) contribution – 25%;
- Health fund – 10%;
- Income tax – 10%.

Employers' contributions are:

- Work insurance contribution – 2.25%

There is a special taxation regime applicable to the construction companies. The minimum gross salary in construction is RON 4000 and the contributions as a percentage of gross salary are:

- Social security contribution – 21.25%;
- Health fund – 0%;
- Income tax -0%.

Employers' contribution is only:

- Work insurance contribution – 2.25%.

Employers have the obligation to calculate and withhold income tax and social contributions owed by employees.

State budget contributions are payable by the 25th of the month following the month to which the salaries relate.

FOREIGN PERSONNEL

Foreign individuals receiving personal income sourced in Romania need to submit a fiscal application form to the Romanian tax authorities, in order to obtain a fiscal registration number.

The number of the residency permit will be used as a fiscal identification number upon registering with the Romanian tax authorities.

As a general rule, foreign individuals, unless the individual is a citizen of an EU member state working in Romania, need to apply for a Romanian work permit before obtaining a residency permit.

In order to obtain a work permit, a working visa should be obtained from the Romanian diplomatic mission, unless the foreign individual is a citizen of an EU member state. Foreign individuals whose stay in Romania exceeds 90 days within a six-month period need to apply for a temporary residency permit, unless a relevant international agreement or special law stipulates otherwise. EU citizens have to obtain registration certificates, instead of residency permits.

Prior to applying for a temporary residency permit, a visa from the Romanian embassy or consulate from the country of residence must be obtained, except for citizens of the EU, the United States, Canada, Japan, Liechtenstein, Norway and Iceland.

6 – TAXATION

CORPORATE INCOME TAX

The following entities are liable for corporate income tax:

- Romanian companies, except for taxpayers subject to the micro-enterprises tax, tax-transparent entities and certain institutions specifically defined in the Fiscal Code;
- Foreign companies doing business in Romania through a permanent establishment;
- Foreign companies and non-resident individuals doing business in Romania through a joint venture;
- Foreign companies which obtain revenues from real estate transactions or from transactions with shares of a Romanian company;
- Romanian individuals who form joint ventures with Romanian companies, for revenues derived in or outside Romania;
- Fiscal transparent entities, in situations that involve the existence of non-uniform treatments of the inverted hybrid elements.

The fiscal year generally follows the calendar year. Taxpayers may also choose to have a tax year which corresponds to the financial year, in case they have opted for a financial year that is different from the calendar year.

The standard corporate income tax is 16%.

For nightclubs and gambling operations, the corporate income tax rate cannot be lower than 5% of the revenues obtained from such activities.

Starting 1 January 2023, the **micro-enterprise** income tax system becomes optional for Romanian companies which have a turnover that does not exceed the RON equivalent of EUR 500,000 (until 31 December 2022 companies with turnover maximum of EUR 1,000,000 were qualifying for this system).

These special types of companies which have less than Euros 0.5 mil. turnover – classified as micro-enterprises – apply a special fiscal regime, with a tax rate of 3% of the total revenues earned, no matter the expenses if the company does not have employees. If the company has at least one full time employee, the tax is 1%.

All entities doing business in Romania are required to prepare accounts according to the calendar year. However, they can opt for a financial year different from the calendar year.

The law stipulates the obligation, in effect from 1 July 2013, for non-resident taxpayers performing business in Romania through one or several permanent establishments to have a designated permanent establishment in order to meet the requirements regarding profit tax.

Unless a double taxation treaty (DTT) applies, **fiscal relief** is provided through an ordinary fiscal credit for taxes paid abroad, which cannot exceed the profit tax computed by applying the Romanian profit rate of 16%.

Tax Losses can be carried over and recovered over a seven-year period of time. No adjustments for inflation are allowed in this respect. There is no carry back of losses. Changes in ownership do not affect carrying forward tax losses.

Taxpayers which have been subject to the micro-enterprises tax, having previously been corporate tax payers and recorded tax losses, and which subsequently become corporate tax payers once again, may carry forward their losses from the previous period as corporate tax payers starting from the date at which they have begun again to be subject to corporate tax. This loss may be carried forward for up to 7 years.

Tax returns and payments have to be submitted:

- On a quarterly basis by the 25th of the month following the relevant quarter;
- Annually:
 - o In general, by the 25th of the third month after the end of the tax year. During the period 2021-2025, the deadline for the submission of the annual corporate income tax return has been extended to 25 June of the following year (for the calendar fiscal year) or to the 25th of the sixth month after the end of the amended fiscal year;
 - o 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 and for taxpayers that obtain the most of their income from agriculture and viticulture.

For regular taxpayers, the advance payment system is optional.

Non-resident companies obtaining income from real estate property located in Romania or from the sale of shares held in a Romanian company are required to pay corporate income tax and submit a tax return.

Capital gains obtained by a Romanian company are included in ordinary profit and taxed at 16%. The provisions of a DTT prevail over the provisions of domestic 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 between related parties have to respect the principle of independent transactions. The Romanian tax authorities have the right to adjust the taxpayers' revenues or expenses, so as to respect the market value.

Large taxpayers which carry out transactions with related parties over certain significance criteria provided by law 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.

Large taxpayers carrying out transactions with related parties below the criteria provided by law, 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 control.

Although 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 controls.

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.

Romanian legislation has transposed the EU Directive 881/2016 on the submission of the **Country-by-Country report** and notification obligations relating to the identity and fiscal residence of the reporting entity, for companies that are part of a multinational group which has a total consolidated group revenue of at least EUR 750 million. When the headquarters of this type of group is resident in a country outside of the European Union, a secondary filing of the report in Romania may be needed. The fines for late or incomplete submission of the report are significant.

EU Public CbyC Reporting Directive was published and will apply for financial years starting on or after 1 January 2023, Romania being thus one of the Member States which opted for an early adoption of the rules. The legislation will apply to groups with consolidated net turnover exceeding RON 3.7 billion (equivalent of approximately EUR 747.5 million), for two consecutive financial years. The provisions of the Directive and of the local legislation will require multinational groups operating in the EU (that exceed the threshold mentioned) to publish certain information on their tax affairs. Practically speaking, in the absence of such reporting in many other Member States, the eligible Romanian subsidiaries / branches will need to carry out the reporting (as per current local legislation) prior to the groups reporting in other EU Member States

WITHHOLDING TAX

Withholding tax is generally applicable on the following income earned by non-residents from Romania: dividends; interests; royalties; commission fees; management or consulting fees; income from services rendered in Romania, except for international transport and related services; income earned from the supply of professional services in Romania, other than through a permanent establishment; income from sports or entertainment activities carried out in Romania; prizes granted from competitions organized in Romania; gambling income; income earned by non-residents from the liquidation of a resident; income representing the remuneration received by foreign legal entities acting as administrators, founders or members of the administration board of a resident.

The **tax rates** applied for non-residents are:

- 16% standard rate;
- 8% for dividends;
- 10% for the income earned by individuals resident in an EU Member State or in a state with which Romania has concluded a double taxation treaty.
- 50% tax rate applicable to the income paid in a country with which Romania has not entered into a legal act through which information can be exchanged, provided that the related transactions are deemed artificial.

Dividends paid by a Romanian company to another Romanian company or to a company from an EU member state are **tax exempted**, if the receiver holds at least 10% of the Romanian company shares for at least one year and is the real beneficiary of the dividends.

Interest/ royalties are also tax exempted 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 is the real beneficiary of the interest/royalties.

PERSONAL INCOME TAX

Taxpayers are:

- Resident natural persons;
- Non-resident natural persons conducting independent activities through a permanent establishment in Romania;
- Non-resident natural persons conducting dependent activities in Romania;
- Non-resident natural persons deriving specific income from Romania.

Income which is taxable in Romania includes:

- Salary income;
- Income from independent activities (including agriculture, sport activities, forestry and fisheries);
- Income from intellectual property rights;
- Rental income;
- Income from pensions, more than RON 2,000;
- Income from prizes and from gambling (progressive tax rates);
- Income from investments;
- Income from real estate transactions;
- Other sources.

The standard income tax rate is 10%.

Dividend tax is 8%. Dividends received in Romania by residents of the EU can be tax exempt if the EU resident company holds at least 10% of the registered capital of the undertaking which is a Romanian legal entity for an uninterrupted period of at least one year that ends on the date of payment of dividend.

Income from gambling is taxed between 3-40% depending on the earned amount. Income from prizes under 600 RON and income from casinos, poker clubs, slot-machines and lottery tickets under 66,750 RON is non-taxable.

Romanian individuals residents in Romania are subject to taxation on their worldwide income, except for salaries received from abroad for services performed abroad.

Romanians not residents in Romania and foreign individuals are subject to taxation only for income sourced in Romania. Income earned by non-residents is subject to a 16% withholding tax, unless provisions in a more favourable double taxation treaty (DTT) apply.

Income from savings (interest) received in Romania by non-residents is subject to a 16% withholding tax, unless more favourable DTT provisions apply.

Income from loan interest received in Romania by non-residents is subject to a 16% withholding tax, unless more favourable DTT provisions apply.

The criteria for qualifying a resident of Romania are where an individual:

- has a permanent home in Romania, which can be owned or rented or remain in any way available for said person and/or his/her family;
- has residence in Romania;
- has present in Romania for a period (or more periods) exceeding a total of 183 days, during any 12 consecutive months, ending in the current calendar year;
- is a Romanian citizen working abroad, as an official or employee of Romania in a foreign state;
- has the centre of their vital interests in Romania.

Foreign individuals who meet the third or the fifth criteria for three consecutive years are taxable in Romania on worldwide income as of their year of stay.

VALUE ADDED TAX (VAT)

The standard VAT rate is 19%.

There is a reduced VAT rate of 9% for:

- food, medicines for human and veterinary use, orthopaedic products, water for irrigation in agriculture, water supply and sewerage, fertilizers and pesticides supply used in agriculture, seeds and other agricultural products for sowing or planting, as well as specific categories of services in connection with agriculture
- accommodation, restaurants and catering services.

There is also a reduced VAT rate of 5% for:

- selling private houses (maximum 120 square metres and less than Lei 700,000 excluding the VAT) as part of the social policy;
- the right to use sport facilities, and transport for tourist purposes;
- supply of high value food, supplies of schoolbooks, magazines (irrespective of the format – paper or electronic);
- admission to castles, museums, zoos and botanical gardens, theatres, fairs, exhibitions, and cultural events,
- supply and installation of solar panels, supply and installation of highly efficient low emissions heating systems for housing including installation kits, components or full solutions (the same also applies for public buildings).

VAT registration is **optional** for companies with a turnover lower than 300,000 RON (88,500 euros based on the exchange rate on the date of Romania's accession to the EU).

A foreign taxable person that makes long-distance sales (mail order business) to any non-taxable person or a person not registered for Romanian VAT, must register for VAT in Romania if the total annual value of the goods or supplies exceeds EUR 10,000.

The VAT deduction right is limited to 50% for expenditure related to acquisition, maintenance and repair of vehicles (including leasing and rental), if the vehicles are not exclusively used for business purposes.

The companies which have a turnover of less than RON 4,500,000 in the previous year can apply the **VAT scheme upon collection** (i.e. deduction/collection of input/output VAT at the time of payment/cashing of consideration to/from suppliers/customers).

The reverse charge mechanism is applied for some domestic transactions (both the supplier and the client are VAT registered in Romania) with:

- Cereals and technical plants (certain categories);
- Ferrous or non-ferrous waste, waste from paper, textiles, rubber, plastic, glass and broken glass;
- Buildings, parts thereof and any type of land, if taxable, either by law or by option;
- Raw wood;
- Transfers of emissions of greenhouse gases and transfers of green certificates;
- Supplies of energy made to Romanian traders;
- Mobile phones, integrated circuit devices, games consoles, PC tablets and laptops.

The transfer of business (total or partial) is outside the scope of VAT if the both companies are VAT payer.

Services supplied by foreign companies to Romanian entities with the deemed place of supply in Romania are subject to Romanian VAT.

Regarding **payment of import VAT**, the general rule is that VAT on imports is paid to the customs authorities and deducted through the VAT return. Exceptions are provided by law. Import VAT is not due on importation for acquisitions of certain goods for which the domestic reverse charge is applicable, such as: cereals and technical plants, waste, raw wood, mobile phones, integrated circuit devices, games consoles, PC tablets and laptops.

Operations/items exempt from VAT include:

- Exports of goods
- International transport of passengers
- Certain operations performed in free trade zones and free warehouses
- Supply of foreign goods which are placed under temporary custom regimes
- Supply of goods and services to diplomatic missions, international organisations and NATO forces.

VAT-exempt operations include the following sectors:

- Banking, finance and insurance
- Medical and educational activities
- Rental of real estate properties and transactions with old buildings.

As a general rule, the **fiscal period is the calendar month**. For taxable persons/entities registered for VAT purposes whose previous year-end turnover did not exceed EUR 100,000 or if intra-community acquisitions of goods have not taken place, the fiscal period is the **calendar quarter**.

Any taxable person/entity who wishes to change the fiscal period shall submit an adjustment statement with the competent fiscal body within a maximum of five working days from the end of the month when the intra-community acquisition which generates this obligation becomes enforceable, and shall use the calendar month as the fiscal period, without having the possibility to come back to the use of the calendar quarter as the fiscal period.

VAT Return electronic submission should be made by the 25th of the month following the reporting period. Nil returns are required if no transactions.

There is **VAT group taxation** in Romania. The VAT grouping system rules do not exclude from the scope of VAT 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 an optimization of cash-flow.

Invoices for domestic supplies must be issued no later than the 15th business day of the month following the day when the supply of goods is performed.

The **invoice** must contain the minimum information required by law (Directive 2006/112/EC).

For B2B supplies of certain goods considered as high-risk by the tax authorities, the use of the **e-invoice platform** hosted by the authorities is mandatory for suppliers. For B2G, irrespective of the type of supply, reporting by means of an e-invoice is also mandatory.

For **high risk goods**, the reporting of the transport by means of the **e-transport system** is mandatory. High risk goods are: fruit and vegetables, clothing and shoes, beverages, certain construction materials, new buildings, certain ferrous products.

SAF-T reporting system was introduced in Romania and is mandatory for large taxpayers:

- From 1 January 2022, for taxpayers which were mentioned in the previous approved list by Tax Office;
- From 1 July 2022, for taxpayers which became large taxpayers as per the new list;
- From 1 January 2023, for middle sized taxpayers included in the list published in December 2022.

EXCISES

The Romanian Fiscal Code distinguishes between harmonised excisable products (alcoholic beverages, tobacco products and energy products) and other excisable products (coffee, natural fur products, jewellery, perfumery, yachts and leisure motor boats and hunting guns).

For harmonised excisable products, excises duties are due when the products are released for consumption. For other excisable products, excises duties are due when the actual delivery takes place.

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 supplier or by the buyer on the supplier's behalf) of the excise duties related to the goods that will be dispatched.

Exceptions/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.

The level of excise duties (excluding excise duties for cigarettes) is updated annually by the rate of inflation in the previous 12 months, calculated in September of the year before the new rates apply, and is published every year on the website of the Ministry of Finance no later than 31 December.

CUSTOM DUTIES

There are no customs controls, no formalities 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 applicable 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.

The applicable legislation on customs duties is the Union Customs Code ("UCC" - Regulation (EU) No. 952/2013 of the European Parliament and of the Council), along with related acts: the Delegated Act (Regulation (EU) No. 2015/2446 of the Commission) and the Implementing Act (Regulation (EU) No. 2015/2447 of the Commission).

LOCAL TAXES (PROPERTY TAXES)

The most common local taxes payable to the local authorities are on buildings, land and vehicles.

The tax on building (for legal entities) is:

- between 0.08% and 0.2% of the fiscal value for the residential building and
- between 0.2% and 1.3% of the fiscal value for the non-residential building.

This percentage is increased:

- 5% if the building has not been revaluated for fiscal purposes in the last five years.

In case of mixed use, we have the 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 purposes.

Owners of **land** are subject to land tax which is established at a fixed amount per square metre, depending on the rank of the locality where the land is located and the category of use of the land.

The **vehicles** are taxed on a rising scale for every 200cc with varying rates depending on the vehicle type.

ENVIRONMENTAL TAXES

In Romania we have environmental fund contributions payable which are in relation to:

- Packaging related to packed goods and tires placed on the Romanian market (i.e. produced, acquired from another EU Member State or imported), for the difference between the annual recycling/recovery targets set by law and the quantities of packaging waste entrusted for recycling recovery. These targets can be fulfilled by concluding a contract with an organization that implements the extended liability of the producer or individually, but only by recycling/ recovering packaging waste related to its own products;
- Environmentally hazardous substances, emissions of pollutants from fixed sources (e.g. factories, energy plants), depending on the type of pollutant;
- Semi-synthetic and synthetic mineral-based oils introduced on to the Romanian market;
- Electrical and electronic equipment ("WEEE") and for batteries and portable accumulators ("WB&A") placed on the national market for the difference between the quantities corresponding to the minimum WEEE/WB&A collection legal targets and the quantities actually collected;
- Transport bags, except those made of materials that meet the requirements of SR EN 13432: 2002 . Since the start of 2019, the commercialization of thin and very thin plastic shopping bags made from non-renewable materials has been prohibited.
- The sale of all types of waste.

7 – ACCOUNTING & REPORTING

ACCOUNTING

LEGAL FRAMEWORK

- The accounting Law No. 82/1991;
- Order of Ministry of Public Finance (OMFP) of Romania No. 1802/2014 ("Accounting regulations on individual annual financial statements and consolidated annual financial statements").

GENERAL RULES

Romanian companies and permanent establishments of foreign companies are required to organise and conduct their own accounting, including the preparation of interim and annual financial statements.

The financial year generally corresponds to the calendar year. Companies may choose for a financial year which is different from the calendar year.

Depending on provided criteria, in Romania are the following types of companies:

- **Micro-entities** are those that, at the date of the financial statements, do not exceed the limits of at least two out of the following three criteria:
 - Total assets: RON 1,500,000;
 - Net turnover: RON 3,000,000;
 - Average number of employees during the financial year: 10.

Micro-entities are required to submit only simplified financial statements and are not required to prepare explanatory notes to the annual financial statements but are required to present information about the accounting policies adopted.

- **Small entities** are those that, at the date of the financial statements, do not exceed the limits of at least two out of the following three criteria:
 - Total assets: RON 17,500,000;
 - Net turnover: RON 35,000,000;
 - Average number of employees during the financial year: 50.

Small entities are required to submit a simplified balance sheet, extended income statement and explanatory notes to the financial statements.

- **Medium-sized and large entities** are those that exceed the limits of at least two out of the following three criteria, for two subsequent years:
 - Total assets: RON 17,500,000;
 - Net turnover: RON 35,000,000.
 - Average number of employees during the financial year: 50.

Medium-sized and large entities are required to submit extended balance sheet, income statement and explanatory notes to the financial statements, statement of changes in equity and a statement of cash flows.

The preparation of consolidated financial statements is mandatory. But, under the OMFP 1802/2014, a parent company is **exempt from consolidation** if, at the date of the balance sheet, the entities to be consolidated do not exceed together the limits of two of three criteria:

- Total assets – RON 105,000,000;
- Turnover – RON 210,000,000;
- Average number of employees during the financial year – 250.

The annual financial statements should be accompanied by the management report, the audit report or the report of the audit committee, as appropriate, and by the proposal to distribute the profit or to cover the accounting loss.

Entities with an average of more than 500 employees at the date of the annual financial statements are required to include in the Administrator's report a non-financial statement containing basic information about the entity's commitment to environmental protection, social responsibility, ethical employment policies, respect for human rights, and to combating corruption and bribery.

Furthermore, companies that at the date of their annual financial statements for the previous year have a turnover in excess of EUR 1,000,000, equivalent in RON at the exchange rate valid for closure at the end of the year (published by the National Bank of Romania), are required to prepare and submit Half Yearly Accounting Reports for the current year.

The implementation of **International Financial Reporting Standards (IFRS)** is compulsory for legal entities that, at the balance sheet date, meet both of the following criteria:

- Have transferable securities accepted for trading on a regulated market;
- Must prepare consolidated financial statements.

According to Order no. 881/2012, companies the securities of which are accepted to be traded on a regulated market shall apply the IFRS when preparing individual annual financial statements. Order no. 1286/2012 is providing accounting regulations in compliance with the IFRS which are applicable to trading companies.

AUDITING

LEGAL FRAMEWORK

- Order of Ministry of Public Finance of Romania No. 1802/2014 ("Accounting regulations on individual annual financial statements and consolidated annual financial statements");
- Law No. 162/ 2017 regarding statutory audit of annual financial statements and consolidated financial statements.

Audit services may be performed only by financial auditors, individuals or legal entities, authorised by the Authority of Public Supervision of the Statutory Audit Activity (ASPAAS) and Chamber of Financial Auditors of Romania.

Generally, the financial statements of entities which meet the size criteria required to prepare a full set of financial statements should be audited by authorised auditors.

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 more of RON 16,000,000.

- Net turnover more of RON 32,000,000;
- Average number of employees during the financial year more of 50.

Audits carried out by financial auditors have to be performed under the IESBA Code of Ethics for Professional Accountants and the IAASB International Auditing Standards which have been adopted by ASPAAS and the Chamber of Financial Auditors of Romania.

8 – UHY REPRESENTATION IN ROMANIA

CONTACT DETAILS

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CONTACTS

Liaison contact: Camelia Dobre
Position: General Manager
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SOCIAL MEDIA CONNECTIONS

- Facebook: <http://facebook.com/uhyauditcd>

Year established: 2002
Number of partners: 1
Total staff: 16

ABOUT US

UHY Audit CD SRL adds value to client companies, works flexibly and openly with them, while maximising opportunities to reduce client tax within current Romanian legislation.

OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

We have contacts with the best fiscal consultancy and audit companies in all the regions of the country.

BRIEF DESCRIPTION OF FIRM

UHY Audit CD Srl was set up in 2002 by Camelia Dobre initially named Audit CD Srl; the company has the following objects of activity: audit, fiscal consultancy and accounting. It provides complete services for both foreign and local investors.

The company is currently ranged as a small/medium size enterprise, according to law no. 346/2004, and has been a member of the Romanian Association of Chartered Accountants since 2002. It joined the Romanian Chamber of Auditors in 2004 and the Romanian Fiscal Consultants Chamber in 2007.

The firm joined UHY in March 2007 when it also re-branded from Audit CD to UHY Audit CD Srl. UHY affiliation is regarded as a unique opportunity to boost the company's performance to international high quality standards and put to the test the professionalism and determination of the partners, staff and collaborators.

UHY AUDIT CD is ISO 9001 certified.

SERVICE AREAS

Audit
Fiscal consultancy
Accounting
Payrolls and human resources
Due diligence
Transfer Pricing

Labour law consultancy

Financial services

Training in audit and fiscal fields (profit tax; income tax; tax on incomes obtained from Romania by non-residents; VAT, Transfer Pricing)

SPECIALIST SERVICE AREAS

Audit, Fiscal consultancy (profit tax; income tax; tax on incomes obtained from Romania by non-residents; VAT), accounting, Payrolls and human resources, financial services. Training in audit and fiscal fields.

PRINCIPAL OPERATING SECTORS

Agriculture

Construction

Information Technology (IT) & services

Real Estate and Rental and Leasing

Retail

Gaming

Trading Companies

LANGUAGES

Romanian, English, French.

CURRENT PRINCIPAL CLIENTS

Compania Nationala de Investitii

Toya Romania

Samax Romania

Saaten Union Romania

Rocast

Luxottica SEE

Resider

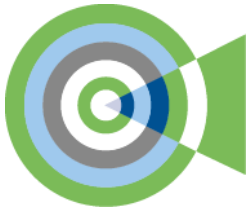
Analko Aluminium Industry

EuroMini Storage

Construx Formwork Systems

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Italy, Germany, Poland, Canada, Austria, UK, Greece, India, Hungary, Israel, Croatia, Switzerland, Slovenia, Bulgaria.



LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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