

Romania



Background

The general corporate income tax is 16%.

The legislative framework for the R&D tax incentive is in the Fiscal Code. Specific Norms providing guidance in the application of the law relating to research tax incentives have been jointly issued by the Ministry of Public Finance and the Ministry of Education Research and Innovation. A new order was issued in March 2015 modifying the specific Norms applicable to the incentive. The following description of the research tax incentives reflects the specific Norms that have been adopted.

Nature of incentives

Romania offers a 150% super deduction for eligible R&D expenditure. In light of the corporate income tax rate of 16%, the R&D tax incentive provides tax savings of 8% of the qualifying costs.

Additionally, accelerated depreciation for equipment and devices used in R&D activity of up to 50% of the fiscal value of the asset may be deducted during the first year of use. The remaining fiscal value of the asset is depreciated over the remaining useful life.

Eligible industries and qualifying costs

The super deduction is provided to Romanian taxpayers (e.g., legal entities tax resident in Romania or PEs of foreign entities) who conduct in-house R&D activities or participate in collaborative R&D through partnerships or associations as long as they have the right to use the research results in their business, e.g., selling products developed through R&D, selling the results of the R&D or exploiting the resulting IP in some other way.

Where part of the R&D activities are performed by a third party, the party paying for the research can treat the amount paid as a qualified research expense.

The R&D activities must be creative activities that bring a significant element of novelty in resolving scientific or technological uncertainty, i.e., the solution should not be obvious for a competent professional in the field.

Eligible types of R&D activities are:

- Applied research undertaken to acquire new knowledge for the development of new products, processes or services or for the significant improvement of existing products, processes or services. This includes the creation of components for existing complex systems and may include the construction of prototypes or pilot-lines when this is necessary for the industrial research

Romania currently offers a super deduction of 150% of eligible expenses.

and, especially for the validation of new processes, products and services.

- Technological development work, drawing on existing knowledge gained from research and/or practical experience, which is directed to obtaining new materials, products, processes, systems and services, or to improving substantially those already in existence. The definition includes the development of the experimental model/prototype that cannot be used for commercial purposes, as well as system engineering activities, engineering and technological designs.

Expenses eligible for the R&D incentives are the following:

- Depreciation and rental expenses of new tangible and intangible fixed assets that are used by taxpayers in R&D activities (accelerated depreciation also may be applied for the equipment used for R&D activities);
- Salaries of personnel directly involved in R&D activities and related expenses;
- Maintenance and repair costs for tangible and intangible assets used for the R&D activities;
- Operating expenses, including expenses for contractor fees, costs of consumables, expenses for materials that are included in inventory, raw materials expenses, expenses for animals used in experiments, and similar products used in R&D activities;
- Overhead expenses that can be allocated directly or proportionally to the results of an R&D activities.

The above expenses must be incurred in connection with qualified research activities.

The R&D deduction is applicable even if R&D expenses are capitalized according to the accounting regulations.

No industry sectors are expressly excluded.

IP and jurisdictional restrictions

The R&D activities may be carried on in Romania or in other EU/EEA countries.

There is no specific restriction on the IP.

Other concerns

Tax incentives for R&D activities are granted separately for each project.

Documentation requirements apply as from March 2015. Taxpayers must provide documentation describing the research at the project level detailing the objective, period, field of research, financing, type of result and the novelty

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component of the research project. The documentation need not be submitted to the tax authorities for pre-approval, but the tax authorities will examine the documentation during a tax audit.

Additional deductions related to R&D expenses must be presented on a separate row in the annual profits tax return and separately in the Profits Tax Register. There is no specific administrative requirement for the accelerated depreciation method.

The taxpayer may obtain certification/expertise regarding its eligibility for the tax incentives, but this is not mandatory.

Romania

Nature of benefit available	Income tax benefit generally available	Specific pre-approval required from government	Refundable/ Carryforward
Super deduction and accelerated depreciation	<ol style="list-style-type: none"> 1. A 150% super deduction for the eligible research and development/related expenses. 2. Accelerated depreciation for equipment and devices used in R&D. 	No	No
R&D activities must occur in country	Cap/Limitations on benefits	IP must be retained in country	Industry eligibility restriction
Yes, R&D activities must take place in Romania or an EU/EEA member state.	Yes	No	No