



## Tax&Legal Highlights

### Romania

#### Legislative measures with major impact approved by GEO at the end of last year

The Government has approved the Emergency Ordinance no 114/2018 which introduces a series of legislative changes with impact on the financial services, electricity, gambling, telecommunications, amongst others.

The published emergency Ordinance brings a few minor changes as compared to the draft published on December 18 and summarized in [our newsletter sent on 21 December 2018](#):

- A tax on the assets of financial institutions – the rate is progressive, and is determined according to ROBOR;
- Set-up of a minimum contribution for granting and extending the licenses for telecommunications providers;
- A new tax for gambling organizers;
- Freezing of the gas selling price by 2022 to 68lei/MWh;

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- New rules for setting tariffs and contributions owed by electricity operators;
- Increasing the financial contribution of electricity operators;
- Indexation of local taxes and fees;
- Tax incentives for employees in the construction sector;
- Substantial changes to pension pillar II.

Read the entire alert [at this link](#).

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### EU-Japan Free Trade Agreement will enter into force on the 1st of February, 2019

**Signed on 17th of July at Tokyo, the FTA will reduce or remove most part of the customs duties applicable for the trade of goods originating from the two territories. Registration in the REX system is necessary in order to be able to issue the proof of origin.**

When entering into force, the Agreement will remove most of the customs taxes applicable to the trade of goods originating from EU member states and Japan.

Among the goods that will have customs taxes reduced or gradually removed, we mention:

- wines (a 15% customs tax is currently applicable);
- dairy products (a 30% customs tax is currently applicable);
- motor vehicles (a 10-16% customs tax is currently applicable);
- fruits;
- cosmetics/textile products.

In order to be able to take advantage of preferential treatment (either reduced or no customs duties at import) the goods must have been wholly obtained or sufficiently processed (in EU or Japan).

The proof of origin, which must be used according to the Agreement, is the "origin statement" that can be issued on the invoice or on any other commercial document. Thus, for being able to issue such a statement of origin, the importers/ exporters have to be registered in the Registered Exporter system (REX).

**What does this mean for you?**

If you purchase goods originating from Japan it is possible that, starting with the 1<sup>st</sup> of February, 2019, you can benefit from reduced or even no customs taxes. We recommend that you require from the suppliers the proof of origin and to ensure that they are registered in REX system.

If you export goods originating from EU towards Japan, we recommend that you register in the REX system as soon as possible in order to be able to issue the origin declaration.

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**The amendments to the Tax Code and the Fiscal Procedure Code**

**A series of amendments, completions are introduced by Law no. 30/2019 published at January 17, 2019:**

- **Additional conditions for granting sponsorships for corporate tax payers;**
- **Amendments of the thresholds regarding interest deductibility and other equivalent costs;**
- **The regulation of income obtained from virtual currency transfers and the tax base calculation method for this type of income;**
- **The redistribution of the amount representing up to 3.5% from the income tax due on certain types of income to nonprofit entities, cult units and private scholarships;**
- **Amendments on the moment when it is allowed the adjustment of the VAT taxable amount in case of the bankruptcy of the beneficiary;**
- **Amendments on the application of the 5% VAT rate for the supply of residential housing as part of social policy;**
- **Amendments to the Fiscal Procedure Code, establishing the legal framework applicable to the criteria according to which the taxpayers are classified as fiscal risk categories.**

The full text of the alert can be found [at this link](#).

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## The EU alarm signal on computation of goods origin

**Almost 40% of EU exporters face difficulties in performing computation of goods origin and 70% have difficulties in obtaining the supplier declaration, shows a study performed by the European Commission in 2018 on origin rules application at exporter level.**

The answers received from EU exporters from different fields of activity, upon an EU Commission survey, shows several factors that may influence the use of tariff preferences regulated by the free trade agreements concluded between the EU and its partners.

- 37% of the respondents found rules of origin a burdensome (based on various criteria) requirement when exporting under EU FTAs.
- 44% replied that they would need more explanation on product specific rules and provided several suggestions how to improve the available information (e.g. practical examples, glossary, information in mother tongue and easier access to legal texts).
- 70 % declared that they have mainly difficulties to obtain supplier declarations and face problems with procedural requirements before exporting
- 47% of the respondents are aware of the possibility to request Binding tariff information, 19% know about Binding Origin Information but do not use it, 22% are not aware but would be interested to use it.

Given the unwanted implications of an erroneous origin computation (rejection of the origin proof by importing country), we recommend you to ensure that your origin computation is accurate. Also, we recommend in using the means of securing the origin computation provided by the EU legislation (obtaining of Binding Origin Information from customs authorities).

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