



## Global Rewards Update

# Romania – Changes to the taxation of restricted share units

### Introduction

There have been changes to the tax treatment of Restricted Share Unit (RSU) type awards granted to employees in Romania effective from 1 January 2016 for awards vesting after that date. Previously, income tax and social security were due at vesting/delivery on the market value of the shares at that date. However, the changes introduced on 1 January 2016 will impact the tax treatment of some RSUs as set out below.

### Changes to the tax treatment

Following the changes, RSUs with a vesting period of more than one year will now be taxable at the date of sale and subject to capital gains tax at this point. The sales proceeds are also subject to health insurance contributions (if the employee has not reached the cap with other income, e.g. salary).

Under the previous treatment for RSUs any income tax and social security due at vesting/delivery was subject to withholding by the employer where there was a recharge to the local entity in Romania. Under the new treatment there is no withholding requirement for the employer as the amount is not subject to tax until the point of sale. The employee will be required to report the sale of the shares and pay any tax due in their annual tax return.

In order to qualify for this treatment, RSUs must be share-settled and the vest date must be on or after 1 January 2016.

Cash-settled RSUs, and share-settled RSUs with a vesting period of less than one year, will remain taxable at the date of vesting/delivery and subject to employer withholding in line with the previous rules.

## Deloitte's view

This change to the tax treatment of RSUs will now align with the existing position for stock options. This is a welcome change for employers as they will no longer be required to withhold or report for RSUs with a vesting period of more than one year (reducing their administrative burden) in many circumstances.

Companies will need to consider when a withholding obligation may still be applicable with regards to cash-settled RSUs or share-settled RSUs with a vesting period of less than one year.

## Contacts

For assistance with these issues, or any other issue related to the operation of your global equity plans, please contact your usual Deloitte adviser or email us at [globalshareplans@deloitte.co.uk](mailto:globalshareplans@deloitte.co.uk), and an adviser will contact you.

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