

International Tax Romania Highlights 2021

Updated January 2021



Recent developments

For the latest tax developments relating to Romania, see [Deloitte tax@hand](#).

Investment basics

Currency: Romanian New Leu (RON)

Foreign exchange control: The RON is fully convertible, and residents may make external payments in foreign currency (with banks generally requiring documentation).

Accounting principles/financial statements: Romanian accounting standards follow the fourth and seventh EU directives. IFRS is accepted as a second set of financial statements for certain companies. Banks, financial institutions, and companies whose securities are traded on a regulated capital market must apply IFRS for accounting purposes.

Principal business entities: These are the joint stock company, general partnership, limited partnership, limited partnership by shares, limited liability company, branch of a foreign company, and representative office.

Corporate taxation

Rates

Corporate income tax rate	16%
Branch tax rate	16%
Capital gains tax rate	16%

Residence: A company is resident in Romania if it is incorporated in accordance with Romanian legislation or if its place of effective management is in Romania. The definition of resident also includes legal entities headquartered in Romania but incorporated under EU rules (e.g., the *Societas Europae* and European cooperative).

Basis: Resident companies are taxed on their worldwide income; nonresident companies are taxed only on Romania-source income. Branches are taxed in the same way as subsidiaries. The corporate income tax base is the difference between the gross income and expenses booked in accordance with the applicable accounting rules, reduced by nontaxable income and increased by nondeductible expenses. Items similar to income and expenses also are taken into account.

Taxable income: All income generally is taxable, except for income that is specifically exempt (e.g., certain dividends; see “Participation exemption,” below).

Rate: The standard corporate tax rate is 16%. Micro enterprises (i.e., small companies that meet certain criteria and have a turnover below EUR 1 million) are taxed at 1% or 3% of revenue (except income specifically excluded by law). All newly established Romanian companies initially qualify as micro enterprises.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividend income received by a Romanian legal entity from another Romanian legal entity is not taxable. Dividends received by a Romanian legal entity from a foreign legal entity generally are included in taxable income and taxed at the standard corporate tax rate.

Dividends may be exempt from taxation under certain circumstances (see “Participation exemption,” below).

Capital gains: Gains derived by resident and nonresident entities from the sale of shares and real estate are included in overall profits and taxed at the standard corporate tax rate of 16%. However, certain capital gains may be exempt (see “Participation exemption,” below).

Losses: Losses may be carried forward for seven years. The carryback of losses is not permitted.

Foreign tax relief: A foreign tax credit is granted if provided in a tax treaty between Romania and the relevant jurisdiction and if the taxpayer can demonstrate that income tax was paid abroad. The tax credit may not exceed the Romanian tax payable on the income.

Participation exemption: Dividends derived by a resident company from a company in an EU member state or a non-EU country that has concluded a tax treaty with Romania are exempt from tax if the Romanian recipient company holds at least 10% of the payer company's shares for an uninterrupted period of at least one year.

Capital gains from the sale/assignment of shares held in a Romanian entity are tax exempt if the seller/assignor holds at least 10% of the shares in the entity for an uninterrupted period of at least one year. A tax exemption also applies to income arising at the level of a Romanian entity from the sale, assignment, valuation, or revaluation of shares held in a Romanian entity or a foreign legal entity located in a country that has concluded a tax treaty with Romania.

Income obtained by a resident company from the liquidation of a Romanian entity or a foreign legal entity located in a country that has concluded a tax treaty with Romania is not taxable in Romania if the resident company holds at least 10% of the share capital of the legal entity that is undergoing the liquidation procedure for an uninterrupted period of at least one year.

Holding company regime: See “Participation exemption,” above.

Incentives: The following corporate income tax incentives are available: an additional 50% deduction for eligible expenses arising from research and development (R&D) activities; accelerated depreciation of machinery and equipment used in R&D activities; a corporate tax exemption for profits reinvested in certain technological equipment acquired and brought into use; and a 10-year corporate income tax exemption for taxpayers engaged exclusively in R&D and innovation activities.

Compliance for corporations

Tax year: The tax year is the calendar year, although taxpayers can opt for a fiscal year corresponding to the entity's financial accounting year. Romanian subsidiaries of foreign companies that have a different financial accounting year may modify the date set for the completion of their financial statements only if the parent company adjusts its reporting date or is subject to reorganization procedures.

Consolidated returns: Consolidated returns are not permitted for 2021; each company must file a separate return. Fiscal consolidation for corporate income tax purposes will be available under certain circumstances as from 2022.

Filing and payment: Corporate income tax compliance is carried out on a quarterly basis, followed by the final year-end computation, declaration, and payment of tax. Corporate income tax is computed and paid on a quarterly basis based on actual figures. Quarterly returns and payments are due by the 25th day of the month following the reporting quarter (applicable for the first three quarters). The annual corporate income tax should be computed, declared, and paid by the 25th day of the third month following the tax year (25 March if the tax year follows the calendar year).

Certain taxpayers may opt to declare and pay corporate income tax by applying the "prepayment system" (i.e., payments equal to one-quarter of the annual corporate income tax liability for the previous fiscal year, adjusted for the consumer price index). At year end, the taxpayer computes the annual corporate income tax liability based on actual figures and pays any difference.

Nonresident legal entities that carry out activities in Romania through multiple permanent establishments (PEs) must designate a PE to fulfill the corporate income tax obligations (i.e., prepare a single set of returns consolidating income and expense items of all the Romanian PEs of the nonresident).

Penalties: Late payment of tax is subject to interest at a rate of 0.02% per day of delay, with an additional late payment penalty of 0.01% per day of delay. An additional penalty of 0.08% per day applies to unreported or erroneously reported tax amounts. The late payment penalty does not apply to the main tax liabilities for which the law provides for a nondeclaration penalty.

Rulings: Advance tax rulings are available. Advance pricing agreements (APAs) also are available (see "Transfer pricing," below).

Individual taxation

Rates	
Individual income tax rate	10%
Dividend tax rate	5%
Capital gains tax rate	10%

Residence: An individual is resident in Romania where the individual fulfills at least one of the following conditions: the individual's domicile is in Romania; the individual's center of vital interests is in Romania; the individual is present in Romania for a period or periods that exceed, in the aggregate, 183 days during any consecutive 12-month period ending in the relevant calendar year; or the individual is a Romanian citizen who is serving abroad as an official or employee of Romania.

Basis: Resident individuals are taxed on their worldwide income, irrespective of the type or source of income; nonresidents are taxed only on Romania-source income.

The Romanian tax authorities determine an individual's tax residence using a specific procedure. All individuals entering or leaving Romania for a period exceeding 183 days within 12 consecutive months must submit a questionnaire along with supporting documents to the Romanian authorities. The deadline for submitting the questionnaire relating to entry into the country is within 30 days of reaching 183 days of physical presence in Romania, while the questionnaire relating to departure must be submitted at least 30 days before the departure date. A fine ranging between RON 50 and RON 100 will be imposed for late submission of the documentation.

Taxable income: All salaries and related income are subject to tax. The taxable income of employees under an employment contract is determined as the difference between gross income from salaries (including salary-related allowances and benefits in kind) and allowable personal deductions, union dues paid, mandatory social contributions payable by the employee, and contributions to private pension/private health insurance funds (including subscriptions to private medical services paid directly by the employee). Contributions to each fund are limited to EUR 400 per year per employee.

Rates: A flat rate of 10% applies. Dividend income received by a Romanian resident is taxable at a special rate of 5%. Taxable income from the sale of real estate is taxed at a rate of 3% (with a flat deduction of RON 450,000 allowed when computing the taxable income).

Capital gains: Capital gains generally are taxed at the standard individual income tax rate (but see "Rates," above).

Deductions and allowances: There are certain allowances for children and personal deductions for taxable persons with dependents.

Foreign tax relief: Romanian tax residents can claim a foreign tax credit in Romania, if provided in a tax treaty between Romania and the relevant jurisdiction and if the taxpayer can demonstrate that income tax was paid abroad. The tax credit may not exceed the Romanian tax payable on the income.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Each taxpayer must file a tax return; joint filing is not permitted.

Filing and payment: Personal income tax returns are due by 25 May of the following year and 25 May of the current year for estimated income. The payment deadline is 25 May of the following year.

Tax returns relating to salary-type income earned from a Romanian employer or for such income earned abroad for activities performed in Romania are due by the 25th day of each month for salary derived in the previous month; the employer must remit the tax to the authorities.

The salary tax is flat and final. Generally, no year-end reconciliation via an annual tax return is required for salary income but certain exceptions apply.

Penalties: Late payment of tax is subject to interest at a rate of 0.02% per day of delay, with an additional late payment penalty of 0.01% per day of delay. An additional penalty of 0.08% per day applies to unreported or erroneously declared tax amounts.

Rulings: An advance ruling system exists, allowing individuals to obtain a tax ruling on a proposed transaction, but is rarely used in practice.

Other: Currently, there are tax incentives applicable for employees performing software development or R&D activities, and for employees working in the construction field, provided that certain criteria are met both at the level of the employee and employer.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	5%	0%
Interest	0%	0%	16%	0%
Royalties	0%	0%	16%	0%
Fees for technical services	0%	0%	16%	0%

Dividends: No withholding tax is imposed on dividends paid to a resident company, or to a resident or nonresident individual. The general withholding tax rate on dividends paid to a nonresident company is 5% unless the rate is reduced under a tax treaty or the dividends qualify for exemption under the EU parent-subsidiary directive (a minimum 10% holding for an uninterrupted period of at least one year is required).

Interest: No withholding tax is imposed on interest paid to a resident company, or to a resident or nonresident individual. A 16% withholding tax is imposed on interest paid to a nonresident company unless the rate is reduced under a tax treaty or the interest qualifies for exemption under the EU interest and royalties directive (a minimum 25% holding for an uninterrupted period of at least two years is required).

Royalties: No withholding tax is imposed on royalties paid to a resident company, or to a resident or nonresident individual. A 16% withholding tax is imposed on royalties paid to a nonresident company unless the rate is reduced under a tax treaty or the royalties qualify for exemption under the EU interest and royalties directive (a minimum 25% holding for an uninterrupted period of at least two years is required).

Fees for technical services: No withholding tax is imposed on fees for technical services paid to a resident company, or to a resident or nonresident individual. All types of services performed in Romania by a nonresident entity for the benefit of a Romanian company are subject to a 16% withholding tax. Management and consultancy services performed by a nonresident entity for the benefit of a Romanian company are subject to a 16% withholding tax regardless of where the services are performed. The rate may be reduced under a tax treaty.

Branch remittance tax: There is no branch remittance tax.

Other: A 50% withholding tax is levied on payments made to an entity or person located in a jurisdiction that has not concluded an exchange of information agreement with Romania if the payment is subject to withholding under Romanian legislation and is made in relation to an artificial transaction.

Anti-avoidance rules

Transfer pricing: Romania's transfer pricing rules generally follow OECD guidelines (including specialized guidance for financial transactions and guidance on the transfer pricing implications of the COVID-19 pandemic), although certain local requirements apply regarding the content and structure of the transfer pricing file, the application of transfer pricing methods, and the strategy used to conduct benchmarking studies.

Romania's transfer pricing legislation provides for specific transfer pricing documentation requirements based on the category of taxpayer (either large, or small and medium-sized) and the annual value of intercompany transactions per type of transaction.

Large taxpayers carrying out intragroup transactions exceeding certain thresholds (i.e., EUR 200,000 for interest received/paid for financial services rendered/received, EUR 250,000 for other services, and EUR 350,000 for purchases/sales of tangible or intangible assets) are required to prepare an annual transfer pricing file by the date of submission of the annual corporate income tax return. The transfer pricing file must be submitted within 10 days of a specific request by the tax authorities either during a fiscal inspection or outside such process.

For other categories of taxpayer, the transfer pricing file is required to be submitted only if requested by the tax authorities during an audit.

The transfer pricing documentation should be submitted in the Romanian language and all supporting documents in a foreign language should be translated into Romanian by a certified translator.

A taxpayer's failure to comply with the obligation to prepare the transfer pricing file under the statutory terms and conditions and/or with the obligation to submit the transfer pricing file at the request of the tax authorities could trigger a fine between RON 12,000 and RON 14,000 for medium and large taxpayers and between RON 2,000 and RON 3,500 for other companies and individuals.

Where intragroup transactions are not carried out in accordance with the arm's length principle, the Romanian tax authorities have the right to adjust the taxpayer's revenue and expenses to reflect the market value. A taxpayer's failure to submit the transfer pricing file or the submission of an incomplete file triggers the possibility that the tax authorities will estimate/adjust the transfer prices by using the median value of market prices. The additional taxable profits resulting from transfer pricing adjustments are subject to the standard 16% corporate income tax rate and related late payment interest and penalties.

An APA may be obtained for up to five years. By exception, an APA may be issued for a longer period in case of long-term agreements. The deadline for issuing an APA is up to 12 months (for unilateral agreements) and up to 18 months (for bilateral or multilateral agreements) from the date an APA request is submitted. The fee for issuing or amending an APA varies, depending on the taxpayer's classification.

Country-by-country (CbC) reporting obligations also apply (see "Disclosure requirements," below).

Interest deduction limitations: The limitation rules provided by the EU Anti-Tax Avoidance Directive (ATAD) have been implemented into Romanian tax legislation. Under these rules, "exceeding borrowing costs" (the difference between borrowing costs and interest income and other economically equivalent income) are deductible up to a threshold of EUR 1 million plus 30% of tax adjusted EBITDA, i.e., earnings before interest, tax, depreciation, and amortization. The amounts exceeding the limit are nondeductible in the current year but may be carried forward for an indefinite period; the same rules apply where there is negative EBITDA.

Controlled foreign companies: Romania has implemented the ATAD provisions for controlled foreign companies (CFCs). Romanian corporate income taxpayers that control a foreign company must include certain income of the CFC in their taxable base. An entity is considered a CFC if the following conditions are simultaneously met:

- The taxpayer has, alone or together with its associated enterprises, a direct or indirect participation of at least 50% of the voting rights or holds, directly or indirectly, at least 50% of the entity's share capital or has the right to receive at least 50% of the foreign company's profits; and

- The corporate income tax effectively paid by the foreign entity is less than the difference between the corporate income tax that would have been imposed under Romanian tax rules and the corporate income tax effectively paid.

The CFC rules apply to the following types of revenue:

- Dividends, interest, royalties, and capital gains;
- Income from finance leases, insurance activities, and banking activities; and
- Services income relating to goods and services purchased from and sold to associated enterprises, in cases where the services carried out add little or no economic value.

Hybrids: EU Directive 2017/952 regarding hybrid tax mismatches that occur in cross-border transactions has been implemented in Romanian tax legislation as from 2020, establishing a series of regulations regarding the corporate income tax obligations of taxpayers that are party to hybrid mismatch arrangements.

Economic substance requirements: The Romanian tax authorities may disregard a transaction or reclassify the nature of a transaction to reflect economic substance if they take the view that the transaction is artificial or would not form part of an entity’s regular business. Tax treaties and EU directives are not applicable in cases of artificial transactions.

Disclosure requirements: Transfer pricing documentation requirements apply (see “Transfer pricing,” above).

A parent company or other reporting entity that is resident in Romania and is part of a multinational enterprise (MNE) group with consolidated income exceeding EUR 750 million is required to submit a CbC report for each reporting year, subject to certain conditions.

Romanian resident constituent entities that are part of MNE groups meeting the criteria for CbC reporting must file an annual notification indicating the party that will prepare and file the CbC report. The notification must be filed by the last day of the MNE group’s reporting fiscal year, but no later than the deadline for the submission of the annual corporate income tax return for the respective constituent entity for the previous fiscal year.

Late submission of the CbC report or the transmission of incorrect or incomplete information may result in a fine between RON 30,000 and RON 50,000, and failure to submit the report may result in a fine between RON 70,000 and RON 100,000.

On 31 January 2020, the provisions of EU Directive 2018/822 regarding the mandatory and automatic disclosure of information in the tax field in relation to reportable cross-border arrangements (DAC 6) were transposed into Romanian law.

Exit tax: Under Romania’s exit taxation rules, capital gains derived from the disposal of assets, a change in tax residence, or the transfer of a business carried out through a PE to another jurisdiction are subject to a 16% exit tax when the taxation rights concerning those assets are no longer allocated to Romania. If the transfer is made to an EU or EEA member state, the exit tax may be paid in installments over a five-year period if certain conditions are fulfilled.

General anti-avoidance rule: See “Economic substance requirements,” above.

Value added tax

Rates	
Standard rate	19%
Reduced rate	5%/9%

Taxable transactions: All transactions falling within the scope of VAT and carried out for remuneration by a taxable person in the course of an economic activity are considered taxable transactions. These include the following:

- Supplies of goods or services performed in Romania by a taxable person;
- Intra-Community acquisitions of goods from another EU member state;
- Acquisitions of general business-to-business (B2B) services taxable in Romania, from EU and non-EU suppliers; and
- Imports of goods into Romania.

Rates: The standard 19% VAT rate applies to all supplies of goods or services, unless a specific measure provides for a reduced rate or an exemption.

The following are examples of goods and services taxable at the 5% VAT rate:

- Books, newspapers, magazines, and school manuals (except those intended exclusively for publicity);
 - Hotel and similar accommodation, including the rental of land for camping;
 - Restaurant and catering services (excluding alcohol, except for draught beer); and
 - Access to museums, castles, cinemas, zoological and botanical gardens, amusement and recreational parks, and sporting events; and
 - Purchase of housing for social policy reasons, if certain conditions are met.
- The following are examples of goods and services taxable at the 9% VAT rate:
- Prostheses of any type and accessories (except dental prostheses);
 - Orthopedic products;
 - Medicines for human and veterinary use;
 - Food (excluding alcohol) having certain classification codes; and
 - Fertilizers, seeds, and other agricultural products intended for sowing or planting, as well as supplies of services, such as those specifically used in the agricultural sector.
- The following are examples of goods and services that are exempt with credit under specific rules:
- Exports of goods;
 - Transport services and other services directly linked to exports of goods;
 - International transport of passengers;
 - Intra-Community supplies of goods; and
 - Until 31 December 2022, various supplies and services in connection with the COVID-19 pandemic, including the supply of diagnostic kits and vaccines together with related services (i.e., vaccination and medical testing services), and intra-Community acquisitions of Remdesivir.

The following are examples of exempt supplies of goods and services:

- Specific banking and financial operations;
- Insurance and reinsurance;
- Medical services; and
- Education.

Certain imports by taxable persons registered for VAT purposes in Romania are not subject to VAT at the time of import but are reported in the VAT return and taxed via the reverse charge mechanism, including wood, grain, mobile phones, electronic devices, game consoles, tablets, computers, and laptops. The reverse charge mechanism also applies to VAT payable on imports by economic operators holding a VAT deferral certificate and an AEO authorization, and by economic

operators authorized to lodge a customs declaration in the form of an entry in the declarant's records, and to the supply of gas and electricity to distributors.

Registration: The VAT registration threshold is turnover of RON 300,000 per year and applies only to taxable persons established in Romania. Taxable persons having the seat of their economic activity in Romania with an annual turnover not exceeding the threshold are eligible for a special VAT exemption regime. However, they may opt to register for VAT purposes. A taxable person having the seat of its economic activity outside Romania must register for VAT purposes if it undertakes any of a range of activities, such as the following:

- Intra-Community acquisitions of goods in Romania;
- Intra-Community supplies of goods in Romania;
- Transfers of its own goods to Romania;
- Sending goods to Romania from another EU country for processing with the finished products not returning to the EU country of dispatch;
- Distance sales exceeding the annual threshold of EUR 35,000; or
- Exports of goods.

As from 1 April 2021, taxable persons neither established nor registered for VAT purposes in Romania may appoint a global fiscal representative in customs for imports followed by intra-Community supplies of goods.

Filing and payment: VAT returns must be submitted on a monthly basis. Quarterly payments and filing are available for taxable persons with an annual turnover of less than EUR 100,000.

The deadline for the submission of the Romanian VAT return is the 25th day of the month following the end of the return period.

An optional VAT cash accounting system is available, under which local suppliers established in Romania with annual turnover below RON 4.5 million are required to collect VAT only when their invoices are paid.

VAT consolidation between qualifying related parties is allowed (under certain conditions).

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security: An employer is required to pay an employment insurance contribution of 2.25% of the employee's total gross salary. In addition, in certain cases, the employer is required to pay a pension contribution at a rate of 4% or 8% of the gross salary.

Contributions also are due by the employee, although the compliance procedure remains the responsibility of the employer. The mandatory employee contributions are a pension contribution of 25% and a health insurance contribution of 10%, which are deductible for income tax calculation purposes.

All other types of taxable private income (e.g., income from freelance activities, investment, rental, and other sources) are subject to a health insurance contribution of 10% if the total amount of income derived from all these types of activities is at least 12 times the national minimum salary. The minimum national salary is RON 2,300 per month; therefore, the minimum resulting contribution is RON 2,760 per year.

A 25% pension contribution applies on income from independent activities where the net income represents at least 12 times the national minimum salary. The computation base for the pension contribution is the “insured income” (an amount chosen by the individual, to which the pension contribution rate is applied, which cannot be less than 12 times the national minimum salary).

Payroll tax: An employer is required to compute and withhold tax on salaries on a monthly basis and remit the tax to the Romanian state budget by the 25th day of the month following the month in which the salaries/income are paid.

Capital duty: There is no capital duty.

Real property tax: Under Romanian tax legislation, specific taxes paid to local budgets are in place for real estate properties.

- Building tax applies based on the purpose for which the building is used (residential, nonresidential, or mixed). The tax rate is applied to the taxable value of the building, and ranges from 0.08% to 0.2% for residential buildings and from 0.2% to 1.3% for nonresidential buildings.
- Land tax is computed considering certain criteria such as number of square meters, value per square meter, the rank of the locality where the land is located, land category, etc.

Transfer tax: There is no transfer tax.

Stamp duty: There is no stamp duty.

Net wealth/net worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: No tax applies where property is passed during the first two years after death; otherwise, a 1% tax is imposed on the value of the property.

Other: Depending on the nature of the taxpayer's business, other taxes may apply (e.g., specific taxes for the energy sector, the food service sector, and pharmaceutical industries).

Certain environmental taxes are payable to the environmental fund authorities.

Tax treaties: Romania has concluded tax treaties with approximately 90 countries. Romania signed the OECD multilateral instrument (MLI) on 7 June 2017. For information on Romania's tax treaty network, visit [Deloitte International Tax Source](#).

Tax authorities: National Agency for Tax Administration

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