



Romania

# FDI in Romania - current situation

**Amount of FDI net flow (period 2003-2015): EUR 56,638 mil**

## **Investors (countries):**

- Netherlands 25.0%
- Austria 14.2%
- Germany 12.4%
- Cyprus 6.9%
- France 6.7%
- Italy 5.2%
- Other countries 29.6%

## **Investments by sector:**

- Manufacturing industry 31.8%
- Financial and insurance activities 13.1%
- Trade 12.2%
- Construction and real estate transactions 12.2%
- Professional, scientific, technical and administrative activities and support services 6.3%
- Information technology and communications 5.7%
- Other business activities 18.7%

## **ROMANIA**

### **GENERAL INFORMATION**

Territory:	238,391 km <sup>2</sup>
Population:	19,7 million
Currency:	Leu (RON)
GDP 2015:	EUR 165 bn
GDP per capita:	EUR 8,400
Growth rate:	3,7%
Average monthly gross earnings:	EUR 700
Export:	EUR 61.6 bn
Import:	EUR 68.2 bn

# FDI in Romania – current situation

## The biggest investors in Romania:

- Renault
- Continental
- Premium Aerotec
- P&G
- Daimler AG
- Microsoft
- Huawei

## Investors perception about investment climate:

- National treatment for foreign investors joined by a variety of state aids and other incentives
- High skilled labor force
- Competitive wages

## Why to invest in Romania:

- One of the largest markets in Central and Eastern Europe
- Attractive location (crossed by three important pan-European transportation corridors)
- Highest economic growth in Europe in 2016
- High skilled labor force at competitive prices
- State aid schemes for investors
- Tax exemptions for R&D and IT industries
- Abundant natural resources
- Six Free Trade Zones (FTZs)

## ROMANIA

### BUSINESS SECTORS AND INDUSTRIES TO INVEST:

- IT & C
- Automotive
- Aerospace
- Agriculture
- Bio-industry
- Creative industry
- Real estate

# Taxation implication

## Tax implications on foreign investors and investment climate

### Double taxation treaties

Romania has concluded double taxation treaties with more than 85 countries, most of them observing the OECD Model.

### Withholding tax

On income paid out by a Romanian resident company:

- Dividends are subject to 5% tax, unless exempted under EU parent-subsidiary directive;
- Interest and royalties are subject to 16% tax, unless a reduced rate applies under a tax treaty or the EU interest and royalties directive.
- 50% if payment is made in a jurisdiction that has not concluded an exchange of information agreement with Romania and it relates to an artificial transaction

### TAXES IN ROMANIA

#### STATE TAXES:

- CIT (16% / 1% or 3% applies on turnover for micro-enterprises)
- VAT (19%, 9%, 5%)
- WHT (16%, 5%)
- Excise duties and special taxes
- Gambling taxes (25%, 16%, 1%)

#### CITY OR MUNICIPAL TAXES:

- Real property tax
- Tax on motor vehicles

#### JOINT TAXES

- Personal income tax (16%, 5%)
- Social security contributions
  - 16.5% employee,
  - ~23% employer
- Real estate transfer tax (3% on what exceeds the flat deduction of 100,000 EUR)

# Taxation implication

## Tax implications on foreign investors and investment climate

### **R&D corporate tax incentive**

- As from 2017 taxpayers exclusively engaged in innovation activities and R&D (defined under the relevant legislation) are exempt from corporate income tax obligations for the first 10 years of activity.

### **Software development personal tax incentive**

- Romanian companies carrying out software development activities can exempt their employees performing specific software development activities from the salary income tax.
- Starting with 2017 this incentive can also be accessed irrespective of the company's turnover from such activities in the previous year (with direct applicability to start-ups).

### **R&D personal tax incentive**

- Romanian companies carrying out activities in the fields of "applied research and development" and/or "technological development" can exempt their employees performing specific R&D activities from the salary income tax.

# Stimulating investment measures

## **Employment incentives**

- Period of execution: 2014-2020.
- Budget: EUR 600 mil.
- Eligible costs: salary costs for a maximum period of 2 years.
- Eligible criteria: 3 positions covered by disadvantaged workers for every 10 new jobs created per location, net profitability for existing companies of at least 1%, minimum equity for new companies of at least ~ EUR 6,600.

## **State aid for major CAPEX investments**

- Period of execution: 2014-2020.
- Budget: EUR 900 mil.
- Eligible costs: construction of new buildings, renting costs for existing buildings, CAPEX aimed at technical installations and tools; acquisition of intellectual property.
- Eligible criteria: minimum EUR 10 mil. investment, minimum equity for new companies of at least ~ EUR 22,000, net profitability for existing companies, proven stimulating effect on the economy and contributions to regional development, facilitate extra investments.

# Privatization and private investments

- Most of the privatization of Romanian companies was done during the 90s as part of the transformation process from a command economy to a market economy.
- Majority state-owned enterprises today: Transelectrica, Nuclearelectrica, Transgaz, Romgaz, Conpet, Antibiotice etc.
- Currently limited opportunities for privatization in the energy and transportation industries.

Thank you for your attention!







Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients.

Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a more detailed description of DTTL and its member firms.

© 2017 Deloitte Touche Tohmatsu Limited