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ROMANIA: A PROFILE

Physical Characteristics:

Geography and Climate

Romania is situated in southeastern of Central Europe, just north of the Balkan Peninsula. With an area of 238,397 square km (91,780 square miles). Romania borders on Ukraine and the Republic of Moldova to the north and northeast, on Bulgaria to the south, on Serbia to the south-west and on Hungary to the northwest. The Black Sea coast is its eastern border. The Danube River runs along Romania's southern border for 1,075 km, and eventually forms the Danube Delta before flowing into the Black Sea. Romania has a varied terrain and large areas of the country are mountainous. It has a variety of natural resources, amongst which oil, natural gas, coal, iron ore, non-ferrous ore (copper, lead and zinc), gold and silver ore, sulphur and salt. The climate is temperate continental with hot summers, long cold winters, and short springs and autumns. The average temperature in summer is 23° Celsius (72° Fahrenheit), although on some days it may exceed 40° C (102° F). In winter, the weather is usually frosty, with considerable snowfall. The temperature averages -3° C (27° F), but it may occasionally fall below -25° C (-13° F).



Political Structure

Official name	Romania
Legal system	Parliamentary republic; new constitutions were adopted in 1991 and 2003
National legislature	Romania has a bicameral parliamentary system. The electoral system is based on proportional representation and party lists for both chambers. The Senate (the upper house) has 136 seats and the Chamber of Deputies (the lower house) 329. Both chambers are directly elected for four-year terms
Electoral system	Universal direct suffrage over the age of 18
National elections	December 11th 2016 (legislative); November 2nd and 16th 2014 (presidential). The next parliamentary election is scheduled for the end of 2020 or early 2021 and the next presidential election is scheduled for 2019
Head of state	The president, Klaus Iohannis
National government	A 27-minister cabinet nominated and headed by the prime minister, Viorica Dăncilă, who was nominated by the president on January 28th 2018.
Political parties	Alliance of Liberals and Democrats (ALDE); Christian Democrat-National Peasants' Party (PNTCD); Christian Democrat-New Generation Party (PNG-CD); Civic Force (FC); Conservative Party (PC); Greater Romania Party (PRM); Hungarian Union of Democrats in Romania (UDMR); National Liberal Party (PNL); People's Party-Dan Diaconescu (PP-DD); People's Movement Party (PMP); Social Democratic Party (PSD); Save Romania Union (USR)
Government	Prime minister: Viorica Dăncilă (PSD)
No of Ministers	27
Central bank governor	Mugur Isărescu

Political and Economic Transition

1989 - 1996

Romania started its transition to democracy and a market economy in December 1989. In the period between 1989 and 1996, a left-wing president, Ion Iliescu, led the country and center-left parties formed the successive governments. Romania initiated a gradual reform of the economy and established democratic institutions.

1996 - 2000

Between 1996 and 2000, a center-right coalition (made up of the Democratic Convention - CDR, the Social Democratic Union - USD and Hungarian Democratic Union in Romania - UDMR) and President Emil Constantinescu governed the country.

2000 - 2004

Following the November 2000 parliamentary elections, the center-left Party of Social Democracy in Romania (PDSR) - now Social Democratic Party (PSD) - formed a minority government with Adrian Năstase as Prime Minister. Ion Iliescu won the presidential election held at the same time. The Năstase government has managed to improve the economy by strengthening governance and administration offering tax cuts and facilities to business, providing stable political and economic environment reducing government bureaucracy and increasing social protection. As a result, Romania was accepted as a full NATO member in April 2004 and formally concluded the accession talks (by negotiation chapters) with the European Union during the EU European Council of December 2004. In 2005, after the general elections of November 2004, a coalition between the Justice Truth Alliance (D.A. Alliance - the National Liberal Party and the Democratic Party), the Magyar Democratic Union of Romania and the Romanian Humanist Party formed the new government with Calin Popescu Tăriceanu as Prime Minister. Bucharest mayor Traian Băsescu, the candidate of the D.A. Alliance, won the presidential elections.

2004 - 2008

In 2004, Traian Băsescu, leader of the Democratic Party (PD) won the presidential election by a narrow margin. Băsescu appointed former liberal leader Călin Popescu-Tăriceanu as prime minister, who headed a government composed of the PNL, PD, UDMR, and the Conservative Party. To secure a parliamentary majority, the coalition government relied on the support of 18 parliamentary seats reserved for ethnic-minority representatives. During its first year the government was also tested by a successfully resolved hostage crisis involving three Romanian journalists kidnapped in Iraq and avian influenza in several parts of the country, transmitted by wild birds migrating from Asia. The government's overriding objective was



1. All the information provided in section 1.3 is originated from publicly available sources and does not represent under any circumstances Deloitte's experts opinion. The public sources: BBC - Romania Profile | Romania Insider - Making of Romania: the 1989 revolution and the road to democracy

the accession of Romania to the European Union, and on 1 January 2007, Romania became the 26th member of the EU. The government also maintained good relations with the U.S., signing an agreement in December 2005, which would allow U.S. troops to train and serve at several Romanian military facilities. Băsescu and Popescu-Tăriceanu pledged to combat high-level corruption and implement broader reform to modernize sectors such as the judicial system and health care. On 19 April 2007, Parliament suspended President Băsescu on charges of unconstitutional conduct. The suspension, passed by a 322–108 vote, opened the way for a national referendum on impeachment, which failed.



2008 – 2012

The November 2008 Parliamentary elections were close, with the Social Democrats (PSD) winning 33.9% of the vote, President Traian Băsescu's Centre-right (PDL) taking 32.34%, and the ruling National Liberals (PNL) receiving 18.6%. The Liberal Democrats and Social Democrats formed a coalition after the election. Former Prime Minister Theodor Stolon withdrew his candidacy for the premiership and President Bădescu nominated Emil Boca, president of the Liberal Democrats, as prime minister.

With the onset of the Great Recession, the Romanian political scene saw tensions between the president and prime minister and between the general population and both. Tensions escalated with a 2012 political crisis and another attempt to impeach President Bădescu. In the referendum, more than 7.4 million people (nearly 90%) supported Bădescu's removal from office. However, the Constitutional Court invalidated the referendum because the majority of the population did not vote (the voter turnout was 46%).

2012–2016

The Social Liberal Union received a large majority in the Chamber of Deputies and the Senate (60.07 and 58.61 percent of the vote, respectively). The new Prime Minister, Victor Ponta, quickly formed a government but the failure to adopt reforms quickly triggered a wave of protests against a government seen as not fulfilling the promises of the 2012 electoral campaign. Two other projects of national interest (shale drilling and the Rosie Montana mining project) unleashed more protests. In early 2014, the PNL broke away from the USL and entered opposition. Along with the PDL, the PNL formed the Christian Liberal Alliance in order to support the candidature of Klaus Johannis as president of Romania and later agreed on a future merger that would retain the name of the National Liberal Party. Johannis won a surprise victory in front of the incumbent PM Victor Ponta in the second round of the

2014 presidential elections, by a margin of 54.43%. Voters abroad were upset because of the fact that they were not all given the right to cast their ballots, which represented one of the key reasons for Ponta's defeat. In late 2015, another series of nationwide protests ultimately prompted Prime Minister Victor Ponta's resignation. Shortly afterwards, President Johannis appointed independent politician Dacian Cioloş as Prime Minister, who was briefly in charge of a technocratic government between late 2015 and early 2017.

2016 – Present

The legislative elections of December 11, 2016 saw a predictable comeback of the PSD as the major party in the Romanian Parliament. Alongside ALDE, the PSD formed a governing coalition under Prime Minister Sorin Grindeanu. In early 2017, a series of massive nationwide protests (the largest in Romania's recent past) prompted the government's resignation and early elections because of the government's secret procedure of giving an ordinance modifying the Penal Code and Penal Procedure Code on the night of 31st of January. The PM and government refused to resign but nonetheless decided to withdraw the decrees that fueled the peak of the protests on February 5th. Due to tensions arose between PM Sorin Grindeanu and PSD leader Liviu Dragnea, the PM was dismissed by a motion of no confidence passed by the Parliament with 241 votes (233 minimum needed). Quickly afterwards, Mihai Tudose was proposed by the socialists for the position of Prime Minister and was subsequently accepted by Johannis. However, just after 6 months of governance, he resigned from this Government. Consequently, the ruling coalition nominated a new Prime Minister candidate in the person of Viorica Dăncilă, a former socialist MEP in the 2014 - 2019, nomination accepted by the President.

Population and Urbanization

Romania's population stands at about 19,644,350 inhabitants, on January 1st, 2017 (usually resident population). Density of the usually resident population: 82.4 inhabitants /km², on January 1st, 2017.

According to the latest statistical information (2011). Ethnic Romanians make up about 89% of the population. The main minority groups are Hungarians (7%), followed by a large community of Roma (3, 5%), and smaller numbers of Germans, Russians and Serbs. More than half of the population (53, 6%) lives in urban areas. The population of Romania is predominantly Christian of different denominations: Orthodox (87%), Roman Catholic (4.7%), and Reformed (3.2%), Greek Catholic (1%), Baptist (0.6%). Romania also has small Jewish and Muslim communities.

Name	Population	Activity
Bucharest	1,877,155	Capital, business, manufacturing
Iași	318,012	Manufacturing, transportation
Cluj-Napoca	316,748	Business, manufacturing
Timișoara	315,053	Business, manufacturing, agriculture
Craiova	304,142	Manufacturing, transportation
Constanța	303,399	Shipping, tourism
Galați	294,087	Shipping, manufacturing

Language

The official language of the country is Romanian. The language uses the Latin alphabet and is part of the Romance language family. In some parts of Transylvania, Hungarian is spoken alongside Romanian, while in other parts of Transylvania and in Western Romania German is spoken.

In addition, many Romanians speak English and/or French, and business is often conducted in one of the latter two languages.

Education

Education is mandatory and free from the ages of six to sixteen. The Romanian state education system includes primary, secondary, and higher education institutions. The higher education sector consists of academic universities and polytechnic institutes. Like many post-communist countries, Romania has always had a reputation for strength in scientific fields. Recent years have seen an increase in the number of secondary and post-secondary establishments and private education has become more popular. Business administration and management studies have been introduced in cooperation with the US, UK, France and Canada.

Transport and Communications

Transport



Rail: Romania has a railway network of 10,777 km, of which electrified track accounts for 4,032 km. International express trains connect the main central European capitals with Bucharest, the Black Sea coast and main cities. Romania is a member of the International Railway Tariff System RIT and Inter Rail.



Roads: The total length of public roads in Romania reaches 85,362 km. Highways have a total length of around 806 km. Major east-west highway projects are in different stages of development.



Waterways: Romania has access to both the Black Sea and the Danube River. In Constanta, the Black Sea's largest commercial port, vessels with a maximum displacement of 165,000 DWT for dry bulk and 250,000 DWT for liquid bulk cargo can anchor. The Danube is now connected to the North Sea by the Danube-Main-Rhine waterway.



Airways: In Romania there are currently 16 airports open to commercial air traffic, the most important being Bucharest (Henri Coandă), Timisoara (Traian Vuia) and Cluj-Napoca (Someșeni). Of the 16 airports, 11 are located on the Trans-European Network - Transport (TEN-T). The main Romanian providers of scheduled passenger air transportation are Tarom, the Romanian flag carrier based in Bucharest Henri Coanda and Blue Air, a private Romanian airline headquartered in Bucharest. Since 2016, it has become the largest Romanian airline by scheduled passengers flown. As of February 2019, Blue Air flies to 80 scheduled destinations. In addition, many international airlines serve Romania and there are daily flights to most European capitals.

Communications

Telecommunications: Nationalized in 1948, Romanian Autonomous Telephone Company entered under the control of the State that became its new owner.

After 1991, the ROMTELECOM Autonomous Telecommunication National Company was set up as the national operator in matter of communications. In December 1998, OTE Company of Greece purchased 35% of the ROMTELECOM shares. GTE from the USA joined in bringing thirty experts to the executive and operative leadership of the company. Mobile phones have boomed formidably in recent years. Data from the Ministry of Communication and Information Technology show that in late 2008 the number of mobile phone users stood at 24,640 million in the country with a population of 19,042 million

people. The Ministry of Communications and Information Technology granted six licenses for the experimentation of 3G telecommunication services. Ericsson, Siemens, Nokia, Alcatel, Motorola and Zapp own the respective licenses.

Fixed internet and telephony

The data processed by the Authority (National Authority for Management and Regulation in Communications) show that, in Romania, the total number of **fixed internet connections** in Romania reached 4.8 million at the end of 2017, increasing by 7% year-on-year. Through these connections, the users achieved a total traffic of 5.1 million TB, with an average monthly consumption per connection of 92 GB. The number of fiber optic connections almost doubled

(+ 94%) reaching 1.1 million. Fixed internet penetration rate per 100 households was 58%, up 4-percentage points Y.O.Y. The number of **fixed internet connections** in the rural area witnessed significant increase - by over 13% - compared to the end of the previous year, reaching 1.4 million, while in urban areas this number saw slighter growth, by only 5%, up to 3.4 million. The penetration rate was 71% in urban and 41% in rural areas.

The usage level of fixed telephony continued the downward trend in 2017, with decreases in both the number of access lines (-5%, to 3.9 million), and especially in the voice traffic segment (-16%, reaching 2.7 billion minutes). Thus, the monthly average traffic achieved from a fixed line reached 57 minutes, 8 minutes less than the average value of 2016. Based on the number of access lines, on 31 December 2017, the market leader held a market share of 43%, the second largest provider 33%, the next 14%, and the rest of the providers accounted for 10%. In terms of voice traffic, the market leader held a market share of 48%, the second largest provider 28%, the next one 7%, the others totalling 16%.

Mobile Internet and telephony³

End-2017 data processed by the Authority show that 38% of the total number of mobile internet connections are 4G, while 42% of them are 3G connections, i.e. 80% of the 20.3 million mobile internet connections enable high transfer rates. Thus, the penetration rate per 100 inhabitants of mobile internet provided through 3G and 4G connections was 83%. Most mobile internet connections (17.3 million - 85%) are used over a mobile telephone, upon payment of a subscription

or of a dedicated internet option, these users having 6 consumed 1.36 GB/month (+106%) on average in 2017. Users of mobile internet provided through a modem/card/USB consumed, on average, 2.5 GB/month (+43%), but their number kept a declining trend, reaching 1.9 million.

At the end of 2017, there were 22.4 million active mobile telephony users (-2%), of which 12.1 million (+5%) subscription-based and 10.3 million (-9%) active prepaid card-based users. Throughout 2017, a total traffic of almost 69 billion voice minutes was achieved on the mobile telephony segment, 3% less compared to 2016, while the number of SMS reached almost 16 billion minutes (-14%). In 2017, a user talked on the mobile telephone 4 hours and 14 minutes a month and sent 58 SMS messages, on average. Off-net mobile traffic kept growing in 2017, up to 33% of the voice traffic and 27% of the SMS traffic, while on-net traffic continued the downward trend, reaching 58% of the voice traffic and 72% of the SMS traffic.

Following the entry into force of the Roam like At Home regulation on 15 June 2017, the use of roaming services soared in 2017. The traffic of calls made amounted three times that of 2016 (from 0.5 billion minutes in 2016 to 1.5 billion in 2017), the traffic of calls received went up +81% (to 2 billion minutes), SMS traffic increased by +58%, whereas data traffic grew 6 times, up to 5,811 TB in 2017.

Audio-visual program retransmission

In 2017, there was an increase by almost 3% in the number of subscribers to pay TV retransmission services, to 7.45 million. In urban areas, the



penetration rate was 103.9 per 100 households, while in rural areas it was 94.0 per 100 households.

Based on the number of subscribers at the end of 2017, the TV services market leader held a market share of 48%, the second largest provider 20%, the next one 18%, whereas the other providers accounted for 14%.

For subscription-based TV services, the most common reception means in urban areas are cable networks (82% of the subscribers), followed by DTH (15%), whereas in rural areas satellite networks - DTH are the most widely used (54%), with cable networks being used by 45% of the subscribers.

The 4.7 million subscriptions to digital services accounted for 63% of the total number of subscribers to TV retransmission services. Despite the decreasing number, subscriptions to satellite networks - DTH amounted to 49% of the total number of subscriptions to services in digital format, subscriptions to digital cable services 48%, while IPTV subscriptions stood at 3%.

Television: Television is the most widely used advertising medium in Romania today and the one with the greatest impact. Public television consists of four national networks, TVR 1 and TVR 2 (local) and two international (TVR Cultural and TVR International). There are at least ten major private television stations including Kanal D, Pro TV, Antena 1, DIGI and Prima TV. There are over 7.3 million subscribers to the cable TV networks, providing access to a wide range of inter-national and local channels. TV programs are shown in the original language with Romanian subtitles.

Radio: State-owned The Romanian Radio Broadcasting Company (Romanian: Societatea Română de Radiodifuziune), informally referred to as Radio România (Romanian: Radio România), is the public radio broadcaster in Romania. It operates FM and AM, and internet national and local radio channels. The local stations are branded under the Radio România Regional umbrella. Radio România International is the company's international radio station,

broadcasting on two channels in Romanian, English, French, Aromanian, Spanish, German, Italian, Serbian, Russian, Ukrainian, Chinese, and Arabic.

Newspapers and Periodicals: Romania has a multitude of daily newspapers written for di-verse audiences. There are also more than 200 weekly papers as well as a growing number of magazines, many of which are produced under license from a foreign copyright owner. Distribution is made through private distribution companies. The print newspapers' sales have been dropping constantly in recent years, as most Romanians prefer reading their news online. Some regional or local newspapers are doing a bit better and even have higher sales figures compared to national newspapers. Ziarul Financiar, the main business newspaper in Romania, saw its sales drop under 5,000 copies per edition in 2016, from over 6,600 in April-June 2015.

Research, Advertising, and Media Buying: The growth of the consumer society has stimulated the emergence of research organizations (e.g. CSOP Gallup, IRSOP and IMAS), and marketing research consultants (e.g. GfK, Nielsen or Kantar Millward Brown). There are a number of agencies in the advertising sector, most with international affiliations (e.g. McCann Worldgroup, Leo Burnett & Target, Saatchi & Saatchi, D'Arcy, Geometry Global, MullenLowe Romania, Ogilvy & Mather, and Graffiti BBDO).

Internet: There were around 14, 3 million internet users in Romania, with 73.5% penetration, per IWS. According to the National Authority for Management and Regulation in Communications (ANCOM), the number of Internet providers in Romania is 935 by the end of 2018.



International Relations

The option of Romania for European and Euro-Atlantic integration is relevant not only in the general economic (competitiveness, economic stability, an enlarged market, and economic welfare) and security plan (proximity to the European security and defense policy and system, characterized by stability), but also in the cultural, social and even societal ones (Romania could become part of a space characterized by tolerance, intercultural exchanges, non-discrimination).

In February 1993, Romania signed the European Agreement, establishing an association between Romania, on one hand, and the European Communities and the Member States, on the other hand. The agreement created a free trade zone between Romania and the EC member states, recognized Romania's objective to become a member of the EC and provided the necessary financial and technical assistance to this purpose. Following the European Council decision of June 1993 in Copenhagen to accept Central and Eastern Europe countries as EC members, after they fulfil the eligibility political and economic criteria (the Copenhagen criteria), Romania's official request for accession to the European Union was presented in

June 1995. After the Helsinki European Council meeting at the end of 1999, the Council decided to start accession talks with Romania in the spring of 2000. In December 2004, Romania closed the negotiation talks with the EU and the text of the Accession Treaty was agreed. Romania and the EU Member States signed the Accession Treaty in April 2005 and Romania has become an EU member starting January 1st, 2007.

In November 2002, Romania was invited at NATO's Prague Summit to start accession negotiations and joined the Alliance in April 2004. Romania also strives to contribute to the regional stability and actively participates in regional cooperation forums. Romania is a member of the Stability Pact for South-Eastern Europe. The Pact supports countries of the region including Romania in their efforts to foster peace, democracy, and respect for human rights and economic prosperity. Romania is also to benefit from projects, mainly in the infrastructure sector, that are funded by international financial institutions under the umbrella of the Stability Pact. The country is also a member of the Central European Initiative (CEI) and the Black Sea Economic Cooperation.



Suggestions for Business Visitors

Visas

As is the case with any business trip, when visiting Romania some advance preparation is essential. Depending on your citizenship, you may be required to show different documents at the port-of-entry. American and Canadian citizens as well as citizens of Australia, New Zealand and most European countries do not need an entry visa to visit Romania, providing duration of stay is not more than 90 (ninety) days, accumulated during a single visit - or multiple visits - within a six-month period.

As of May 2018, Romanian citizens had visa-free or visa on arrival access to 169 countries and territories, ranking the Romanian passport 16th in terms of travel freedom (tied with Bulgarian, Croatian and Hong Kong SAR China passport) according to the Henley Passport Index.

Citizens of certain countries and territories need a visa to visit Romania. To quickly check if you need a visa please go to www.E-Visa.MAE.ro, select the "Get Informed" tab (up left) and enter the following information: passport issuing country, type of passport, purpose of your visit to Romania. Entry requirements and visa information are also available at www.mae.ro. In addition, one must declare cash amounts that exceed EUR 10,000 at customs upon arrival or departure.

Currency

As of July 1, 2005, the Romanian Leu (ROL)

Bucharest and large Romanian cities like Constanța, Iași, Cluj Napoca, Timișoara or Brașov offer reasonable living conditions for expatriates. While normal precautions against petty theft and car crime should be taken, Bucharest and other cities do not have a high crime rate and are safer than many other international capitals. Bucharest has numerous restaurants and cafes, including a steadily increasing number of restaurants serving international cuisine. There are also a

variety of theatres, concert halls, libraries, cinemas, bars, nightclubs, and casinos. The standard of housing varies widely in Romania. The existing residential market offers a wide range of choices, from modern flats and villas to refurbished old villas located in picturesque neighborhoods. The new supply is more adequate to international standards and quality is improving every year. The northern area of the city is the most popular among expats.

was subject to denomination so that 10,000 old lei (ROL), in circulation on that date, was exchanged for 1 new Leu. Old lei banknotes and coins lost legal tender status at end of December 2006 and were replaced by the new banknotes and coins. There is no time limit for exchanging ROL notes and coins for RON notes and coins. Transactions between residents must be in RON. Starting July 1, 2006, all prices have been posted only in RON.

The exchange rates at March 8, 2019 were:
1 Euro = 4,7410 RON
1 USD = 4,2261RON

Cash and credit cards may be used in Romania, but cash remains the preferred method of payment. The use of credit cards has significantly grown in popularity in recent years, and automatic teller machines are more numerous. Euros and dollars can be exchanged at official exchange offices.

Business and Social Etiquette

Romanian business customs tend to be formal. Introductions are respectful, business cards are exchanged and suits are worn. The handshake is used both on meeting and taking leave. Dealing with public and state officials can sometimes be time-consuming and requires perseverance. Romanians are often very proud of their national heritage, and tend to be sensitive about cultural and political matters that concern their country.

Living Conditions

Economy

Main Economic Indicators of Romania (2017-2019)

On 31 December 2018, Romania's international reserves (foreign currencies and gold) stood at EUR 36,800 million, compared to EUR 36,130 million on 30 November 2018

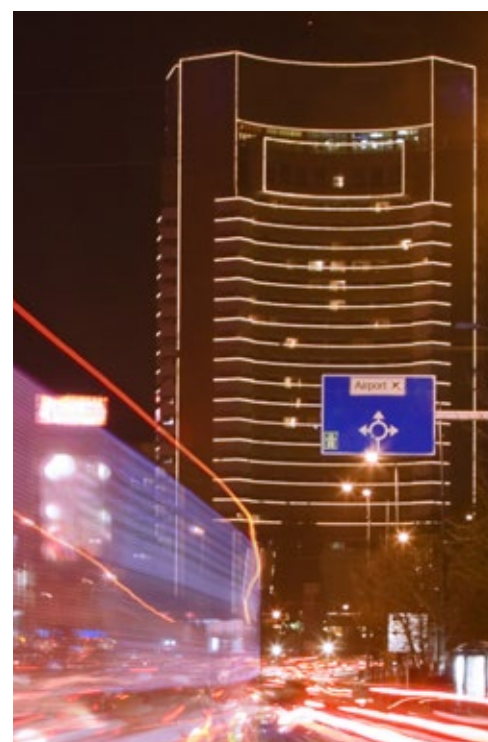
Gross Domestic Product in the 4th Q of 2018 was higher in real terms with 0.7% 1 vs. 3rd Q 2018. Compared to the same quarter of 2017, Gross Domestic Product recorded a growth of 4.1% on gross series and 4.0% on seasonally adjusted series;

Foreign Direct Investment in Romania increased by 92.50 EUR Million in December of 2018

External Debt in Romania decreased to 98476 EUR Million in December from 99363.80 EUR Million in November of 2018

Imports to Romania rose by 9.2% year-on-year to EUR 6.77 billion in January 2019, as purchases grew from both the EU countries (9.4%) and countries outside the EU (8.4%)

The current account deficit in Romania widened to EUR 749 million in December of 2018 from EUR 502 million in December 2017



Economic indicators

Country	2015	2016	2017	2018
GDP (% real change pa)	3.90	4.80	7.00	4.10
Unemployment rate (%)	6.80	5.90	4.80	4.6
GDP (mill)	160,297.8	170,393.6	187,516.8	202,079.4
External debt (% GDP)	56.5	54.7	49.7	48.8
Average Gross Monthly Wages (euro)*	659.16	725.26	801.64	1065.71
Consumer prices (% change pa)	-0.6	-1.6	1.3	4.6
External debt (% GDP)	56.5	54.7	49.7	48.8

* As of end of December for each year

Economic Measures and Practices

1. The stand-by agreement between the International Monetary Fund worth of 19.95 billion Euros in total, approved by the Government on July 29, 2009, of which the National Bank of Romania and the Romanian government took 17.9 billion € and which should be gradually returned by 2023, giving a total average interest of 15% (2.74 billion €).

2. Establishment of new terms for the "Prima Casa" program on July 21, 2009.

The "Prima Casa" program entered into force on July 21, 2009 is a support program for young families to purchase their first house. The program providing a State Guarantee reaching up to 60,000 Euros offered guarantees worth of 786 million Euros with 12,000 approved files in 2009. Since 2009, within this program, over than 240 000 people benefited from loans for purchasing their first home. The Prima Casa program has accumulated an impressive loan stock of RON 31.9 billion, around 26% of total loans and it has already a systemic dimension, according to the annual report for 2017 of National Committee for Macro prudential Supervision (CNSM).

3. Establishment of new terms for the "Rabla" program (Fleet Renewal Program) with the Government Decision No. 217 and dated December 4, 2008.

Fleet Renewal Program, known especially as the Rabla, is a governmental program supported by funds earmarked by the Ministry of the Environment. The scrapping premium can be cumulated with an Eco-bonus worth 1,000 lei, which can reach even 2,700 lei for hybrid vehicles. This Eco-bonus varies with emissions up to 98 g CO₂/ km in mixed mode. In conclusion, any citizen can receive from the state a maximum of 9,200 lei scrapping premium: 6,500 lei the actual scrapping premium and up to 2,700 lei Eco-bonus in the case of the purchase of hybrid vehicles. The scrapping premium for cars is granted only for cars that are at least eight years

old (i.e. those first registered in Romania before January 1, 2010). Every citizen can buy several new cars through the Rabla Program 2018, but only by handing out an equivalent number of old cars for scrapping. At the same time, there is the possibility to give away the scrapping premium to another person. Environmental Fund Administration announced that in 2018 approximately 50,000 vouchers were issued, so 50,000 old cars were replaced.

4. Tax Exemption for Reinvested Profit

The Tax Exemption of Reinvested Profit introduced as of October 1, 2009 aims to increase the investments, technological development and the competitiveness of the local industry. Law no. 571/2003 regarding the Fiscal Code has been amended and supplemented by the publication of Government Emergency Ordinance no. 19 dated 23 April 2014, in connection to the profit tax exemption for reinvested profits.

5. State support program for the SMEs for the Sustainable Economic Development.

The State support program for the SMEs that makes an initial investment of a minimum of 10 million Euros and provides a minimum of 100 business places.

6. The Start-up Nation Program - The main objective of the "de Minimis" scheme is to stimulate the establishment and development of small and medium-sized enterprises and to improve their economic performance, to create new jobs, to insert deprived people, unemployed and graduates into the labor market, to increase investment in innovative new technologies.

The grant scheme is a non-refundable financial allowance – maximum 200,000 lei / beneficiary, amount that may represent 100% of the value of eligible costs (VAT included for non-paying companies) related to the project.

The aid granted under the Start-up Nation – Romania program falls under the provisions of the Commission Regulation no. 1407/2013 regarding the “de Minimis” aid. According to these provisions, a state aid is compatible with the internal market if the total amount of “de Minimis” aid granted per Member State to a single undertaking does not exceed EUR 200,000 over any period of three fiscal years. The maximum amount granted by the Romanian state through the Start-up Nation – Romania aid scheme does not exceed the “de Minimis” threshold established by the European Commission. Except if otherwise provided by the eligibility conditions, the applicants could cumulate the aid granted under this program with other state granted aids, up to the maximum amount of EUR 200,000 over a period of three fiscal years. A total

of 33,514 applicants submitted business plans to access funds through the Start-Up Nation 2018/2019 program. The Program is estimated to result in creation of 20,947 new jobs, out of which 16,818 for deprived people / post-2012 graduates and unemployed.

7. The Micro-industrialization program

The program allows the allocation of a non-refundable grant of up to 450,000 lei to each beneficiary selected for funding. The money can be used mainly for the purchase of machinery and equipment necessary for the development and expansion of the business. The grant program requires an own contribution of at least 10% of the beneficiaries, and in the course of 2018, 176 companies were selected to receive this grant. For 2019, the allocated budget is about 22.7 million lei.



Foreign Trade

The international trade, by product groups as of January 2019

	FOB Exports			CIF Imports		
	January 2019			January 2019		
	Milion euro	Share in total export (%)	in % as against January 2018	Milion euro	Share in total export (%)	in % as against January 2018
Total	5510.7	100	+1.6	6770.0	100.0	+9.2
of which, in relation to the EU	4335.8	78.7	+4.6	5024.2	74.2	+9.4
Food and live animals	321.3	5.8	+4.8	516.1	7.6	+14.2
of which, in relation to the EU	183.4	3.3	-8.3	450.6	6.7	+16.5
Beverages and tobacco	81.1	1.5	+42.7	50.6	0.7	-3.1
of which, in relation to the EU	68.5	1.2	+41.8	35.6	0.5	+14.3
Crude materials, inedible, except fuels	163.3	3.0	-10.7	197.3	2.9	+8.2
of which, in relation to the EU	99.9	1.8	-3.5	123.1	1.8	+7.7
Mineral fuels, lubricants and related materials	209.6	3.8	-16.1	552.2	8.2	+9.9
of which, in relation to the EU	69.3	1.3	-18.1	138.4	2.0	+84.6
Animal and vegetable oils, fats and waxes	20.2	0.4	+69.2	12.9	0.2	+0.1
of which, in relation to the EU	17.2	0.3	+52.1	11.0	0.2	+2.3
Chemicals and related products, n.e.s.	248.3	4.5	+2.2	932.7	13.8	+19.4
of which, in relation to the EU	173.3	3.1	+6.7	790.2	11.7	+18.8
Manufactured goods classified mainly by raw materials	949.3	17.2	+3.6	1274.1	18.8	+4.4
of which, in relation to the EU	736.4	13.4	+8.1	978.2	14.4	+3.8
Machinery and transport equipment	2659.4	48.3	+2.2	2488.0	36.8	+6.7
of which, in relation to the EU	2228.0	40.4	+5.9	1921.8	28.4	+3.8
Miscellaneous manufactured articles	835.4	15.2	+0.4	744.7	11.0	+12.0
of which, in relation to the EU	749.4	13.6	+1.2	574.1	8.5	+12.3
Goods not elsewhere classified in SITC	22.9	0.4	+5.6	1.5	*)	-21.5
of which, in relation to the EU	10.4	0.2	-9.4	1.1	*)	-31.1

**Top of main partner countries* at export
as of November 2018**

Position	Country	mill. Euro	Weight in total export %
	TOTAL	63,128.4	100
1	Germany	14,666.5	23.2
2	Italy	7,179.5	11.4
3	France	4,454.0	7.1
4	Hungary	3,086.0	4.9
5	United Kingdom	2,672.8	4.2
6	Bulgaria	2,033.0	3.2
7	Polonia	2,019.9	3.2
8	Spain	1,985.2	3.1
9	Czech Republic	1,873.3	3.0
10	Turkey	1,838.5	2.9
11	Netherlands	1,654.9	2.6
12	Austria	1,455.0	2.3
13	United States	1,205.7	1.9
14	Slovakia	1,169.1	1.9
15	Belgium	1,134.3	1.8
16	Moldova, Republic of	1,062.2	1.7
17	Russian Federation	1,005.1	1.6
18	Greece	921.1	1.5
19	China	698.5	1.1
20	Serbia	687.6	1.1
	Other	10,326.2	16.3

*Country of destination

Top of main partner countries
at import as of November 2018**

Position	Country	mill.euro	Weight in total imports %
	TOTAL	76,545.4	100
1	Germany	15,729.7	20.5
2	Italy	7,205.7	9.4
3	Hungary	5,225.8	6.8
4	Poland	4,257.3	5.6
5	China	4,107.4	5.4
6	France	3,911.6	5.1
7	Turkey	3,299.0	4.3
8	Netherlands	2,930.2	3.8
9	Russian Federation	2,865.3	3.7
10	Austria	2,513.1	3.3
11	Czech Republic	2,255.0	2.9
12	Bulgaria	2,144.3	2.8
13	Spain	2,030.5	2.7
14	Belgium	1,833.5	2.4
15	Slovakia	1,788.2	2.3
16	United Kingdom	1,599.3	2.1
17	Kazakhstan	1,226.2	1.6
18	Greece	880.7	1.2
19	United States	792.7	1.0
20	Ukraine	767.4	1.0
	Other	9,182	12.1

**) Country of dispatch for intra-EU arrivals and country of origin for extra-EU imports.

Foreign Investment

Foreign direct investment stock in Romania by main economic activity (as at 31 December 2017)

By economic activity (according to NACE Rev. 2), FDI stock was channeled primarily to manufacturing (32% of total FDI), out of which the largest recipients were: transport equipment (7.4% of total FDI stock), oil processing, chemical, rubber and plastic

products (6.4%), and metallurgy (4.2%). Another industrial activity, i.e. electricity, gas and water supply, accounted for 8.5% of total FDI stock. Apart from industry, other activities that also attracted significant FDI were construction and real estate transactions (15.3% of FDI stock), trade (13.8%), financial intermediation and insurance (12.4%).

	EUR million	% of total FDI
TOTAL, of which:	75,851	100
Industry, of which:	32,666	43.1
Mining	1,965	2.6
Manufacturing	24,250	32
Electricity, gas and water supply	6,451	8.5
Professional, scientific, technical and administrative activities and support services	4,088	5.4
Agriculture, forestry and fishing	2,272	3
Trade	10,446	13.8
Construction and real estate transactions	11,611	15.3
Accommodation and food service activities	449	0.6
Financial intermediation and insurance	9,398	12.4
Information and communications technology	3,150	4.1
Transportation	1,247	1.6
Other	524	0.7

Foreign direct investment stock in Romania by main economic activity (as at 31 December 2017)

From a territorial point of view, FDI went mainly to the BUCHAREST-ILFOV region (60.3%). Other development regions, which attracted significant FDI inflows, were the CENTRE region (8.9%), the WEST region (8.5%), the SOUTH-MUNTENIA region (6.3%), and the NORTH-WEST region (5.6%).

	EUR million	% of total FDI
TOTAL, of which:	75,851	100
BUCHAREST-ILFOV	45,747	60.3
CENTRE	6,727	8.9
WEST	6,428	8.5
SOUTH-MUNTENIA	4,791	6.3
NORTH-WEST	4,258	5.6
SOUTH-EAST	3,800	5
SOUTH-WEST-OLTENIA	2,414	3.2
NORTH-EAST	1,686	2.2

Main foreign direct investment in Romania by country of origin (as at December 31, 2017)

The top five countries by share of FDI stock, as at December 31, 2017 were the Netherlands (25.9% of the FDI stock at end-2017), Germany (12.8%), Austria (12.6%), Italy (6.2%) and France (6.2%). Regarding the ranking of the top five countries, Italy overtook France and Cyprus and climbed to the fourth position.

	EUR million	% of total FDI
TOTAL, of which:	75,851	100
Netherlands	19,638	25.9
Germany	9,704	12.8
Austria	9,575	12.6
Italy	4,739	6.2
France	4,731	6.2
Cyprus	4,647	6.1
Luxembourg	3,543	4.7
Switzerland	3,144	4.1
Greece	1,723	2.3
Belgium	1,584	2.1
Spain	1,559	2.1
United Kingdom	1,452	1.9
Czech Republic	1,431	1.9
United States	1,128	1.5
Others	7,253	9.6



Business Environment

Development Plans (National Strategic Reference Framework (2007-2013))

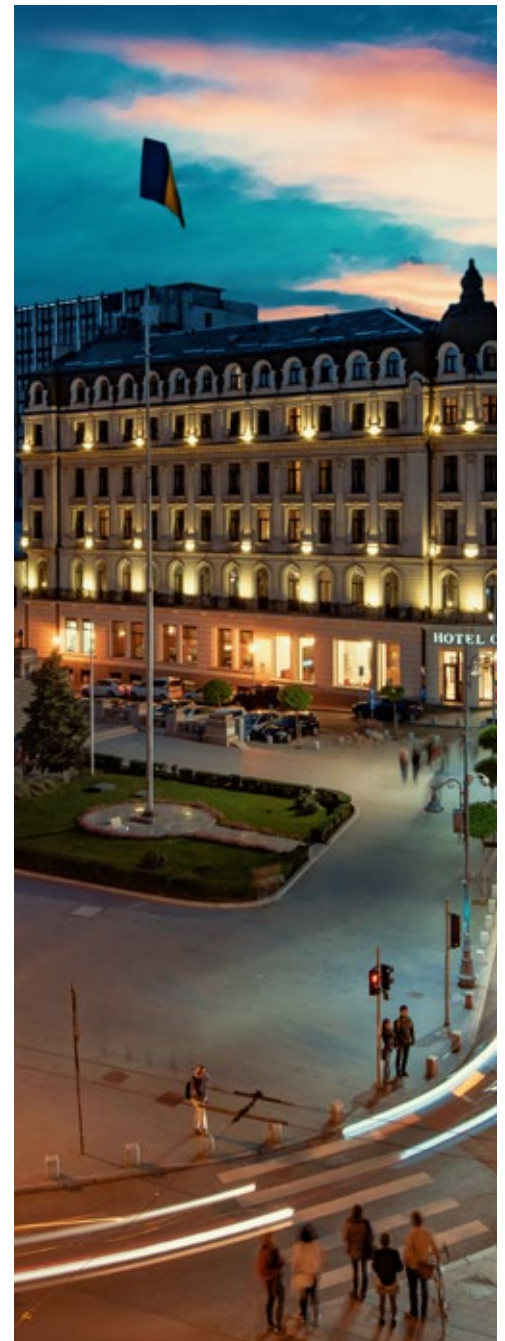
The Partnership Agreement focusses on the following challenges and corresponding priorities:

- Promoting competitiveness and local development, with a view to reinforcing the sustainability of economic operators and improving regional attractiveness;
- Developing human capital, by increasing the employment rate and tertiary education attainment, but also tackling the severe social challenges and poverty levels, in particular for deprived or marginalized communities and in rural areas;
- Developing physical infrastructure, both in Information and Communication Technologies (ICT) and the transport sector, in order to increase the accessibility of Romanian regions and their attractiveness for investments;
- Encouraging sustainable and efficient use of natural resources through promotion of energy efficiency and a low carbon economy, protection of the environment and adaptation to climate change;
- Building a modern and professional public administration by means of a systemic reform aimed at overcoming the structural governance shortcomings.

Romania's objectives are related to key EU priorities and national developments endeavors:

Europe 2020 objectives:

- More than €1 billion allocated to R&D and innovation (TO1), supporting the national target of 2% of GDP invested in R&D (against 0.49% in 2012);
- More energy efficient economy, with €3.9 billion to be invested to support the shift to low carbon economy (TO4), including the further expansion of renewable energy (24% target);
- Substantial effort on social inclusion (TO9), with €3.4 billion, tackling the severe social challenges faced by Romania and contributing to the objective of reducing by 580000 the number of people at risk of poverty or exclusion (compared to 2008);
- Increase labour market participation (TO8), with a particular focus on young people, with the aim of reaching the 70% national employment target (benefiting of € 2.2 million);



- Contribute to reducing the early school leaving to 11.3% and increasing the participation in tertiary education to 26.7% (TO10), by investing an amount of EUR 1.65 bn.

Obligations from the Accession Treaty:

- Pursue the development of water and waste water services, with more than €3 billion under TO6, completing the compliance of agglomerations above 10,000 inhabitants and substantially contributing to the equipment of agglomerations above 2,000 inhabitants;

Boosting national competitiveness:

- Further develop the national coverage for broadband and NGA, through TO2 and via LEADER, with at least 30 Mbps, in particular in rural areas, while tackling in parallel the low take up through dedicated measures (training, e-services

and e-government) across all priorities;

- Increase the productivity and added value of agriculture, fisheries and aquaculture, fostering the set-up of young farmers and fishermen;
- Increase the competitiveness of economic operators and the survival rates of young SMEs, through direct support and financial engineering schemes, under TO3;
- Further develop the endowment and reliability of transport network, benefiting from 20% of the ESIF allocation under TO7, for improving the accessibility of regions and their attractiveness for industrial investments;
- Tackle the administrative deficiencies, through systemic governance and administrative reforms, benefiting from € 800 million.

International Agreements

Romania has diplomatic relations with 179 out of 192 UN member states and with the Holy See, the Sovereign Military Order of Malta and the Palestinian National Authority. This has enabled the country to join important organizations and be party to key agreements including the following:

• Membership:

- United Nations
- World Bank
- International Monetary Fund
- World Trade Organization
- European Bank for Reconstruction and Development
- Bank for International Settlements
- Council of Europe
- Organization for Security and Cooperation in Europe
- International Organization of La Francophonie

• Agreements and treaties:

- Accession Treaty to the European Union
- Central European Free Trade Agreement (CEFTA)
- Most Favored Nation (MFN) status with United States
- NATO Member
- Preferential Arrangements with EFTA countries (Switzerland, Iceland, Norway), Macedonia, Croatia, Mediterranean countries (e.g. Israel, Egypt), ACP countries (Africa, the Caribbean and the Pacific), South Africa, Mexico, Chile
- Autonomous preferential arrangements with over-seas countries and territories, Generalized System of Preferences (e.g. China, Brazil), Albania, Bosnia and Herzegovina

In addition, Romania has concluded a number of bi-lateral agreements concerning trade, avoidance of double taxation, and mutual guarantees of investments.

Real Estate

Ownership Right over Real Property

Romanian citizens and companies (regardless of shareholder or management citizenship) have the free and unrestricted right to acquire and own real estate.

The types of real estate rights regulated by the Romanian Civil Code which may be constituted are: with respect to privately owned real estate – superficies, easement, usufruct, cohabitation and use rights; with respect to publicly owned properties – administration, use, and concession.

The superficies right, which is the most frequent right to which developers resort when an ownership transfer is not performed, includes (i) the right to own or build a construction on the property owned by a distinct person, (ii) the ownership right to the building, and (iii) the right to use the land pertaining to the building.

Pursuant to Romanian law, usufruct rights may be established on the property of another. The holder of the usufruct right has the right to use and enjoy the property belonging to a third party, including the right to receive profits from the income generated by the property.

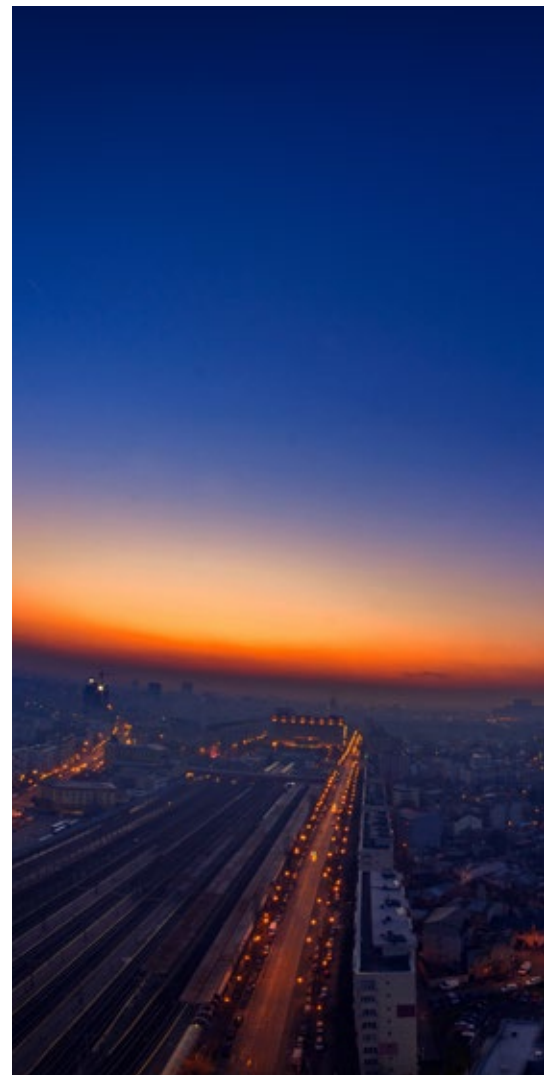
For ensuring connection to utilities to a property, easement rights may be also established. The right of way is the most common right of easement established by the land owners and it represents the right of the land owner (or the owner of the construction erected on the land), lacking access to a public road, to have access on a neighboring property which has access to the respective public road. Easement rights may be established also for the benefit of public utility operators.

In the past, Romanian legislation prohibited the acquisition of land and ownership rights thereof by foreign citizens and/or entities. The Constitution of Romania was amended in 2003 so as to allow foreign citizens and/or companies the right to acquire land ownership rights as per the requirements of the E.U. accession process, reciprocal international treaties, through legal (but not testamentary) succession, and as otherwise

provided by applicable law.

In this regard, Law no. 312/2005 regarding the right of foreign citizens, of stateless persons, as well as of legal entities to acquire ownership over the land, which entered into force upon Romania's E.U. accession, sets the general rules under which foreign nationals/legal entities may acquire ownership rights over land. The provisions thereof differentiate among different classes of foreign nationals as follows:

- 1) Nationals of E.U. member states (both companies and individuals) and stateless persons domiciled in EU member states may acquire land under the same



conditions as those provided by law for Romanian nationals, for the purpose of setting up secondary offices or secondary residence in Romania, as well as agricultural land and forestry land under the same conditions provided by law for Romanian nationals;

2) All other foreign citizens may acquire land ownership rights under any reciprocal agreements contained in international treaties concluded by Romania and the foreign citizen's State, however the conditions for acquisition of land may not be more favorable than for nationals of E.U. member states. In respect of building structures, the relevant law does not provide any special conditions for the acquisition of ownership rights thereon. Foreign citizens may freely acquire ownership rights over building structures, whereas for the appurtenant land a superficies right can be established (the right to use the land) as long as the building structure exists.

Restitution of Real Property

From 1991 to 2005, several laws were adopted allowing former owners of real estate whose properties were abusively seized by the State during the period of 1945 to 1989 to reclaim their properties or to obtain fair compensation if actual restitution was not possible.

The restitution proceedings implied some interdictions and restrictions in which concerns the transfer of the properties object of the procedures and other related operations. In light of the severe sanctions, which could affect even the final ownership title, in the context of a real estate transaction the observance of such restrictions in the past should be checked.

Acquiring Real Estate

Real estate transactions represent complex legal operations which should take into consideration various legal,

tax and commercial aspects. In order to acquire real estate, it is necessary to determine the legal status of such asset by analyzing the following documents:

- current title to the property (sale/purchase agreement, donation, inheritance certificate, title deed, etc.);
 - previous titles within the ownership history of the real estate, from where it may be reconstructed (before confiscation by the communist regime, if possible), including restitution under judicial or administrative procedures;
 - recent excerpt from the Land Registry, required for the verification of the entries in the Land Registry (recording of owners, potential encumbrances on the property and any other remarks regarding the property);
 - copies of the Land Registry (containing all historical entries regarding the respective plot in the Land Registry); and
 - cadastral file, required for the verification of the precise area and borders of the property, since, in practice, it happens quite often that actual measurements have not matched to the measurements indicated in the title deed.
- A real estate transaction is generally materialized in the conclusion of a sale/purchase agreement. Upon conclusion, such sale/purchase agreements must be registered with the Land Registry.

Our legislation provides for an authenticated form of the sale/purchase agreement in respect of real estate (land and building), as well as for the establishment or transfer of any other real rights (easements, superficies, etc.) - any such contract which is not concluded in an authenticated form is null and void. Ownership title to properties listed as historical monuments may be transferred only with the observance of the Romanian State's pre-emption right upon acquisition. The sale agreement concluded in breach of the legal provisions shall be null.

Litigation

The existence of a litigation over the real estate does not prohibit the transfer or the constitution of any real or receivable right over the respective real estate, except for the existence of any pending restitution notifications filed based on Law 10/2001. However, the existence of a litigation affecting the real estate may prevent or delay the development of the land, namely the process of issuance of a construction permit.



Lease/ Free Use/ Concession of Land/ Real rights

Under current law, foreign investors may enjoy the benefits of using and developing land under different legal mechanisms including leases, free-use agreements or concessions.

Privately owned real estates may be leased under a lease agreement concluded by the owner of the property in question. The agreement should be registered in the Land Registry to allow for notice and enforcement against third parties – if registered with the Land Registry, any subsequent owner shall be bound by the respective lease agreement. State owned real estates might be leased if approval is obtained in the form of a Governmental Decision, Decision of the Local Council or Decision of the County Council. Any such lease agreement must contain language providing for the terms of exploitation in consideration of the real estate's characteristics.

Free use rights over state-owned real estate may be granted to public institutions.

With respect to concession of publicly owned real estate, the applicable legal regime contains strict regulations. As a general rule, concession rights may be granted in favor of investors, Romanian or foreign individuals and legal entities, following a public tender procedure regulated in detail by the law, including with respect to publicity requirements, awarding criteria and deadlines for submitting applications. Public tender procedures may be initiated only after the approval by the public authority of an opportunity study, grounding the economic, financial and social reasons for granting the concession right. The concession right over publicly owned real estate may be granted for a maximum term of 49 years, which may be extended for a period equal to ½ of the initial term.

In addition, public authorities and institutions may own real estate in private ownership, over which a private investor

may acquire the rights specific to private ownership, such as property right, superficies or right of use. Such rights may be granted only based on public tender procedures. However, the legislation only provides that the rights should be granted based on public tender, but does not provide a specific procedure to be followed in this respect. Therefore, public tenders concerning real estate held in private ownership by public authorities are performed usually based on internal regulations adopted at the level of each public authority, which comply with the principles of publicity, non-discrimination and equal treatment.

Real rights (e.g. the right to use, the easement right, the superficies right, etc.) may be established through deeds concluded in authenticated form and for certain real rights an urbanism certificate must be obtained prior to their execution.

Security over the Real Estate

Mortgages over real estate may be established upon the conclusion of an authenticated agreement, which should be registered with the Land Registry. Specific provisions regulate the enforcement of the mortgages.

Publication Formalities

According to the law, for publicity and opposability towards third parties, any act or fact related to a real property (e.g. transfer, security or promissory agreement, etc.) should be registered with the Land Registry. The Land Registry is kept within the real estate offices in the district where the real property is located. All real estate transactions are based on verifications of the Land Registry in order to determine the current legal status of the property, its rightful owners, as well as any existing encumbrances on the property. However, Land Registry recordings do not always guarantee the legal security of a transaction and additional verifications are strongly recommended.

A complex process is currently underway

having as scope the performance of cadastral works and registration with the Land Registry of all real estate in Romania. The Civil Code provides that, upon completion of such national registration process, the proof of ownership right to real estate assets will be made with the excerpt from the land book. Hence, once the cadastral works are finalized, the registration with the land book shall become a condition for the valid transfer of the title over real estate assets.

Construction Permits and Urbanism Plans

Civil, industrial or any other type of construction works may be performed based on a construction permit, which may be obtained by the titleholder or any other person holding a real estate right allowing it to build on the land (including administration and concessions rights). However, a lease agreement shall only convey the right to construct provisional buildings, and only with the approval of the owner (except for specific provisions in the oil and gas industry) Construction permits are valid for a period of maximum 24 months from issuance date, and the investor must begin the construction works within this period of time.

During construction, the investor must observe the technical parameters and characteristics as per the construction permit; any substantial modification thereof requiring a new construction permit.

Urbanism documentation (i.e. urbanism plans and corresponding regulations) provides the conditions under which the land may be used for construction; all regulations regarding construction performance are contained therein. Specific restrictions may apply due to zoning regulations or the location of the real estate, e.g. in the protected area of historical monuments, airports, military units, etc. Moreover, general prohibitions may also apply, for instance over green areas, forests, etc.



Romania and the European Union

Major Milestones of Romania's Accession Process

Romania was the first country of Central and Eastern Europe to have official relations with the European Community. The relations between the two parties were initiated at the end of the 60s, in the form of bilateral trade agreements (they were suspended in the 80s). Romania was included in the Community's Generalised System of Preferences in 1974.

After 1989, European Union membership has been the main goal of every Romanian Government. Romania signed its Association Agreement with the European Union in 1993 and submitted its official application for EU membership in June 1995, after Hungary and Poland. February 2000 marked the official start of these negotiations.

The accession negotiations were closed on December 14, 2004. The Accession Treaty was subsequently signed in Luxembourg on April 25, 2005

Romania became a full member of the EU starting with January 1, 2007. The EU Monitoring Report released by the EU Commission on September 26, 2006 confirmed Romania's accession.



EU Financial Assistance for Romania

EU membership enables companies to seek financial support through the EU structural and cohesion funds. In most cases, incentives take the form of development grants. Ranges of investment incentives are available to eligible applicants active in different economic sectors, in particular to small and medium size enterprises.

European Structural and Investment Funds – 2014-2020

With a Common Strategic Framework to provide the basis for better coordination between the European Structural and Investment Funds (ERDF, Cohesion Fund and ESF as the three funds under the Cohesion Policy, as well as the Rural Development and Fisheries funds), the

EU's strategy is to achieve better inter-connection with other EU instruments like Horizon 2020, the Connecting Europe Facility, as well as the Programme for Employment and Social Innovation. The newly reformed Cohesion Policy, which makes available up to EUR 351.8 billion across the EU, targets innovation and research, the digital agenda, support for small and medium-sized businesses (SMEs) and the low-carbon economy (energy efficiency and renewable energy), priority Trans-European transport links and key environmental infrastructure projects, as well as employment (through training and life-long learning, education and social inclusion), etc.

During the current programming period (2014-2020), Romania will receive an indicative total allocation of approximately EUR 32.96 billion from Structural and Cohesion Funds, Rural Development and Fisheries funds, Cross-border cooperation programs and the Connecting Europe Facility. Out of this, EUR 22.6 billion will be allocated to the operational programs financed under the Cohesion Policy and EUR 8.13 billion will relate to the National Program for Rural Development.

The absorption rate of European funds at March 2019 was 21.98% (Source: Ministry of European Funds).

EU funds may be used for:

- Investing in research and development – in order to develop relations between companies, research institutes and universities, to support the purchase of your company's research equipment or your researchers' overhead expenses, mainly in the areas of bio-economy, information and communication technology, energy, environment and climate change, eco-technology.
- Investing in expertise and other intangible assets – to cover expenses connected to purchasing expertise, patents and research findings, and new production manuals for SMEs.
- Employer's stimulation – in order to cover training expenses, the cost

of trainers and of professional HR counsellors, to develop training courses for your employees or to create new jobs, especially for young people, including schemes of apprenticeship and internship schemes.

- Improving IT infrastructure – to co-finance purchasing IT technology in the areas of e-government, interoperability, information security, cloud computing and social media, ICT in education, social inclusion, health and culture, e-commerce, ICT innovation, broadband infrastructure and digital services.
- Supporting the energy sector – to build power plants using alternative energy sources and to purchase technology to reduce waste or renew heating systems.
- Development in urban areas – may contribute to the implementation of energy efficiency projects for public and residential buildings, investments in public lightning, urban public transport measures (electrical/ ecological).
- Urban regeneration – rehabilitation of abandoned industrial areas, renewal of brownfields and run-down urban areas including the recovery of old ecological burdens, the (re)construction of buildings for research purposes and premises of small and middle-sized enterprises or the construction of leisure-time and sports facilities.



Foreign Investment, Privatization and Trade



Foreign Investment

Regulatory Legislation

The following legislation (in addition to taxation law) regulates foreign investment in Romania:

1. Commercial Code
2. Company Law
3. Competition Law
4. Law regarding the promotion of direct investments
5. Law on Banking Activities
6. Securities Law
7. Commercial Companies Privatization Law
8. Trade Register Law

Restrictions on Foreign Investment

No restrictions are imposed on foreign ownership or participation in joint ventures and in Romanian companies. It is possible for a foreign individual or entity to own 100% of any type of a Romanian registered company.

Currently, the main industrial sectors in which additional governmental approval is necessary for investors are:

- Defence;
- State Monopolies;
- National Security.

Resident and non-resident companies are allowed to acquire and hold rights over movable assets in Romania.

Investment Incentives

Romania currently provides carrying forward fiscal losses, accelerated depreciation, local taxes incentives, subsidies on the unemployment insurance system and employment stimulation investment, incentives for economic growth support. Other financial incentives are provided by several state aid schemes.

Investment Environment

Romania can provide foreign investors with a range of benefits, including:

I) Market & Location Advantage

- One of the largest markets in Central and Eastern Europe (ranking 7th with over 19 million inhabitants);
- EU unique market gateway (access to approximately 500 million consumers);
- Attractive location: situated at the turning point between EU, the Balkans and CIS countries, Romania is crossed by three important pan-European transportation corridors: corridor no. IV linking Western and Eastern Europe, corridor no. IX connecting Northern and Southern Europe and no. VII - Danube River, facilitating inland water transportation, at the same time connecting the Romanian Port of Constanta (the biggest Port to the Black Sea) to Northern Europe, through the Rhine.

II) iSource Advantage

- Highly skilled labor force at competitive prices (solid knowledge in foreign languages, technology, IT, engineering etc);
- Rich natural resources, including surface and underground waters, fertile agricultural land, oil and gas;
- High potential for tourism.

III) Political Advantage

Stability guarantee by:

- European Union membership,
- NATO membership.

IV) IR Advantage

- Bilateral agreements between Romania and other countries on investments promotion and protection;
- Bilateral diplomatic relations with 177 out of the 191 UN member states, plus the Holy See, the Sovereign Military Order of Malta and the Palestinian National Authority;
- Member of the UN and other international organizations, like: OSCE, Council of Europe and International Organization of La Francophonie;

- Free trade agreements with EU, EFTA countries, CEFTA countries;
- WTO member since January 1995.

V) Economical Advantage

- Tax exemption of the reinvested profit;
- State aid schemes for encouraging investors to take upon Romania;
- Increasing interest on behalf of Foreign Investors - leader destination for FDI in the region (source: 2010 A.T. Kearney Foreign Direct Investment Confidence index);

VI) Social Advantage

- Agreement between Government and major unions;
- Labor relations regulated by the Romanian Labor Code.

VII) Legislative Advantage

- Similar legal provisions as in UE (Acquis communautaire implementation);
- Fiscal policy regulated by the Fiscal Code.

VIII) Other Advantages

- Well-developed networks of mobile telecommunications in GSM systems;
- Highly developed industrial infrastructure, including oil and petrochemicals;
- Presence of branch offices and representatives of various well-known international banks;
- Extensive maritime and river navigation facilities.

Direct Investments

According to legal provisions, provided by the Law no.241/1998 regarding stimulation of direct investments, the direct investment in Romania is defined as follows: Participation in the setting up or development of a company under one of the legal business forms established by Romanian laws, the acquisition of shares (except for portfolio investments), and the setting up or the development of a foreign company's branch through one of the following alternatives:

- Financial contribution in local or foreign currency;

- In-kind contribution of real estate properties or movable (tangible or intangible);
- Contribution to the increase of a company's assets by any legal financing way.

Guarantees and rights

Foreign investment is not to be subject to nationalization, expropriation, confiscation, requisition or any other measure of similar effect, except when this is in the public interest, and, even so, only after legal procedures and with appropriate compensation. The compensation should be "prompt, adequate and effective".

Romania has concluded a number of bilateral treaties on mutual guarantee and encouragement of investment. In 1992, the country became a member of the Multilateral Investment Guarantee Agency (MIGA).

Legislation in force provides extensive rights for foreign investors. There is no limit on foreign participation in companies and a foreign investor may establish a wholly owned enterprise in Romania.

Repatriation of initial investment and profits depends on the type of investment made. Direct investors may transfer abroad all profits made in Romania, as well as proceeds from winding-up an investment, after paying all due taxes.

According to the legal provisions, direct investments benefit from the following guarantees and rights:

- The right to invest in any field of activity and under any legal business form;
- Equal treatment, irrespective of the country of origin or residency;
- Guarantees against nationalization and expropriation;
- Tax incentives;
- Advisory assistance during the administrative formalities;
- The right to convert the local currency obtained from the investment into

foreign currency and to transfer it abroad;

- The right to settle the disputes in a chosen competent Court or Arbitrators;
- The possibility to carry forward losses;
- The right to use the accelerated depreciation method;
- Full deduction of the advertising expenses;
- The right to hire foreign staff, according to legal provisions in force.

Facilities for Investors

The Public Private Partnership

The forms of public-private partnership, as regulated by Government Emergency Ordinance no 39/2018, are as follows:

- a) the public-private partnership contract - the public-private partnership under a contract between the public partner, the private partner and a new company whose share capital is wholly owned by the private partner acting as a project company;
- b) Institutional public-private partnership - the public-private partnership under a contract between the public partner and the private partner, through which a new company is set up by the public partner and the private partner to act as a project company and, after becoming a member of the company register, acquires the status as a party to the respective public-private partnership contract.

The financing of investments made within the framework of public-private partnership contracts can be ensured, as the case may be:

- i. in full, from the financial resources provided by the private partner; or
- ii. from financial resources provided by the private partner, together with the public partner.

Industrial parks

The setting up and development of industrial parks are regulated by Law 186/2013, being governed by the following general principles: (i) equality in treatment between the residents of the industrial park; (ii) non-involvement of the park

administrator in abusive practices against the residents; (iii) mandatory compliance with the park regulations by all residents; and (iv) stimulation of job creation.

The title of industrial park is issued to the administrator of the park on the basis of the order of the Minister of Regional Development and Public Administration or by Government Decision or a special law in the case of the old privatized industrial platforms, according to a governmental decision, on industrial park concept.

The title of industrial park is valid for the land, the infrastructure of the industrial park and the duration established expressly by the order of the Minister of Regional Development and Public Administration.

The title of industrial park is issued for a duration of minimum 10 years, if several conditions are met in respect of the park administrator (private entity, duly incorporated, not in insolvency, no outstanding dues towards the state) and the land comprising the industrial park. Such land must be in the ownership, concession or administration/use of the founder, park administrator or of the residents, must have access to a European/national/county road or by-pass, must have a compact area of minimum 5 hectares, and cannot be affected by any encumbrances, real estate dismemberment rights, mortgages, seizures, etc.

The industrial park is operated based on the regulations established by the park administrator and of the administration contracts (and potential related services agreements) concluded between the park administrator and each resident. Such contract must contain a mandatory termination case for delays of the residents to pay the amounts due by more than 30 days.

According to the abovementioned Law 186/2013, the economic agents (both administrator and residents) within the

industrial parks benefit from an ensemble of fiscal incentives (tax exemptions – including exemption from land and building tax). There are also important incentives the local administration authorities can provide, considering the positive effects on local scale (numerous workplaces, developing economic activities) industrial parks have, such as exemptions from the fees for the issuance of urbanism certificates and building / demolition permits.

Scientific and technological parks

According to Government Ordinance 14/2002, scientific and technological parks are strictly delimited areas where education and research activities, as well as the technological implementation of results for the use in economy are performed. Such park may be set up based on a partnership (joint venture) agreement between an accredited university and/ or another research and development institution, on one hand, and on the other hand an autonomous state-owned agency, a national company, other companies, local public administration, employers' or professional associations, or natural persons, either Romanian or foreign investors.

An administrator, constituted as a commercial company, nominated by the joint venture, manages the scientific and technological park.

The patrimony of the park is constituted of the contribution of its members, and the corresponding land(s) must be free of any encumbrances or litigations.

The scientific and technological parks may operate only based on the functioning authorization issued by the Minister of Education and Research.

The following incentives are granted to set up and develop scientific and technological parks:

- Favourable conditions for the location and use of infrastructure and communications, deferred payments, ensured or eased by the administrator

- for a determined period of operation;
- Discounts or charge exemption for certain services supplied by the administrator of the park; Exemption from taxes due upon the conversion of agricultural land to be used for the benefit of the scientific and technological park;
- Buildings, constructions and land contributed to and used by the scientific and technological parks are exempt from tax on building and land;
- VAT exemption for materials, equipment and utility connections throughout the development period and up to the commissioning of the park;
- Development programs for developing the infrastructure, investments and equipment provision, by the local public administration;
- Donations, concessions and structural funds for development.

Trade

Foreign trade regulations have been gradually liberalised since 1990 and now broadly follow the guidelines set by the EU.

certain goods, such as goods susceptible for dual use (both civilian and military) or goods falling under the CITES Convention.

Regulatory Climate

A specific license is generally not required for the import and export of commodities into and out of Romania. Exceptions are those commodities subject to quota as stipulated by international trade agreements signed by Romania and those considered as potentially dangerous for human health or the environment. Other non-tariff barriers also apply upon the import or export of

Regulatory Authority

The License Department of the Ministry of Economy and Trade is in charge of issuing trade licenses. Other public entities also issue approvals for the import or export of goods that are subject to other non-tariff barriers, e.g. ANCEX (The National Agency for Controlling Exports of Strategic Products).

Foreigners Regime in Romania

Government Emergency Ordinance no 194/2002, republished in 2004, 2008 and 2011 approved on the status of foreigners in Romania sets the conditions foreigners have to meet in order to receive a long-stay visa. Additionally, Law no. 247/2018 regulates the modification and completion of the Government Emergency Ordinance no.194 / 2002 and the Government Ordinance no. (EU) No 2016/801 of the European Parliament and of the Council on the conditions of entry and residence of third-country nationals for research, study, vocational training, volunteering, and pupil exchange programs or educational projects and au pair work.

Residence permit for foreign employees can be obtained from Romanian Immigration Office (ORI) on the base of the approval from the Ministry of Labour, which is obtained easier for the qualified work force. For the business persons, the residence permit is also obtained from ORI on the base of approval from Romanian Center of Trade Promotion and Foreign Investors.

The visa request will be accompanied by the following:

- Ministry for the Business, Commerce and Entrepreneurship Environment (MMACA) approval,
- A criminal record certificate or a similar legal document,
- A health insurance for the availability of the visa,
- Proof of ensuring accommodation conditions.
- All these documents are submitted to diplomatic missions or consular offices of Romania.

As an internal procedure, the long-stay visa shall be approved by the National Visa Center only after obtaining the approval of the General Inspectorate for Immigration. The notice shall be issued no later than 30 days after receipt of the request, with the possibility of extending the deadline by 15 day.

Corporate and Business Law



- Any person and/or legal entity, irrespective of nationality, is free to enter into any type of regulated partnership or set up any type of company as regulated under Romanian law, provided that it has not committed specific criminal offences stipulated in the law;
- Registration formalities with the Romanian Trade Registry and the fiscal authorities are applicable, irrespective of the corporate form of the company;
- Depending on the envisaged activity, certain supplementary authorisations are required (e.g. insurance/reinsurance, banking, financial investment services, restaurants, leisure, gambling);
- The most common company forms are limited liability (SRL) and joint stock (SA), while the other forms of companies are seldom used in practice. Therefore, in our presentation below we have only referred to limited liability and joint stock companies.

Legal framework

The general legal framework with respect to Romanian companies is provided by Companies' Law no. 31/1990 (the "Companies' Law"). The law has transposed a series of provisions at EU level, including Directive 2005/56/EC on cross-border mergers of limited liability companies.

The Companies' Law regulates all aspects related to the corporate life of a company, including registration formalities and procedure, minimum share capital, aspects related to shares and allocation of profits, shareholders and management, mergers and spin-offs, dissolution and liquidation.

Additional aspects concerning companies' formation and functioning are regulated under separate legislation, such as: Trade Registry Law no. 26/1990 and the Methodological Norms for keeping the Trade Registry govern registration formalities; aspects regarding the competition fall under Competition Law no. 21/1996; listed companies are also

regulated under Capital Markets and Issuers Law no. 24/2017.

With regard to the corporate form of a company, Companies' Law regulates five types of companies, all having legal personality, respectively:

- Partnerships;
- Limited partnerships;
- Partnership limited by shares;
- Joint Stock Companies;
- Limited Liability Companies.

Nevertheless, the different forms of partnerships regulated by the Companies' Law are very rarely used in practice and almost all companies in Romania are set up in the form of limited liability and joint stock companies.

Corporate form		
Feature	Limited liability company - SRL	Joint stock company -SA
Share capital	RON 200 (approx. EUR 50)	RON 90,000 (approx. EUR 25,000)
Number of shareholders	Minimum one shareholder and maximum 50 shareholders. A company owned by a sole shareholder cannot be in its turn a sole shareholder in a Romanian company.	Minimum 2. No maximum limit
Liability of shareholders	The shareholders' liability towards third parties is limited to their contributions to the company's share capital.	Shareholders are liable only up to the value of their subscribed contribution to the share capital.
Contributions to the share capital	Contributions in receivables are not allowed neither when establishing the company nor when performing share capital increases. The share capital may be increased by converting receivables held against the company into share capital.	Contributions in receivables are not allowed when establishing joint stock companies by public subscription.
Shareholders' meetings	The law does not make a distinction between ordinary and extraordinary meetings. However, specific quorum and majority conditions are provided for different types of decisions. As a rule, decisions are taken with majority of the shares and of the shareholders. The Articles of Association may derogate from the rules provided by the Companies' Law.	Ordinary and extraordinary meetings with different quorum and majority conditions.
Management of the company	At least one director. As a rule, except provided differently by the company's statutory documents, each director has full powers to represent the company. The law does not regulate the functioning of company's management, but certain conditions may be regulated through the statutory documents.	(1) One-tier management system Ensured by a director or a board of directors (at least 3 directors for companies' subject to a mandatory financial audit) who can delegate the company's management to managers, appointing one as General Manager; or (2) Two-tier management system Ensured by a supervisory board and a management board.
Transfer of shares	No restriction in case of transferring to existing shareholders. In case of transfer to third parties, it is necessary to obtain the prior approval of the General Meeting of Shareholders, voting with at least $\frac{3}{4}$ of the company's shares.	No restriction provided by the legislation.
Censors	The Articles of Incorporation may provide for the election by the shareholders of one or several censors or of a financial auditor, but the appointment of censors or of a financial auditor is mandatory only in certain cases	Joint stock companies whose annual financial statements are not subject to a financial audit by law or by resolution of the shareholders must appoint at least three censors and one deputy.

Incorporating a company in Romania

Irrespective of the elected corporate form, the incorporation of a Romanian company requires the completion of the following stages:

01. Obtaining a reservation for the corporate name of the new company;
02. Approving the statutory documentation, including the articles of association of the new company;
03. Paying the share capital of the new company;
04. Concluding an agreement for the establishment of the headquarters of the new company;
05. Filing with the Trade Registry the documents prescribed by the law;
06. Verification of the registration file by the Trade Registry Office and release of registration.

01. Obtaining a reservation for the corporate name of the new company

- The name reservation is valid for a period of three months as of its issuance.
- The corporate name is the name under which a company signs and carries out its trade or business. The law recognizes to a company the exclusive right to use its corporate name after its registration with the Trade Registry.
- The law does not allow the use in a corporate name of the following words and their derivatives: "scientific", "academy", "academic", "university", "school".
- In addition, for using in the corporate name the words "national", "Romania", "institute" a company must obtain the approval of the General Secretary of the Government.

02. Articles of association of the new company

- The articles of association represent the main document that details the company's internal operation, including aspects regarding the company's

management bodies and powers granted to shareholders.

- The notarization of the articles of association is only mandatory in the following cases: (i) when a real estate is brought as a contribution to the company's share capital; (ii) when a general partnership or a limited partnership is set up; and (iii) when a joint stock company is set up by public subscription.

03. Paying the share capital

- The minimum share capital applicable to limited liability companies is of RON 200 (approx. EUR 50), while in case of joint stock companies the minimum share capital stands at RON 90,000 (approx. EUR 25,000).
- The Companies' Law provides three types of contributions when establishing a Romanian company, respectively: in cash, in-kind, and in receivables.
- Note that the contributions in cash are mandatory for every form of company provided by the Romanian law. With respect to the contributions in kind, note that they are also allowed for every form of company and they must be priority evaluated from an economical point of view.
- Contributions in receivables are not allowed for limited liability companies and for joint stock companies by public subscription, and in case of partnership limited by shares and limited liability companies.

04. Concluding an agreement for the establishment of the headquarters of the new company

As a rule, two companies cannot have their registered seat at the same establishment/address.

However, Companies' Law provides one exception when it is allowed to have more than one company registered in the same establishment/address, namely when the structure of the immovable property allows for several companies to function in different rooms / offices.

In order to register the company, a property title or an agreement for the establishment of the headquarters must be provided. The agreement must be previously registered with the National Agency for Fiscal Administration.

05. Filing with the Trade Registry the documents prescribed by the legislation

The registration file should contain all documents prescribed by the law, including:

- the articles of association,
- proof of the share capital payment,
- statements of the shareholders and administrators,
- documents regarding the headquarters (e.g. ownership title, rental agreement).

06. Verification of the registration file by the Trade Registry Office and release of registration

In terms of timing, the Trade Registry issues the certificate of registration of a new company within five working days from when all the required documents have been filed.

Based on Law no. 359/2004 a simplified registration procedure was adopted and implies the following:

- the registration certificate issued by the Trade Registry, specifies the individual registration code granted by the Ministry of Public Finance, and
- the ascertaining certificate reflecting

the activities which the company is authorized to carry out at its headquarters or, as appropriate, at its places of business or those activities which may be carried out by third parties.

The latter authorisation is issued based on a statement given by the applicant taking responsibility for legally carrying out the declared activities from the following standpoints: environmental protection, labour protection, as well as sanitary and sanitary-veterinary protection.

VAT registration

Any person subject to taxation established in Romania who has or intends to have an economic activity that implies operations that can be taxed and/or exempted from VAT with deduction rights must register for VAT with the qualified fiscal authority.

In this respect, Order no. 167/2019 provides for an accelerated registration. Thus, the VAT code will be obtained in one day after we submit the file.

Nevertheless, the timeframe depends on the company risk computed by the tax authorities after review of the file. They may request additional documents in order to sustain the intention to perform the business activity in Romania as well as meeting where the company's representative is requested to answer questions.



Directors' duties and liability

Directors are liable towards the company for the damages caused through their activity. In the performance of their mandate, directors should act with professional diligence and should always seek to follow the company's best interests. The main attributions of directors are in the fields of:

- managing the activity of the company, in line with the decisions of the General Meeting of Shareholders;
- representing the company towards third parties;
- summoning the General Meeting of Shareholders;
- implementing the decisions of the General Meeting of Shareholders;

- hiring and dismissing employees;
- signing the annual financial statements and presenting them to the General Meeting of Shareholders for approval;
- organizing the company's accounting department;
- ensuring the compliance with data protection obligations.

Directors can also be liable towards third parties in case of entering into agreements, which led to the company's insolvency. Directors' liability for specific activities can be mitigated through the implementation of specific control and reporting mechanisms.

Subsidiaries, branches and other secondary offices

Subsidiaries

Subsidiaries are entities with legal personality established in one of the forms provided by law and mentioned above under point 6.1. Consequently, the legal regime applicable to the said entities is that provided for the form of company under which it is established.

Branches

The branch is an extension of the parent company and therefore has no legal personality and no financial independence. The company is held liable to any creditors of the branch, employees included, as well as for any debts and obligations undertaken by its managers and agents on behalf of the branch. Branches can only carry out the activities for which the parent company has been authorized.

Representative Offices

Foreign companies have the possibility to establish in Romania representative offices based on licenses issued by the Ministry of Economy.

Usually representative offices are set up by foreign companies in Romania in order to carry out non-commercial activities, such as advertising and market research on behalf of the parent company. Representative offices cannot conduct commercial activities in Romania.

The licenses are issued for the period in relation to which the tax (annual) has been paid and may be renewed afterwards. After the license is issued, the representative office shall be registered within maximum 15 days with the tax authorities.



Banking, Capital Markets, Insurance and Private Pensions



Regulatory framework climate

Since joining the European Union (EU), Romania developed a well-regulated financial market, being subject to the extensive legal EU framework in this field. In 2017-2018, the Romanian financial sector was subject to various new EU regulations (such as Markets in Financial Instruments Directive II (MiFID II), Insurance Distribution Directive (IDD), Payment Services Directive II (PSD II), General Data Protection Regulation (GDPR), Anti-Money Laundering Directive IV (AMLD IV)) facing additional compliance challenges. In particular, these new EU requirements focused on the consumer's protection growth and the EU financial market stabilization.

Financial sector supervision

The National Bank of Romania (the "NBR") and by the Financial Supervisory Authority (the "FSA") supervise the Romanian financial sector.

In Romania, NBR exerts prudential regulatory and supervisory functions on the credit institutions, non-banking financial institutions, and payment institutions and adopts monetary policy measures. The European Central Bank (ECB) does not directly supervise any Romanian credit institution but under the EU banking union, it oversees the parent banks of many of the main lenders in Romania. NBR also oversees the smooth functioning of the systemically important payment and settlement systems and ensures the prevention of the money laundering and terrorism financing in the financial sector subject to its supervision.

FSA exercises supervisory and control powers over three financial markets

(i.e. capital markets, insurance and re-insurance sector and private pensions scheme), overseeing regulated entities such as investment firms, collective investment undertakings, alternative investment funds managers, investment management companies, market operators, central depository, insurance and re-insurance companies, insurance intermediaries and private pensions funds.

A Board of Directors runs NBR, as an independent public institution, consisting of nine members appointed by the Parliament for a 5-year mandate. It works on a permanent basis with the International Monetary Fund, the European Central Bank and specialized consultants from the World Bank, as well as with other organizations, in developing its regulatory and supervisory framework. Since January 1, 2007, NBR is part of the European System of Central Banks (ESCB), and the NBR's Governor is a member of the General Council of the ECB.

FSA is established as an autonomous, specialized, independent, self-financed administrative authority, being managed by a Board of Directors consisting of nine members appointed for a 5-year mandate.

Foreign Currency Regime

There are additional bodies with relevant roles within the financial sector, such as:

- the National Authority for Consumer Protection, authority that prevents and sanctions those practices within the financial services sector that harm the economic interests of consumers;
- the Bank Deposit Guarantee Fund, the national deposit insurer that guarantees the bank deposits in case

of credit institutions' insolvency; and

- the Romanian Investor Compensation Fund, that compensates investors in case a fund member, when providing investment services to investors or managing the investors' individual investment portfolios, fails to return the money and/or the financial instruments owed to, or belonging to, such investors.

The national currency of Romania is LEI (abbreviated RON) and its exchange rate is determined on the inter-bank foreign exchange market established in 1994, where foreign currency can be bought and sold in exchange for LEI, at spot or forward exchange rates freely determined by the credit institutions authorized by NBR. Based on the currency exchange rates used on the inter-bank market, NBR establishes and publishes the daily exchange rate.

Non-residents:

- may acquire, hold and use any financial assets denominated in foreign currency and in LEI;
- may open and keep accounts in both foreign currencies and LEI with Romanian credit institutions;
- may transfer abroad the financial assets held in Romania;
- may freely perform the current and capital foreign exchange operations with

Romanian residents both in a foreign currency and in LEI.

The non-residents include foreign citizens having their domicile abroad, legal entities having their headquarters abroad, and branches of Romanian legal entities operating abroad.

Romanian residents:

- may acquire, hold and use any financial assets denominated in a foreign currency;
- may open and keep accounts in both foreign currencies and LEI with Romanian credit institutions;
- may perform transfers, collections and payments between them related to the selling of goods and provision of services only in LEI .

Romanian residents include Romanian citizens having their domicile in Romania or legal entities having their headquarters in Romania or branches of foreign legal entities operating in Romania.

Banks and non-banking financial institutions

Banks

As a rule, in Romania crediting activities can be performed with professional title only by the NBR authorised entities. While certain activities can be performed also by non-banking financial institutions authorised by the NBR (e.g., lending activity, financial leasing), only credit institutions can accept deposits from the public on a professional basis.

The list of activities that credit institutions

may perform (within the limits of their license) includes, inter alia:

- acceptance of deposits and other repayable funds;
- lending (including, inter alia, consumer credits, mortgage credits, factoring, financing of commercial transactions);
- financial leasing;
- payment services;
- issuance and administration of other means of payment, such as checks, bills of exchange and promissory notes, etc.;

- investment services and activities, such as portfolio management and related investment advice, trading on own account and/or the account of customers (to the extent these services refers to financial instruments, the authorization of the FSA is required);
- issuing electronic money;
- acquiring participations in the share capital of other entities.

In Romania, the credit institutions may be set up as banks, credit and savings banks for housing, mortgage banks, and credit cooperative organisations.

As per the public data published by the NBR, at the end of December 2018 the banking sector comprised of 34 credit institutions (out of which 7 were direct foreign branches). Starting with 1 January 2019, the Romanian systemically important banks are:

01. Banca Transilvania S.A. (consolidated level);
02. UniCredit Bank S.A. (consolidated level);
03. Banca Comercială Română S.A. (consolidated level);
04. BRD - Groupe Société Générale S.A. (consolidated level);
05. Raiffeisen Bank S.A. (consolidated level);
06. Alpha Bank România S.A. (individual level);
07. CEC Bank S.A. (individual level);
08. OTP Bank S.A. (consolidated level);
09. Garanti Bank S.A. (individual level).

Non-banking financial institutions

The non-banking financial institutions (the “NBFIs”) are regulated entities that may carry out lending activity on a professional basis in Romania. The NBFIs are supervised by NBR and, depending on their license (i.e., registered with the General Register, Special Register or Entry Register held by the NBR), are subject to several regulatory requirements. In order to be registered with the General Register, a NBFI should have a share capital of at least the equal amount in LEI of EUR 200,000, while NBFIs that envisage granting mortgage credits should have a share capital of at least the equal amount in LEI of EUR 3,000,000.

NBFIs which envisage the registration with the Special Register should comply with additional conditions, such as: (i) the NBFIs’ own funds and borrowed resources shall be of minimum

LEI 50,000,000; (ii) the NBFI shall grant credits/ financing of minimum LEI 25,000,000, and (iii) shall have a total level of consumer credits granted over the last three quarters of LEI 75,000,000.

The activities, which can be carried out by NBFIs, include, amongst others:

- (granting credits, including, without being limited to, consumer credits, mortgage credits, real estate credits, micro-credits, financing of commercial transactions, factoring, discounting, forfeiting operations;
- financial leasing;
- issuing of guarantees, undertaking of guaranteeing commitments, undertaking of financing commitments;
- granting credits by receiving pledged assets, or pawning through pawn broker’s houses;
- other financing forms of the nature of the credit;
- within the crediting activity, issuance and administration of credit cards for the clients and activities related to the processing of transactions with such instruments (other than those provided under the Emergency Government Ordinance no. 113/2009 on payment services, in compliance with the regulations in the field);
- foreign exchange operations (applicable to NBFIs registered with the General Register); and
- payment services and lending activity in relation to such payment services (applicable to NBFIs registered with the General Register).

According to the public data published by the NBR, at the end of 2017 was an increase in the number of entities that were registered with the Special Register. In the first eight months of 2018, a number of 36 NBFIs with a market share of 3.6% were registered in this register, but in the meantime four of them were radiated.

Financial markets and instruments

In line with the EU regulatory trends, the Romanian legal framework regulating the market operations, issuers, financial markets and investment collective undertakings faced an extensive development since 2017.

This growth of laws and regulations started in 2017, when Law no. 24/2017 on issuers of financial instruments and market operations entered into force and repealed the existent rules formerly regulated by Law no. 297/2004 on capital markets. Further, in 2018 the national legislator transposed MiFID II in the Romanian legislation through Law no. 126/2018 on markets in financial instruments, followed by a set of implementation regulations issued by the FSA.

Starting with July 2019, the new EU Prospectus Regulation applies entirely, and a new Romanian law on alternative

investment funds is expected to be enacted in the near future (the draft law was published in December 2018 and the deadline for public consultations elapsed on January 15, 2019).

The Bucharest Stock Exchange S.A. (the "BSE"), the most important institution of the Romanian capital markets, organizes and manages the regulated markets of financial instruments under European standards. The BSE is a shareholder-owned company listed on its own market since June 2010, and operates two types of markets the regulated market and a multilateral trading facility (MTF), respectively AeRO market created in 2015 and designated to small and medium-sized companies and start-ups. As at March 2019, 85 companies were listed on the BSE's main (regulated) market and 307 on AeRO market.

Insurance sector

According to the public data published the FSA, within the first 9 months of 2018 the insurance undertakings authorized and regulated by the FSA subscribed gross premiums in an amount of LEI 7.47 billion, with an increase of 2.1% as the previous year.

However, the insurance market in Romania remains focused on the general insurance activity (non-life insurance), which represents 79% of the total gross underwritten premiums of the insurance undertakings authorized and regulated by the FSA. The general insurance market remains dominated by motor insurance,

which represents approximately 73% of the total gross underwritten premiums of the non-life insurance activity and 58% of the total gross premiums underwritten by insurance undertakings within the first 9 months of 2018.

As at the end of September 2018, 29 insurance undertakings authorized and regulated by the FSA were operating in Romania out of which 16 carried out only non-life insurance, 7 practiced only life insurance, and 6 practiced the both categories of insurance.

Private pensions scheme

The total assets value under management at the level of the entire Romanian private pensions system reached LEI 49.60 billion (around EUR 10.64 billion) at the end of 2018, with an increase of 19.40% as the previous year.

As at the end of December 2018, the largest percentage in the structure of private pension funds' portfolios was

held by government securities (63.62%), followed by 17.56% shares, 8.11% bank deposits, 3.53% corporate bonds, 3.39% bonds issued by foreign non-governmental bodies, 3.01% other participations (investments) and 0.78% other financial instruments. At the end of 2018, 7.25 million participants were registered in the private managed pensions' scheme, almost with 3% more than 2017.

Labour Relations and Social Security



Starting January 1, 2019, the minimum gross base monthly salary in Romania is 2.080 lei for normal working program (approximately EUR 437). By exception, for employees hired on positions requiring university diploma and having at least 1 year length in service, the gross base minimum monthly salary is of 2.350 lei for normal working program (approximately EUR 494). As principle, it is not compulsory for expatriates to be employed by a Romanian company for rendering services in Romania. In this respect, please see the Immigration section described below.

Individual and collective Labour Relations

The Romanian employment legal framework is mainly regulated by Law no. 53/2003 - regarding the Labour Code (the "Labour Code"), which provides for a set of minimum general principles to be applied in the employment relations. Labour Code is supplemented with other enactments applicable to specific fields creating the framework of employment relations, such as:

- Law no. 62/2011 on social dialogue;
- Law 319/2006 regarding health and safety at work and the methodological norms;
- Law no. 67/2006 on safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses;
- Law no. 467/2006 regarding the establishment of the general framework for informing and consulting the employees;
- Law 81/2018 on telework activity;
- Ordinance no. 137/2000 on preventing and sanctioning discrimination;

- Law no. 202/2002 on equality of chances and treatment between men and women;
- Law no. 108/1999 for establishing and organizing Labour Inspection and other relevant enactments.

Individual labour relationships in Romania

Individual employment agreements are concluded based on the parties' agreement, in writing and in the Romanian language, in the day prior to start of the activity, at the latest. The obligation of concluding the individual employment agreement in writing belongs to the employer.

By rule, individual employment agreements are concluded for indefinite term. As an exception, the individual employment agreements may also be concluded for a definite term, if certain conditions specifically required by law are observed.

As an exception, Labour Code provides for the individual employment agreements concluded for definite term only in

the cases expressly stipulated in this respect. The maximum period for which a determined contract may be concluded is of 36 months. In addition, between the same parties there may be concluded maximum three determined agreements in a row (i.e. within 3 months from the termination of the previous one). Successive contracts may not exceed 12 months each.

The individual employment agreement must provide for the minimal conditions imposed by the law.

The Order of the Minister for Labour and Social Security no. 64/2003 regulates the standard template of individual employment agreement containing the minimal provisions.

Romanian law provides for certain mandatory elements that must be included under the individual employment agreement, such as: the place of work, the date of starting the activity, the job title, the notice period in case of dismissal and in case of resignation, evaluation criteria, the job description. Furthermore, Labour Code allows individual employment agreements to include special clauses, such as:

- the non-compete clause after termination date of the employment agreement (binding employees to refrain from carrying out an activity competing with the activities performed at their employer, in exchange of a non-compete monthly allowance that employer is compelled to pay on the entire duration of the non-compete obligation; the non-compete allowance should amount to minimum 50% of the average gross salary income obtained by the employee during the last 6 months prior to termination of his/her employment agreement; such non-compete clause is valid maximum 2 years as of the termination of the employment agreement);
- the mobility clause (entitling employees to extra benefits if the characteristics of

the job impose a mobile work place for the employee);

- the confidentiality clause (whereby parties agree not to disclose information acquired during the course of employment).

The employment agreement may provide for a single trial period of maximum 90 calendar days, in case of non-management positions and maximum 120 calendar days, in case of management positions. The main interest of having a trial period in the agreement consists of the possibility to terminate the employment relationship during or at the end of this period only through a written notification, at any party's initiative.

Parties may also conclude part-time individual employment agreements, for definite or indefinite term. As a specific feature of this type of agreement, performing of overtime is not allowed, except for cases of force majeure or other urgent works meant for the prevention of accidents or removal of their consequences.

Labour Code also regulated the situation of work performed through temporary agencies. The legal provisions therein should be read in conjunction with the specific legislation in this domain, i.e. Government Decision no. 1256/2011 regarding the setting up, functioning conditions and licensing procedure of a temporary work agent.

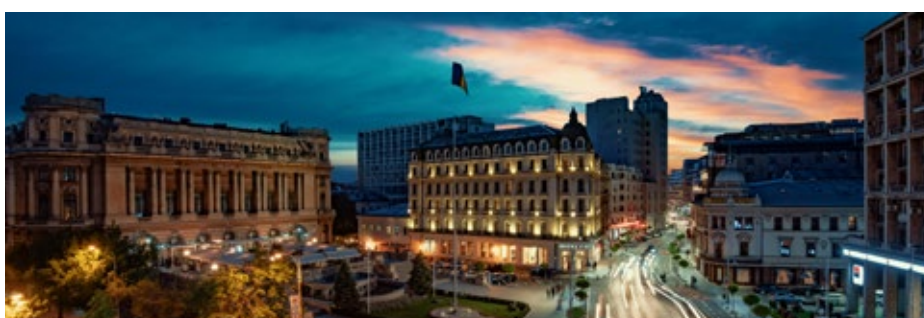
As regards the specific obligations of employers, each employer must keep

a general register of its employees, in electronic form and perform its proper filling with the competent labour authority.

Government Decision no. 905/2017 regarding the general registry of employees regulates rules for proper keeping of the registry. According to the specific provisions of the Labour Code and the said Decision, the general registry of employees must be kept in electronic form and includes, among others, the identification data of all employees together with their date of employment, position, type of the agreement and date and reason of termination of the agreement. The employer must send the general registry of employees in electronic form to the territorial labour inspectorate in the jurisdiction of which the employer's headquarter is located.

Romanian Labour Code contains an entire chapter regulating the conditions and procedure, which should be followed for drafting and maintaining the Internal Regulation of an employer.

Internal Regulation should be drafted by the employer after consultation with the trade union or the employees' representatives and shall contain provisions as: work protection, hygiene, and security at the employers' premises, procedure for solving the employees' individuals' requests or complaints, specific rules on labour discipline at the respective employer, criteria and procedure of the professional evaluation of the employees etc.



According to the law, the Internal Regulation should be communicated by the employer to its employees and becomes applicable towards the employees starting with the date of its notification.

Collective labour relations in Romania

The trade unions are independent legal entities created in order to defend and promote their members' collective and individual rights, as well as professional, economic, social, interests.

For employers with more than 20 employees and where no representative trade union is established, the employees' interests may be promoted and defended by their representatives, elected and authorized for that purpose. Romanian Labour Code provides the conditions for election of the employees' representatives.

Pursuant to Law no. 62/2011 on social dialogue, collective bargaining agreements

may be concluded at sectors' level, group of employers and employer's level.

Collective bargaining agreements may not include provisions establishing rights of a lower level to the one set by those collective bargaining agreements concluded at a superior level, and the individual employment agreements may not include provisions establishing rights of a lower level or contrary to the one set by applicable laws and collective bargaining agreements. This means that the provisions of the applicable collective bargaining agreements - favourable to the employees - prevail upon provisions of individual employment agreements.

The collective negotiation is mandatory to be initiated by each company having at least 21 employees.

The collective negotiation takes place for a period that cannot exceed 60 calendar days (unless the parties agree on the

extension of the period) and is initiated by the employer with at least 45 calendar days before the expiry of the previous collective agreement. If employer shall not initiate the collective negotiations, they shall begin upon the written request of the trade union/employees' representatives within maximum 10 calendar days as of communication of the request.

The collective bargaining agreement is concluded for a determined period that may range between 12 and 24 months with the possibility of extension, only once, up to 12 months upon the parties' consent. The agreement concluded at company's level must be registered with the territorial labour inspectorate. As of the registration date at the territorial labour inspectorate, the collective bargaining agreement concluded at the company level shall produce its effects, unless a future date for entering into force has been agreed between the parties.

Working Conditions

Salaries and Wages

The salary is the compensation of the employee's work, expressly stipulated under the individual employment agreement. The salary represents a sum of money and it must be paid at least once a month, at the date specified in the individual employment agreement. Discrimination is forbidden in the setting and granting of a salary, on criteria such as: gender, sexual behaviour, genetic features, age, nationality, race, skin colour, ethnicity, religion, political option, social background, disability, family situation or responsibility, trade union membership or activity. Starting January 1, 2019, the minimum gross base monthly salary in Romania is set to 2.080 lei for normal working program (approximately EUR 437). By exception, for employees hired on positions requiring university diploma and having at least 1 year length in service, the gross base minimum monthly salary is of 2.350 lei for normal working program (approximately

EUR 494).

By rule, at the company level, the level of the minimum salary is settled by the applicable collective bargaining agreement. The individual salaries of the employees are settled by individual negotiations between employer and employees. The salary includes the base salary, allowances, increments and any other bonuses.

Working Hours

According to the legal provisions in force, the normal duration of full-time employees' work time is of 8 hours per day and 40 hours per week. By rule, the maximum legal duration of the work time cannot exceed 48 hours per week, including overtime. As one exception, the duration of the work time, including overtime, may be extended to over 48 hours/week, if the average of the working hours, calculated for a reference period of four calendar months, does not exceed 48 hours/week.

For youngsters up to the age of 18, the duration of the working time is 6 hours per day and 30 hours per week.

The work time is regularly, distributed, to 8 hours per day, 5 days per week, followed by two rest days. For certain sectors of activity, companies or professions, collective or individual negotiations, or specific laws may settle a daily duration of the work time, shorter or longer than 8 hours. A daily duration of a 12-hour working day shall be followed by a 24-hour rest period.

Specific provisions are mentioned under Labour Code with respect to individualized work schedules, to overtime, to the night work, as well as to the organization of the work conditions.

By rule, employees are entitled to a daily rest of minimum 12 consecutive hours. All employees are guaranteed their rights to a paid annual leave. The minimum duration of the annual paid leave is of 20 working days.

Legal Holidays

Legal holidays in Romania are:

- A. 1 and 2 of January;
- B. 24 of January;
- C. Holy Friday that is the last Friday before Easter;
- D. 1 of May;
- E. 1 of June;
- F. First and second day of "Rusalii" (a religious holiday celebrated 40 days after Easter);
- G. 15 of August;
- H. 30 of November – St. Andrew;

- I. 1 of December;
- J. 25 and 26 of Christmas;
- K. Two of each of the three religious holidays in a year, declared as such by other religions than Christianity, for the employees belonging to such religions.

Equal Opportunities and non-discrimination at work

The general principle is the equal treatment between all employees within employment relationships.

Any direct or indirect discrimination towards an employee, based on sex, sexual orientation, genetic characteristics, age, nationality, race, colour, ethnicity, religion, political behavior, social origin, disability, situation or family responsibility, trade union membership or activity, is forbidden. The Labour Code emphasizes equality of payment for equal work.

Health and Safety at work

In Romania, employers are compelled to ensure the health and safety at work of their employees.

If the employer benefits of health and safety services provided by a specialized provider, this should not exonerate the employer of its legal obligations. Employees' obligations within health and safety area will not affect the employer's legal liability.

The health and safety measures cannot involve financial obligations for the employees.

Within undertakings with minimum 50 employees, the health and safety committee shall be established.

Termination of Employment

Under Romanian law, the individual employment agreement may be terminated only on the following grounds/cases: (i) by law, (ii) through the parties' consent, as of the date agreed upon by them or (iii) as a result of one party's unilateral decision, in the cases and under the conditions restrictively provided by law.

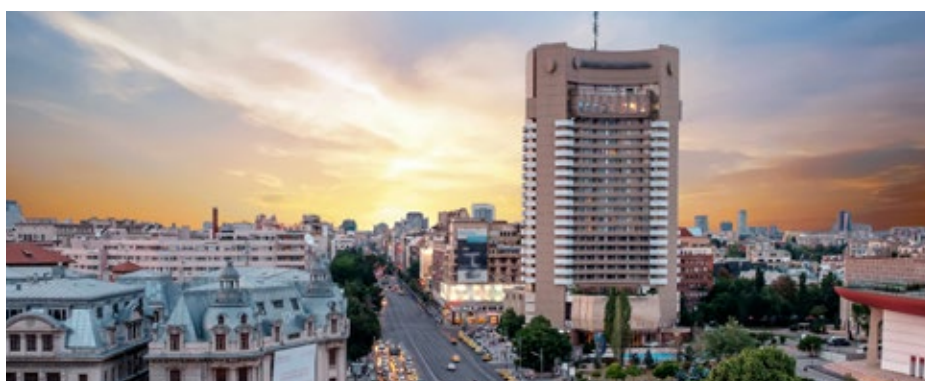
Romanian Labour Code provides for a specific and detailed procedure that should be followed and observed in case of dismissal.

Dismissal cases upon the employer's initiative could be divided into two categories: dismissals due to reasons that are related to the employee's person and dismissals due to reasons not related to the employee's person.

Most frequent dismissals for reasons related to the employee's person occur due to disciplinary reasons.

In case of dismissals due to reasons that are not related to the employee's person (such as reorganization of units), the employees benefit from active measures for unemployment control and may also be granted severance payments as provided by law and the applicable collective bargaining agreement. Depending on the number of employees affected by such dismissals, as well as on the total number of employees, it may be the case that the specific provisions for collective dismissals apply.

Under law, there are a series of temporary legal restrictions to dismissal of employees, such as: (i) temporary work-disability, ascertained through medical certificate, (ii) pregnancy, as long as the employer became acquainted with this fact before the issuance of the dismissal decision, (iii) maternity leave, (iv) **annual** paid leave etc. However, the above restrictions do not apply for dismissals grounded on reasons due to the employer's judicial



The Social Security System

reorganization, bankruptcy or employer's dissolution.

When applicable, the notice period applicable in case of dismissal of the employee due to reasons not related to the employee's person, is of minimum 20 working days.

Through resignation, the employee notifies the employer, in writing and in Romanian language, the termination of the individual employment

agreement after a notice period.

The notice period may not be longer than 20 working days (for employees in non-management positions), respectively 45 working days (for employees in management positions). During the notice period, the individual employment agreement produces full effects.

The employee may resign without a notice period if the employer does not fulfil its obligations.

Starting with January 2018 the Romanian social security system has been restructured. In this respect, the social security contributions percentages have been modified and in terms of social security contributions due for salary income, the employee took over most of the contributions of the employer.

In Romania, employers and employees must contribute to the state pension and health insurance security systems. The same is applicable also for individuals deriving other types of income, except salary, provided certain conditions are met.

Salary income

Salary income tax sits currently at 10% with the exemption of certain construction workers whose activity falls within certain areas of work as defined by the Fiscal Code, employees who perform software development and research and development activities, who are exempt from income tax, in certain conditions. The social security contributions are as follows:

Employees' contributions:

- Social security contribution - 25% or 21.25% for certain construction workers whose activity falls within certain areas of work as defined by the Fiscal Code, under certain conditions;
- Health insurance contribution - 10%. Note that construction workers whose activity falls within certain areas of work as defined by the Fiscal Code are exempt from paying this contribution, under certain conditions.

Employers' contributions:

- Insurance contribution for work - 2.25% or 0.3375% for certain construction workers

whose activity falls within certain areas of work as defined by the Fiscal Code, under certain conditions;

- Social security contribution – 4% in case of particular work conditions or 8% in case of special work conditions.

The insurance contribution for work consists of unemployment, work accidents, medical leave and the contribution to guarantee fund.

The obligation to compute, withhold and wire the mandatory social security contributions stays with the Romanian employer. The reporting and payment deadline is the 25th of the month following the one the income was obtained.

Other types of income

All other types of taxable private income (i.e. income from freelancing, intellectual property rights, investment, rental and other sources) are subject to a health insurance contribution of 10% if the level of the income derived from all these types of activities is at least 12 times the national minimum salary. If this is the case, the computation base for the health fund contribution is the threshold mentioned above. Considering that in 2019 the minimum national salary is RON 2,080 per month, the maximum resulting contribution would amount to RON 2,496 per year.

A 25% pension contribution is applicable for income from independent activities and income from intellectual property rights in case 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).

Immigration aspects

European Union/European Economic Area and Swiss citizens

Citizens of the European Union/European Economic Area and Swiss citizens (EU nationals) benefit from a right to stay and work in Romania without having the liability to obtain any work permit and/or residency permit.

A registration with the immigration authorities is required only if they estimate to stay in Romania more than three months, observing the purpose in Romania for EU nationals (e.g. employment, secondment, means of support etc.). The certificate is obtained within 24 hours of being requested and has a 5 years validity, with the possibility to renew it. There can be situations in which a registration is needed in advance (i.e., tax/social security liabilities).

Non-EU nationals, family members of EU nationals, can travel and live with them in Romania. Consequently, they are subject to different immigration compliance requirements, as follows:

- They should obtain Romanian entry visas, if necessary;
- They should obtain Romanian residency cards to extend their legal stay in Romania over a three-month period.

Non-European Union/European Economic Area and Swiss citizens

Business travels

Non-EU nationals (foreign individuals) can travel to Romania based on a short-term visa and spend up to 90 days in any 180 days period prior to each day of stay on Romanian territory.

Foreign individuals can travel and benefit of the same regime applicable to a Romanian business visa with a valid long-term residency permit issued by other EU member states or based on a valid Schengen visa with multiple entries. Under a business visa, no work activities are allowed to be performed.

Working in Romania

As a rule, foreign individuals working in Romania need to obtain a Romanian work authorization and a long-term visa for work purposes, before starting their activity. Depending on the work permit type, the process can last between three to four months. Depending on the structure under which

they are performing activities, a different work authorization will apply, as:

- Work authorization for assignment purposes – the foreign employment agreement remains active and the individual is performing activity in Romania based on an assignment letter;
- Work authorization for local employment purposes – the individual is performing activities based on a local employment agreement concluded with the Romanian entity

There are some exceptions to this rule, for example as:

- Non-EU nationals seconded to Romania by companies located in EU/EEA member states do not require work authorizations; there is instead a procedure for notifying the labour authorities further to their secondment.
- Non-EU nationals family members of a Romanian or an EU national.

Residing in Romania

In order for non-EU nationals to extend their stay in Romania above the 90 days period, a long-term visa needs to be obtained in advance. The long-term visa is obtained from the Romanian Consulate in their home country and in order to be able to apply for it, depending on the purpose of stay (i.e., local employment, assignment, commercial activities, family reunification, etc), prior actions should be undertaken in Romania (i.e., obtain a work permit, obtain family reunification approval, etc.). Foreign nationals from USA, Canada, and Japan are exempted from obtaining Romanian long-term visas.

Once the long-term visa is granted, non-EU nationals can travel to Romania and apply for a temporary residency permit. Generally, the validity is of one year, with the possibility to renew it. For highly skilled workers or for intra group assignments the residency permit can be issued with a longer validity, up to two or three years. Family members of non-EU nationals (wife and minor children) can move for reunification purposes in Romania. However, their process can start only after the sponsor obtained their residency permit in Romania. Thus, they cannot move to Romania in the same time with the main applicant.

Accounting & audit requirements and registration

- Accounting Regulations compliant with 2013/34/UE and 2014/95/UE European Directives
- Group of companies should prepare consolidated financial statements provided criteria is met
- Listed companies on a regulated market apply IFRS for statutory reporting purposes
- Audit requirements depend on the size of business



Accounting

General Accounting Framework

The Accounting Law no. 82/1991, last republished in 2008, represents the general accounting framework in Romania.

Under the Accounting Law, Romanian companies and permanent establishments in Romania of foreign companies are required to organize and conduct their own accounting, including preparation of interim and year-end accounting reports and annual financial statements.

Starting with January 1, 2015, Romanian companies and foreign entities doing business in Romania through permanent establishments must apply the most recent issued accounting regulations depending on the nature of their business.

Trading companies apply the Accounting Regulations compliant with European Directives, approved by the Order of Ministry of Public Finance of Romania no. 1802/2014 ("OMF 1802/2014"), with subsequent amendments.

Individual Annual Financial Statements

OMF 1802/2014 distinguishes the companies that should prepare simplified financial statements from the companies that should prepare "complete" financial statements based on three size criteria:

- total assets - RON 17,500,000,
- annual net turnover - RON 35,000,000, and

- average number of employees during the financial year – 50

If a company exceeds at its balance sheet date the limits of two of the three criteria in two consecutive years it must prepare a full set of financial statements comprising balance sheet, profit and loss account, statement on changes in equity, cash flow statement, and explanatory notes to the financial statements.

Otherwise, it shall prepare simplified annual financial statements comprising simplified balance sheet, profit and loss account and explanatory notes to the financial statements. The company can also opt for preparing a statement on changes in equity and/or of cash flow statement.

Credit institutions (i.e. banks, cooperative credit organizations, electronic currency issuer institutions, saving banks acting in the real estate sector, and branches in Romania of foreign credit institutions), insurance companies, and entities authorized, governed and supervised by the National Securities Commission apply specific accounting regulations issued by their regulatory bodies (i.e. National Bank of Romania, National Securities Commission,

Insurance Surveillance Commission etc).

Lease activity and leasing companies are regulated by the National Bank of Romania Regulation no. 20/2009 and its subsequent amendments.

Consolidation

Starting with 1 January 2006 the preparation of consolidated financial statements is mandatory unless the parent company is exempt under one of the criteria listed below. Under OMF 1802/2014, a parent company is exempt from having to prepare consolidated financial statements if, at balance sheet date, the entities to be consolidated do not together exceed the limits of two of the following three criteria:

- total assets - RON 105.000.000,
- turnover - RON 210.000.000
- average number of employees during the financial year - 250.

The above-mentioned size criteria will be determined based on the most recent annual financial statements and before the elimination of intercompany balances and transactions.

General Legal Framework

Law 162 / 2017 represents the general audit framework in Romania.

Only financial auditors may perform audits

- Individuals or legal entities - that are authorized by the ASPAAS. In order to audit financial statements of certain types of companies, there are additional audit requirements established under the norms of each accounting regulatory body.

Generally, the financial statements of the entities which meet the size criteria mentioned below (If a company exceeds at its balance sheet date the limits of two of the three criteria in two consecutive years) and prepare a full set of financial

This exemption, however, is not granted if one of the subsidiaries to be consolidated is a company whose securities are traded on a regulated market.

Application of IFRS

Starting with financial year 2007, the implementation of IFRS is compulsory for legal entities that, at the balance sheet date are listed on a regulated market and for a number of state owned companies. In addition, companies, which are reporting under Order 1802 / 2014 have the option to select IFRS as adopted by EU as the reporting framework for statutory, consolidated financial statements purposes.

Public interest entities, other than those required to report for statutory purposes under IFRS, may implement IFRS for their own information needs.

Financial year

The standard financial year for statutory reporting purposes is twelve month ending December 31, however in certain conditions (e.g. such as different financial year at parent company level) companies may choose a different financial year.

statements in accordance with OMF 1802/2014 and the consolidated financial statements should be audited by authorized auditors.

- total assets - RON 16,000,000,
- annual net turnover - RON 32,000,000, and
- average number of employees during the financial year – 50

Auditing Standards

Audits carried out by authorized financial auditors have to be performed under the Auditing Standards adopted by the ASPAAS. ASPAAS has adopted International Auditing Standards and the IESBA Code of Ethics for Professional Accountants.

Audit requirements

Taxation of Corporations

Corporate Income Tax

Entities subject to corporate income tax

The following entities are liable for corporate income tax:

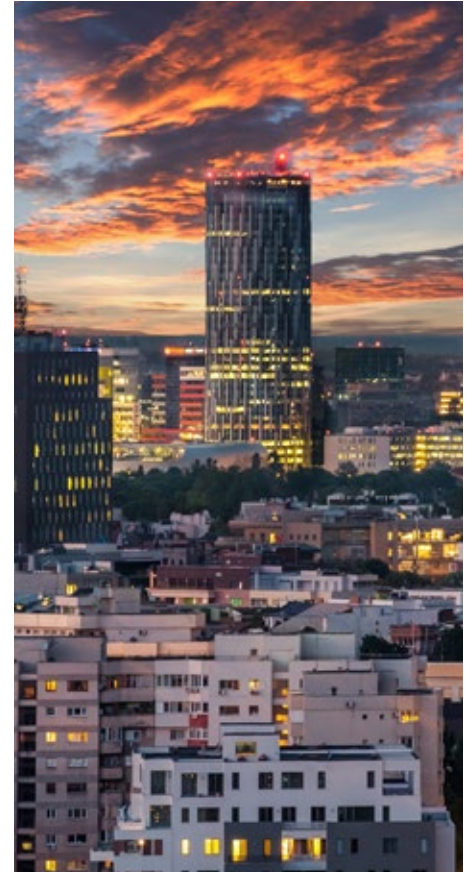
- Companies tax resident in Romania (generally meaning a Romanian company, a company managed and controlled in Romania, or legal persons set up in accordance with European legislation with the registered head office in Romania),
- Foreign companies doing business in Romania through permanent establishments,
- Foreign companies which derive revenues from, in connection with real estate transactions, or from share transactions in Romanian companies,

Territoriality

- A company is considered resident if its head office is registered in Romania (including companies registered as per the European legislation) or has its effective place of management in Romania.

Corporate Income Tax Rate

- The standard corporate income tax rate is 16%.
- The profit tax liability due for nightclubs and gambling operations is the higher between 5% of the revenues obtained and 16% of the taxable profit corresponding to such activities.



Calculation of Taxable Profits

Accounting and fiscal period

The accounting and fiscal year is considered to be the calendar year or the period during which the entity existed, if it was set up, or ceased to exist during that year.

Certain categories of entities (i.e. Romanian branches of foreign companies, Romanian consolidated subsidiaries and subsidiaries of the subsidiaries of foreign companies, except for credit institutions) are allowed to set an accounting year other than the calendar year, if the financial year of the parent company is different from the calendar year. Further to the change of the financial year, companies may opt also for the change of the tax year in order to align with the accounting period.

Tax base

The taxable profit of a company is

calculated as the difference between the revenues derived from any source and the expenses incurred in obtaining taxable revenues throughout the tax year, adjusted for fiscal purposes by deducting non-taxable revenues and adding non-deductible expenses. Other elements similar to revenues and expenses are also to be taken into account when calculating the taxable profit.

Non-taxable revenues

The most relevant non-taxable revenues stipulated by the Romanian Fiscal Code are, inter-alia:

- Revenues from dividends received by a Romanian company from another Romanian company
- Revenues from dividends received by a Romanian company from a subsidiary

situated in an EU member state, subject to certain conditions, i.e. the Romanian company is a profit taxpayer and has held at least 10% of the subsidiary's shares for a continuous period of at least two years by the date the dividends are paid.

- Unrealised favourable differences in the value of participation titles and long-term bonds (e.g. effected according to the accounting rules, or in case of titles following the capitalisation of reserves, benefits or share premiums).
- Revenues from reversal or cancellation of provisions / expenses that were previously non-deductible, recovery of expenses that were previously non-deductible and revenues from reversal or cancellation of interest and late-payment penalties that were previously non-deductible.
- Non-taxable income expressly provided for under agreements and memoranda.

Deductibility of expenses

From the deductibility standpoint, expenses fall into three categories: deductible expenses, limited deductibility expenses and non-deductible expenses.

Deductible expenses

As a rule, expenses are deductible only if incurred for business purposes. The following expenses are considered as being incurred for generating taxable income:

- Expenses incurred for marketing, market research, promotion on existing or new markets, participation in fairs and exhibitions, in business missions and publishing of own brochures;
- Advertising expenses incurred in promoting the company, products or services, based on written contracts, as well as costs associated with the production of the materials necessary for broad-casting advertisements, including goods granted as samples, for product testing at selling units, as well as other goods and services granted in order to stimulate sales;

- Research and development expenses that do not meet the requirements to be recognised as intangible assets for accounting purposes;
- Expenses incurred for environmental protection and resource conservation;
- Expenses incurred for improvement of management, IT, the introduction, maintenance and development of quality management systems, and obtaining quality compliance confirmation;
- Bad debts expenses are fully deductible in any of the following cases: the bankruptcy procedure of the debtor was closed based on a court decision; the debtor is deceased and the receivable cannot be recovered from the heirs; the debtor is dissolved or liquidated; the debtor has major financial difficulties affecting its entire patrimony;
- Travel and accommodation expenses related to business trips in Romania or abroad by employees and directors, and also individuals treated as holding these positions (directors based on mandate and secondees whose costs are covered by the Romanian company); this also includes personnel's transport to and from the workplace;
- Expenses incurred from professional training and development of employees;
- Expenses incurred in relation to work safety, prevention of work accidents and occupational diseases, the related insurance contributions and professional risk insurance premiums;
- Expenses incurred from acquisition of packaging during their useful life.
- Fines, interest, penalties and other increased payments due under commercial contracts.

Limited deductibility expenses

The deductibility of certain expenses is limited as follows:

- Financial costs under certain rules aligned with the European provisions (see

details below);

- Depreciation of assets under fiscal depreciation rules (see details below);
- Perishable goods capped as set by the relevant central administration bodies;
- Protocol expenses are deductible up to the limit of 2% of the difference between total taxable revenue and total expenses related to taxable revenue, except for protocol and profit tax expenses;
- Daily allowances for expenses from domestic and foreign travel by employees are deductible up to the level of 2.5 times the ceiling set for public institutions;
- Social expenses are deductible up to 5% of salary expenses. Among others they can include maternity allowances, expenses for nursery tickets, funeral benefits and allowances for serious or incurable diseases and prostheses, as well as expenses for the proper operation of certain activities or units under taxpayers' administration (i.e. kindergartens, nurseries, health services supplied for occupational diseases and work accidents prior to admission to health establishments, canteens, sports clubs, clubs, etc); expenses incurred for benefits granted under a collective labour agreement, such as holiday tickets granted to employees.
- Taxes and contributions paid to non-government organisations and professional associations related to the taxpayer's activity are deductible up to the limit of EUR 4,000 per year.
- 50% of expenses from operation, maintenance and repair of vehicles not used solely for business purposes.

Non-deductible expenses

Expenses, which are specifically non-deductible, include, among others, the following:

- Domestic profit tax and profit tax paid in foreign countries;

- Expenses related to non-taxable revenues; Note that revenues from dividends have no corresponding expenses.
- Expenses related to withholding tax supported by Romanian taxpayers on behalf of nonresidents;
- Interest, fines and penalties due to Romanian or foreign authorities;
- Sponsorship and patronage expenses and expenses for private scholarships. Taxpayers are granted a fiscal credit up to whichever is the lower of 0.5% of turnover and 20% of the profit tax due.
- Expenses incurred from insurance premiums un-related to company assets or business, save for those regarding goods which are bank collateral on loans used to conduct the activity for which the taxpayer is authorised or those used under rental or leasing contracts;
- Bad debts expenses in excess of the deductible provision (see below);
- Expenses recorded without proper "justifying" documents;
- Expenses in favour of shareholders, other than those related to goods or services provided by the shareholders at market value;
- Expenses incurred from fixed assets impairments (i.e. losses in value defined as provisory adjustments by the accounting regulations transposing European Accounting Directives).

Provisions and reserves

Amounts used for setting up or increasing reserves or provisions are deductible as follows:

- Setting up or increasing the legal reserve fund to a limit of 5% of the yearly accounting profit before tax (with adjustments) until it reaches 20% of the share capital.
- Provisions for doubtful debts are deductible up to the limit of 30%, if the

related receivables meet the following conditions simultaneously:

- not collected for a period exceeding 270 days from the due date
- not guaranteed by another person
- due by a person not affiliated with the tax-payer - included in the taxable income of the tax-payer.

- Bad debt provisions are fully tax deductible if all the following conditions are met:
 - the debtor is a company that entered into the bankruptcy process
 - another person does not guarantee receivables
 - the debtor is not a related party
- Specific provisions established by credit institutions, non-banking financial institutions and other similar entities.
- Technical reserves set up by insurance and reinsurance companies, in accordance with their regulatory legal framework except for the equalisation reserve.
- Risk provisions for transactions carried out on financial markets, in accordance with the rules issued by the National Commission Securities.

As a general rule, the reduction or cancellation of any provision or reserve deducted from the taxable profit, due to changing the destination of the provision or reserve, distribution towards shareholders in any form, liquidation, spin off, merger or any other reason, is included in the taxable revenues and taxed accordingly. The reconstruction of the legal reserve is also non-deductible.

Accounting and fiscal depreciation

The Fiscal Code makes an explicit distinction between accounting and fiscal depreciation. For fixed assets, fiscal depreciation is to be calculated based on the rules set out by the Fiscal Code and deductibility no longer depends on the level of depreciation recorded in the accounts.

- Expenses of all intangible assets



recognized for accounting purposes, with the exception of start-up costs and goodwill will now be amortizable.

- The calculation of depreciation of fixed assets for tax purposes is based on the fiscal value, and may need to be adjusted for revaluations according to accounting rules.
- Fiscal depreciation should be calculated based on the asset's fiscal value and useful life for tax purposes, by applying one of the permitted depreciation methods:
 - straight-line method,
 - accelerated depreciation and
 - reducing balance method.
- Technical equipment, computers and peripherals can be depreciated by using any of the above depreciation methods. For any other fixed assets (except for buildings for which only the straight-line method can be applied), only the straight line or digressive method can be used. From 2009, the accelerated depreciation method may also be applied to equipment used in research and development activities.
- If the fair value determined upon the revaluation of the fixed assets drops below the fiscal value (i.e. equal to acquisition cost, production cost, market value of the fixed assets acquired for free or contributed to the share capital,



adjusted with accounting reevaluations) the non-depreciated fiscal value of fixed assets is computed based on the fiscal value.

- The same applies for re-evaluation of land should it result in a decrease in value to below the fiscal value. Thus, the new value recognised for fiscal purposes would be the fiscal value.

Deductibility of borrowing costs

Starting with January 1, 2018, the ATAD Directive has been transposed into the Romanian domestic legislation, as such the interest and FX expenses are subject to a different limitation rules. The exceeding borrowing costs (computed as the difference between borrowing expenses and revenues) are subject to the following deductibility limits:

- are deductible expenses within the threshold of EUR 1 million;
- if the exceeding borrowing costs exceed the above mentioned threshold, the companies could deduct a further amount of 30% of a tax adjusted EBITDA.
- If the tax adjusted EBITDA is zero or negative, the borrowing costs exceeding the 1,000,000 threshold are treated as non-deductible for corporate income tax purposes during the current tax period, but can be carried forward indefinitely.

The new rules also apply to interest and foreign exchange losses carried forward from the past and accumulated as at 31 December 2017.

Transfer pricing

- Transactions between related parties should observe the arm's length principle. If transfer prices are not set at arm's length, the Romanian Tax Authorities have the right to adjust the taxpayer's revenues or expenses, to reflect the market value. When the taxpayer fails to submit the transfer-pricing file or when an incomplete transfer-pricing file is submitted, the tax authorities have the right to estimate the transfer prices. The transfer prices will be adjusted/estimated by using the median of the market range.
- Traditional transfer pricing methods (comparable uncontrolled price, cost plus and resale price methods), as well as any other methods that are in line with the OECD Transfer Pricing Guidelines (i.e. transactional net margin and profit split methods) may be used for setting and justifying transfer prices.
- Domestic legislation expressly stipulates that when applying transfer-pricing rules, the Romanian tax authorities also consider the OECD Transfer Pricing Guidelines.
- Transfer pricing documentation
- The local transfer pricing legislation provides for specific TP documentation requirements based on the category of taxpayer (large or small and medium-sized), the annual value of inter-company transactions and the type of transaction, as follows:
 - Large taxpayers, which carry out inter-company transactions with a total annual value higher than any of the following thresholds, have the obligation to prepare the TP file annually:
 - EUR 200,000 for interest received/paid for financial services;

- EUR 250,000 for services received/ provided;
- EUR 350,000 for acquisitions/sales of tangible and intangible goods.

- The deadline for the preparation of the transfer-pricing file is the legal deadline for the submission of the annual corporate income tax return, for each fiscal year. The deadline for submission of the transfer-pricing file is of maximum 10 days from the request date, and not earlier than 10 days from the expiration of the preparation deadline. The submission of the transfer-pricing file is made at the specific request of the tax authorities either during a fiscal inspection or outside such process.
- For small and medium-sized taxpayers as well as for the large taxpayers that do not fulfill the criteria mentioned above, which carry out inter-company transactions with a total annual value higher than any of the following thresholds:
 - EUR 50,000 for interest received/paid for financial services;
 - EUR 50,000 for services received/ provided;
 - EUR 100,000 for acquisition/sale of tangible and intangible goods
- The transfer-pricing file will be prepared based on the specific request of the tax authorities, during a tax audit. The deadline for the presentation of the transfer pricing file is of 30 to 60 days and can be extended only once with a period of maximum 30 days, upon the written request of the taxpayer.
- the taxpayers performing intra-group transactions for which the materiality thresholds are lower than those described at points above have the obligation to document the compliance with the arm's length principle during a fiscal inspection, according to general rules provided by the financial-accounting and fiscal legislation in force.
- the content of the transfer pricing documentation file is approved by order

of the president of the National Agency for Tax Administration no. 442/2016. The Order is supplemented by the Transfer Pricing Guidelines issued by the OECD Transfer Pricing Guidelines and the Code of Conduct on transfer pricing documentation for associated enterprises in the European Union (EUTDP).

- Transfer pricing audit activity has significantly increased during the past years and requests for presenting the transfer pricing documentation file have started to become common practice. We are aware of cases where the Romanian tax authorities have adjusted the taxable result of a local taxpayer in accordance with the applicable regulations.

Advance Pricing Agreement

- Taxpayers engaged in transactions with related parties can request the issuance of an APA from the National Agency for Tax Administration. They also have the possibility to schedule a pre-filing meeting to discuss the feasibility of the APA.
- The request for an APA is filed together with the relevant documentation and payment evidence of the fee (ranging between EUR 10,000 and EUR 20,000). The required documentation is based on the EUTPD and suggests up-front the content of the APA.
- The term provided by the Fiscal Procedural Code for issuance of an APA is 12 months for unilateral APAs and 18 months for bilateral and multilateral APAs. The APA is issued for a period of up to five years. In exceptional cases, it may be issued for a longer period for long-term agreements.
- APAs are applicable and binding on the tax authorities as long as there are no material changes in the critical assumptions. In this view, the beneficiaries are obliged to submit an annual report on the compliance with the

terms and conditions of the agreement.

- If taxpayers do not agree with the content of the APA, they can notify the National Agency for Tax Administration within 30 days. In this case, the agreement does not produce any legal effects.

Advance Tax Ruling

- Companies may request an Advance Tax Ruling be issued by the National Agency for Fiscal Administration, subject to a fee of EUR 5000 for large taxpayers and EUR 3000 for other taxpayers.
- The taxpayer may propose the content of the Advance Tax Ruling in the request submitted. If the taxpayer does not agree with the Advance Tax Ruling, it may notify the issuing authority within 30 days; in this case, the tax ruling does not have legal effect.
- Advance Tax Rulings are applicable and mandatory against tax authorities only if the taxpayers have observed their terms and conditions.

Fiscal relief

- unilateral relief is provided by way of an ordinary credit for income taxes paid abroad which cannot exceed the profit tax calculated by applying the Romanian profit rate (i.e. 16%) to the taxable profits obtained abroad. The

Romanian company should have available documentation attesting to the taxes being paid abroad.

- Underlying foreign corporate income tax is not creditable against Romanian income tax, except for corporate income tax calculated by foreign permanent establishments or branches.

Fiscal losses

- Companies are allowed to carry forward fiscal losses as declared in the yearly profit tax returns for a period of seven years based on a FIFO method.
- No related adjustment for inflation is allowed.

Dividends, interest, royalties paid to resident companies

- Dividend payments by a Romanian company to another Romanian company are subject to 5% dividend tax.
- as of January 1, 2007, the provisions of the Parent-Subsidiary Directive are applicable.
- Consequently, the dividends received by a Romanian company from another EU resident (including Romanian) company are not taxed if the beneficiary has held at least 10% of the Romanian company's shares for a continuous period of at least 1 year by the date of dividends payment.
- Distributed dividends are exempt from taxation if they are invested in the same or in another Romanian company's share capital, to preserve and increase the number of employees and to develop the company's registered object of activity.
- Interest and royalty payments by Romanian companies to other Romanian companies are tax-able income in the hands of the beneficiary with ordinary corporate income tax.

Consolidation

- There is no tax consolidation or group taxation in Romania. Members of a group



must file separate tax returns. Losses incurred by members of a group cannot be offset against profits made by other group members. There are currently discussions and it appears that tax consolidation for corporate income tax purposes will be available under certain conditions.

Capital Gains

- Capital gains obtained by Romanian resident companies are included in ordinary profit and taxed at 16%. Capital losses related to sale of shares are, in

general, tax deductible.

- Mergers, spin-offs, transfers of assets and ex-changes of shares between two Romanian companies should not trigger capital gains tax.
- In the case of a relocation of the registered office of a European Company ('SE') and European Cooperative Society ('SCE') from Romania to another EU Member State, if certain conditions are met there is no tax on the difference between the market value of the transferred assets and liabilities and

their fiscal value. There will also be no tax on such movements at the shareholder level and, thus, in the case of Romanian shareholders a tax basis step-up may be achieved.

- If a Romanian company has a permanent establishment in another Member State, and the Romanian company is dissolved because of a cross-border reorganisation, the Romanian tax authorities will not have the right to tax the former permanent establishment.

Corporate Tax for Foreign Entities

General principles

- Foreign entities (legal entities but also any foreign entities, including mutual investment funds in movable assets without legal personality, that are not registered in Romania according to the law) are generally subject to Romanian tax on the income derived from Romania.
- The extent to which a foreign entity is subject to Romanian taxation depends on its activities undertaken in, or related to, Romania.
- A foreign entity can be subject to taxation by establishing a branch, creating a permanent establishment, representative office or by becoming subject to withholding tax on the Romania sourced income.

Branch of a foreign entity

- Branches have to be registered with the Romanian Tax Authorities.
- The registration, filing and payment requirements are similar to those for a Romanian company.
- A branch is considered to have the same legal personality as the parent company and, therefore, is not a separate legal entity (no own share capital, separate name, etc.).

- The branch's object of activity cannot be more extensive than that of the parent company.
- Funds distribution to the head office country are not regarded as dividend distribution, therefore, no withholding tax liability should arise. However, as with limited liability companies, pro-fits are transferred at year-end, after the head office approves the branch's financial statements.

Permanent establishment

A Permanent Establishment is not necessarily a legal entity, but it is taxable in Romania.

- Thus, a Permanent Establishment is defined as being the place through which the activity of a non-resident is conducted, fully or partially, directly or through a dependent agent. Once a Permanent Establishment is created, Romania has the right to tax the profits of the foreign enterprise derived from the activity performed on its territory.
- The Romanian legislation defines a Permanent Establishment as a place via which a non-resident carries out its activity wholly or partially, directly or via a dependent agent.

- The registration, filing and payment requirements are similar to those for a Romanian Company.

Representative Offices

- A Representative Office can only undertake auxiliary or preparatory activities. A Representative Office cannot trade in its own name and cannot engage in any commercial activities.
- There is a flat tax of RON 18,000 (around EUR 4,000) per fiscal year on representative offices.
- The tax is payable by the end of February of the current tax year.
- In situations where a Representative Office is set up or closed down during the year, the tax due for that year is pro-rated for the months the Representative Office is operational in that fiscal year and the tax is due within 30 days of its set-up.

Withholding Tax

- Non-resident companies are subject to the following withholding taxes:
 - 16% on other revenues derived from Romania, such as:
 - Interest - Royalties
 - Revenues from services performed in Romania
 - Revenues obtained from management and consultancy services, irrespective of where the services are performed
 - Commissions
 - Revenues derived from liquidation of a Romanian legal entity.
 - 5% on the dividends payments
 - 50% on the payments made towards bank accounts opened in states with Romania has not concluded a legal instrument for information exchange
- There are certain specific provisions and exceptions to the above rates, as follows:
 - As Romania is an EU member state (1 January 2007), the provisions of the Parent Subsidiary Directive apply. Thus,

dividends paid by Romanian companies to companies resident in one of the EU member states are exempt from WHT if the dividend beneficiary has held a minimum of 10% of the shares of the Romanian company for a continuous period of at least 1 year by the date of dividends payment.

- From 1 January 2010, dividend and interest income obtained from Romania by EEA registered pension funds is exempt from withholding tax.
- Romania has implemented the Interest and Royalties Directive as such no WHT applies on payments of interest and royalties made by Romanian companies to companies resident in EU and EFTA member states and holding at least 25% of the share capital of the Romanian company for a continuous period of at least two years prior to the date of payment of interest / royalties.

In order to apply European legislation, non- residents are required to present the certificate of tax residence and a declaration stating compliance with the necessary requirements, including that they are the beneficial owner of the income.

Capital Gains

Capital gains obtained by non-residents from the sale of real estate located in Romania or from the sale of shares held in Romanian companies are taxable in Romania at 16%. However, the more favourable provisions of the Double Tax Treaty apply in certain conditions.

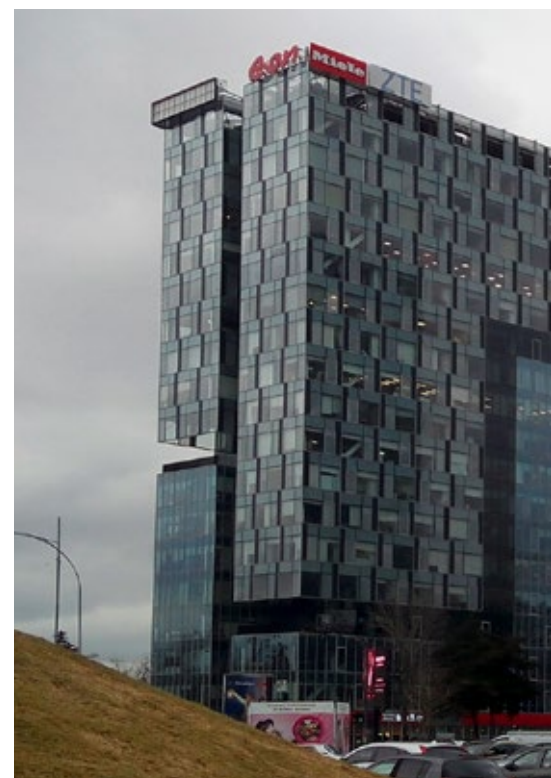
- Mergers, spin-offs, transfers of assets and exchanges of shares between a Romanian company and a company resident in another EU Member State are neutral from a tax perspective, under certain conditions, and generally should not trigger capital gains tax.

Elimination of double taxation

- If more favourable, the withholding tax rates under the Double Tax Treaties

concluded between Romania and the country of residence of the payment beneficiary may be applied if the non- resident makes its tax residency certificate available to the Romanian payer of income. Romania has concluded around 90 double tax treaties so far.

- The non-resident must make the tax residency certificate available at the moment of payment, in order to benefit from treaty protection. Otherwise, domestic withholding taxes apply and a refund can be requested if the tax residence certificate is made available during the five-year statute of limitation period.
- The tax residency certificate should stipulate that the foreign beneficiary was tax resident during the year(s) the Romanian income was obtained. The tax residency certificate valid for the year for which the payments are made is also valid during the first 60 days of the following year provided the residency conditions have not changed.



Corporate tax compliance

General aspects

- Corporate income tax is computed and paid on a quarterly basis.
- Quarterly tax returns have to be submitted by the twenty-fifth of the month following the end of the quarter.
- Companies also prepare an annual profit tax return and computation that has to be filed with the Romanian tax authorities by 25th of March of the following year alongside with the payment of the corporate tax liability, if any.
- taxpayers have the possibility to make quarterly advance profit tax payments. The payments are calculated as a quarter of the previous year's profit tax increased by the inflation rate and are due by the twenty-fifth of the month following the end of the quarter.
- Taxpayers that incurred a fiscal loss in the previous year make quarterly advance payments at the level of a quarter of the annual minimum tax.
- Non-profit organisations, taxpayers that obtain income mainly from crop production have to declare and pay annual profit tax by 25th of February.
- Taxpayers required to withhold tax, with the exception of salary payers, are obliged to submit a statement to the tax authorities regarding the tax withheld for each beneficiary by January 31 of the following year.

Micro-enterprise tax

Small or newly set-up companies may be subject to a different taxation regime called "microenterprise tax", instead of corporate income tax.

In order for an entity to qualify as a microenterprise, certain conditions should be met simultaneously as at December 31 of the previous fiscal year:

- the revenues should not exceed the threshold of EUR 1,000,000 computed in RON at the exchange rate established by the National Bank of Romania for the last day of the previous fiscal year;
- its share capital is not state owned;
- It is not in a dissolution process, followed by a liquidation, registered at the Trade Register or at the court, according to the law.

As an exception, the microenterprises that have a share capital of at least of RON 45,000 and at least two employees may choose, only once, to apply the corporate income tax regime starting with the quarter in which the above-mentioned conditions are met.

Going further, the microenterprise tax rate differs based on the number of the company's employees, as follows:

- 1% of the turnover, if the company has one or more employees;
- 3% of the turnover, if the company does not have any employee.

Non-resident companies

- Non-resident companies deriving income from real estate property located in Romania or sale of shares held in a Romanian company are obliged to declare and pay the related profit tax. Nonresidents may appoint a tax agent to fulfil this requirement.
- However, if the buyer is a Romanian company or a Romanian permanent establishment of a non- resident company, the obligation to pay and declare the profit tax rests with the buyer.
- For capital gains tax declaration and payment, the Romanian legislation requires the following tax returns to be submitted:
 - Quarterly statements, from the twenty- fifth of the month following the quarter in which the non- resident first earned capital gains taxable in Romania; annual profit tax return.
 - The quarterly statements and annual return have to be submitted during the entire period of time the non-resident is registered with the Romanian tax authorities, even if it no longer carries out transactions generating taxable revenues in Romania.

Late-payment penalty

- For late payments, companies will be liable to pay late payment penalties of 0.01 % per day of delay and late payment interest of 0, 02% per day of delay.



Investment Incentives

Tax incentives for companies Accelerated depreciation

- Under the Fiscal Code, machinery and equipment, computers and their peripherals, as well as patents, may be depreciated by using the accelerated method, under which a maximum of 50% of the fiscal asset's value may be deducted during the first year of usage, while the rest of the asset's value can be depreciated over the remaining useful life.

Tax exemption for reinvested profit

- The incentive is available from 1 October 2009 until 31 December 2010 and applies to reinvested profits used for the production and / or acquisition of new (meaning not previously used) technological equipment used in the business.
- The amount for which the incentive is applied is deducted from the fiscal value of the equipment produced / acquired, meaning the tax deduction for depreciating the equipment will be reduced in the future (thus in effect this incentive represents only a deferral of tax).
- The reinvested profit is allocated for the creation of a reserve. The release of such a reserve in the future might have unintended tax consequences. If as a result of applying the exemption the income tax due falls below the minimum tax, the minimum tax will be payable.
- The assets created / acquired in relation to the incentive must be kept for at least half their normal useful life. If the assets are disposed of prior to this, profit tax is recalculated and delay penalties are due from the date the exemption was granted.

Special Incentives for expenses related to re-search and development activities

- Companies can benefit from an additional deduction of 50% of the eligible expenses from research and development activities performed by them. Moreover, accelerated depreciation may be applied for devices and equipment used in research and development activity.

Local tax exemptions for business located in industrial parks, and science and technology parks

- No property tax is due for buildings and constructions located in an Industrial Park. Land within Industrial Parks is also exempt from land tax under certain conditions.

Employment incentives for special categories

- Companies that conclude an employment agreement for an unlimited period with recent graduates receive a monthly grant of RON 2.250 for each new graduate, for a period of 12 months. The same incentive applies to the employment for an undetermined period of recent graduates with disabilities. The monthly grant is received for an 18-months period. Employers benefiting from this incentive are obliged to keep the employment relationship for at least 18 months.
- Employers can also apply for a monthly grant equal to RON 2.250 for each individual they have concluded an employment agreement for an undetermined period of time that falls under the following categories:
 - Unemployed;
 - Unemployed with an age exceeding 45 years;

- Unemployed who is the sole family supporter;
- Unemployed with an age between 16 - 25 years who are not enrolled in the education system or in any kind of professional training.
This monthly grant is available for a period of 12 months. Employers benefiting from this incentive have the obligation to keep the employment relationship for at least 18 months.
- Employers running professional training programmes for their employees may apply for a refund of 50% of their expenses on trainings and other related activities for up to 20% of their work force, subject to certain conditions and limitations.

STATE AID

Financial support of the Romanian Government – through different financial schemes meant to support regional development, to stimulate economic growth and new jobs creation by co-financing the construction or rehabilitation of your factory premises, production or service facilities, or purchasing new technologies in various domains, except for agriculture, fisheries, coal or steel. Romania offers highest State aid and EU funds intensity in CEE (up to 50% for large companies). Conditioned by annually calls, a company may apply in order to get:

- State aid for acquisition of tangible and/ or non-tangible assets (up to 50% of large investment over EUR 3 mil.);
- Subsidies for jobs creation (up to 50% from the salary costs for 2 years).

State aid scheme for large investments established through Government Decision 807/2014, modified by GD 476/2018 is financing acquisition of tangible and



Corporate tax compliance

intangible assets, including constructions. Equipment should be new and purchased in market conditions, while intangible assets cannot be more than 50% of total investment eligible costs and should be purchased only from third parties. The maximum public funding is EUR 37.5 million, capped at taxes (salary contributions, income taxes, profit tax and local tax) to be paid back to the state for 5 years after the investment is implemented.

State aid scheme for jobs creation established by Government Decision 332/2014 is financing 50% of the salary costs for 24 months (but not more than 50% of the average salary at national level, which is around EUR 840 monthly, including all taxes). The beneficiary company should create at least 10 new full-time jobs, indefinite contract, out of which

30% should be occupied by disadvantaged workers (younger than 24y, older than 55y, previously 6 months unemployed, single parent, minority or disabled). Maximum eligible value for salary costs/employee/month is the country's average gross salary (approx. EUR 840).

Taxes

Local taxes include:

- Building tax
- Land tax
- Means of transport tax
- Registration, licensing, certifications, authorizations issuance taxes
- Tax on means of promotion and advertising
- Tax on revenues from public performances
- Hotel occupancy tax

For the local taxes mentioned above, except for the subcategory of tax for large, heavy load transporter vehicles, Local Councils can increase tax rates by up to 20% over the statutory cap.

Building Tax

- For residential buildings owned by individuals or companies, the tax rate applicable varies from 0,08% - 0,2% and is levied on the taxable value of the building that varies depending on the type of construction.
- For non-residential buildings owned by

individuals or companies, the tax rate applicable varies from 0,2% - 1,3% depending on the Decision of the Local Council and is levied on the taxable value of the building.

- Building tax is paid twice a year, by 31 March and 30 September, in equal instalments.

As a rule, if the building tax due for the entire year is paid in advance by 31 March, a reduction of up to 10% may be granted by the local council.

Land Tax

- Owners of land are subject to land tax established at a fixed amount per square meter, depending on the rank of the locality where the land is located and the area and / or category of land use, in accordance with the classification made by the local council.
- Similar to building tax, land tax is paid twice a year, in equal installments, by 31 March and 30 September. A 10% reduction is granted for full advance payment of this tax by 31 March.

Taxation of Individuals

Personal Income Tax

General Principles

- The income tax rate is of 10% flat for most types of income derived by individuals, with certain exemptions (e.g. income from dividends, income obtained by non-residents);
- Romanian tax residents are subject to taxation on their worldwide income (except for salaries received from abroad for activities performed abroad);
- Romanian tax non-residents are subject to Romanian income tax only for income sourced in Romania;
- The fiscal year is the calendar year (January 1 – December 31).

Taxpayers

As per the Romanian tax law in place, the following individuals are defined taxpayers:

- residents;
- non-residents conducting independent activities through a permanent establishment in Romania;
- non-residents conducting dependent activities in Romania;
- non-residents obtaining Romanian sourced income.

Tax Residency

A natural person is considered Romanian tax resident if at least one of

the criteria below is fulfilled:

- has the domicile in Romania;
- the center of his vital interests is located in Romania;
- is present in Romania for a period of more than 183 days within 12 consecutive months ending in the calendar year concerned;
- is a Romanian national working abroad as an official or employee of Romania in a foreign state.

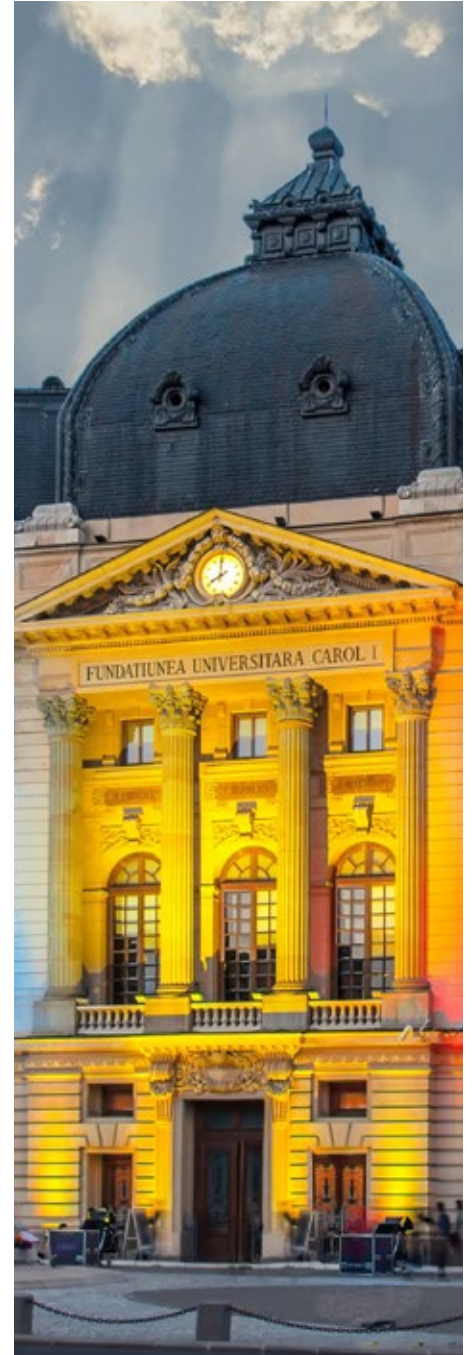
Individuals coming to/leaving from Romania for more than 183 days within 12 consecutive months have the liability to officially assess their tax residency with the Romanian authorities by means of a standard tax residency questionnaire.

Foreign individuals who meet the tax residency criteria and become Romanian tax residents are liable to report their worldwide income in Romania starting with the date the tax residency criteria are met, irrespective of the type of income and source country. The payment liability is further established based on the provisions of the Conventions for the avoidance of double taxation concluded between Romania and the source country of the income.

Taxable Income and Method of Taxation

The following categories of income are subject to taxation:

- A. Salary and salary assimilated income;**
- B. Income from independent activities;**
- C. Income from intellectual property rights;**
- D. Rental income;**
- E. Pensions income;**
- F. Income from agricultural activities, forestry and fish farming;**
- G. Income from prizes and gambling;**
- H. Investment income;**
- I. Income from real estate transactions;**
- J. Income from other sources.**



Types of income and the corresponding tax rates

A) Salary and salary assimilated income

The salary income represents the remuneration in-cash and/or in-kind received by an individual performing work activities based on an employment agreement/ assignment letter or any other form of contract that bears a similar statute.

The income tax rate is of 10% flat. The taxable base is determined as the difference between the gross income and the following:

- mandatory social security contributions;
- personal deductions (computed based on the number of dependent family members and applicable to salary income up to RON 3.600);
- union charges;
- contributions to private pension funds and voluntary health insurance premium/ medical services granted as a subscription, paid by the employee (each of them capped at EUR 400/ year/ employee).

Salary income includes remuneration paid according to non-competition clauses and taxable benefits expressly stipulated by the relevant Romanian legislation. Taxable benefits include, but are not limited to the private use of company cars and telephones. Moreover, directors' fees received by members of the General Meeting of Shareholders and of the Board of Directors are treated as salary assimilated income.

The reporting of the salary derived and the payment of the relevant income tax due must be performed by the 25th of the month following the one the income is obtained. In case of individuals performing activities under a Romanian employment contract, the company has the obligation to report and wire the income tax to the State Budget. However, these liabilities stay with

the individual in case the salary income is derived from abroad for work activities performed in Romania.

Taxpayers may dispose upon the destination of 2% or 3, 5% of the annual income tax due for charitable purposes (sponsorship).

B) Income from independent activities

There are certain activities that are deemed activities of independent nature, and thus the income derived further to performing them qualifies as income from independent activities, such as:

- income derived from production, commerce and provision of services;
- income from liberal professions, provided that the services rendered have a professional nature as per the relevant legislation governing the profession: lawyers, accountants, doctors, architects, etc.;
- income from rental activities (provided that there are more than five rental contracts in effect at year-end).

In practice, the activities listed above are considered activities of independent nature if certain minimum criteria, as defined by the applicable tax law, are fulfilled.

The income tax rate for income from independent activities is flat and it amounts to 10%.

Income from freelance activities is assessed based on entries in the single entry book-keeping ledgers that providers of independent activities are obliged to keep. The net income is computed as gross income less deductible/ partially deductible expenses. Alternatively, certain categories of freelancers are taxed based on a fixed income quota established by the authorities, depending on the type of activity performed. The income must be reported to the authorities by means of an annual income tax return.

For freelancers (both Romanians and foreigners), the following expenses are

considered non-deductible:

- fines, late payment penalties, under certain conditions;
- donations of any kind;
- benefits in-kind or in-cash used by the tax payer for personal or family use;
- expenses relating to untaxed income obtained in Romania or from abroad;
- the income tax due including the income tax due for income obtained from abroad;
- expenses relating to insurance premiums as well as medical insurance, under certain conditions;
- medical subscriptions, under certain conditions;
- monthly payments relating to loans;
- expenses relating to the acquisition or the manufacturing of certain goods;
- expenses relating to missing or destroyed goods if the taxpayer does not have insurance;
- 50% of the expenses relating to the use of vehicles, in certain conditions

C) Income from intellectual property rights

Income from intellectual property rights includes income such as the one obtained from royalties, patents, models and trademarks.

The taxable income can be determined based on single entry bookkeeping or based on documents provided by the payer of the income. The payer of the income (applicable under certain conditions) must apply withholding at source of income tax.

The taxable base is calculated as the difference between the gross income and a lump sum equal to 40% of the gross income and the mandatory social contributions. The income tax rate is flat and amounts to 10%.

D) Rental Income

The individual that concluded a rental agreement must submit the unique tax return within 30 days from the event. The gross income represents the income mentioned in the contract, whereas

the taxable income is computed as the difference between the gross income and a 40% expense quota. The income tax rate is flat rate and arises to 10%.

Under certain conditions, the individual can choose to determine the taxable income based on single entry bookkeeping. In case of individuals having more than five rental contracts concluded, the income qualifies as income from independent activities and must be taxed accordingly.

E) Income from pensions

Pension income represents any type of income received as pension from a private or public fund set-up from mandatory social charges performed to the Romanian social security system, as well as those received from voluntary pension funds in accordance with the applicable law.

The monthly taxable income represents the gross amount less the non-taxable amount (i.e., RON 2.000). The income tax due (10% of the taxable base) must be withheld at source by the payer of the income and wired to the State Budget by the 25th of the month following the one the pension income is related to.

F) Income from agricultural activities, forestry and fish farming;

The income obtained individually or in association without legal personality from the activities mentioned below is considered income from agricultural activities:

- cultivation of vegetables;
- vineyard and orchard farming;
- raising of livestock, as well as the sale of animal origin products in their natural state.

The income from agricultural activities is determined either on an income quota basis, or by single entry accounting, by applying a flat rate of 10% on the taxable income.

G) Income from prizes and gambling

A certain amount is tax-exempt, depending

on the type of income, as follows:

- RON 600 for each prize won;
- RON 66.750 for each gross income derived from winnings from casinos, poker clubs, slot machines and scratch cards.

The tax rate for income from prizes is 10%, whereas the tax rate applicable to the income derived from gambling is computed, as per the below:

- 1% for income up to RON 66.750 (from activities other than those exempted as reflected above);
- RON 667,5 + 16% applied to the amount exceeding RON 66.750, for gambling income between RON 66.750 – 445.000;
- RON 61.187,5 + 25% applied to the amount exceeding RON 445.000, for gambling income exceeding RON 445.000.

H) Investment income

The following categories of income are considered income from investments:

- *Dividends;*
- *Interest;*
- *Capital gains, including income from transactions with derivatives;*
- *Gains from the transfer of financial gold;*
- *Income from the liquidation of a legal entity.*

Dividends

Dividends are taxed at a 5% flat tax rate. If the payer is a Romanian resident, the tax must be withheld by the company paying the dividends and must be wired to the Romanian state budget by the 25th day of the month following the one when the payment was performed (for distributed and paid dividends) or by 25th January of the following year (in case of distributed dividends, which have not been paid to shareholders until the end of the year when the financial statements were approved).

Interest

The income tax due on interest amounts to 10% and is the liability of the payer of the income to compute and withhold it

at source in all cases when the payer is a Romanian resident. The reporting deadline is the 25th day of the month following the one when the payment was performed or the interest amount was registered in the individual's account, depending on the case.

Capital gain

Income obtained from the transfer of shares is subject to a tax of 10%, flat and final. The income tax due is computed as the difference between the sale price and the fiscal value (e.g., purchase price) computed based on supporting documents, such as:

- at the moment of the transaction by the intermediary – if the transaction is handled by an intermediary which is a Romanian tax resident;
- at the moment of the payment of the transaction price by the beneficiary – if the transaction is not handled by an intermediary or is handled by one that is not a Romanian tax resident.

The reporting and payment of the income tax liability stays with the seller of the shares.

Income obtained from transfer of securities issued by publicly listed companies is subject to a tax rate of 10%, irrespective of the shareholding period.

The individual has the obligation to declare and pay the due tax by means of an annual tax return that must be submitted in the year following the one when the income is derived.

Losses incurred from the sale of such securities may be offset against gains derived during the same year, and can be carried forward for seven consecutive years.

Income from the liquidation of a legal entity

For such income, the shareholders are taxed at a rate of 10%. The tax must be calculated, withheld and paid to the Romanian state budget by the company. The income tax withheld must be paid by the moment of submitting to the Trade

Registry the final financial statements prepared by the liquidators.

I) Income from real estate transactions

The income tax rate due on income obtained from the sale of the property rights over real estate varies between 1% and 3% depending on the date the property was acquired and its value. The income tax due is computed and collected by the notary public who authenticates the transaction.

There are several exemptions from the payment of the income tax, amongst which:

- Transfer of the property right as per the provisions of special laws;
- Transfer of the property right further to

a donation between in-laws, relatives up to the 3rd degree, as well as spouses.

J) Income from other sources

Any other types of income derived that do not fall under any of the categories mentioned above and that are not specifically tax exempt, are considered income from other sources. Examples of such types of income are:

- insurance premiums incurred by a company for the benefit of individuals with whom they have no employment relationship;
- gains on depreciation drawings, received from insurance companies as a result of insurance contracts concluded between the parties;

- income granted to retired former employees, in the form of discounts for goods, services and other entitlements, according to clauses in employment agreements or under special laws;
- income in the form of fees from commercial arbitration;
- income from gift tickets granted to parties other than employees of the disburser;

For most of the income falling under this category the income tax due must be withheld at source by the payer of the income and represents final income tax due. The payment must be performed by the 25th of the month following the one it was withheld.

Tax-exempt income

The main categories of tax-exempt income are:

- Allowances for maternity leave, maternity risk and child care leave (under certain conditions);
- Allowances for temporary work disablement (excluding the cases where salary income is derived);
- Amounts received as sponsorship;
- Income or goods received as inheritance or donation (special rules apply for real estate);
- Certain types of income obtained by disabled individuals, such as: salary income, income derived from

independent activities, income from intellectual property rights, pensions;

- Salary income received by the individuals performing:
 - software development activities (exemption applicable under certain conditions);
 - research and development activities (exemption applicable under certain conditions);
 - activities based on an employment contract concluded for a 12-month period for seasonal work (exemption applicable under certain conditions);
 - activities related to the construction industry (exemption applicable under certain conditions).

Taxation of non-residents

Income earned by non-resident individuals from activities performed in Romania is also subject to taxation in Romania. Generally, the income tax due is 16%, however, there are certain exceptions (e.g. 5% for dividend income).

Romanian tax non-residents are liable to pay income tax only on their Romanian sourced income, such as salary income received for the activities performed in Romania, dividends and interest paid by a Romanian legal entity, rental income

for properties located in Romania etc. Depending on the type of income derived, reporting and/or tax payment liabilities can arise on a monthly, quarterly or annual basis.

Where income tax was paid in the source country, in order to avoid double taxation of the same income, the provisions of the Conventions for the avoidance of double taxation should be observed.

Indirect Taxation

Value Added Tax (VAT)

By way of introduction, Romanian VAT legislation is based on the principles and rules of the Council Directive 2006/112/EC on the Common System of Value Added Tax, implemented in the national tax law by Law no. 227/2015 on the Tax Code.

Namely, it consists in primary and secondary legislation. While primary

legislation represents a general framework of carrying out taxable transactions on the national territory, including codes, laws, emergency ordinances, secondary legislation is based on the norms, orders and other several regulations, enforced in the application of the laws.

Scope of VAT

Generally, operations that fall within the scope of Romanian VAT cumulatively fulfill the following conditions:

- They are supplies of goods or services carried out for consideration or any other deemed operations treated as such;
- The place of the supplies of the goods or services is considered to be in Romania;
- They are performed by taxable persons acting as such;
- The supplies of the goods or services result from an economic activity.

A taxable person is:

- Any person that independently and regardless of the place carries out economic activities, whatever the purpose or the result of such activities;
- Any individual who performs occasionally an intra-community supply of new means of transport.
- A person who sells real-estate property in certain cases.

A taxable person will be considered established from a VAT perspective in Romania if:

- It has the main place of business in Romania; or
- It has the place of business outside Romania, but it has a fixed

establishment in Romania (sufficient technical and human resources to perform on a regular basis taxable supplies of goods and / or services).

However, a taxable person that has established its business outside Romania and has a fixed establishment in Romania should not be considered established in Romania for the supplies of goods and services performed in Romania in which the Romanian fixed establishment is not involved.

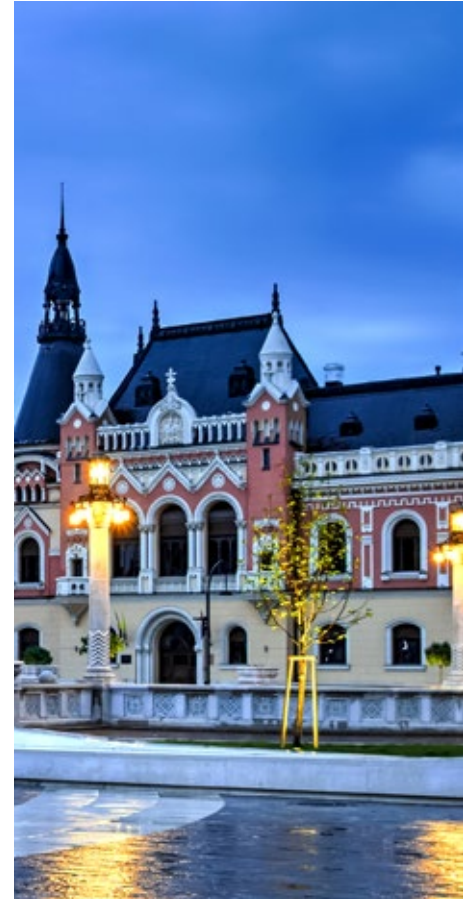
Intra-community trade

Transactions with goods transported between EU member states generally give rise to intra-community supplies and intra-community acquisitions of goods.

- Intra-community supplies of goods performed from Romania are VAT exempt with deduction right, provided that certain conditions are fulfilled;
- Intra-community acquisitions of goods in Romania are taxable under the reverse charge mechanism;

Special rules are applicable in case of distance-sales transactions, excisable products and new means of transport.

As an exception, certain movements of goods between Member States (e.g. temporary movements, movements within turnkey projects) are deemed as "non-



transfer" operations that benefit from derogatory compliance requirements. The sender and the receiver of such goods should keep special registries in this respect.

Import of goods

The import VAT is paid in customs, except for the case where a deferment certificate has been obtained.

The taxable persons holding a deferment certificate will include the VAT on importation in the VAT return, both as input and output VAT.

The VAT taxable amount for the goods imported in Romania includes the customs value, plus any customs duties, excise duties (if applicable) and other ancillary expenses such as commissions, packing, transport and insurance costs occurred

subsequent to the entry of goods in Romania until their first destination or until their destination to another Member State, if such destination is known at the moment of the import.

Outside the scope of VAT

The transfer of all or part of the assets of a company or, from case to case, of the liabilities as well, as a result of either a sale, an operation such as spin-off, merger or as a contribution in kind to the share capital of a company, should not be deemed as a supply of goods, if the receiver of the assets is a taxable person.

The transferee is considered to be the successor of the transferor with respect to the adjustment of the VAT deduction right. There are specific conditions that should be fulfilled in order for a transfer of assets to fall outside of VAT scope.

Place of taxation

As a rule, the place of taxation for supplies of goods is:

- The place where the transport begins, in the case of supply of goods with transport;
- The place where the goods are put at the disposal of the customer, in the case of supply of goods without transport;
- The place where the goods are installed or assembled, by the supplier or by a third person on behalf of the supplier, in the case of supply of goods which are installed or assembled.

Other specific rules for determining the place of supply of goods also apply (e.g. for supplies of gas, for supplies of goods on board ships, aircraft or trains).

For supplies of services, the place of taxation depends on the statute of the beneficiary of services:

- Services supplied to beneficiaries that are taxable persons - generically called services provided to businesses (B2B) and;
- Services supplied to beneficiaries that

are non-taxable persons - generically called services provided to individuals/ consumers (B2C).

The general rule for B2B services is that the place of taxation is the place where the beneficiary has established its business or has a fixed establishment to which the services are supplied (the beneficiary will generally account the operations under the reverse- charge mechanism).

From the B2B rule, a limited list of clearly defined exceptions applies, such as for:

- Services connected with immovable property - these services are taxed at the place where the immovable property is located. This category includes lease of immovable property, valuation of immovable properties, granting of loans in relation to a construction or land when the purchased immovable is being mortgaged, accommodation in hotels, rights granted for using certain real-estate properties, construction and repair services, legal services related to the transfer of ownership on an immovable property, etc.
- Services related to granting access to cultural, artistic, sporting, scientific, educational (e.g. trainings) events - these types of services are taxed at the place where they are effectively rendered, no matter the statute of their beneficiary;
- Works on movable goods (e.g. processing), transport and handling performed on Romanian territory to non-EU beneficiaries - are taxed in Romania;
- Other specific exceptions such as for passenger transport services, restaurant and catering services, short

time hiring of means of transport etc.

The general rule for B2C services is that the place of taxation is considered the place where the supplier has established its business or has a fixed establishment from which the services are supplied. A list of exceptions is also applicable.

VAT Chargeability

The VAT chargeability occurs at the first date between:

- The date when the supply of goods/ services takes place (chargeable event) - several rules for determining the date when the supply of goods/ services takes place are applicable (i.e., continuous supplies of services, payments by installments, etc.)
- The date when an invoice is issued for this transaction or
- The date when an advance payment is received for the supply.

By exception, the taxable persons having the place of business in Romania, whose turnover does not exceed RON 2,250,000 (EUR 500,000), could opt to apply the VAT cash accounting system. In this case, the VAT chargeability occurs at the moment when the invoice is paid.

In case of intra-community supplies of goods, the VAT chargeability occurs on the date when the invoice/self-invoice is issued, but no later than the 15th day of the month following the one in which the supply took place. The same rule is valid for intra-community acquisitions.

The VAT chargeability for the imported goods is the tax point for customs duties. Note that special rules apply to vouchers.



VAT rates

The VAT rates applicable in Romania starting with January 1, 2019 are:

	Rate	Comments
Standard rate	19%	The standard VAT rate of 19% is levied on all supplies of goods and services except those that are subject to the VAT reduced rates or VAT exempt.
	9%	<p>The VAT reduced rate of 9% applies for the following supplies of services/goods:</p> <ul style="list-style-type: none"> • Prostheses, orthopedic products and other pharmaceutical products for human and veterinarian use, in certain conditions; • Foodstuffs and soft drinks; • Water supplies; • Certain agricultural products.
Reduced rates	5%	<p>The VAT reduced rate of 5% applies, among others, to the followings:</p> <ul style="list-style-type: none"> • Supplies of books, newspapers and magazines, school manuals, other than those exclusively intended for publicity; • Rights to admission to castles, museums, memorial houses, historical monuments, architectural and archeological monuments etc.; • Hotel and similar accommodation; • Restaurant and catering services, except for alcoholic beverages, other than draft beer; • The right to use sports facilities for the purpose of practicing sport and physical education, other than the ones already exempted; • Services that allow access to benches, amusement parks and recreational parks; • Passenger transport, in certain conditions; • Supply of buildings as part of the social policy, including the land on which they are built.

VAT exemptions with/without deduction right

VAT exemptions with deduction right

The following operations are exempt with deduction right of the input VAT, provided certain conditions are met:

- Export of goods;
- Intra-community supplies of goods;
- International transport of passengers;
- Transport services and other services directly linked to exports of goods;
- Certain operations performed in free trade zones and free warehouses;
- Supply of goods to a bonded

warehouse, a VAT warehouse and related services;

- Supply of goods that are placed under suspension customs regimes;
- Supply of services in connection with goods placed under suspension customs regimes;
- Supply of goods and services to diplomatic missions, international organizations and NATO forces, etc.

VAT exemptions without deduction right

Operations such as the following are exempt without the right to deduct:

- Specific banking and financial services;

- Hospital treatment, medical treatment and closely related operations carried out by authorized units;
- Educational activities performed by authorized entities;
- Supplies of cultural services and/or supplies of goods closely related to such services;
- Specific activities of radio and television carried out by public authorities, other than activities of a commercial nature;
- Supply of public postal services;
- Sale of immovable property (old buildings), unless option to tax is exercised;
- Hiring, concession, leasing or letting of

immovable property (unless option to tax is exercised)

Note: The above lists are not exhaustive.

Simplification Measures

Simplification measures are available for:

- Supplies of goods such as waste materials, residues and recyclable materials (iron scrap, non-ferrous scrap, recyclable paper, cardboard, rubber, plastic, and glass waste, etc.) and materials resulting from their manufacturing (cleaning, polishing, etc.);
- Supplies of wood and wood materials;
- Supplies of certain cereals and technical plants;
- The transfer of greenhouse gas emission certificates;
- The supply of electricity to a taxable person established in Romania whose principal activity in respect of the purchase of electricity is to resale it and whose own consumption of electricity is negligible (less than 1% of the electricity purchased);
- The transfer of green certificates.

The simplifications measures are applicable to transactions performed between Romanian VAT registered taxable persons and consist in the following:

- The supplier will not charge VAT and will indicate the beneficiary as the person liable to pay the VAT;
- The beneficiary will pay the VAT by applying the reverse-charge mechanism (by reporting in the VAT

return the related VAT, both as input and output VAT, with no actual cash payment of VAT).

VAT deduction right

The VAT deduction right arises when the VAT becomes chargeable. A taxable person is entitled to deduct the input tax on its acquisitions, as long as the acquired goods/services are used for the purposes of its taxable transactions, VAT exempt transactions with deduction right and limited for VAT exempt transaction without deduction right (i.e. financial or insurance transactions having the beneficiary established outside the community).

The deduction right may be exercised within a timeframe of 5 years (starting with 1 January of the year following the one in which the right of deduction has arisen), if the following conditions are met:

- The beneficiary holds an invoice containing all the mandatory elements provided by law;
- For imports, the beneficiary holds the import customs declaration, which mentions the taxable person as the importer for VAT purposes, as well as proof of payment of the import VAT.

The taxable persons applying the VAT cash accounting system, as well as the beneficiaries of goods/services acquired from such persons, are allowed to deduct input VAT as long as they also have available proof of invoice payment.

Acquisitions for which the input VAT is not deductible: alcoholic beverages and cigarettes is not deductible, except the case where the goods are intended for resale or for use in the provision of services.

Only 50% of the input VAT paid upon the acquisition or rental/ leasing of road motor vehicles and 50% input VAT related to expenses for such vehicles will be deductible, if the vehicles are not used exclusively for business purposes. This rule does not apply for certain cases (such as vehicles used for sales activities, paid

transportation services, security services, repairs, courier activities, etc.) where the VAT will be fully deductible.

Taxpayers with mixed regime

VAT registered taxable persons that perform both taxable and exempt operations without deduction right, will be entitled to recover the input VAT incurred according to the following rules:

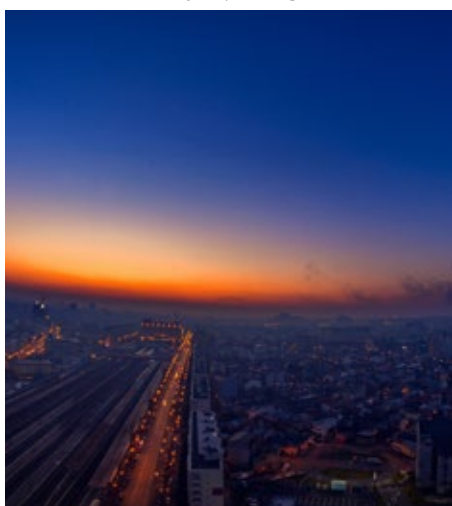
- Direct allocation – input VAT directly related to VAT taxable and VAT exempt with deduction right transactions is recoverable, while input tax directly related to VAT exempt without deduction right transactions is fully non-recoverable;
- Pro-rata – where specific inputs cannot be allocated to a certain category of output transactions (taxable and exempt supplies). Pro-rata is determined by dividing the total amount of turnover, exclusive of VAT, generated by transactions in respect of which VAT is deductible to the total turnover;
- Special pro rata percentage may be used if approved by the tax authority.

In case of acquisitions destined for investments that will be used both for operations allowing VAT deduction right and for operations not allowing VAT deduction right, the taxable person is allowed to deduct the VAT fully during the investment period. This VAT will be adjusted in the first year when supplies will be performed using the good resulting from the investment.

VAT Registration

Romanian established entities should register as VAT payers if their annual turnover exceeds the value of RON 300.000 (88.500 euro). The registration where the turnover does not exceed this threshold is optional (but opens the deduction right).

Generally, a non-established company has to register for VAT purposes in Romania if it undertakes certain transactions, such as:



- Intra-community supplies of goods;
- Intra-community acquisitions of goods;
- Transfer of its own goods (deemed intra-community acquisition/deemed intra-community supply of goods);
- Distance sales of goods, i.e. mail ordered sales to Romanian individuals, provided the annual threshold of RON 118.000 (35.000 euro) is exceeded;
- Domestic supplies of goods and services in Romania for which the reverse charge mechanism could not be applied by the beneficiary.

The non-established entities may opt for VAT registration in Romania for the following operations:

- Imports of goods;
- Lease of immovable properties;
- Taxable supplies of immovable property.

The Romanian VAT registration system includes:

- Standard VAT registration applicable to entities established in Romania;
- Special VAT registration for Romanian entities performing intra-community transactions of goods and B2B services;
- Direct VAT registration applicable to EU companies not established in Romania;
- VAT registration of foreign companies (either EU or non-EU established companies) through a VAT fiscal representative.

Non-residents entities performing certain transactions in Romania do not have the obligation to register for VAT purposes provided different requirements are fulfilled, such as:

- Non-transfers - goods (e.g. distance sales to individuals under a specific threshold, goods assembled/installed in Romania, temporary use of goods on the Romanian territory for the purpose of rendering services, etc.);
- Triangular operations;
- Call-off stock / consignment stock arrangements.

VAT Compliance

Fiscal period

The VAT returns generally must be filed on a monthly basis, but can also be done on a quarterly (if previous year turnover is less than EUR 100,000 and no intra-UE acquisition of goods in the previous year). The taxpayers who submit quarterly VAT returns and perform an intra-community acquisition of goods in Romania have the obligation to switch to the monthly submission of the VAT returns.

In addition, if certain conditions are fulfilled, taxpayers may opt for other fiscal periods (i.e. semester, year).


VAT Ledgers and Returns

Taxable persons must keep complete and detailed records for the computation of the VAT liabilities.

If VAT registered in Romania, the following reporting obligations exists:

- Form 300 - VAT return: by the 25th of the month following the reporting period. The payment of the VAT due for a certain period should be performed within the same deadline.

D300_A5.0.0 / 31.01.2017

	DECONT DE TAXĂ PE VALOAREA ADĂUGATĂ	300
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Tip decont TVA: ?

Anul: Luna:

Se bifeaza daca se aplica metoda simplificata pentru operatiuni interne ?

Temeiul legal pentru depunerea decontului de taxa pe valoarea adaugata dupa anularea rezervei verificarii ulterioare :
 art. 105 alin. (6) lit. b) din Legea nr. 207/2015 privind Codul de Procedura Fiscala, cu modificarile si completarile ulterioare

- Form 390 - EC Sales and Purchases List: where intra-UE acquisitions/supplies of goods/ services are performed.

D390_A1.0.10 / 01.02.2017

	DECLARAȚIE RECAPITULATIVĂ PRIVIND LIVRĂRILE / ACHIZIȚIILE / PRESTĂRILE INTRACOMUNITARE	390 VIES
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DECLARAȚIE RECTIFICATIVĂ ?

Atentie ! Se admit doar caractere din alfabetul latin. Nu se admit diacritice sau caractere speciale!

PERIOADA DE RAPORTARE Anul: Luna:

- Form 394 - Local Sales and Purchases List: by the 30th day (except for February when the Form is due by the 28th) of the month following the fiscal period applied for the submission of the return.

D394_A3.0.23 / 13.02.2018

	DECLARAȚIE INFORMATIVĂ PRIVIND LIVRĂRILE / PRESTĂRILE ȘI ACHIZIȚIILE EFECTUATE PE TERITORIUL NAȚIONAL	394
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Tip platitor: ?

Perioada: Anul: Luna:

sistemul normal de TVA
 sistemul de TVA la incasare

Au fost efectuate operatiuni in perioada de raportare? DA NU

- Intrastat statement: by the 15th day of the month following the one for which the statement is prepared (the statement refers to intra-community movements of goods and has to be filed only when the thresholds are exceeded – RON 900,000).

VAT Refund

VAT refund for VAT registered entities

When the input VAT exceeds the output VAT, the balance could be:

- Carried forward to next period.
- Requested for refund by the tax authority – by ticking the refund box on the VAT return. If the refundable VAT is less than RON 5,000, the taxpayer has to carry forward the respective amount in the future VAT returns.

In principle, the tax authority should process the VAT refund claims within 45 days from the day when the request was submitted or 90 days in case of high tax risk. In practice, the VAT refund proves to be a lengthy procedure and significant delays may result.

Depending on certain criteria, the VAT refund can be granted with or without a prior tax audit.

The Romanian tax authority may approve the VAT refund for a taxable person without a prior tax audit in cases where the value of the amount requested for reimbursement is lower than RON 45,000.

The general provision regarding the duration of a tax audit mentions a limit of 3

months (or 6 months for large taxpayers, as defined by the law).

VAT refund to non-residents

EU established companies may recover the VAT incurred in Romania under the provisions of the EU VAT refund Directive (9th Directive). The refund claim will be submitted electronically to the tax authority within the Member State of establishment and will be forwarded for analysis to the Romanian tax authority.

Non-EU established companies may recover the VAT incurred in Romania under the provisions of the 13th Directive on the condition of reciprocity. Currently, Romania has concluded such reciprocity agreements with Switzerland, Norway and Turkey (limited applicability) and Serbia.

Customs and International Trade

Customs Value

- The customs value is determined and declared by importers in accordance with the provisions of the WTO Customs Valuation Agreement (i.e. the Agreement pertaining to the implementation of Article VII of the GATT Agreement).
- Under specific conditions, determining customs value upon import is possible, even if certain elements that need to be added to the customs value are not quantifiable on the importation date (e.g. license fees, royalties) or are missing.
- The customs authorities may inspect the customs value either during the customs clearance or during a post-import audit (the customs authorities are entitled to perform such an audit during a three-year period following the date of import).

Customs Duties

- The customs duties are those specified in the EU Common Customs Tariff.
- Customs duties are expressed as a percentage applied to the customs value (i.e. ad valorem taxes), or as a fixed

amount applied to a specific quantity (i.e. specific taxes).

- Agricultural products (i.e. products from chapters 1 - 24) are subject to specific taxation.
- There are cases (e.g. meat) where the customs duty rate is established with regard to the CIF or the entry price of the products. In other cases, the customs duty rate is established by adding to the ad valorem tax additional duties such as agricultural components (EA), for sugar (AD S/Z) and for flour (AD F/M).

The representation in Customs

- Legal entities established in non-EU states can declare goods by indirect representation only. The indirect representation can be used for customs regimes as transit or temporary importation.

Authorised Economic Operator

- Operators that obtain Authorised Economic Operator status benefit from simplifications regarding customs

inspection, obtaining customs authorisations and performing customs formalities.

- The most important advantage of the AEO status is the VAT deferral in customs for imports, which is a huge cash flow advantage for importers.

Binding Origin Information (BOI) / Binding Tariff Information (BTI)

- Companies can obtain rulings from the Romanian customs authorities on the tariff classification of imported goods that are binding for the customs authorities for a three-year period, whenever goods identical to those described in the BTI are imported.
- A similar type of ruling can also be obtained regarding the origin of goods. The BOI is valid for a three-year period.

Temporary Import Relief

Inward Processing Relief (IPR)

- If raw materials, components or accessories are imported into the EU (including Romania) for processing and the end-products are subsequently re-exported out of the EU, customs duty relief is available through IPR. Processing covers the full assemblage and manufacturing process.
- Under this regime, importers can opt either for a duty suspension system (no payment is due for the import duties) or for a duty drawback system (the import duties are to be paid upon the import of raw materials, but they can be reimbursed upon export of the end-products). If the compensatory products are released for free circulation in the EU, compensatory interest is due.

Outward Processing Relief (OPR)

- The OPR customs regime allows the exported raw materials to be processed outside the EU and the resulting end products re-imported with partial or

full customs duty relief. This regime also applies for goods or equipment sent for repair and / or modernisation.

Bonded Warehouse (BWH)

- The BWH customs regime allows the temporary suspension of payment of import duties on non-EU goods stored in warehouses until they are taken out of the warehouse. Goods owned by foreign entities and goods initially purchased by the Romanian titleholder of the BWH authorisation can be placed under BWH customs regime.
- EU agricultural products intended for export can also be stored in a BWH before leaving Community territory.

Temporary Admission (TA)

- Goods that are introduced into Romania for temporary use and subsequently returned to the non-EU owner are granted total or partial relief from customs import duties. Total relief means no payment is requested by the customs authorities in connection with the customs import duties, VAT and excise duties, if applicable. However, a guarantee is required to secure payment of the import debt. Partial relief means the customs authorities levy a monthly portion of 3% of the customs duty and the importer should provide a bond for the balance. If the goods are subsequently released for free circulation in the EU, compensatory interest is due.

Free zones

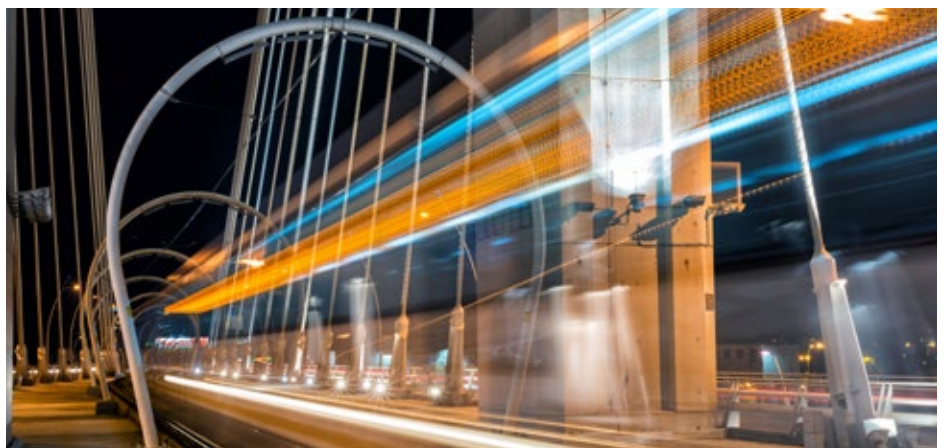
- Non-EU goods may be stored for an unlimited period of time in a Free Zone, with payment of the customs duties being suspended.

Security required for suspensive / economic customs regimes

- Suspensive / economic customs regimes require a guarantee to be lodged for the import debt that might arise. However, there are a few cases where exoneration from guaranteeing the import debt can be granted by the customs authorities.

Trade Measures

- For some products (e.g. agricultural products, steel) the EU generally imposes specific measures, for instance values or quantitative quotas on imports from other countries. It is mandatory to obtain an import license before importing such products.
- Moreover, import / export licenses from relevant authorities are also required for commodities regarded as potentially hazardous to human health or to the environment (such as some chemical products, certain types of waste and scrap), for commodities the end-use of which is controlled (such as explosives) or for dual use (i.e. civil products which may have an alleged military use) products.



Excise duties

Harmonized Excisable Products

Scope

- The following products are subject to harmonised excise duties: ethyl alcohol and alcoholic beverages, tobacco products, energy products (e.g. unleaded petrol, diesel oil, coal) and electricity.

Chargeability

- Excise duties are due when excise goods are released for consumption (e.g. imported into Romania, taken out of an excise duty suspension regime).

Excise duty suspension arrangements

- Excisable products can be produced, transformed, held and received under a duty suspension arrangement only in a tax warehouse, which should have prior approval from the tax authorities.
- Such excisable products can also be received from within the EU under excise duty suspension arrangements by registered consignees.
- Romanian tax warehouse keepers are deemed authorised for the intracommunity movement of excisable products under excise duty suspension arrangements.
- Excisable products can also be dispatched under duty suspension arrangements after being released for free circulation by the registered consignor (this also applies for the holder of a single authorisation for a simplified customs clearance procedure).
- The movement of these excisable products under a duty suspension arrangement has to be made using the computerised system for monitoring the movement of excise goods under suspension of duty (EMCS).
- The production, holding and movement of excisable products under duty

suspension arrangements are subject to a guarantee.

Environmental Fund Contribution

- In certain cases (e.g. packaging waste), the contribution to the Environmental Fund depends on the degree to which companies achieve the recovery / recycling targets stipulated by the relevant legislation on waste management. Thus, for packaging waste, the contribution to the Environmental Fund is currently RON 2 per kilo of packaging introduced onto the market and is owed for the difference between the recovery target stipulated by law and the percentage actually achieved by companies.
- Companies conducting activities that result in the discharge of air-pollutant emissions from fixed sources (e.g. nitrogen oxides, Sulphur oxides, persistent organic pollutants, heavy metal emissions, such as lead, cadmium, mercury) have to pay contributions to the Environmental Fund of between RON 0.02 / kg (about EUR 0.0046) and RON 20 / kg (about EUR 4.61).
- Importers and producers of hazardous substances have to remit to the Environmental Fund a contribution of 2% of the value of the substances placed on the market (save for those used in the production of medicines). Companies selling ferrous and non-ferrous waste and companies dealing in wood or wood products also have to contribute to the Environmental Fund, currently set at 3% and 1%, respectively, of the revenues / sales value.
- Companies that store recoverable waste (i.e. waste resulting from extraction and processing of crude oil, waste resulting from primary processing of wood, waste resulting from alcohol manufacturing, carboniferous slurry, furnace slag, ashes from thermal power plants, pyrites ashes, phosphoryl-sum, metal slag) on

new plots of land have to pay tax to the Environmental Fund. This tax ranges from 0.2RON (about EUR 0.046) per sq. metre to 4 RON (about EUR 0.90) per sq. metre and per year, depending on the type of waste stored on the new land.

- Companies have to report and pay these taxes monthly, semi-annually or yearly -depending on the tax concerned - to the Environmental Fund Administration, by submitting a declaration.
- Producers / importers / exporters of electrical and electronic equipment ("EEE") have to register with the National Agency for Environmental Protection. Failure to register can result in the suspension of company activity.
- Producers / importers wishing to place batteries on the market are required to register with the National Agency for Environmental Protection.
- Placement on the market of portable batteries containing more than 0.002% cadmium by weight is prohibited. Distributors are also prohibited from selling batteries originating from unregistered producers.
- Companies that place carrier bags on the market not made of biodegradable materials have to pay a tax ("Eco tax") of RON 0.2/ per bag.

Registration, Evaluation and Authorisation of Chemicals

- Chemical substances and preparations traded on the market must be registered with the Ministry of Environment and Sustainable Development at the National Agency for Dangerous Substances and Chemical Preparations.
- Registration is the only way for producers and importers of chemical substances to be allowed to continue production and import of chemical substances and preparations.

Tax Procedure

Overview

On 1st of January 2016, a new Tax Procedure Code (Law no. 207/2015) was enforced. This code unifies the legislation regulating tax returns, tax assessments, tax registration, tax audits, collection of budgetary receivables, as well as tax jurisdiction. The main rules and principles of the tax procedure are presented below.



General principles

Interpretation of the law

- The Romanian National Agency for Fiscal Administration, through its state secretary, coordinates the General Commission of Tax Procedure Code, Non-Fiscal and Accounting regulations, which is responsible for the unified interpretation of the law in this matter.

Liability of others

- Shareholders, directors, managers and others may be held liable for the tax obligations of the taxpayer under certain circumstances (e.g. anyone causing the insolvency of the debtor by disposing of the debtor's assets or hiding such assets; anyone acquiring in bad faith the debtor's assets within three years of the debtor's insolvency).

Assignment of tax receivables

- The tax law allows both the assignment of receivables of the taxpayer against the general consolidated budget, as well as the assignment, under certain conditions, of the budget's receivables against taxpayers.

Fiscal administrative acts

- Specific rules apply to the preparation and serving of acts issued by the tax

authorities the taxpayers.

- The taxpayer may apply for an individual tax ruling in order to settle a request of the taxpayer regarding the regulation of certain future tax states of affairs.
- The taxpayer may also apply for an advance pricing agreement in order to establish the conditions and modalities for determining the transfer prices for the transactions performed with affiliates throughout a fixed period of time.
- Under the law, the settlement term for the request of issuing an individual tax ruling is of up to 3 months, however the general term of 45 days for settling the requests of taxpayers shall be properly applied.
- The settlement term for the request of issuance of an advance pricing agreement is of 12 months in the case of a unilateral agreement and of 18 months in the case of a bilateral or multilateral agreement, as applicable.
- Prior to issuing the individual tax ruling or the advance pricing agreement, as applicable, the tax authority shall present to the taxpayer/payer the draft administrative document in question and offer the taxpayer the possibility to express his opinion, except if the

taxpayer waives this right and notifies the tax body of the waiver.

- The taxpayer/payer may present the clarifications or his opinion to the draft within 60 business days as of the date when the necessary clarifications are requested or as of the date of communication of the draft individual tax ruling or advance pricing agreement.
- If the taxpayer does not agree with the individual tax ruling or with the advance pricing agreement that was issued, he/she will notify the issuing tax authority in this respect within 30 days of the date he/she was served the individual tax ruling or the advance pricing agreement.
- Throughout its validity, term the advance pricing agreement can be amended through validity extension or, as applicable, revision, at the request of the holder thereof. The advance pricing agreement's validity can be extended (i)

when the taxpayer/payer requests it and based on the same terms and conditions or (ii) if the taxpayer/payer requests that it should include other transactions with affiliates.

Fiscal domicile

- The concept of fiscal domicile is defined, with application to both individuals and legal persons. This concept is essential in defining both the tax jurisdiction and tax registration obligations.

Other rules

- Any request by the taxpayer must be processed and answered by the tax authorities within 45 days as of registration, unless additional documents are necessary, in which case the period is extended by the amount of time necessary for the taxpayer to provide the requested documents.

Specific Tax Procedures

Tax Registration

- Any person or entity included in a fiscal law relationship shall be registered for tax purposes and shall receive a tax identification code. Registration with the tax authorities must be made within 30 days of the date the circumstances which gave rise to the obligation occurred.

Tax Assessment

- The limitation period within which the tax authorities are entitled to assess additional tax liabilities is five years as of 1st of July of the year following that for which the tax liability is owed.

Tax audit

- Tax audit shall be performed with regard to any individuals and entities, irrespective of their form of organization, which have obligations of assessment, withholding or payment of the tax liabilities provided by the law.
- The authorized tax audit body, according to the risk level, shall make the selection of the taxpayers subject to tax audit. The risk level shall be established based on the risk analysis, without any possibility for the taxpayer to object to the selection procedure used.

- Before the tax audit is carried out, the tax audit body has the obligation of notifying the taxpayer in writing on the actions that is to be performed, by serving him/her a tax audit notification.
- The tax audit shall be performed within the limitation period related to the right of assessing tax receivables (i.e. five years as of 1st of July of the year following that for which the tax liability is owed).
- The tax audit shall be performed only once for every type of tax receivable and for every period subject to taxation. By way of exception, the leader of the tax audit body may decide to verify again certain types of tax liabilities for a certain taxable period, as a result of additional data being found out which were not known to the tax audit body on the date of performance of the tax audit and which influence the results of the inspection.
- The duration of performance of the tax audit shall be set by the tax audit body in accordance with the objectives of the inspection, and it cannot be longer than: a) 180 days for large taxpayers, as well as for the taxpayers/payers who have secondary seats, irrespective of their size; b) 90 days for medium taxpayers; c) 45 days for the other taxpayers.

- If the tax audit is not completed within a period of time representing two times the period indicated above, then the tax audit shall cease and no tax audit report or tax assessment decision shall be issued. In this case, the tax audit body may resume the inspection on the basis of the approval of the superior body to that which approved the initial tax audit, only once for the same period of time and for the same tax liabilities.
- The authorized leader of the tax audit may decide on suspending a tax audit in any of the situations provided by the Tax Procedure Code and only if the occurrence of that situation prevents the completion of the tax audit. In this case, the tax audit can be suspended until the date when the reason of the suspension no longer exists, but not more than 6 months as of the date of suspension.
- Before finalizing the tax audit, the tax inspectors shall serve to the taxpayer the draft tax audit report in electronic form or on paper and offer him/her the possibility of expressing his/her opinion. For this purpose, once the draft report is served, the tax audit body shall also inform the taxpayer on the date, time and place of the final discussion.
- To the draft of report, the taxpayers is entitled to present his/her opinion with regard to the findings of the tax audit body in writing, within at most 5 business days as of the date of conclusion of the tax audit. In the case of large taxpayers, the term of presentation of the opinion is of at most 7 business days. The term can be extended for justified reasons, based on the consent of the leader of the tax audit body.
- The result of the tax audit shall be mentioned in writing in a tax audit report that shall present the findings of the tax audit body from a factual and legal perspective and the tax consequences thereof. The tax audit report is communicated to the taxpayer along with the tax assessment.

Collection of Budgetary Receivables

- Detailed rules apply to payment methods, payment deadlines, as well as treatment of partial payments.
- Through offsetting shall be settled the receivables of the State or of the administrative territorial units or of subdivisions thereof representing taxes, charges, contributions and other amounts owed to the general consolidated budget with the receivables of the debtor representing amounts that need to be refunded, reimbursed or paid from the budget, up to the smallest of the amounts, when both parties act at the same time as both creditors and debtors, provided those receivables are administered by the same public authority, including by the units subordinated thereto.
- The negative amount of value-added tax in the receivable VAT return with refund option submitted by the representative of a tax group established in accordance with the Tax Code shall be offset in accordance with the provisions of this article with the tax liabilities of the members of the tax group.
- Unless otherwise provided by law, the offsetting shall act by operation of law as of the date when the receivables exist at once and are certain, liquid and chargeable at the same time. The competent tax body shall serve to the debtor the decision regarding the performance of the offsetting within 7 days as of the date of performance of the operation.
- According to the Tax Procedure Code, the late payment penalties are of 0.01% for every day of delay and the interest level is 0.02% per day of delay. Interests and late payment penalties can be updated on an annual basis, through Government decision, in accordance with the evolution of the reference interest rate of the National Bank of Romania.

- The right of the taxpayer to claim the refund of tax receivables is subject to a limitation period of 5 years, starting on January 1st following that in which this right was born.

Enforcement of Budgetary Receivables

- If the debtor does not pay willingly the tax liabilities he/she owns, the competent tax body shall take enforcement actions for the settlement of those liabilities, as per the provisions of this code, with the exception of the case in which there is a request for refund/ reimbursement in process of settlement and the amount claimed therein is equal to or bigger than the tax liability owed by the debtor.
- The tax body which administers tax liabilities is authorized to implement the enforcement measures and to perform the enforcement proceeding.
- Any of the following enforcement procedures may be used:
 - a. enforcement by garnishment;
 - b. seizure of the taxpayer's movable assets;
 - c. seizure of the taxpayer's immovable assets.
- Proceeds of the enforcement procedures are subject to distribution between creditors in accordance with a predetermined order set out in the Tax Procedure Code. Creditors with guarantees (rights 'in rem') over the assets subject to enforcement are preferred to the tax authorities, provided that they registered their rights in the relevant public registrars before the tax authorities registered their receivable.
- The interested persons may file an appeal against any enforcement act made by the enforcement bodies in violation of the provisions of the Tax Procedure Code, as well as if these bodies refuse to perform an act of enforcement as provided by law within 15 days as of the date when:
 - a. the contesting party was informed about the enforcement or the act of enforcement it appeals on the basis of a summons or another notification it received or, in lack thereof, on the occasion of the actual enforcement or in another manner;
 - b. the contesting party was informed in

accordance with letter a) about the refusal of the enforcement body of performing an act of enforcement;

- c. the interested party was informed in accordance with letter a) about the release or distribution of the amounts it appeals.

- The tax authorities' right to request the enforcement of fiscal claims is limited to five years as of January 1st following that in which the right arose.

Administrative Complaints

- A tax challenge can be filed against the tax receivable document, as well as against other administrative-tax documents. The code regulates the form and the content of the challenges to be filed by taxpayers.
- The challenge shall be submitted within 45 days as of the date of service of the administrative-tax document, subject to termination of this right. If the tax administrative act challenged does not contain certain mandatory elements (for example, deadline for filing the appeal), the tax challenge may be filed within three months of the date of the tax administrative act.
- If the taxpayer is not satisfied with the decision settling the tax challenge, it may file a claim with the court within six months of the solution to the tax challenge being delivered to it. The deadline may be extended on serious grounds up to one year from the day the solution was issued.
- In addition, if the tax challenge is not settled within 6 months as of submission, the contesting party may address directly to the competent administrative court of law to annul the document (the legal deadline for filing a claim with the court is still applicable).

Suspension of enforcement

There are several legal means for taxpayers to file a court claim aimed at suspending the enforcement of tax liabilities. Depending on the case, the taxpayer may be ordered to provide a cash guarantee of the contested amount.

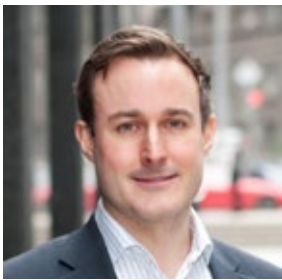
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