

# Tax & Legal Weekly Alert

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### **VAT split payment – The final form of the law**

Only the companies having VAT debts or in insolvency will mandatory apply the VAT split payment system starting with 1 January 2018, according to the final form of the law on the VAT split payment, published in the Official Gazette.

### **New calculation rules regarding contributions and taxes due to the Environmental Fund**

New methodological rules for calculating the contributions and taxes due to the Environmental Fund came into force on December 28, 2017, according to Order of the Ministry of Environment no. 1503/2017 for modifying and completing the methodology of calculation of taxes and contributions due to the Environment Fund.

### **New provisions on medical leave and allowances**

The main changes concern the introduction of a voluntary insurance contract for medical leave contributions.

### **Amendments for certain tax and social security forms**

Taking into consideration the newly introduced tax provisions, entered into force as of 1<sup>st</sup> of January 2018, certain tax forms have been updated in order to be in line with the new legislative provisions.

### **Decision to set quota for work permits that can be issued to foreigners during 2018**

On Friday, 29 December 2017, it was published the decision establishing the work permits quota for year 2018 that can be issued to foreign citizens.

### **Changes to the provisions of the law regarding public pensions**

The new provisions refer to the monthly basis for computing the social security contribution for individuals insured under a voluntary insurance contract.

## VAT split payment – The final form of the law

Two categories of taxpayers – companies having VAT debts or in insolvency – will mandatory apply the VAT split system starting with 1 January 2018.

The final provisions of the new VAT payment system are mentioned in Law 275/2017 for approving Government Ordinance 23/2017 regarding the VAT split payment that was published in the Official Gazette, Part I, no. 1036 of 28 December 2017 and entered into force on 31 December 2017.

In brief, the final form of the Ordinance states that:

- The VAT split payment will be mandatory starting with 2018 only for companies which have / will have outstanding VAT debts (with the exception of those having enforced procedures suspended) or which are under insolvency proceedings.
- The taxpayers registered for VAT purposes (regardless if they apply the VAT split system or not) must pay the VAT corresponding to acquisitions of goods/services performed from suppliers applying the VAT split system in their dedicated VAT account.

[Deloitte tax alert](#) of 19 December 2017 presents and explains the application of the VAT split payment system.

For further questions, please contact us.



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## New changes regarding contributions and taxes due to the Environment Fund

The new order replaces the methodology for calculation of contributions and taxes due to the Environment Fund. Among the main changes, we mention the following:

- Environmental Fund Administration inspectors may not consider a transaction that has no economic purpose or may reclassify the form of a transaction/ activity to reflect its economic content at the time of the tax audit;
- The traders that does not take physical possession of the wastes, in addition to the economic operators recyclers/ collectors have also the obligation to calculate and withhold at source the contribution of 3% of the revenues from the sale of ferrous and non-ferrous metal wastes;
- Sample documents that can be used in order to determine the weight and packaging, tires, EEE, batteries and accumulators placed on the national market for proving the traceability of waste are listed;

- Specific conditions to be met for packaging waste that is subject to intra-Union or extra-Union transactions in order to be considered as recycled/recovered are mentioned;
- In the case of meeting the annual targets for recovery of waste taken from other waste generators, it is no longer necessary to prove the traceability of packaging waste from the waste generator to the final recovery operator, but only from the economic operator with which the service contract was concluded to the final recovery operator;
- A series of requirements to be met by recovery/ recycling operators for the acceptance of packaging waste as recovered/ recycled are introduced;
- An economic operator within the meaning of the Methodology is defined as a manufacturer, importer, warehouse, transporter or trader of goods, including a service provider.

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## New provisions regarding medical leave and allowances

The new provisions include the followings:

- individuals who perform activities under a secondment contract can benefit from paid medical leave contribution, under certain conditions;
- individuals who do not qualify as beneficiaries can choose to conclude a voluntary insurance contract;
- under this contract, the right to medical leave and allowances is conditioned by paying a contribution of 1% applied to the monthly income mentioned in the contract.

The Emergency Ordinance no. 99/2017 was published in the Official Gazette no. 1005 from 19 December 2017.

## Tax forms used for social security contributions and income tax were amended by the following Orders:

- Order no. 3.725 / 2017 published in the Official Gazette no. 1027 from 27 December 2017
- Order no. 3.726 / 2017 published in the Official Gazette no. 1038 from 29 December 2017
- Order no. 3.780 / 2017 published in the Official Gazette no. 1038 from 29 December 2017
- Order no. 3.781 / 2017 published in the Official Gazette no. 1037 from 28 December 2017
- Order no. 4.140 / 2017 was published in the Official Gazette no. 1.041 from 29 December 2017

Among the tax forms amended, we mention the following:

- 020 – Tax registration form/ Form of mentions for Romanian and foreign individuals having a personal identification number;
- 030 – Tax registration form / Form of mentions / Form of cancellation for individuals who do not have a personal identification number;
- 050 – Tax registration form / Form of mentions regarding the change of tax payers' tax domicile;
- 070 – Tax registration form/ Form of mentions / Form of cancellation for individuals who perform economic activities independently or perform liberal professions;
- 700 – Tax registration form / Form for amendments regarding the electronic environment of the categories of tax obligations mentioned in the fiscal vector;
- 600 – Statement of income on which the social security contribution is due and on the qualification of the income made within the minimum cap for the establishment of the health insurance contribution;
- 100 – Tax form regarding the payment of liabilities to the State Budget;
- 710 - Rectifying form.

Among the forms related to income tax we mention the following:

- 201 - Form regarding the income obtained from abroad;
- 205 - Informative form on withholding tax, gambling revenues and investment gains / losses, on income beneficiaries;
- 207 - Informative form regarding the withholding tax / exempted income, on non-resident beneficiaries of income;
- 220 – Form regarding the estimated income / income norm;
- 221 - Form for the income from agricultural activities taxed by means of income norms;
- 222 - Informative form regarding the start / end of the individuals' activity in Romania who earn salary income and assimilated to salary income from abroad;
- 223 - Form of estimated income for unincorporated associations and entities subject to tax transparency regime;
- 224 - Form regarding the salary income and income assimilated to salary earned from abroad by individuals who perform activities in Romania;
- 256 – Ex-officio tax decision for the individuals' income;
- 257 – Tax decision cancelling the ex-officio tax decision for individuals;
- 260 - Tax decision regarding the anticipated payments for income tax / annual income tax due.

At the same time, the following forms were introduced:

- Notification for not submitting the tax return within the legal deadline;
- Notification for not submitting the informative tax return within the legal deadline;

- Notification of the erroneous filling of the informative statement;
- Notification of inconsistencies between reported income and the income within the tax authorities records;
- Notification regarding the failure to submit the tax return according to art. 107, par. (5) of the Law no. 207/2015 on the Fiscal Procedure Code.

## Decision to set quota for work permits that can be issued to foreigners during 2018

The Government decision no. 946/ 2017 regarding the quota for foreign employees in 2018 was published in the Official Gazette no. 1.040 on 29 December 2017.

The quota for the work permits that can be issued during 2018 to foreign citizens on the labour market in Romania has been set to 7,000.

Of the total 7,000 work permits, 4,000 will be granted to permanent workers, 500 to the highly skilled workers and 1.200 to posted workers. For ICT employees (employees assigned within the same company group) the quota set is of 700 work permits. The remaining work permits are allocated to different categories like trainees (100), seasonal (400) or cross border workers (100).

## Amendments to the law regarding the unitary public pension system

The Emergency Ordinance no. 116/2017 for the amendment and completion of some normative acts was published in the Official Gazette no. 1.043 from 29 December 2017.

According to the new provisions, the cap of 5 medium gross salaries previously used for the insured income set for individuals who have entered into a voluntary social security contract, has been abolished.

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