

Recovery of Romanian withholding tax

Minimize your tax cost & optimize the cash-flows

The recent amendment brought to the Romanian Fiscal Code creates an important opportunity for EU tax resident entities that are paying Romanian withholding tax on interest income.

Legal background

The Romanian Fiscal Code as enacted through Emergency Ordinance no. 6/2015 provides that the EU tax resident entities are entitled to the refund of the withholding tax applicable to the interest income obtained from Romania, which was calculated on a gross base.

The move came as a result of the fact that the application of withholding tax on the gross interest income received by EU tax resident entities was found incompatible with the freedom to provide services and the free movement of capital between EU member states, as compared to Romanian resident entities which are taxed on their net profits.

In order to avoid the infringement, as raised by the European Commission, Romania amended its legislation as to allow EU resident entities to deduct the related business expenses and claim the refund of the withholding tax paid in excess in Romania.

Tax saving opportunity

This amendment of the fiscal legislation creates an important **opportunity for EU tax resident** entities that are paying Romanian withholding tax on their gross interest income, to recalculate their withholding tax liabilities on a net base and **claim the withholding tax refund in Romania**.

According to the provisions of the Fiscal Code, this option is applicable starting with June 1st 2015.

How can we help you?

Based upon our experience and knowledge, the Deloitte team is available to help you with services such as:

- assess whether your company/ your Group can benefit from the refund of the withholding tax paid in Romania,
- assess the nature of expenses that may be deducted, advise you on how to practically address the refund claim,
- assist you with the refund-related procedures, which include prior tax registration of the non-resident,
- assist you with drafting letters to the Ministry of Finance, if the case, validating the nature of expenses deducted and the method of computing the withholding liabilities.

Deloitte has deep knowledge on this matter as it benefits from the global experience regarding this issue and we are confident that your company will have a real benefit from our collaboration on such projects.

For further information, please do not hesitate to contact us:

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