

Tax & Legal Weekly Alert

6 - 10 June 2016

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Amendments to the New Fiscal Code

Law regarding the approval of Government Ordinance no. 41/015 for changing and amending certain legislative measures as well as regulating some budgetary measures has been published. Thus, amendments are made with respect to the tax for advertising and publicity services and an individual's liability to pay health insurance contributions for certain categories of income.

New Double Tax Treaty between Romania and Bulgaria

A new Double Tax Treaty has been signed between Romania and Bulgaria.



Amendments to the New Fiscal Code

The law contains amendments with respect to Law 227/2015 on the Fiscal Code for amending art. 477, line (7). As such, it has been clarified that the tax for advertising and publicity services will be declared and paid by the service provider. The tax will fall due to the local tax authorities by the 10th day of each month following the one when the advertising and publicity service contract came into force.

This law also brings changes to the articles 178-183 regarding an individual's liability to pay health insurance contributions for certain categories of income as follows:

- Individuals who derive income from investments or from other sources in 2016 are not liable to pay health insurance contributions for these income streams as long as the monthly taxable basis is lower than the value of the national minimum gross salary.
- Starting with 2017, individuals who do not derive any type of income from those mentioned under art. 155 or individuals who exclusively derive income from investments and/or other sources below the value of the national minimum gross salary are liable to pay health insurance contributions as follows:
 - On a monthly basis, by the 25th of every month, starting with the month in which a statement is submitted. The minimum period of contribution is at least 12 consecutive months and the monthly contribution rate is 5.5% applied to the value of the national minimum gross salary, or
 - At the date when public medical services are used, by submitting a statement in this regard. The applicable rate is 5.5%, applied to a value equal to 7-fold the national minimum gross salary.

New Double Tax Treaty between Romania and Bulgaria

- Some terms used in the previous agreement have been clarified (e.g. enterprise, company).
- Two new criteria have been introduced in regards to the definition of residents - i.e. the place of registration / place of incorporation is considered a country of residency.
- New anti-abuse clauses have been introduced.
- Article 5 – a building site, a construction, assembly or installation project constitutes a permanent establishment only if it lasts more than 12 months (compared to 9 months under the previous agreement).
- Article 10 – introduces the term beneficial owner and the tax rate has been reduced to 5% (in the previous agreement the tax rate was 10% or 15% depending on certain conditions).

- Article 11 – tax rate has been reduced to 5% (compared to 15% under the previous agreement).
- Article 12 – tax rate has been reduced to 5% (compared to 15% under the previous agreement) and the term know-how has been introduced under the definition of royalties.
- The article regarding Capital has been eliminated (i.e. Article .23).
- Clarifications have been introduced regarding the elimination of double taxation and tax credits (Article 22).
- A new article has been introduced, i.e. Article 26 – assistance for the collection of taxes, where Contracting States shall assist each other in collecting revenue claims.

For further questions regarding the aspects mentioned in this alert, please contact us.

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