



Romania Country Profile

Tax & Legal Framework - 2024

Reach | Relevance | Reliability

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Invest in Romania!

In the dynamic business world and volatile geostrategic context, Romania maintains its position as a significant foreign direct investment destination in the Central and Eastern Europe (CEE) region. As part of the European Union (EU), NATO, and as a candidate to OECD membership, Romania is a reliable business partner, being considered as a pillar of strength and security in the region.

Therefore, it is important to further promote our country's competitive advantages in the most developed markets, an approach designed to offer foreign investors new business opportunities and Romanian society robust development prospects.

These advantages include a competitive tax system, regulated by the Fiscal Code, a law that covers all taxes, duties and contributions owed by residents and non-residents in the country, as well as a comprehensive foreign investment regime.

An important fiscal benefit refers to the corporate income tax of 16%, one of the lowest among European countries. In terms of fiscal incentives, the one related to research and development activities and tax exemption on reinvested profit are noticeable. Romania joined the EU in 2007 and since then the fiscal framework went through important reforms, in order to comply with the EU membership requirements.

Moreover, although not yet an OECD member, Romania has been participating for several years as an associate member of the anti-BEPS (Base Erosion and Profit Shifting) project and has implemented numerous related initiatives in national legislation. For example, Romania's transfer pricing rules generally follow OECD guidelines.

Amending domestic legislation to be consistent with European and international regulations increase potential investors' confidence regarding the stability of the Romanian business environment and guarantees compliance with international business rules.

Tax system reform is set to continue, based on EU and OECD recommendations, and the main medium-term objectives of the fiscal policy are to achieve macroeconomic stability, improve the investment climate in Romania, and ensure fair treatment for all taxpayers. The envisaged measures will focus on further implementation of digitization in tax administration to reduce tax evasion and improve tax collection to the state budget and streamlining tax regulations to reduce the administrative burden on taxpayers.

In conclusion, Romania welcomes potential foreign investors with a favorable fiscal and legal framework, aiming to facilitate the development of successful long-term projects. Please find below more details regarding Romanian tax and legal framework impacting both local and foreign investors.



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Business Incorporation

Incorporation overview

Legal framework

The Companies' Law no. 31/1990 (the "Companies' Law") is the general legal framework applicable to Romanian corporate entities.

The Companies' Law regulates all the aspects pertaining to the corporate life of a Romanian company, including the general registration formalities and procedure, the minimum share capital, the governing rules applicable to shares and allocation of profits, the powers and duties of the shareholders and the management bodies, and the various corporate operations that can be performed (e.g., mergers, divisions, share capital increases, dissolution and liquidation).

The most recent amendments to the Companies' Law transposed in the local legislation the provisions of the Directive (EU) 2019/2121 amending Directive (EU) 2017/1132 as regards cross-border conversions, mergers, and divisions.

Following this amendment, cross-border conversions and divisions became possible to be implemented in Romania.

The detailed steps and procedural matters concerning the incorporation of a Romanian company are regulated by Law no. 265/2022 on the trade register and amending and supplementing other acts regulations affecting the registration in the trade register.

Publicly listed companies are subject to additional specific requirements, regulated by various laws and regulations.

Company types

The Companies' Law regulates five different company types, respectively:

- Partnerships;
- Limited partnerships;
- Partnerships limited by shares,
- Joint stock companies (S.A.);
- Limited liability companies (S.R.L.).

Incorporation steps

Irrespective of the selected company type, the incorporation of a Romanian company must undergo the following steps:

- Obtaining a name reservation for the company;
- Approving the statutory documents, such as the Articles of Association, and signing the relevant corporate statements;
- Executing an agreement for the right of use over a space for the registered office (e.g., lease or free-lease agreement). A Romanian company cannot have a P.O. box as a registered office address;
- Preparing and submitting the incorporation file with the relevant Trade Registry Office;
- Verification of the incorporation file by the Trade Registry clerk and approval of the incorporation.

Key facts

- The two most common company types used in Romania are limited liability companies (S.R.L.) and joint stock companies (S.A.), making up 99% of the company types currently incorporated in Romania.
- The registration formalities with the Romanian Trade Registry and the fiscal authorities are applicable irrespective of the company type. The fiscal registration is performed simultaneously with the incorporation.
- Any natural or legal person, irrespective of nationality, can set up any type of company under Romanian law, if it has not committed certain criminal offences stipulated by the law and does not have a fiscal record.
- Certain supplementary authorizations may be required, depending on the activity envisaged to be performed (e.g., insurance/reinsurance, banking, financial investment services, restaurants, leisure, gambling).



Main features of joint stock companies and limited liability companies

Corporate form	Limited Liability Company - S.R.L.	Joint Stock Company - S.A.
Feature		
General Comments	Limited liability companies are generally appropriate for small-medium scale operations with a limited number of shareholders (maximum 50). Less formalities to be observed than in a joint stock company. The most used company type in Romania.	Joint stock companies are generally appropriate for large scale operations with many shareholders.
Share capital and shares	No minimum value, with the particularity that 30% of the subscribed amount must be paid up no later than 3 months from the incorporation date, but prior to starting any operations. The difference must be paid within 12 months for cash contributions and within 2 years for in-kind contribution (art. 91 para. (2) of Companies' Law). Limited liability companies cannot: <ul style="list-style-type: none"> • be formed by public subscription; • issue bonds; • issue shares represented by negotiable financial instruments. 	RON 90,000 (approx. EUR 25,000) (art. 10 of Companies' Law). At least 30% of the subscribed share capital must be paid at incorporation. The difference must be paid within 12 months for cash contributions and within 2 years for in-kind contributions (art. 9 of the Companies' Law). Joint stock companies may issue: <ul style="list-style-type: none"> • nominative shares (bearer shares are prohibited); • preferential shares (cannot exceed ¼ of the share capital); • bonds.
Number of shareholders	Minimum 1 shareholder (sole shareholder) and maximum 50 shareholders (art. 12 of Companies' Law).	Minimum 2 shareholders. No maximum limit (art. 10 of Companies' Law).
Liability of shareholders	Shareholders are liable only up to the value of their subscribed contribution to the share capital (art. 3 of Companies' Law).	
Contributions to the share capital	Cash contribution is mandatory at incorporation (art. 16 of the Companies' Law). Contributions in receivables are not allowed neither at incorporation nor when performing a share capital increases (art. 16 and art. 215 of Companies' Law). The share capital may be increased by converting receivables held against the company into share capital (i.e., debt-to-equity swap) (art. 210 of Companies' Law).	Cash contribution is mandatory at incorporation (art. 16 of the Companies' Law). Contributions in receivables are not allowed neither when incorporating joint stock companies by public subscription (but allowed at incorporation for regular joint stock companies) nor when performing a share capital increases (art. 16 and art. 215 of Companies' Law). The share capital may be increased by converting receivables held against the company into share capital (i.e., debt-to-equity swap) (art. 210 of Companies' Law).
Shareholders' meetings	The law does not make a distinction between ordinary and extraordinary meetings. However, specific quorum and majority requirements are regulated for different types of decisions. Generally, decisions are made by majority of the shares and of the shareholders (double majority). The Articles of Association may derogate from the double majority rule provided by the Companies' Law.	Ordinary and extraordinary meetings are expressly regulated, each having different quorum and majority requirements (art. 110 – 113 of Companies' Law).
Management of the company	At least 1 director. As a general rule, except otherwise provided by the company's Articles of Association, each director has full powers to manage and represent the company (art. 70 of Companies' Law). The directors may be Romanian or foreign citizens (no nationality restrictions) natural or legal persons. The law does not regulate detailed provisions related to the organization and operation of a limited liability company's management, but certain powers and duties can be regulated through the statutory documents (e.g., Articles of Association), allowing a higher degree of corporate flexibility.	(1) One-tier management system Ensured by 1 director or a Board of Directors (at least 3 directors for companies subject to mandatory financial audit) who can delegate the company's management to managers, appointing one as general manager (CEO) (art. 137 of Companies' Law). The delegation of powers is mandatory if the company is subject to financial audit (art. 143 of the Companies' Law). The directors and the general manager must have insurance for professional liability (art. 152 and art. 15312 of Companies' Law). The directors may be Romanian or foreign citizens (no nationality restrictions), natural or legal persons (art. 15313 of Companies' Law). However, the general manager must be a natural person (art. 15313 of Companies' Law).
Transfer of shares	There are no specific rules nor restrictions on organizing the management of a limited liability company under a Board of Directors. Although atypical for a limited liability company, in practice, certain businesses opt for regulating, through the Articles of Association, management rules applicable to its directors that mirror those of a Board of Directors.	(2) Two-tier management system Ensured by a Supervisory Board and a Directorate (i.e., Management Board) (art. 153 of Companies' Law). The members of the Supervisory Board and Directorate must have professional liability insurance (art. 15312 of Companies' Law). The persons having a management position cannot have an employment agreement with the joint stock company (art. 1371 of the Companies' Law). The members of the Supervisory Board may be Romanian or foreign citizens (no nationality restrictions), natural or legal persons (art. 15313 of Companies' Law). However, the members of the Directorate must be natural persons (art. 15313 of Companies' Law)
Auditors and Censors	No restrictions in case of transferring to existing shareholders. In case of transferring the shares to third parties, the transfer must be approved by the shareholders (within a general meeting of the shareholders) holding at least ¾ of the company's share capital, unless the Articles of Association state otherwise (art. 202 of Companies' Law) The Articles of Association may provide for the election by the shareholders of one or several censors or of a financial auditor. The appointment of censors or of a financial auditor is mandatory only in certain cases expressly regulated by the law (art. 199 of Companies' Law). Under Romanian law, a limited liability company has the obligation to audit its financial statements if 2 out of the 3 following criteria are exceeded for 2 consecutive financial years: <ul style="list-style-type: none"> • Total assets: RON 16 million. • Net Turnover: RON 32 million. • Average number of employees: 50. 	No restrictions provided by the legislation. The transfer of the shares occurs when it is registered in the shareholders' registry, unless the Articles of Association state otherwise (art. 98 of the Companies' Law). A joint stock company may acquire its own shares in limited cases, expressly regulated by the law, or for the purpose of decreasing the share capital by acquisition of own shares followed by the cancellation thereof. Joint stock companies whose annual financial statements are not subject to a financial audit by law or by resolution of the general meeting of the shareholders must appoint at least three censors and one deputy (art. 159 of Companies' Law). The joint stock companies managed under a two-tier system must appoint a financial auditor (art. 160 of Companies' Law).

Ultimate beneficial owners (UBO)

Companies registered in Romania must declare the identity of their UBOs:

- At incorporation;
- Whenever a change of the information previously declared occurs; and
- Annually, but only the companies which have in their shareholding structure entities registered and/or which have their tax headquarters in non-cooperating jurisdictions for tax purposes and/or in jurisdictions with a high risk of money laundering and/or financing terrorism and/or in jurisdictions under the supervision of relevant international bodies for money laundering/terrorist financing risk, within 15 days of the approval of the annual financial statements.

In Romania, the beneficial owner is defined by Law no. 129/2019 on preventing and combating money laundering and financing terrorism, as any natural person who ultimately owns or controls the client (i.e., the company) and/or the natural person on whose behalf a transaction, operation, or activity is performed directly or indirectly.

A shareholding of 25% plus one share or an ownership interest of more than 25% in the company held by a natural person shall be an indication of direct ownership.

A shareholding of 25% plus one share or an ownership interest of more than 25% held by a foreign corporate entity, which is under the control of a natural person(s), or by multiple foreign corporate entities, which are under the control of the same natural person(s), shall be an indication of indirect ownership.

A common example of indirectly exercising participation and control over a company is represented by the control or participation through a chain of companies.

Thus, it is necessary to go up the chain of companies until a natural person who holds a shareholding of 25% of the shares plus one share or an ownership interest of over 25% is identified (or not).

Given the possibility of indirectly exercising control—including via other means—if a natural person can exercise control over a company or make strategic business decisions, such natural person can be considered UBO. This analysis is applicable to a wide category of natural persons.

The most commonly identified natural persons under the control via other means of analysis are the board of directors/ managers/ officers (e.g., CEO, CFO) of a legal entity in the chain of companies above the Romanian company, who are making strategic business decisions with respect to it.

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 duties of directors are:

- managing the activity of the company, in line with the decisions of the general meeting of shareholders;
- representing the company in relation to third parties;
- calling the general meeting of shareholders;
- enforcing the decisions of the general meeting of shareholders;
- hiring and dismissing employees;
- preparing and signing the annual financial statements and presenting them to the general meeting of shareholders for approval;
- organizing the company's accounting department;
- ensuring compliance with data protection requirements.

Directors can also be liable to third parties in case of entering into agreements that lead to the company's insolvency. Directors' liability for specific activities can be mitigated by the implementation of specific control and reporting mechanisms.

Subsidiaries and branches

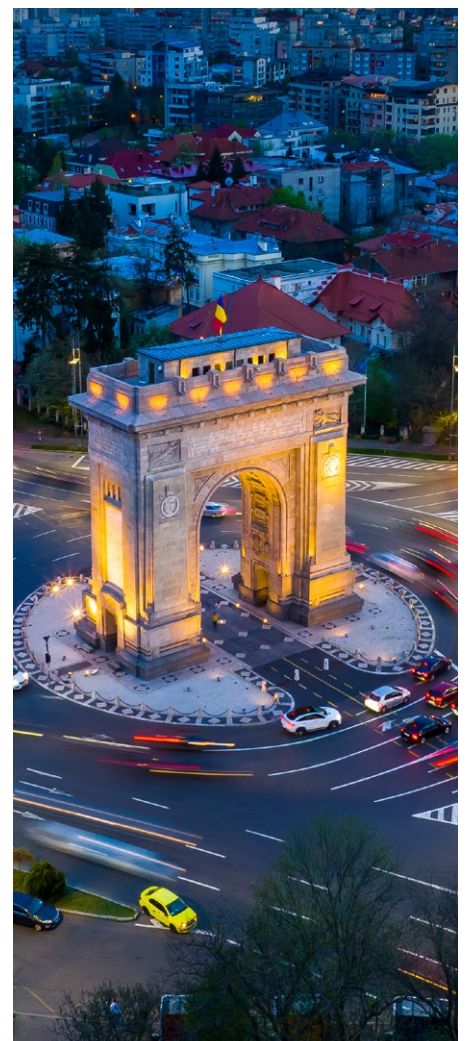
Subsidiaries

Subsidiaries are entities with legal personality established in one of the forms provided by law. Consequently, the legal regime applicable to the said entities is that provided for the form of entity under which it is established (e.g. for-profit legal entity or non-profit legal entity).

Branches

Branches are an extension of the parent company and, therefore, have no legal personality and no financial independence. The parent company bears the liability to any creditors of the branch, including employees, as well as for any obligations undertaken by the branch's managers and proxies on behalf of the branch.

The branch's legal purpose is limited to the parent company's legal purpose (e.g. the branch can only carry out the activities that the parent company can carry).



Foreign Direct Investment Landscape

New authorization procedure

The topic of FDI screening has recently become very prominent due to its potential impact on investment timelines across most Member States. The European Commission enacted Regulation 452 on March 19, 2019, marking a pivotal shift in the EU's approach to foreign investments. Fully effective from October 11, 2020, this regulation established a comprehensive screening process across all Member States.

The essence of the regulation lies in defining 'screening' as the evaluation and authorization of foreign direct investments. It is important to emphasize that the framework aims to ensure it aligns with **the EU's security interests and maintains public order, without hindering investments.**

Even if a new administrative procedure is in place, if managed in a timely manner, it will not impact the investment calendar.

While the EU does not have a standalone investment screening process, each of the 27 Member States must establish their own national FDI screening mechanisms. By 2022, two-thirds of the EU Member States had implemented FDI screening laws.

Romania responded with Emergency Ordinance no. 46/2022 ("GEO 46/2022"), adopted on April 14, 2022, to align with the European Regulation for the review of foreign direct investment into the European Union.

Throughout 2023, the legal framework underwent significant changes, notably extending the screening requirement to investments from EU investors.

The current FDI Regime in Romania covers both non-EU and EU investors, including Romanian investors.

Out of FDI screening:

Portfolio investments intended solely as financial investments without influencing management or control of the enterprise.

Notification Conditions:

- **Investments exceeding 2 million euro.**
- The domains covered by the FDI regime are outlined in CSAT Decision 73/2012 and include **critical infrastructure, citizen security, energy, transport, agriculture, environment, industrial security, and information systems security.**

Types of Investments subject to FDI Screening:

Are subject to FDI Screening investments made by investors aiming to establish or maintain lasting and direct links between the investor and the entrepreneur or the enterprise to which the capital is made available, in order to engage in an economic activity in a Member State.

This includes investments that enable effective participation in the management or control of a company conducting an economic activity.

FDI views investments as **Greenfield or merger & acquisition**. Greenfield investments create new companies or expand in foreign countries, spurring economic growth and job creation.

Mergers or acquisitions transfer ownership of existing economic assets to foreign owners, aiding market entry and expansion. GEO 46/2022 does not differentiate between control or minority acquisitions.

The Romanian Competition Council is the public authority responsible for FDI commission secretarial duties, receiving notifications, and issuing authorization decisions.

Failure to comply with notification requirements can result in substantial fines, up to 10% of total turnover. Additionally, investors must pay an examination fee of ten thousand EUR.

In Romania, investments must wait for FDI approval before implementation (standstill obligation). Authorization decision timelines are typically 90 days for non-EU investors and 60 days for EU investors.



Key facts

1

FDI screening is mandatory for:

- Investments exceeding 2 million euro.
- Domains which include critical infrastructure, citizen security, energy, transport, agriculture, environment, industrial security, and information systems security.

2

If the FDI administrative procedure is managed in a timely manner, it will not impact the investment calendar.

Accounting & Audit Requirements

Accounting requirements

General Accounting Framework

The Ministry of Finance issues accounting rules and regulations, the general chart of accounts, models of financial statements, registers and common forms regarding financial and accounting activity, and methodological rules regarding their preparation and use.

Romanian companies and permanent establishments in Romania of foreign companies are required to organize and conduct their own accounting according to the Romanian accounting standards ("RO GAAP"), including preparation of interim and year-end accounting reports and annual financial statements.

RO GAAP is different from international standards with respect to assets and liabilities presentation and methods of valuation and all entities established on Romanian territory should follow RO GAAP, unless provided otherwise.

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.

Credit institutions (i.e. banks, cooperative credit organizations, electronic currency issuer institutions, saving banks operating in the real estate sector, and branches in Romania of foreign credit institutions), insurance companies, and entities authorized, governed and supervised by the Financial Supervisory Authority, as well as lease activity and leasing companies apply specific accounting regulations issued by their regulatory bodies (i.e. National Bank of Romania, etc.)

Chart of accounts

The general accounts could be expanded on analytical accounts based on the particulars of each entity or enforced by specific regulations. The general chart of accounts is structured on classes and groups respectively and is presented below, as follows:

Class 1: Equity accounts

Class 2: Non-current assets

Class 3: Inventories and work in progress

Class 4: Third-party accounts

Class 5: Treasury accounts

Class 6: Expenses accounts

Class 7: Revenues accounts

Class 8: Off-balance sheet accounts; and

Class 9: Management and costing accounts.

For management accounting organisation purposes, the use of the accounts in class 9 is optional.

Official language and currency

As per the accounting regulations in effect, all legal entities are required to keep accounting records in the Romanian language and the national currency of Romania (RON). Other languages or currencies might be used for bookkeeping, but only for internal information purposes.

Any transaction in foreign currency should be booked in the original currency and local currency using the National Bank of Romania (NBR) exchange rate at the date of the document (the FX rate published by the NBR the day before the document date). At the end of each month, all foreign currency balances shall be converted to local currency using the FX rate provided by the National Bank for the last day of the month. All accounting transactions should be kept in original (document currency) and RON currency.

Inventory process

Entities established in Romania must carry out the general inventory of assets, liabilities, and equity held at the beginning of their activity, at least once during the financial year, as well as in the case of merger, division, transformation, liquidation, and in other situations provided by law.

Options for organizing and conducting accounting in Romania

An entity incorporated in Romania may choose between the options for organizing and conducting the accounting (RO GAAP) provided by Law 82/1991, namely:

- Internally, through specialized departments managed by the CFO, the chief accountant, or other authorized person. These individuals must hold a university degree in economics (issued or recognized by Romanian authorities).
- Externally, by concluding a services agreement with an authorized individual or legal entity, member of the Body of Expert and Licensed Accountants of Romania (in Romanian "CECCAR").

The responsibility for the organization and management of accounting rests with the administrator, the credit orderer or another person who has the obligation to manage the entity.

Individual Annual Financial Statements

Companies should prepare either simplified financial statements or "complete" financial statements based on three size criteria:

- total assets - RON 17,500,000;
- annual net turnover - RON 35,000,000;
- 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 a balance sheet, profit and loss account, a statement on changes in equity, cash flow statement, and explanatory notes to the financial statements.

Otherwise, it shall prepare a simplified annual financial statement comprising a 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 statements.

The entity's statutory reporting needs to be signed off by a locally employed CFO, the chief accountant, or another authorized person (with University-level qualifications in economics/ finance), or by specialists who are registered members of the local accounting organization CECCAR, based on a services agreement.

Financial year

The standard financial year for statutory reporting purposes is twelve months ending December 31, however in certain

conditions (e.g. such as different financial year at the parent company level) companies may choose a different financial year.

Non-financial data reporting

Entities that, at the balance sheet date, have an average number of 500 employees, include in the management report a non-financial statement containing information on at least environmental, social, and personnel matters, respect for human rights, anti-corruption, and anti-bribery efforts.

EU's Corporate Sustainability Reporting

Romania has implemented the EU's Corporate Sustainability Reporting Directive (CSRD) through OMF 85/2024, bringing in a wave of transparency for companies.

This directive requires companies to include detailed sustainability information in their annual reports, impacting those who previously didn't have to report such data. The reporting timeline is structured based on entity size and status, with different deadlines for different categories of entities.

Medium and large-sized public-interest entities and parent companies of large groups need to report first, followed by other entities in subsequent years. Classification of entity size is based on exceeding certain thresholds related to total assets, net turnover, and average number of employees.

Large groups are also defined based on consolidated criteria. Notably, non-listed entities part of consolidated groups reporting in the EU or a third country may be exempt from individual sustainability reporting in Romania under certain conditions. Additionally, sustainability reports will undergo mandatory limited assurance.

Consolidation

For groups of companies, the preparation of consolidated financial statements is mandatory unless 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.

Key facts

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

Audit requirements

General Framework

The companies that exceed at their balance sheet date, the limits of two of the three criteria in two consecutive years (mentioned below) should prepare a full set of financial statements that should be audited by authorized auditors.

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

Fiscal Framework

Profile

Romania's fiscal regime consists of a mix of direct and indirect taxes and is characterized by **low tax rates** compared to most EU countries:

- 16% for corporate income tax,
- 10% for personal income tax,
- 19% for VAT (standard rate).

Property taxes are also fairly low, contributing only approx. 0.5% of Romanian GDP, significantly less than the EU average (1.2%).

As a European Union member state, Romania is required to align its national tax laws with EU directives and regulations. This includes key areas such as Value Added Tax (VAT), minimum global tax (OECD Pillar Two) and rules on withholding tax for dividends, interest, and royalties.

During the last years, Romania has achieved notable advancements in enhancing the administrative efficiency of its tax system.

The deployment of digital platforms for tax filing and payment represents a significant development, markedly reducing the administrative burden and fostering improved compliance with tax regulations.

The country has also **improved mechanisms for VAT refunds**, which can benefit businesses by improving their cash flow and financial management.

Romania offers various **tax incentives** for areas such as research and development, supporting innovation and encouraging businesses to invest in new technologies and sectors. These features collectively enhance Romania's position as a favorable environment for both local and foreign businesses, promoting economic activity and investment in the country.

Romania is currently in the OECD accession process, further enhancing its credibility at international level.

This process also requires the predictability of the fiscal framework on the long-term. In this context, a tax reform is expected in 2025 with focus on:

- implementing further digitalization in the tax administration to reduce compliance costs and improve collection efficiency;
- broadening the Tax Base by addressing inefficiencies in property tax through shifting to a market value-based system and eliminating part of the existing favorable tax regimes which lead to inequality;
- streamline tax regulations by further simplifying the tax law to remove ambiguities and to reduce the administrative burden on taxpayers.

Key facts

- 1 Low tax rates compared to most EU countries
- 2 Alignment with EU directives and regulations
- 3 Digitalization of Tax Services
- 4 Improved mechanism for VAT refunds
- 5 Tax incentives

Taxation of companies

Tax regimes:

- corporate income tax
- minimum turnover tax
- microenterprise tax

Entities subject to corporate income tax regime

- 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, in connection with real estate transactions, or from share transactions in Romanian companies.

Corporate Income Tax Rate: 16%

Basis: Resident companies are taxed on their worldwide income; non-resident companies are taxed only on Romanian-source income. Branches are taxed in the same way as subsidiaries. The corporate income tax base is the difference between the gross income and expenses booked in

accordance with the applicable accounting rules, reduced by non-taxable income and increased by non-deductible expenses. Items similar to income and expenses are also taken into account.

Taxable / non-taxable income: All income is generally taxable, except for income that is specifically exempt (e.g., dividends, capital gains under the participation exemption rule). More specifically:

- Dividend income received by a Romanian legal entity from another Romanian legal entity is not taxable.
- Dividends received by a Romanian legal entity from a foreign legal entity are generally included in taxable income and taxed at 16% corporate income tax rate. Under the participation exemption rule, dividends derived by a resident company from a company in an EU Member State or a non-EU jurisdiction that has concluded a tax treaty with Romania are exempt from tax if the Romanian recipient company holds at least 10% of the payer company's shares for an uninterrupted period of at least one year.
- Capital Gains derived by resident and non-resident entities from the sale of shares and real estate are included in overall profits and taxed at the 16% corporate income tax rate.
- Under the participation exemption rule, capital gains from the sale/assignment of shares held in a Romanian entity are tax exempt if the seller/assignor holds at least 10% of the shares in the entity for an uninterrupted period of at least one year. A tax exemption also applies to income arising at the level of a Romanian entity from the sale, assignment, valuation, or revaluation of shares held in a Romanian entity or a foreign legal entity located in a jurisdiction that has concluded a tax treaty with Romania.

Deductible / non-deductible expenses:

under the general deductibility rule, expenses are deductible if they are incurred for business purposes.

Limited deductibility applies for certain expenses, such as entertainment expenses, social expenses, car related expenses, tax depreciation, etc.

Limited deductibility applies also to financing expenses: for third party loans, financing costs are deductible within the limit of € 1 mil. plus 30% of the base computation. For related party loans, financing costs are deductible within the limit of € 500k except if the loan is utilized for certain assets / assets in progress (e.g., constructions for the transportation of electricity, technological equipment, etc.) plus 30% of EBITDA for fiscal purposes. For related party loans financing the acquisition of specific assets specified by the law, the limits for bank loans (€1 mil. plus 30% of EBITDA adjusted for tax purposes) are also applicable.

The base computation (EBITDA for fiscal purposes) represents the difference between income and expenses booked as per the accounting rules, out of which the non-taxable income are subtracted, and the corporate income tax expenses, exceeding borrowing costs and tax depreciation amounts are added back. The exceeding borrowing costs represent the difference between the borrowing costs and interest and other economically equivalent income. Borrowing costs include interest, financing costs related to financial lease payments, interest capitalised in the accounting value of an asset or depreciation of capitalised interest, as well as any other costs economically equivalent to interest. If the base computation is negative or zero, the borrowing costs exceeding € 1 mil. threshold are non-deductible in the respective tax period, with the possibility of reporting them without time constraint over the next tax years.

Non-deductible expenses are expressly mentioned by the law and include corporate income tax expenses, expenses related to non-taxable income, shareholder expenses, etc.



Corporate income tax incentives

Research and development

- 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.

Accelerated depreciation - 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 period of the product's lifetime.

Tax exemption for reinvested profit

- an exemption from corporate income tax may be applied for profits reinvested in certain newly acquired assets if the entity is in a profit tax position (i.e. electronic computers, technological equipment, software, etc.).

Sponsorships: even though the sponsorship expenses are non-deductible, upon meeting certain criteria, a tax credit is allowed (up to the minimum of 20% of the corporate income tax due and 0.75% of the turnover).

Tax allowances for share capital increase:

Reductions in corporate income tax between 2% - 15% may apply until 2025 for companies whose own equity is at least 50% of the share capital.

Tax losses arising in 2024 and subsequent years may be offset against a maximum of 70% of taxable profits over the next five consecutive years.

Prior to 2024, tax losses could be carried forward for seven years. Unrelieved tax losses as of December 31, 2023, may be offset against a maximum of 70% of taxable profits derived in consecutive years from 2024 onwards, for the remaining period of the seven-year.



Entities subject to minimum turnover tax

As from January 1, 2024, taxpayers (other than credit institutions and companies operating in the oil and natural gas sector) with prior year turnover exceeding € 50 million may be required to pay minimum turnover tax (MTT). MTT is calculated as 1% of turnover as adjusted for tax purposes (i.e., accounting turnover reduced by certain types of revenue, the value of investments in progress, and depreciation of assets acquired or produced after January 1, 2024). Where the corporate income tax, otherwise payable at the relevant quarterly or annual payment date corporations, is lower than the MTT, the MTT is payable.

Supplemental turnover tax for credit institutions

As from January 1, 2024, Romanian credit institutions and Romanian branches of foreign credit institutions are subject to a supplemental turnover tax in addition to the standard corporate income tax. The tax rate is 2% of turnover for January 1, 2024 - December 31, 2025, and 1% as from January 1, 2026. A list of specific types of income and expenses relevant to the banking sector was published in order to determine turnover for this purpose.

Supplemental turnover tax for taxpayers operating in the oil and natural gas sector

As from January 1, 2024, taxpayers operating in the oil and natural gas sector with prior year turnover exceeding € 50 million are subject to a 0.5% supplemental turnover tax in addition to the standard corporate income tax.

Certain exemptions are available, depending on the type of activity. The supplemental turnover tax is calculated cumulatively from the beginning of the fiscal year and is payable only for January 1, 2024 - December 31, 2025. As from January 1, 2026, taxpayers engaged in the oil and natural gas sectors will be liable for the MTT.

Entities subject to microenterprise tax regime

Microenterprises (small companies that meet certain criteria and have a turnover below € 500,000, including the turnover of certain related party entities) are taxed at 1% or 3% of revenue (excluding certain income specifically excluded by law). All newly established Romanian companies initially qualify as corporate income tax payers, but eligible companies may opt for the microenterprise regime.

Global minimum tax (OECD Pillar Two)

Romania has transposed the EU "Pillar Two" directive that is designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups and large-scale domestic groups within the EU with annual consolidated revenue of at least € 750 million.

The IIR (income inclusion rule) applies for accounting periods beginning on or after December 31, 2023, and the UTPR (sometimes referred to as the undertaxed profit(s) rule or the undertaxed payments rule) applies for accounting periods beginning on or after December 31, 2024. Romania also adopted a qualified domestic top-up tax (sometimes referred to as a QDMTT), applicable for accounting periods beginning on or after December 31, 2023, which should be determined by considering that the national excess profits are those recorded according to Romanian statutory accounting rules.

Anti-abuse rule: The Romanian tax authorities may disregard a transaction or reclassify the nature of a transaction to reflect its economic substance if they consider the transaction is artificial or would not form part of an entity's regular business. Tax treaties and EU directives do not apply to artificial transactions.

Anti-hybrid rules: Romania has implemented the ATAD II provisions regarding hybrid tax mismatches that occur in cross-border transactions and a series of regulations govern the corporate income tax obligations of taxpayers that are party to hybrid mismatch arrangements.

Controlled foreign companies (CFC): Romanian corporate income taxpayers that control a foreign company must include certain income of the CFC in their taxable base.

Exit tax: Under Romania's exit taxation rules, capital gains derived from the disposal of assets, a change in tax residence, or the transfer of a business carried out through a PE (Permanent Establishment) to another jurisdiction are subject to a 16% exit tax when the taxation rights concerning those assets are no longer allocated to Romania. If the transfer is made to a European Economic Area member state, the exit tax may be paid in installments over a five-year period if certain conditions are fulfilled.

Compliance

Fiscal year: it is the calendar year, although taxpayers can opt for a fiscal year corresponding to the entity's financial accounting year.

Consolidated returns: Fiscal consolidation for corporate income tax purposes is available if certain conditions are met.

Filing and payment: Corporate income tax compliance is carried out on a quarterly basis, followed by the final year end calculation, declaration, and tax payment. Corporate income tax is calculated and paid on a quarterly basis based on actual figures. Quarterly returns and payments are due by the 25th day of the month following the reporting quarter (applicable for the first three quarters). Under temporary provisions applicable to tax returns for 2021 through 2025, the deadline for the calculation, declaration, and payment of the annual corporate income tax liability is extended to the 25th day of the sixth month (from the 25th day of the third month) following the tax year (i.e., June 25th for calendar year companies).

Certain taxpayers may opt to declare and pay corporate income tax by applying the “prepayment system” (i.e., by making prepayments equal to one-quarter of the annual corporate income tax liability for the previous fiscal year, adjusted for the consumer price index). At year end, the taxpayer calculates the annual corporate income tax liability based on the actual figures and pays any difference. Non-resident legal entities that carry out activities in Romania through multiple permanent establishments (PEs) must designate a PE to fulfill the corporate income tax obligations (i.e., prepare a single set of returns consolidating income and expense items of all the Romanian PEs of the non-resident).

Related party transactions

Romania’s transfer pricing rules generally follow OECD guidelines, although certain local requirements apply regarding the content and structure of the transfer pricing file, the application of transfer pricing methods, the strategy used to conduct benchmarking studies and language (Romanian should be used).

Large taxpayers, with little exceptions, are required to prepare an annual transfer pricing file by the date of submission of the annual corporate income tax return. For other categories of taxpayer, the transfer pricing file is required to be submitted only if requested by the tax authorities during an audit. Where intragroup transactions are not carried out in accordance with the arm’s length principle/TP file is not prepared (correctly), the Romanian tax authorities have the right to adjust/estimate the taxable base.

An APA (Advance Pricing Agreement) may be obtained for up to five years. By exception, an APA may be issued for a longer period in the case of long-term agreements. Country-by-country (CbC) reporting obligations also apply with a secondary reporting obligation if the submission of the CbC Report is done outside the EU (i.e. US). Public CbC reporting obligations are in place. The first reporting year is 2023 with December 2024 deadline.

Taxation of individuals

Romanian tax residents are subject to income tax for their worldwide income, while Romanian tax non-residents are subject to income tax only for Romanian sourced income. The tax residency status is assessed based on specific criteria provided by the Romanian legislation, such as: home address, center of vital interests, presence for more than 183 days in a 12-month period in Romania. If the individual is also considered as tax resident in the US, the provisions of the Double Tax Treaty should be observed.

The Romanian tax authorities determine an individual’s tax residence using a specific procedure. Thus, all individuals entering or leaving Romania for a period exceeding 183 days during a consecutive 12-month period must submit a tax residency questionnaire to the authorities.

General taxation for employment income

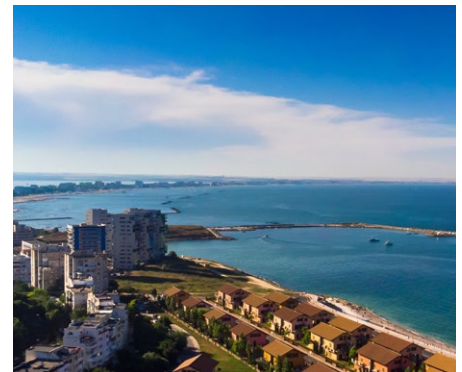
Tax rates for normal working conditions:

- income tax: 10%; applicable to the gross gain after the deduction of the employee social security charges and other applicable deductions;
- employee social security charges: pension contribution – 25% and health insurance contribution – 10%;
- employer social charges: insurance contribution for work: 2.25%.

Deductions applicable to taxable

base of income tax: the taxable income of employees under an employment contract is determined as the difference between gross income from salaries (including salary-related allowances and benefits in kind), mandatory social security contributions and:

- allowable personal deductions;
- union dues paid;
- contributions to private pension and private health insurance funds (including subscriptions to private medical services paid directly by the employer) limited to € 400/year;



- benefits in the form of subscriptions to sports and wellness facilities limited to € 100/year.

Tax incentives for employees

Currently, tax and social security incentives are available for employees performing software development or R&D activities, and for employees working in construction, the agricultural sector, or the food industry, within certain limits of income level and under certain specific conditions.

For example, the employees benefiting from the tax and social security incentives in IT, construction, agriculture and food industry can obtain a potential maximum increase of 19% in the net salary income, depending on the value of their income and specific situation, while in case of R&D the increase would be of maximum 10%.

Benefits granted to employees and directors (including those of affiliated entities) in the form of equity-based compensation (i.e., qualifying employee share plans) are taxed under a specific favorable regime if the plan, the employee, and the employer satisfy the required legal criteria.

General taxation for investment income

Rates: dividend income received by a Romanian resident is taxed at 8%. Interest income is taxed at 10%.

Both dividend and interest income obtained by non-residents can be taxed in Romania if they are received from a Romanian resident company; the provisions of the applicable Double Tax Treaty must be observed.

Capital gains are generally taxed at the standard general rate of 10%. However, a different tax regime is applicable to capital gains resulting from transactions performed through a Romanian intermediary entity (e.g., Romanian resident brokers, foreign brokers with a Romanian PE, etc.).

In such cases, the resulting capital gains are taxed at 3% where the assets have been held for less than one year and 1% where the assets have been held for at least one year. Losses can be compensated at a rate limited to 70% of net income/revenue over a period of 5 consecutive years. In addition to the income tax for investment income, health insurance contribution might be due in the current tax year if an individual derives, from one or more sources of income (e.g., rental income, independent activities, income from investments, etc.), other income except salary, with an annual value equal to the 6/12/24 gross minimum salaries thresholds for current year.

Taxable income from the sale of real estate is taxed at a rate of 1% or 3% where the real estate assets have been held for more than three years or not exceeding three years, respectively.

Special tax high-value immovable and movable property

Starting January 1, 2024, a special tax on high-value immovable and movable property is introduced, applicable to individuals who own / jointly own residential buildings located in Romania with a taxable value, individual or cumulative, as the case may be, exceeding RON 2,500,000.

Also, the same tax applies to individuals and legal entities owning cars registered in Romania with an individual purchase value exceeding RON 375,000. The tax is due for 5 years starting with the fiscal year in which the delivery-receipt of the car takes place / for the fraction of years remaining from its delivery-receipt. The tax rate is 0.3% and applies to the difference between the taxable value communicated by the tax body through the tax decision and the ceiling of RON 2,500,000, the difference between the purchase value of cars and the ceiling of RON 375,000 respectively.

Foreign tax relief: Romanian tax residents can claim a foreign tax credit in Romania if provided in a tax treaty between Romania and the relevant jurisdiction and if the taxpayer can demonstrate that income tax was paid in the foreign jurisdiction. The tax credit may not exceed the Romanian tax payable on the income.

Compliance

Tax year: the tax year is the calendar year.

Filing status: each taxpayer must file an individual tax return; joint filing is not permitted (even for spouses).

Filing and payment: individual income tax returns are due by May 25th of the year following the year in which the income was earned and by May 25th of the current year for estimated income for the current year. The payment deadline is May 25th of the year following the year the income was earned. Different deadlines apply to taxes on high value property.

Tax returns relating to salary-type income earned from a Romanian employer or for similar income earned from abroad for activities performed in Romania are due by the 25th day of each month for salary earned for the previous month.

The Romanian employer must file the tax return and pay the tax due to the authorities on behalf of its employees, while the individual is directly responsible for filing and payment in respect to income received from a foreign employer for work performed in Romania. The salary tax is flat and final. Generally, no year-end reconciliation via an annual tax return is required for salary income but certain exceptions apply.

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.
- 8% on the payments of dividends;
- 50% on the payments made on artificial transactions towards bank accounts opened in states with which 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, 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;
- Romania has implemented the Interest and Royalties Directive; payments of interest and royalties made by Romanian companies to EU and EFTA resident companies 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.

Elimination of double taxation

If more favorable, 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.

Value added tax

Taxable transactions

All transactions falling within the scope of VAT and carried out for remuneration by a taxable person during an economic activity are considered taxable transactions. These include:

- supplies of goods or services performed in Romania by a taxable person; intra-Community acquisitions of goods from another EU Member State;
- acquisitions of general business-to-business (B2B) services taxable in Romania, from EU and non-EU suppliers;
- imports of goods into Romania.

VAT rates

The standard 19% VAT rate applies to all supplies of goods or services, unless a specific measure provides for a reduced rate or an exemption. Reduced rates of 5% and 9% apply.



The following are examples of goods and services taxable at the 5% VAT rate:

- books, newspapers, magazines, and school textbooks both in hardcopy or electronic (except those intended exclusively for marketing purposes and those which are comprised mainly or entirely of video or musical content);
- access to museums, castles, zoos, and botanical gardens;
- certain types of firewood; and
- supplies of thermal energy in the cold season to the public, hospitals, nongovernmental and religious organizations, and suppliers of social services.

The following are examples of goods and services taxable at the 9% VAT rate:

- supplies of housing for social policy reasons if certain conditions are met;
- access to cinemas, amusement and recreational parks, sporting events, fairs and exhibitions, and cultural events (other than those subject to the 5% VAT rate);
- supplies and installation of photovoltaic panels for housing and public institutions, including their spare parts;
- medicines for human and veterinary use;
- food and beverages having certain classification codes;
- fertilizers, seeds, and other agricultural products intended for sowing or planting, as well as supplies of services, such as those specifically used in the agricultural sector;
- water for irrigation in agriculture;
- water supply and sewage services;
- hotel and similar accommodation, including the rental of land for camping;
- restaurant and catering services (excluding some beverages); and
- supplies of chemical fertilizers and chemical pesticides normally used in agricultural production and confirmed to qualify as such in accordance with the order issued by the ministers of finance, and agriculture and rural development.

The following are examples of goods and services that are VAT exempt with credit under specific rules:

- exports;
- transport services and other services directly linked to exports;
- international passenger transport; and
- Intra-Community supplies of goods.

The following are examples of VAT exempt supplies without credit:

- specific banking and financial operations;
- insurance and reinsurance services;
- medical services;
- educational services; and sale or rental of immovable property (land or buildings); however, the supplier may opt to treat the supply as subject to VAT provided that a notification is submitted to the Romanian tax authorities.

VAT simplification measures for imports

Certain imports by taxable persons registered for VAT purposes in Romania benefit from the VAT reverse charge mechanism, under which the related import VAT is not paid on import but only reported in the importer's VAT return as both output and input VAT, with no impact on cashflow.

The goods to which the VAT reverse charge mechanism applies at the time of import are wood, grain, mobile phones, electronic devices, game consoles, tablets, computers, and laptops. Domestic supplies of such goods, and the supply of electricity and natural gas, are also subject to the VAT reverse charge mechanism, provided that both the supplier and the purchaser are VAT registered in Romania.

The reverse charge mechanism also applies to VAT payable on imports by economic operators: (i) holding a VAT deferral certificate; (ii) that are VAT registered in Romania and are authorized to and submit the import customs declarations via the centralized customs procedure; or (iii) that are authorized to and carry out the imports by submitting a customs declaration in the form of an entry in the declarant's records.



VAT taxable base

The VAT taxable base shall be represented by everything which constitutes consideration obtained or to be obtained by the supplier from the buyer, the beneficiary or a third party, including subventions directly linked to the price for such transactions. For the import of goods, the VAT taxable base is represented by the customs values of the goods, which need to be established based on the customs legislation, plus any duties, taxes, commissions, and other charges due outside Romania, as well as those due as a result of the importation of the goods in Romania, except for the VAT to be charged.

VAT registration requirements

The VAT registration threshold is turnover of RON 300,000 per year and applies only to taxable persons established in Romania. Taxable persons having the seat of their economic activity in Romania with an annual turnover not exceeding the threshold are eligible for a special VAT exemption regime. However, they may opt to register for VAT purposes. A taxable person having the seat of its economic activity outside Romania must register for VAT purposes if they undertake any of a range of activities, such as the following:

- intra-Community acquisitions of goods in Romania;
- intra-Community supplies of goods in Romania;
- transfers of its own goods to Romania;
- dispatch of goods to Romania from another EU Member State for processing with the finished products not returning to the EU Member State of dispatch;
- distance sales under certain conditions;
- exports.

Taxable persons neither established nor registered for VAT purposes in Romania may appoint a global fiscal representative in customs to perform in their name and on their behalf certain VAT compliance obligations with respect to imports followed by intra-Community supplies of goods. The taxable person is jointly liable with the representative for payment of the VAT.

VAT compliance requirements and payment obligations

As a general rule, VAT returns must be submitted, and any related VAT paid on a monthly basis. Quarterly payments and filing are available for taxable persons with an annual turnover of less than € 100,000 that performed no intra-Community acquisitions. VAT returns may be submitted semiannually or annually under certain conditions and with the prior approval of the relevant tax authorities.

The deadline for the submission of the VAT return is the 25th day of the month following the end of the return period. If the deadline falls on a nonworking day or legal holiday, the deadline is deferred until the next working day.

SAF-T Reporting

SAF-T (standard audit file for tax) reporting is being implemented progressively in Romania and currently is mandatory for large and medium-sized taxpayers.

SAF-T reporting will also be mandatory for small taxpayers and non-resident entities from 2025. The Romanian SAF-T scheme follows the OECD 2.0 version requiring detailed information regarding clients, suppliers, accounting entries, the tax treatment of transactions, stock movements, and payments.

Some of the information must be submitted regularly (monthly or quarterly) throughout the year; other information must be provided annually or only on demand.

Electronic invoicing

An electronic invoicing system, the RO e-Factura system, is being implemented in Romania since July 2022, initially for certain transactions.

As from January 1st, 2024, use of the RO e-Factura system for the e-reporting of invoices in electronic format (i.e. xml. files) is mandatory for all B2G transactions, for all B2B transactions performed by Romanian established entities (whether or not registered for VAT purposes in Romania), and for non-resident entities with a Romanian VAT number.

However, starting January 2024 until the end of June 2024 the "traditional" format of the invoice is still valid (e.g. pdf. or xlsx. invoices). The deadline for reporting the outbound invoices for the first half of 2024 is five working days since the invoice is issued and not complying with the reporting deadline will be subject to penalties at the level of the supplier.

As from July 1st 2024, all Romanian established entities will switch from the e-reporting to the e-invoicing system (non-resident entities will continue to use the above-mentioned e-reporting), the invoices for all B2B transactions performed between Romanian established entities must be issued and received electronically via the e-Factura system, the original invoice being considered only the electronic one (i.e. the xml. invoice). The deadline for transmitting the invoices via the system will be 5 calendar days from the invoice issuance date. Not complying with the deadline and registering into accounting invoices other than the electronic ones (e.g. pdf.) will be subject to penalties at the level of the supplier/beneficiary.

RO e-transport

The RO e-Transport system monitors in real time the movement of goods with high fiscal risk on Romanian territory and as of January 1st 2024 is mandatory for all international transports (i.e. imports, exports, and intra-Community transactions) irrespective of the type of goods. Non-compliance with this rule is subject to sanctions or fines starting July 1st 2024.

VAT cash accounting system

An optional VAT cash accounting system is available, under which local suppliers established in Romania with annual turnover below RON 4.5 million are required to collect VAT only when their invoices are paid.

VAT deduction right

From a VAT perspective, generally any taxpayer is entitled to deduct the VAT related to the acquisitions of goods that it performs provided that specific formal and substantive conditions are met:

Formal condition - to hold a valid invoice issued according to legal provisions.

Although the VAT legislation does not specifically provide other documents than the invoice as necessary, our recommendation is that companies also keep the agreements and any other justifying documents such as reception documents, timesheets, working statements, price allocation procedures, correspondence related to the purchases. In practice, in case of a tax audit the tax inspectors might request these documents.

Substantive condition - acquisitions must be intended for use in carrying out future taxable operations.

Import VAT deduction right

Import VAT is deductible at the level of the companies provided that the companies qualify as importer of record from a VAT perspective – i.e. have quality of supplier, customer, or the owner of the imported goods - and an import customs declaration is available that serves as the document for the purposes of exercising input VAT deduction. Also, in case an import VAT deferment certificate is not in place, then the companies should keep proof of payment of the import VAT paid in customs.

VAT group

VAT consolidation between qualifying related parties is allowed (under certain conditions). In order to set up a VAT group, the following cumulative conditions must be met:

- minimum two taxable persons established in Romania, legally independent, in close relations with each

other from an organizational, financial, and economic point of view, i.e. "the capital is owned directly or indirectly in a proportion of 50% by the same associates shareholders");

- a taxable person may be part of a single tax group;
- the option to apply the VAT group is expressed for a period of at least two years;
- all taxable persons in the group apply the same tax period

The VAT group leader will submit to the Romanian tax authorities a consolidated VAT return, but the members (including the leader) will also prepare their individual VAT statements.

Note: The single tax group provided by the Romanian law is different from the one stipulated in the VAT Directive

Other taxes**Excise duties:**

The excise duties are applicable for certain types of goods. At EU level, the harmonized excisable goods are alcohol and alcoholic beverages, processed tobacco and energy products and electricity. Production of excisable goods is subject to fiscal warehouse authorization.

No retail sales are allowed in the fiscal warehouse for production (except for the cases provided by law).

In addition to the harmonized excise duties mentioned above, Romania applies excise duties on liquids with or without nicotine for inhalation by means of an electronic device ("electronic cigarettes"), non-alcoholic beverages containing sugar, products intended for inhalation without burning containing tobacco or tobacco substitutes, with or without nicotine and heated tobacco products which, by heat, release an aerosol that can be inhaled.

Excise duties are generally payable by the 25th of the month following the month when they become chargeable. However, the supply of energy products like gas, gasoline, kerosene and LPG can only be made if the supplier holds a document confirming the payment by the buyer, on the supplier's behalf, of the excise duties related to the goods that will be dispatched.

Exemptions from excise duties are available for specific excisable products intended for particular uses, for instance energy products used in mineralogical processes or used to produce, in cogeneration, combined heat and electricity etc.

Capital duty: There is no capital duty.

Transfer tax: There is no transfer tax.

Stamp duty: There is no stamp duty.

Property tax: Building tax applies based on the purpose for which the building is used (residential, nonresidential, or mixed). The tax rate is applied to the taxable value of the building and ranges from 0.08% to 0.2% for residential buildings and from 0.2% to 1.3% for non-residential buildings. These rates may be increased by the local public administrations, but such rates will not exceed 150% of the upper level of the range (i.e., max. 1.95%).

While currently the taxable value of the building is determined based on production cost / acquisition cost / valuation as per specific valuation standards, the Romanian authorities envisage amending the taxable value in 2025, to align it with the market value.

Land tax: is computed considering certain criteria such as the number of square meters, value per square meter, the rank of the locality where the land is located, land category, etc. There are also other local taxes such as the tax on means of transport, advertising tax, etc. Local tax authorities may additionally impose local taxes.



Labour Legislation

Romanian labour law framework

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

Individual labour relations

Individual employment agreements are concluded based on the parties' agreement, in writing and in Romanian, at latest on the day prior to the start of the employee's activity. The obligation to conclude the individual employment agreement in writing belongs to the employer. As a general rule, individual employment agreements are concluded for an indefinite term (open-ended). As an exception, individual employment agreements may also be concluded for a definite (fixed) term, if certain conditions specifically required by law are observed. The Labour Code allows for fixed-term individual employment agreements to be concluded only in limited cases expressly provided in this respect. The maximum period for which a fixed-term employment contract may be concluded is 36 months. In addition, the same parties may conclude a maximum of three fixed-term agreements successively (i.e. within 3 months from the termination of the previous one). Successive fixed-term contracts may not exceed 12 months each.

The individual employment agreement must observe the minimal employment conditions imposed by the law. Order no. 2171/2022 issued by the Minister of Labour and Social Security regulates

the officially approved standard template of the individual employment agreement, containing the minimal mandatory clauses. The Order provides that certain mandatory elements must be included in individual employment agreements, such as: the place of work, the date of starting the activity, the job title under the Romanian Classification of Occupations, the employee's annual paid leave entitlement, the notice period applicable in case of dismissal and in case of resignation, salary rights, professional evaluation criteria, job description, working time, length of probationary (trial) period (if agreed by the parties).

Furthermore, the Labour Code allows individual employment agreements to include special clauses, such as:

- the non-compete clause after the 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 monthly non-compete allowance that the employer is compelled to pay for 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 for at most 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 workplace for the employee);
- the confidentiality clause (whereby parties agree not to disclose information acquired during employment).

The employment agreement may provide for a single trial period of maximum 90 calendar days for non-management (execution) positions and maximum 120 calendar days for management positions.

Throughout the trial period or at the end of it, the individual employment agreement can be terminated simply by a written notice, without notice period, at the initiative of either party and with no need to provide a motivation. The parties may also conclude part-time individual employment agreements, for definite or indefinite term. Part-time employees are not allowed to perform overtime work, except for cases of force majeure or other urgent works meant for the prevention of accidents or removal of their consequences.

The Labour Code also regulates the situation of work performed through temporary work 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, through which it must report to the competent labour authority specific information related to the employment relation.

Government Decision no. 905/2017 regarding the general registry of employees regulates the detailed rules for proper keeping of the registry. 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 employment 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 area where the employer's local registered office is located. The Romanian Labour Code also requires employers to have in place an Internal Regulation and, in this respect, provides specific rules on the conditions and procedure that should be followed for adopting, communicating, and updating this instrument.



The Internal Regulation should be drafted by the employer after consultation with the trade union or the employees' representatives and shall contain, among others, provisions on: work protection, hygiene, and security on employers' premises, non-discrimination, procedure for amicable settlement of individual employment disputes and for solving the employees' individuals' requests or complaints, specific rules on labour discipline at the respective employer, rules on disciplinary offences, sanctions and disciplinary procedure, criteria and procedure of the professional evaluation of the employees, provisions regarding the notice period, provisions regarding the general employee professional training policy etc. The Internal Regulation must be communicated by the employer to its employees and will become applicable starting with the date of their notification. Specific rules apply in case of electronic communication.

Collective labour relations

Trade unions are independent legal entities created in order to defend and promote their members' (employees) collective and individual rights, as well as professional, economic and social interests. For employers with at least 10 employees where there is no representative trade union, the employees' interests may be promoted and defended by employee's representatives, specifically elected, and authorized for this purpose. In this respect, Law no. 367/2022 on social dialogue lays down the conditions for electing employees' representatives. As per Law no. 367/2022, collective bargaining agreements may be concluded at sectors' level, group of employers' level and employer's level.

As a general rule, collective bargaining agreements may not contain provisions establishing rights of a lower level to the one set by the collective agreements concluded at a superior level, and individual employment agreements may not contain provisions establishing rights of a lower level or contrary to the ones set by applicable laws and collective bargaining agreements. This means that, if the case, the more favorable provisions in the applicable collective bargaining agreements will prevail over the ones in

individual employment agreements. It is mandatory for each company to have at least 10 employees to initiate the collective bargaining (collective negotiation) process. Collective negotiation takes place for a period that cannot exceed 45 calendar days (unless the parties agree on the extension of the period) and is initiated by either the employer or the trade union/employees' representatives with at least 60 calendar days before the expiry of the previous collective agreement applicable.

Collective bargaining agreements are concluded for a determined period that may range initially between 12 and 24 months, with the possibility of extension, only once, up to 12 months, upon the parties' consent. A collective agreement concluded at company's level must be registered with the territorial labour inspectorate (local labour authority). 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

Minimum wage per country

Starting July 2024, the minimum gross base salary applicable in Romania, for a normal working program, is RON 3,700 (approx. \$800) per month. Different minimum salaries apply in certain specific sectors (e.g. food industry and agriculture, construction). In addition, employers can pay an employee with the minimum salary only for a maximum of 24 months from the moment of concluding the individual employment agreement and, once this period expires, they must pay a higher salary.

Salaries

The salary is the compensation for the employee's work, expressly stipulated under the individual employment agreement. The salary represents an amount of money, and it must be paid at least once a month, on the date and using the method of payment specified in the individual employment agreement. As a general rule, in a company, the minimum salary level is established by the applicable collective bargaining agreement.

If no collective bargaining agreement is in place or if there are no provisions regarding the minimum salary applicable at a company level, then the minimum salary must be at the level established by law. The individual salaries of the employees are established by individual negotiations between employer and employees. The salary includes the base salary, allowances, increments and any other bonuses.

Working hours

The normal duration of full-time employees' work time is 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. Exceptionally, 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 people up to 18 years old, the duration of the working time is 6 hours per day and 30 hours per week.

Working time is normally distributed to 8 hours per day, 5 days per week, followed by two weekly rest days. For certain sectors, 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 12-hour working time shall be followed by a 24-hour rest period. The Labour Code also lays down rules on keeping records of employees' working time, individualized work schedules, overtime work, night work, work during weekends, as well as on the organization of the work conditions.

As a general rule, employees are entitled to a daily rest time of a minimum of 12 consecutive hours. All employees have the right to paid annual leave. The minimum mandatory duration of annual paid leave in Romania is 21 working days.

Legal Holidays

Legal holidays in Romania are:

1. January 1st and 2nd;
2. January 6th – The Baptism of the Lord - Epiphany;
3. January 7th – The Gathering of Saint John the Baptist;
4. January 24th (Romanian national holiday – Union of Romanian Principates);



5. Good Friday, i.e. the last Friday before Easter;
6. First and second days of Easter (Easter Sunday and Easter Monday)
7. May 1st (Labour Day);
8. June 1st (Children's Day);
9. First and second day of the Pentecost (religious holiday celebrated after the Easter);
10. August 15th - celebration of Saint Mary's burial;
11. November 30th – St. Andrew (Romania's religious patron);
12. December 1st (Romania's national holiday – the Great Union);
13. December 25th and 26th (first and second day of Christmas);
14. 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 equal treatment between all employees within employment relations.

Any direct or indirect discrimination of an employee (also in respect to setting and paying salary rights), discrimination by association, harassment or act of victimization, based on sex, sexual orientation, genetic characteristics, age, nationality, race, color, ethnicity, language, religion, political behavior, social origin, disability, non-infectious chronic disease, HIV infection, situation or family responsibility, trade union membership or activity, belonging to a less favored category is forbidden. The Labour Code also emphasizes the principle of equality of payment for equal work. Recent secondary legislation sets out specific obligations and requirements for employers aimed at preventing, reporting, and handling discrimination and harassment situations in the workplace.

Health and Safety at work

In Romania, employers have the obligation to ensure the health and safety of their employees in all aspects related to work. If the employer benefits of health and safety services provided by a specialized provider, this does not exonerate the employer of

its legal obligations. Employees' obligations related to health and safety will not affect the employer's legal liability.

The health and safety measures cannot involve financial obligations for the employees. Employers must organize health and safety prevention and protection activities either by appointing employees with health and safety responsibilities, by setting up an internal health and safety service or by using an external health and safety service. Employers must also appoint employees responsible for the application of first aid, fire extinction and evacuation measures. Within undertakings with at least 50 employees, a health and safety committee must be established.

Termination of Employment

Under Romanian law, an individual employment agreement may be terminated only on the following grounds/ in the following cases: (i) automatically by operation of law, (ii) through the parties' consent, starting from the date agreed by them or (iii) as a result of one party's unilateral decision (i.e. resignation from the employee or dismissal, either individual or collective, by the employer), in the cases and under the conditions restrictively provided by law. The Romanian Labour Code lays down a specific and detailed procedure that should be followed and observed in case of individual dismissal. Individual dismissal cases fall into two categories: dismissals due to reasons 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 the case of dismissals due to reasons that are not related to the employee's person (such as restructuring of positions), the employees benefit of active unemployment measures 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, and on the total number of employees, it may be the case that specific legal provisions for collective dismissals apply. There are also a series of temporary legal restrictions

regarding the 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) parental (child-raising) leave, (v) annual paid leave, (vi) paternity leave, (vii) carers' leave, (viii) force majeure absence etc.

However, the above restrictions do not apply for dismissals grounded on the employer's judicial reorganization, bankruptcy, or employer's dissolution. When applicable, the notice period due in case of employee dismissal is a minimum of 20 working days. Through resignation, the employee notifies the employer, in writing and in Romanian, of the termination of the individual employment agreement after the notice period ends. The notice period in case of resignation may not be longer than 20 working days (for employees in non-management positions), or 45 working days (for employees in management positions). During the notice period, the individual employment agreement produces full effects.

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

The Romanian Social Security System

In Romania, employees must contribute to the public social security (state pension) and health insurance systems. The same is applicable for individuals having other types of income, except salary, if certain conditions are met.

Salary income

Social security contributions are due for salary income (details in chapter 3.4 - Taxation of individuals). The obligation to compute, withhold and pay 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 minimum salary per country. If this is the case, the computation base for the health fund contribution is the threshold mentioned above. A 25% pension contribution is applicable to 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 for foreign investments

There are no visa requirements for American citizens that plan to travel to Romania for less than 90 days in a 180-day period for business purposes. They can travel with their passport. At the same time, US citizens are exempt from a long-stay visa, meaning that as soon as they fulfill the eligibility conditions, depending on the purpose of stay, they can apply for

a Romanian residency permit to remain for more than 90 days in Romania. US citizens who are shareholders or associates (with management attributions) of Romanian companies, and are planning to make an investment in Romania can apply directly for a Romanian residency permit (required if planning to spend more than 90 days in Romania in any 180-day period), assuming they have approval for investment from the Romanian Agency for Investments and Foreign Trade.

The main conditions to receive the approval are:

1. present a business plan that will include identification of the company, scope and value of the new investment, estimated number of new jobs and stages of their creation, stages of the investment process with related amounts, location and duration of the investment and its depreciation, projection of financial activity for a period of at least 3 years;
2. prove, by a single account statement issued by a Romania bank in their name, that they have the necessary funds to carry out the activity, amounting to at least € 100,000 for foreigners associated in a limited liability company and at least €150,000 for foreign shareholders in a joint stock company;

3. to develop, within maximum 12 months from the date of obtaining the residency permit, an investment according to the business plan provided, bringing a capital or technology contribution of at least € 100,000 for a limited liability company and at least € 150,000 for a joint stock company, and to create, within 12 months from the date of obtaining the residence permit, at least 10 new jobs for a limited liability company and at least 15 new jobs for a joint stock company.

In cases of US citizens planning to work in Romania, depending on the structure under which the activity is performed, a work permit may need to be sponsored in advance by the Romanian company (the process may take up to 4-6 months for a local employment or assignment structure). For those having an administrator position a simplified process may be applicable. Also, individuals who are appointed to the management of a subsidiary, representative office, or branch on the territory of Romania of a company based abroad benefit of work permit exemption, meaning that they can apply directly for a residency permit to live in Romania. Family members (spouse and children up to 18 years old), who are US citizens, benefit of a simplified reunification process and in this case, they are able to move together to Romania at the same time with their sponsor.

Key facts

- 1 Individual Employment Agreements: These agreements must be in writing and in Romanian, at the latest on the day before the employee starts the work. The rule is to conclude open ended individual employment contracts.
- 2 Employer Obligations: To keep a general register of employees in electronic form and report specific information to the labour authority, to ensure health and safety without financial obligations on employees, to elaborate the internal regulation after consultation with the employees' representatives/the union.
- 3 Collective Bargaining Agreements (CBAs): Collective negotiations at company level are mandatory for employers having at least 10 employees. CBAs may not contain provisions with rights lower than those established by law or by higher-level agreements. More favorable provisions in CBAs prevail over individual agreements. The CBAs must be registered with the territorial labor inspectorate.
- 4 Minimum Wage: As of July 2024, the minimum gross base salary in Romania is RON 3,700 (approx. \$800) per month. Different minimum salaries apply in specific industries. Salaries are stipulated in individual employment agreements and must be paid at least once a month.
- 5 Working Hours: Full-time employees typically work 8 hours per day and 40 hours per week. Maximum working time cannot exceed 48 hours per week, including overtime. Exceptionally, the 48 hours limit can be extended over a four-month average.

Import & Export Regulations

As an EU Member State, Romania applies Union Customs Legislation, as well as the Common Customs Tariff and the EU commercial measures on imports and exports. In addition to the Union Customs regulations, Romania also applies internal provisions (e.g. with respect to applicable sanctions, rules for the application of certain Union provisions, etc.) regulated by internal Orders.

Customs registration

Prior to performing any customs operations (imports, exports or any other customs procedures) in Romania or in other EU countries, it is necessary to obtain an EORI number (short for Economic Operators Registration and Identification Number). This is a unique identification number, assigned to EU economic operators performing customs operations in the EU. In this regard, an EORI number obtained in Romania is valid in all EU Member States, whilst an EORI number obtained in another EU Member State will also be valid in Romania. The number is obtained by submitting an application to the Romanian customs authority

Customs duties

The custom duty rates applicable for the import of goods are mentioned in TARIC 3 which is based on Council Regulation (No. 2657/87 on the tariff and statistical nomenclature and on the Common Customs Tariff). Generally, with certain exceptions, the customs rates are established as a percentage of the customs

value of the goods generally ranging from 0% to 22%.

However, additional customs duties rates as trade policy measures are applicable in certain cases (e.g. anti-dumping duties, anti-subsidy duties, tariff quotas) depending on the type and origin of products subject to customs import measures.

Also, other specific customs measures might apply for certain cases (e.g. prohibitions; restrictions of quantity; etc.), depending on the type of goods and country of origin or dispatch.

Customs valuation

The customs value is determined according to the principles set out by Union Regulations, the main method used being the "transaction value method" (i.e. the price paid or payable for the goods when sold for export to the customs territory of the EU). The price actually paid or to be paid shall be the total payment made or to be made by the buyer to the seller or by the buyer to a third party for the benefit of the seller for the imported goods, and include all payments made or to be made as a condition of sale of the imported goods.

In determining the customs value, the price actually paid or to be paid for the imported goods shall be supplemented by other related costs incurred in relation to the imported goods, such as:

- brokerage costs;
- cost of containers which are treated as being one, for customs purposes, with the goods in question;
- cost of packing;
- the value of materials, components, parts and similar items incorporated into the imported goods;
- the value of tools, dies, molds and similar items used in the production of imported goods.

Customs regimes

The special/storage customs regimes applied within the EU (such as inward processing, temporary importation, customs warehousing, free zones) are also available in Romania under certain conditions and subject to prior authorization.

Customs formalities frequency

The customs declaration must be prepared and presented to the customs authorities when transactions which are subject to customs formalities are performed.



Key facts

- 1 Import and export transactions involve prior registration with the customs authority, which, once obtained, is valid throughout the entire EU customs territory.
- 2 The use of special/storage customs procedures requires prior authorization from the customs authorities.
- 3 Economic operators carrying out customs transactions must ensure that the tariff classification of goods is correctly assessed, this having an important role in establishing the customs duties and economic measures on imports.
- 4 Trade policy measures that establish additional customs duties based on the origin of goods must also be pursued.

Investment Incentives and Programs

EU Funds

Overview

For the 2021-2027 period, Romania is set to access around €63 billion, through the Multiannual Financial Framework (EU and national contribution) and the Common Agricultural Policy. A significant part of the funds are dedicated to the public sector, with emphasis on municipalities and territorial and administrative divisions. Nevertheless, some focus areas are meant for and particularly relevant to the private sector, including digitalization, green transition, energy infrastructure and SME support.

Large enterprises can only participate in a reduced capacity (as secondary partner to an SME partnership leader). Notable exceptions would be on certain Just Transition funds, agriculture and energy projects through the Modernization Fund.

Applicability to the Private Sector

Cohesion Funds and European Regional Development Fund (ERDF)

By far the main share of EU funding allocated to Romania is through the Cohesion Fund and ERDF. These funds aim to reduce economic and social disparities and to promote sustainable development.

For the private sector, the focus is on promoting economic growth through investments in innovation, support for SMEs, ICT and digital strategies, as well as energy efficiency and renewable energy projects.

European Social Fund Plus (ESF+)

The ESF+ is critical to supporting employment, helping people obtain better jobs, and ensuring fair job opportunities for all EU citizens. In Romania, private businesses can benefit from ESF+ by accessing some programs designed to upskill and reskill employees, promote social inclusion or support labor market integration.

Just Transition Fund (JTF)

The Just Transition Fund is part of the EU's Green Deal, providing financial support to regions most affected by the transition towards a climate-neutral economy. For Romania's six counties heavily reliant on carbon-intensive industries, the JTF offers opportunities for businesses (including large enterprises) to invest in green technologies, diversify their economic activities, and create sustainable jobs.

Innovation and Technology Adoption

The private sector, mostly through SMEs and startups, can access EU funds to develop or integrate advanced technologies and innovative practices into their operations.

Access to programs under Horizon Europe, Digital Europe, and the ERDF provide financial support for adopting new technologies, engaging in research and development, and commercializing innovative products.

Agriculture

For the 2021-2027 period, Romania is allocated approximately €18.6 billion in EU funds for the agriculture sector, under the common agricultural policy. The private sector is set to benefit mostly from investments such as creating or expanding agricultural holdings, purchasing relevant machinery or specific investment in processing agricultural products.

Modernization Fund

The Modernization Fund is a program dedicated to supporting 13 Member States in meeting their energy targets by modernizing energy systems and improving energy efficiency. The financing mechanism for the Modernization Fund in Romania is under development. The estimated total allocation for Romania through the fund for 2021-2030 is €15 billion.

The fund has high applicability to the private sector, promoting significant investment in establishing new renewable energy production and/or storage capacities, hydrogen production and energy efficiency in large industrial producers.

Key facts

- 1 €63 billion available in funds for the 2021-2027 period
- 2 SMEs have access to most funds dedicated to the private sector, with heavy emphasis on digitalization, innovation
- 3 Large enterprises are mostly restricted to the Modernization Fund, Just Transition Fund and Agriculture funds.



Recovery and Resilience Funds

The National Recovery and Resilience Plan

The National Recovery and Resilience Plan (NRRP/PNRR) is a package of investments and reforms developed as part of “Next Generation EU”, the programme established by the European Union to help Member States recover from the Covid-19 pandemic, with resources to be deployed in the 2021–2026 period in order to build a greener, more digital and resilient Europe.

The Romanian National Recovery and Resilience Plan at a glance

The plan is built around 7 pillars that are split into 16 components, to be implemented through 66 reforms complemented by 114 underlying investments.

- Pillar 1. 'Green transition' focuses on renewables, energy efficiency, water and waste management, biodiversity and sustainable mobility.
- Pillar 2. 'Digital transformation' focuses on developing digital public services to serve both citizens and businesses.

- Pillar 3. 'Smart, sustainable and inclusive growth' includes measures concerning the tax administration, the tax system, the budgetary framework and the sustainability of the pension system, but also measures to improve the business climate, specifically in the R&D&I sector.
- Pillar 4. 'Social and territorial cohesion' seeks to introduce green and digital policies in the area of urban mobility, as well as in the tourism and cultural and creative sectors.
- Pillar 5. 'Health and economic and social resilience' envisages measures that will increase the quality of and access to healthcare, and upgrade health infrastructure.
- Pillar 6. 'Next generation' focuses on education and training.
- Pillar 7. 'REPowerEU' further focuses on renewable energy, diversifying the country's energy supplies, boosting its energy efficiency, and reskilling and upskilling its workforce in the field of green energy. It also aims to end dependency on fossil fuels

Funding available to the private sector

The NRRP aims at structural reforms and supports the creation of the necessary infrastructure for the functioning of

the state in a new paradigm (green, sustainable, digital, innovative), which is why over 80% of the budget allocation is available to public authorities and institutions.

Nevertheless, the private sector can directly benefit from approx. €5.6 bn. in financing, of which approximately €700 mil. can be accessed through financial instruments, through venture capital funds, and the rest is in the form of grants.

There are approximately 39 financing programs that provide grants to the private sector. For many of them, calls for projects have already closed, while other are estimated to open in the next period with deadlines for completion up to 2026, targeting mostly:

- waste management - financing for the construction of recycling facilities, platforms for manure, compost, biogas;
- Research and Development for SMEs and research institutions;
- renewable energy investments;
- extension and modernization of telecom networks;
- education - pilot education units, training programs for teaching staff, managers and school inspectors.

Key facts

- 1 €28.5 bn. total funds available, most for public sector;
- 2 Funds are aimed at fuelling reforms of key pain point areas and include underlying investments to complement and support said reforms;
- 3 Public sector gets a reduced slice of the pie (~20% of total funds), in areas such as waste management, energy, R&D
- 4 Digitalization

State aid grants from the national budget

State aid schemes in Romania dedicated to the private sector aim to stimulate economic growth, support regional development, and enhance the competitiveness of various business sectors within the national economy.

Romania offers the highest intensity of state aid in CEE, of up to 60% (which can go up to 70% in six counties included in the Just Transition Plan) for CAPEX and, in some cases, for salary costs.

The maximum grant amount which can be obtained is directly linked to the aid intensity and can be as high as €57.5 million in regions with 70% intensity. The state aid schemes currently available in Romania are targeted at specific sectors of the economy

(production of construction materials, manufacturing industry, food processing).

Accessing these schemes is done in pre-announced yearly submission sessions, with the financing being awarded to the investments which obtain the highest scores based on each individual scheme's scoring grid. On average, around 4-10 investments can exhaust the yearly budget of each scheme.

State aid scheme for promoting regional development through supporting large investments – GD 300/2024

This scheme targets investments of at least €10 million across a broad spectrum of activities, and concerns either creation of new production units or the expansion/development of existing ones. The scheme exclusively finances CAPEX.

The calls for projects will be competitive, the selection being made in descending order of the scores obtained. The main evaluation criteria refer to:

- location of investment;
- the amount of eligible expenses;
- the type of investment (new unit, diversification, extension, fundamental change of the production process);
- Nomenclature of Economic Activities (NACE) for which financing is requested;
- degree of automation;
- EBITDA/CA ratio.

Three calls for projects will be organized annually, each of them with state aid budget of approximately €149 mil. First call for proposals is planned for August-September 2024. Payments are planned between 2025-2032.

State aid scheme for the manufacturing sector

The state aid scheme targets investments of more than €3 million in tangible and intangible assets related to the start-up of a new unit or to the diversification or amplification of the activity of an existing unit. The scheme is dedicated strictly to activities within the manufacturing sector.

Eligible costs:

- tangible and intangible assets (A), or
- salary costs for jobs generated by the investment, calculated over a period of two years (B), or
- combination of (A) and (B), but not exceeding the maximum value in point A or B, whichever is higher.

Competitive calls for projects will be organized annually. First call for proposal is planned in 2024 with annual state aid budget of approximately €149 mil. Payments are planned between 2025-2029.

State aid scheme for production of construction materials (CONSTRUCT-PLUS)

The state aid scheme targets investments in tangible and intangible assets for the production of building materials.

The calls for projects are competitive, the selection being made in descending order of the scores obtained. The main evaluation criteria refer to:

- location of investment;
- the amount of eligible expenses;
- the type of investment (new unit, diversification, expansion, fundamental change of the production process);
- NACE for which financing is requested.

Annual calls for projects will be organized, with an annual state aid budget of approximately €149 mil. First call for proposals was launched in April – May 2024. Payments are planned between 2024-2029.

State aid scheme for the food processing industry (INVESTALIM)

The state aid scheme is dedicated strictly to investments of more than €500,000 in establishing or expanding food processing units, with priority given to the processing of meats, fruits and vegetables or sugar.

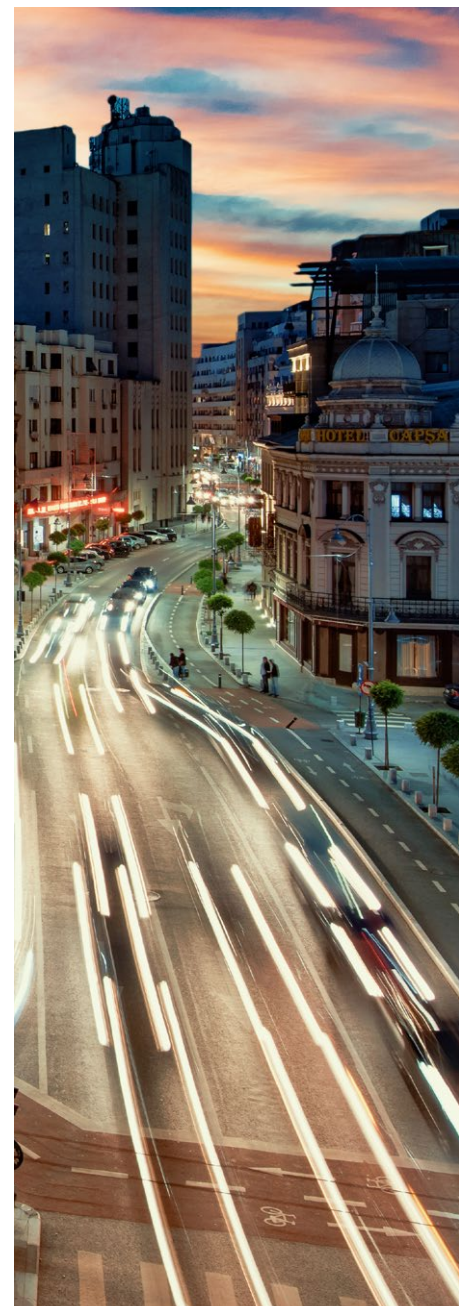
Maximum aid is up to €57.5 million in regions with 70% intensity and covers solely CAPEX related to the investment. A potential submission session for 2024 is yet to be scheduled.

State aid scheme to support the production of audiovisual works in Romania (HG 421/2018)

The scheme aims to support film production in Romania, offering a reimbursement of 30% of the total eligible expenditure incurred on the territory of Romania after the date of submission of the project application. Aid is granted for the provision of goods and services directly linked to the production of an eligible audiovisual work (stated to include both

films and television series and any other audiovisual productions as defined in the European Convention on Cinematographic Co-Productions). The aid intensity may be increased by an additional 10% if the production promotes Romania in its entirety or a specific geographic location or city in Romania.

The scheme is multiannual running until 2026, with yearly submission sessions to be announced ahead of time by the Ministry of Culture and the Office of Film and Cultural Investment. The average annual budget of the scheme is EUR 55 million, with a maximum of EUR 10 million in state aid granted per project.





About the "U.S-Romania Economic Forum"

The "U.S.-Romania Economic Forum" is AmCham Romania's premier platform for transatlantic dialogue, bringing together policy makers in Washington, D.C., and Bucharest, local decision-makers and stakeholders, and leaders and professionals in the American and Romanian business communities. Launched in 2022, with the support of the United States Embassy in Romania, to mark the 25th anniversary of the Strategic Partnership between the United States and Romania, the Forum serves as a space to recognize and celebrate achievements in the bilateral economic relation and, more importantly, to look at challenges and seize emerging opportunities to renew this partnership.

The Forum primarily aims to raise awareness on the unexplored areas that promise further cooperation between the two nations, complementing the special role the United States of America play in Romania's national security and foreign policy and Romania's geostrategic and economic significance in the transatlantic community.

About AmCham Romania

The American Chamber of Commerce in Romania is the leading business association in the country connecting U.S., international and Romanian companies to business opportunities and facilitating an informed and wide-ranging public-private dialogue. AmCham Romania is affiliated to the United States Chamber of Commerce, the largest business organization in the world, and is part of the AmChams in Europe Network (ACE).

With more than 30 years of activity in Romania, AmCham's business community counts almost 570 member companies, whose total investment in the country stands above USD 30 billion, supporting 250.000+ jobs.

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