

Romania Tax System

Romanian companies and individuals pay tax on their Romanian and worldwide income. Non -residents companies and individuals pay tax only on Romanian source income.

A foreign company is resident if the management is in Romania.

An individual is resident if the centre of living is in Romania, or if staying in Romania for 183 days within 12 months.

Main features are as follow:

1. Individual Income Tax: Tax rates are flat at 16%.

2. Corporation Tax: Tax rate is 16%.

3. Capital Gains: For companies and individuals are taxed at 16%. For individuals the tax rate for gain from sale of real estate is 1%-3%.

4. Tax Deductions

- Losses can be carried forward for seven years but cannot carried back.
- Depreciation is deducted using one of the 3 methods, the straight line method, the reduced balance depreciation and the accelerated method.
- Provisions for bad debts are allowed under certain terms.
- There is no company consolidation for tax purpose.

5. Deduction of Tax at Source

In Romania tax is deducted at source from the following payments to non-residents:

Dividend- 16%.

Interest- 16%.

Royalties- 16%.

Technical Fees – 16%.

Note: the tax withholding rates are subject to double taxation treaties and EU interest and royalties directive.

6. V.A.T.

All persons carrying out economic activities independently, including manufacturers, traders, service providers, etc. irrespective of the place or purpose of results of such activities, are treated as taxable persons.

Foreign companies may register in Romania for VAT without the need to form a local company; this is known as non-resident VAT trading. There is no VAT threshold in Romania for the registration of non-resident traders; a VAT number must be in place before the commencement of taxable supplies.

V.A.T. apply on the supply of goods.

The standard rate is 24%.

Reduced Rate (i) is 9% and applies on the museums, historical monuments, castles, zoological and botanical gardens access, school manuals, books and newspapers, medicine and hotel accommodations, etc.

Reduced Rate (ii) is 5% and applies on supply of buildings and lands destined to be used as a hostel for the elderly and/or children or to individuals and families whose economic situation does not allow them to access a home in the current market conditions and are awarded subsidies by the City Halls.

Exempt V.A.T. are for transactions are on educational services, health services, and financial services. The registration threshold is when annual turnover exceeds €65,000 (RON 220,000). Businesses with a lower turnover may register voluntarily.

The V.A.T. Filing & Payment is done on a monthly basis. Also VAT returns can be submitted quarterly only if the annual turnover is below EUR 100,000 and only if no EU acquisitions have been performed during the year.