

TAX NEWSLETTER
2nd November 2023

**The Law no. 296/2023 for certain fiscal-budgetary measures to ensure
Romania's long-term financial sustainability:**

TAX MEASURES

In the Official Gazette of Romania, Part I, no. 977/27.10.2023, the Law no. 296/2023 regarding certain fiscal and budgetary measures to ensure Romania's long-term financial sustainability was published ("The Law 296/2023").

The Law 296/2023 will enter into force on 1st January 2024, with certain exceptions.

The Law 296/2023 regulates measures to support efforts to recover the budget deficit:

- fiscal measures (e.g., introduction of new taxes, limitation or elimination of some fiscal facilities);
- measures to ensure fiscal compliance:
 - measures to prevent and combat illegal economic activities;
 - the establishment of the national RO e-Seal System to ensure compliance with the traceability of road transport of goods on the territory of Romania;
 - changes to the ceilings of cash receipts and payments.

This newsletter presents the most important fiscal measures.



DIVIDEND TAX RATE IS KEPT AT 8%.

CORPORATE INCOME TAX

Minimum turnover tax

- **Starting 1st January 2024, profit tax payers who register in the previous year a turnover of over 50.000.000 euro**, and who in the calculation year determine a corporate income tax, accumulated from the beginning of the fiscal year until end of the quarter/year, lower than the minimum turnover tax, are obliged to pay corporate income tax at the level of **the minimum turnover tax of 1%** calculated according to a certain formula.
- **Turnover** = total income (VT) – income that are extracted from total revenues (Vs)
- **Minimum turnover tax (IMCA) = 1% * (VT – Vs – I – A)**
- If the cumulative fiscal result at the end of the quarter/calculation year is fiscal loss or taxable profit, before the recovery of the fiscal loss from previous years, the taxpayer determines the minimum tax.
- The minimum tax is not applied to economic operators who exclusively conduct activities of distribution/supply/transport of electricity and natural gas, and which are regulated/licensed by the National Energy Regulatory Authority.

Additional turnover tax due by credit institutions - Romanian legal entities and Romanian branches of credit institutions - foreign legal entities

- **Starting 1st January 2024, credit institutions will owe in addition to the corporate income tax, a turnover tax, as follows:**
 - **2% for the period 1st January 2024 – 31st December 2025 inclusive**
 - **1% starting 1st January 2026**
- Turnover includes income from interest, dividends, fees, and commissions, etc.

Additional turnover tax due by companies conducting activities in the oil and natural gas sectors

- A specific turnover tax is introduced in addition to the profit tax, for companies that conduct activities in the oil and natural gas sectors and that register a turnover of over 50.000.000 euro in the previous year, as follows:
 - For the period 1 January 2024 – 31 December 2025: a turnover tax of 0.5% calculated according to a certain formula.
 - Starting 1st January 2026, these companies will owe the minimum turnover tax.
- Taxpayers, who exclusively conduct activities of distribution/supply/transport of electricity and natural gas and who are regulated / licensed by the National Energy Regulatory Authority, do not owe the additional tax.

MICRO-COMPANIES' INCOME TAX

- Starting from 1st January 2024, two tax rates will apply:
 - 1% for companies with annual revenues up to and including 60.000 euro and which do not conduct the activities listed below.
 - 3% for companies:
 - whose annual revenues exceed the ceiling of 60.000 euro; or
 - those who conduct main or secondary activities that correspond to the following CAEN codes:
 - 5821 - Computer games publishing activities
 - 5829 - Other software product publishing activities
 - 6201 - Custom software creation activities (customer-oriented software)
 - 6209 - Other technology service activities information
 - 5510 - Hotels and other similar accommodation facilities
 - 5520 - Accommodation facilities for holidays and short periods, 5530 - Caravan parks, campsites, and camps
 - 5590 - Other accommodation services
 - 5610 – Restaurants
 - 5621 - Activities of food (catering) for events
 - 5629 - Other food services n.e.c.
 - 5630 - Bars and other activities serving drinks

6910 - Legal activities - only for companies with legal personality that are not fiscally transparent entities, constituted by lawyers according to the law

8621 - General medical assistance activities

8622 - Specialized medical assistance activities

8623 - Dental assistance activities

8690 - Other activities related to human health

- In case where during a fiscal year, a micro-company achieves revenues of more than 60.000 euro or starts conducting the above activities, it applies the 3% rate starting from the quarter in which it records such a situation.
- In the situation where the Romanian micro-companies conducting the activities mentioned above also obtain income from other activities, the 3% rate is also applied to the income from these other activities.

INDIVIDUAL INCOME TAX AND SOCIAL SECURITY CONTRIBUTIONS

Salary tax for IT, the construction, agricultural and food industry sectors

- For salary income obtained by employees from the computer creative activity, the construction, the agricultural and the food industry sectors, **the salary tax exemption applies only:**
 - **at a single employer/payer, at the place where the basic function is located,**
 - **for a monthly gross income of up to and including 10.000 lei.**
- These provisions apply starting with the revenues related to the month of November 2023.
- For computer creative activity, the payroll tax exemption will only apply until 31st December 2028 inclusive, similar to the term provided for the fiscal facilities granted to the construction, agricultural and food industry sectors.

Salary taxes for travel benefits

- Employees who benefit from holiday vouchers, will no longer benefit from the non-taxable advantages with salary taxes representing tourist and/or treatment services, including transport, during the leave period (for them and their family members), within the limit of an annual ceiling /employee, equal to an average gross salary.
- These provisions apply starting the income related to the month January 2024.

Social insurance health contribution

- **Meal vouchers and holiday vouchers will be taxable with the social health insurance contribution.**

These provisions apply starting the income related to the month January 2024.

- Salary income obtained by individuals from activities in the construction, agricultural and food industry sectors will be taxed with the social health insurance contribution.

These provisions apply starting with the revenues related to the month of November 2023.

Social security contribution for IT, the construction, agricultural and food industry sectors

- The social security contribution is reduced by the percentage points corresponding to the contribution rate to the privately administered pension fund (pillar II) for employees with activities in IT, construction, agricultural and food industry sectors.
- By way of exception, employees who earn salary income from the respective fields can opt for the payment of the contribution due to the privately administered pension fund. These provisions apply starting with the revenues related to the month of November 2023.
- These provisions apply until 31st December 2028.

Social insurance health contribution owed by individuals from self-employment income

- Starting with the income related to the year 2024, for the income from independent activities:
 - the possibility of deducting social insurance health contribution when calculating the taxable base is introduced;
 - **a new ceiling of 60 gross minimum wages** per country is introduced, as the maximum ceiling at which the social health insurance contribution must be paid for income from independent activities.

- Therefore, four ceilings will apply to self-employment income: 6, 12, 24 and 60 gross minimum wages per country.

Social health insurance contribution for the other categories of income (other than salary income)

- For the other income categories (e.g., income from investments, from the transfer of the use of real estate, (other than salary income)) the same three ceilings will remain in force, respectively 6, 12 and 24 gross minimum wages per country.

VAT

Redefining the home that at the time of delivery can be lived in as such

- In the context of the delivery of social housing, the expression *housing that at the time of delivery can be lived in as such* is redefined, in the sense of the introduction of some conditions regarding the degree of finishing of the housing and the necessary equipment.¹

¹ *Homes that can be lived in as such at the time of delivery* represent homes that cumulatively meet the following conditions at the time of delivery:

- free individual access to the living space, without disturbing the possession and exclusive use of the space owned by another person or family;
- access to electricity and potable water, controlled disposal of wastewater and household waste;
- they consist of at least one space for rest, one space for food preparation and a sanitary group;
- exterior finishes include at least: roof if, depending on the type of construction, this constructive element is provided, windows, entrance door;
- interior finishes include at least: walls finished with paint, wallpaper, tiles or other elements used for finishing, floors finished with tiles, parquet or other elements used for finishing, interior doors, depending on the project;
- sanitary installations and sanitary objects, respectively toilet bowl, sink and washing machine with tub, with the related batteries;
- electrical installations, including panel, boxes, switches/switches, and sockets.

VAT rates

- The reduced VAT rate of 5% is kept for the delivery of school textbooks, books, newspapers and magazines; access to castles, museums, memorial houses, historical monuments, architectural and archaeological monuments, zoological and botanical gardens; the delivery of firewood and thermal energy in the cold season² for the population, schools, hospitals, non-governmental organizations and cult units, social service providers, public and private, accredited, as final consumers.

- **Increases the VAT rate to 19% (from 9%) for:**
 - delivery of non-alcoholic beer;
 - foods with added sugar³, whose total sugar content is at least 10g/100g product (other than cookies and biscuits).

- **Increases the VAT rate to 9% (from 5%) for:**
 - **delivery of high-quality food, namely mountain, eco, traditional products**, authorized by the Ministry of Agriculture and Rural Development.

 - **the delivery of social housing, including the land on which they are built** (housing that has a useful surface of a maximum of 120 sqm, excluding household annexes, the value of which, including the land on which they are built, does not exceed the amount of **600,000 lei**, exclusive of VAT, purchased by natural persons individually or jointly with another natural person/other natural persons);

Transitional measures are established for housing deliveries for which contracts were concluded until 31st December 2023 and which will be delivered between 1st January and 31st December 2024, to apply the reduced VAT rate of 5% or 9%.

² Cold season means the 5-month period between 1st November of the current year and 31st March of the following year.

³ Added sugar means cane sugar, brown sugar, crystalline sucrose, invert sugar, dextrose, molasses, honey sugars, molasses and syrups such as malt syrup, fruit syrup, rice malt syrup, corn syrup, high fructose corn syrup, maple syrup, glucose syrup, glucose-fructose, fructose, sucrose, glucose, lactose, hydrolysed lactose and galactose added as ingredients, sugars in nectars such as coconut flower nectar, date nectar, agave nectar, sugars from unsweetened fruit juices, fruit juice concentrate, sugars from fruit purees and jam.



- **delivery and installation of photovoltaic systems intended for homes;** and for central or local public administration buildings, buildings of entities under their coordination/subordination, with the exception of companies;
 - the services consisting in allowing access to malls, amusement parks and recreational parks whose activities are included in CAEN codes 9321 and 9329, according to the Classification of Activities in the National Economy, fairs, exhibitions, cinemas and cultural events, other than tax-exempt ones;
 - services consisting in allowing access to sports events.
- **Increases the VAT rate to 19% (from 5%) for:**
- the right to use sports facilities whose activities are included in CAEN codes 9311 and 9313, other than the exempt ones;
 - the transport of people with trains or historical vehicles with steam traction on narrow lines for touristic or leisure purposes;
 - the transport of people using the cable transport facilities - cable car, gondola, chair lift, ski lift - for tourist or leisure purposes;
 - transporting people with animal-drawn vehicles, used for tourist or leisure purposes;
 - transporting people with boats used for tourist or leisure purposes.

New tax on real estate and high value cars

- **Individuals who own residential buildings located in Romania with a taxable value of the building greater than 2.500.000 lei owe a tax at a rate of 0.3%** applied to the difference between the taxable value of the building communicated by the local fiscal body through the decision of taxation and the ceiling of 2.500.000 lei.
- **Individuals and legal entities owning cars registered in Romania, whose individual purchase value exceeds 375.000 lei, owes for a period of 5 years, a tax at a rate of 0.3%** applied to the difference between the purchase value and the ceiling of 375,000 lei.

RO e-Invoice

- **During the period 1st January 2024 – 30th June 2024, taxable persons established in Romania, regardless of whether they are registered for VAT purposes or not, and foreign taxable persons registered for VAT purposes in Romania, have the obligation to submit invoices issued for supplies of taxable goods and services in Romania, carried out in the B2B relationship, in the national electronic invoicing RO e-Invoice channel.**

No penalties will be applied in the first three months of 2024 for failure to comply with this obligation.

- **Starting 1st July 2024, occurs the obligation to issue electronic invoices and to transmit them exclusively through the RO e-Invoice channel for B2B transactions conducted by taxable persons established in Romania.**

For these situations, the e-invoice is no longer subject to acceptance by the recipient.

- Intra-community supplies of goods and exports are exempt from this obligation.

For more details related to the subject in question, as well as other measures, I recommend that you consult the text of the Law 296/2023.

I hope you find this newsletter helpful.

I encourage you to send this newsletter to your colleagues.

Regards,

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