

Tax Agenda Romania

January 2024




No.	Fact	Action
1	<p>Domestic minimum tax on turnover</p> <p>Starting 1 January 2024, a minimum tax on turnover is introduced for taxpayers who record a turnover higher than EUR 50,000,000 during the previous year. The minimum tax on turnover is generally 1% of total revenues less a limited number of deductions, and it is payable if it is higher than the regular corporate income tax.</p> <p>As an exception, for credit institutions and legal persons carrying out activities in oil and gas sectors, special rules are applied and the minimum tax on turnover is payable on top of regular corporate income tax, at a rate of 0.5%-2% depending on the case.</p>	<p>Check if the minimum turnover tax is applicable and, if so, the expected impact.</p> <p>● ● ●</p>
2	<p>BEPS 2.0 Pillar Two implementation</p> <p>The global minimum tax, provided for a minimum effective tax rate of 15% in each jurisdiction, is expected to be implemented shortly in Romania, thus entering into force starting 1 January 2024. This will apply to multinational groups, as well as purely domestic groups, with total revenues exceeding EUR 750 million.</p> <p>Romanian domestic implementation provides for IIR and UTPR, as long as QDMTT.</p>	<p>Assess whether the global minimum tax is applicable, the entities impacted and the expected financial impact. Also, analyze the necessary financial statement disclosures.</p> <p>● ● ●</p>
3	<p>Tax cuts up to 15% applicable for years up to 2025</p> <p>Tax cuts up to 15% of the corporate income tax and microenterprise income tax, applicable depending on the level and movement of equity throughout the relevant period, are applicable for the period 2021-2025</p>	<p>Analyze the equity position and impact of these rules.</p> <p>●</p>



Use text boxes above the timeline to plan your actions for coming months

● Compliance ● Risk management ● Cash-flow and ETR impact

No.	Fact	Action
4	<p>E-Invoice system mandatory for B2B transactions</p> <p>Starting 1 January 2024, companies which perform B2B supplies taxable in Romania for VAT purposes are required to submit the invoices through e-Invoice system. Fines are applicable starting 1 April 2024.</p> <p>Starting 1 July 2024 the obligation to issue and communicate electronic invoices exclusively through the RO e-Invoice system for B2B transactions performed by taxable persons established in Romania occurs. The receipt and booking of invoices, outside the RO e-Invoice system, is sanctioned with a fine equal to the amount of VAT included in the invoice received.</p>	<p>Adapt the invoicing flows and systems so as to observe the new requirements of the law to issue and receive the e-invoices for the impacted transactions.</p> 
5	<p>SAF-T reporting starting in 2023 for medium taxpayers</p> <p>SAF-T was implemented starting from 2022 for large taxpayers and 2023 for medium taxpayers . First SAF-T report is due in February 2023 for medium taxpayers, with a grace period of six months. This will enable electronic exchange of accounting and tax data from organizations to the tax authorities.</p>	<p>Get up to speed with the technical and business requirements, to be able to timely update your ERP systems and implement a technical solution which allows to export the accounting and tax data into the required standardized xml format.</p> 
6	<p>Tax consolidation for CIT is applicable starting from 2022</p> <p>Tax consolidation for profits tax purposes is applicable starting from 2022. This permits the offset between taxable profits and tax losses incurred by different group companies.</p>	<p>Check if tax consolidation can be applied and its expected impact. Preparation work might be necessary to be able to apply, application should be done with more than two months before the start of the tax year for which the implementation is intended.</p> 
7	<p>MLI ratified by Romania</p> <p>In January 2022, Romania ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) and on 28 February 2022 has deposited the ratification instrument and deposited the notification confirming completion of its internal procedures for the entry into effect of the MLI provisions on 6 March 2023 . Therefore, the MLI entered into force and will produce effects with respect to:</p> <ul style="list-style-type: none"> withholding taxes on amounts paid or credited to non-residents, if the event giving rise to such taxes occurred on or after 1 January 2024; and all other taxes imposed by a contracting state on taxes imposed in respect of tax periods beginning on or after 5 October 2023. <p>The MLI will impact most of the double-tax treaties entered into by Romania.</p>	<p>Analyze the impact of MLI over the relevant double-tax treaties, in order to assess the Romanian tax consequences this might have on the transactions carried out by the group-</p> 

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8	<p>DAC7 implemented by Romania</p> <p>DAC7 was transposed in February 2023 in the Romanian tax law. This introduces a new reporting obligation for companies operating online market-places used by merchants to sell goods or to provide personal services, property rental services or rental services for means of transport. As part of the due diligence process, operators will be required to collect extensive information from the merchants and to validate it. The deadline for finalizing the due diligence is 31 December of the relevant reporting year. The first annual DAC7 report is due by 31 January 2024 for activities carried out in 2023.</p>	<p>Analyze the potential DAC7 obligations in Romania. Make sure appropriate procedures have been implemented and persons responsible for DAC7 appointed. If needed, report by applicable deadlines.</p>
9	<p>Application of available tax incentives in order to reduce ETR</p> <p>Romania offers tax incentives (e.g., R&D-related tax incentives, tax exemption for reinvested profits in various categories of assets), which have broad applicability and may be available in various circumstances. A new R&D tax incentive procedure is applicable starting 2023 and additional assets are eligible for the reinvested profits incentive starting 2023.</p>	<p>Check if all incentives available were identified and applied (possible also with respect to previous periods, up to five years back).</p>
10	<p>Cash flow improvement possibilities</p> <p>Cash flow improvement possibilities exist, such as recovery of receivables from tax office which are not applied for or are refunded with delay (e.g., excess input VAT, contribution for sick leave and medical leave benefits to be refunded by the National Health Insurance House), as well as late payment interest (i.e., 7-8% per annum) to be requested.</p>	<p>Identify any outstanding receivables from the tax authorities and apply for refund or take action for delayed refunds to get completed and late payment interest be claimed.</p>
11	<p>Early implementation of public CbCR reporting in Romania</p> <p>The public CbCR Directive was implemented in the local law that entered into force on 1 January 2023. The first publication will take place within 12 months from the date of the balance sheet of the first FY (e.g., no later than 31 December 2024, for an aligned financial year ended 31 December 2023). The requirement to file the public CbCR applies to qualifying Romanian subsidiaries or branches of MNEs with total consolidated revenue of more than 3,700 million lei (approx. EUR 747 million) in each of the last two consecutive financial years.</p>	<p>Assess whether there is a CbCR public reporting obligation in Romania.</p>

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12	<p>Changes to the Tax Code generally applicable starting 1 January 2024</p> <p>Several amendments brought to the Romanian Tax Code in October 2023, generally applicable as of 1 January 2024. Among others, changes refer to: reduction of thresholds to qualify as microenterprise tax payers instead of corporate income tax payers, elimination of personal income tax exemption for software developers with gross salary above RON 10,000, change of several VAT rates.</p>	<p>Analyze changes and assess how these may impact the Romanian activities.</p>



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EYG no. 000012-24Gbl

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