



Tax Flash May 2023

On 2 May 2023, Joint Order no. 20.463/3.964/967/1.415/2023 on computer software development activities was published in the Official Gazette. The act enters into force on 1 June 2023 and replaces the joint order published by the authorities at the end of last year. The main changes introduced include:

1. Designation of areas of activity of specialised departments

- Positions in which those eligible for tax incentives are employed must be part of a specialised department within the economic entity that is engaged in at least one of the following areas of activity: information technology and communications, artificial intelligence and emerging digital technologies, electronic tax administration, databases, and e-governance and digital transformation services.

2. Extension of provisions to employees of public institutions

- Under the previous order, only private sector employees and employees of central public institutions were eligible for income tax exemptions. The new order adds the employees of local public institutions to this category.
- New provisions are introduced with respect to the documentation required when granting tax exemptions to employees of public institutions. For example, the specialised department to which a given position belongs may also be a department that is not part of the organisational chart. Similarly, the job requirements for an employee of a public institution can be described either in the job description or in another legal act by which such requirements may be established.

3. Extension of the provisions concerning activities carried out under short-term assignments

- The new order stipulates that in the case of salary income and salary assimilated income derived from software development activities carried out on the territory of Romania under a posting or short-term assignment agreement, tax exemptions will be granted if both the employee and the income payer meet the conditions laid down in the Order. In practice, this means that the tax facilities are now also applicable in the case of those carrying out work under short-term assignment agreements.

4. Change to the definition of computer software development activities

- Computer software development activities refer to the actual performance of at least one of the computer software development activities corresponding to the specific occupations set out in the Annex to the Order, as case may be, the activities set out in the Annex and specified in the job descriptions or any other legal act establishing the job requirements.

Source: Order no. 20.463/3.964/967/1.415/2023 on computer software development activities.



Kind regards,
Your TPA Team

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