

Tax Newsletter October 2023

Amendments to the Fiscal Code

The new law on various fiscal-budgetary measures has been promulgated, introducing, among other things, a number of tax changes. The most important of tax amendments are summarised below:

1.1. Corporate income tax / Minimum turnover tax

From 1 January 2024, taxpayers who during the previous year record a turnover higher than EUR 50,000,000 will be subject to the minimum turnover tax.

In cases where the corporate tax calculated by taxpayers for a given year is lower than the minimum turnover tax, the corporate tax due by these taxpayers will be equal to the minimum turnover tax.

The minimum turnover tax is calculated by applying a 1% rate to the amount of turnover, which is determined as follows: total revenues *minus* exempted revenues (i.e. non-taxable revenue, revenue relating to the cost of stocks of goods/services in progress, revenue from subsidies, etc.) *minus* the accounting depreciation of assets acquired or produced as of 1 January 2024. The minimum turnover tax is determined before recovering any tax losses available from previous years.

Special rules are provided for tax groups and taxpayers who apply the prepayment corporate tax system.

1.2. Additional tax on credit institutions

As of 1 January 2024, credit institutions (Romanian companies and branches of foreign companies) will be subject to a 2% turnover tax in addition to the corporate tax. Starting with 2026, the additional tax rate will be 1%.

This tax will be a non-deductible expense for corporate tax purposes.

1.3. Additional tax on oil and gas companies

Companies operating in the oil and gas sectors with a turnover of more than EUR 50,000,000 in the previous year will pay an additional 0.5% tax on turnover. This tax is a non-deductible expense for corporate tax purposes.

1.4. Micro-enterprise income tax

From 1 January 2024, micro-enterprises will be taxed at the following rates:

- 1%, if the revenues do not exceed EUR 60,000 and where the activities do not correspond to certain NACE codes in the IT, HoReCa, legal, medical and dental sectors
- 3%, if the revenues exceed EUR 60,000 or if the activities correspond to certain NACE codes in the IT, HoReCa, legal, medical or dental care sectors.

1.5. Income tax and social security contributions

- IT sector: starting with November 2023, monthly gross income in excess of RON 10,000 will be subject to a 10% tax rate. This measure will apply until 31 December 2028
- Construction and agri-food sector: starting with salary income relating to November, the exemption from social health insurance contributions (10%) is eliminated.

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- Meal vouchers and holiday vouchers: from 2024 these vouchers will be subject to the social health insurance contribution (10%)
- Income from independent activities: from 2024, the maximum ceiling for the calculation of social health insurance contributions will increase from 24 to 60 gross minimum salaries.
- Income whose source has not been identified: starting 1 July 2024, a 70% rate will be applied to the adjusted taxable base of income detected by the tax authorities whose source has not been identified.

1.6. Value added tax

Starting 1 January 2024, higher VAT rates will apply to a number of products and services, as follows:

- 9% (up from 5%) for deliveries of housing as part of social policy, deliveries and installation of photovoltaic panels / thermal solar panels / heat pumps, access to sports events, etc.
- 19% (up from 9%) for supplies of alcohol-free beer and food with added sugar whose total sugar content is 10g per 100g of product or higher.
- 19% (up from 5%) for access to sports facilities, supplies of eco / traditional food, etc.

1.7. Immovable and movable property tax

Starting 1 January 2024, a special tax will be applied to immovable / movable assets of high value, as follows:

- 0.3% – for individuals who on 31 December of the previous year owned residential buildings located in Romania whose taxable value exceeded RON 2,500,000. The tax will be levied on the difference between the taxable value of the building, communicated by the local fiscal body, and the above-mentioned threshold, and is to be paid by 30 April of the current fiscal year.
- 0.3% – for individuals and legal persons who own cars registered in Romania whose individual purchase price exceeds RON 375,000. The tax is levied on the difference between the purchase value and the corresponding threshold and is to be paid by 31 December of the current fiscal year. This tax is due for 5 years, starting with the fiscal year in which the car was received (or for the remaining number of years until expiry of the 5-year period, if the car was purchased before 2024).

1.8. RO e-Factura system

Starting 1 January 2024, the electronic invoicing system will become mandatory for:

- Supplies of goods / services with place of supply/provision in Romania, carried out in B2B transactions or in relation to public institutions (other than B2G) by taxable persons established in Romania (i.e. Romanian legal entities or Romanian fixed establishments of foreign companies), regardless of whether they are registered for VAT purposes in Romania.
- Supplies of goods / services with place of supply / provision in Romania carried out in B2B transactions by non-residents registered for VAT purposes in Romania.

Starting 1 July 2024, in the case of transactions between taxable persons established in Romania, only invoices transmitted via the RO e-Factura system will be acceptable with a view to exercising VAT deduction rights.

The legal deadline for transmitting invoices via the RO e-Factura system will be 5 working days from the date of issue of the invoice, and no later than 5 working days after the 15th day of the month following the month in which the VAT chargeable event occurs.

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Failure to comply with the requirements regarding the application of the RO e-Factura system will result in fines ranging between RON 1,000 and 10,000. The new regulations provide for a grace period of 3 months in the application of these fines.

Furthermore, as of 1 July 2024, in B2B transactions, the receipt and registration by recipients of invoices that have not been recorded in the RO e-Factura system will be subject to a fine equal to the VAT amount included on the invoice.

Source: Law no. 296 on various fiscal-budgetary measures aimed at ensuring Romania's long-term financial sustainability, published on 27 October 2023

This newsletter is a service of TPA.

Kind regards,
Your TPA Team

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