

Tax Flash July 2025

The fiscal amendments that will come into effect starting from 1 August 2025 were promulgated today, 25 July 2025, by the President and are to be published in the Official Gazette. Given the significant impact of these amendments, we present below the most important ones:

1. Value added tax (VAT)

1.1. Increases to VAT rates

VAT rates will increase starting 1 August 2025 as follows:

- the standard rate of VAT increases from 19% to 21%
- the current reduced VAT rates of 5% and 9% will be replaced by a single reduced rate of 11%

The following services and/or deliveries of goods, which had previously benefited from a reduced rate of VAT, will become subject to the standard 21% VAT rate:

- deliveries of veterinary medicines
- deliveries of seeds, bee feed, plants and ingredients used in food preparation
- deliveries of food supplements
- services relating to the granting of access to fairs, amusement parks, exhibitions, cinemas and cultural events
- deliveries and installations of photovoltaic panels, solar water heating systems, heat pumps, etc. intended for residential or public buildings
- deliveries of residential properties with a usable area of up to 120 sqm and a total value of up to RON 600,000

By way of exception, during the period 1 August 2025-31 July 2026, deliveries of residential properties to individuals will still benefit from the reduced rate of VAT of 9%, provided all of the following conditions are met:

- the usable area of the property does not exceed 120 sqm (excluding utility annexes)
- the total value, including the land, does not exceed RON 600,000 (excluding VAT)
- the property is delivered and habitable by 31 July 2026
- the buyer has not previously benefited from the reduced VAT rate on the acquisition of another property after 1 January 2023
- the parties have signed, by 1 August 2025, a contract stipulating the payment of an advance payment for the purchase of the property

For contracts signed between 3 July and 31 July 2025, there is an additional requirement that an advance payment of at least 20% of the value of the property (excluding VAT) be made in full by 31 July 2025.

The application of the 9% reduced rate will be verified by public notaries prior to authenticating the contract for the transfer of ownership or for the making of an advance payment, by consulting the Register of Residential Property Acquisitions Subject to the Reduced Rate of VAT.

The 9% reduced VAT rate will also apply (until 1 August 2026) in the case of deliveries of residential buildings (and related lands) to local municipalities for the purpose of providing subsidised rental housing to disadvantaged persons or families, on condition that an advance payment contract is signed by 1 August 2025.

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1.2. Elimination of VAT exemptions

The following operations will no longer be VAT-exempt:

- the provision to non-profit entities of construction, rehabilitation and modernisation services for hospital units
- deliveries of medical equipment and sanitary products to non-profit entities, as previously regulated under Art. 294, para. (5), letters a)-b¹) of the Fiscal Code.

By way of exception, in the case of transactions where the chargeable event occurs before 1 August 2025, VAT exemptions may still be available via a reimbursement mechanism, provided a request to this end is submitted by 31 October 2025.

Any reimbursed amounts must be used by the non-profit entities or any companies wholly owned by them exclusively for the acquisition of goods and services for use in non-profit activities.

Where the legal conditions for VAT exemption via reimbursement cease to be met, the beneficiary will become liable for repayment of the refunded amount of VAT.

2. Increase in the dividend tax

The dividend tax rate will increase from 10% to 16% starting 1 January 2026, or the first day of the modified fiscal year starting in 2026. This change applies to dividends paid to both resident and non-resident individuals and legal entities.

Dividends distributed based on interim financial statements drawn up during 2025 (or the modified fiscal year starting in 2025) will continue to be taxed at 10%, with no obligation to recalculate the tax upon subsequent regularisations based on annual financial statements for 2025.

3. Increase in the additional turnover tax for credit institutions

The tax rates applicable to turnover-based specific tax due by credit institutions is set to increase as follows:

- from 2% to 4%, for the period 1 July 2025-31 December 2025, applicable to turnover generated as of 1 July 2025. Where accounting adjustments are made that impact the turnover calculation for the first half of 2025, taxpayers must recalculate the tax due for the period 1 January-30 June 2025 and submit a rectifying tax return
- from 1% to 4%, for the period 1 January-31 December 2026
- by way of exception, credit institutions with a market share of below 0.2% of the total net assets of the Romanian banking sector will pay a 2% tax rate for the period 1 July 2025-31 December 2026. Market share is defined as the arithmetic average of the institution's/branch's market shares for the year preceding the tax year.

4. Taxation of gambling winnings

The progressive tax thresholds applicable to gross gambling winnings will be amended as follows:

- for income up to RON 10,000: the tax rate increases from 3% to 4%
- for income between RON 10,000 and RON 66,750: the base tax increases from 300 RON to 400 RON, with the rate applicable to amounts exceeding RON 10,000 remaining unchanged

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- for income in excess of RON 66,750: the base tax increases from RON 11,650 to RON 11,750, with the rate applicable to amounts exceeding RON 66,750 remaining unchanged.

5. Social contributions

The health insurance contribution (CASS) is to be reintroduced for the following categories:

- pensions in excess of RON 3,000 per month (applicable to income relating to the period 1 August 2025-31 December 2027)
- unemployment benefit, social assistance, parental allowance and other similar categories.

6. Amendments to tax on interest-derived income obtained by individuals

Clarifications are provided regarding the tax regime applicable to interest income derived from bonds issued by Romanian companies on foreign capital markets. Consequently, the responsibility for calculating, declaring and paying the tax on interest income is transferred from the issuer to the beneficiary, resident individual holding such bonds. Income tax is calculated and declared by the individual taxpayer through the single tax return.

Source: PL-x no. 230/2025 Draft Law on certain fiscal-budgetary measures, promulgated by the President on 25 July 2025.

This newsletter is a service of TPA Romania.

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