Romanian taxation

Introduction

Study book for ACCA exam, F6 – Romanian taxation

Valid for 2022 Exams

Cuvânt înainte

Acest curs este dedicat celor care vor sa susțină examenul F6 Taxation (Romanian stream) în vederea obținerii calității de membru ACCA. În acest sens, legislația pe baza căreia a fost realizat acest manual este legislația fiscală în vigoare la 30 Septembrie 2021.

Având în vedere cerințele ACCA pentru cei ce își propun să promoveze acest examen publicate de către examinator pe site-ul ACCA (accaglobal.com):

"In this syllabus, candidates are introduced to the rationale behind and the functions of the tax system. The syllabus then considers the separate taxes that an accountant would need to have a detailed knowledge of, such as income tax from self-employment, employment, investments and other activities; the corporate income tax liabilities of companies; the social security, unemployment, health care and other similar contributions liabilities of both employed and self-employed persons, the value-added tax liability of businesses and the obligation of taxpayers. No knowledge on excise duties is required for this paper.

Having covered the core areas of the basic taxes, candidates should be able to compute tax liabilities, explain the basis of their calculations, apply tax planning techniques for individuals and companies and identify the compliance issues for each major tax through a variety of business and personal scenarios and situations. "

acest curs este conceput astfel încât un student care parcurge, își însușește toate noțiunile și rezolvă toate problemele din secțiunile de probleme are toate șansele să promoveze acest examen.

Bineînțeles, nici o lucrare pe această temă nu poate să acopere 100% posibilele subiecte de examen, iar acest curs nu face excepție.

Deși, în mod evident, unui student român i-ar fi mult mai ușor să învețe materia pentru examen dintr-un manual în limba română, am ales redactarea acestui curs în limba engleză deoarece aceasta este limba în care se susține examenul. Aceasta nu înseamnă că nu puteți să-mi scrieți în limba romană și că nu voi recurge la limba romană în răspunsurile mele la întrebările/comentariile voastre dacă voi socoti că în felul acesta vă voi ajuta să înțelegeți mai bine.

Vă rog pe toți cei ce parcurg acest curs să-mi scrie orice neînțelegere ar putea avea în secțiunea de comentarii atașată fiecărei lecții. Voi încerca să le răspund repede astfel încât să poată învăța în continuare fără a pierde timp.

Mulțumesc anticipat celor care vor găsi de cuviință să-si sacrifice timpul prețios pentru a-mi face sugestii sau pentru a puncta eventualele erori ceea ce-mi va permite să îmbunătățesc cursul.

Cu deosebită stimă,

Mădălina ION

NOTE: Unless otherwise stated all references from this study book are from the Fiscal Code (noted FC) as at 30 September 2021.

Table of contents

Lesson 2: Tax regulatory framework. Tax avoidance and tax evasion ... 3
Lesson 3: Tax administration. System of self-assessment and making of returns ... 9
Lesson 4: Time limits ... 11
Lesson 5: Interest and penalties ... 14

3 APPENDIX ... 16

4 INDICES OF TERMS ... 21

5 Bibliography ... 22

Important note:

In solving all questions from this course use the tax rates and allowances given in the APPENDIX if the question is not specifying other values.

The table of tax rates and allowances from APPENDIX is similar to the information you receive in exam and you must use exactly that information if the question is not specifying other values!

The table of tax rates and allowances to be used in exam is also published on accaglobal.com.

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NOTE: Unless otherwise stated all references from this study book are from the Fiscal Code (noted FC) as at 30 September 2021.

Lesson 2: Tax regulatory framework. Tax avoidance and tax evasion

Public spending as proportion of the total final expenditure has risen over time. As public expenditure rises a government must raise more revenue to pay for it. This can be done in several ways, for example through:

- Borrowing money from private sector
- Interest payments on government loans to private sector and to other governments
- Rents from publicly owned buildings and land
- Admission charges by example to public museums or national monuments
- Revenues from government agencies and public corporations that sell goods or services, such as postal services and public transport
- Proceeds from the sale/privatisation of government-owned industries
- Taxes on income, wealth and consumption

Taxes are by far the most important source of public sector revenue.

A tax is a compulsory contribution to state revenue, levied by the government on individuals' income and business profits, or added to the cost of some goods, services, and transactions.

Main purposes of taxation

The main purposes of taxation are:

(1) Financing government spending: taxes are justified as they fund government expenditure and activities that are necessary and beneficial to society.

(2) Reduce gap between rich and poor: progressive taxation can be used to reduce inequality in a society. According to this view, taxation in modern nation-states benefits most the population and social development. Progressive tax system where higher income groups must pay more tax is an effective way of reducing inequality of income.

(3) Reduce consumption of demerit goods: taxes can be used as an effective tool to reduce the consumption of demerit goods like alcohol and tobacco. Higher taxes on these goods reduce the consumption. Examples include cigarette tax and excise duty.

(4) Control inflation: one of the causes of inflation is 'too much money chasing too few goods'. Government can take away the extra disposable income of the people through higher taxes and thus reduce the aggregate demand in the economy and resulting in low inflation rate.

(5) Balance of payments: custom duties/tariffs are taxes on imports. Government can correct an unfavourable balance of payment situation by increasing the custom duties. This will result in imports becoming expensive and will cause a fall in demand for the imported goods.

(6) Protecting local industries: government uses taxes as a mean to protect local/infant industries. Increasing custom duties on imports and charging lower taxes to local/infant industries may boost the demand for goods and services produced by domestic industry.

Different type of taxes

Taxes may be categorised using different criteria:

(1) Business taxes versus personal taxes

Because businesses and households are the main players in the circular flow of the economy, it makes sense that some taxes are levied on businesses and some on households. Taxes on businesses are usually calculated as a percentage of the profits of the businesses, or what's left after the company pays its suppliers, workers, etc. and after it takes accounting deductions for things like depreciation of its assets. This means that suppliers and workers are effectively paid with pre-tax money, but that the profits are taxed before they are distributed to shareholders or other owners. That said, corporations may end up indirectly paying other types of taxes during their business activities. These taxes could include property taxes on land or buildings that a company owns, customs duties and tariffs that are charged on production inputs that come from foreign countries, payroll taxes on a company's employees, and so on.

Personal taxes, on the other hand, are levied on individuals or households. Unlike business taxes, personal taxes are generally not levied on the "profits" of a household (how much a household has left over after paying for what it buys) but rather on the revenue of a household, or what the household brings in as income. It's not surprising, then, the most prevalent personal tax is an income tax but there are also taxes on consumption or on property.

(2) Direct taxes versus indirect taxes

Economists usually classify taxes into (i) direct taxes and (ii) indirect taxes. According to Dalton, a direct tax is really a tax which is paid by a person on whom it is legally imposed and the burden of which cannot be shifted to any other person is called a direct tax. J.S. Mill defines direct tax as "one which is demanded from the very persons who, it is intended or desired, should pay it."

The person from whom it is collected cannot shift its burden to anybody else. Thus, the impact, i. e., the initial or first burden, and the incidence, the ultimate burden of a direct tax — is on the same person. The taxpayer is the tax bearer. For example, income tax is a direct tax.

Also, you should note that a direct tax is <u>directly dependent on the income/ wealth</u> of the taxpayer.

An indirect tax, on the other hand, is a tax the burden of which can be shifted to others. Thus, the impact and incidence of indirect taxes are on different persons. An indirect tax is levied on and collected from a person who manages to pass it on to some other person or persons on whom the real burden of the tax falls.

Hence, in the case of indirect taxes, the taxpayer is not the tax bearer. Commodity taxes like VAT or excises are generally indirect taxes as they are imposed on the producers or sellers, but their incidence falls upon the consumers as such taxes are wrapped up in the prices.

The substance of distribution thus lies in its shifting. A tax which cannot be shifted is direct; and one which can be shifted is indirect. Though the conventional distinction between direct and indirect taxes is logical enough, it is very difficult to apply it in practice. It presupposes a good knowledge of the behaviour of the people regarding tax payments.

Many modern writers, however, distinguish between direct and indirect taxes based on assessment, rather than on the point of assessment. Taxes are generally assessed based on income received or expenditure incurred. Hence, taxes which are based on income are called direct and those which are levied on outlays are called indirect taxes.

Consequently, an indirect tax is depending on the income of the final taxpayer but it is depending on the income through the consumption of this tax payer.

In the group of direct taxes are income tax, wealth tax, property tax, estate duties and so on, while value added tax, excise duties, customs duties etc. may be grouped as indirect taxes.

Note that for your exam, the only indirect tax examinable is the value-added tax.

(3) Regressive, proportional and progressive taxes

Taxes can also be categorised as either regressive, proportional, or progressive, and the distinction must do with the behaviour of the tax as the taxable base (such as a household's income or a business' profit) changes:

(a) A regressive tax is a tax where lower-income entities pay a higher fraction of their income in taxes than do higher-income entities. (Regressive taxes can also be thought of as taxes where the marginal tax rate is less than the average tax rate. This will be discussed in more detail later.)

(b) A proportional tax (sometimes called a flat tax) is a tax where everyone, regardless of income, pays the same fraction of income in taxes. (Proportional taxes can also be thought of as taxes where marginal and average tax rates are the same.)

(c) A progressive tax is a tax where lower-income entities pay a lower fraction of their income in taxes than do higher-income entities. (Progressive taxes can also be thought of as taxes where the marginal tax rate is higher than the average tax rate.)

(d) In addition, a lump-sum tax is a tax where everyone pays the same amount in taxes, regardless of income. A lump-sum tax is therefore a particular kind of regressive tax, since a fixed amount of money is going to be a higher fraction of income for lower-income entities and vice versa.

Most societies have progressive income-tax systems, since it is (rightly or not) viewed as fair for higher-income entities to contribute a higher fraction of their income in taxes, since they

are spending a much lower fraction of their incomes on necessities. Progressive income-tax systems also partially balance out other tax systems that are likely to be regressive in nature. For example, an excise tax on cars is likely to be a regressive tax since lower-income households spend a greater fraction of their income on cars, and thus on the tax on cars. Lower-income households also tend to spend larger fractions of their incomes on necessities such as food and clothing, so a value-added tax on such items would also be quite regressive. (Therefore, it's typical for goods of first necessity to be exempt from value added tax or excise duty, and in some states clothing is exempt from value added tax as well.)

(4) Revenue taxes versus sin taxes

The main function of most taxes is to raise revenue that the government can use to provide goods and services to the public. Taxes that have this goal are referred to as "revenue taxes." Other taxes, however, are put in place not specifically to raise revenue but instead to correct for negative externalities, or "bad" behaviours where production and consumption has negative side effects for society. Such taxes are often referred to as "sin taxes," but in more precise economic terms are known as Pigovian taxes named after economist Arthur Pigou.

Because of their differing objectives, revenue taxes and sin taxes differ in their desired behavioural responses from producers and consumers. Revenue taxes, on one hand, are viewed as best or most efficient when people don't change their work or consumption behaviour very much and instead let the tax just act as a transfer to the government. (A revenue tax is said to have low deadweight loss in this case.) A sin tax, on the other hand, is viewed as best when it has a large effect on the behaviour of producers and consumers, even if it doesn't raise very much money for the government.

Mandatory social contributions are not taxes!

Mandatory social contributions are actual or imputed payments to social insurance schemes to make provision for social insurance benefits. They may be made by employers on behalf of their employees or by employees, self-employed or non-employed persons on their own behalf. The contributions may be compulsory or voluntary. Mandatory social contributions paid to general government or to social security funds under the effective control of government form an important part of government revenue and, although they are not treated so, some analysts (including the OECD's Tax Directorate) consider the payments as being analogous to a tax on income and so part of a country's overall tax burden. They are important not only in the sense that they form a significant share of government revenue but because they also reflect part of the costs of doing business. In many developing countries, high social contributions coupled with low social benefits are often cited as a reason for a large informal economy.

Tax regulatory framework

In Romania, the tax regulatory framework is established mainly by the Fiscal Code (Law 227/2015) together with the Fiscal Procedures Code (Law 207/2015).

For your exam purposes, all this material is based on the tax laws as issued at 30th September 2017.

All taxes and duties applicable in Romania are based on the following main principles (art. 3):

Neutrality

(here you must note your understanding from the course)

Clarity

(here you must note your understanding from the course)

Equity

(here you must note your understanding from the course)

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Efficiency

(here you must note your understanding from the course)

Predictability

(here you must note your understanding from the course)

Tax avoidance and tax evasion

Essentially, the difference between avoidance and evasion is legality.

Tax avoidance is:

Examples of tax avoidance are:

Tax evasion is:

Example of tax avoidance are:

Tax evasion is punished by the law with ___________________________________.

Now it is time for you to check your understanding. Note your answers to the quiz:

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Lesson 3: Tax administration. System of self-assessment and making of returns

System of self-assessment and making of returns

Most taxes and contributions must be assessed and declared to the tax authorities by the taxpayers themselves.

Taxpayers must:

- Record and keep evidence of the amounts used in their computation. To comply with this requirement, the companies must keep proper accounting records and individuals must keep all justifying evidence.
- Compute their tax liabilities.
- Declare their properties as well as their taxable incomes/profits using established tax returns
- Compute, withhold, declare and record all taxes to be withheld at source (if any)

All taxes and contributions due are to be declared by the taxpayers to the tax authorities depending on where their fiscal domicile is. The fiscal domicile represents (FPC art. 31):

- For individuals: their residential address/domicile
- For individuals earning commercial/independent income: the address where commercial/independent activity is carried on
- For companies: the declared address of their head office or the place where the main activity is carried on.

All taxpayers must register in ____ days from the:

- Date of registration (for legal persons - FPC art. 82(6))
- Date of registration of the secondary office (for companies) (FPC art. 85)
- Date of beginning of activity or the date when the first income is obtained (for individuals - FPC art. 82(6))

The registration date is:

- The date when the first tax declaration was submitted, for individuals
- The date when the fiscal identification code is issued for legal persons.

Any change in the taxpayer initial declaration should be declared in 15 days - FPC art. 88.

NOTE: Unless otherwise stated all references from this study book are from the Fiscal Code (noted FC) as at 30 September 2021.

The deregistration should be done in ____ days also – FPC art. 90. If the taxpayer is not deregistering himself, but the taxpayer ceases to exist or to perform an economic activity, the tax authorities may proceed to deregistration ex officio.

When the tax domicile is the same as the headquarters of the company, the taxpayer does not have the obligation to notify the change, but the change must be made ex-officio (FPC art. 32 (5)).

Now it is time for you to check your understanding. Note your answers to the quiz:

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Lesson 4: Time limits

The Fiscal Code (hereafter called FC) establishes time limits for declaration and for payment for all types of taxpayers and for all types of taxes and contributions.

The taxpayer has the obligation to compute/assess his taxable income/wealth and to compute the tax due and to declare each tax in its specific deadline.

Tax returns must be submitted even if the computed tax is already paid or is nil.

The tax authority may check and (re)assess taxes and contributions for ___ years starting on ____________ the year after the tax/contribution was due but in case of an illegality, the prescript period is 10 years starting from the date of the illegality. (FPC art. 110).

Note:

For those companies having their tax year different from the calendar year the prescription period starts on the first day of the ____th month after the end of the tax year.

If taxpayers are not submitting their tax returns the Tax Authorities are entitled to assess their tax base using any legally possible evidence/mean (FPC art. 106(2)).

First, the Tax Authorities must inform the taxpayer about his negligence and about the related consequences.

Then, if the taxpayer is not submitting his returns, the assessment of tax by the Tax Authorities must be done after 15 days from the date when the taxpayer was informed by the Tax Authorities regarding its overdue return (FPC art. 107 (1)).

If the taxpayer is submitting his declaration in 60 days from the "ex-officio" assessment, then the ex-officio assessment is cancelled.

For the differences and/or accessory payments established by the tax authorities the payment deadline is (FPC art. 156):

- By _____th of the next month if the tax ruling was received in 1st - 15th of the current month, and
- By ______th of the next month if the tax ruling was received in 16th– 31st of the current month

For the anticipated payments communicated by the tax authorities after their deadlines, the new deadline is 5 days from the communication date of the anticipated payment decision. (FPC art. 155 (3)).

For the tax decisions issued by the tax authorities based on tax returns submitted with delay by taxpayers, the deadline is 5 days from the communication date of the tax decision. (FPC art. 155 (4)).

For tax differences due based on adjusted tax returns submitted by taxpayers, the payment deadline is the submission date of the adjusted tax return (FPC art. 156(4))

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Enquiries, rulings, appeals and disputes

The Tax Authorities are entitled to check all tax returns as well as all incomes/ properties subject to taxes/duties and/or social contributions.

As we said, the tax authorities can check back for a period of 5 years starting on 1st of July of the year following to the year when the tax liability was created, BUT if the tax liability assessed resulted from an illegal action, the prescription period is of 10 years from the date of illegality (FPC art.110).

In the prescription period, the tax authority may check each tax/contribution only once.

The tax inspector has the power to enter a taxpayer's premises at will during business hours. He must produce an identity card as well as the decision to start the tax inspection before commencing the investigation. He may ask for copies of documents, records and data belonging to the taxpayer (FPC art 113). Such copies are provided at the taxpayer's cost with no right to reimbursement.

A tax audit may be conducted by the tax inspectors with or without prior notification of the tax payer.

If the taxpayer must be notified, then the notification must be communicated to the taxpayer with:

- 30 days (if it is a large company)
- 15 days in any other case

prior to the date scheduled for the start of inspection.

The taxpayer may ask to postpone the start of inspection only once and for justified reasons (FPC art 122).

The duration of a tax audit shall be determined by the tax inspectors and it cannot exceed (FPC art. 126):

- 180 days for large companies/companies having secondary offices
- 90 days for medium taxpayers and
- 45 days for the other taxpayers

The duration of the tax audit may be increased up to maximum twice the above periods and, if the tax audit, is not finalized in the extended period then the tax audit cesses without any further documentation.

For individuals, tax authorities are entitled to performed firstly a review of the declared income/financial position and if there are indications that the difference between the real incomes/financial position of a individual and its declared income/financial position is above 10%, but not less than 50,000 Lei, a proper tax audit should follow (FPC art 138).

For individuals, the duration of the tax audit should not exceed 365 days (FPC art. 140(6)).

Before finalizing a tax audit, the tax inspectors should communicate to the tax payer all their findings and the taxpayers has 5 working days to respond to them. The tax audit is finalized with a report stating all findings as well as the answers of the tax inspectors to the comments made by the tax payer.

Following the finalization of the tax audit, a tax decision should be issued with all differences revealed by the tax audit for all taxes and contributions subject to the tax audit. The tax decision must be issued in 25 working days from the finalization of the tax audit.

At the request of the taxpayer, the tax inspector may also issue a provisory tax decision before the finalization of the tax audit.

A tax audit conducted without prior notice may not last more than 30 days.

At the finalization of a tax audit without prior notice the tax inspector should issue a minute with all findings and the taxpayer has 5 working days to comment these issues.

If a tax payer considers that a tax ruling is unfair/illegal or incorrect for him, he may appeal against it.

The appeal should be submitted in ________ days after the receipt of the tax ruling (FPC art. 270).

Now it is time for you to check your understanding. Note your answers to the quiz:

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Lesson 5: Interest and penalties

The tax authorities are entitled to compute interest and penalties for overdue payments or for failure to declare taxes/contributions.

If a taxpayer is not paying his liabilities to the state budgets or to social security budgets in due time, he is liable to pay interest and late payment penalties (FPC art. 173).

But if a taxpayer fails to declare or declare a smaller tax or contribution, he will have to pay interest and non-declaration penalty for the non-declared tax or contribution.

The interest and penalties are also called ___________________.

No penalties and interest are levied for amounts payable as fines, late payment interest and increased amounts determined under the law.

The accessory payments should be computed starting with the first day after due deadline and until the day of payment (inclusive).

The rate for interest is 0,02% for each day of delay (FPC art. 174).

The rate for late-payment penalty is 0.01% for each day of delay (FPC 176).

And the rate for non-declaration penalty is 0.08% for each day of delay (FPC 181).

You receive in exam all above rates!

For those liabilities, which are paid at an estimated level in the year and the final payment is done after the year end, the interest as well as the late-payment penalty is computed using the following algorithm (FPC art. 175):

- For the outstanding tax payable in the year, the period of delay is from the due date until the obligation is paid or until the year end (31st December).
- Then, if the final tax liability is above the tax paid but less than the estimated tax payable in the year, this means that the outstanding tax (= the final tax – the tax paid) should have been paid in the year and it is overdue. In this case, for the difference between the final tax due and the tax paid the accessory payments are computed for the period starting on 1st January until the tax is paid.
- If the final tax is higher than the estimated tax, then for the anticipated tax overdue, the accessory payments are computed, as above for the period starting on 1st January until the tax is paid. BUT the difference between the final tax and the estimated tax normally has its deadline after the year end and for this difference the accessory payments are computed for the period starting on the date due for this difference and the payment date if the final tax was declared in its deadline, otherwise for this difference the interest will be computed also as from 1st January until payment.

As a general rule, the interest as well as the penalty for overdue payments are computed using the same algorithm.

Non-declaration penalty (art. 181, CPF)

The non-declaration penalty applies to those liabilities not declared or understated by the taxpayer and established by the tax authorities.

The non-declaration penalty is 0.08% per day starting the first day when the related liability is overdue until payment.

The non-declaration penalty may not exceed the ____________________.

If the non-declaration penalty is below ____ Lei, then the tax authority may ignore it.

This penalty is:

- Decreased with ___% (at the request of the taxpayer) if the related liability is paid in the term allowed for the liabilities established by the tax authority (5th or 20th of the following month, depending on the tax decision's date)
- Increased with ____% if the related liability resulted from tax evasion.

Now it is time for you to check your understanding. Note your answers to the quiz:

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3 APPENDIX

Tax rates and allowances given in exam, to be used in solving all questions.

Personal income tax

General tax rate	10%
Charitable giving tax credit limit	3.5%

Income from employment

Benefits

Limit for non-taxable gifts	150 lei/person/occasion
Limit for non-taxable voluntary pension contributions paid by the employer	€400/year
Limit for non-taxable voluntary health insurance paid by the employer	€400/year
Limit for non-taxable per diem allowance	2.5 *public institutions' threshold
The allowance accepted for public institutions' employees for trips within Romania:	20 lei/day/person
Valuation of use of company owned car benefit in kind	1.7%/month

Deductions

Deduction allowed for voluntary pension contributions paid by the employee:	€400/year
Deduction allowed for voluntary health insurance paid by the employee:	€400/year

Personal deduction

The value of personal deduction shall be given in each question.

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Income from the sale of immovable property owned by an individual

Income	Tax rate
Up to 450,000 lei	0%
Above 450,000 lei	3% of the amount exceeding 450,000 lei

Income from renting

Lump-sum deductible expenses quota	40%

Intellectual property income

Lump-sum deductible expenses quota	40%

Self-employed income

The limit of deductibility for protocol expenses	2%
The limit of deductibility for compulsory subscription expenses paid to professional associations	5%
The limit of deductibility for subscription expenses paid to professional associations other than compulsory ones	€4,000/year
The limit of deductibility for social expenses	5%
The limit of deductibility for sponsorship expenses	5%
The limit of deductibility of voluntary pension contribution paid for the self-employed person	€400/year
The limit of deductibility of voluntary health insurance paid for the self-employed person	€400/year
Reference interest rate set by the Romanian National Bank for loans denominated in lei	1.5% p.a.
Limit of deductibility for expenses connected to cars not entirely used for business purposes	50%

Investment income

Tax rate for capital gains from the sale of shares	10%
Tax rate for interest received by individuals	10%
Tax rate for dividends received by individuals	5%

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Prize income

Tax rate for prize income	10%
Non-taxable value	600 Lei/day/prize

Pension income

Non-taxable pension income	2,000 Lei

Corporate income tax

General tax rate	16%
Limits for legal reserve	5% of profit but no more than 20% of share capital
Fixed threshold for deductibility of exceeding borrowing costs	€1,000,000
Variable threshold for deductibility of exceeding borrowing costs	30%
Inflation rate for prepayments of corporate income tax	2.4% p.a.
Maximum value of deductible expenses for subscriptions to non-profit organisations other than those which are compulsory or due to the chambers of commerce and to employers' organisations	€4,000/year
The limit of deductibility for protocol expenses	2%
The limit of deductibility for social expenses	5%
Maximum value of tax credit for sponsorship expenses	20% of the corporate income tax but no more than 0.75% of sales revenue
Limit of deductibility for expenses connected to cars not entirely used for business purposes	50%

Corporate income tax for very small companies

Turnover threshold	€1,000,000
Tax rate:	
No employees	3%
1 or more employees	1%
Sponsorship deduction	20%

Straight-line depreciation periods (for tax and accounting purposes)

Class of asset	Period in years
Buildings	50
Machines and equipment	10
Computers and printers	3
Cars*	5
Computer programs	3

* Limited to maximum 1,500 Lei/month

Note: The straight-line depreciation method for the above periods should be used in all cases, except where a question specifically indicates another method and/or period is to be used.

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The minimum value of an asset for tax depreciation purposes is 2,500 lei.

Tax on dividends paid to legal persons

For dividends paid to legal persons resident in Romania, EU or EFTA countries:	5% or 0%
For dividends paid to other non-residents	5%

Social security, health care insurance and work insurance contributions

Persons obtaining employment revenue

	Employee	Employer
Social security fund	25%	
Health care insurance fund	10%	
Work insurance fund	-	2.25%

Persons obtaining revenue other than employment

Social security fund	25%
Health care insurance fund	10%

Minimum monthly salary	2,300 Lei

Note: These rates should be used in answering the questions, irrespective of the time period the questions refers to.

Value added tax (VAT)

Standard rate	19%
Reduced rates	9% and 5%
Annual threshold for VAT registration	300,000 Lei
Annual threshold for a monthly tax period	€100,000
Annual threshold for applying the cash accounting scheme	4,500,000 Lei
Threshold for VAT registration for Intra-EU acquisitions of goods	34,000 Lei
Limit of non-taxable protocol gift in goods	100 Lei/gift

Limit of non-taxable goods and services offered as sponsorships:	0.3%*turnover/year
Limit of deductibility of VAT of expenses connected with cars not Entirely used for business purposes	50%

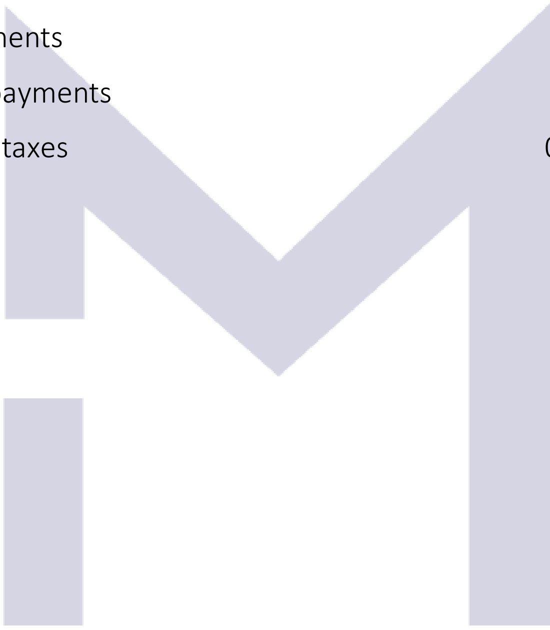
Exchange rate

Euro/Lei	€1 = 4.9 Lei

Note: This rate should be used in all cases except where a question specifically indicates another rate is to be used.

Interest and penalties

Interest rate for late payments	0.02%/day
Penalty level for late tax payments	0.01%/day
Penalty for non-declaring taxes	0.08%/day or 0.02%/day



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4 INDICES OF TERMS

accessory payments 14
direct taxes 4
fiscal domicile 9
indirect tax.. 5
Interest 14
Mandatory Social Contributions 6
non-declaration penalty 15
tax 3
tax audit 12
Tax avoidance.. 8

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- Norms for the application of Fiscal Code
- Law 207/2015 “Fiscal Procedures Code” updated as at 30th September 2021
- Previous years ACCA Romanian Taxation’s examiner comments
- Previous years ACCA Romanian Taxation exams

CONSULTING

NOTE: Unless otherwise stated all references from this study book are from the Fiscal Code (noted FC) as at 30 September 2021.