

LEGAL AND TAX ALERT, January 10th, 2017

NEW AMENDMENTS TO THE FISCAL CODE THAT ARE IMMEDIATELY ENFORCEABLE. THE THRESHOLD FOR SOCIAL AND HEALTH INSURANCE CONTRIBUTIONS HAS BEEN ABOLISHED.

Certain new taxation rules implemented by a substantial amendment of certain provisions of the Fiscal Code¹ have recently entered into force.

Among these, most important amendments include:

- The introduction of a fiscal facility applicable for taxpayers performing exclusively innovation or research-development activities, as well as related activities, such taxpayers benefiting from a corporate tax exemption during their first 10 years of activity.

As a transitory measure, already incorporated taxpayers which meet these requirements will benefit from the corporate tax exemption for the period January 6th, 2017 - January 6th, 2027.

Nonetheless, this fiscal facility will have to be applied conditional upon the regulations regarding state aid are observed.

- The significant increase, from EUR 100,000 to EUR 500,000, in RON equivalent, of the threshold for incomes derived by Romanian legal entities, in light of classification as micro-companies. The rest of existing classification criteria has remain unchanged.
- The abolishment of the 2% tax rate on the micro-companies income tax. Hence, according to the new regulations, the micro-companies income tax is of 1% for entities which employ one or several individuals and of 3% for entities having no employees.
- The introduction of a fiscal facility comprising of an income tax exemption for salary income and assimilated derived based on an individual employment contract concluded for a period of 12 months, concluded with an employer performing seasonal activities, explicitly regulated as such. This tax exemption is applicable for such incomes corresponding to month February 2017.
- The extension of the deduction right with respect to computation of the taxable income, by including the equivalent value of the medical services subscriptions purchased by employees, within the threshold representing the RON equivalent of EUR 400. Same threshold was previously applicable only with regard to the deduction of the voluntary healthcare insurance premium. The new rules are applicable with respect to the salary incomes and assimilated corresponding to month February 2017.

¹ The Government Emergency Ordinance no. 3/2017 on the amendment and supplementation of the Fiscal Code has been published in the Oficial Gazzette, Part I, no. 16 dated January 6th, 2017.

- The introduction of a new fiscal facility by means of classifying as non-taxable an amount of RON 450,000, when computing the tax on income derived as a consequence of transfer of immovable assets in the personal patrimony owed by individuals. As such, according to the new rules, the computation basis to which the 3% tax is applied will be computed after deduction of the amount of RON 450,000 from the value of the transaction. The new rules are applicable for transactions concluded starting February 1st, 2017.
- As regards mandatory social contributions, an important amendment consists in the abolishment of applicable threshold when determining the computation basis for social insurance contributions for salary incomes and assimilated, with respect to both individual contribution and contribution owed by the employer. In addition, a similar abolishment impacts on the threshold applicable when determining the computation basis for individual healthcare insurance contribution for salary incomes and assimilated. New rules are applicable for incomes corresponding to month February 2017.

Should you require any further information, please feel free to contact us:

Anca Grigorescu

Partner

anca.grigorescu@bpv-grigorescu.com

Cristina Randjak

Managing Associate

cristina.randjak@bpv-grigorescu.com

bpv GRIGORESCU ȘTEFĂNICĂ

33 Dionisie Lupu Street

RO - 020021 Bucharest

Tel. +40 21 264 16 50

Fax +40 21 264 16 60

Web www.bpv-grigorescu.com

Disclaimer

This is an information service provided by **bpv GRIGORESCU ȘTEFĂNICĂ**.

This material is for information purposes only and does not constitute legal advice. We recommend that you seek legal advice before taking or implementing any decision on the basis of the information contained in this material. We welcome your feedback and suggestions for improving this publication at any of the contact details listed above.