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ROMANIA:

A PROFILE

Physical Characteristics:

Geography and Climate

Romania is situated in southeastern of Central Europe, just north of the Balkan Peninsula. With an area of 238,397 square km (91,780 square miles). Romania borders on Ukraine and the Republic of Moldova to the north and northeast, on Bulgaria to the south, on Serbia to the south-west and on Hungary to the northwest. The Black Sea coast is its eastern border. The Danube River runs along Romania's southern border for 1,075 km, and eventually forms the Danube Delta before flowing into the Black Sea. Romania has a varied terrain and large areas of the country are mountainous. It has a variety of natural resources, amongst which oil, natural gas, coal, iron ore, non-ferrous ore (copper, lead, and zinc), gold and silver ore, Sulphur, and salt. The climate is temperate continental with hot summers, long cold winters, and short springs and autumns. The average temperature in summer is 23° Celsius (72° Fahrenheit), although on some days it may exceed 40° C (102° F). In winter, the weather is usually frosty, with considerable snowfall. The temperature averages -3° C (27° F), but it may occasionally fall below -25° C (-13° F).



Political Structure¹

Official name	Romania
Legal system	Parliamentary republic; new constitutions were adopted in 1991 and 2003
National legislature	Romania has a bicameral parliamentary system. The electoral system is based on proportional representation and party lists for both chambers. The Senate (the upper house) has 136 seats and the Chamber of Deputies (the lower house) 329. Both chambers are directly elected for four-year terms
Electoral system	Universal direct suffrage over the age of 18
National elections	December 6th, 2020 (legislative); November 10th and 24th 2019 (presidential). The next parliamentary election is scheduled for the end of 2024 and the next presidential election is scheduled also for 2024
Head of state	The president, Klaus Iohannis
National government	An 18-minister cabinet nominated and headed by the prime minister, Florin Citu, in office since the 23rd of December 2020.
Political parties	2020 USR-PLUS Alliance (USR+); Alliance for the Union of Romanians (AUR); Alliance of Liberals and Democrats (ALDE); Christian Democrat-National Peasants' Party (PNTCD); Greater Romania Party (PRM); Hungarian Union of Democrats in Romania (UDMR); National Liberal Party (PNL); People's Movement Party (PMP); PRO Romania; Social Democratic Party (PSD)
Government	Prime minister: Florin Citu (PNL)
No of Ministers	18
Central bank governor	Mugur Isărescu

1. CIA – The World Factbook and Guvernul Romaniei

Political and Economic Transition²

1989 - 1996

Romania started its transition to democracy and a market economy in December 1989. In the period between 1989 and 1996, a left-wing president, Ion Iliescu, led the country and center-left parties formed the successive governments. Romania initiated a gradual reform of the economy and established democratic institutions.

1996 - 2000

Between 1996 and 2000, a center-right coalition (made up of the Democratic Convention - CDR, the Social Democratic Union - USD and Hungarian Democratic Union in Romania - UDMR) and President Emil Constantinescu governed the country.

2000 - 2004

Following the November 2000 parliamentary elections, the center-left Party of Social Democracy in Romania (PDSR) - now Social Democratic Party (PSD) - formed a minority government with Adrian Năstase as Prime Minister. Ion Iliescu won the presidential election held at the same time. The Năstase government has managed to improve the economy by strengthening governance and administration offering tax cuts and facilities to business, providing stable political and economic environment reducing government bureaucracy and increasing social protection. As a result, Romania was accepted as a full **NATO member** in April 2004 and formally concluded the accession talks (by negotiation chapters) with the European Union during the EU European Council of December 2004. In 2005, after the general elections of November 2004, a coalition between the Justice Truth Alliance (D.A. Alliance - the National Liberal Party and the Democratic Party), the Magyar Democratic Union of Romania and the Romanian Humanist Party formed the new government with Calin Popescu Tăriceanu as Prime Minister. Bucharest mayor Traian Băsescu, the candidate of the D.A. Alliance, won the presidential elections.

2004 - 2008

In 2004 Traian Băsescu, leader of the

Democratic Party (PD) won the presidential election by a narrow margin. Băsescu appointed former liberal leader Călin Popescu-Tăriceanu prime minister, who headed a government composed of the PNL, PD, UDMR, and the Conservative Party. To secure a parliamentary majority, the coalition government relied on the support of 18 parliamentary seats reserved for ethnic-minority representatives.

During its first year the government was also tested by a successfully resolved hostage crisis involving three Romanian journalists kidnapped in Iraq and avian influenza in several parts of the country, transmitted by wild birds migrating from Asia.

The government's overriding objective was the accession of Romania to the European Union, and on 1 January 2007, Romania became the 26th member of the EU. The



2. All the information provided in section 1.3 is originated from publicly available sources and does not represent under any circumstances Deloitte's experts opinion. The public sources: BBC – Romania Profile | Romania Insider - Making of Romania: the 1989 revolution and the road to democracy

government also maintained good relations with the U.S., signing an agreement in December 2005, which would allow U.S. troops to train and serve at several Romanian military facilities. Băsescu and Popescu-Tăriceanu pledged to combat high-level corruption and implement broader reform to modernize sectors such as the judicial system and health care. On 19 April 2007, Parliament suspended President Băsescu on charges of unconstitutional conduct. The suspension, passed by a 322–108 vote, opened the way for a national referendum on impeachment, which failed.

2008 – 2012

The November 2008 Parliamentary elections were close, with the Social Democrats (PSD) winning 33.9% of the

vote, President Traian Băsescu's Centre-right (PDL) taking 32.34%, and the ruling National Liberals (PNL) receiving 18.6%. The Liberal Democrats and Social Democrats formed a coalition after the election. Former Prime Minister Theodor Stolon withdrew his candidacy for the premiership and President Bădescu nominated Emil Boc, president of the Liberal Democrats, as prime minister. With the onset of the Great Recession, the Romanian political scene saw tensions between the president and prime minister and between the general population and both. Tensions escalated with a 2012 political crisis and another attempt to impeach President Bădescu. In the referendum, more than 7.4 million people (nearly 90%) supported Bădescu's removal from office. However, the Constitutional Court invalidated the referendum because most of the population did not vote (the voter turnout was 46%).

2012–2016

The Social Liberal Union received a large majority in the Chamber of Deputies and the Senate (60.07 and 58.61 percent of the vote, respectively). The new Prime Minister, Victor Ponta, quickly formed a government but the failure to adopt reforms quickly triggered a wave of protests against a government seen as not fulfilling the promises of the 2012 electoral campaign. Two other projects of national interest (shale drilling and the Rosie Montana mining project) unleashed more protests. In early 2014, the PNL broke away from the USL and entered opposition. Along with the PDL, the PNL formed the Christian Liberal Alliance in order to support the candidature of Klaus Iohannis as president of Romania and later agreed on a future merger that would retain the name of the National Liberal Party. Iohannis won a surprise victory in front of the incumbent PM Victor Ponta in the second round of the 2014 presidential elections, by a margin of 54.43%. Voters abroad were upset because they were not all given the right to cast their ballots, which represented one of the key reasons for Ponta's defeat. In late 2015, another series of nationwide protests ultimately prompted Prime Minister Victor Ponta's resignation. Shortly

afterwards, President Iohannis appointed then independent politician Dacian Cioloș as Prime Minister, who was briefly in charge of a technocratic government between late 2015 and early 2017.

2016 – 2020

The legislative elections of 11 December 2016 saw a predictable comeback of the PSD as the major party in the Romanian Parliament. Alongside ALDE, the PSD formed a governing coalition under Prime Minister Sorin Grindeanu. In early 2017, a series of massive nationwide protests (the largest in Romania's recent past) prompted the government's resignation and early elections because of the government's secret procedure of giving an ordinance modifying the Penal Code and Penal Procedure Code on the night of 31 January. The PM and government refused to resign but nonetheless decided to withdraw the decrees that fueled the peak of the protests on February 5th. Due to tensions arose between PM Sorin Grindeanu and PSD leader Liviu Dragnea, the PM was dismissed by a motion of no confidence passed by the Parliament with 241 votes (233 minimum needed). Quickly afterwards, Mihai Tudose was proposed by the socialists for the position of Prime Minister and was subsequently accepted by Iohannis. However, just after 6 months of governance, he resigned from this Government. Consequently, the ruling coalition nominated a new Prime Minister candidate in the person of Viorica Dăncilă, a former socialist MEP in the 2014 - 2019 nomination accepted by the President. In 2019 after a Motion of no confidence in Parliament the PSD lost the majority and a new Prime Minister was nominated by the president from the PNL in the person of Ludovic Orban.

2020 – Present

After the parliamentary elections of November 2020, a new majority was formed among center-right parties between PNL, USR+ and UDMR. The person proposed by the three parties and nominated by the president to lead a newly formed cabinet as prime minister was Florin Ciut.



Population and Urbanization

Romania's population stands at about 19,405,000 inhabitants, on January 1st, 2019 (usually resident population). Density of the usually resident population: 82.4 inhabitants /km², on January 1st, 2019.

According to the latest statistical information (2011). Ethnic Romanians make up about 89% of the population. The main minority groups are Hungarians (7%), followed by a large community of Roma (3, 5%), and smaller numbers of Germans, Russians, and Serbs. More than half of the population (53, 6%) lives in urban areas. The population of Romania is predominantly Christian of different denominations: Orthodox (87%), Roman Catholic (4.7%), and Reformed (3.2%), Greek Catholic (1%), Baptist (0.6%). Romania also has small Jewish and Muslim communities.

Name	Population	Activity
Bucharest	1,877,155	Capital, business, manufacturing
Iași	318,012	Manufacturing, transportation
Cluj-Napoca	316,748	Business, manufacturing
Timișoara	315,053	Business, manufacturing, agriculture
Craiova	304,142	Manufacturing, transportation
Constanța	303,399	Shipping, tourism
Galați	294,087	Shipping, manufacturing

Language

The official language of the country is Romanian. The language uses the Latin alphabet and is part of the Romance language family. In some parts of Transylvania, Hungarian is spoken alongside Romanian, while in other parts of Transylvania and in Western Romania German is spoken.

In addition, many Romanians speak English and/or French, and business is often conducted in one of the latter two languages.

Education

Education is mandatory and free from the ages of six to sixteen. The Romanian state education system includes primary, secondary, and higher education institutions. The higher education sector consists of academic universities and polytechnic institutes. Like many post-communist countries, Romania has always had a reputation for strength in scientific fields. Recent years have seen an increase in the number of secondary and post-secondary establishments and private education has become more popular. Business administration and management studies have been introduced in cooperation with the US, UK, France, and Canada.

Transport and Communications

Transport



Rail: Romania has a railway network of 10,788 km, of which electrified track accounts for 8,585 km. International express trains connect the main central European capitals with Bucharest, the Black Sea coast, and main cities. Romania is a member of the International Railway Tariff System RIT and Inter Rail.



Roads: The total length of public roads in Romania reaches 86,391 km. Highways have a total length of around 806 km. Major east-west highway projects are in different stages of development.



Waterways: Romania has access to both the Black Sea and the Danube River. In Constanta, the Black Sea's largest commercial port, vessels with a maximum displacement of 165,000 DWT for dry bulk and 250,000 DWT for liquid bulk cargo can anchor. The Danube is now connected to the North Sea by the Danube-Main-Rhine waterway.



Airways: In Romania there are currently 16 airports open to commercial air traffic, the most important being Bucharest (Henri Coandă), Timisoara (Traian Vuia) and Cluj-Napoca (Someșeni). Of the 16 airports, 11 are located on the Trans-European Network - Transport (TEN-T). The main Romanian providers of scheduled passenger air transportation are Tarom, the Romanian flag carrier based in Bucharest Henri Coanda and Blue Air, a private Romanian airline headquartered in Bucharest. Since 2016, it has become the largest Romanian airline by scheduled passengers flown. As of February 2019, Blue Air flies to 80 scheduled destinations. In addition, many international airlines serve Romania and there are daily flights to most European capitals.

Communications

Telecommunications: Nationalized in 1948, Romanian Autonomous Telephone Company entered under the control of the State that became its new owner. After 1991, the ROMTELECOM Autonomous Telecommunication National Company was set up as the national operator in matter of communications. In December 1998, OTE Company of Greece purchased 35% of the ROMTELECOM shares. GTE from the USA joined in bringing thirty experts to the executive and operative leadership of the company. Mobile phones have boomed formidably in recent years. Data from the Ministry of Communication and Information Technology show that in late 2008 the number of mobile phone users stood at 24,640 million in the country with a population of 19,042 million people. The Ministry of Communications

and Information Technology granted six licenses for the experimentation of 3G telecommunication services. Ericsson, Siemens, Nokia, Alcatel, Motorola and Zapp own the respective licenses.

Fixed internet and telephony

The data processed by the Authority (National Authority for Management and Regulation in Communications) show that, in Romania, the total number of **fixed internet connections** in Romania reached 5.3 million at the end of 2019, increasing by 4% year-on-year. With an average monthly consumption per connection of 29 GB with an increase of 14% year-on-year. The number highspeed internet connections are at 3.9 million. Fixed internet penetration rate per 100 households was 64%. The number of fixed internet connections in the rural area are

situated at 49% and in urban areas at 75%.

The usage level of **fixed telephony** continued the downward trend in 2019, with decreases in both the number of access lines (-8%, to 3.4 million), and especially in the voice traffic segment (-17%, reaching 1.9 billion minutes). Thus, the monthly average traffic achieved from a fixed line reached 8 minutes. In terms of voice traffic, the market leader held a market share of 40%, the second largest provider 35%, the next one 23%, the others totaling 12%.

Mobile Internet and telephony³

End-2019 data processed by the Authority show that 60% of the total number of mobile internet connections are 4G, while 25% of them are 3G connections, i.e., 85% of the 19.9 million mobile internet connections enable high transfer rates. Thus, the penetration rate per 100 inhabitants of mobile internet provided through 3G and 4G connections was 85%. Most mobile internet are used over a mobile telephone, upon payment of a subscription or of a dedicated internet option, these users having consumed on average 3.7 GB/month. In terms of voice traffic, the market leader held a market share of 39%, the second largest provider 25%, the next one 18%, the others totaling 18%.

At the end of 2019, there were 22.7 million active mobile telephony users (+0.2%), of which 10 million (+3.9%) residential postpaid users, 3.1 million (-0.1%) business postpaid users and 9.6 million active prepaid card users (-3.4%). Throughout 2017,

a total traffic of almost 66.2 billion voice minutes was achieved on the mobile telephony segment, -2.1% less compared to 2018. In 2019, a user talked on the mobile telephone 4 hours and 44 minutes a month.

Audio-visual program retransmission

In 2019, there was a decrease of 0.5% in the number of subscribers to pay TV retransmission services, to 7.6 million. In urban areas, the penetration rate was 105 per 100 households, while in rural areas it was 97 per 100 households. Based on the number of subscribers at the end of 2019, the TV services market leader held a market share of 53%, the second largest provider 17%, the next one 12%, whereas the other providers accounted for 18%. Most of the 7.6 million subscribers – i.e., 5.43 million – use cable networks, 2.04 million use satellite networks - DTH, while 0.12 million are IPTV subscribers

Radio: State-owned the Romanian Radio Broadcasting Company (Romanian: Societatea Română de Radiodifuziune), informally referred to as Radio România (Romanian: Radio România), is the public radio broadcaster in Romania. It operates FM and AM, and internet national and local radio channels. The local stations are branded under the Radio România Regional umbrella. Radio România International is the company's international radio station, broadcasting on two channels in Romanian, English, French, Aromanian, Spanish, German, Italian, Serbian, Russian, Ukrainian, Chinese, and Arabic.

3. National Authority for Management and Regulation in Communications Annual 2019 report



Newspapers and Periodicals: Romania has a multitude of daily newspapers written for di-verse audiences. There are also more than 200 weekly papers as well as a growing number of magazines, many of which are produced under license from a foreign copyright owner. Distribution is made through private distribution companies. The print newspapers' sales have been dropping constantly in recent years, as most Romanians prefer reading their news online. Some regional or local newspapers are doing a bit better and even have higher sales figures compared to national newspapers. Ziarul Financiar, the main business newspaper in Romania, saw its sales drop under 5,000 copies per edition in 2016, from over 6,600 in April-June 2015.

Research, Advertising, and Media Buying: The growth of the consumer society has stimulated the emergence of research organizations (e.g., CSOP Gallup, IRSOP and IMAS), and marketing research consultants (e.g., GFK, Nielsen or Kantar Millward Brown). There are several agencies in the advertising sector, most with international affiliations (e.g., McCann Worldgroup, Leo Burnett & Target, Saatchi & Saatchi, D'Arcy, Geometry Global, MullenLowe Romania, Ogilvy & Mather, and Graffiti BBDO).

Internet: Around 75.7% of Romanian households have access to the internet. The region with the best access to the internet is Bucharest - Ilfov where 6 out of 7 households have access to the internet and the region with the lowest internet access is North-East development region where only 70.6% of households have access to the internet, according to the Romanian National Institute for Statistics.



International Relations

The option of Romania for European and Euro-Atlantic integration is relevant not only in the general economic (competitiveness, economic stability, an enlarged market, and economic welfare) and security plan (proximity to the European security and defense policy and system, characterized by stability), but also in the cultural, social, and even societal ones (Romania could become part of a space characterized by tolerance, intercultural exchanges, non-discrimination).

In February 1993, Romania signed the European Agreement, establishing an association between Romania, on one hand, and the European Communities and the Member States, on the other hand. The agreement created a free trade zone between Romania and the EC member states, recognized Romania's objective to become a member of the EC and provided the necessary financial and technical assistance to this purpose. Following the European Council decision of June 1993 in Copenhagen to accept Central and Eastern Europe countries as EC members, after they fulfil the eligibility political and economic criteria (the Copenhagen criteria), Romania's official request for accession to the European Union was presented in

June 1995. After the Helsinki European Council meeting at the end of 1999, the Council decided to start accession talks with Romania in the spring of 2000. In December 2004, Romania closed the negotiation talks with the EU and the text of the Accession Treaty was agreed. Romania and the EU Member States signed the Accession Treaty in April 2005 and Romania has become an EU member starting January 1st, 2007.

In November 2002, Romania was invited at NATO's Prague Summit to start accession negotiations and joined the Alliance in April 2004. Romania also strives to contribute to the regional stability and actively participates in regional cooperation forums. Romania is a member of the Stability Pact for South-Eastern Europe. The Pact supports countries of the region including Romania in their efforts to foster peace, democracy, and respect for human rights and economic prosperity. Romania is also to benefit from projects, mainly in the infrastructure sector, that are funded by international financial institutions under the umbrella of the Stability Pact. The country is also a member of the Central European Initiative (CEI) and the Black Sea Economic Cooperation.



Suggestions for Business Visitors

Visas

As is the case with any business trip, when visiting Romania some advance preparation is essential. Depending on your citizenship, you may be required to show different documents at the port-of-entry. American and Canadian citizens as well as citizens of Australia, New Zealand, Argentina, Brazil, Chile, Mexico, Uruguay, Israel, Japan, and most European countries do not need an entry visa to visit Romania, providing duration of stay is not more than 90 (ninety) days, accumulated during a single visit - or multiple visits - within a six-month period.

As of May 2018, Romanian citizens had visa-free or visa on arrival access to 169 countries and territories ranking of the Romanian passport 9th in terms of passport power (tied with Bulgaria, Croatia, and Cyprus) according to the Passport Index.

Citizens of certain countries and territories need a visa to visit Romania. To quickly check if you need a visa, please go to www.E-Visa.MAE.ro, select the "Get Informed" tab (up left) and enter the following information: passport issuing country, type of passport, purpose of your visit to Romania. Entry requirements and visa information are also available at www.mae.ro. In addition, one must declare cash amounts that exceed EUR 10,000 at customs upon arrival or departure.

Currency

As of 1 July 2005, the Romanian Leu (ROL) was subject to denomination so that 10,000 old lei (ROL), in circulation on that date, was exchanged for 1 new Leu. Old lei banknotes and coins lost legal tender status at end of December 2006 and were replaced by the new banknotes and coins. There is no time limit for exchanging ROL notes and coins for RON notes and coins. Transactions between residents must be in RON. Starting 1 July 2006, all prices have been posted only in RON.

The exchange rates on February 1st, 2021 were:

1 Euro = 4,8728 RON

1 USD = 4,0346RON

Cash and credit cards may be used in Romania, but cash remains the preferred method of payment. The use of credit cards has significantly grown in popularity in recent years, and automatic teller machines are more numerous. Euros and dollars can be exchanged at official exchange offices.

Business and Social Etiquette

Romanian business customs tend to be formal. Introductions are respectful, business cards are exchanged, and suits are worn. The handshake is used both on meeting and taking leave. Dealing with public and state officials can sometimes be time-consuming and requires perseverance. Romanians are often very proud of their national heritage and tend to be sensitive about cultural and political matters that concern their country.

Living Conditions

Bucharest and the large Romanian cities like Constanța, Iași, Cluj Napoca, Timișoara, Brașov or Sibiu offer reasonable living conditions for expatriates. While normal precautions against petty theft should be taken, Romanian cities have a much lower crime rate than most major western European cities, especially very low rates regarding violent crimes and gun violence. Bucharest has numerous restaurants and cafes, including a steadily increasing number of restaurants serving international cuisine.

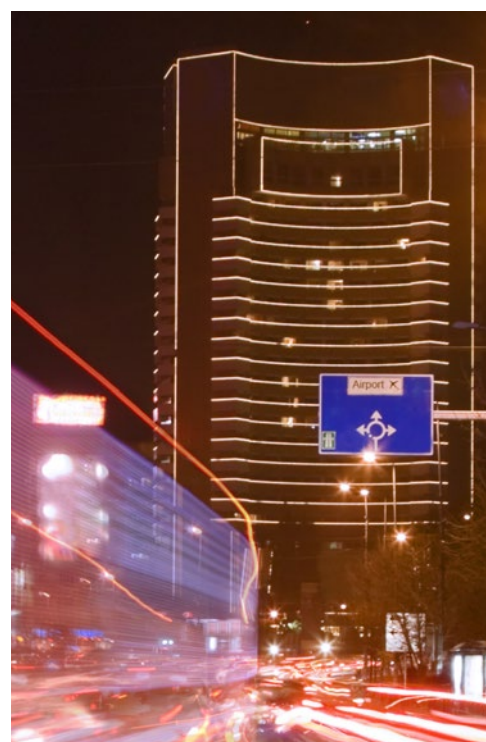
There are also a variety of theatres, concert halls, libraries, cinemas, bars, nightclubs, and casinos.

The standard of housing varies widely in Romania. The existing residential market offers a wide range of choices, from modern flats and villas to refurbished old villas located in picturesque neighborhoods. The new supply is more adequate to international standards and quality is improving every year. The northern area of the city is the most popular among expats.

Economy

Main Economic Indicators of Romania (2016-2020)

- On April 1st, 2021, Romania's international reserves (foreign currencies and gold) stood at EUR 38,304 million, compared to EUR 33,156 million on April 1st, 2020
- Gross Domestic Product in the 4th Q of 2020 was higher in real terms with 5.3% vs. 3rd Q 2020. Compared to the same quarter of 2019, the Gross Domestic Product in Q4 decrease with 1.5%.
- Foreign Direct Investment in Romania was in 2019 about 5.296 billion euros
- External Debt in Romania is at about 120 billion euros in December 2020
- Imports to Romania reported to 8.9 billion in 2020 and exports amounted to 6.9 billion euros in 2020, as with the global Covid-19 Pandemic both imports and exports suffered
- The current account deficit in Romania widened to EUR 10.9 billion euros in 2020 compared to 10.4 billion euros in 2019
- Partial results published by the Government show a GDP decrease for 2020 of -3.9% with an estimated growth of 6% for 2021



Economic indicators

Country	2016	2017	2018	2019
GDP (% real change pa)	4.80	7.00	4.10	4.1
Unemployment rate (%)	5.90	4.80	4.6	3.9
GDP (mill)	170,393.6	187,516.8	202,079.4	209,960.5
External debt (% GDP)	54.7	49.7	48.8	48
Average Gross Monthly Wages (euro)*	725.26	801.64	1065.71	1126.80
Consumer prices (% change pa)	-1.6	1.3	4.6	3.8
External debt (% GDP)	54.7	49.7	48.8	48

* As of end of December for each year

Economic Measures and Practices

1. The stand-by agreement between the International Monetary Fund worth of 19.95 billion Euros in total, approved by the Government on July 29, 2009, of which the National Bank of Romania and the Romanian government took 17.9 billion € and which should be gradually returned by 2023, giving a total average interest of 15% (2.74 billion €).

2. Establishment of new terms for the "Prima Casa" program on July 21, 2009.

The "Prima Casa" program entered into force on July 21, 2009 is a support program for young families to purchase their first house. The program providing a State Guarantee reaching up to 60,000 Euros offered guarantees worth of 786 million Euros with 12,000 approved files in 2009. In 2021 the new program started in April and will have the total sum of 300 million euros available for Romanians seeking to buy their first home, 14 banks will be involved. The renewed program offered by the government will help address over 18.000 demands already formulated for a new house by Romanians, credit lines will vary between 66,500 euros and 119,000 euros.

3. Establishment of new terms for the "Rabla" program (Fleet Renewal Program) with the Government Decision No. 217 and dated December 4, 2008.

Fleet Renewal Program, known especially as the Rabla, is a governmental program supported by funds earmarked by the Ministry of the Environment. The scrapping premium for cars is granted only for cars that are at least eight years old (i.e., those first registered in Romania before 1 January 2014). Every citizen can buy several new cars through the Rabla Program, but only by handing out an equivalent number of old cars for scrapping. At the same time, there is the possibility to give away the scrapping premium to another person. As of 2021 the program includes two options: Rabla classic where the ticket for a scrapped car is 7,500 lei for the acquisition

of a normal car with emission up to 140g CO₂/km WLTP; a new option was included for those that choose to buy an electric or hybrid car, the program is designated Rabla plus, this option gives either 20,000 lei for the acquisition of a hybrid car or 45,000 lei for the acquisition of an electric car. The great advantage is the combination of the two options, where one person can receive the ticket for 7,500 lei and an additional 20,000 lei if they want to buy a hybrid car or an additional 45,000 lei if they want to buy an electric car.

4. Tax Exemption for Reinvested Profit

The Tax Exemption of Reinvested Profit introduced as of October 1, 2009 aims to increase the investments, technological development, and the competitiveness of the local industry. Law no. 571/2003 regarding the Fiscal Code has been amended and supplemented by the publication of Government Emergency Ordinance no. 19 dated 23 April 2014, in connection to the profit tax exemption for reinvested profits. Further changes were introduced with Law no. 262 from the 20th of November 2020 by including provisions for companies assuring skills training and education for students.

5. State support program for the SMEs for the Sustainable Economic Development.

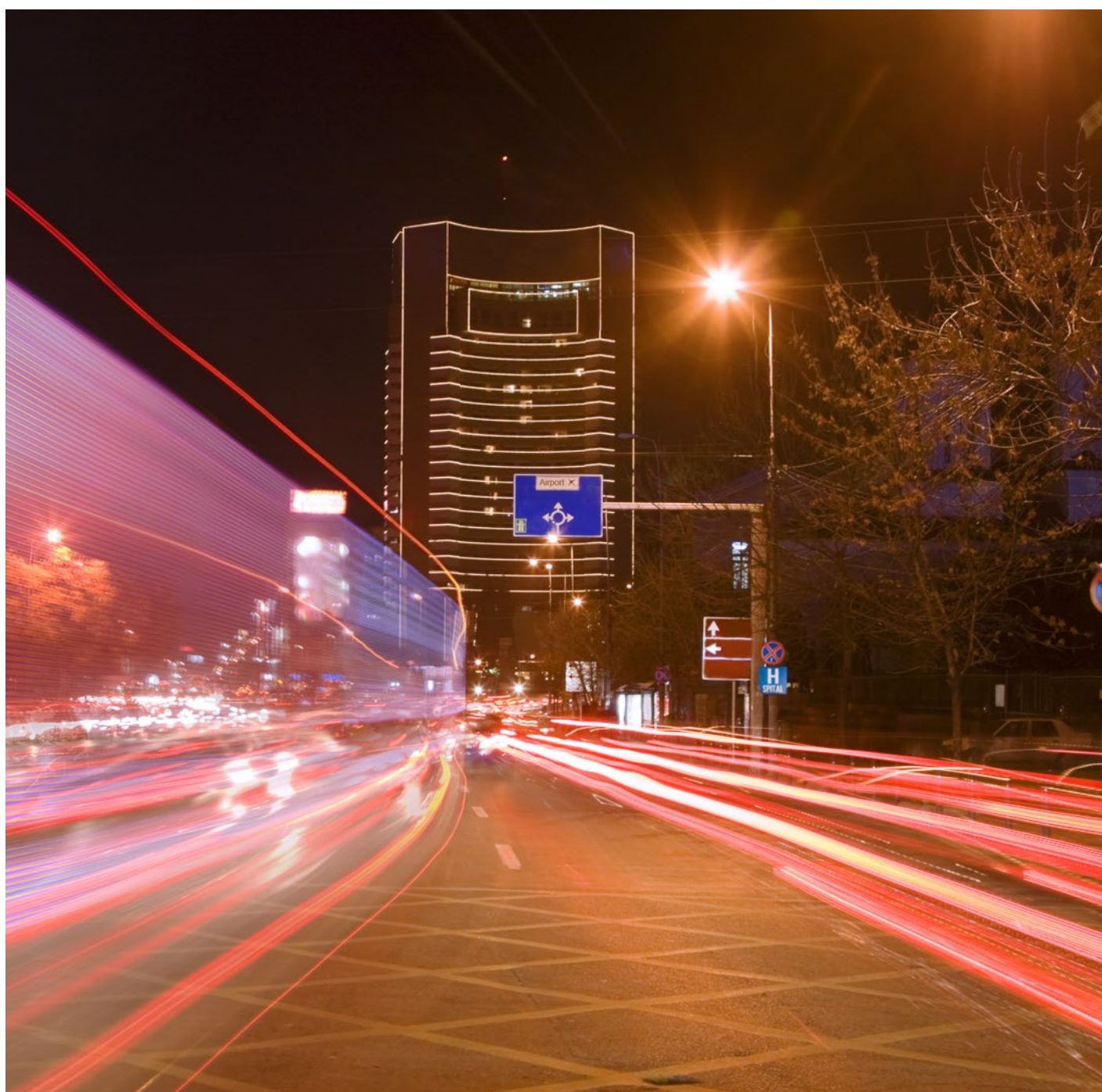
The State support program for the SMEs that makes an initial investment of a minimum of 10 million Euros and provides a minimum of 100 business places.

6. The Start-up Nation Program - In 2021 funds up to 200,000 lei are available for beneficiaries starting a business. Eligible categories for financing include: the acquisition of technical equipment (except for electronic equipment used for gambling establishments), the acquisition of work or production spaces, the acquisition of measuring instruments used for commerce or production and the acquisition of motor vehicles.

Just in 2021 almost 5,000 requests have already been filled and it is estimated over 10,000 beneficiaries will take advantage of the program offered by the government.

7. According to the NextGenerationEU plan launched by the European

Commission to address and reverse the damage incurred by the current crisis by EU member states, Romania will be allocated 29.2 billion euros from the European Commission with 12 billion on non-returnable funds and the rest as a credit line with 0.5% interest rate.



Foreign Trade

The international trade, by product groups as of 2020⁴

Section	million euro in 2020	% of Total Exports	In % as against 1.I-31.XII 2019	million euro in 2020	% of Total Imports	In %
Machinery and mechanical appliances; electrical equipment; sound and image recorders and reproducers	18,616	29.9	92.6	22,502	28	96
Vehicles and associated transport equipment	11,702	18.8	92.3	9,083	11	107
Base metals and articles of base metals	5,270	8.5	88.7	7,974	10	91
Plastics, rubber and articles thereof	3,634	5.8	92.1	7,640	10	85
Vegetable products	3,352	5.4	86.5	5,578	7	93
Textiles and textiles articles	3,125	5	82.3	4,726	6	95
Other products	8,043	17.6	-	10,925	19	-



Main indicators in 2021⁵

The international trade, by product groups according to SITC Rev.4, in the period 1.I-31.III.2021

	FOB Exports			CIF Imports		
	1.I-31.III 2021			1.I-31.III 2021		
	Milion euro	Share in total export (%)	in % as against 1.I-31.III 2020	Milion euro	Share in total import (%)	in % as against 1.I-31.III 2020
Total	11719.5	100	+3.9	23046.5	100.0	+7.1
of which, in relation to the EU 27	13294.0	75.0	+7.7	17003.4	73.8	+7.4
Food and live animals	1191.1	6.7	-10.2	2018.1	8.8	+4.1
of which, in relation to the EU 27	594.7	3.4	+13.2	1727.2	7.5	+2.8
Beverages and tobacco	273.8	1.5	-28.8	179.6	0.8	-3.2
of which, in relation to the EU 27	223.1	1.3	-27.4	138.4	0.6	+1.0
Crude materials, inedible, except fuels	163.3	3.5	+11.2	685.4	3.0	+10.3
of which, in relation to the EU 27	272.4	1.5	-14.7	455.2	2.0	+14.9
Mineral fuels, lubricants and related materials	552.1	3.1	+2.2	1357.6	5.9	-0.8
of which, in relation to the EU 27	239.5	1.4	+0.3	333.1	1.4	+3.6
Animal and vegetable oils, fats and waxes	52.4	0.3	+22.4	50.2	0.2	+5.6
of which, in relation to the EU 27	30.9	0.2	-0.6	42.1	0.2	+5.7
Chemicals and related products, n.e.s.	904.6	5.1	+16.5	3317.5	14.4	+3.4
of which, in relation to the EU 27	628.4	3.5	+22.8	2692.5	11.7	+5.4
Manufactured goods classified mainly by raw materials	2977.0	16.8	+10.1	4190.1	18.2	+6.5
of which, in relation to the EU 27	2230.6	12.6	+14.6	3100.0	13.5	+7.7
Machinery and transport equipment	8791.0	49.6	+6.5	8552.9	37.1	+9.2
of which, in relation to the EU 27	7108.8	40.1	+10.2	6640.8	28.8	+9.3
Miscellaneous manufactured articles	2334.9	13.2	-4.4	2689.7	11.7	+13.4
of which, in relation to the EU 27	1957.4	11.0	-2.4	1870.4	8.1	+7.5
Goods not elsewhere classified in SITC	24.7	0.1	-20.1	5.5	*)	-6.9
of which, in relation to the EU	8.2	*)	+49.9	3.8	*)	-24.5

5. Romanian Chamber of Commerce - International trade with goods in March and the period

**Top of main partner countries* at export
as of December 2020⁶**

Position	Country	mill. Euro	Weight in total export %
	TOTAL	62,176	100
1	Germany	14,147	22.8
2	Italy	6,671	10.7
3	France	4,173	6.7
4	Hungary	3,098	5
5	Poland	2,317	3.7
6	Bulgaria	2,262	3.6
7	Netherlands	2,201	3.5
8	Turkey	2,100	3.4
9	United Kingdom	2,072	3.3
10	Czech Republic	1,922	3.1
11	Spain	1,836	3
12	Austria	1,475	2.4
13	Slovakia	1,337	2.2
14	Belgium	1,224	2
15	United States	1,072	1.7
16	Republic of Moldova	1,034	1.7
17	China	829	1.3
18	Russian Federation	821	1.3
19	Serbia	711	1.1
20	Greece	700	1.1
	Other	10,174	16.4

Top of main partner countries
at import as of December 2020**

Position	Country	mill.euro	Weight in total imports %
	TOTAL	80,564	100
1	Germany	16,730	20.8
2	Italy	7,182	8.9
3	Hungary	5,895	7.3
4	China	5,064	6.3
5	Poland	4,959	6.2
6	France	3,725	4.6
7	Turkey	3,517	4.4
8	Netherlands	3,123	3.9
9	Austria	2,567	3.2
10	Czech Republic	2,525	3.1
11	Bulgaria	2,506	3.1
12	Belgium	2,005	2.5
13	Spain	1,993	2.5
14	Slovakia	1,839	2.3
15	Russian Federation	1,821	2.3
16	United Kingdom	1,397	1.7
17	Kazakhstan	1,118	1.4
18	Greece	1,104	1.4
19	Switzerland	962	1.2
20	Ukraine	932	1.2
	Other	9,601	11.7

*Country of destination

**) Country of dispatch for intra-EU arrivals and country of origin for extra-EU imports.

Foreign Investment⁷

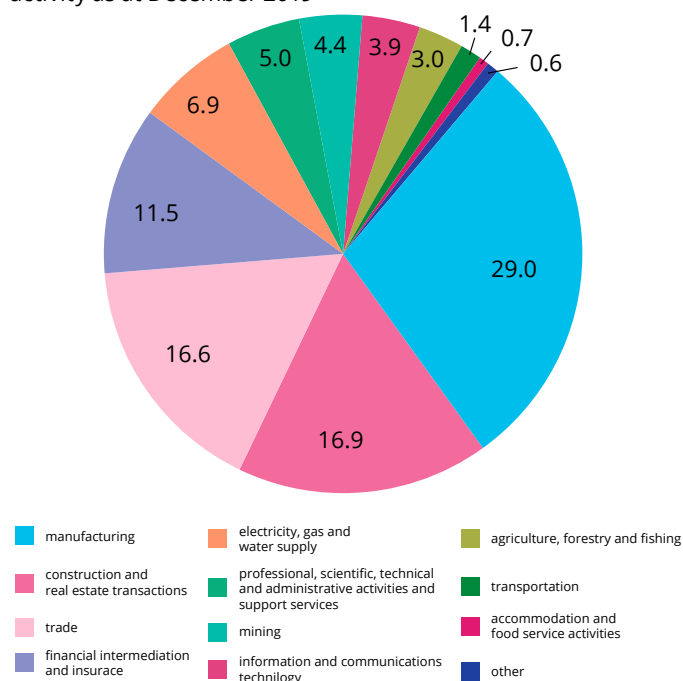
Foreign direct investment stock in Romania by main economic activity (as of 31 December 2019)

By economic activity, FDI stock was channeled primarily to industry (40% of total FDI), out of which the largest recipients were: manufacturing (29% of total FDI stock), Electricity, gas, and water supply (6.9%), and mining (4.4%). Apart from industry, other activities that also attracted significant FDI were construction and real estate transactions (16.9% of FDI stock), trade (16.6%), financial intermediation and insurance (11.5%).

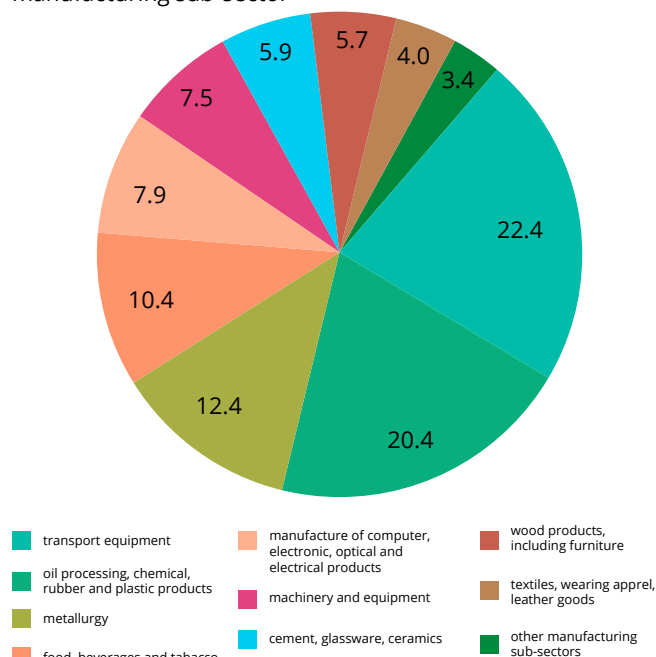
	EUR million	% of total FDI
TOTAL, of which:	88,304	100
Industry, of which:	35,587	40.3
Mining	3,885	4.4
Manufacturing	25,608	29
Electricity, gas and water supply	6,093	6.9
Professional, scientific, technical and administrative activities and support services	4,415	5
Agriculture, forestry and fishing	2,649	3
Trade	14,658	16.6
Construction and real estate transactions	14,923	16.9
Accommodation and food service activities	618	0.7
Financial intermediation and insurance	10,155	11.5
Information and communications technology	3,444	3.9
Transportation	1,236	1.4
Other	618	0.7

FDI by main economic activity as of 31 December 2019

FDI stock by main economic activity as at December 2019



FDI stock by main manufacturing sub-sector



7. National Bank of Romania Annual publication - Foreign Direct Investment in Romania in 2019

8 Foreign Direct Investment in Romania in 2019 - BNR

Foreign direct investment in Romania by development region (as of 31 December 2019)

From a territorial point of view, FDI went mainly to the BUCHAREST-ILFOV region (62.7%). Other development regions, which attracted significant FDI inflows, were the CENTRE region (8.7%), the WEST region (7%), the SOUTH-MUNTENIA region (6.4%), and the NORTH-WEST region (5.8%).

	EUR million	% of total FDI
TOTAL, of which:	88,304	100
BUCHAREST-ILFOV	55,367	62.7
CENTRE	7,682	8.7
WEST	6,181	7
SOUTH-MUNTENIA	5,651	6.4
NORTH-WEST	5,122	5.8
SOUTH-EAST	3,974	4.5
SOUTH-WEST-OLTENIA	2,561	2.9
NORTH-EAST	1,766	2

Main foreign direct investment in Romania by country of origin (as of 31 December 2019)

The top five countries by share of FDI stock, as of 31 December 2019 were the Netherlands (23.2% of the FDI stock at end-2019), Austria (12.6%), Germany (12.3), Italy (8.2%), Cyprus and France (6.2%).

	EUR million	% of total FDI
TOTAL, of which:	88,304	100
Netherlands	20,515	23.2
Austria	11,107	12.6
Germany	10,893	12.3
Italy	7,263	8.2
Cyprus	5,492	6.2
France	5,486	6.2
Switzerland	3,792	4.3
Luxembourg	3,779	4.3
United Kingdom	2,853	3.2
Belgium	2,518	2.9
Czechia	2,036	2.3
Hungary	1,612	1.8
Spain	1,425	1.6
Greece	1,249	1.4
Other	8,284	9.3

Business Environment

Development Plans up to 2030 (Romanian Recovery and Resilience Plan)

Main Objectives:

- Ensuring an annual economic growth significantly above the EU and Euro area averages, in order to speed up the economic convergence process that somewhat stalled during the pandemic.
- Significantly reducing the twin deficits to allow a quick exit from the Excessive Deficit Procedure by 2024, while keeping the debt growth in check.
- Bringing back the economy on a sustainable fiscal path in the medium and long term.
- Reducing the bond yields more in line with the regional peers and improving Romania's credit ratings.
- Ensuring social cohesion, by reducing poverty and social exclusion.
- Ensuring a just territorial cohesion, by linking all historical regions to Bucharest and Western Europe.
- Further reducing corruption and its impact on the business environment.
- Improving the quality and efficiency of the public administration.
- Ensuring a fair transition to carbon neutrality by gradually decarbonizing the economy.
- Bringing Romania closer to the admission into the Exchange Rate Mechanism.

Economic development and industry specific measures:

- Reaching a share of 34% in renewable energy by 2030 Coal phase-out by 2032.
- Reduction of GHG emissions in transport by 7% in 2026 compared to 2019.
- Creation of the national promotional bank to support private investment and private economic initiatives.
- Reform of the state-owned enterprises and introduction of corporate governance principles.
- Increase in tax revenues with 0.2 percentage points of GDP, Reduction of the VAT gap with 5 percentage points of GDP.



International Agreements

Romania has diplomatic relations with 187 countries. This has enabled the country to join important organizations and be party to key agreements including the following:

- **Membership:**

- United Nations
- World Bank
- International Monetary Fund
- World Trade Organization
- European Bank for Reconstruction and Development
- Bank for International Settlements
- Council of Europe
- Organization for Security and Cooperation in Europe
- International Organization of La Francophonie

- **Agreements and treaties:**

- Accession Treaty to the European Union
- Central European Free Trade Agreement (CEFTA)
- Most Favored Nation (MFN) status with United States
- NATO Member
- Preferential Arrangements with EFTA countries (Switzerland, Iceland, Norway), Macedonia, Croatia, Mediterranean countries (e.g., Israel, Egypt), ACP countries (Africa, the

Caribbean and the Pacific), South Africa, Mexico, Chile.

- Trade and Cooperation agreement with the United Kingdom (in accordance with the conditions negotiated after the withdrawal of the UK from the EU)
- Free Trade Agreement with Canada under EU – Canada established free trade agreement
- Economic Partnership Agreement with Japan established by the European Union
- In addition to international treaties, Romania maintains special relationships under the name of “Strategic Partnerships” and “Special Relations country” with the following: United States of America, Azerbaijan, China, Korea, France, Italy, Georgia, Japan, United Kingdom, Poland, Turkey, Hungary, Spain, Republic of Moldova, and India.
- Autonomous preferential arrangements with Over-seas countries and territories, Generalized System of Preferences (e.g., Brazil, Albania, Bosnia and Herzegovina)

In addition, Romania has concluded several bi-lateral agreements concerning trade, avoidance of double taxation, and mutual guarantees of investments



Real Estate

Ownership Right over Real Property

Romanian citizens and companies (regardless of shareholder or management citizenship) have the free and unrestricted right to acquire and own real estate. The types of real estate rights regulated by the Civil Code which may be constituted are with respect to privately owned real estate – superficies, easement, usufruct, cohabitation and use rights; with respect to publicly owned properties – administration, use and concession.

The superficies right, which is the most frequent right to which developers resort when an ownership transfer is not performed, includes (i) the right to own or build a construction on the property owned by a distinct person, (ii) the ownership right to the building, and (iii) the right to use the land pertaining to the building.

Pursuant to Romanian law, usufruct rights may be established on the property of another. The holder of the usufruct right has the right to use and enjoy the property belonging to a third party, including the right to receive profits from the income generated by the property.

For ensuring access and connection to utilities to a property, easement rights may be also established. The right of way is the most common right of easement established by the landowners and it represents the right of the landowner (or the owner of the construction erected on the land), lacking access to a public road, to have access on a neighboring property which has access to the respective public road. Easement rights may be established also for the benefit of public utility operators.

Acquisition of land by foreign citizens and/or foreign entities

Starting with 2003, the Constitution of Romania allows also to foreign citizens and/or companies the right to acquire land ownership rights as per the requirements of the E.U. accession process, reciprocal international treaties, through legal (but not

testamentary) succession, and as otherwise provided by applicable law.

In this regard, Law no. 312/2005 regarding the right of foreign citizens, of stateless persons, as well as of legal entities to acquire ownership over the land, which entered into force upon Romania's E.U. accession, sets the general rules under which foreign nationals/legal entities may acquire ownership rights over land. The provisions thereof differentiate among different classes of foreign nationals as follows:

01. Nationals of E.U. member states (both companies and individuals) and stateless persons domiciled in EU member states may acquire land under the same conditions as those provided by law for Romanian nationals, for the purpose of setting up secondary offices or secondary residence in Romania, as well as agricultural land and forestry land under the same conditions



provided by law for Romanian nationals.

02. All other foreign citizens/entities may acquire land ownership rights under any reciprocal agreements contained in international treaties concluded by Romania and the foreign citizen's State, however the conditions for acquisition of land may not be more favorable than for nationals of E.U. member states. Note that such a treaty has not been concluded between Romania and the Republic of Korea.

In respect of building structures, the relevant law does not provide any special conditions for the acquisition of ownership rights thereon. Foreign citizens may freely acquire ownership rights over building structures, whereas for the appurtenant land a superficies right can be established (the right to use the land) as long as the building structure exists.

Restitution of Real Property

From 1991 to 2005, several laws were adopted allowing former owners of real estate whose properties were abusively seized by the State during the period of 1945 to 1989 to reclaim their properties or to obtain fair compensation if actual restitution was not possible.

The restitution proceedings implied various sale prohibitions and restrictions in which concerns the transfer of the properties object of the procedures and other related operations. Considering the severe sanctions which could affect even the final ownership title, in the context of a real estate transaction, the observance of such prohibitions/restrictions within the ownership title history should be checked.

Acquiring Real Estate

Real estate transactions represent complex legal operations which should take into consideration various legal, tax and commercial aspects. In order to acquire real estate, it is necessary to determine the legal status of such asset by analyzing the following documents: current title to the property (sale/purchase agreement, donation, inheritance certificate, title deed, etc.); previous titles within the ownership history of the real estate, from where it may be reconstructed (before confiscation by the communist regime, if possible), including restitution under judicial or administrative procedures; recent excerpt from the Land Registry, required for the verification of the entries in the Land Registry (recording of owners, potential encumbrances on the property and any other remarks regarding the property); copies of the Land Registry (containing all historical entries regarding the respective plot in the Land Registry); and cadastral file, required for the verification of the precise area and borders of the property, since, in practice, it happens quite often that actual measurements have not matched to the measurements indicated in the title deed.

A real estate transaction is generally

materialized in the conclusion of a sale/purchase agreement. Upon conclusion, such sale/purchase agreements must be registered with the Land Registry.

Form of the agreement

Our legislation, i.e., the Civil Code, provides for an authenticated form of the sale/purchase agreement in respect of real estate (land and building), as well as for the establishment or transfer of any other real rights (easements, superficies, etc.) - any such contract which is not concluded in an authenticated form is null and void.

In view of concluding a sale agreement in an authenticated form, a notary fee shall be applied. Such fee is calculated either by reference to a set of official evaluations (the public notary grid) or, if the purchase price is higher than the values in the grid, by reference to the purchase price. As per the Norms approved by Order 46/C/2011, as further amended, for transactions that do not exceed a threshold of RON 15,000, the notary fee is of 2.2% out of the value of the transaction; the notary fee for a transaction of a higher value shall be calculated as a fixed fee for each threshold plus an additional percentage applied to the value of the transaction exceeding that threshold (e.g. a fixed fee of RON 5,080 (approx. EUR 1,130) shall be applicable for a transaction value exceeding RON 600,001 plus an additional 0.44% of the transaction value exceeding this threshold).

It is customary for the purchaser to also pay the Land Registry registration and notary fees; however, the parties may agree to share these costs.

Restrictions related to the acquisition of agricultural lands

In relation to the sale of agricultural lands located outside city limits, several restrictions are included in Law no. 17/2014 regarding certain measures for regulating the sale and purchase of agricultural lands located outside city limits (i.e., extra-muros).



Firstly, the sale of such lands should be performed solely with the observance of the legal pre-emption rights established in favor of seven different categories of pre-emptors, which may be exercised within 45 days as of the publication of the sale offer. Additionally, a 30-day term is granted for specialized purchasers who need to fulfill a series of legal conditions including, amongst others, the performance of agricultural activities on Romanian territory for a period of 5 years prior to the sale publication.

Moreover, in case the agricultural lands located outside city boundaries represent more than 25% of the seller's assets, then an 80% tax shall be applied on the amount representing the difference between the sale price and the purchase price, based on the public notary grid applicable at the moment when the new transfer of the property occurs.

Further, with respect to the sale of certain categories of agricultural lands located outside city limits, it is also necessary to obtain specific permits issued by the Ministry of National Defence and the Ministry of Culture.

The sale of agricultural lands without observing the above-mentioned procedures may trigger the annulment/nullity of the sale agreement. In addition, we note that a pre-emption right is also established under the Civil Code in favor of lessees for agricultural land located within the city limits (i.e., intra-muros).

Restrictions related to the acquisition of historical monuments

Ownership title to properties listed as historical monuments may be transferred only with the observance of the Romanian State's pre-emption right upon acquisition. The sale agreement concluded in breach of the legal provisions shall be null.

Mandatory documentation to be obtained upon the sale-purchase of a real estate asset

The Romanian legislation imposes various

requirements regarding the documentation underlying the conclusion of a sale-purchase agreement with respect to a real estate asset, including obtaining various certificates prior to signing / transferring of the ownership right. Absence of the respective documentation may result in the annulment/nullity of the respective sale-purchase agreement concluded in the absence of the required certificate.

We note the following requirements to be generally applicable with respect to the sale-purchase of the real estate assets:

- Fiscal certificate ascertaining full payment of the local land and building taxes.
- Energy performance certificate with respect to buildings.
- Certificate attesting the soil quality. This obligation is applicable in case of plots of land affected by the following activities:
 - (i) agricultural, forestry and zoo technical, either existent or new ones.
 - (ii) industrial and economical activities, either existent or new ones with significant impact for the soil.
 - (iii) military activities with significant impact over the soil.

Nevertheless, the soil quality certificates may be issued and shall become a mandatory condition to the sale upon the approval of the methodological norms for the application of Law no. 246/2020. Such norm has not yet been enacted.

Litigation

The existence of a litigation over the real estate does not prohibit the transfer or the constitution of any real or receivable

right over the respective real estate, except for the existence of any pending restitution notifications filed based on Law no. 10/2001. However, the existence of a litigation affecting the real estate may prevent or delay the development of the land, namely the process of issuance of a construction permit.

Consequently, the existence of the restitution claims affecting a particular asset, in particular those filed under Law no. 10/2001 should be verified with the relevant public authorities, as well as with the public information available to an interested purchaser (e.g., city hall database, Ministry of Justice official website for litigations, the land book registrations).

Lease/ Free Use/ Concession of Land/ Real rights

Under current law, foreign investors may enjoy the benefits of using and developing land under different legal mechanisms including leases, free-use agreements or concessions.

Privately owned real estate

Privately owned real estates may be leased under a lease agreement concluded by the owner of the property in question.

The agreement should be registered in the Land Registry to allow for notice and enforcement against third parties – if registered with the Land Registry, any subsequent owner shall be bound to observe the respective lease agreement.

The general framework applicable to lease agreements is regulated by the Civil Code;



specific provisions govern the residential leases and the land leases. Residential leases are also governed by Emergency Government Ordinance no. 40/1999 on residential tenant protection. Specific provisions may apply in case the premises are located within an industrial park (qualified as such according to the law).

Apart from the mandatory legal requirements, other exceptions to the parties' entitlement to freely negotiate lease agreements may apply, for example: if the premises are subject to bank financing (minimum lease terms imposed by the bank must be observed) or if the building was developed under EU financing. In this latter case, for a certain period, lease agreements must take into account the fact that the project must meet certain parameters undertaken upon the granting of the EU financing (such as granting microenterprises several facilities in terms of lower rents). Although not expressly regulated by law, the market standard includes two main types of leases, namely: (i) Triple Net Leases (although, in Romania, capital repairs are born by the landlord) and (ii) Non-triple net Leases.

State owned real estate

State owned real estates may be leased if approval is obtained in the form of a Governmental Decision, Decision of the Local Council or Decision of the County Council. Any such lease agreement must contain language providing for the terms of exploitation in consideration of the real estate's characteristics.

Free use rights over state-owned real estate may be granted to public institutions.

With respect to concession of publicly owned real estate, the applicable legal regime contains strict regulations. As a rule, concession rights may be granted in favor of investors, Romanian or foreign individuals and legal entities, following a public tender procedure regulated in detail by the law, including with respect to publicity requirements, awarding criteria and deadlines for submitting applications. Public tender procedures may be initiated only after the approval by the public authority of an opportunity study, grounding the economic, financial, and social reasons for granting the concession right. The concession right over publicly owned real estate may be granted for a maximum term of 49 years, which may be extended for a period equal to ½ of the initial term.

Also, public authorities and institutions may own real estate in private ownership, over which a private investor may acquire the rights specific to private ownership, such as property right, superficies or right of use. Such rights may be granted only based on public tender procedures. However, the legislation only provides that the rights should be granted based on public tender but does not provide a specific procedure to be followed in this respect. Therefore, public tenders concerning real estate held in private ownership by public authorities

are performed usually based on internal regulations adopted at the level of each public authority, which comply with the principles of publicity, non-discrimination, and equal treatment.

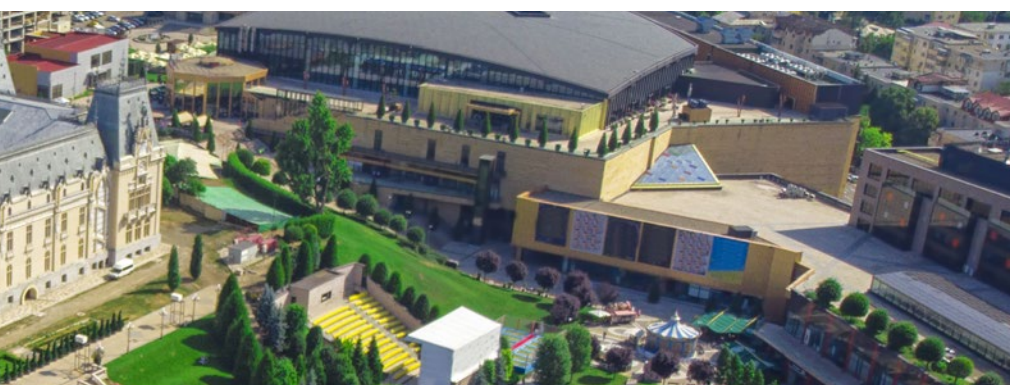
Real rights (e.g., the right to use, the easement right, the superficies right, etc.) may be established through deeds concluded in authenticated form and for certain real rights an urbanism certificate must be obtained prior to their execution.

Security over the Real Estate

Mortgages over real estate may be established upon the conclusion of an authenticated agreement which should be registered with the Land Registry. The enforcement of the mortgages is regulated by specific provisions.

Publication Formalities

Real estate properties and related rights are registered in the relevant land book held by the public authorities. Land books are opened for each immovable asset (land or, respectively, land and building) regardless of the identity of the owner. Local Offices for Cadaster and Land Registration are in each county of Romania. All public registrations carried out within the above-mentioned structures are further centralized under the supervision of the National Agency for Cadaster and Land Registration. The Land Registry is kept within the real estate offices in the district where the real property is located. Currently, land book registration of transfer deeds or deeds for establishing other real estate rights is performed for publicity and opposability towards third parties' purposes and the proof of ownership (or related real estate right) may be performed by way of notarized transfer deeds. However, the Civil Code provides that the proof of ownership right to real estate assets which will be made with the excerpt from the land book starting from the date the cadastral works for each local municipality are finalized. Hence, once the cadastral works



are finalized, the registration with the land book shall become a condition for the valid transfer of the title over real estate assets (save for certain limited exceptions provided by law). The registration is also relevant for secured creditors (e.g., financing banks), in the sense that the registration date ensures the priority ranking against other creditors. Further, land book registration offers special protection to the good-faith registered owners against third party claims against the title, after a certain period (5 years when the acquirer may prove its good faith).

Types of structures for acquisition/ development of real estate property

Various legal structures such as asset deals, share deals, forward purchase mechanisms or transfer of on-going concern (business transfer agreements) are used for the acquisition and/or development of real estate property in Romania.

A detailed legal, tax, technical, environmental, commercial due diligence exercise of the asset/company prior to the completion of the transaction is recommended. It has become market practice within the early stages of the transaction for a preliminary agreement to be concluded e.g., letter of intent, memorandum of understanding, term sheet, with the purpose of securing the exclusivity period, the key commercial terms of the transaction, the timeline and the due diligence terms.

When concluding binding preliminary sale-purchase agreements, in case one of the parties refuses to conclude the final agreement, the other party is entitled to ask the court of law to rule a decision which to replace the sale purchase agreement. The relevant claim must be filed with the court no later than 6 months as of the date the final agreement should have been concluded. Further, in case a down payment was made based on the preliminary sale-purchase agreement the promissory purchaser benefits of a legal

mortgage over the property which must be registered with the Land Registry.

The timing of a real estate deal ranges from a couple of weeks to longer periods, depending on the contemplated structure. The asset-based operations are the ones to be concluded in shorter periods, as a onetime operation, while share deals require, in principle, at least two stages, namely signing and closing, when the conditions precedent are fulfilled. The cases in which consent or consultation of third parties (including public authorities) is required shall prolong the duration of the transaction. The Ministry of Culture, the Ministry of Agriculture and Rural Development, Environmental Protection Agencies or the Competition Council are some of the authorities whose consultation/ approval may be required for the purpose of finalizing a real estate transaction. The impact on timing may vary depending on the authorities necessary to be involved in the approval of the transaction.

Share deals will require registration of the transfer with the Trade Register, while asset deals will require the notarization by a public notary of the transfer deed as detailed above in Section - Acquiring Real Estate.

In case of an asset deal, upon signing of the sale and purchase agreement of a real estate, the public notary sends the documentation and the registration application to the Local Offices for Cadaster and Land Registration for the transfer of the ownership right to be further registered in the relevant land book. Once the updated land book excerpt is issued, the new owner of the real estate undertakes to register its ownership title with the local fiscal authorities.

Construction Permits and Urbanism Plans

Planning and development

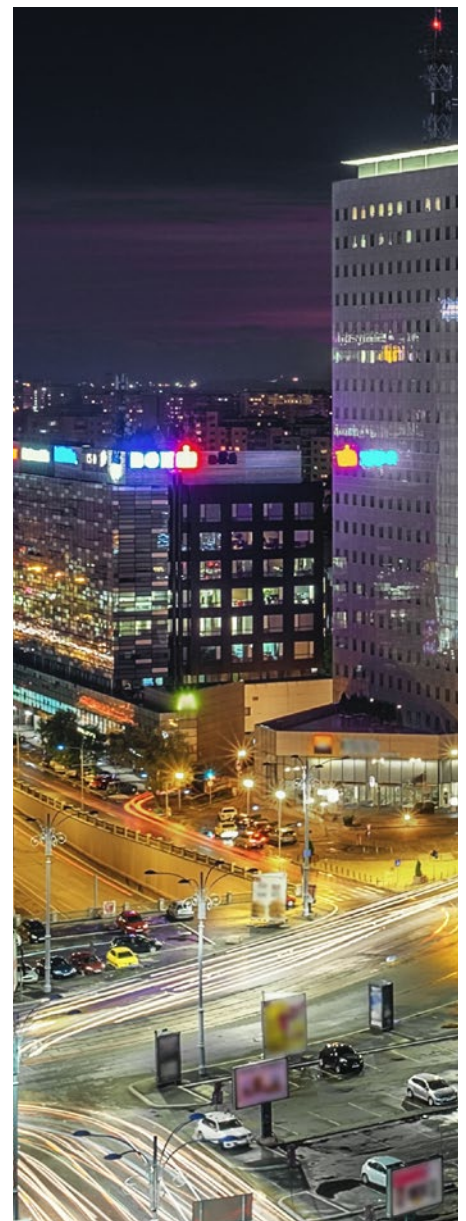
The strategic planning and zoning in Romania are governed by the provisions of:

- Government Decision no. 525/1996

approving the general urbanism regulation.

- Law on territorial planning and urbanism no. 350/2001 and the related Implementation Norms (approved by Order no. 233/2016).

Urbanism documentation (i.e., urbanism plans and corresponding regulations) provides the conditions under which the land may be used for construction; all regulations regarding construction performance are contained therein.



Specific restrictions may apply due to zoning regulations or the location of the real estate, e.g., in the protected area of historical monuments, airports, military units, etc. Moreover, general prohibitions may also apply, for instance over green areas, forests, etc. For example, the owner of land located within the perimeter of archaeological sites, as defined by Government Ordinance no. 43/2000, must observe specific regulations concerning restriction for protecting and recovering of the archaeological patrimony. In case archaeological works are required in a specific area, any other activities shall be suspended until the termination of archaeological investigation, as evidenced by a certificate for archaeological clearance. The typical legislative and governmental control in respect to strategic planning and zoning are performed as follows:

- when preparation and approval of the strategic planning documentation there are plans prepared (at the level of public authorities) for the national territory, certain zones as well as for counties.
- when preparation and approval of the zoning documentation, the law defines (i) the General Urbanism Plan- PUG; (ii) the Zoning Urbanism Plan - PUZ; and (iii) the Detailed Urbanism Plan - PUD.
- the implementation of and compliance with the strategic planning and zoning regulations is typically ensured by the Romanian State Inspectorate in Constructions and the Chief Architect institution (through their representatives at local level).

Construction permitting

Civil, industrial or any other type of construction works may be performed based on a construction permit, which may be obtained by the titleholder or any other person holding a real estate right allowing it to build on the land (including administration and concessions rights). However, a lease agreement shall only convey the right to construct provisional buildings, and only with the approval of the

owner (except for specific provisions in the oil and gas industry).

The first step in obtaining the construction permit is the issuance of the urbanism certificate which presents the building parameters, restrictions, limitations and/or specific requirements to be observed in respect to the development on a certain land plot. During construction, the investor must observe the technical parameters and characteristics as per the construction permit; any substantial modification thereof requiring a new construction permit.

Out of the restrictions or special requirements typically applicable to the development of constructions in Romania, the following should be highlighted:

- specific restrictions deriving from the zoning regulations – e.g., permitted and prohibited use of the plot of land and building parameters.
- restrictions deriving from the specific location of the plot – e.g., vicinity of special types of facilities / infrastructure such as: historic monuments, archaeological sites, special protection areas, military units, airports, utilities networks;
- general building restrictions / prohibitions on plots qualified as green areas, forests, arable lands.
- specific height regime and other requirements deriving from the location of the buildings in the vicinity of air traffic corridors.
- specific requirements entailing the neighbours' approvals in case either new constructions are developed adjacent or in the nearby vicinity of the neighbouring ones for which protection intervention measures are necessary.
- in case of development of constructions with a destination different than the one of the neighbouring building; for change of destination of premises in the existing

buildings.

Thus, the construction permitting procedure entails the following main steps:

- issuance of an urbanism certificate.
- if required under the urbanism certificate – preparation and approval of an urbanism plan (either a PUZ or a PUD).
- issuance of all prerequisite approvals requested under the urbanism certificate (fire permit approval, approval issued in connection with the environmental protection, approvals referring to several utilities' connection, etc.).
- issuance of the building permit.

In addition to the above, a rather complex technical project (that must be endorsed by specialized verifiers) stands as basis for the building permit.

Once the building permit is obtained, the investor is requested to communicate to the City Hall's attention, as well as to the State Inspectorate in Constructions' attention, a written notice certifying the certain date when the execution works effectively start. Commencement of works must occur within the deadline specified in the building permit, which may be of maximum 24 months. Once commencement is officially announced, the execution works must be performed within a certain limited period expressly provided in the permit, which may be subsequently prolonged if certain conditions are met. During the performance of construction works, the State Inspectorate in Constructions as well as other special local authorities/bodies are entitled to verify if the works are being commenced / performed in compliance with the building permit. Completion of works is marked by the execution of a reception protocol with the participation of the local city hall's representatives and (in certain cases provided by law) of the representatives of firefighting authorities and State Inspectorate in Constructions.

Romania and the European Union

Major Milestones of Romania's Accession Process

Romania was the first country of Central and Eastern Europe to have official relations with the European Community. The relations between the two parties were initiated at the end of the 60s, in the form of bilateral trade agreements (they were suspended in the 80s). Romania was included in the Community's Generalised System of Preferences in 1974.

After 1989, European Union membership has been the main goal of every Romanian Government. Romania signed its Association Agreement with the European Union in 1993 and submitted its official application for EU membership in June 1995, after Hungary and Poland. February 2000 marked the official start of these negotiations.

The accession negotiations were closed on 14 December 2004. The Accession Treaty was subsequently signed in Luxembourg on 25 April 2005. Romania became a full member of the EU starting with 1 January 2007. Romania's accession was confirmed by the EU Monitoring Report released by the EU Commission on 26 September 2006.



EU Financial Assistance for Romania 2021-2027

EEU membership enables companies to seek financial support through the EU structural and cohesion funds. In most cases incentives take the form of development grants. A range of investment incentives are available to eligible applicants active in different economic sectors, in particular research and development, digitalization, energy efficiency and environment. The newly reformed Cohesion Policy targets innovation and research, the digital agenda, support for small and medium-sized businesses (SMEs), the low-carbon economy (energy efficiency and renewable energy), priority Trans-European transport links, health services and key environmental infrastructure projects, as

well as employment (through training and life-long learning, education, and social inclusion) etc. During the future programming period (2021-2027), Romania will receive an indicative total allocation of approximately EUR 32 billion from European Regional Development Fund (ERDF), Cohesion Fund (CF), European Social Fund (ESF), Just Transition Fund (JTF). Additional funds will be allocated from Agriculture & Rural Development and Fisheries funds and from the Recovery and Resilience Plan.

EU funds may be used for:

- Investing in research and development – in order to develop relations between

companies, research institutes and universities, to support the purchase of your company's research equipment or your researchers' overhead expenses, mainly in the areas of bioeconomy, information and communication technology, energy, environment and climate change, eco-technology.

- Investing in know-how and other intangible assets – to cover expenses connected to purchasing know-how, patents and research findings, and new production manuals for SMEs.
- Employer's stimulation – to cover training expenses, the cost of trainers and of professional HR counsellors, to develop training courses for your employees

or to create new jobs, especially for young people, including schemes of apprenticeship and internship schemes.

- Improving IT infrastructure – to co-finance purchasing IT technology in the areas of e-government, interoperability, information security, cloud computing and social media, ICT in education, social inclusion, health and culture, e-commerce, ITC innovation, broadband infrastructure and digital services.
- Sustainable investments: energy efficiency, smart systems & grids, storage solutions, water & wastewater infrastructure & circular economy, environment, biodiversity, air quality, climate change, risks management.

- Sustainable products and processes for companies in selected areas (Hunedoara, Gorj, Dolj, Mures, Prahova, Galati counties) under the JTF programme, targeting also clean energy technologies & infrastructures, circular economy, reconversion of workers, pension bridging, HRD interventions.
- Development in urban areas – may contribute to the implementation of energy efficiency projects for public and residential buildings, investments in public lightning, urban public transport measures (electrical/ ecological).
- Hospital's infrastructure, care services: primary, community, ambulatory, rehabilitation, palliative, long term.



State aid from the national budget

Financial support of the Romanian Government – through different financial schemes meant to support regional development, to stimulate economic growth and new jobs creation by co-financing the initial investments or extension of production or service facilities, constructions or purchasing new technologies in various domains, except for agriculture, fisheries, transport, real estate, coal, or steel.

Romania offers highest State aid and EU funds intensity in CEE (up to 50% for large companies). Conditioned by annually calls, a company may apply in order to get:

- State aid for acquisition of tangible and/or non-tangible assets (up to 50% of a large investment over EUR 1 mil.).
- Subsidies for salaries (up to 50% from the salary costs for 2 years) for creation of at least 100 new jobs.

State aid scheme for large investments established through Government Decision 807/2014 with modifications is financing acquisition of tangible and intangible assets, including constructions. Equipment should be new and purchased in market conditions, while intangible assets cannot be more than 50% of total investment eligible costs and should be purchased only from third parties. The maximum public funding is EUR 37.5 million, capped at taxes (salary contributions, income taxes, profit tax and local tax) to be paid back to the state for 5 to 7 years after the investment is implemented.

State aid scheme for jobs creation established by Government Decision 332/2014 with modifications is financing up to 50% (depending on the region) of the salary costs for 24 months. The beneficiary company should create at least 100 new full-time jobs, indefinite contract, generated by an initial investment in fixed assets.

Foreign Investment, Privatization and Trade



Foreign Investment

Regulatory Legislation

The following legislation (in addition to taxation law) regulates foreign investment in Romania:

1. Commercial Code
2. Company Law
3. Competition Law
4. Law regarding the promotion of direct investments
5. Law on Banking Activities
6. Securities Law
7. Commercial Companies Privatization Law
8. Trade Register Law

Restrictions on Foreign Investment

No restrictions are imposed on foreign ownership or participation in joint ventures and in Romanian companies. It is possible for a foreign individual or entity to own 100% of any type of a Romanian registered company.

Currently, the main industrial sectors in which additional governmental approval is necessary for investors are:

- Defence;
 - State Monopolies;
 - National Security.
- Resident and non-resident companies are allowed to acquire and hold rights over movable assets in Romania.

Investment Incentives

Romania currently provides carrying forward fiscal losses, accelerated depreciation, local taxes incentives, subsidies on the unemployment insurance system and employment stimulation investment, incentives for economic growth support. Other financial incentives are provided by several state aid schemes.

Investment Environment

Romania can provide foreign investors with a range of benefits, including:

Market & Location Advantage

- One of the largest markets in Central and Eastern Europe (ranking 7th with over 19 million inhabitants);
- EU unique market gateway (access to approximately 500 million consumers);
- Attractive location: situated at the turning point between EU, the Balkans and CIS countries, Romania is crossed by three important pan-European transportation corridors: corridor no. IV linking Western and Eastern Europe, corridor no. IX connecting Northern and Southern Europe and no. VII - Danube River, facilitating inland water transportation, at the same time connecting the Romanian Port of Constanta (the biggest Port to the Black Sea) to Northern Europe, through the Rhine.

Source Advantage

- Highly skilled labor force at competitive prices (solid knowledge in foreign languages, technology, IT, engineering etc);
- Rich natural resources, including surface and underground waters, fertile agricultural land, oil and gas;
- High potential for tourism.

Political Advantage

Stability guarantee by:

- European Union membership,
- NATO membership.

IR Advantage

- Bilateral agreements between Romania and other countries on investments promotion and protection;

- Bilateral diplomatic relations with 177 out of the 191 UN member states, plus the Holy See, the Sovereign Military Order of Malta and the Palestinian National Authority;
- Member of the UN and other international organizations, like: OSCE, Council of Europe and International Organization of La Francophonie;
- Free trade agreements with EU, EFTA countries, CEFTA countries;
- WTO member since January 1995.

Economical Advantage

- Tax exemption of the reinvested profit.
- State aid schemes for encouraging investors to take upon Romania.

Social Advantage

- Agreement between Government and major unions;
- Labor relations regulated by the Romanian Labor Code.

Legislative Advantage

- Similar legal provisions as in UE (Acquis communautaire implementation);
- Fiscal policy regulated by the Fiscal Code.

Other Advantages

- Well-developed networks of mobile telecommunications in GSM systems;
- Highly developed industrial infrastructure, including oil and petrochemicals;
- Presence of branch offices and representatives of various well-known international banks;
- Extensive maritime and river navigation facilities.

Direct Investments

According to legal provisions, provided by the Law no.241/1998 regarding stimulation of direct investments, the direct investment in Romania is defined as follows:

Participation in the setting up or development of a company under one of the legal business forms established by Romanian laws, the acquisition of shares (except for portfolio investments), and the

setting up or the development of a foreign company's branch through one of the following alternatives:

- Financial contribution in local or foreign currency;
- In-kind contribution of real estate properties or movable (tangible or intangible);

- Contribution to the increase of a company's assets by any legal financing way.

Guarantees and rights

Foreign investment is not to be subject to nationalization, expropriation, confiscation, requisition or any other measure of similar effect, except when this is in the public interest, and, even so, only after legal procedures and with appropriate compensation. The compensation should be "prompt, adequate and effective".

Romania has concluded a number of bilateral treaties on mutual guarantee and encouragement of investment. In 1992, the country became a member of the Multilateral Investment Guarantee Agency (MIGA).

Legislation in force provides extensive rights for foreign investors. There is no limit on foreign participation in companies and a foreign investor may establish a wholly owned enterprise in Romania.

Repatriation of initial investment and profits depends on the type of investment made. Direct investors may transfer abroad all profits made in Romania, as well as proceeds from winding-up an investment, after paying all due taxes, namely:

- the profit obtained from a company, Romanian legal person, in case they are shareholders.
- the profit obtained in the case of a joint venture, as well as the profit obtained from the sale of shares.
- the amounts obtained from the liquidation of a company.
- the profits obtained as compensation or because of an expropriation or of an application of another measure having equivalent effect.
- other incomes, corresponding to the form of investment.

According to the legal provisions, direct investments benefit from the following guarantees and rights:

- The right to invest in any field of activity and under any legal business form.
- Equal treatment, fair, equitable and non-

discriminatory, for Romanian or foreign investors, resident or non-resident in Romania.

- Guarantees against nationalization and expropriation or other measures having equivalent effect.
- Tax and customs incentives.
- Advisory assistance during the administrative formalities.
- The right to convert the local currency obtained from the investment into foreign currency and to transfer it in the country of origin, according to the regulations on the foreign exchange regime.
- The right to settle the disputes in a chosen competent Court or Arbitrators.
- The possibility to carry forward losses recorded during a financial year on account of the taxable profit of the following financial years.
- The right to use the accelerated depreciation method.
- Full deduction of the advertising expenses from the taxable profit.
- The right to hire foreign staff, according to legal provisions in force.

Facilities for Investors

The Public Private Partnership

Public-private partnerships are regulated by Government Emergency Ordinance no. 39/2018 and are subject to national public procurement and concessions legislation (transposing relevant EU Directives):

Forms of public-private partnership:

- A. Contractual public-private partnership - the public-private partnership under a contract between the public partner, the private partner and a new company whose share capital is wholly owned by the private partner acting as a project company.
- B. Institutional public-private partnership - the public-private partnership under a contract between the public partner and the private partner, through which a new company is set up by the public partner and the private partner to act as a project company and.

Financing of investments made within the framework of public-private partnership contracts can be ensured, as the case may be:

- A. in full, from the financial resources provided by the private partner; or
- B. from financial resources provided by the private partner, together with the public partner, or
- C. from financial resources provided by sovereign development and investment funds, privately managed pension funds, as well as investment funds and investment companies, under the conditions of the emergency ordinance.

All financing formulas allow hybrid PPP structuring, also involving post-accession non-reimbursable external funds and the correspondent national contribution.

Industrial parks

The setting up and development of industrial parks are regulated by Law no.

186/2013, being governed by the following general principles:

- i. equality in treatment between the residents of the industrial park.
- ii. non-involvement of the park administrator in abusive practices against the residents.
- iii. mandatory compliance with the park regulations by all residents.
- iv. stimulation of job creation.

The title of industrial park is issued to the administrator of the park based on the order of the Minister of Regional Development and Public Administration or by Government Decision or a special law in the case of the old privatized industrial platforms, according to a governmental decision, on industrial park concept. In addition to the general conditions for the issuance of the industrial park title (e.g., the beneficiary to have paid entirely all due taxes, to be a validly incorporated entity not undergoing insolvency or prevention of insolvency procedures), the land within the perimeter of the industrial park shall have to be held in ownership either by (i) the administrator of the park or (ii) its residents. Furthermore, the approval of the local public authority for the incorporation of the industrial park under the form of a local council decision or a county council decision is also deemed a prerequisite for obtaining the title of the industrial park.

The title of industrial park is valid for the land, the infrastructure of the industrial park and the duration established expressly by the order of the Minister of Regional Development and Public Administration.

The title of industrial park is issued for a duration of minimum 10 years, if several conditions are met in respect of the park administrator (private entity, duly incorporated, not in insolvency, no outstanding dues towards the state) and the land comprising the industrial park. Such land must be in the ownership, concession or administration/use of the founder, park administrator or of the residents, must have access to a European/national/county road or by-pass, must have a compact area of minimum 5 hectares, and cannot be affected by any encumbrances, real estate dismemberment rights, mortgages, seizures, etc.

The industrial park is operated based on the regulations established by the park administrator and of the administration contracts (and potential related services agreements) concluded between the park

administrator and each resident. Such contract must contain a mandatory termination case for delays of the residents to pay the amounts due by more than 30 days. The residents of the industrial park must ensure the observance of the regulations established by the park administrator and should transfer the relevant obligations to the third-party acquirers of real estate assets located within the industrial park.

According to the abovementioned Law 186/2013, the economic agents (both administrator and residents) within the industrial parks benefit from an ensemble of fiscal incentives (tax exemptions – including exemption from land and building tax).

There are also important incentives the local administration authorities can provide, considering the positive effects on local scale (numerous workplaces, developing economic activities) industrial parks have, such as exemptions from the fees for the issuance of urbanism certificates and building / demolition permits and exemption from the tax for the removal of land from the agricultural circuit.

Scientific and technological parks

According to Government Ordinance no. 14/2002, scientific and technological parks are strictly delimited areas where education and research activities, as well as the technological implementation of results for the use in economy are performed.

Such park may be set up based on a partnership (joint venture) agreement between an accredited university and/or another research and development institution, on one hand, and on the other hand an autonomous state-owned agency, a national company, other companies, local public administration, employers' or professional associations, or natural persons, either Romanian or foreign investors.

The scientific and technological park is managed by an administrator, constituted as a commercial company, nominated by the joint venture.

The patrimony of the park is constituted of the contribution of its members, and the corresponding land(s) must be free of any encumbrances or litigations. The scientific and technological parks may operate only based on the functioning authorization issued by the Minister of Education and Research.

A prerequisite for setting up the scientific and technological park is established with respect to the land within the perimeter of the park which must be (i) free of any encumbrances and (ii) free of pending litigations affecting the legal status of the land.

The following incentives are granted to set up and develop scientific and technological parks:

- Favorable conditions for the location and use of infrastructure and communications, deferred payments, ensured or eased by the administrator for a determined period of operation.
- Discounts or charge exemption for certain services supplied by the administrator of the park.
- Exemption from taxes due upon the conversion of agricultural land to be used for the benefit of the scientific and technological park.
- Buildings, constructions and land contributed

to and used by the scientific and technological parks are exempt from tax on building and land.

- VAT exemption for materials, equipment and utility connections throughout the development period and up to the commissioning of the park.
- Development programs for developing the infrastructure, investments and equipment provision, by the local public administration.
- Donations, concessions, and structural funds for development.

Trade

Foreign trade regulations have been gradually liberalized since 1990 and now broadly follow the guidelines set by the EU.

use (both civilian and military) or goods falling under the CITES Convention.

Regulatory Climate

A specific license is generally not required for the import and export of commodities into and out of Romania. Exceptions are those commodities considered as potentially dangerous for human health or the environment. Other non-tariff barriers also apply upon the import or export of certain goods, such as goods susceptible for dual

Regulatory Authority

The License Department of the Ministry of Economy and Trade oversees the issue of trade licenses. Other public entities also issue approvals for the import or export of goods that are subject to other non-tariff barriers, e.g., ANCEX (The National Agency for Controlling Exports)

Foreigners Regime in Romania

The term “foreigner” is defined as any individual who is not a Romanian national or a national of the European Union/European Economic Area/ Swiss Confederation, the latter benefiting from the same conditions as Romanian nationals on grounds of pertaining to the European Union. Foreigners who enter, reside and/or work in Romania are subject to different regulations depending on several aspects as citizenship, purpose of stay and length of stay.

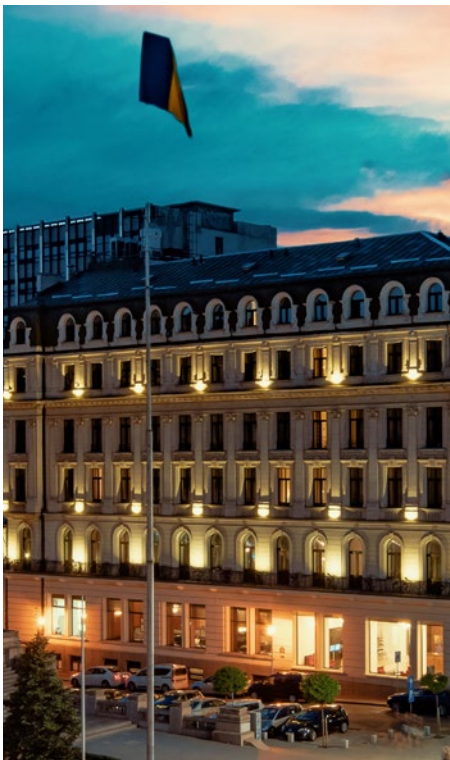
With specific exemption, the rule is that in order to apply for a Romanian residency permit a long-term visa must be obtained from the Romanian Consulate from foreigner’s home country. Such visa must be linked with the intended purpose of stay and supporting documents must be made available. For example, in cases of work purposes a work permit must be obtained in advance from the Immigration General Inspectorate in Romania (IGI), while in investors’ case the visa is obtained on the base of an approval from Romanian

Center of Trade Promotion and Foreign Investors. Similar, specific conditions should be fulfilled prior to the visa application, depending on the purpose of stay (i.e., family reunification, studies, head of a branch etc.).

The end-to-end process is composed of several enchain steps, which must be fulfilled by both the individual and the Romanian entity (i.e., where applicable) and its length may vary from four to six months. The last step consists in obtaining the Romanian residency permit from IGI by the individual. The document has a validity of up to three years, depending on the purpose of stay and can be extended assuming the specific conditions are fulfilled. Attention should be paid to situations where the residency permit type has a limited validity and the right to stay in Romania cannot be extended under the same scope.



Corporate and Business Law



- Any person and/or legal entity, irrespective of nationality, is free to enter any type of regulated partnership or set up any type of company as regulated under Romanian law, if it has not committed specific criminal offences stipulated in the law. Note that Romania is in process of implementing (EU) Regulation no. 2019/452 establishing a framework for the screening of foreign direct investments into the Union through national legislation. A draft government emergency ordinance was published on the Competition Council's website for public consultations but has not yet been adopted.
- Registration formalities with the Romanian Trade Registry and the fiscal authorities are applicable, irrespective of the corporate form of the company.
- Depending on the envisaged activity, certain supplementary authorisations are required (e.g., insurance/reinsurance, banking, financial investment services, restaurants, leisure, gambling).
- The most common company forms are limited liability (SRL) and joint stock (SA), while the other forms of companies are seldom used in practice. Therefore, in our presentation below we have only referred to limited liability and joint stock companies.

Legal framework

The general legal framework with respect to Romanian companies is provided by Companies' Law no. 31/1990 (the "Companies' Law"). The law has transposed a series of provisions at EU level, including Directive 2005/56/EC on cross-border mergers of limited liability companies.

The Companies' Law regulates all aspects related to the corporate life of a company, including registration formalities and procedure, minimum share capital, aspects related to shares and allocation of profits, shareholders and management, mergers and spin-offs, dissolution, and liquidation.

Additional aspects concerning companies' formation and functioning are regulated under separate legislation, such as: registration formalities are governed by Trade Registry Law no. 26/1990 and the Methodological Norms for keeping the Trade Registry; aspects regarding the competition fall under Competition Law no. 21/1996; listed companies are also

regulated under Capital Markets and Issuers Law no. 24/2017.

Regarding the corporate form of a company, Companies' Law regulates five types of companies, all having legal personality, respectively:

- Partnerships;
- Limited partnerships;
- Partnership limited by shares;
- Joint Stock Companies;
- Limited Liability Companies.

Nevertheless, the different forms of partnerships regulated by the Companies' Law are very rarely used in practice and almost all companies in Romania are set up in the form of limited liability and joint stock companies.

Companies' main features

Main features of joint stock companies and limited liability companies are included under the table below:

Corporate form	Limited liability company - SRL	Joint stock company -SA
Feature		
Share capital	No minimum value	RON 90,000 (approx. EUR 25,000)
Number of shareholders	Minimum one shareholder and maximum 50 shareholders (art. 12 of Companies' Law).	Minimum 2. No maximum limit (art. 10 of Companies' Law).
Liability of shareholders	The shareholders' liability towards third parties is limited to their contributions to the company's share capital (art. 3 of Companies' Law).	Shareholders are liable only up to the value of their subscribed contribution to the share capital (art. 3 of Companies' Law).
Contributions to the share capital	Contributions in receivables are not allowed neither when establishing the company nor when performing share capital increases. (art. 16 of Companies' Law) The share capital may be increased by converting receivables held against the company into share capital (art. 210 of Companies' Law).	Contributions in receivables are not allowed when establishing joint stock companies by public subscription (art. 16 of Companies' Law).
Shareholders' meetings	The law does not make a distinction between ordinary and extraordinary meetings. However, specific quorum and majority conditions are provided for different types of decisions. As a rule, decisions are taken with majority of the shares and of the shareholders. The Articles of Association may derogate from the rules provided by the Companies' Law.	Ordinary and extraordinary meetings with different quorum and majority conditions (art. 110 – 113 of Companies' Law).
Management of the company	At least one director. As a rule, except provided differently by the company's statutory documents, each director has full powers to represent the company (art. 70 of Companies' Law). The law does not regulate the functioning of company's management, but certain conditions may be regulated through the statutory documents.	One-tier management system Ensured by a director or a board of directors (at least 3 directors for companies' subject to a mandatory financial audit) who can delegate the company's management to managers, appointing one as General Manager (art. 137 of Companies' Law); or Two-tier management system ensured by a supervisory board and a management board (art. 153 of Companies' Law).
Transfer of shares	No restriction in case of transferring to existing shareholders. In case of transfer to third parties, it is necessary to obtain the prior approval of the General Meeting of Shareholders, voting with at least $\frac{3}{4}$ of the company's shares, unless the Articles of Incorporation provide otherwise (art. 202 of Companies' Law)	No restriction provided by the legislation.
Censors	The Articles of Incorporation may provide for the election by the shareholders of one or several censors or of a financial auditor, but the appointment of censors or of a financial auditor is mandatory only in certain cases (art. 199 of Companies' Law).	Joint stock companies whose annual financial statements are not subject to a financial audit by law or by resolution of the shareholders must appoint at least three censors and one deputy (art. 159 of Companies' Law).

Incorporating a company in Romania

Irrespective of the elected corporate form, the incorporation of a Romanian company requires the completion of the following stages:

01. Obtaining a reservation for the corporate name of the new company;
02. Approving the statutory documentation, including the articles of association of the new company;
03. Paying the share capital of the new company;
04. Concluding an agreement for the establishment of the headquarters of the new company;
05. Filling with the Trade Registry the documents prescribed by the law;
06. Verification of the registration file by the Trade Registry Office and release of registration.

01. Obtaining a reservation for the corporate name of the new company

- The name reservation is valid for a period of three months as of its issuance.
- The corporate name is the name under which a company signs and carries out its trade or business. The law recognizes to a company the exclusive right to use its corporate name after its registration with the Trade Registry.
- The law does not allow the use in a corporate name of the following words and their derivatives: "scientific", "academy", "academic", "university", "school".
- Also, for using in the corporate name the words "national", "Romania", "institute" a company must obtain the approval of the General Secretary of the Government.

02. Articles of association of the new company

- The articles of association represent the main document that details the company's internal operation, including aspects regarding the company's management bodies and powers granted to shareholders.

- The notarization of the articles of association is only mandatory in the following cases: (i) when a real estate is brought as a contribution to the company's share capital; (ii) when a general partnership or a limited partnership is set up, and (iii) when a joint stock company is set up by public subscription.

03. The share capital

- There is no minimum share capital applicable to limited liability companies, while in case of joint stock companies the minimum share capital stands at RON 90,000 (approx. EUR 25,000).
- The Companies' Law provides three types of contributions when establishing a Romanian company, respectively: in cash, in-kind, and in receivables.
- The contributions in cash are mandatory for every form of company provided by the Romanian law. With respect to the contributions in kind, note that they are also allowed for every form of company and they must be priority evaluated from an economical point of view.
- Contributions in receivables are not allowed for limited liability companies, joint stock companies by public subscription and partnership limited by shares.

04. Concluding an agreement for the establishment of the headquarters of the new company

To register the company, a property title, or an agreement for the establishment of the headquarters must be provided.

05. Filling with the Trade Registry the documents prescribed by the legislation

The registration file should contain all documents prescribed by the law, including:

- the articles of association;
- proof of the share capital payment, except for limited liability companies;
- statements of the shareholders and administrators;
- statement regarding the ultimate

beneficial owner of the company (UBO);

- documents regarding the headquarters (e.g., ownership title, rental agreement).

06. Ultimate beneficial owner (UBO)

As a rule, companies registered under Romanian law must declare the identity of the UBO at incorporation, within 15 days as of the approval of the annual financial statements or whenever a change occurs in this respect.

In Romania, the beneficial owner is defined by Law no. 129/2019 on preventing and combating money laundering and terrorist financing, as well as for the amendment and completion of certain legislative acts. The beneficial owner is defined as any natural person who ultimately owns or controls the client and/or the natural person on whose behalf or interest a transaction, operation, or activity is conducted either directly or indirectly.

A shareholding of 25% plus one share or an ownership interest of more than 25% in the company held by a natural person shall be an indication of direct ownership. A shareholding of 25% plus one share or

an ownership interest of more than 25% held by a foreign corporate entity, which is under the control of a natural person(s), or by multiple foreign corporate entities, which are under the control of the same natural person(s), shall be an indication of indirect ownership.

A common example of indirectly exercising participation and control is represented by the control or participation through a chain of companies. Thus, it is necessary to go up the chain of companies until a natural person who holds a shareholding of 25% of the shares plus one share or an ownership interest of over 25% is identified.

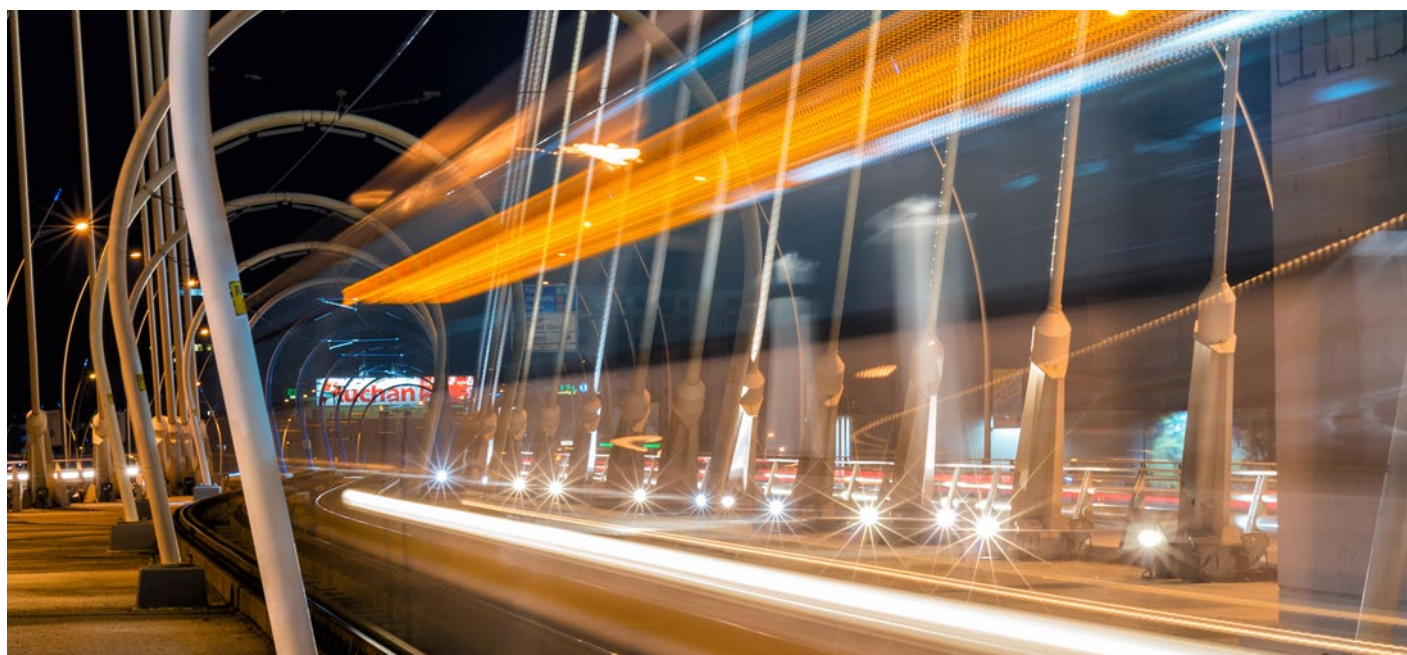
Given the possibility of indirectly exercising control—including via other means—if a natural person has the possibility to exercise control over a company or to make strategic business decisions, it could be considered as beneficial owner. This reasoning is applicable to a category of natural persons, such as, for example, the board of directors/managers/officers (CEO, CFO, etc.) of a legal person in the chain of companies above the Romanian company.

07. Verification of the registration file by the Trade Registry Office and release of registration

In terms of timing, the Trade Registry issues the certificate of registration of a new company within 3 working days from when all the required documents have been filed. Based on Law no. 359/2004 a simplified registration procedure was adopted and implies that:

- the registration certificate issued by the Trade Registry, specifies the individual registration code granted by the Ministry of Public Finance, and
- the ascertaining certificate reflecting the activities which the company is authorized to carry out at its headquarters or, as appropriate, at its places of business or those activities which may be carried out by third parties.

The latter authorisation is issued based on a statement given by the applicant taking responsibility for legally carrying out the declared activities from the following standpoints: environmental protection, labour protection, as well as sanitary and sanitary-veterinary protection.



Directors' duties and liability

Directors are liable towards the company for the damages caused through their activity. In the performance of their mandate, directors should act with professional diligence and should always seek to follow the company's best interests. The main attributions of directors are in the fields of:

- managing the activity of the company, in line with the decisions of the General Meeting of Shareholders
- representing the company towards third parties
- summoning the General Meeting of Shareholders
- implementing the decisions of the General Meeting of Shareholders

- hiring and dismissing employees
- signing the annual financial statements and presenting them to the General Meeting of Shareholders for approval
- organizing the company's accounting department
- ensuring the compliance with data protection obligations

Directors can also be liable towards third parties in case of entering into agreements which led to the company's insolvency. Directors' liability for specific activities can be mitigated through the implementation of specific control and reporting mechanisms.

Subsidiaries, branches and other secondary offices

Subsidiaries

Subsidiaries are entities with legal personality established in one of the forms provided by law (art. 42 of Companies' Law). Consequently, the legal regime applicable to the said entities is that provided for the form of company under which it is established.

Branches

The branch is an extension of the parent company and therefore has no legal personality and no financial independence. The company is held liable to any creditors of the branch, employees included, as well as for any debts and obligations undertaken by its managers and agents on behalf of the branch. Branches can only carry out the activities for which the parent company has been authorized.

Representative Offices

Foreign companies have the possibility to establish in Romania representative offices based on licenses issued by the Ministry of Economy according to Decree-Law no. 122/1990.

Usually, representative offices are set up by foreign companies in Romania to carry out non-commercial activities, such as advertising and market research on behalf of the parent company. Representative offices cannot conduct commercial activities in Romania.

The licenses are issued for the period in relation to which the tax (annual) has been paid and may be renewed afterwards. After the license is issued, the representative office shall be registered within maximum 15 days with the tax authorities.

Dissolution & liquidation of a company

Under the provisions of Companies' Law (art. 227), a company shall be dissolved in the following situations:

- After the expiration of the term for which the company was established;
- The impossibility of accomplishing the business activity of the company or the realization of the business activity;
- Declaration of the annulment of the company;
- The decision of the general meeting of shareholders;
- The decision of the court of law at the request of any of the shareholders for just reasons such as serious misunderstandings between the shareholders which cannot allow the company to function;
- The bankruptcy of the company;
- Other cases provided by law or by the company's articles of association.

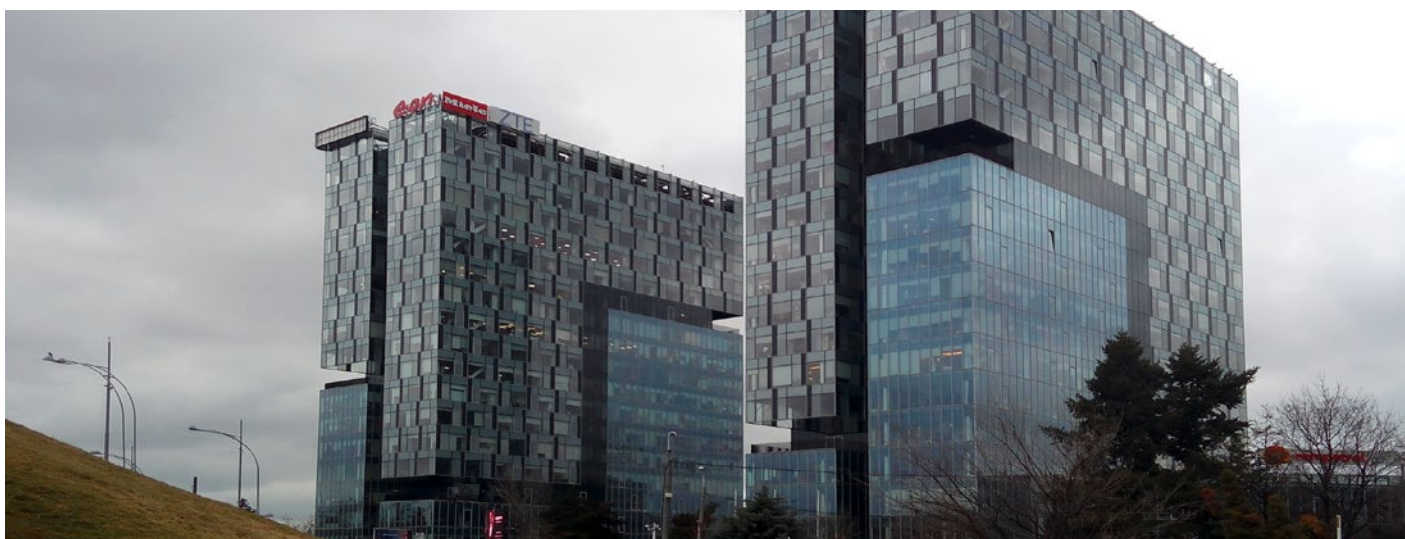
Partnerships, limited partnerships and limited liability companies shall be also dissolved in case of bankruptcy, incapacity, exclusion, withdrawal or death of any of the

shareholders when from the said reasons the number of shareholders reaches one (art. 229 of the Companies' Law). However, the company may continue to exist and function if the remaining shareholder decides to change the form of the company into a sole shareholder limited liability company (art. 29 of the Companies' Law).

As a result of the dissolution, the company shall enter into liquidation when a judicial liquidator shall be appointed in order that the liabilities and assets be settled. However, in case of partnerships, limited partnerships and limited liability companies, Companies' Law provides an exception from this general rule where the shareholders may (with unanimity of votes) voluntarily decide the dissolution of the company if two cumulative rules are met, namely the shareholders decides on the allotment and liquidation of the company's assets and ensures the extinguish of its debts or reaches an agreement with its creditors regarding their settlement (art. 235 of the Companies' Law).



Banking, Capital Markets, Insurance and Private Pensions



Regulatory framework climate

Since joining the European Union (EU), Romania developed a well-regulated financial market, being subject to the extensive legal EU framework in this field. In 2017-2018 the Romanian financial sector was subject to various new EU regulations (such as Markets in Financial Instruments Directive II (MiFID II), Insurance Distribution Directive (IDD), Payment Services Directive II (PSD II), General Data Protection Regulation (GDPR), Anti-Money Laundering Directive IV (AMLD IV)) facing additional compliance challenges. These new EU requirements focused on the consumer's protection growth and the EU financial market stabilization.

Financial sector supervision

The Romanian financial sector is supervised by the National Bank of Romania (the **"NBR"**) and by the Financial Supervisory Authority (the **"FSA"**).

In Romania, the NBR exerts prudential regulatory and supervisory functions on the credit institutions (art. 2 para. (2) letter b) of Law no. 312/2004 regarding the NBR statute (the **"NBR Statute Law"**)), non-banking financial institutions (art. 43 and 44 of Law no. 93/2009 regarding non-banking financial institutions (the **"NBFI Law"**)), and payment institutions and adopts monetary policy measures (art. 2 para. (2) letter c) and d) of the NBR Statute Law). The European Central Bank (ECB) does not directly supervise any Romanian credit institution however, under the EU banking union it oversees the parent banks of many of the main lenders in Romania. The NBR also oversees the smooth functioning of the systemically important payment and settlement systems (art. 2

para. (2) letter b) of the NBR Statute Law and ensures the prevention of the money laundering and terrorism financing in the financial sector subject to its supervision (art. 26 para. (1) let a) of Law no. 129/2019 for the prevention and combating of money laundering and the financing of terrorism (the **"AML Law"**)).

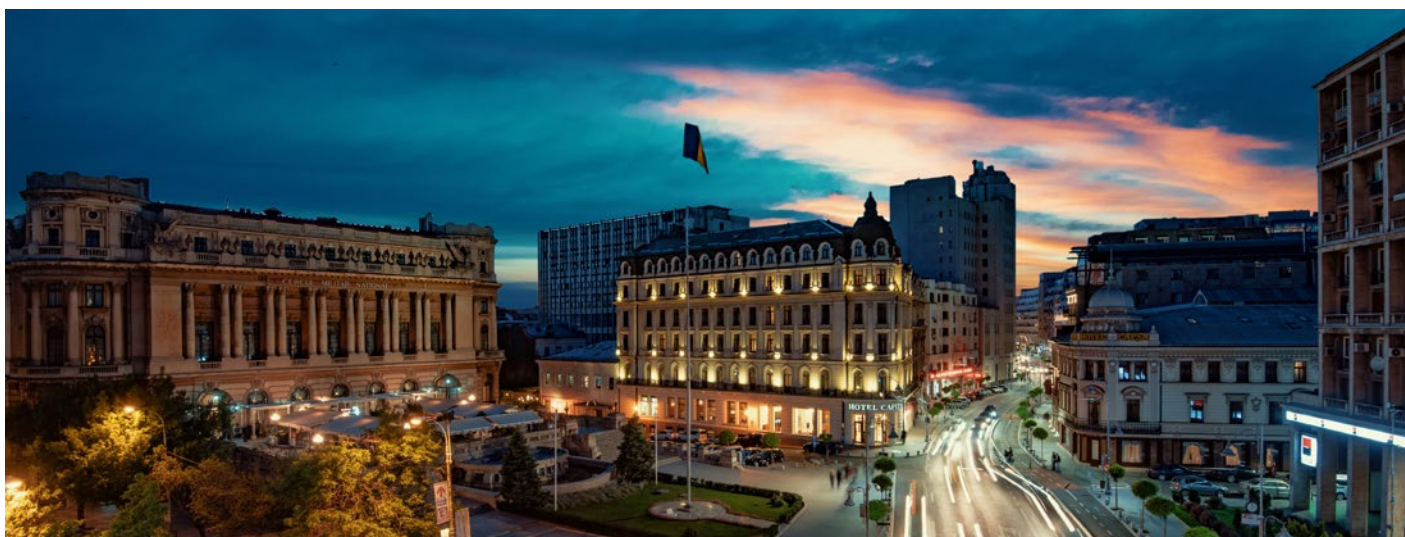
Upon its founding in 2012, the FSA overtook the attributions of the National Commission for Transferable Securities (the **"NTCS"**), together with those of the Insurance Supervision Commission (the **"CSA"**) and the Private Pension System Supervisory Commission (the **"PPSSC"**). The statute of the NTCS (of the statute of the National Commission of Transferrable Securities as of 13.03.2002 (the **"NCTS Statute"**)), together with the statute of the PPSSC (government emergency ordinance no. 50/2005, the **"PPSSC Statute GEO"**) are still in force and applicable to the FSA. The statute of the CSA was replaced by Law no. 236/2018 regarding the distribution of insurance products (the **"Insurance Distribution Law"**), and the references therein are to the FSA directly.

The FSA exercises supervisory and control powers over three financial markets (i.e., capital markets (art. 1 para. (2) the NCTS Statute), insurance and re-insurance sector (art. 1 para. (1) let. b) and c) of the Insurance Distribution Law) and private pensions scheme (art. 21 of the PPSSC Statute GEO), overseeing regulated entities such as investment firms, collective investment undertakings, alternative investment funds managers, investment management companies, market operators, central depository, insurance and re-insurance companies, insurance intermediaries and private pensions funds. Each such category of entities is specifically regulated by both laws and FSA secondary legislation. The NBR, as an independent public institution, is run by a Board of Directors consisting of nine members appointed by the Parliament for a 5-year mandate (art. 33 para. (4) of the NBR Statute Law). It works on a permanent basis with the International Monetary Fund, the European Central Bank, and specialized consultants from the World Bank, as well as with other organizations, in developing its regulatory and supervisory framework. Since 1 January 2007, NBR is part of the European System of Central Banks (ESCB), and the NBR's Governor is a member of the General Council of the ECB. The FSA is established as an autonomous,

specialized, independent, self-financed administrative authority, being managed by a Board of Directors consisting of nine members appointed for a 5-year mandate (art. 8 of the government emergency ordinance no. 93/2012 regarding the functioning of the FSA (the “**FSA Statute GEO**”)).

There are additional bodies with relevant roles within the financial sector, such as:

- i. the National Authority for Consumer Protection, authority that prevents and sanctions those practices within the financial services sector that harm the economic interests of consumers;
- ii. the Bank Deposit Guarantee Fund, the national deposit insurer that guarantees the bank deposits in case of credit institutions' insolvency; and
- iii. the Romanian Investor Compensation Fund, that compensates investors in case a fund member, when providing investment services to investors or managing the investors' individual investment portfolios, fails to return the money and/or the financial instruments owed to, or belonging to, such investors.



Foreign Currency Regime

The national currency of Romania is LEI (abbreviated RON)⁹ and its exchange rate is determined on the inter-bank foreign exchange market established in 1994, where foreign currency can be bought and sold in exchange for LEI, at spot or forward exchange rates freely determined by the credit institutions authorized by NBR, as per the NBR regulation no. 4/2005 regarding the financial market (the **"Financial Market Regulation"**). Based on the currency exchange rates used on the inter-bank market, NBR establishes and publishes the daily exchange rate.

As per art. 2 and 4 of the Financial Market Regulation, non-residents:

- i. may acquire, hold and use any financial assets denominated in foreign currency and in LEI;
- ii. may open and keep accounts in both foreign currencies and LEI with Romanian credit institutions;

- iii. may transfer abroad the financial assets held in Romania;
- iv. may freely perform the current and capital foreign exchange operations with Romanian residents both in a foreign currency and in LEI.¹⁰

As per art. 4, section 4.3 of Schedule no. 1 of the Financial Market Regulation, non-residents are defined to include foreign citizens having their domicile abroad, legal entities having their headquarters abroad, and branches of Romanian legal entities operating abroad.

As per art. 5 of the Financial Market Regulation, Romanian residents:

- i. may acquire, hold and use any financial assets denominated in a foreign currency;
- ii. may open and keep accounts in both foreign currencies and LEI with Romanian credit institutions;

Banks and non-banking financial institutions

Banks

As a rule, in Romania crediting activities can be performed with professional title only by the NBR authorised entities. While certain activities can be performed also by non-banking financial institutions authorised by the NBR (e.g., lending activity, financial leasing), only credit institutions can accept deposits from the public on a professional basis (art. 5 of the government emergency ordinance no. 99/2006 regarding credit institutions (the **"Credit Institutions GEO"**)).

As per section 1.2 of the Credit Institutions GEO (art. 18-22), the list of activities that credit institutions may perform (within the limits of their license) includes, inter alia:

- acceptance of deposits and other repayable funds;
- lending (including, inter alia, consumer credits, mortgage credits, factoring,

- financing of commercial transactions);
- financial leasing;
- payment services;
- issuance and administration of other means of payment, such as checks, bills of exchange and promissory notes, etc;
- investment services and activities, such as portfolio management and related investment advice, trading on own account and/or the account of customers (to the extent these services refer to financial instruments, the authorization of the FSA is required);
- issuing electronic money;
- acquiring participations in the share capital of other entities.

As per art. 3 of the Credit Institutions GEO, in Romania, credit institutions may be set up as banks, credit and savings banks for housing, mortgage banks, and credit cooperative organisations.

9. As per law no. 348/2004 regarding the national currency.

10. There are also certain exceptions when the payments between residents may be performed in foreign currency (e.g., occasional foreign currency operations between individuals, operations arising out of transport, tourism, operations performed abroad by individuals, legal entities and other entities).

As per the public data¹¹ published by the NBR, at the end of December 2020 the banking sector comprised of 34 credit institutions (out of which 8 were direct foreign branches). Starting with 1 January 2021, the Romanian systemically important banks are:¹²

01. UniCredit Bank S.A. (consolidated level),
02. Banca Transilvania S.A. (consolidated level),
03. Banca Comercială Română S.A. (consolidated level),
04. BRD - Groupe Société Générale S.A. (consolidated level),
05. Raiffeisen Bank S.A. (consolidated level),
06. Alpha Bank România S.A. (individual level),
07. OTP Bank S.A. (consolidated level),
08. CEC Bank S.A. (individual level)

Non-banking financial institutions

The non-banking financial institutions (the “**NBFIs**”) are regulated entities that may carry out lending activity on a professional basis in Romania. The NBFIs are supervised by NBR and, depending on their license (i.e., registered with the General Register, Special Register or Entry Register held by the NBR), are subject to several regulatory requirements, as per the NBFi Law and NBR Regulation no. 20/2009 on NBFIs (the “**NBFI Regulation**”).

To be registered with the General Register, a NBFI should have a share capital of at least the equal amount in LEI of EUR 200,000, while NBFIs that envisage to grant mortgage credits should have a share capital of at least the equal amount in LEI of EUR 3,000,000 (art. 18 para (1) of the NBFi Law).

NBFIs which envisage the registration with the Special Register should comply with additional conditions, such as: (i) the NBFI's own funds and borrowed resources shall be of minimum LEI 50,000,000; (ii) the NBFI

shall grant credits/financing of minimum LEI 25,000,000, and (iii) shall have a total level of consumer credits granted over the last three quarters of LEI 75,000,000 (art. 26 para. (1) of the NBFi Law). As per art. 14 of the NBFi Law, the activities which can be carried out by NBFIs include, amongst others:

- granting credits, including, without being limited to, consumer credits, mortgage credits, real estate credits, micro-credits, financing of commercial transactions, factoring, discounting, forfeiting operations;
- financial leasing;
- issuing of guarantees, undertaking of guaranteeing commitments, undertaking of financing commitments;
- (granting credits by receiving pledged assets, or pawning through pawn broker's houses;
- other financing forms of the nature of the credit;
- within the crediting activity, issuance and administration of credit cards for the clients and activities related to the processing of transactions with such instruments (other than those provided under the Emergency Government Ordinance no. 113/2009 on payment services, in compliance with the regulations in the field).
- foreign exchange operations (applicable to NBFIs registered with the General Register); and
- payment services and lending activity in relation to such payment services (applicable to NBFIs registered with the General Register).

11. Banca Națională a României - Aggregate Indicators for Credit Institutions (bnro.ro)

12. Banca Națională a României - Macroprudential Policy (bnr.ro)

Financial markets and instruments

In line with the EU regulatory trends, the Romanian legal framework regulating the market operations, issuers, financial markets, and investment collective undertakings faced an extensive development since 2017.

This growth of laws and regulations started in 2017, when Law no. 24/2017 on issuers of financial instruments and market operations entered into force and repealed the existent rules formerly regulated by Law no. 297/2004 on capital markets. Further, in 2018 the national legislator transposed MiFID II in the Romanian legislation through Law no. 126/2018 on markets in financial instruments, followed by a set of implementation regulations issued by the FSA.

Starting with July 2019, the new EU Prospectus Regulation¹³ applies entirely, and a new Romanian law on alternative investment funds was enacted (i.e., Law no. 243/2019 on alternative investment funds). The Bucharest Stock Exchange S.A. (the **"BSE"**), the most important institution of the Romanian capital markets, organizes and manages the regulated markets of financial instruments under European standards. The BSE is a shareholder-owned company listed on its own market since June 2010 and operates two types of markets the regulated market and a multilateral trading facility (MTF), respectively AeRO market created in 2015 and designated to small and medium-sized companies and start-ups. As of 2021¹⁴, 82 companies were listed on the BSE's main (regulated) market and 290 on the AeRO market.

Insurance sector

According to the public data published the FSA¹⁵, within the first 9 months of 2020 the insurance undertakings authorized and regulated by the FSA subscribed gross premiums in an amount of LEI 8.51 billion, with an increase of 4.5% as the previous year.

However, the insurance market in Romania remains focused on the general insurance activity (non-life insurance), which represents 81% of the total gross underwritten premiums of the insurance undertakings authorized and regulated by the FSA. The general insurance market remains dominated by motor insurance

which represents approximately 70.3% of the total gross underwritten premiums of the non-life insurance activity and 56% of the total gross premiums underwritten by insurance undertakings within the first 9 months of 2018.

As at the end of September 2020, 28 insurance undertakings authorized and regulated by the FSA were operating in Romania out of which 15 carried out only non-life insurance, 7 practiced only life insurance, and 6 practiced both categories of insurance.

Private pensions scheme

The total net assets value under management at the level of the entire Romanian private pensions system reached LEI 80 billion (around EUR 10.64 billion) as of March 2021, with an increase of 36% as the previous year¹⁶.

As at the end of December 2020, the largest percentage in the structure of private pension funds' portfolios was held

by government securities (63.6267.5%), followed by 21.6% shares, 4.0% corporate bonds, 2.0% bonds issued by foreign non-governmental bodies, 2% bank deposits, 3.3% mutual funds and 0.4% other financial instruments¹⁷. At the end of 2020, 7.63 million participants were registered in the private managed pensions' scheme, almost with 2% more than 2017¹⁸.



¹³ Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC

¹⁴ BVB - Statistici generale

¹⁵ <https://asfromania.ro/files/asigurari/analize/Raport%20privind%20evolutia%20pietei%20asigurarilor%20Q3%202018.pdf>;

¹⁶ <https://asfromania.ro/ro/a/204/evolu%C8%9Bie-indicatori>

¹⁷ <https://asfromania.ro/ro/a/204/evolu%C8%9Bie-indicatori>

¹⁸ <https://apapr.ro/utile/statistici/>. "Numar de Participanti" (Number of participants), "Active nete administrate" (Net assets under management), "Investitiile fondurilor" (Funds' investments)

¹⁹ <https://asfromania.ro/informatii-publice/media>

Labour Relations and Social Security



Starting January 2021, the minimum gross base monthly salary in Romania is settled to 2,300 lei for normal working program (approximately EUR 466). By exception, for employees hired on positions requiring university diploma and having at least 1 year length in service in the field of their university studies, the gross base minimum monthly salary is of 2,350 lei for normal working program (approximately EUR 477). As principle, it is not compulsory for expatriates to be employed by a Romanian company for rendering services in Romania. In this respect, please see the Immigration section described below.

Individual and collective Labour Relations

The Romanian employment legal framework is mainly regulated by Law no. 53/2003 - regarding the Labour Code (the "**Labour Code**"), which provides for a set of minimum general principles to be applied in the employment relations. Labour Code is supplemented with other enactments applicable to specific fields creating the framework of employment relations, such as:

- Law no. 62/2011 on social dialogue.
- Law no. 319/2006 regarding health and safety at work and the methodological norms.
- Law no. 67/2006 on safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses.
- Law no. 467/2006 regarding the establishment of the general framework for informing and consulting the employees.
- Law no. 81/2018 on telework activity.
- Government Ordinance no. 137/2000 on

preventing and sanctioning all forms of discrimination.

- Law no. 202/2002 on equality of chances and treatment between men and women.
- Law no. 108/1999 for establishing and organizing the Labour Inspection and other relevant enactments.

Individual labour relationships in Romania

Individual employment agreements are concluded based on the parties' agreement, in writing and in the Romanian language, in the day prior to start of the activity, at the latest. The obligation of concluding the individual employment agreement in writing belongs to the employer.

By rule, individual employment agreements are concluded for indefinite term (open-ended). As an exception, the individual employment agreements may also be concluded for a definite (fixed) term, if certain conditions specifically required by law are observed.

As an exception, Labour Code allows for individual employment agreements to be concluded for a definite term only in the limited cases expressly provided in this respect. The maximum period for which a fixed-term contract may be concluded is of 36 months. In addition, between the same parties there may be concluded a maximum three fixed-term agreements in a row (i.e., within 3 months from the termination of the previous one). Successive fixed-term contracts may not exceed 12 months each. The individual employment agreement must observe the minimal employment conditions imposed by the law. The Order of the Minister for Labour and Social Security no. 64/2003 regulates the standard template of the individual employment agreement containing the minimal provisions.

Romanian law provides for certain mandatory elements that must be included under the individual employment agreement, such as: the place of work, the date of starting the activity, the job title under the Romanian Classification of Occupations, employee's annual paid rest leave entitlement, the notice period in case of dismissal and in case of resignation, salary rights, evaluation criteria, the job description, working time, length of probationary (trial) period (if agreed by the parties). Furthermore, the Labour Code allows individual employment agreements to include special clauses, such as:

- the non-compete clause after termination date of the employment agreement (binding employees to refrain from carrying out an activity competing with the activities performed at their employer, in exchange of a non-compete monthly allowance that the employer is compelled to pay for the entire duration of the non-compete obligation; the non-compete allowance should amount to minimum 50% of the average gross salary income obtained by the employee during the last 6 months prior to termination of his/her employment agreement; such non-compete clause is valid maximum

2 years as of the termination of the employment agreement);

- the mobility clause (entitling employees to extra benefits if the characteristics of the job impose a mobile workplace for the employee);
- the confidentiality clause (whereby parties agree not to disclose information acquired during employment).

The employment agreement may provide for a single trial period of maximum 90 calendar days, in case of non-management (execution) positions and maximum 120 calendar days, in case of management positions. The main interest of having a trial period in the agreement consists of the possibility to terminate the employment relationship during or at the end of this period only through a written notification, at any party's initiative.

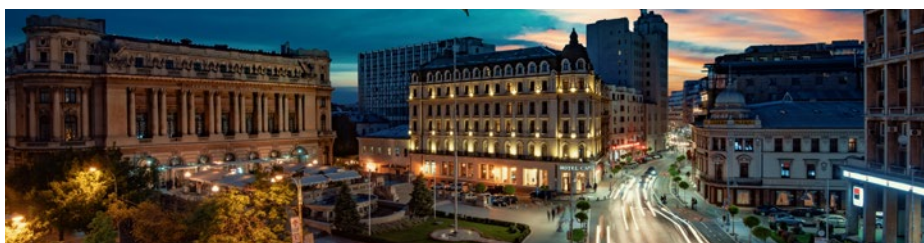
Parties may also conclude part-time individual employment agreements, for definite or indefinite term. As a specific feature of this type of agreement, performing overtime is not allowed, except for cases of force majeure or other urgent works meant for the prevention of accidents or removal of their consequences. Labour Code also regulates the situation of work performed through temporary work agencies. The legal provisions therein should be read in conjunction with the specific legislation in this domain, i.e., Government Decision no. 1256/2011 regarding the setting up, functioning conditions and licensing procedure of a temporary work agent.

As regards the specific obligations of employers, each employer must keep

a general register of its employees, in electronic form, through which it must report to the competent labour authority specific information related to the employment relationship. Government Decision no. 905/2017 regarding the general registry of employees regulates rules for proper keeping of the registry. According to the specific provisions of the Labour Code and the said Decision, the general registry of employees must be kept in electronic form and includes, among others, the identification data of all employees together with their date of employment, position, type of employment agreement and date and reason of termination of the agreement. The employer must send the general registry of employees in electronic form to the territorial labour inspectorate in the jurisdiction of which the employer's headquarter is located.

Romanian Labour Code contains an entire chapter regulating the conditions and procedure which should be followed for drafting and maintaining the Internal Regulation of an employer.

Internal Regulation should be drafted by the employer after consultation with the trade union or the employees' representatives and shall contain, among others, provisions on: work protection, hygiene, and security at the employers' premises, non-discrimination, procedure for amicable settlement of individual employment disputes and for solving the employees' individuals' requests or complaints, specific rules on labour discipline at the respective employer, rules on disciplinary offences, sanctions and disciplinary procedure, criteria and



procedure of the professional evaluation of the employees etc.

According to the law, the Internal Regulation should be communicated by the employer to its employees and shall become applicable towards the employees starting with the date of its notification.

Collective labour relations in Romania

The trade unions are independent legal entities created to defend and promote their members' collective and individual rights, as well as professional, economic, social, interests.

For employers with more than 20 employees and where no representative trade union is established, the employees' interests may be promoted and defended by their representatives, elected, and authorized for that purpose. Romanian Labour Code provides the conditions for election of the employees' representatives.

Pursuant to Law no. 62/2011 on social dialogue, collective bargaining agreements may be concluded at sectors' level, group of employers and employer's level. Collective bargaining agreements may not include provisions establishing rights of a lower level to the one set by those collective bargaining agreements concluded at a superior level, and the individual employment agreements may not include provisions establishing rights of a lower level or contrary to the one set by applicable laws and collective bargaining agreements. This means that the provisions of the applicable collective bargaining agreements - favourable to the employees - prevail upon provisions of individual employment agreements. The collective negotiation is mandatory to be initiated by each company having at least 21 employees.

The collective negotiation takes place for a period that cannot exceed 60 calendar

days (unless the parties agree on the extension of the period) and is initiated by the employer with at least 45 calendar days before the expiry of the previous collective agreement. If employer shall not initiate the collective negotiations, they shall begin upon the written request of the trade union/employees' representatives within maximum 10 calendar days as of communication of the request.

The collective bargaining agreement is concluded for a determined period that may range initially between 12 and 24 months, with the possibility of extension, only once, up to 12 months upon the parties' consent. The agreement concluded at company's level must be registered with the territorial labour inspectorate. As of the registration date at the territorial labour inspectorate, the collective bargaining agreement concluded at the company level shall produce its effects, unless a future date for entering into force has been agreed between the parties.

Working Conditions

Salaries and Wages

The salary is the compensation of the employee's work, expressly stipulated under the individual employment agreement. The salary represents a sum of money and it must be paid at least once a month, at the date specified in the individual employment agreement. Discrimination is forbidden in the setting and granting of a salary, on criteria such as: gender, sexual behaviour, genetic features, age, nationality, race, skin colour, ethnicity, religion, political option, social background, disability, family situation or responsibility, trade union membership or activity. By rule, at company level, the level of the minimum salary is established by the applicable collective bargaining agreement. The individual salaries of the employees are established by individual negotiations between employer and employees. The salary includes the base salary, allowances, increments and any other bonuses.

Working Hours

According to the legal provisions in force, the normal duration of full-time employees' work time is of 8 hours per day and 40 hours per week. By rule, the maximum legal duration of the work time cannot exceed 48 hours per week, including overtime. As one exception, the duration of the work time, including overtime, may be extended to over 48 hours/week, if the average of the working hours, calculated for a reference period of four calendar months, does not exceed 48 hours/week.

For youngsters up to the age of 18, the duration of the working time is 6 hours per day and 30 hours per week.

The work time is, regularly, distributed to 8 hours per day, 5 days per week, followed by two rest days. For certain sectors of activity, companies, or professions, collective or individual negotiations, or specific laws may settle a daily duration of the work time, shorter or longer than 8 hours. A daily duration of a 12-hour working day shall be followed by a 24-hour rest period.

Specific provisions are mentioned under Labour Code with respect to keeping records of employee's working time, individualized work schedules, overtime, night work, work during weekends, as well as to the organization of the work conditions. By rule, employees are entitled to a daily rest of minimum 12 consecutive hours. All employees have the right to a paid annual leave. The minimum duration of the annual paid rest leave is of 20 working days.

Legal Holidays

Legal holidays in Romania are:

- A. 1st and 2nd of January.
- B. 24th of January.
- C. Holy Friday, that is the last Friday before Easter.
- D. First and second days of Easter (Easter Sunday and the following Monday)
- E. 1st of May.
- F. 1st of June.
- G. First and second day of "Rusalii" (that is a religious holiday celebrated after the Easter).
- H. 15th of August.
- I. 30th of November – St. Andrew.
- J. 1st of December.
- K. 25th and 26th of December (first and second day of Christmas).
- L. Two of each of the three religious holidays in a year, declared as such by other religions than Christianity, for the employees belonging to such religions.

Equal Opportunities and non-discrimination at work

The general principle is the equal treatment between all employees within employment relationships.

Any direct or indirect discrimination towards an employee, discrimination by association, harassment, or act of victimization, based on sex, sexual orientation, genetic characteristics, age, nationality, race, colour, ethnicity, language, religion, political behaviour, social origin, disability, non-infectious chronic disease, HIV infection, situation or family

responsibility, trade union membership or activity, belonging to a less favoured category is forbidden.

The Labour Code emphasizes equality of payment for equal work.

Health and Safety at work

In Romania, employers have the obligation to ensure the health and safety of their employees in all aspects related to work. If the employer benefits of health and safety services provided by a specialized provider, this does not exonerate the employer of its legal obligations. Employees' obligations within health and safety area will not affect the employer's legal liability.

The health and safety measures cannot involve financial obligations for the employees.

Employers must organize health and safety prevention and protection activities either by appointing employees with health and safety responsibilities, by setting up an internal health and safety service or by using an external health and safety service. Employers must also appoint employees responsible with the application of first aid, fire extinction and evacuation measures. Within undertakings with minimum 50 employees, the health and safety committee must be established.

Termination of Employment

Under Romanian law, the individual employment agreement may be terminated only on the following grounds/cases: (i) by law, (ii) through the parties' consent, as of the date agreed upon by them or (iii) as a result of one party's unilateral decision, in the cases and under the conditions restrictively provided by law.

Romanian Labour Code provides for a specific and detailed procedure that should be followed and observed in case of individual dismissal.

Individual dismissal cases upon the employer's initiative could be divided into two categories: dismissals due to reasons that are related to the employee's person

and dismissals due to reasons not related to the employee's person.

Most frequent dismissals for reasons related to the employee's person occur due to disciplinary reasons.

In case of dismissals due to reasons that are not related to the employee's person (such as restructuring of positions), the employees benefit from active unemployment measures and may also be granted severance payments as provided by law and the applicable collective bargaining agreement. Depending on the number of employees affected by such dismissals, as well as on the total number of employees, it may be the case that the specific provisions for collective dismissals apply.

Under law, there are a series of temporary legal restrictions to dismissal of employees, such as: (i) temporary work-disability, ascertained through medical certificate, (ii) pregnancy, if the employer became acquainted with this fact before the issuance of the dismissal decision, (iii) maternity leave, (iv) parental (child-raising) leave, (v) annual paid rest leave etc. However, the above restrictions do not apply for dismissals grounded on reasons due to the employer's judicial reorganization, bankruptcy, or employer's dissolution.

When applicable, the notice period applicable in case of dismissal of the employee due to reasons is of minimum 20 working days. Through resignation, the employee notifies the employer, in writing and in Romanian language, the termination of the individual employment agreement after a notice period.

The notice period in case of resignation may not be longer than 20 working days (for employees in non-management positions), respectively 45 working days (for employees in management positions). During the notice period, the individual employment agreement produces full effects. The employee may resign without a notice period if the employer does not fulfil its obligations.

The Social Security System

Starting with January 2018 the Romanian social security system has been restructured. In this respect, the social security contributions percentages have been modified and in terms of social security contributions due for salary income, the employee took over most of the contributions of the employer.

In Romania, employees must contribute to the state pension and health insurance security systems. The same is applicable also for individuals deriving other types of income, except salary, provided certain conditions are met.

Salary income

The social security contributions are as follows:

Employees' contributions:

- Social security contribution - 25% or 21.25% for certain construction workers whose activity falls within certain areas of work as defined by the Fiscal Code, under certain conditions.
- Health insurance contribution - 10%. Note that construction workers whose activity falls within certain areas of work as defined by the Fiscal Code are exempt from paying this contribution, under certain conditions.

Employers' contributions:

- Insurance contribution for work - 2.25% or 0.27% for certain construction workers whose activity falls within certain areas of work as defined by the Fiscal Code, under certain conditions.

- Social security contribution – 4% in case of particular work conditions or 8% in case of special work conditions.

The insurance contribution for work consists of unemployment, work accidents, medical leave, and the contribution to guarantee fund.

The obligation to compute, withhold and wire the mandatory social security contributions stays with the Romanian employer. The reporting and payment deadline is the 25th of the month following the one the income was obtained.

Other types of income

All other types of taxable private income (i.e., income from freelancing, intellectual property rights, investment, rental and other sources) are subject to a health insurance contribution of 10% if the level of the income derived from all these types of activities is at least 12 times the national minimum salary. If this is the case, the computation base for the health fund contribution is the threshold mentioned above. Considering that in 2021 the minimum national salary is RON 2,300 per month, the maximum resulting contribution would amount to RON 2,760 per year.

A 25% pension contribution is applicable for income from independent activities and income from intellectual property rights in case the net income represents at least 12 times the national minimum salary. The computation base for the pension contribution is the "insured income" (an amount chosen by the individual, to which the pension contribution rate is applied, which cannot be less than 12 times the national minimum salary).

Immigration aspects

European Union/European Economic Area and Swiss citizens

Citizens of the European Union/European Economic Area and Swiss citizens (EU nationals) benefit from a right to stay and work in Romania without having the liability to obtain any work permit and/or residency permit.

A registration with the immigration authorities is required only if they estimate to stay in Romania more than three months, observing the purpose

in Romania for EU nationals (e.g., employment, secondment, means of support etc.). The certificate is obtained within 24 hours of being requested and has a 5-year validity, with the possibility to renew it. There can be situations in which a registration is needed in advance (i.e., tax/ social security liabilities).

Non-EU nationals, family members of EU nationals, can travel and live with them in Romania. Consequently, they are subject to different

immigration compliance requirements, as follows:

- They should obtain Romanian entry visas, if necessary.
- They should obtain Romanian residency cards to extend their legal stay in Romania over a three-month period.

Non-European Union/European Economic Area and Swiss citizens

Business travels

Non-EU nationals (foreign individuals) can travel to Romania based on a short-term visa and spend up to 90 days in any 180 days period prior to each day of stay on Romanian territory.

Foreign individuals can travel and benefit of the same regime applicable to a Romanian business visa with a valid long-term residency permit issued by other EU member states or based on a valid Schengen visa with multiple entries. Under a business visa, no work activities can be performed.

Working in Romania

As a rule, foreign individuals working in Romania need to obtain a Romanian work authorization and a long-term visa for work purposes, before starting their activity. Depending on the work permit type, the process can last between three to four months. Depending on the structure under which they are performing activities, a different work authorization will apply, as:

- Work authorization for assignment purposes – the foreign employment agreement remains active, and the individual is performing activity in Romania based on an assignment letter;
- Work authorization for local employment purposes – the individual is performing activities based on a local employment agreement concluded with the Romanian entity

There are some exceptions to this rule, for example as:

- shareholder or a member of the management or administration board of a company with approval of the

Romanian Center for the Promotion of Foreign Trading and Investment

- foreigners appointed to be Head of a Romanian branch, of a representative office or of a subsidiary of a company located abroad
- individuals appointed as Administrator of a Romanian entity which made a capital contribution or technology increase of at least EUR 50k
- non-EU nationals seconded to Romania by companies located in EU/EEA member states do not require work authorizations; there is instead a procedure for notifying the labour authorities further to their secondment.
- non-EU nationals family members of a Romanian or an EU national

Residing in Romania

For non-EU nationals to extend their stay in Romania above the 90 days period, a long-term visa needs to be obtained in advance. The long-term visa is obtained from the Romanian Consulate in their home country and to be able to apply for it, depending on the purpose of stay (i.e., local employment, assignment, commercial activities, family reunification, etc), prior actions should be undertaken in Romania (i.e., obtain a work permit, obtain family reunification approval, etc.). Foreign nationals from USA, Canada, Japan are exempted from obtaining Romanian long-term visas.

Once the long-term visa is granted, non-EU nationals can travel to Romania and apply for a temporary residency permit. Generally, the validity is of one year, with the possibility to renew it. For highly skilled workers or for intra group assignments the residency permit can be issued with a longer validity, up to two or three years. Family members of non-EU nationals (wife and minor children) can move for reunification purposes in Romania. However, their process can start only after the sponsor obtained their residency permit in Romania. Thus, they cannot move to Romania at the same time with the main applicant.

Accounting & audit requirements and registration



Accounting

General Accounting Framework

The general accounting framework in Romania is represented by the Accounting Law no. 82/1991, last republished in 2008.

Under the Accounting Law, Romanian companies, and permanent establishments in Romania of foreign companies are required to organize and conduct their own accounting, including preparation of interim and year-end accounting reports and annual financial statements.

Romanian companies and foreign entities doing business in Romania through permanent establishments must apply the most recent issued accounting regulations depending on the nature of their business.

Trading companies apply the Accounting Regulations compliant with 2013/34/UE and 2014/95/UE European Directives, approved by the Order of Ministry of Public Finance of Romania no. 1802/2014 ("OMF 1802/2014"), with subsequent amendments.

Individual Annual Financial Statements

OMF 1802/2014 distinguishes the companies that should prepare simplified financial statements from the companies that should prepare "complete" financial statements based on three size criteria:

- total assets - RON 17,500,000,
- annual net turnover - RON 35,000,000, and

- average number of employees during the financial year – 50

If a company exceeds at its balance sheet date the limits of two of the three criteria in two consecutive years it must prepare a full set of financial statements comprising of: balance sheet, profit and loss account, statement on changes in equity, cash flow statement, and explanatory notes to the financial statements.

Otherwise, it shall prepare simplified annual financial statements comprising of simplified balance sheet, profit and loss account and explanatory notes to the financial statements. The company can also opt for preparing a statement on changes in equity and/or of cash flow statement.

Credit institutions (i.e. banks, cooperative credit organizations, electronic currency issuer institutions, saving banks acting in the real estate sector, and branches in Romania of foreign credit institutions), insurance companies, and entities authorized, governed and supervised by the National Securities Commission apply specific accounting regulations issued by the specific regulatory bodies (i.e. National

Bank of Romania, National Securities Commission, Insurance Surveillance Commission etc).

Lease activity and leasing companies are regulated by the National Bank of Romania Regulation no. 20/2009 and its subsequent amendments.

Consolidation

Starting 1 January 2006, the preparation of consolidated financial statements is mandatory unless the parent company is exempt under one of the criteria listed below. Under OMF 1802/2014, a parent company is exempt from having to prepare consolidated financial statements if, at balance sheet date, the entities to be consolidated do not together exceed the limits of two of the following three criteria:

- total assets - RON 105.000.000,
- turnover - RON 210.000.000
- average number of employees during the financial year - 250.

The above-mentioned size criteria will be determined based on the most recent annual financial statements and before the elimination of intercompany balances and transactions.

This exemption, however, is not granted if one of the subsidiaries to be consolidated is a company whose securities are traded on a regulated market.

Application of IFRS

Starting with financial year 2007, the implementation of IFRS is compulsory for legal entities that, at the balance sheet date are listed on a regulated market and for several state-owned companies. Also, companies which are reporting under Order 1802/ 2014 have the option to select IFRS as adopted by EU as the reporting framework for statutory consolidated financial statements purposes.

Public interest entities, other than those required to report for statutory purposes under IFRS, may implement IFRS for their own information needs.

Financial year

The standard financial year for statutory reporting purposes is twelve month ending December 31, however in certain conditions (e.g., such as different financial year at parent company level) companies may choose a different financial year.

Audit requirements

General Legal Framework

The general audit framework in Romania is represented by Law 162/ 2017.

Audits may be performed only by financial auditors, namely individuals or legal entities that are authorized by the ASPAAS. To audit financial statements of certain types of companies, there are additional audit requirements established under the norms of each accounting regulatory body.

Generally, the financial statements of the entities which meet the size criteria mentioned below (if a company exceeds at its balance sheet date the limits of two of the three criteria in two consecutive years) and prepare a full set of financial statements in accordance with OMF

1802/2014 and the consolidated financial statements should be audited by authorized auditors.

Criteria:

- total assets - RON 16,000,000,
- annual net turnover - RON 32,000,000, and
- average number of employees during the financial year – 50

Auditing Standards

Audits carried out by authorized financial auditors must be performed under the Auditing Standards adopted by the ASPAAS. ASPAAS has adopted International Auditing Standards and the IESBA Code of Ethics for Professional Accountants.

Taxation of Corporations

General aspects

Governing law – Law 227/2015 regarding the Tax Code, as subsequently amended and supplemented

Principal business entities – These are the joint stock company, general partnership, limited partnership, limited partnership by shares, limited liability company, branch of a foreign company and representative office.

Corporate taxation:

Rates

Corporate income tax rate	16%
Branch tax rate	16%
Capital gains tax rate	16%

Residence – A company is resident in Romania if it is incorporated in accordance with Romanian legislation or if its place of effective management is in Romania. The definition of resident also includes legal entities headquartered in Romania but incorporated under EU rules (e.g., the Societas Europae and European cooperative).

Basis – Resident companies are taxed on their worldwide income; nonresident companies are taxed only on Romania-source income. Branches are taxed in the same way as subsidiaries. The

corporate income tax base is the difference between the gross income and expenses booked in accordance with the applicable accounting rules, reduced by nontaxable income and increased by nondeductible expenses. Items like income and expenses are also considered.

Taxable income – All income generally is taxable, except for income that is specifically exempt.

Rate – The standard corporate tax rate is 16%. Micro enterprises (i.e., small companies that meet certain criteria and have a turnover below EUR 1 million) are subject to a rate of 1% or 3%, depending on certain factors, applicable to the revenue obtained (except income specifically excluded by law). All newly established Romanian companies would initially qualify as micro enterprises.

Taxation of dividends – Dividend income received by a Romanian legal entity from another Romanian legal entity is not taxable. Dividends received by a Romanian legal entity from a foreign legal entity generally are included in taxable income and taxed at the general corporate tax rate. Dividends may be exempt from taxation under certain circumstances (see "Participation exemption," below).

Calculation of Taxable Profits

Tax base

Corporate income tax due is computed by applying a 16% tax rate to the taxable profit, that is determined by adding to the accounting result the elements like revenues and the non-deductible expenses and deducting the elements like expenses, non-taxable income and other deductible elements.



As a rule, the expenses are deductible from a corporate income tax perspective only if they are incurred for business purposes. The following aspects have a particular nature and imply additional attention/efforts:

- specific tax deductibility limits applicable to legal reserves, social expenses,

entertainment expenses, borrowing costs.

- the tax treatment applicable to the provision expenses / accruals.
- the value of the accounting / tax depreciation.
- the tax treatment of any non-taxable income, elements like income, elements similar to expenses and non-deductible expenses.
- the tax treatment for written-off assets.
- specific legislative provisions for applying for the tax credit (e.g., reinvested profit facility, tax credit for sponsorships / scholarships).

In relation to services expenses, there are no specific deductibility conditions mentioned in the law (with few exception - e.g., services deemed as artificial transactions), therefore the general deductibility rule should be considered when determining the tax treatment of services expenses.

In practice though, the Romanian tax authorities expect several types of documents to be available to sustain the deductibility of the services expenses.

Tax adjustments

Value of the accounting / tax depreciation

The accounting depreciation expenses are non-deductible. However, the fixed assets can be depreciated for fiscal purposes, if the following conditions are cumulatively met:

- the fixed assets are held and used for the production/delivery of goods, for the delivery of services, to be leased or for administrative purposes.
- the value of the fixed assets exceeds a certain threshold.
- the useful life of the fixed asset is above one year.

For each asset, an analysis should be performed to determine if the useful life is in accordance with the provisions of the Fixed Assets Catalogue – approved

through Government Decision no. 2139/2004, as subsequently amended and supplemented.

In this regard, the template of the Romanian corporate income tax return requires the taxpayers to present both the accounting and the tax depreciation.

Business entertainment expenses

Such expenses incurred for business purposes are deductible within the limit of 2% of the gross accounting profit, to which protocol expenses are added back.

Car related expenses

Car-related expenses for vehicles are subject to a 50% deductibility limitation except if there are available justifying documentation and mileage reports (i.e., they should contain all specific elements provided by the law) to support that cars are entirely used for business purposes.

The expenses directly linked to vehicles may refer to: repair and maintenance services, lubricants and spare parts used for such vehicles. Moreover, the above-mentioned limitation of 50% is also applicable to the expenses directly related to vehicles used by a company under a leasing agreement: e.g., local taxes, other taxes, mandatory insurance, periodical technical inspections, rents, commissions, related foreign exchange differences etc.

Elements similar to revenues

The revaluation surplus deducted through the tax depreciation/ write-off of the asset should be treated as elements similar to revenues and taxed for corporate income tax purposes along with the tax depreciation/ write-off of the asset.

Services expenses / Group costs

As this is a sensitive subject during the tax audits, it should be constantly analyzed what type of justifying documents are available in relation to the services received, to ensure the applicable tax treatment. In this respect, please note

that as the Romanian tax legislation does not provide any predefined list of documents that should be available to sustain the deductibility of an expense, the preparation and availability of supporting documentation should rely on the professional judgement of the persons preparing and verifying them.

Inventory and technological losses

In relation to the inventory losses, the person in charge with the preparation of the corporate income tax computation should constantly discuss with the relevant persons in charge with the inventory process and with the registration of the inventory losses. Also, the protocol signed in relation to the annual inventory should be available, in order to determine the exact amount that should be considered as non-deductible in the computation of the corporate income tax due.

Exceeding borrowing costs

The exceeding borrowing costs (the difference between borrowing costs and interest income and other economically equivalent income) are deductible within the following limits:

- Up to the threshold of EUR 1,000,000 – fully deductible.
- The difference will be deductible up to 30% of the “base computation” (fiscally adjusted EBITDA).

The “base computation” is determined as the difference between income and expenses recorded as per the accounting rules, out of which the non-taxable income is subtracted, and the corporate income tax expenses, exceeding borrowing costs and tax depreciation amounts are added back.

Borrowing costs include interest expenses on all forms of debt and all other costs that are similar to an interest from an economical perspective: other costs equivalent to interest, other expenses in connection with various means of financing

(e.g., profit participation loans, bonds, alternative financing arrangements, finance lease, capitalized interest, derivative instruments, etc.), losses from foreign exchange differences on borrowings and financing instruments, guarantee fees, arrangements fees and other similar costs related to the borrowing of funds.

Legal reserve

The legal reserve may be deducted up to 5% of the accounting profit but should not exceed 20 % of the share capital.

Fines and penalties

Fines and penalties imposed by Romanian tax authorities should be treated as non-deductible and the penalties imposed in relation with suppliers / client should be treated as deductible expense for corporate income tax purposes.

Transfer pricing

Transactions between related parties should observe the arm's length principle. If transfer prices are not set at arm's length, the Romanian Tax Authorities have the right to adjust the taxpayer's revenues or expenses, to reflect the market value. When the taxpayer fails to submit the transfer pricing file or when an incomplete transfer pricing file is submitted, the tax authorities have the right to estimate the transfer prices. The transfer prices will be adjusted/ estimated by using the median of the market range.

Traditional transfer pricing methods (comparable uncontrolled price, cost plus and resale price methods), as well as any other methods that are in line with the OECD Transfer Pricing Guidelines (i.e., transactional net margin and profit split methods) may be used for setting and justifying transfer prices.

Domestic legislation expressly stipulates that when applying transfer pricing rules, the Romanian tax authorities also consider the OECD Transfer Pricing Guidelines.

Transfer pricing documentation

The local transfer pricing legislation provides for specific TP documentation requirements based on the category of taxpayer (large or small and medium-sized), the annual value of inter-company transactions and the type of transaction, as follows:

Large taxpayers who carry out inter-company transactions with a total annual value higher than any of the following thresholds have the obligation to prepare the TP file annually:

- EUR 200,000 for interest received/paid for financial services.
- EUR 250,000 for services received/ provided.
- EUR 350,000 for acquisitions/sales of tangible and intangible goods.

The deadline for the preparation of the transfer pricing file is the legal deadline for the submission of the annual corporate income tax return, for each fiscal year. The deadline for submission of the transfer pricing file is of maximum 10 days from the request date, but not earlier than 10 days from the expiration of the preparation deadline. The submission of the transfer pricing file will be made at the specific request of the tax authorities either during a fiscal inspection or outside such process.

For small and medium-sized taxpayers as well as for the large taxpayers that do not fulfill the criteria mentioned above, which carry out inter-company transactions with a total annual value higher than any of the following thresholds:

- EUR 50,000 for interest received/paid for financial services.
- EUR 50,000 for services received/ provided.
- EUR 100,000 for acquisition/sale of tangible and intangible goods

The transfer pricing file will be prepared based on the specific request of the tax authorities, during a tax audit. The deadline for the presentation of the transfer pricing



file is of 30 to 60 days and can be extended only once with a period of maximum 30 days, upon the written request of the taxpayer.

The taxpayers performing intra-group transactions for which the materiality thresholds are lower than those described at points above have the obligation to document the compliance with the arm's length principle during a fiscal inspection, according to general rules provided by the financial-accounting and fiscal legislation in force.

The content of the transfer pricing documentation file is approved by order of the president of the National Agency for Tax Administration no. 442/2016. The Order is supplemented by the Transfer Pricing Guidelines issued by the OECD Transfer Pricing Guidelines and the Code of Conduct on transfer pricing documentation for associated enterprises in the European Union (EUTDP).

Transfer pricing audit activity has significantly increased during the past years and requests for presenting the transfer pricing documentation file have started to become common practice. We are aware of cases where the Romanian tax authorities have adjusted the taxable result of a local taxpayer in accordance with the applicable regulations.



Advance Pricing Agreement (“APA”)

Taxpayers engaged in transactions with related parties can request the issuance of an APA from the National Agency for Tax Administration. They also have the possibility to schedule a pre-filing meeting to discuss the feasibility of the APA.

The request for an APA is filed together with the relevant documentation and payment evidence of the fee (ranging between EUR 10,000 and EUR 20,000). The required documentation is based on the EUTPD and suggests up-front the content of the APA.

The term provided by the Fiscal Procedural Code for issuance of an APA is 12 months for unilateral APAs and 18 months for bilateral and multilateral APAs. The APA is issued for a period of up to five years. In exceptional cases, it may be issued for a longer period for long-term agreements.

APAs are applicable and binding on the tax authorities as long as there are no material changes in the critical assumptions. In this view, the beneficiaries are obliged to submit an annual report on the compliance with the terms and conditions of the agreement.

If taxpayers do not agree with the content of the APA, they can notify the National Agency for Tax Administration within 30 days. In this case, the agreement does not

produce any legal effects.

Advance Tax Ruling

Companies may request an Advance Tax Ruling be issued by the National Agency for Fiscal Administration, subject to a fee of EUR 5,000 for large taxpayers and EUR 3,000 for other taxpayers.

The taxpayer may propose the content of the Advance Tax Ruling in the request submitted. If the taxpayer does not agree with the Advance Tax Ruling, it may notify the issuing authority within 30 days; in this case, the tax ruling does not have legal effect.

Advance Tax Rulings are applicable and mandatory against tax authorities only if their terms and conditions have been observed by the taxpayers and the law remains unchanged.

Country-by-Country Reporting

A parent company or other reporting entity that is resident in Romania and is part of a multinational enterprise (“MNE”) group with consolidated income exceeding EUR 750 million is required to submit a CbC Report for each reporting year, subject to certain conditions.

Romanian resident constituent entities that are part of MNE groups meeting the criteria for CbC Reporting must file an annual notification indicating the party that will prepare and file the CbC Report. The notification must be filed by the last day of the MNE group’s reporting fiscal year, but no later than the deadline for the submission of the annual corporate income tax return for the respective constituent entity for the previous fiscal year.

Late submission of the CbC Report or the transmission of incorrect or incomplete information may result in a fine between RON 30,000 and RON 50,000 and failure to submit the report may result in a fine between RON 70,000 and RON 100,000.

Cross-border arrangements

On 31st January 2020, the provisions of EU Directive 2018/822 regarding the mandatory and automatic disclosure of information in the tax field in relation to reportable cross-border arrangements (DAC 6) were transposed into Romanian law. As such, specific cross-border arrangements will need to be disclosed to the authorities.

Fiscal losses

Losses may be carried forward for seven years. The carryback of losses is not permitted.

Fiscal consolidation

Starting 2022, fiscal consolidation for corporate income tax purposes is available under certain conditions. The fiscal group should have at least 2 members. The fiscal consolidation does not exempt each member from the computation of the corporate income tax result. Once the option to enter in a tax group is exercised, it should be maintained for 5 years. Tax losses incurred prior to consolidation are used only individually by each member and tax losses incurred after the date the fiscal consolidation regime becomes applicable, are used at consolidated level.

Consolidated returns should be submitted by the tax leader of the fiscal group. Every member should still determine individually its own tax result and send it to the group leader who will cumulate the fiscal results of all group members.

Capital gains

Gains derived by resident and nonresident entities from the sale of shares and real estate are included in overall profits and taxed at the general corporate tax rate of 16%. However, certain capital gains may be exempt (see “Participation exemption,” below).

Foreign tax relief

A foreign tax credit is granted if so, provided in a tax treaty between Romania

and the relevant jurisdiction and if the taxpayer can demonstrate that income tax was paid abroad. The tax credit may not exceed the Romanian tax payable on the income.

Participation exemption

Dividends derived by a resident company from a company in an EU member state or a non-EU country that has concluded a tax treaty with Romania are exempt from tax if the Romanian recipient company holds at least 10% of the distributing company's shares for an uninterrupted period of at least one year.

Capital gains from the sale/assignment of shares held in a Romanian entity are tax exempt if the seller/assignor holds at

least 10% of the shares in the entity for an uninterrupted period of at least one year. A tax exemption also applies to income arising at the level of a Romanian entity from the sale, assignment, valuation, or revaluation of shares held in a Romanian entity or a foreign legal entity located in a country that has concluded a tax treaty with Romania.

Income obtained by a resident company from the liquidation of a Romanian entity, or a foreign legal entity located in a country that has concluded a tax treaty with Romania are not taxable in Romania if the income recipient holds at least 10% of the share capital of the legal entity that is undergoing the liquidation procedure for an uninterrupted period of at least one year.

Corporate Tax for Foreign Entities

General principles

Foreign entities (legal entities but also any foreign entities, including mutual investment funds in movable assets without legal personality, that are not registered in Romania according to the law) are generally subject to Romanian tax on the income derived from Romania.

The extent to which a foreign entity is subject to Romanian taxation depends on its activities undertaken in, or related to, Romania.

A foreign entity can be subject to taxation by establishing a branch, creating a permanent establishment, representative office or by becoming subject to withholding tax on the Romania sourced income.

Branch of a foreign entity

- Branches must be registered with the Romanian Tax Authorities.
- The registration, filing and payment requirements are similar to those for a Romanian company.
- A branch is considered to have the same legal personality as the parent company and, therefore, is not a separate legal entity (no own share capital, separate name, etc.).

- The branch's object of activity cannot be more extensive than that of the parent company.
- Funds distribution to the head office country are not regarded as dividend distribution, therefore, no withholding tax liability should arise. However, as with limited liability companies, profits are transferred at year-end, after the head office approves the branch's financial statements.

Permanent establishment

A Permanent Establishment is not necessarily a legal entity, but it is taxable in Romania.

- A Permanent Establishment is defined as being the place through which the activity of a non-resident is conducted, fully or partially, directly or through a dependent agent. Once a Permanent Establishment is created, Romania has the right to tax the profits of the foreign enterprise derived from the activity performed on its territory.
- The Romanian legislation explicitly states three conditions that should be met simultaneously in order to trigger a Permanent Establishment:

- a place of business must exist (e.g., premises, machinery or equipment).
- the place of business must be fixed (i.e., must be established at a distinct place with a certain degree of permanence).
- the activity should be carried out through this fixed place of business (i.e., there are people dependent on the enterprise and conducting its business in the state where it is located).

- The registration, filing and payment requirements are similar to those for a Romanian company.

Representative Offices

- A Representative Office can only undertake auxiliary or preparatory activities. A Representative Office cannot trade in its own name and cannot engage in any commercial activities.

- There is a flat tax of RON 18,000 per fiscal year on representative offices
- The tax is payable by the 28th of February of the fiscal year.
- In situations where a Representative Office is set up or closed during the year, the tax due for that year is pro-rated for the months the Representative Office is operational in that fiscal year.

Withholding Tax

Withholding tax rates:

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	5%	0%
Interest	0%	0%	16%	0%
Royalties	0%	0%	16%	0%
Fees for technical services	0%	0%	16%	0%

Dividends – The general withholding tax rate on dividends paid to a nonresident is 5%. No tax is levied on dividends qualifying under the EU parent-subsidiary directive (a minimum 10% holding for an uninterrupted period of at least one year is required). The rate may be reduced under a tax treaty.

Interest – A 16% withholding tax is levied on interest paid to a nonresident company. No tax is levied on interest qualifying under the EU interest and royalties directive (a minimum 25% holding for an uninterrupted period of at least two years is required). The rate may be reduced under a tax treaty.

Royalties – A 16% withholding tax is levied on royalties paid to a nonresident company. No tax is levied on royalties qualifying under the EU interest and royalties directive (a minimum 25% holding for an uninterrupted period of at least two years is required). The rate may be reduced

under a tax treaty.

Fees for technical services – All types of services performed in Romania by a nonresident entity for the benefit of a Romanian company are subject to a 16% withholding tax. Management and consultancy services performed by a nonresident entity for the benefit of a Romanian company are subject to a 16% withholding tax regardless of where the services are performed. The rate may be reduced under a tax treaty.

Branch remittance tax – There is no branch remittance tax.

Other – A 50% withholding tax is levied on payments made to an entity or person located in a jurisdiction that has not concluded an exchange of information agreement with Romania if the payment is subject to withholding under the Romanian legislation and is made in relation to an artificial transaction.

Compliance for corporations

The tax year is the calendar year, although taxpayers can opt for a fiscal year corresponding to the entity's financial accounting year. Romanian subsidiaries of foreign companies that have a different financial accounting year may modify the date set for the completion of their financial statements only if the parent company adjusts its reporting date or is subject to reorganization procedures.

Corporate income tax compliance is carried out on a quarterly basis, followed by the final year-end computation, declaration and payment of tax. Corporate income tax is computed and paid on a quarterly basis based on actual figures. Quarterly returns and payments are due by the 25th day of the month following the reporting quarter (applicable for the first three quarters). The annual corporate income tax should be computed, declared, and paid by the 25th day of the third month following the tax year (25 March if the tax year follows the calendar year).

Certain taxpayers may opt to declare and pay corporate income tax by applying the "prepayment system" (i.e., payments equal

to one quarter of the annual corporate income tax liability for the previous fiscal year, adjusted for the consumer price index). At year-end, the taxpayer computes the annual corporate income tax liability based on actual figures and pays the difference, if any.

Nonresident legal entities that carry out activities in Romania through multiple permanent establishments must designate one permanent establishment to fulfill the corporate income tax obligations (i.e., prepare a single set of returns consolidating income and expense items of all the Romanian PEs of the nonresident).

Penalties

Late payment of tax is subject to interest at a rate of 0.02% per day of delay, with an additional late payment penalty of 0.01% per day of delay. An additional penalty of 0.08% per day applies to unreported or erroneously reported tax amounts. The late payment penalty does not apply for the main tax liabilities for which a non-declaration penalty is due according to the law.

Corporate income tax investment Incentives

The following corporate income tax incentives are available:

- an additional 50% deduction for eligible expenses arising from research and development activities.
- accelerated depreciation of machinery and equipment used in research and development activities.

- a corporate tax exemption for profits reinvested in certain technological equipment acquired and put in use.
- 10-year corporate income tax exemption for taxpayers that are engaged exclusively in research and development and innovation activities.

Local Taxes and Others

Local Taxes

Local taxes include:

- Building tax
- Land tax
- Means of transport tax
- Registration, licensing, certifications, authorizations issuance taxes

- Tax on means of promotion and advertising
- Tax on revenues from public performances
- Hotel occupancy tax

Anti-avoidance rules

Interest deduction limitations

The limitation rules provided by the EU Anti-Tax Avoidance Directive (ATAD) have been implemented into the Romanian tax legislation. Under these rules, “exceeding borrowing costs” (the difference between borrowing costs and interest income and other economically equivalent income) are deductible within a threshold of EUR 1 million plus 30% of tax adjusted EBITDA (these thresholds apply starting in 2019). The amounts exceeding the limit are nondeductible in the current year but may be carried forward for an indefinite period (the same rules apply where there is negative EBITDA).

Controlled foreign companies

Romania implemented the ATAD provisions for controlled foreign companies (CFCs) as from 1 January 2018. Romanian corporate income taxpayers that control a foreign company must include certain income of the CFC in their taxable base. An entity is considered a CFC if the following conditions are simultaneously met:

- The taxpayer has, alone or together with its associated enterprises, a direct or indirect participation of at least 50% of the voting rights or holds, directly or indirectly, at least 50% of the entity's share capital or has the right to receive at least 50% of the foreign company's profits; and
- The corporate income tax effectively paid by the foreign entity is less than the difference between the corporate income tax that would have been imposed under Romanian tax rules and the corporate income tax effectively paid.
- The CFC rules apply to the following types of revenue:
 - Dividends, interest, royalties and capital gains.
 - Income from finance leases, insurance activities, and banking activities; and
 - Services income relating to goods and services purchased from and sold to associated enterprises, in cases where the services carried out add little or no economic value.

Hybrid mismatches

EU Directive 2017/952 regarding hybrid tax mismatches that occur in cross-border transactions has been implemented in the Romanian tax legislation as from 2020, establishing a series of regulations regarding the corporate income tax obligations of taxpayers that are part of a hybrid mismatch structure.

Economic substance requirements

The Romanian tax authorities may disregard a transaction or reclassify the nature of a transaction to reflect economic substance if they take the view that the transaction is artificial or would not form part of an entity's regular business. Tax treaties and EU directives are not applicable in cases of artificial transactions.

Exit tax

Romania introduced exit taxation rules as from January 2018. Capital gains derived from the disposal of assets, a change in tax residence, or the transfer of a business carried out through a PE to another jurisdiction will be subject to a 16% exit tax when the taxation rights concerning those assets are no longer allocated to Romania. If the transfer is made to an EU or EEA member state, the exit tax may be paid in installments over a five-year period if certain conditions are fulfilled.

General anti-avoidance rule – See “Economic substance requirements,” above.

Stamp duty

Judicial stamp duty is levied on claims and requests filed with courts and the Ministry of Justice, depending on the value of the claim. Quantifiable claims are taxed under the regressive tax mechanism. Non-quantifiable claims are taxed at fixed amount levels. A judicial stamp duty may also be levied at the transfer of real estate property under certain circumstances.

Extra-judicial stamp duty is charged for the issue of various certifications such as identity cards, car registrations, etc.

Taxation of Individuals

Personal Income Tax

General Principles

- The income tax rate is of 10% flat for most types of income derived by individuals, with certain exemptions (e.g., income from dividends, income obtained by non-residents);
- Romanian tax residents are subject to taxation on their worldwide income (except for salaries received from abroad for activities performed abroad);
- Romanian tax non-residents are subject to Romanian income tax only for income sourced in Romania;
- The fiscal year is the calendar year (January 1 – December 31).
- has the domicile in Romania;
- the center of his vital interests is in Romania;
- is present in Romania for a period of more than 183 days within 12 consecutive months ending in the calendar year concerned;
- is a Romanian national working abroad as an official or employee of Romania in a foreign state.

Individuals coming to/leaving from Romania for more than 183 days within 12 consecutive months have the liability to officially assess their tax residency with the Romanian authorities by means of a standard tax residency questionnaire.

Taxpayers

The following individuals are defined as taxpayers:

- residents;
- non-residents conducting independent activities through a permanent establishment in Romania;
- non-residents conducting dependent activities in Romania;
- non-residents obtaining Romanian sourced income.

Foreign individuals who meet the tax residency criteria and become Romanian tax residents are liable to report their worldwide income in Romania starting with the date the tax residency criteria are met, irrespective of the type of income and source country. The payment liability is further established based on the provisions of the Conventions for the avoidance of double taxation concluded between Romania and the source country of the income.

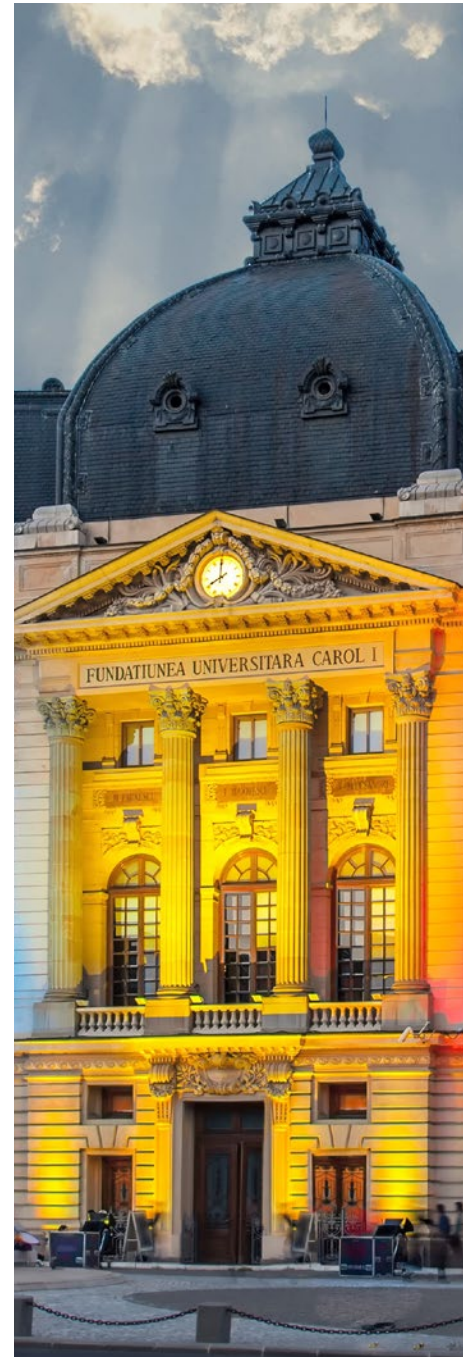
Tax Residency

A natural person is considered Romanian tax resident if at least one of the criteria below is fulfilled:

Taxable Income and Method of Taxation

The following categories of income are subject to taxation:

- A. Salary and salary assimilated income;
- B. Income from independent activities;
- C. Income from intellectual property rights;
- D. Rental income;
- E. Pensions income;
- F. Income from agricultural activities, forestry and fish farming;
- G. Income from prizes and gambling;
- H. Investment income;
- I. Income from real estate transactions;
- J. Income from other sources.



Types of income and the corresponding tax rates

Salary and salary assimilated income

The salary income represents the remuneration in-cash and/or in-kind received by an individual performing work activities based on an employment agreement/ assignment letter or any other form of contract that bears a similar statute.

The income tax rate is of 10% flat. The taxable base is determined as the difference between the gross income and the following:

- mandatory social security contributions due at the level of the employee;
- personal deductions (computed based on the number of dependent family members and applicable to salary income up to RON 3.600 per month);
- union charges;
- contributions to private pension funds and voluntary health insurance premium/ medical services granted as a subscription, paid by the employee (each of them capped at EUR 400/ year/ employee).

Salary income includes remuneration paid according to non-competition clauses and taxable benefits expressly stipulated by the relevant Romanian legislation. Taxable benefits include but are not limited to the private use of company cars and telephones, for example. Moreover, directors' fees received by members of the General Meeting of Shareholders and of the Board of Directors are treated as salary assimilated income. The reporting of the salary derived, and the payment of the relevant income tax due must be

performed by the 25th of the month following the one the income is obtained. In case of individuals performing activities under a Romanian employment contract, the company has the obligation to report and wire the income tax to the State Budget. However, these liabilities stay with the individual in case the salary income is derived from abroad for work activities performed in Romania, at least from a tax perspective (reporting and payment obligations on social charges stay with the foreign employer unless the individual takes them over on its behalf).

Taxpayers may dispose upon the destination of up to 3,5% of the annual income tax due for charitable purposes.

Income from independent activities

There are certain activities that are generally deemed as having an independent nature, and thus the income derived qualifies as income from independent activities, such as:

- income from production, commerce and provision of services;
- income from liberal professions, provided that the services rendered have a professional nature as per the relevant legislation governing the profession: lawyers, accountants, doctors, architects, etc.;
- income from rental activities (provided that there are more than five rental contracts in effect at year-end).

However, for the activities to qualify as independent, four out of seven criteria provided by the law need to be met. Otherwise, the activities can be reclassified as being dependent and the income deemed as salary income.

The income tax rate for income from independent activities is 10%, flat.

Income from freelance activities is assessed based on entries in the single-entry book-keeping ledgers that providers of independent activities are obliged to

keep. The net income is computed as gross income less deductible/ partially deductible expenses. Alternatively, certain categories of freelancers are taxed based on a fixed income quota established by the authorities, depending on the type of activity performed. The income must be reported to the authorities by means of an annual income tax return.

For freelancers (both Romanians and foreigners), the following expenses are considered non-deductible:

- fines, late payment penalties, under certain conditions;
- donations of any kind;
- benefits in-kind or in-cash used by the taxpayer for personal or family use;
- expenses relating to untaxed income obtained in Romania or from abroad;
- the income tax due including the income tax due for income obtained from abroad;
- expenses relating to insurance premiums as well as medical insurance, under certain conditions;
- medical subscriptions, under certain conditions;
- monthly payments relating to loans;
- expenses relating to the acquisition or the manufacturing of certain goods;
- expenses relating to missing or destroyed goods if the taxpayer does not have insurance;
- 50% of the expenses relating to the use of vehicles, in certain conditions

Income from intellectual property rights

Income from intellectual property rights includes income such as the one obtained from royalties, patents, models and trademarks.

The taxable income can be determined based on single entry bookkeeping or based on documents provided by the payer of the income. Withholding at source of income tax must be applied by the payer of the income (applicable under certain conditions).

The taxable base is calculated as the difference between the gross income and a lump sum equal to 40% of the gross income and the mandatory social contributions. The income tax rate is flat and amounts to 10%.

Rental Income

The individual that has a rental agreement in place, must submit the unique tax return within 30 days from the event. The gross income represents the income mentioned in the contract, whereas the taxable income is computed as the difference between the gross income and a 40% expense quota. The income tax rate is flat rate and arises to 10%.

Under certain conditions, the individual can choose to determine the taxable income based on single entry bookkeeping. In case of individuals having more than five rental contracts concluded, the income qualifies as income from independent activities and must be taxed accordingly.

Income from pensions

Pension income represents any type of income received as pension from a private or public fund set-up from mandatory social charges performed to the Romanian social security system, as well as those received from voluntary pension funds in accordance with the applicable law.

The monthly taxable income represents the gross amount less the non-taxable amount (i.e., RON 2.000). The income tax due (10% of the taxable base) must be withheld at source by the payer of the income and wired to the State Budget by the 25th of the month following the one the pension income is related to.

Income from agricultural activities, forestry and fish farming;

The income obtained individually or in association without legal personality from the activities mentioned below is considered income from agricultural activities:

- cultivation of vegetables, as well as the processing and capitalization in their

natural state;

- vineyard and orchard farming;
- raising of livestock, as well as the sale of animal origin products in their natural state.

The income from agricultural activities is determined either on an income quota basis, or by single entry accounting, by applying a flat rate of 10% on the taxable income.

Income from prizes and gambling

A certain amount is tax-exempt, depending on the type of income, as follows:

- RON 600 for each prize won;
- RON 66.750 for each gross income derived from winnings from casinos, poker clubs, slot machines and scratch cards.

The tax rate for income from prizes is 10%, whereas the tax rate applicable to the income derived from gambling is computed, as per the below:

- 1% for income up to RON 66.750 (from activities other than those exempted as reflected above);
- RON 667,5 + 16% applied to the amount exceeding RON 66.750, for gambling income between RON 66.750 – 445.000;
- RON 61.187,5 + 25% applied to the amount exceeding RON 445.000, for gambling income exceeding RON 445.000.

Investment income

The following categories of income are considered income from investments:

- **Dividends;**
- **Interest;**
- **Capital gains, including income from transactions with derivatives;**
- **Gains from the transfer of financial gold;**
- **Income from the liquidation of a legal entity.**

Dividends

Dividends are taxed at a 5% flat tax rate. If the payer is a Romanian resident, the tax must be withheld by the company paying the dividends and must be wired to the Romanian state budget:

- by the 25th day of the month following the one when the payment was performed (for distributed and paid dividends) or

- by 25th January of the following year (in case of distributed dividends, which have not been paid to shareholders until the end of the year when the financial statements were approved).

Interest

The income tax due on interest amounts to 10% and is the liability of the payer of the income to compute and withhold it at source in all cases when the payer is a Romanian resident. The reporting deadline is the 25th day of the month following the one when the payment was performed or the interest amount was registered in the individual's account, depending on the case.

Capital gain

Income obtained from the transfer of shares is subject to a tax of 10%, flat and final. The income tax due is computed as the difference between the sale price and the fiscal value (e.g., purchase price) computed based on supporting documents, such as:

- at the moment of the transaction by the intermediary – if the transaction is handled by an intermediary which is a Romanian tax resident;
- at the moment of the payment of the transaction price by the beneficiary – if the transaction is not handled by an intermediary or is handled by one which is not a Romanian tax resident.

The reporting and payment of the income tax liability stays with the seller of the shares.

Income obtained from transfer of securities issued by publicly listed companies is subject to a tax rate of 10%, irrespective of the shareholding period.

The individual has the obligation to declare and pay the due tax by means of an annual tax return that must be submitted in the year following the one when the income is derived.

Losses incurred from the sale of such securities may be offset against gains derived during the same year and can be carried forward for 7 consecutive years.

Income from the liquidation of a legal entity

For such income, the shareholders are taxed at a rate of 10%. The tax must be calculated, withheld and paid to the Romanian state budget by the company.

The income tax withheld must be paid by the moment of submitting to the Trade Registry the final financial statements prepared by the liquidators.

Income from real estate transactions

The income tax rate due on income obtained from the sale of the property rights over real estate varies between 1% and 3% depending on the date the property was acquired and its value. The income tax due is computed and collected by the notary public who authenticates the transaction.

There are several exemptions from the

payment of the income tax, amongst which:

- Transfer of the property right as per the provisions of special laws;
- Transfer of the property right further to a donation between in-laws, relatives up to the 3rd degree, as well as spouses.

Income from other sources

Any other types of income derived that do not fall under any of the categories mentioned above and that are not specifically tax exempt, are considered income from other sources. Examples of such types of income are:

- insurance premiums incurred by a company for the benefit of individuals with whom they have no employment relationship;
- gains on depreciation drawings, received from insurance companies as a result of insurance contracts concluded

between the parties;

- income granted to retired former employees, in the form of discounts for goods, services and other entitlements, according to clauses in employment agreements or under special laws;
- income in the form of fees from commercial arbitration;
- income from gift tickets granted to parties other than employees of the disburser;
- income derived from the transfer of cryptocurrency.

For most of the income falling under this category the income tax due must be withheld at source by the payer of the income and represents final income tax due. The payment must be performed by the 25th of the month following the one it was withheld.

Tax-exempt income

The main categories of tax-exempt income are:

- Allowances for maternity leave, maternity risk and childcare leave (under certain conditions);
- Allowances for temporary work disablement (excluding the cases where salary income is derived);
- Amounts received as sponsorship;
- Income or goods received as inheritance or donation (special rules apply for real estate);
- Certain types of income obtained by disabled individuals, such as: salary income, income derived from independent activities, income from intellectual property rights, pensions;

- Salary income received by the individuals performing:

- software development activities (exemption applicable under certain conditions);
- research and development activities (exemption applicable under certain conditions);
- activities based on an employment contract concluded for a 12-month period for seasonal work (exemption applicable under certain conditions);
- activities related to the construction industry (exemption applicable under certain conditions).

Taxation of non-residents

Income earned by non-resident individuals from activities performed in Romania is also subject to taxation in Romania. Generally, the income tax due by residents of other EU country or of countries with which Romania has a Convention for the avoidance of double taxation concluded is 10%, however, there are certain exceptions (e.g., 5% for dividend income). A distinct 16% rate can apply for residents of other countries.

Romanian tax non-residents are liable to pay income tax only on their Romanian sourced

income, such as salary income received for the activities performed in Romania, dividends and interest paid by a Romanian legal entity, rental income for properties located in Romania etc. Depending on the type of income derived, reporting and/or tax payment liabilities can arise on a monthly, quarterly or annual basis.

Where income tax was paid in the source country, to avoid double taxation of the same income, the provisions of the Conventions for the avoidance of double taxation should be observed.

Indirect Taxation

Value Added Tax (VAT)

The Romanian VAT legislation is based on the principles and rules of the Council Directive 2006/112/EC on the Common System of Value Added Tax, implemented in the national tax law by Law no. 227/2015 on the Tax Code.

Scope of VAT

Generally, operations that cumulatively fulfill the following conditions fall within the Romanian VAT scope:

- They are supplies of goods or services carried out for consideration or any other deemed operations treated as such.
- The place of supply of goods or services is considered to be in Romania.
- They are performed by taxable persons acting as such.
- The supplies of the goods or services result from an economic activity.

A taxable person is:

- Any person who, independently carries out in any place economic activities, whatever the purpose or result of such activities.
- Any individual who performs occasionally an intra-Community supply of new means of transport.
- Any individual who sells real-estate property, in certain cases.

A taxable person will be considered established in Romania from a VAT perspective if:

- It has the main place of business in Romania; or
- It has the place of business outside Romania, but it has a fixed establishment in Romania (i.e., it has in Romania and establishment characterized by a certain degree of permanence and sufficient technical and human resources to perform on a regular basis taxable supplies of goods and / or services).

However, a taxable person that has established its business outside Romania and has a fixed establishment in Romania should not be considered established in Romania for the supplies of goods and services performed in Romania in which the Romanian fixed establishment is not involved.

Intra-community trade

Transactions with goods transported between EU Member States generally give rise to intra-Community supplies and intra-Community acquisitions of goods.

- Intra-Community supplies of goods performed from Romania are VAT exempt with deduction right, provided that certain conditions are fulfilled.
- Intra-Community acquisitions of goods in Romania are in principle taxable under the reverse charge mechanism¹⁹;

Special rules are applicable in case of distance-sales transactions, excisable products and new means of transport.

As an exception, certain movements of goods between Member States (e.g., temporary movements, movements within turnkey projects) are deemed as "non-transfer" operations that benefit from special compliance requirements. The sender and the receiver of such goods should keep special registries in this respect.

Import of goods

Under the general rule, the import VAT is paid in customs. As an exception, the VAT due for imports by a VAT registered taxable



person is included in the VAT return both as input and output VAT in the following cases:

- VAT deferment certificate was obtained²⁰
- The taxable person obtained a certificate as an authorized economic operator
- The taxable person obtained a customs authorization for entry in the declarant's records
- Specific types of goods are imported (e.g., wood and wood materials, cereals and technical plants, mobile phones, game consoles, tablets, laptops, integrated circuits etc.

The VAT taxable amount for the goods imported in Romania is the customs value, plus any customs duties, excise duties (if applicable) and other ancillary expenses such as commissions, packing, transport

¹⁹ However, there are some specific cases where the intra-Community acquisition of goods is VAT exempt

²⁰ Only taxable persons that perform imports exceeding RON 50 million in a 6-month period are eligible for obtaining such a certificate

and insurance costs incurred subsequent to the entry of goods in Romania until their first destination or until their destination to another Member State, if such destination is known at the moment of the import.

Specific rules will apply starting with July 1st, 2021 for goods with an intrinsic value less than EUR 150 which are imported for the purpose of being sold to non-taxable persons.

Place of taxation

As a rule, the place of taxation for supplies of goods is:

- The place where the transport begins, in case of supply of goods with transport.
- The place where the goods are put at the disposal of the customer, in case of supply of goods without transport.
- The place where the goods are installed or assembled, by the supplier or by a third person on behalf of the supplier, in case of supply of goods which are installed or assembled.

Other specific rules for determining the place of supply of goods also apply (e.g., for supplies of gas, for supplies of goods on board ships, aircraft or trains etc.).

For supplies of services, the place of taxation depends on the statute of the beneficiary of services:

- Services supplied to beneficiaries that are taxable persons - generically called services provided to businesses (B2B) and;
- Services supplied to beneficiaries that are non-taxable persons - generically called services provided to consumers (B2C).
- The general rule for B2B services is that the place of taxation is the place where the beneficiary has established its business or has a fixed establishment to which the services are supplied.
- From the B2B rule, a limited list of clearly defined exceptions applies, such as for:

- Services connected with immovable property – these services are taxed at the place where the immovable property is located. To qualify as services connected to immovable property, the services should have a sufficiently direct link with the immovable property they refer.
- Services related to granting access to cultural, artistic, sporting, scientific, educational (e.g., trainings) events - these types of services are taxed at the place where they are effectively rendered.
- Works on movable goods (e.g., processing), transport and handling performed on Romanian territory for the benefit of non-EU beneficiaries – these services are taxed in Romania.
- Other specific exceptions such as for passenger transport services, restaurant and catering services, short time hiring of means of transport etc also apply
- The general rule for B2C services is that the place of taxation is considered the place where the supplier has established its business or has a fixed establishment from which the services are supplied. A list of exceptions is also applicable.

- The date when the supply of goods/ services takes place (i.e., the date of the chargeable event) - several rules for determining the date when the supply of goods/services takes place are applicable (i.e., continuous supplies of services, payments by installments, etc.)
- The date when an invoice is issued for this transaction or
- The date when an advance payment is received for the supply.

By exception, the taxable persons that have established their business in Romania, whose yearly turnover does not exceed RON 4,500,000, can opt to apply the VAT cash accounting system. In this case, the VAT chargeability occurs at the moment the invoice is paid.

In case of intra-Community supplies of goods, the VAT chargeability occurs at the date when the invoice/self-invoice is issued, but no later than the 15th day of the month following the one in which the supply took place. The same rule is valid for intra-Community acquisitions. The VAT chargeability for the imported goods is the tax point for customs duties.

In addition, special rules apply to the sale of vouchers.

VAT Chargeability

The VAT chargeability occurs at the first date between:



VAT rates

The VAT rates applicable in Romania are:

	Rate	Comments
Standard rate	19%	The standard VAT rate of 19% is levied on all supplies of goods and services except those that are subject to the VAT reduced rates or VAT exempt.
		The VAT reduced rate of 9% applies for the following supplies of services/goods: <ul style="list-style-type: none"> • Prostheses, orthopedic products and other pharmaceutical products for human and veterinarian use, in certain conditions; • Foodstuffs and soft drinks; • Water supplies; • Certain agricultural products.
Reduced rates	5%	<p>The VAT reduced rate of 5% applies, among others, to the followings:</p> <ul style="list-style-type: none"> • Supplies of books, newspapers and magazines, school manuals, other than those exclusively intended for publicity; • Rights to admission to castles, museums, memorial houses, historical monuments, architectural and archeological monuments, amusement parks and recreational parks, etc.; • Hotel and similar accommodation; • Restaurant and catering services, except for alcoholic beverages, other than draft beer; • The right to use sports facilities for the purpose of practicing sport and physical education, other than the ones already exempted; • Passenger transport, for touristic purposes, in certain conditions; • Supply of buildings as part of the social policy, including the land on which they are built, under specific conditions. • Certain traditional and organic foodstuff, duly certified by the authorities

VAT exemptions with/without deduction right

VAT exemptions with deduction right

The following operations are exempt with deduction right of the input VAT, provided certain conditions are met:

- Export of goods;
- Intra-Community supplies of goods;
- International transport of passengers;
- Transport services and other services directly linked to exports of goods;
- Certain operations performed in free trade zones and free warehouses;

- Supply of goods to a bonded warehouse, a VAT warehouse and related services;
- Supply of goods that are placed under suspension customs regimes and supplies of services connected to such goods;
- Supply of goods and services to diplomatic missions, international organizations and NATO forces, etc.

VAT exemptions without deduction right

The following transactions are exempt without the right to deduct:

- Specific banking and financial services;
- Insurance services
- Hospital treatment, medical treatment and closely related operations carried out by authorized units;
- Educational activities performed by authorized entities;
- Supplies of cultural services and/or supplies of goods closely related to such services;
- Specific activities of radio and television carried out by public authorities, other than activities of a commercial nature;
- Supply of public postal services;
- Sale of immovable property (old

- buildings), unless option to tax is exercised;
- Hiring, concession, leasing or letting of immovable property (unless option to tax is exercised)

Note: The above lists are not exhaustive.

Simplification Measures

For specific local transactions performed between two VAT registered taxable persons, no VAT will be charged by the supplier but instead the beneficiary will account for VAT via the reverse charge mechanism (i.e., it will report in the VAT return both as input and output VAT, with no actual cash payment of VAT):

Simplification measures are available for:

- Supplies of goods such as waste materials, residues and recyclable materials (iron scrap, non-ferrous scrap, recyclable paper, cardboard, rubber, plastic, and glass waste, etc.) and materials resulting from their manufacturing (cleaning, polishing, etc.);
- Supplies of wood and wood materials;
- Supplies of certain cereals and technical plants;
- The transfer of greenhouse gas emission certificates;
- The supply of electricity to a taxable person established in Romania whose principal activity in respect of the purchase of electricity is to resell it and whose own consumption of electricity is negligible (less than 1% of the electricity purchased);
- The transfer of green certificates;
- Supplies of immovable property
- Supplies of investment gold
- Supply of mobile phones, game consoles, tablets, laptops, integrated circuits if the value of the goods supplied exceeds RON 22,500

VAT deduction right

The VAT deduction right arises when the VAT becomes chargeable. A taxable person is entitled to deduct the input tax on its acquisitions, if the acquired goods/services are used for the purposes of its taxable transactions and VAT exempt transactions with deduction right.

The deduction right may be exercised within the statute of limitation period (i.e., 5 years which are computed starting with 1 July of the year following the one in which the right of deduction has arisen), if the following conditions are met:

- The beneficiary holds an invoice containing all the mandatory elements provided by law;
- For imports, the beneficiary holds the import customs declaration, which mentions the taxable person as the importer for VAT purposes, as well as proof of payment of the import VAT.

The taxable persons applying the VAT cash accounting system, as well as the beneficiaries of goods/services acquired from such persons, can deduct input VAT as long as they also have available proof of invoice payment.

VAT related to the acquisition of alcoholic beverages and cigarettes is not deductible, unless the goods are intended for resale or are used in the provision of services or provided during promotional campaigns.

Only 50% of the input VAT paid upon the acquisition or rental/ leasing of road motor vehicles and 50% input VAT related to expenses for such vehicles will be deductible, if the vehicles are not used exclusively for business purposes. This rule does not apply for certain cases (e.g., vehicles used for sales activities, paid transportation services, security services, repairs, courier activities, etc.) where the VAT will be fully deductible.

Mixed regime taxpayers

VAT registered taxable persons that perform both taxable and VAT exempt operations without deduction right, will be entitled to recover the input VAT incurred according to the following rules:

- **Direct allocation** – input VAT directly related to VAT taxable and VAT exempt with deduction right transactions is recoverable, while input tax directly related to VAT exempt without deduction right transactions is fully non-recoverable.
- **Pro-rata** – where specific inputs cannot be allocated to a certain category of output transactions (taxable and exempt supplies). Pro-rata is determined by dividing the total amount of turnover, exclusive of VAT, generated by transactions in respect of which VAT is deductible to the total turnover.
- Special pro rata percentage may be used if approved by the tax authority.

In case of acquisitions meant for investments that will be used both for transaction for which VAT is deductible and for transactions for which VAT is not deductible, the taxable person is entitled to deduct the VAT in full during the investment period, under certain conditions. Subsequently, VAT adjustments will need to be performed starting with the first year when supplies will be performed using the goods resulting from the investment.

VAT Registration

Romanian established entities should register as VAT payers if their annual turnover exceeds the value of RON 300.000. When the turnover does not exceed this threshold, the VAT registration is optional.

Generally, a non-established company must register for VAT purposes in Romania if it performs in Romania certain transactions, such as:

- Intra-Community supplies of goods;
- Intra-Community acquisitions of goods;
- Export of goods
- Transfer of its own goods (deemed intra-community acquisition/deemed intra-community supply of goods)
- Distance sales of goods, i.e., mail ordered sales to Romanian individuals, provided the annual threshold of RON 118.000 (35.000 euro) is exceeded (Rules to be changed starting with 1st of July 2021)
- Domestic supplies of goods and services in Romania for which the reverse charge mechanism could not be applied by the beneficiary.

The non-established entities may opt to register for VAT purposes in Romania for the following transactions:

- Imports of goods;
- Lease of immovable properties;
- Taxable supplies of immovable property.

The Romanian VAT registration system includes:

- Standard VAT registration applicable to entities established in Romania;
- Special VAT registration for Romanian entities performing intra-community transactions of goods and B2B services;
- Direct VAT registration applicable to EU companies not established in Romania;

- VAT registration of foreign companies (either EU or non-EU established companies) through a VAT fiscal representative.

Non-resident entities performing certain transactions in Romania do not have the obligation to register for VAT purposes provided different requirements are fulfilled, such as:

- Non-transfers - goods (e.g., distance sales to individuals under a specific threshold, goods assembled/installed in Romania, temporary use of goods on the Romanian territory for the purpose of rendering services, etc.).
- Triangular operations;
- Call-off stock / consignment stock arrangements.
- One-off transaction (i.e., 1 transaction/ year)

VAT Compliance

Fiscal period

The VAT returns must generally be filed monthly but can also be done on a quarterly (if previous year turnover is less than EUR 100,000 and no intra-UE acquisition of goods in the previous year). The taxpayers who submit quarterly VAT returns and perform an intra-Community acquisition of goods in Romania have the obligation to switch to the monthly submission of the VAT returns.

In addition, if certain conditions are fulfilled, taxpayers may opt for other fiscal periods (i.e., semester, year).

VAT Ledgers and Returns

Taxable persons must keep complete and detailed records for the computation of the VAT liabilities.

If VAT registered in Romania, the following reporting obligations exists:

- **Form 300 - VAT return:** by the 25th of the month following the reporting period. The payment of the VAT due for a certain period should be performed within the same deadline.
- **Form 390 - EC Sales and Purchases List:** where intra-UE acquisitions/supplies of goods/ services are performed.
- **Form 394 - Local Sales and Purchases List:** by the 30th day (except for February when the Form is due by the 28th) of the month following the fiscal period applied for the submission of the return.

- **Intrastat statement:** by the 15th day of the month following the one for which the statement is prepared (the statement refers to intra-Community movements of goods and must be filed only when the thresholds are exceeded – RON 900,000).

VAT Refund

VAT refund for VAT registered entities

When the input VAT exceeds the output VAT, the balance could be:

- Carried forward to next period.
- Requested for refund by the tax authority – by ticking the refund box on the VAT return. If the refundable VAT is less than RON 5,000, the taxpayer has to carry forward the respective amount in the future VAT returns.

In principle, the tax authority should

process the VAT refund claims within 45 days from the day when the request was submitted or 90 days in case of high tax risk. In practice, the VAT refund proves to be a lengthy procedure and significant delays may result.

Depending on certain criteria, the VAT refund can be granted with or without a prior tax audit.

The Romanian tax authority may approve the VAT refund for a taxable person without a prior tax audit in cases where the value of the amount requested for reimbursement is lower than RON 45,000.

The general provision regarding the duration of a tax audit mentions a limit of 3 months (or 6 months for large taxpayers, as

defined by the law).

VAT refund to non-residents

EU established companies may recover the VAT incurred in Romania under the provisions of the EU VAT refund Directive (9th Directive). The refund claim will be submitted electronically to the tax authority within the Member State of establishment and will be forwarded for analysis to the Romanian tax authority. Non-EU established companies may recover the VAT incurred in Romania under the provisions of the 13th Directive on the condition of reciprocity. Currently, Romania has concluded such reciprocity agreements with Switzerland, Norway and Turkey (limited applicability) and Serbia.

Customs and International Trade

Customs Value

- The customs value is determined and declared by importers in accordance with the provisions of the WTO Customs Valuation Agreement (i.e., the Agreement pertaining to the implementation of Article VII of the GATT Agreement).
- Under specific conditions, determining customs value upon import is possible, even if certain elements that need to be added to the customs value are not quantifiable on the importation date (e.g., license fees, royalties) or are missing.
- The customs authorities may inspect the customs value either during the customs clearance or during a post-import audit (the customs authorities are entitled to perform such an audit during a three-year period following the date of import).

Customs Duties

- The customs duties are those specified in the EU Common Customs Tariff.
- Customs duties are expressed as a percentage applied to the customs value (i.e., ad valorem taxes), or as a fixed amount applied to a specific quantity (i.e., specific taxes).

- Agricultural products (i.e., products from chapters 1 - 24) are subject to specific taxation.
- There are cases (e.g., meat) where the customs duty rate is established with regard to the CIF or the entry price of the products. In other cases, the customs duty rate is established by adding to the ad valorem tax additional duties such as agricultural components (EA), for sugar (AD S/Z) and for flour (AD F/M).

The representation in Customs

- The customs representation may be either direct, in which case the customs representative shall act in the name of and on behalf of the importer, or indirect, in which case the customs representative shall act in his or her own name but on behalf of importer, being jointly liable for the performed customs formalities.
- Legal entities established in non-EU states can declare goods by indirect representation only if the imports are performed on a regular basis (more than 3/year). The indirect representation can be used for customs regimes as transit or temporary importation/admission.

- Legal entities established in non-EU states, cannot act as a declarant/exporter in customs. For this purpose, they must designate another person established in the customs territory of the European Union to act as exporter.

Authorised Economic Operator

- Operators that obtain Authorised Economic Operator status benefit from simplifications regarding customs inspection, obtaining customs authorisations and performing customs formalities.
- An important advantage of the AEO status is the VAT deferral in customs for imports, which is a cash flow advantage for importers.

Binding Origin Information (BOI) / Binding Tariff Information (BTI)

- Companies can obtain rulings from the Romanian customs authorities on the tariff classification of imported goods that are binding for the customs authorities for a three-year period, whenever goods identical to those described in the BTI are imported.
- A similar type of ruling can also be obtained regarding the origin of goods. The BOI is valid for a three-year period.

Inward Processing Relief (IPR)

- If raw materials, components or accessories are imported into the EU (including Romania) for processing and the end products are subsequently re-exported out of the EU, customs duty relief is available through IPR. Processing covers the full assemblage and manufacturing process.
- Under this regime, importers can opt either for a duty suspension system (no payment is due for the import duties) or for a duty drawback system (the import duties are to be paid upon the import of raw materials, but they can be reimbursed upon export of the end products). If the compensatory products

are released for free circulation in the EU, compensatory interest is due.

Outward Processing Relief (OPR)

- The OPR customs regime allows the exported raw materials to be processed outside the EU and the resulting end products re-imported with partial or full customs duty relief. This regime also applies for goods or equipment sent for repair and / or modernization.

Bonded Warehouse (BWH)

- The BWH customs regime allows the temporary suspension of payment of import duties on non-EU goods stored in warehouses until they are taken out of the warehouse. Goods owned by foreign entities and goods initially purchased by the Romanian titleholder of the BWH authorization can be placed under BWH customs regime.
- EU agricultural products intended for export can also be stored in a BWH before leaving Community territory.

Temporary Admission (TA)

- Goods that are introduced into Romania for temporary use and subsequently returned to the non-EU owner are granted total or partial relief from customs import duties. Total relief means no payment is requested by the customs authorities in connection with the customs import duties, VAT and excise duties, if applicable. However, a guarantee is required to secure payment of the import debt. Partial relief means the customs authorities levy a monthly

portion of 3% of the customs duty and the importer should provide a bond for the balance. If the goods are subsequently released for free circulation in the EU, compensatory interest is due.

Free zones

- Non-EU goods may be stored for an unlimited period of time in a Free Zone, with payment of the customs duties being suspended.

Security required for suspensive / economic customs regimes

- Suspensive / economic customs regimes require a guarantee to be lodged for the import debt that might arise. However, there are a few cases where exoneration from guaranteeing the import debt can be granted by the customs authorities.

Trade Measures

- For some products (e.g., agricultural products, steel) the EU generally imposes specific measures, for instance values or quantitative quotas on imports from other countries. It is mandatory to obtain an import license before importing such products.
- Moreover, import / export licenses from relevant authorities are also required for commodities regarded as potentially hazardous to human health or to the environment (such as some chemical products, certain types of waste and scrap), for commodities the end-use of which is controlled (such as explosives) or for dual use (i.e., civil products which may have an alleged military use) products.



Excise duties

Harmonized Excisable Products

Scope

The following products are subject to harmonized excise duties: ethyl alcohol and alcoholic beverages, tobacco products, energy products (e.g., unleaded petrol, diesel oil, coal) and electricity.

Chargeability

Excise duties are due when excise goods are released for consumption (e.g., imported into Romania, taken out of an excise duty suspension regime).

Excise duty suspension arrangements

Excisable products can be produced, transformed, held and received under a duty suspension arrangement only in a tax warehouse, which should have prior approval from the tax authorities.

Such excisable products can also be received from within the EU under excise duty suspension arrangements by registered consignees.

Romanian tax warehouse keepers are deemed authorised for the intracommunity movement of excisable products under excise duty suspension arrangements.

Excisable products can also be dispatched under duty suspension arrangements after being released for free circulation by the registered consignor (this also applies for the holder of a single authorisation for a simplified customs clearance procedure).

The movement of these excisable products under a duty suspension arrangement must be made using the computerised system for monitoring the movement of excise goods under suspension of duty (EMCS).

The production, holding and movement of excisable products under duty suspension arrangements are subject to a guarantee.

Environmental Fund Contribution

Depending on the type of activities performed, companies may be liable to pay a contribution to the environmental fund. Amongst others, the following contributions are due (the list is not exhaustive):

In certain cases (e.g., packaging waste) the contribution to the Environmental Fund depends on the degree to which companies achieve the recovery / recycling targets stipulated by the relevant legislation on waste management. Thus, the environmental tax contribution is owed for the difference between the recovery target stipulated by law and the percentage achieved by companies, as follows:

- for packaging waste, the contribution is currently set at RON 2 per kilo of packaging introduced on the market
- for batteries and portable accumulators, the contribution is currently set at RON 4 per kilo of such goods introduced on the market
- for waste of electrical and electronic equipment ("EEE") the contribution is set at RON 4 per kilo or RON 20 per kilo, depending on the type of equipment introduced on the market

Companies conducting activities that result in the discharge of air-pollutant

emissions from fixed sources (e.g., nitrogen oxides, Sulphur oxides, persistent organic pollutants, heavy metal emissions, such as lead, cadmium, mercury) must pay contributions to the Environmental Fund of between RON 0.02 / kg (about EUR 0.004) and RON 20 / kg (about EUR 4.059).

Importers and producers of hazardous substances have to remit to the Environmental Fund a contribution of 2% of the value of the substances placed on the market (save for those used in the production of medicines). Companies selling waste and companies dealing in wood or wood products also have to make contributions to the Environmental Fund, currently set at 2% of the revenues obtained from such sales.

Companies must report and pay these taxes monthly, semi-annually or yearly depending on the tax concerned - to the Environmental Fund Administration, by submitting a declaration.

Producers / importers / exporters of EEE or those who want to place batteries on the market must register with the National

Agency for Environmental Protection. Failure to register can result in the suspension of company activity.

Placement on the market of portable batteries containing more than 0.002% cadmium by weight is prohibited. Distributors are also prohibited from selling batteries originating from unregistered producers.

Companies which place carrier bags on the market must make of biodegradable materials must pay a tax ("ecotax") of RON 0.15/ per bag.

Registration, Evaluation and Authorisation of Chemicals

Chemical substances and preparations traded on the market must be registered with the Ministry of Environment and Sustainable Development at the National Agency for Dangerous Substances and Chemical Preparations.

Registration is the only way for producers and importers of chemical substances to be allowed to continue production and import of chemical substances and preparations.

Tax Procedure

Overview

On 1st of January 2016, a new Tax Procedure Code (Law no. 207/2015) was enforced. This code unifies the legislation regulating tax returns, tax assessments, tax registration, tax audits, collection of budgetary receivables, as well as tax jurisdiction. The main rules and principles of the tax procedure are presented below.



General principles

Interpretation of the law

- The Romanian National Agency for Fiscal Administration, through its state secretary, coordinates the General Commission of Tax Procedure Code, Non-Fiscal and Accounting regulations, which is responsible for the unified interpretation of the law in this matter.

Liability of others

- Shareholders, directors, managers and others may be held liable for the tax obligations of the taxpayer under certain circumstances (e.g., anyone causing the insolvency of the debtor by disposing of the debtor's assets or hiding such assets; anyone acquiring in bad faith the debtor's assets within three years of the debtor's insolvency).

Assignment of tax receivables

- The tax law allows both the assignment of receivables of the taxpayer against the general consolidated budget, as well as the assignment, under certain conditions, of the budget's receivables against taxpayers.

Fiscal administrative acts

- Specific rules apply to the preparation and serving of acts issued by the tax authorities to the taxpayers.

- The taxpayer may apply for an individual tax ruling in order to settle a request of the taxpayer regarding the regulation of certain future tax states of affairs.
- The taxpayer may also apply for an advance pricing agreement in order to establish the conditions and modalities for determining the transfer prices for the transactions performed with affiliates throughout a fixed period.
- Under the law, the settlement term for the request of issuing an individual tax ruling is of up to 3 months, however the general term of 45 days for settling the requests of taxpayers shall be properly applied.
- The settlement term for the request of issuance of an advance pricing agreement is of 12 months in the case of a unilateral agreement and of 18 months in the case of a bilateral or multilateral agreement, as applicable.
- Prior to issuing the individual tax ruling or the advance pricing agreement, as applicable, the tax authority shall present to the taxpayer/payer the draft administrative document in question and offer the taxpayer the possibility to express his opinion, except if the taxpayer waives this right and notifies the tax body of the waiver.

- The taxpayer/payer may present the clarifications or his opinion to the draft within 60 business days as of the date when the necessary clarifications are requested or as of the date of communication of the draft individual tax ruling or advance pricing agreement.
- If the taxpayer does not agree with the individual tax ruling or with the advance pricing agreement that was issued, he/she will notify the issuing tax authority in this respect within 30 days of the date he/she was served the individual tax ruling or the advance pricing agreement.
- Throughout its validity term the advance pricing agreement can be amended through validity extension or, as applicable, revision, at the request of the holder thereof. The advance pricing agreement's validity can be extended (i) when the taxpayer/payer requests it and on

the basis of the same terms and conditions or (ii) if the taxpayer/payer requests that it should include other transactions with affiliates.

Fiscal domicile

- The concept of fiscal domicile is defined, with application to both individuals and legal persons. This concept is essential in defining both the tax jurisdiction and tax registration obligations.

Other rules

- Any request by the taxpayer must be processed and answered by the tax authorities within 45 days as of registration, unless additional documents are necessary, in which case the period is extended by the amount of time necessary for the taxpayer to provide the requested documents.

Specific Tax Procedures

Tax Registration

- Any person or entity included in a fiscal law relationship shall be registered for tax purposes and shall receive a tax identification code. Registration with the tax authorities must be made within 30 days of the date the circumstances which gave rise to the obligation occurred.

Tax Assessment

- The limitation period within which the tax authorities are entitled to assess additional tax liabilities is five years as of 1st of July of the year following that for which the tax liability is owed.

Tax audit

- Tax audit shall be performed with regard to any individuals and entities, irrespective of their form of organization, which have obligations of assessment, withholding or payment of the tax liabilities provided by the law.
- The selection of the taxpayers subject to tax audit shall be made by the authorized tax audit body, according to the risk level. The risk level shall be established based on the risk analysis, without any possibility for the taxpayer to object to the selection procedure used.

- Before the tax audit is carried out, the tax audit body has the obligation of notifying the taxpayer in writing on the actions that is to be performed, by serving him/her a tax audit notification.
- The tax audit shall be performed within the limitation period related to the right of assessing tax receivables (i.e., five years as of 1st of July of the year following that for which the tax liability is owed).
- The tax audit shall be performed only once for every type of tax receivable and for every period subject to taxation. By way of exception, the leader of the tax audit body may decide to verify again certain types of tax liabilities for a certain taxable period, as a result of additional data being found out which were not known to the tax audit body on the date of performance of the tax audit and which influence the results of the inspection.
- The duration of performance of the tax audit shall be set by the tax audit body in accordance with the objectives of the inspection, and it cannot be longer than: a) 180 days for large taxpayers, as well as for the taxpayers/payers who have secondary seats, irrespective of their size; b) 90 days for medium taxpayers; c) 45 days for the other taxpayers.

- If the tax audit is not completed within a period of time representing two times the period indicated above, then the tax audit shall cease, and no tax audit report or tax assessment decision shall be issued. In this case, the tax audit body may resume the inspection on the basis of the approval of the superior body to that which approved the initial tax audit, only once for the same period of time and for the same tax liabilities.
- The authorized leader of the tax audit may decide on suspending a tax audit in any of the situations provided by the Tax Procedure Code and only if the occurrence of that situation prevents the completion of the tax audit. In this case, the tax audit can be suspended until the date when the reason of the suspension no longer exists, but not more than 6 months as of the date of suspension.
- Before finalizing the tax audit, the tax inspectors shall serve to the taxpayer the draft tax audit report in electronic form or on paper and offer him/her the possibility of expressing his/her opinion. For this purpose, once the draft report is served, the tax audit body shall also inform the taxpayer on the date, time, and place of the final discussion.
- To the draft of report, the taxpayers is entitled to present his/her opinion regarding the findings of the tax audit body in writing, within at most 5 business days as of the date of conclusion of the tax audit. In the case of large taxpayers, the term of presentation of the opinion is of at most 7 business days. The term can be extended for justified reasons, based on the consent of the leader of the tax audit body.
- The result of the tax audit shall be mentioned in writing in a tax audit report which shall present the findings of the tax audit body from a factual and legal perspective and the tax consequences thereof. The tax audit report is communicated to the taxpayer along with the tax assessment.

Collection of Budgetary Receivables

- Detailed rules apply to payment methods, payment deadlines, as well as treatment of partial payments.
- Through offsetting shall be settled the receivables of the State or of the administrative territorial units or of subdivisions thereof representing taxes, charges, contributions and other amounts owed to the general consolidated budget with the receivables of the debtor representing amounts that need to be refunded, reimbursed or paid from the budget, up to the smallest of the amounts, when both parties act at the same time as both creditors and debtors, provided those receivables are administered by the same public authority, including by the units subordinated thereto.
- The negative amount of value-added tax in the receivable VAT return with refund option submitted by the representative of a tax group established in accordance with the Tax Code shall be offset in accordance with the provisions of this article with the tax liabilities of the members of the tax group.
- Unless otherwise provided by law, the offsetting shall act by operation of law as of the date when the receivables exist at once and are certain, liquid and chargeable at the same time. The competent tax body shall serve to the debtor the decision regarding the performance of the offsetting within 7 days as of the date of performance of the operation.
- According to the Tax Procedure Code, the late payment penalties are of 0.01% for every day of delay and the interest level is 0.02% per day of delay. Interests and late payment penalties can be updated on an annual basis, through Government decision, in accordance with the evolution of the reference interest rate of the National Bank of Romania.
- The right of the taxpayer to claim the

refund of tax receivables is subject to a limitation period of 5 years, starting on January 1 of the year following that in which this right was born.

Enforcement of Budgetary Receivables

- If the debtor does not pay willingly the tax liabilities, he/she owns, the competent tax body shall take enforcement actions for the settlement of those liabilities, as per the provisions of this code, except for the case in which there is a request for refund/ reimbursement in process of settlement and the amount claimed therein is equal to or bigger than the tax liability owed by the debtor.
- The tax body which administers tax liabilities is authorized to implement the enforcement measures and to perform the enforcement proceeding.
- Any of the following enforcement procedures may be used:
 - a. enforcement by garnishment;
 - b. seizure of the taxpayer's movable assets;
 - c. seizure of the taxpayer's immovable assets.
- Proceeds of the enforcement procedures are subject to distribution between creditors in accordance with a predetermined order set out in the Tax Procedure Code. Creditors with guarantees (rights 'in rem') over the assets subject to enforcement are preferred to the tax authorities, if they registered their rights in the relevant public registrars before the tax authorities registered their receivable.
- The interested persons may file an appeal against any enforcement act made by the enforcement bodies in violation of the provisions of the Tax Procedure Code, as well as if these bodies refuse to perform an act of enforcement as provided by law within 15 days as of the date when:
 - a. the contesting party was informed about the enforcement or the act of enforcement it appeals on the basis of a summons or another notification it received or, in lack thereof, on the occasion of the actual enforcement or in another manner;
 - b. the contesting party was informed in

accordance with letter a) about the refusal of the enforcement body of performing an act of enforcement;

- c. the interested party was informed in accordance with letter a) about the release or distribution of the amounts it appeals.

- The tax authorities' right to request the enforcement of fiscal claims is limited to five years as of 1 January of the year following that in which the right arose.

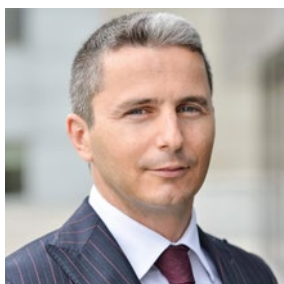
Administrative Complaints

- A tax challenge can be filed against the tax receivable document, as well as against other administrative-tax documents. The code regulates the form and the content of the challenges to be filed by taxpayers.
- The challenge shall be submitted within 45 days as of the date of service of the administrative-tax document, subject to termination of this right. If the tax administrative act challenged does not contain certain mandatory elements (for example, deadline for filing the appeal), the tax challenge may be filed within three months of the date of the tax administrative act.
- If the taxpayer is not satisfied with the decision settling the tax challenge, it may file a claim with the court within six months of the solution to the tax challenge being delivered to it. The deadline may be extended on serious grounds up to one year from the day the solution was issued.
- Also, if the tax challenge is not settled within 6 months as of submission, the contesting party may address directly to the competent administrative court of law to annul the document (the legal deadline for filing a claim with the court is still applicable).

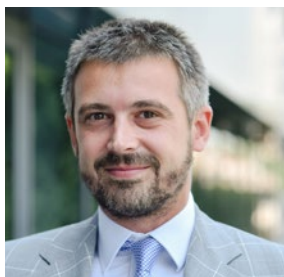
Suspension of enforcement

There are several legal means for taxpayers to file a court claim aimed at suspending the enforcement of tax liabilities. Depending on the case, the taxpayer may be ordered to provide a cash guarantee of the contested amount.

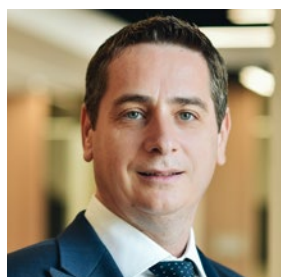
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