In this issue:

The Romanian Government has resorted to assuming responsibility in Parliament for the amendment of the Fiscal Code (Law no. 227/2015) as well as of the Government Emergency Ordinance no. 77/2009, as subsequently amended and supplemented

The government has presented a legislative package on the amendment of the Fiscal Code, which stipulates the increase of some taxes in order to consolidate budget revenues.

The draft was submitted to the Parliament within the procedure for engaging the Government's responsibility, and in the absence of a motion of censure adopted within three days from its presentation, the normative act is considered adopted by law.

According to the Constitution, the President of Romania can request the re-examination of the law only once, before promulgation.

The main changes concern, among others, **the increase of the standard VAT rate** from 19% to **21%** and the consolidation of the reduced rate (of 5% respectively 9%) to **11%** for certain essential goods and services, **the increase of excise duties** by 10% on fuels, some alcoholic beverages and tobacco, **the introduction of health insurance payment for pensions exceeding RON 3,000, the increase of the dividend tax from 10% to 16%,** the **additional tax applicable to credit institutions**, as well as the taxes for gambling activities.

I. Proposals for amendments to the Fiscal Code from a VAT perspective

I.1. VAT – New system with two rates: standard rate of 21% and reduced rate of 11%

Starting with August 1, 2025, the Government proposes a new VAT system by amending Article 291 paragraph 1 and 2, which maintains a **single reduced rate of 11%** applicable to certain essential goods and services, and **the standard VAT rate is increased from 19% to 21%.**

The new reduced rate of **11%** will be applicable to the following categories of supplies of goods and services, previously subject to the reduced rates of 5% and 9%:

- **Medicines for human use**;
- **Food and non-alcoholic beverages** intended for human and animal consumption, supply of live animals and birds of domestic species whose CN codes are determined by methodological rules. The following are excluded from the application of the reduced rate: food supplements, alcoholic beverages, non-alcoholic beverages falling within CN code 2202, foods with added sugar exceeding 10g/100, other than powdered milk for newborns, infants and young children:
- **Water for irrigation**, **water supply and sewerage services**;
- **Fertilizers, pesticides, seeds and related agricultural services**;
- **Services consisting of allowing access to castles, museums, memorial houses, historical monuments, architectural and archaeological monuments, zoos and botanical gardens;**
- **Firewood in the form of trunks, stumps, branches, branches or similar forms or sawdust and waste and scrap of wood** delivered to natural and legal persons for heating;
- **Thermal energy** delivered in the cold season to the population, hospitals, schools, NGOs and social service providers;
- **Books, textbooks, newspapers and magazines** (including in electronic format);
- **Cultural and educational services**: access to museums, historical monuments, zoos and botanical gardens;
- **Delivery of buildings** as part of social policy (homes for the elderly and pensioners, children's homes and rehabilitation and recovery centers for minors with disabilities);
- **Accommodation services in the hotel and camping sector**;
- **Restaurant and catering services**, excluding alcoholic beverages and those falling within CN code 2202.

Under the proposed new regulations, certain supplies of goods and services that previously benefited from **reduced VAT rates (5% or 9%)** are to be **reclassified to the standard rate of 21%.** These categories include:

- **Renewable energy systems** (such as photovoltaic panels, heat pumps and other low-emission equipment) delivered to homes or public institutions;
- **Access services to recreational and cultural activities**, including sporting events, fairs, exhibitions, fairs, amusement parks and theme parks;
- **Foods with a high sugar content**, such as **biscuits and cake**, that exceed the threshold of **10g of sugar/100g of product** (except products intended for infants and young children);
- **Delivery of veterinary medicines;**
- **Food supplements;**
- Delivery of seeds, bee food, plants and ingredients used in food preparation;
- Delivery of housing as part of social policy, except for the transitional provisions applicable for a period of 1 year subject to the cumulative fulfillment of additional conditions (conclusion of a contract by August 1, 2025, payment of an advance of at least 20% of the value of the home by July 31, 2025 and delivery of the home by July 31, 2026).

I.2. Elimination of exemptions for supplies and services intended for medical units operated by non-profit entities

The new legislative amendments provide for the repeal of the VAT exemptions previously applicable to certain supplies of goods and services in the field of health, made by or to non-profit entities. The following facilities are eliminated:

- VAT exemption applicable to the construction, rehabilitation and modernization services of hospital units, provided to:
  - non-profit entities registered in the A.N.A.F. Public Register, if the services were made available free of charge to public hospitals or hospital units owned and operated by these entities;
  - companies wholly owned by non-profit entities, provided that strict requirements are met (exclusively medical use, no alienation and no fees charged to patients);
- VAT exemption for the supply of medical equipment, sanitary supplies, protective articles and other similar goods, intended for use in the field of health care or by persons with disabilities, when:
  - the goods were acquired by non-profit entities or wholly-owned companies;
  - and were donated or made available free of charge to hospitals in the public network or used in their own hospital units.

Although the VAT exemptions provided for in **art. 294 para. (5) letters a) – b^1)** of the Fiscal Code will be repealed as of **August 1, 2025**, the authorities shall introduce a **transitional VAT refund mechanism** for transactions carried out prior to this date.

Thus, for the supplies of goods and services related to these exemptions, **whose taxable event occurs until August 1, 2025**, VAT will be able to be recovered **by refund from the state budget**, based on a procedure that will be regulated by order of the Minister of Finance.

In order to benefit from this transitional regime, **the refund request must be submitted no later than October 31, 2025**.

The amounts refunded may be used **exclusively for the purpose of financing the purchases of goods and/or services for medical purposes**, by non-profit entities or by companies wholly owned by them.

II. Proposed amendments to the Fiscal Code from the perspective of dividend tax and supplementary turnover tax for credit institutions

II.1. Increase of tax on dividends

Starting with **January 1, 2026**, respectively the first day of the amended fiscal year starting in 2026, **the dividend tax rate will be increased from 10% to 16%,** being applied to the gross value of the dividends distributed. This amendment applies to:

- dividends paid to Romanian legal entities;
- dividend income obtained in Romania by non-residents.

In the case of dividends distributed during 2025, respectively during the amended fiscal year starting in 2025, based on the interim financial statements, the tax rate of 10% applies. The 10% rate remains applicable even after the adjustment of dividends based on the annual financial statements for the financial year 2025.

II.2. Increase of the supplementary turnover tax rate for credit institutions

The supplementary turnover tax rate applicable to banking institutions **will increase from 2% to 4%.** This amendment will be applicable for the **period July 1, 2025 – December 31, 2025**, and will also be maintained starting **January 1, 2026.**

By exception, credit institutions - Romanian legal entities and Romanian branches of credit institutions - foreign legal entities, which have a **market share of less than 0.2%** of the total net assets of the banking sector in Romania, apply the 2**% rate**, for the period July 1, 2025 - December 31, 2026 inclusive.

Also, in the event in which taxpayers perform operations between July 1 and December 31, 2025, which determine **the increase or decrease of the elements used to calculate the turnover for the period January 1 – June 30, 2025**, they have the obligation to recalculate the turnover tax for the period January 1 – June 30, 2025, by submitting a rectifying return.

Accounting errors related to revenues that influence the turnover of previous years, but which are corrected through retained earnings, determine the submission of a rectifying tax return for the year in which the error occurred, according to the provisions of the Fiscal Procedure Code.

III. Proposed amendments to the Fiscal Code from the perspective of income tax and mandatory social security contributions

Changes from the perspective of income tax

- The tax rate applicable for dividends distributed starting with January 1, 2026, is increased from 10% to 16%.
- The tax regime applicable to bonds issued by legal entities resident in Romania on capital markets outside Romania is clarified. The obligation to calculate, declare, and pay tax on interest income is transferred from the issuer to the recipient of the interest income - a resident individual who holds such bonds.
- For income obtained from gambling, it is proposed to maintain the taxation on income brackets, but with an increase in the minimum tax rate from 3% to 4%, while the maximum rate remains at 40%.
- The income obtained by individuals from the delivery of ferrous and non-ferrous metal waste and their alloys from the personal patrimony is added to the category of income from other sources, the tax being withheld at source by the economic operator.

Changes in the perspective of mandatory social security contributions

- Taxpayers who obtain pension income exceeding the amount of RON 3,000 per month, regardless of whether they come from the public system, from privately managed funds or from abroad:
    - will owe the health insurance contribution to a monthly calculation basis established by deducting from the pension income the monthly amount of RON 3,000, for each pension right;
    - The health insurance contribution is deductible from the income tax calculation;
    - If they also obtain income from intellectual property, they will be exempt from paying the health insurance contribution for the latter. Also, if they obtain income from independent activities of up to 6 minimum gross salaries, they will not owe the difference in contribution provided by law.
- The following individuals will no longer be exempt from paying the health insurance contribution:
    - spouses and parents without their own income, dependent on an insured person;
    - individuals exempted by special laws (e.g., politically persecuted, deportees, war veterans etc.);
    - patients with conditions included in the national health programs established by the Ministry of Health, until the recovery from the respective condition, except those with oncological diseases;
    - individuals receiving unemployment benefit, social aid (guaranteed minimum income) or other forms of social protection;
    - persons on childcare leave or adaptation leave following the completion of an adoption process;
    - monastic personnel of recognized denominations.

- Individuals who choose to pay health insurance contribution after July 31, 2025 will be required to pay in two installments as follows:
  - 25% of the health insurance contribution due, on the date of submission of the tax return by which the option is exercised;
  - 75% of the health insurance contribution due, until May 25 of the following year.
- For individuals who opt to pay the health insurance contribution until July 31,2025, the payment deadline will be May 25, 2026.

IV. Excise duties

Excise duty increases for the following:

- Beer
- Wines
- Fermented beverages other than beer and wines (including apple and pear cider, mead, berry drinks)
- Intermediate products
- Ethyl alcohol (including alcohol produced by small distilleries)
- Cigarettes
- Cigarettes and cigarettes
- Finely cut smoking tobacco for rolling into cigarettes
- Other smoking tobacco
- Leaded gasoline
- Unleaded gasoline
- Diesel
- Fuel oil
- Liquefied petroleum gas
- Natural gas
- Lamp oil (kerosene)
- Coal and coke
- Electricity.

V. Proposals for amendments to the gambling sector (Government Emergency Ordinance no. 77/2009, as subsequently amended and supplemented) from the perspective of taxes

The package of proposed measures also includes amendments to the annex related to G.E.O. 77/2009 which regulate the annual taxes applicable to gambling activities. Thus, the following fees have been increased, as follows:

- the fee related to the authorization to operate **mutual bets, traditional fixed-odds bets and counterparty bets** will be increased **by increasing the tax rate from 21% to 23%** of the revenues made through these types of bets, at the level of the organizer;
- the fee for the authorization to operate **the class A slot machine will** be increased from **5,300 euros to 5,800 euros**;
- the tax related to the operating permit for **remote gambling, classes 1 and 3**, will be increased by **increasing the tax rate from 21% to 27%** of the gambling revenues, made at the level of the organizer;
- **The vice tax for** specific **slot-machine and video lottery gambling will increase from 500 euros/authorized unit/year to 1,000 euros/authorized unit/year.**

In addition, a new tax is introduced **for lottery games, with the exception of video lotteries**, applying a **rate of 6.5%** on the gambling revenues of licensed operators. The tax is calculated and transferred in full to the state budget by the 25th of the following month for the previous month. The amount and method of calculating the taxes specific to gambling regulated above shall apply starting with the 1st of the month following the publication of this law in the Official Gazette of Romania.

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