

## Romanian government introduces new measures in response to COVID-19

**On 26 October 2020, Romania put into place Government Emergency Ordinance no. 181/2020 ("GEO 181/2020") approving additional tax measures and deadlines extensions to support business during the recovery period.**

Specifically, the new measures include the following:

### **Extension of the deadline to pay tax liabilities**

No late payment interest and penalties will be due for outstanding tax liabilities until 25 December 2020.

In addition, until that date, enforcement proceedings are suspended, except for proceedings involving amounts established through rulings in criminal cases.

### **VAT refunds without prior audit**

GEO 181/2020 extends the period for granting VAT refunds without prior audits until 25 January 2021. (The original measures imposed by Government Emergency Ordinance no. 48/2020, which are now prolonged, can be found [here](#).)

### **Instalment payments for tax obligations**

A scheduling facility for payments of tax liabilities, including their accessories, has been introduced for taxes due after 16 March 2020 when the state of emergency period entered into force. To be able to pay in instalments the accumulated tax debt, the following conditions must be met:

- The taxpayer cannot be subject to bankruptcy proceedings or be in dissolution;
- The taxpayer cannot have a record of outstanding tax liabilities at the moment the state of emergency was declared that were listed as unpaid when the tax attestation certificate was issued;
- The taxpayer cannot be liable for insolvency and joint liability legal provisions; and
- Compliance obligations of the taxpayer must be fulfilled, except for the months when the tax liabilities were determined through a tax decision.

To benefit from the facility for scheduled payments, taxpayers must submit a request by 15 December 2020. Within a maximum of five days from submission of the request, the tax office must issue a tax attestation certificate that lists all taxes due and unpaid.

The tax authorities must solve the request within five working days and then issue a decision on the scheduled payments and the related payment calendar (with a maximum of 12 instalments). Taxpayers can request that their payment schedule be amended in certain cases.

For the scheduled payments' facility to be maintained, taxpayers should submit in due time their compliance obligations (due after the issuance date of the approval decision), make all scheduled payments as per the instalments calendar and pay in due time all tax liabilities due after the issuance date of the approval decision.

Starting on 26 December 2020, each instalment is subject to late payment interest (0.01% per day) computed from the date of approval until the payment deadline for the respective instalment. Also, a taxpayer who delays payment of the scheduled instalments will be liable to pay a 5% penalty.

The procedure for granting the facility for scheduled payments will be issued by the tax authority within 15 days of GEO 181/2020 entering into force.

### **Exemption from the payment of HORECA industry specific tax**

Taxpayers carrying out activities in the HORECA sector are not required to pay this specific tax between 26 October and 31 December 2020.

In order to determine the 2020 taxes that are due, taxpayers will divide the entire annual tax by 365 days and multiply it with the number of days resulting from the difference (i.e. 365 days less the number of days remaining in the year from 26 October and less the 90 days of the state of emergency period). Also, taxpayers that interrupted, partially or totally, their activities during the state of emergency and obtained a state of emergency certificate may deduct this period as well.

### **Building tax incentive**

Until 2 December 2020, Romanian local councils can grant reductions and exemptions from the payment of the building tax and monthly building tax, as follows:

- the annual building tax can be reduced up to 50% for owners (i.e. either individuals or legal entities) of non-residential buildings that are leased or used for the purpose of carrying out economic activities, if during the state of emergency or the state of alert the owners or lessees interrupted their activity and they possess a state-of emergency certificate;
- concessionaires, tenants and holders of administration or utilisation rights are exempt from the payment of the monthly building tax if they completely interrupted their economic activity during the state of emergency or the state of alert.

If the local councils adopt such measures, the relevant taxpayers have until 21 December 2020 to submit requests for granting the reduction or the exemption, together with related documents, to local tax authorities.

In addition, taxpayers can request reimbursement if they already paid the annual building tax for 2020 before 20 September 2020 and paid the monthly building tax during the state of emergency or state of alert period.

### **Extension of deadlines for electronic cash registers**

Taxpayers that do not comply with the obligation to remotely connect electronic cash registers with the tax authority will not be subject to fines until 31 December 2020.

### **Amendment of tax debt restructuring programme**

GEO 181/2020 amends the 2019 tax debt-restructuring programme by extending the deadlines for notifying tax authorities about intentions to restructure tax liabilities. Taxpayers that intend to restructure their tax liabilities can notify relevant authorities from 1 November 2020 until 31 March 2021. Taxpayers should submit requests for debt restructuring by 30 June 2021.

### **Deductibility of expenses for COVID-19 tests**

Expenses incurred by freelancers for medical tests pertaining to the coronavirus are tax deductible for personal income tax purposes.

Similarly, costs incurred by employers for COVID-19 medical tests for their employees represent non-taxable income for employees and hence are not subject to social-security contributions, throughout the state of emergency and later periods.

For more information on how these changes might affect you, contact CMS experts **Roxana Popel, Andrei Tercu** and **Ramona Tudor**.