

Romania brings new amendments to the Fiscal Code

Romania has introduced two amendments to its Fiscal Code with the passage of Law no. 239/2020, which was published on 6 November 2020 and entered into force on 9 November 2020, and Law no. 248/2020, which was published on 13 November 2020.

Costs incurred with early education activities

Under Law 239/2020, taxpayers can claim as credit from their corporate income tax, expenses for early education units or the expenses incurred for the placement of the children of employees in these education units up to RON 1,500 a month per child. If the amount to be claimed by an employer exceeds the corporate income tax due, the difference will be deducted from the salary income tax withheld by the employer for its employees, outstanding VAT or excise duties in this order.

The amount paid by the employer for the early education of an employee's children is not subject to salary income tax and social contributions at the level of the employee.

Early education includes pre-school levels of education for children up to six years of age.

Before Law 239/2020 entered into force, limited tax-deductible expenses were available for employer-operated nurseries and kindergartens.

Expenses incurred for vocational and technical education, dual pre-university and university education

Law 239/2020 added expenses incurred for dual pre-university and university education as deductible for the profit-tax computation for legal entities or for the income-tax computation of freelancers. Until Law 239/2020 was passed, only expenses for the organisation and development of vocational and technical education were tax deductible.

The fixed assets engaged in the organisation and development of these educational activities are treated as depreciable.

Dual education is a form of vocational and technical education based on a partnership agreement between the operator, the educational unit and the administrative-territorial unit. Based on this educational system, students benefit from practical training within companies.

Law 239/2020 also lists as non-taxable income any and all scholarships, prizes and other rights, such as accommodations, meals, transport, work and protection equipment for students during vocational and technical education or during dual pre-university and university.

Extended application of VAT-reduced rate for housing deliveries

Starting 1 January 2021, the value of dwellings qualifying for the reduced VAT rate of 5% will increase from RON 450,000 (EUR 92,000, excluding VAT) to EUR 140,000 (excluding VAT).

For more information on these changes to the Romanian fiscal code, contact CMS experts **Roxana Popel, Andrei Tercu** and **Ramona Tudor**.