

## Draft law on measures to ensure Romania's financial sustainability, published by Finance Ministry

**The draft law on fiscal budgetary measures to ensure Romania's long-term financial sustainability was published Tuesday by the Finance Ministry.**

The said piece of legislation introduces, starting next year, a minimum tax of 1% on turnover for companies with a turnover of over 50 million euros and which determines a profit tax lower than the minimum tax on turnover.

An additional tax for banks is also introduced, which will be calculated by applying a rate of 1% on turnover.

At the same time, the threshold for entering the micro-enterprise category will drop from 500,000 euros to 60,000 euros. For micro-enterprises, the draft law provides for two tax rates, 1% and 3%, depending on the income achieved and the nature of the activities carried out. Thus, a tax of 1% will be paid by micro-enterprises that achieve revenues that do not exceed 60,000 euros included and that do not carry out activities such as publishing computer games or other software products, accommodation facilities, restaurants, etc.

On the other hand, a 3% tax will be applied to micro-enterprises that realize incomes over 60,000 euros or carry out activities, main or secondary, corresponding to the National Economy's Activities Classification (CAEN) codes: 5821 - Editing activities of computer games, 5829 - Editing activities of other software products, 6201 - Custom software development activities (customer oriented software), 6209 - Other information technology service activities, 5510 - Hotels and other similar accommodation facilities, 5520 - Holiday and short term holiday accommodation facilities, 5530 - Caravan parks, campsites and camps, 5590 - Other accommodation services, 5610 - Restaurants, 5621 - Food activities (catering) for events, 5629 - Other food services n.e.c. (not elsewhere classified), 5630 - Pubs and other activities of serving drinks, 6910 - Legal activities - only for professional societies with legal personality, established by lawyers according to the law, 8621 - General medical assistance activities, 8622 - Specialized medical assistance activities, 8623 - Dental assistance activities, 8690 - Other activities related to human health.

For those who generate income from computer software creation activities or from construction, the tax benefits will be restricted to a single individual employment contract. It is also proposed to limit the application of these facilities until December 31, 2028 inclusive, similar to the term provided for the fiscal facilities granted to the construction, agricultural and food industry sectors, as well as the introduction of a ceiling up to which the exemption from paying income tax is granted, respectively up to the level of 10,000 RON inclusive. For the part of the gross monthly income that exceeds 10,000 RON, the tax facilities do not apply.

At the same time, for the income from salaries and similar to salaries obtained by individuals as a result of carrying out the activity of creating computer programmes, it is proposed to reduce the social insurance contribution rate by the percentage points corresponding to the contribution rate to the privately administered pension fund provided for in the Law no. 411/2004. Also, the exemption from paying the contribution to the privately administered pension fund regulated by Law no. 411/2004. The draft law mentions, however, that individuals can opt for the payment of the contribution due to the privately administered pension fund.

The authorities also propose, through the draft piece of legislation, a special tax on immovable and movable assets of high value. Thus, in the case of properties representing residential buildings, the tax will be calculated by applying a rate of 0.3% on the difference between the taxable value of the building communicated by the local fiscal body through the taxation decision and the ceiling of 2,500,000 RON. In the case of properties representing cars, it will be determined by applying a rate of 0.3% on the difference between the purchase value and the

ceiling of 375,000 RON.

The draft law also comprises measures to reduce the expenses of institutions and public authorities. Among them is the reduction by at least 25% of the public dignity functions of state secretary, state councilor/undersecretary of state/vice president and public bodies dignity functions assimilated to them, the abolition of vacant positions, the abolition of the position of head of office and the reduction of the weight of public management positions in the total of positions at the level of principal credit officer from 12% to 8%.

Regarding the fight against tax evasion, the document proposes the prohibition to carry out production, storage, transport, trade or service activities, with goods that are not accompanied by documents of origin, as well as the obligation that these activities be carried out with compliance with the conditions provided by law.

The authorities estimate that the draft law will have a positive financial impact of over 22.9 billion RON, cumulatively, on average over the next five years.