Romanian government approves additional tax measures in response to COVID-19

*On 9 April 2020, the Romanian government approved Government Emergency Ordinance no. 48/2020 (**GEO 48/2020**), which implements a series of tax measures pertaining to the current crisis. This ordinance entered into force on 16 April 2020 after appearing in the Official Gazette.*

The measures covered in the ordinance include:

Sponsorships granted by microenterprises to public institutions

Sponsorships granted by entities subject to the microenterprise tax regime to public institutions and authorities are now deducted up to 20% of the tax due for the quarter when the sponsorship expense was recorded. In this case, the deduction will be performed based on the sponsorship agreement since public institutions and authorities will not have the obligation to register in the registry of non-profit or religious organisations for sponsorships.

Non-taxable benefits-in-kind granted to employees in isolation in the workplace

The benefits-in-kind granted to individuals occupying certain jobs considered essential are not taxable (i.e. at the 10% rate) if certain conditions are fulfilled. More precisely, this applies to employees who are isolated at the workplace or in remote areas without outside access for a period set by the employer in the case of a state of emergency. These benefits-in-kind are not subject to social insurance contribution (i.e. 25% rate) and health insurance contribution (i.e. 10% rate).

Exploiting excisable products that are state property or under enforcement proceedings

GEO 48/2020 amends the provisions regarding the exploitation of excisable products that became property of the Romanian state or that are subject to enforcement proceedings. As a result, ethyl alcohol, alcoholic beverages and energy products that constitute the private property of the Romanian state (or are subject to enforcement proceedings) and do not fulfil the legal conditions for sale may be sold by the relevant bodies to manufacturing fiscal warehouses for processing purposes only. In this case, the delivery is performed based on the invoice and the prices do not include excise duties.

The products mentioned above that fulfil legal conditions for sale can be sold by the relevant bodies to economic operators based on invoices and the prices will include excise duties. Note that in cases where the products cannot be sold, they will be destroyed in accordance with legal provisions.

Exclusion of fiscal facilities on the financial aid for technical unemployment

The income tax exemption targeting certain categories of individuals, such as software developers, employees who perform research and development activities, etc., will not apply to the 75% technical unemployment indemnity paid by the state as of April 2020.

Amendment on Government Emergency Ordinance no. 33/2020

The original measures imposed by Government Emergency Ordinance no. 33/2020 can be found here.

GEO 48/2020 exempts the payment of VAT in customs for taxable persons performing imports of completely denatured ethyl alcohol used to produce disinfectants during the state of emergency. This exemption applies only to importers holding end-user authorisation and is valid at the date of the import.

The VAT for these operations will be evidenced in VAT returns as both input and output VAT.

Exemption from the payment of specific tax for HORECA industry

Taxpayers carrying out activities in the HORECA sector do not owe the specific tax during the period their activities are interrupted, partially or totally, during the state of emergency. In order to benefit from the exemption, the taxpayers' activities should be interrupted either partially or totally in order to obtain a state-of-emergency certificate. In addition, the taxpayer should not have filed for insolvency.

VAT refunds without prior tax audits

During the state of emergency period and for 30 days afterwards, the VAT refund requests will be reimbursed by the central fiscal body with a subsequent tax audit, with the following exceptions:

→ VAT refunds for which a tax audit started before GEO 48/2020 entered into force; or

→ VAT refunds requested by large and medium taxpayers if:

- such taxpayers have criminal offences in their fiscal records,

- the tax office determines, based on available information, that there is a risk of an unjustified refund, or

- the voluntary liquidation procedure or the insolvency procedure was started (except in the case where a reorganisation plan was confirmed).

→ VAT refunds requested by other categories of taxpayers if:

→ the taxpayers have criminal offences in their fiscal records;

→ the tax office determines, based on available information, that there is a risk of an unjustified refund,

→ the voluntary liquidation procedure or the insolvency procedure was started, (except when a reorganisation plan was confirmed),

→ the taxpayers submit their first VAT refund request after registration for VAT purposes, or

→ the VAT negative balance results from a reporting period of more than 12 months or four quarters.

These provisions also apply to VAT refunds for which no VAT reimbursement decision has been issued until GEO 48/2020 entered into force.

No late payment interest and penalties due for instalment payments

No interest and penalties will accrue for the late payment of scheduled instalments up to 30 days after the state of emergency. In these cases, until the first payment deadline after this period, the tax authority will prepare the new payment schedule that will be issued through a tax decision.

The conditions for maintaining the validity of the payment instalments are suspended up to 30 days after the state of emergency. During this period, the statute of limitation is suspended for the right of the tax authority to establish tax liabilities or request enforcement proceedings.

Postponing the deadline for submission of financial statements for 2019

The deadline for the submission of yearly financial statements and account reporting for 2019 was postponed until 31 July 2020.

For more information on how these tax changes might affect you, contact our local CMS experts **Roxana Popel** or **Andrei Tercu**.