

Romania introduces tax incentives for acquisition of electronic cash registers

On 24 July 2020, Law no. 153/2020 was enacted and published, which introduces tax incentives for the acquisition of electronic cash registers.

The passage of this law was prompted by the fact that economic operators had been obliged to adopt electronic cash registers by 1 September 2018 for large and medium-sized taxpayers and by 1 November 2018 for small taxpayers; and by the significant costs that businesses incurred in the acquisition and activation of this new equipment.

Entities paying corporate income tax or microenterprise income tax will deduct the purchasing cost of the electronic cash registers from the amount of the corporate income tax due. Any amount exceeding the tax due for the quarter or year will be carried forward for up to seven years. The purchasing cost of the electronic cash registers will be a non-deductible expense in the computation of corporate income tax.

This tax incentive is also available to freelancers or small businesses paying individual income tax, and will reduce the income tax due by the amount of the acquisition cost of the electronic cash registers. Any excess will also be carried forward for up to seven years.

These modifications will apply starting 1 August 2020.

Payers of activity-specific tax will also be able to deduct the costs of the electronic cash registers from their tax and carry forward the excess for up to seven years.

Law no. 153/2020 also applies to the acquisition of electronic cash registers in 2018, 2019 and the first seven months of 2020.

When calculating corporate income tax for 2020, the taxpayer – if subject to corporate income tax during the acquisition of the cash registers – will deduct the purchasing costs of the electronic cash registers acquired in 2018, 2019 and the first seven months of 2020 from their corporate income tax. The adjustment of the costs for electronic cash registers recorded in 2018, 2019 and the first seven months of 2020 will be performed in the corporate income tax calculation for 2020. Special attention should be paid to the calculation of the tax adjustment if the electronic cash registers were recorded as fixed assets and have depreciated.

Similarly, for microenterprise income tax payers, the tax due for the fourth quarter of 2020 will be reduced by the purchasing costs of electronic cash registers acquired in 2018, 2019 and the first seven months of 2020 if the taxpayer was subject to microenterprise income tax at the time of acquisition.

The above also applies to freelancers or small businesses paying individual income tax. As with the other cases, any excess amount over the tax due for the acquisition of the electronic cash registers can be carried forward over seven years.

For more information on how these tax changes could affect your Romanian business, contact local CMS experts **Roxana Popel, Andrei Tercu and Ramona Tudor** or your regular CMS advisor.