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**Additions to accounting regulations applicable to economic entities.**

European Directive 2.101/2021 was transposed in Romania according to which multinationals and standalone entities must draw up and publish a report with information related to profit tax, if they obtain revenues of more than 750 million euros in each of the last two financial years consecutive.

## Additions to accounting regulations applicable to economic entities

The implementation of the European Directive 2.101/2021 is included in the Order of the Ministry of Finance 2.048/2022 published in the Official Gazette, Part I, no. 878/2022, which will enter into force on January 1, 2023. It completes both the accounting regulations regarding the individual annual financial statements and the consolidated annual financial statements (Order 1.802/2014), as well as the accounting regulations in accordance with the International Financial Reporting Standards (Order 2.844/2016).

### A new chapter containing information regarding the “Report on income tax information” is added

- The report must be made by **final parent companies** (an entity that prepares the consolidated annual financial statements of the biggest entity group), **standalone entities** (entities that are not part of a group), **medium and large subsidiaries** (controlled by a final parent company that is not covered by these regulations) and **Romanian branches** (established by entities that are not subject to the laws of a Member State) that have a consolidated **net turnover** that **exceeds** at the balance sheet date, for **each of the last two financial years**, the amount of **RON 3.700.000.000** (the equivalent of **EUR 747.474.740** at the exchange rate published in the Official Journal of the European Union on 21.12.2021), as reflected by their consolidated annual financial statements.
- The report must contain information regarding:
  - the name of the parent company or standalone entity, the financial year, the currency used to present the report and, where appropriate, a list of all subsidiaries consolidated in the financial statements of the final parent company, for the relevant financial year, established in the European Union or in tax jurisdictions included in annexes I and II to the Conclusions of the Council on the revised EU list of non-cooperative jurisdictions for tax purposes;
  - a short description of the nature of their activities;
  - number of employees equivalent to full-time;
  - revenues (including transactions with related parties), representing the amount of net turnover, other operating revenues, revenues from participation interest, excluding dividends received from affiliated entities, revenues from other investments and loans which are a part of fixed assets, other interest to be received and other similar revenues);
  - the amount of gross profit or loss;
  - the amount of income tax accumulated during the financial year, which represents current tax expenditures (excluding provisions for uncertain tax liabilities) recognized in respect of taxable profits or losses in the financial year in question by entities and branches, in the relevant fiscal jurisdiction;
  - the amount of income tax paid in cash, which represents the amount of income tax paid during the financial year by the entity and branches in the relevant fiscal jurisdiction (including withholding taxes paid by other entities when it comes to payments to entities and branches within a group);
  - the amount of gains accrued at the end of the financial year in question.
- The report must present the aforementioned information **separated for each member state**, each **fiscal jurisdiction** which, on 1<sup>st</sup> of March of the financial year for which the report is to be drawn up, is **on the list on annex I** to the Conclusions of the Council on the revised EU list of non-cooperative jurisdictions for tax purposes, and for each **fiscal jurisdiction** which, on 1<sup>st</sup> of March of the financial year for which the report is to be drawn up and 1<sup>st</sup> of March of the previous financial year, is **on the list on annex II** to the Conclusions of the Council on the revised EU list of non-cooperative jurisdictions for tax purposes, and in an **aggregate manner for other jurisdictions**.
- The report must be published within **12 months** from the balance sheet date of the financial year for which it is prepared, on the **website** of the entity, subsidiary of affiliated entity; or the website of the branch, the entity that opened the branch or an affiliated entity, respectively; and it shall remain accessible on said website for at least **5 consecutive years**.
- **Members of administrative, executive or supervisory boards** of the final parent companies or of the standalone entities are responsible for drawing up, publishing and ensuring access to this report. If there is an obligation to audit, the audit report establishes if for the financial year

before the one in which the audit is done the entity had the obligation to publish such a report and if the report was published according to the provisions.

These provisions are applicable starting **1st of January 2023**. Entities that have chosen a different financial year than the calendar year shall apply the provisions of the order from the beginning of the first financial year which starts after 1<sup>st</sup> of January 2023.

For further questions regarding the aspects mentioned in this alert, please contact us.



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