

Romania introduces new tax measures in response to COVID-19

On May 14, Romania put into place Government Emergency Ordinance no. 69/2020 (GEO 69/2020) and Government Emergency Ordinance no. 70/2020 (GEO 70/2020) implementing additional fiscal measures and deadline extensions to support the nation's business environment. In addition, the following day Law no. 54/2020 went into force approving one of the earlier Emergency Ordinances (GEO 33/2020) that had been adopted in response to the Covid-19 pandemic.

Deadline extension for personal income tax submission and early payment discount

GEO 69/2020 postpones the deadline for submission of the single income tax return until 30 June 2020. An early payment tax discount of 5% for personal income tax and social contributions (i.e. social security contribution and health contribution) related to 2019 income is granted if payments are performed before 30 June 2020.

Also, an additional tax discount of 5% for personal income tax and related social contributions will apply if the single income tax return is filled online before 30 June 2020. This tax discount for online submission will apply only if the tax payments are settled by 30 June 2020. In this case, a taxpayer may receive an overall 10% tax discount.

In addition, starting 2021 an early tax payment discount of 10% for personal income tax and social contributions charges has been introduced. The implementation procedure will be set by an order issued by the Ministry of Finance.

Tax cuts for salary incentives

Under GEO 69/2020, salary incentives granted to employees performing activities which involve direct contact with persons and represent a high risk of COVID-19 infection are exempted from social security contributions, health insurance contributions and labour insurance contributions. This applies to amounts granted starting on 14 May for the state of emergency period and paid until 30 June 2020.

Building tax reductions

For the two-month state-of-emergency period, local councils may grant certain reductions or exemptions for building taxes, including:

- The building tax, in case of non-residential buildings, may be reduced by up to 50% if the users (owners or lessees) of the building have been forced to totally interrupt their activity during the state-of-emergency period, or if they obtained an emergency certificate from the Ministry of Economy.
- In case of the monthly building tax due for state-owned buildings by concessionaires or lessees, a payment exemption may be granted for the state-of-emergency period if the building users have been forced to interrupt their activity in accordance with the law.

Local councils must adopt such measures by 14 August 2020. If local councils adopt these measures, building owners will have to submit a formal request together with an affidavit before 15 September 2020.

Owners using the buildings for their own businesses will mention in the affidavit if their activity has been partially or totally interrupted. If their business activities have been partially interrupted, the emergency certificate must be attached to the request.

Owners leasing their buildings to legal or individual tenants must meet the following conditions in order to benefit from the building tax reduction:

- They have waived at least 50% of the applicable contractual rent during the state-of-emergency period; and
- At least 50% of the building space they own has not been used during the state-of-emergency period.

If the building tax has already been paid, taxpayers may request a reimbursement for the incentive amount.
Registration for VAT purposes

VAT registration requests that have not been solved by 14 May will be finalised without performing the risk analysis.

Cancellation of accessory liabilities

A new tax amnesty has been introduced in respect to accessory tax obligations (i.e. interest and late payment penalties) owed to the state budget and outstanding as of 31 March 2020.

This process is subject to meeting certain conditions, such as:

- the full settlement of the principal amounts due at 31 March 2020 by 15 December 2020;
- payment of all principal and accessory tax liabilities incurred starting with 1 April 2020; and
- fulfilment of all tax compliance obligations to date.

All taxpayers (i.e. legal persons, individuals, freelancers) may benefit from the cancellation of accessory liabilities.

Through this tax amnesty, accessory tax obligations connected to tax liabilities due by 31 March 2020 arising in relation to submission of rectifying tax returns, issuance of tax decisions as a result of an on-going tax audit at 14 May or already settled tax obligations could also be cancelled, subject to the payment of the principal amounts by the legal deadlines applicable to each category and fulfilment of conditions in the second and third points listed above.

Taxpayers can also benefit from the cancellation of accessory tax obligations related to tax liabilities to local budgets if the local administrative units approve similar measures.

The Ministry of Finance will issue the implementation procedure for debt restructuring measures and the cancellation of accessory liabilities within 30 days.

Corporate income tax and microenterprise income tax payment incentives

Under Law 54/2020, an early payment tax discount of 10% is granted to corporate income tax and microenterprise income taxpayers for the payment of related taxes for the second and third quarters by 25 July 2020 for the second quarter and 25 October 2020 for the third quarter.

Extension of Government Emergency Ordinance no. 30/2020 measures

According to GEO 70/2020, the technical unemployment indemnity introduced by GEO 30/2020 will continue to apply after the lapse of the state-of-emergency period until 31 May 2020, but only for taxpayers acting in fields where lockdown restrictions are still imposed by state authorities.

VAT on materials used against COVID-19 supplied to NGOs

Through GEO 70/2020, medicines, PPE and other materials and medical equipment that can be used in the prevention, limitation, treatment and overall fight against COVID-19 will be VAT-exempt upon their supply to NGOs. Such supplies should be performed before 1 September 2020.

Suppliers will justify the exemption based on an affidavit issued by the NGO acknowledging the goods are either used by the NGO in the fight against COVID-19 or donated to other entities that will be using them in the COVID-19 fight. If the destination of the goods is not observed, the NGO will be liable to a fine amounting to the value of the VAT which was exempt.

Changes to withholding tax deadlines

Through GEO 70/2020, income tax or withholding tax due for income derived by residents and non-residents from activities performed in respect to organising cultural, artistic, sporting, scientific, educational or entertainment events or from attending such events will be due by the 25th day of the month following the event.

This tax change applies to cultural, artistic, sporting, scientific, educational or entertainment events that have been rescheduled up until the end of 2021 due to the COVID-19 outbreak.

For more information on how these tax changes might affect you, contact our local CMS experts [Roxana Popel](#) or [Andrei Tercu](#).