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**DECISION 1579 dated 19 December 2007 to amend and complement Implementation Norms of Law 571/2003 – Fiscal Code approved by Government Decision 44/2004 (Official Gazette 894/2007)**

The following expenses represent tax allowed expenses in the scope of calculating taxable income:

- Employee transport expenses to and from the work location;
- Transport and accommodation expenses in Romania and abroad incurred by employees and directors (“administratori”) as well as other assimilated individuals, as established by Norms.

The quality of Director results from the taxpayer Constitutive Deed or from a management or agency contract. In the sense of article 21 paragraph (2) letter e) of the Fiscal Code, individuals assimilated as employees include:

- Managers who carry out their activity on the basis of an agency contract according to the law;
- Resident and/or non-resident individuals who are seconded according to the law, in the case the pay taxer supports the legal rights granted to them.

Revaluation reserves are included in the category of items considered revenue, in accordance with the provisions of article 22 paragraph (5) of the Fiscal Code.

If, subsequent to reorganisations, the legal reserve of the legal entities involved exceeds 20% of share capital or social patrimony, decreasing the legal reserve to the level set by law is not mandatory.

Dividends received from Romanian or foreign legal entities do not have related expenses when determining taxable profit.

In accordance with article 36 of the Fiscal Code, tax on dividends paid by a Romanian legal entity to another Romanian legal entity is nil, if the beneficiary of the dividends holds at least a 15% ownership interest (10% starting 2009), in the entity which pays the dividend at the date of payment and has held it for 2 consecutive years as of the dividend payment date. These provisions apply subsequent to the date Romania joined the European Union (E.U.).

In the Implementation Norms of the Fiscal Code, dividends distributed and paid after 1st January 2007 enter under the incidence of these provisions, even if they come from pre-2007 profits carried forward, as long as that the beneficiary meets the requirements.

**VAT**

Lost or stolen goods do not represent delivered goods if legally proved in accordance with the provisions of the Norms.

The transfer of the right to use items in accordance with a lease contract is considered a provision of services according to article 129 paragraph (3) letter a) of the Fiscal Code. At the end of the lease term, if the lessor/financer transfers ownership to the lessee/user upon the lessee's/user's request, the operation represents a delivery of goods for the amount for which the transfer is made. The date when the lessee/user can opt to purchase the item is also considered to be the date when the contract ends, although it cannot be prior to a 12 month period from lease inception. If the purchase option for the item is exercised by the lessee/user before the 12 month period from lease contract inception, meaning from the date the item was put at the disposal of the lessee/user, a lease operation is not considered to have occurred, but a delivery of goods at the date the item was put at the disposal of the lessee/user. If during the duration of the financial lease contract, a transfer between users occurs with the approval of the lessor/financer or a transfer of the lease contract resulting in a change of the lessor/financer, this does not represent a delivery of goods, as it is considered that the newcomer takes over the provisions of the contracts. The operation is still deemed to be a provision of services, the person who takes over having the same duties as the former party with respect to VAT.

There is a clear relation between the generating event in the case of an intra-community delivery of goods and the generating event in the case of a simultaneous intra-community acquisi-

tion of goods, i.e. at the time of delivery of the goods. To avoid any mismatching between VAT exempted intra-community deliveries of goods which are included in the recapitulative statement for such deliveries in the member State of provenance and the intra-community acquisitions mentioned in the VAT statement and in the recapitulative statement of intra-community acquisitions in Romania (form 390), the due date is deemed to be either as of the 15th of the month following the month when the generating event occurred, or at the date of invoice for the full or partial amount for intra-community deliveries or intra-community acquisitions.

The cost to transport goods delivered within the E.U. is included in the tax base of the intra-community deliveries only for transport which is supported by the seller.

Triangular operations: if the transport is incurred by the final beneficiary of the delivery, simplification measures regarding triangular operations cannot apply.

Fiscal inspection bodies will allow the deduction of VAT in cases where the documents under inspection regarding acquisitions do not contain all information in accordance with article 155 paragraph (5) of the Fiscal Code and/or they are inaccurate, if, during the time of the tax inspection, these documents are adjusted in accordance with article 159 of the Fiscal Code.

### SIMPLIFICATION MEASURES

Delivered goods and rendered services to which the simplification measures apply are as follows:

- Waste and secondary raw materials as a result of being recycled as defined by OUG 16/2001 on the management of recyclable industrial waste, republished with its further amendments;
- Goods and/or services delivered or rendered to persons under a declared insolvency procedure except for goods from retail;
- Lumber in accordance with provisions presented in Norms.

Simplification measures – transitory provisions

- In cases of “delivery” of buildings, partial buildings or plots of land of any kind for which advances were collected and/or invoiced for their full or partial amount issued under the reverse tax regime up to and including 31 December 2007, but for which legal deeds for the transfer of ownership title from seller to purchaser are drafted on or after 1<sup>st</sup> January 2008, the normal VAT regime applies to the sole difference between the amount of the “delivery” and the amount of the advances collected/amounts mentioned on invoices issued prior to or on 31 December 2007. In case the legal deeds for the transfer of ownership from seller to purchaser have been completed between 1<sup>st</sup> January 2005 and 31 December 2007 inclusive, reverse tax applies even if the invoice is issued after 1<sup>st</sup> January 2008 or the price is paid by instalments and after this date.
- In cases of instalment sales of buildings/partial buildings, or plots of land legally concluded up to and including 31 December 2006, where the transitory regime in accordance with article 161 paragraph (15) of the Fiscal Code applies, VAT is due as at each of the dates specified in the instalment sale contract. VAT related to future scheduled instalments as at 1<sup>st</sup> January 2008 is recorded in account 4428 with the balancing amount a receivable on the seller’s general ledger and a payable on the purchaser’s general ledger. Subsequently, as at each due date of an instalment in accordance with the contract, the seller will collect the amount of VAT included in the amount falling due and the purchaser will deduct it.

- In cases of construction and assembly work for which advances were collected and/or invoices for their full or partial amount were issued under the reverse tax regime up to and including 31 December 2007, but the generating event for VAT occurs in 2008, meaning at the date when work statements are issued and are accepted by the beneficiary, the normal VAT regime applies to the sole difference between the amount of work for which the VAT generating event occurs in 2008 and the total advances collected/amounts mentioned on invoices issued prior to 31 December 2007. If construction and assembly work was performed between 1<sup>st</sup> January 2007 and 31 December inclusive, but no work statements were prepared or were not accepted by the beneficiary and no full or partial invoice has been issued during this period, the normal VAT regime applies at the date of issue of the invoices afferent to this work after 1<sup>st</sup> January 2008.

### ORDER 2374 dated 12 December 2007 to amend and complement OMFP 1752/2005 approving Accounting Regulations in conformity with European Directives (Official Gazette 25/2008)

This Order applies to 2007 financial statements.

The main amendments are the following:

#### Chart of accounts

A new chart of accounts is defined and explanations are provided regarding the use of each account. The function of the accounts is not limited and cannot represent the sole basis for recording economic and financial information in accounting records.

#### Fixed assets

- If an enterprise recognises the cost of a partial replacement (replacement of a component) as the value of a fixed asset, the accounting value of the replaced component together with its related depreciation must be derecognised if information is available.
- Accounting treatment of leaseback transactions is described (disposal of a non-current asset followed by renting the same asset under a financial or operating lease).
- Expenses for tangible fixed assets used under a rental contract, management contract or similar contract are recorded in accounting records of the entity which support them as fixed assets or expensed in the period they occur depending on the related economic benefits, consistent with expenses which relate to the entity’s own tangible fixed assets. Investments made on rented tangible fixed assets are depreciated over the duration of the rental contract. At rental contract expiry, the amount of the investments made and their related depreciation are transferred to the fixed asset owner. Depending on the provisions of the rental contract, the transfer may represent an asset sale or another modality of transfer.
- The enterprise may revalue its tangible fixed assets existing at year-end in order to present them at their fair value. It will subsequently include the results of the revaluation in the same year’s financial statements. Depreciation expense based on the revalued amount of tangible fixed assets are recorded in accounting records starting 1<sup>st</sup> January of the year following the year the revaluation took place. Evaluations for of business reorganisations (mergers, spin-offs) are not deemed revaluations in the sense of present accounting regulations, their purpose being for share valuation.

## Inventories

- ☑ Clarifications are given for accounting for construction contracts.
- ☑ Inventories also include assets with a long fabrication cycle which are intended to be sold (for instance, residences or condominium lodgings, etc.).
- ☑ In case of acquisition of goods accompanied by a delivery note followed by an invoice at a later date, the exchange rate for bookkeeping is the exchange rate in force when the goods were delivered.

## Treasury advances disclosed as Sundry Debtors

**Treasury advances (previously recorded in account 542) which do not have a nil balance as at year-end must be disclosed in the Balance Sheet as Sundry Debtors (account 461).**

## Provisions

- ☑ The terms of legal obligations and implicit obligations used for the purpose of recognition of provisions for risks and expenses are defined.
- ☑ The amount of the provisions for pensions is computed by experts in this field.
- ☑ Provisions for restructuring are described.

## Equity

Gains or losses from issue, buy back, sale, transfer free of charge or cancellation of an enterprise's own financial instruments (shares) are not recognised in the Income Statement. Proceeds or payments further to such operations are recognised directly in Equity and presented as such in the Balance Sheet and in the Statement of Changes in Equity.

## Correction of errors

Correction of errors afferent to previous financial years do not trigger changes in the financial statements of these years. In case of errors in previous financial years, their adjustment does not imply correcting the comparative financial information presented in the financial statements. Comparative information regarding financial position and financial performance as well as the changes occurred further to correction of errors is presented in the Disclosure Notes.

## Obligation to prepare financial statements

- ☑ The permanent establishments of legal entities in Romania with registered headquarters abroad must submit financial statements.
- ☑ Fiscal representatives must maintain their accounting records depending on the quality of individual or legal entity. If the legal representative is a legal entity, it must prepare annual financial statements as well as an Accounting report as at 30 June in accordance with the Law on Accountancy 82/1991, republished with its further amendments and complements.

## Consolidated financial statements

A parent company is not obliged to prepare annual consolidated financial statements if, as at the Balance Sheet date, the commercial companies which were to be consolidated, when taken together, do not exceed 2 out of the following 3 criteria, based on their most recent stand-alone financial statements:

- ☑ total assets of Euro 17,520,000;
- ☑ net turnover of Euro 35,040,000;
- ☑ average headcount during the year of 250.

Enterprises which must prepare annual consolidated financial statements should do so in accordance either with the Accounting Regulations in conformity with CEE VII Directive or with International Financial Reporting Standards (IFRS).

## Closing the 2007 financial year

- ☑ The amount which represents an increase in the "legal reserve" from current year profit in accordance with legal provisions is recorded in accounting records with the following general ledger entry: Debit 129 / Credit 106.
- ☑ The accounting profit remaining after such profit allocation is carried forward in the opening balance of the subsequent year in account 117 "Profit carried forward", and it will be subject to profit appropriation.
- ☑ Profit appropriation is recorded in accounting records after the General Shareholders' Meeting (G.S.M.) which approves the profit appropriation by recording dividends distributed to shareholders, amounts allocated to reserves and accounts in accordance with the law.
- ☑ An entity cannot adjust general ledger entries recording profit appropriation previously recorded.
- ☑ Accounts 121 and 129 are closed at the beginning of the year following the year for which annual financial statements are prepared. Consequently, these 2 accounts are disclosed with their closing balance in the Balance Sheet prepared for the financial year to which the annual financial statements refer.
- ☑ Loss carry forwards are recovered from profit of the financial year, from profit carried forward, from reserves, share capital premiums and share capital upon G.S.M. resolution, in accordance with legal provisions. In the absence of express legal provisions, the order in which accounting loss can be recovered is the decision of G.S.M. or the Board of Directors.

## Signing 2007 annual financial statements

Annual financial statements are signed by the persons who are entitled, their full name being clearly disclosed.

Regarding the quality of the persons who prepared them, they can be:

- ☑ Economic Director, chief accountant or any other person entitled to fulfil this position in accordance with the law;
- ☑ An individual or legal entity, licensed, member of the Romanian Body of Authorised and Chartered Accountants (CECCAR), their registration number with the professional body being disclosed.

## Submitting 2007 annual financial statements

- ☑ Annual financial statements are prepared and submitted in the national currency.
- ☑ According to article 185 of Law 31/1990 on commercial companies, legal representatives must submit the annual financial statements at the Trade Register in paper and electronic format within 15 days of the G.S.M. at the latest.
- ☑ Infringements of the obligation to submit annual financial statements in due time is sanctioned by:
  - fines from RON 2,000 to RON 30,000 levied by the Financial Guard;
  - commercial company dissolution upon request of the National Office of Trade Register or any interested person, 6 months after expiry of due date.

## NORMS FOR THE PREPARATION OF FINANCIAL STATEMENTS AS AT 31.12.2007 – disclosed in the guidance provided by the Ministry of Finance

**Comprehensive** annual financial statements are prepared by the following persons:

- Legal entities who, as at the Balance Sheet date, exceed 2 of the following 3 criteria:
  - total assets of Euro 3,650,000;
  - net turnover of Euro 7,300,000;
  - average headcount of 50.
- Commercial companies which are listed on a regulated market irrespective of their size.

Comprehensive annual financial statements include:

- Balance Sheet;
- Income Statement;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Disclosure Notes.

They will be accompanied by the "Informative data" form (code 30) and the "Statement of fixed assets" form (code 40).

Legal entities which, as at the Balance Sheet date, do not meet 2 of the 3 criteria will prepare **simplified** annual financial statements:

- Short Balance Sheet;
- Income Statement;
- Disclosure Notes.

Statement of Changes in Equity and Cash Flow Statements are optional. The simplified annual financial statements will be accompanied by the "Informative data" form (code 30) and the "Statement of fixed assets" form (code 40).

Legal entities which prepared comprehensive annual financial statements in 2006 will prepare simplified annual financial statements only in the cases where they do not meet 2 out of the 3 criteria for 2 consecutive years.

Legal entities which prepared simplified annual financial statements in 2006 will be prepared comprehensive annual financial statements only in the case they meet 2 out of the 3 criteria for 2 consecutive years.

Consecutive year is defined as the financial year prior to the one for which annual financial statements are prepared and the current financial year, i.e. the one for which annual financial statements are prepared.

Legal entities will disclose the code for the activity they carry in accordance with "CAEN" codes in force through 31 December 2007.

Legal entities will disclose full staff costs including luncheon vouchers granted to employees on the "Income Statement" form row 16, "Salaries and indemnities."

The deadlines for submission of annual financial statements to territorial units of the Ministry of Economy and Finance are:

- 150 days after year-end at the latest for commercial companies, national companies, "regii autonome," and national institutes for research and development;
- 60 days after year-end at the latest for the entities which,

since set-up date, did not carry out any activity and must submit a statement regarding this position. A similar statement is also to be submitted by the legal entities under liquidation in accordance with law.

### LAW 372 dated 28 December 2007 to approve Government Emergency Ordinance 110/2006 amending and completing Law 571/2003 – Fiscal Code (Official Gazette 899/2007)

Except for transactions regarding the transfer of personal real estate property concluded between parents or relatives up to the 3rd degree included, or between spouses, in which case tax is based upon the value declared by the parties on the deed. In other cases, if the value declared by the parties is lower than the estimated values set by an appraisal performed by the Chamber of Notaries, **income tax is based on the values set by appraisal.**

### ORDER 94 dated 17 January 2008 to approve the model and content of form 300, "VAT return" (Official Gazette 68/29.01.2008)

This form is to be used starting with the January 2008 VAT return.

### LAW 388 dated 31 December 2007 - Law regarding 2008 Budget of State (Official Gazette 902/2007)

The provisions of this Law apply to the following contribution rates starting 1<sup>st</sup> January 2008:

- 5.5% for the employer's contribution to health insurance which will decrease to 5.2% starting 1<sup>st</sup> December 2008;
- 6.5% for the employee's contribution to health insurance which will decrease to 5.5% starting 1<sup>st</sup> July 2008.

### ORDER 1 dated 3 January 2008 to approve the model and the content of forms for informative statements (Official Gazette 46/2008)

The following informative statements are approved:

- Form 392A "Informative statement regarding the delivery of goods and the provision of services realized during the Year ...." which is to be filed by taxable entities registered in the scope of VAT whose effective turnover at the end of the calendar year is less than Euro 10,000, calculated in RON, in accordance with the law.
- Form 392B "Informative statement regarding the delivery of goods, provision of services and acquisitions realized during the Year ....." which is to be filed by taxable entities not registered in the scope of VAT whose effective turnover at the end of the calendar year excluding revenue from the sale of tickets for international road transport of persons is between Euro 10,000 and Euro 35,000, calculated in RON, in accordance with the law.
- Form 393 "Informative statement regarding income obtained from the sale of international road transport of persons with Romania as point of departure during the Year ...." which is to be filed by entities registered in the scope of VAT which has rendered international road transport services to persons during the previous year.

The above mentioned forms **are submitted** to tax authorities by **25 February** at the latest of the following year.

**ORDER 748 dated 6 December 2007 regarding Norms to file statistical INTRASTAT Statements during 2008 (Official Gazette 879/2007)**

The INTRASTAT statistical statement must not be filed in the following cases:

- commerce of services;
- goods in simple transit;
- temporary movements of goods;
- movements of goods for/after repair and/or maintenance;
- exchange of goods in triangular commerce, in the case when the goods do not enter into the national territory of Romania from other EU member States or are not shipped from Romania to another EU member State.

Among the list of the goods excluded from statistics on the commerce of goods between EU member States, the following are mentioned:

- goods for temporary or ulterior use, if the following conditions are all met:
  - any form of processing is planned for or realized on the item;
  - planned duration for temporary use does not exceed 24 months;
  - shipment / reception must not be declared as a delivery or acquisition from a tax perspective.
- floppies, computer bands, films, plans, video and audio cassettes, CD-ROMs with incorporated software when they are developed upon order of a certain client or when they are not the object of commercial transactions or additional to previous deliveries (for instance, updating for which the recipient is not charged);
- advertising materials and commercial samples under the condition that they do not form the object of a commercial transaction;
- goods for and after repair and the related spare parts;
- sales of new means of transport by individuals or legal entities liable for VAT to individuals of other member States.

On-line submission of INTRASTAT statistical statements is mandatory and non-compliance is sanctioned by a fine ranging from RON 7,500 to RON 15,000.

**ORDER 1937 dated 11 December 2007 to approve the Methodology to allocate amounts representing fiscal obligations due to the Environment Fund (Official Gazette 868/2007)**

The amounts paid by bank transfer into the sole account which represent fiscal obligations due to the Environment Fund are allocated by the Administration of the Environment Fund by type of due fiscal obligations in accordance with the amounts disclosed in the documents issued in accordance with law with the title of receivable and for which payments are made. The allocation which is thus made settles the respective fiscal obligations.

Once this allocation performed, the Administration of the Environment Fund will settle the fiscal obligations of the taxpayers in accordance with provisions of OG 92/2003 - Code of fiscal procedure, republished with its further amendments and complements.

The fiscal obligations due to the Environment Fund are transferred by the taxpayer into the sole account "50.17" "Cash of the Environment Fund" opened at the Public Treasury of Bucharest, District 6 in the name of the Administration of the Environment Fund.

**INSTRUCTION 1 of the National Bank of Romania (NBR) issued on 3 January 2008 regarding reference interest rate for January 2008 (Official Gazette 18/2008)**

For January 2008, the NBR set the reference interest rate at 7.50% per annum.

**ORDER 25 dated 15 January 2008 to set the monthly indexed amount which is granting under the form of nursery vouchers for the first half of 2008 (Official Gazette 56/2008)**

For the first half of 2008, starting in February, the monthly indexed amount which is granted in the form of nursery vouchers is RON 330.

**IMPORTANT – Nomenclature for activities in Romania – CAEN**

As at 1<sup>ST</sup> January 2008 the new CAEN classification introduced by Order 337 dated 20 April 2007 is in force.

All documents filed after 1st January 2008 to support commercial entity registration applications must be drafted using the new CAEN classification. Updating the object of activity is made upon the commercial entity's application based on an additional act accompanied by an updated Constitutive Deed.

In a communiqué, the Trade Register recommends that commercial entities update their object of activity according to the new CAEN classification at the same time as other amendments to the Constitutive Deed.

**ORDER 16 dated 18 December 2007 to amend and complement Norms regarding the form and content of reports which insurance and/or insurance/reinsurance brokers must submit, approved by Order of the President of the Commission for monitoring insurance (CSA) 113.139/2006 (Official Gazette 885/2007)**

**ORDER 17 dated 18 December 2007 to amend and complement Norms regarding the form and content of the reports which insurance and/or insurance/reinsurance companies must submit, approved by Order of the President of the Commission for monitoring insurance (CSA) 113.140/2006 (Official Gazette 885/2007)**

**ORDER 20 dated 24 December 2007 to complement the Order of the National Bank of Romania regarding organising and maintaining bookkeeping and the preparation of financial statements by non-banking financial institutions (Official Gazette 896/2007)**

The deadline for submission of 2007 financial statements to the NBR Monitoring Directorate is 150 days after year-end for stand-alone financial statements and 8 months after year-end for the consolidated financial statements.

Starting 1st January 2008, non-banking financial institutions, Romanian legal entities and branches in Romania of non-banking financial institutions, and foreign legal entities, will apply Accounting Regulations in accordance with European Directives applicable to credit institutions, approved by Order of the President of NBR 5/2005, with its further amendments and complements.

**REMINDER – Which exchange rate to use****Main EXCHANGE RATES FOR FOREIGN CURRENCY at the close of the 2007 financial year**

1 EURO = 3.6102 RON; 1 USD = 2.4564 RON, 1 GBP = 4.9095 RON, 1 CHF = 2.1744 RON.

Scope	Exchange rate used
Ceiling for intra-community acquisitions of Euro 10,000, applicable during a calendar year	3.3817 RON/Euro (in force as the date Romania joined E.U.)
Taxable entity established in Romania who realizes a turnover exceeding the ceiling of Euro 35,000 Euro during 2008 must register under the scope of VAT 10 days after the end of the month when the ceiling was reached/exceeded	3.3817 RON/Euro (in force as the date Romania joined E.U.)
Ceiling of Euro 100,000 to set the fiscal period regarding VAT or to benefit from the micro enterprise regime	3.6102 RON/Euro (in force as at 31 December of the previous year)
Ceiling of Euro 35,000 regarding distance sales	3.3817 RON/Euro (in force as the date Romania joined E.U.)
Non-profit organisations, trade unions and employers organisations are also exempted from corporate tax for revenue derived from economic activities obtained during a fiscal year up to the equivalent in RON of Euro 15,000, but no more than 10% of the total income exempt from corporate tax	3.3373 RON/Euro (average exchange rate for 2007)
<i>To determine the limit of deductibility of the following expenses :</i>	
<input checked="" type="checkbox"/> employer's contributions to optional pension funds has a limit of Euro 200 Euro per annum per employee	<input checked="" type="checkbox"/> NBR exchange rate for date expense was recorded
<input checked="" type="checkbox"/> health voluntary insurance premiums up to a limit of Euro 200 per annum per person	<input checked="" type="checkbox"/> NBR exchange rate for date expense was recorded
<input checked="" type="checkbox"/> fees and contributions to non-governmental or professional associations (in the limit of Euro 4,000 Euro per annum)	<input checked="" type="checkbox"/> NBR exchange rate for payment date of fees
<i>Income tax</i>	
Translation of employees' contributions withheld in RON into Euro for optional pension funds to check compliance with the annual ceiling of Euro 200	NBR exchange rate for last day of the month for which payroll is computed.
<i>Revenue derived from independent activities</i>	
To determine the limits of deductibility for contributions to optional pension funds topped at Euro 200 per annum per person as well as voluntary health insurance premiums up to a limit of Euro 200 per annum per person	3.3373 RON/Euro (average exchange rate for 2007)
Excises, special tax on car vehicles, tax on crude oil from domestic production	3.3565 RON/Euro (in force as at 1 <sup>st</sup> October 2007, published by the E.U. Official Gazette and confirmed by Order 2463/2007 (Official Gazette 896/2007)

**ORDER 1 dated 14 January 2008 to amend and complement Order of the Governor of NBR 5/2005 to approve Accounting Regulations in accordance with European Directives applicable to credit institutions (Official Gazette 52/2008)****REMINDER – fiscal period of 6 months or 1 year for taxable entities registered under the scope of VAT**

In accordance with Order 257 dated 15 February 2007 (Official Gazette 137/2007), tax authorities can approve the use of a period other than month or quarter, upon request of the legal entity established in Romania, as follows:

- Six calendar months if the taxpayer performs taxable operations during 3 months at most during the 6 month period;
- One year if the taxpayer performs taxable operations during only 6 calendar months of the calendar year.

The taxpayer must apply by filing the form, which is disclosed in the appendix of this Order, with the local tax authority where the taxpayer has its domicile or is registered on the 25 February of

the year for which the option is exercised at the latest.

The application must include documents proving the performed activity and its seasonal nature:

- Statement under own responsibility regarding the activity effectively performed;
- Trial balance for the previous year;
- Sales ledger kept during the previous year;
- Any document considered relevant to take the decision to approve.

**IMPORTANT**

**In accordance with Ordinance 47 dated 28 August 2007 (Official Gazette 603/2007) which produces its effects starting 1<sup>st</sup> January 2008:**

- taxpayers' annual tax returns will be certified by a tax consultant in accordance with the law, unless it is mandatory that they be audited.

## H.R. KEY FIGURES

Contribution 2008	Employer ( %)	Employee ( %)
Social security contribution (*)	19.50% for normal working conditions (**) 24.50% for particular working conditions (**) 29.50% for special working conditions (**)	9.5%
<p>* NOTE: The basis for the employer and employee contribution to social insurance is no longer subject to a ceiling  ** NOTE: Starting 1<sup>st</sup> December 2008, employer's contribution to social insurance decreases to :  18% for normal working conditions 23% for particular working conditions 28% for special working conditions</p>		
Medical leave contribution and health insurance allowance	0.85%	
Work accident and occupational disease fund	0.4% - 2% depending on CAEN code for main activity	
Unemployment fund	1%	0.5% (**)
<p>** NOTE: Employee's unemployment contribution is calculated by applying 0.5% to total gross income</p>		
Contribution to fund to guarantee payment of salary liabilities	0.25%	
Health insurance fund	5.5% (*)	6.5% (**)
<p>* NOTE: Starting 1<sup>st</sup> December 2008, employer's contribution to health insurance will be 5.2%.  ** NOTE: Starting 1<sup>er</sup> July 2008, employee's contribution to health insurance will be 5.5%.</p>		
Labour office commission	0.25% or 0.75%	
Salary tax		16%
Contributions for non-employment of disabled persons (for employers with more than 50 employees)	4 x 50% minimum gross salary (RON 500) for every 100 employees	
Luncheon ticket	7.56 RON	
Minimum monthly gross salary	RON 500 RON 1,000 for positions requiring a University degree	
Average monthly gross salary (INSSE November 2007)	1,522 RON	
Per diem (in Romania)		
Employees in the public sector	13.00 RON	
Employees in the private sector (*2.5)	32.50 RON	

payroll and payroll-related contributions as well as withholding tax will be settled as follows:

- O **quarterly**, by the 25<sup>th</sup> of the month following the quarter by legal entities liable for income tax on revenue of micro enterprises, associations constituted between individuals which are not legal entities as well as persons who perform their activities independently;
- O **twice a year**, by the 25<sup>th</sup> of the month following the end of a 6-month period by associations, foundations and other non-profit organisations, with the exception of public institutes.

taxpayers will pay taxes, contributions and other liabilities toward the State consolidated budget to a single account by drafting a payment order to the State Treasury for liabilities to the State budget and another payment order to the State Treasury for other liabilities.

**In accordance with Government Emergency Ordinance 106 dated 4 October 2007 (Official Gazette 703/2007):**

**The obligation of legal entities to submit their annual corporate tax return at the same time as their statement of payments and commitments to non-resident persons is abrogated.**

**REMINDER – Do not forget to request tax residence certificates issued in 2008 from your foreign business partners**

## FEBRUARY 2008 - AGENDA

## Everyday - do not forget:

- to complete the petty cash register (or print the electronic version)
- to complete the purchase ledger and sales ledger

## At month end - do not forget:

- to complete the journal ledger
- to organize a stock count of inventories if the enterprise does not use a perpetual inventory system
- to issue final invoices for the month of January 2008 (but be aware that the deadline of the 15<sup>th</sup> of the following month applies).

## To comply with new requirements regarding VAT:

- Mention the registration code under the scope of VAT on documents for EU business partners
- Check the validity of the registration code under the scope of VAT mentioned on invoices received
- Check the amount of VAT disclosed on invoices received
- Check references related to VAT (e.g.: "reverse charge," "operation not subject to VAT," etc...)
- On invoices, write VAT amount received in case of reverse charge
- Maintain the ledger of goods received
- Maintain the ledger of non-transfer of goods

- Mention which exchange rate will prevail (NBR or commercial bank) in contracts with foreign partners.

**During the month - do not forget:**

**That Monday 11 February is the last day to submit:**

- Return on collection of hotel tax

**That Monday 11 February is the last day to pay:**

- Hotel tax
- Advertising services tax

**That Friday 15 February is the last day to submit:**

- Annual corporate tax return (form 101, code 14.13.01.04) for taxpayers which, at this date, have completed closing the books for the previous financial year, non-profit organisations as well as for taxpayers who derive most of their income from the culture of cereals, technical plants, tree culture and viticulture;
- INTRASTAT statement for January 2008.

**That Friday 15 February is the last due to pay;**

- Final corporate tax for 2007 for taxpayers which, at this date, have completed closing the books for the previous financial year, non-profit organisations as well as for taxpayers which derive most of their income from the culture of cereals, technical plants, tree culture and viticulture.

**That Monday 25 February is the last day to submit:**

- State consolidated budget liability return (form 100)
- VAT return (form 300)
- Social security statement with list of insured persons
- Social security statement regarding liabilities to the National Fund for health insurance and for medical leave and compensation from health insurance
- List of insured employees and health contribution to social health insurance fund
- Unemployment fund statement with list of insured persons
- Tax return for commission due by employers to the Labour Inspectorate (ITM)
- Special VAT return for VAT non payers (form 301)
- Statement of income obtained from abroad by individuals who carry out activity in Romania and by Romanian citizens who are employees of diplomatic missions and consular posts accredited in Romania (form 224)
- Environment Fund Statement
- Application for use of a period other than month or quarter by taxable entities registered under the scope of VAT
- Informative statement regarding delivery of goods and provision of services realized in 2007 (form 392A)
- Informative statement regarding delivery of goods, provision of services and acquisitions realized in 2007 (form 392B)
- Informative statement regarding income obtained from the sale of tickets for international road transport of persons with Romania as point of departure in 2007 (form 393).

**That Monday 25 February is the last day to pay:**

- Excise taxes
- Tax on crude oil and natural gas from domestic production
- Withholding tax on non-resident income
- VAT

- Salary tax
- Tax on income from independent activities, withheld at source
- Tax on interest income
- Tax on investment income
- Tax on pension income
- Tax on income from prizes and gambling
- Tax on income from other sources
- Social security contribution
- Health insurance contribution
- Medical leave contribution and health insurance allowance
- Unemployment contribution
- Contribution to fund to guarantee payment of salary liabilities
- Commission to ITM for holding and updating Labour books
- Contribution to work accident and occupational disease fund
- Contributions for non employment of disabled persons
- Contributions to the Environment fund
- Gambling tax.

**That Friday 29 February is the last day to submit:**

- Annual return on income tax withheld on the income from independent activities
- Annual return for taxation of the Representative Offices
- Fiscal forms (Forms F1 & F2) afferent to 2007**

**That Friday 29 February is last day:**

- of validity of the 2007 tax residence certificate based on which payments can be made in 2008 to non-residents as per the provisions of the Treaty to avoid double taxation signed between Romanian and the respective State.

The tax residence certificates issued in 2007 are valid for the 60 first days of 2008.

All forms mentioned above as well as guidance on their preparation may be downloaded from the Ministry of Public Finance website: [www.mfinante.ro](http://www.mfinante.ro)





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ACCOUNTING AND PAYROLL  
EXPERT TEAM

APEX team includes qualified professionals able to provide a full range of accounting and payroll services. Our consultants are ready to share their knowledge and experience gained whilst working in Romania as consultants for one of the Big 4 international companies, having many international companies acting in a wide range of industries as clients.

The team includes chartered accountants (Romanian Chartered Accountants Body and also ACCA) specialised in accounting for business entities, as well as a team specialised in payroll administration on behalf of the client.

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- Bookkeeping**
- Recurring accounting assistance**
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- Assistance in implementation of ERP**
- Training**



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