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## REMINDER – CONSOLIDATED FINANCIAL STATEMENTS

As per the provisions of Decision 1579/2007 (Official Gazette 894/2007) to amend and complement Implementation Norms of Law 571 – Fiscal Code approved by Government Decision 44/2004, a parent company is exempted from preparing consolidated financial statements if, as at the consolidated financial statement date, the companies which are to be consolidated do not, in total, exceed 2 of the 3 following criteria on the basis of their most recent stand-alone financial statements:

- total assets – Euro 17,520,000;
- net turnover – Euro 35,040,000;
- average headcount during financial year - 250.

Companies which must prepare annual consolidated financial statements may prepare them in accordance with either the Accounting Regulations in conformity with Directive VII of the European Economic Community or with International Financial Reporting Standards (IFRS).

Regarding accounting regulations applicable to consolidated financial statements, we mention provisions of Law 259 dated 19 July 2007 (Official Gazette 506/2007) to amend and complement Accountancy Law 82/1991:

- Parent company must prepare annual consolidated financial statements;
- Legal entities which are part of a group and are consolidated with the parent company must have their stand-alone financial statements audited;
- Annual consolidated financial statements must be accompanied by a written representation of the parent company Director in which he/she confirms responsibility for the prepared consolidated financial statements and that:
  - The accounting policies used in preparing the annual consolidated financial statements are in accordance with applicable accounting regulations;
  - The annual consolidated financial statements present a fair view of the financial position, financial performance as well as other information regarding group activity.
- Members of the administration, management and supervision bodies have the obligation of ensuring that the annual consolidated financial statements are prepared and published in accordance with Order 917 dated 28 June 2005. Publication means submission of documents set by law at the Trade Register and disclosure of indicators which have a public feature in accordance with modalities set by this institution, i.e. publication of these indicators on the website of the Trade Register or remittance of certified copies of the full set of annual consolidated financial statements together with the Director report and the audit report, upon request.
- Annual consolidated financial statements are prepared within 8 months after the end of parent company financial year (i.e. by 31 August 2008 for the financial year ended as at 31 December 2007).**

## ORDER 1133 dated 4 August 2008 to approve Procedures to access information to settle fiscal liabilities on-line (Official Gazette 589/2008)

This Order approves the procedure to access information made available to the taxpayer on the ANAF website regarding settlement of fiscal liabilities.

Information notices are issued and made available to the taxpayer only under circumstances when amounts paid by the taxpayer are less than or greater than the fiscal liabilities the taxpayer owes.

To ensure taxpayer access to the information included in issued information notices, the tax authorities will post an announcement that information notices have been issued with respect to the taxpayers which are disclosed in appendix to the announcement, on the ANAF website by the 15th of each month.

Taxpayers will be in a position to consult the information notices which were issued and posted on the ANAF website once identification procedures are completed. Taxpayer identification in compliance with confidentiality regarding fiscal information is made possible by requesting the

user information afferent to the last payment order:

- tax registration code;
- number of the payment document;
- date of payment;
- amount paid .

When the Taxpayer has been informed of the information comprised in the information notice issued by the tax authority, information can be used to reconcile data from tax authority with accounting records and eventually to further challenge it in accordance with the legal provisions by downloading on paper format the content of the page of ANAF website.

#### **METHODOLOGICAL NORMS 8/2008 to grant loans with favourable conditions or non refundable amounts to small and medium size enterprises from the unemployment insurance budget (Official Gazette 569/2008)**

Beneficiaries of loans granted with favourable conditions are:

- commercial companies which meet the criteria set by law regarding headcount and turnover to qualify as small and medium size enterprise (SMEs), including micro enterprises;
- cooperatives of craftsmen or in the consumable products business;
- family associations which are set up and operate as per provisions of Law 300/2004;
- natural persons who carry out independent economic activities as per provisions of Law 300/2004 with its subsequent amendments and complements;
- persons under 30, who are students for the first time and attend day courses at a public or private university, duly licensed or accredited.

Conditions to be met by SMEs and cooperatives to benefit from loans with favourable conditions or non refundable funds are as follows:

- headcount and/or number of cooperative members must not exceed 249 persons when the loan is granted;
- SME or cooperative must commit in the loan contract to hire with a labour contract persons registered as unemployed in the labour agencies for 60% of the newly created positions and for all the positions in case of non refundable funds;
- positions for which the employees are recruited further to the obligations assumed in the loan contract cannot be positions which became vacant further to termination of labour contracts that occurred in the 12 months prior to the loan application;
- employment of persons hired to occupy new positions must be maintained for at least 3 years for loans granted from the unemployment insurance budget and 4 years for non refundable funds. In case of termination of the labour con-

tract of one of these persons, an unemployed person must be recruited within 30 days to occupy the position which became vacant;

- newly created positions must be maintained for at least 5 years starting with the date the loan or the non refundable financial support is granted;
- the core activity must be in the field of production, services or tourism:
  - if the economic operator also obtains revenue from trade, this revenue must not exceed 49% of total revenues;
  - proof is obtained from the annual "Financial results" report, turnover being detailed by segment of activity;
  - the report must bear the stamp of the tax authority;
  - upon determination of the weight of trading activities, revenue from company manufactured products through that company's own shops will not be taken into account.
- for the entire duration of the loan contract or the contract by which non refundable funds are granted, the employer cannot reduce the number of positions existing in the enterprise, as per the organisation chart, at the date the loan with favourable conditions or non refundable financial support is granted. In case one of these positions becomes vacant, the employer must hire another person for this position within 30 days;
- in case the labour contract is suspended for unpaid absence, the suspension period is not taken into account when computing the 3 year employment period set by law for the newly created positions.

Family associations can benefit from loans with favourable conditions or non refundable funds proportionate to their members as well as natural persons who carry out independently economic activities in order to finance their own occupation in compliance with provisions of article 88 point (3) of Law 76/2002 with its subsequent amendments and complements.

Family associations and natural persons who carry out independent economic activities can benefit from loans with favourable conditions or non refunded funds in order to set up or develop their own activities only if their line of business is in the field of production, services or tourism, the above mentioned provisions in point f) being applicable.

Family associations and natural persons who carry out independent economic activities can benefit from loans with favourable conditions if at least one member of the family association or the natural person, if applicable, was insured in the unemployment insurance regime and has contributed for at least 12 months during the 24 months prior to loan application date.

Regarding non refundable funds, at least one member of the family association or the natural person if applicable, has contributed to unemployment insurance for a total period of at least 24 months.

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Economic operators whose trading revenue exceed 49% of total revenue can benefit from loans with favourable conditions or non refundable funds granted in the conditions set per law if by project completion: the revenue structure is amended in such a way that trading activities will not represent more than 49% of total revenue.

**ORDER 509 dated 23 July 2008 to amend and complement methodological Norms to establish supporting documents to acquire the quality of an insured person without contribution payment as well as to apply foreclosure measures to collect amounts due to the unique national Fund for health insurance, approved by Order of the National Health Insurance House President 617/2007**

Payroll represents the total of the amounts recorded and used by natural persons and legal entities for the payment of salaries and/or rights assimilated to salaries as defined by Law 571/2003 – Fiscal Code with its further amendments and complements.

Payroll also includes salaries which are not taxable in accordance with the Fiscal Code.

Persons who receive salaries who are not taxable as per the Fiscal Code must pay the health contribution based on the salary income they have obtained. These persons' contributions are withheld by the employer and transferred to the State Budget.

In case a person does not obtain salary income, income assimilated to salaries, income from independent activities, agricultural revenue, unemployment compensation or a pension, the health insurance contribution on the following income is due:

- rental income
- dividends
- interest received
- intellectual property rights
- other revenue subject to income tax.

In case several categories of income among those mentioned above are obtained at the same time, the health contribution is computed on all of the income. The base for computation of the health contribution thus calculated cannot be less than 12 minimum monthly gross salaries. Payment of the health contribution for the categories of income mentioned above is the responsibility of the insured person and must be made once a year prior to 25 January of the following year.

For pensions, the health contribution for the portion of the pension which exceeds the amount which is not subject to income tax is due. Starting 1<sup>st</sup> January 2009, health contribution for the entire pension will be due.

**ORDER 5813 dated 22 July 2008 to complement Norms for simplified customs procedures, approved by Order of ANAF Vice President 5465/2007 (Official Gazette 572/2008)**

**LAW 158 dated 18 July 2008 on misleading and comparative advertising (Official Gazette 559/2008)**

This Law transposes the European Parliament and Council Directive 2006/114/CE concerning misleading and comparative advertising.

**INSTRUCTION 23 dated 1<sup>st</sup> August 2008 regarding the reference interest rate of the National Bank of Romania (NBR) for the month of August 2008 (Official Gazette 589/2008)**

For the month of August 2008, the NBR reference interest rate is 10% per annum.

**ORDER 529 dated 1<sup>st</sup> August 2008 to appoint the institution within the public health insurance system in charge of tracking evidence of persons who fall under the incidence of Government Emergency Ordinance 76/2007 regarding the special procedure for tax registration and payment of social contributions (Official Gazette 597/2008)**

Starting the date this Order enters in force, the Bucharest Health Insurance House is appointed the institution in charge within the Romanian public health insurance system to collect the special declarations comprising the nominative list of the insured persons.

As per the provisions of this Order, the Bucharest Health Insurance House has the following duties:

- Ensures collection and processing of the data comprised in the declaration set in article 1 of GEO 76/2007;
- Ensures tracking evidence of persons who fall under the incidence of GEO 76/2007 approved by Law 348/2007;
- Puts at the disposition of the Health Insurance Houses the data comprised in the requested declarations in order to determine the rights the insured persons can benefit from.

**ORDER 8 dated 18 August 2008 to approve modalities of interim financial report for credit institutions, non banking financial institutions and for the Fund to guarantee deposits in the banking system (Official Gazette 620/2008)**

**NORM 9 dated 19 August to amend Norm NBR 16/2006 regarding equity of non banking financial institutions (Official Gazette 617/2008)**

The form for non banking financial institutions (« IFN ») to report equity to NBR has been amended.

As per NBR Norm 16/2006, each month the IFN must assess the equity amount as disclosed in its trial balance and report the level of equity quarterly in paper and electronic form to the NBR – Monitoring Inspectorate by the 25<sup>th</sup> of the month which follows the end of the quarter.

The IFN must permanently maintain a level of equity of at least the minimum amount of share capital which is applicable as per NBR regulations.

**ORDER NBR 7/2008 to amend Order of NBR Governor 5/2005 to approve accounting regulations in conformity with European Directives applicable to credit institutions (Official Gazette 620/2008)**

The provisions of the Order are applicable starting with the 2009 financial year.

**ORDER 12 dated 10 July 2008 to implement Norms for drafting and issuing vehicle repair document (Official Gazette 556/2008)**

The procedure is set for drafting and issuing the document to enable a vehicle to be repaired.

This document does not represent the final technical note on damage findings or a commitment by the insurance policy issuer to pay. This document is also issued in case complete damage is stated and the vehicle will not be repaired.

Insurers/companies in the insurance field, or companies specialized or appointed to provide official statement services and settle liabilities will appoint staff whose duties will be to prepare a "statement document", to process the damages case and to issue documents for further repair in situations where the insured have a valid « Casco » insurance policy issued by the

**H.R. KEY FIGURES**

2008 Contribution	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>* <b>NOTE: The basis for the employer and employee contribution to social insurance is no longer subject to a ceiling.</b>  ** <b>NOTE: Starting 1<sup>st</sup> December 2008, employer contributions to social insurance decrease to:</b>  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>* <b>NOTE: Employee unemployment contributions are calculated by applying 0.5% to total gross income</b>  ** <b>NOTE: Starting 1<sup>st</sup> December 2008, employer contributions to unemployment will be 0.5%</b></p>		
Contribution to fund to guarantee payment of salary liabilities	0.25%	
Health insurance fund	5.5% (*)	5.5% (**)
<p>* <b>NOTE: Starting 1<sup>st</sup> December 2008, employer contributions to health insurance will be 5.2%.</b>  ** <b>NOTE : Starting 1<sup>st</sup> July 2008, employee contributions have been reduced from 6.5 % to 5.5%</b></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	<b>8,31 RON starting 1<sup>st</sup> September 2008</b>	
Minimum monthly gross salary	RON 500 <b>RON 540 starting 1<sup>st</sup> October 2008</b> RON 1,000 for positions requiring a University degree <b>RON 1,080 starting 1<sup>st</sup> October 2008</b>	
Average monthly gross salary (INSSE June 2008)	1,738 RON	
Per diem (in Romania)		
Employees in the public sector	13.00 RON	
Employees in the private sector (*2.5)	32.50 RON	

insurance company involved. In case the analysis of the presented documentation does not permit reaching a clear conclusion of the accident/event circumstances or in case of discrepancies in statements of the persons involved, the person in charge of the case will go to the place where damage occurred with the insured person to make a full investigation, including searching for any means of proof.

The statement document will contain disclosure of the circumstances in which the material damage occurred to the insured vehicle.

This Order enters in force on 1<sup>st</sup> January 2009.

**LAW 139 dated 4 July 2008 to ratify the Convention between Romania and Iceland to avoid double taxation and to prevent fiscal evasion with respect to income tax which was signed in Bucharest on 19 September 2007 (Official Gazette 589/2008)**

The convention signed on 19 September 2007 between Romania and Iceland to avoid double taxation and to prevent income tax evasion is ratified.

The main tax rates set by this convention are:

- dividends - 10% (standard rate), 5% if at least a 25% interest is held by a legal entity
- interest - 3%

royalties - 5%

enterprise benefits – exempted

We remind that provisions of any convention to avoid double taxation apply only if a tax residence certificate issued by the tax authority with jurisdiction over the income beneficiary is presented.

**REMINDER – Paid vacation**

Every company must plan for next year's paid vacation by 31 December. Paid vacation planning is requested at the time of an inspection of the Territorial Labour Inspectorate (ITM).

Paid vacation is taken during the calendar year when the rights for paid vacation have been acquired. By exception, taking vacation during the following calendar year is allowed only in circumstances set by law or by the applicable collective labour contract. For employees who did not take all the days off they were entitled to during the year, the employer must grant the remaining number of days off before the end of the following year. It is forbidden to compensate days off which were not taken, except when the employee leaves the enterprise. In such a case, compensation for vacation is paid to the employee. Conversely, at labour contract termination, when days off taken exceeds the number of days the employee was entitled to, the value of the excess vacation days used are deducted from the last salary.

## REMINDER – Obligation to report foreigners in secondment to the tax authority

The form 222 "Informative statement at inception of activity of natural persons who carry out their activity in Romania and receive a salary abroad" has been introduced by Order 2371 dated 12 December 2007 (Office Gazette 878/2007). This form is to be submitted by the company within 15 days of the inception of the secondment period. Noncompliance with this obligation is sanctioned by a fine of RON 500. Up to now, the form was to be submitted to the tax authority where the activity is carried out. However, in practice, tax authorities request that it be submitted to the tax authorities where the secondee has his/her residence in Romania. Under these circumstances, it will be easier for the relevant tax authority to check whether the secondee fulfils his/her tax obligations in Romania when he/she has met the criteria to become a Romanian tax resident.

## SEPTEMBER 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 register contracts concluded during the month for services rendered by non-residents, with tax authorities
- To organise a stock count of inventories if the enterprise does not use a perpetual inventory system
- To issue final invoices for the month of September 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 1<sup>st</sup> September is the last day to pay:

- Tax on agricultural revenue – on a normative basis (Instalment I)

#### That Wednesday 10 September is the last day to submit:

- Return on collection of hotel tax

#### That Wednesday 10 September is the last day to pay:

- Hotel tax
- Advertising services tax

#### That Monday 15 September is the last day to submit:

- INTRASTAT statement for August 2008 (submit on-line)

#### That Monday 15 September is the last day to pay:

- Income tax on income from independent activities (Instalment III)
- Income tax on rentals, except rentals of agricultural land

(Instalment III)

- Tax on agricultural revenue – on an effective basis (Instalment III)
- Tax on advertising billboards (instalment III)

#### That Thursday 25 September is the last day to submit:

- State consolidated budget liability return (form 100)
- Social insurance and special funds liability return (form 102)
- Excise tax return (form 103)
- VAT return (form 300)
- Social security statement with list of insured persons
- Social security statement regarding liabilities to the National Fund for health insurance, 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)
- 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)
- Special VAT return for VAT non payers (form 301)
- Environment Fund Statement

#### That Thursday 25 September 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 Tuesday 30 September is the last day to pay:

- Local taxes on land, construction and means of transport (Instalment II and final for 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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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.

We provide a full range of accounting services, payroll services, local tax compliance and tax advice, as well as services tailored to your company needs:

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- Bookkeeping**
- Recurring accounting assistance**
- Accounting and tax advice « on line »**
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