

International Assignment Services\*



Expatriate's

# Tax Guide

to Romania

\*connectedthinking

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers ([www.pwc.com](http://www.pwc.com)), the world's largest professional services organisation, helps its clients build value, manage risk and improve their performance.

PricewaterhouseCoopers provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 146,000 people in 150 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

PricewaterhouseCoopers has been present on the Romanian market since 1991 and has developed a broad range of services which continues to expand with in-depth knowledge of Romania's business environment. The combination of local experience and a one-firm culture enables PricewaterhouseCoopers to provide advice that is consistent with its standards globally and responsive to local conditions and requirements. PricewaterhouseCoopers Romania has four offices – in Bucharest, Timișoara, Cluj-Napoca and in Constanța.

# Introduction

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PricewaterhouseCoopers (PwC) Romania is the leading provider of professional services in the country. The International Assignment Services (IAS) group within PwC, a part of the global IAS network, works together with clients and their stakeholders and partners to find solutions to challenges encountered when transferring people to and from Romania.

This brochure was prepared by PwC to provide foreign individuals planning to work in Romania, and organisations intending to send individuals to Romania, with a broad understanding of the country's tax, labour and immigration laws. It aims to reflect the individual income tax law and practice currently in force in Romania.

This guide is not all-inclusive and cannot be regarded as a substitute for professional advice tailored to the individual circumstances. Although it does aim to offer answers to most questions raised by an expatriate or his/her employer, it is recommended that detailed advice be sought before any specific decisions are made.

For further information or assistance, please contact:



**Mihaela Mitroi**

Tax Partner

Email: [mihaela.mitroi@ro.pwc.com](mailto:mihaela.mitroi@ro.pwc.com)

Telephone number: +40 21 202 8672



**Alex Massaci**

Tax Director

Email: [alex.massaci@ro.pwc.com](mailto:alex.massaci@ro.pwc.com)

Telephone number: +40 21 202 8728



**Charles Ross**

Senior Tax Manager

Email: [charles.ross@ro.pwc.com](mailto:charles.ross@ro.pwc.com)

Telephone number: +40 21 202 8695

Additional copies of this booklet can be obtained from our Department for International Assignment Services.

**Bucharest**

**PricewaterhouseCoopers**

Opera Center

1-5 Costache Negri Street

Bucharest 5

Romania

Tel: +40 21 202 8500

Fax: +40 21 202 8600

# Contents

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<b>Step 1: Understanding Basic Principles</b>	<b>04</b>
» The scope of Romanian taxation	
» The Romanian tax year	
» Method of calculating tax	
» Ascertaining residence	
» Spouses	
» Certain foreign nationals exempted from Romanian individual income tax	
<b>Step 2: Understanding the Romanian Tax System</b>	<b>06</b>
» Taxation of foreign individuals in Romania	
» Taxation of employment income from abroad	
» Taxation of employment income from Romania	
» Business expenses	
» Employee incentive plans	
» Taxation of self-employment income	
» Capital gains	
» Taxation of income from investments	
» Deductible expenses	
» Allowances	
» Directors' fees	
» Real estate taxation	
» Social security taxes	
<b>Step 3: What to do before you arrive in Romania</b>	<b>14</b>
» Applying for a visa	
» Applying for a work authorisation	
» Driving licences	
» Secondment and employment contracts	
» Remuneration packages	
» Timing of arrival	
» Opening bank accounts	
» Personal effects	

Step 4: What to do when you arrive in Romania	19
» Applying for a residence permit or residence certificate	
» Notifications	
» Social security	
» Car registration and insurance	
» Car registration formalities	
» Romanian insurance policies	
Step 5: What to do during the tax year	21
» Tax returns	
» Tax payments	
» Tax exemptions	
Step 6: What to do when you leave Romania	23
» Important points to remember	
» Reporting departure	
Step 7: Other issues to be considered	24
» Scope for tax planning	
» Other taxes	
Appendix A: Provision of Accommodation – Tax Implications	26
Appendix B: Individual income tax rates for 2008	27
Appendix C: Social security rates for 2008	28
Appendix D: Double Tax agreements to which Romania is a party	29
Appendix E: Social Security agreements between Romania and other countries	30
Appendix F: Example Income Tax and Social Security calculation	31
Appendix G: Visa requirements	33
Appendix H: Driving licences	34

# Step 1

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## Understanding basic principles

### The scope of Romanian taxation:

A foreign national present in Romania will, in general, become liable to pay Romanian individual income tax. This applies only to income sourced in Romania, such as:

- salary received from a foreign employer for work carried out in Romania (irrespective of where the income is paid)
- employment-related income paid by a Romanian resident company or individual
- income from a source situated on Romanian territory (e.g. rental income from property situated in Romania, dividends from a Romanian company, interest, etc).

Romania has no special individual income tax regime for expatriates. However, provisions of double tax treaties, if available, could overrule domestic legislation, if more favourable, allocating the taxing right to Romania or to the other state, depending on each particular case.

While Romanian individuals domiciled in Romania are liable in Romania for income tax on their worldwide income, foreign individuals who are Romanian tax residents for three consecutive years (by either having the centre of vital interests in Romania or being present in Romania for more than 183 days during any 12-month period ending in the tax year), become liable for Romanian income tax on their worldwide income as of the fourth year of stay in Romania.

### The Romanian tax year

The Romanian tax year runs from 1 January to 31 December. Where a foreign national is present in Romania for a part of the year, he/she will only be considered subject to Romanian individual income tax for that portion of the year (subject to the application of a double tax treaty). The income received for a certain period of time, if taxable in Romania, is not treated as related to a full tax year but instead related to the relevant month in which the income arose.

## Method of calculating tax

Individual income tax is applied on taxable income at a flat rate of 16%.

Personal deductions apply only to salary income of Romanian nationals resident in Romania. The personal deduction for salary income varies according to the gross remuneration and is granted only for salaries not exceeding RON 3,000 gross per month.

## Ascertaining Residence

For foreign nationals, domestic legislation defines a taxpayer as any individual who physically spends more than 183 days in Romania over any 12 month period ending in the tax year, or who has developed a fixed base on Romanian soil. For the first three years of residence, the taxpayer will only be subject to Romanian individual income tax for income sourced in Romania. From the fourth year of residence, the taxpayer would be required to file an annual income tax return declaring worldwide income.

## Spouses

A husband and wife are required to submit their monthly or annual income tax returns separately.

## Certain foreign nationals exempted from Romanian individual income tax

The revenues of foreign nationals carrying out consulting services in Romania, under free financing agreements concluded by the Romanian government with other governments or international governmental or non-governmental organisations, are exempted from income tax in Romania.

# Step 2

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## Understanding the Romanian tax system

### Taxation of foreign individuals in Romania

Foreign individuals working in Romania can conclude local employment agreements with Romanian companies, or they can work in Romania on the basis of foreign employment agreements concluded with a foreign employer (i.e. as secondees).

### Taxation of employment income from abroad

The current individual income tax legislation does not grant any beneficial treatment to foreign individuals working in Romania, other than to employees under a secondment agreement with a foreign employer, in which case the following can be provided free of tax:

- One secondment allowance (to be paid monthly and not to exceed 50% of monthly gross base salary)
- Accommodation expenses paid or reimbursed by the employer (provided these are supported by invoices or receipts; i.e. not a cash allowance granted via the payroll)
- A one-off reimbursement of relocation expenses (if reimbursed based on invoices, receipts etc).

If the foreign individual has a local employment agreement, he will be liable to pay Romanian income tax on the income earned in Romania.

If an individual receives salary from abroad for work performed in Romania, he will be liable to pay Romanian income tax on the income earned as a result of his activity in Romania (unless the applicable Double Tax Treaty exempts the expatriate from such liability).

If an individual receives salary from abroad for work performed outside Romania, then this type of income is not taxable in Romania.

### Taxation of employment income from Romania

While it is not compulsory for foreign individuals to have a local employment contract, those who do must pay individual income tax and social security contributions. Foreign nationals may benefit from social security payment privileges based on the EC Social Security Regulations or a bi-lateral Social Security Agreements (Appendix E) signed by Romania.

Salary tax and compulsory social security contributions are calculated, withheld and paid by the local employer (see Appendices B and C).



Benefits in kind granted by employers or third parties are taxable at their market value. This value is added to the monthly gross salary income received by the individual and, because it is treated as salary income, is subject to individual income tax and social security contributions.

### **Special provisions for individuals qualifying as IT specialists**

Individuals that qualify as IT specialists according to the Romanian legislation and who receive salary income related to the design and creation of software are exempted from paying income tax in Romania (please note some criteria need to be observed).

However, all the social security contributions (i.e. health fund, pension and unemployment contributions), both employee's and employer's contributions, are due by/for them, as is the case of all other employees. A change appeared as of 1 July 2008, in the sense that employee's health fund contribution was previously computed by applying the rate to the minimum gross salary; it is now computed on the total income obtained by the employee.

**For accommodation benefits** see Appendix A.

**For car benefits** (private use of company car): In case of cars owned by the company - 1.7 per cent of the accounting entry (historical) value of the car represents the taxable benefit (per month). In case of leased car - this value is the monthly lease instalment. This taxable benefit is assessed on the basis of the percentage of private use of the car (pro rata), as recorded in a logbook that should, as best practice, be kept to evidence this (although there is not a mandatory obligation to keep such a logbook).

### **Business Expenses**

Any non-reimbursed items such as business travel or business entertainment expenses are not deductible from employment related income.

## Step 2: Understanding the Romanian tax system

### Employee Incentive Plans

Incentive plans (stock options) are now specifically regulated by current individual income tax legislation. As per the Romanian Fiscal Code, stock options benefits are not taxable at grant or exercise; the moment of taxation arises upon disposal of the shares.

The tax treatment of other forms of stock plans (such as restricted stock units - RSUs) varies, depending on the terms and conditions of the specific incentive plan.

As a large number of multinational companies consider such benefits for their local and expatriate employees, we would recommend you discuss the tax treatment with your tax advisors before any type of event.

### Taxation of self-employment income

Romanian legislation permits nationals and legal residents of European Union (EU) and European Economic Area (EEA) countries to register in Romania as freelancers. If self-employment income is earned for services performed in Romania, this income is taxed in Romania at the flat 16% rate. Freelancers are required to estimate their quarterly income and pay the estimated tax due each quarter (15 March, 15 June, 15 September, 15 December). An annual tax return should then be submitted each year, on or before 15 May, declaring actual income received during the previous year, to reconcile the balancing position taking into account the estimated payments. The Romanian Tax Authorities (RTA) will then review the annual return and issue their assessment. Any additional tax due following issue of the assessment is payable within 60 days of the assessment date, otherwise interest applies for late payment of tax.

## Capital Gains

Foreign individuals are subject to capital gains tax only if they trade shares or securities on Romanian stock markets, or if they are taxable on their worldwide income (see **'the scope of Romanian taxation'** under Step 1).

Capital gain is taxed as follows:

- 1% tax paid in advance for income derived from transfer of securities listed on the stock exchange. The annual tax is established by the authorities as follows:
  - 16% for listed securities owned less than 365 days;
  - 1% for listed securities owned for more than 365 days;

The obligation of calculating, withholding and remitting the advance income tax lies with the intermediaries (or other income tax payers), following each transaction;

Losses incurred by the sale of listed securities are to be offset against gains of the same category derived during the same year. Any annual loss resulting further to such offset cannot be carried forward, as it is a final loss;

- 16% tax for capital gain derived from securities of unlisted companies and shares of limited liability companies; the tax is calculated after each transaction and is deemed final;

The obligation of calculating, withholding and remitting the tax (based on the agreement between the parties) lies with the domestic purchaser.

## Taxation of income from investments

For foreign nationals, income from interest and dividends paid by Romanian resident companies represents Romanian taxable income from investments. The payer of the income withholds taxation at source.

## Deductible expenses

Personal deductions granted to Romanian nationals do not apply to foreign nationals or Romanians without domicile in Romania, irrespective of their type of employment (foreign or local) or income (salary, self-employment, etc.).

## Step 2: Understanding the Romanian tax system

### Allowances

As mentioned above, foreign individuals working in Romania can benefit from a number of allowances, if a foreign employment agreement and secondment structure is in place.

Amounts received to cover expenses such as transport, accommodation and per diem for business trips or secondments to Romania and abroad, including amounts received to cover costs of relocation to Romania may be considered as non-taxable income in Romania. Appropriate documentation (invoices, receipts, etc.) should be made available as proof of actual expenses incurred.

In addition, expatriates on secondment can benefit from one tax-free secondment allowance, provided it is paid monthly and does not exceed 50% of monthly gross base salary.

### Directors' fees

Directors' fees are treated as employment related income and are taxed at the applicable individual income tax rate.

### Real estate taxation

For income from rent, the same individual income tax rate (16%) applies. 25% of the rental income is considered as deductible for income tax calculation purposes (no supporting documents are needed).

Income from the transfer of real estate is taxed as follows:

- for real estate owned for less than three years:
  - for values up to RON 200,000, the income tax is 3%;
  - for values exceeding RON 200,000, the income tax is RON 6,000 + 2% of the amount exceeding RON 200,000.
- for real estate owned for more than three years:
  - for a value up to RON 200,000, the income tax is 2%;
  - for a value exceeding RON 200,000, the income tax is RON 4,000 + 1% of the amount exceeding RON 200,000.

No income tax is due for ownership over estates acquired as per special laws, for the donation deeds between relatives up to third degree, between spouses and in case of inheritance, provided the procedure is finalised within two years (an income tax of 1% is levied if the procedure is not completed within the two years).

Income tax due for transfer of ownership is to be calculated at the value declared by the parties in the transfer documents and is to be withheld by the public notary. If the value declared by the parties is lower than the estimated value established by the expert appraisal conducted by the Chamber of the Notaries Public, the income tax is to be calculated at the reference value. The tax is to be remitted by the 25th of the month following the month in which the income was received.

## Social Security Taxes

Foreign nationals seconded to Romania have the obligation to pay the uncapped health fund contribution of 5.5% (as of 1 July 2008), calculated on the income that is subject to Romanian income tax. The contribution is tax deductible for individual income tax purposes.

EU citizens employed by an EU company and seconded to work in Romania are exempted from paying all social security contributions in Romania (including health fund contribution) if they can make available an E101 certificate from their home country's authorities, proving that they continue to contribute to the home country's mandatory social security scheme. Similarly, individuals who fall within the scope of one of the bi-lateral social security agreements Romania has are exempted from paying all social security contributions in Romania if they can make available a Certificate of Coverage from their home country. Appendix E lists the social security agreements between Romania and other countries.

In case of individuals seconded from the EU to Romania who do not possess an E101 social security coverage certificate, all employer and employee social charges are due on salary they receive from their foreign employer. As there is currently no mechanism available to collect employee and employer social security contributions and the contribution to the unemployment fund from foreign employers, foreign nationals on secondment would be liable to pay only individual income tax and the health fund contribution until further clarifications are provided by the Romanian authorities (expected later in 2008).

## Step 2: Understanding the Romanian tax system

As of 1 August 2007, the cap on employee social security contributions (previously set at the level of 5 times the average monthly gross salary, which in 2007 was RON 1,270 per month) was removed. Therefore, individuals receiving salary income, based on employment contracts with Romanian entities, now have to pay the 9.5% employee pension contribution calculated on their entire remuneration, irrespective of the amount and regardless of the working conditions. This contribution is withheld and paid by the employer.

Moreover, as of 1 January 2008, the cap on employer social security contributions (previously set at the level of 5 times the average monthly gross salary, which in 2007 was RON 1,270 per month) was also removed.

The employee and employer social security contributions and the minimum gross salary for the year 2008 are as follows:

### Employee's contributions:

- employee social security contribution is 9.5%;
- employee contribution to the unemployment fund (which was previously 1%) is now 0.5% as of 1 January 2008;
- employee contribution to the health fund is 5.5% as of 1 July 2008;

### Employer's contributions:

- employer social security currently stands at 19.5% for standard working conditions, 24.5% for particular working conditions and 29.5% for special working conditions (these rates are set to decrease to 18%, 23%, 28% respectively, depending on the working conditions, as of December 2008);
- employer's contribution to the health fund is 5.5% as of 1 January 2008;
- employer's contribution to the unemployment fund (which was previously 2%) is now 1%, as of 1 January 2008;
- employer's contribution to the guarantee fund of outstanding payments stands at 0.25%;
- insurance against work accidents and occupational diseases is currently between 0.4% – 2%, depending on the class of risk;
- employer's contribution to medical leaves is currently at the level of 0.85% (capped at 12 times the minimum gross salary);
- labour office commission currently stands at 0.25% or 0.75%;

The minimum gross salary, previously set at the level of RON 390 for 2007 and 500 RON from January 2008, is currently at the level of RON 540 as of 1 July 2008.

An example of the social security rates payable by both the employee and employer is in Appendix C.

# Step 3

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## What to do before you arrive in Romania

### Applying for a visa

Foreign individuals (depending on nationality/country of residence) may be visa restricted in order to enter Romania. Where this is the case, before arriving in Romania foreign nationals need to apply for and obtain the type of visa that corresponds to the purpose of their intended trip to the country (e.g. tourist, working, business, commercial activities visa, etc.). The visa can be obtained from the Romanian diplomatic missions in their home countries.

Nationals of countries considered by the Romanian authorities as being “high immigration risk countries” (see Appendix G) must obtain a visa prior to their arrival in the country, based on special invitation procedure.

EU nationals, as well as nationals of other countries with which Romania has concluded special visa agreements, do not need visas to enter the country.

### Applying for work authorization

Foreign individuals performing services in Romania may have:

- only a foreign employment agreement;
- both a foreign and a local employment agreement; or
- only a local employment agreement.

As a general rule, foreign individuals working in Romania need to apply for a Romanian work authorization (before obtaining their residence here). There are certain exceptions to this rule, as follows:

- EU individuals working in Romania as local employees are no longer required to obtain work authorizations in this respect; they have been granted free access to the local labour market;
- both EU and non-EU nationals seconded to Romanian by companies located in EU/ EEA member states are not subject to obtaining work authorizations. Instead, there are certain requirements in respect of secondment notification that should be undertaken with the immigration and labour authorities;
- EU individuals seconded to Romania by companies located outside the EU zone can perform their activities here without any immigration restriction.



### **Work authorizations for local employment purposes**

If a local employment contract is to be concluded between a non-EU individual and a Romanian company, a work authorization for permanent workers must be previously obtained for this purpose.

### **Work authorizations for secondment purposes**

Non-EU nationals can be seconded to Romania by companies located in third party countries (i.e. based on a foreign employment contract) for a maximum of 1 year within a 5-year period. Exceptions from this rule might be applied in the case of non-EU nationals seconded from companies located in EU/EEA member states.

In order to obtain the work authorization for secondees who require long term visas, a working visa should be obtained from the Romanian diplomatic mission or from the Romanian consular offices in the country where the expatriate is domiciled.

There are specific requirements in respect of notifying the labour authorities about these foreign secondees.

### **Residency Permits/Registration Certificates**

Following Romania's accession to the EU in January 2007, favourable provisions were implemented as concerns Romanian residence for EU/EEA nationals, whereas the provisions for non-EU nationals remained broadly the same.

EU nationals can legally stay in Romania for up to 3 months from their entry in Romania. In order to extend the legal stay in Romania beyond 90 days, an EU-national is required to obtain a certificate of registration in accordance with the purpose of stay. When the certificate of registration is issued, the individual is also allocated with a personal numerical code that is required to pay monthly taxes.

Non-EU individuals whose stay in Romania exceeds 90 days within a six-month period need to apply for a temporary residency permit, unless a relevant international agreement or special laws stipulate otherwise.

### Step 3: What to do before you arrive in Romania

The residency permit application can be made based on the long term visa which should be prior obtained from the Romanian embassy or consulate abroad. Foreign nationals from the following countries are exempted from obtaining Romanian long term visas:

- US nationals;
- Canadian nationals;
- Japanese nationals.

The documents required to support Romanian long term visa/ residency permit applications depends on the purpose of stay.

### Driving licence

Foreign nationals whose stay in Romania does not exceed 90 days can drive here using either their driving licences obtained abroad or international driving licences. Please note that an international driving licence can only be used together with the foreign national licence.

Foreign nationals whose stay in Romania exceeds 90 days and wish to drive here must obtain a Romanian driving licence, as follows:

- foreign nationals whose driving licence was issued in certain countries (see Appendix H) can change these licences to Romanian driving licences with no additional driving test required.
- nationals with driving licences issued by other foreign countries not on the list in Appendix H will need to pass a driving test in order to obtain a Romanian driving licence, after obtaining Romanian temporary residence.

The process of issuing the Romanian driving licence can take up to 30 days.

The application for changing the foreign driving licence to a Romanian one should be supported by following documents:

- Romanian residency permit / certificate of registration (depending on their citizenship)
- driving licence issued in (one of the countries stated in Appendix H)
- clear police record issued either by the Romanian or their home country authorities.

## Secondment and employment contracts

Foreign individuals may work in Romania on the basis of local employment agreements, foreign employment agreements or a combination of the two.

The remuneration structure should be reviewed with a tax advisor, in order to assess the most cost-efficient scheme applicable to each individual.

Under local employment agreements, the tax compliance obligations rest entirely with the local employer, while under foreign employment agreements, these obligations rest entirely with the foreign individual.

## Remuneration packages

Before coming to work in Romania, foreign individuals should generally ensure that satisfactory arrangements have been made to cover any extra expenses incurred with their secondment to Romania.

Certain allowances included in remuneration packages could qualify as non-taxable under Romanian individual income tax and therefore the opinion of a tax advisor should be sought, prior to taking up the assignment to Romania. Local employment agreements will ensure that a number of local expenses may be deducted for corporate tax purposes.

Foreigners with local employment agreements must pay social security contributions to the Romanian state. However, the real benefit of the Romanian state pension scheme cannot be transferred to the home country at the end of the secondment, unless covered by a social security agreement or if the individual is an EU resident. For this reason, foreign individuals assigned to Romania generally maintain social security and pension coverage in their home country or in the country initiating the secondment to Romania.

## Timing of arrival

To minimise the individual income tax burden, foreign individuals should discuss their arrival date with their tax advisors. Furthermore, all reasonable steps should be taken to avoid the possibility of dual residence or double taxation after their arrival in Romania.

### Step 3: What to do before you arrive in Romania

#### Opening bank accounts

In order to open a bank deposit account in Romania, foreign individuals generally need to provide a copy of their passport to the bank, together with a copy of their registration certificate or residency permit. Additional documents may, however, be required, depending on individual bank policies. Some such documents are bank reference letters, copies of bank statements from other banks and copies of driving licences confirming residential address in the home country.

For foreign exchange purposes, foreign nationals in Romania are advised to keep their status as non-domiciled (i.e. they should not establish a Romanian domicile and obtain a Romanian ID card). Otherwise, hard currency restrictions can arise.

#### Personal effects

Before arriving in Romania, foreign nationals should be advised that the possession of certain items may be prohibited or restricted in the country. This applies to more obvious items such as firearms, explosives and drugs.

For up to 12 months after obtaining the residency permit or registration certificate, foreign nationals are allowed to import all their personal belongings, tax free, provided they make available the residency permit or registration certificate (if EU national) to customs officers. Therefore, it is recommended that a detailed list is prepared listing the date when personal belongings are imported to Romania and kept until date of departure from the country.

The import procedure for vehicles should be checked with your tax advisor.

# Step 4

## What to do when you arrive in Romania

### Applying for a registration certificate or residency permit

EU nationals should apply for a registration certificate from the Romanian Office for Immigration if they intend to stay in Romania for more than 90 days in a six month period. The application process takes 1-2 days and the following documents are required:

- Passport;
- European Health Insurance Card;
- Secondment letter or Employment contract containing salary details, or bank statement from a Romanian bank confirming available funds in the account of at least 500 RON.

Non-EU nationals should obtain a residency permit (if they do not already hold one) if they intend to stay in Romania for more than 90 days in a six month period. The application procedure depends on the expatriate's purpose of stay in Romania (i.e. secondment, local employment, administrator, family member, etc). We suggest you liaise with your immigration provider regarding the specific circumstances.

Once issued, these documents will contain the personal numerical code, or fiscal code, that individuals require to make income tax payments to the state budget.

### Notifications

A Romanian company that benefits from an expatriate's services must submit a notification letter to the tax authorities, informing them of the date of commencement or termination of an assignment. The notification must be sent within 15 days from the arrival/departure date of the foreign individual.

### Social Security

Expatriates on a local employment agreement will be allocated a social security number and contributions are withheld by the employer.

As explained earlier, expatriates on secondment who remain legally employed by their foreign employer, and who do not have a home country E101 or Certificate of Coverage, are in practice currently obliged to pay only the employee Health Fund Contribution (until further guidance is provided by the Romanian authorities). Payments of income tax and Health Fund Contributions can be made once the Personal Numerical Code has been issued.

## **Step 4:** What to do when you arrive in Romania

### **Car registration and insurance**

Cars belonging to foreign citizens working in Romania should be temporarily registered with the local police department.

In order to qualify for temporary registration in Romania, your car should first be registered abroad, even if such registration is only temporary.

To obtain temporary registration plates, foreign nationals need to provide the police department with the identity card of the car, a notarised translation of the foreign registration certificate, the registration form with the tax authorities, the Romanian insurance policy and copies of their passport and residence permit/registration certificate (as applicable).

### **Romanian car insurance policy**

Third party liability insurance is compulsory. This insurance policy is similar to the green card and covers foreign nationals for damages caused to other cars. This policy should be bought from a local authorized insurance company. The price of the policy is published every year.

# Step 5

## What to do during and at the end of the tax year

### Tax returns

For the first three years of residence in Romania, foreign nationals do not need to file annual tax returns with the Romanian tax authorities (unless they obtain rental income, freelance income or capital gains from transfer of listed securities in Romania). However, they do have to submit monthly individual income tax returns for income received from abroad for work performed in Romania. The monthly tax returns should be filed by 25th of the month following the month in which the income was earned. Late filing of monthly tax declarations can entail fines of RON 500 – 1,000 per declaration.

If a local employment contract is concluded, the local employer takes care of all tax declaration obligations.

From the fourth year of residence in Romania (see **Scope of Romanian Taxation** section under **Step 1 – Understanding Basic Principles**), foreign nationals also have an obligation to file an annual tax return declaring worldwide income. The annual tax return should be filed by 15 May.

A confirmation of individual income taxes paid during your assignment in Romania can be obtained at the end of each tax year. Your tax advisor should be contacted in order to obtain such a confirmation on your behalf from the Romanian tax authorities for foreign salary income.

### Tax payments

Individual income tax should be paid every month to the Romanian tax authorities in the sector (if in Bucharest) or locality where the foreign national resides (in case of income obtained from foreign employers). The deadline for transmitting an individual income tax payment to the state budget is 25th of the month following that to which the income relates.

For salary income received from a Romanian resident company, the individual income tax is withheld and paid every month by the employer.

Note that penalties for late payment of individual income tax stand at 0.1% of the outstanding tax due for each day of delay.

## Step 5: What to do during and at the end of the tax year

### Tax exemptions

The following income of a foreign national is exempt from taxation in Romania (for at least the first three years of residence):

- Salary income received from a foreign employer in respect of duties performed outside Romania
- Dividends obtained from foreign securities and not related to duties performed in Romania
- Interest obtained from foreign resident companies and not related to duties performed in Romania
- Capital gains derived from foreign securities and not related to duties performed in Romania
- Certain allowances, as mentioned in Step 2
- Other income not related to duties performed in Romania



# Step 6

## What to do when you leave Romania

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### Important points to remember

A fiscal representative, a Romanian resident individual or company, should be appointed in order to observe the individual's income tax obligations that might arise after the foreign individual's departure or while temporarily out of the country. The fiscal representative will be held jointly liable with the foreign individual and responsible for the payment of Romanian individual income tax obligations and filing of required documentation.

It is advisable to discuss the date of departure with a tax advisor, as the timing can impact your tax liability. Furthermore, all reasonable steps should be taken to avoid the possibility of dual residence or double taxation after your departure.

Any payments or bonuses received after departure and related to Romanian employment may be subject to Romanian individual income tax under certain conditions. Planning for such payments, if any, should be undertaken with care.

If you have paid any social security contributions in Romania during your secondment here, you should discuss with your tax advisor whether you should obtain certificates as proof of your Romanian social security contributions for benefits insurance purposes, such as healthcare, unemployment and state pension. In the EU, these are known as 'E-forms' (such as E104, E205 and E301). If applicable, these certificates may help you to access state benefits in your home country upon your return, should the need arise.

### Reporting departure

Following the completion of a foreign national's assignment in Romania, the local company beneficiary must inform the tax authorities of the date of his/her departure within 15 days of the date of departure. (See also Step 4, 'Notifications').

# Step 7

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## Other issues to be considered

### Scope for tax planning

Various tax planning ideas could be considered, depending on the details of the assignment of each foreign individual. These tax minimisation ideas could refer to both restructuring of employment and remuneration packages (i.e. granting certain non-taxable allowances, maintenance of social security contributions in home country/country initiating the assignment) as well as to the timing and duration of the secondment.

Professional advice should be sought before arrival in Romania or preferably before designing the remuneration package for the assignment.

### Other taxes

No local, wealth or gift taxes are levied in Romania.

No inheritance taxes apply, exempt in relation to transfer of real estate in certain circumstances.

Real estate taxes apply on transfer of real estate in most circumstances (except for transfers structured correctly between close family members).

No road taxes apply.

## Appendices

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# Appendix A

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## Accommodation: tax implications

### 1. Accommodation provided by the employer

- **If the house is owned by the company**

For accommodation paid for as a residence that is owned by the company/ employer, the taxable benefit is calculated, as of March 2008, as between 0.6 EUR and 4 EUR per square meter, depending on the accommodation type, its area and the room types.

All connected benefits (i.e. utilities – water, gas, electricity – and maintenance and repairs) are assessed at their real value.

- **If the house is rented by the employer**

For accommodation paid for as a residence that is rented by the employer and provided as benefit-in-kind to the foreign individual, the value of the benefit is basically assessed as the value of the monthly rent paid.

### 2. Accommodation rented by an employee

If you rent accommodation in your own name and the employer reimburses the rent (or any part of the rent) to you, this is taxable and treated as a benefit in kind (at the value of the rent paid).

The exception to all of the above is if you are on secondment and remain legally employed by your foreign employer. In this situation, payment of actual accommodation costs by your employer can be free of tax in Romania provided this is substantiated by documentary evidence (invoices, receipts, etc.).

# Appendix B

## Individual income tax rates for 2008

Individual income taxes valid as of September 2008:

Romania has a flat rate of income tax at 16%

Type of payment	Individual rates (%)
Salary	16%
Rental Income	16%
Securities income (capital gain)	1% or 16%
Independent professional services	16%
Royalties, patents, copyrights	16%
Dividends	16%
Interest	16%
Other income (i.e. services)	16%

At 23 September 2008, the RON exchange rates were:

1 EUR = 3.6284 RON

1 USD = 2.4915 RON

1 GBP = 4.5920 RON

# Appendix C

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## Social security rates for 2008

The employee and employer social security contributions for the year 2008 are as follows:

### Employee contributions:

- employee social security contribution is 9.5% (uncapped);
- employee contribution to the unemployment fund is 0.5% (uncapped);
- employee contribution to the health fund is currently 5.5% as of 1 July 2008 (uncapped);

### Employer contributions:

- employer social security contribution is of 19.5% (for standard working conditions, uncapped);
- employer's contribution to the unemployment fund is of 1% (uncapped);
- employer's contribution to the health fund is 5.5% (uncapped);
- employer's contribution to the guarantee fund of outstanding payments stands at 0.25% (uncapped);
- insurance against work accidents and occupational diseases is currently between 0.4%-2%, depending on the company's activity code (uncapped);
- employer's contribution to medical leaves is currently at the level of 0.85% (capped at 12 times the minimum gross salary);
- labour office commission currently stands at 0.25% or 0.75% (uncapped).

# Appendix D

## Double taxation agreements

### Double taxation agreements to which Romania is a party - in-force treaties:

Albania	France	Macedonia	Spain
Algeria	Georgia	Malaysia	Sri Lanka
Armenia	Germany	Malta	Sudan
Australia	Greece	Mexico	Sweden
Austria	Hungary	Moldova	Switzerland
Azerbaijan	India	Morocco	Syria
Bangladesh	Indonesia	Namibia	Thailand
Belarus	Iran	Netherlands	Tunisia
Belgium	Ireland	Nigeria	Turkey
Bulgaria	Israel	Norway	Ukraine
Canada	Italy	Pakistan	United Arab Emirates
China	Japan	Philippines	United Kingdom
Croatia	Jordan	Poland	United States
Cyprus	Kazakhstan	Portugal	Uzbekistan
Czech Republic	Korea	Russia	Vietnam
Denmark	Kuwait	San Marino	Yugoslavia
Ecuador	Latvia	Slovakia	Yugoslavia (F.R.Y)
Egypt	Lebanon	Slovenia	Zambia
Estonia	Lithuania	Singapore	
Finland	Luxembourg	South Africa	

### Double taxation agreements to which Romania is a party - pending treaties:

Iceland

### Unperfected treaties (pending):

Costa Rica

'Pending' means agreements have been signed by both parties, but have yet to enter into force at date of publication (October 2008).

# Appendix E

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## Social Security Agreements between Romania and other countries

As of 1 January 2007, the date of Romania's accession to the EU, Romania applies the EC social security regulations (EC Regulations 1408/71 and 574/72). EU nationals, and non-EU nationals legally resident in an EU member state, who are seconded to or from Romania and another EU member state fall within scope of this regulation.

In addition, Romania has bi-lateral social security agreements with the following countries:

Albania	Algeria
Austria	Bulgaria
Czech Republic	Korea
Russian Federation	France
Germany	Greece
Libya	Luxembourg
Macedonia*	The Netherlands
Norway*	Peru
Portugal*	Slovakia
Spain	Turkey
Hungary	

\*agreement signed, but not yet in force at date of publication (October 2008).



# Appendix F

## Typical tax computation

### Local employment agreements and Foreign employment agreements – Individual Income Computation 2008

All calculations below are correct for the year 2008, assuming that the company does not have more than 50 employees and the employees' labour books are updated and stored by the company itself.

	Romanian (domiciled) Single or Married + 2	Expat Local Employment Agreement and Local Payroll Single or Married + 2	Expat (non-EU) Foreign Employment Agreement and Foreign Payroll Single or Married + 2
Local Tax Calculation	RON	RON	RON
<b>Gross Compensation</b>	<b>36,000</b>	<b>36,000</b>	<b>36,000</b>
Gross Annual Taxable Income			
Gross Monthly Taxable Income	3,000	3,000	3,000
	Less		
<b>Employee's Social Security</b>			
Monthly Social Security Contribution/Pension (9.5%)	285	285	-
Monthly Unemployment Contribution (0.5%)	15	15	-
Monthly Health Fund Contribution (5.5%)	165	165	165
<b>Total Monthly Employee's Social Security</b>	<b>465</b>	<b>465</b>	<b>165</b>
Personal Deduction			-
Monthly Net Taxable Income	2,535	2,535	2,835
Monthly Tax thereon (16%)	406	406	454
Annual Income Tax	4,872	4,872	5,448
<b>Total Annual Employee's Social Security</b>	<b>5,580</b>	<b>5,580</b>	<b>1,980</b>
Net Monthly Income	2,129	2,129	2,381
Net Annual Income	25,548	25,548	28,572

continued on next page

**Appendix F:** Typical tax computation

continued from previous page

<b>Employer's Social Security</b>			
Monthly Social Security Contribution (19.5%)	585	585	-
Monthly Health Fund Contribution (5.5%)	165	165	-
Monthly Medical Leaves Contribution (0.85%)	26	26	
Monthly Unemployment Contribution (1%)	30	30	-
Monthly Solidarity Fund Contribution (to be paid by companies with at least 50 employees)	-	-	-
Monthly contribution to the Labour Accidents Fund (assumed 0.4%)	12	12	-
Monthly Territorial Inspectorate of Labour Commission (0.25%)	8	8	-
<b>Total Monthly Employers Social Security</b>	<b>826</b>	<b>826</b>	<b>-</b>
<b>Total Annual Employers Social Security</b>	<b>9,912</b>	<b>9,912</b>	<b>-</b>

# Appendix G

## Visa

Nationals of the following countries (considered as “high immigration risk countries”) are required to present an original official invitation issued through the authority for Foreigners as well as a bank deposit guarantee in order to obtain a visa:

Islamic State of Afghanistan	Comoros	Haiti	Rep. of Mali	Rep. of Sudan
Rep. of Albania	Rep. of Congo	India	Mongolia	Suriname
Rep. of Armenia	Democratic Rep. of Congo	Islamic Rep. of Iran	Rep. of Mozambique	Syrian Arab Rep.
Democratic People's Rep. of Algeria	Cote d'Ivoire	Rep. of Iraq	Union of Myanmar	Tajikistan
Rep. of Azerbaijan	Djibouti	Hashemite Kingdom of Jordan	Kingdom of Nepal	United Rep. of Tanzania
Rep. of Angola	Dominican Rep.	Rep. of Kazakhstan	Rep. of Niger	Kingdom of Thailand
People's Rep. of Bangladesh	Arab Rep. of Egypt	Rep. of Kenya	Federal Rep. of Nigeria	Togo
Rep. of Belarus	Eritrea	Kyrgyzstan	Islamic Rep. of Pakistan	Rep. of Tunisia
Rep. of Benin	Federal Democratic Rep. of Ethiopia	Democratic People's Rep. of Korea	State of Palestine	Turkmenistan
Kingdom of Bhutan	Equatorial Guinea	Lao's People Democratic Rep.	Papua New Guinea	Rep. of Uganda
Burkina Faso	Fiji	Rep. of Lebanon	Rep. of Peru	Uzbekistan
Rep. of Burundi	Gabon	Liberia	Rep. of Philippines	Socialist Rep. of Vietnam
Rep. of Cameroon	Rep. of Gambia	Great Socialist People's Libyan Arab Jamahiriya	Rwanda	Rep. of Yemen
Cambodia	Georgia	Democratic Rep. of Madagascar	Sao Tome And Principe	Rep. of Zambia
Rep. of Cape Verde	Rep. of Ghana	Kingdom of Morocco	Senegal	Central African Rep.
Guinea Bissau	Maldives	Sierra Leone	People's Rep. of China	Guinea Rep.
Mauritania	Somalia	Chad	Co-Operative Rep. of Guyana	Mauritius
Democratic Socialist Rep. of Sri Lanka				

# Appendix H

## Driving Licences

A Romanian driving licence will be issued to drivers who have accredited licences in the following countries:

### Member states of the Wien Convention

Republic of South Africa	French Republic	Republic of Philippines
Republic of Albania	Georgia	Polish Republic
Republic of Armenia	Federal Republic of Germany	Central African Republic
Republic of Austria	Hellenic Republic	Republic of Moldova
Republic of Azerbaijan	Cooperative Republic of Guyana	Republic of Congo
Bahamas Union	Hungarian Republic	Czech Republic
State of Bahrain	Islamic Republic of Iran	Republic of San Marino
Republic of Belarus	State of Israel	Republic of Senegal
Kingdom of Belgium	Italian Republic	Serbia
Republic of Bosnia and Herzegovina	Republic of Kazakhstan	Republic of Seychelles
Federative Republic of Brazil	State of Kuwait	Slovak Republic
Republic of Bulgaria	Republic of Letonia	Republic of Slovenia
Republic Cote d'Ivoire	Republic of Liberia	Kingdom of Sweden
Republic of Croatia	Republic of Lithuania	Swiss Confederation
Republic of Cuba	Grand Ducal of Luxembourg	Republic of Tajikistan
Kingdom of Denmark	Kingdom of Morocco	Tunisian Republic
Republic of Estonia	State of Mongolia	Republic of Turkmenistan
Republic of Macedonia	Federal Republic of Nigeria	Ukraine
Russian Federation	Kingdom of Norway	Oriental Republic of Uruguay
Republic of Finland	Republic of Uzbekistan	Republic of Zimbabwe
	Islamic Republic of Pakistan	

**States that are not members of the Wien Convention (but accredited licences from these territories would be recognised in Romania)**

Canada	Japan	Syrian Arab Republic
Republic of Cyprus	Lebanese Republic	Kingdom of Spain
Republic of Korea	Republic of Malta	United States of America
Arab Republic of Egypt	United Kingdom of Great Britain	Republic of Turkey
Hashemite Kingdom of Jordan	The Netherlands	People's Republic of China
Republic of Ireland	Portuguese Republic	
Republic of Iceland	Montenegro	

Expatriates changing their driving licences in Romania should prove that:

- They hold an appropriate driving licence issued in their home country (one of the countries stated above);
- They hold a clear police record issued in their home country;
- They hold a valid medical certificate issued by a Romanian doctor stating that they are healthy and fit to drive.

# Notes

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# PwC Office and contacts

Further information can be obtained from:

Mihaela Mitroi (Tax Partner)

[mihaela.mitroi@ro.pwc.com](mailto:mihaela.mitroi@ro.pwc.com)

Alex Massaci (Tax Director)

[alex.massaci@ro.pwc.com](mailto:alex.massaci@ro.pwc.com)

Charles Ross (Senior Tax Manager)

[charles.ross@ro.pwc.com](mailto:charles.ross@ro.pwc.com)

Oana Manuceanu (Tax Manager)

[oana.manuceanu@ro.pwc.com](mailto:oana.manuceanu@ro.pwc.com)

Ruxandra Popescu (Tax Manager)

[ruxandra.popescu@ro.pwc.com](mailto:ruxandra.popescu@ro.pwc.com)

## PricewaterhouseCoopers Romania

Opera Center

1-5 Costache Negri Street

Bucharest 5

Romania

Telephone: +40 21 202 8500

Facsimile: +40 21 202 8700