



Unlocking Offshore Energy into the Romanian Black Sea: Insights on Romanian Tax Framework





Romanian Offshore Law?

Have you checked the legal requirements under

Non-resident subcontractors of petroleum agreement holders are obliged to establish and maintain for the entire duration of the contract a subsidiary or branch office in Romania.

- In Romania, legal registration at the Trade Registry cannot take place without tax registration.

If there is no legal requirements for registration under Offshore Law, have you also checked if your activities would trigger a **branch registration/permanent establishment (PE)** for corporate income tax purposes or a VAT **fixed establishment**?

- PE provisions are similar to the ones included in OECD Model Tax Convention and in the Double Tax Treaties.

- A two-fold analysis has to be performed in order to assess the existence of a PE, consisting in a Fixed place of business test and Dependent agent test.

What is the common type of **contracting structure** for operating in the Romanian Black Sea?

- For activities related to the contractual agreements between the Petroleum Agreement Holders and Providers, a Branch is typically established by the Providers in Romania to facilitate these operations. Specific taxation rules are applicable for a Branch in Romania.

Did you know that withholding taxes may differ depending on the nature of cross-border payments, structure implemented in Romania and beneficiary's tax residency?

- Transactions with non-Romanian residents may qualify for more favourable terms under the Double Tax Treaties or EU Directives, potentially resulting in nil withholding tax (WHT) under specific conditions.
- Generally distributions between a branch and its head office are not subject to WHT; however it is important to carefully consider allocations of third-party expenses by the head office, as they may trigger WHT implications in Romania.

Are you aware of the **transfer pricing rules** triggered by intercompany transactions, including profit allocations?

- Romanian taxpayers (including PEs) should ensure that all the intra-group transactions are performed in line with arm's length principle.
- In case of a Romanian PE, the related profit allocation should be performed based on a transfer pricing analysis.
- Romania generally follows OECD TP guidelines, however local transfer pricing legislation requirements need to be considered with regard to local transfer pricing documentation requirements and specific aspects related to transfer pricing analysis.





- Allocation of costs and intercompany transactions are closely scrutinized by the Romanian tax authorities, so proper documentation should be put in place.
- Companies can apply for an Advance Pricing Agreements (“APA”) to mitigate transfer pricing risks by ensuring that revenue and cost allocations and levels of future profitability are accepted as reasonable by the Romanian tax authorities.

Have you assessed how the chosen **financing** method might affect your tax liabilities?

- Financing could be performed through loans or equity. Depending on the method used, tax implications could arise (e.g. limited deductibility of interest expenses, withholding tax implications)

Have you considered the potential **VAT and customs** implications which may arise under your business model?

- Offshore operations frequently present complex VAT and customs considerations, particularly in relation to the transfer of specialized equipment.
- It is essential to determine the appropriate VAT treatment for services rendered, based on the specific characteristics and nature of those services.
- How familiar are you with the **customs implications** and procedures for goods (e.g. vessels, equipment) imported into Romania or used in Romania’s economic exclusive zone?



- Have you considered any exemptions or costs with excise duties for the fuel used by vessels navigating in the economic exclusive area?
- Are you aware that other obligations at both national and EU level may arise further to the import and export of goods in/from Romania such as **RO e-Transport, CBAM, ANCEX requirements, etc?**
- Are you acquainted with the **immigration procedures, personal income tax and social contributions obligations and labour law implications** for your employees travelling to Romania? Looking for strategic insights and expert support? We are here to help you unlock new opportunities and stay ahead of the curve!

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The above is just a sample of the many aspects that you should know when operating in Romanian Black Sea. At PwC, we have a strong team of tax advisors brings years of expertise in guiding energy industry leaders.



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Thank you