



Romania Proposes Income Tax Law Amendments

According to a draft government ordinance published on the Ministry of Finance website, the following corporate income tax amendments are proposed:

- Foreign companies that have their place of effective management in Romania will pay corporate income tax in Romania from the date when they register with the tax authorities. This aspect is not currently regulated by law.
- The domestic provisions implementing the Parent-Subsidiary Directive (2011/96) will be amended so that the exemption from withholding tax applies if the resident payer is subject to corporate income tax or any tax substituting the corporate income tax (currently only payers of corporate income tax as such are under the incidence of this provision).
- The deductibility limit of provisions for bad and doubtful debts will be increased from 30% to 50%.
- Dividends paid to companies resident in Iceland, Liechtenstein and Norway will have the same tax treatment as dividends paid between resident companies (under current legislation, with effect from 1 January 2014, the provisions of the Parent-Subsidiary Directive (2011/96) are no longer applicable in respect of payments to and from companies resident in Iceland, Liechtenstein and Norway and the general withholding tax rate on payments to non-residents applies).
- The domestic provisions implementing the right to defer the payment of exit tax, by paying it in instalments over 5 years, will be amended to transpose, without deviations, the exit taxation rule in the Anti-Tax Avoidance Directive (2016/1164).
- For taxpayers who declare corporate income tax on an annual basis and make advance payments of tax on a quarterly basis, the tax for the first quarter will be calculated by applying the tax rate to the accounting result of the quarter and must be paid up until the 25th day of the month following the quarter. Currently, the advance payments take into account the corporate income tax for the preceding year, adjusted by the consumer price index.

If approved, the above provisions would enter into force within 3 days from publication in the Official Gazette, except for the increase of deductibility limit of provisions for bad and doubtful debts and the provision relating to advance corporate income tax payments which would both be effective from 1 January 2022.

We would be glad to help if this is something that affects your business.