

International Assignment Services

Taxation of International Assignees Country – Romania

*Human
Resources Services*

*International
Assignment
Taxation Folio*



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Additional Country Folios can be located at the following website: www.pwc.com/ias/folios

Introduction – International assignees working in Romania

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 organizations intending to send individuals to Romania, with a broad understanding of the country's tax, labor 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 anyone of the IAS contacts listed at the end of the folio.

Last updated: February 2011

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Menu

Step 1 – Understanding basic principles

The scope of Romanian taxation:

1. 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).
2. Romania has no special individual income tax regime for expatriates. However, provisions of double tax treaties, if available, could overrule domestic legislation, if more favorable, allocating the taxing right to Romania or to the other state, depending on each particular case.
3. 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

4. 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

5. Individual income tax is applied on taxable income at a flat rate of 16%.
6. 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

7. 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 (in case he/she derive other types of income than salary income, from Romania or from abroad).

Spouses

8. 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

9. 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 organizations, are exempted from income tax in Romania.

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Step 2 – Understanding the Romanian tax system

Taxation of foreign individuals in Romania

10. 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

11. 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).
12. If the foreign individual has a local employment agreement, he will be liable to pay Romanian income tax on the income earned in Romania (the obligation to withhold and wire the income tax to the Tax Authorities rests with the Romanian employer).
13. 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).
14. 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

15. While it is not compulsory for foreign individuals to have a local employment contract, those who do have such a contract 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 Agreement (Appendix E) signed by Romania.
16. Salary tax and compulsory social security contributions are calculated, withheld and paid by the local employer (see Appendices B and C).
17. 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 (if granted as a gross benefit) 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

18. 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).
19. 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 on the salary income they receive. The employee's social security contributions are 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 percent of the accounting entry (historical) value of the car represents the taxable benefit (per month). In case of a leased car - this value is the monthly lease installment. 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 in the fiscal law to keep such a logbook).

Business expenses

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

Employee incentive plans

21. 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.
22. 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.
23. 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

24. 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 annual income and pay the estimated tax due each quarter (15 March, 15 June, 15 September, and 15 December). An annual tax return should afterwards be submitted each year, on or before 15 May of the year following the one the income is obtained, 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 the issue of the assessment is payable within 60 days of the assessment date, otherwise interest and penalties apply for late payment of tax.

Capital Gains

25. Foreign individuals are subject to capital gains tax in Romania 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).
26. Capital gain derived from Romania is taxed as follows:
 - 16% tax on net income from the transfer of securities.
 - Quarterly filing and advance tax payment obligation (i.e. by 25th of the month following the end of each quarter: 25 January, 25 April, 25 July, 25 October). Also an annual tax return is required to be filed (by 15 May of the following year).
 - The obligation of calculating and paying the income tax representing advance quarterly payments for the annual income tax on capital gains from the transfer of securities held in listed companies lies with the tax payers;
 - The obligation of calculating, withholding and wiring the income tax in case of gains from the transfer of shares in case of non-listed companies lies with the buyer, at the moment of acquisition.
 - Any net annual loss resulting from the transfer of securities, other than shares and transferable securities in non-listed companies can be carried forward for up to seven consecutive tax years.

Taxation of income from investments

27. 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 the income tax due at source.

Deductible expenses

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

Allowances

29. 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.
30. 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.
31. In addition, expatriates on secondment can benefit from one tax-free secondment allowance, provided it does not exceed 50% of daily gross base salary and it is paid on a monthly basis.

Directors' fees

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

Real estate taxation

33. For income from rent, the same individual income tax rate (16%) applies. 25% of the rental income is considered as deductible expenses for income tax calculation purposes (no supporting documents are needed).
34. 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.
35. 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 finalized within two years (an income tax of 1% is levied if the procedure is not completed within the two years).
36. 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

37. Foreign nationals seconded to Romania have the obligation to pay the uncapped health fund contribution of 5.5%, calculated on the income that is subject to Romanian income tax. The contribution is tax deductible for individual income tax purposes.
38. EU/Swiss citizens employed by an EU/Swiss 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/A1 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.
39. In case of individuals seconded from the EU to Romania who do not possess an E101/A1 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 full employee and employer social security contributions, 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.
40. Individuals receiving salary income, based on employment contracts with Romanian entities, have to pay the social security contributions calculated on their entire remuneration, irrespective of the amount. These contributions are withheld and wired by the employer.

41. The employee's and employer's social security contributions and the minimum gross salary for the year 2011 are as follows:

Employee's contributions:

- Employee social security contribution is 10.5% (capped at 5 times the national average gross salary)*;
- Employee contribution to the unemployment fund is 0.5%;
- Employee contribution to the health fund is 5.5%.

Employer's contributions:

- Employer social security currently stands at 20.8% for standard working conditions, 25.8% for particular working conditions and 30.8% for special working conditions (capped at the level representing the product of 5 national average gross salaries and the number of the employees of the month for which the contribution is computed)*;
- Employer's contribution to the health fund is 5.2%;
- Employer's contribution to the unemployment fund is 0.5%;
- Employer's contribution to the guarantee fund of outstanding payments stands at 0.25%;
- Insurance against work accidents and occupational diseases is currently between 0.15% - 0.85%, depending on the class of risk;
- Employer's contribution to medical leaves is currently at the level of 0.85% (capped at the level representing the product between 12 minimum gross salaries and the number of the employees of that month);

42. The minimum gross salary stands currently at the level of RON 670.

* The national average gross salary in Romania for 2011 is RON 2,022.

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

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Step 3 – What to do before you arrive in Romania

Applying for a visa

43. 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.
44. 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.
45. EU/EEA/Swiss 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

46. Foreign individuals performing work in Romania may have:
 - Only a foreign employment agreement;
 - Only a local employment agreement.
47. 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/EEA/Swiss 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 labor market;
 - Both EU/EEA/Swiss and non- EU/non- EEA/non- Swiss nationals seconded to Romanian by companies located in EU/EEA member states or Switzerland are not subject to obtain work authorizations. Instead, there are certain requirements in respect of secondment notification that should be undertaken with the immigration and labour authorities;
 - EU/EEA/Swiss individuals seconded to Romania by companies located outside the EU/EEA zone can perform work here without any immigration restriction.

Work authorizations for local employment purposes

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

Work authorizations for secondment purposes

49. Non- EU/non- EEA/non- Swiss 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/non- EEA/non- Swiss nationals seconded from companies located in EU/EEA member states.
50. 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.
51. There are specific requirements in respect of notifying the labor authorities about these foreign secondees.

Residency permits/registration certificates

52. Following Romania's accession to the EU in January 2007, favorable provisions were implemented as concerns Romanian residence for EU/EEA nationals, whereas the provisions for non-EU nationals remained broadly the same. Also further to enforcement of the Protocol II of the Free movement Agreement concluded between EU and Switzerland favorable free movement refine applicable to EU/EEA nationals was also extended to Swiss nationals.
53. EU/EEA/Swiss 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, EU/EEA/Swiss nationals is required to obtain a registration certificate in accordance with the purpose of stay. When the registration certificate is issued, the individual is also allocated with a personal numerical code that is required to pay monthly taxes.
54. 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.
55. 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.
56. The documents required to support Romanian long term visa/residency permit applications depends on the purpose of stay.

Driving license

57. Foreign nationals whose stay in Romania does not exceed 90 days can drive here using either their driving licenses obtained abroad or international driving licenses. Please note that an international driving license can only be used together with the foreign national license.
58. Foreign nationals whose stay in Romania exceeds 90 days and wish to drive here must obtain a Romanian driving license, as follows:
 - Foreign nationals whose driving license was issued in certain countries (see Appendix H) can change these licenses to Romanian driving licenses with no additional driving test required;

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- Foreign nationals with driving licenses issued by other foreign countries which are not listed in Appendix H will need to pass a driving test in order to obtain a Romanian driving license, after obtaining Romanian temporary residence.
59. The process of obtaining the Romanian driving license can take up to 30 days.
60. The application for changing the foreign driving license into a Romanian one should be typically sustained by documents such as:
- Romanian residency permit/certificate of registration (depending on their citizenship);
 - Driving license issued in one of the countries stated in Appendix H;
 - Clear police record issued either by Romanian authorities or by their home country authorities.

Secondment and employment contracts

61. Foreign individuals may work in Romania on the basis of local employment agreements or, foreign employment agreements.
62. The remuneration structure should be reviewed with a tax advisor, in order to assess the most cost-efficient scheme applicable to each individual.
63. 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

64. 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.
65. 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.
66. 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

67. To minimize 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.

Opening bank accounts

68. 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 licenses confirming residential address in the home country.

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69. 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

70. 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.
71. For up to 12 months after obtaining the residency permit or registration certificate (if EU national), foreign nationals are allowed to import (from outside EU) all their personal belongings, tax free, provided they make available the residency permit or registration certificate 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.
72. The import procedure for vehicles should be checked with your tax advisor.

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Step 4 – What to do when you arrive in Romania

Applying for a registration certificate or residency permit

73. EU/EEA/Swiss nationals should apply for obtaining a registration certificate from the Romanian Office for Immigration if they intend to stay in Romania. The registration certificate is typically issued within 1 day for application and the basis of documents presented in accordance with the purpose of stay here such as:
 - Passport;
 - European Health Insurance Card;
 - Secondment letter or Employment contract containing salary details, or bank statements from a Romanian bank confirming available funds in the account of at least 705 RON.
74. Non-EU/non- EEA/non- Swiss 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 within 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.
75. Once issued, these immigration documents will contain the personal numerical code of the individual that will be required to make income tax payments to the state budget.

Notifications

76. A Romanian company that benefits from an expatriate's work 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 (start/end date of the assignment) of the foreign individual.

Social Security

77. Expatriates on a local employment agreement will be allocated a social security number and contributions are withheld by the employer.
78. As explained earlier, expatriates on secondment who remain legally employed by their foreign employer, and who do not have a home country E101/A1 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.

Car registration and insurance

79. Cars belonging to foreign nationals working in Romania should be temporarily registered with the local police department.
80. In order to qualify for temporary registration in Romania, the car should first be registered abroad, even if such registration is only temporary.

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81. To obtain temporary registration plates, foreign nationals need to provide the police department with the identity card of the car, a notarized 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

82. 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.

Last updated: February 2011

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Step 5 – What to do at the end of the year

Tax returns

83. 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 salary income received from abroad for work performed in Romania. The monthly tax returns should be filed by the 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.
84. If a local employment contract is concluded, the local employer takes care of all tax declaration obligations.
85. 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, if they also derived other types of income than the salary income. The annual tax return for year 2010 should be filed by 15 May 2011.
86. 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

87. 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 the 25th of the month following that to which the income relates.
88. For salary income received from a Romanian resident company, the individual income tax is withheld and wired every month by the employer.
89. Note that late payment interest for the late payment of individual income tax currently stands at 0.04% of the outstanding tax due for each day of delay. Additionally, a penalty of 5% is due for payments made with a delay of 30 up to 90 days and of 15% for payments made with a delay of more than 90 days.

Tax exemptions

90. 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.

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Step 6 – What to do when you leave Romania

Important points to remember

91. 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.
92. 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.
93. 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.
94. 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. If applicable, such certificates may help you to access state benefits in your home country upon your return, should the need arise.

Reporting departure

95. 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 from departure. (See also Step 4, 'Notifications').

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Step 7 – Other matters requiring consideration

Scope for tax planning

96. Various tax planning ideas could be considered, depending on the details of the assignment of each foreign individual. These tax minimization 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.
97. Professional advice should be sought before arrival in Romania or preferably before designing the remuneration package for the assignment.

Other taxes

98. No local, wealth or gift taxes are levied in Romania.
99. No inheritance taxes apply, except in relation to transfer of real estate in certain circumstances.
100. Real estate taxes apply on transfer of real estate in most circumstances (except for transfers structured correctly between close family members).
101. Road taxes apply. – I.e. vignette tax required for national roads.

Last updated: February 2011

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Appendix A – Provision of accommodation – Tax implications

Accommodation provided by the employer

- *If the house is owned by the company*
 - For accommodation connected to a residence that is owned by the company/employer, the taxable benefit is considered at the level of the rent paid for state owned residences.
 - 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.

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 for you in Romania provided this is substantiated by documentary evidence (invoices, receipts, etc.).

Last updated: February 2011

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Appendix B – Individual income tax rates

Individual income taxes currently applicable (for 2011)

Romania has a flat rate of income tax at 16%

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

At 1 January 2011, the RON exchange rates were:

- 1 EUR = 4.2848 RON
- 1 USD = 3.2045 RON
- 1 GBP = 4.9673 RON

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Appendix C – Social security rates

The employee's and employer's social security contributions for the year 2011 are as follows:

Employee's contributions

- Employee's social security contribution is 10.5% (capped at the level of 5 times the national average gross salary)*;
- Employee's contribution to the unemployment fund is 0.5% (uncapped);
- Employee's contribution to the health fund is currently 5.5% (uncapped);

Employer's contributions

- Employer's social security contribution is of 20.8% (for standard working conditions, capped at the level representing the product of 5 national average gross salaries and the number of the employees of that month for which the contribution is computed)*;
- Employer's contribution to the unemployment fund is of 0.5% (uncapped);
- Employer's contribution to the health fund is 5.2% (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 0.15% - 0.85%, depending on the company's activity code (uncapped);
- Employer's contribution to medical leaves is currently at the level of 0.85% (capped at the level of the product between 12 minimum gross salaries and the number of employees of the month for which the contribution is computed).

* The national average gross salary in Romania for 2011 is RON 2,022.

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Appendix D – Double-taxation agreements

Countries with which Romania currently has double-taxation agreements:

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

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

Tajikistan

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.

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Appendix E – Social security agreements

As of 1 January 2007, the date of Romania's accession to the EU, Romania applies the EC social security regulations (EC Regulations 883/2004). EU/Swiss nationals, and non-EU nationals legally resident in an EU/Swiss member state, who are seconded to or from Romania and another EU member state or Switzerland fall within scope of this regulation.

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

Albania	Libya	Moldova
Algeria	Luxembourg	Peru
Armenia	Macedonia	Russian Federation
Canada	Morocco	Turkey
Korea		

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Appendix F – Typical tax computation

Local employment agreements and Foreign employment agreements – Individual Income Computation 2011

All calculations below are correct for the year 2011 (in RON), assuming that the company does not have more than 50 employees.

	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
Gross Compensation	36,000	36,000	36,000
Gross Annual Taxable Income			
Gross Monthly Taxable Income	3,000	3,000	3,000
Less: Employee's Social Security			
Monthly Social Security Contribution/Pension (10.5%)	(315)	(315)	-
Monthly Unemployment Contribution (0.5%)	(15)	(15)	-
Monthly Health Fund Contribution (5.5%)	(165)	(165)	(165)
Total Monthly Employee's Social Security	(495)	(495)	(165)
Personal Deduction			
Monthly Net Taxable Income	2,505	2,505	2,835
Monthly Tax thereon (16%)	401	401	454
Annual Income Tax	4,812	4,812	5,448
Total Annual Employee's Social Security	5,940	5,940	1,980
Net Monthly Income	2,104	2,104	2,381
Net Annual Income	25,248	25,248	28,572
Employer's Social Security			

	Romanian (domiciled) Single or Married + 2	Expatriate Local Employment Agreement and Local Payroll Single or Married + 2	Expatriate (non-EU) Foreign Employment Agreement and Foreign Payroll Single or Married + 2
Monthly Social Security Contribution (20.8%)*	624	624	-
Monthly Health Fund Contribution (5.2%)	156	156	-
Monthly Medical Leaves Contribution (0.85%)	26	26	-
Monthly Unemployment Contribution (0.5%)	15	15	-
Monthly Solidarity Fund Contribution (to be paid by companies with at least 50 employees)	-	-	-
Monthly contribution to the Labor Accidents Fund (assumed 0.15%)	5	5	-
Total Monthly Employers Social Security	826	826	-
Total Annual Employers Social Security	9912	9912	-

*capped; however, we assumed that the company does not reach the cap for pension purposes.

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Appendix G – Visa requirements

Nationals of the following countries (considered as “high immigration risk countries”) are required to present an original official invitation issued by the Romanian Office for Immigration in order to obtain a visa:

Arab Rep. Of Egypt	India	Rep. of Islamic Mauritania
Chad	Islamic Rep. Of Iran	Rep. of Lebanon
Democratic People’s Rep. Of Algeria	Islamic Rep. Of Pakistan	Rep. Of Mali
Democratic People’s Rep. Of Korea	Islamic State Of Afghanistan	Rep. Of Sudan
Democratic Rep. Of Congo	Jamahiriya	Rep. Of Tunisia
Dem. Socialist Rep. Of Sri Lanka	Kingdom Of Morocco	Rep of Uzbekistan
Eritrea	People’s Rep. Bangladesh	Rep. Of Yemen
Federal Dem. Rep. Of Ethiopia	People’s Rep. Of China	State Of Palestine
Federal Rep. Of Nigeria	Rep. of Ghana	Somalia
Great Socialist People’s Libyan Arab	Rep. of Indonesia	Syrian Arab Rep
Hashemite Kingdom Of Jordan	Rep. of Iraq	Taiwan

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Appendix H – Driving licenses

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

Member states of the Wien Convention

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

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

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

Expatriates changing their driving licenses in Romania should prove that:

- They hold an appropriate driving license 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.

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Appendix I – Romania contacts and offices

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