

Taxation of income derived by individuals from salaries and providing services

3 September 2014

In brief

The Government has approved through a Decision a new Regulation on the taxation of employment incomes, as well as incomes received by individuals from the services provided and/ or work performed by them. The Decision entered in force as of 1 September 2014.

In detail

Taxation mechanism

The Regulation covers the employment incomes and ones received by individuals who do not carry out any entrepreneurial activity and provide services and perform work.

Notwithstanding the new Regulation, companies that produce software programs have to calculate and withhold income tax according to the fiscal legislation in force*.

New clarifications are introduced regarding the benefits provided by the employers.

The following matters are to be considered in respect to the income received by employees on maternity leave:

1. In performing the last taxable payment, withholding and granting allowances apply as follows:
 - for twelve months, if the person is employed at the beginning of the fiscal year;

- for the number of months during which the person was considered employed, if employed during the fiscal year.

2. For employees returning to work in the fiscal year during which the maternity leave was paid, the income tax is computed considering the allowances granted at the commencement of the maternity leave.

Allowances

Employees benefits from allowances at the main or second job.

The personal allowance can be transferred to spouse in the full amount without being split between spouses. Following a divorce (if one of the spouses previously received both exemptions) each spouse benefits only from their own personal exemption and the employer recalculates the employee income tax liabilities.

For December salary paid in January, the income tax rates in force at the date of salary

payment are used, considering the related allowances.

The Government has approved the rules for confirming the right to allowances and the method of determining the categories of allowances granted.

Reporting requirements

This Regulation approved new forms of reporting, as follows:

- Report on the amount of income paid and income tax withheld from it (IRV14);
- Information note on salary and other payments made by employers for the benefit of employees, and other payments made to residents from sources of income other than wages and the income tax withheld (IALS14), thereby unifying the previous forms (IASo8 and IALo8); and
- Information note on income tax withheld from income other than

employment paid to non-residents (INR14).

[Source: Government Decision no. 697 dated 22 August 2014 for approving the Regulation on taxation of income from wages and other payments made by employers

for the benefit of employees, and also from payments to individuals for the services provided and / or work performed, Monitorul Oficial no. 256-260 (4895 - 4899) dated 29 August 2014]

The takeaway

The scope of the new regulation is to match the legislation in force and to clarify the taxation aspects and allowance-granting mechanism. New forms of tax reports are also provided.

*Article 24, paragraph 21 of the Law no. 1164 dated 24 April 1997 for the implementation of Titles I and II of the Tax Code

Let's talk

For a deeper discussion of how this new legislation might affect your business, please contact:



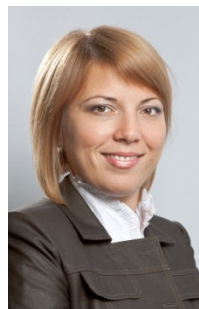
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