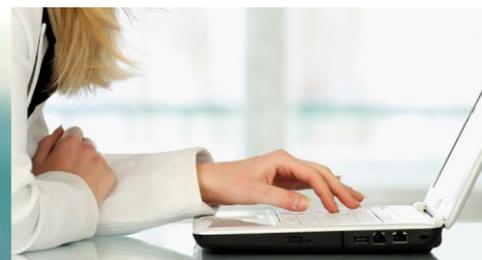


Romania



A summary of recent legislative amendments approved by the Romanian authorities is provided below.

- 1. **Lower rate of VAT on food**page 1
- 2. **Withholding tax on interest income**.....page 1
- 3. **National Bank of Romania lowers reference interest rate** page 2
- 4. **New regulations regarding the management of waste electrical and electronic equipment**..... page 2

1. Lower rate of VAT on food

As of June 2015, a lower rate of VAT of 9% will be introduced for the following goods and services:

- Food, including beverages (with the exception of alcohol), intended for human and animal consumption
- Live domestic animals and birds
- Seeds, plants and other ingredients used in the preparation of food
- Restaurant and catering services (with the exception of alcoholic beverages).

The CN codes used to determine application of the 9% rate of VAT on the aforementioned supplies of goods and livestock will be included in the norms for application of the Fiscal Code pursuant to adoption of a Government Decision in this respect. This Decision is currently in the draft stage.

2. Withholding tax on interest income

From June 2015, the tax treatment of interest income earned by legal entities residing in a European Union or European Economic Area country with which Romania has concluded a double tax avoidance treaty will be brought into line with the tax treatment of interest income earned by Romanian tax residents.

More specifically, these companies can now opt to pay corporate income tax on any taxable interest profit (i.e. on the difference between interest income and any expenses relating to this income) derived in Romania. To do so, these companies will need to register for corporate income tax in Romania. Any tax previously withheld by the Romanian income payer will then be set off against the corporate income tax liability of the non-resident company.

These new rules are being introduced in order to resolve the infringement of EU law in the case of Romania in respect of the freedom to provide services and the free movement of capital by non-residents.

Currently, withholding tax is applied to the gross interest income derived by non-residents in Romania with no possibility to deduct any related costs. This treatment is discriminatory by comparison with the tax treatment of Romanian taxpayers, who are allowed to deduct related costs from taxable interest income.

Source: Government Emergency Ordinance no. 6/2015 amending the Fiscal Code, published in the Official Gazette of Romania no. 250/2015.

3. National Bank of Romania lowers reference interest rate

According to the Romanian Fiscal Code, the deductibility of interest expenses on RON-denominated loans contracted from entities other than banks or other financial institutions is limited to the level of the reference interest rate set by the National Bank of Romania for the final month of the quarter.

The new reference interest rate, applicable as of 1 April 2015, has been set at 2% (down from 2.25%). This therefore also establishes the deductibility limit for the aforementioned interest expenses, assuming no further changes occur by the end of the second quarter of 2015.

Source: Circular letter no. 12/2015 of the National Bank of Romania regarding the reference interest rate, published in the Official Gazette of Romania no. 219/2015

4. New regulations regarding the management of waste electrical and electronic equipment

The Romanian Government has adopted Emergency Ordinance no. 5/2015 regarding waste electrical and electronic equipment (GEO no. 5/2015)

This new regulatory act establishes measures for the protection of the environment and public health by reducing the negative effects of the generation and management of waste electrical and electronic equipment.

Inter alia, GEO no. 5/2015 places the following obligations on producers of electrical and electronic equipment:

- to satisfy the ecological protection requirements that serve to facilitate the reuse and treatment of waste electrical and electronic equipment (*as stipulated in Government Decision no. 55/2011*);

- not to impede the reuse of waste electrical and electronic equipment through the use of specific design features or specific manufacturing procedures, with the exception of where these specific design characteristics or specific manufacturing procedures offer clear advantages (*e.g. in terms of safety requirements*);
- to implement, by 31 December 2015, the collection of waste electrical and electronic equipment from private households in order to achieve an average annual rate of separate waste collection at national level of at least 4 kg per inhabitant.

At the request of the customer, retailers are obliged to take in waste electrical and electronic equipment on a “one-for-one”¹ basis, free of charge, while respecting the same delivery conditions as for the product newly purchased by the customer, provided the equipment is of an equivalent type and serves the same function as the new equipment. Retailers are obliged to inform the customer of this possibility before the latter purchases the new product.

In addition, retailers of electrical and electronic equipment with over 400 square metres of retail space are obliged to provide collection, free of charge, from the end user of waste electrical and electronic equipment of up to 25 cm in size for any one of its external dimensions. This facility must be offered either within the store or in the immediate vicinity thereof, and with no obligation on the end user to purchase electrical and electronic equipment of an equivalent type.

All economic operators performing collection and transport activities for separately collected waste electrical and electronic equipment must ensure optimum conditions are met such that the equipment collected can be prepared for reuse or recycling, including the isolation of dangerous substances in the latter case.

GEO no. 5/2015 transposes into Romanian law the provisions of Directive 2012/19/EU of the European Parliament and of the Council of 4 July 2012 on waste electrical and electronic equipment, as published in the Official Journal of the European Union, series L, no. 197, on 24 July 2012.

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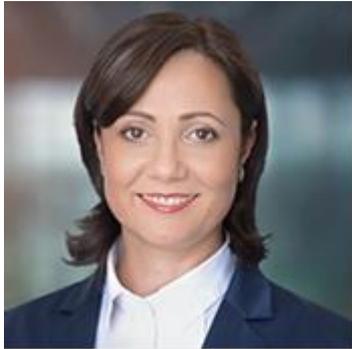
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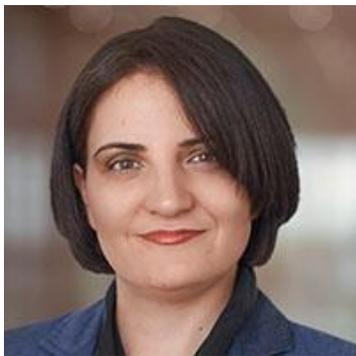
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¹ The system whereby, upon the purchase of electrical and electronic equipment, an equivalent item of waste electrical or electronic equipment serving the same function as the item being sold is taken in by the retailer.

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