

Benefits and other changes in the tax field

by Karla Sinai

In the last few months the Romanian Government has adopted changes in the tax field that are less astonishing than usual. But there are some changes that might be important in practice; we discuss them below.

Reduction of the VAT rate for bio and traditional products

To help producers of organic (bio) products and to encourage the consumption of healthy food, the government has reduced their VAT rate from 9% to 5% as of 1st June. Emergency Ordinance No. 31/2019 ('the EO') applies to high quality products such as mountain produce¹, organic produce, and traditional produce. In case, the approval of the Ministry for Agriculture and Development is required.

Extending the payment deadline for taxes related to the previous tax periods

This EO also postponed the payment deadline for income tax and social insurance contributions owed by natural persons for independent activities for the financial years 2014-2017.

According to the new provisions, the payment period is up to 120 days after the EO comes into force – assuming that the tax payer received statements for income tax and social insurance corresponding to these years². If the taxpayer pays the whole amount due within 60 days of the EO coming into force (ie. before 21st July 2019), they will be granted a 10% fiscal benefit.

Cancellation of outstanding health insurance contributions

The EO also remedies the situation of people who were not insured under the health insurance system based on a reciprocal employment arrangement, and whose annual income (between 1st July 2015 and 31st December 2017) had been below the gross national minimum salary. Until now, health insurance contributions for these people were calculated based on the gross minimum national wage. This sometimes resulted in the health insurance contributions being higher than their actual income. So the obligation to pay such contributions has been cancelled. Insured persons who have already paid their health insurance contribution have the right to reimbursement.

Vouchers

The Ministry of Finance's obligation to put in place the provisions of EU directive 2015/1065, about the treatment of vouchers, has been fulfilled by law 60/2019. The vouchers are now either single or multipurpose vouchers.

When single purpose vouchers are issued, they specify the goods or services which can be purchased. The sale of single purpose vouchers is seen as a taxable supply. If the purchased single purpose vouchers are not used, the VAT already collected cannot be cancelled.

¹ Not further defined, it refers to natural products that are typical for mountain regions

² In this case, the period of 120 days starts after receiving the statement; and within 60 days the benefit will apply

When multipurpose vouchers are issued, the goods or services for which the vouchers are exchanged are not known, so there is no way to establish the applicable VAT rate. So no VAT obligation arises on the issue of multipurpose vouchers. The VAT will be due only after the actual delivery or provision of the goods or services.

Performance place for telecommunication services to non-taxable persons

The same EO has also changed the rules on establishing the performance place for telecommunication, radio and television services, as well as services provided electronically, for non-taxable persons. This new regulation is based on a change in the VAT directive and aims at simplifying companies' fiscal obligations.

The amended VAT directive affects entrepreneurs whose annual turnover from these services falls below €10,000. For these entrepreneurs there is no current obligation to register for VAT in the client's state of residence, since the service provider's state of residence is deemed to be the place of performance.

Conclusion

These amended regulations are small but positive measures of particular benefit to small companies and independent persons.

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