

Corporate sponsorship and promotion of non-profit organisations

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The Romanian Tax Code (Law No. 227/ 2015) provides a number of tax benefits for taxpayers who carry out sponsorship in accordance with the relevant Law No. 32/ 1994 (Sponsorship Law).

Concept

According to the Sponsorship Law, Sponsorship is the legal act by which two persons agree on the transfer of ownership of material goods or financial resources by the sponsor to the beneficiary for the latter's support of charitable activities.

Sponsorship always requires a contract between the sponsor and the beneficiary, which must be concluded in writing and specify the object, value, and duration of the sponsorship as well as the rights and obligations of the parties.

Tax benefits

The Tax Code contains various provisions on the relief available to companies that carry out sponsorship. Depending on their tax situation, a distinction can be made between **corporate taxpayers** and companies subject to the so-called **micro-enterprise tax**.

➤ **Entities subject to corporate income tax:**

In accordance with art. 25(para. 4 (i) of the Tax Code, amounts granted as sponsorship during a year shall be deducted from the corporate income tax due for that year up to the lesser of the following two amounts:

- 0.75% of the turnover from the year in question
- 20 % of the corporate income tax owed.

If the beneficiary reimburses the taxpayer for the amount of the sponsorship in a financial year other than the one in which the sponsorship was granted, the amount deducted from corporate income tax for this sponsorship in previous tax periods is added to the tax payable in the quarter/ year of the sponsorship reimbursement. Where a sponsorship refund occurs in the same tax year, the taxpayer shall adjust the amounts deducted from corporate income tax in previous quarters in the quarter/ year of the refund.

If the taxpayer has not reached the maximum limit for sponsorship provided for in art. 25 para. 4 (i) of the Tax Code, he may direct the corporate income tax in the amount outstanding up to this maximum limit to a designated beneficiary (cf. below). This is done by submitting a form within six months of filing the annual corporate income tax return. It is

worth mentioning that the obligation to pay the diverted corporate income tax amount is the responsibility of the tax authority.

➤ **Micro-enterprise taxpayers**

In the case of micro-enterprises, the calculation of the maximum amount that can be granted as sponsorship is made on a quarterly basis in accordance with art. 56 para. (1¹) of the Tax Code. Micro-enterprises are allowed to deduct the amounts granted as sponsorship from the micro-enterprise tax up to an amount equal to 20% of the micro-enterprise tax for the quarter in which they recorded the sponsorship expenses.

If a microenterprise does not fully use the amount calculated in compliance with art. 56 (1¹), it may also transfer the microenterprise tax to one of the beneficiaries mentioned below for sponsorship purposes in the amount of the difference thus calculated for the entire tax year. This is done within six months from the submission of the tax return for the fourth quarter, also on the basis of a form. The obligation to pay the diverted amount is the task of the tax authority also in this case.

Beneficiaries

Both for taxpayers paying corporate income tax and for micro-enterprises, the essential condition for benefiting from these reliefs is that the beneficiary of the sponsorship is registered in a specific register of beneficiaries (*Rom. Registrul entităților/ unităților de cult*) at the time the contract is concluded. Any interested person can verify in this register at <https://www.anaf.ro/RegistrulEntitatilorUnitatilorCult/> whether a beneficiary is registered, by entering its tax identification number.

Tax return

Taxpayers granting sponsorship are obliged to submit a tax return (declaration 107 in the ANAF nomenclature) informing on the beneficiaries of the sponsorship by 25.01. of the following year.

Conclusion

The Romanian Tax Code contains a number of provisions on sponsorship that make it easier for companies to donate part of the tax owed to the state to various non-profit organisations under certain conditions.

Since this diversion does not entail any additional costs, it would be desirable that a larger number of companies support the activities of various NGOs listed in the relevant register in this manner.

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