

## **Tax changes with effects from 2023 - renewed amendments are imminent** *by Costin-Nicolae Briscan, Accounting & Taxation Services*

After the Romanian Parliament amended the Tax Code in 2022 through Regulation 16/2022 (“**the Regulation**”), it adopted a new amendment to the Regulation and thus further adjustments to the Tax Code on 16.11.2022.

The new amendments to the Regulation were sent to the Romanian President for promulgation; they will take effect with the subsequent publication in the Official Gazette.

The most important changes that are to come into force from 01.01.2023 are presented here.

### **Interim dividends**

The distribution of a company's profit in the form of dividends may be made annually or quarterly. Dividends distributed on a quarterly basis (interim dividends) must be settled after the annual financial statements have been filed.

According to the Regulation, the tax on interim dividends distributed in 2022 will continue to be 5%. This clarifies that the increase in the dividend tax to 8% will only affect dividend income that belongs to the fourth quarter of 2022.

### **Microenterprises**

The threshold of EUR 500,000 introduced for 2023 for the change from microenterprise to corporate income tax remains unchanged. However, for microenterprises whose revenues are below EUR 1 million in 2022, the taxation system does not change. Thus, the new rule for the transition to corporate income tax will only apply to revenues in 2023.

According to the Minister of Finance, the threshold of EUR 500,000 could be further reduced in the future depending on the impact of this change.

As reported, from 2023, the microenterprise status will no longer be available to companies that derive at least 20% of their income from consulting and/ or management. However, the regulation exempts companies that are active in the fields of accounting, financial auditing or tax consulting (more precisely CAEN 6920) and have at least one employee.

### **Cashless payments**

One important change affects companies that operate retail or wholesale businesses or provide services and record cash receipts of more than RON 50,000 within a year. From 2023, these companies will be obliged to accept debit, credit, or prepaid cards as a means of payment and to install POS systems and payment acceptance applications for this purpose. Previously, the obligation applied only to companies with an annual turnover equivalent to more than EUR 10,000.

This obligation takes effect from the quarter following the quarter in which cash receipts exceed the threshold. Non-compliance may result in fines of between RON 20,000 and RON 50,000.

The obligation expires if the value falls below the threshold for two consecutive years; however, companies may continue to accept non-cash payments if they wish.

## Real estate taxes

Local taxes on real estate will not be increased after all. Originally, the Regulation contained a provision according to which, as of 2023, the tax base is to be calculated based on the values resulting from the market studies of the Romanian Chamber of Notaries on the indicative values of real estate in Romania.

According to the current status, the change or increase will be implemented starting in 2025.

Local authorities may also grant property tax exemptions or reductions for certain types of new or renovated buildings for residential purposes. This applies to owners who undertake measures on their buildings at their own expense that improve energy performance. This includes the installation of photovoltaic power generation systems or certified environment-friendly systems for the collection and treatment of wastewater from self-consumption.

## Gambling

In the case of income from gambling, characteristic of casinos, poker clubs, slot machines and the sale of lottery tickets, the tax exemption amount will be changed from 2023. It will be reduced from the current RON 66,750 to RON 1,000. In addition, the review of the tax-free amount will be carried out for each payment, regardless of the type of game in which the income was earned.

## Taxation of part-time employment

The taxation of part-time employment contracts based on the full minimum salary has not been changed. According to the current status, this provision will therefore apply in 2023.

## Conclusion

With the draft Regulation, the legislator aims to clarify issues that are open to interpretation (such as the transitional regime for dividend taxation), to correct an inappropriate legal provision (the new threshold for microenterprises will apply from 2023) and to postpone the introduction of some tax increases. Although it had different expectations, the Romanian business community welcomed the adopted changes. The presidential proclamation and publication are still pending for them so they can come into force.

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