

Government austerity package with tax implications

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The new Romanian ruling coalition, composed of pro-European parties, has decided to take responsibility before Parliament for a draft law (the “**Draft**”) concerning a series of fiscal and budgetary measures. The declared aim is to reduce the budget deficit and prevent the country's credit rating from being downgraded by international agencies.

The draft is considered adopted if, within three days of its submission to Parliament, a motion of no confidence is either not filed or fails. If a motion of no confidence succeeds, the government is dismissed and the Draft is rejected.

The Draft regulates a number of specific measures, particularly in the areas of taxation, public spending, education, health and transportation. The following section outlines the tax-related measures.

➤ **Dividend tax**

As of January 1, 2026, the tax rate on dividends for resident and non-resident individuals and legal entities will increase from 10% to 16%. The new rate applies to dividends distributed starting January 1, 2026. Dividends distributed based on interim financial statements for 2025 or a financial year modified in 2025 remain taxed at 10%. Thus, there is no need to recalculate the tax when finalizing the 2025 annual financial statements.

➤ **Turnover taxation for credit institutions increases**

Initially, the tax was set at 2% of turnover for 2025 and 1% for 2026. According to the Draft, from July 1, 2025 to December 31, 2026, this tax will be 4% of turnover. Credit institutions with a market share of less than 0.2% of the total net assets of the Romanian banking sector are exempt.

➤ **Gambling**

The tax rate on income from prizes and gambling will increase from 3% to 4% for amounts up to 10,000 lei. The tax rates for the other income brackets remain unchanged.

1. Taxation of Individuals

Income from the sale of ferrous and non-ferrous metals and alloys from personal assets is included in the taxable income (10%) of individuals.

Spouses and parents without their own income who are dependent on an insured person will no longer be exempt from paying the health insurance contribution.

Pensioners will owe a health insurance contribution for the portion of their pension exceeding RON 3,000.

➤ **Value added tax**

The standard rate will increase from 19% to 21%. This applies to taxable transactions that are not exempt from VAT or are not subject to a reduced rate.

The previously existing reduced rates (5% and 9%) will be merged into a single rate of 11%. This applies to a variety of goods and services, such as the supply of human-use medicine, food, beverages, food supplements, fertilizers, pesticides, (hand) books, newspapers, magazines, services, entry to museums, castles, memorials, historical monuments, zoos and botanical gardens, as well as accommodation, restaurant and catering services, etc.

The reduced rate of 9% for homes sold under social policy (i.e., homes up to 120 m² and a value of up to 600,000 lei excluding VAT) will be abolished. For preliminary contracts concluded by July 31, 2025, the 9% rate remains applicable until July 31, 2026, provided the home is habitable at the time of delivery, no later than that date, and no other home was purchased at a reduced VAT rate since January 1, 2023. Proof of payment of a 20% down payment (excluding VAT) made by July 31, 2025 is required.

The VAT exemption for construction/modernization services and supplies of medical equipment to hospitals owned by non-profit entities will be abolished as of August 1, 2025. For invoices issued after this date that relate to transactions before August 1, 2025, the exemption will be granted through reimbursement from the state budget according to a procedure established by the Minister of Finance.

➤ **Excise duties and other special taxes**

Excise duties on alcohol and alcoholic beverages, tobacco products and energy products (gasoline, diesel, LPG, natural gas, coal, electricity) will be increased.

Conclusion

The Romanian government hopes that the measures it has assumed responsibility for in Parliament will reduce the budget deficit in order to achieve the objectives agreed with the European Union. A second tax package for this purpose is already under discussion.

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