

09 September 2020

Fiscal Bulletin



Summary:

1. **Government Emergency Ordinance No. 153/2020 regarding certain fiscal measures to stimulate the maintenance/increase of equity, as well as to supplement some normative acts (“GEO 153/2020”)**

Fiscal measures to stimulate the increase of equity in the context of the economic difficulties caused by the COVID-19

In the context of economic and financial difficulties caused by the COVID-19 pandemic, in order to ensure additional financial resources to taxpayers, by reducing the tax burden, given the need to stimulate and develop Romanian capital, the Romanian Government adopted the Government Emergency Ordinance No. 153/2020 on some fiscal measures to stimulate the maintenance / increase of equity, as well as to complete some normative acts (“GEO 153/2020”), published in the Official Gazette No. 817/04.09.2020.

In the following we summarize the main aspects included in the mentioned normative act:

1. **Granting a reduction of the income tax/ micro-enterprises tax/ specific tax, for the maintenance / increase of equity**

Taxpayers who register positive equity and those who increase their equity will benefit from reductions for payment of micro-enterprise income tax, corporate income tax and specific tax for certain activities, if they meet certain conditions, as follows:

- A 2% reduction of the tax due, if the accounting equity, presented in the annual financial statements, respectively in the annual accounting reports of the permanent establishments of legal entities resident in states belonging to the European Economic Area, is positive in the year for which the tax is due.
- Additional gradual reductions, if in addition to the registration of a positive equity, the taxpayers also register an annual increase of the equity of the year for which they owe the tax compared to the equity registered in the previous year, as follows:
 - 5% reduction in case the increase in equity is up to 5%;

- 6% reduction in case the increase in equity is between 5% and 10%;
 - 7% reduction in case the increase in equity is between 10% and 15%;
 - 8% reduction, in case the increase in equity is between 15% and 20%;
 - 9% reduction in case the increase in equity is between 20% and 25%;
 - 10% reduction in case the increase in equity is over 25%.
- A 3% reduction, applicable starting with 2022 in case of an increase in equity above a certain percentage compared to the level of 2020 (5% in 2022, 10% in 2023, 15% in 2024 and 20% in 2025) and provided that the condition set out in the first point is fulfilled (positive equity).

In all cases, in order to benefit from any of the reductions mentioned above, the accounting equity should also meet the condition of being at the level of at least half of the share capital.

The above tax reduction percentages shall be cumulated, if several of the conditions listed above are met at the same time.

In order for these reductions to be granted, the deadlines for declaring / paying the profit tax / are postponed until 25th of June of the following year and for the taxpayers having a different fiscal year than the calendar year until 25th of the sixth month following the end of the amended fiscal year. The deadline for submitting the declaration for the fourth quarter and the payment of the microenterprise tax for this quarter due by the payers of the microenterprise tax and the deadline for submitting the declaration for the second half and the payment of the tax for this semester due by the payers of the tax for specific activities are also postponed until 25th of June of the following year.

The above provisions shall enter into force starting with 1 January 2021 and shall apply for the period 2021-2025.

2. Amendments brought to the GEO No. 33/2020 clarifying certain aspects related to the application of quarterly reductions to the payment micro-enterprise tax and corporate income tax

It is clarified that for the finalization of the profit tax related to the fiscal year through the annual profit tax return, the applied reduction is deducted from the value of the profit tax related to the fiscal year, and if the reduction exceeds the value of the profit tax related to the fiscal year, the reduction to be taken into account is at the level of the respective profit tax.

It is also clarified that in case of taxpayers having a fiscal year different than the calendar year which applies the quarterly profit tax regime, the reduction is also applied for the last quarter. In this respect, the difference of profit tax due determined at the end of fiscal year is considered as profit tax due for the last quarter. The provisions also apply to the profit tax difference due, determined at the end of the fiscal year, if it is paid by the due date

between December 26, 2020 - February 25, 2021. In case the above taxpayers have filed their profit tax return without the application of the reduction, they can benefit from the reduction by submitting a rectifying profit tax return.

In addition, it is clarified that the reduction is also granted for the quarterly profit tax due / quarterly advance payment, which is extinguished with the profit tax recoverable from previous fiscal years.

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