



Tax Flash GEO 117/2010

Government E.O. 117/2010 completing and modifying the Tax Code and certain fiscal measures

No. 22 / 2011

January 5th, 2011

In order to respect the commitments undergone by the Romanian Government and the obligation to transpose the provisions of the European Directives for VAT purposes, GEO 117/2010 has been issued for the completion and modification of the Tax Code, with the following provisions worthwhile mentioning:

1. Corporate tax:

- Broadening the provisions for non-deductibility of the expense incurred with the acquisition of vehicles and related gas up to 31.12.2011;
- The fiscal loss registered for the 2 periods within 2010 will be reclaimed from future profits spanning 7 years, the period October 1st – December 31st 2010 considering to be 1 fiscal year;

2. Income tax:

- Broadening the provisions for non-deductibility of the expense incurred with the acquisition of vehicles and related gas up to 31.12.2011 for individuals obtaining incomes from independent activities;
- Imposing the incomes obtained by individuals from joint ventures with the rate prevailed for micro-enterprises;
- Imposing the incomes derived from difficult to track sources with 16% income tax;
- Introduction of a new method to compute the net annual earnings from transferring securities, other than shares (i.e. deduction from the net annual earnings of the fiscal loss registered in the past years);
- Re-computation by the tax authority of the updated payments for the income tax payable by the individuals obtaining incomes from independent activities, in case during the fiscal year the said taxpayers stops the activity. The taxpayer is obliged to announce the interruption of the activity within 15 days from the event by submitting a request backed up by explanatory documents;

3. Micro-enterprise tax:

- Re-introducing the tax for micro-enterprises in quote of 3% applied to the total revenues;

4. VAT:

- Modifying the provisions regarding the good deliveries and services offered free of charge. The said services/goods will be taxed only in case they are related

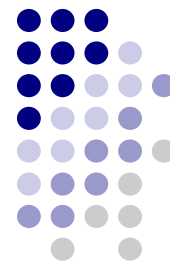
Our areas of practice:

- **Tax Advisory Services**
- **Accountancy & Payroll**
- **Audit & Assurance**
- **Legal Services**
- **Financial Advisory**
- **International Executive Services & Immigration**
- **HR Services**

Contact us :

11 Dr. Thoma Ionescu Street
5th District, 050572 Bucharest
Romania

Phone: +40 (31) 405 10 17
Fax: +40 (31) 405 10 18
E-mail: office@mirus-group.eu
Web: www.mirus-group.eu



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with the economic activity of the taxpayer;

- Broadening the provisions for non-deductibility of the VAT incurred with the acquisition of vehicles and related gas up to 31.12.2011;
- Introducing the possibility to request the cancelation of the VAT code for taxpayers having an annual turnover below the floor of 35.000 EUR, in order to apply the exemption treatment;
- Introducing new provisions regarding the import and place where the import is deemed sourced for natural gas and electricity. The special regulations will apply for imports and deliveries of natural gas and electricity performed through systems located within the EU;
- Applying a unique platform for the place of services related to the access to any system or network for natural gas and electricity as well as for heating and cooling systems;
- Introducing the provision regarding taxation of transports outside EU where the service is actually rendered;
- Introducing the obligation to submit notifications to the Tax Authority regarding the turnover below the floor of 35.000 EUR;
- Applying the reverse charge for the transfer of certificates for greenhouse gases and any other units that could be used by taxpayers as per EU Directive 2003/87/CEE issued by the European Parliament;

5. Excises:

- Pointing out the level of excises for the year 2011;
- Increasing the level of excise for certain energetic products and cigarettes;
- Preserving the level of excises for coffee and related products for the year 2011;
- Eliminating the exemption from payment of excise in case of cigarettes intended for scientific tests or quality testing;

6. Social security:

- Providing the definition for the incomes on which social security is applied according to the conditions in which the insured individuals could benefit from;
- Introducing the sole return in which both social security and income tax is reported to the Tax Authority as well as to the social security budgets;

7. Gambling:

- Introduction of the entrance tax to casinos and slot-machine places valid for 24 hours, tax that will be shaped into an entrance ticket;

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