



## Tax Flash Decision no. 248/2011

### Decision no. 248/2011 approving the procedure related to the indirect methods for the establishment adjusted taxable base

Commencing 2010, Emergency Ordinance no. 117/2010 entered into force to tax undeclared incomes earned by individuals with expenses or net worth exceeding 10% but not less than 50.000 RON thresholds out of reported incomes.

According to Emergency Ordinance no. 117/2010, any incomes detected by tax authorities as undeclared will be taxed with 16% applied on the upward adjusted taxable base.

The adjusted taxable base will be assessed according to Decision no. 248/2011 following methods:

- a. Sourcing and disbursements of fund method;
- b. Cash flow method;
- c. Patrimony method

Sourcing and disbursement of fund method consists in comparing expenses incurred by an individual with related incomes reported in the period subject to audit. Any surplus of expense toward the reported value could represent undeclared taxable income.

Cash flow method consists in analyzing the in/out from the individual's bank accounts, as well as the in/out of cash, in order to establish the monetary movements and match them to the sources and the source use.

The patrimony method admits settlement of adjusted taxable base by analysis of the net asset upwards/downwards, after adjusting with expenses incurred and non-taxable incomes.

Selection of the indirect methods used for the adjustment of the taxable base stays with the tax authorities and will be performed considering the actual status of the individual, information source and documents provided.

The tax audit will be foregone by two preliminary steps, as follows:

1. The risk analysis and selection of individuals to be subject to prior documentary inspection.

The risk analysis refers to activity performed by the tax authorities to identify, estimate and manage the risks of undeclared incomes.

2. The prior documentary inspection of the individual consists in comparison of all reported incomes by an individual, subject to tax audit or a comparison between the reported payments performed by the income payers and reported incomes performed by the beneficiary individual within the same period.

In case of material discrepancies between reported incomes and earned incomes according to the documentary inspection, tax authorities will proceed to a formal tax audit by written notification 15 days prior to the tax audit.

Within 60 days from receiving the written notification, the individual subject to tax audit will be required to provide explanatory documents for clarification of its personal fiscal status.

Postponement of the starting date on the tax audit could be done only once. The postponement request will be responded to within 5 days from submission.

The tax audit will be performed only once for the income tax and for each taxable period, but the tax authorities could dispose the re-verification in case new elements that could alter the initial imposition appear or certain computation errors have influenced the results.

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