

# 2023 ROMANIA BUSINESS DESTINATION

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# ROMANIA BRIEFLY



With a marketplace of 19 million, numerous people who speaks more than 2 languages, a great geographical position with access to the Black Sea and a good understanding of both European and Balkan/Asian work culture, Romania offers significant opportunities to foreign businesses.

Its capital and largest city is Bucharest, and other major urban areas include Cluj-Napoca, Timișoara, Iași, Constanța, Craiova, and Brașov.

**Romania ranks 53nd** in the Human Development Index report for 2021, and is a developing country. It has **the world's 46th largest economy by nominal GDP** and an annual **economic growth rate of 5.7%** (2022).

Following rapid economic growth in the early 2000s, Romania has an economy predominantly based on services, and is a producer and net exporter of machines and electric energy, featuring companies like Automobile Dacia and OMV Petrom.

It has been a member of the United Nations since 1955, part of NATO since 2004, and part of the European Union since 2007.

The national currency is the RON, which equals 0.21 EUR. Part of the National Strategy, Romania aims to apply the euro system by 2028.



## 10 year overview

# WHERE WE ARE NOW

In 2021, Romania passed the threshold of 100 billion euros regarding the balance of foreign direct investments (FDI), according to the data of the National Bank of Romania.

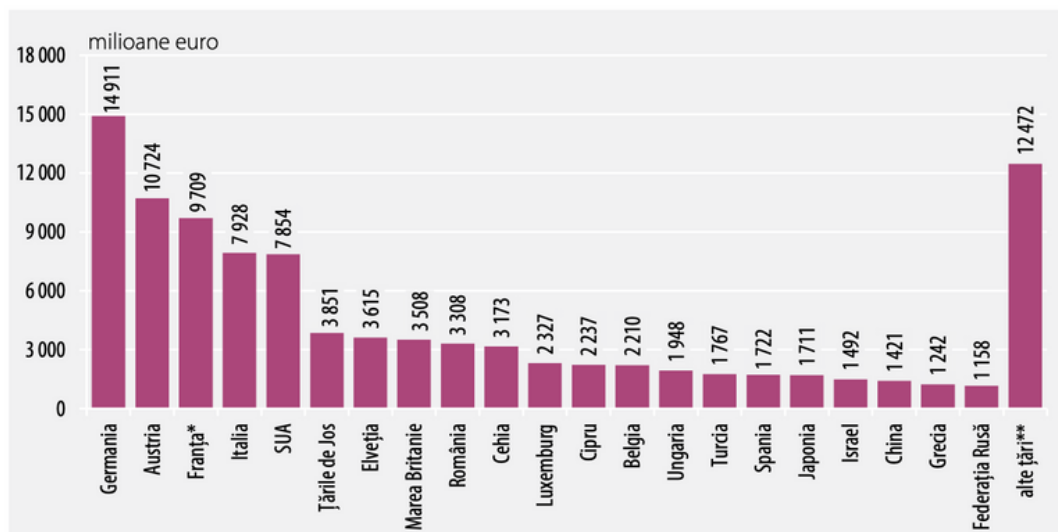
The FDI had been registering a continuous growth in the last decade. Compared to 2010, the increase was 91%, which is equivalent to an increase of 47.7 billion euros in the FDI balance.

Economists translate these figures into the idea that **Romania has been and continues to be a generally attractive location for foreign investors.**

## 2022 came with new investment increases

Foreign direct investments also increased in the first half of the year, more precisely by 21.47%, up to 4.379 billion euros, compared to 3.605 billion euros in the similar period of 2021, according to data from the National Bank of Romania.

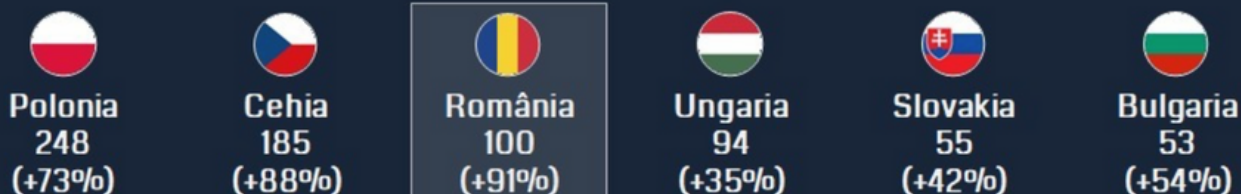
**The direct investments of non-residents in Romania totaled 4.379 billion euros (compared to 3.605 million euros in the period January - June 2021, of which equity participations (including the estimated net reinvested profit) totaled a net value of 3.115 million euros, and intragroup loans had recorded a net value of 1.264 billion euros.**



Surse: Banca Națională a României (BNR) și Conferința Națiunilor Unite pentru Comerț și Dezvoltare (UNCTAD)

### Comparație regională

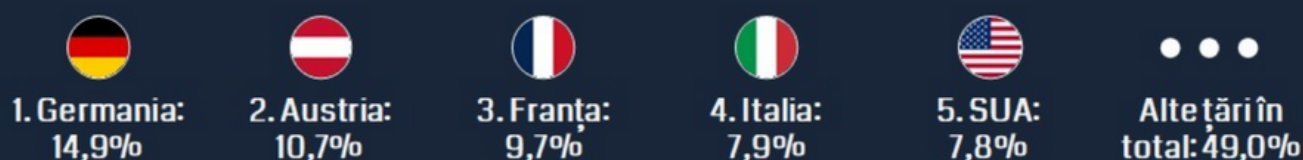
(sold ISD în 2021 - miliarde de EUR / comparat cu 2010 - %)



### Evoluția soldului ISD în România



### Țări de origine conform investitorului final (% din sold ISD)



## A REGION REVIEW

Compared to the FDI in the region Romania holds the 3th position as a business destination for the last 10 years.

# CONDITIONS FOR A LIMITED COMPANY

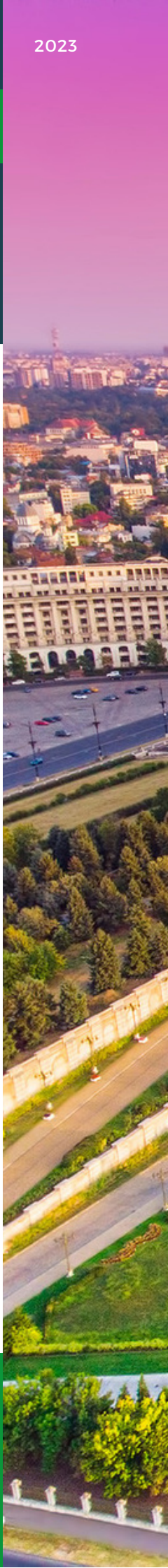
## The types of limited companies

Type of company	Shares	Shareholder's liability	Number of <u>shareholder</u>
Limited Liability Company	EUR 50	The shareholders respond in the limit of the contribution to the share capital.	1 – 50
Joint Stock Company	No less than EUR 25,000	The stockholders respond in the limit of the subscribed shares.	No less than 2
Branch	N/A	The Mother Company is liable for its branch.	N/A

The procedure for opening a company in Romania is **100% manageable from abroad**. The list of documents one might need is quite stable: **clean criminal record from the residency country, a notary proved signature sample, the identity documents and a procurement for your lawyer** is enough to start your business in Romania.

After collecting all the papers, contracting a headquarter and establishing the "dream name" for your next company, the process will be around 7 days to get your company incorporated.

Make sure that after incorporation you get the activity authorised according to the local legislation.





## THE VAT - 19% 9% 5%

The standard VAT is 19%, however 3 VAT rates are applied in Romania, and the inclusion in one of the taxation standards being classified according to the CAEN codes (fields of activity). For example, food products, including beverages, are subject to a VAT rate of 9%, while alcoholic beverages are subject to a VAT rate of 19%.

As per of EU Romania will sell goods and services abroad applying reverse tax (0 VAT) if the transport will be proved and the delivery will be clear and supported by documents.

When importing goods from NON EU countries, the company established in Romania will pay the proper VAT quota at the border, upfront to recovering the imported goods. The cross border VAT will be included in the monthly/quarterly VAT reported and deduced accordingly.

Romania has implemented certain VAT control tools such as One Stop Shop that gives the possibility to submit one report for each VAT which is due according to the transnational or distance sale made.

Also, other EU reporting systems such as e-transport, e-factura and SAF-T are currently in use and mandatory to comply with.

For VAT purposes but especially for income tax check Romania (although not a member of OECD) has imported the legislation specific to transfer price regulations and applies it.



- An internal market of 20 Million inhabitants, **the 7th country in EU** by its population;
- Important tradition in industries and one of the cheapest workforce in EU on this sector;
- **6% of GDP** is produced by the growing **IT sector**;
- 5th place in EU's funding plan in 2021;
- Low-cost taxation system.

**16%**  
PROFIT TAX

**1%**  
INCOME TAX

**10%**  
PERSONAL TAX

**8%**  
DIVIDEND TAX

## PROFIT TAX VERSUS INCOME TAX

# WHAT YOU SHOULD KNOW

# 16%

OF PROFIT

# 1%

OF INCOME

When a company incorporates it can choose between paying a 16% profit tax or 1% income tax. The 1% income tax is usually targeted and in order to obtain and maintain it, a company needs to fill a set of conditions:

1. The company needs to employ at least 1 person for 8h/day, with a minimum monthly cost of 620 euros.
2. The turnover must be under 500.000 Euro/year
3. The activity of the company must not be assimilated to consultancy and management activities .

All the companies that do not fulfill all the listed conditions, will be considered as a profit tax company .

## Limited deductibility in profit tax calculation:

a) protocol expenses within the limit of a 2% quota applied to the accounting profit,  
 b) social expenses, within the limit of a quota of up to 5%, applied to the value of staff salary expenses,  
 c) expenses representing meal vouchers and vacation vouchers granted by employers, according to the law;  
 d) losses, perishables, losses resulting from handling/storage, according to the law;  
 e) technological losses that are included in the own consumption norm necessary for the manufacture of a product or the provision of a service;

f) expenses representing the quantities of electricity consumed at the level of the own technological consumption norm or, in its absence, at the level of the norm approved by the National Energy Regulatory Authority, which also includes own commercial consumption, for taxpayers in the field of electricity distribution ;  
 g) expenses with provisions/adjustments for depreciation and reserves,  
 h) interest expenses and other costs equivalent to interest from an economic point of view,  
 i) depreciation,





## PERSONAL AND DIVIDEND TAX

# WHAT YOU SHOULD KNOW

# 10%

PERSONAL TAX

# 8%

DIVIDEND TAX

The dividends can be retrieved on a quarterly basis and the dividend tax will be calculated for each instalment.

- If the shareholder is a foreign company, owning minimum 10% of shares for at least 1 year and being registered for profit tax payment in the country of origin, then the dividend tax is 0.
- If the shareholder is a person, resident or non-resident of Romania, then 8% of tax will be calculated with each instalment. An extra social contribution of 360 Euro to 1.454 Euro will be paid when the dividends will surpass certain ceiling.
- In order to evaluate correctly your future gain make sure you correlate this information with the double taxation convention between Romania and your origin country and that you know your obligations for gains abroad.

## The personal tax

A non resident person can still have independent economic activities, separate to the activity of the company.

Such activities must not happen occasionally and should refer directly to independent provided goods or services on the territory of Romania.

If such a case will occur, than the person will need to pay a personal tax of 10% on annual bases and contribute to social funds for minimum 360 or maximum 1.454 Euro, in correspondence to the obtained income.



sneak peak to our

# SALARIES

The average net salary in December 2022 was **4398 lei/888 Euro**, up 257 lei (+6.2%) compared to November 2022, according to the data published by the National Institute of Statistics.

Compared to December of the previous year, the average net salary increased by 13.4%. The highest values of the average net wage gain were recorded in December in the manufacture of coke oven products and products obtained from the processing of crude oil, a sector that surpassed IT this month, a field that is traditionally at the top.

In December 2022, the average gross salary was **7107 lei/1.435 Euro**, **428 lei (+6.4%) higher than in November 2022**. The highest values of the average net salary were recorded in the manufacture of coke oven products and products obtained from the processing of crude oil (11,540 lei), and the lowest in the manufacture of clothing (2361 lei).

The salary cost is different by geographical area. There are important differences between the Capital City - Bucharest and the rest of the country.

Other important cities such as Cluj, Timisoara, Brasov, Sibiu, Oradea, Iasi will have a peak in labor work cost while low university centres will be more cost-approachable. A good strategy is to really study your market and choose wisely where you want to position yourself.

The social contributions in Romania are 35% paid by the employee (but managed by the employer) and 2.25 % paid by the company that adds to the 10% Personal income tax. There are some exemptions on the income tax, for several categories of employees:

- IT specialists
- Employees with disabilities
- Employees who work in Research and Development (R&D) or Technological Development field
- Employees who work in construction field, for 2019-2028.



# HOW CAN WE HELP?

Green Books is a Romanian LTD based in Brasov-Sibiu-Bistrita that offers solid financial advisory services, designated for cross-border businesses, with 9 years experience in transnational taxation.

We are specialised in accompanying exchanges between TURKEY-ROMANIA-FRANCE and we are equipped in advising transnational taxation issues.

We can assist you in locating your business in Romania and accompany your fiscal and social file cross-border, offering you support in managing your taxes cross- countries.

We team up with your local teams and build together a powerful reporting system to make sure you get not only the best taxation system implied but also the best view on your figures.

**WE CAN WORK  
ON YOUR  
BUDGET  
TOGETHER**





# ARE YOU READY FOR ROMANIA?

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You can book a meeting with our professionals and obtain a preview of your future structure and costs.

Write us and check our site for references and more informations.

## HOW CAN YOU GET IN CONTACT?

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