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FISCAL AMENDMENTS REQUIRED BY ROMANIA'S ACCESSION TO THE EUROPEAN UNION

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Abstract: On the background of creation of a unitary fiscal system at the European Union's level, the legislative framework in Romania on the financial-fiscal field underwent a series of amendments with a view to achieve the objectives related to the extension of the taxation basis, to taking over the directives in the field from the European Union's legislation and to improvement and simplification of the regulatory environment. Next we shall try to summarize *the main legislative amendments*, by type of tax and fee entered into force after 1 January 2007 that directly affect both the business environment in Romania and every single citizen.

The first fiscal harmonization measures at European level were taken in the field of indirect taxes, as the purpose of harmonization is more difficult to achieve in the case of direct taxes, because at the European Union's level there are economies under different development stages and with specific aspects from one state to another.

Therefore, the most important modifications affected the economic agents registered as *value-added tax* payers. In this field, the significant measure is represented by opening of customs barriers between European Union Member States, by abolishing border controls within the EU on goods.

The export of goods from Romania to another European Union Member State is currently referred to as „intra-Community delivery of goods”, while the import of goods from another Member State is referred to as „intra-Community acquisition of goods”.

Within the Union there is a series of regulations that stipulate the conditions under which the Member States shall exchange information in order to avoid fiscal fraud in the field of value-added tax.

In this respect the specific legislation settles the binding character of submitting quarterly recapitulative statements regarding the intra-Community acquisitions and deliveries, in order to allow the Member States to control the operations performed.

From the fiscal point of view, we cannot speak of intra-Community delivery if there is no intra-Community transport of the respective goods that is regulated differently than the internal transport of goods from the Union's Member States and third countries.

Unlike the international transport of goods afferent to an import or export, the intra-Community transport is not value-added tax exempted except in the case of customer's communication of the registration code for VAT purposes valid in the origin country.

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The registration code for VAT purposes issued by Romania is made of the prefix „RO” followed by the unique registration code. Every contributor who wants to perform intra-Community operations must have a valid registration code for VAT purposes issued by the National Agency for Fiscal Administration, with the purpose of invoicing without value-added tax by the service providers and application of reverse charge by the customer from another Member State, provided that he is also registered for VAT purposes.

Since the beginning of this year, the utilization of fiscal invoices with special regime is no longer mandatory and goods circulate accompanied by invoices issued by every Member State which however have to be accepted in the state of the intra-Community acquisition.

Amendments in the value-added tax also had consequences in *the real estate field* for the following reasons:

- ✓ the leasing of immovable property is exempt from VAT payment;
- ✓ deliveries of non-building land and old immovable goods are exempt from VAT payment, however the adjustment of the VAT deduction right exerted for the respective good is compulsory;
- ✓ change of the initial destination of the immovable property, respectively its utilization within a sector which gives right of deduction in a certain extent unlike the initial deduction shall be accompanied by the binding force to adjust the right of deduction within a period of adjustment which in Romania was set for 20 years.

As from Romania's accession, the value-added tax exemptions that were not in line with the Community acquis were eliminated for: research-development activities, income obtained by Transferable Securities Companies for administration and deposit of shares, equity securities, debt securities, veterinary medical care and fee for commodity exchange transactions.

Under these amendments came the taxable economic agents from Romania, with a turnover higher than the equivalent in lei of EUR 35 000, the others may request the exemption from VAT payment for paid delivery of goods or supply of services.

The measures concerning the modification of the taxation basis for the calculation of *the income tax* are:

- ✓ extension of the taxation basis by limiting the categories of deductible reserves for the banking companies, mortgage credit companies, insurance and reinsurance companies, credit institutions and by eliminating some fiscal facilities included in special regulatory actions which do not comply with EU principles;
- ✓ elimination of impediments occurred when establishing the deduction of some expenses for accommodation, transport, daily allowance etc,;
- ✓ the annual tax with anticipated quarterly payments within one year was introduced for the banking companies with headquarters in Romania or for the branch offices of foreign banks from Romania

For a more efficient administration and clarification of *the income taxation procedure* the following *amendments* were made:

- ✓ elimination of salary tax exemption as a consequence of the programming-informatics activity;
- ✓ retention of a tax during the year for income from securities transactions and from the forward operations of currency sale and purchase on contract basis and 16 % tax adjustment on the basis of the annual net income;
- ✓ extension of the taxation basis by including in the income from agricultural activities and the income from capitalization of agricultural products obtained after harvest.

With reference to the *micro enterprises income tax* its level was set to 2% for the year 2007, expected to rise to 2,5% for the year 2008 and to 3% for the year 2009.

Firms that achieve more than 50% of the total income obtained from assistance and management services are no longer considered micro enterprises; this measure also applies to the entities that obtain income higher than EUR 100 000 in one year and that are liable for income tax payment by recalculation of this fiscal duty on the basis of aggregate annual income, from the beginning of the year.

Significant amendments were made in the field of *excise duties*, among which there are:

- ✓ introduction of excise duties for natural gas used as fuel for heating, for commercial purpose;
- ✓ reduction of excise duties for pure alcohol;
- ✓ increase of excise duties for: leaded gas, fuel oil, natural gas used as fuel, electricity used for commercial and non-commercial purpose;
- ✓ exemption from excise duties payment for biocarburants;
- ✓ exemption from excise duties payment for engine fuels used for dredging operations in navigable watercourses and in harbours;
- ✓ exemption from excise duties payment for engine fuels used in the field of production, development, testing and maintenance of aircraft and ships;
- ✓ exemption from excise duties payment for electrical energy produced by renewable energy sources;
- ✓ elimination of excise duty for air-conditioners and reduction of those for jewels and coffee.

For the calculation of excise duties expressed in euros, there shall be used the exchange rate communicated by the National Bank of Romania for one year, communicated in the first working day of October of the preceding year.

With reference to *local taxes and fees* we shall remind the following amendments:

- ✓ the collection of local taxes and fees is made in 2 terms, in equal rates, until 31 March and until 30 September;
- ✓ increase of tax on sport and pleasure boats;
- ✓ the tax on buildings with a surface over 150 square meters shall be increased with 5% for each 50 meters;
- ✓ higher special matriculation tax for non-Euro vehicles or for vehicles that satisfy the Euro 1, Euro 2 or Euro 3 emissions standards, taking into account the cylindrical capacity and length of service of the vehicle, however the tax level is maintained for the Euro 4 vehicles;
- ✓ the special tax shall be applied at the first matriculation in Romania of new and second-hand cars, as from 2007, when the vehicle excise duties shall be eliminated (the special tax is higher for the new cars, on the average with about 20% than the actual level of excise duties).

The fiscal amendments that were made considered the similar existing regulations at the European Union's level, the correlation of macro-economic indicators with the requirements of the business environment and also the budgetary construction and their entry into force aimed to perform the necessary adjustments required in the field of fiscal legislation.

Bibliography:

1. *** – LAW NO. 571/2003 ON THE FISCAL CODE, with its subsequent amendments and completions