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COMMISSION STAFF WORKING DOCUMENT

Mind the Gap Report
Challenges and opportunities for tax compliance and tax expenditure in the EU
Romania

Country fiche: Romania

Summary box: Areas of Strength and Areas for Improvement

Areas of Strength

- **Romania has made important steps to reduce tax expenditures and increase the fairness of their tax system.** Exemptions from PIT for workers in certain sectors were abolished in 2025, with the intention of raising revenue and improving the horizontal equity of the system. They have also reduced the maximum income limit to qualify as a microenterprise, which means more companies fall within the scope of CIT.
- **Romania has processes in place for monitoring and assessment of tax expenditures.** Romania reports foregone revenues of about RON 78.1 billion (4.2% of GDP; EUR 15.5 billion) in 2025. Regular, thorough public sector spending reviews integrated into the annual budget process could help better evaluate cost-effectiveness and how well tax expenditures meet policy priorities. The VAT policy gap in Romania was significantly lower than the EU average in 2023. The application of reduced VAT rates in Romania has the highest overall redistributive effect in the EU (just under 20%).

Areas for Improvement

- **Romania has the highest VAT compliance gap in the EU, estimated at around 30%.** While systems for VAT collection in Romania feature automatic exchange of information, a relatively standard VAT audit programme, and immediate responses to late payments, they are proving to be ineffective at lowering the VAT compliance gap.
- **While Romania estimates CIT and PIT tax gaps using a top-down approach, it does not publish the results, which would help transparency.** However, according to Commission estimates, Romania has the highest CIT gap among Member States for which estimates are available. Romania has one of the largest shadow economies in the EU. Estimated at 29% of GDP, the shadow economy has a significant impact on revenue collected and increases the tax gaps in Romania.
- **Romania has made progress in decreasing its levels of outstanding tax arrears in recent years, but this figure is still well above EU average.** Romania does not have a tax recovery strategy. This indicates that there may be scope for Romania to increase the importance that they place on tax recovery.

1. Snapshot of Tax System: Tax Revenues and their Sources

In Romania, tax revenues as a percentage of the country's GDP are well below the EU average. In 2023, total tax revenues amounted to 26.2% of GDP compared to the EU-27 average of 39.0% ⁽¹⁾. The largest source of tax revenues were labour taxes (44.4% of tax revenues vs. EU average of 51.2%), followed by consumption taxes (37.3% of tax revenues vs. EU average of 26.9%) and capital taxes (19.3% of total revenues vs. EU average of 21.9%). Among the different tax types, VAT revenue amounted to 25.2% of total tax revenues (EU average of 18.3%) and 6.6% of GDP (EU average of 7.1%). Environmental taxes reached 2.3% of GDP, 0.3 percentage points above the EU average ⁽²⁾. Romania remains under the Excessive Deficit Procedure (EDP) after recording a 9.3% government deficit in 2024, the highest in the EU and well above the EU average of 3.1% ⁽³⁾.

There is scope for improving the tax-benefit system's ability to reduce income inequality in Romania. Labour taxation is not progressive in Romania. There is a flat income tax rate of 10%, and mandatory social security contributions totalling 35%. Consequently, there is no difference in the tax wedge ⁽⁴⁾ between high-income earners (167% of average wage) and low-income earners (67% of average wage), though the difference increases to a limited extent when personal tax deductions for low-income workers are considered. This indicates a higher tax burden for low-income earners, compared to the EU average which may adversely affect the labour supply of low-income earners. Related to this, the tax and benefit system in Romania only reduced the Gini coefficient by 6.3 percentage points in 2023, below the EU average of 7.7 percentage points ⁽⁵⁾. The Gini index for equivalised disposable income in Romania (28.0% in 2024) is slightly below the EU average (29.3%) ⁽⁶⁾. Romania reported the second highest EU rate (27.9%) for people "at risk of poverty or social exclusion" in 2024, compared to the EU average of 21.0%, although it must be highlighted that this figure has decreased significantly in Romania since 2015 (44.5%) ⁽⁷⁾.

¹ Data on tax revenues are based on European Commission: [Data on Taxation Trends](#), edition 2025 (reference year 2023) The 2026 edition (reference year 2024) will be published in the first quarter of 2026. Preliminary data point at an upward revision of tax revenue data for 2023 (to 26.7% of GDP), followed by an increase of total tax revenues to 27.9% of GDP in 2024: https://doi.org/10.2908/GOV_10A_TAXAG.

² Under the support of the Technical Support Instrument (TSI), Romania is currently implementing the project "Support for the implementation of green taxation and the carbon border adjustment mechanism (CBAM) in Romania". As part of it, Romania will receive support in revising its environmental tax legislation, with potential to increase their relative weight in GDP and more revenues to the national state budget.

³ See latest data at the [October 2025 EDP Notification](#).

⁴ The tax wedge is defined as the sum of personal income taxes and employee and employer social-security contributions net of family allowances, expressed as a percentage of total labour costs (the sum of the gross wage and social-security contributions paid by the employer). Data are based on European Commission, DG ECFIN: [Tax and Benefits Database](#).

⁵ European Commission, DG EMPL calculations based on EU-SILC survey data.

⁶ European Commission, Eurostat [\[ilc_di12\]](#)

⁷ European Commission, Eurostat [\[ilc_peps01n\]](#)

2. Monitoring of Compliance Gaps

2.1. Overview

Romania has a programme in place to estimate the size of its tax gap, this tax gap team was founded in 2015 ⁽⁸⁾. The Romanian tax administration is also a participant in the TADEUS tax gaps working group for the Personal Income Tax (PIT) and Missing Trader Intra-Community (MTIC) subgroups. Romania is one of 16 EU Member States to estimate tax gaps, but they do not publish their results, nor do they have a legal requirement to do so ⁽⁹⁾. They do employ a third party to support with their tax gap analysis. For their tax gap estimations, the Romanian tax administration uses a top-down approach, with calculations based on national accounting methods.

2.2. Monitoring VAT Compliance Gap

Romania overall performs poorly in terms of VAT compliance, with a VAT compliance gap ⁽¹⁰⁾ that amounted to more than RON 45 billion (more than EUR 9 billion) in 2023, or 30.0% of the VAT Total Tax Liability (VTTL) ⁽¹¹⁾ ⁽¹²⁾. Despite some fluctuations, this figure has remained relatively stable, with a slight decrease of 0.9 percentage points between 2019 and 2023. Romania's estimated gap was the highest among the Member States (20.5 percentage points above the EU average of 9.5%). The revised Romanian RRP includes a milestone focusing on structural and legislative measures to strengthen the institutional capacity of the ANAF and improve legislation to better support tax authorities in collection and taxpayer management ⁽¹³⁾. Moreover, ANAF extended SAF-T and E-Transport reporting requirements to medium taxpayers and to high-risk goods.

Romania experienced an increase in the share of services in its economy in 2023 (+0.4 percentage points), compared to the previous year, which is one of the factors that may have contributed to an increase in the VAT compliance gap in the same period ⁽¹⁴⁾. Recreational, restaurants and accommodation services were the fastest growing categories in nominal household final consumption, with overall demand for tourism, measured by nights spent in tourist accommodation, experiencing an increase of 11% in 2023. This overall increase in demand for services with a higher risk of non-compliance attached to them may have contributed to the increase in the VAT compliance gap.

⁸ OECD (2024), https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/tax-administration-2024_5c4606e4/2d5fba9c-en.pdf

⁹ Annual Report on Taxation 2025.

¹⁰ The VAT compliance gap is an estimate of revenues lost due to VAT fraud, evasion and avoidance, bankruptcies and financial insolvencies, or miscalculations.

¹¹ The VAT Total Tax Liability (VTTL) is the theoretical tax revenue that would be collected in a situation of perfect taxpayer compliance, assuming an unchanged net VAT base.

¹² See European Commission, Syntesia, Poniowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, <https://data.europa.eu/doi/10.2778/7868422>.

¹³ [Proposal for a COUNCIL IMPLEMENTING amending Implementing Decision \(EU\) \(ST 12319/21 INIT; ST 12319/21 ADD 1\) of 29.](#)

¹⁴ Services are typically harder to tax effectively compared to traditional goods.

In Romania in 2023, VAT losses due to Missing Trader Intra-Community (MTIC) fraud ⁽¹⁵⁾ were estimated at around EUR 300 million, displaying an overall increasing but unpredictable trend over a 13-year period ⁽¹⁶⁾. Between 2010 and 2023, this figure has increased by approximately EUR 100 million. Furthermore, the domestic reverse charge mechanism was introduced and extended in this period with a relatively broad scope and some of the main product categories involved in VAT fraud schemes included tractors, diesel/semi diesel engines and electronic integrated circuits.

2.3. Corporate and Personal Income Tax Compliance Gap, and Measures of the Shadow Economy

The Romanian tax administration estimates the Corporate Income Tax (CIT) and PIT compliance gap using a top-down approach, although estimation results are not publicly disclosed. The Romanian tax administration estimates the overall CIT compliance gap using a top-down approach with national accounting methods as a base for their estimates ⁽¹⁷⁾. The Romanian tax administration covers the CIT reporting gap, payment gap and gross tax gap. They do not provide estimates for the registration, filing or net tax gap. Similar to their CIT tax gap estimation, the Romanian tax administration uses a top-down approach based on national accounting methods for their estimates and they account for PIT tax gaps with regards to the reporting gap, payment gap and gross tax gap. They do not provide estimates for the registration, filing or net PIT tax gap ⁽¹⁸⁾.

European Commission estimates suggest a high CIT compliance gap in Romania. Based on a methodology developed by the Joint Research Centre which relies on a top-down approach using national accounts data, the CIT compliance gap of Romania was at around 44% of collected CIT revenues in 2019 (using the GVA-based methodology), by far the highest figure among available Member States' estimates ⁽¹⁹⁾. Based on the same methodology, the (unweighted) average for the CIT compliance gap is 10.9% of collected CIT revenues based on available estimates for 23 Member States.

Romania has the 3rd largest shadow economy in the EU. In 2022, the shadow economy in Romania represented 29% of its GDP, according to estimates by Schneider, F. and Asllani, A. for the European

¹⁵ Missing Trader Intra-Community (MTIC) fraud is a form of VAT fraud that exploits VAT-free cross-border trade within the EU. Fraudsters purchase goods VAT-free from another Member State, sell them domestically, charge VAT to their customers, and disappear before paying this VAT to the tax authorities.

¹⁶ European Commission: Directorate-General for Taxation and Customs Union, CASE, PwC, WIFO, Poniatowski, G. et al., *VAT compliance gap due to Missing Trader Intra-Community (MTIC) fraud – Final report. Phase II*, Publications Office of the European Union, 2024, <https://data.europa.eu/doi/10.2778/6433841>.

¹⁷ [Taxation Paper No 73 - The concept of tax gaps Report II: Corporate Income Tax Gap estimation methodologies.](#)

¹⁸ OECD Tax Administration Report 2024.

¹⁹ European Commission: Directorate-General for Taxation and Customs Union (2025), *The Corporate Income Tax Gap, A European approach to measuring losses in corporate tax revenues*, Publications Office of the European Union, <https://data.europa.eu/doi/10.2778/0541549>. The JRC has recently developed a novel approach to estimate the CIT gap based on National Accounts and existing data on the undeclared economy, providing approximations of the CIT gap for a majority of EU Member States. JRC's estimations are based on the exhaustiveness adjustments made to Gross Operating Surplus (GOS), Gross Value Added (GVA) and Gross Domestic Product (GDP), that national statistical offices perform to account for non-observed economy. The JRC approach does not capture CIT gaps associated with tax avoidance and (international) profit shifting, which would require other estimation methods.

Parliament ⁽²⁰⁾. This ratio is 10.4 percentage points above the EU-27 unweighted average, although Romania has experienced a moderate decline in recent years (33.6% of GDP in 2012). The main drivers of the shadow economy for Romania are a high degree of self-employment (which is also encouraged by preferential labour taxation compared to employees), the level of indirect taxation rates in the country, the low tax morale (influenced by low levels of trust in public institutions) and the level of unemployment. On a sectoral level, the shadow economy is most prevalent in transport, construction, and accommodation and food services ⁽²¹⁾. As evidenced by tax gap estimates in Romania, the prevalence of the informal economy in Romania has a major impact on revenue collected from all tax types. Recent World Bank research concluded that the average under-reporting of income is estimated to be 6%, the number of workers that earn minimum wage is inflated due to this under-reporting which also leads to incorrect allocation of means tested benefits ⁽²²⁾. Furthermore, 48% of citizens in Romania agree that taxes are too high and would decrease them even if it means fewer or lower quality public services ⁽²³⁾, which could contribute to a lower level of tax morale.

2.4. Other Compliance Gaps

In the area of excise duties, particularly regarding tobacco, Romania produces internal estimates of foregone revenues. These figures and the underlying methodology are not publicly disclosed. For cigarettes, Romania primarily relies on enforcement data, such as seizure records, to produce its estimates.

3. Monitoring of Policy Gaps

3.1. Tax Expenditures

In Romania, the Ministry of Finance reports on tax expenditures (TEs) on an annual basis. TE reports include aggregate information on revenue foregone for specific tax types. According to the most recent report, the revenue foregone due to tax expenditures was 4.8% of GDP in 2023 and 4.2% of GDP in 2024. Foregone revenues are expected to remain at 4.2% of GDP in 2025, equating to approximately RON 78.1 billion (EUR 15.5 billion) ⁽²⁴⁾.

The report contains information on tax expenditures for CIT, PIT, VAT, Social Security Contributions (SSC) and local taxes. In 2024 The main tax expenditures in Romania included an exemption from PIT for workers in IT, agriculture and construction, an exemption from tax on profit

²⁰ European Parliament (2022), *Taxation of the informal economy in the EU*.

[https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU\(2022\)734007_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf).

²¹ [World Bank - Tax Compliance in Romania](#).

²² Robayo-Abril, Monica; Balaban, Georgiana; Wronski, Marcin. 2024. Tax Compliance in Romania. Policy Research Working Paper; 10940. World Bank. <http://hdl.handle.net/10986/42229> License: [CC BY 3.0 IGO](#).

²³ European Commission: Directorate-General for Taxation and Customs Union and Directorate-General for Communication, *Citizens' attitudes towards taxation – Eurobarometer report*, European Commission, 2025, <https://data.europa.eu/doi/10.2778/6066713>.

²⁴ [Raport buget 2024](#).

reinvested in the production and/or acquisition of technological equipment (approximately 0.1% of GDP), and reduced VAT rates of 5% and 9% for certain categories of deliveries and services.

Simulations indicate the PIT related tax expenditures are quite costly but have a limited impact.

According to EUROMOD simulations PIT related tax expenditures in Romania resulted in the highest reduction in PIT revenue among EU countries, equating to about 32% of all PIT revenues ⁽²⁵⁾. However, the resulting increase in average disposable household income is less than 4%. Income inequality as measured by the Gini index is reduced by about 1.8% PIT related tax expenditures in Romania are most beneficial to the 3rd and 5th income deciles and least beneficial to the 1st income decile, even compared to the 9th and 10th income decile. On that basis, the introduction of a refundable tax credit for PIT could be a solution to ensure the lowest income earners also benefit from tax expenditures in Romania.

Some tax expenditures have been reformed in 2025. Sector specific income tax exemptions for IT, construction, and agriculture sector workers were abolished in 2025 following a recommendation from the World Bank ⁽²⁶⁾ on improving the tax framework in Romania as part of the NRRP ⁽²⁷⁾. These exemptions represented a significant amount of foregone revenue in Romania and were estimated at 0.6-0.8% of GDP in 2022 ⁽²⁸⁾. Their abolition is expected to increase revenue by RON 3.94 billion (EUR 0.77 billion) in 2025 ⁽²⁹⁾. Romania also continued its phased implementation of a reform of the special tax regime for micro enterprises, the maximum income to qualify for a reduced rate of CIT (1% to 3%) was reduced from EUR 500 000 (RON 2 542 500) to EUR 250 000 (RON 1 271 250) in 2025 and will fall to EUR 100 000 (RON 508 600) in 2026. This is estimated to increase revenue by EUR 0.147 billion (RON 0.75 billion) in 2025 ⁽³⁰⁾. In 2020 (Prior to the phased implementation of the reform), the maximum income limit was EUR 1 000 000 (RON 5 086 000) and 815 391 companies fell into the scope of this regime, compared to 30 232 within the scope of CIT ⁽³¹⁾.

Systematically evaluating tax expenditures can guide tax reforms. In general, the transparency and monitoring related to tax expenditures in Romania can be considered sufficient. Some amendments could be considered based on this information, especially in PIT related tax expenditures, to ensure that all taxpayers benefit proportionally. To further improve spending efficiency, regular public sector spending reviews could be better integrated into annual budgeting in Romania, according to the IMF's concluding statement of the 2025 Article IV mission ⁽³²⁾.

²⁵ Turrini et al., 2024, [Tax Expenditures in the EU: Recent Trends and New Policy Challenges.pdf](#)

²⁶ [Reforming the tax system in Romania BM.pdf](#).

²⁷ The revision of the tax legislation aims for a positive impact of 0.5% on GDP starting in 2025, by gradually withdrawing excessive tax incentives, avoiding the extension of reduced VAT rates, using a tax base that is linked to market value (in the case of property taxation), eliminating distortions that allow taxpayers to minimize taxes, labour taxation and corporate tax.

²⁸ [IMF Technical Assistance Report on Reforming Personal Income Taxation in Romania](#).

²⁹ [Fiscal Council's Opinion on the State Budget Law for 2025, the social security budget law for 2025 and the 2025-2027 fiscal strategy](#).

³⁰ [Ibidem](#)

³¹ [Reforming the tax system in Romania BM.pdf](#)

³² [Romania: Staff Concluding Statement of the 2025 Article IV Mission](#)

3.2. VAT Policy Gap

The VAT policy gap ⁽³³⁾ in Romania was significantly lower than the EU average in 2023. The level of the VAT policy gap in the Romania was estimated to be 38% of the notional ideal revenue ⁽³⁴⁾ (RON 94 billion or EUR 19 billion), while the EU VAT policy gap was 50.5%. The 2023 VAT policy gap in Romania shows a decrease of 1 percentage point compared to 2022, and 2 percentage points compared to 2019 ⁽³⁵⁾.

The VAT exemption gap ⁽³⁶⁾ was significantly lower in Romania compared to the EU estimate in 2023. It amounted to less than 28% of the notional ideal revenue (RON 67 billion or EUR 14 billion), 10 percentage points below the estimate for the EU-27 overall. The VAT exemption gap in Romania saw a decrease between 2019 and 2022 (-1 percentage points), no change between 2022 and 2023, and forecasts indicate a further decrease by another 2 percentage points for 2024.

The national policy-driven VAT exemption gap ⁽³⁷⁾ of RON 29 billion (EUR 6 billion), was estimated in 2023 at 12% of the notional ideal revenue, while the overall EU estimate was 11%. It represents an increase compared to 2022 (+1 percentage point) and an even more pronounced increase since 2019 (+2 percentage points).

The VAT rate gap ⁽³⁸⁾ in 2023, which amounted to RON 26 billion (EUR 5 billion), was estimated at 11% of the notional ideal revenue, while for the EU-27 overall it was 12%. In Romania, this indicator has also decreased since 2019, falling by 1 percentage point when compared to 2022 and registering a total decrease of nearly 1.5 percentage points between 2019 and 2023. This decrease was likely influenced by the introduction in 2023 of increased VAT rates on non-alcoholic drinks (to 19%) and hotel accommodation, restaurant, and catering services (to 9%), as evidenced by the reduction in the portion of the VAT rate gap for accommodation and restaurant services by RON 1.5 billion (nearly EUR 300 million) between 2022 and 2023.

Reduced VAT rates have a progressive effect in Romania ⁽³⁹⁾. Reduced rates are often introduced with the argument to mitigate the regressive nature of VAT taxation (the share of income spend for consumption decreases with income so that the relative tax burden of VAT also decreases). A

³³ The VAT policy gap refers to the revenue lost due to the application of VAT exemptions and reduced, super-reduced, and zero VAT rates on selected products.

³⁴ The notional ideal revenue is the benchmark VAT revenue that assumes perfect taxpayer compliance in a situation where the current standard VAT rate is applied to all final consumption and household, government, and NPISH investment.

³⁵ See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, <https://data.europa.eu/doi/10.2778/7868422>.

³⁶ The VAT exemption gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of VAT exemptions on selected products.

³⁷ The national policy-driven VAT exemption gap represents the part of the VAT policy gap that can in principle be influenced by national policies on exemptions. In practice, it consists of revenue forgone from services falling under Article 137 (such as real estate and certain financial services), from the SME scheme, and from national exemptions applied under standstill clauses or derogations.

³⁸ The VAT rate gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of reduced, super-reduced, and zero VAT rates on selected products.

³⁹ European Commission Joint Research Centre, simulations based on EUROMOD version I6.30

simulation of the distributive impact of reduced rates using EUROMOD for 2019 indicates that this is indeed the case in Romania, when considering the totality of reduced rates. In fact, the application of reduced VAT rates in Romania has the highest overall redistributive effect in the EU (just under 20%). This is likely impacted by the flat rate PIT and relatively high tax wedge for low-income earners, as a reduction in VAT rates should have a larger relative benefit on low-income earners than high income earners.

As of 1 August 2025, the standard VAT rate has been increased from 19% to 21% and the reduced rates of 5% and 9% have both been increased to 11%. This will be expected to lower the VAT policy gap going forward but, according to EUROMOD estimates, will have a regressive effect on taxpayers.

4. Effectiveness of Tax Collection and Recovery Systems

4.1. VAT Collection

Regarding the registration and identification of taxpayers for VAT purposes, Romania has some good practices in place, but there is still much room for improvement. Due to the persistently high VAT compliance gap in Romania, ensuring that best practices are in place in every aspect of VAT collection could help the tax administration to reduce this figure. In 2019, Romania was the only Member State that did not provide online information about taxpayers' VAT registration obligations, despite the Commission's Ninth Report on VAT Administration recommendation ⁽⁴⁰⁾ to invest more in assisting taxpayers with their VAT registration obligations. Furthermore, online VAT registration was not possible in Romania in 2019. However, the tax administration has addressed this and there is now online information provided regarding VAT registration and the possibility of online VAT registration ⁽⁴¹⁾.

There is an automatic exchange of information between the tax administration and other national bodies in Romania regarding VAT registration. To screen new taxpayer registrations, Romania performs identity verification and other preliminary checks, and the tax administration performs checks based on risk indicators specifically for new VAT registrations, but there is scope to implement systematic or spot checks for new VAT registrations. Romania does systematically perform follow up checks for VIES registrations and removes VIES numbers in cases of fraud. Romania could also invest in maintaining a register specifically for e-commerce traders given the fraud opportunities that e-commerce creates. Romania also keeps record of taxpayers who have had unsuccessful VAT registrations and have set up a dedicated information channel for (M)OSS and systematically perform preliminary registration checks for (M)OSS purposes.

⁴⁰ Commission's Ninth Report on VAT registration, collection and control procedures following Article 12 of Council Regulation (EEC, EURATOM) No 1553/89, [EUR-Lex - 52022DC0137 - EN - EUR-Lex](#). / Answers to the survey sent to the Member States in June 2025 in view of the Tenth Report on the same subject matter.

⁴¹ https://taxation-customs.ec.europa.eu/taxation/vat/vat-and-administrative-cooperation/vat-administration-eu_en.

Romania, like almost all Member States, automatically monitors the timely filing of VAT returns, they could benefit from using risk criteria or profiling techniques to achieve even higher VAT-filing rates. In addition, Romania could pro-actively issue reminders for late submissions of VAT returns and put in place systems to evaluate the effectiveness of the penalty system for late filing of VAT.

Romania also has a standard VAT audit programme, with the use of specific software for audit purposes, cross checking facilities to align tax returns with third party information, and cooperation with other government departments. However, the high VAT gap highlights that the current VAT audit programme is not sufficient. They could make use of audit projects to identify sector specific non-compliance, advanced analytics of large data sets, cooperative compliance activities and estimations of VAT losses due to inaccurate reporting.

Regarding payment and collection, Romania's IT management systems for VAT arrears shows strong performance. The system prioritises cases based on size and length of arrears, allows for phased repayments and determines the origin of the arrears. With regards to VAT collection, Romania was one of 6 Member States who react immediately to recover a late payment of VAT. However, Romania is below the EU average in terms of timely payment of VAT refunds and there is room to put measures in place to ensure they are paid promptly, while having procedures in place to prevent payment of fraudulent claims for VAT refunds.

It must be noted that despite a seemingly adequate performance in many of the above indicators regarding VAT collection, the VAT gap has consistently been around 30% for many years (30% in 2023). This raises the question as to how to monitor the actual application of the good practices listed in this section. Romania have indicated that their VAT collection objectives were achieved in the following proportion: in 2020 96.2%, in 2021 99.7%, in 2022 98.8%, in 2023 91.7% ⁽⁴²⁾. However, In the context of having the highest VAT compliance gap in the EU, this indicates that collection objectives in Romania are far too low and the tax administration needs to significantly increase these going forward.

4.2. Tax Recovery

Romania does not have a tax recovery strategy ⁽⁴³⁾. This indicates that there may be scope for Romania to increase the importance that they place on tax recovery. Romania has a practice of writing off tax claims for VAT, income taxes and excise under certain circumstances and they don't keep data on their recovery rate. The same recovery rules and practices apply across VAT, income taxes, excise duties and other national taxes, and recovery of these taxes is under the competence of the same authority, the National Agency for Fiscal Administration (ANAF). However, under the revised Romanian

⁴² Commission's Ninth Report on VAT registration, collection and control procedures following Article 12 of Council Regulation (EEC, EURATOM) No 1553/89, [EUR-Lex - 52022DC0137 - EN - EUR-Lex](#). / Answers to the survey sent to the Member States in June 2025 in view of the Tenth Report on the same subject matter.

⁴³ Romanian reply to the Survey for the preparation of EU Article 27 (3) of Directive 2010/24 (Tax Recovery Directive). -

RRP, ANAF committed to enhance its transparency regarding performance by publishing semi-annual statistics on inspections, recovered amounts and criminal referrals ⁽⁴⁴⁾.

Tax arrears in Romania are above the EU average but have trended in the right direction in recent years. The level of outstanding tax arrears for the Romania has decreased between 2018-2023 and equalled 31.7% in 2023, compared to 42.5% in 2018 ⁽⁴⁵⁾. This is the closing stock of arrears at year end as percentage of total revenue collected. The percentage suggests that the tax administration is becoming more capable at collecting taxes owed, but there is still work to be done. Of the closing stock of arrears, Romania considers 27.2% to be collectible in 2023, an increase from 15.6% in 2018 ⁽⁴⁶⁾.

Romania does indicate good levels of co-operation between tax recovery authorities and has internal controls in place to ensure the timely and effective execution of assistance requests from other Member States. However, as a requested Member State, deadlines are only partially respected, with some delays occurring in practice. Romania does indicate good levels of co-operation between tax recovery authorities and insolvency administrators, permitting an exchange of information on available assets (or even direct access to information about assets). The cooperation among tax authorities is reinforced by legislation allowing the exchange of information, including data received from other Member States under DAC or other EU legislation.

In Romania, the average time required to settle tax disputes was 45 days for VAT, income tax and excise duties ⁽⁴⁷⁾. This is a relatively fast turnaround and implies that there should be a higher chance for the tax authority to recover any unpaid tax liabilities. However, no data was provided on the average time needed for a final decision on contestations of tax claims, either at administrative or court level. This lack of information makes it difficult to fully assess the efficiency and timeliness of the dispute resolution and recovery process.

Romania has developed a penalty system, based on the principles of simplicity and proportionality, for failure to submit VAT returns and failure to make on-time payments. Penalties of RON 1 000 – 5 000 (EUR 197 – 983) apply for legal entities classified in the category of medium and large taxpayers, and RON 500 – 1 000 (EUR 98 - 197) for other legal entities and individuals ⁽⁴⁸⁾.

⁴⁴ [Proposal for a COUNCIL IMPLEMENTING DECISION amending Implementing Decision \(EU\) \(ST 12319/21 INIT; ST 12319/21 ADD 1\) of 29.](#)

⁴⁵ Source: ADB, CIAT, IOTA, IMF, OECD, International Survey on Revenue Administration, Indicators: "Closing stock of arrears at year end as percentage of total revenue collected." and "Closing stock of collectable arrears as percentage of closing stock of arrears", <http://isoradata.org>

⁴⁶ Ibidem.

⁴⁷ Romanian reply to the Survey for the preparation of EU Article 27 (3) of Directive 2010/24 (Tax Recovery Directive).

⁴⁸ Ibidem

4.3. Use of Directive on Administrative Cooperation (DAC) ⁽⁴⁹⁾ Instruments and Data ⁽⁵⁰⁾

Romania makes an extensive use of DAC1 ⁽⁵¹⁾ and DAC2 ⁽⁵²⁾ data for assessing taxation on individuals. DAC1 (categories of income) ⁽⁵³⁾ and DAC2 (financial accounts) data is currently used for voluntary compliance programs, notification to generate disclosure, internal risk assessment ⁽⁵⁴⁾, and tax audits for most of the categories of income concerned. Data is used in the field of personal income tax as well as for assessing social security contributions. Moreover, Romania uses the information from DAC1 and DAC2 for tax recovery purposes, which is particularly relevant to reduce tax gaps. The use of data generates every year a significant increase in the tax base adjusted.

Data matching rates concerning individuals, which are very relevant to measure the efficiency of the use of data ⁽⁵⁵⁾, are above the EU average in Romania. The average matching rate measuring success in identifying taxpayers with DAC data for the year 2024 is 98.3% for DAC1, and 93% for DAC2, the EU-average ⁽⁵⁶⁾ being at 84% and 87% respectively.

Romania uses DAC3 ⁽⁵⁷⁾ (rulings) and DAC4 ⁽⁵⁸⁾ (country-by-country report) data for risk-analysis purposes in the field of corporate income taxation. DAC3 and DAC4 reports are routinely matched, for identifying the relevant taxpayers, leading to a high percentage of reports identified successfully (99%). To obtain these results, Romania implemented a specific module to improve identification of taxpayers concerned, complemented by manual identification where necessary. As a result, the percentage of CbC data identification has increased considerably. The scope of the use of DAC3 and DAC4 reports is broad: economic and statistical analysis; enquiries into the MNE Group's

⁴⁹ [Council Directive 2011/16/EU](#) of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC, as subsequently amended.

⁵⁰ Source: Yearly Assessment 2025 – Subject to confidentiality clause on DAC art. 23a.

⁵¹ [Council Directive 2011/16/EU](#) of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC.

⁵² [Council Directive 2014/107/EU](#) of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.

⁵³ Income from employment, Director's fees, Pensions, Life insurance products, Immovable properties.

⁵⁴ Risk assessment: tax risk assessment is a key element of modern tax administration. It allows tax authorities to identify indicators that suggest specific taxpayers or arrangements may pose an increased risk to their jurisdiction and require further actions in terms of compliance. In general, EU tax authorities use automated methods based on domestic data and information received from other jurisdictions. Yet, a manual element may remain, as (i) tax authorities vary in terms of whether tax risk assessment is conducted centrally by a specialist risk assessment team incorporating input from the compliance function, or locally by the compliance team (or tax inspector); (ii) some data types remain challenging to be automatically processed, e.g. literal summaries.

⁵⁵ The matching rate indicates to what extent a Member State has been able to identify their taxpayers in their national tax databases with information received from other Member States under the DAC. Such matching is necessary to ensure that the data can be used for tax compliance purposes. The matching rates mentioned in this report are based on the metrics approved by the tax authorities in the TADEUS meeting of December 2024.

⁵⁶ Income from employment, Pensions, Director's fees, Ownership and income from Immovable properties.

⁵⁷ [Council Directive \(EU\) 2015/2376](#) of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.

⁵⁸ [Council Directive \(EU\) 2016/881](#) of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.

transfer-pricing arrangements or into other tax matters in the course of a tax audit; audits limited to specific categories of transactions (e.g. transfer pricing), in line with the objectives of the DAC.

Similarly, Romania has increased the use of DAC 6 ⁽⁵⁹⁾ data. Romania routinely matched the whole data set available for identifying the relevant taxpayers, leading to an initial matching rate of 65%. The process of identification is made more difficult with DAC6 as the Tax identification number is not always provided by the intermediaries. DAC6 data is mainly used for risk assessment, including assessing high-level risk of tax-harmfulness of arrangements reported; general audit, or audit limited to specific categories of transactions (e.g. transfer pricing).

Romania makes a limited use of advanced cooperation instruments provided in the DAC, such as simultaneous controls. Looking at the past three years, Romania did not initiate any case and was involved in 2024 in 3 cases initiated by other Member States. In view of improving this situation, the Romanian tax administration is receiving support under European Commission's Technical Support Instrument (TSI) to improve its capabilities, by improving methodologies, procedures, and IT tools, to better use the incoming data for risk analysis and audits and increase the quality of the national data shared by Romania with other EU Member States.

In conclusion, Romania uses the data obtained from the automatic exchange of information in coherence with the objectives of the DAC. The processing and the use of data related to individuals is solid, with a view to identifying critical situations that could affect its tax base. Romania also makes appropriate use of other DAC information related on corporate income tax. A more integrated analysis of DAC6 could be reinforced in order to ensure a complete use of information available.

5. Digitalisation and Compliance

Romania has made some steps with respect to the digitalisation of their tax administration, with moderate adaption rates for the digital indicators and the existence of a digital transformation strategy. However, there is room for improvement in several areas of the tax administration to advance the digitalisation process. RRP measure RO-C[C8]-R[R1.0]-M[194] provides for the reform of the tax administration through digitalisation, with the goal of increasing the capacity of the tax administration to detect risk and reduce tax gaps. According to a recent Eurobarometer survey, 30% of citizens in Romania find it very easy or fairly easy to complete their tax return, placing them 24th among EU Member States ⁽⁶⁰⁾.

5.1. Digital Transformation, Skills, and Culture

Romania has developed a strategy for digital transformation, identified the future skills required by the administration for a successful digital transformation (for parts of the administration) and developed a strategy to build a digital culture within the administration.

⁵⁹ [Council Directive \(EU\) 2018/822](#) of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.

⁶⁰ European Commission: Directorate-General for Taxation and Customs Union and Directorate-General for Communication, *Citizens' attitudes towards taxation – Eurobarometer report*, European Commission, 2025, <https://data.europa.eu/doi/10.2778/6066713>.

These three pillars are mutually reinforcing and can be seen as making Romania more likely to design and put into practice processes which allow taxpayers to meet their tax responsibilities in a seamless way.

Romania requires individuals and businesses to use an approved digital identity to access secure digital services ⁽⁶¹⁾. For example, it helps increase the accuracy of taxpayer identification, thereby reducing the potential of identity fraud, duplication of records and administrative errors.

5.2. Front end Digitalisation

5.2.1 Pre-filling

As regards pre-filling for PIT, Romania did not provide pre-filling facilities in 2022 ⁽⁶²⁾. Such facilities contribute to reducing the burden of tax compliance and providing greater tax certainty for individual taxpayers and the tax administration compared. This indicates that taxpayers may find it more difficult to complete their PIT returns and also increases the likelihood of errors, which create further administrative burden for both the taxpayer and the administration.

On the contrary, Romania does provide pre-filling facilities for VAT. This would generally indicate a decreased burden of VAT compliance for taxpayers. However, it must be noted that the VAT compliance gap in Romania was 30% in 2023 which indicates that prefilling facilities may still be subject to fraud and evasion.

Romania did not offer (partial) pre-filling for CIT returns in 2022. Although, this is not common among EU Member States.

5.2.2 E-filing

In 2023, Romania reported an e-filing rate of 99% for CIT, higher than the EU average of 97.1% ⁽⁶³⁾. E-filing is the filing of tax returns in a digital manner. Romania's e-filing rate for CIT indicates that the vast majority of companies in Romania file their taxes electronically. Romania has seen a moderate increase for this indicator since 2018 (+5.7 percentage points).

The e-filing rates for PIT returns (52.9% in 2023) are relatively low and below the EU average (87.1%) ⁽⁶⁴⁾. However, this is a significant increase from the 2018 figure in Romania (26.4%). The overall situation highlights that Romania has been behind of the curve in the EU with respect to this indicator, but work is being done to increase the rates of e-filing for PIT. These figures likely indicate that the e-filing facility might not have been straightforward in terms of navigation and instructions, but the increasing trend is a positive step to reducing the burden of tax compliance for PIT.

⁶¹ OECD Inventory of Tax Technology Initiatives 2024. <https://data-explorer.oecd.org/>, Note that data is self-reported by tax administrations and therefore not 100 % objective or comparable.

⁶² Ibidem.

⁶³ International Survey on Revenue Administration data.

https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB

⁶⁴ Ibidem.

Romania had e-filing rates for VAT returns (99.8%) above the EU average (99.2%) in 2023 compared to 98.3% vs 94.7% in 2018 ⁽⁶⁵⁾. Theoretically, such high rates of e-filing should give Romania a better ability to analyse trends and detect VAT fraud, as well as aforementioned accuracy and efficiency. However, the high VAT gap that was mentioned in previous sections indicates that the systems for risk reporting and VAT fraud detection need to be improved in Romania.

The mixed results for e-filing rates in Romania is an indication of the fact that Romania are well advanced in the digitalisation process for some areas, but behind the curve in other areas. It likely means lower compliance burden for Romanian businesses compared to the EU average, but a higher burden for individual taxpayers compared to the EU average. For PIT and VAT, it is also beneficial to the tax administration, as e-filing reduces manual work and administrative costs, frees up resources to allocate to other functions and should allow for quicker or automatic detection of potential fraud or tax evasion. The high VAT gap in Romania, despite high levels of e-filing for VAT, highlights the interdependence of different digital tools to ensure the effective functioning of the tax administration.

5.2.3. Provision of other online services

In Romania, the tax administration provides some additional online tools and services to taxpayers to reduce compliance costs. These include facilities to request payment arrangements and secure communication messaging services. Taxpayers can also upload files onto the administrations system, access a personalised taxpayer portal and view taxpayer information collected by third parties ⁽⁶⁶⁾. All these facilities can foster tax-compliant behaviour, as well as allowing administration resources to be allocated more effectively indicating that the tax administration in Romania is using some digital services to their advantage. According to a recent Eurobarometer survey, 44% of citizens in Romania believe that support for filing tax returns provided by the tax administration is either fully adequate or mostly adequate, placing them 17th among EU Member States ⁽⁶⁷⁾.

5.3. Back-end Digitalisation

5.3.1 Use of Artificial Intelligence by the Tax Administration

In Romania, there are systems allowing for the use of artificial intelligence in place in the tax administration. Romania has had such systems in place since 2019 ⁽⁶⁸⁾. Romania uses AI for risk detection via a data matching tool which combines Robotic Process Automation (RPA) and machine-learning, to detect discrepancies within the country's VAT data and correlate it with relevant financial data ⁽⁶⁹⁾. In 2023, Minister of Digitalization Bogdan Ivan, declared the risk detection tool increased VAT

⁶⁵ Ibidem.

⁶⁶ [7. Taxpayer service - ISORA – tabs "Online services 1" and "Online services 2"](#).

⁶⁷ European Commission: Directorate-General for Taxation and Customs Union and Directorate-General for Communication, *Citizens' attitudes towards taxation – Eurobarometer report*, European Commission, 2025, <https://data.europa.eu/doi/10.2778/6066713>.

⁶⁸ [13. Stakeholder interactions: Compliance and innovation - ISORA](#) – tab "innovative technologies 1".

⁶⁹ [The Romanian Tax Authority plans to implement an AI chatbot for taxpayer queries as well as a program for tracking taxpayer compliance.](#) - Fiscal Solutions.

receipts by 1% ⁽⁷⁰⁾. It remains to be seen whether this trend has continued in 2024. The Romanian tax administration has also indicated that they intend to provide AI based taxpayer assistance to enhance taxpayer services, the ANAF announced the introduction of a chatbot powered by AI, to answer taxpayers recurrent queries. Deployment was initially planned for the second half of 2024 ⁽⁷¹⁾.

5.4. Compliance Risk Management

5.4.1 Compliance Risk Management Strategy

Romania has a formal compliance risk management strategy in place, allowing for identification, assessment and prioritisation of key compliance risks ⁽⁷²⁾. All possible areas are covered by this strategy including return filing, payment processing, collection enforcement, verification/audit and taxpayer service. Romania also makes the risks public on a regular basis, and one could assume that this is to deter non-compliant taxpayer behaviour. However, Romania does not publish the results of addressing these risks which would provide greater insights into the effectiveness of their compliance risk management strategy.

5.4.2 Audit Types

The Romanian tax administration performs desk audits, limited scope audits, single issue audits, comprehensive audits and avoidance and evasion investigations ⁽⁷³⁾. The large variety of intervention processes indicates the administration's capacity to target all aspects of potential non-compliance. The newly implemented use of AI for risk detection in Romania may indicate that they have an ability to appropriately categorize audits by level of risk.

5.4.3 Staff Dedicated to Audit, Investigation and Other Verification Functions

In Romania, the percentage of full-time equivalents (FTEs) assigned to audit, investigation and other verification functions was 24.04% in 2023, (EU average: 32.2%). This is a decrease compared to 2018, when this indicator was at 26.9% (EU average: 32.05% ⁽⁷⁴⁾). Although this figure is not a concrete indicator of the strategy of the tax administration, the slight decrease in Romania from 2018 to 2023 indicates that Romania has not placed a greater focus, with regards to staff allocation, on the importance of audits and the potential revenue generation that could ensue.

5.4.4 Additional Revenue from Audits as a Share of Total Revenue

In Romania, the additional revenues raised from audits was equal to 2.17% of total net revenue in 2018 and 0.91% of total net revenue in 2023 which is below the EU average for both years

⁷⁰ [Statul vrea să folosească Inteligența Artificială pentru colectarea TVA și să facă un Institut de IA de 100 milioane de euro - HotNews.ro.](#)

⁷¹ [The Romanian Tax Authority plans to implement an AI chatbot for taxpayer queries as well as a program for tracking taxpayer compliance. - Fiscal Solutions](#)

⁷² [ISORA Database](#) – tab “CRM Strategy”

⁷³ [ISORA Database](#) – tab “Post filing enforcement actions” and “interventions after filing, intervention effectiveness”

⁷⁴ Own elaboration based on ISORA data.

(respectively 2.77% and 1.6%), and the decrease from 2018 to 2023 follows a similar trend to the EU average ⁽⁷⁵⁾. Given the slightly decreased focus placed on audits outlined in section 5.4.2, one would *prima facie* expect lower or stable indicators on additional revenues raised through audits. The figure for this indicator highlights that, in 2023, Romania needed to implement better tools to effectively target audits, given that the number of staff in that function was decreasing. It is a positive sign that such tools were introduced in 2023, as outlined in section 5.3.1.

5.5. Tax Complexity

Romania ranks 23rd out of the 27 Member States in the Tax Complexity Index ('TCI') ⁽⁷⁶⁾, where a higher rank corresponds to lower tax complexity. The TCI is based on the Global MNC Tax Complexity Project, a joint research project of Deborah Schanz (LMU Munich) and Caren Sureth-Sloane (Paderborn University). The TCI 2024 places Romania 25th among the Member States with regards to Tax Framework Complexity, and 12th with regards to Tax Code Complexity. This may indicate that whereas Romania has a fine structure of the tax regulations (notably in the area of royalties, according to the authors), the tax processes carried out by the tax authorities are not very efficient (particularly in the area of enactment).

⁷⁵ Ibidem.

⁷⁶ See: <https://www.taxcomplexity.org/> The aim of the Global MNC Tax Complexity Project is to identify the determinants of tax complexity, to develop and maintain an index measuring the level of tax complexity across countries [Tax Complexity Index, TCI] and to examine the effects of tax complexity. The Tax Complexity Index measures the complexity of a country's corporate income tax system as faced by multinational corporations. The closer a country is to the first position of the ranking, the lower level of complexity it exhibits, and vice versa.