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REPORT

From:	General Secretariat of the Council
To:	Delegations
Subject:	Code of Conduct Group (Business Taxation) - Report to the Council

2024 Standstill notification exercise

RO014: Romania: Grant of bonus of 3%

I. Background

1. In 2024, Romania notified a temporary tax measure which is applicable for tax year 2024 and provides for a 3% bonus in favour of legal entities subject to profit tax and micro-enterprises subject to income tax.

II. Summary description of the measure

2. The measure provides for a bonus (reduction) of 3% computed on the profit tax¹ due in respect of tax year 2024.²

¹ Income tax for microenterprises (turnover of less than EUR 500.000 in 2024).

² Modified fiscal year starting in 2024, as the case may be.

3. The central fiscal body shall *ex officio* grant the bonus by issuing a decision after the deadline for the submission of the tax returns. The reduction is granted if:
 - a) all declarations have been submitted according to the tax vector (*all returns that a taxpayer must file, regardless whether direct, indirect taxes or social security contributions*);
 - b) the annual profit tax/ income tax for year 2024³ is fully paid within the deadlines set by law;
 - c) the taxpayer does not have any other outstanding fiscal/budgetary obligation by the deadline.
4. The amount of the bonus is not reimbursed, but shall be used to offset other tax debts (other taxes, contributions) of the same taxpayer, in accordance with the provisions of the Fiscal Procedural Code⁴.
5. The envisaged estimated budgetary impact of the measure is RON 0.9 billion. (i.e. EUR 180 million).

III. Preliminary remarks

6. The measure is temporary and applied to the tax due in 2024. It aims at increasing the collection of tax debts.
7. For tax year 2024, the measure is applicable to all taxpayers who pay their tax due within the set deadlines and do not have other outstanding tax obligations.
8. In practical terms, the taxpayers will compute their CIT due under the normal tax rules and pay the full amount of income tax to the fiscal authorities. After the CIT liability has been settled, the tax authority computes the 3% bonus. The bonus is used like a “credit” to offset other taxes due by the same taxpayer and cannot be refunded.

³ Modified fiscal year starting in 2024.

⁴ Article 167 of Law 207/2015.

9. For example, for a taxable profit of EUR 100,000, the CIT due is EUR 16,000 (CIT rate 16%); an amount of EUR 480 (3% of EUR 16,000) is used to offset other tax debts of the same taxpayer.
10. Firstly, the measure does not affect the corporate tax liability for the year 2024, as the CIT due has to be paid in full. Only subsequently, 3 % of the paid income tax are used as a ‘credit’ to reduce other taxes due in the following tax years, including any future income tax due. Therefore, the future CIT due may eventually be reduced together with other taxes, if the bonus has not been fully exhausted.
11. Secondly, in view of the amount of the bonus, the measure does not seem to lead to a significantly lower level of effective taxation in comparison to the normal level of taxation in Romania.
12. In the event that the bonus were to be used against the future CIT normally due, its impact would equal to an “effective” CIT rate of 15.52 % instead of the statutory CIT rate of 16%.
13. Finally, the measure is applicable only for tax debts of tax year 2024.

IV. Conclusion

14. Considering that the regime:
- is temporary;
 - does not affect the corporate tax liability in the tax year 2024,
 - its impact on any future income tax liability is either extremely low or may not occur at all if the bonus was exhausted in 2024, and
 - its low amount in absolute terms,

the measure RO14 does not seem to impact the location of business in the EU in a significant way (see paragraph A of the Code of Conduct).

V. Follow-up

15. In view of the above, the Group agreed that this measure does not need to be assessed.

