

Made in Romania

the foreign investor's guide 2016

152 Calea Victoriei
Bucharest, Romania
+4 (0) 21 318 5052
office@investromania.gov.ro
investromania.gov.ro



Table of Contents

Investment Climate

- 3 Why invest in Romania
- 3 Ease of doing business
- 5 FDI stock evolution
- 5 FDI by country of origin and sector
- 6 Attractive regions for FDI
- 6 FDI stock by activity sectors
- 7 Success stories

Economy

- 9 Macroeconomic outlook
- 10 Business cycle evolution
- 11 Public finance
- 12 Labor force
- 13 Education
- 15 Energy and resources
- 17 Infrastructure
- 19 Regional development
- 21 Key facts and figures by region

Business Ecosystem

- 37 Ways of doing business
- 38 Legal structures
- 39 Starting a company
- 41 Setting up a branch office
- 42 A branch vs a subsidiary
- 43 Competition law regulation

Financing Availability

- 49 Local banking products
- 47 Financing through EU Funds
- 48 Financing through the Ministry of Economy
- 49 State Aid Schemes
- 51 Investment plan for Europe

Employment and Labor Law

- 53 Labor Law Regulation
- 54 Types of contracts
- 56 Employment cost structure

Fiscal Policy

- 57 Fiscal policy overview
- 57 Direct taxes
- 58 Corporate income tax
- 61 Personal income tax
- 63 Indirect taxes - VAT
- 65 Fiscal incentives

Living in Romania

- 67 Cost of living
- 68 Expat community
- 69 Living in Romania
- 70 International Schools

Dear Reader,

It gives me great pleasure to welcome you to Romania. Some of you have been present here, active and prosperous for so many years, that you form an integral part of my country and its success story. Others might be yet unfamiliar with Romania's value proposition. Our goal is to create a guide that both old-timers and newcomers would find informative and which would convince you of our dedication to Romania's ongoing economic transformation.

In the past 16 years, Romania's USD GDP quintupled, and its output grew significantly in sophistication and quality. This success story was written by the highly qualified Romanian workforce, women and men who contributed to the design of the Mars Rover, created one of the leading cybersecurity firms worldwide, manufactured critical components for a leading aircraft brand to be found in every newly produced jet, built tires for Formula One cars, designed technologies for EVs and autonomous vehicles, built high tech 3D printers, employed their creativity to win film festivals or to develop innovative software solutions, to name but a few.

This guide will help you understand Romania's competitive advantages and how to best leverage them. We know that every investor story is different and are committed to providing our full support in making your journey a success.

Every year Romania adds another USD 8 billion to its economy. Visit us to understand how. Become part of our success story.

Sincerely,

Manuel Costescu
Head of InvestRomania



Zoom in on Romania

According to the World Bank's Doing Business Report 2015-2016, Romania is ranked 37th worldwide on the aggregate ease of doing business index, climbing 13 positions since 2014. The ranking regarding tax payments is in fact the second best among regional peer countries, such as Poland (#25), Hungary (#42), Bulgaria (#38) or Ukraine (#83).

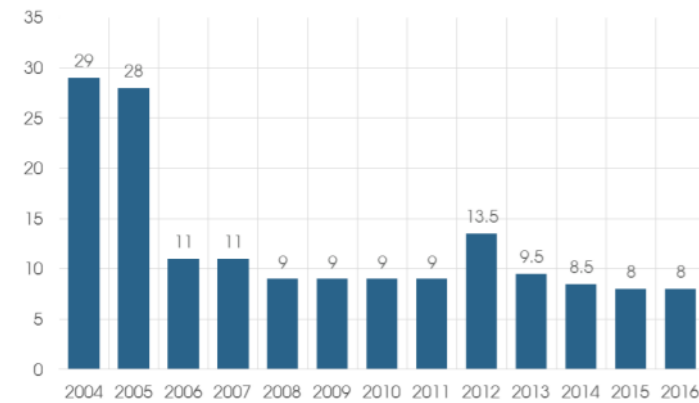


Figure 2. Number of days required to start a business

The pro-growth policy has further implications for the Romanian business environment, with the necessary paid-in minimum capital decreasing by 2.3 percentage points since 2004, reaching a minimum historical value of 0.6% of income per capita.



Figure 4. Number of payments for fiscal compliance

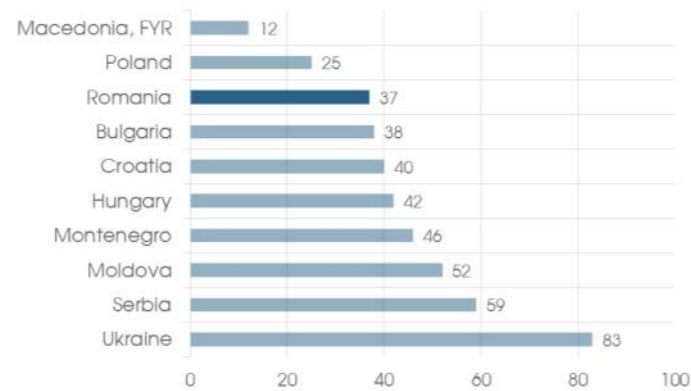


Figure 1. Doing Business rankings

In order to support entrepreneurs, the Romanian government has also simplified the process of opening up a business, reducing the necessary time from 29 days in 2004 to a little over a week in 2016. Moreover, the government is committed to aiding emerging entrepreneurs through more and more incentives.



Figure 3. Paid-in minimum capital (% of income per capita)

The number of payments per year required to fulfil fiscal obligations has dropped dramatically, from 113 in 2012 (historic maximum) to just 14 in 2016. Coupled with a fiscal pressure that is one of the friendliest in the EU (CIT: 16%, dividend tax: 5%, VAT: 20%), a more accessible tax system is the next step for growth.



A Foreign Investor's Story

The Romanian FDI stock has increased constantly during the last 16 years, especially after 2000 when it grew by a factor of 6, from EUR 9.7 billion to EUR 63 billion at the end of 2015.

By activity sectors, the highest share of FDI was directed

towards manufacturing, energy, utilities, financial services, construction, real estate and trade.

New champions are also emerging, with IT&C rising above the EUR 2.5 billion mark in 2014.

Another important sector of

the Romanian economy is the automotive one. The sector FDI stock increased to EUR 3.24 billion in 2014, up from EUR 1.3 billion in 2004. Ford and Dacia have built and continuously updated their production facilities, ramping up a supplier ecosystem of more than 600 companies.

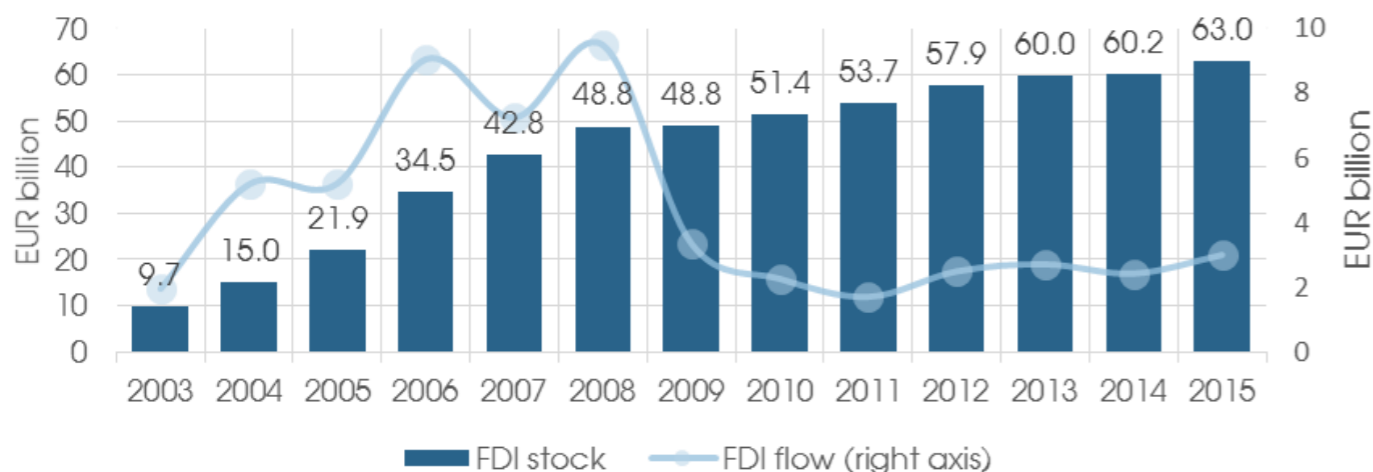


Figure 5. Evolution of FDI stock and flow

By country of origin, the largest share of FDI stock comes from the Netherlands, with EUR 14.2 billion in 2014 (23% of

total FDI). The second place is occupied by Austria, with a total investment stock of EUR 9.7 billion (or 16.1% of

total FDI), followed by Germany (EUR 7.4 billion), Cyprus (EUR 4.27 billion) and France (EUR 4.1 billion).

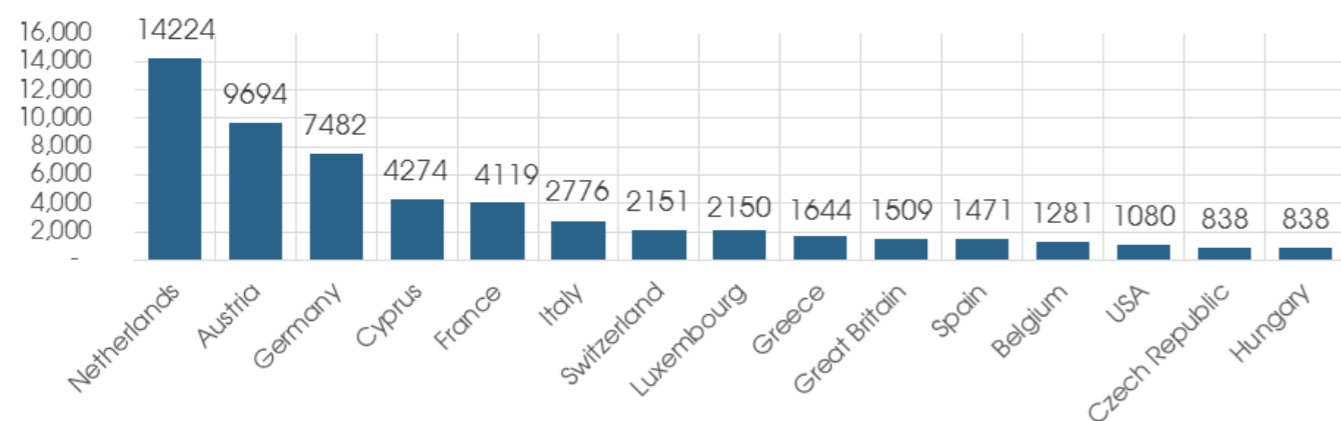


Figure 6. FDI stock by country of origin (EUR m)

At the end of 2014, the most attractive region for FDI was Bucharest-Ifov – more than EUR 35.6 billion, with a share of 59.2% of total FDI stock, followed by the Center Region – with EUR 5.83 billion (9.7% of total FDI) and the West Region with EUR 4.64 billion (7.7% of total FDI). There is a strong relation between FDI and the number of employees within every region, especially in the Bucharest-Ifov or Center regions, where foreign investment has an important contribution.

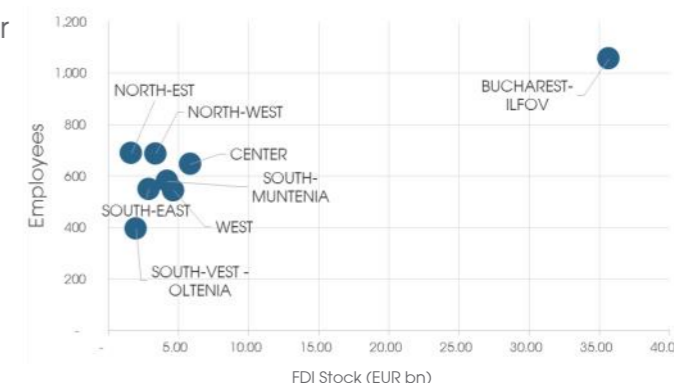


Figure 7. Relation between FDI stock and number of employees

The value adding industries are concentrated in more attractive regions for FDI, i.e. regions that include IT&C clusters, including BPO/SSC, most of them being located in Bucharest-Ifov (Oracle, HP, Microsoft, IBM), the North-West region and the West region (Dell, Alcatel Lucent, Autoliv, Continental), where foreign investors are focused on well-prepared workforce. Furthermore, sectors such as the automotive and aerospace ones are located in the Center region and the North-West, where there is a high availability for exporting to the Western countries. On the other hand, the North-East region is more labor-intensive, with a bigger volume of FDI in sectors such as textile production or agribusiness.

	31.12.2014 EUR million	Share in total FDI (%)
Total, of which:	60 198	100.0
Industry, of which:	29 324	48.7
Mining	3 345	5.6
Manufacturing, of which:	19 275	32.0
Food, beverages and tobacco	2 430	4.0
Cement, glass-ware, ceramics	1 579	2.6
Wood products, including furniture	1 519	2.5
Manufacture of computer, electronic, optical and electrical products	1 421	2.4
Machinery and equipment	1 432	2.4
Metallurgy	2 711	4.5
Transport means	3 244	5.4
Oil processing, chemicals, rubber and plastic products	3 420	5.7
Textiles, wearing apparel, leather goods	983	1.6
Other manufacturing sub-sectors	536	0.9
Electricity, natural gas, water	6 704	11.1
Professional, scientific, technical and administrative activities and support services	3 074	5.1
Agriculture, forestry and fishing	1 504	2.5
Trade	7 058	11.7
Construction and real estate transactions	5 917	9.8
Hotels and restaurants	541	0.9
Financial intermediation and insurance	7 798	13.0
Information technology and communications	3 598	6.0
Transportation	1 029	1.7
Other	355	0.6

Table 1. FDI stock by activity sector

Success Stories



RENAULT

Renault Group - With almost EUR 2.3 billion invested by the end of 2014 and 17 000 employees in the Romanian facilities, the Renault Group, one of the most significant players worldwide, is the country's largest company and exporter. The company enjoys the highest turnover in the country, with its main operations being held at: Dacia plant in Mioveni, Moulds Dacia (Pitesti), Renault Design Central Europe (design center), and Renault Credit International and Renault Technologie Roumanie (encompassing Titu Technical Center).



The objective is to make Mioveni reach top 5 largest and most important industrial platforms of the Renault Group in the world by 2020. – Nicolas Maure, President & CEO of Automobile Dacia SA



Cotinental is the largest manufacturer of components for the automotive local market, with an annual turnover of over 2 billion and over 16 500 employees. Reported activity in Romania reached 5.9% of the overall turnover of group (39.2 billion euros). With 16 500 employees as in 2015, Romania activity accounted for almost 8% of the German group.



Premium AEROTEC - is the biggest European producer of civil and military aerostructures as well as Europe's leading aircraft supplier, manufactures for the entire Airbus Family using aluminum, titanium and carbon fiber composites (CFC). In 2010, the German company, Premium AEROTEC has expanded its production capacity by building the plant in Brasov.



Main reasons for choosing Brasov were aeronautic history and well skilled employees available in the area, the strong German community presence and logistic strategic location. From the beginning Premium AEROTEC was continuously involved in supporting and developing a long time tradition, becoming the heart of Romania's aeronautics industry. – Jochen von Wurmb, CEO Premium AEROTEC



Procter & Gamble - is one of the leading producers of fast moving consumer goods (FMCG) worldwide. The US based company is present in Romania since early 1992. The company is present on the domestic market through three entities covering a wide range of activities, from production to marketing and distribution: Procter & Gamble Marketing Romania (coordinating the marketing activities for Romania and other 7 countries in the region), Procter & Gamble Distribution SRL (coordinating distribution within Romania), and Detergenti SA.



Daimler AG

Daimler AG - is one of the biggest manufacturer of premium auto vehicles in the world.

With more than 1 800 employees in its Romanian subsidiaries, Star Assembly and Star Transmission Daimler was one of the first Romanian companies to support a dual education system model, following the German state of Baden-Wuerttemberg.



In Romania we have a positive experience due to the gearbox factory, which is very good. – Dieter Zetsche, Chairman of Daimler AG board of directors



Microsoft - is the largest producer of software in the world and is present on the domestic market since 1992 with two centers: one in Bucharest and one support development center in Timisoara. Currently the US based company has 760 employees and plans to expand to over 1 000 over the next two years. Young people and education are among Microsoft's priorities in Romania.



Huawei - is a leading global solutions provider in the ICT field and began their story in Romania in 2003, three years after the company officially entered the European market. The company created more than 2,500 temporary jobs and have over 1 200 employees in Romania, 75% of them being local employees.



Here, in Romania, our company managed to develop and to maintain a beautiful relationship with the local Government. Romania is a developing emergent market and it is one of our most important markets for Huawei in Central and Eastern European area. – Huang Weiting, regional manager of Huawei Technologies SRL.

Macroeconomic Outlook



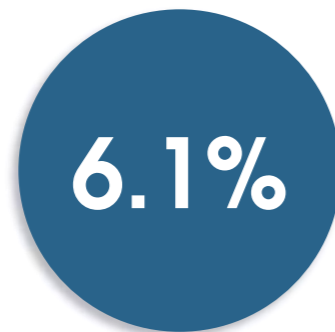
Economic growth for 2015 is at 3.8%, up 0.8 percentage points from 2014. The main driver behind the growth is private consumption (6.1%), followed by investment (5.3%). The private consumption was boosted by the VAT rate cut for food products in June 2015, as well as by the increase in real wages.



Economic Growth Rate

Furthermore, investment displayed an important rebound, amid the absorption of EU funds and improvements in the real estate and construction market (the construction sector increased by 8.8% in 2015).

Also, the IT&C sector record-



Private Consumption

ed a significant expansion (approximately 12% year-on-year) and has become one of the most dynamic in the EU.

Given the increase of domestic demand (private and governmental consumption and investment),



Investment

import growth surpassed export growth in 2015 (5.5% vs. 9.1% year-on-year). This leads to a widening current account deficit, from 0.5% of GDP in 2014 to 1.1% of GDP in 2015.

Business Cycle Evolution

The recent growth pickup of the Romanian economy is based on private consumption and investment. Other factors that drove the boost include the increase in real wages, low interest rates, low fuel prices and the VAT reduction for food products.

However, we are approaching a turning point with the output gap projected to close and become positive in 2015, while remaining below 1% by 2017 with no reasons of concern about overheating and over indebtedness.

	Average 2003-2007	2008	2009	2010	2011	2012	2013	2014	2015e	2016f	2017f
Real GDP growth rate	6.6	8.5	-7.1	-0.8	1.1	0.6	3.5	3	3.8	4.2	3.7
Private consumption	14.1	7.1	-10.1	1	0.8	1.2	0.7	3.8	4.8	6.8	4.5
Output gap	4.4	7.4	-1.9	-3.9	-3.8	-4.8	-3	-2	-1.1	0	0.4
GFCF	21.3	17.6	-36.6	-2.4	2.9	0.1	-5.4	2.5	8.8	5.5	6.1

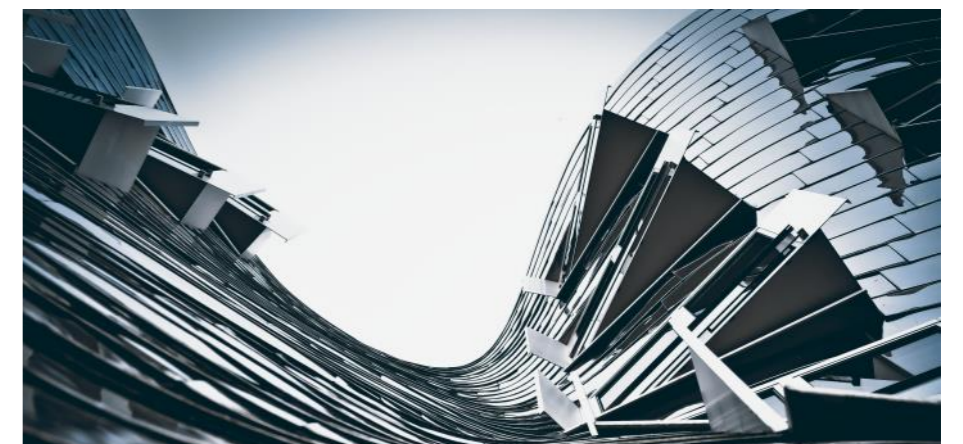
Table 2. GDP growth and macroeconomic information

The labor market is stable and forecast to improve. Unemployment remained stable at 6.7 % in 2015, but is expected to decrease below 6.5 % in 2016 and 2017. The low unemployment rate is to be seen in a wider context and as a measure of two main effects:

- (i) a large share of the occupied population works in agriculture, at subsistence levels (non-employees)
- (ii) the Romanian labor

market dynamic is influenced by the continuous decline in the working-age population, mainly due to ageing and net outward migration.

However, the employment is projected to increase both in 2016 and 2017 along with sustained economic growth based mainly on internal demand expansion.



Public finance

Fiscal balance and public debt

According to international financial institutions (IMF, WB, EBRD, etc.), Romania's public finances were stable in 2015, but for 2016 they are expected to deteriorate as the VAT standard rate was reduced from 24% to 20% starting with 1 January 2016, while some public expenditures will be increased.

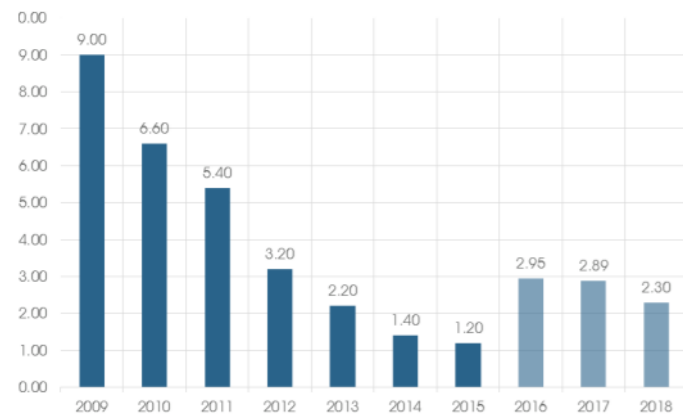


Figure 8. Fiscal deficit evolution

Since the height of the crisis, fiscal imbalances have gradually moderated. In 2009, the budget deficit hit 9% of GDP as the economy plunged into recession. With the support of the measures implemented by the Romanian government, the budget deficit was reduced amid a combination of expenditure reduction and revenues increase.

At the end of 2015, the general government deficit was 1.2% of GDP (in ESA terms), as revenues increased with 1% of GDP compared with 2014, while the expenditures were 0.8% of GDP higher than in 2014. In 2015, strong economic growth and better tax compliance contributed to high revenues. At the same time, the public debt is expected to be around 40% of GDP in 2016-2018.

The Inflation Rate

In Romania and in many EU countries, the inflation rate turned negative in recent years. Consumer prices were on a downward trajectory as a consequence of abundant harvests (in 2013 and 2014), falling oil prices and fiscal measures (reductions in VAT rate for food products starting with June 2015 and standard VAT rate starting with January 2016). In 2015, inflation became negative at -0.7%.

In the medium term, the National Bank of Romania's target-inflation is 2.5% (+/- 1 p.p. variation band). According to NBR, the inflation rate CPI is projected to stay negative until the end of the first semester of 2016. It is expected to re-enter the variation band at the beginning of 2017.

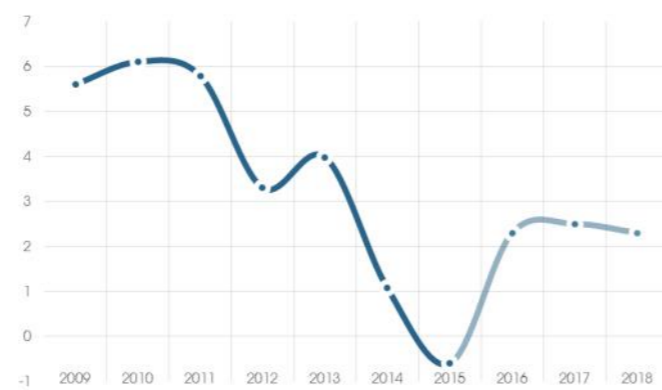


Figure 9. Inflation evolution

Source: National Bank of Romania

Labor Force



In the last five years, according to Eurostat, both the active population and the employment shares in the total population (15 - 64 years) increased amid the revival of the internal and external demand. Employment growth was concentrated mainly in high value-added sectors (ICT and professional, scientific and technical activities) as well in industry and construction. However, the share of employment in total population was well below EU average at the end of 2015 (61.4% vs. 66.5%).

It is important to note that more than 2.5 million Romanians were estimated to be living abroad, representing a potentially huge talent pool of labor force (blue-collar and white-collar workers) for Romanian and foreign companies in the future.

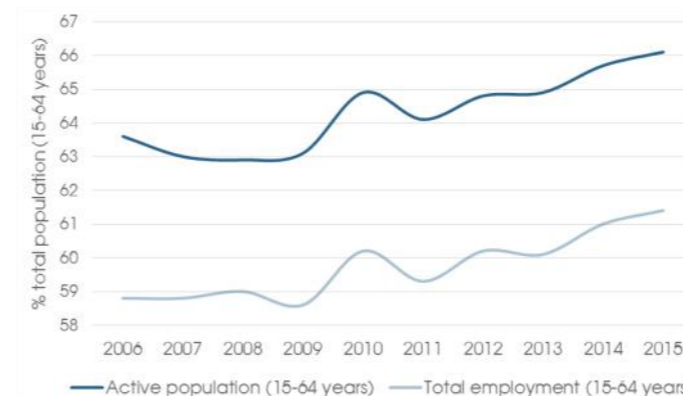


Figure 10. Evolution of employment and active population

In terms of female participation in the labor force, some activities are dominated by females in Romania, even comparatively with the EU28 average. Usually, women are predominantly engaged in Education, Healthcare and Humanities.

More importantly, Romanian women are strongly engaged in sectors typically dominated by men, such as Science, Engineering or Constructions. For these fields, Romania obtains the highest values among all EU28 states. Partially, this reflects the education strategy of the centralized, planned system before 1990, which relied to a large extent on the industrial sector, but also the Romanian women's propensity towards technical and scientific fields.

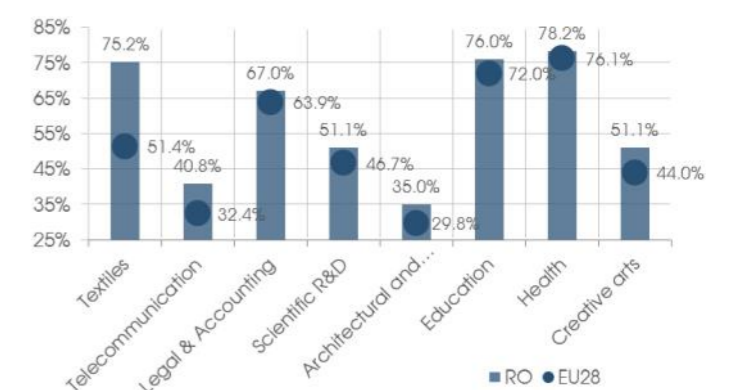
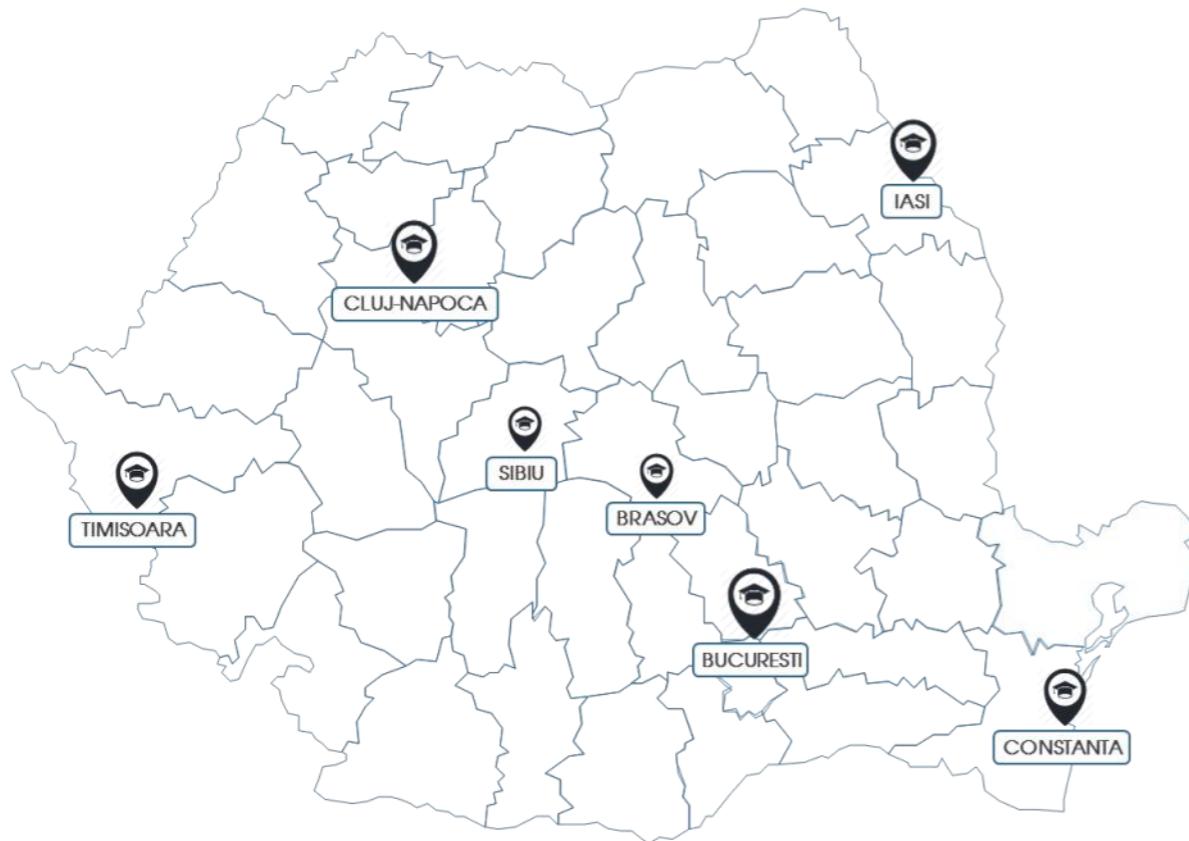


Figure 11. Female labor force participation by sector, RO vs. EU28

Source: Eurostat

Education



Top 3 University Centers

- Bucharest - 33 Universities
- Cluj - 10 Universities
- Iasi - 10 Universities

Age Group Rankings

Age Group	Rank
15 – 24	Rank 45
25 – 54	Rank 36
55 – 64	Rank 29

Human Capital Index

Human Capital Index 2015

Rank 39

Upper-middle Income Country

Rank 3

Number of Graduates

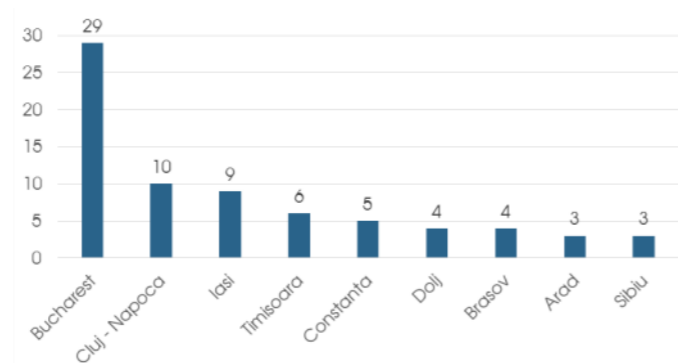


Figure 12. Number of graduates/university center ('000, 2014)

Source: World Economic Forum

The quality of education in Romania is recognized internationally, local students consistently ranking in the top 10 in International Olympiad competitions in math and informatics, better than any other country in the EU.

The focus on technical subjects is significant, the number of engineers per capita being higher than in the US, India, China or Russia. With 5 polytechnic universities, 59 domain specific universities and 174 private colleges, the most successful students tend to pick high tech industries, such as IT, while the local education system supplies over 7,000 IT&C engineers every year.

Furthermore, 99% of Romanian students learn two or more languages in upper secondary education.

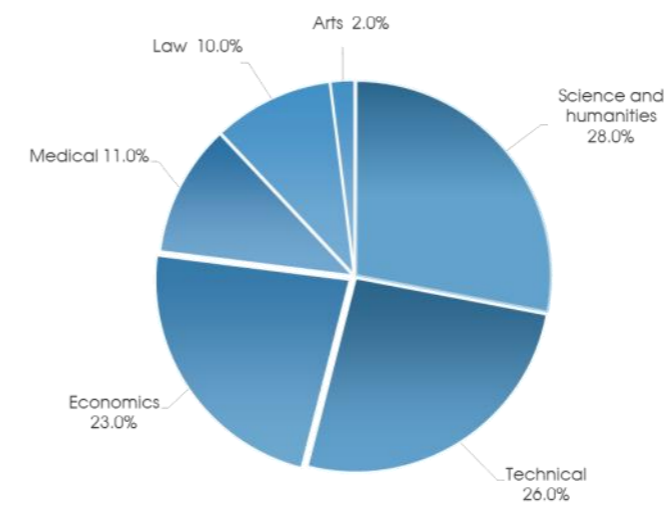
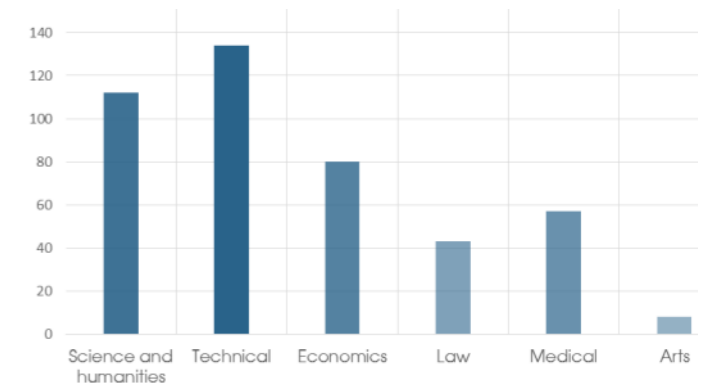


Figure 13. Percentage of university graduates by subject of degree (2014)



*Includes: mathematics, physics, biology, chemistry, geography, journalism, history, political & administrative science, philosophy

Figure 14. Number of students by subject of degree ('000, 2014)

97% of Romanian high school students study two or more foreign languages while in secondary education.

The predominant languages are English, French, German and Spanish, yet initiatives for teaching Japanese, Nordic languages or the entire Latin language family (Spanish, Italian, French) exist.

90%

of university students in Romania are proficient in

26%

of university students in Romania are proficient in

17%

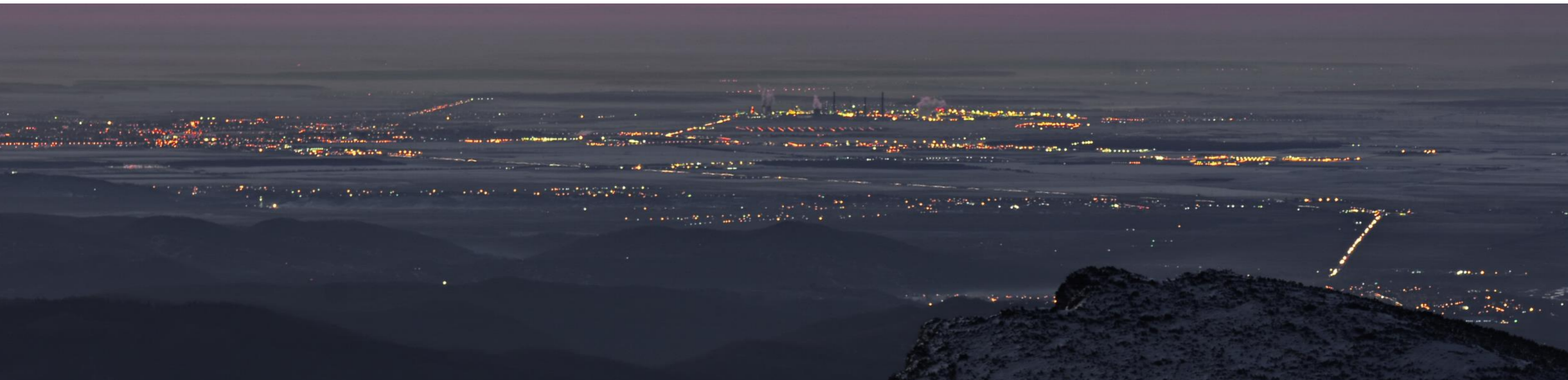
of university students in Romania are proficient in

8%

of university students in Romania are proficient in

Source: ABSL, InvestRomania

Energy and Resources



Gas prices and availability

The price and reliability of energy supplies, electricity in particular, are key elements in a country's energy supply strategy. Gas prices are of particular importance for international competitiveness, as gas might represent a significant proportion of total energy costs for industrial and service-providing businesses. In contrast to the price of other fossil fuels, which are usually traded on global markets with relatively uniform prices, there is a wider range of prices within the EU Member States for natural gas.

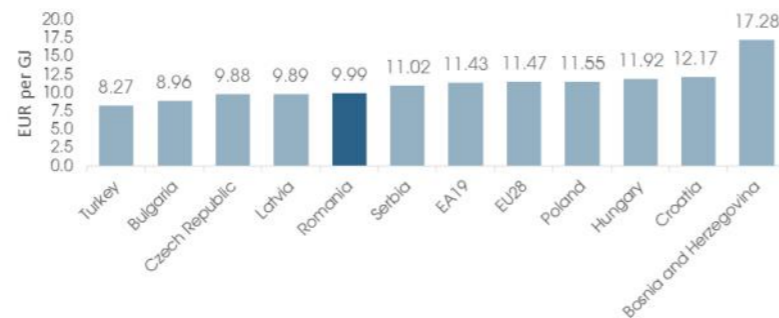


Figure 15. Gas prices

Gas tariffs or price schemes vary from one supplier to another. They may result from negotiated contracts, especially for large industrial users. In figure 8, you can find the final prices (all taxes and levies included) for industrial consumers of natural gas as an average of the second semester of 2015. Industrial consumers include companies with an annual consumption between 10 000 and 100 000 GJ.

Electricity prices and availability

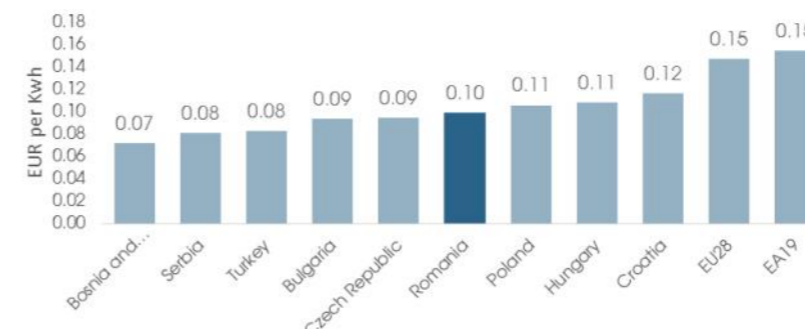


Figure 16. Electricity prices

For industrial consumers, the analysis is based on prices for the medium standard industrial consumption band, with annual electricity consumption between 500 and 2 000 MWh. Prices are presented as average final prices with all taxes and levies included during the second semester of 2015. Currently, Romania has the lowest energy dependency rates

- alongside Estonia and Denmark (the only Member States with dependency rates below 20%).

In the European Union more than 53% of the member states' energy consumption comes from countries outside the EU, especially from Russia (solid fuels, crude oil and natural gas), Norway (crude oil and natural gas) and Columbia (for solid fuels).

Regional Development



Population	19 870 647
Unemployment Rate	6.6%
Employees	5 152 118
Companies	507 440
Companies per/1000 people	25.5
Industrial Parks	70
Gross avg. earnings (EUR)	567
GDP/capita (EUR)	8 083
Output of Industrial Production (%GDP)	23.2%

Bucharest- Ilfov



Population
2 284 200

Unemployment Rate
4.6%

Employees
1 056 235

Companies
126 554

Companies per/1000 people
55.4

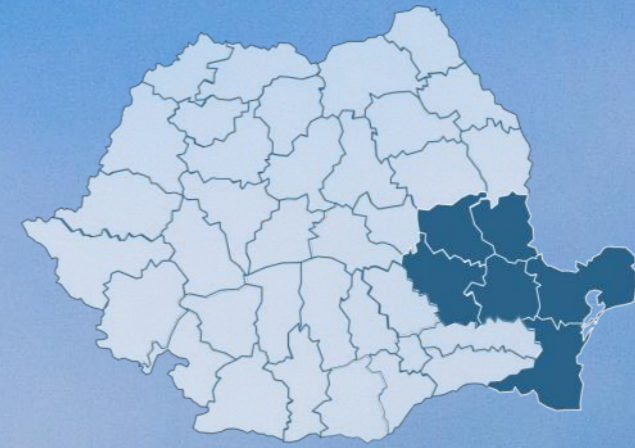
Industrial Parks
2

Gross avg. earnings (EUR)
792

GDP/capita (EUR)
19 063

State aid intensity
15% Bucharest / 35% Ilfov

South- East



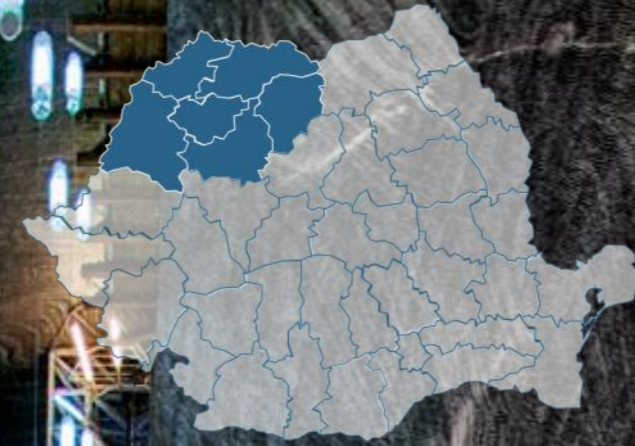
Population	2 492 352
Unemployment Rate	9.2%
Employees	550 467
Companies	57 888
Companies per/1000 people	23.2
Industrial Parks	2
Gross avg. earnings (EUR)	488
GDP/capita (EUR)	6 657
State aid intensity	50%

Center

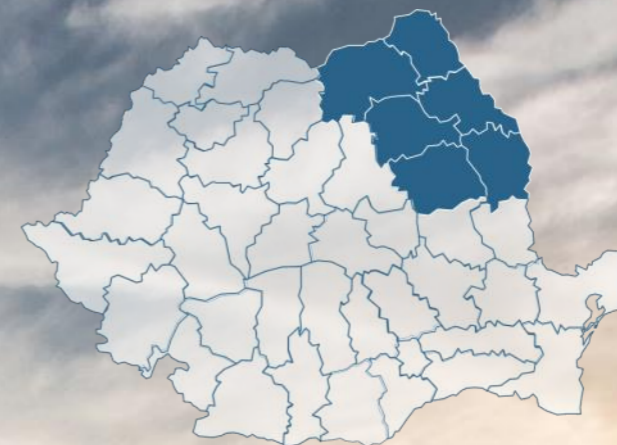


Population	2 350 147
Unemployment Rate	6.2%
Employees	646 329
Companies	59 124
Companies per/1000 people	25.2
Industrial Parks	15
Gross avg. earnings (EUR)	497
GDP/capita (EUR)	7 551
State aid intensity	50%

North- West



Population	2 585 543
Unemployment Rate	4.9%
Employees	688 353
Companies	72 444
Companies per/1000 people	28
Industrial Parks	15
Gross avg. earnings (EUR)	491
GDP/capita (EUR)	6 046
State aid intensity	50%



North- East

Population	3 269 598
Unemployment Rate	3.5%
Employees	689 024
Companies	53 290
Companies per/1000 people	16.3
Industrial Parks	4
Gross avg. earnings (EUR)	475
GDP/capita (EUR)	4 938
State aid intensity	50%

South- West



Population	2 015 766
Unemployment Rate	11%
Employees	395 841
Companies	36 516
Companies per/1000 people	18.1
Industrial Parks	6
Gross avg. earnings (EUR)	508
GDP/capita (EUR)	6 040
State aid intensity	50%

South



Population	3 061 286
Unemployment Rate	9.8%
Employees	589 886
Companies	54 764
Companies per/1000 people	17.9
Industrial Parks	22
Gross avg. earnings (EUR)	525
GDP/capita (EUR)	6 024
State aid intensity	50%

West



Population	1 811 755
Unemployment Rate	5.5%
Employees	544 985
Companies	46 860
Companies per/1000 people	25.9
Industrial Parks	4
Gross avg. earnings (EUR)	531
GDP/capita (EUR)	8 757
State aid intensity	35%

Ways of Doing Business

The following main alternatives are available to foreign investors in order to invest in Romania:

Setting-up of a Romanian company with its own legal personality The Romanian law provides for a variety of vehicles that can be used by foreign companies or individuals for investing in Romania. The most common forms used are the joint stock company (S.A.) and the limited liability company (S.R.L.).

Branch or representative office Neither alternative has its own legal personality, meaning that their activity and legal liability will at all times be directly related to the parent company of the foreign investor.

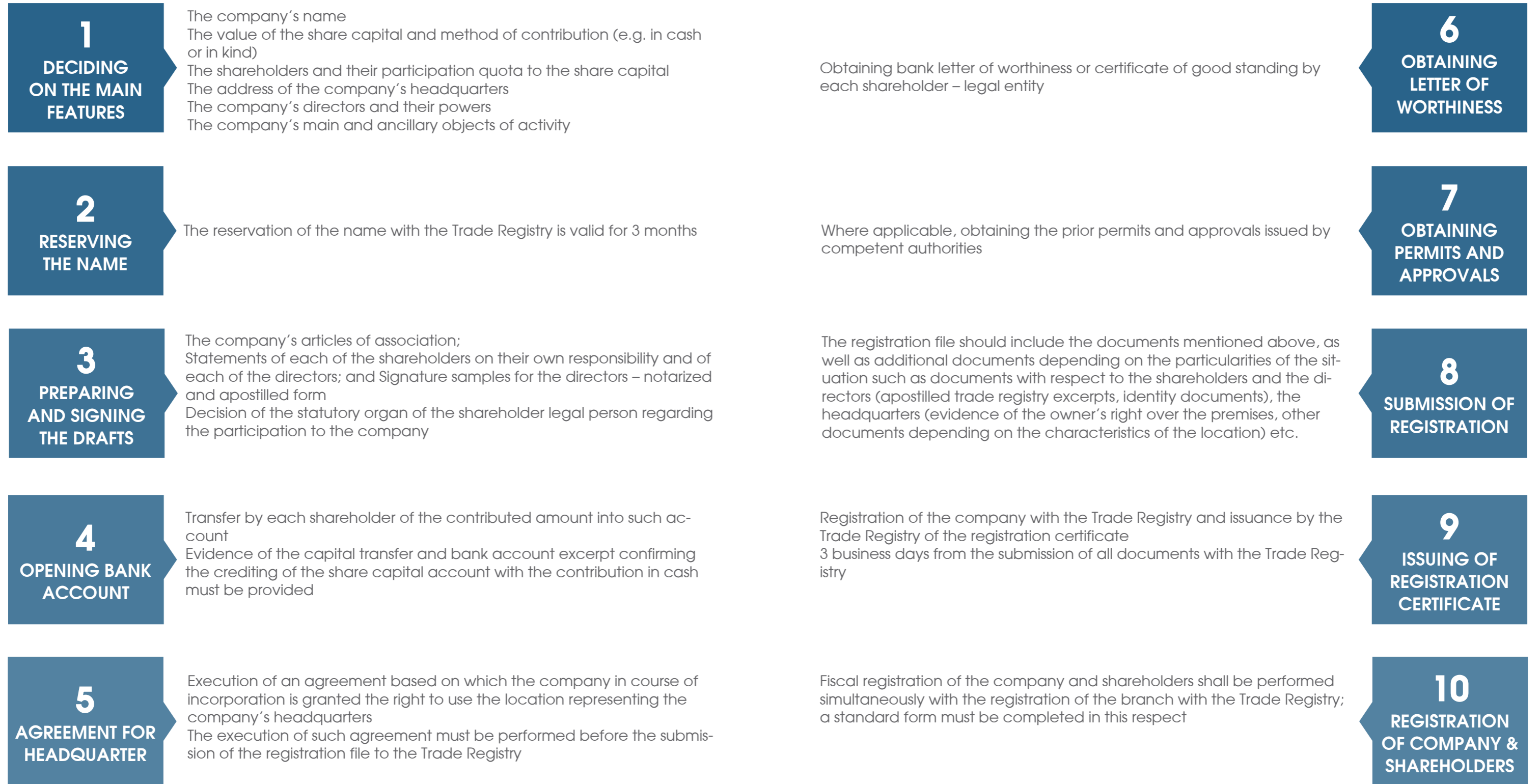
Authorized Individual ("PFA") Performance of the activity directly by an individual – after the registration as PFA with the competent Romanian Trade Registry Office.

Each of these forms of doing business in Romania offer different advantages that must be balanced against the potential setbacks from a tax and legal standpoint.

Legal Structures

Characteristics	Limited Liability companies (S.R.L.)	Joint stock companies (S.A.)
Shareholder structure	<ul style="list-style-type: none"> • Rule - minimum 2 shareholders, maximum 50 shareholders • Exception - 1 shareholder, with the observance of the following limitations: <ul style="list-style-type: none"> ⇒ An individual / legal entity cannot be a sole shareholder in more than one limited liability company ⇒ A limited liability company with a sole shareholder cannot be a sole shareholder in another limited liability company 	<ul style="list-style-type: none"> • Minimum 2 shareholders required. In case the company has only one shareholder for a duration exceeding 9 months, then any interested person may claim the dissolution of that respective company • The law does not impose a maximum limit regarding the number of shareholders
Share capital and shares	<ul style="list-style-type: none"> • Minimum share capital - lei 200 • Minimum value of a share - lei 10 • The shareholders must entirely pay the subscribed capital upon the moment of incorporation • Restrictions – LLC cannot: <ul style="list-style-type: none"> ⇒ be formed by public subscription ⇒ issue bonds ⇒ issue shares represented by negotiable financial instruments 	<ul style="list-style-type: none"> • Minimum share capital - lei 90,000 (approximately Euro 20,000) • Minimum value of a share – 0.1 lei • At least 30% of the subscribed share capital must be paid at the moment of the incorporation • Joint stock companies may issue: <ul style="list-style-type: none"> ⇒ bearer shares ⇒ nominative shares ⇒ preferential shares (cannot exceed of the share capital) ⇒ bonds (for increasing their funds) • The shares issued by a joint stock company may be acquired by public subscription. In this case the shareholders must pay in cash 50% of the subscribed capital at the incorporation date of the company
Transfer of shares	<ul style="list-style-type: none"> • Shares may be transferred between shareholders without any restriction. • Transfer of shares to third parties is subject to the approval of the shareholders holding of the share capital and also to a 30-day opposition term granted to any interested person. The shareholders may not derogate from such restriction by inserting a contrary provision in the articles of association or by any other agreement. • The transfer becomes effective at the expiry of the 30-day opposition term. • Transfer of shares must be registered with the Trade Registry and with the shareholders' registry of the LLC. • There is no possibility for the LLC to acquire its own shares. 	<ul style="list-style-type: none"> • Shares may be freely transferred between the shareholders or to a third party • Restrictions may be established through the articles of association • The transfer of the shares takes place at their registration in the shareholders registry, unless the articles of association provides otherwise • The registration of the transfer of shares with the Trade Registry is not mandatory • A joint stock company cannot acquire its own shares, excepting some limited cases expressly provided by the law. For example, the JSC cannot own its shares for a period longer than 18 months from the publication of the GMS decision approving their acquisition unless when the purpose of the acquisition was to distribute such shares to company's staff, in which case such distribution must occur within 12 months from acquisition. The aggregate nominal value of own shares may not exceed 10% of the subscribed share capital. Any dividend or voting rights attached to the own shares are suspended for the period when the company holds such shares
Management	<ul style="list-style-type: none"> • The rules of management are more flexible than for an S.A. company; it is more difficult to implement the position of manager as it is not regulated by the applicable legislation • Limited liability companies are usually run by the main shareholder (the so-called intuitu personae character) – the main shareholder is the manager - and are suitable for smaller types of companies 	<ul style="list-style-type: none"> • The rules of management are more rigid; the organization under the form of joint stock companies is more suitable for large companies

Starting a company



* The VAT registration of the company is a complex and separate process which should be carried out with the assistance of VAT specialists.

* The Trade Registry fees corresponding to the incorporation procedure are approx. 150 EUR. Additional fees shall be incurred especially with respect to the authentication of various documents and translations into Romanian.

Setting up a branch office

- 1 DECIDING ON THE MAIN FEATURES**

The name of the branch (the name of the branch shall include the name of the parent company, its legal form and the name of the place where its headquarters is located, the name "sucursala" and the place where the branch will be registered)
 The address of the branch's headquarters
 The branch's representatives and their powers
 The branch's object of activity – the branch must have an object of activity similar to the parent company
- 2 PREPARING AND SIGNING THE DRAFTS**

Decision of the parent company approving the incorporation of the branch and the main features thereof (including appointment of the branch representative)
 Statements of the branch representative on their own responsibility and signature samples – notarized and apostilled form
- 3 AGREEMENT FOR HEADQUARTER**

The execution of such agreement must be performed before the submission of the registration file to the Trade Registry
 *Where applicable, obtaining the prior permits and approvals issued by competent authorities (certified copy)
- 4 SUBMISSION OF REGISTRATION**








The registration file should include the documents mentioned above, as well as additional documents depending on the particularities of the situation, including documents with respect to the parent company and the branch representative (apostilled trade registry excerpts, financial statements of the parent company, identity documents), the headquarters (evidence of the owner's right over the premises, other documents depending on the characteristics of the location) etc.
 Issuing of the registration 3 business days from the submission of all documents with the Trade Registry
- 5 REGISTRATION OF BRANCH & REPRESENTATIVES**

Shall be performed simultaneously with the registration of the branch with the Trade Registry; a standard form must be completed in this respect

*The Trade Registry fees corresponding to the incorporation procedure are of approximately 150 EUR. Additional fees shall be incurred especially with respect to the authentication of various documents and translations into Romanian.

A branch vs. a subsidiary

The branch is a dismemberment of a company, which does not have its own legal personality and is dependent on the parent company from an economical and a juridical point of view.. The main differences between a Romanian company and a branch are:

	Branch	Subsidiary
 Governing law	<ul style="list-style-type: none"> the national law of the foreign company which has established the branch in Romania the laws of Romania shall be applicable to the formalities for the registration and the enforceability towards third parties of the branch 	<ul style="list-style-type: none"> Romanian law
 Registration	<ul style="list-style-type: none"> shall be registered with the Trade Registry where its headquarters is to be established 	<ul style="list-style-type: none"> shall be registered with the trade registry where its headquarters is to be established the subsidiary will have to comply with additional requirements, depending on the chosen type of company
 Allowed activities	<ul style="list-style-type: none"> a branch may undertake only what the parent company can perform under its jurisdiction 	<ul style="list-style-type: none"> a subsidiary may perform any activity, provided that all applicable Romanian legal requirements are accordingly observed
 Rights & liabilities	<ul style="list-style-type: none"> all rights/assets and obligations/liabilities belong to the parent company 	<ul style="list-style-type: none"> all rights/assets and obligations/liabilities belong to the respective subsidiary – liability limited to the assets of the subsidiary.
 Contractual aspects	<ul style="list-style-type: none"> any contractual relationship with third parties is performed in the name of the parent company 	<ul style="list-style-type: none"> the subsidiary can enter into contracts in its own name
 Staff hiring	<ul style="list-style-type: none"> no restrictions on hiring local or foreign staff for a branch (except for the restrictions provided by the immigration laws) 	<ul style="list-style-type: none"> no restrictions on hiring local or foreign staff (except for the restrictions provided by the immigration laws)
 Deregistration	<ul style="list-style-type: none"> is made based on the decision of the parent company, without liquidation less time consuming procedure 	<ul style="list-style-type: none"> the liquidation procedure for the type of company in which is organized will have to be followed time consuming procedure

Competition law regulation



The Romanian legal framework in the competition field is mainly regulated by Competition Law no. 21/1996 (the "Competition Law") and Law no. 11/1991 on unfair competition (the "Unfair Competition Law"). In addition to those, there is significant secondary legislation issued by the Romanian Competition Council. Also, pieces of EU legislation are applied mutatis mutandis in Romania.

Article 5 paragraph 1 of the Competition Law (similar to art. 101 of the Treaty establishing the European Community) introduces the notion of anticompetitive practices and prohibits any agreements between undertakings, decisions of associations of undertakings or any concerted practices which have as object or effect the restriction, prevention, or distortion of competition on the Romanian market or a part thereof, especially those aiming at:

- Fixing, directly or indirectly, the purchase or selling prices, or any other trading conditions
- Limiting or controlling production, distribution, technical development or investments
- Sharing markets or supply sources
- Applying, as regards the commercial partners, dis-

similar conditions to equivalent performances, thereby causing to some of them, a disadvantage in the competitive position

- Conditioning the conclusion of certain contracts to the partner's acceptance of clauses stipulating supplementary performances which, neither by their nature, nor according to the commercial usages, are connected to the scope of such contracts

Competition Law also sets forth certain situations where the interdictions above do not apply, as follows:

A. Cases where the interdictions above do not apply to certain anti-competitive agreement/practice which cumulatively met the following conditions:

- Contribute to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit
- Impose on the undertakings concerned only those restrictions which are indispensable to the attainment of these objectives
- Do not afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question

B. Cases where the interdictions above do not apply to certain undertakings in consideration of their insignificant market share ("de minimis" agreements):

- The cumulative market share of all parties involved in the anti-competitive practice and which are competitors does not exceed 10 % on any relevant market affected by the respective practice
- The market share of each party involved in the anti-competitive practice does not exceed 15 % on any relevant market affected by the respective practice, if the involved parties are not competitors

Each undertaking has the right to self-assess the agree-

ments entered into, the decisions made by the associations of undertakings and the concerted practices in which it is involved, in order to determine whether it benefits from exemption from the application of the provisions of article 5 in the Competition Law.

Article 6 of Competition Law (similar with art. 102 of the Treaty establishing the European Community) prohibits the abusive use of a dominant position held by one or more undertakings on the Romanian market or a substantial part of it. Specific examples listed under the law include:

Imposing, directly or indirectly, of selling or purchase prices or unequal other contractual trading conditions

- Limiting production, distribution or technological development to the detriment of consumers
- Applying, as regards commercial partners, dissimilar terms to equivalent performances, thereby causing to some of them, a competitive disadvantage
- Concluding contracts subject to the acceptance, by partners, of clauses stipulating supplementary performances, which, neither by their nature, nor according to commercial usages, are connected to the object of such contracts

The Competition Law contains a relative presumption of dominance in case of undertakings holding a market share of 40 % or above. This presumption is rebuttable, the undertaking in question having to prove contrary.



The Competition Council, as an autonomous administrative authority in the competition field, is mainly responsible for the enforcement of the competition legislation in Romania. The Competition Council also has the power to assess the cases brought before it and which are capable of hindering trade between Member States in accordance with the provisions of Article 101 and 102 of the Treaty establishing the European Community.

Competition law regulation



According to Competition Law, **an economic concentration is achieved when:**

- Two or more, previously independent undertakings (or parts of them), merge
- One or more persons already controlling at least one undertaking, or one or more undertakings acquire, direct or indirect, control over one or several other undertakings or over some parts of them, either through capital participations, acquisition of assets, by contract or by any other means

In addition, an economic concentration may be established by the creation of a joint venture, which is a legal entity

performing, on a lasting basis, all the functions of an autonomous economic entity.

The key element to qualify a transaction as economic concentration is to determine whether the purchaser acquires "control" over the target company or not. Control is achieved when it derives from rights, contracts or any other means which, separately or together and considering the factual or legal circumstances, confer the possibility to exercise a decisive influence over an undertaking, especially through: i) ownership or usage rights over all or a part of the assets of an undertaking and ii) rights or contracts which

grant a decisive influence on the constitution, deliberations or decisions of the management bodies of an undertaking.

Once it has concluded that a transaction qualifies as economic concentration, it should be further investigated whether it must be notified to the competition authority prior to its implementation or not. The applicable legislation provides for a turnover threshold above which such operations must be notified, respectively:

- The aggregate turnover of the entities involved exceeds the RON equivalent of EUR 10 million

- At least two undertakings involved in the operation achieved each in part, on the Romanian territory, a turnover higher than the RON equivalent of EUR 4 million

The breach of the provisions under competition legislation, for instance the conduct of anticompetitive practices, the abuse of dominant position, lack of notifying the economic concentration before its implementation, constitute minor offences and are sanctioned with a fine ranging between 0.5 % and up to 10% of the total turnover achieved in the financial year prior to the application of such sanctions.

In addition to the sanctions applied by the Competition Council, individuals and/or legal entities that incurred a prejudice as a result of an anti-competitive practice prohibited by law are entitled to act against those business entities at fault in order for the incurred prejudice to be remedied.

By way of exception, business entities may obtain, by implementing the leniency policy, either a reduction or an exemption from the sanctions applicable by the Competition Council. Within the framework of the leniency policy, the Competition Council grants fine immunity or may apply a reduction of such fine for those business entities that decide to cooperate for identifying and fighting against serious anti-competitive arrangements.

The Competition Council also has the power to investigate

unfair competition deeds. In accordance with law no. 11/1991 on unfair competition, the following acts are considered unfair competition and are sanctioned with fines:

- denigration of a competitor or of its products/services, by means of communication or distribution of untrue information on the activity of a competitor or its products, which is able to harm its interests
- diversion of a corporate entity's customers by a current or former employee/ representative or any other person by using certain trade secrets, for which the corporate entity has taken reasonable measures in order to ensure their protection and whose disclosure may harm the interests of the said corporate entity
- any other commercial practices which breach the principles of fair dealing and good faith, and either causes or may cause losses to any market participant

The Competition Council may sanction any breaches of the said provisions with fines of up to 50.000 lei (in case of a legal person) or up to 5.000 lei (in case of a natural person), depending on the infringement.

State aid is defined as an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities.

The legislation applicable to state aid measures disposed

by the Romanian state is represented by:

- Treaty of Functioning of European Union and all the relevant Regulations adopted by the European Council and/or the European Commission
- The Guidelines, Notices and Communications of the European Commission and the jurisprudence of the European Court of Justice

Beginning with the Accession Date, the Competition Council has no longer the competence to review, authorize or prohibit, monitor, or order the recovery of any State aid previously or subsequently granted. Currently, the European Commission has exclusive jurisdiction to deal with State aid matters throughout the European Union. The Competition Council acts as the national contact authority between the European Commission and Romanian authorities and public institutions.

Aid measures can only be implemented after approval by the Commission. Moreover, the Commission has the power to recover incompatible State aid from the beneficiaries.



Local banking products

Credit institutions have sent signals regarding a slight relaxation of lending standards pertaining to corporate loans.

Also, the Romanian economy has a great, untapped potential for sustainable lending.

Exploiting this potential can add significant growth, as over 10 000 performing companies are not levered and could sustain more debt financing that would allow for the doubling of the current stock of loans to non-financial corporations.

In Romania, there are several financing solutions for start-up businesses in order to provide working capital or to sustain professionals start-up.

Financing through EU Funds

The Romanian banking system includes 40 credit institutions. At the end of 2014, the structure of the banking system involved:

Banking Stats

- 25** banks with majority foreign capital
- 9** branches of foreign banks
- 2** state owned or majority owned banks
- 3** institutions with majority domestic private capital
- 1** co-operative credit institution

Financing through the Ministry of Economy

The Ministry of Economy finances and manages a total of 9 initiatives, with a total 2016 budget valued at EUR 34 million through the following programs:

- ⇒ **START** - supporting the development of start-ups founded by debutant entrepreneurs
- ⇒ **Rural** - supporting the development of SMEs in the rural areas
- ⇒ **COMMERCE** - strengthening the marketing capacity of companies and develop comm. activity
- ⇒ **Microindustry** - supporting the development of the industrial and manufacturing sectors
- ⇒ **SRL-D** - supporting the development of start-ups founded by debutant entrepreneurs
- ⇒ **Women in Management** - improving the performance of businesses run by women
- ⇒ **Business Incubators** - sustaining the development of incubators that facilitate start-ups growth
- ⇒ **Arts & Crafts** - strengthening the marketing capacity of companies and developing commercial activity
- ⇒ **UNCTAD / EMPRETEC** - strengthening the marketing capacity of companies and developing commercial activity
- ⇒ **TIMM** - strengthening the marketing capacity of companies and developing commercial activity



Human Capital Operational Program

Jobs for young people financing the following activities:

- improving skills of young people (16-24 years old)
- providing active employment measures which consist in counseling and guidance, assistance for finding a job
- basic skills of the persons concerned

Regional Operational Program

Regional Operational Program financing the following activities:

- construction, modernization, expansion of the production / supply services
- providing tangible, intangible assets

Competitiveness Operational Program

Competitiveness Operational Program financing the following activities:

- investments projects for R&D department of enterprises
- investment projects that creates R&D synergies with Horizon 2020
- Innovative projects, which will achieve an innovative product (both for goods and services)

State Aid Scheme 2014/807

The State Aid Scheme 2014/807 has a budget of EURm 600 foreseen for the next 6 years. It aims at supporting major CAPEX investment. This year, the budget was expanded by 45% to EURm 145.

Eligible costs

- Construction of new buildings
- Renting costs for existing buildings
- CAPEX aimed at technical installations and tools
- Acquisition of intellectual property

Eligibility criteria for Investments

- Minimum value: EUR 10 million
- To be viable and determine the operational efficiency of the company
- To prove the stimulating effect of state aid
- To generate contributions to regional development
- To facilitate extra investments in the region

Eligibility criteria for companies

- Net profitability for existing companies: > 0%
- Equity for new companies: >= RON 100,000

State Aid Scheme 2014/332

The State Aid Scheme 2014/332 has a budget of EURm 600 foreseen for the next 6 years. It aims at supporting the creation of new jobs. Its annual budget is EURm 100.

Eligible costs

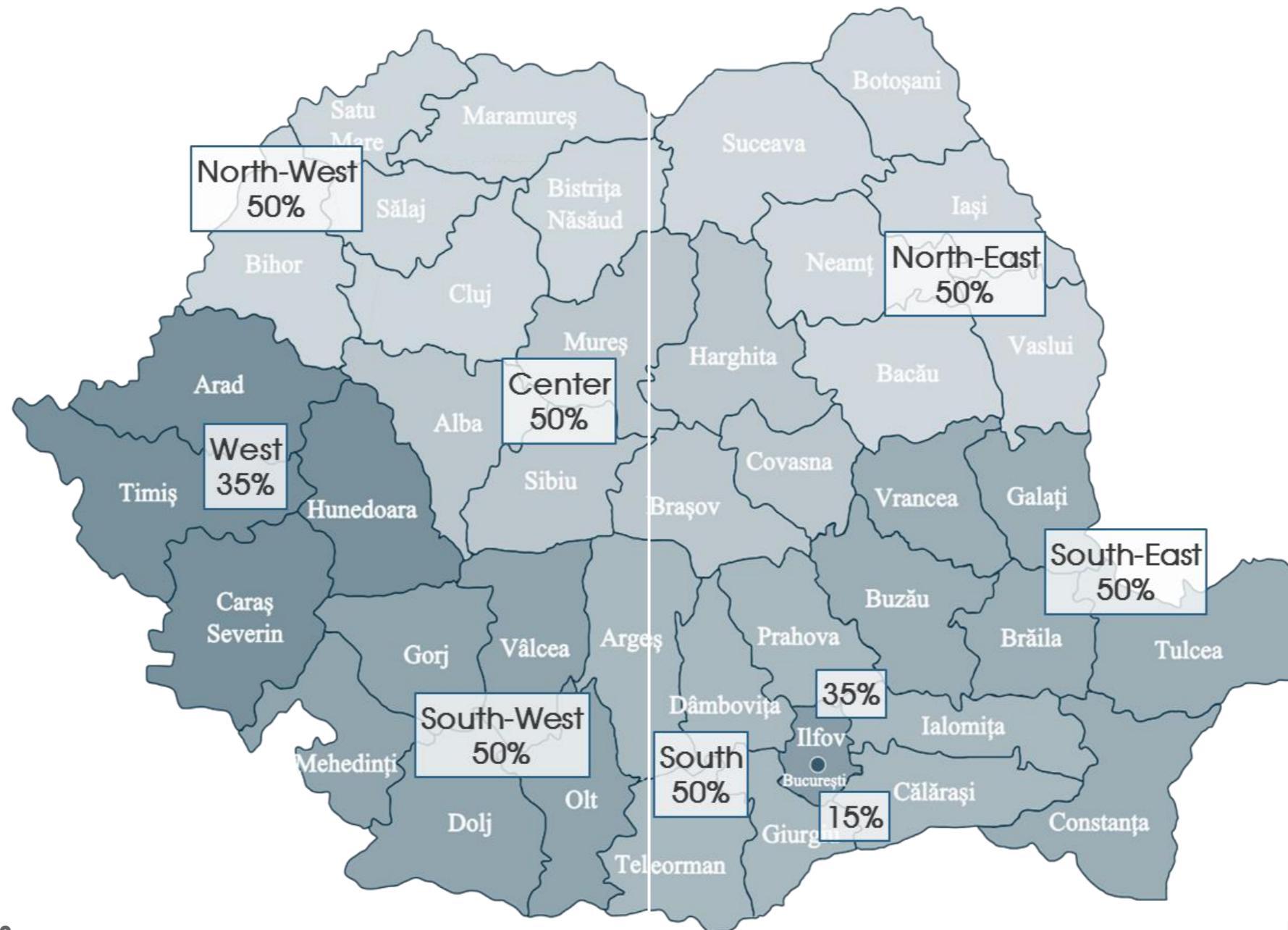
- Salary costs registered for a 2 consecutive year period resulted as a direct consequence of the investment
- *Salary costs are comprised of gross annual salary plus benefits

Eligibility criteria for Investments

- To lead to the creation of 10 new jobs per investments location, out of which 3 positions to be covered by disadvantaged workers
- To be viable and determine the operational efficiency of the company

Eligibility criteria for companies

- Net profitability for existing companies: > 1%
- Equity for new companies: >= RON 30,000

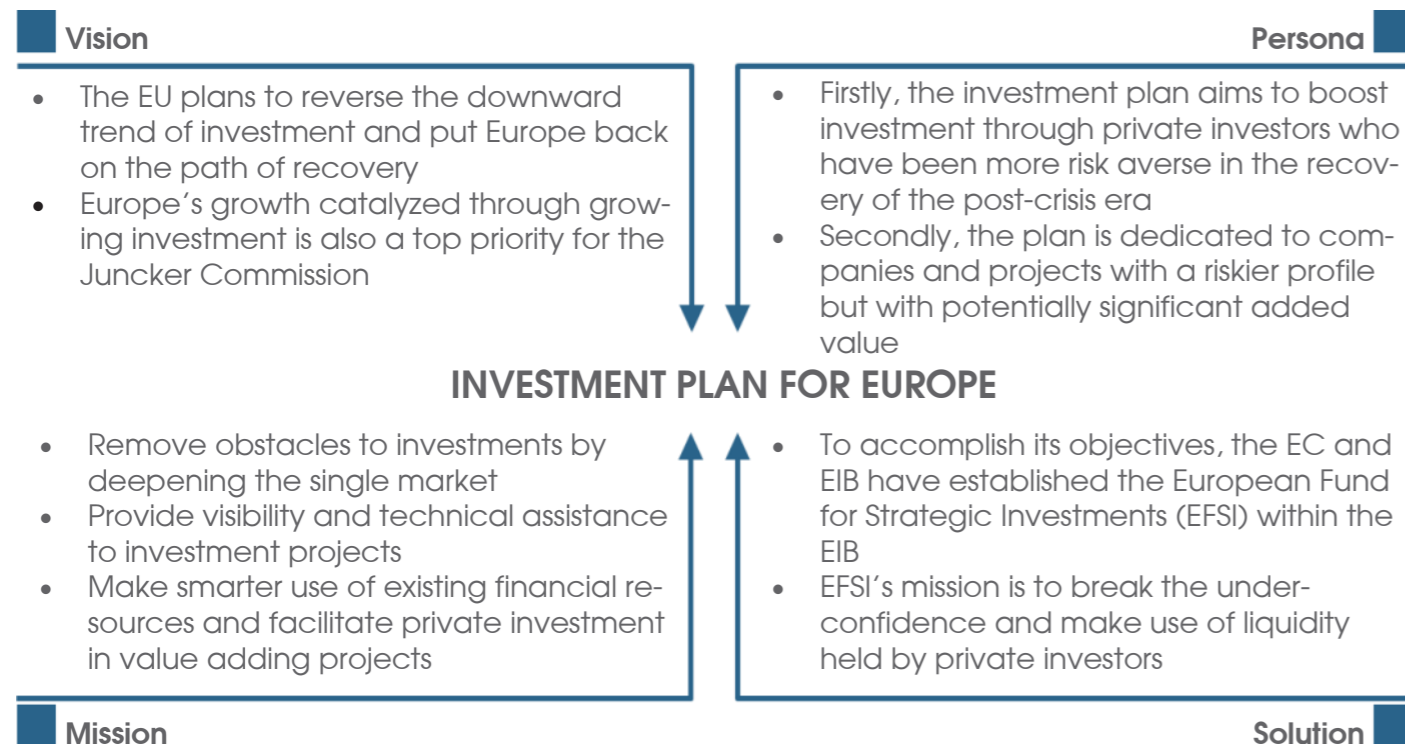


The intensity of state aid by region
*This applies to both state aid schemes

Investment plan for Europe



To foster growth and boost private investment into value adding projects, the European Commission (EC) and European Investment Bank (EIB) created the Investment Plan for Europe.



European Fund for Strategic Investments

- Is essentially an EUR 21 billion risk management tool designed to aid and facilitate investment from
- Was put together by the European Commission and the European Investment Bank
- Aims to mobilize at least EUR 315 billion in investment

Support through the EIAH and the EIPP

- The Investment Plan for Europe aims to help project promoters in the development of the financing application through the European Investment Advisory Hub
- Furthermore, as a means to connect projects with investors, the IPE has also built an European Investment Project Portal

Regulatory environment improvement

- One of the current priorities of the Commission seems to be the identification and elimination of regulatory bottlenecks that slow down investments

Eligible applicants

- Companies of all sizes, including small and medium enterprises (up to 250 employees) and midcaps (up to 3000 employees)
- Utilities
- Public sector entities
- National promotional banks or other banks delivering intermediated lending
- Bespoke investment platforms

Eligible criteria

- Commercially sound, economically and technically viable
- Contributing to EU objectives and to sustaina-

ble growth and employment

- Mature enough to be bankable
- Priced in a manner commensurate with the risk taken

Application process

- As financing operations will be on the EIB's balance sheet, all applicants are subject to standard EIB due diligence and approval by its governing
- Project promoters should follow standard EIB loan application procedures
- SMEs and midcaps interested in EFSI transactions should refer to information on EIF
- SMEs, however, do have a wider range of possibilities to access EFSI funds; either through a financial intermediary or through a risk capital fund

Key Sectors

- Strategic infrastructure, including digital, transport and energy
- Expansion of renewable energy and resource efficiency
- Environmental, urban development and social projects
- Education and training, research, development and innovation
- Support for smaller businesses and midcap companies

Instruments

- Loans
- Guarantees
- Credit enhancement products
- Equity type products

Labor Law Regulation Overview

In Romania, employment contracts are generally regulated by the provisions of Law no. 53/2003 – the Labor Code, which provides for a set of minimum general principles to be applied in the employment relations. Labor legislation has adapted in recent years to the special economic circumstances through the approval of various laws, the most significant being Law no. 62/2011 on social di-

with the competent labor authority (Government Decision no. 500/2011 regarding the general registry of employees). The minimum employment age is 15 years old and there are certain special rules applicable to the employment of persons under the age of 18 (who, for example, cannot work in jobs considered dangerous). Hiring persons under 15 is completely prohibited by law.



ologue, Law no. 467/2006 regarding the establishment of the general framework for informing and consulting the employees, Emergency Government Ordinance no. 56/2007 on the employment and employment-related to relocation of foreign citizens on the territory of Romania, Law no. 108/1999 for establishing and organizing labor inspection. In general, discrimination in hiring or in the workplace on the grounds of gender, sexual orientation, genetic characteristics, age, nationality, race, color, ethnics, religion, political options, social origins, handicaps, family situation, membership of a labor union or otherwise is prohibited. Each employer must keep a general register of its employees, in electronic form, and register it

There are various different types of contracts, including indefinite-term, temporary, fixed-term, training, distance work and part-time contracts. The collective negotiations are mandatory to be initiated on an annual basis by any company with at least 21 employees. Following the negotiations, collective labor agreements can be concluded at sectorial level, group of employers and employer's level. The individual labor contracts may not include provisions establishing rights of an inferior level or contrary to the one set by applicable laws and collective labor agreements. The collective labor agreement is concluded for a determined period that may range between 12 and 24 months.

Type of contract	Details
Individual labor contract	<p>Generally, the contracts should be concluded for an indefinite period of time and by an exception, the agreement can also be concluded for a fixed period of time, provided that certain conditions are observed. It should always be concluded in writing, in Romanian language.</p> <p>Generally, work time is 8 hours per day for full-time employees. The maximum work time cannot exceed 48 hours per week, including extra hours. Overtime work is allowed only with the employee's agreement, except for force majeure cases or other urgent works intended to prevent or to eliminate the consequences of an accident.</p> <p>The overtime shall be compensated financially or through paid off hours. All employees are guaranteed a paid annual rest leave of minimum 20 working days.</p> <p>Employment contracts may be full-time or part-time.</p>
A part-time contract	<p>Is defined as a contract in which a number of hours of work has been agreed with the worker per day, week, month or year which is less than the working hours of a "comparable full-time worker", that is, a full-time worker at the same company and workplace who performs identical or similar work.</p> <p>Part-time workers have the same rights as full-time workers, although at times, according to their nature, such rights will be recognized proportionally, according to the time worked.</p> <p>Part-time workers cannot work overtime, except for force majeure cases or other urgent works intended to prevent or to eliminate the consequences of an accident.</p>
Fixed term contracts	<p>Are used for performing seasonal activities or in case where the employer's activity is temporarily increased.</p> <p>The maximum period for which a determined contract may be concluded is of 36 months.</p> <p>Also, between the same parties there may be concluded maximum 3 determined agreements in a row.</p> <p>Successive contracts may not exceed 12 months each. In addition, a home work arrangement may be reached provided it is formalized in writing (whether in the initial contract or a subsequent agreement).</p>

The individual labor contract may be amended only through both parties' consent. By exception, the contract may be unilaterally amended by the employer only with respect to the place of work by delegating or temporarily transferring its employees to a work place other than the one provided in the agreement.

Labor Law Regulation Overview

Employers can assess a worker's abilities by agreeing on a trial period during which the employer or the worker can freely terminate the contract without having to allege or prove any cause, without prior notice and with no right to any indemnity in favor of the worker or the employer. The contract may foresee a single trial period of a maximum 90 calendar days, in case of executive positions, and maximum 120 calendar days, in case of management positions. For disabled persons, the trial period can reach a maximum of 30 calendar days. In addition, either party, with a notice period of no less than 20 working days, may terminate the contract.

The official gross minimum wage is established by the Government and amounts to RON 1250 per month or RON 7,3 per hour. The minimum wages for each job category can be regulated in the collective labor agreements. Salaries cannot be paid at intervals of more than one month.

Termination of individual labor agreement

An employment contract may be terminated for a number of reasons which normally do not give rise to any dispute, such as mutual agreement, expiration of the contractual term, death or retirement of the employee or of the employer, and so on.

In the event of termination by the employer, there are two main grounds for dismissal of an employee: (i) for reasons pertaining to the employee, or (ii) for reasons not pertaining to the employee. The dismissal for reasons not pertaining to the employee can be (i) individual or (ii) collective.

Further on, the Labor Code provides temporary interdictions for dismissal, respectively specific cases in which, due to the special situation the employee faces, his/her dismissal cannot be decided, namely:

- during a temporary work disability, ascertained through medical certificate
- during a quarantine leave
- during pregnancy, as long as the employer became acquainted with this fact before the issuance of such dismissal decision

- during the maternity leave
- during the leave for raising a child up to the age of 2, or, in case of a disabled child, up to the age of 3
- during the leave for looking after a sick child aged up to 7, or, in case of a disabled child, for illnesses, until the age of 18
- during one's exercise of an elected position in a trade union body, except when the dismissal is decided for a serious disciplinary departure, or for repeated disciplinary departures, by the employee
- during the rest leave

Any dismissal ordered with the violation of the legal procedures is null and void. In case of labor disputes, the employer may not invoke, before of a court of law, other factual or lawful reasons than those provided in the dismissal decision. Should the dismissal have been performed ungrounded or illegally, the court of law shall order its cancellation and oblige the employer to pay for damages to the employee.

GROSS MINIMUM WAGE

276 €

PER MONTH

The matter of hiring foreign citizens in Romania is dealt with under the Emergency Government Ordinance no. 56/2007. Persons who do not have EU or EEA citizenship may work in Romania only based on a work permit. The work permit is not necessary in limited circumstances such as for individuals who hold a right of permanent stay in Romania or for those who will temporary perform activities requested by Romanian public authorities. Generally, the work permit is issued for the entire period of the work contract, except for seconded employees who obtain their authorization for a one-year period only.

Employment cost structure

Employer's Contributions

- 15.8%** Social Security Contribution - between 15.8% and 25.8% (depending on the work conditions, 15.8% for the normal working conditions) of the total salary fund, capped at the level of five times the medium gross salary per economy and multiplied with the number of employees
- 5.2%** Health Fund Contribution – applied to the gross salary fund; starting with January 2017 the health fund contribution will be capped
- 0.85%** Medical Leaves Contribution – applied to the gross salary fund, capped at the level of twelve times the national minimum salary, multiplied by the number of employees
- 0.5%** Unemployment Fund Contribution – applied to the gross salary fund
- 0.25%** Guarantee Fund for Salary Debts Contributions - applied to the gross salary fund
- 0.15%** Contribution to the Fund for work accidents and professional diseases – applied to the gross salary fund, depending on the core activity of the company
- 0.85%**

Employee's Contributions

- 10.5%** Pension Contributions – applied to the monthly gross income earned by the individual, capped at the level of five times the medium gross salary
- 5.5%** Health Fund Contribution – applied to the salary income subject to income tax
- 0.5%** Unemployment Fund Contribution – applied to the monthly gross income earned by the individual

Employee's Income Tax

- 0.5%** Income tax – applied to the monthly taxable income earned by the individual (gross income deducted with employee's social charges)

*The medium gross salary per economy is RON 2.681 for 2016

**The health insurance contribution will be capped at 5 times the medium salary established by law

***The minimum gross salary per economy is RON 1,250 starting with May 2016

Fiscal Policy Overview

The legislative framework in Romania has been subject to various amendments as a result of the entering into force of the New Fiscal Code (i.e., Law no. 227/2015 regarding the Fiscal Code) and the related Application Norms (i.e., Decision no. 1/2016 for approving the Application Norms of Law no. 227/2015), as well as the New Fiscal Procedure Code (i.e., Law no. 207/2015 regarding the Fiscal Procedure Code).

Furthermore, a reform process funded and supervised by the World Bank is being implemented at the level of the tax regulatory authority, the Romanian National Agency for Fis-

Direct Taxes

The legislative framework of direct taxation has been substantially reshaped as of 1 January 2016. With the objective of maintaining stability and transparency in the taxation field a new principle was introduced, according to which no further amendments are to be brought to the legislative provisions for a period of one year subsequent to the introduction of the new legislative provisions.

New definitions of general terms/concepts have been introduced, among which the most important are: transparent fiscal entities, with/without legal personality, the place of effective management, stock option plan etc. Moreover, new amendments have been made to existing definitions of the terms "dividend", "royalty", "the arm's length principle", affiliation between two legal persons, "centre of vital interests".

The fiscal year in Romania is the calendar year. Under certain conditions, the fiscal year may be amended.

The legislative framework of direct taxation has been substantially reshaped as of 1 January 2016. With the objective of maintaining stability

cal Administration ("ANAF"), aiming for a greater institutional autonomy and at becoming a real business partner for taxpayers.

As a European Union member state since 2007, Romania offers many opportunities for foreign investors, a matter of fact demonstrated by reports of international agencies such as Jones Lang LaSalle or Gartner.



and transparency in the taxation field a new principle was introduced, according to which no further amendments are to be brought to the legislative provisions for a period of one year subsequent to the introduction of the new legislative provisions.

New definitions of general terms/concepts have been introduced, among which the most important are: transparent fiscal entities, with/without legal personality, the place of effective management, stock option plan etc. Moreover, new amendments have been made to existing definitions of the terms "dividend", "royalty", "the arm's length principle", affiliation between two legal persons, "centre of vital interests".

The fiscal year in Romania is the calendar year. Under certain conditions, the fiscal year may be amended.

Direct taxes — Corporate Income Tax

CORPORATE
INCOME TAX

16%

Corporate income tax ("CIT") is chargeable at a flat rate of 16% and is applicable on worldwide income, in the case of resident entities or on the earnings in Romania, in the case of non-resident companies. In this respect, in the category of taxpayers who are required to declare and pay CIT according to Romanian law are now included non-resident entities which have the place of effective management in Romania.

In an attempt to stimulate the business environment, the general deductibility rule has been redefined as to cover a larger base. Thus, as of 1 January 2016, expenses are deductible for CIT purposes provided they are incurred with the purpose of conducting economic activities.

Participation exemption rules are available. Dividends received from a Romanian legal entity, irrespective of the holding percentage and period, become non-taxable income.

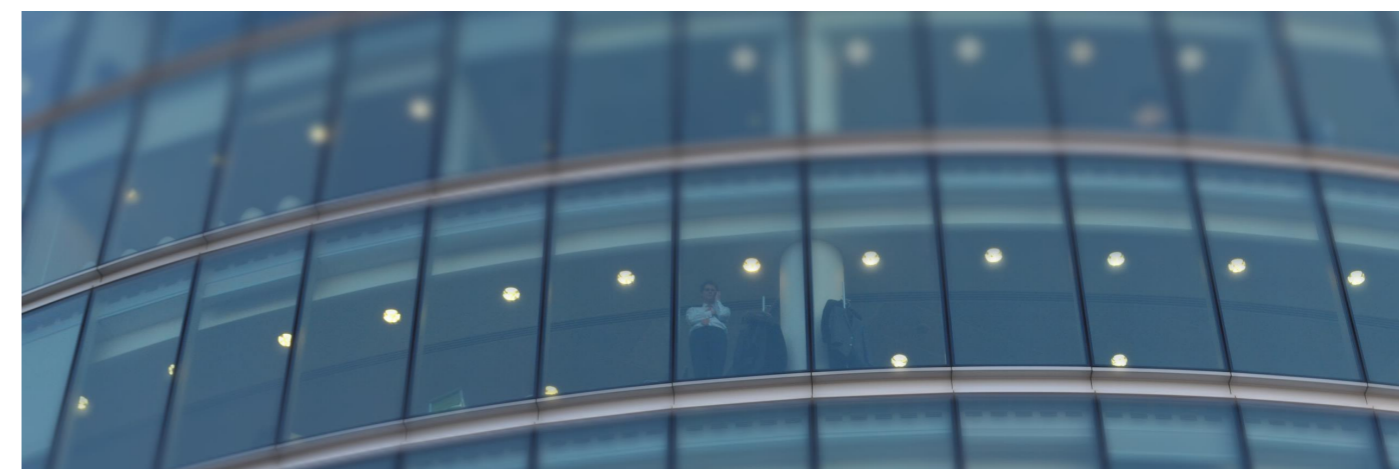
Income from dividends received from a company in an EU Member State or a country with which a double tax treaty was concluded by Romania / gains from alienation of shares / income from liquidation / income from revaluation of shares held in a Romanian company or a company located in a country with which Romania concluded a double tax treaty may be exempt if the recipient holds at least 10% of the shares of the company distributing dividends / being sold / being liquidated / being subject to evaluation for at least one year.

Non-residents obtaining income from the sale of shares in companies owning real estate in Romania are not subject to 16% tax if:

- Romania has a Double Taxation Treaty ("DTT") concluded with the country of residency of the non-resident
- The Company receiving the income holds more than 10% of the shares and if the operation is performed after a period of minimum one year

Still, if the conditions above are not met, the non-resident obtaining income from the sale of shares in companies owning real estate in Romania are not subject to 16% tax if:

- A DTT is concluded between the country of residency of the non-resident and Romania
- The non-resident provides the buyer with a fiscal residency certificate
- According to the DTT, the taxation right does not belong to Romania



Corporate Income Tax

As regards reorganization processes, from a corporate income tax perspective, mergers, spin-offs, transfer of business may be performed under tax neutrality provided that certain conditions are met. Cross-border reorganization processes may also be performed generally under the same rules as provided by the Merger EU Directive (as implemented in the domestic legislation).

Tax losses may be carried forward for 7 years. Thin cap rules apply. More specifically, the deductibility of interest and net foreign exchange losses related to loans is limited under the two criteria detailed below.

Such limitations do not apply to interest and net foreign exchange losses related to loans contracted from credit institutions, nonbanking financial institutions or other entities that grant credit according to the law.

The law limits the level of interest deductibility for the loans at:

- The National Bank of Romania's (NBR) reference interest rate for the last month of

the quarter for RON denominated loans

- 4% annual interest rate for foreign currency denominated loans.

Interest expenses exceeding this limit are non-deductible and cannot be carried forward in future periods.

The deductibil-

ity of interest expenses and net foreign exchange losses related to loans granted for more than one year is further subject to the debt-to-equity ratio test.

If the debt-to-equity ratio is higher than 3:1 or the company has negative equity the interest expenses and net foreign exchange losses are fully non-deductible, but available to be carried forward until their full deductibility (i.e., when debt-to-equity ratio is lower than or equal to 3:1 and the Company is in a positive equity position).

Transfer pricing rules apply. As of 1 January 2016 large taxpayers are required to prepare an annual transfer pricing file. Please see an overview of the new transfer pricing provisions applicable in Romania in the following table.

Note: The thresholds are computed by adding up the total annual values of transactions carried out with related parties (excluding VAT).

Unilateral and multilateral advance pricing agreements ("APAs") are available as per Romanian law. An issuance fee between EUR 10,000 – EUR 20,000 – depending on the category of taxpayer or value of the transaction covered needs to be paid to the Romanian tax authorities. The legal terms to issue an APA is up to 12 months for unilateral APAs and up to 18 months for multilateral APAs.

For transactions covered by an APA, there is no need to prepare and submit the transfer pricing file.

Microenterprise tax

According to the Romanian legislation, a newly incorporated Romanian entity is obliged to apply the microenterprise tax as long as it does not have a share capital of more than the equivalent in RON of EUR 25,000, in which case the newly incorporated entity has the op-



	Large taxpayers	Medium and small taxpayers	Other considerations
Taxpayers that carry out intragroup transactions with a total annual value higher than any of the following thresholds must prepare a transfer pricing file – please also observe the type of taxpayer indicated in the table header	<p>EUR 200,000 for interest paid/received for financial services</p> <p>EUR 250,000 for the supply or receipt of services; or</p> <p>EUR 350,000 for purchase/sale of tangible and intangible goods</p>	<p>EUR 50,000 for interest received/paid for financial services</p> <p>EUR 50,000 for services received/provided; or</p> <p>EUR 100,000 for acquisitions/sales of tangible and intangible goods.</p>	Taxpayers carrying out intragroup transactions that do not meet any of the materiality thresholds must document compliance with the arm's length principle during a tax audit, according to the general rules provided by the financial accounting and tax legislation
Transfer pricing file submission deadlines to be considered	Up to 10 days upon request of the Romanian tax authorities after the submission of the annual corporate income tax return	Between 30 and 60 days upon request of the Romanian tax authorities. The deadline may be extended once, for a maximum of 30 days	Not applicable

tion to apply the CIT regime.

In the case of microenterprises, an alternative minimum tax of 1%/2%/3% (depending on certain conditions) may be levied on the income of micro-companies, instead of corporate income tax (as long as they qualify as such). Moreover, for the first 24 months from the incorporation, Romanian legal entities which fulfil certain conditions, may apply a reduced tax rate of 1%.

Withholding tax

A general 16% withholding tax ("WHT") is generally applied for certain types of payments performed towards non-residents (e.g., interest, royalties, commissions, services rendered in Romania, management and consultancy

services).

As of 1 January 2016, a 5% WHT applies to dividends paid by Romanian tax residents towards non-residents.

Parent Subsidiary EU Directive and Interest and Royalties are applicable as implemented in the domestic legislation. Also Romania has concluded more than 80 double tax treaties with other countries. By applying the more favorable provisions of such treaties, the WHT may be decreased or exempt in Romania.

The tax rules previously applicable to associations and other entities without legal personality have been amended and a specific tax regime of associations/fiscal transparent entities that perform activities /obtain income from Romania was implemented.

Personal Income Tax

Tax Payers from a personal income tax perspective are:

- Resident individuals;
- Non-resident individuals who are performing independent activities through a permanent establishment in Romania
- Non-resident individuals performing working activities in Romania
- Non-resident individuals obtaining Romanian sourced income

The following types of income are taxable:

- Income from independent activities
- Salary and salary assimilated income
- Rental income
- Investment income
- Pension income over RON 1,050 per month
- Income from agricultural activities, forestry and fisheries
- Income from prizes and gambling
- Income from real estate transactions and other income

The standard income tax rate is 16% for most of the types of income mentioned before - for the income derived from dividends a tax rate of 5% applies starting with January 2016; also, different tax rates may apply for income derived from real estate transactions, depending on the value and holding period.

Salary income

Salary income represents the remuneration in cash or in kind, obtained by an employee



based on the labor contract, any employment relationship, assignment letter or on any other similar legal statute.

The taxable base for the income tax is determined as the difference between the gross income and the mandatory social contributions, personal deduction, union charges and contributions to private pension funds and voluntary health insurance schemes, as per law. The deduction for contributions to private pension funds and voluntary health insurance schemes is granted within the limit of 400 EUR/year/individual.

Tax deductions and exemptions

Starting with 2016, new rules for personal deduction levels were introduced, setting a range between RON 300 (for persons who do not have dependents) and RON 800 (for persons with four or more dependents).

There is an income tax exemption for IT&C employees. The tax relief on income from wages is applied to employers who have as object of activity the creation of computer programs and have realized an income from selling software of at least \$10,000 for each employee in the previous year. The same exemption is also applicable for employees working in applied R&D projects, starting with August 2016.

Tax residency and other income

Romanian tax residents and foreign individuals who meet the tax residency criteria and become Romanian tax residents are liable to report their worldwide income in Romania starting with the date when they become Romanian tax residents, irrespective of the type of income and source country.

Generally, other types of income should be subject to taxation and reported on an annu-

PERSONAL
INCOME TAX

16%

al basis, but there are also some types of income for which the tax must withheld at source (e.g., income from intellectual property rights) or for which quarterly income tax payments shall be performed (e.g., income from independent activities derived by self-employed individuals).

Individuals coming to/leaving Romania for more than 183 days within 12 consecutive months have the liability to assess their tax residency with the Romanian authorities through a standard tax residency questionnaire.

Avoidance of double taxation

Where income tax was paid in the source country, in order to avoid the double taxation on the same income, the provisions of the Conventions for the avoidance of double taxation should be observed.

Taxation of non-residents

The Romanian tax non-residents are liable to pay income tax only on their Romanian sourced income, such as salary income received for the activities performed in Romania, dividends and interest paid by a Romanian legal entity, rental income for properties located in Romania etc.

Social security contributions

For certain types of income obtained by individuals, social security contributions may be due in Romania, assuming that the individuals are not already enrolled under the social security system of another EU member state country or another country with which Romania has a social security agreement in place.

For the social security contributions due at the level of the employee and employer for salary income, please refer to the Labor law regulations overview, Appendix 1 of this report. For other types of income, mandatory health insurance contribution (5,5%) and pension fund contribution (10,5%) may also be due, only in certain cases.

Also, Romanian individuals who are domiciled in Romania, and do not obtain other income in Romania may be liable to pay health insurance contribution, and a special registration procedure should be applicable in their case.

Local taxes

Building tax

For buildings owned by a company, the tax rate is established by the local authorities within the 0.08%-0.2% range for residential buildings and within 0.2% - 1.3% for non-residential buildings. The local authorities may increase the rates by max. 50%. There are special rules to determine the taxable value.

In respect of the building tax declarative and payment obligations, starting 1 January 2016, such liabilities should be fulfilled for the entire fiscal year by the person who owned the building as at December 31st of the previous year.

Land tax

Owners of land are subject to land tax at a fixed amount per square meter, depending on the location and the category of use, according to the specific classification of the local authorities. Starting 1 January 2016, land tax is due also for the land beneath a building.

Construction tax

A 1% construction tax is due for various types of constructions (e.g., parking, platforms, etc.). As of 1 January 2017, the construction tax will no longer be applicable in Romania.



Indirect taxes - VAT

Scope of VAT

Generally, taxable transactions fall within Romanian VAT scope if they have the place of supply in Romania and they are made by a taxable person, as part of its economic activity. Such transactions may be:

- Local supplies of goods and services for consideration in Romania
- Intra-Community acquisitions of goods and services for consideration in Romania
- Deemed acquisitions of goods and services in Romania
- Import of goods in Romania

VAT registration

VAT registration is required for persons carrying out operations which are taxable, VAT exempt with credit or having the place of taxation abroad, if the VAT would have been deductible in Romania.

Carrying out Intra-Community acquisitions also triggers the VAT registration obligation. Romanian established taxable persons with annual turnover of less than EUR 65,000 are eligible for a special VAT exemption regime. However, there are specific cases in which non-residents entities performing certain transactions in Romania do not have the obligation to register for VAT purposes, such as in case of non-transfers, trian-

gular operations or call-off stock / consignment stock arrangements.

VAT registration

The standard rate of VAT is 20%, with two reduced rates of 9% and 5%.

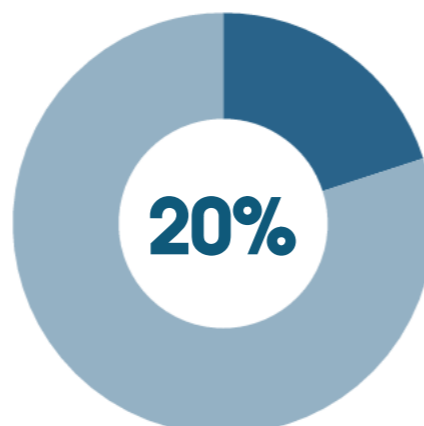
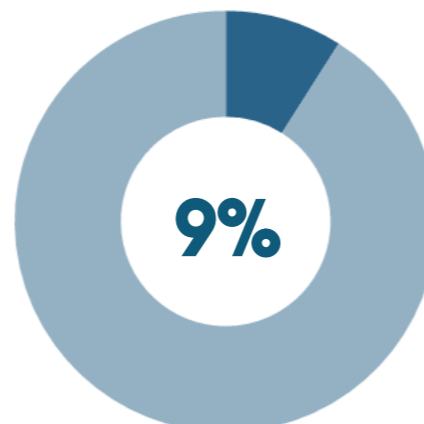
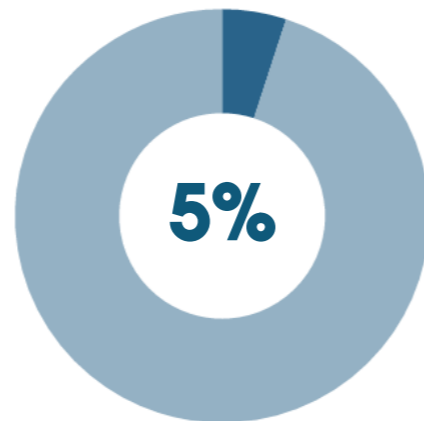
The 9% reduced VAT rate applies to certain supplies of goods and services, such as prosthesis and orthopedic products, medicine, accommodation services, food and non-alcoholic drinks, restaurant and catering services.

The 5% reduced VAT rate applies to certain supplies of goods and services, such as books and magazines, access to museums, castles, zoo and botanical gardens, cinema, expositions and cultural events and buildings as part of the social policy, including the land on which they are built, under certain conditions.

VAT exemptions

The Romanian legislation provides certain VAT exemptions with deduction right of the input VAT, such as exports and intra-Community supplies, international transport of people, VAT exemptions for goods placed in special customs regimes and financial and insurance services rendered to non-EU customers.

There are also other types of VAT exemptions, without deduction right of input VAT, such as certain supplies of general interest (e.g. hospital care, public post, cultural ac-



tivities), supply of real estate, (with some exceptions), the supplier having the option to apply VAT on them, financial-banking services (with some exceptions), insurance services. The above lists are not exhaustive.

VAT deduction right

A taxable person is entitled to deduct the input tax on its acquisitions, as long as the acquired goods/services are used for the purposes of its taxable transactions, or VAT exempt transactions with deduction right, as described above.

The VAT deduction right may be exercised within a timeframe of five years, if the beneficiary holds a correct invoice. In addition, in case of imports, the beneficiary must hold the import customs declaration, which mentions the taxable person as the importer for VAT purposes.

Where a taxable person carries out both supplies with VAT deduction right and supplies

without VAT deduction right, and it cannot allocate the inputs to one of the two categories of supplies, it should deduct input VAT based on pro-rata. Pro-rata is determined by dividing the total amount of supplies with VAT deduction right per year, to the total amount turnover per year, i.e. supplies with VAT deduction right and without VAT deduction right.

VAT Refunds

Romanian VAT registered entities in a VAT refundable position may request the reimbursement by ticking the refund box on the VAT return. The tax authorities should process the VAT refund claims within 45 days from the day when the VAT refund claims were submitted. In practice however, the VAT refund proves to be a lengthy procedure and significant delays may result. Usually, the VAT refund is preceded by a VAT audit from the tax authorities. Following such audit, there

may be cases where part of the amount requested for refund is denied, if the tax authorities conclude that the conditions governing VAT deduction right are not met. Companies that are not VAT established in Romania, but EU established, may recover the VAT incurred in Romania via the 9th Directive. Companies that are not established in the EU may recover input VAT in Romania via the 13th Directive, provided that Romania has reciprocity agreements with their country of residence. Currently, Romania has concluded such agreements with Switzerland, Norway and Turkey (limited applicability).

Customs

Since 1 May 2016, the new European customs legislation applies - Union Customs Code. The customs simplifications and the customs special regimes are conditioned by fulfilling the Authorized Economic Operators conditions.

Fiscal incentives

Fiscal facilities for research and development (R&D) activities

Romanian taxpayers that perform R&D activities can benefit from various incentives for CIT relief, including:

- An additional 50% deduction for the eligible research and development related expenses;
- Accelerated depreciation for equipment and devices used in R&D activities of up to 50% of the fiscal value of the asset which may be deducted during the first year in usage. The remaining fiscal value of the asset would be depreciated over the remaining useful life.

Among the expenses eligible for the R&D incentives are the following:

- Depreciation and rental expenses assets that are used by taxpayers in R&D activities
- Salaries of personnel directly involved in R&D activities and related expenses
- Maintenance and repair costs for the assets used for the R&D activities
- Operating expenses, including expenses costs of consumables, materials, etc.
- Overhead expenses

CIT exemption for reinvested profit

Another key investment incentive is available to local and foreign investors, consisting in the CIT exemption for reinvested profit in equipment and machinery acquired after 1 July 2014 and commissioned by 31 December 2016. Moreover, the new amendments to the tax legislation extend the list of eligible assets to computers, tax registers, software and the like.

In order to apply such exemption, the amount of the reinvested profit should be the balance of the profit/loss account for the relevant period, specifically the accounting profit accumulated from the beginning of the year in which the assets were put in use.

The tax exemption shall be granted in the limit of the CIT due for the period in which the profit was reinvested.



VAT simplification measures

The simplifications measures consists in the application of the reverse-charge mechanism at the level of the beneficiary, by reporting in the VAT return the related VAT both as input and output VAT. As such, local supplies that are normal subject to VAT imply in this case no actual cash payment of VAT to the state budget. VAT simplification measures are available for:

- Supplies of waste and recyclable materials (specific types) and materials resulting from their manufacturing
- Supplies of wood and wood materials
- Supplies of certain cereals and technical plants (applicable until 31st December 2018)
- Transfer of greenhouse gas emission certificates (applicable until 31st December 2018)
- Supplies of electricity to resellers, that are taxable persons established in Romania, under specific conditions (applicable until 31st December 2018)
- Transfer of green certificates (applicable until 31st December 2018)
- Buildings, building parts and lands of any type, for which VAT is applicable, either by option of the seller or by law
- Supplies of investment gold for which VAT is applicable by option of the seller, under specific conditions
- Supplies of mobile phones and devices manufactured or adapted for the use in connection with an authorized network (applicable until 31st December 2018)
- Supplies of devices with integrated circuits, before their integration in the final products (applicable until 31st December 2018)
- Supplies of gaming console, PC tablets and laptops (applicable until 31st December 2018)

VAT group

Two or several taxpayers established in Romania which have at least 50% common shareholders may opt to be treated as a single tax group. The benefit of being part of a VAT fiscal group is the centralization of the reporting obligations and the possibility granted to offset the deductible VAT with the related collected VAT of the transactions performed by the whole group for each fiscal period. However, transactions between group members are still within the scope of VAT.

The following conditions must be cumulatively met to form a VAT group:

- Each group member is part of only one single tax group
- The option to form the single tax group refers to a period of at least 2 years
- All tax group members apply the same tax period

Others



- Special exemption from the salary income tax, applicable for employees carrying out software development activities and fulfilling certain conditions
- Government subsidies for employment of graduates and single parents (e.g. for graduates and single parents employed for an undetermined period of time, an amount of up to ~170 EUR / individual can be claimed from the Romanian tax authorities for 12 months)



Cost of Living

The cost of living in Romania – especially in Bucharest – is approximately 50% lower when compared to other important western cities from EU Member States (Vienna, London, Berlin, Paris) and at least 12% cheaper than other capitals from CEE countries (Prague, Warsaw or Budapest).



Maintaining the same standard of life from...	with a salary of...	in Bucharest, you need a monthly salary of...
Vienna 	3300 Euro	1700 Euro
London 	4500 Pounds	1365 Pounds
Paris 	4400 Euro	1738 Euro
Prague 	57000 Czech Koruna	46580 Czech Koruna
Warsaw 	8800 Zlots	7381 Zlots
Budapest 	610000 Forints	538500 Forints

Source: Numbeo, InvestRomania

Expatriate Community

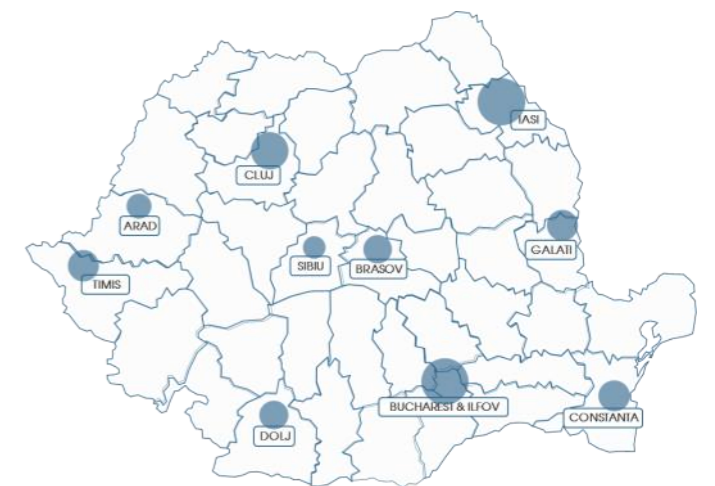
Largest expat communities

- Republic of Moldova 
- Ukraine 
- Italy 
- United States of America 
- Germany 
- Canada 
- Hungary 
- France 
- Israel 
- Austria 



Permanent and temporary residents classification by county

1. Iasi
2. Bucharest & Ilfov
3. Cluj
4. Constanta
5. Timis
6. Dolj
7. Galati
8. Brasov
9. Arad
10. Sibiu



Source: National Institute of Statistics

Living in Romania

People who come to work in Romania often say that there are two awful moments in an expat's life: the moment when they find out they are being sent to Romania and the moment they are told they have to leave.



Thanks to the modern European lifestyle, society, education, cuisine, nightlife, architecture, the mixture of traditional with modern and, most importantly, the people's hospitality, Romania is a truly exciting destination for both expats and travelers.

International Schools

There are a number of international schools for expats families in Romania. They generally offer a high standard of education through a variety of curricula, extra-curricular activities and teaching styles. However, the standard and popularity of these schools also imply that places are limited and prices are often higher than for other educational institutions.

Bucharest

American International School of Bucharest
www.aisb.ro
 Curriculum: International Baccalaureate (IB)
 Age: 3 to 18

Bucharest Christian Academy
www.bcaromania.org
 Curriculum: American
 Ages: 3 to 18

Cambridge School of Bucharest
www.cambridgeschool.ro
 Curriculum: British
 Age: 3 to 18

International British School of Bucharest
www.ibsb.ro
 Curriculum: National Curriculum of England and Wales
 Age: 3 to 18

International School of Bucharest
www.isb.ro
 Curriculum: National Curriculum of England and Wales
 Age: 3 to 18

International School for Primary Education
www.inspe.ro
 Curriculum: Scottish Curriculum for Excellence
 Age: 1 to 12

Ioanid Preschool International Education (IPIE)
www.internationalkindergarden.ro
 Curriculum: British
 Age: 18 months to 3 years

Lycee Francais Anna de Noailles
www.lyceefrançais.ro
 Curriculum: French
 Age: 6 to 18

Mark Twain International School
www.marktwainschool.ro
 Curriculum: International Baccalaureate (IB)
 Age: 3 to 18

Olga Gudynn International School

www.olgagudynn.ro
 Curriculum: Romanian National Curriculum and Cambridge ESOL Curriculum
 Languages: Romanian and English
 Age: 3 to 18

Iasi

Seven Hills International School
www.sevenhills.ro
 Curriculum: British
 Age: 3 to 14

EuroEd International School
www.euroed.ro
 Curriculum: Romanian
 Age: 3 to 10

Paradise International School
www.paradisul-copiiilor.ro/en
 Curriculum: National Curriculum of Romania and the United Kingdom
 Age: 1 to 14

Cluj-Napoca

Transylvania College, The Cambridge International School in Cluj
www.transylvania-college.ro
 Curriculum: Romanian National Curriculum and Cambridge CIE Curriculum
 Age: 1 to 18

Royal School in Transylvania
www.transylvania-college.ro
 Curriculum: National Curriculum of England and Wales
 Age: 3 to 14

Timisoara

International House Timisoara
www.ihm.ro/en/home
 Curriculum: British
 Age: 5 to 14

William Shakespeare High School Timisoara
www.ihm.ro/en/home
 Curriculum: Romanian National Curriculum
 Age: 14 to 18