



1. State aid
2. Fiscal Incentives

1. State aid

We trust Romania offers the right ingredients in term of labor force, taxation and state aid to support your decision for this new project. To this extent, please be informed that presently there are in force two government decisions regulating the state aid for investment projects such as yours, namely:

- **Government Decision 807 / 2014** which refers to Capex investment projects (minimum value 1 million Euro)
- **Government Decision 332 / 2014** which refers to Intensive employment projects.

If you apply for state aid based on the first measure of support (GD 807), your company can receive a maximum level of 37.5 million Euro in state aid. In the case your project benefits from a cumulative set of state aid measures, the cumulative value of state aid cannot exceed this threshold. The maximum level of 37.5 million Euro, has been set by the EU regulations for State Aid, which Romania is following.

Important to note that this support measure is a cash grant which is paid the Ministry of Finance to the Investor, up to two times per year, until December 31st 2023. Also relevant to note is that you can have an investment project with an implementation life until 2023, when you can make the last reimbursement request. Following the recent past experience this government decided to optimize the state aid legislation, thus presently there is no time constraint for submitting the project to the Ministry of Finance (the open session has been introduced recently in July 2018).

The second state aid measure, GD 332/2014, is managed by the Ministry of Finance and at this moment is under revision. Based on signing a financing contract, the investor receives as cash grant an amount computed based on: the number of people x intensity ratio for the region (up to 50%) x the gross average salary per economy for a period of 24 months (E.g: 300 employees x 24 months x 954 Euro Gross average salary per economy in August 2018. For August this indicator was 4449 RON) .

Important to note that these two schemes are not cumulative, and from the analysis above, the first one appears be the one more appealing for your company.

2. Fiscal incentives

Separate from the state aid supporting measures, there are other government support measures for investors. These were established either in the Fiscal code or in other specific laws. We have grouped them in the following categories:

1. In terms of taxation:

- 0% Reinvested profit tax
- 16% Corporate Tax
- 5% Dividend Tax
- 2.25% Social security for employer



- Exemption on land tax, building tax and urban planning tax and exemption on taxes charged for changing the land destination for plots located within industrial parks
- 0% income tax for employees in R&D
- 0% income tax for employees in IT&C

2. In terms of the employment benefits you may get:

- Employers employing unemployed aged over 45 years old for indefinite periods of time, the unemployed who are the sole supporters of single-parent families, long-term unemployed or NEET youth receive monthly for a period of 12 months for each employee of these categories, an amount of 2250 lei/ month, with the obligation to maintain employment relations for at least 18 months;
- The employer who employs disciples, under the present law, receives on request, for the entire duration of the education contract, 2250lei/month, granted from the unemployment insurance budget within the limits of the funds allocated to this destination;
- The employer who has an internship contract under the present law benefits from the unemployment insurance budget during the duration of the internship contract, amounting 2250 lei/month, within the limits of the funds allocated for this purpose.

3. In terms of education

Dual learning system

The advantages of the dual system are:

- Thus, companies have a direct impact on the content and organization of vocational training. So they can more easily communicate company-specific know-how and to provide qualified personnel.
- Trainees receive a solid foundation for their further career development - not least through greater professional flexibility.
- And last but not least the state and society benefit from the duality vocational training as a means to combat youth unemployment. Raising the level of qualification of the specialists is another benefit that positively affects the whole economy.

Trainees:

- acquire practical skills and experience
- Dual system helps maintain a very low youth unemployment
- The state saves public expenditure because only fund technical and professional schools
- Provides its skilled workforce in professions for which there is demand

Apprenticeship Law

You can have an apprentice that you are forming for the specific job you require, you can receive a subsidy in the net value of 2250 Ron/ apprentice (approx. 480 Euro)



4. In terms of R&D incentives

Tax payers carrying out exclusively innovation, research and development activities, defined according to Government Ordinance no 57./2002 on scientific research and technological development, with subsequent modifications and completions, as well as related activities, are exempted from profit tax in the first ten years of activity. This tax facility will be implemented subject to compliance with state aid rules.

Art. 1 – (1) Taxpayers who pay tax on profit benefit from the tax incentives provided by art 20 from the Law no 227/2015 on the Fiscal code, as subsequently amended and supplemented, for research and development activities, defined by these norms, carried out by own means or in collaboration/association/agreement, for the purpose of capitalization.

(2) Fiscal incentives for research and development activities are the reduction of the fiscal result that taxpayers may benefit from, by deducting 50% in addition to the expenses they incurred in that fiscal years for the R&D activities, as well as by applying the accelerated depreciation method for equipment and equipment for research and development activities.

Art (2) – (1) Tax incentives shall be granted for research and development activities carried out both within the national territory and in the Member States of the European Union or in the states belonging to the European Economic Area.

(2) Valorisation may be done for the own benefit by taking over the research results according to the requirements of the industrial or commercial activity carried out by the taxpayer and by selling the research results or their use in the provision of services or the execution of works and by exploiting the resulting intellectual property rights.

(5) Deductions shall not be recalculated in the case of not accomplishing of the research and development project objectives.

Art.(3) – (1) The eligible expenses taken into account when granting the additional deduction in the calculation of the tax results are as follows:

- (a) Depreciation or rental of tangible and intangible fixed assets or part thereof for the period of use of tangible and intangible assets in research and development activities;
 - (b) Expenditure on staff involved in research and development activities, including supporting activities (documentation, studies, experiments, measurements, tests, exchange of experience);
 - (c) The expenses related to the maintenance and repair of the tangible and intangible assets referred to in point a);
 - (d) Operating expenses, including: expenditure on services rendered by third parties, expenditure on consumables, expenditure on inventory items, raw materials, parts, modules, components, processes or similar services used in research and development activities;
 - (e) Functional expenses, which can be directly allocated to research results or proportional by using a distribution key. The distribution key is the one used by taxpayers to allocate common expenses.
1. In the category of directly allocated operational expenses, the following may be included: Rent of the place where the research and development activities are carried out, utilities such as: running water, sewerage, sanitation, electricity and heat, natural gas, corresponding to the area used for research and development activities, as well as expenditures for consumables and office



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equipment, multiplication and photocopying, postal and courier services, telephone, facsimile, internet, transport, storage, related to the research and development activities necessary for obtaining the research results.

2. In the category of direct costs allocated to the distribution key may be included the costs of: administrative and accounting services, postal and telephone services, maintenance of IT equipment and systems, multiplication and photocopying, consumables and office equipment, rental of the location, utilities such as: drinking water, sewage, sanitation, electricity and heat, natural gas, and other expenses required to implement the project.

Art (4) – The eligible research and development activities for granting the additional deduction in the calculation of the tax result must meet cumulatively the following conditions:

- a) Are included in a project that contains at least the following elements: the established objective, the deployment period, the research development field, the financing sources, the result category (eg: studies, schemes, technologies, others), innovative character (eg: new/upgraded product, new/upgraded technology, new/upgraded service).
- b) Belong to the categories of applied research and/ or technological development activities. The following research and development activities are not considered:
 1. Research in the field of social sciences (including economics, business management and behavioural sciences), arts or human relations.
 2. Current testing and analysis program for the purpose of quality or quantity control. This does not include testing activities performed to solve scientific and technological uncertainties and to achieve the objectives of R&D activities (eg testing of intermediate results or prototypes);
 3. Color or aesthetic changes to existing products, services or processes, even if these changes are improvements;
 4. Operational research, such as management or efficiency studies that are undertaken before starting a research or development activity;
 5. Corrective actions in connection with damage to the commercial manufacturing of a product;
 6. Legal and administrative activities in connection with the application, patenting and settlement of patent litigation and the sale of patent of inventions;
 7. Activities, including design and engineering in construction, relating to the construction, relocation, rearrangement or putting into service of installations or equipment other than installations or equipment which are used wholly and exclusively for the purpose of carrying out research activities by the undertaking development;
 8. Market research, market testing and development, sales promotion or consumer research;
 9. Prospecting, exploiting, polling or production of ores, crude oil or natural gas;
 10. Commercial and financial activities necessary for market research, commercial production or distribution of a new, or improved material, product, apparatus, process, system or service;
 11. Administrative and general assistance services (such as transport, storage, cleaning, repair, maintenance and security) that are not undertaken entirely and exclusively in connection with a research and development activity.



5. Relocation and mobility bonus

a. Relocation bonus (Gov Emergency Ordinance 6/2017)

Unemployed persons which are signing an employment contract in a city situated at distance longer than 50 km from the locality where they have domicile or residence, benefit from a relocation premium (tax free) granted from the unemployment budget, equal with 75% of the money necessary for ensuring housing cost in the new domicile (but not more than 900 ron).

Premium will be granted to persons whose monthly incomes don't exceed 5000 ron / month (net). The premium is granted for maximum 36 months.

b. Mobility bonus (prime de mobilitate)

(Government Decision 60/2016 in force since Dec 3rd 2016)

a. **Commuting bonus** (prima de incadrare)

This support measure is designed for commuters. Persons registered as unemployed at the agencies for occupation of workforce, after they sign an employment contract, in a locality situated at a distance more than 15 kms from the locality where they have the domicile or residence, can benefit from an installation premium (tax free).

The value of the premium is computed at 0.5 RON/km, but not more than 55 RON / day (only for working days). The premium is granted for 12 months.

b. **Installation bonus**

Persons registered as unemployed at the agencies for occupying the workforce, which are signing an employment contract in a city at a distance higher than 50 km from the locality where they have domicile or residence, will benefit from an installation bonus (targeting to cover expenses with ensuring housing in the new domicile, or for bringing the rest of the family).

The premium can be granted in the following way:

- a. 12500 RON for the persons registered as unemployed, and which are taking a job in another locality, and because of this they are changing domicile or residence.
- b. 15500 RON for the persons provided in the situating described above in the situation when they are accompanied by the members of the family