

First things first | Doing business in Romania

Updated May 2017

About Us

Adeco - Advisory Development & Consultancy Services is your Business Consultant in Romania.

How Adeco Advisory was born?

Adeco was founded on the ideas of professionals from various fields (corporate, legal, fiscal and financial) who sought to share their experience with the goal value for all foreign companies entering the Romanian market.

How your service grows?

Our approach is to provide the customer with a "team of skills" combining technical aspects and a profound knowledge of the territory and its dynamics. After an initial interview with us, a real "work table" is established with professionals based on your needs. The result for the customer is a synthesis of all the domains: therefore, a single responsible interlocutor, a true added value for companies operating in a foreign territory.



What's the budget ?

The results are positive. Despite the difficulties of the international financial situation of recent years, Romania remains an attractive opportunity for both investment and business relocation. There are so many who come to this country, and we, with our original mission, focus on companies aiming to generate value over the medium term. At Adeco, we believe that the way of speculation, as has been demonstrated in recent years, does not yield results.

ADECO Advisory, a complete partner for the growth of foreign companies in Romania.

Adeco Advisory celebrates **five years** of service



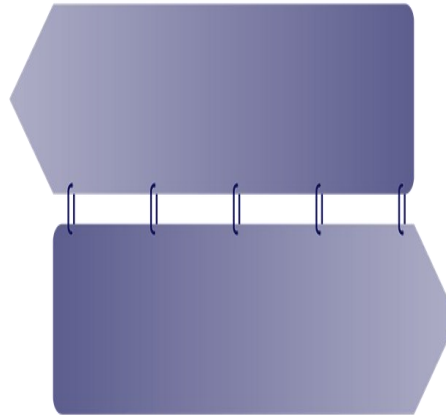
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Adeco - Advisory Development & Consultancy Services

Our services

Our strategy is to create multidisciplinary teams that may manage and solve complex business issues as efficiently as possible.

Together with our team we provide you our expertise, offering the following professional services:

- Legal consultancy, according to the field where you need expertise, in order to analyse your case and to make available various viable and applicable solutions in a practical way;
- Legal assistance and representation for disputes before Law Courts, Courts of appeals and the High court of cassation and justice for civil cases, intellectual property, commercial, business law, administrative contentious labour law, as the case, in mediation or transactions procedures, by which the lawyer aims to defend your interests, as much as possible for getting an advantageous result; this part of his activity includes also the procedure of drawing up the acts necessary for performing the representation activity in front of the courts, including (but without limiting) drafting claims in court, appeals regarding such claims, counter claims, admission of evidences, etc.;
- Legal assistance and representation for arbitration regarding the disputes for which special competencies to solve cases were determined;
- Legal assistance and representation for insolvency procedure of natural and legal persons; following up the procedure and the tasks defined for its participants;



Adeco - Advisory Development & Consultancy Services

Our services

- Establishing trading companies – full procedure, starting to booking names until drawing up deeds and representation in front of the Trade registry in Bucharest and in the country;
- Establishing companies having foreign shareholders. We are specialized on establishing branches and foreign representative offices in Romania and also all necessary formalities for registering Romanian companies having foreign shareholders (foreign natural or legal persons);
- Finding a registered office in Bucharest/Romania and also abroad for trading companies having foreign or Romanian registered capital;
- Consulting and assistance for VAT registration – regarding this issue our team of specialists may guarantee the approval for becoming a taxable person for VAT purposes, in Romania and also abroad;
- Consulting and assistance for the registration with the Registry of intra-community operators – this procedure concerns taxable persons and not taxable legal persons, registered for VAT purpose and intending to perform intra-community operations;
- Assistance in negotiations and if need be, legal approval and drawing up personalized civil deeds;
- Written legal opinions necessary to the client for a full analyse of his problem, necessary for taking a fair legal decision, exceeding the activity related to some legal consultancy and by which, starting to premises and applicable legislative frame, may emphasize the found solution, eventual risks and lawyer’s conclusions;
- Drawing up legal reports regarding the interested issues related to client’s activity;
- Getting approvals and special permits necessary for client’s activities.
- Legal assistance and/or representation in front of the criminal prosecution bodies (Prosecution department, DIICOT, DNA, ANTIFRAUD).
- Legal assistance and/or representation for starting the procedures of debt recuperation being registered as due, in extra judiciary stage and also before the courts, meaning consultancy, initial strategy, investigations and the effective dispute for recuperation.
- Financial and fiscal consultancy, through high qualified partners, offering to our clients a direct access to local team of fiscal experts, and also to those from global team, thus having a common basis of expertise at internal / international level, of innovative fiscal solutions regarding the trans-border transactions, and also various opportunities of fiscal planning, offering a fast and accurate consultancy about internal and international transactions. Our partners and managers work very close with the clients of our company for developing and applying fiscal solutions having an impact on the model and implementing their business strategies;
- Performing accounting and audit expertise in order to determine financial and accounting strategy of the trading company and also in judiciary stage, before courts;
- Drawing up legal opinions and dedicated support in financial and fiscal field, according to the new provisions of the Fiscal Code and in accordance with the procedures defined by the Code of fiscal procedure;

Adeco - Advisory Development & Consultancy Services

Our services

- Consultancy services for accessing European funds, offering consulting to draw up projects and also
- Consultancy and assistance for implementing European funds
- Financing petition, Feasibility study, Business plan, Justifying report, Cost - benefit analysis, marketing strategies, etc. The project documentation will be always performed according to the Programme Guide, permanently taking into consideration the fulfilment of all eligibility conditions.
- Also, we present to our client, in order to get results according to his requests, the following kinds of activities:
- Follow up the fulfilment of contractual clauses of financing contract, time planning of investment and allocated funds;
- Assistance for fulfilling the visibility rules regarding the financial support granted by the accessed programme (informing and advertising activity);
- Assistance to draw up documentations and development of public purchase procedures for goods / services / works;
- Assistance for drawing up reimbursement requests regarding the eligible costs already paid;
- Drawing up progress reports and informing requests from behalf of the Program management Authority;
- Consultancy for real estate investments – performing the due diligence procedure, drawing up the respective reports, verifications and drafting contracts and also legal assistance and/or representation for disputes in the real estate field;
- Intellectual property – representation in front of OSIM, trademarks, patents registrations, the activity of our team of lawyers includes Initial consultancy, Establishing the deposit, Renewal application, International registration, and also various activities of legal aid and/or representation for disputes regarding intellectual property, etc.;
- Consultancy for foreign investments –consultancy regarding direct investments in Romania, business relations with Romanian partners and drafting some agreements between international business partners etc.;
- Consultancy and assistance for getting the ownership on the lands by foreign citizens and stateless persons and also by foreign legal persons – within this procedure we offer integrated services from identifying target areas, performing and sustaining due diligence reports until the assistance in front of the public notary for fulfilling the deeds regarding the ownership transfer;
- Legal aid and/or representation for getting/getting again Romanian citizenship;
- Legal aid and/or representation for transcription of foreign or Romanian documents of civil status, rectifications, duplicates, mentions on the civil status acts, acknowledgement of foreign decisions in Romania (exequatur), obtaining the fee of first registration / environment / pollution, legal assistance and representation regarding the rejection of petition for getting / getting again Romanian citizenship, respectively the rejection of the requests for transcription of civil status acts, apostille on deeds, getting fiscal residence certificate;
- Translations from/to international languages and also from/to rare languages (Chinese, Japanese, Arab, Turkish, Latin, Polish etc.);
- Providing notary services for the client regarding any kind of operations needing form requirements, drafting authentic deeds, notary power of attorney, statements, succession procedures, etc.;

Why invest in Romania

Market and position

- ⇒ EU membership and fairly good international relations
- ⇒ With a population of 19m Romania is the second largest consumer market in Central-Eastern Europe.
- ⇒ Attractive location: allowing an easy access to the countries of the former CIS countries, Balkans, and the Middle East

Resource Advantage

- ⇒ Skilled labor force, with solid knowledge in technology, IT and engineering
- ⇒ Rich natural resources, including fertile agricultural land, oil and gas
- ⇒ An important potential for tourism

Political Advantage

- ⇒ Stable executive power
- ⇒ Government – more responsive to the dialogue and suggestions of the business community
- ⇒ Stability factor in the Area -NATO member
- ⇒ Stability Guarantee in South Eastern Europe
- ⇒ EU membership on January 2007



Why invest in Romania

International Relations Advantage

- ⇒ Bilateral agreements between Romania and other countries for investments promotion and protection
- ⇒ Bilateral diplomatic relations with 177 out of 191
- ⇒ Member of the UN and other international organizations, like: OSCE, Council of Europe and International Organization of La Francophonie
- ⇒ Free trade agreements with EU, EFTA countries, CEFTA countries
- ⇒ WTO member since January 1995

Economical Advantage

- ⇒ Sustainable economic growth
- ⇒ Functional Market Economy status
- ⇒ Permanent financial assistance for SME's Development
- ⇒ Increasing interest of foreign investors
- ⇒ Privatization program still including some very interesting companies
- ⇒ Commitment of investment funds present in the country to develop their business and the association of the government with international financial institutions, such as IMF, EBRD, World Bank, and the EU Commission

Improving Infrastructure Advantage

- ⇒ Well-developed networks of mobile telecommunications in GSM systems
- ⇒ A highly developed industrial infrastructure, including oil and petrochemicals
- ⇒ The presence of branch offices and representatives of various well-known international banks
- ⇒ A newly developing highway infrastructure
- ⇒ Commitment to improve the highway infrastructure to EU standards
- ⇒ Extensive maritime and river navigation facilities

Social and Education Advantage

- ⇒ Agreement between Government and Major Unions
- ⇒ No major Union Movements
- ⇒ Permanent dialogue with the employees associations
- ⇒ Labor relations regulated by the Labor Code
- ⇒ Foreign languages largely spoken in the main cities
- ⇒ Good housing, schooling, shopping, etc. options

Legislative Advantage

- ⇒ Good law and order
- ⇒ Legislation compatible with Acquis Communautaire
- ⇒ Similar legal provisions as in UE
- ⇒ Healthy fiscal policy regulated by the Fiscal Code
- ⇒ The government has put in place tax breaks and other incentives to boost investment in different sectors of the economy
- ⇒ Competitive tax policy: 16% flat tax

Romania– General Data

Capital: Bucharest

Geographical size: 230 080 km²

Population: 19 262 055 (2017)

61.3 % of the population is urban (11,785,372 people in 2017)

Official EU language(s): Romanian

Political system: semi-presidential republic

EU member country since: 1st of January 2007

NATO member country since: 29th of March 2004

Currency: Romanian Leu RON

The President of Romania, currently Mr. Klaus Iohannis, is elected by popular vote every five years.

Next parliamentary elections will be held in 2020, while the presidential elections are due to be held in 2019.







Romania has a population density of 82.9 inhabitants / km², with the highest levels being registered in Bucharest-Ilfov (1,248 pop./km²), Prahova County (162), Iasi County (141), Dambovitza County (128) and Galati County (120).

The development of new residential areas at the outskirts of major cities was followed by a decrease in urban representation, from a highest rate of 55.0% in 1997 to 53.8% of the total population as at January 2016.

Demography Info

Romania is the 10 largest populated country in Europe and the 2 largest in Central and Eastern Europe (CEE), having a resident population of 19,760,314 inhabitants (1 of January 2016).

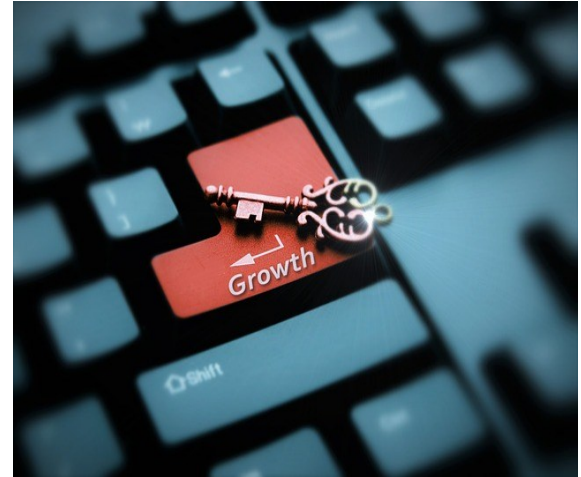
The number of resident population decreased by 3.3 million after 1990 due to a downsize in natality, but mostly as a consequence of a massive workforce migration towards Western Europe, at a rate of 160.000-250.000 people annually. Romanian communities grew to around one million people in Italy and relatively similar in Spain, while significant presence is also reported in UK and Germany.

Economy

Romania's macroeconomic situation is one of the strongest in EU in terms of GDP growth, fiscal deficit and public debt, inflationary pressures and current account balance, with positive evolutions expected by some credit rating agencies.

Romania's economic path stands for solid proof that our country is currently a reliable partner for profit-oriented worldwide entrepreneurs to take upon.

Given the international economic environment and the economic and financial developments in the euro area, as well as the economic growth potential for 2016-2018 the Romanian economy is expected to speed up, a GDP growth by around 4.3% per year being possible.



In 2015, the economic growth in Romania continued the positive trend started in 2011, advancing by 3.8% on the back of the domestic demand for investment and consumption, thus recording one of the highest annual economic growth in the EU.

Real growth reached 4.8 percent in 2016, amongst the highest in the European Union (EU), with private consumption boosted by an expansionary and pro-cyclical fiscal policy and wage increases. Low imported inflation and indirect tax cuts have kept inflation subdued despite the unemployment rate being at historic lows. Growth is projected at 4.2 percent in 2017 supported by continued stimulus to private consumption from a new round of fiscal relaxation and wage increases.



Industrial parks and infrastructure



72 industrial parks are spread across Romania, placed under both private and public ownership, most offering capabilities suited for industries like aerospace, IT&C and industry.

All industrial parks offer companies access to utilities and some particular benefits packages according to their focus. Also, investors are exempted from land, building and urban planning taxes as well as for land destination changing.

Most of them are located in South Region (21 parks – from which 14 parks in Prahova county) and North West Region (15 parks – from which 9 in Cluj county)

Other 17 industrial parks are available in the Center Region (from which 11 parks are in Brasov County), 6 parks in the South West Region, 5 parks in the North East Region and 6 parks in the West Region.

At the same time, 2 parks are in the South East Region and 2 parks are in Bucharest

Until now, the only counties without any industrial parks are Mehedinti, Caras-Severin, Calarasi, Buzau, Vrancea, Vaslui, Braila and Tulcea.

Cost of Living

The cuisine, the nightlife, the architecture of the cities, mixing the traditional with the modern, and the Romanian people's hospitality are only a few of the things that make Romania such an exciting destination.

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).

In January 2017, according to Eurostat, monthly minimum wages varied widely in EU Member States. Romania has the second lowest minimum wage, 275 Euro per month, after Bulgaria (235 euro per month). Starting February 1st, 2017, the minimum monthly gross wage in Romania is EUR 322 per month.





Business Environment

The World Bank has issued its 'Doing Business 2017' ranking, and Romania came in 36th, with 74.26 points.

Romania is a market with excellent potential, a strategic location, and an increasingly solid business climate. While careful evaluation of the market is needed in order to seize business opportunities, exporting to or investing in Romania is gradually becoming less challenging than in previous years in terms of the predictability of the business environment.

The romanian business environment is continuously growing and offers a lot of business opportunities and advantages. Among the many advantages you can find in Romania, we mention just a few:

- good banking system (over 36 different banks in Romania)
- fast internet speed (second place in the world)
- very good IT specialists & software companies
- low salaries
- very well trained people
- people speak many foreign languages
- low property costs & administration



Fiscal Policy



The following provisions are included in the Fiscal Code, entered into force on 1 January 2017:

The standard VAT rate was reduced from 20% to 19%;

The monthly health insurance contribution is capped at five times the national monthly average gross salary. This is applicable for income obtained starting 1 January 2017;

Income from investments or income from other sources obtained starting 1 January 2017 is subject to the health insurance contribution even if the individuals obtain other types of income (e.g. salaries, pensions, freelancing activities);

Excise duty levied on certain fuel products was decreased;

The tax on special constructions was abolished;

The specific tax for companies that carry out activities in the field of tourism, hotels, restaurants, bars and public food service is applicable.

Changes to the Fiscal Procedure Code 2017

Reactivation of inactive taxpayers

The conditions that must be met for the reactivation of inactive taxpayers in Romania have been modified. The reactivation of inactive taxpayers now no longer requires attestation by the tax authority that the taxpayer is performing its current activity at its registered headquarters, except in cases where failure to meet this condition has led to a declaration of inactivity or the taxpayer has attempted to avoid tax audits, providing information about unavailable headquarter

Payment of tax debts in Romania

New provisions have been introduced regarding the moment at which the payment of a tax debt is considered to have been completed; as well as regarding the supporting documents attesting to the payment of a tax debt and the date of payment in the case of cash payments, payments performed using payment terminals, internet banking and banking cards.

Main and ancillary fiscal obligations

The priority of the main and ancillary fiscal obligations assessed by a tax decision is now established based on the date of receipt of the tax decision by the taxpayer; previously, priority was established according to the payment due date. This provision applies to tax decisions issued as of 1 January 2017

VAT Reimbursement

VAT reimbursement – a new provision has been introduced whereby tax audits performed in order to solve VAT returns submitted with an option for VAT reimbursement will only cover the periods that generated the VAT subject to the reimbursement request. If, however, the tax authorities find any indications of a breach of tax legislation in respect of other periods, they may then extend the tax inspection to cover these periods as well

Other tax procedure changes in Romania

The tax authorities will no longer be required to indicate the type and amount of the tax liability in the enforcement title regarding the seizure of a taxpayer's bank account

Decisions imposing precautionary measures may now be challenged directly in court within 30 days of the date of receipt of a decision imposing such measures

Changes have been introduced in respect of the issue of competence in the solving of tax appeals: appeals in respect of fiscal obligations in excess of RON 1,000,000 will be solved by the Directorate-General for Solving Tax Appeals; while tax appeals against decisions regarding ancillary tax obligations will be solved by the same tax authority with the competence to solve the appeal in respect of the main fiscal obligation that generated the ancillary debt

A series of new provisions have been introduced regarding administrative cooperation in the field of tax and the automatic exchange of information between countries.



Direct Taxes

The legislative framework of direct taxation has been substantially reshaped as of 1st January 2017. 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, “center of vital interests”.

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



Corporate income tax

The standard corporate income tax rate is 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.



Tax exemptions for reinvested profit

The profit invested in new and specific technological equipment manufactured and/or purchased released for use is exempt from income tax. In order to benefit from this incentive, the technological equipment should be used by the company for the purpose of carrying on the business activity for more than half of its useful life, but for no longer than five years. The companies benefiting from this incentive cannot use the accelerated depreciation method for the respective technological equipment.

Withholding tax

As a general rule, dividends paid by a Romanian company to another Romanian company are subject to 5% tax. However, the dividends paid are non-taxable if the beneficiary of the dividend has held, at the time of the distribution, a minimum of 10% of the Romanian company for an uninterrupted period of at least one year.

WHT for non-resident companies

The applicable WHT rates in relation with non-resident companies are:

1 % for the revenues obtained from gambling activities

5 % for the revenues obtained from dividends

50 % for payments made by Romanian companies into non-resident companies bank accounts that are open in countries that do not have an information exchange agreement concluded with Romania and only if such payments result from artificial transactions

16 % in case of any other revenues obtain from Romania

As a general rule dividends paid to non-resident companies are subject to 5 % withholding tax.

However, as Romania is an EU member state, the EU Parent-Subsidiary directive can be applied. Therefore, dividends paid by Romanian companies to companies resident in one of the EU member states are exempt from taxation if the beneficiary of the dividend has held, at the time of distribution, a minimum of 10% of the shares of the Romanian company for an uninterrupted period of at least one year.



Interest

As a general rule, the interest paid to non-resident companies is subject to 16 % withholding tax.



Royalties

As a general rule royalties paid to non-resident companies is subject to 16 % withholding tax.



However, as Romania is an EU member state, the EU Interest and Royalties Directive can be applied. Therefore, royalties paid by Romanian companies to companies resident in one of the EU member states are exempt from taxation if the beneficiary of the interest has held, prior to payment time, at least 25% of the Romanian company's share capital for an uninterrupted period of at least two years.



Value Added Tax

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.

VAT registration

The standard rate of VAT is 19%, 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

VAT will not be adjusted for scrapped capital goods. Capital goods are meant to also include fixed tangible assets with a depreciation period of less than five years;

Taxable persons performing acquisitions meant for investments to be used for operations both with and without deduction right will be able to deduct fully VAT during the investment process, after which the deducted VAT will be adjusted accordingly.

The provisional pro-rate can be calculated at any time during the year;

Companies surpassing the VAT registration threshold will be obligated to collect VAT for the advanced payments received before registering for VAT purposes related to goods delivered / service performed after the registration date;

Companies can recover VAT if their clients have commenced the insolvency procedure and have begun a reorganisation plan accepted and confirmed by a judicial ruling;

A transfer of assets which form a line of business performed during a division, merger, sale or as a capital infusion to company assets is outside the scope of VAT only if the receiver of the assets is a taxable person established in Romania;

Where such as annulment of a contract / endowment of price reductions for which the supplier has not issued an invoice within the legal deadline, the beneficiary is obligated to issue an invoice for the adjustment of the taxable base;





Local taxes

Local authorities have been granted the authority to increase local taxes allowances by 50%; previously these could have only been increased by no more than 20%.

Local authorities have been granted the authority to increase by up to 500% the tax due for agricultural land which has not been processed for a period of two consecutive years, starting with the third year.

The building tax calculation method has been amended by differentiating between building depending on their destination:

residential buildings – tax rate between 0.08% and 0.2% (applicable to the taxable value as per the specific table provided by the law for individuals and the value resulted from the evaluation report for legal entities);

non-residential buildings – tax rate between 0.2% and 1.3%; in the case of a building used for agricultural purposes, the applicable tax rate is 0.4%;



The coefficient used in determining the total surface of a building in cases where the external dimensions cannot be actually measured has been increased from 1.2 to 1.4.

The provision regarding the increase of building tax for individuals owning more than one building has been eliminated.

The increased tax rate for building tax due by legal entities is of 5% (if no revaluation was performed during the last 3 years);

If a building was acquired during a fiscal year, the building tax for the entire year is due by the seller. The buyer is liable to pay the tax starting with the next year.

The exemption from land tax for land related to buildings, for the surface covered by the building has been removed;

The local authorities have been granted the authority to decide on tax exemptions for certain types of buildings / land.

The percentage by which the car tax for hybrid cars is reduced has been lowered from 95% to 50%.

Personal income tax

Amendment of the definition of a stock option plan, eliminating the requirement that the securities be traded on a regulated market or alternative trading system; and

Payers of salary/deemed salary income; income derived from intellectual property rights; pensions; and certain other legal entities required to submit the Income Tax and Social Contribution Form ("Form 112"), no longer have to submit the Informative Statement on Withholding Tax and Gains/Losses ("Form 205") for each income beneficiary.

Social contributions

For salaries and salary differences established by law which are granted for past periods, rectifying returns regarding social contributions must be submitted for each month affected.



Micro-companies income tax

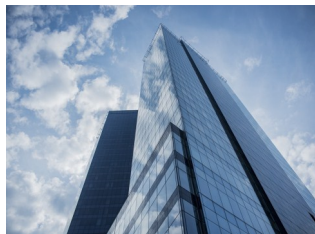
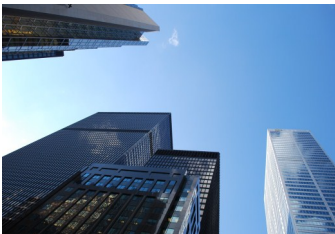
As of 1 January 2017, any newly established Romanian legal entity with a share capital of at least RON 45,000 may opt to become a corporate income tax payer as of its date of incorporation. Previously, for this provision to be applicable, it was necessary to have a share capital of EUR 25,000 or more.

Any existing micro-enterprise with a share capital of at least RON 45,000, as well any existing micro-enterprise that increases its share capital up to or above said threshold, may also opt to become a corporate income tax payer either as of 1 January 2017, or beginning with the first quarter in which this condition is met.

The income threshold beneath which a legal person is required to apply the micro-enterprises tax regime has been increased from EUR 100,000 to EUR 500,000 (the equivalent in RON). The other conditions for application of micro-enterprises tax regime remain unchanged.

Taxpayers with annual revenues as at 31 December 2016 lower than the EUR 500,000 threshold will apply the micro-enterprises tax regime as from 1 February 2017. Companies that qualify as corporate income tax payers and have recorded as at 31 December 2016 annual revenues lower than the threshold of EUR 500,000 will remain corporate income tax payers for January 2017 only, and as from 1 February 2017 they will have the obligation to apply the micro-enterprises tax regime; they are also required to submit the corporate income tax return for January 2017 and to notify the tax authorities about changes in their tax regime until 25 February 2017.

The 2% tax rate applicable for micro-enterprises with one employee has been eliminated. Instead, as from 6 January 2017, the new 1% tax rate in Romania will be applicable for micro-enterprises with at least one employee. The 3% tax rate remains applicable for micro-enterprises with no employees.



Labour Market

On 1 January 2016, according to the Labour Ledger, the labour resources in this region amounted to 1 533 700 persons, of whom 83.1 % were in civilian employment.

The rate of registered unemployment as at 31 May 2016 was 1.6 % - the lowest at national level - corresponding to 21 100 unemployed persons.

The demand for skilled workers is higher in this region, and most unemployed persons have a low level of education. Due to the opportunities provided by the capital city, the employed population tends to have a high level of training and qualifications.

The main economic sector in which the civilian population is employed is the services sector (71.3 %), followed by industry and the construction sector (26.2 %), while agriculture accounts for only 2.4 %. Services generate the largest number of jobs.

The Bucharest region concentrates the largest labour market in the country. All the industrial branches are present in the Bucharest-Ilfov region, as this is the main industrial agglomeration in the country, but in the last few years the workforce has tended massively towards the services sector, which at present is the main part of this region's economy. This region also has the fastest growth rates in sectors such as the building and real estate sector. Other highly dynamic sectors are the retail, distribution and management sectors.



ROMANIA EMPLOYED PERSONS



The labour market continued to improve on the back of strong economic growth. The unemployment rate fell to an eight-year low in 2016. Low unemployment, combined with a shrinking labour force and persistent skills shortages, led to a tighter labour market and economy-wide wage increases.

Total employment decreased slightly in 2016 as the decline in self-employment more than offset the increasing number of employees. In 2017-2018, total employment is forecast to grow driven by strong economic growth, while the unemployment rate is projected to continue declining. With the hikes in the minimum wage and public wages adopted in 2017, unit labour costs are expected to increase over the forecast horizon.

ROMANIA UNEMPLOYMENT RATE



Labour Law

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.



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 1450 per month. 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.

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;

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;

16% Income tax – applied to the monthly taxable income earned by the individual (gross income deducted with employee's social charges);

Investment Market

Strong GDP growth, increased real estate lending activity and a constant level of investment volume transactions makes Romania an attractive investment destination in the CEE region.

Economic activity in the Romanian investment market has posted one of the highest growth rates in the European Union. The strong increase of private consumption was the main driver but gross value expanded in all major sectors of activity.

High levels of liquidity in the money market with ROBOR trading is well below the level of monetary policy of 1.75 percent. Minimum reserve requirements are also unchanged. In addition the level of investment volume transactions is constant.

Romania has now become an attractive destination across all sectors: offices, industrial and commercial.



2016 volume was formed 40% by retail, 31% by industrial and 38% by offices, while hotels and other properties cumulated 6% of the annual volume. Bucharest remained the main destination and concentrated 68% of the major deals signed last year. Foreign players were responsible for 91% of the volume of major deals.

Key Investment Area

It is a fact that FDI has increased dramatically in Romania, the investor friendly policies, strategic location and availability of abundant natural resource and skilled labors have worked in favor of Romania. Some of the best industries that foreign companies can consider investing in are:

Property / Real Estate: The overall economic growth of Romania and the surge in foreign investment is creating an environment of prosperity through out Romania. The Real Estate industry in Romania is on the rise and has a vast scope for foreign investment. The foreign investors in Romanian property are taking the advantage of the existing low real estate prices in Europe, which is inevitable to increase in the future.

Advantages of investing in Real Estate in Romania:

- The demand for real estate properties greatly outstrips the supply; thereby there is great scope for rise in the prices of the properties. It thus presents a great opportunity for foreign investors to earn profits.
- Romania has a strong currency; the beneficial exchange rate means even better buying power for investors.



Tourism: Romania is an exotic tourist destination. It is popular for its fairy tale romantic destination. It thus opens up great avenues for foreign investment. Investors can greatly invest in establishing restaurants, buying motels, hotels, luxurious beach side villa and other accommodation facilities and rent it out to the visiting tourists.

IT (Information Technology): Romania is one of the rapidly growing IT markets in the central European region. The country has made tremendous progress in all IT sectors including mobile phones and Internet. The growth leaves a scope for foreign investment in the sector. The investors can invest in establishing Research and Development centers in the country.

Financial Support

Romania's general legal framework in the field of investment stimulation was adopted by means of Government Emergency Ordinance no. 85/2008, subsequently amended and completed, regulating principles of investment stimulation, investment fields, types of support available, general eligibility conditions etc.

According to provisions in Government Emergency Ordinance no 85/2008, incentives supporting investment in Romania are available under the form of grants awarded for tangible and/or intangible assets acquisition; financial support from the state budget for newly created job positions; interest bonuses for credit contracting, and other incentives regulated by special laws in force.

Romanian Government adopted a large number of state aid schemes supporting investment and thus stimulating the economic growth.

State aid can be granted to large, small and medium-sized enterprises (including microenterprises), depending on the type of investment, the field in which the investment is to be implemented and the provisions of the state aid scheme applied for.





Doing business in Romania

A local business presence is essential to success in the Romanian market, and this can take the form of a distributor agreement, subsidiary, joint venture, or acquisition. Regardless of the form of investment or entry strategy, a businesses considering the Romanian market should research their specific prospects thoroughly, perform due diligence, and be prepared to adapt their business models as necessary. Retaining legal and financial counsel with solid knowledge of Romanian law is valuable and relationships with other service providers, such as banks and accountants, can provide excellent value as well.



Start-up Business

Steps for company formation in Romania

A SRL (Limited Liability Company) is the most used type of legal entity in Romania. This kind of business structure can be easily set up in Romania, usually in 5 working days, as long as the following steps are considered:

The first step, once the decision to set up a company in Romania has been taken, we must check the availability and reserve the company's name and logo. This procedure is done through the Trade Register and Romanian State Office for Inventions and Trademarks (if you want to have a trademark).

The second step is to provide the necessary documents for the company formation in Romania. SRL companies are registered through the local Trade Register Office and will require a series of documents from the shareholders and administrators such as: Articles of Association (required to contain certain information), Affidavits and Specimen Signatures. In case the future shareholders are foreign companies, then the Romanian Trade Register will also require their registration documents for proof of their existence. An entrepreneur can open a company in Romania and choose to either visit the country, or to delegate powers to a representative from our company through a Power of Attorney.

A bank account has to be opened and the minimum share capital must be subscribed (around 70 EUR). This service refers to both the initial share capital account as well as an additional current account for on-going operations. Both types of Romanian bank accounts can be set up without your personal presence in Romania.

Provide a company office for registration purposes only (virtual office provided by Start Up Romania for 6 or 12 months). The company is considered legal and operational, once these steps are complete and the registration documents are issued.

The last step when starting a company in Romania is to submit the file to the Trade Register and appear in front of the Trade Register judge for the Romanian company formation.

The usual time frame for opening a company in Romania is 5 business days from the date the entire documentation is provided to the authorities to register the Romanian Company.

Limits on Foreign Control and Right to Private Ownership and Establishment

Romanian legislation and regulation provide national treatment for foreign investors, guarantee free access to domestic markets, and allow foreign investors to participate in privatizations. There is no limit on foreign participation in commercial enterprises. Foreign investors are entitled to establish wholly foreign-owned enterprises in Romania (although joint ventures are more typical), and to convert and repatriate 100 percent of after-tax profits. The Romanian capital account was fully liberalized in 2006, prior to gaining EU membership in 2007. Foreign firms are allowed to participate in the management and administration of the investment, as well as to assign their contractual obligations and rights to other Romanian or foreign investors.

Legal structures

English	Romanian	Minimum capital (approx. in EUR)	Shareholders' liability	Number of shareholders
Limited Partnership	Societate in comandita simpla (S.C.S.)	EUR 45	The limited partners have no management authority and they are not responsible for the debts of the partnership. They respond in the limit of the subscribed shares. The general partners have management control and they have joint and several liability.	At least one limited partner and at least one general partner.
Limited Liability Company	Societate cu raspundere limitata (S.R.L.)	EUR 45	The shareholders respond in the limit of the contribution to the share capital.	1- 50
Joint Stock Company	Societate pe actiuni (S.A.)	No less than EUR 20,000	The stockholders respond in the limit of the subscribed shares.	No less than 2
Company limited by shares	Societate in comandita pe actiuni (S.C.A.)	No less than EUR 20,000	The limited partners have no management authority and they are not responsible for the debts of the partnership. They respond in the limit of the subscribed shares. The general partners have management control and they have joint and several liability.	No less than 2
Branch	Sucursala	N/A	The Mother Company is liable for its branch.	N/A
Sole entrepreneur	Persoana fizica autorizata (P.F.A.)	N/A	The sole entrepreneur is also the sole responsible.	N/A

Foreign Direct Investments

Investment Policy:

The Romania government enacted a special law in 1991 that would regulate the foreign investments in the country. The law is very investor friendly. As per the law foreign investors are provided several financial benefits in terms of tax exemptions on their capital investments, Loans at reduced rates of interests and also tax benefits on investment in real estate.

The law also grants other fringe benefits to foreign investors including complete ownership rights of the Business enterprise and repatriation of after tax profits.



Special Incentives:

The Romanian Government's rule to levy a flat rate of corporate tax at 16%, which is one of the lowest tax rates in the European Union, can greatly benefit the foreign investors.

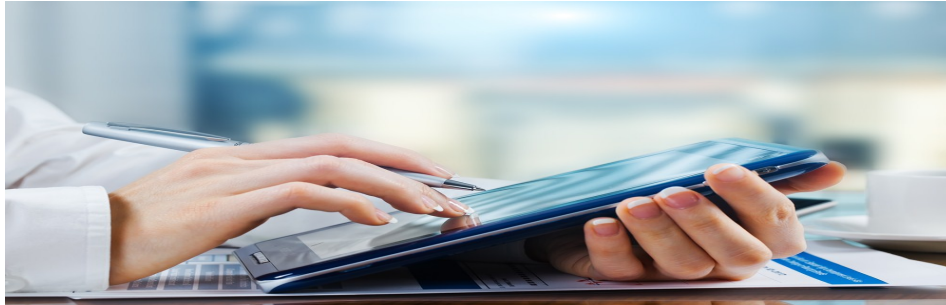
Romania is sure to become a global economic super power in the future. All foreign investors investing in the country are sure to earn valuable profits from their investments.

National Programmes

The Ministry for Business Environment, Commerce and Entrepreneurship finances and manages a total of 7 initiatives through the following programs:

- ⇒ START-UP NATION - ROMANIA - stimulating the establishment of small and medium enterprises, improving the economic performance of start-ups, increasing the potential for access to financing sources and facilitating their access to finance
- ⇒ COMMERCE - strengthening the marketing capacity of companies and developing comm. activity
- ⇒ Micro Industry – supporting investment in manufacturing, increasing the volume of activity and the competitiveness of SMEs in this area
- ⇒ Women in Entrepreneurship – stimulate and support start-up and development of private economic structures created by women
- ⇒ 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





State Aid Scheme 807/2014 has a budget of EUR m900 foreseen for the 2014-2020 period. It aims at supporting major CAPEX investment.

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 investment.

To be viable and determine the operational efficiency of the company, to prove the stimulating effect of the state aid, to generate contributions to regional development and 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 332/2014 has a budget of EUR m600 foreseen for the 2014-2020 period. It aims at supporting the creation of new jobs.

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 average 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 and 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

European Funds

As a EU Member State, Romania is eligible to receive funding from structural and cohesion funds as well as from the Union's Common Agricultural Policy (direct payments and rural development policy program).

During 2014-2020, Romania is scheduled to receive approximately EUR 40 Bln. in EU funds:

- EUR 21.5 Bln. Structural and Cohesion Funds
- EUR 19.5 Bln. Common Agricultural Policy
- Structural and Cohesion Funds (SCF), or Structural Instruments are financial instruments that the EU enacts to eliminate economic and social disparities between regions, in order to achieve economic and social cohesion.
- European Regional Development Fund (ERDF) - research and technological development, innovation and entrepreneurship, information society, environmental protection, tourism and energy.
- European Social Fund (ESF) - helping to increase access to the labor market, preventing unemployment, increasing labor market participation of women and immigrants, combating discrimination.
- Cohesion Fund - Trans-European transport networks, sustainable development, improved air traffic management and road upgrading urban transport, multimodal transport development and modernization.

Key Areas of Funding

Expansion of production capacity; Cover the cost of human resources; Investment in research and development within private companies; Investment in know-how and other intangible assets; Improving IT infrastructure; Promotion of products on foreign markets; Support to the energy sector and reduction of emissions; Real estate development in urban areas; Investments in waste treatment and pollution reduction.



The procedure for obtaining funding in Romania consists in seven main steps:

1. The eligible beneficiaries must complete the application form and the annexes required by the Managing Authority. There is a unique form for each structural instruments, with annexes differentiated by each type of fund.
2. The application must then be submitted before the Managing Authority.
3. The Managing Authority analyses the administrative compliance of the application form, in accordance with the internal procedures.
4. The next step consists in verifying the eligibility of the project. The project's eligibility criteria are outlined in the Implementation Framework and approved by the Monitoring Committee.
5. The project goes through a technical and financial evaluation.
6. The project is selected according to criteria approved by the Monitoring Committee.
7. The project is approved and the funding contract is signed.

The basic principles on the submission, selection and evaluation of projects represent a general framework for institutions managing and implementing the operational programs co-financed by the Structural Instruments.

This process is detailed in the guides applicants during the implementation of each operation. Activities related to the submission, selection and evaluation of projects are based on clear and precise procedures, as the entire process must be simple, flexible, with a reasonable duration and the duplication of tasks must be avoided.

Destination of funds in the financial exercise 2014-2020:

- ⇒ Transport infrastructure (highways , railways , water and air) - 5.7 billion EUR
- ⇒ Environmental projects - 3 billion EUR
- ⇒ Urban development - 2,8 billion EUR
- ⇒ County roads and beltways - 1.1 billion EUR
- ⇒ Youth employment and unemployment - 1 billion EUR
- ⇒ Professional Development in Education - 1 billion EUR
- ⇒ Social assistance for vulnerable persons (mainly Roma integration programs) - 1 billion EUR
- ⇒ SMEs and technology parks - 800 million EUR
- ⇒ Research - 700 million EUR
- ⇒ IT - 550 million EUR
- ⇒ Health infrastructure (construction of three regional hospitals in Iasi , Cluj and Craiova) - 500 million EUR
- ⇒ Administrative capacity development at local level - 500 million EUR
- ⇒ Restoration of historical, cultural and tourist - 450 million EUR
- ⇒ Education infrastructure - 350 million EUR
- ⇒ Cadastral Surveys - 300 million EUR
- ⇒ Energy efficiency - 270 million EUR
- ⇒ Programs of the National Agency for Employment - 250 million EUR



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