TZA CONSULTANȚĂ FISCALĂ

TAX ENTITY OF ȚUCA ZBÂRCEA & ASOCIAȚII

30 April 2014

Fiscal Bulletin

Summary:

1. **Government Emergency Ordinance No. 19/25.04.2014 amending and supplementing the Methodological Norms for the application of Law No. 571/2003 regarding the Fiscal Code**

Tax Exemption for the Reinvested Profit

Government Decision No. 19/2014 amending and completing the Methodological Norms for the application of the Law No. 571/2003 regarding the Fiscal Code was published in the Official Gazette No. 308 dated 25 April 2014.

The amendments will enter into force on 1 July 2014.

1. The tax exemption for the reinvested profit

Starting from 1 July 2014, the profit which is reinvested in technological equipment used for business activities is exempt for tax purposes. The tax exemption will be applicable for new equipment produced or bought after 1 July 2014 and commissioned before 31 December 2016.

The categories of fixed asset, for which is applicable the tax exemption are the technological equipment (machines, work equipment and installations), included in subgroup 2.1. of the Catalogue regarding the classification and normal useful lives of fixed assets.

The reinvested profit for which the tax exemption is applicable, is limited to the accounting profit of the period and it represents the cumulated gross profit from the beginning of the year, when the equipment is commissioned.

The exemption from tax for reinvested profit is calculated once every quarter or every year, as the case may be, and is granted within the limit of profit tax due in that period. If the profit tax is computed on a quarterly basis and the investment were made in the previous quarters, the value of the profit already reinvested should be excluded from the cumulated gross profit.

The tax incentive is also applicable for the assets which are achieved over several consecutive years, considering the investments partially commissioned during each fiscal year (based on partial work report).

The new amendments specify that, to benefit from the incentive, taxpayers must maintain the equipments for a period of a least half of their useful life, but no more than 5 years. Otherwise, profit tax would be recalculated and related interest and late payment penalties would be applicable. This rule is not applicable in case of reorganizations, liquidations and other situations (for example: theft, destruction). In addition, the fixed assets financed by the profits for which the exemption is granted, maintain their fiscal value for linear or digressive depreciation. Such investments cannot benefit from accelerated depreciation.

For reinvested profit, taxpayers should book a reserve at the end of the year. This should be taxable when used in any way, including reorganization processes if the beneficiary entity does not maintain the related reserve.

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Editors

Țuca Zbârcea & Asociații Tax S.R.L. is the specialised tax consultancy entity of Țuca Zbârcea & Asociații, offering a full range of advisory and compliance services. Țuca Zbârcea & Asociații Tax S.R.L. covers transaction planning, operational tax advice, efficiency structures (tax optimization schemes), tax reviews and due diligence, tax authorities' audits and dispute resolution (including mitigating the risks and the potential impact of time-consuming disputes with local fiscal authorities), tax compliance and representation, as well as transfer pricing. Our team comprises seven tax consultants previously working in management positions with Big Four companies and the Ministry of Finance. The group cooperates closely with the firm's lawyers specialising in administrative law, as well as contentious-administrative disputes.

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