

Tax and legal updates

5 December 2024





Agenda

1. Romania's fiscal landscape

2. Tax digitisation: current status, challenges and way forward

3. Main tax topics relevant at the end of 2024

4. Overview of GDPR rules

Speakers



Ufuk Tandogan

President
Turkish Businessmen
Association Romania



**Özgür Kivanç
Altan**

Ambassador of the
Republic of Turkey



Inge Abdulcair

Tax Director
PwC Romania



Anca Macovei

Tax Technology Director
PwC Romania



Iulian Panfiloiu

Corporate Tax
Director PwC Romania



Daniel Vinerean

Managing
Associate-D&B si
Baias, connected law
firm of PwC Romania

**Contact details at the end of the slide deck.*

Intro



Ufuk Tandogan

President
Turkish Businessmen
Association Romania



Özgür Kivanç Altan

Ambassador of the Republic of
Turkey in Romania

TIAD Tax and legal
updates

Romania's fiscal landscape

Inge Abdulcair



The context of fiscal policies

Budgetary targets for 2024

Economic growth: 3 - 3,4%
(effective Q1 2024 0.7%, IFM forecast 2024 1,9%)

Budget deficit: 5%
(effective jan-sep 2024 - 5,44%)

Budget revenues

+ 13% in 9M 2024 (compared 9M 2023)
+12,47% in 2023 (compared 2022)

Structure of tax revenues

(the state budget for 9M 2024)

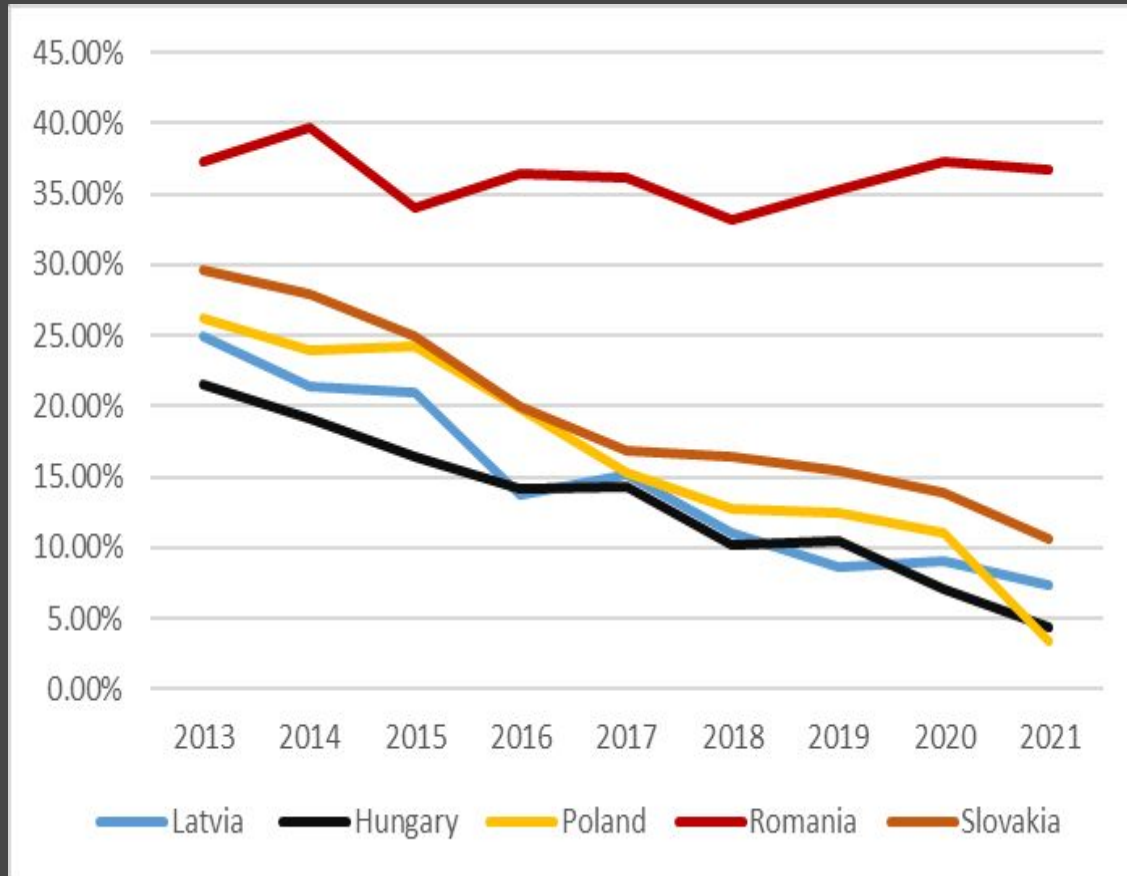
VAT: 42%	Profit tax: 12%
Income tax: 17%	Others: 14%
Excise duties : 15%	

VAT gap

36,7% (according to the EC for 2021)

VAT Gap in the region

VAT gap (%) comparison with LV, HU, PL, SK



Absence of a diagnostic analysis

Other EU member states have made relevant progress in terms of VAT collection. The specific causes of the VAT deficit have not been thoroughly studied in order to develop and adopt coherent measures.

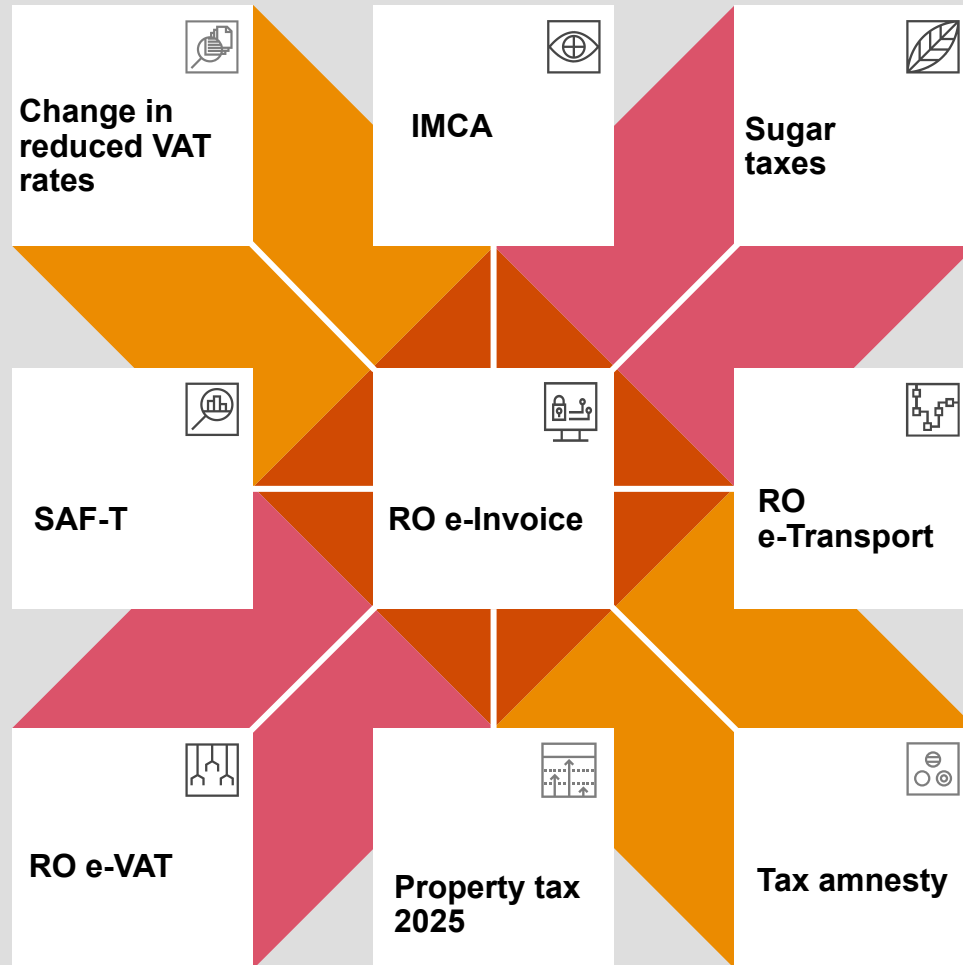
Delayed implementation of digitization measures

Comparing to HU, PL, LV, and SK, Romania implemented digitization measures with delay (i.e., 2021).

The purposes assumed by the tax authority

The tax administration has undertaken to reduce the VAT gap by up to 10% in the period 2021-2024.

Implemented measures



- A package of targeted fiscal measures aimed at reducing the budget deficit and increasing tax collection
- A package of measures to reduce budget expenses, combat tax evasion and increase the collection rate
- A package of arrears reduction measures

Accuracy of budgeting in the context of fiscal unpredictability. Potential scenarios on fiscal policy?

PNRR



FMI

World Bank



Potential scenarios '?'

- The reform of taxes and social contributions for individuals
- A different taxation regime of real estate (market value)
- Elimination of VAT reduced rates
- Review of the effectiveness of the tax exemption for reinvested profits and simplification of the R&D facility

- Income Tax Reforms
- VAT Revenue increase
- Focus: Green Tax
- Property Tax Increases

- Property Taxes (market value)
- Eliminate VAT reduced rates
- Progressive taxation
- Social Security Contributions

- Increase of standard VAT rate (>19%) vs. Inflation
- IMCA - temporary vs. permanent?
- Digitalisation and increase in VAT Collection
- Income Tax Reform and Progressive taxation

Where to?



1.



Are the tax changes
inherent?

#dialogue?

2.



When to Expect
Tax Changes?

3.



What should be the
company's strategy?

What **measures** can
be taken now?



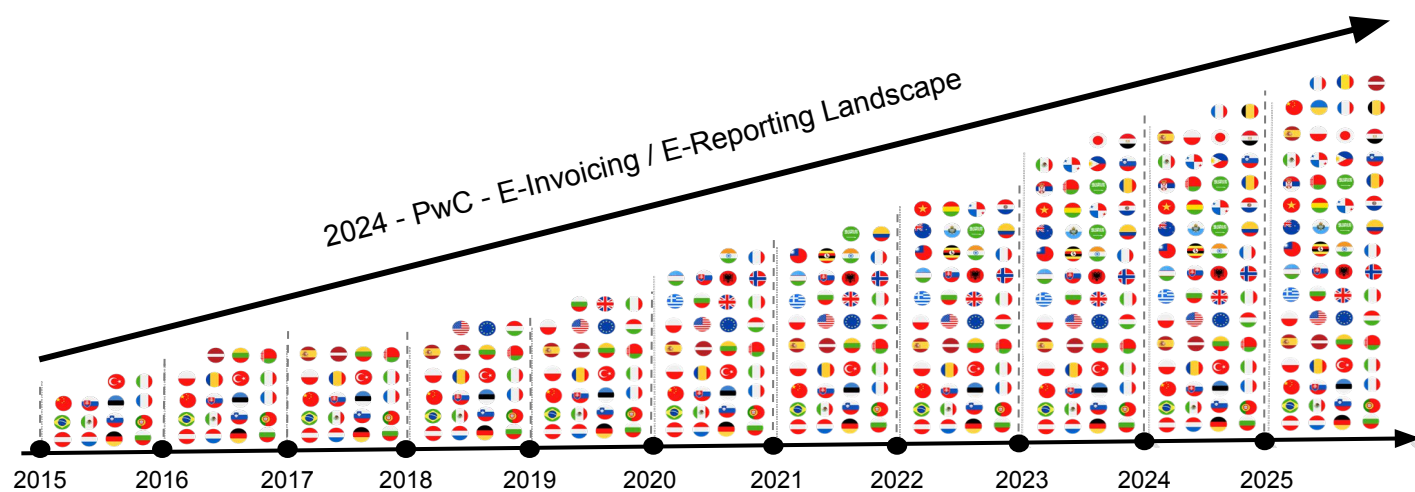
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Tax digitisation: current status, challenges and way forward

Anca Macovei



Digitalisation of tax administration: global trends



60+

New obligations on the horizon

80+

Countries impacted by obligations

70%

Of businesses have no clear view on the obligations imposed nor on their future roadmap

SAF-T

SAF-T reporting requirement as of **January 1st 2022** in waves depending on the type of taxpayer

E-Invoice

E-Invoicing for high-risk goods starting with **1st July 2022** and generalised the system starting with **January 1st 2024**.

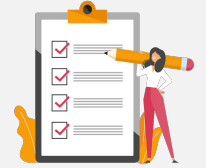
E-Transport





As of **July 1st 2022** for high fiscal risk goods. As of **December 15th 2023** applicable for all international transports.

E-VAT

Grace period until **January 1, 2025**. e-VAT is a pre-filled VAT return by ANAF from various available sources to be sent to Romanian taxpayers.

Impact of tax administration digitalisation measures



STATUS				
				
	<h2>SAF-T</h2>	<h2>E-Invoicing</h2>	<h2>e-Transport</h2>	<h2>e-VAT</h2>
<h3>WAY FORWARD</h3>	<ul style="list-style-type: none"> ■ Ensuring the accuracy of the SAF-T data submitted ■ SAF-T statement on Stocks (upon request) ■ Regular notifications to monitor compliance 	<ul style="list-style-type: none"> ■ B2B - ease for reconciliation with ERP / SAF-T / e-VAT ■ B2C: prioritisation implementation process 	<ul style="list-style-type: none"> ■ Ensuring correct UIT process ■ Cross-check for compliance management 	<ul style="list-style-type: none"> ■ Perform reconciliation and swift response ■ Raise relevant questions for clarification

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Main tax topics relevant at the end of 2024

Inge Abdulcair
Iulian Panfiloiu



pwc



Future of tax audits in the context of digitalisation

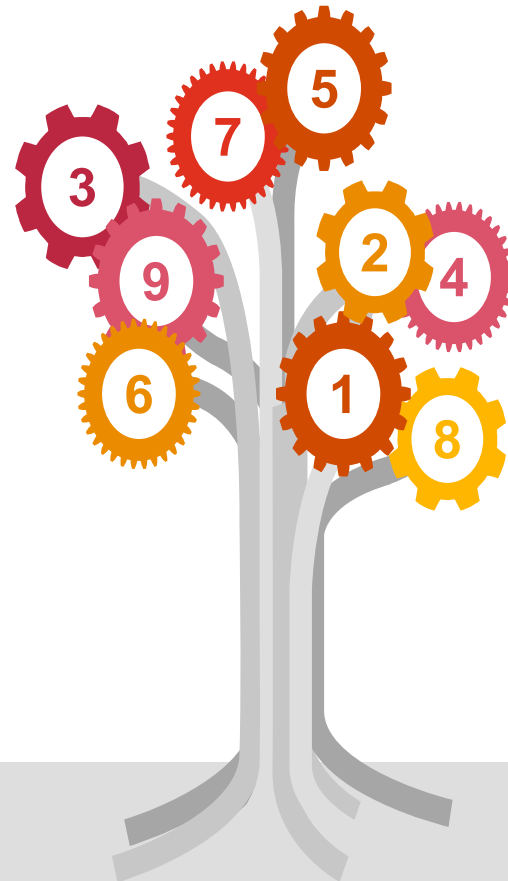
Current approach

Working place: Taxpayer's premises

Significant volume of financial-accounting information requested

Lengthy tax audits and manual checks of the data

Tax audits on specific themes



Expected approach

Desk audits

Constant access to accounting and tax data

Faster and more efficient tax audits / documentary analysis

Increase in the number of aspects scrutinized and explanations requested

Hot topics during tax audits



ICO charges

- Justifying documents to demonstrate benefit and actual rendering; TP alignment
- Documented allocation keys
- C-527/23, Weatherford Atlas Gip - to be settled



VAT exemptions

- E.g. intra-community supplies of goods, exports of goods, local exemptions
- Sound justifying documents necessary (e.g. Quick Fixes 2020)



FE (?)/PE

- Manufacturing, energy, pharma industries generally affected
- Two recent Ro ECJs: Berlin Chemie and Adient Automotive



Commercial policy and distinction between services and discounts

- Justifying documents required, such as contracts / addendums specifying conditions for offering discounts, proof that such conditions are fulfilled, proof that the computation method has been priorly set up and complied with
- Determine nature (services vs. discounts) with certain prohibited / limited services or discounts for food products



TP adjustments

- Trend in assessing whether TP adjustments are directly linked to previous supplies of goods / services and should therefore bear VAT



Inventory shortages

- Analysis of consumption norm for technology losses
- Documentation regarding traceability of damaged / expired goods
- Offsets between inventory pluses and minuses

Pillar 2

General overview on Pillar 2 implementation in Romania

Iulian Panfiloiu



Pillar 2 - Minimum Global Tax

Main aspects

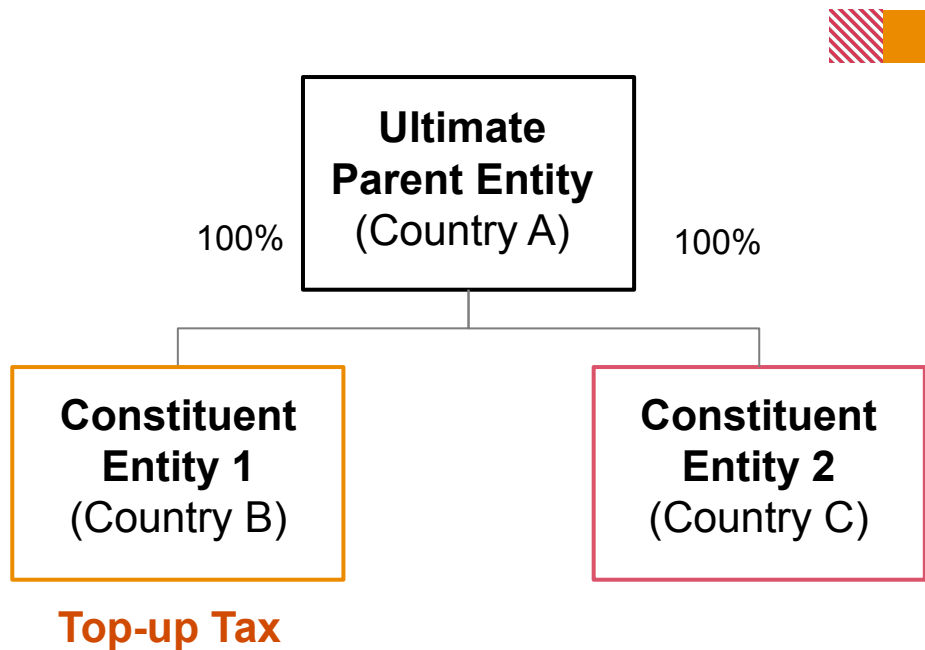
Main aspects of Pillar 2

Who?	How?	When?
<ul style="list-style-type: none"> • Multinational companies with consolidated turnover of more than EUR 750 mil in 2 of last 4 financial years; • Certain entities are excluded (e.g. government bodies, investment funds, etc.). 	<ul style="list-style-type: none"> • ETR = Total Covered Taxes / Total GloBE Income; • ETR is calculated on the aggregated amounts of all Romanian entities; • Statutory vs group reporting (e.g. IFRS) figures; • Top-Up Tax if ETR is below 15% (top-up tax percentage calculated as a difference between 15% and the ETR); • Substance-based carve-out – depending on size of tangible assets and payroll costs. 	<ul style="list-style-type: none"> • First reporting deadline (for the year 2024) is of 18 months as of the end of the reporting period (e.g. 30 June 2026); • For the subsequent years, the deadline is 15 months from the end of the reporting period; • Still, calculation needs to be done in advance as auditors will require a Pillar 2 provision.

Transitional CbC Report Safe Harbour apply for the period 2024 – 2026, whereby no top-up tax needs to be declared and paid if at least 1 of the 3 tests is passed!!!

Pillar 2 - Minimum Global Tax

Top-up Tax - Calculation basics

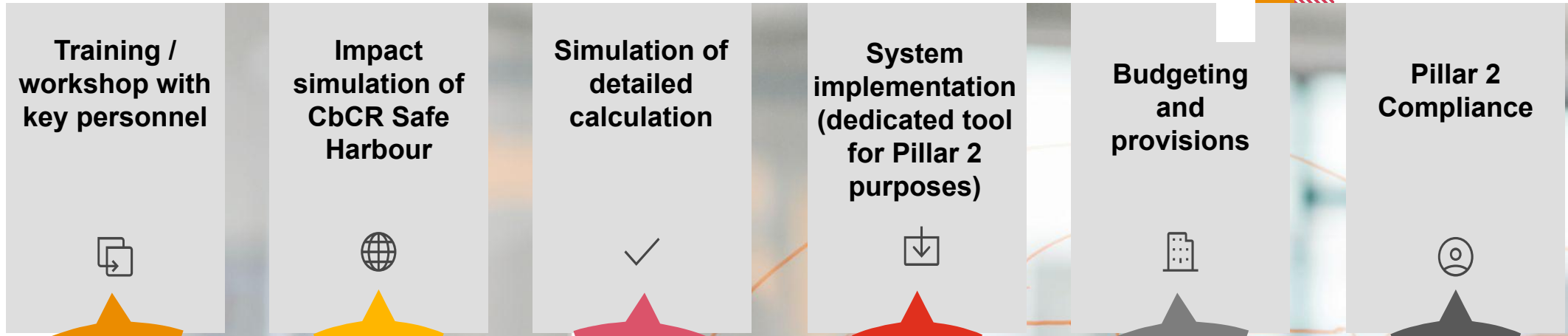


Reference	High-level definition	Entity 1 Country B	Entity 2 Country C
a	GloBE income	2,000	1,000
b	Covered taxes	100	250
$c = b / a$	Jurisdiction level ETR	5%	25%
$d = 15\% (-) c$	Top-up Tax percentage	10%	0%
e	Tangible assets plus payroll	500	2,000
$f = e * 5\%^{\wedge}$	Substance based carve-out	25	100
$g = a (-) f$	Excess profit	1,975	900
$h = d * g$	Top-up Tax	198	-

A qualifying domestic minimum top-up tax (QDMTT) could reduce or eliminate the amount of top-up taxes paid under the IIR or UTPR

Pillar 2 - Minimum Global Tax

How to prepare?



Minimum turnover tax

Iulian Panfiloiu



IMCA in a nutshell

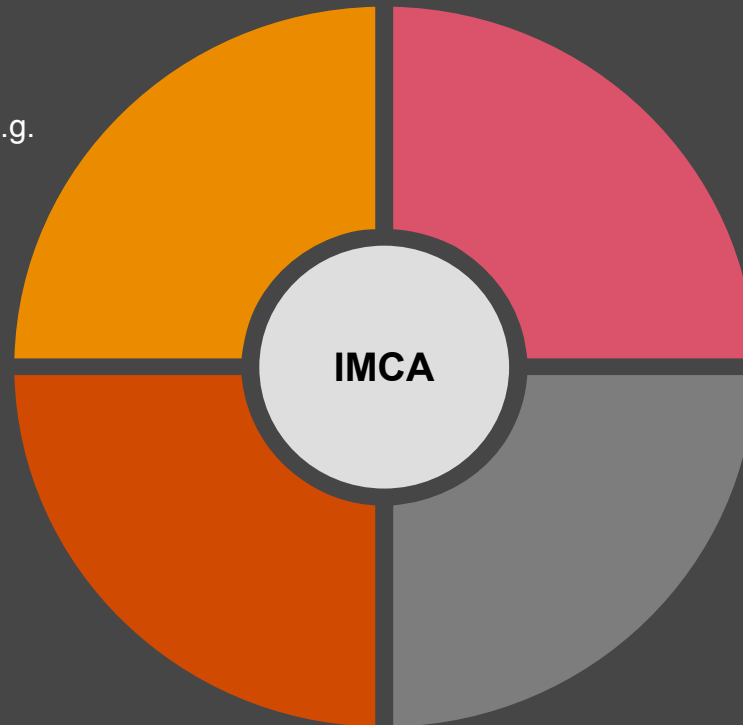
IMCA = 1% (VT - Vs - I - A), applicable for companies with turnover higher than EUR 50 mil

(+) VT

- Analysis of revenues recognition manner (e.g. reversals of adjustments / accruals, TP adjustments)
- Foreign exchange revenues
- Revenues from costs recharges
- Pass-through elements

(-) I

- Evidence of fixed assets in progress based on Fixed Assets Catalogue classification;
- Fixed assets in progress initiated and finalised during the same year?!
- Exceptions!!



(-) VS

- Applicability for excise duties reflected simultaneously in the expenses accounts.

(-) A

- Exception – fixed assets taken into account for indicator I
- Depreciation evidence for additions

IMCA is due even if tax loss position!!!

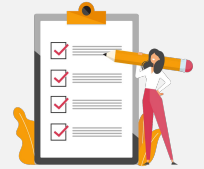
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Overview GDPR rules

Daniel Vinerean



Scope of GDPR



Material scope

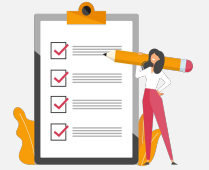
- ❑ **The GDPR** applies to the processing of personal data wholly or partly by automated means and to the processing other than by automated means of personal data which form part of a filing system or are intended to form part of a filing system
- ❑ **The GDPR** applies to processing of personal data pertaining to natural persons



Territorial scope

- ❑ **The GDPR** applies to the processing of personal data in the context of the activities of an establishment of a controller or a processor in the EU, regardless of whether the processing takes place in the EU or not
- ❑ **The GDPR** applies to the processing of personal data of data subjects who are in the EU by a controller or processor not established in the EU, where the processing activities are related to:
 - the offering of goods or services, irrespective of whether a payment of the data subject is required, to such data subjects in the EU; or
 - the monitoring of their behaviour as far as their behaviour takes place within the EU Union.

Main concepts



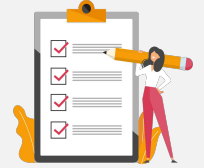
Personal data

- any information relating to an identified or identifiable natural person (**data subject**)
- an identifiable natural person is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person

Processing activity

- any operation or set of operations which is performed on personal data or on sets of personal data, whether or not by automated means, such as collection, recording, organisation, structuring, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission, dissemination or otherwise making available, alignment or combination, restriction, erasure or destruction

Participants in the processing activities



Data controller

- determines the purposes and means of the processing of personal data
- determines the types of processed personal data
- determines the retention period for personal data
- determines the recipients of personal data
-

Examples:

- employers for the personal data of employees
- stores/online stores for customer data
- provider of services for customer data

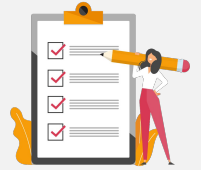
Data processor

- processes personal data on behalf of the controller (under the supervision/control of the controller)
- has a certain degree of independence in determining the means of the processing of personal data
- follows the instructions of the controller when processing personal data

Examples:

- providers of support services - IT, payroll (including intragroup)
- providers of services - health & safety, marketing

Data processing principles



Data processing activities may only be carried out with the observance of the data processing principles in the GDPR.

Failure to observe the data processing principles may lead to fines up to 20,000,000 euro or 4% of the global annual turnover, whichever is higher.

Legality

Transparency

Purpose limitation

Data minimisation

Accuracy

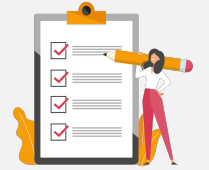
Storage limitation

Integrity and confidentiality

Accountability



Legality of data processing



Legal base for data processing

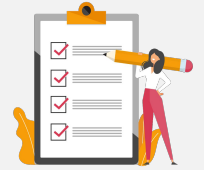
- **Consent**
- **Execution of an agreement**
- **Legal obligation**
- **Vital interest of the data subject or of another natural person**
- **Public interest**
- **Legitimate interest**

Personal data may only be processed by reference to a legal base in the GDPR.

Examples:

- **Consent** - for marketing activities
- **Execution of an agreement** - for processing personal data of the employees
- **Legal obligation** - for reporting obligations
- **Legitimate interest** - for processing personal data of contractual parties' representatives

Other relevant provisions in the GDPR



Data subjects rights

- Data subjects have the following rights: right to be informed, right of access, right to rectification, right to erasure/be forgotten, right to restrict processing, right to data portability, right to object, Rights relating to automated decision making and profiling and the right to lodge complaints with the supervisory authority
- Right of access must be addressed in one month upon receipt (a 2 month extension is possible)



International transfers

- Under the GDPR, international data transfers are permitted only if adequate safeguards ensure the same level of data protection, such as through adequacy decisions, standard contractual clauses, or binding corporate rules



Data breaches

- In the event of a data breach, the GDPR requires organizations to notify the supervisory authority within 72 hours if the breach poses a risk to individuals' rights and freedoms
- Affected individuals must also be informed without undue delay if the breach is likely to result in a high risk to their rights, providing clear details on the incident and mitigation steps

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PwC team: CVs and contact details





Inge Abdulcair
Director, PwC România

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Inge is currently Tax Director within PricewaterhouseCoopers' Indirect Tax Department in Romania. She joined PricewaterhouseCoopers Bucharest in 2008 and she has extensive background on Romanian and EU legislation, as well as European jurisprudence regarding indirect taxes.

Inge is a Tax Advisor certified by the Chamber of Fiscal Consultants (Romania) and she holds a diploma from the Institute of Indirect Taxation (United Kingdom).

Selected projects:

- She has worked on a considerable number of VAT assignments including VAT advice, implementing VAT optimisation solutions, tax reviews, due diligence projects provided to a wide range of national and multinational companies activating in various industries.
- Inge was involved in an infringement process against Romanian legislation on a VAT issue affecting leasing companies within the Romanian market.
- She is extensively involved in projects for the implementation of tax digitalisation solutions - e.g. SAF-T, E-invoicing, etc. She provided tax assistance in the implementation / migration to various enterprise resource planning (ERP) systems, assistance during SAF-T implementation projects and SAF-T cross-checks projects, assistance during RO e-invoice implementation projects
- As part of her professional development, Inge was seconded during 2016 to PwC Istanbul for a period of six months.





Anca Macovei

Director, Tax Technology, PwC România

Email: anca.macovei@pwc.com



Anca is Director within PwC Romania, coordinator of the Tax Technology team, focusing on the development and implementation of automation solutions from a tax perspective. She has more than 13 years of experience in the VAT field, having extensive knowledge of both Romanian and EU legislation, as well as European VAT jurisprudence.

Anca assists clients from various industries in the process of streamlining tax compliance obligations through the use of tax automation solutions, as well as during the implementation projects of SAF-T, RO e-invoice, e-transport and CESOP.

She has a degree in Commerce and Business Administration from the Academy of Economic Studies, Bucharest. Anca also holds a Master's Degree in Marketing from the Academy of Economic Studies, Bucharest.

She is a certified member of the Tax Consultants Chamber in Romania.

Experience and selected projects:

- Coordination and tax assistance in the development of various tax technology solutions, such as:
 - Automation of VAT declarations in various member states
 - SAF-T solution, including SAF-T cross-check applications
 - RO e-invoicing solutions
 - RO e-transport solution
- Tax assistance in the implementation / migration to various enterprise resource planning (ERP) systems
- Assistance during SAF-T implementation projects and SAF-T cross-checks projects
- Assistance during RO e-invoice / e-transport, e-VAT implementation projects





Iulian Panfiloiu
Corporate Income Tax Director, PwC
România

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Iulian is bringing to the table a substantial experience in the Consumer markets sector, having worked for a wide range of Retail and FMCG clients. He joined PwC Romania in 2012 and is currently a Director in the Corporate Tax Department.

Iulian is currently a Member of the Romanian Chamber of Tax Consultants and also holds the ADIT certification, issued by the Chartered Institute of Taxation in the UK. Iulian graduated the Bucharest Academy of Economic Studies and is currently a Member of the Romanian Chamber of Tax Consultants. Also holds the ADIT certification, issued by the Chartered Institute of Taxation in the UK. He is native speaker of Romanian, fluent in English and has knowledge of Spanish.

He has more than 10 years of experience working on tax advisory services ranging from tax review projects, assistance during tax audits, general tax consultancy to due diligence assignments, tax structuring and mergers and spin-offs. Iulian works mainly for clients in the Consumer Markets sector.

Iulian's primary focus is on the Consumer Markets sector. The projects in this sector include, without being limited to, the following:

- Collaboration with RetuRO in the context of DRS;
- Implementation of SAF-T for clients in the R&C sector, including of the sections related to stocks, thus having the opportunity to interact with people from the business side and gain awareness on the stock related systems / reports;
- Various projects related to documenting of inventory losses (e.g. perishables, damaged / expired goods, etc) in order to claim deductibility;
- Review of bonus / marketing allowances for various players in the R&C sector (both from the retailer's side and from the suppliers' side);
- Documentation of inter-company charges (i.e. benefit test analysis) aimed at demonstrating the actual rendering and benefit of services charges received from the group;
- Tax audit simulation assignments consisting of tax review coupled with management interviews in order to simulate and prepare for potential interactions with the tax authorities during a tax audit, etc.





Daniel Vinerean - CIPP/E

Managing Associate- D&B David și Baias

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Daniel holds the position of Managing Associate within D&B David și Baias, is a member of the Bucharest Bar Association and has a professional experience of more than 15 years. Being involved in and coordinating a great variety of projects concerning civil and commercial law matters, Daniel has developed an in depth knowledge of client needs and business interests thus being able to provide specialized legal advice on both sensitive and complex matters.

Starting with 2017, Daniel coordinates the consultancy and assistance projects related to the data privacy. His expertise in this field includes evaluation of current data protection compliance and provision of specific recommendations, drafting of compliance programs, drafting of internal procedures and documents, as well as provision of specific advice on data protection related matters. Daniel holds a CIPP/E certification issued in 2019 by the International Association of Privacy Professionals and is a certified trainer, providing the legal expertise for the “Data Protection Officer Training”, organised by PwC Romania starting from 2018.

The most important projects Daniel Vinerean was involved include:

- assistance and consultancy in the process of integrating an important supplier of telecommunications services within an international supplier of telecommunication services – his involvement related to both commercial and data protection;
- permanent consultancy in the field of data protection for one of the most important retailers on the Romanian market – specialized consultancy was offered to mostly to the data protection officer but also included aspects on the technical and organizational measures implemented by the said retailer;
- assistance to an important supplier of telecommunication services in implementing the compliance with the local and European regulations in the field of data protection;
- permanent assistance and consultancy in the field of data protection to a group of entities active in the import and distribution of vehicles, financing of vehicles acquisition, real estate and general services;
- assistance to various banking institutions for compliance with the rules and regulations in the field of data protection and for adapting the internal procedural framework and client facing documents, as well as assistance in the data protection impact assessments related to digitalization/online onboarding;
- performance of data protection check/audits as part of due diligence processes mostly in case of acquisitions of participations in entities active in healthcare provision services, as well as in online sales (marketplaces and online stores)



Thank you

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