

*This guide has been prepared by an independent third-party law firm*

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## **ROMANIA – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS**

The following information is a guide to help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in Romania.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are an individual supplying short-term accommodation in Romania, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you;

- Income taxes
- Health insurance contribution
- Value added tax (VAT)

We draw your attention to the fact that Airbnb may have an obligation to report income earned by users of the platform. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax return, the tax authorities may ask you questions

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Moreover, please note that this guide does not address the tax treatment applicable to renting tourist reception structures with accommodation functions, defined according to the specific legislation (which generally implies obtaining an authorization from the Ministry of Economy, Entrepreneurship and Tourism and registration with the Trade Registry), for which a different tax regime applies depending on the type of registration with the Romanian Trade Registry. According to the specific tourism legislation, it should be noted that tourist reception structures with accommodation functions include hotels, apartment hotels, hostels, motels, tourist villas, tourist chalets, bungalows, holiday villages, campsites, tourist accommodation, camping houses, apartments and rooms for rent in family dwellings, river and sea vessels including floating pontoons, tourist pensions and agritourism pensions and other units with tourist accommodation functions. We recommend to seek and obtain specialized advice on the appropriate manner of registration for the rental activities that you intend to perform.

Please note that we do not update this information in real time, so you should confirm that the laws or procedures have not changed recently.

## **INCOME TAX**

Where you earn income in Romania, it is likely that you will be required to pay a percentage of tax on this income to the Romanian Tax Authorities. Below is a brief outline of tax that may arise on income earned from short-term lettings in Romania and some information on how this tax can be paid over to the Romanian Tax Authorities.

**Romania's tax year** runs from 1 January to 31 December.

### **Coming within the charge to income tax in Romania.**

Rental income from properties located in Romania is considered to be Romanian source income. This income is taxable and reportable in Romania, regardless of your tax residence status. No thresholds are stipulated under Romanian law for income tax purposes, however there are specific provisions for social security liability in Romania.

### **Reporting tax in Romania.**

For the rental revenues, each individual must submit a tax statement, respectively Tax form **212 Single declaration on income tax and social contributions due by individuals** which can be downloaded from the tax authority's [website](#). The statement can be submitted in paper format or electronically, should you wish to register on the tax authority's website.

### **Reporting tax - filing deadline.**

The deadline for filing the Romanian annual return for income derived during 2022 and income estimated to be derived during 2023 is 25 May 2023.

Where activity starts or ends during the year, the annual return has to be filed within 30 days of the start / end of activity e.g. if you start an activity during 2022 you have to file a return showing an estimate of your income for the period as well as filing a final annual return on 25 May.

### **Reporting tax - payment deadline.**

The deadline for paying income tax liabilities for the year 2022 is 25 May 2023.

### **Romanian Tax Authority contact details.**

Each individual is ascribed to a certain tax authority depending on the District / Sector where you have your Romanian domicile / address.

General address of the institution: Agentia Nationala de Administrare Fiscala - Str. Apolodor nr. 17, Sector 5, Bucuresti – 050741

You can also find more general information on the tax authority [website](#).

### **Romanian income tax rates.**

A flat tax rate of 10% applies to rental income.

### **Romanian rules applicable to income earned in relation to short-term lettings.**

As a general rule, income from renting out owned properties, from subleases of movable and immovable goods, as well as the income from the lease of agricultural goods, from the personal patrimony are specifically considered to be income from a rental activity. The rental income is taxed either by applying the 10% income tax to the net revenues obtained by: (a) diminishing the gross yearly revenues with the fixed 40% quota of deductible expenses, or (b) by applying the 10% income tax rate to the net income established by decreasing the gross revenues with the actual expenses incurred.

As a specific rule and in addition to the above, income from renting rooms from personal use properties for tourism purposes, irrespective of the number of properties in which they are located, are liable to Romanian income tax on a certain income quota determined by an order published by the Romanian authorities. In this case, the income tax due is determined by applying the 10% income tax rate to the income quota.

The rental of rooms located in personal property dwellings for tourist purposes, other than those that constitute tourist reception structures which are defined according to the specific legislation (which generally imply obtaining an authorization), represents the offer of the possibility of stay for a period of minimum 24 hours and maximum 30 days in a calendar year for any person traveling for tourism outside his or her normal living environment.

However, this type of taxation does not apply to:

- authorized natural persons, to individual enterprises, to family enterprises owning tourist reception structures with accommodation function certified by the Ministry of Economy, Energy and Business Environment – Tourism, which tax their revenues as revenues obtained from independent activities;
- individuals obtaining revenues from more than 5 rental contracts during a calendar year or, where the income is derived from renting more than 5 rooms for tourism purposes, in

which case the income is considered as income from independent activities, for which different tax rules apply than the ones mentioned in this guide.

No specific provisions are stipulated for short term lettings.

Should you be unsure of the tax treatment of your income, you may want to consider seeking advice from a tax professional.

**Typical expenses that can be deducted from an individual's income in relation to short-term lettings.**

Gross income from rental activity is determined based on the lease agreement. As a general rule, there is a 40% deduction available against rental income, without having to present any supporting documents.

As an exception to the general rule, you can opt for determining your net rental income by deducting the actual expenses incurred based on supporting documents (e.g. maintenance, insurance premiums, broker's commission, property taxes). Under this alternative option, you are obliged to keep records in Romania and notify the tax authorities that you have opted for this system. This option will be mandatory to be applied for 2 consecutive years.

Should you rent out rooms located in the personal property dwellings for tourist purposes, the law does not provide any deductible expenses. However, the income tax is to be computed by applying the 10% income tax rate to the annual income quota (established on a yearly basis by the Ministry of Economy, Energy and Business Environment – Tourism). Such quotas can be diminished up to 30% depending on certain factors related to the rental (e.g., the rented room surface does not exceed 15 square meters, the bathroom is not exclusively offered to the tourists, the room is located in the countryside etc.).

**Romanian income tax obligation for non-resident individuals.**

If you are a non-Romanian resident individual, you are liable to Romanian income tax on Romanian source income, e.g. rental income from renting a property in Romania.

**Romanian income tax obligations for a Romanian individual in receipt of foreign rental income.**

If you are considered a Romanian tax resident, you are obliged to declare foreign rental income on your Romanian tax return. You may, however, be able to claim a double tax credit on foreign income earned, subject to the provisions outlined in the relevant tax treaty between Romania and the country in which the property is situated. Please note that the Romanian tax authorities may request official proof of the income tax paid abroad.

### Capital taxes in Romania.

The gain obtained by individuals from the sale of immovable property located in Romania is taxed at 3% income tax. The Romanian income tax is due on the selling price less the non-taxable amount of RON 450,000.

Where the property sold is situated in Romania, the income tax due of 3% is withheld by the notary.

For immovable property sold after 1 January 2023, the gains obtained by the seller shall be subject to the following tax rates (without benefiting from a non-taxable amount to be deducted from the selling price):

- 3% for immovable property owned for a period up to 3 years inclusive;
- 1% for immovable property owned for a period longer than 3 years.

Where the property sold is situated outside Romania, and you are deemed tax resident in Romania, the income tax due is declared through the filing of your Romanian annual return, while you may be able to claim a double tax credit on foreign income, as detailed above. The deadline for paying the Romanian income tax due is 25 May of the year following the year in which the income was generated.

### General property taxes payable.

For residential properties, the property tax is calculated by applying a rate between 0.08% - 0.2%, as established by the decision of your local council, to the taxable value of the property.

The taxable value of the property is determined by multiplying the surface of the building (in square meters) with the corresponding taxable value (in RON/square meters), as provided under the Romanian law e.g. depending on the type of the building, whether it has a sewage system or not, etc.

Some correction coefficients subsequently apply depending on the rank of the city where the property is located and the area within the city.

Sample Tax Computation			
Maria received total gross rent in 2022 of RON 33,291.			
Maria incurred the following expenses in relation to this house in 2022: house insurance RON 2,300, local property tax RON 1,600 and electricity/gas RON 2,800.			
		Calculation of	Net Rental

		<b>income tax due in view of the flat rate of 40%</b>	<b>Income Based on Actual Expense</b>
		RON	RON
Gross rental income		33,291	33,291
<i>Less allowable expenses:</i>			
	40% of gross rental income	(13,316)	
	House insurance		(2,300)
	Local property tax		(1,600)
<b>Taxable rental income</b>		<b>19,975</b>	<b>29,391</b>
<b>Romanian income tax due</b>		<b>1,998</b>	<b>2,939</b>
Note: no amount has been considered liable to the 10% income tax on the income quota amount as determined by an order published by the Romanian authorities. Where your property is considered as used for touristic purposes as outlined in the leaflet above, this would need to be taken into consideration.			

### **HEALTH INSURANCE CONTRIBUTION**

A health insurance contribution is to be paid by you (individual) in case you obtain during the calendar year, an annual income which is equal to at least 12 minimum monthly gross salaries (currently RON 2,550/month) derived from rentals, investments, independent activities, intellectual property rights, partnerships with legal entities, agriculture, forestry and fishery and/or income from other sources.

In such case, the annual 10% health insurance contribution is applicable to the taxable base equal to the total amount of 12 minimum monthly gross salaries (i.e., currently RON 30,600) and must be paid by 25 May of the year following the one in which the revenues were obtained, provided that the amount due has not been already withheld by an income payer (i.e., applicable in certain scenarios in which you also obtain incomes from intellectual property, independent activities related to sports, farming, partnerships with legal entities during the same calendar

year).

The health insurance contribution is to be declared by means of the same tax statement as the one applicable to income tax, namely 'Tax form 212 Single declaration on income tax and social contributions due by individuals' (please see additional details in the section above).

## **VALUE ADDED TAX**

Value added taxes can be complicated and you should take time to understand the rules as they apply to you and your particular situation.

Broadly speaking, Value-Added Tax (VAT) in Romania is a tax on consumption. Most goods and services supplied in Romania are subject to VAT.

A person who supplies goods and/or services in Romania may have to charge VAT and pay this to the Romanian tax authority. As with all taxes, we encourage you to consult with a tax advisor regarding your potential VAT obligations in Romania.

If you are currently renting a room to guests, you may be required to apply VAT to your rental charge and to pay this VAT amount to the Romanian tax authorities. As Airbnb is not supplying the rental, it is the responsibility of the host to consider local VAT obligations of the rental charge.

### **Do I need to collect any VAT from guests if I am letting short-term accommodation in Romania?**

In general, individuals who are considered to be in business in Romania need to charge VAT on their supplies, once they meet the criteria for VAT registration. Currently, in Romania, you are required to register for VAT if your annual turnover from your supply of services exceeds RON 300,000.

As a general rule, the rental of immovable goods is VAT exempt (with the possibility to opt to tax this operation). However, supplying short term accommodation which is considered to be accommodation in the hospitality sector (e.g. hotel accommodation or other types of similar sectors) is generally not VAT exempt.

Should your rental revenues (VAT exempt or not) exceed the registration threshold, you should register for VAT in Romania and charge VAT on your supplies, if no exemption applies.

It should be noted that according to local VAT rules, rental of immovable property is considered to be a (taxable) supply of accommodation in the hospitality sector when the accommodation is

characterized by tourist reception structures with tourist accommodation functions. Examples include: hotels, apartment hotels, motels, tourist villas, chalets, bungalows, holiday villages, campsites, rooms for rent in family dwellings, river and sea vessels, tourist pensions and agro tourism pensions and others units with tourist accommodation functions.

If you are a person who is not resident in Romania, but your accommodation is located in Romania, then you should also verify if you should register for Romanian VAT, as the general rules outlined above apply to you.

We encourage you to consult a tax advisor if you need assistance in determining whether you need to register for and charge Romanian VAT.

For further guidance on registering for VAT, please see the Romanian tax authorities' [website](#).

### **VAT applies to me. How do I determine how much tax I need to collect from my guests?**

VAT rates differ per country and change periodically. We recommend you to check on a regular basis with the local tax authority to get the most up to date VAT rates for the country where you are required to pay VAT.

For example, at the date of issuance of this document, the general Romanian VAT rate for rentals in Romania is 19%. However, a reduced VAT rate of 5% applies to the supply of accommodation that is considered accommodation within the hospitality sector.

In addition, there are other VAT rates currently in force in Romania, so we recommend that you confirm with a local tax advisor the VAT rate applicable to your supplies. Additional or extra supplied services or goods may be subject to a different VAT rate.

### **VAT applies to me. How do I collect VAT from guests?**

If you determine that you need to charge VAT on the supplies that you make to guests, please keep in mind that you have to collect this VAT from your guests and report and remit this VAT on a periodic VAT return.

In Romania, how frequently a VAT return has to be submitted depends on whether your Romanian yearly turnover exceeds EUR 100,000.<sup>1</sup> If your Romanian yearly turnover exceeds EUR 100,000, you will be obliged to file monthly VAT returns. If your turnover is beneath this threshold, you will be obliged to file quarterly VAT returns. VAT returns are due to be filed on the 25th of the month following the month in which the relevant VAT period ends (e.g., if you are required to submit a VAT return for the quarterly period of January – March, the VAT return will

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<sup>1</sup> The RON equivalent of this threshold is to be computed each year based on the basis of the exchange rate communicated by the National Bank of Romania valid for December 31 of the previous year.



be due for submission on the 25th of April). The VAT payment is also required to be made by that deadline.

Some formalities, such as issuing a receipt or an invoice to your guests, or holding and registering a cash register, may be required. There may also be requirements around whether you use VAT-inclusive or VAT-exclusive pricing. We recommend that you check your obligations in terms of relevant invoice requirements with a local tax advisor.

For further guidance on filing returns, please see the Romanian tax authorities' [website](#).