

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 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
- Value added tax (VAT)

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.

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.

Each individual must register and create their own account on www.anaf.ro (more specifically <https://declunica.anaf.ro/my.policy>).

Reporting tax - filing deadline.

The deadline for filing the Romanian annual return for income derived during 2018 and income estimated to be derived during 2019 is 15 March 2019.

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 2018 you have to file a return showing an estimate of your income for the period as well as filing a final annual return on 15 March.

Reporting tax - payment deadline.

The deadline for paying income tax liabilities for the 2018 year is 15 March 2019. If the payment is completed by 15 December 2018, you may benefit from a 5% discount.

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: 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.

Income from renting properties owned, including income from renting rooms with a tourist accommodation capacity ranging from one to five rooms inclusively, is specifically considered to be income from a rental activity.

As a specific rule, income from renting rooms from properties with a tourist accommodation capacity ranging from one to five rooms inclusively 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.

In the case where more than 5 rental contracts are in place or, where the income is derived from renting more than 5 rooms for tourism purposes, the income is considered as income from a freelancing activity.

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 run bookkeeping records in Romania and notify the tax authorities that you have opted for this system.

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 an 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.

If you are a Romanian tax resident who is subject to declare tax in Romania on a worldwide basis, you may 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.

If a property is sold after 1 February 2017, the gain from the sale of this property 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. 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.

The deadline for paying the Romanian income tax due is 15 March of the year following the one income was derived.

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 metres) with the corresponding taxable value (in RON/square metres), 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 2018 of RON 33,291.
Maria incurred the following expenses in relation to this house in 2018: house insurance RON 2,300, local property tax RON 1,600 and electricity/gas RON 2,800.

		Calculation of income tax due in view of the flat rate of 40%	Net Rental Income Based on Actual Expense
		RON	RON
Gross rental income		33,291	33,291
<i>Less allowable expenses:</i>			
	40% of gross rental income	<u>(13,316)</u>	
	House insurance		(2,300)
	Local property tax		(1,600)
Taxable rental income		19,975	29,391
Romanian income tax due		1,998	2,939
<p>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.</p>			

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 such, if you supply short term accommodation which is considered to be accommodation in the hospitality sector (e.g. hotel accommodation), and you breach the registration threshold, you should register for VAT in Romania and charging VAT on your supplies.

If you are a person who is not resident in Romania, but your accommodation is located in Romania, then you should also 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 Romanian VAT rate applicable to the supply of accommodation that is considered accommodation within the hospitality sector is, 5% in Romania.

However, 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 will have to be submitted will depend on whether your Romanian yearly turnover exceeds RON 475,000. If your Romanian yearly turnover exceeds RON 475,000, 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 during which the relevant VAT period ends i.e. if you are required to submit a VAT return for the quarterly period of January – March, the VAT return will be due for submission on the 25th of April. The VAT payment is required to be made on the same day that the VAT return is required to be filed.

Some formalities, such as issuing a receipt or an invoice to your guests, 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](#).