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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

The purchasing power in Romania is one of the lowest in the EU (USD 12,757.5 - World Bank, 2020). Nonetheless, the Romanian consumer market has grown significantly in recent years and stood at EUR 135.5 billion at the end of 2019 (Eurostat). Purchases of food and non-alcoholic beverages account for 33.7% of total consumption expenditure, followed by housing and energy costs, which represent 16.4% of expenditure (Romanian National Institute of Statistics, 2020). The Romanian population is ageing, marked by declining birth rates and an increase in the share of older people. According to CIA World Factbook, among the 21.2 million Romanians, 14.12% of the population is 0-14 years old whereas 17.58% of the population is 65 years and over (2020 est.). As reported by Eurostat, in 2020, the median age of the population was 42.8 years old (slightly below the EU average). Furthermore, Romania's natural growth rate is negative (-0.38% - CIA World Factbook, 2021 est.). In 2019, the urbanisation rate was 54.08% (one of the lowest in the EU) (World Bank, latest data available).

Consumer Behaviour

Since the economic crisis, Romanian consumers have remained cautious and tend to adopt responsible and moderate behaviour. Consumers are not devoted to a single brand, but product availability plus an acceptable price/quality ratio are factors that influence the consumption of a certain brand. Consumers are ready to pay a price premium for branded, higher quality products. Recent trends in the urban retail market indicate a clear preference for fresh, branded, attractively packaged products. The concept of after-sales customer service is still developing, but Romanian consumers are increasingly sensitive to the quality of after-sales services in making their purchasing decisions.

While Romania has an Internet penetration rate lower than the EU average (86% as opposed to 91% - Eurostat, 2020), most Internet users are avid online shoppers. Out of the 15.49 million Internet users, in 2021, 72.7% purchased a product online (Global Web Index).

Consumers Associations

[InfoCons - Association for Consumer Protection](#)
[National Authority for Consumer Protection \(ANPC\)](#)

IMPORTING & DISTRIBUTING

Import Procedures

Customs duties were removed upon Romania's accession to the EU. Joining the AEO status, Agreed Economic Operator, allows the unloading of merchandise at the destination to be considered then to be customs cleared. The official model for written declarations to customs is the Single Administrative Document (SAD). The SAD describes goods and their movement around the world and is essential for trade outside the EU, or of non-EU goods.

Single Administrative Document is the documentary basis for customs declarations in the EU.

The Summary Declaration is filed by:

- the person who brought the goods into the customs territory of the Community or by any person who assumes responsibility for carriage of the goods following such entry; or
- the person in whose name the person referred to above acted.

As part of the 'SAFE' standards set forth by the World Customs Organisation (WCO), the European Union has set up a new system of import controls, the '[Import Control System](#)' (ICS), which aims to secure the flow of goods at the time of their entry into the customs territory of the EU. This control system, part of the Community Programme eCustoms, has been in effect since 1 January 2011. Since then, operators are required to pass an Entry Summary Declaration (ENS) to the customs of the country of entry, prior to the introduction of goods into the customs territory of the European Union.

The Modernised Customs Code, which entered into force in 2008, simplifies procedures, by computerising and centralising transactions. Since 1 July 2009, all companies established outside of the EU are required to have an Economic Operator Registration and Identification (EORI) number if they wish to lodge a customs declaration or an Entry/Exit Summary declaration.

For more information, please visit the website of [Romanian Customs](#).

Distribution market players

The distribution of goods and services in Romania is similar to that of other European countries. The market is made up of Romanian and European mass retailers and includes specialist shops, supermarkets, hypermarkets, cash shops, department stores, convenience stores, DIYers, kiosks, street vendors, open-air markets and wholesalers. Romania is one of the main target markets in Eastern Europe for retailers such as Metro, Carrefour and Selgros, whose local large format stores have had the strongest growth in sales.

The leaders of the Romanian retail sector are [Kaufland](#), [Carrefour](#), [Metro Cash & Carry](#), [Auchan](#), [Lidl](#) and [Penny Market](#). They all make more than EUR 1 billion in sales per year.

There are more than 2,350 stores in Romania, the majority of which being convenience stores (989), followed by supermarkets (475) and discount stores (445) (USDA, latest data available).

In 2020, the Lower House (Chamber of Deputies) passed a bill to make substantial changes to the "Supermarket Law", removing the 51% requirement (minimum percentage of meat, eggs, vegetables, fruit, honey, dairy and bakery products that supermarkets had to buy from local producers).

OPERATING A BUSINESS

Type of companies

Societate cu raspundere limitata (Limited Liability Company)

Number of partners: Minimum of 1 partner with a maximum of 50

Capital (max/min): No capital minimum.

Shareholders and liability: Liability is limited to the amount of investment.

Societate pe actiuni or SA (Public Company)

Number of partners: Minimum of 2 shareholders.

Capital (max/min): At least RON 90,000

Shareholders and liability: Liability is limited to the amount of investment.

Societate in nume colectiv or SNC (General Partnership)

Number of partners: Minimum 2 partners: One general partner and one limited partner

Capital (max/min): No capital minimum.

Shareholders and liability: Unlimited liability for partnership.

Societate in comandita simpla (Limited Liability Partnership)

Number of partners: Minimum 2 partners: one general partner and one limited partner

Capital (max/min): No capital minimum.

Shareholders and liability: Liability limited to partnership capital for limited partners; unlimited for general partners.

Setting Up a Company	Romania	Eastern Europe & Central Asia
Procedures (number)	6.0	5.3
Time (days)	20.0	11.8

Source: Doing Business - Latest available data.

Cost of Labour

Minimum Wage

In 2021, the minimum wage is around RON 2,300 per month (EUR 458.07) according to the data from Eurostat.

Average Wage

According to data from the National Institute of Statistics of Romania, the monthly gross average salary stands at RON 5,549 in 2021.

Social Contributions

Social Security Contributions Paid By Employers: Work insurance: 2.25%

Social Security Contributions Paid By Employees: Pension: 25%

Health fund: 10%

Intellectual Property

National Organisations

The [State Office for Inventions and Trademarks \(OSIM\)](#) is the government agency that is responsible for the registration and protection of patents, trademarks and industrial designs. The [Romanian Office for Copyright \(ORDA\)](#) is the government agency that is responsible for the registration and protection of copyrights.

Regional Organisations

For the protection of patents: the [European Patent Office](#)

To control trademarks, designs and models: the [Office for Harmonisation in the Internal Market](#)

International Membership

[Member of the WIPO](#) (World Intellectual Property Organization)

[Signatory to the Paris Convention](#) For the Protection of Intellectual Property

[Membership to the TRIPS agreement](#) - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

TAX RATES

Consumption Taxes

Nature of the Tax

Value Added Tax (VAT) - Taxa pe valoarea adaugata (in Romanian)

Tax Rate

19%

Reduced Tax Rate

9% on prostheses of any type and accessories (except dental prostheses); orthopedic products; medicines for human and veterinary use; food (excluding alcohol) having certain classification codes; fertilizers, seeds and other agricultural products intended for the sowing or planting, as well as for supplies of services, such as those specifically used in the agricultural sector; supply of water for agriculture irrigation; irrigation and drinking water supplies.

5% for books, newspapers, magazines and school manuals (except those intended exclusively for publicity); hotel accommodation and similar accommodation, including the rental of land for camping; restaurant and catering services (excluding alcohol, except for draught beer); access to museums, castles, cinemas, zoological and botanical gardens, amusement and recreational parks and sporting events; the right to use sport facilities; the passenger transport by trains or historical vehicles with steam powered on narrow lines for touristic or entertaining purposes; the passenger transport using transport installations on cable; the passenger transport using vehicles with animal traction, used for touristic or entertaining purposes; the passenger transport by boats for touristic or entertainment purposes; delivery of high-quality food, respectively, mountain products, eco, traditional, authorized by the Ministry of Agriculture and Rural Development; supply of social housing.

Intra-community supplies of goods and export of goods, as well as transport services and international transport of passengers are zero-rated.

Exemptions include specific banking and financial operations; insurance and reinsurance; medical services; education; specific hiring, concession leasing or letting of immovable property; sale of "old" buildings; re-imports of Romanian goods repaired abroad; imports of natural gas through specific distribution systems and electricity; etc.

Other Consumption Taxes

Several products are subject to harmonised excise duties, including: alcohol and alcoholic beverages, manufactured tobacco products, energy products (e.g. unleaded gasoline, diesel, gas, coal), and electricity.

Several environmental taxes apply (packaging and packaging waste management; plastic bags; sale of waste; industrial oil; air emission; electric and electronic equipment; batteries and accumulators; etc.).

Corporate Taxes

Company Tax

16%

Tax Rate For Foreign Companies

Resident individuals are taxed on their worldwide income irrespective of the type or source of income; non-residents are taxed only on Romania-sourced income.

Capital Gains Taxation

Capital gains derived by resident and non-resident entities from the sale of shares and real property are included in overall profits and taxed at the ordinary corporate tax rate of 16% (certain capital gains may be exempt). Capital gains from the sale/transfer of shares, as well as income arising from the evaluation or revaluation of shares held in a Romanian or foreign legal entity located in a country that has concluded a tax treaty with Romania, are exempt from tax if the recipient holds at least 10% of the share capital of the entity whose shares are sold/transferred or evaluated/revaluated for an uninterrupted period of at least one year.

Main Allowable Deductions and Tax Credits

Expenses incurred for business purposes are generally deductible. The Romanian Fiscal Code lists the following deductible expenses:

- expenses incurred for environmental protection and resource conservation
- R&D expenses that are not recognised as intangible assets for accounting purposes
- expenses related to benefits granted to employees as equity instruments settled with cash (if the benefits are subject to personal income tax)
- losses incurred when writing off client receivables (under certain conditions)
- travel and accommodation expenses related to business; including transportation of personnel to and from the workplace
- expenses incurred from professional training and development of employees
- business travel and accommodation expenses
- marketing and advertising expenses
- fines, interest, penalties, and other increased payments due under commercial contracts.

Other expenses can be deducted only up to certain specific limits:

- certain provisions and reserves
- interest expenses and other borrowing costs
- protocol expenses (up to 2% of the accounting profit)
- lunch vouchers and holiday vouchers
- social expenses (capped at 5% of salary expenses)

- taxes and fees paid to non-government organisations or professional associations related to the taxpayer's activity (maximum EUR 4,000/year)
- certain vehicle expenses
- certain provisions and reserves (with limits).

Start-up expenses may be capitalised and depreciated over a maximum period of five years, but cannot be depreciated for tax purposes.

Certain R&D expenses give rise to an extra 50% deduction. Furthermore, machinery and equipment used in R&D activities is subject to accelerated depreciation.

Companies can carry forward fiscal losses declared in the annual profit tax returns for a period of a maximum of seven years (no inflation adjustment is allowed). Carryback of losses is not permitted.

Other Corporate Taxes

Other taxes on corporations include:

- a building tax, which differentiates between residential buildings (tax rate between 0.08% and 0.2%, applicable to the value resulted from the evaluation report for legal entities) and non-residential buildings (between 0.2% and 1.3%; 0.4% if the building is used for agricultural purposes). Legal entities pay an increased rate of 5% (if no revaluation was performed during the last five years)
- a land tax, established at a fixed amount per square metre, depending on the rank of the area where the land is located and the area or category of land use, in accordance with the classification made by the local council. Similar to the building tax, the land tax is paid annually in two equal instalments, by 31 March and 30 September, with a 10% reduction granted for full advance payment before the 31 March
- stamp duties apply for judicial claims, issue of licenses and certificates, and documentary transactions that require authentication
- social security contributions: employers are liable to pay 2.25% for insurance contribution and 4% for social insurance contribution for uncommon work conditions (8% for special work conditions).

For certain activities (e.g. dangerous hazardous substances, activities that generate polluting emissions, etc.), companies have the obligation to declare and to pay (as the case may be) related contributions and taxes to the Environmental Fund. Several environmental taxes apply (packaging and packaging waste management; plastic bags; sale of waste; industrial oil; air emission; electric and electronic equipment; batteries and accumulators; etc.).

Entities in the tourism, hotel, restaurants, bars, and catering sector pay a specific tax, regardless of the size of the turnover and the level of profits. The tax is calculated according to the area of the business, the location and other criteria.

Other Domestic Resources

[National Agency for Fiscal Administration](#)

[Consult the Doing Business Website](#), to obtain a summary of the taxes and mandatory contributions.

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[National Fiscal Administration Agency](#)

Withholding Taxes

Dividends: 0% (individuals; paid by Romanian companies to companies resident in one of the EU member states, if the conditions of the Parent-Subsidiary Directive are respected)/5% (paid to a company not resident in the EU/EEA), Interest: 0% (resident companies; individuals)/16% (non-resident company), Royalties: 0% (resident companies; individuals)/16% (non-resident company)

These rates could be reduced under double taxation agreements.
