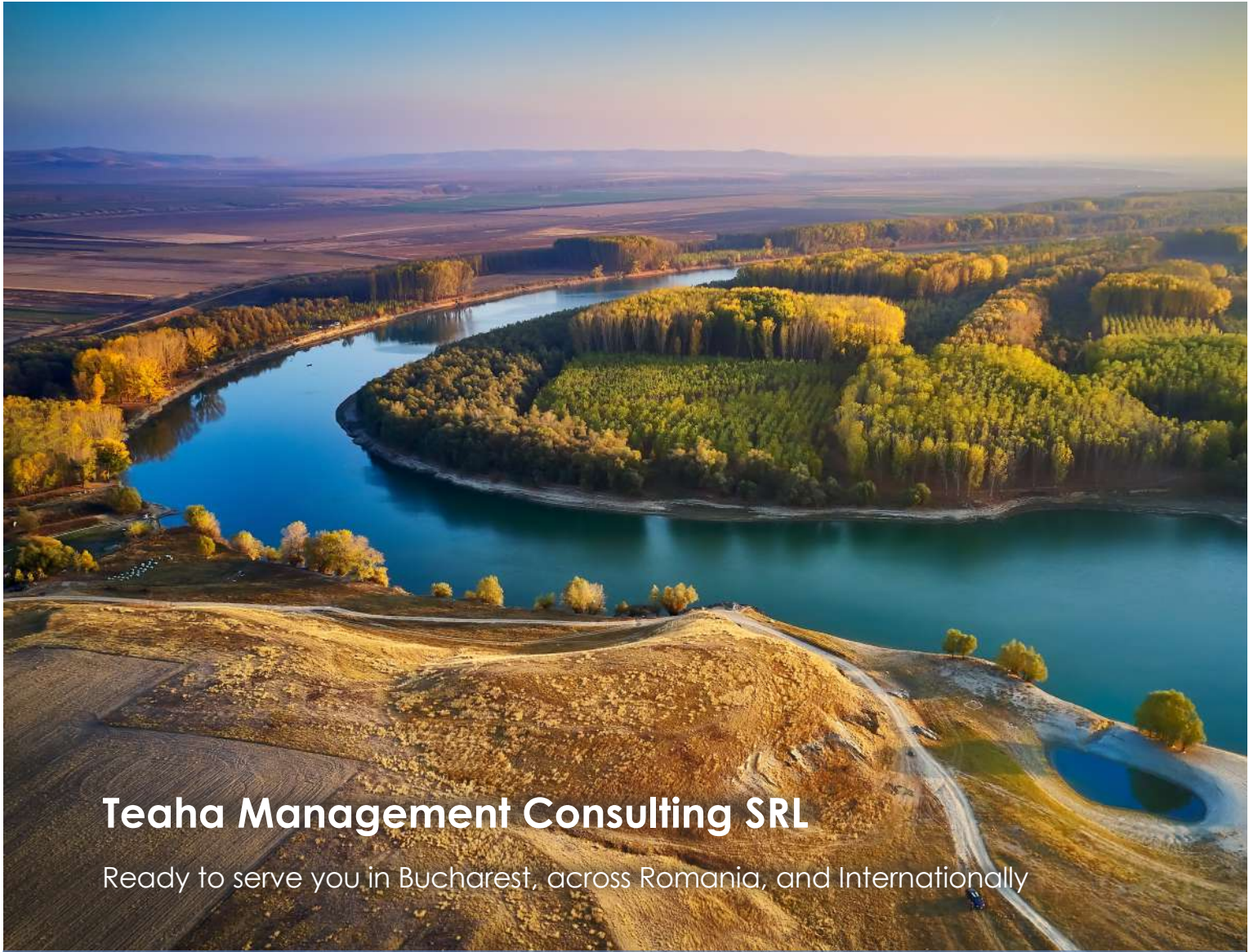




www.teaha.ro



Teaha Management Consulting SRL

Ready to serve you in Bucharest, across Romania, and Internationally

A Guide to Doing Business in Romania

A member of
mgworldwide

2021



Table of contents

1. About Romania	3
2. Fast facts	3
3. Why Romania	4
4. Accounting & Audit.....	5
5. Tax.....	5
6. Who are we.....	8
7. What we do.....	9
8. MGI Worldwide.....	11
9. Contact	11



About Romania

The name "Romania" comes from the Latin word "Romanus" which means "citizen of the Roman Empire". Set at the meeting of Central, Eastern and South-eastern Europe, Romania borders Bulgaria to the south, Ukraine to the north, Hungary to the west, Serbia to the southwest, Moldova to the east and the Black Sea to the southeast.

With a population of 19,1 million, Romania is a developing country with a high-income economy. It has the world's 45th largest economy by nominal GDP and following rapid economic growth in the early 2000s, the country has an economy based predominantly on services as well as being a producer and net exporter of machinery and electric energy. The vast majority of Romania's urban population speaks at least one foreign language, mainly English or French. The capital, and largest city, is Bucharest.

Fast facts

- **Territory:** 238,397 km²
- **Population:** 19,1 million (2021)
- **Population in Bucharest:** 1,83 million (2019 Eurostats)
- **Population growth rate:** -0.6% per year (2019 World Bank)
- **Population growth rate in Bucharest:** +2.2% (2020)
- **Capital city:** Bucharest
- **Languages:** Romanian
- **Currency:** Romanian leu (RON)
- **Nominal GDP:** 289,130 billion USD (2021)
- **Real annual GDP:** 4.1% (2019)
- **GDP per capita:** 14,968 USD (2021)



Why Romania?

Before the COVID-19 pandemic, Romania stood as the third best performing country in EU with a 4.1% GDP growth, driven by private consumption and an investment rebound, but also as a result of prudent monetary measures, taken since its entry to the EU, that have enabled the country to gain the confidence of foreign investors.

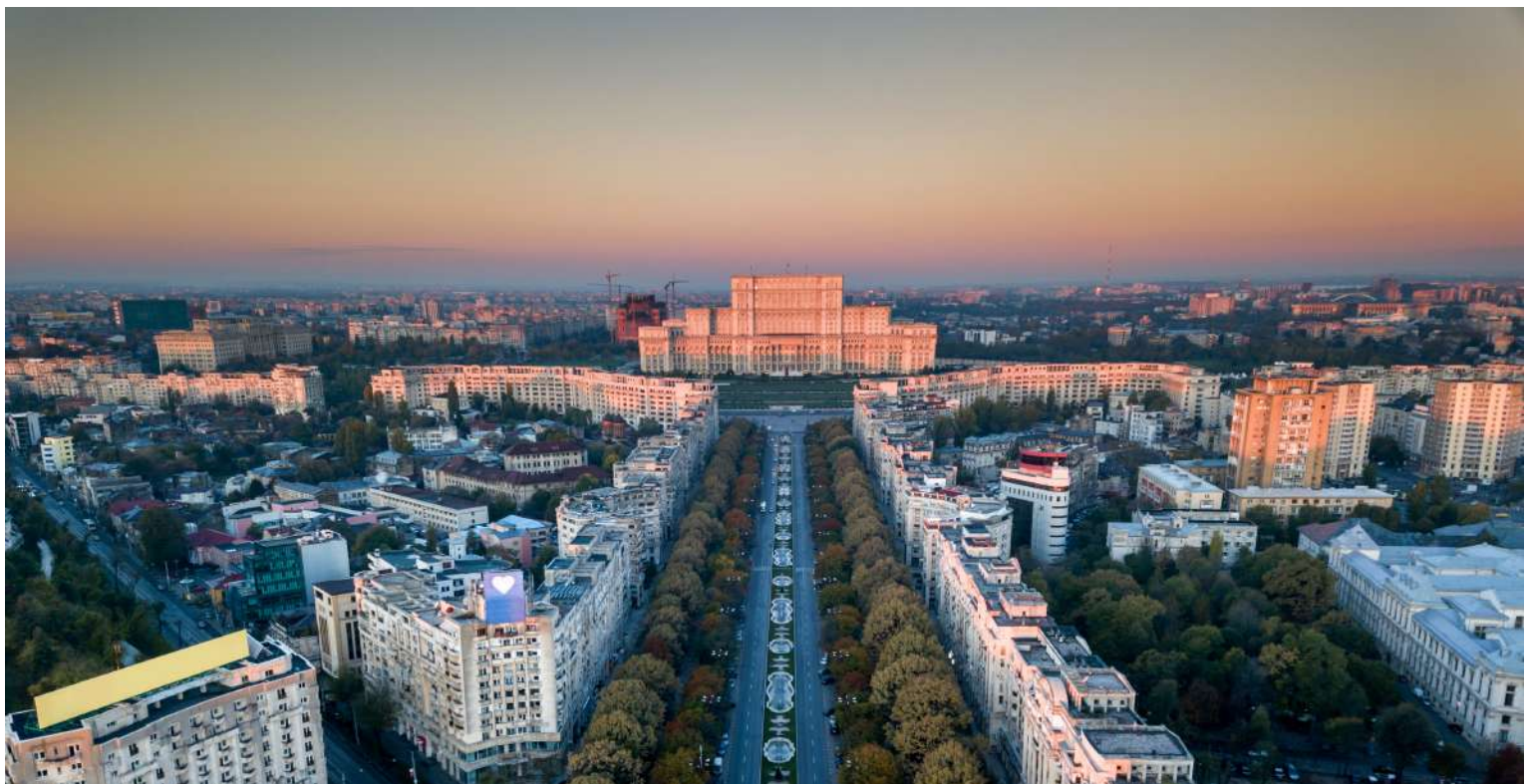
Romania has numerous advantages: in addition to a large domestic market, the country has a strong industrial tradition, coupled with labor costs among the lowest in the EU and a well-educated workforce. This has been the reason for the development of a

significant industrial sector, particularly car making, but also services. Romania offers 96 industrial park infrastructures, offering companies access to utilities and special benefits according to their field of activity, as well as exemptions from property, building, and planning taxes.

Furthermore, Romania has one of the lowest tax rates in the EU. The tax regime favors industrial investment and start-up initiatives equally. A gradual pick up of projects, co-financed by EU funds, brings support for investment which is expected to recover rapidly.

Foreign Direct Investment	2017	2018	2019
FDI Inward Flow (million USD)	5,419	6,219	5,971
FDI Stock (million USD)	90,968	92,887	97,095
Number of Greenfield Investments*	204	231	260
Value of Greenfield Investments (million USD)	5,708	6,251	6,059

Source: UNCTAD - Latest available data.



Accounting & Audit

Audit obligation

According to the approved accounting regulations regarding individual annual financial statements and consolidated annual financial statements, annual financial statements are subject to statutory audit for:

- medium and large entities, as well as of national companies, companies with full or majority state capital and autonomous utilities
- entities that, at the balance sheet date, exceed the limits of at least two of the following 3 criteria:
 1. total assets: 16,000,000 RON
 2. net turnover: 32,000,000 RON
 3. the average number of employees during the financial year: 50

The audit requirement applies when these entities exceed the respective limits in two consecutive financial years, including the current financial year.

Also, the entities are exempted from the obligation to audit the annual financial statements if the limits of two of the three mentioned criteria are not exceeded in two consecutive financial years.



Tax

Value Added Tax

Rules - Value Added Tax (VAT) is a consumption tax applied to almost all goods and services that are bought and sold, for use or consumption in each country or in the EU and are also due in the non-UE country of import.

Rates - Standard rate of **19%**. Reduced rate of **9%** is to apply for water, food, beverage industry, medical treatments and prosthesis, accommodation, and other specific goods and services. Super-reduced rate of **5%** is applied to the sales of a limited list of goods and services as schoolbooks, hotel accommodation, restaurant and catering services, newspapers, magazines, admission fees to castles, museums, sport events, cinemas and other.

Deducting VAT – there are deduction rights for the related input VAT for:

- Supply of goods shipped or transported outside the European Union, and related services
- Intra-Community supply of goods
- International transport of passengers
- Goods placed into free trade zones and free warehouses
- Supply of goods to a bonded warehouse, a VAT warehouse, and related services
- Supply of goods that are placed under suspensive customs regimes
- Supply of services in connection with goods placed under suspensive customs regimes or goods placed into free trade zones
- Supply of goods and services to diplomatic missions, international organisations, and North Atlantic Treaty Organization (NATO) forces



Tax cont.

Social security and health

Income tax - The income tax rate is of **10%** and is applied to the taxable income corresponding to each income source of each category, supported by the employee or by the natural person, as the case may be.

Health insurance contribution - The health insurance tax rate is of **10%** and is applied to the taxable income corresponding to each income source of each category, supported by employee or by the natural person, as the case may be.

Social security contributions - The social security tax rate is of **25%** and is applied to the taxable income corresponding to each income source of each category, supported by employee or by the natural person, as the case may be.

*A person can be subject to only one of the country's social security laws at a time, usually the laws of the country where they work, as an employee or self-employed.

Work insurance contribution

The tax rate is of **2.25%** applied of the total incomes from salaries and assimilated to salaries.

*For the construction sector, there are special provisions applied concerning due taxes and exemptions by case, beginning as of 2019.



Company tax

Corporate income tax (CIT) - The standard corporate income tax rate is **16%** calculated over the result determinate as a difference between the revenues and expenses recorded in accordance with accounting standards, adjusted with the non-deductible expenses by adding up, and non-taxable revenues and tax deductions by reducing. Also, other elements, similar to revenues and expenses, could have an impact on the imposable result.

Micro-enterprise tax - The tax rate of **1%** applies to micro-enterprises with at least one employee and the revenues below the threshold of 1.000.000 EUR.

This type of taxation is particularly attractive for companies that have a high rate of profit.

Tax cont.

Withholding Tax for Non-Resident's Dividends

The standard rate for dividends paid to the non-resident is **5%**. Dividends paid by a Romanian company, to companies that are resident of European Union member states, are exempt from taxation if, at the time of distribution, it owns a minimum of 10% of the share capital of the Romanian company for a continuous one-year period, according to the European Union Parent-Subsidiary Directive.

Interests

The standard rate for interest paid to the non-resident is **5%**. Interest paid by a Romanian company, to companies that are resident of the European Union member states, is exempt from taxation if, at the time of payment, it owns a minimum of 25% of the share capital of the Romanian company for a

continuous two-year period, according to the European Union Parent-Subsidiary Directive.

Royalties

The standard rate for royalties paid to the non-resident is **10%**. Royalties paid by a Romanian company to companies that are resident of the European Union member states are exempt from taxation if owns at the time of payment, a minimum of 25% from the share capital of the Romanian company for a continuous two-year period, according to the European Union Parent-Subsidiary Directive.

*For the revenues obtain from Romania by a non-resident company, and for which is applicable the provisions of the relevant Double Taxation Treaty, they should provide to the Romanian payer a tax residence certificate attesting its tax residence for the purpose of the Double Taxation Treaty.



Who we are

Greenland
(DENMARK)

Teaha Management Consulting is the largest financial and accounting firm comprising 100% Romanian capital. The firm was established in 1997 by Prof. Corneliu-Teofil Teaha and prides itself today in its impressive market share, (especially when considering that a vast majority of the market, in this field, is held by the four largest international consulting companies or “big four”).

Today, **Teaha Management Consulting** carries out its business through a network of associated companies from the most important business centers in Romania – Bucharest, Cluj, Sibiu, Brasov, Timisoara. The firm is represented by over 100 employed or collaborating professionals, of which many speak German. Our experience and excellent knowledge of the Romanian market is also an essential factor in the firm’s success, together with our well-priced, first-class services in the field of consulting and accounting, which we tailor to our clients’ needs.

Another basis for our success and of a future extension of our portfolio, is the strategic partnerships with the German, Austrian, and Swiss business markets. In addition to this, **Teaha Management Consulting** is the official auditor of the Swiss-Romanian Chamber of Commerce and internal auditor of the Romanian German Chamber of Council.

Prof. Corneliu-Teofil Teaha is the President of the Romanian-Austrian Friendship Association.

Teaha Management Consulting is a member of **MGI Worldwide**, a Top 20 international accounting network of independent audit, tax, and accounting firms, which brings together the expertise of almost 10,000 professionals in over 455 locations around the world.

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Serving you
since 1997
in **Bucharest**,
across **Romania**,
and around the
world



Bucharest

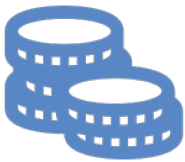
What we do



Audit Services

Teaha Management Consulting offers integrated audit services (financial audit, financial due diligence, internal audit) of the information contained in financial or non-financial statements. We are valued by our partners particularly for our technical knowledge, for the high professionalism of our consultants, and for the “tailor-made” support we offer companies. We are often requested to give advice to increase the profitability of our business partners by reducing costs, by diminishing the number of errors and frauds and by improving operational efficiency.

Based on our experience and expertise in audit services, we have the required capacity to fulfil any financial audit project, according to professional standards such as: IFRS, German GAAP, Austrian GAAP, Romanian GAAP or rules that are specific for a company group.



Accounting Services

One of the basic services offered by **Teaha Management Consulting** focuses on accounting activities and any person familiar with the advantages of externalised accounting services will appreciate this.

Our offer includes a wide range of services, from costs accounting and financial accounting, to accounting consultancy and balance sheet accounting.

We obviously undertake the responsibility for the correctness of our records and for compliance with the tax statements submission deadlines or the fulfilment of other obligations in relation to the State Authorities.



Financial & Tax Consultancy Services

We offer a wide range of strategic, financial and tax consultancy services, and our specialists conduct a financial and fiscal analysis of all opportunities and risks the Client-company may be facing.

We make available to the Client-company the professional experience and expertise acquired during over 25 years of activity, consisting in successful assistance of dozens of local and international companies.



Transfer Pricing

Transfer pricing regulations govern how related entities set internal prices for the transfers of goods, intangible assets, services, and loans in both domestic and international contexts.

Teaha Management Consulting's experience in transfer pricing projects is characterised by an impressive number of completed projects, most of which target projects that have been examined by the Romanian tax authority and have been accepted without any profit tax adjustments. Our approach focuses on minimising side effects and controlling the process of presenting the documentation regarding the transfer pricing file, by offering assistance for the prepared documentation. Thus, we ensure that the documentation prepared will be examined in a correct way, defending and completing, if necessary, our analysis.

What we do



HR & Payroll

Outsourcing payroll and personnel management services has become one of the most efficient solutions for companies, regardless of the size of the business or the field in which they operate, due to both multiple legislative requirements and reduced personnel management costs.

Our specialists, with extensive experience in the field, can provide you with the necessary support and assistance in the activity of payroll, personnel administration, consulting, personnel audit and specialised services for non-resident individuals.



Non-resident Services

Teaha Management Consulting offers professional services for non-resident persons. These include, assistance in establishing the fiscal residence, in the registration and taxation of expats on the Romanian territory and representation in relation to the competent authorities.



GDPR

For all companies that process personal data, the protection and confidentiality of personal data collected is essential.

Through the GDPR consulting service, we offer our clients support to understand how they integrate the GDPR provisions at the company level. Our team of experts offers solutions regarding the measures to be adopted in companies to comply with the GDPR.



Business Valuations

Our specialist Valuations team is able to draw upon expertise from across the firm, as well as many years of experience in performing valuations, in order to provide high-quality output.

We offer real estate valuations (land properties, buildings, apartments, villas, office buildings, commercial and industrial facilities); valuation of movable assets, such as vehicles, machines, equipment, tools, stocks, and inventory goods; valuation of intangible goods (intellectual property rights, goodwill, licenses, trademarks, etc.).



EU Funds Assistance

Teaha Management Consulting offers complete services for accessing and implementing programs financed from European non-reimbursable funds, granted within the Operational Programs and Government Programs through the National Investment and Economic Recovery Plan.



Members of MGI Worldwide

As members of **MGI Worldwide**, **Teaha Management Consulting** is able to keep abreast of important new developments while providing a seamless international service to any of our clients looking for support abroad.

Through **MGI Worldwide**, our firm benefits from connections with people we get to know and trust in all corners of the globe.

We can help you and your operations with a quick phone call to one of our colleagues or a complete service offering – whatever you need to make your international business a success. MGI Worldwide is a quality-controlled network, and like all member firms, we are subject to review of our quality assurance systems and procedures against international standards.

personal: entrepreneurial: global:

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About MGI Worldwide with CPAAI

MGI Worldwide with CPAAI is a leading top-20 international network and association of almost 10,000 audit, accounting, tax and consulting professionals in some 460 locations around the world.

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MGI Worldwide is a leading international network of separate and independent accounting, legal and consulting firms that are licensed to use "MGI" or "member of MGI Worldwide" in connection with the provision of professional services to their clients. MGI Worldwide is the brand name referring to a group of members of MGI-CPAAI, a company limited by guarantee and registered in the Isle of Man with registration number 013238V, who choose to associate as a network as defined in IESBA and EU rules. MGI Worldwide itself is a non-practising entity and does not provide professional services to clients. Services are provided by the member firms of MGI Worldwide. MGI Worldwide and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

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