



KEYPOINTS

Investors are looking for competitive profit margins and a favorable business climate for the development of medium and long-term projects.

Romania is an attractive business destination, that can offer a competitive Return On Investment. That is why it is most vital to promote and capitalize on the competitive advantages of our country that can place us ahead of our regional peers in attracting foreign investment.

Economy on the rise:

- Following a decrease down to -3.7% in 2020, the Romanian economy has returned to a positive trend starting with 2021, an economic growth of 5.8% compared to 2020 (according to the NIS, 21st December 2022).
- In 2022 the GDP went up by 4.7%, compared to 2021 (according to the NIS, 7th April 2023).
- Romania ranks 12th in the EU27 in terms of GDP growth in 2022 compared to 2021, up by 3 positions compared to the previous year when it ranked 15th (according to Eurostat dataset 20th September 2023).
- In Q2 2023, the GDP registered an increase of 0.9% compared to first quarter of 2023. The GDP increased by 1.1% on the gross series and by 2.7% on the seasonally adjusted series (according to the NIS, 7th September 2023).
- Romania ranks 2nd in the EU27 as regards the GDP growth in Q2 2023 compared to Q2 2022, (according to the Eurostat, 7th September 2023).
- In S1 2023 the GDP registered an increase of 1,7% on the gross series and 2.8% on the seasonally adjusted series compared to S1 2022 (according to the NIS, 7th September 2023).
- According to the Summer Economic Forecast 2023 of the National Strategy and Forecast Commission the economic growth for 2022 reached 4.7%, whilst it remained unchanged for 2023, with 2,8%. On medium term, the forecast remained balanced: 4.2% in 2024, 5.0% in 2025, 4.6% in 2026 and 4,1% in 2027 (Summer 2023 Economic Forecast, August 11th, 2023).
- Gross Domestic Product at market prices in 2022: EUR 285,9 bn (Eurostat dataset 20th September 2023).
- In 2020 the COVID-19 pandemic highly impacted the domestic economy, but in 2021 Romania's foreign direct investment began to soar together with the economic recovery. Thus, in 2021, the estimated inward FDI registered 8,940 million euros, which is approximately three times higher as against 2020 (197.5%). This is the second highest value of FDI flows in Romania,



surpassed only by the 2008 performance (EUR 9,210 million) (according to NBR Report- "Foreign Direct Investment in Romania in 2021", published in September 2022).

- FDI stock at 31st Dec. 2021 was EUR 100.3 millions.
- In 2022, FDI amounted EUR 10,039 million, up by 12.3% compared to 2021 (according to NBR Report- "Foreign Direct Investment in Romania in 2022", published in September 2023). This value exceeds the record level of 2008 (9210 million euros).
- In January-August 2023 FDI amounted EUR 5080 million (estimated value), down by 31,55% compared to the same period in 2022 (EUR 7421 milion) (according to the NBR's press release -, Balance of payments and external debt - August, October 13th, 2023").
- FDI stock at 30th June 2023 was EUR 109,251.69 millions. (NBR - Interactive database, October 13, 2023).
- The annual inflation rate in August 2023 compared to August 2022 was 9.4% (according to the NIS, September 13th, 2023).
- The annual inflation rate in August 2023 compared to August 2022 measured by the HICP was 9.3% (HICP - The Harmonised Index of Consumer Prices = indicator for determining inflation across the EU) (according to the NIS, September 13th, 2023).
- In July 2023, the unemployment rate was 5.5% on the seasonally adjusted series (according to the NIS, August 31st 2023). The number of unemployed (aged 15-74 years) estimated for July 2023 was of 455.4 thousand persons.
- Romania owns 105 titled industrial parks - with both private and public ownership, 16 greenfield, 14 under construction and 75 operational, with the surface totalling of 3,411 ha (MDLPA, October 10th 2023).
- In the Speedtest Global Index ranking (August 2023), Romania holds the 14th position worldwide and the 4th in EU in terms of internet speed at fixed connection, out of 182 countries (a speed of 160.32 Mbps for download and 99.07 Mbps for upload data).
- As for the mobile connection, Romania ranks 45th out of 145, with a speed of 51.34 Mbps for download and 12.78 Mbps for upload data.
- Romania enjoys one of the largest domestic markets in CEE, being strategically positioned at the cross-roads of the traditional commercial and energy routes between the EU27, Asia and the CIS countries, holding 1/3 of the Danube river, 200 km sea shore, as well as the largest and deepest port at the Black Sea - Constanta;



- As regards the market potential, Romania is the 2nd largest country in Central and Southeast Europe and 1st in Eastern Europe, with a significant consumer market, ranking 8th in terms of size and 6th in terms of population in the EU27, with almost 19 million inhabitants;
- Romania offers those aiming development and growth expansion access to one of the largest single markets in the world. The entrepreneurs who consider our country for investment development can benefit from all the advantages deriving from the European investment status.
- Romania is acknowledged a country with a "very low" impact of terrorism, a fact confirmed by the 0,682 value of the global index of terrorism - according to the annual report "Global Terrorism Index", published by the Institute for Economy and Peace (IEP) in 2023.
- Romania has joined the group of countries that offer digital nomad visas to remote workers.
- Romania also offers two state aid schemes for supporting the foreign capital influx into the domestic economy for investments exceeding EUR 1 million or creating minimum 100 new jobs:
 - **Minimum EUR 1 M investment:** Eligible costs include: construction of new buildings; renting costs for constructions related to the initial investment; capex aimed at technical installations and tools; acquisition of intellectual property (GD 807/2014)
 - **Minimum 100 new jobs/per location** (in different locations of the investment): Eligible costs include: salary costs registered for a 2 consecutive year period resulted as a result of job creation; salary costs are comprised of gross average annual salary plus benefit (GD 332/2014)
- New state aid scheme (GD 959/2022) for investments in the manufacturing industry acting in support of Romanian companies to enhance the production potential for materials/products/equipment and services by ensuring the financing and production capabilities
Minimum 3M € investment - Eligible costs include: starting a new unit, expanding the capacity of an existing unit, diversifying the production of a unit through products that were not previously manufactured in the unit, fundamental change of the general production process of an existing unit, creating new jobs

Competitive taxation:

- 16% corporate tax
- 0% - Corporate tax relief on reinvested profit has been extended to cover investments made in assets used in production and processing activity and in assets representing reinvested profit
- 0% tax for the profit reinvested in new technological equipment
- 8% paid to non-resident parties (applied to dividends distributed starting 1st January 2023)



- 19% - standard VAT rate
 - 5% VAT - will apply to:
 - Supply of housing below the 450,000 lei threshold, if, before 1 January 2023, parties signed contracts mentioning the payment in advance for such properties;
 - Supply of housing between 600,000 lei and 700,000 lei, if, before 1 January 2023, parties signed contracts mentioning the payment in advance for such properties.
 - Transfer of real estate from personal assets income - Removal of the non-taxable ceiling of 450,000 lei and modification of the tax rate:
 - 3% for properties held for up to and including 3 years;
 - 1% for properties held for a period of more than 3 years.
 - 9% reduced VAT rate for accommodation in the hotel sectors, for restaurant services and catering;
 - 9% VAT rate for: food delivery, water supply for irrigation in agriculture, delivery of fertilizers and pesticides used in agriculture, seeds and other agricultural products intended for sowing or planting, as well as supply of services of the specific type used in the agricultural sector (provided by joint order of MFP and MADLPA), water supply and sewerage services;
 - 19% TVA - excise duties for alcoholic beverages and cigarettes
 - 0% income tax for IT&C and R&D employees, under the current regulations
 - Exemption on the property transfer tax for assets valued at maximum lei 450,000 (€ 100,000). Above this ceiling, the tax is calculated by applying the rate of 3% to the difference between the value declared by the parties and the non-taxable amount of 450,000 lei, under the current regulations
- Reduction of the threshold for fiscal facilities in **agriculture, food industry and constructions**. Thus, starting with the income for the month of August 2022, the maximum threshold of income from salaries or salary-related incomes to which specific facilities for construction, the food industry and agriculture apply is reduced from lei 30,000 to lei 10,000.
- 10% income tax for the employee
 - Social contributions for the employee: 35% (25% pension, 10% health)
 - Employer contributions: 2.25% work insurance contribution
 - Basis for calculating CASS (social health insurance contribution):
 - in the case of actual earned income between 6 and 12 gross national minimum wages, the basis for calculating CASS is 6 gross national minimum wages;
 - in the case of actual earned income between 12 and 24 gross national minimum wages, the basis for calculating CASS is 12 gross national minimum wages.
 - in the case of actual earned income of more than 24 gross national minimum wages, the basis for calculating CASS will be 24 gross national minimum wages.



- Tax exemption on land, construction and urban planning for investments implemented in industrial, science or technology parks

Human resource:

Skilled labour force at competitive prices:

- Starting 1st of October 2023, the gross national guaranteed minimum wage, established as income, without including allowances, increments and other additions, to the 3.300 lei / month amount, set for a regular work schedule with 165333 average hours/month, amounting 19.960 lei/hour. These provisions do not apply in the agricultural sector and the food industry.
- The projects we are aiming at attracting are no longer labor intensive as we are shifting towards high value-added investment projects.
- In the construction field, the guaranteed minimum gross basic salary is 4,000 lei per month, without including other bonuses, for a regular work schedule
- In July 2023, the gross average nominal income was 7,317 lei, with 47 lei (-0,6) lower against June 2023 (according to the NIS/12th September 2023)
- In July 2023, the average net nominal income was 4,565 lei, down by 35 lei against June 2023 (-0.8%) (according to the NIS/12th September 2023)
- The highest values of the average net earnings were recorded in information technology service activities (including IT service activities) (10584 lei), while the lowest in accommodation and food service activities (2546 lei) (according to NIS/12th September 2023).
- The hourly labour cost in 2022 was 9.5 euros, the second lowest after Bulgaria (8.2 euro), and 3.2 times lower than the EU27 average (EUR 30.5). The hourly labour costs by main activities: business economy (9.3 euros); industry - except construction (8.8 euros); constructions (7.2 euros); services of the business economy (10.1 euros), according to Eurostat (March 2023).
- Introduction of the dual education at secondary school level - in this sense the Vocational Training Authority in Dual System was established and partnerships were created with the major universities in the country.
- Romania has an significant pool of educated talent, enjoying a great creative potential and a highly skilled workforce; 97% of Romanian high school students learn at least two foreign languages, 90% of graduates are English speakers. Many of them also speak German, French, Spanish or Italian - which indicates a good ability to cross the cultural and linguistic barriers.
- The number of IT engineers per capita is higher in Romania than in India, the United States, Russia or China.



- Low cultural and linguistic barriers (Romanian is the second language spoken in Microsoft / USA after English).

Sectoare:

Sectors:

Sectorul Auto

Automotive

- Un sector cheie, cu o tradiție îndelungată în România
- Key sector, enjoying a long tradition in Romania
- Cu o contribuție de circa 12% la PIB, cifra de afaceri înregistrată de sectorul auto a fost de 31 miliarde de euro în 2022
- With a contribution of aprox. 12% to GDP, the turnover registered by the automotive sector was EUR 31 billion in 2022
- In 2021, the value of exports from the automotive sector was 21.8 billion Euros, representing 29.8% of the national exports. In 2022, the automotive sector contributed to 29% of total national exports.
- In the first five months of 2023, 227.760 units were assembled (DACIA 147,295 units and FORD 80,465 units), up by 5.2% compared to the same period in 2022.
- 2022 came as a record year for car production in Romania, with 509,915 units (DACIA 314,678 units and FORD 195,237 units). According to ACEA - State of the EU auto industry, full-year 2022, Romania's car production increased by 20.6% in 2022, Romania ranking 6th of EU vehicle manufacturers top.
- More than 630 supplying companies, with more than 230.000 direct employees
- The regions with significant supplier network: Argeș (Dacia), Oltenia (Ford), West, Center, North-West (export Germany)
- The R&D in the domestic automotive sector continues to grow by new investments and relocations of high tech activities (Continental, Renault, Bosch, Porsche, Delphi, Siemens, Schaeffler)
- Top 3 exporting companies: DACIA, FORD, DAIMLER (Star Assembly)
- Two of the world's largest car manufacturers are present on the domestic market: Dacia Renault and Ford;
- Romania is profiling itself as one of the regional hubs in automotive
- The highest quality level in terms of auto parts manufacturing in Eastern Europe
- The Romanian Automotive Industry - suppliers: Robert Bosch, Continental AG, Magna International, Faurecia, Adient, Delphi, Valeo, TRW, Lear Co., Yazaki Corp, Sumitomo, Calsonic Kansei, Autoliv



Source: ACAROM

Services sector - SSC, BPO, ITO, R&D (Shared Services Center, Business Process Outsourcing, Information Technology Outsourcing, Research and Development)

- Growth driver and an important contributor to Romania's GDP (2-2.5% of GDP and 5.4% of GDP in 2021) (ABSL)
- Romania is one of the most appealing near-shore locations, capitalizing on a sound educational system, with a strong focus on IT, finance and accounting, thus providing a steady and competitive flow of skilled resources to meet the growing demand of SSC/BPO entities
- Some of the most preeminent international companies in the field, including global players like IBM, HP, Oracle, Microsoft, Adobe, Endava etc.
- 131.000 employees in BSS in 2020 (1.5% of the total employees in the Romanian economy), reaching aprox.180,000 employees in 2021.
- 280 companies in BSS;
- 1st position in mature outsourcing markets
- More than 64.000 university graduates form the talent pool of the sector (Source ABSL);
- Cultural compatibility and wide range of foreign language skills, covering English, French, Spanish, Italian, German, Portuguese, Hungarian, Czech, Slovak, Bulgarian and Russian, provide a competitive edge to the Romanian work force (Source ABSL);
- €4.5 Bn industry size in 2020 and €9 Bn in 2021 (ABSL, June 2022);
- Wages offered at the entry level in the business services industry are 30% higher compared to the minimum wage, for employees with higher education. (Source ABSL)
- About 45% of the companies in the industry are SSCs (Shared Service Centers - companies which clusters certain activities, such as IT, accounting, purchasing, etc. in an entity specialized in shared services. 44% are active companies in the BPO industry (Business Process Outsourcing - specializes in providing services to external customers), the remaining 11% of companies are hybrid. Most companies operating on the local market come from France, Germany, Romania and USA. (Source ABSL-January 2020);
- Estimated number of jobs in the next 5 years: 220,000.

IT&C

- Significant contributor to Romania's GDP in 2022 (1.3% of GDP growth)
- IT&C - 6.6% to the GDP formation in 2022 (according to the NIS/7 April 2023)



- IT&C - Q1 2023 8.0% contribution to the GDP formation and 0.5% to the GDP growth (according to the NIS/07 July 2023)
- IT&C - Q2 2023 7.1% contribution to the GDP formation and 0.4% to the GDP growth (according to the NIS/07 September 2023)
- IT&C - S1 2023 7.5% contribution to the GDP formation and 0.4% to the GDP growth (according to the NIS/07 September 2023)
- În ultimii ani, externalizarea dezvoltării software a fost din ce în ce mai populară în România. Valoarea pieței IT a României a atins 6 miliarde de euro în 2022 (Rinf.tech - A Complete Guide to IT Outsourcing in 2023)
- In recent years, software development outsourcing has been increasingly popular in Romania. Romania's IT market value reached €6 billion in 2022 (Rinf.tech - A Complete Guide to IT Outsourcing in 2023)
- Technology is considered a primary growth driver for Romania, enjoying a EUR 20 million investment yearly growth, according to ANIS
- The IT&C services sector fostered a 9% yearly growth rate of the large companies' revenue, 73% of the revenue being generated by companies with foreign capital, according to the Association of Business Service Leaders in Romania.
- Romania has all the prerequisites to remain a center of excellence in IT. The largest national and foreign IT&C companies have their headquarters in Bucharest.
- 64% of Romania's IT firms are financed by outside investors, demonstrating the country's appeal to overseas investors. (Rinf.tech - A Complete Guide to IT Outsourcing in 2023)
- Lots of innovation labs and tech hubs are in the main cities in Romania: Bucharest, Cluj-Napoca, Iasi, Brasov, Timisoara and Sibiu
- Romania has the sixth highest number of certified IT specialists per capita in the world.
- The IT specialists represent a significant category in Romania's economic ecosystem, bringing their value-added contribution to the development of other sectors as well through a horizontal implementation of the concept of "Industry 4.0";
- Dezvoltarea sectorului IT a făcut din acesta un facilitator pentru sectorul auto, industria aerospațială, industria chimică, agricultură și multe altele. Prin crearea de noi parteneriate sau prin consolidarea celor existente între universități și mediul de afaceri, devenim parte a revoluției Industrie 4.0. Astfel, România se poziționează tot mai mult ca un hub regional în domeniul IT



- The development of the IT sector has made it an enabler for the automotive sector, the aerospace industry, the chemical industry, agriculture and many others. By creating new partnerships or consolidating the existing ones between universities and the business environment, we become part of the Industry 4.0 revolution. Thus, Romania is increasingly positioning itself as a regional hub in the IT field.
- Romania ranks 3rd in the Digital Nomad Index by CircleLoop's with one of the fastest-growing information technology markets in Central and Eastern Europe, enjoying some of the cheapest average monthly costs of fixed-line broadband packages (\$8.15) and a cheap and reliable internet access.
- University graduates are perfect candidates for IT outsourcing. Some of the most used technologies in Romania: JavaScript, Java, Python, C#, .NET, C++, C, SQL, PHP and cybersecurity. (Rinf.tech - A Complete Guide to IT Outsourcing in 2023)

R&D

- Pillar of strength in putting Romania on the map of innovation;
- 0% income tax for employees in IT&C and R&D;
- In the near future, Romania will turn into a regional R&D center, capitalizing on its enormous capacity to innovate, the latest generation ELI laser being produced here.
- Numerous international companies, including Google, Amazon, Samsung, Huawei and Accenture have established R&D facilities in Romania.

Constructions:

Until December 31st 2028 the following tax facilities *) are granted for construction salaries:

- minimum gross wage for constructions: lei 4000/per month (without including additional performance bonuses)
- the income from the salaries are exempted from the payment of the income tax, within the 10,000 lei from the gross salary;
- social insurance contribution (CAS): 21.25% (reduced from 25%);
- the employees will be insured at the social health insurance system (CASS) without paying the social health insurance contribution;
- the contribution for work insurance (CAM): 0.3375% (reduced from 2.25%).



STATE AID SCHEME FOR STIMULATING INVESTMENTS WITH MAJOR ECONOMIC IMPACT (Government Decision 807/2014):

Domain: MANUFACTURING INDUSTRY ♦ WASTE MANAGEMENT ♦ CONSTRUCTION ♦ HOTELS AND RESTAURANTS ♦ IT&C ♦ PROFESSIONAL SERVICES ♦ HEALTH

Description This is a multi-annual grant scheme funded from the state budget, aimed at promoting regional development through initial investments of at least 1 million euros and reducing economic disparities between regions. The beneficiaries of these grants can be newly established enterprises or existing enterprises, including both small and medium-sized enterprises (SMEs) and large enterprises, with legal personality.

1. Total Budget: 1,450 million euros
2. Maximum Funding Amount: 30-45 million euros, depending on the region
3. Funding Institution: Ministry of Finance
4. Funding Contact: Libertății Boulevard, No. 16, Sector 5, Bucharest
5. Eligible Sectors of Activity: Sectors listed in Annex No. 1 of the Applicant's Guide developed based on Government Decision No. 807/2014
6. Eligible Expenses: Costs excluding VAT related to the acquisition of tangible and intangible assets, as well as expenses related to the rental of buildings for the initial investment.
7. Co-Financing Rate: More than 25% of eligible costs, either from own resources or external funding in a form that does not qualify for any other public assistance.
8. Legislation: Government Decision No. 807/2014 on the establishment of state aid schemes aimed at stimulating investments with major economic impact, published in the Official Gazette of Romania, Part I, No. 714 of September 30, 2014.

The State Aid Scheme for Stimulating Investments with Major Economic Impact (Government Decision 807/2014) is a multi-year program providing grants from the state budget. Its objective is to promote regional development by supporting initial investments of at least 1 million euros and reducing economic disparities between regions. This scheme is open to both newly established enterprises and existing ones, regardless of their size (micro-enterprises, small, medium, or large), with legal personality.

Key points about the aid scheme:

1. **Total Budget:** The scheme has a total budget of 1,450 million euros.
2. **Maximum Funding:** Funding can range from 30 to 45 million euros, depending on the region where the investment is made.
3. **Funding Institution:** Ministry of Finance
4. **Funding Contact:** 16 Libertății Boulevard, Sector 5, Bucharest.
5. **Eligible Sectors of Activity:** The scheme covers multiple sectors of activity as outlined in Annex No. 1 of the Applicant's Guide based on Government Decision No. 807/2014. These sectors include manufacturing, waste management, construction, hotels and restaurants, IT&C, professional services, and healthcare.
6. **Eligible Expenses:** Grants can be used to cover expenses, excluding VAT, associated with acquiring tangible and intangible assets, as well as costs related to renting buildings for the initial investment.



7. **Co-Financing Rate:** Beneficiaries must contribute at least 25% of eligible project costs, either from their own resources or external funding, provided that this external funding does not qualify for other forms of public assistance.
8. **Legislation:** The state aid scheme is governed by Government Decision No. 807/2014, published in the Official Gazette of Romania, Part I, No. 714 of September 30, 2014.

The main objective of this state aid scheme is to support investments with significant economic impact, fostering regional development and reducing economic disparities between different regions.

For the most up-to-date information about the State Aid Scheme based on Government Decision 807/2014, please visit the official website of the Ministry of Finance at <https://mfinante.gov.ro/ro/hg-807/20141> or contact the Ministry of Finance directly for any inquiries or clarifications regarding the program.

State Aid Scheme for Supporting Investments that Promote Regional Development through Job Creation has the following characteristics:

Eligible Sectors: The scheme encompasses various sectors, including manufacturing, waste management, construction, hotels and restaurants, IT&C, professional services, and healthcare.

Description: It is a multi-annual grant scheme funded from the state budget, with the objective of regional development through investments that result in the creation of at least 100 jobs in one or more locations and the reduction of economic disparities between regions. Beneficiaries can be newly established or existing enterprises, regardless of their size (micro-enterprises, small, medium, or large), with legal personality.

Total Budget: The scheme has a total budget of 600 million euros.

Maximum Funding Amount: Funding can vary between 30 and 45 million euros, depending on the county.

Funding Institution: Ministry of Finance

Funding Contact: Libertății Boulevard, No. 16, Sector 5, Bucharest.

Eligible Sectors of Activity: All sectors of activity are eligible, except for those mentioned in Government Decision (HG) No. 332/2014 and the "List of sectors of activity for which state aid is not granted" provided in the Applicant's Guide developed based on HG No. 807/2014.

Eligible Expenses: Salarial costs incurred over a period of 2 consecutive years, as a result of job creation, are considered eligible expenses.

Co-Financing Rate: The value of the contribution must be at least equal to the value of the requested aid.

Legislation: The scheme is regulated by Government Decision (HG) No. 332/2014 on the establishment of a state aid scheme to support investments that promote regional development



through job creation, published in the Official Gazette of Romania, Part I, No. 336 dated May 8, 2014.

Updated Information: For the most current information about the program, you can visit the official Ministry of Finance of Romania website at <https://mfinante.gov.ro/ro/hg-332/20141>.