



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:

GDP

- Following a contraction 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, December 21st 2022).
- In 2022 the GDP went up by 4.7%, compared to 2021 (according to the *NIS, April 7th 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, September 20th 2023).
- In Q3 2023, the GDP registered an increase by 0.4% compared to Q2 of 2023. In Q3 2023 vs. Q3 2022 the GDP increased by 0.2% on the gross series and by 2.1% on the seasonally adjusted series (according to the *NIS, November 14th 2023).
- Romania ranks 2nd in the EU27 as regards the GDP growth in Q2 2023 compared to Q2 2022 (according to the Eurostat, September 7th 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, September 7th 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).
- The Gross Domestic Product at market prices in 2022: EUR 285.9 billion (Eurostat dataset September 20th 2023).

FDI

- 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 inward FDI registered 8,940 million euros, which is approximately three times higher as against 2020 (197.5%) (according to **NBR Report "Foreign Direct Investment in Romania in 2021", published in September 2022).
- FDI stock at December 31st 2021 was EUR 100.3 millions.

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- 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 (EUR 9,210 million).
- FDI stock at December 31st 2022 was EUR 107.9 billion.
- In January-September 2023, FDI amounted EUR 5,060 million (estimated value), down by 41.64% compared to the same period in 2022 (EUR 8,671 milion) (according to the **NBR's press release „Balance of payments and external debt - September 2023”, November 13th, 2023”).
- FDI stock at June 30th 2023 was EUR 109,251.69 millions. (**NBR - Interactive database, October 13th, 2023).

Inflation

- The annual inflation rate in October 2023 compared to October 2022 was 8.1% (according to the *NIS, November 13th, 2023).
- The annual inflation rate in October 2023 compared to October 2022 measured by the HICP was 8.3% (HICP - The Harmonised Index of Consumer Prices = indicator for determining inflation across the EU) (according to the *NIS, November 13th, 2023).

Unemployment rate

- In September 2023, the unemployment rate was 5.4% on the seasonally adjusted series (according to the *NIS, November 3rd 2023). The number of unemployed (aged 15-74 years) estimated for September 2023 was of 444.4 thousand persons.

Others

- 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 (M.D.L.P.A. - Ministry of Regional Development and Public Administration, October 10th 2023).
- In the Speedtest Global Index ranking (September 2023), Romania holds the 12th position worldwide out of 181 countries (up by 2 positions against the previous month) and the 4th in EU in terms of internet speed at fixed connection (a speed of 178.90 Mbps for download and 110.98 Mbps for upload data).
- As for the mobile connection, Romania ranks 44th out of 141, with a speed of 53.14 Mbps for download and 13.41 Mbps for upload data (Speedtest Global Index ranking, September 2023).
- Romania enjoys one of the largest domestic markets in Central and Southeast Europe, being strategically positioned at the cross-roads of the traditional commercial and energy routes between the EU27, Asia

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and the CIS countries (Commonwealth of Independent States). Romania holds 1/3 of the Danube river, 200 km sea shore, as well as the largest and deepest port at the Black Sea – Constanta. Our country ranks 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.

State Aid Schemes

- Romania offers through the Finance Ministry two state aid schemes for supporting the foreign capital inflow into the domestic economy for investments exceeding EUR 1 million or creating minimum 100 new jobs:
 - **GD 807/2014 - Minimum EUR 1 million 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 332/2014 - Minimum 100 new jobs/per location** (in different locations of the investment): Eligible costs include: salary costs registered for a period of 2 consecutive years due to job creation; salary costs are comprised of gross average annual salary plus benefits
- **GD 959/2022** - offered through the Ministry of Economy, Entrepreneurship and Tourism, for investments in the manufacturing industry acting in support of the Romanian companies to enhance the production potential for materials/products/equipment and services by ensuring the financing and production capabilities
Minimum EUR 3 million 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

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% dividend rate
- 19% - standard VAT rate
 - 5% VAT – will apply to:

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- 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.
- Up to December 31st, 2023, for the transfer of real estate from personal assets income, the tax rate is:
 - 3% for properties held for up to and including 3 years;
 - 1% for properties held for a period of more than 3 years.
- 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, water supply and sewerage services;
- 19% TVA - excise duties for alcoholic beverages and cigarettes
- 10% income tax for the employee
- Social contributions for the employee: 35% (25% CAS - pension, 10% CASS - health)
- Employer contributions: 2.25% work insurance contribution
- Basis for calculating CASS (social health insurance contribution):
 - The social health insurance contribution is calculated based on the obtained net income
 - The calculation basis of CASS cannot be lower than minimum 6 salaries nor higher than 60 salaries
- Tax exemption on land, construction and urban planning for investments implemented in industrial, science or technology parks

❖ Starting 2024

VAT

- ***The VAT rate increases from 9% to 19% for:***
 - foods with added sugar (more than 10g/100g product), except cookies and biscuits
 - delivery of alcohol-free beer
- ***The VAT rate increases from 5% to 9% for:***
 - the delivery of housing with usable surface area of a maximum of 120 sqm, that does not exceed 600,000 lei (exclusive of VAT)
 - delivery and installation of photovoltaic panels, solar thermal panels, heat pumps and other high-efficiency, low-emission heating systems, including installation kits, as well as all necessary components purchased separately for housing/central public administration buildings or local administration buildings with the exception of commercial companies;
 - the delivery and installation of components for the repair and/or expansion of systems as a component part of construction deliveries, or as extra options when delivering a construction;
 - access to fairs, exhibitions, cinemas and cultural events, other than tax-exempt ones
 - delivery of high-quality food, i.e. mountain, eco, or traditional products

CASS (Health Contribution)

- Starting with the income related to January 2024, holiday vouchers and meal vouchers are subject to CASS and thus, in addition to the 10% tax, they will also be subject to the 10% health contribution.

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Profit tax

- A **minimum tax on turnover** has been introduced starting with the fiscal year/amended fiscal year 2024, for commercial companies paying profit tax (so not for other legal entities such as foundations, associations, private schools/universities/tenant associations etc.), if the turnover exceeds EUR 50 million in the previous year of calculation (for example, in 2023 for tax assessment in 2024). Companies in this category, if in the calculation year they determine a profit tax lower than the minimum turnover tax, are required to pay profit tax at the level of the minimum turnover tax. Businesses that exclusively carry out activities involving distribution/supply/transport of electricity and natural gas and that are regulated/licensed by the National Energy Regulatory Authority are exempt from this tax regime.

- **Additional tax on turnover for credit institutions** - Romanian legal entities and Romanian branches of foreign legal entities
 - (1) Credit institutions, in addition to the profit tax, must pay a turnover tax calculated by applying a rate of 2% (in 2024 and 2025), and 1% (from 2026) on the turnover.
 - (2) The turnover subject to tax includes:
 - interest income;
 - income from dividends;
 - revenues from taxes and commissions;
 - gains (losses) from the derecognition of financial assets and liabilities that are not valued at fair value through profit or loss, net;
 - gains or losses related to financial assets and liabilities held for trading, net;
 - gains or losses related to financial assets not intended for trading, necessarily valued at fair value through profit or loss, net;
 - gains or losses related to financial assets and liabilities designated as being valued at fair value through profit or loss, net;
 - gains or losses from hedge accounting, net;
 - exchange rate differences (gain or loss), net;
 - gains or losses from the derecognition of non-financial assets, net;
 - other operating income.

Thus, credit institutions will have to pay the two taxes (profit tax and additional turnover tax) simultaneously, so they will pay the sum of the profit tax and the turnover tax with the rate of 1%, not just one of these obligations. In addition, in the case of these institutions, it does not matter if the turnover is lower or higher than EUR 50 million. The turnover tax will be payable on the 25th of the month following a quarter, and for the last quarter up to and including March 25th of the following year. The turnover tax expense is not deductible when calculating the taxable profit.

- **Specific tax for the oil and natural gas sector**
 - Legal entities with activities in the oil and natural gas sectors, which in the previous year register a turnover of over EUR 50,000,000 will pay a specific turnover tax in addition to the profit tax, at a rate of 0.5% of turnover. The calculation base is established identically to the calculation base of the minimum turnover tax detailed above.

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- The specific turnover tax is a non-deductible expense when determining the fiscal result of these companies.

- **Microenterprise income tax**

The tax rates on the income of micro-enterprises:

- 1%, for micro-enterprises that earn income that does not exceed 60,000 euros and that do not carry out the activities for which the 3% rate is due
- 3%, for micro-enterprises that:
 1. earn income of over 60.000 de euro;
or
 2. carry out activities corresponding to CAEN codes: 5821 - Computer games publishing activities, 5829 - Other software product publishing activities, 6201 - Custom software development activities (customer oriented software), 6209 - Other service activities on information technology, 5510 - Hotels and other similar accommodation facilities, 5520 - Holiday and short-term accommodation facilities, 5530 - Caravan parks, campsites and camps, 5590 - Other accommodation services, 5610 - Restaurants, 5621 - Food activities (catering) for events, 5629 - Other food services n.e.c., 5630 - Bars and other beverage serving activities, 6910 - Legal activities - only for companies with legal status that are not fiscally transparent entities, constituted by lawyers according to legislation, 8621 - General medical assistance activities, 8622 - Specialized medical assistance activities, 8623 - Dental assistance activities, 8690 - Other activities related to human health.

Income tax from wages (IT, Construction, Agriculture, Food Industry)

Exemptions for IT, construction, agriculture and food industry activities have been eliminated or reduced.

- **IT Sector – for software creation activities**

- Exemption on the income for the employees involved in software creation that do not exceed a monthly gross income of 10,000 lei inclusive. The exemption applies where the basic function is located, based on an individual employment contract. The part of the monthly gross income that exceeds 10,000 lei does not benefit from tax benefits.
- Also, for the exempted income, they will be exempted from paying the contribution to Pillar II for pensions (3.75% for 2023 and 4.75% starting 2024), but they will be able to opt for paying the entire contribution (25%), based on a written option to the employer.

- **Construction**

- Exemption on the income for the employees involved in construction activities that do not exceed a monthly gross income of 10,000 lei inclusive. The exemption applies where the basic function is located, based on an individual employment contract. The part of the monthly gross income that exceeds 10,000 lei does not benefit from tax benefits.
- Employees in the construction sector will pay 10% health contribution (CASS).
- Starting 2024, the social insurance contribution (CAS) will be further reduced by 4.75% against the current reduction of 3.75%.

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- **Agriculture and food industry**

- Exemption on the income for the employees involved in agriculture and food industry activities that do not exceed a monthly gross income of 10,000 lei inclusive. The exemption applies where the basic function is located, based on an individual employment contract. The part of the monthly gross income that exceeds 10,000 lei does not benefit from tax benefits.
- Employees in the agriculture and food industry sectors will pay 10% health contribution (CASS).
- Starting 2024, the social insurance contribution (CAS) will be further reduced by 4.75% against the current reduction of 3.75%.

The facilities specific to all these industries are valid until 31 December 2028, including those for employees in the IT sector.

The new provisions will apply starting with the income for the month following the one in which the law is published, so starting with the income for November 2023.

Human resource:

Skilled labour force at competitive prices:

- Starting October 1st 2023, the gross national guaranteed minimum wage is 3.300 lei/month established as income, without including allowances, increments and other additions, set for a regular work schedule with 165.333 average hours/month, amounting 19.960 lei/hour. These provisions do not apply in the construction sector, agriculture 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 4,582 lei per month, without including other bonuses, for a regular work schedule, amounting 27.714 lei/hour.
- In the agriculture sector and food industry, the guaranteed minimum gross basic salary is 3,436 lei per month, without including other bonuses, for a regular work schedule, amounting 20.782 lei/hour.
- In September 2023, the gross average income was 7,350 lei, with 92 lei (+1,3%) higher against August 2023 (according to the *NIS/November 13th 2023).
- In September 2023, the average net nominal income was 4,593 lei, up by 62 lei against August 2023 (+1.4%) (according to the *NIS/November 13th 2023).
- The highest values of the average net earnings were recorded in manufacture of coke and refined petroleum products (11,450 lei), while the lowest in accommodation and food service activities (2,524 lei) (according to *NIS/November 13th, 2023).

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- 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 a 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.

Sectors:

Automotive

- Key sector, enjoying a long tradition in Romania
- With a contribution of aprox. 12% to the 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 nine months of 2023: 375,860 units were assembled (DACIA 234,530 units and FORD 141,330 units), down by -1.8% compared to the same period in 2022 (ACAROM)
- 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: Argeş (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)

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- 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 (Association of Automotive Manufacturers of Romania)

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 approx.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)

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- 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, April 7th, 2023)
- IT&C - Q1 2023: 8.0% contribution to the GDP formation and 0.5% to the GDP growth (according to the *NIS, July 7th, 2023)
- IT&C - Q2 2023: 7.0% contribution to the GDP formation and 0.4% to the GDP growth (according to the *NIS, October 12th, 2023)
- IT&C - S1 2023: 7.5% contribution to the GDP formation and 0.4% to the GDP growth (according to the *NIS, September 7th, 2023)
- In recent years, software development outsourcing has been increasingly popular in Romania. Romania's IT market value reached EUR 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 (Employers' Association of the Software and Services Industry)
- 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 ***ABSL
- 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, ahead of countries like the USA, India or China (Source – microsoft.com, 2022)

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- 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";
- 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.

R&D

- Pillar of strength in putting Romania on the map of innovation
- 0% income tax for employees in R&D and innovation, in compliance with the Romanian current legislation, for all persons included in a research-development and innovation project team
- 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.

Construction:

- Until December 31st, 2028 the tax regime for income in construction sector is:
 - minimum gross wage for construction: lei 4,582/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% in 2023, 20,25% starting 2024 (reduced from 25%)
 - 10% health contribution (CASS)
 - 2.25% work insurance contribution (CAM)

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