



GES NewsFlash

Romania — Changes to expatriates' tax obligations on foreign income

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Worldwide taxation of foreign individuals — Annual tax reporting obligation

Following recent amendments brought to the Romanian tax law (law number 571/2003 regarding the fiscal code) at the beginning of September 2011, important changes to the tax obligations of expatriates in Romania will be implemented.

As such, the worldwide income derived by foreign individuals who have become Romanian tax residents during the first year of their stay in the country will be subject to Romanian income tax starting with the next year (previously, this period was set to three years). This change will apply starting with the income obtained during the 2012 calendar year.

To clarify, expatriates who during the 2011 calendar year meet one of the following tax residency conditions:

- their center of vital interests is settled in Romania or
- they spend in Romania a period or periods exceeding in the aggregate 183 days

will become subject to tax in Romania on their worldwide income (income obtained from Romania and from abroad) starting with 1 January 2012.

As a consequence, they must report their foreign-sourced income derived during 2012 through an annual tax return. The filing deadline for the 2012 annual tax return is 25 May 2013.

Deloitte's view

By repealing the three-year tax exemption on the foreign income of expatriates, Romanian authorities show an intention to improve tax collections and at the same time allow foreign individuals to settle their tax residencies in Romania starting with the second year of their stay in the country. It is anticipated that the Romanian authorities will issue practical guidelines in due course.

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People to contact

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