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Taxing conundrum: businesses call for friendlier legislation

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Romania's new Civil Procedure Code will become law this summer, following the Civil Code which came into force last October, impacting company law. BR examines the major legal and fiscal changes expected to shape the business environment this year.

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The most significant legal change expected this year is the enforcement of the New Civil Procedure Code by June 6. "The new enactment represents an opportunity to accelerate the settlement of claims, simplify the legal procedures, unify the jurisprudence and reduce the costs of the settlement of claims," says Oana Stratula, partner at law firm Dragne & Asociatii. She adds that the new code encourages the use of mediation, at the same time improving the communication of procedural deeds.

Catalin Oroviceanu, senior associate at law firm Clifford Chance Badea, says the new code brings changes that reduce the duration of lawsuits, but its impact will not be that visible this year. Stratula says the year has started in full swing, bringing legislative amendment such as an increase in the minimum wage, stricter conditions for granting loans, amendments to the tax legislation and an increase in energy prices.

Trying to cut red tape

The business community has already experienced some of the latest fiscal amendments and this year, an electoral one, may run the risk of populist economic and fiscal measures. "We hope our government will remain lucid and help the Romanian economy and state budget not to lose the fragile equilibrium obtained in 2011 with such difficulty," says Dan Schwartz, managing partner at RSM Scot consultancy.

Tudor Nedelea, tax director at DLA Piper Tax, says emergency government ordinance number 125/2011, which entered into force at the start of this year, had a significant impact on the business environment. "These changes implement a tougher system to prove eligibility for VAT registration, clarify the provisions on transactions made by an inactive contributor, set up changes on tax income, bring new aspects to VAT and local tax and clarify the social contributions area," says Nedelea.

Schwartz adds that the most important provisions in the tax legislation, which includes the tax code, the code of fiscal procedure and norms of application, were the implementation of IFRS financial statements for banks, the introduction of all social contributions in the tax code, and the rules on anti-avoidance and anti-fraud, mainly in VAT. However, these changes partially responded to the requests of the business community, says the managing partner. "Since January 1, contributors have been able to benefit from a 50 percent deduction in the acquisition of fuel and the VAT on it, as well as a 50 percent VAT deduction when acquiring a vehicle for transporting persons," says Nedelea. Some of the latest fiscal changes will improve business conditions but the frequent changes in the tax code make life difficult for business representatives and authorities.

Lobbying for transparency

Romania's lobbying market is still underdeveloped as there are only 15 companies specialized in this field. The market ranges between EUR 5 and 10 million but its potential size is EUR 70 million, according to Liviu Mihaileanu, lobbying specialist and co-author of a book on the subject.

Although the market is developing, lobbying, which doesn't need to be made public, still lacks transparency, which impacts all stakeholders. "People don't have a constitutional right to information, politicians don't even want to be associated with a lobbying law and the lobbying industry is associated with corruption," says Mihaileanu. He adds that a regulation of lobbying would bring more transparency and impose sanctions on those who break the rules.

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