

# Hammond Bogaru & Associates

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**The Romanian government will postpone the early payment of the tax on corporate profits, which was introduced at the beginning of 2010.**

In 2010, the profit tax will not be early paid," said the Prime Minister. He added that he had spoken about the issue with the finance minister and they agreed on amending the Tax Code. As of January 1, 2010, all Romanian companies have to early pay each quarter the profit tax, based on previous year's value, adjusted for inflation and divided by four.

**Romanian Finance Minister announced that the country's tax authority ANAF will stick to the 45-day reimbursement period for the value added tax.**

The minister said he will introduce the reverse taxation in the agriculture sector during a meeting with bank representatives and business organizations. The Finance Ministry reimbursed 800 million lei VAT in January, compared to RON 500 million during the same month a year before.

**Romania's government and U.S. constructor Bechtel will sign an agreement in April whereby the company will continue works on Romania's Transylvania Highway and build another sector of nearly 20 kilometres.**

Prime Minister met with the Romanian management of Bechtel, as the company wanted to know whether the Romanian authorities are willing to continue works on the highway this year.

The government estimates works on nearly 20 kilometres of the Transylvania Highway will be finalized this year and two thirds of workers will be kept. The employment agency in Cluj county, north-western Romania, received from Bechtel a notification on the layoff of over 1,900 employees from the construction site of the Transylvania Highway.

Bechtel said in early February that all the 1,933 employees of the company who work on the Transylvania Highway construction site would be laid off as Romania's public road authority CNADNR failed to pay its EUR214 million debt to the company.

Bechtel finalized the first 42 kilometres of the Transylvania Highway, namely the Turda-Gilau sector, by December 1, 2009. Transylvania Highway links central Brasov to western Bors on the border with Hungary.

The construction of Transylvania Highway, linking the central Romanian city of Brasov to Bors, on the western border with Hungary, started in 2004 based on a EUR 2.2 billion contract attributed to Bechtel. Works were halted mid-2005, when authorities started looking into contracts concluded under the previous government. The deadline for the completion of works was extended until 2013 from the initial 2012.

**Romania's Government has decided that the last documents and information on the December 1989 anticommunist Revolution would be declassified.**

Defence Minister Gabriel Oprea stated that the last documents on the 1989 Revolution would be declassified on March 10, at the request of the General Prosecutors' Office and the "21 Decembrie 1989" Association. The Government decided on February 10, at the request of Defence Ministry, to declassify several documents regarding the revolution which overthrew the communist regime in Romania. The ministry said at that time that 7,617 pages described as "state secrets" were declassified. It also said that the Government agreed to declassify secret documents issued by the Defence Ministry as their declassification can no longer endanger the national security, public order or any private interests.

**Romanian Prime Minister Emil Boc has confirmed that the Government has decided to ban ministries from concluding advertising contracts for the next six months.**

The ban was introduced via a memorandum approved in the government meeting. Late January, the Prime Minister would no longer allow ministries to conclude advertising contracts during the next six months, due to scarce budget funds. The exceptions to the rule will only be allowed for projects that cannot be unfolded on lack of a minimum promotion campaign.

**Romanian authorities will check whether beneficiaries of sick leave are actually at home, while fines for illegally issued health certificates will be doubled.**

Health Minister has signed the draft ordinance amending Government Emergency Ordinance 158/2005 on sick leave and healthcare indemnities. The goal is to reduce the number of people defrauding the sick leave system, so that only those really in need of medical attention can take paid vacations.

The draft empowers authorities (those paying the sick leave indemnities – employers, national health insurance houses) to check whether the person taking time off for medical reasons is really in need of treatment, and whether the person is at home when not in hospital or another medical unit.

The act will also increase fines for the failure to abide by the law regarding sick leave. Unreasonably refusing to pay indemnities or incorrectly computing them will attract fines between 2,500 and 5,000 lei (EUR1=RON4.0987), double the previous amount. Doctors issuing illegal sick leave certificates will be fined RON 5,000-RON 10,000. National health insurance house officials will be responsible for checking the way these certificates are issued.

**Bucharest Stock Exchange's Board approved the trading of greenhouse gas emissions certificates on the bourse.**

In February, CNVM registered greenhouse gas emissions certificates as securities, thus framing them into the Romanian capital market legislation.

A carbon credit allows the issue of one ton of carbon dioxide equivalent in a defined period. A futures contract will include 100 certificates, or 100 tons of carbon dioxide. For 2008-2012 periods, Romania's threshold is 75.9 million tons of greenhouse gas emissions annually, or 3.6% of the European cap.

Europe's biggest exchanges trading carbon credits are Bluenext, European Climate Exchange and Intercontinental Exchange.

**The amendment of the Romanian legislation on the loans taken out by individuals will have an impact on over seven million contracts concluded with banks.**

The Agency for Consumer Protection has explained that banks have sent a number of suggestions and addendums, which are currently being analyzed, and that there will be initial talks with the Romanian Banks Association on the draft emergency ordinance aiming to implement in the local legislation EU directive 2008/48, which becomes compulsory for all member states come June 11.

A director within the consumer protection authority, said the member states are at liberty to include other provisions in local legislation, on the non-harmonized segment of the legislation, adding that the widening of the provisions to include contracts that are already enforce has been achieved, since over 90% of lending contracts are already in the portfolios of banks. "Banks have 90 days to amend the lending contracts currently enforce. The decision was to apply the current conditions to the previous contracts, even if the contracts were amended throughout their period of enforcement," If the consumer refuses to sign the new contracts, then tacit agreement is considered, but only concerning the legally required amendments to the contract, and not the additional provisions included in the contract initially proposed for signature.

The Romanian banks will amend by September 2010 almost all lending contracts concluded with individuals, in order to make these contracts compliant with EU regulations. Furthermore, banks will no longer be able to collect fees on the early repayment of loans with variable interest, while for other types of loans the repayment fees are limited to 1%.

The draft emergency ordinance targets all lending contracts, including mortgage and real estate loans, regardless of the overall value of the loan, as well as leasing contracts, which will incorporate most of the conditions currently imposed by local legislation for consumer loans. The normative act will also regulate the information supplied to consumers in pre-signing stages as well as aspects referring to interest rates and fees, as well as the calculation formula for the annual interest.

### **Romanian Consumer Protection Authority Mulls Regulating Debt Recovery Cos' Activity.**

Consumers filed complaints criticizing all types of financial services, from loan services to payment and debt recovery services, the manager of ANPC department for European integration, has stated.

Unpaid loans totaled 7.8 billion lei (EUR1=RON4.0908) at the end of 2009, nearly triple compared to December 2008, when overdue loans reached RON2.8 billion. In these conditions, banks resorted to debt recovery companies to get their money back.

### **Romania Securities Commission: Polluters May Trade Emissions Outside Capital Market**

CNVM reiterated that its decision to include greenhouse gas emission allowances in the category of securities increased transparency, by eliminating trading made by unauthorized intermediaries.

In February, CNVM enrolled the carbon dioxide emission allowances in the securities categories and decided trading can only be made through authorized brokers. The decision prompted trader KDF Energy to file suit against CNVM. The company demanded an official decision regarding the taxation of greenhouse gas emission allowances trading, as both the finance and economy ministers classify the allowances as commodities.

In December last year, Sibiu Monetary-Financial and Commodities Exchange (Sibex) launched the trading of futures contracts on carbon dioxide (CO<sub>2</sub>) emission certificates with 24-hour settlement and physical delivery. As of 18th April the allowances are traded also on the Bucharest bourse.

Each allowance represents one ton of greenhouse gas emissions. Romania's total gas emissions for the 2008-2012 period cannot exceed 379.72 million tons (or 379.72 million allowances). The companies are allowed to buy and sell greenhouse gas emissions allowances based on their annual set emissions targets.

Romania's biggest polluters are steelmaker ArcelorMittal Galati, with total allowances of 71 million for 2008-2012, followed by state-run thermal power producers Turceni (34 million allowances) and Rovinari (28 million allowances) and power producer Electrocentrale Deva (20 million allowances).

### **Romania Road Constructors Might Be Obligated To Sign Insurance Policies**

The Senate committee for legal matters said the firms that carry out road infrastructure works must sign insurance policies with the insurers that will deal with claims from those affected by road infrastructure works.

They highlighted damages caused by road infrastructure works were more often than not disregarded and people were not paid any damages adding that the committee will make a thorough assessment of the procedures that will be applied in paying damages.

The law initiative stipulates damage claims will be granted to people whose health, as well as homes are affected by infrastructure works.

According to the law, damage claims are set at 90% of the costs with medical treatment for health problems caused by exceeding the maximum admitted limits of pollution and noise, and 80% of the damages on homes.

### **Romanian Senate Approves Personal Insolvency Law**

The law states that the insolvency procedure in accordance with this normative act aims to cover debts against debtors adding that, in case of personal bankruptcy, the assets of the debtor will be liquidated in view of covering the debt.

The insolvency procedure is initiated at the request of the debtor who with the request, willingly admits a state of insolvency. Also the insolvency procedures can be initiated at the request of the lender.

According to an amendment enacted by the senators, the opening of insolvency procedures for individuals, as well as the other processes and procedures involved, falls under the jurisdiction of the court within the area of the debtors residence.

According to the draft law, the contractor who willingly requested and accepted the initiation of insolvency procedures can be completely or partially relieved of debts registered before or after the initiation of the procedure, if the contractor's assets are insufficient to pay the entire debt and if the court grants the debtor relief.

The law also establishes that the forthcoming debtor who, by plan or by early repayment, has covered at least 75% of the overall value of debts, will benefit from the early closure of the procedure and removal from all publicity registries and public registries of legal consequences entailed by insolvency.

The legislative proposal, as enacted by the Senators, states that the insolvency procedure can target incapacitated individuals or people with reduced capacity, found in a state of insolvency declared by the court.

The document also stipulates that personal bankruptcy can target individuals who run companies undergoing insolvency procedures, as well as individuals who fraudulently intervened in the affairs of a company.

### **Romanian Govt Works On List Of Lump Sum Taxable Services**

Other newly introduced services, for which the lump sum tax will be paid, include service car and bike repair shops, urban, suburban and metropolitan passenger transportation, landscaping activities, artistic interpretation support activities (shows), artistic creation activities, showroom management activities and other service activities.

The activities mentioned are included in a draft amendment of the Fiscal Code, drawn up by the Government, which also states the introduction of the lump sum tax.

In addition, the lump sum tax will be applied to restaurants, catering firms, other food-related activities, bars and other drink serving activities, other reservation and tourism assistance services.

The Government document also presents the methods for the calculation and establishment of the lump sum tax for the categories "Restaurants, bars, cafes", and "Hotels and other lodging facilities".

Furthermore, the document shows that the lump sum tax will be declared and paid quarterly, in sums representing one fourth of the annual lump sum tax, before the 25th of the month following the quarter of the year for which the tax is due.

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