

# Hammond Bogaru & Associates

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## **Romanians who contribute to private pension funds will be able to choose to collect their pensions monthly for life or until a certain date or within an interval of five to ten years.**

The Labor Ministry has drafted a bill regulating pension payments by 5.3 million contributors to mandatory (Pillar II) and voluntary (Pillar III) private pension funds.

For mandatory private pensions, sums accumulated in each participant's individual pension account can be collected upon retirement to the public pension system, namely at 63 for women and 65 for men according to the country's new pension law. For voluntary private pensions, the money can be collected after the contributor is 60 and has contributed to the fund for at least 90 months. According to the bill, private pensions may be paid monthly throughout the life of the contributor, at different intervals for a set period or during an interval of five to ten years.

## **Romanian President signed into law a bill exempting people who already have home insurance against natural disasters from getting mandatory insurance.**

Insurance companies involved in the mandatory home insurance system could lose over EUR 30 million in premiums over this law, which could jeopardize the functioning of the system and could lead to higher premiums. The Chamber of Deputies, have adopted an amendment whereby homes already insured would not fall under the rules of the mandatory home insurance law. The country's insurance regulator requires homeowners to get mandatory home insurance which would cover up to EUR20,000 in damage claims. Under the law, homeowners have until January 15, 2011 to get mandatory home insurance or risk fines of 100 to 500 lei.

## **Government Emergency Ordinance 50 on consumer lending still exceeds the EC Directive.**

According to article 95 the consumer lending ordinance does not apply to ongoing loans, with a few exceptions. Thus, the ordinance is applicable for ongoing loans when it comes to early repayment fees, which are regulated by EC Directive 48/2008, and which remain at zero.

## **The Government raised the budget of six ministries to pay off arrears.**

The Ministries to receive increased funds to pay arrears are those of Transport, Environment, Regional Development, Interior, Defense and Finance. Nearly half the sum, RON 593 million, has been earmarked for transports.

Romania must reduce its Government arrears and eliminate them altogether by the end of its agreement with the IMF in May 2011.

## **Romanian unionists and employers signed the national collective work Contract which sets the minimum wage in the private sector at 700 lei.**

According to the collective work contract, salaries of employees with university degrees will remain at a level of RON 1,200. The new collective work contract is valid between 2011 and 2014, but unionists and employers will negotiate it yearly.

**Romanian Chamber of Deputies approved the draft law on family allowance.**

According to the draft act, single-parent family allowances and couple family allowances will be reduced. The draft act lowers the required income cap to 370 lei per family member, from RON 470. Allowances for families with an average monthly income below RON 200 were set at: RON 30 for one-child families, RON 60 for families with two children, RON 90 for families with three children and RON 120 for families with more than four children. For an average monthly income between RON 201 and RON 370, allowances will range between RON 25 and RON 100, considering the number of children.

**Romanian voluntary private pension funds (Pillar III) contributions will be exempt from social security contributions.**

Private pension regulator CSSPP said that the total deductions on voluntary private pension contributions entail exemptions from income taxes (individuals) and taxes on profit (legal entities), as well as from social security contributions, health insurance and unemployment contributions.

According to the press release, the deduction threshold for voluntary pensions is currently set at EUR 400 per year for employees and EUR 400 per year for employers. Pillar III contributions can be paid by employees (from their gross salary), by employers (in addition to the gross salary) or by both employer and employee.

**Romania's first health cards will be made available in August-September 2011.**

The Government has approved an emergency ordinance creating the legal framework for the introduction of the health card. Every person over 18, insured through the public healthcare system, will receive their own card, costing around EUR 2, starting with August or September 2011. The cards will most likely be distributed through the mail and may also be obtained from local Health Insurance Houses.

The patients will be required to present their card before accessing medical assistance, except emergency and epidemiological services, or pay out of their own pocket. The card will store the patient's personal data (including personal numeric code, insurer code, expiry date, ID and acronym of the issuing health insurance house) and medical information such as blood type and Rh, special treatment, health status (health or chronically ill), as well as their option regarding the removal of their organs, after death.

**The cost of an infrastructure project through the public procurement procedure may be up to 10% higher than the winning bid.**

The value of a contract may not exceed the winning bid by more than 10% and only in unexpected situations, acknowledged by the International Federation of Consulting Engineers (FIDIC). The winning contractor will be required to present 15% of the contract value as a guarantee of good execution, of which 10% up front and 5% withheld from the bill.

The new rules provide that during the evaluation, the technical offer will make up 70% of the credit, while the financial offer will account for the rest. Constructors can earn extra credit when bidding if they pledge to complete the design stage 3 - 6 months faster, or execute the project 18 - 24 months

faster.

**Government has created 12 cost standards for public works in the field of transport.**

According to the Ministry one kilometer of highway will cost up to EUR 3.802 million in plains, EUR 4.98 million in hills and EUR 5.922 million in the mountains. The standards do not take into account the design work or related projects, such as bridges, passages, viaducts or tunnels, which will be subject to other limits.

The standard cost of a kilometer of national road was set at EUR 1.72 million, while the standard cost of rehabilitating a kilometer of road was set at EUR 746,700. The restoration of a kilometer of railroad located on one of the pan-European corridors, will be subject to a standard cost of EUR 2.182 million, while the cost of capital repairs on railroads was set to EUR 1.19/km.

The standard cost for the construction of an aircraft runway is between EUR 391,071 per 100 m and EUR 557,500 per 100 m.

**Romanian homeowners will be required, as of January 1, to have the building's energy performance certificate before selling or letting their property.**

Law 372/2005 on building energy performance will enter force on January 1, 2011, making it mandatory to present the energy performance certificate when selling/letting an apartment. The law transposes EU Directive 2002/91/EC into Romanian legislation and defines the energy performance certificate as a technical document stating a building's energy performance, referencing criteria such as: total yearly energy consumption, in kWh per square meter; yearly heat consumption; apartment energy efficiency, expressed through an energy class (from class A – high efficiency to class G – low efficiency).

Most old Romanian buildings are classed as C or D, and their specific yearly heat consumption is over 200 kWh per square meter per year. The target consumption, set through Government Emergency Ordinance 18/2009 is 100 kWh per square meter per year. Buildings constructed after January 1, 2007, are issued the certificate upon completion. Any apartment building undergoing thermal rehabilitation is also issued such a certificate. These documents are valid for ten years.

**The deadline for the submission of VAT refund requests for 2009 by taxable companies, which are not established or registered for this purpose in Romania, has been extended to March 31 2011.**

The Decision, which amends the Fiscal Code, was approved after the EU adopted, a Directive extending the deadline for the submission of VAT fund requests by taxable persons established in a member state other than the member state of refund. The amendment will apply to companies located in Romania, which may request a refund of VAT paid last year in other member states.

**Casinos will have a 20 lei cover charge, while establishments with slot machines will charge RON 5.**

Casinos will have to issue admission tickets to everyone, whether player or just visitor, but in the case of slot-machines, only players will be required to have a ticket. The tickets will be valid for 24 hours.

**Romania's Government wants to allow companies in financial difficulties to pay their fiscal obligations in instalments for up to five years.**

This mechanism will be available to companies or individuals working as freelancers, regardless of organization or ownership, as long as they are not insolvent or undergoing dissolution, have filed all their fiscal statements and their financial problems are caused by the temporary lack of resources. Within 30 days of signing the agreement, the beneficiary must create guarantees covering the debt, interest, plus up to 50% of the amount.

The Government argues that this procedure will allow recovery and staff employed, it will support the social security budget, stimulate the voluntary payment of debts and avoid financial blockages.

**The Constitution's revision will be confined to the amendments decided through the referendum of 2009.**

The planned amendments including moving to a single-chamber legislature of at most 300 MPs, as per the results of the referendum in December 2009 as well as amendments clarifying the text .

**Auctions for projects financed by the European Union in the fields of transports, energy, environment and regional development will take place according to standard documents.**

The standard documents will have a number of elements in common, but will also be differentiated according to the contracting authority and industry. Contracts have been signed for EU funds worth EUR10 billion, but the auction procedures need to be simplified.

**The local mining perimeters available for exploration lease will be amended in an attempt make production costs more attractive to investors.**

The perimeters owned by the state will be amended if they are found to be poorly organized and in contradiction with market requirements. Methods of attracting investment include the creation of joint ventures with private investors, and/or the sale of assets that are outside a particular unit's field of activity. Another method would be association or the conclusion of long-term cooperation contracts.

**The Romanian Health Ministry drafted a normative act regulating the dietary supplement market, aiming to eliminate health risk products and set up an inter-ministry committee tasked with identifying supplements which contain illegal substances.**

Authorities will create a database of all authorized dietary supplements, in line with European Union norms. The act will also regulate the marketing of dietary supplements for sportspeople, taking into account the list of forbidden substances for preventing and fighting doping in sport. The draft act transposes a European Parliament and Council directive on dietary supplements into Romanian legislation.

**Ministry of Transport and Infrastructure has drafted a new ordinance requiring drivers to use snow tires during the winter.**

The new draft law states that drivers of vehicles without snow tires during the winter will be given 9 to 20 penalty points, a fine and their car's registration certificate may be confiscated.

The state could earn EUR 445 million from VAT collections, while outfitting the car fleet of state institutions with such tires would cost around EUR 28 million.

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