

# INTERNATIONAL INVESTORS' GUIDE

Investing on the Bucharest Stock Exchange

April 2018

# Why Romania?

## RECENT MACROECONOMIC DYNAMICS

The global macroeconomic climate improved in 2017, as the fixed investments accelerated in the developed countries, an evolution supported by several factors: the low level of the real financing costs, the prospects regarding the fiscal reform in USA and the continuity of the Digital Revolution.

According to the estimates of the International Monetary Fund (IMF) the global GDP rose by 3.7% last year, the highest pace since 2011.

The US economy climbed by 2.3% YoY in 2017, as the fixed investments accelerated to 4% YoY, given the low level of the real financing costs and the expectations regarding the Fiscal Act (the reform was signed by the President in December).

There can be noticed the acceleration of the Eurozone GDP (to 2.3% YoY in 2017), an evolution determined by the improvement of the net foreign demand and by the consolidation of the domestic demand (on the back of the expansionary monetary policy implemented by European Central Bank).

Last, but not least, the Chinese economy accelerated to 6.9% YoY in 2017, as the net foreign demand improved.

As regards the financial side of the economy the sovereign financing costs rose in 2017, due to the acceleration of the real economy and to the recalibration of the mid-run inflationary expectations.

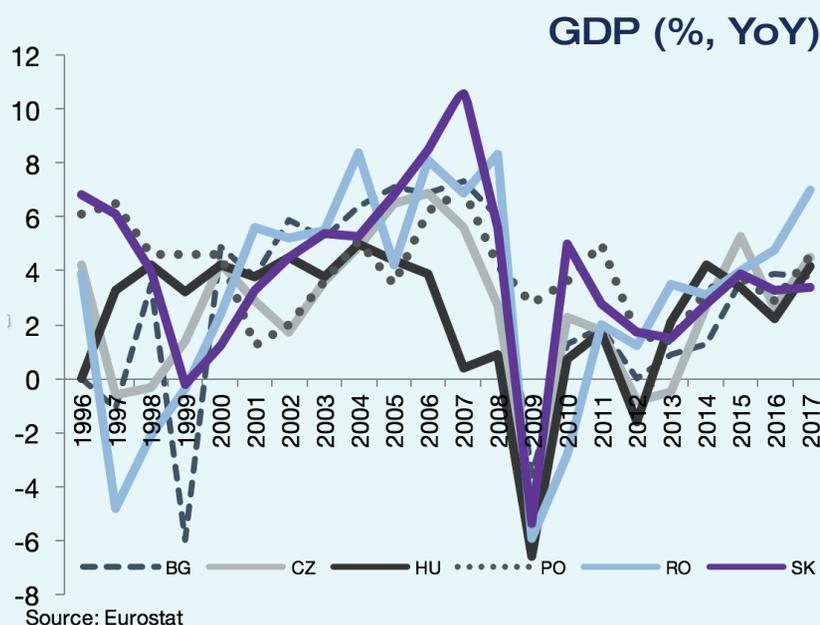
One can notice the optimism wave on the stock markets (the MSCI Global Index rose to record levels, while in US the Dow Jones Index set over 70 record highs), supported by the policy-mix outlook in US, China and Euroland, the excess liquidity, the low level of the real financing costs, the positive corporate news, the increase of the prices on the commodities markets and the stabilization of the geo-political risk perception.

Romania was the leader of the region and in the top of the EU countries in terms of GDP growth pace in 2017. According to the first estimates published by the Statistics Office (INS) the Romanian economy rose by 7% YoY in 2017 (in acceleration from 4.8% YoY in 2016), the highest pace since 2008.

There can be noticed the contribution of the domestic demand, supported by the unprecedented expansionary policy-mix.

On the one hand, the National Bank of Romania (NBR) maintained the monetary policy rate at the record low level of 1.75%.

On the other hand, the Administration implemented expansionary fiscal and income policies, which determined the increase of the public spending by 14% YoY to RON 276.1bn and the deterioration of the public finance (the deficit/GDP ratio climbed to 2.9%, from 2.4% in 2016).



## Private consumption vs. fixed investments in Romania (% YoY)

The private consumption (the main component of the GDP) grew by 10.2% YoY in 2017, the highest pace since 2007, due to the increase of the real disposable income of the population, the acceleration of the credit markets (given the low level of the real interest rates) and the wealth effect (generated by the upward trend for the prices of real estate and financial assets).

There can be noticed the relaunch of the fixed investments (up by 5.4% YoY in 2017), determined by the exports' impulse and the strong momentum of the domestic consumption, in a context of low level of the real financing costs.



At the same time, the public consumption rose for the fourth year in a row in 2017, by 1.6% YoY, given the implementation of expansionary fiscal and income policies.

On the other hand, the net foreign demand had a negative contribution to the GDP growth pace last year, as the imports increased 11.1% YoY, a higher pace compared with the dynamics of the exports (9.5% YoY).

From the supply side perspective there can be noticed the increase of the primary sector by 18.3% YoY in 2017, given the favorable weather climate and the investments cycle over the past years.

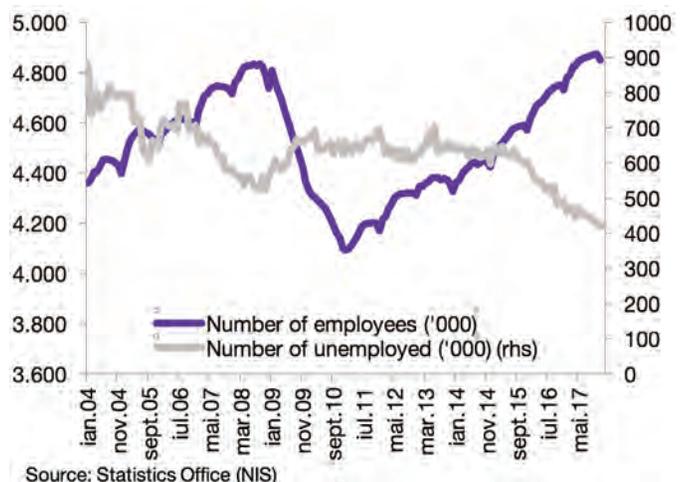
At the same time, the industry rose by 8% YoY, due to the exports' impulse and to the acceleration of the domestic consumption.

IT&C also continued to increase by a double digit pace (10.9% YoY in 2017).

In nominal terms the GDP increased by EUR 17.7bn to EUR 187.4bn last year.

The relaunch of the fixed investments and the migration of the active population contributed to the continuity of the improvement trend on the labor market, with the number of the unemployed and the unemployment rate declining to the lowest levels of the past decades. At the same time, the number of the employees climbed to the highest level since 1990s.

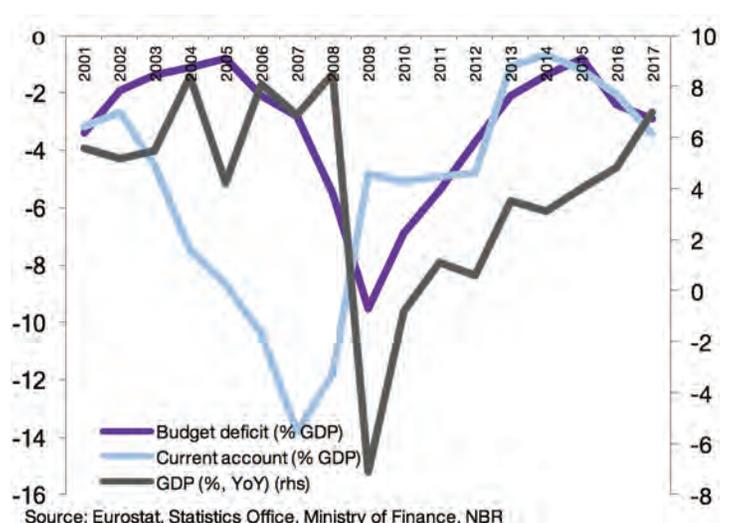
## Employees vs. unemployed



However, the acceleration of the economy was accompanied by the intensification of the challenges in terms of mid-run macro-financial stability. On the one hand, the YoY dynamics of CPI returned to positive territory, as the impact of the Fiscal Act faded out. On the other hand, the pro-cyclical policy-mix determined the widening of the twin deficits, with the global macroeconomic disequilibria hitting the highest level since 2012.

In this context, the central bank launched the post-crisis monetary cycle at the end of 2017, by narrowing the corridor formed by the interest rates on permanent facilities around the reference rate to 1 percentage point.

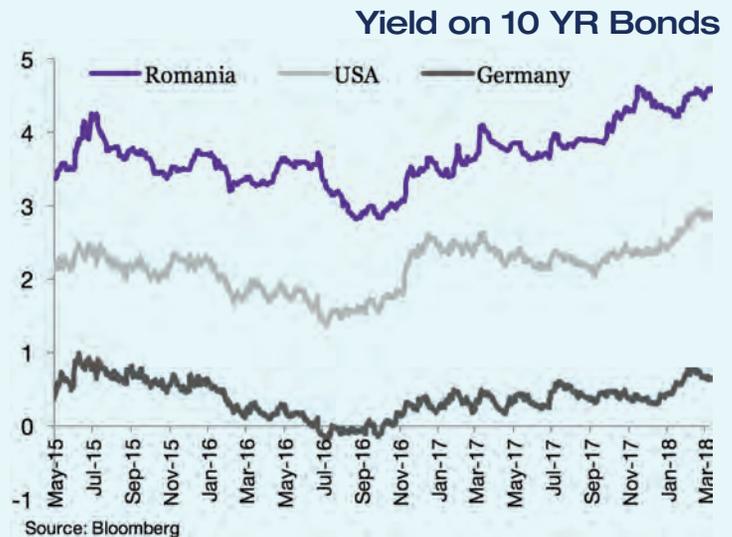
## GDP vs. twin deficits in Romania



The recalibration of the mid-run inflationary expectations and the accumulation of challenges for the mid-run macro-financial stability in Romania corroborated with the global and European macro-financial evolutions determined the start of an upward trend for the financing costs.

For instance, ROBOR 3M and ROBOR 6M stood at 2.05% and 2.27% at the end of 2017, up by 0.90% YoY and 1.11% YoY, respectively.

At the same time, the yield curve moved upwardly in 2017, with the increase of the interest rates being more intensive on the short and mid-run maturities. The annual average yield on 10-YR bonds (the barometer for the financing cost in the economy) stood at 3.91% last year, up by 18.6% YoY. This evolution was in line with the global trends (in US the indicator advanced by 26.9% YoY to 2.33%, while in Germany it rose by 181.1% YoY to 0.38%), being also influenced by domestic factors: the positive output gap, the acceleration of mid-run inflationary expectations, the accumulation of tensions and risks for the mid-run financial stability. At the end of 2017 the yield on 10 YR bonds stood at 4.32%, up by 1.9 percentage points compared with the level registered in USA.



As regards the FX market the EUR/RON fluctuated within the interval (4.4888 – 4.6597) last year, presenting an annual average level of 4.57 (a record high level, up by 1.7% YoY). This evolution was mainly influenced by domestic factors, including the public tensions and the accumulation of challenges in terms of mid-run macro-financial stability. In this context, the monetary policy of NBR focused more on the interest rates, allowing a higher flexibility to the exchange rate.



The stock market continued the upward trend in 2017, an evolution influenced by the global optimism wave and by the domestic companies' news (including the dividend policy at state owned enterprises). BET index rose by 9.4% last year, a slower pace compared with that of S&P 500 (19.4%).

Last, but not least, the dynamics of the loans accelerated in 2017, an evolution supported by several factors: the positive output gap; the improvement of the financial performance and the increasing competition in the banking sector, with positive consequences for the quality of lending; the First House Program (which determined the increase of the housing loans to record high values); the low level of the real financing costs.

According to the NBR data the non-government loans rose on average by 4.6% YoY last year, as the RON component climbed by 15.1% YoY: the household and corporate segments increased by 22% YoY and 8% YoY, respectively.

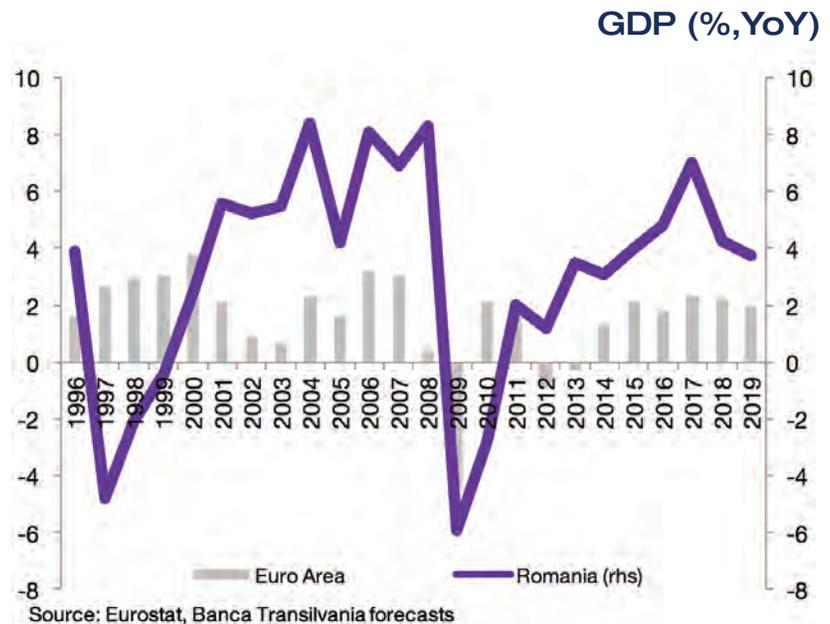
On the other hand, the FX non-government loans adjusted by 8.1% YoY in 2017, as the household and corporate components declined by 12.4% YoY and by 3.6% YoY, respectively.

At the end of 2017 the outstanding non-government loans stood at RON 232.3bn, up by 5.6% YoY.

## OUTLOOK FOR THE ROMANIAN ECONOMY

Romania would continue to be attractive for the global capital flows in the mid-run, given its geo-strategic position (at the cross roads of EU, Middle East, OBOR and CSI) and its potential of convergence towards the EU average (the GDP/capita in PPS was 55% of the Euroland level in 2016).

From the short-run perspective the post-crisis cycle would continue, while the strategic investors would consolidate their presence in Romania, an investment grade economy, in transition from the small to the mid-class in terms of nominal GDP (prospects to get over EUR 200bn by the end of the decade).



According to the forecasts of Banca Transilvania the YoY dynamics of the GDP would maintain above 3% in the following years, as the investment cycle continues, while the positive climate across the domestic consumption consolidates.

In this scenario the Romanian economy would converge towards its potential (with YoY paces of 4.3% in 2018, 3.7% in 2019 and 2.9% in 2020), due to the maturity of the post-crisis cycle and to the rebalancing of the domestic policy-mix.

As regards the fixed investments we forecast YoY dynamics of 4.4% in 2018, 3.6% in 2019 and 2.8% in 2020, an evolution supported by the low level of the real financing costs.

At the same time, the private consumption would slowdown in this scenario, in convergence towards sustainable levels: 5.5% YoY in 2018, 5.1% YoY in 2019 and 4.2% YoY in 2020. On the other hand, the contribution of the net foreign demand to the GDP YoY growth pace is forecasted to maintain negative in the mid-run, as the evolution of the imports outpaces the dynamics of the exports.

For the labor market we expect the consolidation of the positive climate in the following quarters: annual average rate of unemployment at 4.7% in 2018 and 2019 and 5% in 2020.

In this scenario the cumulated twin deficits would maintain around 7% of GDP in the following years, a lower level compared with the pre-crisis period.

As regards the financial side of the economy Banca Transilvania forecasts the average annual inflation to accelerate from 1.1% in 2017 to 3.4% in 2018, before slowing down to 2.9% in 2019 and 2.6% in 2020.

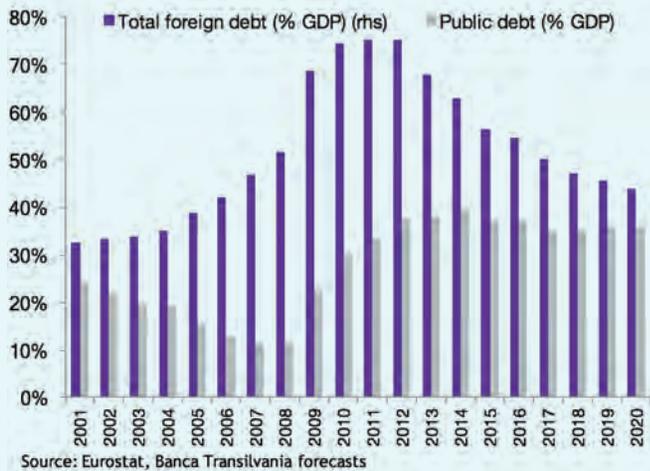
In this context, NBR would continue the post-crisis cycle, by increasing the monetary policy rate in the following quarters, in order to counter the inflationary pressures and the accumulation of challenges in terms of mid-run macro-financial stability.

However, the real financing costs would maintain affordable, either for population, or for companies in the short and mid-run.

As regards the financial side of the economy Banca Transilvania expects positive prospects in the following quarters, supported by several factors:

- 1.The low level of the public debt and foreign debt and the adjustable level of the twin deficits;
- 2.The strong financial performance of the banking sector (ROE at 12.68% and ROA at 1.32% in 2017);
- 3.The high level of the savings ratio;
- 4.The affordable level of the real interest rates;
- 5.The financial performance, the dividend policy and the competitive level of valuation of the listed companies;
- 6.The prospects for new listings on Bucharest Stock Exchange.

### Total foreign debt vs. public debt



## Why the Bucharest Stock Exchange?

### LARGEST DIVIDENDS IN THE WORLD

Romanian Capital Market recorded one of the highest dividend yields in the world in 2016 and 2017. BET Total Return (BET-TR) index, which includes the dividends granted by the blue chips listed on BVB, has increased by more than 19% in LCY terms in 2017, reporting one of the fastest growth among all 24 MSCI Frontier Markets Index countries.

For the entire main market, 44 listed companies out of the total 87 proposed to shareholders the paying of dividends from last year's net profits.

**More about Dividends.**

### GROWING DOMESTIC POTENTIAL

Pension funds' total assets (Pillar II and III) advanced by 5% in the first 2 months of 2018, after an outstanding increase of 26% yoy in 2017. The AuM of the Romanian investment funds (apart from SIFs and FP) equal EUR 5.6 bn as of February 28, 2018. There is a big potential vested in the currently small, but active local retail investors base. A number of educational projects has been launched, targeting both the entrepreneurs, as well as local retail investors that aim to approximate the opportunities in the Romanian capital markets.

Attracting new companies to be listed on the market and building a strong retail investors base are top priorities for BVB. 4 IPOs took place on BVB during 2017, with a total value of EUR 272 mn, and 9 bonds listings and issuances with a total value of 1.3 EUR bn. The Romanian capital market proved its capacity to absorb significant IPOs (in May 2017, Digi Communications NV, EUR 207 mn) and welcomed companies from other business sectors that were not yet represented: telecommunication services (DIGI), insurance brokerage (Transilvania Broker de Asigurare), food service (Sphera Franchise Group).

Also, at the beginning of 2018, the IPO of Purcari Wineries was concluded successfully, raising around EUR 40 mn. We are continuing to see new industries represented on the Bucharest Stock Exchange, this time the story is about wineries, and we remain optimistic as more and more companies are interested in listing on BVB.

2017 was also an excellent year in terms of bonds issuances and listings. The total corporate bonds listings and issuances through BVB, in 2017, reaches EUR 1.3 bn, while the largest listed bonds in the history of BVB was in amount of EUR 550 mn, issued by Globalworth.

## CORPORATE GOVERNANCE OF THE ISSUERS

The corporate governance framework in Romania was enhanced as of 2016 with a new Corporate Governance Code developed by the BVB with the support of the EBRD and a reputable team of international consultants. In order to help companies disclose corporate governance information as accurately as possible and in order to facilitate the explanations of deviations from the code, a manual for reporting corporate governance and a compendium of corporate governance practices were also developed, both now posted on the BVB website. Bucharest Stock Exchange has started to monitor the practices of the issuers listed on its main market, especially as regards the information disclosed on the investor relations section on companies' websites. In October 2017, the stock exchange published the third edition of the Whitebook on Communication of Listed Companies the purpose of which is to evaluate the quality and accuracy of information provided to the investor community. Such assessments have been seen by investors community as good steps ahead in providing better disclosure by companies.

Based on the EBRD review of annual reports published in 2017, most companies listed on the Premium Tier of the Bucharest Stock Exchange appear to have improved both their compliance with the code and the quality of explanations when compared to their 2016 disclosure. On average, those companies exhibited non-compliance with about 16 per cent of the code's provisions, down from almost a third when compared to the previous year. However, the quality of explanations for deviations from the code still needs to be improved, in order to be meaningful and complete.

BVB continues in 2018 the series of workshops dedicated to listed companies, both private and state-owned, for improving the transparency, quality of reporting and corporate governance practices, and the good corporate governance remains a priority for the exchange.

## FUTURE UPGRADE TO THE EMERGING MARKET STATUS

The BVB main objective, widely supported by market participants, Romanian Financial Supervisory Authority and the Government, is to be upgraded to the Emerging Market status by global index providers. Both quantitative and qualitative criteria should be met in order to access this superior classification.

The two main institutions relevant in this process are FTSE Russell and MSCI.

As per the decision of FTSE Russell published on the September 29, 2017, the Romanian capital market was maintained on the list of countries that have substantial potential to be upgraded to the Emerging Market status. In case of Romania, the upgrade will depend on the progress with regard to the market liquidity and the presence on the market of largest companies with significant individual liquidity.

With regard to MSCI, main criteria to be fulfilled by Emerging Markets refers to the the minimum 3 companies complying with the following:

- Company size [full market cap] of USD 1,375 mn
- Free Float value of USD 763 mn
- ATVR (Annualized Traded Value Ratio) of min. 15%.

At present, 3 companies fulfill the minimum criterion imposed by MSCI for promoting the local market to the Emerging Market status. In 2017, the total traded value on the BVB regulated market increased by 25% vs 2016, with an average daily trading value of EUR 12.1 mn. The key actions necessary in order for Romanian capital market to be upgraded to the Emerging Market status by major international institutions: increasing the free-float of the already listed companies, allowing sizeable investments in Romania, listing a company sizeable enough in order to fulfill MSCI criteria and improving the total market liquidity.

## POTENTIAL PRIVATIZATIONS

There is an increase in the favorable perception of BVB as the financing destination for local entrepreneurs looking for capital, which results in ever-growing pipeline of private companies interested in floating shares or bonds on BVB's markets. Additionally, rich portfolio of state-owned companies as the state has majority stake in 250 companies. Some are currently pending the privatization. State-owned companies expected to float on BVB are Hidroelectrica and Aeroporturi Bucuresti.

## MARKET REFORM

BVB, the market authorities and capital market stakeholders are constantly working on ameliorating the investment landscape, with focus on: easing investors' access to the market and fiscal compliance, reducing the cost of the market, improving the servicing of investors' rights, simplifying procedures related to primary markets for equities and bonds and developing the market infrastructure. New regulations regarding lending & borrowing operations were approved in 2016 and 2017, the trading and settlement in euro became available in 2017, the 2017 Issuers Law brought improved framework for corporate governance implementation and listing process, as well as the use of SWIFT/electronic instructions for exercising the proxies in general shareholders meetings by the custodian banks for their clients. All primary capital market legislation is available also in English on the website of the Romanian Financial Supervisory Authority, together with the big majority of the secondary legislation, while the own regulations of Bucharest Stock Exchange and Central Depository are available in English on the company's website.

## DEVELOPMENTS OF THE POST-TRADING

Central Depository (CSD) was the first institution of its kind in the region to implement European standards in corporate actions processing. By implementing the corporate actions processing according to European standards, the relationship between issuers and their investors is improved and follows a standard format. All entitlements, both cash and securities are processed through CSD, using the established key dates. Thus, cash and securities flows are better managed as all payments are made by CSD in the same day. The alignment of the practices for the corporate action processing to the European standards increased the attractiveness of the local capital market, both for the foreign investors familiar with these practices in their countries of origin and for the Romanian investors, by using the same mechanism and predictable information, in line with international practices.

CSD provides to its clients the TARGET2-Securities (T2S) settlement service for the euro transactions concluded at the Bucharest Stock Exchange for euro denominated financial instruments. The rules implemented for the euro settlement on the T2S Platform will be gradually extended to the domestic currency settlements. This project is another important step for the CSD Central in the alignment process to the international standards and confirms Romanian capital market concern of constantly meeting investors demands.

The CSD joined the Pan-European Settlement Platform T2S in June 2015 in the first wave, and in February 2016 implemented the automatic interface through which its own system communicates with the platform developed by the Eurosystem. T2S facilitates post-trade operations by offering harmonized, neutral and easy settlement conditions in the single European currency for most European financial instruments.

The CSD projects, including the ones above, are changing principles and paradigms of infrastructure, and are playing an important role in the classification of Romania as emerging market.

## Trading and settlement

### TRADING SYSTEM

Trading on the BVB is done electronically, centralized and paperless. It provides support for trading various financial instruments (shares, bonds, government bonds, structured products, warrants, rights, ETF). Remote terminals for order input and administration into the trading system are available to the authorized brokers.

Each type of the financial instrument is traded based on the two types of markets: main market (which is an order-driven market) and a deal market (negotiating market). The shares are traded based one of the two trading models in the Regular market: continuous model and auction model. The various types of orders are available for the main market: limit, market, unpriced, hidden, cross orders, contingent orders. The securities must be traded in round lots (a round lot consist of 1 share).

The maximum price variation in the regular and the deal markets (+/-15%) is counted by reference to the regular market reference price. Deal prices from deal market do not participate at the calculation of the share reference price.

### SETTLEMENT

Central Depository provides safekeeping, settlement and registry services for securities traded on the regulated markets and alternative trading systems: Bucharest Stock Exchange (regular spot market), Alternative Trading System (AeRO and ATS International) and registry services for the unlisted companies.

The settlement cycles are as follows:

- T+2 for on exchange trades, as well as T+x (x=0,1,2 for the deals done on the gross basis, with shares and bonds traded on the regulated market);
- T+0 - max T+3 for off-exchange trades.

Central Depository provides netting services on the cash leg of settlement at the participant level while the security leg of settlement is settled on a gross basis. Central Depository is the sole provider of trade netting services for all transactions concluded on the Exchange. Off-exchange transactions are settled on a gross basis.

Central Depository's system currently uses 2 daily sessions for net settlement of the stock exchange trades and 4 daily sessions for gross settlement of the off-exchange trades.

### COST OF TRADING AND SETTLEMENT

For regular trades on the equity market, BVB currently charges 9.5 bps on the sell side and 3.5 bps on the buy side, and a fixed fee of RON 0,95 per executed order. The FSA charges another 6 bps fee for the buy side of each trade. Fees for clearing and settlement of 0.85 bps for each side of the trade (applied on a net basis) are charged by the Central Securities Depository (CSD).

On top of the above fees, Brokers set up their own fees on a case by case situation. Brokers may allow investors to choose between a fixed fee applied to the value of each transaction or a fee schedule depending on the total traded value.

#### **More on Top Brokers**

# Fiscal compliance procedures

## INCOME & CAPITAL GAINS TAX

Tax non-residents are subject to Romanian income tax on the income obtained from Romania (e.g. interest / dividends paid by Romanian entities, capital gains obtained through selling shares issued by Romanian resident companies).

According to the Romanian Tax Code, the applicable tax rate for tax non-residents is 16% (with the exception of dividend income, where the applicable tax rate is 5%).

Where the recipient of the income is tax resident in a country with which Romania has concluded a tax treaty for the avoidance of double taxation, the provisions of this tax treaty should also be observed. In terms of capital gains, usually these are taxed only in the country of residence. However, a case-by-case analysis needs to be performed. With respect to dividend / interest income paid by a Romanian entity, the tax rate may be decreased (i.e. below 5% / 16%), depending on the provisions of the applicable tax treaty.

Nevertheless, in order to apply the provisions of the tax treaty, the recipient of the income needs to provide to the income-payer or to the intermediary from Romania the tax residence certificate, issued within the meaning of the tax treaty concluded between Romania and the country of residence and valid for the year when the income is obtained.

In addition to the income tax due, the individuals (private investors), may also be liable to a health insurance contribution (capped at 2.280 RON), depending on the specific situation of each individual (i.e. whether he/she is considered a taxpayer under the health insurance system, level of income, etc.)

In terms of reporting:

- a. Capital gains
  - Investors which are **legal entities** are required to report gains/losses on a quarterly basis and pay the capital gains tax (if any) by the 25th day of the month following the end of the quarter.
  - Investors which are **private individuals**:

1. If:

(1) the individuals are residents in countries with which Romania has not concluded a tax treaty or  
(2) the individuals are tax residents in countries with which Romania has a tax treaty, but Romania has the right to tax this capital gain according to this tax treaty or  
(3) a tax residence certificate is not available, these individuals are required to report capital gains/losses from Romania annually by 15 March of the year following that when the income is obtained, by submitting an annual tax return, however, the deadline for 2017 reporting is 15 July 2018. Intermediaries are required to fiscally register the individuals for tax purposes and obtain a tax number.

2. Nevertheless, individuals who are tax residents in countries with which Romania has concluded a tax treaty and according to the tax treaty, the capital gains are taxable only in the country of residence (not Romania), if the individuals provide the tax residence certificate issued within the meaning of this tax treaty to the intermediary in Romania, these individuals do not have reporting or payment obligations in Romania, with respect to these capital gains obtained from Romania.

The capital gain is determined as the difference between the selling price and the acquisition cost of shares including any commissions, taxes or other fees paid in relation to the transaction. As from 2016, transaction costs that cannot be allocated to a specific transaction can be deducted as well, when determining the capital gain/loss.

- b. Interest / Dividends

The Romanian income-payer is required to withhold the taxes due (i.e. the non-resident, **legal entity or individual** is not required to submit an annual tax return in this respect). The recipient of the income needs to provide the tax residence certificate to the income-payer, in order for the income-payer to apply the tax rate in accordance with the provisions of the tax treaty.

## FISCAL REGISTRATION

According to the current legal framework, fiscal registration in Romania is required when an individual or a legal entity is conducting business on Romanian territory which is subject to taxation. Also, non-residents are required to register with the Romanian tax authorities if they obtain only passive income from Romania.

**I. Non-residents** - legal entities without fiscal domicile in Romania, residents in a member state of the European Union or of the European Economic Area or residents in a country that is part of an international legal instrument signed with Romania which contains provisions on administrative cooperation in the field of taxation and recovery of tax claims and who are required to submit declarations to the fiscal authority may register with the Romanian tax authorities directly or through a fiscal representative.

Non-residents subject to registration in Romania that do not fulfil the conditions mentioned above are required to appoint a fiscal representative in Romania.

### **1. A request for fiscal registration is carried out by submitting the following documents:**

For legal entities:

- Return 015 " Return on Tax Registration " in two copies, with an address and e-mail provided;
- Legalized copy of the by-laws of the entity investing in Romanian securities;
- Legalized copy of the tax registration documents of the investing entity with the relevant tax authorities (the document attesting the tax registration number/entity's identification number/Certificate of Incorporation);
- An affidavit mentioning the intended activity in Romania, namely investment/trading activity at the Bucharest Stock Exchange.

The copy of the above documents shall be translated into Romanian by certified translators. The affidavit should be in Romanian language.

Additional documents may be needed if the tax registration is undertaken by a fiscal representative.

Returns 015 and 030 must be submitted in Romanian. Please request an English translation at **ir@bvb.ro**. The documents are available only in the Romanian language and can be downloaded from the following **link**.

The documents may be submitted:

- directly at the tax authority office,
- by post, with letter with confirmation receipt (an e-mail address to be provided for communication purposes)

A simplified procedure may be used by the income payer for registering non-residents which obtain solely passive income from Romania.

### **2. According to the art. 87 of the Fiscal Procedural Code, the tax authority should issue the Fiscal Registration Certificate in Romania within 10 days.**

The Fiscal Registration Certificate can be picked up anytime from the office of the fiscal authority in person by the investor or his/her representative (including custodian), by presenting a power of attorney.

The fiscal registration number will be communicated by e-mail; an e-mail address should be provided when sending documents by post.

### 3. The appropriate tax authority is:

-a special body constituted for the administration of non-residents that are required to register in Romania (i.e. Administrația fiscală pentru contribuabili nerezidenți - Tax administration office responsible for non-residents).

**II. Non-residents - individuals** without fiscal domicile in Romania - intermediaries are required to fiscally register them.

## COMPLIANCE OBLIGATIONS

Registered taxpayers, which are legal entities, should calculate and pay corporate income tax (if appropriate) and file the related corporate income tax return with the Romanian Tax Authority by the 25th day of the month following the quarter in which the trading took place. Tax returns should be submitted directly to the Romanian Tax Authority or by post, by letter with confirmation receipt. The date to submit the fiscal returns is the date of registration to the tax authority or date filed at the post office, as appropriate.

For **legal entities**, the capital gains tax should be declared on a quarterly basis via Return 100 "Tax return on liabilities due to the state budget" by the 25th day of the month following the quarter in which trading took place and on an yearly basis via Return 101 "Tax return on annual profit tax", by March 25th of the following year in which the trading took place.

According to the new provisions of the Romanian tax legislation, starting with 1 January 2018 the corporate income tax returns must be filed solely by using the electronic platform of the Romanian tax authorities.

The date of submitting the electronic returns on portal is the date of the fiscal returns' registration on the portal, as communicated electronically by the information system, given the validation of the return. If the return is not validated, the date of the return is the date of validation, as communicated electronically by the information system.

In case the return is submitted in due time, but it is not validated by the system due to errors detected, the date of submitting the return is the initial date, given that the taxpayer submits a valid return by the end of the month.

For **individuals**, capital gains are declared annually via the Single Tax Return by 15 March of the year following that in which the income was obtained. However, as an exception, for the 2017 reporting, the deadline has been extended to 15 July 2018.

For 2017 reporting (deadline 15 July 2018), individuals may submit the return directly with the Romanian tax authorities, by post with confirmation receipt or electronically.

Taxpayers have the following alternatives for electronically filing the Single Return:

- through the "Virtual Private Space" (which is a personal online service set up by the Romanian tax authorities for individuals and legal entities);
- online, directly or on the taxpayer's behalf by a person with power of attorney, using a qualified digital certificate. However in this case, a specific registration procedure must be carried out through which the person with power of attorney registers with the tax authorities for the purpose of filing the Single Return on behalf of the taxpayer.

As from 2019 the single tax return will be submitted exclusively online.

## PAYMENT OBLIGATIONS

Non-residents should make the payment of capital gains tax to the Romanian state budget in cash or by bank transfer. Payments of tax obligations should be made in RON, by the following dates:

- for **legal entities** – by the 25th of the month following the quarter in which trading took place.
- for **individuals** – by 15 March of the year following that in which the income was obtained (i.e. 15 March 2019 for income obtained during 2018 and reported through the Single Tax Return by 15 March 2019, as well; i.e. the deadline for the submission of the Single Tax Return is the same as the deadline for payment of the tax obligations, thus no tax assessment will be issued by the Romanian tax authorities). However, as an exception, for the 2017 income that needs to be reported through the Single Tax Return by 15 July 2018, the Romanian tax authorities will continue to issue tax assessments.

Payment by bank transfer can be made as follows:

- from an account opened at a credit institution participating in the electronic payment system in Romania;
- from accounts opened at a credit institution abroad. If this is the case, the payment should be made through a correspondent credit institution in Romania in which the account has been opened and from which the payment will be made. This method can be applied only when the correspondent bank agrees to this type of transaction.

**Note:**

The above information is based on the provisions of the Romanian legislation valid as at April 2018 and it does not represent tax advice. Please be aware that the tax environment in Romania can be unpredictable and these provisions and their interpretation may be subject to change in the future. As such, we recommend non-residents to analyze any specific tax implications prior to taking any decisions in this respect.

## CONTACT US

For further information, please contact us at: **ir@bvb.ro** or go to our website: **www.bvb.ro**. You can also follow Bucharest Stock Exchange market by downloading the app available for smartphones, free of charge, in **Google Play** and **Apple Store**.

## WITH SPECIAL THANKS FOR THE SUPPORT TO OUR CONTRIBUTORS



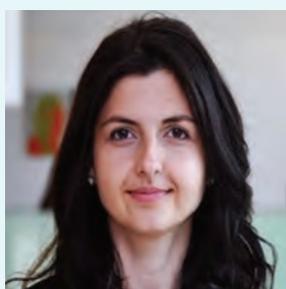
**Gian Piero CIGNA,**  
Senior Counsel, EBRD,  
*for contribution to the Corporate Governance section.*

Gian Piero, who is an Italian qualified attorney, is Senior Counsel in the EBRD Legal Transition Team working on corporate governance matters. Prior to joining the EBRD, he worked on company law, corporate governance and capital markets related issues at the European Commission and at the Italian Ministry of Economy and he practiced law in Italy, the Netherlands, Albania and Romania.

In Albania, he was advisor of the World Bank and Albanian Ministry of Economy for the privatization of state owned enterprises in strategic sectors. In the Czech Republic he worked as “Pre- Accession Advisor” at the Ministry of Justice and at the Securities Commission for the approximation of the Czech legislation with EU standards.

Gian Piero graduated law in Italy and attended postgraduate studies in the Netherlands and US focusing on European and International business law. Since 2004, he is leading corporate governance legal reform projects at the EBRD (among others in Albania, Armenia, Azerbaijan, Belarus, Greece, Kazakhstan, Kyrgyz Republic, Romania, Russia, Slovenia, Serbia, Tajikistan, Turkey and Ukraine) especially on company law reform, state owned enterprises restructuring, banking supervision and corporate governance code development and implementation as well as a number of research and standard-setting projects. He also leads the corporate governance due diligence work over EBRD investee companies.

Gian Piero is occasionally lecturing corporate governance in transition countries at the Queen Mary University, ESCP Europe Business School and King's College in London. Publications include several essays on corporate governance, capital markets and banking law with a focus on eastern Europe and central Asia.



**Elena DOAGA,**  
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Elena has almost 7 years of professional consultancy experience and she is specialized in taxation of investment income and equity compensation (advisory and compliance work, presentations held and articles written on the topic). She has expertise on taxation of assets held by private clients / high-net-worth individuals (HNWI) and on automatic exchange of information.

Elena was involved in projects regarding implementation and review of equity compensation plans from various industries (Tobacco, Iron & Steel, Automotive, IT, Oil & Gas, Real Estate, etc.) from a Romanian Tax Law perspective. She also has expertise on other compliance and consultancy services regarding personal taxation (employment income, other types of income), avoidance of double taxation, tax treaties, social security, payroll, EU legislation. Elena is Member of the Romanian Chamber of Fiscal Consultants as of 2015.

Elena graduated in 2009 the faculty of International Business and Economics of the Academy of Economic Studies in Bucharest. She also has a Master in International Economics and European Affairs.



**Ionut MASTACANEANU,**  
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Ionut is the coordinator of the Financial Services team within the KPMG Tax department and of the tax department of KPMG office in Iasi. Ionut has over 13 years of experience in providing consultancy to local and multinational companies operating in various industries, particularly on direct tax issues, including corporate income tax, withholding tax on non-resident income and on various tax implications related to different implemented structures.

Ionut is an economist by formation, having a BA from the Academy of Economic Studies in Bucharest. He is a member of The Chamber of Tax Consultants from Romania, the Association of Chartered Certified Accountants (ACCA), being a graduate of University d'Auvergne in France and has an Advanced Diploma in International Taxation (ADIT).

Ionut was involved in the discussions within the Group nominated by the Tax Committee of the Romanian Association of Banks to discuss tax issues related to the IFRS implementation and within the working group organized by the Ministry of Public Finance on the occasion of the IFRS adoption by the listed companies and supported a series of technical presentations on this subject.



**Ph. D. Andrei RADULESCU,**  
Director Macroeconomic Analysis  
at Banca Transilvania,  
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Andrei is a macroeconomist with solid background in European economic and monetary integration and experience in macroeconomic research and forecasting at top institutions in Portugal and Romania. He started his career in financial analysis within Banco Portugues de Investimento, the Corporate Finance Department, at Porto headquarters in 2001. During 2005-2006, Andrei did macroeconomic research and forecasting for the Portuguese Social Security Fund, the biggest investment fund in Portugal. From 2007 to 2014, he worked on Romanian capital markets, doing macroeconomic & financial analysis and forecasting. At present, he is the macroeconomist of Banca Transilvania, the second largest lender in Romania, responsible with the macroeconomic analysis and forecasting for the Romanian, European and US economies.

At the same time, Andrei is a Scientific Researcher at the Institute for World Economy, within the Romanian Academy, being responsible with the macro-financial analysis of the global economy, European economy and of the international financial markets.

Andrei is economist by formation, with a BA in international business and economics from the Academy of Economic Studies in Bucharest, a master's degree in economics from the University of Porto, Portugal, a Ph.D. in international economics from Academy of Economic Studies in Bucharest and a post-doctoral degree from Romanian Academy in 2013.

Andrei is a constant presence at high level global & European scientific events, with presentations on macro-financial topics (global, European and Romanian). Over the past quarters he participated with presentations at conferences organized by the Chinese Academy of Social Sciences, Rimini Centre for Economic Analysis (Canada), Society for the Study of Emerging Markets, Institute for Cultural Diplomacy in Berlin, University of Porto, ISEG Lisbon, University of Leipzig, Economic Policy Institute in Sofia, etc. He is the author of the Volume "The Great Recession: from the global economy to the national economy" (2012, Expert Publishing House).



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