

BİRİŞ·GORAN
Legal + Tax

GEO 114/2018 RECENT TAX INCENTIVES FOR THE CONSTRUCTION SECTOR

SEE Property Forum 2019

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1. BENEFICIARIES

- Applicable to companies active in:
 - Construction sector;
 - Construction materials (except bitumen / asphalt);
 - Architecture, engineering, technical consultants.
- Applicable to all employees of such companies;
- **However:** minimum salary increased to 3,000 lei.

2. CONDITIONALITIES

- Applicable if at least 80% of the revenue comes from such activities;
- The threshold calculated monthly, cumulated from the beginning of the year;
- Applicable to salaries between 3,000 and 30,000 lei;
- Subject to state aid regulations.



What happens if the state aid is not approved by Brussels???

3. INCENTIVES

- Exemption of the salary tax **(10%)**;
- Exemption of contributions to the health fund **(10%)** – employees insured with payment from the budget;
- Reduced contribution to pension: **21.25%** instead of **25%**
 - **However:** no benefits in Pillar II;
 - No option to contribute to Pillar II.
- Reduced contribution of the employer: **0.3375%** instead of **2.25%**.

4. IMPACT

- Significant increase of net salaries
 - **GS = 5,000 lei** ➔ **Net = 2,925 lei (no incentive);**
➔ **Net = 3,938 lei (+35%, with incentives).**
- Reduced payroll cost for employer (-1.9125 %);
- However, distortions for salaries higher than 30,000 lei:
 - **GS = 31,000 lei** ➔ **Net = 18,135 lei;**
 - **GS = 30,000 lei** ➔ **Net = 23,625 lei.**



4. IMPACT (continued)

- Variation in the monthly net salary depending on the employer achieving the turnover threshold;
- Potential chain reaction in construction prices due to increase of salaries.

N.B.: All employees must have a gross salary of 3,000 lei, even if the exemption is NOT applied.

Thank you!

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