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FISCAL CODE**Methodological Norms for the Enforcement of the Fiscal Code**

Following the recent amendment of the Fiscal Code coming into force on January 1st 2005, the relevant Methodological Norms for the enforcement thereof (the “**Methodological Norms**”) also underwent modifications, as approved by the Government Decision no. 44/2004¹.

The Methodological Norms were amended more than 45 days after the coming into force of the new Fiscal Code. These amendments set forth numerous secondary legislation provisions meant to ensure an official interpretation and an enhanced comprehension of the Fiscal Code.

It is to be noted that much emphasis is placed on clarifying the interpretation of the major amendments of the taxation system, including the modification of the main tax base, of the tax quotas, of the category of deductible expenditures, of the computation of various taxable amounts (interests, dividends, other capital earnings) etc.

Given the numerous amendments underwent by the Methodological Norms, we shall hereinafter briefly set forth several of the most relevant provisions, from the

¹ Government Decision no. 84/2005 amending and completing the Methodological Norms for the enforcement of Law no. 571/2003 on the Fiscal Code, approved by Government Decision no. 44/2004, published in the Official Gazette no. 173 of February 18th 2005.

perspective of their applicability to the tax payers’ activity.

Taxable Income of Non-Profit Making Organisations

Pursuant to the new provisions of the Methodological Norms, in setting the taxable profit, the income earned by non-profit making organisations from the transfer of sportsmen is also considered as taxable income.

Delay Penalties and Damages Deduction

Delay penalties and damages, agreed in accordance with the legal provisions under agreements concluded by the taxpayers, are deemed as deductible or non-deductible depending on whether the respective agreements are entered into by residents or non-residents.

In case of the agreements concluded with non-residents, the delay penalties and damages could be considered as deductible expenditures if there is a double taxation treaty entered into by Romania and the state whose resident concluded the agreement, and if the double taxation treaty classifies the said income as interests.

Personal Deductions

Personal deductions are granted, within the limits set by the Fiscal Code and by the subsequent norms, depending on the gross income per month earned from the main job, and on the number of dependants.

For a person to be considered dependant, it must maintain legal relations with the taxpayer and have a monthly income less than or equal to ROL 2,500,000.

The taxpayer's wife/husband, child or fostered child or any other family member up to and including two times removed relatives (parents, grandparents, grandchildren, brothers/sisters) are considered to maintain legal relations with the taxpayer.

Net Annual Income Computation

The net annual income is computed for each source of income, including income from independent activities, capital gains and income from agricultural activities.

The net annual income is computed for each source of income by separate deduction of losses from the respective source.

In case the losses from a source are greater than the net annual income from that respective source, the balance will be carried forward as loss and will not be deducted from the income connected to other sources.

The respective losses may be carried forward into the following years, up to and including the fifth year.

Exemption from Ownership Title Fees

The Methodological Norms took over the provisions of the Government Emergency Ordinance no. 105/2004 on certain actions to issue and hand ownership titles over agricultural and forest lands, providing the

exemption from extrajudicial stamp fees for the issuance of such titles.

FINANCIAL INVESTMENT COMPANIES

Instruction no. 2/2005 on certain actions to make financial investment companies ("SIF") fall under the provisions of Capital Market Law no. 297/2004, approved by Order of the National Securities Commission no. 5/2005 ("Instruction no. 2/2005") and published in the Official Gazette no. 136 of February 14th 2005, provides a series of corporate governance rules applicable exclusively to such companies.

Instruction no. 2/2005 focuses on: (i) the convening of SIFs' general meeting of shareholders, including the procedure of voting by mail, (ii) the minimum contents of SIFs' statute and (iii) the procedure of appointing SIFs' directors.

Minimum Contents of SIFs' Statutes

As regards the minimum contents of SIFs' statutes, it is to be noted that, pursuant to art. 15 paragraph 2 of Instruction no. 2/2005, the board of directors of SIFs or, as the case may be, of investment management companies ("SAI") which manage the SIFs, are obliged to remove or amend the provisions regarding any limitation of shareholding quota or of the voting rights in their statutes.

Members of the Board of Directors

Instruction no. 2/2005 lays out a series of rules regarding the election procedure and the requirements to be met by the members of the board of directors of SIFs or of SAIs, as the case may be.

Such governing bodies shall comprise at least 5 persons. The said Instruction also provides strict expertise and good reputation criteria, as well as numerous incompatibility cases with respect to the directors.

The candidates to the position of members of the board of directors of SIFs or SAIs are held to receive the NSC approval prior to the general meeting of shareholders of the respective SIF or SAI. Following the directors' election by the general meeting of shareholders, the board members shall be subject to NSC authorisation.

LABOUR LAW

The national collective labour agreement no. 2001/2005 (the "CLA no. 2001/2005") was published in the Official Gazette no. 1 of February 22nd 2005, part V, and shall be enforced in 2005 and 2006. The main novelties brought by the CLA no. 2001/2005 are as follows:

Laying-off procedure

In case of personnel lay-off, the CLA no. 2001/2005 still requires that the trade unions be notified with respect to the reasons of the lay-off. However, the respective delays

underwent modifications, depending on the size of the company. Thus, trade unions shall receive 45-day prior notice if the company has less than 100 employees, 60-day prior notice if the company has 101 - 300 employees, respectively 90-day prior notice if the company has more than 301 employees.

The CLA no. 2001/2005 sets forth also that the employer and the trade unions/representatives of the employees shall negotiate before any lay off so as to ensure compensations proportional to the company's financial resources.

Another novelty is that the employees having been on maternity leave and/or on paid leave for up to 2-year old child care may not be laid off for professional inadequacy during a period of at least six months after returning to work (period deemed as a reintegration period), for one single event. In other words, the minimum reintegration period was extended from one month to six months. Moreover, it is to be noted that the text reads "for one single such event", wording that is unclear to a certain extent.

National gross minimum wage

The CLA no. 2001/2005 reiterates that the national gross minimum wage amounts to ROL 3,300,000, as already set by Government Decision no. 2346/2004.

However, for the first time, art. 105 provides for the possibility of increasing the level of the minimum wage by way of amendments to the CLA no. 2001/2005.

Overtime work

According to the new provisions of the CLA no. 2001/2005, the employee's consent is the only requisite for the employee to work overtime, within the limits set by the Labour

Code. The previous requirement, according to which if overtime exceeded 120 hours/year/person the Company's trade unions were to give their assent, was removed by the CLA no. 2001/2005.