

# Tax Flash

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### Significant amendments to the Fiscal Code

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#### **Emergency Ordinance 138/2004 amending Law 571/2003 regarding the Fiscal Code**

(Official Gazette 1.281/30 December 2004)

We have summarised below the main amendments to the Fiscal Code introduced by Emergency Ordinance 138/29 December 2004, applicable starting 1 January 2005.

#### **Profits tax**

The standard profits tax rate is 16% (reduced from 25% in 2004).

#### **Income tax**

A flat income tax rate of 16% will apply to the following categories of income:

- Income from independent activities;
- Salary income;
- Rental income;
- Pensions;
- Agricultural activities;
- Income from prizes;
- Other income (except for income from investments and gambling).

#### ▪ *Salary income*

- Personal deductions

Only employees earning a monthly gross salary income not exceeding ROL 30 million will benefit from personal deductions.

- Computation of salary tax

The following items are allowed for deduction when computing the taxable basis for salary tax:

- Mandatory social security contributions;
- Personal deduction, if applicable;

*This update is correct to the best of our knowledge and belief at the time of issue. It is, however, written as a general guide so it is recommended that specific professional advice is sought before any action is taken.*

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- Union contribution;
- Voluntary contributions to occupational pension schemes (up to EUR 200 per year).

- *Dividends tax*

The dividends tax rate applicable to dividends earned by individuals has been increased to 10% (from 5% in 2004).

- *Expenses disallowed for deduction*

Starting 1 January 2005, the following expenses shall no longer be deductible for salary tax purposes:

- Expenses for the rehabilitation of domicile;
- Domicile insurance premiums;
- Private health insurance premiums.

### **Micro enterprises**

The income tax rate applicable to micro enterprises is increased to 3% (from 1.5% in 2004).