

Fiscal Council's opinion on the legislative proposal amending and supplementing Law no. 227/2015 regarding the Fiscal Code

On the 29th of March 2016, the Romanian Senate remitted to Fiscal Council, the letter no. XXXV/1605 from the 22nd of March 2016, requesting, under art. 53, paragraph (2), letter e) of the Fiscal Responsibility Law no. 69/2010 republished, the Fiscal Council's opinion on a parliamentary initiative for amending the Fiscal Code.

According to the aforementioned article of the FRL, among the main tasks of the Fiscal Council are:

- e) analysis and issuing opinions and recommendations on the annual budget laws before approval by the Government and before submission to Parliament, on the supplementary budgets and other legislative initiatives that may have an impact on the budgetary targets, as well as assessing their compliance with the principles and rules specified in this Law;
- f) preparing estimates and issuing opinions on the budgetary impact of the normative ordinances, other than the ones mentioned on (e) and the amendments made on the annual budget law during the parliamentary debates.

For the case in question it is also relevant art. 21 of FRL, according to which "*proposals for any legislation leading to a reduction of budgetary revenues must provide a financial statement according to article 15 of Law no. 500/2002, as amended and supplemented and meet at least one of the following conditions:*

- a) to have the endorsement of the Ministry of Public Finance and of the Fiscal Council, confirming that the financial impact was taken into account in the budgetary revenue forecast and does not affect the annual budget targets and medium term targets;*
- b) to be accompanied by proposals for measures to compensate the financial impact, by increasing other budgetary revenues."*

In this regard, the present opinion is intended to facilitate the computation of the above-mentioned financial statement.

Brief description of the legislative proposal and its budgetary impact.

The legislative proposal which is subject to the Fiscal Council's examination stipulates changes to many of the current provisions of the Fiscal Code regarding (see Annex 1):

- Raising the ceiling for deductibility of expenses incurred with sponsorship, patronage and expenses incurred with private scholarships from 5% to 10% from the tax base;
- Introducing the taxpayers' possibility for deciding on the destination of an amount representing 4% of the annual income tax to support the private providers of social services mentioned in Article 37, paragraph (3), letters a) and b) of the Law no. 292/2011 on social services;

- Changing the tax base and tax rate related to the transfer of real estate from the personal property;
- Extending the application scope of the reduced VAT rate of 9% for sewerage services, production, transmission, distribution and supply of heat in a centralized system, electricity supply, gas supply and public sanitation service of the localities;
- Extending the tax exemption on lands and buildings publicly or privately owned by the administrative - territorial units used for sports activities;
- Annual revision by the local authorities of the value of non-residential buildings owned by individuals;
- Canceling the uptake of arable land which is around the construction area up to 400 square meters as being construction land and proceeding to the taxation of them as arable land;
- Changing the date on the application of the exemption / reduction of tax payment from January 1st of the year following the one in which the person submitted the supporting documents, to the first day of the month following the one in which the person submitted the supporting documents.

The Fiscal Council considers that among the measures from the list, the highest negative impact on budget revenues is represented by the extension of the application scope of the reduced VAT rate. Although all the proposed measures have a certainly negative impact on budget revenues, under certain conditions some of them do not end up affecting the general government balance, while for others is possible only an approximate evaluation of the impact of the first-round or for others a quantitative assessment of this impact wasn't possible. Concerning the latter category, Fiscal Council couldn't identify information that would determine the impact of the first round for:

- Raising the deductible ceiling from 5% to 10% from the tax base for expenses incurred with sponsorship, patronage and expenses incurred with private scholarships given that there isn't a database in which the deductible expenses from the past are identified separately;
- Canceling the uptake of arable land which is around the construction area up to 400 square meters as being construction land and proceeding to the taxation of them as arable land, given that there isn't a database in which the lands that can be affected of this law can be identified differently;

Also, a quantitative assessment of the impact on local budget revenues was not possible for the case of extending the tax exemption area on lands and buildings publicly or privately owned by the administrative - territorial units for sports activities, given the lack of data on the value of the properties concerned. However, the impact of this proposal on general consolidated budget

is potentially neutral given the fact that at the level of the consolidated budget, there are taxes that the state owes itself and whose removal would entail a corresponding reduction in expenses.

Concerning the measures whose impact is likely to be quantified, the Fiscal Council considers that the first-round effect of the proposed extension of the reduced VAT rate of 9% (the sewerage, production, transmission, distribution and supply of heat in centralized system, supply of electricity, supply of natural gas and public sanitation service of the localities) is estimated at the level of the year 2017¹ - assuming that the reduction in the VAT rate would be from 19% to 9% - at a level between 1,200 million lei (level determined at the level of the relevant expenditure in 2014, established based on the National Institute of Statistics' survey "Coordinates of the living standard in Romania. Income and private consumption in 2014") and 1,480 million lei (extrapolating the relevant expenditure with the National Prognosis Commission's forecast for the dynamics of the nominal aggregate consumption of services).

On the proposed amendment granting the possibility to decide on the destination of 4% of the annual income tax owed by taxpayers to support private providers of social services, it is difficult to achieve an accurate assessment of the impact, given that it necessarily depends on the share in total taxpayers who choose to redirect the legal percentage of the income tax of those who decide to redirect 4% (in favor of supporting private providers of social services as referred in the legislative proposal). Taking as a starting point the amount redirected in 2015 (about 140 million lei, and by default the assumption that the prevalence of the decision in favor of redirecting remains the same), updated in 2017 with the forecasted dynamics of the average salary and the number of employees, and assuming that the percentage of those who choose to redirect in favor of the entities eligible for the transfer of 4% of the income tax is 50%, the shortfall in the revenue at the budget level would be around 90 million lei.

Regarding the proposed measure amending the tax base and the tax rate related to the transfer of real estates from the personal property, the Fiscal Council considers as likely to happen, that most of the impact to be derived from changing the tax base from the value of the property to the difference between the sale price and the acquisition price of the ownership, and in the case where the difference is negative the tax due should be zero. An accurate assessment of the first-round impact is also impossible due to difficulties in establishing the new tax base through the information required on the purchase price of the buildings. However, given the fact that the prices in the property market currently represents about 60% of the 2008 prices (top of the housing boom in the pre-crisis period), it is expected that a part more than significant from the current revenues from the tax on transfer of real estate properties – which,

¹ See Annex 2.

in 2015, amounted to 692.8 million lei (this value should be regarded as a ceiling for the potential loss), to disappear².

Conclusion

Despite the difficulties of quantifying the first-round impact for the whole set of proposed legislative changes, the negative impact on the budget revenues seems to be significant, representing, most likely, the equivalent of 0.2-0.3% of GDP, if the measures were implemented in 2017. In the absence of compensatory measures, either on the revenue side or on the expenditure side, the operationalization of the proposed measures would lead to, *caeteris paribus*, an equal increase in the structural deficit³ and, to a lesser extent, in the actual budget deficit, given the increasing in the cyclical component of the budget deficit caused by a possible stimulating effect on the GDP growth. The previous assessments of the Fiscal Council, developed in the context of the last year's opinion on the revision of the Fiscal Code, would indicate the recovery of 25-30% of the first-round effect as a result of the additional economic growth after a period of 3-4 years⁴.

The proposed measures would come in the conditions of which the 2016 budget already confirms a major slippage (about 1.7% of GDP, as assessed by the Ministry of Public Finance, or 2% of GDP according to the European Commission's winter forecast) of the structural balance from the medium term objective of a structural deficit of 1% of GDP, in accordance with the combined provisions of the preventive arm of the Stability and Growth Pact and the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (the Fiscal Compact), operationalized in the national legislation through the republished Fiscal Responsibility Law. Moreover, the budget construction of this year involves a deficit placed immediately below the reference threshold of 3% of GDP for the actual budget balance established by the corrective arm of the Stability and Growth Pact, above which would be entailed a re-entry of Romania under the Excessive Deficit Procedure.

A possible implementation of the proposed measures in 2017 without compensatory measures would come at a time when the second round of measures of fiscal relaxation approved in September 2015 is assessed by the European Commission to aggravate the structural slippage

² Furthermore, promoting these legislative amendments would introduce a difference in treatment concerning the taxation of income from real estate transactions and those from securities transactions (given that capital gains related to the latter are taxed at 16%). In its current form, the legislative proposal has at least one parallelism with the business taxation, a.i. there are a tax profit rate of 16%, and a turnover tax rate for micro-enterprises between 1-3% (depending on number of employees).

³ See Section 3 of the Fiscal Council's opinion on the draft revision of the Fiscal Code from March 2015 for a discussion on the implications of formulating budgetary targets in structural terms.

⁴ Under an impact multiplier of 0.4 and a multiplier in $t + 3$ period of about 1.1.

to 3% of GDP, considering that its projections indicate a structural deficit of 4% of GDP and an actual budget deficit situated significantly above the reference level of 3% of GDP (3.8% of GDP according to the winter forecast); even taking the current government assessments for the next year⁵, given that the indicated level of the budget deficit lies right next to the level of 3% of GDP, the entry into force of the proposed legislative changes in the absence of compensatory measures have the potential to lead the budget deficit above the 3% level and causing the re-entry of Romania under the Excessive Deficit Procedure.

Given all this, the Fiscal Council believes that there is no fiscal space to adopt the proposed measures relative to the current targets of budget deficit over the medium term, and their position close to the reference level of 3% along with the slippage already enshrined in the Budget Law of 2016 from the medium-term target of structural deficit, constitute aggravating circumstances for any breach thereof. Moreover, the opportunity for additional measures of fiscal relaxation in the current context, in which the cyclical position is close to balance or estimated to turn positive again (recording the existence of a positive output gap in 2017 according to the assessments of the European Commission) is at least questionable from the perspective of macroeconomic policies designed to mitigate the fluctuations in the economic cycle, as it is also questionable the opportunity for additional discretionary measures to stimulate consumption (as it is the case for the proposed VAT reductions), while currently there are registered double-digit annual growth rates at the retail level. In these circumstances, the Fiscal Council reiterates its previous warnings about the situation of maintaining an upward trend of the ratio of public debt to GDP in a period of high growth and the associated risks from the perspective of long term sustainability.

The Fiscal Council considers that a reflection on the existing budgetary constraints is welcome and should be part of the subsequent proceeding course of the legislative proposal in question, so the desire to increase disposable income in the short term do not end up having adverse consequences on medium and long term.

The above opinions and recommendations of the Fiscal Council were approved by the Chairman of the Fiscal Council, under art. 56, paragraph (2) of the Fiscal Responsibility Law (FRL) no. 69/2010 republished, based on the vote of the Fiscal Council members in the meeting on 27th April 2016

27th April 2016

Chairman of the Fiscal Council,

IONUȚ DUMITRU

⁵ The Fiscal Council has expressed its reservations about the fiscal projections for 2017 in the context of "The Fiscal Council's opinion on the State Budget Law, the Social Insurance Budget Law for 2016 and the Fiscal Strategy for 2016-2018" in December 2015.

ANNEX 1

Chapter	ART.	Law 227/2015 regarding the Fiscal Code (Last updated: Law no. 358 of December 31, 2015) TITLE IV - The income tax	Proposal for amending
CHAPTER II - Income from independent activities	ART. 68 - General rules for determining the net annual income from independent activities, determined in real system, based on accounting data	(5) The following expenses are deductible within a limit: a) sponsorship expenses, corporate patronage and private scholarships, made under the law, within a limit of 5% of the base calculated in accordance with paragraph (6).	(5) The following expenses are deductible within a limit: a) sponsorship expenses, corporate patronage and private scholarships, made under the law, within a limit of 10% of the base calculated in accordance with paragraph (6).
CHAPTER III - Income from wages and assimilated to wages	ART. 79 - Granting the right to the taxpayer to decide on the destination of an amount of the tax	(1) Taxpayers may decide on the destination of an amount up to 2% of the tax due on art. 78 para. (5) to support non-profit entities that are established and operate under the law, religious units, as well as private scholarships, in accordance with the law. Individuals who earn income assimilated to wages benefit from the same provisions.	(1) Taxpayers may decide on the destination of an amount up to 2% of the tax due on art. 78 para. (5) to support non-profit entities that are established and operate under the law, religious units, as well as private scholarships, in accordance with the law, either up to 4%, for supporting the private providers of social services referred to in art. 37 para. (3) a) and b) of Law no. 292/2011 on social assistance. Individuals who earn income assimilated to wages benefit from the same provisions.
CHAPTER III - Income from wages and assimilated to wages	ART. 82 - Payment of tax for certain income from wages and assimilated to wages	(6) Taxpayers may decide on the destination of an amount up to 2% of annual tax to support non-profit entities that are established and operate under the law, religious units, as well as private scholarships, in accordance with the law.	(6) Taxpayers may decide on the destination of an amount up to 2% of annual tax to support non-profit entities that are established and operate under the law, religious units, as well as private scholarships, in accordance with the law, either up to 4%, for supporting the private providers of social services referred to in art. 37 para. (3) a) and b) of Law no. 292/2011 on social assistance.
CHAPTER II - Income from pensions	Art. 102 - Granting the right to the taxpayer to decide on the	(1) Taxpayers may decide on the destination of an amount up to 2% of the tax due on art. 101 par. (11) for supporting non-profit entities that	(1) Taxpayers may decide on the destination of an amount up to 2% of the tax due on art. 101 par. (11) for supporting non-profit entities that are

	destination of an amount of the tax	are established and operate under the law, religious units, as well as private scholarships, in accordance with the law.	established and operate under the law, religious units, as well as private scholarships, in accordance with the law, either up to 4%, for supporting the private providers of social services referred to in art. 37 para. (3) a) and b) of Law no. 292/2011 on social assistance.
CHAPTER IX - Income from transfer of real estate from the personal property	ART. 111 - Definition of the income from transfer of real estate from the personal property	(1) At the transfer of the property rights and its dismemberments, by legal acts between living, on the constructions of any kind and their associated land, as well as on the lands of any kind without any construction, taxpayers owe a tax which is calculated as follows: a) for the constructions of any kind and their associated land, as well as on the lands of any kind without any construction, acquired within a period of up to 3 years inclusively: (i) 3% up to value of 200.000 lei inclusively; (ii) over 200.000 lei, 6.000 lei + 2% calculated on the amount exceeding 200.000 lei inclusively; b) for the real estates listed in subparagraph a), acquired at an earlier date than 3 years: (i) 2% up to value of 200.000 lei inclusively; (ii) over 200.000 lei, 4.000 lei + 1% calculated on the amount exceeding 200.000 lei inclusively.	(1) At the transfer of the property rights and its dismemberments, by legal acts between living, on the constructions of any kind and their associated land, as well as on the lands of any kind without any construction, taxpayers owe a tax of 3% calculated on the difference between the purchase price or the value of the estate, where appropriate, and the selling price. If the difference is negative, no tax is due.
CHAPTER XI - Annual taxable net income	Art. 123 - The establishment and payment of the annual tax due	(2) Taxpayers may decide on the destination of an amount of the annual tax to support non-profit entities that are established and operate under the law, religious units, as well as private scholarships, in accordance with the law, amount representing up to 2% of the tax on the annual taxable net income, annual taxable net gain determined according to art. 119.	(2) From the tax on the annual taxable net income, annual taxable net gain determined according to art. 119., taxpayers may decide on the destination of an amount representing up to 2% to support non-profit entities that are established and operate under the law, religious units, as well as private scholarships, in accordance with the law, either up to 4%, for supporting the private

		<p>(3) Taxpayers who realized income from independent activities/agricultural activities imposed based on income norm, and/or lease of goods, which do not have to submit the declaration on income, can provide the destination of an amount to support non-profit entities that are established and operate under the law, religious units, as well as private scholarships, in accordance with the law, amount representing up to 2% of the tax on the annual income.</p> <p>(4) The competent fiscal body is obliged to calculate, withhold and pay the amount representing up to 2% of the tax for:</p> <ul style="list-style-type: none"> a) annual taxable net income; b) annual taxable net gain determined according to art. 119; c) income mentioned in para. (3). 	<p>providers of social services referred to in art. 37 para. (3) a) and b) of Law no. 292/2011 on social assistance.</p> <p>(3) From the tax on the annual income, taxpayers who realized income from independent activities/agricultural activities imposed based on income norm, and/or lease of goods, which do not have to submit the declaration on income, can provide the destination of an amount representing up to 2% to support non-profit entities that are established and operate under the law, religious units, as well as private scholarships, in accordance with the law, either up to 4%, for supporting the private providers of social services referred to in art. 37 para. (3) a) and b) of Law no. 292/2011 on social assistance.</p> <p>4) The competent fiscal body is obliged to calculate, withhold and pay the amount representing up to 2% or 4%, as the case, of the tax for:</p> <ul style="list-style-type: none"> a) annual taxable net income; b) annual taxable net gain determined according to art. 119; c) income mentioned in para. (3).
TITLE VII – The Value Added Tax			
CHAPTER VIII - The tax rates	ART. 291 – The rates	There are no letters h), i), j), k), l) at para. (2).	<p>(2) The reduced rate of 9% applies to the base of taxation for the following supplies of services and/or goods delivered:</p> <ul style="list-style-type: none"> h) sewerage services; i) production, transmission, distribution and supply of heat in centralized system; j) the supply of electricity; k) delivery of natural gas; l) the public service of sanitation for localities.

TITLE IX - Local taxes

CHAPTER I - General provisions	ART. 453 - Definitions	There is no para. (2).	(2) For the purposes of this title, individuals doing business under the Government Emergency Ordinance no. 44/2008 on economic activities by authorized individuals, individual enterprises and family businesses, as amended and supplemented, shall be assimilated individual taxpayers.
CHAPTER II – Tax on buildings	ART. 456 - Exemptions	(1) The tax on buildings is not payable for the following: d) buildings that by their destination are cult premises belonging to religious cults recognized by law and parts of their local components, with the exception of enclosures that are used for economic activities.	(1) The tax on buildings is not payable for the following: d) buildings that by their destination are cult premises belonging to religious cults recognized by law and parts of their local components, with the exception of enclosures that are used for economic activities, halidom; under the denomination of buildings which by destination, constitute houses of worship meaning churches, places of praying, prayer houses and their annexes; Church’s annexes refers to any place that has the constitutive elements of a building, ownership of a legally recognized religion or religious association, such as: belfry, the parochial chancellery, holy water basin, mortuary chapel, the place where to lit and sale candles, trinity, warehouse to store cult objects, places for social-charitable events, xenodochium, hermitage, dining hall, places for ecclesiastical-administrative activities, Hierarch resident and others like it; by institution of social-charitable is understood a social service organized in accordance with the classification of social services, approved by Government Decision no. 867/2015.

CHAPTER II - Tax on buildings	ART. 456 - Exemptions	After letter d), paragraph (2), there is no letter d ¹).	After the letter d), para. (2) is introduced a new paragraph d ¹ . Local councils may decide to grant exemption or reduction of the building tax owed for the following buildings: d) buildings used exclusively by non-profit companies for activities without economic purpose; d¹) buildings that are public or private property of the administrative territorial units assigned to develop sports activities, leased, rented, or given into administration or in use, as appropriate.
CHAPTER II - Tax on buildings	ART. 456 - Exemptions	(3) The exemption or reduction of tax established under paragraph (2) shall apply from January 1st of the following year in which the person submitted the supporting documents.	(3) The exemption or reduction of tax established under paragraph (2) shall apply from the first day of the month following the one in which the person submitted the supporting documents. The competent fiscal authority shall recalculate the tax due to/due proportion to the period from the beginning of the fiscal year, regulates the amount paid with the taxpayer's agreement compensated by other taxes due, and the remaining amount, if any, shall be refunded.
CHAPTER II - Tax on buildings	ART. 458 – Computation of tax on non-residential buildings owned by individuals	1) For non-residential buildings owned by of individuals, the building tax is computed by applying a rate between 0.2 to 1.3% on the value that can be: a) the amount arising from an evaluation report compiled by an authorized evaluator during the last 5 years preceding the reference year submitted to the local tax authorities until the first payment in the reference year; b) the final value of construction works, for new buildings, built in the last 5 years prior to reference year;	1) For non-residential buildings owned by of individuals, the building tax is computed by applying a rate between 0.2 to 1.3% on the value that can be: a) the amount arising from an evaluation report compiled by an authorized evaluator; b) the final value of construction works, for new buildings; c) value of the buildings resulting from the act that transfer ownership right, for acquired buildings. (3) For non-residential buildings owned by

		c) value of the buildings resulting from the act that transfer ownership right, for buildings acquired in the last 5 years preceding the reference year. (3) For non-residential buildings owned by individuals, used for work in agriculture, property tax is calculated by applying a rate of 0.4% on the taxable value of the building.	individuals exclusively used for agriculture activities, tax on building is calculated according to art. 457.
CHAPTER II -Tax on building	ART. 458 – Computation of tax on non-residential buildings owned by individuals	After paragraph 1 of Article 458, there aren't (1 ¹) and (1 ²)	(1¹) The value of non-residential buildings is annually updated by the local authority. (1²) The calculated value may be challenged in an administrative contentious based on an independent authorized assessment.
CHAPTER II -Tax on building	ART. 459 – Computation of tax on property for mixed-purpose owned by individuals	2) If the building is recorded at fiscal residence to which any economic activity is not conducted, the tax is calculated according to art. 457.	2) If the building is recorded at fiscal residence to which any economic activity is not conducted, except liberal professions , the tax is calculated according to art. 457.
CHAPTER III Tax on land	ART. 464 - Exemptions	At paragraph (2), after letter f), there isn't letter f ¹)	(2) Local councils may decide to grant tax exemption or reduction land tax due for: f¹) lands for buildings publicly or privately owned by the administrative - territorial units with the purpose of developing sports activities, leased, rented, let it be in administration or in use, where it's appropriate.
CHAPTER III Tax on land	ART. 464 - Exemptions	(3) The exemption or reduction of tax established under paragraph (2) shall apply from the first day of the year following the one in which the person submitted the supporting documents.	(3) The exemption or reduction of tax established under paragraph (2) shall apply from the first day of the month following the one in which the person submitted the supporting documents The competent fiscal authority shall recalculate the tax due to/due proportion to the period from the beginning of the fiscal year, regulates the amount

			paid with the taxpayer's agreement compensated by other fees/taxes due, and the remaining amount, if any, shall be refunded.																																																																																		
CAPITOLUL III – Tax on land	ART. 465 - Computation of tax on land	<p>(2) For a plot of land located in an urban area, recorded in the agricultural registry in the “building land” category and for a plot of land recorded in the agricultural registry in any category other than “building land” with construction with a total area of less than or equal to 400 sqm, the tax on land is established by multiplying the surface of the terrain expressed in ha with the corresponding sum provided in the following table:</p> <table border="1"> <thead> <tr> <th rowspan="2">Area in the localities</th> <th colspan="6">Levels of tax, according to localities ranks (Ron / ha)</th> </tr> <tr> <th>0</th> <th>I</th> <th>II</th> <th>III</th> <th>IV</th> <th>V</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>8282-20706</td> <td>6878-17194</td> <td>6042-15106</td> <td>5236-13090</td> <td>711-1788</td> <td>569-1422</td> </tr> <tr> <td>B</td> <td>6878-17194</td> <td>5199-12998</td> <td>4215-10538</td> <td>3558-8894</td> <td>569-1422</td> <td>427-1068</td> </tr> <tr> <td>C</td> <td>5199-12998</td> <td>3558-8894</td> <td>2668-6670</td> <td>1690-4226</td> <td>427-1068</td> <td>284-710</td> </tr> <tr> <td>D</td> <td>3558-8894</td> <td>1690-4226</td> <td>1410-3526</td> <td>984-2439</td> <td>278-696</td> <td>142-356</td> </tr> </tbody> </table>	Area in the localities	Levels of tax, according to localities ranks (Ron / ha)						0	I	II	III	IV	V	A	8282-20706	6878-17194	6042-15106	5236-13090	711-1788	569-1422	B	6878-17194	5199-12998	4215-10538	3558-8894	569-1422	427-1068	C	5199-12998	3558-8894	2668-6670	1690-4226	427-1068	284-710	D	3558-8894	1690-4226	1410-3526	984-2439	278-696	142-356	<p>(2) For a plot of land located in an urban area, recorded in the agricultural registry in the “building land” category the land tax is established by multiplying the surface of the terrain expressed in ha with the corresponding sum provided in the following table:</p> <table border="1"> <thead> <tr> <th rowspan="2">Area in the localities</th> <th colspan="6">Levels of tax, according to localities ranks (Ron / ha)</th> </tr> <tr> <th>0</th> <th>I</th> <th>II</th> <th>III</th> <th>IV</th> <th>V</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>8282-20706</td> <td>6878-17194</td> <td>6042-15106</td> <td>5236-13090</td> <td>711-1788</td> <td>569-1422</td> </tr> <tr> <td>B</td> <td>6878-17194</td> <td>5199-12998</td> <td>4215-10538</td> <td>3558-8894</td> <td>569-1422</td> <td>427-1068</td> </tr> <tr> <td>C</td> <td>5199-12998</td> <td>3558-8894</td> <td>2668-6670</td> <td>1690-4226</td> <td>427-1068</td> <td>284-710</td> </tr> <tr> <td>D</td> <td>3558-8894</td> <td>1690-4226</td> <td>1410-3526</td> <td>984-2439</td> <td>278-696</td> <td>142-356</td> </tr> </tbody> </table>	Area in the localities	Levels of tax, according to localities ranks (Ron / ha)						0	I	II	III	IV	V	A	8282-20706	6878-17194	6042-15106	5236-13090	711-1788	569-1422	B	6878-17194	5199-12998	4215-10538	3558-8894	569-1422	427-1068	C	5199-12998	3558-8894	2668-6670	1690-4226	427-1068	284-710	D	3558-8894	1690-4226	1410-3526	984-2439	278-696	142-356
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D	3558-8894	1690-4226	1410-3526	984-2439	278-696	142-356																																																																															
CAPITOLUL III – Tax on land	ART. 465 - Computation of tax on land	<p>(2¹) If a taxpayer who owns more land areas located in the urban area of the same unit / territorial-administrative subdivision, the surface of 400 m² referred in the para. (2) is calculated only once, by summing up land areas, in descending order.</p>	Para (2 ¹) is repealed.																																																																																		
CAPITOLUL III – Tax on land	ART. 465 - Computation of tax on land	<p>(3) In the case of land located in urban area, recorded in the Agricultural Register to another category of use than that of land with buildings, for the area exceeding 400 m², the land tax / land fee is determined by multiplying the and area, expressed in hectares by the corresponding amount as referred by the para. (4), and this result is multiplied by the corresponding correction coefficient as referred to in para. (5).</p>	<p>(3) In the case of land located in urban area, recorded in the Agricultural Register to another category of use than that of land with buildings, the land tax / land fee is determined by multiplying the and area, expressed in hectares by the corresponding amount as referred by the para. (4), and this result is multiplied by the corresponding correction coefficient as referred to in para. (5).</p>																																																																																		

ANNEX 2

General assumptions:

1. The starting point for estimating the revenue loss involved by the legislative proposal is represented by the household expenditure with the considered services for applying a reduced VAT rate of 9%, extracted from the NIS publication "Coordinates of living standard in Romania. Population income and consumption in 2014".
2. The input data refer to the money spent on electrical and thermal energy, natural gas, water, sewerage, sanitation and communal services (Table 75 of the above mentioned publication), from which the household expenditure for water supply (already in the scope of the reduced VAT rate of 9%) were deducted. They were calculated using the data provided by NIS "The amount of drinking water supplied to consumers on macro-regions development areas and counties in the year 2014", on which we applied an average tariff for the distribution of cold water at the national level (data provided by the agency Apa Nova) and the number of people in the year 2014, according NIS data.
3. The resulting data are expressed in monthly expenditure per person and include VAT. These data were converted to the total expenses net of VAT, considering the VAT rate of 24% and the number of people in the year 2014.
4. We assumed that the measure will enter into force starting January, 1, 2017. To determine the budgetary impact for the period 2017-2019, the estimated revenue loss for the year 2014 was extrapolated with the growth of the household final consumption expenditures related to payment for services recorded or projected by NCP for the period 2015-2019, and considering that in 2017 the standard VAT rate will be 19%.

	No.	2014
Expenses for the electrical energy (lei/person /month)	1	32.2
Expenses for the thermal energy (lei/person /month)	2	5.5
Expenses for the natural gas (lei/person /month)	3	17.6
Expenses for water, sewerage, sanitation and communal services (lei/person /month)	4	20.1
Expenses for water (lei/person /month)	5	13.3
Expenses for the considered services for applying a reduced VAT rate of 9% (lei/person /month)	$6=1+2+3+4-5$	62.2
Expenses for the considered services for applying a reduced VAT rate of 9% net of VAT (lei/person /month)	$7=6/1.24$	50.2
Population (million inhabitants)	8	19.9
Total annual expenses for the considered services for applying a reduced VAT rate of 9% net of VAT (million lei)	$9=7*8*12$	12013.2
Annual revenue loss due to the application of a reduced VAT rate of 9% (million lei)	$10=9*0.10$	1201.3

The impact of applying a reduced VAT rate of 9% for electrical and thermal energy, natural gas, sewerage, sanitation and communal services						
	2014	2015	2016	2017	2018	2019
Annual revenue loss due to the application of VAT rate of 9% (million lei)	1,201.3	1,291.2	1,376.0	1,480.9	1,590.7	1,700.5

The growth of household final consumption for services	
2015/2014	7.48%
2016/2015	6.57%
2017/2016	7.62%
2018/2017	7.42%
2019/2018	6.90%