



Fiscal Council's Opinion on the legislative proposal on amending and supplementing Law no. 227/2015 on the Fiscal Code - L676 / 2020 (extension of fiscal facilities for constructions in the shipbuilding sector)

On November 18th, 2020, the Fiscal Council (FC) received the address of the Romanian Senate no. XXII / 671 dated 18.11.2020, by which it is requested, in accordance with the provisions of Law on fiscal responsibility no. 69/2010 republished (FRL), the opinion on a parliamentary initiative on amending and supplementing Law no. 227/2015 on the Fiscal Code, with subsequent amendments and completions and establishing fiscal-budgetary measures - L676 / 2020.

In relation to the present request, are relevant the provisions of art. 21 of the FRL, according to which "in cases where proposals are made for normative acts that lead to a decrease in budgetary revenues, the financial statement will be prepared according to the provisions of art. 15 of Law no. 500/2002, as subsequently amended and supplemented, which must meet at least one of the following conditions:

a) to have the approval of the Ministry of Public Finance and the Fiscal Council, according to which the financial impact has been taken into account in the budget revenue forecast and does not affect the annual and medium-term budgetary targets;

b) to be accompanied by proposals for measures to compensate for that financial impact, by increasing other budgetary revenues."

Brief description of the legislative proposal

The legislative proposal subject to examination by the Fiscal Council envisages the extension of the fiscal facilities applicable - until 31.12.2028 - to employees in the construction sector also to employees in the shipbuilding sector. More specifically, it concerns the reduction of the social security contribution by 3.75% (from 25% to 21.75%) and the exemption from the payment of social health insurance contributions (amounting to 10% of the gross salary at present), as well as from the payment of personal income tax (at a rate of 10%). These facilities are accompanied by the increase of the minimum gross salary in this sector to 3,000 lei, just as in the case of the facilities granted to the construction sector at present. The proposal takes into account the applicability starting with 1.01.2021. Considering the above, the provisions of this legislative proposal will lead to a decrease in budget revenues in the period 2021-2028.

Budgetary impact of the proposal

Although the legislative proposal is not accompanied by a financial statement setting out its impact on the general consolidated budget, the attached explanatory memorandum states that it would be insignificant. Also, the number of employees in the shipbuilding sector at the level of 2018 of 32,203 persons is mentioned, as well as the average gross salary at the level of the same year of RON 5,264.

According to FC calculations, these values are compatible with a budgetary impact of reducing budget revenues calculated for 2018 by about 0.4 billion lei. Considering also the salary increases from 2019-2021 (realized and forecasted) by the National Commission for Strategy and Prognosis of about 26.5%, the budgetary impact of the proposal in 2021 would be about 0.5 billion lei, an amount which, in the opinion of the FC, cannot be considered as insignificant.

Assessments of the Fiscal Council regarding the legislative proposal

- Regarding the opportunity of the legislative project, the Fiscal Council has no attributions in deciding, in the conditions in which the establishment of the modalities of supporting some sectors of activity represents the prerogative of the Parliament, the Government or of other institutions.
- Regarding the compliance with the provisions of art. 21 of the FRL described above, the Fiscal Council has the following observations:
 - The legislative proposal is not accompanied by the financial statement in which its impact on the general consolidated budget is presented. The elements presented in the substantiation note, from the perspective of the budgetary impact, are insufficient. In the FC's view, the budgetary impact of this proposal cannot be considered insignificant, as argued above.
 - In order for the premises for the issuance of the FC endorsement to be met, it is necessary that:
 - The proposal must be accompanied by an impact on the budget revenue forecast, together with an indication of the elements leading to the achievement of the annual and medium-term budgetary targets, *or*
 - The proposal should be accompanied by measures to compensate for the respective financial impact, by increasing other budget revenues.
 - Given that no sources of compensation are foreseen for the negative financial impact on the overall consolidated budget of the measure (impact which the FC does not consider to be insignificant), as well as in the absence of a financial statement or a complete budgetary projection showing that the proposal does not

affect the medium-term budgetary targets, the FC cannot endorse this legislative proposal.

The opinions and recommendations formulated above by the Fiscal Council were approved by the Chairman of the Fiscal Council, according to the provisions of art. 56, para (2), lit. d) of Law no. 69/2010 republished, after being agreed by Council members, through vote, on November 26th, 2020.

November 26th, 2020

Chairman of the Fiscal Council

Professor DANIEL DĂIANU