

Progress Report on Fiscal Policies

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Fiscal Code changes

After a week-long of speculations, on Monday, November 6, [Prime Minister Mihai Tudose](#) said that Government's extraordinary sitting dedicated to the fiscal reforms announced at the end of October was postponed once more. Initially scheduled for Friday (November 3), then postponed for Monday (November 6), the extraordinary sitting was once more postponed and PM Tudose could not tell whether fiscal reforms are going to be included on the agenda of this week Government's sitting. A couple of hours later, on his way to the Senate's plenum where the simple motion against him was read, [FinMin Ionuț Mișa said](#) to the press that the GEO amending the Fiscal Code is going to be discussed this Wednesday (November 8).

On Monday, October 30, following a meeting of the ruling coalition, PSD leader Liviu Dragnea announced that the [changes to the Fiscal Code](#) and the Tax Procedure Code will pass a Government Ordinances and they will be presented after the Government Sitting. The Government meeting was scheduled for Friday, November 3, however it was postponed, governmental sources explaining for the media that the draft projects did not have all necessary notices. [The Social and Economic Council](#) as well as the [Fiscal Council](#) issued negative notices. The announced measures were heavily criticized by [worker's unions](#), business environment and [President Klaus Iohannis](#).

Political reactions

During a press conference organized on November 2, [President Klaus Iohannis](#) criticized the announced tax package arguing that instead of bringing a fiscal revolution, it will become a fiscal turmoil. The President urged the governing coalition to not engage Romania into an "economic adventure".

Friday, November 3, PSD's Eugen Teodorovici, chair of the Senate's Committee for Budget, stated the [Government should not modify the Fiscal Code](#) through emergency ordinances. Teodorovici stated that a draft project debated by the two specialty Committees within the Parliament would indeed help the economy. Alongside PNL's Florin Cățu, Teodorovici also reacted against fiscal amendments on Monday, November 6.

PNL's president [Ludovic Orban](#) announced on Friday that National Liberals initiated consultations in order to establish an action plan, which might include street protests.

Labor unions' reactions

Following the National Tripartite Council meeting, [Bogdan Hossu](#), chair of the Cartel Alfa Labor Union, said that the fiscal changes reflect on net wages. Hossu also accused the Government

of refusing to issue a mandatory note which would force employers to increase gross wages. Minister of Labor [Lia-Olguța Vasilescu](#) contradicted Bogdan Hossu by once again arguing that wages will not decrease and accused him of misinterpreting the statements from officials and representatives of employers' unions. Hossu's statement on the decrease of wages and the Government not issuing the note for employers, is backed by a [press release](#) issued on October 31, by the National Unionist Block after the National Tripartite Council.

On November 2, during a second meeting of the National Tripartite Council, [Prime Minister Tudose](#) also reiterated the idea that no wage is going to go down after the transfer of contributions. The same day, CNSLR-Frăția begun the procedures towards [general strike in the national economy](#). The main reasons behind the decision are the decrease of all wages and the loss of jobs generated by amendments to the Tax Code.

Business environment's reactions

The [Romanian-American Chamber of Commerce](#) criticized the announced measures, arguing that they are creating instability and confusion in the business environment, and recommended the Government to follow regular legislative procedures, as the measure are too complex to be adopted through Government Emergency Ordinances. Daniel Anghel, tax coordinator with the [Coalition for Romania's Development](#), contradicted PM Tudose's statements on Government consulting with the business environment. Anghel said that 2017 should be an example on how not to approach fiscal policies.

Alex Milcev, tax and law services leader at [EY Romania](#), said that the fiscal changes announced over the course of the past six months discourage investors, despite Romania being an attractive tax jurisdiction.

[Florin Jianu](#), former Minister for the Business Environment, and president of the National Council for SMEs, stated that according to a questionnaire answered by approximately 400 entrepreneurs, 82% of business people do not have the necessary capabilities to increase the minimum salary, and 60% will have lay-offs.

Split VAT

On Monday, October 30, the Senate's Committee for Budgets issued a favorable report for approving the [Law on Split VAT](#). The report includes the Government's amendments which make the Split VAT mandatory for companies in insolvency or those who are behind with their taxes. On October 31, [the Senate adopted the draft bill](#), which will now be submitted for debate with the Chamber of Deputies.

Public Private Partnership

Monday, November 6, [Prime Minister Mihai Tudose](#) announced that the draft bill for the public-private partnership will be adopted during the Government Sitting from this week, or the following week.

On October 31, Ilan Laufer, Minister for the Business Environment, announced that the draft bill on amending the [public-private partnership law](#) is finalized. Minister Laufer said that after the project will receive the necessary notices from Ministries, it will be presented as a draft emergency ordinance during a Government Sitting.

The public-private partnership is supported by the National Council for Small and Medium Size Enterprises (CNÎPMMR). [Florin Jianu](#), the Council's chair, says that Romania will only be able to modernize through such partnerships, as the state lacks activity and interest, stated Jianu.

2018 State budget

Monday, October 31, following a meeting of the governing coalition, Liviu Dragnea announced that the 2018 state budget project will fall within the 3% deficit threshold. Dragnea said that the [draft bill will be submitted to the Parliament](#) by the middle of November, so that by the end of the month, beginning of December the latest, the draft bill to be adopted.

Weekly developments

- On November 1, 2017, [Eleodor Mandres](#) was appointed State Secretary within the Ministry of Public Finances, replacing Maria-Elena Georgescu.
- On October 31, PNL submitted a [simple motion against the Minister of Finances](#), Ionuț Mișa. The motion was read in the Senate on Monday, November 6.
- On Friday, November 3, Liviu Dragnea announced that the [non-payment of employees' contributions](#) by the employer will be considered a crime.
- Valentin Lazea, head economist with BNR said that due to pro-cyclical fiscal policies, the Government was forced to [significantly reduce investments](#).
- Monday, October 30, PSD's Liviu Dragnea said that the measure on [eliminating the income tax](#) for wages under RON 2,000, most probably will not be introduced in 2018, however the announced fiscal changes will have a similar effect.
- According to data released by the National Prognosis Committee, [Romania's economic growth](#) for 2017 was revised upwards to 6.1% from the previous prognosis of 5.6%.
- A [study](#) commissioned by Provident Financial Romania, 7 Romanians out of 10 believe that multinational companies are essential for economic development.

- Deloitte Romania's director, Daniel Petre, claims that Romanian authorities chose more restrictive conditions than those imposed by the [Anti-Tax Avoidance Directive](#).
- PNL leader, Ludovic Orban asked the Government to assign funds for co-financing public projects, as well as a [guarantee fund for private enterprises](#).

Legislative developments

- On November 6, 2017, the [Draft bill for the modification of Law No. 227/2015 on Fiscal Code](#), which proposes the exemption from tax for buildings which are classified as historic, archeological or architectural monuments, was promulgated by the President of Romania, becoming Law no. 209/2017.
- On November 2, 2017, the Committee for Budget, Finance, Banking and Capital Market issued a favorable report for the [legislative proposal](#) for the annulment of certain fiscal duties.
- On November 2, 2017, the Committee for budget, Finances and Banks issued a favorable report for the [Draft Bill](#) amending and supplementing Law no. 207/2015 regarding the Fiscal Procedure Code, which imposes transparency requirements on multinational enterprise groups.
- On October 31, 2017, the [draft bill on prevention](#) was adopted by the Senate's Plenum. The bill was sent to the Chamber of Deputies, decision-making legislative body.
- On October 31, 2017, the Senate's Plenum adopted the draft bill for the approval of the [Ordinance no. 23/2017 on Split VAT](#).