

ROMANIA

Title of the policy or measure (in English)	Changes in the Fiscal Code
Case study/good practice name	Changes in the Fiscal Code – a tool to classify the independent activities and a new level of taxation for authorised natural persons (self-employed workers).
Country	Romania
Sectors	All sectors
Target Groups	All entities which carry economic activities
Short sentence summarising the measure	In July 2015, seven criteria defining the independent activity were introduced into the Fiscal Code. This was followed by the introduction of a new taxation level for self-employed workers, which was announced in September 2015 and implemented in January 2016. The new level of taxation reduces the difference in the tax rates that apply to employees and the self-employed.
Background	
Background context driving the implementation of the measure	Until July 2015, the Fiscal Code used four criteria to define dependent activity. Yet, it was difficult to make a clear distinction between dependent and independent activities. For this reason, seven new criteria to define an independent activity were introduced into the new Fiscal Code in July 2015. This measure was adopted in a context in which there was a large difference between the tax rates that applied to employees and employers and those that applied to self-employed persons.
When was the measure implemented? (including start date and end date/ongoing)	July 2015/ Ongoing – The seven criteria used to define the independent activity were introduced into the new Fiscal Code. January 2016/ Ongoing – The new level of taxation in place for self-employed workers was introduced into the new Fiscal Code.
Names(s) of authorities/bodies/ organisations involved	National Agency for Fiscal Administration (ANAF)
Scope of the measure (a pilot project, nationwide, regional wide)	Nationwide
Type of (policy) measure	These are fiscal measures, introducing a tool for classifying economic activities as dependent or independent and a new level of taxation for self-employed workers.
Key objectives of the measure	The objective is to ensure that the level of taxation is correctly calculated by those carrying economic activities and probably to reduce the financial incentive to employ workers on a BSE basis.

Specific measure	
Description of how the measure operates in practice	<p>From January 2016, all self-employed have to pay social contributions (i.e. those having another job, retired people, and those having an income lower than the minimum wage are not anymore exempted as were in the previous period). Also, the income for which the self-employed wish to be ensured is no longer optional.</p> <p>The definition of dependent activity, and new criteria to define independent activity were introduced by Law no. 227/2015 into the new Fiscal Code. As such, dependent activity is defined as “any activity undertaken by a natural person in an employment relationship which generates income” (Article 7.1.). An independent activity is defined as “any activity conducted by a natural person in order to obtain income, which meets at least four of the seven criteria mentioned in the law: (1) The individual has the freedom of choice of where and how to work, as well as the freedom to choose the work program; (2) The individual has the freedom to have more than one customer; (3) Inherent risks of the business are assumed by the individual; (4) Work is performed by using individual’s assets; (5) Work is performed by the individual through the use of intellectual and/ or physical skills; (6) The individual is member of a professional body; (7) The individual has the freedom to conduct the activity directly with employees or in collaboration with third parties according to the law”.</p> <p>If after an inspection performed by the National Fiscal Administration Agency (ANAF) of the Ministry of Public Finances the minimum number of four criteria is not met, the taxes due are recalculated in line with the regulation in place for the dependent activity, plus penalties.</p>
Which groups are targeted by the measure?	<p>All entities carrying out economic activities (including self-employed persons) for the criteria which distinguish between dependent and independent activities.</p> <p>The self-employed workers for the new level of taxation in place.</p>
What resources and other relevant organisational aspects are involved?	Specialised staff from ANAF.
What are the source(s) of funding?	National budget.
Evaluation and outcome	
Has the measure achieved its objectives?	<p>After the new legislation was announced, the monthly growth rate of the active self-employed workers started to decrease, whilst the growth trend for other forms of companies remained positive. Simultaneously, the number of former and inactive self-employed workers recorded each month increased. Before the new legislation, 50% of Romanian counties reported between 22 and 60 closed or inactive self-employed workers per month. After the new legislation was announced, only 21% of Romanian counties reported between 22 and 60 closed or inactive self-employed workers per month, 64% between 60 and 150 and 15% over 150. Thus, the evidence suggests that the new legislation led to</p>

	a decrease in bogus self-employment in Romania (figures calculated using data from the Romanian National Trade Register Office).
Assessment method (including indicators used to measure its impact), and the outputs and outcomes achieved	No public report is available with the effects produced by the changes in the Fiscal Code.
What are lessons learnt and the key conditions for success?	No assessment has been carried out.
Level of transferability (e.g. other countries/groups/sectors)	This is a transferable measure. Other countries could introduce similar criteria/tools to assess if an economic activity is dependent or independent as well as efforts to diminish the financial incentive of bogus self-employment.
Contacts	
Sources	<p>Romanian Fiscal Code, Available at : https://static.anaf.ro/static/10/Anaf/legislatie/Cod_fiscal_norme_2016.htm</p> <p>Romanian National Trade Register Office, Active Self-employed workers, Available at: http://www.onrc.ro/index.php/ro/statistici?id=244</p>
Metadata and key words for online search	Fiscal reform, Independent activity, Taxation