

## Tax Alert

August 14th, 2020



### Summary:

The Emergency Order no.130/2020 regarding some measures for granting financial aid from foreign non-reimbursable funds, due to the Operation Program Competitiveness 2014-2020, on the background of the crisis generated by the COVID-19 disease, as well as other measures in the field of EU funds

Annexes: 1 ÷ 4

## ***ECOVIS Romania: HR & Payroll Services***

Esteemed Partner,

On August 6th, 2020 The Emergency Order no.130/2020 came into act. It refers to some measures for granting financial aid from foreign non-reimbursable funds pertain to the Operational Program Competitiveness 2014-2020, on the background of the crisis generated by the COVID-19 disease, as well as other measures in the field of EU funds.

This Emergency Order regulates the general framework for granting financial aid form foreign non-reimbursable funds to SMEs, authorized individuals and to individual medical practices whose activity was affected by the spread of the SARS-CoV-2 virus or whose activity was suppressed by the military orders issued during the state of emergency or they were restricted during the state of alert.

### **I. The support from foreign non-reimbursable funds stipulated by the Order refers to:**

#### **For small and mid-sized enterprises:**

- a) micro-grants granted from foreign non-reimbursable funds as a lump sum;
- b) grants for working capital granted as a lump sum and as a percentage of the turnover;
- c) grants for production investments granted from foreign non-reimbursable funds based on the evaluation of the registered investment project.

#### **For authorized individuals (PFA) and individual medical cabinets (CMI):**

- a) micro-grants granted from foreign non-reimbursable funds as a lump sum;

### **1. The micro-grants are granted to the following categories of beneficiaries:**

- a) small and mid-sized enterprises which prove through the registered financial situations that they did not have employees with individual employment contract at December 31st, 2019;
- b) PFA, NGOs with economic activity in one of the domains listed in **Annex 1**;
- c) PFA/CMI, if they were involved in the transportation, procurement, evaluation, diagnostic and treatment of patients diagnosed with COVID-19, which did not benefit of the incentive for medical domain granted based on the Emergency Order of the Cabinet no. 43/2020 for approving relief measures reimbursed from European funds, as a consequence of the spread of the COVID-19 disease, during the state of emergency period, approved with changes and additions through the Law no. 82/2020.

## ***ECOVIS Romania: In-Cloud Accounting***

**The micro-grants have the value of 2.000 euro and they are granted one-time only**, as a lump sum. The funds allocated for granting micro-grants under POC 2014–2020 are in a total amount of 100.000.000 euro. From this total, 85.000.000 euro are allocated from the budget POC 2014–2020 and 15.000.000 euro as co-financing from the state budget.

**The micro-grants** are allocated, based on the contract for granting the state aid, to the beneficiaries who fulfill the following conditions cumulatively:

- a) They have conducted current/operational activity for at least one calendar year before the date of registration of the financing request, with the exception of PFA/CMI—in such cases, the beginning of activity is accepted to have happened until February 1st, 2020;
- b) They have derived in the financial year prior to the registration of the financing request a turnover of at least the equivalent in lei of 5.000 euro at the date of the registration of the financing request, with the exception of PFA, NGOs, CMI;
- c) They maintain their activity for a period of at least 6 months after the granting of the aid as a micro-grant.

**The beneficiaries of the micro-grants can use the allocations from the foreign non-reimbursable funds for expenses such as:**

- a) Expenses for materials inventories, commodities, as well as other categories of goods necessary to the current/operational activity conducted by the beneficiaries;
- b) Current and overdue debts to the current providers, including the utilities suppliers, according to the concluded contracts;
- c) expenses with the rent based on a concluded agreement;
- d) expenses with the acquisition of services and maintenance necessary to the current essential activity, excepting the services of consulting, studies and other categories of services which are indirect in relation to the current activity;
- e) expenses regarding the medical protection equipment, including disinfection materials for the protection against the spread of the SARS-CoV- 2 virus;
- f) expenses with the acquisition of inventory assets, including inventory assets such as tangible assets necessary for the restart of current activity;
- g) expenses regarding the acquisition of equipment, machinery, installations, technologies, independent facilities necessary for restarting activity;
- h) expenses with the payment of the debts to the state budget.

### **2.Grants for working capital granted to SMEs**

Through the allocation of grants for the working capital it is understood the granting of foreign non-reimbursable funds as a lump sum. The allocation of the grant for the working capital is made on the basis of a quotation percentage from the turnover, this being intended for the SMEs whose activity was affected by the spread of the SARS-CoV-2 virus or whose activity was prohibited or reduced through military orders during the state of emergency and/or during the state of alert, under the specific conditions mentioned by the current Emergency Order.

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**The value of the aid from foreign non-reimbursable funds for working capital is determined as it follows:**

a) for the SMEs with a turnover due to the year 2019 between 5.000 and 13.500 euro, the value of the grant is of 2.000 euro;

b) for the SMEs with a turnover due to the year 2019 between 13.501 and 1.000.000 euro, the value of the grant is determined in a percentage of 15% of the turnover and it cannot overcome the value of 150.000 euro. For the SMEs with a turnover equivalent to 1 million euro or more, the maximum value of the aid is of 150.000 euro.

If a beneficiary of the state aid grant is in the category of bound enterprises and it has registered more than one financing requests for obtaining the grant necessary for the working capital, the cumulated value of the grant for working capital which will be allocated cannot overcome 250.000 euro (equivalent in lei) at the date of the payment of the grant for working capital. If a beneficiary of a state aid with a status of bound enterprise does not fall into the category of SMEs and it registered only one financing request, the value of the grant for the working capital cannot overcome 150.000 euro at the date of the payment of the grant.

The value of the grants for working capital does not include the co-financing from the beneficiaries of the state aid at the creation of the working capital, in a percentage of minimum 15% of the value of the requested grant.

The funds allocated for the grants intended for the working capital are in a value of 350.000.000 euro, amount which cumulates 265.000.000 euro foreign non-reimbursable funds, 42.500.000 euro as funds from the state budget and the co-participation of 42.500.000 euro from the beneficiaries.

**The grants for working capital are allocated**, on the basis of a contract for granting the state aid, to the SMEs from some activity fields: **restaurants, hotels, cafés, food industry and activities assimilated to it, services in the domain of transportation, tourism agencies, publishing houses/bookstores, libraries, creative industries, as well as for the event organizers**, whose current activity was affected by the spread of the SARS-CoV-2 virus or had their activity prohibited or reduced by the military orders during the state of emergency and/or during the state of alert. The list of the eligible activity fields is presented in the **Annex 2**.

(2)The grants for working capital are allocated, on the basis of a contract for granting the state aid, to the **NGOs conducting economy activity in the education field**.

**The grants for working capital are allocated to the beneficiaries who meet simultaneously the following conditions:**

a) They have obtained a certificate for emergency situations on the basis of OUG no. 29/2020 regarding some economy and tax & budget measures, with the subsequent changes;

b) They have registered an operational profit from current activity (from exploitation activity), during one of the last two financial years before the registration of the financing request for obtaining the grant, pursuant to the registered financial situations;



## ***ECOVIS Romania: Consulting for the implementation of ERP and AI***

c) They own their own co-participation at the creation of the working capital in a percentage of at least 15% of the value of the grant at the day of its utilization for working capital;

d) They maintain or, according to each situation, supplement the number of employees, compared to the date of the registration of the request, for a period of minimum 6 months, at the date of the allocation of the grants, with the exception of the situations when the individual employment agreements are concluded for seasonal workers and/or day laborers.

Between August 1st— September 15th, 2020, MEEMA issues certificates for emergency situations, upon request, to the business operators whose activity was affected on the background of the COVID-19 pandemic during the state of emergency (<http://prevenire.gov.ro/>). The certificate for emergency situations issued by MEEMA ascertains, on the basis of the self-responsibility declaration, that the business operator has registered a decrease of its incomes or collection of at least 25% during the month of March, April or May 2020 by comparison with the average of the months of January and February 2020 or the total or partial interruption of activity as an effect of the decisions issued by the competent public authorities during the state of emergency decreed.

### **The beneficiaries can use the grants for working capital for supporting expenses such as:**

- a) Expenses for materials inventories, commodities, as well as other categories of goods necessary to the current/operational activity conducted by the beneficiaries;
- b) Current and overdue debts to the current providers, including the utilities suppliers, according to the concluded contracts;
- c) expenses with the rent based on a concluded agreement;
- d) expenses with the acquisition of services necessary to the current essential activity, excepting the services of consulting, studies and other categories of services which are indirect in relation to the current activity;
- e) expenses regarding the medical protection equipment, including disinfection materials for the protection against the spread of the SARS-CoV- 2 virus;
- f) expenses with the acquisition of inventory assets, including inventory assets such as tangible assets necessary for the restart of current activity;
- g) expenses regarding the acquisition of equipment, machinery, installations, technologies, independent facilities necessary for restarting activity;
- h) expenses with the payment of the debts to the state budget.

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### **3. Grants for investments allocated to SMEs**

**Grants for investments** = aid from foreign non-reimbursable funds for beneficiaries who implement investments in their current activity field or in a different activity field, necessary for:

- a) The extension of the current production capacities, as well as for the extension of the capacities of service providing;
- b) The implementation of new units of the current production capacities, as well as for the implementation of new units for service providing;
- c) The rehabilitation/modernization of the existing production facilities, and for the rehabilitation / modernization of new units for service providing.

**The grants for investments are allocated per project and per beneficiary and they have a value between 50.000 euro and 200.000 euro**, according to the financing needs of the registered investment projects.

The grants for investments do not include the own co-financing of the beneficiaries determined in a percentage of 15% of the value of the grant requested by the beneficiaries from the lesser developed regions and 30% of the value of the requested grant by the beneficiaries from the Bucharest-Ilfov region.

The total funds allocated for the grants for investments are in amount of 550.000.000 euro, din care 415.870.000 euro are allocated from the budget of POC 2014-2020, 62.380.500 as co-financing from the state budget and 71.749.500 euro as own contribution.

**The investment domains include:**

- a) Food industry, bread manufacture, pastry production and other assimilated activities, including the processing, retreating, distribution and packing;
- b) Auto industry and specific auto services, including services of repairing, car washing, etc.;
- c) Energy and equipment / technologies / machinery for energy efficiency;
- d) Constructions, building materials, equipment, specific means of transportation, machinery, construction technology;
- e) Transportation services, including international transportation services;
- f) Services of body beauty treatments;
- g) Repairing and maintenance services;
- h) Tourism, B&Bs, hotels, restaurants and recreation services, including the specific recreation infrastructure;
- i) Manufacture of goods made from metal / wood / furniture;
- j) textile / leather confections;

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- k) Pharmaceutical industry and medical equipment, including medical deposits for interventions in emergency situations;
- l) Creative industries, including in the domain of culture and creative services;
- m) Education services: nursery schools, kindergartens, schools;
- n) Health services: medical cabinets, medical equipment, medical gear, etc.;
- o) Commerce.

The list of the eligible activity domains is presented by Annex no. 3. The investments included for the financing in the above-mentioned domains can be complementary with the investments financed by the European agricultural fund for rural development!

**The grants for investments are granted to the beneficiaries who meet cumulatively the following conditions:**

- a) They have conducted current/operational activity for at least one year before registering the financing request;
- b) They have recorded an operational profit from current activity, respectively from the exploitation activity in one of the financial exercises from the last two years before the registration of the financing request;
- c) They commit themselves to ensure the sustainability of the project, respectively to ensure the conducting of the current/operational activity for a duration of minimum 3 years after the expiration of the duration of the implementation of the project;
- d) They derive minimum 50% of the value of the incomes planned in the business plan additional to the financing request in the first two years of durability, and the difference up to the end of the durability period, respectively the third year;
- e) They have their own **co-financing** of the project in a percentage of **minimum 15%** of the value of the investment project requesting financing for the lesser developed regions, and for the region Bucharest-Ilfov of **minimum 30%** of the value of the project requesting financing;
- f) They commit themselves to provide confirmation regarding the costs fairness for the investments they request state aid for.

The selection criteria for the financing of the investment projects are determined through the decision of AM-POC. They are listed in the Annex 4 and they include:

- a) Evaluation criteria for the lucrativeness of the investment projects (RIR);
- b) Criteria regarding the co-financing of the investment projects;
- c) The proportion between the operational profit and the requested grant;
- d) The affiliation of the activity domain – CAEN code – to the balance of the trade balance.

## **ECOVIS Romania: Financial Audit & Internal Audit Services**

The total budget allocated to the grants for investments, without a co-financing from the beneficiaries, is allotted according to the development of the regions of Romania, as it follows:

- a) **15%** of the value of the budget allocated from foreign non-reimbursable funds for the region **Bucharest-Ilfov** as a more developed region;
- b) **85%** of the value of the budget allocated from foreign non-reimbursable funds for the other **7 regions** lesser developed, through the utilization of the allocation formula of the Regional Operational Program 2014-2020.

**The beneficiaries can use the grants for investments for the financing of the following categories of expenses:**

- a) Expenses for the realization / purchase of constructions, acquisitions of equipment, including IT&C, software technologies, machinery), installations, technologies, independent assets, office & specific furniture, acquisition of land in the limit of 10% of the eligible value of the project, expenses with consulting and design, project management, technical assistance, building site management, expenses with the systematization and the improvement of the land, expenses for the environment, for the connection to utilities, expenses with accessibility, merchandising expenses, participation in fairs, events, conferences, expenses with studies, expenses regarding the intellectual property rights, non-tangibles assets regarding inventions licenses, product brands, software necessary for conducting activity, as well as any other categories of expenses which are in connection with the investment project requesting financing;
- b) Expenses for the creation of deposits of medical equipment, medicine, sanitary materials for interventions in emergency situations;
- c) Expenses for the purchase of equipment, including IT&C equipment, software technologies, technologies, machinery, installations, independent assets, office & specific furniture, inventory items such as fixed assets for existing production units / services providing, as well as non-tangible assets such as invention licenses, products brands, software necessary for conducting of activity.

For the creation, extension, modernization / rehabilitation of the production units / new services and / or existing services are eligible the expense categories stipulated at let. a) and c). If an investment project registered by the beneficiaries includes both rehabilitation / modernization of existing production units / services, and the extension of production units / services, the categories of eligible expenses are mentioned at let. a) and c).

The beneficiaries of grants for production investments in the domain of **transportation services** can use foreign non-reimbursable funds for the financing of to following expense categories as well:

- a) Expenses with the rehabilitation / modernization / extension and/or the realization of yards for existing means of transportation or for those which will be acquisitioned;
- b) expenses with the acquisition of means of transportation for people transportation and for transportation of goods necessary for conducting the transportation activities, with the exception of the means of transportation used as taxi or of those intended for administrative activities of the



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business operator or to the activities of transportation in its own interest;

c) Expenses for the endowment of the existing means of transportation with equipment and technologies leading to the upgrade of comfort / quality of the services of transportation of people and/or goods.

**From the grants for investments are not financed:**

a) Financing requests targeting the rendering of consulting services, studies or other assimilated activities;

b) Financing requests dealing with office spaces or other activities destined to real estate investment, for renting of offices, their leasing or any other forms of exploitation of these;

c) Any other financing requests that are not in connection with the investment domains mentioned above (page 8).

**The expenses generated after the putting in service of the investment project** such as the expenses with salaries, expenses with the acquisition of raw materials, disposable elements, repairing, maintenance and other similar category of expenses **are the responsibility of the final beneficiary of the state aid.**

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***This info is a selection of some elements of new legislation, with a strictly informing purpose. It is not considered professional consulting and, in consequence, we do not assume any responsibility in this respect. For additional questions regarding the situations mentioned above, please do not hesitate to contact us.***

## ECOVIS Romania: One Stop Shop

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### Accounting

- Financial Accounting;
- Preparing & registering tax statements for legal and natural persons, both Romanian and foreign;
- Harmonizing the national financial accounting with the accounting norms of the parent-company;
- Preparing and certifying the annual financial situations;

### Audit

- Financial audit according to ISA;
- Restatement of financial statements prepared according to national regulations, to International Financial Reporting Standards (IAS/IFRS) or Reporting Standards specific to the Client (GAAP);
- Financial audit required by the group's policy;
- Internal audit;
- Audit missions such as: agreed procedures (ISA 4.400), revisions (ISA 2.400), due diligence;

### Payroll & HR

- Payroll services;
- Managing, auditing and registering the personnel files according to legal bindings and to the company's regulations;
- Preparing the job descriptions and of the Internal Order Regulation specific to Client's activity;
- Interface with banking applications and performing of salary payment transactions;
- Staff appraisal and selection for accounting/HR departments;

### Consulting

- Tax consulting
- Assistance for drafting **the transfer pricing file**;
- Consulting for M&A, company restructuring;
- Assistance in implementing IT solutions regarding: financial and management accounting, employees' records, payroll, management reports, etc.;
- Tax registration of various entities and VAT payer registration;
- Tailored information regarding significant law

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