

## **5.5. Step by Step Romania**

### [5.5.1. Step 1: Choose legal form](#)

### [5.5.2. Step 2: Officially Register your Company with the Chamber of Commerce](#)

### [5.5.3. Step 3: Fiscal regulation and Accountancy](#)

### [5.5.4. Step 4: Write a business plan](#)

### [5.5.5. Step 5: Opening a Business Account](#)

### [5.5.6. Step 6: Environmental Protection Laws and Rules and Applying for Permits](#)

### [5.5.7. Step 7: Privacy / Personal Data Protection \(Making a business website\)](#)

### [5.5.8. Step 8: Insurance](#)

### [5.5.9. Step 9: Management of human resources](#)

### [5.5.10. Step 10: Patents and Brands](#)

#### *Introduction*

At the level of 2017, Romania registered a total of 525,660 companies. A large share of the businesses operating in Romania were registered in the services sector, as stated by the official data provided by the National Statistics Institute (INS). The services sector is also the largest employer of the country. Foreign investors should consider the following:

the services sectors has the largest share of the Romanian active companies, accounting for 46.7% of the total enterprises registered here;

it also stands for 35.4% of the total workforce employed in Romania;

the total number of Romanian companies - 525,660 - marked an increase of 5% compared to the previous year;

the Romanian trade sector accounted for a total of 172,000 companies;

79% of the employees in Bucharest, the country's capital city, work in the services sector;

Bucharest had, at the level of August 2018, a total of more than 1 million employees (the city has a population of more than 2 million citizens).

Foreign businessmen who want to set up one of the legal entities should also know that the country has a total of 73,000 multinational groups of companies operating on the local market. Out of these, only a small percentage are represented by companies founded by Romanian businessmen; more exactly, only 5,300.

### 5.5.1. Step 1: Choose legal form

The following legal forms are:

- Societăți comerciale, abbreviated SC (Companies)
- Societăți de persoane (Unincorporated companies, also called Partnerships)
- Societatea în nume colectiv, abbreviated SNC (General Partnership, abbreviated GP)
- Societatea în comandită simplă, abbreviated SCS (Limited Partnership, abbreviated LP)
- Societăți de capitaluri (Incorporated companies, also called Corporations)
- Societatea în comandită pe acțiuni, abbreviated SCA (Company Limited by Shares)
- Societatea pe acțiuni, abbreviated SA (Joint-Stock Company)
- Societăți hibride (Hybrid companies)
- Societatea cu răspundere limitată cu proprietar unic, abbreviated SRL cu proprietar unic
- S.A. (Societate pe Acțiuni): ≈ plc (UK)
- S.C.A. (societate în comandită pe acțiuni): limited partnership with shares
- S.C.S. (societate în comandită simplă): ≈ limited partnership
- S.N.C. (societate în nume colectiv): ≈ general partnership
- S.R.L. (societate cu răspundere limitată): ≈ Ltd. (UK)
- PFA (persoana fizică autorizată): ≈ self-employed (UK) Sole Proprietorship (US)
- O.N.G. (Organizație Non-Guvernamentală): ≈ Non-state pension fund (literally: Non-Governmental Organization)
- Limited liability company "societate cu răspundere limitată" (SRL); joint stock company "societate pe acțiuni" (SA).

The most common legal forms are the SRL (BV, BVBA) and the SA (NV). You choose a legal form:

#### *1. Societate cu răspundere limitată (SRL) - Limited liability company*

Societate cu răspundere limitată, abbreviated SRL (Limited Liability Company) represents the most common way to start a business in Romania and it is also the preferred legal entity of foreign investors registering a Romanian company. It is incorporated with a capital of RON 200. It can be founded by a single shareholder. The main feature of a limited company is obviously that the liabilities of social debts is limited to contributions to subscribed and paid shares. As we presented above, the minimum share capital for a Romanian limited liability company is of RON 200, which has to be divided into shares that have a value of minimum RON 10. The maximum number of partners that can associate in a limited liability company is 50.

These shareholders or associates can be legal entities or natural persons. A Romanian LLC can have one or more directors, who may have full or limited powers; they can be Romanian or foreign citizens. The term of a Romanian director may be limited or unlimited. In case the LLC

has a sole shareholder, then this shareholder can also be an employee of the respective company (in this case a Labor Agreement must be drafted and filed with the Labor Chamber in Romania).

## *2. Societate pe acțiuni (SA) - Public Limited Company*

The SRL can be 100 percent foreign-owned. The directors may also be of foreign origin. The number of participants in an SRL is at least one and at most fifty. A sole shareholder may not be a sole shareholder in more than one SRL. The one-man business also occurs frequently as an SRL in Romania (asociat unic).

The capital contribution can be made both in cash and in kind and amounts to at least 200 lei (1 Ron = 4.75 euros on 8 April 2019).

### *The Romanian “Partnership Limited by Shares” Company – Societatea in Comandita pe Actiuni*

It is not a very common type of Romanian entity. This business form is similar with the “Sleeping Partnership Company” because it needs to be incorporated by at least two shareholders, and just like in the case of the “Sleeping Partnership Company”, the company’s shareholders have different types of liability, and this can be presented by our team of lawyers in Romania.

The main difference between the two types of companies is that the Partnership Limited by Shares Company has a shared capital formed of stocks. The liability for the company’s obligations is different for the shareholders, thus, there are shareholders that are personally liable for the obligations of the company and they are called “comanditari”. Our law firm in Romania can provide further details regarding the rights and the obligations of the company’s founders.

The other types of shareholders, “comanditari”, are liable for the company’s debts only to the amount with which they have participated at the company’s share capital. This business form must be incorporated with a minimum share capital of RON 90,000 (or its equivalent in EUR, which is EUR 19,042). The company can be administrated only by the shareholders that are personally liable for the company’s obligations.

### *What are the advantages of a Romanian SRL?*

Besides the low value concerning the company’s capital, the Romanian SRL provides further advantages to its founders. Our Romanian law firm can provide an extensive presentation on the characteristics of a local SRL, which can be formed with 100% foreign ownership. Other characteristics of the Romanian SRL are the following:

- it can benefit from a fast registration procedure (the company can be formed in a period of three days);
- it can be incorporated by a single shareholder, who can be a foreigner;
- the company’s shares can’t be divided, nor can be sold to the general public;

- it can't be registered by another company, if the Romanian SRL is incorporated by a single shareholder;
- the company must establish an official business address, where it can receive its official correspondence.

*What are the main documents for starting a Romanian SRL?*

The registration procedure for each of the company types available in Romania is rather similar. Differences can appear, however, in the types of documents the investors have to prepare upon the registration of the chosen legal structure. In the case of a Romanian limited liability company, investors must submit the following documents:

- the articles of association and the certificate of incorporation, that must be deposited with the National Trade Register Office;
- in the case in which the company has as shareholders corporate investors, it is necessary to deposit the articles of association of the respective companies;
- excerpts issued by the Trade Register Office operating in the country where the corporate shareholders are registered;
- the file must also contain a letter of creditworthiness, issued by a financial institution;
- the standard application form and copies of the company's representatives' identification documents.

### **5.5.2. Step 2: Officially Register your Company with the Chamber of Commerce**

The registration process for a new legal commercial entity is the primary function of National Trade Register Office (NTR) [Oficiul National al Registrului Comertului (ONRC)], a national authority subordinate to the Ministry of Justice.

The legal framework pertaining to the establishment of new companies is primarily defined by the 31/1990 Law which outlines the necessary documents, procedures and capital requirements. An exhaustive list of documents and procedures is made available by the NTR, both in Romanian and English.

Any new private limited company founded by persons who have not been an associate or shareholder in another company within the European Economic Area can benefit from a waiver on all set-up taxes and tariffs required by the NTR as well as certain other benefits outlined in the 6/2011 Government Emergency Ordinance if they choose to register as an SRL-D (debutant private limited company) microenterprise.

→ [31/1990 Law](#)

→ [6/2011 GEO](#)

→ [ONRC](#)

### *Specific Economic Sector of Start-up*

The activity of any company must fall within a registered and regulated economic sector, as classified by the CAEN (Classification of Activities in the National Economy) nomenclature (code).

Specific authorization procedures and permits may be necessary for a variety of specialized economic activities ranging from food processing, natural resources extraction to telecommunications and medical services.

→ [CAEN](#)

### **5.5.3. Step 3: Fiscal regulation and Accountancy**

#### *Accountancy*

Taxes and contributions owed by companies and individuals are codified into the Fiscal Code, the 227/2015 Law, updated and modified.

The Romanian fiscal regime for companies is defined by four primary taxes that apply either directly to companies, their owners or consumers as well as two taxes paid by employees (and the self-employed).

#### *Corporate Tax*

The corporate tax (16%) payable by all companies on their taxable profit

#### *Dividend Tax*

The dividend tax (5%) which covers dividend payments made by the company to associates or share-holders.

The microenterprise income tax (1-3%) paid by all microenterprises (private limited companies with a gross income of under 1 million Euro per annum which register as a microenterprise) on their gross income in lieu of the corporate tax.

The value added tax (19% or reduced for certain categories) payable by all final consumers, with the option for new companies to be exempt if their gross income is under 65.000 Euro.

Additionally, employees will also pay two taxes on their salary, as follows.

The income tax (10%) payable on taxable income (differs from gross income primarily by being calculated as the income after paying the mandatory social and medical insurance contributions)

The contributions to social (and medical) insurance (25%+10%+2.25% - the last one being paid by the employer)

Certain criteria and conditions apply to all tax regimes with specific information being provided by Ministry of Finance.

→ [Romanian Ministry of Finance](#)

→ [227/2015 Law](#)

#### **5.5.4. Step 4: Write a business plan**

See [Chapter 4](#) and [Chapter 6](#).

#### **5.5.5. Step 5: Opening a Business Account**

If you wish to have a business account with a Romanian bank you must go in person. The deposit of the share capital in an account opened at the time of incorporation can also be done fiduciary.

#### **5.5.6. Step 6: Environmental Protection Laws and Rules and Applying for Permits**

Depending on their economic sector, companies may need to adhere to more stringent or specific rules and regulations regarding environmental protections, especially in the agricultural, energy and industrial areas of activity. As such, a special environmental authorization process may be required with a comprehensive list of economic activities that require such an authorization being made available by the National Environmental Protection Agency through the 1798/2007 Ministerial Order, updated and modified.

Most Romanian environmental protection laws derive directly from European Union directives and environmental protections and are enforced by the National Environmental Protection Agency which is also charged with publishing any and all legislation pertaining to the environment.

→ [National Environmental Protection Agency](#)

→ [1798/2007 MO](#)

→ [European Union Environment Portal](#)

### **5.5.7. Step 7: Privacy / Personal Data Protection (Making a business website)**

#### *Personal Data Protection*

Data protection regulations in Romania are outlined by the 363/2018 Law, which in turn was developed and adopted in order to comply with European Union regulations, specifically the General Data Protection Regulation.

Data protection rules and regulations are enforced by the National Supervisory Authority for Personal Data Processing, which is also the body that is authorized to investigate GDPR complaints.

→ [National Supervisory Authority for Personal Data Processing](#)

→ [363/2018 Law](#)

→ [European Union data protection rules](#)

→ [GDPR](#)

### **5.5.8. Step 8: Insurance**

In Romania all self-employed (authorized persons) and employees are required by law to participate in and be covered by the national insurance systems for retirement and health, and in certain circumstances, unemployment.

Subsequently, while the insurance contribution liability may slightly vary depending on temporary schemes for business start-ups, generally the liability is similar for an authorized person and an employee, the primary difference consisting in the fact that employees have their contributions retained at the source (by the employer) and paid directly, while the self-employed are personally responsible for handling the payments.

### **5.5.9. Step 9: Management of human resources**

In addition to the fiscal provisions pertaining to employees which have already been specified, the general rules and regulations governing the labour market are outlined by the Labour Code, 53/2003 Law, republished with updates and modifications.

The law outlines normal/usual employee protections and rights in line with European continental norms, such as the right to unionize, the right for collective bargaining, the right for paid leave etc. The standard work week is 40 hours, at a maximum of 8 hours per day, while the minimum paid leave (excluding national holidays) amounts to 20 work days per year.

As with all other areas, European Directives apply and are translated into law per the requirements of the TFEU.

→ [European Commission Employment, Social Affairs & Inclusion Portal](#)

→ [53/2003 Law](#)

### **5.5.10. Step 10: Patents and Brands**

The State Office for Inventions and Trademarks (SOIT) [Oficiul de Statpentru Inventii si Marci (OSIM)] is the Romanian national authority charged with the registration and authorization of patents, brands and other intellectual property items.

The primary laws governing intellectual property are the 129/1992 Law, 350/2007 Law, 16/1995 Law, 84/1998 Law and the 64/1991 Law, republished with updates and modifications.

A comprehensive list of tariffs and applicable taxes for trademark registration and similar activities is provided by the SOIT.

→ [State Office for Inventions and Trademarks](#)

→ [129/1992 Law](#)

→ [64/1991 Law](#)

→ [350/2007 Law](#)

→ [16/1995 Law](#)

→ [84/1998 Law](#)

→ [Tariffs](#)