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THE NEW LEGAL REGULATIONS ON VALUE-ADDED TAX IN THE AI ERA

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Abstract: *The Value Added Tax falls within the category of indirect taxes that are owed to the public budget, namely to the state budget, and is regulated by the provisions of the Fiscal Code, in Title IV entitled Value Added Tax. At this time in Romania, two rates of Value Added Tax are applied, namely a standard rate and a reduced rate. The standard rate is 21% applicable to the tax base for taxable transactions that meet both of the following conditions: 1. it is not subject to the reduced rate, and 2. it is not exempt from tax. The reduced rate is set at 11%. The Value Added Tax Circuit involves the application of these rates progressively at each stage of the goods and services circuit, from production to the final stage of consumption, found in each phase of the goods and services circuit. Being an important source of income for the state budget, the new regulation regarding Value Added Tax intervened by increasing the rates applicable to Value Added Tax and aimed to increase the sources of resources for the state budget.*

Keywords: *Tax; duty; Value Added Tax; legal regulation; tax rates.*
JEL Classification: *K10, K33, G22.*

Introduction

The tax system in Romania is made up of the following components: 1. social contributions, 2. direct taxes, 3. indirect taxes, and 4. fees. These are established as 'instruments of state intervention in the economy, through fiscal policy for the creation of financial resources to fulfill the

functions of the state, to boost the development of economic sectors, and to discourage tax evasion.'in Romania is made up of the following components: 1. social contributions, 2. direct taxes, 3. indirect taxes, and 4. fees. These are established as 'instruments of state intervention in the economy, through fiscal policy for the creation of financial resources to fulfill the functions of the state, to boost the development of economic sectors, and to discourage tax evasion." (Moșteanu, 2008, p.54). The national tax code regulates aspects related to: who the taxpayers are for different taxes and fees, specifies specific techniques for determining the tax bases for each type of tax, fee, and social contribution, sets the applicable percentage, rate, or fixed amount, clearly establishes payment deadlines, and presents aspects related to tax benefits, exemptions, deferrals, and installment plans. Basically, taxes are a levy on a portion of the income or wealth of people in Romania, which is made available to the state to cover public expenses. They are determined based on the income and wealth of individuals or legal entities."[1] Regarding the national Tax Code, we note that in Title I, called „General Provisions", in Chapter I, Article 1, it states: „The purpose and scope of the Tax Code"[2] namely: 1. The legal framework concerning the Romanian tax system, 2. The legal framework for the administration of taxes, duties, and social contributions, 3. All administrative aspects of the components of the Romanian Tax System are regulated by a procedural code called: the Fiscal Procedure Code, 4. Situations in which the national Tax Code conflicts with the provisions of a treaty to which Romania is a party are governed by the provisions of that treaty, 5. State aids that are established as fiscal measures are granted according to the legal provisions on state aid that are in force at that given time. Regarding Taxes and Duties, the Fiscal Code regulates their typology in Article 2, according to Table 1:

[1] https://www.academia.edu/31747448/Impozitele_directe

[2] Law no. 227/2015 regarding the Fiscal Code, latest update: Emergency Ordinance no. 38/2026, Annotated edition with Methodological Norms approved by Government Decision 1/2016, latest update: Government Decision no. 602/2025

Table 1. Tax Code. Overview of Taxes and Fees

No.	Indicative	Taxes and fees regulated by the Tax Code
1.	a)	Profit tax;
2.	a^1)	Additional tax;
3.	b)	Tax on micro-enterprise income;
4.	c)	Income tax;
5.	d)	Tax on income earned in Romania by non-residents;
6.	e)	Tax on representative offices;
7.	f)	Value-added tax;
8.	g)	Excises;
9.	h)	Local taxes and fees;
10.	i)	Construction tax;
11.	j)	Special tax on high-value movable and immovable property.

Source: Government Decision no. 602/2025

A broader classification divides taxes into two categories: 1. Direct taxes; 2. Indirect taxes. Value-added tax falls under the category of Indirect Taxes along with Excise and Customs Duties. „The role of the indirect tax is manifested financially, economically, and socially, varying depending on the stage of socio-economic development. Among these, the most important is the financial role, because through taxes the financial resources necessary to cover public expenses are obtained. Indirect taxes are levied on the sale of goods and services by adding tax rates to their prices and fees, are collected from each individual who buys products or benefits from taxable services, can affect the standard of living and purchasing power of the population, are convenient to collect, and involve a low cost. Economically, indirect taxes represent a means for the state to intervene in the economy to regulate economic processes. They can be used to stimulate or discourage certain activities, to increase or reduce the

production or consumption of a certain product, or to encourage or curb foreign trade.[1]

Article 2 of the Fiscal Code also regulates mandatory social contributions, as shown in Table 2:

Table 2. Tax Code. Overview of Social Contributions

No.	Indicative	Mandatory social contributions regulated by the Fiscal Code
1.	a)	Social insurance contributions, owed to the state social insurance budget;
2.	b)	Health insurance contribution, owed to the budget of the National Health Insurance Fund;
3.	c)	Work insurance contribution, owed to the consolidated general budget

Source: Government Decision no. 602/2025

2. Definitions of Concepts and Fundamental Principles

Table 3. Concepts and Definitions

No.	Concepts	Definitions of concepts
1.	Tax due date	It represents the date on which the tax authority becomes entitled, according to the law, to request payment from the persons obliged to pay the tax, even if the payment of this tax can be postponed.
2.	Due date of tax payment	It represents the date on which a person is required to pay the tax to the state budget, according to the provisions of art. 326 para. (1).

[1] http://www.fin.ase.ro/ABC/fisiere/ABC4_2016/Lucrari/L11.pdf

3.	Taxation regime applicable to taxable transactions	I represent the regime in effect at the date when the triggering event occurs, except for the cases provided for in art. 282 para. (2), for which the taxation regime in effect at the date the tax becomes due applies.
4.	Taxable event	I represent the fact through which the legal conditions necessary for the enforceability of the tax are met.
5.	Mandatory taxes, fees, and social contributions	They are paid in Romania's national currency: Lei
6.	Transactions subject to the cash VAT system	I represent the regime in effect at the date when the triggering event occurs, except for the cases provided for in art. 282 para. (2), for which the taxation regime in effect at the date the tax becomes due applies.
7.	Romanian legal entity	I represent any legal entity that was established and operates in accordance with Romanian law;
8.	Foreign legal entity	I represent any legal entity that is not a Romanian legal entity and any legal entity established under European law that does not have its registered office in Romania;
9.	Change of taxation regime	The moment when the adjustment is made in order to apply the tax regime in effect at the date of delivery
10.	Permanent establishment	It represents a management office, a branch, an office, a factory, a store, a workshop, as well as a mine, an oil or gas well, a quarry, or other places of natural resource extraction, as well as

		the place where an activity continues with the assets and liabilities of a Romanian legal entity that enters a reorganization process provided for
11.	Fiscal value	It represents: a) the recorded value in the assets, according to applicable accounting regulations b) the acquisition or contribution value c) the purchase cost d) the deductible value when calculating taxable profit e) the acquisition or contribution value used to calculate gain or loss
12.	Market value	It is the total amount that, for obtaining the goods or services in question at that time, a customer at the same stage of trade where the delivery of goods or provision of services takes place would have to pay under fair competition conditions to an independent supplier or service provider from the member state where the delivery or provision is subject to tax.

Source: Law no. 227/2015 regarding the Fiscal Code, latest update: Emergency Ordinance no. 38/2026, Annotated edition with Methodological Norms approved by Government Decision 1/2016, latest update: Government Decision no. 602/2025

We can find the fundamental principles of Taxation grouped in Chapter II, entitled 'Application and Amendment of the Tax Code' in Article 3 called 'Principles of Taxation', according to Table 4:

Table 4. Concepts and Definitions

No.	Concepts	Definitions of concepts

1.	Neutrality of tax measures	In relation to the different categories of investors and capital, with the form of ownership, ensuring through the level of taxation equal conditions for investors, both Romanian and foreign capital;
2.	Certainty of taxation	By creating clear legal rules that don't lead to arbitrary interpretations, and by precisely setting the deadlines, methods, and amounts to be paid for each taxpayer, so that they can track and understand their tax obligations, as well as see how their financial management decisions affect their tax burden.
3.	Fairness of taxation or fiscal equity	Ensure that each taxpayer's tax burden is determined based on their ability to pay, meaning depending on the size of their income or property;
4.	Efficiency of taxation	Ensures similar levels of budget revenues from one fiscal year to another by maintaining the yield of taxes, duties, and contributions in all phases of the economic cycle, both during periods of economic boom and crisis;
5.	Predictability of taxation	It ensures the stability of taxes, fees, and mandatory contributions for a period of at least one year, during which no changes can be made to increase or introduce new taxes, fees, or mandatory contributions. The Value Added Tax (VAT) falls under the category of taxes within the third component called indirect taxes. Although it is called a tax, the Value Added Tax is not actually a tax in the usual sense, but an indirect tax calculated by those taxpayers who meet the legal conditions to be VAT payers.

Source: Law no. 227/2015 regarding the Fiscal Code

3. Tax Base and Value Added Tax (VAT) Rates

The tax base for Value Added Tax includes:
a) taxes and fees, unless otherwise provided by law, except for value-added tax;
b) additional expenses:
- commissions;
- packaging costs;
- transport and insurance.

For determining the VAT tax base, the Fiscal Code established Chapter VII, called 'Tax Base.' Article 286, titled 'Tax Base for the supply of goods and services carried out within the country.' In this regard, to determine the VAT tax base for the supply of goods and services, the following aspects are taken into account:
a) everything that makes up the consideration received or to be received by the supplier or service provider from the buyer, beneficiary, or a third party, including subsidies directly related to the price of these transactions;
b) the related compensation;
c) for intra-community transactions referred to in art. 273 para. (2) and (3), the purchase price of the goods or similar goods;
d) the amount of expenses incurred by the taxable person to carry out the provision of services;
e) for the supply of goods or provision of services where the recipient is an entity affiliated with the supplier/service provider, the tax base is considered to be the market value in the following situations:

Table 5. Situations in which the beneficiary is a person affiliated with the supplier or service provider

No.	Situation	Article by Tax Code
1.	When the consideration is less than the market value	art. 297, 298 and 300
2.	When the consideration is less than the market value, and the supplier or service provider does not have full deduction rights	art. 292

3.	When the consideration is more than the market value, and the supplier or service provider does not have full deduction rights	art. 297 and 300.

Source: Government Decision no. 602/2025

f) if a voucher with multiple uses was accepted as consideration,
(2) when a delivery of goods or a provision of comparable services cannot be established, market value means:
1. the purchase price of the goods or of similar goods, or the cost price at the time of delivery;
2. for services, it is an amount that is not less than the full costs.

The Tax Code also indicates situations in which the Tax Base does not include the following elements:

Table 5. Situations where the beneficiary is a person affiliated with the supplier or service provider

No.	**Items that are NOT included in VAT**	**Origin**
1.	Discounts,	Granted by suppliers directly to customers on the tax due date;
2.	Allowances,	Determined by a final and irrevocable court decision.
3.	Cash discounts,	For total or partial non-fulfillment of contractual obligations, if charged above the negotiated prices and/or rates.
4.	Price reductions.	Charged after the delivery or performance date, for late payments.
5.	Damages and interests	Which circulates between goods suppliers and clients, through exchange, without invoicing.

6.	Penalties and any other amounts claimed	

Source: Government Decision no. 602/2025

The Value Added Tax rates applied in our country can be found in Article 291 titled 'Rates' and in Chapter VIII called „Tax Rates".

Conclusions

Changes to the Fiscal Code and annotations can only be made through a law that has been passed, taking into account a period of 6 months before the law comes into effect. The changes made to the Value Added Tax were aimed at financial and economic aspects and aligning with community legislation.

In Romania, according to the updated Fiscal Code, today there are two Value Added Tax rates applied:

1. The „standard„ rate is 21% and applies:
- to the tax base for taxable transactions that are not exempt from the tax;
- to the tax base for reduced transactions, and its level is 21%
2. The „reduced" rate of 11% applies to the following services and/or delivery of goods:
a) human-use medicines;
b) delivery of food, except for:
1. alcoholic beverages;
2. non-alcoholic beverages that fall under code NC 2202;
3. foods with added sugar;
4. dietary supplements defined by law[1]
c) water supply and sewage services;
d) delivery of water for agricultural irrigation;

[1] Law no. 56/2021 on dietary supplements, with subsequent amendments and completions

e) delivery of fertilizers and pesticides;
f) delivery of chemical fertilizers and pesticides;
g) delivery of school textbooks, books, newspapers, and magazines, in physical and/or electronic format, except those intended for advertising;
h) services for access to castles, museums, memorial houses, historical monuments, architectural and archaeological monuments, zoos, and botanical gardens;
i) delivery of firewood to individuals, in the form of logs, stumps, twigs, branches, or similar forms;
j) delivery of firewood to legal entities or other entities, in the form of logs, stumps, twigs, branches, or similar forms;
k) delivery of thermal energy in the cold season, intended for the following categories of consumers:
1. population;
2. public and private hospitals, regulated according to Law no. 95[1] and the Education Law[2] with subsequent amendments and completions;
3. non-governmental organizations regulated according to the law, as well as religious institutions, as regulated by Law no. 489/2006[3].
4. social service providers, public and private, accredited; l) the delivery of housing as part of social policy, including the land on which they are built. 2. the delivery of buildings intended to be used as children's homes and recovery and rehabilitation centers for minors with disabilities; m) accommodation in the hotel sector or in similar sectors, including the rental of land set up for camping;
n) restaurant and catering services, except alcoholic beverages, as well as non-alcoholic beverages that fall under NC code 2202.

The tax becomes payable on the date when the taxable event occurs. For taxable persons who opt for the VAT cash accounting system, the VAT threshold for cash accounting is:
a) 5,000,000 lei, during the period March 1 - December 31, 2026;

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[1] Law no. 95/2006, republished, with subsequent amendments and completions
[2] Pre-university Education Law no. 198/2023
[3] Law no. 489/2006 on religious freedom and the general regime of religions, republished

b) 5,500,000 lei, starting from January 1, 2027.

In the era of digitalization and AI in the field of Value Added Tax, there have been added benefits through concrete achievements such as the creation of the SPV platform, e-invoice, and e-transport, which ensure transparency, as well as the possibility to track, verify, and control for both taxpayers and the tax authorities.

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