

R&D Tax Incentives: Romania, 2020

Design of R&D tax relief provisions

Romania provides R&D tax relief through a volume-based R&D tax allowance.

Table 1. Main design features of R&D tax incentives in Romania, 2020

	R&D tax allowance
Type of instrument*	Volume-based
Eligible expenditures†	Current, capital depreciation
Headline rates (%)	50
Refund	No
Carry-over (years)	7 (carry-forward)
Thresholds & ceilings	-

* Romania also offers an accelerated depreciation of machinery and equipment used in the process of R&D over five years at a rate of 50% in the first year and 10% in the subsequent four years.

Note: For more details, see [OECD R&D Tax Incentive Compendium](#) and [Eligibility of current and capital expenditure for R&D tax relief](#)

Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, March 2021.

Key features:

- The headline rate of the allowance is equal to 50%.
- In the case of insufficient tax liability, unused credits can be carried-forward for 7 years.

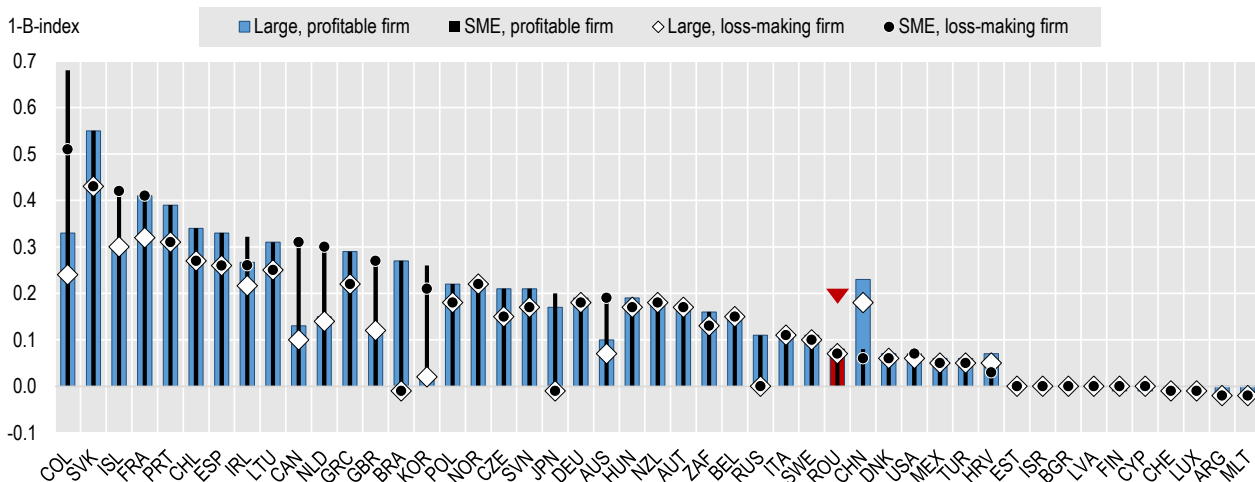
Generosity of R&D tax support in 2020

Differences in the design of R&D tax incentives drive significant variation in the "expected" generosity of tax relief per additional unit of R&D investment. In 2020, the marginal tax subsidy rate for profit-making (loss-making) SMEs in **Romania** is estimated at 0.08 (0.07), well below the OECD median of 0.20 (0.18).

The tax subsidy rate for large enterprises equals 0.08 (0.07) in the profit (loss)-making scenario, below the OECD median of 0.17 (0.15). These estimates model the provisions for the R&D tax allowance and the accelerated depreciation of R&D capital.

Figure 1. Implied tax subsidy rates on R&D expenditures: Romania, 2020

1-B-Index, by firm size and profit scenario



Note: Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated based on headline tax credit/allowance rates (see [methodology](#) and [country-specific notes](#)), providing an upper bound value of the generosity of R&D tax support, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of tax relief.

Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, March 2021.

Recent developments in R&D tax relief provisions

Regular reforms of R&D tax incentives lead to continuous changes in the availability, scope and generosity of R&D tax incentives. Such reforms relate to the launch of new tax incentives, the R&D definition adopted for tax purposes, changes in tax credit and allowance rates, adjustments of thresholds or upper ceilings on qualifying R&D expenditure or tax relief amounts, or changes in the terms and availability of refunds.

In 2020, changes in the availability and scope of R&D tax incentives represented the most frequent type of policy reform ([OECD, 2020](#)), along with adjustments to the headline R&D tax credit/allowance rates and adjustments of thresholds or upper ceilings on qualifying R&D expenditure or tax relief amounts. In response to the COVID-19 pandemic, several countries increased the generosity of R&D tax relief or introduced modifications to the administration of R&D tax incentives to facilitate and accelerate R&D funding.

Romania did not adjust the design of its R&D tax relief provisions since the introduction of R&D tax support in form of an R&D tax allowance and accelerated depreciation provision for R&D capital (machinery and equipment and intangibles used in the context of R&D projects) in 2010.

Trends in the generosity of R&D tax support

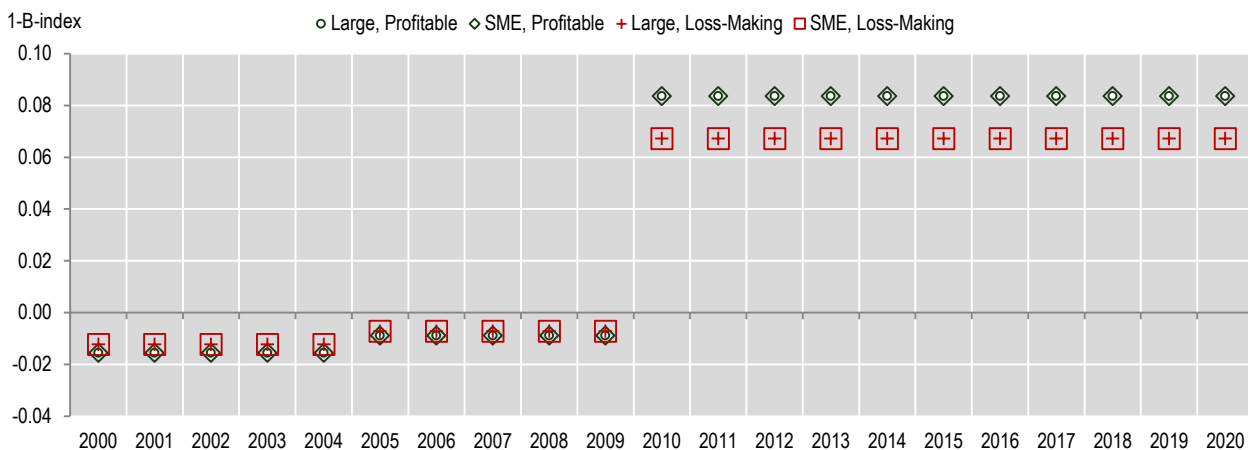
Since the introduction of an R&D tax support in 2010, the implied generosity of R&D tax incentives has remained unchanged in **Romania** (in each of the four scenarios considered). In the absence of R&D tax relief, tax subsidy rates are negative throughout the 2000-09 period.

The smaller increase in implied marginal tax subsidy rates observable in 2005 is related to a reduction in the corporate income tax rate from 25% to 16%.

In the case of loss, firm receive no refund but can carry-forward unused claims for up to sever years. This leads to a small divergence in the tax subsidy rates estimated for profit (0.08) vs. loss-making (0.07) firms.

Figure 2. Implied tax subsidy rates on R&D expenditures: Romania, 2000-20

1-B-Index, by firm size and profit scenario



Note: Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated based on headline tax credit/allowance rates (see [methodology](#) and [country-specific notes](#)), providing an upper bound value of the generosity of R&D tax support, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of tax relief.

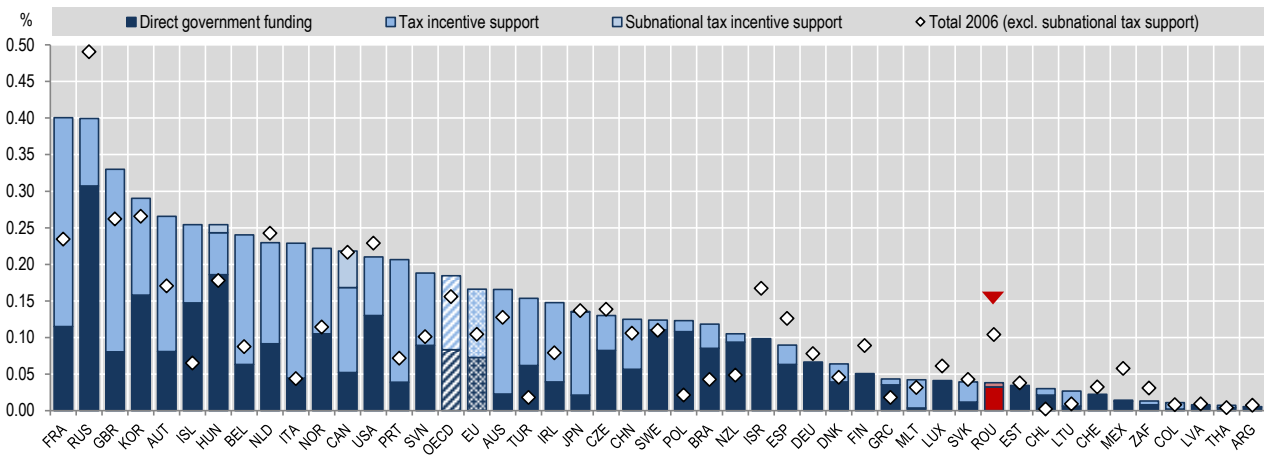
Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, March 2021.

Policy support for business R&D: the policy mix

Romania is among the lower tier of OECD and partner economies in terms of total government support to business R&D as a percentage of GDP, at a rate equivalent to 0.04% of GDP in 2016 (latest figure available).

Figure 3. Direct government funding of business R&D and tax incentives for R&D, 2018 (nearest year)

As a percentage of GDP



Note: Data on subnational tax support are only available for a group of countries.

Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, March 2021.

Key points:

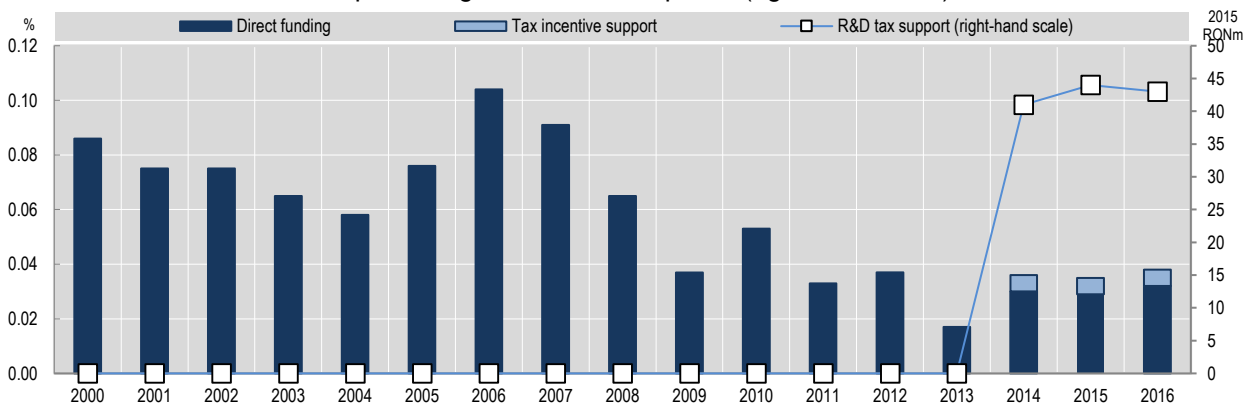
- From 2006 to 2016, total government support for BERD as a percentage of GDP declined in **Romania** by 0.07 percentage point (pp), while the OECD average (2006-2018) increased by 0.03 pp.
- During this period, business R&D intensity in **Romania** increased from 0.22% to 0.27%.
- In 2016, R&D tax incentives accounted for 15% of total government support for BERD in **Romania**.

Trends in government support for business R&D

Romania introduced an R&D tax allowance in 2010, but data on its value are not available before 2014.

Figure 4. Direct government funding of business R&D and tax incentives for R&D, Romania, 2000-16

As a percentage of GDP, 2015 prices (right-hand scale)



Source: OECD, R&D Tax Incentives Database, <http://oe.cd/rdtax>, March 2021.

- The cost of this support rose (in 2015 prices) from RON 41 million in 2014 to RON 43 million in 2016 (1 RON = 0.21 EUR, Q3 2020), equivalent to 0.006% of GDP in 2016.
- Direct funding of BERD fluctuated over the 2000-16 period and declined from 0.09% of GDP in 2000 to 0.03% of GDP in 2016.
- The share of R&D tax incentives in total government support for BERD dropped slightly from 17% in 2014 to 15% in 2016.

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