R&D Tax Incentives: Romania, 2019

Design features

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

- 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.

<table>
<thead>
<tr>
<th>R&amp;D tax allowance</th>
<th>Type of instrument*</th>
<th>Volume-based</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible expenditures†</td>
<td>Current, capital depreciation</td>
<td>-</td>
</tr>
<tr>
<td>Headline rates</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Refund</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Carry-over (years)</td>
<td>7 (carry-forward)</td>
<td></td>
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</tbody>
</table>

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.

For additional information: OECD R&D Tax Incentive Compendium and Eligibility of current and capital expenditure for R&D tax relief

Recent developments and trends

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 2019, 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 0.19 (0.17). The tax subsidy rate for large enterprises equals 0.08 (0.07) in the profit (loss)-making scenario, below the OECD median of 0.14 (0.10). These estimates model the provisions for the R&D tax allowance and the accelerated depreciation of R&D capital.

Since the introduction of an R&D tax allowance 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%.

![Figure 1. Implied tax subsidy rates on R&D expenditures: Romania, 2000-19](http://oe.cd/rdtax)


Note: Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated (see methodology and country-specific notes) based on headline tax credit/allowance rates. Headline tax credit/allowance rates provide an upper bound value of the generosity of R&D tax incentives, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of R&D tax relief.
Public 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 2. Direct government funding of business R&D and tax incentives for R&D, 2017 (nearest year)

As a percentage of GDP


- From 2006 to 2016, total government support for BERD as a percentage of GDP declined in Romania by 0.07 pp, while the OECD median (2006-2017) increased by 0.015 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. The cost of this support rose (in 2010 prices) from RON 35 million in 2014 to RON 37 million in 2016 (1 RON = 0.211 EUR, Q3 2019).

Figure 3. Direct government funding of business R&D and tax incentives for R&D, Romania, 2000-16

As a percentage of GDP, 2010 prices (right-hand scale)


- As a percentage of GDP, the cost of R&D tax support was equivalent to 0.006% of GDP in 2016.
- Direct funding of BERD fluctuated over the 2000-2016 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 amounted to 17% in 2014 and 2015, reaching 15% in 2016.


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