

Many western business owners and entrepreneurs struggle with increasing costs and an in many times unreasonable tax pressure from their home country and are seeking legal and secure ways to both lower operating costs and benefit from preferential corporate and owners tax in other jurisdictions.

What few may realize, Romania is actually a hidden “tax haven” within the European Union, as well as offering exciting investment and business development opportunities and of course in many sectors a highly qualified work force with a service offer that often means same or higher quality and lower cost than what one would pay in Western Europe.

## Basics about a Romanian Micro-Enterprise

A Romanian micro enterprise must fulfil the following conditions to qualify for a 1% corporate income tax on revenues.

1. Have less than 500,000 Euro annual revenues
2. Have one of the following.
  - a. At least one employee, holding a Romanian residency or working visa, paid a minimum Romanian salary, including minimum employers’ social contribution (total monthly cost to company of 3,063 Romanian Lei or appr. 620 Euro, whereof the net salary paid out to the employee is 1,898 Romanian Lei or appr. 385 Euro)
  - b. A non-employed Director of the company, holding a Romanian residency or working visa, registered as the equivalent of an employee, and having paid the minimum social contribution (total monthly cost to company of 1,165 Romanian Lei or appr. 236 Euro)

The company can be owned solely by a non-resident, and it is also possible that a non-resident is the sole Director of the company. However, to achieve the 1% in such case, the foreign owner must either acquire a Romanian working visa and residence permit for himself or employ a Romanian resident, unless he wishes to appoint a second Director of the company, holding a Romanian residence permit, next to himself.

One individual owner is allowed to have maximum 3 companies classified as Micro-Enterprise, meaning the maximum total annual revenue that can enjoy 1% tax is 1,500,000 Euro.

As there is no special benefit of Romanian taxation on salaries, it is not recommended for any foreign owner to pay himself a salary from the Romanian company.

Instead, the recommended option is to pay yourself dividends only, which in Romania can also be paid as so called “advance dividends” throughout the fiscal year, and then accounted for at the annual closing of the books, and subsequently decrease the final space for dividends based on annual profit at the end of the year. Dividends are taxed with 8% withholding tax (i.e., the Romanian company pays the tax) and the owner is personally exempt from any taxation on dividends. (It should however be noted that if the owner of the company resides in another country he may, and in most cases will, be held personally tax liable in that country for all capital gains globally, including incomes from dividends from ownership of a foreign entity.

Further, we mention that Romania has a more generous praxis than most western Europe countries when it comes to what may be considered a deductible expense, meaning the foreign owner have the possibility to let the Romanian company assume many costs (without having to pay it out and tax it as dividends), that would in his home country be considered a personal expense rather than a company expense.

Finally, although there is a cap to the maximum annual revenue of the micro enterprise, there is no limit to how much capital can be accumulated from year on year profits, and there are no constraints on using the Romanian company as a vessel of investment in the benefit of the owner, meaning the owner can choose to not pay out more dividends than required and instead use the company to invest and achieve gains on that

capital, to be liquidated at a later point, typically when the owner has changed his personal tax residency to a country with favourable taxation on such capital gains incomes.

### Northstar Services and Pricing

To implement and ongoingly operate the defined solution with your Romanian company, these are the one-time, monthly and annual costs to be paid.

#### One-time setup costs

The client must choose one of the following options.

| Item                      | Description  | Price  |
|---------------------------|--|--------|
| <b>Establish Basic</b>    | <ul style="list-style-type: none"> <li>- Solution design, considering an international business context</li> <li>- Romanian company incorporation</li> <li>- First year registration of headquarter at Northstar legal cabinet</li> <li>- EU VAT code and VIES registration</li> <li>- Advice and support for bank account opening</li> <li>- Registration of one employee</li> <li>- Support and guidance throughout incorporation process</li> </ul> <p><i>This is the recommended option if the Client wishes to employ a person (e.g. a Remote/Virtual Assistant) to achieve the 1% tax benefit, at a total cost to company of 620 Euro per month in salary, tax and social contribution</i></p>   | €3,495 |
| <b>Establish Advanced</b> | <p>All from Establish Basic, plus</p> <ul style="list-style-type: none"> <li>- A Northstar Partner as the second Director of the company, to attain the 1% tax program</li> <li>- Registration of a the owner as working, but non-employed, Director to achieve the 1% tax, including support of attaining Romanian residency for one owner</li> </ul> <p><i>This option lowers the monthly cost by eradicating the salary to be paid and only 235 Euro per month needs to be paid to the Romanian state as minimum social contribution for the working, non-employed Director.</i></p> <p><i>It may also be better perceived by third parties that another a Romanian resident is the local Director of the Client's company and further strengthens the justification of the Romanian operation.</i></p> | €4,995 |

### Monthly operating and service costs

The client must choose one of the following options as a base.

Please be aware that any salary paid to employee or taxes or social contributions paid directly to Romanian state are not included in these fees.

| Item                    | Description   | Price                         |
|-------------------------|---|-------------------------------|
| <b>Basic</b>            | <ul style="list-style-type: none"> <li>- Monthly accounting</li> <li>- Basic customer support by email, messaging app or phone during office hours</li> <li>- Postal service at hosted headquarter</li> </ul>   | €275 / month                  |
| <b>Director</b>         | All of from Basic, plus one of the following; <ul style="list-style-type: none"> <li>- a Northstar associate appointed as working director, non-employed</li> </ul> OR <ul style="list-style-type: none"> <li>- supporting a non-resident owner/director to attain Romanian residency and be registered as non-employed working Director</li> </ul> | €595 / month                  |
| <b>Premium packages</b> | Northstar can offer a wide range of services specific to different types of businesses.<br><br>Our senior partners also are available for personal and business mentorship.   | Custom pricing based on scope |

### Annual service costs

The following must be paid once per year for as long as the Romanian company is active and hosted at Northstar legal cabinet

| Item                                  | Description  | Price   |
|---------------------------------------|--|---|
| <b>Annual Fiscal Report</b>           | Closing of the books and submitting the annual fiscal statement to Romanian authorities                    | €295 (paid in March every year)                         |
| <b>Re-registration of headquarter</b> | The annual prolongation of registering with authorities the company headquarter at Northstar legal cabinet | €445 (paid every 12th month from date of incorporation) |

I hope to soon welcome you to the Northstar family as a valued client and we are all looking forward to being a part of your success journey!



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