

GENERAL INFORMATION AND PROCEDURES

Some general guidelines and monthly procedure instructions for your Romanian Limited Liability Company

ABOUT COMPANY EXPENDITURES

General observation: A Romanian micro SRL taxes based on income, not profit, hence the corporate tax is not impacted by having more or less deductible expenses. However, the company annual result is impacted and thereby the space for paying out dividends to owner (which can be maximum the total annual profit of the company).

The concept of deductible (or approved) expenses is still valid and important also for a micro SRL as if (unquestionably) private expenses would be paid from company accounts this should be reported as a non-deductible expense and 5% dividend tax should be paid for the expense amount.

General spending by card or cash

The Company may use the company account debit card, or withdraw cash, for the use to pay expenses that can be considered related to the Company's business. Whether card or cash payment, it is mandatory to always collect a fiscal receipt for each expense and include those in the monthly reported. In case of cash withdrawals, also the ATM or bank counter slip must be presented. In the use of cash, if the withdrawn amounts do not equal the receipts of cash payments, the excess cash will be accounted for as cash reserve for the Company, and in case of an inspection the Company should be able to show that it is actually holding this cash reserve.

When in doubt, please consult us on whether the planned (or already executed) expense is to be considered deductible or non-deductible and if any additional dividend withholding tax shall be added to the expense amount.

But based on our conversation we here present some typical examples of what is defensible as deductible company expense and what is not.

Typical deductible expenses are:

- IT and telephony costs (including business software and licenses)
- Payment for trainings and conference participation
- Travel costs; flights, hotels, taxis etc.
- Fuel and other car costs (if the car is registered on the company, and if not only fuel and expenses for business related travel using a personal car)
- Restaurants (as protocol)
- Electronics which can be considered used for the business or the office/working place (e.g. phones, TV, sound system, coffee machines, appliances etc.)
- Furniture and other decoration which can be considered used for the office/working place
- Samples of products
- Clothing only in the case where it can be justified that this is required for business and not a personal expense

Examples of typically non-deductible expenses:

- Daily spending on food, drinks, hygiene and household items
- Clothes and accessories
- Toys and other children's items
- Personal leisure and care activities (e.g. spa, massage, haircuts, theatre, concerts etc)

Domestic payments to suppliers

Payments to domestic suppliers (of goods or services) are to be paid in RON and into a Romanian bank account.

To justify and report these payments as expenses, there must always be a contract established between the Company and the providing/selling party, and such contract must be filed to authorities as part of accounting.

The company may not by bank transfer pay to an individual person unless that person is under a valid employment contract with the company, only to another Romanian legal entity, as it would otherwise constitute the equivalent of salary and require all procedures and tax for such.

International payments to suppliers

Payments to international suppliers (of goods or services) are to be paid in whatever currency agreed with the supplier.

In general;

- Any international bank transfer that is to be considered a deductible expense should be supported by a signed contract with an international legal entity as counterpart and an invoice issued from the same
- In case the Company wishes to rent property in other country a lease contract with the Company as tenant must be established as well as that the foreign property must be declared as a foreign working point of the Company with Romanian authorities
- Any payment to an individual should either be reported as non-deductible expense and carry 5% additional dividend withholding tax or (preferred) paid privately by the owner after having collected the amount personally as dividend.

Also note that in case the Company is buying a product or service from an international supplier where VAT is not added to the selling price, and that service or product is used in the benefit of the activity of the Company in Romania, it is the Company's liability (not the supplier) to file and pay VAT for such.

Investments

The Company may, without any financial institute license, freely invest its own earnings and money provided by the owner(s), either as loan or as capital injection (the first easier and recommended) or funds from loans from another private person, legal entity or financial institute as long as it is the Company who is the ultimate beneficiary of the investment is the Company.

The company may also with its own (or borrowed funds) engage in other investments such as stock market trade, direct equity of other companies, digital assets such as cryptocurrency and other blockchain assets, raw materials and commodity trading tec. In such cases however, the trading/exchange accounts must always be set up and have undergone AML/KYC procedures having the Company as Beneficiary.

ONGOING FINANCE OPERATIONS

In this chapter we summarize general considerations and instructions for the Company's ongoing operation,

Monthly reporting

Latest 5th of each month the Company must report the following to address accounting@northstar-alliance.eu

- Statements for previous month from all bank accounts opened in the Company name (including Fintech options such as WISE, Bunq, Stripe, Revolut etc)
- All issued invoices to clients last month
- All invoices received and paid to suppliers last month
- Receipts of all expenses paid by card or cash (including digital receipts in case of online payments)
- Bank-slips for cash withdrawals
- Contracts with any new client or supplier for which a payment took place for the first time last month
- Mentioning of any dividends to be taken after closing of this month

We do not require originals; these you keep your own archive of.

Scans, compressed to a reasonable size suitable for email, is recommended and you can choose yourself if you scan all to one pdf/image file or send multiples.

Invoicing

It is our recommendation to use a cloud based invoicing system to your clients in the case of you having a larger amount of clients and want to access some of the system and automation features (like recurring invoices for subscriptions, online payment by card, reporting and overview).

In such case we recommend Invoicely (<https://invoicely.com>) as you are an international client, but you may also consider SmartBill (<https://www.smartbill.ro>) which is a tailored Romanian option used by most Romanian SME's with Romanian speaking administrative staff.

If you are only sending a limited number of invoices and not to domestic clients, we would simply recommend an easy invoice template solution. You can either find default templates in e.g. MS WORD or use a web service such as FreeInvoiceBuilder (<https://freeinvoicebuilder.com>).

Contracts

Romanian tax authorities require a signed contract with every supplier and client you send to or receive payment from. It is typically the responsibility of the seller/provider to provide the contract template, and we can support with contract writing (with or without additional fee depending on contract complexity)

Tax payments

Based on your monthly reporting, our accountant will periodically (min. every quarter) send you the payment slip with details for tax payment of types; corporate income tax, dividend tax, VAT (once company is VAT registered)

You pay based on those slips directly yourself to Romanian tax authorities by bank transfer from your Romanian bank account and in RON.

Dividend payments

Once you have declared that you will take dividend and what the amount would be, you can at any time transfer that amount from the company account to your personal account. The dividend payout must be in RON or EUR.