

## Romania

NNDKP Tax Advisory Services

### Reduced VAT rate for dwellings



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With a view to stimulating the real estate sector, the Romanian government introduced in

December 2008 a 5% reduced VAT rate for the sale of social dwellings as defined by the law.

This is a derogation to the standard 19% VAT rate, and applies to social buildings such as retirement homes, care facilities for homeless or disabled children, social homes delivered to city halls which will be leased to low income families and also to dwellings fulfilling the following conditions:

- have a useful surface not exceeding 120 sqm, excluding any household appendices, attested by the relevant cadastral documentation;
- their VAT exclusive value, including the value of the related land does not exceed the amount of RON 380,000 (approximately EUR 90,000, \$115,000).

A qualifying dwelling is defined as a construction having one or more rooms for accommodation, which includes the dependencies, endowments and utilities necessary to satisfy the accommodation requirements of a person or family. To qualify for the reduced VAT rate, the dwelling has to be suitable for living at the moment of its delivery.

Any person or family can acquire no more than one dwelling subject to the reduced VAT rate. In this respect, for applying the 5% VAT rate the seller should have available an own liability statement of the buyer, authenticated by a Notary Public, attesting that the buyer did not and does not own another dwelling which has been purchased with the 5% reduced VAT rate (in case of families, this condition applies to both husband and wife).

The reduction in the VAT rate is positively viewed by the real estate market players. However, the prices of the majority of the dwellings which are on the market now exceed the threshold value provided by the law, hence up to now the reduction in the VAT rate for social dwellings does not seem to have a significant impact on the real estate market.

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