

FISCAL FACILITIES APPLICABLE IN THE AREA OF SPONSORSHIP ACTIONS



Sponsorship actions continue to represent a debated subject on the agenda of fiscal authorities because of the legislative modifications from the latest years.

Currently, the fiscal legislation regulates the following fiscal facilities in the area of sponsorship actions, both for the companies that pay profit tax and for the companies that are under the incidence of the tax for the revenues of micro-companies. In order to benefit from these facilities, there are several conditions that must be met, detailed and exemplified below.

COMPANIES THAT PAY PROFIT TAX

Companies that pay profit tax continue to benefit for the amounts granted as sponsorship until December 31st of the current year, according to Law 32/1994, from fiscal credit (a reduction of the payable tax) in the fiscal period in which the amounts were granted, of 0.75% from the turnover (increased from 0.5%), but no more than 20% of the payable profit tax. However, the amounts that are not recovered in the current fiscal period by the fiscal credit can be carried forward for 7 consecutive years, at every deadline for paying the profit tax.

Special attention must be paid to the eligibility of the amounts granted as sponsorship for the fiscal credit; this aspect is analyzed strictly based on the provisions of Law 32/1994 on sponsorship. Thus, the sponsorship law provides the fact that the beneficiary of the sponsorship may be:

- (i) Any legal entity without a lucrative goal, performing in Romania or which is to perform activities in the following fields: cultural, artistic, educational, learning, scientific – fundamental and applied research, humanitarian, religious, philanthropic, sports, protection of human rights, medical-sanitary, welfare and social services, environment protection, social and community, representation of professional associations, and maintenance, restoration, preservation and capitalization of historical monuments;
- (ii) Public institutions, TV or radio shows, books, publications from the aforementioned fields;
- (iii) Natural persons domiciled in Romania whose activities are acknowledged by a legal entity without a lucrative goal or by a public institution operating in the field in which the sponsorship is requested.

The law also forbids promotion or commercial advertising within sponsorship actions, and only the promotion of the name, trademark or image of the sponsor is allowed.

In order for the company to benefit from the fiscal facility, **the beneficiary of the sponsorship must be registered on the date of the sponsorship contract in the Register of entities/units for which fiscal deductions are granted.**

Below we exemplify the manner in which a company that pays profit tax may benefit from the facility of the fiscal credit. For clarity, we propose the following example:

Total revenues	15,000,000	
Turnover	14,700,000	
Total expenses	1,450,000	
Non-taxable revenues	150,000	
Non-deductible expenses	700,000	
- out of which sponsorship expenses	200,000	
Taxable profit	14,100,000	
Profit tax - 16%	2,256,000	
0.75% of the turnover	110,250	Fiscal credit: the least of the 2 values, within the limit of the sponsorship expenses
20% of the profit tax	451,200	
Profit tax payable after applying the fiscal credit	2,145,750	
Difference to carry forward for a 7-year period	89,750	200,000 - 110,250

COMPANIES THAT PAY TAXES ON MICRO-COMPANY REVENUES

Regarding the fiscal facilities on the level of micro-companies, they can benefit from a fiscal credit of 20% from the revenue tax payable for the quarter in which they incurred the respective expenses. If the amounts granted as sponsorship are not fully covered by the fiscal credit (20% of the revenue tax) in the quarter in which the sponsorship, they are carried forward for 28 consecutive quarters. Therefore, even if sponsorship amounts higher than the eligible amount of 20% from the revenue tax are granted, they will be recovered in the following periods.

In order to reduce the revenue tax payable in the quarter in which the sponsorship was granted, we reiterate in this case the two conditions:

- The amounts are eligible if the provisions of Law no. 32/1994 on sponsorship are met;
- The beneficiaries of the sponsorship are registered, on the date of the sponsorship contract, in the **Register of the cultural units for which fiscal deductions are granted**.

Below we exemplify the manner of applying the fiscal facilities for the companies that pay micro-company revenue tax:

Turnover (taxable base) in 4 th quarter of 2019	750,000	
Revenue tax (1%)	7,500	
Amounts granted as sponsorship in the 4th quarter of 2019	5,000	
Fiscal facility (20% of the revenue tax)	1,500	
Revenue tax payable after the application of the fiscal facility	6,000	
Difference to carry forward for 28 consecutive quarters	3,500	5,000 - 1,500

SUBMITTAL OF THE INFORMATIVE STATEMENT BOTH BY THE PAYERS OF PROFIT TAX AND FOR MICRO-COMPANIES

Also, both companies that pay profit tax and those that pay micro-company taxes are obligated to submit Statement 107. The deadline for submitting the statement is January 25, 2020 for micro-companies, and March 25, 2020 for the payers of profit tax (with the calendar year as the fiscal year).

We remind the fact that, in order to benefit from the fiscal facilities applicable for the sponsorship actions in the 4th quarter of 2019, taxpayers, irrespective of the applicable fiscal conditions, can perform sponsorships until December 31, 2019.