



## PRIVATE CLIENTS FLASHNEWS #2

JANUARY 2018



### - Amendments to the State Budget for 2018 -

#### Local Accommodation - Simplified Regime

Under the current regime (Article 31 of the IRS Code), to assign a property to local accommodation implies starting a commercial activity, and taxation may be chosen according to the simplified regime or the organized accounting regime.

If you choose taxation by the Simplified Regime, in the case of:

- a) Housing or Apartment, only **35%** of gross income from the provision of accommodation services is subject to taxation;
- b) Lodging or Rooms, only **15%** of gross income from the provision of accommodation services is subject to taxation.

The State Budget for 2018 amends the wording of Article 31 of the IRS Code, stipulating that the application of the coefficient referred to in (a) is partially conditional on the verification of actual costs and expenses incurred.

Thus, in the case of income from Housing or Apartment, as from January 2018, the automatic deduction coefficients are in practice reduced from 65% to 50%, and the remaining 15% need to

be justified with expenses. In this situation, the value of EUR 4,104 shall also be considered as an automatic deduction or, if higher, the amounts paid as contributions to social protection schemes (which have not already been deducted)

With this change, in practice, 50% of gross income from the provision of accommodation services, plus € 4,104 (or Social Security contributions), shall automatically be deducted. Subsequently, and until the aforementioned 15% is reached, the following expenses related to the activity may also be deducted from the gross income:

- > supply of services and purchases of goods, whose invoices are communicated to the Tax Authority, or that appear in other documents, whenever the respective supplier of goods or service provider is exempt from issuance of invoice;
- > charges on real estate communicated through the issuance of an electronic receipt or specific declaration;
- > expenses with personnel in the form of remuneration, wages or salaries;
- > imports and intra-Community acquisitions of goods.

### **Assigning property to business and professional activity - Capital gains**

The State Budget for 2018 clarifies that to restore to private property any housing property assigned to the obtaining of income of category F (rents), does not imply the calculation of any taxable gain, and the deferral of the taxation of the gain while the property is assigned shall be maintained.

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