

Tax news regarding Law no. 216/2023

Amendments in brief:

On July 11th, 2023, Law no. 216/2023 amending the Fiscal Code was published in the Official Gazette no. 633. The application of the 5% reduced VAT rate (i) **in the wood** and (ii) **energy industry** was extended. The new provisions become effective on July 15th, 2023.

Amendments explained in detail:

- ❖ On July 11th, 2023, Law no. 216/2023 for the amendment of art. 291 paragraph (3) letter m), n), p) and q) of the Fiscal Code was published in the Official Gazette no. 633, a law that brings significant changes regarding the application of reduced VAT rates in the wood sector and in the renewable energy sector.
- ❖ **(i) Changes to the reduced VAT rates in the wood industry:**
 - The application of the 5% reduced VAT rate is extended to the following types of products in the wood industry:
 - Supply of firewood, logs, stumps, twigs, branches or similar forms (CN codes 4401 11 00 and 4401 12 00).
 - Supply of sawdust, wood waste and agglomerated scrap in the form of wood pellets, wood briquettes or similar forms (CN codes 4401 31 00 and 4401 32 00).
 - Supply of sawdust, waste and unagglomerated wood scrap for use as heating fuel (CN codes 4401 41 00 and 4401 49 00).
 - The reduced VAT rate will apply to the supply of these products both to individuals and legal entities or other entities, regardless of their legal form of organization (including schools, hospitals, medical dispensaries, and social assistance units).
 - To benefit from the reduced rate, end users must submit to the supplier an affidavit attesting to their status as end users.
- ❖ **(ii) Changes to the reduced VAT rates in the energy industry:**
 - The supply and installation of photovoltaic panels and ecological heating and energy systems intended for residential buildings and buildings of the central or local public administration, or entities that are subordinated or coordinated by them (except for commercial companies), benefit from a reduced rate of 5% VAT.

- This reduced rate also applies to all necessary components purchased separately for this purpose, both individual components and installation kits (photovoltaic panel kit, solar thermal panel kit, heat pump kit, kit for solid fuel heating systems).
- Also, a new provision is added that extends the application of the 5% reduced rate also to the following categories:
 - Supply and/or installation of components intended for the repair and/or expansion of these ecological heating and energy systems.
 - Supply of ecological systems as part of overall supplies of constructions, as well as supply and installation of these systems as additional options within the constructions, for the recipients mentioned above.
- ❖ To benefit from the above reduced VAT rates, legal entities acting as buyers are required to complete and sign an affidavit, according to annex no. 1 to Law no. 216/2023. This affidavit is necessary to certify their eligibility to benefit from the reduced VAT rates provided by law.
- ❖ Individuals acting as buyers may also benefit from the application of reduced VAT rates. In this sense, they must meet the following conditions:
 - Sign for the receipt of the products on the invoice issued by the supplier, in which the address of the residential building where the products are installed must be mentioned.
 - If the buyer cannot apply the receipt signature on the invoice, the reduced VAT rates are applied based on an affidavit, according to the model provided in annex no. 2 to Law no. 216/2023. This statement must be made available to suppliers to certify eligibility for benefitting from the reduced VAT rates.