

Changes in Building Tax Legislation in Romania over the Past Twenty Years

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Abstract

Over the last twenty years, the Romanian legislative framework governing building taxes for both individuals and legal entities has been amended on four separate occasions. Each change introduced a new element, such as updates to the taxable amount per square meter, the implementation of a correction coefficient, a discount for full payment by the end of March, and the classification of buildings into residential and non-residential categories.

Key words: building tax, building tax, tax base, correction coefficient

J.E.L. classification: H11, H21, H24

1. Introduction

In Romania, every individual who owns a building is obliged to pay an annual tax or fee for that property. For buildings that are public or private property of the state or administrative-territorial units and are leased, rented, or under administration or use by legal persons, the tax burden is transferred to the user, administrator, or lessee, in a manner similar to the standard building tax (Law no. 27/1994).

2. Theoretical background

Over the past two decades, legislative updates have regulated building taxes through multiple key acts: Law no. 27/1994, Government Ordinance (GO) no. 62/2002, Law no. 571/2003 on the Fiscal Code, and Law no. 227/2015 which introduced a new Fiscal Code (Law no. 227/2015).

The taxable object includes all types of buildings, irrespective of use, and also encompasses annexes such as kitchens, pantries, garages, basements, storage spaces, and temporary structures like kiosks or barracks. Even unauthorized buildings - those constructed without permits - are now subject to taxation (Law no. 227/2015, art. 457).

The obligation to pay applies to both natural and legal persons, whether Romanian or foreign, regardless of ownership form or organizational structure. When a building is in use or under administration, the entity utilizing it becomes liable for the tax.

For individuals, the taxable base is determined based on building type, location, and use, using square meter values. For legal entities, taxation is based on the inventory value recorded in their accounting (GO no. 62/2002, art. 2).

3. Research methodology

The legislative evolution of building taxation in Romania has been analyzed based on the following main normative acts:

- Law no. 27/1994 on local taxes and fees (Levine, 2007, p.23)
- Government Ordinance no. 62/2002
- Law no. 571/2003 regarding the Fiscal Code
- Law no. 227/2015 introducing the New Fiscal Code

Each regulatory period is examined based on calculation methods, tax rates, correction coefficients, and examples.

4. Findings

4.1. The period 1994–2001

During the interval 1994 to 2001, building taxation was governed by Law no. 27/1994 concerning local taxes and fees. The key aspects of this regulation were:

Building tax was levied on all buildings owned by taxpayers, regardless of their location or usage. In cases where buildings were under administration or use, the tax obligation extended to the responsible parties.

For individuals, the tax was calculated by applying a rate-established by local councils-ranging between 1.0% and 1.5%, to the taxable value set in accordance with criteria and valuation rules illustrated in the table below.

Table no. 1 Taxable Values by Building Type and Location (Law no. 27/1994)

| No. | Type and destination of buildings and other constructions | Taxable value per m ² |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------|
| I. Buildings and other constructions located in communes, as well as in villages belonging to municipalities and cities | | |
| 1. Residential buildings, except for those from point 3: | | |
| a) with walls of burnt brick, stone, concrete and other similar materials | | 6.700 |
| b) with wooden walls, unburned brick, valatuci, adobe, beaten earth and other similar materials | | 4.600 |
| 2. Other buildings, except those from point 3 | | |
| a) with walls of burnt brick, stone, concrete and other similar materials | | 4.800 |
| b) with wooden walls, unburned brick, rollers, adobe, beaten earth and other similar materials | | 2.000 |
| 3. Buildings and other constructions for any destination, with walls of any kind, covered with reeds, straw, reeds or cocoons | | 2.000 |
| II. Buildings and other constructions located in municipalities and cities, as well as in their component localities | | |
| 1. Construction | | |
| a) with walls of concrete or of reinforced concrete frames: | | |
| -with central heating | | 16.800 |
| -without central heating | | 15.700 |
| b) with stone walls burned with stone - without reinforced concrete frames and other similar materials: | | |
| - with installations (water, light, etc.) | | 14.500 |
| -without installations | | 11.600 |

| | | |
|--------------------------------------------------------------------------------------------------|-------|-----------------------------------------------------|
| c) with wooden walls, unburned brick, rollers, adobe, beaten earth | | |
| and other similar materials: | | |
| -with installations (water, light, etc.) | 6.700 | |
| - without installations | 5.800 | |
| 2. Outbuildings outside the main body of the buildings: | | |
| a) with walls of burnt brick, stone, concrete and other similar materials | 2.900 | |
| b) with wooden walls, unburned brick, valatuci, adobe, beaten earth and others similar materials | 1.500 | |
| 3.Buildings serving for professional occupations (workshops, et | | |
| a) with walls of burnt brick, stone, concrete and other similar materials | 7.300 | |
| b) with wooden walls, unburned brick, valatuci, adobe, beaten earth and others similar materials | 4.400 | |
| 4.Living basements | 60% | from the norm per m2 of the building they belong to |
| 5. Habitable attics | 50% | |
| 6. Cellars in the body of the buildings: | | |
| a) plastered or paved | 50% | |
| b) unpainted and unpaved | 30% | |

Source: The taxable values on m.p. according to Law no. 27/1994

In the case of legal entities, the building tax was computed by applying a tax rate—also between 1% and 1.5%—to the inventory value registered in their accounting records.

Example 1 (Individual, rural area):

For a 100 m² building constructed in 1982 and located in a rural area, owned by an individual in the main village of the commune, the tax calculation is as follows, assuming the local council applies the maximum rate of 1.5%:

$$\begin{aligned}
 \text{tax} &= \text{taxable amount} \times \text{no sqm} \times 1.5 \% \\
 &= 6.700 \times 100 \times 1,5 \% \\
 &= 10.050 \text{ lei} = 1 \text{ RON (after denomination)}
 \end{aligned}$$

Example 2 (Legal entity, urban):

For a building with an inventory value of 2.000.000.000 lei located in an urban area and owned by a legal entity, with a 1.5% tax rate set by the local council:

$$\begin{aligned}
 \text{tax} &= \text{inventory value} \times 1.5\% \\
 &= 2.000.000.000 \times 1,5\% \\
 &= 30.000.000 \text{ lei} = 3.000 \text{ RON (after denomination)}
 \end{aligned}$$

4.2. The period 2002–2003

Between 2002 and 2003, building taxation was regulated by Government Ordinance no. 36/2002.

According to this ordinance, the building tax was charged annually and applied to all buildings owned by taxpayers, regardless of their location or function.

In situations involving publicly or privately owned buildings held by the state or local administrative-territorial units, the tax obligation was placed on those who had the buildings under administration or use.

The term "building" as defined by this ordinance refers to any structure intended to shelter people, animals, goods, products, equipment, and similar items.

For individual taxpayers, the taxable built area was determined by summing the areas of each building level, including basements. However, bridge areas—except for attics—and uncovered stairs or terraces were excluded from this calculation.

For individuals, the tax was calculated using a rate of 0.2% in urban areas and 0.1% in rural areas, applied to the taxable value per square meter, according to the following valuation table:

Table no. 2 Taxable Values by Building Type and Utility Installations (OG no. 36/2002)

| No. | Type of buildings and other taxable constructions | Taxable amount **) (lei / m ²) | |
|-----|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------|
| | | With water, sewerage, electrical, heating installations (cumulative conditions ***) | Without water, sewerage, electrical, heating installations |
| 0 | 1 | 2 | 3 |
| 1. | buildings: | | |
| a) | with walls of burnt brick, natural stone or other material, without reinforced concrete frames | 5.300.000 | 3.100.000 |
| b) | with wooden walls, unburned brick, wadding, cobwebs and other similar materials | 1.400.000 | 900.000 |
| 2. | Outbuildings, located outside the main body of the building: | | |
| a) | with walls of burnt brick, stone, concrete or other similar materials | 900.000 | 800.000 |
| b) | With wooden walls, unburned brick, cobwebs, wadding. | 500.000 | 300.000 |
| 3. | For dwellings located in the basement, basement or attic | The value represents 75% of the value corresponding to each group of buildings | |
| 4. | For spaces with another destination, located in the basement or basement of buildings | The value represents 50% of the value corresponding to each group of buildings | |

Source: The taxable values on m.p. according to OG.36 / 2002

To determine the total built area for buildings that could not be measured based on exterior perimeter, a conversion coefficient of 1.20 was applied to the usable floor area.

Taxable values were reduced based on the building's construction year, as follows:

- a) 15% reduction for buildings constructed in or before 1950;
- b) 5% reduction for buildings constructed between 1951 and 1977 (inclusive).

Additionally, positive correction coefficients were applied according to the locality's classification and area, as shown below:

Table no. 3 Correction Coefficients Based on Locality Rank and Area

| Area within the locality | Rank of the locality | | | | | |
|--------------------------|----------------------|------|------|------|------|------|
| | 0 | I | II | III | IV | V |
| A | 1,30 | 1,25 | 1,20 | 1,15 | 1,10 | 1,05 |
| B | 1,25 | 1,20 | 1,15 | 1,10 | 1,05 | 1,00 |
| C | 1,20 | 1,15 | 1,10 | 1,05 | 1,00 | 0,95 |
| D | 1,15 | 1,10 | 1,05 | 1,00 | 0,95 | 0,90 |

Source: The taxable values on m.p. according to OG.36 / 2002

In the case of individuals owning multiple residential properties (excluding rented ones), an additional tax was applied:

- a) +15% for the **first** additional building (other than the main residence),
- b) +50% for the **second**,
- c) +75% for the **third**,
- d) +100% for the **fourth and all subsequent** buildings.

For legal entities, the building tax was set by the local council, ranging between 0.5% and 1.5% of the inventory value recorded in the company's accounts.

If no revaluation had taken place since 1998, the tax rate was increased to between 3% and 5%, until the next revaluation was registered in accounting. Both active and inactive (reserve or conservation) buildings were considered in this calculation.

Example 1 (individual, rural):

For the same 100 m² rural building constructed in 1982 and owned by a natural person, with a local tax rate of 0.1% and a 10% correction coefficient:

$$\begin{aligned}\text{tax} &= \text{taxable amount} \times \text{no sqm} \times 0.1\% \times 1.1 \\ &= 3.100.000 \times 100 \times 0,1 \% \times 1,1 \\ &= 341.000 = 34 \text{ ron (after denomination)}\end{aligned}$$

Example 2 (legal entity, no revaluation):

For a legal entity that owns a building valued at 2.000.000.000 lei in an urban area, with no revaluation in the last 3 years and a 5% tax rate:

$$\begin{aligned}\text{tax} &= \text{inventory value} \times 5 \% \\ &= 2.000.000.000 \times 5 \% \\ &= 100.000.000 \text{ lei} = 10.000 \text{ RON (considering the denomination)}\end{aligned}$$

4.3. The period 2004–2015

Between 2004 and 2015, the applicable legislation regarding building taxation was governed by Law no. 571/2003 on the Fiscal Code.

For individual taxpayers, the building tax was determined by applying a tax rate to the taxable value of the property. This rate was the tax rate was 0.2% for buildings located in urban areas and 0.1% for buildings in rural areas.

The taxable value was calculated by multiplying the **developed built area** (in square meters) by the reference value per square meter, as presented in the table below:

Table no. 4 Taxable Values by Building Structure and Utility Availability (Law no. 571/2003)

| No. | Type of buildings and other taxable constructions | Taxable amount ** (lei / m ²) | |
|-----|------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------|
| | | With water, sewerage, electrical, heating-cumulative conditions | Without water, sewerage, electrical, heating installations |
| 0 | 1 | 2 | 3 |
| 1. | Buildings | | |
| a) | with reinforced concrete walls or frames | 7.300.000 | 5.100.000 |
| b) | with walls of burnt brick, natural stone or other material, without reinforced concrete frames | 5.300.000 | 3.100.000 |
| c) | with wooden walls, unburned brick, wadding, cobwebs and other similar materials | 1.400.000 | 900.000 |
| 2. | Outbuildings, located outside the main body of the building | | |
| a) | with walls of burnt brick, stone, concrete or other similar materials | 900.000 | 800.000 |
| b) | with wooden walls, unburned brick, cobweb | 800.000 | 500.000 |
| 3. | For houses located in the basement, basement attic | The value represents 75% of the value corresponding to each group of buildings | |
| 4. | For spaces with another destination, located in the basement or basement of buildings | The value represents 50% of the value corresponding to each group of buildings | |

Source: The taxable values on m.p. according to Law 571/2003

If a person owned more than one property used for housing purposes (excluding rented ones), tax increases were applied as follows:

- a) by 15% for the first building other than the one at the domicile address;
- b) by 50% for the second building apart from the one at the domicile address;
- c) by 75% for the third building apart from the one at the domicile address;
- d) 100% for the fourth building and the following ones other than the one at the domicile address.

When calculating the increased tax, the order of property acquisition was taken into account, based on the supporting legal documents.

For legal entities, the building tax was established by local councils and varied between 0.5% and 1.5% of the building's inventory value, as recorded in accounting.

If no revaluation was conducted in the preceding three years, the tax rate would increase to between 5% and 10%, until the next revaluation was officially recorded.

Example 1 (individual, rural):

For the same 100 m² building constructed in 1982, located in a rural area and owned by a natural person, with a 0.1% tax rate and 10% correction coefficient:

$$\begin{aligned}\text{tax} &= \text{taxable amount} \times \text{no sqm} \times 0.1\% \times 1.1 \\ &= 5.100.000 \times 100 \times 0.1\% \times 1.1 \\ &= 560.000 \text{ lei} = 56 \text{ RON (after denomination)}\end{aligned}$$

Example 2 (legal entity):

For a legal entity that owns a 2.000.000.000 lei building in an urban area and has not revalued it in the last three years, with a 10% tax rate:

$$\begin{aligned}\text{tax} &= \text{inventory value} \times 10\% \\ &= 2.000.000.000 \times 10\% \\ &= 200.000.000 \text{ lei} = 20.000 \text{ RON (considering the denomination)}\end{aligned}$$

4.4. The period 2016–present

Starting from 2016, building taxation has been governed by Law no. 227/2015, which introduced Romania's new Fiscal Code. According to this regulation, the applicable tax rates vary:

For residential buildings owned by individuals: 0.08% to 0.2%

For non-residential buildings: different rules and higher rates apply, depending on ownership and evaluation.

Table no. 5 Taxable Values According to Building Type and Utilities (Law no. 227/2015)

| No. | Type of buildings and other taxable constructions | Taxable amount ** (lei / m ²) | |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------|
| | | With water, sewerage, electrical, heating-cumulative conditions | Without water, sewerage, electrical, heating installations |
| 0 | 1 | 2 | 3 |
| 1. | Buildings | | |
| a) | with walls or frames of reinforced concrete walls of burnt brick, natural stone or other materials, without frames of reinforced concrete | 1000 | 600 |
| b) | with wooden walls, unburned brick, wadding, cobwebs and other similar materials | 300 | 200 |
| 2. | Outbuildings, located outside the main body of the building: | | |
| a) | with walls of burnt brick, stone, concrete or other similar materials | 200 | 175 |
| b) | with wooden walls, unburned brick, cobwebs, wadding etc. | 125 | 75 |
| 3. | For homes located in the basement, basement or attic | The value represents 75% of the value corresponding to each group of buildings | |

| | | |
|----|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| 4. | For spaces with another destination, located in the basement or basement of buildings | The value represents 50% of the value corresponding to each group of buildings |
|----|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|

Source: The taxable values on m.p. according to Law 227/2015

In accordance with Article 457 (7) and (8) of Law no. 227/2015, the taxable value of a building is reduced depending on its age or the date of the last consolidation, modernization, alteration, or extension, as follows:

- 50% reduction for buildings older than 100 years
- 20% reduction for buildings between 50 and 100 years old
- 10% reduction for buildings between 30 and 50 years old

Under Article 458 (1) of the New Fiscal Code, the tax for non-residential buildings owned by individuals is calculated by applying a tax rate of 0.2% to 1.3% to one of the following values:

- The value determined by a certified evaluator's report prepared within the last 5 years
- The final value of construction works for buildings erected within the last 5 years
- The value listed in the deed of transfer for buildings acquired in the last 5 years

For legal entities, according to Article 460, the tax is also applied between 0.2% and 1.3% of the building's taxable value.

Example 1 (individual):

For the same 100 m² residential building constructed in 1982, located in a rural area and owned by a natural person, with a tax rate of 0.1% and a 10% correction coefficient:

$$\begin{aligned}\text{tax} &= \text{taxable amount} \times \text{no sqm} \times 1,1 \times 0,1 \% \\ &= 600 \times 100 \times 1,1 \times 0,1 \% \\ &= 66.000\text{lei} \times 0,1 \% = 66 \text{ ron}\end{aligned}$$

Example 2 (legal entity):

For a legal entity owning a building with an inventory value of 200,000 lei in an urban area, and with a 1.3% tax rate:

$$\begin{aligned}\text{tax} &= \text{inventory value} \times 1,3 \% \\ &= 200.000 \times 1,3 \% \\ &= 2.600 \text{ ron}\end{aligned}$$

5. Conclusion

The evolution of building taxation over the last two decades can be summarized in the table below, comparing values for individual and legal taxpayers across legislative periods:

Table no. 6 Comparative Tax Values by Period and Taxpayer Type

| No. | Period of time | Individual tax value Hers | Value of legal entity tax B |
|-----|----------------|---------------------------|-----------------------------|
| 1 | 1994-2001 | 1 | 3.000 |
| 2 | 2002-2003 | 34 | 10.000 |
| 3 | 2004-2015 | 56 | 20.000 |
| 4 | 2016-2020 | 66 | 2.600 |

Source: The taxable values on m.p. according to Law 227/2015

As shown in the table, tax values have increased progressively over time. The most substantial rise occurred following the enactment of Government Ordinance no. 62/2002, where there was a 3,400% increase for individuals and a 333% increase for legal entities. This trend continued under the two successive fiscal codes.

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