

THE EVOLUTION OF LEGISLATION REGARDING BUILDING TAX IN THE LAST TWO DECADES IN ROMANIA

**Daniela Gheorghita MARIA (IFTIMOV) Ph.D Student
University of Craiova
Faculty of Economics and Business Administration
Craiova, Romania**

Abstract: In the last twenty years, the legislation on setting the tax on the buildings of individual and legal taxpayers has changed 4 times by introducing at least one novelty each time, including the change in the taxable amount per square meter, the introduction of the correction coefficient, of the bonus applied if the payment is made in full until the end of March but also the introduction of the type of residential building and non-residential building.

JEL Classification: H11, H21, H24

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

1. INTRODUCTION

The general rule is that any person who owns a building located in Romania owes annually a tax or fee for that building. For the buildings public or private property of the state or of the administrative-territorial units, concessioned, rented, given in administration or in use, as the case may be, to legal persons, the building tax is established, which represents the fiscal burden of concessionaires, tenants, right holders. administration or use, as the case may be, under conditions similar to the building tax. Both the tax and the building tax have been regulated in the last two decades through several normative acts, namely Law no. 27/1994, OG 62/2002, law 571/2003 on the Romanian Fiscal Code and law 227/2015 on the new Fiscal code of Romania. The object of taxation is all the buildings regardless of the destination for which they are used, including the outbuildings: kitchen, pantry, bathroom, cellar, garage, warehouse, stable, shed and others, as well as built spaces such as: kiosks, cottages, barracks, shops, deposits etc. According to the latest regulations, those buildings that have been executed without a building permit, without being considered authorized, are also subject to the building tax. The payers are any natural persons, individuals or constituted in associations of any nature as well as any legal persons, regardless of the way of organization, type or form of property, Romanian or foreign who own buildings.

In the case of buildings public and private property of the state or of the administrative-territorial units, under the administration or use, as the case may be, of the taxpayers, the tax on buildings is due by those who have them in administration or use. The tax base is different depending on the type of taxpayer: natural or legal person. Thus,

in the case of individuals, the tax base is determined by the type, destination and place where the buildings are located, establishing taxable values per square meter, and in the case of legal entities, the tax base is the inventory value at which the building is registered in the accounting of the legal entity. Buildings that do not have the constituent elements of a building are not subject to the building tax.

2. METHODOLOGY

Both the tax and the building tax have been regulated in the last two decades through several normative acts, namely Law no. 27/1994, OG 62/2002, law 571/2003 on the Romanian Fiscal Code and law 227/2015 on the new Fiscal code of Romania

3. ANALYSES

In the period 1994-2001, the building tax had as legal basis Law 27/1994 on local taxes and fees and had the following characteristics:

The building tax was due by taxpayers for the buildings owned by them, regardless of where they were located and regardless of their destination. was due by those who had them in administration or in use.

The tax on buildings owned by individuals was calculated by applying a rate established by local councils, according to the law, which was between 1.0 - 1.5% on the value established according to the criteria and valuation rules provided in Table 1.

Table no.1

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
3Buildings 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%	
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The taxable values on m.p. according to Law no. 27/1994

The tax on buildings, in the case of legal entities taxpayers, was calculated by applying the rate established by the local councils, which could be between 1% and 1.5% on the inventory value of the building, registered in their accounting.

For example, the method of calculating a tax for a 100 sq m building built in 1982 in rural areas belonging to a natural person in the village of commune residence is as follows, given that the decision of the local council established the maximum tax rate of 1,5%

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

For example, the method of calculating a tax for a building with an inventory value of 2.000.000000 lei in the urban area belonging to a legal entity is the following considering that the decision of the respective local council established the maximum tax rate of 1.5%

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

In the period 2002-2003, the building tax had as legal basis Government Ordinance 36/2002

According to this ordinance, the building tax is annual and is due by taxpayers for the buildings owned by them, regardless of where they are located and their destination.

In the case of public and privately owned buildings of the state or of the administrative-territorial units, under the administration or in use, as the case may be, of the taxpayers, the tax on buildings is due by those who have them in administration or in use.

For the purposes of this ordinance, the building means any construction that serves to house people, animals, objects, products, materials, installations and the like.

In order to establish the building tax due by individuals, when sizing a building, the developed built-up area was taken into account, which was determined by summing the areas of sections of all its levels, including those located in the basement. The calculation did not include the surfaces of the bridges, except for the attics, as well as those of the uncovered steps and terraces. The tax on buildings, in the case of natural persons, was calculated by applying the rate of 0.2% in urban areas and 0.1% in rural areas on the taxable value of the building, determined according to the criteria and valuation rules provided in Table 2

Table no.2

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	

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

In order to determine the developed built-up area, in the case of buildings that cannot be effectively measured on the external contour, a transformation coefficient of 1.20 was applied to the usable area.

The taxable amount decreased compared to the period in which they were made, as follows:

- a) before 1950 inclusive, 15% discount;
- b) between 1951 and 1977 inclusive, 5% discount.

For the determination of the taxable amounts, by rank of localities and areas within them, the following positive correction coefficients were applied at the levels set out in this Annex:

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

In the case of individual taxpayers who owned several residential buildings, other than rented ones, the building tax was increased as follows:

- a) by 15% for the first building, apart from the one from the domicile address;

- b) by 50% for the second building, except for the one at the domicile address;
- c) by 75% for the third building, except for the one at the domicile address;
- d) 100% for the fourth building and the following, except for the one at the domicile address.

The tax on the buildings of legal entities was calculated by applying the quota established by the local councils, which could be between 0.5% and 1.5% on the inventory value of the building, registered in their accounting, according to the legal provisions in force.

If the legal entities have not carried out any revaluation of the buildings from 1998 until the date of entry into force of this ordinance, the building tax rate is between 3% and 5%, applied to the inventory value of the building, until the date of the first revaluation, recorded in their accounting. When determining the building tax, in the case of taxpayers legal entities are taken into account both the buildings in operation and those in reserve or conservation.

For example, the method of calculating a tax for the same building of 100 sqm built in 1982 in rural areas belonging to a natural person in the village of commune residence is as follows given that by local autonomy, the local council set the tax rate of 0,1%.

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

Another example is the calculation of a tax for a building with an inventory value of 2,000,000,000 lei in the urban area belonging to a legal entity not revalued in the last 3 years is the following considering that the maximum tax rate of 5% has been established .

$$\begin{aligned}
 \text{tax} &= \text{inventory value} \times 5 \% \\
 &= 2.000.000.000 \times 5 \% \\
 &= 100,000,000 \text{ lei} = 10,000 \text{ RON (considering the denomination)}
 \end{aligned}$$

In the period 2004-2015, the building tax was based on law 571/2003 on the Fiscal Code.

In the case of individuals, the building tax was calculated by applying the tax rate to the taxable value of the building. The tax rate was 0.2% for buildings located in urban areas and 0.1% for buildings in rural areas.

The taxable value of a building was determined by multiplying the developed built area of the building, expressed in square meters, with the corresponding value in table no.3

Table no.3

No.	Type of buildings and other taxable constructions	Taxable amount **) (lei / m2)	
		With water, sewerage, electrical, heating-	Without water, sewerage, electrical, heating

		cumulative conditions	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	

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

If a natural person owned two or more buildings used as housing, which are not rented to another person, the building tax was increased 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.

In the case of owning two or more buildings other than the one at the domicile address, the increased tax is determined according to the order in which the properties were acquired, as it resulted from the documents attesting the quality of owner. The tax on the buildings of legal entities was calculated by applying the rate established by the local councils, which was between 0.5% and 1.5% on the inventory value of the building, recorded in their accounts.

If the legal entities have not carried out any revaluation of the buildings in the last 3 years, the building tax rate was between 5% and 10%, applied to the inventory value of the building, until the date of the first revaluation, recorded in their accounting.

For example, the calculation method of a tax for the same building of 100 sqm built in 1982 in rural areas belonging to a natural person in the village of commune

residence was the following considering that by the decision of the respective local council the tax rate of 0 was established, 1%.

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

For example, the method of calculating a tax for a building with an inventory value of 2,000,000,000 not revalued in the urban area belonging to a legal entity is the following considering that the respective local council has set the maximum tax rate of 10%

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

Starting with 2016 and until now, the building tax has as legal basis Law 227/2015 on the new fiscal code. tax rate between 0.08 % - 0.2 %

Table no.4

No.	Type of buildings and other taxable constructions	Taxable amount **) (lei / m2)	
		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	

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

According to art. 457 paragraph 7 and paragraph 8 by Law no. 227/2015, the taxable value of the building is reduced depending on the year of its completion or when

the consolidation, modernization, modification or extension works have been completed as follows:

a) by 50% for the building that is over 100 years old on January 1 of the reference fiscal year

b) by 20% for the building that is over 50 years old and 100 years old on January 1 of the reference fiscal year

c) by 10% for the building that is between 30 and 50 years old, including on January 1 of the reference fiscal year.

According to art.458 paragraph 1 of the New Fiscal Code, the tax on non-residential buildings in the case of natural persons is calculated by applying the tax rate between 0.2% -1.3% on the value that can be:

a) the value resulting from an evaluation report prepared by an authorized evaluator in the last 5 reference years

b) the final value of the construction works, in the case of new buildings, built in the last 5 years prior to the reference year

c) the value of the buildings resulting from the deed by which the property right is transferred - in the case of buildings acquired in the last 5 years prior to the reference year. Tax and tax *) on buildings for legal entities - art.460 paragraph 1,2,3,4,5 of the NCF is calculated by applying a tax rate between Between 0.2% and 1.3% on the taxable value of the building .

For example, the method of calculating a tax for the same residential building of 100 sqm built in 1982 in rural areas belonging to a natural person in the village of commune residence is as follows given that by local autonomy, the local council set the tax rate of 0.1 %

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

For example, the method of calculating a tax for a building with an inventory value of 200.000 lei in the urban area belonging to a legal entity is the following considering that the maximum tax rate of 1,3 % has been set.

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

4. CONCLUSIONS

In summary, the values of the two types of taxes established are provided in the following table

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

From the above data it can be seen that taxes have increased from one period to another, the maximum growth period being registered at the entry into force of GO 62/2002 respectively 3400% for individuals and 333% for legal entities but also in continued through the two tax codes

REFERENCES

1. xxxx Law 27/1994 on local taxes and fees, M.Of. nr.127 / 24mai 1994
2. xxxx Government Ordinance. no. 62/2002 M.Of 646/30 August 2002
3. xxxx Law 571/2003 on the fiscal code M.Of. no. 927/23 dec. 2003
4. xxxx Law 227/2015 on the new Fiscal Code The text of the act being published in the Official Gazette. no. 688 of September 10, 2015