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## **Economic Aspects Regarding the Development of the Liberal Professions in Romania**

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**Abstract:** The liberal profession plays an important role in creating added value and profitability in the current economy context of Romania, especially in this time of global health crisis. In this regard, it is safe to assume that, in 2021, the liberal professions in order to remain viable will need an independent advice and support because of the constant expansion of national legal standards. Moreover, in view of this sector's growth potential and the proportion of jobs that it provides, the entrepreneurial aspect of the liberal professions must be acknowledged and supported, since the services provided by liberal professionals are complex and require a high level of expertise. This research paper presents the essential notions in the economic field, which the entrepreneurs who carry out independent activities registered in the category of liberal professions must know in order to have a good activity in Romania. This work is developed on two major directions: the financial-accounting and the fiscal aspects regarding the liberal professions.

**Keywords:** Romanian business environment; entrepreneurship; accounting records; social contributions

### **1. Introduction**

The liberal professions are established at European level by Directive no. 2005/36/EC of the European Parliament and of the Council on the recognition of professional qualifications.

The liberal professions contribute considerably to growth and jobs in the European Union.

For the purposes of this Directive, the liberal professions represent “any profession practiced on the basis of relevant professional qualifications, in a personal capacity, on its own responsibility and professionally independent, providing intellectual and conceptual services in the interests of the client and the public. The pursuit of the profession may, in the Member States, in accordance with the Treaty, be subject to specific legal obligations, based on national law and regulations established autonomously in this framework by the competent representative professional body, which guarantees and improves the degree of professionalism, the quality of services and the confidentiality of customer relations.”

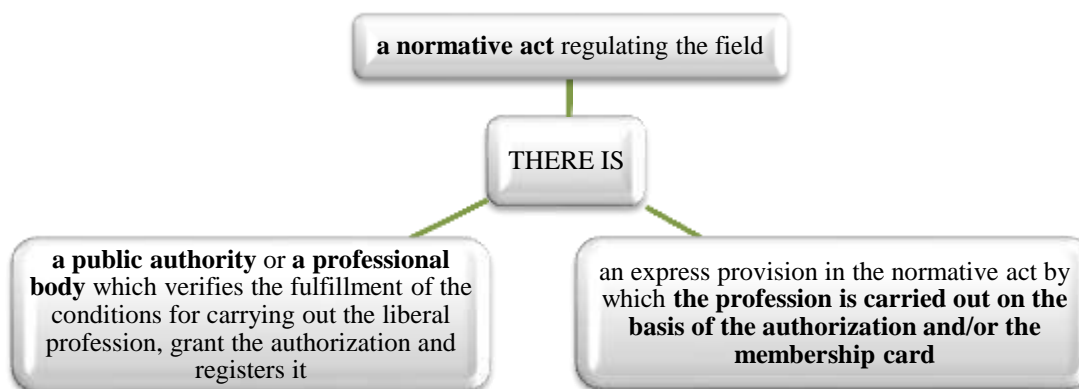
In Romania, the liberal professions are settled by law, by GEO no. 49/2009 on the freedom of establishment of service providers and the freedom to provide services in Romania, corroborated with Law no.200/2004 on the recognition of diplomas and professional qualifications for regulated professions from Romania and with the fiscal legislation.

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Under current law, the liberal professions are those professions that cumulatively meet the conditions schematically presented in figure 1.

Therefore, the liberal professions are registered with the professional body to which they belong and with the National Agency for Fiscal Administration (ANAF). Liberal professions are not registered in the Trade Register (RC).



**Figure 1. Cumulative Conditions for Defining a Liberal Profession**

## 2. Fiscal Registration

Fiscal registration is required in the management of individuals that are carrying out economic activities independently or as liberal professions.

Thus, in accordance with the legal provisions, Romanian or foreign persons who carry out economic activities independently or exercise liberal professions, have the obligation to complete and submit to the registry of the competent tax authority or to the Post, by registered letter: Declaration of fiscal registration\*/Declaration of indications\*\*/Declaration of deregistration\*\*\*<sup>1</sup> for persons who carry out economic activities independently or exercise liberal professions (OPANAF 3725/2017).

The Form 070, with instructions for completion, is available online.<sup>2</sup>

Following the fiscal registration, the fiscal body assigns the *fiscal registration code*.

### 1. The indicative list of liberal professions developed in Romania

This list includes the following occupations:

- A. architect; generalist nurse; nurse; social worker; energy auditor for buildings; financial auditor; lawyer;
- B. biochemist in the health system; biologist in the health system;
- C. chemist in the health system; conservative; industrial property advisor; tax consultant; certified accountant;

<sup>1</sup> Declaration of fiscal registration\* is completed on the occasion of the first fiscal registration, usually on setting up. Declaration of mentions\*\* is completed whenever the data reported are modified through the form Declaration of fiscal registration. Declaration of deregistration\*\*\* is completed on the occasion of deregistration of the fiscal registration.

<sup>2</sup> [https://static.anaf.ro/static/10/Anaf/formulare/070\\_A10\\_OPANAF\\_3725\\_2017.pdf](https://static.anaf.ro/static/10/Anaf/formulare/070_A10_OPANAF_3725_2017.pdf)

- D. building site master;
- E. bailiff; Expert accountant; forensic expert; judicial technical expert; extrajudicial technical expert; authorized evaluator;
- F. pharmacist; physiotherapist (physiotherapist / physiokineto-therapist / teacher of medical physical culture / balneophysio-physiotherapist); medical physicist; physicist in the health system; medical physics expert;
- G. geodesist;
- H. –
- I. mime-gestural language interpreter;
- J. –
- K. –
- L. speech therapist;
- M. midwife; mediator; physician; dentist; veterinarian;
- N. public notary;
- O. optician-optometrist;
- P. insolvency practitioner; practitioner in complementary / alternative medicine; psychologist;
- Q. –
- R. restorer;
- S. sociologist; specialist in land and urban planning;
- T. prosthesis and orthosis technician; hearing aid technician; medical equipment technician; translator / interpreter authorized by the Ministry of Justice.

## 2. Financial-Accounting Aspects Regarding the Liberal Professions

The accounting regulations applicable to the liberal professions concern simple bookkeeping.

According to the Guidelines for the preparation and use of the main financial and accounting documents and obligations regarding the preparation of the annual reports provided by the Accounting Law published by the the National Agency for Fiscal Administration ([www.anaf.ro](http://www.anaf.ro)):

- simple bookkeeping is kept in Romanian and in the national currency;
- any economic-financial operation is recorded when it is performed in a document that is the basis for highlighting in simple bookkeeping, thus acquiring the quality of supporting document;
- the supporting documents that are highlighted in simple bookkeeping commit the responsibility of the persons who prepared them;
- mandatory registers are:
  1. accounting records:
    - *Register-Journal of Receipts and Payments*

- *Inventory-Register*

2. *The Register of Fiscal Records*

- recommended registers: *Single Control Register*
- financial - accounting forms used:
  - *Fixed Asset Sheet*
  - *Invoice*
  - *The Notice Accompanying the Goods*
  - *Inventory List*
  - *Receipt and Receipt for Foreign Exchange Operations*
  - *The Disposition of Payment/Collection to the Cashier*

## **2.1. Accounting Records**

The retention period of these documents is 10 years.

### **2.1.1. The Register-Journal of Receipts and Payments**

It serves to chronologically record of all amounts collected and paid, both in cash and through bank accounts. The amounts recorded in this Register are totaled monthly.

*Amounts collected* refers at:

- the amounts obtained from the activity;
- cash contributions and through bank accounts brought at the beginning of the activity or during its development (money from other sources);
- amounts received in the form of bank loans or other loans;
- amounts received as compensation, sponsorship or donations;
- amounts received from grants or subsidies;
- other amounts collected (for example: refunds of taxes, fees, penalties).

*Payments* cover:

- expenses incurred in connection with the activity carried out for the purpose of generating income;
- the amounts representing the refund of contributions in cash and through bank accounts (when you return the money you initially put in the company);
- the amounts representing the repayment of bank loans or other loans;
- other payments made (for example: penalties, fines paid, etc.).

Monthly, the volume of receipts and payments is totaled, and the difference between the two represents the amount we have available in reality.

Supporting documents (bills, receipts, invoices, etc.) must be kept and archived together with the *Register-Journal of Receipts and Payments*. All operations are recorded in lei, using the exchange rate from the date of the operation.

Only the amounts collected and paid are entered in the *Register of Receipts and Payments*. If an invoice has been issued but the amount has not been collected from the customer, it will be recorded in the *Register-Journal of Receipts and Payments* only when the amount has been collected.

### **2.1.2. The Inventory-Register**

It serves to record the inventoried assets and liabilities.

The *Inventory Register* represents a periodic record of the entire patrimony. Thus, at the end of each financial year (at the end of the year) all assets (equipment, cars, telephones, etc. or any other equipment with a value greater than 2500 lei), inventory items, stocks (goods or work materials purchased and not yet used), debts and receivables (amounts remaining receivable from customers) are inventoried and are noted in the *Inventory Register*, at the entry value according to the supporting documents, and in the case of debts and receivables, at the remaining amount payable/receivable.

## **2.2. The Register of Fiscal Records**

It aims to enter the information underlying the determination of annual net income/loss contained in the *Single Declaration on income tax and social contributions due by individuals* or in the *Annual Income Statement for associations without legal personality and entities subject to the transparency regime fiscal* (electronic format / paper format).

*The Register of Fiscal Records* is the register in which the taxable income registered in a fiscal year is registered, as well as the expenses incurred for the purpose of carrying out the economic activity, in the same fiscal year. According to the *Fiscal Code*, the completion of this register is mandatory, based on the accounting data, for determining the net income. *The Register of Fiscal Records* is completed starting from the operations registered in the *Register-Journal of Receipts and Payments* as follows: “non-taxable income\* and non-deductible expenses\*\* are eliminated; “The deductible amount is calculated from the expenses that can be deducted only limited\*\*\*; “Only the amounts representing the taxable income and the deductible expenses, divided by sources of income, are entered in *The Register of Fiscal Records*. The difference between total taxable income and total deductible expenses is net income, from which the social contributions due are then calculated. These amounts are entered in the *Single Declaration*, in the section on income and expenses incurred.

In other words, in *The Register of Fiscal Records* are entered the amounts representing the taxable income (“the amounts collected and the equivalent in lei of income in kind from the activity;” the gains from the transfer of assets from the business patrimony, used in an independent activity, excluding value assets after permanent cessation of activity; “income recorded by cash registers with fiscal memory, installed as tax collectors on passenger transport vehicles or goods by taxi) and deductible expenses (in principle, expenses incurred in the course of activities).

## **2.3. The Single Control Register**

In addition to the documents presented above, it is recommended that as an entrepreneur just starting out, you purchase from ANAF, based on the tax registration certificate, within 30 days from the establishment of the entity, both for the registered office and for each point of authorized work or secondary office: *The Single Control Register*.

Once purchased, *The Single Control Register* will need to be numbered, sealed and needs to be kept by the legal representative of the inspected unit or its replacement. This document will be presented to the inspectors who come to control, at their request.

*The Single Control Register* aims at highlighting all the controls carried out at the taxpayer by all specialized control bodies, in the fields: “financial-tax; “sanitary, phytosanitary; “urbanism, quality in constructions; “consumer protection; “safety, labor inspection; “fire protection; “other areas stipulated by law.

The control bodies are obliged to record in this register, before the beginning of the control, the following information:

- name and surname of the persons empowered to carry out the control;
- the unit to which they belong;
- the number of the control card;
- number and date of the delegation / travel order;
- control objectives;
- control period;
- controlled period;
- the legal basis on which the control is performed.

The controls carried out on the taxpayer by the competent authorities in the previously mentioned fields will be recorded in this *Single Control Register*, accompanied by the signatures of the control body and of the taxpayer's legal representative.

It is recommended that you keep such a register in order to prove that you have been inspected by the specialized bodies and to provide the authorities with information on the findings made in previous controls, the measures established and the status of their fulfillment.

## **2.4. Financial - Accounting Forms**

This category includes: “fixed assets sheet; “invoice; “the notice accompanying the goods; “inventory list; “receipt and receipt for foreign exchange transactions; “payment / collection order to the cashier.

### **2.4.1. The Fixed Asset Sheet**

It serves as a document for the analytical record of fixed assets and is prepared for each fixed asset. In the case of fixed assets of the same nature and value, which have the same depreciation rates and are put into operation in the same month, a single sheet of fixed assets may be drawn up.

### **2.4.2. The Invoice**

It is a supporting document underlying the accounting registration of economic operations and it is used in accordance with the provisions of the *Fiscal Code*.

### **2.4.3. The Notice Accompanying the Goods**

Serves as a document accompanying the goods during transport, document underlying the preparation of the invoice, provision of transfer of material values from one management to another, territorially

dispersed, of the same entity, document of receipt in management, document of discharge from management of the goods transferred free of charge, as the case may be.

#### **2.4.4. The Inventory List**

Document used for the inventory of assets under management and which is the basis for the preparation of the *Inventory Register*, which records the elements of the nature of assets and liabilities inventoried (assets, receivables and liabilities of the person who conducts simple bookkeeping).

#### **2.4.5. The Receipt and the Receipt for Foreign Exchange Operations**

There are supporting documents for the registration in the *The Register-Journal of Receipts and Payments* and in the accounting of receipts and payments made in cash (lei / currency), as well as of the deposits of amounts to the cashier entity.

#### **2.4.6. The Payment/Collection Order to the Cashier**

It serves as a provision for the cashier for payment of cash sums, according to the law, including advances approved for travel expenses, as well as the difference to be collected by the advance holder in case of justification of amounts higher than the advance received, for the purchase of materials, etc .; provision for the cashier for collection of cash amounts that do not represent income from the exploitation activity, according to the law; supporting document for entry in the *Register Journal of Receipts and Payments* and in the accounts, in the case of cash payments made without any other supporting document, as required.

### **3. Fiscal Aspects Regarding the Liberal Professions**

Fiscal regulations applicable to the liberal professions stipulate that the income from self-employment is subject to income tax.

*Net taxable income* is the income on which the tax percentage is applied in order to determine the tax due to the state budget. Net taxable income is determined according to the rules of simple bookkeeping, as the difference between the revenue earned and the deductible expenses incurred to obtain income. At the same time, the losses recorded in previous years also decrease.

In the case of the liberal professions, *the tax rate is 10%* and applies to the net income obtained during the fiscal year, minus the reported losses and the social contribution due - CAS (pension contribution).

The taxpayer is obliged to calculate, declare and pay the tax. He will complete the *Register of Fiscal Records* before submitting the *Single Declaration*.

#### **3.1. The Social Contributions**

The minimum net income ceiling from which social contributions are due is at least 12 minimum gross wages per country, in force at the time of submission of the declaration. The inclusion in this ceiling is made by accumulating the net income and/or the annual income norms from independent activities. For 2020, the minimum gross salary per economy was set at 2,230 lei/month, respectively at  $12 \times 2,230 = 26,760$  lei per year.

### 3.1.1. CAS - Social Insurance Contribution - 25% for 2020

The minimum ceiling for the CAS calculation cannot be lower than the minimum gross salary per monthly savings (2,230 lei), respectively lower than the annual ceiling of 26,760 lei. ( $12 \times 2,230 = 26,760$ ) The percentage of 25% is applied to this value and the annual payment contribution is obtained, amounting to 6,690 lei.

$$26,760 \text{ lei} \times 25\% = 6,690 \text{ lei}$$

The deadline for payment of the contribution for 2020 is March 15, 2021.

### 3.1.2. CASS – Health Insurance Contribution - 10% for 2020

The percentage of contribution to the social health insurance system (CASS) is 10%, the calculation basis not being higher than 12 minimum gross wages per economy.

Therefore, an estimated annual net income higher than 26,760 lei obliges to pay CASS, the annual payment contribution being 2,676 lei, determined as follows:  $26,760 \text{ lei} \times 10\% = 2,676 \text{ lei}$

The deadline for payment of the contribution for 2020 is March 15, 2021.

Starting with fiscal year 2018, the compulsory contribution for social health insurance (CASS) is no longer deductible when calculating net income.

## 3.2. VAT – Value Added Tax

Taxpayers who earn income from the liberal professions are registered for VAT purposes in the following situations:

- by option;
- by exceeding the exemption ceiling of 300,000 lei provided in the Fiscal Code.

In order to be registered for VAT purposes, taxpayers who carry out their activity individually will fill the VAT section, in the “Tax registration declaration” (form 070) under the heading “Data on the tax vector”.

After analyzing the information contained in the *Fiscal Declaration* and in the documents attached to this declaration, the tax authority issues the “Decision on registration for VAT purposes” according to the provisions of the Fiscal Code, with subsequent amendments and completions and the Fiscal Registration Code for value added purposes, as appropriate.

Taxpayers registered for VAT purposes have the obligation to submit to the competent tax authority, within the deadlines provided by law, the following tax returns, as appropriate: “Value added tax return (form 300) - monthly/quarterly; “Informative Declaration regarding the deliveries / services and acquisitions made on national territory (form 394) - monthly/quarterly; “Informative Declaration regarding the deliveries of goods and the provision of services carried out in the year... “ (form 392A) - annually; as well as other tax returns required by law, depending on the specific situation.

## 3.3. Declaration no. 112

Individuals exercising the liberal professions, who have, according to the law, staff employed on the basis of individual employment contracts must submit monthly or quarterly (until the 25<sup>th</sup> of the month



following the quarter) the form 112: “Declaration on the obligations to pay social contributions, income tax and the nominal record of the insured persons.”

### 3.4. Single Declaration 2020

Starting with fiscal year 2018, the self-taxation mechanism is applied, which means that each taxpayer will calculate, declare and pay the contributions and income tax, without ANAF issuing tax decisions following the submission of the *Single Declaration*.

The *Single Declaration* with the estimated income for 2020 shall be submitted to the competent fiscal body by May 25<sup>th</sup>. The deadline for payment of the declared tax obligations is March 15, 2021.

The *Single Declaration* is completed on the basis of the information registered in the *Register of Fiscal Records* (the amounts representing the taxable income and the deductible expenses, divided by sources of income). Thus, the difference between total taxable income and total deductible expenditure is net income, from which the social contributions due are then calculated. These amounts are entered in the *Single Declaration*, in the section on income and expenses incurred.

Within 30 days from the date of commencement of the activity, the *Single Declaration* must be submitted to the fiscal body in whose territorial area the taxpayer exercises liberal professions.

The *Single Declaration* can be submitted online, through the “Virtual Private Space” service or on the website <http://e-guvernare.ro/>, with a qualified electronic signature or on paper, at the ANAF counter or sent by Post, with acknowledgment of receipt.

## 4. Acknowledgement

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