

## THE FEDERATION OF COMMUNITY FOUNDATIONS OF ROMANIA

### Guide to potential Sponsors

# 1

#### WHAT IS THE TAX FACILITY GRANTED IN ROMANIA FOR SPONSORSHIP?

All companies can choose to redirect up to **20%** of their profit tax, but no more than **0.5%** of their turnover in a fiscal year to support not-for-profit activities. As such, the sponsorship amount is deducted from the profit tax liability as tax credit within this limit.

**Legal basis:** Law 227/2015 ("Fiscal Code"), article 25, paragraph (4), letter i) and related Methodological Norms

# 2

#### SPONSORSHIP COSTS YOU NOTHING

We have included below for your ease of reference a numerical example that outlines the cash outflow in a Sponsorship/No sponsorship scenario.

**Conclusion:** You will pay the same amount, however in respect of the sponsored amount you can choose the beneficiary.

#### OPTION 1 - I SPONSOR

1. Computation of profit tax	
Revenues	4,750,000
Expenses	4,300,000
Sponsorship expenses (non-deductible)	6,000
Tax result (1-2+3)	456,000
Profit tax (16% x 4)	72,960
2. Computation of sponsorship tax credit	
Turnover	4,550,000
0.5% of turnover	22,750
20% of profit tax	14,592
Sponsorship tax credit*	14,592
Final profit tax due	66,960

Total payment 72,960 RON, representing:

- 66,960 RON profit tax
- 6,000 RON sponsorship

#### OPTION 2 - I DON'T SPONSOR

1. Computation of profit tax	
Revenues	4,750,000
Expenses	4,294,000
Sponsorship expenses (non-deductible)	0
Tax result (1-2+3)	456,000
Profit tax (16% x 4)	72,960
2. Computation of sponsorship tax credit	
Turnover	4,550,000
0.5% of turnover	22,750
20% of profit tax	14,592
Sponsorship tax credit*	0
Final profit tax due	72,960

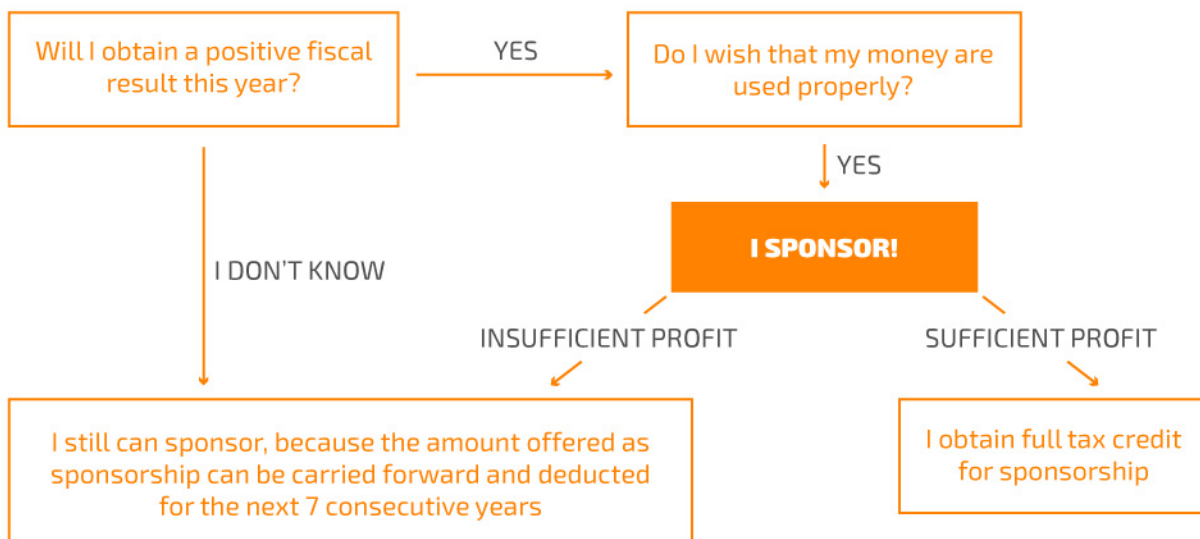
Total payment 72,960 RON, representing profit tax only

\*Computed as minimum between 0.5% x Turnover and 20% x Profit tax

### 3

#### WHAT IF YOU DO NOT KNOW YET HOW MUCH PROFIT YOU WILL MAKE AT YEAR-END?

You may still be a sponsor, even if you do not know exactly how much profit your company will realise. Why? Because the **tax advantage is not lost as the sponsorship amount can be deducted from the next 7 years' profit tax.**



### 4

#### OTHER MATTERS:

• **Reporting requirements:** No additional reporting requirements for sponsorship. This is simply filled in the annual profit tax return (101).

• **Journal entries** for sponsorship - example for sponsorship in cash:  
6582 Gifts and subsidies granted = 5121 Bank accounts in RON

Enclosed you can find a Template of the Profit Tax Return showing the fields where sponsorship is reflected (based on the example above).

• **Legal requirements** (Law 32/1994 regarding sponsorship):

The sponsorship:

- must be provided under a sponsorship agreement which states at least the object, the value, the duration of the sponsorship, as well as the rights and obligations of the parties;
- cannot be provided from sources obtained from the public budget;
- can be brought to the public's attention by promoting the name, the trademark and the image of the sponsor, in a way that does not, directly or indirectly, harm the sponsored activity, the morals or public order;
- the sponsor or the beneficiary are prohibited to perform commercial advertising or publicity, in their favour or upon others, preceding, during or subsequent to the sponsorship;
- Community Foundations fulfil the legal requirements to qualify as a sponsorship beneficiary, namely, are non-profit organisations, which perform some of the activities exhaustively listed by the sponsorship legislation: educational and teaching activities, philanthropy, social and community.

**The takeaway: by sponsoring the Community Foundation in your city, YOU can decide what to do with your money with no additional costs.**

The Community Foundations are an engine for positive change in their home communities. They collect donations from individuals and from companies in a certain geographic area and re-grant the funds for philanthropic causes in the same area. The Community Foundations help their communities to use their own resources for development by serving local donors as well as the initiative groups that bring the causes and know the local needs.

Today there are 16 Community Foundations in the following cities or regions: Alba, Bacău, Braşov, Bucureşti, Cluj, Covasna, Dâmboviţa, Galaţi, Iaşi, Mureş, Odorheiu Secuiesc, Oradea, Prahova, Sibiu, Timişoara, Țara Făgăraşului.