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Romania Softens Discriminatory Tax Regime for Imported Spirits

Report Categories:

Export Accomplishments - Other

Food and Agricultural Import Regulations and
Standards - Certification

Food and Agricultural Import Regulations and
Standards - Narrative

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Report Highlights:

The December 2012 emergency ordinance adopted by the new Government to address EU infringement proceedings against Romania's 2010 restrictive excise regime is viewed still as somewhat restrictive, but more favorable to importers of spirits. According to provisions of the ordinance, importers can enjoy the financial advantages of the bounded warehouse regime for storage of excisable goods, including the duty-deferment benefit until the product is released. Overall U.S. exports of spirits to Romania have declined over the past two years with the exception being bourbon whiskey which is actually showing an increase in trade.

General Information:

Until mid-2010 excisable goods were allowed to be placed in bonded warehouse under a duty-deferment storage regime. Taxes on excise goods were due on release from the warehouse. In June 2010 the Romanian Government approved Ordinance 54/2010 to fight fiscal evasion. The enforcement rules, however, had significant negative effects for importers of distilled spirits. Starting on September 1, 2010, authorizations for bonded warehouses for storage of excisable products were revoked making existing products subject to the excise tax regardless of moment of sale.

However, storage of alcoholic drinks under a duty-deferment regime could still take place in bonded warehouses owned by entities authorized for production of such products. Thus domestic producers were allowed to continue to store their products in warehouses without paying the excise duties until the moment of sale. Unlike domestic producers, importers were required to pay the excise duties the 25th day of the month following the date upon which the goods were received at the warehouse, regardless the exit moment. This created significant financial pressure on the importer as the tax was applied prior to sale in most instances. Key industry stakeholders viewed the disparate treatment as discriminatory towards importers.

Despite criticism expressed by major stakeholders against the unfairness of the new regulation the Romanian Government maintained the new requirements. The European Union launched infringement proceedings against Romania concerning the bonded warehouses used for storage of excisable goods.

In December 2012, in effort to eliminate the causes which prompted the infringement proceedings, the new Romanian Government approved Emergency Ordinance 87/2012. According to its provisions, in case of a bonded warehouse used solely for excisable goods storage, the quarterly volume of released goods forecast during a year must exceed the level established by the implementing rules approved through the Government Decision No. 20/2013. In case of distilled spirits, this volume must exceed: 250 hl of pure alcohol, 1,500 hl of product for beer, 1,500 hl of wine and fermented drinks, 1,250 hl of intermediary products, and 1,000 hl of ethyl alcohol of pure alcohol.

In addition to these minimum quantity levels, the provisions include requirements for the level of the shareholders' equity in bonded warehouses which should reach at least 100,000 LEI (USD 30,000) in case of distilled spirits and intermediary products, 5,000 LEI (USD 1,500) in case of food flavors, 2,000 LEI (USD 600) in case of wine and 20,000 LEI (USD 6,000) in case of biofuels.

Despite the minimum volumes which have to be achieved by the importers, recent changes in legislation are expected to influence positively the activities of spirits importers as improved cash-flow will allow them to develop their operations and expand their presence on the Romanian market.

The 2010 excise regime corroborated with deteriorating consumer buying power led to a decline in the volume of spirits imported in terms of quantity. According to trade data, US spirits export to Romania (volume) dropped by 12 percent in 2011 as compared to 2009 (please see table below). However, within the subgroups of distilled spirits, the United States continues to be a significant whiskey supplier on the Romanian market (10 percent market share), and remains the leading provider of Bourbon whiskey. When comparing year-over-year, trade data covering the first 10-months 2012 versus 2011 imports from the United States show an increase of 6.4 percent in Bourbon whiskey, indicating a

recovering consumer demand situation. Recent promotional events organized by FAS Bucharest with the goal of increasing visibility of the U.S. products may have contributed to this positive trend (please see Report [American Fine Food and Spirits – Tasting event](#)).

Romanian spirits imports, 2009-2012

| Spirits imports to Romania | Unit of measure | 2009 | 2010 | 2011 | 2012 (10 months) |
|--|------------------------|-------------|-------------|-------------|-----------------------------|
| Total spirits Quantity | LPA | 3,230,656 | 3,209,270 | 3,282,589 | 2,861,466 |
| • Out of which from United States | LPA | 369,819 | 341,242 | 324,073 | 246,904 |
| Total spirits Value | USD | 61,226,782 | 59,396,708 | 67,110,415 | 49,921,036 |
| • Out of which from United States | USD | 9,989,155 | 8,338,752 | 8,637,455 | 6,216,962 |

Source: Global Trade Atlas