

# New law regulating possibility and conditions for employee profit participation awaits promulgation

May 2026



As the legislator moves to recognize the need to incentivise employee participation in company performance, on 20 May 2026, the Romanian Parliament adopted a draft Law for amending and supplementing Law no. 227/2015 on the Fiscal Code (the "**Draft Law**"), introducing into the Romanian tax system a framework setting out the principles applicable to employee profit participation, together with a favourable tax regime intended to encourage this form of compensation.

Following its recent adoption, the Draft Law is subject to promulgation by the Romanian President. If no objections of unconstitutionality are raised and the President does not request the re-examination by the Parliament, after promulgation the Draft Law will enter into force within three days after publication in the Official Gazette.

## Favourable tax treatment

The Draft Law sets out principles for a more favourable tax treatment to incentives paid to employees in the form of profit participation:

- profit sharing payments are considered deductible expenses for the employer, and are subject to (a) global cap set at 15% of the previous financial year's gross profit of the respective company, and (b) an individual cap set at maximum the equivalent of the employee's net salary income over the last 12 months;

For this purpose, "net salary income" includes the base salary, permanent allowances, as provided by the individual employment agreement/ collective bargaining agreement and holiday leave allowances.

Meal vouchers, vacation vouchers, performance bonuses, temporary allowances, delegation/ secondments allowances or any other payments occasionally granted or with a special tax regime are excluded from the "net salary income".

If the company fails to observe the individual cap, the exceeding amounts shall be reclassified as "salary income" and the related tax regime shall apply.

- profit sharing payments are treated as “other income” (i.e., not salary income) and are exempted from social security contributions.

### Eligibility Conditions

Under the Draft Law, a company may grant profit sharing payments to its employees if:

- the company is subject to corporate income tax and has recorded gross profit in the financial year for which the participation is granted, as reflected in audited annual financial statements; and
- the company has fulfilled all due tax obligations to the state budget.

State-controlled entities (incl. majority state-owned companies, agencies, autonomous administrations) are expressly excluded.

An employee may benefit of profit-sharing payments if:

- the employee has an uninterrupted seniority of at least 24 months with the company granting such incentive, calculated as of the payment date; and
- the employee has not held the capacity of shareholder, partner, or director of the company during the 5 years preceding the financial year for which the incentive is granted.

When calculating seniority, periods worked for a previous employer are included where the employment relationship continued following a business transfer or corporate restructuring (e.g., merger, demerger).

### Rules for implementing profit sharing schemes

The Draft Law introduces certain rules that should be considered when implementing the profit-sharing schemes, respectively:

- while amounts granted to the employees under profit sharing schemes may differ, the employer should ensure that such differentiation between employees is based on objective criteria. Criteria must be set out through internal regulations or decision of the company’s governing body (i.e., management decision);
- in terms of documenting the payments, companies must keep separate accounting records for profit sharing payments.

### Timeline

If the Draft Law is promulgated in the current form, the new regime on profit participation shall apply to income derived from profits generated in financial years ending after the Draft Law enters into force (i.e., starting with income pertaining to the financial year 2026).

## For more on this topic, get in touch with us



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