

# Briefing

15 June 2017

## Tax on windfall gains achieved by natural gas producers from gas price liberalisation increased and extended indefinitely

### Background

A tax on windfall gains obtained by domestic gas producers as a result of deregulating the sale prices for domestic natural gas was introduced in 2013 by Government Ordinance No. 7/2013 (**GO 7/2013**), initially applicable until 31 December 2014, but extended yearly until end of 2017. The tax rate was equal to 60% and applied to supplementary revenues achieved from sale of natural gas by domestic gas producers after deducting the corresponding royalties and the value of the upstream investments (but only up to 30% of the total amount of supplementary revenues).

### Amendments

Although initially envisaged as a temporary tax, the tax on windfall gains was not only extended indefinitely, but also increased by the law approving GO 7/2013 approved by the Chambers of Deputies on 13 June 2017. Thus, depending on the weighted average sale price of natural gas from the domestic production sold by a producer, two tax rates will apply:

- 60% of the supplementary revenues for a weighted average sale price of up to (and inclusive) 85 lei/MWh;
- 80% of the supplementary revenues for a weighted average sale price exceeding 85 lei/MWh, applied to the revenues achieved from the difference between the sale price and 85 lei/MWh.

The provisions on the deduction of royalties and value of upstream investments were not amended.

The law approving GO 7/2013 was sent for promulgation by the President of Romania on 13 June 2017 and will enter into force on the first day of the month following its publication in the Official Journal.

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