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INCOME TAX: 103 LEI MORE FOR EMPLOYEES, BUT MUCH HIGHER TAXES FOR OTHERS

Statement of the Civic Movement "Construim Încredere" on the income tax amendments proposed in the Fiscal and Customs Policy for 2027

Fiscal policy is not only about how much the state manages to collect. It is also about how much people have left after paying taxes, how much small entrepreneurs retain to invest, and whether the tax burden is distributed fairly.

The 2027 draft contains one measure that we consider appropriate: an increase in the personal allowance. However, the actual benefit for employees is modest.

At the same time, other categories of taxpayers are facing considerable increases: the tax payable by peasant farms rises by 71.4% for the same taxable income, while the effective taxation of capital gains doubles from 6% to 12%.

Therefore, income tax policy must be assessed as a whole, rather than through the isolated presentation of favourable measures.

THE PERSONAL ALLOWANCE INCREASES BY 34.7%, BUT THE MAXIMUM BENEFIT IS ONLY 103 LEI PER MONTH

The draft proposes increasing the annual personal allowance from 29,700 to 40,000 lei, an increase of 10,300 lei, or approximately 34.7%.

This is a welcome measure, but increasing the allowance by 10,300 lei does not mean that an employee receives an additional 10,300 lei. The allowance reduces the income to which the 12% tax rate is applied.

The maximum tax benefit is therefore 1,236 lei per year, or 103 lei per month.

In other words, the state does not give the employee an additional 10,300 lei. It simply withholds up to 103 lei less from the employee's own income each month.

Moreover, not all citizens benefit from this measure. Pensioners who rely exclusively on their pension, persons receiving only pensions or social benefits, and unemployed persons without taxable income cannot take advantage of this increase in the same way.

This raises the question that the Government must ask when assessing the entire fiscal package:

What is the real value of the additional 103 lei if, at the same time, other fiscal changes put upward pressure on the cost of fuel, goods and services?

Increasing the personal allowance is a step in the right direction. But it cannot be presented as a substantial reduction in the tax burden on labour.

PEASANT FARMS: FOR THE SAME TAXABLE INCOME, THE TAX INCREASES BY 71.4%

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The impact on peasant farms is significantly greater.

Currently, they pay tax at a rate of 7% of taxable income. The draft proposes increasing the rate to 12%.

The difference may appear to be only 5 percentage points. In reality, for the same taxable income, the tax payable increases by approximately 71.4%.

For taxable income of 100,000 lei:

- today – 7,000 lei in tax;
- from 2027 – 12,000 lei in tax.

This means an additional 5,000 lei in tax on exactly the same taxable income.

It is important to clarify that the tax is not applied to turnover, but to taxable income determined after deducting allowable expenses. A farm with no taxable income will not pay tax simply because the rate has increased.

However, for profitable farms, the impact is clear: for the same economic result, the state will collect 71.4% more.

Aligning the rate with that applied to other forms of economic activity may appear justified from the perspective of tax administration. But equal tax treatment does not automatically mean equal economic conditions.

Agriculture is seasonal and vulnerable to drought, frost, hail, fluctuations in prices and input costs. For a small farm, every additional leu paid in tax is one less leu available for seeds, fuel, machinery or investment. The analysis identifies a particular risk for small farms.

We cannot speak about supporting small and family farms while simultaneously increasing by more than 70% the tax payable on the same taxable income.

CAPITAL GAINS: THE RATE REMAINS 12%, BUT EFFECTIVE TAXATION DOUBLES

Another important change is less visible.

Formally, the tax rate remains 12%. What changes is the tax base to which the rate is applied.

At present, only 50% of net capital gains are included in taxable income. The draft proposes taxing 100% of capital gains.

The effect is straightforward: the effective tax rate increases from 6% to 12%. It doubles.

For every 100,000 lei in net capital gains, the tax rises from 6,000 to 12,000 lei.

For capital gains of 200,000 lei, the example in the analysis shows an increase in tax from 12,000 to 24,000 lei.

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Here as well, precision is essential: the tax is not applied to the full sale price of the asset, but to the capital gain calculated in accordance with the law.

The regime applies, among other things, to land, private property not used for business activities, shares, bonds and other capital assets.

Such a change must be accompanied by a serious assessment of its impact on transactions, investment and taxpayer behaviour.

A MODEST BENEFIT IN ONE AREA CANNOT HIDE MAJOR INCREASES ELSEWHERE

Taken together, the figures clearly illustrate the scale of the proposed changes:

- **+103 lei/month** – the maximum tax benefit resulting from the increase in the personal allowance;
- **+71.4%** – the increase in tax payable by peasant farms for the same taxable income;
- **6% → 12%** – the doubling of the effective taxation of capital gains.

Therefore, the debate on fiscal policy should not be reduced to the question: **“How much more can the state collect?”**

We must also ask:

How much do people have left after taxes? How much do small producers retain for investment? And how much will the tax benefit offered to employees matter after the cost of living increases?

THE CIVIC MOVEMENT “CONSTRUIM ÎNCREDERE” CALLS FOR:

1. **A further increase in the personal allowance and the introduction of a mechanism for its periodic adjustment**, so that the evolution of the allowance reflects the rising cost of living and the reduction in the taxation of labour produces a tangible effect on the population’s disposable income.
2. **Maintaining the tax rate for peasant farms at 7%**, taking into account the specific nature and vulnerability of agricultural activity.
3. **Reconsidering the full abolition of the capital gains relief**, including examining the possibility of a gradual implementation and publicly presenting the estimated impact on transactions involving land, real estate and other assets.
4. **Assessing the income tax amendments together with the other measures included in the Fiscal and Customs Policy for 2027**, including VAT and excise duties, in order to determine their cumulative impact on income and purchasing power.

A genuine fiscal reform should leave more room for work, initiative and investment — not merely more room for additional budget revenue.

The state needs revenue. But people also need income from which they can live, save and invest.