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Presentation for Deductibility, Tax & VAT reform arguments

CEEHFS 2023
Česká komora fitness

2023.10.20

Kent Orrgren

Fitness market mapping in Romania, 2022



Health& Fitness Market, 2015 – 2021

The gym & fitness market in Romania, in 2021, is estimated at:

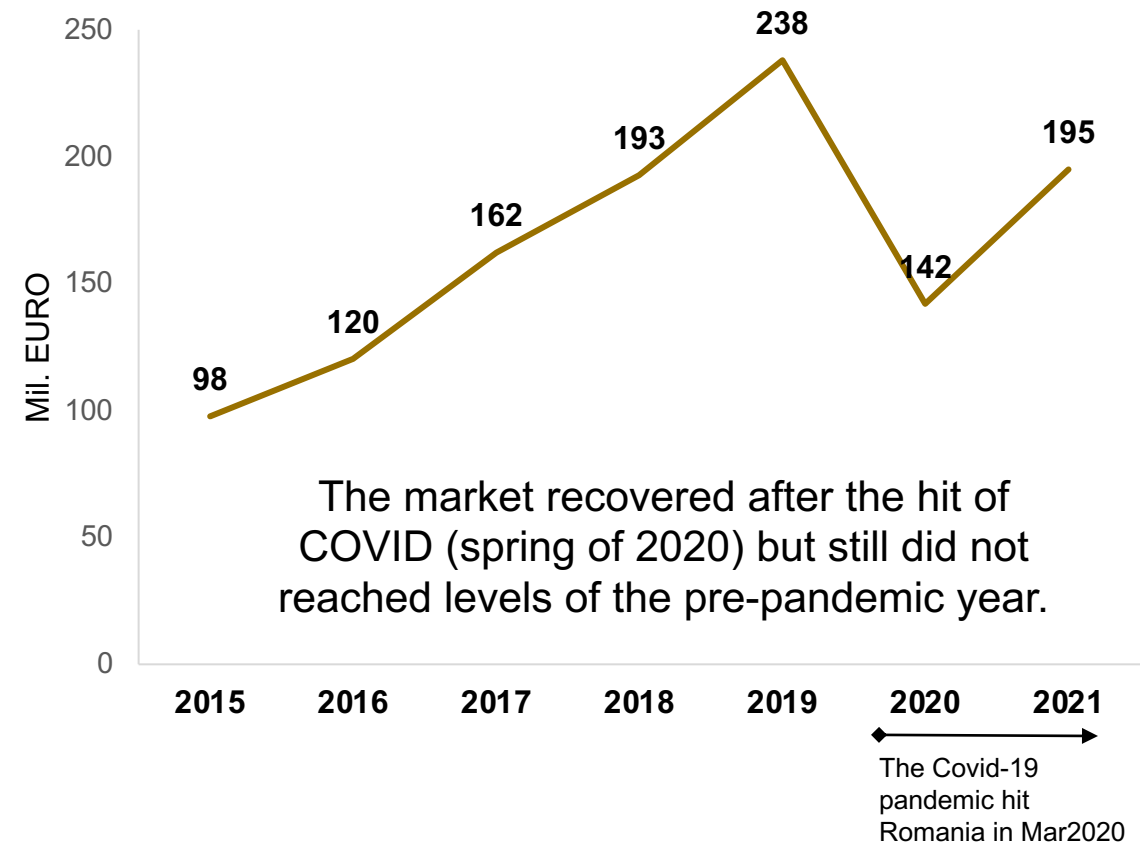
Euro Mil. 195

The sector has increased in 2021 against 2020 with around +38%.

Methodology for Market Size:

Sector perspective, based on companies revenues: companies with NACE code 9313 and 9311 plus clubs under other NACE codes but having gym activities. These approach relates to public data, reported through the Romanian fiscal system. The estimation was enriched with a detailed analyses on the top 100 companies in the sector. The approach is in line with the estimation process run in previous years.

Market size evolution (mil €), 2015 - 2021



- ❖ **2021 was a year recovering from the pandemic**, which hit Romania in March 2020. **However, the Fitness sector did not reach the high levels of the pre-pandemic year (2019).**
- ❖ Based on EoY financials for main players, the sector increased by around 38% against 2020. Consequently, the total fitness market revenues for 2021 are estimated at around **EUR195 mil.**
- ❖ **World Class remains the market leader**, having around 10% value share. It reached 41 clubs at the end of 2022*, being the largest operator in Romania.
- ❖ The market is still characterized by a preference towards monthly subscriptions, as a measure to cope with the increased unpredictability of the social & economic environment.
- ❖ **Top100 companies count for over 30% of the total revenues in the fitness category** (Above Eur 60 mil.).
- ❖ About 20% of the companies in the sector are headquartered in Bucharest (36 of Top100 Clubs by Revenue). Players HQ-ed in Bucharest count for about 2/3 of the revenues in top100 clubs.
- ❖ The rest of the market remains **fragmented**, among several smaller players. There are around 1000+ estimated clubs nationally (including small units). The total number of companies in the sector is relatively flat.
- ❖ 2022 was a year of strong recovery. EoY financials will be available around Jun-Jul 2023. The preliminary feedback received from interviewed reps of Fitness clubs shows a positive trend. 2022 was characterized by a more intense M&A activity, reflecting higher interest of investors in the growth perspectives of this sector over the next years.

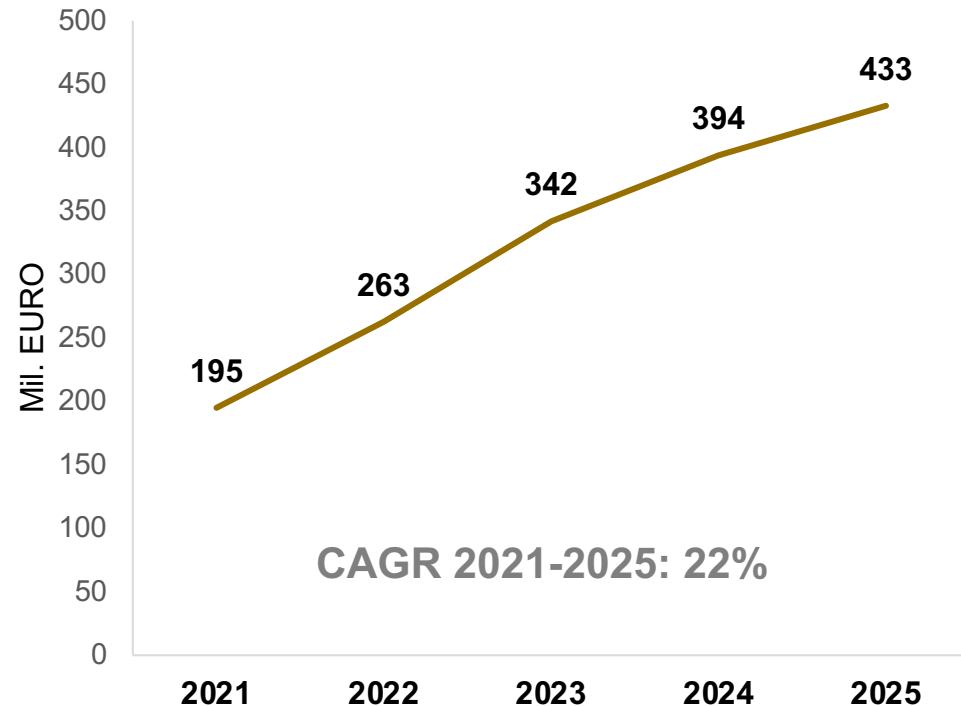
An announcement was made in Dec2022 that Next Fit was acquired by World Class parent company (Vectr Fitness) and the network will be extended with 2 more clubs in Timis county

	2018	2019	2020	2021	2022 estimate
Gyms Turnover (Euro Mil.)	193	238	142	195	263
Turnover Index (Y/Y-1)		123%	60%	138%	135%
Gym Members (Thou) *	874	926	585	730	~ 850
Members from urban population	7.9%	8.3%	5.4%	7%	8%
Gym spending per member per year (Euro) *	221	256	243	267	310
Average net salary in Romania (Euro/month)	579	653	684	710	800
Average spending on gyms from yearly net salary	3.2%	3.3%	3%	3.1%	3.2%
GDP (USD Bil.)	239	250	249	284	300**

* Computed here by dividing Total Revenues by Average number of members. The average revenue per member is not the same metric with the average subscription. Not all members have 12 months subscriptions throughout the year, therefore the mean value for revenue per person is weighted to active months. On top, besides subscriptions, members have other spending in gyms which contribute to the total revenues of the companies in the sector

** approx. 5-6% estimated GDP growth 2022/2021 (macroeconomic forecasts public organizations, Ro & EU – but the decrease in USD comes from the exchange rate to USD)

Health& Fitness Market, 2021-2025



Drivers of growth:

2022

- Overall economic development (GDP/capita) + 5,8%
- Increased salaries / disposable income of the population
- Romanians' increased appetite for sports
- Increased competition in the gym & fitness sector
- Increased practice among teenagers & seniors

2023-2025

- Overall economic development (GDP/capita) – slower pace but growing
- Increased salaries / disposable income of the population
- Romanians' increased appetite for sports
- Increased competition in the gym & fitness sector
- Fiscal facilities for companies / deductibility
- Corporate focus on employees' wellbeing
- Increased practice among kids, teenagers & seniors
- Sector growth premises set by RomaniaActive
- Diversification of services (bundles)

NOTE: The forecast is based on a stable economic, social and political environment. Any major event with mass implication could alter the data series. As in all forecasts, the data series needs recurrent updates, in order to adjust it to actual data, year on year

RomaniaActive

– the united voice of the health & fitness market in Romania

● Objectives:

- Growing the Industry from 4,2 % in 2018 to 10 % in 2028 advocate for Deductibility and reduced VAT to support the growth of an emerging Industry
- Supporting members and partners to improve quality, standards, profitability and growth and reputation of the Physical activity, Health and Fitness Industry
- Getting Romania more physical active by exercising more – BeActiveDay
- Representing the interests of the Romanian health & fitness industry – advocacy for making the industry essential – to build resilience to future crisis – explaining and promoting **Exercise is medicine!**

(P) Romania Active noua voce a industriei de health and fitness

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Autor: [Publicitate](#)

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Salile de sport sunt sigure și trebuie să rămână deschise în timpul pandemiei!

Romania Active, noua voce a industriei de health fitness solicită clasificarea sălilor de sport și fitness drept Servicii Esențiale

RomaniaActive Calls-To-Action

Exercise is medicine!

Physical activity is the key to a financial and healthy society! – to quote the WHO director: “We have all the data we need, let’s take proper actions” – EuropeActive, together with all members should align in a few common actions to make a paradigm shift, as we did with BeActiveDay!

<https://www.exerciseismedicine.org/eim-research0/physical-activity-health-impact/>

- Keep proving the importance of physical activity and transform it to proper actions for making more people more active more often. Can we create a Health&Fitness index as they have done in US? <https://americanfitnessindex.org/healthy-hearts-power-fit-cities/>

Reduced VAT and a the Deductibility law is a major key!

In order to talk with proper authorities and governments we need to get in to the financial budgets and have a place where this is prioritised by the Finance Ministries together with the Health Ministries. This is something that should be built by best practise and be aligned over all EU countries. Working with EU and OECED can be a way forward!

- How to make more investments in our Industry? How to collaborate with Healthcare and work more with prevention?

<https://www.mckinsey.com/featured-insights/europe/how-prioritizing-health-can-be-a-prescription-for-romanias-prosperity>

Improving our standards and educational level for all part of our Industry!

We have more people that want to learn how to be physically active but we don’t have enough patience and knowledge/trust to work with all the beginners and the elderly. Usually all of our trainers have focus on the few members (in %) who want to go to GroupFitness or PT, still this is a small percentage of our opportunity. We have a huge work to improve Corporate Wellness programs, invested by the SME and large compaies, by having proper educated employees/instructors/trainers.

- How to develop a profession to have the same respect as Dentist and Doctors?
- How to develop and improve quality of services and get results in the fastest way?

https://www.rand.org/pubs/research_reports/RR4291.html

RomaniaActive Calls-To-Action

Exercise is medicine!

By 2030 lack of exercise will be a major cause of more than 500 million new cases of chronic disease and mental illness globally, costing world governments over \$27 billion!

Exercise is medicine, a healthy mind a healthy body, Physical exercise is essential for physical and mental health of Romanians! We ask the Government of Romania to continue to prioritize the health of Romania and open up for a concrete discussion to improve the health in Romania.

“Physical activity is a crucial frontline component in preventing and treating the most common chronic diseases in the world, such as diabetes, cardiovascular diseases, and obesity!”

- *58% of Romanians are overweight.*
- *63% of Romanians did not practice any sports.*
- *51% of Romanians totally ignore any kind of physical activity.*
- *Over 25% of children suffer from childhood obesity in Romania.*

This last statistic, related to childhood obesity, is a natural consequence of the fact that we have many adults completely disinterested in physical activity and mass sports. Their concern for a healthy lifestyle is non-existent. And in a family with inactive parents, with wrong eating habits, chances are high that the little ones will grow up the same.

RomaniaActive

– Advocating for classifying the health & fitness industry as essential Business

2019:

9% of the Romanians placed HEALTH on top of their happiness reasons!

(Source: <https://www.ipsos.com/ro-ro/cat-de-fericiti-sunt-romanii-din-mediul-urban>)

2022:

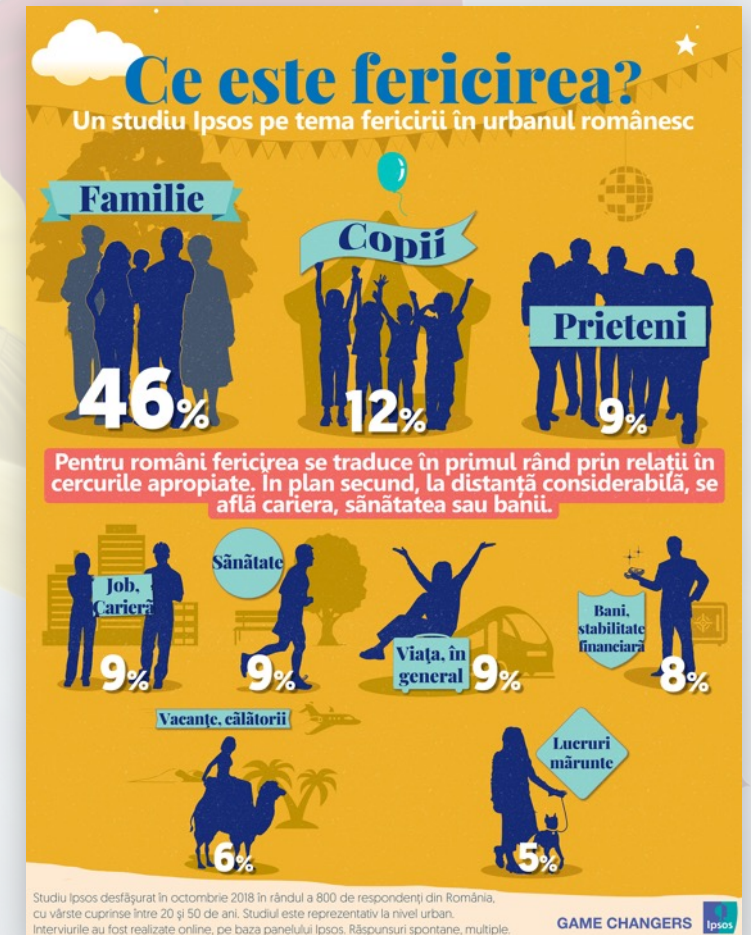
64% of the Romanians affirm that HEALTH & physical wellbeing are their first source of happiness; 85% are interested in staying healthy through prevention!

(Source: <https://www.ipsos.com/ro-ro/ce-mai-inseamna-fericirea-in-era-covid-19>)

There is a major shift in perceiving the importance of health after the covid Pandemic!

We need to keep educating the population about the vital importance that physical exercise has for health!

RomaniaActive continues to advocate for classifying the health & fitness industry as essential Business!



RomaniaActive

– the Deductibility Project Initiative



WORKING FOR CHANGE

2020 - 2021:

Elaboration of impact studies presented to the Finance Ministry; meetings with Government officials; media attention and press release to highlight the initiative

2022:

Updated Impact study

2023:

The Fitness Membership Deductibility Law is promulgated by President Iohannis

2022:

Going from 5 % to 19 % in VAT – a new challenge and an opportunity

RomaniaActive – Together We Achieve More

Criteria of Deductibility

- The amendment to the Fiscal Code, according to which companies can offer as extra-salary benefits subscriptions to the gym within the limit of 400 euros, was promulgated by President Iohannis. Thus, these benefits will be able to be settled by companies starting with the revenues for February 2023.
- The amendment was introduced in paragraph 4.1 of Article 76 of the Tax Code, where some salary income is mentioned for which no income tax is due. The benefit will be introduced in Article 142, where the amounts not included in the monthly basis for calculating the CAS (social contributions for pensions) are mentioned, which means that, automatically, the amounts will not be included either in the calculation base of CASS (social contributions for health) or in the basis for calculating the CAM (social contributions for work).
- Thus, companies will be able to deduct the equivalent of 400 euros in lei, per employee per year for subscriptions to fitness rooms and maintenance, therapy and prevention services.
- The NACE codes concerned are for activities of sports facilities (9311), activities of sports clubs (9312) and activities of fitness centres (9313).
- At the same time, for individuals who obtain independent income, the value of fitness subscriptions is considered deductible expenses, if they are paid for the personal purpose of the taxpayer, also within the limit of 400 euros per year, equivalent in lei.

Deductibility arguments

● Arguments for introducing deductibility:

Main arguments for introducing deductibility :

- ✓ This initiative will make more Romanians have access and availability to memberships in physical activity, health & fitness centres all around Romania in all levels of income levels.
- ✓ Corporate Businesses will invest, in their employees wellbeing and their healthy lifestyles, to bring more attention to improve the Mental health and the Physical health of their employees, using more health and fitness memberships.
- ✓ Corporate Businesses will be able to use this initiative to bring back their employees to their offices and improve effectiveness and wellbeing in the workplace.
- ✓ Measures proposed in this impact study will generate a number of indirect benefits on the public health system, by reducing the pressure on it and reducing the costs due to the treatment of chronic diseases that can be prevented by practicing sports; on the business environment, by increasing the productivity of the employees who will benefit from the extra-salary advantages of practicing physical activity, health and fitness in professional halls and last but not least, on the mental health of the Romanians.

Deductibility arguments

● Arguments for introducing deductibility:

- ✓ Grow job opportunities in the Health & Fitness Industry
- ✓ Romania will get in the frontline in EU, with a plan how to work to improve & recover the Health of the Romanians, short term and long term
- ✓ Investing in this initiative will generate more investments to improve the infrastructure and increase the availability of Physical activities, Health, Fitness and sports facilities for the Romanians – this initiative will attract more investors to invest in the sector for Health, wellness, fitness and healthy living for more Romanians.
- ✓ Increase in revenues to the state budget, directly due to the economic growth of the Health and Fitness Department and indirectly, in a chain way, of all industries positively impacted by the concrete measures to support the Health and Fitness Industry and its investments.
- ✓ Healthy people will be more health aware and health conscious, investing more in health related services to maintain their health and recover as fast as possible once being ill or sick. This will also benefit the Health insurance and medical industry with increased revenues as a result.
- ✓ Increasing the profit TAX & VAT collection rate to the state budget

Getting Romania moving

- RomaniaActive Calls-To-Action

The new Fitness Memberships Deductibility Law, will make it more affordable for Romanians to invest in their physical health!

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A strong and healthy population is vital for the growth and prosperity of our country, and investing in the development of the health and fitness industry is an essential step towards achieving this goal.

”



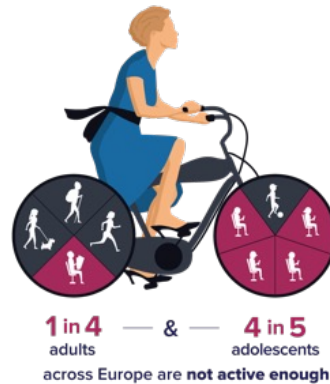
KENT ORRGREN,
RomaniaActive President



Getting Europe Moving

Lack of exercise is a huge health threat that costs Europe billions every year – but we can act now to save lives

The Problem: Europe's not moving



ADULTS are advised to take part in 150 minutes per week (just over 20 mins per day) of moderate intensity physical activity

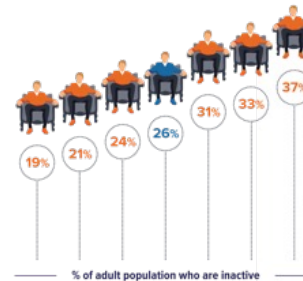
ADOLESCENTS are recommended to exercise for 60 mins per day at a moderate to vigorous level of intensity

Inactivity kills, and we're sitting on a ticking time bomb

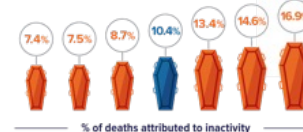
Deaths caused in Europe every year by not moving enough:



If we do nothing, lack of exercise could soon cause **more deaths than smoking**. But the burden isn't shared equally – some countries are more inactive than others.



Poland Germany France European average Spain Italy UK



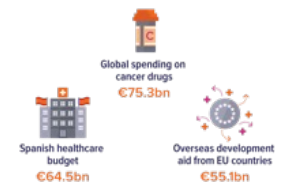
There is a high cost to doing nothing

Lack of exercise contributes to diseases that cost Europe over 80 billion Euros every year



Total: €80.4bn

which is more than:



The Solution: Simply move more

Exercise and sport are great for health, but simply moving more is what matters most. Just over 20 minutes of activity a day lowers the risk of many diseases.

20 minutes of moving more could mean:



'The medicine is inherently free and available to everyone'

Cebr report for ISCA, 'The economic costs of physical inactivity in Europe'

Let's get mobilised

If only 1 in 5 inactive people took up exercise...



We'd save LIVES

Over 100,000 deaths averted per year. That's one life saved every 5 minutes.



We'd save MONEY

Annual savings: 16.1 billion Euros. Three quarters of these savings (11.8bn) would be made in just six countries: UK, Italy, France, Germany, Spain & Poland.



We'd save MINDS

There are many mental benefits of moving more including better sleep, lower stress, and higher productivity.

RomaniaActive joining the European Week of Sports

The European week of Sports brings us even closer together!
We had a strong national celebration in 2022 and 2023.



RomaniaActive promotes the European Week of Sport to encourage Romanians to be more active and healthier



We have joined forces as RomaniaActive because we strongly believe in the power of an active lifestyle. If more Romanians are more active more often, Romania will become a healthier nation, with a healthier future.

During 23-30 of September, one of the most important celebrations of active and healthy living will take place: The European Week of Sports organized yearly by the European Commission. Together, as the united voice of the health, fitness and physical activity industry in Romania, we can truly make a difference during this event and get more people to discover the immense benefits of physical exercise and sport.

I am honored to be part of this celebration together with all RomaniaActive members. Our efforts to promote a healthy and more active lifestyle will help Romanians make health a priority long-term and build healthier habits, like exercising regularly and practicing sports.

RomaniaActive strongly supports all the efforts made within the health, fitness and physical activity sector in Romania to increase awareness of the importance of exercise for physical and mental health, immunity and longevity.

I want to thank all active members of RomaniaActive for the efforts made to organize special events during the European Week of Sport. Each event counts and inspires more Romanians to be more active physically and change their lives for the better.

Join us in our quest for a healthier nation! The Week of sport is an opportunity to expand our reach of our mission to activate our communities with health, fitness & physical promotion.

Let us all stay true to our common goal, as RomaniaActive: to get more people more active more often.

“

Our efforts to promote a more active lifestyle will help Romanians make health a priority long-term and build healthier habits.

KENT ORRGREN

RomaniaActive President

romania active
• MAI MULTE • MAI ACTIVE • MAI DES

Win-win-win arguments for health & fitness membership deductibility and reduced VAT

Benefits for employees

- More Romanians will have access to health & fitness services, by affordable subsidized membership fees
- An extra-salary benefit that will improve overall employee health, retention, less sick leave and improved productivity
- Team-building activity that will bring up sense of purpose, belonging, work ethic and comradery to be improved

Benefits for the health & fitness industry

- Corporate Businesses will invest in employees' healthy lifestyle – generate more members and will grow
- More job opportunities for the health & fitness sector – more employees
- Attracting more investments in health & fitness infrastructure, facilities and services

Benefits for the State

- Secondary benefit for the public health system by medical costs reduction
- Increased revenues to the state budget due to the growth of the health & fitness industry that will impact positively all industries
- Increased profit TAX collection rate to the state budget, more employee & social security tax to the state budget

Win-win-win arguments for health & fitness membership deductibility and reduced VAT

Benefits for the State

- Preventing the creation of a parallel economy, where less taxes would be collected by the Romanian State
- Preventing a negative impact on the economy, since the Health and Fitness Industry represents an important emerging contributor for taxes and social security contributions
- Promoting a health culture by encouraging all citizens' access to sports, which would lessen the strain on the Romanian medical system
- Encouraging the fitness industry economic operators to further develop so that money returns into the economy, as per McKinsey Global Institute's study, which shows that Romania could add an estimated USD 26 bln to the economy (9% of current GDP)
- Aligning with EU standards which allow and encourage reduced VAT and taxes for social and cultural initiatives

Working together

How RomaniaActive can support the Government improving Quality and Quantitative measure with the Health & Fitness Industry:

- **RomaniaActive** is working with The National Agency of Sports, www.europeactive.eu and EU commission for a healthy lifestyle arranging a national awareness day Campaign all over Romania with www.beactiveday.com and the European week of Sports in every September.
- **RomaniaActive** to work together with the Ministry of Health in order for the Industry to work with all Doctors, nurses and hospital employees for implementing Corporate wellness programs across all the country Hospitals and Clinics, State officials and State employees, making all of them less, sick, less stressed, less absent from work due to illness and more overall productive at work.
- **RomaniaActive** to work with Minister of Health to implement National campaigns improving Healthy nutrition in schools project “Less use of sugar” – to implement a Sugar tax and a lower VAT for vegetables, fruits and healthy food products
- **RomaniaActive** work together with <http://investromania.gov.ro/web/> and the Government to attract more investments in new Physical activity, Sport, Health and Fitness facilities and build more Physical activity, Health and Fitness infrastructure, such as swimming pools, gym and health locations.

Working together

How RomaniaActive can support the Government improving Quality and Quantitative measure with the Health & Fitness Industry:

- **RomaniaActive** work together to create proper standards register for instructors and operators with CAEN code 9313 to be shared with ANAF and proper control bodies.
- **RomaniaActive** to approve together with ANAF, what CRM system for better fiscal control – to have an approved standard for all CAEN code 9313 operators to link their revenues and members to a fiscal system.
- **RomaniaActive** and ANPC, set standards for all CAEN code 9319, to have websites, with transparent and proper display of prices and member relation standards published easily found online.
- **RomaniaActive** to work with the Government to increase speed of Technology investment and adaptation for better transparency, customer care and customer experience of healthy lifestyle
- **RomaniaActive** together with proper authorities make sure all CAEN code 9313 to have in place:
 - Authorizations: proper ISU permits in place by end of 2024
 - Education- labour Ministry – proper Ministry certification and registry for GFI, PT, Swimming, Nutrition instructors and trainers – to be implemented by August 2024



Thank you!

Kent Orrgren

CEO World Class România

President RomaniaActive

Str Brezoianu, 27, et 7, sector 1, București

Tel: +40 737-466704 | E-mail: kent.orrgren@worldclass.ro

www.worldclass.ro | www.facebook.com/worldclass.romania

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