

ROMANIA 2008

Table of Contents

Introduction.....	1
1. Overview of the tax-benefit system.....	2
2. Unemployment insurance.....	2
3. Unemployment assistance.....	5
4. Social assistance.....	5
5. Housing benefits for rented accommodation.....	7
6. Family benefits.....	8
7. Childcare for pre-school children.....	9
8. Employment-conditional benefits.....	10
9. Lone-parent benefits.....	11
10. Tax system.....	11
11. Part-time work.....	13
12. Policy developments.....	14
Social security contributions to general government.....	15
Social security contributions paid to institutions outside general government.....	15
Payroll taxes.....	15

Introduction

Tax-benefit policy “country chapters” are made available as part of the OECD series *Benefits and Wages*. They provide detailed descriptions of tax and benefit rules in a consistent format across countries and summarize recent policy changes.

Country chapters for other countries and years are available on the Internet at www.oecd.org/els/social/workincentives.

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

1. Overview of the tax-benefit system

1.1. Average Worker wage (AW)

For annual gross earnings the data source is Labour Cost Survey, which is carried out on yearly basis. For 2008 the figures are not available before the end of September. Due to this fact, the last available information for AW earnings corresponds to 2007 (1340.00 RON, annually 16080 RON)¹.

The annual gross earnings (year 2008) for a AW are 1674.00 RON, annually 20088 RON) .

2. Unemployment insurance

The rights on “Unemployment insurance” are guaranteed and stipulated by Unemployment insurance system and stimulation of employment (Law no.76/2002). The legal institution related to the subject is the National Agency for Employment.

2.1 Conditions for receipt

The recipients of unemployment benefits are at least 16 years of age and in search of a paid job and must fulfil the following conditions:

- have no job, no income or is less than the guaranteed minimum wage;
- did not find a job in 60 days after graduating certain levels of education;
- do not have the standard retirement age;
- minimum period of contribution of 12 months in the last 24 months;
- are registered in one of the territorial National Agencies for Employment.

2.1.1 Employment conditions

- I. The recipients who’s working contracts ceased due to reasons not attributable to them, are entitled to unemployment benefits if the following cumulative conditions are fulfilled:
 - contributed to the unemployment insurance funds for a minimum period of 12 months out of the last 24 months previous to the registration date;

¹ AW refers to the Average Wage estimated by the Centre for Tax Policy and Administration (www.oecd.org/ctp). For more information on methodology see Taxing Wages 2007-2008, OECD, 2008, part 5, sections 2 and 3. AW earnings are defined as gross wage earnings of full-time employees and cover both manual and non-manual workers in industry and services (C-K according to NACE Rev1.1). Gross earnings cover remuneration in cash paid by the employer during the reference year, before tax deductions and social security contributions payable by wage-earners and retained by the employer. All bonuses, whether or not regularly paid, are included (13th or 14th month, holiday bonuses, profit-sharing, allowances for leave not taken, occasional commissions, etc.). Severance payments as well as payments in kind are excluded.

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

- the conditions of retirement are not fulfilled;
- II. The recipients who did not find a job after graduating a certain levels of education, are entitled to unemployment benefits if the following cumulative conditions are fulfilled:
- are registered in one of the territorial National Agencies for Employment;
 - have no income or is less than the guaranteed minimum wage.

2.1.2 *Contribution conditions*

- I. The recipients who's working contracts ceased due to reasons not attributable to them are paid in accordance with different periods of contributions:
- 6 months for the persons that contributed at least 1 year;
 - 9 months for the persons that contributed at least 5 years;
 - 12 months for the persons that contributed at least 10 years.

2.2 *Calculation of benefit amount*

2.2.1 *Calculation of gross benefit*

The amount of unemployment benefits is paid on monthly basis differently as following:

I. For the persons who's working contracts ceased due to reasons not attributable to them:

a) 75% from the guaranteed minimum wage of which monthly amount was RON 500 until October 2008 (changed at RON 540), for the persons that contributed less than 1 year;

b) in addition to the above sum, a certain amount is given based on the calculation of the average basic salary earned during the last 12 months of contributions, multiplied with the per cent determined by different periods of contribution:

- 3% for the persons that contributed at least 3 years;
 - 5% for the persons that contributed at least 5 years;
 - 7% for the persons that contributed at least 10 years;
 - 10% for the persons that contributed at least 20 years.
- The average basic salary (RON 16536) is used only for the calculation of the unemployment benefit and is collected from the national survey on wages and salaries by occupations for month October. The average basic salary is different than the average gross earnings, not containing the bonuses, whether or not regularly paid, 13th or 14th month, holiday bonuses, profit-sharing, allowances for leave not taken, occasional commissions, etc.

II. For the persons who did not find a job after graduating certain levels of education, the unemployment benefit 50% from the guaranteed minimum wage.

2.2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

Registered unemployed who get a job before expiring the period for which they were entitled to receive unemployment benefit still receive 30% monthly amount of the unemployment benefit received the month before; the expenditures are paid from unemployment insurance budget until the end of the period for which the person was entitled to receive the unemployment benefit.

Registered unemployed who get a job in a company situated at a distance longer than 50 km from home are entitled to receive an installation allowance equal with 2 gross minimum wages, paid as lump sum.

Registered unemployed who accept a job for which they have to move to a different town are entitled to receive a relocation (mobility) allowance equal with 7 gross minimum wages paid as lump sum.

2.3 *Tax treatment of benefit and interaction with other benefits*

The benefits are not taxable. Re-routed social contributions²

2.4 *Benefit duration and waiting periods*

- I. The recipients who's working contracts ceased due to reasons not attributable to them, are entitled to unemployment benefits for a period between 6 and 12 months, in accordance with different periods of contributions (see 2.1.2).
- II. The recipients who did not find a job after graduating a certain levels of education, are entitled to unemployment benefits for a period of 6 months.

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

Young people aged between 16 to 25 years old who are confronting special difficulties and are at risk of professional exclusion are entitled to get a job through a solidarity contract.

Condition for receipt:

- registration with National Agency for Employment (ANOFM);
- signed convention between the beneficiary and ANOFM for a period of maximum 2 years (in order to find a job).

² No social security contributions are paid by the unemployed persons. The corresponding amounts for social security and health insurance are paid from the governmental **consolidated Unemployment Budget** through out the National and Territorial Agencies for Employment in behalf of the unemployed persons (transfers between social protection schemes).

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

2.5.2 *Older workers*

None

2.5.3 *Others if applicable*

[e.g. lone parents, immigrants, part-time employees, self-employed, disabled]

None

3. Unemployment assistance

Not applicable

3.1 Conditions for receipt

3.1.1 *Employment conditions*

3.1.2 *Contribution conditions*

3.2 Calculation of benefit amount

3.2.1 *Calculation of gross benefit*

3.2.1.1 *Irregular additional payments*

3.2.1.2 *Obligations of family members*

3.2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

3.3 Tax treatment of benefit and interaction with other benefits

3.4 Benefit duration and waiting periods

3.5 Treatment of particular groups

3.5.1 *Young persons*

3.5.2 *Older workers*

3.5.3 *Others if applicable*

[e.g. lone parents, immigrants, part-time employees, self-employed, disabled]

4. Social assistance

Families and lone persons with low incomes are entitled to a guaranteed minimum income.

The guaranteed minimum income is given on monthly basis and represents a social support benefit to guarantee a certain standard of living if no other means of income can be obtained.

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

4.1 *Conditions for receipt*

- Means tested benefit for families having incomes under a certain level (see 4.2.1)

Family constitutes:

- the couple (husband and wife) or husband/wife and their single children living together and managing the house in common;
- the person living with children in care (i.e. single, widow, divorced)
- the lone person is translated as at least 18 years old who lives and manages the house alone.

4.2 *Calculation of benefit amount*

4.2.1 *Calculation of gross benefit*

The monthly level of the guaranteed minimum income is different depending on the number of individuals.

The values for year 2008:

Family composition type	Guaranteed minimum income (RON)
Single	100
2 persons	181
3 persons	252
4 persons	314
5 persons	372
More	372 + 25 for each person above 5

The amount of social assistance is established as a difference between the above mentioned sums and the monthly net income of a family/lone person.

- o Social Aid is increased by 15% in case at least one family member is employed.
- o There is a minimum Social Aid - 5 RON per month for 2008.

4.2.1.1 *Irregular additional payments*

None

4.2.1.2 *Obligations of family members*

In exchange for the social assistance payments, one of the family members/lone person must perform a certain number of working hours in the benefit of the municipality.

4.2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

In the estimation of the monthly net income of the family/lone person all members incomes are taking into account (after all tax deductions are applied), including all types of family allowances and social benefits.

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

4.3 *Tax treatment of benefit and interaction with other benefits*

Not taxable.

4.4 *Benefit duration and waiting periods*

Indefinite, as long as the conditions for receipt are met.

4.5 *Treatment of particular group*

4.5.1 *Young persons*

None

4.5.2 *Older workers*

None

4.5.3 *Others if applicable*

[e.g. lone parents, immigrants, part-time employees, self-employed, disabled]

None

5. Housing benefits for rented accommodation

Not applicable

5.1 *Conditions for receipt*

5.2 *Calculation of benefit amount*

5.2.1 *Calculation of gross benefit*

5.2.2 *Income and earnings disregards*

5.2.3 *Costs eligible for housing benefits*

5.3 *Tax treatment of benefit and interaction with other benefits*

5.4 *Treatment of particular groups*

5.4.1 *Young persons*

5.4.2 *Older workers*

5.4.3 *Others if applicable*

[e.g. lone parents, immigrants, part-time employees, self-employed, disabled]

6. Family benefits

I Monthly state allowance for children;

II Income maintenance in the event of a child birth;

III Indemnity for parental leave;

IV Complementary family allowance;

V Allowance for children with single parent;

VI Birth indemnities.

6.1 Conditions for receipt

I Family allowance is received by all registered children up to 18 years of age. Young persons over 18 are beneficiary if they are attending upper secondary and post-secondary education.

II The insured women (in-work) and the women who lost the job less than 9 months before have the right to maternity benefits for a period of 126 days including pregnancy leave and postnatal leave. The payments are made from the health insurance budget.

III One of the child parents is entitled to receive indemnity and parental leave for 2 years (3 years in case of a disabled child).

IV Complementary family allowance is received monthly by the families for whom the individual income is below 184 lei.

V *Allowance for single parent family* is a means tested benefit, paid for those families for whom the individual income is below 184 lei.

VI Lump sum for each new born child.

6.2 Calculation of benefit amount

6.2.1 Calculation of gross benefit

The values for year 2008:

Frequency	Family benefit type	Value (RON)
Monthly	Monthly state allowance for children	32
Lump sum	Income maintenance in the event of a child birth	800
Monthly (maximum 2 years)	Indemnity for parental leave	85% of average income of the last 6 months
Monthly	Complementary family allowance	38 for families with 1 child 44 for families with 2 children 49 for families with 3 children 54 for families with 4 and more

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

		children
Monthly	Allowance for children with single parent	54 lei for one child family; 65 lei for families with 2 children; 73 lei for families with 3 children; 83 lei for families with 4 children or more;
Lump sum	Birth indemnities	213

For family entitled to Social Aid, Complementary Family Allowance is increased by 25%

6.2.1.1 *Irregular additional payments*

None

6.2.2 *Income and earnings disregards*

None

6.3 *Tax treatment of benefit and interaction with other benefits*

Not taxable.

6.4 *Treatment of particular groups*

None

6.4.1 *Young persons*

None

6.4.2 *Older workers*

None

6.4.3 *Others if applicable*

[e.g. lone parents, immigrants, part-time employees, self-employed, disabled]

None

7. Childcare for pre-school children

Compulsory schooling start at 6 years old. The parents may decide for the age of 7 years old.

7.1 *Out-of-pocket childcare fees paid by parents*

7.2 *Child-care benefits*

See point 6 II, III.

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

7.2.1 *Conditions for receipt*

7.2.2 *Calculation of benefit amount*

7.2.2.1 Calculation of gross benefit

7.2.2.2 Income and earnings disregards

7.2.3 *Tax treatment of benefit and interaction with other benefits*

7.2.4 *Treatment of particular groups*

[e.g. lone parents, immigrants, part-time employees, self-employed, sick or disabled]

8. Employment-conditional benefits

8.1 Conditions for receipt

8.2 Calculation of benefit amount

8.2.1 Calculation of gross benefit

8.3 Tax treatment of benefit and interaction with other benefits

8.4 Benefit duration

8.5 Treatment of particular group

8.5.1 Young persons

8.5.2 Older workers

8.5.3 Others if applicable

[e.g. lone parents, immigrants, part-time employees, self-employed, sick or disabled]

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

9. Lone-parent benefits

See point 6 V.

9.1 Conditions for receipt

9.2 Calculation of benefit amount

9.2.1 Calculation of gross benefit

9.2.1.1 Irregular additional payments

9.2.2 Income and earnings disregards

9.3 Tax treatment of benefit and interaction with other benefits

9.4 Benefit duration

9.5 Treatment of particular group

9.5.1 Young persons

9.5.2 Older workers

9.5.3 Others if applicable

[e.g. immigrants, part-time employees, self-employed, sick or disabled]

10. Tax system

10.1 Income tax

There are central and local government institutions that collect the income taxes.

10.1.1 Tax allowances and credits

10.1.1.1 Standard allowances

The employees benefit of a basic monthly allowance given gradually based on the level of the monthly salary and number of persons in care.

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

- lei (RON) -					
Monthly gross salary (MGS)	Monthly standard allowance based on the level of the monthly salary and number of persons in care				
	No person in care	1 person in care	2 persons in care	3 persons in care	4 or more persons in care
Less than 1.000	250	350	450	550	650
1.001 - 3.000	$250 \times [1 - (\text{MGS} - 1.000) / 2.000]$	$350 \times [1 - (\text{MGS} - 1.000) / 2.000]$	$450 \times [1 - (\text{MGS} - 1.000) / 2.000]$	$550 \times [1 - (\text{MGS} - 1.000) / 2.000]$	$650 \times [1 - (\text{MGS} - 1.000) / 2.000]$
More than 3.000	0	0	0	0	0

Person in care is defined as the wife/husband, children or other family members who's incomes are less than 250 RON.

The sums representing the monthly standard allowance for the monthly salary are calculated by rounding at ten, in the sense that fractions under ten are made ten. (i.e. 235 RON is transformed in 240 RON).

10.1.1.2 Standard tax credits

Not applicable

10.1.2 *Income tax schedule (central government income tax)*

The income tax is 16% irrespective of the monthly gross income. The income tax is applied after the standard allowance and the above social contributions are deducted from the monthly gross income.

10.1.3 *State and local income taxes*

Not applicable

10.2 *Treatment of family income*

The tax unit is individual.

10.3 Social security contributions and payroll taxes

10.3.1 Contributions payable by employees and benefit recipients

According to the national legislation, the employees are paying the following social contributions:

- for unemployment schemes – 0.5% from the monthly gross income;
- for social-security schemes – 9.5% from the monthly gross income;
- for health care schemes – 5.5% from the monthly gross income.

10.3.2 Contributions payable by employers

According to the national legislation, the employers are paying the following social contributions:

- for unemployment schemes – 1% from the monthly gross income;
- for social-security schemes – 19.5% from the monthly gross income (including 2% corresponding to the private pension funds);
- for health care schemes – 5.5% from the monthly gross income.

10.3.3 Payroll taxes

Not applicable

10.4 Treatment of particular group

[for income taxes, social contributions and payroll taxes]

10.4.1 Young persons

None

10.4.2 Older workers

None

10.4.3 Others if applicable

[e.g. immigrants, self-employed, sick or disabled, pensioners]

None

11. Part-time work

The same rules are applied, except the standard allowance which is 0.

11.1 Special benefit rules for part-time work

[Summary of relevant provisions detailed in earlier sections.]

Reference date for all information is **July 1st 2008**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

11.2 *Special tax and social security contribution rules for part-time work*

[Summary of relevant provisions detailed in earlier sections.]

12. **Policy developments**

12.1 *Policy changes introduced during 2008*

12.2 *Future policy changes announced in 2008*

Starting with December 2008 the following changes in the employers taxation occurred:

- for unemployment schemes – 0.5% from the monthly gross income;
- for social-security schemes – 18.5% from the monthly gross income (including 2% corresponding to the private pension funds);
- for health care schemes – 5.2% from the monthly gross income.

ANNEX

DEFINITION OF SOCIAL SECURITY CONTRIBUTIONS AND PAYROLL TAXES.

The following text has been adapted from Annex A of the OECD *Revenue Statistics*.

Social security contributions to general government

Classified here are all compulsory payments that confer an entitlement to receive a (contingent) future social benefit. Such payments are usually earmarked to finance social benefits and are often paid to institutions of general government that provide such benefits. However, such earmarking is not part of the definition of social security contributions and is not required for a tax to be classified here. However, conferment of an entitlement is required for a tax to be classified under this heading. So, levies on income or payroll that are earmarked for social security funds but do not confer an entitlement to benefit are excluded from this heading and shown under personal income taxes or taxes on payroll and workforce. Taxes on other bases, such as goods and services, which are earmarked for social security benefits are not shown here [...] because they generally confer no entitlement to social security benefits.

Contributions for the following types of social security benefits would, *inter alia*, be included: unemployment insurance benefits and supplements, accident, injury and sickness benefits, old-age, disability and survivors' pensions, family allowances, reimbursements for medical and hospital expenses or provision of hospital or medical services. Contributions may be levied on both employees and employers.

Social security contributions paid to institutions outside general government

Contributions to social insurance schemes which are not institutions of general government and to other types of insurance schemes, provident funds, pension funds, friendly societies or other saving schemes [are included here if they are compulsory or quasicompulsory (e.g., by virtue of agreement with professional and union organisations)]. Provident funds are arrangements under which the contributions of each employee and of the corresponding employer on his/her behalf are kept in a separate account earning interest and withdrawable under specific circumstances. Pension funds are separately organised schemes negotiated between employees and employers and carry provisions for different contributions and benefits, sometimes more directly tied to salary levels and length of service than under social security schemes.

Payroll taxes

This heading covers taxes paid by employers or employees either as a proportion of payroll or as a fixed amount per person, and which do not confer entitlement to social benefits. Examples of taxes classified here are the United Kingdom national insurance surcharge (introduced in 1977), the Swedish payroll tax (1969-1979), and the Austrian Contribution to the Family Burden Equalisation Fund and Community Tax.