

## ROMANIA 2009

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### 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](http://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 2009 the average monthly gross earnings is 1766.00 Lei, and the average annual one 21192 Lei

#### **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 receive, from authorised activities according to the law, income lower than the value of reference social indicator of unemployment insurance and stimulation of employment, in force; the value of this social indicator for 2009 is lei 500.
- 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;
  - 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 value of reference social indicator of unemployment insurance and stimulation of employment, in force (mentioned above).

#### **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;

Reference date for all information is **July 1<sup>st</sup> 2009**

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- 9 months for the persons that contributed at least 5 years;
- 12 months for the persons that contributed at least 10 years.

Starting from March 2009, the period of unemployment indemnity is increased with 3 months for the persons who's working contracts ceased by the end of year 2009 (very few cases).

## 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 is 600 (with 1<sup>st</sup> January 2009), 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 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. For 2009, the annual average basic salary is 18204 RON (1517 RON monthly).

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.

Reference date for all information is **July 1<sup>st</sup> 2009**

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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 contributions<sup>1</sup>

### **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 (plus 3 months as mentioned above), 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 (plus 3 months as mentioned above).

### **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).

#### **2.5.2 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

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<sup>1</sup> 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 1<sup>st</sup> 2009**

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### **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.

### **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.

Reference date for all information is **July 1<sup>st</sup> 2009**

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## **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 (according with the law no. 57/2009).

The values (starting with the July 1<sup>st</sup> 2009):

Family composition type	Guaranteed minimum income (Lei)
Single	125
2 persons	225
3 persons	313
4 persons	390
5 persons	462
More	462 + 31 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.

- Social Aid is increased by 15% in case at least one family member is employed.
- There is a minimum Social Aid - 10 RON per month for 2009.

#### **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.

## **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

Reference date for all information is **July 1<sup>st</sup> 2009**

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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;

VII Outfits for new born children

VIII Incentive for growing-up the child

## 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 who's minimum net income per person is below 470 lei.

V Allowance for single parent family is a means tested benefit, paid for those families for whom the individual income per person is below 470 lei.

VI Lump sum for each new born child.

VII Outfits for new born children – in kind benefits

VIII Incentive for growing-up the child; All children aged less than 2 years old or less than 3 years old in case of disabled children are entitled to receive it.

## 6.2 *Calculation of benefit amount*

### 6.2.1 *Calculation of gross benefit*

The values for year 2009:

Frequency	Family benefit type	Value (Lei)
Monthly	Monthly state allowance for children	200 for the child up to 2 years old
		40 for 2 – 18 years old
Monthly	Income maintenance in the event of a child birth	85% of the average monthly income of the last 6 months from the last 12 months of the subscription stage, up to 12 minimum gross wages
Monthly (max. 2 years)	Indemnity for parental leave	85% of average net income of the last 12 months prior to the child birth, but no more than 3 average gross earnings or 600 Lei
		The indemnity amount is rised with 600 Lei for each twin child
Monthly	Complementary family allowance	50 for families with 1 child 60 for families with 2 children 65 for families with 3 children 70 for families with 4 and more children
Monthly	Allowance for children with single parent	70 lei for one child family; 80 for families with 2 children;

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		85 for families with 3 children; 90 for families with 4 children or more;
Lump sum	Birth indemnities	230
Outfits for new born children		150
Incentive for child raising		100

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*

None

**7. Childcare for pre-school children**

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

Pre-school children may benefit of child day care services provided by state centres or non-profit organisations.

Reference date for all information is **July 1<sup>st</sup> 2009**

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

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

**7.2**      *Child-care benefits*

See point 6

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 1<sup>st</sup> 2009**

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## **9. Lone-parent benefits**

See point 6

### **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 1<sup>st</sup> 2009**

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

- lei (Lei) -					
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 Lei.

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 Lei is transformed in 240 Lei ).

#### 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 below 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 – 10.5% 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 – 0.5% from the monthly gross income;
- for social-security schemes – 20.8% from the monthly gross income (including 2% corresponding to the private pension funds);
- for health care schemes – 5.2% from the monthly gross income.
- for the national unique fund for health social security – 0.85% from the monthly gross income
- for risk and accident fund - 0.4% from the monthly gross income
- for work cards commission - 0.75% from the monthly gross income
- for salary debt fund - 0.25% 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.]

### **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 2009***

- The guaranteed minimum wage of 600 Lei
- The social indicator (500 Lei) was set for the recipients of unemployment benefits that have no job and receive from authorised activities according to the law, income lower than the value of reference social indicator
- The period of unemployment indemnity increased with 3 months for the persons who's working contracts ceased from March until the end of year 2009
- The complementary family allowance and allowance for single parent family was received by families who's minimum net income per person was below 470 Lei
- During the temporary lack of activity, the employers, are exempt from the payments of social contributions, but not more than 3 months. During this period the employees receive compensation in the amount of 75 percent from the basic salary and are, also, exempt from the social contribution payments. The employees, during this period, retain the status of insured employees.

### **12.2 *Future policy changes announced in 2009***

No policy changes were announced in 2009.

## 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.