

THE OECD TAX-BENEFIT MODEL FOR ROMANIA

Description of policy rules for 2018



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Preface

The [OECD Tax-Benefit model \(TaxBEN\)](#) incorporates detailed policy rules for tax liabilities and benefit entitlements as they apply to individual families across OECD member countries. Its main use is to calculate the amount of taxes that people are liable to pay, and the government transfers they are likely to receive, in different family and labour-market situations. The model includes legal policy rules that are relevant for people of **working age** (from 18 years old until the statutory retirement age) and their dependent children. Income tax liabilities and benefit entitlements are calculated for a broad set of *stylised* families (“vignettes”, e.g. a married couple of 40 years old adults with two children aged 4 and 6 respectively). Model users are free to change many of these characteristics, including the age and number of children, activity status of adult members, hours of work, current and past earnings levels, unemployment duration, social contribution records, and housing-related costs. The model has been updated annually since the early 2000s for most OECD countries.

TaxBEN’s policy scope includes the main taxes on employment income (earnings), social contributions paid by individuals and by employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits and support for non-parental childcare are included for a sub-set of countries and years. The most important policy areas that are outside the scope of the model include taxes on wealth (e.g. taxes on immovable and unmovable properties, including local taxes), indirect taxes (e.g. VAT), early-retirement benefits, sickness benefits and in-kind transfers (e.g. free school meals, subsidised transport and free health care).

This report describes the taxes and benefits that are included in the model and focuses on the rules that are relevant for family, individual and labour-market circumstances that are within its scope. The **Annex** provides information on other cash benefits and taxes on employment incomes that can be relevant for some members of the working-age population, but which are not included in the TaxBEN model.

Reading notes and further details on the scope and content of this report

- The **reference date** for policy rules described in this report is **January 1, 2018**.
- **Guidelines for completing and updating this report** are provided [here](#).
- Further information on the model, model results, and references to reports and analytical uses is available on the [project website](#). A [methodology](#) document provides a full description of the assumptions underlying the model as well as the model choices that users can make. The symbol  in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the variable names are indicated in the text in square brackets using the following format: **[variable name]**, for instance: **[AW]** for the average wage.

The OECD tax-benefit model for Romania: Policy rules in 2018

1. Reference wages

The 2018 average annual gross earnings **[AW]** is 41694 LEI (corresponding to enterprises (B to N NACE REV. 2) with 4 employees and over. This is a provisional estimate.

The annual minimum gross guaranteed wage **[MIN]** in 2018 is 22800 LEI.

2. Unemployment benefits

2.1. *Unemployment indemnity (Indemnizatia de somaj)*

Variable names: **[UI_p; UI_s]**

The **Unemployment indemnity** is an unemployment insurance benefit. It is contributory, not means-tested and not taxable. ⁱ

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

2.1.1. *Eligibility conditions* ⁱ

Contribution/employment history: The unemployed should have a minimum period of contribution of 12 months in the last 24 months previous to date of registration.

Behavioural requirements and related Eligibility conditions: ⁱ TaxBEN assumes that the following compulsory conditions are satisfied when simulating unemployment benefits.¹

The recipients of unemployment benefits must cumulative fulfill the following conditions (Article 16² correlated with Art.5 Point IV letter a-d) Law no.76/2002):

¹ Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see Immervoll and Knotz (2018, forthcoming), [Langenbacher \(2015\)](#) and [Venn \(2011\)](#).

² **Categories of beneficiaries:** Art.16 The law provisions beneficiaries are job seekers who are in one of the following situations: a) have become unemployed as stipulated in Art. 5, point IV, letter (c); b) could not obtain a job after graduating from an educational institution; c) have a job and, for various reasons, wants to change it; d) have obtained refugee status or another form of international protection, according to the law; e) are foreign citizens or stateless persons who have been employed or have earned income in Romania or who have the right to work on Romanian territory, according to the law; f) could not obtain a job after repatriation or release from detention.

1. searching for a paid job, has at least 16 years old and does not fulfill the conditions for retirement (Art.5 Point IV letter a) Law no.76/2002);
2. health and physical and mental capabilities render him/her suitable for performing a work (Art.5 Point IV letter b) Law no.76/2002);
3. have no job, no income or makes an income from authorized activities according to the law, lower than the value of reference social indicator (RSI) of unemployment insurance and stimulation of employment in force (Art.5 Point IV letter c) Law no.76/2002); the value of this social indicator for 2017 is lei 500 (Article 33¹ Law no.76/2002);
4. ready to start work in the near future, if could find a job (Art.5 Point IV letter d) Law no.76/2002);
5. do not have the standard retirement age, according to the Law provisions;
6. are registered in at one of the territorial National Agencies for Employment in whose jurisdiction they reside or, if appropriate, residence, if they had a job or income realized in that locality.

The recipients determined at Article 16 correlated with Article 5 point IV letter a-d) Law no.76/2002 must also fulfil the following cumulative conditions (Article 17 Law no.76/2002):

1. their labour contract ceased due to reasons not attributable to them (Art. 17, Point 1, letter a);
2. their labour agreement ceased due to reasons not attributable to them (Art. 17, Point 1, letter b);
3. the mandate for which they were appointed or elected expired, and they were not previously employed or if their return to work is not possible because the employer definitive cease his activities (Art. 17, Point 1, letter c);
4. the labour contract as a cooperative member has ceased due to reasons not attributable to them (Art. 17, Point 1, letter e);
5. they signed an unemployment insurance contract and have no income or make from authorised activities according to the law, an income lower than the value of reference social indicator of unemployment insurance and stimulation of employment in force (Art. 17, Point 1, letter f);
6. they stopped working due to disability pension and subsequently regained their ability to work and failed to find a job (Art. 17, Point 1, letter g);
7. their labour/agreement contract ceased due to reasons not attributable to them when their labour/agreement contract was suspended (Art. 17, Point 1, letter h);
8. the working reintegration, ready by definitive judicial decision is not possible at units employed previously because of definitive activity cease, or to units which take their patrimony (Art. 17, Point 1, letter j);
9. their activity carried out exclusively on the basis of a legal relationship has ceased, and the legal relationship is other than those referred to in subparagraph 1)-5), 7) and 8), in respect of which was due, according to the law, the individual contribution for unemployment insurance (Art. 17, Point 1, letter k).

The persons who receive unemployment benefit have the following **obligations**:

1. to appear on a monthly basis, on an scheduling basis or whenever requested, at the employment agency to which they are registered, in order to receive guidance for employment;
2. to communicate within 3 days to the employment agency to which they are registered any changes in the conditions that led to granting of unemployment benefits;
3. to participate in the employment and vocational training services provided by the employment agency where they are registered³;
4. to actively seek a job;
5. to notify in writing the employment agency of the occurrence of the temporary incapacity work and the personal identification data, respectively the name of the prescribing physician and the unit in which it operates, within 24 hours from the date of granting the leave medical. If the temporary work incapacity occurred on non-working days or if the 24 hour term is fulfilled on non-working days, the persons receiving unemployment benefit have the obligation to notify the employment agency at which are registered on the first business day. (Art. 41, Paragraph 1)

Also, the unemployment benefits will not be granted to:

- the persons who, at the time of applying for benefit, refused to work according to their training or level of education, or refuse to participate in the training services provided by the employment agencies.
- the graduates who, at the time of applying for benefit, follows a form of education
- the graduates of the faculties of medicine, dentistry and pharmacy who, at the time of applying for the benefit have passed the national residency contest. (Art. 42, paragraph (1)-(3).

2.1.2. *Benefit amount*

Calculation base: Basic amount plus rate applied to previous earnings.

Benefit amount: For the persons determined at Article 16 correlated with Article 5 point IV letter c) Law no.76/2002, the amount of unemployment benefits is paid on monthly basis differently as following (Article 39 paragraph (2) Law no.76/2002):

1. 75% from the value of reference social indicator; the value of this social indicator is 500 lei for 2018, for the persons that contributed at least 1 year;

³ The obligation stipulated in paragraph (1) letter (c) does not apply if the persons receiving unemployment benefit take part in vocational training programs, organized according to the law, the financing of which is provided by the non-reimbursable financial assistance received by Romania as a member state of European Union, through the European Regional Development Fund, the European Social Fund and the Cohesion Fund. The obligation does not apply during the period in which these persons take part in these training programs, provided that they were not included in the training programmes provided by the Employment Agency. These persons have the obligation to present monthly, to the employment agency with evidence of their participation in vocational training programs financed by the non-reimbursable financial assistance received by Romania as a member state of the European Union through the European Regional Development Fund, The European Social Fund and the Cohesion Fund, or, where appropriate, proof of their attendance at graduation exam. In case the above mentioned obligation is not fulfilled, these provisions does not apply (Art. 41 paragraph 1¹-1³).

2. in addition to the above sum, a certain amount is given based on the calculation of the average gross basic salary earned during the last 12 months of contributions, multiplied with the percent determined by different periods of contribution:
 - a 3% for the persons that contributed at least 3 years;
 - b 5% for the persons that contributed at least 5 years;
 - c 7% for the persons that contributed at least 10 years;
 - d 10% for the persons that contributed at least 20 years.

The estimated **annual average gross basic salary** is about 0.85% from the average annual gross earnings **[AW]** .

2.1.3. *Benefit duration*

The recipients, whose 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:

1. 6 months for the persons that contributed at least 1 year;
2. 9 months for the persons that contributed at least 5 years;
3. 12 months for the persons that contributed at least 10 years (Article 39 paragraph (1) Law no.76/2002).

2.1.4. *Means test*

The Unemployment benefit is not means-tested.

2.1.5. *Tax treatment*

The benefit is not taxable. Re-routed social contributions⁴

2.1.6. *Interactions with other components of the tax-benefit system*

2.1.7. *Combining benefit receipt and employment/starting a new job*

When taking up work, 30% of the benefit is paid for the rest of the entitlement period (Art 72, paragraph 1).

3. Social assistance

Variable name: **[SA]**

3.1. *Guaranteed minimum income (Schema privind venitul minim garantat: ajutorul social pentru asigurarea venitului minim garantat)*

This is a non-contributory benefit, means-tested and not taxable.

⁴ 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).

Families and lone persons with low incomes are entitled to a guaranteed minimum income (Law no. 416/2001 regarding the guaranteed minimum income with subsequent amendments)

3.1.1. Eligibility conditions

The guaranteed minimum income is given on a monthly basis and represents a social support benefit to guarantee a certain standard of living if no other means of income can be obtained. It is a means-tested benefit for families having incomes under a certain level.

Family constitutes:

1. the couple (husband and wife) or husband/wife and their single children living together and managing the house in common (Article 2 paragraph (1) Law no. 416/2001⁵);
2. the single person living with children in care (i.e. single, widow, divorced, his/her spouse is declared missing by a court of law, or has not reached the age of 18 and is found in one of the situations mentioned above- Article 2 paragraph (2) Law no. 416/2001)
3. siblings without children living together and managing the house in common (not residing with their parents - Article 2 paragraph (3) Law no. 416/2001)
4. unmarried man and women with their own children or with each own children living together and managing the house in common (Article 2 paragraph (4) Law no. 416/2001)
5. the concept “children” is translated as derived from the couple marriage, from one spouse, adopted, given in care to a family or to a lone person as a children tutor or curator (Article 2 paragraph (5) Law no. 416/2001.
6. the concept “lone person” is translated as at least 18 years old who lives and manages the house alone (Article 2 paragraph (6) Law no. 416/2001);

There are also beneficiaries:

1. families or lone persons, citizens of other states or stateless persons who reside or have the domicile in Romania, according to the Romanian law;
2. in fact separated couple, if the social investigation certify the situation and justify the grant of the benefit;
3. persons without a domicile or residence and homeless, found in need, based on the own declaration that they didn't request the social aid from others city halls.

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 (for granting guaranteed minimum income), except the families or lone person for which the social aid calculated is up to 50 lei / month; for these, the working hours are set quarterly and undertaken in the first month of payment.

The working hours shall be calculated in proportion to the amount of social aid that the family or lone person benefits, with an hourly rate corresponding to the minimum gross

⁵ in force from January 1st 2002 until March 31st 2019 when will be repealed by Law 196/2016 on minimum inclusion income

base salary guaranteed in payment, reported to the monthly average duration of working time. The number of working days, limited to a monthly norm of 21.25, is determined by dividing the calculated working hours to 8 hours / day. The fractions are round in plus.

The obligation to perform the actions or local interest works mentioned above can be transferred to other persons in the family, with the consent of the mayor, if the person nominated to carry out the actions or local interest works is in temporary incapacity for work or have lost totally or partially his/her capacity to work

3.1.2. *Benefit amount*

The monthly level of the guaranteed minimum income is different depending on the number of individuals (Article 4 Law no. 416/2001).

Starting with the 1st of January 2014, the monthly level of the guaranteed minimum income is:

Family composition type	Guaranteed minimum income (Lei)
Single (0.283*500 lei)	142
2 persons (0.510*500 lei)	255
3 persons (0.714*500 lei)	357
4 persons (0.884*500 lei)	442
5 persons (1.054*500 lei)	527
More than 5 persons (0.073*500 lei)	527 + 37 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 (Article 6 paragraph (1) Law no. 416/2001).

There is a minimum Social Aid - 10 lei per month for 2015 (10 lei granted if after applying the method of calculation, the result is lower than 10 lei) (Article 5 paragraph (2) Law no. 416/2001).

3.1.3. *Benefit duration*

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

3.1.4. *Means test*

The benefit is means-tested.

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.

3.1.5. *Tax treatment*

Not taxable.

3.1.6. *Interaction with other components of the tax-benefit system* 

3.1.7. *Combining benefit receipt and employment/starting a new job*

The benefit is extended by up to 3 months if new job lifts family out of social assistance.

4. Family benefits

Variable name: **[FB]**

4.1. Monthly state allowance for children (*Alocația lunară de stat pentru copii*)

This is a non-contributory benefit, not means-tested and not taxable.

4.1.1. Eligibility conditions

The **child state allowance** (Law no.61/1993) is a fixed sum paid for all children until they reach the age of 18 (and to children older than 18 who attend high school or a vocational programme, until their completion⁶).

The monthly state allowance is also granted to children of foreign citizens or without citizenship residing, under the law, in Romania, if they live with their parents.

4.1.2. Benefit amount

The allowance amounts to 200 lei (0.4*500)(about €50) for children under the age of two (3 years old in case of disabled children) and to 84 lei (0.168*500) (about €19) for those older than two years.

4.1.3. Benefit duration

No limitation.

4.1.4. Means test

The benefit is not means-tested.

4.1.5. Tax treatment

Family benefits are not taxable. They are accounted as income in the income-test for social assistance.

4.1.6. Interaction with other components of the tax-benefit system 

The benefit can be received together in any other benefit.

4.2. Allowance for family support (*Alocația pentru susținerea familiei*)

This is a non-contributory benefit, means-tested and not taxable.

⁶ Except pupils who repeats the school year (except for health reasons proven with a medical certificate).

4.2.1. Eligibility conditions

The programme for granting family allowance is stipulated by law no. 277/2010⁷. Allowance for family support is a means tested benefit, paid for single parent family and for those families for who the individual income per person is in some limits and who have children in care aged less than 18.

The **Family** concept is defined as:

- husband, wife and their children in care who live together in the household (article 2, paragraph 1, Law no. 277/2010)
- unmarried man and woman and their children in care who live together in the household (article 2, paragraph 3, Law no. 277/2010).

Single parent⁸ family concept is defined as:

- one person and his/her children in care who live together in the same household (article 1, paragraph 2, Law no. 277/2010).

Are considered to be part of the **family as it is defined in article 2** also the children entrusted for adoption, those placed in foster care to a person or a family or for whom guardianship has been established, according to the law.

4.2.2. Benefit amount

For families (as defined in article 2, paragraph (1) and paragraph (3), Law no. 277/2010) who's minimum net income per person is below or equal with 200 lei ($0.40 \cdot 500$ lei):

82 lei for families with 1 child ($0.1640 \cdot 500$ lei)

164 lei for families with 2 children ($0.3280 \cdot 500$ lei)

246 lei for families with 3 children ($0.4920 \cdot 500$ lei)

328 lei for families with 4 and more children ($0.6560 \cdot 500$ lei) – (article 5, paragraph (1), Law no. 277/2010)

For families (as defined in article 2, paragraph (1) and paragraph (3), Law no. 277/2010) who's minimum net income per person is between 201 and 530 lei ($0.40 \cdot 500$ lei $\geq 1.06 \cdot 500$ lei):

75 lei for families with 1 child ($0.1500 \cdot 500$ lei)

150 lei for families with 2 children ($0.3000 \cdot 500$ lei)

225 lei for families with 3 children ($0.4500 \cdot 500$ lei)

300 lei for families with 4 and more children ($0.6000 \cdot 500$ lei) (article 5, paragraph (2), Law no. 277/2010)

⁷ The law no. 277/2010 will be repealed by article 6 of Law 196/2016 on minimum inclusion income starting with 1st of February 2019

⁸ A *single parent*, as it is defined in article 2 paragraph (2) is a person who is in one of the following situations: a) is unmarried; b) is a widow; c) is divorced; d) the spouse is declared missing/disappeared by a court order; e) has the spouse detained temporarily for more than 30 days or executes a custodial sentence and does not participate in taking care of the children; f) has not reached the age of 18 and is in one of the situations mentioned in a) -e); g) has been appointed tutor or has been entrusted with or placed in her/his care one or more children and is in one of the situations mentioned is a) -c) (article 3, Law no. 277/2010)

For single parent family (as defined in article 2, paragraph (2) Law no. 277/2010) who's minimum net income per person is below or equal with 200 lei ($0.4 \cdot 500$ lei):

107 lei for families with 1 child ($0.214 \cdot 500$ lei)

214 lei for families with 2 children ($0.428 \cdot 500$ lei)

321 lei for families with 3 children ($0.642 \cdot 500$ lei)

428 lei for families with 4 and more children ($0.856 \cdot 500$ lei) (article 6, paragraph (1), Law no. 277/2010)

For single parent family (as defined in article 2, paragraph (2) Law no. 277/2010) who's minimum net income per person is between 201 and 530 lei ($0.40 \cdot 500$ lei $\geq 1.06 \cdot 500$ lei):

102 lei for families with 1 child ($0.204 \cdot 500$ lei)

204 lei for families with 2 children ($0.408 \cdot 500$ lei)

306 lei for families with 3 children ($0.612 \cdot 500$ lei)

408 lei for families with 4 and more children ($0.816 \cdot 500$ lei) (article 6, paragraph (2), Law no. 277/2010)

4.2.3. *Benefit duration*

No limitation.

4.2.4. *Means test*

The benefit is income tested.

The income taken into account is the net incomes. It includes earnings from work, unemployment insurance, work bonus when taking up a job from unemployment, minus income tax and social security contributions.

4.2.5. *Tax treatment*

The benefit is not taxable.

4.2.6. *Interaction with other components of the tax-benefit system*

The benefit can be received together in any other benefit. It is accounted as income in the income-test for social assistance.

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

The **reference date** for the policy rules described in this section is **July 1, 2018**.⁹

Pre-school education (0-6 years old) consists of:

- Early childhood education (0-3 years) and
- pre-primary education (3-6 years)

Early childhood education can take place in nurseries.

Pre-primary education takes place in kindergartens or day-care centers.

⁹ The childcare module of the tax-benefit model is updated every three year (next update: 2021).

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

Compulsory schooling starts at 6 years old.

5.1. Out-of-pocket childcare fees paid by parents

5.2. Child-care benefits for formal centre-based care

5.3. Child care allowance for children not using child care centers

6. Social security contributions and payroll taxes

6.1. Social security contributions payable by employees and benefit recipients

Variable names: `[SOCSEC_p; SOCSEC_s]`

In accordance with the national legislation provisions in force¹⁰ *the social security contribution* and *the social health insurance contribution paid by the employer* were **transferred to the employee**; thus, starting with January 2018, these contributions **are borne entirely by the employee**, and reflected in the gross amount of the nominal earnings¹¹.

According to the national legislation (Law no. 227/2015 Fiscal Code with subsequent amendments), the **EMPLOYEES** are paying the following social contributions:

- for **health care schemes** – 10.0% from the monthly gross income (Article 156 Law no. 227/2015);

- for **social-security schemes** – 25.0% from the monthly gross income (including 5.1 % corresponding to the private pension funds (Article 138, Law no. 227/2015); If the basis value is greater than five times the average gross earnings, the individual social security contribution rate will be applied to the equivalent of five times the average gross earnings (Article 146, par.6 Law no. 227/2015).

The ceiling of the employees' social security contributions is applied since January 1st 2011. In the table below are the values of the average gross earnings¹² for each year starting with 2008.

Average gross earnings based on which the social security contributions stipulated in the State Budget Law are computed

¹⁰ GEO no. 79/2017 for amending and completing the Law no. 227/2015 on the tax code

¹¹ Consequently, starting with 2018, the "average annual gross earnings" is **no longer comparable** with the data prior to 2018.

¹² The average gross earnings is stipulated in Law no. 3 on social security budget for 2018 (Art. 15, Chapter III Final provisions)

- (lei/month) -											
Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Value	1550	1693	1836	2022	2117	2223	2298	2415	2681	3131	4162

6.2. Social security contributions payable by employers

Variable names: [SSCR_p; SSCR_s]

According to the national legislation, the **EMPLOYERS** (Law no. 227/2015 Fiscal Code with subsequent amendments) are paying the following social contributions:

- for risk and accident fund - 4.0% and 8.0% from the monthly gross income depending on the risk class (Chapter III Article 5 paragraph (2) G.D no.144/2008 with subsequent amendments)
- for salary debt fund – 0.25% from the monthly gross income (Article 211, Law no. 227/2015)
- employment insurance contributions paid by the employers to the general consolidated budget¹³ (Art. 220^6, Law no. 227/2015)

For a better view in the below table is a comparative situation on social contributions and tax.

Compulsory social contributions and tax							
- comparative table -							
				<i>percentage (%)</i>			
		<i>Until December 31st 2017</i>			<i>Starting with January 1st 2018</i>		
Employee	Employees' individual contributions to unemployment	0.5			-		
	Employees' individual contributions to social security	10.5			Employees' social security contribution	25.0	
	Employees' individual contributions to health insurance	5.5			Employees' social health insurance contribution	10.0	
	Tax	16.0			10.0		
Employer	Employers' contributions to the unemployment	0.5			-		
	Employers' contributions to social security fund ¹⁴	15.8	20.8	25.8	-	4.0	8.0
	Employers' contributions to the health insurance	5.2			-		
	Employers' contributions to sick leaves payments and indemnities	0.85			-		

¹³ It is distributed as follows: 15.0% to the guarantee fund for the payment of wage claims; 20.0% to the unemployment budget; 5.0% to the risk and accidents fund; 40.0% to the Unique National Health Insurance Fund for sick leaves payments; 20.0% to the state budget, in a special fund.

¹⁴The employers' contributions to social security fund is based on working conditions in a gradually order from left to right (normal working conditions, harder working conditions and special working conditions)

	Employers' contributions to risk and accidents fund ¹⁵	0.15 - 0.85	-	
	Employer's contribution to the guarantee fund for the payment of wage claims	0.25	-	
	-		Employment insurance contributions paid by the employers to the general consolidated budget	2.25

7. Taxes

The tax unit is individual.

7.1.1. Personal income tax

Variable name: [\[INCTAX_p; INCTAX_s\]](#)

7.1.2. Standard allowances

Starting with 1 January 2018, a new deduction allowance scheme are applying, as seen in the below table.

The employees' benefit of a basic monthly allowance given **gradually based** on the level of the **monthly salary and number of persons in care** (Law 227/2015 Fiscal Code, art. 59, par. 1, letter a) and par. 2).

Monthly gross salary (MGS) in Lei	Monthly standard allowance based on the level of the monthly salary and number of persons in care (Lei)				
	No person in care	1 person in care	2 persons in care	3 persons in care	4 or more persons in care
1-1950	510	670	830	990	1310
1951-2000	495	655	815	975	1295
2001-2050	480	640	800	960	1280
2051-2100	465	625	785	945	1265
2101-2150	450	610	770	930	1250
2151-2200	435	595	755	915	1235
2201-2250	420	580	740	900	1220
2251-2300	405	565	725	885	1205
2301-2350	390	550	710	870	1190
2351-2400	375	535	695	855	1175
2401-2450	360	520	680	840	1160
2451-2500	345	505	665	825	1145
2501-2550	330	490	650	810	1130
2551-2600	315	475	635	795	1115

¹⁵ In accordance with the risk degree

2601-2650	300	460	620	780	1100
2651-2700	285	445	605	765	1085
2701-2750	270	430	590	750	1070
2751-2800	255	415	575	735	1055
2801-2850	240	400	560	720	1040
2851-2900	225	385	545	705	1025
2901-2950	210	370	530	690	1010
2951-3000	195	355	515	675	995
3001-3050	180	340	500	660	980
3051-3100	165	325	485	645	965
3101-3150	150	310	470	630	950
3151-3200	135	295	455	615	935
3201-3250	120	280	440	600	920
3251-3300	105	265	425	585	905
3301-3350	90	250	410	570	890
3351-3400	75	235	395	555	875
3401-3450	60	220	380	540	860
3451-3500	45	205	365	525	845
3501-3550	30	190	350	510	830
3551-3600	15	175	335	495	815

Person in care is defined as the wife/husband, children or other family members or relatives of the taxpayer or his/her spouse up to the second degree included, whose incomes are less than 510 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).

7.1.3. Tax base

The income tax is applied after the standard allowance and the below social contributions are deducted from the monthly gross income. For lower wages, if necessary, a personal deduction is added before deducting the tax (see the above table).

7.1.4. Income tax schedule

The income tax is 10% (Art.64, paragraph (1) Law no. 227/2015) irrespective of the monthly gross income. From 2005-2017, the tax paid by the employees was 16%.

Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Romania that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

Unemployment benefit for people assimilated as unemployed

For the persons who did not find a job after graduating certain levels of education (Article 17 paragraph (2) correlated with Article 16 letter b) Law no.76/2002), the unemployment benefits is a monthly fixed sum granted for a period of 6 months and represents 50% from the value of reference social indicator.

Installation and relocation allowance

Working long distances without changing the domicile/residence

Registered unemployed presented at 2.1. I (Article 17 paragraph (1) Law no.76/2002) who get a job in a company situated at a distance longer than 15 km from home are entitled to receive an installation allowance, tax free. The amount of the installation allowance is calculated at 0.5 lei/km, but no more than 55 lei per day, proportionally with the number of working days. The installation allowance is to be granted for a period of maximum 12 months (Article 74 Law no.76/2002, revised by the E.O no. 60/2016).

Working long distances by changing the domicile/residence

Registered unemployed presented at 2.1. I (Article 17 paragraph (1) Law no.76/2002) who accept a job for which they have to move to a different locality more than 50 km away from their domicile/residence, and as a result, change their domicile/residence to the respective locality or its neighbouring localities, they benefit from a tax free relocation allowance, intended to stimulate employment, to cover the cost of living in the new home and/or for family reunification, if the case.

The relocation allowance is granted as follows:

- a. 12,500 lei, if the job is in another locality and, as a result, change their domicile/residence;
- b. 15,500 lei, if are accompanied by their family members and in case of the single parent family, if they are accompanied by their children.

If both spouses meet the conditions for granting the relocation allowance one of the spouse will receive the amount of 12,500 lei and the other spouse will receive an instalment allowance of 3,500 lei.

By exception, if the employer provides for a work related house or pays the related expenses from their own funds, the instalment allowance will be granted as follows:

- a. 3,500 lei, if the job is in another locality and, as a result, change their domicile/residence
- b. 6,500 lei, if are accompanied by their family members and in case of the single parent family, if they are accompanied by their children;
- c. 3,500 lei, if both spouses meet the conditions for granting the relocation allowance.

The relocation allowance will be granted in two instalments as follows:

- a. one instalment equal to 50% on installation date;
- b. another instalment equal to 50% after a 12 month period following the employment date.

If the employer provides a work related house or pays the related expenses, the relocation allowance will be granted in one instalment on the installation date (Article 75 Law no.76/2002, revised by the E.O no. 60/2016).

The mobility allowances (installation and relocation) referred to in art. 74 and art. 75 are not cumulated (Article. 75¹, paragraph 1) and are granted on request.

Bonus

Registered unemployed presented at 2.1. II (Article 17 paragraph (2) Law no.76/2002), who are at least 16 years old and are registered in one of the territorial National Agencies for Employment and find a job in normal working time, for a period longer than at least 12 months receive a bonus paid from unemployment insurance budget equal with the value of reference social indicator, in force (Article 73¹ paragraph (1) Law no.76/2002).

Heating benefits

The programme for heating benefits during the cold season (Emergency Government Ordinance no. 70/2011¹⁶ regarding measures of social protection during the cold season). This is available to families who use thermal energy in a centralized house heating system, persons who use natural gas, wood, coal, oil, and electricity, starting with 2013, are eligible to benefit from these measures.

The Emergency Government Ordinance stipulates the maximum income of a person or a family for being eligible to the heating allowance, and it stipulates allowance amounts for heating with natural gas, wood, coal, oil, electricity and thermal energy in a centralized system.

Maternity Benefits

The insured women (in-work) and the women who lost the job less than 9 months before have the right to maternity¹⁷ benefits for a period of 126 days including pregnancy leave

¹⁶ The G.O no. 70/2011 will be repealed by article 96 of Law 196/2016 on minimum inclusion income starting with 1st of February 2019

¹⁷ For women who lost the job less than 9 months before have the right to maternity, the allowance will computing as the average of the monthly incomes during the last 6 months preceding the date of losing the job

and postnatal leave. The payments are made from the health insurance budget (Article 23 and 25 E.G.O no. 158/2005).

Indemnity for maternal/parental leave

One of the child parents is entitled to receive indemnity and parental leave up to 2 years or 3 years in case of a disabled child (Article 2 paragraph (1) E.G.O no.111/2010)

The monthly indemnity is established at a rate of 85% of the average net income achieved in the last 12 months in the last 2 years preceding the date of child birth and cannot be less than 85% of the gross minimum wage guaranteed in payment (Article 2 paragraph (2), E.G.O. no 111/2010).

The level of monthly indemnity provided for in art. 2 paragraph (2) increases by 85% of the gross minimum wage guaranteed in payment for each child born of a twin pregnancy, triplets or multiples, starting with the second child came from such a birth (Article 5 paragraph (2), E.G.O. no 111/2010).

Persons who, during the period they are entitled to benefit of parental leave provided in art. 2 paragraph (1), receive incomes subject to taxation, are entitled to a monthly incentive insertion in amount of 50% of the minimum amount of indemnity established in Art. 2 paragraph (2).

For people who have incomes subject to taxation, at least 60 days before the child turns 2 years old and 3 years in case of disabled children, the granting of the incentive insertion is extended as follows:

- a) until the child turns 3 years old;
- b) until the child turns age 4 years old in case of disabled child.

In cases when the persons receive the monthly indemnity and ask for the incentive insertion amount, then the monthly indemnity for maternal/parental leave is suspended (Article 7 paragraph (3) E.G.O no.111/2010).